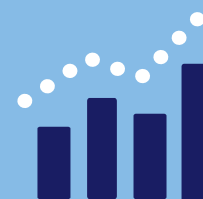


Investment market update



Despite the uncertainty caused by the US Congressional wrangling around the debt ceiling and government shutdown at the beginning of the month, October proved a strong month for equity market performance, helping boost returns across all UniSuper investment options.

As well as a brief look at the US situation, in this update we revisit our Global Environment Opportunities Option, including some of the factors that helped drive its strong performance over the past 12 months (+44.9% after fees and taxes)

PERFORMANCE OF KEY MARKETS

	MONTH	FYTD	% CHANGE		
			1 YEAR	3 YEARS P.A.	5 YEARS P.A.
Australian Shares (ASX 300)	3.9	14.6	24.8	9.6	11.0
US Shares (S&P 500)	4.6	10.1	27.2	16.6	15.2
Asian Shares (MSCI Asia)	3.4	8.1	9.4	1.3	13.5
Australian Dollar (AUD/USD)	1.3	3.5	-8.7	-1.1	7.5
Australian Fixed Interest (UBSA Composite)	-0.1	1.0	1.7	6.7	6.5
Cash (UBSA Bank Bill)	0.2	0.9	3.0	4.1	4.1
Balanced Option (*)	2.2	7.4	18.0	9.2	8.2
Global Environmental Opportunities*	4.2	9.2	44.9	-	-

Returns are for periods to 31 October 2013. Past performance is not an indication of future performance.

* Returns relate to our Accumulation (not Pension) investment options and are published after fund taxes and investment expenses, other than account-based fees.

US debt negotiations

The opening weeks of October were dominated by US Congress negotiations to avoid debt ceiling constraints, due to become binding after October 17. Though the risk of an actual US default was perceived as remote, the extreme damage that would result from a default created a pall of uncertainty over markets.

In the end, the negotiations finalised at the eleventh hour have delivered only a temporary respite. Full US Government activity has been extended to mid-January 2014 and the debt ceiling has been suspended until February.

Unfortunately this creates the risk of another round of damaging negotiations and the threat of default in a few months' time.

Somewhat perversely, this band-aid solution, coupled with some poor US economic data (namely payrolls and durable goods orders) was positive for equity markets and risk assets generally (including the Australian dollar). Once again it was a case of bad news being good news, as slower growth gives rise to expectations that the Federal Reserve will continue with its quantitative easing policies for an extended time. However, one genuinely positive sign is the reasonably strong earnings reports being delivered by US companies.

Local markets

Local equity markets rallied in line with the US and were assisted by positive economic data from China. This suggests that the pace of growth has picked up in recent quarters.

Domestically, the biggest issue now is whether the RBA has eased financial conditions enough to engender a recovery in the pace of non-mining activity. If not, it will likely be forced to ease policy further. Though confidence indicators have bounced in recent months, there has yet to be any follow through from actual hard data outside of the housing sector. In that regard, the rally in the Australian dollar during the month can only act to hamper any recovery.

UniSuper's Global Environmental Opportunities

Our July 2013 Investment Market Update focused on our Global Environmental Opportunities (GEO) Option. This month GEO is under the spotlight again for two reasons. First, the GEO Option has delivered very strong returns over the past year, and this has attracted attention of members. Secondly, members are becoming increasingly vocal with respect to UniSuper's investment strategy.

Our GEO Option was launched in April 2012, and its underlying strategy seeks global companies that provide products and/or services striving to deliver solutions to environmental challenges globally, and contribute to a more environmentally sustainable economy.

As it currently stands, this Option is passively managed using a well-known benchmark index. For a company to be considered for inclusion in this index (and therefore the GEO Option), it must derive at least 50% of its revenue from one or more of the following sectors: alternative energy, clean technology, sustainable water, green buildings and pollution prevention. Accordingly, there is a lesser focus on overall sector or geographic positioning.

Apart from investing in companies that are expected to benefit from what many perceive to be strong secular trends, the GEO Option is also particularly relevant to members against investing in companies that are involved in activities that are not perceived to be environmentally friendly.

Responding to member feedback

Member needs and interests are elements that influence our product strategy, however our legal and fiduciary obligations must always come first, and mean that we cannot always satisfy individual member requests.

Amongst the many ideas we field have been a small number of member requests demanding total divestment of any company held in any portfolio involved in fossil fuels.

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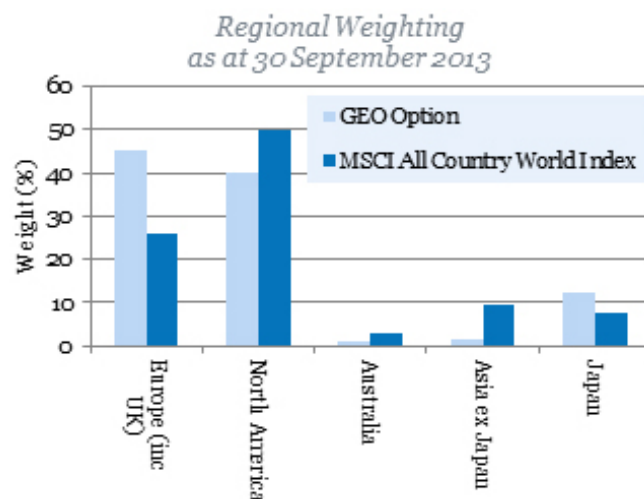
The breadth and complexity of our portfolio mean that this is not a practical solution, and may potentially compromise the financial outcomes of our broader membership base.

As well as the GEO Option, members seeking to limit their exposure to fossil fuels may also consider our Listed Property, Cash and Australian Bond options.

GEO performance summary – to 30 September 2013

Over the past year the GEO Option has returned an impressive 44.9% (after taxes, 52.1% before taxes) for Accumulation members. On top of being an excellent absolute return, the performance also compares very favourably to the standard (MSCI) global index return of 30.8%, bearing in mind that past performance is not an indicator of future performance. The performance of the GEO Option has been driven by a confluence of favourable positioning on a regional, sectoral, and stock specific basis.

REGIONAL AND COUNTRY POSITIONING



A significant factor in the performance of the GEO over the past 12 months has been its geographic exposure.

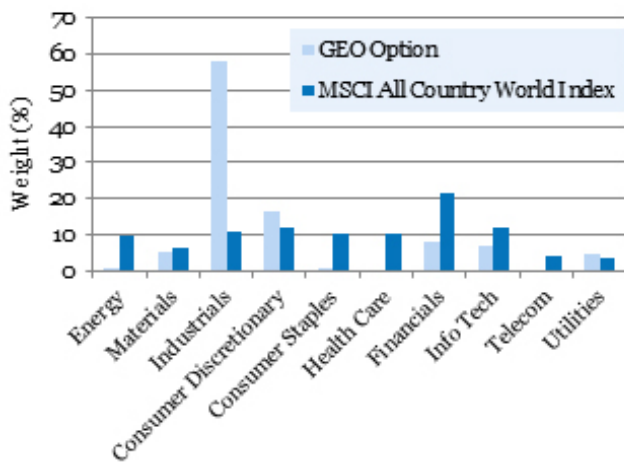
Almost half of the GEO Option is invested in Europe which represents a large overweight (+19%) relative to the weighting in the global index). Europe performed strongly over the year to 30 September 2013, returning +38% in Australian dollar terms.

Within the region, the GEO Option has approximately 13% exposure to Switzerland, and 8% exposure to France, and these countries returned +46% and +47% respectively. The strong performance of Japan (+46%) which at around 12% of the Option is 4% overweight to the global index also boosted returns.

The GEO Option has around 40% exposure to North America (+31% return) and a significant underweight exposure to Asia ex-Japan (-8%), which underperformed the global share market for the year, returning 17% versus 31%.

SECTOR POSITIONING

*Sector Weighting
as at 30 September 2013*



As with the geographic positioning, the sector positioning is determined by the sort of companies that meet the GEO criteria.

By sector, the two largest industry groups in the GEO were also the strongest performing. Consumer Discretionary (+49%) represents about 17% of the GEO Option. Within the Consumer Discretionary sector, Automobiles and Components was the stand-out performer delivering returns of +63% for the year, with this sector comprising around 10% of the GEO Option. Similarly, Industrials (+40% for the year), represents 58% of the GEO Option. This represents a significant overweight (+47%) versus the global share market.

In contrast, the GEO Option has underweight positioning to each of Consumer Staples (-10%), Information Technology (-5%), Telecommunication Services (-4%) and Energy (-10%). These sectors underperformed the broader market returning 27%, 24%, 23% and 18% respectively.

Stock selection

The three largest stock holdings in the GEO Option (and also the largest overweights versus the MSCI All Country World

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This is not intended to be an endorsement of any of the listed securities named above for inclusion in personal portfolios. The above material reflects UniSuper's view at a particular point in time having regard to factors specific to UniSuper and its overall investment objectives and strategies.

index), are ABB (which provides power and automation technologies), Emerson Electric (a diversified automation and technology solutions business) and Schneider Electric (provides power distribution and automation systems). All three stocks have performed very strongly over the year, returning 45%, 53% and 64% respectively in Australian dollar terms.

The largest underweight position is in Apple (-1.4%, not held) and this also had a positive contribution to performance as Apple was down 19% over the period.

Buyer beware

The strong performance of the GEO has been of significant benefit to the retirement savings of those members who have been invested over the past 12 months. However, it is important to note that past performance is not an indicator of future performance, and it is not unusual to see a pullback in performance after such a strong run.

Being on the right side of country, sector, and stock positions does not happen very often in portfolio management. In different market conditions, the GEO Option's geographic and sector positions may underperform relative to the broader market. In particular, we note the strong overweight of the GEO to Europe. An element of European outperformance over the past 12 months represents catch-up relative to other regions.

We note that the pace of economic expansion there remains sluggish and the outlook for the region is far from certain. In particular we remain concerned about the capital adequacy of the European banking sector and its ability to provide sufficient credit to the private sector in the peripheral economies.

Notwithstanding the above, the GEO Option is potentially a suitable option for members who have a long-term investment horizon and an appetite for higher-risk strategies, rather than those looking for further short-term gains.

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This information is current as at November 2013 and is based on our understanding of legislation at that date. Information is subject to change. To the extent that this fact sheet contains information which is inconsistent with the UniSuper Trust Deed and Regulations (together the Trust Deed), the Trust Deed will prevail.

Issued by: UniSuper Management Pty Ltd ABN 91 006 961 799, AFSL No. 235907 on behalf of UniSuper Limited the trustee of UniSuper, Level 35, 385 Bourke Street, Melbourne Vic 3000.

Fund: UniSuper, ABN 91 385 943 850
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Date: November 2013