2017 Annual Report

LUCRFsuper

Australia's first industry fund

An Industry SuperFund

Chairman and CEO foreword

We're pleased to report that global and Australian share markets were generally strong during the 2016/17 financial year. This resulted in double-digit returns for our MySuper Balanced option, in which most members' super is invested.

Positive investment returns

Despite significant political uncertainty overseas, including the surprise US presidential election result and the election of Theresa May to lead Great Britain in Brexit talks, we saw suprisingly subdued volatility and strong share market returns over the 2016/17 financial year.

Our MySuper Balanced option achieved a double-digit return of 10.10%, while our Balanced option for pensions delivered 11.35%. While strong returns in any one year are a positive result, we remain focused on providing members the best retirement outcome over the long term. That's why we're proud of our average annual returns of 9.70% for MySuper Balanced (1978 to 2017) and 5.15% for our Pension Balanced (2008 to 2017).

Our returns for 2016/17 were assisted by strong returns from shares, especially international shares. We increased our exposure to emerging market shares over the financial year, which helped our returns. We also saw strong returns on our unlisted infrastructure and unlisted property investments. In recent times, we have been reducing our exposure to fixed income (or bonds), which turned out to be one of the poorer returning asset classes this financial year.

The 2016/17 financial year saw strong returns from some of the weaker performing asset classes in 2015/16, especially shares. Conversely, we saw weaker returns from some of 2015/16's highest performing asset classes, such as fixed income and listed property. This highlights the continued benefit of diversification, or not putting all of our eggs in one basket.

As always, we continue to monitor all of our investments closely and remain focused on maximising the retirement savings of all members.

Improved digital platforms

Our aim is to always put our members first. In the past year we've enhanced our digital platforms, refreshing our mobile app and Members Online service.

More than 5,000 members have downloaded the app since we introduced four-digit PIN access in June. We know that our app is helping members keep track of their super while providing real-time visibility to their contribution payments.

Our app also hosts a personalised digital member card, making it simple for members to keep their super with us when changing jobs. We've also streamlined our Members Online investment switching process to deliver a smarter, more intuitive service.

For the first time we delivered electronic annual statements to those members who have provided their email address. Not only is this more efficient and cost-effective than sending paper statements, but members can now access their statements at a time and place that suits them.

Enhanced insurance offering

Changes were made to our insurance during the year to give members and their families greater financial security. Members can now obtain Death and Total & Permanent Disablement cover despite having a pre-existing medical condition. They can now also choose an Income Protection benefit period of either two or five years. Casual workers who work more than 30 hours per week now have the option to be covered with Income Protection insurance. And we're also reducing the cost of our premiums, making it even better value for our members.

Doing good work in the community

Since it started in 2010, the LUCRF Community Partnership Trust has joined with 28 community-based organisations around Australia to provide grant funding for 34 projects. Each of these organisations and projects has been selected because they make a real difference to the most vulnerable and disadvantaged people in the communities where our members live and work. By supporting the good work of community organisations, the trust is a practical demonstration of our values and culture.

Dawn House Incorporated, for example, is a not-for-profit organisation based in Darwin that provides emergency accommodation and services to women with children escaping domestic violence. Last year, funding from the trust enabled the upgrade of two outside play areas with safe and age-relevant equipment and soft-fall surfaces, making a huge difference to the lives of these children.

On a final note, we wish to thank our hard-working staff, directors and contributing employers who help LUCRF Super continue to deliver positive retirement outcomes for members across Australia.

Tim Kennedy Chairman

Charlie Donnelly CEO

Trustee Board

Member Representative Directors

Tim Kennedy
Chairman
National Secretary,
National Union of Workers

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

Phil Caris
Group General Manager,
Human Resources, Graincorp Ltd

Simon Gallagher
Managing Director,
Drake Allegiance

Zivile Mockute
Country Finance Manager,
Adecco Group
(appointed 22 May 2017)

Craig Taylor
HR Director, Australia/NZ
Mondelez Australia Pty Ltd

End of term

Kerry Smith
Resigned 9 Mar 2017

Independent Directors

Ann Byrne

Judith Smith

Appointment to the board

The fund's Trust Deed and Rules sets out the procedure for appointing directors. The National Committee of Management 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**, call **1300 130 780** or email mypartner@lucrf.com.au. There have been no changes to the trust deed during the year up to 30 June 2017.

Committees

The trustee board established four committees to advise it. Members of each board committee as at 30 June 2017 are:

Management and Membership Committee

Caterina Cinanni (Chair)
Simon Gallagher
Sam Roberts
Craig Taylor

Compliance, Risk and Audit Committee

Ted Eftimiadis (Chair)
Ann Byrne
Phil Caris
Paul Richardson
Zivile Mockute

Investment Committee

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

Remuneration Committee

Ann Byrne (Chair)
Tim Kennedy
Ted Eftimiadis

Directors' attendance at meetings

Attendance at meetings complete as at June 2017

Board and committee meetings					
Director	**Board**	**Investment**	**Compliance, Risk and Audit**	**Management and Membership Services**	**Remuneration**
Ann Byrne	6/6	7/7	4/4	–	2/2
Phillip Caris	5/6	–	3/4	–	–
Caterina Cinanni	5/6	–	–	4/4	–
Ted Eftimiadis	6/6	–	4/4	–	2/2
Simon Gallagher	5/6	–	–	4/4	-
Tim Kennedy	6/6	7/7	–	–	2/2
Gary Maas	5/6	7/7	–	–	–
Zivile Mockute	1/1	–	–	–	–
Paul Richardson	5/6	–	3/4	–	–
Sam Roberts	6/6	–	–	4/4	–
Judith Smith	6/6	7/7	–	-	–
Kerry Smith*	0/1	–	–	0/1	–
Craig Taylor	6/6	–	3/3	1/1	–

*Kerry Smith was on approved leave of absence from 8 September 2016.

Kicking goals on and off the field

We asked Brisbane Roar striker Jamie Maclaren a few questions about his football career and his experience with LUCRF Super.

Jamie Maclaren's senior football career began at the start of the 2013/14 A-League season when he signed a three-year contract with Perth Glory. Now with Brisbane Roar, Jamie recently made Australian football history by scoring 20 goals in successive seasons.

At the end of the regular 2016/17 season, he tied with Melbourne Victory's Besart Berisha for Golden Boot honours. He also made his debut for the Socceroos in 2016, a highlight of his career so far. "Playing against England in front of 50,000 in such a high-profile match was a dream come true," he enthuses.

For Jamie, switching teams was almost like switching jobs. So it was important that he took his super with him when he moved to the Roar. "I joined LUCRF Super after they made a presentation to the players while I was at Perth Glory. I was really impressed with what they had to offer and I joined straight away," he said. "It is a short career as a professional footballer and you want to maximise your earnings for after football. Superannuation will be important in the future for me and my family long after I hang up my boots."

Jamie's discovered that a simple and convenient way for him to keep an eye on his super is with the LUCRF Super mobile app, as he explains:

"The app is brilliant. I have been able to easily keep on top of my super and to make sure all my contributions are being made on time in an easy and simple way."

While his super is top of mind, Jamie still has plenty of football ahead of him. He's about to embark on a new adventure, moving to Germany to play for SV Darmstadt 98 in the second division of the Bundesliga. "I'm looking forward to embracing German football and the culture there. The city is a one-team city and I hope we can make the fans very happy".

The LUCRF Super mobile app is available for downloading in the app store.

We have been the major partner of Professional Footballers Australia (PFA) since 2009. We play a key role in providing superannuation and financial education to PFA members along with other player development initiatives.

Helping members combine their super

Research shows that a staggering 43% of Australians have more than one super account*.

Each super account could be charging administration fees, decreasing members' overall balance and ultimately leaving them with less money in retirement.

LUCRF Super can help combine members' super accounts over the phone, online or in the workplace. Members don't have to fill in paperwork, making it easier than ever to bring all their super together.

*As at 30 June 2016.
Source: Super accounts data overview, www.ato.gov.au

Consistently winning awards

Over the past decade, LUCRF Super's super and pension products have consistently been awarded top level ranking from Australia's independent rating organisations.

The SuperRatings Platinum award is presented only to those super funds that represent best value for money. LUCRF Super has received Platinum ratings for both its super and pension products.

LUCRF Super once again received 'AAA' rating from industry researcher Rainmaker in its annual SelectingSuper Fund Quality Assessment.

To attain these ratings, LUCRF Super was assessed against a range of criteria including industry regulations, super fund benchmarking and standards of excellence.

SuperRatings does not issue, sell, guarantee or underwrite this product. Go to www.superratings.com.au for details of its ratings criteria.

Ratings and awards are only one factor to be taken into account when deciding whether to invest with a super fund, and may change over time. Prior to making any decision about LUCRF Super, please read the Super Member or Pension Member Guides (Product Disclosure Statements) available at lucrf.com.au or by calling us on 1300 130 780.

Our performance leaves retail funds behind.

LUCRF Super's MySuper Balanced option has outperformed the retail fund 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.

"The millions of Australians who entrust their retirement savings with an industry super fund can have faith that their fund is putting their interests first, without the need to also deliver returns to shareholders," said Industry Super Australia chief executive David Whiteley.^

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 9.70% (1978 to 2017).

	LUCRF Super	Retail fund median
10 years	4.18%	3.49%
5 years	9.32%	9.01%
3 years	6.77%	6.49%
1 year	10.10%	9.34%

Source: SuperRatings Fund Crediting Rate Survey – SR50 Balanced (60-76) Index, 30 June 2017. Past performance is not a reliable indicator of future performance.
^Quote from David Whiteley. http://www.financialobserver.com.au/articles/industry-funds-surpass-bank-owned-funds viewed 25/07/2017

2016/17 financial year economic commentary

The 2016/17 financial year was dominated by significant political volatility, but significantly low share market volatility. With strong returns from growth assets, this led to solid returns for diversified portfolios (such as our Mysuper Balanced option).

Think back to the events of July 2016:

- the newly re-elected Coalition led by Malcolm Turnbull had just survived a double-dissolution Australian election (on 2 July 2016) with a much-reduced majority in the House of Representatives and an even more divided Senate
- the newly elected Theresa May (on 11 July 2016) had replaced David Cameron and was about to lead Great Britain into Brexit negotiations, and
- the political outsider Donald Trump was formally nominated at the 2016 Republican Party Convention (18-21 July 2016) to lead his party in the 2016 US Presidential race, although back then, he was considered little chance of defeating the establishment Democrat candidate, Hillary Clinton.

Against this backdrop, if you were to predict that most share markets around the world would deliver double-digit returns in 2016/17, most would have considered your prediction to be highly improbable. However, that's just what they did, with Australian shares posting a total return of 13.8% for the financial year. Global equities did better still, posting a return of 14.7% (in unhedged currency terms) and 20.5% (hedged into Australian dollars). The rising Australian dollar over the 2016/17 financial year surprised many and eroded returns somewhat for unhedged investors.

Such a prediction seemed even less likely with the election of Trump on 8 November 2016. Although Clinton received about 2.9 million more votes nationwide, Trump won 57% of the 538 votes available in the US Electoral College system. The Republican Party achieved a clean sweep, with victories in the Senate and House of Representatives. Despite initial fears that Trump's election would lead to share market falls and huge share market volatility, his election ushered in a period of share market strength and very low volatility, in what some have termed the "Trump Trade". Markets have (until now at least) focused mostly on the potential positive impacts of Trump's election promises, such as reduced taxes and a very large spend on new infrastructure.

Indeed, since the US election, the US share market has returned 14.8% (in US dollars) to 30 June 2017, a fairly astonishing rise in less than 8 months. However, this has not been due solely to the Trump Trade, as the Trump Administration has inherited an economy that continues to expand. For instance, US unemployment fell from 4.9% in June 2016 to 4.4% in June 2017, hitting a 16-year low along the way. The US Federal Reserve has increased US interest rates three times over 2016/17, by 0.75% in total (to a new target range of 1.0% to 1.25%), but these increases have been well flagged and share markets have largely taken them in their stride.

The US share market has been dominated in 2016/17 by the continued strength of tech stocks. The so-called "FAANG" stocks delivered stellar returns and have grown to a size where they are some of the largest stocks in the US share market. The FAANG stocks are the now-household names of Facebook (which returned 32.1% for 2016/17 in US dollars), Amazon (35.3%), Apple (53.5%), Netflix (63.3%) and Google (now known in share markets as Alphabet Inc) (32.1%).

The 2016/17 story was not all about the US however. The European economy continued to rebound, albeit off a lower base. The European Union (EU) unemployment rate fell from 10.1% in June 2016 to 9.1% in June 2017, its lowest level since March 2009. The EU youth unemployment rate improved too, but still remains problematically high, falling from 21.0% in June 2016 to 18.7% in June 2017.

The Euro Stoxx 50 Index returned 23.3% (in local currency terms), partly because European politics finished 2016/17 in a more stable position than it began. Recent European elections have seen the emergence of far-right nationalist candidates, although thus far these have not been successful. The Dutch Prime Minister Mark Rutte saw off a challenge from the far-right Geert Wilders in March 2017 and in the French election in May 2017, the centrist (and pro-EU) Emmanuel Macron defeated the far-right (and anti-EU) party candidate, Marine Le Pen. This was very positive for the French and German share markets, which returned 24.8% and 27.3% respectively. However, the populist and nationalist sentiment bred by rising inequality has not gone away (as seen by Brexit and the election of Trump) and seems likely to persist for many years to come, unless leaders can ensure the economic recovery of recent years is more evenly spread through their populations.

2016/17 financial year economic commentary continued…

Elsewhere, Japan's economic recovery gathered momentum in 2016/17, albeit at a glacial pace compared to elsewhere. A key focus of the Bank of Japan has been stimulating inflation, and 2016/17 saw some success, with interest rates remaining at –0.1% and inflation growing from –0.4% (i.e. deflation) in June 2016 to 0.4% in June 2017. Gross domestic product (GDP) growth (March 2016 to March 2017) was 1.0%, still well behind most western economies, but a vast improvement for Japan. The Japanese share market delivered very strong returns, of 31.1% for 2016/17, highlighting that economic growth in of itself is often not the key driver of returns, but rather the rate of change.

China posted GDP growth of 6.9% for the 12 months to June 2017, which is within the government's target range of 6.5 to 7.0% (although cynics may argue that China's published GDP figures are always in line with the government's target). Although this is lower than we have become used to in recent years, it represents an important stabilisation from the fears that emerged in 2014-15. This time last year, concerns about Chinese debt levels, slowing growth, uncertainty about the Renminbi, fears about oversupply of residential property and a nearly 50% collapse in the Chinese share market had many convinced that China was set for its much-predicted hard landing. The long-term challenges for China remain, such as high levels of public debt, an ageing population and an economy that must transition from industrial-led to consumer-led. However, the central authority is proving it is still able to stabilise and, if need be, stimulate its economy in the short term. This was the case in 2016, with an increase in fixed asset investment (such as roads, rail and bridges), which led to increasing commodity prices, particularly for industrial metals. This saw a significant recovery in Chinese share prices and emerging market shares more broadly, which posted a return of 21.8% (in local currencies).

This effect also helped carry Australia's share markets higher, as seen by the significant outperformance of resources (21.6%) versus industrials (12.5%). Australian equities kept pace with global equities for most of the financial year, until the June 2017 quarter when the market lost ground, particularly in May, following the Federal Budget and the introduction of a new bank levy on the big four banks (and Macquarie Bank) plus a credit rating downgrade that hit smaller banks in May. Combined with fears about a slowing housing market, the banking sector proved a large drag on the overall Australian share market return, not surprisingly, given the dominance of banks in our domestic share market. The Reserve Bank of Australia (RBA) cut interest rates in August 2016 to a record low 1.5% and kept them on hold at that level for the rest of the financial year.

Whilst it was a strong year for share markets, it was generally a poor year for bond markets. With bond yields at such low levels, there is the potential for negative returns from bonds as bond yields rise (i.e. bond prices fall), particularly when the income return from bonds is so low. This proved to be the case in 2016/17, with the Government Bond Index in Australia delivering a return of –0.4% for 2016/17 and the Global Treasury Index (hedged into Australian dollars) returning –1.0%. The US 10-year government bond yield rose from 1.47% in June 2016 to 2.30% in June 2017 and the Australian 10-year government bond yield rose from 1.98% to 2.60% over the same period. Bond markets were generally negatively affected by the US election in November 2016 (and fears that the US Federal Reserve would have to raise rates faster than previously expected to control inflation) and developments in June 2017 when central bankers from Europe (the ECB), England and Canada all indicated in the same week in June that they may need to raise rates soon. Corporate bond indices generally performed slightly better, and high yield indices generally performed very well, in line with rising share markets.

With rising bond yields, the interest rate sensitive shares or "yield plays" in share markets that have performed best in recent years were some of the worst performing in 2016/17. One such example was the performance of the listed property sector, with Australian Real Estate Investment Trusts (A-REITs) returning –5.6% for 2016/17 (our Property option is 100% invested in A-REITs). This sector has also been hampered by sell-offs in retail (i.e. shopping centre) REITs in recent months, as retailers continue to struggle and pressure is now being pushed back to retail landlords. This was exacerbated in April 2017 when Amazon confirmed rumours of its plans to launch in Australia in 2018 (given share markets are forward-looking, the hype has been enough to cause share price falls for both retailers and retail landlords). Global REITs also struggled to keep up with global shares, returning 2.2%.

Conversely, returns on unlisted property were much stronger in 2016/17, with the main unlisted property index in Australia returning 12.1%. Like the listed space, returns from the retail sector were generally weaker, with the office sector leading the way, especially the Melbourne and Sydney office markets, which are now seeing rising occupancy rates and rising rents. Returns on unlisted infrastructure funds were also solid, generally delivering double-digit returns.

Leigh Gavin

Head of Investments

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 2017 the following investments exceeded 5% of our total assets:

IFM Investors	8.11%
Northern Trust Global Investments	7.43%
Karara Capital Limited	6.87%
Colonial First State Investments Limited	6.60%
JCP Investment Partners Ltd	5.21%
Bell Asset Management	5.19%
DFA Australia Limited	5.13%

Investment managers as at 30 June 2017

- Acadian Asset Management (Australia) Limited
- Adam Smith Asset Management Pty Limited
- AMP Capital Investors Limited
- APN Funds Management Limited
- Bain Capital LP
- Barwon Investment Partners
- Bell Asset Management
- Brandywine Global Investment Management LLC
- Bridgewater Associates LP
- CBRE Clarion Securities
- Colonial First State Investments Limited
- Copper Rock Capital Partners LLC
- DFA Australia Limited
- Folkestone Funds Management Limited
- Franklin Templeton Investments Australia Limited
- GMO Australia Limited
- GPT Funds Management Limited
- IFM Investors *(previously known as Industry Funds Management)*
- Industry Super Holdings Pty Limited
- ISPT Pty Ltd
- JCP Investment Partners Ltd
- K2 Asset Management Ltd
- Karara Capital Limited
- Lazard Asset Management Limited
- Lendlease Real Estate Investments Limited
- Macquarie Investment Management Australia Limited
- Members Equity Bank Limited
- Montreux Equity Partners
- Morgan Stanley Investment Management (Australia) Pty Limited
- Neuberger Berman Australia Pty Limited
- New Mountain Capital LLC
- Northern Trust Global Investments
- Pacific Road Capital Management Pty Limited
- Palisade Investment Partners
- Palomar Ventures
- Pzena Investment Management LLC
- QIC Limited
- Schroder Investment Management Australia Limited
- Stewart Investors
- TCW Group
- The Sentient Group
- Veritas Asset Management LLP
- Virtual Communities Limited
- Wellington Management Australia Pty Ltd

List of key LUCRF Super service providers as at 30 June 2017

Auditor

PricewaterhouseCoopers

Bankers

Commonwealth Bank of Australia

JP Morgan Chase Bank

Custodian

JP Morgan Chase Bank

Group insurer

OnePath Life

Legal advisers

Holding Redlich

HWL Ebsworth Lawyers

Tax adviser

Ernst & Young

Investment consultant

Willis Towers Watson

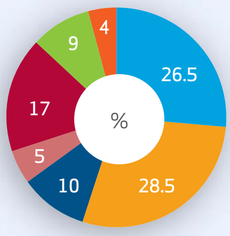
Investment options

In the 2016/17 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 %
Australian shares	26.5	15–40
International shares	28.5	17–40
Property	10	6–16
Infrastructure	5	0–10
Alternatives	17	5–32
Fixed interest	9	0–25
Cash	4	0–25

Suggested minimum investment time frame	5 years
Expected frequency of negative annual returns in any 20-year period	Approx. 5
Risk label	High
Investment fee*	0.81% (0.69% net of tax)

Investment objective

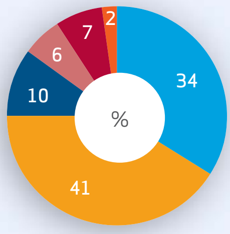
To achieve a return that exceeds the increase in the consumer price index (CPI) by at least 4% per annum net of tax and investment expenses (or 3.84% per annum net of administration cost – based on a $50,000 member balance) over rolling 10-year periods.

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 interest.

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

High Growth



	Strategic asset allocation %	Range %
Australian shares	34	22–46
International shares	41	26–56
Property	10	5–15
Infrastructure	6	0–12
Alternatives	7	2–20
Cash	2	0–8

Suggested minimum investment time frame	6 years
Expected frequency of negative annual returns in any 20-year period	Approx. 5.5
Risk label	High
Investment fee*	0.88% (0.75% net of tax)

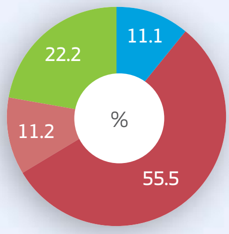
Investment objective

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

Investment strategy

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

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 time frame	4 years
Expected frequency of negative annual returns in any 20-year period	Approx. 3.5
Risk label	Medium to high
Investment fee*	0.91% (0.77% net of tax)

Investment objective

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

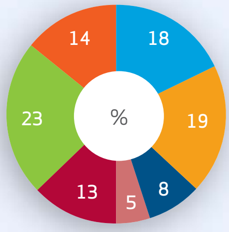
Investment strategy

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

Pre-mixed options

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

Moderate



	Strategic asset allocation %	Range %
Australian shares	18	10–28
International shares	19	10–27.5
Property	8	4–12
Infrastructure	5	0–10
Alternatives	13	4–23
Fixed interest	23	15–40
Cash	14	5–25

Suggested minimum investment time frame	4 years
Expected frequency of negative annual returns in any 20-year period	Below 4
Risk label	Medium to high
Investment fee*	0.68% (0.58% net of tax)

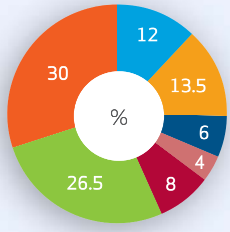
Investment objective

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

Investment strategy

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

Conservative



	Strategic asset allocation %	Range %
Australian shares	12	8–16
International shares	13.5	9–18
Property	6	3–10
Infrastructure	4	0–8
Alternatives	8	2–17
Fixed interest	26.5	15–40
Cash	30	20–40

Suggested minimum investment time frame	3 years
Expected frequency of negative annual returns in any 20-year period	Below 3
Risk label	Medium
Investment fee*	0.56% (0.48% net of tax)

Investment objective

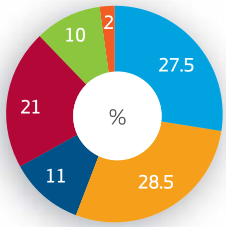
To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 2% per annum over rolling 5-year periods.

Investment strategy

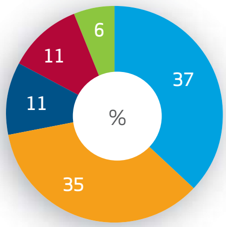
To invest in a diversified range of investments, with a greater proportion in cash, fixed interest, and defensive property, and the remainder in shares, property and alternative investments.

Pre-mixed options
Strategic asset allocation
as at 30 June 2016

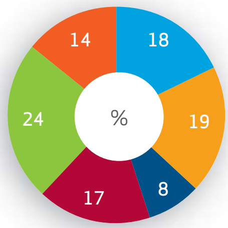
MySuper Balanced



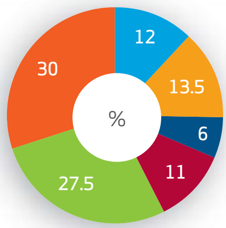
High Growth



Moderate



Conservative



- Australian Shares
- International Shares
- Property
- Alternatives
- Fixed Interest
- Cash

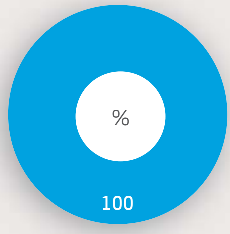
Pre-mixed options strategic asset allocation as at 30 June 2017 has changed from 30 June 2016, except Targeted Return option which has not changed from 30 June 2016.

Investment options

Asset class options

Each option invests in a single asset class.

Australian Shares



	Strategic asset allocation %
Active Australian shares	100^

Suggested minimum investment time frame	8 years
Expected frequency of negative annual returns in any 20-year period	Approx. 7
Risk label	Very high
Investment fee*	0.79% (0.67% net of tax)

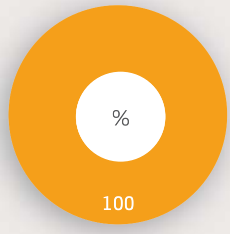
Investment objective

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

Investment strategy

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

International Shares



	Strategic asset allocation %
Active international shares	100^

Suggested minimum investment time frame	7 years
Expected frequency of negative annual returns in any 20-year period	Below 6
Risk label	High
Investment fee*	1.00% (0.85% net of tax)

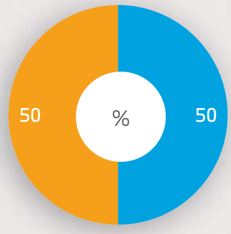
Investment objective

To achieve a return (gross of tax and investment expenses) that exceeds the change in the MSCI World ex-Australia Total Return Index (net dividends reinvested), 50% unhedged and 50% hedged into Australian dollars, over rolling 3-year periods.

Investment strategy

To invest in international shares on an actively managed basis.

Indexed Shares



	Strategic asset allocation %	Range %
Passive Australian shares	50^	48–52
Passive international shares	50^	48–52

Suggested minimum investment time frame	7 years
Expected frequency of negative annual returns in any 20-year period	Approx. 6.5
Risk label	Very high
Investment fee*	0.33% (0.28% net of tax)

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 Total Return Index (net dividends reinvested) over rolling 3-year periods.

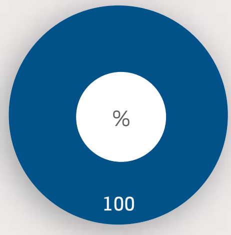
Investment strategy

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

Asset class options

Each option invests in a single asset class.

Property



	Strategic asset allocation %
Australian listed property trusts	100^

Suggested minimum investment time frame	8 years
Expected frequency of negative annual returns in any 20-year period	Approx. 7
Risk label	Very High
Investment fee*	0.33% (0.28% net of tax)

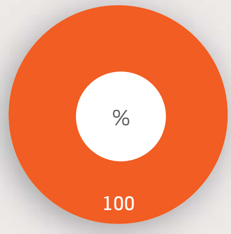
Investment objective

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

Investment strategy

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

Cash



	Strategic asset allocation %
Cash#	100

Suggested minimum investment time frame	N/A
Expected frequency of negative annual returns in any 20-year period	Negligible
Risk label	Very low
Investment fee*	0.33% (0.28% net of tax)

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.

The money invested in your cash option is invested in Members Equity Bank Limited deposits, up to the limit as specified in the Financial Claims Scheme (which, as at 1 July 2017, is $250,000). The amount above this level is invested in highly rated cash management trusts.

Asset class options strategic asset allocation as at 30 June 2017 has not changed from 30 June 2016.

^ 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're allocated to member accounts. These fees are current as at 30 June 2017.

Strategic asset allocations are valid as at 1 July 2017. Visit **lucrf.com.au** for the latest asset allocations.

Performance results

Monthly declared rates 2016/17

Super

	MySuper Balanced	High Growth	Targeted Return	Moderate	Conservative	Aust. Shares	Intern'l Shares	Index Shares	Property	Cash
2016										
July	2.65%	3.19%	1.60%	1.94%	1.43%	5.57%	2.59%	3.66%	4.83%	0.15%
August	0.37%	0.43%	0.47%	0.32%	0.19%	–1.67%	1.20%	0.02%	–2.51%	0.14%
September	–0.17%	–0.14%	0.31%	–0.12%	–0.08%	0.22%	–1.23%	–0.31%	–3.87%	0.12%
October	–0.92%	–1.09%	0.05%	–0.70%	–0.53%	–2.64%	–1.41%	–1.60%	–6.98%	0.12%
November	1.36%	1.71%	–0.53%	0.72%	0.43%	2.65%	4.08%	3.48%	0.68%	0.11%
December	2.15%	2.57%	0.71%	1.48%	1.04%	3.79%	2.99%	4.03%	6.01%	0.12%
2017										
January	–0.09%	–0.13%	0.52%	0.01%	0.05%	–0.73%	–0.77%	–1.53%	–4.14%	0.14%
February	1.29%	1.45%	0.79%	0.97%	0.75%	1.74%	2.24%	1.75%	3.69%	0.13%
March	1.55%	1.81%	1.08%	1.12%	0.81%	3.20%	1.40%	2.43%	0.60%	0.14%
April	1.38%	1.66%	0.28%	1.09%	0.85%	0.77%	3.35%	2.13%	2.31%	0.14%
May	0.38%	0.23%	0.44%	0.38%	0.35%	–2.41%	2.27%	0.10%	–0.93%	0.15%
June	–0.22%	–0.13%	0.20%	–0.13%	–0.12%	0.08%	–1.48%	–1.16%	–4.26%	0.14%

Pension

	Balanced	High Growth	Targeted Return	Moderate	Conservative	Aust. Shares	Intern'l Shares	Index Shares	Property	Cash
2016										
July	2.92%	3.53%	1.81%	2.14%	1.60%	6.11%	2.86%	4.10%	5.37%	0.17%
August	0.41%	0.49%	0.52%	0.37%	0.22%	–1.77%	1.32%	–0.01%	–2.77%	0.17%
September	–0.15%	–0.12%	0.38%	–0.11%	–0.07%	0.27%	–1.32%	–0.31%	–4.32%	0.14%
October	–1.00%	–1.17%	0.07%	–0.75%	–0.57%	–2.86%	–1.52%	–1.78%	–7.72%	0.15%
November	1.52%	1.91%	–0.51%	0.80%	0.47%	2.93%	4.50%	3.80%	0.72%	0.14%
December	2.36%	2.82%	0.76%	1.63%	1.15%	4.12%	3.27%	4.34%	6.72%	0.15%
2017										
January	–0.07%	–0.11%	0.64%	0.04%	0.08%	–0.78%	–0.80%	–1.64%	–4.65%	0.16%
February	1.46%	1.66%	0.89%	1.11%	0.86%	1.94%	2.49%	1.90%	4.14%	0.16%
March	1.71%	2.01%	1.21%	1.24%	0.91%	3.53%	1.50%	2.62%	0.66%	0.18%
April	1.52%	1.82%	0.28%	1.20%	0.94%	0.81%	3.63%	2.25%	2.53%	0.17%
May	0.43%	0.26%	0.49%	0.44%	0.41%	–2.57%	2.42%	0.13%	–1.03%	0.18%
June	–0.24%	–0.14%	0.20%	–0.14%	–0.13%	0.11%	–1.62%	–1.24%	–4.48%	0.17%

These crediting rates apply to both retirement and TTR pensions. From 1 July 2017, however, TTR pensions will receive the same crediting rates as super accounts due to tax changes.

Crediting rates

2016/17 and historical

Super

	2016/17	2015/16	2014/15	2013/14	2012/13	5-year average 2013/17
Pre-mixed						
MySuper Balanced*	10.10%	1.94%	8.45%	12.67%	13.82%	9.32%
High Growth	12.10%	2.02%	9.92%	14.79%	17.30%	11.10%
Targeted Return	6.08%	4.97%	5.25%	8.64%	4.89%^	N/A
Moderate	7.29%	3.25%	6.46%	9.50%	10.65%	7.40%
Conservative	5.28%	3.19%	5.14%	7.24%	8.06%	5.77%
Asset Class						
Australian Shares	10.72%	2.26%	5.16%	16.71%	20.31%	10.83%
International Shares	16.08%	–6.08%	17.04%	20.86%	26.73%	14.34%
Indexed Shares	13.54%	1.65%	13.69%	17.78%	24.12%	13.91%
Property	–5.36%	21.96%	16.83%	8.64%	20.14%	11.97%
Cash	1.63%	1.91%	2.30%	2.49%	2.95%	2.25%

Pension

	2016/17	2015/16	2014/15	2013/14	2012/13	5-year average 2013/17
Pre-mixed						
Balanced*	11.35%	2.40%	9.64%	14.41%	16.05%	10.66%
High Growth	13.63%	2.52%	11.62%	16.80%	19.95%	12.75%
Targeted Return	6.93%	5.94%	6.40%	9.86%	5.65%^	N/A
Moderate	8.24%	3.94%	7.71%	10.92%	12.21%	8.57%
Conservative	6.00%	3.79%	6.16%	8.31%	9.37%	6.71%
Asset Class						
Australian Shares	12.02%	2.80%	6.79%	18.56%	23.20%	12.43%
International Shares	17.79%	–6.85%	18.34%	23.89%	29.70%	15.85%
Indexed Shares	14.80%	1.89%	15.02%	19.36%	28.52%	15.59%
Property	–5.81%	23.70%	19.94%	10.85%	23.01%	13.76%
Cash	1.95%	2.28%	2.69%	2.97%	3.72%	2.72%

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

^Targeted Return was launched 1st November 2012. FYTD figure for Targeted Return is for period 01/11/2012 - 30/06/2013.

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

Statement of financial position

for the years ended 30 June 2017 and 2016

	2017 $'000	2016 $'000
Assets		
Investments		
Australian equities	1,447,674	1,352,126
International equities	1,573,747	1,299,452
Property	507,005	451,791
Alternatives	1,081,832	988,938
Fixed interest	520,640	556,101
Cash	652,209	482,883
Total investments	**5,783,107**	**5,131,291**
Other assets		
Cash and cash equivalents	7,994	2,592
Trade and other receivables	26,680	38,435
Total other assets	**34,674**	**41,027**
Total assets	**5,817,781**	**5,172,318**
Liabilities		
Current tax liability	(8,417)	(6,071)
Benefits payable	(4,440)	(3,580)
Trade and other payables	(22,368)	(28,525)
Deferred tax liability	(61,057)	(40,364)
Total liabilities	**(96,282)**	**(78,540)**
Net assets available for member benefits	**5,721,499**	**5,093,778**
Member liabilities	(5,656,487)	(5,041,578)
Net Assets	**65,012**	**52,200**
Reserves		
Operational risk reserve	19,203	18,080
Capital adequacy reserve	45,809	34,120
Total Reserves	**65,012**	**52,200**

Income statement

for the years ended 30 June 2017 and 2016

	2017 $'000	2016 $'000
Superannuation activities		
Income		
Interest	15,338	16,369
Dividends	183,399	181,015
Net property income	2	228
Changes in assets measured at fair value	368,801	(60,091)
Other investment income	8,528	7,405
Other revenue	1,275	1,203
Total Income	**577,343**	**146,129**
Expenses		
General administration expenses	(15,423)	(15,687)
Investment management fees	(40,934)	(37,173)
Other expenses	(2,537)	(1,914)
Total Expenses	**(58,894)**	**(54,774)**
Net Result from Superannuation Activities	**518,449**	**91,355**
Less Net benefits allocated to member accounts	(478,697)	(93,078)
Profit/(Loss) before income tax	**39,752**	**(1,723)**
Income tax (expense)/benefit	(26,939)	9,664
Profit after tax	**12,813**	**7,941**

Statement of changes in reserves

as at 30 June 2015, 2016 and 2017

	Operational Risk $'000	Capital Adequacy $'000	Total Equity $'000
Balance at 1 July 2014	**16,094**	**23,849**	**39,943**
Profit/(loss)	868	4,575	5,443
Net transfers	654	(1,745)	(1,091)
Balance at 30 June 2015	**17,616**	**26,679**	**44,295**
Profit/(loss)	928	7,012	7,940
Net transfers	(464)	429	(35)
Balance at 30 June 2016	**18,080**	**34,120**	**52,200**
Profit/(loss)	937	11,876	12,813
Net transfers	186	(187)	(1)
Balance at 30 June 2017	**19,203**	**45,809**	**65,012**

Statement of changes in member benefits

for the years ended 30 June 2017 and 2016

	2017 $'000	2016 $'000
Opening balance of member benefits	**5,041,578**	**4,801,816**
Contributions:		
Employer	361,067	323,823
Member	63,714	33,182
Government co-contributions	4,807	5,523
Transfer from other plans	141,910	157,235
Income tax on contributions	(52,809)	(47,403)
Net after tax contributions	**518,689**	**472,360**
Benefits to members	(379,523)	(323,994)
Insurance premiums charged to members' accounts	(23,049)	(24,004)
Death and disability benefits credited to members' accounts	20,095	22,287
Benefits allocated to members' accounts comprising:		
Net investment income	527,559	138,813
Investment management fees	(35,615)	(32,264)
Administration and claim fees	(13,247)	(13,471)
Benefits allocated to members' accounts	**478,697**	**93,078**
Transfer from Reserves	–	35
Closing balance of member benefits	**5,656,487**	**5,041,578**

Effective 1 July 2016, new accounting standards were introduced and the financial results for the financial year ended 30 June 2016 were restated.

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 complaints@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

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

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 two reserves.

The **operational risk reserve** which is held in the Fund, and

The **capital adequacy reserve** which is held in both the Trustee Company and the Fund.

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. The capital adequacy reserve also funds the operational risk reserve to satisfy the operational risk requirements stipulated by the regulator.

It is maintained to meet unfunded liabilities as they arise during the administration and operation of the fund.

Capital adequacy reserve

The capital adequacy reserve represents total reserves held in the fund excluding the operational risk reserve and total reserves held in the trustee company. This reserve is maintained to supplement funds required to meet future trustee expenses.

Capital adequacy reserve held in the fund

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 referrable to a member investment choice are invested in accordance with our MySuper asset allocation, with earnings also credited to this reserve.

Capital adequacy reserve held in the trustee company

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.

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 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 $6,000 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.

Contact us

1300 130 780

lucrf.com.au

LUCRFsuper
Australia's first industry fund