



ANNUAL REPORT 2011

Freedom of Choice Superannuation Masterfund



Your future in good hands...

Company Profile

Where we came from

Equity Trustees Superannuation Limited was originally named Wealthpac Australia Limited and was established on 31 March 1992. We became a wholly owned subsidiary of Equity Trustees Limited in March 2003. Equity Trustees was established in 1888 and is a publicly listed company on the Australian Securities Exchange.

What we do

We are a full service corporate and personal superannuation master trust operator. We provide trustee, administration and investment services to employers and individuals alike through the Freedom of Choice Superannuation Masterfund and the EquitySuper Master Fund (previously Wealthpac Master Fund). We are also trustee for the Public Eligible Rollover Fund.

We also offer tax and cost effective pensions and transition to retirement pensions to an increasingly large number of members.

The Freedom of Choice Superannuation Masterfund is a master trust which enables members to choose their own investment managers as well as having the ability to invest in the top 300 listed shares on the Australian Securities Exchange.

The EquitySuper Master Fund is another master trust which provides a cost effective solution to employers and individuals through a 'fund of funds' offering where we invest in a selection of investment managers to deliver a range of blended sector and diversified pool superannuation investments.

Where we're headed

We are part of a growing and dynamic financial services organisation which is continuing to grow the breadth and quality of the products and services we offer.

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A Note From the Managing Director



Adrian Young

Dear Member,

We are pleased to present the 2011 Freedom of Choice Annual Report for your attention.

Please take time to read the report in conjunction with your annual benefit statement. It includes important information on investment returns, a review of the investment outlook prepared by our asset consultant, van Eyk Research, as well as financial and other additional information which you may find useful.

Exciting News on On-Line Services

During the year we upgraded our on-line services with improved reporting and an updated website. But we are not stopping there!

By late 2011, we shall be introducing an on-line facility which will enable members to directly buy and sell shares and investments in managed funds.

Shares will be able to be purchased in real time through the secure website directly onto market, provided order limits and available cash requirements are met.

Investments in managed funds are always undertaken at the end of each day as unit prices are adjusted daily. You will receive the unit price at the close of business on the day that you placed your instruction if it was a business day or on the close of business on the next business day if you placed your instruction on a non business day.

If you have not yet registered for on-line access to your account, simply go on-line and complete the registration section.

Global Financial Markets

Members within Freedom of Choice will have seen a welcome and positive increase in earnings for the year from improved market conditions. However, there is continuing uncertainty in global markets brought about by:

- concern over the ability of certain European countries to manage their debt obligations;
- a reduction for the first time ever in the US credit standing from AAA to AA+; and
- fears of another global recession due to weak economic growth.

It may be some time before these issues are resolved and in the meantime we may continue to experience the extreme volatile market conditions as witnessed in early August.

However, we again stress the importance of looking at your superannuation as a long term investment and to acknowledge that markets do rise and fall in the short term, but that over the longer term superannuation is a most tax effective way of saving for your retirement.

Superannuation Industry Changes

The proposed changes to the superannuation landscape are undergoing rigorous review by industry participants and it is still too early to predict what the final shape of 'Stronger Super' will look like when it is finally introduced. We are maintaining a keen eye on developments to ensure that our products and services remain competitive.

Client Services

We have recently upgraded our Client Services. If you have any queries about your account, your investment profile, establishing a pension account to take advantage of generous tax concessions or anything else to do with your superannuation, then please contact us on **1800 806 013**.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrian Young', with a stylized flourish extending to the right.

Adrian Young

Managing Director
September 2011

Investment Outlook



Investment Outlook and Performance Summary for Fiscal Year Ending June 2011

Financial year 2010-11 started with anxiety over European sovereign (government) debt – which remains unresolved – and finished with the state of US government debt. Global sovereign debt markets still had a strong 12 months, gaining 5.8% in Australian dollar terms.

The sovereign debt crisis in Europe spread from Greece to Ireland and Portugal in 2010, leading to mass protests in the former and changes of government in the latter. Towards the end of FY2011, the contagion had spread to Spain and Italy. Despite this the Eurozone continued to expand, the Estonia becoming the 17th country to adopt the Euro.

Debt in the US has become a hot topic, with total public debt totalling US\$14.46 trillion by 30 June 2011 (approximately 98% of annual GDP). While lawmakers remained unable to compromise on terms of an extension to the country's debt ceiling, market volatility increased, although asset prices at the end of FY2011 had not seriously priced in the possibility of a US default.

Despite these global concerns, developed market equities have performed well, up 22.3% in local currency terms. Strong industrial production figures and a resurgence of manufacturing exports in countries such as the US and Germany combined with weakness in their currencies fuelled this growth. Strength in the Australian dollar relative to major world currencies limited the performance of international equities in AUD terms to 2.6% in FY2011.

Equities in emerging markets also had a strong 12 months, gaining 16.8% in local currency terms. Investors bet heavily on continued expansion, particularly in China and South-East Asia, where policy through FY2011 maintained a bias to growth over fighting inflation. Chinese inflation for FY2011 was 6.4%, its highest rate in almost two years. Inflation accelerated over the past 12 months in many other emerging economies, most notably Vietnam (21%).

The largest drivers of this global inflation trend were food, energy and commodity prices. The IMF food price index rose 33% in the last 12 months, driven by increasing global demand and natural disaster supply shocks such as the mass flooding in Pakistan and Brazil and wildfires in Russia and Eastern Europe. Over FY2011 commodity prices gained 35%, gold gained 21% and the oil price added 26%.

Black swan events contributed to financial market uncertainty, most significantly the Arab Spring and Japanese earthquake.

Beginning with Tunisian protests over unemployment in December, the multi-decade rules of regimes in Tunisia, Egypt and Yemen fell. Public uprisings continue in Oman, Syria and Libya, Africa's largest oil producer, which has descended into a civil war. Uncertainty over the situation in Libya saw the oil price rise 20% in a two-week period in February.

In March 2011, the Tohoku-region of Japan was hit by an earthquake and tsunami, affecting many manufacturing companies and several nuclear power plants. The market impacts were immediate and significant, with Japanese equities losing 15.45% in the two trading days after the earthquake. This disaster, in the near-term, is expected to reduce Japan's 2010-11 GDP by around 1%. The broader impact for global growth of a negative shock to the world's third largest economy further rattled increasingly risk-averse investors.

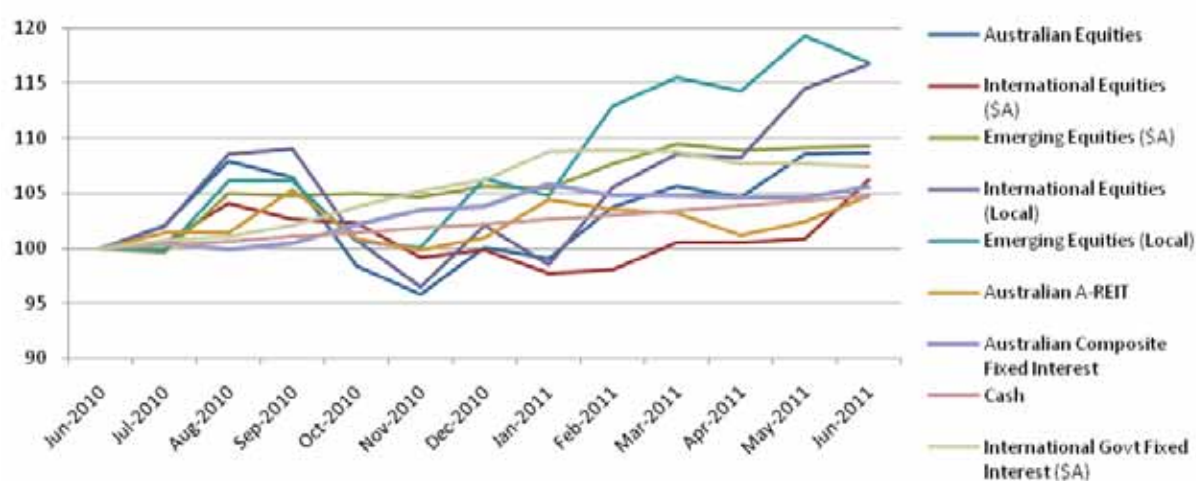
Domestically, Australian equities have shrugged off increasing policy uncertainty under a hung parliament and a barrage of natural disasters to end the financial year up 11.9%. The resources sector performed strongest, despite the proposed mineral resources rent tax and carbon tax. The east coast experienced extensive flooding from September to March, particularly Queensland which was also hit by Cyclone Yasi. This significantly affected large agricultural and mining regions, and contributed to the -1.2% March-quarter national GDP contraction. While at 3.3%, the national headline inflation rate is above the RBA's target range, this result and weak consumer data has helped to keep the cash rate at 4.5% since November 2010, when the only rate rise for the financial year occurred.

Performance Summary (%)

As at 30 June 2011	FY2011	FY2010	FY2009	FY2008
Australian Equities	11.9%	13.1%	-20.3%	-13.7%
International Equities (A\$)	2.6%	5.3%	-16.3%	-20.9%
Australian A-REIT	5.8%	20.3%	-42.1%	-37.7%
Australian Composite Fixed Interest	5.5%	7.9%	10.8%	4.4%
International Govt. Fixed Interest (A\$ Hedged)	5.8%	10.0%	11.5%	8.5%
Cash	5.0%	3.9%	5.5%	7.3%
International Emerging Equities (A\$)	0.8%	18.0%	-14.7%	-7.0%
International Equities (Local)	22.3%	11.5%	-26.6%	-15.7%
International Emerging Equities (Local)	16.8%	19.8%	-20.0%	1.4%

Source: Bloomberg, van Eyk Research

Relative Asset-Class Performance in FY2011



Source: Bloomberg, van Eyk Research

Investment Outlook

With all major asset classes recording positive performance in FY2011, it is tempting to think the outlook for FY2012 is bright. In fact, these statistics belie significant headwinds to the continued strong performance of most asset classes over the coming years.

The transfer of debt from the private to the public sector has meant that financial system leverage has been transferred to governments, many of which will continue to struggle under high debt burdens. The servicing costs alone of these will affect the ability of many indebted governments to reduce their debt in the future.

After decades of deregulation that resulted in massive consolidation of banks and financials, the financial system itself continues to be unwieldy, with each country now having only one or two truly international banks. Like a top-heavy boat, this worldwide financial system will continue to contribute to volatility due to the sheer size of many of these financials, whether they are too big to fail or not.

While we expect emerging markets to continue to record higher-than-average GDP growth, their markets' performance will continue to be increasingly affected by political uncertainty – as will the performance of their developed market counterparts. While the future has some bright spots, it is unlikely that asset class performance in the coming few years will be as consistently strong as it has been over the past two decades. Rather, we see increased volatility and pockets of temporary growth to dominate.

Investment Strategies

The Fund aims to provide members with a wide and diverse choice of investment strategies across a multitude of asset classes and investment managers to enable members to tailor a portfolio around their own personal needs and objectives.

Prior to compiling the list of investment strategies, the Trustee undertakes a formal process to ensure, amongst other things, that the investment strategies offered are rated investment grade by reputable research professionals, are true to label (the manager adheres to its own stated investment disciplines) and have a proven track record. The Trustee also takes into consideration market changes, sentiment and investment trends with the aim of providing investors with a broad selection of investment strategies.

The development of the Fund's investment strategies consider the objectives of ensuring the liquidity of investments, and the ability of the Fund to discharge its existing and potential liabilities.

The investment strategies available through the Fund are based on the following categories:

Investment category	Objective	Indicative risk level	Suggested timeframe
SECTOR FUNDS			
Cash	Aims to provide a level of return commensurate with cash rates and a high level of capital security.	Low	0 – 2 years
Mortgages	Aims to provide a level of return above cash rates.	Low – medium	2 – 4 years
Australian Fixed Interest	Aims to provide higher income returns than cash over time with low to moderate volatility.	Low – medium	2 – 4 years
International Fixed Interest	Aims to provide higher income returns than cash over time with low to moderate volatility.	Low – medium	2 – 4 years
Australian Shares	Aims to provide strong capital growth over the long term through investments in Australian shares.	High	More than 5 years
Australian Shares – Small Companies	Aims to provide strong capital growth over the long term through investments in smaller Australian shares with significant growth potential.	High	More than 5 years
International Shares	Aims to provide strong capital growth over the long term through investments in international shares.	High	More than 5 years
Hedge Funds	Aims to provide high risk adjusted returns relative to traditional asset classes.	Medium – high	More than 5 years
Alternative Assets	Aims to provide a combination of income and capital growth over the long term with moderate to high volatility.	Medium – high	More than 5 years
Property Securities	Aims to provide a combination of capital growth and income over the long term through investments in property trusts.	Medium – high	3 – 5 years
Direct Property	Aims to provide income with some capital growth over the longer term through investment in direct property.	Medium – high	More than 5 years
DIVERSIFIED FUNDS			
Conservative	Aims to provide a stable income stream and some capital growth with low to moderate volatility.	Medium	3 – 5 years
Balanced	Aims to provide a combination of income and capital growth over the long term with moderate volatility.	Medium	3 – 5 years
Growth	Aims to provide moderate to high capital growth over the long term with some income.	Medium – high	More than 5 years
Aggressive	Aims to provide capital growth over the long term.	High	More than 5 years

Returns for the investment strategies available under each of the investment categories are shown on pages 8 to 12.

Investment Managers

Investment Managers as at 30 June 2011

The investment managers currently available through the Fund as at 30 June 2011 are:

Investment Manager
Aberdeen Investment Management Australia Limited
Advance Asset Management Limited
AMP Capital Investors Limited
APN Funds Management Limited
Arnhem Investment Management (formerly Fortis Investment Management Australia Limited)
Ausbil Dexia Limited
Australian Ethical Investment Limited
Australian Unity Funds Management Limited
Australian Unity Property Limited
BlackRock Investment Management (Australia) Limited
BNP Paribas Asset Management (Australia) Limited
BT Investment Management Limited
Challenger Managed Investments Limited
Colonial First State Investments Limited
Credit Suisse Asset Management (Australia) Limited
Deutsche Asset Management (Australia) Limited
Equity Trustees Limited
FIL Investment Management (Australia) Limited
Goldman Sachs JB Were Managed Funds Limited
HFA Asset Management Limited
Hunter Hall Investment Management Limited
ING Funds Management Limited
INVESCO Australia Limited
Investa Funds Management Limited
Investors Mutual Limited
IOOF Investment Management Limited
Macquarie Investment Management Limited
National Mutual Funds Management Limited
Perpetual Investment Management Limited
PIMCO Australia Pty Limited
Platinum Investment Management Limited
Russell Investment Management Limited
Schroder Investment Management Australia Limited
SG Hiscock & Company Limited
Tribeca Investment Partners Limited
Tyndall Investment Management Limited
UBS Global Asset Management (Australia) Limited
Value Partners Limited
Vanguard Investments Australia Limited
Zurich Investment Management Limited

Investment Managers (cont.)

Changes to investment menu

The following investment strategies were added to the investment menu during the period:

Investment strategy
Australian Ethical Climate Advocacy Fund
APN A-REIT Fund
Premium Asia Fund
Premium China Fund

Investment Performance

Investment menu as at 30 June 2011

The table below outlines the investment performance for the full range of managed fund strategies that were offered through the Fund:

Managed fund strategies	Actual performance as at 30 June					Annualised performance at 30 June 2011			
	2007	2008	2009	2010	2011	1 yr %	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.
DIVERSIFIED FUNDS									
Conservative									
Australian Unity Conservative Growth Portfolio	12.22	-2.65	0.42	8.30	4.90	4.90	4.50	4.50	6.00
BT Sustainable Conservative Fund	8.65	0.61	-1.61	7.60	6.00	6.00	3.90	4.20	6.00
BT Wholesale Conservative Outlook Fund	9.02	-3.49	-3.84	9.60	6.90	6.90	4.00	3.40	5.30
Colonial First State Wholesale Conservative Fund	9.30	-2.42	-1.45	9.10	6.40	6.40	4.60	4.00	5.30
EquitySuper PST Capital Stable Fund	9.36	-2.21	-2.40	10.10	6.90	6.90	4.70	4.20	5.40
Russell Conservative Fund – Class C Units	8.76	-3.76	-2.59	12.50	8.10	8.10	5.80	4.40	–
Balanced									
Australian Ethical Balanced Trust	10.64	-10.09	-5.38	4.20	3.90	3.90	0.80	0.40	4.60
Colonial First State Wholesale Balanced Fund	10.18	-8.07	-6.37	9.70	6.80	6.80	3.20	2.10	4.40
EquitySuper PST Balanced Fund	14.12	-6.92	-7.52	10.70	7.60	7.60	3.30	3.20	5.50
Russell Diversified 50 Fund – Class C Units	11.26	-8.34	-7.49	12.90	8.80	8.80	4.40	3.00	–
Growth									
Aberdeen Capital Growth Fund	13.32	-10.99	-10.36	11.90	7.50	7.50	2.50	1.70	3.70
Australian Unity Balanced Growth Portfolio	18.85	-13.26	-10.41	11.20	2.50	2.50	0.70	1.00	5.20
BlackRock Scientific Diversified Growth Fund	16.37	-11.38	-19.30	8.20	11.20	11.20	0.00	0.60	4.60
BlackRock Wholesale Balanced Fund	15.16	-5.27	-12.94	8.80	7.80	7.80	0.70	2.20	4.20
BT Wholesale Active Balanced Fund	14.09	-10.99	-12.69	10.70	8.30	8.30	1.50	1.20	4.30
EquitySuper PST Balanced Growth Fund	15.44	-8.01	-8.62	10.80	8.70	8.70	3.20	3.20	6.10
ING Wholesale Managed Growth Trust	15.40	-11.31	-16.63	10.30	8.40	8.40	-0.10	0.40	4.00
Responsible Investment Leaders Balanced Fund – Class A	17.50	-10.70	-11.59	9.30	8.60	8.60	1.60	1.90	3.70
Russell Balanced Fund – Class C Units	14.45	-12.98	-13.38	13.40	10.10	10.10	2.60	1.50	–
UBS Balanced Investment Fund	11.66	-13.44	-9.13	10.10	7.60	7.60	2.50	0.80	4.70
Aggressive									
Australian Unity High Growth Portfolio	19.65	-18.20	-15.53	9.80	0.20	0.20	-2.40	-1.90	1.00
Hunter Hall Value Growth Trust	29.71	-12.08	-22.01	16.20	7.60	7.60	-0.80	2.20	9.00
Russell High Growth Fund – Class C Units	21.00	-18.51	-19.96	13.40	11.90	11.90	0.50	0.00	–

Investment Performance (cont.)

Managed fund strategies	Actual performance as at 30 June					Annualised performance at 30 June 2011			
	2007	2008	2009	2010	2011	1 yr %	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.
SECTOR FUNDS									
Cash									
Macquarie Master Cash Fund	5.87	6.73	5.11	3.40	4.60	4.60	4.40	5.10	5.00
UBS Cash-Plus Fund	6.22	5.51	2.23	6.90	6.40	6.40	5.20	5.50	5.40
Mortgages									
Australian Unity Wholesale High Yield Mortgage Trust	7.92	7.93	5.56	3.10	3.50	3.50	4.10	5.60	–
Australian Unity Wholesale Mortgage Income Trust	6.60	7.08	6.10	5.00	6.00	6.00	5.70	6.10	–
EQT Wholesale Mortgage Income Fund	6.35	6.81	6.53	6.40	6.60	6.60	6.50	6.50	–
Perpetual Wholesale Monthly Income Fund	6.41	6.24	4.90	4.30	4.20	4.20	4.50	5.20	5.50
Australian Fixed Interest									
Aberdeen Australian Fixed Income Fund	3.80	1.29	11.40	12.60	5.90	5.90	9.90	6.90	6.50
Australian Unity Vianova Strategic Fixed Interest Trust	5.05	6.26	9.70	6.90	4.90	4.90	7.20	6.50	–
Challenger Wholesale Guaranteed Income Fund ¹	7.93	-11.14	-24.97	11.50	8.20	8.20	-5.20	-2.30	–
Colonial First State Australian Bond Fund	3.22	4.03	10.37	8.30	5.90	5.90	8.20	6.30	6.10
PIMCO EQT Wholesale Australian Bond Fund	2.71	1.47	12.92	14.90	6.70	6.70	11.40	7.60	6.90
UBS Australian Bond Fund	3.43	3.69	11.78	8.60	5.60	5.60	8.60	6.60	6.20
Vanguard Australian Fixed Interest Index Fund	3.77	4.06	11.04	7.50	5.40	5.40	8.00	6.30	6.10
International Fixed Interest									
Aberdeen Global Government Bond Fund ⁵	4.56	8.44	8.82	9.80	5.00	5.00	7.90	7.30	7.10
AMP Capital International Bond Fund – Class A	5.65	-0.78	-2.18	20.40	6.70	6.70	7.90	5.70	6.10
Bentham Wholesale Global Income Fund	7.32	-2.86	-15.87	36.80	19.10	19.10	11.10	7.40	–
PIMCO EQT Wholesale Global Bond Fund	3.83	7.91	0.63	22.90	11.40	11.40	11.30	9.10	8.70
UBS International Bond Fund	5.09	1.94	-0.90	11.50	7.50	7.50	5.90	4.90	6.00
Vanguard International Fixed Interest Index Fund (Hedged)	4.91	8.12	10.27	9.20	5.40	5.40	8.20	7.50	7.30
Australian Shares									
Advance Imputation Fund – Wholesale Units	22.80	-11.63	-13.59	11.80	7.30	7.30	1.20	2.40	6.40
Alphinity Wholesale Socially Responsible Share Fund ²	29.78	-27.39	-21.31	12.20	10.20	10.20	-0.90	-1.70	4.60
AMP Capital Sustainable Share Fund – Class A	27.21	-16.01	-22.32	11.60	10.30	10.30	-1.50	0.40	7.30
Arnhem Australian Equity Fund	25.40	-15.75	-8.98	11.10	9.00	9.00	3.30	3.10	7.70
AUSBIL Inv Trust Aust Active Equity Fund	24.85	-10.34	-22.99	17.10	10.20	10.20	0.90	2.80	9.00
Australian Ethical Climate Advocacy Fund	–	–	–	–	6.80	6.80	–	–	–

Managed fund strategies	Actual performance as at 30 June					Annualised performance at 30 June 2011			
	2007	2008	2009	2010	2011	1 yr %	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.
SECTOR FUNDS									
Australian Shares (cont.)									
Australian Ethical Larger Companies Trust	16.00	-19.16	-9.26	4.20	0.20	0.20	-1.80	-2.30	3.60
Australian Unity Platypus Australian Equities Trust	37.43	-13.57	-20.06	11.90	11.90	11.90	0.00	3.50	-
BT Wholesale Ethical Share Fund	32.00	-11.66	-20.18	9.50	10.40	10.40	-1.20	2.40	7.60
Colonial First State Wholesale Geared Share Fund	43.32	-34.10	-35.42	15.40	4.70	4.70	-7.90	-5.90	6.80
Colonial First State Wholesale Imputation Fund	22.05	-15.52	-13.97	14.20	10.30	10.30	2.70	2.30	6.60
Colonial First State Wholesale Leaders Fund	24.83	-11.26	-16.70	15.00	8.40	8.40	1.30	2.80	7.80
EQT Wholesale Flagship Fund	-	-8.45	-13.29	13.70	10.30	10.30	2.90	-	-
Fidelity Australian Equities Fund	30.29	-9.75	-17.57	18.50	11.60	11.60	2.90	5.10	-
Goldman Sachs Australian Equities Wholesale Fund	23.57	-8.53	-13.36	13.00	11.50	11.50	3.00	4.30	7.80
Hunter Hall Australian Value Trust	38.49	-13.26	-22.93	25.80	17.10	17.10	4.30	6.40	-
ING Wholesale Australian Share Trust	29.08	-8.99	-24.42	10.20	15.60	15.60	-1.20	2.50	7.20
Investors Mutual Australian Share Fund	26.82	-19.18	-10.75	15.50	12.60	12.60	5.10	3.50	8.20
Perennial Value Shares Wholesale Trust	28.26	-12.66	-12.81	12.20	6.50	6.50	1.40	3.20	9.30
Perpetual Wholesale Ethical SRI Fund	38.40	-27.60	-11.49	36.70	11.10	11.10	10.40	6.10	-
Perpetual Wholesale Industrial Fund	28.10	-23.36	-8.41	13.40	7.80	7.80	3.80	1.90	7.50
Schroder Wholesale Australian Equity Fund	27.16	-17.44	-11.59	16.80	14.10	14.10	5.60	4.30	-
SGH20	47.18	10.68	-22.27	11.30	9.60	9.60	-1.80	9.10	-
Tribeca Australian Equity Alpha Plus Fund – Class A	-	-6.08	-13.60	16.30	12.00	12.00	4.00	-	-
Tyndall Australian Share Wholesale Portfolio	26.41	-12.11	-17.41	13.50	12.40	12.40	1.70	3.20	10.50
UBS Australian Share Fund	28.78	-15.18	-8.32	15.60	8.00	8.00	4.60	4.60	8.40
Vanguard Australian Shares Index Fund	28.79	-13.87	-20.22	12.80	11.60	11.60	0.10	2.20	7.00
Australian Shares Small Companies									
AUSBIL Investment Trusts – Australian Emerging Leaders Fund	28.47	-12.57	-17.71	13.10	18.20	18.20	2.10	3.70	-
Australian Ethical Smaller Companies Trust	36.93	-13.45	-2.10	4.60	10.80	10.80	4.30	6.10	7.00
Australian Unity Acorn Capital Wholesale Microcap Trust	54.02	-18.13	-28.62	24.00	25.40	25.40	3.50	7.00	14.60
BT Wholesale Smaller Companies Fund	41.92	-18.32	-24.16	24.80	24.60	24.60	5.60	6.40	14.30
International Shares									
Aberdeen Actively Hedged International Equities Fund	4.62	-18.45	-17.93	11.30	3.00	3.00	-2.00	-4.30	-2.40
AXA Wholesale Global Equity Value Fund	16.61	-29.22	-32.93	4.20	0.20	0.20	-11.20	-10.40	-
BlackRock Global Allocation Fund – Class D	16.27	2.86	-13.64	14.50	17.20	17.20	5.00	6.70	-
EQT Intrinsic Value International Sharemarkets Fund	23.55	-14.41	-26.87	2.30	-2.10	-2.10	-9.90	-5.00	-
EquitySuper PST International Equities ⁵	14.88	-19.66	-6.38	6.99	3.40	3.40	1.20	-0.90	3.90

Investment Performance (cont.)

Managed fund strategies	Actual performance as at 30 June					Annualised performance at 30 June 2011			
	2007	2008	2009	2010	2011	1 yr %	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.
SECTOR FUNDS									
International Shares (cont.)									
Generation Wholesale Global Sustainability Fund ⁶	-	-	-3.55	11.60	-2.00	-2.00	1.80	-	-
Goldman Sachs Global Small Companies Wholesale Fund	6.30	-25.99	-21.35	9.70	5.20	5.20	-3.20	-6.50	-0.50
Hunter Hall Global Ethical Trust	18.30	-17.36	-20.82	7.20	2.20	2.20	-4.70	-3.30	-
IMPAX Environmental Markets Fund	-	-	-	-1.60	-2.87	-2.87	-	-	-
INVESCO Wholesale Global Matrix Fund – Hedged	18.02	-21.40	-32.03	10.60	26.30	26.30	-1.70	-2.50	0.50
MFS Global Equity Trust	7.50	-18.28	-9.70	8.90	5.40	5.40	1.20	-1.80	-0.30
Platinum Asia Fund	32.10	-10.08	10.36	14.00	-5.60	-5.60	5.90	7.10	-
Platinum International Fund	6.17	-16.12	18.21	11.90	-7.30	-7.30	7.00	1.80	6.10
Premium Asia Fund	-	-	-	-	1.80	1.80	-	-	-
Premium China Fund	47.39	-18.46	21.36	12.64	4.30	4.30	12.60	11.40	-
Responsible Investment Leaders International Share Fund – Class A	9.67	-20.48	-14.01	6.40	2.30	2.30	-2.20	-4.00	-4.30
Schroders Asia Pacific Fund	23.61	-21.09	-1.34	13.90	1.10	1.10	4.40	2.10	5.20
UBS International Share Fund	3.92	-23.57	-10.95	6.80	1.30	1.30	-1.30	-5.20	-3.30
Vanguard Emerging Markets Shares Index Fund	26.40	-7.52	-13.18	17.10	1.20	1.20	1.00	3.80	7.90
Vanguard International Shares Index Fund	7.70	-21.32	-16.06	5.10	2.50	2.50	-3.30	-5.20	-3.70
Vanguard International Shares Index Fund (Hedged)	23.31	-13.85	-29.12	14.00	26.70	26.70	0.80	1.70	3.30
Zurich Investment Global Thematic Share Fund	8.40	-10.56	-6.71	1.10	-1.40	-1.40	-2.40	-2.10	-0.80
Hedge Funds									
BlackRock Scientific Global Markets Fund	17.78	3.39	-0.90	9.40	8.80	8.80	5.60	7.50	-
HFA Diversified Investments Funds – Hedged Wholesale	17.73	-0.15	-22.71	12.30	10.20	10.20	-2.10	1.90	4.70
Ironbark Global Diversified Alternatives Fund ³	13.65	3.73	-19.05	3.10	7.10	7.10	-4.00	0.80	4.10
Alternative Assets									
AMP Capital Core Infrastructure Fund – Class A	-	-	-5.45	8.40	15.80	15.80	5.90	-	-
BlackRock International Gold Fund – Class D	-3.12	-1.10	-13.38	35.70	-9.40	-9.40	2.10	1.20	-
GAM Absolute Return Bond Fund ⁴	-	6.58	19.22	7.40	8.90	8.90	11.70	-	-
Property Securities									
APN A-REIT Fund	-	-	-	24.39	9.80	9.80	-	-	-
APN Property for Income Fund	27.53	-28.03	-31.73	10.40	7.20	7.20	-6.80	-5.80	5.00
Challenger Wholesale Property Securities Fund	24.51	-37.12	-36.89	19.80	6.80	6.80	-6.90	-8.80	2.90

Managed fund strategies	Actual performance as at 30 June					Annualised performance at 30 June 2011			
	2007	2008	2009	2010	2011	1 yr %	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.
SECTOR FUNDS									
Property Securities (cont.)									
Colonial First State Wholesale Property Securities Fund	23.56	-43.81	-43.38	17.80	5.30	5.30	-11.10	-13.40	0.80
EQT SGH LaSalle Global Listed Property Securities Trust	16.89	-23.37	-48.57	36.80	32.90	32.90	-2.20	3.50	-
EQT SGH Wholesale Property Income Fund	28.46	-48.22	-46.82	28.20	17.20	17.20	-7.20	-11.90	-
RREEF Global (ex-Aust) Property Securities Fund	21.53	-19.79	-47.75	35.30	36.20	36.20	-1.30	-1.30	-
RREEF Paladin Property Securities Fund	27.15	-42.19	-40.81	21.10	6.20	6.20	-8.70	-11.00	1.80
Vanguard Property Securities Index Fund	25.97	-37.81	-40.38	20.20	5.50	5.50	-8.90	-10.00	2.20
Direct Property									
AMP Capital Core Property Fund – Class A	20.85	-9.72	-26.88	14.90	14.50	14.50	-1.30	1.00	-
Australian Unity Wholesale Property Income Fund	16.50	-0.37	-10.95	5.40	8.10	8.10	5.00	9.90	6.70
Australian Unity Wholesale Healthcare Property Trust	21.27	14.31	6.74	0.20	3.80	3.80	-1.40	2.70	-
Investa Diversified Office Fund	35.25	16.39	-29.60	-0.50	7.60	7.60	-11.60	2.60	-

¹Challenger Wholesale Guaranteed Income Fund was formerly named Challenger High Yield Fund prior to 24 February 2011

²Alphinity Wholesale Socially Responsible Share Fund was formerly named Challenger Wholesale Socially Responsible Share Fund prior to 12 July 2010

³Ironbark Global Diversified Alternatives Fund was formerly named DWS Strategic Value Fund prior to 4 July 2011

⁴GAM Absolute Return Bond Fund was formerly named Augustus Absolute Return Fund prior to 9 April 2010

⁵Aberdeen Global Government Bond Fund was formerly named Aberdeen International Fixed Interest Fund prior to 1 October 2010

⁶Generation Global Share Fund was formerly named Colonial First State Generation Wholesale Sustainability Fund prior to 11 April 2011

Source: Morningstar.

Note

Those Managed Fund Strategies whose details are shaded are presently subject to redemption restrictions, and are consequently relatively illiquid.

The investment performance table outlines results for the managed fund strategies that were available as at 30 June 2011. It is possible that you may have money invested in managed fund strategies that are not included in this table (please refer to page 13). You should be aware that if you do, your entire portfolio may be charged an additional fee of 0.50% p.a. To avoid this additional fee, you may wish to consider transferring your investment into one of the funds listed in the table above by completing an Investment Strategy Form and submitting it to the Trustee.

If you would like a copy of the most recent Investment Strategy Form please contact your financial adviser or contact Client Services on **1800 806 013** or visit our website www.freedomofchoice.com.au

You should review your strategy – including any direct share investments – with your financial adviser at least annually.

Other Investments

The table below outlines the performance to 30 June 2011 for managed fund strategies that were not available for new investment as at 30 June 2011.

Managed fund strategies	Actual performance as at 30 June					Annualised performance at 30 June 2011			
	2007	2008	2009	2010	2011	1 yr %	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.
Aberdeen Australian Equities Fund	23.16	-8.71	-15.29	9.70	8.83	8.83	0.37	2.60	6.36
Australian Unity Property Securities Fund – Growth Units	–	–	-88.83	24.34	5.91	5.91	-47.21	-41.91	-15.33
Australian Unity Retail Property Fund	–	–	–	3.93	0.11	0.11	–	–	–
AXA Wholesale Australian Property Fund	17.73	-0.77	-15.14	4.75	7.86	7.86	-1.40	2.29	7.16
BlackRock Wholesale Australian Share Fund	24.39	-7.25	-18.30	10.54	7.92	7.92	-0.86	2.37	6.58
BlackRock Wholesale Managed Income Fund	12.63	-4.70	-21.26	11.07	8.06	8.06	-1.86	0.29	3.18
Challenger Wholesale Property Fund	25.44	-37.49	-37.97	17.70	5.93	5.93	-8.21	-9.52	2.69
Colonial First State Wholesale Diversified Fund	14.50	-14.99	-10.18	11.46	7.15	7.05	2.36	0.86	3.35
Maple-Brown Abbott Pooled Superannuation Trust	13.75	-8.07	-5.77	10.10	5.20	5.20	2.96	2.68	5.46
Perpetual's Monthly Income Fund	5.90	5.78	4.51	3.79	3.75	3.75	4.05	4.76	5.07
UBS Property Securities Fund	29.09	-48.82	-44.62	19.72	6.13	6.13	-11.06	-14.21	1.09
Zurich Investments Managed Growth Fund	14.16	-9.84	-10.51	10.03	7.30	7.30	1.85	1.69	4.30

Source: Investment performance provided directly by Freedom of Choice.

All other funds – Morningstar.

Notes on all returns (current investments & other investments)

The Trustee has made every reasonable attempt to ensure the accuracy of this information and has relied on information provided by third parties. As such, no guarantee can be given as to the accuracy of the information provided by third parties.

A '–' appearing in a return column means that the fund has not been in operation for the relevant period or a return value is not available for the period. The investment performance figures on pages 8 to 12 are generally net of all fund managers' fees and expenses and assume the reinvestment of all distributions. You should note that past performance is not a reliable indicator of future performance.

The returns do not take into account tax and the Trustee's fees and charges.

The information contained in this Report does not constitute investment advice or a recommendation. It is recommended that you seek independent financial advice to discuss your particular individual circumstances before acting on any of the information contained in this report.

The investment performance information for direct share options are available through the ASX website, at www.asx.com.au

Abridged Financial Information

The following abridged financial information has been taken from the Fund's Unaudited Financial Report.

Figures for 2010 have been extracted from the 2010 Audited Financial Report.

Copies of the full Financial Report are available on request free of charge from 1 November 2011.

Statement of financial performance for the year ended 30 June 2011

	2011 \$'000	2010 \$'000
Investment revenue		
Interest	1,360	2,009
Dividends	810	1,148
Trust distributions	2,797	2,173
Net property income	3	9
Changes in net market values of investments	3,255	7,164
Net investment income	8,225	12,503
Contributions revenue		
Employer contributions	11,749	10,492
Member contributions	6,270	3,298
Government co-contributions	99	194
Transfers in from other funds	25,670	15,570
Total contributions	43,788	29,554
Other revenue		
Proceeds from group life insurance policies	200	289
Total revenue	52,213	42,346
General administration expenses		
Group life insurance	695	628
Trustee and administration charges	1,754	1,669
Other expenses	818	741
Total expenses	3,267	3,308
Benefits accrued as a result of operations before income tax	48,946	39,308
Income tax expense	1,328	1,702
Benefits accrued as a result of operations after income tax	47,618	37,606

Abridged Financial Information (cont.)

Statement of financial position for the year ended 30 June 2011

	2011 \$'000	2010 \$'000
Investments		
Listed equities	22,501	25,238
Pooled superannuation trusts	4,271	665
Managed investments	112,140	98,646
Property investments	210	485
Total investments	139,122	125,034
Other assets		
Cash and cash equivalents	25,125	21,688
Investment income receivable	696	1,825
GST receivable	66	49
Deferred tax assets	1,527	1,049
Net recoverables	109	–
Total other assets	27,523	24,611
Total assets	166,645	149,645
Liabilities		
Other payables	52	62
Income tax payable	712	194
Total liabilities	764	256
Net assets available to pay benefits	165,881	149,389
Represented by: Liability for accrued benefits		
Allocated to members' accounts	165,881	149,389

Liability for accrued benefits for the year ended 30 June 2011

	2011 \$'000	2010 \$'000
Liability for accrued benefits at the beginning of the year	149,389	136,119
Plus: benefits accrued from the results of operations after income tax	47,618	37,606
Less: benefits paid	-31,126	-24,336
Liability for accrued benefits at the end of the year	165,881	149,389

Fund investments of greater than 5% of the total Fund value as at 30 June 2011

Investment strategy	Investment in \$'000	% of total Fund value at 30 June 2011
Australian Ethical Investment	9,734	5.84
Australian Unity Funds Management	51,054	30.64
National Australia Bank	27,168	16.30

Additional Information

Compliance

Freedom of Choice Superannuation Masterfund ('the Fund') operates to ensure compliance with the relevant provisions and standards of the Superannuation Industry (Supervision) Act 1993 ('SIS'), the Corporations Act 2001 and the Income Tax Assessment Act, for each division.

The Trustee

A copy of the Trust Deed, audited accounts, APRA returns, and the latest actuarial report (if applicable) may be inspected during business hours at the registered office of the Trustee. Other information, such as that regarding further investment and insurance options, is available on request. For further details, call Client Services on **1800 806 013**.

Equity Trustees Superannuation Limited ('ETSL') is the Trustee and Responsible Entity of the Fund, operating under a Registrable Superannuation Entity Licence issued by APRA and is required to meet obligations specified in SIS. J.P. Morgan Chase Bank; N.A. (Sydney Branch) ('J.P. Morgan') and NAB Custodian Services hold legal title to all the assets of the Fund, separate from ETSL. This provides further security to members.

Disclaimer

Neither the Trustee ('ETSL'), nor its directors, nor the custodians ('J.P. Morgan and NAB Asset Servicing') guarantees the performance of the Fund or the repayment of capital or particular rate of return. The Trustee certifies that:

- the Trust Deed regulating the Fund meets the requirements of the governing trust law and SIS. The Trustee will use its best endeavours to ensure the Fund continues to operate in accordance with these requirements;
- the Fund is operated in accordance with the Trust Deed and Rules, SIS, its regulations, the Corporations Act 2001 and other governing legislation;
- indemnity insurance has been effected by the Trustee; and
- no penalties have been imposed on ETSL under SIS.

Taxation

Any contributions for which either members or participants claim a tax deduction, less the cost of insurance and charges, are taxed at 15%.

Under current law the income generated within the Fund is taxed at the concessional rate of 15% (not applicable to Pension members). Eligible contributions will produce taxation concessions for the contributors and benefits paid from the superannuation, rollover and allocated pension accounts will be concessionally taxed in the hands of the recipients.

Preservation rules

Preservation rules are specified by federal legislation and apply to all Fund members. The 'Member Benefit Statement' reflects the preserved and non-preserved portions of your superannuation account.

All contributions made, and investment earnings credited to your account after 1 July 1999, must be preserved until a specific condition of release is met.

You may access your preserved superannuation benefit in any of the following circumstances:

- reaching age 65;
- reaching age 60 and leaving your employer;
- permanently retiring on, or after, attaining the preservation age applicable to you;
- commencing a complying non-commutable income stream on, or after attaining the preservation age applicable;
- death (benefits will normally be paid to your dependants or legal personal representative);
- severe financial hardship (subject to the satisfaction of the Trustee and up to a maximum of \$10,000 gross in a 12 month period);
- compassionate grounds as approved by the Australian Prudential Regulation Authority;
- if we are satisfied that you are permanently disabled;
- permanent departure from Australia (subject to conditions); or
- on complying with any other condition of release specified in superannuation law.

For more information please contact the Fund's information line on **1800 806 013** or visit www.freedomofchoice.com.au

Additional Information (cont.)

Preserved benefits

Superannuation is a long-term investment and the Government has placed restrictions on when you can gain access to benefits. In general, benefits cannot be withdrawn and paid until you have reached age 65, or have reached the preservation age and retired. However, you can transfer these benefits to another complying superannuation fund on request to the Trustee.

All contributions made, and investment income and gains earned, after 1 July 1999 are classified as preserved benefits (except non-preserved benefits that existed as at 30 June 1999) and are subject to withdrawal restrictions.

Restricted non-preserved benefits

Restricted non-preserved benefits can be accessed subject to satisfying the above conditions or the termination of gainful employment with an employer who had at any time made contributions to the Fund in relation to you.

Unrestricted non-preserved benefits

Unrestricted non-preserved benefits can be accessed at any time without having to satisfy any release conditions.

Please speak to your financial adviser if you require further information about restricted non-preserved and unrestricted non-preserved benefits.

Note

If you are a member in receipt of an Allocated Pension, you already have satisfied a condition of release, and are able to access your capital at any time.

Policy committees

If your employer is part of the Employer Sponsored Superannuation Plan and employs more than 50 people participating in the Plan, we ask your employer to establish a policy committee. The policy committee consists of an equal number of employer and employee representatives, and assists us to monitor investments and administrative matters. We can also establish policy committees for employers that employ between 5 and 50 people if requested by the employee members. If your employer has established a policy committee, further details are available by contacting the Administrator.

Earnings

Earnings from distributions, dividends or interest from your Cash Account are allotted to your account when received. The investment income received and capital growth will depend on the performance of the investments you choose and the amount of money invested.

Derivatives

The Fund's policy toward the use of derivative securities for the year ended 30 June 2011, is that it does not invest directly in derivatives. However, the underlying fund managers of the managed investment strategies available through the Fund may have done so.

Reserves

The Fund did not maintain reserves during the year ending 30 June 2011.

Use of your personal information – Privacy

The privacy of your information is important to us.

Your personal information is collected for the following purposes:

- to administer products and services and manage our relationship with you and to fulfil our obligations in providing these products and services to you;
- to process transactions, to answer queries and for security purposes;
- to develop products and services; and
- to allow the Equity Trustees Group to market products and services (subject to your right to opt-out of receiving various direct marketing materials at any time).

In managing your account, we may need to disclose your personal information to:

- your financial adviser either directly or through other service providers which we may have arrangements with;
- reputable service providers who may carry out functions associated with our products and services on our behalf. For example, mailing houses who conduct mailouts for us;
- our financial institution to initiate the drawing to your nominated account (where you have selected the Direct Debit facility); or
- a third party as required by law.

You are entitled to request reasonable access to information we have about you. You should notify us immediately if any of the information we hold about you changes, so that we may ensure that your information is always complete, accurate and current.

Our privacy policy can be found at www.freedomofchoice.com.au

If you have any complaints or questions about the privacy of your personal information, please contact our Privacy Officer by writing to:

The Privacy Officer
Equity Trustees Superannuation Limited
PO Box 398
North Sydney NSW 2059

If your complaint is not resolved by us to your satisfaction, you may write to the Privacy Commissioner at:

Director, Compliance
Office of the Federal Privacy Commission
GPO Box 5128
Sydney NSW 1042

Lost members and Eligible Rollover Funds

From time to time, some of our members unfortunately become 'lost'. A 'lost' member is generally someone who:

- we have never had an address for, or
- we have written to, but the mail has been returned unclaimed, or
- has not made a contribution or rollover in the past two years, or
- was a 'lost' member in a previous fund before joining this Fund.

If you become a 'lost' member, we may decide to hold your benefit in the Fund. Alternatively, your benefit may be transferred to:

The Public Eligible Rollover Fund
Level 4, 124 Walker Street
North Sydney NSW 2060
Telephone 1300 659 799

This means you will no longer be a member of the Fund, and you will no longer receive regular reports. The Eligible Rollover Fund may have a different investment strategy and different management costs applied, which could have an adverse impact on your investment. To avoid becoming 'lost', we encourage you to let us know if you change address.

We may also decide to rollover benefits that are subject to Member Protection into the Public Eligible Rollover Fund.

What if you have a complaint?

We have established a formal procedure for members who wish to lodge a complaint about the operation or management of the Fund.

All complaints should be directed in writing to the Trustee via:

The Superannuation Administration Manager
Freedom of Choice
GPO Box 2945
Melbourne VIC 3001

If we fail to deal with your complaint within 90 days or you are not satisfied with the result, you may direct your complaint to the Superannuation Complaints Tribunal ('SCT'). The SCT was established by the Government and provides an independent forum for the resolution of disputes between trustees and members of superannuation and rollover funds. However, the SCT will not hear a complaint unless it has first gone through the Fund's internal complaints handling mechanism. The SCT can be contacted toll free on **1300 884 114** Australia-wide, through their website at www.sct.gov.au, or in writing to:

Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

Additional Information (cont.)

Legislative changes

There are quite a number of changes coming up that will impact on how superannuation funds are operated and how members and employers relate to super funds.

Of immediate impact is the change to the use of Tax File Numbers ('TFNs') by funds and employers. From 1 July 2011, funds will be able to use TFNs as the primary identifier of their members' superannuation accounts. This will speed up the processing of employer contributions to member accounts, especially if employers promptly advise funds of the TFN of all members for whom they are making contributions. Additionally, trustees can now search the records of funds and the records held in lost member registers using TFNs to locate members' 'lost super' and to assist members to consolidate their super into one account. The full effectiveness of this will not occur until all contributions received by funds have been tagged with a TFN.

In last year's report we mentioned three different reviews that enquired into a range of matters, all of which would have some impact on superannuation – commonly known as the Cooper (superannuation matters), Henry (tax matters) and Ripoll (financial services) reviews.

Earlier this year the Australian Government released a set of proposals called Stronger Super, as its acceptance of 144 of the recommendations of the Cooper Review into the governance, efficiency, structure and operations of super funds. Since then, the Treasury Department of Government has been consulting with the superannuation industry (i.e. with the peak organisations representing the various trustees, administrators and other service providers to super funds) in order to work out how the measures in Stronger Super will be implemented. There are three main themes to the Stronger Super changes:

- A set of conditions with which funds would have to comply in order to accept compulsory Superannuation Guarantee contributions – referred to as MySuper. The aim of MySuper is for members' contributions to be invested under a strategy that would be implemented efficiently with regard to risk, return for the risks taken, investment costs and tax. A fund's net return after fees and tax would be compared to the return on a benchmark appropriate to the main components of its strategy. MySuper is expected to be in operation from 1 July 2013.
- A set of operating standards that funds and employers would have to follow in the processing of contributions and in the payment of benefits and rollovers – referred to as SuperStream. The enhanced use of TFNs from 1 July 2011 is an early part of SuperStream; other aspects will apply from 1 July 2012.
- Some changes to the way funds are governed are to be made. APRA (the Australian Prudential Regulation Authority) is to be given the power to set standards for the superannuation industry, in a manner similar to its powers in respect of banks and insurance companies. Trustees would be required to put the interests of fund members ahead of shareholders in the trustee company, and the standard of behaviour of a trustee is to be that of an ordinary prudent person of business.

Coming out of the Ripoll review is a set of proposals that would enable trustees of super funds to give financial advice, in a cost effective manner, to their members. This advice would be tailored to their members' needs across a number of issues relating to their membership of the fund and their planning for retirement. Further consultation with ASIC (the Australian Securities and Investments Commission) on this type of advice is to take place during the second half of 2011.

The 'shorter PDS' changes reported last year are to be implemented by all funds by 22 June 2012. These changes reduce the length of the PDS (Product Disclosure Statement that is issued to new members to give information about the fund that is reasonably required by members). The changes include new standards on the way in which general information is to be disclosed (e.g. by referring readers to the new ASIC website www.moneysmart.gov.au). Additionally, funds should report their investment strategy using standard terms and expressions set by their peak organisations.

Trustee Information



Equity Trustees Superannuation Limited is the Trustee for the:



EquitySuper Master Fund
EquitySuper Pooled Superannuation Trust
Public Eligible Rollover Fund



Mutual Superannuation (part of EquitySuper)



**CIVIL CONTRACTORS
 FEDERATION**

Apex Super Fund and CCF Super Fund
(part of EquitySuper)



Freedom of Choice Superannuation Masterfund



Freedom of Choice Superannuation Masterfund
ABN 23 621 325 651
RSE Registration No R1067330

Level 2, 575 Bourke Street
Melbourne VIC 3000

Trustee

Equity Trustees Superannuation Limited ('ETSL')
ABN 50 055 641 757
AFSL No 229757
RSE Licence No L0001458

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