investor update

July 2015

What's shaping your investments?

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WELCOME

Welcome to your end of financial year Investor Update

As a valued customer, I'd like to thank you for entrusting us with your investment needs. In this edition of Investor Update, we provide you with information about our products and services, together with a look at the investment horizon ahead.

INVESTMENT OUTLOOK

Markets in general continue to deliver strong, positive returns for investors, although recovery has been impacted by events in Europe, particularly in regards to Greece.

In this issue, Stewart Brentnall, Chief Investment Officer, ANZ Global Wealth, discusses current investment market conditions and the opportunities for growth when interest rates are low. He also provides his view on how the key investment sectors will fare for the rest of 2015 (page 4). We also look at ways to boost your earning potential.

LATEST UPDATES

The financial services sector continues to experience substantial change and legislative reform. At ANZ, we embrace change that will provide transparency, consistency and certainty for clients.

We discuss some of these changes in detail as well as some of the key aspects of the recent Federal Budget (page 11).

GO ONLINE FOR MORE

This year, Investor Update reaches beyond the printed page to deliver engaging articles and online tools which feature the benefits of including insurance with your super, health and travel tips, and a special report on how women can make the most of their super opportunities.

As always, we recommend the best way to stay abreast of the changes and to maximise your financial future is to regularly meet with your financial adviser. In our view, the need for regular sound financial advice is paramount and plays a key role in ensuring your long-term financial goals can be achieved.

Thank you again for choosing us for your super, investment and retirement needs. We look forward to managing your investments, now and into the future.

Mark Pankhurst
Head of Client & Product Management
ANZ Global Wealth

OnePath – helping you shape and protect your future

OnePath is ANZ's specialist brand for wealth, insurance and advice solutions and has helped Australians grow and protect their wealth for over 130 years.

ANZ is committed to building lasting partnerships with our customers, shareholders and communities in 33 countries – including Australia and New Zealand – throughout Asia and the Pacific, and in the Middle East, Europe and America. We provide a range of banking and financial products and services to around eight million customers and employ 47,000 people worldwide.

Our comprehensive range of wealth and insurance products makes it easy for you and your financial adviser to find the solution that best suits your needs.

At ANZ we value and appreciate our customers, our staff and the communities we operate in. We are committed to acting with the highest standards and to meeting our corporate responsibilities.

We also encourage and support staff involvement in volunteering and charitable activities supporting the wider community.

ANZ actively participates in forums looking at regulatory and industry change. We also regularly review and conduct research to ensure we are attuned to changing customer and market needs.

WITH 130 YEARS OF WEALTH EXPERTISE, ONEPATH CAN SUPPORT YOU THROUGH ALL OF YOUR LIFE STAGES – HELPING YOU ACHIEVE YOUR LIFE GOALS AND LIVE COMFORTABLY IN RETIREMENT.

WHAT'S SHAPING YOUR INVESTMENTS?

Stewart Brentnall, Chief Investment Officer, ANZ Global Wealth, looks at what's shaping the performance of investment markets in 2015.

A GOOD TIME TO REVIEW YOUR PORTFOLIO

With the prospect of low returns from cash for some time, and international shares likely to outperform Australian and New Zealand shares, now could be a good time to review your asset allocation with your financial adviser.

To see our latest market commentary visit onepath.com.au/markets

There's rarely a dull moment in investment markets and 2015 has certainly been no exception. Central bank stimulus measures, a global share market rally followed by uncertainty in Europe over Greece's continued troubles, and the continued slide in oil prices have all made headlines at different stages this year.

While it can be hard keeping up with what's happening from one month to the next, there are some forces at play that are likely to impact the performance of your investments for the remainder of this year.

01

US INTEREST RATES AND THE US DOLLAR ON THE RISE

With the US economic recovery far more advanced than the rest of the world, we expect US interest rates will continue to rise this year. However, we believe these rate rises are likely to be slower than they have been historically. This should help the US share market continue to move higher, albeit likely at a slower pace than we've seen over the past couple of years.

The prospect of higher US interest rates has boosted the US dollar (USD), which has risen strongly of late – especially against the weakening Euro. This upward trend is likely to continue, though most of the increase in the USD is probably behind us.

For investors, a rising USD is generally positive because:

1. A stronger USD will increase US imports of goods, boosting the economies (and share markets) of the countries that export to them.
2. Weaker currencies elsewhere, particularly Europe and Japan, will help support a recovery in growth and corporate profits for the more troubled economies outside of the US.
3. When the Australian and New Zealand dollars are falling, local investors who hold international shares may benefit from an increase in their value in local currency dollar terms (if those shares are unhedged).

02

INTEREST RATES STAYING LOW

A number of the world's central banks, including those in Europe, Japan, China and Australia, cut official interest rates or introduced other stimulus measures in the first quarter of 2015.

Low interest rates typically provide an economic boost by encouraging businesses to borrow money and consumers to spend, supporting the overall growth of the economy. This year, lower oil prices have further helped this cause, keeping transport costs low for businesses and consumers.

Another benefit of lower interest rates is that they generally lower the value of the local currency. As previously noted, this makes exports more competitive and can provide a further lift to the local economy.

Looking ahead, the likelihood is that interest rates will be staying low in most major economies for some time yet. This includes the US, even though rates are set to rise there in the second half of the year.

03

GROWTH ASSETS STILL FAVOURED

A solid economic growth and low interest rate environment is generally positive for growth assets, as investors look for opportunities that will deliver better returns than cash. Shares and property have both benefited from this 'search for yield' in 2015, with the first quarter of the year delivering particularly strong returns.

Looking ahead, the likelihood that interest rates will stay low for some time suggests that growth assets are likely to remain in favour in 2015, even allowing for volatility around the Greek situation.

More specifically, global developed market shares are likely to outperform Australian and New Zealand shares. This is partly due to the strength of the US economy and the impact of the stimulus measures in Europe and Japan, but it's also due to low commodity prices acting as a headwind to growth in Australia and New Zealand. As noted above, the potential for further declines in both the Australian and New Zealand dollars can also increase returns from unhedged global shares.

While it's important to be aware of the potential for higher volatility and lower returns than was experienced in 2014, we believe investors should stay invested in growth assets with a focus on quality and liquidity.

Note: Information in this article is current as at June 2015, but may be subject to change. Updated information will be available at onepath.com.au/markets

WHERE TO INVEST WHEN CASH ISN'T KING

Interest rate cuts might be good for your debts, but they're not so good if you have a significant percentage of cash in your portfolio. Here we look at ways to boost your earning potential.

To discover the most appropriate investment mix to meet your goals, talk to your financial adviser.

Keeping your money in cash and term deposits is generally seen as a safe way to invest, providing a secure source of income in most market conditions. But with interest rates low, and forecast by many economists to stay low for some time, problems can arise for people who have too much cash in their portfolio as inflation decreases the amount of goods or services their savings are able to purchase.

This scenario can be particularly concerning for retirees who are heavily invested in cash, where more modest returns could fall short of the growth required to fund a comfortable lifestyle in retirement.

While cash still has an important role to play in helping to balance the risk profile of your overall investment portfolio and providing liquidity, for many people a more diversified approach to investing can help add some vital growth potential to your portfolio, helping you achieve the returns you need to meet investment goals and income needs. You can diversify your investments in a few different ways…but first let's look at the main asset classes.

WHAT ARE THE MAIN ALTERNATIVES TO CASH?

While the investment world is full of options, there are three main asset classes that have historically delivered higher returns than cash over the long term:

01 FIXED INCOME (BONDS)

Fixed income investments, also known as 'bonds', involve companies or governments borrowing money from pools of investors in exchange for the payment of a fixed or floating rate of interest.

The interest rates can vary depending on the organisation that is borrowing money (higher risk organisations pay higher rates of interest) but they're typically higher than the rates you can earn with cash.

Fixed income investments can be a good diversifier for your portfolio because they generally perform well when share markets are underperforming. They also tend to perform well when interest rates are falling, which helps counterbalance dwindling returns from cash.

Your financial adviser will work with you to understand your financial goals and develop a financial strategy that incorporates the most appropriate investment mix to meet your personal goals.

02 PROPERTY SECURITIES

Directly investing in 'bricks and mortar' real estate is a popular way to invest, but it can also tie up a lot of your money in an investment that could be difficult or slow to sell.

Investing in property securities can be a simpler and more diversified option, as your money is pooled with other investors and used by a fund manager to buy a range of property assets. Instead of owning the properties yourself, you own units in the fund – which gives you the ability to buy and sell your investment more easily.

Property securities generally pay a regular income in the form of distributions (i.e. your share of rental income from the property assets). Your investment can also increase in value as the values of the underlying properties increase.

Property securities are generally seen as more risky than cash and fixed income, as their value can fluctuate more than cash-based and fixed income investments. The upside of this is their higher potential returns over the long term.

03 SHARES

Shares are issued by companies to raise money for their business activities. By buying shares you are effectively becoming a part owner of that company, which means you may be entitled to benefit from any increases in that company's value (when the share price goes up) and a share in the profits (through dividends, which may be franked). The franking credits on Australian dividends can provide additional returns, depending on your tax position.

Within shares you also have the ability to diversify into international share markets to lower your exposure to the Australian share market, bearing in mind some regions are likely to perform better than others at different times.

Shares generally vary the most in terms of asset class performance, but traditionally they have also generated the highest total returns, taking into account capital appreciation as well as dividends, over the long term.

HOW CAN YOU ADD 'GROWTH POTENTIAL' TO YOUR PORTFOLIO?

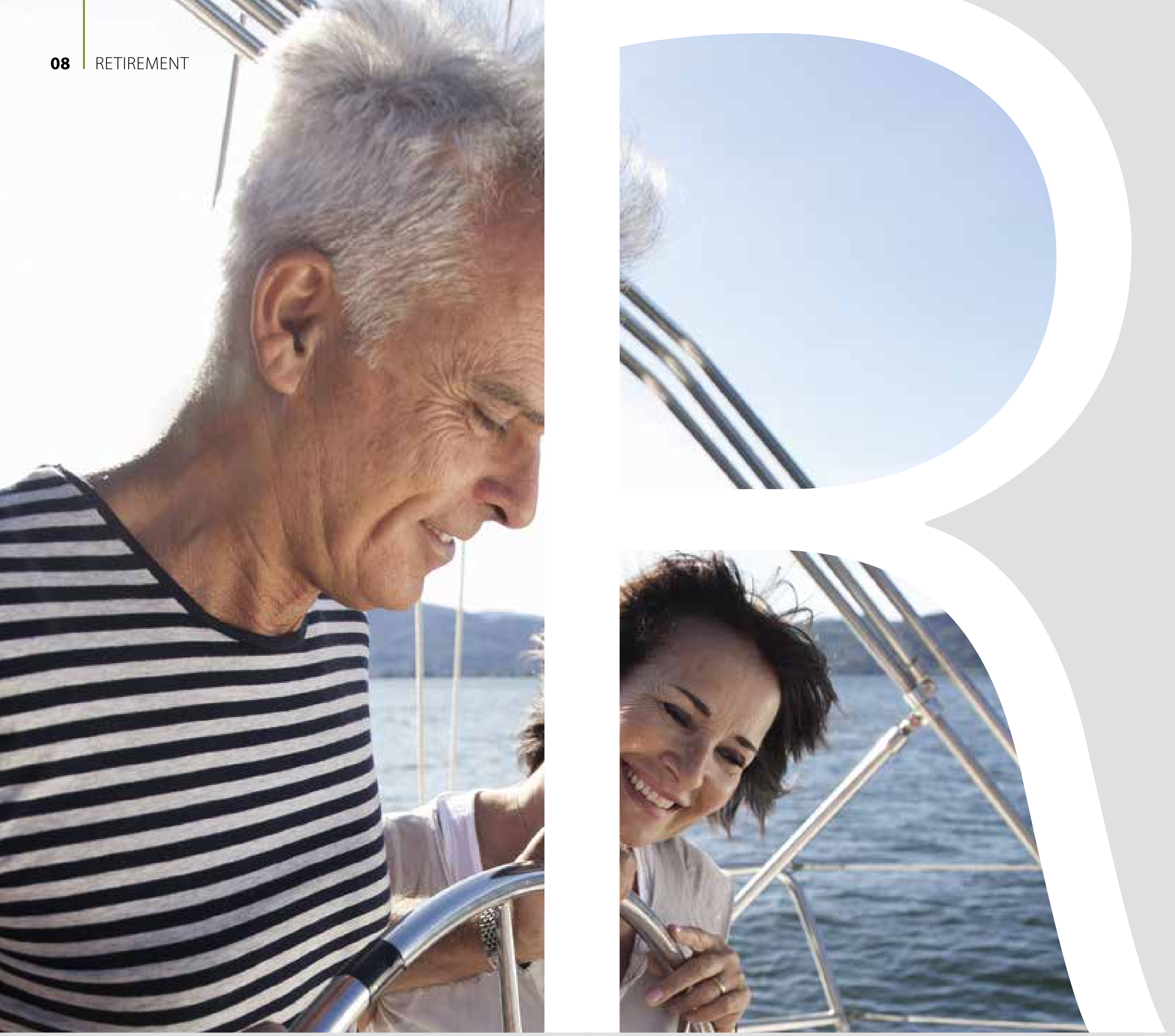
A simple and cost-effective way to add these asset classes to your portfolio is to invest in a managed fund, where an investment manager pools money from investors and buys and sells investments on your behalf.

One of the benefits of managed funds is that you don't need to do the research yourself. An added benefit is that investment managers can often access large-scale and international investments that would be difficult to access on your own.

OnePath offers a range of single-sector managed funds (that specialise in a single asset class) and diversified managed funds (that invest across multiple asset classes) that can help you add growth potential to your portfolio.

Your financial adviser will work with you to understand your financial goals and develop a financial strategy that incorporates the most appropriate investment mix to meet your personal goals.

Note: Information in this article is current as at June 2015, but may be subject to change.



RETIRE ON YOUR TERMS

As the Australian population ages, key issues around preparedness for retirement have become more important than ever.

Head online to onepath.com.au/investorupdate to find out more.

With the increase in the eligibility age of the Age Pension to 67 by 2023, and potentially to 70, there's more pressure on families to plan ahead and figure out just how and when they can afford to retire. This need becomes ever-more pressing with the fact that the current annual rate of the full Age Pension[1] (for a couple) is about $25,000 per annum short of what ASFA recommends an average Aussie couple would need to fund a 'comfortable' standard of living in retirement.[2]

And thanks to ongoing health and medical improvements, Australians will continue to have one of the longest life expectancies in the world.[3] This is great news for Australia, but it also means that we'll need more in savings to maintain potentially longer periods in retirement.

Although these statistics can be quite daunting, there are a few simple superannuation strategies that can help you better prepare for your ideal retirement lifestyle. And the earlier you act the better off you could be.

EVERY ADDITIONAL DOLLAR COUNTS

Regular super contributions can rapidly increase your final retirement savings (contribution caps apply). And almost anyone can do this in a number of ways, such as a salary sacrifice arrangement (through your employer), or via personal deductible contributions if you're eligible such as the self-employed, certain investors or retirees or are earning less than 10% of your total income from paid employment. These types of 'before-tax' contributions are generally taxed at only 15%[4] – which for most people is significantly lower than their marginal tax rate of up to 49% (including Medicare levy and Budget repair levy).

You can also 'top up' your super with after-tax money (e.g. via BPAY® or EFT payments from your bank account). And if you currently earn less than $50,454 p.a. you could also qualify for a Government co-contribution payment, which could boost your super by up to $500 (tax free)!

ADDED BENEFITS FOR THOSE WHO HAVE REACHED 'PRESERVATION AGE'

If you're in your 50s, you've probably heard of the phrase 'Transition to Retirement', or 'TTR', before. But you may not be aware of how it can boost your retirement income.

If you've reached your preservation age[5], a TTR pension can give you the flexibility to ease into retirement by reducing your working hours, while potentially boosting your retirement savings.

Here are some ways that you can use a TTR strategy to your advantage:

- **Maintain your lifestyle and spend fewer hours at work.** 'Downshifting' is a great solution if you still want or need to work but want a few days off each week to ease your way into retirement. You can reduce your work hours and supplement your reduced salary by drawing from your 'accumulated super benefit' through a TTR income stream.
- **Continue to work the same hours and boost your retirement savings.** If you'd prefer to keep working it's possible to set up a TTR pension and salary sacrifice additional amounts to super to continue to grow your retirement savings.
- **Boost your income.** If you have sufficient retirement savings, you can use a TTR pension while you are working to boost your income. The increased income you receive can be put to work by reducing your debt or funding projects such as home improvements.

For those aged 60 and above, the benefits are magnified because they won't pay any tax on the pension payments from a TTR pension.

SEEK EXPERT FINANCIAL ADVICE

An Investment Trends survey in November 2014 showed that 46% of Australians over 40 have unmet retirement advice needs, which may increase over time as longevity expectations increase[6].

There are a few considerations to determine the most appropriate super strategy for your age and needs. To ensure you make the most of your super's tax benefits and the Government's TTR rules, please speak to your financial adviser today.

1 Payment rates for Age Pension as at 1 April 2015. Source: Australian Government Department of Human Services.
2 'Comfortable' Retirement Standard benchmark as at 1 April 2015. Source: Association of Superannuation Funds of Australia (ASFA)
3 2015 Intergenerational Report, 'Australia in 2055'. Source: The Commonwealth of Australia.
4 Those earning an adjusted taxable income of $300,000 or more may pay an additional 15% tax on super contributions.
5 Preservation age depends on your date of birth. If you were born before 1 July 1960 your preservation age is 55. If you were born between 1 July 1960 and 30 June 1961 your preservation age is 56. The preservation age increases each subsequent year to age 60 for those born on or after 30 June 1964.
6 Investment Trends November 2014 Retirement Income Report, based on a survey of 6,350 Australians aged over 40.
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AN INCONVENIENT TRUTH

Australian women are living longer than ever and as a consequence the length of time spent in retirement is on the rise too.

Today, women retiring at 60 can expect to spend on average 29 years in retirement[1]. Yet 2010 research showed that one in five women yet to retire had no super at all[2]. We also know that the average superannuation account balance for women when they retire is $90,000 less than the average for men, and 90% of women will retire with inadequate savings to fund a 'comfortable' lifestyle[3].

Why does this occur, and what can you do to ensure yourself, or a loved one, is adequately prepared for retirement? Visit onepath.com.au/investorupdate for more.

1 2015 Intergenerational Report, 'Australia in 2055'. Page 5. Source: The Commonwealth of Australia.
2 Super system evolution: Achieving consensus through a shared vision", ASFA White Paper – Part 4, May 2013, ASFA
3 The Association of Superannuation Funds of Australia. For the definition of 'comfortable' lifestyle, see ASFA Retirement Standards (May 2015) at superannuation.asn.au

STAY ON TOP OF YOUR INVESTMENTS WITH 'MY ONEPATH'

Online technology is revolutionising the way we do day-to-day things like shopping and banking. 'My OnePath' is a simple and secure way of staying on top of your investments like you do with your bank accounts.

With 'My OnePath' it's now easier than ever to see how your super, retirement and investment funds are performing – keeping you up-to-date and in control.

By going online, you can get a greater understanding of what's really happening with your money – at any time of the day.^

You can also combine the power of online access with advice from your financial adviser, to ensure your investments stay on track to help you achieve your financial goals.

^ Temporary service disruptions may occur.

Visit onepath.com.au and register for 'My OnePath' to increase your knowledge and take advantage of your secure personal investor portal.

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WHAT CAN I DO ON 'MY ONEPATH'?*

- ✓ view your account balance and fund performance
- ✓ update your personal details
- ✓ access key account information such as your Tax File Number status, nominated beneficiaries and more (if applicable)
- ✓ view detailed transaction history – including filter options for ease of use
- ✓ get a policy snapshot to see your future investment strategy, regular investment and draw down plan (if applicable)
- ✓ you can switch your investments online

*Not applicable to Future Plans, PLUS Range, Pooled Investment Plan, and Traditional Policies (Endowment and Whole of Life).

WHAT DOES THE FEDERAL BUDGET MEAN FOR YOU?

On 12 May 2015, the Abbott Government delivered its second Federal Budget. There are a number of announcements of which you should be aware, though there were no major changes to investments or superannuation.

The announcements in this Budget update are proposals unless stated otherwise. These proposals need to successfully pass through Parliament before becoming law and may be subject to change during this process. In this update we look at the Budget proposals that may impact investors and individuals planning for retirement.

Early access to superannuation for people with terminal medical condition from 1 July 2015

The Government has amended the provision for accessing superannuation for people suffering a terminal medical condition. This amendment will extend the life expectancy period from 12 months to 24 months.

Possible implications to consider

If an individual failed to obtain the required medical certification due to the restrictions of the 12-month rule, consider obtaining new medical certification. Whilst the change will allow earlier access to an individual's super it may not provide earlier access to any terminal insurance benefits as part of their super.

If you have insurance within your super, it is important to understand the terms and conditions. Consider maintaining some money in your super account to keep the account open and to pay insurance premiums. Withdrawing your full balance could result in the loss of valuable insurance cover. Refer to your financial adviser.

Changes to pension indexation abandoned

In last year's Budget, the Government proposed to change the indexation of pension payments to movements in the Consumer Price Index (CPI). This proposal is now abandoned.

Pensions will continue to be indexed in line with the higher of increases in CPI, male total average weekly earnings and the pensioner and beneficiary living cost index.

Government commitment to continue indexation and not reduce deeming thresholds

The Government has committed to continued indexation of the pension income test free areas and deeming thresholds. The Government also announced that they will not be proceeding with the reduction in the income test deeming rate thresholds as announced in the previous 2014/15 Budget.

Changes to pension asset thresholds and taper rate from 1 January 2017

The Government has legislated increases to the lower pension asset thresholds. However, the asset test taper rate increases from $1.50 per fortnight for every $1,000 above this threshold to $3 per fortnight. This taper rate applied before 20 September 2007. Consequently, the upper asset thresholds reduce.

It is estimated that under the new rules:

- Around 50,000 part pensioners will qualify for a full pension.
- Approximately 91,000 part pensioners will no longer qualify for the pension and a further 235,000 will have their part pension reduced.

Those who no longer qualify for Age Pension because of the changes have guaranteed eligibility for the Commonwealth Seniors Health Card or the Health Care Card.

Tightening overseas absence rules and impact on certain payments, including the Age Pension from 1 January 2017.

The Government has proposed that recipients of the Age Pension, Wife Pension, Widow B Pension and Disability Support Pension (DSP) may have their entitlements decrease if absent overseas for more than 6 weeks reduced from the current 26 weeks.

After 6 weeks' absence from Australia, pensioners who have lived in Australia for less than 35 years will be paid at a reduced rate proportional to their permanent residence in Australia between the age of 16 and pension age.

Pensioners absent on 1 January 2017 will not be affected by this change unless they return to Australia and make a subsequent trip overseas. The following pensioners will be exempt from these measures:

- Age Pensioners who have lived in Australia, as a permanent resident, for more than 35 years between the age of 16 and their pension age
- DSP recipients who are terminally ill or severely impaired
- Certain Widow B Pension recipients
- Certain Wife Pension recipients.

Possible implications to consider

If you're an Age Pensioner and take an overseas holiday post retirement, you should understand the impact to your entitlements if you are intending to be overseas for more than 6 weeks.

If you have any questions or concerns about how these or any other Budget proposals could affect you and your family, visit www.budget.gov.au or onepath.com.au or speak to your financial adviser.

IMPORTANT CHANGES AND INFORMATION

01 INVESTMENT PERFORMANCE

This information is relevant to **Allocated Annuity, Deferred Annuity, DIY Super Investments, Future Plans, PLUS Range, Pooled Investment Plan, RetireInvest Preferred Rollover Bond and Traditional Policies (Endowment and Whole of Life) only.**

Actual yearly return as at 30 June (% p.a.) unless otherwise stated and net of management fees. Please note that the returns for the investment funds below may differ from your personalised return. Your personalised return takes into consideration the transactions that have occurred on your individual account, as well as changes in the value of your investment over the statement period.

Superannuation

Deferred Annuity and DIY Super Investments

Investment fund	Fee option	One year return	Five year return	Ten year return
OnePath Capital Guaranteed	Entry Fee	5.25%	3.86%	3.72%

One year return for the OnePath Capital Guaranteed fund is the declared rate.

PLUS Range and Traditional Policies

Investment fund	Fee option	One year return	Five year return	Ten year return
PLUS Range	n/a	8.05%	6.12%	5.36%
Traditional Policies*	n/a	5.50%	4.70%	4.95%

One year return for the PLUS range and Traditional policies is the declared rate.

RetireInvest Preferred Rollover Bond Investment

Investment fund	Fee option	One year return	Five year return	Ten year return
OnePath Capital Guaranteed	Entry Fee	6.00%	4.61%	4.35%

Retirement

Allocated Annuity

Investment fund	Fee option	One year return	Five year return	Ten year return
OnePath Capital Guaranteed	Entry Fee	6.65%	4.89%	4.69%

One year return for the OnePath Capital Guaranteed fund is the declared rate.

Investments

Investment Savings Bond Future Plans and Pooled Investment Plan

Investment fund	Fee option	One year return	Five year return	Ten year return
OnePath Capital Guaranteed	Entry Fee	3.80%	2.97%	2.88%

One year return for the OnePath Capital Guaranteed fund is the declared rate.

PLUS Range and Traditional Policies

Investment fund	Fee option	One year return	Five year return	Ten year return
PLUS Range	n/a	10.00%	9.11%	8.63%
Traditional Policies*	n/a	1.80%	2.46%	3.38%

One year return for the PLUS range and Traditional policies is the declared rate Investments can go up and down. Past performance is not indicative of future performance. Whilst every care has been taken in the preparation of this information, no warranty is given as to the accuracy of the information contained in the investment returns table and no liability is accepted by OnePath Custodians, OnePath Life or any related body corporate for any error or omission.

* A terminal bonus as a percentage of the surrender value of your policy (30% for investments and 20% for superannuation) is currently payable on exit from Participating Traditional Policies. This is not guaranteed and may be varied or discontinued at any time on advice of the Appointed Actuary.

02 PERFORMANCE BENCHMARK CHANGES

This information is relevant to **Allocated Annuity, Deferred Annuity, DIY Super Investments, Investment Savings Bond, OptiMix Allocated Pension, OptiMix Superannuation, OptiMix Term Allocated Pension and OptiMix Trusts**. The performance benchmarks for certain investment funds have changed.

What has changed?

On 29 September 2014, all UBS Australia bond indices were acquired by the global and independent index provider Bloomberg Indexes (Bloomberg). As a result, the performance benchmarks for the funds listed in the table below (Funds) have changed names and will now be calculated, maintained and licensed by Bloomberg. The changes became effective on 29 September 2014.

What is the impact of the changes to the performance benchmarks?

There is minimal impact to the Funds as a result of Bloomberg's acquisition of the UBS Australia bond indices. Other than the change of name, the main change is that the performance benchmarks are now based on Bloomberg's pricing system, the Bloomberg Valuation Service, instead of the pricing used by UBS.

The old and new names of the performance benchmarks are outlined in the table.

Fund	Previous Index	New Index
OnePath Cash/OnePath Money Market	UBS Bank Bill Index	Bloomberg AusBond Bank Bill Index
OnePath Diversified Fixed Interest	UBS Composite Bond Index (0+Yr)	Bloomberg AusBond Composite 0+ Yr Index
OnePath Mortgages	UBS Bank Bill Index	Bloomberg AusBond Bank Bill Index
OptiMix Australian Fixed Interest	UBS Composite Bond Index (All Maturities)	Bloomberg AusBond Composite (All Maturities) Index

* The performance benchmark for this Fund was not acquired by Bloomberg. The change to the performance benchmark took effect from 31 March 2015.

03 ANNUAL STATEMENTS FOR SUPER – ADDITIONAL EXPLANATORY NOTES

The following explanatory notes are to be read together with your 2015 Annual Statement for your super account. If you have any further questions about your Annual Statement, please speak to your financial adviser or call Customer Services on 133 665.

Contributions tax

Contributions tax of 15% will apply to any contributions that you claim as a personal tax deduction (subject to a valid 'Notice of intent to claim or vary a deduction for personal super contributions' form) or contributions made by your employer (including salary sacrifice contributions).

In calculating the amount of tax payable we may make allowance for deductions available to the fund on transactions such as the payment of insurance premiums.

If you are claiming a tax deduction for personal contributions that you made in the Annual Statement period, the related contributions tax will only appear in the Annual Statement if we received your 'Notice of intent to claim or vary a deduction for personal super contributions' form by the date requested and the notice has been acknowledged by the Trustee.

Tax at a rate of 15% also applies to the untaxed element of a roll-over superannuation benefit and certain foreign super fund transfers. The tax payable is shown on your Annual Statement.

Additional tax for high income earners (Division 293 tax)

An additional 15% tax may apply to certain concessional contributions if your adjusted taxable income exceeds $300,000. For further information please visit www.ato.gov.au or speak to your adviser.

Preservation status

Unrestricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access at any time.

Restricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access, if you leave an employer who has contributed to this fund on your behalf, or when preserved benefits are payable.

Preserved Benefit is the amount of withdrawal benefit at the close of the reporting period required to be preserved by the Trust Deed and super legislation governing your benefits. Generally, you cannot access this amount until age 65, or once you have reached your preservation age (between age 55 and 60, depending on your date of birth) and you have retired.

The total of the preservation components is net of withdrawal fees and contributions tax payable on contributions that were made up to the end of the reporting period. Please note: where no-TFN contributions tax is payable, the total of the preservation components will differ to the withdrawal amount as no-TFN contributions tax payable is deducted from the withdrawal amount and not from the preservation components.

Super Guarantee (SG) Allocation

The Super Guarantee Allocation is the amount of employee entitlement paid by the Australian Taxation Office (ATO) representing a superannuation guarantee shortfall and any interest for the shortfall. This amount includes the 9.5% for 2014/15 obligation and any interest earned. The Super Guarantee Allocation may appear on your Annual Statement as either an addition or deduction.

An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid Super Guarantee Allocation by the ATO. This Super Guarantee Allocation amount is determined by the ATO, so you should speak to your financial adviser or contact the ATO in relation to the amount paid.

Government contribution

Government contributions can include Government co-contribution and Low Income Super Contribution (LISC). The Government co-contribution is an incentive from the Australian Government designed to assist eligible individuals to save for their retirement. If you are working, your income is less than the prescribed threshold and you made a personal non-concessional contribution to super in 2014/15, you may be eligible for a Government co-contribution. Generally, the maximum co-contribution is $500 and reduces once your income exceeds the relevant threshold. Additional criteria must be satisfied to be eligible for the Government co-contribution.

The Low Income Super Contribution (LISC) effectively returns any tax paid (up to $500) on concessional contributions made in a financial year for a low income earner (an individual with an adjusted taxable income of $37,000 or less in an income year).

The co-contribution may appear on your statement as either an addition or deduction. An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid co-contribution by the ATO. Conditions apply, so you should speak to your financial adviser or contact the ATO in relation to the amount paid.

04 AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY (APRA) LEVY

In 2013, the Federal Government increased the APRA Levy (Levy) paid annually by all APRA regulated superannuation funds. We wish to notify you that OnePath Custodians Pty Limited (Trustee) has now recovered this year's Levy from member accounts.

The amount of the Levy is set to recover the general operational costs of APRA, and will also assist with the implementation of the Government's 'SuperStream' reforms. These reforms are designed to support the superannuation system to operate more efficiently for the benefit of members.

The Levy is an expense to the OnePath MasterFund and is applied each year. The component of the Levy related to SuperStream will cease in 2018.

What does this mean for you?

The Trustee recovers the Levy by deducting it from the unit price of each investment option (excluding cash, term deposits and guaranteed products).

The recovery for the year ending 30 June 2015 occured on, or around, 28 May 2015. It is estimated the impact on members was 0.01% of unitised investment options. For example, a member with a balance of $50,000 will pay $5.00.

Looking forward to the 2015-16 financial year, the Australian Government is considering collecting the SuperStream component of the levies on a member basis rather than a percentage of a superannuation entity's assets.

What do you need to do?

You do not need to do anything, the Levy and unit price adjustment has already been recovered for the 2014/15 year and we will notify you of the changes made for 2015/16 by the Australian Government, if any.

05 YOUR ANNUAL REPORT IS AVAILABLE ONLINE

Your Annual Report will be available online in December 2015 at onepath.com.au>Personal>Forms & Brochures>Find a form or brochure

06 IMPORTANT TRUSTEE INFORMATION ONLINE

As part of the Stronger Super reforms, Registrable Superannuation Entities are required to publish specific information on their websites in accordance with the *Superannuation Industry (Supervision) Act 1993*.

OnePath Custodians Pty Limited as Trustee of your superannuation fund has recently published this information online.

To find out more about OnePath Custodians Pty Ltd as your Trustee please go to onepath.com.au > About OnePath > Help > Trustee and Fund information

07 CHANGES TO DISHONOURED CHEQUE PROCESSING PROCEDURE

In response to the declining usage of cheques, the Australian Payments Clearing Association has mandated that banks switch from paper to electronic image exchange as the mechanism to manage cheque payments.

As a result, if dishonoured, the physical cheque will no longer be returned to the customer. The customer will now receive a letter that contains an image of the dishonoured cheque. The new process is effective from 25 May 2015.

As a result of the physical cheque not being returned, the cheque re-presentation process can no longer be supported, and has been removed from ANZ's operating procedures.

08 EMPLOYER SUPER CONTRIBUTIONS TO YOUR ACCOUNT

SuperStream is a Government reform aimed at improving the efficiency of the superannuation system. As part of these reforms, employers must make super contributions on behalf of their employees by submitting data and payments electronically in a consistent and simplified manner prescribed by the Australian Tax Office (ATO).

Employers with 20 or more employees (medium to large employer) were required to begin making employer contributions using a SuperStream compliant method by 30 June 2015. Employers with 19 or fewer employees (small employer) are required to meet the SuperStream requirements by 30 June 2016.

You do not need to do anything, the obligation for compliance is with your employer. However, payments received by employers that do not comply with SuperStream obligations may be rejected.

09 QUALIFYING RECOGNISED OVERSEAS PENSION SCHEME CHANGES

Her Majesty's Revenue & Customs (HMRC) has recently advised of changes in UK pension laws that impact how Qualifying Recognised Overseas Pension Schemes (QROPS), like the OnePath MasterFund, can retain their qualifying status.

From 6 April 2015, the changes mean that recognised overseas pension schemes must comply with the UK Pension Age Test (i.e. that pension benefits are not payable to the member before the member reaches normal minimum pension age unless the ill-health condition is met).

Unfortunately, the UK requirements may not be compatible with Australian superannuation law relating to the release of superannuation monies. As a result, at the time of publication, the OnePath MasterFund is no longer accepting transfers of monies from UK pension schemes.

HMRC has confirmed that members who transferred pension savings into the OnePath MasterFund prior to 6 April 2015 will remain subject to UK tax on the same basis as if the scheme had retained its qualifying status. They will be able to remain as members and receive a pension paid from the benefits transferred without automatically incurring additional UK tax charges. Caution should be taken when rolling an Australian superannuation fund containing UK transferred benefits to another Australian superannuation fund or KiwiSaver Account from 6 April 2015 as an unauthorised payment charge could arise (a UK charge of up to 55%).

ANZ Wealth continues to work with industry bodies and Government who are consulting with HMRC to determine if an exception from the UK requirement can be made available for Australian superannuation funds so they can retain their qualifying status. Further information, when available, will be advised via our website.

10 MEMBER STRONGER SUPER LEVY

To cover some of the costs incurred to comply with the Government's 'Stronger Super' reforms and in line with many other super funds, the Trustee has approved an asset-based levy to be applied against the investments of OnePath MasterFund members in the 2015/16 financial year.

The levy will be a percentage based charge on unitised investment options estimated to be no greater than 0.06%, and applied as a one-time adjustment to the daily unit price. We will confirm the actual charge deducted in the next Investor Update.

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