



ANNUAL REPORT 2010

Wealthpac Superannuation Service



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 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 Wealthpac 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



Adrian Young

Dear Member,

We are pleased to present the 2010 Annual Report for your attention.

We recommend that you take time to read the report in conjunction with your annual 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.

Daily Valuations and Online Services

From 1 July 2010, the Trustee has introduced daily valuations for all EquitySuper products.

This will enable you to access up-to-date account valuations and information online on a daily basis, something that an increasing number of members have requested.

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

Superannuation Industry Changes

Many of you would be aware that there have been a number of major industry and tax reviews released in recent months.

Ripoll Review

The first major report issued was the Ripoll Review which recommended a number of changes to the way superannuation funds operate and in particular to commissions paid to advisers.

A number of those recommendations have been adopted by the Government and which are expected to come into effect from 1 July 2012.

As EquitySuper operates predominately in the corporate master trust environment, and no adviser commissions are payable on superannuation products, the effect of the recommendations of the Ripoll Review on us is expected to be negligible.

Henry Review

The Henry Review was released by the Government in May with 138 recommendations on proposed changes to the tax regime. The Government announced at the same time that it would be progressively increasing the superannuation guarantee contribution levy from 9% to 12% by 2019, starting in 2013. The Government has said that this and other proposals are subject to the passing of some form of additional tax on mining companies.

Cooper Review

The Cooper Review into superannuation was released at the end of June and it made 174 recommendations addressing all aspects of superannuation.

The cornerstone of the recommendations is the introduction of MySuper which is designed to replace the current default arrangements. MySuper, as proposed, is a low cost, single investment option offering which will prohibit the payment of trail commissions and group life insurance commissions.

The Review is typically high level and there is much work to be done by the industry, regulators and the Government in formulating the detail of how MySuper would work in practice. The Review anticipates that the introduction of MySuper is at least two years away.

While the industry will undoubtedly be subject to further changes in coming years, the sharp focus on superannuation reflects the enormous importance of superannuation in providing a cost efficient and tax effective way of providing for the retirement of all Australians.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrian Young', with a stylized flourish at the end.

Adrian Young
Managing Director
August 2010

Investment Outlook



Investment Outlook and Performance Summary for Fiscal Year Ending June 2010

The past financial year has been characterised by initial optimism at the prospects of a sustainable economic recovery across the globe, followed by increased concerns over sharply rising government debt levels, particularly in Europe, and finally a slowing of the world economy. Strong returns in risk assets over the first four months of Fiscal Year 2010 ('FY2010') helped improve investor confidence after two very disappointing years, with Australian, international and emerging market equities also performing well, although a strong Australian dollar negated foreign asset returns somewhat. However, equity returns generally trailed off through to June 2010 as the global economic outlook weakened. Corporate fixed interest securities generally performed well over the year as spreads narrowed from the extreme levels seen in early 2009. Sovereign debt securities performed well as yields remained low.

As at 30 June 2010	FY2010	FY2009	FY2008	FY2007
Australian Equities	13.1%	-20.3%	-13.7%	29.2%
International Equities (A\$)	5.3%	-16.3%	-20.9%	7.4%
Australian LPT	20.3%	-42.1%	-37.7%	26.3%
Australian Fixed Interest	7.9%	10.8%	4.4%	4.0%
International Fixed Interest (A\$ Hedged)	10.0%	11.5%	8.5%	5.2%
Cash	3.9%	5.5%	7.3%	6.4%
International Emerging Equities (A\$)	18.0%	-14.7%	-7.0%	26.6%
International Equities (Local)	11.5%	-26.6%	-15.7%	21.4%
International Emerging Equities (Local)	19.8%	-20.0%	1.4%	39.0%

Sources: at 30 June 2010; van Eyk estimates, S&P/ASX, FTSE, JPMorgan Broad GBI, UBS

Australian equities experienced a sharp, liquidity-driven rally in late 2009 followed by a weaker first half of 2010 as investors grew more uncertain about the sustainability of the global economic recovery. Fiscal stimulus and a pickup in exports to Australia's Asian trading partners helped pull the domestic economy out of its 2008/2009 slowdown and drove strong domestic equity returns until late October last year. While Australia's terms of trade has continued to improve through the first half of 2010, concerns about the economic recovery, particularly in Europe where sovereign debt fears have been greatest, have seen equity returns disappoint and year on year returns fall back to 13% to the end of June.

Australian listed property trusts recovered strongly in FY2010 after being the worst performing asset class in the two preceding years. Increased investor confidence that valuations more closely reflected the current economic reality, coupled with easing credit conditions, drove the sector sharply higher in between March and October 2009. However, since October Australian LPT stock prices have stagnated as investors comprehend the limited growth options available in the post-GFC environment.

International equities in A\$ terms saw a volatile year, with returns largely disappointing investors after what was a strong September 2009 quarter. The market paused somewhat in late 2009 and early 2010 as investors waited for company earnings to improve. Although this improvement did take place in the first quarter of 2010, it was off a very low earnings base in 2009 and was also countered by concerns over the ability of certain European countries, particularly Greece, to meet their debt obligations. A strong Australian dollar also hampered returns as investors were attracted to the commodity exposure and higher interest rates the dollar offered.

International emerging market equities in A\$ were up 18%. The sector's return was dampened by the strength of the Australian dollar. This was the strongest performing equity class over the 12 month period. International emerging market equities in local currency terms rose by 19.8% for the year. Emerging market returns were driven by stronger underlying economic performance, particularly with Asia and commodity-driven Brazil. Investors continue to focus on the stronger economic fundamentals evident in the sector relative to developed markets.

International fixed interest performed well over FY2010. US, German and UK sovereign debt were particularly positive contributors to world government bond index returns as government bond investors avoided the troubled southern European countries. A contraction in yields across most larger countries in the June quarter of 2010 aided returns.

Australian fixed interest had a reasonably strong year, returning 7.9%. Corporate bonds were the key driver as spreads contracted due to increased investor appetite for riskier assets. Over the last quarter of FY2010, European sovereign debt concerns and expectations of weaker global growth also drove Australian government bond yields lower.

Prospects for 2011

Deflation arguments are now winning the balance, with excess capacity evident across most of the developed world, even though long-term inflation may be hard to avoid as central banks struggle to keep credit lines open and stimulate growth.

The US economic recovery is likely to remain weak with the risks to this forecast firmly on the downside. Unemployment is expected to remain high with job growth weak, which should contribute to disappointing consumer spending. The housing market is showing signs of renewed weakness as government stimulus packages roll off which an overhang of excess properties remains.

High government debt levels and the limited availability of credit have forced numerous European countries to introduce tough austerity measures, which will be a negative for growth. The IMF is forecasting only 1% growth for 2010 and 1.3% for 2011 in the Euro area, which is a particularly weak recovery considering the depth of the preceding recession.

The IMF is forecasting a marginal slowing of global growth to 4.3% in 2011 from 4.6% in 2010. It has noted that recent improvements in industrial production and trade across the world have been impacted by turbulence in financial markets as investor confidence falls.

The Australian economy is expected to grow at a rate of approximately 3.5% p.a. over the next two years. High investment levels, particularly in the resources sector, coupled with a strong terms of trade, are likely to drive this growth.

The key risk to this growth outlook for Australia is the strength of the Chinese economy. The Chinese government has recently been trying to engineer a modest slowdown from the unsustainably high levels seen in late 2009 and early 2010. Price and investment falls in the property sector are likely. However, the government retains the means to reflate the economy should any slowdown be greater than expected.

Australian inflation remains at the high end of the RBA's 2% to 3% target range. This may prompt it to move from a neutral to a more contractionary monetary policy stance over the next twelve months. Strong demand from China and tight labour and property markets remain key contributors to current inflation levels.

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}	5.83% p.a. over optimum time frame ^{#2} of 2 years				
Strategy design	Asset Allocation			Strategic^{#3}	Tactical^{#4}
	Australian Shares			12%	15.5%
	International Shares			10%	13.5%
	Listed Property			5%	3%
	Australian Fixed Interest			25%	26%
	International Fixed Interest			20%	22.5%
	Alternative Assets			6%	0%
	Cash			22%	19.5%
Actual annual earnings ^{#1} to	30/06/2010	30/06/2009	30/06/2008	30/06/2007	30/06/2006
	11.71%	0.27%	-2.70%	9.12%	7.14%
Average annual percentage earned ^{#1}	4.96% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.53%				

Moderate (Investment Engine 2plus)	Moderate long-term capital growth and earnings			Moderate risk	
Average annual percentage earned ^{#1}	-0.50% p.a. over optimum time frame ^{#2} of 3 years				
Strategy design	Asset Allocation			Strategic^{#3}	Tactical^{#4}
	Australian Shares			24%	27.5%
	International Shares			18%	22.5%
	Listed Property			6%	4%
	Australian Fixed Interest			22%	24%
	International Fixed Interest			12%	13.5%
	Alternative Assets			8%	0%
	Cash			10%	8.5%
Actual annual earnings ^{#1} to	30/06/2010	30/06/2009	30/06/2008	30/06/2007	30/06/2006
	12.42%	-5.79%	-7.00%	12.25%	10.39%
Average annual percentage earned ^{#1}	4.07% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.55%				

Balanced (Investment Engine ③)	Moderate Long-term capital growth and earnings			Moderate risk	
Average annual percentage earned ^{#1}	-3.03% p.a. over optimum time frame ^{#2} of 3 years				
Strategy design	Asset Allocation			Strategic^{#3}	Tactical^{#4}
	Australian Shares			34%	39%
	International Shares			24%	29%
	Listed Property			7%	6%
	Australian Fixed Interest			14%	16.5%
	International Fixed Interest			6%	7.5%
	Alternative Assets			10%	0%
	Cash			5%	2%
Actual annual earnings ^{#1} to	30/06/2010	30/06/2009	30/06/2008	30/06/2007	30/06/2006
	12.83%	-9.77%	-10.45%	15.24%	13.32%
Average annual percentage earned ^{#1}	3.55% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.57%				

Growth (Investment Engine ⑤)	High long-term capital growth and earnings			High risk	
Average annual percentage earned ^{#1}	2.89% p.a. over optimum time frame ^{#2} of 5 years				
Strategy design	Asset Allocation			Strategic^{#3}	Tactical^{#4}
	Australian Shares			44%	49%
	International Shares			30%	34%
	Listed Property			7%	6%
	Australian Fixed Interest			5%	8.5%
	International Fixed Interest			2%	2.5%
	Alternative Assets			10%	0%
	Cash			2%	0%
Actual annual earnings ^{#1} to	30/06/2010	30/06/2009	30/06/2008	30/06/2007	30/06/2006
	13.39%	-14.43%	-13.09%	17.89%	16.01%
Average annual percentage earned ^{#1}	2.89% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.59%				

High Growth (Investment Engine ⑦)	High long-term capital growth and earnings			High risk	
Average annual percentage earned ^{#1}	5.96% p.a. over optimum time frame ^{#2} of 7 years				
Strategy design	Asset Allocation			Strategic^{#3}	Tactical^{#4}
	Australian Shares			50%	53.5%
	International Shares			40%	45.5%
	Listed Property			10%	1%
	Australian Fixed Interest			0%	0%
	International Fixed Interest			0%	0%
	Alternative Assets			0%	0%
	Cash			0%	0%
Actual annual earnings ^{#1} to	30/06/2010	30/06/2009	30/06/2008	30/06/2007	30/06/2006
	12.77%	-16.22%	-14.59%	19.60%	17.64%
Average annual percentage earned ^{#1}	2.57% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.63%				

Investment Performance (cont.)

Diversified Strategies (cont.)

Capital Guaranteed	Secure growth long-term returns expected between cash and balanced fund, with less volatility				Nil risk
Average annual percentage earned ^{#1}	5.34% 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	30/06/2010 3.47%	30/06/2009 3.81%	30/06/2008 6.75%	30/06/2007 7.04%	30/06/2006 5.66%
Average annual percentage earned ^{#1}	5.34% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	2.06%				

Sector Strategies

Cash	Low Long-term capital growth and earnings				Low risk
Average annual percentage earned ^{#1}	4.69% p.a. over optimum time frame ^{#2} of 1 year				
Actual annual earnings ^{#1} to	30/06/2010 4.69%	30/06/2009 4.16%	30/06/2008 5.66%	30/06/2007 5.70%	30/06/2006 5.05%
Average annual percentage earned ^{#1}	5.04% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.00%				

Australian Fixed Interest	Moderate long-term capital growth and earnings				Moderate risk
Average annual percentage earned ^{#1}	9.25% p.a. over optimum time frame ^{#2} of 3 years				
Actual annual earnings ^{#1} to	30/06/2010 10.89%	30/06/2009 15.69%	30/06/2008 1.63%	30/06/2007 3.24%	30/06/2006 2.99%
Average annual percentage earned ^{#1}	6.75% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.45%				

International Fixed Interest	Moderate long-term capital growth and earnings				Moderate risk
Average annual percentage earned ^{#1}	7.05% p.a. over optimum time frame ^{#2} of 3 years				
Actual annual earnings ^{#1} to	30/06/2010 16.35%	30/06/2009 2.70%	30/06/2008 2.67%	30/06/2007 5.17%	30/06/2006 0.86%
Average annual percentage earned ^{#1}	5.41% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.48%				

Australian Property Securities	Moderate to high long-term capital growth and earnings				Moderate to high risk
Average annual percentage earned ^{#1}	-5.12% p.a. over optimum time frame ^{#2} of 5 years				
Actual annual earnings ^{#1} to	30/06/2010 21.62%	30/06/2009 -36.56%	30/06/2008 -28.12%	30/06/2007 18.34%	30/06/2006 17.13%
Average annual percentage earned ^{#1}	-5.12% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.44%				

Australian Equities	High long-term capital growth and earnings				High risk
Average annual percentage earned ^{#1}	9.70% p.a. over optimum time frame ^{#2} of 7 years				
Actual annual earnings ^{#1} to	30/06/2010 14.83%	30/06/2009 -16.28%	30/06/2008 -13.40%	30/06/2007 26.89%	30/06/2006 23.27%
Average annual percentage earned ^{#1}	5.43% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.50%				

International Equities	High long-term capital growth and earnings				High risk
Average annual percentage earned ^{#1}	2.18% p.a. over optimum time frame ^{#2} of 7 years				
Actual annual earnings ^{#1} to	30/06/2010 9.55%	30/06/2009 -20.48%	30/06/2008 -16.25%	30/06/2007 15.62%	30/06/2006 17.07%
Average annual percentage earned ^{#1}	-0.25% p.a. over 5 years (to 30/06/2010)				
Investment Manager Fee ^{#5}	0.80%				

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 at 30 June 2010.

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 2010

	2010		2009	
	Division I in \$'000	Division II in \$'000	Division I in \$'000	Division II in \$'000
Liability for Accrued Benefits				
Member benefits				
Allocated to participant accounts	399,701	57,848	365,359	49,013
Unallocated to participant accounts	1,124	102	6,267	171
Total member benefits	400,825	57,950	371,626	49,184
Investments				
Freehold land & buildings	4,850	–	4,850	–
Shares in listed companies	814	–	4,774	–
Units in managed funds	345,318	51,136	338,530	41,590
Insurance policies	5,607	–	5,350	–
Total investments	356,589	51,136	353,504	41,590
Current assets				
Cash	28,242	4,365	5,013	5,128
Sundry debtors	8,669	934	4,113	707
Deferred tax asset	11,432	1,588	11,432	1,589
Total current assets	48,343	6,887	20,558	7,424
Total assets	404,932	58,023	374,062	49,014
Current liabilities				
Sundry creditors	248	–	244	57
Provision for income tax	3,837	70	2,170	(230)
Deferred tax liability	22	3	22	3
Total liabilities	4,107	73	2,436	(170)
Net assets	400,825	57,950	371,626	49,184

Statement of changes in net assets (unaudited) for the year ended 30 June 2010

	2010		2009	
	Division I in \$'000	Division II in \$'000	Division I in \$'000	Division II in \$'000
Net assets at beginning of year	371,626	49,184	413,753	49,025
Revenue				
Contributions and transfers in	45,820	5,775	50,891	5,279
Investment revenue (net of tax)	36,562	3,945	(30,107)	(4,167)
Total revenue	82,382	9,720	20,784	1,112
Expenditure				
Trustee fees	5,193	408	5,437	553
Other expenses	297	100	97	343
Insurance premiums	2,582	–	3,779	–
Benefits and transfers paid	39,963	446	47,285	57
Contributions tax	5,135	–	6,294	–
Superannuation contributions surcharge	13	–	19	–
Total expenditure	53,183	954	62,911	953
Net assets at year end	400,825	57,950	371,626	49,184

Note:

Figures for 2009 have been extracted from the 2009 audited financial statements.

Audited figures for 2010 will be available by 31 October 2010.

Assets more than 5% of total assets held at 30 June 2010

Description	Division I		Division II	
	in \$'000	Assets %	in \$'000	Assets %
2010				
Aberdeen Investment Management Australia Ltd	22,286	5.50	n/a	n/a
AMP Capital Investments	23,853	5.89	n/a	n/a
ANZ Banking Group Limited	22,242	5.49	n/a	n/a
BNP Paribas	31,688	7.83	5,674	9.78
Colonial First State Investments	n/a	n/a	7,764	13.38
Deutsche Asset Management Ltd	24,494	6.05	4,309	7.43
Equity Trustees Limited	32,881	8.12	n/a	n/a
Macquarie Investment Management Limited	n/a	n/a	8,924	15.38
PIMCO Australia Pty Ltd	n/a	n/a	4,677	8.06
Schroders Investments	40,994	10.12	3,448	5.94
Tribeca Investments Partners	32,828	8.11	7,519	12.96
WHTM Capital Management Limited	22,304	5.51	n/a	n/a
2009				
Capital International Global Equity Fund	18,571	5.0	n/a	n/a
CFS Wholesale Australian Share Core Fund	n/a	n/a	6,024	12.3
Deutsche Global Equity Thematic Fund	n/a	n/a	2,749	5.6
Macquarie Fixed Interest Plus Fund	n/a	n/a	4,217	8.6
MFS Global Equity Trust	n/a	n/a	4,129	8.4
MIR Australian Equities Fund	22,055	6.0	n/a	n/a
NAB Term Deposits	40,000	10.8	5,000	10.2
Pimco Diversified Fixed Interest Fund	n/a	n/a	3,458	7.1
Platinum Global Fund	n/a	n/a	2,518	5.1
Schroders Australian Equity Fund	25,525	6.9	n/a	n/a
Tribeca Alpha Plus Australian Equity Fund	26,074	7.0	6,054	12.3

Investment Fund Managers and Funds

These are the funds into which all Investment Engine strategies are invested as at 30 June 2010.

AMP Capital Investors Limited

AMP International Bond Fund # IFI

AMP Capital Guarantee Fund # D

AMP Capital Investors Limited is a specialist investment manager with over \$96 billion in funds under management as at 31 March 2010. With almost 240 in-house investment professionals and a carefully selected global network of investment partners, they offer significant depth and breadth of investment expertise. The combination of their scale, breadth and capability provides access to superior investment opportunities that are reliable, consistent and repeatable.

Aberdeen Investment Management Australia Limited

Aberdeen Australian Fixed Income Fund # AFI

Aberdeen International Fixed Income Fund # IFI

Aberdeen Investment Management Australia Limited is a wholly-owned, Australian-based subsidiary of Aberdeen Asset Management PLC, founded over 25 years ago in Aberdeen, Scotland. They are an independent asset management group that has been listed on the London Stock Exchange since 1991 and is today a FTSE-250 company. Aberdeen commenced its Australian operations in December 2000 and has grown strongly through acquisition and organic growth since that time. They manage over A\$282 billion as at 31 March 2010 across the three asset classes: equities, fixed income and property. Their investment teams are based in the markets or regions which they invest, drawing on over 1,700 staff across 24 offices in 20 countries.

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.

DWS Investments and Deutsche Asset Management (Australia) Limited

DWS Global Equity Thematic Fund # IS

DWS Investments is the global retail asset management business of Deutsche Bank. Founded in Germany in 1956, DWS Investments is the largest mutual fund company in Germany. Deutsche Bank's Asset Management business is one of the world's largest investment management organisations. They have offices in more than 60 countries, allowing them to draw on a breadth of investment skills, resources and insights to enhance the service that they deliver to Australian investors.

Equity Trustees Limited

EQT Flagship Fund # AS

Equity Trustees Limited ('EQT') was established in 1888 by its own special Act of Parliament to provide secure trustee services to the people of Victoria. As a trustee company EQT prides itself on offering a truly personalised service to its clients and is committed to acting in the best interests of its clients by offering wealth management solutions over a range of Asset Classes carrying different risk profiles. Created in 2003, Equity Asset Management ('EAM') was established within the Equity Trustees Private Client Business to give its clients exposure to larger listed companies.

Macquarie Investment Management Limited

Macquarie True Index Listed Property Fund # LP

Macquarie Funds Management is part of the Macquarie Bank group, a licensed bank and innovative financial services group with over A\$58 billion of funds under management, with expertise in all major asset sectors and 25 years funds management experience. Their strong client focus, disciplines investment processes and dedication to innovation has established their reputation as one of Australia's leading fund managers.

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 Limited is a Sydney based boutique investment manager established in June 2003. MIR is totally owned by its staff and has 19 investment professionals with funds under management of A\$1.7 billion at 30 June 2010. MIR offers a unique 'enhanced value' based investment approach, that combines quantitative and qualitative research.

PIMCO Australia Pty Limited

EQT PIMCO Wholesale Australian Bond Fund # AFI

PIMCO Global Bond Fund # IS

PIMCO Target Return Fund # D

Pacific Investment Management Company LLC ('PIMCO') was established in 1971 and is one of the world's largest specialist fixed interest managers. The PIMCO group is majority owned by Allianz SE, a European based multinational insurance and financial services company. They manage over US\$1,000 billion and employ over 428 investment professionals including 65 research staff around the world.

Schroder Investment Management

Australia Limited

Schroder Australian Equity Fund # AS

Schroders is one of the world's leading asset management companies with over A\$277 billion under management worldwide and is represented in over 25 countries. In Australia, Schroders is a wholly owned subsidiary of Schroders PLC, a publicly listed UK company. Financial services has been a core business for Schroders in Australia since 1961.

SG Hiscock & Company Limited and

LaSalle Investment Management (Securities) L.P

EQT SGH LaSalle Global Listed Property

Securities Trust # LP

SG Hiscock & Company Limited, 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. LaSalle Investment Management, Inc. a member of the Jones Lang LaSalle group, is a leading global real estate investment manager.

Tribeca Investment Partners

Tribeca Australia Equity Alpha-Plus Fund # AS

Tribeca is a boutique Australian equity manager who manage over A\$1.2 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.

UBS Global Asset Management (Australia) Limited

UBS Australian Bond Fund # AFI

UBS GAM Limited is part of UBS AG, who is one of the largest asset managers in the world globally with assets under management totalling about A\$626 billion as at 31 December 2009. In Australia, UBS GAM (Australia) Limited have been in operation since 1985 and is one of the larger institutional managers and combines financial strength with a reputation for security, stability and innovation.

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

Wealthpac Superannuation Service ('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. ANZ Custodian Services 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 ('ANZ Custodian Services') 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 concessionally 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.

In addition to the unallocated amounts shown in the 'Abridged Financial Information' section, the unallocated amounts for 2010 were Division I \$1,124,000 and Division II was \$102,000.

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 Wealthpac Superannuation Service 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.

Additional Information (cont.)

Legislative changes

Occasionally when these Annual Reports are in their initial stages of preparation, certain issues are unresolved at that time, pending the outcome of particular events. But by the time members are actually reading the Reports, those outcomes are then known.

So it is this year. At the time this section was being written, we have a Federal election pending, the result of which is likely to have significant consequences for the financial services industry generally, and the superannuation industry in particular.

During the last year, three different reviews have been undertaken, with their findings and recommendations documented in extensive reports.

The first was the 'Inquiry into financial services and products in Australia' conducted by the Parliamentary Joint Committee on Corporations and Financial Services. The report delivered became known as the Ripoll Report, named for the Committee's Chairman, Mr Bernie Ripoll. In part, the committee's agenda was set by the collapses of Storm Financial, Opes Prime and others. Accordingly, the recommendations had the main aim of minimising the chances of further such collapses, with a general tightening of the regulatory controls applying to financial services licensees and advisers. If adopted, these recommendations will have consequences for the financial advice provided to superannuation fund members, its accessibility and cost.

In December 2009, the Treasurer took receipt of the report from Dr Ken Henry and his panel on 'Australia's Future Tax System' (the Henry Review). While initially only accepting two of the review's 138 recommendations, the Rudd Government only rejected 19 outright, leaving 117 that might be taken up in the future. This is not really surprising, as the Report took an intentionally long-term perspective, and previous major tax reviews have been adopted gradually over periods spanning several years.

While the recommendation to increase Superannuation Guarantee ('SG') contributions from 9% to 12% between 2013 and 2020 was taken up, the measure was to be funded (in part) from the revenue raised from the other measure adopted, the mining tax (currently known as the Minerals Resource Rent Tax).

The third review was the 'Review of the Governance, Efficiency, Structure and Operation of Australia's superannuation System', known as the Cooper Review after the panel's Chair, Mr Jeremy Cooper. The panel's report was given to Government on 30 June 2010. While the government's response has been deferred pending the election, the report recommendations, if adopted, have the potential to alter the superannuation landscape considerably. Although the proposals are substantial, further consultation with the super industry must take place before any legislation is passed, and any subsequent implementation will take place over a number of years, rather than with immediate effect. The report proposes new default superannuation fund arrangements, improved efficiencies for back-office systems, and a general tightening of the governance and regulatory framework applicable to the superannuation system.

Following shortly after the Government's response to the Henry Review above, the Federal Budget was not expected to bring too much further change for superannuation. It confirmed the proposed increase in the SG contribution percentage above, with an increase in the maximum age for those contributions from 70 to 75 commencing in 2013. Other Budget announcements were: a contributions tax rebate for low income earners to commence in 2012-2013, and a permanent extension of the transitional concessional contributions cap of \$50,000 for those aged 50 or over with super account balances less than \$500,000. Unfortunately, the co-contribution matching rate was left at 100%, with the maximum contribution capped at \$1,000.

To assist small businesses, the Government has set up the Medicare Clearing House service, through which employers with less than 20 employees may pay their superannuation contributions from 1 July 2010. (EquitySuper already offers a clearing house service at no cost for small employers.)

New Regulations have been introduced, governing the maximum length and form of Product Disclosure Statements for superannuation products, to take effect from June 2011. Although these changes will be most applicable to new members joining super funds, all members will benefit from the accessibility and transparency of information that should result from the new legislation.

Further emphasising that members should keep their super Funds up-to-date with their address and contact details, the ATO issued guidance regarding what amounts Funds need to forward to the ATO as unclaimed monies, including lost member accounts under \$200.

In the coming months, there will be further media reports regarding many of the proposed changes outlined above. Members are cautioned to always try and distinguish between what is fact (that is, legislation that has actually been passed) and mere speculation.

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 Wealthpac 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 2009/2010, 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:



**Wealthpac Superannuation Service
EquitySuper Pooled Superannuation Trust
Public Eligible Rollover Fund**



Freedom of Choice Superannuation Masterfund



Mutual Superannuation



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