



Annual Trustee Report to Members

For the year ending
30 June 2023

Contents

Chair and CEO's Message	1
An update on our merger	3
Super changes	5
Investments	6
Performance	7
Defined benefit division	17
AvSuper Board	18
Executive team	21
2022–23 Abridged financial statements	23
Risk Management Framework	24
Other important information	24

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AvSuper at a glance*

*As at 30 June 2023

\$2.28B

in Funds under Management

\$405,613

Average account balance

15%

of our members have been with us for over **20 years**



75% of our Members are Male

Members by state

QLD – 1,558
VIC – 1,191
NSW – 791
ACT – 518
WA – 398
SA – 237
TAS – 111
NT – 73
Other – 94

76%

of Superannuation members



91%

of Pension members

are registered for AvSuper online

Member Services activity

for the financial year to 30 June 2023



630

Advice appts

552

AvChats

8,409

Phone calls

Chair and CEO's Message

We write to you after a year that has certainly provided its fair share of challenges and achievements.



Ben Firkins, Chair



Michael Sykes, CEO

From navigating the complexities of a merger to lifting investment performance out of a negative year, we are proud of the team who have been working tirelessly to secure the best outcome for members. We are equally proud of our members who have demonstrated their faith in the fund and responded to the events of the past 12 months with resilience and support.

Merger

In late 2021, we announced our intention to explore the market for a potential merger partner through an Expression of Interest (EOI) process, and the reasons for the original decision to seek a partner remain. Increasing complexity and costs of compliance and regulation, along with rapidly changing technology and workforces, have made the superannuation landscape much more difficult and expensive for smaller funds to operate.

Our EOI process in early 2022 enabled us to engage with, assess and compare a number of super funds. Commonwealth Superannuation Corporation (CSC) was initially identified as the preferred partner from a shortlist of excellent proposals. In January 2023 it was determined that the proposed merger with CSC would not be able to proceed in a timely manner, and the Trustee re-engaged with Australian Retirement Trust (ART). Following further discussions and analysis, a Memorandum Of Understanding was announced in February. For members and employers, we are confident that the proposed merger will provide greater efficiencies, enhanced products, broader services, and increased capability. Financially, this means better value for you and your super for years to come. Pleasingly the project is progressing as anticipated; due diligence has been completed and detailed planning is being finalised.

We will continue to keep you informed of progress via webinars, Member Updates and on our website.

While our strategic focus continues to be on the merge, our primary objective remains – to achieve the best outcomes for your retirement savings.

Investment performance

A highlight for AvSuper in 2023 has been our investment performance. In a year of continuing market volatility we improved performance across all investment options. Whilst we all appreciate that there will be the occasional year of negative returns in any long-term investment strategy, we are still happy to leave them behind and return to positive territory.

For the financial year ending 30 June 2023, our Growth (MySuper) investment option returned 11.4% for accumulation members, and the Balanced Growth Option returned 9.2% for pension members.

Importantly, our long term results have been relatively strong compared to our peers, achieving first-quartile returns in the June 2023 Rainmaker survey of MySuper products in time periods from one to seven years for Growth (MySuper). This option experienced compound returns of 8.8% over three years, 6.0% over five years and 7.4% over 10 years.

The Stable Growth and Cash options are also in first quartile over 10 years.

Rainmaker's AAA Quality Rating

We were again awarded Rainmaker's AAA Quality Rating for Corporate, Public Offer and Retirement Income Products. Rainmaker's AAA Quality Rating evaluates superannuation products on performance, costs, insurance, organisational strength, and additional services like financial planning.



Surplus Repatriation

In December 2022, we advised that in accordance with the provisions of the Fund's Trust Deed, Airservices Australia had requested the Trustee repatriate a portion of the excess surplus in the Defined Benefit assets. A payment of \$77m was made in March 2023. The Trustee remains satisfied that the payment of the excess surplus assets will have no significant adverse effect on your benefit entitlements or the financial position of the DB division or the Fund.

Digital enhancements

With a view to making our processes easier as well as more secure, we implemented a range of digital enhancements during the year. This included updating our website forms to allow for electronic signatures. In addition, we engaged DocuSign to enable the use of digital identification verification on a range of forms where certified ID was previously required.

We are committed to protecting the privacy of your personal information and implemented multi-factor authentication (MFA) on login to AvSuper Online (AOL). MFA provides increased security on your account by requiring a one-time pin, received by either a registered mobile or email address, making it more difficult for unauthorised users to gain access.

Reduction in weekly administration fee

We continue to prudently manage expenditure by the Fund in this time of significant challenge, with a focus on reducing the administration fees. Members will recall in December 2021 that we introduced an Administration fee cap and this was followed in December 2022, by a cut in the weekly administration fee from \$1.15 to \$0.50 per week.

Thank you for your support

We would like to thank our Board, staff, and service providers, for their hard work, dedication, and professionalism through out the year. The resilience of the team and their commitment to our members has been inspiring.

We'd like to take this opportunity to farewell a valued member of our board as she has retired from her position. Susan Darroch was an Independent Director on the AvSuper Board as well as a member of our Investment and Administration & Member Service Committees for 17 months. We are grateful for her expertise and insight and do wish her well.

Finally, thank you to our members and employers for your continued loyalty and support. AvSuper has existed for 33 years for the primary purpose of delivering outstanding retirement outcomes for members. As we move into Financial Year 2024, we look forward to the changes it will bring and remain committed to delivering the best possible outcome for you.

Ben Firkins
Chair

Michael Sykes
CEO

An update on our merger

In late 2021 we announced our intention to explore a merge to create scale and reduce costs for members.

As a small fund, AvSuper has been managing increasing operating costs resulting from changes in legislative requirements, while still delivering a high-quality service to our members. Additionally, the regulator's views regarding the importance of scale and the sustainability of small funds has driven consolidation across the industry. The Trustee must ensure that members best financial interests continue to be managed over the long term and identified a successor fund transfer as the best way to achieve this.

Timeline of key activities

Below are details of the key activities that have been undertaken so far.

October 2021

The Trustee completed a market scan to consider suitable partners. As part of this process, funds that we identified as having the ability to best support the membership were shortlisted.

December 2021 – Expressions of Interest Process (EOIs)

We invited EOIs from the shortlisted super funds requesting they respond to a series of questions. Through this phase the funds developed proposals on why their offer would best support AvSuper members in the long term.

January/February 2022 – Review of EOI responses

Pleasingly the Trustee received a strong response to the EOI. Submissions were reviewed with the key considerations being:

- net overall benefit to members including fee and insurance offerings
- demonstrated defined benefit capability
- a high quality and tailored service model; and
- where possible an alignment of key service providers to ensure transition costs were minimised.



Market Review

Shortlist for Expression of Interest (EOI)

EOI issued
Dec 21

Responses received and reviewed
Jan/Feb 22

Memorandum of Understanding (MOU) with CSC May 22

Proposed merger with CSC
terminated Feb 23

Memorandum of Understanding (MOU) with ART Feb 23

Preliminary due diligence

Heads of Agreement

Successor Fund Transfer



May 2022 – Signed Memorandum of Understanding (MOU) with CSC

On 3 May 2022, the Trustee signed a memorandum of understanding (MOU) with Commonwealth Superannuation Corporation (CSC) based on the criteria listed on the previous page.

February 2023 – proposed merger with CSC terminated | Signed Memorandum of Understanding (MOU) with ART

The previously proposed merger between AvSuper and CSC was unable to proceed under the current legislative timetable as required changes were unlikely to be delivered in 2023. As an immediate next step, we reviewed our shortlisted funds from the initial EOI process.

On 15th February 2023, the Trustee signed a MOU with Australian Retirement Trust (ART) who have been an interested and strong candidate throughout the process.

March 2023 – Due diligence

AvSuper and ART undertook initial due diligence to confirm that a merge of the two entities is in both memberships best financial interests.

August 2023 – Next steps

On the successful completion of the initial due diligence process, if:

- both Trustees consider that a merger is likely to be in the best financial interest of their respective members; and
- the Trustee considers that ART is capable of satisfying the legal requirements to qualify as a “successor fund” to AvSuper;

the parties will execute a Heads of Agreement that will set out the terms and conditions for the proposed merger.

Once we enter a Heads of Agreement, the Trustee will enter the final planning and execution stage.

More information

As things progress, we will provide members with regular updates via emails, webinars and our website.

To find out more about the merger in the meantime, visit avsuper.com.au/merger-partner or call us on **1300 128 751**.

AvSuper and Australian Retirement Trust (ART) at a glance

As at 30 June 2023

	AvSuper	ART
Origin	Employees in the Public Service and working for the then Civil Aviation Authority	Australian Retirement Trust was formed through the merger of Sunsuper and QSuper on 28 February 2022. QSuper began in Queensland in 1913 to help Queensland Government employees. In 1987, Sunsuper started as a Queensland-based public offer fund.
Funds under management	\$2.28B	Over \$240 billion
Number of members	4,971	2.2 million
Number of staff	14	2,800
Account types	Defined Benefit, Accumulation, Income Stream	Defined Benefit, Accumulation, Income Stream, Transition to Retirement Income Stream, Lifetime Pension
Insurer	AIA Australia	AIA Australia Limited & QInsure Limited and a panel of insurers that are used for its Corporate plans
Administrator	Mercer Administration Services	Precision Administration Services Pty Ltd*

* Wholly owned (via its custodian) by Australian Retirement Trust Pty Ltd as Trustee of Australian Retirement Trust.

Super changes

A number of super changes took effect from 1 July 2023. Read on for information about how you may be impacted.

Increase of Superannuation Guarantee (SG) amount

The SG rate increased from 10.5% to 11% from 1 July 2023. This means your employer needs to pay 11% of your before-tax income into super on your behalf.

As part of the Government's commitment to helping Australians build retirement savings, the SG rate will continue to increase by 0.5% every year until it reaches 12% from 1 July 2025.

Removal of reduced minimum drawdown rates

During the COVID-19 pandemic, the Government reduced the minimum annual withdrawal amount for account-based pensions and annuities by 50%. This change was made to allow individuals to keep more of their capital invested while markets recover.

The Government announced that the reduced minimum drawdown will not be extended for the 2023–24 financial year.

The standard minimum withdrawal amounts are shown below:

Your age	Standard minimum drawdown rates % of your account
	% of your account
Under 65	4.0
65 to 74	5.0
75 to 79	6.0
80 to 84	7.0
85 to 89	9.0
90 to 94	11.0
95 or above	14.0

Change to eligibility for downsizer contributions

The eligible age for making downsizer contributions was lowered from age 60 to age 55 on 1 January 2023. If you meet eligibility requirements, the downsizer contribution allows you and your partner to contribute up to \$300,000 each into super from the sale of your home.

We're here to help

Further information about SG contributions, downsizer contributions and other super changes can be found at ato.gov.au.

We can talk to you about the recent changes or any aspect of your super account. To find out more about our advice services, call us on **1300 128 751** or visit our website, avsuper.com.au/advice



Investments

Market Update

Financial year ending 30 June 2023 at a glance

Financial market volatility continued in 2023 driven by ongoing geopolitical tensions, high inflation, tightening of monetary policy and most notably rising interest rates across the globe. There were mixed results across all sectors for superannuation, but pleasingly for AvSuper, there have been positive returns across all investment options.

Market overview

Aiming to manage inflation and promote stable prices, central banks worldwide raised interest rates through 2023, increasing the cost of borrowing to dampen demand and spending. Domestically, the Reserve Bank of Australia (RBA) has raised interest rates nine times, pushing the official cash rate from 0.85% at the beginning of the year to 4.1% at 30 June 2023.

These factors have led to different sector outcomes in the financial year ended 30 June 2023. Global equities performed well with the S&P 500 Index up around 19% for the 2023 financial year. Volatility persisted from increased political tensions (including the war in Ukraine), rising inflation and increased interest rates. The same issues impacted Australian markets however the RBA commenced interest rate rises later than most central banks. The S&P/ASX 300 returned 14.4% for the financial year.

Higher interest rates resulted in increases in bond yields which led to negative returns from fixed income. While there has been some devaluation in Property, Infrastructure has performed reasonably well and Private Market returns have been mixed.

2024 financial year outlook

The World Bank's Global Economic Prospects June 2023 report forecasts that the global economy is headed into 'a protracted period of feeble growth and elevated inflation'. Geopolitical tensions and resulting global equity and commodity market volatility seem likely to continue in 2024. While there has been some recent moderation in global inflation, central banks remain focussed on bringing inflation down to their target ranges and have indicated a preparedness for further interest rate rises if required to achieve this. The peak of the current interest rate cycle may not yet have been reached with many experts still forecasting the potential for further rate increases in the remainder of the 2023 calendar year.

For superannuation investors, the impacts of higher rates can vary over sectors. For some asset classes such as debt and cash investments, there are potentially stronger returns but increases may be detrimental to other asset classes such as equity and property. Therefore investment diversification continues to be paramount to reduce risk and achieve return objectives. AvSuper remains focussed on the long-term outcomes for members.

Performance

AvSuper's investment performance has been pleasing across all investment options in 2023.

Our investment objectives and beliefs focus on long term investments. We ensure we engage fund managers who are aligned with our goals and priorities for members. At 30 June 2023, most investment options outperformed their ten-year objectives, (noting that the Balanced Growth and Diversified Index options have not been available for that time period). Single year returns have achieved their investment objective for all options except for Cash, Stable, Conservative and International Shares.

To ensure we provide competitive investment outcomes, AvSuper's performance is tracked relative to similar funds' performance.

The AvSuper Growth (MySuper) option returned 11.4% net of fees for the 2023 financial year, which was in the top quartile performance for all MySuper funds for the year, in Rainmakers June 2023 MySuper benchmarking survey. All AvSuper pre-mixed options have been in the first or second quartiles against peers for one-year returns.

Importantly, AvSuper's long term results have also been strong, with returns for the Growth (MySuper) option above median in all time periods up to ten years. This option experienced compound returns of 8.8% over three years, 6.0% over five years and 7.4% over 10 years.

Other options in first quartile over 10 years include Stable Growth and Cash.

Several factors have influenced performance for 2023. AvSuper Australian Equity managers all exceeded expectations for 2023. AvSuper's Real Asset Managers delivered positive returns this financial year, while the Alternatives sector had a positive turnaround which benefitted the overall performance.

AvSuper investment returns below are shown after allowing for relevant investment related fees, costs and taxes. AvSuper's investment returns are passed onto accumulation and income stream members through unit prices applicable to their investments.

Past performance is not a reliable indicator of future performance.

Accumulation Account Returns to 30 June						Compound Returns	
Investment Option	2023	2022	2021	2020	2019	5 Yr*	10 Yr*
Growth (MySuper) Default	11.4%	-3.7%	20.6%	-2.1%	6.3%	6.0%	7.4%
Conservative Growth	5.8%	-2.5%	7.2%	0.5%	4.5%	3.0%	3.9%
Stable Growth	7.1%	-1.6%	11.2%	0.1%	5.3%	4.3%	5.4%
Balanced Growth	9.0%	-3.1%	14.9%	-1.2%	5.6%	4.7%	N/A
Diversified Index	12.6%	-5.8%	17.0%	-0.7%	N/A	N/A	N/A
High Growth	14.6%	-8.8%	26.9%	-3.0%	6.6%	6.4%	8.5%
Cash	2.5%	0.6%	0.3%	1.1%	1.8%	1.3%	1.7%
Australian Shares	16.5%	-5.2%	27.5%	-7.6%	5.9%	6.4%	8.3%
International Shares	14.4%	-15.2%	27.5%	0.6%	6.5%	5.8%	8.2%

* Compound returns net of relevant fees, costs and taxes

Income Stream Returns to 30 June						Compound Returns	
Investment Option	2023	2022	2021	2020	2019	5 Yr*	10 Yr*
Growth	11.9%	-3.8%	22.1%	-1.8%	7.0%	6.6%	8.2%
Conservative Growth	5.9%	-3.4%	8.5%	0.4%	5.3%	3.3%	4.3%
Stable Growth	7.3%	-2.4%	12.7%	-0.2%	6.0%	4.6%	5.9%
Balanced Growth (Default)	9.2%	-3.8%	16.7%	-1.2%	6.4%	5.2%	N/A
Diversified Index	13.7%	-6.2%	19.3%	-0.2%	N/A	N/A	N/A
High Growth	16.3%	-8.2%	28.8%	-2.8%	7.2%	7.3%	9.4%
Cash	2.9%	0.6%	0.4%	1.3%	2.1%	1.5%	1.9%
Australian Shares	16.8%	-5.2%	27.7%	-6.4%	6.7%	7.2%	9.3%
International Shares	16.1%	-17.6%	31.8%	0.3%	6.6%	6.1%	9.0%

* Compound returns net of relevant fees and costs

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

Investment options

Each option has its own performance objectives, investment strategy and risk/return profile as shown on the following pages.

Actual asset allocations may vary from the Strategic Asset Allocations shown, due to market conditions or investment strategy decisions.

Diversification of investments

When constructing an investment portfolio, individual investments are classified into asset classes or sectors, which exhibit similar characteristics and risk and return profiles. When investing, different asset classes can impact on overall investment performance and risk.

AvSuper utilises a number of asset classes across its various investment options to achieve its investment objectives and diversify risk.

The core asset classes include Cash, Diversified Fixed Income (such as bonds and debentures), listed shares (both Australian and International), Real Assets (retail, commercial or industrial real estate and infrastructure such as airports, energy utilities and toll roads), Private Markets (investments in private companies' assets and pooled investments), and Alternatives (including Hedge Funds, credit managers and unique opportunity investments which can use pooled investments, derivatives and other different strategies to achieve alternative sources of return and may be less correlated with listed markets).

We continually review our unlisted portfolio and monitor market fluctuations, with the expectation these assets can potentially provide increased diversification and stability and therefore give more value to members' savings.

AvSuper's pre-mixed options, invest with a long-term focus and diversify across several asset classes and multiple investment managers. 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 invest in one asset class each. To maintain diversity and manage risk, investments in these asset classes are managed by multiple managers across a number of sectors and companies.

AvSuper's Diversified Index option invests in Macquarie True Index to offer a balanced index return, with lower investment fees.



Diversified options

Growth

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 fees and tax, which exceeds Consumer Price Index (CPI) over **rolling ten-year periods**:

- By 3.0% p.a. for super members
- By 3.5% p.a. for income stream members

Suggested minimum timeframe (years)

5+

Risk/Return profile

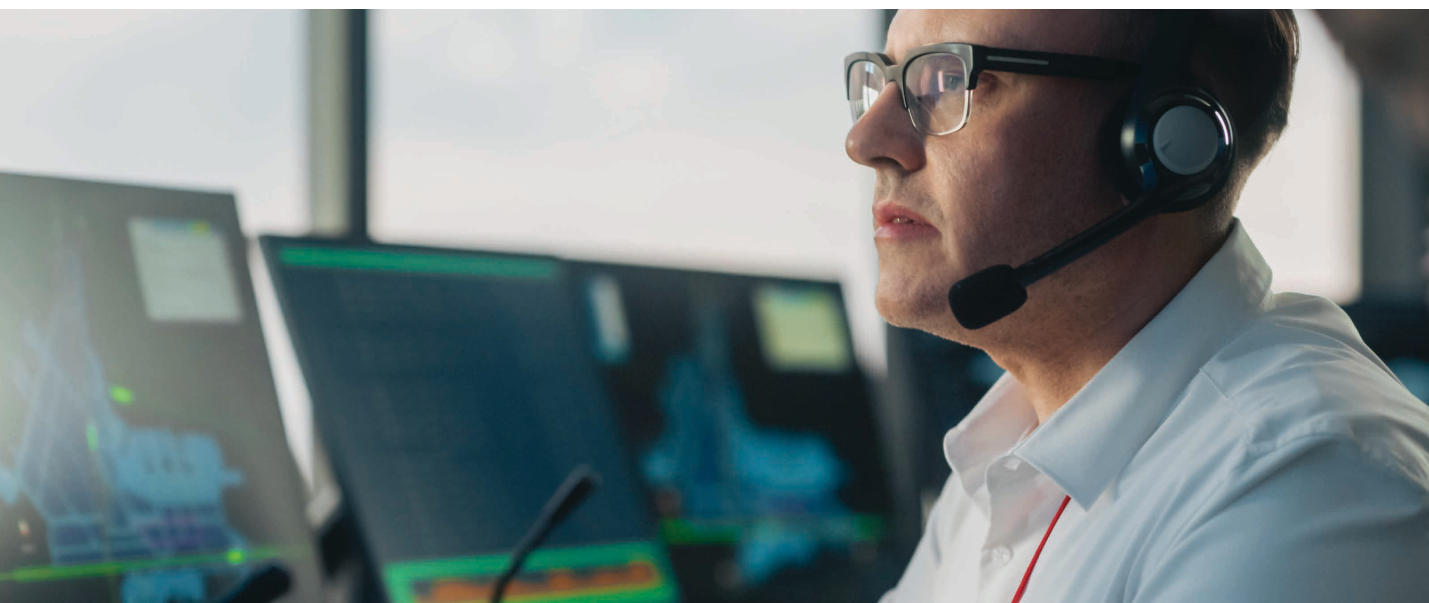
Standard Risk Measure

Risk band	1	2	3	4	5	6	7
Risk label						High	
Estimated frequency of negative annual returns in 20 years						4 to less than 6	

Strategic asset allocation

Asset Class	Allocation	Range
Australian Shares	27%	20–45%
International Shares	30%	20–45%
Real Assets	21%	0–45%
Private Markets	4%	0–15%
Alternatives	5%	0–30%
Diversified Fixed Income	11%	0–30%
Cash	2%	0–15%

Default (MySuper) investment option for accumulation (superannuation) members



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 fees and tax, which exceeds Consumer Price Index (CPI) over **rolling ten-year periods**:

- By 0.5% p.a. for super members
- By 1.0% p.a. for income stream members

Suggested minimum timeframe (years)

2–4

Risk/Return profile

Standard Risk Measure

Risk band	1	2	3	4	5	6	7
Risk label	Low to Medium						
Estimated frequency of negative annual returns in 20 years	1 to less than 2						

Strategic asset allocation

Asset Class	Allocation	Range
Australian Shares	9%	0–20%
International Shares	11%	0–20%
Real Assets	10%	0–20%
Private Markets	0%	0–10%
Alternatives	10%	0–60%
Diversified Fixed Income	30%	0–60%
Cash	30%	0–60%

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 fees and tax, which exceeds Consumer Price Index (CPI) over **rolling ten-year periods**:

- By 1.5% p.a. for super members
- By 2% p.a. for income stream members

Suggested minimum timeframe (years)

3–5

Risk/Return profile

Standard Risk Measure

Risk band	1	2	3	4	5	6	7
Risk label	Medium						
Estimated frequency of negative annual returns in 20 years	2 to less than 3						

Strategic asset allocation

Asset Class	Allocation	Range
Australian Shares	13.5%	5–30%
International Shares	16.5%	5–30%
Real Assets	17%	0–30%
Private Markets	5%	0–10%
Alternatives	8%	0–40%
Diversified Fixed Income	20%	0–40%
Cash	20%	0–40%



Diversified options (continued)

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 fees and tax, which exceeds Consumer Price Index (CPI) over **rolling ten-year periods**:

- By 2.5% p.a. for super members
- By 3.0% p.a. for income stream members

Suggested minimum timeframe (years)

4-6

Risk/Return profile

Standard Risk Measure

Risk band	1	2	3	4	5	6	7
Risk label	Medium to High						
Estimated frequency of negative annual returns in 20 years	3 to less than 4						

Strategic asset allocation

Asset Class	Allocation	Range
Australian Shares	19%	10-35%
International Shares	24%	10-35%
Real Assets	18%	0-35%
Private Markets	5%	0-10%
Alternatives	8%	0-35%
Diversified Fixed Income	14%	0-35%
Cash	12%	0-25%

Part of the default Income Stream investment strategy



Diversified Index

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 fees and tax, which exceeds Consumer Price Index (CPI) over **rolling ten-year periods**:

- By 2.5% p.a. for super members
- By 3.0% p.a. for income stream members

Suggested minimum timeframe (years)	7+
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Risk/Return profile

Standard Risk Measure							
Risk band	1	2	3	4	5	6	7
Risk label							High
Estimated frequency of negative annual returns in 20 years	4 to less than 6						

Strategic asset allocation

Asset Class	Allocation	Range
Australian Shares	31.5%	15–50%
International Shares	38.5%	15–60%
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 fees and tax, which exceeds Consumer Price Index (CPI) over **rolling ten-year periods**:

- By 3.5% p.a. for super members
- By 4.0% p.a. for income stream members

Suggested minimum timeframe (years)	7+
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Risk/Return profile

Standard Risk Measure							
Risk band	1	2	3	4	5	6	7
Risk label							High
Estimated frequency of negative annual returns in 20 years	4 to less than 6						

Strategic asset allocation

Asset Class	Allocation	Range
Australian Shares	40.5%	20–70%
International Shares	49.5%	30–70%
Real Assets	5%	0–40%
Private Markets	5%	0–25%

Single Class options

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 fees and tax, which exceeds the Bloomberg AusBond Bank Bill Index over **rolling 10-year periods**.

Suggested minimum timeframe (years)	0-3
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Risk/Return profile

Standard Risk Measure							
Risk band	1	2	3	4	5	6	7
Risk label	Very Low						
Estimated frequency of negative annual returns in 20 years	Less than 0.5						

Strategic asset allocation

Asset Class	Allocation	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 fees and tax, which exceeds the S&P / ASX 300 Accumulation Index over **rolling 10-year periods**.

Suggested minimum timeframe (years)	7+
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Risk/Return profile

Standard Risk Measure							
Risk band	1	2	3	4	5	6	7
Risk label	Very high						
Estimated frequency of negative annual returns in 20 years	6 or greater						

Strategic asset allocation

Asset Class	Allocation	Range
Australian Shares	100%	N/A

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 fees and tax, which exceeds the Morgan Stanley Capital International All Country World Index (ex Australia) 33% hedged and 67% unhedged in \$A over **rolling 10-year periods**.

Suggested minimum timeframe (years)	7+
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Risk/Return profile

Standard Risk Measure							
Risk band	1	2	3	4	5	6	7
Risk label	Very high						
Estimated frequency of negative annual returns in 20 years	6 or greater						

Strategic asset allocation

Asset Class	Allocation	Range
International Shares	100%	N/A

Member investment choice

AvSuper accumulation and/or income stream members have access to member investment choice.

Our investment options are outlined on pages 8 to 12 and described in detail on our website and in AvSuper's Member Investment Choice Guide. We may change, delete or add new investment options at any time but will give members at least 30 days notice where required.

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. If you do not make an investment choice, your accumulation account will be invested in the Growth (MySuper) option. Income Stream accounts will be invested in the Balanced Growth option (77%) and the Cash option (23%).



Other investment information

Unit pricing

Each investment option is divided into units, with each 'unit' representing a share of the assets in the option. The unit price represents the value of assets per unit in the option. Every unit you own in that investment pool represents your share of that investment option. Each time you invest in an investment option (e.g. by making contributions or switching to an option), you buy units and each time you reduce your investment in an option (e.g. by making a withdrawal or switching out of an option) you sell units.

Daily unit prices are calculated for each investment option and represent the Net Asset Value (NAV) for a particular investment option divided by the number of units issued for that option at a point in time. The estimated value of your account balance at any point in time will be the number of units you hold multiplied by the unit price for the relevant investment option/s at that point in time.

Current and historical unit prices can be found on our website at avsuper.com.au/accum-up or for income stream accounts, at avsuper.com.au/incomestream-up

Derivatives

AvSuper's derivatives policy imposes tight controls on investment managers' use of derivatives, which must be used conservatively and for controlling risk, and never to gear portfolios.

Underlying investment managers

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

Investment managers engaged to manage investments that were in excess of 5% of total fund assets as at 30 June 2023 managed assets as follows:

- BlackRock (Cash) – managed a cash portfolio
- AvSuper (Term deposits) – internally managed portfolio of bank term deposits
- Cooper Investors, Schroder Investments and WaveStone (Australian Shares) – managed portfolios of listed Australian equities
- MFS – managed a portfolio of global equities
- Investa (Australian Property) – managed a portfolio of unlisted property (office)
- Loomis Sayles (International fixed income) – managed a portfolio of listed and unlisted fixed income securities

For further information on AvSuper's investment managers and portfolio holdings, visit our website at avsuper.com.au/investment-managers



Summary of Fund Assets	Percentage of Fund June 2023 [^]	Percentage of Fund June 2022 [^]
Cash/Short Term Deposits		
Cash at Account	0.3%	0.2%
BlackRock*	7.1%	6.7%
Term Deposits*	6.4%	6.5%
Foreign Cash	0.9%	0.1%
Kapstream	2.0%	2.0%
Australian Shares		
Cooper Investors*	6.1%	6.1%
Hyperion Asset Management	4.0%	3.6%
Schroder Investment*	5.1%	5.4%
WaveStone*	5.0%	5.4%
Macquarie True Index	0.5%	0.4%
International Shares		
Ariel Global	4.4%	4.6%
Baillie Gifford	0.0%	2.5%
Hardman Johnston	3.7%	3.3%
Martin Currie	1.7%	3.3%
MFS	4.9%	5.1%
Sanders Capital	4.5%	5.0%
Macquarie Hedged Index	4.8%	0.0%
Macquarie True Index	0.7%	0.5%
Private Market		
Coller International	1.7%	1.5%
Continuity Capital	0.5%	0.4%
Flexstone	1.8%	1.4%
Hayfin	0.5%	0.7%
Partners Group	2.7%	2.7%
Siguler Guff	0.3%	0.4%

Summary of Fund Assets	Percentage of Fund June 2023 [^]	Percentage of Fund June 2022 [^]
Real Asset		
Atlas Infrastructure	2.1%	3.3%
EG Funds	0.3%	0.3%
GPT	1.7%	1.7%
Investa*	6.4%	6.8%
North Haven	2.6%	2.0%
QIC	3.1%	2.7%
Brookfield	2.7%	3.5%
Alternative		
Bentham	2.0%	2.2%
Stone Harbor	1.9%	1.8%
Diversified Fixed Income		
Loomis Sayles*	6.5%	6.8%
Macquarie	1.5%	1.7%
Macquarie True Index	0.3%	0.2%
Currency		
Russell	-0.2%	-1.0%
TOTAL	100.0%	100.0%

* As at 30 June 2023, these investment managers were engaged to manage investments that were in excess of 5% of total Fund assets

[^] Figures are rounded to one decimal place



Defined benefit accounts (corporate members)

If you are a defined benefit member, your superannuation benefit is based on a combination of your years of service, contribution rate and final average salary (subject to a minimum requisite benefit). Increases or decreases in the value of the defined benefit assets don't affect your final payment as investment risk is not borne by the member. AvSuper's defined benefit division remains fully funded and is supported by AirServices Australia and CASA.

When you cease working for an AvSuper Corporate employer, your defined benefit arrangement must crystallise (and your benefit will be transferred to the accumulation division). Remember, you can still remain with AvSuper and receive contributions from your new employer.

If you remain with AvSuper after your defined benefit crystallises, the value of your benefit will be affected by the performance of AvSuper's accumulation assets (depending on the investment option(s) applicable to your account) and investment risk.

Investment returns & objectives

The investment objective for the division is a return (after tax and fees) that exceeds Average Weekly Ordinary Time Earnings (AWOTE) increases by at least 1.5% over a rolling ten-year period.

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

One year return for 2022–23	6.1%
Five-year compound average return per annum	3.8%
Ten-year compound average return per annum	5.3%

Long term strategic asset allocation for the defined benefit division as at 30 June 2023

Asset Class	Benchmark	Asset ranges
Australian shares	9%	0–30%
International shares	11%	0–30%
Real Assets	17%	0–60%
Private markets	5%	0–40%
Alternatives	8%	0–40%
Diversified Fixed Income	30%	0–40%
Cash	20%	0–40%

Superannuation surcharge

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

Defined benefit surplus

For defined benefit members, AirServices Australia and CASA make lump sum contributions rather than on a per member basis. Currently, there is a surplus in the defined benefit division, so AirServices Australia and CASA did not contribute to the division in 2022–23. The Trustee is satisfied this will not adversely affect the financial position of the defined benefit division in the near term.

Under the Trust Deed, AirServices is able to repatriate a portion of any surplus within the division, subject to legislative requirements and the relevant provisions of the Trust Deed. A surplus payment was made during the 2022–23 year of \$77m, following a request from AirServices in December 2022.

Past performance is not a reliable indicator of future performance.

AvSuper Board

The Trustee of AvSuper is AvSuper Pty Ltd, a professional corporate trustee obliged to operate the Fund in members' best financial interests.

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 super, investment management and the wider aviation industry. The Principal Employer, AirServices Australia, nominates three employer representative Directors (Mr Burgess, Mr Rothwell and Mr Coogan) and the three member representatives are nominated by the ACTU (Mr Firkins, Mr Farrell and Mr Brades). The Trustee appoints three independent directors (Mr Cox, Ms Orr and currently has one vacancy).

Nomination of Directors

AirServices, ACTU and the Trustee may nominate a person to be an AvSuper Director, by written notice to the Trustee. Current Directors can be re-nominated. The Trustee undertakes an extensive due diligence review to ensure that nominated candidates are suitable, fit and proper persons, eligible to be appointed to the Trustee Board. In particular, checks are carried out to ensure the nominee:

- meets APRA's Fit and Proper Standards
- meets AvSuper's own requirements under its Fit and Proper Policy
- satisfies the eligibility requirements
- as a Director, would not hinder AvSuper in satisfying the requirements of relevant laws and any board policy relating to the composition of the board or the operation of the Fund.

Appointment of Directors

The Trustee has the final decision on appointing Directors to the Trustee Board, after consideration of any nominated candidates and a review of the due diligence checks as described above. Directors will generally serve for a term of three years, or any other period that may be determined by the Trustee from time to time. Directors can be reappointed for further terms.

Removal of a Director

Directors may cease being a Director by resigning, dying or being removed from their position by the Trustee. If an employer or member representative Director position becomes vacant, a new Director must be appointed within 90 days. The Trustee may appoint an interim Director if necessary, subject to due diligence checks as described above. AvSuper has policies and procedures in place to ensure that the requirements of the Fit and Proper Standard are met at all times, including processes for the Trustee to remove persons in such circumstances where it becomes necessary to do so. The Trustee may remove a director at any time if the director fails to meet the 'fitness and propriety' conditions, fails to comply with relevant laws, fails to meet any conditions determined by the directors from time to time or acts in conflict with his/her duties as a Trustee Director.



Ben Firkins

Chair

- GAICD
- AdvDipFin Services(Super)
- DipFinPlan, ASFA
- ASFA PS 146
- ASFA 200 Trusteeship Cert
- ASFA 102 Administration
- ASFA Running your Super Fund

Appointed 4 April 2002



Stuart Brades

Member Representative Director

- MPAcc
- BSc(Computing Science)
- DipBus(Frontline Mgt)
- DipAviation

Appointed 13 March 2019



Geoffrey Burgess

Employer Representative Director

- GAICD
- BA(Actuarial Studies)
- FIA
- ASFA 146

Appointed 1 July 2019



David Coogan

Employer Representative Director

- BBusStudies
- FCA

Appointed 1 March 2022



Lawrie Cox

Independent Director

- GAICD
- PS146 ASFA
- ASFA 200 Trusteeship Cert

Appointed 15 October 2010 (1 July 2018 as Independent director)



Michael Farrell

Member Representative Director

- Trustee Director Accreditation Program

Appointed 1 March 2015



Julie Orr

Independent Director

- GAICD
- MCom(Ec) (Hons)
- MCom(Fin)
- GradDip(Applied Risk Mgt and Corporate Governance)
- FGIA

Appointed 1 July 2021



Tim Rothwell

Employer Representative Director

- MAICD
- BEc(Acc) (Hons)
- FCA
- ASFA 146

Appointed 27 June 2021

Committees

The Trustee has established Committees to focus on specific areas of fund business. AvSuper directors are appointed to committees as part of our Governance framework. Each committee has a Chair and meets as often as required and at least quarterly.

Our committees are:

Investment Committee	Assists the board to develop investment strategy and oversee the Investment Governance Framework implementation
Audit, Compliance and Risk Management	Oversees the systems of risk management, internal controls, financial management and compliance with applicable laws
Remuneration and Nomination	Oversees AvSuper employment arrangements and remuneration, as well as Board governance, composition and conflicts
Administration and Member Services	Oversees the provision of member services, claims, insurance, complaints and general administration
Merge committee	Oversees the successor fund transfer process and makes recommendations to the Trustee in that regard

Directors attendance at meetings for the period 1 July 2022 to 30 June 2023						
Director Name	Trustee Board	Audit Compliance and Risk Management Committee	Investment Committee	Administration and Member Services Committee	Remuneration and Nomination Committee	Merger Committee
B Firkins	7	–	5	–	4	1
S Brades	7	–	–	4	4	1
G Burgess	7	5	4	–	–	–
L Cox	7	–	5	–	3	1
S Darroch*	4	–	3	1	–	–
M Farrell	7	4	–	3	–	1
J Orr	7	4	–	4	–	1
T Rothwell	7	5	–	4	4	–
D Coogan^	7	5	2	–	–	–

*Left AvSuper on 22 November 2022 ^ Joined AvSuper on 1 March 2022

Executive team



Michael Sykes
CEO

- MBA
- BEc
- CIMA
- CPA
- AICD

Appointed 6 April 2021



Nick Smith
Executive Manager, Finance and Tax

- BCom(Acc)
- BA(Politics)
- CA

Appointed 21 February 2018



Shan Badowski
Executive Manager, Governance
and Company Secretary

- AdvDipBus(Accounting)
- Dip(Financial planning)
- Cert(Governance Practice)

Appointed 1 January 2022



Michael Irving
Executive Manager, Operations

- MBA
- GradCertMgt

Appointed 19 July 2021

Director and Executive remuneration

Name	Directors Fees / Salary ⁺	Super (SG) contributions	Total 2023
Directors			
T Rothwell	\$62,448	\$6,557	\$69,005
S Brades	\$62,448	\$6,557	\$69,005
G Burgess	\$57,063	\$5,991	\$63,054
L Cox	\$67,833	\$7,122	\$74,988
M Farrell	\$57,063	\$5,991	\$63,054
B Firkins <i>CHAIR</i>	\$89,373	\$9,384	\$98,757
D Coogan	\$48,094	\$5,049	\$53,143
J Or	\$57,063	\$5,991	\$63,054
S Darroch <i>Ceased 22/11/2022</i>	*\$33,193	*\$3,485	*\$36,678
Executives			
M Sykes	\$383,250	\$27,499	\$410,749
N Smith	\$237,989	\$27,484	\$265,473
M Irving	\$229,663	\$24,114	\$253,777
S Badowski	\$202,341	\$25,292	\$227,633

* Reflects part financial year + Disclosed fees are inclusive of additional fees paid for committee and chair positions

Director remuneration

AvSuper pays remuneration to Directors for their role on the Trustee Board, together with reimbursement of travel and other expenses properly incurred when attending to Fund business. AvSuper's Directors are not paid any short or long term incentives, or given bonuses, equities or other retirement benefits while they hold (or when they cease to hold) office, other than superannuation benefits that have accrued under relevant legislation.

Trustee remuneration is reviewed annually by the Remuneration and Nominations Committee and the Trustee Board.

Executive remuneration

Executives' base salary is determined with reference to external benchmarking data of equivalent roles in other financial services companies. Executive KPIs are generally tied to the achievement of targets set in the Fund's strategic and business plans.

The Chief Executive Officer's remuneration is reviewed by the Remuneration and Nominations Committee which makes recommendations to the Trustee Board for approval. The CEO's remuneration consists of a base salary (including superannuation) as fixed remuneration.

The Remuneration and Nominations Committee is also responsible for annually reviewing executive performance against the required standard for their KPIs.

2022–23 Abridged financial statements

Statement of changes in net assets for the period ended 30 June 2023		
	2023 (\$000s)	2022 (\$000s)
Net Assets available to pay benefits at the start of the year	2,326,503	2,697,835
Plus Income		
Contributions Received	63,548	77,803
Transfers from other Funds	10,016	11,858
Net Investment Income	189,464	(109,986)
Insurance Paid to Members	3,837	2,026
Less Expenses		
Benefits paid and payable	197,656	356,399
Insurance Expenses	3,074	2,654
Operating & Administration Expenses	5,424	6,445
Tax on Contributions	7,813	8,344
Income tax Expense	6,699	(20,809)
Less Surplus Repatriation		
Surplus Repatriation	77,506	0
Net Assets available to pay benefits at the end of the year	2,295,196	2,326,503

Statement of financial position for the year ending 30 June 2023		
Investments	2,316,660	2,335,939
Cash	6,586	5,161
Other receivables	131	117
Property, Plant and Equipment	1,418	1,633
Other Payables	(3,104)	(3,690)
Net Tax Liabilities	(26,495)	(12,657)
Net Assets available to pay benefits at the end of the year	2,295,196	2,326,503

For full audited financial statements and auditor's report, visit avsuper.com.au/financials-2023

Reserves

Operational risk reserve

The Trustee holds a separate reserve to meet losses arising from significant operational risk events. The reserve may only be used for operational risk events as defined under the relevant APRA prudential standard (SPS114) and consistent with the Trustee's policy.

The Trustee has determined a target for this reserve of 0.25% of Funds Under Management (FUM). It regularly reviews the level of the reserve and annually assesses its target amount to ensure it remains adequate based on the size, business mix and complexity of its operations. The Trustee invests 100% of the reserve in cash products (including term deposits).

Other reserves

Other reserves represent a pool of funds held to meet the general operating and administration costs of the Fund, specific projects and any unexpected or otherwise unforeseeable operating costs that may arise.

Administration fees that are deducted from members' accounts fund this expenditure. Any tax benefits associated with expenditure met from other reserves are applied back to the reserves. These reserves are not physically segregated from other assets held in the Fund's investment options.

Year ending 30 June		
	Reserve balance (\$M)	% of FUM
Operational risk reserve		
2023	\$5.8	0.25%
2022	\$8.8	0.39%
2021	\$10.5	0.44%
Other reserves		
2023	\$16.0	0.73%
2022	\$17.3	0.74%
2021	\$46.2	1.71%

Risk Management Framework

Our approach to managing risk

AvSuper is committed to embedding and continuously improving the management of strategic, financial and non-financial risk within the business. The Trustee's appetite for risk is articulated within the risk appetite statement which provides guidelines as to exercising business risk and opportunities. AvSuper uses its risk management framework to guide its decision making and to align risk with strategy to deliver optimal outcomes for the membership. These processes are embedded in the Risk Management Framework (RMF) that details the Trustee's Risk Management strategy and defines the Risk Culture for the Fund.

While our business exposes AvSuper to both financial and non-financial risks, it is the understanding of this risk environment that is crucial in supporting the Trustee's strategic decision-making and associated operational planning. The RMF outlines how we identify, assess, manage, mitigate, and monitor risks. It focuses on eleven (11) key strategic risks namely:

- Outsourcing Risk
- Operational Risk
- Strategic Risk
- Investment Governance Risk
- Legal, Regulatory and Compliance Risk
- Governance Risk
- Financial Management Risk
- Fraud Risk
- Liquidity Risk
- Insurance Risk
- Information Security Risk (including cyber)

The Trustee is responsible for the RMF and the Risk Manager reports its status to the Chief Executive Officer and the Board and Audit, Compliance and Risk Management (ACRM) Committee.

The RMF establishes not only the rules, processes, and standards for managing risks but also our risk culture. AvSuper is committed to fostering a positive risk culture at all levels of our organisation. A positive risk culture will ensure all employees can monitor and manage risk as part of their day-to-day work.

Other important information

Enquiries and complaints

Please contact AvSuper if you have any enquiries. In most cases, enquiries can be answered over the phone. Answers to written enquiries will generally be provided within five days.

- 1 We work hard to help with your super, but if you have any complaints or concerns please contact us on **1300 128 751** or email avsinfo@avsuper.com.au or write to

Complaints Officer,
AvSuper,
GPO Box 634,
Canberra,
ACT 2601

We will deal with your complaint or concerns as soon as possible within 45 days of receiving your complaint (or 90 days for a death benefit distribution complaint).

- 2 You may have the right to refer to the Australian Financial Complaints Authority (afca.org.au), although they generally expect you to use AvSuper's complaints process first. They can be contacted at no charge on **1800 931 678** or info@afca.org.au or by mail to
GPO Box 3,
Melbourne VIC 3000.

For the financial year ending 30 June 2023:

- Complaints lodged: 12
- Complaints closed: 12
- Of the 12 complaints, 7 were closed without any further action.
- AvSuper didn't have any complaints escalated to AFCA that were found in favour of the complainant or that required payment of compensation by AvSuper.

Other Trustee and Fund information

The following information about the Trustee and Fund can be found on our website.

- Trust Deed – avsuper.com.au/trust-deed
- Significant event notices over the last 2 years – avsuper.com.au/significant-event-notices

Trustee indemnity insurance

The Trustee has Professional Indemnity insurance to protect it from certain liabilities that may be incurred in carrying out its duties as Trustee. Protection from liability does not extend to loss incurred through gross or willful misconduct and is subject to the terms and conditions of the indemnity insurance policy.

Service providers

The Trustee Board uses the services of professional external service providers to assist in the efficient management and operation of AvSuper:

Administrator	Mercer Administration Services (Australian) Pty Ltd, ABN 48 616 275 980
Auditor	Ernst Young, ABN 75 288 172 749
Internal auditor	Willis Towers Watson, ABN 45 002 415 349
Group Life Insurer	AIA Australia Limited, ABN 79 004 837 861
Investment Adviser	Frontier Advisors Pty Ltd, ABN 21 074 287 406
Custodian	BNP Paribas Fund Services Australasia, ABN 71 002 655 674
Actuary	cHr Consulting Pty Ltd, ABN 95 094 545 892
Legal Advisor	Greenfields Financial Services Lawyers, ABN 70 109 832 840



Contact Us

Phone 1300 128 751 or 02 6109 6888
Email avsinfo@avsuper.com.au
Post AvSuper, GPO Box 634,
Canberra, ACT 2601

Issued by AvSuper Pty Ltd (ABN 46 050 431 797, AFS Licence No. 239078) as Trustee of the AvSuper Fund (ABN 84 421 446 069)