



Officer

Investment Webinar

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Investment update agenda

- 2012: What's behind the bull?
- 2013: Another bull run or a bear mauling?
- UniSuper's Performance and Portfolio positioning
- Questions

Market performance 2012

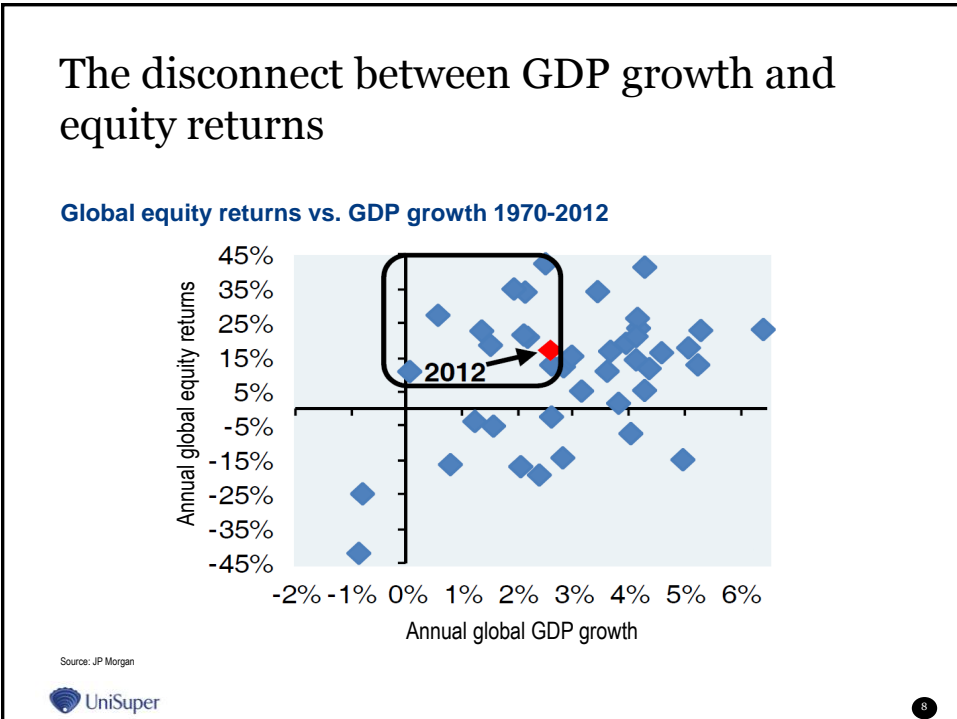
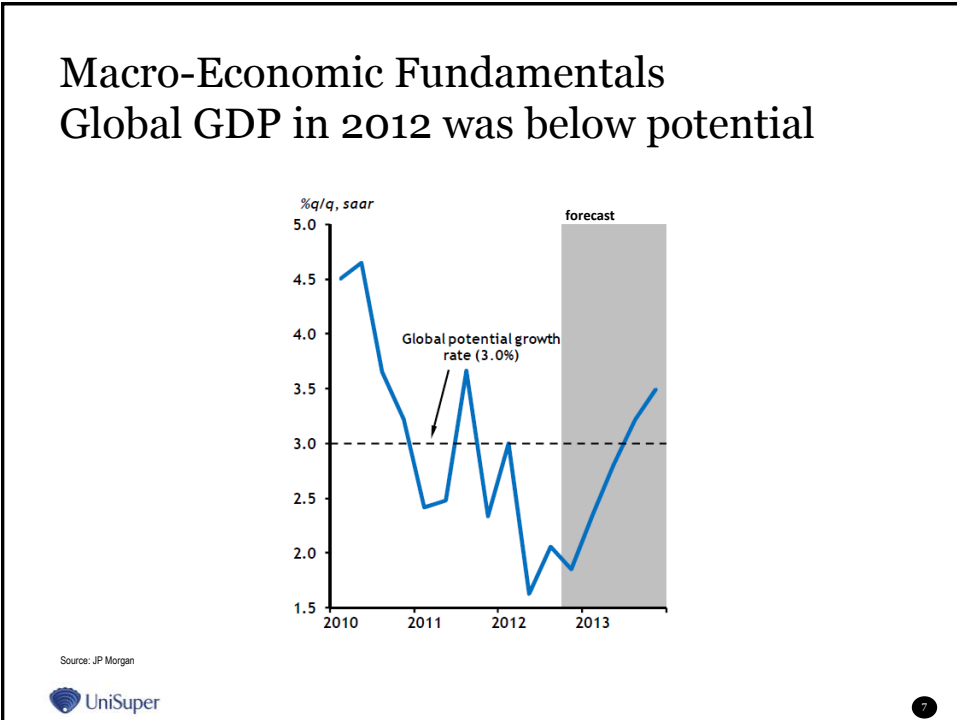
MARKET	(%)
Global Equities	18.7
Australian Equities	19.7
Australian Listed Property	32.8
Australian Government Bonds	6.7
Australian Cash	4.0

Why did markets perform so well in 2012?

- ⇨ Poor **MACRO ECONOMIC FUNDAMENTALS** were outweighed by positive **FINANCIAL CONDITIONS**

Key Macro-Economic Fundamentals

- ⇨ GDP growth
- ⇨ Inflation
- ⇨ Unemployment



Financial Conditions

Key drivers

- Valuation
- Liquidity / Availability of funds
- Sentiment

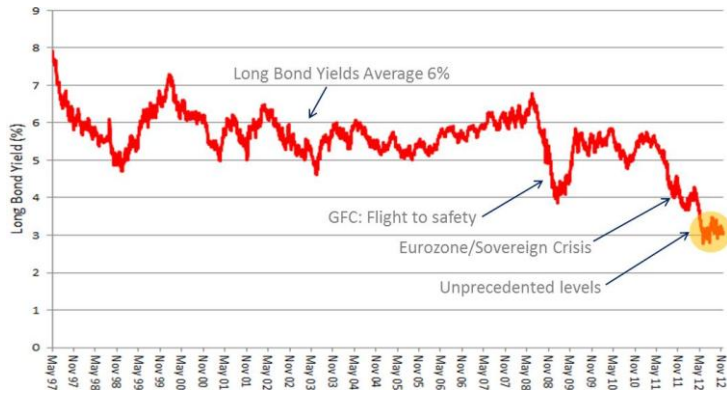
Financial Conditions in 2012

VALUATION

- Equities were (and are) cheap relative to historical levels **and** relative to other asset classes such as bonds

Bond yields are at historical lows

10 Year Commonwealth Government Securities



Source: Bloomberg



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Relative value in Australia Bond yield v. Dividend yield



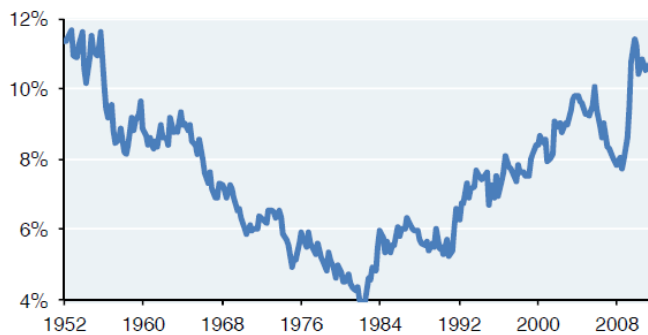
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Financial Conditions

LIQUIDITY

- The world is awash with liquidity.
- Household, corporate, and banking sectors are all sitting on historically high cash levels

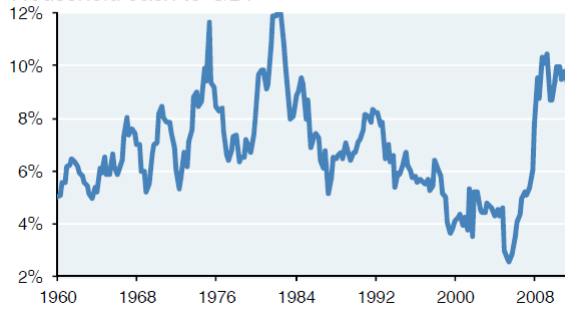
US corporate cash balances Cash and equivalents / tangible assets



Source: Federal Reserve Board

Household balance sheets have improved

US household cash balances
Household cash to GDP

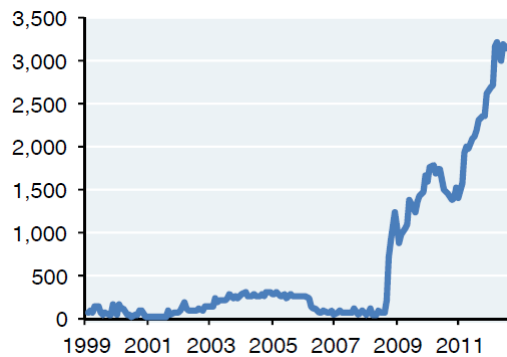


Source: BEA



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Excess reserves held at major central banks, Billions, USD

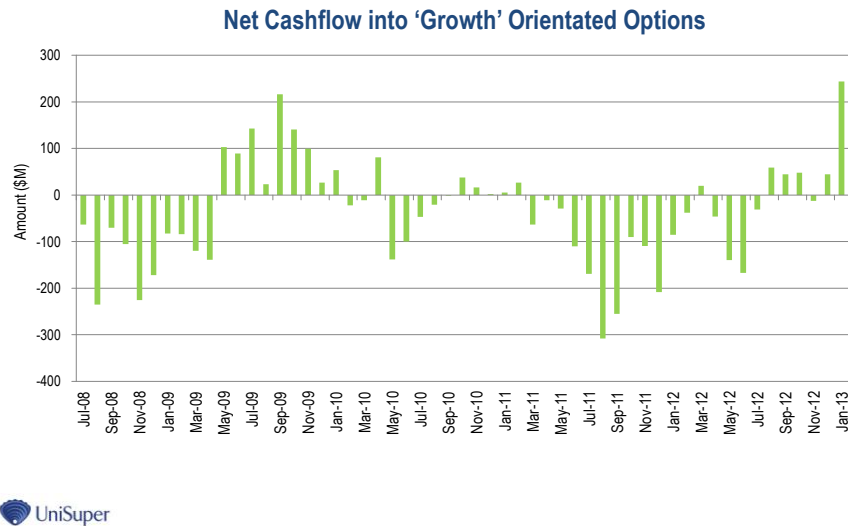


Source: JP Morgan



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Funds are being reallocated to equity markets



Summary of 2012

- Global GDP was still well below trend and employment growth anaemic
- ***However, relatively poor macro-economic fundamentals were outweighed by very supportive financial conditions***
- Attractive valuations and abundant liquidity provided the basis for equities to rally
- When the most pessimistic forecasts were not realised, sentiment dramatically improved and funds have been allocated to equities

Outlook for 2013

- Supportive **Financial Conditions** remain in place
- **Macro-Economic Fundamentals** are expected to improve, particularly in 2H 2013
- Therefore, the environment is conducive to further gains in equity markets

2013 key risks

- Currency wars
- China slowdown
- Geo-political shocks



UniSuper Performance and Portfolio Positioning

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Option performance as at 31 December 2012

OPTION	3 MONTH (%)	1 YEAR (%PA)	3 YEARS (%PA)	5 YEARS (%PA)	7 YEARS (%PA)
High Growth	4.1	17.3	4.8	-0.1	3.9
Balanced	3.2	15.0	5.5	1.9	4.5
DBD	4.2	17.3	6.8	2.8	5.0
Cash	0.8	3.7	4.1	4.1	4.5

OPTION	3 MONTH (%)	SINCE INCEPTION (%)*
Australian Equity Income	5.7	16.6
Global Companies in Asia	3.3	3.7
Global Environmental	8.3	6.0

* Options launched April 2012



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Quartile ranking*

UNISUPER DIVERSIFIED OPTION	1 YEAR	3 YEARS	5 YEARS	7 YEARS
Cash	Q2	Q2	Q3	Q2
Capital Stable	Q1	Q1	Q1	Q1
Conservative Balanced	Q1	Q2	Q1	Q1
Balanced	Q1	Q2	Q1	Q1
Growth	Q1	Q2	Q1	Q1
High Growth	Q1	Q1	Q1	Q1

* SuperRatings Crediting Rate Survey – 31 December 2012

UniSuper Portfolio Positioning

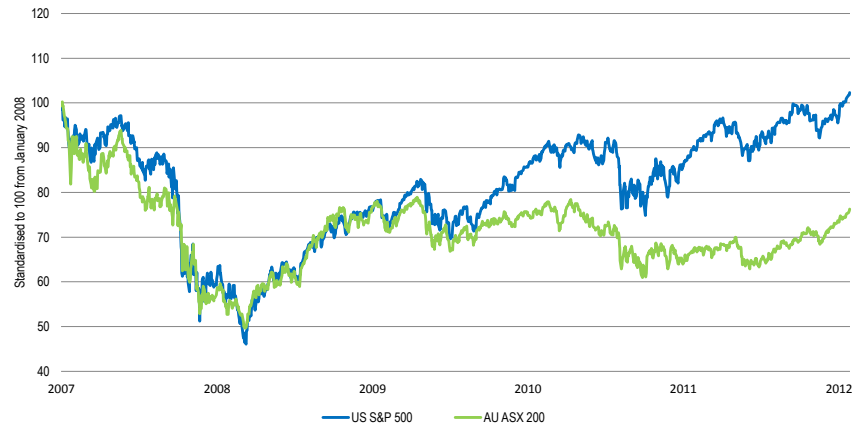
Based on the current outlook, within our diversified options we intend to overweight:

- Growth assets relative to defensive assets
- Corporate bonds relative to Government bonds
- High yielding Australian equities
- Companies benefiting from Asian growth (e.g. global brands)
- Global sectors that contribute to portfolio diversification (e.g. technology)

Australia v. USA

USA has outperformed Australia by 26% since the GFC

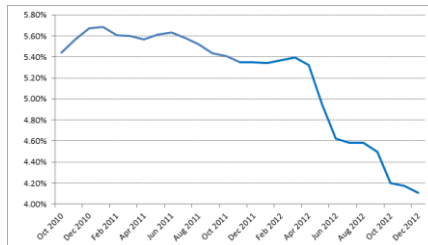
S&P 500 vs ASX 200



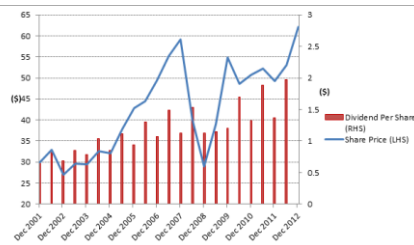
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CBA shares v. term deposits December 2012

90 Day Term Deposit



CBA Shares



Positives

- Very secure
- Reasonable yield – 4.1%

Negatives

- Exposed to falling rates
- No capital growth = poor inflation hedge

Positives

- Gross yield ~ 7.7%
- Potential for capital growth

Negatives

- Volatility of share price
- Dividends will fall if Australia has a recession



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Thankyou