

Annual report to members for the year ended 30 June 2015

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).

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 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 7 December 2015 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

7 December 2015

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 2015.

This Annual Report provides you with general information about the management and financial position of the Macquarie WrapSuper division of the Macquarie Superannuation Plan (the Fund), a legislative update and details of matters concerning the investments in the Fund (such as overall asset allocation). This report should be read with your Annual Statement for the year ended 30 June 2015, which gives details of your benefits in the Fund.

What happened this year?

In Australia we witnessed a strong housing market, particularly in Sydney and Melbourne, and a decline in the mining sector due to lower priced commodities (like iron ore) from slower manufacturing and infrastructure growth in China and other large commodity exporters. It was a lacklustre year for our equity market however, with the S&P/ASX 200 Accumulation Index losing 0.7 per cent over the 12 months to September, while the All Ordinaries slipped 5 per cent. With the decline in commodity prices intensifying concerns regarding local growth, the Reserve Bank of Australia (RBA) shaved 50 basis points from the cash rate over the period, taking it to 2 per cent.

Overseas, we saw conditions in the United States (US) and United Kingdom (UK) head towards economic recovery. Globally, we experienced a dramatic sell-off in commodities and energy, the introduction of quantitative easing in Europe, a significant increase in the value of the US dollar and slowing growth in China as their export-led boom faded.

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,



Bill Marynissen

Executive Director
Macquarie Investment Management Limited

This annual report includes information on:

- Super Manager, Super Consolidator and Super Accumulator, accumulation superannuation products, and
- Pension Manager and Pension Consolidator, both retirement income solutions incorporating an account-based pension and (for Pension Manager) Term Allocated Pension. References to Pension Manager can be interpreted as references to both Pension Manager and Term Allocated Pension Manager.

The abridged financial statements relate to the entire Macquarie Superannuation Plan (the Fund), which includes Macquarie Wrap Super, Macquarie SuperOptions and the Insurance Only Division – a risk only superannuation fund.

The financial year in review¹

The global economy

Conditions in advanced economies diverged over the past 12 months as the US and UK remained at the forefront of economic recovery, with central banks in both regions making clear their intentions to lift rates for much of the year. Other developments included a dramatic sell off in commodities and energy, the introduction of quantitative easing in Europe, a significant increase in the value of the US dollar and slowing growth in China as their export-led boom faded.

In the US, the economy continued to build momentum. Consumption, a major driver of growth, resulted in various benefits such as improved consumer confidence, job creation, low oil prices and the return of upward pressure on stagnant wages. This was despite a harsh winter, port delays and seasonal adjustments in the US contributing to a poor first quarter of 2015 Gross Domestic Product (GDP) performance. On monetary policy, the tapering of quantitative easing in the US concluded without the market turmoil of the 2013 Taper Tantrum, as the Federal Reserve looked to begin lifting rates in anticipation of inflation driven by robust growth and rebounding energy prices. However, recent plans to lift interest rates in the US were delayed by falling inflation expectations and turbulence in financial markets, prompted by concerns about slowing economic growth in China.

The UK had similar success in generating stronger economic growth, boosted by domestic demand. Unemployment is falling and inflation, while low, is expected to lift over the next 12 months to the 2 per cent target. House price growth cooled from the breakneck pace seen mid last year, but remained moderate. With government support for home buyers expected to continue to at least mid-2016, residential investment will likely continue, with steadily recovering house building helping to keep a lid on price increases.

In Europe, European Central Bank President Mario Draghi followed through with his July 2012 promise to do “whatever it takes” to preserve the Euro. This culminated in the January 2015 announcement of quantitative easing in Europe. Economic growth in the region was soft, but momentum improved via a weaker Euro and increased confidence and quantitative easing provided grounds for optimism that this should continue. However for the time being, the risk of deflation still exists and this could potentially subdue demand.

China’s rapid growth is slowing and forecasts suggest this will continue. Chinese real estate values troughed and the prices of property developer stocks began to advance tentatively. Weakness in the real estate sector fed through to reduced demand for steel and other products used in construction. The widely publicised transition to a consumption-led economy is also showing up in declining import growth, as infrastructure investment slows and consumer demand is insufficient to pick up the slack.

Weakness in China is also flowing through to commodity-exporting emerging markets and developed economies, such as Australia and Canada, leading to challenging fiscal conditions. The S&P Goldman Sachs Commodity Index of commodity prices is 27 per cent lower in Australian dollar terms over the last 12 months, while Brent crude sold off over 50 per cent. Russia suffered as a result, which came on top of international sanctions flowing from its involvement in the war in Ukraine. Despite reaching a ceasefire earlier this year, it was far too late to avoid an economically crippling rout in the rouble and an extension of costly sanctions.

Japan’s economy appears to have adjusted to the consumption tax hike and is expected to return to growth this year with a 1 per cent expansion. Inflation remains stubbornly close to zero despite two years of quantitative easing, and the potential for a global deflationary drag as China slows raises significant downside risks.

The Australian economy

The Australian economy faced substantial headwinds this year. A slowdown in China and additional production capacity amongst large commodity exporters created challenging economic conditions as prices of key commodities like iron ore declined considerably. As a result, investment in the mining sector fell and is expected to fall further while non-mining business investment remains subdued.

The RBA shaved 50 basis points (bps) off the cash rate with two 25 bps cuts in February and May 2015. The falling currency served to cushion the economy but further weakness in the Australian dollar is required to facilitate the transition from mining to non-mining activity, boosting domestic demand and facilitating a return of balanced growth.

The housing market was strong, particularly in Sydney and Melbourne, while in other major cities, price growth slowed considerably. With prudential regulators increasing capital charges on mortgage lending, banks responded by increasing rates on some loans which the RBA considers is having the desired effect of containing some housing market risk. Despite this, indications are that dwelling investment will remain robust. This should result in flat to down house prices over the next year.

Australia's population growth reached a nine-year low and is expected to slow further, reducing the potential growth rate and slowing the economy's transition from mining to non-mining activity. This also has implications for balance in the housing market which faces challenges associated with an expansion in supply that will hit the market next year while prudential regulation and initiatives to curb foreign real estate investment subdue demand growth.

The "wealth effect" was in full swing as household consumption was supported by lower interest rates, increasing house prices and a degree of dissaving. There is some slack in the domestic labour market and while job ads improved, they remained underwhelming. To offset the ongoing employment and income effects of the contraction in mining investment, substantial job gains will be required in future. The unemployment rate spent the past year at or above 6 per cent, keeping wage pressures constrained and household income growth weak.

The RBA's outlook for GDP growth remains reliant on resources exports. Over 70 per cent of Australian GDP growth comes from net exports and with limited progress in the transition from mining investment-driven growth to non-mining, the risks to future growth presented by a moderate slowing of China, Australia's biggest customer, are largely to the downside. Macquarie forecasts a slowing of the economy from 2.5 per cent in 2014 to 2.2 per cent in 2015.

Asset class performance

Markets were spooked by the prospects of interest rate normalisation in the US and the effects of slowing growth in China and other emerging markets. Locally, the economy stuttered as it transitioned from growth fuelled by mining exports to more balanced economic activity, assisted by a falling dollar and lower interest rates. However, home buyers were unlikely to feel the benefits as regulators sought to contain risks in the housing market through macro-prudential policy and increased regulation on foreign real estate purchases.

It was a mediocre year for Australia's equity market, with the S&P/ASX 200 Accumulation Index losing 0.7 per cent over the 12 months to September, while the All Ordinaries slipped 5.0 per cent. Unhedged indices of global developed markets fared better in Australian dollar terms, with the MSCI World Accumulation Index gaining 18.9 per cent, with the translation effect of a weakening Australian dollar entirely responsible for the gain.

With the decline in commodity prices intensifying concerns around local growth, the RBA shaved 50 basis points from the cash rate, taking it to 2 per cent. Likewise, the 90-day bank bills fell 53 basis points from 2.69 per cent to 2.16 per cent, while yields for 180-day bank bills lost 51 bps to 2.24 per cent. Bond proxies like Property Trusts and Utilities continued to perform well with total returns in these sectors well above the broader market at 20.3 per cent and 17 per cent respectively. Global property delivered 29.1 per cent in Australian dollar terms. Bear market conditions in commodities since mid-2011 deteriorated further this past year with energy and materials struggling to maintain earnings and dividends, the sectors slipping 39.5 per cent and 14.2 per cent.

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	Exposure to short-term money market securities and fixed interest securities with maturities of less than 12 months.	Exposure to short-term money market securities and fixed interest securities with maturities that can be greater than 12 months.	Exposure to money market securities and fixed interest securities, both long and short-term, of Australian governments, semi-government, companies and asset backed securities.
Target return (% pa)	4.0% to 5.5%	4.0% to 5.5%	4.0% to 6.0%
Target risk (% pa)	1.0% to 1.5%	1.5% to 4.5%	3.5% to 5.0%
Standard Risk Measure (SRM) range	1	1 to 4	1 ² , 3 to 4
Suggested minimum timeframe	No minimum	2 years	2 years
Sub strategy	N/A	N/A	<ul style="list-style-type: none"> • Term deposits • Annuities • Sector specific • 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	Exposure to money market securities and fixed interest securities, both long and short-term, of global government, semi-government companies and asset backed securities.	Exposure to Australian property equity, in listed, unlisted and direct forms.	Exposure to global property equity, in listed, unlisted and direct forms.
Target return (% pa)	4.0% to 6.5%	6.5% to 9.0%	7.0% to 8.5%
Target risk (% pa)	4.0% to 6.0%	8.5% to 18.0%	8.5% to 18.0%
SRM range	4 to 5	5 to 7	5 to 7
Suggested minimum timeframe	3 years	6 years	6 years
Sub strategy	<ul style="list-style-type: none"> • Sector specific • Enhanced • Specialist • 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	Exposure to equity of Australian companies, via shares and other securities primarily listed on the ASX.	Exposure to equity of global companies, via shares and other securities primarily listed on approved exchanges.	Exposure to equity of global companies, via shares and other securities primarily listed on approved exchanges. Investments may focus on specific sectors, themes, countries or regions.
Target return (% pa)	7.0% to 9.0%	7.0% to 9.5%	6.5% to 9.5%
Target risk (% pa)	15.5% to 20.5%	11.5% to 19.5%	10.0% to 22.0%
SRM range	6 to 7	6 to 7	6 to 7
Suggested minimum timeframe	7 years	6 years	8 years
Sub strategy	<ul style="list-style-type: none"> • Index • Small cap • Specialist • Unlisted • Sector specific • Diversified 	<ul style="list-style-type: none"> • Index • Diversified 	<ul style="list-style-type: none"> • Sector specific • Specialist • Unlisted

Investment strategy	Alternative investments	Australian listed securities
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 low level of capital security.
Strategy	Exposure to a wide range of investments, including but not limited to shares, bonds, property, funds, futures, options, commodities, insurance contracts and derivatives. Returns will be driven by factors other than traditional asset class exposure.	Exposure to securities primarily listed on the ASX or expected to be listed.
Target return (% pa)	4.0% to 11.0%	7.0% to 9.0% ³
Target risk (% pa)	6.5% to 24.0%	15.5% to 23.6% ³
SRM range	4 to 7	6 to 7 ⁴
Suggested minimum timeframe	11 years	9 years
Sub strategy	<ul style="list-style-type: none"> • Absolute return • Commodities • Real assets • Insurance • Diversified 	<ul style="list-style-type: none"> • Common shares • Listed company options • Listed warrants and hybrid securities • Share rights • ETFs/LITs/LICs⁵ • 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)	5.5% to 8.0%	6.5% to 9.0%	7.5% to 9.5%
Target risk (% pa)	3.5% to 6.0%	5.0% to 12.0%	10.0% to 14.5%
SRM Range	3	4 to 6	6
Suggested minimum timeframe	2 years	5 years	6 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	30/06/2014	30/06/2015
Cash ⁶	21.8%	20.4%
Commodities	0.1%	0.1%
Australian equities	38.4%	36.2%
International equities	17.3%	18.8%
Australian Fixed interest	7.4%	8.2%
International fixed interest	6.6%	7.9%
Property	4.8%	5.0%
Other	3.6%	3.4%
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

Removal of small member account protection standards

From 1 July 2013, the Government repealed member protection standards within the *Superannuation Industry (Supervision) Regulations 1993* designed to protect small member account balances.

The Trustee elected to continue to protect member account balances below \$1,000 by not charging administration fees on these accounts until an Eligible Rollover Fund (ERF) review was conducted in April 2015.

Following the completion of the ERF review, from 1 June 2015 administration fees apply to super and pension accounts regardless of their balance. Please note that while these changes came into effect in July 2013, we waived the administration fees that were applicable on accounts with a balance below \$1,000 up until 1 June 2015.

Changes to the Fund's QROPS status

Effective from 6 April 2015, the UK pension scheme regulator, HM Revenue and Customs (HMRC), made a number of changes to the UK pension legislation, including:

- restrictions on transfers from certain defined benefit schemes, and
- the introduction of a Pension Age Test that restricts access to member benefits prior to the age of 55 unless a member retires due to ill health.

Due to the introduction of the Pension Age Test requirement, the Trustee amended the trust deed of the Fund so that it could continue to operate as a Qualifying Recognised Overseas Pension Scheme (QROPS). Despite this amendment, on 1 July 2015 the Fund (along with the majority of Australian-based superannuation funds) was removed from the list of Recognised Overseas Pension Schemes (ROPS).

As a result, all UK transfer requests (including any rollover requests from other Australian superannuation funds that contain UK amounts) remain on hold indefinitely. In an attempt to resolve these issues, we continue to work with relevant industry bodies to:

- request that HMRC review the UK pension legislation
- review the ROPS status of Australian-based superannuation funds
- request transitional relief for members that have made a UK transfer to an Australian superannuation fund since 6 April 2015 (when UK pension legislation came into effect).

Your adviser will be notified if there are any changes to the Fund's QROPS status and we may publish further information on macquarie.com.au/yourwrap

Amendments to the Fund's trust deed

The trust deed of the Fund was amended several times during this financial year, effective 30 June 2015. A brief summary of each amendment is described below.

Reversionary beneficiary nominations

In November 2014, amendments were made to sub-sections 1.1, 6.3 and 6.3A of the trust deed to enable account based pension holders to nominate a reversionary beneficiary after

the pension commencement date. This amendment was made in consideration of changes to the social security treatment of account based pensions that came into effect from 1 January 2015 (see *Legislative updates* section for more information).

Scope of relevant law

In June 2015, amendments were made to sub-section 1.1 of the trust deed to clarify that the scope of applicable 'Relevant Law' includes any other statutory or regulatory requirement (including relevant UK pension legislation) that the Trustee is required to comply with for the Fund to be a QROPS.

The intended effect of this amendment was to maintain the QROPS status of the Fund by facilitating the application of a Pension Age Test requirement to members who transfer UK benefits into the Fund from 6 April 2015 (as required under UK pension legislation). Despite this amendment, on 1 July 2015 the Fund (along with the majority of Australian-based superannuation funds) was removed from the list of ROPS (see *Changes to the Fund's QROPS status above* for more information).

Approved insurance providers

In June 2015, amendments were made to sub-sections 1.1 and 2.2 to 2.8 of the trust deed to provide for the purchase of insurance policies within the Fund from insurers other than Macquarie Life Limited. The amendments also clarified the operation of the Trust Deed with respect to section 58A of the *Superannuation Industry (Supervision) Act 1993*.

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

Significant events

During this financial year, a significant event notice was issued on 30 April 2015 to members account balances near or below \$1,000 to notify them of the removal of small member account protection standards (see *Removal of small member account protection standards above* for more information).

A copy of all significant event notices can be accessed at macquarie.com.au/yourwrap

Changes to offer documents

Following the end of this financial year, 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 28 September 2015
- an updated Further Information Booklet was issued on 28 September 2015
- an updated Technical Information Booklet was issued on 1 July 2015.

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

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 ClientView website accessible from **online.macquarie.com.au** or any other relevant website, app or online portal used for Macquarie Wrap in the future.

If you would like to update your email address please speak to your adviser or 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. You acknowledge that it is your responsibility to regularly check your email address or ClientView 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 2015.

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 2016.

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 a majority 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 2014–15 financial year, the following changes affecting superannuation occurred. Some of these changes are subject to passage of legislation through Parliament, as indicated below.

Concessional contributions cap

The general concessional contributions cap increased on 1 July 2014 from \$25,000 to \$30,000 as a result of indexation.

In 2014–15, the higher concessional contributions cap of \$35,000 was extended to individuals aged 49 and over at 30 June of the previous financial year.

These caps remain unchanged in 2015–16.

Non-concessional contributions cap

The standard non-concessional contributions cap increased on 1 July 2014 from \$150,000 to \$180,000.

Those under age 65 at any time in the financial year, may use the 'bring forward' rule to contribute up to three times the standard non-concessional cap, so as to contribute a maximum of \$540,000 over a three year period where the 'bring forward' rule is triggered from 1 July 2014.

These caps remain unchanged in 2015–16.

Members wishing to make use of this rule should seek professional advice.

Excess non-concessional contributions

Legislation to amend the treatment of excess non-concessional contributions made from 1 July 2013 was passed by Parliament in March 2015. The changes allow individuals to withdraw an excess amount, plus 85 per cent of an associated earnings

amount. The associated earnings amount is calculated using the Australian Taxation Office's general interest charge rate for each of the quarters of the financial year in which excess contributions is made, commencing on 1 July of that year.

The entire associated earnings amount is included in the individual's assessable income and taxed at marginal rates, with the individual receiving a 15 per cent non-refundable tax offset on this amount.

Any excess amount not released will continue to be taxed at the highest marginal tax rate.

Low income superannuation contributions

Legislation was passed by Parliament to cease payment of the low income superannuation contribution (LISC) for contributions made after 30 June 2017. LISC effectively provides a refund of tax paid on taxable contributions (eg Superannuation Guarantee contributions) up to a maximum of \$500 per year, where an individual's income is less than \$37,000.

Superannuation Guarantee

The Superannuation Guarantee (SG) rate increased from 9.25 per cent to 9.5 per cent on 1 July 2014.

The SG rate will be paused at 9.5 per cent from 1 July 2015 to 30 June 2021. It will then increase to 10 per cent from 1 July 2021, with further increases of half a percentage point each year until it reaches 12 per cent on 1 July 2025.

SuperStream

Measures aimed at improving the administration and management of member accounts were introduced from 1 July 2013. These measures, known as SuperStream, 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 medium to large employers from 1 July 2014, subject to transitional arrangements. For small employers, the standard applies from 1 July 2015.

Deeming of account based pensions

From 1 January 2015, the treatment of account based pensions under the income test for social security entitlements changed.

An assumed amount of income known as 'deemed' income is assessed under the income test from 1 January 2015, replacing the previous method of assessing an individual's pension income less a deduction amount.

Where an individual had an existing account based pension and were in receipt of social security benefits on 1 January 2015, their pension will continue to be assessed under the pre 1 January 2015 rules provided both the pension and social security entitlements are retained.

Changes to the treatment of account based pensions for the Commonwealth Seniors Health Card (the Card) also became effective from 1 January 2015.

Deemed income from account based pensions will be included in the income test for the Card from 1 January 2015.

Where an individual had an existing account based pension and held the Card on 1 January 2015, their pension will continue to be exempt from the income test provided both the pension and Card is retained.

Increase to low rate cap

The low rate cap increased from \$180,000 to \$185,000 from 1 July 2014 as a result of indexation. The low rate cap limits the amount of taxable component benefits an individual may withdraw from their super 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.

Increase to Medicare levy

As a result of the introduction of the National Disability Insurance scheme, the Medicare levy increased on 1 July 2014 from 1.5 per cent to two per cent. This may impact on tax withheld on some payments from superannuation.

Temporary budget repair levy

In the 2014 Federal Budget, the Government introduced a temporary budget repair levy. The levy is calculated as two per cent of the part of an individual's taxable income that exceeds \$180,000 in the 2014–15, 2015–16 and 2016–17 income years. This may increase the tax withheld on some payments from superannuation.

The levy also increases the tax applicable to certain excess non-concessional contributions and for concessional contributions where no Tax File Number is provided to the fund.

Insurance within superannuation

From 1 July 2014 restrictions on the types of insurance that can be put in place within a superannuation fund came into force. There must be alignment of the insured benefits provided under the policy with the superannuation law payment rules for death, terminal medical condition, permanent incapacity or temporary incapacity.

This means that superannuation fund trustees are not able to take out certain types of cover or cover with certain features and benefits from 1 July 2014. Insurance cover held for existing fund members that was in place prior to 1 July 2014 is not affected.

Terminal Medical Condition

Members may be able to access their benefits if they suffer a terminal medical condition.

To withdraw benefits under this condition of release, from 1 July 2015, the member must have a life expectancy of less than 24 months, as determined by two registered medical practitioners, at least one of whom is a specialist.

The life expectancy period has been extended from 12 to 24 months. Where a member holds a life insurance policy that provides terminal illness benefits, they may be able to access their superannuation benefits before the insurance policy is eligible to pay a benefit. Where this occurs and to prevent the loss of the insurance policy, it may be prudent for members to maintain a balance within the fund to continue paying premiums until a payment from the insurance policy is made.

Members should seek professional advice if they believe this is relevant to their circumstances.

Lost member accounts

Legislation was passed by Parliament to increase the threshold below which superannuation funds are required to transfer small lost accounts to the ATO. The threshold will increase from \$2,000 to \$4,000 from 31 December 2015 and further increase to \$6,000 from 31 December 2016.

The APRA levy

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

As the fund is regulated by APRA, the next levy instalment will be debited from members' accounts no later than February 2016.

Trustee and fund management information

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

During the 2014/15 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 (\$1.808 billion)
- in Macquarie Group Limited (\$2.645 billion) including the Macquarie Wrap Solutions Cash Account (\$1.196 billion)
- in Dimensional Funds Australia Limited (\$2.110 billion), and
- in Vanguard Investments Australia Limited (\$1.356 billion).

The Trustee is covered by the professional indemnity insurance taken out by the Macquarie Bank 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 Trust Company Superannuation Services 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 still 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

The relevant PDS 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 2015

	2015 \$'000	2014 \$'000
Superannuation activities		
Investment revenue		
Interest	32,119	34,480
Distributions from unit trusts	525,036	340,833
Dividends	139,691	119,328
Changes in investments measured at fair value	361,833	849,190
Total investment revenue	1,058,679	1,343,831
Total revenue	1,058,679	1,343,831
Expenses		
Operating expenses	166,684	151,688
Total expenses	166,684	151,688
Net Income from superannuation activities	891,995	1,192,143
Profit before income tax	891,995	1,192,143
Income tax benefit	61,983	21,231
Profit after income tax	953,978	1,213,374

Statement of financial position as at 30 June 2015

	2015 \$'000	2014 \$'000
Assets		
Cash and cash equivalents	396,229	316,072
Investments	14,128,533	12,614,425
Receivables	160,985	132,676
Current tax asset	31,664	21,522
Deferred tax asset	–	–
Total assets	14,717,411	13,084,695
Liabilities		
Trade and other payables	14,903	13,474
Deferred tax liability	19,238	1,960
Total liabilities excluding member benefits	34,141	15,434
Net assets available for member benefits	14,683,270	13,069,261
Member vested benefits	14,680,791	13,067,581
Total Net Assets	2,479	1,680
Equity		
Unallocated surplus	–	–
Tax reserve	2,479	1,680
Total equity	2,479	1,680

⁸ This annual report contains abridged financial information for the financial year ended 30 June 2015 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 2015

	2015 \$'000	2014 \$'000
Opening balance of member benefits	13,069,261	11,273,930
Contributions		
Transfers in from other superannuation plans	1,449,368	1,313,720
Member	664,133	510,318
Employer	259,779	222,111
Government co-contributions	547	773
Income tax on contributions		
Contributions tax	(45,110)	(36,897)
Contributions surcharge tax	(4)	(4)
Contributions net of tax	2,328,713	2,010,021
Transfers out to other superannuation plans	(804,107)	(673,845)
Benefits paid to members	(806,413)	(703,247)
Insurance premiums charged to members' accounts	(69,021)	(56,631)
Death and disability benefits credited to members' accounts	10,858	5,659
Benefits allocated to members' accounts comprising		
Net investment income	1,058,680	1,343,831
Operating expenses	(166,683)	(151,688)
Income tax benefit	61,983	21,231
Closing balance of member benefits	14,683,270	13,069,261

Contacts

Mailing address

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Brisbane QLD 4000

South Australia

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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.au/clientview](https://www.macquarie.com.au/clientview) or mail us at Macquarie Wrap, GPO Box 4045, Sydney NSW 2001.