

annual report

for the financial year ended 30 June 2012

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Market update



Market commentary from Dr. Sam Sicilia, Chief Investment Officer at **HOSTPLUS**.

After a tough six months for investors from July to December 2011, the first three months of the calendar year saw markets perform well.

At the half-way mark of this period though, the outlook suddenly deteriorated and market optimism was quick to return to its shell. Massive debts in Greece, Spain and other Euro nations prompted debate over austerity measure and grave concerns were held for the future of the European Union. Economic data out of China and the USA also suggested a slowing down in those economies. And as huge consumers of commodities, their cold lead to a fever for global commodity prices so when intertwined with Europe's political and economic uncertainty, it is no surprise financial markets felt unwell.

Despite all this, the strong early gains meant that over the past six months global shares performed reasonably well. In this environment, defensive sectors like health care, telecommunications and utilities reached positive territory, while the cyclical sectors of energy, materials, industrials, and finance all posted negative returns.

Australian shares largely followed that trend posting +3.1% for the last six months (although -7.0% overall for 2011/2012). Our market has underperformed global markets partially due to continued fears of a slowdown in China and the consequent impact on our resources sector. By contrast, unlisted property returns over the past six months have posted solid positive returns, largely reflecting income returns.

Enthusiasm for five and ten year bonds across the globe reflected the defensive mood of investors looking for safe havens away from risk assets.

The AUD is roughly where it started the year against the USD, but it has certainly been on a ride moving above \$1.08 in February, down below 0.97c in May and back to the \$1.02 mark by 30 June.

Investors should expect broad based volatility to continue for the time being as market sentiment proves to be closely aligned to political and policy announcements.

Super update

Increase to Employer paid super contributions

Another initiative developed by the Government to help Australians to get more from their super is the change in the amount of super contributions paid to employees. The minimum super contribution payment is set to increase from 9% to 12% of your annual salary. The change will be introduced gradually, with increments of 0.25% from 1 July 2013 then annual increments of 0.5% from 1 July 2015 each year up to 12% in 2019-2020.

Abolishment of SG age limit

Also, the Superannuation Guarantee age limit of 70 will be removed from 1 July 2013, meaning that employers will be required to make super fund contributions for eligible employees aged 70 and older.

Low income superannuation contribution (LISC)

The Government will provide a contribution equal to 15% of total concessional contributions made for low income earners with an adjusted taxable income of up to \$37,000. The maximum contribution paid will be \$500 (not indexed). This measure will apply to contributions made from 1 July 2012, with the first low income contributions expected in 2013-14.

Contribution caps, government co-contribution

The concessional contribution cap (before tax contribution) is \$25,000 for members of all ages for the 2012/13 financial year. The maximum co-contribution amount to be reduced to \$500, with the lower income threshold of \$31,920 remaining unchanged, but the upper income threshold being reduced to \$46,920.

For full details of superannuation tax rates and thresholds please refer to the ATO website www.ato.gov.au

Removal of the Macquarie Investment Management – Australian Shares investment option

HOSTPLUS is responsible for selecting investment managers, monitoring and reviewing their progress and determining the overall investment profile of the fund. Sometimes, a decision is made to remove an investment manager. As such, from 17 June 2012, Macquarie Investment Management – Australian Shares was no longer available as a HOSTPLUS investment option.

Stronger Super

Superannuation has recently been under the spotlight. The Government has developed a number of reforms intended to make super more efficient and help maximise your retirement income. You may have heard about these reforms known as Stronger Super. Two main components of the reforms are MySuper and SuperStream.

What's 'MySuper'?

MySuper is a new, simple and cost-effective superannuation offering with a set of features that will help people to compare funds easily based on few key differences. Trustees need to apply to APRA for authorisation to offer MySuper.

From 1 January 2014, employers will be required to pay Superannuation Guarantee (SG) contributions on behalf of their employees who have not chosen their fund, to a superannuation fund that is authorised to offer MySuper.

HOSTPLUS is currently undertaking a due diligence process as part of our strategic planning to include MySuper as part of our products available to members. We are in the process of developing a MySuper offering that complies with the legislation.

Our intention is to offer a HOSTPLUS MySuper product to members from 1 July 2013.

What will this mean for you? Keep an eye on our website for the latest news on HOSTPLUS MySuper.

What's 'SuperStream'?

The purpose of SuperStream is to help employers simplify their super administration responsibilities.

It's worth knowing some of the changes, like the use of tax file numbers as identifiers and electronic processing of super transactions.

Super consolidation

This is designed to help reunite people with their super, and potentially save them paying multiple member fees. From July 2011, super funds have been able to use members' TFN to find multiple accounts within a fund. As of January 2012, super funds have also been able to use members' TFN to search the ATO's database for lost accounts and other funds to help members find their super, but only with member consent. Auto-consolidation of lost and inactive accounts (two years without contribution or rollover) with a balance of less than \$1,000 and accounts in eligible rollover funds will begin in January 2014. These accounts will automatically be rolled over into the person's primary super account. **HOSTPLUS** can look for other super accounts you may have forgotten about. Visit hostplus.com.au/supermatch

Operational Risk Reserve (ORR)

A new law has been introduced which requires super funds to ensure they have enough money to protect members against unforeseen losses in the event of an error or risk occurring. We are in the process of developing an ORR policy to address these issues.

Super contributions need to appear on payslips

From 1 July 2013 (subject to further consultation with the industry) the government has proposed that employers must show the super contributions paid into employees' super funds on their payslips. It's another way to confirm when your super was paid to your account and how much, so you can stay informed about what's going on with your employer paid super contributions.

Data standards

The implementation of mandated benefit and payment data standards will allow employers and superannuation funds communicate using standardised business terms in a consistent and reliable format, while electronic transmission will allow for a more automated and timely processing of transactions with fewer errors. This will result in improved data integrity efficiency, an easier system for employers and superannuation funds to use, fewer lost accounts and more timely flow of money to member accounts.

This requirement will be mandated for superannuation funds from 1 July 2013, for medium to large employers from 1 July 2014 and small employers from 1 July 2015.

Visit hostplus.com.au/superupdate to see more about Stronger Super.

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 investment adviser, JANA Investment Advisers Pty Ltd (JANA), we monitor and review the performance of our options and make whatever changes necessary to deal with the changing economic outlook.

Founded in 1987, JANA is one of Australia's leading asset consulting firms with approximately A\$200 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\$2.3 trillion and operations in more than 60 countries. JPMorgan is a leading global provider with more than US\$17.7 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. A list of the investment managers and investments utilised for **HOSTPLUS** investment options can be found on pages 24–25.

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

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 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.

HOSTPLUS is responsible for selecting investment managers, monitoring their progress and determining the overall investment profile. Sometimes, a decision may be made to remove an investment manager as a result of poor investment performance, change in key personnel, or a shift in a manager's style or **HOSTPLUS** investment strategies.

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 2012.

Net fund earning rates to 30 June 2012

Pre-mixed options

Year	Capital Stable	Conservative Balanced	Indexed Balanced	Balanced	Shares Plus
2012	5.35%	3.08%	0.44%	1.00%	-1.07%
2011	8.88%	9.80%	1.95%**	10.11%	11.62%
2010	7.92%	8.47%	–	8.10%	9.34%
2009	-3.75%	-6.46%	–	-13.10%	-14.46%
2008	3.06%	1.00%*	–	-3.58%	-5.44%
6 mth	3.71%	3.75%	4.25%	3.44%	3.84%
3 yr p.a.	7.37%	7.08%	–	6.33%	6.48%
5 yr p.a.	4.19%	–	–	0.15%	-0.47%
7 yr p.a.	5.52%	–	–	4.48%	4.79%
10 yr p.a.	6.30%	–	–	6.28%	6.29%

* The Conservative Balanced option was introduced on 1 October 2007, therefore this performance figure is for the nine months to 30 June 2008.

** The Indexed Balanced option was introduced on 1 December 2010, therefore this performance figure is for the seven months to 30 June 2011. Past performance is not a guide to future performance. All net fund earning rates are after fees and taxes.

Explanation of terms

Net fund earning rate. This is the rate allocated to your account which could be positive or negative. The net fund earning rates are calculated using the effective compound rate.

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 2012 (cont)

Sector investment options

Year	Cash	Diversified Fixed Interest	Property	Australian Shares	International Shares
2012	3.88%	10.82%	3.62%	-4.53%	-3.18%
2011	5.08%	9.48%	4.92%	13.50%	16.22%
2010	3.76%	8.96%	2.53%	13.26%	8.51%
2009	5.03%	4.67%	-10.39%	-10.74%	-22.04%
2008	6.58%	5.81%	9.66%	-10.20%	-11.62%
6 mth	1.84%	4.81%	1.67%	2.81%	5.86%
3 yr p.a.	4.24%	9.75%	3.69%	7.06%	6.88%
5 yr p.a.	4.86%	7.92%	1.84%	-0.33%	-3.40%
7 yr p.a.	5.08%	6.66%	5.01%	6.35%	2.50%
10 yr p.a.	4.89%	7.06%	6.52%	8.95%	3.20%

Past performance is not a guide to future performance. All net fund earning rates are after fees and taxes.

Individual manager options

Option	2012	2011	2010	2009	2008	6mth	3 yr p.a.	5 yr p.a.	7 yr p.a.
Macquarie Investment Management - Australian Fixed Interest	10.47%	4.69%	6.65%	9.35%	3.80%	4.58%	7.24%	6.96%	5.84%
BlackRock Asset Management - International Fixed Interest ¹	11.23%	-	-	-	-	3.96%	-	-	-
Industry Super Property Trust Core Fund - Property	6.78%	7.87%	5.95%	-13.74%	8.00%	2.88%	6.86%	2.60%	5.98%
Lend Lease managed Australian Prime Property Funds (Retail, Commercial & Industrial) - Property	8.48%	7.90%	0.16%	-10.12%	12.20%	3.94%	5.44%	3.41%	6.37%
Balanced Equity Management - Australian Shares	-5.34%	12.55%	14.30%	-10.94%	-13.40%	2.95%	6.79%	-1.25%	5.37%
Macquarie Investment Management - Australian Shares ²	-5.68%	10.93%	11.52%	-16.09%	-9.80%	2.74%	5.28%	-2.45%	4.63%
Paradice Investment Management (Small Cap) - Australian Shares	1.33%	18.66%	24.61%	-15.80%	-20.80%	8.28%	14.43%	-0.02%	7.59%
Perpetual Investment Management - Australian Shares ³	-1.05%	13.25%	14.74%	-9.38%	-6.60%	0.00%	8.74%	1.71%	7.80%
IronBridge Capital Management - International Shares ¹	-1.14%	-	-	-	-	5.80%	-	-	-
Marvin & Palmer Associates - International Shares ³	-18.04%	2.80%	9.07%	-27.48%	-1.80%	0.00%	-2.78%	-8.13%	-0.16%
Neuberger Berman - International Shares ⁴	-	-	-	-	-	3.94%	-	-	-

Past performance is not a guide to future performance. All net fund earning rates are after fees and taxes. **1** The BlackRock International Fixed Interest and IronBridge International Shares options were introduced on 1 June 2011. **2** The Macquarie Australian Shares option was closed on 17 June 2012. The one year returns for this option represent the period from 1 July 2011 to 17 June 2012. **3** The Perpetual Australian Shares and Marvin & Palmer International Shares options were closed on 30 October 2011. The one year returns for these options represent the period from 1 July 2011 to 30 October 2011. **4** The Neuberger Berman International Shares option was introduced on 31 October 2011.

Declared net fund earning rate

The declared net fund earning rate is based on the actual investment performance data for the previous week ending Sunday, less any applicable fees and taxation. However, for the last two weeks of June the declared net fund earning rate will not be finalised until 20–25 business days after 30 June. For the last two weeks of December, the declared net fund earning rate will not be finalised until 20 – 25 business days after 31 December.

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

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**.

Declared net fund earning rates 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 declared 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 at the time of a partial withdrawal (exit) or partial transfer out of the fund.

Earnings allocated when you switch between investment options

You can switch between investment options as often as once a week free of charge.

If your completed request is received in the **HOSTPLUS** Melbourne office before 4pm on a Friday, or in the case of online switches by 11.59pm Melbourne time on a Sunday, it will generally be processed the following Wednesday and back-dated to Monday. The latest available declared net fund earning rate will be used to allocate earnings to your account.

Calculating earnings on partial withdrawals or partial transfers out of **HOSTPLUS**

When you are invested only in the Balanced option

The latest available declared net fund earning rate will be used to allocate earnings for the amount of the partial withdrawal or partial transfer. However this rate may be adjusted (positively or negatively) with the actual declared net fund earning rate for the applicable period when the first of any of the following events occur:

- 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, or
- when you fully withdraw (exit) or fully transfer out of **HOSTPLUS**.

When you have made an investment choice other than the Balanced option

Earnings are not allocated to your account at the time of a partial withdrawal or partial transfer out of **HOSTPLUS**. The amount of the partial withdrawal or partial transfer is simply withdrawn from your account at the time. Earnings will be allocated when the first of the following events occur:

- 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, or
- when you fully withdraw (exit) or fully transfer out of **HOSTPLUS**.

Your investment options

Your pre-mixed options as at 30 June 2012

	Capital Stable			Conservative Balanced			Indexed Balanced		
Investment objectives and strategies	<ul style="list-style-type: none"> • Achieve positive returns that exceed the return on cash over rolling three year periods. • Provide stable returns through an asset mix that maximises the prospect of a 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 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 return of other similar funds. 			<ul style="list-style-type: none"> • Achieve investment returns that closely track index performance within each asset class to which this investment option has exposure. 		
Risk/return profile	<ul style="list-style-type: none"> • Low to medium risk investment. • Likelihood of a negative annual return in any one year: one in every 10 to 11 years. 			<ul style="list-style-type: none"> • Medium risk investment. • Likelihood of a negative annual return in any one year: one in every five to six years. 			<ul style="list-style-type: none"> • Medium to high risk investment. • Likelihood of a negative annual return in any one year: one in every four to five years. 		
Investment style	<ul style="list-style-type: none"> • Most conservative and low-risk of the HOSTPLUS pre-mixed investment options. 			<ul style="list-style-type: none"> • Contains roughly equal proportions of growth and defensive assets. 			<ul style="list-style-type: none"> • Investments through diversified investment portfolio, including some growth assets and some lower risk investments. 		
Who this option would suit	<ul style="list-style-type: none"> • This Option has a lower risk return profile than the Fund's Default Option. • This Option may suit members who have a three to four year plus investment time horizon. 			<ul style="list-style-type: none"> • This Option is diversified across a range of growth and defensive assets, and has a lower risk return profile than the Fund's Default Option. • This Option may suit members who have a five year plus investment time horizon. 			<ul style="list-style-type: none"> • This Option is diversified across a range of growth and defensive assets and aims to produce consistent returns over time. • This Option may suit members who have a six year plus investment time horizon. 		
Minimum Investment Timeframe*	• 3 – 4 years +			• 5 years +			• 6 years +		
Asset mix		Range	Benchmark		Range	Benchmark		Range	Benchmark
	Growth assets			Growth assets			Growth assets		
			30%			50%			75%
	Australian shares	5–20%	11%	Australian shares	15–30%	21%	Australian shares	25–55%	42%
	International shares	5–15%	9%	International shares	10–25%	17%	International shares	10–40%	33%
	Unlisted assets	–	–	Unlisted assets	–	–	Unlisted assets	–	–
	– Infrastructure	0–10%	4%	– Infrastructure	0–10%	4%	– Infrastructure	–	–
	– Private equity	0–5%	0%	– Private equity	0–10%	2%	– Private equity	–	–
	– Alternatives	0–10%	1%	– Alternatives	0–10%	1%	– Alternatives	–	–
	Property	0–10%	5%	Property	0–10%	5%	Property	–	–
	Defensive assets			Defensive assets			Defensive assets		
			70%			50%			25%
	Unlisted assets	–	–	Unlisted assets	–	–	Unlisted assets	–	–
	– Infrastructure	0–5%	1%	– Infrastructure	0–5%	1%	– Infrastructure	–	–
	– Alternatives	0–5%	2%	– Alternatives	0–5%	3%	– Alternatives	–	–
	Property	0–15%	7%	Property	0–15%	8%	Property	–	–
	Diversified fixed interest	30–50%	40%	Diversified fixed interest	20–40%	28%	Diversified fixed interest	10–30%	20%
	Cash	10–40%	20%	Cash	5–20%	10%	Cash	0–10%	5%

* The minimum investment timeframe is based on the risk and return profile of the option. The timeframe considers volatility and the likelihood of negative annual returns in any one year. Please note this is a recommended timeframe.

Your pre-mixed options as at 30 June 2012

	Balanced (default)			Shares Plus		
Investment objectives and strategies	<ul style="list-style-type: none"> • Achieve positive returns 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 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 risk investment. • Likelihood of a negative annual return in any one year: one in every four to five years. 			<ul style="list-style-type: none"> • High risk investment. • 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. 		
Who this option would suit	<ul style="list-style-type: none"> • This Option is diversified across a range of growth and defensive assets and aims to produce consistent returns over time. • This Option may suit members who have a six year plus investment time horizon. 			<ul style="list-style-type: none"> • This Option is less diversified than the Fund's Default Option and has a higher risk and return profile. • This Option may suit members who have a six year plus investment time horizon. 		
Minimum Investment Timeframe*	• 6 years +			• 6 years +		
Asset mix		Range	Benchmark		Range	Benchmark
	Growth assets		76%	Growth assets		85%
	Australian shares	25–45%	33%	Australian shares	30–50%	38%
	International shares	10–30%	22%	International shares	20–40%	34%
	Unlisted assets	–	–	Unlisted assets	–	–
	– Infrastructure	0–10%	7%	– Infrastructure	0–10%	3%
	– Private equity	0–10%	5%	– Private equity	0–15%	6%
	– Alternatives	0–10%	3%	– Alternatives	0–10%	1%
	Property	0–15%	6%	Property	0–10%	3%
	Defensive assets		24%	Defensive assets		15%
	Unlisted assets	–	–	Unlisted assets	–	–
	– Infrastructure	0–5%	3%	– Infrastructure	0–5%	1%
	– Alternatives	0–10%	5%	– Alternatives	0–5%	3%
	Property	0–15%	9%	Property	0–10%	5%
	Diversified fixed interest	0–20%	7%	Diversified fixed interest	0–10%	6%
	Cash	0–10%	0%	Cash	0–10%	0%

* The minimum investment timeframe is based on the risk and return profile of the option.

The timeframe considers volatility and the likelihood of negative annual returns in any one year.

Please note this is a recommended timeframe.

Your sector investment options as at 30 June 2012

	Cash			Diversified Fixed Interest			Property		
Investment objectives and strategies	<ul style="list-style-type: none"> Maintain the invested capital. To provide positive returns. 			<ul style="list-style-type: none"> Aim to provide a high level of capital protection and returns that over the medium term exceed those available from investing solely in cash type investments. 			<ul style="list-style-type: none"> To provide exposure to the rental income and capital growth arising from property and land assets. 		
Risk/return profile	<ul style="list-style-type: none"> Lowest risk with corresponding expectation of lower returns. Expectation of a positive return being achieved each year. 			<ul style="list-style-type: none"> Moderate risk investment. Generally 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. 			<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. 		
Investment style	<ul style="list-style-type: none"> Cash investments could include deposits in a bank, investments in short-term money markets 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. 			<ul style="list-style-type: none"> An investment in property or buildings, either directly or via property trusts. 		
Who this option would suit	<ul style="list-style-type: none"> This Option may suit members who have a short term investment horizon. It will provide security of capital but returns will typically be lower than that produced by the Fund's Default Option over the medium to long term. 			<ul style="list-style-type: none"> This Option may suit members who desire lower volatility over the medium term. Whilst returns can fluctuate, the risk and return profile is lower than the Fund's Default and Shares Options. 			<ul style="list-style-type: none"> This Option has a lower risk and return profile than the Fund's Default Option and aims to achieve income returns and capital growth over the longer term. This Option may suit members who have a five year plus investment time horizon. 		
Minimum Investment Timeframe*	<ul style="list-style-type: none"> Less than 1 year 			<ul style="list-style-type: none"> 5 years + 			<ul style="list-style-type: none"> 5 years + 		
Asset mix	Range	Benchmark		Range	Benchmark		Range	Benchmark	
	Growth assets		0%	Growth assets		0%	Growth assets		40%
	Defensive assets		100%	Alternatives	0–10%	0%	Property	0–100%	40%
	Cash	0–100%	100%	Defensive assets		100%	Defensive assets		60%
				Australian and international fixed interest	90–100%	100%	Property	0–100%	60%

* The minimum investment timeframe is based on the risk and return profile of the option. The timeframe considers volatility and the likelihood of negative annual returns in any one year. Please note this is a recommended timeframe.

Your sector investment options as at 30 June 2012 continued

	Australian Shares			International Shares		
Investment objectives and strategies	<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/ASX300 Accumulation Index over rolling three year periods. 			<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 risk investment. 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 risk investment. Corresponding high returns. A component of this investment is exposed to currency fluctuations. Likelihood of a negative annual return in any one year: one in every two to three years. 		
Investment style	• Active management.			• Active management.		
Who this option would suit	<ul style="list-style-type: none"> This Option is less diversified than the Fund's Default Option and has a higher risk and return profile. This Option may suit members who have a seven year plus investment time horizon. 			<ul style="list-style-type: none"> This Option is less diversified than the Fund's Default Option and has a higher risk and return profile. This Option may suit members who have a seven year plus investment time horizon. 		
Minimum Investment Timeframe*	• 7 years +			• 7 years +		
Asset mix		Range	Benchmark		Range	Benchmark
	Growth assets		100%	Growth assets		100%
	Australian shares	0–100%	100%	International shares	0–100%	100%
	International shares	0–10%	0%			
	Defensive assets		0%	Defensive assets		0%

Investment managers may invest a proportion of these investment options' assets in cash for management purposes from time to time.

* The minimum investment timeframe is based on the risk and return profile of the option.

The timeframe considers volatility and the likelihood of negative annual returns in any one year.

Please note this is a recommended timeframe.

Your individual manager options as at 30 June 2012

	Macquarie Investment Management – Australian Fixed Interest			BlackRock Asset Management – International Fixed Interest			Industry Super Property Trust Core Fund – Property				
Investment objectives and strategies	<ul style="list-style-type: none"> Guarantee the return of the UBS 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"> Provide returns similar to the Citigroup World Government Bond Index (hedged in AUD with net dividends reinvested). 			<ul style="list-style-type: none"> Long term investment in a diversified pool of quality Australian office, retail and industrial properties. Provide returns superior to the Mercer/IPD Australian Pooled Property Fund Index. 				
Risk/return profile	<ul style="list-style-type: none"> Low to medium risk investment. Likelihood of a negative annual return in any one year: one in every six to seven years. 			<ul style="list-style-type: none"> Low to medium risk investment. 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"> Passive management. 			<ul style="list-style-type: none"> Passive management. The manager invests in securities that form the Citigroup World Government Bond Index, using an index tracking approach to manage securities. 			<ul style="list-style-type: none"> The Fund has an income bias aiming to offer investors lower relative earnings volatility and a higher income yield. 				
Who this option would suit	<ul style="list-style-type: none"> This Option may suit members who desire lower return volatility over the medium term. Whilst returns can fluctuate, the risk and return profile is lower than the Fund's Default and Shares Options. 			<ul style="list-style-type: none"> This Option may suit members who desire lower return volatility over the medium term. Whilst returns can fluctuate, the risk and return profile is lower than the Fund's Default and Shares Options. 			<ul style="list-style-type: none"> This Option has a lower risk and return profile than the Fund's Default Option and aims to achieve income returns and capital growth over the longer term. This Option may suit members who have a five year plus investment time horizon. 				
Minimum Investment Timeframe*	• 3 years +			• 3 years +			• 5 years +				
Asset mix			Range	Benchmark			Range	Benchmark			
	Growth assets			0%	Growth assets			0%	Growth assets		30%
	Defensive assets			100%	Defensive assets			100%	Defensive assets		70%
	Australian fixed interest	–		100%	International fixed interest	–		100%	Australian property	0–100%	30%
									Australian property	0–100%	70%

* The minimum investment timeframe is based on the risk and return profile of the option. The timeframe considers volatility and the likelihood of negative annual returns in any one year. Please note this is a recommended timeframe.

Your individual manager options as at 30 June 2012 continued

	Lend Lease managed Australian Prime Property Funds (Retail, Commercial & Industrial) – Property			Balanced Equity Management – Australian Shares			Paradice Investment Management (Small Cap) – Australian Shares		
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/IPD Australian Pooled Property Fund Index. 			<ul style="list-style-type: none"> To outperform the S&P/ASX100 Accumulation Index over rolling three year periods. 			<ul style="list-style-type: none"> To exceed the S&P/ASX ex-100 Leaders 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 returns. 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 risk investment. 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 risk investment. 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"> Long-term direct investment in a quality portfolio of major regional core retail assets, commercial assets and industrial assets across Australia. 			<ul style="list-style-type: none"> Active management style based on fundamental analysis of stocks within the S&P/ASX100 Accumulation Index. 			<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. 		
Who this option would suit	<ul style="list-style-type: none"> This Option has a lower risk and return profile than the Fund's Default Option and aims to achieve income returns and capital growth over the longer term. This Option may suit members who have a five year plus investment time horizon. 			<ul style="list-style-type: none"> This Option is less diversified than the Fund's Default Option and has a higher risk and return profile. This Option may suit members who have a seven year plus investment time horizon. 			<ul style="list-style-type: none"> This Option is less diversified than the Fund's Default Option and has a higher risk and return profile. This Option may suit members who have a seven year plus investment time horizon. 		
Minimum Investment Timeframe*	• 5 years +			• 7 years +			• 7 years +		
Asset mix		Range	Benchmark		Range	Benchmark		Range	Benchmark
	Growth assets		30%	Growth assets		100%	Growth assets		100%
	Australian property	0–100%	30%	Australian shares	–	100%	Australian/NZ shares	–	100%
	Defensive assets		70%	Defensive assets		0%	Defensive assets		0%
	Australian property	0–100%	70%						

* The minimum investment timeframe is based on the risk and return profile of the option.

The timeframe considers volatility and the likelihood of negative annual returns in any one year.

Please note this is a recommended timeframe.

	IronBridge Capital Management – International Shares	Neuberger Berman – International Shares																								
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"> • The strategy seeks 3-5% in excess return over a full market cycle, (typically 3 to 5 years) versus the MSCI Emerging Market index through security selection, active country allocation and risk management. 																								
Risk/return profile	<ul style="list-style-type: none"> • High to very high risk investment. • Corresponding high returns. • Investment is fully exposed to currency fluctuations. • Manager is permitted to invest a limited proportion of the portfolio in emerging countries. • Likelihood of negative annual return in any one year: one in every three to four years. 	<ul style="list-style-type: none"> • High to very high risk investment. • Corresponding high returns. • Investment is fully exposed to currency fluctuations. • Likelihood of negative annual return in any one year: one in every three to four years. 																								
Investment style	<ul style="list-style-type: none"> • Active style blend of growth and value stock selection. • Utilises proprietary concept “Life Cycle” which defines the path of analysis for fundamental research and for ensuring proper diversification in the portfolio construction process. 	<ul style="list-style-type: none"> • Neuberger Berman seeks to maximise performance by constructing its portfolios with high quality, growing companies trading at attractive valuations, which have the potential to outperform the MSCI Emerging Markets Index at lower risk. • The style can best be characterized by Growth at a Reasonable Price (GARP). 																								
Who this option would suit	<ul style="list-style-type: none"> • This Option is less diversified than the Fund’s Default Option and has a higher risk and return profile. • This Option may suit members who have a seven year plus investment time horizon. 	<ul style="list-style-type: none"> • This Option is less diversified than the Fund’s Default Option and has a higher risk and return profile. • This Option may suit members who have a seven year plus investment time horizon. 																								
Minimum Investment Timeframe*	• 7 years +	• 7 years +																								
Asset mix	<table border="1"> <thead> <tr> <th></th> <th>Range</th> <th>Benchmark</th> </tr> </thead> <tbody> <tr> <td>Growth assets</td> <td></td> <td>100%</td> </tr> <tr> <td>International shares</td> <td>–</td> <td>100%</td> </tr> <tr> <td>Defensive assets</td> <td></td> <td>0%</td> </tr> </tbody> </table>		Range	Benchmark	Growth assets		100%	International shares	–	100%	Defensive assets		0%	<table border="1"> <thead> <tr> <th></th> <th>Range</th> <th>Benchmark</th> </tr> </thead> <tbody> <tr> <td>Growth assets</td> <td></td> <td>100%</td> </tr> <tr> <td>International shares</td> <td>–</td> <td>100%</td> </tr> <tr> <td>Defensive assets</td> <td></td> <td>0%</td> </tr> </tbody> </table>		Range	Benchmark	Growth assets		100%	International shares	–	100%	Defensive assets		0%
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* The minimum investment timeframe is based on the risk and return profile of the option. The timeframe considers volatility and the likelihood of negative annual returns in any one year. Please note this is a recommended timeframe.

Investments greater than 5% of total fund assets

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

- Industry Funds Management Pty Ltd.
- ISPT Pty Ltd.
- Lend Lease Investment Management.
- Paradise Investment Management Pty Ltd.

Investment expenses for 2011 - 2012

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	0.37%	0.07%	0.44%	0.37%
Conservative Balanced	0.49%	0.11%	0.60%	0.51%
Indexed Balanced	0.05%	0.00%	0.05%	0.04%
Balanced	0.67%	0.19%	0.86%	0.73%
Shares Plus	0.65%	0.15%	0.80%	0.68%
Sector investment options				
Cash	0.04%	0.00%	0.04%	0.03%
Diversified Fixed Interest	0.26%	0.00%	0.26%	0.22%
Property	0.71%	0.06%	0.77%	0.65%
Australian Shares	0.41%	0.23%	0.64%	0.54%
International Shares	0.66%	0.00%	0.66%	0.56%
Individual manager options				
Macquarie Investment Management – Australian Fixed Interest	0.00%	0.00%	0.00%	0.00%
BlackRock Asset Management – International Fixed Interest	0.17%	0.00%	0.17%	0.14%
Industry Super Property Trust – Property	0.30%	0.00%	0.30%	0.26%
Lend Lease managed APPF (Retail, Commercial & Industrial) – Property	0.84%	0.14%	0.98%	0.83%
Balanced Equity Management – Australian Shares	0.17%	0.00%	0.17%	0.14%
Macquarie Investment Management – Australian Shares ¹	0.20%	0.00%	0.20%	0.17%
Paradice Investment Management (Small Cap) – Australian Shares	0.77%	1.65%	2.42%	2.06%
Perpetual Investment Management – Australian Shares ²	0.47%	0.00%	0.47%	0.40%
IronBridge Capital Management – International Shares	0.43%	0.00%	0.43%	0.37%
Marvin & Palmer Associates – International Shares ²	0.60%	0.00%	0.60%	0.51%
Neuberger Berman – International Shares ³	0.79%	0.00%	0.79%	0.67%

* The performance based cost component comprises actual fees paid and estimates of fees to be paid for the financial year ending 30 June 2012.

** The total management cost after the applicable tax deduction includes the investment management costs and performance fees.

1 This investment option was closed on 17 June 2012.

2 This investment option was closed on 31 October 2011.

3 This is a new investment option available from 31 October 2011. The figure shown is an approximation of expenses had this investment option existed for a full financial year.

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 on page 16 shows the investment expenses paid for the financial year ended 30 June 2012, 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 2012–13 financial year will be calculated as at 30 June 2013.

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

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?

Access to your superannuation occurs 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 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 or its delegates (currently Medicare)
- 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 \$14 per year or part-year, while lower balances are not subject to the levy but do not receive 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 any insurance arrangements.

For more information about AUSfund visit hostplus.com.au/membguide/super

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.

The Government requires superannuation funds to transfer lost superannuation accounts to the Australian Taxation Office (ATO) as unclaimed monies where:

- the balance of the lost account is less than \$200, or
- the account has been inactive for a period of five years and the provider has insufficient records to identify the owner of the account.

Generally, you are classified as lost if:

- you cannot be contacted (ie. mail has been returned unclaimed)
- you joined the fund more than two years ago for the purpose of receiving employer contributions, and the fund has not received further contributions or rollovers.

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.

Members will be able to reclaim their money from the ATO at any time.

Duplicate account insurance arrangements

If more than one account is opened for you in **HOSTPLUS**, or you have joined another division of **HOSTPLUS**, you are eligible for insurance cover in only one account (usually you will retain the highest level of insurance cover in the respective account, unless you tell us otherwise). Insurance premiums will be refunded for the account with the cancelled insurance cover.

If you have any further queries please call **1300 HOSTPLUS (1300 467 875)**.

Trustee indemnity insurance

Chubb Insurance Company Australia Ltd, Chartis Australia Insurance Limited, Liberty International and Dual Australia Pty Ltd underwriters provided trustee insurance cover from 30 September 2011 until 30 September 2012.

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 2012. The audited financial statements and auditor's report are available on request.

Fund documentation

If you would like 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** which are invested in a manner consistent with the fund's investment strategy in the Balanced option and in a manner that allows the fund to discharge its liabilities as they fall due. The total value of all reserve amounts at 30 June for the last four years has been:

2012: \$102,760,855

2011: \$95,242,026

2010: \$80,041,528

2009: \$72,719,316

Investment 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 an investment account, pending this allocation process. After six months, all investment earnings are allocated to members' accounts. The total value of this investment account at 30 June for the last four years was:

2012: (\$6,653,718)*

2011: (\$1,237,326)*

2010: (\$1,755,449)*

2009: \$1,968,281

*This is a timing issue on the receipt of investment earnings and on 1 July the investment account balance was again positive.

Administration account

The fees deducted from your account are deposited into the administration account and the accumulated funds are utilised to pay for the operations of **HOSTPLUS**.

Over the last four years, the administration account balance at 30 June has been:

2012: \$109,414,573

2011: \$96,479,352

2010: \$81,796,977

2009: \$70,751,035

Our professional partners

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

- Administrator: Superpartners Pty Ltd
- Investment adviser: JANA Investment Advisers Pty Ltd
- Auditor: PricewaterhouseCoopers
- Insurer: OnePath Limited
- Legal advisers: Herbert Geer, IFS Legal, Norton Rose
- Tax advisers: KPMG, Ernst & Young
- Master custodian: JPMorgan Chase Bank, N.A.
- Internal auditor: Grant Thornton

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.

Under the Risk Management Framework, **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 to their internal control mechanisms for the use of derivatives to ensure any such investments are made in accordance with the investment mandate guidelines. The use of derivatives and subsequent control frameworks are considered as part of our investment risks and therefore are documented in the fund's Risk Management Strategy and Risk Management plan.

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 as at 30 June 2012

Independent Directors



**David
Elmslie**
Chairman



**The Hon Peter
Collins AM QC**



**Bob
Hinkley**

Employee Representative Directors



**Brian
Daley**
Deputy
Chairman



**Robyn
Buckler**



**Troy
Burton**

Employer Representative Directors



Mark Robertson
Deputy
Chairman



**Neil
Randall**
Resigned from
30 June 2012



**Bevan
Douglas**
Resigned from
30 June 2012

New Employer Representative Directors from 1 July 2012



**David
Gibson**



**The Hon
Mark Vaile AO**

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 and international shares. Our policy provides proxy voting guidelines for mandated investment portfolios. It also includes extended reporting on pooled investment vehicles.

In 2009 HOSTPLUS became a signatory to the United Nations Principles for Responsible Investment (UNPRI). The UNPRI were developed to provide a framework to sustainable long term returns. The principles are not prescriptive but provide guidance to incorporate environmental, social and governance (ESG) issues into investment decisions.

HOSTPLUS will focus on encouraging its investment managers to adopt the Principles.

To ensure good governance is also a key part of business and public administration at HOSTPLUS, we have in place a nine-member board comprising:

- Three employee representatives
- Three employer representatives
- Three independent representatives.

This balanced HOSTPLUS board structure was highlighted by the 2010 Cooper Review into superannuation as the model that other funds should adopt. We're proud of our structure and this endorsement of our model means our members can feel very confident in the way their fund is governed.

Additionally, our industry fund philosophy means we are run to benefit our members in a transparent manner. Some examples of this approach are that you can now find information on:

- a listing of our top 100 Australian and global shareholdings
- details of our infrastructure and property assets
- our board and executive remuneration.

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 ATO), 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 by 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:

Resolutions Officer
HOSTPLUS
Locked Bag 9
Carlton South VIC 3053

Investment Managers

Investments and Investment Managers at 30 June 2012

Cash

- Industry Funds Management Pty Ltd
- JPMorgan Chase Bank, N.A.
- Members Equity Bank Pty Limited

Diversified fixed interest

- Alternative Fixed Income Funds
 - Industry Funds Management Pty Ltd
- BlackRock Indexed World Government Bond Fund
 - BlackRock Asset Management Australia Limited*
- IFM Renewable Energy Pty Ltd
- Macquarie True Index Australian Fixed Interest Fund
 - Macquarie Investment Management Limited*
- Super Loans Trust
 - ME Portfolio Management Limited

Property

- Australian Prime Property Funds (Retail, Commercial & Industrial)
 - Lend Lease Investment Management*
- Colonial First State Property Opportunistic Partnership
 - Colonial First State Property Limited
- Goodman Australia Industrial Fund
 - Goodman Funds Management Australia Limited
- Industry Superannuation Property Trust (Core Fund)
 - ISPT Pty Ltd*
- ISPT Development and Opportunities Fund I & II
 - ISPT Pty Ltd
- Lend Lease Asian Retail Investment Fund
 - Lend Lease Investment Management
- Lend Lease Communities Fund 1
 - Lend Lease Investment Management
- Lend Lease Real Estate Partners 3
 - Lend Lease Investment Management
- Lend Lease V5 Trust
 - Lend Lease Development Pty Limited

- Macquarie Real Estate Equity Fund 3, 5 & 6
 - Macquarie Admin Services Pty Limited
- MGPA Asia Fund III
 - MGPA
- Retirement Villages Group
 - Macquarie Capital Advisers Limited
- Select Property Portfolio No. 1, 2 & 3
 - AMP Capital Investors Limited
- Stockland Residential Estates Equity Fund No. 1
 - Stockland Capital Partners Limited
- Wholesale Property

Unlisted assets

Alternatives

- Apostle Loomis Sayles Credit Opportunities Fund
 - Loomis, Sayles & Company L.P.
- Babson Capital Management LLC
- Bridgewater Pure Alpha Fund II, Ltd
 - Bridgewater Associates, Inc
- GMO Multi Strategy Trust
 - GMO Australia Limited
- Stone Tower Fund Management LLC

Infrastructure

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

* Managers available as individual manager investment options.

Private equity

- Apostle Carnegie Private Opportunities Fund No.1
 - M.H. Carnegie & Co. Pty Limited
- Carnegie Innovation Fund, LP
 - Carnegie Venture Capital Pty Limited
- Crown Europe Middle Market II Plc
 - LGT Capital Partners (Ireland) Limited
- Crown European Buyout Opportunities II Plc
 - LGT Capital Partners (Ireland) Limited
- Industry Super Holdings Pty Ltd
- IFM Private Equity Funds - Australian and International Private Equity Fund
 - Industry Funds Management Pty Ltd
- Members Equity Bank Pty Limited
- Partners Group Secondary 2008 (EUR), S.C.A., SICAR
 - Partners Group Management Ltd
- Partners Group Secondary 2011 (EUR), S.C.A., SICAR
 - Partners Group Management Ltd
- Superpartners Pty Ltd
- Siguler Guff HP China Opportunities Fund LP
 - Siguler Guff HP China GP, LLC
- Wilshire Private Markets Group – US, European, Asian and Australian Private Equity
 - Wilshire Australia Pty Limited

Australian shares

- Acadian Wholesale Australian Equity Long Short Fund
 - Acadian Asset Management (Australia) Ltd
- Allan Gray Australia Pty Ltd
- Balanced Equity Management Pty Limited*
- BT Wholesale Australian Long/Short Fund
 - BT Investment Management Limited
- Goldman Sachs & Partners Australia Managed Funds Limited (Australian Equities)
- Goldman Sachs & Partners Australia Managed Funds Limited (Emerging Leaders)

- Greencape Capital Pty Ltd
- Industry Funds Management Pty Ltd (Enhanced Indexed)
- Industry Funds Management Pty Ltd (Strategic Australian Equities)
- L1 Capital Pty Ltd
- Paradise Investment Management Pty Ltd (Small Cap)*
- Paradise Investment Management Pty Ltd (Mid Cap)
- Paradise Investment Management Pty Ltd (Large Cap)
- Vinva Australian Equity Alpha Extension Fund
 - Vinva Investment Management Limited

International shares

- Apostle Global Small-Mid Cap Fund
 - Highclere International Investors Ltd
 - Vaughan Nelson Investment Management, L.P.
- Baillie Gifford Overseas Limited
- BlackRock Fission Indexed International Equity Fund
 - BlackRock Asset Management Australia Limited
- Cooper Investors Pty Limited
- Esemplia Emerging Markets
- Goldman Sachs Hedged Global Long Short Fund
 - Goldman Sachs & Partners Australia Managed Funds Limited
- Independent Franchise Partners, LLP
- IronBridge Capital Management, L.P.*
- Northcape Capital Pty Ltd
- Neuberger Berman Australia Pty Limited*
- Orbis Institutional Global Equity Fund
 - Orbis Investment Management Limited
- Paradise Investment Management Pty Ltd (Global Small Cap)
- Proa Partners Pte Ltd
- Wellington International Management Company Pte Ltd
- Wholesale Pooled Fund Special Strategies Portfolio
 - Wellington Management Company

Currency

- Mesirow Financial Investment Management Inc.

* Managers available as individual manager investment options.

Financials

Statement of financial position at 30 June		
	2012	2011
Investments	\$10,231,936,214	\$9,455,525,405
Other assets		
Cash at bank	\$4,727,739	\$8,324,453
Prepayments	\$60,814	\$395,722
Other receivables	\$2,015,390	\$1,866,605
Operating assets	\$2,047,619	\$1,805,575
Deferred tax asset	\$102,556,554	\$72,433,097
Total other assets	\$111,408,116	\$84,825,452
Total assets	\$10,343,344,330	\$9,540,350,857
Liabilities		
Accounts payable	\$88,137,735	\$72,735,933
Current tax liabilities	\$41,994,188	\$71,693,304
Total liabilities	\$130,131,923	\$144,429,237
Net assets available to pay benefits	\$10,213,212,407	\$9,395,921,620
Represented by: Liability for accrued benefits		
Balanced	\$9,004,866,089	\$8,406,214,457
Shares Plus	\$172,635,233	\$178,450,097
Capital Stable	\$100,821,359	\$70,266,337
Conservative Balanced	\$47,942,225	\$37,274,808
Cash	\$252,666,661	\$162,410,247
Diversified Fixed Interest	\$106,489,513	\$45,636,513
Property	\$35,394,650	\$30,019,552
Australian Shares	\$134,586,313	\$142,833,937
International Shares	\$30,009,212	\$30,834,078
Individual managers and Pension	\$225,040,297	\$196,739,568
Reserves	\$102,760,855	\$95,242,026
Total liability for accrued benefits	\$10,213,212,407	\$9,395,921,620

Operating statement for the year ended 30 June

	2012	2011
Revenue from ordinary activities		
Net investment revenue		
Interest	\$17,856,600	\$20,611,026
Dividends and distributions	\$374,608,459	\$349,676,560
Other income	\$7,214,479	\$7,261,702
Changes in net market value	(\$275,324,482)	\$502,059,555
Direct and other investment expenses	(\$41,162,560)	(\$30,561,207)
Total net revenue – investments	\$83,192,496	\$849,047,636
Contribution revenue		
Employer	\$1,239,827,864	\$1,124,951,347
Member	\$72,723,042	\$78,497,516
Transfers from other superannuation funds	\$237,427,014	\$215,553,693
Total revenue – contributions	\$1,549,977,920	\$1,419,002,556
Other revenue		
Sundry income	\$194,945	\$15,621
Proceeds from insurance	\$96,465,181	\$72,973,462
Total revenue – other	\$96,660,126	\$72,989,083
Total revenue from ordinary activities	\$1,729,830,542	\$2,341,039,275
<i>Less</i>		
Expenses from ordinary activities		
Superannuation contributions surcharge	(\$23,328)	(\$26,496)
Insurance	\$122,178,691	\$98,535,025
Administration	\$77,868,529	\$74,607,267
Total expenses from ordinary activities	\$200,023,892	\$173,115,796
Benefits accrued as a result of operations before income tax	\$1,529,806,650	\$2,167,923,479
<i>Less</i>		
Income Tax Expense	\$138,975,016	\$185,474,776
Benefits accrued as a result of operations	\$1,390,831,634	\$1,982,448,703

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