



# Annual Trustee Report to Members

30 June 2019

## In this report:

- > Summaries of Commissions, Budgets and Reports
- > Private Markets



# Report manifest

Your super fund – AvSuper .....	1
Reports by our Chair & CEO .....	2
Royal Commission .....	4
AvSuper snapshot as we turn 30! .....	5
The Productivity Commission report.....	6
Administration Manager’s update .....	8
AvSuper insurance .....	9
2019 Federal Budget.....	10
Personalised advice .....	11
Investment overview for 2018-19 .....	12
AvSuper long term returns .....	13
Investment Manager’s overview.....	14
Making Contributions.....	15
Private markets.....	16
Investment managers .....	18
Member investment choice .....	19
Defined benefit accounts.....	24
Other investment information.....	25
Enquiries .....	26
The AvSuper Team.....	26
Retired or Retiring? .....	27
Financial statements .....	28
Your AvSuper Trustee .....	29



Have you moved  
or created a new  
email address?

Log into Member Online  
or call us to update your details,  
arrange a rollover or apply  
for insurance.

DISCLAIMER: The contents of this document have been prepared for general advice without taking into account your objectives, financial situation or needs. Therefore you should consider the appropriateness of the advice in light of your own objectives, financial situation or needs before acting on the information. A Product Disclosure Statement on any financial product mentioned in this document should also be obtained and read prior to proceeding with an investment decision. Although every effort has been made to verify the accuracy of the information contained in this document, AvSuper, its officers, representatives, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by any person directly or indirectly through relying on this information.



# Your super fund – AvSuper



It is with considerable pride and a sense of accomplishment that we present this 30th anniversary Annual Report to our members who have always been and will continue to be the reason for AvSuper’s very existence. AvSuper was started in 1990 and for 30 years 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.

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.

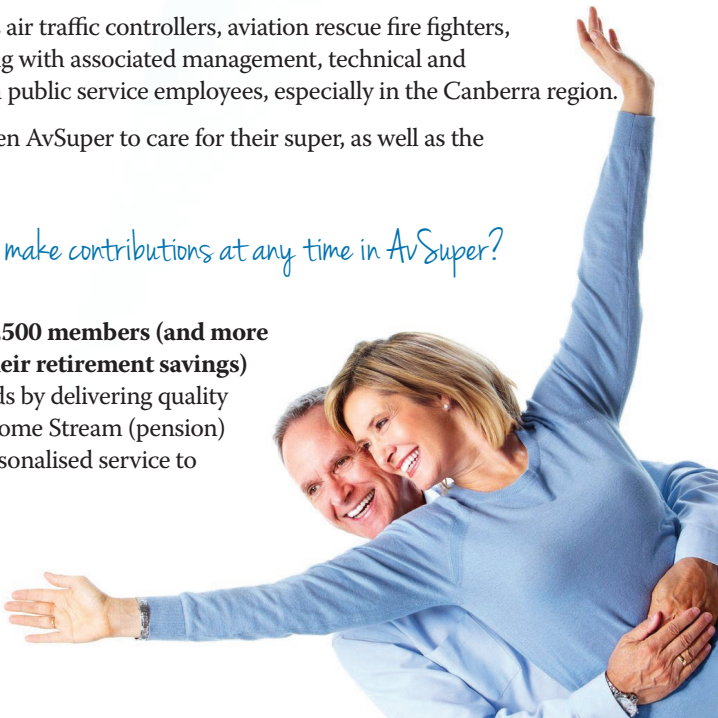
An increasing number of people from other industries have also chosen AvSuper to care for their super, as well as the families of AvSuper members.

## Did you know...

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.

## Did you know you can make contributions at any time in AvSuper?

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 and Income Stream (pension) products and highly personalised service to individual members.



# Report by our Chair

It is an honour to be writing to you, the members, as the new Chair of AvSuper. Like 607 other current members, I have been with the Fund since its inception in July 1990. I feel extremely privileged and fortunate to now be Chair of this fantastic Fund.

AvSuper's 30-year history is one of great stability in terms of directors and staff. AvSuper has now grown to almost 6,500 members and \$2.4 billion under management.

The external environment provided several challenges with the Productivity Commission's Report on Financial Services released on 3 August 2018 and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry being conducted under intense media scrutiny. While AvSuper was not required to provide submissions or testimony, the industry remained in the media spotlight for large parts of the year.

During the year, the Fund moved to a three employer, three member, three independent director model, providing experienced directors Lawrie Cox and Denise Allen the opportunity to transition to Independent Directors while welcoming Steve Merlicek and his long super investment experience as our third independent.

As we approach AvSuper's 30th birthday, I reflected on the Fund's history and our stability, and the 321 members who

weren't even born when we started – plus the member born on the same day! I was also contemplating the rapid changes in technology and legislation that have occurred since 1990. From the establishment of a Public Offer Fund (so people outside our corporate employers can join) in 2005 and then Income Stream, we have been able to evolve and develop ways to help our members maximise their pre and post retirement savings through more sophisticated super choices. We continue to maintain strong personal relationships with our members through our in-house advisers. New investment options have been created as we listen to what you desire.

While this has been a busy year externally, it has been one in which AvSuper was able to remain focused on its own members while ensuring recommendations from the Productivity Commission and Royal Commission are heard and, where appropriate, implemented. While we have lost my colleague and friend of 20 years, George Fishlock, to retirement, I am confident that George's legacy will be maintained and enhanced over the Fund's next 30 years. I thank George for his leadership and am looking forward to leading this fantastic Fund in the next years.

**Ben Firkins**



# Report by our CEO

It was a busy year for AvSuper and in the super industry generally with the Hayne Royal Commission and the Productivity Commission Report on Superannuation (see pages 4 and 6 for details). While this created a challenging external environment, AvSuper continued our focus on maintaining a strong governance framework and **providing our members with a high level of personal and customised service.**

We were delighted our member engagement was recognised with AvSuper **winning the Selecting Super Members' Choice Award for the second year in a row.** We are incredibly proud of this award as it is voted on by you, our members. In addition, AvSuper was **ranked number one overall and in various categories** on the 2018 super fund Member Satisfaction Survey - more fantastic recognition we thank our members for.

This year was one of change with AvSuper farewelling our longstanding Trustee Director and Chair, George Fishlock. Part of the Fund for almost two decades, George was a fantastic supporter of members and the AvSuper team. George will be missed, not only as a Chair, but as a friend and mentor to myself and many in our team. Of course, any change brings opportunity and as such we are fortunate to be working with Ben Firkins as our new Chair. Ben has a long history with the Fund and, like George before him, has a deep understanding

and passion for AvSuper and its members. Ben brings terrific perspective and experience to the role and we are very fortunate to have him as Chair as we enter our 30th year as a super fund!

It is now **nearly 30 years since AvSuper began** as the CAA Staff Superannuation Fund, and we look forward to celebrating this milestone with you over the coming months. For those members who have been with us the entire time – congratulations and thank you for your loyalty.

Another recent change for the Fund is placing **part of our team in Brisbane.** If you are in Queensland and would like some personalised financial planning advice, it is now much easier to get a face-to-face appointment. Of course, appointments continue to be offered by phone across Australia at any time, and our consultants visit various centres throughout the year.

Finally, I want to thank all members who participate in our surveys or otherwise provide feedback. It is through such feedback that we develop initiatives over time – and we have some **exciting changes coming in 2019-20.**

**Michelle Wade**





### The Royal Commission: a summary

In February, Commissioner Hayne produced a report into Misconduct in the Banking, Superannuation and Financial Services Industry, which included thoughts on superannuation. The report was long and included 76 recommendations which the Government is considering (and in some cases, implementing).

Note that AvSuper was not called to the hearings nor mentioned in the report for potential misconduct.

The following outlines what was found for superannuation:

- advice must be in a member's best interest
- fees for no service must stop
- super funds to not 'treat' employers as an enticement to chose that fund as a default for employees
- reduce potential conflict of interest for Trustee directors
- aim at members having only one default super account
- maintain ASIC and APRA regulation, and look to implementing the Banking Executive Accountability Regime (BEAR)

### AvSuper welcomes our new staff!

- **Nathan Ham** - Member Advice Consultant (Brisbane)
- **Catherine Mukungu** - Finance Officer (Canberra)
- **Julie Peters** - Member Advice Consultant (Canberra)

## AvSuper snapshot

### Electronic annual updates

Each year we send you your statement and a copy of this report - but did you know either or both of them can be sent by email?

You can let us know you want to swap to (or from) electronic versions on the contact details page of Member Online. Either way, your previous statements are available at any time on Member Online (under the communications tab).

### Simpler ID Checks

As of 1 July 2019, you can now provide certain details (eg passport or license number) and authorise an identity check instead of arranging certified copies of ID. All relevant forms have been updated with these details for you.

### Reduced Investment Fees!

Effective 1 August 2019, all AvSuper accumulation and income stream members will enjoy a fee reduction for their investment options.

*AvSuper was awarded the 2018 Consumer Choice award, making it two years in a row! Thanks for voting for us!*



**AvSuper is now using  
https throughout our site.**  
Please update any bookmarks to ensure  
you have secure access

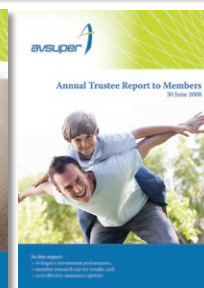
## AvSuper - flying together for 30 years!

From humble beginnings in July 1990, under the name CAA Staff Superannuation Fund, AvSuper has grown and become a trusted, sophisticated superannuation fund that maintains a member focus. AvSuper has consistently offered exemplary, personalised service to members, strong investment returns, innovations to suit member needs, and a steady Board and Management team. Back in 1990, there were 2 staff members, 4 directors and around 1,000 members - now, we have 14 staff (in two cities), 9 directors and about 6,500 members!

**As AvSuper prepares to enter its thirtieth year of operations,** our focus on delivering effective fund operations, high level member engagement and post-retirement solutions remains consistent. We continue to work in your best interests by providing a highly personalised service that strives to build long term and loyal relationships with you as well as optimise your pre and post retirement outcomes.

AvSuper provides a selection of superannuation products, education, information and advice to you and your families, and currently has around 6,500 members and \$2.4 Billion in funds under management. Investment returns for the last 10 years have averaged 8.5% pa for our accumulation members.

AvSuper maintains a strong relationship with, Airservices and CASA (our corporate employers), and is continuing to build relationships with other employers of AvSuper members. AvSuper remains in a strong financial position with both Corporate Employers currently on a contribution holiday for our defined benefit members.





## The Productivity Commission Report

The Government tasked the Productivity Commission to review the Australian financial system. While the review was largely focussed on banks, the super industry was also assessed to produce the *Superannuation: Assessing Efficiency and Competitiveness* report released on 3 August 2018. AvSuper was not asked to provide input.

The final report found structural flaws within Australia's super system, and recommended the system be adapted to better meet the needs of a modern workforce and a growing pool of retirees. The report also found:

1. evidence of both excessive and unwarranted fees in the super system
2. about 1/3 of all accounts are unintended second accounts
3. a lack of simple and salient information and impartial advice to help members find the best super products

4. some members do not get value out of their insurance in super
5. members should be asked to select a default Fund only once and recommended a "best in show" list of super offerings
6. trustee boards need to appoint skilled board members who can better manage unavoidable conflicts of interest
7. regulators need clearer roles, accountability and powers to confidently monitor trustee conduct and enforce the law when it is transgressed

AvSuper acknowledges the recommendations and note that AvSuper has cost-recovery based fees, competitive insurance and a member first approach in all activities. Changes relating to insurance and consolidation of member accounts (see page 9) legislated as a result of this report have had little impact on AvSuper's operations.

## 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 Guide to Redundancies

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



### AvSuper Financial Advice Guide

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



### Member Investment Choice (MIC) Guide

Find out about the range of investment options AvSuper members can choose from



### Guide to Retiring

Find out about your choices when it comes to retirement

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/)



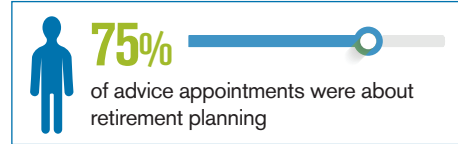
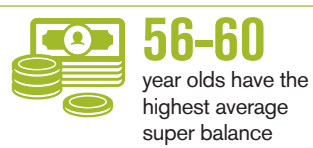
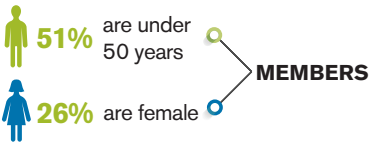


# Administration Manager's update



Naomi Hales,  
Administration Manager

## AvSuper as at 30 June 2019



- Managed **438** rollovers into AvSuper accounts and **10** insurance rollovers
- 476** advice appointments
- 88%** of members and **89%** of income stream members are registered for Member Online!
- We answered **794** AvChats, **3,617** phone calls and over **2,513** emails during the year.



## AvSuper insurance outside Australia

While your super account can remain open indefinitely, insurance cover can be affected by leaving Australia.

If traveling for short periods, you are covered as long as you don't go to a country graded as 'do not travel' when you leave.

For longer periods outside Australia, the following may apply unless you have written approval from the insurer prior to leaving:

- If you make a Total & Permanent Disablement (TPD) claim, the insurer may require you to return to Australia for tests and medical evidence.
- Income Protection payments, when applicable, will only be paid for 6 months if you are overseas, and may recommence when you return to Australia.
- Cover ceases once you have been out of the country for three years or a previously agreed time.

**Please contact me for a chat about your insurance if you are planning (or are on) a long trip overseas.**

## Keeping your insurance and account

As you are probably aware, new legislation from 1 July 2019 means that inactive accounts may be changed or closed.

We can now only give you insurance cover if you have made a contribution to your AvSuper account within the last 16 months or you have told us to keep your cover despite an inactive account.

Likewise, we must transfer your savings to the ATO on your behalf if your account is classified as inactive low balance unless you tell us to keep your account open.



- [Understanding contribution limits](#)
- [Make a contribution](#)
- [Switching form](#)
- [Income Stream switching form](#)
- [Read our latest bulletin](#)
- [Request our compliance letter](#)
- [Keep your AvSuper account active](#)
- [Elect to continue insurance form](#)

You can tell us to keep your cover and/or account active at any time via the forms on our website (see the links on our homepage), or make a contribution to keep your balance above \$6,000 and classed as active.

## AvSuper insurance

### Protect your family's financial future

- Fees from your super, not your back pocket
- All occupation classes included
- Competitive fees and terms

Chat to our Member Advice Consultants for details and an idea of how much cover YOU need.

**1300 128 751**

*Terms, conditions and eligibility requirements apply.*



## 2019 Federal Budget – key implications for your super

Released earlier than usual this year, the Government handed down its Budget on 2 April 2019. There were few superannuation changes, but we've summarised the main proposals affecting AvSuper's members below and in more depth on our website.

### Building super when over 65

From 1 July 2020, eligibility to make additional voluntary contributions without needing to meet the "work test" will include 65 and 66 year olds.

Members aged 65 and 66 will be given access to the bring forward arrangements, which currently allow members under 65 to make up to three year's worth (ie up to \$300,000) of non-concessional contributions in one year.

In addition, spouse contribution age limits will increase from 69 to 74 years.

### Opt-in insurance – confirmation

The Government confirmed its intention to legislate new opt-in insurance rules for new members under 25 and/or with an account balance below \$6,000. However, if this proposal is legislated, the start date is delayed until at least 1 October 2019.

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

### RG97 - fee disclosure

On 30 September 2017, the Government enacted RG97 which determines how certain fees are to be disclosed to members. You may hear of RG97 as additional changes to these regulations are being discussed.

In short, under RG97, we now include 'indirect costs' as part of your fees in annual statements. This is not an additional fee but instead shows some of the costs we pay to investment managers prior to setting the unit prices.

Please refer to our website for full details of RG97.

### Legislation update for 2019

The following changes came into effect on 1 July 2019:

1. Superannuation fees are capped at 3%pa for members with a balance under \$6,000
2. Insurance cover ends for inactive members unless they request otherwise - call us for details
3. The work test for members aged 65 - 74 has an extension of one year for eligible members.

## AvSuper Advice (financial planning)

Have you visited [www.avsuperadvice.com.au](http://www.avsuperadvice.com.au) yet? We launched the site in 2018 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 remains 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.

**Come and visit us in Brisbane! Silas and Nathan are both based in Brisbane so POP IN FOR A CHAT or BOOK A LOCAL APPOINTMENT now!**

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

**AvSuper Advice**



**SEATED:**  
Silas Dingiria, Carl Wilson

**STANDING:**  
Nic Miners, Debbie-Jane Campbell

**ABSENT:**  
Nathan Ham, Julie Peters



Investment overview for 2018-19

Investment Option	2018-19 returns ^	Benchmark return	Rolling returns	Investment Objective (CPI +)		
				Exceed Consumer Price Index (CPI) over rolling 10-year periods by:	SUPER	INCOME STREAM
Growth (MySuper)	6.3%	4.6%	8.5%		3.5%	4.0%
Conservative Growth	4.5%	2.0%	#		1.0%	1.5%
Stable Growth	5.3%	3.0%	6.9%		2.0%	2.5%
Balanced Growth	5.6%	4.0%	#		3.0%	3.5%
High Growth	6.6%	5.5%	10.2%		4.5%	5.0%
Investment Option	2018-19 returns ^	Benchmark return	Rolling returns	Rolling years	Investment Objective - exceed	
Cash	1.8%	2.0%	2.8%	10	Bloomberg AusBond Bank Bill Index	
Australian Shares	5.9%	11.4%	#	10	S&P/ASX 300 Accum Index	
International Shares	6.5%	8.2%	#	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								
							Compound Average	
INVESTMENT OPTION	2019	2018	2017	2016	2015	5 yr *	10 yr *	
Growth (MySuper) (default)	6.3%	8.8%	11.1%	3.0%	8.5%	7.5%	8.6%	
Conservative Growth	4.5%	4.4%	5.1%	2.8%	4.6%	4.3%		
Stable Growth	5.3%	6.1%	7.0%	3.3%	6.4%	5.6%	7.0%	
Balanced Growth	5.6%	7.2%	9.1%	0.8%	N/A			
High Growth	6.6%	10.7%	14.4%	2.0%	10.6%	8.8%	10.3%	
Cash	1.8%	1.7%	1.7%	1.9%	2.4%	1.9%	2.8%	
Australian Shares	5.9%	12.4%	14.6%	1.7%	5.4%	7.9%		
International Shares	6.5%	9.8%	15.4%	0.5%	14.3%	9.2%		

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								
							Compound Average	
INVESTMENT OPTION	2019	2018	2017	2016	2015	5 yr *	10 yr *	
Growth	7.0%	9.9%	12.6%	3.3%	9.6%	8.4%	9.6%	
Conservative Growth	5.3%	5.0%	5.9%	3.2%	5.1%	4.9%		
Stable Growth	6.0%	6.9%	8.0%	3.7%	7.2%	6.3%	7.8%	
Balanced Growth	6.4%	8.2%	10.3%	1.1%	N/A	9.8%		
High Growth	7.2%	11.9%	16.1%	2.3%	11.7%	9.7%	11.1%	
Cash	2.1%	2.0%	2.0%	2.2%	2.7%	2.2%	3.1%	
Australian Shares	6.7%	14.2%	16.3%	2.4%	6.9%	9.2%		
International Shares	6.6%	10.6%	17.3%	0.4%	16.5%	10.1%		

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

**I**n a year of the lowest cash rates on record, we are pleased to **return positive results above our targets in 2018-19 for all AvSuper members.**

The global stock markets had a wild ride, ending with positive investment returns for all AvSuper investment options at 30 June 2019. Members in the default, Growth (MySuper) option, achieved a **6.3% return after fees and taxes** (above the CPI + 3.5% investment objective). The most important metric is the **long term investment returns which have continued to strengthen.**

### Results by sector

The global economy in general slowed over the financial year, largely restrained by the US-China trade conflict. The Australian economy grew 1.8%, its slowest pace in 9.5 years.

Our conservative but active investment approach continued while maintaining strong cash balances, remaining overweight in traditional sectors. The

active approach remains robust and we continue to monitor our investments carefully.

**Australian Shares:** The market (All Ords) was up about 6.5%. Our portfolio finished over 9% in rolling 10 years.

**International Shares:** AvSuper's shares obtained 7.0% for 2018-19 after allowing for our currency hedging strategy.

**Real Assets:** Property had a healthy 9.0% return and Infrastructure 13.0%. We expect Infrastructure to continue as a key driver of performance next year.

**Private Markets:** Performance was as expected at 8.9%. You can learn more about private markets on page 14.

**Alternatives & Fixed Income:** This sector includes growth and defensive characteristics and returned 3.0%.

**Currency & Cash:** The Australian dollar had another volatile year, finishing around 0.69USD. AvSuper's passive hedging currency strategy mitigated the impact



Sue Field,  
Investments Manager

of currency volatility. Interest rates remained at historical lows with AvSuper's cash returning 1.9%, term-deposits 2.6% and fixed interest an exceptional 6.1%.

### Looking ahead...

We expect more volatile markets but are preparing the portfolio to deliver results that can withstand any unexpected downturn in the continued low growth environment. Despite talk, there is a consensus that there may not be a recession in the following year. The Trustee remains vigilant, seeking the best positions to gain returns in these constrained conditions. We continue to look for new opportunities as they arise, reviewing and monitoring our existing suite of managers for member best outcomes.

**Read our full investment overview in the investments section of our website, and subscribe to our monthly investment commentary.**

## 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 for relevant  
forms and direct deposit details**

# Focus on AvSuper's Private Markets

## Private Markets Strategy

Private Markets is a sector AvSuper uses for its long term investment strategy – sometimes we invest with a private equity manager for 14 to 15 years. So when AvSuper makes an investment in this sector, we ensure that the manager has the requisite skills and alignment of interests for the long term.

This asset sector is very illiquid and generally not available to retail clients. The limited access to these types of investments can be the difference between receiving medium returns versus higher returns. Being illiquid sounds risky, however it's a long term investment. The Manager generally asks for an amount to be committed (eg \$20m) and then requests lump sums over a set period (often five or ten years) as private investment deals are found. For example, Partners Group is still investing in their 2016 Fund (with a five year period) and has used 75% of our original commitment of \$20m. It has invested in 15 global private companies and started to distribute some of the profits and dividends from the underlying companies.

Private equity is essential for economic growth worldwide, as Managers seek growing companies to build, transform and globalise utilising the Manager's expertise and resources. The Manager buys a company and works to expand it in a meaningful way, before selling the company when it can operate on its own. This is where the Manager crystallises a gain

(or loss) in the underlying portfolio. Each quarter, the valuation of the Manager is calculated by the underlying company's financial status and valued in accordance with global standard IPEV guidelines.

## AvSuper's private market investing

At present, AvSuper's Private Markets sector consists of debt and equity investments. The debt investments are through our specialist manager, Hayfin, investing in European loans to corporate European companies. The equity portion is invested in a number of private equity funds including Siguler Guff, Collier and Partners Group. Each of these Managers has their own unique style of investing and all are considered amongst the best in the world.

**Collier Capital** is a pioneer and market leader in the private equity secondaries market and one of the largest purchasers of secondaries worldwide. The first Collier Capital Fund AvSuper invested in is now realising its underlying investments and at 31 March 2019 had a net internal rate of return (IRR) to investors of 16% since inception. AvSuper's Investment Committee has reinvested in Collier Capital in their 2018 Fund which will follow on after the current investment finalises some of its initial holdings.



**Siguler Guff** was added to our portfolio for exposure to managers and direct/co-investments in structured credit, corporates, special situations and real estate. This fund has fully committed its capital and is now returning funds. The majority of investments are in the US (52%), followed by Europe (36%), Latin America (10%) and other (2%). This helps to provide this Fund, and thus AvSuper, with worldwide diversification benefits. This Fund has returned 14.8% net IRR since inception for AvSuper members.



The **Partners Group** formed the Fund we invested in to make direct investments in a globally diversified private equity portfolio with a focus on extended middle markets transactions. Partners Group teams with its underlying companies, seeking to proactively build and realise value with a particular focus on helping small and mid cap companies grow internationally. This Fund has returned 10.6% net IRR since inception (to 31 March 2019).



## Example investment – KinderCare Education

An example of an underlying investment in the Partners Group portfolio is KinderCare education. This company is the largest not for profit provider of early childhood education and care services in the US.

Headquartered in Portland, Oregon, KinderCare has over 50 years experience and operates more than 1500 learning centres. Partners Group noted the market leading position in a highly

fragmented market, and added a great management team which has transformed the company's operating strategy since PG took over in 2012. There were a number of investment risks including underperforming centres, poor operating performance, mismanaged business, reputational risks and regulatory pay considerations. Partners group works closely with KinderCare's management to help evaluate potential add on acquisitions, new clients, and new centres. The company has outperformed so far, growing revenues and EBITDA significantly. The company is on track and has delivered a return of 29% to 31 March 2019.

*The Sector was the best performing sector for 2019 with a 8.9% annual return for AvSuper members.*





# 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 2019, AvSuper's assets were managed by the following entities:

Australian Shares	• Perpetual *	• Cooper Investors *
	• Schroders *	• Macquarie True Index
International Shares	• Ariel Investments *	• Martin Currie Investment Managemen
	• AQR Global Equities *	• Sanders
	• MFS Investment Management *	• Macquarie True Index
Alternatives	• Kapstream Capital *	• Aurum Asset Management
	• Bentham	
Real Assets	• Franklin Templeton Investments	• Investa *
	• Eureka Funds Management	• The GPT Group
	• EG Property Group	• QIC Global Infrastructure
	• RARE Infrastructure Limited	• Brookfield
		• North haven Infrastructure
Diversified Fixed Income	• Loomis Sayles	• AMP Capital
	• Brandywine	• Macquarie True Index
Cash & Currency	• Blackrock Cash Fund *	• Russell Investments
		• Bank term deposits (various) *
Private Markets		• Citi Global Market Australia
	• Collier Capital	• Hayfin Capital Management
	• Siguler Guff	• Partners Group

\*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
- Diversified Index#
- 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.**

# The Diversified Index option is available from 1 July 2019 to all members with investment choice.

# AvSuper options

Visit our site for more details on each option

## Growth (MySuper)

Designed for members who accept medium risk with short term fluctuations in a diversified portfolio for higher long term returns.

**Investment Return objective:** To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) over **rolling 10-year periods**:

- By 3.5% pa for super members
- By 4.0% pa for income stream members

**Suggested minimum timeframe to hold this option:** 5+ years

### Risk/return profile

#### Standard Risk Measure

Risk band	5
Risk label	Medium to high
Estimated frequency of negative annual returns in 20 years	3 to less than 4

### Strategic asset allocation effective since 1 February 2017

Asset Class	Benchmark	Range
Australian Shares	30%	20 - 45%
International Shares	30%	20 - 45%
Real Assets	18%	0 - 45%
Private Markets	5%	0 - 15%
Alternatives	5%	0 - 30%
Diversified Fixed Income	10%	0 - 30%
Cash	2%	0 - 15%

Default accumulation investment option

## Conservative Growth

Designed for members who are generally risk averse or wanting short term access to their money, but want some capital expansion.

**Investment Return objective:** To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) over **rolling 10-year periods**:

- By 1% pa for super members
- By 1.5% pa for income stream members

**Suggested minimum timeframe to hold this option:** 2 to 4 years

### Risk/return profile

#### Standard Risk Measure

Risk band	2
Risk label	Low
Estimated frequency of negative annual returns in 20 years	0.5 to less than 1

### Strategic asset allocation effective since 1 February 2017

Asset Class	Benchmark	Range
Australian Shares	10%	0 - 20%
International Shares	10%	0 - 20%
Real Assets	10%	0 - 20%
Private Markets	0%	0 - 10%
Alternatives	10%	0 - 60%
Diversified Fixed Income	30%	0 - 60%
Cash	30%	10 - 60%

## Stable Growth

Designed for members who want a diverse investment portfolio to obtain steady returns over time.

**Investment Return objective:** To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) over **rolling 10-year periods**:

- By 2% pa for super members
- By 2.5% pa for income stream members

**Suggested minimum timeframe to hold this option:** 3 to 5 years

### Risk/return profile

#### Standard Risk Measure

Risk band	3
Risk label	Low to medium
Estimated frequency of negative annual returns in 20 years	1 to less than 2

### Strategic asset allocation effective since 1 February 2017

Asset Class	Benchmark	Range
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%

## Balanced Growth

Designed for members who accept medium volatility and risk through a balanced investment portfolio for a moderate return.

**Investment Return objective:** To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) over **rolling 10-year periods**:

- By 3% pa for super members
- By 3.5% pa for income stream members

**Suggested minimum timeframe to hold this option:** 4 to 6 years

### Risk/return profile

#### Standard Risk Measure

Risk band	4
Risk label	Medium
Estimated frequency of negative annual returns in 20 years	2 to less than 3

### Strategic asset allocation effective since 1 February 2017

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

Part of the default Income Stream investment strategy

Images of Darwin airport courtesy of Ken Hodge (under creative commons via Flickr)



# AvSuper options (continued)

## Diversified Index (from 1 July 2019)

Designed for members who accept the high short-term volatility of listed markets and seek passive market returns with a long term investment horizon.

**Investment Return objective:** To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases over **rolling 10-year periods**:

- By 3.0% pa for super members
- By 3.5% pa for income stream members

**Suggested minimum timeframe to hold this option:** 7+ years

### Risk/return profile

#### Standard Risk Measure

Risk band	6
Risk label	High
Estimated frequency of negative annual returns in 20 years	4 to less than 6

### Strategic asset allocation effective since 1 July 2019

Asset Class	Benchmark	Range
Australian Shares	35%	15-50%
International Shares	35%	15-50%
Real Assets	0%	0-10%
Diversified Fixed Income	17%	0-40%
Cash	13%	0-40%

## High Growth

Designed for members who accept higher risk and short term volatility through shares and real assets for greater long term returns.

**Investment Return objective:** To achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) over **rolling 10-year periods**:

- By 4.5% pa for super members
- By 5.0% pa for income stream members

**Suggested minimum timeframe to hold this option:** 7+ years

### Risk/return profile

#### Standard Risk Measure

Risk band	6
Risk label	High
Estimated frequency of negative annual returns in 20 years	4 to less than 6

### Strategic asset allocation effective since 1 February 2017

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 for some or all of their investment and want to safeguard their savings.

**Investment Return objective:** To achieve a return, after tax and fees, which exceeds the Bloomberg AusBond Bank Bill Index over **rolling 10-year periods**.

**Suggested minimum timeframe to hold this option:** 0 to 3 years

### Risk/return profile

#### Standard Risk Measure

Risk band	1
Risk label	Very Low
Estimated frequency of negative annual returns in 20 years	Less than 0.5

### Strategic asset allocation effective since 1 February 2017

Asset Class	Benchmark	Range
Cash	100%	N/A

Part of the default Income Stream investment strategy

## Australian Shares

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

**Investment Return objective:** To achieve a return, after tax and fees, which exceeds the S&P / ASX 300 Accumulation Index over **rolling 10-year periods**.

**Suggested minimum timeframe to hold this option:** 7+ years

### Risk/return profile

#### Standard Risk Measure

Risk band	6
Risk label	High
Estimated frequency of negative annual returns in 20 years	4 to less than 6

### Strategic asset allocation effective since 1 February 2017

Asset Class	Benchmark	Range
Australian Shares	100%	NA

## International Shares

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

**Investment Return objective:** To achieve a return, after tax and fees, which exceeds the Morgan Stanley Capital International All Country World Index (ex Australia) 50% hedged and 50% unhedged in \$A over **rolling 10-year periods**.

**Suggested minimum timeframe to hold this option:** 7+ years

### Risk/return profile

#### Standard Risk Measure

Risk band	6
Risk label	High
Estimated frequency of negative annual returns in 20 years	4 to less than 6

### Strategic asset allocation effective since 1 February 2017

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 contributions 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 and CASA are on a "Contributions holiday" and not contributing to the Fund in 2019. 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 2018-19	5.2%
Five Year Compound Average Return Per Annum	5.6%
Ten Year Compound Average Return Per Annum	7.6%

**Long term strategic asset allocation at 30 June 2019**

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%

# 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 some 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
2019	\$10,451,297	+\$398,812
2018	\$10,052,484	+\$618,534
2017	\$9,433,950	+\$610,227





## 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 Australian Financial Complaints Authority (AFCA). AFCA is a free service and can be contacted by calling 1800 931 678, via email at **info@afca.org.au** or by writing to them at GPO Box 3, Melbourne, VIC 3001. You can find out more about AFCA on their website, **www.afca.org.au**.

## 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

**Standing:** Silas Dingiria, Debbie-Jane Campbell, Shan Badowski, Kong Wilson, Naomi Hales, Sue Field

**Sitting:** Carl Wilson, Michelle Wade, Ursula Morley, Nic Miners, Nick Smith, Tash Hughes

**Absent:** Catherine Mukungu, Nathan Ham, Julie Peters

# 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) and request ad hoc payments online at any time, too!
- 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** 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**



# 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	Frontier Advisors
Custodian	BNP Paribas Australia
Actuary	cHr Consulting Pty Ltd
Legal Adviser	Greenfields Financial Services Lawyers



# Abridged financial statements 2019

Following is a summary of AvSuper’s financial statements for the last two financial years. The 2019 data is based on unaudited accounts - the full audited financial statements and auditor’s report will be on our website by 30 October 2019.

Statement of changes in net assets for the period ended 30 June	2019	2018
Opening balance at beginning of financial year	\$2,340,746,326	\$2,182,629,667
Plus Income		
Contributions received	\$73,152,342	\$94,915,031
Transfer from other funds	\$29,578,789	\$22,264,219
Net investment income	\$130,308,206	\$169,329,412
Insurance paid to members	\$1,555,158	\$891,982
Less Expenses		
Benefits paid and payable	\$105,530,627	\$99,386,012
Insurance expenses	\$2,872,788	\$2,860,518
Operating & Administration expenses	\$5,450,338	\$5,304,927
Tax on contributions	\$9,013,438	\$12,532,112
Income Tax Expense	\$699,117	\$9,200,416
Closing Balance	\$2,451,774,513	\$2,340,746,326

# 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 nine 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 specialty expertise in superannuation, investment management and the wider aviation industry.

The Principal Employer, Airservices Australia, nominates the three employer representative Directors (Mr Mathews, Ms Schafer and Mr Burgess) and the three member representative are nominated by the ACTU (Mr Firkins, Mr Farrell and Mr Brades). Three independent directors (Ms Allen, Mr Cox and Mr Merlicek) are generally appointed by a public recruitment process.

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.



Standing: Ben Firkins (Chair), Stephen Merlicek, Julie-Anne Schafer, Lawrie Cox

Sitting: Stuart Brades, Denise Allen, Michael Farrell, Hylton Mathews





### 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)



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



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