



UniSuper in review 2017-18

The super fund for Australia's higher education and research sector



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This information is of a general nature only and does not take into account your personal financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement from UniSuper for your membership category and whether to consult a licensed financial adviser.

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Information in this report is current as at the date of publication, but may change in the future.

UniSuper is referred to throughout this document as "UniSuper" or the "Fund" (ABN 91 385 943 850, MySuper Authorisation No. 91385943850448).

UniSuper Limited (USL) is the corporate trustee of the Fund and is referred to throughout this document as "UniSuper Limited" or the "Trustee" (ABN 54 006 027 121/ AFSL No 492806).

UniSuper Management Pty Ltd is the administrator of the Fund and is referred to throughout this document as "USM" or the "Administrator" (ABN 91 006 961 799/AFSL No 235907). USM is wholly owned by USL in its capacity as UniSuper's Trustee. UniSuper Advice is operated by USM, which is licensed to deal in financial products and to provide financial advice. UniSuper Limited Board is referred to throughout this document as the "Board" or the "Directors".

The SuperRatings data in this report is based on SuperRatings Pty Ltd's Fund Crediting Rate Survey June 2017. SuperRatings Pty Limited holds Australian Financial Services Licence No. 311880. Any information provided is of a general nature and is not guaranteed to be accurate or complete. Information has been prepared and provided without taking into account the recipients' objectives, financial situation or needs. The recipient should consider obtaining independent advice before making any decision about a financial product referred to and should obtain and consider a copy of the relevant Product Disclosure Statement from the product issuer.

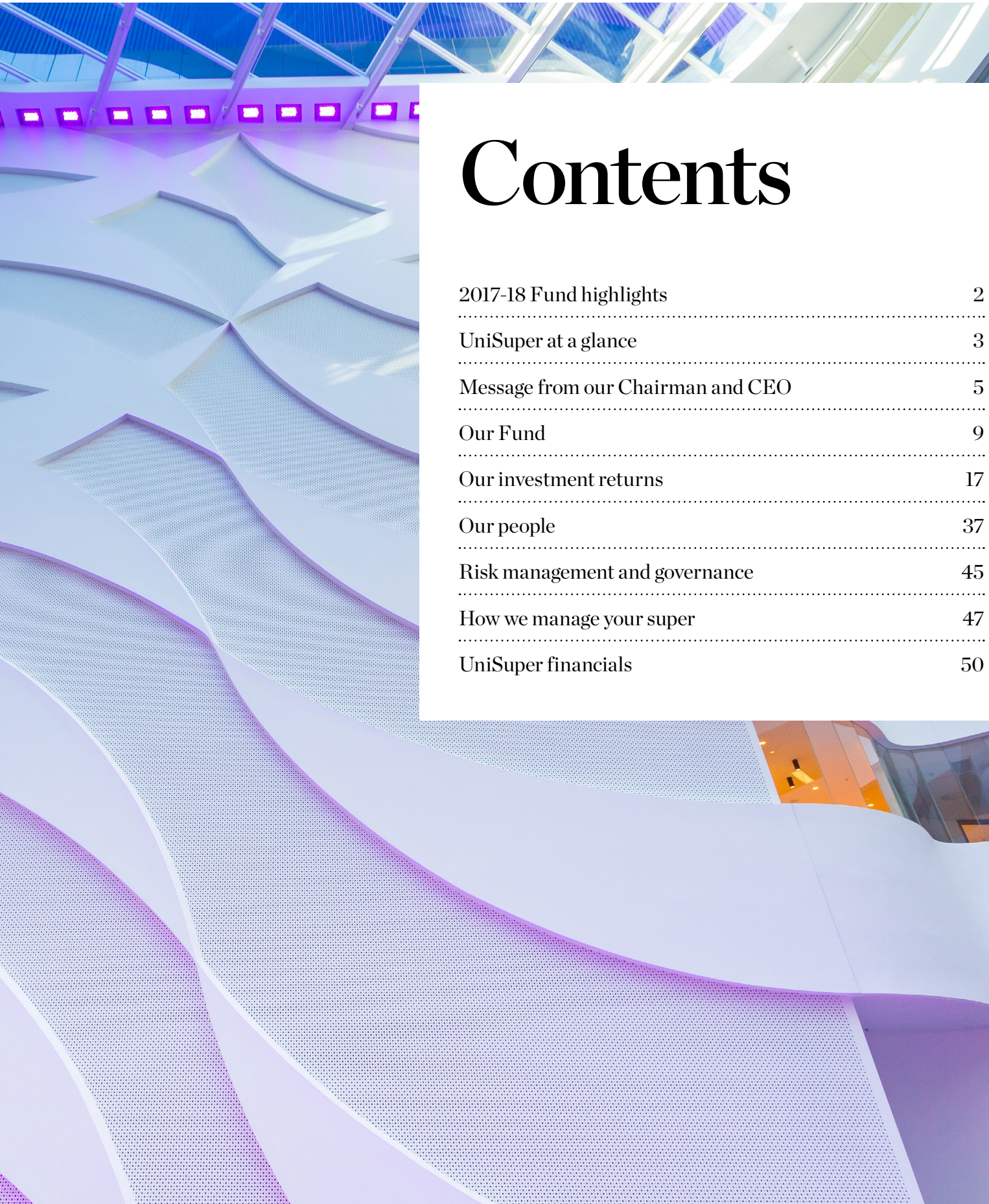


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Melbourne Vic 3000

Date: October 2018

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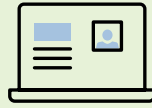
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2017-18 Fund highlights



\$158,000
the average member
account balance

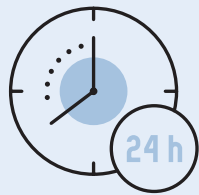


2.4 million
visits to MemberOnline



One of Australia's largest
super funds with over

440,000
member accounts



98%
of administrative requests
processed within one business day



Nearly
40,000
members received
financial advice



\$70 billion
in funds under management



Over
26,700
members went to a
UniSuper seminar
or webinar



Low member
fees relative
to peers



Over
320,000
interactions with
members via Click-to-chat,
email and phone



Over
13,000
listens to the
*Super Informed
Radio* podcast



2,324
pensioners attended
our annual *In retirement*
seminars across Australia



58%
of UniSuper
members are female



42%
male



42
the average
age of our
members



83,000
views of our video
content, including
our award-winning
*Five questions for
the CIO*

UniSuper at a glance

UniSuper is the super fund for Australia’s higher education and research sector. Over the years, we’ve grown to be one of Australia’s largest super funds with more than 410,000 members and \$70 billion in funds under management.

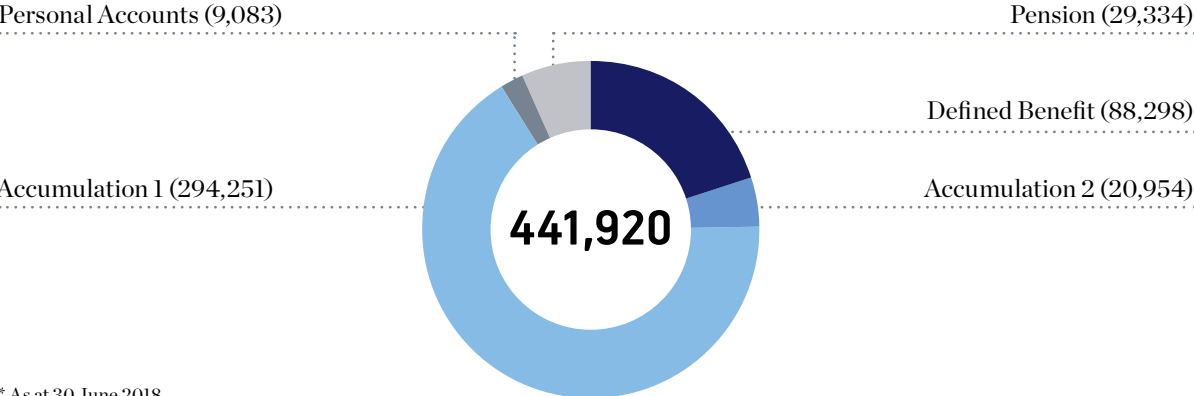
Our purpose

UniSuper’s purpose is to provide greater retirement outcomes for members working in Australia’s higher education and research sector. The Trustee’s key objectives for 2017-18 were to provide great value, excellent service and relevant choice.



Membership by product*

UniSuper’s funds under management continued to increase during 2017-18, with strong contributions and rollover flows, and positive investment returns. We have a range of different super products to cater for members’ needs and circumstances.



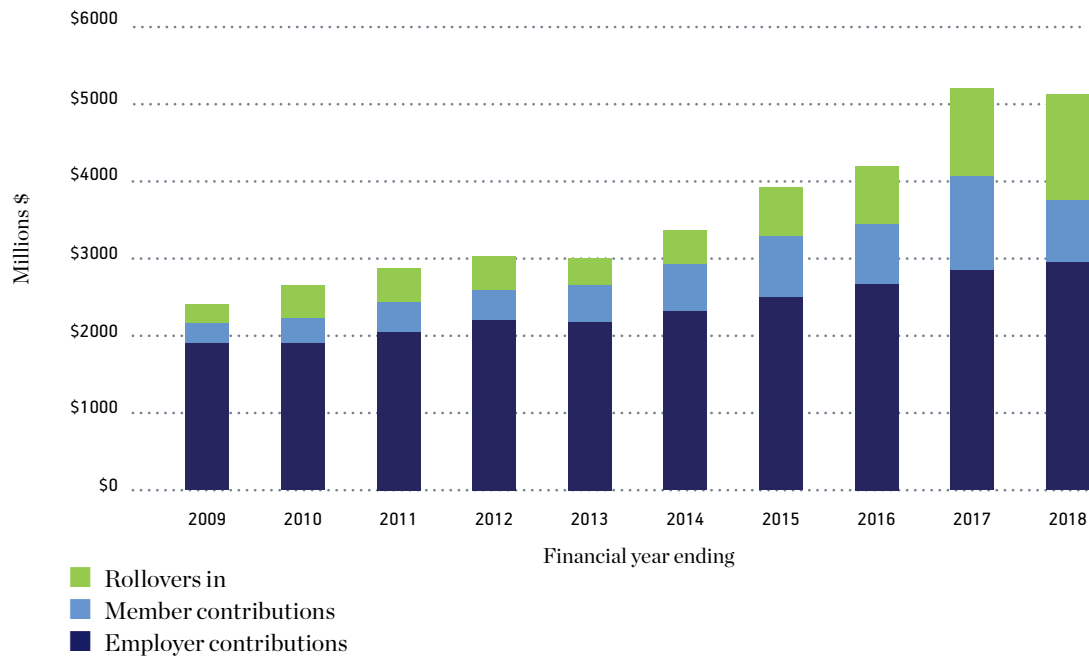
* As at 30 June 2018.

STEADY GROWTH

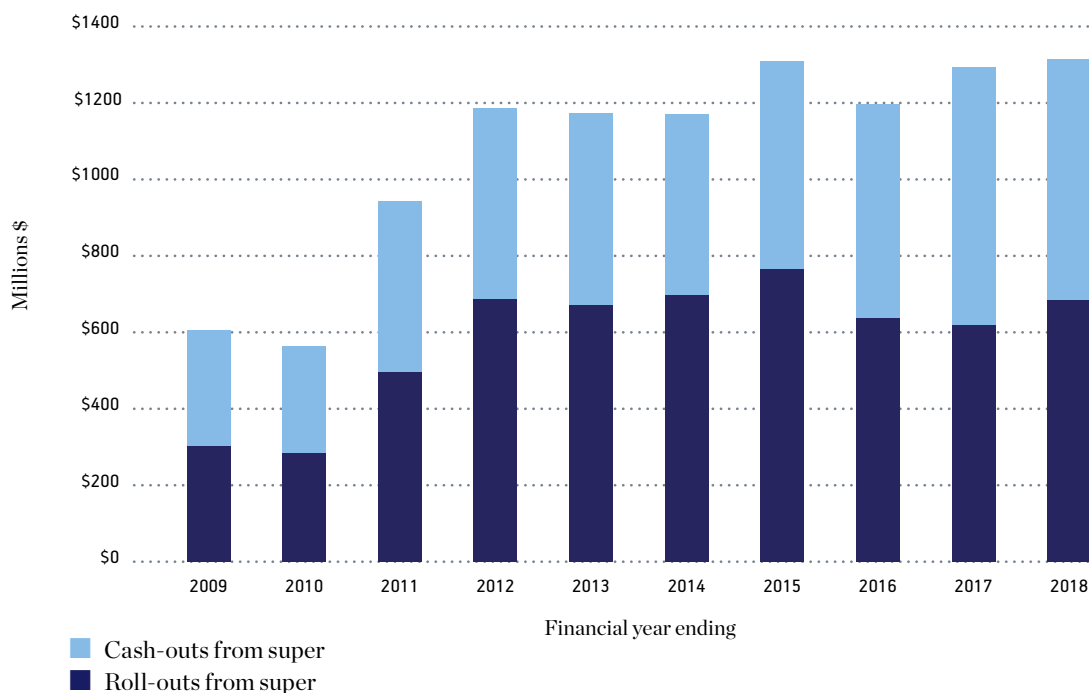
UniSuper's net funds under management was \$70 billion as at 30 June 2018 and UniSuper was ranked as Australia's fourth largest super fund¹ by funds under management as at December 2017.

Contributions and rollovers into the Fund remained steady compared to previous years, as shown in the charts below. Employer contributions were consistent with 2016-17 and member contributions were slightly less compared to previous years.

Contributions over time



Roll-outs and cash-outs over time



¹ Source: Rainmaker Benchmarking Vol 20, no. 4 (December 2017). Table 6 "Top 50 Superannuation funds – by total FUM"

Message from our Chairman and CEO

It is our pleasure to present this year’s integrated report, which incorporates our *Report to Shareholders* and *Report to Members*. The landscape in which UniSuper is operating is ever changing, particularly at this juncture where there is a high degree of public policy uncertainty with respect to financial services generally. Against this backdrop UniSuper has again delivered exceptional value, with continued strong, long-term investment returns and low fees. We have also further expanded our financial advice services.



Ian Martin Chairman **Kevin O'Sullivan** Chief Executive Officer

Over this past financial year, we have seen the Government propose significant reforms to the super industry in the 2018 Federal Budget, the Productivity Commission propose a range of changes to the super industry and the Royal Commission expose issues within the financial services sector. We are anticipating potentially significant industry change as a result of these reviews and UniSuper is well placed to respond to any changes that might occur.

Investment performance

Despite all the gloomy headlines about falling house prices, slowing credit growth—and a Royal

Commission—the Australian share market staged an impressive rally over the 2017-18 financial year. Including dividends, the ASX200 (which includes the 200 largest companies) returned 13.01%—just below the US market, but above many of the markets in Europe and Asia.

The strong performance of global share markets underpinned a double digit (10.5%)² return for our Balanced investment option—a highly improbable outcome earlier in the financial year. Read our Chief Investment Officer’s commentary on investments over this past year and see a detailed list of investment returns from page 17.

² Past performance isn’t an indicator of future performance. Returns are after fund taxes and investment expenses, other than account-based fees.

Committed to responsible investing

We are acutely aware of the role we play as a large allocator of capital and the obligations that go with this. Over the past year, the focus on environmental, social and governance (ESG) issues has intensified (e.g. the Royal Commission and the rise of climate risk litigation). We remain committed to being a responsible investor and seek to take ESG issues into account when making investment decisions.

We focus on being an active owner and engaging with companies in which we are invested to ensure better ESG outcomes. Climate risk is an issue that we have long focused on. We believe our portfolio is well positioned in this regard and the Investment Team continues to monitor, analyse and assess climate risk. Our detailed climate risk assessment report is now available on our website.

Changes to super

In late 2017, the Government passed two new super measures, previously announced in the May 2017 Budget. The measures allow:

- first home savers to make voluntary contributions from 1 July 2018 into the super system and to withdraw those contributions and associated earnings for the purpose of purchasing a first home, and
- individuals aged 65 years or over to use the proceeds of one sale of their main residence to make 'downsizer contributions' of up to \$300,000 to their super from 1 July 2018.

In the May 2018 Federal Budget, the Government announced the *Protecting Your Super* package that includes three inter-related policies:

1. Fee capping for balances below \$6,000: the introduction of a 3% annual cap on administration and investment fees and costs charged by super funds on accounts with balances below \$6,000 and the banning of exit fees on all super accounts
2. Opt-in insurance for some members: insurance within super will move from a default framework to be offered on an opt-in basis for members:
 - with balances of less than \$6,000
 - under the age of 25 years, and
 - whose accounts have not received a contribution or rollover in 13 months and are inactive.
3. ATO-led consolidation: requiring the transfer to the ATO of all inactive super accounts where the balances are below \$6,000.

This package, if legislated, will change the way the broader super industry charges fees and offers insurance. These changes are proposed to take effect from 1 July 2019, however at the time of writing, are not yet law. We are currently working through these proposals to assess how they will affect the way we operate.

In other news, emerging public policy issues are likely to arise from the Productivity Commission's draft report for an alternative default model for superannuation, which recommended the current default system be replaced with a short-list of the 10 best-performing funds for first-time entrants to the labour market. We are monitoring these developments and will continue to advocate strongly for the best possible outcomes for our members. We maintain an active role in superannuation policy debates and public enquiry submissions.

Supporting our employers

2017-18 was a busy period for our Employer Relationships team as they continued to expand our on-campus services and presence in five universities across Australia, while achieving SuperStream compliance through the successful delivery of the SuperPay upgrade project.

Our Employer Partnership Managers continued to strengthen our strategic partnerships with universities and related bodies, while our Employer Solutions Consultants worked closely with employers' Superannuation Officers (superannuation contribution administrators) to improve data accuracy. Employer Relationships has turned their attention to delivering system improvements and efficiencies to our administration system in response to employer feedback.

Expansion of financial advice services

Over the year, UniSuper Advice provided information about superannuation, retirement and insurance to almost 40,000 members, which represents around 10% of the Fund's membership. In particular, our Select Advice (scaled) offering has grown in popularity, with a 50% increase over a two year period in the number of members taking Select Advice.

We opened five new 'UniSuper Centres' on campuses around Australia, enabling members to conveniently meet with an on-campus consultant or financial adviser on their campus. We plan to open more UniSuper Centres over the next year to bring our advice services to members where they need them most.

In response to member demand, we launched our aged care advice service and now have five financial advisers who are aged care specialists, with referral arrangements in place to independent aged care placement organisations. Pleasingly, member satisfaction continued at a very high level for all our advice services.

Digital transformation

Our digital strategy is designed to enable current and potential members to communicate with us whenever and however they choose, and in the most efficient and personalised way possible. We aim to remove the complexities of super and promote ease of use across all channels.

We continued to expand our digital capability, streamline complex transactions and make it easier than ever for members to understand and manage their super and pensions online.

Our MemberOnline secure web portal is now averaging 198,000 logins per month. With our goal of making UniSuper easy to deal with, we have continued to introduce new services for members.

Our improved electronic proof of identity process has brought many key transactions online. We have also bolstered our protection of members' personal information and funds with two-factor authentication (SMS or emailed authentication codes).

Via MemberOnline, members can update all their personal details, rollover their other super to UniSuper in minutes, and perform other key transactions anytime.

Strong ratings and industry recognition

Over the course of the year, our sustained focus on—and success in—delivering greater retirement outcomes for members was recognised by Australia's top ratings and research agencies. We take managing members' retirement savings very seriously and we strive to offer our members the best customer service, investment performance, online experience, and a competitive product suite. We are very proud to be recognised within our industry and these awards and ratings confirm our leadership position in the industry.

Defined Benefit Division (DBD) maintains its strong position

The Vested Benefits Index (VBI) and Accrued Benefits Index (ABI)—key actuarial measures we use to monitor the DBD's performance—maintained strong positions in 2017-18. Read our more detailed update on page 15 for more information.

The DBD remains an attractive product, offering members many advantages. We remain committed to maintaining a defined benefit-style product as it provides benefits that better enable members to forecast their retirement income, as well as the advantages associated with smoothed investment returns over time.

Key projects update

PERSONAL ACCOUNTS

We have been very pleased with the steady growth of our Personal Accounts since its launch in October 2017. UniSuper listened to our members and opened up access to family and former members with the launch of Personal Accounts.

Personal Accounts, an accumulation style super product, offers an easy and fast online application process along with strong investment options, low fees and access to UniSuper's award-winning advice team.

It is open to members' spouses and children, as well as immediate and extended family members including in-laws, cousins, grandparents and any other family connections living in Australia. Former members can now rejoin.

SUPERPAY UPGRADE UPDATE

We successfully achieved some major milestones this year, ensuring our employers and UniSuper delivered SuperStream compliance well in advance of the Australian Taxation Office's 30 April deadline. We successfully implemented the upgrade of the contribution processing solution (SuperPay), a Superstream compliant version that is able to accept default and choice of fund contributions.

CHANGES TO THE EXECUTIVE LEADERSHIP TEAM

During the year, we announced the appointment of a new Chief Customer Officer role to our Executive team. Former Executive Manager, Member and People Services, Lee Scales was appointed to the role and her responsibilities include management of the Fund's customer experience initiatives, Member Services and the Employer Relationships function. We have also welcomed Julie Watkins to the leadership team as the new Executive Manager People Services, commencing July 2018. Anna Leibel also joined the Leadership team on a permanent basis as the Executive Manager Technology.

WITH THANKS

We thank the UniSuper's Directors and the Executive team for their contributions over the 2017-18 financial year. Also we very much appreciate the support of our members, and are also very grateful for the long-standing partnerships we have with our university shareholders and employers and look forward to continuing and strengthening these over the 2018-19 financial year and beyond.



IAN MARTIN

Chairman
UniSuper Limited

KEVIN O'SULLIVAN

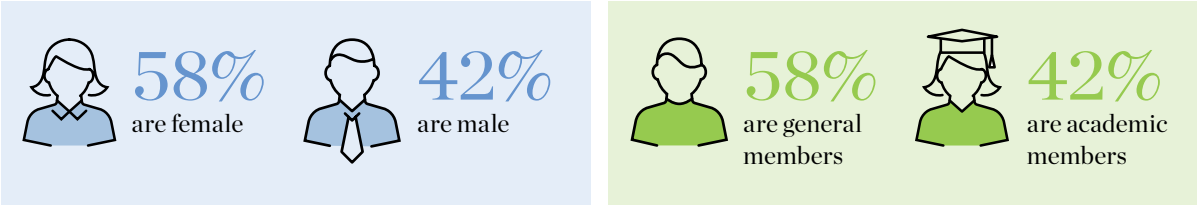
Chief Executive Officer
UniSuper Management Pty Ltd

Our Fund

Our commitment to providing greater retirement outcomes to the higher education and research sector spans more than 30 years.

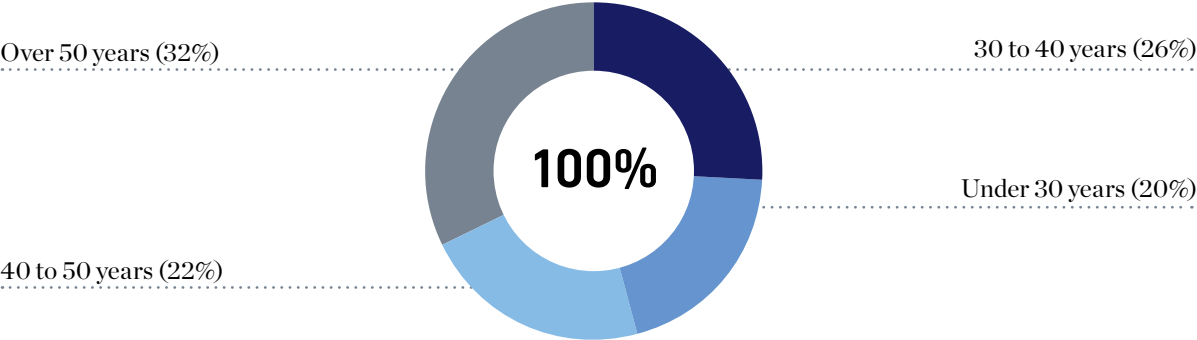
Who are our members?

MEMBERSHIP BREAKDOWN*



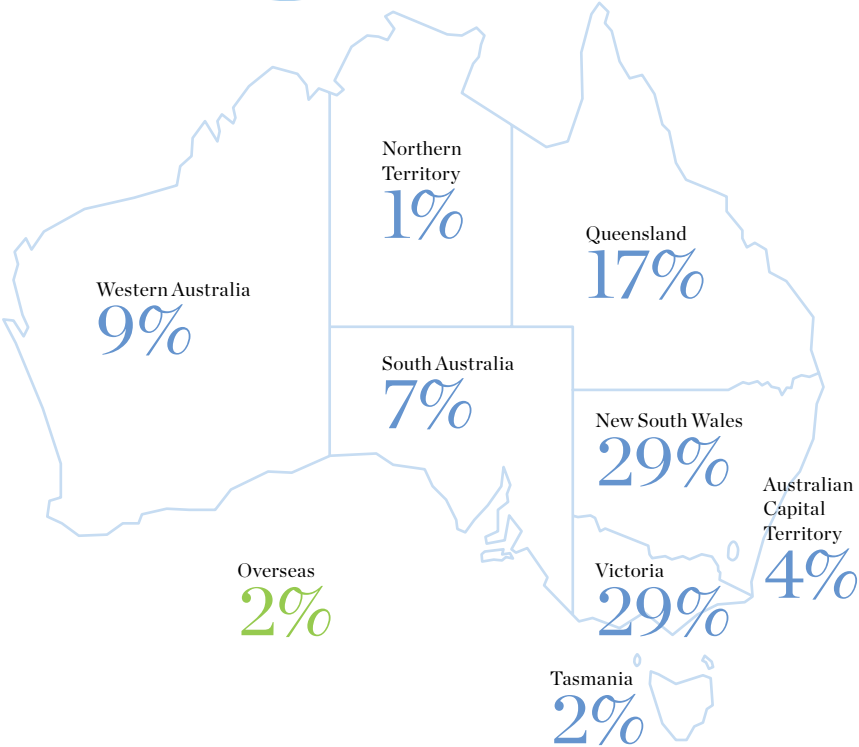
AGE OF UNISUPER MEMBERS*

Over half of UniSuper’s members are in their 40s and over, with just over 20% under 30 years old.



WHERE UNISUPER MEMBERS ARE BASED*

The majority of our members are based in Victoria and New South Wales, with only 2% living overseas.



* As at 30 June 2018.

How we achieve greater retirement outcomes

KEEPING OUR FEES COMPETITIVE

Our scale allows us to continue to provide very competitive fees and over the past financial year we maintained our strong commitment to reducing fees and delivering low member fees relative to our peers.

From 1 October 2018, we'll be replacing our Accumulation 1, Accumulation 2 and Personal Account fixed administration fee with an asset-based fee to help casual staff and new members build their account balance. Members will pay 2% of their account balance to a maximum of \$96 annually. That means no accumulation members will pay more in fees than they do today. In fact, over 100,000 members with balances of less than \$4,800 will pay less, making us one of the lowest cost funds in the industry.

From 1 October 2018, we will also increase the Investment fee for all Flexi Pension investment options by 0.03% p.a. This means that for every \$100,000 members have invested in Flexi Pension, they'll pay an additional \$30 per year. Whilst we never like to increase fees, these changes are necessary to meet our operating costs. Despite this increase, we expect that Flexi Pension will remain one of the lowest cost pension funds in the industry.

We've also reviewed the cost of our Cash and Australian Bond investment options, so from 1 October 2018 the investment fees for these options will reduce by 0.03% per year. We're also reducing income protection premiums by about 7% for all members at the same time.

STRONG LONG-TERM INVESTMENT PERFORMANCE

Our Balanced option's investment return for 2017-18 was in the first quartile for funds surveyed by SuperRatings³. Long-term performance remains well ahead of peers. You can see our returns in more detail on pages 17-36.

We have consistently been among the top investment performers over the past 10 years. UniSuper's surveyed diversified investment options have delivered top quartile investment returns over 3, 5, 7 and 10 years³. We manage one of the largest in-house investment portfolios in the sector with approximately \$52bn managed by our in-house investment team. This gives significant flexibility to offer unique investment solutions to members at a considerably lower cost than most other funds.

The SuperRatings' Fundamentals report⁴ for the June 2018 period rated UniSuper 'excellent' in five of six assessment areas, including investment performance, fees and charges, insurance cover and costs together with member service and governance.

PRODUCT RANGE EXPANSION

Personal Accounts

On 1 October 2017, the Fund launched Personal Accounts, open to former UniSuper members and current members' spouses and children, as well as immediate and extended family members including in-laws, cousins, grandparents and any other family connections living in Australia. People working in non-remunerated honorary roles in the higher education and research sector (e.g. representatives on University Boards/Councils) are also able to join the Fund.

Personal Accounts offer an easy online application and on-boarding processes and was developed in response to regular member feedback that they would like more of their family to be able to join UniSuper, and from former members wanting to re-join.

³ Past performance is not an indicator of future performance. Rankings relate to our accumulation (not pension) options based on the SuperRatings Crediting Rate Survey for the period ended 30 June 2018.

⁴ Source: SuperRatings Pty Ltd's SuperRatings Fundamentals report published on 19 July 2018 www.superratings.com.au. It does not take into account any subsequent revisions or corrections made by SuperRatings. At the time of preparation, UniSuper was not aware of any revisions or corrections which would be materially adverse to members. Past performance is not an indicator of future performance. All returns relate to the Accumulation Options (not Pension Options).

MEET ASSOCIATE PROFESSOR, ALAN DUFFY, SWINBURNE

Someone lucky enough to explore his passions in his day job is Associate Professor Alan Duffy. He's a passionate believer in making science accessible to any audience.



I have always been fascinated by the world around me. My earliest memories are of trying to understand how it worked. To my mind it's that passion that makes for a good scientist. Retaining that child-like curiosity to ask good questions and enjoying the process of working towards an answer. It's also worth saying, if you're passionate

about knowing answers, rather than working towards them, then you're going to have a hard time in scientific research where most of the time you won't know the answer. But that's the fun for me.

The first scientist to inspire me was Stephen Hawking when I read his book 'A Brief History of Time' as a teenager. It was then I realised there was a career out there where you could follow your curiosity and explore expanding universes, black holes and dark matter. More significantly, he showed you should also try to communicate your science, not just study it. That blend of effort is something I have attempted to pursue in my career to date. Beyond the singular example of Hawking, there are others who I strive to learn from in certain aspects; for communication there's no better than Prof Brian Cox, in research I try to emulate my old PhD supervisor, Prof Joop Schaye, and for leadership look no further than our Chief Scientist, Dr Alan Finkel.

Away from science, my ideal retirement: What every newly-retired scientist does—come to work and get on with research. But not attend any meetings. What an incredibly fun retirement that would be!

Personal Accounts is an accumulation-style super product, which means your super balance grows through contributions and investment returns. You decide how you want to invest your super by choosing from our range of investment options. A suite of insurance options are also available to eligible members. After reading the linked Product Disclosure statement, our online application only takes 10 minutes to complete and you don't need to make an initial contribution.

Personal Account members have the same fees and investment options as Accumulation 1 members, access to default death, Total and Permanent Disability (TPD) and income protection insurance on competitive terms, access to UniSuper Advice and the ability to commence a UniSuper Flexi Pension at retirement.

The level of uptake of this product since launch has surpassed expectations, with over 3,400 members joining the Fund in the period since launch to 30 June 2018. Find out more at unisuper.com.au/personal

How we empower members

EDUCATION SEMINARS AND WEBCASTS

UniSuper members have access to live educational seminars held on and off campus, in locations around Australia and through on-demand webcasts. During 2017-18, 27,500 members registered for one or more of our education services. This represents a 4,000 (or 17%) increase from 2016-17 levels.

On-campus seminar engagement approached 14,000 members for the year which, when combined with our On-Campus Consultant activity, meant almost 33,000 members engaged with UniSuper staff face-to-face on campus in 2017-18.

Our ongoing education for members in retirement continues to grow with another year of record attendance numbers at our annual *In retirement seminar* series held in most capital cities during October and November. These events remain a standout in terms of attendance and satisfaction ratings from members. In all, participation in these events equates to over 10% of our pension membership.

The most popular topics for the program remain towards the retirement end with *Pre-retirement essentials*, *Designing your retirement – choosing retirement income streams*, *In Retirement Seminars*, *Super essentials for women*, and *Getting to know your super* topping out the five most popular topics for 2017-18.

UniSuper's education program also continued to broaden with the introduction of more non-super related topics including *Social connectedness in retirement*, *Planning for aged care*, and *Protecting against financial abuse* amongst others. Many of the new topics were delivered via our webcast platform which saw an increase of almost 50% in activity with over 6,300 members accessing education content online.

ENGAGING VIDEOS

Videos resonate well with our members and feedback indicates that information delivered in this way is more accessible and digestible. During the year, over 83,000 video views were recorded with our regular CIO video updates consistently attracting the highest views of all video content.

CONTINUING TO IMPROVE MEMBERS' DIGITAL EXPERIENCE

We continued to expand our digital capability, streamline complex transactions and make it easier than ever for members to understand and manage their super and pensions. Over 290,000 of our 410,000 members are now registered for MemberOnline.

Our improved electronic proof of identity process has brought many key transactions online. Some of these include updating name and birth date, making pension withdrawals and changing bank account details.

We've also bolstered our protection of members' personal information and funds with two-factor authentication (SMS or emailed authentication codes) before they start a transaction, and displaying the member's online login history so they are better equipped to identify any potentially fraudulent activity. Members on an insurance claim also now have access to their online account.

Other major enhancements to our secure member site include insurance cancellation and consolidation (Australian Taxation Office's Supermatch 2), which has contributed to more than \$722M in rollovers via this digital channel (52% of all rollovers). Members now also have confidence that their rollover was successful with instant success notifications via SMS – they no longer need to wait for a letter in the mail.

We've updated and simplified some of our most popular pages on the public website (unisuper.com.au). Our members can now submit questions related to super or general financial issues to our advisers via *Ask an Adviser*. We've also updated some of our key videos, including *Combine your super* and *Changing Jobs*.

ENGAGED MEMBERS

During the 2017-18 reporting period UniSuper changed research providers. The shift was to better gauge members' satisfaction with the Fund and to highlight areas where UniSuper can positively impact member experience. Member Satisfaction increased to 7.6 (from 6.87) however the results are not directly comparable due to changes to the questionnaire design and provider.

Each month UniSuper surveys members to determine the Net Promoter Score (NPS), Contestable Loyalty, Member Satisfaction and Ease of interaction. NPS is deemed an acquisition metric, Contestable Loyalty is a retention metric, whilst Member Satisfaction and Ease account for the member experience during their relationship with UniSuper. NPS and Contestable Loyalty have both seen positive improvements, whilst Member Satisfaction and Ease have started to see positive increments towards the back half of the reporting period. Satisfaction and Ease are carefully monitored as UniSuper continues to focus on improving the customer experience.

UniSuper advice expansion

EXPANSION OF UNISUPER ADVICE

In the 2017-18 financial year, UniSuper continued to focus on the expansion of UniSuper Advice as a key strategy for engaging with members and providing excellent service.

Over the year, UniSuper Advice provided information about super, retirement and insurance to almost 40,000 members, which represents around 10% of the Fund's membership. Over 18,000 of these interactions with members were made by our On-Campus Consultants through a meeting at a UniSuper office or UniSuper Centre on campus.

The demand for personal advice was also strong with 3,000 new advised members in the year. As a result, the total advised membership of the Fund is approximately 16,000 members, which represents about \$11 billion under advice.

The expansion of select advice has seen our 'bite-sized' scaled advice offering grow significantly, with a 50% increase in members taking scaled advice in just two years. This low-cost personal advice service allows members to access advice on one or two issues. Due to the popularity of the service, we have increased the number of financial advisers servicing this sector to 11 advisers, who also operate part-time on campus.

SERVICE ENHANCEMENTS

UniSuper Advice continues to adapt and change to meet new demands from members, with demand for face-to-face discussions on campus growing. In January 2018, UniSuper opened its first retail shopfront, known as a 'UniSuper Centre', at Monash University's Clayton Campus. Since then, four more UniSuper Centres have opened at The University of Western Australia, UNSW, The University of Sydney and Queensland University of Technology, with more to follow over the next 12 months. Much like the member centres in our CBD offices, our UniSuper Centres enable us to expand our current service offering on campus, increase members' ability to access information, and provide a comfortable space for members to discuss their super-related matters face-to-face with a UniSuper On-Campus Consultant or financial adviser.

In 2017-18, we launched our aged care advice service, which has seen five financial advisers trained as aged care specialists and referral arrangements put in place to independent aged care placement organisations. We also focused on education in this complex area with seminars and general information now available to all members.

EFFICIENCIES

UniSuper Advice is conscious of its cost recovery advice fee model and this year has focused on reducing time to produce advice documents, while maintaining the same quality outcome. From this we have seen process improvements in our working tools that have increased our productivity in writing advice for members. This has benefited both the select advice and comprehensive advice teams, with more concise and clearer Statements of Advice being produced for personal advice to members.

Our advice services continue to exceed member expectations with very positive feedback received from advised members in satisfaction surveys and testimonials.

Differentiating on service

PUTTING MEMBERS FIRST

Interactions with members via the contact centre have increased by 3% to over 325,000 for the financial year. Enquiries through the phone channel remain the most popular (70%) followed by email (18%) and live chat (12%). Interestingly members using the chat service are the most satisfied as evidenced by an average Net Promoter Score of +63 and 9.3/10 for customer satisfaction surveys. In 2018-19, there will be a focus on multi-skilling UniSuper contact centre team members to better support the growing demand for the live chat service and encourage members to try that channel.

Members have told us that the most important measure they use to judge contact centre service is whether their enquiry is resolved the first time they call, email or chat. Achieving a high level of first contact resolution requires collaboration and member focus across UniSuper, as often enquiries span many facets of the business. We have exceeded last year's benchmark and our target service level by resolving 86% of members' enquiries at first contact.

During the year we've begun implementing a new interaction platform (Genesys) across Member Services and several other parts of the business. The first phase of the project was to introduce the telephony system which was delivered very successfully and has improved both the member and our employee experience. The transition of the live chat and email services to Genesys will be completed in the first quarter of 2018-19, which will ensure a fully integrated and seamless service across channels.

CUSTOMER EXPERIENCE

In the past 12 months we have continued our evolution to become a more customer-centric organisation. As our members' expectations of quality of experience continues to grow we are working hard to ensure that we are delivering on that expectation today and preparing for tomorrow.

With the creation of the Member and Employer Experience team in March, led by Chief Customer Officer Lee Scales, UniSuper has elevated oversight of our customer experience to our Executive. This elevation ensures that we will take a strategic and consistent approach to member and employer-focused change and improve both efficiency and experiences delivered.

To help guide internal direction and awareness of Customer Experience (CX), UniSuper has developed and implemented a set of CX principles. These principles of Personal, Easy, Seamless, Valuable and Beyond articulate the types of experiences that we strive to deliver. These principles have also been embedded into our annual Member Satisfaction survey to help deliver richer insights into experience.

UniSuper has increased both the scope and regularity of the reporting used to track customer sentiment. NPS is now tracked monthly and is combined with our Contestable Loyalty (retention metric), Member Satisfaction and Ease of interaction to give us a fuller picture of how we are tracking and where we have opportunities to improve the customer experience.

SERVICE DELIVERY IMPROVEMENTS

Once again we improved our administrative service levels in 2017-18, with 88% of work processed on the day we receive it and 98% of work completed by the following day. With these improvements, we retain our position at the forefront of industry best practice in service delivery. The average time to reach claim decisions has remained strong in 2017-18.

In addition, we have enhanced Defined Benefit member statements to include projected potential retirement outcomes, providing members with additional information about their account.

A stronger focus on fraud prevention has seen enhanced monitoring mechanisms being applied across operations. The introduction of email correspondence to members who have returned unclaimed mail has seen a 30% response rate over the last 12 months. This initiative has enabled members to update their address and retain their UniSuper account instead of it being transferred to the ATO.

Supporting our employers

Our eight Employer Partnership Managers continued to strengthen our strategic partnerships with universities and related bodies, and were integral to supporting and developing our on-campus services at 38 universities. University support in the promotion of on-campus events such as education seminars assists us in meeting our members' educational needs and ensures our advice service is understood and accessible to all members, regardless of their age or life stage.

We continued to work closely with employers to ensure members are aware of the on-campus support we provide. This was through Employer Partnership Manager attendance at new employee inductions and expos, and providing supporting services and communication materials for new and existing employees, and at other times as requested.

Our Employer Solutions Consultants worked closely with employers' Superannuation Officers (superannuation contribution administrators) throughout the year, visiting campuses regularly to support administrative activities and training. Our support for Superannuation Officers provides an important service that helps them to work with UniSuper to create process efficiencies and improve accuracy of contribution processing.

SUPERPAY UPGRADE

In 2017-18, our Employer Relationships team focused on the SuperPay upgrade project, whereby our contribution processing solution was updated. The objective was to provide the most efficient path to compliance with SuperStream legislation, with the least impact on our employers.

With the assistance and participation of employers, the upgrade was completed and we achieved SuperStream compliance—both for UniSuper and our employers—well in advance of the ATO's 30 April 2018 deadline.

EFFICIENCIES

Over the year the Employer Relationships team has been working to identify further efficiencies with our administration system. A list of opportunities for improvement across our systems was compiled through various feedback channels—including survey feedback, our Superannuation Process Reviews, and conversations with employers. These were prioritised based on the expected benefits to employers and the level of difficulty to implement, and we have dedicated a number of resources to delivering these improvements on a regular basis. We have received positive feedback from Superannuation Officers on several of these initiatives, which have focused on reducing manual processes and enabling productivity gains.

PARTNERING WITH THE HIGHER EDUCATION COMMUNITY

In 2017-18, UniSuper continued its commitment to supporting its members, and celebrating their meaningful contributions to society, through its sponsorship program. The various events UniSuper supported within the higher education and research sector allow the Fund to learn from, bring together, and give back to the community it serves.

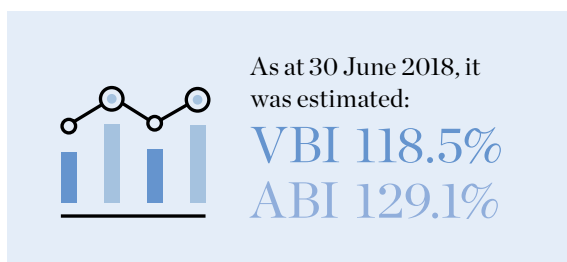
For the fourth year running, UniSuper was the major sponsor of the Australian Financial Review's Higher Education awards. This event highlights and celebrates the contribution the higher education sector makes to improving the Australian way of life. The Fund also continued its national Committee of Economic Development of Australia (CEDA) membership, and sponsorship of Vice Chancellor panel discussions around the country, as well as the Higher Education Review. These events provide valuable networking opportunities between senior UniSuper and employer representatives.

Other industry events which UniSuper has continued to support in 2017-18 include the Australian Higher Education Industrial Association (AHEIA), HR/IR Conference and HR Benchmarking Conference, the Universities Australia Conference and the Women in Super Mother's Day Classic. UniSuper also supported a number of tactical sponsorships at an individual university level.

An update on the Defined Benefit Division (DBD)

The DBD's long-term financial position continues to be a key priority for our Board and Management. The DBD remains in a sound position, ensuring it can pay benefits as members retire and leave the Fund.

The Board uses two key actuarial measures to track the financial health of the DBD. They are the Vested Benefits Index (VBI) and the Accrued Benefits Index (ABI). The VBI and ABI maintained strong positions during the financial year. At 30 June 2018, the estimated VBI was 118.5% and the estimated ABI was 129.1%. These figures are estimates and are subject to final confirmation within the 30 June 2018 actuarial investigation report.



UPDATE ON THE LAST MONITORING PERIOD

The Trust Deed sets out the rules and processes that the Board follows in managing the DBD for members. Clause 34 of the Trust Deed provides a process to manage the DBD’s financial position, including a mechanism to reduce benefits if necessary.

Under Clause 34, if the Actuary’s actuarial investigation report to the Board advises that the VBI and/or the ABI have fallen or are likely to fall below particular levels, the Trustee must notify members and employers; following a subsequent period of four years, if the Actuary’s subsequent report advises that the Fund’s position has not sufficiently improved, the Board must consider whether it is in the best interests of all DBD members to reduce defined benefits payable.

This four-year period allows the Board enough time to monitor the DBD’s financial position before making any decisions about members’ benefits. If benefit reductions are required, the Board must do so on a fair and equitable basis for all DBD members.

As part of the 1 July 2017 actuarial investigation report, the Actuary advised that no action was required under Clause 34 in relation to the last monitoring period ending 30 June 2017 and that monitoring period had ceased.

There is no monitoring period currently in place for the DBD.

UPDATE ON THE DBD’S INVESTMENT STRATEGY

The DBD’s central investment objective is to maximise the probability of generating sufficient returns to meet its future benefit payments.

The DBD is currently in a healthy position as reflected by a VBI and ABI that sit comfortably above 100%. Ideally this would allow the DBD to adopt a more conservative investment strategy such as holding more bonds. However, yields currently on offer in the bond market are well below the returns required to satisfy the central objective, and expectations are that low yields will persist for some time. Accordingly, the current strategy which entails holding a high proportion of the portfolio in high quality growth assets is likely to continue.



Our investment returns

UniSuper’s Chief Investment Officer, John Pearce, reflects on the year in investments, highlighting the performance of our investment options, and takes a closer look at some of the winners and losers on the Australian share market.

Despite all the gloomy headlines about falling house prices, slowing credit growth—and a Royal Commission—the Australian share market staged an impressive rally over the 2017-18 financial year.

Including dividends, the ASX200 (which includes the 200 largest companies) returned 13.01%—just below the US market, but above many of the markets in Europe and Asia.

Performance of key markets

*Returns relate to our Accumulation (not Pension) investment options and are published after fund taxes and investment expenses, other than account-based fees.

	% CHANGE			
	MONTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.
Australian shares (S&P/ASX 300)	3.3	13.0	9.0	10.0
Global shares (MSCI All Country World Local Currency)	0.0	10.8	8.5	10.8
Australian dollar (AUD/USD)	-2.4	-3.7	-1.3	-4.2
Australian fixed interest (Bloomberg Composite)	0.5	3.1	3.4	4.4
Cash (Bloomberg Bank Bill)	0.2	1.8	1.9	2.2
Balanced option*	1.7	10.5	8.6	10.1

Returns are for periods to 30 June 2018. Past performance is not an indication of future performance.

See performance information for all options at unisuper.com.au/investments/investment-options-and-performance.

Reflections on the past financial year

The majority of our Accumulation members will be pleased to know that the strong performance of global share markets underpinned a double digit (10.5%) return for our Balanced investment option—a highly improbable outcome earlier in the year.

While the Australian share market's overall performance was strong, there was significant variation in performance across sectors and individual companies. Here's a summary of the best and worst performers over the last financial year.*



Best performing sectors

With a 41.6% return, the energy sector was the financial year's star performer, underpinned by a rally in the prices of all forms of energy including oil, gas and coal.

In second place was the IT sector at 32.3%. The good news is that Australia actually has an IT sector—the unfortunate news is that it's only 1.9% of the market.

In third place was the materials sector (which includes iron ore miners) with a return of 29.9%. As with our energy exporters, the companies involved (e.g. Rio and Fortescue) benefitted from strong commodity prices and a lower Australian dollar, at a time when their marginal costs of production are at all-time lows. The resources sector (energy and materials combined) constitutes 22.6% of the market, so it has a significant impact on overall returns.

Worst performing sectors

Some members may be surprised to learn that our banks were **not** the worst performing sector (although the four major banks returned -1.3% for the year, so they were a large drag on overall returns). It was actually the telecommunications sector that had this dubious distinction, being dominated by the woes of Telstra (more on this later).

Our utilities sector—which includes the likes of AGL and Spark—was also relatively flat for the year, given the market's concerns about the impact of rising interest rates and the potential for increased regulation. Fortunately, the telco and utilities sectors combined only constitute 5.1% of the total market.

* Past performance is not an indication of future performance.

Best performing companies (of significance to UniSuper)

As you'd expect from one of Australia's largest investors, UniSuper's investment focus is skewed towards large companies, so we tend to miss out on the highest and lowest returning companies in any given year. Within the ASX200, the two best performers were Beach Energy and a2 Milk, both returning around 200%. At the other end of the spectrum were Retail Food Group and iSentia, which lost over half their value. The negligible holdings that UniSuper held in the above mentioned companies were mainly via our index portfolio.

For the purposes of this report, we'll narrow the list of best performers to the companies in which our investment exceeds \$1 billion, so their performance will definitely have an impact.

Our star performer for the year was BHP (+52.2%), followed by Woodside (+25.3%) and ASX (+24.7%).

BHP

We've already covered the positive factors that underpinned BHP and Woodside's performance. For most of the time since the GFC, our 'growth' investment options were 'underweight' (i.e. less than index weight) to the resources sector. This is because we biased the portfolios in favour of companies paying sustainable dividends in a falling rate environment. Since mid-2016—in light of our growing confidence in the sustainability of higher commodity prices and global growth—we balanced the exposure by investing heavily in resource companies. Changing our positioning has been fortuitous and is a key factor behind the top quartile rankings of our growth investment options relative to peers.

WOODSIDE

Our investment in Woodside is particularly noteworthy, as we used our competitive advantages of scale and execution capability to buy a \$700 million parcel of shares in a single transaction when Shell sold down their stake in the company at \$31.10. We subsequently participated in a discounted rights issue at \$27.

ASX

The Australian Securities Exchange (ASX) is itself a listed company, and with a 12% holding, UniSuper is its largest investor. The ASX doesn't have any net debt and holds dominant market positions, so it fits our definition of a 'fortress asset' that we look to buy at reasonable prices. We started accumulating a large stake in ASX a few years ago at around \$35, and it's been a stellar performer since. However, don't expect a repeat performance any time soon as at the time of writing the shares now look a touch expensive.

Worst performing companies (of significance to UniSuper)

AURIZON

Over a one-year period, it's near impossible for a large fund to avoid the losers. To market participants any company that underperforms the broader index is considered an 'underperformer'. To UniSuper members, what really matters is outright losses and it's pleasing to report that every company in which we hold a \$1 billion-plus investment recorded a positive return. In fact, there was only one company in which we currently hold more than \$500 million that lost ground during the financial year—Aurizon (-15.3%)—and a large portion of the position was accumulated towards the end of the year.

Aurizon suffered from a very unfavourable ruling by the Queensland competition regulator and at the time of this report is currently appealing the decision. Even if the appeal isn't successful, Aurizon has 'fortress asset' characteristics and we'll assess buying opportunities in line with our valuation.

TELSTRA

While we're obviously disappointed with Aurizon's performance, our worst performer of any significance was—by a significant margin—Telstra (-34.4%). The woes of Telstra have been well documented; the NBN has left a huge hole in its revenue base that will be hard to fill, and the entrance of a fourth player (TPG) has adversely impacted the profitability of the whole industry. Telstra has to run just to stand still, and it hasn't been running fast enough. Dividends have been slashed from 31 cents to 22 cents per share and most investors believe a sustainable level is somewhere closer to 15 cents. Somewhat mitigating our disappointment is the fact that the holding in Telstra is considerably less than \$500 million. Furthermore, before the share price started to free-fall, we were able to trade out of a very large position at a good profit.

Our remaining stake in Telstra is largely held in our Defined Benefit Division (DBD) portfolio where we expect that the dividend yield will be sufficient to meet the hurdle return. Fortunately for the DBD, our holding in Telstra has not had a material impact on its overall health, with the funding levels actually improving over the year—one of the key measures of its financial position, the 'vested benefits index' (VBI) has increased from around 114% to 118.5%. "Excuses, excuses," you might say and you're probably right. We should have sold the lot.

Best turnaround story**WOOLWORTHS**

Two years ago, our biggest disappointment was the performance of Woolworths, which bounced back with a 23.8% return last financial year, placing a very honourable fourth on our list of significant winners. Woolworths is an iconic brand with 'fortress asset' qualities that was in dire need of good management. CEO Brad Banducci and his team have proven to be just that and we applaud them. Let's hope that we will be applauding Telstra's management in two years' time.

Highest returning investment option

Amidst all the negativity about Australia's banks and the dearth of high-flying technology companies, it may come as a big surprise to many that first prize went to the Australian Shares investment option, which recorded a very healthy 18.1% return. Well done to any member who saw that coming, because this writer certainly didn't. Given the relatively small size of the option (\$522 million), we have more flexibility to actively manage the portfolio, and it was pleasing to see that the return was about 5% above the overall market return (or 5% 'alpha', as the technicians call it). The two main drivers of the outperformance versus the index were overweight positions in a) the high performing resources sector, and b) fast growing medium size (or 'mid-cap') companies.

Lowest returning investment option

In any year where global share markets perform strongly, we can expect to see defensive investment options (which mainly hold cash and bonds) at the bottom of the performance tables, and that has been the case for the 2017-18 financial year. The options with the year's lowest returns were Diversified Credit Income (+1.6%) and Cash (+1.7%).

The Cash option's portfolio is strictly confined to callable cash and cash-like investments, such as bank bills and term deposits. Our Cash option doesn't invest in instruments such as mortgage-backed securities, hybrids, credit instruments and the like, which—according to a recent APRA report—some other cash funds are comfortable with. Accordingly, our Cash option's return (after fees) is likely to track reasonably closely to the Reserve Bank's official cash rate.

The Diversified Credit option is targeted (but not guaranteed) to return a margin over the Cash option over time, but this may not be the case in any given year due to the exposure to credit risk. In the last financial year, credit spreads widened (so the prices of securities with credit risk fell) and hence the small under performance of the Diversified Credit option.

It's now been six years since a defensive investment option was the best performing option on the UniSuper menu (the last was Australian Bond in November 2012). The vast majority of our members who have exposure to growth assets would like to see this continue forever, but it won't. We can't predict when the good run will stop, but the performance of the past six years is highly unlikely to be an indication of how the next six will pan out.

Investment returns

Super members

ANNUAL ACCUMULATION INVESTMENT RETURNS FOR FINANCIAL YEARS ENDING 30 JUNE

INVESTMENT OPTION	2017-18	2016-17	2015-16	2014-15	2013-14
Pre-Mixed					
Conservative ⁵	4.70%	3.01%	7.57%	6.93%	8.50%
Conservative Balanced	6.18%	4.52%	8.85%	9.30%	10.80%
Balanced	10.45%	9.60%	5.91%	11.02%	13.88%
Sustainable Balanced	8.18%	10.16%	3.13%	12.62%	15.08%
Growth	12.79%	12.39%	3.90%	11.78%	15.91%
High Growth	15.18%	15.33%	3.00%	12.60%	17.29%
Sustainable High Growth	10.96%	13.09%	3.17%	15.50%	19.27%
Sector					
Cash	1.66%	1.81%	2.03%	2.26%	2.43%
Australian Bond	2.53%	-0.37%	6.49%	4.53%	5.06%
Diversified Credit Income ⁶	1.56%	4.18%	2.30%	0.98%	n.a.
Listed Property	9.68%	-2.97%	19.40%	18.16%	10.92%
Australian Shares	18.12%	11.14%	0.73%	5.96%	16.98%
International Shares	12.26%	18.36%	0.86%	22.38%	19.19%
Global Environmental Opportunities	11.83%	21.68%	-3.03%	11.64%	20.47%
Australian Equity Income	8.60%	11.66%	4.51%	10.41%	18.43%
Global Companies in Asia	15.81%	20.22%	-0.82%	20.88%	15.57%

The value of investments can rise and fall. Past performance of an investment option is not an indicator of future performance. Returns are calculated after Fund taxes and after investment expenses (before deducting account-based fees). You should be aware that the returns applied to your account will depend on the investment option(s) you invest in, the period of time you were invested in the option(s) and the timing of cash flows into and out of your account.

⁵ Capital Stable was renamed Conservative on 1 July 2017.

⁶ The investment option commenced on 1 September 2014, therefore returns for previous financial years aren't available. The investment return shown for 2014-15 is for the period 1 September 2014 to 30 June 2015 only.

ANNUALISED ACCUMULATION INVESTMENT RETURNS FOR 5 AND 7-YEAR PERIODS TO 30 JUNE 2018

ACCUMULATION OPTION	5-YEAR ANNUALISED RETURNS		7-YEAR ANNUALISED RETURNS	
	INVESTMENT RETURN	SURVEY MEDIAN ⁷	INVESTMENT RETURN %	SURVEY MEDIAN ⁷
Pre-Mixed				
Conservative ⁸	6.12%	5.26%	6.47%	5.41%
Conservative Balanced	7.91%	6.95%	7.97%	6.86%
Balanced	10.14%	8.66%	9.69%	8.40%
Sustainable Balanced	9.76%	n.a.	8.98%	n.a.
Growth	11.28%	9.50%	10.62%	9.14%
High Growth	12.56%	10.87%	11.55%	10.27%
Sustainable High Growth	12.27%	n.a.	10.78%	n.a.
Sector				
Cash	2.04%	1.96%	2.51%	2.39%
Australian Bond	3.62%	n.a.	4.33%	n.a.
Diversified Credit Income ⁹	n.a.	n.a.	n.a.	n.a.
Listed Property	10.74%	n.a.	11.85%	n.a.
Australian Shares	10.39%	10.07%	9.59%	8.94%
International Shares	14.35%	12.49%	13.32%	12.33%
Global Environmental Opportunities ¹⁰	12.16%	n.a.	n.a.	n.a.
Australian Equity Income ¹¹	10.63%	n.a.	n.a.	n.a.
Global Companies in Asia ¹²	14.04%	n.a.	n.a.	n.a.

The value of investments can rise and fall. Past performance of an investment option is not an indicator of future performance. Returns are calculated after Fund taxes and after investment expenses (before deducting account-based fees). You should be aware that the returns applied to your account will depend on the investment option(s) you invest in, the period of time you were invested in the option(s) and the timing of cash flows into and out of your account.

⁷ Source: SuperRatings Pty Ltd's Fund Crediting Rate Survey June 2018 published on 19 July 2018, www.superratings.com.au. Past performance is not an indicator of future performance. The SuperRatings data does not take into account any subsequent revisions or corrections made by SuperRatings. At the time of preparation, UniSuper was not aware of any revisions or corrections which would be materially adverse to members. A survey median was not available for all categories of investment options. Information provided is of a general nature and is not guaranteed to be accurate or complete. This is not financial product advice; independent professional advice should be obtained from a licensed financial adviser before making any financial decision.

⁸ Capital Stable was renamed Conservative on 1 July 2017.

⁹ The investment option commenced on 1 September 2014, therefore returns for prior financial years are not available.

¹⁰ The investment option commenced in April 2012, therefore returns for prior financial years are not available.

¹¹ The investment option commenced in December 2011, therefore returns for prior financial years are not available.

¹² The investment option commenced in January 2012, therefore returns for prior financial years are not available.

Flexi Pension and Term Allocated Pension members

ANNUAL PENSION INVESTMENT RETURNS FOR FINANCIAL YEARS ENDING 30 JUNE 2018

INVESTMENT OPTION	2017-18	2016-17	2015-16	2014-15	2013-14
Pre-Mixed					
Conservative ¹³	5.67%	3.53%	8.74%	8.05%	9.99%
Conservative Balanced	7.25%	5.21%	10.13%	10.61%	12.59%
Balanced	11.68%	10.64%	6.65%	12.39%	15.85%
Sustainable Balanced	9.25%	11.47%	3.62%	14.31%	17.27%
Growth	13.91%	13.51%	4.42%	13.11%	17.90%
High Growth	16.52%	16.76%	3.48%	14.01%	19.46%
Sustainable High Growth	12.03%	14.55%	3.63%	17.28%	21.79%
Sector					
Cash	2.12%	2.27%	2.54%	2.84%	2.99%
Australian Bond	3.17%	-0.31%	7.72%	5.56%	6.17%
Diversified Credit Income ¹⁴	1.98%	5.05%	2.79%	1.27%	n.a.
Listed Property	10.59%	-3.85%	21.27%	20.44%	12.35%
Australian Shares	20.45%	12.63%	1.70%	7.01%	18.68%
International Shares	13.65%	20.37%	0.35%	24.81%	21.35%
Global Environmental Opportunities	13.09%	24.23%	-3.92%	13.01%	23.33%
Australian Equity Income	9.71%	14.46%	6.01%	12.52%	20.46%
Global Companies in Asia	17.41%	22.47%	-1.66%	23.39%	17.63%

The value of investments can rise and fall. Past performance of an investment option is not an indicator of future performance. Returns are calculated after Fund taxes and after investment expenses (before deducting account-based fees), except the Australian Bond option which is calculated after taxes but before investment expenses. You should be aware that the returns applied to your account will depend on the investment option(s) you invest in, the period of time you were invested in the option(s) and the timing of cash flows into and out of your account.

¹³ Capital Stable was renamed Conservative on 1 July 2017.

¹⁴ The investment option commenced on 1 September 2014, therefore returns for prior financial years aren't available. The investment return shown for 2014-15 is for the period 1 September 2014 to 30 June 2015 only.

ANNUALISED PENSION INVESTMENT RETURNS FOR 5 AND 7-YEAR PERIODS TO 30 JUNE 2018

UNISUPER PENSION OPTION	5-YEAR ANNUALISED RETURNS		7-YEAR ANNUALISED RETURNS	
	INVESTMENT RETURN %P.A.	SURVEY MEDIAN ¹⁵ %P.A.	INVESTMENT RETURN %P.A.	SURVEY MEDIAN ¹⁵ %P.A.
Pre-Mixed				
Conservative ¹⁶	7.17%	5.94%	7.54%	6.24%
Conservative Balanced	9.13%	7.61%	9.14%	7.73%
Balanced	11.40%	9.46%	10.87%	9.20%
Sustainable Balanced	11.08%	n.a.	10.24%	n.a.
Growth	12.48%	11.00%	11.74%	10.21%
High Growth	13.90%	12.03%	12.77%	11.20%
Sustainable High Growth	13.69%	n.a.	12.11%	n.a.
Sector				
Cash	2.55%	2.34%	3.08%	2.87%
Australian Bond	4.42%	n.a.	5.24%	n.a.
Diversified Credit Income ¹⁷	n.a.	n.a.	n.a.	n.a.
Listed Property	11.78%	n.a.	13.10%	n.a.
Australian Shares	11.87%	10.96%	10.72%	10.00%
International Shares	15.76%	13.48%	14.73%	13.10%
Global Environmental Opportunities ¹⁸	13.47%	n.a.	n.a.	n.a.
Australian Equity Income ¹⁹	12.53%	n.a.	n.a.	n.a.
Global Companies in Asia ²⁰	15.46%	n.a.	n.a.	n.a.

The value of investments can rise and fall. Past performance of an investment option is not an indicator of future performance. Returns are calculated after Fund taxes and after investment expenses (before deducting account-based fees). You should be aware that the returns applied to your account will depend on the investment option(s) you invest in, the period of time you were invested in the option(s) and the timing of cash flows into and out of your account.

¹⁵ Source: SuperRatings Pty Ltd's Pension Fund Crediting Rate Survey June 2018 published on 19 July 2018, www.superratings.com.au. It does not take into account any subsequent revisions or corrections made by SuperRatings. At the time of preparation, UniSuper was not aware of any revisions or corrections which would be materially adverse to members. A survey median was not available for all categories of investment options. Information provided is of a general nature and is not guaranteed to be accurate or complete. This is not financial product advice; independent professional advice should be obtained from a licensed financial adviser before making any financial decision.

¹⁶ Capital Stable was renamed Conservative on 1 July 2017.

¹⁷ The investment option commenced on 1 September 2014, therefore returns for prior financial years are not available.

¹⁸ The investment option commenced in April 2012, therefore returns for prior financial years are not available.

¹⁹ The investment option commenced in December 2011, therefore returns for prior financial years are not available.

²⁰ The investment option commenced in January 2012, therefore returns for prior financial years are not available.

Our assets

UniSuper has \$70 billion in net funds under management as at 30 June 2018.

There was one shareholding that represented more than 5% of total assets of the Fund as a whole as at 30 June 2018:

INVESTMENT	WEIGHT IN FUND
Transurban Group	5.3%

There are no single investments (or groups of related investments) which represent more than 5% of total assets of the total accumulation and pension option assets. There were three shareholdings in the DBD that represented more than 5% of the total DBD assets as at 30 June 2018:

INVESTMENT	WEIGHT IN DBD
Transurban Group	8.4%
Sydney Airport	6.6%
APA Group	6.4%

Accumulation and pension options

Funds invested in our options were invested across the various asset classes as at 30 June 2017 and 30 June 2018 as outlined in the following table:

ASSET CLASS (TOTAL)	2018	2017
Australian Shares	34.8%	35.3%
International Shares	24.7%	23.7%
Fixed Interest	15.2%	16.2%
Cash	12.7%	12.8%
Property	2.9%	2.7%
Sustainable	6.5%	6.1%
Infrastructure and Private Equity	3.2%	3.2%

Note: These figures relate to all of the investment options (accumulation and pension) as a whole. The allocation of your chosen investment option will be different to those outlined above.

See pages 30 to 36 for details of how each investment option was invested.

Defined Benefit Division

Funds invested in the Defined Benefit Division (DBD) were invested across the various asset classes as at 30 June 2017 and 30 June 2018 as outlined in the following table:

ASSET CLASS (TOTAL)	2018	2017
Australian Shares	58.6%	56.7%
International Shares	10.4%	10.2%
Fixed Interest	8.5%	9.5%
Cash	5.0%	5.9%
Property	8.9%	9.0%
Sustainable	0.0%	0.0%
Infrastructure and Private Equity	8.5%	8.8%



MORE INFORMATION

For more information about our investments and shareholdings, please see unisuper.com.au/investments

Our investment managers

We outsource management of approximately 30% of our assets to external investment managers²¹. All investment managers are monitored constantly and are generally reviewed in detail at least once a year. The remaining 70% is invested directly by the Trustee (or on its behalf, by UniSuper Management Pty Ltd) in a range of investments including shares, property, fixed interest, cash and infrastructure.

AUSTRALIAN SHARE MANAGERS

- Airlie Funds Management Pty Ltd
- Ausbil Investment Management Ltd
- Discovery Asset Management Pty Ltd
- ECP Asset Management Pty Ltd
- Janus Henderson Investors
- Kinetic Investment Partners Ltd
- Lazard Asset Management Pacific Co
- Novaport Capital Pty Ltd
- Quest Asset Partners Pty Ltd
- Selector Funds Management Ltd
- Schroder Investment Management Australia Ltd
- State Street Bank and Trust Company
- Tribeca Investment Partners Pty Ltd
- Yarra Capital Management

INTERNATIONAL SHARE MANAGERS

- Acadian Asset Management LLC
- Arrowstreet Capital Limited Partnership
- Baillie Gifford Overseas Limited
- Blackrock Asset Management Australia Limited
- Janus Henderson Investors
- MFS International Australia Pty Ltd
- Mirae Asset Global Investments (Hong Kong) Limited
- Sands Capital Management LLC
- Schroder Investment Management Australia Limited
- State Street Bank and Trust Company
- T. Rowe Price Global Investment Services Limited

DIRECT PROPERTY MANAGERS/FUNDS

- AMP Capital – UniSuper Portfolio
- AMP Capital Wholesale Office Trust
- Goodman Australian Industrial Partnership
- GPT Wholesale Office Fund
- GPT Wholesale Shopping Centre Fund
- ISPT 50 Lonsdale Street Trust
- ISPT Core Fund
- Lendlease APPF Industrial
- Lendlease APPF Retail

AUSTRALIAN PRIVATE EQUITY

- Advent Fund 5
- The Growth Fund 1
- Catalyst Buyout Fund 1
- Catalyst Buyout Fund 2
- IFM Aust Fund 2
- Industry Super Holdings (ISH)
- Members Equity Bank
- NBC Private Equity Fund 3
- Quadrant Private Equity Fund 1
- Wolseley Partners Fund 2

²¹ As at 30 June 2018. Some managers may have been appointed or terminated since this date. Listings for direct property and alternative investments include pooled funds in which UniSuper has invested, which are managed externally.

INTERNATIONAL PRIVATE EQUITY

- Apax Europe Fund 6
- Apax Europe Fund 7
- Azure Fund 2
- Calvert Street Fund 3
- Clarus Lifesciences 1
- Clarus Lifesciences 2
- Commonwealth Capital Venture 4
- GB Deutschland Fund
- Global Emerging Markets Fund 3
- Global Emerging Market Forestry
- Hancock Park 3
- IFM International Fund 1
- Natural Gas Partners 8
- Polaris Venture Partners Fund 5
- Wilshire Private Markets Asia Fund 1
- Wilshire Private Markets Asia Fund 2

INFRASTRUCTURE

- Colonial First State Asset Management
- Macquarie Specialised Asset Management Limited
- Hancock Natural Resources Group

FIXED INTEREST MANAGERS

- BlackRock Asset Management Australia Limited
- Colonial First State Asset Management (Australia) Limited
- Macquarie Investment Management Limited
- Morgan Stanley Investment Management (Australia) Pty Limited
- Oak Hill Advisors LP
- Oaktree Capital Management LP
- Prudential Investment Management Inc
- State Street Bank and Trust Company
- Tanarra Credit Partners

CASH MANAGERS

- Colonial First State Asset Management (Australia) Limited

How we manage investments

ACCUMULATION SUPER AND PENSION MEMBERS

If you have an Accumulation 1, Accumulation 2, Personal Account or an accumulation component through your DBD membership, you can choose to invest in a range of investment options. Flexi Pension and Term Allocated Pension members can choose from the same suite of options.

Each investment option has a performance objective and risk objective, or level of return it aims to achieve over a recommended investment time frame, after taking into account its risk and return characteristics. Read more about each option on pages 30 to 36 of this report.

All options invest in a diverse mix of assets and/or asset classes:

- Pre-Mixed options invest in a mix of growth and/or defensive assets, and
- Sector options generally invest in a diverse mix of investments within a particular asset class.

With so much choice, there's an option that's likely to suit your risk profile and help deliver you greater retirement outcomes.

Defensive

Defensive investments such as cash and fixed interest generally provide investors with returns in the form of income. These returns don't tend to be strongly influenced by day-to-day market fluctuations, but instead tend to be more consistent. As a result, they generally produce lower long-term returns, but have lower levels of risk.

Growth

Growth investments such as shares, property and alternative investments provide most of their returns in the form of capital growth. These returns can be strongly influenced by market fluctuations, and can therefore vary considerably over shorter time frames. As a result, growth assets carry higher levels of investment risk, especially over short time frames of one to three years. But they also have the potential for higher returns over longer time frames of five to seven years or more.

DEFINED BENEFIT DIVISION MEMBERS

If you're in the DBD, the bulk of your benefit is calculated using a formula that takes into account your age, benefit, salary, period of service, average service fraction and level of contributions.

All DBD member and employer contributions are pooled and invested in a diversified portfolio. The Trustee continually monitors and reviews this portfolio and may vary its asset allocation from time to time.

WHEN DO WE USE DERIVATIVES?

Derivatives (e.g. options, futures and warrants) are a type of financial instrument commonly used as a risk management tool. Some investors may also use derivatives to earn extra income on their shareholdings. The main purposes we use derivatives for are:

- using futures for equitisation of cash, and
- using forward contracts, futures and options to hedge our international currency exposures.

Our investment managers (including UniSuper Management Pty Ltd) are authorised to use derivatives within the guidelines set out in our *Derivative Risk Statement*, which—among other things—prohibits the use of derivatives for speculative purposes. The derivatives charge ratio (i.e. the percentage of Fund assets being used as security for derivative investments) was less than 5% at all times during the reporting period.

HOW INVESTMENT RETURNS ARE APPLIED

Investment returns can be positive or negative and are applied by calculating a specific crediting rate for each investment option, net of investment management fees and costs.

During a quarter, we calculate interim crediting rates on a daily basis, based on the information available at the time. Then, at the end of a quarter, we calculate a final crediting rate which takes into account additional information (for example, recent valuations of the assets of the investment option).

You can view an estimate of your balance in each investment option based on available crediting rates at any time by logging into your account.

Following 30 June and 31 December each year or when you transact, your account will be updated to reflect the difference between interim and final crediting rates. The account balance provided to you in your *Benefit statement* each half-year reflects these updates. You can also see these transactions by logging into your account.

If you're invested in an option at the end of the quarter and make a full or partial switch, or a partial withdrawal from the option before the final crediting rate is issued, the final crediting rate will still be applied to the balance you held to the end of the quarter.

However, if you remain invested in an investment option at the end of a quarter, and make a full withdrawal from UniSuper before final crediting rates are declared, interim crediting rates will apply to the entire balance you held in that investment option at the end of the quarter.

If you transfer funds between a UniSuper super account and a UniSuper pension account (or vice versa), the transfer will be treated as a withdrawal (even though you may choose the same investment options in the account you're transferring to).

MORE INFORMATION

If you have any questions about how crediting rates are applied to your account, call us on **1800 331 685**.

Our investment options

Each of our investment options has a unique, targeted mix of defensive and/or growth investments—referred to as its strategic asset allocation—to ensure it meets its individual performance objective.

We regularly review the asset mix of each option to make sure actual allocations to growth and defensive assets—and each asset class—are within an approved range of the relevant strategy's asset allocation.

Generally, these strategic asset allocations remain fixed. However, we may change the underlying mix of assets and allocations to optimise investment option performance.

The following information about our investment options—except for the Balanced (MySuper) option—cover both accumulation and pension versions of the options.

The following information was correct as at 30 June 2018. Some risk and return objectives changed on 1 October 2018. Visit our website for up-to-date information.



Conservative*

PERFORMANCE OBJECTIVES#

To achieve returns (after Fund taxes and investment expenses, before deducting account-based fees) that are at least 1.5% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Five years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN^

Two in 20 years

SUMMARY RISK LEVEL^

Medium

OPTION SIZE (\$B)

30 June 2018	2.2
30 June 2017	2.1

STRATEGIC ASSET ALLOCATION (%)^

	2018	2017
Australian Shares	15.75	15.75
International Shares	9.25	9.25
Property	5.00	5.00
Cash & Fixed Interest	70.00	70.00

INVESTMENT STRATEGY

To invest in a diversified portfolio of largely defensive assets like bonds and cash, and some growth assets such as shares and property.



Conservative Balanced

PERFORMANCE OBJECTIVES#^

To achieve returns (after Fund taxes and investment expenses, before deducting account-based fees) that are at least 2.5% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME^

Four years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	3.8
30 June 2017	3.4

STRATEGIC ASSET ALLOCATION (%)^

	2018	2017
Australian Shares	25.0	25.0
International Shares	17.5	17.5
Property	7.5	7.5
Cash & Fixed Interest	50.0	50.0

INVESTMENT STRATEGY

To invest in a diversified portfolio of defensive assets such as bonds and cash and growth assets such as shares and property.

* The Capital Stable option was renamed 'Conservative' on 1 July 2017.

These are not promises or predictions of any particular rate of return.

^ The performance objectives, summary risk level, investment time frame and expected frequency of a negative annual return for a number of our options changed on 1 October 2018. Go to unisuper.com.au/investments for current option information.

Each of the asset classes may include small or residual cash balances for portfolio management purposes. Strategic asset allocations are long-term targets. Actual allocations will vary from their strategic allocations, but are monitored so that they are kept within a 'tolerance range' approved by the Trustee (refer to the How we invest your money booklet available at unisuper.com.au/pdfs for details). The strategic asset allocation may change throughout your UniSuper membership. In particular the Trustee may alter the strategic asset allocation or the composition of individual asset classes from time to time to suit prevailing market circumstances. Some portion of the allocation to international investments may be hedged against currency movements. Different currencies may be hedged to different extents or possibly not at all. Negative returns may occur more or less regularly than expected. Updated strategic asset allocations and significant changes will be published on our website at unisuper.com.au/investments and in updated and later versions of *How we invest your money* and *Super Informed*.



Balanced

PERFORMANCE OBJECTIVES#

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 3.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

10 years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	20.3
30 June 2017	17.3

STRATEGIC ASSET ALLOCATION (%)^

	2018	2017
Australian Shares	38.0	38.0
International Shares	22.0	22.0
Property	5.0	5.0
Infrastructure and Private Equity	5.0	5.0
Cash & Fixed Interest	30.0	30.0

INVESTMENT STRATEGY

To invest in a diversified portfolio of mainly growth assets such as Australian and international shares, property, infrastructure and private equity, with some bonds investments.



Sustainable Balanced

PERFORMANCE OBJECTIVES#

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 3.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Six years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	2.1
30 June 2017	1.7

STRATEGIC ASSET ALLOCATION (%)^

	2018	2017
Australian Shares	45.5	45.5
International Shares	24.5	24.5
Cash & Fixed Interest	30.0	30.0

INVESTMENT STRATEGY

To invest in a diversified portfolio of Australian and international shares that are selected on the basis of sustainable investment criteria (and the application of some negative screens) with Australian listed property, fixed interest and cash assets.



Growth

PERFORMANCE OBJECTIVES#

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 4.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	5.7
30 June 2017	4.9

STRATEGIC ASSET ALLOCATION (%)^

	2018	2017
Australian Shares	46.5	46.5
International Shares	28.5	28.5
Property	5.0	5.0
Infrastructure and Private Equity	5.0	5.0
Cash & Fixed Interest	15.0	15.0

INVESTMENT STRATEGY

To invest in a diversified portfolio, of mainly growth assets, such as Australian and international shares, property, infrastructure and private equity, with some bonds investments.

These are not promises or predictions of any particular rate of return.

^ The performance objectives, summary risk level, investment time frame and expected frequency of a negative annual return for a number of our options changed on 1 October 2018. Go to unisuper.com.au/investments for current option information.

Each of the asset classes may include small or residual cash balances for portfolio management purposes. Strategic asset allocations are long-term targets. Actual allocations will vary from their strategic allocations, but are monitored so that they are kept within a 'tolerance range' approved by the Trustee (refer to the How we invest your money booklet available at unisuper.com.au/pdfs for details). The strategic asset allocation may change throughout your UniSuper membership. In particular the Trustee may alter the strategic asset allocation or the composition of individual asset classes from time to time to suit prevailing market circumstances. Some portion of the allocation to international investments may be hedged against currency movements. Different currencies may be hedged to different extents or possibly not at all. Negative returns may occur more or less regularly than expected. Updated strategic asset allocations and significant changes will be published on our website at unisuper.com.au/investments and in updated and later versions of *How we invest your money* and *Super Informed*.



High Growth

PERFORMANCE OBJECTIVES[#]

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 5.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	4.1
30 June 2017	3.2

STRATEGIC ASSET ALLOCATION (%)[^]

	2018	2017
Australian Shares	56.25	60.25
International Shares	33.75	29.75
Property	5.00	5.00
Infrastructure and Private Equity	5.00	5.00

INVESTMENT STRATEGY

To invest in a diversified portfolio of growth assets such as Australian and international shares, property and infrastructure and private equity.



Sustainable High Growth

PERFORMANCE OBJECTIVES[#]

To achieve returns (after Fund taxes and investment fees but before deducting account-based fees) that are at least 5.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	1.4
30 June 2017	1.2

STRATEGIC ASSET ALLOCATION (%)[^]

	2018	2017
Australian Shares	65.0	65.0
International Shares	35.0	35.0

INVESTMENT STRATEGY

To invest in a diversified portfolio comprising Australian and international shares selected on the basis of sustainable investment criteria (and the application of negative screens) together with Australian listed property.



Cash

PERFORMANCE OBJECTIVES[#]

To achieve the RBA cash rate (after Fund taxes and investment fees but before deducting account-based fees) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIMEFRAME[^]

A very short time horizon (less than one year)

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Negligible

SUMMARY RISK LEVEL[^]

Very low

OPTION SIZE (\$B)

30 June 2018	1.9
30 June 2017	1.9

STRATEGIC ASSET ALLOCATION (%)[^]

	2018	2017
Cash	100	100

INVESTMENT STRATEGY

To invest in a diversified portfolio of cash and money-market securities, including at-call and term bank deposits, bank bills, negotiable certificates of deposit and other short-term fixed income securities out to a maximum maturity of around one year.

[#] These are not promises or predictions of any particular rate of return.

[^] The performance objectives, summary risk level, investment time frame and expected frequency of a negative annual return for a number of our options changed on 1 October 2018. Go to unisuper.com.au/investments for current option information.

Each of the asset classes may include small or residual cash balances for portfolio management purposes. Strategic asset allocations are long-term targets. Actual allocations will vary from their strategic allocations, but are monitored so that they are kept within a 'tolerance range' approved by the Trustee (refer to the How we invest your money booklet available at unisuper.com.au/pdfs for details). The strategic asset allocation may change throughout your UniSuper membership. In particular the Trustee may alter the strategic asset allocation or the composition of individual asset classes from time to time to suit prevailing market circumstances. Some portion of the allocation to international investments may be hedged against currency movements. Different currencies may be hedged to different extents or possibly not at all. Negative returns may occur more or less regularly than expected. Updated strategic asset allocations and significant changes will be published on our website at unisuper.com.au/investments and in updated and later versions of *How we invest your money* and *Super Informed*.

Australian Bond

PERFORMANCE OBJECTIVES^{#^}

To achieve (after Fund taxes) returns in excess of a relevant government bond index (adjusted for fund taxes) over the suggested time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME[^]

Four years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN[^]

Four in 20 years

SUMMARY RISK LEVEL[^]

High

OPTION SIZE (\$B)

30 June 2018	0.5
30 June 2017	0.4

STRATEGIC ASSET ALLOCATION (%)

	2018	2017
Australian fixed interest	100	100

INVESTMENT STRATEGY[^]

To predominantly invest in securities issued or guaranteed by the Australian (Federal and state) governments, and cash.

Diversified Credit Income

PERFORMANCE OBJECTIVES[#]

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 0.5% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Four years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	0.1
30 June 2017	0.2

STRATEGIC ASSET ALLOCATION (%)

	2018	2017
Global Credit	65.0	65.0
Australian & New Zealand Credit	35.0	35.0

INVESTMENT STRATEGY

To invest in a range of global, Australian and New Zealand corporate bonds with some flexibility to consider allocations to other securities including emerging market debt, Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS) and municipal bonds when appropriate.

Listed Property⁻

PERFORMANCE OBJECTIVES[#]

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 3.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Six years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	0.4
30 June 2017	0.5

STRATEGIC ASSET ALLOCATION (%)

	2018	2017
Property	100	100

INVESTMENT STRATEGY

To invest in a diversified portfolio of listed property securities.

- Returns from listed property investments are typically more volatile than returns experienced from unlisted property investments.

These are not promises or predictions of any particular rate of return.

^ The performance objectives, summary risk level, investment time frame and expected frequency of a negative annual return for a number of our options changed on 1 October 2018. Go to unisuper.com.au/investments for current option information.

Each of the asset classes may include small or residual cash balances for portfolio management purposes. Strategic asset allocations are long-term targets. Actual allocations will vary from their strategic allocations, but are monitored so that they are kept within a 'tolerance range' approved by the Trustee (refer to the How we invest your money booklet available at unisuper.com.au/pdfs for details). The strategic asset allocation may change throughout your UniSuper membership. In particular the Trustee may alter the strategic asset allocation or the composition of individual asset classes from time to time to suit prevailing market circumstances. Some portion of the allocation to international investments may be hedged against currency movements. Different currencies may be hedged to different extents or possibly not at all. Negative returns may occur more or less regularly than expected. Updated strategic asset allocations and significant changes will be published on our website at unisuper.com.au/investments and in updated and later versions of *How we invest your money* and *Super Informed*.



Australian Shares

PERFORMANCE OBJECTIVES[#]

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 5.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Six in 20 years

SUMMARY RISK LEVEL

Very high

OPTION SIZE (\$B)

30 June 2018	0.5
30 June 2017	0.4

STRATEGIC ASSET ALLOCATION (%)

	2018	2017
Australian Shares	100	100

INVESTMENT STRATEGY

To invest in a diversified portfolio of Australian shares.



International Shares

PERFORMANCE OBJECTIVES[#]

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 5.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	0.8
30 June 2017	0.7

STRATEGIC ASSET ALLOCATION (%)

	2018	2017
International Shares	100	100

INVESTMENT STRATEGY

To invest in a diversified portfolio of international shares.



Global Environmental Opportunities

PERFORMANCE OBJECTIVES[#]

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 5.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	0.6
30 June 2017	0.4

STRATEGIC ASSET ALLOCATION (%)

	2018	2017
International Shares	100	100

INVESTMENT STRATEGY

To invest in a diversified portfolio of international companies whose business activities seek to address current and emerging environmental issues and opportunities and make a profit from these activities.

[#] These are not promises or predictions of any particular rate of return.

Each of the asset classes may include small or residual cash balances for portfolio management purposes. Strategic asset allocations are long-term targets. Actual allocations will vary from their strategic allocations, but are monitored so that they are kept within a 'tolerance range' approved by the Trustee (refer to the How we invest your money booklet available at unisuper.com.au/pdfs for details). The strategic asset allocation may change throughout your UniSuper membership. In particular the Trustee may alter the strategic asset allocation or the composition of individual asset classes from time to time to suit prevailing market circumstances. Some portion of the allocation to international investments may be hedged against currency movements. Different currencies may be hedged to different extents or possibly not at all. Negative returns may occur more or less regularly than expected. Updated strategic asset allocations and significant changes will be published on our website at unisuper.com.au/investments and in updated and later versions of *How we invest your money* and *Super Informed*.



Australian Equity Income

PERFORMANCE OBJECTIVES[#]

To achieve a gross yield which exceeds the dividend yield of the Australian equity market, and provide potential for capital growth over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN[^]

Five in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)

30 June 2018	0.4
30 June 2017	0.5

STRATEGIC ASSET ALLOCATION (%)

	2018	2017
Australian Shares	100~	100~

INVESTMENT STRATEGY

To invest in a diversified portfolio of Australian shares and up to 30% in income securities (i.e. not ordinary shares, such as debt securities) that are expected to be high yielding.



Global Companies in Asia

PERFORMANCE OBJECTIVES[#]

To achieve returns (after Fund taxes and investment expenses but before deducting account-based fees) that are at least 5.0% p.a. more than inflation (CPI) over the suggested investment time frame.

MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN[^]

Five in 20 years

SUMMARY RISK LEVEL[^]

Very High

OPTION SIZE (\$B)

30 June 2018	0.4
30 June 2017	0.2

STRATEGIC ASSET ALLOCATION (%)

	2018	2017
International Shares	100	100

INVESTMENT STRATEGY

To invest in a diversified portfolio of international shares that seeks to take advantage of the expected growth in consumption of emerging Asian economies by investing in well-established global brands.



Balanced (MySuper)

RETURN TARGET[#]

CPI +5.1% per annum over 10 years (after fees, costs and fund taxes) for a member who has a constant \$50,000 balance and who does not incur any activity-based fees.^{##}

MINIMUM SUGGESTED INVESTMENT TIME FRAME

10 years

EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four in 20 years

SUMMARY RISK LEVEL

High

OPTION SIZE (\$B)^{###}

30 June 2018	17.6
30 June 2017	15.0

STRATEGIC ASSET ALLOCATION (%)[^]

	2018	2017
Australian Shares	38.0	36.0
International Shares	22.0	20.0
Property	5.0	9.0
Infrastructure and Private Equity	5.0	5.0
Cash & Fixed Interest	30.0	30.0

INVESTMENT STRATEGY

To invest in a diversified portfolio of mainly growth assets such as Australian and international shares, property, infrastructure and private equity, with some bond investments.

[#] These are not promises or predictions of any particular rate of return.

^{##} The return target for the Balanced (MySuper) option has been calculated in accordance with requirements that apply to MySuper. The performance objective that is published elsewhere for the Balanced option may differ to the above figure because it is calculated differently (and we have a greater degree of confidence of achieving it). Note that the investment strategies for the Balanced (MySuper) option and the Balanced option are the same. For more information visit the [MySuper dashboard](#).

^{###} Option size data includes all assets in the Balanced option, including members who are not MySuper members.

[^] The performance objectives, summary risk level, investment time frame and expected frequency of a negative annual return for a number of our options changed on 1 October 2018. Go to unisuper.com.au/investments for current option information.

[~] This option predominantly invests in Australian Shares. Up to 30% of this option's assets can be invested in Australian Income securities such as credit and debt securities, hybrid and Australian high-yield credit instruments.

Each of the asset classes may include small or residual cash balances for portfolio management purposes. Strategic asset allocations are long-term targets. Actual allocations will vary from their strategic allocations, but are monitored so that they are kept within a 'tolerance range' approved by the Trustee (refer to the How we invest your money booklet available at unisuper.com.au/pdfs for details). The strategic asset allocation may change throughout your UniSuper membership. In particular the Trustee may alter the strategic asset allocation or the composition of individual asset classes from time to time to suit prevailing market circumstances. Some portion of the allocation to international investments may be hedged against currency movements. Different currencies may be hedged to different extents or possibly not at all. Negative returns may occur more or less regularly than expected. Updated strategic asset allocations and significant changes will be published on our website at unisuper.com.au/investments and in updated and later versions of *How we invest your money* and *Super Informed*.



Defined Benefit Division (DBD)

PERFORMANCE OBJECTIVES[#]

To maximise the probability of generating sufficient returns to meet future commitments.

FUNDS UNDER MANAGEMENT (\$B)

30 June 2018	24.5
30 June 2017	22.7

STRATEGIC ASSET ALLOCATION

The strategic asset allocation for the DBD is undertaken using a dynamic framework. The funding level of the DBD determines the strategic allocation to high, moderate and low risk assets. As the DBD's funding level improves, a progressively greater proportion of the DBD's assets are allocated towards moderate and low risk assets.

Individual assets are classified into these three risk categories depending on their return potential, as well as their volatility and potential for capital loss. Example/typical allocations are provided below:

High risk assets: Listed equities, private equity, direct property (with high gearing or development risk).

Moderate risk assets: Direct property (with low gearing), unlisted infrastructure and some listed equities meeting stringent financial and risk characteristics.

Low risk assets: Cash, government bonds and investment grade credit.

ACTUAL ASSET ALLOCATION (%)

	2018	2017
High Risk Assets	49.7	49.5
Moderate Risk Assets	39.1	37.9
Low Risk Assets	11.2	12.6

The DBD's actual asset allocation by underlying asset class is provided on page 25 of this report.

INVESTMENT STRATEGY

To invest in a diversified portfolio, comprising mainly growth assets such as Australian and international shares, property, infrastructure and private equity, and with some bonds investments.

[#] These are not promises or predictions of any particular rate of return.

Notes about this data:

- The Trustee may alter the asset allocations or the composition of individual asset classes from time to time to suit prevailing market circumstances.
- Each of the asset class proportions shown may include small or residual cash balances for portfolio management purposes.
- References in the performance objectives to 'CPI' mean the Consumer Price Index.
- Strategic allocations are long-term targets and actual allocations may deviate from target.
- Sector options may, from time to time, include a small allocation to cash for portfolio management purposes.

Our people

Behind every great member experience, there's UniSuper

We're proud of the culture we're building at UniSuper. Finding people that fit in with our 'Genuine Care for members' philosophy is something we take very seriously. We work hard to attract talented people who want to work collaboratively to achieve greater retirement outcomes for our members.

We challenge ourselves to ensure we have our members' best interests at the core of our decisions, and focus on continuous improvement as a way of engaging our people to find better ways of working to solve problems and improve the member experience. Our simple but meaningful purpose, values and behavioural expectations provide us with the direction we need and help us to employ great people who can add to our culture.

Attracting and engaging the best talent

Our in-house recruitment team are closely aligned with each business unit to help our leaders to shape roles and attract great candidates. Around 75% of our roles are filled by this team each year –after paying their salaries the team is saving the organisation well in excess of \$1M each year in recruitment fees.

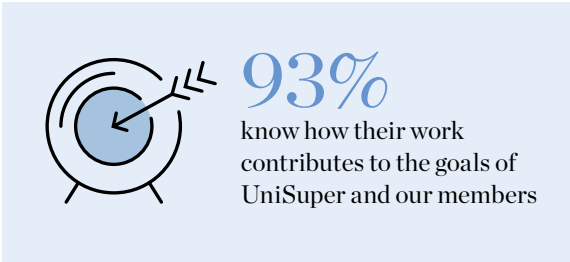
Another key aspect of our talent attraction strategy is to have candidates referred to us by our own people – there's no better form of promotion or advocacy for us than to have them recommend UniSuper as a great place to work!

We focus on creating an environment that rewards our people in a meaningful way for their contributions and we respect our people's need for flexibility and desire to develop professionally and personally. We offer a wide range of initiatives and benefits to ensure our people don't just want to work for us – we want them to be fully engaged so that they will stay with us and strive to do the best they can every day for our members.

Our workplace is shaped by our commitment to providing:

- purposeful work
- learning and development activities
- career opportunities
- wellbeing and volunteering programs, and
- opportunities to give back to charities and the community.

One of the indicators that we're on track is our low resignation rate (approximately 8% in 2017-18), and another is our high Employee Engagement survey results. Our overall engagement score in 2018 was well above the global professional services benchmark with an overall engagement score of 76%. Even more pleasing was that 93% of our people are engaged with how their work contributes to the goals of UniSuper and our members and 88% were highly engaged with respect to recommending UniSuper as a great place to work which is fantastic.



Evolving the way we get things done

We continue to strive for excellence and are focused on examining and challenging the way we do things to achieve something greater. Over the last year we have launched and are embedding an internal framework for who we are, what we believe in and what we're about. Our framework, This is US, is our purpose, brand, customer experience and ways of working, all underpinned by our values.

Refreshing our values was a core part of continuing to evolve the culture we have. These values were formed from the feedback and insights of our people and articulate the behaviours, skills and attitudes we value. They are an integral part not just of the way we do things each and every day but also as a framework for our shared expectations. They form a part of our Performance and Rewards Program where we recognise that it's the balance of performance and behaviours that lead to great outcomes.

Our values have also formed the basis of renewed behavioural expectations of all our people with an additional focus on the role our leaders play. Our leaders have been actively taking their teams through these expectations as we continue to build a culture where we can be counted on.



Valuing diversity

Our 'Genuine Care' culture spills over into a respect for all aspects of diversity. Our focus has been on training our leaders to better understand conscious and unconscious bias and their role in building a more diverse workforce.

We've partnered with CareerSeekers to provide work experience for asylum seekers and we hope to build on this relationship in the future. This is a wonderful opportunity to strengthen the mix of skills and experience within our business, while at the same time providing an important point of entry for refugees and asylum seekers into professional life in Australia.

Offering flexibility is another way we are able to attract a more diverse talent pool and enables us to focus on the work output, not the hours spent sitting at a desk. Our people have the opportunity to request formal and informal flexible working arrangements that enable them to balance how and where they work according to their personal circumstances.

UniSuper reports annually to the Workplace Gender Equality Agency (WGEA) – the report looks at workforce participation, remuneration and the practices in place to promote gender equality in the workplace. But we don't stop there; we conduct our own pay equity analysis, and participate in research and action groups to look at closing the gap and creating a more diverse and equal workforce.

Health, wellbeing and giving back to the community

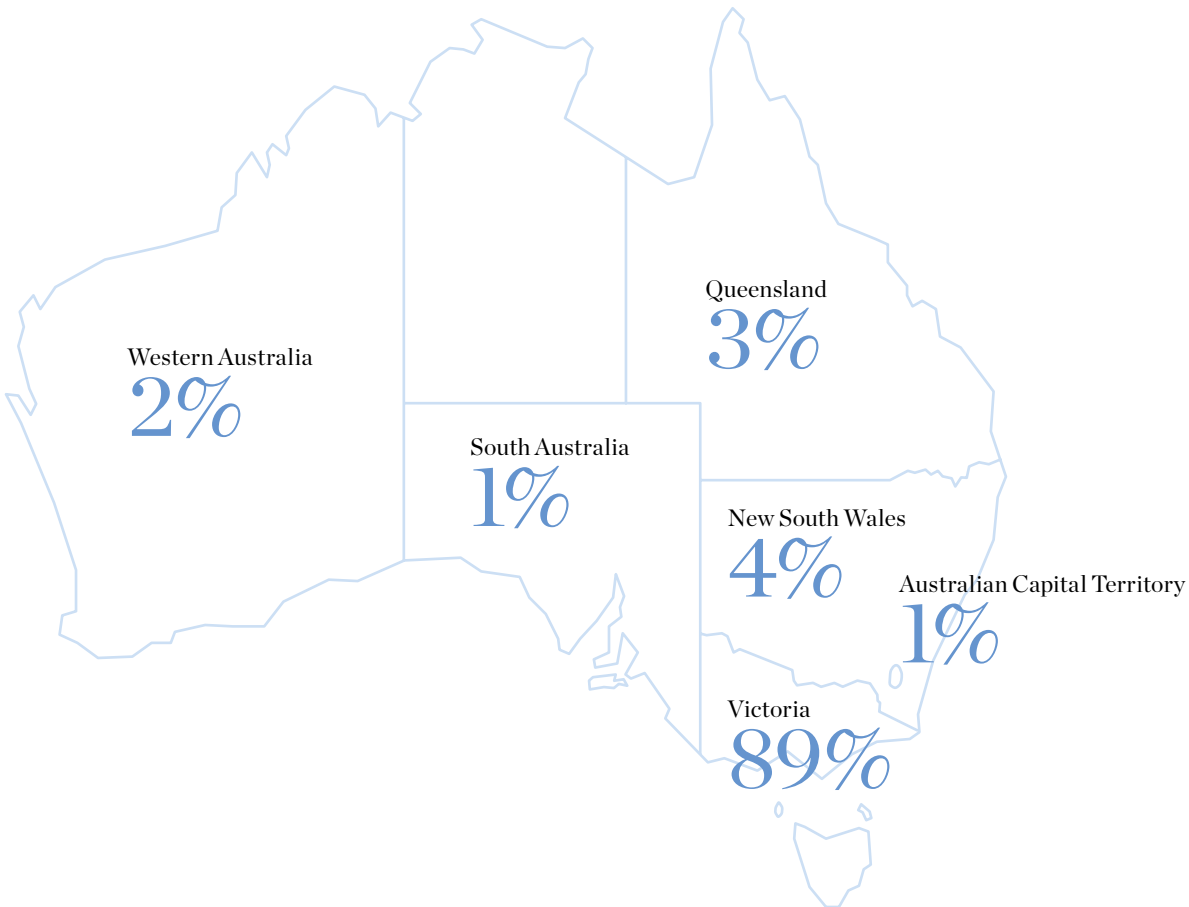
Workplace health and wellbeing initiatives assist in creating a workplace culture that supports and encourages healthy lifestyles and promotes a happier workforce. Our holistic approach to wellbeing aims to support and encourage everyone to participate in a range of health and wellbeing initiatives and activities. We provide a healthy and supportive environment by raising awareness within the workplace of the issues that impact on health and wellbeing, via news articles, our intranet, education and information sessions. In the last year, our employees participated in a variety of wellbeing events, raising over \$55,000 for well deserving charities through activities such as September, Movember, Mother's Day Classic, Stadium Stomp, fun runs, marathons and cycling events.

Giving back to the community is just part of the way we do things at UniSuper. Over the past year our people have personally donated \$55,000 to charities through our uGive program and nearly 100 of them have taken advantage of our program to support the community through a variety of worthy volunteering experiences in Australia and overseas.

GENDER SPLIT AS AT 30 JUNE 2018 HEADCOUNT: 778



BREAKDOWN OF UNISUPER EMPLOYEES



Our Board

UniSuper is governed by a corporate trustee, UniSuper Limited – a not-for-profit company whose shareholders are 37 Australian universities. These universities are represented on the Consultative Committee. Rules for governance of the Fund are set out in the Trust Deed.

The Trustee acts through its Board of Directors, which is accountable to the Fund's members and participating employers. The Board determines the Fund's strategic direction and governs its operations to ensure it is administered in accordance with the Trust Deed.

When it comes to corporate governance and the Fund's conduct and principles, the Board embraces fairness, transparency and accountability.

The Board regularly reviews and updates its corporate governance framework and practices, and benchmarks against best practice recommendations set out by the Association of Superannuation Funds of Australia (ASFA) and the Australian Institute of Superannuation Trustees (AIST).

HOW THE BOARD IS STRUCTURED

Equal numbers of directors are nominated by employers and members on the Board, and these directors appoint three non-representative directors. A non-representative director is therefore not appointed by employers or members, but is independent and has knowledge and expertise which complements and balances the various interests on the Board.

Of the directors nominated by employers, two are nominated by Vice Chancellors of the shareholder universities and two are nominated by Consultative Committee members representing employers.

Of the directors nominated by members, two are nominated by Consultative Committee members – one by academic staff, one by non-academic staff – and two are nominated by the national unions who represent a significant number of UniSuper members.

The process of removing directors is set out in UniSuper Limited's Constitution. Under the Constitution, directors nominated by members or employers can be removed by a recommendation from the Consultative Committee or other bodies responsible for their appointment. The non-representative directors can be removed by a resolution of the directors nominated by members and employers.

The Consultative Committee

The Consultative Committee is a key forum for members and employers to participate in the Fund's ongoing development and governance. It reviews and approves changes to the Trust Deed and is responsible for nominating four directors to the Board. Half of the committee is made up of members representing our shareholder universities, and the other half represents academic staff and non-academic staff (equally) from our shareholder universities.

GETTING TO KNOW THE BOARD



(Back left to right) Nicolette Rubinsztein, Lelia Green, Neville Kitchin, Keith Tull, Peter Dawkins
(Middle left to right) Stephen Somogyi, Graeme McCulloch, Mark Armour, Nicole Gower
(Front left to right) Ian Martin, Jane den Hollander

INDEPENDENT DIRECTORS

Geoffrey Ian Martin

B Ec (Hons), Adv Diploma FAICD

Chairman

Appointed to the Board as an Independent Director on 18 April 2013 and elected as Chairman on 1 July 2017.

Nicolette Rubinsztein

B Bus (Hons), EMBA (AGSM), GAICD, FIAA

Appointed to the Board as an Independent Director on 1 December 2015.

Mark Armour

B Ec (Hons)

Appointed to the Board as an Independent Director on 1 July 2017.

DIRECTORS NOMINATED BY MEMBERS

Nominated by the Consultative Committee

Professor Lelia Green

PhD, MA, MEd, BA, GAIST

Elected to the Board by members of the Consultative Committee representing academic staff on 4 November 2015.

Keith Tull

B Bus (Accounting), Grad Diploma (Data Processing), CPA, DipSuper

Elected to the Board by members of the Consultative Committee representing non-academic staff on 23 November 2010.

NOMINATED BY NATIONAL UNIONS

Graeme McCulloch

Appointed to the Board on 14 February 2013 by the national unions.

Neville Kitchin

FAICD, GAIST, DipSuper

Appointed to the Board on 29 August 2013 by the national unions.

DIRECTORS NOMINATED BY EMPLOYERS

Nominated by Vice Chancellors

Professor Jane den Hollander AO

PhD, MSc, BSc Hons

Appointed to the Board on 1 May 2012 by the Shareholder Universities.

Professor Peter Dawkins AO

PhD, MSc, BSc

Appointed to the Board on 4 November 2015 by the Shareholder Universities.

Stephen Somogyi

MSc (Melbourne), SM (MIT), FAICD, FIAA, FFin

Elected to the Board by members of the Consultative Committee representing employers on 27 October 2014.

Nicole Gower

BA/LLB (Hons)

Elected to the Board by members of the Consultative Committee representing employers on 30 October 2017.

Find more information about the Board's experience, expertise and special responsibilities at unisuper.com.au/about-us.

CHANGES TO THE BOARD

The following changes occurred to the Board in 2017-18:

- Ms Nicole Gower was appointed to the Board as an Independent Director with effect from 30 October 2017.
- Dr Susan Gould was a Director from the beginning of the financial year until her resignation on 30 October 2017.

THE BOARD COMMITTEES

The Board Committees as at 30 June 2018 are:

Audit, Risk & Compliance Committee

The Audit, Risk & Compliance Committee is responsible for:

- financial reporting
- monitoring the effectiveness of the Risk Management Framework and making recommendations in respect of risk management policy and practice
- ensuring appropriate assurance arrangements are in place including overseeing the performance and independence of the internal and external audit functions
- monitoring the adequacy and effectiveness of the compliance and internal controls frameworks to support compliance of the Fund with all applicable laws and regulations
- corporate governance, and
- adequacy of the Trustee's insurance program.

Members include:

- Stephen Somogyi (Chair)
- Nicolette Rubinsztein
- Neville Kitchin

The committee is assisted by two independent consultants:

- Michelle Somerville
- Peggy O'Neal

The CEO also attends meetings of this Committee.

Remuneration Committee

The Remuneration Committee is responsible for:

- reviewing the effectiveness of the remuneration framework and remuneration policy
- assessing the compliance of remuneration arrangements with Australian Prudential Regulation Authority (APRA) Prudential Standard SPS 510: Governance, and
- making annual recommendations to the Board in respect of remuneration of:
 - responsible Persons and other persons whose activities may, in the Committee's opinion, affect the financial soundness of UniSuper's operations
 - any category of person covered by the USL Remuneration Policy.

Members include:

- Jane den Hollander (Chair)
- Ian Martin
- Grahame McCulloch

The CEO attends all meetings of the Remuneration Committee, except when the CEO's own remuneration package is being discussed.

Insurance Committee

The Insurance Committee is responsible for:

- facilitating the timely determination of claims made under the Fund's inbuilt benefit provisions and insurance cover
- implementing and reviewing the Insurance Framework and Strategy
- monitoring and overseeing the Insurance Management Committee
- monitoring the performance of the external insurer, and
- monitoring the services and functions outsourced to the Administrator.

The Insurance Committee has the authority to:

- consider and determine declined claims made under the Fund's inbuilt benefit provisions, and
- approve the appointment or termination of the Fund's Chief Medical Officer.

Members include:

- Nicolette Rubinsztein (Chair)
- Keith Tull
- Lelia Green
- Sue Gould (consultant)
- Kevin O'Sullivan (CEO UniSuper, Ex-Officio)

Investment Committee

The Investment Committee is responsible for:

- investing funds in a manner consistent with the investment objectives set by the Board, and
- other investment matters, including:
 - investment policy
 - making investment strategy recommendations to the Board
 - monitoring asset allocations
 - monitoring investment performance.

Members include:

- Mark Armour (Chair)
- Ian Martin
- Peter Dawkins
- Christopher Cuffe (independent consultant)
- Charles Macek (independent consultant)
- Anthony FitzGerald (independent consultant)
- Kevin O'Sullivan (CEO UniSuper, Ex-Officio)

Technology and Projects Committee

The Technology and Projects Committee is responsible for:

- reviewing key technology changes, innovations and trends in the industry
- reviewing the technology strategy
- reviewing the technology and program management governance frameworks

Members include:

- Mark Armour (Chair)
- Nicole Gower

The Executive Leadership team

The day-to-day administration of UniSuper is managed by a wholly owned company, UniSuper Management Pty Ltd (USM). Under the leadership of the Chief Executive Officer, USM operates in line with performance objectives set every year. The Board regularly reviews these objectives, particularly in regard to providing greater retirement outcomes for members.

GETTING TO KNOW THE LEADERSHIP TEAM



(Back left to right) Jack McCartney, John Pearce, Lee Scales, Luke Barrett
 (Middle left to right) Anna Leibel, Tim Anderson, Nicholas Drohan, John Dyer, Ruby Yadav
 (Front left to right) Steven Leach, Kevin O'Sullivan, Julie Watkins

Kevin O'Sullivan
 Chief Executive Officer

John Pearce
 Chief Investment Officer

Tim Anderson
 Executive Manager, Marketing and Product

John Dyer
 Chief Financial Officer

Lee Scales
 Chief Customer Officer

Julie Watkins
 Executive Manager, People Services

Jack McCartney
 Executive Manager, Advice

Steven Leach
 Executive Manager, Operations

Anna Leibel
 Executive Manager, Technology

Nicholas Drohan
 Executive Manager, Program Management

Ruby Yadav
 General Manager, Risk & Assurance

Luke Barrett
 General Manager, Legal & Governance

More information on the Executive Leadership Team is available at unisuper.com.au/about-us.

Risk management and governance

Managing our risks

UniSuper fosters a culture of responsible risk taking, considering strategic benefits and potential impacts, in order to provide greater retirement outcomes to members. In setting the UniSuper strategy and business plans, decisions are guided by the Board’s risk appetite, both from the perspective of risks that need to be reduced to protect the interests of members, and those that should be pursued for reward.

UniSuper is committed to ensuring that risk management is part of everyday practice at all levels of management and is underpinned by a culture of transparency and accountability.

The Risk team at UniSuper continues to shape and support the culture through independent advice and oversight as well as partnering with the business to build necessary capabilities to actively mitigate risk.

Privacy

On 22 February 2018, the new national privacy mandatory data breach reporting requirements took effect. In preparation for the changes UniSuper implemented a Privacy Management Framework and updated the Privacy Policy. We have reviewed our processes, developed a privacy response plan and undertaken training to staff to ensure all privacy incidents are identified, managed, assessed and reported promptly to continue to meet our privacy obligations.

Financial crime

During the year, UniSuper continued active management of financial crime risks, including fraud, corruption, money laundering and terrorism financing risks. A program of work has been established and is delivering enhanced capabilities, each quarter, to manage this risk.



How we manage your super

How UniSuper is administered

UniSuper is managed by a corporate Trustee, UniSuper Limited, which has delegated the day-to-day administration of the Fund to a wholly owned company, UniSuper Management Pty Ltd (USM). The Executive Leadership team reports to the Boards of UniSuper Limited and USM.

USM operates in line with a set 2017-18 strict performance objectives, against which the Board of UniSuper Limited regularly monitors its performance.

The Trustee has taken out professional indemnity insurance.

Error rectification

UniSuper’s Incident Management and Errors Rectification Policy provides for exited members to be reinstated for errors affecting their account by more than \$20.

When we can't find you

TRANSFER TO AUSFUND

UniSuper has nominated an eligible rollover fund to receive members’ benefits in certain circumstances. If your account balance is less than \$500 and we do not receive contributions from you or on your behalf for three years, and you have not provided us with instructions about what to do with your benefit, or if you do not respond to our letters, we may transfer it to:

AUSfund

Locked Bag 5132 Parramatta NSW 2124
Phone: 1300 361 798
Email: admin@ausfund.net.au

AUSfund may have a different fee structure and investment and crediting rate policy from UniSuper and it does not offer insurance cover. AUSfund will invest your benefit in a single diversified investment strategy with a view to achieving competitive returns at a moderate level of risk. Member investment choice is not available in AUSfund. You should evaluate whether AUSfund is a suitable long-term investment for your super. If your benefit is transferred to AUSfund, you will no longer be a UniSuper member and your insurance cover with UniSuper will cease. You will need to contact AUSfund directly regarding your benefit. You should refer to the AUSfund PDS for information on circumstances in which fees may apply.

LOST MEMBERS’ REGISTER

You become a lost member in the following circumstances:

- if we haven’t received a contribution or rollover from you in the past 12 months, two pieces of mail sent to your last known address are returned to us as unclaimed, or if we have never had an address for you, or
- you’ve been a member for more than two years and we haven’t received any contributions or rollovers within the last five years.

In these circumstances, we may be required to register your details with the ATO Lost Members’ register. For more details, please visit the ATO website at www.ato.gov.au.

UNCLAIMED MONEY

If amounts payable to you become 'unclaimed money' (as defined in superannuation legislation), your account will be transferred to the ATO and held on your behalf until you claim it.

Your account will be categorised as 'unclaimed money' if:

- ...➤ you've reached age 65, and
- ...➤ we haven't received any contributions or rollovers for at least two years, and
- ...➤ after a period of five years since UniSuper last contacted you, UniSuper has been unable to contact you again after making reasonable efforts, or
- ...➤ you're a former temporary resident and at least six months have passed since you departed Australia or your visa has expired or was cancelled; and UniSuper has received notice from the ATO requiring us to transfer your account balance, or
- ...➤ you meet the definition of a lost member, your account does not include a defined benefit component and your account balance is less than \$6,000 and we haven't received any contributions or rollovers for the last 12 months and we have insufficient information available to us to identify you.

If your account is transferred to the ATO, you'll need to contact the ATO directly to claim your benefit. To check whether you have any unclaimed or lost super, refer to the ATO's website at www.ato.gov.au.

If you're a DBD member, your accumulation component won't be transferred to the ATO in these circumstances.

Claiming your super benefit if you're a temporary resident

A temporary resident whose visa period has ended can generally claim their UniSuper benefit as a lump sum once they've left Australia.

If a temporary resident doesn't claim their super when they leave Australia, UniSuper will generally be required to transfer the balance of their super account to the ATO as an unclaimed benefit after a period of six months from the date the visa ceased to be in effect or they left Australia (whichever occurs later).

If this happens to you, you can claim super benefits directly from the ATO. Please contact the ATO for further details (www.ato.gov.au).

If a temporary resident's benefit is transferred to the ATO, UniSuper relies on ASIC relief to the effect that UniSuper is not obliged to notify or provide the non-resident with an exit statement.

However, a temporary resident can contact UniSuper to receive information about the transfer that will enable them to apply to the ATO to claim their benefit. For more information, refer to the Departing Australia Superannuation Payment (DASP) factsheet, which is available at unisuper.com.au or by calling us on **1800 331 685**.

Superannuation surcharge

The government's superannuation surcharge was abolished on 1 July 2005. However, surcharge deductions for prior years may still appear on your latest *benefit statement* as a deduction from your account.

If we received a surcharge assessment from the ATO in relation to your super, we will have paid the assessment and there will be a deduction or adjustment made to your account to reflect this. Full details of any surcharge deductions if applicable are on your benefit statement.

Service providers we use

The Trustee draws on the services and expertise of a number of professional service providers and organisations.

During the financial year, our main service providers were:

- Actuary: Kate Maartensz FIAA, Willis Towers Watson
- Chief Medical Consultants: Diel Felman from Work Life Well and Pramodh Nathaniel from Matrix Health (Insurance confirmed still correct)
- Tax Consultant: KPMG
- Auditor: Ernst & Young (external), PricewaterhouseCoopers (internal)
- Bankers: Commonwealth Bank of Australia
- Insurance underwriter: TAL Life Limited (TAL), and
- Investment Master Custodian: BNP Paribas Securities Services

Managing our finances

UniSuper holds modest amounts in reserve for specific items. The reserves include:

- an administration reserve to help manage the operation of the Fund
- an external insurance reserve used to fund improvements in the external insurance offering
- a self-insurance reserve for the death and disablement benefits provided by UniSuper to Accumulation 2 members. The insurance products covered by this reserve were outsourced to an external insurer from 3 January 2015, so the reserve is now in 'run-off' mode, and
- an operational risk reserve to cover losses, costs and expenses that may be incurred in the event of an operational risk. On 30 June 2018, the reserve balance represented 0.29% of funds under management, which is above the Fund's Operational Risk Financial Requirement of 0.25%.

All of the reserves, except for the administration reserve, are invested in a diversified portfolio with an asset allocation that mirrors that of UniSuper's DBD. The assets backing the administration reserve include an investment in the Fund's administrator, USM.

The total of the reserves as at 30 June for the past three years was \$244 million in 2016, \$270 million in 2017 and \$334 million in 2018.

Complaints handling

We hope you don't have any complaints about your super or pension, but if you do please contact us.

For more information on how to make a complaint, refer to our website [unisuper.com.au/complaints](https://www.unisuper.com.au/complaints).

UniSuper financials

UniSuper's abridged financial statements are set out below. You can request the Fund's full audited accounts and the auditor's report by calling us on 1800 331 685.

UniSuper's statement of financial position as at 30 June 2018

ASSETS	2018	2017
	\$M	\$M
CASH AND RECEIVABLES		
Cash and cash equivalents	105	157
Sundry debtors and prepayments	–	1
	105	158
INVESTMENTS – FINANCIAL ASSETS		
Equities – Local	32,149	28,326
– Overseas	15,814	12,882
Interest bearing securities – Local	10,493	9,137
– Overseas	1,849	1,814
Others, including short-term deposits	4,190	4,323
Derivative assets	54	128
	64,549	56,610
INVESTMENTS – NON-FINANCIAL ASSETS		
Property investments	3,582	3,124
Infrastructure investments	3,362	3,012
	6,944	6,136
Total assets	71,598	62,904
LIABILITIES		
Benefits payable	12	24
Sundry creditors	25	17
Derivative liabilities	147	75
Income tax payable	69	111
Deferred tax liabilities	1,368	1,111
Total liabilities excluding member benefits	1,621	1,338
Net assets available for members benefits	69,977	61,566
MEMBER BENEFITS		
Defined contribution member liabilities	45,155	39,057
Defined benefit member liabilities	18,792	17,792
Total member liabilities	63,947	56,849
Total net assets	6,030	4,717
EQUITY		
Reserves	334	270
Defined benefit surplus/(deficit)	5,696	4,447
Total equity	6,030	4,717

UniSuper's income statement for the year ended 30 June 2018

	2018	2017
	\$M	\$M
INVESTMENT REVENUE		
Interest	423	377
Dividends and distributions	2,131	1,910
Other income	58	56
Movement in fair value of assets	4,115	2,558
Total investment revenue	6,727	4,901
EXPENSES		
Direct investment expenses	233	199
Administration expenses	55	54
Total expenses	288	253
Net operating result before income tax expense	6,439	4,648
Income tax expense	266	195
Net operating result after income tax expense	6,173	4,453
Net benefits allocated to defined contribution member accounts	(4,097)	(3,265)
Net change in defined benefit member benefits	(844)	(750)
Net profit after income tax	1,232	438

UniSuper's Statement of changes in member benefits for the year ended 30 June 2018

	DEFINED CONTRIBUTION	DEFINED BENEFIT	TOTAL
	\$M	\$M	\$M
Opening balance 1 July 2017	39,057	17,792	56,849
Employer contributions	1,526	1,425	2,951
Member contributions	613	188	801
Rollovers in from other superannuation plans	1,377	–	1,377
Rollovers out to other superannuation plans	(655)	(54)	(709)
Income tax on contributions	(229)	(201)	(430)
Net after tax contributions	2,632	1,358	3,990
Benefits paid (excluding rollovers out)	(1,291)	(429)	(1,720)
Transfers from defined benefit to defined contribution accounts	745	(745)	–
Death/disability benefits credited to member accounts	9	–	9
Premiums charged to members, net of tax	(41)	–	(41)
RESERVE TRANSFERS TO/(FROM) MEMBERS:			
Operational risk reserve	(21)	(1)	(22)
Administration reserve	(36)	(27)	(63)
Self insurance reserve	7	–	7
External insurance reserve	(3)	–	(3)
NET BENEFITS ALLOCATED TO MEMBERS' ACCOUNTS, COMPRISING:			
Net investment Income	4,097	–	4,097
Net change in defined benefit member benefits	–	844	844
Closing balance 30 June 2018	45,155	18,792	63,947

	DEFINED CONTRIBUTION	DEFINED BENEFIT	TOTAL
	\$M	\$M	\$M
Opening balance 1 July 2016	33,745	16,910	50,655
Employer contributions	1,492	1,355	2,847
Member contributions	1,043	177	1,220
Rollovers in from other superannuation plans	1,136	–	1,136
Rollovers out to other superannuation plans	(587)	(56)	(643)
Income tax on contributions	(225)	(186)	(411)
Net after tax contributions	2,859	1,290	4,149
Benefits paid (excluding rollovers out)	(1,419)	(410)	(1,829)
Transfers from defined benefit to defined contribution accounts	708	(708)	–
Death/disability benefits credited to member accounts	3	–	3
Premiums charged to members, net of tax	(37)	–	(37)
RESERVE TRANSFERS TO/(FROM) MEMBERS:			
Operational risk reserve	(17)	–	(17)
Administration reserve	(56)	(40)	(96)
Self insurance reserve	8	–	8
External insurance reserve	(2)	–	(2)
NET BENEFITS ALLOCATED TO MEMBERS' ACCOUNTS, COMPRISING:			
Net investment Income	3,265	–	3,265
Net change in defined benefit member benefits	–	750	750
Closing balance 30 June 2017	39,057	17,792	56,849

CONTACT US

1800 331 685

+61 8831 7901 (overseas members)

WEBSITE

unisuper.com.au

EMAIL

enquiry@unisuper.com.au

FAX

1300 224 037

+61 3 8831 6141

ADDRESS

UniSuper
Level 1, 385 Bourke Street
Melbourne VIC 3000
Australia

AWARD-WINNING FUND

With a string of awards and high ratings from Australia's top ratings and research agencies, SuperRatings and Chant West, we're one of Australia's most award-winning super funds.



SuperRatings, a superannuation research company, named UniSuper's Flexi Pension product 'Pension of the Year' at its 2017 awards. The product has also achieved a 10-year Platinum Performance rating.

Go to www.superratings.com.au for details of its rating criteria. SuperRatings does not issue, sell, guarantee or underwrite this product.



Chant West awarded UniSuper 'Pension Fund of the Year' in both 2017 and 2018. UniSuper was also awarded 'Best Fund: Advice Services' in 2017. UniSuper's accumulation products have received a 5 Apples rating.

For information about the methodology used, see www.chantwest.com.au. Chant West has consented to the inclusion in this document of the references to Chant West and the inclusion of its logos in the form and context in which they are included.

