

Annual Report for the period starting
1 July 2016 and ending 30 June 2017

PremiumChoice Retirement Service



Preparation date: 1 December 2017
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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References within the Annual Report to "we", "us" or "our" are references to the Trustee, unless otherwise stated.

A year in review

The 2017 financial year was a welcome year of global economic progress that seemed improbable 12 months earlier.

Despite continued political uncertainty featuring prominently, the global economy's improved performance and pick up in company earnings were very supportive of share prices across the US, Europe and Asia. The Australian share market and the value of our dollar also strengthened.

These shifts in our sector have given us the opportunity to make exciting changes across the business and offer our members more choice and flexibility with their super. We're also investing in our digital capabilities and reshaping our online platforms to make banking and super more seamless.

We're optimistic about the future. And we're on board to do more than just manage your super. 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.

For more information about building a strong portfolio for the future, head over to investinfo.com.au/premiumchoice



Nicole Smith
Chair
NULIS Nominees (Australia) Limited



Matthew Lawrance
CEO
MLC Super

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 on 1 July 2017 appointed NWMSL (National Wealth Management Services Limited ABN 97 071 514 264) to carry out the day-to-day administration of the Service. Previously Navigator Australia Limited (ABN 45 006 302 987) carried out these duties.

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 does not 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 is not 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 2017: \$253M
- 30 June 2016: \$240M
- 30 June 2015: Not applicable

Meet the Board

The directors are:

Nicole Smith (Chair)

BFA, CA, GAICD

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

Evelyn Horton

Masters of Social Science (Economics),

B Economics (ANU), GAICD

Terry McCredden

B Comm (Hon) (University of Melbourne)

Trustee director movements

Alan Schoenheimer was appointed non-executive director effective 26 August 2016.

Andrew Gale was appointed non-executive director effective 26 October 2016.

Peeyush Gupta was appointed non-executive director effective 30 November 2016.

John Reid retired effective 31 December 2016.

Trevor Hunt retired effective 31 December 2016.

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 the 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 it can be contacted on **1800 677 424**.

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 be detrimental to you 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 on the ATO website at ato.gov.au

In summary, we're generally required by law to transfer your account to the ATO if one of the following situations 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 have not 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 unable to contact you

- the ATO informs us that you were a former temporary resident and left the country over six months ago
- 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 have been able to identify or contact the beneficiary of your account.

The law also requires us to transfer to the ATO the portion payable to your spouse as a result of Family Law agreement or court order. If after a reasonable period of time we've tried but have been unable to contact your spouse, or your spouse's beneficiary/estate.

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

Surcharge assessment for prior years

The Superannuation Contributions Surcharge (Surcharge) was removed in relation to contributions made from 1 July 2005. However, a Surcharge liability may still arise in respect of relevant contributions made in prior years.

The Surcharge assessment may be sent to the Fund, in which case the amount will generally be deducted from your account (unless it's a pension account) and paid to the ATO.

If you've withdrawn your account balance (in whole or part) or commenced a pension, the ATO may send the Surcharge assessment to your new super arrangement or directly to you.

Where you receive the assessment directly, you'll be responsible for paying the Surcharge to the ATO. If you have a pension account, you're generally able to ask us to pay you a lump sum in order to meet your Surcharge liability.

If you have any questions about the Surcharge please visit the ATO website at ato.gov.au or call **13 10 20**.

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 your superannuation from the Service 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, we may be required to transfer your superannuation to the ATO as unclaimed super. In these circumstances, relying on relief from ASIC, we're not required to notify you or give you an exit statement and you'll need to contact the ATO directly to claim your superannuation. For more information go to ato.gov.au

Illiquid investments and portability

When you ask us to roll over or transfer 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 will 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 you're not satisfied with the final outcome of your complaint or if your complaint is not satisfactorily resolved within 90 days, you have the right to lodge a dispute with the Superannuation Complaints Tribunal (SCT), an independent, external dispute resolution body established by the Commonwealth Government, which can resolve certain types of disputes relating to superannuation providers. You can contact the SCT by calling **1300 884 114** or emailing info@sct.gov.au Time limits apply to certain complaints to the SCT so you should contact them to find out if a time limit applies. More information is available at sct.gov.au

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 300 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 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 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 overtime. 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 2017, please refer to your Annual Statement.

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

Asset allocation

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 2017, the PremiumChoice Retirement Service held the following assets with a value of greater than 5% of the Services' total assets:

- NAB Professional Funds Account issued by NAB Limited – 10.76%
- St George Term Deposits – 5.01%

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 the other investment managers invest in derivatives is included in their PDS on investinfo.com.au/premiumchoice

Financial Report

The following abridged Service accounts for the financial year ended 30 June 2017 are for the PremiumChoice Retirement Service.

The assets for the PremiumChoice Retirement Service are \$418 million.

The full audited financial statements and auditor's report will be available on our website from December 2017.

You can also call us to receive a paper copy.

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Statement of Financial Position

As at 30 June 2017

| | 2017 | 2016 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Assets | | |
| Cash and cash equivalents | 49,207 | 32,031 |
| Term deposits | 32,899 | 30,026 |
| Outstanding settlements | 632 | 349 |
| Other receivables | 6 | 64 |
| Investments measured at fair value | | |
| Cash Account Income Fund | - | 9,102 |
| Listed equities | 29,683 | 32,929 |
| Separately Managed Accounts | 22,144 | 17,543 |
| Unlisted unit trusts | 281,827 | 257,187 |
| Income tax receivable | 118 | 106 |
| Deferred tax assets | - | 1,095 |
| Total assets | 416,516 | 380,432 |
| Liabilities | | |
| Outstanding settlements | 85 | 40 |
| Other payables | 395 | 397 |
| Deferred tax liabilities | 737 | - |
| Total liabilities excluding member benefits | 1,217 | 437 |
| Net assets available for member benefits | 415,299 | 379,995 |
| Member benefits | | |
| Allocated to members | 414,692 | 377,884 |
| Unallocated contributions | 712 | 353 |
| Total member liabilities | 415,404 | 378,237 |
| Total net assets | (105) | 1,758 |
| Equity | | |
| Investment reserve | 508 | 493 |
| General reserve | (613) | 1,265 |
| Total equity | (105) | 1,758 |

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Income Statement

For the year ended 30 June 2017

| | 2017 | 2016 |
|---|----------------|---------------|
| | \$'000 | \$'000 |
| Superannuation activities | | |
| Rebates | 54 | 76 |
| Interest | 1,028 | 1,694 |
| Dividends | 1,400 | 1,439 |
| Distributions from unit trusts | 17,115 | 20,225 |
| Changes in investments measured at fair value | 12,434 | (15,356) |
| Total superannuation activities income | 32,031 | 8,078 |
| Investment expenses | 32 | 36 |
| Total expenses | 32 | 36 |
| Net result from superannuation activities | 31,999 | 8,042 |
| Profit from operating activities | 31,999 | 8,042 |
| Less: Net benefits allocated to members' accounts | (33,147) | (7,311) |
| Profit/(loss) before income tax | (1,148) | 731 |
| Income tax expense / (benefit) | 715 | (1,027) |
| Profit/(loss) after income tax | (1,863) | 1,758 |

Financial Report

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

For the year ended 30 June 2017

| | 2017 | 2016 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Opening balance of member benefits as at 1 July | 377,884 | 371,106 |
| Contributions: | | |
| Employer | 10,051 | 9,787 |
| Member | 22,646 | 13,478 |
| Transfer from other superannuation plans | 25,072 | 19,248 |
| Transfer to other superannuation plans | (27,152) | (19,018) |
| Income tax on contributions | (912) | (860) |
| Net after tax contributions | 29,705 | 22,635 |
| Benefits to members/beneficiaries | (18,905) | (16,262) |
| Insurance premiums charged to members' accounts | (1,171) | (1,125) |
| Benefits allocated to members' accounts, comprising: | | |
| Net investment income | 33,147 | 7,311 |
| Administration fees | (5,968) | (5,781) |
| Closing balance of member benefits as at 30 June | 414,692 | 377,884 |

Financial Report

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

For the year ended 30 June 2017

| | Investment reserve \$'000 | General reserve \$'000 | Total Equity \$'000 |
|---|---------------------------------|------------------------------|------------------------|
| Opening balance as at 1 July 2016 | 493 | 1,265 | 1,758 |
| Net transfers to/from reserves | - | - | - |
| Profit/(loss) | 15 | (1,878) | (1,863) |
| Closing balance as at 30 June 2017 | <u>508</u> | <u>(613)</u> | <u>(105)</u> |

| | Investment reserve \$'000 | General reserve \$'000 | Total Equity \$'000 |
|---|---------------------------------|------------------------------|------------------------|
| Opening balance as at 1 July 2015 | - | - | - |
| Net transfers to/from reserves | - | - | - |
| Profit/(loss) | 493 | 1,265 | 1,758 |
| Closing balance as at 30 June 2016 | <u>493</u> | <u>1,265</u> | <u>1,758</u> |

Financial Report

PremiumChoice Retirement Service Abridged Financial Information – Cash Flow Statement

For the year ended 30 June 2017

| | 2017 | 2016 |
|---|----------------|-----------------|
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Rebates received | 52 | 73 |
| Interest received | 1,028 | 2,795 |
| Dividends received | 1,400 | 1,438 |
| Distributions received | 17,170 | 19,127 |
| Insurance premiums paid | (1,168) | (1,123) |
| Investment expenses | (32) | (36) |
| Administration expenses | (5,968) | (5,815) |
| Income tax received | 193 | 307 |
| Net cash flows from operating activities | 12,675 | 16,766 |
| Cash flows from investing activities | | |
| Proceeds from sale of investments | 121,711 | 94,621 |
| Purchases of investments | (129,284) | (117,125) |
| Net cash flows from investing activities | (7,573) | (22,504) |
| Cash flows from financing activities | | |
| Employer contributions | 10,051 | 9,787 |
| Member contributions | 22,650 | 13,475 |
| Unallocated contributions | 358 | 353 |
| Transfer from other superannuation plans | 25,072 | 17,477 |
| Transfer to other superannuation plans | (27,152) | (19,018) |
| Benefits paid to members/beneficiaries | (18,905) | (16,265) |
| Net cash flows from financing activities | 12,074 | 5,809 |
| Net increase/(decrease) in cash and cash equivalents | 17,176 | 71 |
| Cash and cash equivalents at the beginning of the financial year | 32,031 | 3,954 |
| Transfer of the professional funds account (PFA) to cash and cash equivalents at the beginning of the financial year | - | 28,006 |
| Cash and cash equivalents at the end of the financial year | 49,207 | 32,031 |

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

Postal address:

PremiumChoice Client Services

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Melbourne VIC 3001

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North Sydney NSW 2060

investinfo.com.au/premiumchoice

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