Goldman Sachs JBWere Superannuation Fund

Newsletter

December 2008

Topics covered in this newsletter:

For further information, limited financial advice or to make changes to your Fund arrangement, simply:

Call the Helpline on **1800 025 026**

Check the website **www.superfacts.com**

Strategy Review

The Trustee conducts regular reviews of the benefits and services provided to Fund members to ensure they remain relevant and appropriate. The following is a summary of the major decisions following the most recent strategy review.

Definition of Spouse

Federal Parliament recently passed legislation affecting Commonwealth superannuation schemes. Under the Superannuation Industry (Supervision) Act the definition of "spouse" and "child" has been changed which will affect all superannuation funds.

Under the old legislation, a person with a same sex partner did not automatically qualify as a dependant if their partner died and a death benefit was payable. The death benefit could only be paid to them if they could demonstrate that they were in an "interdependency relationship" with their partner.

Under the revised definition of "spouse" people will no longer have to prove the dependency status of their relationship. Also, children of same sex relationships are now more clearly dealt with. Other implications will be that members' same sex partners will be eligible to join the Spouse Division of the Fund, and can split contributions with their same sex partner.

This change is now operative in the Fund. If you would like an application form for the Spouse Division, or a death benefit nomination form please contact the Helpline on 1800 025 026 or log onto the website www.superfacts.com.

Insurance for Retained Division

Previously, once you left employment with GSJBW, your insurance cover ceased after 60 days. The Trustee is now looking to provide Death and Total & Permanent Disablement insurance to members who have left GSJBW but who remain in the Retained Division of the Fund. These new arrangements are scheduled to come into effect by 1 July 2009. Further information will be provided closer to the date.

Death Benefits as Pensions

In response to member enquiries, the Trustee has begun investigating the option of paying death benefits to members' beneficiaries in instalments, for example in the form of account based pensions. We will continue to update you on the progress of these investigations.

Member Investment Choice

The Trustee considered introducing Member Investment Choice (MIC) to the Fund, but decided against doing so.

The Fund's investment objective is to provide a five year rolling net return that is equal to or above the median of balanced pooled investment managers as measured in the Mercer Pooled Fund Survey over the long term (5 year rolling average). In order to do this the Trustee aims to maintain a benchmark allocation in each asset class (eg equities, property, fixed interest etc).

Introducing MIC would require expansion of the Fund's Investment Policy and increase the administrative and investment costs. The Trustee does not consider at this stage that there is sufficient demand across the member community to warrant these additional costs.

Salary Continuance Insurance – New Limit

The maximum amount of Salary Continuance Insurance cover you can potentially obtain under the Fund's insurance arrangements without providing any health evidence has increased from $8,000 per month to $12,500 per month ($150,000 per annum) with effect from 1 December 2008.

If you have previously provided health evidence and had your cover restricted, those limits will still apply. If you would like to take out or increase your Salary Continuance Insurance cover, please call the Helpline on 1800 025 026.

Change to fees in the Retained Benefits Division

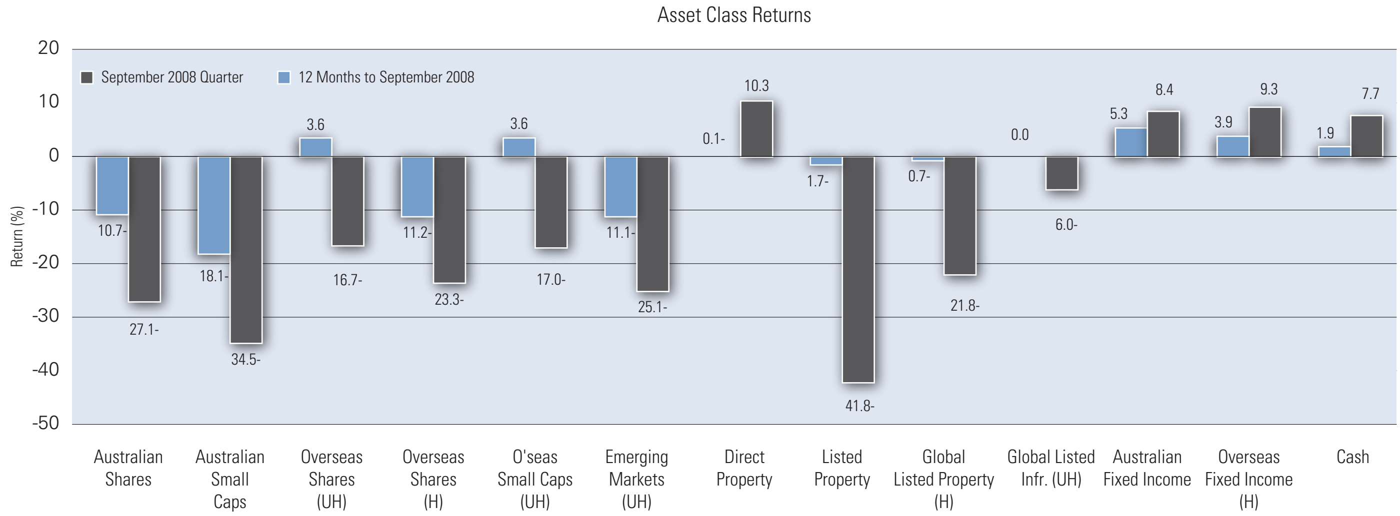
Due to growing administration costs the Trustee feels it is necessary to pass some of these on to members of the Retained Benefits Division.

As a result, the annual administration fee, which applies to all members in the Retained Benefits Division, will increase to $400 per annum from 1 January 2009.

Please note that there is **no change** to fees in any other Division of the Fund. Therefore no direct administration fees are charged to members who are currently employed by GSJBW.

Investment update

Market and Economic Conditions – September 2008 Quarter



Data source: Thomson Financial Datastream; MSCI. Data provided 'as is'

The September quarter saw the majority of asset classes sold off due to worsening market stress from the global credit crisis and weakening global growth.

Equity markets began the third quarter poorly following the downtrend from June. This was attributable to banks' continuing write-downs of credit exposures and market concerns over a slowing global economy. The downtrend was reversed in August when the US published better than expected economic data and the oil price fell sharply. Both the RBA and the US Federal reserve left interest rates unchanged in August. The global financial landscape saw remarkable change in September, as worsening credit market conditions culminated in the failure of some major global and US financial institutions and a number of governments introduced salvage plans. Markets experienced considerable volatility and US economic data weakened further.

Globally, bond yields fell over the quarter as markets priced in weaker economic growth. The US Federal Reserve have left interest rates unchanged at 2.0% since April, noting "*downside risks to growth and the upside risk to inflation are both of significant concern.*" Domestically, as expected, the RBA cut rates for the first time since December 2001 bringing the cash rate down to 7.0%. Economic data published in September showed signs of weakness in the local economy, which supported the expectation of the central bank continuing an easing policy cycle.

Key developments during the quarter were:

- As expected, the RBA commenced its interest rate easing cycle by cutting the official cash rate by 25 bps to 7%. The first interest rate cut since December 2001.
- Domestic economic highlights: consumer confidence increased despite slumping to its lowest level since January 1992 in August, employment figures remained strong, 2Q GDP growth was lower than expected and business confidence fell to its lowest level since September 2001.
- The US Federal Reserve left interest rates unchanged at 2.0% noting "downside risks to growth and the upside risks to inflation are both of significant concern."
- US economic data was mainly negative. Employment, trade deficit, retail sales, industrial production and total housing start figures all worsened over the quarter. Whilst in September consumer sentiment saw its largest rise in four years, attributable to a falling petrol price.

- There were significant changes in the global financial landscape. The US Federal Government announced the nationalisation of mortgage giants Fannie Mae and Freddie Mac, as well as acquiring an 80% stake in AIG. Lehman Brothers filed for Chapter 11 bankruptcy and Merrill Lynch was acquired by Bank of America.
- US treasury announced the $US 700 billion Trouble Asset Relief program (TARP) aiming at taking toxic assets off the balance sheets of financial institutions.
- A number of countries, including the US, UK and Australia, introduced prohibition against short-selling
- In July the ECB raised interest from 4.0% to 4.25%, the first increase in 13 months.
- The price of oil dropped 28.1% over the quarter closing at US$100.70/barrel.
- Gold declined 6.0% over the quarter to close at US$869.60/oz.

Australian Shares

The Australian share market lost ground over the September quarter with the S&P/ASX300 dropping 10.7%, bringing the twelve month return down 27.1%. Concerns over global growth, worsening market stress from the credit crisis and sharply declining commodities prices saw a massive sell off in equity markets in the month of September which engulfed the 4.0% gained in August.

Resource stocks plummeted as major commodities (Oil, Aluminium, Copper and Nickel) all lost ground due to concerns over global growth prospects. Materials (-30.8%) and Energy (-18.5%) were the hardest hit sectors, conversely Healthcare (+9.5%) made a strong positive contribution to the index.

Financial companies dominated the positive contributors list, whilst resource giants BHP Billiton (-28.7%) and Rio Tinto (-37.4%) provided the biggest drag on the index.

Overseas Shares

Global equity markets lost significant ground over the September quarter. The MSCI World ex Aus index returned -11.4% in local currency terms. Major financial markets were overwhelmed by chaos emanating from the global credit crisis which culminated in the failure of a number of major global financial institutions. A number of governments introduced market salvage plans including: prohibition against short-selling and the US Trouble Asset Relief Program (TARP). With the strong depreciation of Australian Dollar, the return for hedged investors was enhanced to 3.6% over the quarter.

All major markets lost ground over the quarter with Canada (-18.1%) and Japan (-17.5%) topping the list in local currency terms. North America as a region returned 9.1% in Australian Dollar terms attributable to the 17.8% depreciation of the AUD against the USD.

Property

With credit availability tightening in light of the global financial landscape, debt financing was a significant concern affecting investment returns for both global listed and domestic listed property funds. Global Listed Property (UBS Global Investors Hgd Index) and Domestic Listed Property (S&P/ASX 300 Property Trust Index) returned -0.7% and -1.7% respectively over the September quarter. Direct Property (Mercer Unlisted Property Index) dropped an estimated -0.1% over the quarter, returning +10.3% for the year to finish ahead of all other asset classes.

Fixed Income and Cash

Early September saw the Reserve Bank of Australia cut interest rates for the first time since 2001, bringing the cash rate down to 7%. With weakening domestic economic data and global financial conditions deteriorating markedly, the market priced in further rate cuts for the next 12 months. Over the quarter the yield curve moved sharply downward across the maturity spectrum. Australian ten year bond yields fell a massive 106 bps to 5.39%. Domestic bonds performed strongly with the UBS Composite Bond Index returning 5.3% for the quarter, as investors flocked away from the slumping equity market.

Overseas bond markets rallied strongly as global growth weakened and risk averse investors sought a ‘flight to quality’. The US ten year bond yield fell 15 bps to 3.82%. The Citigroup World Government Bond index and the Lehman Global Aggregate index returned +3.9% and +2.0% respectively on a fully hedged basis over the quarter and +9.3% and + 7.0% over 12 months as global bonds outperformed most asset classes.

Currency Markets

Over the September quarter, the Australian dollar depreciated against all major currencies. The local currency returned -17.8% against the US dollar, -8.2% against the Pound, -17.7% against the Yen and -7.8% against the Euro. The Australian dollar returned -13.6% on a trade weighted basis.

Selected Market Indicators Commentary for the Month Ending 31 October 2008

October saw sharp declines in both domestic and global equity markets with an enormous amount of volatility due to a sharp worsening in the financial crisis, a deteriorating outlook for global growth and fears of a global recession. Domestic bonds rallied after yields plunged due to the RBA’s substantial rate cut. Global bonds were extremely volatile: US 10-year bond yields ended the month higher. Listed Property Trusts fell significantly with debt refinancing an ongoing concern.

Significant developments over the month were:

- Early October saw the Reserve Bank of Australia (RBA) cut official interest rates from 7.00% to 6.00%.
- The Australian government announced a scheme to ‘guarantee’ bank deposits for the next 3 years. In addition, the government also announced a $10.4bn spending package to help counter the credit crisis’ impact on Australia’s economy.
- Domestic economic data released was weak. Consumer confidence dropped 11.0% in October following a 7.0% jump in September and the unemployment rate jumped to 4.3%. Whilst CPI declined from 1.5% in Q2 to 1.2% in Q3.

- On 8 October, the US Federal Reserve, the ECB, the Bank of England, Bank of Canada, Swiss National Bank and Sveriges Riksbank cut their respective cash rates by 50 basis points in an attempt to ease the impact of the credit crunch. Despite the rate cuts, equity and credit markets remained under intense pressure. The US Federal Reserve announced a second rate cut of 50 bps in late October.
- A number of government rescue packages were announced, including: bank deposit guarantees, direct equity stakes in financial institutions, liquidity provisions to financial institutions and the US $700bn TARP package, which was finally passed by the US Congress in early October having failed on the first attempt in late September.
- US economic data was very poor. GDP fell an annualised 0.3% in Q3. Employment, industrial production, retail sales, consumer sentiment and total housing start figures all worsened over the month.
- Oil ended the month at US$68.10 (WTI) per barrel, down 32.4% from its September close. Global economic weakness, higher than expected US inventory levels and a selling of oil exposed equities drove the sell off. An announcement by OPEC that production levels would be cut did little to help.
- Gold followed other commodities lower as the US Dollar strengthened. It closed the month at US$739/oz, retreating 15.7% to its lowest monthly close since August 2007.

The median returns of the Mercer Pooled Fund and Capital Stable Fund Surveys for October 2008 were -8.1% and -3.2% respectively.

Australian Shares

The S&P/ASX300 index fell 12.9% over October, its worst monthly fall since October 1987. This followed the 10.4% collapse in September bringing the twelve month return down to minus 38.3%. Small cap stocks (-24.8%) underperformed their large and mid cap counterparts. No sectors posted positive returns over the month. Resource stocks were particularly weak as the global economic picture continued to worsen and commodities prices slumped. Property Trusts was the worst performing sector. It declined 25.4% over October and 56.4% over twelve months. Whist traditional defensive sectors including Healthcare (-2.8%), Utilities (-4.4%) and Consumer Staples (-5.8%) performed better.

Overseas Shares

The MSCI World ex Aus index lost -16.6% in local currency terms. With the AUD depreciating 16.4% against the USD over the month, the return was enhanced for unhedged investors to -2.9%. Emerging markets underperformed all other markets in AUD terms. The MSCI Emerging Market Index lost 13.2% and is now down 38.7% over twelve months. All major share markets lost ground in local currency terms. The Dow Jones returned -14.1%, the S&P 500 -16.8% and the NASDAQ -17.4%. In Europe the FTSE 100 (UK) returned -10.7%, the DAX (Germany) -14.5% and the CAC 40 (France) -13.5% in local currency terms. Asian markets also saw a massive sell off. The Hang Seng (Hong Kong) returned -22.5%, the Shanghai Composite (China) -24.6%, the Indian BSE 200 (India) -26.4% and the Nikkei (Japan) returned -23.8%, again all in local currency terms.

Property

Domestic listed property trusts (A-REITs) dropped by 25.4% over October. The sector faces significant problems in refinancing debt in the face of a slowing economy. Domestic unlisted property returned an estimated 0.0% over the month.

Fixed Interest

After the 100bps rate cut by the RBA, Australian ten year bond yields ended the month significantly lower, falling 24bps to 5.15% at month end. The UBS Composite Bond Index returned +2.0% for the month. Despite the two 50 bps rate cuts by the US Fed Reserve, US ten year bond yields finished 14bps higher at 3.96% by month end. The Citigroup World Government Bond Index and the Lehman Global Aggregate Bond Index returned +0.9% and -0.8% respectively, on a fully hedged basis.

Currency

The Australian Dollar depreciated 16.4% against the US Dollar, 22.5% against the Yen (to a seven-year low), 7.7 against the Pound Sterling, 7.4% against the Euro and 13.7% on a trade weighted basis. Weaker commodities prices lower interest rates and the off-shore sale of domestic equities contributed to the decline.

Fund performance

A summary of the Fund's monthly crediting rates since 1 July 2008* is set out in the following table. The returns on the Mercer Pooled Fund Survey for Balanced Funds (the Fund's benchmark) have been included for comparison.

Month	Account based pensions - crediting rate for the month	Other accounts - crediting rate for the month	Mercer Pooled Fund Survey Balanced Median for month
July 2008	-2.40%	-2.20%	-1.4%
August 2008	4.09%	3.75%	3.6%
September 2008	-5.47%	-5.02%	-5.0%
October 2008	-7.81%	-7.16%	-7.90%
4 months to 31 October 2008	**-11.47%**	**-10.53%**	**-10.62%**

Given the significant market volatility in recent weeks and months, it is important to remind Members that superannuation is a long term investment. Under the Fund's Investment Strategy, our investment objective is to provide a five year rolling net return that is equal to or above the median of balanced pooled investment managers, as measured in the Mercer Pooled Fund Survey over a five year rolling average. The following table* demonstrates the Fund's strong performance relative to the benchmark over the longer term (5 and 10 years).

	30 June 1999	30 June 2000	30 June 2001	30 June 2002	30 June 2003	30 June 2004	30 June 2005	30 June 2006	30 June 2007	30 June 2008	Average 5 year return pa	Average 10 year return pa
Fund Crediting Rate	16.55	15.45	13.64	-1.7	2.2	13.55	22.1	23.7	18.1	-7.2	13.5	11.8
Benchmark†	8.5	13.0	5.4	-4.5	-2.2	13.7	13.0	15.7	14.6	-9.4	9.1	6.4

† Mercer Pooled Fund Survey Balanced Median

Remember that you can look up the Fund's most recent crediting rates on the Fund website www.superfacts.com, at any time.

Fund Website – www.superfacts.com

You can access the Fund's website at any time - www.superfacts.com.
Helpful information about superannuation is freely available without any access code:

Recent articles, webinars and podcasts include:
Understanding super;
Transition to Retirement; and
Do you act rationally when making investment decisions.

Electronic provision of documents

In order to reduce the Fund's impact on the environment, the Trustee tries to issue as many documents as it can electronically rather than printing and sending them to members. Documents such as this newsletter are emailed to all Goldman Sachs JBWere employees and are made available on the intranet and on the Fund website.

This year a number of members elected to receive all Fund documents electronically (including annual benefit statements). In order to reduce further the amount of printed material issued by the Trustee, the Trustee is requesting **all** members consent to receiving all Fund documents electronically and providing their preferred email address for receiving Fund documents. If you do not have access to email you will still be provided with a hard copy of Fund communications at no cost.

All members currently employed by Goldman Sachs JBWere will be contacted by email shortly and asked to consent. If you want to provide your consent now you can print the form from the website and send it to the address below, or simply call the Helpline on 1800 025 026.

Retained Benefits Division members can provide their consent by calling the Helpline on 1800 025 026 or by going to www.superfacts.com printing the form and then sending it to the Fund at:

Goldman Sachs JBWere Superannuation Fund
c/o Mercer Human Resource Consulting GPO Box 9946
Melbourne VIC 3001

AIG Life

In September 2008, the Chairman of the Trustee advised that the Trustee would continue to monitor the Fund's insurer American International Assurance Company (Australia) Limited (AIG Life) as a result of the financial position of AIG Life's parent company American International Group, Inc (AIG).

As stated in communications issued by AIG Life, the insurer is a separate legal entity to AIG. They advised in September that they were 'solvent', and continued to meet Australian Prudential Regulatory Authority's capital adequacy requirements.

Also in September 2008 there was an announcement that the Federal Reserve Bank of New York would provide a two-year, US$85 billion secured revolving credit facility to AIG. According to a statement issued by the Board of Directors of AIG, this transaction would 'ensure that AIG can meet its liquidity needs' and 'policyholders of AIG companies around the world can rest assured that AIG's commitments will continue to be honoured'.

In an update provided to the Trustee by AIG Life on 12 November 2008, it was advised that AIG had restructured agreements with the US Treasury and Federal Reserve - the credit facility would be reduced to US$60 billion over 5 years.

In the same update, AIG Life advised that it is not directly affected by the restructure, and that it continues to 'remain solvent and well capitalised with its credit rating remaining at A+'.

The Trustee has decided not to change its insurer at this time, but we continue to monitor AIG Life.

*It is very important to note that past performance is not a reliable indicator of future performance.

Important Note:

The information in this newsletter has been provided by Mercer (Australia) Pty Ltd ABN 32 005 315 917 (Mercer) which is a corporate authorised representative of Mercer Investment Nominees Limited ABN 79 004 717 533, AFS License No. 235906.

This newsletter has been prepared for the general information of members of the Goldman Sachs JBWere Superannuation Fund. It is not intended to provide financial advice and in particular it does not take into account any member's individual financial objectives, financial situation or needs. Any statements of law or proposals are based on our interpretation of the law or proposals as at 15 December 2008.

We recommend that you seek help from a licensed financial adviser before acting on any information contained in this newsletter. While all due care and diligence has been taken in the preparation of this newsletter, the Trustee reserves the right to correct any errors or omissions. If there are any inconsistencies between the terms of the Goldman Sachs JBWere Superannuation Fund's trust deed and this newsletter, the terms of the trust deed prevail.

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