

Dear Member,

### Changes to Strategic Asset Allocations

The Military Superannuation and Benefits Board (the Board) recently completed its annual investment review of the Fund's long-term strategic risk and return objectives, to ensure that these remain appropriate and in line with the Board's long-term investment objectives for the Fund's members. This took into account the Fund's experience of the global financial crisis and the considerable volatility this period has caused and still causes for investment markets and specific asset classes, such as property, shares and private equity.

As a result, the updated Strategic Asset Allocation (SAA) targets for MilitarySuper's investment options are as follows (the existing target SAA is shown in brackets) and will apply from 15 October 2009:

Asset Sector	Investment Option				
	Cash	Conservative	Balanced	Growth (default)	High Growth
Cash	<b>100%</b>	<b>46%</b> (20%)	<b>5%</b> (5%)	<b>10%</b> (4.5%)	<b>0%</b> (0%)
Debt		<b>28%</b> (50%)	<b>27.5%</b> (33%)	<b>5%</b> (7.5%)	<b>0%</b> (0%)
Australian Equities		<b>9.5%</b> (9%)	<b>26.5%</b> (18%)	<b>25%</b> (20%)	<b>42%</b> (30%)
International Equities		<b>6%</b> (9%)	<b>17%</b> (18%)	<b>20%</b> (18%)	<b>33%</b> (30%)
Property		<b>7.5%</b> (7%)	<b>9%</b> (6%)	<b>10%</b> (6%)	<b>10%</b> (10%)
Infrastructure		<b>3%</b> (3%)	<b>8%</b> (8%)	<b>10%</b> (11%)	<b>0%</b> (5%)
Uncorrelated Alpha		<b>0%</b> (2%)	<b>0%</b> (5%)	<b>0%</b> (9%)	<b>0%</b> (10%)
Alternative Debt			<b>2%</b> (2%)	<b>5%</b> (9%)	<b>0%</b> (0%)
Private Equity			<b>5%</b> (5%)	<b>15%</b> (15%)	<b>15%</b> (15%)
Total	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### Military Superannuation and Benefits Scheme

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Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Therefore, before acting on any such general advice you should consider the appropriateness of the advice, having regard to your own objectives, financial situation or needs. You may wish to do so with or without the assistance of a licensed financial advisor.

## Risk Controls

The following table outlines the updated expected risk or volatility of returns across the investment options, expressed as the approximate probability of a negative return over a given period:

	Investment Option								
	Cash	Conservative		Balanced		Growth (default)		High Growth	
		Old	New	Old	New	Old	New	Old	New
<b>Expected Return (net) per annum</b>	5%	7.56%	6.5%	10.11%	8.8%	11.50%	10.0%	11.88%	11.1%
<b>Expected Risk (volatility)</b>	0.08%	4.28%	4.0%	6.80%	10.2%	8.50%	15.0%	9.36%	16.9%
<b>Approximate probability of a negative return</b>	#	Low (1 year in 19.4)		Medium (1 year in 5.2)		Medium-High (1 year in 4.1)		High (1 year in 3.9)	

# The probability of a negative return for the cash option is extremely low/negligible.

## Investment Ranges

The existing and new investment ranges for each asset class, shown in the table below, allow the Board to make tactical investment decisions and respond to changing markets and economic circumstances. These ranges only apply to the Growth Option, as all other options are automatically balanced to the long-term asset allocations for those strategies on a weekly basis.

Sector	Existing Allocation	New SAA Target (from 15/10/09)	Updated Investment Ranges Growth Option (from 15/10/09)
Australian Equities	20%	25%	10-40%
International Equities	18%	20%	10-40%
Cash	4.5%	10%	0-50%
Debt	7.5%	5%	0-50%
Alternate Debt	9%	5%	0-15%
Property	6%	10%	0-20%
Uncorrelated Alpha	9%	0%	0-10%
Private Equity	15%	15%	0-25%
Infrastructure	11%	10%	0-20%
<b>Total</b>	<b>100%</b>	<b>100%</b>	

MilitarySuper's Product Disclosure Statement [(*MilitarySuper Book*) and its guide to investment choice (*Take Control of Your Future*)] is being updated to reflect these changes and will be available from the Board's website shortly at [www.militarysuper.gov.au](http://www.militarysuper.gov.au)

Finally, you will shortly receive your annual MilitarySuper member statement and annual report. I encourage you to read these important reports, which will include details of MilitarySuper's investment performance to 30 June 2009 and other important information.

In the meantime, if you have any queries in relation to the above, please contact us on 1300 006 727 or speak to your financial adviser.

Yours sincerely



Paul Watson  
Chief Executive Officer

1 September 2009