

Annual Report to members for the year ended 30 June 2018

Macquarie Super and Pension Manager
Macquarie Super and Pension Consolidator
Macquarie Super Accumulator



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Macquarie Super and Pension Manager, Macquarie Super and Pension Consolidator together with Macquarie Super Accumulator (collectively known as Macquarie Wrap Super) form part of a superannuation fund known as the Macquarie Superannuation Plan RSE R1004496.

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).

MIML has appointed Bond Street Custodians Limited (BSCL) ABN 57 008 607 065 AFSL 237489 to hold the fund's investments in custody. BSCL and MIML are wholly owned subsidiaries of Macquarie Bank Limited ABN 46 008 583 542. 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 Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of MIML.

Investments in Macquarie Wrap Super, other than holdings in terms deposits with Macquarie Bank Limited and the Cash Hub, are not deposits with or other liabilities of Macquarie Bank 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 Bank Limited, MIML, Macquarie Life Limited ABN 56 003 963 773 AFSL 237497, Macquarie Equities Limited ABN 41 002 574 923, any other investment managers referred to in this annual report, nor any other member company of the Macquarie Group guarantees the performance of Macquarie Wrap Super or the repayment of capital from Macquarie Wrap Super.

The information contained in this annual report is dated 30 November 2018 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 and the applicable PDS available from us or your adviser, before acting on any of the information in this annual report.

Welcome

30 November 2018

Dear Member,

Welcome to the Annual Report for Super and Pension Manager, Super and Pension Consolidator and Super Accumulator (Macquarie Wrap Super) for the year ended 30 June 2018.

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 2018, which gives details of your benefits in the Fund.

What happened this year?

In Australia, the economy is gradually improving though the outlook remains a mixed bag. On the one hand, jobs growth has been strongly supported by favourable monetary policy, improving commodity prices, and higher business investment and government spending. However, this has failed to generate much wage inflation given high spare capacity. Consumer spending also remains weak and high household indebtedness overhangs the broader outlook.

Overseas, the US is enjoying a purple patch, with continued growth on the back of elevated consumer and business confidence and expansionary fiscal policy. In the UK, with the date to leave the EU fast approaching, the medium-term outlook for the British economy remains up in the air. China's growth has somewhat slowed as it continues its efforts to deleverage the economy amid concerns that much of its past growth has been derived from debt-funded infrastructure and property investment.

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 Macquarie Wrap Super in general, please contact your adviser.

Yours sincerely,



Cameron Garrett

Executive Director
Macquarie Investment Management Limited

This annual report includes information on:

- Super Manager, Super Consolidator and Super Accumulator which are accumulation superannuation products, and
- Pension Manager and Pension Consolidator which are both retirement income solutions incorporating an account-based pension and (for Pension Manager) a term allocated pension. References to Pension Manager can be interpreted as references to both the account-based pension and the term allocated pension.

The abridged financial statements relate to the entire Macquarie Superannuation Plan (the Fund), which includes Macquarie Wrap Super and Macquarie SuperOptions.

The financial year in review¹

Economic outlook

The economic outlook for Australia remains unexciting, but domestic-driven downside risks have diminished over the past months. The economy is gradually improving, supported by above-trend global growth, but isn't improving fast enough. This suggests that the RBA is unlikely to raise interest rates until at least 1Q20 and that the economy won't reach escape velocity. That is, areas of improvement will be offset by continued areas of weakness leading to some moderate improvement but never reaching a growth level that creates significantly positive tailwinds for the overall economy.

Australian outlook a mixed bag

The Australian outlook is a mix of good and bad. On the positive side, jobs growth has been strong, supported by favourable monetary policy conditions, improving commodity prices, a pick up in business investment and exceptionally strong government spending. On the other hand, strong jobs growth has failed to generate much wage inflation given high spare capacity, consumer spending remains weak and high household indebtedness overhangs the broader outlook.

This creates a mix of push-pull factors that underpin the current growth level, but make it hard to generate a strong increase. The de-synchronised nature of the Australian economic cycle means bond yields will remain low, and the A\$ is unlikely to show any sustained appreciation without a broader cyclical recovery.

Housing cycle continues to weaken

Housing presents the most concerning domestic threat to growth while a protracted and broad global growth slowdown is the most concerning global risk. Domestically, the housing cycle continues to weaken with prior areas of strength, like Melbourne and Sydney, now rolling over. A year ago, Australia was at the tail end of a housing price boom, with nationwide prices up 10 per cent from a year ago and 40 per cent since mid-2012. Price growth has since slowed but the correction has been minor, with national dwelling prices falling just 1 per cent since peaking in mid-2017. Sydney dwelling prices have fallen 4.5 per cent but remains 66 per cent higher than 2012.

There is speculation that the macro environment could result in a 'credit crunch', which in turn could lead to an acceleration in housing price declines. While nothing can be ruled out, particularly if prospective homebuyers come to expect large price falls, the evidence to date suggests that the maximum impact of credit tightening was in the period 2015–2017. The changes implemented this year have so far been more modest in nature. There also doesn't seem to be strong incentives for banks to restrict housing credit given the relatively positive macro backdrop and the fact that a large share of their profits (and balance sheets) rely on housing lending.

Australia has had six previous episodes of declining housing prices since 1980, with a range of 2.5 per cent to 8 per cent. Nearly all previous corrections occurred following interest rate rises, a drag unlikely to be repeated any time soon in this cycle.

Consumption growth may slow in the near-term

Australian households have been saving less of their income in recent years which has supported faster growth in consumption. In part, the decline in the savings ratio has likely been supported by strong growth in household wealth. Consumption growth is likely to ease back a little in the near-term as consumer spending faces headwinds from weaker growth in housing prices. There's also a risk of higher mortgage rates due to higher bank funding costs. Jobs growth has also slowed from the rapid 3 per cent-plus pace last year. In contrast, average earnings growth has strengthened and further improvement is expected alongside better productivity.

Trade wars unlikely to have direct impact on global growth

While much has been said about trade war risk, this is more a continuation of trends established since the end of the GFC when globalisation peaked. The free movement of goods, people and even capital peaked prior to the onset of the GFC. President Trump didn't start the gradual decline and it's unlikely he will end it. It's difficult to model the likely impact of the tariffs mainly because we've not seen protectionism of this magnitude in the era of global supply chains. However, most market experts believe that the direct impact on global growth will be relatively modest, even if the threatened escalation is implemented. For example, at this stage the direct economic impacts of the current stated tariffs is less than a 25-basis point (bps) hit to US and Chinese GDP growth combined.

Inflation to remain low

Underlying inflation is expected to remain around the bottom of the RBA's 2–3 per cent target for some time as spare capacity in the economy lingers. Headline CPI inflation is forecast to be a little higher in the near-term, in part due to higher oil prices and some pass-through from the lower A\$. At the same time, however, housing-related inflation, which accounts for 15 per cent of the CPI basket, is expected to remain relatively moderate.

Households are carrying high levels of debt

The level of debt Australian households are now carrying means that their disposable income is much more sensitive to even small changes in interest rates. With housing credit growth having slowed noticeably, the RBA is feeling much more comfortable that the associated risks aren't continuing to build. This gives the RBA ample opportunity to sit back and watch how uncertainties – like spare domestic capacity, credit availability, trade wars, global inflation and China deleveraging play out.

Investment strategies and asset allocation

The Trustee formulates and gives effect to investment strategies and objectives for the Fund. These strategies and objectives take into account the whole of the circumstances of the Fund, including investment risk, diversification, liquidity and the ability of the Fund to discharge liabilities. The Trustee has placed restrictions on certain investments designed to reduce the potential for large losses by encouraging diversification, ensuring adequate liquidity, and satisfying regulatory requirements. In line with our obligations, the Trustee reviews these strategies and applicable limits on an ongoing basis. Please contact your adviser for further information on these limits or refer to the relevant Product Disclosure Statement (PDS).

Macquarie Wrap Super allows you to spread your super or pension account across many investment strategies, choosing from a range of investment options and product issuers.

The combination of investments you choose will be based on your individual circumstances. Information on the individual investment options can be found in the PDS available from macquarie.com.au/yourwrap or from your adviser. You should consider the PDS before deciding to invest in, or switch between, investment options.

Investment strategy	Cash	Enhanced cash	Australian fixed interest
Objective	Aims to achieve returns over the short-term with a high level of capital security.	Aims to achieve returns over the short-term with a medium to high level of capital security.	Aims to achieve returns via income and capital growth over the medium to long-term with a high to medium level of capital security.
Strategy	Returns driven by exposure to Australian demand deposits and cash equivalents; eg short-term, liquid investments with a high degree of capital stability and no material or potential exposures to non-cash holdings.	Returns driven by exposure to Australian money market securities and fixed interest securities with varying maturities.	Returns driven by exposure to the debts of Australian governments, semi-government, companies and asset backed securities.
Target return (% pa)	2.0% to 3.0%	3.0% to 4.5%	3.0% to 5.0%
Target risk (% pa)	0.5% to 1.0%	0.5% to 4.0%	2.5% to 5.5%
Standard Risk Measure (SRM) range	1	1 to 4	1 ² to 5
Suggested minimum timeframe	No minimum	4 years	4 years
Sub strategy	N/A	N/A	<ul style="list-style-type: none"> • Term deposits • Annuities • Sector specific • Unsecured notes • Enhanced • Specialist • Diversified

² Term deposits and Annuities are assigned an SRM of 1.

Investment strategy	Global fixed interest	Australian property	Global property
Objective	Aims to achieve returns over the medium to long-term via income and capital growth with a medium to low level of capital security.	Aims to achieve returns over a medium to long-term via income and capital growth with a medium to low level of capital security.	Aims to achieve returns over a medium to long-term via income and capital growth with a medium to a low level of capital security.
Strategy	Returns driven by exposure to the debts of International government, semi-government, companies and asset backed securities.	Returns driven by exposure to Australian property equity, in listed, unlisted and direct forms.	Returns driven by exposure to international property equity, in listed, unlisted and direct forms.
Target return (% pa)	3.0% to 5.5%	5.5% to 7.5%	5.0% to 7.0%
Target risk (% pa)	3.0% to 6.0%	8.0% to 18.0%	9.5% to 17.5%
SRM range	4 to 6	5 to 7	6 to 7
Suggested minimum timeframe	6 years	8 years	8 years
Sub strategy	<ul style="list-style-type: none"> • Diversified 	<ul style="list-style-type: none"> • Listed • Unlisted • Diversified 	<ul style="list-style-type: none"> • Listed • Unlisted • Diversified

Investment strategy	Australian shares	Global shares	Specialised global shares
Objective	Aims to achieve returns over a medium to long-term via income and capital growth with a low level of capital security.	Aims to achieve returns over a medium to long-term via income and capital growth with a low level of capital security.	Aims to achieve returns over a medium to long-term via income and capital growth with a low level of capital security.
Strategy	Returns driven by exposure to the equity of Australian companies, via shares and other securities primarily listed on the ASX.	Returns driven by exposure to the equity of international companies, via shares and other securities primarily listed on global exchanges.	Returns driven by exposure to equity of international companies, via shares and other securities primarily listed on global exchanges. Investments may focus on specific sectors, themes, countries or regions.
Target return (% pa)	6.5% to 9.5%	5.5% to 7.5%	5.0% to 8.5%
Target risk (% pa)	15.0% to 20.5%	11.0% to 17.0%	11.0% to 23.0%
SRM range	6 to 7	6 to 7	6 to 7
Suggested minimum timeframe	5 years	5 years	7 years
Sub strategy	<ul style="list-style-type: none"> • Index • Small cap • Specialist • Sector specific • Diversified 	<ul style="list-style-type: none"> • Index • Diversified 	<ul style="list-style-type: none"> • Sector specific • Specialist • Regional/Country

Investment strategy	Specialised global fixed interest	Alternative Debt	Alternative Commodities
Objective	Aims to achieve stable returns over the medium to long-term via income and capital growth with a medium to low level of capital security.	Aims to achieve returns over a medium to long term via income and capital growth with a medium to low level of capital security.	Aims to achieve returns over a medium to long term via income and capital growth with a medium to low level of capital security.
Strategy	Returns driven by exposure to the debts of International governments, semi-government, companies and asset backed structures. Investments may focus on specific sectors, attributes or regions.	Returns driven by a manager's skill in adding, managing and reducing exposure to debt instruments. Investments may focus on listed or unlisted debt, highly rated or distressed situations and may focus on specific sectors, attributes or regions.	Returns driven by exposure to physical assets that have value due to their substance and properties eg precious metals, commodities and oil.
Target return (% pa)	3.0% to 7.0%	5.5% to 10.0%	3.0% to 4.5%
Target risk (% pa)	3.0% to 13.0%	8.0% to 12.5%	18.5% to 23.5%
SRM range	5 to 6	4 to 6	7
Suggested minimum timeframe	9 years	9 years	12 years
Sub strategy	<ul style="list-style-type: none"> • Enhanced • Sector Specific • Specialist 	N/A	N/A

Investment strategy	Alternative Real Assets	Alternative Insurance	Diversified Alternatives
Objective	Aims to achieve returns over a medium to long term via income and capital growth with a medium to low level of capital security.	Aims to achieve returns over a medium to long term via income and capital growth with a medium to low level of capital security.	Aims to achieve returns over a medium to long term via income and capital growth with a medium to low level of capital security.
Strategy	Returns driven by a manager's skill in adding, managing and reducing exposure to physical assets that have value due to their operation eg unlisted infrastructure, real estate, agricultural land, timber, machinery.	Returns driven by a manager's skill in adding, managing and reducing exposure to insurance linked securities and markets eg life insurance and catastrophe reinsurance.	Returns driven primarily by the investment strategy rather than market exposure. The strategy is benchmark unaware and utilises traditional assets such as shares, bonds or property.
Target return (% pa)	5.5% to 7.5%	5.5% to 7.5%	5.5% to 8.0%
Target risk (% pa)	6.5% to 14.0%	4.5% to 6.0%	6.0% to 12.5%
SRM range	4 to 6	3 to 4	4 to 6
Suggested minimum timeframe	7 years	4 years	6 years
Sub strategy	N/A	N/A	N/A

Investment strategy	Alternative Macro	Alternative Specialist	Alternative Equity
Objective	Aims to achieve returns over a medium to long term via income and capital growth with a medium to low level of capital security.	Aims to achieve returns over a medium to long term via income and capital growth with a medium to low level of capital security.	Aims to achieve returns over a medium to long term via income and capital growth with a medium to low level of capital security.
Strategy	Returns driven by a manager's skill in identifying top-down price signals eg economics and momentum. The strategy is benchmark unaware and can utilise a wide range of assets such as shares, bonds, currencies and derivatives eg managed futures.	Returns driven by a manager's skill in identifying bottom-up price signals independent of the market. The strategy is benchmark unaware and can utilise a wide range of assets such as shares, bonds, currencies and derivatives eg equity market neutral.	Returns driven by a manager's skill in adding, managing and reducing exposure to equity risk. Investments may focus on global or domestic companies, via listed securities such as shares or unlisted interests such as limited partnership interests (private equity funds).
Target return (% pa)	7.5% to 9.5%	5.0% to 6.5%	7.0% to 11.0%
Target risk (% pa)	9.0% to 11.0%	4.0% to 5.5%	12.0% to 25.0%
SRM range	4 to 6	4 to 6	6 to 7
Suggested minimum timeframe	5 years	5 years	7 years
Sub strategy	N/A	N/A	N/A

Investment strategy	Australian listed securities
Objective	Aims to achieve returns over a medium to long-term via income and capital growth with a low level of capital security.
Strategy	Returns driven by exposure to approved securities listed on the ASX or expected to be listed.
Target return (% pa)	6.5% to 9.5% ³
Target risk (% pa)	15.0% to 22.3% ³
SRM range	6 to 7 ⁴
Suggested minimum timeframe	5 years
Sub strategy	<ul style="list-style-type: none"> • Common shares • Listed company options • Listed warrants and hybrid securities • Share rights • ETFs/LITs/LICs/ETMFs⁵ • Listed property investments⁵

³ Range assumes a diversified investment portfolio.

⁴ Please refer to the *Standard Risk Measure (SRM)* section of the PDS for more information.

⁵ The Trustee may categorise selected listed securities such as ETFs, LITs, LICs and Listed Property investments to another investment strategy where such investment strategy is more consistent with the underlying investment characteristics of the security.

Investment strategy	Conservative	Balanced	Growth
Objective	Aims to achieve returns over the short to medium-term via income and capital growth with a medium to high level of capital security.	Aims to achieve returns over the medium to long-term via income and capital growth with a medium to low level of capital security.	Aims to achieve returns over the long-term via income and capital growth with a low level of capital security.
Strategy	A diversified mix of income assets such as money market, and fixed interest securities, and growth assets such as property and shares. The weighting to growth assets will generally not exceed 33%. May include absolute return, private equity and other alternative investments.	A diversified mix of income assets such as money market, and fixed interest securities, and growth assets such as property and shares. The weighting to growth assets will generally fall between 33% and 67%. May include absolute return, private equity and other alternative investments.	A diversified mix of income assets such as money market, and fixed interest securities, and growth assets such as property and shares. The weighting to growth assets will generally exceed 67%. May include absolute return, private equity and other alternative investments.
Target return (% pa)	3.5% to 6.0%	4.5% to 7.5%	6.0% to 8.5%
Target risk (% pa)	3.5% to 7.5%	5.0% to 13.0%	10.5% to 16.5%
SRM Range	3 to 4	4 to 6	6
Suggested minimum timeframe	4 years	4 years	4 years
Sub strategy	Not applicable	Not applicable	Not applicable

Asset allocation

The table below shows how the Fund is invested across different asset classes.

Asset class	30/06/2018	30/06/2017
Cash ⁶	17.0%	20.2%
Commodities	0.2%	0.1%
Australian equities	33.0%	34.7%
International equities	22.2%	18.9%
Australian Fixed interest	8.5%	8.7%
International fixed interest	10.3%	9.0%
Property	5.5%	4.6%
Other	3.3%	3.8%
Total	100%	100%

Through a Super and Pension Manager or Super and Pension Consolidator account, you can invest in a number of different term deposits, managed investments and approved ASX-listed securities. Super Accumulator allows you to invest in a range of managed investments.

If a managed fund invests across a number of asset classes, we will treat the asset allocation based on a 'look through basis' using the managed fund's individual asset allocations.

The asset allocation for each managed fund is determined by the investment managers and provided either by the investment managers directly or from a third party⁷.

Asset allocations can vary over time within ranges specified by the individual product issuers. Information on the asset allocation ranges for the individual investment options can be found in the PDS.

⁶ Includes term deposits.

⁷ All asset allocations in this document were current at the time of publishing.

Important information

Market risk monitoring

As part of its asset monitoring obligations as Trustee, MIML conducts regular market risk stress testing analysis of member accounts.

The stress test involves estimating a percentage loss of a significant adverse event, taking into account the level of diversification within each account. Accounts are then ranked by this estimated percentage loss and MIML flags those accounts with the largest stress test losses (separately depending on whether the account holds Australian listed securities or not) as having a high level of investment risk.

Generally less than 2.5 per cent of all accounts are flagged through this analysis. Where an account is flagged MIML may contact the member or their adviser to bring the results of the stress test to their attention.

Amendments to the Fund's trust deed

The trust deed of the Fund was amended during the 2017/18 financial year. Amendments were made to insert a new clause 11.2 (b) and renumber existing clause 11.2 (b) as 11.2 (c) and to insert a new clause 19.4.

These changes were made to:

- facilitate the successor fund transfer of all members of the Insurance Only Division of the Fund, and
- allow the wind up of the Insurance Only Division.

Note, the Insurance Only Division has not yet been wound up.

For a copy of the current trust deed for the Fund, please visit macquarie.com.au/yourwrap

Significant events

A significant event notice was issued on 29 September 2017 to all holders of a pension to notify them of:

- changes to the tax treatment of transition to retirement pensions from 1 July 2017, and
- 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

Changes to offer documents

Changes were made to a number of offer documents for products offered through the Fund, as follows:

- a supplementary Product Disclosure Statement (PDS) was issued on 30 September 2017
- an updated Further Information Booklet was issued on 30 September 2017
- an updated Technical Information Booklet was issued on 30 September 2017.

A copy of the latest offer documents can be accessed at macquarie.com.au/wrapofferdocs

Changes to disclosure of fees and costs

The changes to the offer documents effective 30 September 2017 included some changes to the way we disclose fees and costs. No additional fees and no increases to existing fee rates were introduced by the Trustee. However, some underlying investments options are now required to disclose additional fees and costs so some of the fees and costs of the underlying investment options that you hold may have changed – you should refer to the relevant investment option's PDS for details on the applicable fees and costs.

These changes will be reflected in statements issued upon closure of your account (where applicable) from 1 December 2017 and your 2017/18 annual statement.

Statements from these dates will have the following changes:

- switching fees that may apply on the purchase, sale or switching of an investment option will be renamed 'transaction fees'
- estimated costs of underlying investment options that were previously reported as indirect costs will now be reported under 'other fees of your investments'
- estimated transactional and operational costs that underlying investment options may incur, where these are disclosed to the Trustee, will be included in your statement
- an estimate of the dollar impact of buy-sell spreads charged by some underlying investment options will be included.

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 or any other relevant website, app or online portal used for Macquarie Wrap Super in the future.

If you would like to update your email address please contact us on 1800 025 063. 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 the online portal to access ongoing disclosure in relation to your account.

Ongoing changes to investment strategies and available investment options

The Investment Menu outlines all available investment strategies and investment options made available by the Trustee to you and your adviser. The investment strategies and investment options available within the Fund are subject to change from time to time, at the discretion of the Trustee. Any changes to investment strategies and available investment options will be published on a monthly basis in the Investment Menu available from macquarie.com.au/supermenu

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.

Fund reserve

The Trustee maintains a reserve within the Fund to facilitate the Trustee's voluntary acquisition of certain illiquid investments from members exiting the Fund. This reserve did not have a balance as at 30 June 2018.

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 2019.

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

Accessing your Annual Report

You can view the latest Annual Report for the Fund online at any time by visiting macquarie.com.au/yourwrap

Further information

More information about the Fund is available from 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 2017/18 financial year, the following changes affecting superannuation occurred. These changes are now law unless otherwise stated.

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.

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. The following changes apply 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 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 of a financial year will not be able to make non-concessional contributions in the next financial year
- 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
- introduction of a Low Income Superannuation Tax Offset, which provides a contribution of up to \$500 to offset the tax paid on concessional contributions for individuals with income of up to \$37,000
- all individuals who make a personal contribution into an eligible superannuation fund are able to claim a tax deduction for the contribution
- removal of the earnings tax exemption for income and capital gains on assets supporting a transition to retirement income stream where the income stream is not in the retirement phase. A transition to retirement pension will be in the retirement phase where the person is 65 or over or has notified the fund that they have retired, are permanently incapacitated or have a terminal medical condition

- removal of the 'anti-detriment' payment on lump sum death benefit payments where an individual dies on or after 1 July 2017 or if the individual 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
- increase of 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 are 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. The first year the carry forward amount can be used will be 2018/19.

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 a property that receives a full or partial main residence CGT exemption, provided it 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's 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 applies to contributions made from 1 July 2017 and can be accessed from 1 July 2018.

2018 Federal Budget superannuation changes

The Government announced a number of changes to the superannuation rules in the 2018 Federal Budget, including:

- from 1 July 2019, a fee cap at an annual rate of 3% where account balance at closure or 30 June of a financial year is less than \$6,000
- the transfer of small, inactive super accounts to the ATO
- change to the default insurance arrangements for those aged less than 25
- ability for individual's to opt out of Superannuation Guarantee payments if they have multiple employers, and
- an exemption from the requirement to meet a work test for certain contributions made after turning 65.

These proposals are not yet law.

The APRA levy

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

Trustee and fund management information

The Trustee of the Fund is Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 RSEL L0001281. The board of the Trustee is made up of independent directors.

During the 2017/18 financial year, the Fund held the following assets directly or indirectly with a value of greater than 5 per cent of the Fund's total assets:

- in all trusts for which Macquarie Investment Management Limited acts as responsible entity (\$1.892 billion)
- in Macquarie Group Limited (\$3.376 billion) including the Macquarie Wrap Solutions Cash Account (\$1.135 billion)
- in Dimensional Funds Australia Limited (\$3.068 billion), and
- in Vanguard Investments Australia Limited (\$2.677 billion).

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

Use of derivatives

The Fund invests in a number of collective investments. These collective investments are managed by Macquarie and external investment managers. Some of these collective investments invest in derivatives.

Derivatives used by the collective investments are outlined in each PDS.

External investment managers employed by Macquarie have provided their own Derivative Risk Management Statement (DRMS) documents or equivalent information to Macquarie. Should you require further information, a copy of the Macquarie Collective Investment DRMS is available free of charge from your adviser or from Macquarie.

Generally, derivatives used by the external investment managers of the collective investments are set out in the DRMS (Part B) supplied by each of the individual investment managers. A file containing these DRMSs is available from Macquarie on request.

Macquarie is satisfied that the DRMSs do not reveal any material inconsistencies with the investment strategies of Macquarie Wrap Super.

Subject to the investment limits referred to in the PDS, where the Trustee is satisfied that they meet the applicable investment strategy, the Trustee may effect investments in instalment warrants or other derivatives.

Eligible Rollover Fund (ERF)

The Trustee has elected and reserves the right to pay all accounts with a balance up to \$10,000 (for Super Manager and Super Consolidator) or \$1,200 (for Super Accumulator) 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

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.

You should 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 025 063. 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

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

Website: www.afca.org.au

Further information

Further information is available from either your adviser, by contacting us or online at macquarie.com.au/yourwrap

Financial statements of the Fund⁸

Income statement for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Superannuation activities		
Investment revenue		
Interest	22,978	24,068
Distributions from unit trusts	605,640	606,200
Dividends	155,086	143,493
Changes in investments measured at fair value	624,729	583,198
Total investment revenue	1,408,433	1,356,959
Total revenue	1,408,433	1,356,959
Expenses		
Operating expenses	202,211	188,664
Total expenses	202,211	188,664
Net Income from superannuation activities	1,206,222	1,168,295
Income tax benefit	40,850	52,097
Profit before income tax	1,247,072	1,220,392
Less: Net benefits allocated to members' accounts	1,247,072	1,220,392
Net result	-	-

Statement of financial position as at 30 June 2018

	2018 \$'000	2017 \$'000
Assets		
Cash and cash equivalents	694,748	758,265
Investments	18,566,886	16,593,553
Receivables	258,976	227,479
Current tax asset	-	14,889
Total assets	19,520,610	17,594,186
Liabilities		
Trade and other payables	17,978	16,737
Current tax liability	1,705	-
Deferred tax liability	67,473	50,132
Total liabilities excluding member benefits	87,156	66,869
Net assets available for member benefits	19,433,454	17,527,317
Allocated to members	19,404,344	17,498,207
Total net assets	29,110	29,110
Equity		
Tax reserve	29,110	29,110
Total equity	29,110	29,110

⁸ This annual report contains abridged financial information for the financial year ended 30 June 2018 for the Fund. The full financial information is available upon request by contacting your adviser or us on 1800 025 063.

Statement of changes in member benefits as at 30 June 2018

	2018 \$'000	2017 \$'000
Opening balance of member benefits	17,527,317	15,676,568
Contributions		
Transfers in from other superannuation plans	1,891,208	1,548,519
Member	426,602	939,027
Employer	286,350	301,878
Government co-contributions	481	524
Income tax on contributions		
Contributions tax	(47,510)	(48,846)
Contributions surcharge tax	(15)	–
Contributions net of tax	2,557,116	2,741,102
Transfers out to other superannuation plans	(891,997)	(898,145)
Benefits paid to members	(962,424)	(1,152,078)
Insurance premiums charged to members' accounts	(63,602)	(80,098)
Death and disability benefits credited to members' accounts	19,972	19,576
Benefits allocated to members' accounts comprising		
Net investment income	1,408,433	1,356,959
Operating expenses	(202,211)	(188,664)
Income tax benefit	40,850	52,097
Closing balance of member benefits	19,433,454	17,527,317

Contacts

Mailing address

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GPO Box 4045
Sydney NSW 2001

Office addresses

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Sydney NSW 2000

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Melbourne VIC 3000

Queensland

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Brisbane QLD 4000

South Australia

Level 2, 151 Pirie Street
Adelaide SA 5000

Western Australia

Level 3, 235 St George's Terrace
Perth WA 6000

For more information, advisers call 1800 025 063.

For existing members, your adviser is your main point of contact for your portfolio, so if you have any queries about your account, please talk to your adviser.

To contact us, visit [macquarie.com/personal](https://www.macquarie.com/personal) or mail us at Macquarie Wrap, GPO Box 4045, Sydney NSW 2001.