



Annual Trustee Report to Members

30 June 2016



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what's your super's
starting point?

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Do more online!

Log into Member Online to roll money into AvSuper and apply for insurance

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Your super fund – AvSuper

For over 25 years, AvSuper has been providing outstanding service to members on a **profit for member** basis - many of those members have been with us from the day we started. You can count on us to continue to be a strongly member focussed organisation that works hard to deliver consistent long term investment performance and low fees.

Across Australia, AvSuper members include skilled specialists such as air traffic controllers, aviation rescue and fire fighters, engineers, technical officers, pilots and aviation safety specialists, along with associated management, technical and administration staff. We also provide membership to many Australian public service employees, especially in the Canberra region.

An increasing number of people from other industries have also chosen AvSuper to care for their super, as well as family members of current AvSuper members.

AvSuper doesn’t pay commissions to financial advisers and is run only to profit members.

Did you know...

... you can stay with AvSuper even if you change employers, and even if you stop working or retire?

... all employers can contribute to your AvSuper account?

AvSuper provides our **6,500 members (and \$2 billion of their retirement savings)** with the best of all worlds by delivering quality superannuation products and highly personalised service to individual members. Our unique structure combines the best of corporate, industry and retail super funds.

With the same low fees and membership structure as accumulation accounts, AvSuper's retirement income stream options are simple, cost-effective solutions for maintaining your money as you move from work to leisure in retirement.



Report by our Chair

Grexit, Brexit, Frexit and the Olympics

Twelve months ago, world markets teetered on news that Greece may be thrown out of the European Union. Every time the International Monetary Fund (IMF) or European Central Bank's planes landed in Athens, markets dipped in anticipation.

Recently, Britons voted to leave the EU, but the Scots didn't want to leave. Again, markets teetered. USA employment figures, Chinese growth figures, elections in the US and Australia... what will the markets do?



The truth is they will do what they have always done.

Information is processed and normality returns. Today, a visit from the European powerbrokers to Greece is barely mentioned in the press. Two weeks after the Brexit vote, the markets had rebounded to better than before.

While doomsaying may sell newspapers and make great headlines, many of the economic outcomes these events are meant to foretell simply don't occur. Or they are forgotten within days, weeks and certainly months, as journalists move to the next attention grabbing item.

So we have Brexits, Grexits and maybe Frexits... It will be a bonanza for headline editors if Spain ever wants to leave the EU!

The GFC's near catastrophic effects in the world's financial markets have largely been overcome. The S&P500 is now higher than before 2008! But as that isn't newsworthy, it doesn't make headlines.



The race facing AvSuper and your retirement savings is not the Olympic 100 metres. It's more akin to the marathon. And despite all the ups and downs, and who might be leading at the half-way mark, it is who crosses the line strongly at the end that counts.

At AvSuper we maintain a longer view on the state of the investment world. Your superannuation needs a similar focus. After all, it is your savings over a 30 year time horizon or more.

We do not change our focus from year to year. It is not important to be top of the table in one year alone. It is the performance of your Fund over the marathon of your working life that will deliver the type of retirement you desire.

Remember AvSuper offers more than consistent returns. Our advice team is simply the best. When you call you get a

person on the other end of the line – in fact, you get a qualified financial adviser, no matter what your question. No other fund in the country can offer that.

Getting good advice is like good coaching. Advisers can set goals, know how to achieve them, and avoid all the pit-falls that taxation and changing Government regulation throw in your way.

And we have insurance offerings that are unbeatable within the industry, particularly for the types of work that many of our members are employed in.

With strong backup, a good advice team behind you to call on and an investment team that keeps focus on the long term **gold medal outcomes are possible for all our members.**

George Fishlock,
Chair



Report by our CEO

In the last financial year, we assisted more than 82% of individual AvSuper members – including formal advice sessions – with various superannuation requests. Overwhelmingly, these inquiries fell into two main categories:

- where am I right now with my super, and
- how do I get to the position I need to retire comfortably?

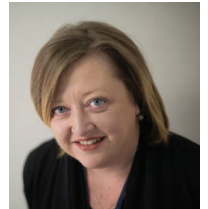
Your super, and your retirement is obviously not an Olympic race, but your starting point, and how you get to the finish line really counts. As many of our members have discovered by talking to us in the last year, there are many ways you can make a small or large difference to your personal super finish line, regardless of your current super starting point.

This year's Annual Report provides you with even more investment information. We've also provided an important update on our member insurance arrangements as well as an overview of the key

implications for your super arising from the 2016 Federal Budget (noting that these remain proposals only at this stage, as legislation has yet to be passed by the Government).

As always, I encourage you to read your annual member statement and this Trustee Report carefully, and contact our Member Advice team for any information and advice on how you can improve or enhance your super outcomes, no matter how near or far away your retirement may be.

Michelle Wade,
CEO



Administration Manager's insurance update



Shan Badowski,
Administration Manager

AvSuper believes insurance cover provides financial security and peace of mind, so we offer three types of cover to eligible members.

To ensure we continue to provide the best value and superior cover for you, we review our death, total & permanent disablement (TPD) and income protection policies every three years.

At this year's review, we decided to stay with the same insurer but with some pricing changes, reflecting overall increases in insurance pricing across the market.

Effective 1 November 2016

Most importantly, unlike some other super funds that have recently increased the cost of their insurance and reduced benefits for their members, AvSuper has been able to maintain our current

insurance benefits for AvSuper members although it will be at an increased cost.

This includes maintaining our existing disability definitions that provide better cover for our members than proposed definitions throughout the industry.

The changes are outlined below and detailed in the Significant Event Notice on our website. Please read this information carefully, to ensure that you are aware of these changes, how the changes will affect you and the date from which the changes take effect.

Cost of cover

AvSuper provides superior insurance options to include all our members, including fire fighters, air traffic controllers, pilots and other occupations considered too risky by many insurers. To maintain this level of cover, our

insurance fees (or premiums) need to increase for **the first time in 6 years**, from 1 November 2016.

The fees applicable from 1 November 2016 are shown opposite. Please see our website for the full fixed cover fees table and the value of voluntary units. Income Protection insurance fees remain the same, as will your level of cover (ie the level of cover per unit is not changing).

Note that any existing additional loadings will be applied for individual members as appropriate.

The payment of insured benefits depends on eligibility for cover and payment as determined by the Trustee and the insurer.

Weekly voluntary cover fees (per unit of cover)

Type of cover	Occupation class			
	Professional	White collar	Light blue collar	Heavy blue collar
Death only	\$0.34	\$0.40	\$0.57	\$1.03
Death and TPD	\$0.51	\$0.60	\$0.85	\$1.53

Sample annual fixed cover fees* (per \$1,000 of cover)

Age	Death only	Death & TPD	Age	Death only	death & TPD
15 - 25	\$0.35	\$0.52	45	\$1.28	\$1.93
30	\$0.39	\$0.58	50	\$2.27	\$3.41
35	\$0.45	\$0.68	55	\$3.69	\$5.54
40	\$0.67	\$1.01	60-69	\$5.37	\$8.05

AvSuper Insurance Claims

If you believe you are eligible for an insurance payout, be sure to inform us as soon as possible and provide us with the relevant information. I suggest you call us before lodging paperwork so we can tell you what information and documentation we need for your circumstances.

We review every insurance claim made by our members, and if we believe a claim has been wrongly rejected or reduced, we will follow up with the insurer.

Annual Corporate cover fees (per \$1,000 of cover)

Age	Male death & TPD	Female death & TPD	Age	Male death & TPD	Female death & TPD
15	\$0.58	\$0.26	38	\$0.80	\$0.67
16	\$0.58	\$0.26	39	\$0.86	\$0.76
17	\$0.58	\$0.26	40	\$0.95	\$0.87
18	\$0.58	\$0.26	41	\$1.08	\$1.00
19	\$0.58	\$0.26	42	\$1.22	\$1.11
20	\$0.56	\$0.25	43	\$1.39	\$1.23
21	\$0.55	\$0.25	44	\$1.56	\$1.32
22	\$0.52	\$0.24	45	\$1.75	\$1.43
23	\$0.51	\$0.23	46	\$1.96	\$1.57
24	\$0.51	\$0.23	47	\$2.20	\$1.77
25	\$0.50	\$0.23	48	\$2.48	\$2.00
26	\$0.49	\$0.21	49	\$2.77	\$2.27
27	\$0.49	\$0.22	50	\$3.11	\$2.58
28	\$0.48	\$0.23	51	\$3.47	\$2.90
29	\$0.50	\$0.23	52	\$3.89	\$3.25
30	\$0.50	\$0.24	53	\$4.32	\$3.63
31	\$0.52	\$0.29	54	\$4.77	\$3.96
32	\$0.55	\$0.32	55	\$5.21	\$4.32
33	\$0.58	\$0.35	56	\$5.75	\$4.68
34	\$0.63	\$0.40	57	\$6.37	\$5.04
35	\$0.64	\$0.46	58	\$7.07	\$5.41
36	\$0.68	\$0.52	59	\$7.84	\$5.82
37	\$0.73	\$0.59			

* Based on the Light blue occupation class. A loading of 60% (professional), 70% (white collar) or 180% (heavy blue collar) of the light blue collar fees applies.

AvSuper news

What you told us about AvSuper

For more than five years, we've been inviting feedback from members through a Net Promoter Score survey. We've always cherished this great feedback, and this year the results are on our website!

There's an app for that

We're pleased to say that we'll soon be launching our new mobile app to help members stay in touch while on the go. The app will include unit price graphs, contact details and other highlighted information.

If you'd like to be one of the first to trial our app, please let us know via avsinfo@avsuper.com.au or 1800 805 088.



Updated contribution caps

The caps, or limits, on contributions to your super were indexed and thus increased from 1 July 2015. Please refer to our *understanding contributions limits fact sheet* for full details on how these limits may affect you.

QROPS (Qualified Recognised Overseas Pension Schemes)

Although AvSuper was registered to accept retirement savings via the QROPS scheme, changes to UK law means that you can no longer transfer any UK savings into AvSuper (or most other Australian super funds) without tax penalties.

Have you tried the new Member Online?

Launched in January, it had a few rough spots we hadn't expected but now it has settled in we hope you find it a useful improvement. Benefits and features include:

A central dashboard displays key features

- current balance
- insurance details (if applicable)
- your balance history

Improved password setting and enhanced security

More flexibility for viewing the unit prices data

All of the key information including

- your personal details
- transaction information (insurance, contributions, investments)

The ability to

- manage how your account is invested
- manage your beneficiaries
- apply for additional voluntary insurance cover

Have you made use of our personalised advice service yet?

Now may be the time as we can offer even more help for you, and still with no commissions.

AvSuper's Member Advice Consultants can help you consider your retirement options alongside your Centrelink entitlements. We can also help you understand the financial impact of a redundancy package.

That means we can help you find the most effective retirement plan for your situation as well as help choose investment strategies, insurance solutions and contribution arrangements.



BACK ROW:

Ross Connors - Member Advice Consultant

Wilson Lau - Member Advice Consultant

Silas Dingiria - Manager (Member & Employer Services)

FRONT ROW:

Carl Wilson - Senior Member Advice Consultant (and income stream guru!)

Debbie-Jane Campbell - Member Advice Consultant

Investment overview for 2015-16

Investment Option	2015-16 returns ^	Benchmark return	Rolling returns	Rolling years	Investment Objective (CPI +)
Growth (MySuper)	3.0%	2.7%	8.1%	5	4.5%
Conservative Growth	2.8%	4.0%	5.1%	3	1.5%
Stable Growth	3.3%	4.0%	8.1%	4	2.5%
Balanced Growth	0.8%	3.0%	#	4	3.0%
High Growth	2.0%	0.1%	10.1%	7	5.5%
Cash	1.9%	1.8%	2.6%	3	1.0%
Australian Shares	1.7%	0.5%	#	7	6.0%
International Shares	0.5%	-1.9%	#	7	6.0%

^ Returns are net of fees and taxes # Long term data is unavailable for our newer options

One of the things that make AvSuper different to other super funds is our in-house Member Advice Team. We don't outsource customer service – so when you contact AvSuper, you can count on your call or email being handled by experienced, qualified super professionals and financial advisers employed in our Trustee Office – not an anonymous call centre.



AvSuper long term returns

All AvSuper investment returns are shown after allowing for relevant investment fees and taxes.

Accumulation Account Returns to 30 June								
INVESTMENT OPTION						Compound Average		
	2016	2015	2014	2013	2012	5 yr *	10 yr *	
Growth (MySuper) (default)	3.0%	8.5%	12.9%	18.4%	-1.3%	8.1%	5.1%	
Conservative Growth	2.8%	4.6%	7.9%	9.0%	4.8%	5.8%	N/A	
Stable Growth	3.3%	6.4%	10.6%	12.2%	2.6%	7.0%	5.4%	
Balanced Growth	0.8%	N/A	N/A	N/A	N/A	N/A	N/A	
High Growth	2.0%	10.6%	15.8%	24.7%	-1.6%	9.9%	5.3%	
Cash	1.9%	2.4%	3.7%	3.2%	4.8%	3.2%	3.9%	
Australian Shares	1.7%	5.4%	18.4%	26.4%	-7.3%	8.2%	N/A	
International Shares	0.5%	14.3%	14.3%	25.8%	0.7%	10.7%	N/A	

Remember that past performance is not always indicative of future performance.

* Five and ten year history is not yet available for some options

Income Stream Returns to 30 June								
INVESTMENT OPTION						Compound Average		
	2016	2015	2014	2013	2012	5 yr *	10 yr *	
Growth	3.3%	9.6%	14.7%	20.1%	-0.1%	9.3%	5.5%	
Conservative Growth	3.2%	5.1%	8.4%	10.3%	5.6%	6.5%	N/A	
Stable Growth	3.7%	7.2%	10.6%	13.7%	3.7%	7.7%	5.9%	
Balanced Growth	1.1%	N/A	N/A	N/A	N/A	N/A	N/A	
High Growth	2.3%	11.7%	17.1%	27.8%	-2.6%	10.8%	5.7%	
Cash	2.2%	2.7%	2.9%	3.7%	4.9%	3.3%	4.3%	
Australian Shares	2.4%	6.9%	18.3%	26.2%	-6.6%	8.8%	N/A	
International Shares	0.4%	16.5%	16.0%	30.0%	9.9%	14.2%	N/A	

Investment earnings in our income stream products are tax free for members, so returns will vary from those in accumulation accounts. Superannuation payments made to members aged over 60 in either division are also generally tax free.

Investment Manager's Overview



Sue Field,
Investment Manager

Once again, it has been a volatile environment for investment markets during 2015-16. However, it is pleasing to see positive investment earnings for AvSuper members for the last financial year, albeit modest ones, across each of AvSuper's investment options. Members in our default investment option, Growth (MySuper), secured 3.1% this year (net of investment fees and taxes).

Of course, super is a long term investment and the most important metric for most members is the longer term investment return, such as over five and ten year periods. These have continued to strengthen, despite challenging short term investment market hiccups. You can see short and long term returns for each of our investment options on page 9 of this report.

Results for Key Asset Classes

It was another dramatic end to the financial year which saw positive returns over all, but not before some good prior performance was eroded by strong market swings in response to the UK voting to leave the European Union (known as Brexit) in late June 2016. China fears spooked markets periodically, especially in August 2015 and January

2016, and political turmoil at home and abroad more generally all rattled investment markets throughout the year.

As reported to you last year, AvSuper has maintained a prudent and conservative investment approach and we continue to hold very strong cash balances. Strategically, we're positioned with a small underweight to equity asset classes and with an overweight to traditional property and infrastructure sectors which has served the portfolio well.

Most importantly, the Trustee has been very active in ensuring that our investment portfolio delivers strong, long term returns, and in the short term we've manoeuvred the portfolio cautiously where necessary to weather short term shocks. We anticipate a period of low positive returns in the next few years.

Australian Shares: The Australian share market had a disappointing year overall with an annual return of less than 1% for the ASX300, a similar result to that of AvSuper's Australian shares portfolio. AvSuper's investments in this asset class are highlighted further on page 12.

International Shares: With Brexit hitting stock markets globally, we saw similar very low but nevertheless positive results in our international shares portfolio overall, which similarly closed at less than 1% for the financial year, although there were negative investment returns in some specific geographical regions. Equity returns generally were disappointing and certainly not a key contributor to AvSuper's overall investment performance this year. However, our investment manager Independent Franchise Partners contributed another solid year (11.6%) which well outperformed market benchmarks.

Infrastructure: AvSuper's infrastructure assets confirmed their solid foundation by continuing to hold the highest returns for members (8.0%) for the year, well ahead of market benchmark expectations. Our long term holding in the Utilities Trust of Australia provided a significant contribution (14.8%) to this return.

Growth Alternatives: This sector performed well for the year, closing at 7.1%. This well diversified portfolio of assets had mixed results from individual managers, with international private equity (secondaries) manager Coller Capital performing well (18.8%).

Property: After several previous years of lacklustre performance, the significant changes we have made to this portfolio have finally begun to pay off, with 11.3% for the

financial year returned. The Investa Core Property Fund contributed a very healthy 14.2% and we continue to be optimistic about our property portfolio into the future.

Currency & Cash: The Australian dollar had a very bumpy ride throughout much of the year finishing at under US\$0.74 at the end of June 2016. This currency depreciation was in line with falling commodity prices and resource investment. AvSuper had defensive active hedging currency strategies in place reducing the impact of the currency drop for members.

Looking ahead...

Last year we cautioned that members should not expect double digit returns in the near term, and unfortunately this did eventuate, together with more geopolitical risks, Brexit, lower interest rate environments in Australia and looming political elections around the globe. The geopolitical risk landscape is set to continue to be uncertain as we enter the new financial year.

This uncertainty flows through to investment markets and forces investors to seek safe havens in USD currency, cash and other conservative assets, which generally produce low investment earnings. Challenges certainly lie ahead.

We continue to seek opportunities as they arise, particularly in alternatives investments. The portfolio is well diversified and quite balanced and we expect to maintain this position for some time yet.



Tracking Australian Shares

As at 30 June 2016, AvSuper had more than 20% of Fund assets (approximately \$400 million of members’ retirement savings) invested in Australian share markets.

The Trustee’s Investment Committee is responsible for identifying and engaging high performance specialist investment managers who manage the Trustee’s Australian shares investment, in accordance with strict investment guidelines and objectives set by the Investment Committee. These investment managers, and the underlying investments are regularly monitored and assessed for performance (including long term performance) by AvSuper.

Despite very volatile markets in recent years, and a very modest return in 2016, our Australian shares investments have performed solidly over the longer term, returning approximately 7.7% over the last 5 rolling years, and 5.6% over the last 10 years (net of fees and tax).

Current Investment Managers – as at 30 June 2016

Cooper Investors - \$166 million
Schroder Investment - \$118 million
Perpetual Investments - \$117 million



Gold medal

Our best performing Australian shares manager for the year ending June 2016 was Cooper Investors. Appointed by AvSuper in October 2012, Cooper returned 6% in 2016 and more than 12% over the last 3 rolling years.

Cooper manages a concentrated shares portfolio of between 20 and 40 share stocks, with their stock selection being the main driver for their superior long term performance outcomes. The manager’s style has a value and quality bias, and they have currently positioned the portfolio with an overweight to the Industrials sector and an underweight to Financials.

Some of the key Australian stocks that Cooper currently invests in are:

- Ramsey Health Care
- Sydney Airport
- Brambles



Future Outlook

From today’s vantage point, AvSuper believes that Australian share markets will remain challenging and that forward returns, over the medium term (3 to 5 years) will be reasonable, but will likely remain lower than the “highs” reached before 2007, which have shaped today’s investor expectations. We remain slightly underweight our long term asset allocation target for Australian shares for most of our diversified investment options with this in mind.

	Portfolio weight	Benchmark weight	Active weight
National Australia Bank Limited	6.39	4.78	1.61
Commonwealth Bank of Australia	5.96	9.07	-3.11
Westpac Banking Corporation Limited	4.09	6.97	-2.89
Australia and New Zealand Banking Group Limited	3.96	5.01	-1.04
Telstra Corporation Limited	3.76	4.83	-1.08
Woolworths Limited	3.57	1.90	1.67
CSL Limited	3.44	3.65	-0.21
BHP Billiton Limited	3.43	4.26	-0.83
Brambles	2.91	1.39	1.51
Wesfarmers	2.65	3.21	-0.56
TOTAL	40.15	45.07	-4.92

Get started with AvChat

Wilson Lau,
AvSuper Member
Advice Consultant



AvChat

ONLINE NOW

AvChat, our online chat service, is a quick way to get in touch with us – you can ask a question, make a booking, update details or request a form/document.

Many of our members have found it a useful tool, whether for getting help with Member Online, asking for information or booking time with an adviser.

Sitting at your desk but without enough privacy to call us, AvChat is the perfect option. It's easy to access at the top right of most of our web pages.

Go to www.avsuper.com.au

Other investment information

Unitisation

AvSuper's accumulation and income stream investments are unitised. Units are allocated when we receive a contribution or rollover for you. Your unit holding decreases when you make a withdrawal, receive an income stream payment, leave AvSuper or we deduct fees or taxes.

Unitisation is similar to buying and selling stocks, with frequent price changes. The allocation price is based on that week's unit price so even regular transactions often convert to a different number of units. For members, the buying and selling price is the same each week. We take out fees and any applicable tax before setting unit prices. Our website shows current and historical unit prices.

Diversification for risk management

In our pre-mixed options, your super is deliberately invested with a long term focus and diversified across several asset classes and investment managers per

asset class. This allows for more consistent returns and takes advantage of various investment styles. These options offer more diversification than our single asset class options.

AvSuper's Cash, Australian Shares and International Shares options each invest in only one asset class. However, to maintain diversity and manage risk, they are invested across a number of sectors and companies, and managed by multiple managers.

Unlisted assets

AvSuper also invests in Australian and international unlisted funds for increased diversification and stability. This also provides more buffering from inflation and scope for direct tax benefits.

We continually monitor our portfolio and market fluctuations, with the expectation these assets can potentially give more value to members' savings.

Derivatives

Our derivatives policy imposes tight controls on our investment managers' use of derivatives. They must only be used conservatively and for controlling risk, and never be used to gear portfolios.

Operational risk reserve

The Trustee maintains an Operational Risk Financial Requirement (ORFR) reserve to cover losses arising from significant operational risks and risk events (not otherwise covered).

	Reserve balance	Change from prior year
2016	\$8,823,389	+\$3,389,990
2015	\$5,424,399	+\$2,291,407
2014	\$3,132,992	\$2,131,823

Defined benefit accounts (Corporate members)

If you are a defined benefit member, your super is based on a combination of your years of service, contribution rate and final average salary. Declines in the value of defined benefit assets don't generally affect your final payment as the investment risk is borne by your employer. AvSuper's defined benefit division remains financially sound, fully funded and well supported by Airservices Australia and CASA.

Although your defined benefit arrangement must end **when you cease corporate employment, you can stay with AvSuper** and receive contributions from any new employer. Unless you tell us otherwise within 28 days of ceasing employment, your benefit will be transferred to an AvSuper accumulation account in your name and invested in the default Growth (MySuper) option.

Superannuation surcharge

The super surcharge was a contributions tax that ended in July 2005. Your member statement shows any applicable outstanding surcharge. **Interest is applied to this debt.** Unless you make arrangements to repay the debt earlier, the outstanding debt will be deducted from your final benefit when you leave the defined benefit division.

Investment returns & objectives

The primary objective is an after tax and fees return exceeding Average Weekly Ordinary Time Earnings (AWOTE) increases by at least 1.5% over rolling five years.

Investment returns for the Defined Benefit division (after fees and taxes)

One Year Return for 2015-16	2.5%
Five Year Compound Average Return Per Annum	7.7%
Ten Year Compound Average Return Per Annum	5.0%

Long term strategic asset allocation* at 30 June 2016

Asset Class	Benchmark	Asset Allocation Ranges
Australian Shares	14%	10-35%
International Shares	16%	10-35%
Property	8%	0-15%
Infrastructure	5%	0-15%
Growth Alternatives	7%	0-15%
Defensive Alternatives	20%	0-30%
Diversified Fixed Income	20%	0-30%
Cash	10%	0-20%

* Ranges and benchmarks are unchanged from June 2015

Member investment choice

As an AvSuper accumulation and/or income stream member, you can access member investment choice. Your options are outlined on the following pages and described in detail in *AvSuper's Member Investment Choice Guide*.

AvSuper's member investment choice enables you to choose one or any combination of the eight investment options. You can have your current super balance and future contributions (or drawdowns for Income Streams) invested identically or in different ways. It's up to you!

You can change the way your super is invested in our investment options at any time; this is called switching. Even better, AvSuper doesn't charge a fee to switch investment options! Switching can be done online or by completing a *Nominate or switch investment options form* downloaded from our website.

If you do not make an investment choice, your balance will automatically be invested in the AvSuper Growth (MySuper) option (for accumulation members) or in the Balanced Growth and Cash options (for income stream members).

Your member statement shows if you have an accumulation, income stream or defined benefit account.

AvSuper's investment options

- Growth (MySuper)
- Conservative Growth
- Stable Growth
- Balanced Growth
- High Growth
- Cash
- Australian Shares
- International Shares

Each option has its own performance objectives, investment strategy and risk/return profile as shown on the following pages. Note that past performance is not always indicative of future performance.

AvSuper sets a range for each asset class in our options to take advantage of market opportunities by varying allocations. Thus the asset class weighting may vary from the target asset allocation. These ranges have not changed since June 2015.

Rebalancing

Through member investment choice, you can invest your money proportionally across growth and defensive assets. However, over time the distribution of your money may not align with those choices. Moving money between investment options to realign your account is called rebalancing and our team can help you manage this.

AvSuper options

Growth (MySuper) *

Designed for members who accept it involves a medium risk level to get moderately higher returns over the medium and longer term.

Primary objective

To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 4.5% pa over **rolling five-year periods and ten-year periods**.

Standard Risk Measure

Risk band	5
Risk label	Medium to high
Expected frequency of negative return in 20 years	3 to less than 4

Investment management fee: 0.77% pa

Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range	Asset Class	Benchmark	Range
Australian Shares	36%	20 - 45%	Diversified Fixed Income	13%	0 - 30%
International Shares	24%	20 - 45%	Cash	2%	0 - 10%
Property	10%	0 - 20%	Defensive Alternatives	5%	0 - 10%
Infrastructure	5%	0 - 10%			
Growth Alternatives	5%	0 - 10%			

* default accumulation option if no choice is made

Conservative Growth

Designed for members who are approaching retirement or who are generally risk adverse, but want to maintain some growth potential.

Primary objective

To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 1.5% pa over **rolling three-year periods**.

Standard Risk Measure

Risk band	2
Risk label	Low
Expected frequency of negative return in 20 years	0.5 to less than 1

Investment management fee: 0.51% pa

Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range	Asset Class	Benchmark	Range
Australian Shares	12%	0 - 20%	Diversified Fixed Income	30%	20 - 60%
International Shares	8%	0 - 20%	Cash	30%	10 - 40%
Property	10%	0 - 20%	Defensive Alternatives	10%	0 - 20%
Infrastructure	0%	0 - 10%			
Growth Alternative	0%	0 - 10%			

Images of Adelaide airport courtesy of Steven Schueler

Stable Growth

Designed for members who want to maintain some exposure to growth assets, balanced by a similar exposure to defensive assets.

Primary objective

To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 2.5% pa over **rolling four-year periods**.

Standard Risk Measure

Risk band	4
Risk label	Medium
Expected frequency of negative return in 20 years	2 to less than 3

Investment management fee: 0.60% pa

Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range	Asset Class	Benchmark	Range
Australian Shares	20%	10 - 30%	Diversified Fixed Income	25%	15 - 50%
International Shares	10%	10 - 30%	Cash	20%	0 - 30%
Property	10%	0 - 20%	Defensive Alternatives	5%	0 - 10%
Infrastructure	5%	0 - 10%			
Growth Alternatives	5%	0 - 10%			

Visit our site for more details on each option

Balanced Growth

Designed for members who want reasonable exposure to growth assets balanced by a slightly lower weighting to defensive assets.

Primary objective

To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 3.0% pa over **rolling four-year periods**.

Standard Risk Measure

Risk band	4
Risk label	Medium
Expected frequency of negative return in 20 years	2 to less than 3

Investment management fee: 0.69% pa

Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range	Asset Class	Benchmark	Range
Australian Shares	28%	15 - 35%	Diversified Fixed Income	19%	2 - 25%
International Shares	17%	15 - 35%	Cash	11%	0 - 20%
Property	10%	0 - 20%	Defensive Alternatives	5%	0 - 20%
Infrastructure	5%	0 - 10%			
Growth Alternatives	5%	0 - 10%			

one of two default income stream options if no choice is made

AvSuper options (continued)

High Growth

Designed for members who accept it involves a higher level of risk to achieve greater returns in the long term.

Primary objective

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 5.5% pa over **rolling seven-year periods**.

Standard Risk Measure	
Risk band	6
Risk label	High
Expected frequency of negative return in 20 years	4 to less than 6

Investment management fee: 0.82% pa

Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range
Australian Shares	54%	30 - 70%
International Shares	36%	30 - 70%
Property	0%	0 - 30%
Infrastructure	5%	0 - 30%
Growth Alternatives	5%	0 - 30%

Australian Shares

Designed for members who want to invest in sharemarkets and accept the higher risk for greater long term returns.

Primary objective

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 6% pa over **rolling seven-year periods**.

Standard Risk Measure	
Risk band	6
Risk label	High
Expected frequency of negative return in 20 years	4 to less than 6

Investment management fee: 0.72% pa

Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range
Australian Shares	100%	NA

International Shares

Designed for members who want to invest in sharemarkets and accept the higher risk for greater long term returns.

Primary objective

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 6% pa over **rolling seven-year periods**.

Standard Risk Measure	
Risk band	6
Risk label	High
Expected frequency of negative return in 20 years	4 to less than 6

Investment management fee: 0.98% pa

Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range
International Shares	100%	N/A

Cash #

Designed for members who have a short investment horizon. It provides higher capital security but usually much lower returns than the other options over most periods.

Primary objective

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 1% pa over **rolling three-year periods**.

Standard Risk Measure	
Risk band	1
Risk label	Very Low
Expected frequency of negative return in 20 years	<0.5

Investment management fee: 0.12% pa

Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range
Cash	100%	N/A

one of two default income stream options if no choice is made

Image of Adelaide airport courtesy of Airservices Australia

Investment managers

AvSuper uses a range of professional investment managers to invest members' money according to specific objectives and strategies (including strategies to guard against excessive risk) set out by the AvSuper Trustee.

Our website lists our current investment managers. As at 30 June 2016, AvSuper's assets were managed by the following entities:

Australian Shares	• Perpetual *	• Cooper Investors *
	• Schroders *	
International Shares	• Independent Franchise Partners (IFP) *	• Genesis Investments
	• AQR Global Equities	• Martin Currie Investment Management
Defensive Alternatives	• MFS Investment Management	• Causeway
	• Kapstream Capital	• GAM International Management Limited
Property	• GMO Australia Ltd	• Aurum Asset Management
	• Blackrock	
Fixed Interest	• Franklin Templeton Investments	• Investa
	• Eureka Funds Management	• The GPT Group
Cash & Currency	• EG Property Group	
	• Loomis Sayles *	• AMP Capital
Infrastructure	• Brandywine Global Fixed Interest *	
	• Blackrock Cash Fund *	• Russell Investments
Growth Alternatives	• Insight Investment Management Limited	• Bank term deposits (various)
	• RARE Infrastructure Limited	• Citi Global Market Australia
	• Hastings	• Utilities Trust of Australia (UTA)
	• Bentham	• Hayfin Capital Management
	• Collier Capital	• Partners Group
	• Siguler Gulf	

*These managers have a value in excess of 5% of the total assets of AvSuper

The risk level for each AvSuper investment option (as shown on pages 18-21) is based on the super Standard Risk Measure to allow members to compare investment options. It is not a complete assessment of all forms of investment risk, specifically it does not take into account the impact of administration fees or the magnitude of investment earnings (positive or negative).

It is important you are comfortable with the risks (especially the risks of negative investment earnings) associated with your chosen investment option(s). You can find out more about the Standard Risk Measure on our website.

Want to know more about investment markets?

Our Investment Manager provides a commentary on market conditions and performance each month. You can find it on our website each month or subscribe for an email reminder - look in the investment section of our website.

Spouse accounts

Some years ago, AvSuper offered our members the option of opening an account for their spouses. Of course, anyone is now welcome to join AvSuper so the spouse accounts are just part of our general membership.

What does that mean?

In simple terms, your spouse (and children, parents and friends!) is welcome to join AvSuper at any time to enjoy the same member focussed features you do – although they can't join the Corporate division unless they are also Corporate employees.

Having two AvSuper accounts will make it quicker and easier for our Member Advice Consultants to help you with personalised advice as a couple, too, without you having to find all the information about your super savings.

Can I contribute to my spouse's account?

Once your spouse has an account, you are welcome to contribute money into that account if you wish but otherwise the two accounts are completely separate.

Any contributions you make into your spouse's account may qualify you for a tax rebate up to \$540. To be eligible for the

rebate, your spouse must be under 65 or under 70 and meet a work test. Note that contributions you make will count towards your spouse's non-concessional contribution limit.

Can I put some of my employer contributions into my spouse's account?

Contribution splitting gives you the opportunity to transfer some of your superannuation contributions to your spouse's super account. AvSuper offers contribution splitting to all members under the Government rules.

You can transfer up to the lesser of:

- 85% of your concessional (employer or salary sacrifice) contributions made to your accumulation account in the previous financial year; or
- the concessional contribution limit

You can't split any defined benefits and can only split contributions if your spouse is unable to immediately access their super. Any split contributions remain part of your contribution limits.

2016 Federal Budget – key implications for your super

In May 2016, the Federal Government announced a package of Budget reforms which represent extensive and significant changes to superannuation. As always, a more *detailed summary of the Budget proposals* is on our website and will be updated as things progress.

It is important to note that the Budget measures are only proposals at this point, even if a starting date is proposed. Industry consultation and the new parliament may drastically change the final position of these proposals.

Whilst more than a dozen changes were proposed for super, we believe the key changes for our members are:

change in contribution limits

- limited to a lifetime total of \$500,000 non-concessional contributions
- the concessional contributions cap will reduce to \$25,000 for all super members regardless of age
- people with a super balance below \$500,000 will be able to contribute unused concessional contributions cap amounts over five consecutive years

cap on income stream accounts

a maximum of \$1.6 million will be able to be transferred from a concessional account into an income stream

lower threshold for the high income earners tax rate

threshold for paying the 30% tax on concessional contributions will decrease from \$300,000 to \$250,000

removal of the work test for older members

everyone under 75 will be able to make contributions up to the contributions cap

no Transition to Retirement (TTR) tax exemption

there will no longer be a tax exemption on income streams for not-yet-retired people. This means that earnings in TTR income streams will be taxed at 15%

deductible contributions

if under 70, personal contributions to an eligible fund may be claimed as a tax deduction (up to the concessional contributions cap).

As different proposals will affect members in different ways, and individuals may be impacted by more than one of these proposals, we recommend you speak to one of our Member Advice Consultants about your situation before making any decisions.

Enquiries and complaints

Please contact AvSuper if you have any queries – in most cases, enquiries can be answered over the phone. Responses to written enquiries will generally be provided within five business days.

- We work hard to help with your super, but if you have any complaints or feedback you can contact us on **1800 805 088** or **avsinfo@avsuper.com.au**
- If our discussions or suggestions don't satisfy you, please write to **Complaints Officer, AvSuper, GPO Box 367, Canberra, ACT 2601** or email **avsinfo@avsuper.com.au**
We will get back to you as soon as possible.
- If your complaint is unanswered or not resolved to your satisfaction within 90 days, you may then have the right to refer the matter to the Superannuation Complaints Tribunal. They can be contacted on 1300 884 114.

Welcome to the team!

We are pleased to introduce Sue Field as our new Investment Manager.



The AvSuper team...

When you call AvSuper, you'll never get an anonymous call centre. One of our experienced Trustee team will happily help you.



AvSuper Team (L to R):

Back row – Naomi Hales, Shan Badowski, Ross Connors, Ursula Morley, Silas Dingiria, Michelle Wade (CEO)

Front row – Sue Field, Amy Ward, Wilson Lau, Debbie-Jane Campbell, Carl Wilson

Absent – Scott Malpass

Your AvSuper Trustee

The Trustee of AvSuper is AvSuper Pty Ltd, a professional corporate trustee company which ensures that the Fund operates in the best interests of members.

The Trustee consists of a Board of eight Trustee Directors governed by the AvSuper Constitution and Trust Deed. Trustee Directors must satisfy both propriety and competency requirements on appointment and thereafter. Collectively, they possess significant speciality expertise in superannuation, investment management and the wider aviation industry.

The Principal Employer, Airservices Australia, nominates four of the Directors (Ms Allen, Mr Cooke, Mr Matthews and Ms Schafer) and four are nominated by the ACTU (Mr Cox, Mr Firkins, Mr Farrell and Mr Fishlock).

AvSuper's Trustee is supported by comprehensive risk management strategies, plans and compliance programs.

Trustee Insurance

The Trustee has taken out trustee indemnity insurance to protect the Board, its Directors, its officers and the Fund against the financial effects of legal action against AvSuper.



Back row – Julie-Anne Schafer, Hylton Mathews, Denise Allen,
Lawrie Cox, George Fishlock (Chair)
Front row – Andrew Cooke, Ben Firkins, Michael Farrell

George Fishlock and Ben Firkins are also authorised to act as AvSuper Representatives which means they are qualified to provide you with general superannuation information and advice on AvSuper's products.

AvSuper professional support

AvSuper uses professional external service providers to ensure it operates efficiently:

Administrator	Link Super
Auditor	Ernst & Young
Internal auditor	Towers Watson
Group Life Insurer	Hannover Life Re Australasia
Investment Adviser	JANA Investment Advisers Pty Ltd
Custodian	BNP Paribas Australia
Actuary	cHr Consulting Pty Ltd
Legal Adviser	Greenfields Financial Services Lawyers

Abridged financial statements 2016

The details below are a summary of AvSuper's financial statements for the last two financial years. Note the 2016 figures are taken from unaudited accounts - the full audited financial statements and auditor's report will be available on our website by 28 October 2016.

Statement of changes in net assets for the period ended 30 June	2016	2015
Net assets available to pay benefits at beginning of year	\$1,890,264,115	\$1,705,720,315
Plus Income		
Employer contributions	\$99,849,947	\$90,621,970
Member contributions	\$14,937,420	\$15,324,716
Transfer from other funds	\$19,945,986	\$27,014,496
Investment Revenue	\$63,157,146	\$149,459,838
Insurance Proceeds	\$1,581,823	\$2,797,742
Other income	\$2,727	\$9,900
Total Income	\$199,475,049	\$285,228,660
Less Expenses		
Benefits paid and payable	\$79,425,093	\$63,546,249
Administration & operating costs	\$13,270,549	\$14,305,823
Insurance Expense	\$2,323,587	\$1,823,799
Income Tax Expense	\$13,879,390	\$21,008,989
Total Expenses	\$108,898,620	\$100,684,860
Net Assets	\$1,980,840,544	\$1,890,264,115



AvSuper **member guides** cover a range of topics to help you start your retirement savings



AvSuper Guide to Redundancies
Facts and questions to consider while making decisions about redundancy payments.



Guide to Retiring
Find out about your choices when it comes to retirement



Member Insurance Guide
Learn about the insurance cover (automatic and voluntary) offered to eligible AvSuper members



Member Investment Choice (MIC) Guide
Find out about the range of investment options AvSuper members can choose from



AvSuper Financial Advice Guide
Find out how financial advice can help you – and how to get the most from it



View all of the AvSuper member guides online at
www.avsuper.com.au/pdss/

Thinking of retiring?

When you retire you can leave your money in your AvSuper accumulation account or you can start an AvSuper Income Stream*. It's your choice!

We currently manage nearly \$212 million in income stream savings.

AvSuper Income Streams are easy to manage and offer many of the benefits you enjoy as a super member, with the same fees.

Some advantages of an AvSuper Income Stream ...

- Low fees to protect your savings
- Your choice of investment options
- Investment earnings are generally tax free
- You choose how much you are paid, how often (Government limits apply)
- No tax on your payments (from age 60)
- Your beneficiaries receive the remainder of your account if you die

What if I'm still working?

Under transition to retirement rules, you can use an income stream as part of your income while continuing to work. You can also keep your super growing with employer and personal contributions into your accumulation account. It's a great way to ease into retirement!

What do I do next?

If you are in or approaching retirement, read our Income Stream Product Disclosure Statement (PDS) (available from www.avsuper.com.au or by calling 1800 805 088) to see if it is right for you. Details on how to join are listed in the PDS for you.

* AvSuper Income Streams are issued by AvSuper Pty Ltd

What's new?

- Fortnightly payments
- Online statements
- Easier to choose your drawdown options

Remember to book your free annual check up for our Income Stream members!

Our fact sheets are a good starting point when you need to know something, too

Browse our member factsheets online at
www.avsuper.com.au/resources/member-education/





Want to opt out of paper copies of your annual report?

If so, we need your email address. You can provide or update your email address via Member Online or by calling us.

Within the personal details section of Member Online, you can also tell us to send you electronic statements and/or annual reports.



facebook.com/avsuper



twitter.com/aviationsuper



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