



Super Connected

Annual Report
2016/17

A black and white photograph of a man carrying a young girl on his shoulders. The girl is holding a kite string that extends across the top of the frame. The background is a bright, hazy sky.

TelstraSuper is an award-winning, profit-for-members superannuation fund, open to current and former employees of the Telstra Group and Telstra-approved employers and eligible members of their families.

We're Australia's largest corporate superannuation fund with over \$19 billion* in assets invested on behalf of over 98,000 members.

What we offer

We offer an exceptional range of benefits to help our members achieve their retirement objectives, including:

- competitive fees
- a broad range of investment options, including the ability to invest in the ASX300, Exchange Traded Funds (ETFs) and a range of term deposits
- a competitively priced retirement income stream for those already in, or close to, retirement a range of flexible insurance options
- access to expert financial advice through TelstraSuper Financial Planning†
- 24/7 access to check and manage super accounts via SuperOnline and member education seminars to help our members get the most out of their super.

Our mission

We help our members build a financially secure future.

Our values

- **Members first:** we see through the members' eyes as they are our reason for being
- **Mutual respect:** we treat ourselves and the Telstra family with respect and value diversity and inclusion, integrity and teamwork
- **Empowerment:** our people take personal accountability for actions and outcomes for our members
- **Challenge the norm:** we are always motivated to be progressive for our members and act with the future in mind.

* As at 30 June 2017

† TelstraSuper Financial Planning is wholly owned by Telstra Super Pty Ltd, trustee for the Telstra Superannuation Scheme (TelstraSuper). Telstra Super Pty Ltd has engaged TelstraSuper Financial Planning to provide financial planning services to TelstraSuper members and their eligible family members.

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TelstraSuper Annual Report
2016/17

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About this Annual Report

This Annual Report is for the 2016/2017 financial year and has been prepared by Telstra Super Pty Ltd for the Telstra Superannuation Scheme. The details in this report are accurate based on information known as at the time of printing.

Any general advice in this report has been prepared without taking into account your objectives, financial situation or needs. Before you act on any general advice in this report, you should consider whether it's appropriate to your individual circumstances. Before making any decisions, you should obtain and read the relevant Product Disclosure Statement which is available on the website or by calling **1300 033 166**.

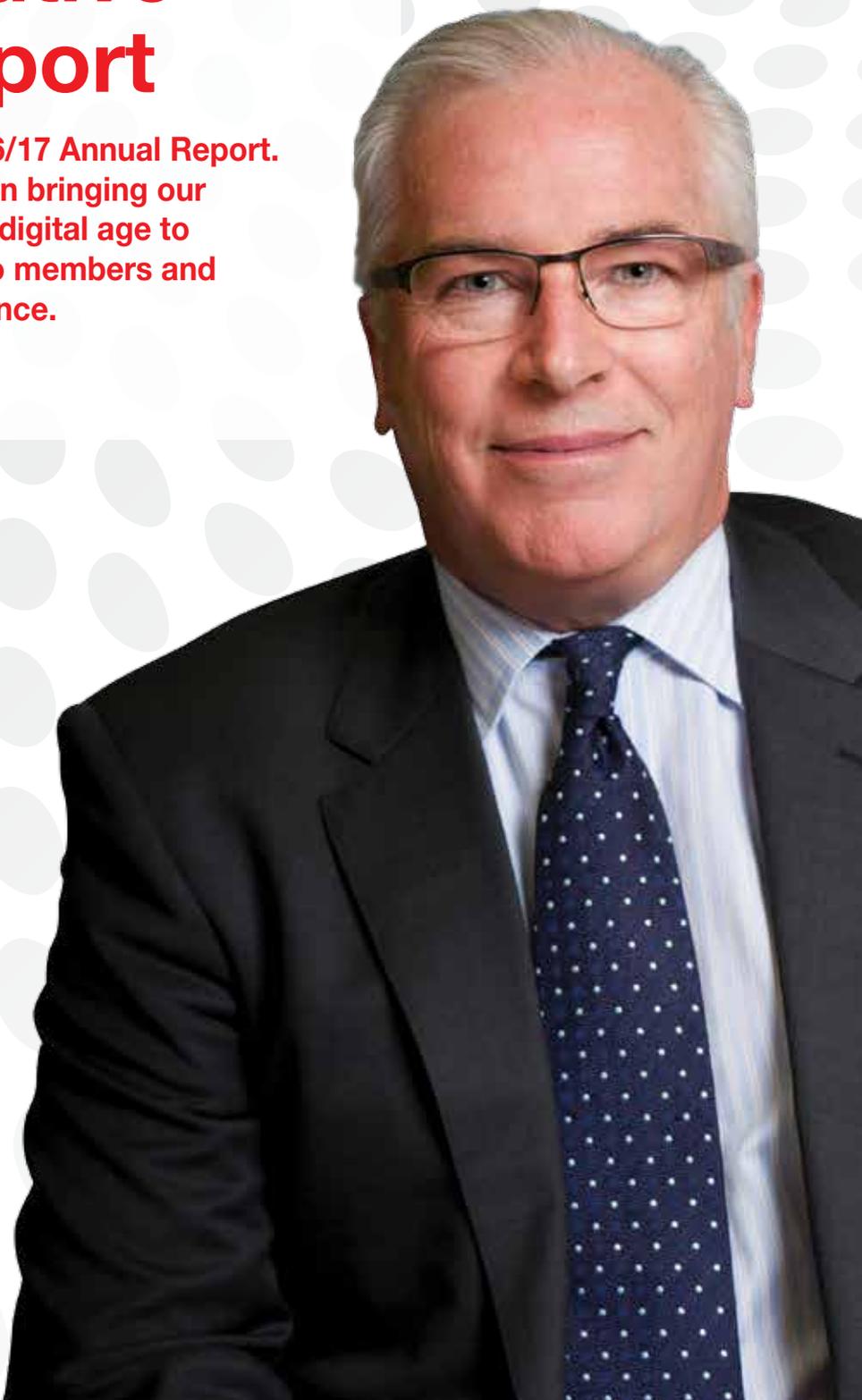
telstrasuper.com.au

Chief Executive Officer's report

Welcome to TelstraSuper's 2016/17 Annual Report. This year we've been focused on bringing our 27-year-old fund firmly into the digital age to improve our service offerings to members and build a compelling online presence.

Chris Davies
Chief Executive Officer

As a profit-for-members fund, our members are at the heart of everything we do and that's why our digital makeover was designed with members front of mind. The centrepiece of our digital evolution is a new public website and secure member portal, SuperOnline, which make it easier for members to connect with their super online, on any device. The website's fully adapted for mobile and tablet formats to support our members as they increasingly shift to digital channels.



At TelstraSuper, we're constantly evolving to keep pace with rapid change in financial services and our digital strategy is the foundation of our long-term plan to provide the best possible experience to our members. Over time, we'll be advancing our use of digital techniques to assist members to interact with the fund by increasing personalisation and providing content that's most relevant to individual members.

The new dashboard in SuperOnline has been a particular hit with members who say they appreciate the clearer presentation of key account information and ease of making transactions. We'll be taking some of those improvements into account as we move to update our regular member statements as well.

On the website

The centerpiece of our digital evolution is a new public website and secure member portal, SuperOnline, which make it easier for members to connect with their super online, on any device.



We were delighted to receive industry recognition for our new digital approach, winning 'Website of the Year' in the MAX Awards for Marketing, Advertising & Sales Excellence in a competitive field across the investment and super industries. The award reflects the hard work and commitment of everyone across the organisation who contributed to this success. More rewarding still has been the extremely positive member response since the launch on 1 February 2017, with 148,000 people visiting the site and more than two million page views.

Our brand

To coincide with the launch of the website, we updated the TelstraSuper brand to make it more flexible and adaptable to different devices. The new look incorporates fresher colours and forward motion, indicating our commitment to creating innovative ways to help our members build a financially secure future. We've given our monthly member newsletter, now called SuperInsights, a makeover as well, while the content continues to provide members with timely and thought-provoking information about their super in plain English.

Budget changes

Over the past year, TelstraSuper has also been busy preparing for the large number of changes to superannuation that came into effect on 1 July 2017 as a result of the 2016 Federal Budget. The changes were complex and affected several aspects of super, including contribution limits and new arrangements for Transition to Retirement strategies, as well as

overall limits on tax free pension account balances. The rule changes impacted all parts of our business, with the Member Contact Centre, Financial Planning and our Member Education team collectively contributing to explain the new rules to members.

Over the year ahead, we'll also be closely examining the changes in the May 2017 Federal Budget that address housing affordability issues. The changes are intended to assist younger people to save for their first home deposit, and to allow older people to boost their super from the proceeds of downsizing their home. We'll be looking at strategies to help our members potentially take advantage of these new measures.

Our people

Across TelstraSuper, our staff are a highly dedicated and responsive team, always focused on the best possible outcome for our members. We act as the advocate for our members with third parties, such as our insurance provider TAL, and continue to champion for better retirement outcomes for all members through involvement in various industry groups.

We're continuing our journey to improve the diversity and inclusion initiatives within our organisation as well as programmes for members. We held our second Women in Super forum for members featuring inspirational speakers in Melbourne and Sydney, and ran a member education campaign about key super issues affecting women as part of our efforts to help close the super gap at retirement.

With over \$19 billion in member savings as at 30 June 2017, our size and scale as Australia's largest corporate super fund helps us to keep down costs for members and to lead the industry in our product and service offerings. We'd like to thank you for your continued support as we evolve and adapt to a rapidly changing superannuation landscape.

Chris Davies
Chief Executive Officer

Chairman's report

The 2016/17 financial year has been a busy one at TelstraSuper, with significant work completed to meet the legislative changes that came into effect on 1 July as well as the Fund embarking on a major digital evolution. We're proud to be one of the nation's largest profit-for-members super funds and we continually strive to help each of our members build a financially secure future.

David Leggo
Chairman

We're pleased to report that after a flat period in investment markets last year, our returns have once again posted double-digit growth for the majority of our members as financial markets bounced back. It's a tribute to our expert in-house investment team, led by Chief Investment Officer Graeme Miller, that the past year has produced such solid returns for members.

Our Growth option returned 13.5% and our Balanced option returned 11.4% for accumulation members. Not only are these very pleasing net returns, they also put TelstraSuper in the top quartile of super funds across the industry over the past five years, according to SuperRatings. In another welcome result, TelstraSuper Corporate Plus was ranked in the Top 5 funds for workplace super across Australia by another independent research firm, Selecting Super.



A range of perspectives

As a profit-for-members fund, TelstraSuper is firmly focused on improving financial outcomes for all the members of the TelstraSuper family. Our structure is designed to provide our Executive Management Team with a range of perspectives, as the Board is comprised of an equal number of member directors nominated by the ACTU and employer directors nominated by Telstra, with me as an independent Chairman. This balance puts members first in everything we do and guides every improvement we make to our products and service quality.

We work tirelessly as advocates for our members when we represent their interests with third parties, such as our insurance partner TAL. While we don't directly provide these insurance services ourselves, we're happy to represent our members and work together to achieve appropriate outcomes on insurance and other matters.

As we cast our eyes to the future, our Board of Directors continues to work closely with our Executive Team to plan our long-term strategy and anticipate the potential disruptions to the financial services industry.

Our initiatives include continuing to enhance our existing products while considering the evolution of new products and services; delivering efficiencies through new technology and processes; and supporting our people in a constantly changing environment.

Strong returns

We're proud of our track record on investments, which has helped us achieve 12 consecutive years of Platinum rating with SuperRatings.



Sustainable investing

We continue to broaden and improve the framework for our Environmental, Social and Governance (ESG) and Sustainable Investment policies. Our investment mission is to achieve the best financial outcomes for our members, and that includes incorporating ESG considerations as part of our investment decisions.

We're proud of our track record on investments, which has helped us achieve 12 consecutive years of Platinum rating with SuperRatings. In May 2017, we announced a \$35 million investment to provide capital to the best and brightest at eight top-ranked Australian universities to assist them to commercialise their world-leading research. We'll be supporting promising opportunities in the fields of healthcare, technology, cleantech and biotech based on scientific research and aims to convert these into outstanding returns for our members. This investment was made through TelstraSuper's Private Markets portfolio.

By combining the expertise of our team of in-house investment managers together with more than 70 different external managers across all asset classes, our members enjoy the benefits of broad diversification for their retirement savings.

It's one of the many ways that we as a fund employ a conservative approach to managing risk.

Our people

Our staff are the backbone of the organisation. They work tirelessly to implement our fund enhancing projects, ensure compliance with the long list of legislative changes and also meet the needs of all members on a daily basis. The fund encourages the staff to be involved in diversity and inclusion initiatives across the industry. Many of our staff are recognised throughout the industry for their expertise, experience and knowledge.

Our Board of Directors plays an important role in ensuring we meet all legislative and regulatory requirements and provides guidance to management on Fund initiatives and direction. I would like to recognise the contribution of Member Director Carol Gee, who retired from the Board this year. At the same time, I'm pleased to welcome Maria Phillips to the Board as an Employer Director, who commenced in August 2016; and Shane Murphy and Graham Lorrain, both Member Directors, appointed in September 2016 and December 2016 respectively.

Our mission as a fund is to help our members and all the employees of the Telstra family build a financially secure future. We thank you for your continued support.

David Leggo
Chairman

Digital evolution - new website, new brand

On 1 February 2017, we launched our new and enhanced website telstrasuper.com.au. Both our public website and secure member portal, SuperOnline, were redesigned to provide members with a seamless web experience through more simplified navigation making it easier for members to manage their super online.

The new website is adaptable to different devices, including mobile, tablet, laptop or desktop computer, and enables members to search content and use our tools and calculators anywhere and anytime.

A large percentage of members now manage their super needs using the electronic device of their choice.

We've had a great response to the new website since the launch on 1 February 2017, with over 2 million views, plus nearly 300,000 SuperOnline logins. Our aim is to remain on the forefront of digital evolution, keeping content and functionality relevant to our members. Feedback can be provided on the website by visiting telstrasuper.com.au/contact-us/website-feedback as we are continually reviewing the online experience for members and making enhancements as required.

Industry recognised

In June 2017, our website won the MAX Award for 'Website of the year'. The MAX Awards honour achievers and innovators in marketing, advertising and sales excellence

across the investment management, superannuation, insurance and financial planning industries. The award was welcome recognition for the enhanced online user experience the fund is now providing to members.

TelstraSuper's Executive General Manager of Marketing, Jean-Luc Ambrosi, said the website embodies the fund's decision to build a compelling digital presence.

"It maintains the fund's focus on putting members first, with the customer experience at the heart of everything we do. We're in step with fast-changing expectations and enabling our members to engage with their super anywhere, anytime."

The changes made to date are just the tip of the iceberg. The fund has further enhancements planned over the coming year as it expands its capabilities to provide individualised content to members across all segments, from millennials just entering the workforce to the growing cohort of retirees who are remaining in the fund when they finish working.

2million
website views since 1 February 2017



Keeping connected - member profile

Brian
TelstraSuper Member



...Overall excellent. Crisp presentation, easy navigation. Works very well on my phone and on my iPad, as well, of course, as on my laptop

Board of directors

Telstra Super Pty Ltd has a Board of Directors that is responsible for the operation of the Fund, and for ensuring TelstraSuper is being managed appropriately.

The Board of Directors makes sure that members' interests are duly represented and that the Fund is administered according to the governing rules and applicable legislation. The Board of Directors consists of an equal number of employer and member representatives (referred to as 'Employer Directors' and 'Member Directors') and an Independent Chairman.

TelstraSuper's Board of Directors for the 2016/2017 financial year is set out here.



David Leggo
Chairman

Mr Leggo has been involved in the governance of superannuation for over 20 years, both as a Trustee Director and Chairman. He's a respected superannuation leader and was recognised in 2010 as 'Trustee of the Year' by the Australian Institute of Superannuation Trustees.

Mr Leggo spent 35 years of his professional career in the aviation industry, retiring in 2007 from the position of Operations Director, Air Traffic Control at Melbourne Airport.

Mr Leggo was appointed as Chairman of the Trustee Board at TelstraSuper in July 2010.



Bronwyn Clere
Employer Director

Ms Clere is Executive Director of Capital Planning for Telstra Corporation Ltd. Prior to joining Telstra in 2012, she has spent over 25 years in the Financial Services industry in transformation, operations management, finance and change roles with organisations such as JP Morgan in Australia and New Zealand, AIA in Hong Kong and AXA in Australia, New Zealand and the United Kingdom.

Ms Clere is an experienced project practitioner who is an active member of a number of external key project management networks and special interest groups. She is a graduate of the Australian Graduate School of Management and is currently completing her Masters of Project Management.

Ms Clere was appointed as a director of the Trustee Board at TelstraSuper in December 2013.



David Burns
Employer Director

Mr Burn's current roles is GMD of the Division of Telstra Global Enterprise and Services responsible for designing, building and managing an integrated services capability for Telstra's business, enterprise and government customers.

Just prior to joining Telstra, Mr Burn's was General Manager, IBM Global Technology Services (GTS). Based in London, he was responsible for IBM's IT services and outsourcing sale and delivery functions for the United Kingdom and Ireland.

Mr Burns was appointed a director of the Trustee Board at TelstraSuper in October 2015.



Graham Lorrain
Member Director

Mr Lorrain joined what was then known as the Australian Postal & Telecommunications Union (APTU) in 1976. He was then elected onto the Branch Committee of Management in SA/NT in 1982. From this time he has held various positions with the CEPU and is currently the Branch President which sees him representing Telecommunications members in South Australia and Northern Territory.

Mr Lorrain was appointed as a director of the Trustee Board at TelstraSuper in December 2016.

Keeping connected - member profile



TelstraSuper Members and trusted advisors.

Over the many years my wife and I have been with TelstraSuper we've always felt we have a trusted partner in our adviser.

Through the good times and bad, we've benefited from her knowledgeable advice and proactive nature.



John Jamieson
Member Director

Prior to retiring in 2011, Mr Jamieson was an organiser for the Community and Public Sector Union (CPSU) for over a decade, representing staff and union members working at Telstra. He represented the CPSU in regard to the Australian Industrial Relations Commission and the Human Rights Commission as well as superannuation-related matters.

Mr Jamieson has formerly held a range of positions in Telstra, ANZ and Mayne Nickless Ltd and was also self-employed for a number of years.

Mr Jamieson was appointed as a Director of the Trustee Board at TelstraSuper in February 2010.



Maria Phillips
Employer Director

Ms Phillips current role is Executive Director, Planning, Performance and Insights for Telstra Group. Her key responsibilities include leadership of planning, management accounting and insights for the Telstra Group. Ms Phillips has over 20 years' experience at executive/director levels in both established multinational organisations and start-up companies in Australia and the UK.

Prior to joining Telstra in 2015, Ms Phillips was Commercial Director at Foxtel and held a number of roles at SingTel Optus including CFO of Virgin Mobile. Prior to moving to Australia, she spent a number of years working for Time Warner in the UK.

Ms Phillips holds a BSc (Hons) Physics with Business from the University of London and is both CPA and CIMA qualified. Ms Phillips was appointed as an employer director of the Trustee Board at TelstraSuper in August 2016.



Scott Connolly
Member Director

Mr Connolly is the Assistant Secretary at the Australian Council of Trade Unions (ACTU). He is also a Director at the Union Education Foundation, Secretary / Treasurer for ACTU Education Inc. and a Director at ACTU Organising Centre. Prior to this he worked at Transport Workers Union (TWU) in various roles for 15 years. He has completed the Trade Union program at Harvard University and has a BA (Hons) Industrial Relations from the University of Sydney.

Mr Connolly was appointed a director of the Trustee Board at TelstraSuper in June 2016



Shane Murphy
Member Director

Mr Murphy joined the CEPU in 1999 and is currently the Divisional President of the Communications Division and National Vice-President of the CEPU. As a Divisional President Mr Murphy has overall responsibility for internal governance and compliance with the rules of the union.

Prior to this Mr Murphy held roles with Australia Post and Telstra.

Mr Murphy was appointed as a director of the Trustee Board at TelstraSuper in September 2016.



Yolande Foord
Employer Director

Ms Foord is Executive Director of Remuneration and Benefits, Human Resources at Telstra Corporation Ltd and is responsible for delivering and managing all aspects of remuneration, benefits and reward for almost 40,000 employees globally. She is also a Director of Telstra Growthshare Pty Ltd, Telstra's executive and employee share plans trust.

Prior to joining Telstra in 2011, Ms Foord worked at PricewaterhouseCoopers, as well as Mercer in Australia, the United Kingdom and the United States. She holds a Bachelor of Commerce (Hons) and an LLB from the University of Pretoria, South Africa.

Ms Foord was appointed as a director of the Trustee Board at TelstraSuper in August 2015.

Carol Gee resigned as a Member Director on 29 September 2016.

Yolande Foord resigned as Employer Director on 30 September 2017.

Julian Clarke was appointed as an Employer Director on 1 October 2017.

Executive team

The day-to-day administration and management of TelstraSuper is the responsibility of the Executive team. All executives lead a business unit and carry responsibility for specific areas of fund operations.

To find out more about our Directors and Executive team, visit telstrasuper.com.au/governance



Chris Davies
Chief Executive Officer

Chris is responsible for the strategic direction of the fund and overseeing its operational management to meet the needs of our members. Chris attends meetings for the Investment & Claims Assessment Committee and is also a Director of TelstraSuper Financial Planning.

Chris joined TelstraSuper in October 2013, having previously been Executive Manager, Member and Employer Solutions at UniSuper.

Chris started his career practising law in national firms, before moving to the financial services sector. Chris's experience in the financial services industry has developed over 30 years with senior roles at BT Financial Group, Commonwealth Bank and Colonial First State.



Graeme Miller
Chief Investment Officer

Graeme is responsible for leading the investment team which manages TelstraSuper's approximately \$19 billion investment portfolio. He works closely with the Investment Committee to set investment objectives, formulate investment strategies and implement investment portfolios for the benefit of TelstraSuper's members.

Graeme has more than 25 years' experience in the superannuation and investment industries, and has extensive experience in all aspect of investing. He joined TelstraSuper in May 2016, having previously been the Australian head of investments at global consulting firm Willis Towers Watson.



Paul Curtin
Chief Financial Officer and Executive General Manager Strategy, PMO and Investment Operations

Paul is responsible for all financial and taxation matters for TelstraSuper and TelstraSuper Financial Planning, and oversees the operation of the Finance Unit. Paul also oversees the management of TelstraSuper's Investment Operations, Strategy and Projects Office teams.

Paul attends meetings for TelstraSuper's Audit, Risk & Compliance and Investment Committees, and is the fund's AML/CTF Compliance Officer.

Paul was appointed to his role with TelstraSuper in February 2013. He was previously the Chief Financial Officer for industry superannuation fund, Vision Super, and has also worked in the Financial Services practice of KPMG.



Steve Miller
General Counsel and Company Secretary

Steve is responsible for legal matters across every operational area of TelstraSuper and TelstraSuper Financial Planning, and for ensuring the Fund's operation within a robust legal and governance framework. He is the Company Secretary for the two companies and acts as advisor to the Board, CEO and key Committees with responsibility for all Board governance matters. Steve is also the Fund's Privacy Officer.

Steve joined TelstraSuper in 2002 and was appointed to the Executive Team in 2008. He has over 20 years of superannuation legal experience across in-house and private practice environments in Australia and the UK, and has been admitted in both jurisdictions. Prior to joining TelstraSuper, Steve practised in the Melbourne office of a national law firm.



Jean-Luc Ambrosi
Executive General
Manager Marketing

Jean-Luc manages the Marketing, Member Education, Partnership Relations and Product Development teams, and provides critical input and analysis to TelstraSuper's business planning. Jean-Luc carries a wealth of experience in financial marketing including senior leadership roles with Vanguard, BlackRock and National Australia Bank. He is also the author of the book *Branding to Differ*, published in November 2013.

Jean-Luc commenced his role with TelstraSuper in March 2014. He was previously Head of Marketing & Corporate Communication at Vanguard.



Steve Cullen
Executive General Manager
Financial Planning

Steve is responsible for leading the team that support members seeking financial advice about their superannuation, investment, insurance and retirement needs.

Steve joined TelstraSuper in 2015 and was appointed to his current role in July 2016.

Steve holds a Masters Degree in Banking and Finance and a Diploma of Financial Planning. He has over 20 years experience in senior roles across the financial services industry, including QSuper, ANZ and Commonwealth Bank.



David Calistro
Executive General Manager
Data and Technology

David is accountable for TelstraSuper's strategic planning, data intelligence, information management and technology solutions, and is responsible for ensuring the business and technology capabilities and frameworks are effectively facilitating and enabling TelstraSuper's strategic objectives.

David has over 10 years of experience working in the superannuation industry, having spent 6 years at one of Australia's leading superannuation and pension administration specialists as the Business Intelligence Manager. David joined TelstraSuper in 2010 and was appointed to his current role in June 2014.



Owen Brailsford
Chief Risk Officer

Owen manages TelstraSuper's Risk and Compliance function. He is responsible for ensuring any form of risk that members, the Fund and the Trustee may be exposed to are appropriately managed across the organisation.

Owen commenced his role with TelstraSuper in January 2015, and brings with him over 17 years of international experience in risk management and regulatory roles in the superannuation, pensions and insurance industries. He has previously worked for the Australian Prudential Regulation Authority (APRA), Prudential PLC and RSA Insurance (both UK) and was most recently employed in a risk management advisory role at KPMG.



Janet Brown
Executive General Manager
People and Culture

Janet is responsible for all human resources initiatives within TelstraSuper. This includes creating employee-focused programs aimed at staff development and nurturing a positive and forward-thinking work environment.

Janet has expertise in managing transformational business change, and has a strategic focus on people leadership. She is motivated by empowering others to succeed and by building team culture with a strong customer focus. Previously, Janet undertook senior HR roles at National Australia Bank and Coles across national and global markets.



Kathryn Forrest
Executive General Manager
Operations

Kathryn is responsible for managing the in-house Operations for TelstraSuper. This includes contribution processing, benefit payments, claims and insurance, employer relationships and member facing teams such as the Contact Centre.

Kathryn joined TelstraSuper in January 2016 having previously been the National Manager for Employer Relationships at UniSuper. She has been within the superannuation industry for over 25 years and brings extensive experience in both Accumulation and Defined Benefit funds management.

Strong returns for our members

At TelstraSuper, our members come first in everything we do. Our mission is to help members of the Telstra family build a secure financial future.

We're pleased to report that investment returns this year have been very strong, with the majority of our members enjoying double-digit returns. Stock markets around the world have been solid, helped by still-low official interest rates, while our property assets had another good year.

Among our Diversified options, we're pleased to report the following returns for the year to 30 June 2017.

	Accumulation	RetireAccess
Growth	13.5%	15.0%
Balanced	11.4%	12.9%
Defensive Growth	9.8%	11.0%
Diversified Income	10.0%	11.3%
Conservative	7.3%	8.2%

Top 10 returns over one and five years

In the latest year, five out of our 10 investment choices were ranked in the top 5 of all major super funds, according to independent research firm SuperRatings.

These results also put our Growth and Balanced options in the Top 10 of all major super funds over a 5-year period, according to SuperRatings. Over five years, our Balanced option returned an annualised 10.95% and was ranked ninth in the industry, while our Growth option returned 12.3% annualised and was ranked seventh.

Local and international shares rally

For the year to 30 June 2017, the best performing assets in our portfolio were

international shares; our international shares option earned 17.1% for the year. These returns are net of fees and taxes.

Australian shares were similarly impressive with returns of 15.6%. Over the year, investment conditions for shares turned out to be very favourable -- with low interest rates, strong labour markets, and economic growth picking up in most major economies.

Returns for our property portfolio of 10% were boosted by a number of asset sales, as well as continued demand for the high quality assets that TelstraSuper holds. We saw similarly pleasing performance from the infrastructure assets such as airports and toll roads in our diversified portfolios.

Our members' retirement savings are highly diversified, meaning not all of their super is in one investment basket. We use a combination of internal and external expertise, with dedicated in-house managers of a variety of assets including Australian shares, property and fixed income.

Working alongside our internal team, TelstraSuper engages about 70 external fund managers with expertise across a range of asset classes (a full list of external managers appears on page 37).

With an uncertain economic outlook, we'll continue to build well-diversified portfolios at TelstraSuper that are expected to be resilient to a range of different scenarios.

17.1%
earned on our
international shares
option

15.6%
return on
Australian shares

Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns.



Keeping connected - member profile

**Therese
Townsend**
TelstraSuper Member

”

I have been very happy with the advice I receive from my adviser. My relationship with (the TelstraSuper adviser) goes back 27 years since my days as a Telstra employee and I have continued with TelstraSuper even though I have been with a different company for the past 10 years, as I value his advice and the professional manner in which he conducts business.

Chief Investment Officer's report

I'm pleased to report that TelstraSuper members have enjoyed very strong investment returns this year as stock markets rallied around the world.

Graeme Miller
Chief Investment Officer

Providing consistent and solid long-term returns for members is at the heart of our investment strategy, and is central to our mission to help members of the Telstra family build a financially secure future. In our diversified investment options, our Growth option delivered a return of 13.5% and our Balanced option earned 11.4% over the year to 30 June 2017 for accumulation members. These returns are net of all investment fees and investment taxes.



For our RetireAccess members, the returns were even higher because members with account-based pensions don't pay tax on their investment earnings. For example, our pension members earned 15% in the Growth option and 12.9% in the Balanced option.

Over the longer term, our Growth option has returned an annualised 12.3% over the past five years for our accumulation members, and our Balanced option 11.0% annualised over five years. Once again, returns for RetireAccess members were higher, at 13.7% for Growth and 12.4% for Balanced, annualised over five years.

Economic backdrop

Stock markets globally have continued to benefit from low interest rates, low inflation and improving economic growth. The momentum helped our International Shares option to deliver 17.1% for the year, while our Australian Shares option earned 15.6%. In Australia, record-low interest rates following a Reserve Bank rate cut in August 2016 encouraged investors into shares and out of cash and government bonds.

Our investments

TelstraSuper's strategy of combining in-house investment expertise with the diversification offered by a range of external fund managers has continued to serve us well. For example, we've taken advantage of some exciting market opportunities over the past year to grow our property and infrastructure holdings.

Through our professional fund managers, TelstraSuper has acquired high-quality assets including interests in the Port of Melbourne, the busiest container port in Australia and a key link with our trading partners. We also acquired six new Bunnings stores in addition to the 15 we currently own, located in key metropolitan areas around Australia. Our existing infrastructure and property assets include interests in Melbourne, Perth and Cairns airports; the Sydney Desalination Plant; toll roads; premium office buildings such as 200 George Street in Sydney and Collins Place in Melbourne; and shopping centres including the Westfield Carindale shopping centre in Brisbane.

We actively manage our portfolios and have recently taken advantage of positive market conditions to sell a number of property assets and realise profits for our members. For instance, we recently sold our interest in the Australian Taxation Office building in Adelaide after five years of ownership. It's the largest office building in Adelaide and provided our members with excellent returns of 29% per annum since acquisition.

We have made selective investments in emerging areas of growth, such as a \$35 million investment to help commercialise world-leading research at eight top-ranking Australian universities. We're supporting promising opportunities in the fields of healthcare, technology, cleantech and biotech based on scientific research and aiming to turn these into outstanding returns for our members. This investment was made through TelstraSuper's Private Markets portfolio, which forms part of our diversified options.

The Board at TelstraSuper has supported the investment team in applying a more rigorous framework around our Environmental, Social and Governance (ESG) and Sustainable Investment policies. For example, the Fund has divested from shares in tobacco producers and our internal team continues to take an active approach to ESG matters by directly engaging with the companies we invest in.

Super strategy

TelstraSuper's strategy of combining in-house investment expertise with the diversification offered by a range of external fund managers has continued to serve us well.



Outlook

Financial markets will be impacted by a number of factors over the coming year – many of which will pull markets in opposite directions. Positive factors for the economy and financial markets include strong investor sentiment, low unemployment and low inflation. But there are also negative influences, such as high levels of household and government debt, high asset prices and geopolitical tensions in North Korea, the Middle East and Europe.

This uncertainty about the future is the reason why TelstraSuper builds well-diversified portfolios for our members. Our investments draw their returns from many different types of assets, in many different countries, and are managed by multiple investment teams. We aim for our portfolios to be resilient in a variety of investment environments, and to maximise long-term returns for the risk profiles chosen by our members.

It's a privilege to be entrusted with the management of our members' superannuation savings. We're looking forward to the coming year, and as always we'll continue to manage our members' investments in a prudent and proactive manner, remaining vigilant to identify both risks and opportunities as they emerge. In this way, we expect to continue to deliver strong outcomes for our members over the long term.

Graeme Miller
Chief Investment Officer

Investment performance

Investment returns as at 30 June 2017

The table below shows the investment returns for members invested in a single investment option for the full financial year. If you switched investment options throughout the year, your investment return will not equal the figures below. If your super has been invested in a number of investment options, your investment return will depend on the relative combination of investment options you have chosen.

Investment option	Accumulation*	RetireAccess*
Growth	13.50%	15.00%
Balanced	11.44%	12.85%
Conservative	7.31%	8.22%
Defensive Growth	9.84%	11.03%
Diversified†	10.03%	11.33%
Australian Shares	15.61%	17.23%
International Shares	17.14%	18.78%
Property	10.07%	11.34%
Fixed Interest	2.70%	3.05%
Cash	1.92%	2.21%

Tools to help you manage your investments

Making decisions about your investments can be easier when you have the numbers in front of you. These easy-to-use tools available at telstrasuper.com.au may help.



Income Projector

This interactive retirement income projector allows you to estimate your projected super balance and whether you're likely to have an adequate retirement income. If you use the projector within SuperOnline, your details are populated automatically.



Unit Prices and Performance Graph

This graph allows you to track daily movements of the unit price and investment returns for all our investment options. You're able to overlay these options on a colour coded graph, with comparisons over a range of time frames.



SuperOnline

You can view and change your investment options in your SuperOnline account.

* Investment fees (also referred to as indirect investment costs) and taxes (where applicable) have been deducted before calculating these figures, direct and indirect administration fees were not. TelstraSuper RetireAccess investment returns are different to Accumulation member returns because they are not subject to tax. The investment returns shown above for the Growth, Balanced and Conservative options (which form stages of TelstraSuper's MySuper arrangement) are different to those appearing in the MySuper Product Dashboard (available on our website), which are displayed net of administration fees, indirect administration costs, indirect investment costs and investment taxes. For more information on our MySuper arrangement, go to page 27. Past performance is not a reliable indicator of future performance.

† The investment return for the Diversified Income option has been calculated on the basis of daily movements in 'sell' unit prices and distributions payable to members, as if distributions are reinvested in the option's asset pool. Distributions are not actually reinvested. They are paid into the accounts of eligible members effective the first business day of each calendar month and are invested in the Cash option. Past distributions are not a reliable indicator of future distributions. Distributions are not guaranteed.

Comparing our performance

As well as striving to meet our own return objectives, we also benchmark our investment options (apart from Direct Access) against the performance of other super funds.

With a focus on the long-term, we aim to provide members with returns that exceed others in the industry as determined by SuperRatings surveys and medians.

Most of our investment options outperformed the median over three, five and ten years. Over three years we outperformed the median for eight out of ten options. This long-term trend of outperformance continues with six out of eight options outperforming the median over ten years.

While each year the returns may fluctuate, the Fund continues to provide solid returns in the longer term.

Investment option	3 years		5 years		10 years	
	TelstraSuper Accumulation	Survey median	TelstraSuper Accumulation	Survey median	TelstraSuper Accumulation	Survey median
Growth	8.16%	8.11%	12.30%	11.16%	4.94%	4.58%
Balanced	7.48%	7.58%	10.95%	9.97%	5.41%	4.78%
Conservative	6.00%	4.78%	7.77%	5.80%	5.49%	4.63%
Defensive Growth*	7.68%	5.74%	9.50%	7.64%	-	-
Diversified Income*	6.90%	5.69%	9.20%	7.67%	-	-
Australian Shares	6.86%	6.83%	11.74%	11.41%	4.72%	4.18%
International Shares	9.42%	10.69%	14.50%	15.12%	5.15%	4.04%
Property	11.39%	9.85%	11.19%	10.04%	1.87%	3.42%
Fixed Interest	3.75%	3.55%	4.29%	4.17%	4.90%	5.42%
Cash	2.16%	1.95%	2.46%	2.27%	3.42%	3.29%

* The Defensive Growth option was introduced on 1 July 2010 and as such no 10 year returns are available. The Diversified Income option was introduced on 1 July 2012, and as such, no long-term historical investment returns are available. Notional returns have not been included as the structure of the option is not based on the performance of a single index. The investment return for the Diversified Income option has been calculated on the basis of daily movements in 'sell' unit prices and distributions payable to members, as if distributions are reinvested in the option's asset pool. Distributions are not actually reinvested. They are paid into the accounts of eligible members effective the first business day of each calendar month and are invested in the Cash option. Past distributions are not a reliable indicator of future distributions. Distributions are not guaranteed.

Source: SuperRatings Fund Crediting Rate Survey, June 2017. Find out more at www.superratings.com.au/ratings. Growth: SR50 Growth Index. Balanced: SR50 Balanced Index. Diversified Income and Defensive Growth: Conservative Balanced Index. Conservative: SR50 Capital Stable Index. Australian Shares: SR50 Australian Shares Index. International Shares: SR50 International Shares Index. Property: SR25 Property Index. Fixed Interest: SR25 Diversified Fixed Interest Index. Cash: SR50 Cash Index.

TelstraSuper's returns shown in this comparison relate to accumulation members or accounts and do not apply to TelstraSuper RetireAccess members or Defined Benefits. The accumulation investment returns are net of indirect investment costs and investment taxes but before the deduction of any applicable administration fee, indirect administration costs or rebate. Returns are to the 3 year, 5 year and 10 year periods ending 30 June 2017 (where available). Past performance is not a reliable indicator of future performance.

2016/17 Achievements

As the largest corporate super fund in Australia our aim is help our members grow their super throughout their working lives and provide them with incomes in retirement. We do this by providing high levels of service and strong investment returns.

85.99%

total returns in Balanced option since 2010

\$216,000,000

received in voluntary post-tax contributions during 2016/17

\$88,000,000

received in voluntary pre-tax contributions during 2016/17

\$576,034

received in government co-contributions in 2016/17

Contact with members



116,833 calls to Member Services



22,615 calls taken by TelstraSuper Financial Planning Advisers



9,694 people attended webinars and seminars



4,713 emails responded to by TelstraSuper



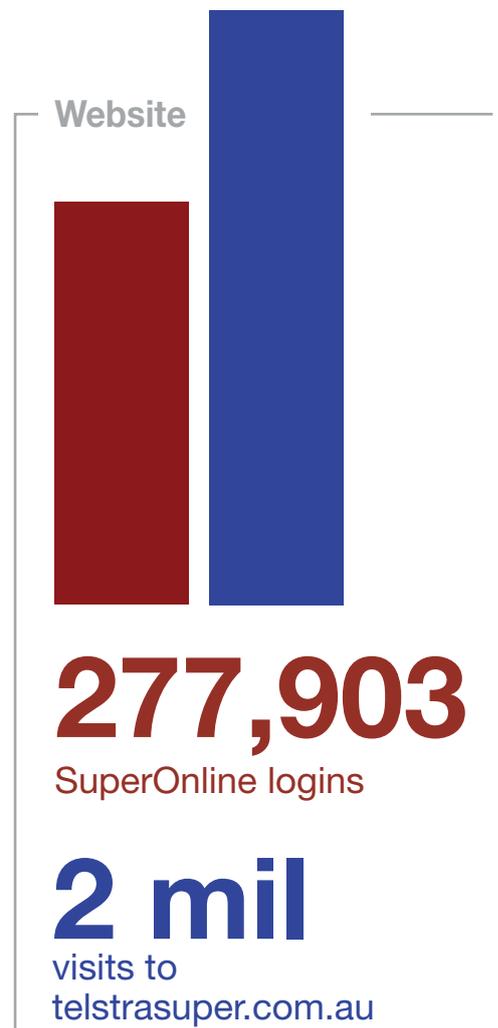
2,024 members receiving ongoing advice



2,969 people seen at workplace visits



1,600 meetings with TelstraSuper Financial Planning



Investment options

Asset allocations as at 30 June 2016 and 30 June 2017 reflect asset classifications applicable at those times and may change. For further information about the investment options (including asset allocation ranges, risks and fees and costs), please refer to the relevant Product Disclosure Statement. TelstraSuper RetireAccess investment returns are different to Accumulation member returns because TelstraSuper RetireAccess returns are not subject to tax. Past performance is not a reliable indicator of future performance.

Growth option

Investment strategy

The Growth option has a strong bias towards growth assets, such as Australian and international shares, and property, with a smaller allocation towards defensive assets such as Fixed Interest and Cash.

Return objective

Outperform CPI + 3.5%p.a.†

Investment time frame

7 and 10 year periods.

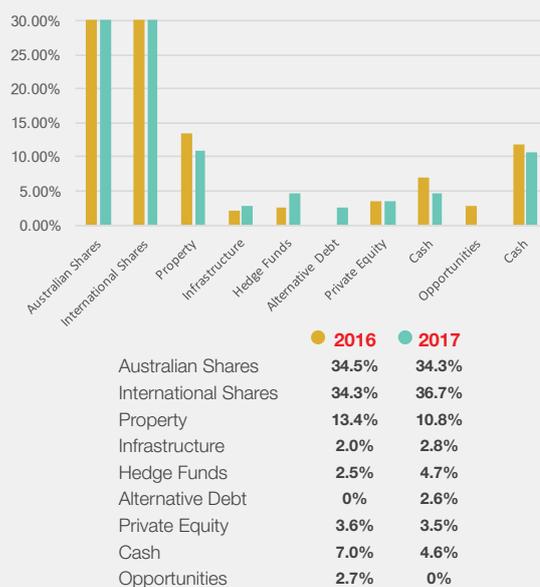
Risk objective

A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	13.50%	15.00%
2015/2016	0.30%	0.00%
2014/2015	11.14%	12.04%
2013/2014	17.99%	19.82%
2012/2013	19.62%	23.31%

Asset allocation



Balanced option

Investment strategy

The Balanced option has a moderate bias towards growth assets, such as Australian and International Shares, Property, balanced by an allocation towards defensive assets such as Fixed Interest and Cash.

Return objective

Outperform CPI + 3%p.a.

Investment time frame

5 and 10 year periods.

Risk objective

A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	11.44%	12.85%
2015/2016	1.31%	1.29%
2014/2015	9.98%	11.07%
2013/2014	15.81%	17.70%
2012/2013	16.91%	19.94%

Asset allocation



Diversified Income option

Investment strategy

The Diversified Income option is uniquely structured to distribute income it receives from investments, allowing members to fund part of their retirement needs without the need to sell capital assets. When selecting investments, preference is made for expected returns predominantly driven by income rather than capital growth. Income is accrued as underlying investments pay income distributions during the month. Due to the varying income distributions of the underlying investments, the income payment to members will vary from month to month.

Return objective

Outperform CPI + 2%p.a.

Investment time frame

4 – 6 year period.

Risk objective

A medium to high level of risk expected to generate 3 to less than 4 negative annual returns over any 20 year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	10.03%	11.33%
2015/2016	3.24%	3.96%
2014/2015	7.55%	8.12%
2013/2014	10.67%	11.60%
2012/2013	14.84%	16.29%

Asset allocation



Defensive Growth option

Investment strategy

The Defensive Growth option is uniquely structured to adjust its exposure to a range of growth and defensive assets, based on the performance and confidence of investment markets at any point in time.

Return objective

Outperform CPI + 2%p.a.

Investment time frame

2 and 6 year periods.

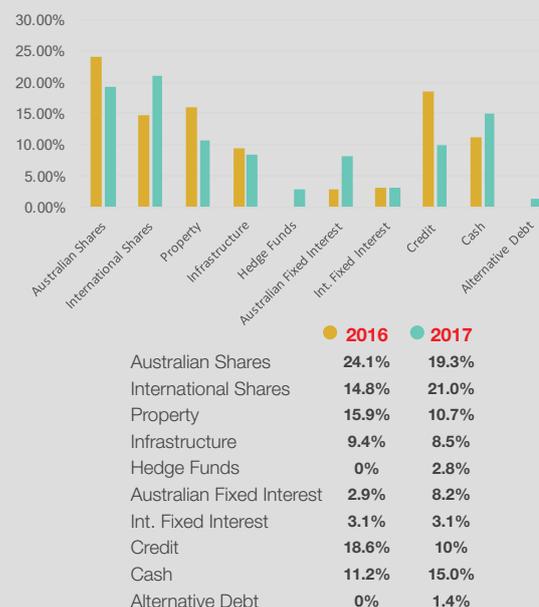
Risk objective

A medium to high level of risk generating 3 to less than 4 negative annual returns over any 20-year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	9.84%	11.03%
2015/2016	4.75%	5.27%
2014/2015	8.50%	8.78%
2013/2014	13.00%	14.35%
2012/2013	11.59%	13.33%

Asset allocation



Conservative option

Investment strategy

The Conservative option has a bias towards defensive assets, in particular a high weighting towards cash to minimise short-term fluctuations (risk) but some exposure to growth assets for long-term growth (return).

Return objective

Outperform CPI + 1.5%p.a.†

Investment time frame

3 and 10 year periods.

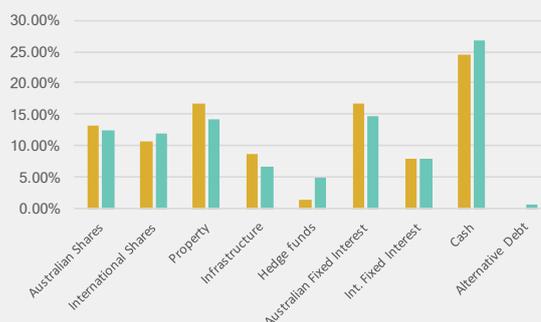
Risk objective

A low to medium level of risk expected to generate 1 to less than 2 negative annual returns over any 20 year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	7.31%	8.22%
2015/2016	3.61%	3.84%
2014/2015	7.12%	7.71%
2013/2014	10.39%	11.50%
2012/2013	10.58%	12.36%

Asset allocation



	2016	2017
Australian Shares	13.3%	12.4%
International Shares	10.6%	11.9%
Property	16.6%	14.1%
Infrastructure	8.8%	6.6%
Hedge funds	1.5%	4.8%
Australian Fixed Interest	16.8%	14.7%
Int. Fixed Interest	8.0%	8.0%
Cash	24.4%	26.8%
Alternative Debt	0%	0.7%

International Shares option

Investment strategy

The International Shares option has 100% exposure to International Shares, and is invested through several investment managers. It aims to achieve exposure to industries and companies that are not part of the Australian market.

Return objective

Outperform CPI + 4%p.a.†

Investment time frame

8 – 10 years.

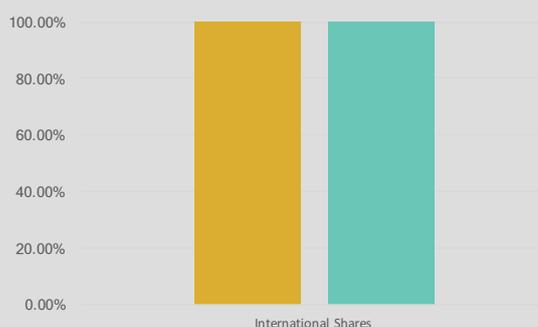
Risk objective

A high level of risk expected to generate 4 to less than 6 negative annual returns over any 20 year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	17.14%	18.78%
2015/2016	-4.12%	-4.40%
2014/2015	16.65%	17.81%
2013/2014	19.93%	21.96%
2012/2013	25.23%	30.54%

Asset allocation



	2016	2017
International Shares	100%	100%

Australian Shares option

Investment strategy

100% of the option is invested in Australian companies. Diversification is achieved through exposure to a number of investment managers with different styles of investing.

Return objective

Outperform CPI + 4%p.a.†

Investment time frame

8 – 10 years.

Risk objective

A very high level of risk generating 6 or more negative annual returns over any 20-year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	15.61%	17.23%
2015/2016	0.13%	0.14%
2014/2015	5.43%	5.24%
2013/2014	18.87%	20.33%
2012/2013	20.09%	23.58%

Asset allocation



Property option

Investment strategy

The Property option invests exclusively in property-based assets, including both listed property and direct property. For diversification reasons, this may include investment in international property and mortgages or loans secured by property assets.

Return objective

Outperform CPI + 3%p.a.

Investment time frame

5 – 7 years.

Risk objective

A medium to high level of risk generating 3 to less than 4 negative annual returns over any 20-year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	10.07%	11.34%
2015/2016	13.34%	13.82%
2014/2015	10.78%	12.99%
2013/2014	12.95%	14.76%
2012/2013	8.89%	10.84%

Asset allocation



Fixed Interest option

Investment strategy

The Fixed Interest option invests primarily in Australian and international fixed interest securities, including fixed, variable and floating interest rate securities issued by government bodies and companies, as well as asset and mortgage backed securities and mortgages or loans secured by property assets. It may also have exposure to cash, up to a maximum of 50%.

Return objective

Outperform CPI†

Investment time frame

2 – 4 years.

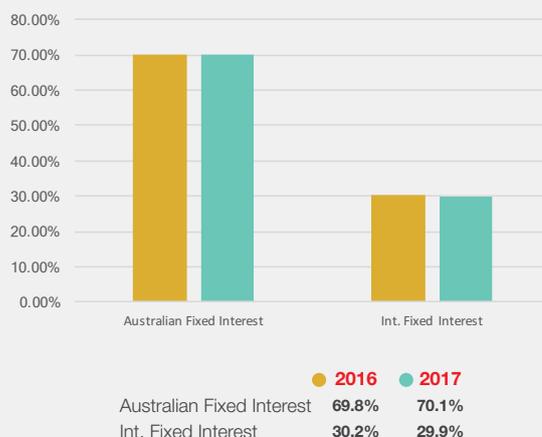
Risk objective

A low to medium level of risk generating 1 to less than 2 negative annual returns over any 20-year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	2.70%	3.05%
2015/2016	4.67%	5.13%
2014/2015	3.90%	4.52%
2013/2014	5.77%	6.65%
2012/2013	4.41%	5.10%

Asset allocation



Cash option

Investment strategy

100% invested in cash and short-term money market securities.

Return objective

Outperform CPI†

Investment time frame

0 – 2 years.

Risk objective

A very low level of risk generating less than 0.5 negative annual returns over any 20-year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2016/2017	1.92%	2.21%
2015/2016	2.10%	2.40%
2014/2015	2.47%	2.79%
2013/2014	2.61%	3.01%
2012/2013	3.18%	3.70%

Asset allocation



Direct Access option

Investment strategy

Allows members to invest a proportion of their super in their choice of:

- Australian shares that form part of the S&P/ASX 300 Index
- other listed securities such as Exchange Traded Funds (ETFs), approved by the Trustee
- a range of approved term deposits.

Return objective

The return objective will depend on the mix of investments selected by individual members.

Investment time frame

The minimum suggested time frame will depend on the investments selected by individual members. The minimum suggested timeframes that generally apply to the investments in the Direct Access option are:

- term deposits: 2 years or less
- listed securities such as ETFs and Australian shares that form part of the S&P/ASX 300 Index: 8-10 years.

Risk objective

The risk level will depend on the mix

of investments selected by individual members. The risk levels that generally apply to the investments in the Direct Access option are:

- term deposits: very low risk
- listed securities such as ETFs, and Australian Shares that form part of the S&P/ASX 300 Index: very high risk.

The likelihood of a negative return will vary depending on each member's allocation to shares and term deposits and other listed securities, and the performance of the investments selected by individual members.

Investment performance

Investment returns depend on the investments (Australian shares, ETFs and term deposits) selected and are shown at an individual member level in member statements.

Direct Access is made available via an investment platform and facilitates investment in Australian shares, ETFs and term deposits. When you first register for Direct Access, you must transfer money from your TelstraSuper account balance to the platform (note

that a sell spread may apply to this transaction). A 'Cash Transaction Account' is designed to hold your money for short periods of time, until you transact. It will also be the account into which any net earnings from shares, ETFs or term deposits are credited, so you can either invest them in Direct Access, or transfer them into one of our diversified or single asset class investment options.

Funds held within your Cash Transaction Account are deposited with ANZ and attract interest at a rate of 0.80% above the ANZ Official Cash Rate.

Asset allocation

The mix of growth and defensive assets will depend on the mix of investments selected by individual members. The growth/defensive characteristics that generally apply to the investments in the Direct Access option are:

- term deposits: defensive assets
- Australian shares that form part of the S&P/ASX 300 Index; ETFs and other listed securities approved by us: growth assets.

TelstraSuper MySuper

MySuper is a default superannuation product introduced as part of the Government's Stronger Super Reforms. TelstraSuper's MySuper arrangement is offered with a lifecycle investment strategy within TelstraSuper Corporate Plus and TelstraSuper Personal Plus. You can find out more at www.telstrasuper.com.au/mysuper

MySuper Growth option

Investment strategy

The MySuper Growth option has a strong bias towards growth assets, such as Australian and international shares, and property, with a smaller allocation towards defensive assets such as fixed interest and cash.

Return objective

Outperform CPI + 3.5%p.a.†

Investment time frame

7 and 10 year periods.

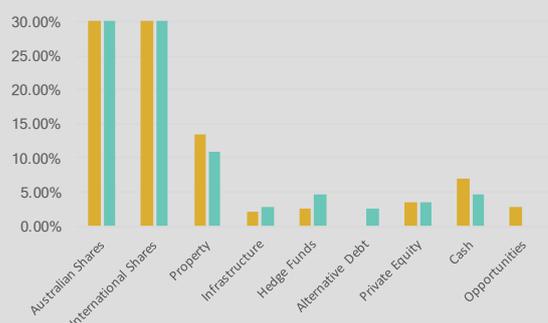
Risk objective

A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

Performance

Year	Accumulation member returns
2016/2017	13.50%
2015/2016	0.30%
2014/2015	11.14%
2013/2014	17.99%
2012/2013	19.62%

Asset allocation



	2016	2017
Australian Shares	34.5%	34.3%
International Shares	34.3%	36.7%
Property	13.4%	10.8%
Infrastructure	2.0%	2.8%
Hedge Funds	2.5%	4.7%
Alternative Debt	0%	2.6%
Private Equity	3.6%	3.5%
Cash	7.0%	4.6%
Opportunities	2.7%	0%

MySuper Balanced option

Investment strategy

The MySuper Balanced option has a moderate bias towards growth assets, such as Australian and International Shares, Property, balanced by an allocation towards defensive assets such as Fixed Interest and Cash.

Return objective

Outperform CPI + 3%p.a.

Investment time frame

5 and 10 year periods.

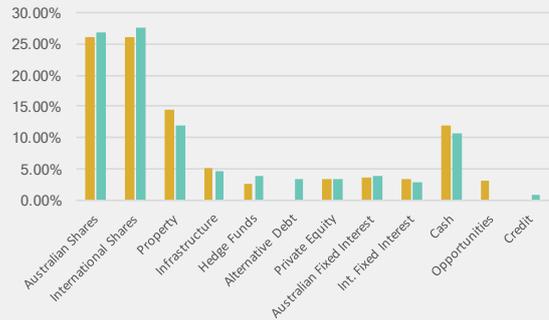
Risk objective

A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

Performance

Year	Accumulation member returns
2016/2017	11.44%
2015/2016	1.31%
2014/2015	9.98%
2013/2014	15.81%
2012/2013	16.91%

Asset allocation



	2016	2017
Australian Shares	26.1%	26.8%
International Shares	26.0%	27.7%
Property	14.4%	12.0%
Infrastructure	5.1%	4.6%
Hedge Funds	2.7%	3.8%
Alternative Debt	0%	3.4%
Private Equity	3.5%	3.4%
Australian Fixed Interest	3.6%	3.9%
Int. Fixed Interest	3.5%	3.0%
Cash	11.9%	10.6%
Opportunities	3.2%	0%
Credit	0%	0.8%

MySuper Conservative option

Investment strategy

The MySuper Conservative option has a bias towards defensive assets, in particular a high weighting towards cash to minimise short-term fluctuations (risk) but some exposure to growth assets for long-term growth (return).

Return objective

Outperform CPI + 1.5%p.a.†

Investment time frame

3 and 10 year periods.

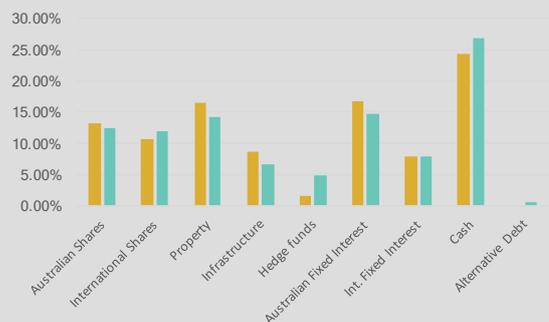
Risk objective

A low to medium level of risk expected to generate 1 to less than 2 negative annual returns over any 20 year period.

Performance

Year	Accumulation member returns
2016/2017	7.31%
2015/2016	3.61%
2014/2015	7.12%
2013/2014	10.39%
2012/2013	10.58%

Asset allocation



	2016	2017
Australian Shares	13.3%	12.4%
International Shares	10.6%	11.9%
Property	16.6%	14.1%
Infrastructure	8.8%	6.6%
Hedge funds	1.5%	4.8%
Australian Fixed Interest	16.8%	14.7%
Int. Fixed Interest	8.0%	8.0%
Cash	24.4%	26.8%
Alternative Debt	0%	0.7%

Keeping connected - member profile

Trevor & Raylee Minehan

TelstraSuper Members



We have a champion adviser. She has looked after our financial interests for some years and set down strategies to ensure that our ongoing needs can be met. She gives us confidence and has, thus far, delivered us a financially composed retirement.



Abridged financial statements

Statement of Financial Position

for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Assets		
Cash and cash equivalents	1,643,708	1,491,812
Australian fixed interest securities	3,414,618	3,299,630
International fixed interest securities	1,098,549	855,570
Australian equities	4,800,516	4,342,584
International equities	4,484,529	3,828,831
Hedge funds	958,976	697,977
Private equity	507,426	538,236
Investment properties	2,136,043	2,182,528
Infrastructure	700,869	638,604
Derivative assets	115,091	32,614
Investment income receivable	68,552	69,869
Unsettled investment sales	49,246	54,697
Accounts receivable	6,999	7,435
Property, plant and equipment	5,461	1,800
Total assets	19,990,583	18,042,187
Liabilities		
Benefits payable	(32)	(50)
Accounts payable	(38,503)	(34,765)
Unsettled investment purchases and payables	(132,201)	(135,417)
Derivative liabilities	(47,537)	(70,492)
Current income tax liabilities	(100,612)	(35,628)
Deferred income tax liabilities	(232,804)	(196,929)
Total liabilities excluding member benefits	(551,689)	(473,281)
Net assets available for member benefits	19,438,894	17,568,906
Member benefits		
Defined contribution member liabilities	(16,715,738)	(14,871,300)
Defined benefit member liabilities	(2,376,245)	(2,470,900)
Total member liabilities	(19,091,983)	(17,342,200)
Total net assets	346,911	226,706
Equity		
Operational risk financial reserve	48,597	45,683
Insurance reserve	5,000	5,000
Administration reserve	45,625	36,480
Licensing reserve	-	250
Unallocated surplus	247,689	139,293
Total equity	346,911	226,706

Income Statement

for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Superannuation activities		
Interest	118,428	120,744
Dividends and distributions	401,789	412,720
Property trust income	152,053	92,639
Net foreign exchange gains/(losses)	(36,564)	114,680
Changes in assets measured at fair value	1,366,126	(402,201)
Other investment income	4,869	6,473
Other operating income	2,787	3,217
Total superannuation activities income	2,009,488	348,272
Expenses		
Investment expenses	(87,720)	(79,531)
Administration expenses	(48,969)	(47,154)
Total expenses	(136,689)	(126,685)
Net result from superannuation activities	1,872,799	221,587
Profit from operating activities	1,872,799	221,587
Net benefits allocated to defined contribution member accounts	(1,578,298)	(281,808)
Net change in defined benefit member liabilities	(75,646)	(99,548)
Profit/(loss) before income tax	218,855	(159,769)
Income tax (expense)/benefit	(109,472)	62,572
Profit/(loss) after income tax	109,383	(97,197)

A full copy of the audited financial statements including the audit report can be downloaded at telstrasuper.com.au/governance under Disclosure Documents.

Statement of Changes in Member Benefits

for the year ended 30 June 2017

	Defined Contribution Members \$'000	Defined Benefit Members \$'000	Total \$'000
Opening balance as at 1 July 2016	14,871,300	2,470,900	17,342,200
Employer contributions	512,615	100,028	612,643
Member contributions	480,954	9,483	490,437
Government contributions	2,187	-	2,187
Transfers from other superannuation funds	548,714	1,820	550,534
Transfers to other superannuation funds	(433,998)	(258,984)	(692,982)
Income tax on contributions	(69,355)	(15,004)	(84,359)
Benefits to members/beneficiaries	(768,563)	(4,462)	(773,025)
Insurance premiums charged to members' accounts	(33,084)	(2,933)	(36,017)
Insurance benefits credited to members' accounts	36,145	1,098	37,243
Reserves transferred to/(from) members:			
Administration reserve	(7,788)	(1,107)	(8,895)
Operational risk financial reserve	(1,687)	(240)	(1,927)
Net benefits allocated to members' accounts:			
Net investment income	1,619,299	-	1,619,299
Administration fees	(41,001)	-	(41,001)
Net change in DB member benefits	-	75,646	75,646
Closing balance as at 30 June 2017	16,715,738	2,376,245	19,091,983
Opening balance as at 1 July 2015	14,365,500	2,480,513	16,846,013
Employer contributions	482,424	104,136	586,560
Member contributions	165,857	7,621	173,478
Government contributions	2,306	-	2,306
Transfers from other superannuation funds	481,974	1,668	483,642
Transfers to other superannuation funds	(354,095)	(199,976)	(554,071)
Income tax on contributions	(65,042)	(15,620)	(80,662)
Benefits to members/beneficiaries	(466,744)	(1,588)	(468,332)
Insurance premiums charged to members' accounts	(31,792)	(2,840)	(34,632)
Insurance benefits credited to members' accounts	26,091	260	26,351
Reserves transferred to/(from) members:			
Administration reserve	(6,779)	(1,126)	(7,905)
Operational risk financial reserve	(10,208)	(1,696)	(11,904)
Net benefits allocated to DC members' accounts:			
Net investment income	320,926	-	320,926
Administration fees	(39,118)	-	(39,118)
Net change in DB member benefits	-	99,548	99,548
Closing balance as at 30 June 2016	14,871,300	2,470,900	17,342,200

Statement of Changes in Reserves

for the year ended 30 June 2017

	Unallocated surplus/ (deficiency) \$'000	Operational risk financial reserve \$'000	Insurance reserve \$'000	Administration reserve \$'000	Licensing reserve \$'000	Total equity \$'000
Operating balance as at 1 July 2016	139,293	45,683	5,000	36,480	250	226,706
Transfer from DC member	-	1,687	-	7,788	-	9,475
Transfer from DB member	-	240	-	1,107	-	1,347
Transfer between reserves	-	-	-	250	(250)	-
Profit/(loss)	108,396	987	-	-	-	109,383
Closing balance as at 30 June 2017	247,689	48,597	5,000	45,625	-	346,911
Operating balance as at 1 July 2015	236,490	33,779	5,000	28,575	250	304,094
Transfer from DC member	-	10,208	-	6,779	-	16,987
Transfer from DB member	-	1,696	-	1,126	-	2,822
Loss	(97,197)	-	-	-	-	(97,197)
Closing balance as at 30 June 2016	139,293	45,683	5,000	36,480	250	226,706

Statement of Cash Flows

for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Interest	119,561	108,896
Dividends and distributions	403,232	417,465
Property trust income	152,053	92,639
Other incomes	8,969	1,847
Investment expenses	(81,193)	(82,783)
Administration expenses	(51,863)	(40,644)
Group life insurance premiums	(36,017)	(34,631)
Insurance benefits credited to members' accounts	37,243	26,351
Income tax refund/(paid) by operating activities	(8,613)	31,896
Net cash inflows from operating activities	543,372	521,036
Cash flows from investing activities		
Proceeds from sales of investment assets	21,582,743	12,025,855
Proceeds from sales of property, plant and equipment	-	64
Purchases of investment assets	(22,073,945)	(12,918,773)
Purchase of property, plant and equipment	(4,341)	(913)
Net cash outflows from investing activities	(495,543)	(893,767)
Cash flows from financing activities		
Employer contributions received	611,313	597,398
Member contributions received	490,417	173,639
Government co-contributions received	2,187	2,306
Transfers from other superannuation funds received	550,534	483,642
Transfers paid to other superannuation funds	(692,982)	(554,071)
Benefits paid to members and beneficiaries	(773,043)	(468,802)
Income tax paid by financing activities	(84,359)	(80,662)
Net cash inflows from financing activities	104,067	153,450
Net increase/(decrease) in cash	151,896	(219,281)
Cash at the beginning of the financial year	1,491,812	1,711,093
Cash at the end of the financial year	1,643,708	1,491,812





Keeping connected -
member profile



On customer service

TelstraSuper Member

You certainly proved that you can explain complicated superannuation over the phone.

DB Members/Governance

Defined Benefit members

If you're a member of TelstraSuper Division 2, TelstraSuper Division 5 or Sensis Super Plus Defined Benefit, all or most of your super is a Defined Benefit. Unlike an accumulation account, a Defined Benefit doesn't rely on investment returns to grow. Instead, your super is calculated using a formula that's generally based on your salary, your length of service with your employer and the rates at which you have been contributing to your super.

This means that investment returns do not impact the amount of super you get in retirement from your Defined Benefit. However, TelstraSuper invests both employer and member Defined Benefit contributions in accordance with the Defined Benefit investment objectives and strategies.

Our Defined Benefit investment objectives

- to earn the best possible returns within an appropriate level of risk
- to maintain TelstraSuper's financial viability within the current benefit design and employer contribution rate.

Our Defined Benefit investment strategy

- to control the level of risk by investing in a broad range of quality investments
- to reduce risk by using a range of Australian and international investment managers who specialise in cash, fixed interest, shares, alternative asset classes and property
- to ensure there are sufficient funds to meet the required payment of benefits.

Defined Benefit net earning rate

The Defined Benefit net earning rate was 4.51% on our investment portfolio for 2016/2017.*

Governance

TelstraSuper takes governance, disclosure and transparency seriously. We have strict governance policies and are required by law to disclose information and documents relating to the Telstra Superannuation Scheme, and Telstra Super Pty Ltd as Trustee for the Scheme, along with the remuneration details of its Directors and Executive Team.

Below is a description of the information you can find on our Governance page on telstrasuper.com.au/governance.

- Trust Deed
- Special Determinations
- The Constitution
- About the Directors and Executive Team
- Defined Benefit actuarial reports
- Disclosure documents
- Significant Event Notices (SENS) and Material Change Notices
- Information about our range of specialist service providers
- Conflicts Management Framework
- Proxy voting policy.

* Investment management fees and tax are deducted from the gross earnings before setting the net earning rate. Past performance is not a reliable indicator of future performance.

Investment managers

as at 30 June 2017

Asset class specialisation

Australian Fixed Interest

- Kapstream Capital Pty Ltd
- ME Portfolio Management Limited
- Western Asset Management Company Pty Ltd
- Schroder Investment Management Australia Limited

International Fixed Interest

- Brandywine Global Investment Management LLC
- Franklin Templeton Investments Australia Limited
- Pimco Australia Pty Limited

Australian Equities

- Airlie Funds Management Pty Ltd
- Alliance Bernstein Investment Management Australia
- BT Funds Investment Management (Institutional) Limited
- JCP Investment Partners Limited
- Legg Mason Asset Management Australia
- Perpetual Investment Management Limited
- Schroder Investment Management Australia Limited
- Adam Smith Asset Management
- Spheria Asset Management

International Equities

- Artisan Partners Limited Partnership
- Copper Rock Capital Partners LLC
- LSV Asset Management
- MFS International Australia Pty Ltd
- Morgan Stanley Investment Management (Australia) Pty Ltd
- Nikko AM Limited
- Paradise Investment Management Pty Ltd
- Pzena Investment Management LLC
- Wingate Asset Management Pty Ltd
- Schroder Investment Management Australia Limited
- Bell Asset Management
- Longview Partners LLP
- TT International Ltd

Currency Overlay

- Insight Investment Management Pty Ltd

Private Equity

- Adam Street Partners LLC
- Advent Management Group
- Angeleno Group LLC
- Archer Capital Pty Ltd
- Arclight Capital Partners LLC
- The Blackstone Group
- Catalyst Investment Managers Pty Ltd
- CHAMP Ventures Pty Limited
- Doughty Hanson & Co Managers Limited
- GBS Venture Partners Limited
- Goldman Sachs Asset Management
- HarbourVest Partners LLC
- HayFin Management Limited
- Ironbridge Capital Management Pty Ltd
- Knightsbridge Advisers LLC
- Macquarie Investment Management Australia Limited
- Mid Europa Funds Management Limited
- Montagu Private Equity LLP
- Northgate Capital Partners LLC
- Oaktree Capital Management LP
- Quadrant Private Equity Pty Ltd
- ROC Partners Pty Ltd
- Siguler Guff & Company LP
- Stafford Private Equity Pty Limited
- Sun Capital Partners Inc.
- Wilshire Australia Pty Ltd
- CIM Group LLC
- Clayton, Dubilier and Rice LLC
- Committed Advisors SAS
- IP Group plc

Hedge Funds

- Arrowgrass Capital Partners LLP
- Carlson Capital LP
- Davidson Kempner International Advisors, LLC.
- MKP Capital Management, LLC
- Pine River Capital Management LP
- Winton Capital Management Limited
- BFAM Partners Ltd
- Pacific Alliance Investment Management Limited
- Scopia Capital Management LP

Property

- AMP Capital Investors Limited
- APN Funds Management Limited
- BlackRock Investment Management (Australia) Limited
- Brookfield Investment Management Inc.
- Charter Hall Group
- Franklin Templeton Investments Australia Limited
- Invesco Ltd
- Lend Lease Real Estate Investments Limited
- Warakirri Asset Management Pty Ltd
- Telstra Super Pty Ltd

Infrastructure

- Global Infrastructure Partners
- Hastings Funds Management Limited
- JP Morgan Investment Management Inc.
- RARE Infrastructure Limited
- Whitehelm Capital Pty Ltd
- Queensland Investment Corporation

Opportunities

- Apollo Global Management LLC
- Barings Asset Management
- Loomis, Sayles and Company LP

Cash

- BT Funds Investment Management (Institutional) Limited
- Kapstream Capital Pty Ltd

Global Investment Grade Credit

- Pimco Australia Pty Limited
- Wellington Management Company LLP

Important information

TelstraSuper Trust Deed changes

The TelstraSuper Trust Deed sets out the rules by which TelstraSuper is managed. There were no amendments made to the Trust Deed during the 2016/17 financial year.

You can obtain a copy of the TelstraSuper Trust Deed online at telstrasuper.com.au/governance.

Surcharge

The Government abolished the superannuation surcharge from 1 July 2005. However, surcharge assessments may still be issued for 2004/2005 and previous financial years.

If you have an Accumulation account and we received a surcharge assessment for you, the amount of your surcharge assessment was deducted from your accumulation account.

If you are a Defined Benefit member, any surcharge applicable to your Defined Benefit was recorded in your Surcharge Account. You may have chosen to pay an amount equal to the amount of the surcharge, which Telstra Super Pty Ltd then applied against your Surcharge Account. If you didn't pay the amount in your Surcharge Account by the date nominated on your assessment, interest will be charged to this account. The balance of this account will be deducted from your final benefit when you cease to be a Defined Benefit member. The surcharge interest rate* for 2016/17 was 2%.

* This rate is based on the Commonwealth Government 10-year bond yield as at the previous 30 June, rounded to the nearest 0.25%.

TelstraSuper's advisers

We use external professional advisers to ensure that TelstraSuper continues to operate correctly and efficiently. TelstraSuper's key advisers for the year to 30 June 2017 are listed below.

Actuarial advisers

Russell Investments Group

Asset consultant

JANA Investment Advisers Pty Ltd

External auditors

Ernst & Young

Internal auditors

KPMG

Principal legal advisers

Lander & Rogers

Master custodian

JPMorgan Chase Bank, N.A.,
Sydney branch

Reserves

The Trustee maintains a number of reserves: an Insurance Reserve, an Administration Reserve and an Operational Risk Financial Reserve (ORFR).

All reserves are managed in accordance with Telstra Super Pty Ltd's Reserves Policy. The ORFR is invested solely in cash, cash-like securities, and/or term deposits with major Australian banks. The Insurance Reserve forms part of the Defined Benefit investment strategy of the Fund. The Licensing Reserve and Administration Reserve are held in cash deposits. The total value of all reserves in the Fund in each of the last three years was as follows:

- 30 June 2017: \$99,222,000
- 30 June 2016: \$87,413,000
- 30 June 2015: \$67,604,000

For further information about the reserves in the years ending 30 June 2017, 2016 and 2015, refer to the Financial Statements found at telstrasuper.com.au/financialstatements.

Derivatives

A derivative is a financial contract, the value of which depends on or is derived from assets, liabilities or indices (the underlying asset). Derivative transactions include a wide assortment of instruments such as forwards, futures, options, share ratios, warrants, swaps and other composites. The use of derivatives in external and internal investment mandates is authorised under TelstraSuper's Trust Deed. Use of derivatives for gearing or speculative purposes is prohibited. The responsible and properly managed use of derivatives assists Telstra Super Pty Ltd to achieve its investment objectives for the Fund. Derivatives are used principally to:

- reduce volatility
- reduce transaction costs, and
- change asset allocation in a timely and cost-effective manner.

Telstra Super Pty Ltd monitors the use of derivatives by:

- internal controls
- internal audit
- external auditors, and
- an external custodian.

Indemnity and fidelity insurance

Telstra Super Pty Ltd has taken out indemnity and fidelity insurance to cover TelstraSuper against the financial effects of any wrongful acts that may be made by Telstra Super Pty Ltd's Directors, Executive Managers and employees while administering TelstraSuper.

Temporary residents

A temporary resident is defined as someone who entered Australia on an eligible temporary resident visa (e.g. a subclass 457 visa) and who is not:

- an Australian or New Zealand citizen
- a permanent resident of Australia, or
- the holder of a Subclass 405 visa or a Subclass 410 visa.

For temporary residents, conditions of release to access your super changed on 1 April 2009. In summary, superannuation lump sums can now be paid to temporary residents

whose visas have expired and who've permanently departed Australia. Tax will be withheld from the payment before it is made.

- If you haven't claimed your benefit within six months of departing Australia, it becomes 'unclaimed money' and Telstra Super Pty Ltd must pay it to the Australian Taxation Office (ATO)
- if your benefit is transferred to the ATO, you can apply to the ATO for your benefit.

Under the relief provided by ASIC Class Order 09/437, no exit statement will be provided to you at the time of, or after, the transfer of your benefit. Please contact us on 1300 033 166 if you'd like further information.

Disclaimers

The intent of this report is to provide useful information, not investment or financial advice, and the information should not be construed as investment or financial advice. Each member is ultimately responsible for making his or her own investment decisions and obtaining whatever assistance he or she deems necessary.

The information in this report is of a general nature only, and should not be construed as investment or financial advice. It's not intended to be, and is not, a complete or definitive statement of all matters outlined in it. Telstra Super Pty Ltd doesn't recommend that any member make decisions concerning superannuation arrangements based solely on this report.

Formal legal documents, called the governing rules, and relevant legislation ultimately govern the operation of the Telstra Superannuation Scheme (TelstraSuper). The central document is the TelstraSuper Trust Deed. Should there be any discrepancies between the information in this report and the governing rules, the governing rules will prevail.

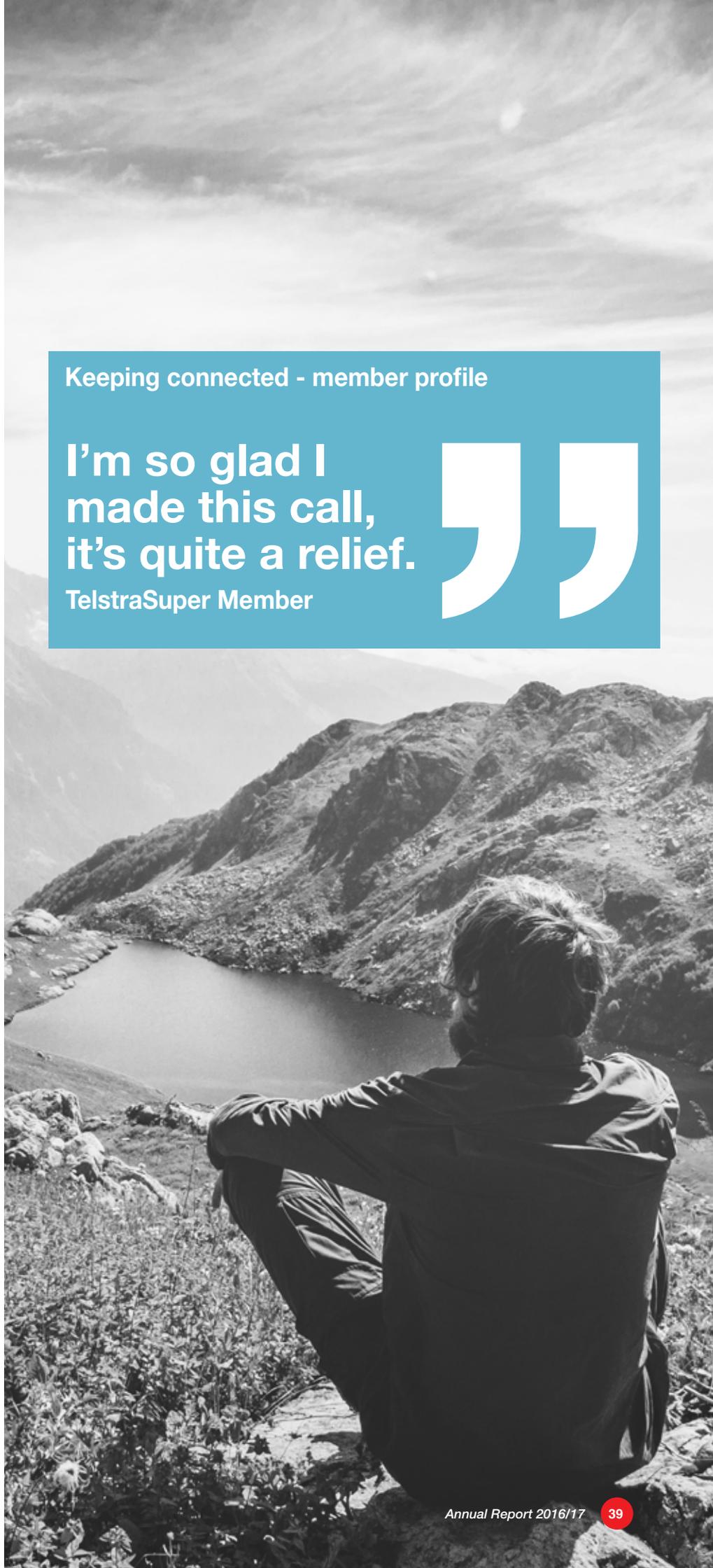
Telstra Super Pty Ltd, ABN 86 007 422 522, AFSL 236709, is the Trustee of the Telstra Superannuation Scheme, ABN 85 502 108 833 (TelstraSuper).

References to TelstraSuper Financial Planning in this report are to TelstraSuper Financial Planning Pty Ltd (ABN 74 097 777 725), AFSL 218705. © Telstra Super Pty Ltd, October 2017

Keeping connected - member profile

I'm so glad I made this call, it's quite a relief.

TelstraSuper Member





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Monday to Friday



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telstrasuper.com.au



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