

Introducing the Conservative Growth Investment Option

AvSuper's member investment choice (MIC) enables you* to choose one or a combination of our professionally managed investment options. You can have your current super balance and future contributions invested identically or in different ways – the choice is yours!

In response to member requests for greater choice and flexibility, AvSuper has added a new MIC option, the Conservative Growth investment option. The Conservative Growth investment option is expected to demonstrate low volatility of investment returns in the short term, but generally conservative returns over longer periods.

The right investment option for you will depend on your retirement needs, risk comfort and age. To find out more about the Conservative Growth option and AvSuper's other investment options, check out the AvSuper MIC guide on our website.

You can change your investment options by completing our Nominate / change investment options form. The Conservative Growth option will also be available via Member Online from March. Remember you do not have to make a choice, and if you don't choose, your super will be automatically invested in AvSuper's default Growth investment option.



* MIC is not available to defined benefit accounts

The last six months have proven to be very positive for most of our investments. Our results for each of the Investment Options for the six months to December 31 2009 are detailed later in this bulletin, as well as in full on our website. Global investment markets are still stabilising after the unprecedented events of the last 18 months, and we expect the markets will still have some periods of volatility going forward.

2010 also marks an important milestone for AvSuper as we celebrate our 20th anniversary. Since starting in 1990, AvSuper has grown to over \$1 billion in retirement savings for more than 5,500 members in the aviation and aviation safety industries, plus other members from the general public.



Throughout our 20 years, we have maintained a member-focus and profit-for-members philosophy. We hope you will share in our anniversary celebrations and enjoy a safe and prosperous 2010.

David Leggo, Chairman

December investment performance update

Each of AvSuper's investment options again returned positive earnings to members as shown in the table below (see over the page for income stream performance), both for the quarter and for the year to date.

However, a major question for 2010 is how much government support will be withdrawn from investment markets around the world, and how well each economy can stand on its own.

Australian shares were up 3.4% overall for the December quarter, a relatively subdued return compared to their stronger quarterly performance in June and September. Gains were largely driven by the Materials and Resources sectors on the back of renewed confidence in the robustness of the China recovery. The main Banks detracted from



Financials, with the main concerns being RBA rate hikes each month leading to increased funding costs and regulatory change.

Concerns about the strength and durability of the US recovery caused continued volatility in **international shares** throughout

the quarter, although this asset class ended in modest positive territory at the end of December.

Although AvSuper had positive **property** investment returns, many property markets fell again in the December quarter. While there is an expectation that values have bottomed, earnings growth for this sector is still expected to be lacklustre in the short term. Finally, **Debt markets** remained fragile, as concerns continued about the financial stability in Dubai and Greece. The strong run in the Australian dollar (AUD) also ended in December with our exchange rate closing for the New Year at US\$0.8977, halting a run of 10 straight months.

| Investment Option | Quarter | Financial year to date | 5 years (annualised) |
|-------------------|---------|------------------------|----------------------|
| Growth# | 2.2% | 12.6% | 3.7% |
| High Growth | 2.6% | 17.9% | 3.4% |
| Stable Growth | 1.6% | 8.1% | 4.4% |
| Cash | 0.7% | 1.2% | 4.8% |

Past performance may not be an indicator of future performance.

Your super will be invested in our Growth Option if you don't make an investment choice.

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Vale Robert Belzer

It is with great sadness that we acknowledge the passing of Robert Belzer, an AvSuper Trustee Director. Robert was an enthusiastic Director of the Fund for 6 years, and his contribution is appreciated. He died peacefully at home with his wife and son on 16th December 2009. On behalf of all members, Directors and staff, we send sincere condolences to Robert's family.

Upcoming seminars

As part of your membership, you are invited to attend seminars to learn more about super and investments. Seminars are held at various locations around Australia, along with opportunities for you to speak to AvSuper staff and/or a financial planner, and are aimed at members of all ages. For further details, dates and locations, please visit our seminars page at www.avsuper.com.au/seminars.php

AvSuper Insurance

We are pleased to announce our new member guide which covers our death, disablement and income protection insurance options. It is available on our website or by calling us.



All AvSuper members with an account balance of at least \$1,200, including Corporate members with automatic cover, can apply for voluntary cover. With death only cover, you can choose to just cover any financial obligations you may have or to leave a safety net for your family and dependants if you die. And premiums (per \$25,000 of cover) can be as little as \$9.21 a year for a 25 year old white collar male or \$13.09 for a 45 year old light blue collar woman.

Did you know that AvSuper death only cover is available for members up to 70 years of age? So even if you are approaching retirement or already have an AvSuper Income Stream, you may want to consider reviewing your death cover.

Other Changes to AvSuper's Investment Options

The Trustee has completed a full and detailed review of each of the investment options provided to members. Some refinements have been made to the investment strategy for each option to further enhance likely performance and/or reduce risk levels, although each option has **maintained** its key focus.

Details of the revised target asset allocations* with effect from 1 January 2010 are summarised in the following table. To find out more information about each of these options, including details of the performance objectives and risk/return profile for each option, please refer to the AvSuper MIC guide on our website.



| Investment option | | High Growth | Growth/ Defined Benefit | Stable Growth | Conservative Growth** | Cash |
|-------------------|-----------|-------------|-------------------------|---------------|-----------------------|------|
| Asset Allocation | Growth | 100% | 80% | 50% | 30% | 0% |
| | Defensive | 0% | 20% | 50% | 70% | 100% |

* Target asset allocations (or benchmarks) are strategic guides for investing. The actual allocation of assets within each investment option may vary from time to time within the allowable ranges as a result of investment market performance and you may not be notified of such variations. ** Conservative Growth option introduced 1 January 2010

AvSuper is run only to profit members, doesn't pay commissions to financial advisors, has strong long term investment returns and charges low fees to keep your money growing.

What you told us about the AvSuper Bulletin

Many thanks to those of you who took the time to complete our brief online survey – as always we were pleased to receive your feedback and suggestions for further improvements.

The majority of you said you were pleased with the new look, frequency and content of the AvSuper bulletin and like receiving the bulletin by email. You also told us that you consider including investment returns and an update on investment performance as important or very important.

We appreciate your feedback, in particular your comments about what else you would like to see in future bulletins, including more information about AvSuper's member benefits. As part of our commitment to provide you with more information about what suits you, check out our feature (in left column) regarding AvSuper's insurance benefits for members.



Income Stream Investment returns (net of fees) to 31 Dec 2009

When thinking about your super (even in retirement), don't just think about short term results – look ahead and plan for the long term. By comparing investment performance over the long term, such as over five to ten year periods, you can gain a better perspective of the performance of your super investment.

| Investment Option | Quarter | Financial year to date | 5 years (annualised) |
|----------------------|-------------|------------------------|----------------------|
| Growth# | 2.4% | 13.9% | 3.7% |
| High Growth | 2.8% | 19.2% | 3.8% |
| Stable Growth | 1.8% | 9.2% | 4.6% |
| Cash | 0.8% | 1.5% | 5.4% |

Past performance may not be an indicator of future performance.

Your super will be invested in our Growth Option if you don't make an investment choice.