# INVESTOR UPDATE

JULY 2017

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## INVESTMENTS
What's shaping your investment performance?

## ONLINE
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## FEDERAL BUDGET
How will the changes in the Federal Budget affect you?

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This annual publication is exclusively produced for investors of ANZ OneAnswer Personal Super, ANZ OneAnswer Pension, ANZ OneAnswer Term Allocated Pension, ANZ OneAnswer Investment Portfolio and the ANZ OneAnswer//Select suite of products (ANZ OneAnswer).

In this Investor Update, the term 'ANZ OneAnswer Pension' refers to 'ANZ OneAnswer Allocated Pension'.

# WELCOME

## WELCOME TO YOUR 2017 INVESTOR UPDATE

As a valued OneAnswer customer, I'd like to thank you for entrusting us with your superannuation and investment needs.

The year to 30 June 2017 has been one of substantial geopolitical and economic change. Despite these challenging times, I am pleased to advise that our investment returns have been healthy, particularly for those options weighted towards global and domestic shares. Our Vanguard High Growth Index option in OneAnswer Frontier Personal Super, for example, returned on average over 12% p.a. over the past 5 years, with a number of other funds achieving similar returns.

In this edition of your Investor Update, our Chief Investment Office looks at the factors driving investment markets and how our investment funds are positioned for the future.

The year has also seen a substantial amount of regulatory and Budget reform. On 1 July 2017 a number of government changes to super came into effect. In this edition we identify what these changes are and provide important insights into how they could affect you. The good news for you is that we have ensured your products are ready to comply with these changes. We are also introducing a number of new enhancements, including new investment options, over the next 12 months to ensure your investment solution remains one of the most competitive offerings on market.

Finally, and as always, apart from your Investor Update, the other great place to get the latest up-to-date information and insights into your personal investment and insurance needs is through your licensed and accredited financial planner. Your planner has the skills, expertise and industry knowledge to help you navigate these ever evolving financial landscapes, and can guide your path to achieve your goals.

We hope you enjoy this edition of your Investor Update and thank you for choosing ANZ OneAnswer. We look forward to managing your investments to help you connect with, protect and grow your wealth now, and well into the future.

Mark Pankhurst
Head of Superannuation
ANZ Wealth

## KEEP TRACK OF YOUR ACCOUNT ONLINE

**Simply log in at anz.com > Personal > Investor Access to:**

- Check your balance and transactions
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- Check your insurance cover, including OneCare Super, if applicable
- Confirm your account management functions, including automated direct debits to your account, drawdown instructions and auto-rebalancing of your investments
- Review the latest Centrelink schedule for your income stream account, if applicable
- Elect to receive some transaction confirmations electronically, including email and SMS messages to your phone.

**For more information, speak to your ANZ Financial Planner.**

# EXPLORE MORE ONLINE

GET SORTED

## SUPER CAN STILL BE TAX EFFECTIVE

The rules governing superannuation have changed significantly from 1 July 2017, making it more limited as an investment vehicle, but not necessarily less tax effective.

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PLANNING

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INVESTMENT

### ACTIVE VS PASSIVE INVESTING

There are key differences between 'active' and 'passive' approaches to investing. Passive investing has gained popularity in recent years. Which one is right for you?

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PLANNING

### IS THE NEW AUSTRALIAN DREAM A HEALTHY SUPER FUND?

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# WHAT HAS SHAPED YOUR INVESTMENT PERFORMANCE?

Mark Rider, ANZ Wealth's Chief Investment Officer, looks at the factors driving investment markets so you can see what has been influencing the strong returns of our diversified funds.

**With the economic growth recovery since the Global Financial Crisis (GFC) now being one of the longest on record, this year saw global shares make strong, broad-based gains. The US started to recover relatively early and the unemployment rate is now low, at 4.3%. This has led the US Federal Reserve on a more sustained pathway of lifting interest rates. Europe lagged the US but has now also entered into a stronger recovery cycle. So what might happen from here? Let's look at some of the factors likely to drive your investments for the remainder of 2017.**

## COMMODITY AND ENERGY PRICES LEAD RECOVERY BUT REVERT TO MORE SUSTAINABLE LEVELS

The global economic recovery that unfolded throughout 2016 was initially driven by the industrial sector, which was reflected in a surge in commodity prices in the mining and energy sectors. These industries were supported by a large economic stimulus package implemented by China in 2015. However, by the early part of 2017, prices in these sectors were easing. By mid-2017, prices had fallen to more sustainable levels as Chinese policy tightened.

## GROWTH IN EUROPE AND JAPAN LIFTS

After a solid lift in Chinese and US growth, momentum has now passed to Europe and Japan. While both of the latter regions have struggled since the GFC, signs are emerging that the current lift in growth may be more sustainable. Political uncertainty in Europe has also receded somewhat after the election of French President Emmanuel Macron. However, later this year the Italian election looms as another political risk.

## TRUMP TRADE UNWINDS

Late in 2016, the election of US President Donald Trump added further momentum to global growth. His proposed agenda of tax cuts and increased infrastructure helped drive shares higher. Although with few policy runs on the board, markets have now largely stopped expecting policy support.

## EARNINGS LIFT STRONGLY ACROSS MOST MARKETS, ALTHOUGH AUSTRALIA NOW EASING

Global shares displayed a synchronised double digit lift in earnings in most markets; this was the primary driver of shares since late last year. Signs are emerging that upward momentum in the US may now be consolidating, although earnings momentum remains strong in Europe, Japan and emerging markets.

## AUSTRALIA DIVERGES FROM GLOBAL RECOVERY

While Australian earnings increased alongside global earnings growth throughout 2016, by early 2017 there were signs that Australian earnings were easing and diverging from the robust global up-trend. In particular, while Australian business confidence remained solid, the household sector eased sharply with income growth weak and consumption soft. Looking into 2018, we expect housing construction could temper growth further, although this could be partly offset by a recovery in non-mining investment. However, 2018 is shaping up as a challenging year for the Australian economy as housing construction slows and households remain under pressure from sluggish wages growth.

**Go online to watch our investor insights video with CIO Mark Rider, at onepath.com.au/investorupdate**

# HOW ARE WE MANAGING YOUR INVESTMENTS?

The range of OptiMix and OnePath diversified funds are a careful mix of asset classes that provide you with a diversified exposure to global and Australian share and bond markets. The mix of growth and defensive assets differ by fund to suit your tolerance to the variability of investment returns. There are more of the 'riskier' asset classes such as shares in Growth funds versus more defensive assets, such as cash, in Conservative funds.

The year to 30 June 2017 has been a strong one in terms of financial outcomes for many of our customers. Each of the OptiMix and OnePath Diversified Funds, from Conservative through to High Growth, has comfortably exceeded its investment objectives over the 12-month period. Despite the historically low returns available from bonds and cash investments, the strong performance of Australian and international shares assisted the Funds in delivering strong positive returns, and further demonstrated the expected benefits of diversification.

Currently, we are neutrally positioned in terms of our asset allocation strategy. That is, we hold allocations of defensive and riskier assets at our long-run, benchmark levels. While share market valuations are at somewhat above average levels, the local and global economies are expanding at a better pace and this is likely to have a positive impact on company profits and share prices.

However, we are concerned given the US Federal Reserve is in the process of slowly raising interest rates, which has the potential to restrict global economic growth. The higher rates are also likely to depress the expected returns from bonds, so we have allocated a higher than usual amount to cash, to protect investors. Find out more investor insights from Mark Rider, our CIO, by watching his video at onepath.com.au/investorupdate

**As always, your ANZ Financial Planner is best placed to guide you on the right mix of assets for your personal situation.**

# FEDERAL BUDGET 2017/18: INCENTIVES TO INVEST IN SUPERANNUATION

The Government delivered the 2017/18 Federal Budget in May 2017, with incentives to invest in super to reduce the pressure on housing affordability, explains Byron Smith.

Among the key take outs from the Federal Budget (the 'Budget') – the Government has announced that first-home buyers get a tax break to save in their super, most of us will be paying more for Medicare and the Budget will return to surplus in several years.

In short, the two main measures affecting superannuation account holders are that:

- first-home buyers can save toward a home loan deposit in their super
- eligible seniors may add up to $300,000 extra to their super if they sell their home.

## HOUSING AND SUPER

Perhaps the most critical measure is the First Home Super Savers Scheme, where savers can contribute from their before-tax income into their superannuation fund, and be taxed at the 15% superannuation tax rate instead of their marginal tax rate. When funds (including earnings) are withdrawn from a First Home Super Savers Scheme account to purchase a home they'll be taxed at the marginal rate less a 30% tax offset.

First-home savers can contribute up to $15,000 a year under this scheme to a maximum of $30,000 per person, which will be $60,000 for a couple. The Treasurer concluded that "under this plan, most first-home savers will be able to accelerate their savings by at least 30%."

The other major target is older Australians who will be encouraged to downsize in order to free up housing stock for young families. Those aged 65 and over can make an after-tax contribution up to $300,000 into their superannuation account out of the money from the sale of their home.

To be eligible, they must have owned the home for 10 years and it has to be their principal place of residence. Both partners in a relationship can do this, meaning combined they can contribute up to $600,000 to super.

This will be an additional super contribution, and those making such a contribution won't be subject to the usual contribution cap and voluntary contribution rules, so they won't:

- have to pass the usual work test for 65 to 74-year-olds
- be restricted from contributing if their super balance is above $1.6 million.

## MEDICARE

The levy almost all Australians pay for Medicare will increase by 0.5% from 1 July 2019, so the Government can fully pay for the National Disability Insurance Scheme.

**For more information, go to budget.gov.au or speak to your ANZ Financial Planner.**

The information contained within this publication is believed to be current as at the time of publication but no guarantee is provided. Changes in Government policy and legislation may dramatically alter the information provided. The information provided in this publication is of a general nature only and does not take into account your personal objectives, financial situation or needs. You should consider whether this information is appropriate for you, and speak to your ANZ Financial Planner and taxation adviser prior to making any financial decisions. Examples shown in this publication are for illustrative purposes only.

# FEDERAL BUDGET 2016/17: PROPOSALS NOW LAW

Since the 2016/17 Federal Budget was delivered in May 2016, the Government has made some changes to the original proposals announced for super. The 2016/17 Budget measures include a number of super and taxation reforms which are now law and are applicable since 1 July 2017 (unless stated otherwise in this update). These super rules are complex and we recommend that you seek financial and tax advice with respect to any of these changes which may impact you.

### Reduced concessional contributions cap

From 1 July 2017, the annual concessional contributions cap has reduced to $25,000 regardless of your age (previously it was $35,000 if you were aged 50 or more and $30,000 if you were aged less than 50 at 30 June 2017). The cap will be indexed and increase in increments of $2,500 in line with average weekly ordinary time earnings (AWOTE).

### Reduced non-concessional contributions cap

From 1 July 2017, the annual non-concessional contributions cap has significantly reduced to $100,000 from $180,000.

If you are under age 65 at the start of a financial year, you should note that the two years bring forward amount that can be contributed over any three-year period will also significantly reduce from $540,000 (2016/17) to $300,000 (2017/18). From 1 July 2017, the ability to use this bring forward rule is also impacted if your total super balance is at least $1.4 million but less than $1.6 million.

#### What does this mean?

If you have brought forward your non-concessional contributions within the previous two financial years, you can only contribute any residual amount without breaching your non-concessional contributions cap.

### Non-concessional contributions – super balances $1.4 million or more

From 1 July 2017, if your total super balance is $1.6 million or more at 30 June of the previous financial year, then you cannot make non-concessional contributions in that financial year. The two years bring forward rule (refer to the section above) is also impacted where your total super balance is at least $1.4 but less than $1.6 million. Refer to the following table for details.

| Total superannuation balance on 30 June 2017 | Maximum non-concessional contributions cap for the first year | Bring-forward period |
|---|---|---|
| Less than $1.4 million | $300,000 | 3 years |
| $1.4 million to less than $1.5 million | $200,000 | 2 years |
| $1.5 million to less than $1.6 million | $100,000 | No bring-forward period, the standard non-concessional contributions cap applies |
| $1.6 million | Nil | N/A |

#### What does this mean?

From 1 July 2017, if you have a high super balance you may also wish to consider accumulating wealth for your retirement in a non-super environment. To manage your total super balance and the transfer balance cap (refer to the next page for details), couples may also consider making spouse contributions (refer to the next page for tax offset details) and contribution splits on behalf of their spouse with the lower super balance.

## Personal contributions claimed as a tax deduction by more than self-employed

From 1 July 2017, more individuals (this may include you) will be able to claim a tax deduction for their personal contributions which can be a great tax incentive if they are considering topping up their super. If you have a salary sacrifice arrangement in place you may wish to review this as it may no longer be your most effective strategy for contributing to your super.

## New Low Income Super Tax Offset (LISTO) contribution

Eligible individuals with an annual adjusted taxable income of $37,000 p.a. or less will receive a boost to their super with a LISTO contribution from the Government. If you are eligible, the LISTO contribution will be equal to 15% of your total concessional contributions for an income year, capped at $500. The LISTO replaces the Low Income Super Contribution (LISC) that ceased on 30 June 2017.

## Spouse contribution tax offset to become more available to couples

The low income spouse contribution tax offset will be made available to more couples making a contribution on behalf of their low income or non-working spouse (aged less than 70), including a defacto partner. A maximum tax offset of up to $540 p.a. will be available where your spouse has an income of $37,000 p.a. or less (currently this is $10,800 p.a. or less). To receive the maximum tax offset requires you to make a contribution of at least $3,000 on behalf of your spouse. The offset will gradually reduce if your spouse's income is above $37,000 p.a. and cuts out at an income of at least $40,000 p.a. (currently this cuts out at an income of least $13,800 p.a.).

## Reduced Division 293 tax threshold for high income earners

If your adjusted annual taxable income (including total concessional contributions less any excess concessional contributions) is greater than $250,000 p.a., then your concessional contributions above this threshold will be subject to an additional 15% tax (Division 293 tax). The threshold is reducing from $300,000 p.a. This additional tax means that you will pay a maximum of 30% tax on your concessional contributions above the threshold. This Budget measure also applies to members of defined benefit funds, but different rules apply to the calculation of this tax for defined benefit members.

## New $1.6 million transfer balance cap – retirement income phase

If you are retired or about to retire, from 1 July 2017, the total amount of super benefits that you will be able to transfer into the retirement phase will be capped at $1.6 million. Investment earnings are currently tax-free in the retirement phase.

If you are already retired and are currently receiving a retirement income stream(s), then your existing retirement income stream(s) will be assessed against the cap based on your total balances as at 30 June 2017.

If you exceed the cap, you will be required to rectify the breach by removing the excess amount (and certain notional earnings on this amount) from your retirement income stream. You will also be liable to pay a penalty tax on your total notional earnings (based on the general interest charge) attributable to the excess amount until the breach is rectified.

Certain non-commutable lifetime pensions, lifetime annuities, term pensions and term annuities have special values counted towards the transfer balance cap. Tax implications may apply to income stream payments that exceed $100,000 for these types of income streams. Generally, non-commutable income streams do not allow lump sum withdrawals or the benefits to be rolled back to accumulation.

You should also note that transition to retirement (TTR) income streams do not count towards the transfer balance cap.

### What does this mean?

To rectify the breach, the excess amount (and certain notional earnings on this amount) can be transferred back to a super accumulation account where the earnings on the excess will be taxed at 15%. Alternatively, the excess amount may be paid out to you as a lump sum. However, this rectification action will not be possible if you are receiving a non-commutable income stream (including a defined benefit pension).

If you are receiving a retirement income stream, and the excess amount is $100,000 or less, you have until 31 December 2017 to rectify this breach, otherwise a penalty tax may be applied.

## Transition to retirement income streams

From 1 July 2017, earnings from assets supporting a transition to retirement (TTR) income stream will be taxed up to 15% and will no longer be tax-free. Members of TTR income streams will also not be able to treat their super income stream payments as lump sum payments for taxation purposes.

### What does this mean?

You should inform your income stream provider as soon as you have satisfied a condition of release, including permanently retiring from the workforce or reaching age 60 and ceasing gainful employment. Your TTR income stream may then be converted to an account based income stream where the earnings on the assets supporting the income stream will be tax exempt.

You will see tax adjustment transactions on your 2017/18 Annual Statement for your TTR income stream (for example, ANZ OneAnswer Pension), to account for the tax that is being paid on earnings from 1 July 2017.

You should decide whether a TTR income stream is still appropriate for you after 30 June 2017, by discussing this strategy with your ANZ Financial Planner and tax adviser.

## Anti-detriment payments abolished

The anti-detriment payment on death benefits from super is abolished where the death occurs from 1 July 2017. If the death occurs before 1 July 2017, the death benefit payment must be made before 1 July 2019 to receive the anti-detriment payment. The anti-detriment payment represents a refund of the tax paid on super contributions by the late member, where the death benefit is paid to their spouse, former spouse or child.

FOR MORE INFORMATION, GO TO BUDGET.GOV.AU, REFER TO THE 'FEDERAL BUDGET 2016-17 PROPOSALS NOW LAW' AT ANZ.COM > PERSONAL > INVESTING & SUPER > RESOURCES, OR SPEAK TO YOUR ANZ FINANCIAL PLANNER.

# IMPORTANT CHANGES AND INFORMATION

A summary of significant product or regulatory changes that may impact your ANZ OneAnswer account.

## 01 YOUR ANNUAL REPORT IS AVAILABLE ONLINE

In line with ANZ's ongoing commitment to reducing our impact on the environment, your Annual Report will be available online in December at anz.com > Personal > Investing & Super > Resources

If you would like to receive a hard copy (free of charge), please contact Customer Services.

## 02 CHANGES TO THE OPTIMIX GEARED AUSTRALIAN SHARES FUND

The investment strategy of the OptiMix Geared Australian Shares Fund (the 'Fund') offered through the ANZ OneAnswer suite of products changed in February.

### What changes were made to the Fund?

- The Fund was previously managed via an active multi-manager investment process called OptiMix. The Fund now utilises a passive approach to investing, with the assets being directed by Vanguard Investments Australia Ltd against a benchmark of the S&P/ASX 300 Accumulation Index.
- The name of the OptiMix Geared Australian Shares Fund has changed to the OnePath Geared Australian Shares Index Fund.
- The ongoing fee was reduced by 0.55% p.a. (before tax for personal super members) as the costs associated with active asset management no longer apply.

### New investment strategy and objective

| New investment strategy |
|---|
| The Fund invests capital and borrowings in a diversified portfolio of Australian shares. The share portfolio comprises approximately 300 of the largest companies (shares) listed on the Australian Securities Exchange (ASX). The Fund will hold most of the securities in the S&P/ASX 300 Index (Index), allowing for individual security weightings to vary marginally from the Index from time to time. The Fund may invest in securities that have been removed from or are expected to be included in the Index. |
| **New investment objective** |
| The Fund aims to achieve returns (before fees, charges and taxes) that magnify the S&P/ASX 300 Accumulation Index returns. |

## 03 INVESTMENT OBJECTIVE CHANGES FOR THE ONEPATH AND OPTIMIX DIVERSIFIED FUNDS

Following a review of the OnePath and OptiMix diversified funds, the 'Investment objectives' of these funds changed from 20 February 2017. The table below confirms the changes.

| Fund | Previous Investment objective | New Investment objective |
|---|---|---|
| OptiMix Conservative | The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 3.5% p.a. over periods of three years or more. | The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 3% p.a. over periods of ten years or more. |
| OptiMix Moderate | The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 4.5% p.a. over periods of three years or more. | The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 4% p.a. over periods of ten years or more. |
| OnePath Balanced | The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 4.5% p.a. over periods of three years or more. | The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 4% p.a. over periods of ten years or more. |

Furthermore, the investment horizon over which the investment return objectives are expected to be achieved will be extended to periods of 10 years or more for many of the OnePath and OptiMix diversified funds (including those listed in the table above). This change also applies to the following funds:

- OnePath Conservative
- OnePath Managed Growth
- OnePath High Growth
- OptiMix Balanced
- OptiMix Growth
- OptiMix High Growth.

### What is the reason for these changes?

Lower returns are expected from cash and fixed interest assets over the next 10 years. These asset classes make up a substantial portion of the more conservative diversified funds. Therefore, the investment objectives for these funds need to be adjusted to be in line with market conditions and return expectations.

The investment horizon changed for the following reasons:

- we use 10-year capital market assumptions when we look at future expected asset class returns and when we apply our strategic asset allocation process; and
- there has been a general movement in the industry towards stating investment objectives over a 10-year period.

### What is not changing?

There is no change to the way we manage the investments of the funds. For example, the investment strategy and asset allocations are unchanged. We will continue to actively manage both the underlying fund managers and the asset allocations of the funds.

### What do the changes mean for investors?

The revised investment objectives are more closely aligned with our return expectations for each fund. These changes will ensure that current and future investors in the funds are better informed.

For existing investors these changes took place automatically on 20 February 2017.

## 04 CHANGES TO STRATEGIC ASSET ALLOCATION FOR ONEANSWER – VANGUARD DIVERSIFIED FUNDS

### What are the changes?

The strategic asset allocation (SAA) for the following OneAnswer Vanguard diversified funds (each a 'Fund' and collectively the 'Funds') were changed from July 2017:

- Vanguard® Conservative Index
- Vanguard® Balanced Index
- Vanguard® Growth Index
- Vanguard® High Growth Index
- Vanguard® Index Diversified Bond.

The changes were as follows:

- Where a Fund has exposure to **equities** the allocation to international shares (including small companies and emerging markets) was increased, the allocation to listed property securities was removed and the currency exposure to international shares will be partially hedged.
- Where a Fund has exposure to **fixed income** the allocation to international fixed income was increased and diversification was enhanced.

### Why were the changes implemented?

These changes ensure alignment of each Fund's investment approach with the approach adopted by the underlying manager Vanguard Investments Australia Ltd (Vanguard).

Earlier in 2017, Vanguard's global team of investment experts analysed their diversified fund portfolios and identified SAA changes aimed at reducing concentration risk, while managing currency exposure.

Since the OneAnswer funds aim to replicate the Vanguard approach in terms of investment objective, investment strategy and asset allocation, we adopted the same approach for the Funds.

The SAA changes by Fund are detailed on the next page.

## Strategic Asset Allocation changes by Fund

| Vanguard® Conservative Index | Current | | New – effective July 2017 | |
|---|---|---|---|---|
| Asset class | Benchmark (%) | Range (%) | Benchmark (%) | Range (%) |
| Australian cash | 10 | 8–12 | 10 | 8–12 |
| Australian fixed interest | 24 | 22–26 | 18 | 16–20 |
| International fixed interest (hedged) | 36 | 34–38 | 42 | 40–44 |
| Total Defensive | 70 | | 70 | |
| Australian property securities | 2 | 0–4 | 0 | 0 |
| International property securities (hedged) | 2 | 0–4 | 0 | 0 |
| International small companies | 1.5 | 0–3.5 | 2 | 0–4 |
| Australian shares | 13 | 11–15 | 12 | 10–14 |
| International shares | 10 | 8–12 | 8.5 | 6.5–10.5 |
| International shares (hedged) | 0 | 0 | 5.5 | 3.5–7.5 |
| Emerging market shares | 1.5 | 0–3.5 | 2 | 0–4 |
| Total Growth | 30 | | 30 | |

| Vanguard® Growth Index | Current | | New – effective July 2017 | |
|---|---|---|---|---|
| Asset class | Benchmark (%) | Range (%) | Benchmark (%) | Range (%) |
| Australian cash | 0 | 0–2 | 0 | 0–2 |
| Australian fixed interest | 12 | 10–14 | 9 | 7–11 |
| International fixed interest (hedged) | 18 | 16–20 | 21 | 19–23 |
| Total Defensive | 30 | | 30 | |
| Australian property securities | 4 | 2–6 | 0 | 0 |
| International property securities (hedged) | 4 | 2–6 | 0 | 0 |
| International small companies | 3.5 | 1.5–5.5 | 5 | 3–7 |
| Australian shares | 31 | 29–33 | 28 | 26–30 |
| International shares | 24 | 22–26 | 20.5 | 18.5–22.5 |
| International shares (hedged) | 0 | 0 | 12.5 | 10.5–14.5 |
| Emerging market shares | 3.5 | 1.5–5.5 | 4 | 2–6 |
| Total Growth | 70 | | 70 | |

| Vanguard® Balanced Index | Current | | New – effective July 2017 | |
|---|---|---|---|---|
| Asset class | Benchmark (%) | Range (%) | Benchmark (%) | Range (%) |
| Australian cash | 0 | 0–2 | 0 | 0–2 |
| Australian fixed interest | 20 | 18–22 | 15 | 13–17 |
| International fixed interest (hedged) | 30 | 28–32 | 35 | 33–37 |
| Total Defensive | 50 | | 50 | |
| Australian property securities | 3 | 1–5 | 0 | 0 |
| International property securities (hedged) | 3 | 1–5 | 0 | 0 |
| International small companies | 2.5 | 0.5–4.5 | 3.5 | 1.5–5.5 |
| Australian shares | 22 | 20–24 | 20 | 18–22 |
| International shares | 17 | 15–19 | 14.5 | 12.5–16.5 |
| International shares (hedged) | 0 | 0 | 9 | 7–11 |
| Emerging market shares | 2.5 | 0.5–4.5 | 3 | 1–5 |
| Total Growth | 50 | | 50 | |

| Vanguard® High Growth Index | Current | | New – effective July 2017 | |
|---|---|---|---|---|
| Asset class | Benchmark (%) | Range (%) | Benchmark (%) | Range (%) |
| Australian cash | 0 | 0–2 | 0 | 0–2 |
| Australian fixed interest | 4 | 2–6 | 3 | 1–5 |
| International fixed interest (hedged) | 6 | 4–8 | 7 | 5–9 |
| Total Defensive | 10 | | 10 | |
| Australian property securities | 5 | 3–7 | 0 | 0 |
| International property securities (hedged) | 5 | 3–7 | 0 | 0 |
| International small companies | 4.5 | 2.5–6.5 | 6.5 | 4.5–8.5 |
| Australian shares | 40 | 38–42 | 36 | 34–38 |
| International shares | 31 | 29–33 | 26.5 | 24.5–28.5 |
| International shares (hedged) | 0 | 0 | 16 | 14–18 |
| Emerging market shares | 4.5 | 2.5–6.5 | 5 | 3–7 |
| Total Growth | 90 | | 90 | |

| Vanguard® Index Diversified Bond | Current | | New – effective July 2017 | |
|---|---|---|---|---|
| Asset class | Benchmark (%) | Range (%) | Benchmark (%) | Range (%) |
| Australian cash | 0 | 0–2 | 0 | 0–2 |
| Australian fixed interest | 40 | 38–42 | 30 | 28–32 |
| International fixed interest (hedged) | 60 | 58–62 | 70 | 68–72 |

## 05 STANDARD RISK MEASURE

We have adopted the Standard Risk Measure which is based on industry guidelines to allow investors to compare investment funds that are expected to deliver a similar number of negative annual returns over any 20-year period.

The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than an investor may require to meet their objectives.

Further, it does not take into account the impact of any ongoing fees and tax on the likelihood of a negative return.

Investors should still ensure they are comfortable with the risks and potential losses associated with their chosen investment fund(s).

### How to read an investment profile

| Risk Band | Risk Label | Estimated number of negative annual returns over any 20-year period |
|---|---|---|
| 1 | Very low | Less than 0.5 |
| 2 | Low | 0.5 to less than 1 |
| 3 | Low to medium | 1 to less than 2 |
| 4 | Medium | 2 to less than 3 |
| 5 | Medium to high | 3 to less than 4 |
| 6 | High | 4 to less than 6 |
| 7 | Very high | 6 or greater |

For further information refer to our website at anz.com > Personal > Investing & Super > Resources

### Updated Standard Risk Measures

| Option Name | Risk Band | Risk Label |
|---|---|---|
| AMP Capital Responsible Investment Leaders Australia Shares^ | 7 | Very high |
| Goldman Sachs Income Plus^ | 4 | Medium |
| Kapstream Absolute Return Income | 3 | Low to medium |
| OnePath Balanced | 6 | High |
| OnePath Diversified High Yield | 4 | Medium |
| OnePath Income | 5 | Medium to high |
| OnePath Property Securities | 7 | Very high |
| OptiMix Global Smaller Companies Shares | 7 | Very high |
| OptiMix Moderate | 6 | High |
| Perpetual Conservative Growth* | 5 | Medium to high |
| Platinum International | 7 | Very high |
| RARE Infrastructure Value^ | 7 | Very high |
| Schroder Fixed Income | 4 | Medium |
| UBS Defensive Investment | 5 | Medium to high |
| UBS Diversified Fixed Income | 5 | Medium to high |

^ Not available on ANZ OneAnswer Term Allocated Pension

* Irrespective of the fund name being 'Conservative', the standard Risk Measure of the fund is a 5. This means it has been estimated that the fund may have 3 to less than 4 negative annual returns over any 20 year period. We recommend that clients and their advisers take this into account when making investment decisions to ensure the investment is suitable for the investor's risk profile

## 06 ANNUAL AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY (APRA) LEVY AND REGULATORY CHANGE LEVY

### APRA Levy

All Australian Prudential Regulation Authority (APRA) regulated superannuation funds are charged an APRA levy. The amount of the APRA levy for the 2016/17 financial year recovered the general operational costs of APRA, as well as other specific costs incurred by certain other Commonwealth agencies and departments (ASIC, DHS, SCT and the ATO), as well as some of the costs with implementing the Government's 'SuperStream' reforms. The SuperStream reforms are designed to support the superannuation system to operate more efficiently for the benefit of members.

The APRA levy was applied as an asset-based levy of 0.01% against the investments of the OnePath MasterFund in the 2016/17 financial year.

### Regulatory Change levy

This levy is to cover some of the costs incurred to comply with the Government's superannuation regulatory changes and consistent with the approach taken by many superannuation funds across the industry. The regulatory change levy was applied as an asset-based levy of 0.02% against the investments of the OnePath MasterFund in the 2016/17 financial year.

For members invested in OnePath MasterFund products, the Trustee recovered the APRA and Regulatory Change levies in June 2017 by deducting them from the unit price of each investment option (excluding cash, term deposits and guaranteed products, which do not have a unit price).

The total impact of both levies on members was 0.03% of the value of their unitised investment options. For example, a member with a balance of $50,000 paid $15.00.

These levies are not shown as a transaction in your statement as they are charged as a deduction from the unit price of each of your investment option(s) and not directly from your account balance.

## 07 ARE YOUR CONTACT DETAILS UP TO DATE?

For superannuation accounts, if you are under age 65 and we do not have contact details for you, or you have not contacted us during the last 12 months, we may be required to close your account and pay it to the ATO, if your balance is under the legislated threshold. The threshold is $6,000 from 31 December 2016. Once this happens, you will lose any insurance associated with the account, and will need to contact the ATO about payment options. Although you can request the monies be redirected to OnePath, this would generally require a new account to be set up, which is not available for all products, and would have pre-existing conditions limitations on any insurance. Because we don't have your contact details, you will not be provided with prior notification of this happening or confirmation from us that it has happened. However, you will be able to see the amount as Unclaimed Monies by logging on to the MyGov website, my.gov.au

If you have not provided your phone number or email address, you can do so via Investor Access, or by calling or emailing us.

## 08 ANNUAL STATEMENTS FOR SUPER – ADDITIONAL EXPLANATORY NOTES

The following explanatory notes are to be read together with your 2017 Annual Statement for your super account. If you have any further questions about your Annual Statement, please speak to your ANZ Financial Planner or call Customer Services.

### Contributions tax

Contributions tax of 15% will apply to any contributions that you claim as a personal tax deduction (subject to a valid 'Notice of intent to claim a tax deduction' form) or contributions made by your employer (including salary sacrifice contributions).

In calculating the amount of tax payable, we may make allowance for the benefit of tax deductions on transactions such as the payment of insurance premiums.

If you are claiming a tax deduction for personal contributions that you made in the Annual Statement period, the related contributions tax on these contributions will only appear in the Annual Statement if we received your 'Notice of intent to claim a tax deduction form' by the relevant date and the notice has been acknowledged by the Trustee.

Tax at a rate of 15% also applies to the untaxed element of a roll-over superannuation benefit and certain foreign super fund transfers.

The tax payable is shown on your Annual Statement.

### Additional tax for high income earners (Division 293 tax)

An additional 15% tax may apply to certain concessional contributions if your adjusted taxable income exceeds $300,000 in 2016/17 or $250,000 from 1 July 2017 onwards. For further information please visit ato.gov.au or speak to your ANZ Financial Planner.

### Preservation status

Unrestricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access at any time.

Restricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access, if you leave an employer who has contributed to this fund on your behalf, or when preserved benefits are payable.

Preserved Benefit is the amount of withdrawal benefit at the close of the reporting period required to be preserved by the Trust Deed and super legislation governing your benefits. Generally, you cannot access this amount until age 65, or once you have reached your preservation age (between age 55 and 60, depending on your date of birth) and you have retired.

The total of the preservation components is net of withdrawal fees and contributions tax payable on contributions that were made up to the end of the reporting period. Please note: where no-TFN contributions tax is payable, the total of the preservation components will differ from the withdrawal amount as any no-TFN contributions tax is deducted from the withdrawal amount and not from the preservation components.

### Super Guarantee Allocation

The Super Guarantee Allocation is the amount of employee entitlement paid by the Australian Taxation Office (ATO) representing a superannuation guarantee shortfall and any interest for the shortfall. This amount includes the 9.5% (for 2017/18) obligation and any interest earned. The Super Guarantee Allocation may appear on your Annual Statement as either an addition or deduction.

An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid Super Guarantee Allocation by the ATO. This Super Guarantee Allocation amount is determined by the ATO, so you should speak to your ANZ Financial Planner or contact the ATO in relation to the amount paid.

### Government contributions

Government contributions can include the Government co-contribution and the Low Income Super Contribution (LISC). The Government co-contribution is an incentive from the Australian Government designed to assist eligible individuals to save for their retirement.

If you are working, your income is less than $51,813 for 2017/18, and you make personal contributions to super, you may be eligible for a Government co-contribution. The maximum co-contribution is $500 and reduces once your income exceeds $36,813 for 2017/18. The ATO will pay 50 cents for every dollar of personal non-concessional contributions up to your maximum entitlement. Additional criteria must be satisfied to be eligible for the Government co-contribution.

The LISC effectively returns the 15% contributions tax paid (up to $500) on concessional contributions made in a financial year for a low income earner (an individual with an adjusted taxable income of $37,000 or less in an income year).

The co-contribution may appear on your statement as either an addition or deduction. An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid co-contribution by the ATO. Conditions apply, so you should speak to your ANZ Financial Planner or contact the ATO in relation to the amount paid.

## 09 UPCOMING CHANGES TO FEES AND COSTS DISCLOSURES

The following information is relevant for individuals with a superannuation, pension or investment product.

### What is changing?

The Australian Securities & Investment Commission (ASIC) has recently issued Regulatory Guide 97 which implements new rules around how Trustees and Responsible Entities disclose the fees and costs of your investment product to you. Over the coming months, this will result in changes to the way in which fees and costs are disclosed in your statements (such as your Annual Statement) and other product documentation such as Product Disclosure Statements (PDS).

### What does this mean for you?

The changes will not have any impact on the total rate (percent or dollar) of fees and costs incurred by you, nor will they have any impact on your investment returns.

However, as these changes require fees and costs to be disclosed differently in the future, it may appear that some new fees are being charged, or that other fees are no longer being applied. Also, it may appear that the rate of some existing fees or costs have increased or decreased. For example, investment performance fees were previously disclosed in superannuation product disclosure statements as part of the Investment Fee. However, moving forward, these will now be disclosed as part of the Indirect Cost Ratio.

We will provide further information on the specific changes to your statements as they occur.

### What do you need to do?

You do not need to do anything, as the obligation for compliance is with us as the issuer of the superannuation, pension and investment products.

## 10 TERMINAL MEDICAL CONDITION

The following investment and regulatory information is relevant for members with a super or a pension account which has preserved or restricted non-preserved benefits.

### Early access to superannuation for people with terminal medical condition

From 1 July 2015, the government amended the provision for accessing superannuation for people suffering a terminal medical condition. Previously, terminally ill members were only considered to have met a condition of release, and hence able to access their superannuation balances, in the event that their life expectancy was limited to 12 months. This amendment extends the life expectancy period from 12 months to 24 months meaning that members can potentially access their superannuation balances sooner. However, if you hold Death Cover (which includes Terminal Illness Cover through your super account), you may still not be able to claim a Terminal Illness benefit unless your life expectancy is limited to 12 months.

### Possible implications to consider

If you have insurance within your super, it is important to understand the terms and conditions as you may not be able to claim a Terminal Illness benefit until your life expectancy is limited to 12 months. If you withdraw your super balance when your life expectancy is 24 months, you may wish to consider maintaining some money in your super account to keep the account open. This will ensure there is a sufficient balance to pay any insurance fees. Withdrawing your full balance could result in the loss of valuable insurance cover.

It is important you take time to review the changes and understand what they may mean for you. If you are considering accessing your super balance due to a terminal illness, we recommend that you seek professional financial advice.

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**Contact us**

Customer Services 13 38 63 customer@onepath.com.au



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