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Highlights for the year

Vision awarded licence

SEPTEMBER 2005

Vision Super is one of the first funds to be awarded an RSE (Registrable Superannuation Entity) licence by APRA (Australian Prudential Regulation Authority), well ahead of the 1 July 2006 cut off date. The licence confirms Vision Super meets APRA's rigorous standards for regulation and risk management.

Metro seminar series completed

OCTOBER 2005

Vision Super completes a series of 30 Wealth Creation and Retirement seminars for over 800 members and their partners in the Melbourne metropolitan area.

Vision goes Platinum

NOVEMBER 2005

Vision Super awarded a Platinum rating, the highest rating from the leading ratings agency, SuperRatings. This places us in the top 15% of super funds, offering 'the best value for money.'



Discounted health insurance for members

DECEMBER 2005

Vision Super enters into an arrangement with HBA that allows members and their families to get a 5% discount off their health insurance. Well over 1,000 members took up the offer in the first 6 months.



Fees capped

JANUARY 2006

Administration fees charged on Personal plans and Vision Super's post retirement products are capped on the first \$300,000 of members' individual account balances. This gives members another reason to consolidate their money with Vision Super.



New Member Education Program launched

FEBRUARY 2006

The program gives members access to an expanded range of seminars; 'Budgeting and Planning', 'Understanding Investments', 'Wealth Creation for Retirement' and 'Getting the most out of your Super'. With ongoing support from employers, the Member Education team has delivered 330 workplace seminars during the year.

Regional seminar series completed

MAY 2006

Vision Super completes its tour of regional Victoria, presenting 30 Wealth Creation and Retirement seminars (for almost 1,000 members and their partners) along with personal consultations.



Assets exceed \$3.4 billion

MAY 2006

Members' funds under management break the \$3.4 billion barrier for the first time. The larger the fund, the more this helps us to benefit from economies of scale and extend our services to you.

Members receive co-contribution windfall

JUNE 2006

Members receive a windfall. Vision Super received over \$7.6 million in co-contributions for members from the Federal Government. Co-contributions of up to \$1,500 a year are available for all members earning under \$58,000. All members have to do is make personal after tax contributions to their super fund.

Double digit investment returns

JUNE 2006

Another year of double-digit investment returns. Our flagship Balanced Growth Fund returned 12.91% for the year to 30 June.



A year of growth

JUNE 2006



Vision Super benefits from Choice of Fund. The number of employers joining the fund has increased and our member contributions are up 44%.

This Member Report should be read in conjunction with your Member Statement.



Record growth for your super

It is with pleasure that I present the 2005/06 Member Report for the first time as Chair of Vision Super.

At year-end the Fund's assets totalled a record \$3.48 billion, an increase of \$478 million over 2004/05. Contributions increased from \$249 million to \$293 million, including a record 44% increase in member contributions.

The net return of our Balanced Growth investment option, in which the vast majority of our members' money is invested, returned 12.91%. This means that in the past three years these members have received a total return of more than 44%, a record for any three-year period in the Fund's history.

Vision Super's objective is to maximise members' retirement incomes. Accordingly, our approach to investing is to focus on longer-term outcomes, aiming to strike the right balance between maximising performance and managing risk. This requires a disciplined approach, which at times can be challenging, particularly when share markets are running hot, and with the media's focus on short-term performance. We also owe a duty to our members to ensure that our strategies are in tune with changing times and to explore new investment horizons and opportunities. In this regard we have been prudently increasing our allocation to alternative assets such as private equity, hedge funds and infrastructure.

During the year Vision Super was one of the very first funds in Australia to be awarded an RSE licence from the Australian Prudential Regulation Authority. We were also delighted

to be awarded a 'Platinum' rating by the superannuation ratings agency SuperRatings. A platinum rating is the highest award and places Vision Super in the top 15% of all funds in Australia.

The other noteworthy event during this financial year was the 2006 Federal Budget, where the Government announced plans to radically overhaul Australia's superannuation system, including the removal of tax on retirement benefits for those over age 60. Once enacted, these plans will simplify superannuation and retirement planning and once again confirm superannuation as the most tax effective way to save for retirement.

The budget proposals raise a number of questions, options and opportunities that will directly affect our members. As details emerge about the proposed legislation Vision Super will hold a series of free information seminars throughout metropolitan and regional areas.

This has been my first year as Chair of Vision Super, and I would like to take this opportunity to thank my fellow directors for their support. I would also like to record my appreciation to the staff of Vision Super and those of our sponsoring employers for their contribution to making 2005/06 such a successful one.

I hope you enjoy reading your Member Report.



Michael D Tilley
Chairman



Michael D Tilley

“...a total return of more than 44%, a record for any three-year period in the Fund's history.”

Super gets even better

The Federal Government has announced plans to radically overhaul Australia's superannuation system, including the removal of tax on retirement benefits for those over age 60. Once enacted, these plans will at last simplify superannuation and retirement planning, and make superannuation the most tax effective way to save for retirement.



Key Proposals

Proposals to operate from 1 July 2007 include:

Tax Exempt Superannuation Benefits

- For people aged 60 and over, all superannuation lump sum and income streams paid from taxed funds such as Vision Super will be tax free, including pensions that commenced prior to 1 July 2007.
- Benefits paid to people under age 60 will still be taxed although the rules will be simplified.
- Reasonable Benefit Limits will be abolished.

Benefit Payment Rules Simplified

- Members will have greater flexibility as to how and when to draw down their superannuation in retirement. There will be no forced payment of superannuation at age 65. Members will be able to keep their money in their superannuation fund indefinitely, taking out as little or as much as they choose. If they choose to take their benefits as a pension, the earnings on the pension assets will be tax exempt, but minimum annual pension payments will be required.

Simplified tax on benefits

Current *

Lump sum

- Pre-July 1983
- Concessional
- Undeducted contributions
- Post-June 1994 invalidity
- Capital Gains Tax exempt
- Non-qualifying
- Post-June 1983
- Excessive

Income Stream

- Marginal tax rates
- Less deduction for personal contributions
- Less maximum 15% pension rebate

Proposed *

NO TAX!

* Person aged 60 or over with benefits paid from a taxed fund (like Vision Super).

Super benefits to be tax free

Current example

Judy retires at age 62 and has \$200,000 in superannuation:

- She needs to consider the impact of tax on her benefits – she will have a lump sum of less than \$200,000 after tax
- Different taxes apply if she takes lump sum or pension
- She must include the benefit in her tax return
- Her superannuation benefit will be reported for Reasonable Benefit Limits – which may result in more tax being paid.

Proposed example

Judy retires at age 62 and has \$200,000 in superannuation:

- No tax on pension or lump sum – she would have the benefit of \$200,000 in retirement
- Benefits are not included in her tax return
- No Reasonable Benefit Limits calculation.

“ If you want to save, put money into superannuation – you will never find a better savings vehicle. ”

FEDERAL TREASURER, 2006 BUDGET NIGHT.

Contribution Rules Simplified

- Personal superannuation contributions from an individual's after tax income (known as undeducted contributions) will continue to be free of tax, but will be limited to a maximum of \$150,000 p.a. or \$450,000 averaged over a three year period (for example, a person wanting to invest the proceeds of a property sale into superannuation).
- Age based limits on deductible contributions (Super Guarantee and salary sacrifice) will be abolished. Concessional deductible contributions will be limited to \$50,000 p.a. and will continue to be taxed at 15%. Higher amounts are expected to apply for people aged 50 and over for a five year transitional period.
- The self-employed will be able to claim a full deduction for their superannuation contributions, as well as being eligible for the Government co-contribution for their after-tax contributions.

Age Pension Arrangements

- The pension assets test taper rate will be reduced from \$3 per fortnight for every \$1,000 of assets above the assets test threshold, to \$1.50 per fortnight.
- The current assets test exemption for complying income streams will be abolished from 20 September 2007. Income streams purchased before that date will not be affected.

Simpler benefit payments

Current example

Archie must take his superannuation as soon as he is age 65 and is no longer working. His benefits must be paid when he turns 75 even if he is working. He must make a decision between taking his benefit as a lump sum or as a pension or annuity.

Pension and annuity rules determine how much must be paid each year, how long payments must be made, how payments increase each year and if a person can access their capital.

Proposed example

Archie could keep his money in superannuation for as long as he wanted and withdraw money as needed. The pension and annuity rules would be streamlined.

Simpler rules for making deductible contributions

Existing contribution rules

- < 35 yrs \$14,603 pa
- 35 – 49 yrs \$40,560 pa
- 50 – 69 yrs \$100,587 pa

Proposed contribution rules

- Concessional contributions limited to \$50,000 pa* taxed at 15%.
- Higher transitional amounts for those 50 and over.

* The Australian Taxation Office would identify any contributions made above this limit. These contributions would be taxed at the top marginal tax rate.

Vision Super can help!

The budget proposals raise a number of questions, options and opportunities that will directly affect the super decisions you make, now and in the future.

What are the best ways to contribute under the new rules? When is the best time to access my super? What about working part time? How have my benefit options changed?

As details about the proposed changes are released and new rules introduced, Vision Super's Member Education team will hold a series of free seminars for members, covering the key proposals and major impacts. Watch

out for a poster, e-mail, or invitation to a seminar at your workplace, or contact your Human Resources department.

You'll also get the opportunity to participate in smaller group meetings, or individually with one of our superannuation advisers. Our advisers are super specialists, chosen for their technical knowledge and superannuation experience. They do not receive brokerage or commissions for recommending any products, and there are no fees charged or received for advice given.

Vision Super's Member Services team is your first point of contact for any queries. Please call us on (03) 9911 3222. Members outside the Melbourne metropolitan area please call 1300 300 820. You can also find detailed information about the proposed changes on the Federal Government's website at www.budget.gov.au/2006-07

Choose how your super is invested

If you are a member with an accumulation plan such as Vision Super Saver, Vision Personal plan, or Pension plan you can choose where your contributions are invested.

Vision Menu allows you to select from a variety of investment options, each with different allocations to Australian and international shares, property, fixed interest, cash, and alternative investments. You can choose an investment profile that suits your needs without having to make complex decisions about asset allocation. The long-term performance objectives and risk profile of each option are determined by the amount allocated to each asset class.

Vision Menu is made up of six Core options and five Sustainable options, which range from lower to higher risk.

Member Mix enables members to build their own super portfolio from six asset classes. These are Australian shares, international shares, property, fixed interest, cash, and defensive alternative assets (refer to Page 11 for more details on alternative assets).

The default option for Super Saver members is Balanced Growth: your superannuation benefits are automatically invested here if you do not make an investment choice.

The table on the right gives you information about each investment option. Please note that:

- Performance objectives are higher for pension than super products because pension funds do not pay tax on investment earnings.
- The probability of a negative return helps members to select an option with a level of volatility that they are comfortable with.

- Investments are divided into asset classes. Growth assets have the potential to deliver good long-term returns, but they can be quite volatile. Defensive assets are generally regarded as less volatile investments but, typically, generate lower returns over the longer term.
- The asset allocation of Vision Menu options is rebalanced back to the benchmark each month (as shown in the table on the right).

Sustainable investments

Sustainable investment options are invested according to an index created by Sustainable Asset Management (SAM). SAM measures companies according to an index that awards points to companies that take account of social, economic, and environmental factors.

Making the right choice

As investment is such an important part of your super, making sure you make the right investment choice is of paramount importance to us. We offer a range of services to help you understand investments and make the right decision.

Publications

You can get basic information about investments and Investment Choice from our Product Disclosure Statements for each plan, or you can visit our website at www.visionsuper.com.au

Super seminars

Vision Super held over 200 Member Education seminars for 3500 members in the first half of 2006, so watch out for a poster, e-mail, or invitation to a seminar in your workplace. As well as helping you understand Member Investment Choice, seminars can give you a clear understanding of all of Vision Super's products and services, budgeting tips, and the impact of recent legislative changes.

We can help!

Remember that if you require any assistance with your super, our Member Services team is on call during normal working hours. They can answer questions about Vision Super's products and services and about superannuation generally. If you require more detailed information, or need financial advice, they will help you make an appointment with one of our superannuation planning and retirement services team. Please do not hesitate to call us on (03) 9911 3222. Members outside the Melbourne metropolitan area please call 1300 300 820.



Investment options

at 30 June 2006

Options	Performance Objectives				Benchmark Asset Allocations at 30 June 2005/2006 ^{##}									
	Super (taxed)	Pensions (untaxed)	Long term probability of a negative return [#]	Sustainable option available	Defensive			Growth				Defensive/Growth Mix (%)		
					Cash (%)	Fixed Interest (%)	Alternative Assets (%)	Australian Shares (%)	Int'l Shares (%)	Property (%)	Alternative Assets (%)			
Vision Menu options														
Cash	CPI	CPI + 0.5%	Low	✗	100	0	0	0	0	0	0	0	100	0
Fixed Interest Plus	CPI + 2.0%	CPI + 3.0%	Low	✓	20	40	10	10	10	5	5	5	70	30
Balanced Conservative	CPI + 3.5%	CPI + 4.5%	One year in 21	✓	5	35	10	18	18	5	9	9	50	50
Balanced Growth	CPI + 4.0%	CPI + 5.0%	One year in 11	✓	2.5	17.5	5	28	28	7.5	11.5	11.5	25	75
Shares Plus	CPI + 4.5%	CPI + 5.5%	One year in 8	✓	0	13	2	32.5	32.5	7.5	12.5	12.5	15	85
Just Shares	CPI + 5.0%	CPI + 6.0%	One year in 5	✓	0	0	0	50	50	0	0	0	0	100
Member Mix options														
Cash	CPI	CPI + 0.5%	Low	✗	100	0	0	0	0	0	0	0	100	0
Fixed Interest	CPI + 2.0%	CPI + 3.0%	One year in 25	✗	0	100	0	0	0	0	0	0	100	0
Alternative Assets (Defensive)	CPI + 3.0%	CPI + 4.0%	One year in 20	✗	0	0	100	0	0	0	0	0	100	0
Property	CPI + 3.0%	CPI + 4.0%	One year in 10	✗	0	0	0	0	0	100	0	0	0	100
Australian Equities	CPI + 5.0%	CPI + 6.0%	One year in 4	✗	0	0	0	100	0	0	0	0	0	100
International Equities	CPI + 5.0%	CPI + 6.0%	One year in 4	✗	0	0	0	0	100	0	0	0	0	100

[#] The probabilities of a negative return are based on long-term expectations. It is possible for more than one year of negative returns to occur within the time frame stipulated for each option.

^{##} There have been no changes to the strategic asset allocation of the investment options over the year. Options are rebalanced to their benchmark every month.

Our third year of double digit growth

Vision Super delivered a double digit return for the third financial year running, with the Balanced Growth option returning 12.93% p.a. over three years, almost doubling its investment objective. Balanced Growth has exceeded its performance objectives over 1, 3 and 5 years (see table below).

How did we achieve our returns?

The origins of this year's investment growth were diverse, with some investment sectors performing more strongly than others.

Australian and international shares

Just like the 2004/05 financial year, Australian and international shares were the most impressive contributors, the main Australian share market index, the S&P ASX 200, returning 23.9%. International shares were equally positive, the main international share market index, the MSCI World ex-Australia, returning 19.9%.

Currency

Currency prices were quite volatile, and while the Australian Dollar weakened against the United States Dollar, currency hedging had a negative impact on international returns over the year. However, the hedging strategy is positive over three



years and should be viewed with a long-term perspective. Currency movements can be volatile over shorter periods.

Private equity and unlisted property

Private equity and unlisted property were the other two strong performers. Private equity returned 17%, while unlisted property returned 12.3%, mainly due to continued strength in the retail sector and increased rental income from commercial office sectors.

Fixed interest

Although positive, fixed interest was weaker, returning just 3.2%, even less than cash. The fixed interest return was the result of rising interest rates and a reduction in margins between sovereign and corporate bonds.

Alternative Assets

Alternative Assets (Defensive), performed better than both cash and fixed interest, returning 8.2%, validating the decision to source these investments from fixed interest (see page 11 for more information regarding Alternative Investments).

Outlook

While the last three years have been positive for both Australian and international shares, there are a number of risks going forward, in particular inflation, interest rate rises, oil prices and continued instability in the Middle East.

Whatever the situation, Vision Super's approach to investing is to focus on longer-term outcomes, aiming to strike the right balance between maximising performance and managing risk. To maintain this focus, investment strategies are continually reassessed, allowing the Fund to explore new investment horizons and opportunities, such as alternative assets, whenever they appear. Flexibility and a longer-term view are more likely to result in steady growth rather than focusing on short-term performance.

Balanced Growth Performance vs Objectives

OPTION AS AT 30 JUNE 2006									
Performance Objective	Objective Return (%)	1 Year Net Return (%)	Result	Objective Return (%)	3 Year Net Return (%)	Result	Objective Return (%)	5 Year Net Return (%)	Result
CPI + 4.0%	8.00	12.91	✓	7.00	12.93	✓	6.90	7.20	✓

Vision Menu Performance

All returns are quoted net of investment management fees and tax (where applicable)

VISION SUPER SAVER, PERSONAL PLAN AND PARTNER PLAN											
Quarter ended	Core Investment Choice Options						Sustainable Investment Choice Options				
	Cash	Fixed Interest Plus	Balanced Conservative ^D	Balanced Growth	Shares Plus	Just Shares ^A	Fixed Interest Plus ^C	Balanced Conservative ^D	Balanced Growth ^B	Shares Plus ^C	Just Shares ^C
September 2005	1.23%	2.43%	3.42%	4.69%	5.23%	7.26%	2.42%	3.43%	4.67%	5.21%	7.20%
December 2005	1.16%	2.06%	2.57%	3.20%	3.41%	3.76%	2.13%	2.70%	3.38%	3.63%	4.08%
March 2006	1.18%	2.08%	3.02%	4.46%	5.07%	7.54%	1.99%	2.92%	4.28%	4.83%	7.11%
June 2006	1.20%	0.27%	-0.21%	0.04%	-0.72%	-1.65%	0.46%	0.17%	0.05%	-0.06%	-0.68%
Year ending											
30 June 2006	4.85%	7.00%	9.05%	12.91%	13.51%	17.72%	7.17%	9.50%	12.90%	14.23%	18.70%
30 June 2005	4.95%	9.39%	N/A	12.95%	13.25%	12.16%	9.14%	N/A	11.76%	12.51%	10.87%
30 June 2004	4.41%	7.68%	N/A	12.94%	15.00%	18.48%	6.91%	N/A	10.91%	12.35%	14.74%
30 June 2003	4.46%	4.87%	N/A	0.82%	-1.45%	-6.93%	3.77%	N/A	-1.84%	-4.83%	-11.34%
30 June 2002	4.00%	2.11%	N/A	-2.51%	-4.84%	-10.23%	0.23%	N/A	1.32%	-4.67%	-9.12%
3 year annualised	4.74%	8.02%	N/A	12.93%	13.92%	16.08%	7.74%	N/A	11.85%	13.03%	14.72%
5 year annualised	4.53%	6.18%	N/A	7.20%	6.75%	5.50%	N/A	N/A	N/A	N/A	N/A
VISION SUPER ALLOCATED PENSION AND GROWTH PENSION ACCOUNTS											
Quarter ended	Core Investment Choice Options						Sustainable Investment Choice Options				
	Cash	Fixed Interest Plus	Balanced Conservative ^D	Balanced Growth	Shares Plus	Just Shares ^A	Fixed Interest Plus ^C	Balanced Conservative ^D	Balanced Growth ^B	Shares Plus ^C	Just Shares ^C
September 2005	1.40%	2.79%	3.92%	5.39%	6.01%	8.39%	2.80%	3.96%	5.44%	6.03%	8.42%
December 2005	1.45%	2.20%	2.67%	3.25%	3.45%	3.84%	2.32%	2.85%	3.54%	3.82%	4.33%
March 2006	1.39%	2.31%	3.37%	5.03%	5.71%	8.61%	2.23%	3.30%	4.88%	5.56%	8.28%
June 2006	1.40%	0.14%	-0.51%	-0.39%	-1.20%	-2.43%	0.29%	-0.17%	-0.44%	-0.64%	-1.58%
Year ending											
30 June 2006	5.77%	7.62%	9.73%	13.84%	14.54%	19.28%	7.84%	10.27%	14.00%	15.42%	20.54%
30 June 2005	5.80%	10.68%	N/A	14.11%	14.36%	13.05%	10.32%	N/A	12.54%	13.15%	11.19%
30 June 2004	5.21%	8.78%	N/A	14.64%	16.99%	21.14%	7.90%	N/A	12.43%	14.09%	16.81%
30 June 2003	5.00%	5.53%	N/A	0.51%	-2.25%	-8.72%	4.59%	N/A	-1.64%	-4.98%	-12.45%
30 June 2002	4.75%	2.26%	N/A	-3.46%	-6.30%	-12.60%	N/A	N/A	N/A	N/A	N/A
3 year annualised	5.59%	9.02%	N/A	14.20%	15.29%	17.77%	8.68%	N/A	12.99%	14.22%	16.12%
5 year annualised	5.30%	6.94%	N/A	7.64%	7.01%	5.50%	N/A	N/A	N/A	N/A	N/A

Member Mix Performance

The Member Mix option commenced on 1 April 2005.

VISION SUPER SAVER, PERSONAL PLAN AND PARTNER PLAN						
Quarter ended	Cash	Fixed Interest	Alternative Assets (Defensive)	Property	Australian Equities	International Equities
September 2005	1.23%	0.81%	2.35%	2.28%	8.80%	5.72%
December 2005	1.16%	1.28%	2.03%	3.73%	2.97%	4.55%
March 2006	1.18%	0.45%	3.08%	2.46%	7.63%	7.42%
June 2006	1.20%	0.58%	0.52%	3.31%	0.05%	-3.33%
Year Ending June 2006	4.85%	3.15%	8.20%	12.30%	20.64%	14.78%
VISION SUPER ALLOCATED PENSION AND GROWTH PENSION ACCOUNTS						
September 2005	1.40%	0.95%	2.70%	2.50%	10.07%	6.73%
December 2005	1.45%	1.47%	2.28%	3.95%	2.57%	5.10%
March 2006	1.39%	0.40%	3.30%	3.01%	8.67%	8.53%
June 2006	1.40%	0.56%	0.41%	3.53%	-0.74%	-4.12%
Year Ending June 2006	5.77%	3.42%	8.96%	13.65%	21.78%	16.71%

(A) Just Shares commenced from 1 July 2000. (B) Sustainable Balanced commenced 1 October 2001. (C) Sustainable Fixed Interest Plus, Shares Plus and Just Shares commenced 1 January 2002. (D) Balanced Conservative & Sustainable Balanced Conservative commenced 1 April 2005.

Past performance should not be taken as an indication of future performance. All returns are rounded to one decimal place after investment expenses and investment tax. Members should note that the comments relating to the likelihood of a negative returning year are long term expectations. It is possible for more than one negative returning year to occur within the frame stipulated for each option and asset class.

Who manages your money?

At 30 June 2006, a total of \$3.48 billion was invested on behalf of Vision Super members, an increase of \$486 million on last year.

The specialist fund managers Vision Super uses to invest your money are displayed here using two separate tables.

In the first table, managers that invest in traditional listed shares, property, fixed interest, and cash markets are displayed. The second table lists the specialists appointed to manage Vision Super's alternative investments.

Alternative investments are an increasingly important part of our investment strategy, adding significantly to the diversification of Vision Super's investment options.

Making your choice

If you have an accumulation plan with Vision Super, your contributions are invested in the investment options you have selected.

If you have selected a Vision Menu option, the asset allocation is fixed: you have chosen an option composed of a particular set of assets determined in advance (e.g. 18% International Shares, 5% Property, etc.)

If you have invested in Member Mix, however, you will have chosen your own asset allocation.

But what happens then? Once contributions have been made and options chosen, how is your money managed?

The big picture

The starting point for your retirement savings is the Trustee. The Trustee sets the big picture by determining the investment objectives and strategies for each investment option, ensuring that any risks are properly identified and managed.

Investment portfolios

Each asset class is given its own investment portfolio. All the members' money to be invested in a particular asset class is then invested in the appropriate portfolio. For example, all members' money allocated to Australian shares is invested in the Vision Super Australian share portfolio; all the money allocated to property is invested in the property portfolio, etc.

Appointing fund managers

The Trustee then appoints specialist fund managers, with varying investment styles, to manage the assets according to the underlying investment objectives of each option. The only money managed internally is cash.

Vision Super invests in assets that can be divided into two broad categories: Growth and Defensive. Growth includes assets such as Australian and international shares and property, while Defensive includes assets such as fixed interest and cash.

Vision Super – Traditional Investments

	30 Jun 2005		30 Jun 2006	
	(\$million)	(%)	(\$million)	(%)
TRADITIONAL GROWTH INVESTMENTS				
Australian Shares				
GMO - Value Tilt	137.5	15.0%	160.4	17.9%
Intech - High Alpha Trust	0.0	0.0%	103.9	11.6%
Schroder - Growth Tilt	140.3	15.2%	161.1	17.9%
Macquarie - Enhanced Index	443.8	48.2%	371.2	41.3%
Warakirri - Small Companies Fund	90.9	9.9%	101.8	11.3%
WestLB Mellon - Market Neutral Long/Short	107.2	11.7%	-	0.0%
	919.7	100.0%	898.4	100.0%
Sustainable Australian Shares				
SAM Sustainability Leaders Australian Fund	5.3	100.0%	7.8	100.0%
	5.3	100.0%	7.8	100.0%
International Shares				
Bank of Ireland - Value Core	133.0	19.0%	-	0.0%
Baillie Gifford - Long Term Global Growth	0.0	0.0%	110.3	12.0%
Brandywine - Value Approach	0.0	0.0%	116.6	12.7%
State Street - Index Plus Strategy	294.8	42.1%	325.0	35.4%
Turner - Small Cap Core Equity	68.3	9.8%	70.2	7.7%
Lloyd George - Emerging Markets	52.8	7.5%	75.4	8.2%
Intech High Opportunities Trust	0.0	0.0%	45.5	5.0%
HFA - Long/Short Unconstrained	0.0	0.0%	61.8	6.7%
Wellington - Neutral Core	146.1	20.8%	116.8	12.7%
Bridgewater - Currency Overlay	5.9	0.8%	(4.1)	-0.4%
	700.9	100.0%	917.5	100.0%
Sustainable International Shares				
SAM Sustainability Leaders International Fund	5.2	100.0%	8.4	100.0%
	5.2	100.0%	8.4	100.0%
Property				
AMP Capital Investors - Property Unit	82.7	38.7%	96.1	39.0%
Colonial - Direct Property Investment Fund (Retail)	19.1	9.0%	20.0	8.1%
Industry Super Property Trust - Core Fund	89.8	42.1%	104.1	42.2%
QIC - Shopping Centre Fund (Retail)	21.8	10.2%	26.4	10.7%
	213.4	100.0%	246.6	100.0%
TRADITIONAL DEFENSIVE INVESTMENTS				
Cash				
Vision Super	140.9	100.0%	108.3	100.0%
	140.9	100.0%	108.3	100.0%
Fixed Interest				
Alliance Bernstein - Domestic Fixed Income	175.9	29.0%	135.7	23.3%
Hastings - High Yield Fund	59.2	9.8%	77.3	13.2%
Members Equity - Super Loans	11.1	1.8%	10.9	1.9%
Bridgewater - Global Bond Fund	194.0	31.9%	174.2	29.9%
Western - International	167.1	27.5%	184.8	31.7%
	607.3	100.0%	582.9	100.0%
Total Traditional Investments	2,592.7	100.0%	2,769.9	100.0%

Vision Super's investment team

Once the investment objectives and strategies for each plan have been set, portfolios created and fund managers appointed, the Trustee's decisions are implemented by the Vision Super investment team, headed by Graeme Smith.



Graeme Smith

Graeme has been involved with investments at Vision Super since 1989 and describes his team's role as 'managing the managers'.

"We measure and report performance and compliance at both the individual manager and Fund level," said Graeme. "In particular, we ensure managers act strictly in accordance with their assigned mandates".

Investment management strategy

An important part of risk management is ensuring that each Vision Menu option is invested in line with its asset allocation.

"Financial markets go up and down at different times for different reasons," explained Graeme, "and a fund can quickly get out of balance.

"Vision Super rebalances its portfolios each month, returning each investment option to its target asset allocation. Sometimes rebalancing is achieved by redirecting contributions to a particular asset sector. At other times, it requires taking money from one manager and giving it to another.

"Monthly rebalancing manages investment risk and reduces the volatility of returns".

Independent advice

Managing members' retirement savings is a huge responsibility, even more so when the amount involved is almost \$3.5 billion, as is the case with Vision Super. In carrying out this responsibility, the Trustee engages expert independent advice from a variety of sources.

Providers of strategic investment advice to super funds are called asset consultants. Vision Super's asset consultant is Frontier Investment Consulting. Frontier was originally appointed in 1999 and is subject to the same performance reviews that the Trustee imposes on individual fund managers. Pinnacle Property Group likewise provides specialist advice about property investment.

Derivatives

Vision Super's risk management policy does not allow the use of derivatives to increase the risk of portfolios by leveraging or speculation.

Derivatives may only be used by Vision Super's external fund managers for the efficient management of assets (e.g. for appropriate hedging purposes).

What makes Alternative Investments different?

Alternative investments are different because:

- They are not listed on any stock exchange;
- They are not valued every day;
- They are usually less liquid than other investments;
- Money is typically invested over 2 to 4 years;
- Investment is usually for a set period, between 7 and 12 years; and
- Capital and profits are returned to investors as each investment is realised.

Investment objectives

We use alternative investments to diversify portfolios across a range of:

- Alternative investment sectors; and
- Individual funds and managers.

What do our alternative fund managers invest in?

- **Infrastructure** is investment in public or privately owned facilities (e.g. roads) and utilities (e.g. gas and electricity).
- **Private Equity** is investment in private companies, typically to fund the development or structuring of a company.
- **Opportunistic Property** is investment in various commercial, industrial and residential property developments.
- **Absolute Return Strategies** are investments in funds that aim to provide a positive return for the investor, rather than investing with the intention of beating a particular share or bond market index.

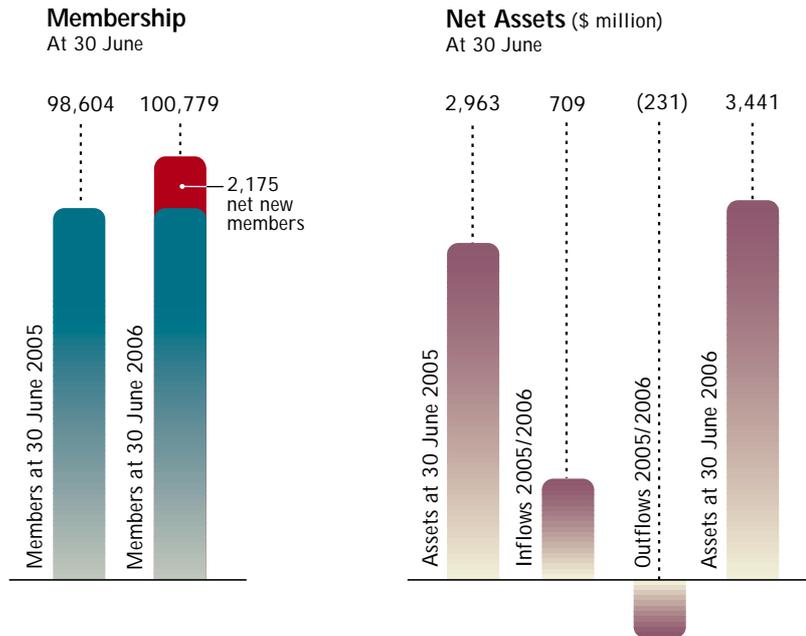
Alternative investments have both defensive and growth characteristics. Absolute Return Strategies and Social Infrastructure are used for the Alternative Assets (Defensive) option within Member Mix.

Vision Super – Alternative Investments

	30 Jun 2005		30 Jun 2006	
	(\$million)	(%)	(\$million)	(%)
ALTERNATIVE GROWTH INVESTMENTS				
Infrastructure				
IFM Australian & International Infrastructure	140.9	51.8%	184.2	34.6%
Regional Infrastructure Fund	12.0	4.4%	11.6	2.2%
Regional Telecommunications	5.4	2.0%	-	0.0%
Australian Private Equity				
IFM Australian Private Equity Funds II & III	13.5	5.0%	24.3	4.6%
ABN AMRO - Capital Australia Fund II	0.0	0.0%	26.7	5.0%
Industry Fund Banking Trust	8.9	3.3%	12.4	2.3%
ING - Private Capital Fund No.1	13.0	4.8%	9.3	1.8%
Quay Partners - Australia 2 & 3 Funds	2.7	1.0%	7.3	1.4%
Macquarie Alternative Investment Fund IV	0.0	0.0%	4.8	0.9%
International Private Equity				
IFM International Private Equity Fund I & II	40.7	14.9%	58.6	11.0%
Montagu Newhall III.	0.0	0.0%	2.9	0.5%
LGT Capital Partners AG - Crown European	0.0	0.0%	2.5	0.5%
ABN AMRO - Emerging Europe	0.0	0.0%	10.5	2.0%
Private Equity Trust	0.0	0.0%	9.9	1.9%
Opportunistic Property				
APN - Development Fund No.1	1.1	0.4%	1.4	0.3%
Colonial - Opportunistic Partnership No. 1	2.2	0.8%	0.2	0.0%
Eureka - Property Fund No.1	1.1	0.4%	3.4	0.6%
Macquarie - Asia & Europe Funds II	0.0	0.0%	14.3	2.7%
Investa - Enhanced	0.0	0.0%	17.1	3.2%
Gresham - Property Mezzanine Fund No. 2	1.7	0.6%	3.7	0.7%
Absolute Return				
Bridgewater - All Weather Fund	29.0	10.6%	126.8	23.8%
	272.2	100.0%	531.9	100.0%
ALTERNATIVE DEFENSIVE INVESTMENTS				
IFM - Australian Social Infrastructure A	21.7	17.0%	28.6	16.1%
Quellos - Absolute Return Fund	52.7	41.3%	74.9	42.3%
Warakirri - Absolute Strategy Fund	53.3	41.7%	73.8	41.6%
	127.7	100.0%	177.3	100.0%
Total Alternative Investments	399.9	100.0%	709.2	100.0%



Your Fund's total assets grow to more than \$3.4 billion



Financial Report

To illustrate how the Fund performed in 2005/2006, we provide below a summary of the unaudited financial statements. The full Audited Financial Statements and the Auditor's Report will be available upon request from October 2006.

Changes in Net Assets

For year ended 30 June

	2005/2006 \$000	2004/2005 \$000
Net Assets at beginning of the year:	2,962,791	2,556,525
Income		
Investment revenue	416,105	372,510
Contributions by employers	197,042	183,292
Contributions by members	95,565	66,227
Other revenue	528	420
Total	709,240	622,449
Outgoings		
Benefit payments	153,666	149,114
Investment expenses	14,378	10,365
Administration expenses	9,875	8,567
Other expenses	3,390	3,667
Income tax	49,868	44,470
Total	231,177	216,183
Net Assets at end of the year:	3,440,854	2,962,791

Net Assets

For year ended 30 June

	2005/2006 \$000	2004/2005 \$000
Assets		
Investments	3,482,126	2,992,684
Other assets	14,749	21,859
Total	3,496,875	3,014,543
Less Liabilities		
Income tax payable	9,388	16,115
Provision for deferred tax	35,032	27,481
Other liabilities	11,601	8,156
Total	56,021	51,752
Net Assets	3,440,854	2,962,791

Note: The 2004/2005 financial statements have been audited and are available on our website at www.visionsuper.com.au

Employer contribution rates for defined benefit plans have been determined by the Trustee on the advice of the Actuary. Based on the assumptions made by the Actuary about the Fund's future experience, benefits are fully funded as they accrue. The item 'Other assets' in the Statement of Net Assets includes contributions payable by employers for past service of members of the Vision Super Defined Benefit Plan.

Managing your Fund

Commonwealth superannuation law requires that fund trustees have equal representation of employer and member representatives.

Vision Super Pty Ltd is the Trustee and Administrator of the Local Authorities Superannuation Fund.

Vision Super has eight directors, four elected by the members, and four appointed on the nomination of the following employer associations:

- Municipal Association of Victoria (MAV) – two directors;
- Victorian Water Industry Association (VWIA) – one director
- Victorian Employers' Chamber of Commerce and Industry (VECCI) – one director

Each director has an alternate director appointed in the same manner. The term of appointment for directors and alternates is four years. The directors and their alternates at 30 June 2006 are detailed in the table on the right.

Fund administration

Chief Executive Officer	Rob Brooks
Company Secretary	Andrew Barr
External auditor	Ernst & Young
Internal auditor	KPMG
Master Custodian	National Custodian Services Ltd

Company Secretary Andrew Barr resigned his position effective 31 July 2006. His replacement is Paul Curtin.

Principal advisors

Actuarial	Russell Employee Benefits
Investments	Frontier Investment Consulting
Property	Pinnacle Property
Lawyers	Freehills Phillips Fox Rigby Cooke
Tax	PricewaterhouseCoopers

Vision Super Pty Ltd has taken out a policy of trustee indemnity insurance.

Committees of the Board

The Board has a number of Committees comprising directors, management and external advisors.

Audit and Compliance Committee

(Chair – John Warburton)
Reviews and makes recommendations to the Board on the Fund's internal controls, organisational risks, corporate governance, statutory reporting and general audit performance.

Benefits Committee

(Chair – Angela Emslie)
Assesses applications for death and disability benefits and makes recommendations to the Board on policies affecting benefits.

Investment Committee

(Chair – Tony Tuohey)
Analyses, reviews and makes recommendations to the Board on investment strategy, performance and manager appointments.

Board assessment

The Board has undertaken an assessment program on its performance, prepared in conjunction with an external consultant. This assessment enables Directors, and the Board as a whole, to review its effectiveness and to ensure that it understands and meets its roles and responsibilities. This understanding together with a framework for appraising Board performance helps the Board to achieve organisational objectives.



Michael D Tilley



John Warburton



Tony Tuohey



Angela Emslie



Bill Watton



Wendy Phillips



Darrell Cochrane



Rob Spence

Name	Alternate Director	Method of appointment	Director since
▲ Michael D Tilley	Steve Bird	Nominated by VWIA	1998
● Bill Watton	Russell Atwood	Elected by members	1991
● Darrell Cochrane	Brian Parkinson	Elected by members	1993
● Tony Tuohey	Robyn Glascott	Elected by members	1995
▲ John Warburton	Mark Anderson	Nominated by MAV	1997
▲ Angela Emslie	Shaun Strachan	Nominated by VECCI	1998
● Wendy Phillips	Dean Barnett	Elected by members	1998
▲ Rob Spence	Les Willmott	Nominated by MAV	2003

Legend: ▲ Employer Director ● Employee Director

Protecting your interests

Vision Super is a 'Regulated Superannuation Fund' under the Superannuation Industry (Supervision) Act 1993 (SIS), and is a complying fund for Superannuation Guarantee and taxation purposes.

The Trustee also holds an RSE (Registrable Superannuation Entity) licence. The Fund's governing rules are contained within the Local Authorities Superannuation Fund Trust Deed, a copy of which is available on our website at www.visionsuper.com.au

Complaints

We hope that you never have cause to complain, however, if you (or any person making a claim in respect of your membership of the fund) wish to make a formal complaint regarding any aspect of the operation of the Fund (including privacy issues) please write to:

The Complaints Officer
Vision Super
Level 5
1 Spring Street
Melbourne VIC 3000

The letter of complaint should include:

- Your name, address and telephone number;
- Your membership number;
- A short description of the complaint;
- The names of the Vision Super staff you dealt with up to the date of the complaint; and
- Any relevant supporting documentation.

If you have any difficulty writing a letter of complaint, telephone the Complaints Officer on (03) 9911 3222 or 1300 300 820 if you are outside the Melbourne metropolitan area. The Complaints Officer can help you formulate your complaint or assist you by some other means.

Superannuation legislation prescribes that your complaint should be dealt with within 90 days. If necessary, your complaint will be referred to the Trustee.

Superannuation Complaints Tribunal

The Superannuation Complaints Tribunal (SCT) is an independent body established by the Federal Government to assist members and beneficiaries to resolve superannuation complaints. The SCT can only hear a complaint once the matter has been dealt with by the Fund's complaints resolution process, and the member or beneficiary concerned is not satisfied with the outcome. The SCT cannot deal with a complaint that:

- Concerns the management of the fund as a whole; or
- Is subject to court proceedings.

You can call the SCT on 1300 780 808 or visit their website at: www.sct.gov.au

Privacy complaints

If your complaint relates to a breach of privacy that is not resolved by our internal complaints process, you can refer it to the Privacy Commissioner. The Privacy Commissioner can be contacted on 1300 363 992.



Member protection

If your Super Saver balance is below \$1,000, Vision Super will not charge administration fees in excess of the earnings credited to your account in any one year. Fees do not include taxes and insurance premiums. Member protection applies only to administration fees and does not protect against negative earnings. Please contact Member Services on (03) 9911 3222 (1300 300 820 for members outside the Melbourne metropolitan area) or visit our website at www.visionsuper.com.au for details of these policies.

Privacy policy statement

In the course of conducting its normal business activities, Vision Super collects, records, maintains and uses personal information, which members rightly expect to be relevant, accurate, verifiable, and secure. Vision Super understands and accepts this responsibility of trust and is committed to upholding the National Privacy Principles covering the collection, use, storage, and disclosure of personal information. All personal information is collected by lawful and fair means, and only for the purposes of providing, protecting, assessing, reporting and paying superannuation and insurance benefits. We do not collect unnecessary personal information or collect medical information without the member's prior consent.

Vision Super makes every effort to protect personal information from misuse, loss, unauthorised access, modification or disclosure. Subject to certain restrictions, which are detailed in our Member Access Policy, members will be granted access to their records for the purposes of verification or correction.

Other than as permitted by law, Vision Super will not disclose or use personal information for any purpose other than that for which the information is collected.

This Policy Statement is supported by the following policies:

- Member access;
- Maintaining data security;
- Using and disclosing personal information; and
- Personal information collection.

FAQ

Get the most out of your super

To save you time, we've provided answers to the top six questions our Member Services team were asked during the year. Of course, if you have any other questions, be sure to give us a call.

Q Can I transfer super from other funds into Vision Super?

A Yes you can. With low administration fees and solid investment performance, rolling your money into Vision Super makes sense. Complete the 'Rollover to Vision Super' form and return it to us. Call our Member Services team or download this form from our website:

www.visionsuper.com.au/Documents/Form 35.pdf

Vision Super will do the rest for you. Generally, it's smart to have your super in one fund. That way you only have one set of fees and one set of paperwork.

Q How do I make extra contributions?

A Your employer's contributions are a great start, but probably won't build enough super on their own. There are other ways to increase your savings:

Salary Sacrifice – An arrangement between you and your employer. You opt to give up some of your gross salary. In return, your employer pays this into your super fund. Tax on super is only 15%, which may be lower than the tax you would pay on your income.

Government co-contributions – Are designed to boost the super savings of low-income earners. If you earn under \$58,000 a year, you will qualify for a co-contribution of up to \$1,500 from the Government, provided you make personal superannuation co-contributions from after tax salary (undeducted contributions).

Spouse contributions – If your spouse earns below a certain amount, contributions made for your spouse may entitle you to a tax rebate of up to \$540 a year.

You can make extra contributions to Vision Super in the following ways:

- Deductions from payroll
- BPay lump sums from your bank account
- Direct Debit Request
- By cheque

Q How much is my super worth?

A Call our Member Services team or visit the Vision Super website at www.visionsuper.com.au. For more details see the question below.

Q How do I access the Vision Super website?

A Our website has two sections: public and private. The public site is open to everybody. It has lots of information about Vision Super.

The private site has information about your individual super. It is safe and secure because you need a personal password to access it. The private site lets you:

- See your super account balance
- Estimate your retirement benefits using calculators
- See how much insurance you have
- Change your investment options
- Change the name of your preferred beneficiary/s
- Update your personal details

To see the public section of the web site go to www.visionsuper.com.au. To get a password to your private site, all you need to do is complete a Members Request for Access to Secure Website form and return it to us. You can get this form either by ringing Member Services or downloading it from our website:

www.visionsuper.com.au/Documents/Form 50.pdf

Q What happens to my super if I leave my job?

A Most people can choose the super fund into which their Superannuation Guarantee contributions are paid. Choice of Fund legislation took effect from 1 July 2005 and, if your new employer offers choice, it is easy to keep your benefits with Vision Super no matter where you work. All you need to do is give your new employer the following forms:

1. Standard Choice Form (Form 1b)
2. Complying Fund Statement (Form 51)
3. Super Saver contributions – Choice of Fund employer (Form 39)

If you don't have a copy of these forms, you can call our Member Services team or download them from our website at www.visionsuper.com.au

Q How do I update my personal details?

A If you are working, your employer normally passes on your updated details to Vision Super after you've told them of any changes. There are three ways to alter your personal details:

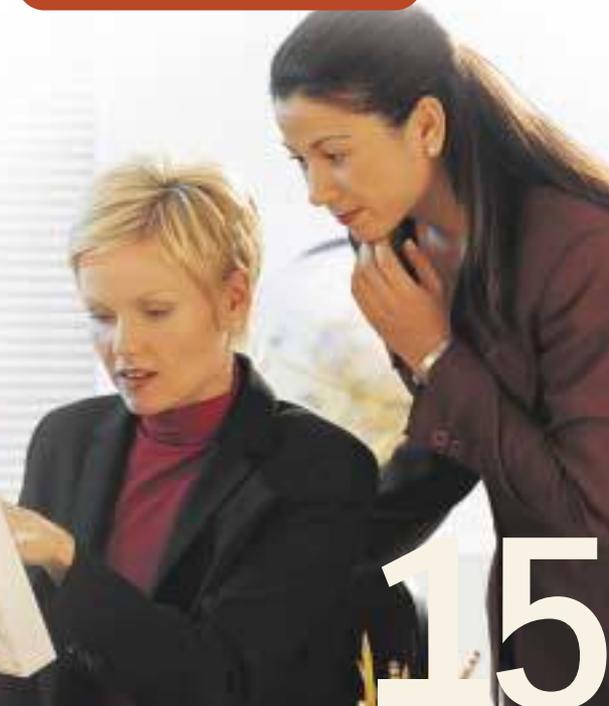
- Register for online access to your account and change your details online;
- Phone our Member Services team;
- Write to us at:

Vision Super
PO Box 18041 Collins Street East
Melbourne Victoria 8003

If you have changed your name, please send us a certified photocopy of an official document. (e.g. a copy of your birth or marriage certificate) along with a letter requesting the name change.

We can help!

Call our Member Services Team on:
(03) 9911 3222. Regional callers ring
1300 300 820. Lines are open from
8.30am to 5pm during the working week.



We can help!



Our Member Services team can give you general advice about your super either over the phone or by visiting our offices. If you have a question, please call us on (03) 9911 3222 (1300 300 820 for members outside Melbourne).

Make sure you talk to us

With our inside knowledge of Vision Super's services, benefits and pension options, we are here to help you get the most out of your super.

Our service is free

We do not receive brokerage or commissions and there are no fees charged or received for advice. Just like you, our advisers are members of Vision Super.

Visit our website

Visit our website at www.visionsuper.com.au for information about Vision Super. You can use our website to:

- Change personal details
- Change investment options
- Calculate your benefits

Attend a seminar

Vision Super's education consultants offer free workplace seminars to help members make the right super choices. Choose from a range of seminars, including:

- Understanding investments
- Wealth Creation for Retirement
- Getting the most out of your super

Talk to your employer to find out when a seminar will be held in your area.

\$175 cash back is just the beginning!



If you have home, contents or car insurance, and could use \$175 cash back plus 10% discount, then HBA has an offer that could appeal to you.

Vision Super members already enjoy special benefits when you take out health cover through HBA, but now you can also enjoy great benefits on your car, home, contents, travel insurance and more!

That's because HBA offers more than just health cover. And right now, if you take out HBA hospital cover and your choice of car, home or contents cover by 31 October 2006 – you'll get **\$175 cash back!*** Plus, you get a further 10% discount on your home, car or contents cover when you have HBA health insurance.

To find out more, take up this special offer, or simply get an obligation-free quote, call HBA on **1300 662 080** and tell them you are a Vision Super member.

*Purchase a new HBA hospital cover, plus a new home, contents or car policy by 31 October 2006 and get \$175 cash back by money order within eight weeks of payment. Offer excludes Valuables and Landlords Content Cover, and Third Party car insurance. Not in conjunction with any other offer. HBA will not be held responsible for any damaged, undelivered, lost or stolen money orders and no replacement will be provided. Offer not available in WA.

Home, car, boat trailer and travel insurance issued by Mutual Community General Insurance Pty Ltd ABN 59 007 895 543 (trading as HBA General Insurance). AFS Licence No. 237634. Before buying these products, you should consider the relevant product disclosure statement, obtainable by calling 131 243. BUPA Australia Health Pty Ltd ABN 50 003 098 655 A Registered Health Benefits Organisation trading as HBA.

Low cost banking with Members Equity



Members Equity Bank offers low cost banking through your Vision Super membership by bringing you:

- A range of low cost award winning home loans.
- A market leading credit card.
- A savings and transaction account that earns high interest on every dollar over \$3,000.
- A low fixed rate personal loan.

For more information call **131563** or visit www.membersequitybank.com.au



How to contact us!

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Australian Financial Services
Licence 225054
RSE Licence L0000239



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