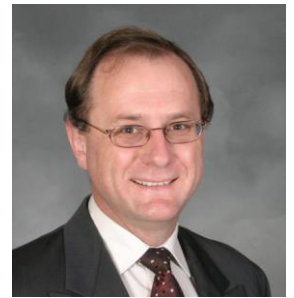




March, 2009

Sunsuper's investment strategy

Sunsuper's Chief Investment Officer David Hartley shares his views on the current state of the markets and explains Sunsuper's investment strategy.



Over the past year, the share market has continued to be characterised by a great deal of volatility. Volatility is not unusual. Periods of high and low returns are a feature of investment markets. Sometimes significant movements can occur over time frames as short as a single day, as we have recently seen.

What has been unusual is the extent of the decline in the value of a number of assets. Investor moods have fluctuated from concern, through panic, to capitulation. Certainly, the failure of Lehman Brothers on September 15 last year was the catalyst for much panic. Only in the last few weeks has some cautious optimism emerged, albeit mixed with a touch of scepticism.

Even in the face of the events of 2008, you can be rest assured that Sunsuper's investment portfolios are designed by our investment team to perform well over a range of time horizons and market cycles.

The other thing to remember is that Sunsuper's diversified investment options are invested across a broad range of asset classes that not only includes shares, but other assets like bonds, as well as infrastructure and property.

Indeed, Sunsuper's range of investment options performed well against its peers during 2008, partly because of our action to reduce risk in 2007.

Looking at the long term

The market is likely to remain volatile during 2009 as optimism and pessimism, opportunism and desperation, fight for dominance.

For those with a long-term perspective, market volatility shouldn't pose a concern as long as they don't allow panic to set-in and remain focussed on the future. Professional investors, like those who manage Sunsuper's fund, are well-positioned to take advantage of the lower prices of quality investments during periods of volatility, which can provide a nice boost to members' super account balances over the long-term.

As I said in previous notes about our investment performance, market declines can provide long-term investors with an opportunity to add extra money to their super at a discounted cost. You'd be happy to buy a car at a discounted price, so why not a well-diversified investment portfolio? As our managers dig through the ruins of companies buried by the events of 2008, we expect they'll emerge with exceptionally good investments that will produce good long-term returns.

You look after your life. We'll look after your super.

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For those with a shorter term perspective, Sunsuper offers a range of investment options that provide shorter term capital protection. It is pleasing that these options have delivered on

their promise of protection even in the face of extreme events of 2008. You should, however, be careful about timing entry in and out of these various options as rebounds can happen as quickly as markets fall. You stand to miss out on some very good returns if you switch at the wrong time.

Unlike many other super funds, Sunsuper provides members with the opportunity to take advantage of market fluctuations through daily unit pricing. However, it is important to realise that a lot of switching of investments, particularly if done in panic, can also subtract a lot of value. Baron von Rothschild's famously quoted advice is to 'buy when there is blood on the streets'; a time when human emotion tempts people to sell.

A simple strategy that I personally follow is to add to my normal monthly super contribution when the markets have fallen sharply. The good sense of this won't always be immediately apparent, but over the long term it should help me to get the best that I can out of my Sunsuper investment.

Where we've been investing your money

Over the past few years, Sunsuper has been progressively directing an increasing amount of investment toward a range of unlisted investments, specifically property and infrastructure.

These investments include retirement villages, airports, sea ports, and water distribution and sewage treatment facilities.

While some don't sound very glamorous, these investments have favourable cash flow characteristics that have, to a certain degree, helped to insulate Sunsuper's investment portfolios from the current market volatility. They are also expected to provide solid long term returns. At the same time, our tactical asset allocation managers have helped to dampen some of the poor listed market returns.

More recently, in the face of the drop in the value of listed assets, we have been topping up our investments in listed share markets. In this way we can be sure we are best positioned to take advantage of the opportunities provided by a recovering market. Within listed share portfolios we have a number of investment managers who, while acting cautiously, have used the current environment to buy shares with excellent long-term prospects at a discount.

Putting this all together means that Sunsuper is well-placed to ride out a bumpy share market and deliver strong, consistent investment returns over the long-term.

David Hartley, Sunsuper CIO

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