



Media Release

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GESB SET TO CAPITALISE ON UNLISTED OPPORTUNITIES

GESB, the largest WA-based superannuation provider, will take advantage of its highly-liquid investment portfolio and its measured capacity to acquire less liquid assets in the coming months.

With many distressed investors looking to sell unlisted illiquid assets at a reduced price, GESB is identifying opportunities to obtain these assets at discounted prices.

Michele Dolin, chief executive officer of GESB, said: “Unlisted assets certainly play a role in a diversified portfolio, though we’re conscious of the pitfalls of holding an unsuitable level of liquidity. A focus on listed, readily tradeable assets is the best way to maintain appropriate liquidity in the portfolio and ensure fairness among members in terms of unit pricing.

“Judging by the number of super funds now seeking to offload unlisted assets at what seem to be fire sale prices, it appears many of them are struggling with their liquidity. We’re keen to capitalise on this opportunity for our members, in an appropriate manner.”

Ms Dolin said that GESB has managed its liquidity prudently, maintaining a highly-liquid investment portfolio even when it was unfashionable to do so.

Ms Dolin continued, “The bell is now tolling for the ‘endowment’ model of portfolio management that had been gaining popularity in the superannuation industry over the past few years. Investment portfolios with large allocations to unlisted assets have worked well historically for large endowment funds in the US, and they worked well for super funds too while financial markets were rising. But super funds are different from endowment funds in so far as

they invest on behalf of underlying members, so it's more important that their assets can be readily traded if required."

Treating members fairly

Most unlisted assets are valued only periodically by professional assessment, rather than the real-time valuations for listed assets provided by financial markets. This can make it difficult for superannuation funds to treat all members equitably if some members can anticipate the direction of revaluations.

Ms Dolin continued, "When valuations of unlisted assets become too far out of step with the realities of the market, some members may take advantage by switching to more liquid investment options such as cash or shares, or even to a different fund, leaving those members remaining in the illiquid option to bear the brunt of the inevitable write-downs.

"And I'm sure there are plenty of unfortunate stories where investors endured the downturn in listed markets and then sought the apparent refuge of an investment option containing mainly unlisted assets at optimistic valuations, only to be dealt a double-blow as valuations were revised downwards."

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Notes to editors:

Media Contact

Sarah Browne

FD Third Person

Phone: 93861233

Mobile: 0439 841 395

Email: sarah.browne@fdthirdperson.com.au

About GESB

GESB manages the largest superannuation fund based in Western Australia. It manages superannuation on behalf of 25% of Western Australia's workforce and with a 70 year track record, GESB has unrivalled experience in superannuation in Western Australia.

It is a member focused organisation that manages the superannuation of current and former WA Public Sector employees and their partners.

GESB's primary purpose is to improve the long-term financial well-being of its members. It offers competitive superannuation and retirement products, financial advice and outstanding customer service combined with low fees.

For further information visit www.gesb.com.au