



**Annual  
Trustee Report  
to Members**  
30 June 2018



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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 nearly 30 years, AvSuper has been providing outstanding service to members on a **profit for members** basis - many of our 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 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 \$2.35 billion of their retirement savings)** with the best of all worlds by delivering quality superannuation products and highly personalised service to individual members.



# Report by our Chair

This will be my final report as Chair of AvSuper, as I shall be stepping down from the role and the Board at the end of my term in February 2019.

Firstly, it has been an absolute pleasure to have worked with the Board members and staff during my time on the Board, and I must thank both them and the members for that opportunity given to me. It will indeed be a sad day for me to leave the AvSuper family, but in doing so I have every confidence that its future is assured, and that it is **operating to the highest standards and efficiency** of any Fund in the country.

Enough about me, as this is an Annual report. It is important to focus on the environment in which AvSuper operates today. At the time of writing, the Financial Services Royal Commission is moving to the next phase, which will involve superannuation funds.

We are aware that a number of Funds and their Trustees have been required to appear. Given the revelations exposed in the banking, insurance and financial advice segments to date, it is almost certain that some less than tasteful discoveries for these Funds will eventuate.

Let's be absolutely forthright about this situation. AvSuper is NOT appearing, nor been asked to provide information to the Commission. We maintain the highest standards of governance and integrity, and always have.

We do not spend member's money on advertising and junkets for staff or Directors. You will not see AvSuper mentioned in the top echelons of pay scales in the superannuation arena. We will not pay survey companies your money to publicise the returns we make.

On the contrary, we **concentrate on our members and their needs**. To that

end, we have the most highly skilled and competent Board and staff members, unparalleled in the industry. Our advice team can be trusted to provide honest guidance for your needs alone.

To put it simply, **AvSuper offers the safest, honest, most reliable, efficient yet competitive Fund for your money, both now and into the future**. I can retire from the position of Chair knowing that my money (which is staying in the Fund) is being looked after by the best people in the business.

Once again, thank you to everyone for the opportunities and experiences which you have afforded me.

**George Fishlock**



# Report by our CEO

Welcome to the 2018 Annual Report to Members. It is very pleasing to see **continued good investment performance across each of AvSuper's investment options**, despite a few ups and downs during the year. In response to your positive feedback, we've included another investment feature on page 14 of this report, which we hope will be of interest. Of course there is more investment information on our website, or you can call or email to tell us what you want to hear more about.

During the year, AvSuper received more awards, including the Defence Reserves Support Council's award for ACT Small Employer of the year, and Rainmaker's Consumer Choice Award (voted by super fund members across the country). You also rated us highly – again – in our annual member satisfaction survey, which ranks us relative to a group of 30 super funds, and we thank our members for their continued feedback and suggestions for further improvement.

We also expanded our operations during the year, including relocating our offices in Canberra to accommodate a significant increase in member visits, and we also appointed a dedicated AvSuper senior member advice consultant (financial planning) in Queensland to better support our members in that region. Check out page 4 for all the details, including our new starters.

Finally, on behalf of the AvSuper Board and staff, I would like to thank the Fund's Chair, George Fishlock, for his outstanding contribution to the Fund over many years. He has been a consistent champion of members' interests, as well as a great support and mentor to myself and the management team. George will be greatly missed by all here at AvSuper and we wish him well for the future!



**Michelle Wade**



**We have a new address, how about you?**

**Have you moved or created a new email address?**

Log into Member Online or call us to update your details

## AvSuper snapshot

### Reduced fees!

On 1 September 2017, we were very pleased to reduce the investment fee for our Cash and International Share options. In addition, our Income Stream administration fees had a 20% reduction from 1 July 2017.

### ADF Reserves Award

AvSuper was named the ACT small employer of the year by the Defence Reserves Support Council in October. This is in recognition of our support we have provided to two of our employees who are Australian Defence Force reservists.

### Long term investing

Super is definitely a long term investment and we always encourage you to take a long term view of your retirement savings. Investments will fluctuate in the short term - it is the long term performance that really matters.

*AvSuper was awarded the Consumer Choice award for 2017 - thanks for voting for us!*

### AvSuper welcomes our new staff!



**Nick Smith**  
Executive Manager, Finance & Tax



**Nathan McCabe**  
Senior Member Advice Consultant



**Shawn Jones**  
Member Advice Consultant



### AvSuper insurance review

With great pleasure, we announce that **our insurance fees are remaining unchanged for the next three years!**

Our fees and terms were independently reviewed and shown to be competitive, and we negotiated to maintain them for our members.

## AvSuper has moved offices!

In April 2018 we moved offices to have bigger premises where we can better serve our members and grow our team.

Our new contact details have been updated on our website, forms and the like, and you are always encouraged and welcome to contact us for help with your super.

**Phone:** 1300 128 751 (local call cost)  
**Postal:** PO Box 223, Civic Square, ACT 2608  
**Visit us:** Level 5, 221 London Circuit, Canberra

We have also added a Queensland rep to our Member Services Team! Nathan McCabe is available to assist with general queries as well as provide a range of financial planning advice to our members. You can book an appointment via our usual phone number.



AvSuper is now using **https** throughout our site.

Please update any bookmarks to ensure you have secure access

 Secure | <https://www.avsuper.com.au>

## Operations Manager's update



Shan Badowski,  
Operations Manager

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 that **we will assist you with any insurance claims** - you don't need to hire a third party.

**AvChat** (our secure online chat function) is open between **8.30 am and 6.00pm** (Canberra time), or you can leave us a message out of hours. Catch us on AvChat to **book an appointment**, get your account balance or ask about your super.

AvSuper members can **choose** between eight professionally managed **investment options** (see page 20). This year, we processed **759** investment switches and now have **26%** of members invested in more than one option to diversify and suit their needs.

### Contributions

This year, we received over **119,800** contributions for our members!

### But did you know...

- you may be able to claim a tax deduction for your personal contributions? Read our factsheet then send us the relevant ATO form and we'll adjust the tax applied to your nominated contributions.
- you could be eligible for a tax offset by contributing to your spouse's super account?

**Remember there are no fees to make a contribution to AvSuper!**

### Insurance claims for 2017-18:

- **92%** acceptance rate
- **70%** of applications were accepted without loadings or exclusions (2012-17)
- **50%** of death and terminal illness claims were paid to members under 50
- we paid **20%** more in terminal illness claims than death claims
- **1/3** of claims over the last 5 years were due to cancer

We managed **463 rollovers** into AvSuper accounts this year, with some of them rolling across their insurance cover, too.



## AvSuper as at 30 June 2018



**56-60**

year olds have the highest average super balance



**31%**

of members have AvSuper voluntary insurance



**70%**

of advice appointments were about AvSuper income streams



**51%** are under 50 years



**25%** are female

**MEMBERS**

Our Member Advice Team is there to help you, with simple questions through to comprehensive financial advice about your super and/or retirement



**31%** of members are making voluntary (personal) contributions to super



**460** advice appointments generated **74** Statements of Advice.



**70%** of members and **89%** of income stream members are registered for Member Online!



We answered **697** AvChats, **5,627** phone calls and over **3,000** emails during the year.

## AvSuper Insurance Claims

**Do you know that you can contact us directly for an insurance claim?**

We will manage the claim for you, dealing with the insurer on your behalf including any follow up if we think the claim has been wrongly rejected.

There is no need to go through a solicitor or agent as that often delays the process and increases your costs.

So, if you believe you are eligible to make an insurance claim, 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.



## 2018 Federal Budget – key implications for your super

Released on 8 May, the 2018 Budget included some super related proposals, alongside some tax cuts and infrastructure spending proposals.

While there is nothing of significance for most AvSuper members, the following proposals are the most likely to impact some of our members:

1. The Government proposed a retirement covenant where Funds will have to determine a retirement income strategy for members. Funds will have to offer Comprehensive Income Products for Retirement<sup>#</sup> (CIPRs) but they will be optional for members.

New means test rules for pooled<sup>#</sup> income streams are proposed to apply from 1 July 2019, aimed at addressing longevity risks of income streams. Pooled lifetime income streams bought before 1 July 2019 will be grandfathered.

2. From 1 July 2019, the Government is proposing that low income earners, members under 25 and inactive members will need to opt in to insurance cover.
3. From 1 July 2019, if these proposals are legislated, exit fees will be banned and a 3% annual cap on passive fees will apply to accounts below \$6,000.

In addition, inactive accounts with a balance below \$6,000 must be transferred to the ATO.

4. From 1 July 2019, members aged 65-74 with a super balance below \$300,000 may be exempt from the work test in the first year they do not meet the work test rules\*.

We were disappointed to see the Budget did not include any contribution cap increases to enable building super.

*Budget proposals may change or not be legislated at all. Watch our website for updates as these proposals progress*

### 2017 Budget legislation update

The following super changes have been legislated:

1. downsizer contributions - able to contribute additional money from the sale of your principal home once you are over 65
2. able to use some non-compulsory super contributions towards a home deposit in the First Home Super Savers scheme (see page 17)
3. creation of a single body to manage financial industry disputes from 1 November 2018.

\* Work test means working at least 40 hours in 30 consecutive days during the financial year

# These terms are not yet fully defined in legislation - as they become clearer, we will update our website.

## AvSuper Advice (financial planning)

As AvSuper members have asked for more financial planning and advice information, we have launched [www.avsuperadvice.com.au](http://www.avsuperadvice.com.au) to consolidate information about financial planning and our advice services. The site will have additional information added over time and is a good starting point for your financial planning decisions, and for information on booking an appointment.

AvSuper's member advice consultants will continue to answer your queries, by phone, email or AvChat, and advice appointments with our qualified financial planners can be booked via either site, email or phone. Our main site will remain active and the place to go for general information about AvSuper and access to Member Online.

**Check it out and remember to book an appointment before making any major financial decisions!**

Our Member Advice Consultants can help you:

- grow your super
- 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.



**FRONT ROW:**  
Debbie-Jane Campbell,  
Silas Dingiria, Carl Wilson  
**BACK ROW:**  
Shawn Jones, Nathan McCabe

[www.avsuperadvice.com.au](http://www.avsuperadvice.com.au)

**AvSuper Advice**

## Investment overview for 2017-18

Investment Option	2017-18 returns ^	Benchmark return	Rolling returns	Rolling years	Investment Objective (CPI +)
Growth (MySuper)	8.8%	5.3%	6.1%	10	3.5%
Conservative Growth	4.4%	2.7%	#	10	1.0%
Stable Growth	6.1%	3.8%	5.7%	10	2.0%
Balanced Growth	7.2%	4.7%	#	10	3.0%
High Growth	10.7%	6.4%	7.6%	10	4.5%

Investment Option	2017-18 returns ^	Benchmark return	Rolling returns	Rolling years	Investment Objective - exceed
Cash	1.7%	1.8%	3.0%	10	Bloomberg AusBond Bank Bill Index
Australian Shares	12.4%	13.2%	#	10	S&P/ASX 300 Accum Index
International Shares	9.8%	12.9%	#	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.

INVESTMENT OPTION	Accumulation Account Returns to 30 June					Compound Average	
	2018	2017	2016	2015	2014	5 yr *	10 yr *
Growth (MySuper) (default)	8.8%	11.1%	3.0%	8.5%	12.9%	8.8%	6.1%
Conservative Growth	4.4%	5.1%	2.8%	4.6%	7.9%	4.9%	N/A
Stable Growth	6.1%	7.0%	3.3%	6.4%	10.6%	6.7%	5.7%
Balanced Growth	7.2%	9.1%	0.8%	N/A	N/A	N/A	N/A
High Growth	10.7%	14.4%	2.0%	10.6%	15.8%	10.6%	7.6%
Cash	1.7%	1.7%	1.9%	2.4%	3.7%	2.2%	3.0%
Australian Shares	12.4%	14.6%	1.7%	5.4%	18.4%	10.3%	N/A
International Shares	9.8%	15.4%	0.5%	14.3%	14.3%	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

INVESTMENT OPTION	Income Stream Returns to 30 June					Compound Average	
	2018	2017	2016	2015	2014	5 yr *	10 yr *
Growth	9.9%	12.6%	3.3%	9.6%	14.7%	10.0%	6.9%
Conservative Growth	5.0%	5.9%	3.2%	5.1%	8.4%	5.5%	N/A
Stable Growth	6.9%	8.0%	3.7%	7.2%	10.6%	7.2%	6.3%
Balanced Growth	8.2%	10.3%	1.1%	N/A	N/A	N/A	N/A
High Growth	11.9%	16.1%	2.3%	11.7%	17.1%	11.7%	8.3%
Cash	2.0%	2.0%	2.2%	2.7%	2.9%	2.4%	3.3%
Australian Shares	14.2%	16.3%	2.4%	6.9%	18.3%	11.5%	N/A
International Shares	10.6%	17.3%	0.4%	16.5%	16.0%	12.0%	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.

# Investments Manager's Overview



Sue Field,  
Investments Manager

Pleasingly another year of positive returns was achieved for AvSuper members! We benefited from the rise in global stock markets with positive investment returns across all AvSuper investment options to 30 June 2018. Members in the Growth (MySuper) investment option achieved an 8.8% return after fees and taxes, well above the investment objective of CPI + 3.5%. Of course, the most important metric for members is the **long-term investment returns which have continued to strengthen** – see the 10 years results on page 10.

## Results for Key Asset Classes

The financial year was dominated by challenges in geopolitics, trade tensions and tightening monetary policies (especially in the US). Returns on listed stock and property all lifted during the year. The positive interest rate differential for the US against other countries is a favourable factor but can be offset by budget deficits, which pushed the AUD down.

The Australian economy managed positive growth for 2017-18. Inflation is under control and interest rates remain unchanged at record low levels. Infrastructure is expected to continue as a key performance driver in the next year but property markets are starting to feel jittery. Overall **AvSuper's**

**2018 returns were above benchmarks and held strongly** across the various options in line with their associated risk profiles. AvSuper has continued our conservative but active investment approach to maintain very strong cash balances and overweights in traditional sectors (Property & Infrastructure). We also continue to actively monitor our investments carefully, ensuring our portfolio delivers results to withstand anticipated market volatilities in a low growth environment.

- **Australian Shares:** AvSuper's Australian shares portfolio finished at 12.9%. Schroders performed above expectations, achieving 13.2% and delivering a solid 11.2%pa on average over 6 years. This sector's outlook has been depressed by the banking Royal Commission but forecasters still remain reasonably bullish, mainly because of improved global growth. Housing prices continue to pose the biggest threat to the Australian economy going forward.
- **International Shares:** a number of international factors influenced the global share markets with geopolitics and trade wars being the major theme. The US 10 Year treasury yield found stiff resistance to moving above 3% and the strengthening US Dollar put further pressure on emerging

markets. AvSuper's International shares net performance was 8.8% for the financial year after accounting for our currency hedging strategy. Strong performance was shown by AQR (14.6%) and Causeway Capital (12.4%) but our emerging markets manager Martin Currie was the best performing manager with a 18.9% return. Again, volatility was felt in currency markets, resulting in currency being a slight detractor for the year in this sector.

- **Real Assets:** Overall, Real Assets returned a healthy 10.7% for the year. The large weighting to our property manager Investa benefited this sector with a 16.1% return for members and our GPT shopping centre investment gained a further 12.7%. QIC Global Infrastructure Fund produced a healthy 16.8% return while UTA produced 6.7%.
- **Private Markets:** The sector performed in line with expectations at 8.3% (net). All managers produced solid returns but our secondaries manager Collier International excelled at 27.3%. Private debt manager Hayfin also produced good AUD returns.
- **Alternatives & Fixed Income:** Alternatives returned 3.3% for the year, which is above fixed income at 1.6%. Underlying managers include credit manager Bentham returning 5.3% and Loomis Sayles, one of AvSuper's longest standing managers, returning 2.2% (compared to the 1.85% benchmark).

- **Currency & Cash:** The Australian dollar had another volatile year trading in the range of 70c to 81c, finishing the year around 75c. AvSuper has a defensive passive hedging currency strategy in place to reduce any impact of currency volatility.

Interest rates remained at historical lows with our Cash (2.0%) and Fixed Interest (1.9%) options giving low returns. Cash remains as vanilla as possible with capital preservation the driving factor.

## Looking ahead...

A cautious but positive outlook for public markets and sentiment into private sector expansion is continuing. There is a market obsession in looking for the next recession after the huge impact felt by the GFC. There has been increasing concern over the flattening of the US yield curve, which has been signalling a downturn, as volatility increases in global share markets. Challenges remain to find the best opportunities to gain returns in these tightly constrained markets, but the Trustee remains vigilant and equipped to move into markets and deploy cash if and when suitable. We continue to seek opportunities as they arise, particularly in Infrastructure, Alternatives and Private Market investments.

## Want to know more...

Read about AvSuper's fixed income class and our Fixed Income portfolio manager, Loomis Sayles on page 14.



## Fixed Income investments

Often referred to as bonds, fixed income investments are a form of debt instrument. They are issued by governments and companies as a means of raising money. These assets are classified as income assets as they provide a steady and reliable stream of income - the principal has to be repaid by a certain date with set interest payments paid along the way.

They are also known for their lower risk profile as they offer low capital growth potential compared to assets like shares.



Fixed income investments face interest rate, credit, prepayment, liquidity, inflation and call risks, however AvSuper minimises these risks through a long term approach and diversification. A short to medium timeframe usually applies.

Main benefits of investing in fixed income include:

- Capital protection – less volatility than other investments
- Income generation – provide reliable income with lower risk than equities
- Diversification – may counterbalance growth assets, as prices tend to move in the opposite direction

Notably, these assets are not restricted to Australia and can be purchased globally. AvSuper aims to diversify the risk by investing globally and locally.

### Types of fixed income securities

AvSuper invests in government and agency securities, municipal bonds, corporate bonds and asset backed securities such as mortgage backed bonds. The yield (or interest rate) is generally higher for corporate bonds than government bonds due to the perceived higher risk of investing in corporates compared to governments. Corporate bonds include a number of debt classes, ranging from senior bonds to preferred securities.

### Why AvSuper uses active management

AvSuper's general approach is to actively manage our investments. In fixed income investments, active managers can spread portfolio risk by diversification, reducing concentration risk in an industry or geography, and can adjust the duration of bonds to protect the capital value. Managers can also adjust the portfolio by buying longer term bonds and selling shorter term bonds. They do this by monitoring the three main drivers of bond prices being inflation, interest rates and the financial health and strength of the bonds' issuer.

### Loomis Sayles, an AvSuper global manager

Since 1926 Loomis, Sayles and Company has worked in global fixed income assets, helping fulfil AvSuper's investment needs since 1998. Its mission is to be a world class investment management firm that delivers superior risk adjusted performance and desired solutions for its clients. Loomis takes a longer term view in seeking value and believes it important to act as responsible global citizens, so considering environmental, social and governance (ESG) issues as an inherent part of its investment decision making.

At its core, what Loomis has done over the past 20 years has not changed. It still functions as an active manager drawing on its deep fundamental research engine to identify the best global risk and reward ideas to generate returns for AvSuper. Loomis does not seek a constant excess return but aims to take risk when it seems appropriate for compensation for the risk. Technological advancements have greatly improved the tools in which Loomis uses to manage the portfolio,

Twenty years of investing trust!



On the first July 2018, we celebrated 20 years of investing with Loomis Sayles. This is long term investing at its best, and almost unheard of in financial markets. We are pleased to have a great working relationship with reliable investment managers, such as Loomis, who provide great service and consistent investment performance for our members.

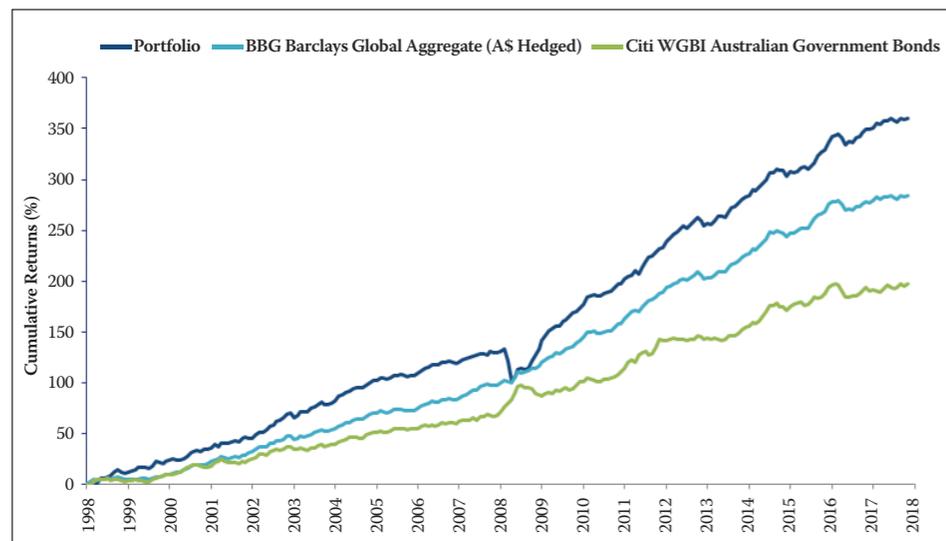
including identifying, analysing and communicating this to clients. The Loomis managers who were managing the portfolio back in 1998, are still the same portfolio managers we work with today.

### Our fixed income history

The graph on the following page represents the cumulative performance of the AvSuper/Loomis mandate against the Bloomberg Global Aggregate and the Citigroup WGBI Australian Government bond indices. The dark blue line shows that our decision to invest in Loomis Sayles has outperformed both indices over the 20 years of investment.

Much has changed over the last 20 years. The global fixed income market has grown from A\$16 trillion in 1998 to A\$66 trillion. The opportunities still include global governments, corporate issuers, government related issuers and securitised issuers. The growth of emerging markets and their improving fundamentals has led to more countries being included in the index. Emerging markets comprised 0.25% of the market in 1998, compared to over 6% now.

The most significant event over the past 20 years was the global financial crisis (GFC) in 2008. The deep economic shock from the GFC led to unprecedented monetary policy changes including central bank bond buying and negative interest rates.



Source: Loomis, Sayles & Company

Looking forward, Loomis believes sustained global growth will enable further stabilisation and improve fixed income markets. The integration of large dynamic economies and financial systems, such as China and India, into global opportunities and benchmarks is likely to continue.

The Trustee continues to look for the best suitable investment managers in each asset class, and then work closely with them. We build long term relationships wherever possible to generate **long term investment outcomes to enhance the retirement savings of our members.**

## First Home Super Saver Scheme (FHSS)

From 1 July 2018, first home buyers can withdraw some voluntary super contributions made after 1 July 2017 (and a calculated amount to represent the earnings on those contributions) to use towards buying a house. This makes saving more tax effective and potentially attracts a higher rate of investment earnings compared to having the money in a bank account.

Personal contributions up to \$30,000 may be eligible, with an annual cap of \$15,000. Contributions must stay within the existing concessional and non-concessional contribution limits. Each eligible individual can use the FHSS so a couple may be able to access up to \$60,000 from their super.

### How can I access the FHSS?

Eligibility rules include being over 18, not having previously owned property in Australia, buying a home to live in (excludes commercial properties, houseboats, caravans and more) and living in the house as soon as practicable after signing contracts.

If eligible to withdraw money under FHSS, you need to complete an ATO application. Once the withdrawal is made, you have twelve months to sign a contract to purchase or construct a home. Otherwise, a tax penalty may apply.

### What's next?

If you are looking to buy or build your first home, do some research to learn more about the FHSS scheme (tip – read our fact sheet). Assuming you meet the eligibility terms, you can then make additional contributions to your super in the usual ways to put towards a house deposit.



## 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 2018, AvSuper's assets were managed by the following entities:

<b>Australian Shares</b>	<ul style="list-style-type: none"> <li>Perpetual *</li> <li>Schroders *</li> </ul>	<ul style="list-style-type: none"> <li>Cooper Investors *</li> </ul>
<b>International Shares</b>	<ul style="list-style-type: none"> <li>Ariel Investments *</li> <li>AQR Global Equities *</li> <li>MFS Investment Management *</li> </ul>	<ul style="list-style-type: none"> <li>Martin Currie Investment Management</li> <li>Causeway</li> </ul>
<b>Alternatives</b>	<ul style="list-style-type: none"> <li>Kapstream Capital</li> <li>Bentham</li> </ul>	<ul style="list-style-type: none"> <li>GAM International Management Ltd</li> <li>Aurum Asset Management</li> </ul>
<b>Real Assets</b>	<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 Global Infrastructure</li> <li>Utilities Trust of Australia (UTA)</li> </ul>
<b>Diversified Fixed Income</b>	<ul style="list-style-type: none"> <li>Loomis Sayles</li> <li>Brandywine</li> </ul>	<ul style="list-style-type: none"> <li>AMP Capital</li> </ul>
<b>Cash &amp; Currency</b>	<ul style="list-style-type: none"> <li>Blackrock Cash Fund *</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>
<b>Private Markets</b>	<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 20-23) 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 Investments 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.

## 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 on our website and 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).

## 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 during the year may vary from the target asset allocation.

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

# 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 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%	Alternatives	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 Brisbane 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	3
Risk label	Low to Medium
Expected frequency of negative return in 20 years	1 to less than 2

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%			

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 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%

## 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: 0.05% 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

## 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: 0.85% pa

### Strategic Asset Allocation - target and ranges

Asset Class	Benchmark	Range
International Shares	100%	N/A

## 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 is supported by Airservices Australia and CASA.

Although your defined benefit arrangement must end **when you cease working for an AvSuper Corporate employer, 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.

### Contributions holiday

For our Defined Benefit members, Airservices Australia and CASA make lump sum contribution rather than on a per member basis. AvSuper's defined benefit assets available to cover payments sometimes moves into deficit or surplus. Currently, there is a surplus so Airservices

Australia is taking a "Contributions holiday" and not contributing to the fund in 2018. The Trustee is satisfied this will not adversely affect the financial position of the defined benefit division in the near term, but will continue to closely monitor the situation.

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

One Year Return for 2017-18	5.87%
Five Year Compound Average Return Per Annum	6.90%
Ten Year Compound Average Return Per Annum	5.24%

### Long term strategic asset allocation at 30 June 2018

Asset Class	Benchmark	Asset 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%

## How much super do you need?

A very common question we hear is 'how much super do I need?' or 'do I have enough super?'. Obviously, different people need different amounts of super so no one answer could suit everyone. However, the following may start your thinking about your super aims and goals.

### So how much...

Experts suggest an income of at least 60% of your pre-retirement income as a reasonable goal - you could have more than 20 years of retirement to provide for.

The Association of Superannuation Funds of Australia (ASFA) Retirement Standard (March 2018) suggests an annual income of \$42,764 (single) or \$60,264 (couple) for a comfortable lifestyle if you own your home. This requires a retirement lump sum of around \$545,000 or \$640,000 (assuming you are in receipt of a part Government pension).

ASFA and others suggest that 12% contributions (so above the compulsory 9.5% employer contributions) throughout a working life could provide a 60 - 70% replacement income.

Australians over 30 may need higher rates to compensate for lower contributions earlier in their working lives.

### Thinking about your situation

- What type of lifestyle do you want when you retire – do you want to travel, drive a nice car, upgrade or downsize your home, and so on.
- When do you expect to retire? The earlier you retire, the longer your super has to last
- What other financial resources (shares, investment properties, etc) will you have when you retire?
- Will your current financial commitments end before you retire?
- What do you think your living expenses may be after you retire? For instance, you may not have a mortgage, but may have more health issues or increased hobby expenses.

### Who can help?

Trying to predict your future needs isn't easy – and a simple answer would be great! If you are finding it too hard, our member advice consultants can help you assess where you are at and establish some realistic retirement savings goals.



# 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 \$298 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 1300 128 751) 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  
to discuss  
your options**

## 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 2018-19, 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 or impacted by the market movements

## 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
2018	\$10,052,484	+\$618,534
2017	\$9,433,950	+\$610,227
2016	\$8,823,723	+\$3,389,324

## 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 **1300 128 751** or **avsinfo@avsuper.com.au**
2. If our discussions or suggestions don't satisfy you, please write to **Complaints Officer, AvSuper, PO Box 223, Civic Square, ACT 2608** 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.

## 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):

**Standing:** Silas Dingiria, Naomi Hales, Nick Smith, Ursula Morley, Michelle Wade (CEO), Nathan McCabe, Sue Field

**Seated:** Shawn Jones, Debbie-Jane Campbell, Shan Badowski, Kong Lau, Carl Wilson, Tash Hughes

**Inset:** Amy Ward

## 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 to 31 Dec 2017 Frontier Advisors from 1 Jan 2018
Custodian	BNP Paribas Australia
Actuary	cHr Consulting Pty Ltd
Legal Adviser	Greenfields Financial Services Lawyers



## Abridged financial statements 2018

Following is a summary of AvSuper's financial statements for the last two financial years. The 2018 data is based on unaudited accounts - the full audited financial statements and auditor's report will be on our website by 30 October 2018.

Statement of changes in net assets for the period ended 30 June	2018	2017
<b>Opening balance at beginning of financial year</b>	\$2,182,629,667	\$1,987,329,805
<b>Plus Income</b>		
Contributions received	\$94,915,031	\$123,148,411
Transfer from other funds	\$22,264,219	\$31,496,257
Net investment income	\$169,329,412	\$189,242,482
Insurance paid to members	\$891,982	\$3,452,098
<b>Less Expenses</b>		
Benefits paid and payable	\$99,386,012	\$120,194,216
Insurance expenses	\$2,860,518	\$2,699,710
Operating & Administration expenses	\$5,304,927	\$4,633,133
Tax on contributions	\$12,532,112	\$13,258,760
Income Tax Expense	\$9,200,416	\$11,253,567
<b>Closing Balance</b>	<b>\$2,340,746,326</b>	<b>\$2,182,629,667</b>

## 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.

Effective 1 July 2018, the Trustee's Board structure includes Independent Directors. We currently have two Independent Directors and expect a third Independent Director to be appointed in 2019. Going forward, AvSuper's Board composition, will comprise of 3 Employer nominated Directors, 3 ACTU nominated Directors and 3 Independent Directors. The Trustee still retains its equal representation rules as required under the law. For details of whether a Director is an Employer Nominated Director, an ACTU Nominated Director or an Independent Director, please [read their biographies](#). All Directors are governed by the AvSuper Constitution and Trust Deed.

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.

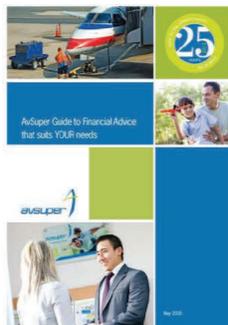


Back row – Ben Firkins, Lawrie Cox, Hylton Mathews, Denise Allen, Michael Farrell  
Front row – George Fishlock (Chair), Julie-Anne Schafer, Andrew Cooke

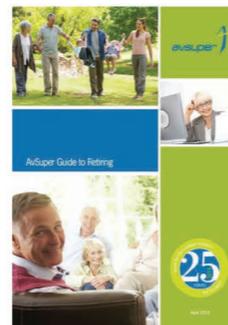
# AvSuper **member guides** cover a range of topics to help you start your retirement savings



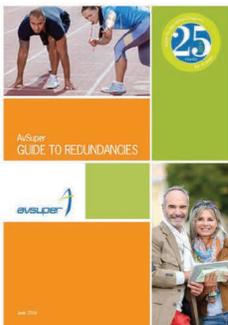
**Member Insurance Guide**  
Learn about the insurance cover (automatic and voluntary) offered to eligible AvSuper members



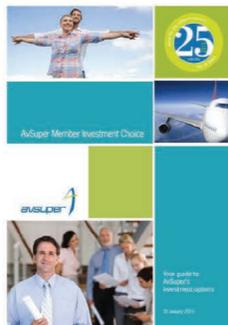
**AvSuper Financial Advice Guide**  
Find out how financial advice can help you – and how to get the most from it



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



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



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

View all of the AvSuper member guides online at [www.avsuper.com.au/pdss/](http://www.avsuper.com.au/pdss/)

# Make extra contributions to help your super soar!

Have you thought of growing your retirement savings with...

- Salary sacrifice contributions (with potential tax advantages)
- Regular personal contributions from your post tax salary or bank account
- Lump sum personal contributions whenever you have some 'spare' money
- Spouse contributions
- A contribution split with your spouse (with potential tax advantages)

Remember our Member Advice Consultants can show you the impact of additional contributions and different investment strategies.

Visit our website [www.avsuper.com.au](http://www.avsuper.com.au) for relevant forms and direct deposit details

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/)





## 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.



## Contact Us

**Phone:** 1300 128 751 or 02 6109 6888  
**Fax:** 02 6100 2799  
**Email:** [avsinfo@avsuper.com.au](mailto:avsinfo@avsuper.com.au)  
**Post:** AvSuper, PO Box 223, Civic Square, ACT 2608

[www.avsuper.com.au](http://www.avsuper.com.au)



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