



AUSCOAL Super Factsheet

The industry super fund for the coal community



5 August 2011

Your super and recent uncertainty on share markets

Before reading this update...

This update was written on 5 August 2011 and discusses recent events on global share markets. If you read this update after 5 August 2011 it's possible that the situation will be different.

Over the past week or so, share markets have fallen sharply. Global share markets have fallen by about 10% over the past 15 days, which includes a 4.1% fall overnight (August 4). It's been a similar story in Australia with the local share market at its lowest level in 24 months[^]. There's more information on what's been happening on markets below under the heading 'What's causing the share market to fall?'.

These falls would have had an effect on your super if you're invested in investment options that invest in the share market.

So what's this mean for the future?

In times like this your confidence in your investment strategy could be shaken. Do I sell? Do I do nothing? Is now a time to buy?

We don't know what's going to happen in the future. Short-term movements in markets are rarely clear cut and the uncertainty is likely to continue in the near future and further market volatility is possible.

But there are some things we do know:

- Markets move quickly, up and down, at times of uncertainty like this.
- We also know from history that markets tend to overreact and then recover.
- Our Lifecycle investment options, which most of you are invested in, are well diversified because they

invest in different types of investments such as shares and bonds. We've also appointed different investment managers to manage your super money, each with a different approach. This spreads the risk with, for example, the returns from bonds and cash often cushioning the losses from shares.

- Super is a long-term investment and decisions need to be based on a long-term view. There's been sharp falls on share markets throughout history and share markets have recovered. Over the long-term, shares have on average outperformed cash and bonds

You're uncertain and don't know what to do?

Each of us has different circumstances so there's no one-size-fits-all approach. If you're uncertain or worried, we strongly recommend you get financial advice.

And what better way to do this than through AUSCOAL Advice. They aren't paid commissions and you can get value-for-money advice about your super or pension account, such as choosing the right investment options for you.

Give us a call on 1300 AUSCOAL (1300 287 262), Monday to Friday, 8am to 6pm, to make an appointment with a financial adviser.

What's causing the share market to fall?

The past year or so has been marked by a number of major events. There was the tsunami in Japan, floods and cyclones in Australia and political upheaval in the Middle East. On the economic front, we've seen a number of European countries, led by Ireland and

Greece, struggling to pay their debts, while the US economy was subdued.

By late June, early July it looked like we'd put these events behind us with economies showing sign of turning things around. It also looked like European governments were solving their debt problems. Share markets recorded positive returns and the year to 30 June 2011 was a good one on share markets.

Unfortunately things have turned around sharply in the past month or so. Investor confidence that global economies will grow and recover has faltered. Uncertainty over the prospect for economic growth in Europe has again focused concern on European countries with large government debts and their ability to repay or refinance that debt. To add to this, there's also been a run of bad news out of the US – lower than forecast growth in the economy, stubbornly high unemployment, weak house prices and potential cuts in government spending. This gloomy news combined with a government that appears to lack leadership, has made investors cautious. There is a growing concern that the US economy could be heading toward recession which is reflected in falls in commodity prices also.

The result of all this has been the sharp fall on global share markets.

Interestingly, the Australian economy continues to perform well on the back of our mining industry. But we are part of the global economy and events overseas will have an impact.

* MSCI All Country World Index
^ S&P ASX 200 Index

Past performance is not necessarily an indication of future performance.

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