

## QUESTIONS & ANSWERS

### CHANGES TO ARC INVESTMENT OPTIONS MENU FROM 1 JULY 2005

**Q. *Why was the review necessary?***

A. The Trustee has a range of obligations under the Superannuation Industry (Supervision) Act 1993 to ensure the prudential management of members' benefits. This includes formulating and implementing an investment strategy. In satisfying these requirements, it is prudent to conduct a regular review of the Trustee's investment objectives and investment strategy for ARC, including a review of the underlying investment options available to members.

**Q. *Why are you changing the investment options menu?***

A. The Trustee has concluded that, for varying reasons, it is in the best interests of members overall to cease to offer a number of existing investment options and add some new investment options. The changes to the investment options menu are expected to provide a number of benefits to members, including more investment managers to choose from, potential for improved investment performance, improved operational efficiency and lower operational risk.

**Q. *What was covered by the review?***

A. The review was very broad and included:

- the Trustee's overall investment objective and investment strategy for ARC;
- the ongoing need and stated investment objectives for each existing Portfolio category within ARC;
- the Trustee's age-based default investment strategy; and
- the individual investment options.

**Q. *What were the main criteria used by the Trustee in its review of the investment options?***

A. Many factors were considered during the review of the ARC investment options menu, including:

- Underlying funds' fit with the Trustee's investment objectives and strategy.
- Optimal number of investment options in ARC:
  - in total;
  - per Portfolio category; and
  - number of multi-manager versus specialist manager and multi-sector versus single sector.
- External research house ratings, where available.
- Past investment performance and the fund managers' ability to generate similar going forward.
- Ability of underlying fund managers to deliver on required ARC service standards (e.g. unit pricing, transaction processing, reporting, etc).
- Current levels of funds under administration.
- Underlying investment manager reputation / brand prominence.
- Any individual investment fund considerations (e.g. future sustainability of fund, etc).
- Availability of suitable replacements for any terminated investment options (existing and/or new investment options).

**Q. *How were the Trustee's default replacement investment options selected?***

A. In general, the default replacement investment options were what the Trustee considered to be the 'nearest equivalent' (e.g. in terms of risk/return profile) for the terminating investment options, chosen from the new menu. In some cases, the default replacement investment options were chosen from other existing investment options. In other cases, new investment options were chosen as the default replacement.

**Q. *How do I know if this is the right investment option for me?***

A. You should speak with your Financial Adviser to help you decide what to do. We have allowed plenty of time before the closed investment options will be terminated for you to select a different replacement investment option if you wish.

**Q. *Where can I learn more about the new investment options / investment managers?***

A. A new ARC Product Disclosure Statement: Part 2 of 2 – Investment Choices is being issued as at 1 July 2005. A copy of this document may be obtained at that time from your Financial Adviser, via the ARC website at [www.arcmt.com.au](http://www.arcmt.com.au) or from a TOWER Customer Service Consultant on 1800 101 014.

**Q. *Do I have to switch?***

A. You cannot invest further amounts in the closed investment options from 1 July 2005 and existing assets cannot remain in these investment options beyond the termination date. If you are happy for your investment to be transferred to the Trustee's default replacement investment option as at the termination date, then you don't need to do anything as this will happen automatically. However, if you wish to choose a different replacement investment option and/or transfer across earlier, then you will need to arrange a switch by the relevant date shown in the letter (i.e. by 22 July for the TOWER Australia Global Responsibility Fund or 24 August for all other terminating investment options).

**Q. *How do I switch?***

A. If you wish to **switch** to an alternative investment option, you can do so between 1 July 2005 and the nominated date shown in the letter (i.e. by 22 July for the TOWER Australia Global Responsibility Fund or 24 August for all other terminating investment options). In this case, you will need to complete an 'ARC Member Variation and Investment Switch Form' (available from your Financial Adviser or the ARC website at [www.arcmt.com.au](http://www.arcmt.com.au), or by calling one of our Customer Service Consultants on 1800 101 014) and forward it to reach us by **no later** than the nominated date shown in the letter. Alternatively, you can make a switch within this timeframe through the ARC website (provided you have previously arranged access to the secure member section by completing the online registration form at [www.arcmt.com.au](http://www.arcmt.com.au)).

The same process applies for any time you may wish to change your investment strategy for future contributions.

**Q. *What if I don't want the Trustee's default replacement investment option?***

A. If you wish to choose a different replacement investment option, then you will need to arrange a switch to that option by the relevant date shown in the letter (i.e. by 22 July for the TOWER Australia Global Responsibility Fund or 24 August for all other terminating investment options) because any funds remaining in the closed investment options as at the termination date will be transferred automatically to the Trustee's default replacement investment option.

**Q. *My current investment choice was intended to remain in place for the long term. Won't I be disadvantaged because it is disturbed?***

A. The default replacement investment options chosen by the Trustee are the 'nearest equivalent' and generally provide a similar risk/return profile to the terminating funds. In transferring assets across,

your long term investment strategy should largely remain intact, albeit via a different investment option. You should speak with your Financial Adviser if you have any questions or concerns.

**Q. *What happens if there are market movements during the time when transfers to replacement investment options are occurring?***

A. There will inevitably be a short lag between redeeming assets from the underlying funds for the terminated investment options and investing in the new investment options. During this short period, there is a risk that markets may rise or fall, which may result in an unavoidable gain or loss to members, compared to if the assets were invested in the markets over that period. Unfortunately, there is no way of avoiding this time lag. Any switch means investments are out of the market – the only difference here is that the Trustee is initiating the switch for the longer term benefit of members; it is not initiated by the member. Obviously, the timings of any market movements are generally unpredictable and beyond our control.

#### **CHANGE OF TRUSTEE FROM 1 JULY 2005**

**Q. *What do I need to do in relation to the change in Trustee?***

A. Nothing – notification of the change is provided for your information only as it is a legal requirement that we do so.

**Q. *Will anything change?***

A. Although the new Trustee is a different company to the current Trustee, both companies are part of the TOWER Group and have the same directors and management. Therefore, this change will have no impact whatsoever on your superannuation – it's business as usual.