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How we manage Australian equities

Introduction

Australian equities are defined as shares in public companies that are listed on the Australian Stock Exchange.

Our objectives

Vision Super manages an Australian equities portfolio that invests with a variety of specialist Australian equities managers. Its objectives are to:

- Outperform inflation (as measured by the Consumer Price Index [CPI]) by 5% p.a. over the longer term and over at least two thirds of all rolling ten-year periods.
- Limit the chance of a negative return in any one year to less than one in 4 years.
- Outperform the benchmark (S&P/ASX 300 Accumulation Index) over the medium to longer term.

Vision Super aims to achieve these objectives by:

- Diversifying the portfolio across a range of Australian equities sectors and stocks.
- Diversifying the portfolio across a number of managers with different investment styles.
- Using a passive/active approach to achieve the best return for an acceptable level of risk for the total Australian equities portfolio.

Investment approach

A significant proportion of Vision Super's Australian equities portfolio is invested in a highly controlled way with the use of an enhanced passive manager. While passive managers aim to provide returns that are in line with the index, enhanced passive managers aim to provide returns that slightly exceed the index. By using enhanced passive managers, Vision Super aims to control the fees and costs incurred and the risk taken relative to the benchmark.

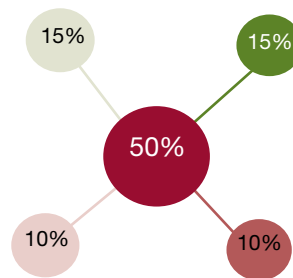
The balance of the Australian equities portfolio consists of investments with active managers. Active managers take on more risk than enhanced passive managers, and in return, target a higher level of outperformance relative to the benchmark.

Vision Super uses a number of active managers (each with different and complementary approaches to investment) in the expectation that Vision's Australian equities portfolio will provide superior risk adjusted returns relative to its benchmark. Two of Vision Super's active managers have broad-based mandates and invest across the whole Australian equities market. In addition, the portfolio invests in two specialist products. These products focus on smaller companies and higher conviction (concentrated) managers.

Investment managers used

Vision Super continuously monitors the compliance, management, style, complementarity and performance of the managers in its portfolios.

While the Australian equities manager configuration (number and mix of managers) will alter over time, the following is a snapshot of the current managers.



MANAGERS	INVESTMENT APPROACH
Core manager (50%)	
Macquarie Investment Management	Enhanced Passive
Satellite managers (50%)	
GMO Australia Limited	Value bias (quantitative)
Schroder Investment Management	Fundamental growth bias
Warakirri Asset Management	Small Companies (Fund of Funds)
Intech Investment Consultants Australian Shares High Alpha Trust	High conviction (Fund of Funds)

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