

ANNUAL REPORT

for the financial year
ended 30 June 2008

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HOST PLUS
expect more

Super performance

After a strong, positive run of many years, the truly variable nature of the share market was revealed in the later part of 2007.

But in a difficult year, HOSTPLUS remained a solid performer among superannuation funds, ranked sixth out of 43 funds surveyed for our Balanced (default) option for the year ended 30 June 2008 (Source: SuperRatings Fund Crediting Rate Survey – SR50 Balanced (60–76) Index, 25 July 2008).

Markets go up and down, and it's important to remember that super is a long-term investment and that investment cycles need to be viewed over the longer term, not judged by what has occurred in the past few months. Throughout these cycles, HOSTPLUS remains committed to the future benefit of our members.

And HOSTPLUS continues to grow. Over the last 12 months, our member base has grown from 823,000 to over 900,000. Our funds under management now total \$6.9 billion – up from \$6.5 billion in 2007.

We were also proud to receive two of our industry's highest accolades – SuperRatings Fund of the Year and Money magazine's Best of the Best award for Best Super Fund Manager for 2007 and 2008. We also hold premium ratings – a AAA fund quality rating from Rainmaker, a 5 star quality rating from The Heron Partnership, 5 Apples from Chant West and SuperRatings Platinum rating. These are the highest ratings in their categories.

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For more information or help

Call: 1300 HOSTPLUS (1300 467 875)
8am – 8pm, Monday to Friday

Fax: 1800 HOSTPLUS (1800 467 875)

Visit: hostplus.com.au

Email: info@mail.hostplus.com.au

Mail: Locked Bag 3
Carlton South VIC 3053



The trustee of HOSTPLUS Superannuation is Host-Plus Pty Limited ABN 79 008 634 704, AFSL No. 244392, RSEL No. L0000093, RSE No. R1000054.

Super updates

Deletion of an individual fund manager option

As part of responsible investment practices, HOSTPLUS investment managers, as well as their objectives and strategies, are regularly reviewed to help ensure all possible investment opportunities are achieving their agreed investment objectives, as set out by the fund and its investment advisors. As such, from time to time, changes may occur.

From 1 April 2008, the individual manager option BlackRock Financial Management – International Fixed Interest was no longer available as an investment choice. For information about what happens when HOSTPLUS changes or removes investment managers see page 29 of the HOSTPLUS Member Guide Product Disclosure Statement (PDS) dated 1 May 2008. You can download a copy at hostplus.com.au

HOSTPLUS recognises that members may want to take more control of their money and choose where their super is invested. That's why HOSTPLUS offers 19 different investment options. Members can mix and match as they wish, as often as once a month, free of charge.

Members can choose from:

- 4 pre-mixed options
- 5 sector specific options, and
- 10 individual manager options.

Super rules for temporary residents

The government has proposed that super funds would be required to transfer all superannuation benefits of temporary residents to the ATO on an annual basis. Alternatively, the employer could make the contribution directly to the ATO.

The departed resident would be able to claim the super within five years of departure from the ATO, subject to existing withholding tax rules. Where a temporary resident becomes a permanent resident, their super would be transferred back to their super fund with interest.

The objective of the measure is to minimise the build up of lost members. It is anticipated the new rules would come into effect in late 2008.

New insurance arrangements

As previously advised, from 1 May 2008 HOSTPLUS made changes to the insurance arrangements to improve benefits to members.

- The automatic Death and Total & Permanent Disablement (TPD) Insurance Cover is now two units for members 25 and over and one unit for members under 25. Units cost \$1 each per week. And at no extra cost to members, scales for the value of units insured increased by 10.5% for both the standard and management/clerical scales – so you'll have more cover for your dollar. Terminal illness benefits are included in any Death Only or Death and TPD cover.
- The maximum benefit level of TPD insurance you can be covered for increased to \$2 million.
- Casual employees can apply for a maximum level of cover of three units for Death & TPD.
- Overseas, you'll be covered in most circumstances – as long as you have sufficient funds in your super account to cover insurance premiums.
- Salary Continuance insurance scales increased by 20%. You can be insured for up to 90% of your pre-disability monthly income, with 75% of income payable to you and 15% payable as a contribution to your HOSTPLUS super account.
- Salary Continuance Insurance Cover will be available upon application to casuals from 1 October 2008.
- Death Only premiums were reduced from 70¢ to 50¢ per unit a week. With the increase in value of units, you'll be getting more for less.
- The \$250,000 limit to interim accidental death cover has been removed and cover now includes TPD due to accident.
- Total and Permanent Disablement definitions have changed.

For full details of the current insurance arrangements see the HOSTPLUS Member Guide PDS edition 1 May 2008. You can download a copy at hostplus.com.au

Tax exemption for terminally ill

Interim measures which applied from 1 July 2007 to 1 July 2008 exempted the terminally ill from taxation on lump sum superannuation benefits. The government has now made this exemption permanent.

To receive superannuation benefits tax free a member must be suffering from a terminal illness as certified by two medical practitioners, one being a specialist and stipulating death within 12 months of the certification.

Clearing house facility

From July 2009 the government intends to introduce a clearing house facility, operated by the private sector, to collect superannuation contributions. The service will enable employers to pay superannuation contributions in the one location instead of having to pay contributions to a large number of superannuation funds chosen by their employees. The clearing house will then distribute the Superannuation Guarantee (SG) contributions to the relevant super funds. The service will be free to small businesses of less than 20 employees.

Ordinary time earnings

From 1 July 2008 ordinary time earnings (OTE) are the only allowable earnings base. This means the 9% SG contribution paid by an employer on behalf of an employee is based on earnings from ordinary hours of work and does not include overtime. However, if an employee is covered by an award or industrial law agreement that stipulates a higher SG contribution, then the higher amount must be paid. If the award or industrial law agreement stipulates a lower contribution then the contribution needs to be calculated at OTE as the minimum.

Same sex relationships

The government is proposing changes to remove discrimination against same sex couples in superannuation laws. Under current laws superannuation lump sum death benefits are not automatically tax-free for same sex couples and same sex partners cannot engage in contribution splitting or access the superannuation contribution spouse tax offset.

Tax caps on super lump sums

Low rate cap amount

The low rate cap is the limit set on the amount of the taxable component of a super lump sum benefit that you can receive at a lower (or nil) rate of tax. The low rate cap applies if you have reached your preservation age but are below age 60.

The low rate cap amount for the 2008–09 income year is \$145,000.

Untaxed plan cap amount

The untaxed plan cap is the maximum untaxed super benefit you can receive as a lump sum from each super fund you have. Each lump sum benefit you receive from a super fund that contains a taxable component with an untaxed element will count towards this cap. Any part of the untaxed element which exceeds the untaxed plan cap will be taxed at the top marginal rate (plus Medicare levy where applicable).

The untaxed plan cap amount for the 2008–09 income year is \$1.045 million.

Maximum superannuation contribution base

This is the maximum limit used to calculate the SG contribution on any employee's earnings base for each quarter of the financial year. Employers do not have to pay SG contributions for any earnings above this limit. For the 2008–09 income year the maximum per quarter is \$38,180.

Tax deduction for personal super contributions

Eligible members intending to claim a tax deduction for their personal super contributions should lodge with their super fund a *Notice of intent to claim or vary a deduction for personal super contributions* form (NAT 71121) and receive a confirmation from the trustee the earlier of both of the following dates:

- the day that you lodge your tax return
- the end of the income year following the year in which the personal contributions were made.

For more information or to download the NAT 71121 form, visit www.ato.gov.au

Claiming your no TFN contribution tax and interest

If the total contributions in a member's account for the year are in excess of \$1,000 and the member hasn't provided their Tax File Number (TFN) to HOSTPLUS, their super will be taxed at a higher rate (currently 46.5% instead of 15%).

The additional tax will be deducted each year as at 30 June or upon a member exiting HOSTPLUS.

However, the additional tax (ie. the 31.5%) may be credited back to the member's super account when the TFN is provided, subject to members quoting their TFN to HOSTPLUS within three years from the end of the financial year that the additional tax for the no TFN contributions were payable.

Current members who have not quoted their TFN to the trustee

If a member quotes their TFN to the trustee before 30 June the additional tax will be credited to the member's account as at 30 June of that year. If after 30 June, it will be as at 30 June the following year.

Members leaving the fund who provide their TFN

Members exiting the fund will have the no TFN tax credited on the day of exit if their TFN is provided when they complete the benefit payment form or rollover form. If the TFN isn't provided at this point, the higher tax will apply.

Interest

Interest may be claimed on the additional tax paid but only where a member's TFN was not passed on by the employer.

For further information call 1300 HOSTPLUS (1300 467 875) or visit hostplus.com.au

Example:

Sam did not provide his TFN to the trustee before 30 June 2008. The trustee deducted the additional tax out of Sam's account at 30 June 2008. On 20 July Sam quotes his TFN to the trustee. The trustee will credit the additional tax paid on 30 June 2008 to Sam's account on 30 June 2009.

Looking after your super investment

We've designed investment options with different investment objectives, strategies and risk profiles. We utilise high quality investment managers and together with our asset consultant, JANA Investment Advisers Pty Ltd (JANA), we monitor and review the performance of our options and make whatever changes are necessary to deal with the changing economic outlook.

Founded in 1987, JANA is one of Australia's leading asset consulting firms with approximately A\$125 billion under advice. JANA assists HOSTPLUS in establishing the overall investment strategy and investment objectives of all the fund's investment options.

The fund's investments are held by a custodian: JPMorgan Chase Bank N.A. – a leading global financial services firm with assets of US\$1.5 trillion and operations in more than 50 countries. JPMorgan is a leading global provider with more than US\$15 trillion in assets under custody. The firm is also a leader in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management and private equity. The performance of the investment managers chosen by the fund is monitored by the custodian. A list of the investment managers and investments utilised for HOSTPLUS investment options can be found in the table on pages 25–26.

Before you consider making an investment choice, you may like to learn more about our investment process, outlined below.

1. Developing the investment strategy

The Directors of HOSTPLUS meet on a regular basis with JANA. JANA assists in establishing the overall investment strategy and the investment objectives of each investment option.

The Directors meet to determine the fund's strategic asset allocation. This involves the setting of the allocation between growth and defensive assets for the pre-mixed investment options. They decide which asset classes the fund will invest in and the mix of investment styles. They also set constraints on allocations to investments within each asset class.

2. Appointment and ongoing review of investment managers

Professional investment managers are selected based on a detailed assessment by the investment adviser and the Directors of HOSTPLUS. Once appointed, the investment managers are given detailed guidelines to follow and invest according to the strategy and risk profile stipulated.

The performance of the investment managers is constantly monitored. In fact, a monthly performance report is prepared for the fund's Directors by the custodian and a quarterly report by the investment adviser. The performance of each investment option and investment manager is also regularly reviewed to ensure it is achieving the agreed investment objectives.

3. The fund's earning rates

Pages 6–7 of this report details the earning rates for each investment option for the financial year ended 30 June 2008.

Net fund earning rates to 30 June 2008

Pre-mixed options

| Year | Capital Stable | | Conservative Balanced* | Balanced | | Shares Plus | |
|--------------|----------------|------|------------------------|----------|-------|-------------|-------|
| 2008 | 3.1% | | 1.0% | -3.6% | | -5.4% | |
| 2007 | 9.8% | | – | 16.8% | | 19.6% | |
| 2006 | 8.1% | | – | 15.5% | | 18.8% | |
| 2005 | 10.3% | | – | 14.0% | | 14.6% | |
| 2004 | 7.8% | | – | 14.0% | | 16.5% | |
| 3 year p.a. | 6.9% | 7.0% | – | 9.2% | 9.6% | 10.3% | 11.0% |
| 5 year p.a. | 7.8% | 7.8% | – | 11.1% | 11.3% | 12.4% | 12.8% |
| 7 year p.a. | 6.8% | 6.8% | – | 8.3% | 8.6% | 7.7% | 8.3% |
| 10 year p.a. | 6.9% | 7.0% | – | 9.0% | 9.2% | 8.8% | 9.3% |

*This option was introduced on 1 October 2007, therefore performance figures are for the nine months to 30 June 2008.

A number of our competitors disclose average returns over a defined period on a simple average basis, as opposed to the equivalent compound rate noted above. To allow you to compare like with like, the simple average returns for the options are also shown.

Past performance is not a guide to future performance.

Effective compound rate
 Simple average rate

Explanation of terms

Net fund earning rate. This is the rate allocated to your account which could be positive or negative.

Simple average rate. The net earnings allocated on an initial investment only for the life of the investment. For example, if you invest \$1,000 in an account and it earns 10%, the next year you will earn 10% on the original \$1,000 but not on the \$100 earned in the first year.

Effective compound rate. A method of calculating earnings in each period where earnings are calculated on both the principal (the initial investment) and any amounts previously earned. The calculation assumes actual earnings are applied at a constant rate on both the principal and any amounts subsequently earned. The method assumes any subsequent earnings are reinvested on an ongoing basis for the life of the investment. For example, you invest \$1,000 in an account and it earned an effective compound rate of 10% per annum, the next year you will earn 10% on the original \$1,000 plus the \$100 in earnings received in the first year and so on.

Net fund earning rates to 30 June 2008 (cont)

Sector investment options

| Year | Cash | | Diversified Fixed Interest | | Property | | Australian Shares | | International Shares | |
|-------------|------|------|----------------------------|------|----------|-------|-------------------|-------|----------------------|-------|
| 2008 | 6.6% | | 5.8% | | 9.7% | | -10.2% | | -11.6% | |
| 2007 | 5.9% | | 4.5% | | 14.6% | | 27.8% | | 16.0% | |
| 2006 | 5.4% | | 2.7% | | 12.2% | | 22.4% | | 21.8% | |
| 2005 | 5.2% | | 9.0% | | 11.1% | | 24.3% | | 6.3% | |
| 2004 | 4.3% | | 4.3% | | 10.1% | | 21.0% | | 18.8% | |
| 3 year p.a. | 5.9% | 5.9% | 4.3% | 4.3% | 12.1% | 12.2% | 12.0% | 13.3% | 7.7% | 8.7% |
| 5 year p.a. | 5.5% | 5.5% | 5.2% | 5.3% | 11.5% | 11.5% | 16.1% | 17.1% | 9.5% | 10.3% |
| 7 year p.a. | 5.2% | 5.2% | 5.9% | 6.0% | 10.5% | 10.5% | 11.8% | 12.7% | 2.2% | 3.3% |

Past performance is not a guide to future performance.



Effective compound rate



Simple average rate

Individual manager options

| Option | 2008 | 2007 | 2006 | 3 year p.a. | |
|---|--------|-------|-------|-------------|-------|
| Macquarie Investment Management – Australian Fixed Interest | 3.8% | 3.4% | 2.8% | 3.3% | 3.3% |
| BlackRock Financial Management – International Fixed Interest* | 4.6% | 4.2% | 1.8% | 3.5% | 3.5% |
| Bridgewater Associates – Diversified Fixed Interest | 10.9% | 3.2% | 1.5% | 5.1% | 5.2% |
| Lend Lease Managed Australian Prime Property Funds (Retail, Commercial & Industrial) – Property | 12.2% | 17.4% | 11.0% | 13.5% | 13.5% |
| Industry Super Property Trust Core Fund – Property | 8.0% | 16.2% | 13.7% | 12.6% | 12.6% |
| Balanced Equity Management – Australian Shares | -13.4% | 26.1% | 21.8% | 10.0% | 11.5% |
| Macquarie Investment Management – Australian Shares | -9.8% | 27.4% | 22.0% | 11.9% | 13.2% |
| Paradise Investment Management (Small Cap) – Australian Shares | -20.8% | 33.4% | 25.2% | 9.8% | 12.6% |
| Perpetual Investment Management – Australian Shares | -6.6% | 23.7% | 25.7% | 13.2% | 14.3% |
| AllianceBernstein – International Shares | -21.6% | 8.6% | 22.7% | 1.5% | 3.2% |
| Marvin & Palmer Associates – International Shares | -1.8% | 13.4% | 33.2% | 14.0% | 14.9% |

Past performance is not a guide to future performance.

* The return for BlackRock represents a period of nine months (1 July 2007 – 31 March 2008). This option closed on 1 April 2008.



Effective compound rate



Simple average rate

Allocating net fund earnings to a member's account

Net fund earnings are allocated to your account:

- as at 30 June and 31 December each year (a statement is sent to you in approximately September and March respectively)
- when you switch between investment options
- when you fully withdraw (exit) or fully transfer out of HOSTPLUS.

Earnings are calculated on the daily balance of your account and are compounded daily. This is important as it is likely that you will have different closing balances in your account throughout the year as a result of transactions in your account (eg. contributions, taxation, insurance, account keeping fee, etc).

The net fund earning rates can be positive or negative depending on investment performance. A negative earning rate can result in a reduction in your account balance.

Note: Earnings are not allocated to your account at the time of a partial withdrawal (exit) or partial transfer out of the fund.

Declared net fund earning rate

The declared net fund earning rate is the rate that applies to each completed month, incorporating the actual investment performance data for the month, less any applicable fees and taxation. Approximately 10–15 business days following the end of each calendar month, 20–25 business days after 30 June, a declared net fund earning rate is calculated by our custodian JPMorgan.

Earnings allocated when you switch between investment options

When you switch between investment options, the earnings allocated to your account are calculated using the declared net fund earning rates.

Your new investment option takes effect the first day of the month following receipt of the switch request. HOSTPLUS processes your switch approximately 10–15 business days after the end of the month once the declared net fund earning rate has been calculated.

Calculating interest on partial withdrawals or partial transfers out of HOSTPLUS

Earnings are not calculated or allocated to your account at the time of a partial withdrawal (exit) or partial transfer out of the fund. If you make a partial withdrawal or partial transfer, the amount of the withdrawal or transfer is simply deducted from your account balance at the time. Earnings are calculated on the daily balance of the account and are compounded daily.

Earnings will eventually be calculated and allocated when the first of the following events occur:

- as at 30 June and 31 December each year
- when you switch between investment options
- when you fully withdraw (exit) or fully transfer out of HOSTPLUS.

Your investment options as at 30 June 2008

Pre-mixed options

| | <i>Capital Stable</i> | | | <i>Conservative Balanced</i> | | |
|---|--|----------|-----------|--|----------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> Achieve positive returns (after fees and tax) that exceed the return on cash over rolling three year periods. Provide stable returns through an asset mix that maximises the prospect of positive rate of return each financial year. Achieve returns that are above the average returns of other similar funds. | | | <ul style="list-style-type: none"> Achieve positive returns (after fees and tax) that exceed the return of the Capital Stable option over rolling three year periods. Provide a good prospect of positive returns each financial year. Achieve returns that are above the average returns of other similar funds. | | |
| Risk/return profile | <ul style="list-style-type: none"> Low to medium. Likelihood of a negative annual return in any one year: one in every 10 to 11 years. | | | <ul style="list-style-type: none"> Medium. Likelihood of a negative annual return in any one year: one in every five to six years. | | |
| Investment style | <ul style="list-style-type: none"> Most conservative and low-risk of the HOSTPLUS pre-mixed investment options. Contains a higher percentage of defensive assets (cash and diversified fixed interest) than the Conservative Balanced, Balanced and Shares Plus options. | | | <ul style="list-style-type: none"> Contains roughly equal proportions of growth and defensive assets. | | |
| Asset mix | | Range | Benchmark | | Range | Benchmark |
| | Growth assets | | 30% | Growth assets | | 50% |
| | Australian shares | 5 – 20% | 11% | Australian shares | 15 – 30% | 21% |
| | International shares | 5 – 15% | 9% | International shares | 10 – 25% | 17% |
| | Unlisted assets | | | Unlisted assets | | |
| | – Infrastructure | 0 – 10% | 4% | – Infrastructure | 0 – 10% | 4% |
| | – Private equity | 0 – 5% | 0% | – Private equity | 0 – 10% | 2% |
| | – Alternatives | 0 – 10% | 1% | – Alternatives | 0 – 10% | 1% |
| | Property | 0 – 10% | 5% | Property | 0 – 10% | 5% |
| | Defensive assets | | 70% | Defensive assets | | 50% |
| | Unlisted assets | | | Unlisted assets | | |
| | – Infrastructure | 0 – 5% | 1% | – Infrastructure | 0 – 5% | 1% |
| | – Alternatives | 0 – 5% | 2% | – Alternatives | 0 – 5% | 3% |
| | Property | 0 – 15% | 7% | Property | 0 – 15% | 8% |
| | Australian fixed interest | 10 – 30% | 20% | Australian fixed interest | 5 – 25% | 14% |
| | International fixed interest | 10 – 30% | 20% | International fixed interest | 5 – 25% | 14% |
| | Cash | 10 – 40% | 20% | Cash | 5 – 20% | 10% |

| | <i>Balanced (default)</i> | | | <i>Shares Plus</i> | | |
|---|--|----------|-----------|--|----------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> Achieve positive returns (after fees and tax) that exceed the return of the Conservative Balanced option over rolling three year periods. Maximise the prospect of positive returns each financial year. Achieve returns that are above the average return of other similar funds. | | | <ul style="list-style-type: none"> Achieve high, long-term returns (after fees and tax) that exceed the return of the Balanced option over rolling five year periods and acknowledging the chance of significant fluctuations in returns. Invest in long-term growth assets, accepting the prospect of negative returns is increased. Achieve returns that are above the average return of other similar funds. | | |
| Risk/return profile | <ul style="list-style-type: none"> Medium to high. Likelihood of a negative annual return in any one year: one in every four to five years. | | | <ul style="list-style-type: none"> High. Likelihood of a negative annual return in any one year: one in every three to four years. | | |
| Investment style | <ul style="list-style-type: none"> Aims to produce consistent returns. Investments through diversified investment portfolio, including some growth assets and some lower risk investments. | | | <ul style="list-style-type: none"> Pre-mixed option. Contains the highest investment in assets with potential for capital growth. | | |
| Asset mix | | Range | Benchmark | | Range | Benchmark |
| | Growth assets | | 74% | Growth assets | | 85% |
| | Australian shares | 25 – 45% | 33% | Australian shares | 30 – 50% | 38% |
| | International shares | 10 – 30% | 25% | International shares | 20 – 40% | 34% |
| | Unlisted assets | | | Unlisted assets | | |
| | – Infrastructure | 0 – 10% | 4% | – Infrastructure | 0 – 10% | 3% |
| | – Private equity | 0 – 10% | 3% | – Private equity | 0 – 15% | 6% |
| | – Alternatives | 0 – 10% | 3% | – Alternatives | 0 – 10% | 1% |
| | Property | 0 – 15% | 6% | Property | 0 – 10% | 3% |
| | Defensive assets | | 26% | Defensive assets | | 15% |
| | Unlisted assets | | | Unlisted assets | | |
| | – Infrastructure | 0 – 5% | 1% | – Infrastructure | 0 – 5% | 1% |
| | – Alternatives | 0 – 10% | 5% | – Alternatives | 0 – 5% | 3% |
| | Property | 0 – 15% | 8% | Property | 0 – 10% | 5% |
| | Australian fixed interest | 0 – 20% | 4% | Australian fixed interest | 0 – 10% | 3% |
| | International fixed interest | 0 – 20% | 4% | International fixed interest | 0 – 10% | 3% |
| | Cash | 0 – 10% | 4% | Cash | 0 – 10% | 0% |

Your investment options as at 30 June 2008 (cont)

Sector investment options

| | <i>Cash</i> | | | <i>Diversified Fixed Interest</i> | | |
|---|---|----------|---|---|---------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> Maintain the invested capital. Match and, where possible, enhance performance (after fees and tax) relative to the UBSA Bank Bill Index. | | | <ul style="list-style-type: none"> Provide high level of capital protection and returns that over the medium term exceed those available from investing solely in cash type investments. | | |
| Risk/return profile | <ul style="list-style-type: none"> Lowest risk with corresponding expectation of lower returns. Likelihood of a positive return being achieved each year. | | | <ul style="list-style-type: none"> Moderate risk investment. Less volatile than property and shares over the short term, but also provides a lower level of return. Likelihood of a negative annual return in any one year: one in every six to seven years. | | |
| Investment style | <ul style="list-style-type: none"> Deposits in short-term loan securities and other similar investments. | | | <ul style="list-style-type: none"> Usually a loan to a government or business with a fixed interest rate and the length of the loan agreed in advance. | | |
| Asset mix | | Range | Benchmark | | Range | Benchmark |
| | Growth assets | | 0% | Growth assets | | 0% |
| | Defensive assets | | 100% | Alternatives | 0 – 10% | 0% |
| | Cash | 0 – 100% | 100% | Defensive assets | | 100% |
| | | | Australian and international fixed interest | 90 – 100% | 100% | |

| | <i>International Shares</i> | | |
|---|--|----------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> To provide exposure to international shares with the potential for a high level of growth over the long term. Outperform the MSCI World Accumulation Index (ex-Australia) over rolling three year periods. | | |
| Risk/return profile | <ul style="list-style-type: none"> High to very high. Corresponding high returns. Likelihood of a negative annual return in any one year: one in every two to three years. A component of this investment is exposed to currency fluctuations. | | |
| Investment style | <ul style="list-style-type: none"> Active management. | | |
| Asset mix | | Range | Benchmark |
| | Growth assets | | 100% |
| | International shares | 0 – 100% | 100% |
| | Defensive assets | | 0% |

| | <i>Property</i> | | | <i>Australian Shares</i> | | |
|---|---|----------|-----------|--|----------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> To provide exposure to the rental income and capital growth arising from property and land assets. | | | <ul style="list-style-type: none"> To provide exposure to predominantly Australian shares with the potential for a high level of growth over the long term. Outperform the S&P/ASX 300 Accumulation Index over rolling three year periods. | | |
| Risk/return profile | <ul style="list-style-type: none"> Moderate to high risk investment. Corresponding moderate to high return. Likelihood of a negative annual return in any one year: one in every six to seven years. | | | <ul style="list-style-type: none"> High to very high. Corresponding high returns. Likelihood of a negative annual return in any one year: one in every two to three years. | | |
| Investment style | <ul style="list-style-type: none"> An investment in property or buildings, either directly or via property trusts. | | | <ul style="list-style-type: none"> Active management. | | |
| Asset mix | | Range | Benchmark | | Range | Benchmark |
| | Growth assets | | 40% | Growth assets | | 100% |
| | Property | 0 – 100% | 40% | Australian shares | 0 – 100% | 100% |
| | Defensive assets | | 60% | International shares | 0 – 10% | 0% |
| | Property | 0 – 100% | 60% | Defensive assets | | 0% |

Your investment options as at 30 June 2008 (cont)

Individual manager options

| | Macquarie Investment Management – Australian Fixed Interest | | | Bridgewater Associates – Diversified Fixed Interest | | |
|---|--|-------|-----------|--|-----------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> Guarantee the return of the UBSA Composite Bond Index (All Maturities). Underperformance of the index by the underlying portfolio is reimbursed by the manager. Any out-performance of the index is retained by the manager. | | | <ul style="list-style-type: none"> Outperform the Lehman Global Aggregate Index hedged in Australian Dollars over rolling three year periods. | | |
| Risk/return profile | <ul style="list-style-type: none"> Low to medium. Likelihood of a negative annual return in any one year: one in every six to seven years. | | | <ul style="list-style-type: none"> Medium. Likelihood of a negative annual return in any one year: one in every six to seven years. | | |
| Investment style | <ul style="list-style-type: none"> Passive management. | | | <ul style="list-style-type: none"> Active management with positions in Australian and international indexed or nominal bond markets, and in currencies, that offer good value. For diversification purposes the manager may also invest in alternatives. | | |
| Asset mix | | Range | Benchmark | | Range | Benchmark |
| | Growth assets | | 0% | Growth assets | | 0% |
| | Defensive assets | | 100% | Alternatives | 0 – 10% | 0% |
| | Australian fixed interest | – | 100% | Defensive assets | | 100% |
| | | | | Diversified fixed interest | 90 – 100% | 100% |

| | Lend Lease Managed Australian Prime Property Funds (Retail, Commercial & Industrial) – Property | | | Industry Super Property Trust Core Fund – Property | | |
|---|--|-------|-----------|--|-------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> Long-term investment in quality-diversified portfolios of retail, commercial and industrial properties in Australia. Provide returns superior to the Mercer Unlisted Property Fund Index. | | | <ul style="list-style-type: none"> Provide returns superior to the Mercer Unlisted Property Fund Index. | | |
| Risk/return profile | <ul style="list-style-type: none"> Moderate to high risk investment Corresponding moderate to high returns Likelihood of a negative annual return in any one year: one in every six to seven years. | | | <ul style="list-style-type: none"> Moderate to high risk investment. Corresponding moderate to high returns. Likelihood of a negative annual return in any one year: one in every six to seven years. | | |
| Investment style | <ul style="list-style-type: none"> Long-term direct investment in a quality portfolio of substantially major regional core retail, commercial and industrial assets across Australia. | | | <ul style="list-style-type: none"> Diversified direct property investments in commercial, retail and industrial assets. | | |
| Asset mix | | Range | Benchmark | | Range | Benchmark |
| | Growth assets | | 100% | Growth assets | | 100% |
| | Australian property | – | 100% | Australian property | – | 100% |
| | Defensive assets | | 0% | Defensive assets | | 0% |

| | Balanced Equity Management – Australian Shares | | | Macquarie Investment Management – Australian Shares | | |
|---|---|-------|-----------|---|-------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> To outperform the S&P/ASX100 (excluding Listed Property Trusts) Accumulation Index over rolling three year periods. | | | <ul style="list-style-type: none"> Match the return of the S&P/ASX300 Accumulation Index. | | |
| Risk/return profile | <ul style="list-style-type: none"> High to very high. Corresponding high returns. Likelihood of a negative annual return in any one year: one in every two to three years. | | | <ul style="list-style-type: none"> High to very high. Corresponding high returns. Likelihood of a negative annual return in any one year: one in every two to three years. | | |
| Investment style | <ul style="list-style-type: none"> Active management style based on fundamental analysis of stocks within the S&P/ASX100 Index. | | | <ul style="list-style-type: none"> Enhanced passive management. | | |
| Asset mix | | Range | Benchmark | | Range | Benchmark |
| | Growth assets | | 100% | Growth assets | | 100% |
| | Australian shares | – | 100% | Australian shares | – | 100% |
| | Defensive assets | | 0% | Defensive assets | | 0% |

Your investment options as at 30 June 2008 (cont)

Individual manager options (cont)

| | <i>Paradise Investment Management (Small Cap) – Australian Shares</i> | | | <i>Perpetual Investment Management – Australian Shares</i> | | |
|---|---|-------|-----------|--|-------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> To exceed the S&P/ASX ex-100 Leaders Accumulation Index over rolling three year periods. | | | <ul style="list-style-type: none"> To outperform the S&P/ASX300 Accumulation Index over rolling three year periods. | | |
| Risk/return profile | <ul style="list-style-type: none"> High to very high. Corresponding high returns. Likelihood of a negative annual return in any one year: one in every two to three years. | | | <ul style="list-style-type: none"> High to very high. Corresponding high returns. Likelihood of a negative annual return in any one year: one in every two to three years. | | |
| Investment style | <ul style="list-style-type: none"> Specialises in investing in companies outside the ASX top 100 stocks as defined by market capitalisation, as well as having the capacity to invest in New Zealand stocks. | | | <ul style="list-style-type: none"> Active value driven bottom up stock picking management based on internal research. Invests predominantly in Australian shares, but has the capacity to invest in securities listed in stock exchanges other than the Australian Stock Exchange. | | |
| Asset mix | | Range | Benchmark | | Range | Benchmark |
| | Growth assets | | 100% | Growth assets | | 100% |
| | Australian/NZ shares | – | 100% | Australian/International shares | – | 100% |
| | Defensive assets | | 0% | Defensive assets | | 0% |

| | <i>AllianceBernstein – International Shares</i> | | | <i>Marvin & Palmer Associates – International Shares</i> | | |
|---|--|-------|-----------|---|-------|-----------|
| Investment objectives and strategies | <ul style="list-style-type: none"> Outperform the MSCI World (ex-Australia) Index in Australian Dollars over rolling three year periods. | | | <ul style="list-style-type: none"> Outperform the benchmark, which is 50% MSCI World (ex-Australia) index in Australian Dollars and 50% MSCI Emerging Markets Index in Australian Dollars over rolling three year periods. | | |
| Risk/return profile | <ul style="list-style-type: none"> High to very high. Corresponding high returns. Likelihood of a negative annual return in any one year: one in every three to four years (although losses could be more frequent over shorter periods). Investment is fully exposed to currency fluctuations. Manager is permitted to invest a limited proportion of the portfolio in emerging countries. | | | <ul style="list-style-type: none"> High to very high. Corresponding high returns. Likelihood of a negative annual return in any one year: one in every two to three years. Investment is fully exposed to currency fluctuations. Manager is permitted to invest in emerging countries and developed markets. | | |
| Investment style | <ul style="list-style-type: none"> Active style blend of value and growth global equity manager that aims to deliver long-term growth of capital on a total return basis using a barbell structure of high conviction growth and value stocks. | | | <ul style="list-style-type: none"> Very active growth manager investing in countries and shares that the manager believes offer the best opportunity for capital appreciation. | | |
| Asset mix | | Range | Benchmark | | Range | Benchmark |
| | Growth assets | | 100% | Growth assets | | 100% |
| | International shares | – | 100% | International shares | – | 100% |
| | Defensive assets | | 0% | Defensive assets | | 0% |

Investments greater than 5% of total fund assets

Individual

ANZ Cash Plus Fund and Alliance Bernstein manage investments in excess of 5% of total fund assets.

Combined

These investment managers have combined investments in excess of 5% of total fund assets:

Bridgewater Associates, Inc.
 Industry Funds Management Pty Ltd.
 Industry Superannuation Property Trust
 Lend Lease Investment Management
 Macquarie Investment Management Ltd.

Investment expenses

| Investment option | Investment Management costs | Performance Fees [#] | Total Investment Management costs before applicable tax deduction | Total Investment Management costs after applicable tax deduction |
|---|-----------------------------|-------------------------------|---|--|
| Pre-mixed options | | | | |
| Capital Stable | 0.60% | 0.10% | 0.70% | 0.60% |
| Conservative Balanced* | 0.64% | 0.13% | 0.77% | 0.66% |
| Balanced | 0.70% | 0.16% | 0.86% | 0.73% |
| Shares Plus | 0.76% | 0.15% | 0.91% | 0.77% |
| Sector investment options | | | | |
| Cash | 0.01% | 0.00% | 0.01% | 0.01% |
| Diversified Fixed Interest | 0.82% | 0.00% | 0.82% | 0.70% |
| Property | 0.65% | 0.31% | 0.96% | 0.82% |
| Australian Shares | 0.55% | 0.28% | 0.83% | 0.71% |
| International Shares | 0.67% | 0.01% | 0.68% | 0.58% |
| Individual manager options | | | | |
| Macquarie Investment Management – Australian Fixed Interest | 0.00% | 0.00% | 0.00% | 0.00% |
| BlackRock Financial Management** – International Fixed Interest | 0.30% | 0.00% | 0.30% | 0.26% |
| Bridgewater Associates – Diversified Fixed Interest | 0.61% | 0.00% | 0.61% | 0.52% |
| Lend Lease Managed Australian Prime Property Funds (Retail, Commercial & Industrial) – Property | 0.63% | 0.18% | 0.81% | 0.69% |
| Industry Super Property Trust Core Fund – Property | 0.23% | 0.00% | 0.23% | 0.20% |
| Balanced Equity Management – Australian Shares | 0.20% | 0.00% | 0.20% | 0.17% |
| Macquarie Investment Management – Australian Shares | 0.20% | 0.00% | 0.20% | 0.17% |
| Paradise Investment Management (Small Cap) – Australian Shares | 0.77% | 0.00% | 0.77% | 0.65% |
| Perpetual Investment Management – Australian Shares | 0.88% | 0.00% | 0.88% | 0.75% |
| AllianceBernstein – International Shares | 0.55% | 0.00% | 0.55% | 0.47% |
| Marvin & Palmer Associates – International Shares | 0.52% | 0.00% | 0.52% | 0.44% |

Most superannuation funds pay fees to investment managers to invest and manage their assets.

Investment expenses are deducted from investment returns before returns are applied to your account. All returns declared are net of these expenses.

The table to the left shows the investment expenses paid for the financial year ended 30 June 2008, based on the funds under management in each investment option.

The costs for each of the investment options are in addition to the \$1.50 per week member fee (\$78 per year).

As the investment management costs attract a tax deduction, the total investment management costs after applicable tax deduction is the amount incurred by members. These costs are deducted before the net earnings for each investment option are declared and applied to members' accounts.

The expenses that will be payable for the 2008–09 financial year will be calculated as at 30 June 2009.

PricewaterhouseCoopers have performed independent procedures over the calculation of the above investment costs and confirmed that they were calculated in accordance with the trustee's policy.

* This is a new investment option that commenced on 1 October 2007. The investment management costs shown above are an approximation had the option existed for the 12 months ended 30 June 2008.

**BlackRock ceased as an investment manager with HOSTPLUS on 1 April 2008.

The performance based cost component comprises actual fees paid and estimates of fees to be paid for the financial year ending 30 June 2008.

Important information about your super

When can you access your superannuation savings?

Generally, your super must be kept in a complying superannuation account until you reach your preservation age and have permanently retired from the workforce.

Depending on your date of birth, your preservation age varies, as the table opposite shows.

| Date of birth | Preservation age |
|-----------------------|------------------|
| After June 1964 | 60 |
| July 1963 – June 1964 | 59 |
| July 1962 – June 1963 | 58 |
| July 1961 – June 1962 | 57 |
| July 1960 – June 1961 | 56 |
| Before July 1960 | 55 |

Are all contributions preserved?

Generally, contributions made by your employer, and earnings allocated on all amounts, must be preserved. Until 30 June 1999, personal contributions were not usually preserved. However personal contributions made from 1 July 1999 are preserved. Any amounts that were non-preserved at 1 July 1999 will remain non-preserved, but the earnings allocated will be preserved. The table below provides a summary. Your twice-yearly **HOSTPLUS** statement will show the preserved and non-preserved components of your account.

| | Up to 30 June 1999 | From 1 July 1999 |
|---|--------------------|------------------|
| Employer contributions | Preserved | Preserved |
| Personal contributions | Non-preserved | |
| Net earnings on personal contributions | Non-preserved | |
| Net earnings on all other contributions | Preserved | |

Can you access your superannuation in other situations?

You can apply to access your superannuation in a number of situations including:

- termination of employment after turning age 60 without necessarily retiring permanently
- once you reach the age of 65, even if you're still working
- in the event of your death
- permanent incapacity
- a terminal medical condition exists
- on the grounds of severe financial hardship subject to certain conditions and trustee approval
- on compassionate grounds as approved by the Australian Prudential Regulation Authority
- on termination of your employment with an employer sponsor where your preserved benefit is less than \$200
- on your permanent departure from Australia if you are an eligible temporary resident, or
- on complying with any other condition of release specified under superannuation law.

Please call **1300 HOSTPLUS (1300 467 875)** for more information.

Eligible rollover fund

In accordance with legislation and the fund's policy, if your account balance is less than \$400 (subject to change) and we have not received contributions for you for more than 18 months, we may transfer your account balance to our eligible rollover fund (ERF). Our nominated ERF is AUSfund. However, if we have a current address we will write to you and give you the option to reactivate your account before transferring your **HOSTPLUS** account to AUSfund.

Their contact details are:

AUSfund Administration
PO Box 2468
KENT TOWN SA 5071

Phone: 1300 361 798

Fax: 1300 366 233

Email: admin@ausfund.net.au

Web: www.unclaimedsuper.com.au

If your superannuation benefits are transferred to AUSfund, your personal information will be used by AUSfund to establish your membership account and manage your superannuation balance, process your contributions, pay benefits, provide you with membership benefits and services, and correspond with you.

Being transferred to AUSfund may affect your benefits because:

- You'll cease to be a member of **HOSTPLUS**.
- Your insurance arrangements with **HOSTPLUS** will cease.
- You'll become a member of AUSfund and be subject to its governing rules. If **HOSTPLUS** can provide AUSfund with current contact details, AUSfund will send you their Product Disclosure Statement (PDS). You can also ask AUSfund for a copy.

- Accounts of \$50 or more attract a levy of \$10 per year or part-year, while lower balances are not subject to the levy but do not earn earnings. AUSfund protects all accounts from erosion due to the administration levy, so that the levy cannot exceed the earnings allocated to each account.
- AUSfund has a different investment strategy to **HOSTPLUS**, which is explained in their PDS.
- AUSfund does not offer insured benefits in the event of death or disablement.

For more information about AUSfund see the **HOSTPLUS** Member Guide PDS dated 1 May 2008. You can download a copy at hostplus.com.au

Unclaimed money

HOSTPLUS wants to keep in touch with you and makes every effort to do so. However, if you reach qualifying age for the age pension and are eligible to claim your super, but we cannot find you, then your investment becomes unclaimed money and must be paid to the Australian Tax Office (ATO) every six months.

You can enquire about unclaimed benefits by contacting the ATO on 13 10 20 or visit ato.gov.au/super.

If you believe you may have unclaimed money which may have been paid before 1 July 2007 please contact:

Registrar of Unclaimed Moneys
State Revenue Office
GPO Box 1641
MELBOURNE VIC 3001

Phone: 13 21 61

Web: www.sro.vic.gov.au

Lost members

The Australian Taxation Office (ATO) has established a lost member register. This register contains details of the super accounts for members that funds cannot locate and certain members for whom contributions have ceased. All superannuation funds report lost members to the ATO twice a year.

You are classified as lost if no contributions or rollovers have been received for you during the past five years and we have lost contact with you.

If you think a fund may have lost contact with you, you can check with the ATO to see if you're registered as a lost member.

If you have inactive accounts in any other super fund, eligible rollover fund or retirement savings account, you may consolidate them into your HOSTPLUS account.

You can make enquiries at the ATO if you have lost contact with a fund and think you may be entitled to a benefit. Just call 13 10 20 or visit www.ato.gov.au/super and use SuperSeeker, the ATO's online tool to search for lost super.

Trustee indemnity insurance

Australian Insurance Group and Liberty International Underwriters provided trustee insurance cover from 30 September 2007 until 30 September 2008.

Audit

The annual audit of the HOSTPLUS financial statements is currently being completed. We expect the auditor to issue an unqualified audit opinion on the financial statements and the auditor's report is expected to be finalised by 31 October 2008. The audited financial statements and auditor's report are available on request.

Fund documentation

If you would like to view a copy of the HOSTPLUS Trust Deed or other fund documentation, please call 1300 HOSTPLUS (1300 467 875).

Confirmation of transactions on your HOSTPLUS account

Some transactions, like rollovers and transfers, are confirmed in writing with you directly when they occur. Other transactions, such as contributions, can be verified by checking your half-yearly benefit statements. You can also confirm transactions by accessing your account at hostplus.com.au. To register for this service, call HOSTPLUS on 1300 HOSTPLUS (1300 467 875).

Surcharge payments

The payment of superannuation surcharge will be deducted from member accounts if applicable.

Reserve accounts

The fund maintains reserves to cover the day-to-day operations of HOSTPLUS. The total value of all reserve amounts for the last three years has been:

| | |
|--------------|--------------|
| 2008: | \$66,786,013 |
| 2007: | \$61,220,329 |
| 2006: | \$49,971,422 |

Residue reserve account

HOSTPLUS allocates investment earnings to members' accounts at 30 June and 31 December each year, when an account is closed, or when an amount is switched to another investment option. During the year, investment earnings are accumulated in a residue reserve, pending this allocation process. After six months, all investment earnings are allocated to members' accounts. The balance of this residue reserve at 30 June for the last three years was:

| | |
|--------------|-------------|
| 2008: | \$2,123,621 |
| 2007: | \$2,013,531 |
| 2006: | \$3,170,736 |

Administration reserve account

The fees deducted from your account are deposited into the administration reserve account and the accumulated funds are utilised to pay for the operations of HOSTPLUS. Over the last three years, the administration reserve balance at 30 June has been:

| | |
|--------------|--------------|
| 2008: | \$64,662,392 |
| 2007: | \$59,206,798 |
| 2006: | \$46,800,686 |

Our professional partners

HOSTPLUS works closely with the following professional organisations to achieve our investment and administration objectives effectively and cost-efficiently:

- Administrator: Superpartners Pty Ltd
- Investment adviser: JANA Investment Advisers Pty Ltd
- Auditor: PricewaterhouseCoopers
- Insurer: ING Australia Limited
- Legal advisers: Deacons, IFS Legal
- Tax advisers: KPMG
- Master custodian: JPMorgan Chase Bank, N.A.

Derivatives

The fund permits the use of derivatives to manage risk and enhance returns.

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 will only be utilised where such use is consistent with:

- the investment strategy adopted for that portion of the fund managed by the relevant 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.

The Australian Prudential Regulation Authority (APRA), sets standards for the prudent management of super funds and requires super funds to develop a policy to ensure proper use of derivatives. HOSTPLUS has the Risk Management Statements Part A and Part B as required by APRA. These summarise the policies, amongst other details, that HOSTPLUS has in place covering the use of derivatives.

Protecting small accounts

If at any time your account balance is less than \$1,000, HOSTPLUS member protection rules apply. If your account includes or has included SG or award contributions, the management costs deducted won't exceed the net fund earning rate applied to your account for that year.

During periods of poor investment returns, management costs are limited to any positive investment return plus \$10 per protected account. Management costs don't include insurance premiums and taxes, which will be deducted from your account as applicable.

Important information about your super (cont)

HOSTPLUS Directors

Independent Directors

 **David Elmslie**
Chairman

 **The Hon Peter Collins AM QC**

 **Bob Hinkley**

Employee Representative Directors

 **Brian Daley**
Deputy Chairman

 **Tim Ferrari**

 **Robyn Buckler**

Employer Representative Directors

 **John Nicholson**
Deputy Chairman

 **Mark Robertson**

 **Bevan Douglas**

Host-Plus Pty Limited was the trustee of the **HOSTPLUS** superannuation fund for the reporting period.

Corporate governance

HOSTPLUS follows a strict corporate governance policy for investments in Australian shares. Our policy provides proxy voting guidelines for mandated investment managers and our custodian concerning the major portion of investments **HOSTPLUS** makes in the Australian share market. It also includes extended reporting on pooled investment vehicles.

For international shares, **HOSTPLUS** monitors the corporate governance policies of our managers.

Earnings on accounts

The trustee is entitled to retain any earnings earned on any monies paid to the fund that are later required to be returned, eg. refunds due to overpayments or those payments made in error to the trustee.

Currency hedging

International investments are vulnerable to currency fluctuations. Hedging removes the currency exposure of international investments.

HOSTPLUS partially hedges the currency exposure of all international asset exposures.

Your privacy is important to us

HOSTPLUS operates under stringent privacy guidelines and takes every step possible to protect your privacy. There are instances when we need to give information about you to third parties (such as the Australian Taxation Office), however, there are strict controls on how they can use this information. Our complete privacy guidelines can be viewed at hostplus.com.au or you can obtain a copy calling **1300 HOSTPLUS (1300 467 875)**.

Enquiries and complaints

If you have an enquiry or complaint, call **1300 HOSTPLUS (1300 467 875)**, 8am–8pm, Monday to Friday. We'll do everything in our power to deal with your query promptly and courteously. If you're not happy with how your query is handled then we want to know. Please call us or write to:

Complaints Officer
HOSTPLUS
Locked Bag 3
Carlton South VIC 3053

Important information about your super (cont)

Investments and investment managers at 30 June 2008

Cash & capital guaranteed

- ANZ Cash Plus Fund – ING Investment Management Ltd
- JPMorgan Chase Bank, N.A.

Diversified fixed interest

- Alternative Fixed Income Fund – Industry Funds Management Pty Ltd
- Bridgewater Associates, Inc*
- Apostle Loomis Sayles Credit Opportunities Fund – Loomis, Sayles & Company, L.P.
- Macquarie True Index Fund – Macquarie Investment Management Ltd*
- Super Loans Trust – Members Equity Pty Ltd

Property

- CRI Development Fund No. 1 – CRI Asset Management Ltd
- Select Property Portfolio 1, 2 & 3 – AMP Henderson Global Investors Ltd
- Colonial First State Property Opportunistic Partnership – Colonial First State Property Ltd
- Hotel Leisure Tourism Trust Australia Pty Ltd
- Industry Superannuation Property Trust (Core fund) – ISPT Pty Ltd*
- ISPT Development and Opportunities Fund I & II – ISPT Pty Ltd
- Australian Prime Property Funds (Retail, Commercial & Industrial) – Lend Lease Corporation Ltd*
- Lend Lease Asian Retail Investment Fund – Lend Lease Investment Management

- Lend Lease Communities Fund 1 – Lend Lease Real Estate Investments Limited
- Goodman Australia Industrial Fund – Goodman Funds Management Australia Limited
- Macquarie Real Estate Equity Fund 3, 5 & 6 – Macquarie Administration Services Ltd
- MGPA Fund III – MGPA
- Retirement Villages Group – Macquarie Capital Advisers Limited
- Stockland Residential Estates Equity Fund No. 1 – Stockland Funds Management Ltd

Unlisted assets

Alternatives

- Aurora Offshore Fund Ltd II – BISYS Hedge Funds (Ireland) Ltd
- GMO Multi Strategy Trust – GMO Australia Ltd
- Bridgewater All Weather Fund (Australia) – Bridgewater Associates, Inc

Infrastructure

- CFS Infrastructure Fund (Anglian Water Group Sector) – Colonial First State Property Limited
- Campus Living Villages Fund – Campus Living Funds Management Ltd
- Industry Funds Management Australian, International and Social Infrastructure – Industry Funds Management Pty Ltd
- Macquarie Global Infrastructure Fund III – Macquarie Specialised Asset Management Limited
- Utilities Trust of Australia – Hastings Fund Management Ltd

Private equity

- Crown European Buyout Opportunities II Plc – LGT Capital Partners (Ireland) Limited
- Industry Funds Administration Trust
- IFBT
- Industry Funds Management Australian and International Private Equity – Industry Funds Management Pty Ltd
- Wilshire Private Markets Group US, European, Asian and Australian Private Equity – Wilshire Australia Pty Ltd

Australian shares

- 452 Capital Pty Ltd
- Acadian Wholesale Australian Equity Long Short Fund – Acadian Asset Management (Australia) Limited
- Balanced Equity Management Pty Ltd*
- BNY Mellon Australian Equity 130/30 Trust – BNY Mellon Asset Management Australia
- Greencap Capital Limited
- Industry Funds Management Pty Ltd
- Macquarie Investment Management Ltd*
- Orbis MIS – Orbis/SM Australia Equity Fund – Orbis Investment Management (Australia) Pty Ltd
- Paradise Investment Management Pty Ltd (Small Cap)*
- Paradise Investment Management Pty Ltd (Mid Cap)
- Paradise Investment Management Pty Ltd (Large Cap)
- Perpetual Investment Management Limited*

International shares

- AllianceBernstein*
- Baillie Gifford Overseas Limited
- BGI Fission Index Funds – Barclays Global Investors
- Bridgewater Pure Alpha Fund II, Ltd – Bridgewater Associates, Inc
- Goldman Sachs JBWere Hedged Global Long Short Fund – Goldman Sachs JBWere Managed Funds Ltd
- Marvin & Palmer Associates, Inc.*
- Orbis Institutional Global Equity Fund – Orbis Investment Management Ltd
- QIC Active Currency Trust – QIC
- Wellington International Management Company Pte Ltd

Currency overlay

- Bridgewater Associates, Inc

* Managers available as individual manager investment options.

Financials

| Statement of financial position at 30 June | | |
|---|------------------------|------------------------|
| | 2008 | 2007 |
| Investments | \$6,949,353,816 | \$6,644,165,403 |
| Other assets | | |
| Cash at bank | \$10,629,797 | \$17,389,562 |
| Prepayments | \$296,367 | \$282,095 |
| Other receivables | \$1,716,955 | \$451,365 |
| Operating assets | \$1,955,262 | \$1,990,126 |
| Deferred tax asset | \$6,250,971 | \$972,687 |
| Total other assets | \$20,849,352 | \$21,085,835 |
| Total assets | \$6,970,203,168 | \$6,665,251,238 |
| Liabilities | | |
| Accounts payable | \$28,280,528 | \$19,581,144 |
| Current tax liabilities | \$61,138,154 | \$64,191,904 |
| Deferred tax liabilities | \$5,438,588 | \$91,136,853 |
| Total liabilities | \$94,857,270 | \$174,909,901 |
| Net assets available to pay benefits | \$6,875,345,898 | \$6,490,341,337 |
| Represented by: Liability for accrued benefits | | |
| Balanced | \$6,462,847,116 | \$6,179,560,778 |
| Shares Plus | \$120,012,831 | \$105,091,142 |
| Capital Stable | \$39,497,502 | \$25,800,253 |
| Conservative Balanced | \$4,801,383 | \$0 |
| Cash | \$34,813,223 | \$10,044,678 |
| Diversified Fixed Interest | \$10,160,917 | \$5,383,182 |
| Property | \$19,448,832 | \$12,427,176 |
| Australian Shares | \$53,726,358 | \$41,113,354 |
| International Shares | \$15,727,753 | \$14,050,554 |
| Individual managers | \$47,523,970 | \$35,649,891 |
| Reserves | \$66,786,013 | \$61,220,329 |
| Total liability for accrued benefits | \$6,875,345,898 | \$6,490,341,337 |

| Operating statement for the year ended 30 June | | |
|---|------------------------|------------------------|
| | 2008 | 2007 |
| Revenue from ordinary activities | | |
| Net investment revenue | | |
| Interest | \$15,394,710 | \$12,696,965 |
| Dividends and distributions | \$293,721,484 | \$257,655,491 |
| Other income | \$3,021,265 | \$6,122,167 |
| Changes in net market value | (\$599,190,052) | \$681,570,295 |
| Direct and other investment expenses | (\$25,249,106) | (\$16,575,640) |
| Total net revenue – investments | (\$312,301,699) | \$941,469,278 |
| Contribution revenue | | |
| Employer | \$852,676,863 | \$727,225,101 |
| Member | \$85,404,321 | \$163,313,146 |
| Transfers from other superannuation funds | \$227,527,768 | \$266,324,166 |
| Total revenue – contributions | \$1,165,608,952 | \$1,156,862,413 |
| Other revenue | | |
| Sundry income | \$44,051 | \$4,356 |
| Proceeds from insurance | \$25,637,674 | \$19,808,875 |
| Total revenue – other | \$25,681,725 | \$19,813,231 |
| Total revenue from ordinary activities | \$878,988,978 | \$2,118,144,922 |
| <i>Less</i> | | |
| Expenses from ordinary activities | | |
| Superannuation contributions surcharge | \$349,247 | \$994,655 |
| Insurance | \$45,677,488 | \$34,932,330 |
| Administration | \$57,251,017 | \$51,079,772 |
| Total expenses from ordinary activities | \$103,277,752 | \$87,006,757 |
| Benefits accrued as a result of operations before income tax | \$775,711,226 | \$2,031,138,165 |
| <i>Less</i> | | |
| Income Tax Expense | \$66,559,949 | \$165,814,750 |
| Benefits accrued as a result of operations | \$709,151,277 | \$1,865,323,415 |