



In some ways it seems a long time ago since the world celebrated the dawn of a new century. While we hoped for peace and prosperity for all, the first years of the 21st century have been quite turbulent.

In Australia, we have seen acts of terrorism on our doorstep and investment markets across the world struggling to move out of a US-led recession. The effects of international tension on investment markets, and the flow-on to super fund members, cannot be underestimated.

The HIP Trustee Board has been monitoring the situation and has made decisions to help ease the impact on our investments. The most significant decision has been to appoint a new asset consultant. From 1 April 2003 JANA Investment Advisers will provide advice to the Board on the Fund's investments. JANA was selected based on a strong history of leading performance returns and their proactive and flexible approach.

We must keep in mind that superannuation is truly a long-term investment and that historically markets recover. However, many of you may have a shorter time horizon, so I encourage you to take time to consider your investment options.

Meanwhile, I can assure you that your Trustee Directors will continue to work hard on your super investment.

**Anthony Wallace, Chairman**

## MORE CHOICE

in where you invest your super

**To give you more investment choice, HIP has expanded the flexibility of investment options. This is particularly important in the current difficult economic and political times.**

These enhancements include:

- the option for members to change their investment choice at the beginning of any month (subject to five working days notice). Previously a change could only be made in May or November
- the addition of a conservative cash option. Members may now choose from the Growth, Capital Stable or Cash options or a combination
- the right to select a combination of options has been extended to all members who have an account balance of \$1,000 or more. Previously you had to have \$20,000 in your account.

**This means that HIP members literally have hundreds of combinations available (see table) ranging from the ultra-conservative 100% Cash Option to the more long term Growth Option with around 86% growth assets exposure. Or, of course, any combination in between.**

### How you can make your own investment options

Some of the investment combinations you can choose from and their allocation to growth versus defensive assets are shown in the table below.

Growth	Capital Stable	Cash	% growth /defensive
100%	+ NIL	+ NIL	= 86/14%
90%	+ 10%	+ NIL	= 80/20%
80%	+ 20%	+ NIL	= 75/25%
70%	+ 30%	+ NIL	= 70/30%
70%	+ NIL	+ 30%	= 60/40%
50%	+ 20%	+ 30%	= 50/50%
20%	+ 70%	+ 10%	= 40/60%
NIL	+ 100%	+ NIL	= 32/68%
20%	+ 70%	+ 10%	= 30/70%
NIL	+ 10%	+ 90%	= 20/80%
20%	+ 10%	+ 70%	= 10/90%
NIL	+ NIL	+ 100%	= NIL/100%

*The above table gives an indicative breakdown only with percentages rounded to the closest whole number. Members with account balances of \$1,000 or more can choose any combination provided the percentage selected in each choice is a whole number and the sum of the percentages equals 100%.*

Before making a choice, it is important to work out your time horizons, and your own personal risk profile. You may need to seek the assistance of an independent financial planner. The Growth Option is considered to be a long-term strategy, "long-term" being a long enough period of time to absorb the low returns and take advantage of the highs – generally speaking five years or more. If you are likely to collect your superannuation in less than five years, or you have an aversion to risk, then you can adjust your investment selection

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# NEW MANAGERS FOR YOUR MONEY

## HIP appoints JANA

**The HIP Trustee Directors have decided to appoint a new investment manager to the Fund to replace current adviser, ipac who has provided investment advice since February 1998. From 1 April 2003 JANA Investment Advisers will be the Fund's asset consultant.**

JANA boasts impressive results across a number of superannuation industry rating surveys. It has beaten the Mercer median average by a significant margin on a one, three and five-year basis. Average return for funds under JANA's advice for the three years to December 2002 was an impressive 4.2% pa (compared to the Mercer median return of 1.3% pa).

Founded in 1987, JANA has built an impressive client base and performance record. JANA provides advice to a wide range of Australia's super funds and advises on the superannuation investments of over 3.1 million Australians totalling a massive \$47 billion.

In December 2000, JANA was purchased by the National Australia Bank (NAB). While remaining a stand-alone business, JANA benefits from NAB's depth of resources and market strength.

John Coombe, JANA's principal adviser to HIP, explained that JANA is unique as its sole business is providing advice on strategic asset allocation and portfolio construction to clients like HIP – "We are not distracted by other lines of business or conflicting priorities."

JANA is known for the quality of research in respect of both manager selection and asset allocation. It looks for managers who exhibit a disciplined process and style and who demonstrate outstanding qualities. This process is also supported by JANA's association with global research agency, Intersec Research Corporation.

HIP chairman, Anthony Wallace, welcomed the appointment of JANA, saying the Board had undertaken a thorough examination of the leading consultants but in the end were impressed by JANA's strong track record, research processes and flexible approach in tailoring solutions to each client.



*Anna Shelley and John Coombe from JANA.*

**"The Directors felt that JANA is best placed to produce the long-term growth and protection against short-term volatility that HIP is seeking to provide members" said Mr Wallace.**

# INVESTMENT UPDATE

**The early part of the 2002/2003 financial year has continued to be an unnerving time for investors including superannuation fund members.**

Concerns about the Middle East crisis have dominated investor sentiment and declines in global share markets have led most superannuation funds, including Health Industry Plan, into negative results for their balanced and higher growth investment options.

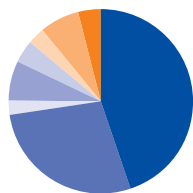
The US share market recorded its third straight year of negative returns – the first time this has happened since World War II. Overall, international shares fell by 12.5% during the first six months of this financial year and 27.4% for the 2002 calendar year.

- On a positive note, the strength of the Australian economy allowed the local share market to negate some of the international influences, falling by a more moderate 4.5% in the first half of 2002/2003 and 8.6% in 2002. Cash and bonds were healthier with better returns in the first half of 2002/2003.
- Both international and Australian bonds gained just over 6%. Australian listed property was also up 5%.

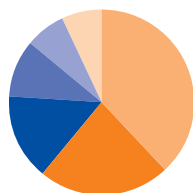
### So what does this really mean?

For a start, the Australian sharemarket has truly outperformed the US and other international sharemarkets.

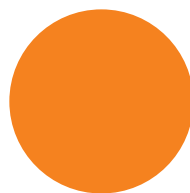
And although HIP has international shares, particularly in the Growth Option, HIP's greater exposure to Australian shares has produced a better return as a result. Greater exposure to Australian and international fixed interest and property securities helped the Capital Stable Option produce a slightly positive result last financial year and improved results so far this year.



Growth Option



Capital Stable Option



Cash Option

- Australian shares
- International shares
- Australian listed property
- Global emerging markets
- Private equity
- Cash
- Australian bonds
- International bonds

Results for the first half of the current financial year:

- Growth Option – negative 3.5%
- Capital Stable Option – positive 1.6%
- Cash Option – positive 1.0% since commencing in September 2002.

HIP's long-term performance remains strong with an average return of just on 10% pa since inception in 1988.

### Ongoing investment review

The Trustee Directors are committed to addressing the challenges of this investment period and continue to review the structure and performance of HIP investments.

In recent times the following changes have been made:

- appointing additional share managers to increase diversification and reduce risk within the international shares portfolio
- ceasing the flow of new capital into international shares until there are signs of a global recovery
- appointing Citigroup to add reliability to the return in the listed property sector
- appointing BlackRock and PIMCO to provide exposure to corporate bonds which is expected to enhance the returns in international fixed interest
- introducing the BGI Equity Market Neutral Fund, which is expected to deliver reliable positive returns regardless of market conditions.

New asset consultants JANA are expected to recommend further changes in the near future with the aim of improving HIP's short-term

risk, while still focussing on long-term performance.

### Where is my super invested?

Your super is invested in a number of asset classes and managed by a group of complementary investment managers. HIP's Trustee Board decides where the money is invested with advice from the Fund's asset consultant. Below we outline the current investment holdings.

#### Australian shares

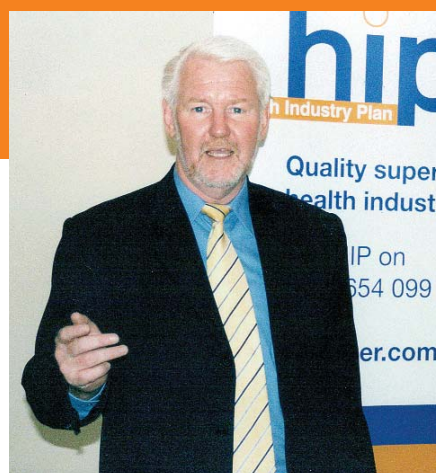
The Growth Option has a target asset allocation of 46% in Australian shares and the Capital Stable Option 15%. HIP currently uses three Australian share managers – Maple-Brown Abbott (value), AMP Henderson (growth) and Barclays Global Investors (style neutral). A 'growth' manager looks at shares that will produce gains from expected growth in companies' earnings. On the other hand a 'value' manager buys shares when they are undervalued and sells when they are considered to be over-priced.

The shareholdings supporting this commitment to the Australian market include NAB, BHP, News Corp., ANZ, Telstra, Westfield and Woolworths.

#### International shares

The Growth Option has a target asset allocation for international shares of 28% and the Capital Stable Option 10%. The current manager line-up is Wellington LLC (style neutral), Bernstein Investment and Research (value) and Dresdner RMC (growth).

HIP participates in all major share markets with a higher percentage in the US because of its position in the global economy.



Ross Bernays, CEO of HIP, explaining investment options to new members.

HIP has additional international exposure with a 3% investment in emerging markets, ie Asia and South America. Investment in these markets can be quite volatile but is expected to produce strong returns as the international investment scene improves.

#### Australian listed property securities

Listed property securities like shares are considered to be growth assets. The Growth Option has a target asset allocation of 6% in property securities and the Capital Stable Option 7%. Listed property securities are collective property investments listed for trade on the stock exchange.

#### Private equity

Recently HIP introduced an investment in private equity through Macquarie Bank and Harbourvest. Private equity investments are long-term investments generally in infrastructure programs such as tollways, tunnels, airports etc. Approximately 3% of the Growth Option is currently committed to private equity.

#### Fixed interest

Fixed interest is a defensive investment, involving trading in government and semi-government bonds, purchased at a guaranteed rate of return generally over a longer term. In the case of international fixed interest, the investment also includes corporate bonds. The Growth Option has 10% invested in fixed interest and the Capital Stable Option 45%.

#### Cash

Cash is the most secure of defensive assets. 4% of the Growth and 23% of the Capital Stable Option is invested in cash. 100% of the Cash Option is cash, in secure instruments like bank bills. Alliance Capital Management manages HIP's cash portfolio. Cash investments for the first half of 2002/2003 returned 2.5%.

Remember, if you have \$1,000 in your HIP account, you have the right to choose the investment strategy or combination that best suits your own personal circumstances.

If any of the terms used in *Inform* are unfamiliar please try out our 'super dictionary' on [www.hipsuper.com.au](http://www.hipsuper.com.au)

## Chief Executive Officer

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SuperPartners Industry Funds Administration  
**Phone 1300 654 099** anywhere in Australia  
for the cost of a local call.

Health Industry Plan

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accordingly.

It is important to consider that when markets take off again, the more conservative options are expected to produce lower returns than the Growth Option.

If you do not make a choice (or if you have an account balance under \$1,000) you are automatically placed in the Growth Option.

But remember, ultimately the choice is yours so choose the investment option/s which best suits your personal circumstances.

To make a choice simply call 1300 654 099 to get an information booklet and form. If you are happy with the Growth Option then you do not need to do anything.

## HOP ON THE HIP WEBSITE



**HIP's website [www.hipsuper.com.au](http://www.hipsuper.com.au) has had a spring clean and been updated to include more materials, including the latest annual report and investment choice booklet and forms.**

This represents a commitment to giving you all the information you need, 24 hours a day. If you would like to see anything else added on the site please contact us on 1300 654 099 or email [hipsuper@superpartners.biz](mailto:hipsuper@superpartners.biz)

This newsletter has been prepared for information purposes only and does not represent, nor is it intended to represent, advice. No individual should act on the basis of the information contained in this newsletter without considering and, if necessary, seeking appropriate professional financial advice.

## THE PERFECT 10

**Was one of your new years' resolutions to take more control of your super? Or maybe you just want to get your finances in order, with super being one thing on the list.**

To give you a head start towards your goal, take a look at the questions below and see if you know enough about your super to make it work for you.

### 10 questions for healthier super in 2003

Do you know:

✓ Yes

1. Where your annual super statements are? \_\_\_\_\_
2. How many super funds you are a member of? \_\_\_\_\_
3. How to roll all of your super into one account? \_\_\_\_\_
4. Who to call to find any lost super? \_\_\_\_\_
5. How to make your super grow with your own contributions? \_\_\_\_\_
6. About possible tax advantages of contributing to your super? \_\_\_\_\_
7. How to make voluntary contributions to your super? \_\_\_\_\_
8. What your investment option is? \_\_\_\_\_
9. How much insurance you have with your super fund/s? \_\_\_\_\_
10. If your income is protected if you become seriously ill? \_\_\_\_\_

Your score:

\_\_\_\_/10

### Results

**0-3** you probably already know that you need to learn more about your super investment. Your annual report, or the HIP website, would be a great place to look for the information you need, eg rolling your super together into one account, making sure you have made an investment choice that suits you and check your level of insurance.

**4-6** you are definitely on your way to understanding your super, but maybe you should strive for 10/10. The more you know about your superannuation options the more you can make them work for you. Call HIP with any questions.

**7-10** knowing about your super is obviously high on your list of priorities and your account balance will no doubt thank you at retirement. Keep up the good work and don't forget to use [www.hipsuper.com.au](http://www.hipsuper.com.au) as a reference tool!