



# Hostplus Pooled Superannuation Trust.

Annual Report for the financial year  
ended 30 June 2018



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## We are here to help you

Call 1300 350 819, 8am–8pm (AEST),  
Monday to Friday  
Visit [hostplus.com.au/pst](https://hostplus.com.au/pst)  
Email [pst@hostplus.com.au](mailto:pst@hostplus.com.au)

Hostplus Trustee contact details  
Call (03) 8636 7777  
Fax (03) 8636 7799  
Email [pst@hostplus.com.au](mailto:pst@hostplus.com.au)  
Mail GPO Box 764,  
Melbourne, VIC 3001

This information is of a general nature. It has been prepared without taking into account your particular objectives, circumstances, financial situation or needs. When considering your own objectives you will also need to consider, with the help of a licensed financial adviser, whether the advice is appropriate in light of your particular needs, objectives and financial circumstances. Please read the Hostplus Pooled Superannuation Trust Product Disclosure Statement before making a decision. Issued by Host-Plus Pty Limited ABN 79 008 634 704, RSEL No.L0000093, AFSL NO 244392 as trustee for the Hostplus Pooled Superannuation Trust ABN 13 140 019 340 RSE R1076257.

Investments in the Hostplus Pooled Superannuation Trust ABN 13 140 019 340 RSE R1076257 (PST) are offered by Host-Plus Pty Limited ABN 79 008 634 704 AFSL 244392 RSE L0000093 as trustee of the Hostplus Pooled Superannuation Trust.

## A message from the Chief Executive Officer

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Dear Investor,

On behalf of the Trustee of Hostplus' Pooled Superannuation Trust (PST), I am pleased to present the PST's Annual Report for the year ended 30 June 2018.

Over the past financial year, we were delighted to welcome an initial round of investors to our distinctive investment solution for self-managed superannuation funds. We highly value your selection of the PST platform to assist part of your investment portfolio, alongside your ongoing feedback and support during this period.

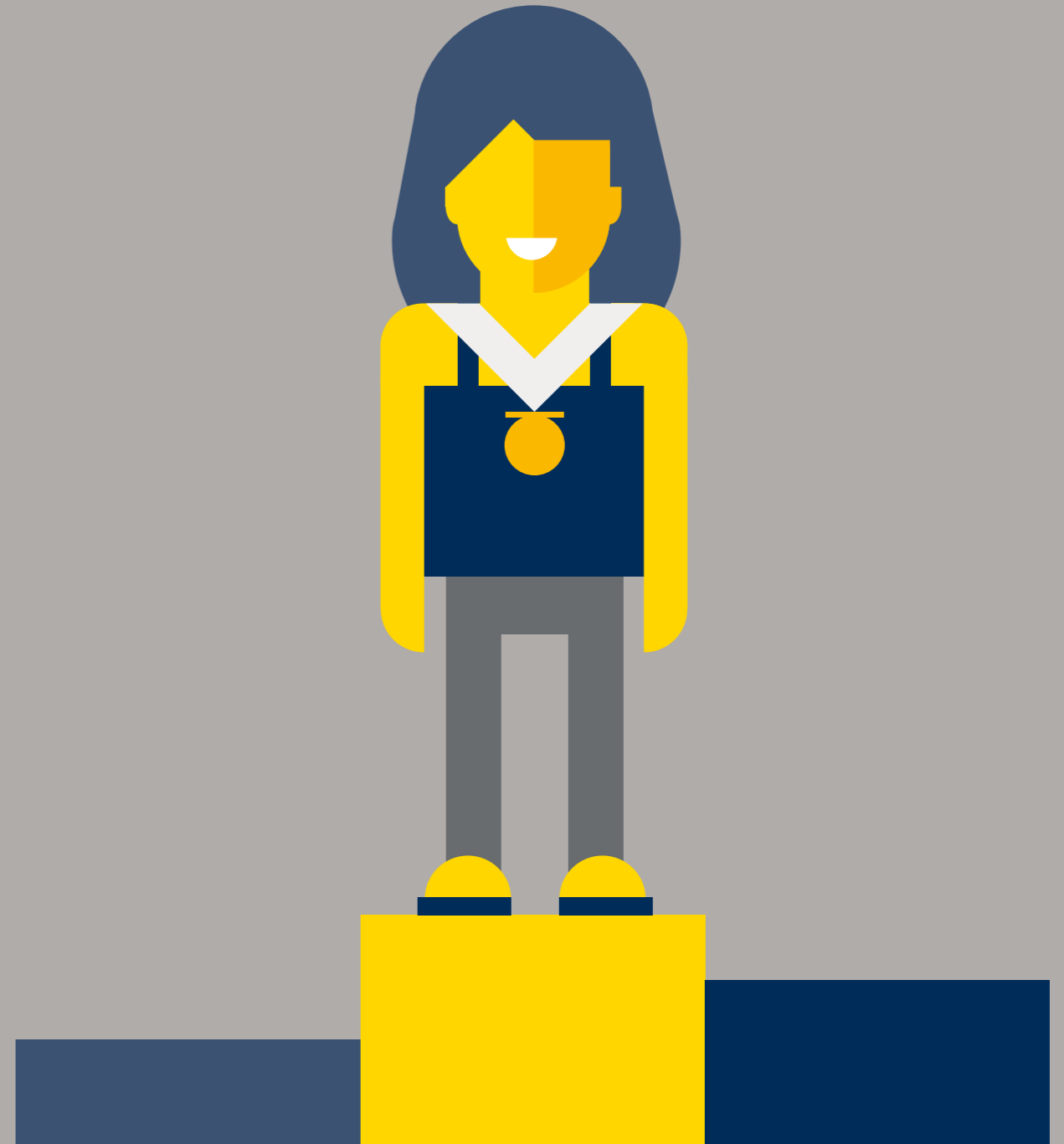
Our vision for the PST is to extend the opportunity to select self-managed super funds and institutional investors whom may benefit from Hostplus' leading investments, performance and services already available to our 1.1 million members. These scale benefits, and access to unique and distinctive unlisted assets, have been built up over 30 years of operating as one of Australia's best-performing industry superannuation funds.

This report provides up-to-date information relating to the PST, including the investment options available to you, as well as relevant data about fees and taxes.

Thank you for entrusting us to look after your investments. We look forward to continuing to develop the PST platform's capability to enhance our investors' onboarding, reporting and online experience.

A handwritten signature in black ink that reads "David Elia".

David Elia  
Chief Executive Officer





# Investments.

- PST investment options
- PST Investment performance
- Other investment information
- PST Investment managers

## PST Investment options

PST Investment options	
Accumulation phase	Pension phase
Balanced	Balanced
Indexed Balanced	Indexed Balanced
Infrastructure	Infrastructure
Property	Property

Further details of the investment options are outlined in the following tables.

Balanced	
Target return	<ul style="list-style-type: none"> <li>CPI plus 3% p.a. on average over 10 years</li> <li>CPI plus 4% p.a. over 20 years</li> </ul>
Investment risk <sup>1</sup>	<ul style="list-style-type: none"> <li>High (Negative returns expected in between 4 to 6 out of every 20 years)</li> </ul>
Investment style	<ul style="list-style-type: none"> <li>Investments through diversified investment portfolio, including some growth assets and some lower risk investments.</li> </ul>
Investment objective	<ul style="list-style-type: none"> <li>This option is diversified across a range of growth and defensive assets and aims to produce consistent returns over time.</li> <li>This option may suit investors who have a five year plus investment time horizon.</li> </ul>
Minimum suggested investment timeframe <sup>2</sup>	5 years +

Asset mix	Range	SAA benchmark*
<b>Growth assets</b>		<b>75%</b>
Equity		
Australian shares	15–45%	23%
International shares		
Developed markets	10–30%	22%
Emerging markets	0–15%	8%
Private equity	0–15%	7%
Infrastructure	0–15%	6%
Property	0–15%	4%
Other		
Credit	0–10%	2%
Alternatives	0–10%	3%
<b>Defensive assets</b>		<b>25%</b>
Infrastructure	0–10%	6%
Property	0–20%	9%
Fixed income	0–20%	0%
Cash	0–10%	0%
Other		
Credit	0–10%	5%
Alternatives	0–10%	5%

1. The Level of investment risk is based on an industry-wide Standard Risk Measure. It shows the number of expected negative annual returns over a 20-year period. 2. The Minimum Suggested Time Frame is based on the risk and return profile of this option. The time frame considers volatility and the likelihood of negative annual returns in any one year. \* This is the strategic asset allocation from the PST inception on 27 November 2017 to 30 June 2018.

## PST Investment options (continued)

### Indexed balanced

Target return	▪ CPI plus 3.0% p.a. over 20 years
Investment risk <sup>1</sup>	▪ High (Negative returns expected in between 4 to 6 out of every 20 years)
Investment style	▪ Investments through diversified investment portfolio, including some growth assets and some lower risk investments.
Investment objective	▪ This option is diversified across a range of growth and defensive assets and aims to produce consistent returns over time. ▪ This option may suit investors who have a seven year plus investment time horizon.
Minimum suggested investment timeframe <sup>2</sup>	7+ years

Asset mix	Range	SAA benchmark*
<b>Growth assets</b>		<b>75%</b>
Equity		
Australian shares	25–55%	32%
International shares		
Developed markets	25–55%	43%
Emerging markets	0–10%	0%
<b>Defensive assets</b>		<b>25%</b>
Fixed income	10–30%	15%
Cash	0–20%	10%

### Infrastructure\*\*

Target return	▪ CPI plus 3% per annum on average over 20 years
Investment risk <sup>1</sup>	▪ High (negative returns expected in between 4 to 6 out of every 20 years)
Investment style	▪ Long-term direct investment option that invests in tangible infrastructure assets, such as airports, toll roads, power plants and utilities, across Australia.
Investment objective	▪ This option consists of tangible Australian infrastructure assets and aims to achieve income returns and capital growth over the longer term. ▪ This option may suit investors who have a five year plus investment time horizon.
Minimum suggested investment timeframe <sup>2</sup>	5 years +

Asset mix	Range	SAA benchmark*
<b>Growth assets</b>		<b>50%</b>
Infrastructure		50%
<b>Defensive assets</b>		<b>50%</b>
Infrastructure		50%

### Property

Target return	▪ CPI plus 2.5% per annum over 20 years
Investment risk <sup>1</sup>	▪ High (negative returns expected in between 4 to 6 out of every 20 years)
Investment style	▪ The Fund has an income bias aiming to offer investors lower relative earnings volatility and a higher income yield
Investment objective	▪ This Option aims to achieve income returns and capital growth over the longer term ▪ This Option may suit investors who have a seven year plus investment time horizon
Minimum suggested investment timeframe <sup>2</sup>	7 years +

Asset mix	Range	SAA benchmark*
<b>Growth assets</b>		<b>30%</b>
Property		30%
<b>Defensive assets</b>		<b>70%</b>
Property		70%

1. The Level of investment risk is based on an industry-wide Standard Risk Measure. It shows the number of expected negative annual returns over a 20-year period. 2. The Minimum Suggested Time Frame is based on the risk and return profile of this option. The time frame considers volatility and the likelihood of negative annual returns in any one year. \* This is the strategic asset allocation from the PST inception on 27 November 2017 to 30 June 2018.

1. The Level of investment risk is based on an industry-wide Standard Risk Measure. It shows the number of expected negative annual returns over a 20-year period. 2. The Minimum Suggested Time Frame is based on the risk and return profile of this option. The time frame considers volatility and the likelihood of negative annual returns in any one year. \*\*The option may be closed to new investors if a cap of 3% of total funds under management for the Trust is reached. \* This is the strategic asset allocation from the PST inception on 27 November 2017 to 30 June 2018.

## PST Investment performance

Option	To 30 June 2018* (%)
<b>Accumulation</b>	
Balanced	5.18
Indexed Balanced	3.99
Property	6.10
Infrastructure	5.90
<b>Pension</b>	
Balanced	5.72
Indexed Balanced	4.49
Property	6.87
Infrastructure	6.13

### Investment risk measure

The Standard Risk Measure (SRM) has been adopted to assist investors in comparing investment options (both within and across superannuation) using a simplified risk measure. The SRM is not a complete assessment of all forms of investment risk; for instance, it does not detail what the size of a negative return could be or the possibility of returns not being adequate to meet an investor's investment objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return. Investors should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s.

Risk measures and categories		
SRM risk identifier	SRM risk label	Level of investment risk – estimated number of negative net investment returns over a 20 year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

\*These are the investment returns (net of fees and tax) from the PST inception date of 27 November 2017 to 30 June 2018.

## Other investment information

### Currency hedging

International investments are vulnerable to currency fluctuations and, as such, hedging can reduce exposure to certain currencies. Hostplus partially hedges the currency component of its international asset exposures with the utilisation of forward foreign exchange contracts.

### Derivatives

Derivatives are financial instruments linked to the future purchase or sale of securities, such as shares and other assets. They are common risk management tools.

Derivatives are used by the PST for many purposes, including hedging to protect an asset against market fluctuations, reducing costs of achieving a particular market exposure, and specifically using derivative overlays to manage the PST's exposure to foreign currency movements against the Australian dollar. The Trustee has appointed various external investment managers who can directly invest in derivatives in order to assist with the effective management and protection of the PST assets. To satisfactorily manage this risk we set appropriate terms, levels of usage and constraints. The Trustee also obtains confirmation from these investment managers that they have the appropriate risk management processes in place in relation to the use of derivatives.

Derivatives will only be utilised where such use is consistent with:

- the investment strategy adopted for that portion of the Fund managed by the relevant investment manager;
- the investment powers of the Fund; and
- the strategy as agreed between the Fund and the respective investment managers.

Some Hostplus investment managers use derivatives to achieve their investment objectives and manage risk, while always complying with the asset sector investment guidelines. Derivatives may be used in the management of the Fund's investment portfolio but may not be used to gear the portfolio or create net short positions.

Hostplus monitors the use of derivatives by our investment managers. An annual review of the Derivatives Risk Statements of the investment managers or attestations obtained from various investment managers in relation to their internal controls are undertaken to ensure that they have the appropriate controls to trade such instruments. The use of derivatives and subsequent control frameworks are considered as part of our investment risks.

## PST Investment managers

### PST Investment manager allocations

Hostplus appoints a range of trusted, specialist investment managers to invest on the PST behalf. Each manager is assessed for suitability in relation to the PST overall investment strategy.

Each manager's investment performance is regularly reviewed, with changes made where necessary. The managers in place as at 30 June 2018 (together with allocations) are shown in the following tables.

These investment managers have combined investments in excess of 5 per cent of total PST assets:

- IFM Investors Pty Ltd;
- ISPT Pty Ltd; and
- Paradice Investment Management Pty Ltd.

The below list of investment manager allocations may include cash and accounting accruals.

IFM Investors Pty Ltd	% of Total FUM	\$m
<b>Australian shares</b>		
IFM Investors Pty Ltd (Buyback)	0.1%	41.014
IFM Investors Pty Ltd (Enhanced Indexed)	3.8%	1,297.648
IFM Investors Pty Ltd (Small Cap)	0.7%	240.364
<b>International shares</b>		
IFM Investors Pty Ltd (Indexed Global Equities)	4.3%	1,471.284
<b>Private Equity</b>		
IFM Australian Private Equity Fund 3 – IFM Investors Pty Ltd	0.0%	1.427
IFM Australian Private Equity Fund 4 – IFM Investors Pty Ltd	0.0%	5.945
IFM International Private Equity Fund 1 – IFM Investors Pty Ltd	0.0%	1.889
IFM International Private Equity Fund 2 – IFM Investors Pty Ltd	0.0%	11.823
IFM International Private Equity Fund 3 – IFM Investors Pty Ltd	0.1%	35.231
<b>Infrastructure*</b>		
IFM Australian Infrastructure Fund – IFM Investors Pty Ltd	3.2%	1,086.819
IFM Hostplus Trust – IFM Investors Pty Ltd	0.3%	102.826
IFM International Infrastructure Fund – IFM Investors Pty Ltd	2.6%	906.768
<b>Fixed Income</b>		
IFM Investors Pty Ltd (Enhanced Cash)	0.0%	0.594
<b>Cash</b>		
IFM Investors Pty Ltd	3.6%	1,240.129

## PST Investment managers (continued)

ISPT Pty Ltd	% of Total FUM	\$m
<b>Property</b>		
ISPT Core Fund – ISPT Pty Ltd	4.0%	1,387.507
ISPT Development and Opportunities Fund I – ISPT Pty Ltd	0.0%	0.339
ISPT Development and Opportunities Fund II – ISPT Pty Ltd	0.0%	4.805
ISPT Non-Discretionary Residential Mandate – ISPT Pty Ltd	0.3%	113.864
ISPT Retail Australian Property Trust – ISPT Pty Ltd	0.9%	299.427

Paradice Investment Management Pty Ltd	% of Total FUM	\$m
<b>Australian shares</b>		
Paradice Investment Management Pty Ltd (Small Cap)	1.1%	387.404
Paradice Investment Management Pty Ltd (Mid Cap)	1.5%	508.506
Paradice Investment Management Pty Ltd (Large Cap)	2.4%	840.813
<b>International shares</b>		
Paradice Investment Management Pty Ltd (Global Small Cap)	1.2%	414.761





# Important information.

## The Hostplus PST Trust Deed

To view the Trust Deed, and for such information as the powers and indemnity of the Trustee, contact the PST Service team on **1300 350 819**, 8am-8pm (AEST) Monday to Friday.

## Notification of material changes

In the event of a material change occurring to any information regarding the Hostplus PST, irrespective of whether it is adverse or not, the Trustee will notify existing investors in writing within the time frames required by law.

A change or event which does not relate to an increase to a fee or charge or constitutes a significant event will be sent as soon as possible but not later than three months after the change or event occurs. A change or event which does increase a fee or charge will be sent at least 30 days before it occurs.

Updated information is available from the PST Service team on **1300 350 819**

## Our governance and disclosures

Our corporate governance is designed to protect and enhance the interests of investors, while also taking into account the interests of other stakeholders, including Hostplus employees, third party service providers and the community.

Information about the following is available at [hostplus.com.au/super/about-us/governance-and-disclosures](https://hostplus.com.au/super/about-us/governance-and-disclosures):

- rules on nomination, appointment and removal of Trustee directors
- Hostplus corporate governance and rules
- the Hostplus PST Trust Deed

- the Hostplus Constitution
- the Hostplus Board
- conflict management policy
- significant event notices
- audit arrangements, and
- service providers.

## Our investment governance

The Trustee considers investment governance as an area that is integral to the investment selection process.

Information about the following is available at [hostplus.com.au/super/about-us/investment-governance](https://hostplus.com.au/super/about-us/investment-governance):

- environmental, social and corporate governance (ESG)
- proxy voting
- investment in sustainable assets
- investment manager allocation, and
- our investment holdings.

## Investor rights and liabilities

As an investor holding units in an investment option you have a proportional beneficial interest in that option, but do not have an interest or ownership of the underlying funds that it invests in, its assets, management or operation. An investor's entitlements as a unit holder are in the Hostplus PST as a whole and not any particular investment option.

## Important information

An investor must indemnify the Trustee for any liability, overpayment or failure to provide for tax because of a reliance on information given to us by that investor. Further, an investor's liability is limited by the Trust Deed to the value of their units.

### Transactions, fees and costs

Please refer to your periodic statement for details of any transactions, fees and costs during the year ended 30 June 2018. Further information on the fees and costs associated with your investment is available in the PST Product Disclosure Statement or by contacting Hostplus at 1300 350 819, 8am–8pm (AEST) Monday to Friday.

### Financial Services Guide (FSG)

The FSG provides adequate information about the financial services being offered by the Trustee. It contains information about the services we offer, how we are paid, any potential conflict of interest we may have, and our internal and external dispute resolution procedures and how you can access them. If you need more information or clarification of any matters raised in the FSG, please contact us. The FSG is available at from the PST Service team on **1300 350 819**

### Related party transactions and conflicts of interest

Under the law the Trustee is required to manage any conflicts of interest. The role and aim of the Trustee's Board of Directors is to develop and manage frameworks to avoid conflicts of interest. However, there might be circumstances where the avoidance of conflicts of interest will not always be possible or prudentially practical. The Board will identify, analyse and evaluate all such conflicts and then determine whether to avoid a particular conflict of interest or accept and act notwithstanding the conflict of interest, subject to any management controls. Any conflict of interest that cannot be avoided must be managed, as is reasonable in the circumstances, but always so that priority is given firstly to the interests of investors.

Services Outsourced	Provider	ABN
Administrator	Citigroup Pty Limited	88004325080
Custodian	Citigroup Pty Limited	88004325080
Online services platform provider		
Investor portal	Citigroup Pty Limited	88004325080
External Auditor	PricewaterhouseCoopers	52780433757
Internal Auditor	KPMG Australia	51194660183
Investment Adviser	Jana Investment Advisers Pty Limited	97006717568
Legal Advisers	Norton Rose Fulbright Australia	32 720 868 049
Tax Advisers	KPMG Australia	51194660183

### Service Providers

The Trustee has engaged the key service providers listed below to assist in delivering the Hostplus PST. An outsourcing policy has been implemented to assist in the appointment, overseeing and management of these providers.

### Trustee of the PST

Host-Plus Pty Limited was the Trustee of the Hostplus Pooled Superannuation Trust for the reporting period. Registered address: Level 9, 114 William Street, Melbourne VIC 3000

### Trustee indemnity insurance

QBE Insurance (Australia) Limited provided Trustee insurance cover for the reporting period and is the ongoing insurer to 30 September 2019.

### Enquiries and complaints

If you have an enquiry or complaint, please call **1300 467 875**. We'll do everything in our power to attend to your matter promptly and courteously. If you are not happy with the way your matter is handled, we want to know. Please write to:

Hostplus Resolutions Officer  
Locked Bag 9  
Carlton South VIC 3053  
or email to  
**resolutions@hostplus.com.au**.

Hostplus aims to resolve all complaints within 90 days of receipt. However, if you are not satisfied with either the way Hostplus handles your complaint or its resolution, you may contact the Australian Financial Complaints Authority (AFCA). AFCA provides free, fair and independent financial services complaint resolution to Hostplus investors.

You can contact AFCA via:

Website: [www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)  
Telephone: 1800 931 678.

In writing to:  
Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001.



## Financial summary.

This section is an abridged financial summary of the PST's audited accounts for the last two years.

The PST financial statements and auditor's report can be found at [hostplus.com.au/super/about-us/governance-and-disclosure](https://hostplus.com.au/super/about-us/governance-and-disclosure)

You may also request a copy by calling us on **1300 350 819**, 8am–8pm (AEST) Monday to Friday.

## Financial summary

Income statement	2018 (\$'000)	2017 (\$'000)
<b>Revenue</b>		
Investment income	3,656,655	2,949,192
Other income	2,875	2,216
<b>Total revenue</b>	<b>3,659,530</b>	<b>2,951,408</b>
<b>Expenses</b>		
Investment expenses	117,920	104,034
Administration expenses	771	864
<b>Total expenses</b>	<b>118,691</b>	<b>104,899</b>
<b>Profit before income tax</b>	<b>3,540,838</b>	<b>2,846,510</b>
Income tax expense	256,319	237,589
<b>Profit after income tax</b>	<b>3,284,519</b>	<b>2,608,921</b>

Financial Position	2018 (\$'000)	2017 (\$'000)
Investments	33,348,179	24,403,035
Cash and cash equivalents	915,933	679,614
Other assets	369,324	233,921
Less:		
Liabilities	884,947	503,463
<b>Net Assets</b>	<b>33,748,490</b>	<b>24,813,107</b>
<b>Equity</b>		
Unitholder funds	33,711,857	24,787,237
Reserves	36,633	25,869
<b>Total Equity</b>	<b>33,748,490</b>	<b>24,813,107</b>

## Financial summary

### Reserve accounts

The Trustee maintains reserves to cover the day-to-day operations of Hostplus which are invested in a manner consistent with the Trust's investment strategy, being the Balanced investment option, and in a manner that allows the Trust to discharge its liabilities as and when they fall due. The balance of all Trust reserves at 30 June for the last four years has been:

Year	Administration reserve (\$'000)	ORFR reserve (\$'000)	Total reserves (\$'000)
2018	6,951	29,683	36,633
2017	4,225	21,644	25,869
2016	2,483	19,109	21,592
2015	1,062	-	1,062

### Administration Reserve

The receipt of administration fees by investors are deposited into the administration reserve and the accumulated funds are utilised to pay for Trust administration and other expenses.

### Operational Risk Financial Requirement ('ORFR') Reserve

An ORFR Reserve is separately maintained to ensure the Trust has access to adequate financial resources in the event of losses arising from an operational risk event. An ORFR Reserve has been established, as required by the Australian Prudential Regulation Authority (APRA), at a level representing 0.10% of Trust Net Assets.

Hostplus has an approved ORFR policy detailing what constitutes an operational risk event and how the ORFR Reserve is accessed (if an operational risk event occurs).

If you require further information please call us on **1300 350 819**, 8am–8pm (AEST) Monday to Friday.

