FRANKLIN TEMPLETON INVESTMENTS

BALANCED EQUITY MANAGEMENT

DECEMBER 2011

MONTHLY COMMENTARY – DECEMBER 2011

Dear AvSuper member,

We are pleased to offer you this update on our management of Australian Equities.

OVERVIEW

AvSuper has engaged us to manage a portfolio of the top 50 Australian companies with a view to exceeding the performance of the S&P/ASX 50 Accumulation Index ('the Index"). Our investment philosophy is based on fundamental value over a medium to long-term investment horizon. We analyse the total value of each of the companies in our investment universe, and take a greater position relative to the Index when we believe that the market has priced a company below its longer-term fundamental value. We have used this investment philosophy consistently since setting up our business in 1988 and it has proven to add value for clients. Our investment approach is based on developing an in-depth understanding of the companies in which we invest for clients. We focus on the ability of these companies to sustain their earnings and valuations into the future. We embed tax and ESG (Environmental, Social and Corporate Governance) considerations into our analysis and our investment decisions.

MONTHLY PERFORMANCE

Strategy	**December 2011**	**December 2011**	**December 2011**
ASX 50 Accumulation Index	**BEM's portfolio return**	**S&P/ASX 50 Accumulation Index return**	**BEM's outperformance**
AvSuper	-0.73%	-1.02%	+ 0.29%

Our stock selection added to performance this month. Newcrest Mining was the largest contributor as we were materially underweight and it fell by 14.5%. Westfield Group was another underweight stock which underperformed the benchmark falling 4.8%. The other material positives were our overweight positions in ANZ which rose by 3.2% and Boral which rose by 2.9%. Negative factors were our underweight positions in Commonwealth Bank and CSL which rose by 3.8% and 2.6% respectively and our overweight positions in Qantas and Origin Energy which fell by 3.6% and 5.8% respectively.

LOOKING AHEAD

Market sentiment is at a very low ebb. The reasons are to be found in the political and economic fundamentals, with a failure to address long-standing imbalances in both Europe and the United States. The problems in Europe seem particularly intractable, with some countries being fundamentally uncompetitive and facing the refinancing of large deficits. In the US it appears the fiscal deficit will not be addressed until after the elections in November. In addition, the situation in China is clouded. Against this background markets are fearful and are reflecting a very poor outlook. While a further deterioration is possible, markets generally over-react to uncertainty and we believe this to be the case at the moment. We expect profits to grow only marginally, but such an outcome is likely to result in a share price rebound as the outcome should be better than feared.