

# APNIC EC Meeting Minutes

## Face-to-Face Meeting, Pullman Hotel, Brisbane

Monday, 14 September 2014 9:00am – 12:30pm,  
Tuesday, 15 September 2014, 14:00 pm – 17:30pm

**Meeting Start:** 9:20pm (UTC +10:00)

### Present

Akinori Maemura  
Che-Hoo Cheng  
Kenny Huang  
James Spenceley  
Gaurab Raj Upadhaya  
Ma Yan  
Wendy Zhao  
Paul Wilson

Geoff Huston  
Craig Ng  
Richard Brown  
Connie Chan  
Irene Chan

### Agenda

1. Appointment of Meeting Chair
2. Agenda Bashing
3. Matters arising from the Previous EC Meeting
4. Financial Reports
5. Fee Proposal and 2015 Budget
6. Taxation status update from KPMG
7. APNIC Survey Report
8. Investment report from Credit Suisse
9. DG Report
10. Fund Raising for Development Services
11. IANA Transition Process
12. Accountability Review and Cooperation SIG
13. Risk Register Update
14. NRO NC Elections
15. Proposed Activity Codes for Financial Reports
16. AOB

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### Minutes

#### 1. Appointment of Meeting Chair

Wendy Zhao was appointed as Chair of the Meeting.

#### 2. Agenda Bashing

NRO NC Appointment, and APNIC 40 arrangements were added to AOB.

### **3. Matters arising from the Previous EC Meeting**

No matters arising.

### **4. Financial Reports**

The EC considered the Monthly Financial Report for August 2014 (*attached*). The current projected operating surplus for 2014 is \$2.6M, which is higher than forecast in the budget. Membership growth and investment income have both been higher than the budget forecast (tracking at 3% over budget) and expenses are tracking at 1% under budget forecasts.

As at the end of August 2014, APNIC had a total of 4,450 Members serving 54 economies, representing a net gain of 399 new members for the year to date.

### **5. Fee Proposal and 2015 Budget**

The EC considered a proposal to vary the schedule of member fees for 2015 [REDACTED] to be announced as part of the 2015 budget papers.

The EC unanimously resolved to accept in principle a revised APNIC fee schedule, as proposed by the Treasurer, the implementation of which is subject to the preparation and adoption of the 2015 APNIC budget material.

*Motion on proposed by James Spenceley, seconded by Gaurab Raj Upadhaya*

### **6. Taxation status update from KPMG**

The EC was briefed on the status of APNIC's mutuality status with respect to the application of Australian tax law, and recent government review of the Australian Not-for-Profit sector and ongoing taxation reform matters (*attached*). KPMG advised that APNIC's interest would be best served by applying to the Australian Tax Office (ATO) for a new private ruling on APNIC's mutuality status for a five year period from the current time, based on the earlier ATO review of APNIC's status.

### **7. APNIC Survey Report**

The EC was briefed on the 2014 APNIC Member survey (*attached*). The EC will provide a formal public response to the survey.

***Meeting adjourned at 12:25 pm***

***Meeting resumed at 14:08 pm, Tuesday 15<sup>th</sup> September***

Christian Kaufmann of the Executive Board of the RIPE NCC was welcomed as an observer to the meeting.

**8. Investment Report from Credit Suisse**

Credit Suisse briefed the EC on the performance of the managed investment funds and the near term financial outlook (attached).

**9. DG Report**

The DG spoke to the report to the EC on the activities of the Secretariat and the program of external engagement (attached).

**10. Fund Raising for Development Services**

APNIC's Development Director, Duncan Macintosh, presented to the EC a case for support for development services (attached), and the options for expanding APNIC's development service activities with a potentially larger funding base. The EC considered organisational structures that could most effectively support such options.

The EC invited the Director of Development to develop a proposal for a developmental funding foundation for further EC consideration, including consideration of developmental needs in the region, and the means and methods for fulfilling those needs, noting that APNIC is committed to providing no lesser level of developmental support than is the case today.

**11. IANA Transition Process**

The EC reviewed the preparation for the community consultation session at APNIC 38 on the IANA Transition process.

**12. Accountability Review and Cooperation SIG**

The EC reviewed the Cooperation SIG BOF at APNIC 38. The EC noted the intention to revise the draft charter of the SIG and present this to the Member Meeting in accordance with the APNIC SIG formation guidelines.

**13. Risk Register Update**

The EC was briefed on the current status of the APNIC Risk Registry [REDACTED].

**14. NRO NC Elections**

The EC was briefed on the procedures to be followed for the conduct of the NRO NC Election (attached).

The EC appointed Ma Yan to be the Election Chair, George Kuo and Connie Chan of the APNIC Secretariat as Election Officers, Anna Mulingbayan and Tom Do of the APNIC Secretariat as Election Tellers, and endorsed the NRO NC Election procedures, as described.

Motion proposed by James Spenceley, seconded by Akinori Maemura. Ma Yan abstained from the vote.

## **15. Proposed Activity Codes for Financial Reports**

The EC unanimously adopted a schedule activity codes for use in the Treasurer's report for financial reporting to the community (attached).

Motion proposed by Gaurab Raj Upadhaya, seconded by Kenny Huang.

## **16. AOB**

### **APNIC 40**

EC was briefed on the arrangements being made for APNIC 40, to be hosted at Jakarta, Indonesia in accordance with the previous EC decisions on this topic.

It was noted that the EC would like to revisit the financial guidelines for meeting arrangements, at their next meeting.

### **NRO NC Appointment**

The EC was informed that the NRO NC would like the confirmation of the selected council member earlier in the year if at all possible due to the timing of the ICANN Board seat selection process.

The EC unanimously resolved to re-appoint Aftab Siddiqui to the NRO Number Council for 2015.

Motion proposed by Che-Hoo Cheng, seconded by James Spenceley.

## **Next EC Meeting**

The next meeting will be held at Mauritius, November 24.

**Meeting Adjourned: 18:15 pm Tuesday, 16<sup>th</sup> September 2014**

**Attachments:**

**A. August 2014 Finance Report**

**B. August 2014 Investment Report**

**[REDACTED]**

**D. KPMG Presentation on ATO ruling on Mutuality**

**E. APNIC 2014 Member and Stakeholder Survey Report**

This report is available online:

[http://www.apnic.net/\\_\\_data/assets/pdf\\_file/0008/77903/APNIC-Survey-2014\\_Final-Report-17-Sept.pdf](http://www.apnic.net/__data/assets/pdf_file/0008/77903/APNIC-Survey-2014_Final-Report-17-Sept.pdf)

[http://www.apnic.net/\\_\\_data/assets/pdf\\_file/0004/77899/APNIC-Survey-2014\\_Appendix-Ib.pdf](http://www.apnic.net/__data/assets/pdf_file/0004/77899/APNIC-Survey-2014_Appendix-Ib.pdf)

[http://www.apnic.net/\\_\\_data/assets/pdf\\_file/0005/77900/APNIC-Survey-2014\\_Appendix-IIb.pdf](http://www.apnic.net/__data/assets/pdf_file/0005/77900/APNIC-Survey-2014_Appendix-IIb.pdf)

[http://www.apnic.net/\\_\\_data/assets/pdf\\_file/0006/77901/APNIC-Survey-2014\\_Appendix-III.pdf](http://www.apnic.net/__data/assets/pdf_file/0006/77901/APNIC-Survey-2014_Appendix-III.pdf)

[http://www.apnic.net/\\_\\_data/assets/pdf\\_file/0007/77902/APNICSurvey-2014\\_Appendix-IV.pdf](http://www.apnic.net/__data/assets/pdf_file/0007/77902/APNICSurvey-2014_Appendix-IV.pdf)

The Focus Group report is available online:

<http://www.apnic.net/community/participate/member-feedback/2014/2014-APNIC-Survey-Focus-Group.pdf>

**F. Credit Suisse Report**

**G. Director General's Report**

**H. Fund Raising Report**

**[REDACTED]**

**J. NRO NC Election Process**

**K. Financial Report Activity Codes**

# Financial Report

(in AUD)

August 2014

**APNIC**



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# 1 Statement of Financial Position

	31/08/2014	Year-End 2013	% Change from 31/12/2013
<b>CURRENT ASSETS</b>			
Cash/ Term deposits	5,010,436	6,002,531	-17%
Receivables	1,594,251	935,741	70%
Others	797,536	538,735	48%
<b>TOTAL CURRENT ASSETS</b>	<b>7,402,223</b>	<b>7,477,007</b>	<b>-1%</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	16,439,535	13,736,690	20%
Property, plant and equipment	7,860,660	8,000,431	-2%
Deferred tax assets/ liabilities	127,006	127,006	0%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>24,427,201</b>	<b>21,864,127</b>	<b>12%</b>
<b>TOTAL ASSETS</b>	<b>31,829,424</b>	<b>29,341,134</b>	<b>8%</b>
<b>CURRENT LIABILITIES</b>			
Payables	1,159,217	2,296,356	-50%
Provisions	1,106,887	1,060,908	4%
Unearned revenue	8,577,317	7,810,665	10%
<b>TOTAL CURRENT LIABILITES</b>	<b>10,843,420</b>	<b>11,167,929</b>	<b>-3%</b>
<b>NON - CURRENT LIABILITIES</b>			
Deferred Tax Liabilities	81,187	81,187	0%
Provisions	250,975	265,723	-6%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>332,162</b>	<b>346,910</b>	<b>-4%</b>
<b>TOTAL LIABILITIES</b>	<b>11,175,582</b>	<b>11,514,839</b>	<b>-3%</b>
<b>NET ASSETS</b>	<b>20,653,842</b>	<b>17,826,296</b>	<b>16%</b>
<b>EQUITY</b>			
Share capital	1	1	0%
Reserves other financial assets investment	431,048	141,571	204%
Retained earnings	17,684,724	14,701,221	20%
Net Income	2,538,068	2,983,503	-15%
<b>TOTAL EQUITY</b>	<b>20,653,842</b>	<b>17,826,296</b>	<b>16%</b>

Table 1 Statement of Financial Position

## Notes to Financial Position

The Statement of Financial Position shows that APNIC's net position has increased by 16% compared to the end of last year. Worth noting is:

- Payments from the SIDA along with transfers to the Credit Suisse investment account have reduced the Cash balance when compared to the end of last year.



- The increase in Other Current Assets by more than 48% is a result of the increase in the prepayment of deferred expenses including costs relating to APNIC38 and ICANN fees that will be expensed in future months
- The variance in Receivables is related to the timing of membership renewals.
- The value of the investment portfolio has increased by \$2.7m this includes transfers of \$2M into the portfolio during 2014.

## 2 Statement of Income

### 2.1 Expenses

This report incorporates the approved 2014 budget and the August year-to-date expenses are compared to the figures for the same period last year. The Forecast figures have been derived from a detailed review of the expected revenues and committed planned expenditure for 2014, to compare with the budget.

EXPENSES (AUD)	YTD Actual Aug 2014	YTD Actual Aug 2013	Variance %	Forecast 2014	Budget 2014	Forecast Variation to Budget \$	Forecast Variation to Budget %
Bank charges	93,908	90,770	3%	142,000	145,950	-3,950	-3%
Communication expenses	313,671	318,828	-2%	477,275	502,772	-25,497	-5%
Computer expenses	377,346	344,077	10%	580,000	584,632	-4,632	-1%
Depreciation expense	517,137	496,101	4%	776,000	769,800	6,200	1%
Doubtful debt expenses	18,261	0	0%	23,910	20,000	3,910	20%
ICANN contract fee	175,178	136,732	28%	261,000	225,000	36,000	16%
Income tax expense	0	-68,165	-100%	0	0	0	0%
Insurance expense	87,615	85,035	3%	132,873	134,350	-1,477	-1%
Meeting and training expenses	126,003	233,991	-46%	424,068	424,835	-767	-0%
Membership fees	37,947	27,908	36%	56,743	64,485	-7,742	-12%
Office operating expenses	206,139	185,840	11%	307,304	306,195	1,109	0%
Postage & delivery	20,926	31,900	-34%	26,122	51,500	-25,378	-49%
Printing & photocopy	28,500	21,872	30%	44,200	44,200	0	0%
Professional fees	669,480	749,447	-11%	1,189,728	1,321,800	-132,072	-10%
Recruitment expense	79,154	43,970	80%	114,847	90,000	24,847	28%
Salaries and personnel expenses	5,537,079	5,369,037	3%	8,752,754	8,768,981	-16,227	-0%
Sponsorship and Publicity expenses	113,453	111,283	2%	468,832	426,700	42,132	10%
Staff training/conference expenses	98,939	109,267	-9%	172,200	172,200	0	0%
Translation expenses	11	1,362	-99%	23,000	23,000	0	0%
Travel expenses	1,319,913	1,400,113	-6%	2,002,722	2,050,000	-47,278	-2%
<b>TOTAL EXPENSES</b>	<b>9,820,662</b>	<b>9,689,368</b>	<b>1%</b>	<b>15,975,578</b>	<b>16,126,400</b>	<b>-150,822</b>	<b>-1%</b>

Table 2 Expenses

**Notes to Expenses:**

Similar to previous month report, it is forecast that expenses will be less than the original budget approved for 2014, the major variances are explained below:

- **Communication Expenses** are below budget as a result of the VOIP administration training that will not be incurred in 2014, as suitable training is unavailable. VOIP enhancements planned for 2014 will not occur until Q4.
- **ICANN contract fee** – The formula used to calculate APNIC's share of the NRO expenses for the budget did not reflect the final NRO agreed calculation resulting in a variance to budget of \$36k in 2014.
- **Postage and Delivery expenses** will be below budget by \$25k at the end of the year, this is a result of the savings in the shipping costs for the APNIC Meeting planned for New Caledonia.
- **Professional Fees** are tracking below budget at the end of August due to the timing of planned activities in 2014 and are expected to be \$132k below budget by the end of the year. Around \$50k relates to the implementation of the new Business Intelligence tool that was capitalized rather than expensed. \$40k relates to Accounting, Audit and legal advice costs being lower than anticipated in the budget submission. \$12.8k of expense has been reclassified to Computer expenses above.
- **Recruitment Expenses** will exceed budget in 2014, there has been redefinition of some roles and subsequent replacements that involve migration costs.
- **Salary and personnel expenses** are tracking close to budget; but are expected to be in slightly below the budget at the end of 2014. This expense is very difficult to predict and the estimate will be reviewed in detail in the future months.
- **Sponsorship and publicity Expenses** are tracking above budget, although there was a reversal of the provision of \$52k taken up at the end of last year for the Bali IGF expenses, the revision of the formula to calculate APNIC's share of the NRO costs will result in this expense exceeding budget by \$42k
- **Staff Training** – The timing of training expenses shows that this expense is well below budget, it is anticipated that the training expenses will align with the budget by the end of the year.
- **Travel expenses** are forecast to below budget at the end of 2014, this is mainly due to the reduced costs in staff flight and accommodation resulting from the relocation of the APNIC meeting to Brisbane, some of the savings from this will be offset by the increase in travel forecast for the remainder of the year.

## 2.2 Revenue

REVENUE (AUD)	YTD Actual Aug 2014	YTD Actual Aug 2013	Variance %	Forecast	Budget 2014	Forecast Variation to Budget \$	Forecast Variation to Budget %
IP Resource application fees	939,750	1,041,750	-10%	1,383,375	1,241,625	141,750	11%
Investment income	557,597	430,706	29%	735,000	620,000	115,000	19%
Membership fees	10,499,682	9,982,259	5%	15,901,743	15,627,681	274,062	2%
Non-members fees	169,980	159,434	7%	256,910	245,000	11,910	5%
Reactivation fees	46,200	18,150	155%	62,400	32,400	30,000	93%
Transfer fees	55,661	41,950	33%	83,810	75,000	8,810	12%
Sundry income	103,592	126,716	-18%	193,092	252,500	-59,408	-24%
Foreign exchange gain/(loss)	-13,733	33,883	-58%	-16,345	0	-16,345	0%
<b>TOTAL REVENUE</b>	<b>12,358,730</b>	<b>11,834,849</b>	<b>4%</b>	<b>18,599,985</b>	<b>18,094,206</b>	<b>505,779</b>	<b>3%</b>

**Table 3 Revenue**

### Notes to Revenue:

- **Investment Income** – At this stage, income from the investment portfolio and interest income is conservatively estimated to be achieve \$115k over the budget at the end of the year. It is important to note that the actual capital increase in the value of the Investment portfolio since the beginning of the year stands at \$289k at the end of August.
- **Membership Income** – Membership fees are anticipated to achieve \$274k above budget by the end of 2014. The prime driver for this is the slowdown in Indian members transferring to the Indian NIR. The budget made a provision for 50% of the remaining members to transition to the NIR during 2014. Details of the actual movement are below at section 4.6, showing that only 17 of the estimated 205 members had transitioned up until the end of August.
- **Sundry Income** – There will be no income from cost recovery training in 2014, this was budgeted at \$54k. Income from training is also tracking below budget, but is expected to improve once recruitment of a new training manager is completed. Sponsorship revenues and Income from workshops at the APNIC meeting in Brisbane will increase revenue in the second half.

## 2.3 Operating Surplus/ Deficit

REVENUE and EXPENSES (AUD)	YTD Actual Aug 2014	YTD Actual Aug 2013	Variance %	Forecast	Budget 2014	Forecast Variation to Budget \$	Forecast Variation to Budget %
Total Revenue	12,358,730	11,834,849	4%	18,599,985	18,094,206	505,779	3%
Total Expenses	9,820,662	9,689,368	1%	15,975,578	16,126,400	-150,822	-1%
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>2,538,068</b>	<b>2,145,481</b>	<b>18%</b>	<b>2,624,407</b>	<b>1,967,806</b>	<b>656,601</b>	<b>33%</b>

Table 4 Operating Surplus/ Deficits

### Notes to Revenue and Expenses:

- **Operating Surplus** – Favourable variances for expenses and revenue are forecast to result in an increase in the full year surplus from \$1,968k to \$2,624k, an increase of \$657k.

## 3 APNIC Reserve

### 3.1 Cash Flow Statement

This report shows the draft cash flow status for the year as at the end of August.

Accounts	YTD Aug 2014
<b>Operating Activities</b>	
Net Income	2,538,068
<b>Adjustments to Profit/(Loss)</b>	
Accounts Receivable	-696,932
Other Current Asset	-220,378
Accounts Payable	-215,030
Sales Tax Payable	18,936
Other Current Liabilities	-128,415
<b>Total Adjustments to Profit/(Loss)</b>	<b>-1,241,819</b>
<b>Total Operating Activities</b>	<b>1,296,249</b>
<b>Investing Activities</b>	
Fixed Asset	139,771
Other Asset	-2,702,845
<b>Total Investing Activities</b>	<b>-2,563,074</b>
<b>Financing Activities</b>	
Long Term Liabilities	-14,748
Other Equity	289,478
<b>Total Financing Activities</b>	<b>274,730</b>
<b>Net Change in Cash for Period</b>	<b>-992,094</b>
<b>Cash at Beginning of Period</b>	<b>6,002,531</b>
<b>Cash at End of Period</b>	<b>5,010,436</b>

Table 5 Cash Flow Statement

### 3.2 APNIC Capital Reserve

The APNIC Reserve is diversified between Cash Investments, Investment Portfolio, and Property (APNIC Office). At the end of August, APNIC maintained \$5M in cash reserves, \$16.4M has been invested in the investment portfolio, and \$6.7M invested in the APNIC Property. Figure 3.1 below tracks the value and the allocation of these reserves over time and also tracks the operating expenses for each year for comparison:

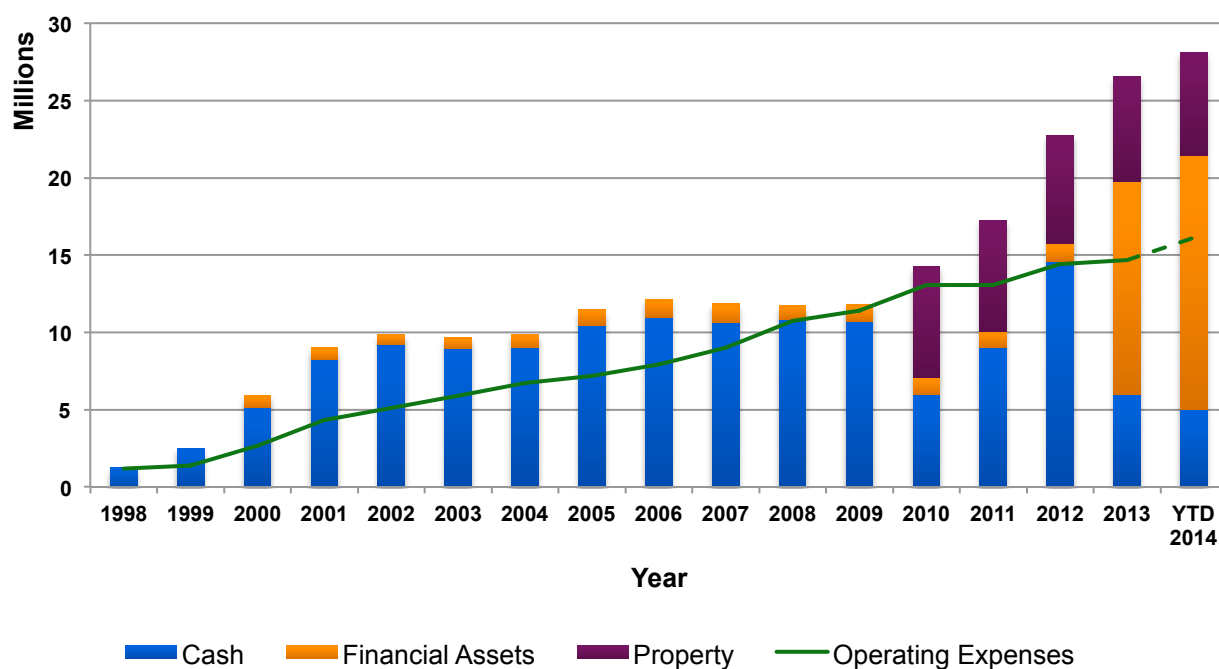


Figure 3.1 Reserve

### 3.3 APNIC Investment policy

The amount of \$16.4M is invested in the Credit Suisse investment management account at the end of August. Please refer to the attached investment report outlining the portfolio. \$2M of APNIC's surplus cash has been transferred to the investment portfolio as at the end of August.

### 3.4 APNIC's Equity and Reserves

By comparing APNIC's Total Equity (including Retained earnings and unrealised capital gains) to the daily operating costs, the number of month's coverage of operational expenses is set out below:

	31/08/2014	2013	2012
Total Equity	\$20,653,842	\$17,826,296	\$14,808,757
% Equity covered by Cash and/or Equivalents	115.4%	119.0%	105.7%
Forecast/Actual Daily Operating Expenses	\$43,769	\$39,864	\$39,461
Number of Months of expenses covered by Equity	15.51	14.70	12.34

## 4 Membership

### 4.1 Membership Statistics

As at the end of August 2014, APNIC had a total of 4,450 Members serving 54 economies.

### 4.2 Membership by Category

The table below shows the monthly changes in membership. Majority of APNIC Members remain in the Very Small and Small membership tiers.

Membership	Total Jul-14	New Aug-14	Reactivate Aug-14	(Closed) Aug-14	Size Change Aug-14	Total YTD Aug-14	% Total
Extra Large	21	0	0	0	0	21	0%
Very Large	41	0	0	-1	-1	39	1%
Large	145	0	0	-2	1	144	3%
Medium	392	0	0	0	0	392	9%
Small	1291	0	1	-3	28	1317	30%
Very Small	1573	0	2	-15	38	1598	36%
Associate	937	74	0	-6	-66	939	21%
<b>TOTAL</b>	<b>4400</b>	<b>74</b>	<b>3</b>	<b>-27</b>	<b>0</b>	<b>4450</b>	<b>100%</b>

Table 6 Membership by Category

### 4.3 Membership by Economy

Figure 4.1 illustrates the APNIC membership distribution by economy.

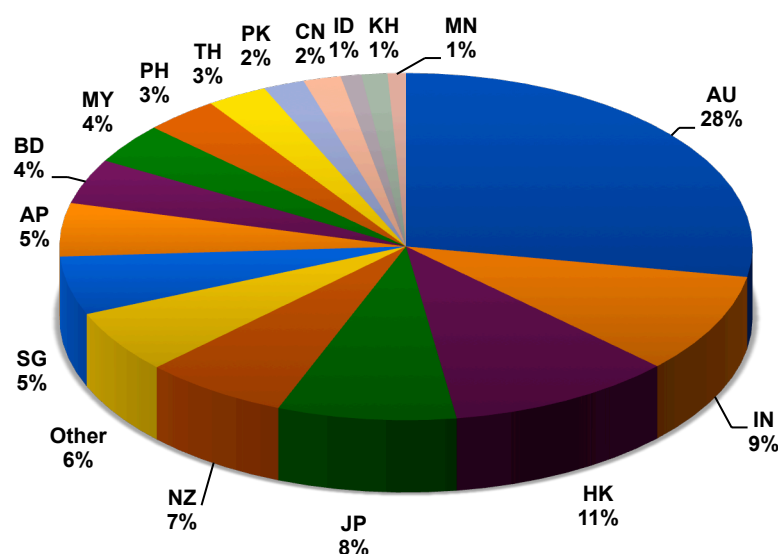


Figure 4.1 Membership by Economy

#### 4.4 Membership Growth

APNIC membership monthly movements are illustrated at Figure 4.2 below. Membership growth budgeted for 2014 has been incorporated in this graph to track monthly growth against monthly budget growth.

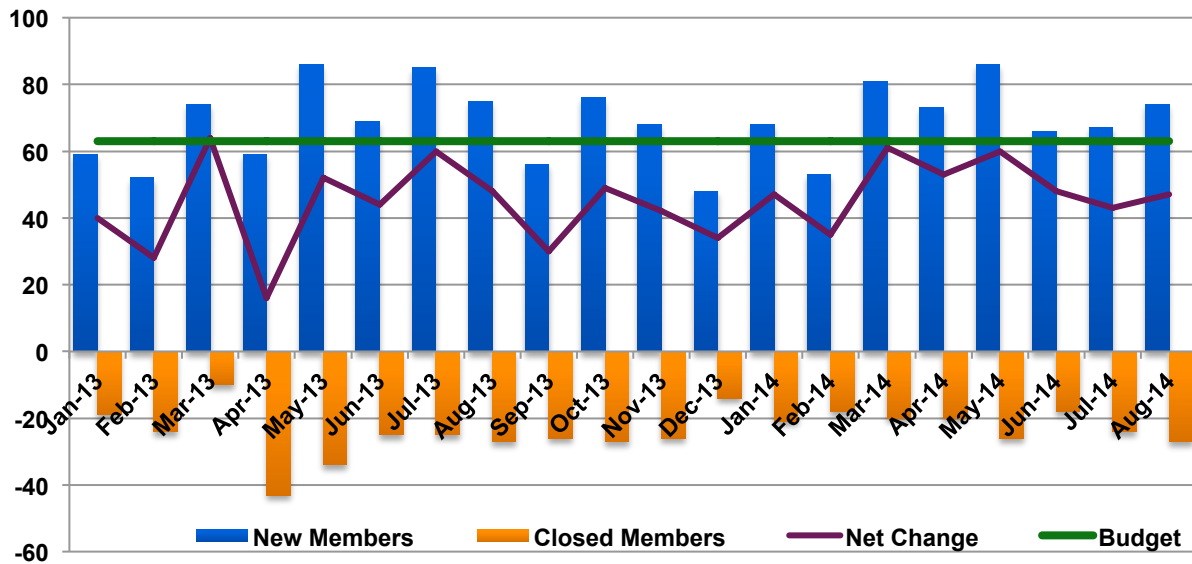


Figure 4.2 Monthly Growth Analysis

Figure 4.3 below illustrates APNIC membership growth by membership tier:

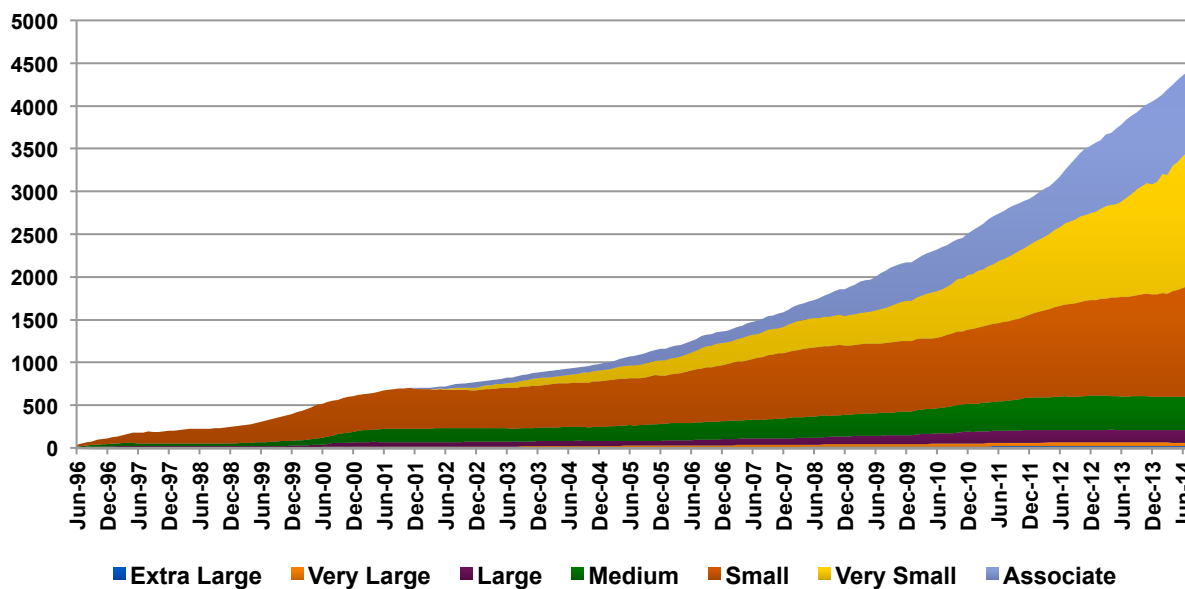


Figure 4.3 Total membership

#### 4.5 Year-to-Date Membership Movement by Economy

Figure 4.4 below shows new and closed membership movement by economy as at end of August 2014.

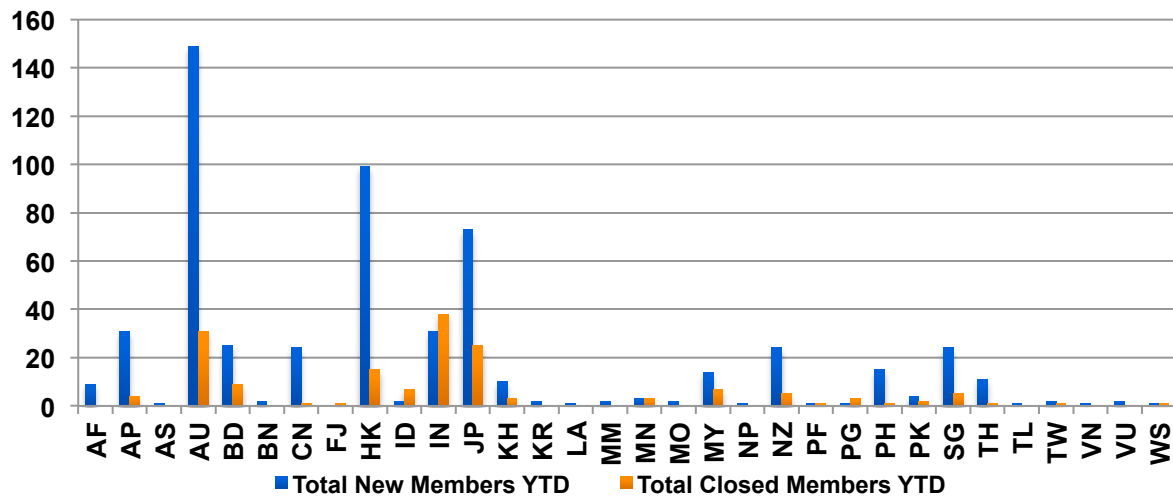


Figure 4.4 New and Closed Members Analysis

Figure 4.5 below provides an analysis of the Membership closures as at the end of August. 13% of the closures (21 out of 164 total) are due to account transfers to NIRs, and 67% of the accounts closures relate to accounts closed due to the failure to establish contact or the business is no longer operating and resource holdings are returned to APNIC.

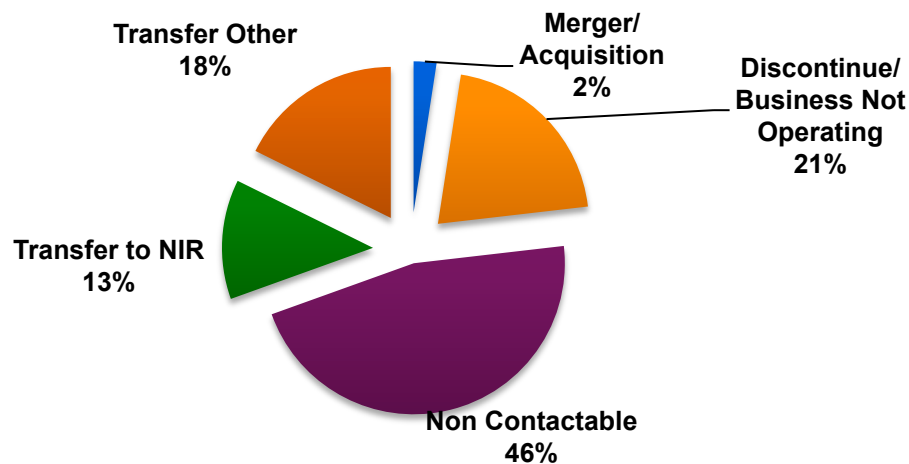


Figure 4.5 Closure Analysis



## 4.6 India Membership NIR Transfer Analysis

By the end of August 2014, the APNIC membership had 38 account closures from the Indian economy, 17 of these are due to transfers to IRINN. Others were closed due to non-payment and discontinued APNIC membership. There were 405 Indian members as at the end of last year, and the 2014 budget assumes that around 50% of these members will transfer to IRINN during 2014.

Transfers to IRINN are well below that anticipated in the budget for 2014.

The table below provides analysis of India Memberships transferred to the NIR.

India Membership	YTD Aug-14	YTD Budget 2014	YTD Variance	Budget 2014
Extra Large	0	1	-1	1
Very Large	1	3	-2	5
Large	2	5	-3	8
Medium	3	9	-6	13
Small	6	34	-28	51
Very Small	4	80	-76	120
Associate	1	5	-4	7
<b>TOTAL</b>	<b>17</b>	<b>137</b>	<b>-120</b>	<b>205</b>

**Table 7 India Membership NIR Transfer Analysis**

Private Banking

## Investment Report 1.8.2014 – 31.8.2014

### APNIC PTY LTD

Portfolio Group: 3000039

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Private Banking

## Investment Report 1.8.2014 – 31.8.2014

**Portfolio Group** 3000039

In the Name of APNIC PTY LTD

Produced on 30.8.2014  
Reporting Currency AUD

Relationship Manager Nigel Renton  
Phone +612 8205 4095

APNIC PTY LTD  
PO BOX 3646  
SOUTH BRISBANE, QLD 4101  
AUSTRALIA

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Melbourne Office: Level 41, 101 Collins Street, Melbourne, VIC 3000  
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### Investment Report 1.8.2014 – 31.8.2014

APNIC PTY LTD  
Portfolio Group: 3000039  
Reporting Currency: AUD

### Scope of Analysis as of 31.8.2014

Components	Portfolio	Asset Value in AUD	Discretionary Mandate	Opened	Closed
Portfolio Group: 3000039					
AUD Portfolio	3000039-10	0		16.08.2013	
AUD Portfolio	3000039-70	16,439,535	Yes	16.08.2013	
<b>Total Investments</b>		<b>16,439,535</b>			

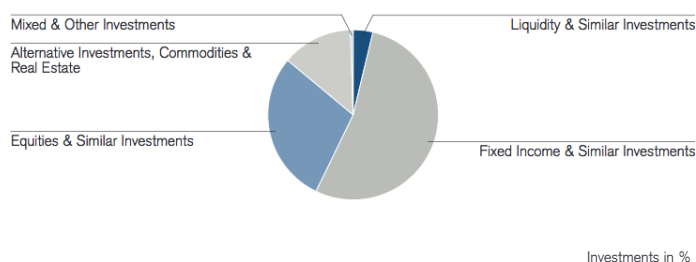
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## 1. Overview

### 1.1. Asset Allocation

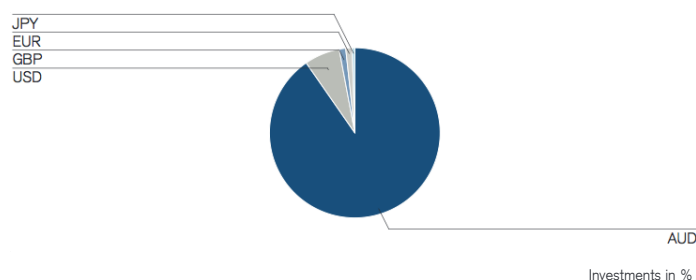
Asset Allocation by Asset Category  
Period 1.8.2014 - 31.8.2014

	Beginning of Period in AUD	Change	End of Period in AUD	End of Period Proportion
■ Liquidity & Similar Investments	1,273,716	-656,735	616,982	3.75%
■ Fixed Income & Similar Investments	7,841,238	960,838	8,802,077	53.54%
■ Equities & Similar Investments	4,587,248	172,000	4,759,248	28.95%
■ Alternative Investments, Commodities & Real Estate	2,103,733	107,783	2,211,516	13.45%
■ Mixed & Other Investments	0	49,712	49,712	0.30%
<b>Total Investments</b>	<b>15,805,936</b>		<b>16,439,535</b>	<b>100.00%</b>



Asset Allocation by Currency  
Period 1.8.2014 - 31.8.2014

	Beginning of Period in AUD	Change	End of Period in AUD	End of Period Proportion
■ AUD - Australian Dollar	14,256,680	622,875	14,879,555	90.51%
■ USD - US Dollar	1,047,581	57,681	1,105,263	6.72%
■ GBP - Pound Sterling	188,862	13,166	202,029	1.23%
■ EUR - Euro	261,201	-61,779	199,423	1.21%
■ JPY - Japanese Yen	51,611	1,655	53,265	0.32%
<b>Total Investments</b>	<b>15,805,936</b>		<b>16,439,535</b>	<b>100.00%</b>

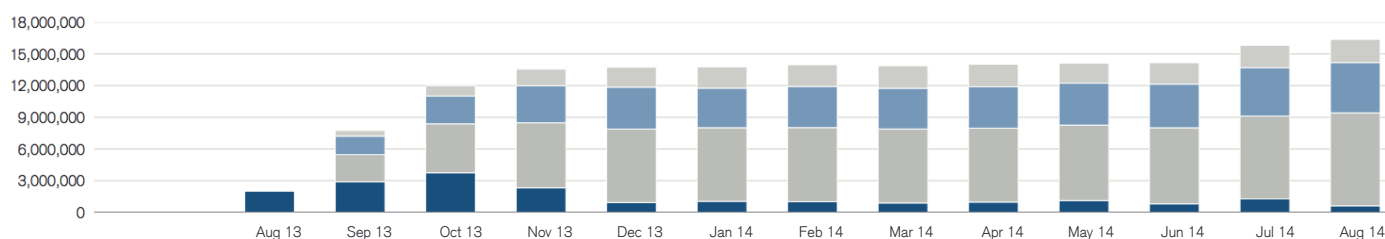


## 2. Analyses

### 2.1. Asset Allocation

Asset Allocation by Asset Category Details  
Period 1.8.2013 - 31.8.2014

	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14
■ Liquidity & Similar Investments	2,001,803	2,884,961	3,745,295	2,322,733	933,468	1,046,036	1,009,590	885,185	971,721	1,114,813	804,330	1,273,716	616,982
■ Fixed Income & Similar Investments		2,577,696	4,634,084	6,155,695	6,951,098	6,964,586	7,012,744	7,007,937	6,997,029	7,146,569	7,202,651	7,841,238	8,802,077
■ Equities & Similar Investments		1,750,734	2,639,693	3,509,288	3,965,344	3,747,390	3,897,294	3,854,490	3,916,919	3,967,091	4,126,990	4,587,248	4,759,248
■ Alternative Investments, Commodities & Real Estate		537,753	961,718	1,558,145	1,886,633	2,012,274	2,052,877	2,126,632	2,134,480	1,900,664	2,020,735	2,103,733	2,211,516
■ Mixed & Other Investments													49,712
<b>Total Investments in AUD</b>	<b>2,001,803</b>	<b>7,751,144</b>	<b>11,980,790</b>	<b>13,545,860</b>	<b>13,736,543</b>	<b>13,770,286</b>	<b>13,972,505</b>	<b>13,874,243</b>	<b>14,020,149</b>	<b>14,129,136</b>	<b>14,154,705</b>	<b>15,805,936</b>	<b>16,439,535</b>



### 3. Positions

#### 3.1. Investment Related Positions

as of 31.8.2014

Number/ Nominal	Description	Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
<b>Liquidity &amp; Similar Investments</b>							
AUD	615,589.98	Current Account -2300003970945 AUD Portfolio: 3000039-70	1.000		615,590	3.74%	
JPY	61,416	Current Account -2300003970335 AUD Portfolio: 3000039-70	1.000 95.5951 AUD/JPY		633		-10
USD	709.54	Current Account -2300003970780 AUD Portfolio: 3000039-70	1.000 0.9283 AUD/USD		759		-5
<b>Total Liquidity &amp; Similar Investments</b>					<b>616,982</b>	<b>3.75%</b>	

#### Fixed Income & Similar Investments

Fixed Income &amp; Similar Investments AUD

AUD	3,048,270.15	UNITS BLACKROCK INDEXED AUSTRALIAN BOND FUND AUD Portfolio: 3000039-70	AU60BGL01056 2244170	1.021	1.032 NAV 28.08.2014	3,145,687	19.13%	33,686 33,686
AUD	1,800,118.2	UNITS ABERDEEN AUSTRALIAN FIXED INCOME FUND AUD Portfolio: 3000039-70	AU60CRS00041 1739745	1.141	1.165 NAV 28.08.2014	2,096,598	12.75%	43,408 43,408
AUD	1,219.602	UNITS PIMCO AUSTRALIAN BOND FUND CLASS -A- AUD Portfolio: 3000039-70	AU60ETL01152 3432899	1,108.093	1,119.821 NAV 28.08.2014	1,365,736	8.31%	14,304 14,304

3. Positions / 3.1. Investment Related Positions

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Number/ Nominal	Description		Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
AUD	79,707	UNITS GOLDMAN SACHS GLOBAL STRATEGIC BOND FUND AUD Portfolio: 3000039-70	AU60JBW00976 23326554	1.028	1.026 BID 28.08.2014	81,771	0.50%	-175 -175
AUD	1,871,597.31	UNITS VANGUARD AUSTRALIAN FIXED INTEREST INDEX FUND AUD Portfolio: 3000039-70	AU60VAN00014 1653500	1.113	1.129 NAV 28.08.2014	2,112,285	12.85%	28,722 28,722
Total Fixed Income & Similar Investments						8,802,077	53.54%	

#### Equities & Similar Investments

Equities &amp; Similar Investments AUD

AUD	569	SHS AMCOR LTD AUD Portfolio: 3000039-70	AU000000AMC4 640267 AMC.AX	9.374	11.420 CLO 28.08.2014	6,498	0.04%	1,164 1,164
AUD	4,379	SHS AUSTRALIA & NEW ZEALAND BANKING GROUP LTD AUD Portfolio: 3000039-70	AU000000ANZ3 640139 ANZ.AX	31.873	33.430 CLO 29.08.2014	146,390	0.89%	6,820 6,820
AUD	5,931	STAPLED SECURITY APA GROUP AUD Portfolio: 3000039-70	AU000000APA1 1083439 APA.AX	6.168	7.750 CLO 29.08.2014	45,965	0.28%	9,383 9,383
AUD	1,999	SHS AURIZON HOLDINGS LTD AUD Portfolio: 3000039-70	AU000000AZJ1 20175896 AZJ.AX	5.073	4.770 CLO 29.08.2014	9,535	0.06%	-607 -607
AUD	4,686	SHS BHP BILLITON LTD AUD Portfolio: 3000039-70	AU000000BHP4 640390 BHP.AX	36.670	36.670 CLO 29.08.2014	171,836	1.05%	0 0

3. Positions / 3.1. Investment Related Positions

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Number/ Nominal	Description	Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
AUD	7,977 SHS BORAL LTD AUD Portfolio: 3000039-70	AU000000BLD2 1050991 BLD.AX	5.527	5.510 CLO 29.08.2014	43,953	0.27%	-137 -137
AUD	8,875 SHS BRAMBLES LTD AUD Portfolio: 3000039-70	AU000000BXB1 2373150 BXB.AX	8.677	9.500 CLO 29.08.2014	84,313	0.51%	7,307 7,307
AUD	2,272 SHS COMMONWEALTH BANK OF AUSTRALIA AUD Portfolio: 3000039-70	AU000000CBA7 646758 CBA.AX	76.171	81.320 CLO 29.08.2014	184,759	1.12%	11,699 11,699
AUD	1,084 SHS CSL LTD AUD Portfolio: 3000039-70	AU000000CSL8 241548 CSL.AX	66.341	73.870 CLO 29.08.2014	80,075	0.49%	8,161 8,161
AUD	551 SHS FLIGHT CENTRE TRAVEL GROUP LTD AUD Portfolio: 3000039-70	AU000000FLT9 90307 FLT.AX	50.221	46.900 CLO 29.08.2014	25,842	0.16%	-1,830 -1,830
AUD	3,639 SHS HENDERSON GROUP PLC CHESS DEPOSITORY INTERESTS REPR 1 SHS AUD Portfolio: 3000039-70	AU000000HGG2 4563625 HGG.AX	4.617	4.160 CLO 29.08.2014	15,138	0.09%	-1,662 -1,662
AUD	118,864 STAPLED SECURITY MIRVAC GROUP AUD Portfolio: 3000039-70	AU000000MGR9 821911 MGR.AX	1.750	1.835 CLO 28.08.2014	218,115	1.33%	10,049 10,049
AUD	1,657 SHS MACQUARIE GROUP LTD AUD Portfolio: 3000039-70	AU000000MQG1 3422370 MQG.AX	54.930	58.300 CLO 29.08.2014	96,603	0.59%	5,584 5,584

3. Positions / 3.1. Investment Related Positions

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Number/ Nominal	Description	Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
AUD	3,338 SHS NATIONAL AUSTRALIA BANK LTD AUD Portfolio: 3000039-70	AU000000NAB4 641643 NAB.AX	34.455	35.200 CLO 29.08.2014	117,498	0.71%	2,487 2,487
AUD	838 SHS RAMSAY HEALTH CARE LTD RHC AUD Portfolio: 3000039-70	AU000000RHC8 646740 RHC.AX	41.539	51.960 CLO 29.08.2014	43,542	0.26%	8,733 8,733
AUD	1,189 SHS RIO TINTO LTD AUD Portfolio: 3000039-70	AU000000RIO1 603520 RIO.AX	64.108	62.630 CLO 29.08.2014	74,467	0.45%	-1,758 -1,758
AUD	4,456 CHESS DEPOSITORY INTERESTS RESMED INC ON A RATIO OF 10 CDIS PER ORD.SH AUD Portfolio: 3000039-70	AU000000RMD6 1058638 RMD.AX	5.509	5.710 CLO 29.08.2014	25,444	0.15%	894 894
AUD	67,311 STAPLED SECURITY SCENTRE GROUP AUD Portfolio: 3000039-70	AU000000SCG8 23931192 SCG.AX	3.448	3.430 CLO 29.08.2014	230,877	1.40%	-1,195 -1,195
AUD	91,123 STAPLED SECURITY SHOPPING CENTRES AUSTRALASIA PROPERTY GROUP AUD Portfolio: 3000039-70	AU000000SCP9 19791333 SCP.AX	1.550	1.850 CLO 29.08.2014	168,578	1.03%	27,293 27,293
AUD	1,375 SHS SEEK LTD AUD Portfolio: 3000039-70	AU000000SEK6 2128330 SEK.AX	17.126	17.470 CLO 29.08.2014	24,021	0.15%	473 473
AUD	33,697 UNITS SPDR S&P/ASX 200 LISTED PROPERTY FUND AUD Portfolio: 3000039-70	AU000000SLF1 1377855 SLF.AX	9.523	10.460 CLO 29.08.2014	352,471	2.14%	31,576 31,576

3. Positions / 3.1. Investment Related Positions

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Number/ Nominal	Description	Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
AUD	2,613 SHS SANTOS LTD AUD Portfolio: 3000039-70	AU000000STO6 641959 STO.AX	14.899	14.830 CLO 29.08.2014	38,751	0.24%	-181 -181
AUD	7,537 UNITS SPDR S&P/ASX 200 FUND AUD Portfolio: 3000039-70	AU000000STW9 1285707 STW.AX	51.016	52.710 CLO 29.08.2014	397,275	2.42%	12,766 12,766
AUD	3,206 SHS SUNCORP GROUP LTD AUD Portfolio: 3000039-70	AU000000SUN6 588679 SUN.AX	13.285	14.430 CLO 29.08.2014	46,263	0.28%	3,671 3,671
AUD	2,922 STAPLED SECURITY TRANSURBAN GROUP AUD Portfolio: 3000039-70	AU000000TCL6 444655 TCL.AX	7.666	8.060 CLO 29.08.2014	23,551	0.14%	1,150 1,150
AUD	20,805 SHS TELSTRA CORPORATION LTD AUD Portfolio: 3000039-70	AU000000TLS2 720464 TLS.AX	5.075	5.560 CLO 29.08.2014	115,676	0.70%	10,095 10,095
AUD	5,052 SHS WESTPAC BANKING CORP AUD Portfolio: 3000039-70	AU000000WBC1 642372 WBC.AX	32.942	35.040 CLO 29.08.2014	177,022	1.08%	10,601 10,601
AUD	1,094 SHS WESFARMERS LTD AUD Portfolio: 3000039-70	AU000000WES1 642397 WES.AX	43.980	43.310 CLO 29.08.2014	47,381	0.29%	-733 -733
AUD	1,158 SHS WOOLWORTHS LTD AUD Portfolio: 3000039-70	AU000000WOW2 81350 WOW.AX	34.789	36.160 CLO 29.08.2014	41,873	0.25%	1,588 1,588

3. Positions / 3.1. Investment Related Positions

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Number/ Nominal	Description	Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
AUD	931 SHS WOODSIDE PETROLEUM LTD AUD Portfolio: 3000039-70	AU000000WPL2 642429 WPL.AX	40.307	42.700 CLO 29.08.2014	39,754	0.24%	2,228 2,228
AUD	49,407.1123 UNITS ABERDEEN EMERGING OPPORTUNITIES FUND AUD Portfolio: 3000039-70	AU60ETL00329 2220820	2.114	2.215 NAV 26.08.2014	109,457	0.67%	4,997 4,997
AUD	23,362.8214 UNITS IRONBARK KARARA AUSTRALIAN SMALL COMPANIES FUND CLASS -A- AUD Portfolio: 3000039-70	AU60PAT00021 2879000	2.844	3.025 BID 28.08.2014	70,670	0.43%	4,224 4,224
AUD	159,568.25 UNITS VANGUARD INTERNATIONAL SHARES INDEX FUND HEDGED AUD Portfolio: 3000039-70	AU60VAN01053 2265005	0.780	0.789 NAV 28.08.2014	125,851	0.77%	1,414 1,414
AUD	71 SHS -PT (AUD)- ALLIANZ GLOBAL INVESTORS FUND SICAV - ALLIANZ EUROPE EQUITY GROWTH CAPITALISATION AUD Portfolio: 3000039-70	LU0757889166 18233884	1,435.257	1,524.330 NAV 29.08.2014	108,227	0.66%	6,324 6,324

Total Equities &amp; Similar Investments AUD

3,507,671 21.34%

Equities &amp; Similar Investments EUR

EUR	1,703 UNITS ISHARES EURO STOXX BANKS 30-15 UCITS ETF (DE) AUD Portfolio: 3000039-70	DE0006289309 1232727 SX7EEX.DE	16.162 1.4489 EUR/AUD	14.820 CLO 29.08.2014	35,583	0.22%	-4,297 -3,222 -1,075
EUR	5,385 SHS ISHARES II PLC - ISHARES MSCI EUROPE UCITS ETF (INC) GERMAN CERT. AUD Portfolio: 3000039-70	DE000A0M5X28 3570559 IQQY.DE	20.390 1.4577 EUR/AUD	21.580 CLO 29.08.2014	163,840	1.00%	3,783 9,035 -5,252

Total Equities &amp; Similar Investments EUR

199,423 1.21%

3. Positions / 3.1. Investment Related Positions

10/17

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Number/ Nominal	Description		Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
Equities & Similar Investments GBP								
GBP	16,766	SHS ISHARES PLC - ISHARES FTSE 100 UCITS ETF (INC) EXCHANGE TRADED FUND GBP AUD Portfolio: 3000039-70	IE0005042456 1083749 ISF.L	6.604 1.7310 GBP/AUD	6.793 OFF 29.08.2014	202,029	1.23%	10,372 5,627 4,745
Total Equities & Similar Investments GBP						202,029	1.23%	
Equities & Similar Investments JPY								
JPY	326	UNITS NIKKEI 225 EXCHANGE TRADED FUND AUD Portfolio: 3000039-70	JP3027650005 1264151 1321.T	14,954.896 92.8329 AUD/JPY	15,670.000 CLO 29.08.2014	52,633	0.32%	116 2,402 -2,286
Total Equities & Similar Investments JPY						52,633	0.32%	
Equities & Similar Investments USD								
USD	346	ACCUM.PTG.SHS ISHARES VII PLC - ISHARES NASDAQ 100 UCITS ETF EXCHANGE TRADED FUND USD AUD Portfolio: 3000039-70	IE00B53SZB19 10737617 CSNDX.S	181.915 0.9285 AUD/USD	221.220 CLO 29.08.2014	81,870	0.50%	14,079 14,546 -467
USD	399	SHS -I- VONTOBEL FUND SICAV - EMERGING MARKETS EQUITY CAPITALISATION AUD Portfolio: 3000039-70	LU0278093082 2870698	162.639 0.9324 AUD/USD	183.450 NAV 27.08.2014	78,292	0.48%	8,694 8,881 -187
USD	1,689	SHS DBX ETF TRUST DEUTSCHE X-TRACKERS MSCI JAPAN HEDGED EQUITY ETF AUD Portfolio: 3000039-70	US2330515071 13179474 DBJP.P	35.839 0.9359 AUD/USD	36.900 CLO 29.08.2014	66,663	0.41%	1,981 1,916 64

3. Positions / 3.1. Investment Related Positions

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Number/ Nominal	Description	Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
USD	915 SHS ISHARES GLOBAL HEALTHCARE ETF AUD Portfolio: 3000039-70	US4642873255 1352444 IXJ.P	92.985 0.9262 AUD/USD	97.220 CLO 29.08.2014	95,149	0.58%	3,285 4,144 -860
USD	2,215 TRUST UNITS SPDR S&P 500 ETF TRUST SERIES -1- ETF AUD Portfolio: 3000039-70	US78462F1030 45088 SPY.P	177.380 0.9389 AUD/USD	200.710 CLO 29.08.2014	475,519	2.89%	57,057 55,274 1,783
Total Equities & Similar Investments USD					797,493	4.85%	
Total Equities & Similar Investments					4,759,248	28.95%	
Alternative Investments, Commodities & Real Estate							
Hedge Funds							
AUD	358,654.091 UNITS GMO SYSTEMATIC GLOBAL MACRO TRUST CLASS -B- AUD Portfolio: 3000039-70	AU60GMO00067 3375604	0.998	0.990 NAV 27.08.2014	354,924	2.16%	-3,140 -3,140
AUD	341,323.58 UNITS BLACKROCK GLOBAL ALLOCATION FUND (AUST) CLASS -D- WHOLESALE AUD Portfolio: 3000039-70	AU60MAL00181 3379478	1.225	1.303 NAV 28.08.2014	444,626	2.70%	26,506 26,506
AUD	278,260.799 RED.PTG.SHS -A1- AHL (CAYMAN) SPC AUD CLASS A EVOLUTION SEGREGATED PORTFOLIO AUD Portfolio: 3000039-70	KYG012291145 22393979	1.130	1.244 NAV 31.07.2014	346,240	2.11%	31,746 31,746
AUD	184.596 RED.PTG.SHS -JD- PERSISTENT EDGE ASIA PARTNERS LTD SERIES JANUARY 2012 NON NEW ISSUE AUD Portfolio: 3000039-70	XD0146211822 14621182	1,306.500	1,350.380 NAV 30.06.2014	249,275	1.52%	8,100 8,100

3. Positions / 3.1. Investment Related Positions

12/17

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Number/ Nominal	Description	Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
AUD	30 RED.PTG.SHS -JD- PERSISTENT EDGE ASIA PARTNERS LTD AUD SERIES JANUARY 2014 NON NEW ISSUES AUD Portfolio: 3000039-70	XD0232843918 23284391	1,000.647	1,005.550 NAV 30.06.2014	30,167	0.18%	147 147
AUD	32 RED.PTG.SHS -JD- PERSISTENT EDGE ASIA PARTNERS LTD AUD SERIES JUNE 2014 NON NEW ISSUE AUD Portfolio: 3000039-70	XD0245413006 24541300	1,000.430	1,017.790 NAV 30.06.2014	32,569	0.20%	556 556
Total Hedge Funds					1,457,800	8.87%	
Commodities & Precious Metals							
AUD	2,744 ETC SECURITY ETFS METAL SECURITIES AUSTRALIA LTD 2003-WITHOUT FIXED MATURITY ON GOLD COMMODITY AUD Portfolio: 3000039-70	AU00000GOLD7 1583458 GOLD.AX	136.729	132.200 CLO 29.08.2014	362,757	2.21%	-12,428 -12,428
AUD	62 UBS ETC UBS AG, LONDON BRANCH 2010-OPEN END ON UBS BLOOMBERG CMCI COMPOSITE AUD TR AUD Portfolio: 3000039-70	CH0115765023 11576502	1,420.646	1,354.000 CLO 29.08.2014	83,948	0.51%	-4,132 -4,132
USD	241 UBS ETC UBS AG, LONDON BRANCH 2007-OPEN END ON UBS BLOOMBERG CMCI COMPOSITE TOTAL RETURN AUD Portfolio: 3000039-70	CH0031794263 3179426 TCMCI.S	1,203.195 0.9386 AUD/USD	1,191.000 CLO 29.08.2014	307,011	1.87%	-1,929 -3,144 1,215
Total Commodities & Precious Metals					753,716	4.58%	
Total Alternative Investments, Commodities & Real Estate					2,211,516	13.45%	

3. Positions / 3.1. Investment Related Positions

13/17

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Number/ Nominal	Description	Identification ISIN Valoren Number Ticker	Cost Valuation Price Exchange Rate	Current Valuation Price/ Type Date	Value in AUD of which Accrued Interest of which Market Value	Prop.	Profit/ Loss Unrealized in AUD of which Instrument of which Forex
Mixed & Other Investments							
AUD	18,712.29 SUBSCRIPTION VALUE OF RED.PTG.SHS -A1-AHL (CAYMAN) SPC AUD CLASS A EVOLUTION SEGREGATED PORTFOLIO AUD Portfolio: 3000039-70		1.000	1.000 MID 23.09.2013	18,712	0.11%	
AUD	31,000 SUBSCRIPTION VALUE OF RED.PTG.SHS -JD-PERSIST EDGE AS AUD AUD Portfolio: 3000039-70		1.000	1.000 MID 20.12.2011	31,000	0.19%	
Total Mixed & Other Investments					49,712	0.30%	
Total Investments					16,439,535	100.00%	
of which Accrued Interest					0		

3. Positions / 3.1. Investment Related Positions

14/17

001970938 012 058

## 4. Appendix

### 4.1. Explanations

#### Accrued Interest

Accrued interest is not displayed for financial instruments with variable interest rate or frequency within the same interest period, except for Floating Rate Notes. For FINER Revexus, the accrued interest displayed is based on the deposit currency for reference purpose only. Entitlement to the accrued interest depends on the product features. All accrued interests are displayed in the reporting currency of the portfolio and are calculated recognizing trades end of day. The FX conversion rates (reflected below) are used to convert the amount from original currency to reporting currency. The accrued interest payable/receivable is displayed as the net amount on Current Account balances. As a result of the foregoing and other factors, the accrued interest is only an estimate and may not reflect the actual interest accrued, if any.

#### Analyses

Values displayed for the respective month labels are as of month-end dates. If the report end period is not a month-end, the report period end month label will show the values as of the report period end date.

#### Cost Valuation Exchange Rates

For the Positions section, the cost valuation exchange rate displayed is always against the instrument currency and portfolio currency. For the Transactions section, the cost valuation exchange rate displayed is always between the instrument currency and reporting currency.

#### Duration

Modified duration is a change in the price of a bond arising from a change in market yields. Modified duration is expressed as an approximate percentage. The investment report displays the Modified Duration method for all Fixed Income instruments.

#### Profit/ Loss calculation

Realized and unrealized profit and loss are calculated by comparing the market or transaction value with the average cost value. For every trade date the system computes the average cost, first processing investments before disinvestments. Transaction costs are included in both realized and unrealized profit/ loss calculation. The total profit/ loss represents the result after taking account of realized/ unrealized profit/ loss, income and costs.

Unrealized profit/ loss displayed in the Positions section are calculated as of the reporting date. However, unrealized profit/ loss displayed in the Analyses section, are calculated for the period shown.

FX conversion rates used in the computation of the unrealized profit/loss is the derived rate based on the average price as of the individual transaction date.

#### Rating

Rating refers to the rating of an investment product and is either based on information available to the Bank or is obtained from sources believed to be reliable by the Bank as of the investment report date.

#### Transactions

If no transactions have occurred during the reporting period, this section will be suppressed.

#### Yield

The investment report displays Yield for all Fixed Income instruments and is displayed per market price.

#### Abbreviations

BID = Bid Price  
CLO = Closing Price  
MID = Average Price  
NAV = Net Asset Value  
OFF = Official Price

#### Rounding logic

Values in this investment report are calculated with exact numbers, however when presenting the data, values are rounded and therefore minor rounding differences might occur.

#### Large Numbers

The figures are consolidated and shown in denominations of thousands, millions and billions where applicable. If a value is too long to be displayed in the report itself, e.g. 1,526,555,333.26 the figure is consolidated and displayed as 1,526,555.33 in thousands in the report. If the value exceeds the column limit, a further division will take place and the phrase in millions/in billions will be displayed.

#### Conversion Rates as of 31.8.2014

AUD 1.0000 = JPY 97.0581  
AUD 1.0000 = USD 0.9349  
EUR 1.0000 = AUD 1.4099

GBP 1.0000 = AUD 1.7739

#### 4.2. Legal Information

According to the Account Opening Terms and Conditions, this investment report shall be conclusive and binding if the Bank does not receive your objection in writing to any matters contained in this investment report within 14 days from the issue date.

Deposits with Credit Suisse are not subject to Division 2 of the Banking Act - Protection of Depositors.

If your account is booked with Credit Suisse AG, Sydney Branch or if your Relationship Manager (RM) or Investment Consultant is located in Australia, please refer to the Important Notice on Sales Disclosure to Investors for sales related information including information on monetary benefits received by the Bank where it distributes an investment product to you.

The Bank provides price indications for financial derivatives transactions, structured products and non-listed financial instruments based upon available market reference prices believed to be reliable. The Bank does not make any representation as to the accuracy or completeness of price indications for transactions nor the guarantee to buy/sell at the price indicated. The Bank does not accept liability for any loss arising from the client's use of, or reliance on, such price indications. The price indications of the initial purchase price may be different from the actual purchase price.

In the absence of reliable market reference prices, the Bank may assign a nominal value or make an appropriate comment on your investment report. As a result, the investment report may contain price indications or comments as the Bank sees appropriate in the prevailing circumstances. If you have any queries in this respect, please contact your Relationship Manager.

The Bank will, at the time of printing this investment report, use the last price indications available to it. Due to the time differences between the Asia Pacific region and markets in other regions, the price indications reflected in the Bank's investment report will not always reflect the price indications available on the last business day of the month in certain markets.

The Bank may use either an onshore or offshore CNY rate for FX conversion to reporting currency depending on the asset. Please note that there may be a differential between the onshore and offshore rate. Please refer to your RM if you need further information on the FX conversion rate applied in relation to your CNY positions.

The information in this investment report does not constitute legal or tax advice. You should consult your legal and/or tax experts if you need any such advice. The investment report does not take tax rules and regulations into consideration, and thus it cannot be used for tax reporting purposes.

This investment report is an electronically generated report and does not require a signature.



*cutting through complexity*

# APNIC Pty Ltd

EC presentation – mutuality

15 September 2014

### Private rulings from ATO

- 2000 to 2004 years
- 2005 to 2010 years

### ATO challenged application of mutuality principle for the 2005 to 2008 years

- Application upheld on objection (audit commenced 2008, objection allowed 2010)

### New ruling application lodged for 2011 to 2016 years early 2011 (after objection allowed)

- **ATO initially refused to rule as undertaking an internal review of application of mutuality principle**
  - ATO concerned that entities carrying on commercial and/or trading activities were inappropriately applying the mutuality principle to shelter profits from tax
- **ATO internal paper prepared and circulated within ATO**
- **Not-for-profit Sector Tax Concession Working Group formed, which included a review of the mutuality principle within its terms of reference.**
- **ATO issued new private ruling for 2011 and 2012 years only**

### *Not-for-profit Sector Tax Concession Working Group*

- November 2012 Discussion Paper
- May 2013 final report was produced to the former Government
- February 2014 final report released to public

**The recommendations in respect of the mutuality principle can be summarised as follows:**

- **Recommendation 20** – Normal tax rules should apply to all receipts of mutual organisations (whether from members or non-members). As such, member receipts would prima facie be assessable for income tax purposes (with associated expenses being prima facie allowable deductions). It is recommended that this change would be legislated.
- **Recommendation 21** – If Recommendation 20 is not supported, all gaming, catering, entertainment and hospitality receipts of mutual organisations (member or non-member) should be treated as assessable income.

### KPMG understanding:

- **Not-for-profit Sector Tax Concession Working Group has been wound-up.**
- **Current Government Ministers have indicated that they will not be formally responding to the Final Report, given it is a report produced to the former Government.**
- **The issues raised in the Report are likely to be incorporated in the announced Tax Reform White Paper process (late 2014 through 2015).**
- **ATO public position on mutuality has not changed – no withdrawal of any public statements nor any new positions released**
- **Nothing currently happening within ATO – on hold**



*cutting through complexity*

# APNIC Pty Ltd

EC presentation – mutuality

15 September 2014





Confidential

# APNIC Long Term Investment Reserve - Update

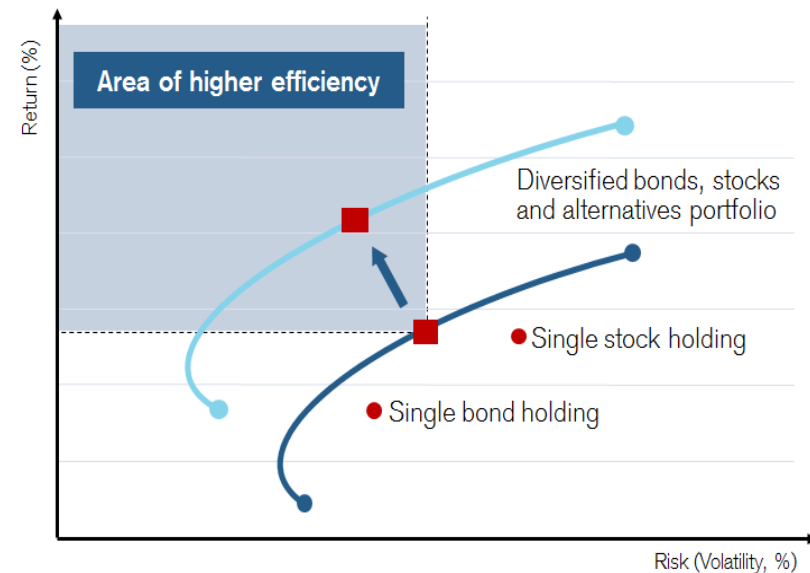
September 2014

# Investment Philosophy

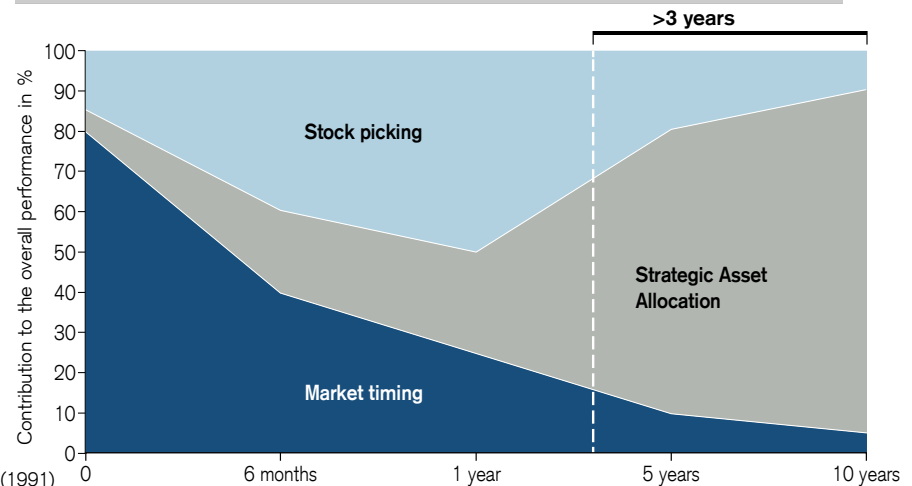
**Strategic asset allocation is the most important decision when setting the investment strategy**

- Asset allocation is based on the principle that assets perform differently in varying market and economic conditions
- The diversification achieved by investing in uncorrelated assets reduces the overall risk for a given level of expected return
- Academic studies show asset allocation accounted for over 90% of the variance in fund returns (i.e. weighting of asset classes, currency allocation etc.)<sup>1</sup>

<sup>1</sup> Ibbotson and Kaplan (2000), Brinson, Hood and Beebower (1986), and Brinson Singer and Beebower (1991)



*The most important factor of investment performance is the strategic asset allocation if the investment horizon is >3 years*



# The APNIC Brief to Credit Suisse for the Long Term Investment Reserve

- Generate income and capital growth for APNIC with low levels of capital volatility and a time horizon > 3 years.
- Achieve the above through an optimal asset allocation drawing on a long term Strategic Asset Allocation that can be altered as objectives change. Another emphasis is the ability to employ tactical tilts to underweight/overweight asset classes/subclasses on an opportunistic basis.
- Diversification by Manager, Asset Class, Sub-Asset Class in liquid funds and investments.
- No Gearing
- Socially Responsible Investment Portfolio Exclusions to exclude direct investment in businesses that engage in alcohol, gaming, tobacco and any activities that have a detrimental effect to the environment.

# Credit Suisse Investment Profiles

## An Overview

	Risk Profile 1 - Fixed Income	Risk Profile 2 - Income Oriented	Risk Profile 3 - Balanced	Risk Profile 4 - Capital Gains Oriented	Risk Profile 5 - Equities
<b>Investment Objectives:</b>	<ul style="list-style-type: none"> <li>• Preservation of capital</li> <li>• Generation of returns using current income</li> </ul>	<ul style="list-style-type: none"> <li>• Real capital preservation</li> <li>• Generation of returns using current income</li> </ul>	<ul style="list-style-type: none"> <li>• Real preservation and long term accumulation of capital using current income, capital, and currency gains</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term asset growth through a greater focus on capital and currency gains</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term asset growth through a greater focus on capital and currency gains</li> </ul>
<b>Risk Tolerance:</b>	<ul style="list-style-type: none"> <li>• Low risk tolerance</li> <li>• Maintenance of low volatility</li> </ul>	<ul style="list-style-type: none"> <li>• Below-average risk tolerance</li> <li>• Volatility as low as possible</li> </ul>	<ul style="list-style-type: none"> <li>• Average risk tolerance</li> <li>• Takes volatility into account</li> </ul>	<ul style="list-style-type: none"> <li>• Above-average risk tolerance</li> <li>• Takes increased volatility into account</li> </ul>	<ul style="list-style-type: none"> <li>• High risk tolerance</li> <li>• Takes major volatility into account</li> </ul>
<b>Asset Classes:</b>	<ul style="list-style-type: none"> <li>• Liquidity</li> <li>• Bonds</li> <li>• Alternative Investment</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity</li> <li>• Bonds</li> <li>• Equities</li> <li>• Alternative Investment</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity</li> <li>• Bonds</li> <li>• Equities</li> <li>• Alternative Investment</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity</li> <li>• Bonds</li> <li>• Equities</li> <li>• Alternative Investment</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity</li> <li>• Equities</li> <li>• Alternative Investment</li> </ul>
<b>Investment Horizon:</b>	Up to 3 years	3-5 years	5-8 years	8-12 years	Over 12 years

Source: Credit Suisse AG

# Credit Suisse Benchmark Asset Allocation



Investment Profiles	Risk Profile 1 - Fixed Income	Risk Profile 2 – Income Oriented	Risk Profile 3 - Balanced	Risk Profile 4 - Capital Gains	Risk Profile 5 - Equities
Liquidity	5.0%	5.0%	5.0%	5.0%	5.0%
Bonds	80.0%	55.0%	35.0%	15.0%	0.0%
Equities – Domestic	0.0%	12.0%	24.0%	36.0%	48.0%
Equities – International	0.0%	8.0%	16.0%	24.0%	32.0%
Alternates - Hedge Funds	5.0%	10.0%	10.0%	10.0%	10.0%
Alternates - Real Estate	5.0%	5.0%	5.0%	5.0%	0.0%
Alternates – Commodities	2.5%	2.5%	2.5%	2.5%	2.5%
Alternates – Gold	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Historic Analysis</b>					
Annualised Average Return	9.8%	10.2%	10.7%	11.3%	11.8%
Annualised Average Return Last 5 Years	6.7%	7.3%	8.0%	8.8%	9.3%
Annualised Average Return Last 10 Years	6.0%	6.3%	6.7%	7.1%	7.7%
Annualised Average Return Last 20 Years	7.4%	7.9%	8.3%	8.7%	9.1%
Min Portfolio Return Incurred	-5.6%	-7.2%	-14.8%	-23.7%	-28.7%
Max Portfolio Return Achieved	19.8%	22.2%	24.3%	28.0%	31.1%
Max Drawdown	-6.8%	-8.3%	-19.9%	-30.3%	-35.3%
Portfolio Standard Deviation	4.1%	4.8%	6.7%	8.9%	11.0%
Negative Return is Incurred	1 in 43.4 yrs	1 in 15.6 yrs	1 in 8.9 yrs	1 in 5.6 yrs	1 in 4.7 yrs
<b>Credit Suisse Research Projections</b>					
Total Return	4.4%	5.1%	5.6%	6.2%	6.7%
Income	4.6%	4.1%	3.9%	3.7%	3.4%
Projected Standard Deviation	4.3%	5.2%	7.3%	9.8%	11.8%

Incorporates data from January 1981 through to June 2014 and uses the longest data set available for each asset class. Please refer to "Notes on Credit Suisse Benchmark Asset Allocation Framework". Expected return figures are based on Credit Suisse capital market assumptions (annualized expected returns over 5-year period). Risk figures are measured in terms of volatility and are also based on these forward-looking assumptions. Volatility is an indication of how strongly the return is fluctuating around a middle value. Both volatility and expected returns are represented by market indices. They therefore may deviate from real invested portfolios. In addition, the level of volatility might change over time as markets move. Volatility and expected return figures are only an indication of the different investment profiles and do not provide any guarantee that they will stay at the same level in the future. The figures above were calculated as of September 4, 2013 by Credit Suisse AG.

# Implementation

## ■ Implementation Update:

– September 13:	AUD \$6mio invested
– October 13:	AUD \$3mio invested
– November 13:	AUD \$3mio invested
– December 13:	AUD \$1.5mio invested
– July 14:	AUD \$1mio invested
– August 14:	AUD \$1mio invested
<b><i>TOTAL</i></b>	<b><i>AUD \$15.5mio</i></b>

# Key Highlights – Market Commentary

Year Ending 31/08/2014

- Global equity markets rallied in the year. The MSCI World Index was up 15.46% in AUD terms, the ASX200 Accumulation index rose by 14.38%. AUD bonds as measured by the UBS Composite advanced by 6.90%. The S&P500 reached an all time high and Australia and Europe reached post GFC highs. The AUD appreciated against the major currencies, increasing by 5.06% versus the USD. A volatile year, it was marked by political instability across the Middle East and in Ukraine. Overall the global recovery has continued with the US shaking off a weather related slowdown, a mini stimulus gaining traction in China and Europe initially growing slowly but then faltering.
- The RBA kept the official rate at 2.50%, the RBA governor indicating rates are firmly on hold. Consumer confidence is yet to recover fully from the Federal Budget and unemployment figure rose to 6.4%. But housing prices continued to strengthen with capital city prices up 4.2% for the quarter ended August.
- Data out of the US was strong even as QE tapering occurs. The second and final Q2 GDP print surprised to the upside, hitting 4.2% vs 3.9% consensus. In August there was a decrease to the unemployment rate to 6.1%. Meanwhile, inflation remained subdued at 0.1% MoM. The housing market for July was particularly strong, with existing home sales, housing starts and building permits showing the most activity for the year to date. Consumer confidence continued to push ever higher in August, reaching 92.4, a level not seen since late 2007, while the ISM Manufacturing PMI hit 57.1 for July vs 56.0 consensus, a high for this year.
- The picture in Europe is one of slowdown after initial improvement early in the year. Europe has been most impacted by the situation in Ukraine as well as a lack of inflation discouraging investment. The market expects European QE following continued weak data prints. Short term bond yields are negative in Germany and France, Italy is in recession with France likely to follow. Manufacturing PMIs across core Europe also continued to disappoint.
- China benefitted from a mini stimulus, which saw the economy strengthen slightly, but recent data showed the economy continued to grow but at a slower rate. The official manufacturing PMI was largely flat at 51.7 for July, while industrial production disappointed, growing 9.0% YoY vs 9.2% consensus.

# Performance Statistics

## Year Ending 31/08/2014

**Portfolio Value Period End: AUD 16,437,950**

	Portfolio*	Benchmark	Outperformance
<b>Quarter Ended 31/08/14</b>	2.07%	2.31%	-0.24%
<b>Since Inception**</b> (in aggregate)	7.49%	7.39%	+0.10%

\* Performance before fees and taxes

\*\* Portfolio start date 12<sup>th</sup> September 2013.



# Performance Statistics

**COPY**

**Performance Report**  
12.09.2013 - 31.12.2013  
**Performance Details**

APNIC PTY LTD  
Portfolio: 3000039-70  
Reference Currency: AUD  
Evaluation Currency: AUD

	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Overall Period 12.09.2013 - 31.12.2013
	AUD	AUD	AUD	AUD	
Market value (end)	6'006'281	9'603'168	12'139'905	13'736'690	
- Market value (start)	3'000'167	6'006'281	9'603'168	12'139'905	
- Sum of asset flows <sup>1</sup>	3'000'000	3'500'000	2'500'000	1'500'000	
<b>Adjusted asset value</b>	<b>6'114</b>	<b>96'887</b>	<b>36'737</b>	<b>96'785</b>	
<b>Performance</b>	<b>0.20%</b>	<b>0.92%</b>	<b>0.27%</b>	<b>0.69%</b>	<b>2.09%</b>

(Transaction costs deducted; Mgmt-/All-In and Safekeeping Fees deducted; Tax deducted)

Return = (Profit / Average invested capital) \* 100

Time-weighted return with daily valuation

# Performance Statistics

**COPY**

**Performance Report**  
31.12.2013 - 31.07.2014  
**Performance Details**

APNIC PTY LTD  
Portfolio: 3000039-70  
Reference Currency: AUD  
Evaluation Currency: AUD

	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014
	AUD	AUD	AUD	AUD	AUD	AUD	AUD	AUD
Market value (end)	13'770'256	13'932'530	13'869'461	14'009'615	14'145'037	14'150'543	15'845'162	16'437'950
- Market value (start)	13'736'690	13'770'256	13'932'530	13'869'461	14'009'615	14'145'037	14'150'543	15'845'162
- Sum of asset flows <sup>1</sup>	35	8'338	0	0	0	0	1'500'009	500'000
<b>Adjusted asset value</b>	<b>33'531</b>	<b>153'936</b>	<b>- 63'069</b>	<b>140'154</b>	<b>135'422</b>	<b>5'506</b>	<b>194'610</b>	<b>92'788</b>
<b>Performance</b>	<b>0.24%</b>	<b>1.12%</b>	<b>-0.45%</b>	<b>1.01%</b>	<b>0.97%</b>	<b>0.04%</b>	<b>1.32%</b>	<b>0.57%</b>

(Transaction costs deducted; Mgmt-/All-In and Safekeeping Fees deducted; Tax deducted)

Return = (Profit / Average invested capital) \* 100

Time-weighted return with daily valuation

	Portfolio Performance After Fees
<b>Since Inception</b> (in aggregate)	7.10%

# Performance Statistics – Attribution Commentary

Year Ending 31/08/2014

- At the asset allocation level our overweight international equities position added value given the positive return in AUD terms. In particular the US market performed well with the S&P500 finishing up 19.37% in AUD. The Euro Stoxx 50 was up 14.62% in AUD for the period. The ASX 200 Accumulation Index rose 14.38% over the year, but we started 2014 neutral Australian Equities. The underweight and short duration position in bonds subtracted from relative performance with the UBS Australian Bond Index up 6.90%.
- Gold and commodities had returns of 2.21% and -1.54% in AUD respectively, with the portfolio being underweight both.
- Stocks performing particularly well in the period included: Macquarie (+41.16%), Ramsay Healthcare (+41.14%), and APA Group (+35.43%). Stocks not performing as well in the year included: Santos (+1.74%), Flight Centre(+2.89%) and Woolworths (+5.19%).
- Top performing funds in AUD over the period included the AHL Evolution Fund (+18.35%), the SPDR S&P/ASX 200 Listed Property ETF (+13.66%) and the Vontobel Emerging Markets Equity Fund (+11.10%).

# Outlook

- A combination of improving data, an optimistic view on corporate earnings and accommodative central-bank policies around the world have pushed stocks slowly higher in recent weeks, with major indexes notching fresh all-time records along the way.
- Market participants are struggling to explain why bond yields are falling at the same time as equity markets are rising.
- From a fundamental point of view an improving global economy would normally result in higher bond yields. However, the lack of any inflation and central bank action are keeping yields low. Thus, Australian bonds look attractive from a relative yield basis with the 10 year government yield at ~3.48%. This situation also supports the AUD as capital flows enter the country.
- Global equity valuations have reached stretched levels as company earnings have not kept pace with share prices. Although it has to be said balance sheets are generally strong with high cash levels encouraging higher dividends, buybacks and mergers and acquisitions.
- The positive trajectory in the US should continue, as more recent data has showed growth pick up generally and the unemployment rate continues to fall. QE tapering does not appear to be crimping growth.
- The ECB has recognised they must act to prevent another recession in Europe. At their October meeting they will give details on their QE program which will include purchases of sovereign and asset backed bonds. This is bullish for risk assets.
- The measures taken in China (tax breaks to SME's, increased railway investment, reduction in required reserves at banks) have arrested the decline in growth. Forward indicators are for steady growth.
- We have moderated our negative view on AUD bonds but still see better value in equities.

# Current Portfolio Positioning

## ■ Current Risk Profile Two Positioning:

	Min	Neutral	Max	Current Allocation	Deviation
Liquidity	0%	5%	55%	3.6%	-1.4%
Bonds	25%	55%	80%	53.1%	-1.9%
Equities	10%	20%	27.5%	23.1%	+3.1%
Hedge Funds	5%	10%	15.0%	9.7%	-0.3%
Property	0%	5%	10%	5.9%	+0.9%
Gold	0%	2.50%	5%	2.2%	-0.3%
Commodities	0%	2.50%	5%	2.4%	-0.1%

# Current Equities Positioning

## ■ By Equities Asset Category:

	Benchmark	Tactical	Deviation
Australia	12.00%	13.40%	1.40%
International	8.00%	9.70%	1.70%

## ■ Geographic Positioning – Equities

	Benchmark	Tactical	Deviation
Australia	12.00%	13.40%	+1.40%
Europe	2.50%	3.50%	+1.00%
USA	3.60%	4.20%	+0.60%
Japan	0.70%	0.80%	+0.10%
Emerging Markets	1.20%	1.20%	nil

# Investment Strategy Overview

Asset Category	Comment
Macroeconomics	US growth on track despite recent weak payrolls' print; inflation well-behaved. China, Japan can stabilize helped by fiscal/loan stimulus. The ECB's rate cut, promised asset purchases, and associated fall in EUR should allow Eurozone economies to gradually regain pace; geopolitics add risk.
Fixed Income	We believe credit spreads don't yet offer value for the asset class more broadly and therefore stick to our neutral view. We have also turned more neutral on financial bonds. Meanwhile the decline of core government bond yields to, or close to, historical lows seems at odds with economic indicators which continue to paint a picture of economic expansion. We expect yields to edge up from current levels.
Equities	Given our view that growth fundamentals are essentially intact and supportive of corporate earnings, we expect volatility in equity markets to remain low; even in periods of deteriorating sentiment, market setbacks should be limited in time and in size. We continue to prefer equities over bonds.
Alternative Investments	Commodities have acted as a good diversifier this year. We hold a neutral view on the overall asset class. Our relative preference for energy commodities over industrial metals has not paid off so far, but we believe that energy supplies may be tighter than the market currently assumes, while declining construction activity in China should, in turn, generate downside pressure on industrial metals prices. Hedge funds and real estate continue to constitute valuable alternative sources of investment returns.
Foreign Exchange	EUR/USD fell as expected, on sharp divergence in ECB and Fed policy ; we see modest further USD strength against EUR, JPY and lower our AUD/USD view. GBP volatile into Scotland referendum.

Source: Credit Suisse

## ... A Historical Context

- Global markets had a strong run from 2001 to 2007 which culminated in a major global deleveraging due to excessive credit fuelled asset growth – the GFC.
- Although several factors contributed, the 'Greenspan put' provided monetary stimulus leading to poor risk judgments resulting in increased levels of risk/leverage.
- In the broader context – the global shift in emerging markets as they became surplus nations saw their excess capital flows drive down yields, especially Chinese buying of US Treasuries.
- Government policies in the US encouraged home ownership to deal with the fall in other measures of social inequality, which fuelled lending to weaker borrowers (subprime).
- This false sense of wealth created by asset inflation, along with property speculation, ultimately resulted in an over leveraged housing market, that finally started collapsing in 2007 and continued through 2008 – leading to a systemic credit crises across global markets.
- Policy action by central banks and governments fuelled a new rally from 2009 to present.

**Result – Financial systems and their sovereign governments became even more interconnected, and the 'too big to fail' philosophy was born.**



# The great monetary experiment...

- Policymakers decided it was a liquidity crisis rather than a solvency crisis - flooded global markets with liquidity.
- UK, US, Japan, and finally Europe all pursued this unconventional monetary experiment – quantitative easing.
- The expectation was that:
  - > an easy monetary environment will help support asset values to stem the risk of deflation,
  - > this will lead corporates to increase borrowing to fund growth and capital investment,
  - > this will lead to greater employment,
  - > this will lead to income growth and a sustainable recovery
- The experiment has, so far:
  - > provided a floor under further deflation and stabilised asset values and bank balance sheets - avoided a deflationary depression
  - > potentially led to the creation of more asset bubbles in risk assets, which was the driver of the last collapse.
  - > yet to show signs of a flow through mechanism to income growth – job creation is weak.
  - > more recently this has started to drive M&A activity, high dividends and capital returns.

**Although there is much research on how this process is being managed, and its success or failure – in reality this is an experiment with limited precedent on how it will play out.**

# Where are we today...

- Since the market rally began in March 2009, risk assets in general have continued to rise driven by accommodative monetary policies globally, which has led to strong asset inflation, but limited income growth.
- Although over the long term investors want to see sustainable economic growth, in the near term, the rise in asset values drives investment returns – hence investors have been encouraged to be long risk.

**USA** – Economy in a good position, job growth weak but improving, corporate earnings are accelerating. Earnings will drive this market forward.

**Europe** - After several near collapses Europe now appears to have moved away from the 'edge'. Disinflation has led the ECB to start talking about US style QE – it is only a matter of time. ECB policy will drive this market forward.

**China** - The structural changes that were announced after the third plenary session to build a more market oriented economy will move the region in the right direction, but its impact will be longer term. In the near term, credit fuelled property market growth presents risks, but again the PBoC is ready to act.

**Japan** - Valuations are now cheap, and with momentum in economic data, is presenting a compelling picture for investment, though there is a sense of déjà vu, since past periods have presented similar opportunities, but the rally has not been realised.

**Australia** - With little investment in technology and innovation, Australia's economy faces a structural challenge as the mining boom has likely peaked, and this next stage of growth will be more challenging. That said, China strength will translate to strong equity performance in the near term.

**We are seeing some signs of momentum in economies, and central banks are still ready to step in if things slow down.**

# Investment implications...

- Central banks have worked too hard to let it all fall over now – their continued support will likely keep a floor under markets for the time being.
- As US unwinds its QE policy, there is a risk that the asset rally will also unwind.
- However, staying on the sidelines means you are betting against the Fed and other central banks – they are pushing policies that encourage risk assets.

## So how should an investor be positioned...

- Thematically : **“Invest with caution”** (stay invested but give away some upside to limit your downside risk)

Stay invested because

- > base rates globally are still low and central banks are supporting markets
- > earnings are improving,
- > we have moved away from the precipice of a major credit collapse.

Be cautious because

- > we are in the second half of the rally and risks are appearing
- > volatility is low and markets are complacent.
- > the ‘experiment’ could fail – we are in unprecedented territory

# More on the monetary experiment...

- Policymakers decided it was a liquidity crisis rather than a solvency crisis - flooded global markets with liquidity.
- UK, US, Japan, and finally Europe all pursued this unconventional monetary experiment – quantitative easing.
- The expectation was that:
  - > an easy monetary environment will help support asset values to stem the risk of deflation,
  - > this will lead corporates to increase borrowing to fund growth and capital investment,
  - > this will lead to greater employment,
  - > this will lead to income growth and a sustainable recovery
- The experiment has, so far:
  - > provided a floor under further deflation and stabilised asset values and bank balance sheets - avoided a deflationary depression
  - > potentially led to the creation of more asset bubbles in risk assets, which was the driver of the last collapse.
  - > yet to show signs of a flow through mechanism to income growth – job creation is weak.
  - > more recently this has started to drive M&A activity, high dividends and capital returns.

**Although there is much research on how this process is being managed, and its success or failure – in reality this is an experiment with limited precedent on how it will play out.**

## “Invest with caution” implementation ...

- Multi asset portfolio with core fixed income positions, increasing allocation to high quality bonds as the rally continues to protect against a drawdown in equities. **Recognize that not all assets in a portfolio should be driving returns**, some are to control risk.

Note that most investor's think about absolute return investing AFTER a market crashes, because they have faced a large drawdown. The best time to think about absolute returns is at the latter half of a market rally. This does not mean high alpha strategies that beat the market during a rally. This means strategies that underperform a rallying market.

**You should be UNDERPERFORMING a market rally if you want to conserve capital if/when it collapses. You have to pay away upside to protect your capital.**

## To Finish... Australian bonds in perspective....

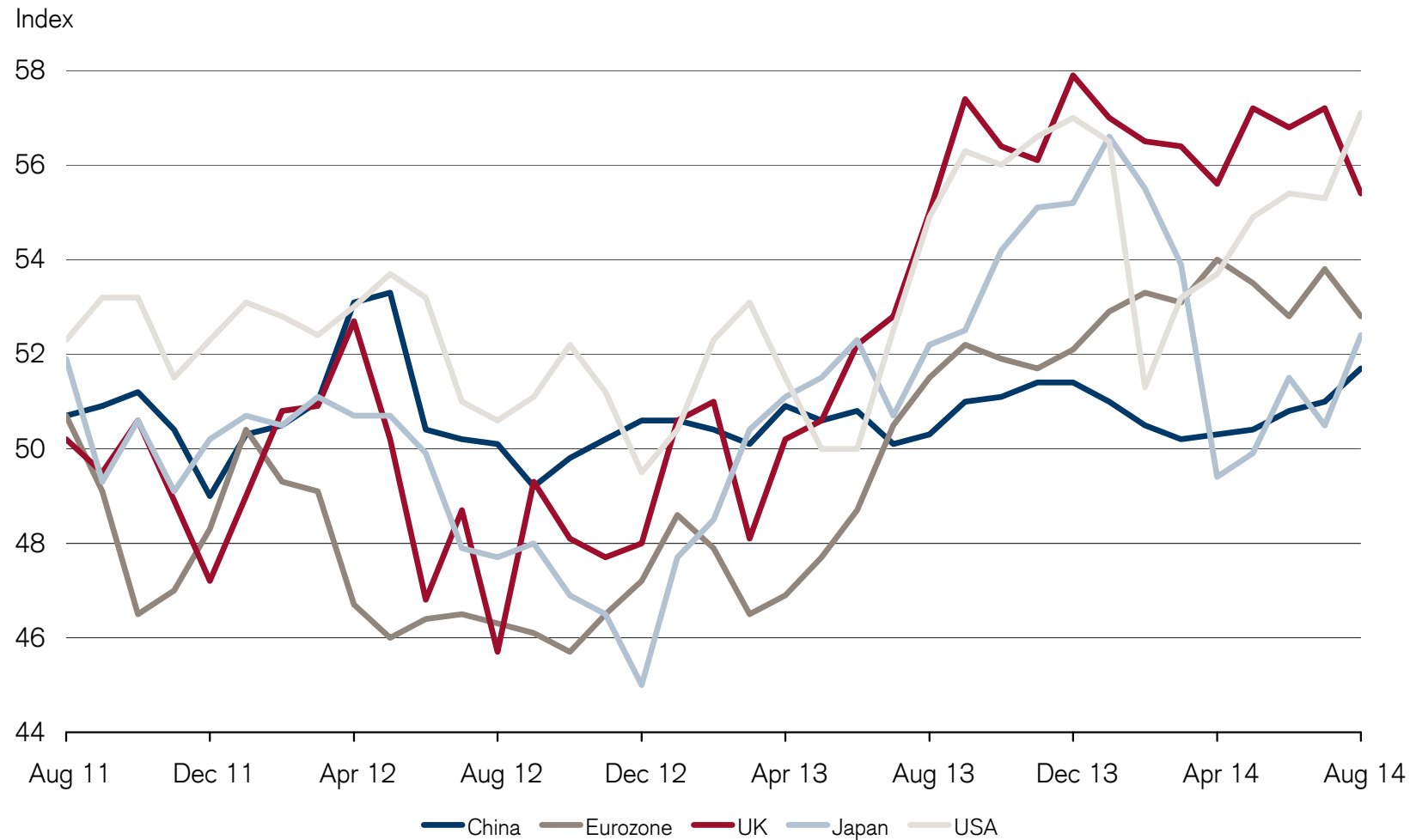
11/09/2014	10 yr	5 yr	Pickup by investing in AUD (10 yr)	Pickup by investing in AUD (5 yr)
Australia	3.604%	3.052%	-	-
USA	2.529%	1.775%	108bps	128bps
Spain	2.255%	0.983%	135bps	207bps
Portugal	3.183%	1.645%	42bps	141bps
Italy	2.397%	1.073%	88bps	198bps

- AUD yields are near all time lows in an absolute sense, but if you have to hold bonds, AUD bonds look attractive.
- AUD bond still present a strong pickup in yield, even against markets perceived to be riskier.
- ECB policies that drive down Euro yields may force AUD yields to follow

# Appendix 1 - Data Slides

# Global Purchasing Managers' Index (PMI) comparison

US expansion now self-sustaining, Eurozone facing old and new headwinds

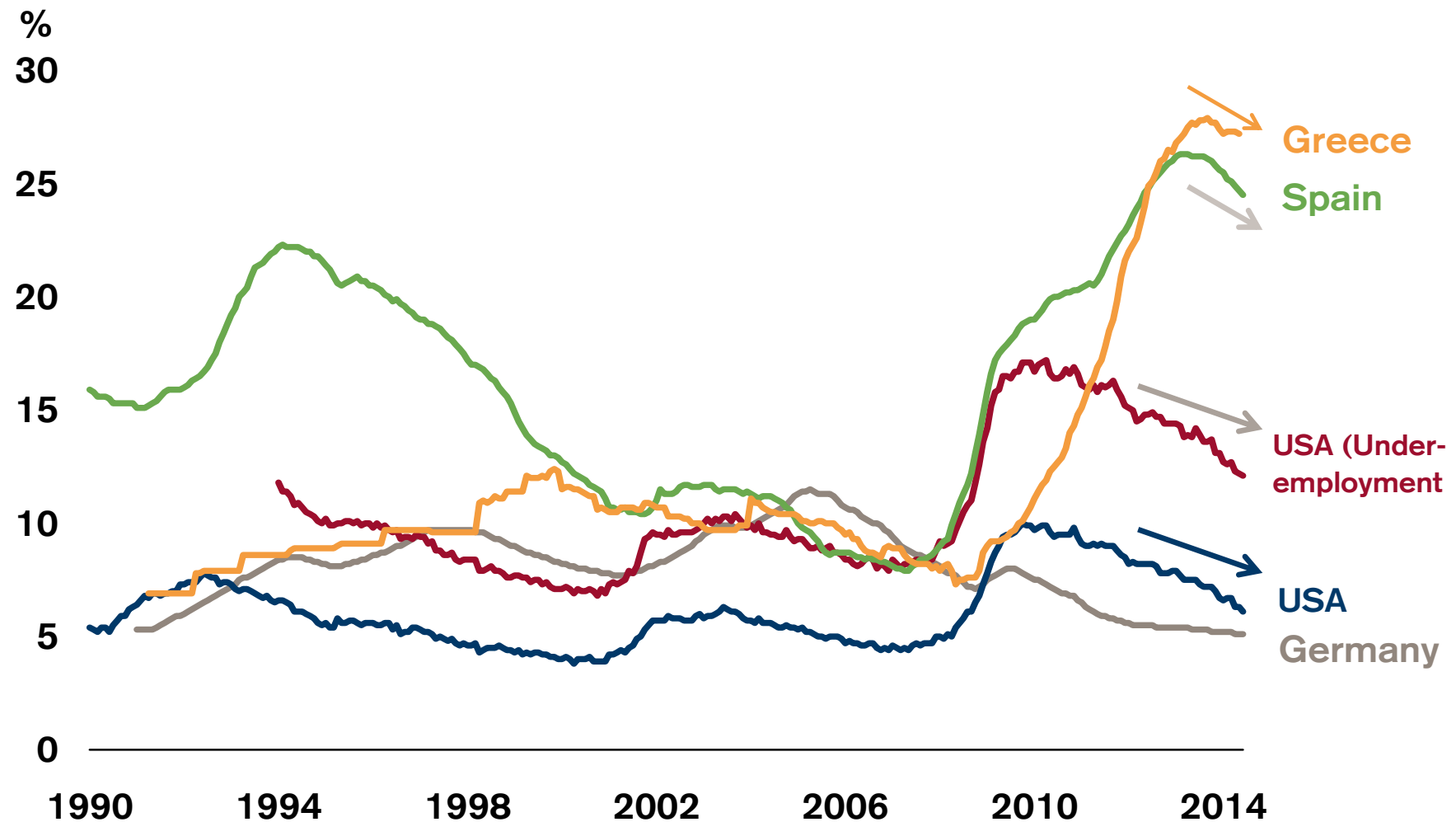


Last data point: 25.08.2014

Source: Bloomberg, Credit Suisse / IDC



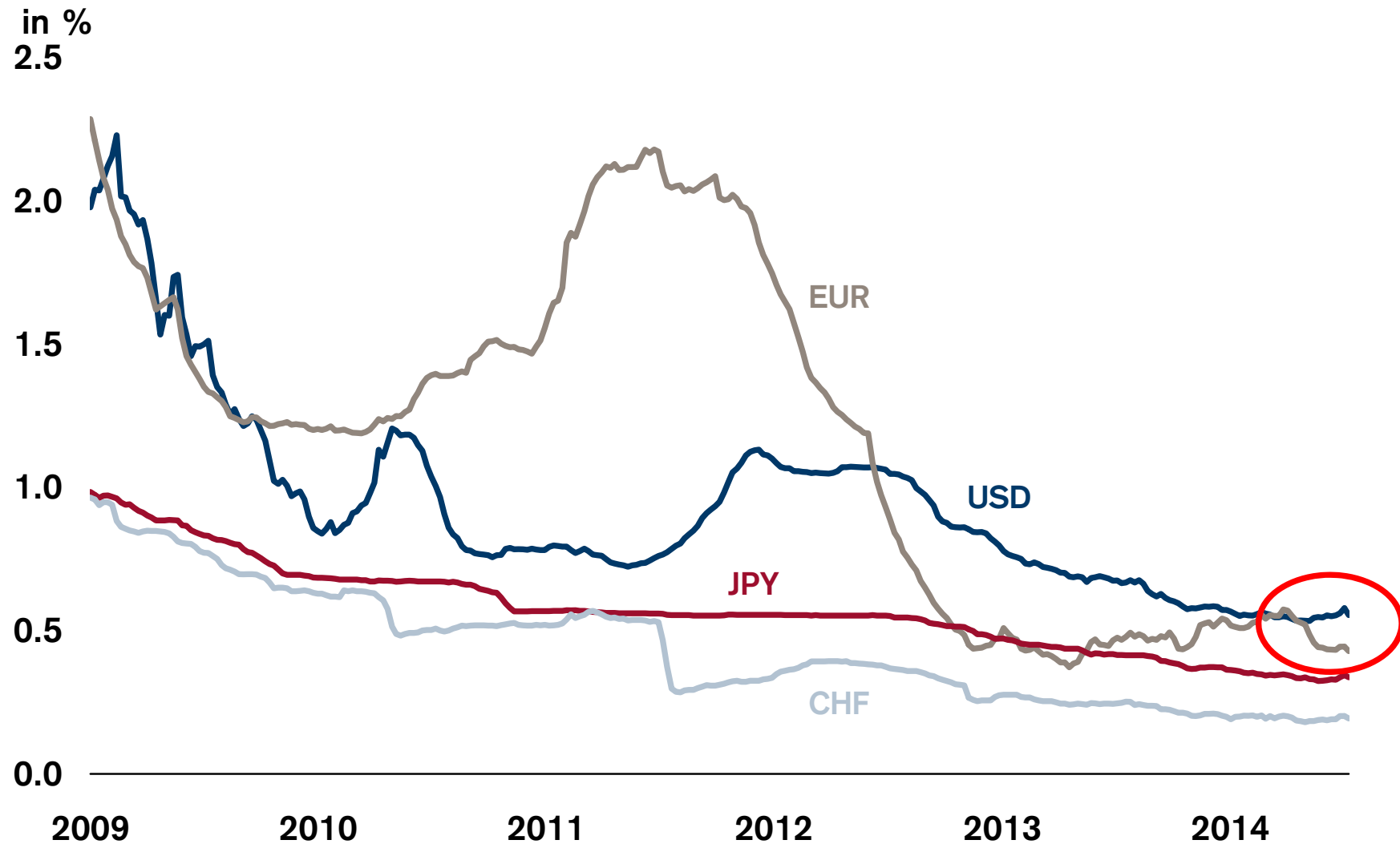
# Unemployment Rate in various Countries since 1990



Last data point: 15.07.2014

Source: Datastream, Credit Suisse / IDC

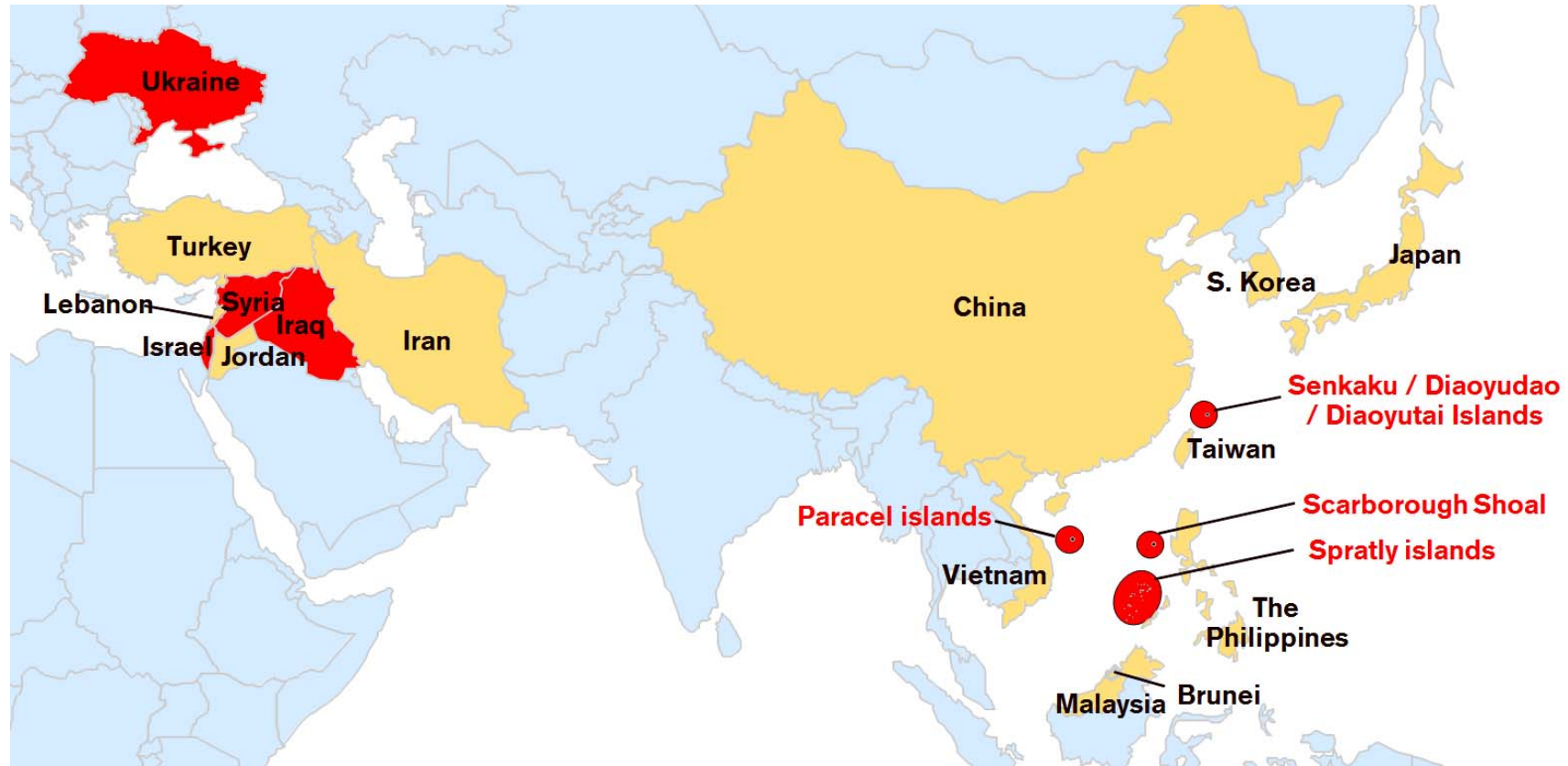
# Global Short term interest rates since 2009



Last data point: 10.08.2014

Source: Bloomberg, Credit Suisse / IDC

# Geopolitical hotspots



Source: Credit Suisse

# Fed Fund Futures in 2014 and Yellen's remarks



## Yellen in March FOMC

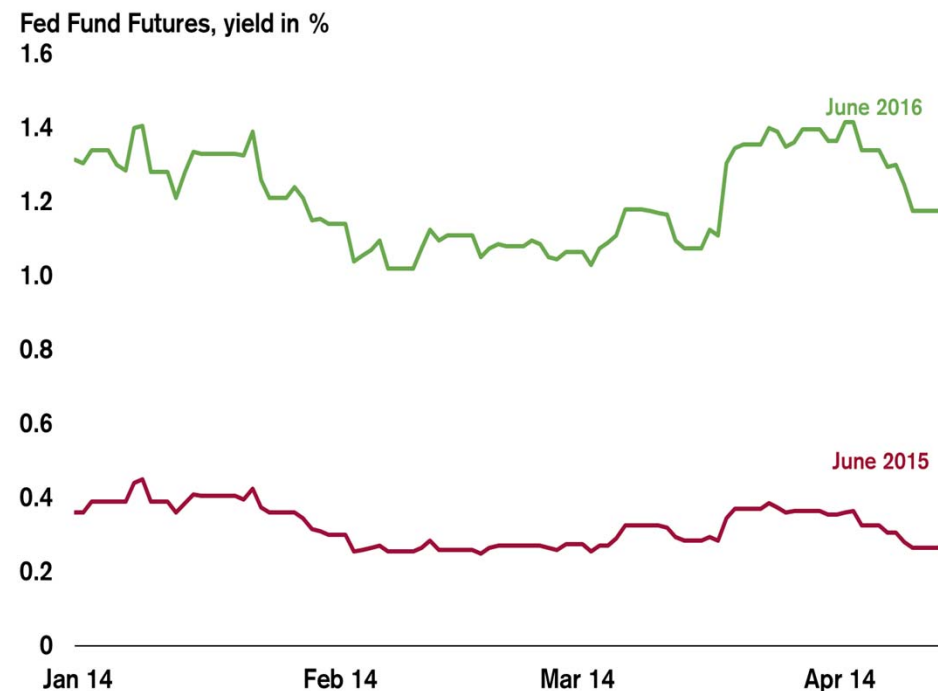
**Meeting:** “something on the order of around six months [after tapering]”

## Yellen two weeks later:

“The scars from the Great Recession remain, and reaching our goals will take time.”

## Yellen a month later:

“there may be more slack in labor markets than indicated by the unemployment rate.”

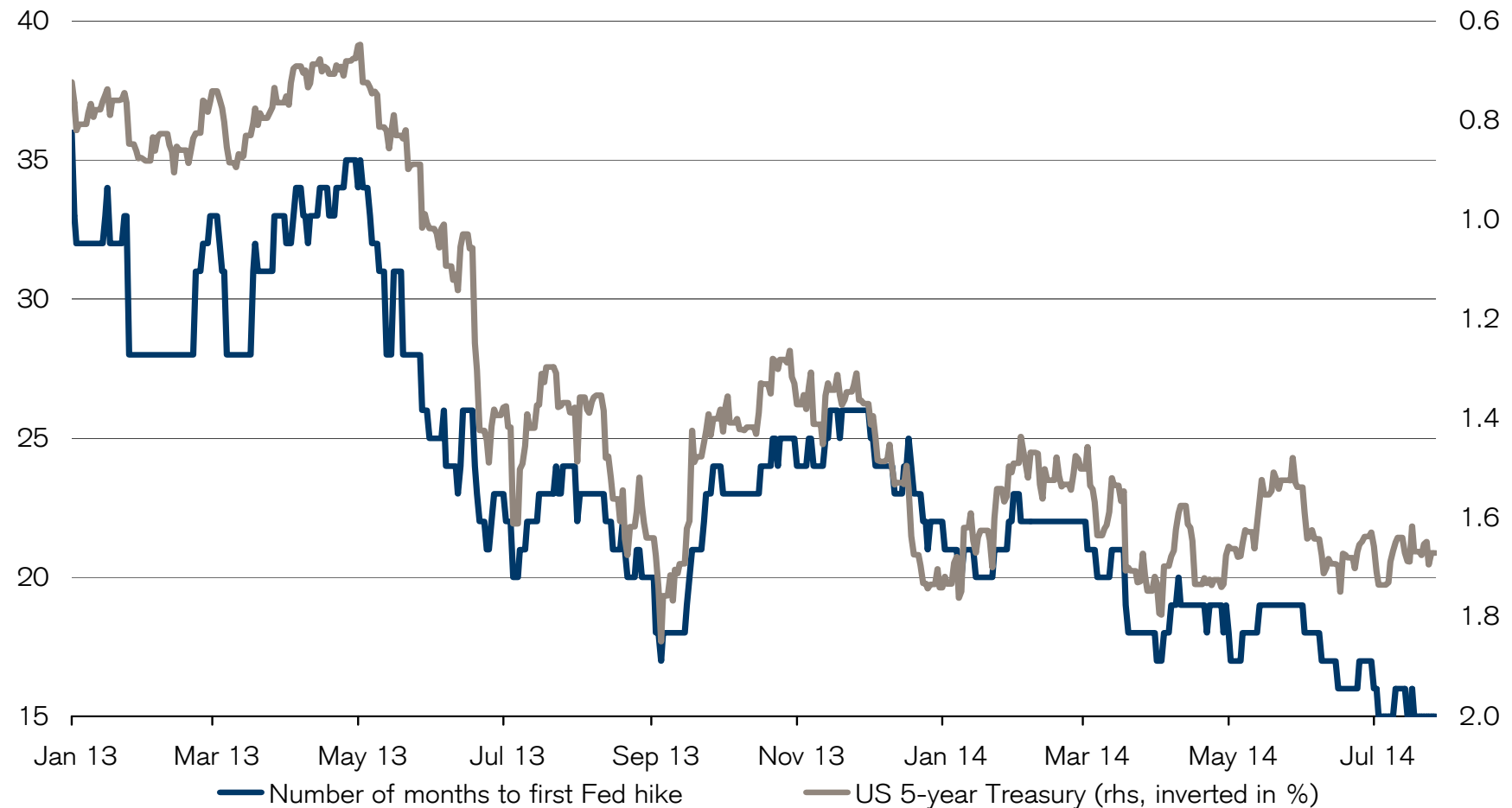


Last data point: 08.07.2014

Source: Bloomberg, Credit Suisse / IDC

# Time span to first Fed hike should decrease further

Fed Funds futures pricing in a first hike in September 2015



Last data point: 27.07.2014

Source: Bloomberg, Credit Suisse / IDC

## Australian dollar appreciated somewhat in 2014...

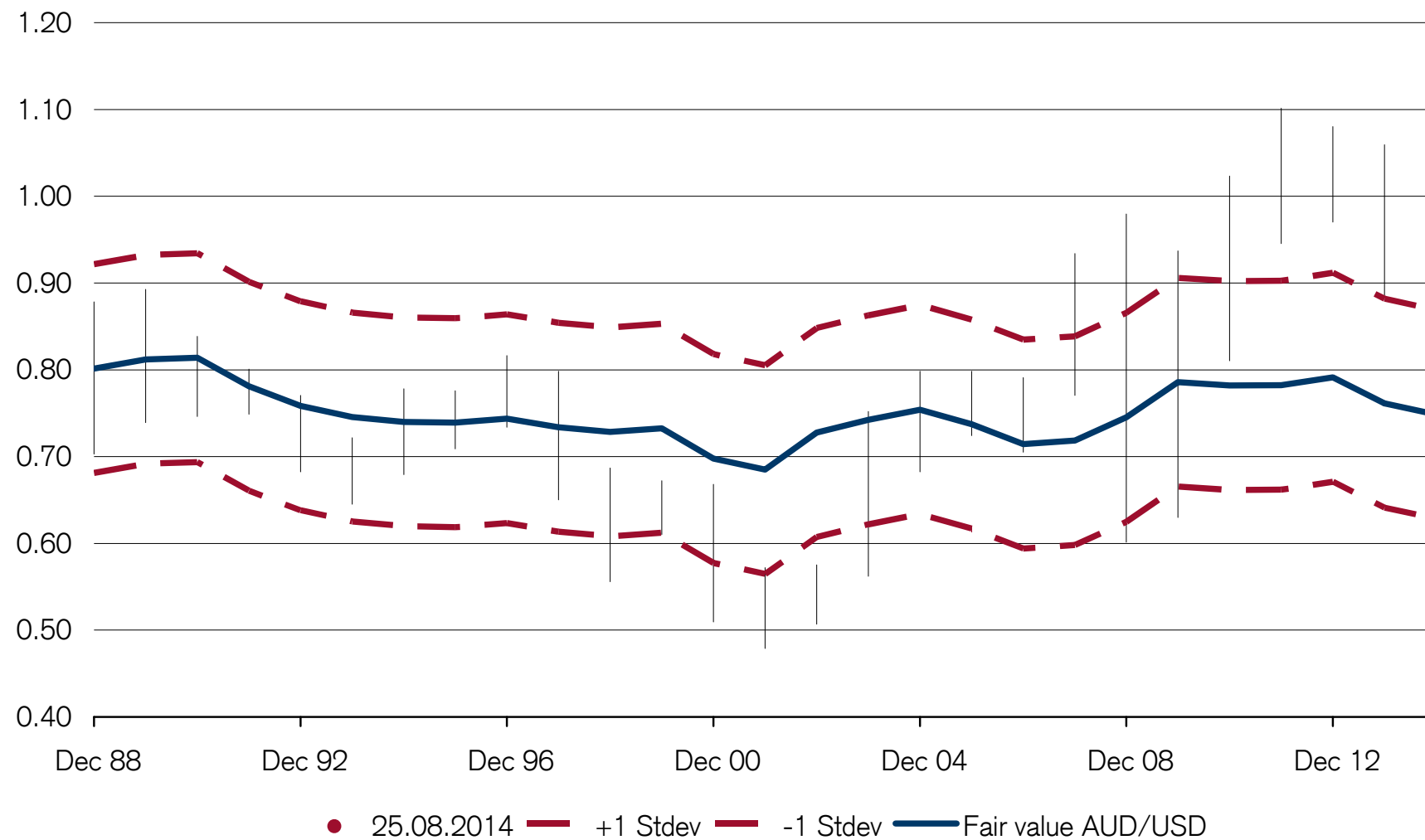


Last data point: 22.08.2014







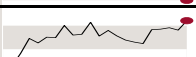





Source: Datastream, Credit Suisse / IDC

## ... and remains overvalued

AUD/USD



Source: Bloomberg, Credit Suisse / IDC

Strategic and tactical major exchange rate views								
Currency pair	Spot*		Fundamental		Technical		Views**	
	Last 30 days	25/08/14	Cycle	Value	Mom.	Trend	1-6M	6-12M+
EUR/USD		1.3198	↘	↘	→	→	↘	↘
GBP/USD		1.6584	→	↘	→	→	→	→
EUR/CHF		1.2077	→	→	→	→	→	→
USD/CHF		0.9151	↗	→	→	→	↗	↗
EUR/NOK		8.1479	↘	↘	→	→	↘	↘
EUR/SEK		9.1428	→	↘	→	→	→	→
USD/CAD		1.0979	→	→	→	→	→	→
AUD/USD		0.9295	→	↘	→	→	→	→
NZD/USD		0.8347	↘	↘	→	→	↘	↘
USD/JPY		103.960	↗	↘	→	→	↗	↗
USD/SGD		1.2503	→	↗	↘	→	→	→
XAU/USD		1278.10	↘	↗	→	→	↘	→

\* Spot rates as of London close, 25 Aug 2014, with band representing +/- 1 standard deviation from 30-day average.

\*\* Views are a weighted combination of technical and fundamental inputs.

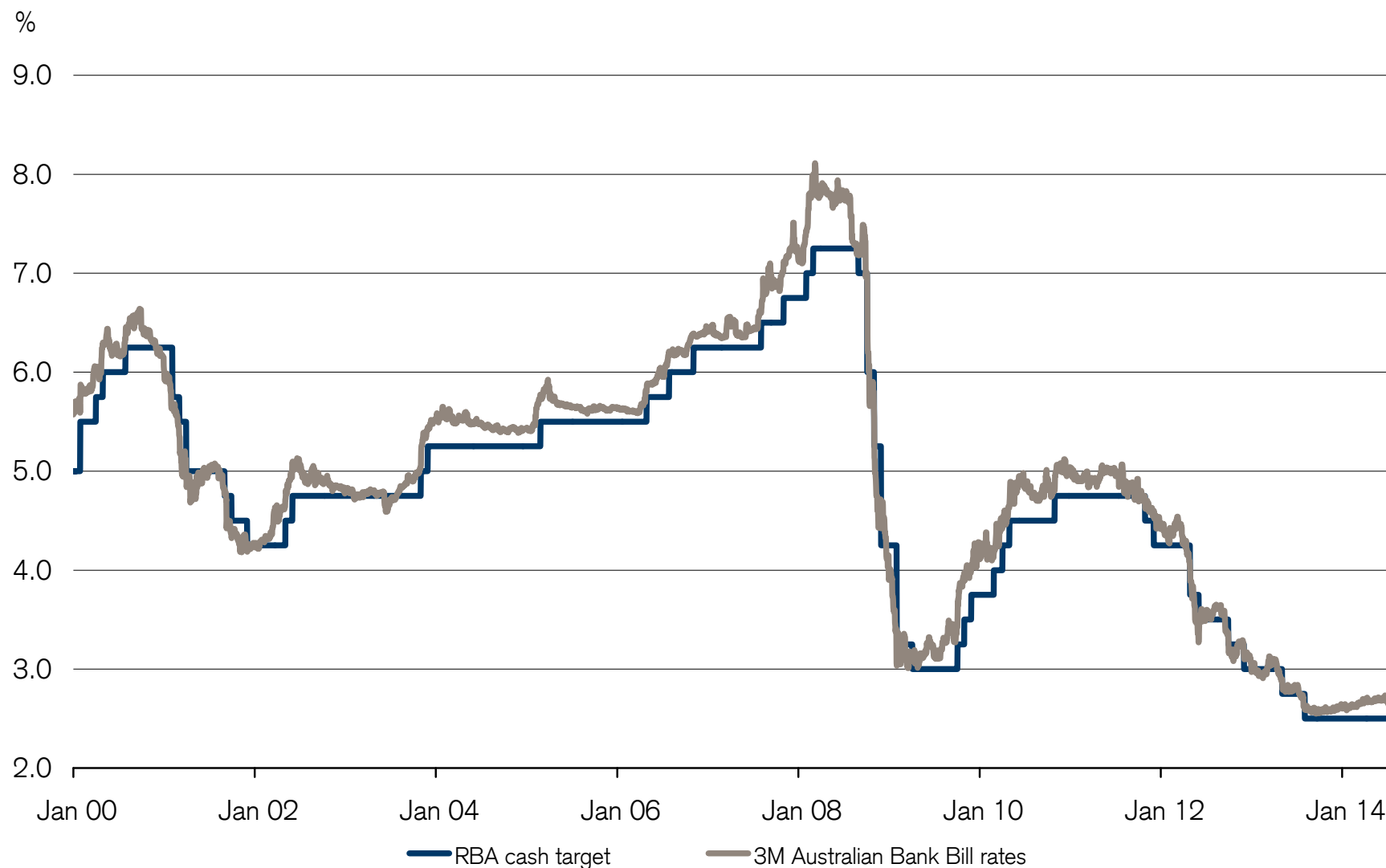
27.08.2014

Last data point: 25.08.2014

Bloomberg, Credit Suisse / IDC



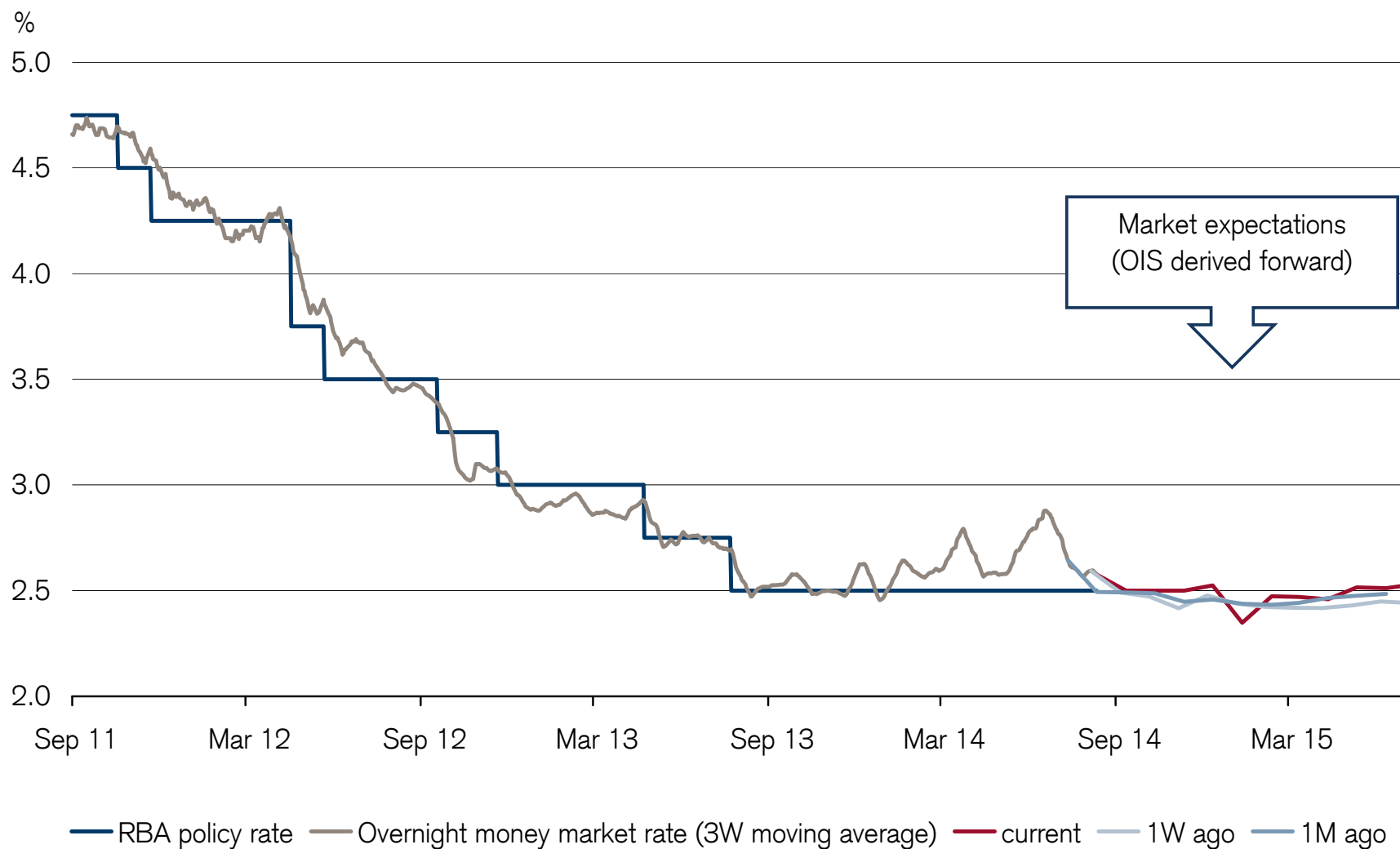
# Australian policy rate on historical low



Last data point: 25.08.2014

Source: Bloomberg, Credit Suisse / IDC

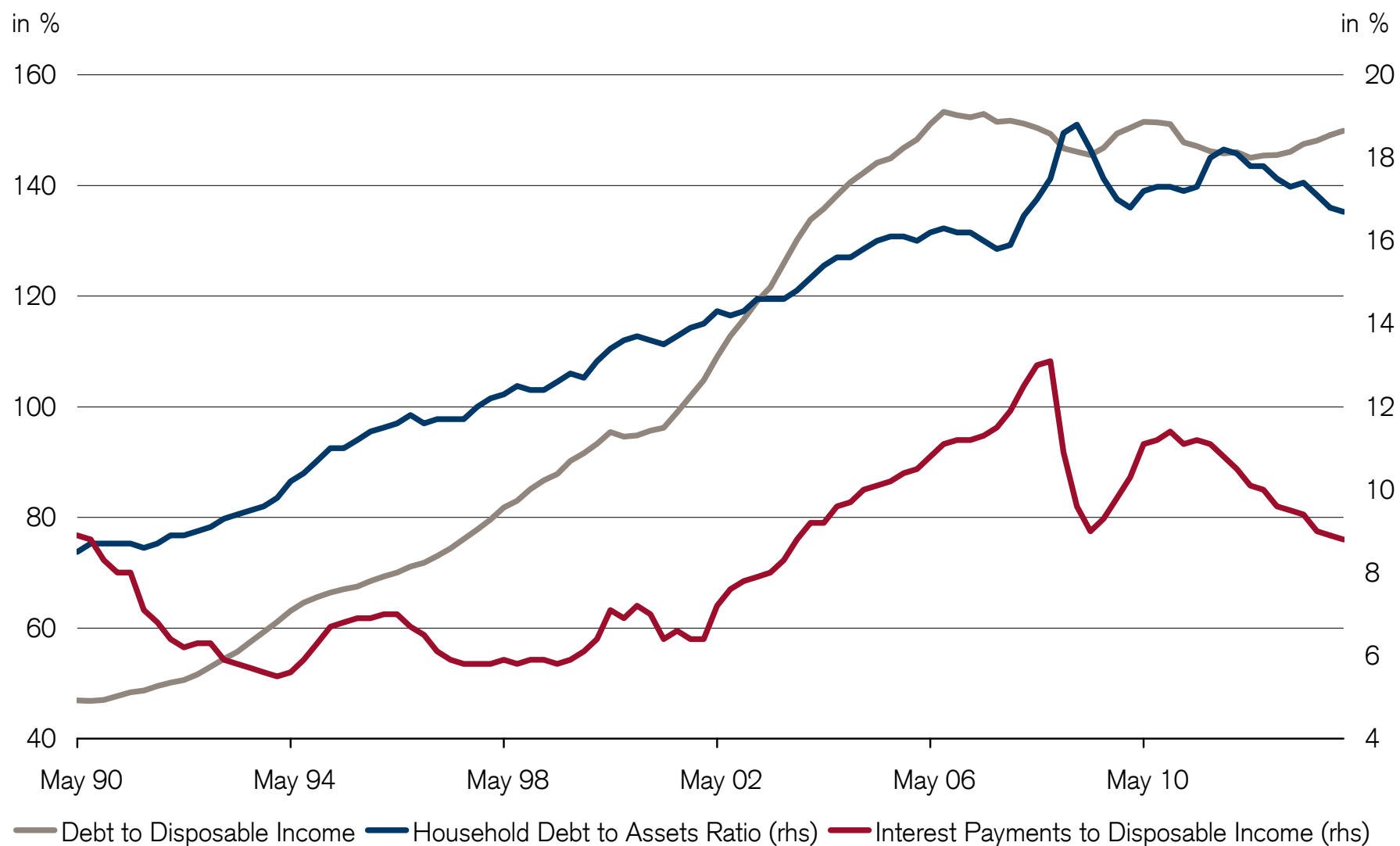
# But monetary tightening visible on the horizon



Last data point: 25.08.2014

Source: Bloomberg, Credit Suisse / IDC

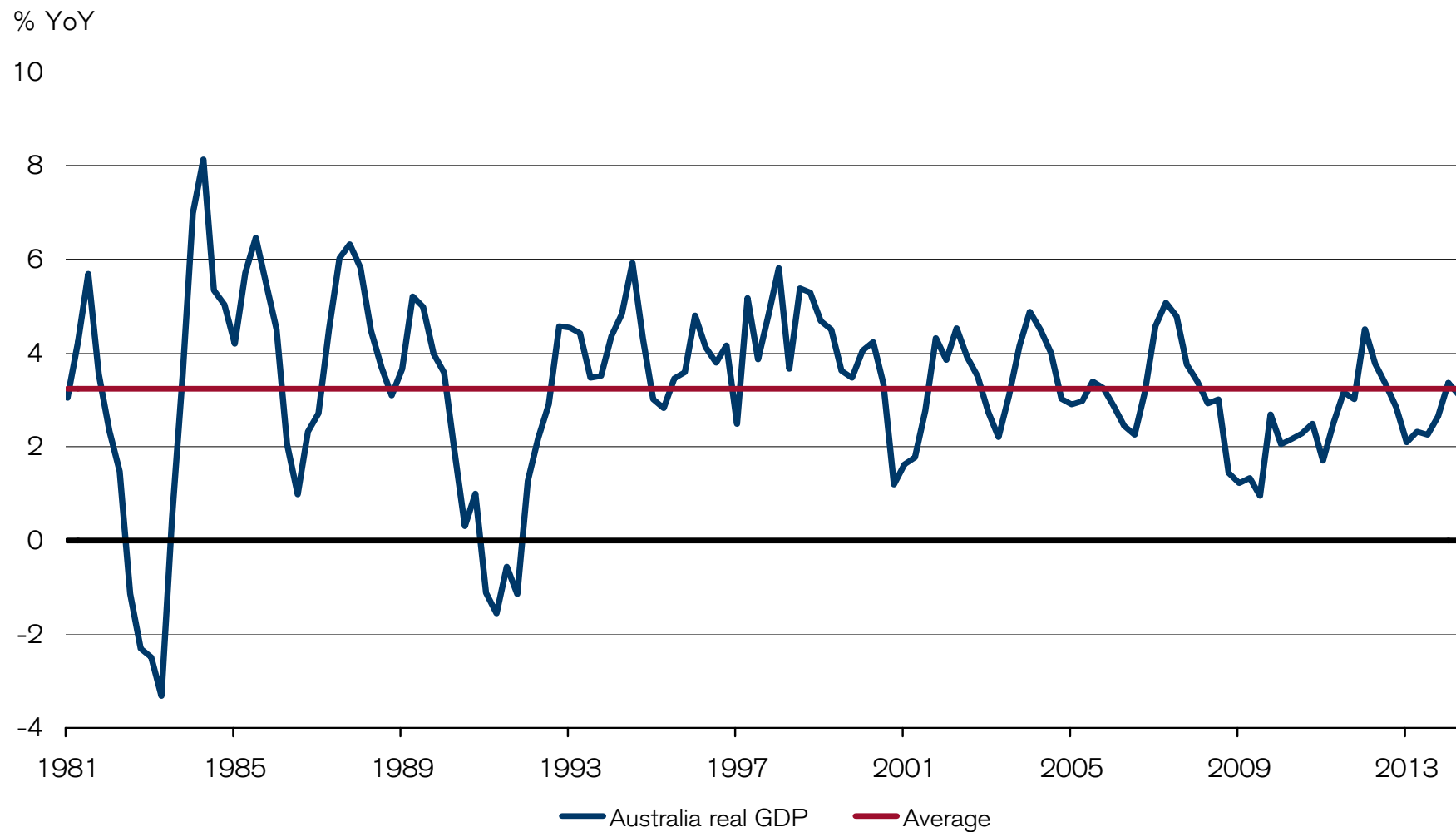
# But debt servicing costs decline driven by low rates



Last data point: 15.02.2014

Source: Datastream, Credit Suisse / IDC

# GDP growth has returned to long term average



Last data point: 15.05.2014

Source: Datastream, Credit Suisse / IDC

# Forecast Table GDP and inflation

	GDP			Inflation				GDP			Inflation		
Country / region	2013E	2014	2015	2013E	2014	2015	Country / region	2013E	2014	2015	2013E	2014	2015
<b>Global</b>	<b>3.0</b>	<b>3.1</b>	<b>3.5</b>	<b>2.8</b>	<b>3.3</b>	<b>3.2</b>	<b>Non-Japan Asia</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>3.9</b>	<b>3.6</b>	<b>4.0</b>
<b>G-3</b>	<b>1.2</b>	<b>1.5</b>	<b>2.1</b>	<b>2.0</b>	<b>1.6</b>	<b>1.6</b>	China	7.7	7.4	6.9	2.6	2.3	3.0
<b>BRIC</b>	<b>5.8</b>	<b>5.6</b>	<b>5.7</b>	<b>4.8</b>	<b>4.4</b>	<b>4.6</b>	Hong Kong	2.9	2.8	2.6	4.3	3.5	3.0
<b>EM-8</b>	<b>5.6</b>	<b>5.5</b>	<b>5.6</b>	<b>4.6</b>	<b>4.3</b>	<b>4.5</b>	India (fiscal year)	4.9	5.5	6.1	9.0	8.0	7.8
USA	2.2	2.1	3.0	1.5	2.0	2.0	Indonesia	5.8	5.3	5.5	6.4	6.5	6.7
Canada	2.0	2.1	2.4	0.9	2.1	1.9	South Korea	2.8	3.7	3.7	1.3	1.9	2.5
<b>Eurozone</b>	<b>-0.4</b>	<b>0.8</b>	<b>1.3</b>	<b>1.3</b>	<b>0.6</b>	<b>0.8</b>	Singapore	4.1	3.5	3.5	2.4	1.7	1.3
Germany	0.2	1.5	1.7	1.6	0.8	1.1	Thailand	2.8	1.2	4.0	2.2	2.4	2.8
Italy	-1.8	-0.2	0.7	1.3	0.2	0.6	<b>CEE &amp; Russia</b>	<b>1.7</b>	<b>1.2</b>	<b>2.1</b>	<b>5.1</b>	<b>6.0</b>	<b>5.1</b>
France	0.3	0.5	1.2	1.0	0.7	0.9	Poland	1.6	3.2	3.0	0.9	0.4	1.6
Spain	-1.2	1.2	1.6	1.5	0.0	0.4	Russia	1.3	0.5	1.5	6.8	7.3	5.4
United Kingdom	1.7	3.2	2.7	2.6	1.8	1.9	Turkey	4.0	2.6	3.3	7.5	8.5	7.0
Norway	2.0	2.0	1.6	2.1	2.0	1.9	<b>Latin America</b>	<b>2.4</b>	<b>1.5</b>	<b>2.3</b>	<b>7.3</b>	<b>11.3</b>	<b>9.7</b>
Sweden	1.5	2.2	2.7	0.0	0.0	1.3	Argentina	2.9	-1.0	0.0	10.6	33.0	30.0
Switzerland	2.0	2.0	1.8	-0.2	0.1	0.5	Brazil	2.3	0.8	1.4	6.2	6.2	6.0
<b>Japan-Pacific</b>	<b>1.7</b>	<b>1.3</b>	<b>1.4</b>	<b>0.8</b>	<b>2.7</b>	<b>1.9</b>	Mexico	1.1	2.3	3.3	3.8	4.0	3.7
Japan	1.5	1.0	1.1	0.4	2.7	1.8	<b>Middle East &amp; Africa</b>	<b>3.6</b>	<b>3.8</b>	<b>4.2</b>	<b>4.6</b>	<b>5.2</b>	<b>5.3</b>
Australia	2.4	2.7	2.8	2.4	2.5	2.4	GCC	4.1	4.2	4.4	2.9	3.0	3.2
New Zealand	2.4	3.3	3.0	1.1	2.2	2.2	South Africa	1.9	1.5	1.9	5.8	6.4	5.9

G-3: EMU, Japan, USA. EM-8: Brazil, China, India, Indonesia, South Korea, Mexico, Turkey and South Africa.

GCC: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE. Regional figures are PPP-weighted.

Source: Credit Suisse

Source: Bloomberg, Datastream, Credit Suisse / IDC

# Challenge ahead: compensate fading mining investment

% of GDP



Last data point: 15.05.2014

Source: Datastream, Credit Suisse / IDC

# US equity valuations: Different measures

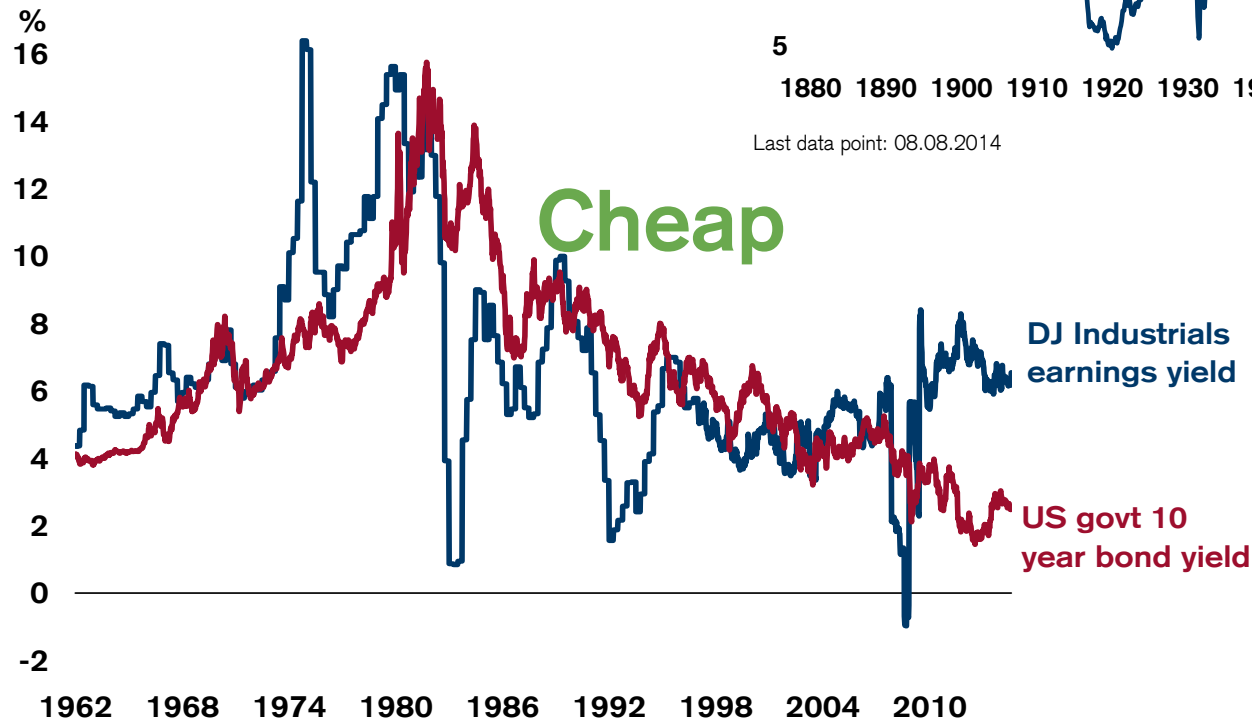
US cyclically adj. P/E ratio (longterm average as dotted line)



Last data point: 08.08.2014

Source: Datastream, R. Shiller, Credit Suisse

DJ earnings yield vs. govies



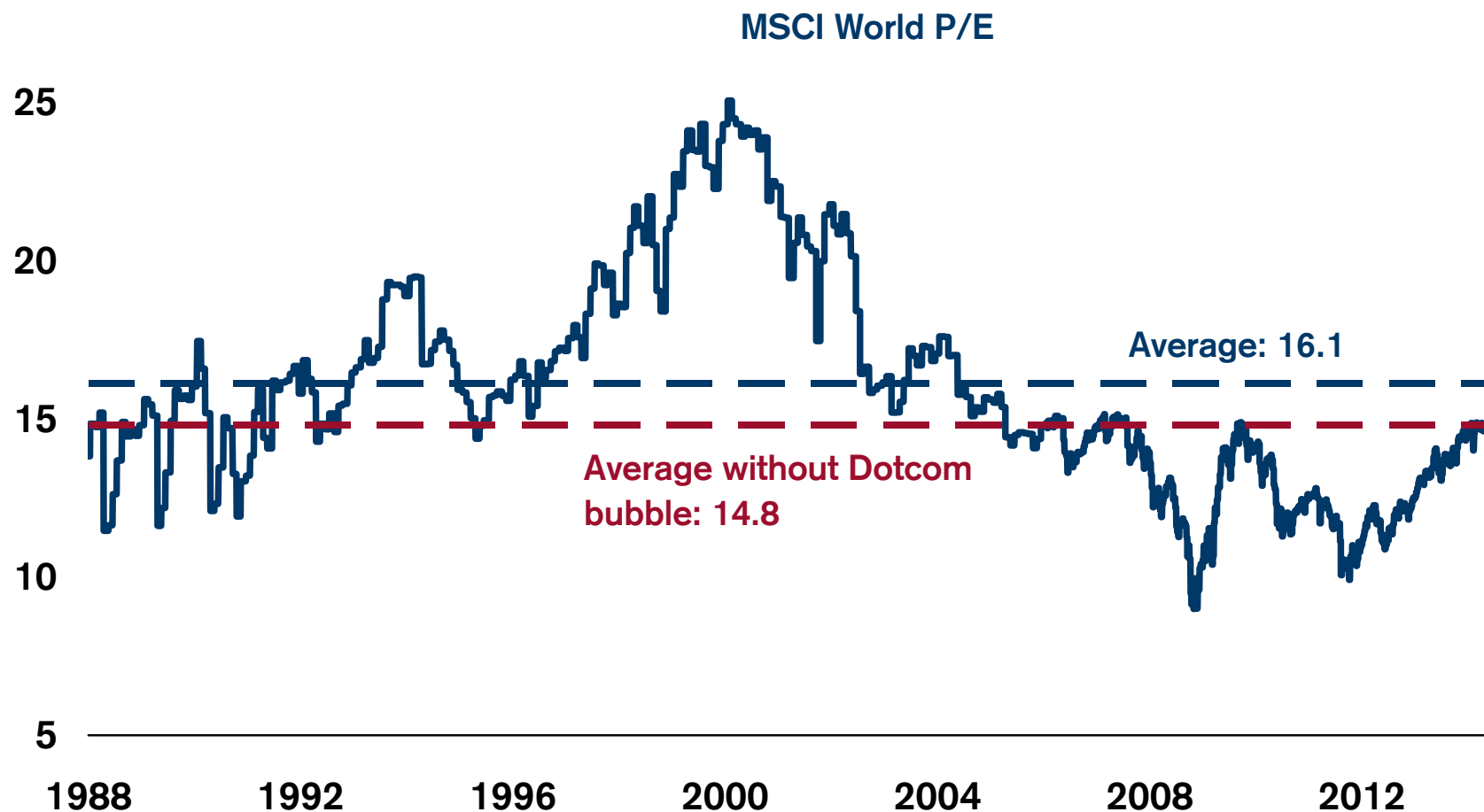
Last data point: 08.08.2014

Source: Datastream, Credit Suisse / IDC

# 12-month forward P/E - MSCI World: Two averages

12-month forward P/E

30



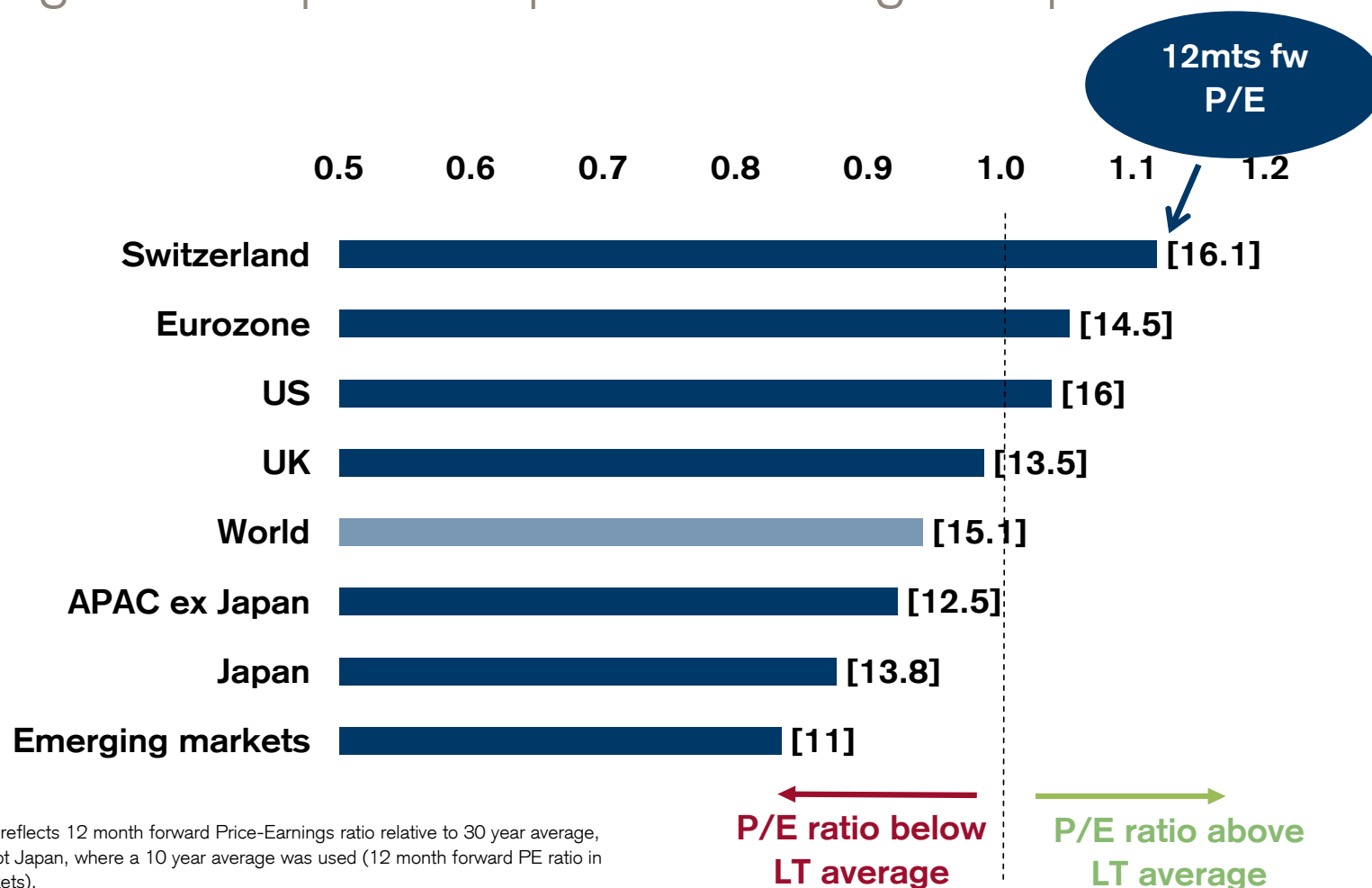
Last data point: 25.07.2014

Source: Datastream, Credit Suisse / IDC



# P/E valuation country overview

Eurozone not particularly cheap but underlying fundamentals have significant upside. Japan still among cheapest next to EM

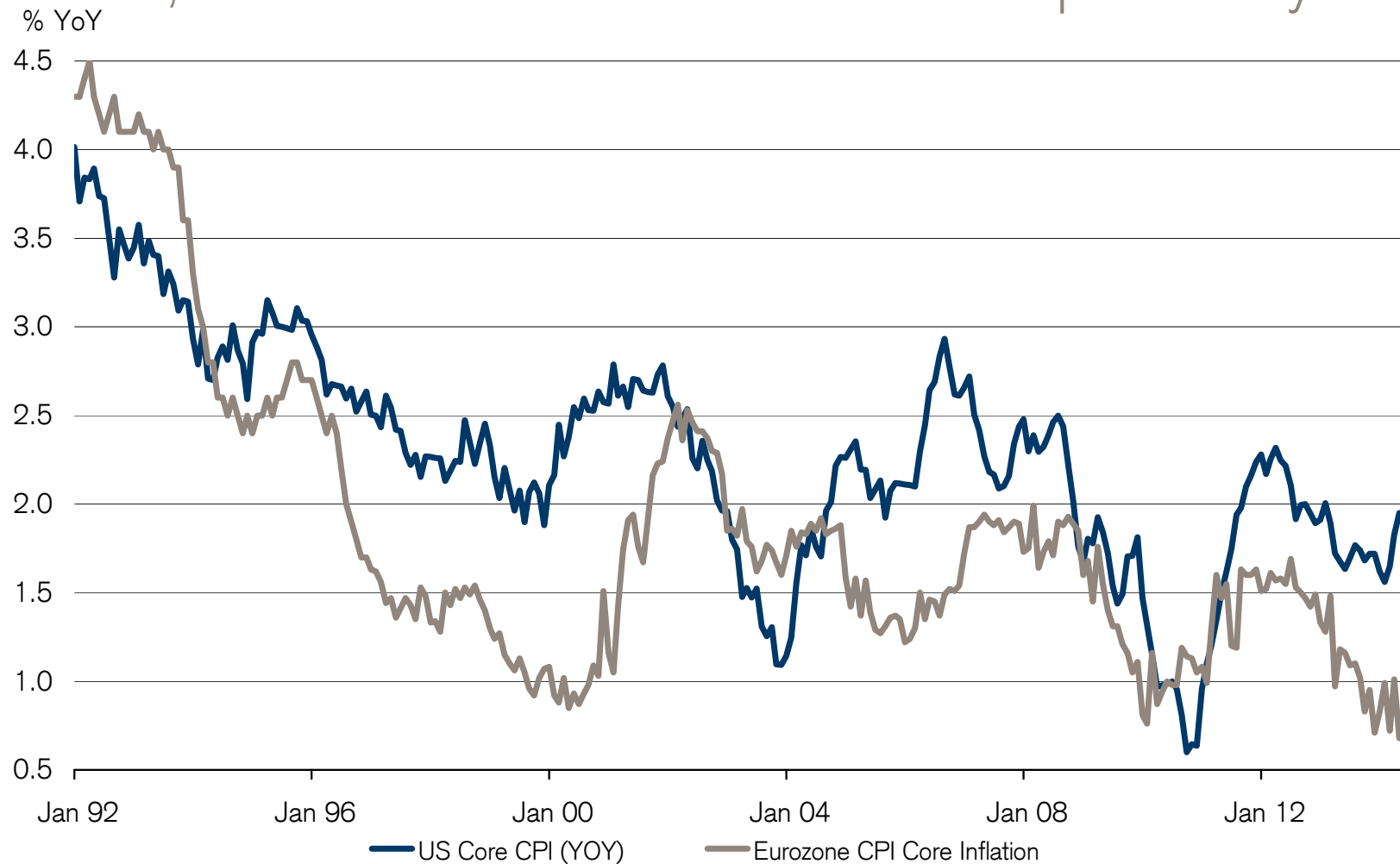


Last data point: 25.07.2014

Source: Datastream, Credit Suisse / IDC

# CPI core inflation US vs. Eurozone

Renewed sluggishness has brought the Eurozone to the brink of deflation; the ECB will need to maintain its expansionary stance



Last data point: 15.07.2014

Source: Datastream, Credit Suisse / IDC

## Appendix 2 – Performance Details

# Performance\*

## Top Contributors – Since Inception

\* As at 1/09/14

Security Name	Category	Total return %	Capital %	Income %
APA GROUP UNITS FULLY PAID STAPLED SECURITIES	Equity - Domestic	31.6%	26.95%	4.65%
RAMSAY HEALTH CARE LIMITED FPO	Equity - Domestic	26.2%	25.66%	0.54%
SHOPPING CENTRES AUSTRALASIA PROPERTY GROUP UNITS FULLY PAID STAPLED SECURITIES	Property	26.1%	19.96%	6.14%
CS ETF MSCI UK ETF	Equity - International	19.75%	19.75%	-
SUNCORP GROUP LIMITED FPO	Equity - Domestic	16.6%	9.9%	7.6%
SPDR S&P/ASX 200 LISTED PROPERTY FUND ETF UNITS FULLY PAID	Property	15.58%	10.68%	4.9%
SPDR TRUST SERIES 1 ETF	Equity - International	14.76%	13.48%	1.28%
TELSTRA CORPORATION LIMITED. FPO	Equity - Domestic	14.61%	9.36%	5.25%
AHL A1-A EVOL-AUD	Hedge Funds	14.27%	14.27%	-
ORORA LIMITED FPO	Equity - Domestic	14.1%	14.1%	-
SYDNEY AIRPORT UNITS FULLY PAID STAPLED SECURITIES US PROHIBITED	Equity - Domestic	12.98%	12.98%	-
CSL LIMITED FPO	Equity - Domestic	12.76%	12.0%	0.76%
VONTO EM M EQ IC	Equity - International	12.34%	12.34%	-
MACQUARIE GROUP LIMITED FPO	Equity - Domestic	12.22%	9.07%	3.15%
AMCOR LIMITED FPO	Equity - Domestic	11.91%	9.85%	2.06%
WESTFIELD RETAIL TRUST UNITS FULLY PAID STAPLED SECURITIES	Property	11.76%	-0.39%	12.15%
WOODSIDE PETROLEUM LIMITED FPO	Equity - Domestic	11.46%	6.86%	4.6%
COMMONWEALTH BANK OF AUSTRALIA. FPO	Equity - Domestic	11.34%	6.73%	4.61%
BRAMBLES LIMITED FPO	Equity - Domestic	11.17%	9.98%	1.19%
SCENTRE GROUP STAPLED SECURITIES	Property	10.95%	10.95%	-
SELECT STR FINANCIAL SELECT SPDR ETF	Equity - International	10.9%	10.02%	0.88%
WESTPAC BANKING CORPORATION FPO	Equity - Domestic	10.51%	6.67%	3.84%

# Performance\*

\* As at 1/09/14

## Negative Contributors – Since Inception

Security Name	Category	Total return %	Capital %	Income %
SANTOS LIMITED FPO	Equity - Domestic	-0.85%	-2.8%	1.95%
TWENTY-FIRST CENTURY FOX INC. CLASS B VOTING COMMON STOCK-CDI	Equity - Domestic	-1.2%	-1.2%	-
BORAL LIMITED. FPO	Equity - Domestic	-1.4%	-1.4%	-
N225 ETF	Equity - International	-1.53%	-2.1%	0.57%
JB HI-FI LIMITED FPO	Equity - Domestic	-3.2%	-3.2%	-
ETFS METAL SECURITIES AUSTRALIA LIMITED. ETFS PHYSICAL GOLD	Commodities	-3.28%	-3.28%	-
UBS ETC CMCI AUD HEDGED IND OPEN END	Commodities	-3.99%	-3.99%	-
RECALL HOLDINGS LIMITED FPO	Equity - Domestic	-4.%	-4.%	-
AURIZON HOLDINGS LIMITED FPO	Equity - Domestic	-4.73%	-5.65%	0.92%
FLIGHT CENTRE TRAVEL GROUP LIMITED FPO	Equity - Domestic	-6.15%	-7.15%	1.%
ISHARES MSCI CHINA ETF	Equity - International	-7.55%	-7.94%	0.39%
HENDERSON GROUP PLC. CDIS	Equity - Domestic	-8.41%	-11.03%	2.62%
ISHARES DJ EURO STOXX BANKS ETF	Equity - International	-10.04%	-11.12%	1.08%
QBE INSURANCE GROUP LIMITED FPO	Equity - Domestic	-18.85%	-19.5%	0.65%

# Performance – by Asset Class\*

\* As at 1/09/14

## ■ Bonds:

<i>Security Name</i>	<i>Category</i>	<i>Total return %</i>	<i>Capital %</i>	<i>Income %</i>
ABERDEEN EMERGING OPPORTUNITIES	Bonds	6.35%	4.38%	1.97%
ABERDEEN AUSTRALIAN FIXED INCOME	Bonds	5.69%	2.03%	3.66%
PIMCO AUSTRALIAN BOND FUND	Bonds	5.5%	1.01%	4.49%
BLACKROCK INDEXED AUSTRALIAN BOND	Bonds	4.34%	1.04%	3.3%
VANGUARD AUSTRALIAN FIXED INTEREST INDEX	Bonds	4.3%	1.4%	2.9%
PIMCO AUS FOCUS	Bonds	1.03%	-0.57%	1.6%

# Performance – by Asset Class\*

\* As at 1/09/14

## ■ Equities – Australia:

<i>Security Name</i>	<i>Category</i>	<i>Total return %</i>	<i>Capital %</i>	<i>Income %</i>
APA GROUP UNITS FULLY PAID STAPLED SECURITIES	Equity - Domestic	31.6%	26.95%	4.65%
RAMSAY HEALTH CARE LIMITED FPO	Equity - Domestic	26.2%	25.66%	0.54%
SUNCORP GROUP LIMITED FPO	Equity - Domestic	16.6%	9. %	7.6%
TELSTRA CORPORATION LIMITED. FPO	Equity - Domestic	14.61%	9.36%	5.25%
ORORA LIMITED FPO	Equity - Domestic	14.1%	14.1%	-
SYDNEY AIRPORT UNITS FULLY PAID STAPLED SECURITIES US PROHIBITED	Equity - Domestic	12.98%	12.98%	-
CSL LIMITED FPO	Equity - Domestic	12.76%	12. %	0.76%
MACQUARIE GROUP LIMITED FPO	Equity - Domestic	12.22%	9.07%	3.15%
AMCOR LIMITED FPO	Equity - Domestic	11.91%	9.85%	2.06%
WOODSIDE PETROLEUM LIMITED FPO	Equity - Domestic	11.46%	6.86%	4.6%
COMMONWEALTH BANK OF AUSTRALIA. FPO	Equity - Domestic	11.34%	6.73%	4.61%
BRAMBLES LIMITED FPO	Equity - Domestic	11.17%	9.98%	1.19%
WESTPAC BANKING CORPORATION FPO	Equity - Domestic	10.51%	6.67%	3.84%
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED FPO	Equity - Domestic	9.54%	4.93%	4.61%
IRONBARK KARARA AUSTRALIAN SMALL COMP	Equity - Domestic	8.32%	7.01%	1.31%
NATIONAL AUSTRALIA BANK LIMITED FPO	Equity - Domestic	5.84%	1.73%	4.11%
TRANSURBAN GROUP ORDINARY SHARES/UNITS FULLY PAID TRIPLE STAPLED	Equity - Domestic	5.33%	4.7%	0.63%
SPDR S&P/ASX 200 FUND ETF UNITS FULLY PAID	Equity - Domestic	4.81%	3.1%	1.71%
SEEK LIMITED FPO	Equity - Domestic	3.46%	3.18%	0.28%
WOOLWORTHS LIMITED FPO	Equity - Domestic	3.1 %	1.73%	1.37%
WESFARMERS LIMITED FPO	Equity - Domestic	2.89%	-0.34%	3.23%
BHP BILLITON LIMITED FPO	Equity - Domestic	1.55%	0.02%	1.53%
RESMED INC CDIS 10:1	Equity - Domestic	1.41%	0.13%	1.28%
INSURANCE AUSTRALIA GROUP LIMITED FPO	Equity - Domestic	0.91%	0.91%	-
RIO TINTO LIMITED FPO	Equity - Domestic	0.21%	-2.78%	2.99%
WESTFIELD GROUP ORDINARY/UNITS FULLY PAID STAPLED SECURITIES	Equity - Domestic	-0.26%	-6.37%	6.11%
SANTOS LIMITED FPO	Equity - Domestic	-0.85%	-2.8%	1.95%
TWENTY-FIRST CENTURY FOX INC. CLASS B VOTING COMMON STOCK-CDI	Equity - Domestic	-1.2%	-1.2%	-
BORAL LIMITED. FPO	Equity - Domestic	-1.4%	-1.4%	-
JB HI-FI LIMITED FPO	Equity - Domestic	-3.2%	-3.2%	-
RECALL HOLDINGS LIMITED FPO	Equity - Domestic	-4. %	-4. %	-
AURIZON HOLDINGS LIMITED FPO	Equity - Domestic	-4.73%	-5.65%	0.92%
FLIGHT CENTRE TRAVEL GROUP LIMITED FPO	Equity - Domestic	-6.15%	-7.15%	1. %
HENDERSON GROUP PLC. CDIS	Equity - Domestic	-8.41%	-11.03%	2.62%
QBE INSURANCE GROUP LIMITED FPO	Equity - Domestic	-18.85%	-19.5%	0.65%

# Performance – by Asset Class\*

\* As at 1/09/14

## ■ Equities – International:

<i>Security Name</i>	<i>Category</i>	<i>Total return %</i>	<i>Capital %</i>	<i>Income %</i>
CS ETF MSCI UK ETF	Equity - International	19.75%	19.75%	-
SPDR TRUST SERIES 1 ETF	Equity - International	14.76%	13.48%	1.28%
VONTO EM M EQ IC	Equity - International	12.34%	12.34%	-
SELECT STR FINANCIAL SELECT SPDR ETF	Equity - International	10.9%	10.02%	0.88%
ISHARES FTSE 100 ETF	Equity - International	8.44%	5.77%	2.67%
ISHARES DAX ETF	Equity - International	7.11%	5.53%	1.58%
AGIF EU EQ GR PTC	Equity - International	6.22%	6.22%	-
ISHARES SP GLOBAL HEALTH CARE ETF	Equity - International	4.5%	3.74%	0.76%
ISHARES EUROPE ETF	Equity - International	3.9%	1.83%	2.07%
DB X TRACKERS MSCI JAPAN HED EQY ETF	Equity - International	2.46%	1.64%	0.82%
VANGUARD INTERNATIONAL SHRS IDX HDG AUD	Equity - International	1.49%	1.35%	0.14%
N225 ETF	Equity - International	-1.53%	-2.1%	0.57%
ISHARES MSCI CHINA ETF	Equity - International	-7.55%	-7.94%	0.39%
ISHARES DJ EURO STOXX BANKS ETF	Equity - International	-10.04%	-11.12%	1.08%



# Performance – by Asset Class\*

\* As at 1/09/14

## ■ Alternatives – Hedge Funds:

<i>Security Name</i>	<i>Category</i>	<i>Total return %</i>	<i>Capital %</i>	<i>Income %</i>
AHL A1-A EVOL-AUD	Hedge Funds	14.27%	14.27%	-
BLACKROCK GLOBAL ALLOCATION AUS D	Hedge Funds	8.63%	6.35%	2.28%
GMO SYSTEMATIC GLOBAL MACRO TRUST B	Hedge Funds	3.43%	-0.84%	4.27%
GAM TR II INSTL-AUD	Hedge Funds	2.17%	2.17%	-
PERSIS JD-06-14-NNI	Hedge Funds	1.48%	1.48%	-
PERSIS JD-01-12-NNI	Hedge Funds	0.42%	0.42%	-
PE JD-01-14-AUD-NNI	Hedge Funds	0.36%	0.36%	-
GOLDMAN SACHS GLOBAL STRATEGIC BOND	Hedge Funds	-0.2%	-0.2%	-

# Performance – by Asset Class\*

\* As at 1/09/14

## ■ Alternatives – Property:

<i>Security Name</i>	<i>Category</i>	<i>Total return %</i>	<i>Capital %</i>	<i>Income %</i>
SHOPPING CENTRES AUSTRALASIA PROPERTY GROUP UNITS FULLY PAID STAPLED SECURITIES	Property	26.1%	19.96%	6.14%
SPDR S&P/ASX 200 LISTED PROPERTY FUND ETF UNITS FULLY PAID	Property	15.58%	10.68%	4.9%
WESTFIELD RETAIL TRUST UNITS FULLY PAID STAPLED SECURITIES	Property	11.76%	-0.39%	12.15%
SCENTRE GROUP STAPLED SECURITIES	Property	10.95%	10.95%	-
MIRVAC GROUP STAPLED SECURITIES	Property	9.27%	4.83%	4.44%
COMMONWEALTH PROPERTY OFFICE FUND ORDINARY UNITS FULLY PAID	Property	7.13%	4.18%	2.95%

# Performance – by Asset Class\*

\* As at 1/09/14

## ■ Alternatives – Commodities:

<i>Security Name</i>	<i>Category</i>	<i>Total return %</i>	<i>Capital %</i>	<i>Income %</i>
CMCI UBS Open End	Commodities	0.11%	0.11%	-
ETFS METAL SECURITIES AUSTRALIA LIMITED. ETFS PHYSICAL GOLD	Commodities	-3.28%	-3.28%	-
UBS ETC CMCI AUD HEDGED IND OPEN END	Commodities	-3.99%	-3.99%	-

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# APNIC DG quarterly report

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Paul Wilson

12 September 2014

This report documents the recent activities of the APNIC Secretariat, focusing on the period between the Executive Council meetings on May and September 2014. Some part of the report document a longer period, from the start of 2014 where this is appropriate.

## Finance

A half-year finance report has been compiled by staff for presentation by the Treasurer during APNIC 38.

### Budget

APNIC has operated within the approved budget in the first half of 2014 (Jan-Jun 2014), as reported. Expenses for the period were 1% below budget (\$123K), and revenues were 2% over (\$384K), resulting in an additional surplus of \$471K over budget, for a total projected surplus in 2014 of \$2,439K.

### Fee Structure

As requested by the EC, staff have worked with the Treasurer to prepare for a possible fee structure adjustment, aimed to reduce future surpluses. This work will continue and produce a recommendation for consideration by the EC in their final meeting of 2014.

The EC is reminded that such a move will introduce a higher risk of budget deficits in future, and we should be prepared to adjust accordingly in future as needed.

### Expense codes

Staff have worked with the Treasurer on a revised schedule of activity codes for budgeting and financial reporting in 2015, also for review by the EC during APNIC 38. Our accounting system is now able to produce expense reports according to activity (based on the existing activity schedule) and events attended by APNIC staff.

### Investments

The APNIC investment portfolio is now being maintained routinely according to the established investment policy. The Treasurer has approved additional investment during 2014, as cash reserves have allowed. An investment performance report will be available for review by the EC during APNIC 38.

## **Business Area**

### **Risk Register**

The APNIC risk register is being updated and reviewed on a quarterly basis, in consultation with the EC. This is an evolving process that requires ongoing refinement at the senior management level to maintain usefulness.

### **ISO 9001**

During August 2014 APNIC passed its first annual audit of our ISO 9001 certification.

### **Internal Systems**

A new Document Management System (DMS) was implemented during 2014, using the Alfresco platform; at the same time we have implemented a system of categorisation of information which may be regarded as public, internal, or confidential. These developments will allow better management of all APNIC documentation, including presentations, media etc.

APNIC's internal use of certificates for service access and email encryption has been revised to keep private keys in escrow by APNIC, to ensure access to encrypted business data as needed.

A CRM (customer relationship manager) system compatible with the NetSuite platform is currently under active development, for deployment by the end of 2014.

## **Services**

### **Recovered IPv4 Pool**

We started allocating from the IANA recovered pool in May 2014, after receipt of the first recovered blocks (total /11) from the IANA. Hostmaster workload has tripled with the new allocations being made under policy prop-105 (allowing an additional block to be allocated to those who have already received a final /8 allocation). APNIC received another allocation from recovered space in early September (/12).

### **Transfers**

Transfers of IPv4 block continue at a rate of between 10 and 20 transactions per month, approx. 25% being inter-regional. These numbers are variable and not showing any clear trend.

### **Survey 2014**

The latest survey was completed on time with 1039 valid responses, and will be reported during APNIC38.

### **Rootserver Study**

An independent feasibility study has been commissioned into the hypothetical possibility of APNIC becoming a rootserver operator. The 2014 Survey gave a very high rating to the importance to our community of root server infrastructure support.

### **Member Submission System**

At the EC's request, the member submission system has been implemented within MyAPNIC, for launch during APNIC38. Such a feature was requested by respondents in the Member Survey 2014.

### **Active Measurement / Instant Feedback**

This project is underway to create new mechanisms for receiving customer feedback on any interaction with APNIC Secretariat, and making use of that information for continuous improvement.

## **Communications**

### **Content and Style**

After feedback during APNIC 37, staff have worked to ensure that APNIC activities are more regularly reported to our community, and that our communications are as clear and accessible as possible.

### **Event Wraps**

These regular reports are now posted to the APNIC Blog after every significant external event attended by APNIC staff, to explain the purpose of our engagement, and activities undertaken.

### **Blog**

The new "Blog" section of the website is now being used regularly, with several posts per week across various categories, including Technical, Policy Community, Events and Development. Over 60 posts have been made since the Blog was launched in late June 2014.

### **Website Reskin**

The main APNIC website, and conference website, have been redesigned during this period. This is part of an ongoing effort to make the website more useful and accessible.

## **Development**

### **Training Manager**

Since Champika's departure, the training team has been managed by Duncan Macintosh. The new training manager, will start work in November. He brings long experience in educational networking and Internet-related training.

### **Fundraising**

Options and strategies for fundraising – in support of increased training, fellowships and engineering assistance – have been discussed among the Executive Team, and will be presented to the EC during APNIC38.

### **Community cooperation**

A cooperation MoU was signed with ICANN in August, for collaboration on deployment of L-root services in the AP region. An MoU has been agreed with

APTLD, for general cooperation and information exchange, and will be signed during APNIC38. A first-ever gathering of the APNIC EC and the APTLD board has also been arranged during APNIC 38.

### Security

In his role as Security Specialist Adli Wahid has been active in developing relationships with peer and related organisations, and in activities such as security-related training (during APriGF in Delhi) and expert panels (during IGF in Istanbul). Adli serves as a steering committee member of FIRST, who funded his trip to IGF2014.

## Strategic Engagement

### NETmundial

The first NETmundial meeting, held in Brazil in April 2014, was regarded as successful, as it produced 2 significant documents (a statement of principles, and a roadmap for the future of Internet Governance) through an open and genuinely “multistakeholder” process.

A second event, launching the “NETmundial Initiative” was held by the WEF in Geneva last month, but with less clear results. This event can be understood as follows:

- It was a privately organised event of the WEF itself, with a somewhat diverse range of invited participants.
- It attempted to represent a multi-stakeholder process, but with limited success due to the closed and unbalanced nature of its participation.
- It demonstrated an important recognition of the WEF of Internet Governance issues, of the NETmundial outcomes, the multistakeholder process and the IGF.
- It will be followed a new focus on Internet Governance on the agendas of Davos Summits and other WEF events for the next few years.
- Some useful “projects” were announced during this meeting, to be undertaken by various institutions, but these do not claim any special status, nor do they necessarily purport to address all important current issues.
- It appears that WEF will not continue to use the “NETmundial” name for these activities.

### IANA transition

Since the USG announcement in March, there have been many activities related to the proposed ending of the IANA contract, and transfer of stewardship responsibilities to the Internet community. Activities have included:

- 2 articles published on the APNIC Blog, suggesting an approach to the transition question which assures certainty and stability for the addressing community, while minimising risk.
- Work with APNIC staff to produce a “strawman” proposal, based on the published articles, for discussion at the IANA transition session during APNIC 38.



- Work as an NRO representative on the IANA Transition Coordination Group (ICG) which has held 2 face-face meetings, several teleconferences, and many online discussions.
- Internal work with Craig Ng on the possible form of new agreements with ICANN
- Discussions with the NRO EC about the approach to be taken.

### ICANN accountability

Under strong community demand, ICANN has launched a review of its accountability mechanisms; and at my suggestion, the RIRs have decided to also undertake an accountability review, with the following actions:

- A comparative matrix of accountability features of the RIRs has been published.
- Further analysis is being undertaken by RIR legal staff to determine which any improvements may be needed, and any recommendations which are relevant to APNIC will be presented to the EC.
- The APNIC 2014 Survey included a number of accountability questions, and results can be considered by the EC when the Survey Report is considered.

### IGF

I have served a 3<sup>rd</sup> and final term as a member of the IGF MAG, with the Istanbul meeting. I feel my contributions have been valuable in promoting the IGF within the AP region (in conjunction with my position as chair of the APrIGF MSG), and especially in providing very strong support to the Bali IGF in 2013. The issue of (Critical Internet Resources) has now been well covered by the IGF, and appears to be no longer controversial, however it will be important to respond and participate in future if needed. IGF issues which continue to be relevant to APNIC include ICANN-related matters, certain Internet Security issues, development and capacity building related to our work, and Government policies which may related to Internet infrastructure or industry.

### 1net

1net is an open discussion platform which was initiative by ICANN and supported initially by AFRINIC. This year APNIC has take responsibility for hosting 1net, and I am acting as a voluntary convenor.

### ITU and related

The major ITU event this year is the 2014 Plenipotentiary Conference, to be held in Busan Korea. This is the major ITU conference which will set overall priorities for the next 4 years, in addition to appointing the senior officeholder positions (Mr Houlin Zhao who will attend the APNIC 38 opening, is unopposed in his nomination for Secretary General, replacing Hamadoun Toure).

Preparatory meetings for PP14 have been held by the APT in this region, and APNIC has attended these. The meetings enable us to track proposals which may be relevant to APNIC's interests, to provide information, and maintain contact with governmental participants in PP14.

I have proposed to participate in the PP14 as members of the ISOC delegation, and also that ISOC host other technical community organisations within the same delegation.

**Providing Development services and support  
to the APNIC community:**

**The challenge of scale  
(and some possible solutions)**

APNIC Executive Council Presentation

Duncan Macintosh

Development Director

# APNIC and its services

## Registry services

- Core activities
- Fully funded
- Based on member needs

(reasonably fixed/limited demand so can manage)

## Development services

- Adding value to membership
- Partly funded
- Based on member (and community) demands

((almost) unlimited demand so need to scale)

# APNIC Development services

- Training
- Engineering Assistance
- Infrastructure projects (root servers, IXPs)
- And support for community development and engagement (NOGs, fellowships and engagement with other AP Internet organizations etc.)

*How can the Development section and the six staff involved provide these services and support to a community of 56 economies?*

# Responding to the needs of members

- Training (about 3,000 trainees a year in 19 of 56 economies)
- Engineering assistance (2-3 projects)
- Fellowships (14 APNIC28 fellows from 10 nations; 4 youth fellows)
- Community development (8 NOGs supported in 2014)
- Project grants (ISIF projects highlighting the services and impact of member networks)

*Member feedback tells us this is not enough*

# How can we do more ?

- By partnering/collaborating (NRSC, ICANN, APAN/TIEN, APEC). We do this well already. How can we do more sustainably ?
- By increasing the Secretariat budget for these activities (hard to sustain ?)
- By looking for new resources inside the APNIC community (member CSR?) and outside.

# What are the options outside: (possible) Sources of support

- Development agencies (ADB, WB, JICA, KOICA)
- Philanthropy – HNW and UHNW individuals and their foundations
- The private sector (including member CSR programs)
- National Governments – ministries, agencies
- The Internet community (ICANN, ISOC et al)
- Retail (the Internet and individuals)



# How to get this type of support?

- A strong and exciting Case for Support
- Realistic pool of potential donors (research)
- Staff and resources (invest)
- Mechanisms for fundraising (a foundation?)

# Case for Support

## Comprises:

- Mission
- Track record
- Vision
- Funding needs

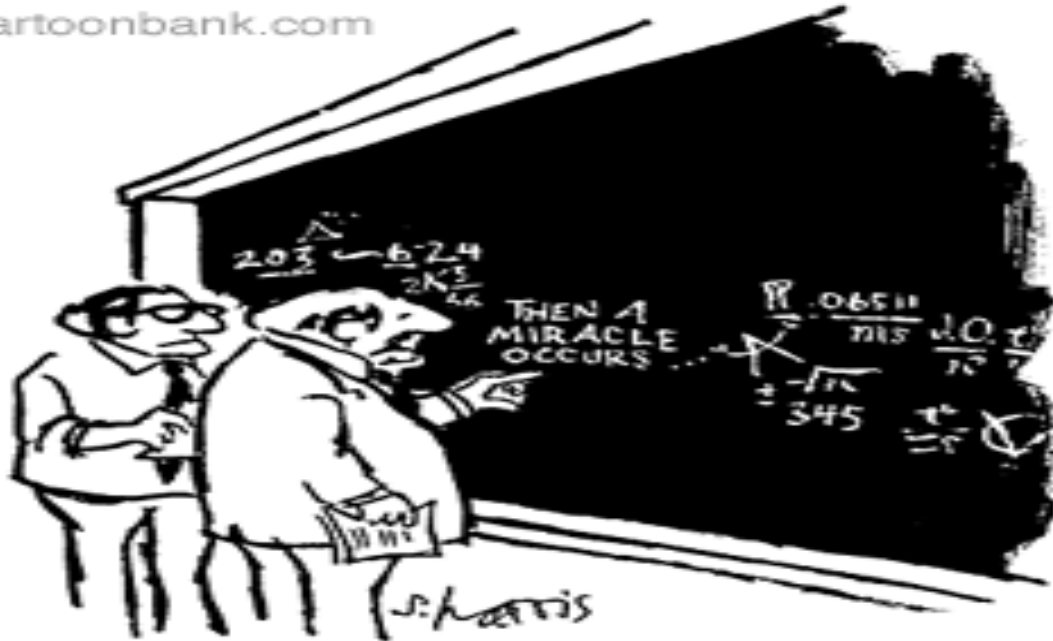
*Constant and proactive research is vital to find out who is interested in our Case for Support*

# POTENTIAL RISKS

- **Reputational risk:** Receiving money from the wrong type of people, agencies, groups or companies.
- **Financial risk:** Money is pledged but not received.
- **Influence risk:** Supporters could potentially have influence.
- **Historical risk:** Has it been done before ?

# And we need to be clear about our goals !

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"I think you should be more explicit here in step two."

## Thank you!

APNIC 38

# NRO Number Council Election



BRISBANE, AUSTRALIA

9-19 September 2014

#apnic38

# Overview

- About the NRO NC election
- Online voting
- On-site voting
- Counting procedure
- Declaration of result
- Dispute resolution

# Composition of NRO NC

- Defined by NRO MoU
- Three members from each region
  - One member appointed by Board of each RIR
  - Two members selected via regional policy forum of each RIR
- Selection process decided by each RIR
  - <http://www.nro.net/documents/nro-memorandum-of-understanding>

# NRO NC Selection – APNIC

- As determined by the APNIC EC
- One member appointed by the APNIC EC annually, for a one-year term
- Two members elected during the APNIC Policy day
  - One member elected each year, for a two-year term (staggered)
  - Election not governed by the APNIC By-laws, but to be conducted in the general manner described there



# 2014 NRO NC Election

- One vacant seat on NRO NC
  - Two-year term from 1 January 2015 to 31 December 2016
- Call for nominations ended 15 Aug 2014
  - <http://www.apnic.net/publications/news/2014/nomination-open-for-nro-nc-election-at-apnic-38>
- Online and on-site voting available
  - <http://blog.apnic.net/2014/09/01/online-voting-for-nro-nc-election-opens-today-1-sep-2014>

# Election Chair

- Ma Yan
  - Appointed by the APNIC EC
- Responsibilities:
  - Oversee the election process
  - Appoint the Election Scrutineers
  - Resolve disputes
  - Declare the election results

# Election Officers

- George Kuo and Connie Chan
  - Appointed by the APNIC EC
  - Selected from APNIC Secretariat staff
- Responsibilities:
  - Administer the call for nominations
  - Manage the online and on-site voting processes
  - Supervise the ballot paper collection
  - Perform the vote counting with the Election Tellers
  - Retrieve the online voting reports

# Election Tellers

- Anna Mulingbayan and Tom Do
  - Appointed by the APNIC EC
  - Selected from APNIC Secretariat staff
- Responsibilities:
  - Supervise the ballot box
  - Issue ballot papers on site
  - Validate and count the votes
  - Report the results to the Election Chair

# Election Scrutineers

- Two people TBC
  - Appointed by the Election Chair
  - Selected from staff of other RIRs, ICANN, and ISOC who are on site
  - Do not vote and must be independent from any APNIC Member or candidate
- Responsibilities:
  - Observe the Election Tellers in counting the votes
  - Not handle or touch the ballot papers
  - Notify the Election Chair in case any anomaly or issue is identified

# Online Voting

- Voting period
  - Started: Monday, 1 September 2014
  - Ended: 11:00 (UTC +10) Tuesday, 16 September 2014
- Online voting is accessible via MyAPNIC
  - Each APNIC Member organization is entitled to one vote via MyAPNIC
  - The system preserves anonymity, storing a record of who has voted, and a separate record of votes cast

# On-site Voting

- Voting period
  - Starts: As announced by the Election Chair
  - Ends: 14:00 (UTC +10) Thursday, 18 September 2014
  - Each registered APNIC 38 attendee is entitled to one vote, as an individual

# On-site Voting Logistics

- The Voting Desk is set up outside the Policy SIG meeting room
- The ballot box is placed at the Voting Desk after the Election Chair announces the opening of on-site voting
- Election Tellers supervise the ballot box at all times
- Enquiries should be directed to the Election Officers at the Voting Desk



# Voting Ballot Paper

- Voting ballot papers provide clear voting instructions and are marked with a unique stamp
- A ballot paper is invalid if:
  - No boxes are marked
  - More than one box is marked
  - It has ambiguous marking
  - It does not bear a validation stamp

# Voting Ballot Paper

# Counting Procedure

- The entire process is supervised by the Election Scrutineers
- Votes are counted by the Tellers
- All ballot papers are checked
- Tally forms are used to count, record, and verify the total number of check marks for each candidate
  - Validated and checked by multiple Tellers
- Online voting reports are printed during the vote count
- Votes for each candidate are calculated by combining the total votes from online and on-site votes

# Declaration of Result

- The Election Chair will announce the election results at around 15:00 (UTC +10) today, 18 September 2014
- This declaration will include:
  - The name and total vote count received by each candidate
  - The total number of valid and invalid ballots
  - Notice of any disputes and resolutions
  - Disclosure of any communication from the Election Scrutineers regarding any anomaly or issue

# Notice of Dispute

- Any complaint regarding the conduct of the election must be lodged in writing with the Election Chair at the Conference
- Such notices must be lodged no later than one hour before the scheduled Declaration of the Election
- Notices may be lodged by:
  - Members through their authorized voting representatives
  - Candidates directly with the Election Chair

# Resolving Disputes

- The Election Chair shall resolve the dispute at his discretion
- The Election Chair shall provide notice of all lodged disputes and the Chair's decision at the Declaration of the Election

APNIC 38

Questions?



BRISBANE, AUSTRALIA

9-19 September 2014

#apnic38

APNIC 38

# Proposed Activity Codes



BRISBANE, AUSTRALIA

9-19 September 2014

#apnic38



# Proposed Activity Codes for 2015

Activity Codes		Expenses
<b>Serving Members:</b>		
<b>IP Registration Services</b>		Registration Services, ARMS & RPKI development and maintenance
<b>Customer Service</b>		MyAPNIC, Member Services/helpdesk, Membership development, Billing, Transactional bank fees
<b>Technical Infrastructure</b>		Infrastructure Services, Whois, Public Website, DNS, FTP, Internet backbone, FO, Colocation
<b>Member Training</b>		Training & Workshops for account holders, Engineering Assistance
<b>Regional Development &amp; Outreach:</b>		
<b>APNIC Conferences</b>		APNIC Conferences, Regional Meetings
<b>Regional Technical Development</b>		Policy development, Regional NOGs, Root Server, IPv6, Regional technical research, Fellowships, Technical presentation at regional meetings.
<b>Regional Community Engagement</b>		Government liaison, Sub-regional liaison, Regional IGF, ISIF, AP*, Pacific region organisations, Other training (LEA, Govt)
<b>Global Collaboration:</b>		
<b>Global Technical Community</b>		NRO & RIR collaboration, ICANN, IANA, IETF, ISOC
<b>Governance</b>		Inter-governmental liaison, ITU, APT, WSIS, IGF, APECTEL, INTERPOL, NetMundial
<b>Global Research</b>		OECD, Global research works, Technical advocacy at global/out-of-AP-region events
<b>Corporate:</b>		
<b>Human Resource Management</b>		Staff Management, Staff development, Recruitment, other HR expenses
<b>Finance &amp; Administration</b>		ERP, Office equipment & systems, Finance, Office & Travel Administration
<b>Legal &amp; Governance</b>		Executive Council, Member Survey, Legal, Audit & Tax, WH&S, ISO9001
<b>Facilities</b>		Building & Office facilities, Outgoings, Logistics.