Your super tomorrow

For a better understanding of how your super is performing overall, it's important to focus on the longer-term performance of your super – ideally five or ten years. Take a look at the table below for the longer term average performance for the option(s) in which your super is invested. And remember that these five and ten year figures include the most recent market downturn.

We always stress past performance is not a reliable predictor of future performance, but longer-term historical data is useful to put current-year returns into context.

If you are not sure whether your investment choice is the best option for you and your situation, speak to a licensed financial adviser. Information about seeking advice on your investment options is shown on the next page.

REI SUPER INVESTMENT OPTIONS: LONG-TERM INVESTMENT PERFORMANCE – AS OF 30 JUNE 2009

INVESTMENT OPTION	FIVE YEAR % P.A.	TEN YEAR % P.A.	SINCE COMMENCEMENT % P.A.	COMMENCEMENT DATE
REI Super members				
Super Cash	5.0	4.4	4.4	1 July 1998
Super Stable	2.7	n/a	3.3	1 November 2003
Trustee Super Balanced	2.8	3.6	6.2	1 July 1990
Super Growth	1.1	2.0	2.7	1 July 1998
Elite Accumulation				
Australian Shares	n/a	n/a	2.3	31 July 2006
International Shares	n/a	n/a	-2.0	31 July 2006
Australian Property	n/a	n/a	-5.8	31 July 2006
Global Property	n/a	n/a	-7.8	31 July 2006
Fixed income	n/a	n/a	3.6	31 July 2006
Elite Allocated Pension				
Elite Super Cash	n/a	n/a	6.9	31 October 2006
Elite Super Stable	n/a	n/a	-1.8	31 October 2006
Elite Trustee Super Balanced	n/a	n/a	-6.4	31 October 2006
Elite Super Growth	n/a	n/a	-11.2	31 October 2006
Australian Shares	n/a	n/a	-0.6	31 October 2006
International Shares	n/a	n/a	-4.8	31 October 2006
Australian Property	n/a	n/a	-9.8	31 October 2006
Global Property	n/a	n/a	-14.1	31 October 2006
Fixed income	n/a	n/a	3.6	31 October 2006

Returns are shown after fees and taxes. Past performance is not a reliable indicator of future performance. N/a indicates that the option has not been available for the relevant period.

The returns shown in the table are not the actual returns for your investment in the investment options you are invested in as the returns achieved by each individual member depend on the timing of the contributions and other transactions and the unit price that applied at the date each transaction took place.

Financial advice

We can give you help and advice. To find out more about investments and your super, visit **www.reisuper.com.au** where you can find more detailed information about the performance of markets and our options.

Our Helpline provides free limited financial advice over the phone and can also put you in touch with a financial adviser. Call **1300 13 44 33** to speak to one of our consultants.

Please bear in mind we anticipate this is often a busy time and apologise in advance for any delays. But, your call is important and for your convenience, we provide a call-back facility if you are unable to wait.

Effect of taxes, fees and costs

The investment performance shown is after tax and REI Super's standard rate of investment management fees, but does not include the effects of other fees you might be charged. Other fees will reduce your account balance. Any fees and costs that may apply to you for the year are shown on your *2009 Member Statement.*

REISuper
The Property Industry Fund
An Industry SuperFund

REI Super 2009 investment update

How investments affect your super

The 2008/09 financial year was one of the most trying in living memory for super funds across Australia and investment markets world wide. At REI Super, we appreciate how challenging this has been for our members, especially if you have retired or are looking to retire soon. While times like these can be unnerving, we know that markets consistently move in cycles and over the past 100 years have always done so.

Times of strong growth have routinely been followed by periods of downturn, the reassuring fact being that, in the past, markets have always recovered. While markets were in decline for much of the first eight months of the year, in the closing four months we've seen a stunning comeback. On average, world markets have recovered more than half their losses, boosting investor confidence which has continued into the new financial year.

This flyer is designed to help you to put your super returns into perspective both for today in light of the performance of the investment markets over the last year, and for your super tomorrow.

Your super today

Super is a long term investment. Long term generally means seven to ten years or more. This holds true whether you are just starting your career, hoping to stop work soon or already enjoying retirement. How your nest egg grows and lasts over your retirement can depend on the choices you make with your investment. Most people's super is invested in shares, property, cash and fixed interest. How you choose to invest your super should depend on your personal situation, retirement goals and your comfort levels with the possibility of a negative return every so often. Consider taking an active role in how your super is invested as investing in the default option may not necessarily best suit your needs. Having a sound plan is critical to reaching your super goals.

While seeing a decrease in your immediate account balance can be unsettling, we can put this into perspective by revisiting the basics of investing to build wealth. Consider an investor's attitude to holding an investment property, for example. When used to build wealth, investors usually buy property with the expectation that its value will increase. We know that median property prices may vary with market cycles. However, when prices go down, if a property has been bought based on sound principles, most owners don't panic. Few owners check the value of their property weekly or even monthly, but generally expect the market to recover over time.

The same principles hold true for investing through super. Yet, for many, our approach to super can be very different. While it is easy to see your current super account balance via the website, any decrease you may see is only on paper. However when the markets decline, an understandable reaction is to panic, selling more volatile options in favour of defensive ones, and in doing so, realising the decrease and crystallising a real loss. Unless your circumstances have changed, often the best approach in a downturn is to sit tight and ride it out. When the markets recover, so too will your super balance.

Riding out a downturn

Gaining more buying power

Generally when markets decline, so does the value of many investments, with shares and property usually being most affected. Any contributions going into your super buy units in your chosen investment option. The price of these units is set based on the fluctuating value of the assets in which the money is invested (such as Australian and international shares, property, cash or bonds). When the market goes down, the value of the assets goes down and in turn, so does the unit price.

The good news is that when this happens, your contributions have more buying power; buying more units at a lower price compared to the number of units you might have bought when the market, and unit price, was higher. Of course, when the market recovers, you're in a great position to benefit because you have a larger number of units. Successful investors worldwide routinely buy quality shares at lower prices during troubled times, taking great advantage of the eventual recovery. The same is true in your super if you stick to your strategy.

Time in the market, not timing the market

Secondly, it is time in the market that is crucial to benefitting from the recovery. Just as markets can decline quickly, their recovery can be just as sudden. Rather than trying to time your investment to market highs and lows, research has shown that staying invested for growth and riding out the bumpy times has tended to give the best results. By sitting tight, you're positioned to gain from sudden upswings in the market which are otherwise hard to predict or time, as we have recently seen.

Chopping and changing investments during unsettled times can mean missing out on rebounds and, potentially, large gains.

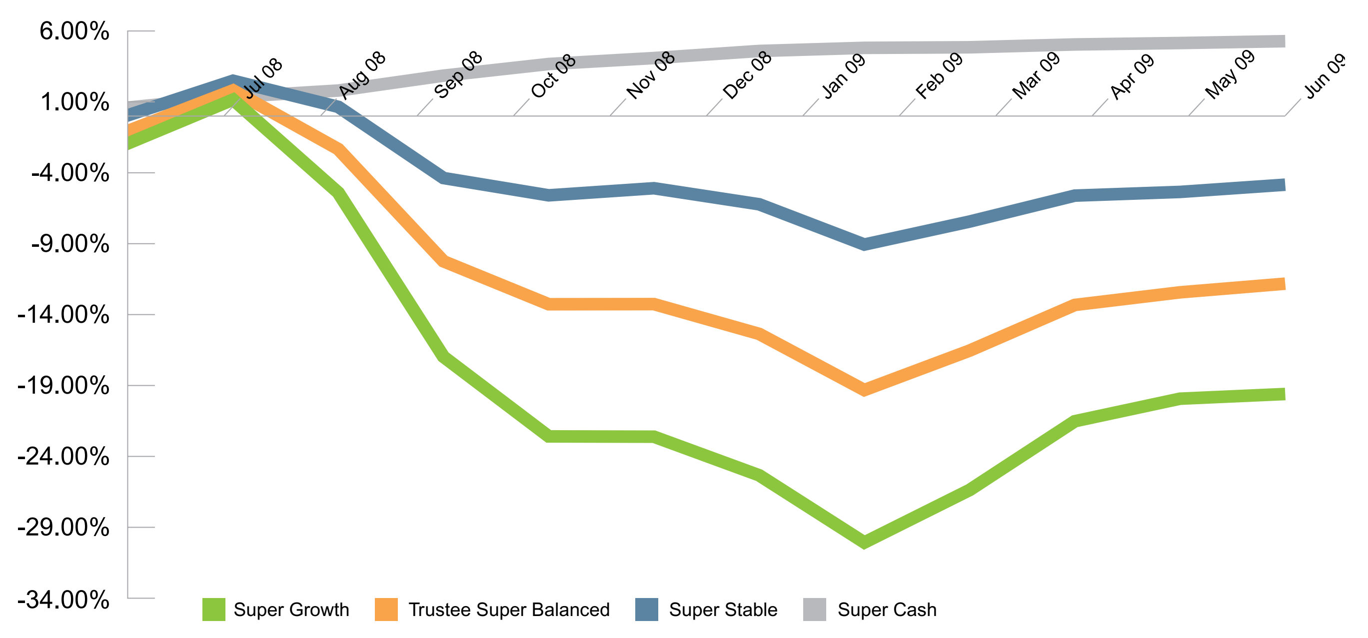
The recent market performance shows clearly how quickly the markets can change course and how difficult this change is to accurately predict. The graph below clearly shows the movement of the returns for each of the REI Super investment options over the 2008/09 year and the speed with which these movements have occurred both in decline and upswing.

While there was a sharp decline in three out of the four options over the first eight months, the Super Growth option recovered over 10% of value and Trustee Super Balanced recovered over 8% of value in the four months to the end of June 2009. Therefore, the Super Growth option recovered over one third of the prior reduction in value in only four months.

Pension members

If you have an REI Super allocated pension, we understand that the current conditions have been a particular cause for concern as you are no longer making extra contributions to your super. There are a number of steps that can help to reduce the impact of the present downturn on your savings. The government has halved the minimum pension payment drawdown amounts for the 2009/10 year. There are also other strategies that can help you to manage your super while the market recovers, which your financial adviser can discuss with you. Remember, your super may need to last many years, so your investment timeframe may still be a long term one and investing for some growth in the future may still be important.

Year to date returns by month for REI Super options for the 2008/09 year



Investment markets

The year in review – the details

Over the past financial year investment markets experienced three distinct periods of performance. The year started with markets still feeling uneasy in the wake of the sub-prime housing crisis, an uneasiness compounded by increasing signs of economic weakness in the United States. In September, investor confidence in the global banking system plunged into sheer panic as a series of seemingly 'unthinkable' events occurred in quick succession. The near collapse of AIG, bankruptcy of financial giants Lehman Brothers and distress of other major institutions spurred unprecedented financial intervention by the US government making "bailout investments" totalling trillions of dollars, in an effort to head off a global recession.

In the December quarter, the collapse of equity and credit markets sent markets into freefall, the majority of equity markets losing, on average, more than 20%. The threat of global recession and a perceived possibility of depression prompted a concerted rescue effort by governments and central banks. The Australian Government introduced its $42 billion stimulus package, seeking to avoid recession. Official interest rates globally fell to their lowest levels in decades. Over eight months, the Reserve Bank of Australia reduced interest rates from 7.25% to 3%.

By this point, the market had priced in a "fear premium", causing many share prices to be well under their true economic value and providing investors with a significant opportunity to acquire quality shares at bargain prices.

Markets continued their descent in the opening months of 2009, however, improvement in some market indicators prompted a change in investor sentiment. By March, markets began to rally, with any positive signs being embraced. By June, the Australian markets (S&P/ASX200) had recovered 29% on its lowest point in March; US markets had recovered 40%.

So far, Australia has navigated through the crisis in far better shape than the rest of the developed world, having avoided a technical recession (i.e. two consecutive periods of negative growth). This has been generally attributed to a combination of the sound monetary policy of the Reserve bank; the timely and significant Government stimulus package; a sound banking system; and the robustness of the local economy, driven in part by our close ties with China.

REI Super: our performance in the downturn

Over the past year, REI Super's diversified portfolios have been positioned more defensively and while this did not protect members from experiencing a negative return, it helped to reduce the severity of the impact of the downturn. REI Super's portfolios have been managed closely, seeking to shepherd members through this uncertain time, to again deliver a healthy long-term return on their superannuation. REI Super's investment approach focused on quality across all asset classes, which has proved a valuable strategy.

Our Australian shares portfolio outperformed its benchmark by around 4%. We maintained investment in quality companies and limited changes only to small moves necessary to manage risk. A similar approach in our international share portfolios proved beneficial and positions us well when economic conditions improve.

Our listed property portfolios marginally outperformed their benchmarks, however this asset class was most severely affected by the global financial crisis, which is reflected in investment returns.

Our defensive portfolios are invested in fixed interest assets consisting mainly of government bonds with only a modest exposure to credit.

Our cash investments returned 7.2% for the year, outperforming its 5.5% benchmark (UBS Bank Bill Index). Our focus on quality, highly liquid, uncomplicated investments has stood us in very good stead, avoiding losses experienced by other cash management trusts due to illiquidity and credit losses.

For more detailed information on REI Super's investments and individual sector performance, go to the REI Super website, **www.reisuper.com.au**