



# How we manage international equities

## Introduction

International Equities are defined shares in public companies that are listed on stock exchanges outside Australia.

## Our objectives

Vision Super's International Equities portfolio invests money with a variety of specialist international equity managers. Our objectives are to:

- Outperform inflation over the longer term by 5% p.a. (as measured by the Consumer Price Index (CPI)) and over at least two thirds of all rolling ten-year periods.
- Limit the chance of a negative return in any one year to less than one in 4 years.
- Achieve returns that exceed its composite international equities benchmark over the medium to longer term.

Vision Super uses a benchmark index that reflects the markets in which it invests and its approach to currency management.

Vision Super international equities benchmark is made up of:

- 50% Morgan Stanley Capital International (or MSCI) World Index ex-Australia (measured in Australian dollars), unhedged; and,
- 50% Morgan Stanley Capital International (or MSCI) World Index ex-Australia (measured in Australian dollars), hedged.

Vision Super aims to do this by:

- Diversifying the portfolio across a range of international equities and stocks, including smaller companies.
- Diversifying the portfolio across regional share markets in both developed and emerging markets.
- Diversifying the portfolio across a number of managers with different investment styles.
- Using a passive/active approach to achieve the best return for an acceptable level of volatility for the total international equities portfolio.

## Investment approach

A significant part of this portfolio is invested in a highly controlled way with the use of an enhanced passive manager. While passive managers aim to provide returns that are in line with the index, enhanced passive managers aim to provide returns that slightly exceed the index. By using enhanced passive managers Vision Super aims to control the fees paid and the risk taken relative to the benchmark. The balance of the international equities portfolio consists of investments with active managers.

Active managers take on more risk than passive managers, and in return, target a higher level of outperformance relative to the benchmark.

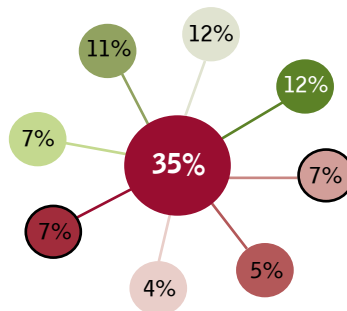
Vision Super uses a number of active managers (each with different and complementary approaches) in the expectation that Vision's International Equities portfolio will provide superior risk adjusted returns relative to its benchmark.

Vision Super invests with managers that employ a mix of broad market and specialist (e.g. emerging markets, smaller companies) mandates.

The portfolio return is also affected by the value of the Australian dollar (\$) relative to the currencies of the countries in which the managers invest. Vision Super's international equities managers do not manage currency themselves. Vision has appointed a specialist currency manager for this purpose. The currency manager has a dual role of actively managing currency in order to generate additional returns, while also limiting the portfolio's exposure to the negative impact of relative currency movements by hedging. This function is currently undertaken by Bridgewater.

## Investment managers used

Vision Super closely monitors the compliance, management, style, complementarity and performance of the managers in its portfolios. While the number and mix of managers will alter over time, the following is a snapshot of the current managers.



MANAGERS	INVESTMENT APPROACH
<b>Core manager (35%)</b>	
State Street Global Advisors	Enhanced Passive
<b>Satellite managers (65%)</b>	
Wellington International	Active Style Neutral
Baillie Gifford Overseas Ltd	Long Term Growth
Brandywine Asset Management	Value
HFA International Shares	Global Long/Short
Intech Investment Consultants	High conviction
Turner Investment Partners	U.S. Small Caps
Generation Investment Managers	Bottom-up fundamental
Colonial	Global Emerging Markets