



# FRIENDS UNIT LINKED SUPERANNUATION INVESTMENT UPDATE

Year ended 30 June 2008

# INTRODUCTION

Welcome to our annual update of investment performance for the year ended 30 June 2008. This Investment Update is to be read in conjunction with your Annual Member Benefit Statement for the year ended 30 June 2008.

## DIRECTORY

### Issuer & Administrator

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ABN 70 050 109 450  
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### Customer Service

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## Terms used in this Investment Update

<b>ABN</b>	Australian Business Number
<b>AFSL</b>	Australian Financial Services Licence
<b>EST</b>	Eastern Standard Time
<b>pa</b>	per annum
<b>FOS</b>	Financial Ombudsman Service
<b>TOWER, 'we', 'us'</b>	TOWER Australia Limited
<b>'you', 'your', 'customer'</b>	the customer

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# CONTENTS

Page **3**

<b>CEO's message</b>	<b>4</b>
<b>Investment information</b>	<b>5</b>
Investment performance	5
Asset allocation	6
Multi-manager investment style	6
Labour standards and environmental, social and ethical considerations	6
Investment in derivatives	7
TOWER's investment objective	7
TOWER's investment strategy	7
Investment option objectives and strategies	8
Risk and volatility	9
Fees	9
Processing of contributions and withdrawals	9
Unit pricing for benefit payments	9
Unit pricing errors and remediation	9
Controls imposed by the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the 'AML/CTF Act')	10
Other important information	10
<b>Enquiries and further information</b>	<b>11</b>
Enquiries	11
Complaints	11

# CEO's MESSAGE

Dear Customer,

I'm pleased to provide you with the Investment Update for the year ended 30 June 2008, and hope you find it informative.

## A turbulent year

As you will know this has been a challenging year for investment and other financial markets. Conditions in investment markets have been very difficult and generally fund balances have been adversely affected by this.

Pleasingly actions by governments and regulators globally are intended to rebuild some stability and we hope that over time market confidence will build and asset values begin to increase again.

In Australia, we've seen the Reserve Bank lower interest rates and the Government move to endeavour to restore confidence in the economy. While the commitment of governments to stabilise the world economy has been received positively, the current market turmoil is a reminder to all that while a global economy can provide businesses with many opportunities, it can also create new risks.

In spite of the market volatility, we urge you to consider your long term investment strategy and to consult your financial adviser before making changes to your investments.

Many leading fund managers have posted negative returns for the past 12 months. In such times, it is reassuring to know that

your investment is being managed by a leading and highly respected multi manager. TOWER investment options are managed by Russell Investment Management Ltd (Russell). Russell is the world's largest multi manager and is the only multi manager within Australia to be rated by Lonsec, an independent researcher, as 'Highly regarded'. Please refer to the investment performance section in this Investment Update for details on each option's performance.

Despite this environment TOWER Group's financial performance has remained strong. This was also highlighted by Standard & Poor's which this year maintained the Rating for TOWER Australia and lifted its outlook for TOWER Australia Group to Positive.

## TOWER's commitment

This performance could not have been achieved without the outstanding commitment of our people. I look forward to the coming year and more opportunities to deliver high quality products and customer service to you.

Thank you for entrusting your funds to us.

We will continue to take close attention to the stewardship of your investments.

Yours sincerely,



**Gavin Pearce**  
CEO Investments  
TOWER Australia Group Limited



Gavin Pearce,  
CEO Investments

# INVESTMENT INFORMATION

## Investment performance

The calculation of investment performance is based on the movement of unit prices for the unit linked investment options over the period reported. The returns shown below are calculated after the deduction of any tax, asset management charge and investment costs attributable to the investment option, and before the deduction of any other fees and the calculation of rebates that may be applicable to your policy. Performance

returns are the annual returns for the investment option as a whole.

Current performance returns are updated at the end of each month and may be obtained by contacting a Customer Service Consultant on 1800 812 922 or visiting [www.toweraustralia.com.au](http://www.toweraustralia.com.au) Your individual returns after taking into account transactions throughout the reporting period are detailed in your Annual Statement.

Investment option	Investment performance as at 30 June					5 Year compound average return (%)
	Yearly returns (%) for period ending 30 June					
	2008	2007	2006	2005	2004	
TOWER Cash	1.0	4.4	3.7	3.6	3.6	3.2
TOWER Security Focus	-3.8	7.5	6.2	7.3	5.9	4.5
TOWER Balanced Growth	-11.7	13.5	11.8	10.2	11.8	6.7
TOWER Property Plus	-34.4	21.6	13.7	13.7	12.8	3.1
TOWER Ethical Growth	-14.6	25.9	24.9	20.7	15.8	13.4
TOWER International Growth	-20.0	8.1	14.7	-1.7	15.2	2.3

Past investment performance is not a guarantee of future investment performance.

# INVESTMENT INFORMATION

## Asset allocation

Asset allocation is the relative exposure to different asset classes within an investment option usually based on the investment strategy. Asset allocations for 30 June 2008 and 2007 for each of the investment options are shown below and have been rounded to the nearest whole percentage point. The actual allocations may vary from time to time due to market fluctuations and investment decisions.

### TOWER Cash

Asset Class	2008	2007
Cash and short-term securities	100%	100%

### TOWER Security Focus

Asset Class	2008	2007
Australian Shares	15%	16%
International shares	9%	10%
Property	4%	5%
Australian Fixed interest	31%	31%
International fixed interest	15%	14%
Cash and short-term securities	26%	24%

### TOWER Balanced Growth

Asset Class	2008	2007
Australian Shares	36%	36%
International shares	24%	24%
Property	8%	8%
Australian Fixed interest	21%	20%
International fixed interest	7%	7%
Cash and short-term securities	4%	5%

### TOWER Property Plus

Asset Class	2008	2007
Property	100%	100%

### TOWER Ethical Growth

Asset Class	2008	2007
Australian Shares	100%	100%

### TOWER International Growth

Asset Class	2008	2007
International shares	100%	100%

If you need further information about asset allocation benchmarks, please contact your Financial Adviser or speak to a Customer Service Consultant.

## Multi-manager investment style

Our multi-manager investment options are managed by Russell Investment Management Ltd, ABN 53 068 338 974 (Russell). Russell selects the underlying investment managers for its funds and regularly monitors the investment managers ensuring the investment options continue to meet investment objective.

Multi-manager investing involves selecting quality specialist investment managers from around the world to manage some assets in the investment options. It provides Russell with a wide range of research, superior market information and a broad skill base for investment decision making.

## Labour standards and environmental, social and ethical considerations

Other than for the TOWER Ethical Growth investment option, labour standards, environmental, social, or ethical considerations are not taken into account for the purpose of selecting, retaining, or realising an investment. Underlying investment managers may or may not take these considerations into account.

### **Investment in derivatives**

Derivatives such as futures, forwards, options and swaps (as applicable) may be used, within agreed limits, by the underlying investment managers in managing the various asset classes.

Our Derivative Risk Statement (DRS) contains information about our approach to the use of derivatives. If you would like a copy of this, please contact a Customer Service Consultant or visit [www.toweraustralia.com.au/assetmgt/riskmgt.asp](http://www.toweraustralia.com.au/assetmgt/riskmgt.asp) where a copy of the DRS can be accessed.

### **TOWER's investment objective**

Our investment objective is to provide a product with suitable investment options from which all customers can select investments which are broadly suitable for their personal circumstances at any particular time.

### **TOWER's investment strategy**

Our investment strategy is to invest in insurance policies which provide investment options consistent with our investment objective.

# INVESTMENT INFORMATION

## Investment option objectives and strategies

Investment Option	Investment Objective	Investment Strategy	Time Horizon	Risk/Volatility
<b>Cash</b>	The option aims to provide guaranteed returns over the short term from a portfolio which invests entirely in short-term securities and cash.	The option invests in short term securities and cash.	Short term; 1 year	Low
<b>Security Focus</b>	The option aims to provide modest investment growth over the medium term from a portfolio that invests in a range of asset classes.	The option invests in a range of asset classes, with a strong emphasis on defensive assets such as cash and fixed interest.	Medium term; 3 years+	Low to moderate
<b>Balanced Growth</b>	The option aims to provide moderate to high investment growth over the long term from a portfolio that invests in a range of asset classes.	The option invests in a range of asset classes, with a strong emphasis on growth assets such as shares and property.	Long term; 5 years+	Moderate
<b>Property Plus</b>	The option aims to provide property returns over the long term from a portfolio of property securities.	The option invests in a range of property securities.	Long term; 5 years+	High
<b>Ethical Growth</b>	The option aims to provide high investment growth over the long term from a portfolio of Australian shares issued by companies that take into account the wider ethical, social and environmental issues in the community.	The option invests in a range of Australian shares issued by companies that take into account the wider ethical, social and environmental issues in the community.	Long term; 5 years+	High
<b>International Growth</b>	The option aims to provide high investment growth over the long term from a portfolio of international shares.	The option invests in a range of international shares.	Long term; 5 years+	High

### Risk and volatility

Volatility can be simply defined as fluctuations in the returns of an investment and is the most common way to measure the risk associated with certain asset classes. An investment which is more volatile than another is said to be riskier. This is because the greater the volatility of an investment, the greater the chance that its return could be less than expected.

It is widely accepted that over long periods of time, a relationship exists between the risk and return of each investment option. Generally, the investment options with the potential for earning higher returns carry a higher risk (i.e. have higher volatility of returns).

If you would like details for each of the investment options available to you as a policyholder contact a Customer Service Consultant or visit the website [www.toweraustralia.com.au](http://www.toweraustralia.com.au)

### Fees

We will provide you with at least 30 days notice before introducing any additional fee(s) or before any increases (other than CPI increases) to existing fees.

### Processing of contributions and withdrawals

We reserve the right to suspend the processing of all contributions or withdrawals under certain market conditions or circumstances if in our opinion, to continue processing would not be in the best interests of customers.

Please note that before you withdraw a benefit you can ask us for any assistance or information on anything you are unsure of, including benefits, fees and charges, or the possible effects of withdrawing your benefit.

### Unit pricing for benefit payments

TOWER's current procedure is to calculate the withdrawal value using the latest available unit price at the time of calculating the payment. Our current process has been updated and may differ from the benefit calculation procedure in your original product terms.

### Unit pricing errors and remediation

Unfortunately from time to time an error may occur in the calculation of a unit price. When an error has been identified, TOWER will remediate impacted customers as follows:

- For customers who are still current, we will adjust your records to ensure your investment is back to the position had the error not occurred
- Compensation for customers who have exited will only be paid where the amount of compensation is at least \$20. For amounts less than \$20, these amounts will remain in the statutory fund
- For customers who have exited and were overpaid, we reserve the right to recover any overpaid amount.

# INVESTMENT INFORMATION

## Controls imposed by Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the 'AML/CTF Act')

This legislation is aimed at implementing controls to limit or prevent activities relating to money laundering and terrorism financing. These controls are documented within the TOWER AML Program and include the following:

1. Record keeping obligations.
2. Know Your Customer obligations including the requirement to identify and verify the identity of customers and their beneficiaries.
3. Ongoing Customer Due Diligence.
4. Monitoring of Transactions.
5. Suspicious Matter Reporting mechanisms
6. International Funds Transfer reporting requirements.

To comply with these obligations we may need to carry out procedures to identify you or, in the event of death, your beneficiaries. We may need to verify the identification information provided to confirm its authenticity. We cannot process withdrawal requests (including claims, redemptions and transfers) until we receive all information required.

In some circumstances we may need to report certain information about our customers to relevant authorities, including the Australian Transaction Reports and Analysis Centre (AUSTRAC). Where such reporting has taken place, we may be prevented by this legislation from telling you. Where legally permitted or obliged to do so, we may disclose that information to regulatory or law enforcement agencies, to our related bodies corporate, or to other third parties.

The AUSTRAC website at [www.austrac.gov.au](http://www.austrac.gov.au) provides information relating to the AML/CTF Act. We will not be liable to you for any loss you suffer (including consequential loss) caused by the fact that we are required by law to delay, block, freeze or refuse to process a transaction.

To assist us to keep in touch with you, please notify us of any change of either your name, or your address.

## Other important information

If your fund is no longer a complying superannuation fund, it will no longer be eligible for the concessional tax rates or able to be invested in this Product. Please ensure you advise us immediately if your superannuation fund ceases to be a complying fund under the Superannuation Industry (Supervision) Act.

# ENQUIRIES AND FURTHER INFORMATION

## Enquiries

At TOWER we set ourselves high standards of customer service. If you have any questions about your TOWER product, please contact us in one of the following ways:

- Contact a Customer Service Consultant on 1800 812 922 Monday – Friday 8:30am–5.30pm (EST)  
Fax: 1800 300 072
- Email us at [customerservice@toweraustralia.com.au](mailto:customerservice@toweraustralia.com.au); or
- Write to us at the following address

TOWER Australia Limited  
PO Box 142  
Milsons Point NSW 1565

Website: [www.toweraustralia.com.au](http://www.toweraustralia.com.au)

## Complaints

If you have a complaint about your policy, please put it in writing and send it to the following address:

TOWER Complaints Manager  
TOWER Australia Limited  
PO Box 142  
Milsons Point NSW 1565

If your complaint has not been resolved to your satisfaction within 45 days of lodging your complaint, you may refer your complaint in writing to the Financial Ombudsman Service (FOS), contact details are shown below:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001

Call 1300 780 808  
Email [info@fos.org.au](mailto:info@fos.org.au)  
Website: [www.fos.org.au](http://www.fos.org.au)

FOS is an independent body designed to help you resolve complaints relating to your TOWER product as well as complaints relating to financial advice and sales of financial and investment products. Complaints with FOS may be resolved by a conciliation process or arbitration. This complaints procedure is free of charge.

## Disclaimer

TOWER Australia Limited (nor any of its related bodies corporate and their respective directors and associates) does not guarantee any particular rate of return, or the repayment of capital or income, or the performance of any of the products or funds referred to in this report unless otherwise stated.

The information contained in the Investment Update is general information only. It does not take into account your individual investment objectives, financial situation or particular needs. You should obtain your own advice from a Financial Adviser with respect to your own individual investment objectives, financial situation and particular needs.



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