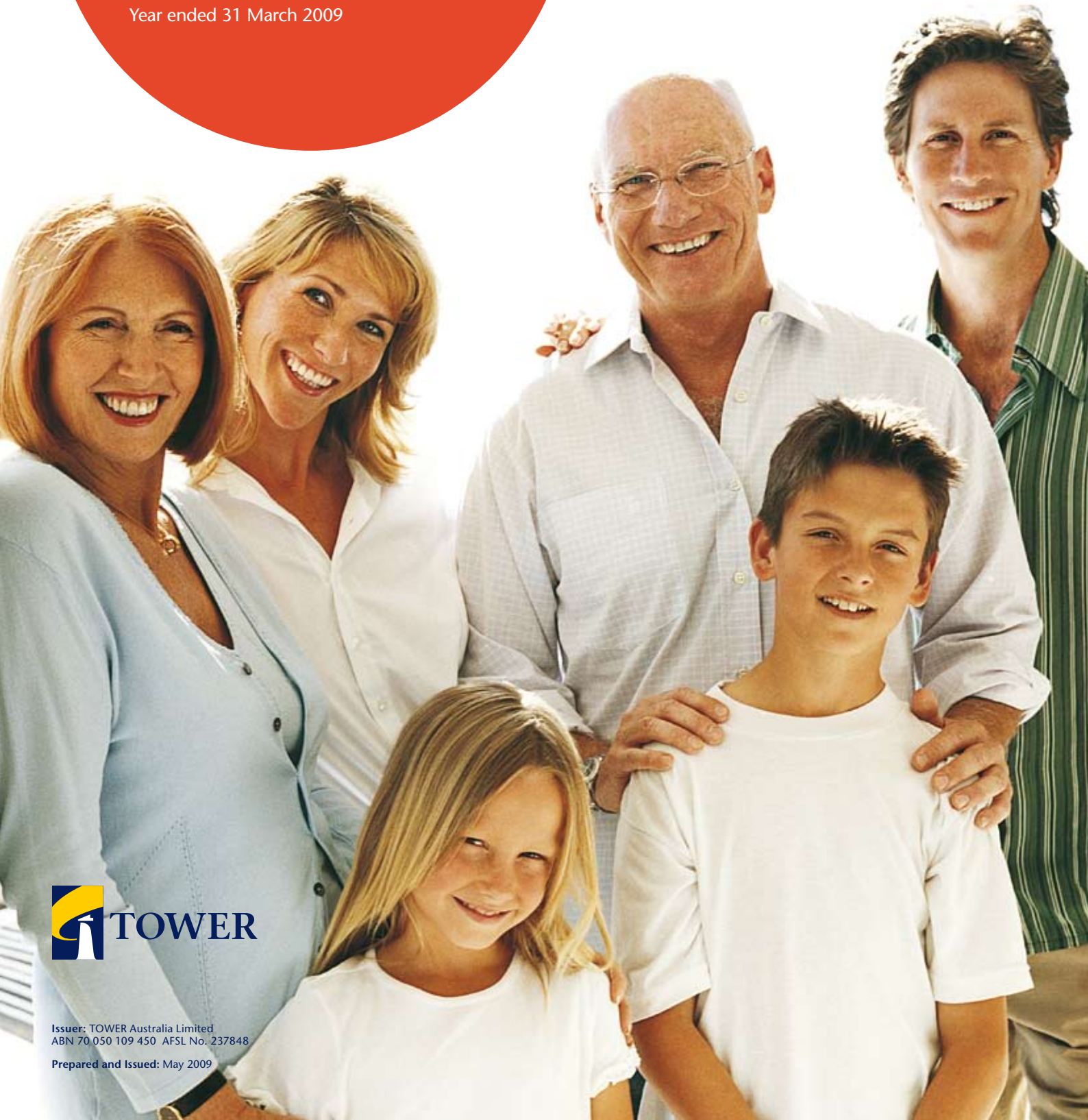


Investment

# INVESTMENT UPDATE

Year ended 31 March 2009



Issuer: TOWER Australia Limited  
ABN 70 050 109 450 AFSL No. 237848

Prepared and Issued: May 2009

# DIRECTORY

## The following products are part of this Investment Update

- Managed Investment Bond Series 1
- Managed Investment Bond Series 2
- Rollover Deferred Annuity Series 1
- Rollover Deferred Annuity Series 2

### Issuer & Administrator

TOWER Australia Limited  
ABN 70 050 109 450  
AFSL No. 237848

### Customer Service

Call 1800 226 364  
Monday to Friday  
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PO Box 142  
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### Terms used in this Investment Update

<b>ABN</b>	Australian Business Number
<b>AFSL</b>	Australian Financial Services Licence
<b>EST</b>	Eastern Standard Time
<b>pa</b>	per annum
<b>FOS</b>	Financial Ombudsman Service
<b>TOWER, 'we', 'us'</b>	TOWER Australia Limited and any of its related bodies corporate
<b>'you', 'your', 'Customer'</b>	the Customer

Prepared and issued – May 2009

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# A MESSAGE FROM OUR CEO

Dear Customer,

On behalf of TOWER Australia Limited I am pleased to present the Investment Update for year ended 31 March 2009.

## Market update

The unprecedented financial turmoil over the past 6 months has affected almost every asset class across all financial markets. Equity markets around the world fell to new lows in November 2008 and again in February 2009. The financial markets crisis of 2008 has filtered through to the real economy with the world now faced with a global recession. The market falls have made equities historically cheap and markets have started to respond to the extraordinary government stimulus measures which are showing signs of having a positive impact.

## Keeping you informed

Your Investment Update includes information about investment objectives and strategies and should be read together with your Annual Statement.

At this time of uncertainty in investment markets, it is also useful to consider the fundamentals of investing. We have developed a series of articles on understanding diversification, market timing and risk and return which can be found on the following page [www.toweraustralia.com.au/cs/investments.asp](http://www.toweraustralia.com.au/cs/investments.asp) on our website.

We also encourage you to talk to your Financial Adviser if you have any specific questions about your investment strategy. If you need any other information about your investment we are happy to help - please call us on 1800 226 364, email us at [customerservice@toweraustralia.com.au](mailto:customerservice@toweraustralia.com.au) or visit our website at [www.toweraustralia.com.au](http://www.toweraustralia.com.au)

At TOWER we always encourage investors to focus on their long-term investment strategy and we look forward to helping you to achieve your investment goals.

Thank you for investing with TOWER.

Yours faithfully



**Geoff Black**  
CEO, Group Life & Investments  
TOWER Australia Limited



**Geoff Black**  
CEO, Group Life & Investments

# INVESTMENT INFORMATION

## Investment performance

Investment performance information is detailed below and the figures have been rounded to one decimal place. The calculation of performance returns is based on the movement of unit prices for the unit linked investment options over the period reported.

The performance returns shown are calculated after the deduction of any tax, asset management charge and investment costs attributable to the investment option and before the deduction of any other fees and rebates that may be applicable to your policy. Performance returns are the annual returns for the investment option as a whole.

Product	Investment Option	Investment performances as at 31 March					5 Year compound average return (%)
		Yearly returns (%) for period ending 31 March					
		2009	2008	2007	2006	2005	
Managed Investment Bond Series 1	Capital Protected	-3.8	-1.5	3.1	5.7	3.5	1.3
	Performance	-13.4	-6.2	6.3	12.1	7.0	0.7
Managed Investment Bond Series 2	Capital Protected	-5.3	-3.0	1.7	4.3	1.9	-0.1
	Cash	3.2	3.2	2.4	2.3	2.2	2.7
	Performance	-15.0	-7.9	4.5	10.1	5.0	-1.1
Rollover Deferred Annuity Series 1	Capital Protected	-6.2	-1.6	5.1	7.5	5.3	1.9
	Performance	-21.0	-6.7	9.2	16.3	11.5	0.9
Rollover Deferred Annuity Series 2	Australian Shares	-28	-6.8	17.0	22.3	19.8	2.8
	Capital Protected	-6.9	-2.3	4.5	6.6	4.7	1.2
	Cash	4.5	4.6	4.0	3.7	3.6	4.1
	Diversified	-15.7	-4.9	7.3	11.7	9.4	1.0
	Performance	-21.7	-7.6	8.2	15.3	10.5	-0.1

Past investment performance is not a guarantee of future investment performance.

## Investment guarantees

### Capital Protected investment option

The Capital Protected investment option is market linked. This means the unit price may fall and rise with market movements. However, the price of a Capital Protected unit when redeemed to pay a benefit, withdrawal or switch, will not be less than the price at which the unit was purchased.

This information does not take account of your individual circumstances and you should seek tax and/or financial advice from a professional adviser before acting on this information. Your individual returns after taking into account transactions throughout the reporting period are detailed in your Annual Statement.

### Cash investment option

The Cash investment option unit price is guaranteed not to reduce other than as a result of tax or legislative changes.

Current performance returns are updated at the end of each month and may be obtained by contacting a Customer Service Consultant or visiting [www.toweraustralia.com.au](http://www.toweraustralia.com.au)

# INVESTMENT INFORMATION

## Asset allocation

Asset allocations as at 31 March 2009 for each of the investment options are shown below and are rounded to the nearest one decimal place. The actual allocations may vary from time to time due to market fluctuations and investment decisions.

Consistent with their investment style, a limited portion of some external managers' investment portfolios may be held as cash for liquidity or other investment purposes from time to time. This cash holding is included in the asset class specified in the manager's mandate. For example, a specialist shares manager may hold some cash (within specified limits) and this would be classified as shares.

Product	Investment Option	Asset allocation as at 31 March 2009 (%)					
		Australian fixed interest	International fixed interest	Australian Shares	International Shares	Property	Short term securities and cash
Managed Investment Bond Series 1	Capital Protected	30.8	17.6	14.1	9.6	2.3	25.6
Managed Investment Bond Series 2	Performance	18.0	8.1	38.4	26.1	5.5	3.9
Rollover Deferred Annuity Series 1	Capital Protected	30.8	17.6	14.1	9.6	2.3	25.6
Rollover Deferred Annuity Series 2	Cash	0.0	0.0	0.0	0.0	0.0	100.0
	Performance	18.0	8.1	38.4	26.1	5.5	3.9
Rollover Deferred Annuity Series 1	Capital Protected	30.1	16.9	15.0	8.7	2.5	26.8
Rollover Deferred Annuity Series 2	Performance	19.3	7.9	39.2	24.4	5.8	3.4
Rollover Deferred Annuity Series 2	Australian Shares	0.0	0.0	100.0	0.0	0.0	0.0
	Capital Protected	30.1	16.9	15.0	8.7	2.5	26.8
	Cash	0.0	0.0	0.0	0.0	0.0	100.0
	Diversified	21.3	18.2	25.1	13.6	4.4	17.4
	Performance	19.3	7.9	39.2	24.4	5.8	3.4

Further information regarding asset allocation benchmarks, ranges and actual asset allocations (updated at the end of each month) may be obtained by contacting your Financial Adviser, a Customer Service Consultant or by visiting [www.toweraustralia.com.au](http://www.toweraustralia.com.au)

## Investment option objectives and strategies

Investment Option	Investment Objective	Investment Strategy	Time Horizon	Risk/Volatility
Australian Shares	The option aims to provide high investment growth over the long term from a portfolio of Australian shares.	The option invests in a range of Australian shares.	Long term: 5 years+	High
Capital Protected	The option aims to provide modest investment growth over the medium term from a portfolio that invests in a range of asset classes.	The option invests in a range of asset classes, with a strong emphasis on defensive assets such as cash and fixed interest.	Medium term: 3 years+	Low to moderate
Cash	The option aims to provide cash returns over the short term from investments in short term securities.	The option invests in short term securities.	Short term: 1 year	Low
Diversified	The option aims to provide moderate investment growth over the medium to long term from a portfolio that invests in a range of asset classes.	The option invests in a range of asset classes, with a broadly equal weighting to growth and defensive assets.	Medium to Long term: 3 to 5 years	Moderate
Performance	The option aims to provide moderate to high investment growth over the long term from a portfolio that invests in a range of asset classes.	The option invests in a range of asset classes, with a strong emphasis on growth assets such as shares and property.	Long term: 5 years+	Moderate to high

# INVESTMENT INFORMATION

## Risk and volatility

The risk and volatility levels shown on page 7 are illustrative only and are subject to change.

Volatility can be simply defined as fluctuations in the returns of an investment and is the most common way to measure the risk associated with certain asset classes. An investment which is more volatile than another is said to be riskier. This is because the greater the volatility of an investment, the greater the chance that its return could be less or more than expected.

It is widely accepted that over long periods of time, a relationship exists between the risk and return of each investment option. Generally, the investment options with the potential for earning higher returns carry a higher risk (i.e. have higher volatility of returns).

Full details for each of the investment options available to you as a policyholder (including asset allocation benchmarks and ranges) may be obtained by contacting a Customer Service Consultant or visiting [www.toweraustralia.com.au](http://www.toweraustralia.com.au)

This information does not take account of your individual circumstances and you should seek tax and/or financial advice from a professional adviser before acting on this information.

## Our multi-manager investment style

We have partnered with Russell Investments, the world's largest multi-manager. Russell Investments selects quality specialist investment managers from around the world to manage assets in the investment options. Russell's experience and depth of resources in investment management, research and implementation make it possible to provide innovative solutions to clients of all sizes

## Investment in derivatives

Derivatives such as futures, forwards, options and swaps (as applicable) may be used, within agreed limits, by the underlying investment managers in managing the various asset classes.

Our Derivative Risk Statement (DRS) contains information about our approach to the use of derivatives. If you would like a copy of this, please contact a Customer Service Consultant or visit [www.toweraustralia.com.au](http://www.toweraustralia.com.au) where a copy of the DRS can be accessed.

# GENERAL INFORMATION

## Fees and other costs

Before the introduction of any additional fee(s) or before any increases (other than CPI increases) to the fees, costs and charges on your policy, we will provide you with at least 30 days notice before the change takes effect.

## Processing of contributions and withdrawals

TOWER reserves the right to suspend the processing of all contributions or withdrawals under certain market conditions or circumstances, if in TOWER's opinion, to continue processing would not be in the best interests of customers.

Please note that before you withdraw your benefit, you can ask us for any assistance or information on anything you are unsure of, including benefits, fees and charges.

## Unit pricing for benefit payments

TOWER calculates the withdrawal value using the latest available unit price at the time of calculating the payment. Our process has been updated and may differ from the benefit calculation procedure in your original product terms.

## Unit pricing errors and remediation

Unfortunately, from time to time an error may occur in the calculation of a unit price. When an error has been identified, TOWER will remediate impacted customers as follows:

- For members who are still current, we will adjust your records to ensure your investment is put back to the position it should have been had the error not occurred
- Compensation for exited members will only be paid where the amount of compensation is at least \$20. For amounts less than \$20, these amounts will remain in the Fund
- For members who have exited and were overpaid, we reserve the right to recover any overpaid amount.

## Anti-Money Laundering and Counter-Terrorism Financing Act

Controls imposed by the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the 'AML/CTF Act') are aimed to limit or prevent activities relating to money laundering and terrorism financing. These controls are documented within the TOWER AML Program and include the following:

1. Record keeping obligations
2. 'Know your customer' obligations including the requirement to identify and verify the identity of customers and their beneficiaries
3. Ongoing customer due diligence
4. Monitoring of transactions
5. Suspicious matter reporting mechanisms
6. International funds transfer reporting requirements.

To comply with these obligations we may need to carry out procedures to identify you or, in the event of death, your beneficiaries. We may need to verify the identification information provided to confirm its authenticity.

We cannot process withdrawal requests (including claims, redemptions and transfers) until we receive all information required. In some circumstances we may need to report certain information about our customers to relevant authorities, including the Australian Transaction Reports and Analysis Centre (AUSTRAC).

Where such reporting has taken place, we may be prevented by this legislation from telling you. Where legally permitted or obliged to do so, we may disclose that information to regulatory or law enforcement agencies, to our related bodies corporate, or to other third parties. The AUSTRAC website at [www.austrac.gov.au](http://www.austrac.gov.au) provides information relating to the AML/CTF Act. We will not be liable to you for any loss you suffer (including consequential loss) caused by the fact that we are required by law to delay, block, freeze or refuse to process a transaction.

# GENERAL INFORMATION

## Information for policyholders of Managed Investment Bonds

### The 125% Rule option

If you withdraw the account balance after 10 years, the investment is fully tax paid, provided in any one year you have not contributed more than 125% of the previous year's contributions. If, in any year, you have contributed more than 125% of the previous years' contributions, the 10 year tax paid period recommences for the whole investment.

If you withdraw your investment during the first 10 years, a portion of the earnings on the investment must be declared as taxable income. Note that a credit for tax paid by the life company during that period may reduce the amount of tax that you have to pay. The portion of the earnings that must be declared depends on the year the withdrawal is made:

Year withdrawn	Portion of earnings to be declared
After 10th Year	Nil
During 10th Year	One third of earnings
During 9th Year	Two thirds of earnings
Up to and including 8th Year	All of the earnings

The above information does not take into account your individual investment objectives, financial situation or particular needs. Please contact your Financial Adviser or Taxation Consultant for more information or advice.

## Information for policyholders of Rollover Deferred Annuities

### Taxation of superannuation lump sum payments to terminally ill members

The Government has made it easier for people to access their superannuation benefits in the case of a terminal illness. Members who are terminally ill can now gain access to their superannuation and benefits paid are tax free. This new condition of release, Terminal Medical Condition, was introduced on 16 February 2008.

### Same-sex partners and dependents

In December 2008 the federal government passed legislation that means same sex partners and their children have the same rights to superannuation death benefits in terms of availability and tax treatment, as other couples. This legislation now also allows both married and de facto couples including same sex relationships to split a superannuation benefit subject to the Family Law legislation.

# CONTACT US

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## Enquiries

If you have a general enquiry or require further information on your policy, you can contact a Customer Service Consultant on Freecall 1800 226 364, Monday to Friday 8:30am-6:00pm (EST).

Alternatively, you can email us at [customerservice@toweraustralia.com.au](mailto:customerservice@toweraustralia.com.au) (quoting your policy number) or write to TOWER at the following address:

TOWER Australia Limited  
PO Box 142  
Milsons Point NSW 1565

## Complaints

If you have a complaint regarding your TOWER product, please lodge your complaint in writing to the Complaints Resolution Manager at the address shown above.

## For Managed Investment Bond policyholders

If your complaint has not been resolved to your satisfaction within 45 days of lodgement, you may refer your complaint to the **Financial Ombudsman Service (FOS)**, contact details are shown below:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001

Call 1300 780 808

Website: [www.fos.org.au](http://www.fos.org.au)

FOS is an independent body designed to help you resolve complaints relating to financial products as well as complaints relating to financial advice and sales of financial and investment products. Complaints with FOS may be resolved by a conciliation process or arbitration. This complaints procedure is free of charge.

## For Rollover Deferred Annuity policyholders

If your complaint has not been resolved to your satisfaction within 90 days of lodgement, you may refer your complaint to the **Superannuation Complaints Tribunal (SCT)**, contact details are shown below:

Superannuation Complaints Tribunal  
Locked Bag 3060  
GPO Melbourne VIC 3001

Call 1300 780 808

Email [info@sct.gov.au](mailto:info@sct.gov.au)

Website: [www.sct.gov.au](http://www.sct.gov.au)

The SCT is an independent body established by the Commonwealth Government to deal with complaints about superannuation, annuity policies and retirement savings accounts. The objective of the SCT is to provide a fair, timely and economical means of resolution of complaints as an alternative to the court system. The SCT cannot consider complaints that have not been first referred through the complaint resolution process of the provider of the product.

TOWER Australia Limited  
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**Disclaimer**

TOWER Australia Limited (nor any of its related bodies corporate and their respective directors and associates) does not guarantee any particular rate of return, or the repayment of capital or income, or the performance of any of the products or funds referred to in this report unless otherwise stated.

The information contained in the Investment Update is general information only. It does not take into account your individual investment objectives, financial situation or particular needs. You should obtain your own advice from a Financial Adviser with respect to your own individual investment objectives, financial situation and particular needs.