

# Working just for you

SEPTEMBER 2008

AustralianSuper Annual Report

Riding the  
**highs and lows**  
of investment

**AustralianSuper's**  
investment performance

AustralianSuper  
Pension **takes**  
**off strongly**

# What's inside

Changing jobs? Take your super with you!	2
Chief Executive/Chair report	3
Important Fund news	4
Investment commentary	6
Investment performance	7
Riding the highs and lows of investment	8
Ensuring you're well insured	10
You gotta have faith	11
Your questions answered... understanding your investment	12
Your investment options	14
Catch more of what you want and win	16
Securities lending and AustralianSuper	18
Make the most of the extra benefits we offer	19
Your Trustee Board	20
Investment managers	22
Financial statements	23
How to contact us	24



To contact AustralianSuper call **1300 300 273** or visit our website at **[www.australiansuper.com](http://www.australiansuper.com)**  
We'll be happy to help you.

# Changing jobs? Take your super with you!

## Do you have multiple super accounts?

Every year, an average of 10% of the workforce change their job. That means most Australians are likely to have multiple jobs over the course of their working life.

For many of us, that often leads to multiple super accounts that have been accumulated with every change of employer – and that could mean you're paying fees on accounts you don't use or need.

## Changing employers?

>> As a multi-industry, regulated super fund, you can take your AustralianSuper account with you whether you're starting a new job, taking some time off or have decided to start your own business.

>> If your **new employer already pays into AustralianSuper for other employees**, just provide your new employer with your AustralianSuper membership number.

>> If your **new employer does not currently pay into AustralianSuper for other employees**, give your new employer a Fund Nomination Letter available from our website at [www.australiansuper.com](http://www.australiansuper.com)

The Fund Nomination Letter contains all the information your employer needs to start making contributions to AustralianSuper.

## Taking a break?

If you are having a break from the workforce, or starting your own business, the AustralianSuper Personal Plan may be appropriate for you. Visit our website for more information.

## Considering retirement?

If you are considering retirement, an AustralianSuper Pension Transition to Retirement option might be appropriate for you. See page 5 or visit [www.australiansuper.com/pension](http://www.australiansuper.com/pension) for more information.

## Time to consolidate your super?

By rolling all of your super into AustralianSuper you'll never lose track of your super, and you could save on fees. It's so easy with AustralianSuper – just fill in the Transfer Your Old Super form on our website, we'll do the rest – including contacting your old fund. See the Transfer Your Old Super brochure, available from our website at [www.australiansuper.com](http://www.australiansuper.com) for more information.



# Chief Executive/Chair report



## Fund update

The last twelve month period has been dynamic and challenging for all superannuation funds. It has also been another busy and productive year for AustralianSuper.

### A challenging investment year

With the downturns in Australian and international share markets over the last financial year, investment returns are now top of mind for many AustralianSuper members. Most members will see the effects of the market declines when they look at their most recent benefit statements.

We have, of course, seen low and negative investment performance before, and many AustralianSuper members will recall such a period in 2001/02.

While we understand that these occasional years of poor investment results are quite unsettling for many members, it is important to remember that they are a normal and an expected part of the long-term cycle of investing.

The most recent period of poor performance follows a number of years of high investment returns. This cycle of ups and downs in the markets continues to provide AustralianSuper members with strong, long-term investment results. At 30 June 2008 AustralianSuper's Balanced Investment Option had returned 9.26% over three years, 11.19% over five years and 8.60% over ten years.

These are good results when compared to other superannuation funds' investment returns. In a survey\* of Australian superannuation funds the performance of AustralianSuper's Balanced Option is ranked 3rd over five years out of 40 comparable funds.

### New products and services

In the last financial year AustralianSuper was proud to launch a number of new products and services, including the AustralianSuper Pension and a new investment option, Conservative Balanced. We also launched new tools on our website: a budgeting tool called Money Planner and a fund comparison tool called Apple Check. For more information on all of these visit our website at [www.australiansuper.com](http://www.australiansuper.com)

ELANA RUBIN  
Chair

IAN SILK  
Chief Executive

\* SuperRatings Fund Crediting Rate Survey June 2008

**Meet the  
people who look  
after your super**

## Member Briefing

AustralianSuper Directors and Managers will brief you on the current investment climate, the Fund's performance and strategy for the future.

You'll also have the opportunity to ask questions and meet Directors and Senior Management team over refreshments.

### Speakers include:

**Elana Rubin** – Chair  
**Bernie Fraser** – Investment Committee Chair  
**Ian Silk** – Chief Executive  
**Mark Delaney** – Chief Investment Officer



The meetings will be held from 5.30pm–8.30pm in:  
**Melbourne CBD**  
Wed 15 October 2008 and  
**Sydney CBD**  
Tues 25 November 2008

A webcast will also be available at  
[www.AustralianSuper.com](http://www.AustralianSuper.com)

**Seats are  
limited.  
Register your  
interest now.**

Visit: [www.AustralianSuper.com/rsvp](http://www.AustralianSuper.com/rsvp)  
Email: [rsvp@AustralianSuper.com](mailto:rsvp@AustralianSuper.com)  
Call: 1300 789 932

# Important Fund news

## Administration fee increase

AustralianSuper works hard to keep its fees as low as possible while continuing to provide products and services that help working Australians maximise their retirement savings. To enable AustralianSuper to continue to meet the needs of its members, the administration fee charged on all<sup>1</sup> member accounts will increase from \$1.00 per week to \$1.50 per week, taking effect on 1 January 2009.

The increase, which will amount to about \$26 over a year, is the first administration fee increase for several years for AustralianSuper (including both the pre-merger Funds, STA and ARF). It is considered necessary by the Trustee Board to enable the Fund to continue to provide market-leading products and services to its members and employers.

## Working hard to keep fees low

While we are always mindful of keeping costs low, the administration fee must also be used to improve our products and services. Examples of improvements over the past three years include a dramatic improvement to our insurance offer to help protect the

financial well-being of our members, new investment options to better suit the needs of our members, and the launch of a pension product that provides members with a low-cost and tax effective option for an income stream once they retire.

'Behind the scenes' there have also been significant changes, including ongoing updates to our IT/technical systems, improvements to online functionality, and improvements to our administrative capabilities to increase the speed and efficiency of members' and employers' transactions with us.

## Run only to profit members

As an industry super fund, AustralianSuper is run only to profit members, and the fee increase will enable the Fund to continue to cover its costs. In fact, despite the new administration fee, we will continue to be amongst Australia's lowest cost super providers, and we remain confident that the Fund's products and services will continue to provide great value to working Australians. Our core purpose remains to maximise the retirement savings of our members.

It is also important to note that AustralianSuper has a flat administration fee rather than a fee charged as a percentage of each member's account balance. We've always taken this approach throughout our 20-year history

because we strongly believe that a flat fee structure is fairer to members and simpler to understand. And the research we have conducted with members indicates that our members strongly agree with this stance.

This Annual Report contains information about recent improvements to AustralianSuper's products and services, including to our insurance offer, our investment processes, and upgrades to our website.



## Your weekly administration fee provides you with:

- Efficient, accurate and secure administration of your account
- Investment choice, with access to 16 different investment options and the facility to switch options at no additional cost
- Relationship Managers for every State and Territory to assist members and employers with superannuation and Fund-related queries
- A comprehensive website with a variety of tools and calculators, including a secure section where you can access your account details any time of the day or night
- A call centre available from 8am to 8pm Monday to Friday
- Two benefit statements and two membership magazines mailed to you each year.

*'All profits come back to me.  
I like that.'*

Greg Bird, Bird's Nursery,  
AustralianSuper member

<sup>1</sup> Note: Pension and Corporate Division Members have different fee scales, and are not subject to the fees outlined above.



*'I like AustralianSuper because they're an industry fund run only to profit members.'*

Cindy Cassidy (left), B&D Doors, with AustralianSuper Relationship Manager, Patricia James.



## New investment option

A Conservative Balanced Investment Option was introduced on 1 January 2008 to coincide with the launch of the AustralianSuper Pension. The Conservative Balanced investment option is designed for members who want solid capital accumulation, steady earnings and reasonable likelihood of capital protection in an adverse investment environment. This investment option was introduced to assist those members wanting a regular income stream, such as retirees.

## Daily crediting rates

As of 1 July 2008, AustralianSuper calculates and declares crediting rates for all investment options on a daily basis (other than for the ASX200 Shares Investment Option).

The crediting rate is the rate of return credited to your account. It is based on the investment return in your chosen investment option, minus tax and fees. Previously crediting rates were declared on a monthly basis and interim rates were set on a weekly basis.

AustralianSuper has made the change to daily crediting rates to improve the simplicity and precision of members' transactions and benefit payments.

This means that when investment returns are allocated to your account (such as when you switch investment options), they will be calculated as at the actual day of that activity or transaction. If you do not make a switch or leave the Fund, investment returns will still be allocated to your account every six months.

## Switching investment options

You will continue to be able to switch investment options on the current basis (weekly, free of charge). However, these are now processed by the Fund using daily crediting rates to take effect from the close of business on Mondays (previously Wednesdays). Details of the switch will appear on your account on or after Wednesdays. Returns are credited according to the rate determined for the day your switch request became effective.



For detailed information about AustralianSuper's crediting rate policy, please visit our website at [www.australiansuper.com](http://www.australiansuper.com)

## AustralianSuper Pension takes off strongly

The AustralianSuper Pension was launched on 1 January 2008 and allows members to stay with the Fund they trust throughout their working life and through retirement.



Since its introduction, over 1,500 members have taken up an AustralianSuper Pension – representing nearly \$500 million in funds under management in just six months. This reflects real support for the features of this new product.

The AustralianSuper Pension is an account-based pension that allows you to take regular payments from your superannuation savings. It provides:

- Easy access to your money at any time (restrictions only apply under the Transition to Retirement option)
- Flexible payment options
- Regular pension payments credited to your bank account.

- Full online account access
- Pension calculators to help you calculate your annual minimum and maximum (for the Transition to Retirement option) amounts each year and to illustrate the impact of varying your pension payment amounts.

The AustralianSuper Pension is open to anyone\* who wants to benefit from AustralianSuper's great features.

For further information about the AustralianSuper Pension, please visit [www.australiansuper.com/pension](http://www.australiansuper.com/pension)

\* Generally, you need to be 55 years and over to be eligible to commence a pension.



# Investment commentary

By Bernie Fraser, Independent Director and AustralianSuper Investment Committee Chair

The past year was a poor one for all superannuation funds, including AustralianSuper. In the case of AustralianSuper, members of the Balanced Investment Option (default) will be very disappointed to learn that their retirement savings actually declined by 5.8% in 2007/08. This will be especially so for members planning to retire in the near future, and for those who have only recently joined the Fund.

All of the balanced-type plans surveyed by SuperRatings reported negative returns in 2007/08. For nearly half of these, the decrease in returns ranged between -4.7% and -8.5%. The median fund in this survey recorded a decline of 6.4%, a little greater than the -5.8% recorded by AustralianSuper's Balanced option.

## The role of equities

The negative performance of our Balanced option can be attributed entirely to the sharp turnaround which occurred in equity markets in Australia and overseas last year – all other major asset categories recorded modest positive returns.

Over long periods – say ten years or more – equity markets tend to generate attractive investment returns; this ultimately reflects on-going economic growth in Australia and in other countries. The relatively attractive long-term returns available from investments in equity markets explains why such large proportions of total investible funds are allocated to equities (around 2/3 to 3/4 for most balanced funds).

Unfortunately, equity markets – like many other markets – are prone to significant 'overshooting' from time to time, and in both directions. In other words, at times equity prices shoot up further than can be justified by 'fundamental' factors, while at other times (often following an upwards overshoot) they fall further than seems to be warranted by those fundamental factors.

This overshooting occurs because equity markets are driven not only by fundamental factors like growth rates in economies and in corporate earnings, inflation and the availability/cost of credit but also by sentiment, confidence and attitudes towards risk taking – factors which sometimes depart from the fundamentals and develop a momentum of their own.

Until about a year ago equity markets generally had been advancing very strongly, buoyed by above average economic growth rates around the world, benign inflationary conditions, and cheap and readily available credit. All this changed with the surfacing of the sub-prime housing loan problems in the US in the early months of 2007/08; credit was suddenly tight and expensive, concerns about the growth prospects of several countries intensified and investors generally became quite risk-averse.

Sharply higher oil and some other commodity prices further heightened concerns about the outlook for growth and inflation around the world. Against this background, international equity prices declined on average by 19.6% last year, following increases of 9.8% and 19.8% in 2006/07 and 2005/06, respectively. An even larger turnaround occurred in the Australian equity market where prices declined by 13.7% last year, following increase of 29.2% and 24.1% in the two preceding years.

## Asset allocation

Partly because of the difficulty of predicting the timing of major changes in equity (and other) markets, and partly because of AustralianSuper's long-term investment focus, we do not seek to make large scale changes in asset allocations from one year to the next.

As the following table shows, over the past five years (including last year's poor result) the Balanced option has returned over 11% per annum; this is several times the underlying rate of inflation, and ahead of the returns earned by the median balanced fund for that period.

Options	2007/08		Average past 5 years	
	AS (%)	Median (%)	AS (%)	Median (%)
Balanced	-5.8	-6.4	11.2	9.8
High Growth	-8.4	-8.8	11.7	10.3
Stable	2.3	-0.3	7.4	6.7
Capital Guaranteed	4.9	4.8	4.8	4.4

# AustralianSuper's investment performance

We do, however, make some adjustments in the light of significant changes in the perceived direction of economic and financial conditions; during the course of the past year we acted to reduce our exposure to equities, and to significantly increase our holdings of cash. But for these actions the decline in the Balanced option would have been somewhat greater than that recorded.

While last year's results are clearly disappointing, Balanced option members have nonetheless accrued healthy increments in their retirement savings over the past several years. In effect, the setback last year represents something of an inevitable – if unpredictable – correction of the overshooting which occurred in the previous year or so.

The current outlook for the world economy, and for financial markets generally, is more difficult than it has been for sometime, not least because of the flow-on effects of the on-going sub-prime mess in the US. High crude oil prices – while they persist – also have negative consequences. With appropriate policy measures, changes in behaviour and, importantly, the passage of time, these problems will ease, leading to conditions more conducive to better economic and financial market performances – including in equity markets. We will begin re-investing in equities when it is judged appropriate to do so – perhaps during the course of 2009. In the meanwhile, all AustralianSuper investments will continue to be managed with a view to delivering the best possible long-term returns (having regard to risks) to members.

The views expressed here are Bernie Fraser's and not necessarily those of the Trustee.

## How your super has performed

Investment performance as at 30 June 2008	1 Year %		3 Year % pa		5 Years % pa	
	A'Super	B'mark	A'Super	B'mark	A'Super	B'mark
High Growth	<b>-8.36</b>	-8.80	<b>9.39</b>	7.46	<b>11.72</b>	10.32
Balanced	<b>-5.78</b>	-6.39	<b>9.26</b>	7.40	<b>11.19</b>	9.80
Sustainable Balanced	<b>-9.89</b>	-6.39	<b>5.97</b>	7.40	<b>7.58</b>	9.80
Conservative Balanced*	<b>N/A</b>	-3.73	<b>N/A</b>	6.13	<b>N/A</b>	7.95
Stable	<b>2.34</b>	-0.29	<b>6.76</b>	5.71	<b>7.43</b>	6.70
Capital Guaranteed	<b>4.86</b>	4.77	<b>5.05</b>	4.19	<b>4.76</b>	4.37
Australian Shares	<b>-12.83</b>	-13.48	<b>10.98</b>	10.50	<b>15.70</b>	15.11
International Shares	<b>-18.21</b>	-18.33	<b>3.19</b>	1.13	<b>5.97</b>	3.96
Australian Sustainable Shares	<b>-27.25</b>	-13.86	<b>1.83</b>	9.98	<b>8.49</b>	14.55
International Sustainable Shares	<b>-20.47</b>	-18.76	<b>-1.50</b>	0.71	<b>1.43</b>	3.53
Property	<b>7.43</b>	12.73	<b>12.74</b>	14.84	<b>11.59</b>	13.25
Australian Fixed Interest	<b>1.56</b>	3.52	<b>2.65</b>	3.12	<b>3.53</b>	3.49
Diversified Fixed Interest	<b>3.92</b>	5.27	<b>3.66</b>	3.50	<b>4.70</b>	4.16
International Fixed Interest	<b>6.37</b>	7.11	<b>4.36</b>	3.96	<b>5.92</b>	4.92
Cash	<b>5.12</b>	6.16	<b>5.37</b>	5.45	<b>4.99</b>	5.09

### Benchmarks

High Growth: SuperRatings Median Growth; Balanced: SuperRatings Median Balanced; Sustainable Balanced: SuperRatings Median Balanced; Stable: SuperRatings Median Stable; Capital Guaranteed: (70% UBSA Composite All Maturities Bond Index + 30% UBSA Bank Bill Index) adjusted for fees and tax; Australian Shares: S&P/ASX300 Accumulation index adjusted for fees and tax; International Shares: MSCI AC World ex Australia (in \$A) Index adjusted for fees and tax; Australian Sustainable Shares: S&P/ASX300 Accumulation Index adjusted for fees and tax; International Sustainable Shares: MSCI AC World ex Australia (in \$A) Index adjusted for fees and tax; Property: Mercer Unlisted Property Index adjusted for fees and tax; Australian Fixed Interest: UBSA Composite All Maturities Bond Index adjusted for fees and tax; Diversified Fixed Interest: (50% UBSA Composite All Maturities Bond Index + 50% Citigroup WGB

Hedged Index) adjusted for fees and tax; International Fixed Interest: Citigroup WGB Hedged Index adjusted for fees and tax; Cash: UBSA Bank Bill Index adjusted for fees and tax.

Notes: Please note that the returns quoted are net of fees and tax. The 1 year, 3 year and 5 year figures are rolling returns as at 30 June 2008. In calculating historical returns, combined ARF and STA returns (asset-weighted where possible) have been used where both Funds previously offered equivalent investment options. Where only one of the merging funds previously offered an option, the returns for that option have been used. Investment returns are not guaranteed as all investments carry some risk. Past performance gives no indication of future returns.

\*As the Conservative Balance Option commenced in January 2008, 12 month figures are unavailable.

# Riding the highs and lows

The past financial year has been a difficult one for investors and this has impacted on superannuation funds' returns.

If you are in the Balanced Investment Option or an investment option that includes a significant investment in shares, the impact on your superannuation returns for the 12 months to 30 June 2008 will be negative. While that can be difficult to accept, experienced investors know that, while unfortunate, negative investment results can be expected on average every five to seven years in a balanced option.

History shows that markets do deliver negative investment returns every few years as part of a normal investment cycle. However, higher returns in other years have tended to make up for this, and the overall trend has been upwards.

## >> Focus on the long term

It's always important to remember that super is a long term investment. For many members, the time until retirement will be 10 to 20 years from now – maybe even more. But even if you are close to retirement age, with the launch of the AustralianSuper Pension, you may also intend to keep some of your money invested in super or in a retirement product after you retire.

So, while a negative return over a short period can be painful, it's important to continue to focus on how your super performs over the long term, because that's what really counts.

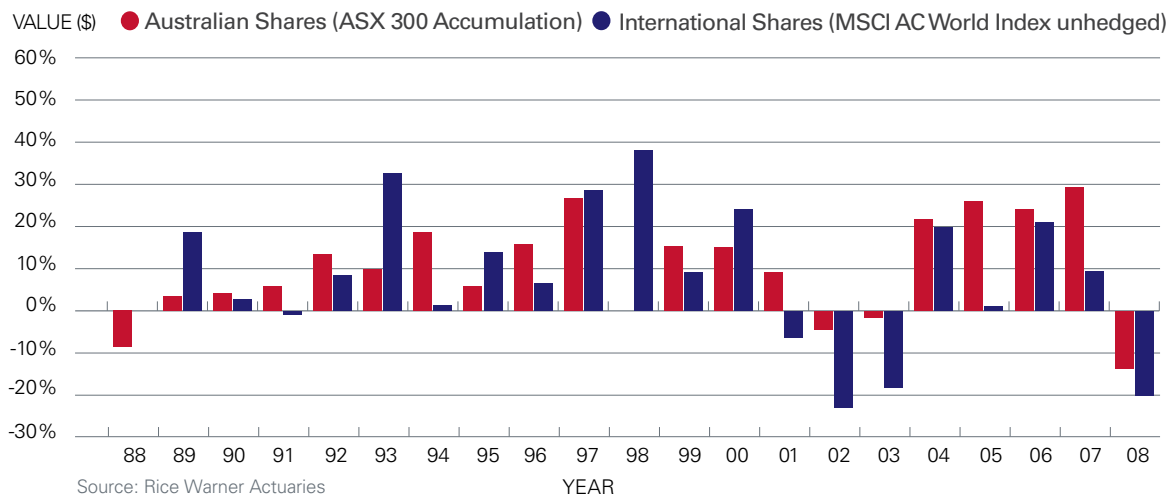
## >> Take stock but don't make hasty changes

It's important to check every couple of years that your investment option still suits you and your circumstances. But don't make hasty changes until you've fully considered your situation and personal objectives.

Unfortunately, but understandably, periods of ups and downs in the market often prompt 'knee-jerk' reactions from investors. However, members who try to 'time the market' by switching between investment options based on short-term performance often lose out because it is very difficult for even the most experienced investor to predict even short term changes in the market. By switching

## Ups and downs are a fact of life in sharemarkets

This chart shows how much the performance of the sharemarkets in Australia and overseas can change from year to year, with some years experiencing dramatic gains and other years losses.





# of investment

out of your investment option after it has experienced a loss you are 'locking in a loss' and not giving your account a chance to benefit from any future gains that may occur in your investment option. Any investment option you choose should be right for you over the long term. That will have the effect of both helping you achieve long term goals as well as calming any nerves that shorter-term market volatility may produce. Before switching your investment option, you may wish to seek advice from a licensed adviser to ensure your investment option is appropriate for your circumstances and goals.

To talk to a financial adviser you may wish to contact Industry Fund Financial Planning (IFFP) on 1300 138 848 or visit [www.iffp.com.au](http://www.iffp.com.au)



## Did you know?

The Balanced Investment Option is the 'default' investment option for members who have not made an investment choice. The Balanced Investment Option (in which most AustralianSuper members are invested) comprises a broad range of asset classes including shares, bonds, infrastructure and property. This investment diversity helps to lower overall risk, as prices in different asset classes move differently.

Visit [www.australiansuper.com](http://www.australiansuper.com) for information about all AustralianSuper's investment options and how to make an investment choice.

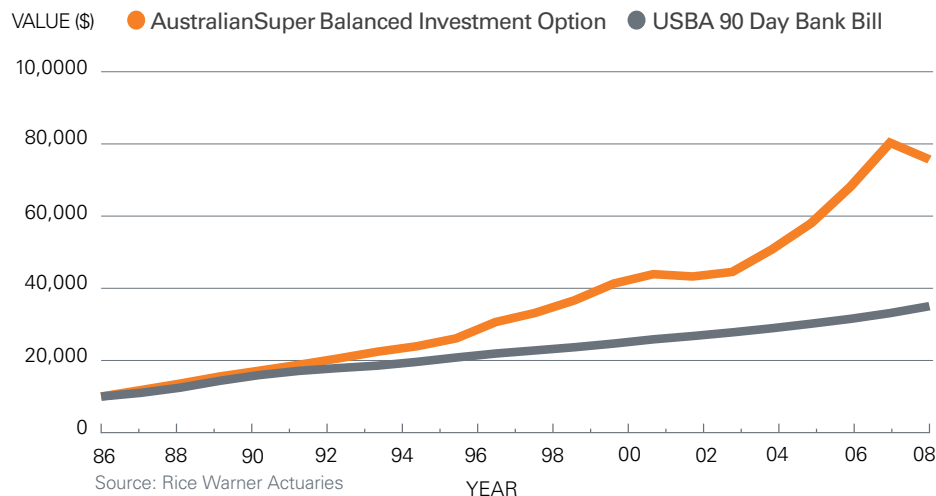


*'With AustralianSuper's history of strong returns, my super's working harder.'*

Claire McKechnie, James L Williams  
AustralianSuper member

## The growth of your super over the long-term, compared to a bank account ...

AustralianSuper Balanced option compared to a bank account



This chart compares the long-term return provided by AustralianSuper's Balanced Investment Option to the return provided over the same period by a typical bank account.

Note: The graph shows the value over time of a \$10,000 amount invested at 1 July 1987 in the Balanced option compared to \$10,000 in a bank account over the same period.

Assumptions: The Balanced Option Returns are net of fees and tax. The USBA 90 Day Bank Bill Index return less fees of 0.5% is used as a proxy for the interest rate of the bank account. The member's marginal rate of tax is assumed to be 31.5%, which is the marginal rate of tax on average earnings.

# Ensuring you're well insured...

## even better insurance options from AustralianSuper

Are you one of those members who when you get your statement from your super fund, you check your account balance, glance at a few line items and probably not much else?

Remember that your super statement contains so much more. Like your insurance cover, for example. Your AustralianSuper membership can give you automatic cover for death and disablement and the ability to change your level of cover or to take up extras such as income protection.

AustralianSuper has made a number of insurance policy changes to give you a range of new insurance opportunities from 1 November 2008.



*'AustralianSuper insurance gives me and my family security.'*

Jessica Bonanno, AustralianSuper member

### So what's new?

#### See for yourself at a glance:

- **Larger benefit for terminally ill members** – Members between the ages of 61 and 64 who meet the 'terminal illness' definition will be paid a larger benefit because it is tax-free.
- **Day one TPD cover for a range of conditions** – From 1 November, the six-month waiting period for members who are totally and permanently disabled as a result of 18 specific medical conditions will be waived. Some of these conditions include motor neurone disease, multiple sclerosis, paraplegia, dementia and Alzheimer's disease.
- **Interim accident cover** – Currently, if you are applying for insurance cover you have up to 60 days free interim accident cover. This covers you for up to \$1 million if you die or become totally and permanently disabled while your application is being assessed. Under the new arrangements, you will now have free interim accident cover for 120 days.

AustralianSuper's new and improved insurance policy gives greater cover and security for all members. It reflects the Fund's commitment to giving members the very best products and services – in superannuation, investments, retirement and insurance.

### Now is a good time to review your cover

The start of a new financial year is a good time to review your insurance and make any necessary adjustments.

**Step 1:** Check your Member Benefit Statement to see how much cover you currently have for death, total and permanent disablement and income protection insurance.

**Step 2:** Think about any major changes since you last reviewed your insurance, for example, do you now have a mortgage, have you expanded your family, have there been any significant increases in your debts?

**Step 3:** Check the AustralianSuper website to see what insurance options are available to you.

**Step 4:** Work out how much cover you need using the insurance calculators on our website.

**Step 5:** Complete the applicable form to increase or change your level of cover. Forms are available via the AustralianSuper website.

### If you need help

Visit [www.australiansuper.com](http://www.australiansuper.com) or call us on 1300 300 273 weekdays 8am to 7pm (EST).

Note: any variation in insurance cover is subject to maximum benefit levels and to underwriting and acceptance by AustralianSuper's insurer.



Detailed information will be included in the new Insurance Guide that will be available from 1 November 2008.

# You gotta have faith

## – riding the waves of market volatility

Jeff Halson is deadly serious when he talks about his super investment. But it wasn't always so.

'Super never really meant a lot to me in the past,' Jeff Halson says.

But these days, the long-term High Growth investor talks easily about salary sacrifice, voluntary contributions and the importance of riding out volatile times in the market.

### Invested for the long term

Jeff has his super invested in the High Growth Investment Option, an investment choice option for AustralianSuper members who want higher growth over the long term and who accept greater volatility of investment returns from year to year – including the potential for negative returns in some years.

'I can't see any point in chopping and changing investment options in the down times,' says Jeff matter-of-factly. 'Every option, every fund, feels the bad times. It will pass.'

It's an outlook he adopted back in 2002 when the September 11 terrorist attacks resulted in a sharemarket downturn that affected investors, including superannuation members.

His ride-it-out philosophy stood him in good stead back then. History shows how the market rebounded strongly in subsequent years. In fact, prior to this year, every year since 2002 has seen a positive return for high growth and growth investment options with AustralianSuper (and its predecessor funds ARF and STA).<sup>\*</sup> And while past performance can never guarantee future returns, it's a stunning reminder of the natural ups and downs of the sharemarket and how, as Jeff says, 'the good times make up for the bad times'.

So let's go back a few years: what made Jeff suddenly take notice of his super?

### A well-timed reality check

It was simply a discussion with his employer who talked about how much the average person may need to live comfortably in retirement.<sup>#</sup>

Jeff was taken aback. 'I remember thinking there's no way I'll have anywhere near that.' He devised a super savings plan that included making voluntary contributions that attract the Government Co-contribution<sup>^</sup>, as well as a salary sacrifice arrangement with his employer.

*'Super is for the long term.  
You gotta have faith.'*

Jeff hasn't looked back. The urge to accumulate and consolidate his retirement savings is clear. 'I want to be able to look after myself in retirement, and if all else fails I want to make sure my children will be looked after.'

He pauses. 'I don't believe we should expect that our super will always grow,' he says reflectively. 'There will be down times, but super is for the long term. You gotta have faith.'

<sup>\*</sup> In calculating historical returns for AustralianSuper, where only one of the merging funds (ARF or STA) previously offered an equivalent to an option in the new product suite, the returns for that option have been used. Where both funds offered the equivalent option, the returns have been asset weighted across both options on a monthly basis, where possible.

<sup>#</sup> Current estimates suggest singles will need \$36,607 per year and couples \$48,962 per year to live comfortably in retirement. Source: Westpac ASFA Retirement Standard, December 2007.

<sup>^</sup> Eligibility restrictions apply for the Government Co-contribution. See [www.australiansuper.com](http://www.australiansuper.com) for further information.



# Your questions answered... understanding your investment

Every day, our call centre staff speak to members about issues that concern them about their super and many members' questions have been about investments. Here are some of the most common questions.

## **Q: Why am I losing money? I thought super was like a bank account.**

**A:** Super is a long term investment, regulated by different laws to other investments (including different tax treatment). A super fund invests in assets like shares and bonds with the aim of increasing your savings over many years. These assets move up and down over time with rises and falls in financial markets and this can impact the value of your account. Over short periods you may see your account balance fall, but over the long term you are likely to see it grow.

Your super differs from a bank account because the money that is contributed to your account (either by your employer or by yourself) is invested in the different assets of your selected AustralianSuper investment option. You can choose which of the AustralianSuper investment options your money is invested in. (If you don't make a choice it will be invested in the Balanced Investment Option).

The other major difference is, of course, that withdrawals from a super account are regulated by legislation, including 'preservation rules' which determine when you can access your super (including your age).

AustralianSuper's investment options are subject to the normal risks associated with any forms of investment and consequently, these options rise and fall broadly in line with general economic and financial market conditions.

## **Q: What are the crediting rates?**

**A:** Each day we declare a return (or 'crediting rate' similar to a rate of interest) for each investment option. Daily crediting rates were introduced from 1 July 2008. The crediting rate declared can be positive or negative depending on investment performance.

The amount allocated to your account is the crediting rate earned during the period that your money was invested in the investment option/s, less any investment management fees, expenses and other provisions, such as tax.

Investment returns from your chosen investment option/s are applied to your account effective 30 June and 31 December each year or earlier if you switch between investment options, or you leave AustralianSuper.

## **Q: Why is Balanced the default investment option? Isn't cash a more appropriate default option?**

**A:** The AustralianSuper Board, on the advice of the Investment Committee, chaired by Bernie Fraser, selects the default investment option on the basis of what option it believes is best suited to the majority of members. This includes an assessment of the appropriate balance between expected growth and acceptable risk.

The Board changes the asset mix of the Balanced Investment Option to minimise risk (during times of volatility) and maximise returns in line with investment cycles.

For example, because of the recent market volatility the asset mix of the Balanced Investment Option has been altered to increase the exposure to cash, and decrease the exposure to shares.

## **Q: Does AustralianSuper use an investment reserve to 'smooth' returns?**

**A:** An investment reserve is a small percentage of a fund's assets that are not allocated to members' accounts when investment returns are credited. AustralianSuper does not operate an investment reserve, for the purposes of 'smoothing'. AustralianSuper does however maintain an investment contingency reserve which is funded by retaining a small part of investment returns that would otherwise be allocated to members' accounts via crediting rates.

The Investment Contingency Reserve has three key purposes:

1. To provide for a small margin of error in the setting of crediting rates in the event of over or under crediting of investment returns so as to ensure that total net assets are always in excess of total member accounts;
2. To provide a source of funds in the event of over crediting of investment earnings to members where the overpayments cannot be recovered from members; and
3. To cover any administrative costs associated with rectification of crediting rate errors.



The Investment Contingency Reserve has been maintained by AustralianSuper from 1 July 2008.

The Investment Contingency Reserve is maintained at a constant level relative to total fund assets, so the amount deducted from investments for the reserve may vary from time to time.

For details of AustralianSuper's Investment Contingency Reserve, see page 23.

**Q: What's the best way to invest my money?**

**A:** Unfortunately, there is no 'best way' to invest that will guarantee strong investment returns, because no one can guarantee the performance of any investment. Also, no two people will have the same expectations of investment return, and tolerance for risk.

Because no two investors' circumstances will be the same, it's important to seek quality advice from a licensed financial planner who will take time to understand your needs and circumstances.

As a member of AustralianSuper, you can access a licensed fee-for-service financial planner through Industry Fund Financial Planning (IFFP). Contact IFFP on 1300 138 848 or visit [www.iffp.com.au](http://www.iffp.com.au) for further information.

**Q: How do I find out the asset allocations for my investment option?**

**A:** Asset allocations are the proportion invested in each underlying asset class within an investment option. For example, some AustralianSuper investment options have a higher allocation to the Australian

shares asset class, while others have a higher allocation to cash.

The asset allocation will be determined by the aims of the investment option (that is, the expected returns over the medium to longer term) as well as the risk profile of that option (including the chance of a negative return over the medium to short term).

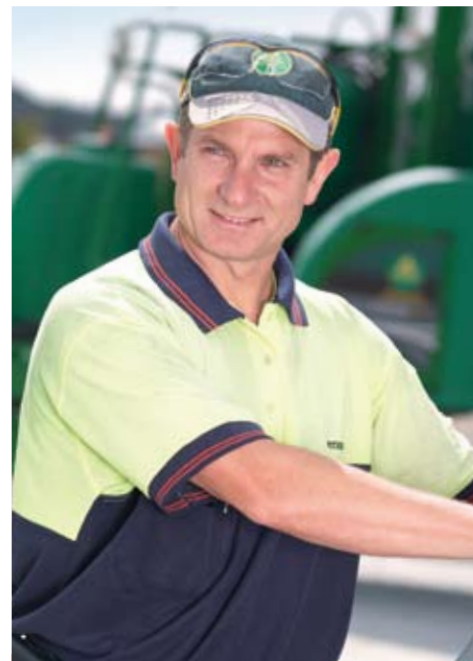
The asset allocation, together with the objectives of each AustralianSuper investment options is outlined in your Product Disclosure Statement, and on the AustralianSuper website.

**Q: What do investment managers do?**

**A:** AustralianSuper, like most super funds, appoints investment management firms to manage the pooled money grouped together from members' accounts and produce a return on those investments. Typically, each investment management firm will have a specialisation in investment within a particular asset class (such as Australian shares, cash, or property). Due to AustralianSuper's size, the Fund appoints a number of specialist investment managers.

Investment managers charge a fee to provide this service to AustralianSuper, and the Fund regularly reviews the performance of each manager to retain those that perform well, and remove those that do not perform satisfactorily over a reasonable period of time.

Details of AustralianSuper's investment managers, as well as the percentage of the Fund's overall investment with each, are contained on page 22 of this Annual Report and on the AustralianSuper website.



*'The Government Co-Contribution is a great way to give your super a free boost.'*

Brenton Little, Goldacres,  
AustralianSuper member



For up to date information about AustralianSuper, visit [www.australiansuper.com](http://www.australiansuper.com)



# Your AustralianSuper investment options

## Your AustralianSuper investment options

Each of the AustralianSuper investment options have different objectives and strategies to meet them. These are outlined below. Do you have the right investment option for your needs and circumstances? For information about making an investment choice, please refer to the AustralianSuper Member Investment Choice Guide, available from our website at [www.australiansuper.com](http://www.australiansuper.com)

### PreMixed investment options

#### High Growth

This option is designed to provide higher growth over the medium to long term.

Risk: High

Objective: out-perform (after fees and tax) CPI + 5% per annum over the medium to longer term.

#### Balanced Option

This option is designed to provide a level of return that is comparative with other balanced funds.

Risk: Medium

Objective: out-perform (after fees and tax) CPI + 4% per annum over the medium to longer term.

#### Sustainable Balanced

This is a 'socially responsible' option designed to provide returns similar to other balanced funds.

Risk: Medium

Objective: out-perform (after fees and taxes) CPI + 4% per annum over the medium to longer term.

#### Stable

This option is designed to provide conservative investment growth and greater security.

Risk: Low-Medium

Objective: out-perform (after fees and taxes) the median capital stable fund and CPI + 3% per annum, over the medium term.

#### Capital Guaranteed

This option is designed to provide high security and modest investment growth.

Risk: Low

Objective: out-perform (after fees and taxes) retail cash management accounts by 0.5% per annum and guarantee a member's capital.

#### Conservative Balanced

Designed to provide solid capital accumulation, strong yield and sound capital protection, which is competitive with other balanced funds.

Risk: Low-Medium

Objective: out-perform (after fees and taxes) the median conservative balanced fund and CPI + 3.5% per annum, over the medium to longer term.

### DIY Mix investment options

#### Australian Shares

Invests with active-style managers and enhanced index-style managers to produce strong investment performance within a cost-effective structure.

Risk: High

Objective: outperform (after tax and after fees) the S&P/ASX 300 Accumulation Index over the medium to longer term.

#### International Shares

Invests with active-style managers and enhanced indexed-style managers to produce strong investment performance within a cost-effective structure. Currency hedging is not used, meaning the option is fully exposed to foreign exchange movements.

Risk: High

Objective: outperform (after tax and after fees) the MSCI World All Countries (ex-Australia) Index over the medium to longer term.

#### Australian Sustainable Shares

Invests with active-style managers, to produce a result which exceeds the manager's investment benchmark.

Risk: High

Objective: outperform (after tax and after fees) the S&P/ASX 300 Accumulation Index over the medium to longer term.

#### International Sustainable Shares

Invests with active-style managers, to produce a result which exceeds the manager's investment benchmark. Currency hedging is not used, meaning the option is fully exposed to foreign exchange movements.

Risk: High

Objective: outperform (after tax and fees) the MSCI World All Countries (ex-Australia) Index over the medium to longer term.

Annual crediting rates – Financial Year Returns						
Investment Option	2003	2004	2005	2006	2007	2008
High Growth	0.2%	16.2%	14.5%	19.8%	19.2%	-8.4%
Balanced	2.9%	13.9%	14.4%	17.5%	17.8%	-5.8%
Sustainable Balanced	1.9%	8.1%	12.0%	13.7%	16.1%	-9.9%
Conservative Balanced	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stable	5.8%	7.4%	9.5%	9.0%	9.1%	2.3%
Capital Guaranteed	4.6%	4.3%	4.3%	5.0%	5.3%	4.9%
Australian Shares	0.9%	20.8%	25.6%	23.2%	27.2%	-12.8%
International Shares	-8.7%	17.8%	3.3%	20.8%	11.2%	-18.2%
Australian Sustainable Shares	-6.2%	15.8%	22.9%	18.1%	22.9%	-27.2%
International Sustainable Shares	-20.2%	12.5%	-0.2%	16.0%	3.5%	-20.5%
Property	8.6%	9.5%	10.3%	14.8%	16.2%	7.4%
Australian Fixed Interest	7.8%	2.3%	7.6%	3.5%	2.9%	1.6%
Diversified Fixed Interest	9.7%	4.0%	8.6%	3.3%	3.7%	3.9%
International Fixed Interest	13.2%	5.7%	11.0%	3.9%	2.9%	6.4%
Cash	3.9%	4.3%	4.6%	5.3%	5.6%	5.1%

For further information about AustralianSuper's investment options, please consult the *Member Investment Choice Guide*, available by calling us on **1300 300 273** or by visiting our website at [www.australiansuper.com](http://www.australiansuper.com)

Please note: Returns quoted are net of fees and tax. In calculating historical return information for AustralianSuper we have combined return information from previous ARF and STA investment options. Where only one of the merging funds previously offered an equivalent to an option in the new product suite, the returns of that option have been used. Where both funds offered an equivalent option, the returns have been asset weighted across both options on a monthly basis, where possible. The same process has been used for calculating historical investment fees. Past performance is not an indication of future returns.

Note: The Conservative Balanced Option commenced 1 January 2008 (returning -4.49% for the six months to 30 June 2008).

## Property

Invests with a variety of Property managers, both local and international, to produce strong and stable investment performance within a cost-effective structure.

Risk: High

Objective: outperform (after tax and after fees) CPI + 3% p.a. over the medium term.

## Australian Fixed Interest

Invests with active-style managers to produce stable investment performance within a cost-effective structure.

Risk: Low-Medium

Objective: outperform (after tax and after fees) CPI + 1-2% over the medium term.

## Diversified Fixed Interest

Invests with active-style managers to produce stable investment performance within a cost-effective structure. Currency hedging is utilised, meaning the option is protected as fully as possible to foreign exchange movements.

Risk: Low-Medium

Objective: outperform (after tax and after fees) CPI + 1-2% over the medium term.

## International Fixed Interest

Invests with active style managers to produce stable investment performance within a cost-effective structure. Currency hedging is utilised, meaning the option is protected as fully as possible to foreign exchange movements.

Risk: Low-Medium

Objective: outperform (after tax and after fees) CPI + 1-2% over the medium term.

## Cash

To invest with a number of managers to produce a return above the official cash rate.

Risk: Low

Objective: outperform (after tax and after fees) the CPI each year.

# Catch more of what you want and win

AustralianSuper's new email information service E-Super Updates, is designed specifically for you, our members. You can now elect to receive the information you want, when you want it.



## Kick off now and score big time!

Register your email address before 31 October 2008 and you will go into the draw to win a subscription to the newspaper or magazine of your choice\*. For more information and to register, simply fill out the contact details form enclosed in your statement pack or visit [www.australiansuper.com/score](http://www.australiansuper.com/score)

\*You can choose from a range of magazine or newspaper publications as specified in the full terms and conditions available at [www.australiansuper.com/score](http://www.australiansuper.com/score)

## Register and choose

Register your details today to get our new service working for you. You can subscribe to any or all of the E-Super Updates listed below and can change your options whenever you like by visiting our website.

### Weekly and daily ASX 200 news alerts

Real investment information junkies can choose from a range of weekly or daily ASX 200 news alerts including:

- daily dividends;
- daily ASX announcements;
- weekly stock prices; and
- a daily market bulletin.

### Monthly email reports

Keep up-to-date with your super with our monthly reports. The information you'll receive includes market and performance details, news about investment managers and new investment options.

### Quarterly updates

Check in to learn about a broad range of super and investment topics, brought to you in easy-to-read articles every quarter.

## How we're tackling spam

Your email will be used only by AustralianSuper to contact you with the information you request in accordance with our privacy policy, which can be found at [www.australiansuper.com/privacy](http://www.australiansuper.com/privacy)







Register to **WIN**  
visit [www.australiansuper.com/score](http://www.australiansuper.com/score)



# Securities lending and AustralianSuper

Recently, there have been a number of media articles reporting on the volatility in share markets being accentuated by short-selling activities. This has highlighted the common practice by financial service organisations, such as super funds, to provide their portfolios for securities lending.



*'Super is my money so it's important I make the right choices.'*

Dario Fra, Golden Circle,  
AustralianSuper member

It has been suggested that securities lending destroys value by reducing the price of securities held in a portfolio that are subject to short selling. Short selling is the practice of profiting from falling markets by selling securities the seller does not own in the expectation they can be repurchased later at a lower price.

Securities (or 'stock') lending refers to the lending of securities (including shares and bonds) from one party to another, typically for a fee.

Securities lending came about as a method to cover settlement failure. If one party failed to deliver stock to you (after you had purchased it) it could mean that you were unable to deliver stock that you had subsequently sold to another party. Therefore, in order to avoid costs and penalties that arise from settlement failure, stock is borrowed at a fee. This stock is then delivered to the second party, and penalties avoided. Then once your initial stock finally arrived (or was obtained from another source) the lender could receive back the same number of shares in the security that they lent.

Those wishing to borrow stock using securities lending do so for a range of purposes, including:

- to facilitate settlement of a trade;
- to facilitate delivery of a short sale;
- to finance the purchase of a security.

Institutions, such as super funds, also participate in securities lending as a lender; that is, they lend stock in order to receive income in the form of fees and interest.

## >> Does AustralianSuper participate in securities lending?

As part of its commitment to maximise the retirement savings of its members, AustralianSuper is involved in securities lending via its custodian from time to time.

AustralianSuper has reviewed its securities lending program recently and will continue the practice of securities lending.



For further information about securities lending, see the 'Securities Lending and short selling' fact sheet on our website at [www.australiansuper.com](http://www.australiansuper.com)



# Make the **most** of the extra **benefits** we offer

Access free seminars and a range of non super products and services at affordable rates

As one of Australia's biggest super funds AustralianSuper gives you more than just super. You and your family can access free retirement and financial seminars outside work hours and a range of non super products and services at affordable rates.

These include:

- **Financial advice** with no commissions through Industry Fund Financial Planning. Your first appointment is free of charge and further services you take will be based on an up-front fee agreed with you.
- **Home loans and savings accounts** through Members Equity Bank that take care of your every day financial needs without high fees and charges.
- **Non-super managed investment funds** through ME investment funds to help you save for a home deposit, your child's education, or to build investments outside super.
- **Health insurance** for hospital and extras through the Super Members Health Plan, arranged through GMHBA, an established not-for-profit health fund.
- **Computer and internet packages** for home or business use through technology specialist Virtual Communities.

**AustralianSuper members  
enjoy a home loan discount**

**1300 354 997**

**[www.membersequitybank.com.au](http://www.membersequitybank.com.au)**

Terms, conditions, fees and charges apply.  
Applications are subject to approval.



Please note: AustralianSuper does not recommend, endorse or accept responsibility for these products or services. Terms and conditions apply – these should be obtained from the relevant third-party organisation. AustralianSuper does not accept liability for any loss or damage caused by the products and services provided by these third parties. AustralianSuper may invest in these third parties but does not receive any commissions from these organisations as a result of members using their products and services.

To find out more about these products and services visit [www.australiansuper.com](http://www.australiansuper.com) or call us on 1300 300 273 weekdays 8am to 8pm (EST).

AustralianSuper is an award-winning fund with top ratings from leading independent superannuation fund analysts.



**AustralianSuper is  
one of Australia's  
largest super funds.**

- 1.4 million members
- over 110 000 employees
- \$28 billion in funds under management

# Your Trustee Board

The role of the Board is to ensure that AustralianSuper is operated and managed in the best interests of all members and in accordance with its Governing Rules and superannuation legislation.

Directors are appointed by the ACTU and the Ai Group. Representatives from the ACTU, Ai Group, AMWU, AWU and LHMU were on the Board at 30 June 2008.

The Board meets at least every two months and Directors receive a modest fee for carrying out their duties. This is generally paid to the organisation represented on the Board to recognise the time spent on AustralianSuper activities.

The Trustee Directors and officers are covered by indemnity insurance against the financial effects of legal action against AustralianSuper.

## >> Complying Fund

The Trustee operates AustralianSuper to comply with the requirements of the Superannuation Industry (Supervision) Act 1993, the Corporations Act 2001 and other relevant legislation.

The Australian Prudential Regulation Authority (APRA) has approved AustralianSuper Pty Ltd as the holder of a Registrable Superannuation Entity Licence (L0000796) and AustralianSuper as a Registrable Superannuation Entity (R1001693).

The Australian Securities and Investments Commission (ASIC) has granted an Australian Financial Services Licence (AFSL 233788) to AustralianSuper to enable it to provide advice to members and employers about superannuation and related matters.

The Trustee submits returns to APRA and ASIC each year.

Please note: A copy of the Trust Deed is available on request.

## >> Trustee Committees

The Trustee has established a number of Committees to assist in managing its functions and responsibilities, including an Audit, Compliance and Risk Management Committee, Investment Committee, Benefit Payment Committee, Nominations and Remuneration Committee and Member and Employer Services Committee. Trustee Directors sit on these Committees.

## >> AustralianSuper Trust Deed

The Governing Rules are the legal documents that govern the way AustralianSuper is operated and managed. At present the Fund's governing rules are contained in the Trust Deed.

During 2007/2008 a number of sections of the Trust Deed were varied primarily to incorporate the changes introduced under the Better Super regime, and the Anti-Money

Laundering/Counter-Terrorism Financing Act 2006 and to facilitate the introduction of account-based pension products.

## >> Eligible rollover fund

Generally, if you have less than \$500 in your account and we have not received employer contributions for you for at least 13 months, we may transfer your account to AUSfund.

AUSfund is an eligible rollover fund, into which lost super fund members or members with small, inactive accounts are transferred.

The transfer to AUSfund protects your account from erosion by administration fees. If your account is transferred to AUSfund, you will no longer be a member of AustralianSuper, and any insurance cover you had will cease.

To contact AUSfund call 1300 361 798 or write to PO Box 2468 Kent Town, SA 5071.

## Service providers

The Trustee appoints a number of organisations to provide professional services and expert advice. The key appointments for the year to 30 June 2008 are listed below.

### **The consulting actuary**

Heron Partnership

### **Administration**

Superpartners

### **External audit**

Ernst & Young

### **Internal audit**

PricewaterhouseCoopers

### **Employer contribution arrears collection**

Industry Funds Credit Control

### **Insurer – death and disablement benefits**

CommInsure

### **Insurer – income protection benefits**

CommInsure

### **Investment advisers**

Frontier Investment Consulting

JANA Investment Advisers

### **Legal advisers**

Holding Redlich

Deacons

IFS Legal

Mercer Legal

### **Master custodian**

JP Morgan Chase Bank

### **Tax adviser**

KPMG

## AustralianSuper Trustee Board



The following Directors are representatives on the AustralianSuper Trustee Board to 30 June 2008.  
Back Row: Mr. Paul Howes, Mr. John Ingram, Ms. Cath Bowtell, Mr. Bernie Fraser, Mr. Nixon Apple, Mr. Brian Daley, Mr. Lucio Di Bartolomeo, Front row: Ms. Elana Rubin (Chair), Dr. Walter Uhlenbruch, Dr. Peter Thomas, Mr. Grahame Willis. Inset: Ms Heather Ridout, Mr Dave Oliver.

### >> Changes to the AustralianSuper Trustee Board

The last twelve months saw a number of changes to the Trustee Board:

**Geoff Ashton** – resigned as a Director and Chairman of the Board effective from 30 June 2007. He remains a member of the Investment Committee. Heather Ridout replaced Mr. Ashton effective from 1 July 2007 as an Ai Group nominated Director.

**Elana Rubin** – replaced Mr. Ashton as Chair of the Fund, and John Ingram became Deputy Chair of the Fund effective 1 July 2007.

**Greg Combet** – resigned as a Director effective from 30 June 2007. Cath Bowtell replaced Mr. Combet effective from 1 July 2007 as an ACTU nominated Director.

**Doug Cameron** – resigned as a Director effective from 18 June 2007. Dave Oliver

replaced Mr. Cameron effective from 1 July 2007 as an AMWU nominated Director.

**Bill Shorten** – resigned as a Director effective from 23 June 2007. Paul Howes replaced Mr. Shorten effective from 1 July 2007 as an AMU nominated Director.

### >> New AustralianSuper Director

Following the retirement of Barry Watchorn on 30 March 2008 from the AustralianSuper Trustee Board, the Ai Group has appointed Lucio Di Bartolomeo to the Board, effective from 31 March 2008. Lucio is a Non-Executive Director of Downer EDI; Reliance Rail; Macquarie Generation; Australian Rail Track Corporation; and Chairman of Parklands Foundation.

This wealth of experience positions him well to take up the role of Director on our Board and we welcome Lucio to AustralianSuper.

### Order of Australia Honours

AustralianSuper is proud to report that a Director on the AustralianSuper Board of Trustees has recently become a Member of the Order of Australia. John Ingram achieved the honour in June this year, for service to industry, particularly in the area of industrial relations reform, to the manufacturing sector through executive roles, and to the community. He joins fellow Directors Peter Thomas AM and Walter Uhlenbruch AO as AustralianSuper Directors who have received Order of Australia honours.

# Investment managers as at 30 June 2008

Asset Class / Manager	2008 FUM \$M	2007 FUM \$M
<b>Australian Equities</b>		
452 Capital Pty Ltd	376,438	779,005
Acadian WS Aust Equity	109,853	124,862
Alliance Capital Management Australia Ltd	293,696	78,661
ASX 200 Shares Trust	142,836	230,694
Ausbil Dexia Ltd	447,603	744,971
Australian Equity Transition	54,583	18,820
Alpha	345,182	0
Barclays Global Investors Equalised Long/Short Australian Equities	162,906	181,837
Barclays Global Investors Australia Alpha Equity	144,313	0
BT Institutional Australian Sustainability Share Fund	0	35,443
Cannae	34,611	0
Challenger Financial Services Australian Equities	0	376,253
Colonial FS Smaller Caps	0	52,553
Concord Capital Ltd	543,402	684,402
Cooper Investors	50,379	0
Eley Griffiths Group Ltd	75,115	86,739
Emulton Vanguard Investors	282,420	0
Greencap Capital	35,907	0
GSJB WERE	37,101	0
Industry Funds Management Pty Ltd (100 Leaders Indexed Fund)	905,968	793,143
Integrity	36,266	0
Kinetic	216,865	284,806
L1 Capital	24,779	0
Legg Mason	21,439	0
Macquarie Australian Long/Short Equities Fund	230,636	155,096
Macquarie Investment Management Ltd	1,608,864	1,702,502
Macquarie True Index Fund	0	57,170
Northcape Capital	36,372	0
Orbis Aust Equity	50,183	59,610
Orion	625,261	774,229
Paradice Cooper Investors Pty Ltd	180,532	239,693
Paradice Cooper Mid Caps	114,051	134,633
Perpetual Asset Management Ltd	984,165	1,672,955
Perpetual Ethical	52,867	17,968
Perpetual QI Long/Short Australian Equities	164,707	44,283
Platypus	241,992	178,230
Portfolio Partners Ltd	87,608	93,055
Renaissance Small Cap Australian Equities	110,243	139,881
SSGA Alpha Plus	12,100	322,408
Warakirri Endeavour Fund	0	130,576
Warakirri New Dimensions Fund	0	195,663
<b>Sector Total</b>	<b>8,841,243</b>	<b>10,390,141</b>
<b>International Equities</b>		
Acadian Asset Management	432,717	548,820
Acadian Global Equity Long / Short Fund	324,034	470,818
Alliance Bernstein GSB	643,528	851,089
Baillie Gifford Overseas Ltd	709,493	807,050
Brandes Global Mid Caps Equities	0	183,785
Brandes International Equities	123,542	183,068
Capital International Inc.	900,309	971,961
Dexia Sustainable Global Equity Fund	21,019	19,064
First State Investments	86,377	0
Forward Foreign Currency Contracts	28,783	92,329
LG Emerging Markets Fund	0	13,963
LSV Asset Management	347,587	376,599
Marathon Asset Management Ltd	313,529	417,450
Marvin and Palmer International Equities	169,704	171,005
Orbis Institutional Global Trust	602,958	747,998
SSGA Global Index Plus Trust	565,719	797,185

<b>International Equities (continued)</b>		
SSGA Global Index Trust	0	32,809
T — Rowe Price	443,529	0
Wellington International Equities	2,053	187,242
<b>Sector Total</b>	<b>5,714,881</b>	<b>6,872,235</b>
<b>Private Equity</b>		
Advent IV Private Equity Funds I & II	14,244	7,249
Archer Capital Fund No. 2	4,869	6,753
Archer Capital Fund No. 3	18,408	24,387
AustralianSuper Investment Fund No. 3	60,497	0
AustralianSuper Private Equity Currency Overlay	11,630	0
Champ Ventures Investments Trusts No. 5A & 5B	8,174	10,858
Frontier Investment Consulting Pty Ltd	811	811
Hastings Private Equity Funds 1A & 1B	2,916	2,206
Hastings Private Equity Funds 2A & 2B	11,361	9,961
IFM Australian Private Equity Fund I	0	3,197
IFM Australian Private Equity Fund II	57,501	62,779
IFM Australian Private Equity Fund III	67,852	59,849
IFM Australian Private Equity Fund IV	37,413	16,911
IFM Australian Private Equity Trust	121,195	86,455
IFM International Private Equity Fund I	77,987	86,680
IFM International Private Equity Fund II	78,507	49,644
IFM International Private Equity Fund III	7,079	0
Industry Funds Administration Trust	16,569	16,583
Industry Super Holdings Pty Ltd	213,123	193,903
Ironbridge Capital 2003/4 Trusts A & B	11,120	17,806
Nanyang Australia II Ltd	1,494	1,444
Next Capital 1	21,310	16,713
Portland Orthopaedics Pty Ltd	323	6,458
Venture Capital Partners No. 1 Fund	1,534	1,680
Virtual Communities Pty Ltd	2,490	2,490
Weathergag Venture Capital	0	2,239
Wolesey Partners Fund 2004	12,772	7,076
<b>Sector Total</b>	<b>861,179</b>	<b>694,132</b>
<b>Global Bonds</b>		
Alternative Fixed Income Trust Fund	498,169	492,031
AMP Life (Capital Guaranteed) Pty Ltd	6,133	5,748
Barclays Australian Equity Fixed Interest Index Trust	19	10,668
BGI International Fixed Interest	0	7,599
Brandywine	465,835	312,139
Bridgewater Associates Inc.	469,196	420,279
Credit Suisse Asset Management Syndicated Loan Fund	110,608	109,380
Fixed Interest Transaction Account	27,329	17,256
Kapstream Absolute	51,589	0
PIMCO Australia Pty Ltd	485,267	655,443
PIMCO Australian Equity Fixed Interest Index Trust	37,842	91,512
PIMCO International Fixed Interest Trust	24,882	12,306
SMHL	197,600	0
Super Loans Trust	271,253	209,998
<b>Sector Total</b>	<b>2,645,722</b>	<b>2,344,439</b>
<b>Property</b>		
AMP Direct Property Trust	290,339	255,533
AMP Life Limited	2,060	0
AustralianSuper Investment Fund No. 4	142,252	23,287
AustralianSuper Property Currency Overlay	9,044	0
AustralianSuper Property Pty Ltd	108,743	133,098
Barclays Australian Listed Property Index Fund	0	8,427
Charter Hall Opportunity Fund No. 4	19,819	5,989
Charter Hall Opportunity Fund No. 5	4,590	0
Fiduciary International Real Estate Fund 2A	32,663	20,247
Fortius Active Property Trust No. 1	111,630	86,988
GPT Wholesale Office Trust	197,164	172,500
Gresham Property Mezzanine Fund No. 2	5,840	6,532
Hotel Leisure & Tourism Trust of Australia	26,657	26,633

# Financial statements

The details below are a summary of AustralianSuper's statements for the last two financial years. Statements for 2008 are taken from unaudited accounts. Copies of the full audited financial statements and auditor's report will be available by 26 September 2008 on request.

Property (continued)		
ICA Property Development Fund No. 2	0	1,397
ICA Property Development Fund No. 4	14,119	15,635
ICA Property Development Fund No. 5	5,151	1,500
ISPT 50 Lonsdale Street Property Trust	99,686	95,462
ISPT Core Fund	2,140,674	1,927,835
ISPT Development and Opportunity Fund No. 1	47,875	27,586
ISPT Grosvenor International Property Trust	207,473	211,428
Legg Mason	36,183	49,851
Morgan Stanley Real Estate Fund No. 5	0	26,107
<b>Sector Total</b>	<b>3,501,962</b>	<b>3,096,035</b>
Infrastructure		
AustralianSuper Infrastructure Currency Overlay	51,230	0
AustralianSuper Investment Fund	45,109	26,185
AustralianSuper Investment Fund No. 2	36,630	27,597
AustralianSuper Investment Fund No. 5	104,206	0
Australia Value Added Infrastructure	56,520	0
ICON Trust 1	19,835	31,159
ICON Trust 2	19,839	31,159
IFM Australian Infrastructure	1,223,589	1,008,817
IFM Australian Social Infrastructure	0	47,641
IFM Australian Social Infrastructure B	0	48,444
IFM International Infrastructure	1,598,492	1,198,629
Kemble	203,302	207,635
Macquarie Global Infrastructure I	0	8,204
Macquarie Global Infrastructure II	36,154	27,245
Moto	65,326	76,491
Rare Infrastructure	88,807	96,408
Utilities Trust of Australia	325,106	271,344
<b>Sector Total</b>	<b>3,874,145</b>	<b>3,106,958</b>
Capital Gauranteed		
AXA Capital Guaranteed	425,985	185,446
<b>Sector Total</b>	<b>425,985</b>	<b>185,446</b>
Absolute Return Strategies		
Aurora Offshore Fund II	64,763	62,165
Basis Capital Australia Rim Opportunity Fund	1,254	2,698
BGI Total Return – Multi Opportunity Fund	252,037	236,096
Bridgewater All Weather Fund	0	105,116
Bridgewater Pure Alpha Fund	50,416	45,932
FRM Diversified Australia Fund	151,924	139,708
FRM Global Equity	126,079	129,526
GMO Multi - Strategy Trust	0	9,353
Jana Triplepoint Fund	204,318	0
Lazard Global Opportunities Fund	0	22,600
Quellos Capital Management, L.P. – KEL Fund	162,396	159,661
<b>Sector Total</b>	<b>1,013,187</b>	<b>912,855</b>
Cash		
Credit Suisse Asset Management Cash Account	216,127	305,240
IFM Liquidity Trust	2,172,066	1,101,117
<b>Sector Total</b>	<b>2,388,193</b>	<b>1,406,357</b>
<b>TOTAL</b>	<b>29,266,497</b>	<b>29,008,599</b>

1. This table of Investment Managers has been changed since last year to make it consistent with the reporting in the Financial Statements for 2007/2008.

2. In 2007/2008 the following investments were more than 5% of the total market value of assets:  
ISPT Core 7.2%; Macquarie 5.6%; IFM International (hedged) 5.5%

**Derivatives:** AustralianSuper does not directly invest in derivatives (futures and options) to reduce investment risks. Managers may use derivatives when investing the assets. Where this is the case, AustralianSuper considers the risks and the controls in place by reviewing each manager's Derivatives Risk Statement (DRS), and receives regular reports of the manager's compliance with the DRS. The derivatives charge ratio did not exceed 5% of fund assets at any time during the year.

## Statement of changes in net assets for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
<b>Opening balance</b>	<b>28,165,758</b>	<b>21,147,706</b>
<b>+ Plus income:</b>		
Employer contributions	2,804,936	2,366,672
Member contributions	570,241	867,000
Transfers inwards	1,912,546	1,602,640
Investment income	-1,951,363	4,279,049
Insurance receipts	67,192	48,007
Other income	8,905	11,783
<b>Total income</b>	<b>3,412,457</b>	<b>9,175,151</b>
<b>– Less expenses:</b>		
Benefits paid and payable	2,414,057	1,335,615
Administration and operating expenses	96,109	103,443
Insurance expense	125,740	99,762
Income tax expense	108,753	618,279
<b>Total expenses</b>	<b>2,744,659</b>	<b>2,157,099</b>
<b>= Net assets available to pay benefits at year end</b>	<b>28,833,556</b>	<b>28,165,758</b>
<b>Made up of:</b>		
Members' funds	28,672,497	28,121,499
Reserves	161,059	44,259
<b>Liability for accrued benefits</b>	<b>28,833,556</b>	<b>28,165,758</b>

**AustralianSuper's reserving policy:** A reserve is the part of the Fund's assets that is not allocated to members' accounts. An administration reserve, an investment contingency reserve and an insurance reserve are maintained.

The investment contingency reserve is invested across all investment options. The other reserves are invested in the Stable option. We are required to report the reserves over the last 3 years – for the year to 30 June 2006, reserves were \$66,272.



working just for you

# How to contact us

## Address details

Phone 1300 300 273  
Mail AustralianSuper  
GPO Box 1901  
Melbourne VIC 3001  
Fax 1300 366 273  
Web [www.australiansuper.com](http://www.australiansuper.com)  
Email [email@australiansuper.com](mailto:email@australiansuper.com)

### Are your details correct?

If we don't know where you are,  
we can't provide you with important  
information or pay your superannuation  
benefit when it becomes available to you.

**Important information:** This document is of a general nature and does not take into account your personal objectives, situation or needs. Before making a decision about AustralianSuper, consider your financial requirements and read our Product Disclosure Statement, available at [www.australiansuper.com/FormsPublications](http://www.australiansuper.com/FormsPublications) or by calling 1300 300 273. Investment returns are not guaranteed as all investments carry some risk. Past performance gives no indication of future returns. The opinions expressed herein are those of the authors and are not necessarily the official policy of AustralianSuper. Members quoted in this edition have agreed to their comments being published, and have not withdrawn this consent at the date of publication. Lifetime of Difference logo used with permission of Industry Fund Services (IFS) and this consent had not been withdrawn at the date of publication. There may be information about some of the value-added products available to Fund members enclosed with this Annual Report. Please contact AustralianSuper if you do not wish to receive such information in future. AustralianSuper respects members' privacy. For details of the Fund's Privacy Policy Statement visit our website at [www.australiansuper.com](http://www.australiansuper.com). Surcharge payments (if any) are deducted from member's accounts. AustralianSuper Pty Ltd ABN 94 006 457 987 AFSL 233788 Trustee of AustralianSuper ABN 65 714 394 898.