

A smiling woman with blonde hair is sitting on a large, weathered log in a forest. She is wearing a light orange, textured V-neck sweater and black pants. Her hands are clasped in her lap. The background shows a dense forest with tall trees and a warm, golden light, suggesting late afternoon or early morning. The overall mood is peaceful and natural.

AustralianSuper

ANNUAL REPORT  
2013/14

*Members' best interest*

# CONTENTS

Welcome	1
Highlights	2
Investment update	4
Using super to boost your pension	8
New model for insurance rates	10
Farewell and thank you to Paul Howes	11
Investing in infrastructure	13
Internal investment strategy takes shape	14
Property on a firm footing	16
Active ownership	17
The benefit of responsible investing	18
Investment options	20
Investments and investment managers	26
Super changes	29
Major shareholdings	30
The AustralianSuper Board	32
Directors	33
Committees of the Board	38
Being responsible in our dealings	39
Our people	40
Remuneration	43
Financial statements	47
About this report	49

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Cover: AustralianSuper member Dianna





# WELCOME

**HEATHER RIDOUT, CHAIR**  
**IAN SILK, CHIEF EXECUTIVE**

## AustralianSuper saw another year of strong performance and growth during 2013–2014.

This is the second year in a row that AustralianSuper has produced double-digit investment performance for members. The Balanced option's return of 13.88% for the year to 30 June 2014 was well ahead of the median fund, which is great news.

Superannuation is a long-term investment and markets can be unpredictable so we always encourage members to focus on longer-term performance. Over 10 years, AustralianSuper's Balanced option has returned an average annual return of 7.64%.

## Fund growth

During the year AustralianSuper welcomed over 300,000 new members, including around 17,000 new members who joined the Fund following our merger with Queensland-based AUST(Q) Super.

Members' assets also grew to \$78 billion during the 2014 financial year.

While growth brings advantages, AustralianSuper's primary objective remains to provide the best possible retirement outcomes for members. To ensure we achieve this, AustralianSuper always puts members' best interests first.

## Reducing cost

AustralianSuper is a low-cost fund and we are determined to reduce costs further in coming years so that members can reap increased benefits from belonging to a large super fund.

This process has so far involved our Australian shares, property and infrastructure portfolios and has already delivered significant savings for members.

The Australian shares team is performing well, while both the infrastructure and property teams have made their first major direct investments during the year. We aim to manage around 35% of our assets internally in 2018, with cost savings for members of around \$140 million a year.

## Retirement income

For some AustralianSuper members the best possible retirement outcome may involve using their super savings to top up the Age Pension.

In the past, many people have mistakenly thought that they can only take their super as a lump sum. It is now a major focus of AustralianSuper to raise awareness among members that they have the option of taking their retirement saving as an income over time.

It is important to realise that for many members even a small account balance can make a real difference to their retirement income and the way they live in retirement, when this is used to top up the Age Pension.

## The coming year

Investment returns in the coming year are likely to be more modest and closer to long-term investment averages. The ongoing recovery of global markets, and the level of global political stability, will be key determining factors of economic and investment performance.

AustralianSuper is well positioned to deal with the economic and financial opportunities and challenges that arise during the year. We have a skilled and committed team that is clearly and solely focused on members' best interests. We welcome your comments or feedback about AustralianSuper or this Annual Report by email at [hridout@australiansuper.com](mailto:hridout@australiansuper.com) or [isilk@australiansuper.com](mailto:isilk@australiansuper.com)

As always, we would like to thank all members for their ongoing support of AustralianSuper.

# HIGHLIGHTS 2013–2014

# \$78 billion

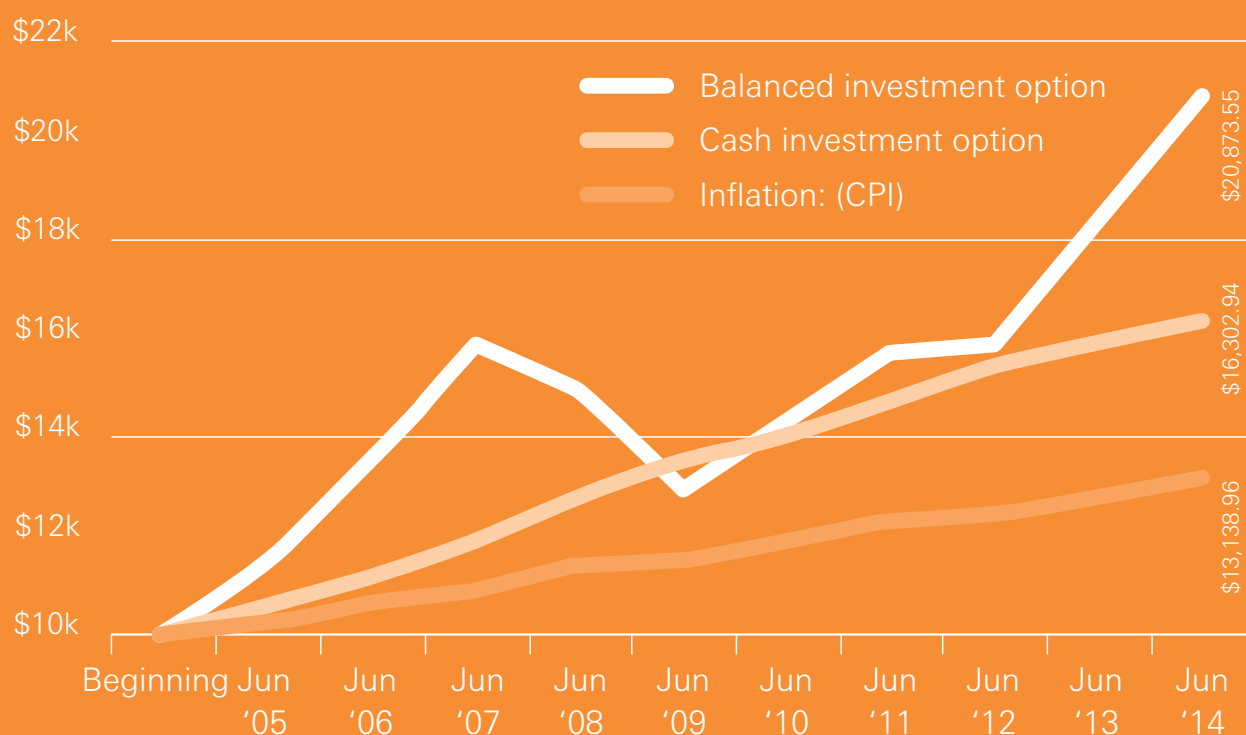
Members' assets in AustralianSuper grew to \$78 billion during the year.

# 13.88%

For the 12 months to 30 June 2014, our Balanced investment option provided a strong return of 13.88%.

## The benefits of membership

A member who had \$10,000 invested in the Balanced investment option over the past 10 years would have seen their retirement savings grow to over \$20,000.





# \$490 Million

AustralianSuper made its first internal direct property acquisition with the purchase of a 50% interest in a major regional shopping centre in the UK – thecentre:mk in Milton Keynes. Our interest was acquired for approximately \$490 million.

AUSTRALIANSUPER MEMBER LALITHA

# 1.2 million

AustralianSuper took 1.2 million calls from members during the year and also handled 465,000 emails along with 220,000 letters.

# 74 kilometres

AustralianSuper was successful in its bid to acquire Queensland Motorways as part of a consortium led by leading toll road owner-operator Transurban.

Queensland Motorways is a high-quality portfolio comprising 74 kilometres of established and new motorways that serve Brisbane's commuters.

# 17,000

AustralianSuper welcomed 17,000 Queenslanders to the Fund as a result of a merger with AUST(Q) Super.

This means AUST(Q) Super members will now have access to AustralianSuper's lower costs and range of investment, insurance and pension options. AustralianSuper members will benefit from additional scale and it enables the Fund to further strengthen its presence in Queensland.

# 2 million

AustralianSuper has more than 2 million members and we provided superannuation services to 200,000 businesses across Australia.

# INVESTMENT UPDATE

The major asset classes moved in the right direction during the past 12 months, resulting in a second year of double-digit returns for AustralianSuper's Balanced option.



**TIM POOLE**  
CHAIR OF AUSTRALIANSUPER'S  
INVESTMENT COMMITTEE

For the 12 months to 30 June 2014, our Balanced investment option provided a strong return of 13.88%, outperforming the median Balanced fund return of 12.66%, placing it fourth out of the 50 funds in the SuperRatings survey.\*

While it's great to see a return of this magnitude, strong long-term returns are what really count for members. The Balanced option has delivered an average annual return of 9.68% since its inception in 1985, which is above its long-term inflation (measured by the Consumer Price Index plus 4% target).<sup>o</sup>

For the 12 months to 30 June 2014, the Balanced option for retirement income accounts returned 15.93% against the median return of 13.54%, placing it second out of the 46 funds in the SuperRatings survey.<sup>†</sup> The Conservative Balanced option for retirement income accounts also outperformed the median with a return of 12.98% against 11.01%.<sup>#</sup>

## Another strong year for developed markets

Despite the gradual and uneven nature of the global economic recovery, every asset class moved higher in the 2014 financial year.

In developed markets, most share markets delivered double-digit returns, with international shares the top performing asset class – up 19.30% for the 12 months to 30 June 2014<sup>1</sup>. Growing confidence in the US economic recovery saw its share market finish the year up 24.6%.<sup>2</sup>

Although investor concerns about emerging markets were high during the first part of the financial year, this reduced as the year wore on. Economic growth in China, which has been a concern due to high debt and faltering property prices, has become more stable. This is restoring some confidence in emerging market assets, helping them achieve a 10.9% return for the year to 30 June 2014.<sup>3</sup>

The Australian share market performed well during the past year. In the 12 months to 30 June 2014, the Australian share market (S&P/ASX 300 Index) returned 17.3%. Gains in utilities, real estate investment trusts and banks helped to offset losses in many resources companies during the second half of the year.

The strong share market result reflects continuing confidence about the underlying strength of the Australian economy and business conditions. Although the expected fall in mining investment is likely to create a headwind for economic growth, other sectors like housing construction and infrastructure are improving. Housing prices in many cities have risen strongly, with international investment and a shortage of supply likely to support prices.

### Investment performance

	1 Year	5 Years (pa)	10 Years (pa)
<b>At 30 June 2014</b>			
AustralianSuper Balanced	13.88%	10.04%	7.64%
Median fund*	12.66%	9.21%	6.78%
AustralianSuper Balanced (Pension)	15.93%	11.36%	–
Median fund† (Pension)	13.54%	10.55 %	–

\*SR50 Balanced Index, SuperRatings Crediting Rate Survey, June 2014

†SRP50 Balanced Index, SuperRatings Crediting Rate Survey, June 2014

\* SuperRatings Fund Crediting Survey, SR50 Median Balanced Option, 30 June 2014

† SRP50 Median Balanced Option, SuperRatings Pension Fund Crediting Rate Survey, June 2014

# SRP25 Median Conservative Balanced Option, SuperRatings Pension Fund Crediting Rate Survey, June 2014

◊ In calculating historical returns that begin before 1 July 2006, the combined return information from previous ARF and STA investment options has been used. 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.

## Infrastructure, property and fixed interest also perform well

Returns from infrastructure and property remain strong and stable and provide a valuable counterweight to share market volatility in the portfolio. We have done a lot of work in our property portfolio over the last few years to restructure and position it for future growth. Our activities have focused on building a portfolio of core properties, particularly in large, dominant shopping centres, and making direct investments to complement our assets held through pooled funds. This strategy has delivered cost savings and performance benefits to members, with our portfolio delivering good returns during the last five years.

Fixed interest markets also performed well, with falling yields pushing up bond prices while cash was the worst performing asset class. Current bond yields are only marginally above cash rates and are offering limited growth potential going forward.

## Interest rates to remain low

Central banks around the world remain committed to keeping interest rates at low levels to support the return of stronger economic growth.

This stimulus policy is unlikely to change in the near term, although differences are starting to emerge between regions. As the US Federal Reserve completes its quantitative easing program towards the end of this year, official interest rates are expected to rise in 2015 – although at a very slow pace. Rates in the UK are also on the rise, while European interest rates are moving in the opposite direction. Interest rates in the Eurozone were reduced again in June and are unlikely to rise for many years.

In Australia, interest rates remain at historically low levels. Opinion is divided about when the Reserve Bank of Australia will lift rates, but we do not expect this to occur before mid-2015.

Looking ahead, the pace of the continuing global recovery and the actions of key policymakers are likely to have the biggest impact on market performance in the 2015 financial year.

<sup>1</sup> MSCI AC World excluding Australia (net dividends in AUD) Index

<sup>2</sup> S&P500 Index

<sup>3</sup> MSCI Emerging Markets (net dividends in AUD) Index

## SUPERANNUATION INVESTMENT PERFORMANCE TO 30 JUNE 2014

AustralianSuper declares a return for each investment option on a daily basis. The crediting rate declared can be positive or negative depending on investment performance.

The amount allocated to member accounts is the crediting rate earned during the period that the account was invested in the investment option(s). The crediting rate is net of any investment management fees, expenses and other provisions, such as tax.

Investment returns from relevant investment option(s) are applied to members' accounts effective 30 June each year or earlier if a member balance is moved between investment options, or when a member leaves AustralianSuper.

Investment options	10 Years (pa %)		5 Years (pa %)		1 Year %	
	A'Super	B'Mark	A'Super	B'Mark	A'Super	B'Mark
<b>PreMixed options</b>						
High Growth	7.43	6.53	10.58	9.96	16.23	14.01
Balanced	7.64	6.78	10.04	9.21	13.88	12.66
Sustainable Balanced	7.41	6.78	10.85	9.21	14.93	12.66
Indexed Diversified					11.43	12.66
Conservative Balanced			9.44	8.10	11.25	9.64
Stable	6.59	5.76	7.93	7.14	8.31	7.34
Capital Guaranteed	4.24	3.83	3.70	2.88	2.27	1.87
<b>DIY Mix options</b>						
Australian Shares	9.42	7.60	11.54	9.65	17.43	15.76
International Shares	4.44	2.98	9.81	8.89	17.32	16.02
International Shares – Hedged					19.83	19.38
Australian Sustainable Shares	9.76	7.27	14.29	9.36	18.22	15.46
International Sustainable Shares	2.53	2.94	9.27	9.57	19.37	17.39
Property	6.12	7.38	6.25	6.74	7.49	7.64
Australian Fixed Interest	5.56	3.77	6.46	3.65	5.63	4.02
Diversified Fixed Interest	6.58	3.77	8.38	3.65	6.23	4.02
International Fixed Interest	4.89	3.77	6.01	3.65	4.28	4.02
Cash	4.53	4.21	3.74	3.28	2.56	2.23

In calculating historical returns that begin before 1 July 2006, the combined return information from previous ARF and STA investment options has been used. 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. Investment returns are not guaranteed as all investments carry some risk. Past performance is not a reliable indicator of future returns. The AustralianSuper returns above are net of fees and tax.

Benchmarks can be found on the inside back cover.



## RETIREMENT INCOME INVESTMENT PERFORMANCE TO 30 JUNE 2014

Investment options	5 Years (pa %)		1 Year %	
	A'Super	B'Mark	A'Super	B'Mark
<b>PreMixed options</b>				
High Growth	11.90	11.32	18.35	15.91
Balanced	11.36	10.55	15.93	13.54
Sustainable Balanced	12.37	10.55	16.72	13.54
Indexed Diversified			14.10	13.54
Conservative Balanced	10.52	9.30	12.98	11.01
Stable	9.08	8.10	9.59	8.17
Capital Guaranteed	4.34	3.40	2.74	2.20
<b>DIY Mix options</b>				
Australian Shares	13.23	10.69	20.11	16.95
International Shares	11.19	9.97	19.65	18.10
International Shares – Hedged			22.51	21.96
Australian Sustainable Shares	16.52	10.39	20.72	16.75
International Sustainable Shares	11.33	10.87	22.51	19.66
Property	7.31	7.73	8.91	8.57
Australian Fixed Interest	7.63	3.65	6.73	4.02
Diversified Fixed Interest	9.71	3.65	6.98	4.02
International Fixed Interest	6.60	3.65	5.74	4.02
Cash	4.28	3.81	3.02	2.62

The returns quoted are net of fees. The five-year year figures, where they appear, are average annual rolling returns as at 30 June 2014.

The Balanced option is the default option for AustralianSuper superannuation members. For AustralianSuper Retirement Income members, the default option is the Balanced option until age 75, when the default becomes the Conservative Balanced option.

Investment returns are not guaranteed as all investments carry some risk. Past performance is not a reliable indicator of future returns.

All care is taken to ensure this information is correct at the date of publication. Any errors or misprints will be corrected by the Trustee in later reports.

Benchmarks can be found on the inside back cover.

# USING YOUR SUPER TO BOOST YOUR PENSION

Many working Australians have often mistakenly thought that when they retire their only option is to take their super as a lump sum.

It was also common to think that if you converted your super into an income stream it meant you were ineligible for the Government Age Pension.

But the reality is you can turn your super into a regular income that can top up Age Pension payments, increasing your income available in retirement.

This is the smart way to make your super work for you when you retire. If you move your super balance into an AustralianSuper retirement income account, you can receive a regular income to top up any Government Age Pension you may receive – and do more of the things that are important to you.

**The best part is you don't need a large super balance to make a real difference to your income – and the way you live in retirement.**

When it is time to retire, consider moving your super into an AustralianSuper retirement income account and:

- › enjoy the peace of mind of a regular income that can top up any eligible Government Age Pension entitlements
- › benefit from investment returns that could make your super last longer
- › access your money at any time to pay bills or treat yourself
- › choose how much income you get from your super and the frequency of your payments, and
- › remove the burden of managing a lump sum of money.

Visit [australiansuper.com/income](https://australiansuper.com/income)



## AustralianSuper offers a wide range of retirement income investment options

You can select one option or a combination of options to create an investment portfolio that matches your needs.

**PreMixed investment options** – All the AustralianSuper PreMixed investment options are made up of a mixture of asset classes, chosen and managed to achieve targeted returns and with different levels of risk.

**DIY Mix investment options** – The DIY Mix options are each made up of a single asset class.

## Who can open a Choice Income account?

To join you must be 55 years or older and either:

- › permanently retired
- › still working and want to start a transition to retirement strategy (visit [www.australiansuper.com/ttr](http://www.australiansuper.com/ttr) for information).

## How much do you need to open an account?

To open a Choice Income account you must have at least \$10,000 in super.

## How to open an account

You have two options to open an AustralianSuper Choice Income account:

- › join online at [www.australiansuper.com/join](http://www.australiansuper.com/join), or
- › complete the forms in the back of the Choice Income Guide available online at [australiansuper.com/retirement](http://australiansuper.com/retirement) or by calling us on 1300 789 932.

## Get your money together

Before you open a Choice Income account, it's a good idea to consolidate your super money. This includes other superannuation funds you wish to roll over and any lost super you may have. If you have funds outside of super, you will need to arrange for these to be rolled into your superannuation before you can contribute them to your new account.

If you join online, we'll help you complete the 'Combine Your Super' form.

## AustralianSuper's retirement income option

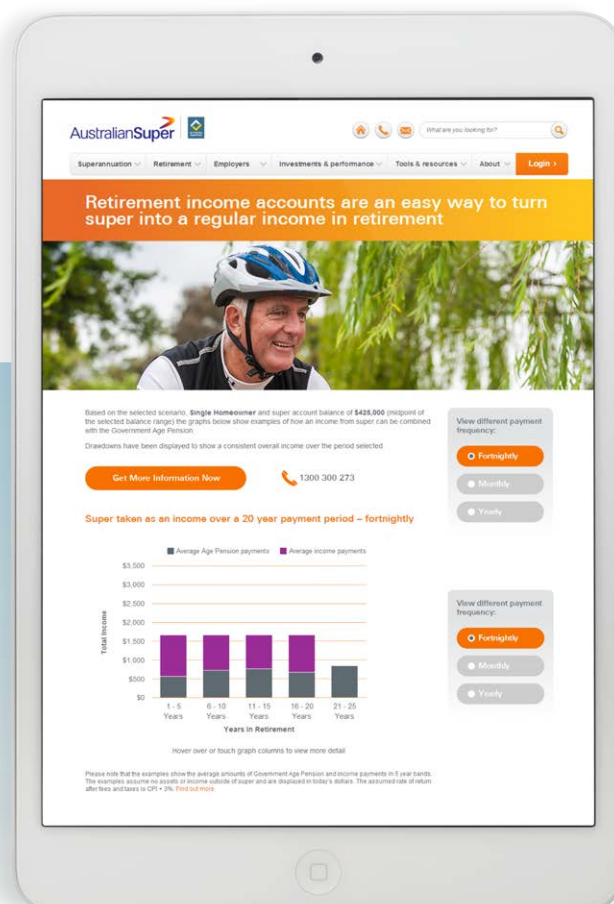
### At 30 June 2014

22,230 members

\$7 billion in members' assets

### 2014 returns

AustralianSuper Balanced	15.93%
Benchmark	13.54%



# NEW MODEL FOR INSURANCE RATES

AustralianSuper is adopting a new approach to the way we provide access to death, total and permanent disability, and income protection insurance for members.

Previously the Fund would review insurance rates with the insurance provider every three years. This resulted in large price fluctuations (and most recently large increases) as circumstances changed significantly over the three-year period.

A new 'Premium Adjustment Model' has been adopted by the Fund which will see insurance rates reviewed annually. The annual review will be in members' best interests as it will align insurance rates more closely with recent claims experience, leading to more stable prices. The review is expected to occur in May each year.

We want to make sure that insurance premiums are sustainable for members, and we believe the Premium Adjustment Model will help in this effort.

## Insurance costs have increased

Over the past year, insurance premiums have increased across the superannuation sector. AustralianSuper increased the insurance premium rates for most members in March (May for the Public Sector division) this year. The Fund negotiated the best possible outcome given the current pressure on the insurance industry.

The cost of life insurance is influenced by a range of factors. The volume of claims paid by insurers in recent years has increased, partly as a result of higher unemployment which means more people claim disability-related benefits. Frequent communications about insurance in recent years improved people's awareness of their cover and entitlements and has meant that members are claiming sooner than before.

There are also more regulatory requirements related to insurance. Specifically since January 2013 insurance companies have been required to hold more money in reserves to cover the cost of claims and this increased level of required reserves has resulted in additional cost.

## AustralianSuper still provides cost-competitive cover

Despite these challenges, AustralianSuper is still able to provide better outcomes for a very large number of members, many of whom could not otherwise access cover to protect themselves and their families.

For the majority of AustralianSuper members default insurance cover for death, total and permanent disability and income protection costs less than \$1.50 a day and is still cheaper than buying life insurance directly from an insurer.

AustralianSuper also still provides most members with more cover than it did when the Fund formed eight years ago, for a similar cost to what members were charged at the time.

## Finding the right level of cover

If you want to review the amount of insurance cover you need, you may wish to consider using our online insurance calculator at: [australiansuper.com/calculators](https://australiansuper.com/calculators).

When reviewing how much insurance you need you may want to think about future costs such as:

- › ongoing expenses for daily living
- › any debts you have (credit card, personal loans, mortgage)
- › your savings, including super
- › medical expenses due to illness or injury (e.g. costs to change your home to cope with a disability)
- › education costs for your children.



# FAREWELL AND THANK YOU TO PAUL HOWES

After serving as an AustralianSuper Director since 2007, Paul Howes stepped down as Deputy Chair of the Fund during the year.

This follows Paul's decision to also step down as National Secretary of the Australian Workers' Union.

Paul was appointed Deputy Chair of AustralianSuper in 2013 and had been a union official since 1999. He was also Vice President of the ACTU.

As Chair of AustralianSuper's Member and Employer Services Committee, Paul worked with other Directors to ensure the Fund was focused on delivering efficient and cost-effective products and services to members and businesses. Paul was also a member of the Fund's Budget Review, and Nomination and Remuneration committees and had previously served on the Audit, Compliance and Risk Management Committee.

Paul made an extremely valuable contribution to AustralianSuper during a period of incredible growth for the Fund. His commitment to putting members' best interests first was always at a priority.

AustralianSuper Chair, Heather Ridout, said Paul was a particularly constructive and committed Director.

'Paul was always incisive and insightful at Board and committee meetings and his contributions always added value and were focused on what was best for members,' Heather said.

The Board and staff of AustralianSuper would like to thank Paul for his contribution to the Fund and his work in helping the Fund to achieve the best possible retirement outcomes for members.



## Member satisfaction

AustralianSuper undertakes a range of activities to measure member satisfaction.

These activities take the form of qualitative and quantitative research organised by the Fund as well as analysis of feedback we receive from members via email, surveys, phone calls and social media.

A new service introduced during the year gives members who contact the call centre the opportunity to opt into a feedback survey after receiving an SMS. Almost 4,000 members have responded to this service since it was launched. This provides up to date feedback on how the Fund is performing in response to member needs and enquiries.

AustralianSuper also monitors member satisfaction through the 1.2 million calls from members received during the year, 465,000 emails and 220,000 letters members sent to the Fund.

Members are also increasingly using the website to transact and obtain information about their super. Website visits increased by 30% during the year to well over eight million.

If you would like to provide feedback to the Fund, contact us at [australiansuper.com/email](mailto:australiansuper.com/email) or call **1300 300 273**



The Sir Leo Hielscher Bridges form part of Queensland Motorways, a 74 kilometre toll road network marked in orange on the inset map.

# INVESTING IN INFRASTRUCTURE

Investing in infrastructure is important for AustralianSuper members and the economy alike, and has been widely discussed by investors, governments and the media over the past year.

AustralianSuper was one of the earliest adopters of infrastructure investment in Australia and this year marked the 20th anniversary of our first investment in the asset class via the Hastings managed Utilities Trust of Australia, followed by the IFM Australian Infrastructure Fund in 1995. Today, IFM Investors is AustralianSuper's largest infrastructure manager.

AustralianSuper's infrastructure portfolio has grown to around \$7.8 billion and is expected to double in the next five years.

While infrastructure can be a complex investment, our objectives are simple. We want assets that can provide stable and predictable cash flows and long-term growth to fund the retirement incomes of members. Younger members starting out in their working lives can have an investment horizon of around 60 years, so the long-term nature of infrastructure investment provides a good fit.

AustralianSuper is now big enough so that direct investment in infrastructure assets is a viable proposition. AustralianSuper made its first significant direct investment in infrastructure in May 2013 as part of a consortium of investors led by IFM Investors, purchasing NSW Ports for \$5.07 billion. AustralianSuper has a 20% stake in the asset, which has been leased from the NSW government for 99 years.

Investing directly enables AustralianSuper to play a more active role in the evaluation, selection and strategic management of infrastructure assets. As an example, AustralianSuper was part of a successful consortium to acquire Queensland Motorways in April 2014. Queensland Motorways is a high-quality portfolio of established and new motorways that serve Brisbane's commuters. The acquisition came with CPI-linked pricing and its use is underpinned by a robust population and employment outlook for south east Queensland.

This is a great result for AustralianSuper's more than 2 million members, of whom around 300,000 are Queensland-based. It also represents a significant investment in a critical item of infrastructure, for the long-term benefit of the broader Queensland community.

## Our focus

AustralianSuper is focused on building a portfolio of core infrastructure assets predominantly in the regulated utilities, transport and contracted sectors. AustralianSuper invests both locally and overseas, and prefers developed to emerging markets.

Any assets we consider must fit with our current portfolio and provide diversification between regulated and economic assets, industries, lifecycles and location. Ideally, we seek businesses that provide essential service monopolies, have low regulatory risk, low leverage and strong, free cash flows. Given their lower project risks and higher liquidity, AustralianSuper prefers investing in existing assets as opposed to new ventures.

## Asset recycling

A major theme throughout the year in relation to infrastructure investment was the increasing willingness of governments to engage in asset recycling. This provides a way for governments to free up cash to fund new infrastructure projects, while giving private investors access to infrastructure assets with a solid track record and minimal development risk.

NSW Ports is a prime example of successful asset recycling. AustralianSuper supports recycling of assets as an important way to help increase Australia's productivity and economic growth as it enables governments to reinvest in much needed new infrastructure.



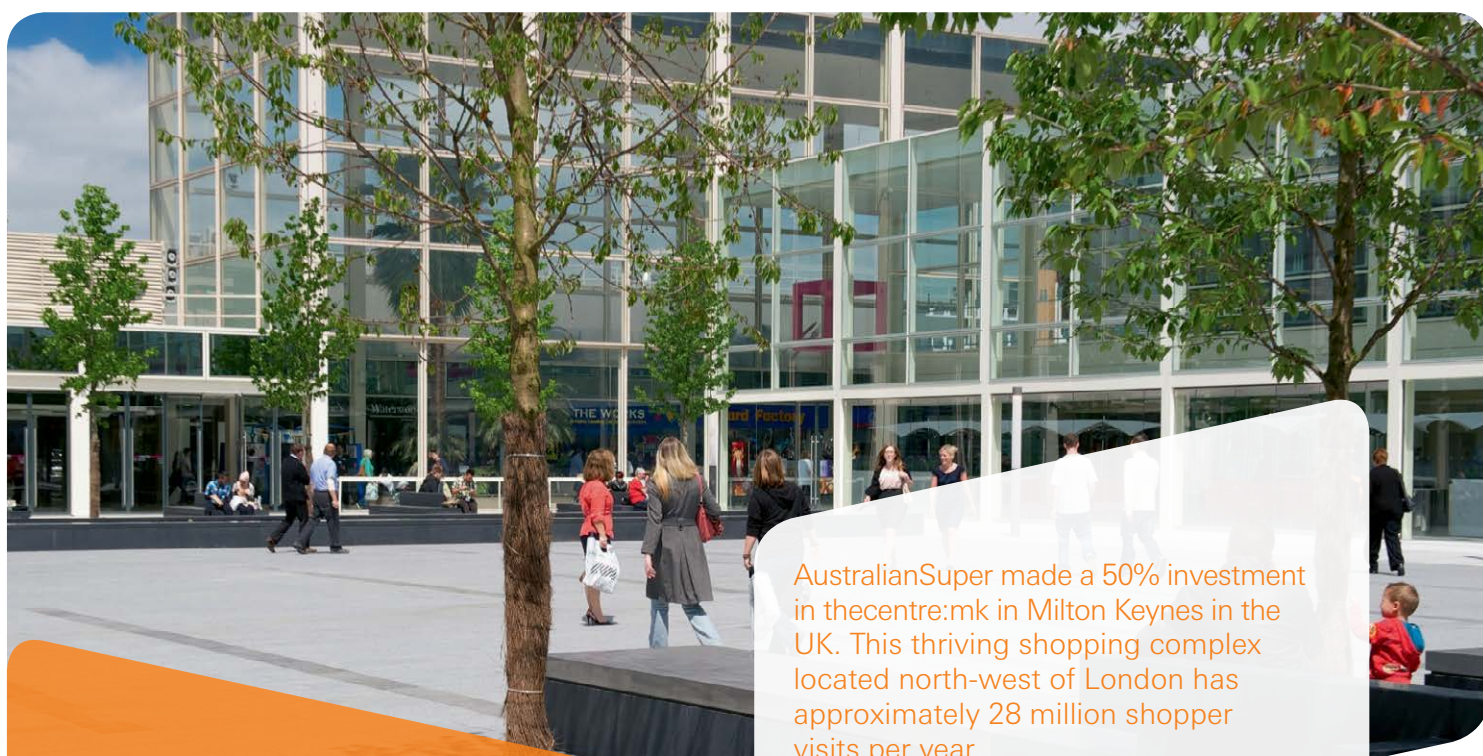
# INTERNAL INVESTMENT MANAGEMENT STRATEGY TAKES SHAPE

Now in the second phase of a five-year plan, AustralianSuper has made significant progress on its internal investment management strategy over the past year.

By bringing more of our investment management in-house, AustralianSuper aims to improve net returns to members.

## A growing internal Australian shares portfolio

AustralianSuper's in-house Australian shares team has been successfully investing for almost a year, delivering strong net benefits to members.



AustralianSuper made a 50% investment in thecentre:mk in Milton Keynes in the UK. This thriving shopping complex located north-west of London has approximately 28 million shopper visits per year.



The internal Australian shares portfolio is actively managed, with a focus on identifying companies that can deliver long-term profit growth. We believe identifying and investing in these companies at sensible prices will generate stronger returns for members over the long term. The team employs a disciplined and robust investment process based on original research to determine which stocks to invest in.

This strategy has resulted in pleasing performance over this short period of time. The Fund now has a scalable platform in place to increase its equity portfolio management capabilities over time.

## Pushing ahead with direct infrastructure assets

AustralianSuper has a reputation as a long-term investor. This, together with our sizeable presence and strong industry connections, has opened the door for direct investment opportunities in important infrastructure assets. AustralianSuper's infrastructure portfolio currently totals \$7.8 billion, of which \$2.3 billion is managed directly.

Directly investing in infrastructure has resulted in investment cost savings of around \$10 million a year for members. It has also given AustralianSuper a material level of governance and control over assets.

Following on from the landmark purchase of NSW Ports last year in a consortium led by IFM Investors, AustralianSuper finalised the settlement of Queensland Motorways in July. AustralianSuper is part of the Transurban-led consortium, which purchased the asset for \$7.1 billion.

Queensland Motorways manages more than 70 kilometres of toll roads, bridges and related infrastructure in and around Brisbane. The network includes the Gateway Motorway, the Logan Motorway, the Go Between Bridge, the CLEM7 Tunnel and the soon to be completed Legacy Way tunnel.

In addition to the 25% direct stake in Queensland Motorways, AustralianSuper also participated in the Transurban equity raising and sub-underwrote a proportion of the retail entitlement.

With around 300,000 Queensland-based members and many more visiting the Sunshine State every year, AustralianSuper members can experience first hand how their super is working for them and their community.

## Property goes global

In December 2013, AustralianSuper made its first direct international investment in property, with a 50% investment in thecentre:mk in Milton Keynes in the UK. This thriving shopping complex located north-west of London was acquired for approximately \$490 million.

Sitting in the growth corridor between Oxford and Cambridge, thecentre:mk is a top-10 UK shopping centre in terms of retail space. Major tenants include department stores John Lewis, House of Fraser and Marks and Spencer. This strategy was executed through our investment mandate with Henderson Global Investors which was appointed in June 2013 to work with our internal property team to source opportunities and manage shopping centre assets in the UK.

These assets are attractive as they offer defensive investment characteristics and strong long-term capital growth potential.

AustralianSuper has been setting up partnerships with specialist property managers in the US, UK and Europe, as well as Australia, to implement our internal management strategy. Our partners are helping us identify property opportunities in these markets and manage the day-to-day running of our direct acquisitions.

## What's next?

Having successfully implemented the first stage of the internal management strategy, we're ready to scale up our activities and add new capabilities. AustralianSuper is extending its in-house capabilities to cover small-capitalisation Australian equities, global equities and bank loans and credit instruments. Part of this process involves expanding the platform and processes to enable the Fund to invest in around 50 international markets.

Internal management has been very positive for members as we have been able to maintain performance while delivering considerable cost savings, which is great for their bottom line. AustralianSuper aims to manage around 35% of assets internally by 2018 with cost savings for members of around \$140 million a year.

# PROPERTY ON A FIRM FOOTING

AustralianSuper achieved significant milestones in its property portfolio over the past financial year.

A range of new investments and mandates will play a significant role in helping members achieve the best possible retirement outcome.

The Fund invested \$1.02 billion of new capital across both existing core funds and direct acquisitions. This includes the acquisition of a 50% interest in thecentre:mk, the first property acquisition under AustralianSuper's direct investment program. Our interest was acquired for approximately \$490 million and was a milestone transaction for AustralianSuper.

The Property portfolio currently represents approximately 8% of AustralianSuper's total assets under management while the longer-term target exposure to the sector is approximately 9%.

AustralianSuper also established five new mandates across the UK, Europe and the US, which has significantly deepened the Fund's property investment capability. These mandates included:

- › appointing QIC Global Real Estate to identify and manage retail property investments in the US. This appointment was in keeping with the fund's aim to boost direct investment capacity in its property portfolio and forms part of the execution of our strategy to increase prime retail holdings in developed markets
- › appointing TIAA Henderson Real Estate as manager of the Fund's central London office property investment strategy. The central London office market sits well with the Fund's overall investment approach. It has a record of strong returns over the long term, transparency and good liquidity, all within the context of a positive economic outlook, and
- › appointing Rockspring Property Investment Managers to execute the Fund's direct office and retail property investment strategy across continental Europe. The mandate will focus on large landmark office buildings in major centres as well as dominant retail investments, such as major shopping centres. This mandate also fits in with the Fund's investment strategy, which favours established assets with good long-term growth potential.

The property portfolio is a key component of AustralianSuper's investment mix. With these mandates in place the Fund is implementing a direct property investment strategy that will ensure we are well positioned to source and invest in valuable opportunities in a range of sectors and locations.

AustralianSuper will continue to look for appropriate opportunities to expand and improve its property portfolio in the coming year.



Westfield Doncaster is one of the properties that AustralianSuper invests in.

# ACTIVE OWNERSHIP

As a long-term investor, AustralianSuper needs to ensure the companies we invest in are well managed and focused on long-term value creation. We look for companies that have strong governance and sound social and environmental policies and practices.

One of the key ways we address and manage these risks is through our Active Owner program. As an active owner, we engage with companies and fund managers by meeting with them directly, and also through stock voting.

At its core, active ownership is about good investment and risk management processes. AustralianSuper's first priority is to maximise returns for members who put their trust in us to invest their retirement savings.

Encouraging companies and funds to be responsible corporate citizens, with sound environmental, social and governance practices, helps to provide the best possible retirement outcome for AustralianSuper members.

This is because well performing companies successfully manage their environmental, social and governance responsibilities. Poor governance is a risk to long-term performance.

## Transparency

AustralianSuper believes transparency around environmental, social and governance issues, and around stock voting, is very important. It is also important to communicate to members our views and how we are voting on their behalf and how this is in their best interest.

Every quarter we publish information on our website on how we voted our stocks in the previous quarter. For the 2013–14 year we voted on over 800 occasions. Details of these votes can be found at [australiansuper.com](http://australiansuper.com). As a general guide, AustralianSuper supports the Australian Council of Super Investors (ACSI) Corporate Governance Guidelines, though we do take an alternative position where we believe it to be in the long-term interests of members.

AustralianSuper voted against 4.5% of remuneration reports and against 1.1% of director elections.

AustralianSuper also had over 40 direct engagements with CEOs, CFOs and board members of companies we invest in. Increasingly companies are recognising superannuation funds as large shareholders and therefore a group that they need to engage with directly.

## Staying engaged

Over the past year, some individuals and groups have raised the concept of divestment with investors in relation to issues such as climate change. While it seems like a simple and effective solution on the surface, in many cases it can in fact be an abdication of responsibility. Selling off particular assets may result in ceding ground to other investors who may have different priorities about governance, social and environmental outcomes.

AustralianSuper prefers to take an active role in being a part of long-term solutions. In this context, our imperative to be an active owner is perfectly aligned with our responsibility to maximise the retirement savings of members.

In relation to climate change, AustralianSuper has joined the Carbon Disclosure Project, a global initiative asking the largest companies to disclose investment-related information on their greenhouse gas emissions, and the Investor Group on Climate Change, which aims to ensure that risks and opportunities associated with climate change are incorporated into investment decisions for the benefit of the investor.

# THE BENEFIT OF RESPONSIBLE INVESTING

As one of Australia's largest super funds, AustralianSuper understands that environmental, social and governance (ESG) issues can have an impact on investment outcomes. Undertaking ESG investment activities and considering ESG investment risk factors is consistent with our priority to generate the best investment outcome for members.

## ESG considerations in investments

### Environmental

AustralianSuper invests in a wide range of assets. We are aware that assets we own can have an impact on the environment, or have the potential to be impacted by climate change.

We are an active member of organisations and part of initiatives that specifically focus on the environment and climate change. These include the Investor Group on Climate Change (IGCC), Carbon Disclosure Program (CDP) and annual Asset Owners Disclosure Project survey, where we were ranked 6th out of 1,000 funds globally in 2013.

Our portfolios are independently reviewed by organisations for environmental and climate change issues. Trucost review the carbon intensity and stranded asset potential of our share portfolios every two years. Their last review was conducted in 2013 and found that AustralianSuper's carbon intensity was lower than the index benchmarks. Our larger property and infrastructure assets are also assessed for the impact of climate change related environmental issues.

### Social

The social issues of a company include the impact it has on the social systems around it, including when there are operations in many different countries with different legal and social norms to those in Australia. Issues can include labour practices, human rights, bribery and corruption, and the impact of the company's products.

One of the issues we focused on during 2013–14 was child labour and other risks in the labour supply chain. We aimed to better understand the issue, where our investments may be affected, and how we can be more influential as a long-term investor.

### Governance

AustralianSuper believes that well governed companies with effective boards are better positioned to anticipate and respond to the changing economic, environmental, social and political conditions that impact them. In addition, good governance is an essential mechanism to appropriately protect the interest of shareholders. Good governance is consistent with maximising long-term value for a company's shareholders such as AustralianSuper.

Governance is the key activity of our active owner program which focuses on engaging with company boards and taking an active approach to stock voting.

## Sustainable investment options

Sustainability is a consideration across all of AustralianSuper's investments. For members who want to invest in options that place even further emphasis on ESG factors in choosing investments, we offer three sustainable investment options:

- › Australian Sustainable shares
- › International Sustainable shares, and
- › Sustainable Balanced

The investment approach by the international and Australian shares managers is a 'best of sector' approach. This identifies the best performing companies in each sector based on ESG performance criteria. The top-rated companies from each sector form the potential investment universe.





'I'm glad to be in  
a super fund that  
puts its members'  
best interests first.'

AUSTRALIANSUPER MEMBER NATALIE



AUSTRALIANSUPER MEMBER LUKE

# INVESTMENT OPTIONS

## PreMixed investment options

The following pages show the objectives, investment strategy, risks and potential ranges of returns for each of AustralianSuper's investment options.

The asset allocation ranges are the minimum and maximum amounts we expect to invest in each asset class for each PreMixed option. Each year, we set a strategic asset allocation within these ranges based on our outlook for the economy and investment markets over the next 12 to 18 months. We will move towards or away from the strategic asset allocation (but seek to keep within the ranges) during the year based on our outlook for each asset class. The strategic asset allocation shown is current at September 2014.

### Investment strategy

AustralianSuper's investment strategy is to achieve maximum investment returns for each investment option at a reasonable cost.

AustralianSuper actively manages each investment option's portfolio to achieve, where appropriate, a diversified portfolio consistent with the option's strategic asset allocation, investment objectives and risk appetite.

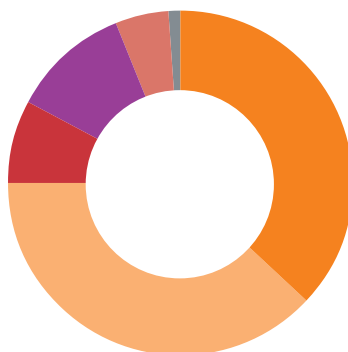
The Fund adopts a 'one portfolio' approach to investment decision making and is a responsible investor, with environmental, social and corporate governance considerations being an integral part of the investment process.

### HIGH GROWTH

#### Investment objectives

To outperform (after fees and tax) the median growth fund and an average annual return of CPI\* + 5% over the medium to long term.

#### Strategic asset allocation 2014–15



- Australian shares **37%** (20–50%)
- International shares **38%** (20–50%)
- Direct property **8%** (0–30%)
- Infrastructure **11%** (0–30%)
- Private equity **5%** (0–10%)
- Fixed interest (bonds) **0%** (0–20%)
- Cash **1%** (0–10%)

Asset allocation ranges are shown in brackets

#### Asset allocation at 30 June 2014

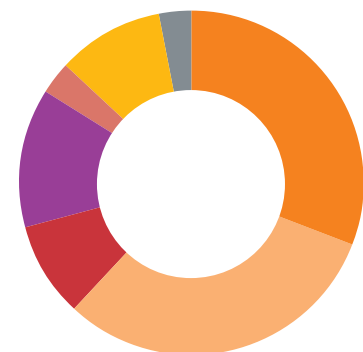
Australian shares	35.1%
International shares	38.6%
Direct property	8.0%
Infrastructure	10.8%
Private equity	6.5%
Fixed interest (bonds)	0.0%
Cash	1.0%

### BALANCED (MYSUPER OPTION)

#### Investment objectives

To outperform (after fees and tax) the median balanced fund and an average annual return of CPI\* + 4% over the medium to long term.

#### Strategic asset allocation 2014–15



- Australian shares **31%** (20–45%)
- International shares **31%** (10–40%)
- Direct property **9%** (0–30%)
- Infrastructure **13%** (0–30%)
- Private equity **3%** (0–10%)
- Fixed interest (bonds) **10%** (0–25%)
- Cash **3%** (0–15%)

Asset allocation ranges are shown in brackets

#### Asset allocation at 30 June 2014

Australian shares	29.8%
International shares	31.3%
Direct property	7.9%
Infrastructure	10.2%
Private equity	3.3%
Fixed interest (bonds)	12.1%
Cash	5.4%

\* CPI stands for consumer price index which is used as a measure of inflation.

## PreMixed investment options

### SUSTAINABLE BALANCED

#### Investment objectives

To outperform (after fees and tax) the median balanced fund and an average annual return of CPI\* + 4% over the medium to long term.

### INDEXED DIVERSIFIED

#### Investment objectives

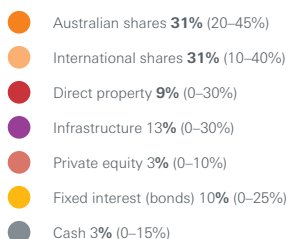
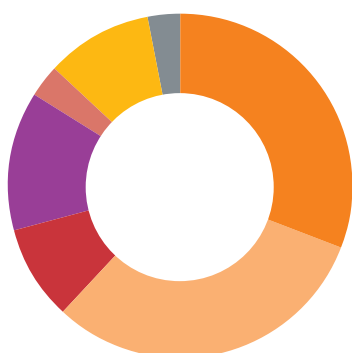
To match (after fees and tax) the median balanced fund and an average annual return of CPI\* + 4% over the medium to long term.

### CONSERVATIVE BALANCED

#### Investment objectives

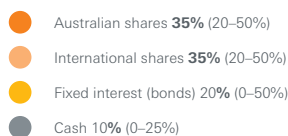
To outperform (after fees and tax) the median conservative balanced fund and an annual average return of CPI\* + 3% over the medium term.

#### Strategic asset allocation 2014–15



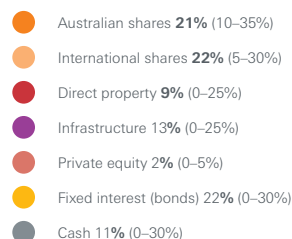
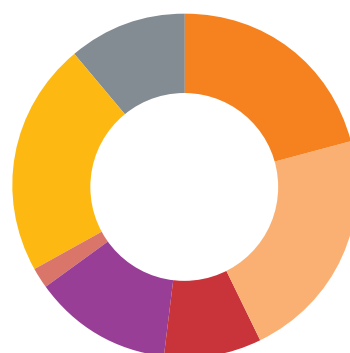
Asset allocation ranges are shown in brackets

#### Strategic asset allocation 2014–15



Asset allocation ranges are shown in brackets

#### Strategic asset allocation 2014–15



Asset allocation ranges are shown in brackets

#### Asset allocation at 30 June 2014

Australian shares	29.7%
International shares	31.0%
Direct property	7.9%
Infrastructure	10.2%
Private equity	3.3%
Fixed interest (bonds)	12.0%
Cash	5.9%

#### Asset allocation at 30 June 2014

Australian shares	34.3%
International shares	35.2%
Fixed interest (bonds)	17.7%
Cash	12.8%

#### Asset allocation at 30 June 2014

Australian shares	20.7%
International shares	24.8%
Direct property	7.3%
Infrastructure	9.6%
Private equity	0.0%
Fixed interest (bonds)	25.2%
Cash	12.4%



## STABLE

### Investment objectives

To outperform (after fees and tax) the median capital stable fund and an annual average return of CPI\* + 2% over the medium term.

## CAPITAL GUARANTEED

### Investment objectives

To guarantee a member's capital and outperform (after fees and tax) the return of the UBSA Bank Bill Index (adjusted for tax) over the short term.\*

\* The Capital Guaranteed option invests through a life office capital guaranteed statutory fund under a policy issued by AMP. The terms of this policy have the effect that the original capital amount invested cannot reduce due to poor investment returns. This option uses reserves to smooth out investment returns and protect members' capital. Returns may be lower than cash management accounts if the investments perform poorly.

### Strategic asset allocation 2014–15



- Australian shares **13%** (0–20%)
- International shares **13%** (0–15%)
- Direct property **8%** (0–15%)
- Infrastructure **12%** (0–20%)
- Private equity **0%** (0–3%)
- Fixed interest (bonds) **30%** (0–40%)
- Cash **24%** (0–50%)

Asset allocation ranges are shown in brackets

### Strategic asset allocation 2014–15



- Fixed interest **40%** (0–50%)
- Cash **60%** (50–100%)

Asset allocation ranges are shown in brackets

### Asset allocation at 30 June 2014

Australian shares	12.4%
International shares	13.6%
Direct property	8.3%
Infrastructure	7.7%
Private equity	0.0%
Fixed interest (bonds)	27.4%
Cash	30.5%

### Asset allocation at 30 June 2014

Fixed interest (bonds)	40.0%
Cash	60.0%

## DIY Mix investment options

## AUSTRALIAN SHARES

## Investment objectives

To outperform (after fees and tax) the S&P/ASX 300 Accumulation Index (adjusted for tax) over the medium to long term.

## Strategic asset allocation 2014–15



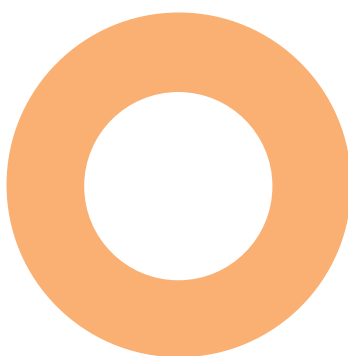
● Australian shares **100%**

## INTERNATIONAL SHARES

## Investment objectives

To outperform (after fees and tax) the MSCI World All Countries (ex Australia) Unhedged Index (adjusted for tax) over the medium to long term.

## Strategic asset allocation 2014–15



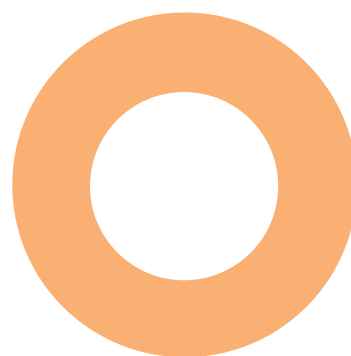
● International shares **100%**

## INTERNATIONAL SHARES – HEDGED

## Investment objectives

To outperform (after fees and tax) the MSCI World All Countries (ex Australia) Hedged Index (adjusted for tax) over the medium to long term.

## Strategic asset allocation 2014–15



● International shares – hedged **100%**

## DIY Mix investment options

## AUSTRALIAN FIXED INTEREST

## Investment objectives

To outperform (after fees and tax) an average annual return of CPI\* + 1% over the short to medium term.

## Strategic asset allocation 2014–15



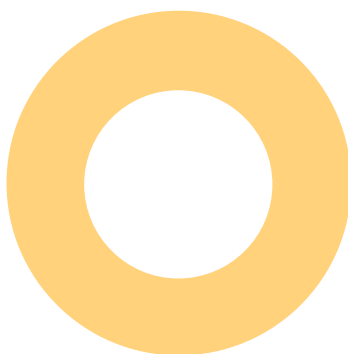
● Fixed interest **100%**

## INTERNATIONAL FIXED INTEREST

## Investment objectives

To outperform (after fees and tax) an average annual return of CPI\* + 1% over the short to medium term.

## Strategic asset allocation 2014–15



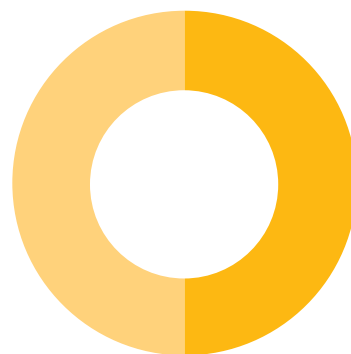
● International fixed interest **100%**

## DIVERSIFIED FIXED INTEREST

## Investment objectives

To outperform (after fees and tax) an average annual return of CPI\* + 1% over the short to medium term.

## Strategic asset allocation 2014–15



● International fixed interest **50%** (0–100%)  
● Australian fixed interest **50%** (0–100%)

## AUSTRALIAN SUSTAINABLE SHARES

### Investment objectives

To outperform (after fees and tax) the S&P/ASX 300 Accumulation Index (adjusted for tax) over the medium to long term.

### Strategic asset allocation 2014–15



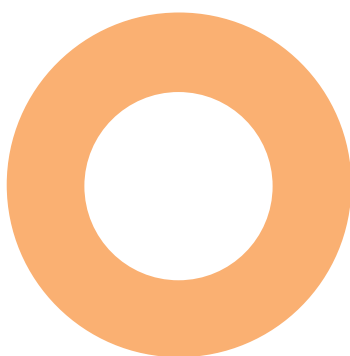
● Australian shares 100%

## INTERNATIONAL SUSTAINABLE SHARES

### Investment objectives

To outperform (after fees and tax) the MSCI World (net dividend reinvested) Unhedged Index (adjusted for tax) over the medium to long term.

### Strategic asset allocation 2014–15



● International shares 100%

## PROPERTY

### Investment objectives

To outperform (after fees and tax) the Mercer/IPD Australian Unlisted Property Fund Index (adjusted for tax) and an annual return of CPI\* + 3% over the medium to long term.

### Strategic asset allocation 2014–15



● Direct property 100%

## Member Direct

## CASH

### Investment objectives

To match (after fees and tax) the UBSA Bank Bill Index (adjusted for tax) each year and outperform the annual return of CPI.\*

### Strategic asset allocation 2014–15



● Cash 100%

### Investment objectives

The Member Direct investment option enables eligible members to invest part of their AustralianSuper account in their choice of shares from the S&P/ASX 300 Index, a selection of Exchange Traded Funds and term deposits.

\* CPI stands for Consumer Price Index which is used as a measure of inflation.

# INVESTMENT AND INVESTMENT MANAGERS

AustralianSuper engages a range of external investment managers to complement our internal investment teams.

In appointing investment managers, we take into consideration their:

- › investment processes
- › reputation and experience
- › size and funds under management, and
- › structure and ownership.

The following tables detail the composition of AustralianSuper's portfolios and include:

- › Mandates – investment managers that manage discrete portfolios on behalf of AustralianSuper
- › Other investments – includes pooled investment vehicles and some direct holdings that AustralianSuper invests in.

At 30 June 2014 the following combination of investments represented more than 5% of total fund assets:

IFM investments: 27.89% (9.36% of this is an indexed Australian shares portfolio and 8.16% short-term cash instruments).



AUSTRALIANSUPER MEMBER GARY

## Investments and Investment Managers

	Sector	Value \$'000
Airlie Funds Management	Australian Equities	1,571,186
Alphinity Investment Management Pty Ltd	Australian Equities	2,073,169
Antares Capital Partners Ltd	Australian Equities	464,159
*AustralianSuper Internal Investments	Australian Equities	2,357,127
Avoca Investment Management Pty Ltd	Australian Equities	398,377
Celeste Funds Management Ltd	Australian Equities	156,220
Eley Griffiths Group Ltd	Australian Equities	302,709
FIL Ltd	Australian Equities	3,044,762
Goldman Sachs Asset Management Australia Pty Ltd	Australian Equities	553,806
Industry Funds Management Pty Ltd	Australian Equities	7,615,817
Member Direct	Australian Equities	651,285
Northcape Capital Pty Ltd	Australian Equities	347,980
Paradice Investment Management Pty Ltd	Australian Equities	162,578
Perpetual Investment Management Ltd	Australian Equities	3,267,929
Tribeca Investment Partners Pty Ltd	Australian Equities	324,314
Industry Funds Management Pty Ltd	Cash	6,395,938
AustralianSuper Internal Investments	Cash	1,160,081
AustralianSuper Internal Investments	Fixed interest	683,860
Babson Capital Management LLC	Fixed interest	610,825
BCA Mezzanine Debt Trust	Fixed interest	400
Bentham Asset Management Pty Ltd	Fixed interest	3,412,839
Brandywine Global Investment Management LLC	Fixed interest	1,297,063
Bridgewater Associates, LP	Fixed interest	202,030
DIF Capital Partners Senior Debt Trust	Fixed interest	1
Fidante Partners	Fixed interest	235,188
Hastings Funds Management Pty Ltd	Fixed interest	4,312
Industry Funds Management Pty Ltd	Fixed interest	1,511,113
Perennial Investment Partners Ltd	Fixed interest	820,858
Q-BLK ARS III - Institutional, Ltd	Fixed interest	3,427
Schroder Investment Management Ltd	Fixed interest	706,548
State Stree Global Advisors Australia Limited	Fixed interest	20,503
ME Portfolio Management Limited	Fixed interest	194,619
AMP Limited	Capital Guaranteed	1,089,005
Infrastructure Capital Group Limited	Infrastructure	214,503
AustralianSuper Internal Investments	Infrastructure	1,555,582
Colonial First State	Infrastructure	11,163
Industry Funds Management Pty Ltd	Infrastructure	4,719,651

\* This represents listed securities, unlisted securities, and derivative positions used to obtain market exposure in the different asset classes managed by AustralianSuper.



## Investments and Investment Managers

	Sector	Value \$'000
Macquarie Specialist Asset Management Limited	Infrastructure	59,108
The Private Capital Group Pty Ltd	Infrastructure	22,837
Hastings Funds Management Pty Ltd	Infrastructure	383,666
Baillie Gifford Overseas Ltd	International Equities	3,091,863
Dexia Asset Management Belgium SA	International Equities	534,605
Causeway Capital Management LLC	International Equities	988,281
First State Investments International Ltd	International Equities	560,217
Genesis Asset Managers LLP	International Equities	1,931,938
Harding Loevner LP	International Equities	1,644,328
Independent Franchise Partners LLP	International Equities	1,613,629
AustralianSuper Internal Investments	International Equities	749,701
LSV Asset Management	International Equities	1,586,564
MFS Institutional Advisors Inc	International Equities	3,279,359
Orbis Investment Management Limited	International Equities	2,101,994
State Stree Global Advisors Australia Limited	International Equities	2,849,219
Vontobel Asset Management Inc	International Equities	939,873
Westwood Management Corp	International Equities	230,141
AustralianSuper Internal Investments	Private Equity	1,205,001
Frontier Investment Consulting Pty Ltd	Private Equity	960
Industry Funds Management Pty Ltd	Private Equity	610,118
Industry Super Holdings Pty Ltd	Private Equity	124,201
Members Equity Bank Pty Limited	Private Equity	309,061
Quay Partners Pty Ltd	Private Equity	22,236
Superpartners Pty Ltd	Private Equity	36,199
AMP Investment Funds	Property	6,190
Lend Lease Group	Property	18,521
Australian Sustainable Forestry Investors 1 & 2	Property	1,251
AustralianSuper Internal Investments	Property	855,086
Calibre Capital Real Estate Workout Fund No. 1	Property	9,562
Charter Hall Investment Funds	Property	10,380
Eureka Funds Management Ltd	Property	201
Franklin Templeton Investments	Property	20,324
Fortius Funds Management Pty Ltd	Property	142,982
Hastings Funds Management Pty Ltd	Property	11,626
ISPT Pty Ltd	Property	3,125,838
LaSalle Australian Core Plus	Property	9,999
Macquarie Real Estate Equity Fund No. 7	Property	5,230
QIC Property Funds Pty Ltd	Property	1,564,499
Russell Real Estate Advisors Inc.	Property	36,931
Australian Farms Fund Management Pty Ltd	Property	41,106
Trinity Land Equity Trust	Property	52
AustralianSuper Internal Investments	Reserves	238,889

# SUPER CHANGES FROM 1 JULY

## Superannuation Guarantee increased to 9.5%

The Superannuation Guarantee increased to 9.5% on 1 July 2014. The Government has announced that it will delay future Superannuation Guarantee increases until 1 July 2020 when it will rise by 0.5% each year, reaching 12% in 2025. AustralianSuper believes the delay will hurt the retirement of many working Australians and be detrimental to the economy over the long term.

## Low Income Superannuation Contribution in 2017

The Government has announced that it will scrap the Low Income Superannuation Contribution in 2017. AustralianSuper believes this will negatively affect the people who most need a boost to their retirement savings – those on low incomes.

## Temporary budget repair levy introduced

For those earning more than \$180,000 a year, the Federal Government has introduced a temporary levy of 2% to apply from 1 July 2014 to 30 June 2017. The levy will only be charged on income over the \$180,000 threshold, not the whole amount.

With the increase in the Medicare levy, this takes the top marginal tax rate to 49% and impacts a number of superannuation tax rates that are based on the top marginal rate (such as tax on contributions where the member's tax file number hasn't been provided).

## Changes to contribution limits

The amounts that can be added to super at lower tax rates have been increased. For 2014–15, the limits are:

<b>Before-tax contributions</b> (including Superannuation Guarantee, salary sacrifice, extra employer and tax-deductible personal contributions)	<b>\$30,000</b> for those aged under 49 years on 30 June 2014 <b>\$35,000</b> for those aged 49 years or more on 30 June 2014
<b>After-tax contributions</b> (including spouse, after tax and non-deductible personal contributions)	<b>\$180,000</b> If under age 65, you can contribute up to \$540,000 tax-free in a three-year period. This period starts from the first year you add more than \$180,000 to your super after tax.

## Ability to withdraw excess after-tax super contributions

It is proposed that anyone who has made after-tax super contributions from 1 July 2013 that exceed the relevant cap will be able to withdraw the excess amount plus earnings on the excess. Tax will only be payable on the investment earnings at the person's marginal tax rate. Any excess contributions that are not withdrawn will be taxed at the top marginal tax rate of 49% (including the Medicare levy and the budget repair levy).

## Government co-contribution threshold

The threshold for eligibility for a government co-contribution has increased to \$49,488 for 2014–15. If you earn less than this amount and add to your super after tax, the government may also contribute up to \$500 to your super tax-free.

## Medicare levy increased to 2%

The Medicare levy rose from 1.5% to 2% of taxable income from 1 July 2014. This will affect any tax charged on super contributions that includes the Medicare levy.

## Looking ahead in administration

AustralianSuper is a shareholder in Superpartners – a superannuation administration business that helps us administer your account.

During the 2014 financial year, AustralianSuper along with other shareholders undertook a strategic review of our investment in Superpartners with a view to delivering the best long term service outcome for members.

In September 2014, the shareholders of Superpartners announced a Heads of Agreement for the potential sale of Superpartners to Link Group, subject to final due diligence. If the sale proceeds, Link Group will become the future provider of superannuation administration services to AustralianSuper.

As always, AustralianSuper's primary objective is to deliver the best possible retirement outcome for members.

# MAJOR SHAREHOLDINGS

## Top 20 domestic and international equity holdings as at 30 June 2014

	% of portfolio
<b>Australian shares</b>	
Commonwealth Bank of Australia	8.56%
BHP Billiton Ltd	7.95%
Westpac Banking Corp	7.41%
Australia and New Zealand Banking Group Ltd	6.62%
National Australia Bank	5.26%
Telstra Corp Ltd	5.16%
Wesfarmers Ltd	3.58%
Rio Tinto Ltd	2.38%
Woolworths Ltd	1.94%
Suncorp Group Ltd	1.91%
CSL Ltd	1.73%
Transurban Group	1.69%
Oil Search Ltd	1.53%
Woodside Petroleum Ltd	1.49%
Insurance Australia	1.42%
Macquarie Group Ltd	1.35%
Crown Ltd	1.04%
Seek Ltd	0.99%
Sydney Airport	0.95%
Aurizon Holdings Ltd	0.94%

### International shares

		% of portfolio
Amazon.com Inc	United States	1.53%
Tencent Holdings Ltd	Hong Kong	1.52%
Baidu Inc	United States	1.48%
Reckitt Benckiser Group	Great Britain	1.30%
Apple Inc	United States	1.23%
Illumina Inc	United States	1.21%
Walt Disney Co/The	United States	1.17%
Accenture PLC-CLA	United States	1.12%
Nestle SA-REG	Switzerland	1.01%
Diageo PLC	Great Britain	0.95%
SabMiller PLC	Great Britain	0.95%
Thermo Fisher Scientific Inc	United States	0.94%
Danone	France	0.93%
Honeywell International	United States	0.92%
Microsoft Corp	United States	0.91%
Inditex	Spain	0.90%
Oracle Corp	United States	0.89%
British American Tobacco	Great Britain	0.87%
Visa Inc	United States	0.86%
Ebay Inc	United States	0.84%

The following holdings are not in the MSCI AC World Ex Aust net Divs benchmark:  
BAIDU INC

AustralianSuper invests in a range of asset classes across a number of markets.

We are a large investor in the Australian share market, as well as having investments in international markets, including emerging markets in Latin America and Asia. These holdings are based on the value of each holding as a percentage of the Fund's share portfolios.

## Top 10 international sustainable shareholdings at 30 June 2014

	% of portfolio
Masco Corp	2.11
Procter & Gamble Co	1.87
QUALCOMM Inc	1.75
Parker-Hannifin Corp	1.70
Nestle S.A.	1.62
Keurig Green Mountain, Inc	1.56
Exxon Mobil Corp	1.39
EMC Corp	1.39
Intuit Inc	1.31
Marriott International, Inc Class A	1.29

<b>Total portfolio</b>	<b>\$556.05M</b>
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## Top 10 Australian sustainable shareholdings at 30 June 2014

	% of portfolio
National Australia Bank Ltd	7.91
Westpac Banking Corp	7.65
BHP Billiton Ltd	7.11
Commonwealth Bank of Australia	6.35
Resmed Inc CHESS Depository Interests	4.38
Insurance Australia Group Ltd	3.68
Australia and New Zealand Banking Group Ltd	3.58
Ansell Ltd	3.45
Fletcher Building Ltd	3.41
Graincorp Ltd Class A	3.34

<b>Total portfolio</b>	<b>\$872.34M</b>
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## Shares we invest in globally

Through its investment managers AustralianSuper invests in over 50 global markets. The table below provides information on the countries in the AustralianSuper international shares portfolio, and their approximate weighting compared with the benchmark – the Morgan Stanley Capital Index.

### International equity country exposure as at 30 June 14

Country	Actual weights	Benchmark weights
<b>Total Equity</b>	<b>100%</b>	<b>100%</b>
<b>Asia</b>	<b>0.49%</b>	<b>1.68%</b>
Hong Kong	0.37%	1.07%
New Zealand	0.00%	0.05%
Singapore	0.13%	0.56%
<b>Japan</b>	<b>1.58%</b>	<b>7.38%</b>
<b>Europe</b>	<b>12.84%</b>	<b>17.41%</b>
Austria	0.04%	0.10%
Belgium	0.29%	0.46%
Denmark	0.53%	0.50%
Europe Other	0.00%	0.00%
Finland	0.00%	0.34%
France	4.44%	3.91%
Germany	1.14%	3.52%
Greece	0.00%	0.07%
Ireland	0.00%	0.12%
Italy	0.19%	0.97%
Netherlands	1.73%	1.00%
Norway	0.00%	0.33%
Portugal	0.00%	0.07%
Spain	1.01%	1.38%
Sweden	0.74%	1.19%
Switzerland	2.73%	3.47%
<b>United Kingdom</b>	<b>6.49%</b>	<b>8.14%</b>
<b>North America</b>	<b>51.49%</b>	<b>54.31%</b>
Canada	1.12%	3.83%
United States	50.38%	50.49%
<b>Other markets</b>	<b>27.10%</b>	<b>11.07%</b>
Argentina	0.02%	0.00%
Bermuda	0.00%	0.00%
Brazil	2.54%	1.18%

These shareholdings are updated monthly and can be found with a range of other investment information at – [australiansuper.com/investments](http://australiansuper.com/investments)

Country	Actual weight	Benchmark weight
<b>Other markets</b>		
Cayman Islands	0.07%	0.00%
Chile	0.25%	0.17%
China	6.20%	2.04%
Colombia	0.14%	0.12%
Cyprus	0.01%	0.00%
Czech Republic	0.05%	0.03%
Egypt	0.07%	0.02%
Hungary	0.05%	0.03%
India	4.34%	0.77%
Indonesia	0.65%	0.28%
Israel	0.24%	0.19%
Jordan	0.00%	0.00%
Jersey	0.06%	0.00%
Korea, Republic of	1.96%	1.76%
Luxembourg	0.02%	0.00%
Malaysia	0.56%	0.42%
Mexico	1.20%	0.56%
Morocco	0.00%	0.00%
Mongolia	0.00%	0.00%
Nigeria	0.23%	0.00%
Oman	0.02%	0.00%
Pakistan	0.00%	0.00%
Peru	0.05%	0.05%
Philippines	0.09%	0.11%
Poland	0.28%	0.19%
Qatar	0.01%	0.00%
Russian Federation	1.30%	0.58%
Saudi Arabia	0.00%	0.00%
South Africa	2.58%	0.84%
Taiwan, Province Of China	2.19%	1.32%
Thailand	1.15%	0.24%
Turkey	0.74%	0.19%
United Arab Emirates	0.00%	0.00%
Virgin Islands, British	0.03%	0.00%
<b>International equity-other (UUTs)</b>	<b>0.00%</b>	<b>0.00%</b>

# THE AUSTRALIANSUPER BOARD

AustralianSuper's Board oversees the Fund's operations and ensures it is operating efficiently and in the best interests of members.

The Trustee of AustralianSuper is AustralianSuper Pty Ltd. The Trustee is governed by a Board of Directors (the Board). The Board is appointed in accordance with the provisions of the Constitution of AustralianSuper Pty Ltd.

All Directors are non-executive and independent of management. Member Directors are appointed by the Australian Council of Trade Unions (ACTU) and Employer Directors are appointed by Australian Industry Group (Ai Group), subject to ratification by the Board.

At present the Board comprises five member representatives, five employer representatives and one independent director.

Many matters are delegated to Committees for decision and oversight.

The Board is covered by indemnity insurance against the financial effects of legal action against AustralianSuper.

## Delegation to management

Day to day management of the Fund's affairs and the implementation of corporate strategy and policy initiatives are formally delegated to the Chief Executive and senior executives.

Delegations are reviewed regularly.





# DIRECTORS



## HEATHER RIDOUT

(AO) BEc (Hons)  
CHAIR

Heather Ridout is an Employer Director appointed by the Ai Group. She joined the AustralianSuper Board in 2007 and was appointed Chair in 2013.

Heather Ridout is a company director and Reserve Bank Board member with a long history as a leading figure in the public policy debate in Australia.

Heather is a Director of Sims Metal Management – the world's largest publicly listed recycling company, a Director of ASX Ltd and a Director of Image Networks Holdings Pty Ltd.

Her other appointments include member of the Boards of: the Australian Chamber Orchestra; Asialink; Advance Australia Advisory Board and L.E.K. Consulting Advisory Board.

She is also co-Chair of the Australian-Canada Economic Leadership Dialogue and a delegate to the B20 which is the key business advisory body to the international economic forum and includes business leaders from all G20 economies.

Up until 30 April 2012, Heather was Chief Executive of the Australian Industry Group – a major, national employer organisation representing a cross section of industry including manufacturing, construction, defence, ICT and labour hire.

Heather was recently made an Officer (AO) in the general division of the Order of Australia (for distinguished service to business and industry through significant contributions to the development of economic and public policy).



## DAVE OLIVER

DEPUTY CHAIR

Dave Oliver is a Member Director appointed by the ACTU. He joined AustralianSuper's Board in July 2007. He was elected Secretary of the ACTU that year after serving the Australian Manufacturing Workers' Union (AMWU) for more than 20 years, including holding the position of National Secretary.

Dave established, and is currently a Director of, the National Entitlement Security Trust and is a current member of the Resource Sector Skills Taskforce Sub Committee, the Automotive Industry Innovation Council, the Future Manufacturing Industry Innovation Council, and the Defence Industry Innovation Board.

# DIRECTORS



## LUCIO DI BARTOLOMEO

BEng/MEngSc  
EMPLOYER DIRECTOR

Lucio Di Bartolomeo is an Employer Director appointed by the Ai Group. He joined the AustralianSuper Board in 2008. He is Chair of Northwest Rapid Transit and Eco Logical Australia, a non-executive Director of Australian Rail Track Corporation and the immediate past National President of the Ai Group.

Lucio's previous experience includes Managing Director of ADI Limited and Country Director of Thales Australia. Lucio has held several senior positions within the transport industry including Managing Director of FreightCorp and President of the Australasian Railway Association. He is a qualified civil engineer and has a Master's degree in Engineering Science.



## PAUL BASTIAN

LLB  
MEMBER DIRECTOR

Paul Bastian is a Member Director appointed by the ACTU. He joined the AustralianSuper Board in 2013.

Paul was elected to the position of National Secretary of the Australian Manufacturing Workers' Union (AMWU) in March 2012, having previously held the position of National President since December 2009. From 1997 until December 2009, Paul was State Secretary of the AMWU NSW Branch. Paul is a shipwright by trade and holds a Bachelor of Law (Honours) from the University of Technology, Sydney.



## BRIAN DALEY

BMath  
MEMBER DIRECTOR

Brian Daley is a Member Director appointed by the ACTU. He joined AustralianSuper's Board in July 2006 and was previously a Director of Australian Retirement Fund. Brian previously served as the National President of United Voice and is now the National Officer (Superannuation) of United Voice.

He has had a long-serving career in the superannuation industry and was heavily involved in the introduction of the Superannuation Guarantee. Brian is the Deputy Chair of Industry Super Property Trust and serves as a Director for Host Plus Pty Ltd. Brian is on the Industry Superannuation Australia Advisory Council and his industry involvement has included service as a former Director of IFS, AIST and ASFA and serving on the AIST Governance and Professional Standards Committee.



### JOHN INGRAM (AM)

FCPA  
EMPLOYER DIRECTOR

John Ingram is an employer Director appointed by the Ai Group. He joined AustralianSuper's Board in July 2006. Prior to that John was a Director of one of AustralianSuper's predecessor funds, the Superannuation Trust of Australia (STA). He became Deputy Chair of the AustralianSuper Board on 1 July 2007.

John has spent most of his career in the corporate sector where he has been a CEO and has been or continues to be a non-executive director of many publicly listed companies. These companies include Crane Group (Chief Executive), Nick Scali (Chair), Wattyl (Chair) and engineering firm UGL (Non-executive Director).

In 2008, John was appointed a Member of the Order of Australia.



### SCOTT MCDINE

MEMBER DIRECTOR

Scott McDine is a Member Director appointed by the ACTU. He joined the AustralianSuper Board in 2014.

Scott is the National Secretary of the Australian Workers' Union and began his career with the union as a member at the Alcoa Pinjarra Alumina Refinery in Western Australia where he worked as a service person/crane driver

In 2007, Scott left Alcoa to become an organiser in the AWU's Western Australian Branch, and was then promoted to the National Office of the AWU in Sydney as a National Organiser. Scott was elected to the position of Assistant National Secretary in the December of 2009.

In July 2014 Scott was elected National Secretary of the AWU. He is also a Director of the Resources and Infrastructure Industry Skills Council Ltd.



### GEMMA PINNELL

BA (Hons)/MA (Appl Comms)  
MEMBER DIRECTOR

Gemma Pinnell is a Member Director appointed by the ACTU. She joined AustralianSuper's Board in 2013. She is currently the Special Projects & Human Resources Manager at the Australian Council of Trade Unions (ACTU) where she has worked since 2006, and is responsible for overseeing a range of strategic functions.

She is also a Director of ACTU Member Connect and has been a Director of Industry Fund Services. She holds an Honours degree in Women's Studies and Politics from Monash University and a Masters of Applied Communications from RMIT.

# DIRECTORS



## TIM POOLE

BCom, CP  
INDEPENDENT DIRECTOR

Tim Poole is an Independent Director appointed jointly by the Ai Group and the ACTU. He joined AustralianSuper's Board, and became Chair of the AustralianSuper Investment Committee in July 2011.

Tim's extensive investment experience includes the establishment and operation of a large number of funds for Hastings Funds Management Ltd as an executive and later, as Managing Director of the company. Tim is also a non-executive director of Newcrest Mining, Japara Healthcare and McMillan Shakespeare, non-executive chairman of Lifestyle Communities and a director of several private unlisted companies.



## ALISON TERRY

BEc/LLB(Hons) GradDipAcc  
EMPLOYER DIRECTOR

Alison Terry is an Employer Director appointed by the Ai Group. She joined AustralianSuper's Board in March 2009.

Alison brings expertise in government relations, legal and regulatory exposures and financial management to the AustralianSuper Board. She currently holds the position of Managing Director and Chief Operating Officer at the Foundation for Young Australians, a national not-for-profit organisation. Alison was formerly the Head of Automotive and Corporate Affairs for Better Place Australia, and was GM Holden's Executive Director of Corporate Affairs from 2001 to 2008, Director of Government Relations and Public Policy from 1999 to 2001 and General Counsel from 1991 to 1997. Alison also sits on the Board of *The New Daily*.



## GRAHAME WILLIS

BCom FAIST  
EMPLOYER DIRECTOR

Grahame Willis is an Employer Director appointed by the Ai Group. He joined AustralianSuper's Board on 1 July 2006 and Grahame was an Employer Director of STA from 1988 and ARF from September 2002. He has extensive experience in general management, financial management, legal issues and superannuation.

He was the Executive Director of Finance, Administration and Superannuation at Ai Group with whom he was employed for 42 years. In 1997 Grahame received the Trustee of the Year Award at the Conference of Major Superannuation Funds and is a foundation Fellow of the Australian Institute of Superannuation Trustees.

### Committee membership as at 31 August 2014

Audit, Compliance and Risk Management	Investment	Member and Employer Services	Nomination and Remuneration	Budget Review
<b>Grahame Willis (Chair)</b>	<b>Tim Poole (Chair)</b>	<b>Brian Daley (Chair)</b>	<b>John Ingram (Chair)</b>	<b>John Ingram (Chair)</b>
Paul Bastian	Nixon Apple	Lucio di Bartolomeo	Scott McDine	Brian Daley
Brad Crofts	Peter Burn	Mike Nicolaides	Dave Oliver	Scott McDine
John Ingram	Brad Crofts	Dave Oliver	Heather Ridout	Grahame Willis
Liam O'Brien	Brian Daley	Heather Ridout		
Alison Terry	John Ingram	George Stamas		
	Russell Maddox			



## Board attendance

	Full meetings of Directors*		Audit Compliance and Risk Management		Budget Review		Investment		Member and Employer Services		Nomination and Remuneration	
	A	B	A	B	A	B	A	B	A	B	A	B
<b>Director</b>												
Paul Bastian	5	7	5	5	–	–	–	–	–	–	–	–
Brian Daley	7	7	–	–	–	–	10	11	4	4	–	–
Lucio Di Bartolomeo	7	7	–	–	–	–	–	–	4	4	–	–
Paul Howes	6	7	–	–	2	3	–	–	4	4	2	3
John Ingram	7	7	5	5	3	3	10	11	–	–	4	4
Dave Oliver	5	7	–	–	3	3	–	–	–	–	4	4
Gemma Pinnell	4	4	–	–	–	–	–	–	–	–	–	–
Tim Poole	7	7	–	–	–	–	11	11	–	–	–	–
Heather Ridout	7	7	–	–	–	–	–	–	4	4	4	4
Alison Terry	7	7	5	5	–	–	–	–	–	–	–	–
Grahame Willis	7	7	5	5	3	3	–	–	–	–	–	–
<b>Alternative Director</b>												
Nixon Apple	2	–	–	–	–	–	10	11	–	–	–	–
Mark Boyd	–	–	–	–	–	–	–	–	–	–	–	–
Leon Carter	1	–	–	–	–	–	–	–	–	–	–	–
Brad Crofts	–	–	5	5	–	–	11	11	–	–	–	–
Liam O'Brien	–	–	3	5	–	–	–	–	–	–	–	–
Michelle O'Neil	–	–	–	–	–	–	–	–	–	–	–	–
George Stamas	–	–	–	–	–	–	–	–	4	4	–	–
Innes Willox	–	–	–	–	–	–	–	–	–	–	–	–
Mike Nicolades	–	–	–	–	–	–	–	–	4	4	–	–
Peter Burn	–	–	–	–	–	–	10	11	–	–	–	–

A = number of meetings attended

B = number of meetings held during the time the Director held office or was a member of the committee

\* Includes a strategy planning day

# COMMITTEES OF THE BOARD

The Board has the ability under the constitution to delegate its powers and responsibilities to the Committees of the Board.

The Committees of the Board are:

## AUDIT, COMPLIANCE AND RISK MANAGEMENT COMMITTEE

The Audit, Compliance and Risk Management Committee monitors and oversees AustralianSuper's compliance with statutory reporting requirements to members, directors, and regulatory bodies as well as risk management control, financial reporting and external audit.

## INVESTMENT COMMITTEE

The Investment Committee sets strategic asset allocation ranges for each investment option, monitors the performance, achievement of investment objectives and risk and liquidity constraints of each investment option, approves investment guidelines, approves the asset class strategies and large direct investments and makes recommendations as appropriate to the Board.

## MEMBER AND EMPLOYER SERVICES COMMITTEE

The Member and Employer Services Committee oversees the range and quality of services provided to members and participating businesses.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee recommends to the Board nominations to fill director positions on external boards on which AustralianSuper has a seat; sets the salaries of the Chief Executive and senior executives and establishes the remuneration framework for the Fund.

## BUDGET REVIEW COMMITTEE

The Budget Review Committee reviews and monitors the annual budget and recommends the annual budget to the Board. The Committee also ascertains whether the budget is appropriate having regard to the strategic plan, pricing reviews, benchmarking studies and other reviews and in relation to AustralianSuper's five-year strategy.

## DURING THE YEAR

- › Brad Crofts was appointed an Alternate Director and joined the Investment Committee and the Audit Compliance and Risk Management Committee on 27 August 2013.
- › Leon Carter and Michelle O'Neill were reappointed as Alternate Directors on 27 August 2013.
- › Paul Howes resigned from the Board, Budget Review Committee, Member and Employer Services Committee and Nomination and Remuneration Committee on 23 June 2014.
- › Russell Maddox joined the Investment Committee on 15 July 2014.
- › Dave Oliver was appointed Deputy Chair and joined the Member and Employer Services Committee on 26 August 2014.
- › Scott McDine was appointed as a Director and joined the Nomination and Remuneration and Budget Review Committees on 26 August 2014.
- › Brian Daley was appointed Chair of the Member and Employer Services Committee and joined the Budget Review Committee on 26 August 2014.
- › Leon Carter resigned as Alternate Director on 31 July 2014.

# BEING RESPONSIBLE IN OUR DEALINGS

AustralianSuper's Code of Conduct sets out the values required by the Fund to maintain the trust and confidence of members and participating businesses.

The Code of Conduct sets out standards of behaviour that apply to AustralianSuper staff including:

## Recognising and managing conflicts of interest

AustralianSuper has a conflicts of interest framework, which provides guidance to recognise and manage conflicts of interest.

## Safeguarding integrity in financial reporting

AustralianSuper has a dedicated Audit, Compliance and Risk Management Committee to ensure the integrity of the financial reporting process. External auditors are selected by the Board in accordance with a formal policy, which requires external auditors to declare their independence to the Committee.

## Recognise and manage risk

The Board recognises that risk management needs to be embedded across the Fund's operations.

AustralianSuper adopts the requirements of the international standard on risk management (ISO 31000) in conducting risk management practices on a day-to-day basis.

The Board has ultimate responsibility for risk management. However, it delegates responsibility for the oversight of the risk management framework to the Audit, Compliance and Risk Management Committee (ACRMC). The Board has approved a Risk Appetite Statement (RAS) that provides guidance to management on the acceptable risks to be taken by the Fund in achieving its objectives. The performance of management against the requirements of the RAS is reported to the Board and the ACRMC four times a year. In addition to this, the risk management framework involves the identification and evaluation of risks in accordance with the international standard on risk management (ISO 31000) and Superannuation Prudential Standard SPS 220. In doing so, the material risks of the Fund and associated activities to mitigate those risks are reported to the ACRMC four times a year with a summary going to the Board.

## Corporate responsibility and sustainability

AustralianSuper seeks to conduct itself in a responsible, trustworthy and ethical manner and is committed to transparency and fair dealing in all of our operations.

## Related parties

AustralianSuper will enter into contracts with a related party only where it determines equivalent or enhanced benefits will result for members. When the Fund invests in, or contracts with, a related party, we ensure that:

- › the investment or contract is made in the best interest of members
- › the appointment of the service provider or the investment in the related entity is at fair market price
- › the benefits of the services provided are periodically assessed, and
- › the right of AustralianSuper to pursue its interests in the normal course of business is fully protected.

All related party transactions are made on normal commercial terms, under normal conditions and at market rates. Related party disclosures are contained in the Fund's audited financial statements available in early November at [australiansuper.com/Governance](http://australiansuper.com/Governance) or by calling **1300 300 273**.

## Ownership of AustralianSuper Pty Ltd (the Trustee)

The shareholders of AustralianSuper Pty Ltd are the Australian Industry Group and ACTU Super Shareholding Pty Ltd. ACTU Super Shareholding Pty Ltd holds the shares on behalf of the Australian Council of Trade Unions and other unions.

# OUR PEOPLE

## AustralianSuper's organisational structure and executive team

AustralianSuper's organisational structure was changed in 2013 so that we could better deliver our objective of helping members achieve their best possible retirement outcome.

AustralianSuper has six functional reporting lines and the new structure has been operational for 12 months.

## A workplace of opportunity, flexibility and respect

AustralianSuper recognises that our staff are key to our success. The aim of our People and Culture Strategy is to create more opportunities for our people and enhance our skills and capabilities as an organisation.

Since 2006, staff have participated in an annual survey to provide feedback on the Fund's performance as an employer against key metrics. This year AustralianSuper used a new survey tool to provide us with greater diagnostic and reporting capability. An overall favourable engagement score of 75% was achieved, which is 5% above the Australian norm.

The Fund's Scorecard includes a People Leader Index based on a number of survey responses and this year the Scorecard target of 4 of a possible 5 was achieved. This continues the trend of very strong results on both an absolute and comparable basis over the eight years we have conducted the survey.

Eighty-six per cent of staff responded to the survey this year. Key areas that recorded the strongest results were: a strong belief in the future of the fund, work flexibility and AustralianSuper as a good place to work.

AustralianSuper aims to have a workforce that is diverse and reflects our membership and broader community. This is an important part of building our organisational capability. A number of initiatives are used to promote improved workforce diversity, particularly in relation to gender balance, pay equity and flexible work arrangements.

As a non-public sector employer with 100 or more employees, we report annually to the Workplace Gender Equality Agency (WGEA). AustralianSuper's 2014 Compliance Report has been submitted to the WGEA and a copy of the report is available on our website. Any comments about the report can be directed to AustralianSuper ([australiansuper.com/contact](http://australiansuper.com/contact)) or the WGEA. In 2012, AustralianSuper was awarded the EOWA Employer of Choice for Women citation which we've held for two years.



**IAN SILK**  
Chief Executive

Ian is the Chief Executive of AustralianSuper and is responsible for the overall management of the Fund and the provision of advice to the Board.

## Developing and retaining staff

AustralianSuper, through industry-standard remuneration policies and workplace flexibility, continues to build the Fund's capability and put in place measures to retain our best staff.

The Fund develops staff through three methods: formal training (either face-to-face or online), coaching by managers or peers, and through development on the job. The focus on development as a holistic activity ensures staff get access to development which is appropriate to their needs.

As part of our commitment to staff we continue to invest in our people through the People Essentials Foundations Program and People Essentials for Managers Program. These programs reflect the Fund's performance management cycle, providing staff with the opportunity to experience first hand how they can apply the program tools to their work.

The underpinning philosophy is about how staff use their strengths at work to help achieve our organisational values of excellent outcomes, integrity, generosity of spirit and energy.



### MARK DELANEY

Deputy Chief Executive and  
Chief Investment Officer

Mark is the Deputy Chief Executive and Chief Investment Officer of AustralianSuper, acting as an advisor to the Board, developing and implementing investment strategies, and managing the work of AustralianSuper's investment advisers.



### JANE FOLEY

Group Executive – Strategy,  
People and Performance

Jane is responsible for the Fund's strategy development and business planning, strategic data analysis and reporting of the Fund's performance, together with human resources and IT services, and the project management office.



### SHAWN BLACKMORE

Group Executive –  
Service and Advice

Shawn is responsible for the provision of super, retirement and insurance services to members and employers. He is charged with providing a quality member experience from administration through to advice and communication services across all channels.



### GEORGINA WILLIAMS

Group Executive – Marketing  
and Corporate Affairs

Georgina is responsible for positioning AustralianSuper as the leading superannuation fund. She is charged with the development and implementation of brand, marketing, advocacy, public policy and external relations as well as specific-issue strategies.



### TONY CAVANAGH

Group Executive –  
Corporate Services

Tony is responsible for all legal, compliance, risk, financial and accounting matters for AustralianSuper covering statutory lodgements, budgetary and expense control, and policies and procedures. He is also responsible for all external and internal audit matters, and tax lodgement and compliance.



### PAUL SCHRODER

Group Executive – Membership

Paul is responsible for AustralianSuper's Membership group, which ensures the Fund has the products and relationships in place to effectively attract and retain members today and into the future.



## AustralianSuper's management team by gender and age as at 30 June 2014

	Female	Male	Age under 30	Age 30–50	Age 50 plus
Board	3	8	0	3	8
Executive team	2	5	0	3	4
Management	30	35	0	48	17
<b>Total</b>	<b>35</b>	<b>48</b>	<b>0</b>	<b>54</b>	<b>29</b>

## AustralianSuper's workforce by gender and working arrangements as at 30 June 2013

	Full-time	Part-time	Total
<b>Female</b>			
Asia, Beijing	2		2
New South Wales	6	2	8
Northern Territory		1	1
Queensland	1	2	3
South Australia	1		1
Tasmania	1		1
Victoria	95	25	120
Western Australia	4	1	5
<b>Sub-total female</b>	<b>110</b>	<b>31</b>	<b>141</b>
<b>Male</b>			
Asia, Beijing	1		1
New South Wales	12		12
Northern Territory	1		1
Queensland	2		2
South Australia	3		3
Victoria	113	3	116
Western Australia	3		3
<b>Sub-total male</b>	<b>135</b>	<b>3</b>	<b>138</b>
<b>Grand total</b>	<b>245</b>	<b>34</b>	<b>279</b>

# REMUNERATION

## AustralianSuper engages qualified and experienced staff to deliver benefits and services to members.

The information included in this annual report is a summary of the remuneration practices for AustralianSuper.

Our remuneration practices are designed to help AustralianSuper to:

- › attract and retain staff with the skills required to manage the operations and growth of the Fund
- › ensure a level of equity and consistency of treatment across the Fund, and
- › ensure the members' first orientation of the Fund.

AustralianSuper's Nomination and Remuneration Committee monitors the remuneration practices of the Fund and is responsible for the development, implementation and review of professional development standards and remuneration policies of the Board, management and staff.

The Nomination and Remuneration Committee is primarily responsible for making recommendations to the Board on:

- › fees to be paid to Directors, Alternate Directors and Non-Director Committee Members (Directors)
- › major changes to conditions of employment for staff (including Enterprise Agreement negotiations)
- › the framework of management and staff remuneration, and
- › remuneration of the Chief Executive and the other members of the executive team.

## Directors' remuneration

Directors are remunerated for their work, having regard to their specific responsibilities and the nature and objectives of the Fund. The fees are reviewed with effect from 1 July each year.

### Directors' remuneration

Fees as at 30 June 2014	Chair	Member	Board Deputy Chair
Board	136,000	34,000	50,000
Investment Committee	127,500	51,000	
Member and Employer Services Committee	29,750	17,000	
Audit, Compliance and Risk Management Committee	45,900	20,400	
Nomination and Remuneration Committee	17,500	10,000	
Budget Review Committee	14,000	8,000	

A per meeting fee of \$1,700 is paid for attendance at meetings of any sub-committees formed by the Board, and not for the above Committees, and to Alternate Directors who attend Board and Committee meetings in that capacity.

Directors are not entitled to annual leave, long service leave or performance payments.

A comprehensive review of the remuneration paid to AustralianSuper Directors was conducted this year.

There had been no substantial review of Director remuneration since AustralianSuper was established in 2006. Over that time the number of Board and Committee meetings, duration of meetings, and complexity of issues have significantly increased in parallel with the growth of members, members' assets and participating businesses.

This growth has occurred with, and has been a contributor to, the strong performance of the fund since inception. The review created a new structure of Director remuneration (see below) which reflects the Board's desire to strike Director remuneration levels that are reasonable and consistent with the fund's 'members first' ethos.

The general level of Director remuneration will be adjusted annually in line with the percentage movement in the Wage Price Index – Private Sector, rounded to the nearest \$100.

### Directors' remuneration

Directors and Alternate Directors	2014			2013		
	Cash fees	Superannuation	Total	Cash fees	Superannuation	Total
N. Apple <sup>1</sup>	60,975	5,658	66,633	29,700	2,692	32,392
P. Bastian <sup>2</sup>	51,000	4,752	55,752	9,752	902	10,654
P. Burn <sup>3</sup>	45,675	4,257	49,932	29,700	2,692	32,392
L. Carter <sup>4</sup>	1,700	162	1,862	-	-	-
B. Crofts <sup>5</sup>	61,405	5,725	67,129	-	-	-
B. Daley <sup>6</sup>	93,125	8,678	101,803	69,700	6,315	76,015
L. Di Bartolomeo	47,450	4,400	51,850	36,800	3,335	40,135
P. Howes <sup>7</sup>	88,758	8,266	97,024	64,599	5,857	70,456
J. Ingram	124,350	11,531	135,881	89,719	8,129	97,848
M. Nicolaides <sup>2</sup>	15,375	1,433	16,808	10,500	952	11,452
L. O'Brien <sup>7</sup>	20,625	1,921	22,546	16,100	1,458	17,558
D. Oliver <sup>8</sup>	49,625	4,623	54,248	30,270	2,751	33,020
G. Pinnell <sup>8</sup>	32,075	2,988	35,063	6,286	581	6,867
T. Poole	148,450	13,765	162,215	109,300	9,905	119,205
H. Ridout	148,175	13,740	161,915	53,752	4,906	58,658
G. Stamas	15,375	1,426	16,801	10,500	952	11,452
A. Terry	51,000	4,729	55,729	40,800	3,698	44,498
G. Willis	89,550	8,302	97,852	78,500	7,127	85,627
J. Lawrence				26,787	2,412	29,199
S McGurk <sup>9</sup>				49,712	4,474	54,186
E. Rubin <sup>10</sup>				104,773	9,434	114,207
D. Whiteley <sup>8</sup>				14,500	1,314	15,814
G. Ashton				24,000	2,160	26,160

The following Alternate Directors did not receive any compensation during the year ended 30 June 2014: M. Boyd, I. Willox, M. O'Neil (30 June 2013: M. Boyd, I. Willox, L. Carter, M. O'Neil).

1. These fees are paid to the Australian Manufacturing Workers' Union until the 18 October 2013. Post this date, the fees were directly paid to N. Apple.

2. These fees are paid to the Australian Manufacturing Workers' Union.

3. These fees are paid to the Australian Industry Group.

4. These fees were paid to the Financial Services Union.

5. These fees were paid to Eureka Economics Pty Ltd.w

6. These fees are paid to United Voice.

7. These fees are paid to the Australian Workers' Union.

8. These fees are paid to the Australian Council of Trade Unions.

9. These fees are paid to the Trades & Labour Council of WA

10. E Rubin also received non-monetary benefits of \$23,007 for the year ended 30 June 2013.

All superannuation amounts are paid to the Director and Alternate Directors' superannuation fund.

## Executive remuneration

Remuneration is comprised of one or more of the following:

### 1. FIXED ANNUAL REMUNERATION

The fixed annual remuneration for managers is determined with reference to levels necessary to recruit and retain staff with the relevant skills and experience and to remuneration levels across the Fund and the relevant market. External advice is sought to ensure that the fixed annual remuneration meets these conditions.

Fixed annual remuneration is comprised of base salary and superannuation guarantee contributions.

### 2. INVESTMENT PERFORMANCE PAYMENT PLAN

AustralianSuper operates an investment performance payment plan which applies to a limited number of senior investment staff. The level of performance pay is set with reference to levels necessary to recruit and retain staff with the relevant skills and experience, and to remuneration levels in the Fund and the relevant market.

The performance pay component for the participants is intended to reflect:

- › the investment performance of the Balanced option (accumulation) and, where relevant, the internally managed sector or asset class, and
- › an individual's performance with respect to personal objectives in their role in the Fund.

Payments under the plan occur when all of the following targets are met in a financial year:

- › investment performance of the AustralianSuper Balanced option is positive

- › investment performance of the AustralianSuper Balanced option is above inflation
- › investment performance of the AustralianSuper Balanced option is above the median performance of the SuperRatings SR50 Median Balanced Option, and
- › the participant achieves an individual performance rating of at least 'Effective'.

The Investment Performance Payment Plan is based on:

Non-internal investment management staff:

- › investment performance of the Fund weighted at 70%, and
- › assessment of performance of the individual weighted at 30%;

Internal investment management staff:

- › investment performance of the Fund weighted at 30%,
- › investment performance of the relevant sector or asset class weighted at 50%, and
- › assessment of performance of the individual weighted at 20%.

The maximum payment available under the performance payment plan is 40% (60% in the case of the Chief Investment Officer) of salary and super packages of the participants covered by the Plan. Payments under the payment plan are made in cash.

The Chief Executive and the Nomination and Remuneration Committee may revise the performance conditions and weightings in order to better meet the objectives of the remuneration policy.

### Performance of the Fund in 2013–14 in relation to the Investment Performance Payment Plan

Investment performance measures	Benchmark	Performance	Result
Investment performance of the AustralianSuper Balanced option is positive	Positive	Positive	Achieved
Investment performance of the AustralianSuper Balanced option is above inflation	3.0%	13.88%	Achieved
Investment performance of the AustralianSuper Balanced option is above that of the median Balanced fund in the relevant SuperRatings SR50 survey	12.66%	13.88%	Achieved

Executive remuneration at 30 June 2014

	Salary <sup>(A)</sup>	Super- annuation remuneration	Fixed remuneration	Performance payment	Non- monetary benefits <sup>(B)</sup>	Annual leave accrual <sup>(C)</sup>	Long service leave accrual <sup>(D)</sup>	Total
<b>I. Silk</b>	623,402	25,000	648,402	NA	19,200	-15,683	46,051	697,970
<b>M. Delaney</b>	585,972	25,000	610,972	345,963	–	-1,971	16,150	971,114
<b>P. Curtis</b>	395,000	25,000	420,000	150,990	–	-9,968	19,364	580,386
<b>I. McKeand</b>	412,000	25,000	437,000	157,102	–	13,506	14,007	621,615
<b>J. Peasley</b>	372,000	25,000	397,000	142,772	–	24,679	12,723	577,174

(A) Represents that cash remuneration paid during the financial year before superannuation and performance payments.  
This amount does not include any accrual for annual leave or long service leave.

(B) Includes motor vehicle parking benefits and parking benefits and any associated fringe benefits tax.

(C) Represents the movement in the annual leave accrual for each personnel each month.

(D) Includes long service entitlements accrued but not taken during the year as required to be recognised under legislation.

Executive remuneration at 30 June 2013

	Salary <sup>(A)</sup>	Super- annuation remuneration	Fixed remuneration	Performance payment	Non- monetary benefits <sup>(B)</sup>	Annual leave accrual <sup>(C)</sup>	Long service leave accrual <sup>(D)</sup>	Total
<b>I. Silk</b>	564,456	25,000	589,456	N/A	21,883	45,889	13,596	670,824
<b>M. Delaney</b>	559,662	25,000	584,662	192,103	–	40,118	21,522	838,405
<b>P. Curtis</b>	362,231	25,000	387,231	106,787	–	10,365	6,722	511,105
<b>I. McKeand</b>	372,100	25,000	397,100	94,169	–	20,917	8,997	521,183
<b>J. Peasley</b>	335,368	25,000	360,368	100,903	–	2,564	7,426	471,261

(A) Represents that cash remuneration paid during the financial year before superannuation and performance payments.  
This amount does not include any accrual for annual leave or long service leave.

(B) Includes motor vehicle parking benefits and parking benefits and any associated fringe benefits tax.

(C) Represents the movement in the annual leave accrual for each personnel each month.

(D) Includes long service entitlements accrued but not taken during the year as required to be recognised under legislation.

NON-MANAGEMENT STAFF

AustralianSuper staff are employed under the AustralianSuper Enterprise Agreement 2012–16. Staff whose salaries are set under the Agreement receive annual increases to their remuneration.

REMUNERATION CONSULTANTS

AustralianSuper engages remuneration consultants to ensure that remuneration is in line with industry standards and to ensure that the Fund continues to attract and retain quality staff to run and operate the Fund efficiently and expertly, and that the Fund's remuneration is consistent with our core tenet of being a members' first fund.



# FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

Below is a summary of AustralianSuper's financial statements for the last two financial years. The financial statements for 2014 are taken from unaudited accounts.

### AustralianSuper movement in members' funds for the year ended 30 June 2014

	2014 – \$'000	2013 – \$'000
<b>Opening balance</b>	<b>64,869,334</b>	<b>46,886,804</b>
Employer contributions	5,659,229	4,981,621
Member contributions	1,121,544	693,733
Transfers inwards	4,646,755	11,090,101
Investment income	9,474,756	7,936,665
Insurance receipts	206,321	200,038
Other income	47,738	9,466
<b>Total income</b>	<b>21,156,343</b>	<b>24,911,624</b>
Benefits paid and payable	5,515,102	5,120,288
Administration & operating expenses	232,158	214,176
Insurance expense	600,766	345,949
Income tax expense	1,401,791	1,248,681
<b>Total benefits and expenses</b>	<b>7,749,817</b>	<b>6,929,094</b>
<b>Net assets available to pay benefits at year end</b>	<b>78,275,860</b>	<b>64,869,334</b>
Members' funds	77,991,007	64,700,528
Reserves	284,853	168,806
<b>Liability for accrued benefits</b>	<b>78,275,860</b>	<b>64,869,334</b>

### Reserves for the three years to 30 June 2014

	2014 – \$'000	2013 – \$'000	2012 – \$'000
Reserves	284,853	\$168,806	\$173,900

#### More information about the AustralianSuper's reserves

The level of the reserves is determined by the Board annually based on an assessment of the risks faced by AustralianSuper and with regard to industry best practice. Our policy sets out how the level of the reserves is maintained and replenished through both investment earnings and operational surplus. It also outlines under what circumstances payments are made from the reserves. Included in the reserves is an amount set aside as an Operational Risk Financial Reserve of \$190m (\$160m in 2013). The purpose of the Operational Risk Financial Reserve is to provide funding for incidents where material losses may arise from operational risks (as opposed to investment risks).

## AustralianSuper balance sheet as at 30 June 2014

	2014 – \$'000	2013 – \$'000
<b>Assets</b>		
<b>Investments</b>		
Cash and cash equivalents	4,375,370	3,290,003
Listed equity securities	40,906,219	29,381,169
Fixed interest securities	14,428,636	15,634,388
Unlisted unit trusts	19,004,065	17,133,155
Unlisted equity securities	515,854	455,643
Derivatives	288,265	103,226
<b>Receivables</b>		
Receivables	292,259	245,000
Receivable for securities sold	81,377	249,084
<b>Other assets</b>		
Deferred tax asset	24,183	14,672
<b>Total assets</b>	<b>79,916,228</b>	<b>66,506,340</b>
<b>Liabilities</b>		
Payables	231,500	148,386
Payable for securities purchased	166,272	152,071
Derivatives	231,452	881,403
Current tax liabilities	226,404	300,204
Deferred tax liabilities	784,740	154,942
<b>Total liabilities</b>	<b>1,640,368</b>	<b>1,637,006</b>
<b>Net assets available to pay benefits</b>	<b>78,275,860</b>	<b>64,869,334</b>

## Derivatives

Derivatives can be useful tools and allow investors to have exposure to a particular asset without actually owning the physical asset. The cost of derivatives can be lower in some instances than holding the actual asset. AustralianSuper uses derivatives for risk control and to enhance returns in our investment options. We are not allowed to use them for gearing or speculative purposes. Derivatives are mostly used in our bond portfolio, but are also used for currency hedging and to fully invest the cash in the shares and capital guaranteed portfolios.

AustralianSuper may directly invest in derivatives (futures and options) to reduce investment risk. Investment managers may use derivatives when investing in assets. Where this is the case, AustralianSuper considers the risks and the controls in place by reviewing each investment manager's derivatives risk statement, and receives regular reports of the investment manager's compliance with their derivatives risk statement. The statement details the use of derivatives, the controls on their use and the process for assessing the investment manager's compliance with these controls. The derivatives charge ratio (the percentage of the Fund's assets being used as security for derivative investments) did not exceed 5% of AustralianSuper's assets at any time during the year.

The full audited financial statements and auditor's report will be available by early November online at [australiansuper.com/governance](http://australiansuper.com/governance)



## AUSTRALIANSUPER MEMBER BILL

### About this report

AustralianSuper is committed to providing Fund members, participating businesses, employees and other key stakeholders with clear information about the many considerations that shape our investment decisions, member relations, relationship with employees and sustainability.

Our approach centres on balancing our goal of maximising the retirement outcomes for members with meeting the economic, governance, social and environmental responsibilities of our operations. We believe integration of environment, social and governance issues will be an important and lasting challenge for the superannuation sector in the coming years.

This report discloses our performance over the 2013–14 financial year and covers our Australian and Asian operations with regards to human resource data. There are no significant changes to the scope of the report from previous disclosures. Further, there are no re-statements of information provided in earlier reports.

This annual report was prepared in September 2014 by AustralianSuper Pty Ltd ABN 94 006 457 987, AFSL 233788 the Trustee of AustralianSuper ABN 65 714 394 898 and may contain general financial advice that does not take into account your personal objectives, situation or needs. Before making a decision about AustralianSuper, consider your financial requirements and read the Product Disclosure Statement, available at [www.australiansuper.com/PDS](http://www.australiansuper.com/PDS) or by calling **1300 300 273**.

**Surcharge payments (if any) are deducted from members' accounts.**

#### **AustralianSuper may transfer your account**

If you have less than \$700 in your account and we haven't received employer contributions for you for at least 13 months, AustralianSuper 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. If your account is transferred to AUSfund, you'll no longer be a member of AustralianSuper and any insurance cover you had with AustralianSuper will cease. To contact AUSfund call 1300 361 798 or write to PO Box 2468, KENT TOWN SA 5071

By law, AustralianSuper must transfer lost super accounts with balances under \$2,000, or those that are unidentified and have been inactive for more than 12 months, to the Australian Taxation Office. To find out more visit [www.ato.gov.au](http://www.ato.gov.au)

### Benchmarks

High Growth – SR50/SRP50 Median Growth Option, Balanced – SR50/SRP50 Median Balanced Option, Sustainable Balanced – SR50/SRP50 Median Balanced Option, Indexed Diversified – SR50/SRP50 Median Balanced Option, Conservative Balanced – SR50/SRP25 Median Conservative Balanced Option, Stable – SR50/SRP50 Median Capital Stable Option, Capital Guaranteed – UBSA Bank Bill Index adjusted for fees and tax, Australian Shares – S&PASX300 Accumulation Index adjusted for fees and tax, International Shares – MSCI AC World ex Australia (in \$A) Index adjusted for fees and tax, International Shares-Hedged – MSCI AC World ex Australia Net Divs Hedged Index adjusted for fees and tax, Australian Sustainable Shares – S&PASX300 Accumulation. Index adjusted for fees and tax, International Sustainable Shares – MSCI World Net Dividend Reinvested Unhedged to \$A adjusted for fees and tax, Property – Mercer/IPD Australian Pooled Property Fund Index adjusted for fees and tax, Australian Fixed Interest – CPI + 1%, Diversified Fixed Interest – CPI + 1%, International Fixed Interest – CPI + 1%, Cash – UBSA Bank Bill Index adjusted for fees and tax.

Statements made by AustralianSuper members have been reproduced with the members' continuing consent.

#### **Temporary residents – permanently leaving**

If you are a temporary resident permanently leaving Australia, you have six months to claim your super from us. If you do not, we may transfer your benefit to the Australian Taxation Office (ATO).

Under Australian Securities and Investments Commission relief, we do not have to give you an exit statement if we pay your benefit to the ATO in these circumstances. Once transferred, you will need to contact the ATO to claim your benefit.



## How to contact us

### INDUSTRY AND PERSONAL DIVISION

[australiansuper.com](http://australiansuper.com)  
T 1300 300 273  
[australiansuper.com/email](mailto:australiansuper.com/email)

AustralianSuper  
GPO Box 1901, Melbourne VIC 3001

### CORPORATE DIVISION

[australiansuper.com/corporate](http://australiansuper.com/corporate)  
T 1300 309 466

AustralianSuper Corporate  
GPO Box 4303, Melbourne VIC 3001

### RETIREMENT INCOME DIVISION

[australiansuper.com/pension](http://australiansuper.com/pension)  
T 1300 789 932  
[australiansuper.com/email](mailto:australiansuper.com/email)

AustralianSuper Pension  
Locked Bag 6, Carlton South VIC 3053