Ethical Investing

More investors want to know how their investment dollars are impacting global warming and environmental sustainability. How do you make an impact?

The U.S. markets What’s going to happen?

Super Charged Making the most of super

Over the hedge The truth about hedge funds

Dollar Defense The global share market

Why take the risk? What you should be insuring
Welcome

What’s an investor to do? Following the recent market activity, Chris Caton, Chief Economist for BT Financial Group, suggests the dramatic fall in the Australian dollar probably means that it has already reached its peak – but it’s not all bad news. You can read his viewpoint on page 6.

Investors are also taking note of the debate on climate change, which has prompted many to consider how their investment dollars are impacting environmental sustainability. But do investors have to sacrifice their financial objectives in order to accommodate their moral and ethical ones? Westpac Financial Planner, Martha Malliotis, explores the question in the cover story.

And 1 July 2007 was just the beginning for super opportunities, as you’ll see on page 8. Westpac Financial Planner, Tony Peers, describes some options in the super new world, with no limits to the amount you can accumulate in super and the ability to leave your money in super after retirement.

Your Westpac Financial planner will be happy to assist you with any questions relating to the articles in this edition. You can also send any queries you’d like to see answered in the next edition of View to online@westpac.com.au.

Enjoy this edition of View – I hope it informs and inspires your investment decisions.

Sally Herman
General Manager, Advice

What an investor to do? Following the recent market activity, Chris Caton, Chief Economist for BT Financial Group, suggests the dramatic fall in the Australian dollar probably means that it has already reached its peak – but it’s not all bad news. You can read his viewpoint on page 6.

Investors are also taking note of the debate on climate change, which has prompted many to consider how their investment dollars are impacting environmental sustainability. But do investors have to sacrifice their financial objectives in order to accommodate their moral and ethical ones? Westpac Financial Planner, Martha Malliotis, explores the question in the cover story.

And 1 July 2007 was just the beginning for super opportunities, as you’ll see on page 8. Westpac Financial Planner, Tony Peers, describes some options in the super new world, with no limits to the amount you can accumulate in super and the ability to leave your money in super after retirement.

Your Westpac Financial planner will be happy to assist you with any questions relating to the articles in this edition. You can also send any queries you’d like to see answered in the next edition of View to online@westpac.com.au.

Enjoy this edition of View – I hope it informs and inspires your investment decisions.

Sally Herman
General Manager, Advice
How companies are screened for SRI performance

Ethical fund managers screen companies to assess their socially responsible investment performance.

They look at a group of companies such as those in the ASX/S&P 300 and apply social and environmental criteria to see if the company fits the fund’s investment philosophy. Negative screens eliminate companies which undertake perceived unethical activities, such as weapons and armaments manufacture, animal testing, gambling, tobacco and alcohol products and logging of old growth forests. Positive screens actively seek out green and clean and “dirty” activities such as mining or chemical manufacture.

Some funds invest across all sectors, but only in the best performing companies based on these criteria. These funds invest across all sectors, but only in the best performing companies based on these criteria. Some funds might apply four screens rather than others. For example, the production of genetically modified organisms (GMOs), specific bio technologies and “dirty” activities such as mining or chemical manufacture might be excluded by some funds. These screens do not remain static but can be modified when circumstances change. For example, BT Financial Group (BT) recently amended its uranium screen for its Socially Responsible Investment products to reflect the view that nuclear power, as a clean emitter, should not be disregarded in an energy portfolio mix.

Key aspects of sustainability funds compared to BT Wholesale Ethical Fund.

<table>
<thead>
<tr>
<th>Sustainability</th>
<th>Ethical</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stock selection</strong></td>
<td>Bottom-up, all major industry sectors represented</td>
</tr>
<tr>
<td><strong>Portfolio construction</strong></td>
<td>Disciplined process including social, environmental and financial criteria</td>
</tr>
<tr>
<td><strong>Ethical preferences</strong></td>
<td>Generally no specified exclusions – not setting personal ethical preferences</td>
</tr>
<tr>
<td><strong>Rewarding companies</strong></td>
<td>Rewards “best” companies across all sectors – encourages all sectors to improve</td>
</tr>
</tbody>
</table>

One misconception about ethical investing is that investors have to sacrifice their financial objectives in order to accommodate their moral and ethical ones.

2. Ethical Funds avoid investments in companies whose activities or products are deemed morally unacceptable such as gaming, arms manufacture or tobacco. These portfolios are constructed using positive and negative screens.

We’re in this together

People worldwide want to reduce their impact on climate change. But many feel frustrated. How can one person make an impact?

In answer to this question, an unprecedented coalition of major brands, churches, consumer groups and the government was created in the United Kingdom this year to support 100 of millions of consumers internationally to change their behaviour.

“We want to make green consumption mass consumption,” said Sir Terry Leahy, CEO of Tesco, the UK’s largest supermarket chain. Joining them in this Climate Group initiative are Marks and Spencer, Royal and Sun Alliance, Sky TV and British Gas, to name just a few of the corporate sponsors.

Each partner is launching a simple solution which will help their customers make an impact on global warming. For example, Tesco has given themselves the target of selling 10m energy efficient light bulbs through price promotional campaigns, hardware chain B&Q are offering half-price loft insulation and assistance with installation and Barclaycard is offering a credit card which encourages green purchasing and gives 50 per cent of its profits to climate projects.

Westpac is one of the founding corporate members and the first bank to get on board this initiative in Australia; with plans for a Green Home Loan/Economical living program and other new products to be launched in the coming months.

The purpose of the exercise is to help every household save a tonne of CO2 and by using a series of tools on the website together.com, individuals can see how collectively they can make an impact.

One energy efficient light bulb might seem like a drop in the ocean, but 10 million can add up to something really significant.

Martha Malliotis is a Senior Financial Planner in Mordialloc, Victoria. She has 11 years experience with Westpac, 8 years in financial planning.
I’m always wary of publication lags. I’m writing this in August, and you may not read it until early September. It’s hard enough prognosticating about the future without having to run the risk that your views will already be wrong by the time they are printed!

In that regard, I note that the last time I wrote here I suggested that it was unlikely that the Australian dollar would rise above 85 cents. Those whom the Gods would destroy...

Chris Caton, BT Chief Economist

Committed to write one piece on a topic of my choosing, I had thought that I would write about the advantages and disadvantages of investing in commodities.

Then, in just two days, the US share market has tumbled again. As measured by the Dow Jones, the US share market is down by more than 8 per cent since its peak. It wasn’t the only big market move. The Australian market is off by about 1 per cent at the time of writing and share markets around the world are down. Share markets around the world are down.

Foreign exchange markets have also been roiled. The Australian dollar, for example, was USD 88.7 cents in late July. It is now, remarkably, a little below 79 cents.

What’s an investor to do?

The last time I wrote for this journal, some three months ago, I said that: “Share markets around the world had become overvalued, or at least fully valued. Overvalued markets can remain that way for a long time, but they are vulnerable to shocks.”

This was in reference to the late-February early-March correction, which followed, of all things, a bad day in the Shanghai market. I did, however, suggest that markets were again overvalued in April.

So what is the nature of the current shock? It appears to stem mainly from concern about rising mortgage defaults and delinquencies in the US and also from a drying up of leveraged buyouts, also in the US.

Once the US market falls, it’s London to a brick that the Australian market will follow suit. And that’s what we saw.

In late July. The currency move is mainly related to a partial unwinding of the “carry trade”, whereby speculators borrowed in yen and invested in high-yielding currencies such as the AUD and the Kiwi.

Extraordinarily, at one stage, the AUD fell by more than 3 per cent against the yen in about 12 hours!

What will happen next? Is this another flash in the pan, as we saw post-Shanghai? Is it “just another correction” and hence a buying opportunity? Or is it the end of the phenomenal four-year equity rally? It’s impossible to say, although I would favour the second of these. It’s worthwhile remembering that rising markets frequently fall and that the US share market hasn’t had a 10 per cent correction for more than four years.

One has to go back a long time — indeed it may never have happened — to find the last time that the market went for so long without a 10 per cent pullback.

What all of the above market movements have in common is the repricing of risk. When investors are chasing capital gains, leverage up and being driven by greed rather than fear, they tend to underprice risk, which is to say that they over invest in risky assets and thus artificially inflate the price of those assets. Then something happens to change the collective mindset of investors and they realise the risks they are running.

Fear, rather than greed, can become the dominant emotion. Risky assets, such as shares, get sold and safer, less exciting assets, such as boring old bonds, get bought. The carry trade always carried (sorry) an element of risk, since it only works out if the currency in which the borrowing is done stays steady, or falls, against the high-yielding currencies. It’s worthwhile pointing out that the re-evaluation of risk is almost certainly a good thing, in that it has moved us closer to the “correct” value.

Provided the economic world goes on in reasonably healthy fashion and companies keep earning reasonable profits, there is a natural stopping point to this reanalysis of risk. Of course, markets tend to overshoot, so the self-inflicted may be more brutal than justified by fundamentals, but it will end. History is a powerful teacher in this regard and it suggests that share market corrections are almost always buying opportunities.

That said, I continue to see a small risk that this is in fact the end of the four-year rally which doesn’t mean that it’s the start of a major bear market. In my opinion, the most likely way that markets get from “orderly correction” to something worse would be via a further weakening of the US economy. If this were to occur, it would most likely be because of further weakness of the housing sector, with consumer spending eventually weakening because of wealth and confidence effects.

Closer to home

The dramatic fall in the Australian dollar probably means that it has already reached its peak. Even if this turns out to be not to be true, its current high value means that the rest of the world is on sale. The high value of the currency should be encouraging investors to put money offshore rather than dissuading them from doing so.

I have three models for share market corrections. Model 1 is a “flash in the pan”, as we saw in late February / early March after a fall in the Shanghai market, of all things, caused markets to fall all over the world.

In Model 1, it’s over almost as soon as it started. Importantly, no-one feels very much pain, so very few losses are learned. Model 2 is ‘just another correction’, and hence a buying opportunity. Model 3 is ‘this is the end of the phenomenal four-year share market rally, and markets will struggle for a long time’. A recent example of Model 3 is the Australian share market in 2001-2003. My strong suspicion is that we are currently experiencing a Model 2 correction.

So what about investing in commodities, which was to be the original subject of this column? Let me recommend to anyone interested in the topic that they read the book Hot Commodities by Jim Rogers. He makes a strong case for investing in commodities because it’s a sensible diversification strategy and because he believes that we are still in the early stages of a commodity price boom. I don’t fully share his optimism about the length and strength of the boom, particularly from an Australian viewpoint. But it’s a very interesting book.
Super is a special, tax-advantaged way of saving and investing to provide you with an income when you retire. The Government recently changed the super rules to encourage regular investments into super throughout your life rather than a sudden spurge as you near retirement.

Your present age, the kind of retirement you envisage and your level of risk will determine how you invest any money held in your super fund. When considering your attitude to risk, it comes down to how much time you have before you need the cash. This is known as your investment timeframe and is something your Financial Planner will want to talk to you about.

Property or Shares?
So do you invest in property or shares through your super fund?

Residential rents have risen sharply in Australian capital cities as vacancy rates have fallen to their lowest levels this decade. However, capital gains have been lacking in many cities except Perth and the Gold Coast belt. With vacancies standing at 2 per cent or less, it may seem a logical time to enter the residential property investment market. But uncertainty over interest rates and share markets, which have boomed in the last 12 months by 25 per cent, has deterred many from considering residential investment.

With uncertainty about the direction of the share market at present, you may want to use a substantial amount of cash in super, ready to pounce to pick up bargain properties at the market at present, you may want to keep a substantial amount of cash in super, ready to pounce to pick up bargain properties at the bottom of the market. For those who want exposure to rising rents, without the hassle of owning bricks and mortar, can access property through a Property Trust.

Most Property Trust managers include properties across a diversity of geographic regions, lease lengths and tenant types. Some Property Trusts are ‘listed’ on the stock exchange where the price of units in the trust fluctuates with supply and demand. Listed Property Trusts (LPTs) allow investors to purchase an interest in a diversified and professionally managed portfolio of real estate. Unlisted Property Trusts are Managed Funds that invest solely in property.

By holding shares in their super, investors can use the power of gearing to help them play catch up with their super sums. If you are the trustee of a Self-Managed Super Fund, Self-Funding Installments (SFIs) offer you the chance to super size your super investment through the power of gearing (see box). Unlike margin loans, SFIs are an internally geared asset so you are permitted to buy SFIs through your super fund.

Another way into property
Buying an investment property can be a hassle. To start with, there is stamp duty to pay, quality tenants to find, leases to be drawn up, then rents collected and maintenance services provided.

Even with a couple of investment properties, you may be able to take advantage of the transitional rules which have boomed in the last 12 months by 25 per cent.

However, it can then be accessed tax-free. This is why it is so important to understand your investment timeframe.

A bit of both
Those who still want exposure to rising rents, without any of the hassle of owning bricks and mortar, can access property through a Property Trust.

Property Trusts have little geographical diversification. Then there is the vacancy risk – when tenants leave, you are left with an empty property.

The DHA, a Government business enterprise, is one of the most experienced property managers in Australia. The WRPT is a property trust with assets that include a portfolio of 441 Australian residential properties geographically diversified across six Australian states and territories.

The DHA is responsible for ongoing property maintenance and ‘make good’ provisions at the end of each lease. Vacancy risk for these properties out to 1 July 2014 is limited to the 3 per cent of properties with leases that expire within that period.

The WRPT is a property trust with assets that include a portfolio of 441 Australian residential properties geographically diversified across six Australian states and territories.

The DHA is responsible for ongoing property maintenance and ‘make good’ provisions at the end of each lease. Vacancy risk for these properties out to 1 July 2014 is limited to the 3 per cent of properties with leases that expire within that period.

The WRPT is a property trust with assets that include a portfolio of 441 Australian residential properties geographically diversified across six Australian states and territories.

The DHA is responsible for ongoing property maintenance and ‘make good’ provisions at the end of each lease. Vacancy risk for these properties out to 1 July 2014 is limited to the 3 per cent of properties with leases that expire within that period.
For too long, hedge funds were surrounded by the myth, hype and hearsay that this investment instrument was too risky, too expensive and not tax efficient.

Sascha Krummrey, Wetspac Financial Planning

B 0ver the Hedge

But times have changed. A recent investor hedge fund study which included global corporate pension funds, endowment bodies and foundations showed that more than half of the governing bodies of these institutions were more comfortable investing in hedge funds today than they were 12 months ago.

Hedge funds can deliver positive returns even when share, bond and property markets are falling. They are a more unconventional and complex market trading strategy which tries to generate returns in a way that doesn’t follow the normal up and down cycles of the sharemarket. As such, they can be used as an integral part of a wider portfolio of shares, property and fixed interest investments to smooth out the volatility of overall returns year on year.

As the market shows signs of volatility, now might be the time to take another look at this investment strategy and dispel any myths and misunderstandings you might harbour about hedge funds.

Myth one: All hedge funds are risky

For many, ‘hedge funds’ are synonymous with high stakes, high risk and massive gains or losses. In reality, the risk and return on hedge funds is determined solely by their investment strategy. Hedge fund investments can be low risk but that angle doesn’t often make the headlines.

About 75 per cent of the hedge fund market in the early 1990s was built around high risk, global macro strategies. This type of fund now makes up only around 15 per cent. The empty space has been filled by hedge funds offering a broader risk profile and a focus on consistency and protection for investors.

Diversification has also removed a lot of risk and volatility from hedge funds. For example, a fund-of-fund hedge offering (which consists of investments in a range of specialist hedge funds) minimises risk by spreading investments across multiple managers, strategies and asset classes instead of relying on a single event or prediction. This ‘blending’ aims to provide a more stable long-term investment return than that achieved by an individual fund. Risk and volatility can be controlled by the mix of underlying strategies and funds.

Myth two: Hedge funds are expensive

Fees for some hedge funds can appear relatively high compared to traditional asset class investments, particularly if the fund charges both a standard fee and a performance fee. But just as all hedge funds don’t share the same level of risk, neither do they charge the same fees. It is possible to find funds offering a transparent fee structure and no performance fees.

Many hedge funds also quote performance returns after fees have been subtracted — an important point to remember when you’re comparing the fee/performance trade-off between hedge fund and traditional funds.

Myth three: Hedge funds have capacity constraints

Currently, the amount of money in hedge funds (numbering approximately 8,000) is US$1 trillion, around a 60 per cent increase from 10 years ago. This rapid growth has led some industry figures to question whether hedge funds can maintain performance as the number of funds pursuing the same strategy increases.

But Financial Group’s hedge fund partner, Grevenor Capital Management LP (Grevenor), does not believe the growth in funds under management will have any negative affect on returns from hedge fund managers. In fact, the opposite may be the case. This growth has allowed an increase in the number of underlying strategies and the number of hedge fund managers, offering an experienced fund-of-hedge funds manager a wider choice and more opportunities for increased diversification.

With 16 years experience in the finance industry, Sascha Krummrey was a Financial Planner in South Africa for 10 years before he migrated to Australia. Sascha is now a Senior Financial Planner in Ringwood, Victoria.

A role for hedging

Most experts advise people who invest for the shorter term to take out some type of insurance and invest in a hedged fund, or one that is partly hedged.

While currency volatility can generate big gains in the short term, it can also cause big losses on international investments if the local currency jumps, which the Australian dollar has done.

If you believe that the Australian dollar will remain robust in the short term and that it could appreciate even more, then it could be wise to hedge. Hedging can also play a part if you are a more conserva-
tive investor and simply don’t want to expose yourself to currency volatility. But there is a cost to hedging as fund managers enter into foreign-exchange agreements to reduce currency risk and this could add a fee of at least 0.5 per cent on your investment.

Going part way

If you adopt a ratio of partly hedging your returns by investing in funds which hedge and those that don’t, you are adopting some insurance against Australian dollar volatility. If you want to expose yourself to global investments, then they could either use a combination of hedged and unhedged global funds to do it. It depends on the investor’s profile. If you are more conserva-
tive, you might put the ratio of hedged investments higher.

The question of hedging comes at a time when many economists expect the Australian dollar to keep rising. Some analysts actually expect the Australian dollar to reach parity with the US dollar. So, if you’re investing in interna-
tional funds on an unhedged basis, no choice but this.

Credit rating agency Standard & Poor’s warned earlier this year that investors should not treat the rise of the Australian dollar as a reason to stop hedging offshore investments as parity is a real possibility with a continued decline in the US dollar.

A final strategy is to hedge less as the Australian dollar rises but this is best left to expert fund managers rather than individual investors.

When you look at all your options, there is no right strategy when it comes to hedging. It is up to individual investors, their risk profile and the time frame of their investment. But the main point of any investment portfolio is to diversify, and above all invest across geographic regions. Don’t stick to the same global regions and consider using multi-asset funds to go about doing that.

Eddy Lau has held a variety of financial roles in New York, Hong Kong and Taiwan, including Credit Analyst and Head of Credit and Research. With 8 years at Westpac and qualified as a Certified Practising Accountant, Eddy is a Financial Planner in Chatswood, NSW.
We look after our investments. We insure our cars, our boats and our homes. Yet when it comes to protecting our income or our lives, we often leave ourselves dreadfully exposed.

Georgina Au, Westpac Financial Planning

**Why Take the Risk?**

Did you know that having something happen to your health or income is far higher than having your car or valuables stolen?

Most Australians have inadequate life or income protection insurance. According to the Investment and Financial Services Association (IFSA), Australians are underinsured by around $1.370 billion. In 2005, IFSA found that around 60 per cent of all Australians only had enough insurance to cover them for around a year if they became seriously injured.

Sure, it’s not pleasant to think about or discuss sickness, injury or death. But life’s twists and turns can be unexpected and illness or death can have a major financial effect on you and your family.

If disaster strikes, it’s often to have a structure in place to avoid a debt or eating into your retirement nest egg in order to take care of it.

The price of protection.

Many people believe life insurance is too complicated or costly. The truth, however, is that most of us already insure items such as our home, its contents and our car and yet that cover is possibly more expensive than protecting our income or our lives.

For example, it is cheaper for a 35-year-old non-smoker earning $50,000 per annum to get trauma insurance, than it is to insure a Toyota Camry (see illustration). Statistics indicate you are also more likely to have your car stolen!

The cost of insurance for you will depend on your personal circumstances, simply speak to your Financial Planner, visit westpac.com.au or call 1300 650 255.

**Insurance through super**

The recent changes to superannuation mean that your dependants are now able to receive unlimited tax-free lump sum payments in the event of your death. In the past, leaving a large sum to a dependent could have breached the Reasonable Benefit Limits (RBL) and created a tax liability for them.

This is no longer the case. You can even pay your insurance premiums from your super money. If you salary sacrifice, you are able to pay your insurance premium with pre-tax money. And if you are self-employed, your super contributions that fund your insurance premium may be tax deductible. Also, you may be eligible for the government’s spouse rebate if you make spouse contributions that pay for insurance premiums.

As always, it pays to seek professional tax advice.

Whether it’s a standalone policy or insurance through your superannuation, it’s vital that your cover provides appropriate and sufficient protection and integrates into your overall financial plan. Your financial planner can help you make sure the cover you are getting currently is right for you and your family.

Georgina Au is a Financial Planner based in Victoria. Qualified with a Bachelor of Arts and Diploma of Financial Planning, Georgina has 8 years in the finance industry.

**What are your most valuable assets?**

Georgina has 8 years in the finance industry.
Things you should know

View is published by Westpac Banking Corporation ABN 33 007 457 141, AFSL No. 233714 ("Westpac"). Westpac Institutional Bank, Westpac Property Markets and Westpac Premium Wealth Services are divisions of Westpac. Westpac Financial Planners are representatives of Westpac. No part of View may be reproduced without the prior approval of Westpac.

Information in View

The information contained in View ("Information") is based on information available at August, 2007 and is not intended to provide investment or taxation advice. The Information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on the Information, consider its appropriateness, having regard to your objectives, financial situation and needs. While Westpac (for another member of the Westpac Group) has made every effort to ensure the Information is free from error, no company in the Westpac Group warrants the accuracy, adequacy or completeness of the Information.

The Information may contain material provided directly by third parties. While such material is published with necessary permission, no company in the Westpac Group accepts responsibility for the accuracy or completeness of any such material. Except where contrary to law, Westpac intends by this notice to exclude liability for the Information. The Information is subject to change without notice. The views of the authors in the Information do not necessarily represent the views of Westpac or other members of the Westpac Group.

Forecasts and examples

The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts. The Information contains examples with "past performance" scenarios that may not necessarily be an indicator of future performance.

Taxation

Any taxation position referred to in the Information described is a general statement and should only be used as a guide. It does not constitute tax advice and is based on current tax laws and their interpretation. Westpac Financial Planners are not qualified to give tax advice. The Information contains examples that are hypothetical only, and may not illustrate exactly how tax or superannuation laws apply to you individually. Your individual situation may differ and you should seek independent professional tax advice on any taxation matters.

Investments

Unless otherwise stated, Westpac Banking Corporation or member companies of the Westpac Group do not guarantee the repayment of capital or investment performance of any investments and unless specifically stated, are not investments, deposits or other liabilities of Westpac Banking Corporation or member companies of the Westpac Group. Investments are subject to investment and other risks, including possible delays in payment of withdrawal amounts in some circumstances and loss of investment value, including principal invested.

But what about the ethics? Page 3

BT Funds Management No 2 Limited ABN 22 000 727 659, AFSL No. 233720, is the responsible entity and issuer of units in the BT Global Return Fund. A product disclosure statement ("PDS") is available for the Fund and can be obtained by contacting your business development representative on 1800 833 886 or visiting btinstitutional.com.au. You should obtain and consider the PDS before deciding whether to acquire, continue to hold or dispose of units in the Fund. Performance data (post-fee) assumes reinvestment of distributions and is calculated using exit prices, net of management costs. Performance data (pre-fee) is calculated by adding back management costs to the post-fee performance. No allowance is made for tax at the unitholder level, other than withholding tax on foreign income (if any).

Why take the risks? Page 7

Westpac General Insurance Limited ABN 99 003 719 319 is the issuer of Westpac Home and Contents Insurance. Westpac Banking Corporation is the distributor and is not responsible or liable for payments under the Westpac Home and Contents Insurance policy.

Supercharge your super, Page 12

Westpac Funds Management Limited ABN 28 085 352 405, AFSL No. 233718, as the responsible entity of the Westpac Residential Property Trust ("WRPT") will be the issuer of the Westpac Residential Structured Investments ("WRIIs"). A product disclosure statement ("PDS") is intended to be available for WRIIs in late August 2007. A copy of the PDS can be obtained by contacting your financial planner, by calling the WRPT registry or 1800 351 627 or visiting westpacfunds.com.au. You should obtain and consider the PDS before deciding whether to acquire, continue to hold or dispose of WRIIs. Super fund trustees should satisfy themselves that WRIIs are a suitable investment and consider their constitutions, the relevant requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and obtain independent advice.

Information for trustees of Super Funds: The Australian Prudential Regulation Authority and Australian Tax Office (the "Super Regulators"), have issued guidelines on instalments warranties, which notes that certain instalment warrant products may not be an eligible investment for super funds. Accordingly, trustees of super funds should read those guidelines prior to investing in a Westpac instalment product to ensure it is an eligible investment for their fund. A copy of these guidelines can be found on the Australian Taxation Office website at ato.gov.au. We note, the Government announced in November that it will amend the Superannuation Industry (Supervision) Act 1993 (SIS Act) to allow regulated super funds to continue to invest in traditional instalment warrants. However, Fund investments in instalment warrants will still be required to comply with other super rules including, for example, they must not result in fund assets being subject to a charge. Further information on this Government announcement can be found at the Minister for Revenue website's at assistant.treasurer.gov.au.

© 2007 Westpac Banking Corporation ABN 33 007 457 141