

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2011-2012

Finance and Deregulation Portfolio

Department/Agency: ARIA
Outcome/Program:
Topic: Hedge Funds

Senator: Cormann

Question reference number: F22

Type of question: Hansard F&PA Page 6, 26 May 2011

Date set by the committee for the return of answer: Friday, 8 July 2011

Number of pages: 2

Question:

What about the other asset classes – shares, property, bonds, cash? Give us a sense of where you sit with all of them compared to the industry average and the reasons?

Answer:

ARIA's Trustee Choice asset allocation as at 30 April 2011:

Asset Sector	Asset Allocation (30 April 2011)
Australian Equities	25.0%
Australian Private Equity	2.4%
International Equities (Hedged)	18.1%
International Private Equity	5.9%
Emerging Markets	4.9%
Long/Short Equity Funds	1.9%
Investment Grade Credit	4.3%
Opportunistic Credit	1.9%
Property	13.1%
Market Neutral Hedge Funds	9.4%
Objective Based Funds	3.1%
Global Gov Inflation Linked Bonds	2.1%
Government Bonds	1.3%
Emerging Market Government Bonds	1.3%
General Cash	5.3%

Data Source: ARIA

SuperRatings provide industry surveys of performance and asset allocation. Compared to the average within the SuperRatings universe, ARIA is positioned as follows:

Asset Sector	ARIA Allocation (30 April 2011)	Av. Asset Allocation across SuperRatings Balanced Options (est. based on prelim. Dec:10 figures) %
Australian Equities	25.0%	32.0%
International Equities (including Emerging Markets)	24.9%	23.0%
Private Equity	8.3%	1 - 4%
Property	13.1%	9.7%
Infrastructure	0.0%	2.4%
Alternatives	12.5%	5 - 6%
Fixed Income	10.9%	18.0%
Cash	5.3%	5.0%

Note: the above data is the latest available: ARIA asset allocation as at 30 April 2011 and SuperRatings data as at December 2010.

There are two comments to make about ARIA's portfolio in comparison with its peers:

- ARIA's asset allocation is derived to achieve a real return objective of 4.25% p.a., on average over an investment horizon of 7-10 years, with a risk budget not exceeding a 20% probability of loss and an illiquidity constraint of 25%.
- In order to achieve this objective, ARIA's asset allocation differs from peers, whose return, risk and liquidity objectives may be different from those of ARIA funds managed for CSS, PSS and PSSap members.