



# Annual Trustee Report to Members

30 June 2017



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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.

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

Across Australia, AvSuper members include skilled specialists such as air traffic controllers, aviation rescue 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 AvSuper members.

*Did you know...*

- ... you can make contributions at any time in AvSuper?
- ... AvSuper income streams are available even if your super wasn’t in AvSuper?

*Leaving your employer, or even the aviation industry, doesn't mean you have to leave AvSuper - we welcome you to stay and continue receiving our personalised service. We accept contributions from all employers, too.*

AvSuper provides our **6,500 members (and more than \$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.



# Report by our Chair

Another end to the financial year, and another successful one for AvSuper members. With 2016-17 returns in double digits, the Fund has now returned over 10% annually, on average, for the past 5 years.

That is remarkable when we look back at those dark days following the GFC, when the world economy was being dragged out of the morass started by the Lehman Brothers collapse. It has taken nearly 10 years and we may not be totally out of the woods yet, but our members can take some very good comfort in the type of returns that AvSuper has been recording.

Today AvSuper is a very different Fund from what it was in those GFC days. Our corporate members now represent only about 45% of the Fund due to increases in the number of spousal and income stream accounts combined with an enormous number of members now coming from the wider aviation community. The word is spreading about

our reliability and, most importantly, about the service our members enjoy.

This was evident during the Accelerate program conducted by Airservices over the past 12 months, which saw large numbers of our members face redundancy. Firstly, each and every one of those members was able to access advice that is so crucial to good financial planning for their futures. It was a real credit to our Advice team to achieve this outcome, and it simply would not have been possible at other major funds.

Secondly, over 90% of those members chose to stay with AvSuper, either taking up our pension options or retaining us when they moved to new employment. At AvSuper, we have always committed to our members first and foremost, and we thank our members for returning that faith and confidence in us.

We are unique at AvSuper. We don't aim to be the biggest, or have the highest media profile. Unlike others, we aim to

provide something special, something we think our members value highly. That is, our members get a true personal service because they are important to us, very important to us. **Our members are not just a number, they are why we exist.**

And so we will continue to tailor our services to your needs, to what you want. This will be even more important in the future as more and more people move to the retirement phase of their lives.

While we can look back at the past and admire what we have achieved, it is to that future we must concentrate. That future belongs to our members and the quality of their retirement.

AvSuper will be there for you, and we hope that you will be there with us.

**George Fishlock,  
Chair**



# Report by our CEO

Infrastructure investment assets have been hot topics in the media, so we've included a "deep dive" into AvSuper's infrastructure assets in this year's annual report (see page 14). Following a year of very strong AvSuper investment performance - despite all the volatility throughout the year - we've also included even more information about our investment performance, objectives and results in key asset classes. Overall, the Fund remains in a very sound and strong financial position and we expect this to continue into the future.

We've been very pleased with the positive response from members to our online chat channel, which we've called AvChat. The take-up rate has been growing consistently, and we'll be looking to implement additional functionality this year to further enhance this service. If you haven't tried it already, just hop onto our website and look for the banner at the top right of each page.

During the year we also had to contend with a number of Government changes to superannuation - notably changes to income stream accounts, including the introduction of an upper balance on the total amount of super you can have while in the tax-free income stream phase. We were very pleased that our in-house financial advisers were able to assist so many AvSuper members with a review and/or restructuring of their superannuation arrangements, to ensure your best interests are served.

There are currently a number of different legislative updates proposed which we are monitoring closely. In due course, we'll advise members if and when these are finalised, and explain the likely impact on your super. In the meantime, you can stay informed by subscribing to the news update on our website, or connecting with us for updates on your favourite social media channel.

On page 4, our Administration Manager, extols the benefits of ensuring we have details of your nominated beneficiaries - the people you would like to see your super paid to if you die while a member. This is a really important issue and you would be surprised how many members don't provide us with this information, which can add additional complexity for grieving spouses and families in an already difficult time.

Once again, 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 update

There are many elements to our members' super accounts, and we do our best to help you maximise your account and retirement savings. So this year I am providing some of the interesting statistics about some of our core services, as well as a reminder on why nominating beneficiaries for your super can be in your best interests.

Did you know that the definition for a **terminal illness** changed in July 2015? Life expectancy was increased to two years so you can get **paid sooner**. We have paid out **four terminal illness** benefits over the financial year.

AvSuper members can choose from **three types** of beneficiary nominations. AvSuper members have elected:

- » **60%** non-binding nomination
- » **15%** binding nomination
- » **4%** reversionary nomination\*
- » **21%** have not made a nomination

\* Only available for Income Stream accounts

We have to transfer money from any **inactive** accounts to the ATO. Your account is called inactive if your **balance is under \$6,000**, we have received no contributions or messages for **12 months or more** and we do not have your correct **contact details**. Log into **Member Online**, check your balance and update your contact details, then rest assured your money stays in AvSuper!

We have over **30,000 visitors** to our website each year, over **800 Twitter followers** and more than **16,000 logins** to Member Online each quarter!



**Shan Badowski,  
Administration  
Manager**

**Insurance** claims for 2016:

- » 96% acceptance rate
- » Average age of an insured member is 44
- » Average age of a claimant is 51
- » 8% of loadings are due to pastimes
- » 4% claims due to cardio vascular disease
- » 8% claims due to accident

This year, **36% of members** have requested to get their **Annual Report electronically**.

**TIP:** Log into Member Online if you wish to change your preference.

**AvChat** (our secure online chat function) helps at least **50 people** a month, and the average chat lasts about **8.5 minutes**.

The most popular reasons to AvChat are asking about **contributions**, accessing **super savings** and AvSuper **insurance**.

AvChat is open between **8.30 am and 6.00pm** (Canberra time), or you can leave us a message out of hours.

## 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, we will follow up with the insurer.

## Nominating your super beneficiaries

If you were to die tomorrow, do you confidently know who would receive your super savings? Does it surprise you to know that it may not necessarily be distributed according to your will, assuming you have one? Or that it's possible that your children may receive unequal amounts, with some receiving nothing at all?

Many people are unaware that their super assets are governed by different legislation and tax rules to other assets, and that your fund's Trustee may determine how your money is distributed if you die while a member.

The Trustee will look for all potential beneficiaries and is likely to consider the

degree and the expected time frame that a potential beneficiary is likely to have been financially dependent on you. This may mean that your super does not get distributed as you may have expected.

The only way to ensure that your super (and any associated life insurance claim) is paid according to your wishes, is to provide a binding or reversionary (income streams only) benefit nomination.

Nominating a beneficiary simply means telling the Trustee where you would like your money to go. The law specifies who can be nominated as your beneficiary, as outlined on our website. You can nominate a beneficiary via our Nomination of Beneficiaries form.

## 2017 Federal Budget – key implications for your super

Released on 9 May, the 2017 Federal Budget did not include many direct superannuation proposals, however, some elements of the Budget may impact some members' retirement savings.

Proposed changes that may impact your super include:

1. being able to contribute additional money from the sale of your principal home once you are over 65
2. being able to use some non-compulsory super contributions towards a home deposit in the First Home Super Savers scheme
3. an increase in the Medicare levy to 2.5%. All other tax rates linked to the top personal tax rates will also increase, including the tax applied to contributions if we do not have your TFN.
4. creation of a single body to manage financial industry disputes from 1 July 2018.

The fact sheet on our website provides more details about these proposals.

### Updated thresholds

From 1 July 2017, certain super thresholds will change as follows:

- Concessional contribution limit \$25,000
- Non-concessional contribution limit \$100,000
- High income earner salary \$250,000
- Low income earner salary \$37,000
- Spouse offset salary threshold \$40,000

Note that eligibility and other rules apply. Please refer to our understanding contributions limits fact sheet for full details on how the changed contribution limits may affect you.

### New asset class structure

From 1 February 2017, we introduced new asset class structure and adjusted our investment return objectives to make them easier to compare over 10 year periods. These changes are fully explained on our website and outlined on page 12-13.

### 2016 Budget legislation

The following super changes have been legislated:

- introduction of the Income Stream transfer balance cap (see page 29 for further details)
- changed Centrelink thresholds for retirees
- removal of tax-free status for transition to retirement income streams
- allowing tax deductions for personal super contributions for most people under 75 years.

## AvSuper Advice (financial planning)

**All members can access commission-free, personalised financial advice from AvSuper's qualified and experienced financial planners.**

Our Member Advice Consultants can help you:

- with your retirement planning alongside your Centrelink entitlements to find the most effective retirement plan for your situation
- understand the financial impact of a redundancy package
- choose investment strategies
- determine your insurance needs
- establish strategic contribution arrangements.

*\* Fees may apply*



### FRONT ROW:

**Ross Connors** Member Advice Consultant

**Wilson Lau** Member Advice Consultant  
(financial planning)

**Debbie-Jane Campbell** Member Advice Consultant

### BACK ROW:

**Silas Dingiria** Manager (Member & Employer Services)

**Carl Wilson** Senior Member Advice Consultant  
(financial planning) (inset)

Investment overview for 2016-17

Investment Option	2016-17 returns ^	Benchmark return	Rolling returns	Rolling years	Investment Objective (CPI +)
Growth (MySuper)	11.1%	10.1%	4.5%	10	3.5%
Conservative Growth	5.1%	4.2%	#	10	1.0%
Stable Growth	7.0%	6.0%	5.0%	10	2.0%
Balanced Growth	9.1%	8.2%	#	10	3.0%
High Growth	14.4%	13.3%	4.8%	10	4.5%
Investment Option	2016-17 returns ^	Benchmark return	Rolling returns	Rolling years	Investment Objective - exceed
Cash	1.7%	1.4%	3.5%	10	UBSA Bank Bill Index
Australian Shares	14.6%	13.4%	#	10	S&P/ASX 300 Accum Index
International Shares	15.4%	15.0%	#	10	MSCI All Country World Index (ex Australia) 50% hedged and 50% unhedged in \$A

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

One of the things that makes 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 being assisted 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		
	2017	2016	2015	2014	2013	5 yr *	10 yr *	
Growth (MySuper) (default)	11.1%	3.0%	8.5%	12.9%	18.4%	10.7%	4.6%	
Conservative Growth	5.1%	2.8%	4.6%	7.9%	9.0%	5.8%	N/A	
Stable Growth	7.0%	3.3%	6.4%	10.6%	12.2%	7.9%	5.1%	
Balanced Growth	9.1%	0.8%	N/A	N/A	N/A	N/A	N/A	
High Growth	14.4%	2.0%	10.6%	15.8%	24.7%	13.3%	4.9%	
Cash	1.7%	1.9%	2.4%	3.7%	3.2%	2.6%	3.6%	
Australian Shares	14.6%	1.7%	5.4%	18.4%	26.4%	12.9%	N/A	
International Shares	15.4%	0.5%	14.3%	14.3%	25.8%	13.8%	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		
	2017	2016	2015	2014	2013	5 yr *	10 yr *	
Growth	12.6%	3.3%	9.6%	14.7%	20.1%	11.9%	5.0%	
Conservative Growth	5.9%	3.2%	5.1%	8.4%	10.3%	6.5%	N/A	
Stable Growth	8.0%	3.7%	7.2%	10.6%	13.7%	8.6%	5.6%	
Balanced Growth	10.3%	1.1%	N/A	N/A	N/A	N/A	N/A	
High Growth	16.1%	2.3%	11.7%	17.1%	27.8%	14.7%	5.3%	
Cash	2.0%	2.2%	2.7%	2.9%	3.7%	2.7%	3.9%	
Australian Shares	16.3%	2.4%	6.9%	18.3%	26.2%	13.7%	N/A	
International Shares	17.3%	0.4%	16.5%	16.0%	30.0%	15.6%	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**

**I**t was a very good year for equity returns in the financial year for AvSuper members. AvSuper benefited from a rising market with positive returns across all investment options for 30 June 2017. Members in the default Growth (MySuper) option, achieved an 11.1% return after fees and taxes, which was above benchmark returns and ahead of the previous two years' returns. For members, the most important return metric is the long-term investment returns (see page 9 for 10 year returns) which continued to strengthen.

## Results for Key Asset Classes

The financial year was challenging with the Brexit fallout, the UK election, a raft of European elections and the US presidential election all adding complexity to financial markets. Returns on shares and property lifted

during the year and the AUD had its least volatile year in 27 years against the USD. The Australian economy was well placed with around 2% growth during the year, inflation under control and interest rates at record low levels. Infrastructure is expected to be a key driver of performance in the next year and property markets continue to climb to record highs. Returns for the financial year were above benchmarks and held strong across the various options in line with their associated risk profiles. AvSuper has continued its conservative but active investment approach, ensuring the portfolio delivers results. We are continuously monitoring the portfolio to weather any further volatile markets and anticipated low growth.

## Australian Shares:

The Australian share market was up approx. 13.1% for the fiscal year, being

the sector's best performance since 2014. AvSuper's Australian share portfolio finished at 15%, 1.2% above the benchmark. AvSuper's value manager, Schrodgers, performed particularly well finishing the year at 20.0%. The sector's outlook is highly dependent on the banking sector and high household debt levels, noting the OECD announced that a large decline in housing prices poses the biggest threat to the Australian economy.

## International Shares:

Various international factors have influenced global sharemarkets but none more so in 2016-17 than Trump's election in November. Strong evidenced recovery in Europe helped boost global equities, particularly in the March 2017 quarter. Following last year's poor performance, AvSuper's International shares were the best

performing sector with a net return of 14.7% for the financial year. Strong performances were shown from AQR (17.8%) and MFS global (17.4%). However, emerging markets manager Martin Currie was the best performer with 25.2%. Volatility was felt in currency markets being a slight detractor for the year.

## Real Assets:

Infrastructure and property assets were merged to create the asset class *Real assets*. We are still monitoring the two separately with Infrastructure returning a healthy 10.2% return and Property 12.1%. During the year AvSuper invested in QIC Global Infrastructure Fund. We believe members will benefit from this professional manager and note its largest investment is in the Port of Melbourne. Infrastructure manager Hastings returned 10.4% for the year. Investa, the biggest property manager in the portfolio, delivered an above benchmark return of 16.1%. Want to know more? Check out the Real Assets feature on page 14.

## Private Markets:

This sector comprises private equity, credit and some selected opportunities. The sector returned 9.1% for the year. The well diversified portfolio brought a mixed result in this sector. International Private Equity Manager Partners Group returned 11.9%.

## Alternatives:

Defensive and Growth Alternatives were combined into the Alternatives sector, to enable investments with growth and defensive characteristics. This sector performed well (4.3%) and better than fixed income (2.4%). Credit manager Bentham (10.7%) and absolute return bond manager GAM (8.3%) helped produce solid returns for AvSuper.

## Currency & Cash:

AUD currency appreciation was in line with increasing commodity pricing and the investment changes in US sentiment. AvSuper had defensive and active hedging currency strategies in place reducing the impact of the currency felt by members. Interest rates remained at historical lows with AvSuper's cash

(2.1%) and fixed interest (2.8%) above benchmark. Again, our in-house management of term deposits provided additional returns.

## Looking ahead...

A positive outlook remains for private sector expansion in particular. Rising demand in Europe should lift firms' pricing power in manufacturing and service centres, thereby boosting reflation and reducing quantitative easing. The US Federal Reserve (Fed) continues to debate the pace and magnitude of monetary policy tightening. The Fed raised interest rates in June, suggesting further rate rises later in the year. Tighter monetary policy conditions suggest that some emerging markets could experience more volatility in later 2017, particularly with slower growth in China. Challenges remain ahead, with your Trustee being vigilant and eager to move into markets to deploy excess cash if and when required. We continue to seek opportunities as they arise particularly in private markets and alternatives investments.



# Investment allocation as of 1 February 2017

We provide members with exposure to a well diversified range of investment assets (which are actively managed) and investment options. The AvSuper Trustee expects the current low growth economic environment to persist for some time yet in global investment markets.

On 1 February 2017, we adjusted our asset allocations and investment return objectives, as shown in the following tables. Each option will now be measured over 10 year periods to provide a consistent approach for simplicity and easier comparison.

## Investment return objectives

Investment Option	To 31 January 2017	From 1 February 2017 (over rolling 10 year periods)
<b>Mixed options</b>	<b>To achieve a return after tax and fees that exceeds Consumer Price Index (CPI) increases by at least</b>	
Growth (MySuper)	4.5% pa over rolling 5 and 10 year periods	3.5% pa
Conservative Growth	1.5% pa over rolling 3 year periods	1.0% pa
Stable Growth	2.5% pa over rolling 4 year periods	2.0% pa
Balanced Growth	3.0% pa over rolling 4 year periods	3.0% pa
High Growth Option	5.5% pa over rolling 7 year periods	4.5% pa
<b>Single class options</b>	<b>To achieve a return after tax and fees that exceeds</b>	
Cash	CPI increases by at least 1.0% over rolling 3 year periods	UBSA Bank Bill Index
Australian Shares	CPI increases by at least 6% over rolling 7 year periods	the S&P / ASX 300 Accumulation Index
International Shares	CPI increases by at least 6% over rolling 7 year periods	the MSCI (Morgan Stanley Capital International) All Country World Index (ex Australia) 50% hedged and 50% unhedged in \$A

## Strategic Asset Allocations (SAA)

	Growth (MySuper)		High Growth		Balanced Growth		Stable Growth		Conservative Growth		Cash		Australian Shares		International Shares	
Asset Class	Bench-mark	Range	Bench-mark	Range	Bench-mark	Range	Bench-mark	Range	Bench-mark	Range	Bench-mark	Range	Bench-mark	Range	Bench-mark	Range
Australian Shares	30%	20-45%	45%	30-70%	22%	10-35%	15%	5-30%	10%	0-20%	-	-	100%	100%	-	-
International Shares <sup>1</sup>	30%	20-45%	45%	30-70%	21%	10-35%	15%	5-30%	10%	0-20%	-	-	-	-	100%	100%
Real Assets <sup>1</sup>	18%	0-45%	5%	0-40%	18%	0-35%	17%	0-30%	10%	0-20%	-	-	-	-	-	-
Private Markets <sup>2</sup>	5%	0-15%	5%	0-25%	5%	0-10%	5%	0-10%	0%	0-10%	-	-	-	-	-	-
Alternatives <sup>3</sup>	5%	0-30%	-	-	8%	0-35%	8%	0-40%	10%	0-60%	-	-	-	-	-	-
Diversified																
Fixed Income	10%	0-30%	-	-	14%	0-35%	20%	0-40%	30%	0-60%	-	-	-	-	-	-
Cash	2%	0-15%	-	-	12%	5-25%	20%	5-40%	30%	10-60%	100%	100%	-	-	-	-

<sup>1</sup> Real Assets was created by joining the infrastructure and property asset classes

<sup>2</sup> Private Markets refers to investments in domestic and international private equity, credit and other selected opportunities with returns at or above listed growth assets but with lower correlations.

<sup>3</sup> Growth and Defensive alternatives have been combined into Alternatives which refers to investments with specialist managers and may include assets uncorrelated to any market.





## Real assets

Since February 2017, we have grouped all tangible investments into our Real Assets class. This means our property and infrastructure investments in physical assets such as buildings, airports, roads, hospitals and the like are managed as a single group.

Infrastructure is the term used for investments in projects involving large scale public systems and services. Money is generally invested into publicly listed companies or schemes that will manage the project. There are also some unlisted companies and unit trusts offering infrastructure investing.

### AvSuper investment in Hastings - disciplined success

Started in 1994, Hastings is a specialist global manager focused on infrastructure equity and debt investing. Hastings is dedicated to deliver long term value for its investors through global infrastructure investment opportunities. Hastings has a disciplined approach to buying and selling with demonstrated successes, and has realised consistently strong growth and manages A\$12.8 billion (as at 31 December 2016) on behalf of more than 70 institutional investors.

Hastings' disciplined approach has delivered reliable and repeatable returns above the benchmark since its inception.

Over 40% of Hastings' investments are in airports, and 75% of their investments are within Australia. As such, AvSuper is pleased to invest in Hastings to help our members through investing in relevant assets at the same time as building retirement savings.

### 2017 Budget

The Federal Budget released in May 2017 included a \$75 billion infrastructure program with a new funding model. This is expected to improve the economy by

1. facilitating operational efficiencies and Australia's competitive edge
2. delivering a multiplier impact through use of other resources during construction (a 1.4 multiplier usually applies for transport infrastructure projects)
3. increasing tax revenue through economic growth.

While reasonably modest at \$75 billion spread over 10 years, investment manager QIC's simulations indicate the increased infrastructure spending will generate around 25 basis points of additional real GDP growth over the coming four years and deliver a Budget growth dividend of around \$6 billion.

### Perth Airport

AvSuper is a proud investor in the Perth airport. While the Government is updating the surrounding infrastructure, we are excited about a terminal upgrade and new runway development.

It is a special year for Perth Airport as it celebrates 20 years under Perth Airport Pty Ltd and welcomes the non-stop Qantas Dreamliner flights to London.

Financial performance of the airport is strong, with revenue up 9.8% from 12 months ago. This is due to Virgin's new terminal, Qantas' increased use of the domestic terminal and reduced operating costs.

The ACCC's annual Airport Monitoring Report, released in March 2017, ranked Perth airport first in airline ratings and second for passenger ratings. A 2008 Working Paper by the Bureau of Infrastructure noted it as Australia's most versatile airport.





# Real assets (continued)

## Melbourne airport

AvSuper also invests in Melbourne's Tullamarine airport.

Melbourne has strong international passenger numbers and has seen some growth in domestic passenger numbers over the past year or so. Thus the airport is improving the retail experience and arrivals hall in the international terminal, and adding an extra baggage carousel.

Melbourne airport has had a strong financial year with a 12.3% revenue increase compared to 2016. Upcoming capital projects at the airport include redevelopment of T3 and a third runway, as well as reversion of the T1 lease and potential fuel infrastructure upgrades.

Hastings supports various Environmental, social and governance (ESG) projects such as Perth airport's StudyPerth Welcome Desk, the Banksia Gardens Community Services at Melbourne airport and restoring biodiversity in the Lagan River with Phoenix Natural Gas in the UK.



# 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 investment choice enables you to choose one or any combination of our investment options. You can have your current super balance and future contributions (or drawdowns) invested identically or in different ways.

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 be invested in the AvSuper Growth (MySuper) option (for accumulation members) or the Balanced Growth and Cash options (for income stream members).

## 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's investment options

- |                       |                        |
|-----------------------|------------------------|
| • Growth (MySuper)    | • High Growth          |
| • Conservative Growth | • Cash                 |
| • Stable Growth       | • Australian Shares    |
| • Balanced Growth     | • 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 were changed on 1 February 2017 (refer to page 12).

**Your member statement shows if your account is accumulation, income stream or defined benefit.**

AvSuper options

Visit our site for more details on each option

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 3.5% pa over **rolling 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	30%	20 - 45%	Alternatives	5%	0 - 30%
International Shares	30%	20 - 45%	Diversified Fixed Income	10%	0 - 30%
Real Assets	18%	0 - 45%	Cash	2%	0 - 15%
Private Markets	5%	0 - 15%			

\* default accumulation option if no choice is made

Conservative Growth

Designed for members who are approaching retirement or who are generally risk averse, 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 1.0% pa over **rolling ten-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	10%	0 - 20%	Alternative	10%	0 - 60%
International Shares	10%	0 - 20%	Diversified Fixed Income	30%	0 - 60%
Real Assets	10%	0 - 20%	Cash	30%	10 - 60%
Private Markets	0%	0 - 10%			

Images of Perth airport courtesy of Airservices Australia

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 2.0% pa over **rolling ten-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	15%	5 - 30%	Alternatives	8%	0 - 40%
International Shares	15%	5 - 30%	Diversified Fixed Income	20%	0 - 40%
Real Assets	17%	0 - 30%	Cash	20%	5 - 40%
Private Markets	5%	0 - 10%			

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 ten-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	22%	10 - 35%	Alternatives	8%	0 - 35%
International Shares	21%	10 - 35%	Diversified Fixed Income	14%	0 - 35%
Real Assets	18%	0 - 35%	Cash	12%	5 - 25%
Private Markets	5%	0 - 10%			

# part of the default income stream arrangement 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 4.5% pa over **rolling ten-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	45%	30 - 70%
International Shares	45%	30 - 70%
Real Assets	5%	0 - 40%
Private Markets	5%	0 - 25%

## 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 S&P/ASX 300 Accumulation Index increases over **rolling ten-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 MSCI All Country World Index (ex Australia) increases over **rolling ten-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 UBSA Bank Bill Index increases over **rolling ten-year periods**.

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

Investment management fee: 0.12% pa

### Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range
Cash	100%	N/A

# part of the default income stream arrangement if no choice is made

# 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 ten years.

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

One Year Return for 2016-17	7.1%
Five Year Compound Average Return Per Annum	9.4%
Ten Year Compound Average Return Per Annum	4.1%

## Long term strategic asset allocation\* at 30 June 2017

Asset Class	Benchmark	Asset Allocation Ranges
Australian Shares	15%	5-30%
International Shares	15%	5-30%
Real Assets	17%	0-30%
Private Markets	5%	0-10%
Alternatives	8%	0-40%
Diversified Fixed Income	20%	0-40%
Cash	20%	5-40%

\* Ranges and benchmarks changed on 6 June 2017 to match the Stable Growth option.

# 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 2017, AvSuper's assets were managed by the following entities:

Australian Shares	<ul style="list-style-type: none"><li>Perpetual *</li><li>Schroders *</li></ul>	<ul style="list-style-type: none"><li>Cooper Investors *</li></ul>
International Shares	<ul style="list-style-type: none"><li>Independent Franchise Partners (IFP) *</li><li>AQR Global Equities</li><li>MFS Investment Management *</li></ul>	<ul style="list-style-type: none"><li>Genesis Investments</li><li>Martin Currie Investment Management</li><li>Causeway</li></ul>
Alternatives	<ul style="list-style-type: none"><li>Kapstream Capital</li><li>Bentham</li></ul>	<ul style="list-style-type: none"><li>GAM International Management Limited</li><li>Aurum Asset Management</li></ul>
Real Assets	<ul style="list-style-type: none"><li>Franklin Templeton Investments</li><li>Eureka Funds Management</li><li>EG Property Group</li><li>RARE Infrastructure Limited</li></ul>	<ul style="list-style-type: none"><li>Investa</li><li>The GPT Group</li><li>QIC</li><li>Utilities Trust of Australia (UTA)</li></ul>
Diversified Fixed Income	<ul style="list-style-type: none"><li>Loomis Sayles</li><li>Brandywine Global Fixed Interest</li></ul>	<ul style="list-style-type: none"><li>AMP Capital</li></ul>
Cash & Currency	<ul style="list-style-type: none"><li>Blackrock Cash Fund *</li><li>Insight Investment Management Limited</li></ul>	<ul style="list-style-type: none"><li>Russell Investments</li><li>Bank term deposits (various)</li><li>Citi Global Market Australia</li></ul>
Private Markets	<ul style="list-style-type: none"><li>Coller Capital</li><li>Siguler Guff</li></ul>	<ul style="list-style-type: none"><li>Hayfin Capital Management</li><li>Partners Group</li></ul>

\*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.



## Other investment information

### Unitisation

AvSuper’s accumulation and income stream investments are unitised. Units are allocated when we receive a contribution or rollover. 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 multiple 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.

### 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 are never used to gear portfolios.

### 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.

### 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
2017	\$9,433,950	+\$610,227
2016	\$8,823,723	+\$3,389,324
2015	\$5,424,399	+\$2,291,407

## 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.

1. 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**
2. 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.
3. 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.

### Updated fee disclosure

Under new legislation, from 1 February 2017, we are required to change how we disclose investment fees to members. Note that fees have NOT increased but we are now showing the estimated indirect costs related to your investment each year to provide additional transparency to members. These costs are now detailed on our website and in your PDS as an Indirect Cost Ratio (ICR).

## 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 – Ursula Morley, Ross Connors, Shan Badowski,  
Debbie-Jane Campbell, Scott Malpass  
Front row – Naomi Hales, Wilson Lau, Amy Ward, Silas Dingiria,  
Michelle Wade (CEO)  
Absent – Sue Field, Carl Wilson





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

## AvSuper professional support

Following is a summary of AvSuper’s financial statements for the last two financial years, using new accounting standards for superannuation (so 2016 data will vary from last year’s report). The 2017 data is based on unaudited accounts - the full audited financial statements and auditor’s report will be on our website by 30 October 2017.

Statement of changes in net assets for the period ended 30 June	2017	2016
Opening balance at beginning of financial year	\$1,777,609,452	\$1,543,212,158
<b>Plus Income</b>		
Employer contributions	\$88,585,302	\$92,923,105
Member contributions	\$34,549,564	\$21,843,049
Government contributions	\$13,545	\$21,215
Transfer from other funds	\$31,496,257	\$19,945,986
Net investment income	\$166,658,956	\$53,938,724
Insurance paid to members	\$3,452,098	\$1,581,823
<b>Less Expenses</b>		
Benefits paid and payable	\$120,194,257	\$77,125,294
Administration	\$392,183	\$380,254
Insurance Expense	\$2,699,710	\$1,919,518
Income Tax Expense	\$10,459,424	\$11,042,413
Net change in defined benefits	\$188,175,198	\$134,610,873
Closing Balance	\$2,156,794,839	\$1,777,609,452

## Abridged financial statements 2017

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

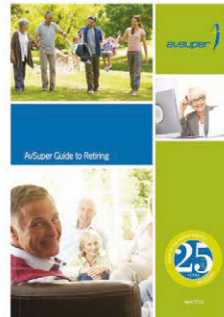




# AvSuper **member guides** cover a range of topics to help you start your retirement savings



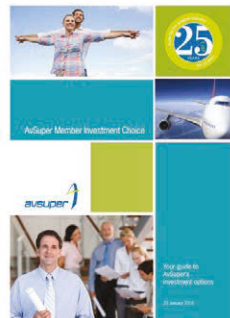
**AvSuper Guide to Redundancies**  
Facts and questions to consider while making decisions about redundancy payments.



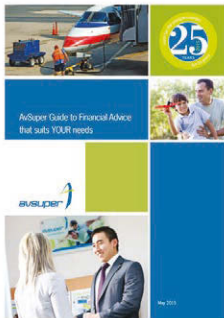
**Guide to Retiring**  
Find out about your choices when it comes to retirement



**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/](http://www.avsuper.com.au/pdss/)

**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/](http://www.avsuper.com.au/resources/member-education/)



## Retired or retiring?

When you retire you can leave your money in your AvSuper accumulation account or start an AvSuper Income Stream\*.

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

**An AvSuper Income Stream is easy to manage and offers many of the benefits you enjoy as an AvSuper member.**

**Some advantages of an AvSuper Income Stream ...**

- Low fees to protect your savings
- Member investment choice

- 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 do I do next?

If you are in or approaching retirement, chat to us or read our Income Stream Product Disclosure Statement (PDS) (available from [www.avsuper.com.au](http://www.avsuper.com.au) or by calling 1800 805 088) to see if it suits you. The PDS details how to join.

\*AvSuper Income Streams are issued by AvSuper Pty Ltd

**Remember to book an advice appointment or your annual Income Stream check up**

## Income stream transfer balance cap

Since 1 July 2017, a new Government imposed maximum balance (known as a transfer balance cap) applies to Australian Income Streams. Previously, there was no limit on how much money could be in an Income Stream.

For 2017-18, the cap is \$1.6 million but will be indexed in line with CPI in \$100,000 increments for future years.

There are various implications from this new law and it can be complex to decide the best approach, so please **read our factsheet and consider contacting our Member Advice Consultants** for assistance in understanding the impact for your super and your retirement.

### Key points to remember:

1. you can keep additional money in an accumulation account
2. the cap applies across all income streams you have
3. once you have a transfer balance cap, your transfer balance is not reduced by regular drawdowns



### 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](https://facebook.com/avsuper)



[twitter.com/aviationsuper](https://twitter.com/aviationsuper)



### Contact Us

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