



2017-18

Annual Report

Sunsuper for life | Sunsuper for life Business | Sunsuper for life Corporate

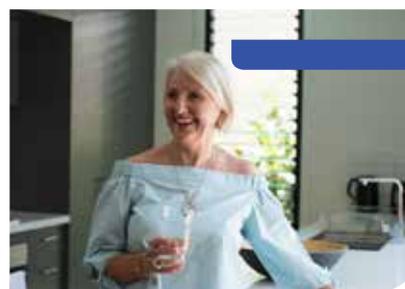


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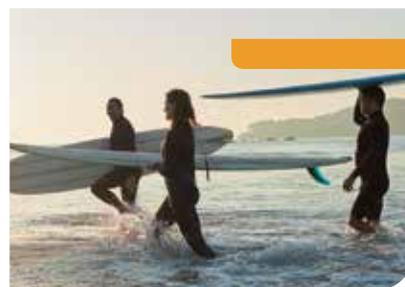
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About Sunsuper



Board report



We are pleased to present the *Sunsuper Annual report* for the financial year ending 30 June 2018.

2017-18 was a year of significant change and achievement for Sunsuper, including the successful merger with Kinetic Super, and, in an industry first, being recognised with five major 2018 fund of the year awards. In July 2018, we also announced plans to merge with AustSafe Super in early 2019.

Celebrating our successful merger with Kinetic Super

On the back of our shared values and unfaltering focus on maximising members' retirement savings, Sunsuper and Kinetic Super successfully merged in May - to plan and on time in just over 12 months.

The merger has significantly strengthened our national footprint. It will also deliver a combined \$30 million per annum savings across the two funds and continuing scale benefits to the combined membership.

Welcoming AustSafe Super

Continuing this momentum, the Boards of Sunsuper and AustSafe Super announced on 5 July 2018 the signing of a Successor Fund Transfer Deed authorising the merger of the two funds with a target date of early 2019.

The funds' shared values and unwavering commitment to acting in members' best interests provide a firm basis for another successful merger, and an opportunity to build on AustSafe Super's track record for delivering valued superannuation products and services to rural and regional Australia through greater economies of scale.

We were the first fund to be awarded five major fund of the year awards in one year.

Achieving industry-first recognition

We were recognised this year as the best of the best when it comes to superannuation, winning Chant West's, SuperRatings', Super Review's, and Conexus Financial's 2018 Super Fund of the Year awards, and *Money* magazine's 2018 Best Superannuation Fund Manager. With our members' best interests at the core of everything we do, being awarded all five of these major awards in one year, and both Chant West's and Super Review's for the second year in a row, is an industry first of which we are extremely honoured.

Progressing towards our vision

We were also, for the second year in a row, Australia's fastest-growing, top-10 super fund. Boasting growth in net assets of 24 per cent, our membership surpassed 1.3 million and our net assets reached \$56 billion at 30 June 2018. We are now the ninth largest superannuation fund in the country by assets and fifth largest by membership.

Ensuring governance for the future

At a time of significant and somewhat uncertain regulatory change, all super funds must be positioned to meet the expectations of our members.



Against the backdrop of the Financial Services Royal Commission there is a clear responsibility of boards across the sector to act in the best interests of our members. This remains our singular focus at Sunsuper as we assess proposals for reform.

I want to acknowledge my predecessor as Chair, Ben Swan, and also welcome a new director, Georgina Williams, who replaced Theresa Moltoni. Georgina was selected following an external executive search initiated by the Chamber of Commerce and Industry Queensland (CCIQ). Georgina's extensive experience across multiple fields of expertise will complement the diverse experience and skills at the Sunsuper Board table.

Thanking the Sunsuper team

Personally and on behalf of the Sunsuper Board, I would like to thank Chief Executive Officer Scott Hartley, his executive team, and everyone at Sunsuper for their hard work, commitment to our members, and outstanding performance this year. The results we have achieved and the progress we have made towards our vision in 2017-18 have continued to cement Sunsuper as one of the nation's fastest-growing and most recognised superannuation funds. And we remain passionately committed to our core purpose - to inspire and empower Australians to fulfil their retirement dreams.

Andrew Fraser, Chair

Message from the CEO



2017-18 has been a year of industry firsts and other significant achievements for Sunsuper.

Another extraordinary year in 2017-18 has capped off an unprecedented four years of growth and achievement for Sunsuper. Sunsuper has been the fastest-growing, top-10 Australian super fund for the second year in a row moving from the twelfth to the ninth largest fund by assets, and from the seventh to the fifth largest fund by member accounts. As a profit-for-members fund, this growth ultimately benefits our members.

Welcoming Kinetic members

A major contributor to our growth in 2017-18 was our successful merger with Melbourne-based Kinetic Super, which added more than 250,000 new members and over \$4 billion to Sunsuper. The merger significantly boosts our scale, capacity and capability, including an expanded Melbourne office where more than 40 ex-Kinetic employees and a 30-seat customer call centre joined the Sunsuper team.

The call centre provides valuable additional scale and failover to our contact centre in Brisbane.

Our market-leading growth crucially improves Sunsuper's operating efficiency, which in turn benefits our members through better services, low fees and stronger returns. An example from the past year is the enhancement for our retired members who benefited from a reduction in administration fees for our *Income account* from \$4 to \$3 per week.

We reduced the weekly administration fee for our Income account by \$1 per week.

Continuing our growth momentum

We anticipate strong growth will continue over the coming year with all member acquisition channels performing well, a renewed focus on retaining our existing members, and the recently announced planned merger with AustSafe Super in early 2019. In particular, the planned merger will expand Sunsuper's presence and capability in rural and regional Australia.

Focusing on customer experience and value

Our digital transformation has enabled substantial improvements to the customer experience for members, employers and financial advisers, including the launch this year of Beam, an integrated super-in-payroll solution that is set to revolutionise the efficiency of

super administration and reporting processes for Australian businesses.

We also adopted the Insurance in Superannuation Voluntary Code of Practice on 1 July 2018 and, in an industry first, were compliant for our one million *Sunsuper for life members* from the code's commencement, three years ahead of the transition timeframe.

The scale benefits of our growth and the customer experience enhancements through our digital transformation are protected by our efforts to continually improve our operational controls, technology security, and risk management.

Delivering strong investment returns

Our investment approach of broad diversification (including unlisted assets) and an efficient mix of active and passive investment managers has underpinned the industry-leading investment returns of our flagship Balanced option, which achieved top-quartile returns over 1, 3, 5 and 7 years.¹

Importantly, our diversified Balanced, Growth, Retirement and Conservative options all outperformed the industry average over 1, 3, 5 and 7 years¹, and exceeded their return objectives over the stated minimum suggested timeframe.

I'd like to recognise and thank the Sunsuper investment team for their exceptional performance in 2017-18.

1. For Super-savings accounts. Source: SuperRatings Fund Crediting Rate Surveys - SR50 Balanced (60-76) Index; SR50 Capital Stable (20-40) Index; SR25 Conservative Balanced (41-59) Index; SR50 Growth (77-90) Index; to 30 June 2018. Past performance is not a reliable indication of future performance.

Embedding a high-performing culture

I have heard Sunsuper's people cite "our profit-for-members focus", "the team I work with", "the growth we've achieved for our members", and "the feel and power of our brand" as some of the things they most value about working at Sunsuper. These comments speak to the fact that it is our people who make the difference at Sunsuper.

Our continued investment in developing our leadership capability and supporting our people's wellbeing furthered us on our journey towards a high-performance culture. And our results signal that our emphasis on a culture that is inclusive, collaborative and sustainably high performing is paying off.

A culture that is inclusive, collaborative and sustainably high performing is paying off.

Thanking the Sunsuper team

I would like to thank the entire Sunsuper team, including my executives, and the board for their support and hard work this year. Amidst the current intense scrutiny of our industry, maintaining our focus on our members' best interests and continuing to execute our growth strategy are a credit to everyone at Sunsuper. With our customers at the core of everything we do, I am looking forward to continuing to progress our growth agenda, embed our high-performance culture, and remain focused on delivering industry-leading performance and benefits to our members.



Scott Hartley,
Chief Executive Officer

In 2017-18...



Fastest-growing, top-10 Australian super fund for the second year in a row.



Member numbers increased by 248,000 to reach 1.3 million.



Net assets increased by 24.2% to reach \$56.4 billion.



Balanced investment option returned 10.7% for 2017-18.¹



Top 10 returns for Balanced investment option for 2017-18.^{1,2}



Top-quartile returns for Balanced investment option over 1, 3, 5 and 7 years.^{1,2}

Super fund of the year

The only fund to be awarded all five awards in a single year.³



1. For *Super-savings accounts*. The Balanced Pool in Sunsuper's default investment option, the Lifecycle Investment Strategy, has identical investments to the Balanced investment option. Past performance is not a reliable indication of future performance.

2. Source: SuperRatings Fund Crediting Rate Survey - SR50 Balanced (60-76) Index, to 30 June 2018.

3. For ratings and awards information, visit sunsuper.com.au/ratings-agencies

About Sunsuper

Our purpose is to inspire and empower Australians to fulfil their retirement dreams.

Our purpose is a powerful statement that provides focus for how we approach and embrace the opportunity we have every day to help our members reach their retirement goals.

From humble beginnings

In 1987, Sunsuper started as a Queensland-based fund with a genuine desire to give members the most financially comfortable retirement possible. While we have expanded our footprint across Australia and exponentially increased in size over the past 31 years, our profit-for-members philosophy remains.

Today, our more than 1.3 million members and their \$56 billion in retirement savings are at the heart of everything we do, and we return our profits to our members via industry-leading services and low fees.

Our members are at the heart of everything we do.

Progressing to our vision

For the second year in a row in 2017-18, we were Australia's fastest-growing, top-10 fund. Our 24 per cent growth in net assets saw us finish the year as ninth largest fund. We are also well on the way to achieving our vision to deliver market-leading results, and be loved by

our customers, respected in the industry, and celebrated as a great place to work.

Our people make the difference

Ask anyone who works at Sunsuper what makes us who we are and the place that it is, and the answer will be the same – the people.

While we know both are vital, our view at Sunsuper is that a high-performance culture will outperform a really smart strategy. Our team of more than 800 people share a passion for achieving outcomes for members, and look to the future with a growth mindset. It's also not just what we do but how we do it at Sunsuper that matters. Our values define the way we work, guiding our behaviour, decisions and interactions with our customers and each other.



Leadership team

Sunsuper's executive leadership team manages the Fund's day-to-day operations and implements the policies and strategies set by the Board.



Scott Hartley
Chief Executive Officer

The Sunsuper Board appointed Scott as Chief Executive Officer in January 2014. Scott has had an extensive career in the superannuation industry with more than 15 years' experience in executive leadership roles spanning strategy and marketing, institutional investments and financial planning.

Scott's extensive industry experience and wealth of business knowledge make him eminently suitable for the role of CEO and will ensure Sunsuper is well positioned to realise its strategic ambitions and continue to grow its member and corporate client base nationally.



Lachlan East
Chief Risk Officer

Lachlan is accountable for the Fund's risk, legal and compliance functions, as well as security, business continuity, corporate facilities and the company secretariat. Lachlan has close to 20 years' experience across accounting and financial services, including more than 12 years working in international banking organisations predominantly in investment-markets compliance roles based in Australia, Hong Kong and Japan.



Terri Hamilton
Executive General Manager
Customer Engagement

Terri is responsible for ensuring Sunsuper's customers enjoy an exceptional experience. This accountability includes Sunsuper's contact centre, insurance underwriting and claim teams, benefit payment teams and the support teams that keep Customer Engagement performing optimally. Prior to her current role, Terri was the executive for Sunsuper's risk, legal and compliance team. Terri has more than 30 years' experience in the financial services industry.



Katherine Kaspar

Chief Executive Officer, Kinetic Super

Appointed as Kinetic Super's Chief Executive Officer in 2016, Katherine has played an instrumental role in the successful merger between Kinetic Super and Sunsuper. Katherine now works to maximise the unique opportunities provided by the merger to leverage the combined funds' strengths and capabilities for the benefit of all members.



Michael Mulholland

Executive General Manager
Advice, Marketing & Growth

Michael leads the organisation's brand and customer marketing and communication functions, as well as sales and distribution strategies aimed at attracting new employer clients and growing a network of aligned financial advice practices. Michael has more than 25 years' experience in the financial services industry with much of his career spent in management and leadership roles.



Ian Patrick

Chief Investment Officer

Ian is responsible for developing and executing Sunsuper's investment strategy, dynamic asset allocation, and the pursuit of innovative investment opportunities - all while maintaining a strong emphasis on governance and maximising members' returns. Ian is an actuary and has more than 20 years' experience in the institutional investment industry.



Jason Sommer

Executive General Manager
People, Projects & Performance

Jason is accountable for embedding the organisation's high-performance culture; change and transformation programs; financial management functions; institutional and large corporate transitions capability; and investment operations and technical service functions. Jason is an actuary and has more 20 years' experience in the financial services industry with much of his career spent in senior consulting, relationship management, product, project and technical services roles.



Teifi Whatley

Executive General Manager
Customer & Technology

Teifi is responsible for providing the strategic direction for the design and delivery of market-leading product and service experiences for Sunsuper's customers through the organisation's digital and technological capabilities. Prior to this role, Teifi was the executive for the company's marketing, customer experience, and insights and analytics teams - a role she held for 15 years.

Creating customer value

Sunsuper is proud to look after \$56 billion in retirement savings for more than 1.3 million members, support more than 130,000 participating employer clients from a diverse range of industries across the country, and have 2,300 financial advisers registered with us.



Inspiring and empowering members

As a profit-for-members fund, our members are at the heart of everything we do.

Sunsuper is open to all Australians working in all industries and occupations. Our purpose is to help our members have adequate savings to fulfil their retirement dreams, whether they have just started their working career or are already enjoying their retirement.

Welcome to Kinetic Super members

In May 2018, we successfully completed our merger with Kinetic Super, adding more than 250,000 members and over \$4 billion of their retirement savings. Through boosting our scale, capacity and capability, the merger will improve our operating efficiency and ultimately benefit all members through better services, low fees and stronger returns.

Everyday discounts

Dream Rewards is an exclusive everyday discount program for Sunsuper members. We partner with retailers across Australia to give our members access to deals and discounts on whitegoods, computers, holidays, clothing, concert tickets, restaurants, adventure experiences and more. By saving on everyday items, members have the opportunity to add more to their super to achieve their retirement dreams.

Our members saved around \$1 million through the Dream Rewards program.



This year we offered members access to more than 1,200 exclusive offers and discounts. Our members purchased over \$3 million of goods and services through the program and saved around \$1 million.

The Sunsuper app

The Sunsuper app is free to download from the App Store and Google Play and allows members to manage their super anytime, anywhere with secure fingertip access on their smartphone.

Once registered, members can monitor their balance, receive notifications of contributions and payments, make an investment choice, nominate their preferred beneficiaries, update their details and more. In 2017-18, more than 92,000 members downloaded the app, well above the industry average of 4 per cent.

Online inspiration and tools

The Dream Project, our dedicated education hub on the Sunsuper

website, is filled with articles, videos, interactive tools and other inspiration to help members plan their future, manage their super and enjoy their retirement.

This year, we launched the New School of Super, a podcast series featuring Sunsuper experts discussing financial markets, money matters, super, and other issues and events that could affect members' financial dreams now and in the future.

In 2017-18, close to 30,000 people visited the Dream Project each month, and almost 10,000 have subscribed to be notified of new content on the site. Once on the education hub, close to 30 per cent of visitors continued on to engage with other content on the Sunsuper website.

Complimentary education seminars

We know members who understand and engage with their super are more likely to take

action to grow their balance and set themselves up for their best retirement.

We also know that as members approach retirement, they appreciate and value the opportunity to hear retirement strategies explained by our experts face-to-face with the additional chance to ask questions and explore strategies and issues in more detail.

This is why we facilitate an annual program of member education seminars at employer workplaces and in larger forums delivered by our qualified financial advisers and education specialists.

This year, we met and spoke with close to 5,500 members at almost 300 events.

Service excellence on every call

Our customer contact centre has been consistently recognised for providing industry-leading customer service. In June 2018, we were

named as a finalist in the Customer Service Institute of Australia's 2018 Australian Service Excellence Awards, in both the Customer Service Organisation of the Year - Large and Service Excellence in a Large Contact Centre categories.

Accessible financial advice

Whether members have a question about their Sunsuper account or need help with more complex financial planning strategies, we have the experience and knowledge to help.

Sunsuper's qualified financial advisers can provide simple advice about a member's super with Sunsuper over the phone at no additional cost.

We can also help members to dream, plan and achieve their best retirement through our *SunTracker* financial advice program, delivered by our qualified financial advisers over the phone at regular intervals as a member approaches, enters and lives their retirement.

We can help members dream, plan and achieve their best retirement through our SunTracker financial advice program.

If members need more complex or in-depth advice, we can refer them to one of our 37 partner external adviser practices located across the country. We have carefully selected and appointed these practices to our National Advice Panel based on our trust in their expertise, experience, approach and ability to provide our members with valuable financial advice.

Sunsuper employees provide advice as representatives of Sunsuper Financial Services Pty Ltd (ABN 50 087 154 818 ASFL No. 227867) (SFS) wholly owned by the Sunsuper Superannuation Fund. Sunsuper has established a panel of accredited external financial advisers who are not employees of Sunsuper. Sunsuper is not responsible for the advice provided by those advisers and does not receive or pay any referral fees. These advisers will explain to you how their advice fees are determined.



Improved *Income accounts*

This year, we were awarded *Money* magazine's Best Pension Fund Manager 2018 and Best Featured Pension Fund 2018, and SuperRatings' Pension Fund of the Year 2018 for our leading pension account offering.



On 30 September 2017, we reduced the weekly administration fee for our *Income accounts* by \$1 per week to \$3 per week, plus 0.10 per cent p.a. applicable to the first \$800k of account balance only.

*We reduced the weekly administration fee for our *Income accounts* by \$1 per week.*

As a profit-for-members super fund aiming to help our members fulfil their retirement dreams, we were also pleased to be in a position to double the maximum Retirement Bonus members may be eligible to receive when they activate their *Income account* from \$2,400 to \$4,800.

Subject to eligibility criteria, including a 12-month minimum membership period. The Retirement Bonus is generally paid into eligible *Retirement Income accounts* in the July following the financial year in which the *Retirement Income account* was established. Please note other conditions apply.

High standards for insurance cover

Our members can access flexible Death, Total & Permanent Disability and Income Protection insurance cover. We also offer larger employer clients tailored insurance arrangements for their employees for Death, Total & Permanent Disability and Income Protection.

Members in *Sunsuper for life* can access our unique total and permanent disability product, Total & Permanent Disability Assist, which is all about helping members return to wellness, meaning they can get back to work faster. It features early intervention, occupational rehabilitation, and retraining support and guidance. Waiting periods are removed for the majority of members to encourage early notification and support. In the event of a claim, Total & Permanent Disability Assist is normally paid as up to six annual support payments rather than a lump sum. A single lump sum may be paid in some circumstances.

On 31 March 2018, we signed up to the Insurance in Superannuation Voluntary Code of Practice, and fully adopted and complied with the code upon its commencement on 1 July 2018 for our *Sunsuper for life* product, where the vast majority of our members have their super account. This is three years ahead of the allowable transition timeframe. The code requires a range of measures to ensure the insurance cover we offer to members on an automatic basis is appropriate and affordable, and does not inappropriately erode their retirement outcomes. These measures include

that our insurance communications are clear and concise, and that if a member needs to lodge an insurance claim, that they receive timely and regular updates.

Some of the initiatives we have already implemented as part of complying with the code include sending an Insurance Statement to new members outlining their insurance-cover details, an Annual Insurance Summary to members after their birthday, and notifications to members if their insurance cover has ceased or may cease. We have also made it easier for members to update their insurance cover online.

From 1 July 2018, we introduced tiered insurance cover for new members, providing "starter" cover for members whose opening balance is below \$6,000. When a member's balance reaches \$6,000, they move to "booster" cover. This change provides some insurance cover to members while they are building their balance while at the same time ensuring insurance premiums are not inappropriately eroding their retirement outcomes.

Note: to be eligible to make a Total & Permanent Disability claim members must notify Sunsuper of their claim within five years from the date of their disability if they have Total & Permanent Disability Assist or Tailored Total & Permanent Disability cover within *Sunsuper for life*. This does not apply to *Sunsuper for life* for former Kinetic Super members, *Sunsuper for life* Business or *Sunsuper for life* Corporate.

Helping Australians in need



Sunsuper's Dreams for a Better World grants program is our way to give back and help make a difference in the communities in which we operate all around Australia.

Through the program, we support grassroots causes and their dreams to improve the lives of other Australians, and offer members, clients and employees a chance to do something meaningful in their community.

Since 2011, we've awarded more than 100 grants to causes that support disadvantaged young people and women, people with disabilities, the homeless, animals and the environment, and created employment and education opportunities for Australians in need.

This year, we've continued to support Australian communities by awarding grants to Homestead for Youth, which supports young people with mental health issues in Western Australia; Friends with Dignity, which

provides homes for families escaping domestic violence in Queensland; and The Plate Up Project in Melbourne, which provide hospitality training and employment opportunities for women in need.

The grants also helped Greenbatch Foundation engage 100,000 students to collect plastic drinking bottles, which the foundation reprocessed into 3D printer filament.

Around 1,000 community groups apply for their chance to receive a grant each year, so we rely on our judging panel to help decide which causes should receive grants. Each quarter, we invite a not-for-profit sector expert, employees and corporate clients to be a part of the judging.

In 2018, we also expanded the program to offer grants to small-to-medium businesses that can help boost their local economy, protect the environment, or tackle a social issue directly impacting their community such as youth unemployment.

dreamsforabetterworld.com.au



Greenbatch Foundation

2018 grant recipient

Supporting employer clients



We are committed to offering a range of services to more than 130,000 participating Sunsuper employer clients to help them meet their super obligations and strengthen their employee value proposition (EVP).

Growing your business by growing your people

With more than half (54%) of Australian workers saying they feel stressed every week,¹ Sunsuper is committed to supporting the wellbeing of our own staff and offering benefits and services to our participating employers to support their employees' wellbeing. These services include those we are able to offer through our strategic partnerships with insurer AIA and SuperFriend, a national mental health promotion foundation focused on making it simple for employers to create mentally healthy workplaces.

1. Sunsuper Australian *Employee insights report*, 2018.

Recognition for our corporate solutions

Large corporate employers from a broad range of industries across Australia choose Sunsuper to help meet their superannuation payment obligations and support their employees' financial wellbeing. For the third consecutive year, we were awarded Chant West's Corporate Solutions Fund of the Year in 2018 for our tailored corporate superannuation plan offerings. Further, we also won Super Review's Best Corporate Solution award in both 2017 and 2018. These awards are a testament to the strength of our relationship-manager service model in this large, important and competitive award category and segment of the market.



Defined benefit capability

We have proven operational, administration and people capabilities to deliver on the requirements of complex defined benefit funds with a value proposition and business model that we believe is fit for purpose for success.

Our defined-benefit capability hinges on the ability of our systems to manage the required benefits administration of such arrangements combined with the skill and experience of our people in looking after such funds.

In particular, our owned administration platform includes embedded defined-benefit capability recognised as suitable for the administration of both accumulation and defined-benefit plan arrangements.

Further, our administration business has an abundance of people with defined-benefit experience. In fact, within our team, we have some of the most experienced people in the Australian market when it comes to defined benefit-plan administration, bringing with them a breadth of

experience gained from multiple industries, multiple providers and a diverse cross section of customers.

Sunsuper's clearing house

Launched in 2017, the Sunsuper clearing house can take the hassle out of making payments to multiple super funds for different employees. Sunsuper is the only fund in Australia to own and administer our clearing house (via our wholly-owned subsidiary Precision Administration Services ABN 47 098 977 667, AFSL No. 246 604). Owning our clearing house means we can control the end-to-end payment process, and provide a range of payment options, a dedicated support team and improved efficiency.

This year, 16,500 employers used the clearing house..

Australian Employee insights report

The 2018 Sunsuper Australian *Employee insights report* again offers our employer clients up-to-date and relevant insights into what Australian employees think, want and value from their employer. The report is based on research conducted by YouGov Galaxy on behalf of Sunsuper of 1,000 Australian workers. The 2018 report, our fourth annual report, looks at how new technology is undeniably changing the nature of work and how this is impacting employees' productivity and wellbeing.

Employer Online

Our *Employer Online* secure employer-payment facility takes the administrative hassle out of making employees' super payments by making the task of paying super faster and easier. This year, more than 40,000 employer clients used *Employer Online*. Further, 74 per cent of our clients rated their experience in dealing with our dedicated employer support team as "excellent" or "above and beyond".

Beam - a new way to pay

beam.

SUPER + PAYROLL IN A NEW LIGHT

Powered by **sunsuper**

Say hello to Beam.
Say hello to everything you need to manage super in payroll.

This year, Precision Administration Services (ABN 47 098 977 667, AFSL No. 246 604), a wholly-owned subsidiary of Sunsuper, launched a new product on the payroll software market - Beam.

Beam is the new way to manage super in payroll. With Beam, employers can manage superannuation through their existing payroll software, and benefit from:

- no more data extracts, external portals or paperwork,
- employee information all in the one place,
- fast payment processes and multiple payment options, and
- end-to-end visibility of super contributions.

Why did Precision launch Beam?

Beam represents a significant step forward in simplifying superannuation for employers, making the superannuation payment process a simple "push of a button" within their payroll software.

How is Beam different to the Sunsuper clearing house?

At its heart, Beam leverages clearing-house technology but with more features and greater transaction transparency, without employers having to leave their payroll software. In fact, Beam is setting the new standard for clearing-house technology. Sunsuper's employer clients can continue to use our clearing house in the same way or switch to Beam if it meets their needs and is offered through their payroll software.

What is the future for Beam?

Superannuation in payroll is a game changer for our industry. As more payroll providers integrate with Beam, more employers will benefit from Beam's features in making their employees' super payments easier and more transparent. They will also have the opportunity to select Sunsuper as their default super fund.



beamconnect.com.au



Collaborating with financial advisers

We know that great financial advice can change people's lives. In our experience, our members who seek advice are well positioned to achieve their retirement dreams.

We recognise our members may decide to work with an adviser of their choice, which is why we are committed to collaborating with qualified financial advisers across the country.

Sunsuper options retain Lonsec's Recommended rating

In February, Lonsec reissued its "Recommended" rating for Sunsuper's Growth, Balanced, Balanced - Index, Retirement and Conservative diversified investment options, as well as our Capital Guaranteed investment option. In providing their rating, Lonsec noted their high regard for Sunsuper's senior investment team members, our commitment to growing our investment capability, and our strong investment governance framework.

Lonsec

Morningstar Analyst Rating™ for Sunsuper options

For the first time, Morningstar has completed a Morningstar Analyst Rating™ of Sunsuper's diversified Growth, Balanced, Retirement and Conservative investment options. The investment options all received a "Silver" Morningstar Analyst Rating™ as of 9 July 2018.



Dedicated support

Our team of business development managers is dedicated to making financial advisers' experience working with Sunsuper easy and rewarding. More than 2,300 financial advisers across Australia have registered with us and help advise our members to achieve their retirement dreams. *Adviser Online* is our online adviser portal, enabling advisers who register with Sunsuper to quickly and easily view account information for any members they have a third-party authority for.

Ongoing fee-for-service payments

We have listened to advisers' feedback about what would make the most difference to their businesses and dealings with us. So, this year we introduced the ability for financial advisers registered with us to request dollar-based ongoing fee-for-service payments from clients' accounts for a period of up to 24 months for advice relating to clients' Sunsuper accounts.

Further, as part of the ongoing enhancement to our adviser-service offering, from 30 September 2017, registered financial advisers no longer have to provide an invoice to us when submitting a request to pay an advice fee.

Member-directed, non-lapsing third-party authorities

In another service improvement to help advisers more easily work with us, third-party authorities on Sunsuper members' accounts no longer automatically expire after three years. Any new authority will remain active for as long as

the adviser stays with their AFS Licensee, or when a member or their adviser lets us know.

Reviewing advice fees

In line with our commitment to always acting in our members' best interests, we actively review advice fees charged by financial advisers registered with us to ensure the fees they charge relate solely to advice provided about the member's Sunsuper account.

The Lonsec Rating (assigned as follows: Sunsuper Growth; Sunsuper Balanced; Sunsuper Retirement; Sunsuper Conservative; Sunsuper Balanced Index; Sunsuper Capital Guaranteed - February 2018) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Sunsuper's product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.lonsecresearch.com.au/research-solutions/our-ratings>

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Investments



Arlanda Express

Sunsuper direct investment since 2014.

Update from the Chief Investment Officer



A strong year for members' returns.

Sunsuper's flagship Balanced investment option returned 10.7 per cent for the year to 30 June 2018. This places us in the top ten best-performing similar options for the year across both industry and retail funds. It also marked the sixth consecutive financial year of positive returns. Longer-term returns also remained very solid, with the Balanced investment option outperforming the industry average over 3, 5, 7 and 10 years. Pleasingly, returns for Sunsuper's diversified Conservative, Retirement and Growth options also matched or outperformed the industry average over 1, 3, 5, 7 and 10 years.

For Super-savings accounts. Source: SuperRatings Fund Crediting Rate Surveys - SR50 Balanced (60-76) Index; SR50 Capital Stable (20-40) Index; SR25 Conservative Balanced (41-59) Index; SR50 Growth (77-90) Index; to 30 June 2018. Past performance is not a reliable indication of future performance.

The economic and political outlook

Economic growth in the major economies softened somewhat at the start of 2018, although more recent data suggest that conditions improved in the June quarter. While geopolitical

and trade tensions remain a source of uncertainty for financial markets, neither are expected to be severe enough to have a significant negative impact on the global economy, at least in the near term.

At this stage we believe the combination of accommodative monetary policy, a generally healthy financial system, and easier fiscal policy (particularly in the US) makes a major global downturn unlikely. At home in Australia, we continue to expect a further, gradual acceleration in overall economic growth and inflation, but neither is likely to be soon enough or fast enough to force the Reserve Bank of Australia to raise interest rates any time soon.

Our approach - traditional asset classes

While we remain reasonably comfortable with prospects for the world and Australian economies, finding attractive investment opportunities in traditional asset classes remains challenging. After some years of very strong performance, world share markets could not be described as cheap. In fixed income markets, future returns are likely to be modest, even though yields have risen over the past year.

In developed share markets, our managers consider shares in Europe and Asia more attractive than in the US, where finding value remains more challenging. Our fixed income portfolios continue to favour higher quality corporate bonds over sovereign bonds; although, over the past year, we have increased our exposure to sovereign bonds as yields became more attractive.

Sunsuper had maintained an overweight exposure to emerging share markets for some time. However, the strong performance of those markets during 2017 reduced their relative attractiveness and we eliminated our overweight exposure prior to their June quarter sell-off. Concurrently, we increased foreign currency exposure on the basis of its relative attractiveness versus the Australian dollar and defensive characteristics.

We view the diversification benefits provided by unlisted assets as very attractive.

Our approach - unlisted assets

We view the diversification benefits provided by unlisted assets, as well as carefully selected hedge funds and alternative strategies as very attractive. Despite prospective returns in unlisted and alternative assets coming down, we continue to find opportunities in these asset classes that offer attractive medium to long-term returns, particularly relative to listed markets.

Sunsuper holds substantial weightings to unlisted alternative assets in our diversified investment options. Our ability to make allocations to unlisted assets allows us to build portfolios that exhibit smaller fluctuations in returns, without compromising longer-term return outcomes. They also provide greater diversification across the portfolio, and allow us to access

opportunities not generally available in traditional asset classes.

We allocate to three classes of unlisted assets: property, infrastructure and private capital. Accessing top-tier managers, particularly in private capital, is critical. So we invest with, or alongside, carefully chosen investment managers with acknowledged expertise in their particular asset class, and utilise the advice of specialist consultants where appropriate.

Some of the investments we've made this year include Bristol and Birmingham Airports in the UK; the South Australian Land Titles Office; Acumen, the digital smart metering business formerly owned by Origin Energy; and the Marketown Shopping Centre in Newcastle.

Our approach - using active managers

We believe all our investments have to offer value for money for our members by delivering returns commensurate with the risks involved and the costs of making those investments, including the fees we pay to our external managers. We also believe that the investment markets that we operate in are somewhat inefficient and do present opportunities to add value through active management.

Based on this philosophy, we use active managers with genuine skill where we believe they offer exceptional value for money and passive strategies where they do not. Moreover, we find that there is greater scope to add value through active management in the alternative asset classes than in listed shares or fixed income.

Our approach - environmental social and governance (ESG)

Considering ESG issues is a key part of our duty to members in properly understanding and assessing the likely material risks, opportunities and value of our investments. And we firmly believe that companies that best manage environmental, social and governance factors are more likely to be financially sustainable in the long term.

A practical and balanced approach to ESG management is most effective

We believe a practical and balanced approach to ESG management is most effective. A practical approach recognises that, in most cases, it is difficult to identify any single investment as being unambiguously "good" or "bad" from

an ESG perspective. This practicality leads to being balanced: on the one hand being willing to engage with businesses we may invest in to encourage positive change in relation to ESG factors, and on the other hand being willing to exclude certain investments should a company's ESG approach not align with ours.

We have long worked on ESG issues with the companies we invest in, our external investment managers, asset consultants, and like-minded funds both here in Australia and around the world. Sunsuper is a signatory to the United Nations Principles of Responsible Investment. We are also a member of the Responsible Investment Association Australasia.



**Ian Patrick,
Chief Investment Officer**

Investment case study

Bristol and Birmingham airports (UK)

Sunsuper is a large profit-for-members fund, with a relatively young membership base and strong reliable inflows.

Our scale and reliable inflows allow us to hold substantial allocations to illiquid asset classes, including property, private equity and infrastructure. Sunsuper acquired a portion of OTPP's holding in two major UK airports: Birmingham (the UK's seventh largest airport by passenger numbers) and Bristol (the ninth largest). At the time, Sunsuper did not have any other direct infrastructure assets in the UK market. The majority of Sunsuper's European infrastructure assets were regulated utilities in gas and electricity distribution, with our only European transport asset being the Arlanda Express, the train servicing Arlanda Airport, Stockholm's major international airport.

Our scale and reliable inflows allow us to hold substantial allocations to illiquid asset classes, including property, private equity and infrastructure.

Both airports are well-established, serving a diverse mix of leisure and business passengers, with both airports flying passengers to over 100 short, medium and long-haul destinations. Well-managed airports typically obtain a substantial portion of their revenues from non-aeronautical sources, most notably retail, catering and car parking. Both Bristol and Birmingham airports obtain well over 50 per cent of their revenues from non-aeronautical sources.



Passenger growth has been strong: the UK aviation market is the largest in Europe and has historically shown reasonably stable underlying earnings and resilience to shocks (such as the Global Financial Crisis and the aftermath of the September 11 2001 terrorist attacks) with traffic typically rebounding to pre-shock levels quickly. And there tend to be multiple levers that management can use to help recover from those shocks, including delaying capital spending, encouraging new airline routes and cutting costs. This is particularly important when we consider the risks associated with Brexit: the UK's pending departure from the European Union.

While Brexit could disrupt UK goods and services trade and might trigger a recession that would adversely impact on passenger volumes at all UK airports, every recession comes to an end at some point: such a shock is inevitably a short-term one, particularly when considering investments in infrastructure. Sunsuper does not view its airport investments (or indeed any of its other infrastructure investments) as short-term: we are likely to be holders of these assets for many years. As part of our due diligence process, we spend a good deal of time assessing the likely impacts of adverse shocks on our future returns. In our assessment, these airport investments are likely to deliver very attractive long-term returns to Sunsuper members even if Brexit causes significant disruption.

Investment options and performance

For more information about our investment options, refer to the *Sunsuper for life Investment guide*. For our current *Product Disclosure Statements and guides* and any updates refer to sunsuper.com.au/pds

Investment objectives and strategies

Sunsuper's overall investment objectives are to:

- maximise the real long-term investment returns (after investment tax and investment fees) subject to the expected risk profiles for each investment option,
- implement an investment manager configuration for each investment option which will in the long term outperform the benchmark return and peer groups,
- avoid exposing each investment option to inappropriate risk through diversification of investments and of managers, and
- maintain sufficient liquid assets so as to pay all benefit and expense obligations in full when due.

The investment objectives, risks, returns, fees and asset allocations for each of the investment options are set out in the panels on pages 27 to 35.

Unless otherwise noted, investment option information in this *Annual report* is that applicable on 30 June 2018.

Changes to investment options

Visit sunsuper.com.au/significant-event-notifications for information on the changes made to Sunsuper over the last two years. In particular, the *Product update 2017* and *Product update 2018* outline changes to investment options that occurred during the 2017-18 financial year and on 1 July 2018. Note these have already been communicated to affected members.

Visit sunsuper.com.au/pds for the *Sunsuper for life Investment guide*, which contains up-to-date information on investment options.

Unless otherwise noted, the investment information on pages 27-35 is that which applied on 30 June 2018.

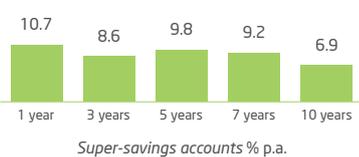
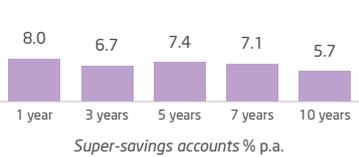
How does Sunsuper use derivatives?

Sunsuper's policy is to allow or instruct our investment managers to use derivatives such as forwards, futures, options and swaps, to achieve their investment objectives. However, the managers must operate within specific investment guidelines. Derivatives are used particularly for the purpose of managing risk and rebalancing investment options to their target asset allocations using a combination of derivatives to reflect the risk characteristics of each asset class.

Investment options	
Diversified	Lifecycle Investment Strategy (<i>Super-savings account</i>)
	Growth
	Balanced
	Balanced - Index
	Socially Conscious Balanced
	Diversified Alternatives
	Retirement
	Conservative
Single Asset Class	Shares
	Australian Shares
	Australian Shares - Index
	International Shares - Index (hedged)
	International Shares - Index (unhedged)
	Emerging Market Shares
	Property
	Australian Property - Index
	Diversified Bonds
	Diversified Bonds - Index
	Cash
	Capital Guaranteed

Investment options

Lifecycle Investment Strategy

Balanced Pool	Retirement Pool	Cash Pool																																																																
<p>Objectives</p> <p>Beat inflation by 3.5% p.a. over 10-year periods (after investment fees and costs and investment taxes).</p>	<p>Objectives</p> <p>Beat inflation by 2.75% p.a. over 10-year periods (after investment fees and costs and investment taxes).</p>	<p>Objectives</p> <p>Match or exceed the Bloomberg AusBond Bank Bill Index (before investment tax but after investment fees and costs).</p>																																																																
Minimum suggested timeframe: 5 years.																																																																		
<p>Risk¹</p> <p>Risk label: Medium to high.</p> <p>Risk band: 5.</p>	<p>Risk¹</p> <p>Risk label: Medium.</p> <p>Risk band: 4.</p>	<p>Risk¹</p> <p>Risk label: Very low.</p> <p>Risk band: 1.</p>																																																																
<table border="1"> <thead> <tr> <th>Actual % asset allocation at 30 June</th> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr><td>Australian shares</td><td>22.7</td><td>22.5</td></tr> <tr><td>International shares</td><td>28.5</td><td>27.5</td></tr> <tr><td>Private capital</td><td>7.0</td><td>7.0</td></tr> <tr><td>Property</td><td>11.0</td><td>11.0</td></tr> <tr><td>Diversified strategies</td><td>4.0</td><td>5.0</td></tr> <tr><td>Infrastructure</td><td>7.0</td><td>7.0</td></tr> <tr><td>Fixed interest</td><td>10.1</td><td>8.5</td></tr> <tr><td>Hedge funds</td><td>5.5</td><td>5.5</td></tr> <tr><td>Cash</td><td>4.2</td><td>6.0</td></tr> </tbody> </table>	Actual % asset allocation at 30 June	2018	2017	Australian shares	22.7	22.5	International shares	28.5	27.5	Private capital	7.0	7.0	Property	11.0	11.0	Diversified strategies	4.0	5.0	Infrastructure	7.0	7.0	Fixed interest	10.1	8.5	Hedge funds	5.5	5.5	Cash	4.2	6.0	<table border="1"> <thead> <tr> <th>Actual % asset allocation at 30 June</th> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr><td>Australian shares</td><td>18.0</td><td>17.7</td></tr> <tr><td>International shares</td><td>16.9</td><td>15.7</td></tr> <tr><td>Private capital</td><td>5.0</td><td>5.0</td></tr> <tr><td>Property</td><td>10.0</td><td>10.0</td></tr> <tr><td>Diversified strategies</td><td>4.0</td><td>5.0</td></tr> <tr><td>Infrastructure</td><td>6.0</td><td>6.0</td></tr> <tr><td>Fixed interest</td><td>23.0</td><td>22.6</td></tr> <tr><td>Hedge funds</td><td>6.5</td><td>6.5</td></tr> <tr><td>Cash</td><td>10.6</td><td>11.5</td></tr> </tbody> </table>	Actual % asset allocation at 30 June	2018	2017	Australian shares	18.0	17.7	International shares	16.9	15.7	Private capital	5.0	5.0	Property	10.0	10.0	Diversified strategies	4.0	5.0	Infrastructure	6.0	6.0	Fixed interest	23.0	22.6	Hedge funds	6.5	6.5	Cash	10.6	11.5	<table border="1"> <thead> <tr> <th>Actual % asset allocation at 30 June 2018 & 2017</th> <th></th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>100</td> </tr> </tbody> </table>	Actual % asset allocation at 30 June 2018 & 2017		Cash	100
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<p>Fees⁴ Actual investment fees and costs for 2017-18 Inv. Base fee: 0.22% p.a. Inv. Performance-related fee: 0.02% p.a. Indirect cost ratio: 0.61% p.a. <u>Total</u>: 0.85% p.a..</p>																																																																		

¹ Refer to the *Sunsuper for life Investment guide* and sunsuper.com.au/standardriskmeasure for more information.

² The Balanced, Retirement and Cash Pools commenced on 4 October 2013. The three Pools have identical investments to the respective investment options being the Balanced, Retirement and Cash options. To show our performance for each Pool we have shown the returns of the respective investment options (adjusted to reflect fee differences where applicable) up to 4 October 2013 with returns of each Pool from 4 October 2013.

³ **Past performance is not a reliable indication of future performance.** Returns are after investment fees and costs and investment taxes but before all other fees and costs.

⁴ It is important to read the information on page 36. For more information on investment fees refer to the *Sunsuper for life guide*.

Investment options

Diversified - Multi-asset

Growth

Objectives

Beat inflation over 10 years: *Super-savings account* and *Transition to retirement income account* by 4% p.a. and *Retirement income account* by 4.5% p.a. (after Investment fees and costs and where applicable investment taxes).¹

Minimum suggested timeframe

7 years

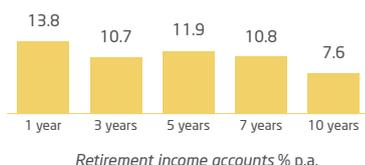
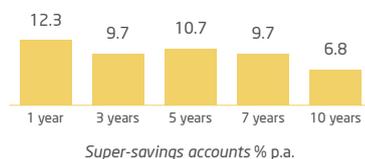
Risk²

Risk label: High.

Risk band: 6.

Actual % asset allocation at 30 June	2018	2017
Australian shares	30.0	28.7
International shares	34.8	35.7
Private capital	11.0	10.0
Property	7.9	8.0
Diversified strategies	3.9	5.0
Infrastructure	6.9	7.0
Fixed interest	0.0	0.1
Hedge funds	5.5	5.5
Cash	0.0	0.0

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.22% p.a.
Inv. Performance-related fee: 0.03% p.a.
Indirect cost ratio: 0.66% p.a.
Total: 0.91% p.a.

Balanced

Objectives

Beat inflation over 10 years: *Super-savings account* and *Transition to retirement income account* by 3.5% p.a. and *Retirement income account* by 4% p.a. (after Investment fees and costs and where applicable investment taxes).¹

Minimum suggested timeframe

5 years

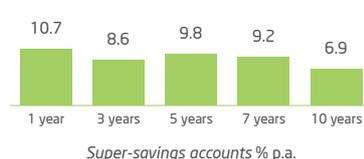
Risk²

Risk label: Medium to high.

Risk band: 5.

Actual % asset allocation at 30 June	2018	2017
Australian shares	22.7	22.5
International shares	28.5	27.5
Private capital	7.0	7.0
Property	11.0	11.0
Diversified strategies	4.0	5.0
Infrastructure	7.0	7.0
Fixed interest	10.1	8.5
Hedge funds	5.5	5.5
Cash	4.2	6.0

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.22% p.a.
Inv. Performance-related fee: 0.02% p.a.
Indirect cost ratio: 0.62% p.a.
Total: 0.86% p.a.

Balanced - Index

Objectives

Closely match the return of the performance benchmark, before investment tax¹ and investment fees and costs.

Performance benchmark:

The strategic weighted return of the market indices for each asset class.

Minimum suggested timeframe

5 years

Risk²

Risk label: High.

Risk band: 6.

Actual % asset allocation at 30 June	2018	2017
Australian shares	27.9	34.9
International shares	42.2	24.6
Property	0.0	9.6
Fixed interest	29.9	24.3
Cash	0.0	6.6

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.06% p.a.
Inv. Performance-related fee: 0.00% p.a.
Indirect cost ratio: 0.14% p.a.
Total: 0.20% p.a.

Investment options

Diversified - Multi-asset (cont.)

Socially Conscious Balanced

Objectives

To provide a return, after investment fees and costs and before investment tax (where applicable),¹ higher than the return from the performance benchmark on a rolling 5-year basis.

Performance benchmark: The average weighted return of the market indices used to measure the performance of the underlying funds in which the option invests.

Minimum suggested timeframe

5 years

Risk²

Risk label: Medium to high.

Risk band: 5.

Actual % asset allocation at 30 June	2018	2017
Australian shares	25.3	27.3
International shares	34.5	29.9
Property	8.9	9.2
Infrastructure	2.6	3.0
Fixed interest	20.9	17.1
Cash	6.4	12.0
Alternatives*	1.4	1.5

*May include forestry and private equity

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.06% p.a.
 Inv. Performance-related fee: 0.00% p.a.
 Indirect cost ratio: 1.04% p.a.
Total: 1.10% p.a.

Diversified Alternatives

Objectives

Beat inflation over 10 years: *Super-savings account* and *Transition to retirement income account* by 4.5% p.a. and *Retirement income account* by 5% p.a. (after investment fees and costs and where applicable investment taxes).¹

Minimum suggested timeframe

7 years

Risk²

Risk label: Medium.

Risk band: 4.

Actual % asset allocation at 30 June	2018	2017
Private capital	36.1	n/a
Infrastructure	33.0	n/a
Hedge funds	25.7	n/a
Cash	5.2	n/a

Investment returns since inception, 30 September 2017 to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.22% p.a.
 Inv. Performance-related fee: 0.03% p.a.
 Indirect cost ratio: 1.67% p.a.
Total: 1.92% p.a.

Retirement

Objectives

Beat inflation over 10 years: *Super-savings account* and *Transition to retirement income account* by 2.75% p.a. and *Retirement income account* by 3.25% p.a. (after investment fees and costs and where applicable investment taxes).¹

Minimum suggested timeframe

5 years

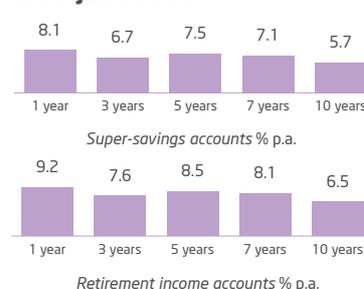
Risk²

Risk label: Medium.

Risk band: 4.

Actual % asset allocation at 30 June	2018	2017
Australian shares	18.0	17.7
International shares	16.9	15.7
Private capital	5.0	5.0
Property	10.0	10.0
Diversified strategies	4.0	5.0
Infrastructure	6.0	6.0
Fixed interest	23.0	22.6
Hedge funds	6.5	6.5
Cash	10.6	11.5

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.22% p.a.
 Inv. Performance-related fee: 0.02% p.a.
 Indirect cost ratio: 0.55% p.a.
Total: 0.79% p.a.

Investment options

Diversified - Multi-asset (cont.)

Conservative

Objectives

Returns (after investment fees and costs and where applicable investment taxes)¹ of 1% p.a. above the Bloomberg AusBond Bank Bill Index after investment tax (where applicable) over a 3-year period.

Minimum suggested timeframe

3 years

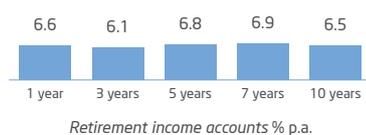
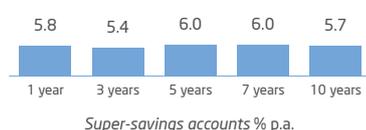
Risk²

Risk label: Low to medium.

Risk band: 3.

Actual % asset allocation at 30 June	2018	2017
Australian shares	9.3	8.7
International shares	10.0	9.6
Private capital	2.0	1.0
Property	9.0	9.0
Diversified strategies	4.0	5.0
Infrastructure	5.0	5.0
Fixed interest	32.0	33.5
Hedge funds	6.5	6.5
Cash	22.2	21.7

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.22% p.a.

Inv. Performance-related fee: 0.01% p.a.

Indirect cost ratio: 0.43% p.a.

Total: 0.66% p.a

Investment options

Single asset class

Shares

Objectives

Beat the performance benchmark by 0.25% p.a. before investment taxes¹ but after Investment fees and costs over rolling 5-year periods.

Performance benchmark:

50% S&P/ASX 300 Accumulation Index and 25% MSCI ACWI ex Australia IMI Index in \$A and 25% MSCI ACWI ex Australia IMI index hedged to \$A.

Minimum suggested timeframe

7 years

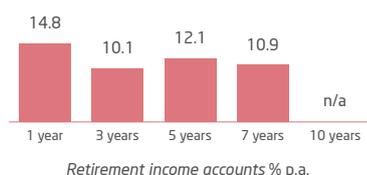
Risk²

Risk label: High.

Risk band: 6.

Actual % asset allocation at 30 June	2018	2017
Australian shares	50.2	44.9
International shares	49.8	55.1

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.20% p.a.
 Inv. Performance-related fee: 0.03% p.a.
 Indirect cost ratio: 0.09% p.a.
Total: 0.32% p.a

Australian Shares

Objectives

Beat the performance benchmark by 0.25% p.a. before investment tax¹ but after investment fees and costs over rolling 5-year periods.

Performance benchmark:

S&P/ASX 300 Accumulation Index.

Minimum suggested timeframe

7 years

Risk²

Risk label: Very high.

Risk band: 7.

Actual % asset allocation at 30 June 2018 & 2017	2018	2017
Australian shares	100	100

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.23% p.a.
 Inv. Performance-related fee: 0.07% p.a.
 Indirect cost ratio: 0.20% p.a.
Total: 0.50% p.a

Australian Shares - Index

Objectives

Closely match the return of the performance benchmark, before investment tax¹ and investment fees and costs.

Performance benchmark:

S&P/ASX 300 Accumulation Index.

Minimum suggested timeframe

7 years

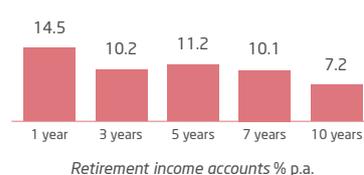
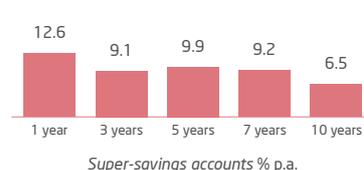
Risk²

Risk label: Very high.

Risk band: 7.

Actual % asset allocation at 30 June 2018 & 2017	2018	2017
Australian shares	100	100

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.08% p.a.
 Inv. Performance-related fee: 0.00% p.a.
 Indirect cost ratio: 0.00% p.a.
Total: 0.08% p.a

Investment options

Single asset class (cont.)

International Shares - Index (hedged)

Objectives

Closely match the performance benchmark, before investment tax¹ and investment fees and costs.

Performance benchmark:

MSCI World ex-Australia Investable Market Index (IMI) in \$A (hedged).

Minimum suggested timeframe

7 years

Risk²

Risk label: Very high.

Risk band: 7.

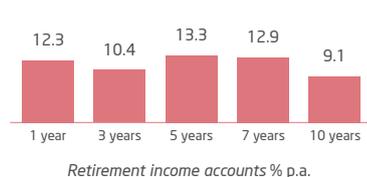
Actual % asset allocation at 30 June 2018 & 2017

International shares	100
----------------------	-----

Investment returns to 30 June 2018³



Super-savings accounts % p.a.



Retirement income accounts % p.a.

Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.08% p.a.

Inv. Performance-related fee: 0.00% p.a.

Indirect cost ratio: 0.01% p.a.

Total: 0.09% p.a

International Shares - Index (unhedged)

Objectives

Closely match the performance benchmark, before investment tax¹ and investment fees and costs.

Performance benchmark:

MSCI World ex-Australia Investable Market Index (IMI) in \$A (unhedged).

Minimum suggested timeframe

7 years

Risk²

Risk label: High.

Risk band: 6.

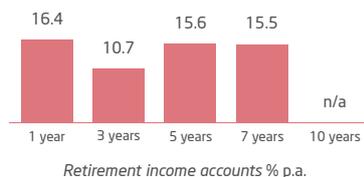
Actual % asset allocation at 30 June 2018 & 2017

International shares	100
----------------------	-----

Investment returns to 30 June 2018³



Super-savings accounts % p.a.



Retirement income accounts % p.a.

Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.08% p.a.

Inv. Performance-related fee: 0.00% p.a.

Indirect cost ratio: 0.00% p.a.

Total: 0.08% p.a

Emerging Markets Shares

Objectives

Closely match the return of the performance benchmark before investment tax¹ and investment fees and costs.

Performance benchmark:

MSCI Emerging Markets Investable Market Index (IMI) in \$A (unhedged).

Minimum suggested timeframe

7 years

Risk²

Risk label: Very high.

Risk band: 7.

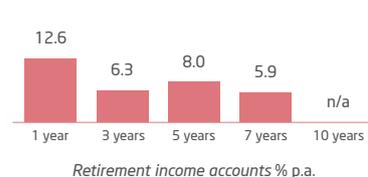
Actual % asset allocation at 30 June 2018 & 2017

International shares emerging	100
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Investment returns to 30 June 2018³



Super-savings accounts % p.a.



Retirement income accounts % p.a.

Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.12% p.a.

Inv. Performance-related fee: 0.01% p.a.

Indirect cost ratio: 0.08% p.a.

Total: 0.21% p.a

Investment options

Single asset class (cont.)

Property

Objectives

Beat the performance benchmark before investment tax¹ but after investment fees and costs over rolling 5-year periods.

Performance benchmark:

25% FTSE EPRA/NAREIT Global REIT hedged to \$A and 75%, Mercer/IPD Australia Monthly Property Fund Index - Core Wholesale.

Minimum suggested timeframe

7 years

Risk²

Risk label: Medium to high.

Risk band: 5.

Australian Property - Index

Objectives

Closely match the return of the performance benchmark, before investment tax¹ and investment fees and costs.

Performance benchmark:

S&P/ASX 300 A-REIT Accumulation Index.

Minimum suggested timeframe

7 years

Risk²

Risk label: Very high.

Risk band: 7.

Diversified Bonds

Objectives

Beat the performance benchmark by 0.5% p.a. before investment tax¹ but after investment fees and costs over rolling 3-year periods.

Performance benchmark:

50% Citigroup World Broad Investment Grade Index in \$A (hedged) and 50% Bloomberg AusBond Composite 0+Yr Index.

Minimum suggested timeframe

3 years

Risk²

Risk label: Medium.

Risk band: 4.

Actual % asset allocation at 30 June 2018 & 2017

Property | 100

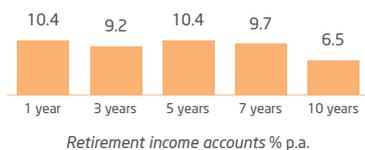
Actual % asset allocation at 30 June 2018 & 2017

Property | 100

Actual % asset allocation at 30 June 2018 & 2017

Fixed interest | 100

Investment returns to 30 June 2018³

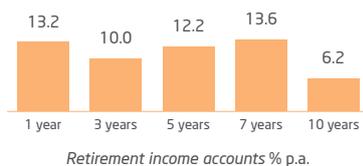
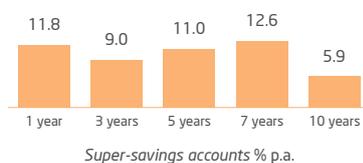


Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.17% p.a.
 Inv. Performance-related fee: 0.00% p.a.
 Indirect cost ratio: 1.45% p.a.
Total: 1.62% p.a

Investment returns to 30 June 2018³

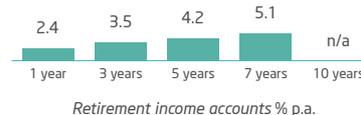
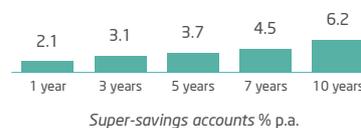


Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.06% p.a.
 Inv. Performance-related fee: 0.00% p.a.
 Indirect cost ratio: 0.05% p.a.
Total: 0.11% p.a

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.27% p.a.
 Inv. Performance-related fee: 0.01% p.a.
 Indirect cost ratio: 0.07% p.a.
Total: 0.35% p.a

Investment options

Single asset class (cont.)

Diversified Bonds - Index

Objectives

Closely match the return of the performance benchmark, before investment tax¹ and investment fees and costs.

Performance benchmark:

50% Bloomberg AusBond Composite 0 + Yr Index and 50% Bloomberg Barclays Global Aggregate Index, hedged to \$A.

Minimum suggested timeframe

3 years

Risk²

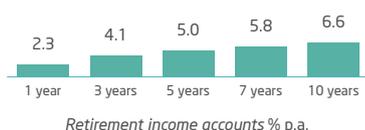
Risk label: Medium.

Risk band: 4.

Actual % asset allocation at 30 June 2018 & 2017

Fixed Interest | 100

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.06% p.a.
 Inv. Performance-related fee: 0.00% p.a.
 Indirect cost ratio: 0.13% p.a.
Total: 0.19% p.a.

Cash

Objectives

Match or exceed the returns of the performance benchmark, before investment tax¹ but after investment fees and costs.

Performance benchmark:

Bloomberg AusBond Bank Bill Index.

Minimum suggested timeframe

1 year

Risk²

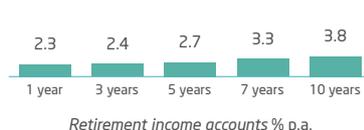
Risk label: Very low.

Risk band: 1.

Actual % asset allocation at 30 June 2018 & 2017

Cash | 100

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.06% p.a.
 Inv. Performance-related fee: 0.00% p.a.
 Indirect cost ratio: 0.00% p.a.
Total: 0.06% p.a.

Capital Guaranteed

Objectives

Beat the performance benchmark after investment tax (where applicable)¹ and investment fees and costs over rolling 3-year periods.

Performance benchmark:

Bloomberg AusBond Bank Bill Index after investment tax (where applicable).¹

Minimum suggested timeframe

5 years

Risk²

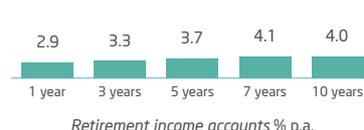
Risk label: Very low.

Risk band: 1.

Actual % asset allocation at 30 June 2018 & 2017

Deposits with ADIs and Capital Guaranteed Investments | 100

Investment returns to 30 June 2018³



Fees⁴

Actual investment fees and costs for 2017-18

Inv. Base fee: 0.09% p.a.
 Inv. Performance-related fee: 0.00% p.a.
 Indirect cost ratio: 0.27% p.a.
Total: 0.36% p.a.

Investment options

Single asset class (cont.)

Options closed from 30 September 2017

International Shares (hedged)

Objectives

Beat the performance benchmark by 0.5-1% p.a. before investment tax¹ but after investment fees and costs over rolling 5-year periods.

Performance benchmark:

MSCI World ex-Australia Investable Market Index (IMI) in \$A (hedged).

Minimum suggested timeframe

7 years

Risk²

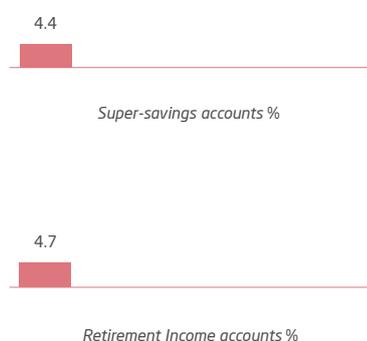
Risk label: High.

Risk band: 6.

Actual % asset allocation at 29 September 2017 and 30 June 2017

International shares	100
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Investment returns from 1 July 2017 to 29 September 2017³



Fees^{4,5}

Actual investment fees for 1 July 2017 - 29 September 2017

Base: 0.09%
Performance: 0.00%
Total: 0.09%

International Shares (unhedged)

Objectives

Beat the performance benchmark by 0.5-1% p.a. before investment tax¹ but after investment fees and costs over rolling 5-year periods.

Performance benchmark:

MSCI World ex-Australia Investable Market Index (IMI) in \$A (unhedged).

Minimum suggested timeframe

7 years

Risk²

Risk label: High.

Risk band: 6

Actual % asset allocation at 29 September 2017 and 30 June 2017

International shares	100
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Investment returns from 1 July 2017 to 29 September 2017³



Fees^{4,5}

Actual investment fees for 1 July 2017 - 29 September 2017

Base: 0.09%
Performance: 0.00%
Total: 0.09%

Note: These footnotes apply to the investment options on pages 27-35.

- 1 No investment tax generally applies for Retirement income accounts. Refer to the *Sunsuper for life guide* for information on investment tax.
- 2 Refer to the *Sunsuper for life Investment guide* and sunsuper.com.au/standardriskmeasure for more information.
- 3 **Past performance is not a reliable indication of future performance.** Returns are after investment fees, costs and taxes (where applicable) but before administration fees and costs. Transition to retirement income account returns for the 1 year to 30 June 2018 were the same as for Super-savings accounts. For earlier financial years, Transition to retirement income account returns were the same as Retirement income account returns. Visit sunsuper.com.au/performance for historical return information.
- 4 It is important to read the information on page 36. For more information on fees and costs, refer to the *Sunsuper for life guide*.
- 5 New fee disclosure rules came into effect on 30 September 2017. Fees shown for this option do not reflect these changes.

Actual investment fees and costs for 2017-18

Investment fees

At Sunsuper we report the investment fees in two components: the *base fee* and the *performance-related fee*.

Investment fees cover the costs of investing and managing investments for members. Sunsuper sets investment fees to match expected costs.

The actual investment base and performance-related fees for each investment option for 2017-18 are shown in the investment panels on pages 27-35. Actual investment fees may differ from our estimates in some instances as a result of outperformance resulting in higher than expected performance-related fees. Sunsuper believes paying fees for performance to its investment managers encourages sustained investment performance and avoids rewarding investment managers for underperformance. If an investment manager who has the potential to earn a fee for performance underperforms their performance target, the investment manager needs to overcome their underperformance in future periods before another fee for performance can be earned.

Indirect cost ratio

Indirect costs are expenses incurred in managing members' investments in addition to investment fees. They are not paid by Sunsuper, but rather are incurred indirectly by our investment managers and as such are included in members' net investment returns. The indirect cost ratios are the sum of indirect costs expressed as a percentage of the funds in each investment option.

The indirect cost ratios shown in the investment panels on pages 27-34 were calculated after the end of the financial year, using actual costs incurred in 2017-18 where possible. Where actual costs were not available, reasonable estimates of actual costs were used.

The indirect cost ratios shown in this *Annual report* differ from the indirect cost ratios in our *Product Disclosure Statements* issued 1 July 2018, which were also calculated using actual costs and reasonable estimates of costs incurred in 2017-18. This is because this *Annual report* was produced after the 2017-18 year had ended, so we had more information about the actual costs incurred and relied less on estimates.

For the most up-to-date investment fees and costs and investment option details refer to the current *Product Disclosure Statements* and guides at [sunsuper.com.au/pds](https://www.sunsuper.com.au/pds)

Investment managers

Customised Investment Management Agreements

Manager	Asset classes	\$M
Acadian Asset Management (Australia) Ltd	Australian Shares	1,185.8
Allegro Funds Pty Ltd	Private Capital, Property	615.8
AMP Capital Investors Limited	Infrastructure, Property	974.7
AQR Capital Management, LLC	International Shares (Emerging)	555.5
Arrowstreet Capital, Limited Partnership	International Shares	1,105.4
Baillie Gifford Overseas Limited	International Shares	341.5
Bain Capital Credit, LP	Fixed Interest	142.5
Barwon Investment Partners Pty Ltd	Private Capital	226.8
Colchester Global Investors Ltd	Fixed Interest	554.8
Colonial First State Asset Management (Australia) Ltd	Cash	512.9
Colonial First State Managed Infrastructure Limited	Infrastructure	627.2
GMO Australia Ltd	International Shares (Emerging)	168.8
Hosking Partners LLP	International Shares	1,053.6
H.R.L. Morrison & Co. Private Markets Pty Ltd	Infrastructure	196.3
JP Morgan Asset Management (Australia) Limited	Diversified Strategies	398.8
Lazard Asset Management Pacific Co	Fixed Interest	121.9
Loomis, Sayles & Company, LP	Fixed Interest	119.3
L1 Capital Pty Ltd	Australian Shares	328.9
Macquarie Investment Management Global Limited	Fixed Income	939.0
Macquarie Specialised Asset Management Limited	Infrastructure	1,106.4
Maple-Brown Abbott Limited	Australian Shares	893.6
Morgan Stanley Investment Management (Australia) Pty Limited	Fixed Interest	1,622.8
Neuberger Berman Australia Pty Ltd	Diversified Strategies	386.6
Origin Asset Management LLP	International Shares (Emerging)	168.0
Payden & Rygel Global Ltd	Cash	156.0
PIMCO Australia Pty Ltd	Fixed Interest	715.7
Pzena Investment Management, LLC	International Shares, International Shares (Emerging)	1,318.0
QIC Limited	Cash, Asset Overlay	304.3
Schroder Investment Management Australia Limited	Fixed Interest	1,081.0
State Street Global Advisors, Australia, Limited	Cash, International Shares	3,307.2
StepStone Group Real Asset, LP	Infrastructure	487.0
TCW Asset Management Company	Fixed Interest	604.1
Tribeca Investment Partners Pty Ltd	Australian Shares	367.8
TT International (Hong Kong) Ltd	International Shares (Emerging)	255.4
Vanguard Investments Australia Ltd	Australian Shares, International Shares, and International Shares (Emerging)	12,678.2
Vinva Investment Management Limited	Australian Shares	4,637.7
WaveStone Capital Pty Ltd	Australian Shares	983.1
WCM Investment Management	International Shares	757.7
Wellington International Management Company Pty Ltd	Cash, Diversified Strategies	856.0

Other investment managers

Sunsuper also invests in a number of investment vehicles and listed below are selected managers.

Manager	Asset classes	\$M
AMP Capital Funds Mangement Ltd	Australian Shares, International Shares, Property, Capital Guaranteed	791.0
Anchorage Capital Group, LLC	Private Capital	167.1
Arcadia Managed Investments Pty Ltd	Property	246.9
BlackRock Financial Management, Inc.	Hedge Funds	289.4
Bridgewater Associates, LP	Hedge Funds	170.7
CBRE Global Investors Open-Ended GP S.à.r.l	Property	242.6
Deerfield Management Company, LP	Private Capital	159.1
Gardior Pty Ltd	Infrastructure	256.2
Golden Gate Private Equity, Inc	Private Capital	168.8
Goodman Funds Management Australia Ltd	Property	315.9
Harbourvest Partners, LLC	Private Capital	900.9
Heitman Capital Management, LLC	Property	512.4
Lone Star Americas Acquisitions, LLC	Property	242.7
Makena Capital Management, LLC	Diversified Strategies, Private Capital	435.1
Manikay Partners, LLC	Hedge Funds	198.4
Myriad Asset Management (Cayman) Ltd	Hedge Funds	200.8
One William Street Capital Management, LP	Hedge Funds	162.0
QIC Limited	Infrastructure, Property	656.9
StepStone Group, LP	Private Capital, Property	383.9
Suncorp Life & Superannuation Ltd	Capital Guaranteed	190.7
SunKina Choice GP Ltd	Private Capital	146.2
Sunsuper Pty Ltd	Infrastructure, Fixed Interest, Cash	1,771.9
Tribeca Investment Partners Pty Ltd	Australian Shares	562.8
Two Sigma Advisors, LP	Hedge Funds	408.7
GPT Funds Management Ltd	Property	490.8
Vanguard Investments Australia Ltd	Fixed Interest, Property	611.2
Vista Equity Partners Management, LLC	Private Capital	221.6

The following manage portfolios for the purpose of active currency overlay:

- AQR Capital Management, LLC
- BNP Paribas Asset Management USA, Inc (Formerly Fischer, Francis, Trees and Watts, Inc)
- P/E Global LLC
- Record Currency Management Ltd
- State Street Global Advisors, Australia, Ltd

Sunsuper Pooled Superannuation Trust

The Trustee of Sunsuper is also the Trustee of the Sunsuper Pooled Superannuation Trust (PST). Some investments of Sunsuper are made via the PST. No other entities invest money in the PST. As at 30 June 2018, the PST's net investments were \$7,344m.

Governance



Board of directors



Andrew Fraser

Chair

Andrew is the former Head of Strategy and Investment at the NRL. He served as a Director of the Rugby League World Cup 2017 Ltd, and is an independent member of the Finance, Resources and Risk Committee of Griffith University. He was previously Deputy Premier of Queensland, and served as Treasurer from 2007 to 2012.

Independent Director since September 2015.



Michael Clifford

Deputy Chair

Michael is the Assistant General Secretary of the Queensland Council of Unions (QCU). Michael has been an advocate for improved superannuation for two decades in his roles as Coordinator with United Voice from 2012 to 2015, Queensland Secretary of the Finance Sector Union of Australia (FSU) from 2001 to 2012, and National Industrial Officer for the FSU from 1997 to 2001.

Director since February 2016.



Elizabeth Hallett

Director since March 2014.

Elizabeth is an experienced non-executive director in the financial services and infrastructure sectors. She was formerly a corporate partner with international law firm Norton Rose Fulbright for 22 years, where she held national and global leadership roles. Elizabeth is a reappointed member of the Takeovers Panel. Elizabeth brings legal and regulatory, corporate governance, risk management and strategy development skills and experience to the board.

Board of directors



Mark Harvey

Director since July 2016.

Mark is the Deputy Vice Chancellor, Research and Innovation at the University of Southern Queensland where he is responsible for providing strategic direction, leadership and management of the functions, centres, institutes and offices that comprise the Research and Innovation portfolio.



Jenni Mack

Independent Director since July 2015.

Jenni is an experienced consumer advocate and company director. She is a former Chair of Australia's leading consumer group CHOICE and currently chairs one of Australia's largest community services providers, CoAct. She has high-level experience in public policy, regulation, stakeholder relations, media and corporate affairs.



Ros McLennan

Director since October 2015.

Ros was elected QCU General Secretary in July 2015, having first been elected to the position of QCU Assistant General Secretary in March 2014. Ros is passionate about industrial and community campaigning - and has had 23 years' experience in organising members to build power at work.



Ben Swan

Director since August 2013.

Ben is the former Queensland Branch Secretary of The Australian Workers' Union. Since starting work with the union in 1997 Ben has held the positions of Assistant National Secretary, Queensland Branch Assistant Secretary, National Industrial Officer and Industrial Advocate.



Michael Traill AM

Independent Director since September 2015.

Michael joined Social Ventures Australia (SVA) as founding CEO in 2002 after 15 years as a co-founder and Executive Director of Macquarie Group's private equity arm, Macquarie Direct Investment. He was recognised as a *Financial Review BOSS Magazine* "True Leader" in 2007 and was made a Member of the Order of Australia in 2010 in recognition of his service to the Australian non-profit sector through the work of SVA.



Georgina Williams

Director since July 2018.

Georgina is a professional director and serves on a number of boards. She has over 25 years' experience in banking and superannuation, including roles as Chief Executive Officer, Food and Wine Victoria; Group Executive Engagement, Advocacy and Brand at Australian Super; and Head of Brand and Marketing at the Bank of Melbourne. She has also held a number of executive positions at NAB in both Australia and the UK, including roles in commercial banking, wealth, strategy and marketing.

The Trustee of the Sunsuper Superannuation Fund is Sunsuper Pty Ltd (ABN 88 010 720 840), which is licensed by the Australian Prudential Regulation Authority (APRA) under a Registrable Superannuation Entity (RSE) licence and holds an Australian Financial Services Licence (AFSL) (AFSL No. 228975) from the Australian Securities and Investments Commission (ASIC).

The Trustee is responsible for managing the Fund, and ensures it operates in the best interests of all members and continues to comply with all legal requirements.

Sunsuper Pty Ltd has a Board of Directors comprised of an equal number of member and employer representatives and independent directors.

Replacement member and employer representative directors are appointed by the same employer or union body. Independent directors are appointed on agreement by all directors.

There are five standing Board committees that assist the Board in the discharge of its responsibilities. These committees are the Investment Committee, the Audit, Compliance and Risk Management Committee, the Nominations and Remuneration Committee, the Claims Committee and the Successor Fund Transfer Committee. All are governed by their own Charters as approved by the Board. These committees review matters on behalf of the Board and either make recommendations for consideration by the Board, or make decisions as a delegate of the Board. A number of these Board committees have appointed external experts which are outlined below.

The Audit, Compliance and Risk Management Committee of the Board is responsible for reporting to and advising the Board on audit, compliance and risk management issues. The members of the Audit, Compliance and Risk Management Committee are appointed by the Board. All members of the Audit, Compliance and Risk Management Committee are Directors of the Trustee. The Audit Committee Financial Expert is external, non-Board member, Marian Micalizzi.

Sunsuper has developed and implemented a comprehensive risk management framework, which focuses on the identification, analysis, evaluation, treatment, monitoring and communication of risks. The risk management framework is subject to limited annual assurance from Sunsuper's external auditor in accordance with prescribed auditing standards as well as further comprehensive review from Sunsuper's internal audit function in accordance with the requirements of APRA's SPS 220 - Risk Management.

All members of the Investment Committee must be Directors of the Trustee, except for the Investment Expert who can be an external, non-Board member. The current Investment expert is Rodney Green. Gus Sauter is an external adviser to the Sunsuper Investment Committee.

The Claims Committee Independent expert is Jane Dorter.

Members of the Board

As at 30 June 2018

Member representatives		Appointed by
Michael Clifford		Qld Council of Unions
Ros McLennan		Qld Council of Unions
Ben Swan		Australian Workers Union of Employees Qld
Employer representatives		
Elizabeth Hallett		Chamber of Commerce and Industry Queensland (CCIQ)
Mark Harvey		Chamber of Commerce and Industry Queensland (CCIQ)
Independent Directors		
Jenni Mack		Sunsuper Board
Andrew Fraser (Chair)		Sunsuper Board
Michael Traill		Sunsuper Board

Note: Theresa Moltoni resigned as a director effective 31 January 2018. Georgina Williams was appointed as a director on 20 July 2018.

Evaluation of Board and executive officers

The Board has implemented a process for the periodic review and evaluation of its performance and the performance of its committees, individual directors and executive officers.

This year the Australian Institute of Company Directors (AICD) conducted a review of Board performance.

The CEO, in conjunction with the Nominations and Remuneration Committee, is responsible for approving the performance objectives and measures for executive officers, and providing input into the evaluation of performance against these objectives.

Performance evaluations for the 2017-18 financial year have been conducted in accordance with the approved process.

Remuneration of directors

Director remuneration consists of director fees, Board and Committee chair fees, superannuation guarantee contributions and the reimbursement of reasonable expenses. The fees reflect the demands on and responsibilities of those directors.

Directors	Board	Audit, Compliance and Risk Management Committee	Investment Committee	Nominations and Remuneration Committee	Claims Committee	Successor Fund Transfer Committee	Total remuneration paid to directors
Numbers of meetings held in the year	14	8	6	8	12	9	
Andrew Fraser	14 (14)	4 (4)	6 (6)	4 (4)	N/A	4 (4)	\$ 124,693
Ben Swan	14 (14)	6 (8)	6 (6)	4 (4)	N/A	N/A	\$128,261
Elizabeth Hallett	14 (14)	8 (8)	6 (6)	8 (8)	N/A	9 (9)	\$115,180
Jenni Mack	14 (14)	N/A	N/A	8 (8)	12 (12)	9 (9)	\$106,856
Mark Harvey	14 (14)	7 (8)	6 (6)	N/A	N/A	N/A	\$86,639
Michael Clifford	10 (14)	7 (8)	N/A	4 (4)	N/A	N/A	\$84,261
Michael Traill	13 (14)	N/A	5 (5)	N/A	N/A	N/A	\$84,261
Ros McLennan	14 (14)	N/A	5 (6)	7 (8)	11 (12)	9 (9)	\$115,179
Theresa Moltoni	8 (8)	N/A	N/A	4 (4)	N/A	N/A	\$58,864

Important notes:

- Numbers shown in brackets represent the number of meetings each director was eligible to attend and are based on 1 July 2017 to 30 June 2018. The Board approves a charter for each committee.
- Members of the Audit, Compliance and Risk Management Committee at 30 June 2018 were Elizabeth Hallett, Andrew Fraser, Ben Swan, Mark Harvey and Michael Clifford.
- Members of the Investment Committee at 30 June 2018 were Michael Traill, Andrew Fraser, Ben Swan, Elizabeth Hallett, Mark Harvey and Ros McLennan.
- Members of the Nominations and Remuneration Committee at 30 June 2018 were Michael Clifford, Andrew Fraser, Elizabeth Hallett, Jenni Mack and Ros McLennan.
- Members of the Claims Committee at 30 June 2018 were Jenni Mack and Ros McLennan.
- Members of the Successor Fund Transfer Committee at 30 June 2018 were Ros McLennan, Andrew Fraser, Elizabeth Hallett and Jenni Mack.

The CEO, in conjunction with the Nominations and Remuneration Committee, is responsible for determining the remuneration of executive officers. Director and executive officer remuneration is reviewed at least annually. Remuneration levels are benchmarked against independent external sources. The directors and executive officers are paid in accordance with Sunsuper's remuneration policy. Executive officer remuneration comprises salaries, superannuation guarantee contributions, performance bonuses and the reimbursement of reasonable expenses.

For more information on the remuneration paid to directors and executive officers visit sunsuper.com.au/remuneration

Sunsuper's reserves

The Trustee maintains a number of reserves in the Fund. The Trustee is required to maintain adequate financial resources to address losses arising from operational risks that may affect its business operations. The operational risk financial requirement (ORFR) is the target amount of financial resources that the Trustee determines is necessary to respond to these losses.

The Trustee set an ORFR target amount at 0.25% of Fund net assets plus 0.10% of Sunsuper Pooled Superannuation Trust (PST) net assets. The PST is 100% owned by Sunsuper Superannuation Fund and has the same Trustee as the Fund.

The Trustee may call upon the resources held to meet the ORFR target amount to make a payment to address an operational risk that has materialised and caused one or more beneficiaries in the Fund or in the PST to sustain a loss, or to be deprived of a gain, to which they otherwise would have been entitled, in relation to their benefits in the Fund or in the PST. Initial funding of the ORFR and future top-up or replenishment is from the general reserve. The ORFR is invested in the Balanced option.

Over the past three years Sunsuper's ORFR has been:

As at 30 June	2018	2017	2016
Reserve (\$M)	150	120	97
Reserve attributed to the PST (\$M)	7.4	6.1	5.8

The ORFR balance is disclosed in the Statement of financial position on page 50 of this report.

The Trustee maintains a general reserve in the Fund for the benefit of members. The general reserve is maintained in order to:

- help meet the operating expenses of the Fund,
- assist with the management of the operational risks of the Fund, including meeting losses from events not covered by insurance, or not claimed under insurance policies and not met from the ORFR,
- support the ORFR,
- support the timing differences between the levels of investment tax and the investment costs incurred and the level of investment tax and investment fees charged to members, and

- support expenses and capital investments in assets designed to enhance the efficiency of the Fund's operations.

The Trustee does not maintain the general reserve for the purpose of smoothing investment earnings for any investment option. Members' accounts are credited or debited with the actual earnings of their investment option or options via daily unit prices (member balances are calculated by multiplying the number of units they have in each investment option by the unit price for each option).

The general reserve may only be invested in:

- the Balanced option,
- low volatility investments (e.g. cash) to fund significant short-term liabilities (e.g. taxes),
- new investment options up to a combined total of \$5 million to provide seed funding on a temporary basis, and
- any other investments approved by the Trustee.

Over the past five years Sunsuper's general reserve has been:

As at 30 June	2018	2017	2016	2015	2014
Reserve (\$M)	304	195	180	201	191

The general reserve balance is disclosed in the Statement of financial position on page 50 of this report.

As part of our arrangements with insurer AIA Australia, we may receive a refund of premiums depending on the level of claims members make against their insurance policies. We pass on any refunded premiums through adjustments to future premiums members pay, or use them to improve our insurance administration. Any refunded premiums that we have received but not yet passed on or used are allocated to an insurance reserve.

Over the past five years Sunsuper's insurance reserve has been:

As at 30 June	2018	2017	2016	2015	2014
Reserve (\$M)	Nil	0.0 ¹	Nil	Nil	0.3

¹ The insurance reserve for 2017 was \$16,643.

Compliance

Sunsuper complies

Sunsuper is a regulated fund under the *Superannuation Industry (Supervision) Act 1993 (SIS)*, and has been a complying fund since inception in 1987. Sunsuper was granted an RSE licence by the Australian Prudential Regulation Authority (APRA) on 21 October 2005.

It is the Trustee's responsibility to ensure that Sunsuper meets its licensing obligations, including compliance with the RSE licensee laws and the maintenance of a risk management strategy and plan. As a result, Sunsuper members benefit from the lower tax rates that apply to complying funds. The Trustee lodges a return each year with APRA indicating the Fund's compliance with relevant legislation, including the SIS Act.

As an Australian Financial Services licensee, Sunsuper must also have arrangements in place to ensure that it complies with its licensee obligations as determined by the Australian Securities and Investment Commission (ASIC). These obligations relate to conduct and disclosure; the provision of financial services; the competence, knowledge and skills of its responsible officers, as well as their good fame and character; the training and competence of its staff and representatives; and dispute resolution and compensation arrangements.

Sunsuper has planned and implemented compliance measures, processes and procedures to ensure it meets the obligations.

Further information

Further information to help you understand your benefits or entitlements, the main features of the Fund, the management and financial condition of the Fund, and the Fund's investment performance or investment strategies is available by calling us on **13 11 84** or visiting sunsuper.com.au

Insurance

The Trustee has implemented a comprehensive insurance program, which includes liability and professional indemnity insurance policies. This program is designed to transfer some of the financial risks faced by the Trustee and the Fund to other parties. The nature and extent of the insurance policies in place has been determined through risk analysis and consultation with external risk advisors.

Superannuation surcharge

This surcharge was abolished from 1 July 2005; however, surcharge amounts may have been advised by the Australian Taxation Office (ATO) and been deducted from members' accounts during the previous financial year. Sunsuper as the Trustee is responsible for the collection and the remittance of these amounts to the ATO and will deduct any surcharge payable from your account.

Eligible Rollover Fund

To protect the value of small *Super-savings accounts*, Sunsuper may, at its discretion, transfer member accounts to an Eligible Rollover Fund (ERF) where:

- the member's account balance is low, and
- we have not received any contributions on the member's behalf for at least two years.

The ERF currently used by Sunsuper can be contacted as follows:

The AUSfund Administrator
Locked Bag 5132
Parramatta NSW 2124
Call: 1300 361 798

If your *Super-savings accounts* balance is transferred to AUSfund:

- You will no longer be a member of *Sunsuper for life*.
- You will become a member of AUSfund and be subject to its governing rules. You should refer to the AUSfund *Product Disclosure Statement (PDS)* for details of its features.
- If Sunsuper can provide AUSfund with your contact details, AUSfund will provide you with its own PDS that outlines all the operational details of their fund.
- Investment earnings credited to your account will vary depending on the interest rate declared by the Trustee of AUSfund. You should refer to the AUSfund PDS, website and annual report for details of these investment earnings.
- A different fee structure will apply. For details of fees charged by AUSfund, refer to the AUSfund PDS.
- AUSfund has one diversified investment strategy and therefore doesn't provide investment choice. Rates of return are not guaranteed and investment returns provided to AUSfund members will be

dependent on the performance of the underlying investment markets.

- AUsfund does not offer insured benefits in the event of death or disablement. You can contact AUsfund directly to claim your benefit or to transfer it to another superannuation fund. You can access the AUsfund PDS at ausfund.com.au

The trustee of AUsfund is Industry Funds Investments Limited, ABN 17 006 883 227, AFSL 229881.

Dispute resolution

If you are unhappy with our service or super fund, we offer a complaint resolution process at no additional cost to you.

Customer Service Team: **13 11 84**
Sunsuper Customer Relations Team
GPO Box 2924
Brisbane Qld 4001
sunsuper.com.au/contactus

We will do everything we can to resolve the issue as quickly as possible. If you are not happy with our response you can contact the Australian Financial Complaints Authority (AFCA). This is an independent dispute resolution body established by the Federal Government to help resolve complaints in relation to superannuation and other financial services.

You can also choose to take your complaint directly to the AFCA.

In some circumstances, the AFCA may refer your complaint back to Sunsuper.

The AFCA's contact details are as follows:

Australian Financial Complaints Authority
GPO Box 3 Melbourne VIC 3001
Call: 1800 931 678
Email: info@afca.org.au
Web: www.afca.org.au
Access to the AFCA is free of charge.

Important information you should know about making a complaint to the AFCA

The scope of matters that the AFCA can deal with is limited by legislation, and it is possible that the AFCA cannot deal with the matter. The AFCA will advise you if they can deal with a complaint and, if so, what information is required.

The AFCA replaced the Superannuation Complaints Tribunal and other financial services complaints handling bodies for all new complaints from 1 November 2018.

For more information on the complaints resolution process refer to **sunsuper.com.au/complaints**

Temporary residents

Super funds will be issued with a notice by the ATO identifying members who are not Australian or New Zealand citizens or permanent residents of Australia and who have left Australia after holding an Australian temporary resident visa. On receipt of the ATO notice, we will be required to transfer the benefit of any member recorded on the notice to the ATO. As Sunsuper adopts the ASIC class order relief that provides disclosure exemption for former temporary residents, information regarding the transfer of a member's benefits and significant event notices may not be provided to a member whose benefit has been transferred. For more information visit **sunsuper.com.au/temporary-residents**

After departing Australia a former temporary resident can claim their benefit from Sunsuper (if we have not paid it to the ATO) or from the ATO. If you are applying to the ATO to claim your benefit and require information about the transfer, please contact us. For 2017-18 the taxable component (taxed element) of former temporary residents' benefits was taxed at 65 per cent for holders of visa subclass 417 (working holiday), 462 (work and holiday) and associated bridging visas, and 35 per cent for other visa types.

Unit pricing error compensation

Sunsuper has put in place comprehensive controls in order to minimise the chance of unit pricing errors. Should an error occur and Sunsuper determines that compensation is payable to members that have been adversely affected, we aim to ensure existing Sunsuper members are in the same financial position as if the error did not occur. For exited members only amounts \$20 or greater will be compensated. Sunsuper's policy is in line with industry standards and regulatory guidelines.

Professional advisers

Administrator	Precision Administration Services Pty Ltd ¹
Custodian	State Street Australia Limited
Auditor	Deloitte Touche Tohmatsu
Investment consultants	JANA Investment Advisers Pty Ltd Aksia LLC Stepstone Group LP Mercer Investments (Australia) Limited
Lawyers	Corrs Chambers Westgarth Ashurst
Insurers	AIA Australia Limited MetLife Insurance Limited AMP Life Limited Hannover Life Re of Australasia Ltd OnePath Life Limited Colonial Mutual Assurance Society Limited MLC Limited
Actuaries	Sunsuper Financial Services Pty Ltd Willis Towers Watson Australia Pty Ltd

¹ Precision Administration Services Pty Ltd (ABN 47 098 977 667, AFSL No. 246 604) is wholly owned by Sunsuper Pty Ltd as Trustee of the Sunsuper Superannuation Fund.

Financial statements

The financial statements identify:

- all contributions to the Fund,
- where the Fund's money was invested and how much income it earned,
- expenses the Fund incurred and other revenue the Fund earned,
- the net assets in the Fund available to pay future benefits, and
- the amount the Fund paid out in benefits.

The Trustee is satisfied that the following abridged financial information derived from the audited Financial Statements of the Fund represents a true and fair record of the Fund's financial position as at 30 June 2018 and the results of its operations, cashflows, changes in reserves and changes in members' benefits for the year ended 30 June 2018. Audited Financial Statements and the Independent Report by the Fund's auditors are available on our website at sunsuper.com.au/annual-reports. You can also contact us on **13 11 84** to request a copy to be sent to you.



Statement of financial position as at 30 June 2018

	2018 \$M	2017 \$M
Assets		
Investments		
Australian shares	14,867	11,235
International shares	13,427	10,431
Private capital	3,325	2,739
Property	5,729	4,206
Infrastructure	3,544	2,622
Fixed interest	6,923	5,289
Hedge funds and alternative strategies	2,913	2,758
Cash	4,436	4,415
Diversified strategies	1,962	2,110
Total investments	57,126	45,805
Other assets		
Cash and cash equivalents	720	723
Receivables and other assets	239	124
Total other assets	959	847
Total assets	58,085	46,652
Liabilities		
Benefits payable and other liabilities	478	263
Current tax liabilities	448	421
Deferred tax liabilities	718	517
Total liabilities	1,644	1,201
Net assets available for member benefits	56,441	45,451
Member liabilities		
Defined contribution member liabilities	54,535	43,783
Defined benefit member liabilities	1,143	1,079
Total member liabilities	55,678	44,862
Total net assets	763	589
Equity		
General reserve	304	195
Operational risk financial requirement (ORFR)	150	120
Defined benefits surplus	309	274
Total equity	763	589

Income statement for the year ended 30 June 2018

	2018 \$M	2017 \$M
Superannuation activities		
Revenue		
Interest revenue	269	221
Dividend revenue	843	611
Distribution income	440	380
Rental and other income	60	47
Changes in fair value of investments	3,639	3,536
Total revenue	5,251	4,795
Expenses		
Direct investment expenses	(136)	(123)
Administration services expense	(130)	(104)
Other operating expenses	(44)	(45)
Total expenses	(310)	(272)
Results from superannuation activities before income tax expense	4,941	4,523
Income tax expense attributable to net result	(190)	(246)
Results from superannuation activities after income tax expense	4,751	4,277
Net benefits allocated to defined contribution members	(4,519)	(4,197)
Net change in defined benefit member benefits	(119)	(35)
Operating result after income tax	113	45

Statement of changes in reserves for the year ended 30 June 2018

	General reserve \$M	Insurance reserve \$M	Operational risk financial requirement (ORFR) \$M	Defined benefits surplus \$M	Total \$M
Opening balance as at 1 July 2017	195	-	120	274	589
Successor fund transfers	18	-	10	-	28
Successor fund transfer pending distribution	33	-	-	-	33
Operating result	61	4	13	35	113
Transfer from insurance reserve	4	(4)	-	-	-
Transfer to ORFR	(7)	-	7	-	-
Closing balance as at 30 June 2018	304	-	150	309	763
Opening balance as at 1 July 2016	180	-	97	14	291
Successor fund transfers	-	-	4	249	253
Operating result	26	-	8	11	45
Transfer between reserves	(11)	-	11	-	-
Closing balance as at 30 June 2017	195	-	120	274	589

Statement of changes in member benefits for the year ended 30 June 2018

	Defined contribution member benefits \$M	Defined benefit member benefits \$M	Total \$M
Opening balance as at 1 July 2017	43,783	1,079	44,862
Employer contributions	3,202	25	3,227
Member contributions	594	-	594
Transfers from other funds	1,982	-	1,982
Successor fund transfers	3,950	16	3,966
Income tax on contributions	(492)	(4)	(496)
Net after tax contributions and rollovers	9,236	37	9,273
Benefits to members	(3,131)	(58)	(3,189)
Insurance proceeds credited to members' accounts	389	-	389
Insurance premiums charged to members' accounts (net of tax)	(294)	(1)	(295)
Transfers from defined benefit account to defined contribution account	33	(33)	-
<i>Net benefits allocated, comprising:</i>			
Net investment income	4,636	-	4,636
Net administration fees	(117)	-	(117)
Net change in defined benefit member benefits	-	119	119
Closing balance as at 30 June 2018	54,535	1,143	55,678
Opening balance as at 1 July 2016	35,871	169	36,040
Employer contributions	2,684	12	2,696
Member contributions	671	-	671
Transfers from other funds	1,341	-	1,341
Successor fund transfers	2,074	907	2,981
Income tax on contributions	(415)	(2)	(417)
Net after tax contributions and rollovers	6,355	917	7,272
Benefits to members	(2,542)	(16)	(2,558)
Insurance proceeds credited to members' accounts	160	-	160
Insurance premiums charged to members' accounts (net of tax)	(283)	(1)	(284)
Transfers from defined benefit account to defined contribution account	25	(25)	-
<i>Net benefits allocated, comprising:</i>			
Net investment income	4,303	-	4,303
Net administration fees	(106)	-	(106)
Net change in defined benefit member benefits	-	35	35
Closing balance as at 30 June 2017	43,783	1,079	44,862

Statement of cash flows for the year ended 30 June 2018

	2018 \$M	2017 \$M
Cash flows from operating activities		
Interest received	261	224
Dividends and distributions received	954	781
Rental and other income received	67	56
Insurance proceeds received	295	234
Administration service expense paid	(124)	(101)
Direct investment expense paid	(141)	(126)
Other operating expenses paid	(39)	(49)
Group life insurance premiums paid	(342)	(329)
Income tax paid	(406)	(237)
Net inflows of cash from operating activities	525	453
Cash flows from investing activities		
Purchase of investments	(22,288)	(16,435)
Proceeds from sale of investment	18,751	13,669
Net outflows of cash from investing activities	(3,537)	(2,766)
Cash flows from financing activities		
Employer contributions received	3,230	2,915
Member contributions received	594	671
Transfers from other funds	1,982	1,341
Successor fund transfers	196	232
Benefits paid	(2,993)	(2,609)
Net inflows of cash from financing activities	3,009	2,550
Net increase/(decrease) in cash held	(3)	237
Cash and cash equivalents at the beginning of the financial year	723	486
Cash and cash equivalents at the end of the financial year	720	723



☎ **13 11 84** (+61 7 3121 0700 when overseas)

✉ GPO Box 2924 Brisbane QLD 4001

🖱 sunsuper.com.au

🐦 twitter.com/sunsuper

📘 facebook.com/sunsuper

🌐 linkedin.com/company/sunsuper

Sunsuper Pty Ltd
ABN 88 010 720 840
AFSL No. 228975

Sunsuper Superannuation Fund
ABN 98 503 137 921
Unique Super Identifier (USI) 98 503 137 921 001

MySuper Authorisation 98 503 137 921 996



Sunsuper is a member of The Association of Superannuation Funds of Australia Limited (ASFA).

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