MLC

With you

Annual Report 2012

The Universal Super Scheme

Preparation date:
31 October 2012

Issued by: The Trustee,
MLC Nominees Pty Limited (MLC)
ABN 93 002 814 959 AFSL 230702

for The Universal Super Scheme
ABN 44 928 361 101

This annual report is your update on how your money is invested and a reminder of some things you should know.

We've also included an update on how we manage individual investment options.

This is the annual report for The Universal Super Scheme and is relevant to:

- Life
- Life II
- Blueprint
- Dimension
- Executive Dimension
- Financial Security Plan
- Link Superannuation Plan
- Combination Plan
- Money Plan
- Personal Superannuation Bond
- Superannuation Portfolio
- Account-based Pension (Flexible Pension Plan)
- Pensioner's Network Account-based Pension
- Capital Guaranteed Collection Superannuation Bond

MLC Limited ABN 90 000 000 402 AFSL 230694 is the administrator, insurer and the guarantor of the MIF Capital Guaranteed Fund and the MIF Cash Fund. The Trustee currently invests wholly in, and all investment options are held through the Investment Policy, an insurance policy issued by MLC Limited.

Contents

What's covered in this report

A year in review

With the market environment continuing to look uncertain in the near future, it's understandable people are keeping a close eye on their super.

Building greater transparency and trust in the financial service industry is a key priority for MLC and the Government. As a result, a number of legislative reforms are being introduced, which will ultimately benefit super members.

During this time of significant change, you'll be pleased to know we're working hard to make sure your interests are both protected and represented.

Thank you for choosing us to help you achieve your retirement goals.

Geoff Webb
Chairman
MLC Nominees Pty Limited

Looking out for your interests

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

Made up of executive and non-executive directors who are personally responsible for any decisions they make, their duties include:

- providing investment choice
- ensuring your interests are maintained, and
- keeping you informed of any changes.

The Trustee Board is liable for its activities and has professional indemnity insurance.

The Trustee Board has appointed MLC Limited to carry out the day-to-day administration of The Universal Super Scheme.

Annual audit

Each year we are audited by an independent company. We're pleased to report we've met all our obligations and received a clean audit report. Because we invest in life insurance products, we don't need to show statements of assets and income or the auditor's report and accounts. However, you can easily get a copy of this information by calling us.

The MLC group of companies is the wealth management division of the National Australia Bank (NAB).

Meet the Board

The directors are:

Geoff Webb – Chairman
B Ec (Hons) 1970
AIA (UK)
AIAA (Australia)
FAICD, FAIM

Patrick Burroughs
BSSc (Hons) 1971
FCA, FAICD
Resigned 24 June 2012

Michael Clancy
B Bus (Finance and Economics) 1992
CFA 1997

Michael Fitzsimons
Diploma of Financial Services
ANZIIF

Peggy Haines
BA (Virginia) 1973
JD (Virginia) 1976
Diploma of Superannuation Management (Macquarie) 1994
FAICD

Richard Morath
BA 1968
FIA (UK and Australia), ASIA

Richard Rassi
B Comm (UNSW) 1983
Certificate of Superannuation Management (Macquarie) 1993
FCA, FAICD
Appointed 29 May 2012

John Reid
B Sc Mathematical Physics 1971
FIA (UK and Australia)

Nicole Smith
BFA 1990, CA
GAICD

Some things you should know

Transfers to an Eligible Rollover Fund

We may transfer your benefit to an Eligible Rollover Fund if:

- you haven't made a contribution in the last 12 months and your balance falls below $500 or $200 if you have insurance, or
- we lose contact with you and can't locate you, or
- your investment switching activity is deemed to be contrary to the interests of other members, or
- other situations permitted under law.

The Eligible Rollover Fund we currently use is the Australian Eligible Rollover Fund and it can be contacted on **1800 677 424.**

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

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

Transfers to the Australian Taxation Office (ATO)

We're required by law to transfer your account balance to the ATO if:

- we've lost contact with you and your account balance is less than $200, or
- your account has been inactive for five years, we have not been able to contact you and, with the information reasonably available to us, we're satisfied that it will never be possible to pay the account balance to you, or
- you were a temporary resident and have departed Australia and you haven't claimed your benefit within six months of becoming eligible.

You will then have to contact the ATO to claim your benefit.

Surcharge assessment for prior years

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

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

If you've withdrawn your account balance (in whole or in part) or commenced a pension, the ATO may send the surcharge assessment to your new super arrangement or directly to you. Where you receive the assessment directly, you'll be responsible for paying the surcharge to the ATO. If you have a pension account, you're generally able to ask us to pay you a lump sum in order to meet your surcharge liability.

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

Resolving complaints

We can usually resolve complaints over the phone. If we can't or you're not satisfied with the outcome, please write to us. We'll work to resolve your complaint as soon as possible. If you're not satisfied with our decision you can get further advice from the Superannuation Complaints Tribunal by calling **1300 884 114**, or emailing **info@ sct.gov.au**

More information is available on **sct.gov.au**

How your money is invested

One of the Trustee's responsibilities is to make sure your investments are managed according to an agreed investment strategy and objective.

As you can see, we offer many options for you to invest in. Some of these have similar investment objectives and strategies.

About your account value

For all investment options except the Capital Guaranteed Fund

When money is paid into your account, units are allocated to your account and when money is paid out, units are deducted from your account.

The value of your account is based on:

- the number of units in your chosen investment options, and
- the price of those units.

The overall value of your account will change according to the unit price and the number of units you hold.

We calculate the unit price as at the end of each business day and use robust unit pricing policies to do this.

The unit price will reflect the performance of the underlying assets, income earned, fees, expenses and taxes paid and payable.

The performance of the underlying assets is influenced by movements in investment markets such as local and overseas share markets, bond and property markets.

If you would like to find out more about our unit pricing philosophy, go to **mlc.com.au**

MIF Capital Guaranteed Fund

The value of your account is the sum of all investments plus declared interest, less fees, taxes, switches, withdrawals, transfers and pension payments where applicable.

MLC Limited guarantees the return of both capital and declared interest (once allocated), net of switches, withdrawals, pension payments, fees and tax (if applicable).

For Personal Superannuation Bond, Superannuation Portfolio, Account-based Pension (Flexible Pension Plan), Pensioner's Network Account-based Pension and Capital Guaranteed Collection Superannuation Bond products the earnings rate is calculated twice a year and is applied to your account retrospectively on 30 June and 31 December.

For all other products the earnings rate is calculated once a year and is applied to your account retrospectively on 30 June.

An interim rate is calculated throughout the year with the intention to reflect the period to date earnings.

If you withdraw before the earnings rate is declared, the interim rate will be applied to your account before your benefit is paid.

To smooth out the ups and downs of the rate over time an interest equalisation reserve is maintained.

The reserve is topped up when the net earning rate is greater than the declared earnings rate, and amounts are taken out when the net earning rate is below the declared earnings rate. Over time, all net earnings are attributable to continuing capital guaranteed policyholders. MLC Limited maintains the interest equalisation reserve.

MLC Limited's policy is not to declare a negative earnings rate for this Fund.

How your money is invested

MIF Cash Fund (Guaranteed Cash)

MLC Limited offers a guarantee ensuring that the unit price upon either withdrawal, switching, or pension payments from the MIF Cash Fund will always be the highest price achieved during the term of that investment.

Derivatives

Derivatives are a common tool used to enhance returns or manage risk.

They are contracts that have a value derived from an external reference (eg the level of a share price index).

There are many types of derivatives and they can be an invaluable tool for an investment manager.

However, they can incur significant losses.

MLC's Derivatives Policy, which outlines how we manage derivatives, is available on **mlc.com.au**

Investment option profiles

Standard Risk Measure

The description of each investment option includes a Standard Risk Measure. This enables members to compare investment options using a simple measure of investment risk. That measure is the estimated number of negative annual returns in any 20-year period. Of course, the number of negative years that occur in a 20-year period may be different to the estimated number.

The Standard Risk Measure categories are based on industry guidelines. The risk categories are:

Risk band	Risk label	Estimated number of negative annual returns over any 20-year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

The Standard Risk Measure is not a complete assessment of investment risk. For example:

- it doesn't capture the size of a possible negative return or the potential for a positive return to be less than a member may need to meet their investment objectives, and
- it doesn't take into account the impact of administration fees and tax. These would increase the chance of a negative return.

There are many ways you, and your financial adviser, can assess the impact of risk on your investment strategy. You should make sure you're comfortable with the risks and potential losses associated with the investment options you choose.

You can read about how we calculate the estimates for the Standard Risk Measure on **mlc.com.au**

Investment option profiles

• Life • Life II • Blueprint	• Dimension • Money Plan • Executive Dimension	• Financial Security Plan • Link Superannuation Plan • Combination Plan	• Personal Superannuation Bond • Superannuation Portfolio	• Account-based Pension (Flexible Pension Plan) • Pensioner's Network Account-based Pension

Capital Protection investment options (closed to new investments, relocking and switching)

Investment options other than MIF Capital Guaranteed and MIF Guaranteed Cash carry no investment guarantee unless you had selected the Capital Protection option. Under this option, MLC undertakes that after the expiry of a deferred period, and upon full withdrawal or full switch from the investment option, the amount available will not be less than the protected amount in the investment option when the deferred period commenced.

The protected amount will be equal to:

- the gross investment in the investment option (less tax if applicable), if the option was selected at the time of the initial investment, or
- the account balance of the investment option (less tax if applicable) at the time you chose the capital protection option, if the option was selected at any other time.

Each partial withdrawal, pension payment or switch from an investment option with Capital Protection will reduce the previous amount protected on a proportional basis. The Capital Protection fee is a percentage per annum of the amount you have invested in the relevant option, and applies to the individual investment option, not the policy as a whole. It protects all amounts in that investment option.

The deferred period for existing Capital Protection investment funds is listed in the following table.

Investment options	Deferred Period [1,3]	Deferred Period [2,3]
MIF Capital Stable	3 years	3 years
MIF Balanced	4 years	4 years
MIF Growth	5 years	5 years
MIF Fixed Interest	3 years	3 years
MIF Australian Equity	3 years	9 years
MIF International Equity	3 years	9 years
MIF Listed Property	3 years	9 years

1 For Capital Protection turned on up to 31 October 2001.

2 For Capital Protection turned on after 31 October 2001.

3 Deferred periods may vary for policies issued under different dates. Please refer to your Fund Information or Customer Information Brochure for full details on Capital Protection.

A withdrawal, switch or pension payment will reduce the amount in the investment option that is protected.

If you switch investments out of these funds, you can't switch back in at a later date (which means you'll lose your Capital Guarantee or Deferred Guarantee).

The investment options available for new money and switches are:

- MIF Capital Guaranteed, and
- MIF Guaranteed Cash.

For all other investment options, MLC Limited undertakes that on a full switch/withdrawal from the investment option after the end of the specified deferral period. The amount available will be the higher of:

- the account value of your investment at that time (net of any tax or exit fees applicable), and
- the initial investment/switch into the investment option (net of any tax or exit fees applicable and withdrawals).

The following deferment periods apply.

Investment options	Deferred Period [1]
MIF Capital Maintenance	3 years
MIF Capital Secure	4 years
MIF Balanced	5 years
MIF Growth	6 years
MIF Equity Imputation	7 years

1 Based on the Customer Information Brochure issued from 1/1/94 to 30/6/94. Deferred periods may vary for policies issued under different brochure dates. Please refer to your Fund Information or Customer Information Brochure for full details of the deferred guarantee.

Investment option profiles

• Life • Life II • Blueprint	• Dimension • Money Plan • Executive Dimension	• Financial Security Plan • Link Superannuation Plan • Combination Plan	• Personal Superannuation Bond • Superannuation Portfolio	• Account-based Pension (Flexible Pension Plan) • Pensioner's Network Account-based Pension

	MIF Growth Fund	MIF Balanced Fund
Investment objective	To produce higher returns than those expected from capital stable and balanced strategies over the long term.	To provide medium to long-term returns that are generally higher than those achievable by investing in capital guaranteed or capital stable funds.
About the investment option	Maintains a high proportion of growth assets in order to achieve high returns in the long term. The likelihood of the portfolio incurring a negative return in any particular year is high.	Maintains a balanced spread of investments between growth and defensive assets. The likelihood of the portfolio incurring a negative return in any particular year is moderate.
The investment option may be suited to you if ...	• you want to invest with a bias to growth assets, and • you want a portfolio with a bias to long-term capital growth potential and can tolerate moderate to large changes in value.	• you want to invest in an approximately equal mix of defensive and growth assets, and • you want a portfolio with some long-term capital growth potential and can tolerate moderate changes in value.
Minimum suggested time to invest	Six years	Five years
Target asset allocation (as at 30 June 2012)	25% Global shares (unhedged) 40% Australian shares 5% Australian property securities 2% Australian fixed income 28% Cash	13% Global shares (unhedged) 26% Australian shares 5% Australian property securities 16% Australian fixed income 40% Cash
Estimated number of negative annual returns	High, between 4 and 5 years in 20	Medium to high, between 3 and 4 years in 20

• Life • Life II • Blueprint • Dimension • Money Plan • Executive Dimension	• Financial Security Plan • Link Superannuation Plan • Combination Plan • Personal Superannuation Bond • Superannuation Portfolio • Account-based Pension (Flexible Pension Plan) • Pensioner's Network Account-based Pension	
MIF Cash Fund	**MIF Capital Guaranteed Fund**	
To achieve a return in the short term that is competitive with that available from the short-term money market (before taking into account fees and taxes).	To avoid a decrease in the value of the fund's assets in both the short and long term, and to maintain a high level of liquidity.	
Invests primarily in bank deposits and money-market securities issued by the Australian government, state government, banks and companies, but may also invest in longer maturity mortgage/asset backed securities and corporate bonds with floating interest rates.	Invests primarily in fixed income and may invest smaller amounts in growth assets.	
• you want a low risk investment.	• you want security and you place a high priority on avoiding capital loss, and • you can accept lower returns.	
One month	Three years	
100% Cash	**Target Asset allocation at 30 June 2012 for members in Personal Superannuation Bond, Superannuation Portfolio, Account-based Pension (Flexible Pension Plan) and Pensioner's Network Account-based Pension joining the fund pre 01/02/1995** 16.4% Cash 75.3% Australian fixed income 2.8% Australian property securities 5.5% Australian shares	**Target Asset allocation at 30 June 2012 for members joining the fund post 31/01/1995** 4% Australian shares 3% Global shares (hedged) 5% Global shares (unhedged) 1% Global property securities (hedged) 74% Fixed income 13% Cash
Low, less than 1 year in 20	Low, less than 1 year in 20	

Investment option profiles

• Personal Superannuation Bond • Superannuation Portfolio	• Account-based Pension (Flexible Pension Plan) • Pensioner's Network Account-based Pension	
	MIF Capital Secure Fund	**MIF Guaranteed Cash Fund**
Investment objective	To provide medium-term returns higher than those generally associated with cash and fixed income securities, while providing lower volatility in short-term investment returns than funds with a greater proportion of growth assets.	To achieve a return in the short term that is competitive with that available from the short-term money market (before taking into account fees and taxes).
About the investment option	Invests a high proportion of assets in defensive asset classes such as cash and fixed income securities with the balance in growth assets. The likelihood of the portfolio incurring a negative return in any particular year is moderate.	Invests primarily in bank deposits and money-market securities issued by the Australian government, state government, banks and companies, but may also invest in longer maturity mortgage/asset backed securities and corporate bonds with floating interest rates.
The investment option may be suited to you if ...	• you want to invest with a bias to defensive assets, with some exposure to growth assets, and • you want stable returns.	• you want a low risk investment.
Minimum suggested time to invest	Three years	One month
Target asset allocation (as at 30 June 2012)	50% Cash 23.8% Australian fixed income 5% Australian property securities 12.5% Australian shares 8.7% Global shares	100% Cash
Estimated number of negative annual returns	Medium, between 2 and 3 years in 20	Low, less than 1 year in 20

• Personal Superannuation Bond
• Superannuation Portfolio
• Account-based Pension (Flexible Pension Plan)
• Capital Guaranteed Collection Superannuation Bond

MIF Capital Maintenance Fund

To provide medium-term returns higher than those generally associated with cash and fixed income securities, while providing lower volatility in short-term investment returns than funds with a greater proportion of growth assets.

Invests a high proportion of assets in defensive asset classes such as cash and fixed income securities with the balance in growth assets. The likelihood of the portfolio incurring a negative return in any particular year is moderate.

- you want to invest with a bias to defensive assets with some exposure to growth assets, and
- you want stable returns.

Three years

50%	Cash
23.8%	Australian fixed income
5%	Australian property securities
12.5%	Australian shares
8.7%	Global shares

Medium, between 2 and 3 years in 20

Investment option profiles

• Personal Superannuation Bond • Superannuation Portfolio	• Account-based Pension (Flexible Pension Plan) • Pensioner's Network Account-based Pension	
	MIF Capital Stable Fund	**MIF Fixed Interest Fund**
Investment objective	To provide medium-term returns higher than those generally associated with cash and fixed income securities, while providing lower volatility in short-term investment returns than funds with a greater proportion of growth assets.	To outperform the UBS Australian Composite Bond Index over the medium term (before taking into account fees and taxes) by using an active investment strategy.
About the investment option	Invests a high proportion of assets in defensive asset classes such as cash and fixed income securities with the balance in growth assets. The likelihood of the portfolio incurring a negative return in any particular year is moderate.	Invests in a diversified portfolio of Australian fixed income securities.
The investment option may be suited to you if ...	• you want to invest with a bias to defensive assets, with some exposure to growth assets, and • you want stable returns.	• you want to invest in a defensive portfolio that's actively managed and diversified across bond sectors and securities.
Minimum suggested time to invest	Three years	Three to five years
Target asset allocation (as at 30 June 2012)	50% Cash 23.8% Australian fixed income 5% Australian property securities 12.5% Australian shares 8.7% Global shares	100% Australian fixed income
Estimated number of negative annual returns	Medium, between 2 and 3 years in 20	Medium to high, 3 years in 20

• Personal Superannuation Bond • Superannuation Portfolio	• Account-based Pension (Flexible Pension Plan) • Pensioner's Network Account-based Pension
MIF Listed Property Trusts Fund	**MIF Australian Equity Fund**
To provide long-term growth, and some income, by investing and diversifying across many Australian, and some global, listed property trusts.	To provide medium to long-term capital growth by primarily investing in a well diversified portfolio of Australian equities listed on the Australian Securities Exchange (and other regulated exchanges).
Invests primarily in Australian property securities, including listed Real Estate Investment Trusts and companies across most major listed property sectors. It may have some exposure to property securities listed outside of Australia from time to time.	Invests in a variety of Australian companies whose share price is expected to appreciate over time. The likelihood of this portfolio incurring a negative return in any particular year is high.
• you want to invest in a property securities portfolio that invests across property sectors and REITs.	• you want to invest in an Australian share portfolio that's diversified across industries and companies.
Seven years	Seven years
85–100% Australian property securities 0–15% Global property securities	100% Australian shares
High, between 5 and 6 years in 20	High, between 5 and 6 years in 20

Investment option profiles

• Personal Superannuation Bond • Superannuation Portfolio	• Account-based Pension (Flexible Pension Plan) • Pensioner's Network Account-based Pension	
	MIF International Equity Fund	**MIF Mortgage Fund** (closed 27 October 2008)[1]
Investment objective	To provide medium to long-term capital growth by primarily investing in a well diversified portfolio of equities listed on stock exchanges around the world.	To provide a stable and predictable level of return over the short to medium-term, with a high level of capital stability from a broad allocation of mortgages and other income producing assets.
About the investment option	Invests predominantly in companies listed (or expected to be listed) on share markets anywhere around the world, and is typically diversified across major listed industry groups. The likelihood of this portfolio incurring a negative return in any particular year is high. The portion of the currency exposure that is hedged to the Australian dollar may move within the range of 0% to 100%.	As at the date of this report, this option is invested in 100% cash.
The investment option may be suited to you if ...	• you want to invest in an international share portfolio that's diversified across countries, industries and companies, and • you're comfortable with exposure to foreign currencies.	• you want steady returns and capital stability for investors with a short to medium-term investment horizon.
Minimum suggested time to invest	Seven years	N/A
Target asset allocation (as at 30 June 2012)	100% Global shares	100% Cash
Estimated number of negative annual returns	High, between 5 and 6 years in 20	Low, less than 1 year in 20

1 Investors in the Mortgage Fund may request redemptions by contacting us on **1300 428 482**

• Personal Superannuation Bond • Superannuation Portfolio	• Account-based Pension (Flexible Pension Plan) • Pensioner's Network Account-based Pension

MIF Industrials Fund

To provide long-term growth by investing and diversifying across many Australian industrial companies.

Primarily invests in a diversified portfolio of industrial equities listed on the Australian Securities Exchange (and other regulated exchanges).

- you want to invest in an Australian industrial share portfolio that's diversified across industries and companies.

Seven years

100% Australian shares

High, between 5 and 6 years in 20

Investment option profiles

• Capital Guaranteed Collection Superannuation Bond	
	MIF Equity Imputation Fund
Investment objective	To provide a tax-effective income stream and growth over the long term.
About the investment option	Primarily invests in a range of equities listed on the Australian Securities Exchange (and other regulated exchanges) with a bias to those which are expected to deliver an income stream with some tax advantages through the benefits of dividend imputation.
The investment option may be suited to you if ...	• you want to invest in shares in Australian companies that are expected to deliver a dividend stream over time with some tax advantages.
Minimum suggested time to invest	Seven years
Target asset allocation (as at 30 June 2012)	100% Australian shares
Estimated number of negative annual returns	High, between 5 and 6 years in 20

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With you

How to contact us

For more information call us from anywhere in Australia on **1300 428 482** or contact your adviser.

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