

North



THE AXA / Crash?
What crash? / PLAN.



redefining / superannuation

At AXA, we recognise that investing is a risky business over the short term, with the fear of loss driving many investors out of the market. And since it is impossible to predict market behaviour, investors can never be sure whether to risk a potential loss for the benefit of a possible gain. **That's why we created North – a solution which protects your investment, allowing you to invest with confidence regardless of market conditions.**

Invest with confidence /

Ring that bell

Billionaire investor Warren Buffett is the CEO and Chairman of Berkshire Hathaway. In 2008, Forbes Magazine named him as the 'World's Richest Man', with a net worth of \$62 billion and rising.

Probably one of his most famous investment quotes is that "No one rings a bell at the top [of the market]". In the current volatile times, this quote has been recast as the equally true "No one rings a bell at the bottom of the market". But what does this actually mean?

These words are cautionary advice that essentially, there is no way of knowing where we are currently placed in any economic or market cycle. On any given day, the markets could rise or fall, often without warning, and this is especially true in the current environment.

It was the best of times, it was the worst of times...

Most investors would be painfully aware that the sharemarket has fallen sharply over the past year. Just 10 months after its peak in November 2007, the All Ordinaries Index had declined 40 per cent by October 2008.

The economic headlines have been equally distressing. As the global credit crises worsens, some of the biggest names in financial institutions have experienced bankruptcy, mergers and even nationalisation – AIG, Lehman Brothers and Merrill Lynch amongst some of the worst affected.

But are we at the end of the volatility, or only at the beginning?

Don't miss the bounce

With all things considered, investors are effectively standing on a precipice, with the market poised to either rise or fall significantly.

Of course, the other important thing to consider is that when the market rebounds – as it invariably has done throughout history – it often does so quickly and strongly.

Knowing this, it's a tough decision for investors – torn between wanting to protect your money from possible future loss by moving it out of the market, or profit from the rebound, by maintaining or even increasing your investment position.

Best case scenario

Hesitantly optimistic

On one hand, this may be simply a short lived credit crisis which will be resolved. There are many positive indications – the US \$700 billion bailout package, extraordinary coordinated global fiscal and monetary policy, and easing of credit conditions. Warren Buffett even wrote an editorial recently, urging individuals to buy equities now, as they are likely to move substantially higher, well before the sentiment or economy turns up. He added that cash is a poor investment historically, and especially now due to inflation.¹

Worst case scenario

Darkly pessimistic

On the other hand, some may view the bailout package as not merely insufficient, but irrelevant. Banks continue to hoard their capital, leading to a freeze in business and personal credit and lending. Households will turn to paying off debt instead of consuming. This would cause the property and stock markets to drop further and the global economy to head into a recession or even a depression.

North Protected Investment guarantee: you win, or you win

With North, you can do both – protect your money and profit from the rebound.

By choosing North's new Protected Investment guaranteed super fund, pension or investment, you can invest in a choice of 50 different funds for either a 5 or 7 year term. Throughout this time, your money will remain fully invested in the assets of your choice.

Best of all, at the end of your investment term, AXA guarantees to return all your initial investment and contributions or your account balance, whichever is greater.

Finally, the ability to turn the North Protected Investment guarantee on and off as you require means that you have control over your investments and associated operating costs.

So how does the North Protected Investment guarantee work?

Example:

You invest \$100,000 and select the North Protected Investment guarantee over a 5 year term. We guarantee to protect your initial investment amount and any additional contributions by using our unique risk management technique.

Worst case scenario: At the end of 5 years, the market has fallen a further 11 per cent. Because of North's Protected Investment guarantee, you lose nothing and we will return your initial \$100,000 investment and any additional investments you made in North – you even get administration and guarantee fees back.

You win.

Best case scenario: During the 5 year period, the market recovers by 20 per cent in the first year, followed by 9 per cent per annum returns. Because your money has remained invested in the market, at the end of the term you receive your full account balance, which includes your initial investment amount plus the market recovery and compounded earnings – a total of around \$284,000. **You win.**

A guaranteed difference

At AXA, we are proud to be the only company in Australia to provide the type of guarantee that protects your wealth while allowing you to remain fully invested in the assets you selected.

We deliver this via our unique risk management technique – dynamic hedging.

Unlike most other risk management techniques available in Australia, we don't rebalance North investors away from growth assets into cash following market downturns or interest rate falls, meaning that you will not miss out on any positive performance.

Headlines and indicators

- "Consumer confidence up slightly."²
- "Warren Buffett's return to Wall Street raises hopes."³
- Global interest rates are low and oil prices have fallen.
- 30 September 2008 – Wall Street has its best day in six years.⁴

- "Flood of profit warnings looms."⁵
- "Australian house prices could fall 50%."⁶
- "Crisis of confidence."⁷
- 29 September 2008 – The Dow Jones experiences its largest one-day fall in history.⁸

Outcome

The market rises significantly.

History shows that within 12 months of the trough, markets tend to increase by 30%.⁹

The market falls significantly.

History shows that the average market drop from the top of the cycle to the bottom is anywhere between 25% – 50%.⁹

Are you a North individual?

The North Protected Investment guarantee is suited to a range of investors, pre-retirees and retirees alike.

Take a look at our checklist below to see whether North may be a suitable option for your situation:

- I have accumulated investment wealth – in either my super, pension or ordinary money – that I would like to protect from any further market risk.
- I have some money currently sitting in cash and would like to benefit from any upcoming market recoveries, but I'm a bit nervous about losing it all in the meantime.
- I'm on a decent income, and would like to confidently accelerate my wealth creation strategy through gearing.

With so much flexibility, North offers a solution for a range of different superannuation, retirement and investment strategies.

- 1 *Buy American. I Am.* Warren Buffet, New York Times, Op Ed, 16 October 2008.
- 2 CNNmoney.com, 30 September 2008
- 3 The Economist, 25 September 2008
- 4 Stocks Crushed, www.cnnmoney.com, 29 September 2008
- 5 George Liondis, AFR Friday 17th Oct 2008
- 6 Gerard Minack, Morgan Stanley economist
- 7 Newsday.com, 1 October 2008
- 8 Stocks crushed, www.cnnmoney.com, 29 September 2008
- 9 Bear markets in Australian shares since 1960. Source: Bloomberg

Impact on investors currently in the market

Equity gains of 20 – 40% based on return to normal values.

Equity losses of a further 20 – 30%.

Solution. North Protected Investment guarantee

Ensures that you are always invested in the growth assets of your choice to maximise your returns from any market upswing.

Protects and guarantees to return 100% of your initial capital, removing the risk of any loss from a market fall.



Find your way North

Your financial adviser is best placed to help you find out more about North and how it can best fit into your personal financial strategy.

Alternatively, visit us at www.north.axa.com.au or call **1800 NORTH 1** to find out more about North.

north.axa.com.au

1800 667 841

Important information

This publication has been prepared to provide you with general information only. It is not intended to take the place of professional financial and taxation advice and you should not take action on specific issues in reliance on this information. In preparing this information we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should obtain a copy of the relevant Product Disclosure Statement (PDS) before making a decision to invest in any financial product. Copies of our PDS can be obtained from your adviser or on our website **www.north.axa.com.au**.

Applications for investment in AXA Australia products will only be accepted on receipt of an online application form accompanying a current PDS. NMMT Limited (AFSL 234653) and its associates derive income from issuing interests in the products, full details of which are contained in the PDS. Past performance is not necessarily indicative of future performance. Whilst we believe the information contained herein is correct, no warranty of accuracy, reliability or completeness is given and, except for liability under statute which cannot be excluded, no liability for errors or omissions is accepted. This information is provided for persons in Australia only and is not provided for the use of any person who is in any other country.

North Service Centre GPO Box 2915 Melbourne VIC 3001
Wealth Personal Superannuation and Pension Fund
ABN 92 381 911 598
Trustee: N.M. Superannuation Pty Ltd
ABN 31 008 428 322 AFS Licence No. 234654
National Mutual Funds Management Ltd
ABN 32 006 787 720 AFS Licence No. 234652
Member of the Global AXA Group
north.axa.com.au

08247-10-085



redefining / superannuation