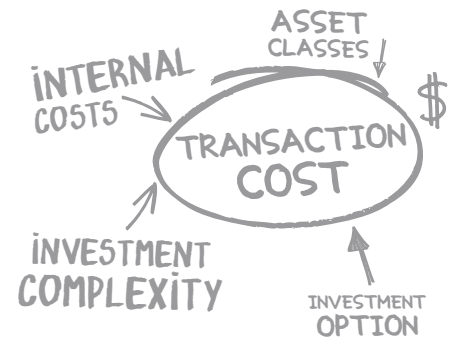


Transaction costs: the buy/sell spread explained



As a Telstra Super member, you have the ability to make proactive decisions about your super, including switching your investment options and making contributions and withdrawals (where eligible).

The cost of member-initiated transactions, such as investment switches, contributions, withdrawals and additional investments as a result of employer contributions paid to the fund on your behalf, are reflected in a buy/sell spread.

The application of a buy/sell spread means that transaction costs for member-initiated transactions are allocated to the member initiating the transaction, rather than being spread across the whole membership. The transaction costs are an estimate of both internal and external costs associated with the buying and selling of units in the fund's investment options.

Transaction costs differ between investment options. The cost is based on a number of factors including the complexity of the investment option, the different asset classes and investment managers that make up that investment option, and the time and services provided internally in relation to the processing of investment transactions. Transaction costs include costs paid to Telstra Super for services in relation to the buying and selling of investments and may include third party costs such as external brokerage, settlement or clearing costs and stamp duty (if applicable).

Understanding the buy/sell spread

When initiating a contribution, investment switch or withdrawal, you are effectively buying and/or selling investment units, similar to how you would purchase and sell shares in a company.

The buy and sell prices of a particular investment option may differ as a result of the variable costs associated with buying or selling units and any underlying securities or assets. The difference in buy and sell prices (which is the aggregate of any buy cost and sell cost) is the buy/sell spread.

The following table shows the estimated buy and sell cost for each investment option:

Investment option	Buy cost	Sell cost
Growth	0.25%	0.25%
Balanced	0.21%	0.21%
Defensive Growth	0.20%	0.20%
Conservative	0.12%	0.12%
International Shares	0.20%	0.20%
Australian Shares	0.20%	0.20%
Property	0.30%	0.30%
Fixed Interest	0.05%	0.05%
Cash	0.00%	0.00%

How transaction costs are applied to your account

The buy/sell spread is not directly deducted from your account, but is an additional cost to you that is reflected in the unit price. This will therefore affect the number of units you are able to buy or sell.

Example of how buy and sell prices are calculated

SuperOnline and member statements will always display the sell price of investment units, as it represents the value the units could be sold for if you want to withdraw from your super account (if eligible) or switch investment option(s).

This example shows how the buy and sell prices are calculated.

Buy unit price

To determine the unit buy price, the buy spread is applied to the base unit price.

$$\begin{aligned} &\text{Base unit price} \\ &+ (\text{Base unit price} \times \text{buy spread}) \\ &= \text{unit buy price} \end{aligned}$$

So if the Balanced base unit price is \$1.84780, the buy unit price would be:

$$\begin{aligned} &\$1.84780 \\ &+ (\$1.84780 \times 0.0021) \\ &= \$1.85168 \text{ per unit} \end{aligned}$$

Sell unit price

To determine the unit sell price, the sell spread is applied to the base unit price.

$$\begin{aligned} &\text{Base unit price} \\ &- (\text{Base unit price} \times \text{sell spread}) \\ &= \text{unit sell price} \end{aligned}$$

So if the Balanced base unit price is \$1.84780, the sell unit price would be:

$$\begin{aligned} &\$1.84780 \\ &- (\$1.84780 \times 0.0021) \\ &= \$1.84392 \end{aligned}$$

So if you purchased units in the Balanced option, you would buy them at \$1.85168. If you sold units in the Balanced option, you would sell them at \$1.84392.

Example: Member contribution

Leo, 44 years old, has a super balance of \$50,000 invested in our Balanced option. Having recently sold an investment property, Leo decides to make a one-off lump sum contribution of \$10,000 to his super account.

When investing, Leo is effectively buying units in the Balanced option at the Buy price. The actual value however is represented by the Sell price, as this is the monetary figure that Leo would receive if he was to withdraw the amount or switch investment options.

Transaction step	Calculation
Buy \$10,000 of units at \$1.85168 This is the price the units are purchased for	$\$10,000 \div \$1.85168 = 5,400.501$ units
Sell 5,400.501 units at \$1.84392 This is the price displayed in SuperOnline and on Member Statements, as it represents the value the units could be sold for if Leo withdraws from his super or switches investment options	$5,400.501 \text{ units} \times \$1.84392 = \$9,958.09$
Transaction cost This is Leo's original investment value, minus the value if his units were sold immediately	$\$10,000 - \$9,958.09 = \$41.91$

As this example shows, if Leo invests \$10,000 in the Balanced option and withdraws the value of his investment immediately, he incurs a transaction cost of \$41.91.

Example: Investment switch

Vicki is 40 years old and has 40,000 units invested in our Balanced option. Based on a current sell price of \$1.84392 per unit, her total account balance is \$73,756.80.

On the advice of Telstra Super Financial Planning, Vicki decides to switch her balance into the Growth option.

To do so, Vicki will need to sell the units she holds in the Balanced option and then use this amount of money to buy units in the Growth option.

Transaction step	Calculation
Sell 40,000 Balanced units at \$1.84392 per unit This is the price displayed in SuperOnline and on Member Statements, as it represents the value the units could be sold for if Vicki withdraws from her super or switches investment options	$40,000 \times \$1.84392 \text{ per unit} = \$73,756.80$
Buy \$73,756.80 of Growth units at \$1.86466 per unit This is the price the units are purchased for	$\$73,756.80 \div \$1.86466 = 39,555.093$ units
Account value This is the current monetary value of Vicki's super account, if her units were sold immediately, calculated using the Sell price of Growth units	$39,555.093 \text{ units} \times \$1.85536 \text{ per unit} = \$73,388.94$
Transaction cost This is Vicki's original investment value, minus the value if she sells her investment units immediately	$\$73,756.80 - \$73,388.94 = \$367.86$

As this example shows, if Vicki switches her current account balance in the Balanced option to the Growth option, she incurs a transaction cost of \$367.86.

A LIFETIME OF
BETTER FEES

Setting the numbers

The buy/sell spreads applied to our investment options are estimates only, and reviewed on a regular basis to ensure they reflect up-to-date costs of acting on member-initiated transactions. Current figures are always published on our website.

For more information about the costs associated with your Telstra Super membership, visit the 'My Super' section of our website or view our Super Bite video.

This information is general advice only and does not take into account your individual objectives, financial situation or needs. Before acting on any advice you should assess whether it is appropriate for you and consider talking to a financial adviser. Before making any decision or acquiring any product you should obtain and review the product disclosure statement by calling 1300 033 166 or visiting our website at www.telstrasuper.com.au

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