

Annual Report for the period starting
1 July 2018 and ending 30 June 2019

PremiumChoice Retirement Service



Preparation date: 2 December 2019
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

We've experienced much change in the last 12 months. I'm proud to share with you some of the initiatives we've undertaken in that time.

We've reduced fees across a number of products and ensured we've been ready to roll out new legislative requirements such as the Protecting Your Super package quickly. Preparing for our separation from the National Australia Bank has also been an important piece of work and significant effort has gone in to creating the right strategy to make this a successful change when it happens later in 2020.

Thank you for investing your super with us and I trust you'll be pleased to read more about the changes we've made, below.

Reduced fees

We're committed to customers having access to competitive fees and products to assist them with improved retirement outcomes - and that's why we've significantly reduced administration fees on some of the products within the super fund.

Investment performance

After some volatility at the end of 2018 when markets fell sharply, the shares component of members' portfolios ended the 2019 financial year strongly. After three consecutive years of substantial growth, it wasn't surprising to see market volatility re-emerge but despite the inevitable share market dips, longer-term returns remain pleasing. To see the latest returns on your super, log in to your account online at investinfo.com.au/premiumchoice

Protecting your super

On 1 July 2019, the Protecting Your Superannuation legislation came into effect and we've been ready. It's designed to protect your super savings, particularly for any members who have low balances. If you're unfamiliar with these changes, speak with your financial adviser or call us - you can also find the details online at ato.gov.au

The year ahead

Our national super system is currently valued at more than \$2.8 trillion and growing. While this is encouraging, we know it's important to address any oncoming challenges head on, particularly as it's anticipated there'll be further legislative and regulatory changes in the year ahead. Whether you're at the start of your career or looking forward to retirement, we'll be ready to give you the right help and guidance to reach your financial goals.

We're looking forward to the next 12 months and thank you for your ongoing trust and support.



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

Andrew Gale

MBA (Macquarie University), B Arts (Actuarial)
(Macquarie University), FAICD, FIAA

Peggy O'Neal

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

Terry McCredden

B Comm (Hon) (University of Melbourne)

Trustee director movements

Peeyush Gupta retired effective 31 January 2019.

Alan Schoenheimer retired effective 26 August 2019.

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 balance of the Reserve at the end of the last 3 financial years is summarised below:

- 30 June 2019: \$279M
- 30 June 2018: \$269M
- 30 June 2017: \$253M

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 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 sponsor, 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.

Under recent changes, we're also required to transfer your super balance to the ATO if your account remains inactive for a period of 16 months or more, and the balance is less than \$6,000. Your account is considered inactive if you haven't made any additional contributions or certain changes to it over that time including:

- had contributions or rollovers from other super funds paid into your account
- changed your investment options or strategy
- changed or elected to cancel your insurance cover (where your insurance is held within your super account), or
- made or amended a binding beneficiary nomination.

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 them on **13 10 20** to claim your benefit.

Some things you should know

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**.

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

Some things you should know

Resolving complaints

If you have a complaint, we can usually resolve it quickly over the phone on **1300 880 054**, or if you'd prefer to put your complaint in writing you can email us or send us a letter. We'll conduct a review and provide you a response in writing. For more information, visit **investinfo.com.au/premiumchoice**

If you're not satisfied with our resolution, or we haven't responded to you in 90 days, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA).

AFCA provides an independent financial services complaint resolution process that's free to consumers. You can contact AFCA in writing to **GPO Box 3, Melbourne, VIC 3001**, at their website (**afca.org.au**), by email at **info@afca.org.au**, or by phone on **1800 931 678** (free call).

If you have a complaint about financial advice you receive, 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 List. 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 2019, 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 2019, the PremiumChoice Retirement Service held the following assets with a value of greater than 5% of the Service's total assets:

- Magellan Global Fund - 5.4%
- NAB – 15.0%¹

¹ This holding consists of:

- Cash - 9.3%
- Term deposits - 4.9%
- Direct shares - 0.7%
- Fixed interest securities - 0.1%

How your money is invested

Derivatives

Derivatives may be used in any of the investment options.

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.

Investment managers have derivatives policies which outline how derivatives are managed.

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

Financial Report

The following abridged financial information for the financial year ended 30 June 2019 is for the PremiumChoice Retirement Service.

The assets for the PremiumChoice Retirement Service are \$453.1 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 2019

	2019 \$'000	2018 \$'000
Assets		
Cash and cash equivalents	42,324	44,861
Term deposits	29,345	31,692
Outstanding settlements	253	263
Other receivables	2	2
Investments measured at fair value		
Listed equities	36,666	30,232
Separately Managed Accounts	24,701	24,707
Unlisted unit trusts	319,838	307,580
Income tax receivable	-	243
Total assets	453,129	439,580
Liabilities		
Outstanding settlements	134	158
Other payables	577	634
Income tax payable	779	-
Deferred tax liabilities	3,564	1,965
Total liabilities excluding member benefits	5,054	2,757
Net assets available for member benefits	448,075	436,823
Member benefits		
Allocated to members	451,649	437,876
Unallocated contributions	683	544
Total member liabilities	452,332	438,420
Total net liabilities	(4,257)	(1,597)
Equity		
Investment reserve	498	523
Not yet allocated to members	(4,755)	(2,120)
Total equity	(4,257)	(1,597)

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Income Statement

For the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
Superannuation activities		
Rebates	39	49
Interest	1,891	1,089
Dividends	1,350	1,246
Distributions from unit trusts	19,807	16,092
Changes in investments measured at fair value	9,535	19,754
Total superannuation activities income	32,622	38,230
Investment expenses	16	26
Administration fees	5,912	6,412
Total expenses	5,928	6,438
Net result from superannuation activities	26,694	31,792
Profit from operating activities	26,694	31,792
Less: Net benefits allocated to members' accounts	27,321	32,899
Loss before income tax	(627)	(1,107)
Income tax expense	2,033	385
Loss after income tax	(2,660)	(1,492)

Financial Report

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

For the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
Opening balance of member benefits as at 1 July 2018	437,876	414,692
Contributions:		
Employer	8,332	9,013
Member	8,972	10,528
Transfer from other superannuation entities	13,531	20,078
Transfer to other superannuation entities	(26,095)	(31,693)
Income tax on contributions	(566)	(688)
Net after tax contributions	4,174	7,238
Benefits to members/beneficiaries	(16,621)	(15,794)
Insurance premiums charged to members' accounts	(1,101)	(1,159)
Benefits allocated to members' accounts comprising:		
Net investment income	32,707	38,806
Administration fees	(5,386)	(5,907)
Closing balance of member benefits as at 30 June 2019	451,649	437,876

Financial Report

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

For the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
Opening balance of investment reserve	523	508
Profit/(loss) on reserve	(25)	15
Closing balance of investment reserve	498	523

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Statement of cash flows

For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Rebates	39	49
Interest	1,891	1,093
Dividends	1,350	1,246
Distributions	19,807	16,092
Insurance premiums	(1,101)	(1,159)
Investment expenses	(16)	(26)
Administration fees	(5,969)	(6,173)
Income tax received	588	718
Net cash flows from operating activities	16,589	11,840
Cash flows from investing activities		
Proceeds from sale of investments	149,699	85,897
Purchases of investments	(156,517)	(93,359)
Net cash flows from investing activities	(6,818)	(7,462)
Cash flows from financing activities		
Employers' contributions	8,471	8,845
Members' contributions	8,972	10,528
Transfer from other superannuation plans	13,531	20,078
Transfer to other superannuation plans	(26,095)	(31,693)
Benefits to members/beneficiaries	(16,621)	(15,794)
Income tax on contributions	(566)	(688)
Net cash flows from financing activities	(12,308)	(8,724)
Net decrease in cash and cash equivalents	(2,537)	(4,346)
Cash and cash equivalents at the beginning of the year	44,861	49,207
Cash and cash equivalents at the end of the year	42,324	44,861

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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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investinfo.com.au/premiumchoice