Annual Report 2015
The Universal Super Scheme

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

Preparation date 1 November 2015
Issued by The Trustee, MLC Nominees Pty Ltd
ABN 93 002 814 959
AFSL 230702
for the Fund 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 Annual Report for The Universal Super Scheme is relevant to:
MLC Life
MLC Life II
Blueprint
Dimension
Executive Dimension
Financial Security Plan
MLC Link
Superannuation Plan
MLC Combination Plan
Contents

A year in review 4
Looking out for your interests 5
Some things you should know 7
How your money is invested 10
Investment option profiles 12
How to contact us Back cover
A year in review

The 2015 financial year was another year of solid performance, particularly for global shares and property securities investors. Interest rates remained at historically low levels around the globe for much of the year, resulting in modest returns for fixed income investors. By keeping interest rates low, central banks in many countries attempted to encourage investment in assets that generate economic growth.

While global economic growth improved, questions remained about the robustness of the recovery, and conditions varied widely across countries. Slowing demand from China for our commodities was a key driver of the modest returns from Australian shares this year.

With the unpredictability of the market, the rising cost of living and increased life expectancy, it’s never been more important than now to ensure that you have a holistic wealth strategy in place – one that will ensure you live comfortably now and into your retirement.

We know that your needs change over time, that’s why our super and insurance solutions are designed to grow with you. Our investment menu offers multi-class portfolios and single asset class funds, so you can tailor your investment strategy to suit your personal financial objectives and risk appetite. You can help protect your wealth and lifestyle with insurance, to achieve a wealth strategy to suit your needs in a cost effective way.

We continue to enhance the online tools available to you, to help you grow your wealth and save for your retirement.

For more information about building a strong portfolio, and to help protect the lifestyle you’ve worked hard for, 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 non-executive directors, the Trustee Board is responsible for the management of the Fund. The Trustee’s duties include:

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

The Trustee Board, has professional indemnity insurance, and has appointed MLC Limited (ABN 90 000 000 402) to carry out the day-to-day investment management and administration of The Fund.

Operational Risk Financial Reserve (Reserve)

The Government requires super funds to keep a financial Reserve to cover any losses that members incur due to a breakdown in operations. The reserve has been partially funded with the remaining funding to be established by NAB. However, we may require members to contribute to the Reserve in the future. We’ll notify you in advance of any deductions.

<table>
<thead>
<tr>
<th>Option</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLC Horizon 4 Balanced Portfolio</td>
<td>100%</td>
</tr>
</tbody>
</table>

The balance of the Reserve at the end of the last two financial years is summarised below:

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Plan reserve ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$22,625,406.60</td>
</tr>
<tr>
<td>2014</td>
<td>NA</td>
</tr>
</tbody>
</table>
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)
GAICD

**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

For this reporting period, there were no changes to Trustee directors.

Annual audit

Each year we are audited by an independent company. We’re pleased to report we’ve met all our 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 information about holdings of investments that are greater than 5% of the total assets of the Fund. 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).
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 have a different fee structure, different investment strategies and may not offer insurance benefits.

Special rules for temporary residents

If you are or have been a temporary resident you can generally only access your super benefits as a single lump sum where your visa has ceased to have effect and you have departed Australia. Withholding taxes may apply to the lump sum payment.

Exceptions apply if you become permanently disabled or suffer a terminal medical condition or, in the event of your death.

If you don’t claim your super benefit within six months of becoming eligible, we may have to pay it to the ATO. Where this occurs, we are not obliged to notify you or give you an exit statement, and you will need to make an application to the ATO to have any entitlements paid to you.

These rules don’t apply if you are, or become, a New Zealand citizen, Australian citizen or permanent resident, or you hold a class 405 or 410 Retirement visa.
Some things you should know

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](http://ato.gov.au).

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

- your account balance is less than $2000 (this threshold will increase to $4000 from 31 December 2015, and to $6000 from 31 December 2016), and either:
  - no contributions or rollovers have been made to your account for 12 months and we have no way of contacting you, or
  - you’ve been a member of the fund for more than 2 years, your account was set up through your employer, and there have been no contributions or rollovers made to your account for over 5 years
- you’re over 65, no contributions have been made to your account for over 2 years, you haven’t contacted us for at least 5 years, and we’ve tried but have been unable to contact you
- the ATO informs us that you were a former temporary resident and left the country over six months ago
- upon your death, where no contributions have been made for at least 2 years, and after a reasonable period of time, we’ve tried but have been 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 a Family Law ruling, if after a reasonable period of time we’ve tried but have been unable to contact your spouse, or your spouse’s beneficiary/estate.

If your account is transferred to the ATO for any of these reasons, you 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 Fund, 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. Please call us on 132 652. If we can’t resolve your complaint or you’re not satisfied with the outcome, please write to us at MLC Limited, GPO Box 2567 Melbourne Victoria 3001. We’ll work to resolve your complaint as soon as possible. More information is available at mlc.com.au/complaint.

If you’re not satisfied with our decision you can refer your complaint to the Superannuation Complaints Tribunal by calling 1300 884 114 or emailing info@sct.gov.au. More information is available at sct.gov.au.

If you have a complaint about the financial advice you received, you should follow the complaint resolution process explained in the Financial Services Guide provided by your financial adviser.
How your money is invested

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.

**Investment objective**

To provide a selection of investment options so you can invest according to your individual needs and circumstances.

**Investment strategy**

The Trustee invests in accordance with the policy issued by MLC Limited in respect of these products, who in turn, invests in suitably structured portfolios. Each investment option available has an individual investment objective, which are listed on pages 14 and 15.

**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](http://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).

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 may be used in any of the investment options.

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

Some derivatives allow investment managers to earn large returns from small movements in the underlying asset’s price. However, they can lose large amounts if the price movement in the underlying asset is unfavourable.

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.

**About your investments**

For more information about your investment returns refer to your Annual Statement.

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:

<table>
<thead>
<tr>
<th>Risk band</th>
<th>Risk label</th>
<th>Estimated number of negative annual returns in any 20-year period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Very low</td>
<td>Less than 0.5</td>
</tr>
<tr>
<td>2</td>
<td>Low</td>
<td>0.5 to less than 1</td>
</tr>
<tr>
<td>3</td>
<td>Low to medium</td>
<td>1 to less than 2</td>
</tr>
<tr>
<td>4</td>
<td>Medium</td>
<td>2 to less than 3</td>
</tr>
<tr>
<td>5</td>
<td>Medium to high</td>
<td>3 to less than 4</td>
</tr>
<tr>
<td>6</td>
<td>High</td>
<td>4 to less than 6</td>
</tr>
<tr>
<td>7</td>
<td>Very high</td>
<td>6 or greater</td>
</tr>
</tbody>
</table>

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, or
- take into account the impact of fees and tax. These can 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.

**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 2015. This may change in the future.

Indirect costs are not paid to MLC.
**Investment option profiles**

- MLC Life
- MLC Life II
- Blueprint
- Dimension
- Executive Dimension
- Financial Security Plan
- MLC Link
- Superannuation Plan

<table>
<thead>
<tr>
<th>Investment objective</th>
<th>MIF Growth Fund</th>
<th>MIF Balanced Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>To produce higher returns than those expected from conservative and balanced funds over the long term.</td>
<td>To provide medium to long-term returns that are generally higher than those achievable by investing in conservative and capital guaranteed funds.</td>
<td></td>
</tr>
</tbody>
</table>

**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 ...**

- 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 to large changes in value.

**Minimum suggested time to invest**

- Six years
- Five years

**Target asset allocation (as at 30 June 2015)**

<table>
<thead>
<tr>
<th>MIF Growth Fund</th>
<th>MIF Balanced Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% Cash</td>
<td>16% Cash</td>
</tr>
<tr>
<td>28% Australian fixed income</td>
<td>40% Australian fixed income</td>
</tr>
<tr>
<td>35% Australian shares</td>
<td>26% Australian shares</td>
</tr>
<tr>
<td>22% Global shares</td>
<td>13% Global shares</td>
</tr>
<tr>
<td>5% Australian property securities</td>
<td>5% Australian property securities</td>
</tr>
</tbody>
</table>

**Estimated number of negative annual returns**

- High, between 4 and 5 years in 20
- Medium to high, between 3 and 4 years in 20
- MLC Life
- MLC Life II
- Blueprint
- Dimension
- Executive Dimension
- Financial Security Plan
- MLC Link
- Superannuation Plan
- MLC Combination Plan

<table>
<thead>
<tr>
<th>MIF Cash Fund</th>
<th>MIF Capital Guaranteed Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>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).</td>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
<td>Invests primarily in fixed income and may invest smaller amounts in growth assets.</td>
</tr>
<tr>
<td>• you want a low risk investment.</td>
<td>• you want security and place a high priority on avoiding capital loss, and • you can accept lower returns.</td>
</tr>
<tr>
<td>One month</td>
<td>Three years</td>
</tr>
<tr>
<td>100% Cash</td>
<td><strong>Target Asset allocation at 30 June 2015 for members joining the fund before 01/02/1995</strong></td>
</tr>
<tr>
<td>16% Cash</td>
<td>4% Australian shares</td>
</tr>
<tr>
<td>75% Australian fixed income</td>
<td>3% Global shares (hedged)</td>
</tr>
<tr>
<td>3% Australian property securities</td>
<td>5% Global shares (unhedged)</td>
</tr>
<tr>
<td>6% Australian shares</td>
<td>1% Global property securities (hedged)</td>
</tr>
<tr>
<td><strong>100% Cash</strong></td>
<td><strong>74% Fixed income</strong></td>
</tr>
<tr>
<td>Low, less than 1 year in 20</td>
<td><strong>13% Cash</strong></td>
</tr>
</tbody>
</table>
For more information call MLC from anywhere in Australia on 132 652 or contact your financial adviser.

Postal address
MLC Limited, GPO Box 2567
Melbourne Victoria 3001

Registered office
Ground Floor, MLC Building
105–153 Miller Street
North Sydney NSW 2060

mlc.com.au