



Annual Report 2014

The Universal Super Scheme

This report is relevant to
MLC Personal Super Bond and Regular Savings Plans

Preparation date
1 November 2014

Issued by The Trustee,
MLC Nominees Pty Ltd (MLC)

ABN 93 002 814 959
AFSL 230702

The Universal Super
Scheme (the 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 Annual Report for The Universal Super Scheme is relevant to:

Life	Personal Superannuation Bond ¹
Life II	Superannuation Portfolio ¹
Blueprint	Account-based Pension (Flexible Pension Plan) ¹
Dimension	Pensioner's Network Account-based Pension ¹
Executive Dimension	Capital Guaranteed Collection Superannuation Bond ¹
Financial Security Plan	
Link	
Superannuation Plan	
MLC Combination Plan	

¹ This product was terminated as at 31 October 2014, and members were transferred to products within The Universal Super Scheme.

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A year in review

The 2014 financial year was another period of strong performance, particularly for share investors. Very low interest rates meant returns from cash and bonds weren't as strong, but still solid.

These robust returns were achieved despite economic challenges and global events that unsettled investment markets from time to time.

While the global economy generally improved, future developments in the global investment environment are uncertain.

We remain committed to giving you the choice and confidence to achieve your investment goals. We continue to refine our investment menu, offering a range of investment options including multi-asset portfolios and single asset class funds managed by a range of investment managers.

With ongoing Government superannuation reforms, market fluctuations, the rising cost of living and increased life expectancy, it's never been more important to regularly review your wealth strategy. This can help ensure you live comfortably now and into your retirement.

Remember, it's never too late to make your super work for you, regardless of your age or current super balance. We're here to help you grow your wealth and save for your retirement. For more information, go to saveretirement.com.au



Nicole Smith

Chair

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 (ABN 90 000 000 402) to carry out the day-to-day investment management and 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 financial obligations and received an unqualified audit report. All member benefits are wholly determined by reference to life insurance policies, so this report doesn't include statements of assets and income, the auditor's report and accounts or holdings of investments greater than 5%. 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 Limited (NAB) (ABN 12 004 044 937).

Meet the Board

The directors are:

Nicole Smith (Chair)

BFA 1990, CA
GAICD

Michael Clancy

B Bus (Finance and Economics) 1992
CFA 1997

John Reid

B Sc Mathematical Physics 1971
FIA (UK and Australia)

Peggy O'Neal

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

Trevor Hunt

B Bus (Accounting and Economics) 1989

Evelyn Horton

Masters of Social Science (Economics) 1995
B Economics 1986 (ANU)
GAICD

Terry McCredden

B Comm (Hon) 1977 (University of Melbourne)

Trustee director movements

Michael Fitzsimons retired effective 30 August 2013.

Richard Rassi retired effective 30 May 2014.

Evelyn Horton was appointed non-executive director effective 28 May 2014.

Terry McCredden was appointed non-executive director effective 28 May 2014.

Some things you should know

Transfers to an Eligible Rollover Fund

We may transfer your account balance to an Eligible Rollover Fund if:

- your investment switching activity is deemed to be contrary to the interests of other members
- your account has been closed and you are eligible for a payment from MLC and we've not received any instructions from you, or
- other situations permitted under the 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)

The law and rules defining the transfer of unclaimed superannuation money to the ATO can be viewed on the ATO website at **ato.gov.au**

In summary, we're required by law to transfer your account to the ATO if one of the following situations occurs:

- your account balance is less than \$2,000 and
 - no contributions have been made to your account for 12 months and we have no way of contacting you, or
 - your account was set up through your employer and there have been no contributions made for over 5 years
- you're over 65 (male) or 60 (female), no contributions have been made to your account for over 2 years and you haven't contacted us for at least 5 years
- the ATO informs us that you were a former temporary resident and left the country over six months ago, or
- upon your death and after an extended period of time, we've tried but been unable to identify or contact the beneficiary of your account.

The law also requires us to transfer to the ATO the portion payable to your spouse as a result of Family Law ruling, if after an extended period of time we have not been able to contact your spouse, or your spouse's beneficiary/estate.

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

Surcharge assessment for prior years

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

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

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

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

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

In this section we tell you how the Trustee invests your money.

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 products for you to invest in. Some of these will have similar investment objectives and strategies.

To make this section easier for you to read we've grouped products with common objectives and strategies together.

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.

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 contracts that have a value derived from another source such as an asset, market index or interest rate. There are many types of derivatives including swaps, options and futures. They are a common tool used to manage risk or improve returns.

Some derivatives allow investment managers to earn large returns from small movements in the underlying asset's price. However, they can lose large amounts if the price of the underlying asset moves against them.

The Trustee currently permits derivatives to be used for the purposes of the provision of investment protection, hedging, efficient portfolio management, and investment return generation (where consistent with investment objectives).

Some of the available investment options may invest in financial derivatives. How investment managers invest in derivatives is included in their Product Disclosure Statement on our website.

Information on MLC's derivative policy is available on mlc.com.au/derivatives

Investment option profiles

These are important notes about the investment option profiles.

Standard Risk Measure

We use the Standard Risk Measure (SRM) to help you compare the investment risk across the Investment Options we offer.

The SRM is the estimated number of negative annual returns in any 20 year period. Because it is an estimate, the actual number of negative returns that occur in a 20 year period may be different.

The risk categories are:

Risk band	Risk label	Estimated number of negative annual returns in 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 SRM is based on industry guidelines however it isn't a complete assessment of investment risk. For example, it doesn't:

- capture the size of a possible negative return or the potential for sufficient positive returns to meet your objectives, and
- take into account the impact of 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.

For information on how we calculate the Standard Risk Measure please go to mlc.com.au/srm

Indirect costs

When investing your money, we may incur costs and expenses that won't be charged to you as a fee but will reduce the net return of the investment option.

These indirect costs are reflected in the daily unit price and any reporting on the performance of the investment option.

For the funds on the following pages, no indirect costs applied as at 30 June 2014. This may change in the future.

Indirect costs are not paid to MLC.

Investment option profiles

- Life
- Life II
- Blueprint
- Dimension
- Blueprint
- Money Plan
- Executive Dimension
- Blueprint
- Dimension
- Financial Security Plan
- Link
- Superannuation 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 conservative and balanced fund over the long term.	To provide medium to long-term returns that are generally higher than those achievable by investing in conservative funds.
About the investment option	Maintains a high proportion of growth assets in order to achieve high returns in the long term.	Maintains a balanced spread of investments between growth and defensive assets.
The investment option may be suited to you if ...	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 to large changes in value.
Minimum suggested time to invest	Six years	Five years
Target asset allocation (as at 30 June 2014)	10% Cash 28% Australian fixed income 35% Australian shares 22% Global shares 5% Australian property securities	16% Cash 40% Australian fixed income 26% Australian shares 13% Global shares 5% Australian property securities
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
- Blueprint
- Money Plan
- Executive Dimension
- Financial Security Plan
- Link
- Superannuation Plan
- MLC 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.	
<ul style="list-style-type: none"> • you want a low risk investment. 	<ul style="list-style-type: none"> • you want security and 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 2014 for members joining the fund before 01/02/1995 16% Cash 75% Australian fixed income 3% Australian property securities 6% Australian shares	Target Asset allocation at 30 June 2014 for members joining the fund after 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.	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 ...	<ul style="list-style-type: none"> • you want to invest with a bias to defensive assets, with some exposure to growth assets, and • you are seeking stable returns. 	<ul style="list-style-type: none"> • you want a low risk investment.
Minimum suggested time to invest	Three years	One month
Target asset allocation (as at 30 June 2014)	50% Cash 24% Australian fixed income 5% Australian property securities 12% Australian shares 9% 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.

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

Three years

50%	Cash
24%	Australian fixed income
5%	Australian property securities
12%	Australian shares
9%	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 Bloomberg AusBond Composite 0+ Yr 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.	Invests in a diversified portfolio of Australian fixed income securities.
The investment option may be suited to you if ...	<ul style="list-style-type: none"> • you want to invest with a bias to defensive assets, with some exposure to growth assets, and • you are seeking stable returns. 	<ul style="list-style-type: none"> • 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 2014)	24% Cash 50% Australian fixed income 12% Australian shares 9% Global shares 5% Australian property securities	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.
<ul style="list-style-type: none"> • you want to invest in a property securities portfolio that invests across property sectors and REITs. 	<ul style="list-style-type: none"> • 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 portion of the currency exposure that is hedged to the Australian dollar may move within the range of 0% to 100% at our discretion.	As at the date of this report, this option is invested in 100% cash.
The investment option may be suited to you if ...	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 2014)	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 ...	<ul style="list-style-type: none"> • 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 2014)	100% Australian shares
Estimated number of negative annual returns	High, between 5 and 6 years in 20



**For more information call MLC
from anywhere in Australia
on 132 652 or contact your
financial adviser.**

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Part of the National Australia Bank Group of Companies.

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a NAB company

