

Annual Report for the period starting
1 July 2017 and ending 30 June 2018

PremiumChoice Retirement Service



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Issued by: The Trustee, NULIS Nominees
(Australia) Limited
ABN 80 008 515 633 AFSL 236465
for PremiumChoice Retirement Service
(the Service) ABN 70 479 285 132

This is the Annual Report for the
PremiumChoice Retirement Service.

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The Trustee is part of the National Australia Bank Group of Companies. An investment with the Trustee is not a deposit with or liability of, and is not guaranteed by, National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 (NAB). References within the Annual Report to 'we', 'us' or 'our' are references to the Trustee, unless otherwise stated.

A year in review

Our reflections and commitment to you

The past year has been confronting and challenging for the financial services industry, our people and members. However, it's also given us the opportunity to further reflect on what we do, how we do it and what is truly important to our members to ensure we continue to operate in their best interests.

We're committed to improving our practices, products and services to continue to add value to our members – including correcting past mistakes and earning the trust and confidence of our members and the community.

Investment performance

The shares component of members' portfolios will have experienced another strong financial year. Global and Australian share markets delivered double-digit returns for a second consecutive year. After this period of substantial growth, it wasn't surprising to see market volatility rise in the second half of the financial year and towards the end of 2018. If possible, during periods of market volatility, you should continue to focus on how you're progressing towards your longer-term goals. To view the latest returns on your super account, log in online at investinfo.com.au/premiumchoice

The year ahead

We'll continue to see changes to super in the year ahead. There will be legislative and regulatory changes, including some changes which may arise from the Financial Services Royal Commission report in February 2019.

Changes to technology will also impact the super environment, with increased focus on digital transformation to improve the way we deliver our products and services to you.

We're well positioned to adapt to the changing needs of our members. Whether you're at the start of your career or looking forward to life after work, we'll be there to give you the right help, guidance, and advice to reach your financial goals.

We'd like to thank you for choosing us to look after your super and retirement needs.



Peter Promnitz

Chair

NULIS Nominees (Australia) Limited

Looking out for your interests

The directors of the Trustee Board have a variety of work and life experiences which help them represent and look out for your interests.

Made up of non-executive directors, the Trustee Board is responsible for the management and performance of the Service.

The Trustee Board has professional indemnity insurance. And the Trustee has appointed its related company, National Wealth Management Services Limited ABN 97 071 514 264, to carry out the day-to-day functions of the Service.

Meet the Board

The directors are:

Peter Promnitz (Chair)

BSc (Mathematics and Statistics)
(University of Adelaide) FAICD, FIAA

Alan Schoenheimer

MBA, B Eng (Chemical) (First Class Hons)

Andrew Gale

MBA, B Arts (Actuarial), FAICD, FIAA

Peeyush Gupta

BA (Computing Studies) (ANU)
MBA, (AGSM), FAICD

Peggy O'Neal

BA (Virginia), JD (Virginia)
Diploma of Superannuation Management
(Macquarie), FAICD

Terry McCredden

B Comm (Hon) (University of Melbourne)

Trustee director movements

Peter Promnitz was appointed chair effective 1 July 2018.

Nicole Smith retired effective 30 June 2018.

Evelyn Horton retired effective 30 June 2018.

Operational Risk Financial Reserve (Reserve)

The Government requires superannuation fund trustees to hold adequate financial resources (Reserve) to cover any losses that members incur due to operational errors. The Reserve has been established in full by the Trustee's capital (via equity contributed from its ultimate shareholder, NAB). If the Reserve falls below the Trustee's targets, the Trustee proposes to fund the shortfall through its own capital, rather than seeking contributions from members. This means that the Trustee doesn't currently require members to contribute to the Reserve, but members will be notified if this changes in the future. As the Reserve is held by the Trustee, it isn't reported in the financial statements of the Service.

The Reserve was established in the 2016 financial year. The balance of the Reserve at the end of the last 3 financial years is summarised below:

- 30 June 2018: \$269M
- 30 June 2017: \$253M
- 30 June 2016: \$240M

About your account value

How earnings are reflected in your account

Income from investments will be in the form of capital growth, dividends, interest and distributions that occur at different times throughout the year.

Please refer to the relevant investment's disclosure document and the Australian Securities Exchange (ASX) (for listed securities) for details. Income received is usually net of fees and charges.

Income distributions will be allocated to your Cash Account after we receive them.

All income distributions must be received as cash as we don't administer dividend and distribution reinvestment plans.

Interest earned on your Cash Account is paid after the end of each quarter.

How your account is valued

The value of your account is based on:

- prices provided by investment managers multiplied by the number of units held
- prices provided by the Australian Securities Exchange multiplied by the number of shares held
- any term deposits, and
- your Cash Account.

Prices are generally provided daily, however there may be times when we don't receive updated prices. This might happen when shares are delisted or assets can't be valued.

In these circumstances, we may have to use different valuation methods.

You should be aware that your account balance doesn't include the tax impact of any unrealised gains or losses that may arise if you request a full withdrawal.

Some things you should know

Transfers to an Eligible Rollover Fund

We may transfer your account balance to an Eligible Rollover Fund if:

- you haven't made a contribution in the last 12 months and your balance falls below \$2,000, or
- we lose contact with you and can't locate you.

The Eligible Rollover Fund we currently use is the Australian Eligible Rollover Fund and they can be contacted on **1800 677 424**. Alternatively, you can write to them at:

C/ - Jacques Martin Administration and Consulting Pty Ltd, Locked Bag 5429, Parramatta NSW 2124.

We'll advise you in writing to your last known address if we intend to transfer your account balance and will proceed if you don't respond with instructions regarding an alternative super fund.

Please note, a transfer to an Eligible Rollover Fund may have a detrimental impact to your super benefit as the Eligible Rollover Fund may have a different fee structure, different investment strategies and may not offer insurance benefits.

Transfers to the Australian Taxation Office (ATO)

The law and rules defining the transfer of unclaimed superannuation money to the ATO can be viewed at ato.gov.au

In summary, we're generally required by law to transfer your account to the ATO if any of the following occurs:

- your account balance is less than \$6,000 and either:
 - no contributions or rollovers have been made to your account for 12 months, you haven't otherwise contacted the Service for

12 months and we have no way of contacting you, or

- you've been a member of the Service for more than 2 years, your account was set up through your employer, and there have been no contributions or rollovers made to your account for over 5 years,
- you're over 65, contributions haven't been made to your account for over 2 years, you haven't contacted us for at least 5 years, and we haven't been able to contact you,
- the ATO informs us that you were a former temporary resident and left the country over six months ago, or
- upon your death, where no contributions have been made for at least 2 years, and after a reasonable period of time, we've tried but haven't been able to identify or contact the beneficiary of your account.

There may be other circumstances in which we need to transfer your account to the ATO.

If your account is transferred to the ATO, you can contact the ATO on **13 10 20** to claim your benefit.

Special rules for temporary residents

If you're a temporary resident and your visa has expired and you leave Australia permanently, you may be able to claim the super you hold with us as a Departing Australia Superannuation Payment. Withholding taxes may apply to the lump-sum payment. However, if you don't make a claim within six months of your visa expiring or your departure from Australia (whichever happens last), we may be required to transfer your super to the ATO as unclaimed super. If we transfer your super to the ATO, we won't notify you or give you an exit statement. You can then claim your super from the ATO directly. Visit ato.gov.au or call the ATO on **13 10 20**.

Some things you should know

Illiquid investments and portability

When you ask us to roll over or transfer all or part of your account balance, we're generally required to process your request within 3 business days. There may be a delay in processing your request where part of your account balance is invested in an 'illiquid investment'.

What is an illiquid investment?

An investment is considered illiquid when you're unable to access your investment within the required timeframes or, if you do, it would be at a materially lower price. This situation may arise when:

- a fund manager suspends transactions or closes their fund
- the normal redemption processing timeframe for a fund is greater than the required timeframe, or
- a listed investment is under administration, suspended or delisted.

Where we're unable to process your request within the required timeframe, we'll notify you or your financial adviser of this and provide details of the illiquid investments.

Suspended or terminated managed funds

Some investment managers suspend redemptions on their funds.

In some cases the managed fund may have been closed.

If you have some of these investments, we've already notified you about these changes.

You can find a summary of these managed funds, including details of their current status, on investinfo.com.au/premiumchoice

Resolving complaints

We can usually resolve your complaint quickly over the phone on **1300 880 054**.

Alternatively, you can email or write to us. You can escalate your complaint through our internal dispute resolution process in which we'll conduct a review and provide a final written outcome including the reasons for our decision.

More information about how to contact us and the complaint resolution process is available at investinfo.com.au/premiumchoice

If your concerns haven't been resolved to your satisfaction or we haven't responded to you within 90 days, you can lodge a complaint with the **Australian Financial Complaints Authority (AFCA)**. You can contact AFCA at:

Website: afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne VIC 3001

AFCA is an independent financial services complaint resolution scheme that is free to consumers. Time limits apply to certain complaints; you should contact AFCA to find out if a time limit applies.

If you have a complaint about the financial advice you received, you should follow the complaint resolution process explained in the Financial Services Guide provided by your financial adviser.

How your money is invested

The investment objective of the Service is to give you a wide choice of investment options from which you and your financial adviser can select investment strategies to suit your investment needs.

You can choose investments from:

- over 350 managed investments
- over 500 ASX listed investments, such as direct shares, and exchange traded funds
- a variety of term deposits, and
- a Separately Managed Account (SMA) providing access to a range of direct share and multi-asset portfolios.

If you haven't chosen a particular investment option, or your instructions aren't clear, your money will be retained in your Cash Account until we receive a clear instruction.

The full list of investment options is contained in the Investment Menu. For specific information on an investment option, please refer to the company information or the relevant disclosure document for that investment option. All these documents are available from your financial adviser or on our website.

No matter your type of investment, it's important to remain informed about changes to the underlying investment option. You can find investment manager updates on investinfo.com.au/premiumchoice. You also need to make sure you have an up-to-date Product Disclosure Statement (PDS) for any investments you have selected, as additional units may be purchased over time.

You can access these PDSs at investinfo.com.au/premiumchoice

Performance information

For actual performance of your account in the PremiumChoice Retirement Service for the year ended 30 June 2018, please refer to your Annual Statement.

For more recent performance information, you may access this on the website or by calling us.

Asset allocation and large investments

The breakdown of assets held in the Service is determined at an individual member level. Further information about your actual asset allocation can be found in your Annual Statement.

As at 30 June 2018, the PremiumChoice Retirement Service held the following assets with a value of greater than 5% of the Service's total assets:

- Magellan Global Fund - 5.05%
- St George Term Deposits – 5.83%
- NAB – 12.50%¹

¹ This holding consists of:

Cash - 10.20%

Term deposits - 1.18%

Fixed interest securities - 0.09%

Direct shares - 0.70%

Shares held through SMAs - 0.33%

How your money is invested

Derivatives

Derivatives are contracts that have a value derived from another source such as an asset, market index or interest rate. There are many types of derivatives including swaps, options and futures. They are a common tool used to manage risk or improve returns.

Some derivatives allow investment managers to earn large returns from small movements in the underlying asset's price. However, they can lose large amounts if the price movement in the underlying asset is unfavourable.

Risks particular to derivatives include the risk that the value of a derivative may not move in line with the underlying asset, the risk that counterparties to the derivative may not be able to meet payment obligations and the risk that a particular derivative may be difficult or costly to trade.

How investment managers invest in derivatives is included in their PDS, available on investinfo.com.au/premiumchoice

Financial Report

The following abridged financial information for the financial year ended 30 June 2018 is for the PremiumChoice Retirement Service.

The assets for the PremiumChoice Retirement Service are \$439.5 million.

Please call us if you wish to receive a printed copy of the full audited financial statements and auditor's report.

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Statement of Financial Position

As at 30 June 2018

	2018	2017
	\$'000	\$'000
Assets		
Cash and cash equivalents	44,861	49,207
Term deposits	31,692	32,899
Outstanding settlements	263	632
Other receivables	2	6
Investments measured at fair value		
Listed equities	30,232	29,683
Separately Managed Accounts	24,707	22,144
Unlisted unit trusts	307,580	281,827
Income tax receivable	243	118
Total assets	439,580	416,516
Liabilities		
Outstanding settlements	158	85
Other payables	634	395
Deferred tax liabilities	1,965	737
Total liabilities excluding member benefits	2,757	1,217
Net assets available for member benefits	436,823	415,299
Member benefits		
Allocated to members	437,876	414,692
Unallocated contributions	544	712
Total member liabilities	438,420	415,404
Total net assets	(1,597)	(105)
Equity		
Investment reserve	523	508
Not yet allocated to members	(2,120)	(613)
Total equity	(1,597)	(105)

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Income Statement

For the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
Superannuation activities		
Rebates	49	54
Interest	1,089	1,028
Dividends	1,246	1,400
Distributions from unit trusts	16,092	17,115
Changes in investments measured at fair value	19,754	12,434
Total superannuation activities income	38,230	32,031
Investment expenses	26	32
Administration fees	6,412	5,968
Total expenses	6,438	6,000
Net result from superannuation activities	31,792	26,031
Profit from operating activities	31,792	26,031
Less: Net benefits allocated to members' accounts	32,899	27,179
Loss before income tax	(1,107)	(1,148)
Income tax expense	385	715
Loss after income tax	(1,492)	(1,863)

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Statement of changes in member benefits

For the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
Opening balance of member benefits as at 1 July 2017	414,692	377,884
Contributions:		
Employer	9,013	10,051
Member	10,528	22,646
Transfer from other superannuation entities	20,078	25,072
Transfer to other superannuation entities	(31,693)	(27,152)
Income tax on contributions	(688)	(912)
Net after tax contributions	7,238	29,705
Benefits to members/beneficiaries	(15,794)	(18,905)
Insurance premiums charged to members' accounts	(1,159)	(1,171)
Benefits allocated to members' accounts comprising:		
Net investment income	38,806	32,862
Administration fees	(5,907)	(5,683)
Closing balance of member benefits as at 30 June 2018	437,876	414,692

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Statement of changes in reserve

For the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
Opening balance of investment reserve	508	493
Profit/(loss) on reserve	15	15
Closing balance of investment reserve	523	508

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Statement of cash flows

For the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Rebates	49	52
Interest	1,093	1,028
Dividends	1,246	1,400
Distributions	16,092	17,170
Insurance premiums	(1,159)	(1,168)
Investment expenses	(26)	(32)
Administration fees	(6,173)	(5,968)
Income tax received	718	1,105
Net cash flows from operating activities	11,840	13,587
Cash flows from investing activities		
Proceeds from sale of investments	85,897	121,711
Purchases of investments	(93,359)	(129,284)
Net cash flows from investing activities	(7,462)	(7,573)
Cash flows from financing activities		
Employers' contributions	8,845	10,409
Members' contributions	10,528	22,650
Transfer from other superannuation plans	20,078	25,072
Transfer to other superannuation plans	(31,693)	(27,152)
Benefits to members/beneficiaries	(15,794)	(18,905)
Income tax on contributions	(688)	(912)
Net cash flows from financing activities	(8,724)	11,162
Net increase/(decrease) in cash and cash equivalents	(4,346)	17,176
Cash and cash equivalents at the beginning of the year	49,207	32,031
Cash and cash equivalents at the end of the year	44,861	49,207

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For more information call us from anywhere in Australia on **1300 880 054** or contact your financial adviser.

Postal address

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Melbourne VIC 3001

Registered office

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investinfo.com.au/premiumchoice