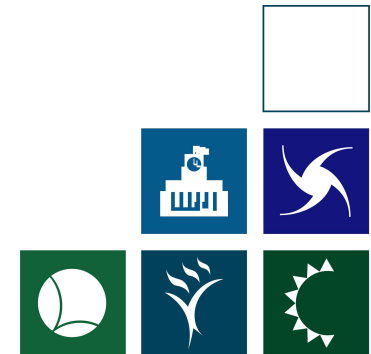


Local Government Superannuation Scheme

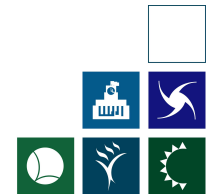
Presentation to the NSW Local Government Association

2008 Annual Conference – Broken Hill
29th October 2008



Unstable financial system

- Started with default fears on “subprime” loans in the US
- Lenders all tried to offload their exposure
- Margin calls caused this to spiral out of control
- Early casualties
 - Bear Sterns, Basis Capital
- Investment Banks
 - Lehman Brothers, Citigroup, Merrill Lynch, UBS, Morgan Stanley
- Mortgage Companies
 - Fannie May, Freddie Mac



Unstable financial system

- Write offs about \$500bn
(total subprime market estimated at \$1.3tn)
- Balance sheets have been savaged
- Difficult to borrow money
- Cost of funds increases
- Existing debt “marked down”



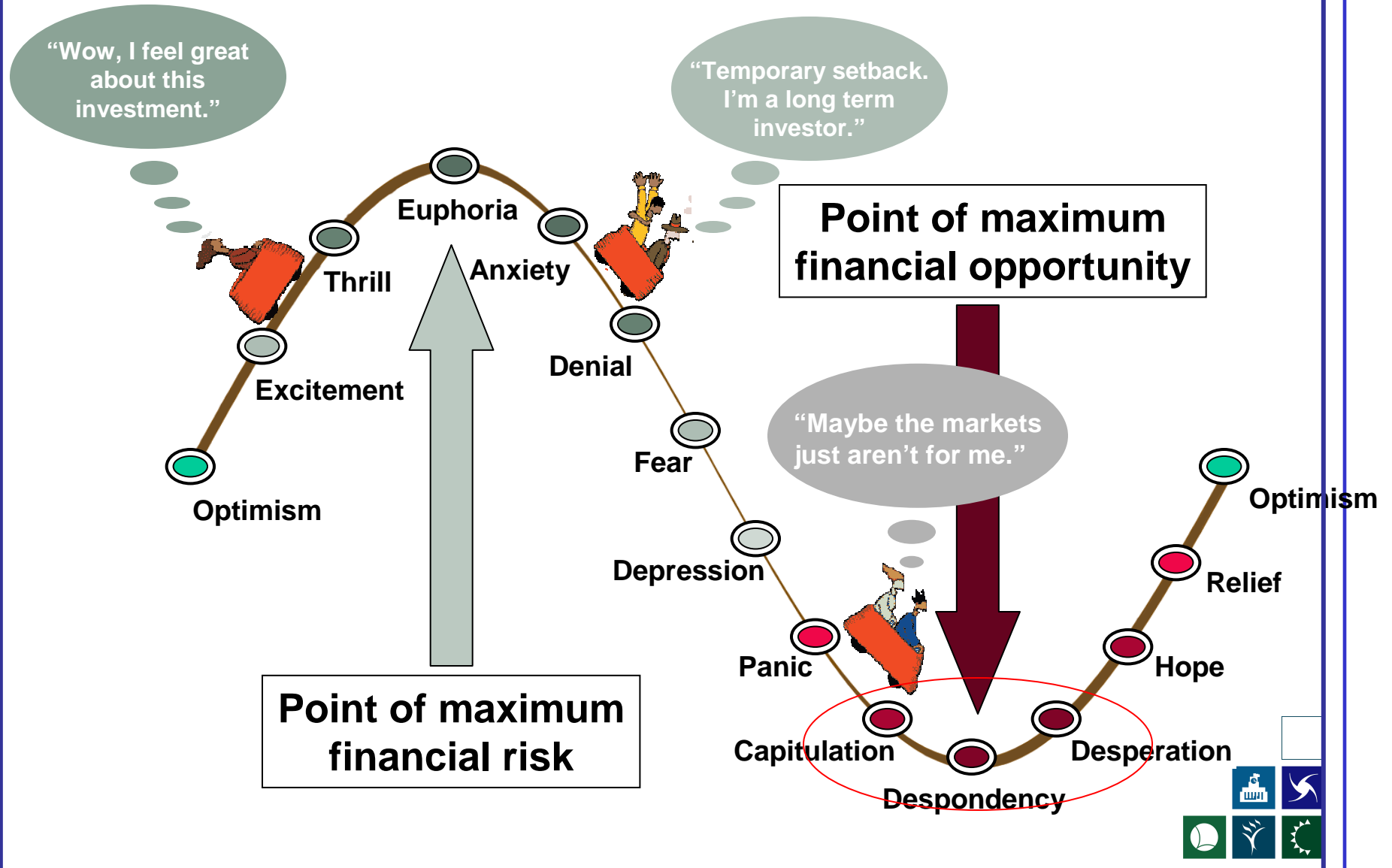
Investment Update

Investment Options	Period to 30 September 2008*	Period to 30 June 2008*		
	Financial YTD %	1 yr %	3 yrs %	5 yrs %
High Growth	(6.6)	(18.9)	2.1	8.2
Diversified	(4.7)	(13.6)	2.8	7.5
Balanced	(3.2)	(8.5)	3.1	6.6
Capital Guarded	(1.9)	(3.2)	3.3	5.7
Cash Plus	0.8	4.8	5.3	4.9
Trustee Selection	(5.1)	(14.8)	3.2	8.0

•Net of fees and taxes
 Negative figures are in brackets

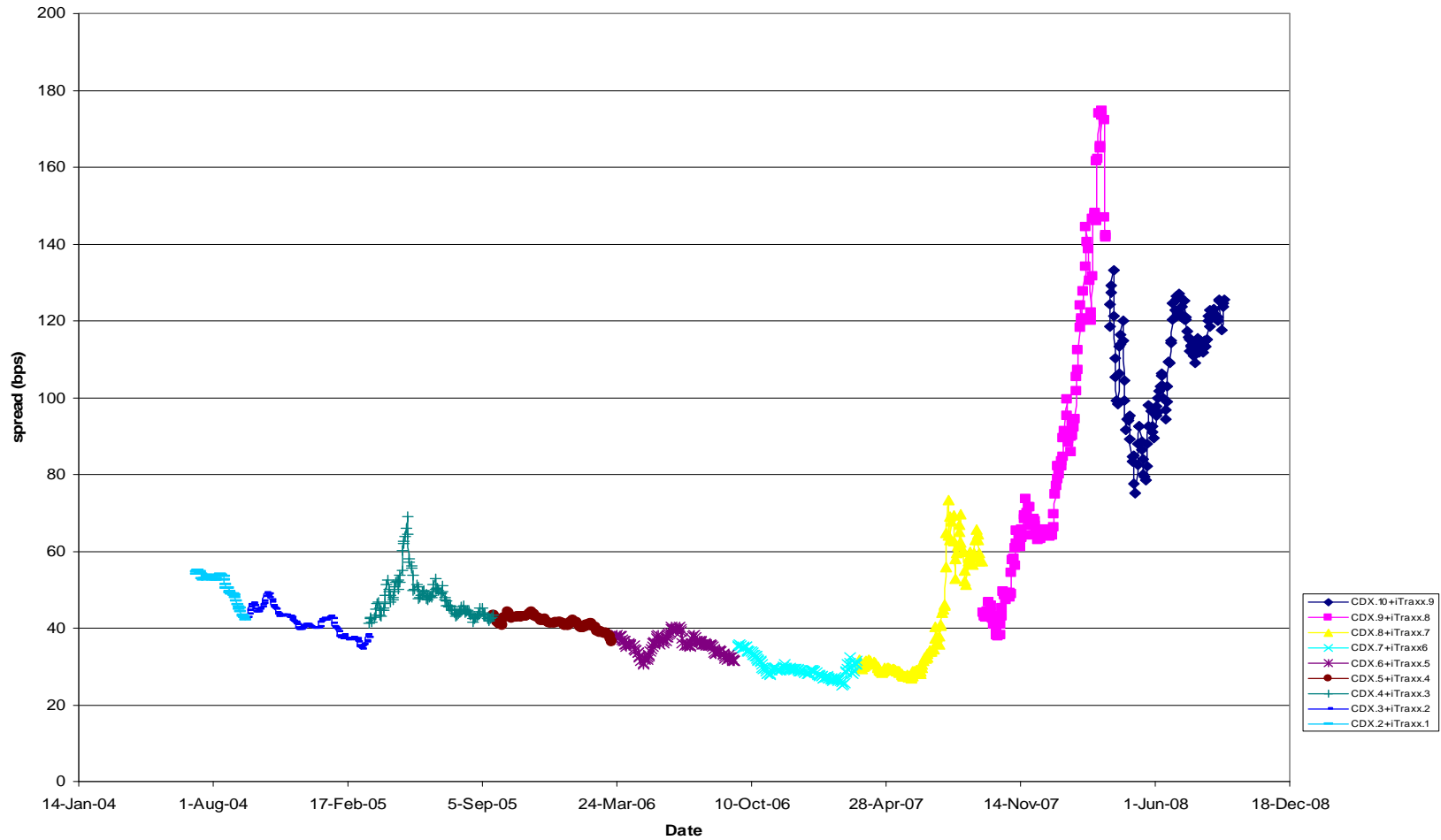


The roller coaster of investor emotions



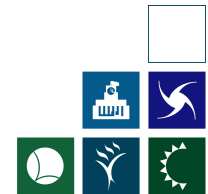
2007/08 – price of credit spikes

Globoxx History



Impact on Councils

- Credit problems have flowed through to securitised lower grade debt such as CDO's
- Liquidity problems and high cash rates have provided good returns on short term secure deposits
- Interest rates moving down





Echoes of the past: Angry and bewildered customers outside the closed doors of a New York bank in 1930





