

# Annual report to members for the year ended 30 June 2017

## Macquarie ADF Superannuation Fund



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Macquarie ADF Superannuation Fund RSE R1004502 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, our). 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 (Cth) 1959*, 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 14 December 2017 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 before acting on any of the information in this annual report.

# Welcome

14 December 2017

Dear Member,

## **Welcome to the ADF Superannuation Fund (the Fund) Annual report for the financial year ended 30 June 2017.**

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 2017, which gives details of your benefits in the Fund.

## **What happened this year?**

In Australia, weakened gross domestic product growth has been attributed, in part, to weather conditions disrupting some exports, dwelling investment slumped and household consumption being reduced due to weak income growth. Despite this, the RBA has expressed that, due to an increase in minimum and award wages, inflation forecasts have been increased. The 2017–18 Federal Budget saw the government committing to \$75 billion to infrastructure over the next 10 years which is expected to boost the economy growth and long-run productivity.

Overseas, in the United Kingdom, post Brexit, the pound fell and the outlook for the British economy was thrown up in the air. The future of the eurozone, globalisation and economic integration has also been questioned. In the US, President Donald Trump's victory saw a boost in the US dollar and inflation expectations however, these have since fallen to pre-election levels. China's growth remains steady at just over 7 per cent although with concerns raised as much of this growth has been derived from debt-funded infrastructure and property investment.

## Overview of the Fund

We hope you 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 the Fund in general, please contact your adviser or Macquarie on 1800 801 651.

Yours sincerely,



**Cameron Garrett**

Executive Director  
Macquarie Investment Management Limited

The Fund offers benefits that may assist you in meeting your retirement savings needs at various points throughout your lifetime. It suits people who are at 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 'park' 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. The plan closed to new investors on 1 June 2012.
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:** closed to new investors on 31 July 1998. For existing investors, it ceased to be treated as an asset test exempt pension for social security purposes in September 1998 as a result of legislative changes.

### Fund performance

The following investment returns were achieved for the year:

- Super Plan achieved 0.55 per cent
- Allocated Pension Plan achieved 0.84 per cent
- Fixed Pension Plan achieved 0.78 per cent.

#### Super Plan<sup>1</sup> – inception: 26 November 1984

Year to 30/6/17 %	Year to 30/6/16 %	Year to 30/6/15 %	Year to 30/6/14 %	Year to 30/6/13 %	5yrs to 30/6/17 % pa	Inception to 30/6/17 % pa
0.55	0.82	1.16	1.26	1.87	1.13	5.44

<sup>1</sup> 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.

Allocated Pension Plan <sup>1</sup> – inception: 5 August 1996						
Year to 30/6/17 %	Year to 30/6/16 %	Year to 30/6/15 %	Year to 30/6/14 %	Year to 30/6/13 %	5yrs to 30/6/17 % pa	Inception to 30/6/17 % pa
0.84	1.09	1.43	1.49	2.11	1.39	3.70

Fixed Pension Plan <sup>1</sup> – inception: 3 September 1997						
Year to 30/6/17 %	Year to 30/6/16 %	Year to 30/6/15 %	Year to 30/6/14 %	Year to 30/6/13 %	5yrs to 30/6/17 % pa	Inception to 30/6/17 % pa
0.78	1.07	1.43	1.49	2.11	1.37	3.34

<sup>1</sup> 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
- the value of your investment can rise and fall.

## Economic update<sup>2</sup>

### The Australian economy

The Australian economy faces a mix of challenges that have changed little over the past few years. While the economy is on one of the world's longest expansions, Australia's gross domestic product (GDP) growth weakened considerably in 2016/17 as storms and flooding disrupted iron ore and coal exports, dwelling investment slumped, and weak income growth weighed on household consumption. The improving global outlook is supporting export demand, but business investment remains lacklustre despite some recent improvements in conditions.

Australia has a healthy unemployment rate of 5.7 per cent. In the 2017 financial year, 240,000 jobs were added, which compares favourably to the average over the last 10 years. In fact, jobs growth hasn't been this strong since the 2007–08 mining boom. However, beneath the strong headline numbers, the Australian labour market is experiencing a structural shift in composition. Hours worked by the average Australian are in long-term decline as part-time and casual workers are hired in preference to full-time workers. Participation has also been trending lower since it peaked

<sup>2</sup> The information provided in this Investor update is based on information as at 30 June 2017 and is derived from sources that are believed to be reliable at that time.

in late 2010. This indicates that there is still considerable slack in the labour force as supply exceeds demand, and explains the persistent, weak wage growth outcomes.

Household consumption, which represents almost 60 per cent of Australia's GDP, is stuck in a rut and shows no signs of returning to the buoyant pre-GFC levels. This worrying dynamic of poor consumption growth, weak household income growth and declining household savings point to a continuation of this trend in the medium term, despite a tailwind of population growth. Retail sales, a component of household consumption, is also on a downtrend due to tepid wage growth.

Inflationary outcomes remains subdued, with the Consumer Price Index tracking below the RBA's target of 2 per cent. However, in the RBA's latest Statement of Monetary Policy, it expressed the expectation that the increase in minimum and award wages effective 1 July 2017 will support wages growth and inflation, and has consequently increased its inflation forecasts.

Regulators have closely monitored trends in residential lending and resulting impacts on the financial resilience of lenders and households. This comes in an environment of increased risks in the housing market due to elevated and accelerating house prices, high levels of household indebtedness, subdued household income growth, low interest rates and strong competitive pressures. Consequently, policy initiatives were extended in early 2017 to force banks to address risks that continue to build in the mortgage lending market. These measures extend those introduced in 2014.

The 2017–18 Federal Budget handed down by the Treasurer in May outlined fiscal policy that was more expansionary than expected while still moving to a budget surplus by 2020–21. The government is committing \$75 billion to infrastructure spending over the coming 10 years with the view to boosting economic growth and long-run productivity. Investments include \$8.4 billion for a rail link between Melbourne and Brisbane, upgrades to the Bruce Highway, an equity injection of \$5.3 billion to fund the first stage of the Western Sydney Airport, and contributions for road and rail infrastructure in Western Australia. The government also indicated its support for regional economies with the establishment of the Regional Investment Corporation and Regional Growth Fund. Housing affordability was addressed to a degree with the introduction of a tax concession for first home buyers within a superannuation scheme.

# 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.

## 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
- to take advantage of any opportunities which may exist in the market from time to time.

Redemptions from the Fund are met from securities that can be readily sold. 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

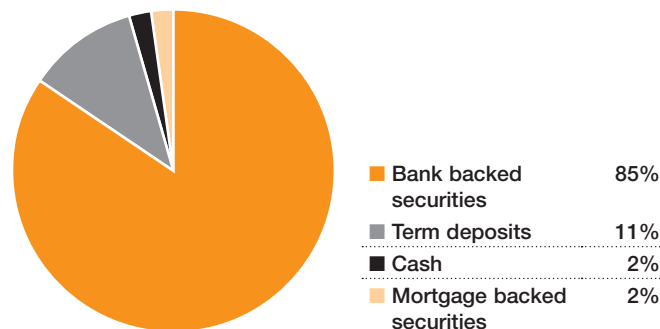
The Fund is invested in a life policy issued by Macquarie Life Limited (Macquarie Life). Through this policy, your investment has access to a wide variety of cash and fixed interest assets.

## How the Fund is managed

### Asset allocation as at 30 June 2017<sup>3</sup>

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

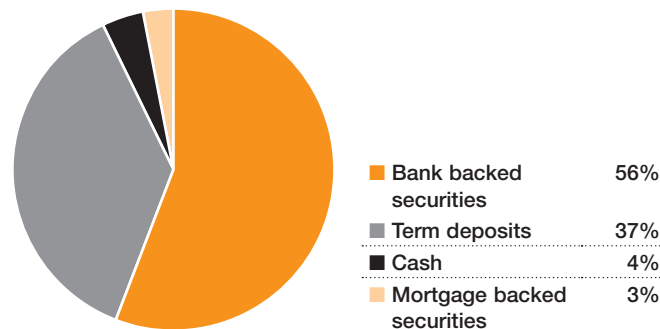
30 JUNE 2017



### Asset allocation as at 30 June 2016<sup>3</sup>

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

30 JUNE 2016



<sup>3</sup> 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

## Significant events

Following the end of this financial year, a significant event notice was issued on 29 September 2017 to all holders of a pension to notify them of the introduction, from 1 July 2017, of a limit on the amount that can be transferred into a tax free pension and the possible tax implications of breaching this limit.

More information on these changes can be found in the *Legislative updates* section of this Annual Report.

A copy of all significant event notices can be accessed at [macquarie.com.au/yourwrap](http://macquarie.com.au/yourwrap)

## Ongoing electronic disclosure

On 28 July 2015, the Australian Securities and Investment Commission (ASIC) issued an updated *Regulatory Guide 221 Facilitating online financial services disclosure* (RG221). RG221 enables financial product providers (including superannuation trustees) to more easily provide ongoing disclosure to clients through electronic or digital delivery methods, including by:

- sending the information to an email address the client or their agent has provided to the financial product provider
- publishing or hosting the information on a website the financial product provider has nominated for that purpose.

As a result of these changes, we may communicate with you by using any email address nominated by you or your financial adviser or by making a communication or other information available to you on the online portal accessible from [online.macquarie.com.au](http://online.macquarie.com.au) or any other relevant website, app or online portal used for the Fund in the future.

If you would like to update your email address please speak to your adviser or contact us on 1800 801 651. Any email address provided to us for these purposes should be an email address which you access regularly and you or your adviser must notify the Trustee if you change this email address. By providing your email address and/or registering for online access, you acknowledge that it is your responsibility to regularly check your email address or online website to access ongoing disclosure in relation to your account.

## Operational Risk Financial Requirement

The Trustee has formulated a strategy for establishing, implementing, managing and maintaining an Operational Risk Financial Requirement (ORFR) in accordance with applicable superannuation laws. The ORFR is funded by the Trustee through shareholder capital and does not form part of the administration fee or any other fee described within the PDS.

## The Fund's trust deed

For a copy of the current trust deed for the Fund, please visit [macquarie.com.au/yourwrap](http://macquarie.com.au/yourwrap)

## Consolidation of multiple accounts

Each year, the Trustee is obliged to identify and review members who hold more than one superannuation account within the Fund. Where the Trustee reasonably determines that it is in the best interests of the member, the member's superannuation benefits may be consolidated into a single account. Members may be provided with the opportunity to elect not to consolidate their accounts. The next review will be conducted from January 2018.

## Financial Services Council

Macquarie Investment Management Limited complies with the Financial Services Council Standard 20: *Superannuation Governance Policy*.

## Trustee Board

The Board of the Trustee is comprised of independent directors. Information about the Trustee's directors and Executive Officers is available from [macquarie.com.au/yourwrap](http://macquarie.com.au/yourwrap)

## Accessing your Annual Report

You can view the latest Annual Report for the Fund online at any time by visiting [macquarie.com.au/yourwrap](http://macquarie.com.au/yourwrap)

## Further information

More information about the Fund is available from [macquarie.com.au/yourwrap](http://macquarie.com.au/yourwrap), including:

- the Trustee company's constitution and financial statement for the previous financial year
- the trust deed for the Fund
- information about the Trustee's directors and Executive Officers
- policies relating to conflicts management and proxy voting.

## Legislative updates

Since the beginning of the 2016/17 financial year, the following changes affecting superannuation occurred. These changes are now law unless otherwise stated.

### SuperStream

Measures aimed at improving the administration and management of member accounts, known as SuperStream, were introduced from 1 July 2013. These measures included the introduction of a new data and payment standard for the electronic processing of rollovers and employer contributions. This standard applies to all contributions made by all employers, with small employers having a deferred deadline of 28 October 2016 to comply with the new rules.

### Removal of the temporary budget repair levy

The temporary budget repair levy of 2 per cent on certain payments relating to the 2014/15, 2015/16 and 2016/17 years ceased to apply from 1 July 2017. The level of withholding on payments that were subject to the levy will reduce accordingly.

### Increase to low rate cap

The low rate cap increased from \$195,000 for the 2016/17 financial year to \$200,000 for the 2017/18 financial year as a result of indexation. The low rate cap limits the amount of taxable component benefits an individual may withdraw from their superannuation between preservation age and age 60 where a zero rate of tax is applied. Amounts withdrawn above the limit are generally taxed at 15 per cent plus Medicare levy.

## Lost member accounts

The threshold below which superannuation funds are required to transfer small lost accounts to the ATO increased from \$4,000 to \$6,000 from 31 December 2016.

## The 2016 Federal Budget superannuation reforms

The 2016 Federal Budget contained a raft of superannuation changes aimed at improving the sustainability, flexibility and integrity of Australia's superannuation system. A number of amendments were made to the initial proposals and have now become law, with the following applying from 1 July 2017:

- an annual concessional contributions cap of \$25,000 irrespective of an individual's age
- an annual non-concessional contribution cap of \$100,000. Bring forward rules will allow individuals to contribute a higher amount in certain situations. Individuals with a total superannuation balance of \$1.6 million or more on 30 June 2017 will not be able to make non-concessional contributions in 2017/18
- introducing a cap of \$1.6 million on the amount that can be transferred into certain tax free pensions
- lowering the income threshold above which individuals will be required to pay an additional 15 per cent tax on certain concessional contributions, from \$300,000 to \$250,000
- introducing a Low Income Superannuation Tax Offset, which will provide a contribution of up to \$500 to offset the tax paid on concessional contributions for individuals with income of up to \$37,000
- allowing all individuals who make a personal contribution into an eligible superannuation fund to be able to claim a tax deduction for the contribution
- removing the earnings tax exemption for income and capital gains on assets supporting a transition to retirement pension that is not in the retirement phase. A transition to retirement pension will be in the retirement phase where the individual is 65 or over or has notified the fund that they have retired, they are permanently incapacitated or have a terminal medical condition
- removing the 'anti-detriment' payment on lump sum death benefit payments where an individual dies on or after 1 July 2017 or if the member died before 1 July 2017, the death benefit is paid on or after 1 July 2019

- allowing the roll-over of death benefits to another superannuation fund
- increasing the spouse income threshold from \$13,800 to \$40,000 for eligibility to the spouse contribution tax offset.

In addition, from 1 July 2018 individuals will be able to carry forward their unused concessional contributions cap on a rolling five year basis. The carried forward cap can be used in a financial year when their total superannuation balance is less than \$500,000 at the previous 30 June.

### 2017 Federal Budget superannuation changes

The Government announced a number of changes to the superannuation rules in the 2017 Federal Budget, including:

- the introduction of a 'downsizer' contribution of up to \$300,000 from the sale of an individual's main residence, provided they are aged 65 or more and the contract for sale is entered into on or after 1 July 2018. The contribution is excluded from the non-concessional contributions cap and the normal contribution eligibility requirements (eg work test and age 75 limitation) do not apply
- the First Home Super Saver Scheme (FHSSS), allowing those aged 18 or more to access their voluntary personal and employer contributions plus an earnings amount for the purpose of buying their first home. The proposal limits the amount of contributions that can be released to \$15,000 per financial year and \$30,000 in total. The FHSSS is intended to apply to contributions made from 1 July 2017 and access to commence from 1 July 2018.

These changes passed through Parliament on 7 November 2017 and will become law when Royal assent is received.

### 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 small amounts. The ERF chosen is called the Super Safeguard Eligible Rollover Fund.

APRA has approved the Super Safeguard Eligible Rollover Fund to operate as an ERF. The Trustee is Diversa Trustees Limited ABN 49 006 421 638 AFSL 235153 RSEL L0000635.

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](mailto:enquiries@supersafeguard.com.au)

Website: [supersafeguard.com.au](http://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
- you may not be offered insurance cover.

Please refer to the PDS 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 801 651. Alternatively please write to us at the below address.

### Macquarie Investment Management Limited

GPO Box 4045  
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 handling of your matter, you have the option to request the complaint be reviewed free of charge by our Customer Advocate.

The Customer Advocate's role, should you decide to pursue this avenue, is to review the reasonableness and fairness of the outcome of your complaint.

You may contact our Customer Advocate via the following:

### The Customer Advocate

Macquarie Bank Limited  
GPO Box 4294  
Sydney NSW 1164  
Phone: 1800 898 307  
Email: customeradvocate@macquarie.com

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 on 1300 884 114.

## Further information

Further information is available from either:

- your adviser (if applicable)
- by contacting us on 1800 801 651.

# Financial statements of the Fund

## Income statement for year ended 30 June 2017

	2017	2016
	\$'000	\$'000
<b>Superannuation activities</b>		
<b>Investment revenue</b>		
Changes in investments measured at fair value	1,415	2,363
<b>Total investment revenue</b>	<b>1,415</b>	<b>2,363</b>
<b>Total revenue</b>	<b>1,415</b>	<b>2,363</b>
<b>Expenses</b>		
Operating expenses	22	31
<b>Total expenses</b>	<b>22</b>	<b>31</b>
Net income from superannuation activities	1,393	2,332
Profit before income tax	1,393	2,332
Income tax expense/(benefit)	-	-
<b>Profit after income tax</b>	<b>1,393</b>	<b>2,332</b>

## Statement of financial position as at 30 June 2017

	2017	2016
	\$'000	\$'000
<b>Assets</b>		
Cash and cash equivalents	28	-
Investments	237,156	268,960
<b>Total assets</b>	<b>237,184</b>	<b>268,960</b>
<b>Liabilities</b>		
Trade and other payables	486	613
<b>Total liabilities excluding member benefits</b>	<b>486</b>	<b>613</b>
Net assets available for member benefits	236,698	268,347
Member vested benefits	236,698	268,347
<b>Total net assets</b>	<b>-</b>	<b>-</b>
<b>Equity</b>		
Operational risk reserve	-	-
<b>Total equity</b>	<b>-</b>	<b>-</b>

<sup>4</sup> This annual report contains abridged financial information for the financial year ended 30 June 2017 for the Fund. The full financial information is available upon request by contacting your adviser or us on 1800 801 651.

Statement of changes in member benefits as at  
30 June 2017

	2017 \$'000	2016 \$'000
Opening balance of member benefits	268,347	303,127
<b>Contributions</b>		
Transfers in from other superannuation funds	2,116	2,915
Member	6,364	5,688
Employer	4,897	5,541
Government co-contributions	28	41
<b>Income tax on contributions</b>		
Contributions tax	(970)	(1,254)
Withholding tax	(42)	(60)
Contributions net of tax	12,393	12,871
Transfers out to other superannuation funds	(25,871)	(30,034)
Benefits to members	(19,564)	(19,949)
<b>Benefits allocated to members' accounts comprising</b>		
Net investment income	1,415	2,363
Operating expenses	(22)	(31)
<b>Closing balance of member benefits</b>	<b>236,698</b>	<b>268,347</b>

## Contacts

### Mailing address

**Macquarie Investment Management Limited**  
GPO Box 4045  
Sydney NSW 2001

### Office addresses

#### **New South Wales**

1 Shelley Street  
Sydney NSW 2000

#### **Victoria**

Level 24, 101 Collins Street  
Melbourne VIC 3000

#### **Queensland**

Level 16A, 345 Queen Street  
Brisbane QLD 4000

#### **South Australia**

Level 2, 151 Pirie Street  
Adelaide SA 5000

#### **Western Australia**

Level 3, 235 St Georges Terrace  
Perth WA 6000

For more information,  
advisers call 1800 801 651 or visit  
**[macquarie.com.au/yourwrap](https://www.macquarie.com.au/yourwrap)**

Existing members call  
1800 801 651.