

Annual Report

for the financial year ending 30 June 2012

Issued 19 September 2012



Welcome

This year marks our 25th anniversary as the leading industry super fund for health and community services. The Fund has experienced significant growth over the years and now has more than 750,000 members, 115,000 employers and \$20 billion in assets. HESTA Income Stream (formerly HESTA Super Income Stream, renamed on 1 July 2012) is also enjoying strong membership growth. We continuously strive to enhance member benefits and services. Following are two significant improvements we've made over the last 12 months.

In early 2012, for HESTA members, we extended our default Income Protection Cover, and benefits, to age 67 — an industry first. This will help protect incomes right up to the new pension age. We also introduced a new insurance option, making it easy to apply to increase your cover following key life events without providing evidence of your health.

Since 1 July 2012, HESTA Income Stream members have been enjoying lower fees and costs for most investment options. This marks our second fee reduction in as many years, having also reduced fees and costs on 1 July 2011. These changes make HESTA Income Stream an even better option for members aged 55+. Go to hesta.com.au/incomestream to find out more about our options for those aged 55 or over.

The 2011/12 financial year was marked by ongoing turbulence and uncertainty across global investment markets. This has created challenges in investment markets, which means that, generally speaking, many super and income stream investments will show low returns this financial year. Overall, performance for both HESTA's Core Pool and HESTA Income Stream's Balanced option was comparatively strong in this difficult period.

Core Pool — where the majority of HESTA members have their super — has posted a positive return of 1.3% for the 2011/12 financial year. Although this is a modest return, it puts Core Pool in the top 25% of balanced funds in Australia over one and three years. On an annualised basis, Core Pool has delivered 7.0% p.a. over three years. This return beats the return achieved by those investing outside of super in bank term deposits (5.2% p.a.)* or the Australian share market (5.9% p.a.)**, over the same three year period. The 7.0% p.a. annualised return means, if you are invested in Core Pool — in absolute terms — your investment has grown more than 22% over the last three years.

Our strategy has always been to focus on the long-term nature of super and, in particular, delivering members a return in excess of the Australian inflation rate (CPI). Since its inception on 1 August 1987, Core Pool has outperformed its target return of CPI + 4% p.a. (7.2% p.a.), achieving a return of 8.4% p.a. Turn to page 6 for more on how HESTA's investment options have performed over the long term.

HESTA Income Stream's Balanced option (the default option) also returned 1.3% over the 2011/12 financial year. Balanced has delivered 6.1% p.a. on an annualised basis over three years — which also beats the returns for bank term deposits and the Australian share market over the same period, as mentioned above. Read more about how HESTA Income Stream's investment options have performed on page 16.

Our overarching objective is to ensure we invest to maximise returns while minimising risk for members. You can be confident that the Board and staff work tirelessly to achieve this objective.



Anne-Marie Corboy
CEO



Angela Emslie
Board Chair

* Source: Reserve Bank of Australia, Retail Deposit and Investment Rates - F4, rba.gov.au/statistics/tables/index.html#interest_rates

** Source: S&P/ASX All Ordinaries Accumulation Index

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HESTA investments

at 30 June 2012

HESTA investment performance

for year ending 30 June 2012

Ready-Made Investment Pools	Since inception (% p.a.)	10-year (% p.a.)	7-year (% p.a.)	5-year (% p.a.)	3-year (% p.a.)	1-year return (%)
Conservative Pool (1/7/95*)	6.3	5.5	4.7	2.7	6.3	4.4
Core Pool (1/8/87*)	8.4	6.0	4.4	0.3	7.0	1.3
Shares Plus (1/7/95*)	7.5	5.7	4.1	-0.7	6.9	-0.7
Eco Pool (1/2/00*)	3.5	4.6	4.1	-0.3	6.5	-0.2
Your Choice Asset Classes	Since inception (% p.a.)	10-year (% p.a.)	7-year (% p.a.)	5-year (% p.a.)	3-year (% p.a.)	1-year return (%)
Cash (1/7/01*)	4.0	4.1	4.0	3.7	4.0	4.3
Global Bonds (1/7/01*)	6.1	6.2	5.7	6.8	8.0	10.2
Property (1/7/01*)	5.6	5.2	3.3	-0.4	5.0	7.7
Infrastructure (1/7/01*)	7.5	7.8	7.1	5.2	9.1	8.6
Australian Shares (1/7/01*)	7.7	8.4	5.8	-0.9	7.8	-4.0
International Shares (1/7/01*)	0.2	1.8	0.7	-4.1	4.2	-3.3
Private Equity (1/7/01*)	5.8	7.2	8.1	5.3	11.7	10.8

Investments may go up or down. Past performance is not a reliable indicator of future performance.

* Refers to date of inception for the investment option.

How returns are applied to HESTA accounts

Each month interest rates are declared that reflect HESTA's net investment results, which may be positive or negative. Interest is applied to members' accounts upon exiting the Fund or 30 June each year, based on the member's daily balance and investment choice. If declared interest rates are subsequently adjusted, the variation will be applied to member balances. For exited members, any positive adjustment of \$20 or more will be paid.

Interim interest rates are used when processing benefit payments during the year. Following a partial withdrawal, interest may be recalculated after the declaration of final rates, which can result in the member's remaining balance being higher or lower than initially indicated.

Fees and costs (available at [hesta.com.au/fees](https://www.hesta.com.au/fees)) are deducted from investment earnings **before** returns are declared.

HESTA investment options

at 30 June 2012, in detail

Ready-Made Investment Pools

	Objective	Strategy [^]
Conservative Pool	<p>CPI + 3%</p> <p>Conservative Pool aims for the lowest year-to-year variation in returns of all HESTA's Ready-Made Investment Pools, although with lower expected rates of return than Core Pool over the long term. It's the most conservative of all HESTA's Pools and is specifically designed to offer a low-risk investment. It aims to provide stable returns slightly greater than those achieved by investing in cash alone.</p> <p>Probable number of negative annual returns over 20 years: up to 2*</p>	<p>Conservative Pool's asset allocation has more exposure to cash and fixed-interest markets than other Ready-Made Pools.</p> <p>It's designed to offer members a low-risk investment which seeks greater returns than cash alone. Almost 30% of its investment is in shares. This is because shares tend to have a low correlation, or relationship, with cash and bonds and as one rises in value, the other may be expected to fall. So, by investing a proportion in shares, we help reduce the risk while enhancing the potential return over the longer term.</p>
Core Pool	<p>CPI + 4%</p> <p>Core Pool aims to optimise returns while in the short term achieving consistently better returns than the 90-day bank bill rate (adjusted for tax) and rarely having an interest rate less than zero.</p> <p>Probable number of negative annual returns over 20 years: up to 3*</p>	<p>Core Pool invests in a diversified but balanced mix of assets to provide a consistent return. Its asset mix may vary during the year in accordance with market conditions to help achieve this consistency of return.</p> <p>It's the only Pool that holds a reserve, which may be used for rounding purposes. These reserves are targeted to be at least 0.2% of total assets.</p>

[^] Changes may be made to investment options at any time. The investment options available may also change. For updated information, visit hesta.com.au

*Figures representing the long-term probability of negative returns have been determined by HESTA's investment consultant Frontier Advisors Pty Ltd, based on capital market assumptions, and actual outcomes may vary.

	Objective	Strategy [^]
Shares Plus	<p>CPI + 5%</p> <p>Shares Plus aims to provide higher long-term returns than Core Pool. Since there may be substantial year-to-year variation in returns, even in the longer term, Shares Plus may not outperform other Pools. It has a diversified portfolio that includes assets other than shares.</p> <p>Probable number of negative annual returns over 20 years: up to 4*</p>	<p>Shares Plus has a mixed asset allocation, with more exposure to the share market than Core Pool. However, its diversification means that it has a lower risk profile than an investment in shares alone.</p>
Eco Pool	<p>CPI + 4%[#]</p> <p>Eco Pool aims to optimise long-term returns while investing in companies and properties that demonstrate best practice sustainability performance within their industry sector, relative to their peers.</p> <p>Its high allocation to shares means there is likely to be significant year-to-year variation in returns, and although we expect long-term returns similar to Core Pool, Eco Pool may not outperform other Pools, even in the long term.</p> <p>Probable number of negative annual returns over 20 years: up to 6*</p>	<p>Eco Pool invests 45% in Australian shares, 35% in international shares, 10% in Australian direct property and 10% in cash.</p> <p>In addition to the traditional valuation assessment, Australian and international companies are evaluated for their environmental, social and governance performance. Eco Pool then invests in the companies with the best combination of financial, environmental, social and governance performance.</p> <p>The only companies which are specifically excluded from the Eco Pool Australian share investments are those with uranium mining operations and those that produce, use or have any material connection to tobacco.</p> <p>The property investment is rated 4 stars under the Green Building Council Australia's Green Star Rating System and has a NABERS Energy Base Building Rating of 4.5 stars.</p>

[#]On 1 September 2012, the investment objective for Eco Pool was revised down to CPI + 3.5%. For more information read *Investment Choices* at hesta.com.au/pds

Your Choice Asset Classes

	Objective	Strategy [^]
Cash	<p>CPI + 1%</p> <p>Your Choice Cash aims to produce a return equivalent to or higher than the Overnight Cash Rate. It's the most conservative of the Your Choice options.</p> <p>Probable number of negative annual returns over 20 years: up to 0.5*</p>	<p>Your Choice Cash is primarily invested in short-term bank deposits, and may include a small allocation to other cash investments. It's updated with investment earnings and movements in values.</p>
Global Bonds	<p>CPI + 2%</p> <p>Your Choice Global Bonds aims to produce a return that is higher than the UBS Composite Bond Index. It's less conservative than cash, in that it may produce a negative return, but is more conservative than the other Your Choice options.</p> <p>Probable number of negative annual returns over 20 years: up to 2*</p>	<p>Your Choice Global Bonds is 100% invested in bonds and other fixed interest products. It has investments in both Australian and international bonds including products that specialise in investing in corporate bonds (known as 'credit'). Investments are managed in a style similar to that used by Core Pool for this asset class. The currency exposures in international bonds are fully hedged.</p>
Property	<p>CPI + 4%</p> <p>Your Choice Property aims to produce a return equivalent to or higher than the Mercer Direct Property Index. It's less conservative than cash or bonds, in that it has a high possibility of producing a negative return, but is more conservative than the remaining Your Choice options.</p> <p>Probable number of negative annual returns over 20 years: up to 3*</p>	<p>Your Choice Property is invested primarily in unlisted property products with a 10% holding in cash products. It will have investments in both Australian and international property. Investments are managed in a style similar to that used by Core Pool for this asset class.</p>

[^] Changes may be made to investment options at any time. The investment options available may also change. For updated information, visit hesta.com.au

*Figures representing the long-term probability of negative returns have been determined by HESTA's investment consultant Frontier Advisors Pty Ltd, based on capital market assumptions, and actual outcomes may vary.

	Objective	Strategy [^]
Infrastructure	<p>CPI + 4%</p> <p>Your Choice Infrastructure aims to produce a return that is significantly higher than the UBS Composite Bond Index. It has holdings in unlisted companies and, although these are not considered speculative, is likely to produce negative returns from time to time. Returns should be less volatile than other equity investments.</p> <p>Probable number of negative annual returns over 20 years: up to 4*</p>	<p>Your Choice Infrastructure is invested primarily in unlisted infrastructure products with a 10% holding in cash products. It has investments in both Australian and international infrastructure. Investments are managed in a style similar to that used by Core Pool for this asset class.</p>
International Shares	<p>CPI + 5%</p> <p>Your Choice International Shares invests in international shares. It aims to produce high long-term returns, however it is very likely to produce negative returns from time to time.</p> <p>Probable number of negative annual returns over 20 years: up to 6*</p>	<p>Your Choice International Shares is invested in listed international shares. Investments are managed in a style similar to that used by Core Pool for this asset class. The currency exposures in international shares are managed under HESTA's active currency overlay program policy. It may include managers who also short sell shares.</p>
Australian Shares	<p>CPI + 5%</p> <p>Your Choice Australian Shares invests in Australian shares. It aims to produce high long-term returns, however it is very likely to produce negative returns from time to time.</p> <p>Probable number of negative annual returns over 20 years: up to 6*</p>	<p>Your Choice Australian Shares is invested in listed Australian shares. Investments are managed in a style similar to that used by Core Pool for this asset class. It may at times hold a small percentage of its assets in shares of companies not listed on the Australian Stock Exchange. It may include managers who also short sell shares.</p>
Private Equity	<p>CPI + 7%</p> <p>Your Choice Private Equity invests in Australian and international private equity. It aims to produce high long-term returns, however it is very likely to produce negative returns from time to time.</p> <p>Probable number of negative annual returns over 20 years: up to 6*</p>	<p>Your Choice Private Equity is invested primarily in private equity products with a 10% holding in cash products. It will have investments in both Australian and international private equity. Investments are managed in a style similar to that used by Core Pool for this asset class.</p>

HESTA strategic asset allocation

at 30 June 2012*






	Ready-Made Investment Pools				Your Choice Asset Classes						
	Conservative Pool (%)	Core Pool (%)	Shares Plus (%)	Eco Pool (%)	Cash (%)	Global Bonds (%)	Property (%)	Infrastructure (%)	International Shares (%)	Australian Shares (%)	Private Equity (%)
Cash	30	3	2	10	100		10	10	0	0	10
Australian bonds	11.25	5				35					
International bonds	11.25	5				35					
Opportunistic growth		3	2.5								
Australian direct property	3.6	8	5.1	10			67.5				
International direct property	1.4	3	1.9	0			22.5				
Australian infrastructure	3.7	6	3.6					40			
International infrastructure	4.3	6	4.4					50			
Australian shares	15	31	40	45						100	
International shares	12	23	35.5	35					100		
Australian private equity		1	1								22.5
International private equity		3	3								67.5
Unlisted debt	6.5	2				15					
Term deposits						15					
Other	1	1	1								

*Strategic asset allocations may change during the year within their bands without prior notice.

On 1 September 2012, changes were made to the strategic asset allocation of some HESTA investment options. Current allocations, bands and any variations are available at hesta.com.au

HESTA investment managers

at 30 June 2012

Asset class	Investment manager	
Cash 	ANZ Bank	National Australia Bank
	Commonwealth Bank	Perpetual Investment Management Limited
	Industry Funds Management Pty Ltd	State Street Global Advisors, Australia, Limited
	JP Morgan Chase Bank, N.A.	Westpac Bank
	ME Bank	
Global bonds 	BlackRock Asset Management (Australia) Limited	ME Portfolio Management Limited
	Highland Good Steward Management, LLC	Pacific Investment Management Company
	Industry Funds Management Pty Ltd	
Unlisted debt 	Industry Funds Management Pty Ltd	Westbourne Credit Management Limited
	Shenkman Capital Management, Inc	
Property 	AEW Value Investors, L.P.	Franklin Templeton Investments Australia Limited
	BT Funds Management No 2 Limited	Industry Superannuation Property Trust Pty Ltd
	Challenger Manager Services Limited	IGIPT Pty Ltd
	Charter Hall Limited	Morgan Stanley & Co
	DNZ Property Fund Limited	Queensland Investment Corporation
	EG Funds Management	Scarborough Pacific Group
	Eureka Funds Management Limited	Valad Funds Management Limited
	Fortius Funds Management Pty Limited	
International shares 	Altrinsic Global Advisors, LLC	Mondrian Investment Partners Limited
	Baillie Gifford Overseas Limited	Orbis Investment Management Limited
	BlackRock Asset Management (Australia) Limited	Sanders Capital LLC
	First State Investments (Hong Kong) Limited	Somerset Capital Management
	Generation Investment Management LLP	Taube Hodson Stonex Partners LLP
	Hexavest Inc.	Tradewinds Global Investors, LLC
	Lazard Asset Management Pacific Co	Turner Investment Partners Pty Ltd
	Marathon Asset Management (Australia) Limited	Walter Scott & Partners Limited
Australian shares 	Aviva Investors Australia Limited	Industry Funds Management Pty Ltd
	BlackRock Asset Management (Australia) Limited	Maple-Brown Abbott Limited
	BT Investment Management No 2 Limited	Northcape Capital Pty Ltd
	Citigroup Global Markets Australia Pty Limited	Orbis Investment Management (Australia) Pty Limited
	Cooper Investors Pty Limited	Paradise Investment Management Pty Ltd
	Eley Griffiths Group Pty Ltd	Perpetual Investment Management Limited
	Ellerston Capital Limited	PM Capital Limited
	Goldman Sachs Asset Management & Partners Australia Pty Ltd	Renaissance Smaller Companies Pty Ltd
	Greencape Capital Pty Ltd	Solaris Investment Management Limited

Asset class	Investment manager	
Infrastructure 	Hastings Funds Management Limited	Stafford Timberland Limited
	Industry Funds Management Pty Ltd	
Private equity 	Adveq Management AG	Newbury Partners, LLC
	Coller Capital Limited	Oaktree Capital Management, L.P.
	Generation Investment Management LLP	Performance Equity Management, LLC
	Industry Funds Management Pty Ltd	Quay Partners Pty Ltd
	Lexington Advisors, Inc.	Siguler Guff & Company, LLC
	Macquarie Investment Management Ltd	Vencap Limited
Opportunistic growth 	BlackRock Alternative Advisors	Industry Funds Management Pty Ltd
	Bridgewater Associates, Inc	Oaktree Capital Management, L.P.
	Cowen Healthcare Royalty Management, LLC	
Currency management 	Lee Overlay Partners Limited	Mesirow Financial Currency Management
	ME Portfolio Management Limited	Pareto Partners

The Trustee retains a discretion to change the HESTA investment managers used. Go to hesta.com.au for updated information.

HESTA reserving policy

HESTA maintains an investment reserve which targets a minimum of 0.2% of net assets of the Fund. To cater for interest roundings, the investment reserve should not reduce below 0.1% of Fund net assets. Given the variables that can affect estimation of our reserves (e.g. actual tax liabilities, and application of interest to unallocated contributions), HESTA targets a small reserve above that point, a further 0.1%. As at 30 June 2012, the investment reserve is \$63.78 million (audited), as at 30 June 2011 it was \$0.32 million (audited) and as at 30 June 2010 it was \$37.67 million (audited).



HESTA Income Stream investments

at 30 June 2012

HESTA Income Stream investment performance

for year ending 30 June 2012

Option	Since inception (% p.a.)	3-year (% p.a.)	1-year return (%)
Balanced (1/12/07*)	-1.4	6.1	1.3
Defensive (1/12/07*)	4.7	6.3	5.7
Conservative (1/12/07*)	3.5	6.9	5.1
Active (1/12/07*)	-4.5	5.2	-1.9
Cash (1/7/08*)	5.1	4.8	4.6
Fixed Interest (1/12/07*)#	8.0	8.1	9.5
Property (1/12/07*)	-6.4	6.9	8.0
Australian Shares (1/7/08*)	0.5	5.0	-5.3
International Shares (1/7/08*)	-1.9	4.6	1.0
Sustainable Australian Shares (1/7/08*)##	12.2	16.4	7.7

* Refers to date of inception for the investment option # This option converted to Term Deposits on 1/7/12
This option converted to Eco on 1/7/12

Note: Performance figures for financial years prior to 2011/12 include figures for the Super Members Pooled Super Trust (SMPST) through which the HESTA Income Stream invested until 30 November 2010. The returns quoted are not a reflection of the actual return on your account. Your actual return will depend on when you commenced investing in the income stream. This is the performance applicable to members who were members at the beginning and the end of the period and who did not have any transactions during the period. Past performance is not a reliable indicator of future performance and the value of investments can rise or fall. Returns are quoted after fees for the period indicated.

How returns are applied to HESTA Income Stream accounts

Investment returns (which may be positive or negative) are applied to your account by determining the value of your chosen option, less its liabilities, each week. The movement in the value is then applied to your account each month. The movement in value of an option is dependent on the underlying assets, liabilities, income and other expenses. These underlying assets are influenced by movements in markets such as shares, bonds and property.

The investment objective for each option is not a guarantee of future performance.

The latest and historical returns are available at hesta.com.au/isperformance or by calling us on 1300 734 479.

HESTA Income Stream investment options

at 30 June 2012, in detail

	Objective	Strategy [^]
Balanced	<p>CPI + 3%</p> <p>Balanced aims to produce a return of 3% above CPI over the medium to long term, while occasionally producing a negative return over a 12-month period. There may be substantial year-to-year variation in returns.</p> <p>Probable number of negative annual returns over 20 years: up to 3*</p>	<p>Balanced invests in a diversified mix of asset classes, with approximately 67.5% invested in growth-style assets, including listed shares and the remainder invested in defensive-style assets, such as cash, defensive property and bonds. Infrastructure assets provide a mix of both growth and defensive characteristics. The inclusion of infrastructure should give Balanced a lower risk profile than if the growth assets were all listed shares.</p>
Defensive	<p>CPI + 2%</p> <p>Defensive aims to produce a return of 2% above CPI over the medium to long term. While negative returns are possible, a negative return over a 12-month period would be exceptionally rare. There may be some year-to-year variation in returns.</p> <p>Probable number of negative annual returns over 20 years: up to 1*</p>	<p>Defensive invests in a diversified mix of asset classes, with approximately 86% invested in defensive-style assets, like cash, term deposits, defensive property and credit and 14% invested in growth-style assets, like listed shares. Infrastructure assets provide a mix of both growth and defensive characteristics. The diversification and defensive asset bias of this option means that it has a lower risk profile than Conservative, while its exposure to some growth assets should provide a small amount of protection against inflation.</p>

[^] Changes may be made to investment options at any time. The investment options available may also change. On 1 July 2012, changes were made to option objectives and strategies. Also on 1 July 2012, Fixed Interest converted to Term Deposits and Sustainable Australian Shares converted to Eco. For updated information, visit hesta.com.au/ispds

*Figures representing the long-term probability of negative returns have been determined by HESTA Income Stream's investment consultant Frontier Advisors Pty Ltd, based on capital market assumptions, and actual outcomes may vary.

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	Objective	Strategy [^]
Conservative	<p>CPI + 2.5%</p> <p>Conservative aims to produce a return of 2.5% above CPI over the medium to long term, while rarely producing a negative return over a 12-month period. There may be some year-to-year variation in returns.</p> <p>Probable number of negative annual returns over 20 years: up to 2*</p>	<p>Conservative invests in a diversified mix of asset classes, with approximately 68% invested in defensive-style assets, including cash, term deposits, defensive property and fixed interest and the balance invested in growth-style assets, like listed shares. Infrastructure assets provide a mix of both growth and defensive characteristics. The diversification and defensive asset bias of this option means that it has a lower risk profile than either the Balanced or Active options, while its exposure to some growth assets should provide some protection against inflation.</p>
Active	<p>CPI + 3.5%</p> <p>Active aims to produce a return of 3.5% above CPI over the medium to long term and may produce a negative return relatively frequently.</p> <p>There may be quite substantial year-to-year variation in returns.</p> <p>Probable number of negative annual returns over 20 years: up to 5*</p>	<p>Active invests in a mix of asset classes, however it is mainly invested in listed shares, with approximately 95% invested in growth-style assets. A small balance is invested in defensive-style assets, such as cash and defensive property. Infrastructure assets provide a mix of both growth and defensive characteristics. The diversification of asset classes means this option has a lower risk profile than an investment in shares alone.</p>
Cash	<p>CPI + 1%</p> <p>Cash aims to produce a return equivalent to or higher than the Overnight Cash Rate. It is the most conservative of the HESTA Income Stream investment options.</p> <p>Probable number of negative annual returns over 20 years: up to 1*</p>	<p>Cash is primarily invested in at-call bank deposits, along with an allocation to short-term (less than 12 months) term deposits with highly rated banks. It may include a small allocation to other cash investments.</p>

	Objective	Strategy [^]
Fixed Interest (converted to Term Deposits on 1/7/12)	CPI + 2% Fixed Interest aims to achieve returns that exceed the inflation rate (change in the CPI*) by 2% per annum on a rolling five year basis. This is expected to be achieved approximately seven years out of every 10. Probable number of negative annual returns over 20 years: up to 2*	Fixed Interest predominantly invests in a diverse range of government and corporate bonds and alternative debt.
Property	CPI + 3% Property aims to produce a return equivalent to or higher than the Mercer Direct Property Index. It's less conservative than cash or bonds, in that it has a higher possibility of producing a negative return, but is more conservative than the remaining HESTA Income Stream investment options. Probable number of negative annual returns over 20 years: up to 3*	Property is invested primarily in unlisted property and property debt. The primary characteristic of the unlisted property will be that rental income is expected to generate the majority of the returns, not capital growth.
Australian Shares	CPI + 3.5% Australian Shares option invests in Australian shares. It aims to produce high long-term returns, however it is likely to produce negative returns quite regularly. Probable number of negative annual returns over 20 years: up to 5*	Australian Shares option is invested primarily in listed Australian shares. It will have a strategic overweighting to smaller companies, compared to its benchmark. It may at times hold a small percentage of its assets in shares of companies not listed on the Australian Stock Exchange. It may include managers who also short sell shares.

[^] Changes may be made to investment options at any time. The investment options available may also change. On 1 July 2012, changes were made to option objectives and strategies. Also on 1 July 2012, Fixed Interest converted to Term Deposits and Sustainable Australian Shares converted to Eco. For updated information, visit hesta.com.au/ispds

*Figures representing the long-term probability of negative returns have been determined by HESTA Income Stream's investment consultant Frontier Advisors Pty Ltd, based on capital market assumptions, and actual outcomes may vary.

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	Objective	Strategy [^]
International Shares	<p>CPI + 3.5%</p> <p>International Shares option invests in international shares. It aims to produce high long-term returns, although it's very likely to produce negative returns from time to time.</p> <p>Probable number of negative annual returns over 20 years: up to 7*</p>	<p>International Shares is invested primarily in listed international shares. It will have a strategic overweight to emerging market companies. The currency exposures in International Shares are managed under HESTA's active currency overlay program policy. It may include managers who also short sell shares.</p>
Sustainable Australian Shares (converted to ECO on 1/7/12)	<p>CPI + 3.5%</p> <p>To achieve returns that exceed the inflation rate (change in the CPI*) by 3.5% per annum on a rolling five year basis. This is expected to be achieved approximately seven years out of every 10.</p> <p>Probable number of negative annual returns over 20 years: up to 5*</p>	<p>Sustainable Australian Shares predominantly invests in Australian shares of companies that display positive environmental, sustainable and socially responsible features.</p>

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HESTA Income Stream strategic asset allocation

at 30 June 2012

	Balanced %	Defensive %	Conservative %	Active %	Cash %	Fixed Interest % [#]	Property %	Australian Shares %	International Shares %	Sustainable Australian Shares % ^{##}
Cash	7.5	45	17.5	5	100	0	0	0	0	0
Australian fixed interest	13	28	34			75				
International fixed interest	4.5	9.5	11			25				
Property	15	7.5	10				100			
Australian shares	37.5	7	15	47.5				100		
International shares	22.5	3	12.5	47.5					100	
Sustainable Australian shares										100

The strategic asset allocations may change during the year within their bands without prior notice. On 1 July 2012, strategic asset allocations changed for all HESTA Income Stream options. Current allocations, bands and any variations are available at hesta.com.au/ispds

[#] This option converted to Term Deposits on 1/7/12

^{##} This option converted to Eco on 1/7/12

HESTA Income Stream investment managers

at 30 June 2012

Asset class		Investment manager	
Cash		AMP Bank	JP Morgan Chase Bank, N.A.
		Commonwealth Bank of Australia	Rabobank Australia Ltd
		Industry Funds Management Pty Ltd	
Australian fixed interest		AMP Bank	Commonwealth Bank of Australia
		ANZ Bank	ME Bank
		BlackRock Asset Management Australia Ltd	
International fixed interest		BlackRock Asset Management Australia Ltd	
Property		Industry Superannuation Property Trust Pty Ltd	BlackRock Asset Management Australia Ltd
International shares		Capital International, Inc.	BlackRock Asset Management Australia Ltd
Australian shares		Perpetual Investment Management Ltd	Industry Funds Management Pty Ltd
		Perennial Investment Partners Ltd	Acadian Asset Management (Australia) Ltd
Sustainable Australian shares		Perpetual Investment Management Ltd	

The Trustee retains a discretion to change the HESTA Income Stream investment managers used. On 1 July 2012, investment managers changed. Go to hesta.com.au/ispds for updated information.

HESTA Income Stream reserving policy

HESTA Income Stream does not hold reserves.



Finances

Financial Statements

The following Statement of Financial Position and Operating Statement are extracts of the audited financial statements of the Fund for the year ended 30 June 2012. Free call 1800 813 327 to request a copy of the full financial statements.

Statement of Financial Position

as at 30 June 2012

	30 June 2012 (\$)	30 June 2011 (\$)
Assets		
Investments		
Cash and Short Term Deposits	1,332,310,238	1,362,264,830
Other Interest Bearing Securities	1,522,339,897	1,134,960,030
Australian Equities	5,340,763,005	5,302,110,898
International Equities	3,147,732,870	2,801,134,237
Unlisted Unit Trusts	5,807,273,041	6,245,607,361
Unlisted Pooled Funds	307,404,748	273,446,575
Pooled Superannuation Trusts	1,750,806,171	914,668,066
Private Equity	342,241,073	245,963,168
Derivative Assets	21,261,597	19,119,476
Total Investments	19,572,132,640	18,299,274,641
Other Assets		
Cash and Cash Equivalents	75,772,718	47,447,198
Fixed Assets	1,095,836	1,278,455
Other Assets	1,429,312	1,305,919
Deferred Tax Assets	127,578,022	109,779,130
Total Other Assets	205,875,888	159,810,702
Total Assets	19,778,008,528	18,459,085,343
Liabilities		
Payables	38,977,039	43,204,650
Provision for Employee Benefits	1,500,669	1,146,586
Income Tax Payable	45,073,038	158,359,474
Deferred Tax Liabilities	14,468,427	43,589,395
Total Liabilities	100,019,173	246,300,105
NET ASSETS AVAILABLE TO PAY BENEFITS	19,677,989,355	18,212,785,238
<i>Represented by:</i>		
Liability for Accrued Benefits		
Allocated to Members' Accounts	19,588,388,915	18,192,626,695
Not Yet Allocated to Members' Accounts	2,613,025	5,633,246
Reserves	86,987,415	14,525,297
Total Liability for Accrued Benefits	19,677,989,355	18,212,785,238

Operating Statement

for the year ended 30 June 2012

	30 June 2012 (\$)	30 June 2011 (\$)
Investment Revenue		
Dividends	304,498,245	383,135,160
Trust Distributions	461,130,408	294,141,600
Interest	94,719,385	77,586,814
Other Investment Income	10,388,182	13,470,650
Change in Net Market Value of Investments	(497,171,874)	906,591,665
Direct Investment Expenses	(69,795,499)	(72,070,739)
Net Investment Revenue	303,768,847	1,602,855,150
Contribution Revenue		
Employer Contributions	2,078,242,383	1,919,915,704
Member Contributions	235,028,647	247,668,528
Transfers from Other Superannuation Funds	682,020,711	588,695,833
Total Contribution Revenue	2,995,291,741	2,756,280,115
Other Revenue		
Group Life Insurance Proceeds	43,179,653	38,997,756
Other Income	4,088,917	2,966,628
Total Other Revenue	47,268,570	41,964,384
Total Revenue	3,346,329,158	4,401,099,649
General Administration Expenses		
Group Life Insurance Premiums	115,897,920	95,953,449
Administrator Expenses	37,746,756	31,079,622
Trustee Office Operating Costs	27,613,383	27,602,409
Total General Administration Expenses	181,258,059	154,635,480
Benefits Accrued as a result of Operations before Income Tax	3,165,071,099	4,246,464,169
Income Tax Expense	247,960,048	356,436,843
Benefits Accrued as a result of Operations after Income Tax	2,917,111,051	3,890,027,326

Administration Reserve

The Trustee established and maintains an administration reserve with a minimum balance of \$100,000 in cash and cash equivalents. The minimum balance may only be used by the Trustee for expenses relating to the Fund's operational risk requirements. A projection of expected fee income is undertaken each year and allowance is made for expected payments to the Fund's outsourced administrator. The net amount, together with any accrued administration reserve in excess of the \$100,000, is available for other appropriate expenditure (e.g. operational expenses). As at 30 June 2012, the administration reserve is \$23.21 million (audited), as at 30 June 2011 it was \$14.20 million (audited) and as at 30 June 2010 it was \$8.01 million (audited).

Remuneration

Remuneration of Directors

Total remuneration received and receivable by Directors and/or relevant organisations during the year was:

Director	30 Jun 2012 (S)	Remuneration Paid/Payable To
J.A. Bonnington	43,705	Self
G.L. Bunney (term of office expired 31/12/11)	20,448	Self
Y.M. Chaperon	42,425	Australian Nursing Federation
R.J.A. Elliott (term of office expired 31/12/11)	13,463	Self
A.C. Emslie	76,030	Self
B.H. Holmes	47,646	NSW Nurses Association
K. Jackson (term of office expired 31/12/11)	10,288	Self
R. Kelly (appointed 1/1/12)	20,928	Medical Scientists Association
T.D. Lyons	36,015	Australian Council of Trade Unions
E.R. Mohle	40,073	Queensland Nurses Union
M.S. O'Halloran	19,845 22,000	Self Welfare Rights Centre
P.H. Power	32,410	Self
R.N. Royle	38,573	UnitingCare Health
K.L. Shay	29,870	United Voice WA
A.J. Smith	40,345	AJ & BJ Smith Pty Ltd
D. Smith (Alternate Director) (appointed 1/1/12)	19,785	Australian Services Union
L. Williams (appointed 1/1/12)	19,205	Health & Community Services Union
K. Zimmermann (appointed 1/1/12)	16,740	Self
Total	589,794	

The above remuneration received/receivable by Directors and/or relevant organisations during the year includes superannuation. The remuneration paid to an organisation is after relevant superannuation is deducted and paid/payable to the superannuation fund.

Directors Nominated to External Boards

Directors nominated to external Boards and their remuneration is as follows:

Director	Board	30 June 2012 (\$)	Remuneration Paid/Payable To
J.A. Bonnington	Utilities Trust of Australia	32,384	Self
G.L. Bunney	ISPT Pty Ltd	44,487	Self
A.C. Emslie	Frontier Advisors Pty Ltd	12,000	Self
T.D. Lyons	Industry Funds Management Pty Ltd (IFM) - Investor Advisory Board	8,712	Australian Council of Trade Unions

Remuneration of Executive Management Team

Total remuneration received and receivable by Executive Management personnel and other relevant higher paid staff during the year was:

Compensation Band	Number of Key Management Personnel in Band
\$80,001 - \$100,000	2
\$100,001 - \$200,000	2
\$200,001 - \$300,000	5
\$300,001 - \$400,000	1
\$400,001 - \$500,000	1
\$500,001 - \$550,000	1

Some Executive Managers commenced part way through the year and a termination payment was also made during the year.

Related Parties

Related Party Investments and Transactions

At 30 June 2012 the Fund had:

- A 30% (2011: 30%) shareholding of ordinary and preference shares valued at \$811,445 (2011: \$811,445) in Frontier Advisors Pty Ltd.

Frontier receives fees from the Fund for investment consulting services. These fees were \$2,336,372 (2011: \$1,807,226).

Ms A. C. Emslie (as nominee of H.E.S.T. Australia Ltd) is a Director of Frontier Advisors Pty Ltd.

All transactions were made on normal commercial terms, under normal conditions and at market rates. Transactions relating to dividends, investment income and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.

There were no transactions between the Fund and the Trustee of the Fund (H.E.S.T. Australia Ltd) during the year (2011: \$nil).

Other Shareholdings and Transactions

- A 16.57% (2011: 16.57%) shareholding in Superpartners Pty Ltd, valued at \$40,314,702 (2011: \$30,681,996). Superpartners provide member administration to the Fund.
- A 15.9% (2011: 15.9%) shareholding in Industry Super Holdings Pty Ltd (ISH) valued at \$47,492,921 (2011: \$134,822,100). The 2011 valuation of ISH included Members Equity Bank Pty Limited (ME Bank) as it was a subsidiary of ISH. ME Bank was demerged on 1 July 2011, and the Fund now has a direct shareholding as disclosed below.

Industry Funds Management Pty Ltd (IFM) is a subsidiary of ISH and manages investments totalling \$3,447,119,347 (2011: \$2,899,821,802) on behalf of the Fund.

ISH has other subsidiaries with which the Fund transacts. Industry Fund Services Pty Ltd provides financial planning services to the Fund. Industry Fund Services Insurance Broking Pty Ltd provides insurance services to the Fund.

Ms A. C. Emslie's partner, Mr G Weaven, is a Director of ISH and ME Bank and Chair of IFM.

- A 15.9% (2011: nil) shareholding in ME Bank valued at \$90,974,586 (2011: nil). ME Bank is the manager of the Super Members Home Loan program and the Super Loans Trust. The investment in the Super Loans Trust was valued at \$158,296,677 (2011: \$156,641,905). The Fund also had \$252,841,725 (2011: \$202,850,420) invested in cash and term deposits with ME Bank at year end.
- A 3.7% (2011: 3.7%) shareholding in ISPT Pty Ltd valued at \$1 (2011: \$1). ISPT is the Trustee and manager of four unlisted direct investment property trusts which the Fund invests in. In addition, ISPT Pty Ltd provides management services to IGIPT Pty Ltd in its capacity as Trustee of the ISPT Grosvenor International Property Trust on a cost recovery basis.

ISPT Pty Ltd in its capacity as Trustee and manager, managed investments totalling \$1,034,078,548 (2011: \$923,105,350) on behalf of the Fund.

Mr G. L. Bunney, as a nominee of H.E.S.T. Australia Ltd, is a Director of ISPT Pty Ltd.

Ms A-M. Corboy, as a nominee of H.E.S.T. Australia Ltd, is an Alternate Director of ISPT Pty Ltd.

All transactions were made on normal commercial terms, under normal conditions and at market rates. Transactions relating to dividends, investment income and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.



Our Board

Who takes care of the Fund

The Fund is run by H.E.S.T. Australia Limited, an APRA and ASIC licensed trustee company with Guarantors (who don't receive dividends). Guarantors represent employee and employer organisations and some are eligible to nominate Directors to the Board.

There are 14 Trustee Directors on the Board, with equal appointments from employee and employer organisations in the health and community services fields. This ensures the voices of both employers and members are heard and that their views are taken into account when decisions are made.

The Board meets up to ten times a year, overseeing every aspect of the Fund's responsibilities, including investments, administration, communications and service delivery. The role of the Board is to determine the strategic direction of the Fund and to monitor operations, ensuring the Fund is administered in accordance with the Trust Deed, relevant legislation and regulations.

Although the Trustee Company is required to hold professional indemnity insurance to protect both itself and the Directors from claims against them, there has never been a claim under the insurance policy and no penalties have been imposed under the Superannuation Industry (Supervision) Act 1993, which covers the regulation, responsibilities and activities of super funds.

If you would like to know more about the governing rules of the Fund, you can obtain a full copy of the Fund's Trust Deed or the rules governing the appointment of Trustee Directors by contacting us on free call 1800 813 327.

If you have any feedback on this Annual Report you can write to:

Anne-Marie Corboy
Chief Executive Officer
HESTA Super Fund
PO Box 615
Carlton South VIC 3053

More information on individual Directors is available on pages 31-36 and at hesta.com.au/aboutus where you may also obtain copies of the Board Charter and Code of Conduct.

Our Board

Trustee Directors during the period 1 July 2011 to 30 June 2012

Employer organisation appointed



Angela Emslie (Chair)
Victorian Employers' Chamber
of Commerce and Industry
Appointed 15 Dec 1994



Jay Bonnington
Catholic Health
Australia
Appointed 1 Jan 2011



Maree O'Halloran
Australian Council
of Social Service
Appointed 18 Jan 2010



Prue Power
Australian Healthcare
and Hospitals Association
Appointed 1 Jan 2010



Richard Royle
Australian Private
Hospitals Association
Appointed 1 Jan 2011



Tony Smith
Aged Care
Association Australia
Reappointed 19 Apr 2007



Klaus Zimmermann
Aged & Community
Services Australia
Appointed 1 Jan 2012

Directors who ceased between 1 July 2011 and 30 June 2012:

Glenn Bunney, Aged and Community Services Australia — term of office expired 31 Dec 2011

Employee organisation appointed



**Brett Holmes
(Deputy Chair)**
Australian Nursing
Federation
Appointed 28 Sep 2000



Yvonne Chaperon
Australian Nursing
Federation
Appointed 29 Oct 2010



Dr Rosemary Kelly
Health Services
Union
Appointed 1 Jan 2012



Tim Lyons
Australian Council
of Trade Unions
Appointed 8 Feb 2010



Beth Mohle
Australian Nursing
Federation
Appointed 28 Jun 2001



Kelly Shay
United Voice
Appointed 1 Sep 2009



**David Smith
(Alternate Director)**
Australian Services Union
Appointed 1 Jan 2012



Lloyd Williams
Health Services Union
Appointed 1 Jan 2012

Directors who ceased between 1 July 2011 and 30 June 2012:

Rob Elliott, Health Services Union — term of office expired 31 Dec 2011
Kathy Jackson, Health Services Union — term of office expired 31 Dec 2011

The Board Committees

The Board Committees as at 30 June 2012

Specialised responsibilities are delegated to Board-appointed committees consisting of Directors who report to the full Board meeting.

Audit Committee

Chair	Jay Bonnington
Members	Brett Holmes, Dr Rosemary Kelly, Tim Lyons, Richard Royle, Tony Smith, Klaus Zimmermann
Role	Responsible for ensuring the Fund observes high standards of business behaviour and ethics, complies with all legal and regulatory requirements, manages risk effectively and provides assurance regarding the quality and reliability of financial information.

Governance and Remuneration Committee (formerly Board Development Committee)

Chair	Angela Emslie
Members	Brett Holmes, Yvonne Chaperon, Maree O'Halloran, Prue Power, Kelly Shay
Role	Responsible for all governance and remuneration matters including the maintenance of the appropriate balance of skills and expertise of Directors, reviewing and recommending Director training and education, Director and Executive Management remuneration and Board performance and processes.

Directors' attendance at meetings

Directors During the period 1 July 2011 to 30 June 2012	Board meetings attended	Audit Committee meetings attended	Governance and Remuneration Committee* meetings attended
Angela Emslie (Chair)	9/9		5/5
Brett Holmes (Deputy Chair)	8/9	5/5	5/5
Jay Bonnington	8/9	5/5	
Glenn Bunney Term of office expired 31/12/11	4/5		2/3
Yvonne Chaperon	9/9		4/5
Rob Elliott Term of office expired 31/12/11	4/5	3/4	
Kathy Jackson Term of office expired 31/12/11	3/5		
Dr Rosemary Kelly Appointed 1/1/12	4/4	1/1	
Tim Lyons	8/9	4/5	
Beth Mohle	9/9		3/3
Maree O'Halloran	9/9		4/5
Prue Power	8/9		1/2
Richard Royle	8/9	2/5	
Kelly Shay	7/9		2/2
David Smith (Alternative Director) Appointed 1/1/12	4/4		
Tony Smith	9/9	5/5	
Lloyd Williams Appointed 1/1/12	4/4		
Klaus Zimmermann Appointed 1/1/12	3/4	1/1	

* formerly Board Development Committee

Qualification of the Directors

Qualifications of the Directors of H.E.S.T Australia Ltd (A.B.N 66 006 818 695) as appointed Trustee of the Fund as at 30 June 2012 are:

Name	Qualification	Relevant experience
Angela Claire Emslie	Bachelor of Economics, Master of Business, Fellow of the Australian Institute of Superannuation Trustees (FAIST)	Director, LIME Management Group Pty Ltd Director, Vision Super Pty Ltd and Care Super Pty Ltd Over twenty years experience as a senior manager or advisor to management
Brett Howard Holmes	Registered Nurse, Certified Midwife	Registered Nurse, 1983-1990 Registered Midwife, 1988-1990 General Secretary, NSW Nurses Association Trade Union Official for over 20 years
Jay Annette Bonnington	Bachelor of Commerce, Master of Business Administration, Fellow of CPA Australia (FCPA), Fellow of the Australian Institute of Company Directors (FAICD), Strategic Planning - Harvard	Director, St John of God Healthcare Group Director, Port of Melbourne Corporation Director, Agriculture Victoria Services Director, Metropolitan Fire Services Board Membership of community organisations Prior experience as a superannuation Trustee
Yvonne Marguerite Chaperon	Registered Nurse Certificate, Bachelor of Law	Nursing Lawyer representing nurses EBA negotiations as ANF Industrial Officer Assistant Federal Secretary, Australian Nursing Federation
Dr Rosemary Kelly	Bachelor of Commerce, Diploma of Education, Master of Public Policy, Doctorate in Education	Executive Officer, Medical Scientists Association of Victoria Secretary, Health Services Union (Victoria No. 4 Branch) Public Officer, Victorian Psychologists Association Inc. (VPA) Executive Officer, Association of Hospital Pharmacists (AHP) Member, National Executive and the National Council of the Health Services Union Executive Member, Victorian Trades Hall Council and of the Trades Hall and Literary Institute Director, Rimbanda Pty Ltd

Name	Qualification	Relevant experience
Timothy Daniel Lyons	Bachelor of Arts, Diploma of Financial Services, Graduate of the Australian Institute of Company Directors (GAICD)	Assistant Secretary, ACTU (2008-current) Former Director, LUCRF Super Secretary/Director of over ten ACTU-related companies Trade Union official (since 1995)
Elizabeth Ruth Mohle	Registered Nurse, Bachelor of Arts (Humanities), Certificate in Health Economics, ASFA 100 - Certificate of Superannuation Management, ASFA 200 - Trusteeship	Nursing, 1983-1984 and 1986-1991 Union Official, 1991-present Secretary, Queensland Nurses Union
Maree O'Halloran	Bachelor of Arts, Diploma of Education, Bachelor of Legal Studies, Graduate Diploma of Legal Practice	Practising as a solicitor in NSW Working in the community sector Director, Welfare Rights Centre Former Director, SAS Trustee Corporation in NSW Director, Teachers Credit Union (NSW, WA, ACT)
Prudence (Prue) Howard Power	Master of Population Health, Graduate Certificate in Arbitration & Conciliation, Certificate in Mediation, Diploma in Corporate Governance, Registered Nurse	Executive Director, Australian Healthcare & Hospitals Association Director, University of Canberra 30 years of experience in management and board positions in the health industry
Richard Norman Royle	Bachelor of Arts, Master of Health Administration, Strategy Course for Health Care Delivery - Harvard Business School	Executive Director, UnitingCare Health Vice President and Chair, APHA Policy Committee
Kelly Shay	RG146, Harvard Trade Union Program	Assistant Secretary, LHMU (WA branch) Over 10 years union organising experience Since 2004, organising focus in aged care, childcare and disabilities sectors Management Committee, Welfare Rights & Advocacy Service (WA)

Name	Qualification	Relevant experience
Anthony James Smith	Graduate Diploma of Management Services (UK), Fellow of the Australian Institute of Company Directors (FAICD), Justice of the Peace	Over 25 years in residential aged care sector as Managing Director/Secretary of AJ & BJ Smith Pty Ltd Director, Aged Care Association of Australia (ACAA) Past Federal President, ACAA Past Joint Chair, National Aged Care Industry Council Director, Extended Care Industry Industrial Secretariat
David Smith (Alternate Director)	Diploma of Financial Services (Superannuation), RG146	National Secretary, Australian Services Union Director, Australian Discount Shopping Services Director, Energy Super
Lloyd Williams	Diploma Occupational Health & Safety	State Secretary, Health and Community Services Union (Victoria No. 2 Branch) Assistant National Secretary, Health Services Union Member, Health Services Union National Executive Officer and Delegate to National Council, Health Services Union Executive Member, Victorian Trades Hall Council
Klaus Zimmermann	Bachelor of Business (Accounting), Business Certificate of Accounting, Diploma in Corporate Management, Justice of the Peace (South Australia)	Chief Executive Officer, Eldercare Incorporated Director, Medicare Local (Central Adelaide and Hills) Director, Applied Professional Services Pty Ltd



Other information

Key advisers and service providers

We use a number of external service providers to help us administer your account and invest your money.

Frontier Advisors Pty Ltd provides the Board with advice on investing members' money and is paid a fee for this service. The Fund is a shareholder of Frontier.

Superpartners Pty Ltd provides administrative services for the Fund, including operating the Fund's service centre, insurance administration, contribution and benefit processing and other general Fund administration. The Fund is a shareholder of Superpartners.

Other key advisers and providers as at 30 June 2012 include:

- JP Morgan – Fund custodian
- CommInsure – HESTA member insurance benefits
- Peter Carroll Pty Ltd – Actuary
- Dwyer & Co – Solicitor
- Ernst & Young – Auditor
- PricewaterhouseCoopers – Tax accountants and advisers.

Investment managers

We use a range of professional fund managers to invest members' money according to specific objectives and strategies (including offering strategies to guard against excessive risk) set out by the Board with advice from our investment consultant, Frontier Advisors Pty Ltd.

By using investment managers, we can make use of their expertise in the investment of your retirement savings, while at the same time using our size to achieve economies of scale that keep costs low.

Derivatives policy

Derivatives are often purchased as a form of investment insurance, and include:

- futures and options: agreements to buy or sell an asset like gold, shares or bank bills in the future at a price set now
- forward rate agreements: agreements to borrow or lend money in the future at an interest rate set now
- swaps: an interest rate, currency or equity exchange between two parties
- warrants: certificates that enable a purchaser to buy stocks at a certain price within a set time frame.

Derivatives are financial instruments linked to the future purchase or sale of securities, such as shares or other assets. They are common risk management tools. The Fund has some investment in derivatives. Derivatives can be used to reduce portfolio risk, or increase it. Tight controls are used to reduce unintended risk.

Derivatives have a role to play as part of the Fund's overall investment strategy and aim to minimise investment risk in the portfolios while maximising investment returns. The Fund's policy on derivatives allows investment managers to use derivatives to pursue their investment objectives, particularly for controlling risk. Our policy allows the Trustee to use derivatives to implement strategies within the Fund.

Managers are not allowed to exceed specific asset sector investment guidelines limiting the circumstances under which they may use derivatives. Derivatives may be used in the management of the portfolio but not used to gear the portfolio or create net short positions.

Superannuation surcharge




The Federal Government abolished the superannuation surcharge tax from 1 July 2005. However, surcharges for prior years may still appear on your statement as a deduction from your account.

How do I make a complaint?

We take complaints seriously.

If you're not satisfied with our products or services, we have a complaint resolution process to address your concerns fairly and efficiently.

Internal dispute resolution process

 Step 1	 Step 2	 Step 3
<p>Call to discuss your concerns.</p> <p>If your concern relates to your:</p> <ul style="list-style-type: none"> • HESTA super account, call 1800 813 327 • HESTA Income Stream account, call 1300 368 636 	<p>If your concerns can't be resolved immediately, you can provide more detailed information about your complaint to our Complaints Officer by:</p> <p>Mail: Complaints Officer HESTA PO Box 600 Carlton South Vic 3053</p> <p>Fax: 1300 368 636</p> <p>Email: HESTA super accounts: hesta@hesta.com.au HESTA Income Stream accounts: hestasis@hesta.com.au</p>	<p>We'll investigate your complaint and make every effort to respond within 10 business days. If we can't fully respond in that time, we'll endeavour to keep you informed about the progress of your complaint.</p> <p>Our response will detail the outcome of the investigation and the reason for our decision. This process is free of charge.</p>

External dispute resolution process

There are independent organisations that help resolve disputes between consumers and financial services providers, which can be accessed free of charge.

If you're not satisfied with the outcome of the internal dispute resolution process, you may take your complaint to one of the below external dispute resolution schemes*.

Superannuation complaints, including Income Streams	Non-superannuation complaints <small>(e.g. advice about banking or managed investment products)</small>
<p>Superannuation Complaints Tribunal (SCT) Locked Mail Bag 3060 Melbourne Vic 3001 1300 884 114 sct.gov.au</p> <p><small>*You can also access the SCT if your complaint has not been resolved by the internal dispute resolution process within 90 days.</small></p>	<p>Financial Ombudsman Service (FOS) GPO Box 3 Melbourne Vic 3001 1300 780 808 fos.org.au</p> <p><small>*You can also access FOS if your non-superannuation complaint has not been resolved by the internal dispute resolution process within 45 days.</small></p>

What happens if we lose contact with you?

We may transfer your account to Australia's Unclaimed Super Fund (AUSfund), an eligible rollover fund.

For super accounts, we may transfer your account if:

- we have been unsuccessful in delivering mail to your address, or
- your account balance is less than \$800 and no contributions have been made for more than one year, or
- your account balance is less than \$1,000 and no contributions have been made for more than two years, or
- if a small credit is to be applied to your account after it has been closed.

For income stream accounts, we may transfer your account if at least two written communications sent by us have been unclaimed.

When your money is transferred to AUSfund ABN 85 945 681 973, APF0100AU, any insurance cover you have through your super account will cease. Your super and/or income stream accounts will be closed. You will become a member of AUSfund and subject to its governing rules. If we can provide your current contact details, AUSfund will send you a copy of its Product Disclosure Statement.

AUSfund accounts of \$50 or more attract an administration levy of \$14 a year. Lower balances are not subject to the levy and do not earn interest. However, all accounts are protected from erosion by the levy so that the levy cannot exceed the interest credited to each account. Annual management costs of up to 3% of your balance will apply. AUSfund may have a different investment strategy than the Fund and does not offer death or disability insurance. If your account is transferred to AUSfund, we will disclose your personal information to allow AUSfund to administer your account.

Contact AUSfund:

AUSfund Administration
PO Box 2468
Kent Town SA 5071

Phone: 1300 361 798

Fax: 1300 366 233

Email: admin@ausfund.net.au

Web: unclaimedsuper.com.au

What you need to know about this Annual Report

This Annual Report contains information about the Health Employees Superannuation Trust Australia (the Fund) ABN 64 971 749 321 and is produced by H.E.S.T. Australia Limited ABN 66 006 818 695, AFSL No. 235249, the Trustee of the Fund.

H.E.S.T. Australia Limited is the issuer of the products “HESTA” (including “HESTA Personal Super”) and “HESTA Income Stream”.

Care is taken to ensure that information is correct at the date of preparation, but neither the Trustee nor its advisers accept responsibility for any error or misprint, nor for anyone acting on this information, which is of a general nature. It does not take into account your objectives, financial situation or specific needs so you should look at your own financial position and requirements before making a decision. You may wish to consult an adviser when doing this. The information also represents our interpretation of the law in some instances but should not be relied upon as legal advice.

Please note investments can go up and down. Past performance is not a reliable indicator of future performance. Consider a Product Disclosure Statement before making a decision about our products. Call HESTA super on 1800 813 327 or HESTA Income Stream 1300 734 479 — or visit hesta.com.au — for copies.

More people in health and
community services choose HESTA
than any other fund



Contact:

HESTA Super Fund enquiries

Phone 1800 813 327
Fax 1300 368 636
Mail PO Box 600, Carlton South,
Vic 3053
Email hesta@hesta.com.au
Web hesta.com.au

HESTA Income Stream enquiries

Phone 1300 734 479
Fax 1300 368 636
Mail Locked Bag 200, Carlton South,
VIC 3053
Email hestasis@hesta.com.au
Web hesta.com.au