

Investment Update – June 2010

Volatile share markets continue to be an ongoing concern for financial markets, investors and governments around the world.

This edition of Super News aims to help you gain a general understanding of why investment markets are volatile and the impact this is having on the returns across the Plan's investment options.

Credited Interest Rates (CIRs) to 31 May 2010

Option	1 month (%)	1 year (%pa)	3 year (%pa)	5 year (%pa)
Cash	0.34	3.10	4.43	4.57
Conservative	-0.49	8.22	2.70	4.50
Balanced	-1.51	10.26	0.11	4.59
Growth	-2.34	11.27	-2.44	4.35
Aggressive	-3.39	11.63	-4.54	4.03

Note:

The Credited Interest Rates (CIRs) shown in this table are the actual rates credited and are calculated after investment fees and tax.

CIRs can go down as well as up.

Past performance may not be a reliable indicator of future performance.

These rates do not apply to Division 9 or Division 14 members.

Why are returns (excluding the Cash Option) negative again?

There are a number of factors that have contributed to the recent falls in the world's share markets:

- Continued concerns over government debt levels in Europe (referred to as 'sovereign debt') and those governments' ability to repay that debt (in particular Portugal, Italy, Ireland, Greece and Spain and other countries in Europe).
- Disappointing unemployment numbers in the US, indicating a weak and slow recovery for the US economy.
- China's growth rate is under question as the Chinese government seeks to slow down the economy and their property market in particular. This has raised concerns for the Australian economy given the importance of trade between Australia and China.
- In Australia, some commentators point to the Government's proposed resource super profits tax as a contributor to increased uncertainty and unsettled financial markets. The recent weakening of the Australian dollar also indicates some reduced confidence in Australia as a stable environment for investment.

This document is of a general nature and does not take into account your personal objectives, situation or needs. Before making a decision about the Qantas Superannuation Plan, consider your financial needs and read the Product Disclosure Statement applicable to your membership.

Investment returns are not guaranteed and all investments carry some risk.

Past performance may not be a reliable indicator of future performance.

Impact on the Growth Option

If we consider the Growth Option as an example, 55% of the assets are invested in Australian and international shares. As a consequence, the significant falls in Australian and international share markets in recent weeks have had an impact on the Growth Option CIR.

The S&P/ASX 300 index (which is an index measuring the value of the top 300 companies listed on the Australian Stock Exchange) has fallen 11.4% from reaching a closing high of 4995 points on 15 April 2010 to closing at 4423 on 31 May 2010.

One of the key benefits of being in a diversified investment option, such as the Growth Option, is that whilst share investments have suffered, the risk controlling assets, such as cash and fixed interest, have provided a positive return to help offset the poor performance of shares.

Keeping May's monthly CIRs in perspective

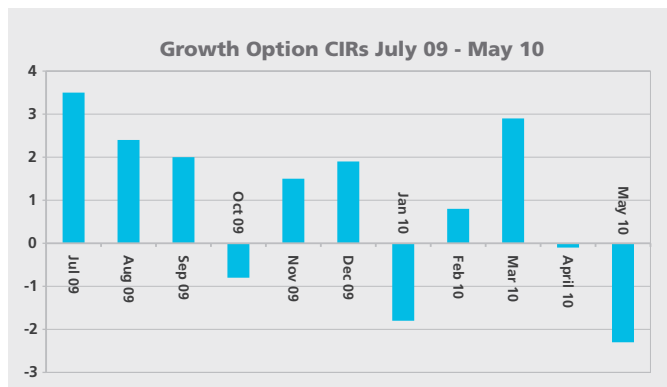
The negative one month declared CIRs for Member Investment Choice Options other than the Cash Option in May are disappointing, but it's important to keep them in perspective. For many members, their super will be invested for their entire working life and beyond.

There will always be months of positive returns and negative returns. This is why the Growth Option has an objective to achieve a return over a 5 year period, rather than a one year or a one month objective.

That said, we must also acknowledge that the last two and a half years have presented the most challenging investment environment in many years. The 3 and 5 year returns are looking very different now, compared to the 3 and 5 year returns prior to the Global Financial Crisis.

Monthly CIRs for the Growth Option

Let's take a look at the monthly performance for the Growth Option this financial year.



This chart highlights:

- For most months the monthly CIR was positive
- Month to month, returns can vary considerably, and
- Last month's CIR is no indication or guarantee of what the next month's CIR will be.

Should I switch to the Cash Option or something more conservative?

We are unable to provide you with a specific answer to this question because the Plan is not currently able to provide financial advice.

We can, however, provide you with general information on what to consider before you make a decision to switch investment options.

1. Your timeframe

Your super is generally a long-term investment and the investment options in the Plan are also structured for the long term. The longer your investment timeframe, the more time you have to ride out the volatility of monthly CIRs.

2. Your risk tolerance

As individuals, we have a different tolerance to risk and acceptance for low or negative returns. Your risk tolerance is likely to be different to that of your family, friends and the people you work with.

Some members may be happy to target potentially higher returns over the long term, by investing more in return seeking assets such as shares, and accepting the risk of receiving a negative return in some years.

At the same time, some members may be very conservative with their investments, aiming to avoid a loss in any year. The Cash Option provides the lowest risk, but with the trade off of potentially lower long term returns.

Importantly, there is no right or wrong answer. You need to be comfortable with your investment decision.

3. Understand the investment options in the Plan

Before you decide to change your investment option, make sure you take the time to understand the options available.

Each investment option is outlined in the *Plan Investment Summary*, and the *Product Disclosure Statements*, available on our website www.qantassuper.com.au. The Investment section of our website also contains further information.

If you are still in doubt, before you change your investment option, we recommend you seek professional advice from a licenced financial advisor.

I want to change my investment choice option. How do I do this?

If you are eligible to make an investment choice you can change your investment option monthly.

Although we provide for monthly changes, keep in mind that your super is generally a long-term investment. It is very difficult to try and time when to move between investment options to avoid the worst of the negative returns and also benefit from the best of the positive returns.

To change your investment option:

- Check in to the secure member's area of the Plan's website. On the right hand menu, click on 'Change Investment Option'; or
- Submit a *Member Investment Choice (MIC) Option Notification Form*. You can download this form from our website. It's located in the Documents section under Forms.

Remember, the MIC change is effective from the 1st day of the month after your request is processed.

What does the Plan do when markets are this volatile?

Our Investment Committee meets regularly to review the Plan's investment objectives, strategies and investment managers. The Investment Committee most recently met on Thursday 10 June 2010.

Our Investments team, headed by Andrew Spence, Chief Investment Officer, continues to closely monitor our investment managers, and remains focused on holding a portfolio of high quality investments that are diversified by strategy, geography, liquidity, and across a range of different investment managers.

The assets of the Plan continue to be invested in accordance with the investment strategy, as described in the *Plan Investment Summary*.

The Plan's investment strategy takes into account market volatility and acknowledges the probability that negative returns will occur from time to time. For example, the Growth Option risk objective acknowledges that there is a likelihood of a negative annual return in 4 years out of every 20 years.