



ANNUAL REPORT 2011

EquitySuper



Your future in good hands...

Company Profile

Where we came from

Equity Trustees Superannuation Limited was originally named Wealthpac Australia Limited and was established on 31 March 1992. We became a wholly owned subsidiary of Equity Trustees Limited in March 2003. Equity Trustees was established in 1888 and is a publicly listed company on the Australian Securities Exchange.

What we do

We are a full-service corporate and personal superannuation master trust operator. We provide trustee, administration and investment services to employers and individuals alike through the EquitySuper Master Fund (previously Wealthpac Master Fund) and the Freedom of Choice Superannuation Masterfund. We are also trustee for the Public Eligible Rollover Fund.

We also offer tax and cost effective pensions and transition to retirement pensions to an increasingly large number of members.

The EquitySuper Master Fund provides a cost effective solution to employers and individuals through a 'fund of funds' offering where we invest in a selection of investment managers to deliver a range of blended sector and diversified pool superannuation investments.

The Freedom of Choice Superannuation Masterfund is another master trust which enables members to choose their own investment managers as well as having the ability to invest in the top 300 listed shares on the Australian Securities Exchange.

Where we're headed

We are part of a growing and dynamic financial services organisation which is continuing to grow the breadth and quality of the products and services we offer.



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A Note From the Managing Director

Dear Member,

We are pleased to present the 2011 Annual Report for your attention.

Please take time to read the report in conjunction with your annual benefit statement. It includes important information on investment returns, a review of the investment outlook prepared by our asset consultant, van Eyk Research, as well as financial and other additional information which you may find useful.

Online Services

In July 2010, the Trustee introduced daily unit price valuations for all EquitySuper products. Since that time it has also enhanced the website so that members can now undertake a number of secure transactions online, including investment switches, change of member details and contribution payments using the secure Bpay facility.

These services will enable you to manage your account simply and securely as an increasing number of our members are doing.

If you have not yet registered for online access to your account, simply go online and complete the registration section.

Acquisition of OAMPS Superannuation Fund

During the year, the OAMPS Superannuation Fund became part of the Equity Trustees Limited suite of superannuation products and since then has successfully amalgamated that fund into EquitySuper under the name of Apex Super.

One of the benefits to existing EquitySuper members and the former OAMPS members was that we were able to reduce the investment manager costs by virtue of the greater buying power of the two funds. These savings have been passed on to all members.

Global Financial Markets

Members within EquitySuper will have seen a welcome and positive increase in earnings for the year from improved market conditions. However, there is continuing uncertainty in global markets brought about by:

- concern over the ability of certain European countries to manage their debt obligations;
- a reduction for the first time ever in the US credit standing from AAA to AA+; and
- fears of another global recession due to weak economic growth.

It may be some time before these issues are resolved and in the meantime we may continue to experience the extreme volatile market conditions as witnessed in early August.

However, we again stress the importance of looking at your superannuation as a long term investment and to acknowledge that markets do rise and fall in the short term, but that over the longer term superannuation is a most tax effective way of saving for your retirement.

Superannuation Industry Changes

The proposed changes to the superannuation landscape are undergoing rigorous review by industry participants and it is still too early to predict what the final shape of 'Stronger Super' will look like when it is finally introduced. We are maintaining a keen eye on developments to ensure that our products and services remain competitive.

Client Services

We have recently upgraded our Client Services. If you have any queries about your account, your investment profile, establishing a pension account to take advantage of generous tax concessions or anything else to do with your superannuation, then please contact us on **1300 659 799**.

Yours sincerely



Adrian Young
Managing Director
September 2011



Adrian Young

Investment Outlook



Investment Outlook and Performance Summary for Fiscal Year Ending June 2011

Financial year 2010-11 started with anxiety over European sovereign (government) debt – which remains unresolved – and finished with the state of US government debt. Global sovereign debt markets still had a strong 12 months, gaining 5.8% in Australian dollar terms.

The sovereign debt crisis in Europe spread from Greece to Ireland and Portugal in 2010, leading to mass protests in the former and changes of government in the latter. Towards the end of FY2011, the contagion had spread to Spain and Italy. Despite this the Eurozone continued to expand, the Estonia becoming the 17th country to adopt the Euro.

Debt in the US has become a hot topic, with total public debt totalling US\$14.46 trillion by 30 June 2011 (approximately 98% of annual GDP). While lawmakers remained unable to compromise on terms of an extension to the country's debt ceiling, market volatility increased, although asset prices at the end of FY2011 had not seriously priced in the possibility of a US default.

Despite these global concerns, developed market equities have performed well, up 22.3% in local currency terms. Strong industrial production figures and a resurgence of manufacturing exports in countries such as the US and Germany combined with weakness in their currencies fuelled this growth. Strength in the Australian dollar relative to major world currencies limited the performance of international equities in AUD terms to 2.6% in FY2011.

Equities in emerging markets also had a strong 12 months, gaining 16.8% in local currency terms. Investors bet heavily on continued expansion, particularly in China and South-East Asia, where policy through FY2011 maintained a bias to growth over fighting inflation. Chinese inflation for FY2011 was 6.4%, its highest rate in almost two years. Inflation accelerated over the past 12 months in many other emerging economies, most notably Vietnam (21%).

The largest drivers of this global inflation trend were food, energy and commodity prices. The IMF food price index rose 33% in the last 12 months, driven by increasing global demand and natural disaster supply shocks such as the mass flooding in Pakistan and Brazil and wildfires in Russia and Eastern Europe. Over FY2011 commodity prices gained 35%, gold gained 21% and the oil price added 26%.

Black swan events contributed to financial market uncertainty, most significantly the Arab Spring and Japanese earthquake.

Beginning with Tunisian protests over unemployment in December, the multi-decade rules of regimes in Tunisia, Egypt and Yemen fell. Public uprisings continue in Oman, Syria and Libya, Africa's largest oil producer, which has descended into a civil war. Uncertainty over the situation in Libya saw the oil price rise 20% in a two-week period in February.

In March 2011, the Tohoku-region of Japan was hit by an earthquake and tsunami, affecting many manufacturing companies and several nuclear power plants. The market impacts were immediate and significant, with Japanese equities losing 15.45% in the two trading days after the earthquake. This disaster, in the near-term, is expected to reduce Japan's 2010-11 GDP by around 1%. The broader impact for global growth of a negative shock to the world's third largest economy further rattled increasingly risk-averse investors.

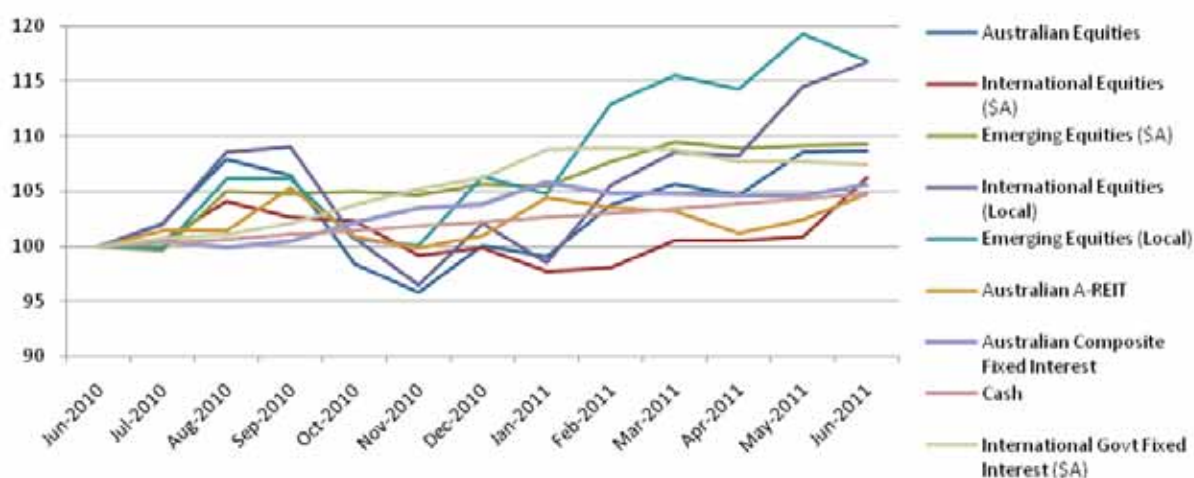
Domestically, Australian equities have shrugged off increasing policy uncertainty under a hung parliament and a barrage of natural disasters to end the financial year up 11.9%. The resources sector performed strongest, despite the proposed mineral resources rent tax and carbon tax. The east coast experienced extensive flooding from September to March, particularly Queensland which was also hit by Cyclone Yasi. This significantly affected large agricultural and mining regions, and contributed to the -1.2% March-quarter national GDP contraction. While at 3.3%, the national headline inflation rate is above the RBA's target range, this result and weak consumer data has helped to keep the cash rate at 4.5% since November 2010, when the only rate rise for the financial year occurred.

Performance Summary (%)

| As at 30 June 2011 | FY2011 | FY2010 | FY2009 | FY2008 |
|---|--------|--------|--------|--------|
| Australian Equities | 11.9% | 13.1% | -20.3% | -13.7% |
| International Equities (A\$) | 2.6% | 5.3% | -16.3% | -20.9% |
| Australian A-REIT | 5.8% | 20.3% | -42.1% | -37.7% |
| Australian Composite Fixed Interest | 5.5% | 7.9% | 10.8% | 4.4% |
| International Govt. Fixed Interest (A\$ Hedged) | 5.8% | 10.0% | 11.5% | 8.5% |
| Cash | 5.0% | 3.9% | 5.5% | 7.3% |
| International Emerging Equities (A\$) | 0.8% | 18.0% | -14.7% | -7.0% |
| International Equities (Local) | 22.3% | 11.5% | -26.6% | -15.7% |
| International Emerging Equities (Local) | 16.8% | 19.8% | -20.0% | 1.4% |

Source: Bloomberg, van Eyk Research

Relative Asset-Class Performance in FY2011



Source: Bloomberg, van Eyk Research

Investment Outlook

With all major asset classes recording positive performance in FY2011, it is tempting to think the outlook for FY2012 is bright. In fact, these statistics belie significant headwinds to the continued strong performance of most asset classes over the coming years.

The transfer of debt from the private to the public sector has meant that financial system leverage has been transferred to governments, many of which will continue to struggle under high debt burdens. The servicing costs alone of these will affect the ability of many indebted governments to reduce their debt in the future.

After decades of deregulation that resulted in massive consolidation of banks and financials, the financial system itself continues to be unwieldy, with each country now having only one or two truly international banks. Like a top-heavy boat, this worldwide financial system will continue to contribute to volatility due to the sheer size of many of these financials, whether they are too big to fail or not.

While we expect emerging markets to continue to record higher-than-average GDP growth, their markets' performance will continue to be increasingly affected by political uncertainty – as will the performance of their developed market counterparts. While the future has some bright spots, it is unlikely that asset class performance in the coming few years will be as consistently strong as it has been over the past two decades. Rather, we see increased volatility and pockets of temporary growth to dominate.

Investment Performance

The Fund's investment objective is to provide members with a range of diversified and sector strategies from which to choose.

Diversified Strategies

| Conservative (Investment Engine 2) | Low long-term capital growth and earnings | | | Low risk | |
|--|---|------------|------------|-------------------------------|------------------------------|
| Average annual percentage earned ^{#1} | 9.54% p.a. over optimum time frame ^{#2} of 2 years | | | | |
| Strategy design | Asset Allocation | | | Strategic^{#3} | Tactical^{#4} |
| | Australian Shares | | | 12% | 14% |
| | International Shares | | | 10% | 14% |
| | Listed Property | | | 5% | 3% |
| | Australian Fixed Interest | | | 25% | 25.5% |
| | International Fixed Interest | | | 20% | 17% |
| | Alternative Assets | | | 6% | 5% |
| | Cash | | | 22% | 21.5% |
| Actual annual earnings ^{#1} to | 30/06/2011 | 30/06/2010 | 30/06/2009 | 30/06/2008 | 30/06/2007 |
| | 7.41% | 11.71% | 0.27% | -2.70% | 9.12% |
| Average annual percentage earned to 30/06/2011 ^{#1} | 5.02% p.a. over 5 years 5.72% p.a. over 10 years | | | | |
| Investment Manager Fee ^{#5} | 0.31% | | | | |

| Moderate (Investment Engine 2 plus) | Moderate long-term capital growth and earnings | | | Moderate risk | |
|--|---|------------|------------|-------------------------------|------------------------------|
| Average annual percentage earned ^{#1} | 4.94% p.a. over optimum time frame ^{#2} of 3 years | | | | |
| Strategy design | Asset Allocation | | | Strategic^{#3} | Tactical^{#4} |
| | Australian Shares | | | 24% | 25% |
| | International Shares | | | 18% | 22.5% |
| | Listed Property | | | 6% | 4% |
| | Australian Fixed Interest | | | 22% | 23.5% |
| | International Fixed Interest | | | 12% | 8% |
| | Alternative Assets | | | 8% | 5% |
| | Cash | | | 10% | 12% |
| Actual annual earnings ^{#1} to | 30/06/2011 | 30/06/2010 | 30/06/2009 | 30/06/2008 | 30/06/2007 |
| | 9.10% | 12.42% | -5.79% | -7.00% | 12.25% |
| Average annual percentage earned to 30/06/2011 ^{#1} | 3.82% p.a. over 5 years 5.30% p.a. over 10 years | | | | |
| Investment Manager Fee ^{#5} | 0.41% | | | | |

| Balanced (Investment Engine ③) | Moderate Long-term capital growth and earnings | | | Moderate risk | |
|--|---|------------|------------|-------------------------------|------------------------------|
| Average annual percentage earned ^{#1} | 3.66% p.a. over optimum time frame ^{#2} of 3 years | | | | |
| Strategy design | Asset Allocation | | | Strategic^{#3} | Tactical^{#4} |
| | Australian Shares | | | 34% | 36.5% |
| | International Shares | | | 24% | 27.5% |
| | Listed Property | | | 7% | 6% |
| | Australian Fixed Interest | | | 14% | 16% |
| | International Fixed Interest | | | 6% | 2% |
| | Alternative Assets | | | 10% | 5% |
| | Cash | | | 5% | 7% |
| Actual annual earnings ^{#1} to | 30/06/2011 | 30/06/2010 | 30/06/2009 | 30/06/2008 | 30/06/2007 |
| | 9.39% | 12.83% | -9.77% | -10.45% | 15.24% |
| Average annual percentage earned to 30/06/2011 ^{#1} | 2.82% p.a. over 5 years 4.91% p.a. over 10 years | | | | |
| Investment Manager Fee ^{#5} | 0.46% | | | | |

| Growth (Investment Engine ⑤) | High long-term capital growth and earnings | | | High risk | |
|--|---|------------|------------|-------------------------------|------------------------------|
| Average annual percentage earned ^{#1} | 1.82% p.a. over optimum time frame ^{#2} of 5 years | | | | |
| Strategy design | Asset Allocation | | | Strategic^{#3} | Tactical^{#4} |
| | Australian Shares | | | 44% | 45.5% |
| | International Shares | | | 30% | 33.5% |
| | Listed Property | | | 7% | 6% |
| | Australian Fixed Interest | | | 5% | 5% |
| | International Fixed Interest | | | 2% | 0% |
| | Alternative Assets | | | 10% | 5% |
| | Cash | | | 2% | 5% |
| Actual annual earnings ^{#1} to | 30/06/2011 | 30/06/2010 | 30/06/2009 | 30/06/2008 | 30/06/2007 |
| | 10.07% | 13.39% | -14.43% | -13.09% | 17.89% |
| Average annual percentage earned to 30/06/2011 ^{#1} | 1.82% p.a. over 5 years 4.73% p.a. over 10 years | | | | |
| Investment Manager Fee ^{#5} | 0.55% | | | | |

| High Growth (Investment Engine ⑦) | High long-term capital growth and earnings | | | High risk | |
|--|---|------------|------------|-------------------------------|------------------------------|
| Average annual percentage earned ^{#1} | 4.92% p.a. over optimum time frame ^{#2} of 7 years | | | | |
| Strategy design | Asset Allocation | | | Strategic^{#3} | Tactical^{#4} |
| | Australian Shares | | | 50% | 50% |
| | International Shares | | | 40% | 44.5% |
| | Listed Property | | | 10% | 0% |
| | Australian Fixed Interest | | | 0% | 0% |
| | International Fixed Interest | | | 0% | 0% |
| | Alternative Assets | | | 0% | 0% |
| | Cash | | | 0% | 5.5% |
| Actual annual earnings ^{#1} to | 30/06/2011 | 30/06/2010 | 30/06/2009 | 30/06/2008 | 30/06/2007 |
| | 10.24% | 12.77% | -16.22% | -14.59% | 19.60% |
| Average annual percentage earned to 30/06/2011 ^{#1} | 1.25% p.a. over 5 years 3.90% p.a. over 10 years | | | | |
| Investment Manager Fee ^{#5} | 0.60% | | | | |

| Capital Guaranteed | Secure growth long-term returns expected between cash and balanced fund, with less volatility | | | | | Nil risk |
|--|--|---------------------|---------------------|--|--|----------|
| Average annual percentage earned ^{#1} | 4.94% p.a. over 5 years | | | | | |
| Strategy design | Asset Allocation Australian Shares International Shares Direct Assets Property Australian Fixed Interest Cash | | | Strategic Shares and direct assets equal 40% 20% 40% 0% | Tactical 32% 6% 5% 17% 33% 7% | |
| Actual annual earnings to | 30/06/2011 3.70% | 30/06/2010 3.47% | 30/06/2009 3.81% | 30/06/2008 6.75% | 30/06/2007 7.04% | |
| Average annual percentage earned to 30/06/2011 ^{#1} | 4.94% p.a. over 5 years 4.81% p.a. over 10 years | | | | | |
| Investment Manager Fee ^{#5} | 2.06% | | | | | |

Sector Strategies

| Cash | Low Long-term capital growth and earnings | | | | | Low risk |
|--|--|---------------------|---------------------|---------------------|---------------------|----------|
| Average annual percentage earned ^{#1} | 4.46% p.a. over optimum time frame ^{#2} of 1 year | | | | | |
| Actual annual earnings ^{#1} to | 30/06/2011 4.46% | 30/06/2010 4.69% | 30/06/2009 4.16% | 30/06/2008 5.66% | 30/06/2007 5.70% | |
| Average annual percentage earned to 30/06/2011 ^{#1} | 4.93% p.a. over 5 years 4.62% p.a. over 10 years | | | | | |
| Investment Manager Fee ^{#5} | 0.00% | | | | | |

| Australian Fixed Interest | Moderate long-term capital growth and earnings | | | | | Moderate risk |
|--|--|----------------------|----------------------|---------------------|---------------------|---------------|
| Average annual percentage earned ^{#1} | 10.64% p.a. over optimum time frame ^{#2} of 3 years | | | | | |
| Actual annual earnings ^{#1} to | 30/06/2011 5.55% | 30/06/2010 10.89% | 30/06/2009 15.69% | 30/06/2008 1.63% | 30/06/2007 3.24% | |
| Average annual percentage earned to 30/06/2011 ^{#1} | 7.28% p.a. over 5 years 6.24% p.a. over 10 years | | | | | |
| Investment Manager Fee ^{#5} | 0.28% | | | | | |

| International Fixed Interest | Moderate long-term capital growth and earnings | | | | | Moderate risk |
|--|---|----------------------|---------------------|---------------------|---------------------|---------------|
| Average annual percentage earned ^{#1} | 8.82% p.a. over optimum time frame ^{#2} of 3 years | | | | | |
| Actual annual earnings ^{#1} to | 30/06/2011 7.84% | 30/06/2010 16.35% | 30/06/2009 2.70% | 30/06/2008 2.67% | 30/06/2007 5.17% | |
| Average annual percentage earned to 30/06/2011 ^{#1} | 6.83% p.a. over 5 years n/a over 10 years | | | | | |
| Investment Manager Fee ^{#5} | 0.43% | | | | | |

| Property Securities | Moderate to high long-term capital growth and earnings | | | | Moderate to high risk |
|--|--|----------------------|-----------------------|-----------------------|-----------------------|
| Average annual percentage earned ^{#1} | -5.59% p.a. over optimum time frame ^{#2} of 5 years | | | | |
| Actual annual earnings ^{#1} to | 30/06/2011 14.28% | 30/06/2010 21.62% | 30/06/2009 -36.56% | 30/06/2008 -28.12% | 30/06/2007 18.34% |
| Average annual percentage earned to 30/06/2011 ^{#1} | -5.59% p.a. over 5 years 4.06% p.a. over 10 years | | | | |
| Investment Manager Fee ^{#5} | 0.39% | | | | |

| Australian Equities | High long-term capital growth and earnings | | | | High risk |
|--|---|----------------------|-----------------------|-----------------------|----------------------|
| Average annual percentage earned ^{#1} | 8.74% p.a. over optimum time frame ^{#2} of 7 years | | | | |
| Actual annual earnings ^{#1} to | 30/06/2011 13.13% | 30/06/2010 14.83% | 30/06/2009 -16.28% | 30/06/2008 -13.40% | 30/06/2007 26.89% |
| Average annual percentage earned to 30/06/2011 ^{#1} | 3.63% p.a. over 5 years 8.19% p.a. over 10 years | | | | |
| Investment Manager Fee ^{#5} | 0.47% | | | | |

| International Equities | High long-term capital growth and earnings | | | | High risk |
|--|---|---------------------|-----------------------|-----------------------|----------------------|
| Average annual percentage earned ^{#1} | 1.08% p.a. over optimum time frame ^{#2} of 7 years | | | | |
| Actual annual earnings ^{#1} to | 30/06/2011 6.30% | 30/06/2010 9.55% | 30/06/2009 -20.48% | 30/06/2008 -16.25% | 30/06/2007 15.62% |
| Average annual percentage earned to 30/06/2011 ^{#1} | -2.16% p.a. over 5 years -1.14% p.a. over 10 years | | | | |
| Investment Manager Fee ^{#5} | 0.76% | | | | |

Notes

- Earnings are compound and have had tax deducted and are after fees charged by the respective fund managers.
- This represents the likely number of years required for optimum earnings, considering risk.
- Strategic asset allocations represent the long-term view of independent asset consultants van Eyk Research Ltd.
- Tactical allocations may vary significantly from strategic allocations during business cycles to take advantage of opportunities and/or reduce risk. ETSL actively manages allocations in the short-term so members can comfortably choose a long-term view.
- Investment Manager Fees are as at 30 June 2011.

Please note: Investment values can rise and fall. Past performance is not necessarily indicative of future performance.

Abridged Financial Information

Statement of net assets (unaudited) as at 30 June 2011

| | 2011 | 2010 |
|---------------------------------------|--------------------------|--------------------------|
| | EquitySuper in \$'000 | EquitySuper in \$'000 |
| Liability for Accrued Benefits | | |
| Member benefits | | |
| Allocated to participant accounts | 710,315 | 398,926 |
| Unallocated to participant accounts | 2,604 | 4,752 |
| Total member benefits | 712,919 | 403,678 |
| Investments | | |
| Freehold land & buildings | 4,765 | 4,850 |
| Shares in listed companies | 783 | 947 |
| Units in managed funds | 591,016 | 347,869 |
| Insurance policies and PST's | 34,003 | 5,607 |
| Total investments | 630,567 | 359,273 |
| Current assets | | |
| Cash | 64,314 | 28,242 |
| Sundry debtors – Income Receivable | 8,153 | 8,669 |
| Deferred tax asset | 17,312 | 10,030 |
| Total current assets | 89,779 | 46,941 |
| Total assets | 720,346 | 406,214 |
| Current liabilities | | |
| Sundry creditors | 2,976 | 211 |
| Provision for income tax | 4,439 | 2,313 |
| Deferred tax liability | 12 | 12 |
| Total liabilities | 7,427 | 2,536 |
| Net assets | 712,919 | 403,678 |

Statement of changes in net assets (unaudited) for the year ended 30 June 2011

| | 2011 | 2010 |
|---|--------------------------|--------------------------|
| | EquitySuper in \$'000 | EquitySuper in \$'000 |
| Net assets at beginning of year | 403,678 | 371,626 |
| Revenue | | |
| Contributions and transfers in | 57,696 | 45,820 |
| Successor Fund Transfer from OAMPS Super Fund | 281,125 | – |
| Investment revenue (net of tax) | 29,216 | 41,088 |
| Total revenue | 368,037 | 86,908 |
| Expenditure | | |
| Trustee and Administration fees | 5,804 | 5,429 |
| Other expenses | 602 | 297 |
| Insurance premiums | 4,967 | 4,019 |
| Benefits and transfers paid | 41,381 | 39,963 |
| Contributions tax | 6,042 | 5,135 |
| Superannuation contributions surcharge | – | 13 |
| Total expenditure | 58,796 | 54,856 |
| Net assets at year end | 712,919 | 403,678 |

Note:

Figures for 2010 have been extracted from the 2010 audited financial statements.

Audited figures for 2011 will be available by 31 October 2011.

Assets more than 5% of total assets held at 30 June 2011

| Description | EquitySuper | |
|---|-------------|----------|
| | in \$'000 | Assets % |
| Equity Trustees Limited | 53,378 | 7.41 |
| J.P. Morgan Nominees Limited (Cash at Bank) | 53,000 | 7.36 |
| Macquarie Investment Management Limited | 67,671 | 9.39 |
| MFS Investment Management Limited | 55,003 | 7.64 |
| Schroder Investment Management Limited | 100,934 | 14.01 |
| Tribeca Investment Partners | 70,379 | 9.77 |

Investment Fund Managers and Funds

These are the funds into which all Investment Engine strategies are invested as at 30 June 2011.

Aberdeen Asset Management Limited

Aberdeen Australian Fixed Income Fund # AFI

Aberdeen Asset Management Limited is the Australian subsidiary of Aberdeen Asset Management PLC, a global business managing assets for third parties. Our business is the active management of financial assets, chiefly equities, fixed income, property and multi-asset portfolios. Aberdeen commenced operations in Australia in December 2000 and has grown strongly through acquisition and organic growth since that time.

The Sydney office manages the Group's Australian and New Zealand assets for a range of global and domestic clients and provides access to the Group's wider investment capabilities including domestic, regional and international fixed interest products and a range of multi-asset products.

AMP Capital Investors Limited

AMP International Bond Fund # IFI

AMP Capital Guarantee Fund # D

AMP Capital Investors is one of Asia Pacific's largest investment managers with over 50 years experience managing investments for Australian, New Zealand and international investors. We have a long history of leadership, from being one of the first investors in infrastructure in the 1980s to being the first Australian company authorised to trade China A shares.

At AMP Capital we use our in-depth investment expertise, specialist capabilities and extensive global network to develop the best investment opportunities for our clients.

Underpinning these capabilities are our people. We seek to attract the best people, invest in their ongoing professional development, and ensure their interests are clearly aligned with those of our clients. Every day we work together with a single goal in mind – to create greater wealth for our clients.

BT Investment Management

BT Wholesale Smaller Companies Fund # AS

At BT Investment Management ('BTM'), our vision is to combine the benefits of our strong institutional foundation and performance-focused culture with a 'multi-boutique' specialist investment approach. We believe this approach firmly positions BTIM to achieve outstanding risk-adjusted returns for our investors, and deliver strong growth for our shareholders.

BT Investment Management is listed on the Australian Securities exchange and manages over A\$34.3 billion (30 June 2010) for investors. BTIM is majority owned by the Westpac Group.

Capital International

Capital International Global Equities Fund # IS

Capital International is part of The Capital Group Companies, Inc. ('Capital Group'), which was founded in 1931 and is one of the oldest and largest investment firms in the world. Capital International provides investment management services to governmental organisations, corporate and public-employee pension plans, foundations, endowments, and other non-profit organisations and mutual funds throughout Australasia, among other regions. Capital Group is privately owned by over 350 current and recently retired employees.

Global Thematic Partners and Deutsche Asset Management (Australia) Limited

DWS Global Equity Thematic Fund # IS

Global Thematic Partners LLC ('GTP') has been delegated the management of the DWS Global Equity Thematic Fund.

GTP is an asset management firm based in New York which was established in 2010 by the former Deutsche Asset Management Americas Inc. employees who were previously responsible for the management of the fund. The investment strategy, processes and investment personnel responsible for the management of the fund remain unchanged. GTP is registered as an investment adviser with the US Securities Exchange Commission and anticipates having approximately US\$9 billion in assets under management as at 1 July 2010.

Equity Trustees Limited

EQT Flagship Fund # AS

Equity Trustees Limited ('EQT') was established in 1888 by its own special Act of the Victorian Parliament to provide trustee and executor services.

The company has evolved into a sophisticated financial services provider offering a broad range of products and services to a diverse client base. In addition to traditional trustee and estate management duties, EQT's range of services includes portfolio management, managed funds, superannuation and philanthropy.

EQT is committed to acting in the best interest of its clients via wealth management solutions over a range of asset classes carrying different risk profiles.

Macquarie Investment Management Limited

Macquarie True Index Australian Shares Fund # AS

Macquarie True Index Australian Fixed Interest Fund # AFI

Macquarie True Index Listed Property Fund # LP

Macquarie Funds Management is one of Australia's leading fund managers, with over 25 years funds management experienced and A\$54 billion under management. We have built a reputation for innovation, client focus and disciplined investment processes. We manage funds in all major asset classes and offer a range of investment styles across the risk spectrum.

MFS Investment Management Limited

MFS Global Equity Trust # IS

Massachusetts Financial Services Company ('MFS') is a subsidiary of Sun Life Assurance Company of Canada and is America's oldest mutual fund organisation with a history of money management dating from 1924. In 1932 MFS established an internal equity research department and proprietary research approach. MFS has since grown to be one of the most respected names in investment management managing equity and fixed income assets for institutional and individual investors worldwide. MFS' culture is investment driven, client centred and collaborative. They seek to achieve superior long-term results for clients by hiring talented professionals who work effectively as a team and are supported with a research-rich environment.

MIR Investment Management Limited

MIR Australian Equities Fund # AS

MIR Investment Management Pty Ltd was established in June 2003 and commenced managing Australian equities in January 2004. The MIR Group is headquartered in Sydney and has offices in Singapore and Melbourne with approximately A\$2 billion in assets under management as at 31 March 2010. MIR established a Joint Venture company, MIR Libra Capital Management, in January 2010 focusing on Greater China equities and offices located in Hong Kong and Shanghai.

PIMCO Australia Pty Limited

PIMCO EQT Wholesale Australian Bond Fund # AFI

PIMCO EQT Wholesale Global Bond Fund # IFI

PIMCO Target Return Fund # D

Pacific Investment Management Company LLC ('PIMCO') is one of the world's largest specialist fixed interest managers, and employs more than 1,700 employees, including 496 investment professionals around the world.

PIMCO Australia Pty Ltd began doing business in Australia in 1997 and maintains the philosophy that hard work, high standards of excellence and the desire to be the best are critical to our success. Our ability to grow and maintain the high level of performance and service for which we are known derives from the stability and experience of our team.

Schroder Investment Management

Australia Limited

Schroder Australian Equity Fund # AS

Schroder Global Value Extension Fund # IS

At Schrodgers, asset management is our business and our goals are completely aligned with those of our clients – the creation of long-term value.

We manage A\$312.1 billion of assets on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income and alternatives.

We employ 2,793 talented people worldwide operating from 32 offices in 25 different countries across Europe, the Americas, Asia and the Middle East, close to the markets in which we invest and close to our clients.

Schrodgers has developed under stable ownership for over 200 years and long-term thinking governs our approach to investing, building client relationships and growing our business.

**SG Hiscock & Company Limited and
LaSalle Investment Management (Securities) L.P
EQT SGH LaSalle Global Listed Property
Securities Trust # LP**

SG Hiscock & Company Limited ('SGH'), a boutique investment manager specialist in listed property securities and Australian equities, was established in mid 2001 by 6 principals, all of whom worked together previously at National Asset Management Limited. In 2003, SGH entered into a joint venture with LaSalle Investment Management, Inc. a member of the Jones Lang LaSalle group, who is one of the world's largest global property investors.

Tribeca Investment Partners

**Tribeca Australia Equity Alpha-Plus Fund # AS
Tribeca Australian Small Companies Fund # AS**

Tribeca is a boutique Australian equity manager who manage approx. \$1 billion in funds for clients invested in Australian Equities. Tribeca was established in 1998 and is majority owned by its founders and staff. This group of professionals, whose own interests are closely aligned with its clients, aims to deliver long-term superior investment results through a distinctive investment process along with a culture emphasising trust, integrity and a high level of services in all aspects of its business.

Vanguard Group Inc. ('VGI')

Vanguard MSCI Emerging Markets ETF # IS

Vanguard is a wholly owned subsidiary of VGI. VGI is based in the United States and as at 31 December 2010 managed more than A\$1.5 trillion for over 23 million institutional and personal investor accounts.

Over the past 35 years VGI has grown to be one of the world's largest and most respected investment management companies. VGI now has a global presence with offices in the United States, Australia, Asia and Europe. Vanguard has established a reputation in Australia as an index specialist, managing over A\$82 billion as at 31 December 2010.

Notes

**Abbreviations for Investment Engine
sector portfolios**

| | |
|-------|------------------------------|
| # AS | Australian Shares |
| # AFI | Australian Fixed Interest |
| # C | Cash |
| # D | Diversified |
| # IFI | International Fixed Interest |
| # IS | International Shares |
| # LP | Listed Property |

The Fund primarily invests in investment manager strategies which are designed to provide good liquidity of investments and to enable the fund to discharge its existing and prospective liabilities.

Additional Information

Compliance

EquitySuper ('the Plan') operates to ensure compliance with the relevant provisions and standards of the Superannuation Industry (Supervision) Act 1993 ('SIS'), the Corporations Act 2001 and the Income Tax Assessment Act, for each division.

The Trustee

A copy of the Trust Deed, audited accounts, APRA returns, and the latest actuarial report (if applicable) may be inspected during business hours at the registered office of the Trustee. Other information is available on request.

Equity Trustees Superannuation Limited ('ETSL') is the Trustee and Responsible Entity of the Plan, operating under a Registrable Superannuation Entity Licence issued by APRA and is required to meet obligations specified in SIS. J.P. Morgan Chase Bank; N.A. (Sydney Branch) ('J.P. Morgan') holds legal title to all the assets of the Plan, separate from ETSL. This provides further security to members.

Complaints resolution

ETSL has a procedure for dealing properly with enquiries and complaints. Enquiries, complaints or disputes can be made in writing to the Enquiry Officer care of ETSL. If any member or beneficiary is not satisfied with the outcome then the member or beneficiary may contact the Superannuation Complaints Tribunal (telephone 1300 884 114 or write to Locked Bag 3060, Melbourne, Victoria, 3001). This is an independent body set up by the Government to help resolve certain types of superannuation complaints with superannuation fund trustees.


If the Tribunal accepts the complaint, it will attempt to resolve the matter through conciliation. If unsuccessful, the complaint may, under the law establishing the Tribunal, be referred to the Tribunal for a binding determination.

Disclaimer

Neither the Trustee ('ETSL'), nor its directors, nor the custodian ('J.P. Morgan') guarantees the performance of the Plan or the repayment of capital or particular rate of return. The Trustee certifies that:

- the Trust Deed regulating the Plan meets the requirements of the governing trust law and SIS. The Trustee will use its best endeavours to ensure the Plan continues to operate in accordance with these requirements;
- the Plan is operated in accordance with the Trust Deed and Rules, SIS, its regulations, the Corporations Act 2001 and other governing legislation;
- indemnity insurance has been effected by the Trustee; and
- no penalties have been imposed on ETSL under SIS.

Eligible Rollover Fund

If you fail to provide timely payment instructions (where applicable) or you are classified as a lost member, ETSL may elect to transfer your benefit to an Eligible Rollover Fund where it will be dealt with in accordance with SIS. The Eligible Rollover Fund is the Public Eligible Rollover Fund ('PERF') which has been established by ETSL, contact details for which are provided on the back of this document. The investment strategy for the PERF is similar to Investment Engine . Fees are \$1.00 per member per week, plus a Plan Management Fee of 1.68% of the member's account balance.

Regular reports on your investments

Each year ETSL will provide the following information:

Fund information – This provides information on the management and financial condition of the Plan and investment performance.

Member statement – This will show the current balance and any transactions for the financial year to date.

Taxation

Any contributions for which either members or participants claim a tax deduction, less the cost of insurance and charges, are taxed at 15%.

Under current law the income generated within the Plan is taxed at the concessional rate of 15% (not applicable to Pension members). Eligible contributions will produce taxation concessions for the contributors and benefits paid from the superannuation, rollover and allocated pension accounts will be concessionaly taxed in the hands of the recipients.

Earning rates

The net earning rates for all investment strategies are credited to the accounts of members and participants, net of tax and Investment Manager fees. No amount is set aside for investment reserves. Net earning rates are calculated using daily redemption values of the assets of the Plan. Published investment results for the year are based on a balance invested at the start of the year for a full year.

Unallocated reserves

The Trustee distributes all income to members after making an appropriate allowance for income tax on all realised and unrealised income and distributions.

The Trustee also makes allowance for the tax benefit on the Trustee's fees, and this benefit is passed on to members.

At the end of each financial year, the Trustee undertakes a reconciliation of its tax position once all annual tax statements have been received. This reconciliation typically produces a further tax credit as franking credits on managers' distributions, tax-free income etc is advised and taken into account.

However, the Trustee assesses the position and only distributes a proportion of the additional available tax benefits at the end of each year pending completion of the tax return.

Only once the tax return has been finalised and the appropriate tax paid does the Trustee distribute to members the additional tax benefit.

What are the charges for ETSL?

The following charges and taxation payable outlined above are debited in accordance with the provisions of the Plan to each Participant Account for each member.

Contribution fee

ETSL may charge a fee of up to 1% of the amount of each contribution to the Plan made by a participant employer. Although the Trust Deed allows a maximum fee of 5%, the actual fee is agreed with the participant employer at the time of application for participation.

Management costs (ongoing fees)

These fees are subject to increase by an amount equal to the increase in the Average Weekly Ordinary Time Earnings ('AWOTE') from time-to-time.

Trustee fee and expense recovery charge

A charge up to 2.18% p.a. is deducted from the balance in each Participant Account on a monthly basis. Discounts apply for multi-member participation. Member statements detail all ongoing management charges.

Member administration fee

A maximum participation charge of \$6 per month is charged to each Participant Account for each member. Discounts apply for multi-member participation.

Plan specifications

The charges outlined above are those applying to EquitySuper as a whole. The charges that apply to your particular plan are covered in the Plan Specifications, available from ETSL.

Other investments

If your funds are held in investments other than the Investment Engine strategies, Product Disclosure Statements are available on request from ETSL.

Policy Committee

If your Sub-Plan has a Policy Committee that acts to refer your interests and concerns to the Trustee, details of the committee members will be supplied by ETSL.

Lost Superannuation

From 1 July 2010, super funds are obliged to transfer any lost super accounts to the ATO. This will include lost accounts with balances less than \$200 and those which have been inactive for more than 5 years and for which there are not sufficient records to identify the owner.

Legislative changes

There are quite a number of changes coming up that will impact on how superannuation funds are operated and how members and employers relate to super funds.

Of immediate impact is the change to the use of Tax File Numbers ('TFNs') by funds and employers. From 1 July 2011, funds will be able to use TFNs as the primary identifier of their members' superannuation accounts. This will speed up the processing of employer contributions to member accounts, especially if employers promptly advise funds of the TFN of all members for whom they are making contributions. Additionally, trustees can now search the records of funds and the records held in lost member registers using TFNs to locate members' 'lost super' and to assist members to consolidate their super into one account. The full effectiveness of this will not occur until all contributions received by funds have been tagged with a TFN.

In last year's report we mentioned three different reviews that enquired into a range of matters, all of which would have some impact on superannuation – commonly known as the Cooper (superannuation matters), Henry (tax matters) and Ripoll (financial services) reviews.

Earlier this year the Australian Government released a set of proposals called Stronger Super, as its acceptance of 144 of the recommendations of the Cooper Review into the governance, efficiency, structure and operations of super funds. Since then, the Treasury Department of Government has been consulting with the superannuation industry (i.e. with the peak organisations representing the various trustees, administrators and other service providers to super funds) in order to work out how the measures in Stronger Super will be implemented. There are three main themes to the Stronger Super changes:

- A set of conditions with which funds would have to comply in order to accept compulsory Superannuation Guarantee contributions – referred to as MySuper. The aim of MySuper is for members' contributions to be invested under a strategy that would be implemented efficiently with regard to risk, return for the risks taken, investment costs and tax. A fund's net return after fees and tax would be compared to the return on a benchmark appropriate to the main components of its strategy. MySuper is expected to be in operation from 1 July 2013.
- A set of operating standards that funds and employers would have to follow in the processing of contributions and in the payment of benefits and rollovers – referred to as SuperStream. The enhanced use of TFNs from 1 July 2011 is an early part of SuperStream; other aspects will apply from 1 July 2012.
- Some changes to the way funds are governed are to be made. APRA (the Australian Prudential Regulation Authority) is to be given the power to set standards for the superannuation industry, in a manner similar to its powers in respect of banks and insurance companies. Trustees would be required to put the interests of fund members ahead of shareholders in the trustee company, and the standard of behaviour of a trustee is to be that of an ordinary prudent person of business.

Coming out of the Ripoll review is a set of proposals that would enable trustees of super funds to give financial advice, in a cost effective manner, to their members. This advice would be tailored to their members' needs across a number of issues relating to their membership of the fund and their planning for retirement. Further consultation with ASIC (the Australian Securities and Investments Commission) on this type of advice is to take place during the second half of 2011.

The 'shorter PDS' changes reported last year are to be implemented by all funds by 22 June 2012. These changes reduce the length of the PDS (Product Disclosure Statement that is issued to new members to give information about the fund that is reasonably required by members). The changes include new standards on the way in which general information is to be disclosed (e.g. by referring readers to the new ASIC website www.moneysmart.gov.au). Additionally, funds should report their investment strategy using standard terms and expressions set by their peak organisations.

Derivatives policy

ETSL may use derivatives such as exchange traded futures or options from time to time for risk management purposes and currency hedging only. Derivatives are used to efficiently create effective exposure to a relevant market that could otherwise be established through investment in the underlying physical market. Derivatives will not be used for any speculative or leveraged strategies or purposes. A currency hedging strategy is designed to limit downside risk and participate on potential upside moves of the Australian dollar against other currencies, as the value of assets held overseas changes as the Australian dollar fluctuates relative to the basket of overseas currencies. The Derivatives policy is designed to achieve specific goals on the recommendation of the Investment Committee, supported by the asset consultant, and approved by the ETSL Board, and such derivatives are authorised in terms of clause 6.8 of the EquitySuper Master Fund Trust Deed. On an annual basis, ETSL reviews the Derivative Risk Statement ('DRS') for each investment manager in which it currently invests. Also, before investing with a new manager, ETSL reviews a copy of that manager's DRS.

The derivatives charge ratio ('DCR') is the percentage of the total market value of the assets of the fund (other than cash) that the Trustee has charged as security for derivatives investments it has made. For 2010/2011, ETSL has not charged any asset of the Fund as security for any derivatives contract.

Trustee Information



Equity Trustees Superannuation Limited is the Trustee for the:



EquitySuper Master Fund
EquitySuper Pooled Superannuation Trust
Public Eligible Rollover Fund



Mutual Superannuation (part of EquitySuper)



Apex Super Fund and CCF Super Fund
(part of EquitySuper)



**CIVIL CONTRACTORS
 FEDERATION**



Freedom of Choice Superannuation Masterfund



Equity Trustees Superannuation Limited
ABN 50 055 641 757
AFSL 229 757

Level 4, 124 Walker Street
North Sydney NSW 2060

Telephone 1300 659 799
Facsimile 1300 369 799
Email super@eqtsuper.com
Internet www.eqt.com.au