

# Seasons form the cycle

Telstra Super Annual Report 2007/2008



# The year in review...



**Martin Crowe** Chief Executive  
Appointed as Chief Executive in 2008, Martin was previously Telstra Super's Chief Financial Officer and Company Secretary. Martin sits on Telstra Super's Audit and Compliance, Remuneration and Investment Committees. Martin is a Chartered Accountant and had senior positions with National Australia Bank and Ansett Australia prior to joining Telstra Super in 2000.

Since Telstra Super began in 1990 the fund has seen many changes. These have helped shape Telstra Super to become Australia's largest corporate super fund.

More people are eligible to become members of Telstra Super than ever before. It has been pleasing to see the families of members deciding to join Telstra Super, as well as a number of former members who have now returned to us. Also, we have had wonderful support from members now employed outside the Telstra Group with over 10,000 employers now making contributions on behalf of members. We thank you for choosing Telstra Super.

## A year of change for super

The super industry experienced volatile investment returns throughout 2007/2008 with most Australian superannuation funds experiencing negative returns for the year and posting their worst results since compulsory super was introduced in 1992. Pages 6 to 14 of this report explain the global economic factors that impacted share markets around the world and how this in turn influenced Telstra Super's investment performance.

We understand that a period of negative returns is a worrying time for our members. Despite this we believe, and have been reinforcing to members, that they need to have patience during phases of market volatility and keep a steady course with regards to their investment strategy. History has shown us that markets have inevitably recovered over time and it is important to stay focussed on the long term strategy. It is a difficult time for those members in the draw-down phase of superannuation, and wherever possible we have emphasised the need to consider a time-horizons approach to their ongoing superannuation investment.



**Clive Batrouney** Chairman  
Clive is the Chairman of Telstra Super Pty Ltd and Telstra Super Financial Planning Pty Ltd. He is also a director of Hansen Yuncken Pty Ltd and Chairman of the Securities Exchanges Guarantee Corporation Limited. Clive has held key positions at ANZ McCaughan Ltd and YMCA Superannuation and was a director of the Australian Stock Exchange Limited and Victorian Funds Management Corporation.

## Upholding our philosophy

We continually look for ways to improve our highly regarded product and service offering. Throughout the year we have introduced a number of initiatives to benefit our members. Our fourth fee reduction in four years offers *Telstra Super Personal Plus* and *Telstra Super RetireAccess*® members a low administration fee of 0.6% pa. We also launched our new, easier-to-use website which offers members more information about their super.

The year also saw a significant increase in the number of Telstra Super members taking advantage of expert financial planning advice, through Telstra Super Financial Planning. In total, 8,350 financial planning appointments were held around the country during 2007/2008.

Service excellence has always been vital to Telstra Super's success and during the coming year we look forward to continuing to deliver this, and to introducing even more benefits to members.

**Clive Batrouney**  
Chairman

**Martin Crowe**  
Chief Executive

## A NOTE FROM THE CHAIRMAN

TELSTRA SUPER'S BOARD OF DIRECTORS RECENTLY APPOINTED MARTIN CROWE AS CHIEF EXECUTIVE, FOLLOWING THE DEPARTURE OF FORMER CHIEF EXECUTIVE OFFICER, TERRY McCREDDEN, AFTER 18 YEARS OF SERVICE. TERRY STARTED AS CEO OF TELSTRA SUPER IN 1990 AND LED THE COMPANY THROUGH SIGNIFICANT STAGES OF GROWTH DURING HIS TENURE. I WOULD LIKE TO THANK TERRY FOR HIS LONG TERM DEDICATION AND ENTHUSIASM AND WISH HIM WELL IN HIS FUTURE ENDEAVOURS.

# Achievements in 2007/2008

## AWARDS

- SuperRatings Platinum Rating 2008 – placed Telstra Super in the Top 15% of value for money super funds in Australia.
- SuperRatings Fund of the Year Finalist 2008 - placed Telstra Super in the Top 10 super funds in Australia.
- 2008 Melbourne Financial Services Symposium Investment Stewardship Award in the Superannuation Funds category recognised Telstra Super's in-house investment expertise, long term investment performance record and excellence in service.

## FEE REDUCTION

The administration fee for *Telstra Super Personal Plus* and *Telstra Super RetireAccess* members was reduced to a low 0.6% pa during the year – this is the fourth time in four years we have reduced our administration fee.

## FACTS AND FIGURES

- Around 6,000 new member accounts opened in 2007/2008.
- 95,606 membership accounts and \$10.06 billion funds under management at 30 June 2008.
- \$252.1 million rolled into Telstra Super from other super funds in 2007/2008.

## MEMBER BENEFITS

- Telstra Super presented 'Investing in Volatile Markets', a popular seminar that kept members up-to-date with topical issues relating to their super.
- Telstra Super enhanced insurance benefits for members, with increased cover and a reduction in premiums.

## [www.telstrasuper.com.au](http://www.telstrasuper.com.au)

### WHO SAID SUPER WASN'T SIMPLE?

Telstra Super's website now has a fresh new look with improved navigation and functionality. Since its launch, the website has received over 45,500 unique visitors, with members taking advantage of the new tailored My Super and Life Changes sections to help out with those key life events like changing jobs or retirement.

### TWO SIGNATURES, TWO STEPS CLOSER TO A SUSTAINABLE FUTURE

Telstra Super is proud to become a signatory to the United Nations' Principles for Responsible Investing (PRI) and the Carbon Disclosure Project (CDP).

The PRI provides investors with a framework for incorporating environmental, social and governance issues into their investment decision making process.

The CDP represents institutional investors with a combined \$57 trillion in assets under management and provides them with a framework for the reporting and monitoring of greenhouse gas emissions.

For more information on these initiatives visit the Sustainability page in the About Us section at [www.telstrasuper.com.au](http://www.telstrasuper.com.au)

# World economies take a wintry blast

Recent years have seen strong performances from major world economies and share markets, offering super fund members outstanding returns on their investment.

As part of the natural cycle of investments, in 2007/2008 investment markets globally experienced a significant downturn. Spurred on by the sub-prime mortgage crisis, rising oil prices and fears of a US recession, share markets around the world experienced increased volatility and a decline in returns. Listed property markets also suffered considerable setbacks during the financial year.

## How these wintry conditions impacted Telstra Super

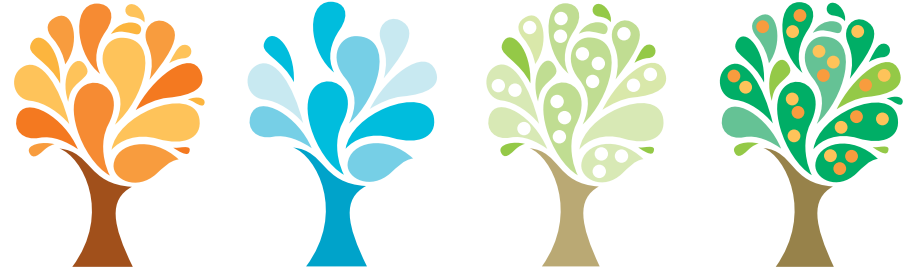
Due to adverse property and share market conditions, Telstra Super's investment options with exposure to these asset classes experienced significant declines this year.

While declines are part of the investment cycle, they can be relatively short-lived. Substantial periods of recovery and further growth over the longer term help investors to ride out the losses in the short term.

WHILE DECLINES ARE PART OF THE INVESTMENT CYCLE, THEY CAN BE RELATIVELY SHORT-LIVED.



# Seasons form the cycle



As much as we don't like it, negative returns are part of the natural cycle of investment markets. Generally after phases of spectacular returns, financial markets cyclically 'correct' themselves.

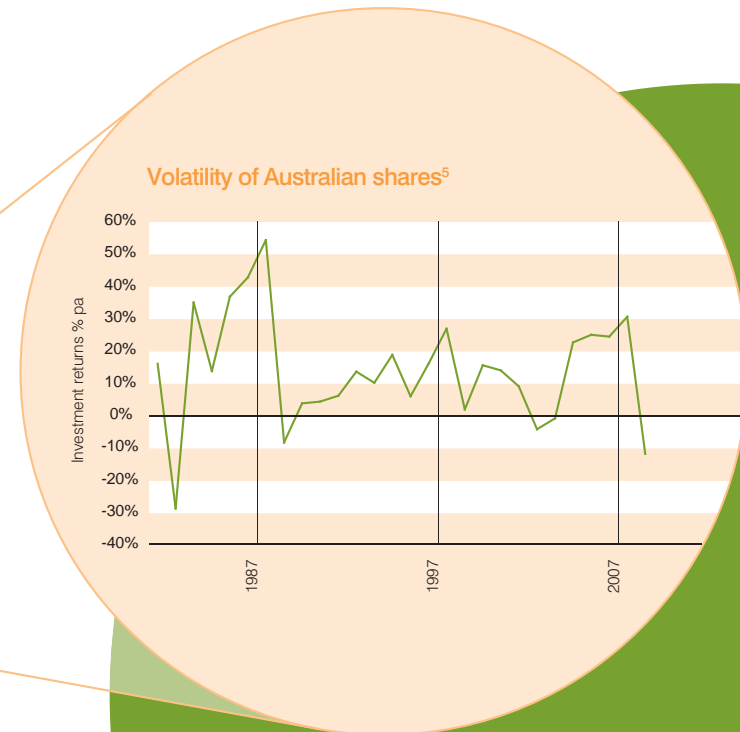
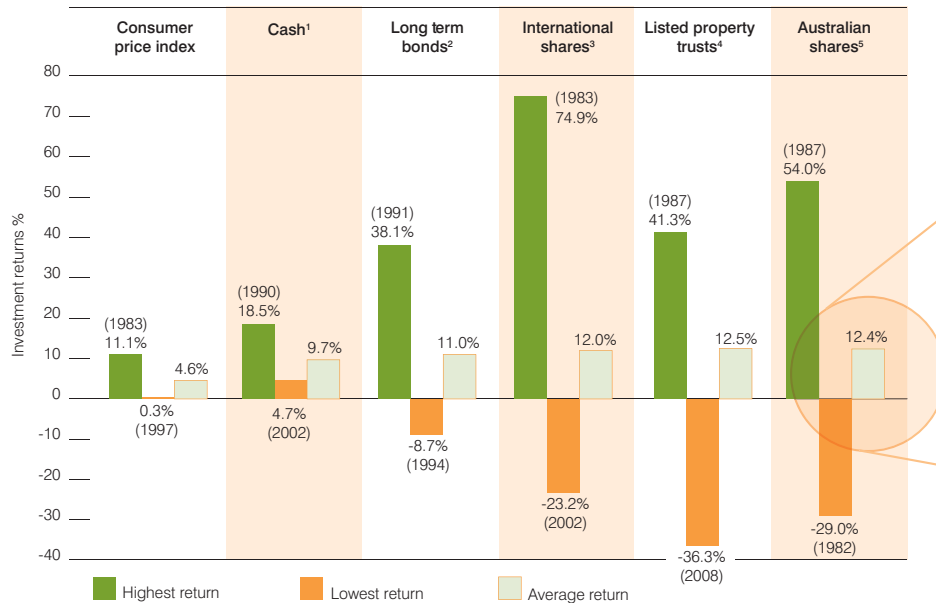
When economic concerns underpin the market corrections, this can result in a more drastic decline and a phase of negative returns. In the past, where this has occurred, the investment markets usually followed with a growth phase, where performance recovered to achieve more realistic, average rates of return.

In the last 30 years, investment markets have seen several instances of negative returns, 1981-1982, 1987-1988, 1990, 1994 and 2001-2003.

These have been followed by significant, sometimes stronger than expected, growth phases. The chart below shows the highest and lowest returns for various asset classes since 1980, compared to inflation. The inset graph shows the amount of volatility incurred during that time to achieve the highest and lowest returns for just one asset class, Australian shares.

... INVESTMENT MARKETS HAVE SEEN SEVERAL INSTANCES OF NEGATIVE RETURNS... THESE HAVE BEEN FOLLOWED BY SIGNIFICANT, SOMETIMES STRONGER THAN EXPECTED, GROWTH PHASES.

## Highest and lowest returns for various asset classes



1 Reserve Bank of Australia data used prior to March 1987, UBS Australia Bank Bill Index data used from March 1987.  
 2 Commonwealth Bank All Series Greater than 10 Years Bond Accumulation Index. 3 MSCI World ex-Australia Gross Total Return Index. 4 S&P/ASX Listed Property Trust Accumulation Index. 5 S&P/ASX All Ordinaries Accumulation Index.  
 Data from 1 July 1980 to 30 June 2008. Past performance is not a reliable indicator of future performance.

# Seasonal changes have little impact on the long term

While negative returns may form part of the natural investment cycle, history has demonstrated that the long term trend of market returns is upward.

In previous periods of negative returns, markets commonly bounced back to even higher levels in following years. At the end of June 1982, Australian shares (S&P/ASX All Ordinaries Index) posted a loss of -29.0%, and the following 30 June 1983 posted a positive return of 34.7% for the year.

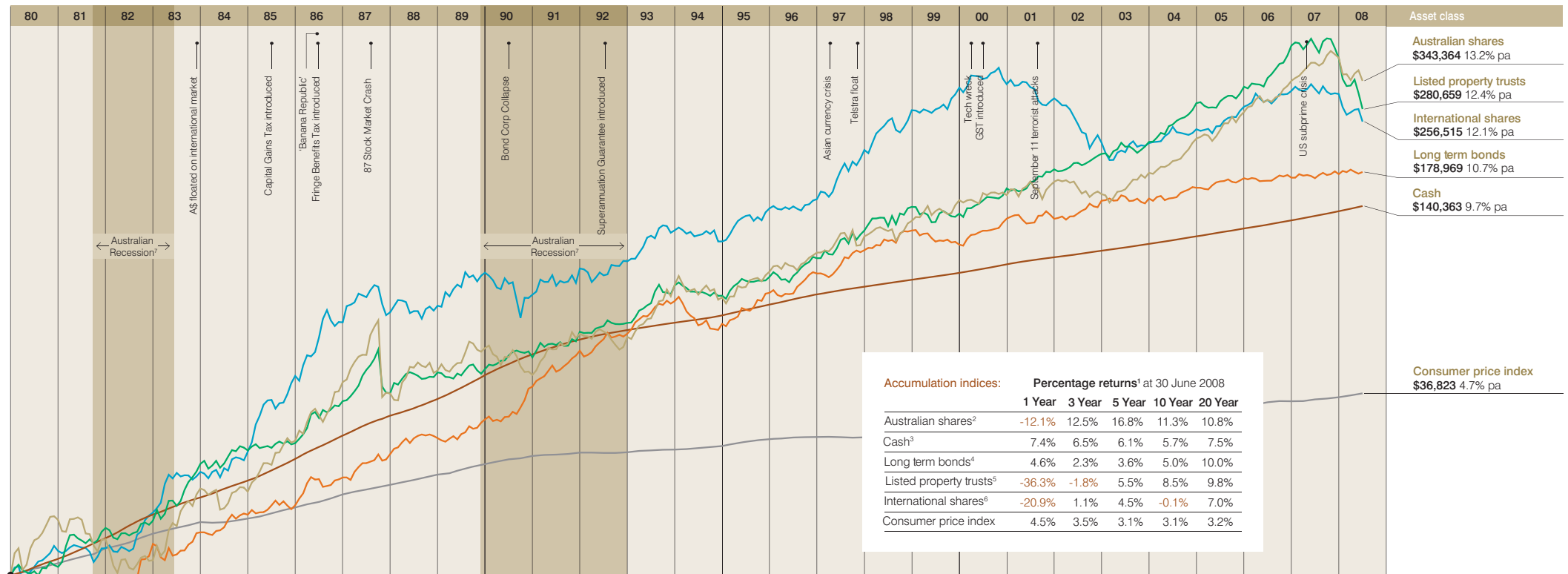
Markets change rapidly. Not only can market declines occur quickly, rebounds can seem just as unexpected.

As the following graph shows, the short term impact of negative returns has little impact over the long term.

Despite periods of negative returns, the general trend of investment returns over the long term is positive.

Consider an investment of \$10,000 made in 1980. Depending on what asset class you invested your money in, you could have achieved a return of up to 13.2% pa and your investment could now be worth over \$300,000.

## Growth of \$10,000 since 1980



Source: Andex Charts Pty Ltd. Notes: Growth of \$10,000 – no acquisition costs or taxes have been taken into consideration and all income has been reinvested. 1. One year returns are total returns from 30 June 2007 to 30 June 2008. Five, ten and twenty-year returns are average annual compound returns to 30 June 2008. 2. S&P/ASX, All Ordinaries Accumulation Index. 3. Data used in the construction of the index prior to March 1987 provided by the Reserve Bank of Australia. From March 1987 the index is the UBS Australia Bank Bill Index.

4. Commonwealth Bank All Series Greater than 10 Years Bond Accumulation Index. 5. S&P/ASX Listed Property Trust Accumulation Index. 6. MSCI World ex-Australia Gross Total Return Index. 7. As defined by the Melbourne Institute of Applied Economic and Social Research. Past performance is not a reliable indicator of future performance.

# Warmer weather forecast for new growth

Despite the decline in performance during 2007/2008, Telstra Super's 3 – 5 year outlook remains positive.

Telstra Super has not changed its long term strategic direction in response to the sudden market downturn experienced during 2007/2008. However, we implemented some protective strategies such as minor adjustments to asset allocations, reduced risk in single asset class sectors and options, decreased exposure to emerging markets and increased exposure to cash investments.

Telstra Super constantly reviews its overall investment strategy with the aim of creating wealth for members. Our strategy is managed by a team of experts together with a diverse range of specialist fund managers we appoint. Together we are well placed to capitalise on market opportunities as they arise.

Our investment strategy remains focused on diversification, risk reduction and value-add opportunities, which positions Telstra Super well for a market rebound.

While the exact timing of the market upswing is hard to predict, one thing seems certain – markets will recover from this negative territory, and we will inevitably see positive returns again, in line with our return objectives.

MARKETS WILL RECOVER FROM THIS NEGATIVE TERRITORY, AND WE WILL INEVITABLY SEE POSITIVE RETURNS AGAIN.



## Investment performance in 2007/2008

The table below shows the results for each of Telstra Super's investment options for the 2007/2008 financial year.

A more detailed explanation of our investment options and their audited investment returns over the last five years starts on page 19.

### 2007/2008 investment returns

The figures below show the investment returns for members invested in a single investment option for the full financial year. If you switched investment options throughout the year, your investment return will not equal the figures below.

If your super has been invested in a number of investment options, your investment return will depend on the relative combination of investment options you have chosen.

Investment option	Accumulation member returns*	Telstra Super RetireAccess member returns*
Growth	-13.13%	-14.20%
Balanced	-8.19%	-9.10%
Conservative	-0.30%	-0.48%
International Shares	-16.76%	-18.28%
Australian Shares	-11.54%	-12.15%
Property	-21.76%	-24.69%
Fixed Interest	1.59%	2.01%
Cash	5.53%	6.48%

\* Investment management fees and taxes have been deducted before calculating these figures; administration fees were not. Telstra Super RetireAccess investment returns are different to Accumulation member returns because they are not subject to tax. Past performance is not a reliable indicator of future performance.

## How your super performed this year

Investment returns are credited to your super account according to your chosen investment option's daily unit price. You can check these on our website daily.

### Unit prices

The opening and closing unit prices for each of our investment options for the 2007/2008 financial year are listed below.

Investment option	Accumulation*		Telstra Super RetireAccess†		Telstra Super Personal Plus‡	
	1 July 2007 opening unit price	30 June 2008 closing unit price	1 July 2007 opening unit price	30 June 2008 closing unit price	1 July 2007 opening unit price	30 June 2008 closing unit price
Growth	1.96441	1.70650	2.04259	1.74118	1.90316	1.64196
Balanced	1.81208	1.66375	1.87703	1.69514	1.75592	1.60105
Conservative	1.45397	1.44959	1.48200	1.46528	1.40992	1.39667
International Shares	1.83859	1.53052	1.90878	1.54957	1.78231	1.47491
Australian Shares	2.53290	2.24057	2.67726	2.33691	2.45070	2.15176
Property	1.85356	1.45014	1.94791	1.45704	1.80639	1.39682
Fixed Interest	1.17084	1.18940	1.16924	1.18414	1.14196	1.15333
Cash	1.21748	1.28483	1.21625	1.28675	1.18207	1.24030

\* This unit price is applicable to Telstra Super Corporate Plus, Telstra Super Casuals, Sensis Super Plus Accumulation and Voluntary Accumulation Accounts or other accumulation accounts held by defined benefit members. Tax and investment management fees have been deducted from these unit prices, but administration fees, insurance and switching costs as applicable have not.

† These unit prices include administration fees and investment management fees, but exclude insurance and switching costs as applicable. Telstra Super RetireAccess returns are not subject to tax.

‡ These unit prices include tax, administration fees and investment management fees, but exclude insurance and switching costs as applicable.

## Investment roundup

Domestic and global markets proved a challenge for investors throughout 2007/2008, with high volatility resulting from rising oil prices, the sub-prime mortgage crisis and rising inflation.

### Market performance

Share markets were hit hard during 2007/2008, with the Australian stock market finishing at -13.7%<sup>1</sup> for the year to 30 June.

Global share markets fared worse than the Australian market with an overall result of -21.3%<sup>2</sup>. The US<sup>3</sup> and UK<sup>4</sup> stock markets both finished on -14.9% for the financial year. The German DAX reported a loss of -19.8%, the French -26.8%<sup>5</sup> and the Japanese -25.7%<sup>6</sup>.

The property market also saw significant volatility despite strong residential property prices domestically. Property trusts were a major contributor to the slide of the property index, which finished at -36.4%<sup>7</sup> for the year.

Fixed interest was a sound performer, with the Australian bond market posting a positive 4.4%<sup>8</sup> return for the 2007/2008 year. International bond markets returned 7.9%<sup>9</sup> over the same period.

Cash was a reasonable performer, with the Australian short term money market closing a respectable 7.4%<sup>10</sup> for the full financial year.

### Telstra Super's performance

The tough global market conditions have been reflected in the performance of Telstra Super's investment options for the year. Telstra Super's investment options with exposure to share markets and property have experienced significant declines during the year compared to previous years. The investment options with exposure to these asset classes include Telstra Super's diversified options as well as the single asset class options, International Shares, Australian Shares and Property.

Despite this year's market downturn, Telstra Super continues to take a three to five year view in terms of our investment strategy. We have positioned ourselves well to take advantage of any change in market conditions.

In comparison to our peers, Telstra Super performed above the SuperRatings survey median for three of its accumulation investment options in 2007/2008. A comparison of Telstra Super's performance to other funds participating in the SuperRatings' surveys can be found on page 18.

<sup>1</sup> S&P/ASX300 Accumulation Index

<sup>2</sup> MSCI World Ex Australia in \$A (unhedged)

<sup>3</sup> S&P500

<sup>4</sup> FTSE

<sup>5</sup> CAC40

<sup>6</sup> Nikkei

<sup>7</sup> S&P/ASX200 Property Trust Accumulation Index

<sup>8</sup> UBS Australia Composite Bond Index

<sup>9</sup> Lehman Bros Global Aggregate Index (hedged to \$A)

<sup>10</sup> UBS Warburg Australia Bank Bill Index

## Comparing our performance to others

Telstra Super's investment returns are compared to SuperRatings Fund Crediting Rate Survey median results. The SuperRatings survey is an independent, comprehensive investment survey of over 500 of Australia's largest multi-employer and personal super funds in Australia.

Telstra Super outperformed the survey median for three accumulation options for the 12 months to 30 June 2008. In terms of 5 year average returns, excluding the Fixed Interest option which is not included in the SuperRatings survey, all our accumulation options have outperformed their respective survey medians.

The table below shows the performance of Telstra Super's investment options compared to other funds over the last 12 months and 5 years to 30 June 2008.

Investment option	1 year %		5 years % pa	
	Telstra Super	Survey median	Telstra Super	Survey median
Growth	-13.13%	-8.80%	10.98%	10.32%
Balanced	-8.19%	-6.39%	10.50%	9.80%
Conservative	-0.30%	-0.29%	7.61%	6.70%
International Shares	-16.76%	-17.27%	8.45%	4.65%
Australian Shares	-11.54%	-12.77%	17.04%	15.20%
Property	-21.76%	-17.98%	8.17%*	6.65%*
Fixed Interest	1.59%	3.77%†	3.54%*	4.27%*†
Cash	5.53%	5.11%	5.06%	4.92%

Source: SuperRatings Fund Crediting Surveys.

\* Five year returns for Telstra Super's Property and Fixed Interest options are notional as these options were not introduced until 1 January 2004. Notional figures are not included in SuperRatings surveys.

† Telstra Super's Fixed Interest option was not included in the SuperRatings Fund Crediting Rate Survey as it does not meet the criteria for inclusion with a long term allocation of 100% Australian fixed interest.

The asset allocation for each fund referred to in the surveys may vary from the asset allocation of Telstra Super's investment options. Investment management fees and taxes (where applicable) have been deducted before calculating Telstra Super's returns; administration fees were not.

Past performance is not a reliable indicator of future performance.

## Growth option

### 2007/2008 returns

-13.13% Accumulation member returns  
-14.20% *Telstra Super RetireAccess* returns\*

### Objective

To earn high returns over the long term.

### Strategy

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

### Volatility/Risk

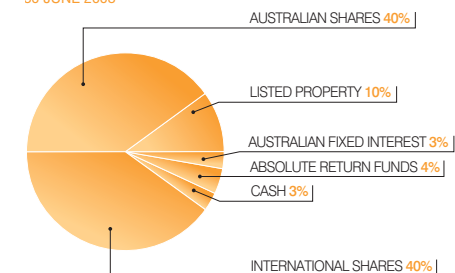
A higher level of volatility to achieve potentially higher returns in the long term. The value of your super may rise or fall in the short term.

### Risk of negative return

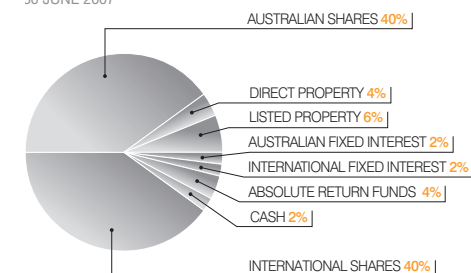
1 year in every 4.

### Asset allocation

30 JUNE 2008



30 JUNE 2007



### Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2007/2008	-13.13%	-14.20%
2006/2007	21.13%	23.15%
2005/2006	19.52%	21.65%
2004/2005	14.01%	15.80%
2003/2004	17.41%	19.87%
<b>Five-year average return</b>	<b>10.98%</b>	<b>12.28%</b>

\* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## Balanced option

### 2007/2008 returns

-8.19% Accumulation member returns  
-9.10% *Telstra Super RetireAccess* returns\*

### Objective

To earn moderately high and consistent returns over the medium to long term.

### Strategy

The Balanced option has a moderate bias towards growth assets, such as Australian and International shares and property, balanced by an allocation towards financial assets such as Australian and International fixed interest securities and cash.

### Volatility/Risk

A medium level of volatility to achieve potentially good returns with less risk of fluctuations in value over the short term.

### Risk of negative return

1 year in every 5.

### Default option

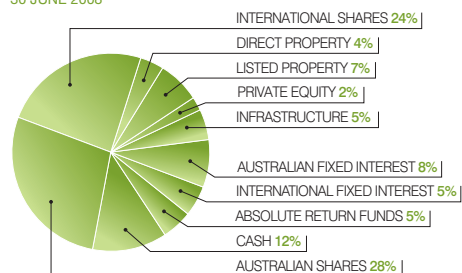
The Balanced option is currently the default option† for all new Telstra Super Accumulation members aged up to 59 years who do not choose an investment option.

### Performance

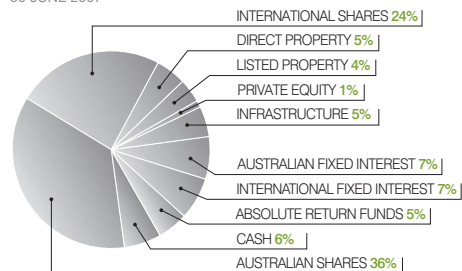
Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2007/2008	-8.19%	-9.10%
2006/2007	18.19%	20.13%
2005/2006	16.87%	18.84%
2004/2005	13.13%	14.91%
2003/2004	14.85%	17.02%
<b>Five-year average return</b>	<b>10.50%</b>	<b>11.78%</b>

### Asset allocation

30 JUNE 2008



30 JUNE 2007



## Conservative option

### 2007/2008 returns

-0.30% Accumulation member returns  
-0.48% *Telstra Super RetireAccess* returns\*

### Objective

To earn returns above cash over the medium term, through moderate exposure to growth assets.

### Strategy

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

### Volatility/Risk

A moderate level of volatility for more consistent returns.

### Risk of negative return

1 year in every 8.

### Default option

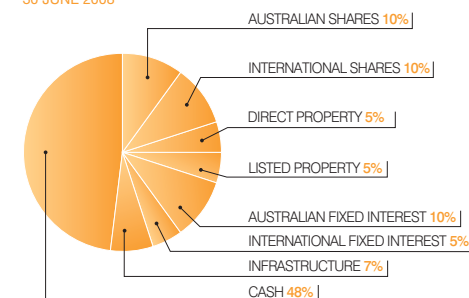
The Conservative option is currently the default option† for all Telstra Super Accumulation members aged 60 years and over who do not choose an investment option.

### Performance

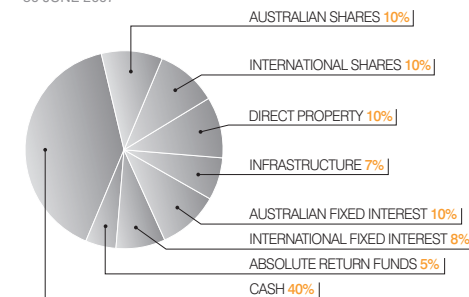
Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2007/2008	-0.30%	-0.48%
2006/2007	10.81%	12.33%
2005/2006	9.57%	10.97%
2004/2005	8.98%	10.42%
2003/2004	9.39%	10.82%
<b>Five-year average return</b>	<b>7.61%</b>	<b>8.70%</b>

### Asset allocation

30 JUNE 2008



30 JUNE 2007



\* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

† Default investment options were changed on 1 July 2003. For information on default options before that date, please call 1300 033 166. Past performance is not a reliable indicator of future performance.

\* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

† Default investment options were changed on 1 July 2003. For information on default options before that date, please call 1300 033 166. Past performance is not a reliable indicator of future performance.

## International Shares option

### 2007/2008 returns

-16.76% Accumulation member returns  
-18.28% *Telstra Super RetireAccess* returns\*

### Objective

To earn higher returns over the longer term through a diversified portfolio of international shares.

### Strategy

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

### Volatility/Risk

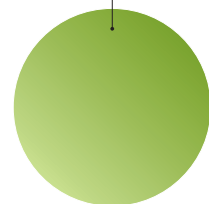
High volatility, reflecting exposure to a single asset class with higher growth/higher risk characteristics as well as some exposure to currency risk.

### Risk of negative return

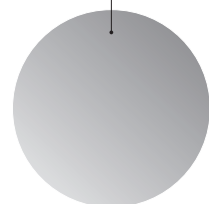
1 year in every 3.

### Asset allocation

30 JUNE 2008  
INTERNATIONAL SHARES 100%



30 JUNE 2007  
INTERNATIONAL SHARES 100%



### Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2007/2008	-16.76%	-18.28%
2006/2007	18.22%	19.89%
2005/2006	19.81%	21.69%
2004/2005	5.96%	6.71%
2003/2004	20.10%	23.84%
<b>Five-year average return</b>	<b>8.45%</b>	<b>9.52%</b>

\* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.  
Past performance is not a reliable indicator of future performance.

## Australian Shares option

### 2007/2008 returns

-11.54% Accumulation member returns  
-12.15% *Telstra Super RetireAccess* returns\*

### Objective

To earn high returns over the long term through a diversified portfolio of Australian shares.

### Strategy

The Australian Shares option is 100% invested in Australian shares. Diversification is achieved through exposure to a number of investment managers with different investment styles.

### Volatility/Risk

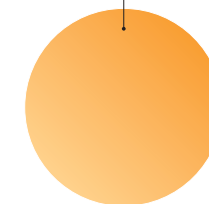
Higher volatility, reflecting exposure to a single asset class with high growth/high risk characteristics.

### Risk of negative return

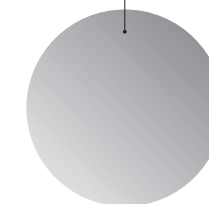
1 year in every 3.

### Asset allocation

30 JUNE 2008  
AUSTRALIAN SHARES 100%



30 JUNE 2007  
AUSTRALIAN SHARES 100%



### Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2007/2008	-11.54%	-12.15%
2006/2007	28.31%	31.13%
2005/2006	24.83%	27.41%
2004/2005	25.01%	27.94%
2003/2004	24.00%	26.63%
<b>Five-year average return</b>	<b>17.04%</b>	<b>18.92%</b>

\* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.  
Past performance is not a reliable indicator of future performance.

## Property option

### 2007/2008 returns

-21.76% Accumulation member returns  
-24.69% *Telstra Super RetireAccess* returns\*

### Objective

To earn moderately high and consistent returns via income and capital growth over the medium to long term.

### Strategy

The Property option invests exclusively in property assets with a strong bias to Australian listed property trusts. A maximum of 50% may be invested in direct property depending on market conditions. A portion may also be invested in international property for diversification reasons.

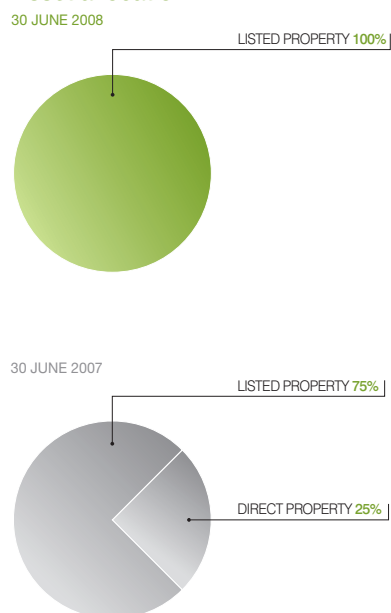
### Volatility/Risk

Moderate risk to achieve income returns and capital growth over the longer term.

### Risk of negative return

1 year in every 4.

### Asset allocation



### Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2007/2008	-21.76%	-24.69%
2006/2007	18.78%	20.99%
2005/2006	17.79%	20.24%
2004/2005	20.31%	23.38%
2003/2004	12.45%	14.33%
<b>Five-year average return</b>	<b>8.17%</b>	<b>9.10%</b>

Figures for the Property option are notional before 1 January 2004, the date the Property option was introduced. Notional returns are based on the actual performance of *Telstra Super*'s investments within the asset class during the relevant period.

\* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## Fixed Interest option

### 2007/2008 returns

1.59% Accumulation member returns  
2.01% *Telstra Super RetireAccess* returns\*

### Objective

To earn moderate returns over the medium term mainly through income returns. In the short term, returns can be negative from time to time.

### Strategy

The Fixed Interest option invests primarily in Australian fixed interest securities and may have exposure to cash. A maximum of 30% may be invested in international fixed interest and a maximum of 50% may be invested in Australian cash, depending on market conditions.

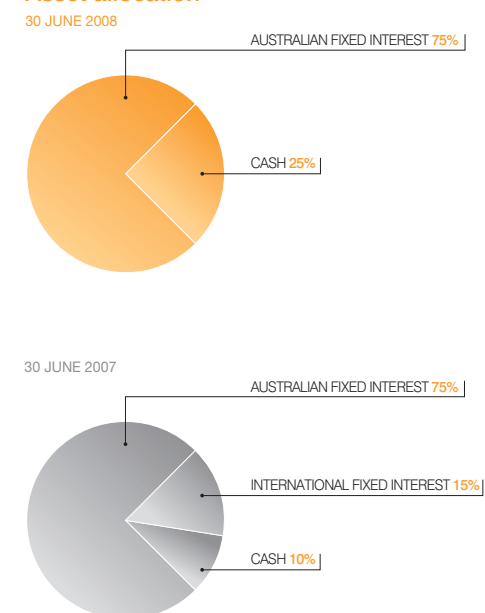
### Volatility/risk

Lower risk option for generating income returns that generally provides lower returns than equity but returns can be negative.

### Risk of negative return

1 year in every 6.

### Asset allocation



### Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2007/2008	1.59%	2.01%
2006/2007	4.23%	4.96%
2005/2006	3.79%	4.48%
2004/2005	6.06%	7.13%
2003/2004	2.07%	2.42%
<b>Five-year average return</b>	<b>3.54%</b>	<b>4.18%</b>

Figures for the Fixed Interest option are notional before 1 January 2004, the date the Fixed Interest option was introduced. Notional returns are based on the actual performance of *Telstra Super*'s investments within this asset class during the relevant period.

\* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## Cash option

### 2007/2008 returns

5.53% Accumulation member returns  
6.48% *Telstra Super RetireAccess* returns\*

### Objective

To provide security of capital. Returns will reflect short term money market interest rates.

### Strategy

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

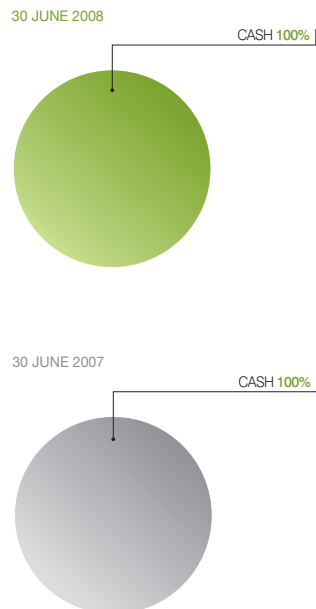
### Volatility/Risk

A low level of volatility, but generally lower returns in most years than the other Telstra Super investment options.

### Risk of negative return

Nil.

### Asset allocation



## Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2007/2008	5.53%	6.48%
2006/2007	5.43%	6.36%
2005/2006	4.99%	5.86%
2004/2005	4.85%	5.70%
2003/2004	4.52%	5.32%
<b>Five-year average return</b>	<b>5.06%</b>	<b>5.94%</b>

\* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.  
Past performance is not a reliable indicator of future performance.

## Defined benefit members

If you are a member of *Telstra Super Division 2*, *Telstra Super Division 5* or *Sensis Super Plus Defined Benefit*, all or most of your super is a defined benefit. Unlike an accumulation account, a defined benefit does not rely on investment returns to grow. Instead, your super is worked out using a formula that is generally based on your salary, your length of service with your employer and the rates at which you have been contributing to your super.

This means that investment returns do not impact the amount of super you get in retirement from your defined benefit. However, Telstra Super invests both employer and member defined benefit contributions in line with the defined benefit objectives and strategies.

### Our defined benefit investment objectives

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

### Our defined benefit investment strategy

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

### Defined benefit net earning rates

The defined benefit net earning rate was -5.68% on our investment portfolio for 2007/2008.\*

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

# Our investment managers

Following is a list of Telstra Super's investment managers as at 30 June 2008. Telstra Super also manages investments internally, including Australian shares, property, infrastructure and asset allocation overlay.

## Australian shares

- AllianceBernstein Investment Management Australia Limited
- Barclays Global Investors Limited
- BlackRock Financial Management Inc
- BT Funds Management Limited
- Constellation Capital Management Limited
- IB Australian Bioscience Fund
- Legg Mason Asset Management Australia Limited
- LG Investment Group Ltd
- MIR Investment Management Limited
- Perpetual Investment Management Limited
- Portfolio Partners Limited
- Schrodgers Investment Management Australia Limited
- State Street Global Advisors, Australia Limited
- Telstra Super Pty Ltd

## International shares

- Acadian Asset Management Inc.
- AllianceBernstein Investment Management Australia Limited
- BNP Paribas Asset Management Australia Limited
- Clay Finlay Inc.
- Credit Suisse Asset Management (Australia) Limited
- DFA Australia Limited
- IXIS Asset Management Australia Limited
- Legg Mason Asset Management Australia Limited
- LSV Asset Management
- Morgan Stanley Investment Management
- MFS Institutional Advisors (Australia) Limited
- Treasury Asia Asset Management Limited
- Turner Investment Partners Pty Ltd
- Vanguard Investments Australia Limited
- Wellington International Management Company Pte Ltd

## Property

- AMP Capital Investors Limited
- AMP Capital Redding Investors Limited
- APN Funds Management Limited
- Colonial First State Property Limited
- Fiduciary Trust International Australia Limited
- Goodman Funds Management Australia Industrial Limited
- Investa Properties Limited
- Lend Lease Real Estate Investments Limited
- Macquarie Investment Management Limited
- Mirvac Domaine Property Funds Limited
- MGPA Limited
- Retirement Villages Group
- Telstra Super Pty Ltd
- Valad Core Plus Management Pty Ltd
- Warakirri Asset Management Pty Ltd

## Infrastructure

- Hastings Funds Management Limited
- Perpetual Investment Management Limited
- RARE Infrastructure Ltd
- Telstra Super Pty Ltd

## Private equity

- Adam Street Partners LLC
- Arclight Capital Partners, LLC
- Doughty Hanson & Co Managers Limited
- Goldman Sachs JB Were Asset Management Pty Ltd
- HarbourVest Partners LLC
- Knightsbridge Advisors Incorporated
- Macquarie Funds Management
- MidEuropa Partners, LLP
- Northgate Capital, LLC
- Oaktree Capital Management, LLC
- Quay Partners Pty Ltd
- Siguler Guff & Company, LLP
- Sun Capital Partners, Inc
- The Blackstone Group
- Wilshire Australia Pty Ltd

## Absolute return funds

- Aetos Capital, LLC
- BT Financial Group Pty Ltd
- FRM Investment Management Limited
- The Blackstone Group

## Australian fixed interest

- AllianceBernstein Investment Management Australia Limited
- Challenger Managed Investments Limited
- ME Portfolio Management Limited

## International fixed interest

- BlackRock Financial Management Inc
- PIMCO Australia Pty Ltd

## Cash

- BT Funds Management Limited
- Macquarie Investment Management Limited

## Currency overlay

- Pareto Partners Australia Pty Ltd

## Asset allocation overlay

- Telstra Super Pty Ltd

## Abridged financial statements

	2008 \$'000	2007 \$'000
<b>Change in net assets available to pay members' benefits</b>		
<b>Net assets available at the beginning of the year</b>	<b>11,007,486</b>	<b>9,306,367</b>
<b>Plus</b>		
<b>Contributions</b>		
Employer contributions	89,368	65,349
Member contributions	192,222	225,633
Amounts rolled in from other super funds	252,139	256,569
	<b>533,729</b>	<b>547,551</b>
<b>Revenues</b>		
Investment earnings	(972,772)	1,780,504
Other income	5,181	3,522
	<b>(967,591)</b>	<b>1,784,026</b>
<b>Total inflows</b>	<b>(433,862)</b>	<b>2,331,577</b>
<b>Less</b>		
Benefits paid	515,173	407,358
Investment expenses	45,774	40,285
Administration costs	27,295	27,347
Group life insurance premiums	17,315	12,442
Surcharge tax	341	3,971
Income tax expense/(benefit)	(121,449)	139,055
<b>Total outgoings</b>	<b>484,449</b>	<b>630,458</b>
<b>Net movement for year</b>	<b>(918,311)</b>	<b>1,701,119</b>
<b>Net assets available at end of the year</b>	<b>10,089,175</b>	<b>11,007,486</b>
<b>Less reserves</b>	<b>30,250</b>	<b>25,250</b>
<b>Net assets available to pay members' benefits</b>	<b>10,058,925</b>	<b>10,982,236</b>

	2008 \$'000	2007 \$'000
<b>Statement of net assets</b>		
<b>Investments</b>		
Short term money market	64,591	206,540
Australian fixed interest securities	1,995,708	1,124,717
International fixed interest securities	684,308	861,878
Australian shares	2,738,610	3,258,082
International shares	2,617,259	3,903,437
Private equity	436,653	362,497
Infrastructure	301,902	258,868
Property	1,263,713	1,273,345
<b>Total investments</b>	<b>10,102,744</b>	<b>11,249,364</b>
<b>Other assets</b>		
Cash and receivables	55,873	63,284
Operating plant and equipment	897	1,362
<b>Total other assets</b>	<b>56,770</b>	<b>64,646</b>
<b>Total assets</b>	<b>10,159,514</b>	<b>11,314,010</b>
<b>Less liabilities</b>		
Benefits payable	1,887	258
Tax liabilities	42,198	281,647
Other liabilities	26,254	24,619
<b>Total liabilities</b>	<b>70,339</b>	<b>306,524</b>
<b>Net assets</b>	<b>10,089,175</b>	<b>11,007,486</b>
<b>Less reserves</b>	<b>30,250</b>	<b>25,250</b>
<b>Net assets available to pay members' benefits</b>	<b>10,058,925</b>	<b>10,982,236</b>

A full copy of our audited accounts can be obtained by writing to:  
Company Secretary, Telstra Super Pty Ltd, PO Box 14309, MELBOURNE VIC 8001

# About us

## What does Telstra Super Pty Ltd do?

Telstra Super Pty Ltd is the Trustee of Telstra Super. The purpose of Telstra Super Pty Ltd is to ensure Telstra Super continues to provide appropriate superannuation benefits to members and their dependants. Telstra Super Pty Ltd has a Board of Directors responsible for the management of Telstra Super.

## Telstra Super's Board of Directors

The Board of Directors has the responsibility of ensuring that Telstra Super is administered in accordance with the rules of the fund and all legal requirements. The Board of Directors has an equal number of member and employer representatives. In addition, the Board has chosen to appoint an Independent Chairman. Telstra Super's Board of Directors as at 30 June 2008 is set out below.

### Independent Chairman

Clive Batrouney

### Employer Directors

Carmel Mulhern

Jan Price

John Stanhope

Laurie Wood

### Member Directors

Grant Belchamber

Robert Belzer

Gery Kandelaars

Ian McCarthy

The Trustee has determined that a Member Director can only be appointed following their nomination in writing by the Australian Council of Trade Unions. All Employer Directors are appointed after being nominated in writing by Telstra Corporation Limited. The Independent Chairman can only be chosen, removed or have the terms of his/her appointment changed by resolution of the Directors.

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

## Telstra Super Board attendance record 2007/2008

Name	Board		Committees	
	Held	Attended	Held	Attended
Clive Batrouney	11	11	11	11
Douglas Gration*	11	1	6	1
Carmel Mulhern*	11	2		
Jan Price	11	11		
John Stanhope	11	8	6	6
Laurie Wood	11	7	8	6
Grant Belchamber	11	11	6	6
Robert Belzer <sup>1</sup>	11	10		
Gery Kandelaars	11	11	11	11
Ian McCarthy	11	11	3	3
Anthony Cherubin <sup>2</sup>		2		1
Cliff Davis <sup>3</sup>		3		
Binda Gokhale <sup>4</sup>		7		4
Samantha Kennedy <sup>5</sup>				
Sean Keogh <sup>6</sup>		2		1

\* Douglas Gration resigned effective 07/09/07 and Carmel Mulhern was appointed effective 11/09/07.

#### Alternates

<sup>1</sup> Alternate for Grant Belchamber

<sup>2</sup> Alternate for Laurie Wood 01/07/07 – 02/11/07

<sup>3</sup> Alternate for John Stanhope and Jan Price

<sup>4</sup> Alternate for Carmel Mulhern 11/09/07 – 30/06/08

<sup>5</sup> Alternate for Douglas Gration 01/07/07 – 07/09/07

<sup>6</sup> Alternate for Laurie Wood 02/11/07 – 30/06/08

# Important information

## Telstra Super Trust Deed changes

The Telstra Super Trust Deed sets out the rules by which Telstra Super is managed. Amendments were made to the Trust Deed as at 24 June 2008. The most significant of these amendments were:

- to reflect the revised insurance arrangements that were entered into by the Trustee with TOWER Australia Limited with respect to the Death, Total & Permanent Disablement and income protection benefits of various fund members.
- to allow members to make a binding death benefit nomination.
- to make investment choice available to beneficiaries who elect to receive a death benefit as an income stream.

Previous amendments at 29 August 2007 were:

- to reflect the Federal Government's Simpler Superannuation legislative reforms.

You can obtain a copy of the Telstra Super Trust Deed online at [www.telstrasuper.com.au](http://www.telstrasuper.com.au)

## Surcharge

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

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

If you are a defined benefit member, any surcharge applicable to your defined benefit was recorded in your Surcharge Account. You may have chosen to pay an amount equal to the amount of the surcharge, which Telstra Super Pty Ltd then applied against your Surcharge Account. If you did not pay the amount in your Surcharge Account by the date nominated on your assessment, interest will be charged to this account. The balance of this account will be deducted from your final benefit when you cease to be a defined benefit member. The surcharge interest rate\* for 2007/2008 was 6.25%, increasing to 6.50% for 2008/2009.

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

## Telstra Super's advisers

We use external professional advisers to ensure that Telstra Super continues to operate correctly and efficiently. Telstra Super's key advisers for the year to 30 June 2008 are listed below.

**Actuarial advisers and asset consultant**  
Russell Investment Group

**External auditors**  
Ernst & Young

**Principal legal advisers**  
Freehills

**Master Custodian**  
National Australia Bank Limited

## Derivatives

A derivative is a financial contract, the value of which depends on or is derived from assets, liabilities or indices (the underlying asset). Derivative transactions include a wide assortment of instruments such as forwards, futures, options, share ratios, warrants, swaps and other composites.

The use of derivatives in external and internal investment mandates is authorised under Telstra Super's Trust Deed. Use of derivatives for gearing or speculative purposes is prohibited.

The responsible and properly managed use of derivatives assists Telstra Super Pty Ltd to achieve its investment objectives for the fund. Derivatives are used principally to:

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

Telstra Super Pty Ltd monitors the use of derivatives by:

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

## Reserves

The Trustee established a general administration reserve on 30 June 2008. The purpose of the reserve is to meet any large unexpected expenses that may arise from time to time. The Trustee also has an insurance reserve to meet benefits internally insured, and a reserve to meet APRA licensing requirements. The total value of the reserves in each of the last three years was as follows:

30 June 2008: \$30,250,000  
30 June 2007: \$25,250,000  
30 June 2006: \$25,000,000.

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

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

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### Disclaimers

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

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

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

The details in this Annual Report are correct as at September 2008.

This report was designed by X2 Design.



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# Contacting us

If you have any questions about Telstra Super or your membership you can...



## **Call 1300 033 166**

Our Member Services Consultants are available from **8.00am** to **5.30pm** (Melbourne time), Monday to Friday.



## **Visit [www.telstrasuper.com.au](http://www.telstrasuper.com.au)**

Send us an enquiry or use *SuperOnline*™ to access or update your super details



## **Fax 03 9653 6060**

This fax line is dedicated to member enquiries.



## **Write**

Telstra Super Pty Ltd  
PO Box 14309  
MELBOURNE VIC 8001



## **Visit**

Telstra Super Member Centre  
Foyer, 242 Exhibition Street  
Melbourne

