

Member News

Are there cracks in your Nest Egg?

Some questions you may be asking yourself.

The share market is showing dramatic volatility this year ! I can't really afford to lose money but I also need to get the best possible return so I have enough to live on in retirement. What should I do?

Unfortunately there are no easy answers to this question. There is no way to guarantee you'll always get the maximum possible return without running the risk of having negative returns over some periods. This is the nature of superannuation investing in shares. To get high returns you must be prepared to accept periods of volatility and even periods of negative returns.

This hasn't been the case over the past four years. Returns from Christian Super have been consistently high, with very little volatility.

Yes - recent years high returns may have lulled you and many other fund members into a false feeling of security about the possible future returns on your investments. All super fund prospectuses, including Christian Super, constantly remind members that past returns are not necessarily a guide to future returns. 2008 is likely to be a challenging one for fund managers and trustees because of the uncertainties about the extent of the subprime mortgage crisis in the United States. If the US market performs poorly, this could have a flow-on effect to other markets and dampen world growth prospects.

You should also understand that it's possible to avoid the risk of share losses totally by opting for a cash investment or a capital-guaranteed investment. In both cases, after taxes and fees, even with interest rates rising, the annual return is unlikely to be above around 5 to 6 per cent per annum. The longer-run returns from higher-risk options have in the past been substantially higher than this, but the low-risk options offer certainty. So by working out how risk sensitive you are, you can better choose which investment option you want your superannuation invested in.

If 2008 looks like being a year of negative returns, would I be better off switching my current investments to lower-risk options with less chance of loss?

This sounds like a simple solution, doesn't it? The problem is however, usually once you are aware you are entering a period of negative returns (like now), the problem with changing to a lower-risk profile is that you may already be too late and the period of negative returns may be only temporary and returns will improve after that. Trying to pick peaks and bottoms in markets is very difficult, which is why the proven strategy is to pick a risk profile you're comfortable with and stick to it over the longer term. That is why Christian Super prefers to report to members returns over a three year, five year and even a ten year period so that the periods of volatility in the market are evened out.

Does this suit everyone and for every situation?

Individual circumstances and needs vary enormously and advice needs to be tailored to meet these situations. For example, a member who is about to retire in 2008 and is seeking to withdraw some or all their super would need to consider moving some or all their investments to lower-risk options such as cash investment. The point is that these members don't have the luxury of time on their side to allow for the recovery of markets if they fall between now and when they retire, whereas most members do have the ability to "wait it out" so to speak.



What about members who want to leave their money in super and draw an annual pension to live on?

There's a case for these members to consider investing a proportion of their money in lower-risk options such as cash, so the money will be there to fund the pension payments. This will avoid the need to realise part of more risky longer-term assets when prices are down to fund the pension payments or other cash needs.

Referenced from article by Daryl Dixon
Sydney Morning Herald
January 20, 2008

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How does the US subprime crisis affect my Super?

You would have heard a lot of talk recently about the “subprime” crisis in the United States. Subprime refers to money lent to borrowers who would not normally qualify for loans, because of a poor credit history or low income. Subprime loans are generally offered at interest rates that are higher than the normal interest rate, because they are considered to be higher risk.



Subprime loans have been around for a long time, however in the last decade they had been steadily increasing as a proportion of total US bank lending, from 6% in 1996 to 20% in 2006. Compounding this problem was that banks recently started offering “honeymoon periods” where the interest rate on these loans was initially very low, but then reset to a high rate after a short time period (eg 1 year). The past year saw an unusually high number of defaults on these loans, which in turn caused losses for the banks, falls in property values as banks tried to sell the properties to recover their losses, and a general fall in global share markets, including Australia. Some investment hedge funds were hit particularly hard, and a number of companies have declared bankruptcy or reported significant losses.

Investment returns to 31 December 2007*

Investment Option	1 Year	3 Years	5 Years
Ethical Shares	6.9%	12.9% pa	12.9% pa
Ethical Growth	5.0%	10.3% pa	10.3% pa
Ethical Balanced	5.5%	9.1% pa	n/a
Ethical Stable	4.3%	7.2% pa	7.1% pa
Ethical Cash	4.9%	4.7% pa	n/a

* All returns are shown after tax and fees. Refer to our website for monthly updates and Pension Options returns.


So what can we learn from the subprime situation? Firstly, we must always remember that share markets can be volatile. Superannuation is a long term investment, and it's important to focus on long term returns. When making investment decisions, you need to consider your investment time frame, and avoid switching frequently. Recent internal research is showing that members who switch more than twice in a calendar year earn (on average) 1.5% **less** than those who don't switch at all. This is because those who switch often do so after a market drop, and thereby miss out on any subsequent rebound. This doesn't mean you shouldn't change options, but it does show that you should be making long term decisions, not reacting to the past few months of performance.

Superannuation is a long term investment, and it's important to focus on long term returns.

Secondly, subprime is a reminder that seeking high investment returns leads to higher risk. Some of the hedge funds affected had posted very strong returns for a number of years, however lost significant amounts of money when the crisis hit. It was not unexpected - questions had been raised as early as 2003 about some of the lending and valuation practices surrounding subprime loans. Making an extra 5% each year for a few years doesn't look so attractive if you lose 60% of your investment at the end.

Thirdly, subprime reminds us that we should not divorce our efforts to produce strong performance from our Christian ethics. Predatory lending - lending to people who are vulnerable to steadily increasing credit limits, honeymoon interest rate offers or other financial gimmicks - is something that we should avoid investing in. Christian Super's Ethics Committee discussed this very issue in 2006 and will shortly be producing a position paper. Christian Super's direct exposure to subprime loans was less than 0.25% of our portfolio. Without our ethical investment principles this exposure may have been much higher.

Tim Macready
Chief Investment Officer



Have you made any New Year's resolutions this year? As 2008 gets started, we thought it might be fun to offer our list of superannuation focussed resolutions for 2008.

Have you made any New Year's resolutions?

Popular New Year's resolutions (with a superannuation twist)

Get a better job or be more organised

Have you changed jobs recently? Thinking about changing? You can take your super with you to almost any job you have. Do you want to get more organised? You can also move other superannuation accounts that you might have from other jobs to Christian Super to save on paying fees to more than one super fund. Why not roll over your other superannuation funds into Christian Super?

You can also get more organised by registering for online Member Access, so you can access your superfund account details and advise changes whenever you want via the Internet. Call 1300 360 907 to register for Member Access or to obtain rollover forms.

Get into shape and be healthier

A steady program of exercise and good eating is much better than fad diets and short term intensive workouts! How is your overall financial health? Do you have clear financial goals including what you want from your superannuation? Are you putting aside just the 9% compulsory contribution to super, and have you considered whether you should be making some additional contributions this year?

Take a long term, steady view about your super and don't be scared or get distracted by short term fads and money making schemes - sustained health is achieved when you take a long term view.

Get a better education

Do you understand your superannuation fund and how it is working for you? Visit our website and have a look at the member education pages to learn about Christian Super, and how we aim to maximise your retirement benefit with an ethical investments focus.

Reading our articles in our regular Member News is a good way to keep on top of what is happening in superannuation.

Family

More time for family and relationships is always a popular resolution. In caring for your family, make sure that you have a legal will in place should something happen to you and that you have notified us of your beneficiaries - particularly if these may have changed over recent times.

Also, you should regularly review the level of death and disability cover that you have, and whether this is enough to look after your family if you should die or are unable to work for an extended period.

As you move into 2008 the staff of Christian Super National Office pray that it will be a year of accomplishment - not just in relation to your super (although we tend to be focused on that) but in all areas of your life. And, remember God's place in your life!



Who will run your Fund?

You will have been sent with this Member News a ballot paper and reply-paid envelope for voting by post. Your ballot paper contains a unique and randomly generated six-letter ballot code. This personal ballot code ensures that you are able to vote anonymously and securely.

This election, we are encouraging all members to vote online. Voting online is:

- Easy
- Convenient
- Secure and anonymous

And most of all it enables you to elect your representatives who will govern your National Christian Superannuation Fund for the next three years.

Simply go to www.christiansuper.com.au and click on the "Trustee Election" link on the right hand side, under "Latest News." From here, you can learn more about the candidates and place your vote.

You must vote before 5:00pm on Thursday 20th March. If you change your mind before this time, simply vote again using the same ballot code, and your previous vote will be ignored.

Christian Super appoints new CEO

Christian Super has recently appointed Peter Murphy as its new CEO, starting from 25th February. Peter brings experience from a wide range of roles and has previously worked for Macquarie Bank, Baptist Community Services and Morling College. His appointment brings a new set of opportunities to the Fund as it continues to move forward, and Peter will work closely with existing Christian Super staff at our dedicated National Office.

Senior management staff in our National Office have an average of over 12 years of experience in the superannuation industry in a range of roles and with a variety of superannuation organisations. Our expert staff is well respected within the industry and regularly attend industry conferences. The Fund has recently received recognition as a nominee for Sustainable Super Fund of the Year and fund staff have received requests to present at superannuation and investment conferences and seminars.

Superannuation is a highly regulated industry, overseen by three separate regulatory bodies (APRA, ASIC and the ATO) following stringent legislative guidelines. In looking after your retirement savings, Christian Super uses the services of external industry experts in investments, compliance, administration, insurance, legislation and ethics.

You are always welcome to call our National Office staff who genuinely care about our members and their superannuation. Call 1800 45 1566.

KEEPING IN TOUCH

- Call the **Helpdesk on 1300 360 907** (local call cost)
- Log on to www.christiansuper.com.au
- Write to **Christian Super**
Locked Bag 5073, Parramatta, NSW 2124
- Fax 1300 367 828**
- Email helpdesk@christiansuper.com.au**

DISCLAIMER

The information in this newsletter is of a general nature and is provided in good faith - the Fund does not guarantee its accuracy. Readers should seek advice specific to their situation.

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Lost member update 2008

You may be wondering if you have lost track of some superannuation money from prior years. It's easy for you to check the Lost Member Register that is operated by the Australian Taxation Office - call 13 10 20 or use their SuperSeeker at www.ato.gov.au/super.

We have lost contact with some of our members. If you know one of them please tell them to call our Helpdesk on 1300 360 907.

Phillip Bentley	Natasha King-Tomlins
David Bruce	Lisa Kinsella
Susan Bruce	Brenton Knight
Deborah Bunn	Jocelyn Lane
David Burton	Lachlan Mabus
James Casey	Samuel Malabanthi
Tracey Cattana	Craig Mansour
Daniel Charman	Nigel Marsh
Susan Cornish	Helen McLean
Sharon Crean	Tyson Muenchow
Henry Denne	Colin Nelson
Orlando Dos Santos	Tim O'Connor
Mary Dos Santos	Walter Parker
Scott Garwood	Julia Pope
Poppy Gee	Tapu Rea
Brian Giesner	Darryl Reineker
Brendan Gilbert	Julie Reurich
Virginia Gillam	Rebecca Rodger
Timothy Gleeson	Karyn Rogers
Joan Growden	Sandro Schietroma
Robert Henderson	Janelle Sennett
Kathryn Hohnberg	Peter Thompson
Loren Ireland	Lee Turnbull
Koren James	Hayley Van Duijn
Rebecca Jeffery	Lisa Wray
Mark Kenzie	



CERTIFIED BY RIAA

Christian Super has been certified by RIAA according to the strict disclosure practices required under the Responsible Investment Certification Program. The Certification Symbol signifies that an investment product or service takes environmental, social, ethical or governance considerations into account along with financial returns. See www.responsibleinvestment.org for details.

