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Investments

Investment structure

The CSS fund, the PSS fund and the PSSap fund are invested jointly. This gives economies of scale, thereby reducing the cost of managing the funds.

The CSS fund, PSS fund and the PSSap fund investment options are divided into asset classes. Professional investment managers manage the funds within each asset class. Each of the funds' investment options tap into the same asset class pool, thereby achieving the same asset class performance and having their investments managed by the same investment managers.

- > receiving all monies available for investment from the scheme administrator and allocating them on the instruction of the investment team to investment managers in accordance with the mandates set down by ARIA
- > holding (but not owning) the assets that comprise the funds
- > unit pricing
- > maintaining consolidated accounts and tax records for the fund
- > reporting to ARIA on individual fund manager and aggregated investment returns.

Investment arrangements

ARIA's investment team gives investment advice, implements trustee investment decisions and monitors, reviews and reports on investment performance. ARIA retains Macquarie Investment Management Ltd for advice on Australian and Asian private equity, Altius Associates for advice on international private equity and Franklin Templeton Real Estate Advisers for international property advice.

Custodian services

The master custodian for the three funds is JPMorgan, whose custodial function includes:

- > settling trades
- > physical custody and safekeeping of securities
- > collecting dividends, preparing accounts and disbursing dividends

Investment managers

Under its legislation, ARIA is required to invest through investment managers: ARIA appoints investment managers who specialise in investing in particular asset classes. ARIA provides investment guidelines and direction to each of its investment managers.

Investment managers are paid a fee that is generally based on the value of assets that they manage for ARIA. The fee reflects the investment costs applicable to each particular asset class sector and the investment style (for example, passive or active) employed by each manager. In addition, some managers are paid a performance fee for exceeding a pre-determined benchmark or hurdle rate of return, which is generally a share of any excess performance above that agreed benchmark.

Investments

Table 8: Investment managers at 30 June 2009

452 Capital Pty Limited
AMP Capital Investors Limited
Arcadia Funds Management Limited
Aurora Investment Management LLC
AXA Rosenberg Investment Management Ltd
Balanced Equity Management Pty Ltd
Barclays Global Investors Australia Limited
BlackRock Financial Management
Bridgewater Associates, Inc
Colonial First State Property Limited
Concord Capital Limited
Dexus Property Group Limited
Eureka Funds Management Company
Fiduciary Trust Company International
GMO Australia Limited
Holowesko Partners Limited
Lend Lease Real Estate Investments Limited
Loomis Sayles & Company LP
Macquarie Investment Management Limited
Marathon Asset Management Limited
Marvin & Palmer Associates Inc
MIR Investment Management Limited
Orbis Investment Management Limited
Perpetual Investments
Platinum Asset Management
Principal Global Investors (Australia) Limited
Rexiter Capital Management Limited
Rogge Global Partners PLC
State Street Global Advisors Limited
Vanguard Investments Australia Limited
Wellington International Management

Note: These are only the investment managers that hold more than 1% of the fund.

Investment objectives

CSS Default Fund

With the accumulation component of members' total benefit tied to the investment performance of the fund, ARIA is focused on achieving competitive returns over the long term. This is explicitly recognised in the fund's objective, which focuses on long-term real returns in an attempt to ensure that the real wealth of members increases over time.

The fund's investment objectives specify the target, or acceptable levels of portfolio risk and return. ARIA expects to achieve an average real return of 4.5% after tax and fees over the longer-term. Consistent with the mid-point of the Reserve Bank's inflation target range of 2% to 3%, this equates to an average nominal return of at least 7% per annum over the long term.

In developing an investment strategy to achieve the real return objective of at least 4.5% per annum, and recognising that the average person might have a working life of around 30 years, ARIA has adopted the following constraint in order to manage risk:

- > on average, nominal fund returns are expected to be positive in 24 years out of 30.

This constraint defines the tolerable level of risk for the fund. Furthermore, for prudential reasons, the fund's investments in illiquid assets will be limited to an average of around 25%.

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PSS Default Fund

The total benefit payable to members is set by the governing legislation and rules of the PSS. It does not depend on the earning rate of the fund, except for preserved benefit members where investment performance has a more direct impact on the level of final benefits. The difference between the total benefit payable to a member and the accumulated member and productivity contributions (including fund earnings) invested in the fund is paid from consolidated revenue. The call on consolidated revenue will depend upon the investment performance of the fund. The better the investment performance of the fund, the smaller the call on consolidated revenue. In these circumstances, it is the employer who bears the investment risk arising from the investment of the fund.

The fund has a long-term perspective, but managing risk is also imperative. The fund's investment objectives specify the target, or acceptable, levels of both portfolio risk and return.

They are distilled from the characteristics of the scheme, including benefit design, crediting rate policy and liability position.

ARIA expects to achieve an average real return after tax and fees of no less than 4.5% per annum over the long run.

In developing an investment strategy to achieve this objective, and recognising that the average person might have a working life of around 30 years, ARIA has adopted the following constraint in order to manage the level of risk taken:

- > on average, nominal fund returns are expected to be positive in 24 years out of 30.

This criteria defines the 'tolerable' level of risk assumed by the fund's investments. Furthermore, for prudential reasons, the fund's investments in illiquid assets, are limited to an average of around 25%.

PSS and CSS Cash Investment Options

All CSS members and PSS preserved benefit members may choose to have the taxed components of their accounts (that is, their member and productivity components) invested in a cash investment option.

The key investment objective is, before the payment of tax, to at least match the return from the UBS Warburg Australian Bank Bill Return Index.

PSSap investment options

PSSap members' total benefits are tied to the investment performance of the investment option(s) within the PSSap fund. Therefore, achieving a good return over the long-term is vital. This is explicitly recognised in the objectives that ARIA has set for the PSSap investment options, which is to maximise the long-term real return of the options within acceptable risk parameters.

Investments

Trustee Choice (default option)

The key investment objective is to outperform the Consumer Price Index (CPI) by 4.5% per annum over the medium to long-term.

Conservative

The key investment objective is to outperform the Consumer Price Index (CPI) by 3% per annum over the medium to long-term.

Balanced

The key investment objective is to outperform the Consumer Price Index (CPI) by 4% per annum over the medium to long-term.

Aggressive

The key investment objective is to outperform the Consumer Price Index (CPI) by 5% per annum over the medium to long-term.

Government bonds (previously fixed interest)

The key investment objective is, before the payment of tax, to at least match the return of the hedged World Government Bond Index.

Australian shares

The key investment objective is, before the payment of tax, to at least match the performance of the ASX 300 Index.

International shares (unhedged)

The key investment objective is, before the payment of tax, to at least match the return of the unhedged MSCI All Country World (ex-Australia) Index.

International shares

The key investment objective is, before the payment of tax, to at least match the return of the hedged MSCI All Country World (ex-Australia) Index.

Property

The key investment objective is, before the payment of tax, to at least match the return from the Mercer Direct Property Index.

Sustainable

The key investment objective is, before the payment of tax, to at least match the performance of the ASX 200 Index.

Cash

The key investment objective is, before the payment of tax, to at least match the return from the UBS Warburg Australian Bank Bill Return Index.

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Asset allocation

The following tables set out the actual asset allocation for the CSS and PSS default funds as at 30 June 2009.

Table 9: CSS Default Fund asset allocation

Asset class	Actual asset allocation	
	2008	2009
Australian Equity	27.2	25.5
International Equity	22.0	23.9
Long/short equity funds	4.6	3.4
Real assets	14.9	16.7
Alternatives	10.5	9.4
Fixed income	9.7	11.3
Cash	11.1	9.8
Total fund	100.0	100.0

Table 10: PSS Default Fund asset allocation

Asset class	Actual asset allocation	
	2008	2009
Australian Equity	27.2	25.4
International Equity	22.1	23.9
Long/short equity funds	4.6	3.4
Real assets	14.9	16.7
Alternatives	10.5	9.4
Fixed income	9.7	11.3
Cash	11.0	9.9
Total fund	100.0	100.0

The following table sets out the actual asset allocation for the PSSap diversified, pre-mixed investment options as at 30 June 2009.

Table 11: PSSap pre-mixed investment options asset allocation

Asset class	Trustee Choice		Conservative		Balanced		Aggressive	
	2008	2009	2008	2009	2008	2009	2008	2009
Australian Equity	27.3	25.5	14.8	13.1	16.7	15.8	39.9	37.7
International Equity	22.0	23.9	9.7	12.0	12.6	15.4	29.5	31.8
Long/short equity funds	4.6	3.4	-	-	5.0	4.0	5.0	4.0
Real assets	14.9	16.7	4.8	4.8	15.2	11.6	15.3	14.5
Alternatives	10.5	9.4	-	-	10.2	17.1	8.2	6.0
Fixed income	9.6	11.3	49.3	50.1	37.9	31.1	-	4.0
Cash	11.1	9.8	21.4	20.0	2.4	5.0	2.1	2.0
Total fund	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Investments

Events during the year

Here are the investment related events for 2008/09.

Australian equities

One investment mandate was terminated during the year. The redeemed funds were re-invested with the portfolio's other managers. The benchmark for the sector was changed from the S&P/ASX 300 ex Listed Property Trust Accumulation Index to the S&P/ASX 300 Accumulation Index.

International equities

The strategic target for emerging market equities was increased. Investments in emerging markets were disaggregated from the international equities sector to form a new asset sector 'emerging market equities'. The foreign currency hedging policy was revised during the year from a strategic 100% fully hedged position to a strategic hedging range of 45-70%. At the end of 2008/09, 70% of the foreign currency exposure was hedged back into Australian dollars.

Alternative investments

The funds' exposure to alternative investments increased during the year. A commitment of \$25.0m was made to new Australian private equity funds, and \$202.5m was committed to new international private equity funds.

Some of the funds previously committed to private equity and opportunistic property were drawn down during the year, while some investments were realised and the proceeds returned. The net result of these flows was that the investments in these assets declined from \$1 111.0m at the start of the year (reflecting commitments of \$3 043.9m) to \$1 020.1m (commitment of \$3 271.3m) at 30 June 2009.

Market neutral funds

During the year, some market neutral investments were liquidated to address the strategic objective of diversification out of higher cost fund-of-fund structures in preference for lower-cost direct investing. One manager was terminated, and another's allocation was reduced. Investments with one globally diversified fund were increased to exploit macro economic opportunities and increase downside protection. Albourne Partners was appointed as international advisor for the market neutral sector.

Long/short equity funds

During the year, some long/short investments were liquidated to address the strategic objective of diversification out of higher cost fund-of-fund structures in preference for lower-cost direct investing, as well as a tactical need to manage liquidity. Albourne Partners was appointed in January 2009 as international advisor for the long/short sector.

Fixed interest

The funds' allocation to fixed interest was formally split between global investment-grade credit and global government bonds (nominal and inflation-linked government bonds) during the year. The split between global investment grade credit and global government bonds reflected the very different risk profiles of the underlying assets. The introduction of inflation-linked government bonds into the portfolio reflected an excellent pricing opportunity.

Investments

Property

While the fall in the value of listed markets meant that our property allocation was slightly above its strategic target during the year, it remained within our rebalancing ranges.

A redemption notice was lodged for one of the funds' unlisted pooled property trust investments.

Fund performance

CSS and PSS Default Funds

The CSS Default Fund posted a net return of -15.4% and the PSS Default Fund posted a net return of -15.3%, with the distressed global banking sector and collapse in asset markets taking their toll.

Default Fund performance was constrained by the negative returns recorded in listed global equity and credit markets. Australian equities finished the year with a return of -17.4%, largely reflecting a compression in company valuations – particularly in the resources and consumer discretionary industries. International equities fell by -38.4% in hedged terms and -26.9% in unhedged terms over the year. Unhedged returns were improved by the positive translation effect of the fall in the Australian dollar.

Diversification across asset classes helped to limit the decline of the Default Fund, with property investments falling only slightly over the year, while government bonds produced positive returns.

The CSS Default Fund achieved an average net return (after fees and tax) of -1.1% per annum in the three years to 30 June 2009. This compared with a five-year average net return of 4.5% per annum and seven-year average net return of 5.6% per annum. Performance has fallen short of the fund's target net return over each of these periods.

The PSS Default Fund achieved an average net return of -0.8% per annum in the three-years to 30 June 2009. This compared with a five-year average net return of 4.7% per annum and seven-year average net return of 5.7% per annum. Performance has fallen short of the fund's target net return over each of these periods.

CSS and PSS Cash Investment Options

The CSS and PSS Cash Investment Options both posted a net return of 4.6% for the year ending 30 June 2009, which is in line with their objectives once the impact of tax on returns is taken into account.

PSSap

Over the financial year to 30 June 2009, the PSSap's default fund (Trustee Choice) fell by 14.9%, with the decline in Australian and international share markets being the major contributor. Diversification into government bonds, cash, high quality properties with long leases and actively diversified global managers, helped offset the equities impact to some extent.

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The other three pre-mixed, diversified options also produced negative returns in 2008/09. The Aggressive option recorded a net return of -17.8%, as it has a larger allocation to listed global equity markets. The Balanced and Conservative options achieved net returns of -9.3% and -4.6%, respectively, reflecting their lower weighting to listed equity markets.

Over the four years since inception, returns have been similar across the pre-mixed investment options. The PSSap default fund (Trustee Choice) achieved a net return of 2.8% per annum. The Aggressive option returned 2.2% per annum, the Balanced option increased by 3.1% per annum and the Conservative option by 3.1% per annum. While since-inception returns are positive, all investment options have fallen behind their long-term return targets.

Single asset class option performance also reflected the financial shock in 2008/09. Significant negative returns were recorded by the Australian shares, Sustainable and International shares options. The non-equity options achieved better performance. The fixed interest option fell by 2.4% as a result of its credit exposure in the first half of the year, and the property option declined by 5.5%.

In the four years since inception, the highest returns were achieved by the Property and Cash options. The Australian shares option has outperformed both the international shares and fixed interest options.

Performance by asset class

Performance figures in the following single asset classes are before tax, but after fees.

The abrupt collapse of Lehman Brothers in September 2008 triggered a collapse in confidence and equity and credit markets everywhere fell precipitously.

Australian equities

After a decline of more than 11% in 2007/08, the Australian equity market (S&P/ASX 300 Accumulation Index) declined by 20% during the year, its third worst year since World War II. ARIA outperformed this benchmark by 3% over the year to deliver a return of -17%. This large fall in price was accompanied by a steep rise in the volatility of the market. While the benchmark index dropped 37% by early March, it had bounced back by more than 27% by the end of financial year. Reversing the trend of previous years, the resources sector was the worst performing during the year, while the defensive sectors (such as Health Care and Consumer Staples) suffered much less.

International equities

Developed-world equity markets fell an average 25.8% over the financial year to June 2009. Emerging market equities were a tale of two halves. Repatriation of capital and the fall in global economic activity led to a significant underperformance by emerging markets in the first half of the financial year. However, as the emerging region's growth performance began to look stronger than that of the developed world, emerging market equities rallied back strongly in the second half of the year. They finished ahead of Developed World equities in local currency terms (-19.7% for the MSCI Emerging Market index compared with -25.8% for the MSCI World index).

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The fall in the value of the Australian dollar over the year, particularly against the US dollar (from 96 cents to 81 cents), meant that investors who unhedged their foreign currency exposures experienced better returns. Our funds were 100% hedged during the first half of the year, and the funds' international shares returned -38% during the year.

Fixed interest

Fixed interest markets in 2008/09 were dominated by the credit market meltdown, which reached a crisis point in the first half of the financial year. The ongoing viability of the global financial system was questioned. Credit spreads blew out as investors demanded increasingly high premiums to take on credit and liquidity risk.

Nominal government bonds, by comparison, returned around 11% over this period reflecting the collapse in interest rates and global economic growth. Cash returned 5.5% before tax.

While global credit securities suffered during the period of maximum credit market distress, they mounted a strong recovery in the last quarter of the year.

Market neutral funds

2008/09 was a challenging period for absolute return managers. Despite decreased liquidity, dislocated markets and unprecedented levels of volatility for most of the year, ARIA's investment managers were able to navigate through the biggest financial crisis in decades with only modest losses. This provided ARIA with a much needed source of diversification away from the larger declines in growth assets.

Long/short equity funds

The objective of this asset class is to match the return from international equities in the long run, but with a lower level of return volatility. In 2008/09, long/short equity funds outperformed international equities by a substantial margin, thereby providing ARIA's funds with another significant source of diversification. At the same time ARIA's managers were able to exploit medium and long-term opportunities that presented themselves in the dislocated markets.

Property

The Australian unlisted property market, as measured by the Mercer Australian Unlisted Property Index, recorded its first year of negative returns since 1993, returning -12.9%. This was due to a lack of capital availability (debt and equity) for property investment, combined with deteriorating property market fundamentals. Within this environment ARIA's property portfolio performed relatively well, declining by only 5.5%. This reflects the high quality nature of the portfolio and conservative capital structure employed.

Cash

The return from cash was 5.5% before tax. This was in line with its investment objective, and reflects the path of the Reserve Bank of Australia's official cash rate, which was cut from 7.25% to 3% over the course of the financial year.

Investments

Table 12: CSS Default Fund investments 2008/09

	Holdings at 30 June 2008 \$m	Holdings at 30 June 2009 \$m	Proportion at 30 June 2009 %
Total fund investments	5 744.7	4 179.6	100.0
Australian Equity	1 579.1	1 049.8	25.4
International Equity	1 281.9	988.6	23.9
Long/short equity funds	268.5	139.8	3.4
Real assets	865.9	690.3	16.7
Alternatives	609.6	389.6	9.4
Fixed income	561.3	465.7	11.4
Cash	648.0	405.7	9.8

Note: Total fund investments is after tax and fees.

Note: Sectors are before tax and after fees.

Table 13: CSS Default Fund performance 2008/09

	One-year performance	Three-year performance	Five-year performance	Seven-year performance
	%	%	%	%
Total fund performance	-15.4	-1.1	4.5	5.6
Australian shares	-17.4	-3.4	6.9	7.7
International shares	-38.4	-11.7	-1.5	1.7
Australian private equity	-18.7	-1.9	3.6	9.1
International private equity	-30.6	-1.8	6.6	2.2
Long/short equity funds	-23.5	-3.9	-	-
Market neutral fund	-7.7	3.5	5.5	7.1
Property	-5.9	6.2	9.5	9.7
International fixed interest	2.4	3.5	5.0	6.8
Cash	5.5	6.4	5.8	5.4

Note: Total fund performance is after tax and fees.

Note: Sectors are before tax and after fees.

Table 14: CSS Cash Investment Option performance 2008/09

	Holdings at 30 June 2008 \$m	Holdings at 30 June 2009 \$m	One-year performance %	Three-year performance %
Total fund	320.1	536.0	4.6	5.3

Note: Holdings and performance are after tax and fees.

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Table 15: PSS Default Fund investments 2008/09

	Holdings at 30 June 2008 \$m	Holdings at 30 June 2009 \$m	Proportion at 30 June 2009 %
Total fund investments	11 362.6	9 920.9	100.0
Note: Total fund investments is after tax and fees			
Australian Equity	3 118.3	2 478.2	25.4
International Equity	2 524.0	2 333.4	23.9
Long/short equity funds	530.0	327.4	3.4
Real assets	1 704.7	1 633.5	16.7
Alternatives	1 198.3	915.1	9.4
Fixed income	1 106.2	1 101.8	11.3
Cash	1 264.1	967.8	9.9

Note: Sectors are before tax and after fees.

Table 16: PSS Default Fund performance 2008/09

	One-year performance	Three-year performance	Five-year performance	Seven-year performance
	%	%	%	%
Total fund performance	-15.3	-0.8	4.7	5.7
Note: Total fund performance is after tax and fees				
Australian shares	-17.4	-3.4	6.7	7.5
International shares	-38.4	-11.6	-1.5	1.8
Australian private equity	-18.7	-1.6	4.5	9.7
International private equity	-30.6	0.3	8.1	3.3
Long/short equity funds	-23.5	-3.9	-	-
Market neutral fund	-7.7	3.6	5.6	7.1
Property	-5.9	6.1	9.3	9.6
International fixed interest	2.4	3.5	5.0	6.7
Cash	5.5	6.4	6.1	5.8

Note: Sectors are before tax and after fees.

Table 17: PSS Cash Investment Option performance 2008/09

	Holdings at 30 June 2008 \$m	Holdings at 30 June 2009 \$m	One-year performance %	Three-year performance %
Total fund	13.3	50.9	4.6	5.4

Note: Holdings and performance are after tax and fees.

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Table 18: PSSap performance 2008/09

Investment option	Holdings June 2008 \$m	Holdings June 2009 \$m	One-year performance %	Three-year performance %
Conservative	3.7	9.7	-4.6	1.6
Balanced (50/50)	6.7	11.1	-9.3	0.8
Trustee Choice	829.1	1 128.4	-14.9	-0.9
Aggressive	28.0	31.9	-17.8	-2.2
Cash	5.4	28.6	4.5	5.2
Government bonds (previously Bonds/Fixed interest)	2.0	3.7	-2.3	1.1
Australian shares	8.3	14.7	-14.6	-2.8
International shares (unhedged)	0.8	1.1	-19.4	-8.4
International shares	1.6	2.0	-30.5	-8.7
Property	2.6	5.4	-5.4	6.8
Sustainable	3.7	3.8	-17.5	-3.4

Note: Holdings and performance are after tax and fees.

Investment information

Further information on investment performance is available from:

Web	www.aria.gov.au
Postal address	ARIA GPO Box 1907 Canberra City ACT 2601
Phone	02 6263 6999
Fax	02 6263 6900
Email	secretary@aria.gov.au

Investments

Allocating earnings

On 13 June 2007, the Trustee adopted a new Earnings Rate Policy which took effect on 28 June 2007. The 2006/07 Annual Report to Parliament outlined this policy, which is summarised below.

CSS and PSS

The applicable earnings rate for the last day of a calendar month is used to apply earnings to member accounts for that month, other than for transactions to and from the member accounts recorded for that month:

- > transactions that are processed to a member's account during a month use the relevant earnings rate for the date of the transaction through to the end of that month, to reflect earnings on such amounts
- > transactions that are processed from a member's account during a month use the relevant earnings rate from the beginning of that month to the date of the transaction, to reflect earnings on such amounts.

Processing transactions to member accounts

Transactions will be processed from and to member accounts after validation, in accordance with the scheme rules and the terms of the agreement between the administrator and ARIA.

Preserved and associate members with account balances in the CSS and PSS fund greater than \$1 000 may switch the entire balance of their account between the Default Fund and Cash Investment Option twice yearly. The cut-off for these switch transactions is the last Friday of a month with the transaction processed once per month on the following Wednesday.

PSSap

Members' interests in the PSSap are valued in units. Contributions and other amounts transferred to the PSSap are used to buy units which are invested in accordance with members' investment choices. There are 11 investment options to choose from.

The fund's net earnings are allocated to members' accounts through changes in the unit price which fluctuate in line with investment markets. The unit price for an investment option reflects the total value of assets in the investment option (net of taxes and expenses) divided by the number of units issued in the investment option.

A buy/sell spread is applied to all the investment options to reflect the costs associated with the purchase or sale of assets. Calculation of the value of assets in each investment option is generally based on the latest available market value at the end of each business day and published daily on the fund's website at www.pssap.gov.au. Where fees are payable directly from a member's account (for example, insurance premiums and switching fees), units are sold to the extent required for payment.

Investments

ARIA's approach to corporate governance

ARIA's approach to investment governance reflects the framework laid out by the United Nations Principles of Responsible Investing.

ARIA believes it has a responsibility to ensure that funds are not exposed to undue risk because of poor corporate governance behaviour. Therefore ARIA pursues the principles of good governance in its own operations, and seeks them in service providers and in the companies in which it invests.

ARIA considers corporate governance to be an important element of risk management. It recognises that poor environmental, social and corporate governance can lead to a decline in investment value. ARIA undertakes a number of initiatives and practices in relation to its investments, including:

- > the casting of proxy votes in the Australian and international companies in which it invests
- > governance research and engagement through Regnan (see following column).

Proxy voting

In keeping with its belief in the value of good governance, ARIA exercises its right to cast proxy votes in the companies in which it invests.

This activity underscores ARIA's commitment to ensuring long-term shareholder value for members.

It also sends a clear signal to companies that as a shareholder, ARIA will vote on company resolutions in the best interests of its members.

Regnan – Governance Research and Engagement Pty Limited

Regnan was established to protect and enhance shareholder value for members by identifying environmental, social and corporate governance risks in present and future investments and to actively communicate those risks to relevant stakeholders and engage directly with companies as required.

It began in 2001 as a joint venture between the CSS and PSS Boards and Westpac Investment Management, subsequently known as BT GAS.

The boards appointed the service to actively research governance risk in the funds' Australian equities investments and make recommendations on how to diminish or eliminate such risks. ARIA's Australian equity investments represent funds under management of around \$3.4 billion.

Investments

Having created the foundation for a new approach to risk management, in May 2007 ARIA and seven other major institutional investors founded Regnan, a new company evolving from the former BT GAS.

Regnan is Australia's only investment risk management service which focuses on an engagement process to meet the oversight needs of institutional investors. It addresses portfolio exposure to environmental, social and governance risks by directly engaging with companies and performing specialist research and analysis. Regnan's research universe includes all companies in the S&P/ASX200.

The United Nations Principles for Responsible Investment

ARIA became a signatory to the United Nations Principles for Responsible Investment (UNPRI) in December 2006 and is actively committed to aligning investment activities with the principles in the best long-term interests of ARIA beneficiaries.