



# Annual Report 2016



**LUCRFsuper**

Australia's first industry fund



# Chairman and CEO foreword

The past year saw fluctuations in the global markets that culminated in Brexit, Britain's exit from the European Union (EU). Despite this, our commitment to delivering solid long-term returns, and providing high quality products and services to our members, remained as strong as ever.

## The ups and downs of the market

For the 2015/16 financial year, our MySuper Balanced default option delivered a return of 1.94%, while our pension Balanced default option delivered a return of 2.40%. While these returns aren't as high as they have been in previous years, they do reflect the turbulence experienced by the global markets which took investors on a roller-coaster ride.

After the Chinese share market crashed from abnormally high levels in August/September 2015, the markets rebounded strongly. Similarly, January/February 2016 saw another sell-off in share markets, this time due mostly to fears the US economy may have been heading into another recession. Once again, however, the markets picked up strongly from March to mid-June 2016.

The financial year then ended with Brexit, the British referendum in June which saw a majority decision to leave the EU. This resulted in political upheaval (which saw the resignation of British Prime Minister David Cameron) and some short-term volatility in the share markets. Yet again, though, the markets recovered – quickly in this case. Indeed, despite some alarming headlines, the UK share market actually finished the month of June higher than it started. It's also worth noting that LUCRF Super's exposure to the UK markets is only about 2.2%.

## Long-term opportunity knocks

It's important to remember that super is a long-term investment and it's not unusual to experience ups and downs. We've continued to focus on diversifying our default MySuper Balanced and pension Balanced options in recent years by increasing investment in areas like unlisted property and infrastructure, which are less exposed to the short-term volatility of share markets. When our returns are lower than in other years, our focus is on adjusting our investments to strengthen returns for members and maximise their savings.

## Improving our member engagement

Our aim is to always put our members first. We're proud of the Australia-based service we provide our members, whether over the telephone, via email or face to face. This past year we've been working towards improving the way we engage with our members by enhancing our digital platforms including Members Online and our mobile app. Members will find it even easier to access their accounts, update their details, view changes and transactions, and track investment performance.

## Partnership renewals

We were excited to announce the re-signing of two major partnerships this year. In January we renewed our partnership with Professional Footballers Association (PFA) for another three years. We've been the major partner of the PFA since 2009, during which time we've played a key role in providing super and financial education to PFA members along with other player development initiatives.

Similarly, in June we signed a new three-year contract as the principal sponsor of the Australian Jockeys' Association (AJA). Through our sponsorship (which displays our name on every jockey's breeches), we'll continue to make a financial commitment to the National Jockeys Trust, ensuring strong ongoing support for injured jockeys and their families.

Our ongoing partnerships with both the PFA and the AJA support our belief that all Australians deserve a dignified retirement, and our commitment to bettering the lives of members.



**Tim Kennedy**  
Chairman



**Charlie Donnelly**  
CEO

# Trustee Board

## Member Representative Directors



**Tim Kennedy**  
*Chairman*  
National Secretary,  
National Union of Workers  
(Chairman from 1 Jan 2016,  
Deputy Chairman from  
1 Jul – 31 Dec 2015)



**Caterina Cinanni**  
National Education & Campaign  
Coordinator/National President,  
National Union of Workers



**Gary Maas**  
Victorian Branch Secretary,  
National Union of Workers



**Paul Richardson**  
Assistant National Secretary,  
National Union of Workers



**Sam Roberts**  
General Branch Secretary,  
National Union of Workers

## Employer Representative Directors



**Ted Eftimiadis**  
*Deputy Chairman*  
Nominated by Pacific Brands  
(Deputy Chairman from 1 Jan 2016)



**Phil Caris**  
Group General Manager,  
Human Resources, Graincorp Ltd  
(appointed 9 May 2016)



**Simon Gallagher**  
Chief Financial Officer (CFO),  
Drake International



**Kerry Smith**  
Chief Executive Officer (CEO),  
PFD Food Services Pty Ltd



**Craig Taylor**  
HR Director, Australia/NZ  
Mondelez Australia Pty Ltd  
(appointed 30 Mar 2016)

## Independent Directors



Ann Byrne



Judith Smith

## End of term

**John Carlile**  
(Chairman from 1 Jul – 31 Dec 2015)  
Resigned 31 Dec 2015

**Melissa Blackley**  
Resigned 10 Feb 2016

## Appointment to the board

The fund's Trust Deed and Rules sets out the procedure for appointing directors. The general secretary of the National Union of Workers nominates member representatives in writing.

Employer representatives and independent directors are appointed on the recommendation of nominating committees.

## Trust Deed

The way in which the fund is governed and controlled is established through a legal document called the Trust Deed and Rules. To obtain a copy, visit [lucrf.com.au](http://lucrf.com.au), call **1300 130 780** or email [mypartner@lucrf.com.au](mailto:mypartner@lucrf.com.au). There have been no changes to the trust deed during the year.

## Committees

The trustee board established four committees to advise it. Members of each board committee as at 30 June 2016 are:

### Management and Membership Committee

Caterina Cinanni (Chair)  
Simon Gallagher  
Sam Roberts  
Kerry Smith

### Compliance, Risk and Audit Committee

Ted Eftimiadis (Chair)  
Ann Byrne  
Phil Caris  
Paul Richardson  
Craig Taylor

### Investment Committee

Judith Smith (Chair)  
Ann Byrne  
Tim Kennedy  
Gary Maas  
Greg Nolan (Non-director)

### Remuneration Committee

Kerry Smith (Chair)  
Ann Byrne  
Tim Kennedy

## Directors' attendance at board and committee meetings for year ending 30 June 2016

Board and committee meetings					
Directors	Board	Investment	Compliance, Risk and Audit	Management and Membership Services	Remuneration
John Carlile	3/3	4/4	2/2	2/2	2/2
Tim Kennedy	6/6	7/7	–	–	3/3
Paul Richardson	5/6	–	3/4	–	–
Gary Maas	6/6	6/7	–	–	–
Caterina Cinanni	6/6	–	–	4/5	–
Ted Eftimiadis	6/6	–	4/4	–	–
Craig Taylor	2/2	–	1/1	–	–
Phil Caris	0/1	–	1/1	–	–
Kerry Smith	5/6	–	–	5/5	1/1
Sam Roberts	6/6	–	–	5/5	–
Simon Gallagher	5/6	–	–	3/5	–
Melissa Blackley	2/3	–	2/2	–	–
Judith Smith	6/6	7/7	–	–	–
Ann Byrne	6/6	1/1	3/4	–	3/3

# Member profile – David Myall

We were proud to meet with LUCRF Pension member David Myall and his wife, Dorothy, when they attended our 2015 Christmas Pension Seminar.

David Myall has been a LUCRF Super member since 1978, joining us in the very early days of our history.

*“In all those years, I can honestly say that I’ve only had good experiences when dealing with LUCRF Super.”*

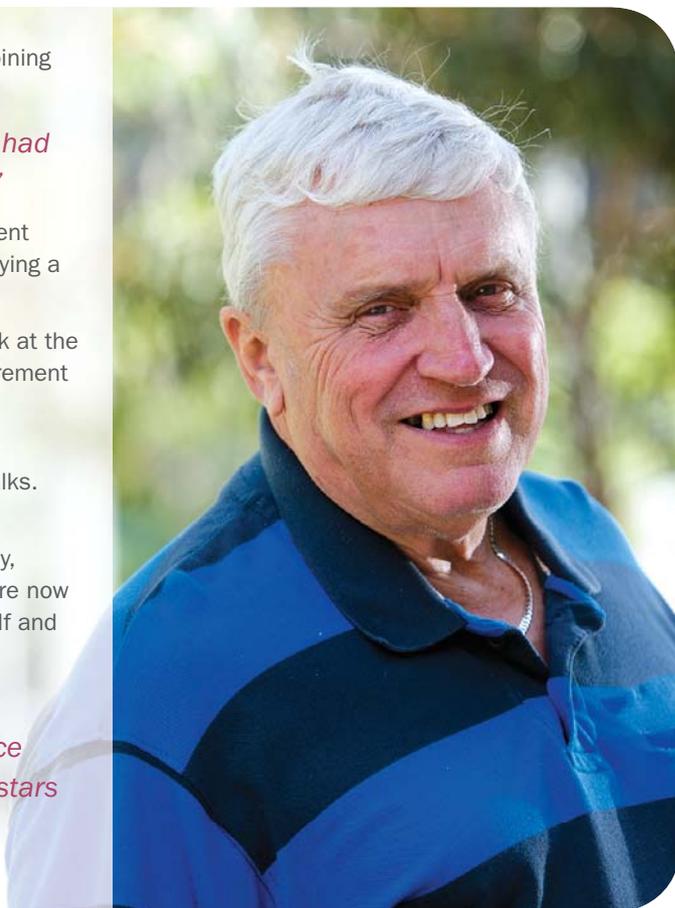
Now, after 48 years of being in the workforce (the last 40 spent as a sales representative in the steel industry), David is enjoying a deserved retirement with his lovely wife of 45 years, Dorothy.

David met Dorothy on a round-the-world trip that he undertook at the age of 21. Their love of travel has continued into David’s retirement which he entered in 2010.

Although these days the two mainly travel within Australia and New Zealand, they also play golf and enjoy bush and beach walks. David also volunteers his time as a driver for the elderly.

In 2014 David was diagnosed with prostate cancer. Thankfully, David’s treatment was successful and both he and Dorothy are now blessed with very good health thanks to regular rounds of golf and healthy eating.

*“I’ve always been very happy to be a part of the LUCRF Super family because of the excellent service they give to members. I’d give them five out of five stars because I’m happy with everything!”*



## We’re still an award-winning fund

Last year, our super and pension products were again recognised for excellence by both Rainmaker and SuperRatings.

### Rainmaker SelectingSuper ‘AAA’ rating

In its annual SelectingSuper Fund Quality Assessment, industry researcher Rainmaker awarded us a ‘AAA’ rating in recognition of our strong adherence to industry regulations. We also produced outstanding results when benchmarked alongside other superannuation funds and when measured against Rainmaker’s superannuation industry standards of excellence.



### SuperRatings Platinum Award

The prestigious SuperRatings Platinum Award is presented to superannuation funds that represent the best value for money for members. We continue to hold Platinum ratings for both our super and pension products.

Ratings and awards are just one factor to be taken into account when considering a superannuation fund and are subject to change. Prior to making any decision about LUCRF Super, please read the Super Member Guide (Product Disclosure Statement) and the Pension Member Guide (Product Disclosure Statement) available at [lucrf.com.au](http://lucrf.com.au) or by calling us on **1300 130 780**.

# LUCRF Super outperforms retail funds. Again.

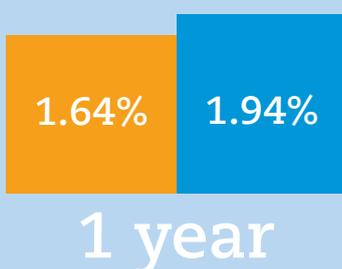
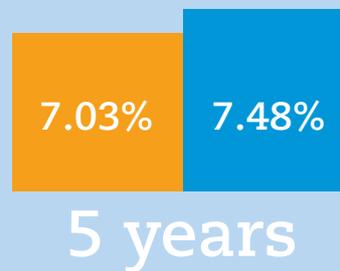
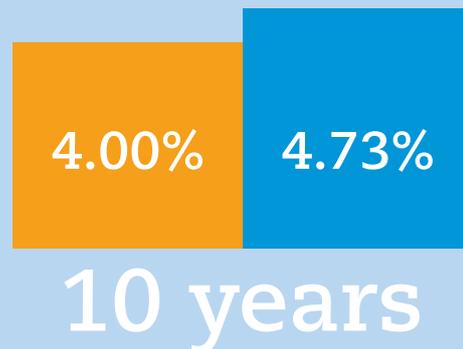
Our MySuper Balanced option has outperformed the Master Trust (retail funds) median over the last 10 years.

As Australia's first industry super fund, we're run only to benefit members, so we're proud to have a history of strong returns.

"Members of industry super funds can rest assured that their retirement nest eggs are delivering superior returns over short, medium and long term," said Robbie Campo, deputy chief executive at Industry Super Australia.

"Despite a turbulent start to the year for financial markets, industry super funds have remained stable... Most importantly, the results of industry super funds over longer-term periods reveal strong and sustained outperformance when compared to the bank-owned funds."

Superannuation is one of the largest and longest-term investments you make in your lifetime. Since our inception in 1978, our MySuper Balanced option has produced an average annual return of 9.69% (1978 to 2016).



■ Retail fund median  
■ LUCRF Super

Source: SuperRatings Fund Crediting Rate Survey - SR50 Balanced (60-76) Index, 30 June 2016.

Past performance is not a reliable indicator of future performance.

# 2015/2016 financial year economic commentary

Prepared by

**WillisTowersWatson** 

The 2015/16 Financial Year was one of increasing global economic uncertainty, with the IMF and World Bank once again downgrading global growth forecasts throughout the year. This was primarily caused by economic and geopolitical risks in the Eurozone (the potential Grexit and eventual Brexit), uncertainty and volatility surrounding the Chinese economy, a fall in global commodity prices and concerns relating to Japanese deflation.

These downgrades also occurred despite indications of a potential US economic recovery, the end of 10 years of US interest rate reductions and predominantly positive signals for the Australian economy. As a whole, returns for global equity markets suffered, with the MSCI World Ex Australia (unhedged) Index returning just 0.4%, compared to 25.2% and 20.4% for the previous two financial years respectively. Furthermore, the AUD depreciated relative to the basket of currencies included in the MSCI World ex Australia (AUD hedged) Index, returning -1.4%.

Despite mixed signals from the US, signs of a continued recovery were apparent as the Federal Reserve (Fed) increased interest rates for the first time in almost a decade (by 25bps to 0.5%). Furthermore, the US unemployment rate fell to 4.7%, an even more significant low than the previous year, before finishing flat at 4.9%. Core inflation increased to 2.2% (as at May 2016), largely supported by consumer spending (which accounts for 68% of US GDP). However, uncertainty surrounding the US election also weighed on the US economy and, following the interest rate hike, the Fed lowered GDP forecasts. Actual annualised US GDP growth declined to 2.1% (as at March 2016) and the trade deficit widened (based on statistics available to May 2016). The USD strengthened throughout the year against the GBP (17.6%), AUD (3.2%), and EUR (0.3%), yet fell against the JPY (-15.6%).

While concerns around Greece's potential exit from the Eurozone faded early in the year (as an agreement between Greece and its creditors was reached in July) and confidence began to pick up, uncertainty around Brexit led to a mixed year for the European Union (EU). Britain's vote to leave the EU at the end of the financial year shocked financial markets (which had become increasingly confident that Britain would remain), increasing economic and financial risks. The UK Prime Minister, David Cameron, resigned in the aftermath of the vote and political risks remain, leaving Britain's future economic stability in question and a greater level of uncertainty for the future of the EU as a whole.

The uncertainty mentioned above contributed to negative performance for the Eurozone stock market, with the Euro Stoxx 50 Index returning -16.3% over the financial year (in local currency terms). In contrast, the annualised growth rate for the Eurozone rose to 1.7% (as at March 2016), up from 1.3% the previous year. The total unemployment rate and the youth unemployment rate fell to 10.1% (as at May 2016) and 20.7% respectively. During the financial year the ECB also dropped its interest rate by 5bps to 0.0% and extended its quantitative easing program (aimed at revitalising the Eurozone and countering deflationary pressures). As a result, the EU inflation rate closed at 0.1% (despite sitting below zero for the majority of the second half of the year). The Eurozone Manufacturing PMI ended the year up at 52.8, signalling a continued modest acceleration in the rate of expansion of the Eurozone manufacturing sector (readings over 50 represent growth in manufacturing).

Over the course of the year the Bank of Japan (BoJ) remained committed to quantitative easing and low interest rates, moving to a negative and record low interest rate of -0.1%, as it fought to promote economic growth and prevent deflation. However, efforts to prevent deflation were unsuccessful with the inflation rate coming in at -0.4% (as at May 2016), compared to 0.3% at the end of the previous year. This deflationary environment, coupled with reduced consumer demand for exports and production, has contributed to uncertainty towards the future state of the Japanese economy. Furthermore, sentiment surrounding negative interest rates had a significant impact on global economic stability, as the low yield environment persisted and concerns around bank profitability were brought to light. The annualised GDP growth rate for Japan fell to 0.1% (as at March 2016), down from 0.7% at the end of the previous financial year, while the unemployment rate (3.2% as at May 2016) remained fairly steady and in line with market expectations.

# 2015/2016 financial year economic commentary

It was also a volatile year for the second largest economy in the world, China, which experienced a continued decline in its growth rate. The Shanghai Stock Exchange Composite Index began the year at a high (following a 150% rise in under 12 months), crashed during the year and ended 43.3% below its June 2015 high. In response to falling stock markets and depressed economic data, policy makers implemented a number of measures in an attempt to stabilise the Chinese economy. Notably, in August, the People's Bank of China (PBoC) devalued the renminbi (RMB) by around 3% against the USD over a three-day period. Further, the PBoC reduced the interest rate to 4.35% (through a series of interest rate cuts) and lowered reserve requirements. Despite these efforts, the annual GDP growth rate fell to 6.7% (as at June 2016), down from 7.0% at the beginning of the financial year. Finally, year on year inflation fell from 2.3% to 1.9%, remaining well below the government's target of 3.0% for 2016.

Indicators of the Australian economy were largely positive but somewhat mixed for the financial year, with global economic uncertainty having an impact on stability, coupled with the lead up to the federal election. The Australian economy managed to outperform its forecast and deliver annualised GDP growth of 3.1%. This outperformance was largely driven by a slight recovery in commodities (and therefore mining), as well as continued positive contributions from the services sector. Once again, the largest detractor from GDP was the manufacturing sector. Another indicator of economic strength was a decline in the seasonally adjusted unemployment rate to 5.8%, compared to 6.0% at the end of the previous financial year. In contrast, the NAB Business Confidence survey reading was 6, down from 8 at the end of the previous financial year. This decrease in confidence was most likely caused by Federal election uncertainty, declining global economic conditions and a confidence drag from the mining sector.

The Reserve Bank of Australia (RBA) decided to cut the official cash rate even further during the year, to a record low of 1.75%, in a bid to improve the modest growth in the Australian economy to a more desirable level. The interest rate cut was aimed at supporting further growth in household consumption, dwelling investment and the trade sector (through a lower exchange rate).

In line with the poor performance of global equities, the Australian share market experienced meagre returns for the financial year. The S&P/ASX 300 Index returned 0.9%, compared to 5.6% and 17.5% for the previous two financial years respectively. While overall share market returns were low, the performance of various sectors differed greatly. The main detractors from performance were the energy and resources sectors which delivered returns of -21.8% and -10.6% respectively. Utilities was the most positive contributor returning 24.4%, followed closely by the health care and consumer discretionary sectors which returned 21.1% and 19.7% respectively.

The Australian dollar fell over the year, despite a late recovery following dovish commentary from the US Federal Reserve, to end at 74.26 US cents (down from 76.80 US cents). The fall was largely attributed to slowing demand from China, a subsequent fall in commodity prices and increased optimism towards the US economy. Over the same period the Australian dollar also fell against the currencies of its major trading partners, with the Trade Weighted Index ending the year at 62.5 (down from 63.8 at the start of the year).

Australian bond yields fell over the course of the financial year but managed to remain above those of the US. Australian 10 Year Government bonds finished 103bps down at 1.98%, while US 10 Year Government bonds were down 86bps (to 1.49%) over the same period. Australian cash, as measured by the Bloomberg AusBond Bank Bill Index, returned 2.2% for the year, down from 2.6% the previous year. Australian fixed interest, as measured by the Bloomberg AusBond Composite Index, returned 7.0%, compared to 5.6% for the previous financial year. Finally, global fixed interest outperformed Australian fixed interest, with the Barclays Global Aggregate Index (hedged to AUD) returning 9.3% for the financial year, up significantly from 5.6% for the previous year.

Note: This investment commentary does not constitute advice. All investment figures quoted relate to before-tax performance of the relevant industry benchmark. © 2016 Towers Watson. All rights reserved.

# Service providers and investments

## Updating your balance

At the end of each financial year we calculate our declared rates which represent the final return on investments for members. This percentage is then applied to your account accordingly. Once finalised, we send you a statement outlining how your account has performed over the year.

## Derivatives

We primarily use derivatives for currency risk control and as part of the investment strategies to enhance returns in our investment options via external investment managers. Derivatives are not used for gearing purposes and any derivatives are asset-backed by actual holdings in our portfolio.

## Investments

At 30 June 2016 the following investments exceeded 5% of our total assets:

Northern Trust	8.86%
Karara Capital Limited	7.33%
Industry Funds Management	6.93%
DFA Australia (Dimensional)	6.73%
JCP Investment Partners Ltd	5.51%
Bell Asset Management	5.38%

## List of key LUCRF Super service providers as at 30 June 2016

### Auditor

PricewaterhouseCoopers

### Bankers

Commonwealth Bank of Australia

JP Morgan Chase Bank

### Custodian

JP Morgan Chase Bank

### Legal advisers

Holding Redlich

### Group insurer

OnePath Life

### Tax adviser

Ernst & Young

### Asset allocation consultant

Willis Towers Watson

## Investment managers as at 30 June 2016

Acadian Asset Management (Australia) Limited

Adam Smith Asset Management

Bain Capital Credit

Bell Asset Management Limited

Brandywine Global Investment Management LLC

Bridgewater Associates Inc.

CBRE Clarion Securities

Colonial First State Asset Management (Australia) Ltd

DFA Australia (Dimensional)

GMO Australia Limited

Industry Funds Management

JCP Investment Partners Ltd

Karara Capital Limited

K2 Advisors

Lazard Asset Management Limited

Macquarie Investment Management Limited

ME Bank

Neuberger Berman

Northern Trust

Palisade Investment Partners

QIC Limited

Schroder Investment Management Australia Limited

TCW Asset Management Company

Veritas Asset Management (UK) Limited

Wellington Management

# Investment options

In the 2015/16 financial year LUCRF Super offered 10 investment options for members to select from. These options are classified as either pre-mixed options or asset class options.

## Pre-mixed options

Each pre-mixed option contains a diversified mix of growth and defensive asset classes.

### MySuper Balanced\*\*

	Strategic asset allocation %	Range %
<span style="color: #0070c0;">■</span> Australian Shares	27.5	15–40
<span style="color: #ff9900;">■</span> International Shares	28.5	15–40
<span style="color: #003366;">■</span> Property	11	6–16
<span style="color: #990033;">■</span> Alternatives	21	6–37
<span style="color: #92d050;">■</span> Fixed Interest	10	0–20
<span style="color: #ff6600;">■</span> Cash	2	0–6

Suggested minimum investment timeframe	5 years
Expected frequency of negative annual returns in any 20-year period	4.7
Risk band (1–7)	6
Risk label	High
Type of investor	Balanced
Investment fee*	0.69%

**Investment objective**

To achieve a return that exceeds the increase in the Consumer Price Index (CPI) by at least 4% (or 3.84% net of tax and investment expenses and administrative cost – based on a \$50,000 member balance) per year over moving 10-year periods.

**Investment strategy**

To invest in a diversified range of investments, with a greater proportion in shares, property and alternative investments, and the remainder in cash and fixed income.

### Conservative

	Strategic asset allocation %	Range %
<span style="color: #0070c0;">■</span> Australian Shares	12	8–16
<span style="color: #ff9900;">■</span> International Shares	13.5	9–18
<span style="color: #003366;">■</span> Property	6	3–10
<span style="color: #990033;">■</span> Alternatives	11	2–23
<span style="color: #92d050;">■</span> Fixed Interest	27.5	15–40
<span style="color: #ff6600;">■</span> Cash	30	20–40

Suggested minimum investment timeframe	3 years
Expected frequency of negative annual returns in any 20-year period	2.7
Risk band (1–7)	4
Risk label	Medium
Type of investor	Conservative
Investment fee*	0.48%

**Investment objective**

To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 2% per year over moving 5-year periods.

**Investment strategy**

To invest in a diversified range of investments, with a greater proportion in cash, fixed income and defensive property, and the remainder in shares, property and alternative investments.

### Moderate

	Strategic asset allocation %	Range %
<span style="color: #0070c0;">■</span> Australian Shares	18	10–28
<span style="color: #ff9900;">■</span> International Shares	19	10–27.5
<span style="color: #003366;">■</span> Property	8	4–12
<span style="color: #990033;">■</span> Alternatives	17	4–31
<span style="color: #92d050;">■</span> Fixed Interest	24	15–40
<span style="color: #ff6600;">■</span> Cash	14	5–25

Suggested minimum investment timeframe	4 years
Expected frequency of negative annual returns in any 20-year period	3.7
Risk band (1–7)	5
Risk label	Medium to High
Type of investor	Moderate
Investment fee*	0.58%

**Investment objective**

To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 3% per year over moving 5-year periods.

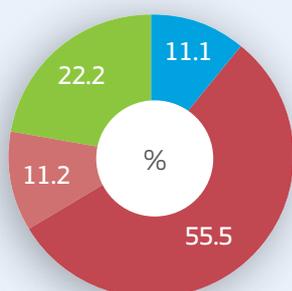
**Investment strategy**

To invest in a diversified range of investments, with a proportionate exposure to growth assets (shares, property and alternative investments) and defensive assets (cash and fixed income).

## Pre-mixed options

Each pre-mixed option contains a diversified mix of growth and defensive asset classes.

### Targeted Return



	Strategic asset allocation %	Range %
Australian Shares	11.1	0–33
Liquid Alternatives	55.5	11–78
Infrastructure	11.2	0–33
Fixed Interest	22.2	10–60

Suggested minimum investment timeframe	4 years
Expected frequency of negative annual returns in any 20-year period	3.3
Risk band (1–7)	5
Risk label	Medium to High
Type of investor	Targeted Return
Investment fee*	0.77%

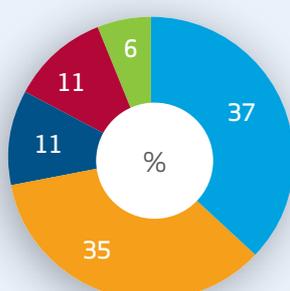
### Investment objective

To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 4% per year over moving 5-year periods.

### Investment strategy

To invest in a portfolio of highly diversified assets which aim to provide strong above-inflation returns with low levels of volatility.

### High Growth



	Strategic asset allocation %	Range %
Australian Shares	37	22–52
International Shares	35	23–47
Property	11	6–16
Alternatives	11	0–29
Fixed Interest	6	0–12

Suggested minimum investment timeframe	6 years
Expected frequency of negative annual returns in any 20-year period	5.3
Risk band (1–7)	6
Risk label	High
Type of investor	High Growth
Investment fee*	0.75%

### Investment objective

To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 5% per year over moving 10-year periods.

### Investment strategy

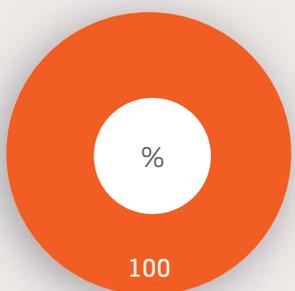
To invest in a diversified range of investments, including shares, property, alternative investments and fixed income.

# Investment options

## Asset class options

Each option invests in a single asset class.

### Cash



	Strategic asset allocation %
Cash	100

Suggested minimum investment timeframe	N/A
Expected frequency of negative annual returns in any 20-year period	Never
Risk band (1 to 7)	1
Risk label	Very Low
Type of investor	Short-term
Investment fee*	0.28%

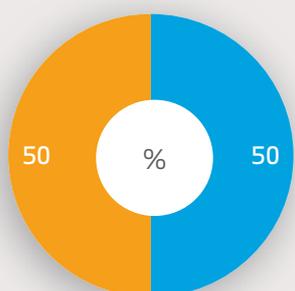
#### Investment objective

To achieve a return (gross of tax and investment expenses) that is equal to the UBS Australian Bank Bill Index.

#### Investment strategy

To invest in a portfolio consisting primarily of bank deposits, but may include other short-term securities.

### Indexed Shares



	Strategic asset allocation %	Range %
Australian Shares	50 <sup>^</sup>	48–52
International Shares	50 <sup>^</sup>	48–52

Suggested minimum investment timeframe	7 years
Expected frequency of negative annual returns in any 20-year period	6.3
Risk band (1 to 7)	7
Risk label	Very High
Type of investor	Aggressive
Investment fee*	0.28%

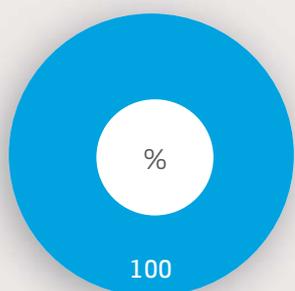
#### Investment objective

To achieve a return (gross of tax and investment expenses) that matches the change in a 50%/50% combination of the S&P/ASX300 Accumulation Index and the MSCI World (ex-Australia) Accumulation Index over moving 3-year periods.

#### Investment strategy

To invest totally in shares on a passive basis, with approximately half in Australian shares and half in international shares.

### Australian Shares



	Strategic asset allocation %
Australian Shares	100 <sup>^</sup>

Suggested minimum investment timeframe	8 years
Expected frequency of negative annual returns in any 20-year period	7.0
Risk band (1 to 7)	7
Risk label	Very High
Type of investor	Aggressive
Investment fee*	0.67%

#### Investment objective

To achieve a return (gross of tax and investment expenses) that exceeds the change in the S&P/ASX300 Accumulation Index over moving 3-year periods.

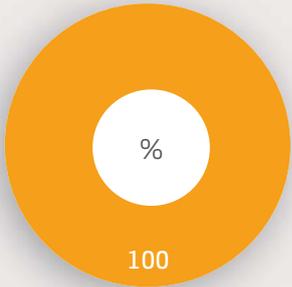
#### Investment strategy

To invest totally in Australian shares on an actively managed basis.

# Asset class options

Each option invests in a single asset class.

## International Shares



Strategic asset allocation %

- International Shares 100<sup>^</sup>

Suggested minimum investment timeframe	7 years
Expected frequency of negative annual returns in any 20-year period	5.8
Risk band (1 to 7)	6
Risk label	High
Type of investor	Aggressive
Investment fee*	0.85%

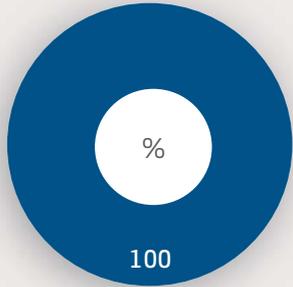
### Investment objective

To achieve a return (gross of tax and investment expenses) that exceeds the change in the MSCI World (ex-Australia) Accumulation Index over moving 3-year periods.

### Investment strategy

To invest in international shares on an actively managed basis.

## Property



Strategic asset allocation %

- Australian Listed Property Trusts 100<sup>^</sup>

Suggested minimum investment timeframe	8 years
Expected frequency of negative annual returns in any 20-year period	6.8
Risk band (1 to 7)	7
Risk label	Very High
Type of investor	Aggressive
Investment fee*	0.28%

### Investment objective

To achieve a return (gross of tax and investment expenses) that equals the change in the S&P/ASX300 Property Trust Index over moving 3-year periods.

### Investment strategy

To invest totally in listed Australian property trusts on a passive basis.

\*\* The MySuper Balanced option is the same as the default Balanced option available to pension members.

<sup>^</sup> From time to time the investment managers may hold cash.

\* The investment fee is a measure of the fees deducted from investments. These fees include the cost of the Fund's investment managers, custodian and investment advisor and certain other costs of the Fund. The investment fee is the total of these costs, divided by the net asset value of the Fund. These fees are deducted directly from the investment earnings before they are allocated to member accounts. They are therefore not deducted from your super account directly.

Strategic asset allocations are valid as at 30 June 2016. Visit [lucre.com.au](http://lucre.com.au) for the latest asset allocations.

Risk band is a standard risk measurement where '1' is very low risk and '7' is very high risk.

# Performance results

Monthly declared rates 2015/16

## Super

	MySuper Balanced %	Conservative %	Moderate %	Targeted Return %	High Growth %	Cash %	Property %	Index Shares %	Aust. Shares %	Intern'l Shares %
<b>2015</b>										
July	2.32	1.28	1.67	1.24	2.98	0.17	4.81	4.91	4.06	4.05
August	-2.99	-1.33	-1.94	-1.22	-3.99	0.16	-3.49	-4.72	-6.82	-4.55
September	-1.21	-0.48	-0.74	-0.77	-1.42	0.16	0.10	-2.42	-1.83	-3.50
October	2.93	1.46	2.00	0.87	3.83	0.16	4.39	4.82	4.18	5.57
November	-0.61	-0.22	-0.33	0.37	-0.83	0.15	-3.09	-1.10	-0.75	-1.36
December	0.16	0.18	0.22	0.22	0.44	0.15	3.57	0.14	2.08	-1.94
<b>2016</b>										
January	-2.58	-0.91	-1.50	-1.09	-3.23	0.17	0.73	-3.86	-4.67	-4.57
February	-0.66	0.05	-0.12	-0.36	-0.89	0.16	2.39	-1.38	-1.24	-1.48
March	1.54	0.94	1.25	1.29	2.04	0.16	2.21	1.68	4.30	-0.04
April	1.63	0.90	1.22	1.25	1.88	0.17	2.47	2.52	2.96	1.57
May	2.37	1.28	1.72	1.22	2.80	0.15	2.49	4.27	3.81	4.23
June	-0.77	0.05	-0.17	1.90	-1.25	0.13	3.85	-2.58	-3.04	-3.54

## Pension

	Balanced %	Conservative %	Moderate %	Targeted Return %	High Growth %	Cash %	Property %	Index Shares %	Aust. Shares %	Intern'l Shares %
<b>2015</b>										
July	2.56	1.41	1.88	1.40	3.27	0.20	5.62	5.43	4.33	4.27
August	-3.29	-1.46	-2.12	-1.35	-4.37	0.19	-4.05	-5.27	-7.30	-5.03
September	-1.29	-0.52	-0.79	-0.80	-1.55	0.19	-0.34	-2.67	-1.93	-3.83
October	3.25	1.62	2.22	0.97	4.25	0.19	4.86	5.33	4.54	6.13
November	-0.64	-0.23	-0.34	0.45	-0.88	0.18	-3.54	-1.18	-0.79	-1.43
December	0.18	0.21	0.25	0.27	0.49	0.18	4.07	0.21	2.28	-2.16
<b>2016</b>										
January	-2.83	-0.98	-1.63	-1.14	-3.54	0.20	0.88	-4.29	-5.06	-5.05
February	-0.71	0.08	-0.11	-0.35	-0.97	0.19	2.76	-1.54	-1.32	-1.63
March	1.76	1.08	1.43	1.53	2.32	0.19	2.46	1.94	4.83	-0.03
April	1.79	1.00	1.35	1.37	2.08	0.20	2.73	2.81	3.26	1.70
May	2.60	1.41	1.89	1.26	3.08	0.18	2.71	4.70	4.21	4.60
June	-0.75	0.15	-0.05	2.26	-1.27	0.16	3.80	-2.81	-3.33	-3.80

# Crediting rates

2015/16 and historical

## Super

	2015/16 %	2014/15 %	2013/14 %	2012/13 %	2011/12 %	5-year average 2012/16 %
<b>Pre-mixed</b>						
<b>MySuper Balanced*</b>	1.94	8.45	12.67	13.82	1.18	7.48
<b>Conservative</b>	3.19	5.14	7.24	8.06	4.18	5.55
<b>Moderate</b>	3.25	6.46	9.50	10.65	3.24	6.58
<b>Targeted Return</b>	4.97	5.25	8.64	4.89	N/A	N/A
<b>High Growth</b>	2.02	9.92	14.79	17.30	-0.25	8.54
<b>Asset Class</b>						
<b>Cash</b>	1.91	2.30	2.49	2.95	4.18	2.76
<b>Indexed Shares</b>	1.65	13.69	17.78	24.12	-2.59	10.48
<b>Australian Shares</b>	2.26	5.16	16.71	20.31	-5.55	7.36
<b>International Shares</b>	-6.08	17.04	20.86	26.73	-0.10	10.96
<b>Property</b>	21.96	16.83	8.64	20.14	6.55	14.66

## Pension

	2015/16 %	2014/15 %	2013/14 %	2012/13 %	2011/12 %	5-year average 2012/16 %
<b>Pre-mixed</b>						
<b>Balanced*</b>	2.40	9.64	14.41	16.05	1.62	8.66
<b>Conservative</b>	3.79	6.16	8.31	9.37	5.28	6.56
<b>Moderate</b>	3.94	7.71	10.92	12.21	4.15	7.73
<b>Targeted Return</b>	5.94	6.40	9.86	5.65	N/A	N/A
<b>High Growth</b>	2.52	11.62	16.80	19.95	0.07	9.92
<b>Asset Class</b>						
<b>Cash</b>	2.28	2.69	2.97	3.72	5.00	3.33
<b>Indexed Shares</b>	1.89	15.02	19.36	28.52	-2.96	11.77
<b>Australian Shares</b>	2.80	6.79	18.56	23.20	-6.35	8.47
<b>International Shares</b>	-6.85	18.34	23.89	29.70	-0.08	12.10
<b>Property</b>	23.70	19.94	10.85	23.01	9.39	17.22

\*This is the investment option that most members are in and the option which your superannuation investment automatically defaults to, unless you instruct otherwise.

Note: Targeted Return was launched on 1 November 2012.

Past performance is not a reliable indicator of future investment returns.

# Statement of financial position

for the years ended 30 June 2016 and 2015

	2016 \$'000	2015 \$'000
<b>Investments</b>		
Cash – Australian	445,470	434,614
Cash – foreign currency	37,413	29,896
Australian composite fixed interest	196,727	190,281
International fixed interest	192,795	191,572
Enhanced cash	42,716	41,686
Australian equities	1,269,043	1,072,874
Australian micro caps	83,084	77,693
International equities	1,141,912	1,064,024
Emerging markets equities	157,540	160,698
Inflation plus	123,862	126,037
Australian property	451,791	397,588
Private equity	72,348	81,093
Global infrastructure	190,632	166,227
Specialist credit	178,475	301,557
Diversity	547,482	526,771
<b>Total investments</b>	<b>5,131,290</b>	<b>4,862,611</b>
<b>Other assets</b>		
Cash and cash equivalents	2,590	10,158
Contributions receivable	31,135	25,126
Accrued income	21,964	13,748
Unsettled trades (sales)	11,712	1,222
Current tax asset	–	3,469
<b>Total other assets</b>	<b>67,401</b>	<b>53,723</b>
<b>Total assets</b>	<b>5,198,691</b>	<b>4,916,334</b>
<b>Liabilities</b>		
Current tax liability	(6,071)	–
Benefits payable	(3,580)	(5,258)
Unsettled trades (purchases)	(23,755)	(4,863)
Sundry payable	(9)	(2,404)
Deferred tax liability	(44,600)	(57,698)
<b>Total liabilities</b>	<b>(78,015)</b>	<b>(70,223)</b>
<b>Net assets available to pay benefits</b>	<b>5,120,676</b>	<b>4,846,111</b>
Represented by:		
<b>Liability for accrued benefits</b>		
Allocated to members' accounts	5,068,477	4,801,816
Operational Risk Reserve	18,080	17,616
Capital Adequacy Reserve	34,119	26,679
<b>Total</b>	<b>5,120,676</b>	<b>4,846,111</b>

# Reconciliation of interest paid to member accounts

for the years ended 30 June 2016, 2015 and 2014

	2016 \$'000	2015 \$'000	2014 \$'000
Investment revenue	140,334	411,643	514,655
Other income	2,574	(127)	871
Tax benefit on administration & investment expenses	10,318	10,560	10,091
Insurance rebate	1,203	1,153	949
Administration fee collected	13,472	14,146	14,518
	167,901	437,375	541,084
<b>Outgoings</b>			
Administration expenses	(15,687)	(16,396)	(16,653)
Direct investment expenses	(37,173)	(35,000)	(30,326)
Tax credit (payable) out of investment income	(654)	(23,258)	(39,810)
Movement from (to) reserves	(7,898)	(5,444)	(6,371)
<b>Total paid as interest to members</b>	<b>106,489</b>	<b>357,277</b>	<b>447,924</b>

# Statement of change in net assets

for the years ended 30 June 2016 and 2015

	2016		2015	
	\$'000	\$'000	\$'000	\$'000
<b>Net assets available to pay benefits at start of year</b>		<b>4,846,111</b>		<b>4,287,262</b>
Interest income	16,369		19,955	
Dividend income	181,015		177,749	
Net property income	228		773	
Change in market value	(60,091)		205,595	
Other investment income	5,490	<b>143,011</b>	7,714	<b>411,786</b>
<b>Contribution revenue</b>				
Employer contributions	312,689		292,884	
Salary sacrifice contributions	38,686		29,786	
Member contributions	36,765		45,417	
Government co-contributions	5,523		5,612	
Transfer from other funds	157,235	<b>550,898</b>	195,996	<b>569,695</b>
<b>Other revenue</b>				
Other revenue	1,203		1,153	
Group Life proceeds	22,287	<b>23,490</b>	17,912	<b>19,065</b>
<b>Opening net assets plus revenue</b>		<b>5,563,510</b>		<b>5,287,808</b>
<b>Less expenses &amp; outgoings</b>				
Benefits paid and payable	(323,995)		(305,991)	
Group Life premiums	(24,004)		(24,451)	
Superannuation surcharge tax	–		–	
Administration expenses	(15,687)		(16,396)	
Direct investment expenses	(37,173)		(35,000)	
Income tax expenses	(41,975)	<b>(442,834)</b>	(59,859)	<b>(441,697)</b>
<b>Net assets available to pay benefits at end of year</b>		<b>5,120,676</b>		<b>4,846,111</b>

If you wish to obtain a copy of the auditor's report and the full audited accounts, please contact us.

## Enquiries and complaints

Enquiries and complaints may be made in a variety of ways (i.e. in a letter, by email, by telephone or in person). Any written complaint should be addressed to:

### The complaints officer

LUCRF Super  
PO Box 211, North Melbourne Vic 3051  
Or email [mypartner@lucrf.com.au](mailto:mypartner@lucrf.com.au)

Complaints may be made by a fund member, a previous member, a non-member spouse (for family law split agreements), or by the beneficiary (beneficiaries) or legal personal representative(s) of a deceased member.

### For complaints related to your super or pension account

As required by legislation, we will respond within 90 days. If you are not satisfied with our response or the handling of your complaint, you can lodge your complaint with the Superannuation Complaints Tribunal (SCT). This is a free service.

Superannuation Complaints Tribunal  
Locked Bag 3060, Melbourne VIC 3001  
1300 884 114  
[sct.gov.au](http://sct.gov.au)

### For complaints related to our financial planning or investment advice

As required by legislation, we will respond within 45 days. If you are not satisfied with our response or the handling of your complaint, you can lodge your complaint with the Financial Ombudsman Service (FOS). This is a free service.

Financial Ombudsman Service  
GPO Box 3, Melbourne VIC 3001  
1800 367 287  
[fos.org.au](http://fos.org.au)

## Government supervision

LUCRF Pty Ltd is the Trustee of the Labour Union Co-operative Retirement Fund (LUCRF Super) and complies with the requirements of the *Superannuation Industry (Supervision) Act 1993*, the *Corporations Act 2001* and other relevant legislation.

The Australian Prudential Regulation Authority (APRA) approved LUCRF Pty Ltd as the holder of a Registrable Superannuation Entity Licence (L0002981) and LUCRF Super as a Registrable Superannuation Entity (R1067521). LUCRF Super is authorised to offer a MySuper product (unique identifier 26382680883067).

An Australian Financial Services Licence was granted to LUCRF Pty Ltd (AFSL No. 258481) by the Australian Securities Investment Commission (ASIC), which enables personal and general superannuation advice to be provided. The trustee is also approved to operate a non-cash payment facility (clearing house).

## Reserves policy

The trustee maintains three reserves.

### Trustee reserve

The difference between fees charged to members and the administration and investment expenses incurred in the management of the fund, are credited to the trustee reserve. This reserve is maintained to supplement funds required to meet future trustee expenses.

### Capital adequacy reserve

The after-tax value of any insurance rebate received, and tax benefit received in the payment of insurance premiums, are both credited to this reserve. Reserve balances and assets that support unpaid liabilities that cannot be directly referable to a member investment choice are invested in accordance with our MySuper asset allocation, with earnings also credited to this reserve.

It is maintained to meet additional significant expenses of LUCRF Super.

### Operational risk reserve

This reserve is funded through rounding of the crediting rate process and transfers from the capital adequacy to meet the operational risk financial requirements as stipulated by the regulator. It is maintained to meet unfunded liabilities as they arise during the administration and operation of the fund. The capital adequacy reserve also funds the operational risk reserve to satisfy the operational risk requirements stipulated by the regulator.

## Contribution arrears – what we do

Legislation requires employers to pay contributions by certain due dates. When an employer fails to do this, the fund (once aware) will endeavour to resolve these situations within a reasonable period. The fund identifies and follows up on overdue contributions in writing, by phone and may also perform site visits to advise employers of arrears.

## Identity fraud

Identity fraud happens when someone steals (or tricks you into providing) your personal details to commit financial fraud. While this seems to mainly occur with bank accounts, your super could also be a target. Visit the ASIC MoneySmart website at [moneysmart.gov.au](http://moneysmart.gov.au) for useful superannuation information and scam alerts.

## Indemnity insurance

The fund has taken out insurance to indemnify the directors and legally responsible officers from loss resulting from any claim or wrongful act by the trustee or any other party. The directors are not indemnified against penalties or fines imposed by law as a result of negligence or dishonest conduct.

## Unclaimed money

The trustee of LUCRF Super is required to transfer your entire benefit to the Australian Taxation Office (ATO) as unclaimed money in certain circumstances. This will occur within four months of the end of each half calendar year if:

- you reach the eligibility age of 65 years, your account has been inactive for two years or more, and we have not had contact with you for five years
- you have died and the trustee is unable (after reasonable endeavour) to locate a beneficiary to pay your benefit to
- you were in Australia as a temporary resident and you have not claimed your benefit after six months from your visa expiry or cancellation date, or
- if your balance is less than \$4,000\* and you are considered non-contactable (because two pieces of mail we sent to you have been returned undelivered and we have not received any contributions or rollovers for you within the last 12 months and it will not be possible to pay a benefit to you in the future), or you are an inactive member (we have not received any rollovers or contributions from you in the last five years), and there has been no positive act from you advising that you wish to stay with us.

Note: The trustee relies on ASIC relief to the effect that it is not obligated to issue an exit statement to departed former temporary residents when a benefit is transferred to the ATO. However, the information may be obtained upon request.

\*Increasing to \$6,000 on 31 December 2016.

Contact us

**1300 130 780**

**lucrf.com.au**



**LUCRFsuper**

Australia's first industry fund



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