

# Annual Report to members for the year ended 30 June 2019

## 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 30 November 2019 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

30 November 2019

Dear Member,

## **Welcome to the ADF Superannuation Fund (the Fund) Annual Report for the financial year ended 30 June 2019.**

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 2019, which gives details of your benefits in the Fund.

### **What happened in the economy during the period?**

The Australian economy remained subdued over the year, weighed down by weak global growth and falling house prices. Domestic demand and income growth remained weak, prompting the RBA to cut interest rates.

However, one bright spot was the improvement in sentiment following the Coalition victory in the Federal election in May, easing concerns over negative gearing and franking credits.

The election outcome also prompted a recovery in house prices, aided by falling rates and a relaxation of credit restrictions by APRA.

Australia's domestic economy appears positioned to recover on improving global growth, rising house prices, monetary policy easing and modest tax relief. If this recovery scenario plays out, Australian GDP growth is expected to gradually improve throughout 2020.

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,

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

**Michelle Weber**

Division Director  
Macquarie Investment Management Limited

# Review of the Macquarie ADF Superannuation Fund

The Trustee is continuing its review of the ADF Super Fund to ensure the fund is providing financial and operational outcomes which are in the best interest of clients.

The three funds within the ADF Super Fund include:

1. The Super Plan
2. The Allocated Pension Plan
3. The Fixed Pension Plan.

The Trustee's review has meant that members invested in the Super Plan and Allocated Pension Plan have, where possible, been transferred to alternative funds.

The outcome of the Trustee's review of the Fixed Pension Plan is expected to be communicated to members in January 2020.

## Fund performance

The following investment returns were achieved for the year:

- Super Plan achieved 0.65 per cent
- Allocated Pension Plan achieved 1.00 per cent
- Fixed Pension Plan achieved 0.90 per cent.

Super Plan <sup>1</sup> – inception: 26 November 1984						
Year to 30/6/19	Year to 30/6/18	Year to 30/6/17	Year to 30/6/16	Year to 30/6/15	5yrs to 30/6/19	Inception to 30/6/19
%	%	%	%	%	% pa	% pa
0.65	0.49	0.55	0.82	1.16	0.73	5.15
Allocated Pension Plan <sup>1</sup> – inception: 5 August 1996						
1.00	0.73	0.84	1.09	1.43	1.02	3.45
Fixed Pension Plan <sup>1</sup> – inception: 3 September 1997						
0.90	0.66	0.78	1.07	1.43	0.97	3.28

<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.

# The financial year in review<sup>1</sup>

## Economic review

- Lower interest rates and improving credit availability have helped confidence in the housing market but dwelling construction is falling, which will continue to weigh on the economy.
- Household consumption growth should pick up from very low levels, but it will remain constrained by weak income growth. Nevertheless, risks are more evenly balanced than just a few months ago.
- The Coalition election win removed several investor concerns. RBA rate cuts and easing of credit restrictions by APRA have also shored up economic confidence.
- Despite these domestic uncertainties having diminished in recent months, the economy remains vulnerable to global threats and in particular an escalation in trade war tensions.

The Australian economy is a small fish in the global economic ocean and much of the domestic economic slowing can be traced back to slower global growth. Domestically, election-related uncertainty has passed, the RBA has cut the cash rate by 50bps, sentiment towards housing has improved and moderate tax relief is forthcoming.

However, the starting point for growth is relatively weak and the unemployment rate has lifted in recent months to 5.2%. In addition, the economy remains vulnerable to clouds hanging over the global growth outlook, not least because of the risk of escalating or prolonged “trade war” tensions.

Domestic growth challenges remain GDP is currently tracking below ‘potential’ at 2.5% and unemployment is off its lows at just above 5%. Inflation remains low, in part due to continued subdued income growth post the GFC.

Household income growth remains challenging, notwithstanding support from lower interest rates and modest tax relief (equivalent to ~0.6% of annual household disposable income).

While consumer spending should begin to improve, a sharp bounce-back appears unlikely in our view. Strong growth in government spending is expected to provide ongoing support to overall economic activity, though it’s likely to slow somewhat

<sup>1</sup> The information provided in this economic update is based on information as at 30 June 2019 and is derived from sources that are believed to be reliable at that time.

into 2020 and 2021. We expect solid growth in business investment, supported by stronger mining capital expenditure from next year and an assumption that other sources of demand growth improve.

### The RBA initiates a rate cut cycle

The lack of improvement in the unemployment rate over the past six months has seen the RBA cut the cash rate. The RBA is targeting an unemployment rate lower than 4½%. Achieving this over the next 2–3 years will not be easy, not least because it is unlikely that fiscal policy will provide any meaningful assistance in the near-term.

The likelihood of more acute global growth challenges by that point is also a driving factor and raises the possibility that the cash rate falls to its effective lower bound. The RBA's forecasts have the unemployment rate close to approaching their updated estimate of 'full employment' which is a little below 4.5% (and falling). Given this ongoing spare capacity in the economy, inflation is expected to remain low.

### Consumer spending growth under pressure

Household consumption growth was a weak 1.8% over the year to March 2019 – just above population growth. We continue to expect housing-related headwinds to discretionary spending to moderate over time, and interest rate cuts and moderate tax relief – equivalent to ~0.6% of annual household disposable income – will also provide some support.

A key 'anchor' for Macquarie's Australian macro views has been that the economy has been undergoing a slow adjustment to lower commodity prices and resources investment since 2011–12. For households, this has manifested itself in a long period of very little real wages growth as Australia's relative labour cost base realigns lower. While this adjustment appears well progressed and has actually slowed a little in recent years our assessment is that it is not yet complete. Further, the risks to the terms of trade appear to be to the downside over the medium term given they remain extremely high from a long-run perspective.

### Dwelling investment will weigh on growth

While sentiment towards housing has taken a major step up post the Coalition election win, the outlook for new housing construction hasn't changed much since February. Downside risks to the housing construction outlook appear to have diminished given policy support has been forthcoming.

# 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

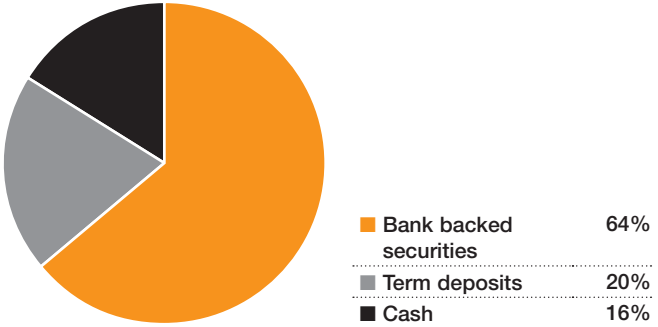
The Fund is invested in a life policy issued by Macquarie Life Limited (Macquarie Life). Through this policy, your investment has access to a wide variety of cash and fixed interest assets.



### Asset allocation as at 30 June 2019<sup>3</sup>

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

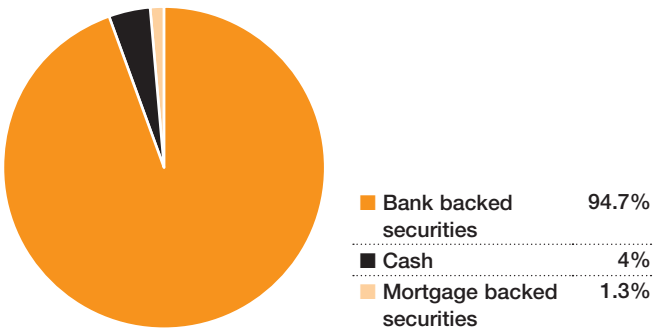
#### 30 JUNE 2019



### Asset allocation as at 30 June 2018<sup>3</sup>

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

#### 30 JUNE 2018



<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

A significant event notice was issued on 28 August 2018 to members of the ADF Super Plan to notify them of the unit holder meeting to vote on a proposed resolution to insert a successor fund transfer power to the Fund's trust deed.

A significant event notice was issued on 7 February 2019 to members of the ADF Super Plan to notify them that the Trustee has made a decision to transfer superannuation members from the Fund to Macquarie Super Accumulator, a product within the Macquarie Superannuation Plan.

A significant event notice was issued on 15 April 2019 to members of the ADF Allocated Pension Plan to notify them that the Trustee has made a decision to transfer allocated pension members from the Fund to Macquarie Pension Manager, a product within the Macquarie Superannuation Plan.

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

## Ongoing electronic disclosure

We may communicate with and provide required disclosure to you by using any email address nominated by you or your financial adviser or by making a communication or other information available to you at **[macquarie.com.au/yourwrap](https://macquarie.com.au/yourwrap)** or any other relevant website, app or online portal used for the Fund in the future as notified to you. If you would prefer not to receive such communications or disclosures electronically, please contact us on 1800 801 651.

If you would like to update your email address please 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

The trust deed of the Fund was amended during the 2018/19 financial year. The amendments were to:

1. delete and replace in their entirety clauses 6 (REDEMPTION OF DEPOSIT CLASS UNITS) and 31 (PAYMENTS TO UNIT HOLDERS) of the trust deed, and
2. insert a new clause 42 ("SUCCESSOR FUND TRANSFER").

These changes were made to facilitate the successor fund transfer of unit holders from the Fund to a successor fund. For a copy of the current trust deed for the Fund, please visit [macquarie.com.au/yourwrap](https://www.macquarie.com.au/yourwrap)

### 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](https://www.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](https://www.macquarie.com.au/yourwrap)

### Further information

More information about the Fund is available from [macquarie.com.au/yourwrap](https://www.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 2018/19 financial year, the following changes affecting superannuation occurred. These changes are now law unless otherwise stated.

#### Protecting your superannuation initiatives

Reforms announced in the 2018 Federal Budget to protect superannuation savings from erosion due to fees and insurance premiums were introduced. The changes:

- limits the fees that can be charged on superannuation accounts where the balance is less than \$6,000. The maximum administration and investment fees that can be deducted is limited to 3 per cent annually of the account balance on the relevant test day
- prevents superannuation fund trustees from charging exit fees
- prevents trustees from providing insurance on an opt-out basis to:
  - inactive accounts
  - accounts with balances of less than \$6,000, and
  - where the member is under age 25 and opens a new account on or after 1 April 2020.

Insurance cover for these members will need to be offered on an opt-in basis

- requires superannuation funds to transfer inactive accounts with balances below \$6,000 to the Australian Taxation Office (ATO)
- enables the ATO to proactively pay amounts it holds into a member's active superannuation account where the combined balance would be greater than \$6,000.

### Downsizer contributions

The introduction of a 'downsizer' contribution of up to \$300,000 from the sale of a property that receives a full or partial main residence CGT exemption, provided certain requirements are met, such as the property was owned for at least 10 years, 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

The First Home Super Saver Scheme (FHSSS) commenced, 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 FHSSS limits the amount of contributions that can be released to \$15,000 per financial year and \$30,000 in total however only 85% of eligible concessional contributions can be released. The FHSSS applies to contributions made from 1 July 2017 and can be accessed from 1 July 2018.

### 2019 Federal Budget superannuation changes

The Government proposed a number of changes to the superannuation rules in the 2019 Federal Budget, including:

#### Work test changes

From 1 July 2020, Australians aged 65 and 66 will be able to make voluntary superannuation contributions, both concessional and non-concessional, without meeting the Work Test.

Currently the Work Test (a minimum of 40 hours work over a 30 consecutive day period in the financial year of contribution) applies from a super fund member's 65th birthday.

This change will align the superannuation Work Test with the eligibility age for the Age Pension, which is scheduled to reach age 67 from 1 July 2023.

#### Spouse contribution age limit

The maximum age at which a spouse contribution can be made will be increased from age 69 to age 74. The limit applies to the age of the spouse into whose super account the spouse contribution is being made.

Currently those age 70 and over cannot receive contributions made by another person, including a spouse, on their behalf. This measure is proposed to commence from 1 July 2020.

### **NCC bring-forward arrangements**

The cut-off age for the bring-forward of up to two future years of the non-concessional contribution (NCC) cap will be extended by two years. This means NCCs of up to \$300,000 can be made in one year.

Currently the bring-forward arrangement applies until 30 June in the financial year the super fund member turns age 65. This will be extended to allow those age 65 and 66 to use the bring-forward arrangement.

This measure is proposed to commence from 1 July 2020.

### **Permanent tax relief for merging superannuation funds**

The Government will make permanent the current tax relief for merging superannuation funds that is due to expire on 1 July 2020.

Since December 2008, tax relief has been available for superannuation funds to transfer revenue and capital losses to a new merged fund, and to defer taxation consequences on gains and losses from revenue and capital assets.

The tax relief will be made permanent from 1 July 2020, ensuring superannuation fund member balances are not affected by tax when funds merge. It will remove tax as an impediment to mergers and facilitate industry consolidation. Consolidation would help address inefficiencies by reducing costs, managing risks and increasing scale, leading to improved retirement outcomes for members.

These proposals are not yet law.

### 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 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 Complaints Officer**

Macquarie Bank Limited

GPO Box 4294

Sydney NSW 1164

Phone: 1800 899 485

Email: [complaints@macquarie.com](mailto:complaints@macquarie.com)

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

### **Australian Financial Complaints Authority**

GPO Box 3

Melbourne VIC 3001

Phone: 1800 931 678

Email: [info@afca.org.au](mailto:info@afca.org.au)

Website: [www.afca.org.au](http://www.afca.org.au)

### **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 2019

	2019	2018
	\$'000	\$'000
<b>Superannuation activities</b>		
<b>Investment revenue</b>		
Net gains on assets held at fair value through profit or loss	906	1,081
<b>Total revenue</b>	<b>906</b>	<b>1,081</b>
<b>Expenses</b>		
Operating expenses	12	15
<b>Total expenses</b>	<b>12</b>	<b>15</b>
Profit before income tax	895	1,066
Income tax expense/(benefit)	–	–
<b>Profit after income tax</b>	<b>895</b>	<b>1,066</b>

## Statement of financial position as at 30 June 2019

	2019	2018
	\$'000	\$'000
<b>Assets</b>		
Financial assets held at fair value through profit or loss	1,018	210,246
<b>Total assets</b>	<b>1,018</b>	<b>210,246</b>
<b>Liabilities</b>		
Other payables	499	341
<b>Total liabilities excluding member benefits</b>	<b>499</b>	<b>341</b>
Net assets available for member benefits	519	209,905
Member vested benefits	519	209,905
<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 2019 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 2019

	2019 \$'000	2018 \$'000
Opening balance of member benefits	209,905	236,698
<b>Contributions</b>		
Transfers in from other superannuation funds	601	2,371
Member	1,227	2,475
Employer	1,864	3,704
Government co-contributions	15	26
<b>Income tax on contributions</b>		
Contributions tax	(351)	(784)
Withholding tax	(6)	(17)
Contributions net of tax	3,351	7,775
Transfers out to other superannuation funds	(29,073)	(21,206)
Benefits to members	(12,686)	(14,428)
<b>Benefits allocated to members' accounts comprising</b>		
Net investment income	907	1,081
Operating expenses	(12)	(15)
Transfer to other payables	(498)	–
<b>Closing balance of member benefits</b>	<b>519</b>	<b>209,905</b>

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

Existing members call  
1800 801 651.

## **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 8, 825 Ann Street

Fortitude Valley QLD 4006

### **South Australia**

Level 4, 63 Pirie Street

Adelaide SA 5000

### **Western Australia**

Level 23, 240 St Georges Terrace

Perth WA 6000