

Annual report 2009-2010

Sunsuper Pension



Jane Trafford
Sunsuper member

make your dreams
more than dreams



Contents

<u>Board report</u>	1
<u>Investment options</u>	2
<u>Investment managers</u>	10
<u>Professional advisers</u>	11
<u>Reserve</u>	11
<u>The Board</u>	11
<u>Compliance</u>	12
<u>Financial statements</u>	13



Board report

The Board is pleased to present the Sunsuper Annual report for the financial year ended 30 June, 2010.

The last 12 months have certainly provided some ups and downs in the markets, but pleasingly we ended the year on a positive note delivering a strong, consistent investment performance for members that has positioned us ahead of the industry average with our Balanced option over 3 and 5 years.⁷

Despite the continuing volatility, we remained sharply focussed on maximising members' retirement benefits throughout the year. Our 'profit-for-members' philosophy, which sees profits directed back to our members, continues to support this in the form of low fees and improved services. Last year, we launched a range of initiatives to improve our services. This included merging our call centre and Member Advice Centre (MAC) into one unified division for the purpose of better managing the wide-ranging financial advice and service needs of our members. We also increased the choice of investment options now available to our Sunsuper pension members and instigated a range of projects to significantly upgrade our IT systems, which has set the foundation for greater efficiency and future savings.

Additionally, we launched a new-look website and redesigned our annual statements to make both easier to use and understand. And in May, we launched a major new brand campaign under the banner of "make your dreams, more than dreams". Our new advertising campaign, of which we are very proud, features Sunsuper members telling their true, unscripted stories about how they are living their dreams in retirement. So, overall, a very busy year.

In 2009-2010, we cemented our position as one of Australia's largest and fastest growing industry funds with more than one million members, \$15 billion of funds under management and more than 72,000 employers.

We're also pleased to tell you that Sunsuper was again recognised as one of Australia's leading superannuation funds by four independent organisations - Chant West, SuperRatings, Selecting Super and *Money* magazine. In fact, earlier this year we were named *Money* magazine's Best Pension Fund of the Year, as well as SuperRatings' Pension Fund of the Year for the second year in a row.

The year ahead

We remain committed to providing a high level of service to our customers and we will continue to focus on developing initiatives to help members maximise their retirement savings.

Specific key areas of focus will be to continue to understand and meet members needs, keep costs low through new e-commerce initiatives and greater efficiencies, deliver above average investment returns, and equip the Sunsuper team with skills and resources to do the best job they can.

The Board would like to take this opportunity to thank Chief Executive Officer, Tony Lally, his senior management team and all the staff of Sunsuper for their outstanding performance during the year.

*Source: SuperRatings Pension Crediting Rate Survey to 30 June, 2010

Investment options

We recognise that choosing the right investment option or options can make a big difference to your retirement income and that choosing the right investment option or options depends on your personal circumstances and your retirement goals.

For Sunsuper pension members we have identified four broad investment profiles:

- **Growth** – Investors who want to generate wealth over the long-term, but with less risk than an option invested solely in shares,
- **Balanced** – Investors who want to generate wealth over the long-term, while being sensitive to the relative performance of other large Australian superannuation funds,
- **Retirement** – Investors who want to generate wealth over the medium to long-term, while providing some reduction to the fluctuation of returns in the short-term, and
- **Conservative** – Investors who seek less volatile returns for their pension while maintaining some growth exposure. Using their money in the short-term is likely to be their main purpose.

We offer four investment options to match each of these four broad investment profiles. However we also recognise that not everyone fits into these broad profiles and therefore we offer a range of other options.

For more details on the investment options, refer to the panels on pages 4 to 13.

Changes to the investment options

We have undertaken a review of our investment options and made some changes to the options we offer including:

- From 1 July, 2010 seven new options were made available, which are shown on pages 10 to 13.
- Effective 1 July, 2010 we have also renamed all of the investment options. Changes can be seen on pages 4 to 10.

Investment objectives and strategies

Sunsuper's overall investment objectives are:

- to maximise the real long-term investment returns (after fees) subject to the expected risk profiles for each investment option,
- to implement an investment manager configuration for each investment option which will in the long-term outperform the benchmark return and peer groups,
- to avoid exposing each investment option to inappropriate risk through diversification of investments and of managers, and
- to maintain sufficient liquid assets so as to pay all benefit and expense obligations in full when due.

The investment objectives and investment mix for each of the investment options are set out in the tables on pages 4 to 13.

About Sunsuper's investment options

From 1 July, 2010 Sunsuper offers 20 investment options. There are 5 diversified options, 12 single asset class options, and 3 special options, for members who are looking for something a bit different.

The investment options we offer are designed to cater for a wide range of investor needs, and include:

- active and index options,
- single-manager and multi-manager options, and
- hedged and unhedged options.

Active and Index options

Active investment options

Sunsuper has a philosophy of active investment management that we apply to several of the options we offer.

We have a strong belief that active management will result in returns higher than returns from index managers, even after active management fees are taken into account. Good active managers also have the effect of lowering the levels and types of risks taken. In addition to expecting our managers to outperform their benchmarks through active management, we expect all of our managers to:

- have world class professional investment processes and risk management systems,
- complement each other's processes and styles, and
- be cost effective.

Index investment options

Although we believe in the potential benefits of active management, we also provide our members with access to low cost index and enhanced index options. Index (or passive) options are invested in a range of investments designed to replicate the performance of a chosen benchmark. Enhanced index options work in much the same way, however they seek minor outperformance via low risk active management. These options generally have lower fees than actively managed options.

Single-manager and multi-manager

The options are classified as either single-manager or multi-manager. The following explains the difference between these two types of manager options.

Single-manager options

These options have a single investment manager and are designed for investors who prefer the style of a particular manager.

Multi-manager options

These options use a combination of investment managers within the one investment option, providing diversification across investment managers and reducing the risk of exposure to any one investment manager or style.

Currency hedging

The value of overseas investments can be impacted by currency fluctuations. The effects of currency movement on an investment can be reduced by 'currency hedging'. This fixes the value of the Australian dollar relative to one or a number of foreign currencies. An investment or asset class can be either fully hedged, partially hedged or unhedged:

- fully hedged is where all of the investment is protected from the effects of currency exchange rates,
- partially hedged is where the investment is partly protected from these effects, and
- an unhedged investment is not protected from these effects.

Some exposure to foreign currencies can be desirable for both diversification benefits and the potential to add value. How much exposure depends on a particular option's mix of assets and its investment objectives. Each of our options is carefully designed to have what we consider an optimal exposure to foreign currency. In our diversified options we also use the skills of our active managers to alter the level and mix of the foreign currency exposures in response to changes in the economic outlook.

How we calculate your balance

Your account balance is calculated by multiplying the number of units you have in each investment option by the unit price for each option. As the unit prices are calculated on a daily basis, the value of your account may change daily.

Is your investment guaranteed?

Except for the Capital Guaranteed option, the movement in unit prices, the repayment of capital and the performance of any investment option is not guaranteed. Investing in a specific option does not give any entitlement to assets underlying that investment option.

For more details on the Capital Guaranteed option, refer to page 10.

Use of derivatives in the Fund

Sunsuper's policy is to allow our investment managers to use derivatives, such as futures, options and swaps, to achieve their investment objectives, particularly for the purpose of managing risk. However, the managers must operate within specific guidelines.

Our investment managers who invest in derivatives must adopt a Derivative Risk Statement that is acceptable to Sunsuper. This statement sets out the use of derivatives and the controls in place to protect against improper use of derivatives.

Investment fees and costs

All superannuation funds incur investment fees to cover the costs of investing and managing investments for their members. In line with our profit-for-members philosophy, Sunsuper does not profit from investment fees.

We report the investment fee in two components, the base fee and the performance fee. These are calculated as a percentage of the total assets managed in each investment option. The actual investment fee for each investment option for the 2009/2010 financial year, is shown in the tables on pages 4 to 10. Some investment managers for the 2009/2010 financial year have been paid a performance fee as a result of outperforming their performance targets.

Sunsuper believes paying performance fees to its investment managers encourages sustained investment performance and avoids rewarding investment managers for underperformance. If an investment manager who has the potential to earn a performance fee underperforms their performance target, the investment manager needs to overcome their underperformance in future periods before another performance fee can be earned.

What are buy/sell spreads?

Buy/sell spreads are costs charged by the investment managers for transaction costs incurred in buying and selling the underlying assets of an investment option. When money is invested in an investment option, the entry unit price includes a buy spread and is used to buy units. When money is withdrawn from an investment option, the exit unit price includes a sell spread and is used to sell units. For some investment options, this cost is passed on to you. We do not add a margin to the buy/sell spreads charged by the investment managers. The buy/sell spreads as at 30 June, 2010 are shown in the tables on pages 4 to 10.

The buy/sell spreads may vary from time to time to reflect the buy/sell spreads charged by the relevant investment managers. Any changes to buy/sell spreads throughout the year will be published on our website.

For any investment option which has a nil sell spread, we may, at our discretion, apply a sell spread (which reduces the unit price) if a Sunsuper employer requests either:

- all or part of the assets invested in an investment option within the plan account to be switched to another investment option, or
- a withdrawal from Sunsuper in order to transfer funds to another superannuation plan or fund.

The sell spread will be equal to the estimated sale cost of the underlying assets. When a sell spread is used, this will be an additional cost to members of that particular plan.

Estimated base and performance fees for 2010/2011

The investment option tables on pages 4 to 13 also show the estimated base fees and the estimated performance fees for 2010/2011.

These are our best estimates based on recent experience and our current long-term expectations for ongoing investment costs. Performance fees are difficult to predict because the level of out-performance by the managers is difficult to predict. The performance fee may exceed the estimate.

We monitor the ongoing investment costs and for each investment option the investment fees deducted will not be more than the actual investment costs incurred but may differ from our estimates, for example, due to changes in the investment manager mix or investment manager fees. We will let you know the actual investment fees at the end of the 2010/2011 financial year.

Conservative

INVESTMENT OBJECTIVES

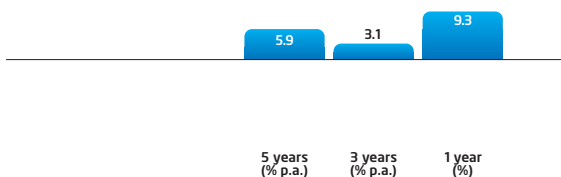
Investment in: A diversified mixture of assets, with an emphasis on fixed interest and cash assets.
Style: Active, multi-asset class, multi-manager.
Performance objective: Returns after investment fees that are 1% p.a. above the UBS Australia Bank Bill Index over periods of 2 to 5 years.
Who is it for?: For members who seek less volatile returns for their super while maintaining some growth exposure. Using your money in the short-term is likely to be your main purpose.
 Conservative was previously called Sunsuper Conservative.

INVESTMENT MIX

	Investment mix 30/6/10	Investment mix 30/6/09	Benchmark %	Allowable range%
Australian shares	10.6	10.1	10	0-15
International shares	10.7	10.0	10	0-15
Property	4.1	4.7	5	0-20
Infrastructure	3.0	5.0	5	0-20
Fixed interest	45.2	44.8	45	0-50
Hedge funds	6.5	7.5	7.5	0-15
Cash	19.9	17.9	17.5	0-100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.40% p.a.
 Performance fee: 0.07% p.a.

Actual investment fee for 2009/10

Base fee: 0.40% p.a.
 Performance fee: 0.09% p.a.
 Buy/sell spread: nil

Retirement

INVESTMENT OBJECTIVES

Investment in: A diversified mixture of assets.
Style: Active, multi-asset class, multi-manager.
Performance objective: Returns above inflation of 4.0% p.a. after investment fees over periods of 5 to 7 years.
Who is it for?: For members who are close to, or have reached retirement. It is structured to generate wealth over the medium to long-term, while providing some reduction to the fluctuation of returns in the short-term.

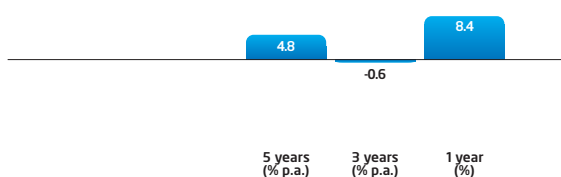
Retirement was previously called Sunsuper Retirement.

INVESTMENT MIX

	Investment mix 30/6/10	Investment mix 30/6/09	Benchmark %	Allowable range%
Australian shares	26.6	23.1	25	0-50
International shares	16.4	15.9	15	0-40
Private capital	5.5	4.4	5	0-15
Property	8.7	8.5	10	0-30
Infrastructure	6.1	8.4	10	0-30
Fixed interest	25.2	26.3	25	0-50
Hedge funds	5.3	7.4	7.5	0-15
Cash	6.2	6.0	2.5	0-25

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.55% p.a.
 Performance fee: 0.07% p.a.

Actual investment fee for 2009/10

Base fee: 0.52% p.a.
 Performance fee: 0.09% p.a.
 Buy/sell spread: nil

¹ Past performance is not a reliable indication of future performance. Returns are for the year ended 30 June 2010 and are after investment fees have been deducted.
² It is important to read the information on page 3. Buy/Sell spreads are as at 30 June 2010.

Balanced

INVESTMENT OBJECTIVES

Investment in: A diversified mixture of assets, with a large allocation to Australian shares and international shares for exposure to economic growth.

Style: Active, multi-asset class, multi-manager.

Performance objective: Returns after investment fees over periods of 5 to 7 years above the median of similar superannuation funds.

Returns above inflation of 4.5% p.a. after investment fees over periods of 7 to 10 years.

Who is it for?: For members who want to generate wealth over the long-term, while being sensitive to the relative performance of other large Australian superannuation funds.

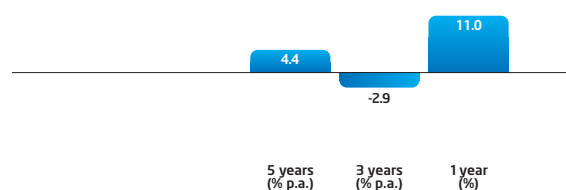
Balanced was previously called Sunsuper Balanced.

INVESTMENT MIX

	Investment mix 30/6/10	Investment mix 30/6/09	Benchmark %	Allowable range%
Australian shares	28.9	28.7	30	0-50
International shares	24.3	24.9	25	0-50
Private capital	8.1	8.4	7.5	0-15
Property	7.2	7.0	7.5	0-30
Infrastructure	7.0	7.1	7.5	0-30
Fixed interest	12.8	12.8	13	0-25
Hedge funds	8.0	8.2	7.5	0-25
Cash	3.7	2.9	2	0-25

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.55% p.a.

Performance fee: 0.07% p.a.

Actual investment fee for 2009/10

Base fee: 0.49% p.a.

Performance fee: 0.12% p.a.

Buy/sell spread: nil

Growth

INVESTMENT OBJECTIVES

Investment in: A diversified mixture of assets, with a significant emphasis on Australian shares, international shares and a range of unlisted growth assets for exposure to economic growth.

Style: Active, multi-asset class, multi-manager.

Performance objective: Returns above inflation of 5.5% p.a. after investment fees over periods of 7 to 10 years.

Who is it for?: For members who want to generate wealth over the long-term, but with less risk than an option invested solely in shares.

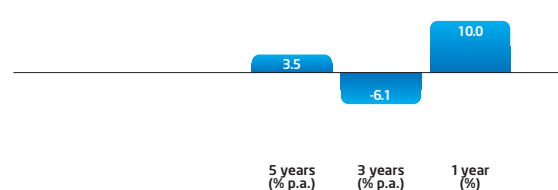
Growth was previously called Sunsuper Growth.

INVESTMENT MIX

	Investment mix 30/6/10	Investment mix 30/6/09	Benchmark %	Allowable range%
Australian shares	27.7	27.2	30	0-50
International shares	28.6	29.5	30	0-50
Private capital	11.2	11.8	10	0-20
Property	9.2	8.9	10	0-30
Infrastructure	8.8	9.1	10	0-30
Fixed interest	0.7	0.8	0	0-20
Hedge funds	11.1	11.6	10	0-20
Cash	2.7	1.1	0	0-20

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.65% p.a.

Performance fee: 0.07% p.a.

Actual investment fee for 2009/10

Base fee: 0.59% p.a.

Performance fee: 0.16% p.a.

Buy/sell spread: nil

¹ Past performance is not a reliable indication of future performance. Returns are for the year ended 30 June 2010 and are after investment fees have been deducted.
² It is important to read the information on page 3. Buy/Sell spreads are as at 30 June 2010.

CASH AND FIXED INTEREST

Fixed Interest – Index

INVESTMENT OBJECTIVES

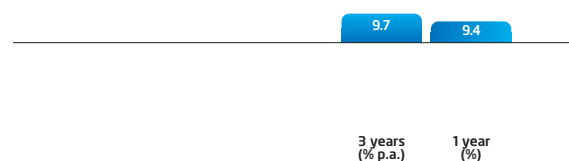
Investment in: Fixed Interest.
Style: Single-manager, index.
Performance benchmark: Citigroup World Government Bond Index Ex-Australia \$A (hedged).
Performance objective: Closely match the returns of the performance benchmark, before investment fees.
Currency: Hedged.
 Fixed Interest - Index was previously called SSgA Global Fixed Income Index.

INVESTMENT MIX

	Benchmark %
Fixed interest	100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.15% p.a.
 Performance fee: n/a

Actual investment fee for 2009/10

Base fee: 0.15% p.a.
 Performance fee: n/a
 Buy/sell spread: 0.06% / 0.06%

Cash

INVESTMENT OBJECTIVES

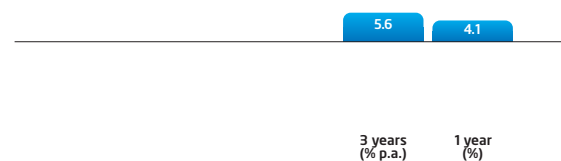
Investment in: Cash.
Style: Multi-manager, active.
Performance benchmark: UBS Australia Bank Bill Index.
Performance objective: Match or exceed the returns of the performance benchmark.
 Cash was previously called Sunsuper Cash.

INVESTMENT MIX

	Benchmark %
Cash	100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.12% p.a.
 Performance fee: n/a

Actual investment fee for 2009/10

Base fee: 0.12% p.a.
 Performance fee: n/a
 Buy/sell spread: nil

¹ Past performance is not a reliable indication of future performance. Returns are for the year ended 30 June 2010 and are after investment fees have been deducted.
² It is important to read the information on page 3. Buy/Sell spreads are as at 30 June 2010.

PROPERTY

Property

INVESTMENT OBJECTIVES

Investment in: Australian and international property.
Style: Multi-manager, active.
Performance benchmark: 50% S&P/ ASX 200 A-REIT Index, plus 50% FTSE EPRA/NAREIT Global REIT \$A (hedged).
Performance objective: Beat the performance benchmark over rolling 5 years.
Currency: Hedged.
 Property was previously called Sunsuper Property.

INVESTMENT MIX

	Benchmark %
Property	100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.90% p.a.
 Performance fee: 0.02% p.a.

Actual investment fee for 2009/10

Base fee: 0.88% p.a.
 Performance fee: 0.11% p.a.
 Buy/sell spread: nil

Australian Property – Index

INVESTMENT OBJECTIVES

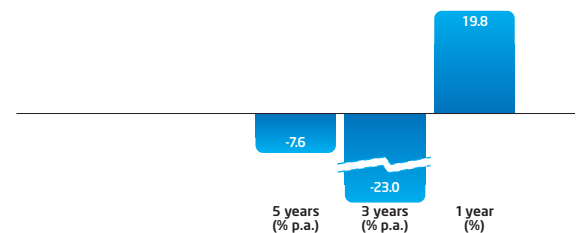
Investment in: Australian Listed Property.
Style: Single-manager, index.
Performance benchmark: S&P/ASX 200 A-REIT Index.
Performance objective: Closely match the returns of the performance benchmark, before investment fees.
 Australian Property - Index was previously called SSgA Australian Listed Property Index.

INVESTMENT MIX

	Benchmark %
Property	100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.15% p.a.
 Performance fee: n/a

Actual investment fee for 2009/10

Base fee: 0.15% p.a.
 Performance fee: n/a
 Buy/sell spread: 0.10% / 0.10%

¹ Past performance is not a reliable indication of future performance. Returns are for the year ended 30 June 2010 and are after investment fees have been deducted.
² It is important to read the information on page 3. Buy/Sell spreads are as at 30 June 2010.

SHARES

Australian Shares

INVESTMENT OBJECTIVES

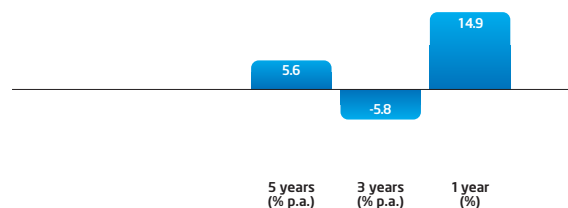
Investment in: Australian shares.
Style: Multi-manager, active.
Performance benchmark: S&P/ASX 300 Accumulation Index.
Performance objective: Beat the performance benchmark by 1-2% p.a. over rolling 5 years.
 Australian Shares was previously called Sunsuper Australian Shares.

INVESTMENT MIX

	Benchmark %
Australian shares	100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.30% p.a.
 Performance fee: 0.05% p.a.

Actual investment fee for 2009/10

Base fee: 0.32% p.a.
 Performance fee: 0.04% p.a.
 Buy/sell spread: nil

Australian Shares – Index

INVESTMENT OBJECTIVES

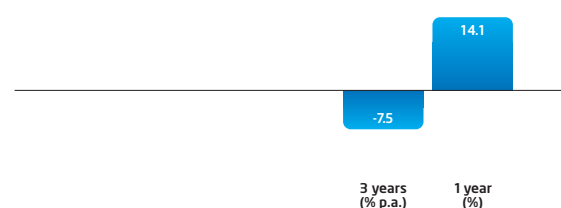
Investment in: Australian shares.
Style: Single-manager, index.
Performance benchmark: S&P/ASX 200 Accumulation Index.
Performance objective: Closely match the returns of the performance benchmark, before investment fees.
 Australian Shares – Index was previously called SSgA Australian Equities Index.

INVESTMENT MIX

	Benchmark %
Australian shares	100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.15% p.a.
 Performance fee: n/a

Actual investment fee for 2009/10

Base fee: 0.15% p.a.
 Performance fee: n/a
 Buy/sell spread: 0.10% / 0.10%

¹ Past performance is not a reliable indication of future performance. Returns are for the year ended 30 June 2010 and are after investment fees have been deducted.
² It is important to read the information on page 3. Buy/Sell spreads are as at 30 June 2010.

SHARES

International Shares (hedged)

INVESTMENT OBJECTIVES

Investment in: International shares.

Style: Multi-manager, active.

Performance benchmark: S&P Global Broad Market Index in \$A (hedged).

Performance objective: Beat the performance benchmark by 1–2% p.a. over rolling 5 year periods.

Currency: Combination of hedged and unhedged.

It may not be possible for this product to be 100% currency hedged at all times. Up to 25% of the overseas currency exposure may be unhedged at any point in time.

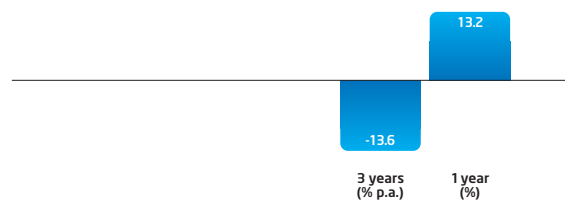
International Shares (hedged) was previously called Sunsuper International Shares (hedged).

INVESTMENT MIX

	Benchmark %
International shares	100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



Since inception: -4.5% p.a. (commenced January 2006)

INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.60% p.a.

Performance fee: 0.05% p.a.

Actual investment fee for 2009/10

Base fee: 0.63% p.a.

Performance fee: 0.05% p.a.

Buy/sell spread: nil

International Shares – enhanced Index (hedged)

INVESTMENT OBJECTIVES

Investment in: International shares.

Style: Single-manager, enhanced index.

Performance benchmark: MSCI World Ex-Australia Net in \$A (hedged).

Performance objective: Beat the performance benchmark by 0.75% to 1% p.a. over rolling 3 year periods.

Currency: Hedged.

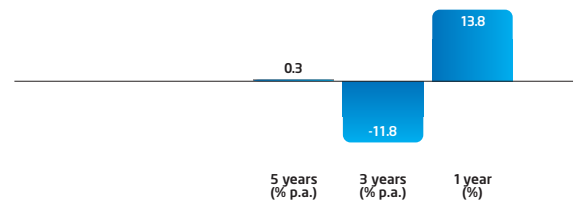
International Shares – enhanced Index (hedged) was previously called SSgA Global Index Plus (hedged).

INVESTMENT MIX

	Benchmark %
International shares	100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.25% p.a.

Performance fee: n/a

Actual investment fee for 2009/10

Base fee: 0.25% p.a.

Performance fee: n/a

Buy/sell spread: 0.31% / 0.26%

¹ Past performance is not a reliable indication of future performance. Returns are for the year ended 30 June 2010 and are after investment fees have been deducted.

² It is important to read the information on page 3. Buy/Sell spreads are as at 30 June 2010.

Options commencing 1 July, 2010

SPECIAL OPTIONS

Capital Guaranteed

INVESTMENT OBJECTIVES

Investment in: A mixture of cash deposits with Authorised Deposit-taking Institutions (ADIs) and investments in capital guaranteed superannuation products.

Style: Multi-manager, active.

Performance benchmark: UBS Australia Bank Bill Index (after an allowance for investment tax).

Performance objective: The option is designed to provide:

- full security of capital, and
- modest returns over the medium to long-term.
- target performance (after investment tax and investment fees) is the return of the UBS Australia Bank Bill Index (after investment tax) over rolling five year periods.

Additional information: Where investments are made into capital guaranteed superannuation products issued by life insurance companies or banks, the capital guarantee is provided by the issuing life company or bank.

Sunsuper itself does not guarantee the security of capital.

The Capital Guaranteed option is quite different from other investment options. While the capital value is guaranteed by the issuing life insurance companies or banks not to fall, the trade-off with this guarantee is that your longer-term returns may be lower than some less conservative options. This may limit the chances of achieving your financial goals. You should consider seeking financial advice on alternative investment arrangements before investing in this option.

In some unfavourable market conditions, we reserve the right to restrict switches and benefit payments from the capital guaranteed option.

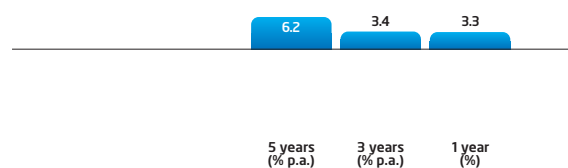
Capital Guaranteed was previously called Sunsuper Capital Guaranteed.

INVESTMENT MIX

	Benchmark %
Deposits with ADIs and Capital Guaranteed Investments	100

INVESTMENT RETURNS¹

For periods ending 30 June, 2010



INVESTMENT FEE²

Estimated investment fee for 2010/11

Base fee: 0.60% p.a.

Performance fee: nil

Actual investment fee for 2009/10

Base fee: 0.51% p.a.

Performance fee: nil

Buy/sell spread: nil

BALANCED

Balanced – Index

INVESTMENT OBJECTIVES

Investment in: A mixture of assets, with an emphasis on Australian shares and international shares.

Style: Single-manager, index.

Performance benchmark: The average weighted return of the market indices.

Performance objective: Closely match the return of the performance benchmark, before investment fees.

Currency: Combination of hedged and unhedged.

INVESTMENT MIX

	Benchmark %	Allowable range%
Australian shares	35	33-37
International shares	25	21-29
Property	10	6-14
Fixed interest	25	21-29
Cash	5	3-7

INVESTMENT RETURNS

This investment option commenced on 1 July 2010 and therefore no historical investment returns are available.

INVESTMENT FEE

Estimated investment fee for 2010/11

Base fee: 0.16% p.a.

Performance fee: n/a

¹ Past performance is not a reliable indication of future performance. Returns are for the year ended 30 June 2010 and are after investment fees have been deducted.

² It is important to read the information on page 3. Buy/Sell spreads are as at 30 June 2010.

CASH AND FIXED INTEREST

Fixed Interest

INVESTMENT OBJECTIVES

Investment in: Fixed Interest.
Style: Multi-manager, active.
Performance benchmark: Citigroup World Broad Investment Grade Index in \$A (hedged).
Performance objective: Beat the performance benchmark by 0.5-1.0% p.a. over rolling 5 years.
Currency: Hedged.

INVESTMENT MIX

	Benchmark %
Fixed interest	100

INVESTMENT RETURNS

This investment option commenced on 1 July 2010 and therefore no historical investment returns are available.

INVESTMENT FEE

Estimated investment fee for 2010/11
 Base fee: 0.30% p.a.
 Performance fee: 0.05% p.a.

SHARES

Shares

INVESTMENT OBJECTIVES

Investment in: A mixture of Australian and international shares.
Style: Multi-manager, active.
Performance objective: Returns above inflation of 5.5% p.a. over periods of 7 to 10 years after investment fees.
Currency: Combination of hedged and unhedged.

INVESTMENT MIX

	Benchmark %	Allowable range%
Australian shares	50	25-75
International shares	50	25-75
Fixed interest	0	0-30
Cash	0	0-20

INVESTMENT RETURNS

This investment option commenced on 1 July 2010 and therefore no historical investment returns are available.

INVESTMENT FEE

Estimated investment fee for 2010/11
 Base fee: 0.50% p.a.
 Performance fee: 0.05% p.a.

SHARES

International Shares (unhedged)

INVESTMENT OBJECTIVES

Investment in: International shares.
Style: Multi-manager, active.
Performance benchmark: S&P Global Broad Market Index in \$A (unhedged).
Performance objective: Beat the performance benchmark by 1-2% p.a. over rolling 5 year periods.
Currency: Unhedged.

INVESTMENT MIX

	Benchmark %
International shares	100

INVESTMENT RETURNS

This investment option commenced on 1 July 2010 and therefore no historical investment returns are available.

INVESTMENT FEE

Estimated investment fee for 2010/11
 Base fee: 0.60% p.a.
 Performance fee: 0.05% p.a.

International Shares – enhanced Index (unhedged)

INVESTMENT OBJECTIVES

Investment in: International shares.
Style: Single-manager, enhanced index.
Performance benchmark: MSCI World Ex-Australia Net in \$A (unhedged).
Performance objective: Beat the performance benchmark by 0.75% to 1% p.a. over rolling 3 year periods.
Currency: Unhedged.

INVESTMENT MIX

	Benchmark %
International shares	100

INVESTMENT RETURNS

This investment option commenced on 1 July 2010 and therefore no historical investment returns are available.

INVESTMENT FEE

Estimated investment fee for 2010/11
 Base fee: 0.25% p.a.
 Performance fee: n/a

SPECIAL OPTIONS

Emerging Markets Shares

INVESTMENT OBJECTIVES

Investment in: International shares focusing on emerging markets.
Style: Multi-manager, active.
Performance benchmark: MSCI Emerging Markets Index.
Performance objective: To provide high returns over the long term while accepting high levels of volatility in returns. In seeking to achieve the investment objective, the aim is to provide a total return, after costs, higher than the return from the benchmark on a rolling 3 to 5 year basis.
Currency: In normal circumstances the option is unhedged to Australian dollars. Currency exposures are individually managed by the underlying managers.
Additional Information: This option is a high risk option suitable for investors aware of investing in emerging market shares that are exposed to currency risk. Historically emerging markets have exhibited greater variability in returns than Australian and other international share markets. In some circumstances the value of these investments could move markedly. Political and economic risks are also higher in these markets, leading to greater investment risk.

INVESTMENT MIX

	Benchmark %
International shares	100

INVESTMENT RETURNS

This investment option commenced on 1 July 2010 and therefore no historical investment returns are available.

INVESTMENT FEE

Estimated investment fee for 2010/11
 Base fee: 0.99% p.a.
 Performance fee: nil

Ethical, Environmental and Socially Responsible Investments

INVESTMENT OBJECTIVES

Investment in: A portfolio diversified across all asset types, but with an emphasis on shares and property.
Style: Responsible Investment multi-manager, active and index.
Performance benchmark: The average weighted return of the market indices used to measure the performance of the underlying funds in which the option invests.
Performance objective: To provide on a rolling 5 year basis moderate to high returns while accepting medium levels of volatility, and a total return, after costs higher than the return from the performance benchmark.
Currency: In normal circumstances, international fixed interest and international property assets are hedged back to Australian dollars, while international shares and other international assets may be hedged to Australian dollars.

INVESTMENT MIX

	Benchmark %	Allowable range%
Australian shares	36	31-41
International shares	24	15-35
Property	13	0-28
Alternatives*	1	0-6
Fixed interest	23	10-36
Cash	3	0-8

*May include infrastructure, hedge funds and private equity.

INVESTMENT RETURNS

This investment option commenced on 1 July 2010 and therefore no historical investment returns are available.

INVESTMENT FEE

Estimated investment fee for 2010/11
 Base fee: 0.65% p.a.
 Performance fee: 0.02% p.a.

Investments

Investment managers

Investment manager	Asset classes	Total (\$mil)
Access Capital	Infrastructure, Fixed Interest	186.9
Acorn Capital	Australian Shares	107.7
American Securities	Private Equity	49.2
AMP ¹	Australian Shares, International Shares, Private Equity, Opportunistic Property, Property, Infrastructure, Fixed Interest, Cash, Capital Guaranteed	922.4
Anchorage Capital Partners	Private Equity	58.8
Axa	Capital Guaranteed	70.2
Baillie Gifford	International Shares	412.2
Balanced Equity Management	Australian Shares	1,016.7
Barwon Investment Partners	Private Equity	48.2
Brevan Howard	Hedge Funds	60.9
Bridgewater	Hedge Funds	127.8
Colonial First State	Opportunistic Property, Property, Infrastructure, Hedge Funds	282.6
Fortis	Australian Shares	532.0
Franklin Templeton	Private Equity, Fixed Interest	92.6
GMO	International Shares	815.5
Goodman Group	Property	64.2
GPT	Property	100.0
GSO Capital Partners	Hedge Funds	102.5
Hastings	Private Equity, Infrastructure	202.8
Invesco	Australian Shares	116.0
King Street Capital	Hedge Funds	50.0
Lazard	International Shares	725.0
Lazard Carnegie Wylie	Private Equity	303.3
Macquarie	Private Equity, Property	124.9
Makena	International Shares, Private Equity, Property, Fixed Interest, Hedge Funds, Cash	545.2
Maple-Brown Abbott	Australian Shares	843.3
Morgan Stanley	Fixed Interest	695.4
Northward	Australian Shares	502.6
Oaktree Capital	Private Equity, Hedge Funds	110.4
Pareto	Currency Overlay	34.5
Perennial	Property	83.2
Pimco	Fixed Interest	57.9
QIC	Property, Cash, Rebalancing Overlay	216.2
Quest	Australian Shares	421.9
Schroders	Fixed Interest	201.6
SSgA ¹	Australian Shares, International Shares, Property, Fixed Interest, Cash	1,533.0
Suncorp	Capital Guaranteed	62.7
TCW	Fixed Interest	404.6
THS Partners	International Shares	482.0
Tribeca	Australian Shares	505.5
Trinity	Property	80.9
Triton Capital	Hedge Funds	60.1
Tweedy Browne Company	International Shares	544.3
Wellington	Fixed Interest	324.1
Winton Capital	Hedge Funds	61.6
Other	International Shares, Private Equity, Opportunistic Property, Property, Fixed Interest, Hedge Funds, Cash	1,385.3
Total		15,728.7

¹ These managers also invest in multi-asset class portfolios.

Significant fund investments

The Fund has \$985 million (more than 5% of the Fund) invested in the Sunsuper Pooled Superannuation Trust (the PST).

Professional advisers

Administrator	Precision Administration Services Pty Ltd*
Custodian	National Australia Bank Ltd
Auditor	Deloitte Touche Tohmatsu
Investment Consultants	Aksia LLC Mercer Human Resources Pty Ltd Sovereign Investment Research Pty Ltd
Lawyers	Corrs Chambers Westgarth
Actuaries	Shane Mather (Fellow of the Institute of Actuaries of Australia)

*Precision Administration Services is a wholly owned subsidiary of Sunsuper Pty Ltd.

Reserve

The Trustee maintains a reserve in the Fund for the benefit of members.

The reserve is maintained to:

- help meet the expenses of running the Fund,
- support the timing differences in respect of actual investment tax and investment fees and the investment tax and fees charged to members, and
- provide for the management of the operating risks of the Fund.

The Trustee does not maintain the reserve for the purpose of smoothing investment earnings. Members' accounts are credited or debited with the actual earnings of their selected investment options.

The reserve may invest in the following:

- Balanced option,
- less volatile investments including cash where there are known significant short-term liabilities such as tax,
- any other investments directly approved by the Trustee that do not impact on the prudential management of the reserve.

Over the past five years, Sunsuper's reserve has been:

Year ending 30 June	2010	2009	2008	2007	2006
Reserve (\$mil)	150.8	106.9	152.1	124.0	104.7

The reserve is included in 'Net assets available to pay benefits' as disclosed in the Statement of Financial Position on page 17 of this report.

The Board

The Trustee of the Sunsuper Superannuation Fund is Sunsuper Pty Ltd (ABN 88 010 720 840), which is licensed by the Australian Prudential Regulation Authority (APRA) under a Registrable Superannuation Entity (RSE) licence and holds an Australian Financial Services Licence (AFSL) from the Australian Securities and Investments Commission (ASIC).

The Trustee is responsible for managing the Fund, and ensures it operates in the best interests of all members and continues to comply with all legal requirements.

Sunsuper Pty Ltd has a Board of Directors comprising equal numbers of employer and employee representatives. As at 30 June, 2010 the representatives on the Board were:

Member representatives	Appointed by
John Battams (Chair)	Qld Council of Unions
Bill Ludwig	Australian Workers Union of Employees Qld
Ron Monaghan ¹	Qld Council of Unions
Employer representatives	Appointed by
Peter Annand ¹	Qld Chamber of Commerce and Industry Limited
Graham Drummond ¹	Qld Chamber of Commerce and Industry Limited
Graham Heilbronn (Deputy Chair) ²	Qld Chamber of Commerce and Industry Limited

¹ Members of the Audit, Compliance and Risk Management Committee as at 30 June, 2010

² Appointed Deputy Chair from 12 May, 2010.

Replacement representatives are appointed by the same employer or union body to ensure there is always equal representation of employees and employers.

The Audit, Compliance and Risk Management Committee of the Board is responsible for reporting to and advising the Board on audit, compliance and risk management issues. The members of the Audit, Compliance and Risk Management Committee are appointed by the Board. All members must be Directors of the Trustee, except for the Audit Committee Financial Expert who can be an external, non-Board member. The current Audit Committee Financial Expert is Marian Micalizzi.

Sunsuper has developed and implemented a comprehensive risk management program, which focuses on the identification, analysis, evaluation, treatment, monitoring and communication of risks. The risk management program is maintained and monitored by an experienced and independent risk manager, and is subject to an annual independent audit by Sunsuper's external auditor.

All Board members are members of the Investment Committee.

Compliance

Sunsuper complies

Sunsuper is a regulated fund under the Superannuation Industry (Supervision) Act 1993 (SIS), and has been a complying fund since inception in 1987. Sunsuper was granted an RSE licence by the Australian Prudential Regulation Authority (APRA) on 21 October, 2005.

It is the Trustee's responsibility to ensure that Sunsuper meets its licensing obligations, including compliance with the RSE licensee laws and the maintenance of a risk management strategy and plan. As a result, Sunsuper members benefit from the lower tax rates that apply to complying funds. The Trustee lodges a return each year with APRA indicating the Fund's compliance with relevant legislation, including SIS.

As an Australian Financial Services licensee, Sunsuper must also have arrangements in place to ensure that it complies with its licensee obligations as determined by the Australian Securities and Investment Commission (ASIC). These obligations relate to conduct and disclosure; the provision of financial services; the competence, knowledge and skills of its responsible officers, as well as their good fame and character; the training and competence of its staff and representatives; and dispute resolution and compensation arrangements. Sunsuper has planned and implemented compliance measures, processes and procedures to ensure it meets the obligations.

Further information

Further information to help you understand your benefits or entitlements, the main features of the Fund, the management and financial condition of the Fund, the Fund's investment performance or investment strategies, is available by calling us on 13 11 84 or visiting sunsuper.com.au.

Liability insurance

The Trustee has a Trustee Professional Indemnity Insurance policy that provides appropriate and adequate cover.

Superannuation surcharge

This surcharge was abolished from 1 July, 2005, however, surcharge amounts may have been advised by the ATO and been deducted from members' accounts during the 2009/2010 year. Sunsuper as the Trustee is responsible for the collection and the remittance of these amounts to the ATO and will deduct any surcharge payable from your account.

Dispute resolution

If you are unhappy with us, we offer a complaint resolution process at no cost to you. Contact us to discuss your complaint:

Customer Service Hotline: 13 11 84
Customer Service Fax: 07 3016 7722

Sunsuper Complaints Officer:
GPO Box 2924 Brisbane Qld 4001

Web: sunsuper.com.au

If you are still not happy or Sunsuper has not responded within 90 days, you can contact the Superannuation Complaints Tribunal (SCT). This is an independent body set up by the Federal Government to help resolve complaints through conciliation.

They may be contacted by writing to:

The Secretariat Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne Vic 3001

Phone: 1300 884 114

Important information you should know about making a complaint to the SCT

The scope of matters that the SCT can deal with is limited by legislation, and it is possible that the SCT cannot deal with the matter. The SCT will advise you if they can deal with a complaint, and if so, what information is required.

The SCT can only deal with complaints where:

- the complainant is a member or former member of Sunsuper, or a person acting on behalf of a member or former member of his/her estate,
- the complaint relates to a Trustee decision or action in respect of a particular member of the fund, not the general management of the fund, and
- the complaint has first been dealt with under Sunsuper's internal complaint resolution procedures.

Access to the SCT is free of charge.

Temporary residents

Super funds will be issued with a notice by the Australian Taxation Office (ATO) identifying who are not Australian or New Zealand citizens or permanent residents of Australia and who have left Australia after holding an Australian temporary resident visa. On receipt of the ATO notice, we will be required to transfer the benefit of any member recorded on the notice to the ATO. As Sunsuper adopts the ASIC class order relief that provides disclosure exemption for former temporary residents, information regarding the transfer of a member's benefits and significant event notices may not be provided to a member whose benefit has been transferred to the ATO. After departing Australia a former temporary resident can claim their benefit from Sunsuper (if we have not paid it to the ATO) or from the ATO. If you are applying to the ATO to claim your benefit and require information about the transfer, please contact us. The taxable component (taxed element) of a former temporary resident's benefit will be taxed at 35 per cent.

Financial statements

The financial statements identify:

- all contributions to the Fund,
- where the Fund's money was invested and how much income it earned,
- expenses the Fund paid,
- the amount of money left in the Fund to pay future benefits, and
- the amount the Fund paid out in benefits.

The Trustee is satisfied that the following abridged financial information derived from the audited Financial Statements of the Fund represents a true and accurate record of changes in the Fund's net assets during the year to 30 June, 2010 and the net assets as at 30 June, 2010. Audited Financial Statements and the Independent Report by the Fund's auditors are available to members on request.

STATEMENT OF NET ASSETS for the year ended 30 June	2010 \$000	2009 \$000
Investments		
Cash and cash equivalents	2,702,818	2,538,272
Fixed interest securities	1,806,296	1,389,885
Australian equities	4,048,952	3,489,181
International equities	3,594,860	2,183,854
Property	911,789	633,864
Alternative assets	2,663,953	2,560,885
Total investments	15,728,668	12,795,941
Other assets		
Cash at bank	36,025	33,976
Contributions receivable	142,780	127,400
Other receivables	34,966	26,893
Plant and equipment	6,047	3,785
Intangible assets	3,197	4,157
Deferred tax asset	150,355	164,708
Total other assets	373,370	360,919
Total assets	16,102,038	13,156,860
Liabilities		
Benefits payable	90,472	84,965
Other payables	20,147	38,770
Provision for employee benefits	1,249	1,102
Current tax liabilities	268,395	173,184
Deferred tax liabilities	21,463	19,155
Total liabilities	401,726	317,176
Net assets available to pay benefits	15,700,312	12,839,684

STATEMENT OF CHANGES IN NET ASSETS for the year ended 30 June	2010 \$000	2009 \$000
Revenue from ordinary activities		
Net investment revenue		
Interest	125,920	126,100
Dividends and distributions	342,122	484,218
Rental and other investment income	25,915	26,801
Changes in net market value of investments	863,625	(2,297,570)
Less: Direct investment expenses	(52,348)	(60,453)
Contribution revenue		
Employer contributions	1,809,097	1,800,152
Member contributions	211,027	232,301
Transfers from other funds	876,809	517,162
Other revenue		
Group life insurance rebate	2,000	2,068
Group life insurance proceeds	91,827	85,309
Other income	278	287
Total revenue from ordinary activities	4,296,272	916,375
Expenditure from ordinary activities		
Direct member expenses		
Group life insurance premiums	122,197	116,393
Superannuation contribution surcharge	55	116
Other member and sub-plan specific expenses	980	1,489
Indirect member expenses charged to reserve		
Fund administration expense	79,667	74,102
Audit fees	302	252
Depreciation expense	1,688	1,519
Amortisation expense	1,083	33
Anti-detriment payments	2,019	1,323
Benefits paid and payable	871,253	844,211
Total expenditure from ordinary activities	1,079,244	1,039,438
Total revenue less expenditure before income tax	3,217,028	(123,063)
Income tax expense	356,400	56,212
Total revenue less expenditure after income tax	2,860,628	(179,275)
Net assets available to pay benefits at the beginning of the year	12,839,684	13,018,959
Net assets available to pay benefits at the end of the year	15,700,312	12,839,684

make your dreams
more than dreams



Contacting us is easy:

Call 13 11 84 (+61 7 3121 0700 when overseas)
and speak to a Member Service Representative.

Web sunsuper.com.au

Mail GPO Box 2924 Brisbane Qld 4001

Fax 07 3016 7722

Sunsuper Pty Ltd
ABN 88 010 720 840
AFSL No.228975

Sunsuper Superannuation Fund
ABN 98 503 137 921
SPIN SSR 0100 AU

In 2010, Sunsuper has been recognised as one of Australia's leading superannuation funds by each of the separate independent organisations shown below.



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