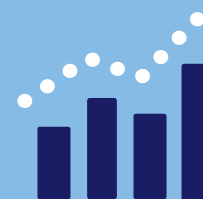


Investment market update



A strong performance by the Australian share market was somewhat offset by a weak performance in global share markets, resulting in a small positive return for our Balanced Option for August.

In this update, we give an overview of the key market drivers over the past month. We also take a close look at Sydney airport, a high-quality asset that most members will have some exposure to in their superannuation portfolio.

	% CHANGE				
	MONTH	FYTD	1 YEAR	3 YEARS P.A.	5 YEARS P.A.
Australian Shares (ASX 300)	2.5	7.9	23.6	9.8	4.5
US Shares (S&P 500)	-2.9	2.0	18.7	18.4	7.3
Asian Shares (MSCI Asia)	-1.0	0.7	6.6	2.2	3.3
Australian Dollar (AUD/USD)	-0.7	-2.7	-13.8	0.0	0.7
Australian Fixed Interest (UBSA Composite)	-0.3	0.5	2.3	6.3	7.1
Cash (UBSA Bank Bill)	0.2	0.5	3.2	4.2	4.3
Balanced Option (*)	0.5	3.6	16.4	9.3	5.3

Returns are for periods to 31 August 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.

Recent market movers

Members of the US Federal Reserve (the 'Fed') continue to prepare the market for the likelihood they will 'taper' their quantitative easing program. Even though the Fed's monetary policy will remain very accommodative for a long time, suggestions that liquidity is about to be reduced had a negative impact on some emerging countries that rely on capital inflow to balance their current account deficits.

Accordingly, the Indian Rupiah and the Indonesian Ringett have been bearing the brunt of the fallout from tapering talks (down 25% and 17% respectively).

Threats of an imminent strike on Syria temporarily rattled markets, resulting in a 9% rally in oil prices. Markets, however, quickly settled down as leaders in the UK and US struggled to gain support for a strike.

Given the turmoil experienced by some neighbours in our region, the Australian market was surprisingly resilient. The

Australian dollar was strongly supported around the USD 0.89 level, and the sharemarket held up as lower interest rates continue to encourage a shift out of low-yielding deposits.

The Australian company reporting season was also mildly positive: of the 198 companies that reported, 53% beat profit forecasts, and 45% upgraded their earnings for next financial year.

Increasing our stake in Sydney Airport

Sydney Airport Holdings (SYD) is a top-50 publically listed company with a market capitalisation of approximately \$8.1B.

SYD recently announced a corporate restructure and capital raising at \$3.60 per share. We took the opportunity to increase our stake in this high quality asset, and we now own just under 10% of the company. Our holdings in SYD

are spread across all our pre-mixed investment Options that invest in Australian shares, which means the vast majority of our members will benefit from the expected growth in value of the asset.

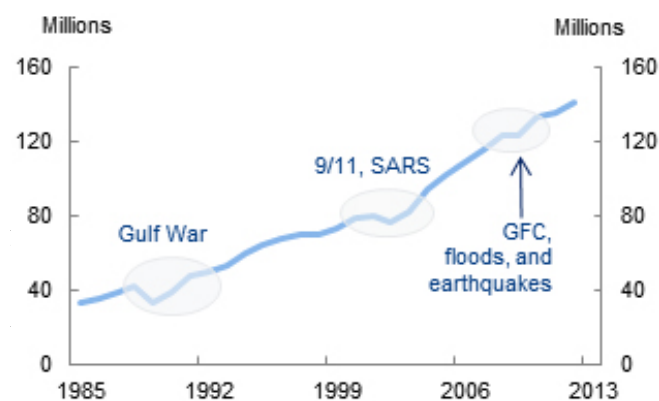
SYD's primary business is the operation and ownership of Sydney Airport. Its revenues are generated through four main sources:

1. **Aeronautical charges (50%):** Passengers pay Sydney Airport a landing charge that is contained within the price of airline tickets.
2. **Retail (21%):** Revenues related to the shops and food outlets within the airport.
3. **Property (17%):** Airport land and buildings that are leased to third parties.
4. **Car-parking (12%):** fees for car parking on airport grounds.

Sydney Airport is the gateway to Australia's most populated state. Notwithstanding speculation about a second airport, Sydney's established facilities and proximity to the CBD will always underpin its demand. And SYD has the first right to operate a second airport if indeed it comes to fruition.

As is the case with all of Australia's major airports, SYD benefits from population growth, rising incomes and growing demand for travel. Travel has been a secular growth story for Australia over the past few decades.

AUSTRALIAN AIRPORT PASSENGERS



INVESTING IN SYD: AN EXAMPLE OF THE UNISUPER ADVANTAGE

Being a listed company, SYD is traded on the Australian Securities Exchange. From time to time, a large parcel of shares (known as 'block trades') may be offered to select investors at an attractive price. These trades are often not shown to typical retail investors (and even small institutional investors) as the seller needs the certainty of closing the deal in a short time frame. In such situations, we have an advantage over many investors arising from the fact we have:

- the scale and experience to bid for large parcels of shares, and
- a governance framework that allows us to make a decision quickly within pre-agreed delegations.

In this context we recently increased our investment in SYD through two block trades:

1. **Capital raising:** SYD raised \$310M in equity at \$3.60 per share to assist with a corporate simplification—namely to fund the purchase of a small, unlisted stake in the airport not held by SYD. This simplification was likely to prove advantageous to the company, and so this share was highly sought after by investors. We also held an unlisted share in SYD. We used this position to secure \$75M (24%) of the shares being offered, even though our pro-rata share was closer to \$20M.
2. **Offshore investor sell down:** At the same time as the equity raising (above), an offshore investor decided to use the opportunity to sell a further \$340M of SYD shares to the market. We were able to secure another \$71M of SYD shares from this sale at a price of \$3.67 per share.

These two transactions took our ownership in SYD to just under 10% of the company, making us the second largest shareholder in the company behind Macquarie Group.

At the time of writing, SYD shares were trading at \$3.80 per share: lifting it by around 5% in just two weeks.

ADDING TO OUR PORTFOLIO OF 'FORTRESS' ASSETS

SYD is the type of asset that is particularly suitable for long term investors who seek quality assets at a fair price. We refer to assets like SYD as 'fortress' assets because they benefit from factors such as:

- monopoly-like positions in their respective locations;
- their relative scarcity, and
- pricing power that enables their earnings growth to at least keep pace with inflation.

A list of other positions we have in such assets is shown here:

UNISUPER'S 'FORTRESS' ASSETS

COMPANY	SECTOR	AMOUNT INVESTED* (AUD M)	UNISUPER'S OWNERSHIP (%)
Adelaide Airport	Airport	n.a.	49.0
Brisbane Airport	Airport	n.a.	6.9
Sydney Airport	Airport	729	9.1
APA Group	Gas pipelines	289	5.7
AquaSure	Water – Desalination	n.a.	26.0
Aurizon	Rail	327	3.4
Transurban	Toll roads	908	8.9

* Amount invested for listed companies (APA, Aurizon, Sydney Airport and Transurban) are shown as the market value of UniSuper's holdings in these securities as at 1 September 2013. Unlisted company valuations are not disclosed due to commercial sensitivities.

We have already built a large exposure to high quality fortress assets, as this table shows, and will continue to do so as opportunities arise.

SYD and our other fortress assets are compatible with our overall portfolio, but aren't necessarily suitable for external and personal portfolios.

Past performance is not an indicator of future performance. This information is of a general nature only and may include general advice. It has been prepared without taking into account your individual objectives, financial situation or needs. UniSuper's investment strategies will not necessarily be appropriate for other investors. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement for your membership category and whether to consult a licensed financial adviser. This information is current as at 5 September 2013.

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.

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This information is current as at September 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.

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