



# UniSuper in Review 2018-19

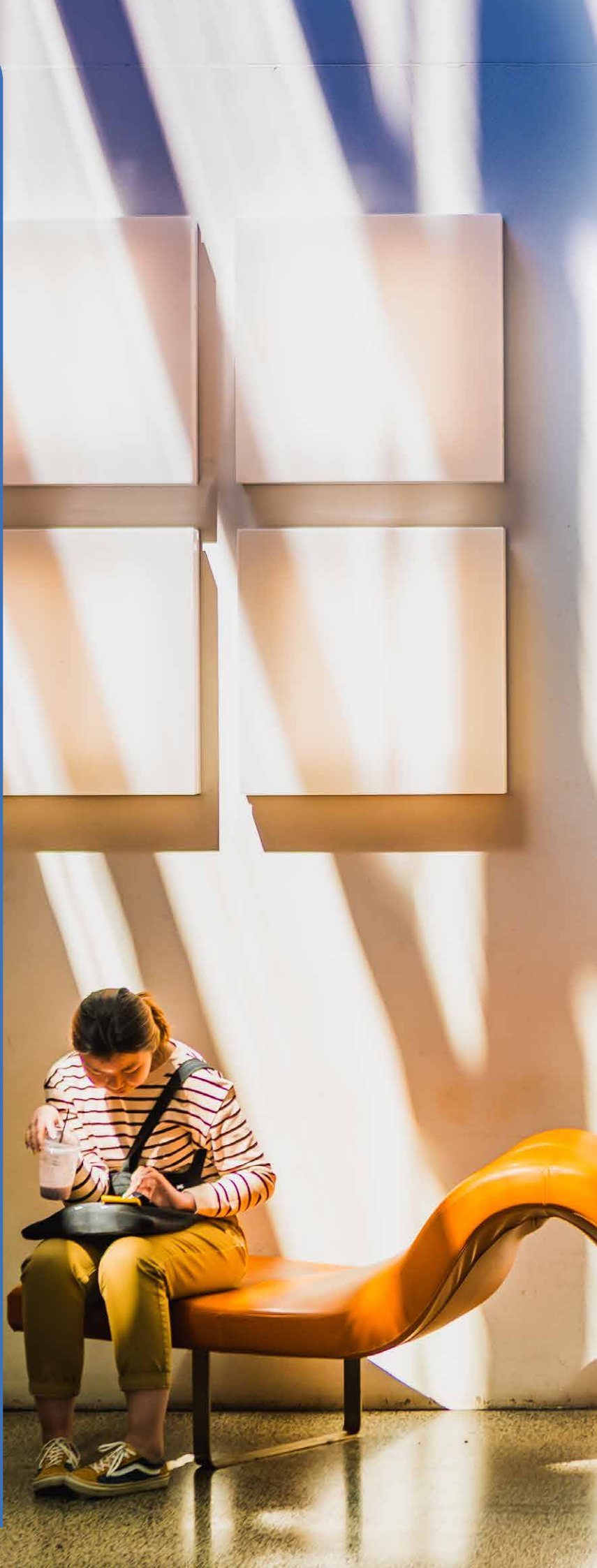
The super fund for Australia's higher  
education and research sector



# 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, has awarded UniSuper a Platinum Choice rating for its accumulation products, something only the 'best value for money' funds receive. Our accumulation products have also achieved a 10-year Platinum Performance rating. Go to [www.superratings.com.au](http://www.superratings.com.au) for details of its rating criteria. SuperRatings does not issue, sell, guarantee or underwrite this product. SuperRatings has consented to the inclusion in this document of the references to SuperRatings and the inclusion of its logos in the form and context in which they are included.

In 2019, Chant West awarded UniSuper 'Super Fund of the Year', 'Investments Best Fund' and 'Advice Services Best Fund'. Our accumulation products have received a 5 Apples rating. For information about the methodology used, see [www.chantwest.com.au](http://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.

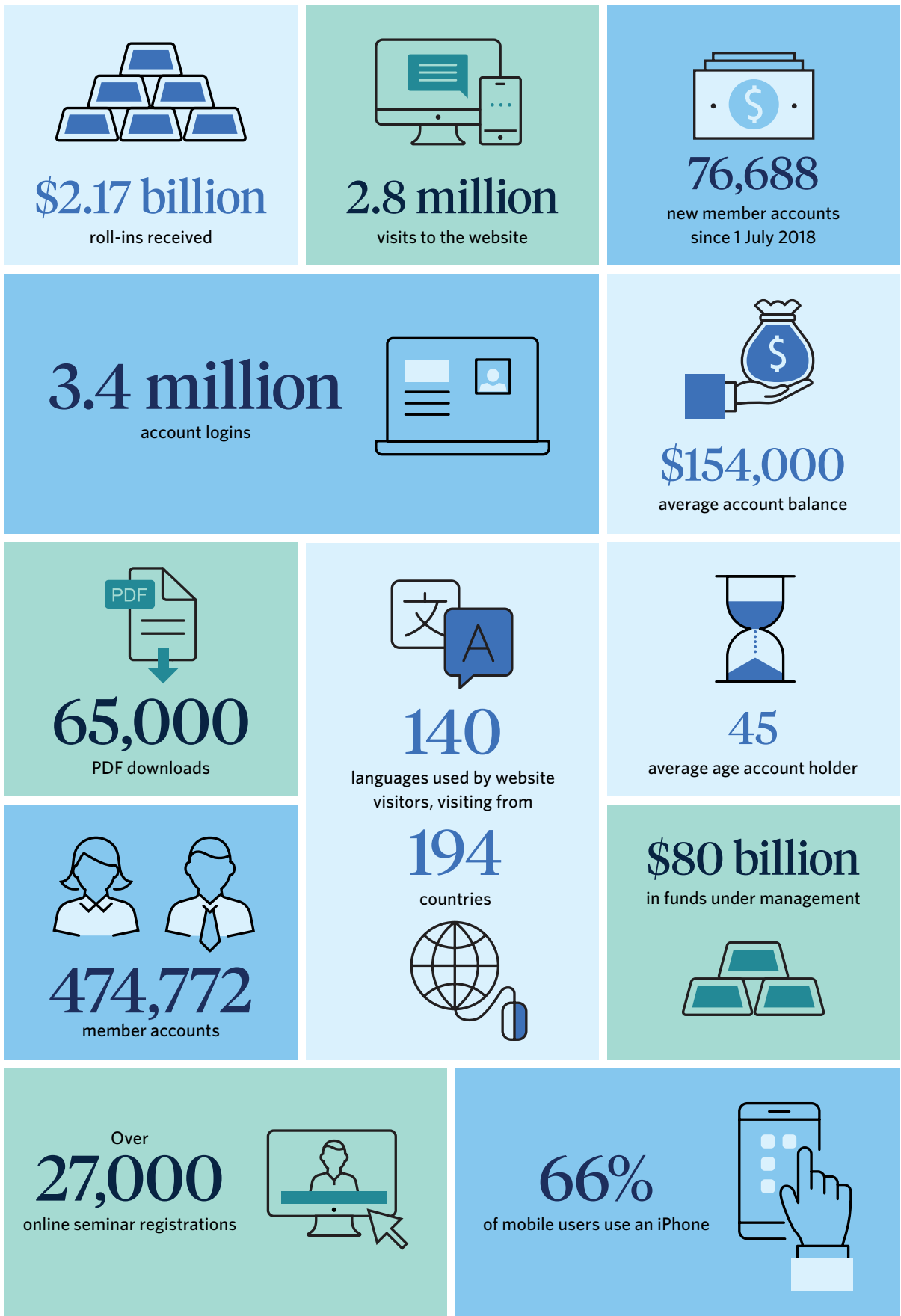


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## 2018-19 Fund highlights



# UniSuper at a glance

UniSuper is the super fund for Australia's higher education and research sector. Over our 38 year history, we've grown to be one of Australia's largest super funds with more than 450,000 members and \$80 billion in funds under management.

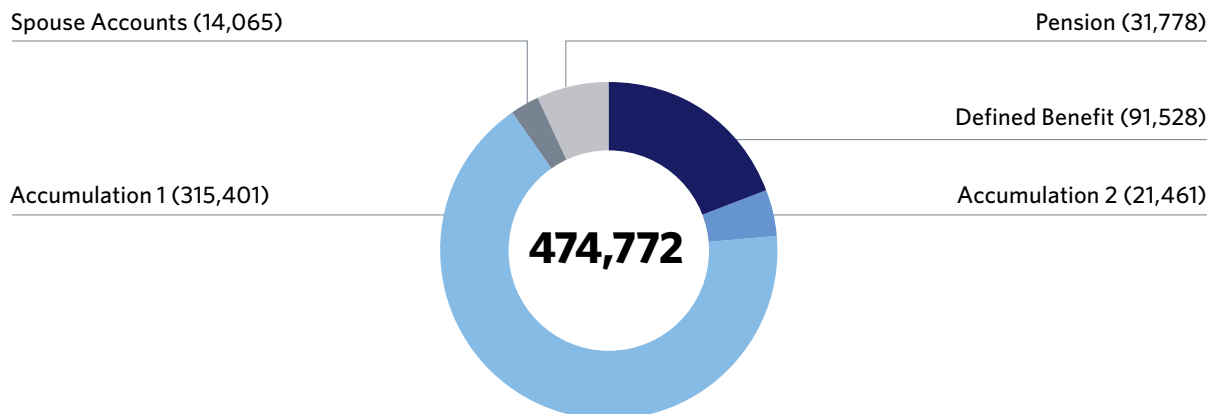
## Our purpose

UniSuper's purpose is to provide greater retirement outcomes for members working in Australia's higher education and research sector.



## Membership by product\*

UniSuper's funds under management continued to increase during 2018-19, 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.



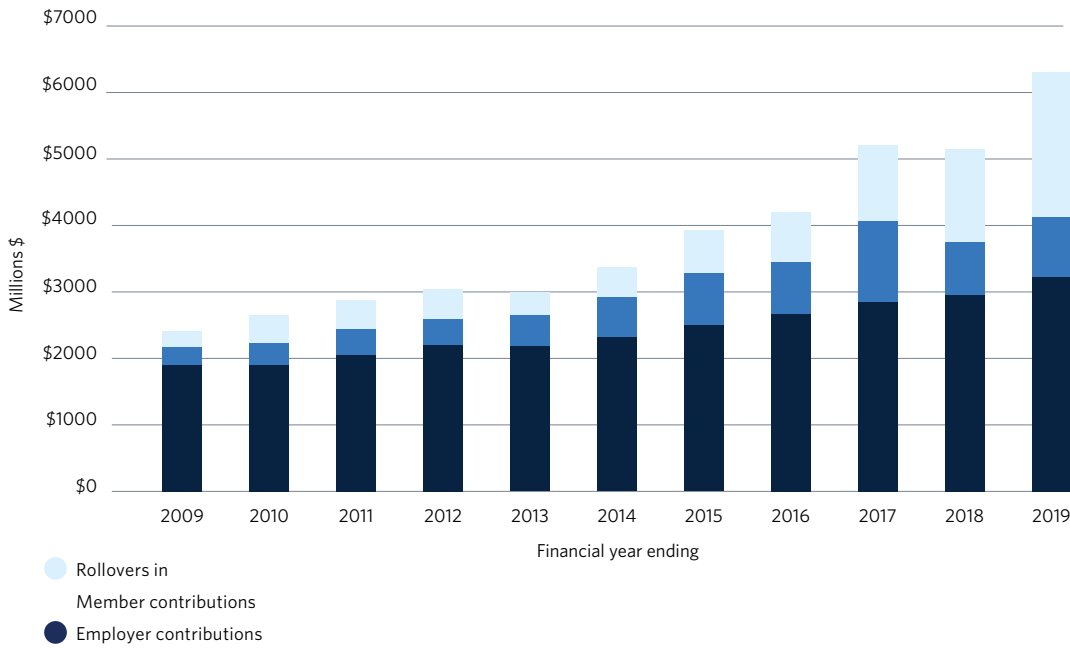
\*As at 30 June 2019

**STEADY GROWTH**

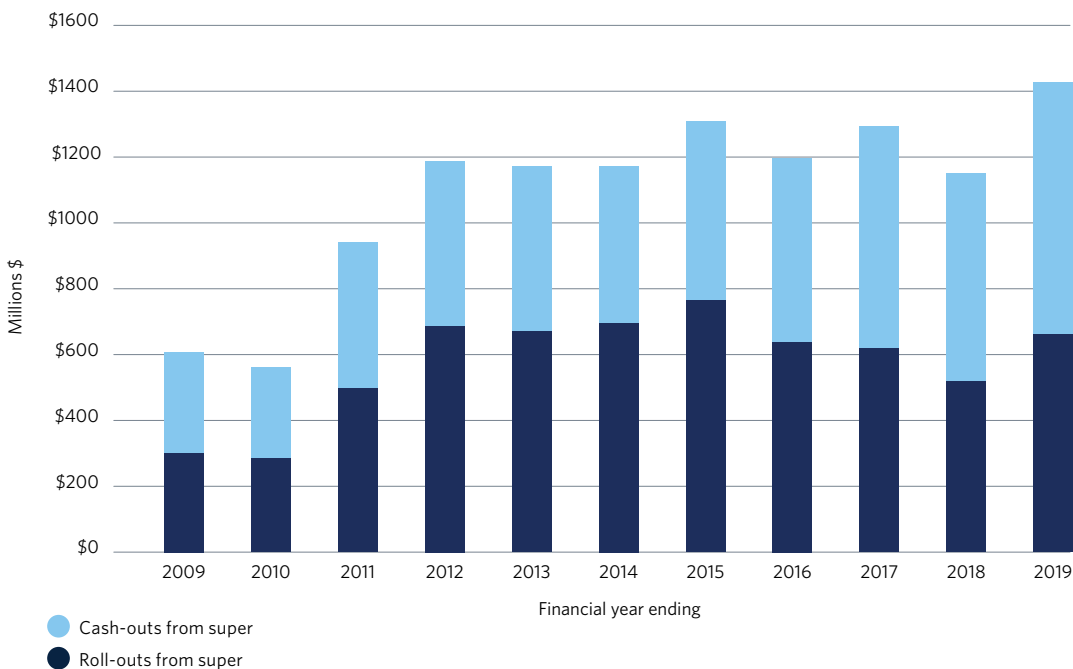
UniSuper’s net funds under management was \$80 billion as at 30 June 2019 and UniSuper was ranked as Australia’s third largest super fund<sup>1</sup> by funds under management as at March 2019.

Contributions and rollovers into the Fund were higher compared to previous years, as shown in the charts below. Employer contributions remained consistent with 2017-18 and member contributions were slightly lower compared to previous years.

**Contributions over time**



**Roll-outs and cash-outs over time**

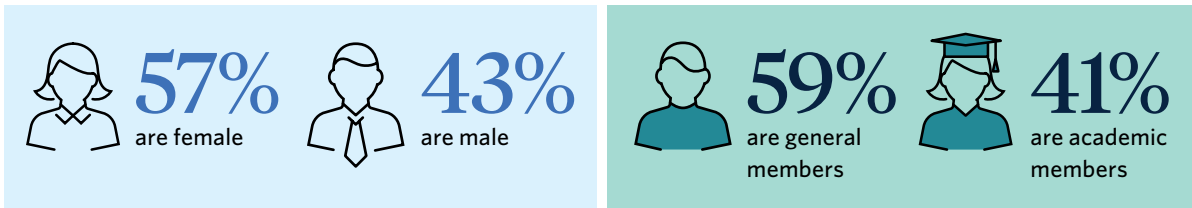


<sup>1</sup> Rainmaker Benchmarking Vol 22, no. 1 (March 2019). Table 6 “Top 50 Superannuation funds - by total FUM”

# Our Fund

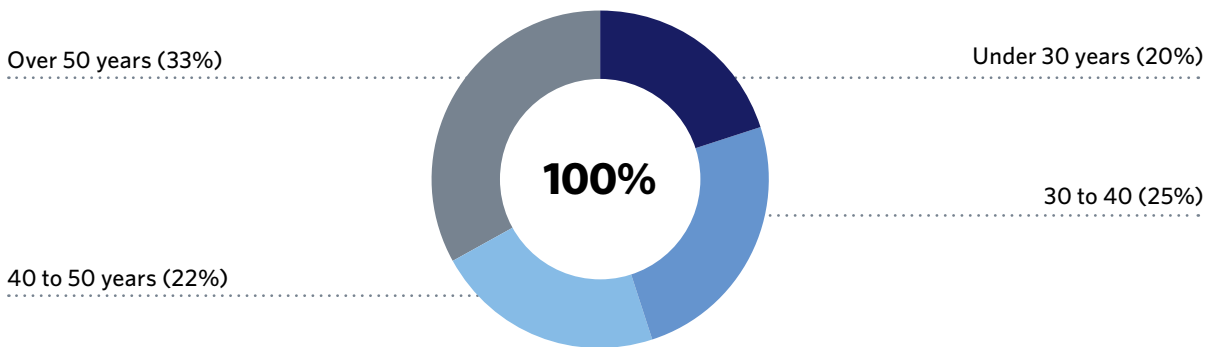
We are passionate about securing the future for Australia’s thinkers, creators and investigators who are shaping a better tomorrow.

## MEMBERSHIP BREAKDOWN\*



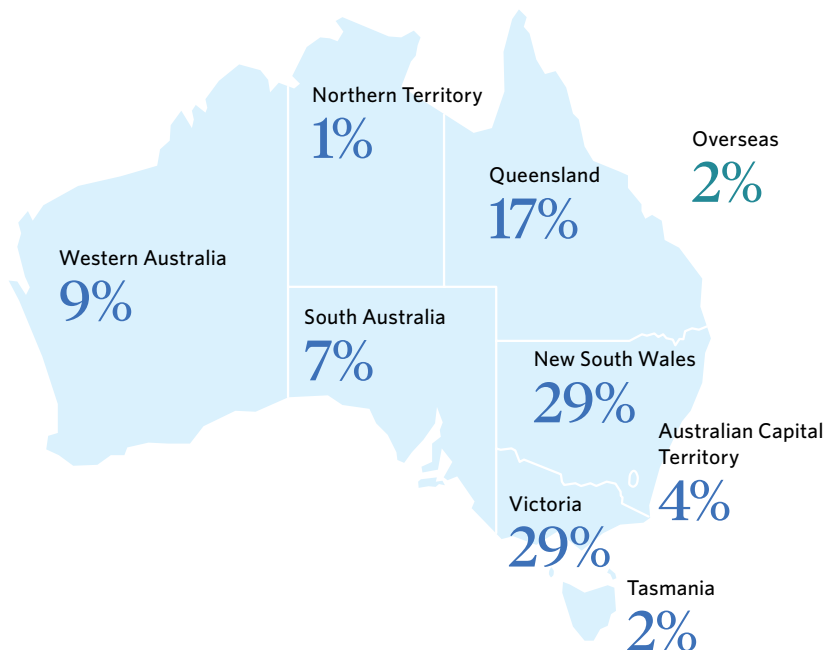
## AGE OF UNISUPER MEMBERS\*

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 2019

# Message from our Chairman and CEO

On behalf of the Board and the UniSuper Executive team, we are pleased to present this year's annual report for the financial year ending 30 June 2019. We invite you to read this report alongside information on UniSuper's website.



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

2018-19 was a year of significant change and uncertainty influenced by a range of environmental factors and unprecedented public interest in the financial services industry. In early 2019, the Government received the final Royal Commission and Productivity Commission reports, both of which are likely to lead to significant legislative change over the next 18 months.

The Royal Commission emphasised the industry's over-arching responsibility to always act in members' best interests, and in so doing to act fairly and honestly, and to provide products and services that are fit-for-purpose within a tight and transparent accountability framework. These are responsibilities that UniSuper holds paramount in everything we do.

While the superannuation industry may change, we're building our capabilities to best compete, adapt and invest in an even more competitive landscape and we remain committed to looking after the superannuation needs of the higher education sector, as we've done for over 35 years. Despite all this change, UniSuper again delivered exceptional value and service, with continued strong, long-term investment returns and low fees.



## Investment performance

2018-19 was a year of ups and downs for markets. While some members would have seen negative returns in their 31 December 2018 statements, strong returns in the second half of the financial year have led to positive returns for all of our investment options in the year to 30 June 2019. The Balanced Option's return for the year was just short of double digits (+9.9%), the 10th year in a row of positive returns.

## Key superannuation laws passed by the Parliament

Over 2018-19, the 45th Parliament passed some key superannuation measures. These included the Government's Protecting Your Super package and the Improving Accountability and Member Outcomes measures. These measures are a comprehensive package of regulations that aim to further improve outcomes for superannuation members and strengthen the powers of the Australian Prudential Regulation Authority.

## Fee changes

UniSuper maintained its position as one of the lowest fee providers in both superannuation and pensions in 2018-19. From 1 October 2018, the investment switch fee was reduced and we introduced an asset based administration fee of 2% per annum, capped at \$8 per month, for Accumulation 1, Accumulation 2 and Personal Accounts. This new fee structure replaced the fixed \$96 annual administration fee. A 15% contribution tax rebate in respect of the Administration fee continues to be provided to members where a tax deduction is available to us, reducing the net cost.

This change resulted in the reduction of administration fees applied to accounts with balances less than \$4,800, benefiting over 10,000 Accumulation members.

## Defined Benefit Division maintains its strong financial 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 2018-19. Read our more detailed update on page 17 for more information.

## Supporting our employers

In 2018-19, the Employer Relationships team continued to nurture our strong relationships with our employer partners at universities and related bodies. They did so by hosting discussion forums and workshops for Human Resources Directors and Superannuation Officers, and by sponsoring university community activities.

The Employer Relationships team also maintained its focus on contribution processing and assisting employers to improve data accuracy. Incremental system improvements and efficiencies were also delivered throughout the year.

## Expansion of financial advice services

Over the financial year, UniSuper Advice continued to provide information about superannuation, retirement and insurance to 82,000 members nationally. The demand for UniSuper Advice continued to grow. By being accessible and providing information on and off campus, our members have the ability to meet with a UniSuper On-campus Consultant or financial adviser to discuss their superannuation-related matters face-to-face.

To meet increased demand for advice, the Fund expanded its member centres and on-campus UniSuper Centres, with more to follow across Australia in the next 12 months.

## Improving members' digital experience

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 superannuation and promote ease of use across all channels. Throughout the year, we continued to expand our digital capabilities, streamlining complex transactions and making it easier than ever for members to understand and manage their superannuation and pensions online.

## Keeping our members, employers and company information safe

Our focus on information security and financial crime risks has proved valuable during the last year. In particular, the investment made to build crisis management, information security and financial crime response capabilities proved crucial in countering threats against the Fund and our members. Our IT Information and Cyber Security team continues to expand and mature its capabilities to meet the increasing nature of threat vulnerabilities. Over the past year, UniSuper has partnered with a globally renowned company to provide 24 hour by 7 day a week security monitoring and advanced threat detection. Ongoing security awareness training for all UniSuper employees creates awareness of security threats at work and home, and improves our cyber security resilience.

## 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 also recognised by Australia's top ratings and research agencies. We take managing members' retirement savings very seriously and we continually strive to offer our members exceptional customer service, strong long-term investment performance, a quality 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 superannuation sector.

## Changes to the Executive Leadership team

In early 2019, UniSuper undertook an independent organisational review to ensure we had organisation-wide strategic alignment in how the business delivers great value to members through competitive returns, low fees and excellent service.

As a result of the organisational review, several changes were made to the UniSuper executive leadership team, including four newly created roles. Those newly created roles were Chief Delivery and Information Officer, Chief Risk Officer, Chief Strategy and Marketing Officer and Chief Operating Officer.

Anna Leibel was appointed to fill the new Chief Delivery and Information Officer role, Ruby Yadav was appointed as the Chief Risk Officer and we welcomed Anand Thomas to the leadership team as the new Chief Strategy and Marketing Officer. The fund is still in the process of recruiting for the Chief Operating Officer. Chief Investment Officer John Pearce remains in his role, as do Julie Watkins (People), Jack McCartney (Advice), and Lee Scales (Chief Customer Officer).

Given the abundance of change occurring within both the superannuation and higher education sectors, this new structure will better enable UniSuper to deliver the best possible retirement outcomes for our members. Our members' best interests are at the heart of everything we do and this has been the key driver for making these changes.

## With thanks

We thank UniSuper's Directors and Executive team for their contributions over the 2018-19 financial year. 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 2019-20 financial year and beyond.



**IAN MARTIN**  
Chairman  
UniSuper Limited



**KEVIN O'SULLIVAN**  
Chief Executive Officer  
UniSuper Management Pty Ltd

# Delivering great value to members

Our commitment to delivering great value and excellent service to our members underpins everything we do.

## Keeping our fees competitive

UniSuper maintained its position as one of the lowest fee providers in both super and pensions in 2018-19. From 1 October 2018, the following changes occurred:

- The fixed \$96 annual administration fee for Accumulation 1, Accumulation 2 and Personal Account members was replaced with a 2% per annum administration fee, capped at \$8 per month. This change had the practical effect of reducing the administration fee applied to accounts with a balance less than \$4,800. Addressing member account erosion for low balance members, this change helped to prepare the Fund for the 3% total fee cap announced in the May 2018 Federal Budget, which commenced from 1 July 2019.
- The investment switch fee was reduced to \$11.10 (where applicable).
- Reductions in the Investment fee of the Cash and Australian Bond investment options for accumulation phase accounts (including TTR pensions) to better reflect the cost of managing these options.

## Strong long-term investment performance

The strong positive return recorded by the Balanced Option over the 2019 financial year (+9.9%) helped to consolidate its solid long-term performance record. This was the Option's 10th successive year of positive performance, leading to a compound return of 9.6% p.a. over the period. The Fund's other investment Options have also performed well over the long term with most Options earning returns in excess of 9% p.a. over the ten year period.

Performance has also been favourable relative to industry peers. Indeed, the Balanced Option ranked first in the SuperRatings SR50 Survey for the year and in the first quartile over all other periods. The Fund's remaining surveyed diversified Options also achieved first quartile ranking over 5, 7 and 10 years.

The Defined Benefit Division remained in a healthy position at the financial year after recording a return of 13.6% for the period.

You can read more about our investment returns in the 'Reflections on the past financial year' from page 19.



**Victoria Smart**  
On Campus Consultant

# Differentiating on service

We put our members and employers at the core of everything we do.

## Service delivery improvements

Throughout 2018-19, the focus on service innovation and enhancing the processes that underpin services for members continued, with over 20 service delivery improvement initiatives implemented.

These enhancements made it simpler and easier for members to engage with the fund as well as delivering sustainable cost efficiencies.

A particular highlight was the improvement to the cash withdrawal process, where we made it quicker and easier for members to access their money in the event of financial hardship on compassionate grounds. Overall, withdrawal processes improved and turnaround times reduced from the time a withdrawal request is initiated to monies being received in members' accounts (e.g. down from an average of 10 days to 3 days for cash withdrawal and financial hardship processes).

Additionally, we improved the on-boarding experience for new Accumulation 1 members where we removed the requirement to complete an application form when default options have been selected. This reduced the administrative responsibility for employers, and reduced the requirement to produce and mail forms.

## Customer Experience

Customer Experience (CX) continues to be a key focus for UniSuper. In 2019 we continued to look for ways to improve the experiences we deliver to our member and employer partners.

The CX principles (personal, easy, seamless, valuable and beyond) were embedded into the wider organisation this year. These principles serve as a quick reminder of the types of experiences we want to deliver, and to keep the customer at the centre of everything we do.

In 2019, we rolled out a journey mapping program which allowed us to utilise direct customer insights in order to drive new programs of work. By taking this approach we can focus on the key changes that will positively impact on customer experiences in a cost efficient way. This work has led to various initiatives to improve our on-boarding experience for new members, help them to make informed product choices, and reduce the administrative burden for our employer partners.

## Putting members first

Interactions with members via the contact centre decreased by 1% since the last financial year. However, enquiries through the phone channel remain the most popular followed by email and live chat.

This year saw our Net Promoter Score, Customer Satisfaction and First Contact Resolution increase across all interaction channels.

During the year, we completed implementation of our new simplified interaction platform (Genesys), consolidating all member interaction channels into one platform. We are now in a position to leverage this technology and continue to improve members' interaction experience across all inbound channels.



David Tuffley  
Griffith University

# How we empower members

We focus on delivering exceptional experiences at every touchpoint.

## Education seminars and webcasts

Members have access to live educational seminars held both on and off campus, in locations around Australia and through on-demand webcasts. During 2018-19, 34,650 members registered for one or more of our education services. This represents an increase of over 7,000 attendees (or 26%) on 2017-18 results with significant uplift across all three channels (on-campus, off-campus and webcasts).

On-campus seminar engagement exceeded 17,000 members for the year which, when combined with our On-Campus Consultant activity, means approximately 36,500 members engaged with staff face-to-face in 2018-19. This excludes on-campus advice appointments.

Our ongoing education for members in retirement continues to grow with another year of record attendance 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. For our 2018 events, we extended the invitation to members aged 60 and over. The result was a 1,100 member (or 47%) increase in participation from the previous year, with 1,000 members attending our Melbourne event at Hamer Hall.

The most popular topics for the program remain towards the retirement end with In Retirement, Pre-Retirement essentials, Your Retirement options, Super for Women and Super Fundamentals topping out the five most popular topics for 2018-19.

Our education program also continued to broaden with the introduction of a four-part Financial Wellbeing seminar series. After successfully piloting the series at the University of UNSW in 2018, the wellbeing program commenced scaled rollout across our university-based employers in April 2019. In the three months to 30 June 2019, over 1,000 members had already participated in the program.

## 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 62,500 video views were recorded with our regular Chief Investment Officer (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 298,000 of our 450,000 members are now registered to access their account online.

Through their online account, members can now apply for a Flexi Pension, make a work test exemption declaration, submit a notice of intent to claim a tax deduction and send their super account details to their new employer.

Members can also log into their account with their email address if they choose (rather than only their username). We've also made it easier for Personal Account applicants to understand their insurance options and completed a market test of a new digital on-boarding experience for Accumulation 1 members, which will be rolled out in the coming year.

## Engaged members

During the 2018-19 reporting period, member satisfaction levels remained consistent at 7.6 while the Advocacy and Retention figures improved. Each month we survey members to determine our 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's experience during their relationship with UniSuper. Monthly NPS and Contestable Loyalty reported the highest scores over the year, whereas monthly satisfaction has stabilised and positive improvements continue to be reported for Ease of Interaction. Satisfaction and Ease are carefully monitored as we continue to focus on improving our overall customer experience.

## Product range expansion

### **PERSONAL ACCOUNTS**

On 1 October 2017, the Fund launched Personal Accounts, which is our accumulation product for former UniSuper members and the families of current members. This product was developed in response to feedback from members wanting their family to be able to join UniSuper, and from former members wanting to re-join. This product offers an easy online application process, the full range of investment options and a suite of insurance options. The level of uptake of this product since launch has surpassed expectations, with over 14,000 members joining the Fund and over \$1 billion of rollovers into Personal Accounts up to 30 June 2019.

## UniSuper Advice services

In the 2018-19 financial year, the Financial Advice team provided information about super, retirement and insurance to more than 82,000 members nationally. The demand for financial advice continues to grow, with members meeting one on one or attending a free information seminar around Australia, located both on and off campus. Providing information both on and off campus gives members the ability to meet with a consultant or financial adviser face-to-face.

In response to the increased demand for advice, the fund continues to expand its member centres around Australia, opening centres at Curtin University, Latrobe University, Edith Cowan University, Australian National University and Adelaide North Terrace in April. In addition to its seven CBD-based member centres, the fund now operates 10 UniSuper Centres on-campus with more to follow in the next 12 months.

Member centres form an important part of our commitment to service excellence and closely aligns with our purpose of delivering greater retirement outcomes for members.

We are committed to providing members with access to general information through seminars on and off campuses. Our financial advisers conduct seminars on a wide range of topics in order to provide members with information relevant to their personal needs and goals. Our most popular topics are consistently investment choice, contributions and insurance.

Our philosophy for providing advice is that we will always provide advice that is genuinely in the member's best interest. We aim to ensure that members see the most suitable UniSuper staff, in order to address their specific goals and needs.

Pleasingly, member feedback has been highly positive, with members proceeding to a paid advice service with the view that the experience had been valuable from both a financial and emotional perspective. Our highly qualified team of advisers continue to demonstrate their expertise, genuine care and an independent approach in providing financial advice services to members.

In 2019, the UniSuper Advice team celebrated its 10<sup>th</sup> year providing super, retirement and insurance advice to support our membership and their retirement outcomes. As a result, the total advised membership of the fund is approximately 19,000 members, which represents over \$13 billion under advice.



# Supporting the higher education community

We partner with the higher education and research community.

## Strengthening our strategic partnerships

Our eight Employer Partnership Managers continued to strengthen our strategic partnerships with universities and related bodies nationally. With new on-campus member centres opening and four on-campus offices undergoing refurbishment, the Employer Partnership Managers were instrumental in embedding our services on campus. They attended new employee induction sessions and expos and provided support services and communication materials for new and existing employees.

Our Employer Solutions Consultants also worked closely with employers' Superannuation Officers (superannuation contribution administrators) throughout the year, visiting campuses regularly to support administrative activities and training.

The Employer Relationships team delivered efficiencies with our administration system in order to reduce manual processes for employers and to enable productivity gains. Responding to employer feedback, we have reviewed some of our processes, which has resulted in reducing employer workloads and enhanced our Employer Request Tool to help employers gain better visibility of their contribution administration requests. We have since received positive feedback from Superannuation Officers on these initiatives.

## Partnering with the higher education community

Throughout 2018-19, we maintained support for events that recognise our members' achievements, uplift or showcase their knowledge and celebrate their contribution to the higher education and research sector.

We continued our tradition as 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 Australian prosperity and quality of life.

The Fund also continued its national Committee of Economic Development of Australia (CEDA) membership. We sponsored a variety of premium events with CEDA including Vice-Chancellor discussions and Higher Education Review panels around the country, as well as the Women and Leadership series in South Australia. These events provide valuable discussion and education on subjects that are important for the success of the industry, and more broadly our nation.

We also supported other key industry events in 2018-19 including 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.



**Jodie Cochrane-Wilkie**  
Curtin University

## Improving retirement outcomes for Indigenous members

UniSuper is embarking on its first Reconciliation Action Plan (RAP) to help close the retirement savings gap within the Indigenous community and ensure we can advance better outcomes for our Indigenous members and employees. In order to bring the plan to life, an Indigenous Super Working Group was established to improve the way the fund engages with our Aboriginal and Torres Strait Islander (ATSI) members, and to support the national reconciliation movement.

UniSuper's aim is to provide a greater retirement outcome for all members, including our Indigenous members. Through a RAP's structured framework, we will commit to the practical actions to support our Indigenous members with the guidance and confidence needed to help them better understand and engage with their super.

From an internal perspective, we believe educating our staff about the Indigenous culture and protocols can help us provide a tailored service to help Indigenous members. By doing this, we can begin to remove some of the barriers that leave our Indigenous members financially excluded when they retire.

### Defined Benefit Division (DBD) update

The Defined Benefit Division (DBD) is the default product arrangement selected by the Trustee for new eligible employees. Unique to the higher education and research sector, the DBD is designed to grow based on a formula, regardless of the performance of investment markets.

There are two key actuarial measures used by the Trustee to monitor the financial position of the DBD, namely the Vested Benefits Index and Accrued Benefits Index. Both of these measures were maintained at healthy levels during the financial year.

#### VESTED BENEFITS INDEX (VBI)

A VBI of greater than 100% means the value of the assets supporting the DBD are more than sufficient to cover the vested benefit liabilities at that date. The vested benefit liability of the DBD is equal to the value of the total benefits that would be payable by the DBD if all members voluntarily terminated their service with their employer at that date.

At 30 June 2019, the estimated VBI was 125.4%. As a result, the DBD assets were more than sufficient to cover the vested benefit liabilities as at 30 June 2019.

#### ACCRUED BENEFITS INDEX (ABI)

UniSuper is a multi-employer superannuation fund for the higher education sector, with low risk of having to pay all members' benefits at any one time. Hence, the ABI is a measure the Trustee believes is the most relevant to determine the ability of the DBD to pay, over the long term, all defined benefits that have accrued to the date the measure is calculated.

An ABI of greater than 100% means the assets supporting the DBD are expected to be more than sufficient to meet future payments in respect of benefits accrued up to that date.

As at 30 June 2019, the estimated ABI was 135.5%. As a result, the DBD assets were more than sufficient to meet future payments in respect of benefits accrued up to 30 June 2019.

These VBI and ABI figures are estimates and are subject to final confirmation within the 30 June 2019 actuarial report.



John Pearce  
UniSuper Chief Investment Officer

# Reflections on the past financial year

UniSuper's Chief Investment Officer, John Pearce, reflects on a challenging year in investments, highlighting the performance of our investment options, and some of the twists and turns of the Australian share market.

Despite the gyrations in financial markets over the last year, most UniSuper members should be reasonably pleased with their 2018-19 statements. Most UniSuper members invest some or all of their super in our Balanced investment option and therefore their return for the year will be just short of double digits (+9.9%), representing the 10<sup>th</sup> year in a row of positive returns. And this number is quoted after tax, so retired members paying no tax have actually cracked double digits with a return of +11.3%.

This type of outcome was looking near impossible in December 2018 when 12-month returns were close to zero, so the last six months have been quite remarkable—driven by developments that would have been considered highly improbable this time last year.

## Improbable events

Having been in a rate tightening cycle for three years, in January 2019 the US Central bank (the 'Fed') signalled its intention to pause its rate hiking cycle. This sparked an immediate rally in share markets around the world.

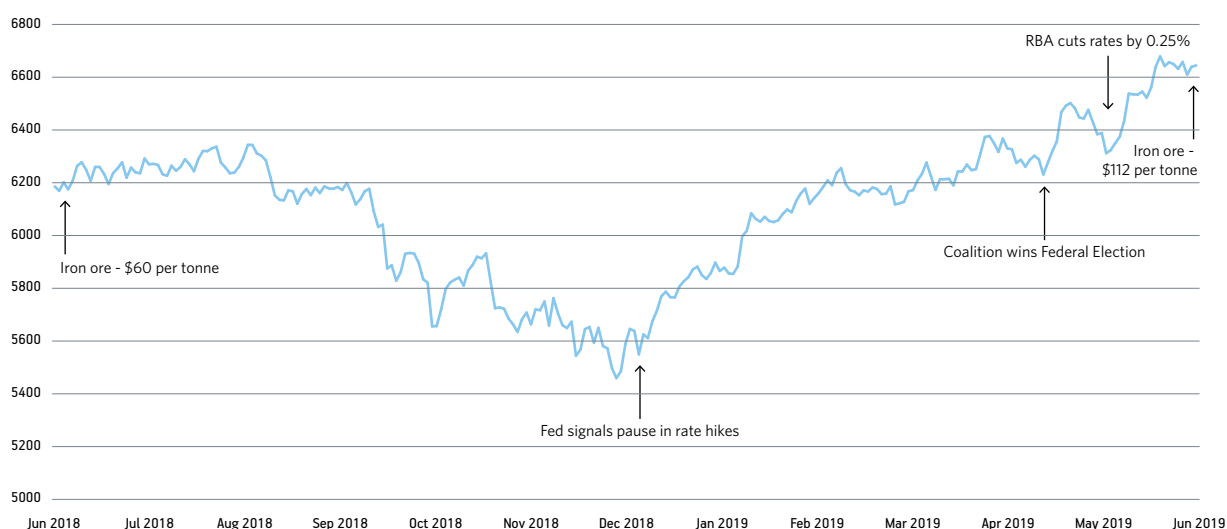
When it comes to having an impact on share markets, the Fed remains by far the most important player—even more important than the Donald.

In January 2019 Brazilian iron ore giant, Vale, announced the tragic collapse of a tailings dam and the temporary closure of a number of mines, taking about 70 million tonnes of supply out of the iron ore market. With Chinese demand still holding steady, the price of iron ore rocketed to over \$112 per tonne after starting the year at around \$60.

The Coalition's May election victory led to a strong rally in our banks. Investors anxious about changes to the treatment of franking credits, capital gains and negative gearing suddenly found their fears allayed.

In June 2019 the Reserve Bank of Australia (RBA) cut interest rates to an all-time low. Only months earlier in November 2018, the RBA's governor had signalled that the next rate move was more likely to be up than down. This move further underpinned the rally in shares, particularly those with sustainable yields such as our 'fortress' assets—Transurban, Sydney Airport, APA, and ASX.

## THE ASX 200:2018-19



## Best performing shares (of significance to UniSuper)

In a year that saw us receive Chant West's 'Best Fund: Investments' award, we had more highlights than disappointments.

As UniSuper is now around an \$80 billion fund, our largest holdings are concentrated in large companies. While smaller companies typically have more downside and upside (and, by extension, are more likely to be the best- or worst-performing shares in the market) these do not have a significant impact on returns for UniSuper members. Therefore, for the purposes of this article, we'll just look at companies in which we've invested at least \$1 billion. Of those, here are our top three.

### BHP

After topping the table last year with an astonishing return of +52.2%, the 'Big Australian' managed another first place finish with +32.8%. This was driven in large part by the rise in the iron ore price. If sustained, every \$5 increase in the price of iron ore equates to around \$700 million in annual revenue to BHP. Furthermore, selling US shale assets allowed BHP to return about \$10 billion in capital to shareholders via a special dividend and share buyback.

Other resource companies have also returned capital, and the market has welcomed the new-found discipline towards capital management (the resources industry has a history of being a serial squanderer).

### ASX

The Australian Securities Exchange (ASX) ranked second in our performance tables (+32.2%), so it's another case of back-to-back stellar performances. We cautioned last year that (at around \$64) the shares looked a touch expensive and that a repeat performance was probably not on the cards. Hopefully nobody paid attention because it's now trading around \$83. And dare it be said again, but the shares do indeed look expensive so we are not expecting a repeat performance. Hopefully we are wrong again. Apart from being a solidly growing profit generator, the ASX share price also factors in some 'upside' from its adoption of distributed ledger technology ('blockchain'). Notwithstanding the ASX's lofty share price, we're unlikely to be selling it—it's the classic 'fortress asset' that we look to acquire at a reasonable price, rather than opportunistically trade.

### TRANSURBAN

Coming in at third place was the perennial stable star, Transurban (+30.8%). Given the established, 'fortress' nature of its toll road assets in major cities, Transurban has benefited greatly from the sharp decline in bond yields as investors look for other ways to earn sustainable income. Transurban's growth profile was also enhanced by two very large deals—the West Gate Tunnel project in Melbourne (which included a 10-year extension to the CityLink concession) and the WestConnex deal (which saw Transurban buy 25% of WestConnex from the NSW Government).

The five toll roads involved come with a concession term of 42.5 years, compared to about 28 years that the company currently has. So not only is Transurban able to deliver an attractive, growing annuity stream, we expect it to do so for a very long time.

## Best performing investment option

In a very close finish, Global Companies in Asia (GCA) was our top performing investment option (+14.9%). It just pipped Australian Equity Income (+14.6%) and Listed Property (+14.5%) at the post. Once again, these are after-tax figures, so retired members who invest in these options and pay no tax on the returns will be even better off.

To understand why GCA has been so successful, you only have to look at the types of companies and consumer behaviour the portfolio taps into. If, over the last year, you've used Google, purchased Nike or Adidas shoes, used a Mastercard or Visa for purchases, gone to a Marvel or Disney movie or dropped into Starbucks or McDonalds, you've contributed to GCA's returns. If you haven't done any of those things, you may well have used products manufactured by Unilever (think Rexona or Dove), Pfizer (pharmaceuticals) or Roche (healthcare and research). The bottom line is that it's almost impossible to avoid the big brands in this portfolio.

We're really proud of Global Companies in Asia. We manage it in-house (i.e. we don't outsource to external investment managers) and it's recorded a stellar +14.6% compound return since we launched it in January 2012.

## Worst performer (of significance to UniSuper)

Pole position for worst performer goes to Scentre Group (Scentre), which owns and operates Westfield shopping centres.

### SCENTRE GROUP

Scentre recorded a -7.7% return for the year and has the dubious distinction of being our only major investment that recorded a negative return. Scentre was buffeted by the forces currently impacting the retail sector around the world—low wage growth, a cautious consumer and the threat of a paradigm shift in consumer habits from shopping in physical stores to online.

While one can never totally dismiss the signals of the marketplace, we're confident that Scentre will survive the current cyclical (cautious consumer) and secular (online shopping) headwinds. Our thesis is that there'll always be demand at both ends of the retail spectrum—the neighbourhood shopping centre anchored by a Coles or Woolworths, and the quality regional and CBD centres that can transition to 'experience destinations'. It's the middle of the spectrum that looks doomed to us. In terms of total sales, Scentre has ownership in 16 out of the top 25 centres in Australia, and four out of the top five in New Zealand. It has no problems filling its centres, with occupancy levels consistently around 99%. With a dividend yield of +6% and growth profile above inflation, we're also comfortable with its valuation and are in no hurry to sell.

We started making a significant investment in Scentre around eight years ago and to date it's returned over +10% per year, so it's paid its way. One poor year does not make our long-term thesis wrong. But of course, it could be.

## Low returns and disappointments

While our Cash option recorded the lowest return (+1.9%) for the year, it doesn't qualify as the biggest disappointment because the return is about what one would expect with the RBA cash rate at historical lows. The Cash option is as close to a risk-free option as one can find. It's there to preserve capital, not to grow it.

The real disappointment for the year was the general underperformance of our external managers of Australian share portfolios, with most of them failing

to beat their benchmarks. At UniSuper, we manage most of our Australian exposures in-house, but we do outsource a significant component to external managers. Over a long period, this has proven to be a value-adding exercise and we expect that will continue to be the case. We did, however, run out of patience and terminated three of them (out of 14). The investment profession can be rewarding when things are going well, but tough when they aren't.

### The dangers of chasing winners and dumping losers

With regard to disappointments, there's a potential silver lining given this 'year in review' article's track record.

In 2015, we identified Woolworths as our biggest regret, only to see it bounce back with over +20% p.a. for the past three years. Not only did we hold on to the shares we had, we actually acquired more at cheaper levels.

In 2017, our poorest performing investment option was Listed Property (-3%), and those who switched out missed the ensuing rally, with the option placing in the top three last year (+14.5%).

In 2018, our biggest disappointments were Aurizon (-15.3%) and Telstra (-34.4%), and both of them staged impressive bounces (+31.8% and +56% respectively) over the past year. Once again, we didn't panic and in fact opportunistically increased our holdings in Aurizon at prices substantially lower than it is today. Note that we are no longer a substantial shareholder of Aurizon, as we took the opportunity to take profit. We also held on to our Telstra shares but couldn't muster the conviction to buy more. The outlook still looks too challenging to take on a more significant stake in the company.

Anyway, at least for the sake of Scentre shareholders, let's hope history repeats.

The saying 'time in the market is more important than timing the market' may well be a cliché. But, as is so often the case—especially when it comes to investing your life savings—it's a cliché because it's true.



Sydney airport



# Our investment returns

## Super members

### ANNUAL ACCUMULATION INVESTMENT RETURNS FOR FINANCIAL YEARS ENDING 30 JUNE 2019

INVESTMENT OPTION	2018-19	2017-18	2016-17	2015-16	2014-15
Conservative <sup>1</sup>	6.37%	4.70%	3.01%	7.57%	6.93%
Conservative Balanced	8.53%	6.18%	4.52%	8.85%	9.30%
Balanced	9.88%	10.45%	9.60%	5.91%	11.02%
Sustainable Balanced	10.59%	8.18%	10.16%	3.13%	12.62%
Growth	8.19%	12.79%	12.39%	3.90%	11.78%
High Growth	8.84%	15.18%	15.33%	3.00%	12.60%
Sustainable High Growth	11.07%	10.96%	13.09%	3.17%	15.50%
<i>Sector</i>					
Cash	1.88%	1.66%	1.81%	2.03%	2.26%
Australian Bond	8.71%	2.53%	-0.37%	6.49%	4.53%
Diversified Credit Income <sup>2</sup>	3.35%	1.56%	4.18%	2.30%	0.98%
Listed Property	14.48%	9.68%	-2.97%	19.40%	18.16%
Australian Shares	10.32%	18.12%	11.14%	0.73%	5.96%
International Shares	9.06%	12.26%	18.36%	0.86%	22.38%
Global Environmental Opportunities	8.60%	11.83%	21.68%	-3.03%	11.64%
Australian Equity Income	14.60%	8.60%	11.66%	4.51%	10.41%
Global Companies in Asia	14.87%	15.81%	20.22%	-0.82%	20.88%

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.

<sup>1</sup> Capital Stable was renamed Conservative on 1 July 2017.

<sup>2</sup> 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.

## OUR INVESTMENT RETURNS

## ANNUALISED ACCUMULATION INVESTMENT RETURNS FOR 5 AND 7-YEAR PERIODS TO 30 JUNE 2019

ACCUMULATION OPTION	5-YEAR ANNUALISED RETURNS		7-YEAR ANNUALISED RETURNS	
	INVESTMENT RETURN	SURVEY MEDIAN <sup>3</sup>	INVESTMENT RETURN	SURVEY MEDIAN <sup>3</sup>
<i>Pre-Mixed</i>				
Conservative <sup>4</sup>	5.70%	4.73%	6.53%	5.62%
Conservative Balanced	7.46%	5.99%	8.64%	7.47%
Balanced	9.36%	7.56%	10.91%	9.43%
Sustainable Balanced	8.89%	n.a.	10.80%	n.a.
Growth	9.76%	8.04%	11.87%	10.52%
High Growth	10.89%	8.96%	13.12%	11.80%
Sustainable High Growth	10.68%	n.a.	13.42%	n.a.
<i>Sector</i>				
Cash	1.93%	1.83%	2.17%	2.05%
Australian Bond	4.33%	n.a.	4.06%	n.a.
Diversified Credit Income <sup>5</sup>	n.a.	n.a.	n.a.	n.a.
Listed Property	11.44%	n.a.	12.60%	n.a.
Australian Shares	9.10%	8.44%	12.02%	11.15%
International Shares	12.33%	10.63%	14.86%	13.87%
Global Environmental Opportunities	9.85%	n.a.	15.01%	n.a.
Australian Equity Income	9.91%	n.a.	13.78%	n.a.
Global Companies in Asia	13.91%	n.a.	15.64%	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.

<sup>3</sup> Source: SuperRatings Pty Ltd's Fund Crediting Rate Survey June 2019 published on 19 July 2019, [www.superratings.com.au](http://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.

<sup>4</sup> Capital Stable was renamed Conservative on 1 July 2017.

<sup>5</sup> The investment option commenced on 1 September 2014, 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 2019

INVESTMENT OPTION	2018-19	2017-18	2016-17	2015-16	2014-15
Conservative <sup>6</sup>	7.45%	5.67%	3.53%	8.74%	8.05%
Conservative Balanced	9.80%	7.25%	5.21%	10.13%	10.61%
Balanced	11.28%	11.68%	10.64%	6.65%	12.39%
Sustainable Balanced	11.87%	9.25%	11.47%	3.62%	14.31%
Growth	9.35%	13.91%	13.51%	4.42%	13.11%
High Growth	10.20%	16.52%	16.76%	3.48%	14.01%
Sustainable High Growth	12.16%	12.03%	14.55%	3.63%	17.28%
<b>Sector</b>					
Cash	2.30%	2.12%	2.27%	2.54%	2.84%
Australian Bonds	10.31%	3.17%	-0.31%	7.72%	5.56%
Diversified Credit Income <sup>7</sup>	3.98%	1.98%	5.05%	2.79%	1.27%
Listed Property	15.58%	10.59%	-3.85%	21.27%	20.44%
Australian Shares	12.41%	20.45%	12.63%	1.70%	7.01%
International Shares	9.66%	13.65%	20.37%	0.35%	24.81%
Global Environmental Opportunities	9.32%	13.09%	24.23%	-3.92%	13.01%
Australian Equity Income	16.21%	9.71%	14.46%	6.01%	12.52%
Global Companies in Asia	16.18%	17.41%	22.47%	-1.66%	23.39%

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.

<sup>6</sup> Capital Stable was renamed Conservative on 1 July 2017.

<sup>7</sup> 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.

## OUR INVESTMENT RETURNS

## ANNUALISED PENSION INVESTMENT RETURNS FOR 5 AND 7-YEAR PERIODS TO 30 JUNE 2019

UNISUPER PENSION OPTION	INVESTMENT RETURN %P.A.	SURVEY MEDIAN %P.A. <sup>8</sup>	INVESTMENT RETURN %P.A.	SURVEY MEDIAN <sup>8</sup>
<i>Pre-Mixed</i>				
Conservative <sup>9</sup>	6.67%	5.42%	7.61%	6.43%
Conservative Balanced	8.58%	7.03%	9.93%	8.37%
Balanced	10.51%	8.33%	12.28%	10.46%
Sustainable Balanced	10.04%	n.a.	12.31%	n.a.
Growth	10.80%	9.43%	13.18%	11.91%
High Growth	12.08%	9.82%	14.59%	12.92%
Sustainable High Growth	11.83%	n.a.	15.08%	n.a.
<i>Sector</i>				
Cash	2.41%	2.17%	2.69%	2.46%
Australian Bond	5.23%	n.a.	4.92%	n.a.
Diversified Credit Income <sup>10</sup>	n.a.	n.a.	n.a.	n.a.
Listed Property	12.41%	n.a.	13.80%	n.a.
Australian Shares	10.66%	9.60%	13.65%	12.67%
International Shares	13.44%	11.23%	16.49%	14.86%
Global Environmental Opportunities	10.77%	n.a.	16.80%	n.a.
Australian Equity Income	11.72%	n.a.	15.72%	n.a.
Global Companies in Asia	15.18%	n.a.	17.30%	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.

<sup>8</sup> Source: SuperRatings Pty Ltd's Pension Fund Crediting Rate Survey June 2019 published on 19 July 2019, 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.

<sup>9</sup> Capital Stable was renamed Conservative on 1 July 2017.

<sup>10</sup> The investment option commenced on 1 September 2014, therefore returns for prior financial years are not available.

# Our investment managers

We outsource management of approximately 27% of our assets to external investment managers<sup>11</sup>. 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
- ECP Asset Management Pty Ltd
- Kinetic Investment Partners Pty Ltd
- Lazard Asset Management Pacific Co
- Lennox Capital Partners 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

## INTERNATIONAL SHARE MANAGERS

- Arrowstreet Capital Limited Partnership
- Baillie Gifford Overseas Limited
- Blackrock Asset Management Australia Limited
- Janus Henderson Investors (Australia) Institutional Funds Management Limited
- 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
- Wellington Management Australia Pty Ltd

## 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

## 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
- JamiesonCoote Bonds Pty Ltd
- Macquarie Investment Management Global Limited
- Morgan Stanley Investment Management (Australia) Pty Limited
- Oak Hill Advisors LP
- Oaktree Capital Management LP
- PGIM, Inc
- State Street Bank and Trust Company
- Tanarra Credit Partners

## CASH MANAGERS

- Colonial First State Asset Management (Australia) Limited

<sup>11</sup> As at 30 June 2019. 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.

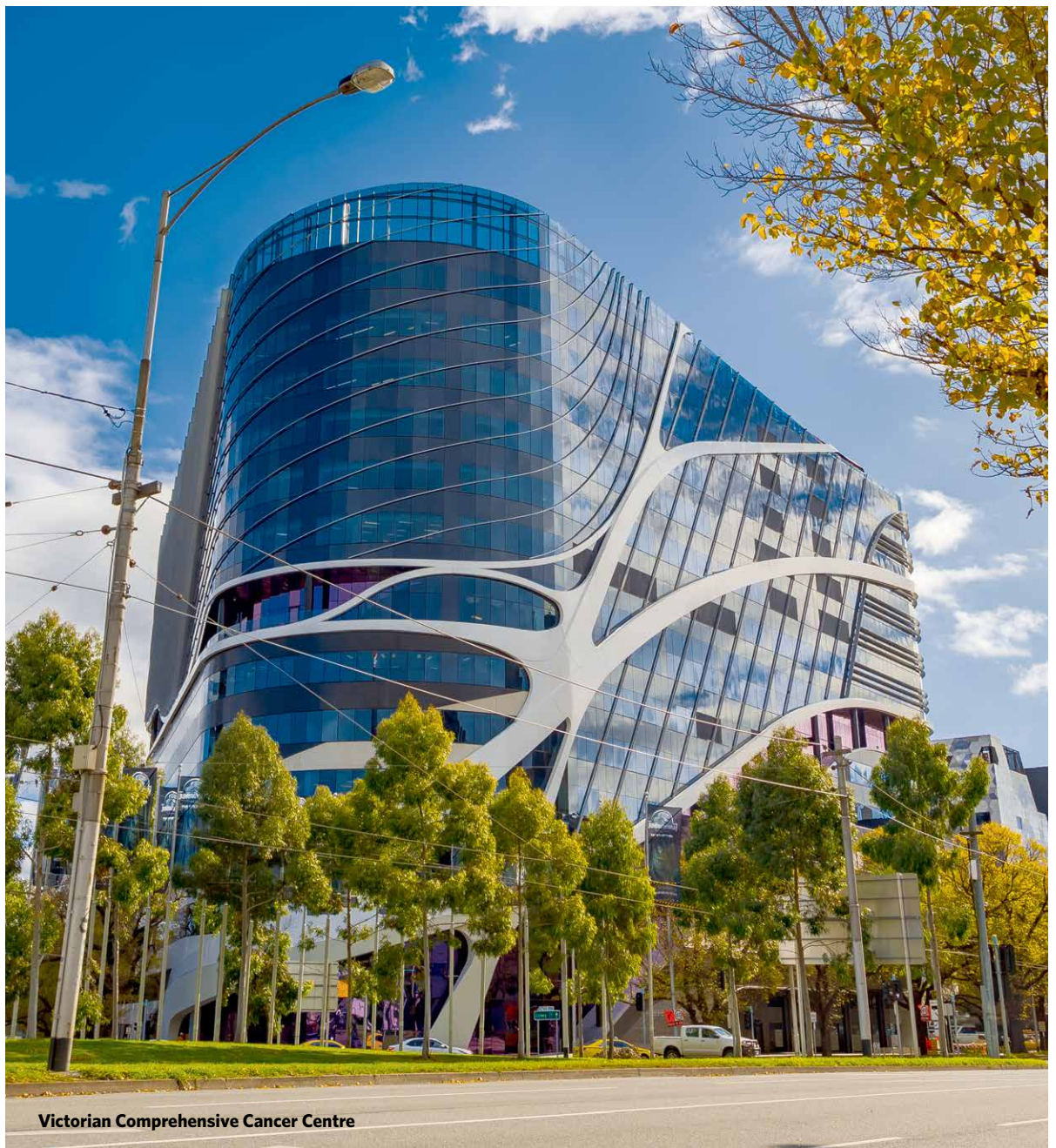
# Our assets

UniSuper has \$80.8 billion in net funds under management as at 30 June 2019.

There was one shareholding that represented more than 5% of total assets of the Fund as a whole as at 30 June 2019:

INVESTMENT	WEIGHT IN FUND
Transurban Group	5.6%

For more information about our investments and shareholdings, please see [unisuper.com.au/investments](https://unisuper.com.au/investments).



**Victorian Comprehensive Cancer Centre**

# 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 31 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.

## 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.

## 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.

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.

# 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 performance objectives are not promises or predictions of any particular rate of return.

The strategic asset allocation may change throughout your UniSuper membership. 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](https://unisuper.com.au/pdfs) for details). 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](https://unisuper.com.au/investments) and in updated and later versions of *How we invest your money* and *Super Informed*.

The following information was correct as at 30 June 2019. The performance objectives, investment time frame, expected frequency of a negative annual return, summary risk level, option size, strategic asset allocation and investment strategy for a number of our options changed on 1 October 2019. Visit our website for up-to-date information.

## 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.



PRE-MIXED INVESTMENT OPTIONS



**Conservative<sup>12</sup>**

**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 time frame.

**MINIMUM SUGGESTED INVESTMENT TIME FRAME**

Five years

**EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN**

Two to less than three in 20 years

**SUMMARY RISK LEVEL**

Medium

**OPTION SIZE (\$B)**

30 June 2019	2.6
30 June 2018	2.2

**STRATEGIC ASSET ALLOCATION (%)**



	2019	2018
Australian Shares	15.75	15.75
International Shares	9.25	9.25
Property	5	5
Cash & Fixed Interest	70	70

**INVESTMENT STRATEGY**

To invest in a diversified portfolio of largely defensive assets like fixed interest and cash, and some growth assets like 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 time frame.

**MINIMUM SUGGESTED INVESTMENT TIME FRAME**

Five years

**EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN**

Three to less than four in 20 years

**SUMMARY RISK LEVEL**

Medium to high

**OPTION SIZE (\$B)**

30 June 2019	4.9
30 June 2018	3.8

**STRATEGIC ASSET ALLOCATION (%)**



	2019	2018
Australian Shares	25	25
International Shares	17.5	17.5
Property	7.5	7.5
Cash & Fixed Interest	50	50

**INVESTMENT STRATEGY**

To invest in a diversified portfolio of defensive assets like fixed interest and cash and growth assets like shares and property.



**Balanced**

**PERFORMANCE OBJECTIVES**

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

**MINIMUM SUGGESTED INVESTMENT TIME FRAME**

Ten years

**EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN**

Four to less than six in 20 years

**SUMMARY RISK LEVEL**

High

**OPTION SIZE (\$B)**

30 June 2019	23.7
30 June 2018	20.3

**STRATEGIC ASSET ALLOCATION (%)**



	2019	2018
Australian Shares	38	38
International Shares	22	22
Property	5	5
Infrastructure and Private Equity	5	5
Cash & Fixed Interest	30	30

**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 fixed interest and cash investments.

<sup>12</sup> The Capital Stable option was renamed 'Conservative' on 1 July 2017.

## PRE-MIXED INVESTMENT OPTIONS



### Sustainable Balanced

#### PERFORMANCE OBJECTIVES

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

#### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Six years

#### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

#### SUMMARY RISK LEVEL

High

#### OPTION SIZE (\$B)

30 June 2019	2.5
30 June 2018	2.1

#### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
Australian Shares	45.5	45.5
International Shares	24.5	24.5
Cash & Fixed Interest	30	30

#### 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, before deducting account-based fees) that are at least 4.0% p.a. more than inflation (CPI) over the suggested time frame.

#### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

#### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

#### SUMMARY RISK LEVEL

High

#### OPTION SIZE (\$B)

30 June 2019	6.0
30 June 2018	5.7

#### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
Australian Shares	46.5	46.5
International Shares	28.5	28.5
Property	5	5
Infrastructure and Private Equity	5	5
Cash & Fixed Interest	15	15

#### 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 fixed interest and cash investments.



### High Growth

#### PERFORMANCE OBJECTIVES

To achieve returns (after Fund taxes and investment expenses, before deducting account-based fees) that are at least 4.5% p.a. more than inflation (CPI) over the suggested time frame.

#### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

#### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

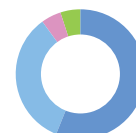
#### SUMMARY RISK LEVEL

High

#### OPTION SIZE (\$B)

30 June 2019	4.4
30 June 2018	4.1

#### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
Australian Shares	56.25	56.25
International Shares	33.75	33.75
Property	5	5
Infrastructure and Private Equity	5	5

#### INVESTMENT STRATEGY

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

**PRE-MIXED**



**Sustainable High Growth**

**PERFORMANCE OBJECTIVES**

To achieve returns (after Fund taxes and investment expenses, before deducting account-based fees) that are at least 4.5% p.a. more than inflation (CPI) over the suggested time frame.

**MINIMUM SUGGESTED INVESTMENT TIME FRAME**

Seven years

**EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN**

Four to less than six in 20 years

**SUMMARY RISK LEVEL**

High

**OPTION SIZE (\$B)**

30 June 2019	1.8
30 June 2018	1.4

**STRATEGIC ASSET ALLOCATION (%)**



	2019	2018
Australian Shares	65	65
International Shares	35	35

**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 some negative screens), together with Australian listed property.

**SECTOR INVESTMENT OPTIONS**



**Cash**

**PERFORMANCE OBJECTIVES**

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

**MINIMUM SUGGESTED INVESTMENT TIME FRAME**

Very short time horizon (less than one year)

**EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN**

Less than 0.5 years in 20 years

**SUMMARY RISK LEVEL**

Very low

**OPTION SIZE (\$B)**

30 June 2019	2.1
30 June 2018	1.9

**STRATEGIC ASSET ALLOCATION (%)**



	2019	2018
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.



**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**

Five years

**EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN**

Three to less than four in 20 years

**SUMMARY RISK LEVEL**

Medium to high

**OPTION SIZE (\$B)**

30 June 2019	0.7
30 June 2018	0.5

**STRATEGIC ASSET ALLOCATION (%)**



	2019	2018
Australian fixed interest	100	100

**INVESTMENT STRATEGY**

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

## SECTOR INVESTMENT OPTIONS



### Diversified Credit Income

#### PERFORMANCE OBJECTIVES

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

#### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Four years

#### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

#### SUMMARY RISK LEVEL

High

#### OPTION SIZE (\$B)

30 June 2019	0.1
30 June 2018	0.1

#### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
Global Credit	65	65
Australian & New Zealand Credit	35	35

#### 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), cash (including short dated government securities) and municipal bonds when appropriate.



### Listed Property<sup>13</sup>

#### PERFORMANCE OBJECTIVES

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

#### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Six years

#### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

#### SUMMARY RISK LEVEL

High

#### OPTION SIZE (\$B)

30 June 2019	0.6
30 June 2018	0.4

#### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
Property	100	100

#### INVESTMENT STRATEGY

To invest in a diversified portfolio of listed property securities.



### Australian Shares

#### PERFORMANCE OBJECTIVES

To achieve returns (after Fund taxes and investment expenses, before deducting account-based fees) that are at least 4.5% p.a. more than inflation (CPI) over the suggested time frame.

#### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

#### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

#### SUMMARY RISK LEVEL

High

#### OPTION SIZE (\$B)

30 June 2019	0.5
30 June 2018	0.5

#### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
Australian Shares	100	100

#### INVESTMENT STRATEGY

To invest in a diversified portfolio of Australian shares.

<sup>13</sup> Returns from listed property investments are typically more volatile than returns experienced from unlisted property investments.

SECTOR INVESTMENT OPTIONS



## International Shares

### PERFORMANCE OBJECTIVES

To achieve returns (after Fund taxes and investment expenses, before deducting account-based fees) that are at least 4.5% p.a. more than inflation (CPI) over the suggested time frame.

### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

### SUMMARY RISK LEVEL

High

### OPTION SIZE (\$B)

30 June 2019	0.7
30 June 2018	0.8

### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
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, before deducting account-based fees) that are at least 4.5% 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

Four to less than six in 20 years

### SUMMARY RISK LEVEL

High

### OPTION SIZE (\$B)

30 June 2019	0.6
30 June 2018	0.6

### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
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.



## 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 time frame.

### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

### SUMMARY RISK LEVEL

High

### OPTION SIZE (\$B)

30 June 2019	0.4
30 June 2018	0.4

### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
Australian Shares	100 <sup>14</sup>	100 <sup>14</sup>

### INVESTMENT STRATEGY

To invest in a 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.

<sup>14</sup> 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.

## SECTOR



## Global Companies in Asia

### PERFORMANCE OBJECTIVES

To achieve returns (after Fund taxes and investment expenses, before deducting account-based fees) that are at least 4.5% p.a. more than inflation (CPI) over the suggested time frame.

### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Seven years

### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

### SUMMARY RISK LEVEL

High

### OPTION SIZE (\$B)

30 June 2019	0.5
30 June 2018	0.4

### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
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.

## MY SUPER - ACCUMULATION MEMBERS ONLY



## Balanced (MySuper)

### RETURN TARGET

CPI +4.6% p.a. 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.<sup>15</sup>

### MINIMUM SUGGESTED INVESTMENT TIME FRAME

Ten years

### EXPECTED FREQUENCY OF NEGATIVE ANNUAL RETURN

Four to less than six in 20 years

### SUMMARY RISK LEVEL

High

### OPTION SIZE (\$B)<sup>16</sup>

30 June 2019	20.2
30 June 2018	17.6

### STRATEGIC ASSET ALLOCATION (%)



	2019	2018
Australian Shares	38	38
International Shares	22	22
Property	5	5
Infrastructure and Private Equity	5	5
Cash & Fixed Interest	30	30

### 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 fixed interest and cash investments.



## Defined Benefit Division (DBD)

### PERFORMANCE OBJECTIVES

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

### FUNDS UNDER MANAGEMENT (\$B)

30 June 2019	28.1
30 June 2018	24.5

### STRATEGIC ASSET ALLOCATION (%)

The asset allocation for the DBD is managed using a dynamic process. A Forward Allocation Range for each asset class group is set and approved by the Board at regular intervals. Asset allocations for each asset class group may then deviate within the limits of the Forward Allocation Range at Management's discretion. As a result of the ongoing low yield environment the DBD's future asset allocation will likely have a high allocation to growth assets, with a skew towards income producing assets.

### ACTUAL ASSET ALLOCATION (%) - 30 JUNE 2019

Growth assets	75 to 90
Defensive assets	10 to 25

### 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 fixed interest and cash investments.

<sup>15</sup> 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.

<sup>16</sup> Option size data includes all accumulation assets in the Balanced option, including members who are not MySuper members.



Deepa Rai  
UniSuper member and employee

# 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 80% 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.

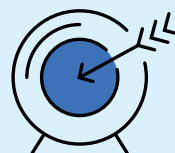
Another key aspect of our talent attraction strategy is to have candidates referred to us by our own people - there's no better form of promotion or advocacy for us than to have them recommend UniSuper as a great place to work!

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 (approx. 9% in 2018-19), and another is our high Employee Engagement survey results. Our overall engagement score in 2019 was well above the global professional services benchmark with an overall engagement score of 75%. Even more pleasing was that 94% 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.



## 94%

know how their work contributes to the goals of UniSuper and our members



## 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 been focussed on embedding our 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.

We have embedded these using a multi channel strategy from group workshops, launching behavioural expectations within our Performance and Rewards Framework, introducing This is US and values based awards along with values aligned thank you cards.



## Building leadership capability

We know that leaders set the context and create conditions in which UniSuper and our people thrive, so we're committed to building a culture of strong leadership capability at all levels.

We're helping leaders focus on three key priority areas and supporting them through a range of leadership development programs.

### LEADERSHIP PRIORITIES

We've built and are implementing a range of unique leadership development programs, Lead US, for every level of leadership to build the capabilities that leaders need to be successful today, and into the future.

Our leadership priorities summarise what we want our leaders to be doing consistently across UniSuper and help us to:

- communicate a simple and meaningful set of actions that all leaders should be focussed on in support of our strategy
- provide focus for the way we recruit leaders, and
- inform the development of a talent and succession framework.

### Create clarity

- Communicate strategy
- Navigate change
- Make strategic decisions



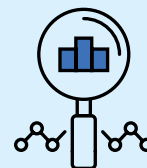
### Grow people

- Prioritise development
- Be authentic
- Adopt a growth mindset



### Deliver results

- Drive accountability
- Make commercial decisions
- Measure performance



## Valuing inclusion

Our 'Genuine Care' culture spills over into a respect for all aspects of inclusion. We encourage our leaders to promote and create an inclusive environment within their teams to share ideas and work collaboratively.

We've continued our partnership with CareerSeekers to provide work experience and learning opportunities for asylum seekers and we hope to continue 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.

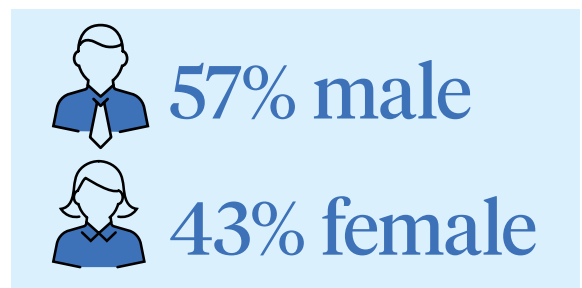
We're in the process of developing a Reconciliation Action Plan (RAP) to submit to Reconciliation Australia as mentioned on page 17. We are committed to better educating our people about the Aboriginal and Torres Strait Islander (ATSI) culture and protocols which in turn will help us provide a more tailored service to help ATSI members and increase our engagement with the ATSI community.

## Health, wellbeing and giving back to the community

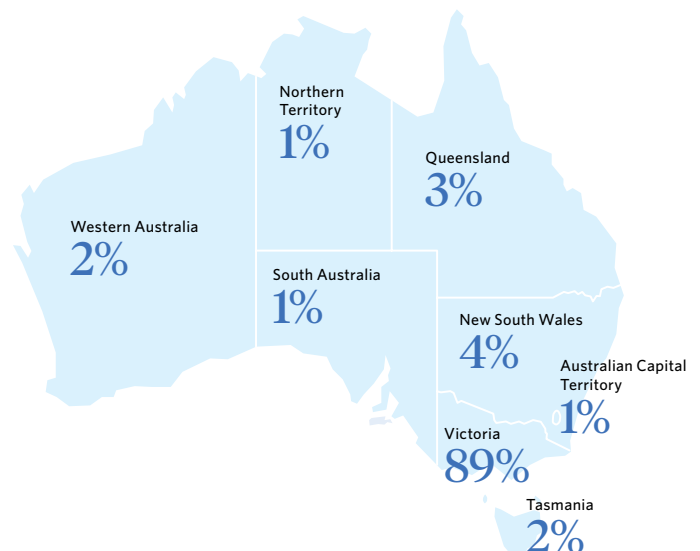
Workplace health and wellbeing initiatives assist in creating a workplace culture that supports and encourages healthy lifestyles and promotes a happier workforce. Our holistic approach to wellbeing aims to support and encourage everyone to participate in a range of health and wellbeing initiatives and 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 \$20,000 for well deserving charities through activities such as Steptember, Movember, Mother's Day Classic and Stadium Stomp.

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 over 250 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 2019 HEADCOUNT: 799



### BREAKDOWN OF UNISUPER EMPLOYEES



**OUR PEOPLE**

## 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. 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). As an AIST member UniSuper has adopted the AIST Governance Code and reports annually on compliance with the requirements of the code.

### 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 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, Grahame McCulloch, Mark Armour, Nicole Gower  
 (Front left to right) Ian Martin, Jane den Hollander

## INDEPENDENT DIRECTORS

**Geoffrey Ian Martin AM**

*BEd (Hons), Adv Diploma, AICD FAICD*  
 Chairman

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

**Nicolette Rubinsztein**

*BBus (Hons), EMBA (AGSM), GAICD, FIAA*

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

**Mark Armour**

*BEd (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**

*BBus (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

**Grahame 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**

*BSc (Hons) (Lough), MSc (Lon), PhD (Lough), FASSA, FIPAA, FACEL*

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.

**OUR PEOPLE****CHANGES TO THE BOARD**

The following changes occurred to the Board in 2018-19:

Professor Lelia Green was re-elected to the Board by the academic representatives of the Consultative Committee.

**THE BOARD COMMITTEES**

The Board Committees as at 30 June 2019 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
- Grahame McCulloch

The Committee is assisted by two independent consultants:

- Michelle Somerville
- Beth McConnell

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)
- Professor Peter Dawkins
- Ian Martin
- Christopher Cuffe (independent consultant)
- Anthony FitzGerald (independent consultant)
- Kevin O'Sullivan (CEO UniSuper, Ex-Officio)

**OUR PEOPLE****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
- Kevin O'Sullivan (CEO UniSuper, Ex-Officio)

The Committee is assisted by two independent consultants:

- Julie Fahey
- Margaret Wright

## 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.



(Back left to right) Anand Thomas, John Pearce, Lee Scales, Jack McCartney, Ruby Yadav  
(Front left to right) Anna Leibel, Kevin O'Sullivan, Julie Watkins

### GETTING TO KNOW THE LEADERSHIP TEAM

**Kevin O'Sullivan**

Chief Executive Officer

**John Pearce**

Chief Investment Officer

**Anand Thomas**

Chief Strategy & Marketing Officer

**Lee Scales**

Chief Customer Officer

**Julie Watkins**

Chief People Officer

**Jack McCartney**

Chief Financial Advice

**Anna Leibel**

Chief Delivery & Information Officer

**Ruby Yadav**

Chief Risk Officer

More information on the Executive Leadership Team is available on our website [unisuper.com.au/about-us/our-people/executive-leadership-team](https://unisuper.com.au/about-us/our-people/executive-leadership-team)

# Identifying and managing risks

UniSuper has a strong philosophy of taking considered risks to achieve greater retirement outcomes for our members.

## Maturing our risk culture

The risk appetite of the Board guides our risk management framework to protect the interests of members and the Fund.

Central to UniSuper risk management culture is a continuous learning and improvement mindset. This year we have focused on lifting the risk capabilities of our business and ensuring clear accountabilities and proactive management of risks. The Risk team continues to support the business leaders with guidance and provide oversight over and challenge the business's risk taking.

This year we implemented a "see something, say something" campaign to raise awareness of the importance of speaking up on incidents or concerns. A new simplified electronic incident notification form now enables any UniSuper staff member or contractor to raise an incident.

Moving forward we believe there is an opportunity to not just improve but also transform our approach to risk management to be Match Fit. We are working to better align our risks and controls to our strategy and to achieving greater member outcomes. Our aim is to seek efficiency and transparency whilst ensuring we have a robust system for management of risks. This work has already commenced and will continue in 2020.

## Managing regulatory change

Building and maintaining a strong compliance culture is critical to achieving UniSuper's strategic and operational objectives. Having an effective, organisation-wide compliance management system enables UniSuper to demonstrate its commitment to compliance with relevant laws, regulations, prudential standards and other requirements, as well as standards of good corporate governance, risk management, ethics and community expectations.

To ensure there are appropriate mechanisms in place to monitor the changing regulatory environment, our dedicated compliance team undertakes a range of activities that monitor, review and identify all relevant regulatory change, analyse the impacts and support the implementation of the changes. This year we have seen a significant number of legislative and regulatory change requiring a high level of focus on building new compliant processes and controls. We have successfully implemented the Protecting Your Super (PYS) Insurance and Fee Cap changes, implemented key requirements in relation to APRA Prudential Standards for information security, applied changes to contribution rules and implemented several Australian Taxation Office (ATO) requirements for reporting.

## Financial crime

Our focus on information security and financial crime risks have proved valuable during the last year. In particular, the investment made to build Crisis Management, Information Security and Financial Crime Response capabilities proved crucial in countering threats against the Fund and our members. We recognise that the threat environment is escalating and whilst existing controls have been effective in managing exposure, we will continue to invest in these capabilities to ensure UniSuper can further strengthen our member protection and seek efficiency through automation.

## Keeping our members safe

Our IT Information and Cyber Security team continue to expand and mature capability to meet the increasing nature of threat vulnerabilities. Over the past year UniSuper has partnered with a globally renowned company to provide 24 hour by 7 day a week security monitoring and advanced threat detection. Ongoing security awareness training for all UniSuper employees creates awareness of security threats at work and home, and improves our cyber security resilience.

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Standard	Movers	Volatility	Ratios	Futures	AIAT	vs 100	% Chg	% Chg	% Chg	% Chg
1) Americas										
1) DJI JONES		15409.39	+106.29	+0.69%	+1.11%	06:33	+3.84%	+11.83%		
2) S&P 500		1660.06	+10.46	+0.63%	-3.94%	05:28	+3.91%	+11.91%		
3) NASDAQ		3488.89	+29.74	+0.86%	-2.78%	07:16	+4.81%	+12.88%		
4) NYSE		12750.52	+54.15	+0.43%	+7.58%	06:05	+2.36%	+7.19%		
5) NYSE DOW		40764.04	+619.39	+1.54%	-2.96%	06:06	+3.53%	+10.29%		
6) NYSE NYSE		50026.26	-359.68	-0.71%	-1.04%	06:46	+0.23%	+4.56%		
2) EMEA										
1) Euro Stoxx		2835.87	+40.87	+1.45%	+3.33%	07:03	+4.57%	+10.69%		
2) FTSE 100		6762.01	+107.67	+1.62%	-1.34%	05:28	+5.16%	+9.95%		
3) CAC 40		4050.56	+55.40	+1.39%	+15.49%	05:28	+5.03%	+11.17%		
4) DAX		8480.87	+97.57	+1.16%	-12.14%	05:28	+7.17%	+13.44%		
5) IBEX 35		8511.20	+197.70	+2.32%	+1.23%	05:28	+1.10%	+7.02%		
6) FTSE MIB		17519.79	+300.64	+1.77%	-6.54%	05:28	+4.99%	+10.60%		
7) AEX		371.50	+4.24	+1.15%	+8.01%	05:28	+5.72%	+11.91%		
8) OMX STOXX		1244.04	+12.36	+1.00%	+3.97%	05:28	+3.76%	+8.80%		
9) SWISS INTX		8221.22	+58.17	+0.71%	-4.97%	05:28	+3.98%	+7.33%		
3) Asia/Pacific										
1) NIKKEI		1462.62	+150.64	+1.05%	-30.28%	10:46	+4.24%	+7.22%		
2) HANG SENG		22767.35	-156.90	-0.68%	-31.62%	14:05	+0.13%	+7.61%		
3) ASX 200		4978.20	+7.55	+0.15%	-4.33%	15:06	+4.30%	+4.04%		

World Equity Indices

World Equity Index Futures

Treasury & Money Markets

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CDS Movers

Cross Currency Rates

Base	Quote	Rate	Spot	Rate	Points
100 Spot	113 Forward	123 Fixing	Heat Map		
USD	EUR	GBP	CHF	CAD	AUD
6.9164	0.6322	0.6563	0.9092	0.8807	0.4491
5.8974	7.8804	0.6742	0.8609	0.6415	0.4626
7.7628	0.9192	0.9786	11.665	7.9535	7.4546
1.2287	0.5202	0.2110	1.8102	1.2890	1.1876
1.6485	1.3449	0.6802	1.5789	1.0911	1.0039
1.4443	1.3387	0.0118	1.5648	1.0669	0.9913
0.9714	1.2547	0.0954	1.4667	0.9772	0.9385
0.6635	0.8548	0.0650	1.4667	0.6812	0.3955
0.8835	1.3135	0.0760	1.1689	0.7909	0.7470
0.7778	0.0760	0.0760	1.1689	0.7909	0.7470
1.2854	0.0977	1.5025	1.0244	0.9019	0.9548

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Year to Date

52 Week High

52 Week Low

Financial Analy

Price/Earnings

Dividend Yield

1000 5/29 1

Real time Mo

Option Strateg

May

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

Photo of a woman with glasses and a white shirt.



# 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 2018-19 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 Incidents, Breaches and Error Management Policy provides for exited members to be reinstated for errors affecting their account by more than \$20.

## 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](http://www.ato.gov.au)).

If a temporary resident's benefit is transferred to the ATO, UniSuper relies on the Australian Securities and Investments Commission 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](http://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 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 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
- 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 2019, the reserve balance represented 0.30% 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 \$270 million in 2017, \$334 million in 2018, and \$415 million in 2019.

## 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/about-us/contact-us/how-do-i-make-a-complaint](https://unisuper.com.au/about-us/contact-us/how-do-i-make-a-complaint).

# Our financial results

## UniSuper's statement of financial position As at 30 June 2019

	2019	2018
ASSETS	\$M	\$M
<b><i>Cash and receivables</i></b>		
Cash and cash equivalents	276	105
Income tax receivable	134	-
Sundry debtors and prepayments	12	8
	422	113
<b><i>Investments – financial assets</i></b>		
Equities		
– Local	35,099	32,149
– Overseas	19,439	15,814
Interest bearing securities		
– Local	13,528	10,493
– Overseas	1,660	1,849
Others, including short term deposits	4,728	4,190
Derivative assets	129	54
	74,583	64,549
<b><i>Investments – non-financial assets</i></b>		
Property investments	3,964	3,582
Infrastructure investments	3,805	3,362
	7,769	6,944
<b>Total assets</b>	<b>82,774</b>	<b>71,606</b>
<b><i>Liabilities</i></b>		
Benefits payable	19	12
Sundry creditors	31	33
Derivative liabilities	108	147
Income tax payable	-	69
Deferred tax liabilities	1,819	1,368
<b>Total liabilities excluding member benefits</b>	<b>1,977</b>	<b>1,629</b>
<b>Net assets available for member benefits</b>	<b>80,797</b>	<b>69,977</b>
<b><i>Member benefits</i></b>		
Defined contribution member liabilities	52,284	45,155
Defined benefit member liabilities	20,550	18,792
<b>Total member liabilities</b>	<b>72,834</b>	<b>63,947</b>
<b>Total net assets</b>	<b>7,963</b>	<b>6,030</b>
<b><i>Equity</i></b>		
Reserves	415	334
Defined benefit surplus/(deficit)	7,548	5,696
<b>Total equity</b>	<b>7,963</b>	<b>6,030</b>

## UniSuper's Income statement For the year ended 30 June 2019

	2019	2018
	\$M	\$M
<i>Investment revenue</i>		
Interest	462	423
Dividends and distributions	3,115	2,131
Other income	54	58
Movement in fair value of assets	4,589	4,115
<b>Total investment revenue</b>	<b>8,220</b>	<b>6,727</b>
<i>Expenses</i>		
Direct investment expenses	305	233
Administration expenses	56	55
<b>Total expenses</b>	<b>361</b>	<b>288</b>
<b>Net operating result before income tax expense</b>	<b>7,859</b>	<b>6,439</b>
Income tax expense	116	266
<b>Net operating result after income tax expense</b>	<b>7,743</b>	<b>6,173</b>
Net benefits allocated to defined contribution member accounts	(4,091)	(4,097)
Net change in defined benefit member benefits	(1,797)	(844)
<b>Net profit after income tax</b>	<b>1,855</b>	<b>1,232</b>

## UniSuper's Statement of changes in member benefits For the year ended 30 June 2019

	DEFINED CONTRIBUTION	DEFINED BENEFIT	TOTAL
	\$M	\$M	\$M
Opening balance 1 July 2018	45,155	18,792	63,947
Employer contributions	1,697	1,523	3,220
Member contributions	704	204	908
Rollovers in from other superannuation plans	2,166	-	2,166
Rollovers out to other superannuation plans	(644)	(30)	(674)
Income tax on contributions	(255)	(217)	(472)
<b>Net after tax contributions</b>	<b>3,668</b>	<b>1,480</b>	<b>5,148</b>
Benefits paid (excluding rollovers out)	(1,583)	(450)	(2,033)
Transfers from defined benefit to defined contribution accounts	1,040	(1,040)	-
Death/disability benefits credited to member accounts	7	-	7
Premiums charged to members, net of tax	(45)	-	(45)
<b>Reserve transfers to/(from) members:</b>			
Operational risk reserve	(14)	-	(14)
Administration reserve	(33)	(29)	(62)
Self insurance reserve	1	-	1
External insurance reserve	(3)	-	(3)
<b>Net benefits allocated to members' accounts, comprising:</b>			
Net investment Income	4,091	-	4,091
Net change in defined benefit member benefits	-	1,797	1,797
<b>Closing balance 30 June 2019</b>	<b>52,284</b>	<b>20,550</b>	<b>72,834</b>

## OUR FINANCIAL RESULTS

	DEFINED CONTRIBUTION	DEFINED BENEFIT	TOTAL
	\$M	\$M	\$M
<b>Opening balance 1 July 2017</b>	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)
<b>Net after tax contributions</b>	<b>2,632</b>	<b>1,358</b>	<b>3,990</b>
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)
<b><i>Reserve transfers to/(from) members:</i></b>			
Operational risk reserve	(21)	(1)	(22)
Administration reserve	(36)	(27)	(63)
Self insurance reserve	7	-	7
External insurance reserve	(3)	-	(3)
<b><i>Net benefits allocated to members' accounts, comprising:</i></b>			
Net investment Income	4,097	-	4,097
Net change in defined benefit member benefits	-	844	844
<b>Closing balance 30 June 2018</b>	<b>45,155</b>	<b>18,792</b>	<b>63,947</b>

These are UniSuper's abridged financial statements. You can request the Fund's full audited accounts and the auditor's report by calling us on [1800 331 685](tel:1800331685).



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This Report has been prepared and issued by UniSuper Limited as Trustee of UniSuper.

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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".

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