



Creating financial independence since 1846

Trustee's annual report

to members for the year ended **30 June 2016**

IOOF **Portfolio Service** Superannuation Fund

Incorporating:

- AustChoice Super
- Bendigo Financial Solutions
- Financial Partnership Portfolio Service
- IOOF Portfolio Service
- IOOF LifeTrack
- IOOF Pursuit Focus
- IOOF Pursuit Select
- IOOF Pursuit Core
- IOOF Employer Super (including **sub-plans**: Bendigo and Adelaide Bank Staff Superannuation Plan, JR Superannuation Fund (renamed to Pitcher Partners Superannuation Fund) and Medical & Associated Professions Superannuation Fund)

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Important information

This report is issued by IOOF Investment Management Limited (IIML) ABN 53 006 695 021 AFS Licence No. 230524 as Trustee of IOOF Portfolio Service Superannuation Fund ABN 70 815 369 818 (Fund).

The information in this report is general information only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this report, you should assess your own circumstances or seek advice from a financial adviser. You should obtain and consider a copy of the Product Disclosure Statement available from us or your financial adviser before you acquire a financial product. The information is given in good faith and is believed to be accurate and reliable at the time of publication.

Message from the Trustee



I am pleased to present the following Trustee's annual report to members in the IOOF Portfolio Service Superannuation Fund (Fund) for the year ended 30 June 2016. This report has been prepared by IOOF Investment Management Limited as Trustee of the Fund ('IIML' or 'Trustee').

This year at IOOF we celebrate 170 years of helping Australians secure their financial independence. Since our beginnings in the 19th century – when we visited the sick, relieved the distressed, helped bury loved ones and educated orphans – our goal has always been to put clients first. Today, IOOF is the largest independent financial services group in Australia, and we remain steadfastly committed to this goal. We are an ASX top 100 company with \$131.1 billion in funds under management, administration, advice and supervision, and we currently provide services to more than 600,000 customers around Australia*

Within the report you will find general information about the Fund, including abridged financial statements, changes to the Fund and developments in superannuation that have occurred during the 2015/16 financial year.

On behalf of the board of Trustee directors, thank you for your ongoing support.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Christopher Kelaher', with a long horizontal flourish extending to the right.

Christopher Kelaher
Managing Director

IOOF Investment Management Limited
as Trustee of the IOOF Portfolio Service Superannuation Fund

Government reforms in superannuation

Changes and developments in superannuation

Superannuation reforms announced in the 2016 Federal Budget

The Government has announced a number of important reforms to superannuation that will start on 1 July 2017. The package of reforms was first announced in the 2016 Budget, with some further modifications announced in September 2016. These changes have now been passed by Parliament.

The key reforms are:

- The concessional contribution cap will reduce to \$25,000 pa. However, starting 1 July 2018, members with less than \$500,000 in super will be able to carry forward and contribute unused cap amounts for up to 5 years.
- Personal superannuation contributions will be fully tax deductible. This means that employees will be able to claim tax deductions for personal contributions. Currently only those with less than 10% of total income from employment as an employee can claim tax deductions for personal super contributions. Members will continue to be required to meet a work test to make voluntary contributions between ages 65 and 75.
- The spouse income threshold for the 18% tax offset for spouse contributions will increase from \$10,800 to \$37,000 pa. Spouse contributions will continue to be accepted up to age 70.
- The annual non-concessional contributions cap will reduce to \$100,000 pa with the ability to contribute \$300,000 over 3 years. Also when super savings reach \$1.6 million no further non-concessional contributions can be made. Originally the Government had intended to introduce a life time non-concessional cap of \$500,000, however this was rejected in favour of a simple reduction to the non-concessional cap.
- The amount of super that can transfer to pension (tax exempt) phase will be restricted to \$1.6 million. Current pensioners will have until 1 July 2017 to bring pension accounts under this threshold, and any excess will be held in accumulation super where investment earnings are taxed at 15%.
- Investment earnings on transition to retirement (TTR) income streams will be no longer be tax-exempt and instead taxed at 15%. However payments will continue to be taxed as ordinary pension payments.
- The Low Income Super Contribution (now called the Low Income Super Offset) will continue to be paid. This is a refund of tax up to \$500 on contributions for those on low incomes up to \$37,000 pa. This refund was originally scheduled to cease on 1 July 2017.

- The income threshold for additional tax on concessional contributions for high income earners (Division 293 tax) will reduce from \$300,000 pa to \$250,000 pa. These high income earners pay tax at 30% on concessional contributions, rather than the standard 15% tax.
- Anti-detriment payments will be abolished. These are increased amounts payable of death of a member as compensation for 15% fund tax previously paid.
- New types of income streams will be encouraged. These include guaranteed income streams with deferred start dates to provide income after age 75.

The new changes to contributions caps can be compared with the current caps set out in the superannuation thresholds table for 2016/17 below.

Superannuation thresholds for 2016/17

Concessional contributions cap	\$30,000 or \$35,000 if aged 49 or more on 30/6/2016
Non-concessional contributions (NCC) cap	\$180,000 or \$540,000 over 3 years if under age 65
Superannuation guarantee (SG) rate	9.5%
SG maximum contributions base	\$51,620 salary per quarter or \$206,480 pa (up from \$50,810 per quarter 2015/16)
Preservation age	Age 56 for those who turn age 56 in 2016/17 Age 57 for those who turn age 55 in 2016/17
<ul style="list-style-type: none"> • Benefits can be accessed on retirement • 0% tax on low rate threshold (below) 	
Low rate threshold	\$195,000 (no change from 2015/16)
<ul style="list-style-type: none"> • 0% tax under age 60 	
CGT cap amount	\$1,415,000 (up from \$1,395,000 2015/16)
<ul style="list-style-type: none"> • excluded from NCC cap 	
Government co-contribution income	Full co-contribution – \$36,021 pa or less (up from \$35,454 2015/16) No co-contribution – \$51,021 pa or more (up from \$50,454 2015/16)
Threshold for unclaimed monies to be paid to the ATO. Applies to:	\$6,000 from 31 December 2016 (up from \$4000 from 31 December 2015)
<ul style="list-style-type: none"> • accounts inactive for 5 years • lost or uncontactable member accounts 	

ATO developments: Start date for SuperStream for small employers delayed

Under the SuperStream rules, employers are required to make super contributions and provide data on a uniform electronic basis. Employers with 20 or more employees are already meeting these standards. However the ATO has extended the start date for smaller employers to comply with SuperStream to 28 October 2016. This extension recognises that super guarantee contributions for the first quarter of the 2016/17 financial year were due on 28 October 2016. After this date the ATO now expects all employers to make contributions in a SuperStream compliant manner.

Single Touch Payroll

Legislation introducing “Single Touch Payroll” (STP) has now been passed by Parliament. Single Touch Payroll provides for standardised reporting to the ATO of PAYG withholding tax and super contributions at the time the payments or contributions are made. The legislation also includes streamlining the provision of TFN declarations and Choice of Fund forms for new employees. New employees will be able to provide electronic TFN Declarations using the employer’s payroll software or through their personal myGov account. Employees will also be able to submit choice of super fund forms via myGov.

Compliance with STP reporting will be on a voluntary basis with from 1 July 2017 and on a compulsory basis for large employers from 1 July 2018. The streamlined process for providing TFN declarations and choice of fund forms via the ATO is optional and will be available from 1 January 2017.

Changes to the Centrelink assets test from 1 January 2017

From 1 January 2017 the Centrelink assets test will change affecting some members who also receiving the part Age Pension. Full age pensioners are largely be unaffected, as the assets test free threshold will increase to \$250,000 for homeowners (\$375,000 for a couple) and \$450,000 for non-homeowners (\$575,000 for a couple). Part pensioners, however, may have their pensions reduced or extinguished, as the rate of reduction of the full Age Pension for assets over the free threshold will double (to \$1.50 per \$1,000 of assets over the threshold). Members who lose the Age Pension from 1 January 2017 will automatically be issued with a Commonwealth Seniors Health Card.

Account balances in both super and allocated (account based) pensions are counted under the assets test for the Age Pension.

More Government reviews into superannuation

In May 2016 the Government released a report into Retirement Income Streams. The report recommended that:

- the current account based pension draw down rates should continue; and
- superannuation funds should be able to offer deferred income streams aimed at meeting income needs in later retirement.

The Government is also undergoing a review of the objectives of superannuation with the intention of introducing a clear purpose for superannuation into legislation. The Productivity Commission is also undergoing a review of the efficiency and competitiveness of the super system, including the process of selecting default super funds. The Productivity Commission released a draft report in August 2016 and the final report (with recommendations) is due mid-2017.

Changes to the IOOF Portfolio Service Superannuation Fund during 2015/16

Changes to the Trust Deed

The Trust Deed for the Fund was not amended during the 2015/16 financial year.

A copy of the current Trust Deed is available to members upon request by calling our client services team or may be inspected by arrangement during business hours at the office of the Trustee.

Changes to the product range

Product disclosure statements

IOOF Pursuit

IIML issued forms booklets on 1 June 2016 for:

- IOOF Pursuit Focus Personal Superannuation
- IOOF Pursuit Focus Allocated Pension
- IOOF Pursuit Select Personal Superannuation
- IOOF Pursuit Select Allocated Pension
- IOOF Pursuit Select Term Allocated Pension
- IOOF Pursuit Select Personal Superannuation (Annex)
- IOOF Pursuit Select Allocated Pension (Annex)
- IOOF Pursuit Focus Personal Superannuation (Annex)
- IOOF Pursuit Focus Allocated Pension (Annex)
- IOOF Pursuit Select Personal Superannuation (Infocus)
- IOOF Pursuit Select Allocated Pension (Infocus)
- IOOF Pursuit Focus Personal Superannuation (Infocus)
- IOOF Pursuit Focus Allocated Pension (Infocus).

IIML issued forms booklets on 1 January 2016 for:

- IOOF Pursuit Select Investment Service
- IOOF Pursuit Select Investment Service (Infocus)
- IOOF Pursuit Select Personal Superannuation (Infocus)
- IOOF Pursuit Select Allocated Pension (Infocus).

IIML issued guides for:

IOOF Pursuit general reference guide (PFS.12) on 1 July 2015:

- Pursuit Focus Personal Superannuation
- Pursuit Focus Allocated Pension
- Pursuit Select Personal Superannuation
- Pursuit Select Allocated Pension
- Pursuit Select Term Allocated Pension

IOOF Employer Super (including sub-plans), IOOF Portfolio Service, Financial Partnership Portfolio Service, Bendigo Financial Solutions, and IOOF LifeTrack

IIML issued PDSs for:

IOOF PDS on 1 July 2015:

- Bendigo and Adelaide Bank Staff Superannuation Plan

IIML issued Guides for:

IOOF Investment Guide on 1 July 2015:

- Bendigo and Adelaide Bank Staff Superannuation Plan

IOOF insurance guide on 1 July 2015:

- IOOF LifeTrack Personal Superannuation
- IOOF Portfolio Service Personal Superannuation
- IOOF Employer Super (including sub-plans)
- Bendigo Financial Solutions
- Financial Partnership Portfolio Service
- IOOF LifeTrack Personal Superannuation

IOOF insurance guide on 18 August 2015:

- IOOF Portfolio Service Personal Superannuation
- Bendigo Financial Solutions
- Financial Partnership Portfolio Service
- IOOF LifeTrack Personal Superannuation.

AustChoice Super

IIML issued AustChoice Super insurance booklet on 1 July 2015 for AustChoice Super Employer and Personal super products.

Product updates

Your Cash Account

Following a review of the Cash Account, IOOF Investment Management Limited (IIML) as Trustee has made changes to the Cash Account's underlying investments to provide further diversification.

The Cash Account is currently invested in an operating bank account (for day-to-day transactions) and the IOOF Cash and Income Fund (ARSN 087 727 277). Effective from 18 June 2016, the Cash Account will expand its exposure to also include investment in the Cash Management Fund (ARSN 089 508 636). IIML is the Responsible Entity of the Cash Management Fund.

The estimated indirect management cost of the Cash Account is expected to remain equivalent to its current fee.

Change in the surplus cash feature

The Trustee has also reviewed the surplus cash feature and made a change to the timing of this feature. The surplus cash feature, whereby we review your Cash Account and subsequently reinvest any excess cash in accordance with your standing instruction, will change from on or around the 20th day to on or around the 15th day of each month. This change took effect on 15th June 2016 and affects IOOF Portfolio Service, Bendigo Financial Solutions, Financial Partnership Portfolio Service and LifeTrack.

The Trustee has also reviewed the surplus cash feature and made a change to the timing of this feature for IOOF Pursuit Core. The surplus cash feature, whereby we review your Cash Account and subsequently reinvest any excess cash in accordance with your primary instruction will change from on or around the 20th day of the relevant quarter to on or around the 15th day of the relevant quarter. This change took effect from the quarter beginning 15th August 2016.

Term deposit early redemption

We have extended the information in the investment guide with the following:

'We have the right on your behalf to redeem a term deposit early where your account has insufficient funds to meet required payments from the Cash Account. Depending on the terms and conditions of the term deposit, there may be a delay of up to 31 days in obtaining the funds when redeeming early from a term deposit. This may also result in the term deposit interest rate being reduced.'

Term deposits are applicable to IOOF Pursuit Select, IOOF Pursuit Core, IOOF Portfolio Service, Bendigo Financial Solutions, Financial Partnership Portfolio Service, LifeTrack, IOOF Employer Super (including sub-plans) and AustChoice.

Financial adviser authority and online withdrawals

We introduced new functionality that allows your financial adviser to make partial online withdrawals from your account on your behalf via Portfolio Online; saving you time and giving you access to your money sooner. This affects IOOF Pursuit Select, IOOF Pursuit Core, and IOOF Pursuit Focus, excluding TAP products.

Before an online withdrawal request can be made online on your behalf, you must update your existing Financial Adviser Authority, or put a new Authority in place by completing the Financial Adviser Authority form. The Financial Adviser Authority form has three key requirements:

- **Proof of identity:** This is required under Anti-Money Laundering and Counter-Terrorism Financing Laws.
- **Bank account details:** The bank account nominated must be held solely or jointly in your name.
- **Co-signed by you and your adviser:** The form must be completed and co-signed by both you and your adviser.

Please note, as this functionality only applies to cash withdrawals, you will need have met a condition of release such as retirement after preservation age or reaching age 65 before payments can be made to your bank account.

Changes to investment options

As Trustee, we regularly monitor the investment options available to members in the Fund. This section outlines the underlying investment options that have been added and removed from the Fund's investment menus during 2015/16. Any investment option currently available may not continue to be available in the future. If we remove an investment option from the Fund, we may transfer your investments in the investment option that is no longer available to another investment option of the Fund. We will attempt to notify you before this action is taken.

We make no recommendation regarding the investment options set out below and not all investment options are available for all products. If you require further information about investment options available through each product, please refer to the PDS of the investment option and relevant product, and speak to your financial adviser or our Client Services Team.

New investment options

APIR Code	Investment option name
CRS0003AU	Aberdeen Ex-20 Australian Equities Fund
ACM0006AU	AllianceBernstein Managed Volatility Equities Fund
HOW0121AU	Alphinity Wholesale Socially Responsible Share Fund
AUS0071AU	Altius Sustainable Bond Fund
AMP1595AU	AMP Capital Global Infrastructure Securities Fund (Hedged)
AMP0455AU	AMP Capital Responsible Investment Leaders International Share Fund
MAQ0079AU	Arrowstreet Global Equities Fund (hedged)
AAP0001AU	Candriam Sustainable Global Equity Fund
WHT0053AU	Capital Group Emerging Markets Total Opportunities Fund (AU)
MLT0010AU	Challenger GIF – 4.00 cents pa 30 Sep 2022 (MV\$1)
CHG0005AU	Challenger Guaranteed Annuity
FSF0040AU	Colonial First State Wholesale Balanced Fund
FID0021AU	Fidelity Australian Opportunities Fund
FID0026AU	Fidelity Future Leaders Fund
FRT0025AU	Franklin Templeton Global Aggregate Bond Fund
GTU0109AU	Invesco Wholesale Global Targeted Returns Fund – Class A
IML0004AU	Investors Mutual Industrial Share Fund
MAQ0640AU	Macquarie Asia New Stars No 1 Fund
MAQ0443AU	Macquarie High Conviction Fund
MGE0005AU	Magellan High Conviction Fund
PER0673AU	Morphic Global Opportunities Fund
N/A	NAB Term Deposits
TGP0006AU	Nikko AM New Asia Fund
PCL0004AU	Pengana Absolute Return Asia Pacific Fund
PCL0005AU	Pengana Australian Equities Fund
PER0077AU	Perpetual Wholesale Conservative Growth Fund
PER0114AU	Perpetual Wholesale Diversified Growth Fund
PER0733AU	Perpetual Wholesale Global Share Fund
PLA0003AU	Platinum Japan Fund
WHT0055AU	Plato Australian Shares Income Fund (Managed Risk)
ACU0008AU	Property Income Plus Fund
SCH0032AU	Schroder Global Value Fund (Hedged)

APIR Code	Investment option name
ETL0062AU	SGH ICE
ETL0130AU	Standard Life Investments Global Absolute Return Strategies Trust
ETL0398AU	T. Rowe Price Dynamic Global Bond Fund
ETL0312AU	T. Rowe Price Global Equity Fund (Hedged)
UBS0057AU	UBS Microcap Fund
VAN0025AU	Vanguard Australian Government Bond Index Fund
ZUR0064AU	Zurich Investments Australian Property Securities Fund
ZUR0614AU	Zurich Investments Emerging Markets Equity Fund
ZUR0580AU	Zurich Investments Global Growth Share Fund
ZUR0581AU	Zurich Investments Unhedged Global Growth Share Fund

Removed investment options

APIR Code	Investment option name
PPL0114AU	Antares Premier Fixed Income Fund (Professional Selection)
IOF0117AU	Perennial Socially Responsive Shares Trust
BGL0045AU	BlackRock Scientific Global Markets Fund
JBW0030AU	Goldman Sachs Australian Infrastructure Wholesale Fund
JBW0103AU	Goldman Sachs Global Small Companies Wholesale Fund
PPL0115AU	Antares Elite Opportunities Fund (Professional Selection)
MAQ0063AU	Macquarie Master Property Securities Fund
IOF0080AU	Antipodes Global Fund – Long Only (Class I Units)
CSA0104AU	Aberdeen Total Return Fixed Income Fund
AUS0037AU	Australian Unity Healthcare Property Trust – Class A Units
SSB0012AU	Legg Mason Western Asset Global Multi Strategy Bond Trust – Class A
MLC0023AU	MLC Masterkey UT Horizon 4 – Balanced
PWA0821AU	BlackRock Wholesale Managed Income Fund
APN0008AU	APN AREIT Fund
HOW0095AU	Challenger Guaranteed Pension Fund – 30 June 2017

Listed share options

The majority of listed securities forming part of the ASX 300 Index are available as listed share options.

Investment managers

The following investment management companies manage the assets of the investment options within the Fund as at 30 June 2016:

Aberdeen Asset Management Limited
Acadian Asset Management (Australia) Limited
Acorn Capital Limited
Adelaide Bank Limited
Advance Asset Management Limited
Allan Gray Australia Pty Ltd
AllianceBernstein Australia Limited
Alpha Fund Managers Pty Ltd
Alphinity Investment Management Pty Limited
Altius Asset Management Pty Ltd
American Century Investments
AMP Capital Investors Limited
Antares Capital Partners Ltd
Antipodes Partners Limited
APN Funds Management Limited
Arrowstreet Capital, L.P.
Aspect Capital Limited
Aubrey Capital Management Limited
Ausbil Investment Management Limited
Australian Ethical Investment Ltd
Australian Unity Investments
Balmain Funds Management Pty Ltd
Bennelong Australian Equity Partners
Bentham Asset Management Pty Limited
BlackRock Investment Management (Australia) Limited
BNP Paribas Investment Partners (Australia) Limited
Brandywine Global Investment Management
Brookfield Capital Management Limited

BT Investment Management (Institutional) Limited
Candriam Sustainable Global Equity Fund
Capital International, Inc
Celeste Funds Management Limited
Centro MCS Manager Limited
Challenger Life Company Limited
Challenger Managed Investments Limited
Charter Hall Direct Property Management Limited
Colonial First State Investments Limited
CWS Mortgage Limited
Delaware Investment Advisers
Deutsche Australia Limited
DFA Australia Limited
Eley Griffiths Group Pty Limited
Epoch Investment Partners, Inc
FIL Limited
Franklin Templeton Investments Australia Limited
Global Thematic Partners LLC
Goldman Sachs Asset Management Australia Pty Ltd
Greencape Capital Pty Ltd
Hunter Hall Investment Management Limited
Hyperion Asset Management Limited
Independent Asset Management Pty Limited
Independent Franchise Partners LLP
Integrity Investment Management Australia Limited
Invesco Australia Ltd
Investors Mutual Limited
IOOF Investment Management Limited
Ironbark Asset Management (Fund Services) Limited
J O Hambro Capital Management Limited
JPMorgan Asset Management (Australia) Limited
Kaplan Funds Management Pty Limited
Kapstream Capital Pty Ltd
Lazard Asset Management LLC.

Lazard Asset Management Pacific Co
Legg Mason Asset Management Australia Limited
LM Investment Management Ltd
Macquarie Investment Management Global Limited
Magellan Asset Management Limited
Maple-Brown Abbott Limited
MAPP Pty Ltd
Mercer (Australia) Pty Ltd
Merlon Capital Partners Pty Limited
MFS Investment Management
MLC Investments Limited
Morningstar Investment Management Australia Limited
Morphic Asset Management Pty Limited
National Australia Bank Limited
Nikko AM Limited
Norwich Union Life Australia Limited
NovaPort Capital Pty Limited
OC Funds Management
OnePath Funds Management Limited
Orion Asset Management Limited
Paradice Investment Management Pty Ltd
Parker Asset Management Limited
Pengana Capital Ltd
Perennial Investment Partners Limited
Perennial Value Management Limited
Perpetual Investment Management Limited
PIMCO Australia Pty Limited
Platinum Asset Management
Plato Investment Management Limited
Platypus Asset Management Limited
PM Capital Limited
Prime Value Asset Management Limited
QS Investors LLC
RARE Infrastructure Limited

RealindexInvestments Pty Limited
Regal Funds Management Pty Limited
Resolution Capital Limited
Rubicon Asset Management Limited
Russell Investment Management Ltd
Sandhurst Trustees Limited
Schroder Investment Management Australia Limited
Schroder Investment Management Ltd
Schroder Investment Management Singapore Ltd
SG Hiscock & Company Limited
Smallco Investment Manager Limited
Solaris Investment Management Limited
Standard Life Investments
State Street Global Advisors, Australia, Limited
T. Rowe Price Global Investments Limited
Tribeca Investment Management Limited
Trust Company Funds Management Limited
UBS Asset Management (Australia) Ltd
Value Partners Hong Kong Limited
van Eyk Research Limited
Vanguard Investments Australia Ltd
Ventura Investment Management Limited
Walter Scott & Partners Limited
Wellington Management Company, LLP
Wells Capital Management Inc.
Western Asset Management Company Pty Ltd
Winton Capital Management Limited
Zurich Investment Management Limited

General information

About the Trustee

IIML has met all of the necessary APRA requirements to operate as a Trustee of the Fund. IIML also maintains its AFS Licence under the *Corporations Act 2001*.

We monitored our compliance with the relevant legislative requirements during 2015/16, and confirm that the Fund:

- is a resident regulated superannuation fund within the meaning of the *Superannuation Industry (Supervision) Act 1993*
- has not received a notice of noncompliance from APRA
- has not received a notice from APRA directing the Fund not to accept any contributions by an employer
- is able to accept SG contributions from employers
- complies with the minimum insurance cover requirements for Choice of Superannuation funds as set out in the *Superannuation Guarantee (Administration) Regulations 1993*

The Trustee has effected and maintains in force professional indemnity insurance to protect the interests of members.

Directors of the Trustee

Dr Roger Neil Sexton (Chairman)¹

Ms Jane Margaret Harvey

Mr Ian Gregory Griffiths (resigned 2 October 2015)

Mr George Venardos²

Mr Christopher Francis Kelaher

Mr Allan Raymond Griffiths

Ms Elizabeth Flynn (appointed 15 September 2015)

Policy committees

This section applies to members of IOOF Employer Super, Medical & Associated Professions Superannuation Fund, the Bendigo and Adelaide Bank Staff Superannuation Plan, JR (Pitcher Partners) Superannuation Fund, and AustChoice Super only.

1 Retired from the Company's Board at the Company's Annual General Meeting on 24 November 2016

2 Became Chairman at the conclusion of the Company's Annual General Meeting on 24 November 2016

A policy committee may be established for an employer-sponsored fund. A policy committee's role is to provide an avenue for members and employers to make enquiries about the investment strategies and performance of the employer-sponsored fund. The Trustee may use the policy committee as a forum for providing information to members and employers as well as to assist the Trustee to deal with complaints or enquiries about the employer-sponsored fund's operation or management.

The Trustee will take reasonable steps to set up a policy committee and to ensure that equal numbers of employer and member representatives are on the committee. Detailed information about how to establish a policy committee will be sent to all members from the Trustee if they request this in writing. Details of policy committees, including members' names and how they were appointed and by whom, are provided to members upon joining the employer-sponsored fund and every year within the member's annual statement.

Eligible rollover fund

An eligible rollover fund (ERF) is a fund designed to accept super accounts from other funds, where the Trustee of the other fund is unable to adequately provide for small account holders. ERFs are designed to offer a stable investment environment in which members with low account balances can have their funds invested with some protection from fees usually applied to actively managed accounts.

We may roll over your benefit to an ERF in the event that:

- you joined as a standard employer sponsored member more than two years ago and we have not received any contributions or rollover amounts in the last five years
- we have never had a correct address from you, or we have written two consecutive communications to you and had them returned unclaimed – in such circumstances, we will consider you to be a lost member
- you are a member of an employer plan and you leave that employer plan without nominating another fund for your balance
- your account balance falls below \$2,000
- you decide to seek the return of your initial investment (refer to 'cooling off' section in the relevant PDS) and either:
 - you do not notify us of a recipient fund for the receipt of your benefits (if necessary)
 - the nominated fund does not accept the transfer.

Once your benefit is rolled into the ERF, you will no longer be a member of, nor entitled to claim any benefit from the Fund. Your insurance cover ceases and any remuneration payable from your account to a financial adviser will also cease.

The Trustee has selected the following ERFs for the Fund:

IOOF Employer Super (including sub-plans) and AustChoice Super

SMF Eligible Rollover Fund (SMF ERF)

GPO Box 529

Hobart TAS 7001

Telephone: 1800 677 306

All other products within the Fund

The Australian Eligible Rollover Fund (AERF)

Jacques Martin Administration & Consulting

Locked Bag 5429

Parramatta NSW 2124

Telephone: 1800 677 424

Being transferred to the SMF ERF or AERF may affect your super benefits for the following reasons:

- You will become a member of the relevant ERF and be subject to its governing rules.
- The relevant ERF will apply a different fee structure.
- Neither of the ERFs offer insurance benefits in the event of death, total and permanent disablement or temporary disablement.
- The SMF ERF invests your benefit in a low-risk strategy, which may affect the rate of return credited to your account. You should evaluate whether this strategy is appropriate for your specific circumstances.
- The AERF invests your benefit in a single strategy with a balanced growth objective. The objective is to achieve industry average five year gross returns for balanced growth fund managers. No investment choice is available.

Please note that the ERFs are subject to investment risk which means you may receive back less than your original investment when withdrawn.

Before transferring your benefits to an ERF, we attempt to communicate with you and provide you with an option to nominate another fund. If you become a lost member, whether or not your benefit has been transferred to an ERF, you will be able to trace your benefit through the ATO SuperSeeker online search at www.ato.gov.au/superseeker or by contacting the ATO on 13 28 65.

Trustee's investment objectives and strategy

The Trustee provides members with an extensive choice of investment options to meet their super and retirement planning needs. The investment options are intended to allow members to make choices that match their individual circumstances, diversify their portfolio and match their investment risk and return profile. It is recommended that you consult your financial adviser prior to selecting the investment options that you would like to invest in and the investment strategy suitable to your objectives.

As part of our range of investment options, we offer specific ethical investments. As Trustee of the Fund, we do not currently take into account labour standards, environmental, social or ethical considerations when selecting, retaining or removing fund managers and managed investments from the list of available investments. The investment guide available for each product under the Fund contains detailed information about the range of investment strategies, objectives, and options that you can select, depending on the product you invest in. To obtain more information on the investment strategy and objectives for each product and investment option, please refer to the PDS for the particular product and investment option. It is recommended that you consult your financial adviser prior to selecting the product and investment options that you would like to invest in and the investment strategy suitable to your objectives.

Important note

Information about the management costs of each of the investment options are contained in the relevant PDS, a copy of which can be obtained by calling our client services team, or from our relevant website. Current asset allocations can be obtained at any time. A paper copy of updated information will be provided free of charge on request.

Investment performance

Information regarding the performance of each investment option is available on our websites. Please refer to the 'Contact us' section of this report on page 28 for details of our websites.

Abridged financial statements

Set out below are the abridged financial statements detailing the Fund's financial transactions for the year ended 30 June 2016.

If you would like to obtain a copy of the full audited fund financial statements and related audit reports for the year (free of charge), please contact our client services team or email us.

The auditor has issued an unqualified opinion in respect of the financial statements.

Extract of accounts for the year ended 30 June	2016 (\$'000)	2015 (\$'000)
Revenue		
Investment income	521,409	1,452,664
Sundry income	88,479	84,928
Employer contributions	711,820	772,725
Member contributions	460,712	456,212
Transfers from other funds	6,966,359	1,064,387
Total revenue	8,748,779	3,830,916
Expenses		
Benefits paid	2,515,450	2,029,019
Management fees	218,263	226,872
General administration expenses	2,931	2,750
Group life and income protection premiums	158,050	121,879
Superannuation contributions surcharge	1	7
Income tax expense	43,186	127,449
Total expenses	2,937,881	2,507,976
Increase in members' funds	5,810,898	1,322,940
Balance brought forward	18,041,061	16,718,121
Members' funds	23,851,959	18,041,061
<i>Represented by</i>		
Assets		
Investments	22,774,299	17,194,351
Cash and cash equivalents	285,513	282,423
Sundry debtors	898,221	657,131
Deferred tax asset	31,148	–
Total assets	23,989,181	18,133,905
Liabilities		
Creditors and accruals	43,417	31,873
Income tax payable	93,805	31,438
Deferred tax liability	–	29,533
Total liabilities	137,222	92,844
Net assets	23,851,959	18,041,061
Member's funds	23,851,959	18,041,061

Reserves (excluding the Operational Risk Financial Reserve (ORFR))

Reserves represent timing differences between net revenue and taxes in the operating statement and amounts allocated to members' accounts. These amounts may be allocated to members in future years in a fair and equitable basis. Reserves are predominantly retained in cash and cash equivalents.

The reserve levels for the past three years are as follows:

Reserves	2016 (\$'000)	2015 (\$'000)	2014 (\$'000)
Opening balance	63,036	77,075	70,228
Transfer to reserves	3,736	(14,039)	6,847
Closing balance	66,772	63,036	77,075

ORFR

The ORFR has been established to meet the requirements of Prudential Standard SPS 114 – Operational Risk Financial Requirement. The prudential standard requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect the Fund. Investment earnings generated by the ORFR are credited to the ORFR account. The ORFR may be invested in:

- Cash and/or cash equivalents;
- Unlisted unit cash trusts; and
- Term deposits.

As part of the Trustee's regular review of the Fund's investment strategy, the Product Investment Committee and the Trustee will review and revise, as necessary, the investment strategy of the ORFR.

Reserves	2016(\$'000)	2015(\$'000)	2014(\$'000)
Opening balance	31,097	13,826	–
Transfer to reserves	27,948	17,271	13,826
Closing balance	59,045	31,097	13,826

The target amount of 0.25 per cent of the value of the assets of the Fund that needed to be achieved by the end of the three year period ended 30 June 2016 has now been reached through a combination of charges to member accounts and application of existing fund reserves over the three year period.

Should an operational risk event occur in the future, additional deductions against member's accounts may be required to restore the ORFR back to the target amount.

APRA Levy

APRA levy Commonwealth costs associated with the implementation of the SuperStream measures will be paid for by an increase to the existing APRA levy imposed on APRA regulated funds. The APRA levy will be adjusted each year based on the applicable rate determined by the Government, the number of members in the Fund and the total assets of the Fund. The Trustee may recoup the cost of the levy from members of the Fund, each year until 2017/18.

There has been no deduction from members' accounts relating to the APRA levy for the 2015/16 financial year.

Concentration of assets of the Fund

As at 30 June 2016, the following underlying investments exceeded five per cent of the total assets of the Fund:

Investment

- IOOF MultiMix Balanced Growth Trust
- IOOF Balanced Investor Trust

The Trustee acknowledges that, as a result of the discretion which can be exercised by account holders, individual accounts may have a greater than five per cent exposure to a single investment.

Further, the Trustee acknowledges that when considered in aggregate (across all managed fund options in which the Trustee holds assets on behalf of members of the Fund), the Fund may be construed as having a total exposure to a single shareholding (or to a composite interest in the investment assets of a single issuer) and this exposure may exceed five per cent of the total value of Fund assets.

Indirect Management Costs applying to the Cash Account (not applicable to AustChoice Super and IOOF Employer Super)

The Cash Account is invested in a combination of an operating bank account (for day-to-day transactions) and in the IOOF Cash and Income Fund ARSN 087 727 277 and The Cash Management Fund ARSN 089 508 636, for which we are the Responsible Entity.

Interest generated by these investments is reduced by bank fees and charges (applicable to the operating bank account) and management costs charged by us, as the Responsible Entity of the IOOF Cash and Income Fund and the Cash Management Fund, for managing the assets of the Cash and Income Fund before it is credited to the Cash Account.

As at 30 June 2016, the indirect management cost is shown below. This cost is indirectly borne by members.

	%
Bendigo Financial Solutions	0.57
Financial Partnership Portfolio Service	0.57
IOOF Portfolio Service	0.57
IOOF LifeTrack	0.56
IOOF Pursuit Focus	0.57
IOOF Pursuit Select	0.57
IOOF Pursuit Core	0.57

Indirect Management Costs applying to the Cash Account (specific to AustChoice Super and IOOF Employer Super)

The Cash Account is invested in a combination of an operating bank account (for day-to-day transactions) and in the IOOF Cash Management Trust ARSN 105 788 501 for which we are the Responsible Entity.

Interest generated by these investments is reduced by bank fees and charges (applicable to the operating bank account) and management costs charged by us, as the Responsible Entity of the Cash Management Trust, for managing the assets of the Cash Management Trust before it is credited to the Cash Account.

As at 30 June 2016, the indirect management cost is shown below. This cost is indirectly borne by members.

	%
IOOF Employer Super	0.26
Medical & Associated Professions Superannuation Fund	0.26
Bendigo and Adelaide Bank Staff Superannuation Plan	0.26
JR (Pitcher Partners) Superannuation Fund	0.26
AustChoice Super	0.26

Derivative policy

Derivatives may be used in accordance with the investment strategy and objectives of the Fund and at the investment option level in order to:

- to protect the investment from upward or downward movements in rates or prices through hedging
- protect funds from the range of market risks
- change the overall asset allocation in a timely manner without exposure to the timing and liquidity constraints or higher transaction costs associated with the physical market
- permit ongoing management of funds invested during periods of uncertainty where liquidity is not available in the physical market
- minimisation of transaction costs associated with spread on physical market transactions
- facilitating switching between asset classes or as an alternative to physical investment.

Derivatives will not be used to gear funds, for speculative purposes or trading.

The investment managers of the underlying funds which members elect to invest in may use derivatives such as options, futures, and swaps. The Trustee has controls and procedures in place relating to the investment managers' derivative use in order to ensure that it is suitable to the Trustee's and its members' own investment strategies and objectives.

Allocation of earnings into members' accounts

Earnings from a particular investment of the Fund will be allocated into the members' accounts in proportion to the member's interest in the investment.

Contact us

Trustee

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