MACQUARIE

Annual report to members for the year ended 30 June 2013

Macquarie ADF Superannuation Fund

Macquarie Investment Management Limited
ABN 66 002 867 003 AFSL 237492 RSEL L0001281

FORWARD thinking

Contents

Macquarie ADF Superannuation Fund RSE R1004502 (the Fund) is a superannuation fund established by way of a trust deed. The Trustee for the superannuation fund is Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 RSEL L0001281 (MIML, Macquarie, the Trustee, we, us). Contributions are invested in a life insurance policy issued by Macquarie Life Limited ABN 56 003 963 773 AFSL 237497 (Macquarie Life). MIML and Macquarie Life are wholly owned subsidiaries of Macquarie Group Limited ABN 46 008 583 542. The Trustee is covered by the professional indemnity insurance taken out by the Macquarie Group.

MIML is not an authorised deposit-taking institution for the purposes of the *Banking Act 1959* (Cth), and MIML's obligations do not represent deposits or other liabilities of Macquarie Bank Limited. Macquarie Group Limited does not guarantee or otherwise provide assurance in respect of the obligations of MIML.

Investments in the Macquarie ADF Superannuation Fund are not deposits with or other liabilities of Macquarie Group Limited or of any Macquarie Group company, and are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Neither Macquarie Group Limited, MIML, Macquarie Life, nor any other investment managers referred to in this report, nor any other member company of the Macquarie Group guarantees the performance of the Macquarie ADF Superannuation Fund or the repayment of capital from the Macquarie ADF Superannuation Fund.

The information contained in this annual report is dated 9 December 2013 and is general information only. We have not taken into account your objectives, financial situation or needs. You should consider the appropriateness of this information, taking into account your objectives, financial situation and needs, before acting on any of the information in this annual report.

Welcome

9 December 2013

Dear Member,

Welcome to the ADF Superannuation Fund (the Fund) annual report for the financial year ended 30 June 2013.

This annual report provides you with general information about the management and financial position of the Fund, a legislative update and details of matters concerning the investments in the Fund. This report should be read with your Annual Statement for the year ended 30 June 2013, which gives details of your benefits in the Fund.

It's been a year of change in the Australian superannuation landscape with a number of reforms introduced by the Federal Government to further strengthen the efficiency and governance of the superannuation industry. We have addressed these reforms to ensure we meet our regulatory obligations. As part of this, the board of the Fund's Trustee comprises a majority of independent directors from 1 July 2013.

The 2013 financial year included a new cycle of economic momentum, which was a refreshing change from the challenging conditions that confronted both the global economy and financial markets in previous years. Concerns about the euro area sovereign debt crisis had abated, with the region now showing signs of a fledging expansion; the US began to improve the developed world through its recovering housing sector; and Japan's adoption of ambitious economic reflation policies late in the 2013 financial year rounded out the positive momentum in the developed world for the year. However, growth momentum in the key emerging economies slowed as there were signs of increased structural deficiencies, particularly in the Brazil, Russia, India, China and South Africa (BRICS) economies.

The Australian economy took a leg down in growth over 2013 given the peak in resource-related activity and the absence of a pickup in other sectors, such as housing construction and household consumption. Households continue to save more and borrow less, despite the Reserve Bank of Australia's efforts to lower interest rates and stimulate activity in the rate-sensitive sectors. Inflation remained exceptionally low and unemployment, while at historically low levels, trended upwards over the period.

We hope you will find this year's annual report informative and we thank you for your ongoing support.

If you have any questions about this annual report or about ADF in general, please contact your adviser or Macquarie on 1800 806 310.

Yours sincerely,

Tony Graham
Executive Director
Banking and Financial Services Group

Overview of the Fund

The Fund offers a range of benefits that may assist you in meeting your retirement savings needs at various points throughout your lifetime. It suits people who are at a crossroads in their working life – you may have changed jobs, opted for a redundancy package or taken an early retirement. Whatever the reason, the Fund allows you to invest your superannuation money (subject to preservation rules) in a safe place while you consider your investment strategies for the short, medium or long-term.

In addition, the Fund is a secure choice for the cash portion of any diversified portfolio.

The Fund consists of three plans:

1. **Super Plan:** enables you to save for your retirement by rolling over your existing superannuation accounts and by making additional superannuation contributions.
2. **Allocated Pension Plan:** allows you to use your accumulated superannuation to obtain flexible and tax-effective retirement income payments. The plan closed to new investors on 6 May 2004. The closure of the Allocated Pension Plan does not impact the way in which investments in the Fund are managed, nor does it impact the service that members of the Allocated Pension Plan receive in relation to their accounts.
3. **Fixed Pension Plan:** in September 1998, as a result of legislative changes, this plan ceased to be treated as an asset test exempt pension for social security purposes. The plan closed to new investors on 31 July 1998.

Fund performance

The following investment returns were achieved for the year:

- Super Plan achieved 1.87 per cent
- Allocated Pension Plan achieved 2.11 per cent
- Fixed Pension Plan achieved 2.11 per cent.

Super Plan[1] – inception: 26 November 1984

Year to 30/6/13 %	Year to 30/6/12 %	Year to 30/6/11 %	Year to 30/6/10 %	Year to 30/6/09 %	5yrs to 30/6/13 % pa	Inception to 30/6/13 % pa
1.87	3.06	3.23	2.26	3.85	2.85	6.08

Allocated Pension Plan[1] – inception: 5 August 1996

Year to 30/6/13 %	Year to 30/6/12 %	Year to 30/6/11 %	Year to 30/6/10 %	Year to 30/6/09 %	5yrs to 30/6/13 % pa	Inception to 30/6/13 % pa
2.11	3.49	3.80	2.73	4.45	3.31	4.29

Fixed Pension Plan[1] – inception: 3 September 1997

Year to 30/6/13 %	Year to 30/6/12 %	Year to 30/6/11 %	Year to 30/6/10 %	Year to 30/6/09 %	5yrs to 30/6/13 % pa	Inception to 30/6/13 % pa
2.11	3.49	3.80	2.74	4.45	3.31	4.14

[1] Returns are quoted net of all fees, charges and taxes with the exception of the account keeping fee and other incidental fees which may be charged directly to your account.

It is important to remember that:

- past performance is no indication of future performance
- your investment is not guaranteed, and
- the value of your investment can rise and fall.

Economic update[2]

The Australian economy

The Australian economic story continued to evolve over the 2013 financial year. There were further signs that resource-related investment (Australia's primary driver of growth) had passed its peak, while evidence of accelerating growth outside of the mining sector remained patchy. The inclination for households to save more and borrow less remained strong, while Australian businesses across the board executed cost-cutting initiatives in an attempt to boost profits and expand margins given the lack of top-line sales growth and the persistent strength in the Australian dollar.

Inflation had remained exceptionally low and unemployment, while at historically low levels, had trended upwards (rising 0.6 basis points to 5.8 per cent over the year to June 2013). Given this, the clear challenge that faced policymakers was to underpin domestic demand in both the housing and consumption sectors. The Reserve Bank of Australia (RBA) lowered its policy rate by 0.75 basis points to 2.75 per cent over the period to June 2013. This provided a boost to housing construction activity, although the pickup in activity from this sector was still below what had been seen in previous easing cycles.

Slower Chinese growth had also been cited as a downside risk to the Australian outlook over the year. But given the new focus for resources companies (cutting costs rather than maximising production), the Australian economy has become less vulnerable to weaker Chinese demand now than it has been in recent years.

Going forward, rather than looking offshore for explanations of weaker growth, we think the main challenges reside domestically. These are the desire of households to save more and borrow less, the clear focus of companies to cut costs and boost efficiency rather than ramp up investment and increase staffing, and also the desire of the Australian Government to return its budget towards surplus.

These headwinds provide a clear rationale for the central bank to continue cutting interest rates, and there are more signs that policymakers recognise the magnitude of the challenges ahead. A sizeable fall in the Australian dollar will also support profits and, eventually, growth. There are some reasons to be more optimistic; however, the next 12 months will be challenging for the Australian economy.

[2] The information provided in this economic update is based on information as at 30 June 2013 and is derived from sources that are believed to be reliable at that time.

How the Fund is managed

The Fund is conservatively managed, investing primarily in shorter-term securities (money market) with some holdings in longer-term Australian fixed interest securities.

Investment objective

The Fund's objective is to produce consistent returns in a low-risk style by investing in short-term money market and fixed interest securities. It is suitable for security-conscious investors looking for either a short, medium or long-term investment.

Investment strategy

The Fund will invest a minimum of 70 per cent of the portfolio in money market and fixed interest securities of less than one year's maturity. The Fund may invest the remaining assets in longer-dated investments to take advantage of higher yields or the capital gains potential of the bond market. The performance of the short-term money market portfolio may be enhanced with the use of structured securities, such as asset-backed securities, listed hybrid securities and interest rate derivatives. In line with our obligations, the Trustee reviews this strategy on an ongoing basis.

Futures and options

Futures and options (derivatives) can be used in the Fund:

- as a hedge to offset the risk of price variations of securities
- as an alternative to purchasing the physical security, and
- to take advantage of any opportunities that may exist in the market from time to time.

Redemptions from the Fund are met from readily liquefiable securities. The Trustee is of the opinion that in the normal course of business the redemption arrangements of the Fund are adequate.

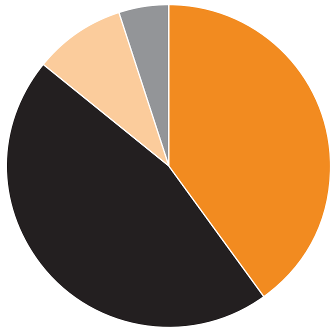
The Macquarie Life policy

The Fund is invested in a life policy issued by Macquarie Life Limited (Macquarie Life). Through this policy, your investment has access to a wide variety of cash and fixed interest assets.

Asset allocation as at 30 June 2013[3]

Investments held through the Macquarie Life policy represented 100 per cent of the Fund.

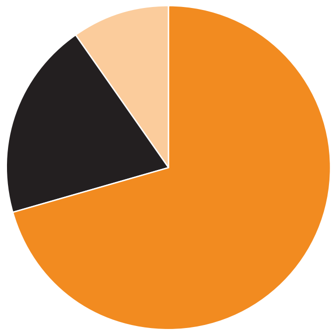
30 JUNE 2013



Bank backed securities	40%
Cash	46%
Mortgage backed securities	9%
Corporate securities	5%

Asset allocation as at 30 June 2012[3]

30 JUNE 2012



Bank backed securities	71%
Cash	19%
Mortgage backed securities	10%
Corporate securities	0%

[3] The asset allocations shown in these pie charts are the composition of the Fund as at the relevant dates and will vary from day to day as securities are bought and sold.

Important information

Financial Assistance Levy

In the second half of 2012, the Government announced further financial assistance to compensate members of four superannuation funds that were formerly under the trusteeship of Trio Capital Limited. The Financial Assistance Levy 2012–13 (Levy) has been granted under the *Superannuation Industry (Supervision) Act 1993* and levied on all Australian Prudential Regulation Authority (APRA) regulated superannuation funds. As the Macquarie ADF Superannuation Fund is regulated by APRA, the Fund is required to pay a proportional part of this Levy. The Levy was debited from accounts in July 2013.

The APRA levy

To fund the costs associated with implementation of the Government's SuperStream reforms, a temporary 'SuperStream levy' is imposed on APRA regulated superannuation funds from 1 July 2012 until 30 June 2018.

As the Fund is regulated by APRA, the next levy instalment will be debited from members' accounts in December 2013.

Legislative updates

The following superannuation-related measures were either enacted by Parliament during the 2012–13 financial year or recently proposed by the Government:

Concessional contributions cap

A higher concessional contributions cap of $35,000 will apply in 2013–14 for individuals age 59 and over at 30 June 2013. All other individuals will be subject to the general concessional contributions cap of $25,000 in 2013–14.

For 2014–15 and later financial years, the $35,000 concessional contributions cap will apply for all individuals age 49 and over at 30 June of the previous financial year. The general concessional contributions cap will apply for all other individuals.

Government co-contribution

The matching rate for the Government co-contribution was reduced to 50 per cent, with a maximum co-contribution of $500 from 1 July 2012.

In 2013–14, the maximum co-contribution is payable where income is below $33,516, with no co-contribution payable where income exceeds $48,516.

Low income superannuation contribution

The Government has proposed to remove the low income superannuation contribution (LISC) from 1 July 2013. If legislated, the LISC will only be payable to eligible individuals in respect of concessional contributions made in the 2012–13 financial year. At the time of writing, legislation enacting this change had not been tabled in Parliament.

Contributions tax for high income earners

From 1 July 2012 an additional tax of 15 per cent will be applied to certain employer contributions and personal contributions claimed as a tax deduction, that, when added to an individual's taxable income and certain other amounts, exceed a threshold of $300,000.

Concessional contributions that exceed the concessional contributions cap will not be subject to the additional 15 per cent tax – excess contributions tax arrangements will apply.

The additional 15 per cent tax is levied on the individual, not the superannuation fund, but all or part of the tax may be withdrawn from the Fund.

Refund of excess concessional contributions

From 1 July 2013 all excess concessional contributions will be taxable at personal marginal tax rates plus an interest charge.

Individuals will have the option to withdraw up to 85 per cent of the excess amount from superannuation.

Superannuation Guarantee

The Government has proposed to pause the superannuation guarantee (SG) rate at 9.25 per cent from 1 July 2014 until 30 June 2016. The SG rate is then proposed to increase to 9.5 per cent from 1 July 2016, with further increases of half a percentage point each year until it reaches 12 per cent on 1 July 2021. At the time of writing, legislation enacting this change had not been tabled in Parliament.

Important information

Minimum required pension payments

Minimum required annual superannuation pension payment amounts for account-based, allocated and term allocated income streams returned to legislated minimums from 1 July 2013.

The minimum payments required for account-based pensions are detailed in the table below:

Age	2013–14 and later years
Under 65	4.00%
65–74	5.00%
75–79	6.00%
80–84	7.00%
85–89	9.00%
90–94	11.00%
95 and over	14.00%

Taxation of pension assets

From 1 July 2012 earnings on pension assets will continue to be tax-free following the death of the pension recipient until the death benefit has been paid. The earnings tax exemption will cease if the death benefit is not paid as soon as practicable.

Insurance proceeds and anti-detriment amounts added to a non-reversionary pension account post-death will be applied to the taxable component of the death benefit from 4 June 2013.

Unclaimed money

The balance threshold below which superannuation providers are required to transfer small accounts of lost members to the Australian Taxation Office (ATO) increased from $200 to $2,000 from 31 December 2012.

Inactive accounts of unidentifiable members must be transferred to the ATO where the Fund has not received an amount in respect of the member in the last 12 months. This period of inactivity has been reduced from five years.

In August 2013, the Government announced the balance thresholds below which lost accounts are to be transferred to the ATO would further increase to $4,000 from 31 December 2015 and to $6,000 from 31 December 2016. At the time of writing, legislation implementing this measure had not yet been made law.

Trans-Tasman portability

Transfers of retirement savings between Australian superannuation funds and New Zealand KiwiSaver schemes are allowable from 1 July 2013 for individuals who permanently emigrate between the two countries.

The transfer of benefits between Australia and New Zealand is voluntary for members. It is also voluntary for funds/schemes to accept transferred amounts.

Stronger Super

The Government's Stronger Super reforms, intended to make the superannuation system stronger and more efficient, largely started on 1 July 2013. The key elements of the Stronger Super reform agenda that have an impact on the Fund include:

- additional duties for superannuation fund trustees, and
- SuperStream measures aimed at improving the administration and management of member accounts, including the electronic processing of rollovers from 1 July 2013 and employer contributions from 1 July 2014.

Other key elements of the Stronger Super reforms were detailed in last year's annual report.

Important information

Future of Financial Advice (FOFA)

The Future of Financial Advice reforms were designed to improve trust and confidence in the financial planning sector.

Compliance with a number of aspects of the reforms became mandatory on 1 July 2013. However, the current Federal Government has proposed a review of certain aspects of the reforms. At the time of writing, legislation enacting these changes has not been tabled in Parliament.

Trustee and Fund information

The Trustee of the Fund is Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 RSEL L0001281. From 1 July 2013, the board of the Trustee comprises three independent directors and one non-executive director.

The Trustee is covered by the professional indemnity insurance taken out by the Macquarie Group.

The Trustee has formulated a strategy for establishing, implementing, managing and maintaining an Operational Risk Financial Requirement (ORFR) in accordance with the relevant superannuation prudential standard.

Use of derivatives

We may invest in derivatives to obtain or reduce market exposure. Derivatives, such as futures and options, are financial instruments whose value is derived from actual underlying assets. Futures and options can be used to offset the risk of price variations in securities or as an alternative to buying the underlying security. Futures and options can also be used to seek to take advantage of any opportunities for profit which may exist in the market from time to time. As the market value of derivatives is variable, gains and losses can be incurred and this can be magnified due to the leveraged nature of the investments.

The Fund may use derivative securities such as futures, options and swaps:

- as a hedge
- as an alternative to buying and selling the physical security, or
- to take advantage of opportunities for profit.

If we decide to use derivatives, we ensure that the Fund can always meet its commitments without having to borrow.

Eligible Rollover Fund (ERF)

The Trustee has elected and reserves the right to pay all accounts with a balance up to $1,200 to an ERF, which accepts and protects small amounts. The ERF chosen is called the Super Safeguard Eligible Rollover Fund.

The Super Safeguard Eligible Rollover Fund is administered by Australian Administration Services Pty Limited ABN 62 003 429 114 AFSL 295142. APRA has approved the Super Safeguard Eligible Rollover Fund to operate as an ERF. The trustee is Trust Company Superannuation Services Limited ABN 49 006 421 638 AFSL 235153.

Trust Company Superannuation Services Limited will protect your benefits from erosion due to fees and charges under member benefit protection rules.

Should your benefit be transferred to the Super Safeguard Eligible Rollover Fund, all subsequent enquiries relating to your benefit should be directed to:

Super Safeguard Eligible Rollover Fund
GPO Box 3426
Melbourne
VIC 3001

Phone: 1300 135 181
Fax: 1300 135 191
Email: enquiries@supersafeguard.com.au
Website: supersafeguard.com.au

Should your benefit be transferred to the Super Safeguard Eligible Rollover Fund:

- your interest in the Fund, including your insurance cover, will cease
- you will become a member of the Super Safeguard Eligible Rollover Fund and will be subject to its governing rules
- your account will be invested according to the investment strategy of the Super Safeguard Eligible Rollover Fund
- the Super Safeguard Eligible Rollover Fund may charge fees to your account, and
- you may not be offered insurance cover.

Please refer to the Product Disclosure Statement for the Super Safeguard Eligible Rollover Fund for more information.

We reserve the right to change the chosen ERF without notice to you.

Complaints

If you have a complaint, please contact your adviser and discuss your enquiry or complaint with them.

If you are not satisfied with the result, please contact us on 1800 806 310. Alternatively, please write to us at the below address.

Macquarie Investment Management Limited
GPO Box 2520
Sydney NSW 2001

We will respond to your written enquiry or complaint as soon as possible and always within 45 days of receipt.

If you are not satisfied with our response after 90 days, you may wish to refer the matter to the Superannuation Complaints Tribunal, an independent body set up by the Federal Government to review trustee decisions relating to individual members. You can contact the tribunal by telephoning 1300 884 114.

Further information

Further information is available:

- from your adviser (if applicable)
- by contacting us on 1800 806 310

Financial statements of the Fund[4]

Operating statement for the year ended 30 June 2013

	2013 $'000	2012 $'000
Investment revenue		
Changes in the net market value of investments	8,760	16,276
Total investment revenue	**8,760**	**16,276**
Contributions revenue		
Employer contributions	9,059	15,839
Members' contributions	12,542	45,393
Transfers from other funds	18,423	155,449
Total contributions revenue	**40,024**	**216,681**
Total revenue	**48,784**	**232,957**
Expenses		
Contributions tax	2,345	4,267
Group tax	123	284
Other	129	114
Superannuation contributions surcharge	–	14
Total expenses	**2,597**	**4,679**
Benefits accrued as a result of operations before income tax	**46,187**	**228,278**
Income tax expense/(benefit)	–	–
Benefits accrued as a result of operations	**46,187**	**228,278**

[4] This annual report contains abridged financial information for the financial year ended 30 June 2013 for the Fund. The full financial information is available upon request by contacting your adviser, or Macquarie on 1800 806 310.

Statement of financial position as at 30 June 2013

	2013 $'000	2012 $'000
Assets		
Cash and cash equivalents	3	–
Investments	425,820	515,681
Total assets	**425,823**	**515,681**
Liabilities		
Trade and other payables	628	1,966
Total liabilities	**628**	**1,966**
Net assets available to pay benefits	**425,195**	**513,715**
Represented by:		
Liability for accrued benefits		
Allocated to members' accounts	425,195	513,715

Contacts

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Adelaide SA 5000

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Perth WA 6000

For more information, financial advisers call 1800 808 508, fax 1800 550 140 or visit macquarie.com.au/advisers

Existing members, call 1800 806 310, fax 1800 550 140 or visit macquarie.com.au/super