

Product Disclosure Statement Book 2 of 2



A Guide to Investing

TelstraSuper 



This Product Disclosure Statement is made up of 2 separate books. We encourage you to read both books before making any investment decisions:

Book 1 Product Guide

Outlines the main features and benefits of your account and how your account works.

Book 2 A Guide to Investing (this book)

Outlines the investment options available to you, as well as explaining important investment concepts to help you make any choices.

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Glossary

To help keep super as simple as possible for you, we have included explanations of some super terms in our glossary on page 21. These words are in **bold** print when they appear throughout this book.

Information in this product disclosure statement that does not materially affect your super may change from time to time. Any updated information will be available on our website at **www.telstrasuper.com.au** or a copy of any updated information can be requested free of charge by calling **1300 033 166**.

Telstra Super is a superannuation fund that provides super benefits to current and former employees of Telstra Corporation Limited (Telstra) and its associated companies, as well as the eligible family of Telstra Super members.

Telstra Super Pty Ltd has a licence to deal in and provide general advice about superannuation products. Telstra Super Pty Ltd acts on its own behalf in providing these services.

Telephone 1300 033 166 Facsimile 03 9653 6060 www.telstrasuper.com.au
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.

1 November 2010

Planning for your future

At Telstra Super, you can plan your super, your way

What does your future hold? Can you predict how much money you will need to meet your lifestyle goals 5, 10, or even 20 years from now? Even though money is not the only key to future happiness, it will play a large role in the freedom you have, the choices you are able to make and the security you feel.

While you just cannot beat good old fashioned saving to reach your financial goals, investing wisely puts your money to work so that you can save even more in the long run.

How you invest your super depends upon your attitude to **risk** and the number of years you have until retirement and your own financial plans. As you move through different stages in your life, your financial needs will change, so too will your appetite for **return** and your tolerance for risk.

With Telstra Super you can choose from a broad range of investment options including: Australian Shares, International Shares, Growth, Balanced, Defensive Growth, Conservative, Property, Fixed Interest, Cash or a combination of options. But choosing an option is not for everyone. If you do not want to make a choice, you do not have to – you will automatically be placed in the **default option** for your age (the Balanced option if you are under 60 or the Conservative option if you are 60 or older – see page 12).

Each option has different objectives, strategies and risk. This book outlines each option to help you think about your future and the way your money can grow over time. It also explains important investment concepts that you need to understand before you make investment decisions.

This book is an important reference while you are a member of Telstra Super. Please ensure you have the latest copy by calling our Member Services Consultants on **1300 033 166** or visit our website at www.telstrasuper.com.au

Planning ideas

When you retire, your salary stops, but your need for income does not. While it may seem far away, it is never too early to start thinking about what you would like to do in your retirement. Here are some ideas to get you started.

Set your goals

First, you need a clear understanding of your retirement goals. Whether it is relaxing at the beach, travelling or starting up a small business, you need to ensure that when you get to retirement, your means match your goals.

Estimate how much income you will need to meet your goals

As a general rule, experts say you will need between 60% and 80% of your final annual salary to maintain your current lifestyle in retirement. You can use this percentage as a quick gauge, but it is worth calculating estimated costs to make sure you take your personal circumstances into account. Do not forget to include **inflation** when estimating how much things will cost in the future, as explained on page 5.

The Westpac ASFA Retirement Standard release regular figures indicating the costs of living for couples or singles to achieve a moderate or comfortable lifestyle in retirement.

For up-to-date information on how much super is enough and the Westpac ASFA Retirement Standard, visit the Life Changes section at www.telstrasuper.com.au

Turn your estimated income into a lump sum goal

Once you know the annual income you need, how much do you need to save? As you can see from the table below, the more income you need (and the earlier you want to retire), the more capital you need to maintain the same level of income.

The table below estimates the **lump sum** required to provide different levels of income at different ages, but it is to be used as a guide only, because everyone's individual circumstances are different.

Have a look at the online calculators at www.telstrasuper.com.au that can help you make the most of your super.

Table indicates the estimated lump sum required to provide different levels of income at different ages

Retirement age	Net annual income of \$20,000 requires a lump sum of	Net annual income of \$30,000 requires a lump sum of	Net annual income of \$40,000 requires a lump sum of	Net annual income of \$50,000 requires a lump sum of
55	\$364,400	\$548,750	\$731,645	\$921,050
60	\$328,650	\$493,000	\$657,250	\$821,550
65	\$285,300	\$427,950	\$570,600	\$713,250

Source: Telstra Super Financial Planning

Assumptions

- Investor purchases an income stream equivalent to *Telstra Super RetireAccess*® and it is their only taxable income.
- Investor does not convert any part of their income stream to a lump sum or make additional contributions after retirement.
- Calculations are in year 2010 dollars based on a 'real' rate of return of 4% pa after 3% inflation (total return of 7%).
- Taxation has been taken into account on the basis that the superannuation benefit used to purchase the income stream has no tax free element.

- Calculations are based on personal income tax rates that apply from 1 July 2010 and allowance has been made for tax payable on the income payments (assuming the 15% offset is applicable).
- The capital is virtually expended at age 85.
- The figures in the table are based on a full financial year and are applicable at the commencement of an income stream.
- Future performance is not guaranteed.
- Figures are an estimate only.

Start your saving and investing

Now that you know your retirement goals and have estimated how much money you will need, it is time to save and invest.

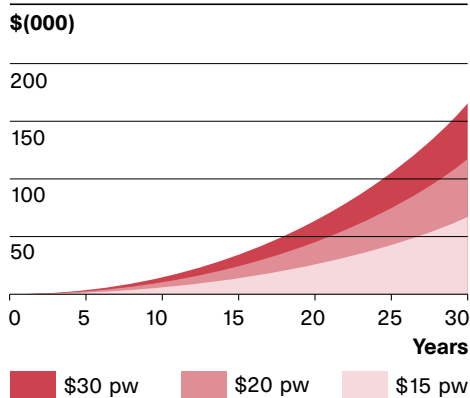
Saving

Saving even small amounts can make a big difference to the way your savings grow over time. As a member of Telstra Super, you may make regular or one-off contributions, and you would be surprised at what a difference this can make.

For example if you contribute just \$30 each week over the next 20 years, with an average investment return of 7% pa, you could save an additional \$67,720 (excluding fees and taxes).

Take a look at the graph below showing the difference between contributing \$15, \$20 or \$30 each week to your investment over a period of time.

Savings over time



Source: Telstra Super Financial Planning Pty Ltd.

Assumptions

- Interest rate of 7% pa.
- This example does not take into account an assumed change in the cost of living between when this example was prepared and the future.
- Based on constant contributions of \$15, \$20 or \$30 per week.

Future performance is not guaranteed.

You can also roll in super from other funds. Contribution or Rollover Request forms are available by calling **1300 033 166** or can be downloaded at www.telstrasuper.com.au

Investing

Investment **returns/earnings** can also have a major impact on your savings. If you contribute \$30 each week for 20 years but earn an average investment return of 10%, you will save \$98,718 (excluding fees and taxes).

There is a trade off when considering higher investment returns which is the higher **risk** of negative returns. The level of risk you are prepared to take depends on your personal circumstances.

Get expert advice

Consider visiting a financial planner to help you put a financial plan into place. Telstra Super Financial Planning offers members financial advice about Telstra Super products at no additional cost to you.

Our Super Advisers can provide you with limited financial advice over the phone on matters such as investment choice and contributions - see page 23 for details.

Considerations when investing

One of the challenging things about investing is the more you aim for higher returns, the greater the **risks**, including that you may have negative **returns**. See the risks of investing table on page 6 for more information on the different types of risk.

There are some ways to manage the trade off between risk and return that are worth considering.

Invest to suit your timeframe

Everyone has a different attitude towards risk and return. Some people are comfortable to bear negative returns in the short term to gain higher returns in the long term. Others prefer to invest very cautiously, often trading off potential gains for the safety of conservative investments. Then, there are others who consider themselves to be somewhere in between.

You might ask does it really matter if you earn a constant flow of lower returns instead of aiming for possible higher returns? The answer is yes. It matters a great deal, especially over a long period of time because even seemingly small differences in returns can have a big impact on your final results. A constant flow of returns is also more likely to enable your investment to keep up with **inflation**.

However, if you do not need your super straight away, you have more time to ride out the highs and lows of growth investments.

So, it is important that you link your investor style with the amount of time you have to invest. Telstra Super Financial Planning can help you understand your investor style.

To make an appointment to see a planner call **1300 033 166** or email **appointments@telstrasuper.com.au**

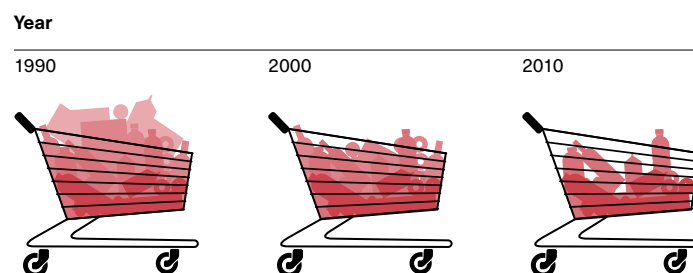
Beat inflation

Nothing makes the need to start saving and investing right away more apparent than the effect of inflation. Put simply, inflation decreases the value of your dollar, meaning that over time you need more money to purchase the same goods.

So, if your investment does not earn the kind of **returns** you need to keep up with rising costs, there is a chance that you will not earn enough to fund your retirement goals. That is why it is important that your investment can keep up with, and beat, rising costs due to inflation.

Take a look at the shopping trolley illustration to see how inflation has affected \$100 worth of groceries purchased in 1990. To purchase the same trolley of groceries bought in 1990 now, you would need to spend almost twice the amount due to the impact of inflation.

This illustration shows \$100 worth of groceries at various points in time.



Source: Telstra Super Financial Planning

Assumptions: based on CPI figures from 31 March 1990, 2000 and 2010

Diversify your investment to help minimise risk

Diversification is simply a term for spreading **risk**. It can be achieved by placing your investment in a mix of growth and financial assets, such as shares, fixed interest, property and cash. In this way, when one asset is not performing as well as expected, the other assets in your portfolio may help to balance the overall **return**. You have heard the saying, 'do not put all your eggs in one basket'. Apply this concept to investing and it can help reduce the impact of negative returns on your investment.

Telstra Super Pty Ltd also achieves diversification by selecting a wide range of specialist investment managers. This means that different specialists in each asset type manage your money, which also helps spread the risk. Each manager is carefully chosen to provide competitive performance as well as specialist skills in particular markets.

You can find a full list of our investment managers on page 8.

You will also be advised of any changes to investment managers in the latest Annual Report, or you can call one of our Member Services Consultants on **1300 033 166** for the latest list or visit our website at www.telstrasuper.com.au

The risks of investing

There are significant risks associated with investing and your super. You need to be aware that super laws and tax laws change often and this can impact on your investments. Also, the investment option you choose will change in value over time and may perform differently at different times due to various factors.

The significant risks of investing are:

Risk	Explanation
Inflation risk	Inflation may exceed the return on your investment.
Individual investment risk	The investment option you choose may drop in value.
Market risk	Changes in investment markets due to economic or political factors may occur, possibly causing changes in your investments.
Interest rate risk	Changes to interest rates may impact on investment returns.
Currency risk	Telstra Super invests in overseas investments and if the currency of those countries rises or falls, or if the Australian dollar rises and falls, the value of your investment may change.
Derivative risk	Telstra Super use derivatives to reduce risk, reduce transaction costs and as an efficient way to gain exposure to asset classes. Derivatives are not used for speculative purposes or for gearing. Risks associated with derivatives include the value of the derivative falling. We aim to minimise derivative risk by constantly monitoring the fund's use of derivative contracts and by entering into derivative contracts with reputable parties.
Changes to super law	Super laws change often and these changes may affect your investment.
Changes to tax law	Tax laws change often and these changes may affect your investment.
Manager risk	The risk an investment manager will not perform to expectation. Telstra Super's manager risk is reduced through using a diverse range of specialist investment managers chosen to provide competitive performance as well as specialist skills. Performance is carefully monitored and managed.

Take advantage of compound earnings

Compounding is the process where your investment receives **earnings** so your investment grows and you then receive earnings on this larger investment. By investing in your superannuation fund, all the contributions and earnings compound and grow until your benefit is paid.

If you think about compounding in terms of earnings on earnings, then you will see that this is one of the most powerful ways your investment can grow over the long term.

Take a look at the graph to see how Joanne put compound earnings to work.

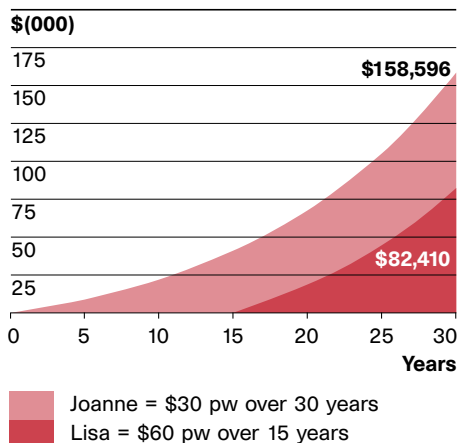
Example

Joanne has decided to make the commitment to put aside \$30 each week for the next 30 years. Her friend Lisa thinks she is too young to start saving for retirement, so she chooses not to save anything.

After 15 years, Lisa decides to contribute \$60 each week saying, 'If I save double what Joanne is saving over half the time, I am sure to catch up with her in the end'.

Even though they both contribute the same amount overall, Joanne ends up with almost double – all because of compound earnings over a longer time.

Compound earnings at work



Source: Telstra Super Financial Planning.

Assumptions:

- Interest rate of 7% pa.
- This example does not take into account an assumed change in the cost of living between when this example was prepared and the future.
- \$60 per week invested at 7% pa over 15 years compounding.
- \$30 per week invested at 7% pa over 30 years compounding.
- No fees, withdrawals, or taxes are taken into consideration.

Future performance is not guaranteed.

Our investment managers

The following table lists Telstra Super Pty Ltd's investment managers as at 30 September 2010. Telstra Super also manages investments internally, including Australian shares, property, infrastructure and asset allocation overlay.

Asset class specialisation	Investment managers as at 30 September 2010
Australian shares	AllianceBernstein Investment Management Australia Limited Aviva Investors Australia Ltd (formerly Portfolio Partners Limited) BlackRock Financial Management BT Funds Management Limited IB Australian Bioscience Fund JF Capital Partners Legg Mason Asset Management Australia Limited Perpetual Investment Management Limited Schroders Investment Management Australia Limited Telstra Super Pty Ltd
International shares	Apostle Asset Management Australia Limited (Loomis Sayles & Co, LP) Highclere International Investors Ironbridge Capital Management Legg Mason Asset Management Australia Limited (Esemplia Emerging Markets) LSV Asset Management Martin Currie Investment Management Ltd MFS Institutional Advisors (Australia) Limited Morgan Stanley Investment Mgt Pzena Investment Management, LLC Schroders Investment Management Australia Limited Treasury Asia Asset Management Limited Turner Investment Partners Pty Ltd
Property	AMP Capital Investors Limited APN Funds Management Limited Australian Property Growth Fund (APGF) Charter Hall Group 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 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 Angeleno Investors 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 Partner, 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	BT Financial Group Pty Ltd Colonial First State Investments Limited FRM Investment Management Limited
Australian fixed interest	AllianceBernstein Investment Management Australia Limited Kapstream Capital Pty Ltd ME Portfolio Management Limited Schroders Investment Management Australia Limited Telstra Super Pty Ltd Vianova Asset Management
International fixed interest	BlackRock Financial Management Inc. PIMCO Australia Pty Ltd
Cash	BT Funds Management Limited Kapstream Capital Pty Ltd Macquarie Investment Management Limited
Currency overlay	Pareto Partners Australia Pty Ltd
Asset allocation overlay	Telstra Super Pty Ltd
Opportunities	Stone Tower Fund Management LLC
Global investment grade credit	Omega Global Investors

We are focussed on achieving the best returns for our members.

We do not necessarily take into account labour standards or environmental, social or ethical considerations for the purpose of selecting and retaining investment managers. To our knowledge, our chosen investment managers also do not take these issues into account either.

We monitor our investment options and managers. We may close an option or change an investment strategy at any time.

Types of assets

Different types of assets can make up an investment

Investing is not as complex as you might think, once you understand what makes up an investment and a few simple investment principles.

What makes up an investment?

There are two major types of assets that make up the building blocks of an investment: growth assets and financial assets.

It is also important to understand the consequences of timeframes around investing. For example, many growth and higher risk assets show higher volatility over the short term – with higher gains over the long term. Financial assets carry less risk over the short term and generally will not produce the higher gains long term.

However some investments, such as our exposure to Opportunities, hold both growth and financial characteristics and benefits. This allowance in the asset allocation of our diversified options lets us capitalise on one-off market opportunities as they arise. Examples of this could include structured credit, high-yield corporate bonds or bank loans. Generally these are financial assets that offer a return in the form of interest, however in times of a market downturn they may also offer some potential capital growth.

To help you invest in the assets that best suit your circumstances, Telstra Super offers investment options that invest in both growth and financial assets in varying percentages.

Both growth and financial assets provide different levels of risk and return.

Growth assets

Growth assets include shares and property, and they earn income from dividends or rent and increase in value from capital gains. Capital gain is the rise in asset value, which means that the total value of these investments can actually grow in the long term. However, the total value of these assets can be volatile, i.e. rise and fall dramatically in the short term. For example, you may have noticed how the share price for a company can vary dramatically each day.

Shares (equities)

Shares represent ownership in a company and are often referred to in investment terms as 'equity'. They can generally be bought and sold on the stock exchange and offer the opportunity for high returns, but also the potential for high risk.

Property

A property investment can provide rental income and the prospect of growth in value over time. The three main areas of property investment are commercial property (e.g. office buildings), retail property (e.g. shopping centres) and industrial property (e.g. factories). You can also invest in property trusts, which are made up of many smaller investors who pool their funds to enjoy the same benefits as a single large investor.

Private equity

Private equity are investments in predominantly unlisted companies through a negotiated process. The money invested is generally used to expand or develop the business. Private equities present opportunities to invest in undervalued businesses and this may create higher returns than investments in listed companies but come with a higher level of risk. A return on your investment is received when a private equity manager sells or revalues a business they have invested in.

Infrastructure

Roads, bridges, power stations and water supply are infrastructure items that form the groundwork for economic production. Infrastructure investment can be accessed through listed managers or unlisted managers and provide relatively stable cash flows, offering long-term capital growth.

Absolute return funds

Absolute return funds, also known as hedge funds, are managed funds that trade securities with the aim of generating 'absolute' returns to investors in both a rising and falling market. Absolute return funds provide the potential for stable and consistent returns and acceptable levels of volatility.

Financial assets

Financial assets include fixed interest and cash, and they earn **returns** primarily from interest. This means that financial assets usually provide lower **risks** due to fixed repayments, but returns are also likely to be low over the long term. For example, when you put some money aside in a term deposit with a bank, you may not be getting the highest interest rates around but you do know that, after a fixed period, the bank will pay you a pre-determined interest rate and return your investment amount.

Other assets such as infrastructure can also be classified as financial assets when the underlying mature infrastructure assets generate stable (and often regulated) long term income streams for investors. These returns are considered a lower investment risk compared to investing in early stage infrastructure projects encompassing the development phase of the infrastructure assets.

Fixed interest

Fixed interest can be bonds and other debt securities issued by a government or corporation (sometimes referred to as credit). Credit is issued by both domestic and international corporations in the form of bonds that carry a rating from the credit rating agencies. The primary focus of credit is to gain exposure to investment grade bonds although holding below investment grade bonds is permitted in limited circumstances.

If you invest in fixed interest, you lend money to the issuer who promises to make regular interest payments with full repayment on an agreed date in the future.

Cash

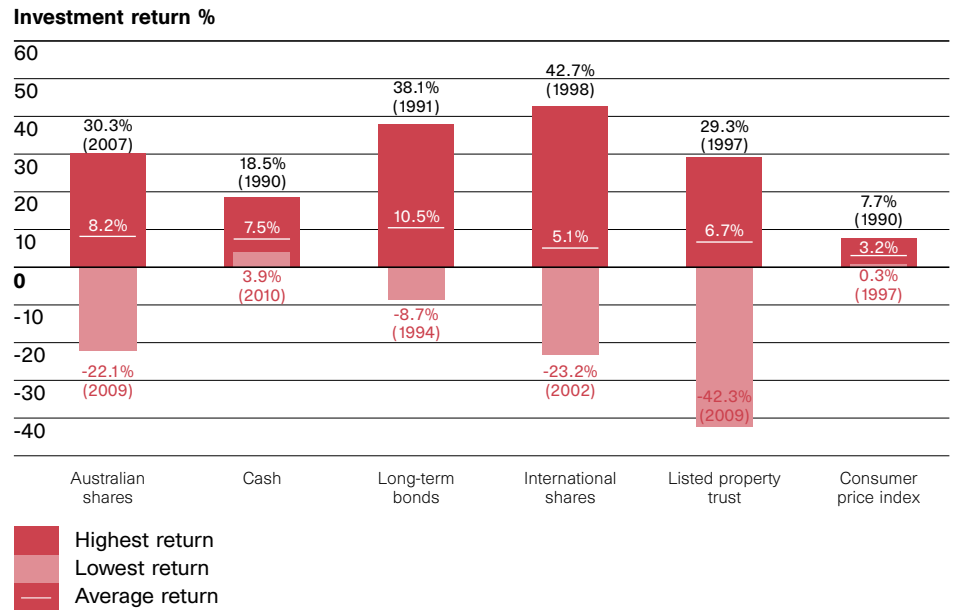
A cash investment usually takes the form of bank bills, overnight cash and short term dated term deposits with a bank, cash management trust, investment bank or fund manager. In return, you will receive interest on your investment.

Asset class volatility

The general nature of investment markets causes investment returns to fluctuate over time. Influences such as world politics, demand and both domestic and global economies all influence returns on investment. Due to these factors some asset classes tend to fluctuate to a higher degree and more frequently than others.

This is demonstrated in the chart on the right which shows the highest and lowest returns of the main asset classes and the years they occurred, compared to inflation. Please note, these returns are not specific to Telstra Super's investment options.

Highest and lowest returns of main asset classes



Australian shares – S&P ASX All Ordinaries Accumulation Index
 Cash – UBS Australia Bank Bill Index
 Long-term bonds – Commonwealth Bank All Series Greater than 10 Years Bond Accumulation Index
 International shares – MSCI World ex-Australia Gross Total Return Index
 Listed property trusts – S&P/ASX Listed Property Trust Accumulation Index.

Data from 1 July 1987 to 30 June 2010.

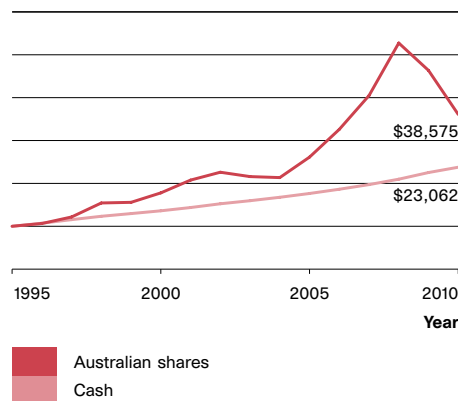
Past performance is not an indicator of future performance.

Example

15 years ago Bill invested \$10,000 in Australian shares and \$10,000 in cash. This chart shows how the volatility of returns for these asset classes has affected Bill's investment since 1995.

Generally the longer you invest, the easier it is to ride out such volatility over time.

Annual returns for 15 years



Assumptions

- Investor invests \$10,000 at 1 July 1995.
- Investor does not make any additional contributions.
- Calculations are based on the S&P/ASX All Ordinaries Accumulation Index for Australian shares and the UBS Australian Bank Bill Index for cash.
- No acquisition costs or taxes are taken into account & all income is reinvested.

Past performance is not a reliable indicator of future performance.

Choosing an investment option

Broad range of investment options

As a Telstra Super member you can choose from a broad range of investment options, covering all major asset classes, to suit the conservative through to the aggressive investor. This means you can invest in an option that best suits your age, timeframe, financial plans, appetite for **return** and your tolerance for **risk**.

The table below outlines the investment options, their investor timeframes, and their associated levels of risk and return.

You may also choose to mix any of the options listed below. The risk and return will depend on the combination of options you choose.

When you first become a Telstra Super member with an **accumulation account**, if you do not choose an investment option, you are placed in the **default option** for your age group. As you grow older, your super will be invested in the appropriate default option for your age. You can choose to remain in your default option or change to another investment option.

For new members to Telstra Super (from 1 July 2003), the default option for your age is:

Age	Default option
Under 60	Balanced option
60 and over	Conservative option

Telstra Super will advise you in writing whenever new investment options are introduced, or when changes are made to the existing options.

Changing your investment option

If you would like to change your investment option, you can do so securely using *SuperOnline*TM at www.telstrasuper.com.au. Alternatively, you can change your option by filling in an Investment Choice form. You can get a copy of this form by contacting one of our Member Services Consultants on **1300 033 166**, from **8.00am to 5.30pm** (Melbourne time), Monday to Friday or by downloading one at www.telstrasuper.com.au

The earning rate of your current investment option will apply until the **Effective Day**. See page 20 for Effective Day transaction times. However, Telstra Super Pty Ltd reserves the right to adjust the earning rate to appropriately reflect market movements and equity among members.

You may change your investment option at any time, by completing another Investment Choice form. Depending on how many times you change your option per financial year, you may incur a switching fee. Changing your investment option will also affect how **investment returns** are allocated to your account. This is explained further on page 20.

Investment option risk and return

See pages 14 to 17 for more detailed information about each of our investment options.

	Investment timeframe	Return objective	Risk of negative return
Diversified options			
Growth	6 or more years	CPI + 4% pa	1 year in every 4
Balanced	4 – 6 years	CPI + 3% pa	1 year in every 5
Defensive Growth	2 – 6 years	CPI + 2% pa	1 year in every 6
Conservative	2 – 4 years	CPI + 2% pa	1 year in every 8
Single asset class options			
International Shares	8 – 10 years	CPI + 5% pa	1 year in every 3
Australian Shares	8 – 10 years	CPI + 5% pa	1 year in every 3
Property	5 – 7 years	CPI + 3% pa	1 year in every 3
Fixed Interest	2 – 4 years	CPI + 2% pa	1 year in every 5
Cash	0 – 2 years	Cash rate	negligible

Source: JANA Investment Advisers Pty Ltd.
Return objectives are quoted net of tax.

Investment management and switching fees

Investment management fees

Investment management fees and tax are deducted from the applicable unit prices for your option(s) before being applied to your account.

The investment management fee portion of the management costs is an estimate for 2009/2010 year based on the investment managers in place, their fee structure and the asset allocations for the year to date to 31 May 2010. The exact cost of managing your investment will vary from time to time. If you have more than one investment option, the fee deducted from gross investment earnings will be apportioned.

At Telstra Super, some of our underlying investment managers receive performance fees. These fees are included in the total estimated investment management fees detailed below. These fees are calculated as an agreed percentage of any investment performance above an agreed hurdle rate multiplied by the average portfolio balance. For example, if George has an average account balance for the financial year of \$50,000 in the Balanced investment option, the 0.03% performance fee would be equal to \$15.

Switching fees

Once your **accumulation account** is set up, you can change your investment option four times each financial year, free of switching fees. Any additional changes in that year incur the fees shown in the table below. (Note that any election that takes effect at the same time your accumulation account is set up is not counted.)

Changes per financial year	Switching fee
1st, 2nd, 3rd and 4th	No fee
5th and subsequent changes	0.2% of assets moved

Telstra Super Pty Ltd only adjusts unit prices by the costs actually incurred for investment management services. Costs vary according to the fees charged by investment managers responsible for a particular asset mix. For example, the investment management fee for the Growth option reflects the costs applied to each specific asset sector within that option.

Factors including changes to asset class weightings within specified ranges for each investment option, asset class investment performance, investment manager or mandate changes, increases or decreases in the funds under management by a particular manager and/or performance fees payable to investment managers mean the exact cost of managing your investment will vary from time to time.

Asset ranges

Many investment options have asset ranges built around them. Telstra Super uses the asset ranges to take advantage of market opportunities and vary the levels of investment in each asset class. The asset ranges are displayed in brackets next to the **asset allocation benchmark** figures for these options on pages 14 to 18. Varying the asset allocation within these ranges may also cause the split between growth and financial assets to vary from the target asset allocation from time to time.

2009/2010 investment management fees

	Base investment management fee	+ Performance fee	= Total estimated investment management fee 2009/2010*
Growth	0.48%	0.04%	0.52%
Balanced	0.45%	0.03%	0.48%
Defensive Growth [†]	n/a	n/a	n/a
Conservative	0.28%	0.04%	0.32%
International Shares	0.58%	Nil	0.58%
Australian Shares	0.42%	0.07%	0.49%
Property	0.37%	Nil	0.37%
Fixed Interest	0.19%	0.02%	0.21%
Cash	0.11%	0.02%	0.13%

Please refer to the 'Fees and other costs' in your Book 1 Product Disclosure Statement for more information.

* As at 31 May 2010.

[†] The Defensive Growth option commenced on 1 July 2010. We estimate that the total investment management fee for 2010/2011 will be approximately 0.40%.

Investment options

Growth option

Objective

To earn high returns over the long term.

Who should invest?

Members who accept that this option involves a higher level of risk to achieve greater returns over the longer term. As a result, the value of your investment may rise or fall in the short term.

Investment strategy

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

Return objective

CPI + 4% pa

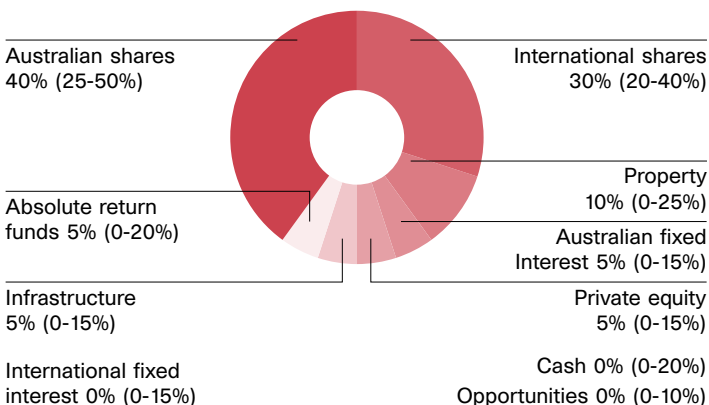
Investment timeframe

6 or more years

Growth option target asset allocation*

90% growth assets, 10% financial assets

Asset allocation and ranges



Performance

Year	2009/10	2008/09	2007/08	2006/07	2005/06	5 year pa
Return	12.01%	-14.42%	-13.13%	21.13%	19.52%	3.81%

* The target asset allocation is used as a strategic guide for investing. The split of financial and growth assets can vary from time to time as investment in each asset class may vary within the allowable ranges.

Past performance is not a reliable indicator of future performance.

Balanced option

Objective

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

Who should invest?

Members who are seeking growth but who wish to lower the risk of rapid changes in value over the short term. This option is designed to provide lower levels of risk and return than the Growth option, but higher returns than the Defensive Growth, Conservative and Cash options.

Investment 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.

Return objective

CPI + 3% pa

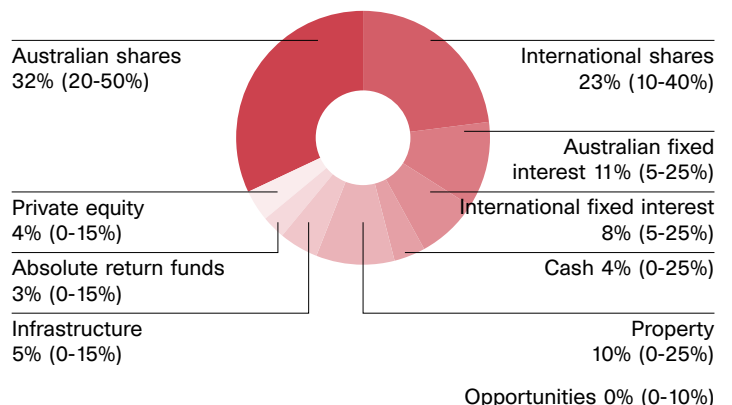
Investment timeframe

4 – 6 years

Balanced option target asset allocation*

74% growth assets, 26% financial assets

Asset allocation and ranges



Performance

Year	2009/10	2008/09	2007/08	2006/07	2005/06	5 year pa
Return	10.94%	-10.62%	-8.19%	18.19%	16.87%	4.69%

* The target asset allocation is used as a strategic guide for investing. The split of financial and growth assets can vary from time to time as investment in each asset class may vary within the allowable ranges.

Defensive Growth option

Objective

To earn returns above cash over the medium term, through exposure to flexible ranges of growth and defensive assets.

Who should invest

Members who want to enjoy moderate growth with some security. This option is designed to give more flexibility for members who might be looking to access their super in the short and medium term, and want to continue participating in capital growth.

Investment strategy

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

Return objective

CPI + 2% pa

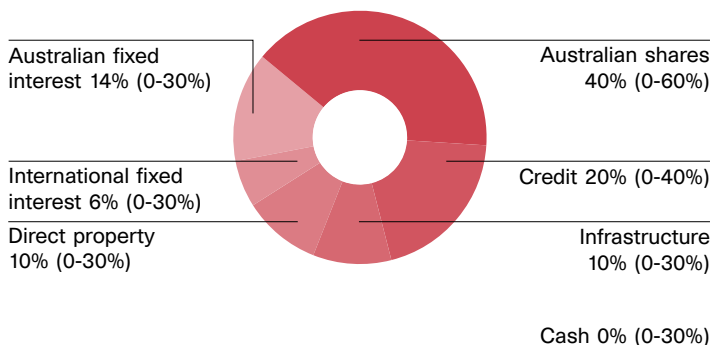
Investment timeframe

2 – 6 years

Defensive Growth option target asset allocation*

50% growth assets, 50% financial assets

Asset allocation and ranges



Performance[†]

Year	2009/10	2008/09	2007/08	2006/07	2005/06	5 year pa
Return	-	-	-	-	-	-

* The target asset allocation is used as a strategic guide for investing. The split of financial and growth assets can vary from time to time as investment in each asset class may vary within the allowable ranges.

[†] This option was introduced on 1 July 2010 and as such, no investment returns are available.

Conservative option

Objective

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

Who should invest?

Members who are close to retirement or who want to maintain some growth, with a lower risk of capital loss than the Balanced or Growth options.

Investment 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).

Return objective

CPI + 2% pa

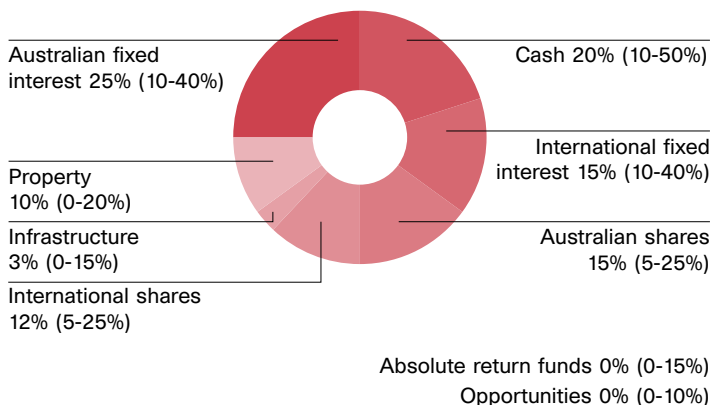
Investment timeframe

2 – 4 years

Conservative option target asset allocation*

40% growth assets, 60% financial assets

Asset allocation and ranges



Performance

Year	2009/10	2008/09	2007/08	2006/07	2005/06	5 year pa
Return	8.41%	-3.30%	-0.30%	10.81%	9.57%	4.88%

* The target asset allocation is used as a strategic guide for investing. The split of financial and growth assets can vary from time to time as investment in each asset class may vary within the allowable ranges.

Past performance is not a reliable indicator of future performance.

International Shares option

Objective

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

Who should invest?

Members who want to achieve potentially higher returns in the long term through exposure to international shares, while being willing to accept a higher level of volatility in returns. This option may be suitable for members who want specific exposure to a diversified international shares portfolio, which can be difficult for individual members to achieve by managing their own investments.

Investment 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.

Return objective

CPI + 5% pa

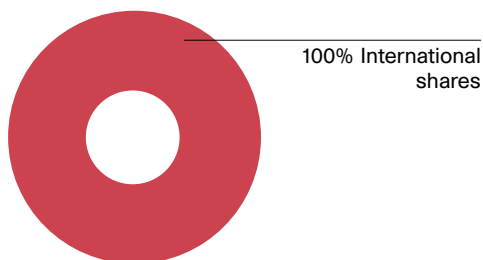
Investment timeframe

8 – 10 years

International Shares option asset allocation

100% growth assets

Asset allocation



Performance

Year	2009/10	2008/09	2007/08	2006/07	2005/06	5 year pa
Return	10.31%	-12.53%	-16.76%	18.22%	19.81%	2.61%

Past performance is not a reliable indicator of future performance.

Australian Shares option

Objective

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

Who should invest?

Members who are willing to accept a higher level of volatility in returns in order to achieve a potentially higher rate of long term growth than would be offered by a multi-sector portfolio.

Investment strategy

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

Return objective

CPI + 5% pa

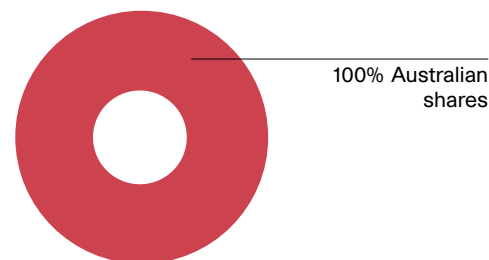
Investment timeframe

8 – 10 years

Australian Shares option asset allocation

100% growth assets

Asset allocation



Performance

Year	2009/10	2008/09	2007/08	2006/07	2005/06	5 year pa
Return	11.85%	-15.93%	-11.54%	28.31%	24.83%	5.91%

Property option

Objective

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

Who should invest?

Members who accept that this option involves a moderate level of risk to achieve income returns and capital growth over the longer term.

Investment strategy

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

Return objective

CPI + 3% pa

Investment timeframe

5 – 7 years

Property option target asset allocation

100% growth assets

Fixed Interest option

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.

Who should invest?

Members who are seeking a lower risk option who wish to generate income returns. Generally provides lower risk returns than shares.

Investment strategy

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

Return objective

CPI + 2% pa

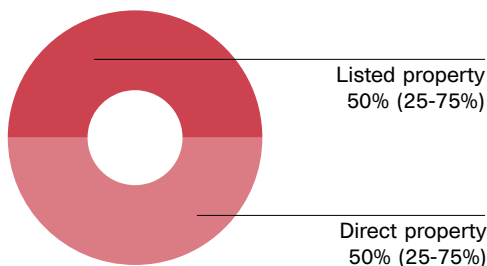
Investment timeframe

2 – 4 years

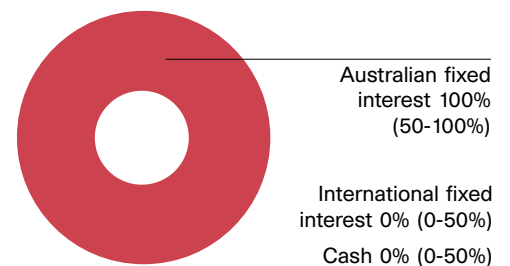
Fixed Interest option target asset allocation

100% financial assets

Asset allocation and ranges



Asset allocation and ranges



Performance

Year	2009/10	2008/09	2007/08	2006/07	2005/06	5 year pa
Return	20.97%	-35.69%	-21.76%	18.78%	17.79%	-3.16%

Performance

Year	2009/10	2008/09	2007/08	2006/07	2005/06	5 year pa
Return	8.54%	3.78%	1.59%	4.23%	3.79%	4.36%

Past performance is not a reliable indicator of future performance.

Cash option

Objective

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

Who should invest?

The cash option may be suitable for members with special financial needs who require a short term parking facility while they decide on their options for the longer term. It will provide security of capital but, in doing so, is likely to produce lower returns than the other investment options over most periods of time.

Investment strategy and asset allocation

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

Return objective

Cash rate

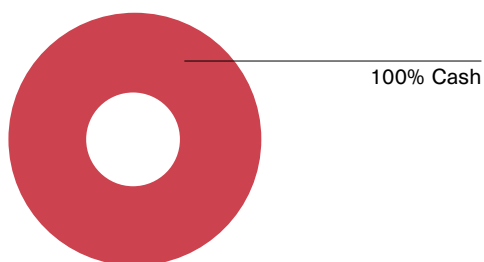
Investment timeframe

0 – 2 years

Cash option asset allocation

100% financial assets

Asset allocation



Performance

Year	2009/10	2008/09	2007/08	2006/07	2005/06	5 year pa
Return	3.29%	4.74%	5.53%	5.43%	4.99%	4.79%

Past performance is not a reliable indicator of future performance.

Choosing a mix of investment options

Members can individually tailor their investment by choosing a mix of investment options.

Example

Sally has \$100,000 in her superannuation account and would like to divide it between a mixture of investment options, which she can do by allocating specific percentages to the options of her choice. The following tables show how Sally allocates her money by percentage splits.

Investment option	Percentage
Growth	-
Balanced	40%
Defensive Growth	-
Conservative	-
International Shares	50%
Australian Shares	-
Property	-
Fixed Interest	-
Cash	10%
Total	100%

In selecting a mix of investment options the mix will change as investment earnings accrue and income payments are made. Sally should therefore be careful to review her choice regularly to ensure that her mixed option selection remains appropriate.

When you have invested across a mix of investment options, **investment earnings** depend on the combination of options you choose.

Telstra Super Pty Ltd does not guarantee that a mixture of any two or more investment options will provide earnings consistent with the performance of the investment options designed by Telstra Super Pty Ltd.

Investment earnings for each option will be applied via the **unit** price.

Telstra Super does not balance your account to keep your chosen split.

Measuring super in units

Telstra Super measures all accumulation super accounts using unit pricing

Unit pricing means you can track the value of your super day to day using the number of units you have and the daily unit prices:

$$\text{Number of units held} \times \text{daily unit price} = \$ \text{ super value}^*$$

* Your super's value is calculated after deducting (where applicable) any insurance costs, contribution taxes and administration fee.

How unit prices work

Unit prices reflect the net returns on the investments in your chosen investment option. A new unit price will be set each **Victorian business day**, reflecting the changing value of the underlying assets in the investment option(s). You can multiply these unit prices to the number of units you hold to determine the value of your super.

Example

Barry's opening account balance is \$50,000. If the unit price on that day was \$1.23220, Barry has 40,577.828 units (i.e. $\$50,000 \div \1.23220).

A month later, Barry's units have increased to 41,027.048 (as a result of contributions made during the month) and the unit price is now \$1.23300. The value of Barry's super is now \$50,586.35 (i.e. $41,027.048 \times \$1.23300$).

Unit prices are calculated to five decimal places and your unit holdings are calculated to three decimal places.

How unit prices are set

We use 'forward pricing' when we calculate the daily movement in the value of the Fund's assets. Forward pricing means that the declared unit price for, say, Monday, will be based on the value of the Fund's assets at the close of business on Monday. The unit price will then be released the next day, Tuesday, and applied to Monday's transactions (i.e. purchase and disposal of units). A similar approach will apply to every other Victorian business day.

When determining the value of the Fund's assets at the close of business on any particular day:

- Australian assets will be valued at their closing market value on that day
- Overseas assets will be valued at the closing market value on the previous business day.

See page 20 for how **earnings** are applied to your account.

Unit price availability

Unit prices declared in respect of the previous Victorian business day are available on our website at www.telstrasuper.com.au and by calling **1300 033 166**.

A Super Summary requested from *SuperOnline* will be provided using the last declared unit prices.

Investment returns

Investment returns

The investment returns shown on pages 14 to 18 of this book are net of investment management fees and tax but before administration fees.

The future performance of any investment option is not guaranteed. Past performance is not a reliable indicator of future performance. Therefore, the super invested in each option is not guaranteed and the value of the investment may rise and fall. Telstra Super's investment options may produce negative returns in certain circumstances.

The investment returns for *Telstra Super RetireAccess* are not shown in this book. If you would like to see the returns for the *Telstra Super RetireAccess* options, please refer to the *Telstra Super RetireAccess* Product Disclosure Statement which is available at www.telstrasuper.com.au or by calling **1300 033 166**.

Applying investment returns to your account

Investment **returns/earnings** are applied to your superannuation account according to your chosen investment option. Telstra Super declares daily **unit** prices for the purpose of applying investment returns to your account. The unit price applied depends upon your account activity and the **Effective Day** for transactions.

Switches

Telstra Super must receive investment option switches before 5.30pm on a **Victorian business day** in order to be transacted at that day's declared unit price. Unit prices for a particular day are declared on the following Victorian business day. If received after 5.30pm the switches will be transacted using the next day's unit price.

Example

Jane submits her investment switch on *SuperOnline* at www.telstrasuper.com.au at 11.00am, Monday 13 August. Jane's investment switch is processed using the unit prices declared for Monday 13 August. These prices are declared on the following day.

Jane can view her updated investments on *SuperOnline* on Tuesday 14 August after the unit prices have been declared.

Contributions and roll-ins

- Contributions and roll-ins received by cheque must be received before 3.00pm in order to be given value at that day's unit price, which will be declared and released the next day.
- Contributions received by electronic fund transfer (EFT) into Telstra Super's bank account will be transacted using the unit price for the day on which those funds are credited to the bank account. This unit price will be declared and released on the next Victorian business day.

All times are expressed as Melbourne time.

For switches, contributions and roll-ins to be considered 'received' for the purposes of effecting a unit transaction; all required documentation must have been received by Telstra Super.

Benefit payment instructions

Benefit payment instructions are transacted at the latest available unit price at the time of processing. Generally, we will process benefit payment instructions within 5 days of receipt of all required information.

Glossary

Accumulation account

An accumulation account is a superannuation account. Such accounts grow through employer and/or member contributions. Earnings based on investment performance (after investment fees and tax) are applied to the account via the unit price.

Asset allocation benchmark

An asset allocation benchmark is used as a long term strategic investment target to help achieve the objectives of the investment option.

Default option

A default option is the investment option applied when a member does not make an investment choice. With Telstra Super, default options are based on specific age groups.

Diversification

Diversification is simply a term for spreading and thereby lowering risk. This can be achieved by placing your investment in several types of assets, such as shares, bonds, property and cash. In this way, when one asset is not performing as well as expected, the other assets in your portfolio may help to balance the overall return.

Effective Day

The 'Effective Day' is the day earnings are applied to your updated investment choice.

Financial assets

Financial assets include bonds and cash, and earn returns primarily from interest. This means that financial assets usually provide lower risks due to fixed repayments, but returns are also likely to be lower than growth assets over the long term.

Growth assets

Growth assets include shares and property, and earn returns from capital gains (rises in the price of assets) as well as income from dividends or rent. The return on growth assets is likely to be greater than financial assets in the long term. However, there is more risk with growth assets than financial assets in the short term.

Inflation

Inflation decreases the value of your dollar, meaning that you need more money to purchase the same goods over time.

Lump sum

A lump sum is a superannuation benefit paid to you as a single (one-off) payment, rather than an income stream such as a pension or annuity.

Returns/earnings

Investment returns or earnings applied to your accumulation account depend on:

- your chosen, or default, investment option
- the number of units you hold, and
- the unit price applicable.

Risk

In investment terms, risk usually refers to the degree to which the value of an investment may rise or fall. For example, shares are considered more of a high risk investment in the short term compared to other asset classes, because of possible fluctuations in the returns they provide.

Unit

A quantity generally accepted as a standard for exchange. Unit prices rise and fall daily with fluctuations in the investment market.

Victorian Business Day

A Victorian Business Day is from Monday through Friday (inclusive) and excludes any day that falls on a national holiday or Victorian public holiday.

Easy access to your super online

SuperOnline

With our secure account facility *SuperOnline*, you can manage, view or change:

- **your details** – keep your contact details and personal information up-to-date.
- **beneficiaries** – ensure your nomination is current.
- **investment choice** – choose an investment option that suits your needs and investment profile.
- **password** – ensure the ongoing security of your information and update your password regularly.
- **your balance** – view your current balance and download your Super Summary with ease.
- **Telstra Super Simulator** – estimate your projected super balance with our industry-leading retirement income simulator.
- **statements** – view your Super Statements online, without the need for paper.
- **enquiry and mailbox** – submit confidential questions about your super and then access our response via the secure mailbox.

Want to get started now?

Check that you have your PIN number and member number and go to www.telstrasuper.com.au and click on the *SuperOnline* option at the right hand side of the screen. You can request your PIN by dialling **1300 033 166**.

SuperOnline.
The only thing missing
is a toothpick.



TelstraSuper

News and education... be the first to know

Stay up-to-date with what is happening in the world of investments, financial planning and superannuation via our website.

Our e-publications offer members great variety: 10 dots monthly e-newsletter, quarterly Investment e-newsletter, our member magazine *Moving Forward*[®], the Telstra Super annual report and your own Super Statements.

Subscribing is easy – simply visit www.telstrasuper.com.au. All you need is your member number and a valid email address.

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The advice in this product disclosure statement 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 an investment decision.

Formal legal documents called the governing rules, and relevant legislation ultimately govern the operation of Telstra Super. The central document is the Telstra Super Trust Deed. Should there be any discrepancies between the information in this product disclosure statement and the governing rules, the governing rules will prevail. You can request a copy of the Trust Deed by writing to the Company Secretary at Telstra Super Pty Ltd, PO Box 14309, MELBOURNE VIC 8001 or download a copy of the Trust Deed from our website www.telstrasuper.com.au

Privacy

Telstra Super Pty Ltd complies with the Privacy Act 1988 (Commonwealth) governing the proper handling of personal information including how an organisation collects, uses, discloses and stores personal information.

For further information on privacy please contact the Privacy Officer on 1300 033 166 or visit our website at www.telstrasuper.com.au to download a copy of our Privacy Policy or Access and Correction Policy.

Financial Planning exclusively for you

Telstra Super Financial Planning provides financial planning advice at no additional cost, exclusively to Telstra Super members and their eligible family members.

Expert advice is available across a range of topics, and tailored to meet your individual needs.

Telstra Super Financial Planning can provide advice on:

- your current super arrangements
- retirement and pre-retirement planning
- superannuation rollovers and consolidation
- your tax situation
- your investment options
- Telstra Super Financial Planning also offers referrals to third party professional services where appropriate.

Super Advisers*

Call us on **1300 033 166** and ask for a Super Adviser to get personal advice on investment choice, insurance cover, contributions and defined benefit maximisation. If you require more detailed analysis or complex advice, your Super Adviser will refer you for an appointment with a Financial Planner, employed by Telstra Super Financial Planning.

Telstra Super Financial Planning also offers members access to managed funds investments outside of super.

Telstra Super Financial Planning has offices in Melbourne, Sydney, Adelaide and Brisbane, and planners travel regularly to other locations to meet with members by appointment.

Contact us

- call **1300 033 166** from **8.00am** to **5.30pm** (Melbourne time), Monday to Friday.
- visit **www.telstrasuper.com.au**
- email **appointments@telstrasuper.com.au**
- visit the **Telstra Super Member Centre** located at 242 Exhibition Street, Melbourne.

* Super Advisers are employees of Telstra Super Pty Ltd who are authorised representatives of Telstra Super Financial Planning.

Telstra Super Financial Planning Pty Ltd (ABN 74 097 777 725) referred to as Telstra Super Financial Planning. AFS Licence no: 218705.

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.

Keep your member number and PIN handy when you call. If you are unable to find your PIN or do not know it, call **1300 033 166** to arrange for a replacement.



Fax 03 9653 6060

This fax line is dedicated to member enquiries.



Write to

Telstra Super Pty Ltd
PO Box 14309
MELBOURNE VIC 8001



Visit

Telstra Super Member Centre
Foyer, 242 Exhibition Street
MELBOURNE VIC 3000



Visit our website at www.telstrasuper.com.au

Available anytime, at our website you can:

- obtain information about your arrangement.
- use *SuperOnline* to access and amend your super details – check your balance, update your investment choice, view your statements and beneficiaries, change your contact details and more.
- look up daily unit prices and investment returns to keep track of your benefit.
- use our calculators to estimate your insured benefit, retirement benefit and more.
- stay up-to-date with our free news and education e-publications and seminars.