

Your fund for life

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 \$21 billion* in assets invested on behalf of over 95,000 members.



What 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.



About this Annual Report

This Annual Report is for the 2017/2018 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

* As at 30 June 2018

[†] 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.

Your fund for life

TelstraSuper Annual Report 2017/18



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Chief Executive Officer's report

Welcome to TelstraSuper's 2017/18 Annual Report. You will find included in this report an update on what we've achieved during the year and how we're planning to deliver further value for members over the coming year.

From technological change to legislative change, it's been another busy year for TelstraSuper. We've successfully continued our program of transformation which is strongly focused on delivering the best possible outcomes for our membership.

Leading fund

TelstraSuper has maintained its strong position as Australia's leading corporate super fund. Our funds under management have grown to exceed \$21 billion, providing us with significant scale and making us a prominent investor. It's this size and scale that helps us to keep down costs for members and to lead the industry in our product and service offerings.

We also continue to be an active industry participant, whether it's through our involvement in shaping insurance as participants on the industry-wide Insurance in Superannuation Working Group, our involvement at industry level or sharing our knowledge at various events throughout the year.

Our profit-for-members model combined with our substantial scale, makes it possible to deliver the quality of service members need, whilst improving our fund for the future.

Building capabilities for the future

We know that the needs of our members are evolving, and as a result we too are evolving our technology and digital offering to better service members. This includes introducing new online tools and resources to make super more accessible for our members.

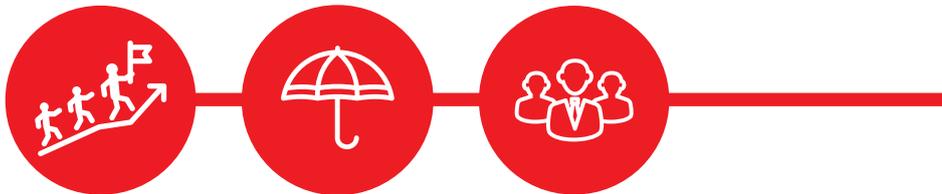
Earlier this year we strengthened our online offering with real-time superannuation account consolidation to help members find and combine their lost super in minutes.

By introducing the online tool and actively running education campaigns around the benefits of consolidation, we've encouraged thousands of members to combine their super potentially saving them from duplicate account fees.

We have also introduced a live retirement income projector to our online dashboards so members can see how their super could translate into income in retirement. The dashboards are updated in real time so members can see what affect their actions will have on their financial future.

Our members have also benefited from the launch of the TelstraSuper mobile app in July 2018, allowing them to access their super balance anytime, anywhere.





Insurance

The Government's 2018/19 Federal Budget saw the announcement of potential changes to the way that insurance in superannuation works, particularly for young people and those with low super balances.

We believe that the insurance provided within members' super accounts is an important safety net should the member suffer an illness or injury that impacts their ability to continue working. As such, we've been working with relevant stakeholders to minimise any negative impacts of the changes for TelstraSuper members.

We've also been working with our own teams to ensure our insurance offering is relevant, affordable and appropriate for our membership.

As part of our focus, TelstraSuper was part of the industry-wide working group that developed the Insurance in Superannuation Voluntary Code of Practice. One of the aims of the industry-wide code is making insurance in super easier for people to understand. We know that for many Australians, the death and disability insurance they hold inside their super is the only coverage they have, so it's vital we work with our industry colleagues to get the policy settings right.

Our people

Over the past year another 25 TelstraSuper team members have completed our six month Leadership Essentials development program. The program develops the capability of our people and promotes strong leadership qualities. To date, more than 60 employees have completed the program.

We're also continuing to empower our team and build our community relationships. We have hosted a range of internal charity events, with TelstraSuper staff raising their own money for a number of worthy causes. This included sponsoring more than 20 staff members to complete the Women in Super Mother's Day Classic, which resulted in over \$2,500 raised for breast cancer research. Other worthy charities included the Salvation Army Asylum Seeker and Refugee Service, Youth Projects and e.motion21.

Finally, we welcomed our new Executive General Manager of Technology Karen Symes further increasing female representation in our Leadership team. Karen brings with her a wealth of knowledge and has hit the ground running. We have a large body of work ahead of us, but are excited for the future.

In all super funds, technology is transforming with significant focus on security, cloud, efficiency and digital aspects.

I congratulate our team on another successful year. Their hard work has made sure we are well placed to support members in the year to come and well into the future. Thank you to our members who continue to support us and advocate for TelstraSuper: Australia's largest corporate superannuation fund.

Chris Davies
Chief Executive Officer

Leading fund

“TelstraSuper has maintained its Platinum rating for the fourteenth consecutive year from SuperRatings, recognising it as a “best value for money” superannuation fund.

The fund was also nominated as a finalist for the 2018 SuperRatings Choice Super of the Year award.”

Chairman's report

Over the last 28 years, TelstraSuper has grown into Australia's largest corporate superannuation fund. We now support over 95,000 members throughout their working lives and retirement, managing over \$21 billion in retirement savings. Looking ahead, we'll continue to find new ways to deliver added value for members.

Our 2018 – 2020 plan

The TelstraSuper Board continues to work closely with the Fund's Executive Team to plan our long-term strategy and develop robust objectives for the Fund.

The Board has been very supportive of the progressive direction that management has wanted to take the Fund. The Fund is in a strong position to deliver on our mission whilst keeping true to its core values which are more relevant than ever.

We continue to focus on governance and risk management. In February, the Fund took part in a study on organisational risk culture by Macquarie University. The outcomes showed us that the measures we have taken over the years to minimise risk have been beneficial to the Fund.

We're also looking at ways to further reduce our already low fees – because we know that in super every dollar counts. In April last year, we were able to reduce the percentage-based

administration fee for all of our members. It's now at its lowest level since 2012, despite the significant increases in government regulations and reporting requirements since then. But we're not done yet.

A fund for life

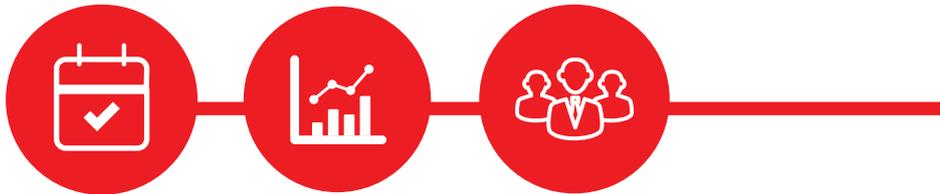
As a profit-for-members fund, TelstraSuper is always working on ways to deliver better value and improve the quality of our products and services for our members.

There is strong support at Board level for innovation and challenging the way we do things. From first opening a super account, to starting up a TelstraSuper income stream in retirement, we're investing in the right people and infrastructure to support members at every step of their super journey.

This support includes continued investment in our digital transformation to keep up with the rapid change in the financial services sector and rapidly evolving member expectations. We're using digital techniques to provide a better member experience, including providing members with content that's more relevant to them and their life stage.

We've also used digital to make our existing processes easier for members. This included our new family referral tool that allows members to easily invite their family members to join TelstraSuper in minutes.





Current super landscape

Potential changes arising from the Productivity Commission include the review of default super, and the Government's proposals on post retirement product design are also on our radar and I'm pleased to say we are deeply involved in both, directly and through our industry associations. Our aim is to ensure that any changes will not adversely affect our members and their financial futures.

We also continue to work to apply the necessary updates to systems, processes and products to accommodate changes flowing out of the 2018 Federal Budget package. This includes effectively communicating the changes and providing education and support to members.

Our people

The TelstraSuper Board plays a vital role in ensuring the Fund is operating in the best interests of members. It takes a range of skills and experience to run a super fund, and we are fortunate to have a Board that is well placed to lead the strategic direction of the Fund.

I'd like to thank our outgoing member director John Jamieson who left the TelstraSuper Board in June 2018. Mr Jamieson served the TelstraSuper Board for eight years and brought a range of valuable skills and knowledge to the table, particularly his strong passion for members.

To replace Mr Jamieson, Melissa Donnelly joined the Fund in June 2018. With degrees in law and social science, as well as a background in representing and advocating on behalf of members, Ms Donnelly is another strong addition to the Board.

Finally I'd like to thank CEO Chris Davies and the wider TelstraSuper team. Each of our staff is committed to providing continued sustained outcomes for the Fund and its members. Our 2017/18 achievements would not have been possible without the incredible amount of work staff contribute to the organisation.

David Leggo
Chairman

We help our members build a financially secure future

Members best interests are at the heart of everything we do. We asked members what financial security means to them.

You'll see some of our favourite responses scattered throughout this report.

With you every step of the way

We've made it easier for TelstraSuper members to take control of their financial future no matter where they work.

Making it easy to keep super all in one place

Like many Australians, TelstraSuper members have multiple jobs throughout their careers, often resulting in multiple super accounts. This can make it hard for members to keep track of their super savings. It can also erode their retirement savings because of duplicate account fees and insurance premiums for unwanted cover.

In May this year we launched a new account consolidation tool that makes it simple for TelstraSuper members to search for multiple super accounts and combine them into their TelstraSuper account. There's no more bulky paperwork or lengthy wait times – members can find and consolidate their super in minutes.

We've also made it easier for TelstraSuper members to take us with them to their new employer when they change jobs. Our online choice of fund form can be filled out with just a few details and emailed directly to an employer.

Being accessible to members

The earlier our members understand and engage with their super, the earlier they can take action to build a secure financial future. Our member education team has spoken with and presented to over 12,000 members throughout the year, empowering them to take control of their finances.

However, we know that not all members work at Telstra sites so we increased the number of online webinars delivered, covering more topics such as insurance, investments and estate planning.

We've also refreshed our online member dashboards to show a personalised retirement balance and income projections, giving members a stronger sense of how their super is tracking. The projections change in real-time, showing members the difference that actions taken now can make to their retirement options.



SuperOnline logins in the 2017/18 financial year

What does financial security mean to you?

“Own my home, pay for coffee and cake at my leisure, live within my means and enjoy time with my family.”



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 2017/2018 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

Appointed December 2013

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.



Scott Connolly
Member Director

Appointed June 2016

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.



Melissa Donnelly
Member Director

Appointed June 2018

Ms Donnelly is the Deputy Secretary of the Community and Public Sector Union (CPSU). Ms Donnelly, who joined the CPSU in 2005, held a number of positions before being elected to her current role in 2014.

Ms Donnelly is involved in setting the national strategic direction of the CPSU, as well as governance and budgetary processes. She is also involved in representing and advocating on behalf of CPSU members employed at Telstra Corporation Limited. Ms Donnelly holds degrees in law and social science.



David Burns
Employer Director

Appointed October 2015

Mr Burns'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 Burns'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.



Julian Clarke
Employer Director

Appointed October 2017

Mr Clarke is Executive Director of Human Resources at Telstra Corporation Ltd and is responsible for managing a workforce of 6,500 employees and 2,500 partner employees across over 20 countries.

Prior to joining Telstra in 2009, Mr Clarke worked as a Solicitor and Special Counsel with a variety of companies in Australia and overseas and has over 15 years' experience across a range of human resources and legal discipline.

Mr Clarke holds a Master of Arts from the University of Oxford, a Graduate Diploma in Legal Practice from the College of Law in London and a Graduate Diploma in Labour Relations Law from the University of Melbourne.

Updated appointments



Yolande Foord
Resigned as
Employer Director
September 2017



John Jamieson
Resigned as a
Member Director
June 2018



Graham Lorrain
Member Director

Appointed December 2016

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.



Shane Murphy
Member Director

Appointed September 2016

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.



Maria Phillips
Employer Director

Appointed August 2016

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.

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.



Steve Cullen
Executive General Manager
Member Engagement and Advice

Steve is responsible for leading the teams that support members, including our Member Contact Centre and Member Education teams, as well as for members seeking financial advice about their superannuation, investment, insurance and retirement needs, through Telstra Super Financial Planning.

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.



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.



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.



Jean-Luc Ambrosi
Executive General Manager
Marketing & Digital

Jean-Luc is responsible for leading the marketing and digital functions within TelstraSuper. This includes member communication, member education, member experience, as well as overseeing the digital channel and leading its transformation. Jean-Luc also manages corporate affairs and provides critical input to TelstraSuper's business strategy and 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.



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 18 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.



Graeme Miller
Chief Investment Officer

Graeme is responsible for leading the investment team which manages TelstraSuper's approximately \$21 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.



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.



Karen Symes
Executive General
Manager Technology

Karen is responsible for leading the Technology function within TelstraSuper. This includes business engagement, solution design, development and delivery, governance, risk and security, service management and infrastructure services.

Karen joined TelstraSuper in January 2018 and brings over 25 years' experience in leading Technology functions within the financial services sector both in Australia and UK and is also skilled in implementing new ways of working based on Agile, LEAN and Innovation practices.

Her most recent role was Chief Information & Innovation Officer at Guild Group Holdings with similar executive and senior roles held at Equity Trustees and ANZ Bank. Karen also held a Board position at Early Childhood Management Services (ECMS) from 2006 to 2011.

Growing the TelstraSuper Family

TelstraSuper members can now share the benefits of being a member of Australia's largest corporate fund with family members at the click of a button.

In mid-February, we launched our new family member referral tool and online join form. Both initiatives provide a simpler way for members to extend TelstraSuper membership to their loved ones.

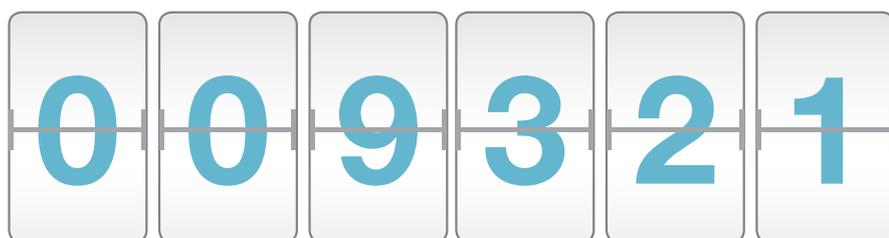
While many members have worked for the Telstra Group at some point in their careers, the TelstraSuper family also includes relatives of existing members who have joined. TelstraSuper membership is open to eligible* relatives of current members including husbands, wives, children, aunts, uncles, grandparents and cousins.

Members can now use the online referral tool to invite family members to join. Invitees can then use the new online join form to sign up to TelstraSuper in as little as ten minutes.

TelstraSuper Executive General Manager of Marketing, Jean-Luc Ambrosi said the new referral process reflects the Funds' strong sense of family.

"For many members financial security is about more than just them, it's about family too. They want to know their family members are part of a high performing fund. The new streamlined referral and joining process will allow these members to easily share the fund they know and trust."

Members were quick to utilise the new tools, with more than 200 accessing the tool in its first month.



Family members have joined TelstraSuper

*to find out more about eligibility to join visit telstrasuper.com.au/family



Grow your own TelstraSuper family

Have a family member you'd like to refer to TelstraSuper so they can enjoy the benefits of being with an award winning, outperforming super fund?

Visit
[telstrasuper.com.au/
family](https://telstrasuper.com.au/family)



Chief Investment Officer's report

I'm delighted to report on another year of investment success for TelstraSuper members, with all of our diversified investment options comfortably outperforming their objectives.

Graeme Miller

Chief Investment Officer

During the year ended 30 June 2018, our Growth Option delivered a net return of 10.0% and our Balanced option earned 8.3% for accumulation members of our CorporatePlus and PersonalPlus divisions. For our RetireAccess pension members, the returns were even higher because members with account-based pensions don't pay tax on their investment earnings. Our pension members earned 10.8% in the Growth option and 9.1% in the Balanced option.

Over the longer term, our Growth option has returned an annualised 10.4% over the past five years for our accumulation members, and our Balanced option 9.3% annualised over five years.

Once again, returns for RetireAccess members were higher, at 11.3% for Growth and 10.3% for Balanced, annualised over five years.

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. It is deeply satisfying to once again deliver on this mission for our members.

Investment market backdrop

Over the last financial year we saw strong and synchronised economic growth across most regions of the world. Unemployment and inflation remained low in all major economies and although interest rates began to rise in the US, they remained at record lows in most other parts of the developed world.

Investor sentiment remained strong for most of the year, only losing momentum for a short while in early 2018 as fears emerged about inflation and interest rate rises in the US.

Global share markets were surprisingly strong, returning 15.6% in Australian dollar terms, and the Australian share market was up by 13.2% for the year. On the other hand, fixed interest and cash delivered modest single digit returns, reflective of the current low interest rate environment.

TelstraSuper's Investment Portfolios

Throughout the year TelstraSuper's investment professionals actively managed our investment portfolios and proactively responded to market developments and opportunities as they emerged.

An important initiative was to reposition our property portfolio to meet the challenges of a changing economy. We sold down our ownership interests in a number of traditional shopping centre assets and invested the proceeds in other opportunities such as office buildings and logistic centres that are likely to be more resilient to the effects of disruption. We also expanded our highly successful portfolio of Bunnings stores and increased our exposure to the UK residential market.



Growing your future

“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. It is deeply satisfying to once again deliver on this mission for our members.”



In our Private Markets portfolio we committed to a number of new opportunities, including data centres, a human services provider including disability employment services, an outside school hours care provider and an Australian chocolate and confectionary company.

The TelstraSuper Board continued to emphasise the importance of Environmental, Social and Governance (ESG) factors in our investment process. In addition to providing ESG guidelines to our investment managers, the Board adopted a policy to prohibit investment in manufacturers of controversial weapons in all of TelstraSuper's investment portfolios. This follows last year's decision to eliminate investment in shares of tobacco companies.

We also expanded our infrastructure portfolio to include more renewable energy projects such as wind farms in Europe and solar generation plants in the United States, Spain and Italy.

In September 2017, we modestly reduced our exposure to shares in most of our investment options, reflecting the view that shares had become relatively expensive. This proved to be a valuable decision following sharp falls in most share markets, and provided a measure of protection for our members.

Investment Outlook

We expect financial markets to be influenced by a number of factors during the 2018/19 financial 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, global trade tensions and geopolitical conflicts in North Korea, the Middle East and elsewhere.

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.

At the present time, our portfolios are somewhat defensively positioned given that we appear to be in the late-stage of an economic cycle and most asset prices are elevated. Under this positioning, our members will continue to enjoy the most of the benefits of continued investment strength, but will also be more protected in the event of a significant market fall.

Graeme Miller
Chief Investment Officer

¹These returns are net of all investment fees and investment taxes

2017/18 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.

10.01%

return on MySuper Growth option
for year to 30 June 2018

\$224,502,647

received in voluntary post-tax contributions
during 2017/18

\$84,611,159

received in voluntary pre-tax contributions
during 2017/18

\$2,180,747

received in government co-contributions in
2017/18



53,376

calls to Member Services



8,900

people attended webinars and seminars



22,074

calls taken by TelstraSuper Financial Planning Advisers



2,562

members receiving ongoing advice



4,713

emails responded to by TelstraSuper



6,539

appointments held with TelstraSuper Financial Planning



4,050

people seen at workplace visits

Our People

76%

overall favourable engagement score

20%

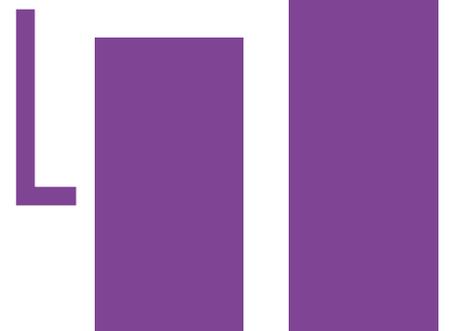
take advantage of formal flexible working arrangements, informal flexibility offered for all roles

45%

female employees - working towards 50/50

887,100

SuperOnline logins



1.36 mil

visits to telstrasuper.com.au

Investment options

Asset allocations as at 30 June 2017 and 30 June 2018 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 – 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
2017/2018	10.01%	10.80%
2016/2017	13.50%	15.00%
2015/2016	0.30%	0.00%
2014/2015	11.14%	12.04%
2013/2014	17.99%	19.82%

Asset allocation

	2017	2018
Australian Shares	34.3%	31.9%
International Shares	36.7%	35.7%
Property	10.8%	11.2%
Infrastructure	2.8%	2.6%
Hedge Funds	4.7%	5.0%
Alternative Debt	2.6%	3.8%
Private Equity	3.5%	3.1%
Cash	4.6%	6.6%
Opportunities	0.0%	0.1%

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 – 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
2017/2018	8.28%	9.13%
2016/2017	11.44%	12.85%
2015/2016	1.31%	1.29%
2014/2015	9.98%	11.07%
2013/2014	15.81%	17.70%

Asset allocation

	2017	2018
Australian Shares	26.8%	24.7%
International Shares	27.7%	27.4%
Property	12.0%	12.2%
Infrastructure	4.6%	4.3%
Hedge Funds	3.8%	4.0%
Alternative Debt	3.4%	4.7%
Private Equity	3.4%	3.1%
Australian Fixed Interest	3.9%	3.7%
Int Fixed Interest	3.0%	2.8%
Cash	10.6%	12.0%
Opportunities	0.0%	0.1%
Credit	0.8%	1.0%

What does financial security mean to you?

“Where money isn’t the first thing I think about when I wake up and go to sleep.”

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 periods.

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
2017/2018	5.90%	7.22%
2016/2017	10.03%	11.33%
2015/2016	3.24%	3.96%
2014/2015	7.55%	8.12%
2013/2014	10.67%	11.60%

Asset allocation

	2017	2018
Australian Shares	31.8%	22.1%
International Shares	10.9%	16.6%
Property	13.1%	14.9%
Infrastructure	10.1%	10.5%
Diversified Fixed Interest	11.5%	15.1%
Income Securities	11.8%	7.6%
Cash	10.8%	8.4%
Alternative Debt	0.0%	4.8%

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 – 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
2017/2018	6.97%	7.26%
2016/2017	9.84%	11.03%
2015/2016	4.75%	5.27%
2014/2015	8.50%	8.78%
2013/2014	13.00%	14.35%

Asset allocation

	2017	2018
Australian Shares	19.3%	18.8%
International Shares	21.0%	19.8%
Property	10.7%	11.5%
Infrastructure	8.5%	8.5%
Hedge Funds	2.8%	3.0%
Alternative Debt	1.4%	5.8%
Credit	10.0%	10.2%
Australian Fixed Interest	8.2%	7.8%
Int Fixed Interest	3.1%	3.0%
Cash	15.0%	11.5%
Opportunities	0.0%	0.1%

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 – 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
2017/2018	5.61%	6.32%
2016/2017	7.31%	8.22%
2015/2016	3.61%	3.84%
2014/2015	7.12%	7.71%
2013/2014	10.39%	11.50%

Asset allocation

	2017	2018
Australian Shares	12.4%	11.2%
International Shares	11.9%	11.9%
Property	14.1%	13.4%
Infrastructure	6.6%	6.1%
Hedge Funds	4.8%	4.9%
Alternative Debt	0.7%	2.9%
Australian Fixed Interest	14.7%	14.6%
Cash	26.8%	27.1%
Int. Fixed Interest	8.0%	7.9%

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 year periods.

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
2017/2018	11.62%	12.90%
2016/2017	15.61%	17.23%
2015/2016	0.13%	0.14%
2014/2015	5.43%	5.24%
2013/2014	18.87%	20.33%

Asset allocation



What does financial security mean to you?

“To be independent from any Government assistance. Have health and security for my family with lots of travelling possibilities..”

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 year periods.

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
2017/2018	10.49%	11.20%
2016/2017	17.14%	18.78%
2015/2016	-4.12%	-4.40%
2014/2015	16.65%	17.81%
2013/2014	19.93%	21.96%

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 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
2017/2018	11.96%	13.56%
2016/2017	10.07%	11.34%
2015/2016	13.34%	13.82%
2014/2015	10.78%	12.99%
2013/2014	12.95%	14.76%

Asset allocation



What does financial security mean to you?

“Freedom. Free to travel, free to enjoy hobbies, free from money worrying..... free to enjoy life!”

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 year periods.

Risk objective

A medium level of risk expected to generate 2 to less than 3 negative annual returns over any 20 year period.

Performance

Year	Accumulation member returns	TelstraSuper RetireAccess returns
2017/2018	2.51%	2.88%
2016/2017	2.70%	3.05%
2015/2016	4.67%	5.13%
2014/2015	3.90%	4.52%
2013/2014	5.77%	6.65%

Asset allocation



Cash option

Investment strategy

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

Return objective*

Corporate Plus and Personal Plus members: outperform the Bloomberg AusBond Bank Bill Index, adjusted for tax^

RetireAccess members: outperform the Bloomberg AusBond Bank Bill Index^

Investment time frame

0 – 2 year periods.

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
2017/2018	1.74%	2.01%
2016/2017	1.92%	2.21%
2015/2016	2.10%	2.40%
2014/2015	2.47%	2.79%
2013/2014	2.61%	3.01%

Asset allocation



* The return objective changed in July 2018 and previously was to outperform CPI

^The Bloomberg AusBond Bank Bill Index is a commonly used benchmark for cash-like investments. It measures the return earned on a diversified portfolio of different types of short term cash investments. Cash investments are generally taxed at 15% in the superannuation accumulation phase.

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 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 – 10 year periods.

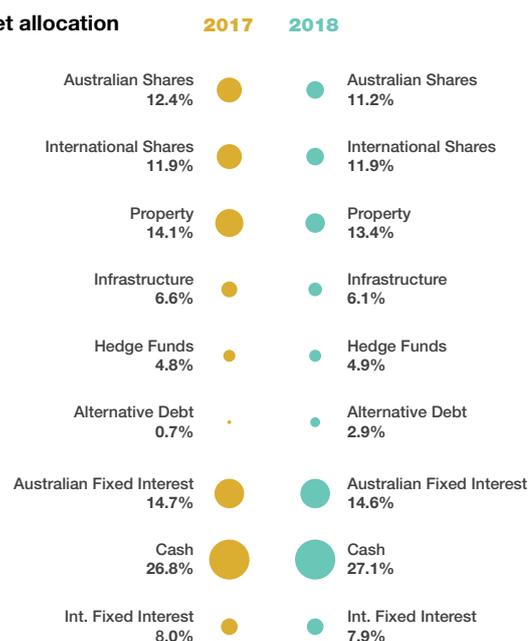
Risk objective

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
2017/2018	5.61%
2016/2017	7.31%
2015/2016	3.61%
2014/2015	7.12%
2013/2014	10.39%

Asset allocation



What does financial security mean to you?

“Being comfortable to enjoy my lifestyle after finishing my working career with a latte and avocado on toast!”

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 – 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
2017/2018	8.28%
2016/2017	11.44%
2015/2016	1.31%
2014/2015	9.98%
2013/2014	15.81%

Asset allocation

	2017	2018
Australian Shares	26.8%	24.7%
International Shares	27.7%	27.4%
Property	12.0%	12.2%
Infrastructure	4.6%	4.3%
Hedge Funds	3.8%	4.0%
Alternative Debt	3.4%	4.7%
Private Equity	3.4%	3.1%
Australian Fixed Interest	3.9%	3.7%
Int Fixed Interest	3.0%	2.8%
Cash	10.6%	12.0%
Opportunities	0.0%	0.1%
Credit	0.8%	1.0%

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 – 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
2017/2018	10.01%
2016/2017	13.50%
2015/2016	0.30%
2014/2015	11.14%
2013/2014	17.99%

Asset allocation

	2017	2018
Australian Shares	34.3%	31.9%
International Shares	36.7%	35.7%
Property	10.8%	11.2%
Infrastructure	2.8%	2.6%
Hedge Funds	4.7%	5.0%
Alternative Debt	2.6%	3.8%
Private Equity	3.5%	3.1%
Cash	4.6%	6.6%
Opportunities	0.0%	0.1%

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 five and ten years. This long-term trend of outperformance continues with seven 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.

TelstraSuper Corporate Plus & Personal Plus

Option	5 years	5 year median	10 years	10 years median
Growth	10.43%	9.96%	7.45%	6.65%
Balanced	9.26%	8.91%	7.16%	6.37%
Diversified Income**	7.44%	6.95%		
Defensive Growth	8.58%	7.02%		
Conservative	6.78%	5.27%	6.10%	5.09%
International Shares	11.67%	12.46%	8.17%	7.57%
Australian Shares	10.12%	10.11%	7.18%	6.96%
Property	11.81%	9.61%	5.59%	5.50%
Fixed Interest	3.90%	3.60%	5.00%	5.29%
Cash	2.17%	1.99%	3.04%	2.92%

The latest returns and investment updates can be found at telstrasuper.com.au/investments

* 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 2018. Find out more at www.superratings.com.au/ratings.

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 5 year and 10 year periods ending 30 June 2018 (where available). Past performance is not a reliable indicator of future performance.

What does financial security mean to you?

“Being able to support my family so we only have to worry about the challenges of life and can savour the joys of life rather than being held back by financial insecurity.”

Financial statements

Statement of Financial Position

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Assets		
Cash and cash equivalents	1,562,005	1,643,708
Australian fixed interest securities	3,266,208	3,414,618
International fixed interest securities	1,347,835	1,098,549
Australian equities	5,204,493	4,800,516
International equities	5,056,695	4,484,529
Hedge funds	1,268,916	958,976
Private equity	491,516	507,426
Investment properties	2,365,603	2,136,043
Infrastructure	727,652	700,869
Derivative assets	57,539	115,091
Investment income receivable	60,206	68,552
Unsettled investment sales	41,421	49,246
Accounts receivable	7,849	6,999
Property, plant and equipment	6,576	5,461
Total assets	21,464,514	19,990,583
Liabilities		
Benefits payable	(78)	(32)
Accounts payable	(31,607)	(38,503)
Unsettled investment purchases and payables	(171,868)	(132,201)
Derivative liabilities	(132,872)	(47,537)
Current income tax liabilities	(43,636)	(100,612)
Deferred income tax liabilities	(261,357)	(232,804)
Total liabilities excluding member benefits	(641,418)	(551,689)
Net assets available for member benefits	20,823,096	19,438,894
Member benefits		
Defined contribution member liabilities	(18,176,285)	(16,715,738)
Defined benefit member liabilities	(2,120,892)	(2,376,245)
Total member liabilities	(20,297,177)	(19,091,983)
Total net assets	525,919	346,911
Equity		
Operational risk financial reserve	51,945	48,597
Insurance reserve	5,000	5,000
Administration reserve	52,467	45,625
Licensing reserve	-	-
Unallocated surplus	416,507	247,689
Total equity	525,919	346,911

What does financial security mean to you?

“As a lifelong TelstraSuper member I want to maintain my balance and receive a reasonable pension from TelstraSuper Retire Access so I can enjoy retirement.”

Statement of Comprehensive Income

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Superannuation activities		
Interest	129,770	118,428
Dividends and distributions	433,631	401,789
Property trust income	109,821	152,053
Net foreign exchange gains/(losses)	152,309	(36,564)
Changes in assets measured at fair value	847,846	1,366,126
Other investment income	3,145	4,869
Other operating income	3,337	2,787
Total superannuation activities income	1,679,859	2,009,488
Expenses		
Investment expenses	(89,358)	(87,720)
Administration expenses	(55,658)	(48,969)
Total expenses	(145,016)	(136,689)
Net result from superannuation activities	1,534,843	1,872,799
Profit from operating activities	1,534,843	1,872,799
Net benefits allocated to defined contribution member accounts	(1,325,709)	(1,578,298)
Net change in defined benefit member liabilities	24,270	(75,646)
Profit before income tax	233,404	218,855
Income tax (expense)/benefit	(63,571)	(109,472)
Profit after income tax	169,833	109,383

Statement of Changes in Member Benefits

For the year ended 30 June 2018

	Defined Contribution Members \$'000	Defined Benefit Members \$'000	Total \$'000
Opening balance as at 1 July 2018	16,715,738	2,376,245	19,091,983
Employer contributions	499,216	88,126	587,342
Member contributions	203,555	6,721	210,276
Government contributions	2,138	-	2,138
Transfers from other superannuation funds	567,140	2,352	569,492
Transfers to other superannuation funds	(477,241)	(308,161)	(785,402)
Income tax on contributions	(68,141)	(13,219)	(81,360)
Benefits to members/beneficiaries	(576,141)	(3,681)	(579,822)
Insurance premiums charged to members' accounts	(36,430)	(2,898)	(39,328)
Insurance benefits credited to members' accounts	28,959	636	29,595
Reserves transferred to/(from) members:			
Administration reserve	(6,127)	(715)	(6,842)
Operational risk financial reserve	(2,089)	(244)	(2,333)
Net benefits allocated to members' accounts:			
Net investment income	1,367,457	-	1,367,457
Administration fees	(41,749)	-	(41,749)
Net change in DB member benefits	-	(24,270)	(24,270)
Closing balance as at 30 June 2018	18,176,285	2,120,892	20,297,177
Opening balance as at 1 July 2017	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 DC 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

Statement of Changes in Reserves

For the year ended 30 June 2018

	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 2017	247,689	48,597	5,000	45,625	-	346,911
Transfer from DC member accounts	-	2,089	-	6,127	-	8,216
Transfer from DB member accounts	-	244	-	715	-	959
Profit	168,818	1,015	-	-	-	169,833
Closing balance as at 30 June 2018	416,507	51,945	5,000	52,467	-	525,919
Operating balance as at 1 July 2016	139,293	45,683	5,000	36,480	250	226,706
Transfer from DC member accounts	-	1,687	-	7,788	-	9,475
Transfer from DB member accounts	-	240	-	1,107	-	1,347
Transfer between reserves	-	-	-	250	(250)	-
Profit	108,396	987	-	-	-	109,383
Closing balance as at 30 June 2017	247,689	48,597	5,000	45,625	-	346,911



Statement of Cash Flows
for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Cash flows from operating activities		
Interest	148,788	119,561
Dividends and distributions	426,598	403,232
Property trust income	109,821	152,053
Other incomes	2,767	8,969
Investment expenses	(91,819)	(81,193)
Administration expenses	(59,669)	(51,863)
Group life insurance premiums	(39,328)	(36,017)
Insurance benefits credited to members' accounts	29,595	37,243
Income tax refund/(paid) by operating activities	(91,994)	(8,613)
Net cash inflows from operating activities	434,759	543,372
Cash flows from investing activities		
Proceeds from sales of investment assets	19,077,284	21,582,743
Purchases of investment assets	(19,514,141)	(22,073,945)
Purchase of property, plant and equipment	(2,543)	(4,341)
Net cash outflows from investing activities	(439,400)	(495,543)
Cash flows from financing activities		
Employer contributions received	587,568	611,313
Member contributions received	210,278	490,417
Government co-contributions received	2,138	2,187
Transfers from other superannuation funds received	569,492	550,534
Transfers paid to other superannuation funds	(785,402)	(692,982)
Benefits paid to members and beneficiaries	(579,776)	(773,043)
Income tax paid by financing activities	(81,360)	(84,359)
Net cash inflows from financing activities	(77,062)	104,067
Net increase/(decrease) in cash	(81,703)	151,896
Cash at the beginning of the financial year	1,643,708	1,491,812
Cash at the end of the financial year	1,562,005	1,643,708



What does financial security mean to you?



“I don’t want to be worried about how I am going to pay the bills, only worried about the weather hampering my golf plans.”

What does financial security mean to you?

“The ability to do what I want when I want. Regular holidays, dining out, entertainment, good health and friendships.”

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 4.44% on our investment portfolio for 2017/2018.*

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 2018

TelstraSuper invests with a range of external specialist investment portfolio managers. We also utilise internal investment managers for Australian Equities, Australian Fixed Interest, Property, Infrastructure, Private Equity, Cash, Currency Overlay and Asset Allocation Overlay.

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

- AllianceBernstein Investment Management Australia Limited
- Pandal Institutional Limited
- JCP Investment Partners Limited
- Legg Mason Asset Management Australia Limited
- Perpetual Investment Management Limited
- Schroder Investment Management Australia Limited
- Adam Smith Asset Management Pty Limited
- Spheria Asset Management Pty Limited

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 Limited
- Longview Partners (Guernsey) Limited
- TT International (Hong Kong) Limited

Currency Overlay

- Insight Investment Management Limited

Private Equity

- Affinity Equity Partners Limited
- 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
- CHAMP III Management Pty Limited
- Doughty Hanson & Co Managers Limited
- GBS Venture Partners Limited
- Goldman Sachs Asset Management LP
- HarbourVest Partners LLC
- HayFin Management Limited
- Ironbridge Capital Management Pty Ltd
- Knightsbridge Advisers LLC
- 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 LLC
- 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
- Caxton Associates LP
- Davidson Kempner International Advisors, LLC.
- Pine River Capital Management LP

- Winton Capital Management Limited
- BFAM Partners (Cayman) Limited
- Pacific Alliance Investment Management Limited
- Pharo Global Advisors Limited
- Scopia Capital Management LLC

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

Infrastructure

- Global Infrastructure Management LLC
- Hastings Funds Management Limited
- JP Morgan Investment Management Inc.
- RARE Infrastructure Limited
- Whitehelm Capital Pty Ltd
- QIC Limited

Opportunities

- Berkshire Property Advisors, LLC

Cash

- Pandal Institutional Limited
- Kapstream Capital Pty Ltd

Credit

- PIMCO Australia Pty Limited
- Wellington Management Australia Pty Ltd

Alternative Debt

- Apollo Global Management LLC
- Barings LLC
- Loomis, Sayles and Company, L.P.

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 2017/18 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 2017/18 was 2.64%.

* 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 2018 are listed below.

Actuarial advisers

Willis Towers Watson

External auditors

Ernst & Young

Principal legal advisers

Lander & Rogers

Asset consultant

- JANA Investment Advisers Pty Ltd
- Albourne Partners

Internal auditors

KPMG

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 2018: \$109,412,000
- 30 June 2017: \$99,222,000
- 30 June 2016: \$87,413,000

For further information about the reserves in the years ending 30 June 2018, 2017 and 2016, 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.

Premium Adjustment Mechanisms

TelstraSuper does not receive money or other material benefits (other than claims payments for our members and related costs) from our insurer or reinsurer. The premium paid by members is directly for the cost of insurance, and avoids any conflict of interest between our members and our insurer.

If this arrangement ever changes, we will make you aware of this by updating this statement on our website, annual report, PDS and Insurance Guide. We may also issue you a Significant Event Notice directly.

Member Education

As a part of the 'Financial Fitness' programs, there are multiple campaigns focused specifically on Insurance. As a part of the on-boarding and redundancy programs, there is also a focus on insurance education.

Members are able to self-educate about Insurance within Superannuation by accessing our Insurance FAQs, Insurance Key Fact Sheets and Claims Information sheets via the TelstraSuper website.



What does financial security mean to you?

“Enough to buy my own home and campervan, plenty of travel, start my own business and be able to donate to charity and help my adopted family.”

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 2018



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