

Annual Report

for the year ending 30 June 2016

Issued by Diversa Trustees Limited ABN 49 006 421 638,
Trustee of Super Money Eligible Rollover Fund ABN 94 334
023 289

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IMPORTANT INFORMATION

This Annual Report has been prepared by The Diversa Trustees Limited (“the Trustee” or “Diversa Trustees ” or “We” ABN: 49 006 421 638, AFSL No. 235153, RSE Licence L0000635) as the Trustee of the Super Money Eligible Rollover Fund (“the Fund” or “SMERF” ABN: 94 334 023 289 RSE No: R1001372) which relates to the Financial Year ending 30 June 2016. It should be read in conjunction with your 2016 Member Statement, which has been mailed to you.

This Annual Report has been prepared in accordance with the Corporations Act and Corporations Regulations 2001. While all reasonable care has been taken to ensure the information contained in this Annual Report is correct, the Trustee reserves the right to correct any error, misprint or omission. Information contained in this Annual Report is accurate as at 30 June 2016, based on information provided to the Trustee by the Fund’s service providers. Information contained within this Annual Report is specific to the Fund, unless stated otherwise.

Neither the Trustee, nor any of its service providers, guarantee the performance of any of the investments available within the Fund. The Trustee does endeavour to ensure that only professional managers using sound investment processes are utilised.

This publication contains general information or general advice only that has been prepared without taking into account your objectives, financial situation or needs.

If you would like a printed copy of this Annual Report free of charge, contact us at:

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PO BOX A2499
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CARING FOR YOUR MONEY

The SMERF was established on 1 July 2005 as an Eligible Rollover Fund (“ERF”).

An ERF is a special type of superannuation fund designated by the Australian Prudential Regulation Authority (“APRA”) to receive and invest the entitlements of superannuation members in certain circumstances. Generally, people become members of an ERF because the trustee of a superannuation fund of which they were a member transferred their benefit to the ERF.

The primary purpose of an ERF is as a temporary repository for amounts transferred to the Fund from other regulated superannuation funds.

Insurance benefits are not available through the Fund.

Re-unite with Your Super

Through the SMERF website (www.smerf.com.au) you are able to access SuperSeeker. This is a tool provided by the Australian Taxation Office that will look for your lost superannuation in real time and instantly provide you with possible matches. It is free to use. The SuperSeeker online and phone services are available 24 hours a day, 7 days a week.

You can also search for your SMERF accounts by using the online enquiry form ‘Do we have your lost super?’ on the SMERF website. You will be provided a Benefit Payment form if there is a positive match.

In 2015/16 financial year, SMERF transferred over \$6m to other super funds at the request of 5,972 members.

There are many benefits of consolidating your superannuation funds - some of which are:

- Saving costs by paying only one set of fees
- Reducing your paperwork; and
- Making it easier to keep track of your superannuation

If eligible, you can claim your benefits from SMERF or request to transfer your SMERF super to your chosen super fund. SMERF does not charge an exit fee. Transferring your money is easy. You can initiate a transfer yourself by:



Alternatively, you can ask your chosen super fund to request the transfer directly with SMERF.

Who Manages the Fund?

The trustee of the Fund is Diversa Trustees Limited (Diversa Trustees). On 1 July 2016, the trustee changed its name from The Trust Company (Superannuation) Limited to Diversa Trustees Limited. The people involved with the management of SMERF remain unchanged.

As Trustee, Diversa Trustees aims to ensure that all legal and compliance obligations are properly met. It is responsible for compliance with the Trust Deed of the Fund, including ongoing satisfaction of legislative requirements, and monitoring of risk controls as specified in its' risk management framework. In summary, the Diversa Trustees role generally incorporates:

- Fund registration
- Issue of disclosure documents
- Compliance monitoring against legislative and regulatory requirements
- Risk Management

The names of the directors of the Trustee as of 30 June 2016 are as follows: Mark Cerché (Chairman), Murray Jones, Andrew de Vries, Vincent Parrott and Luke Barrett.

Service Providers

The Trustee uses a range of specialist service providers to help look after the Fund and its investments. The service providers at 30 June 2016 were:

Auditor	UHY Haines Norton
Administrator	Diversa Superannuation Services Limited
Asset Consultant	TAG Asset Consultants Pty Ltd trading as Atchison Consultants
Custodian	RBC Investor Services Trust

Note: Diversa Limited has been the sole shareholder of the Trustee since 1 September 2014. On an arms length basis, Fund Administration is outsourced to DSS, a subsidiary business of Diversa Limited.

Merger of Diversa Limited and OneVue Holdings Limited

On 6 October 2016, following a scheme of arrangement, OneVue Holdings Limited (OneVue) acquired all of the ordinary shares in Diversa Limited (Diversa). Diversa was de-listed from ASX from 7 October 2016.

Trustee Liability Insurance

The Trustee has liability insurance to protect it and the Fund against certain losses arising as a result of claims made against it (subject to the terms and conditions of the relevant insurance policy).

SMERF INVESTMENTS

The Trustee has adopted an investment strategy that governs the way the assets of SMERF are invested which includes SMERF's investment objective and strategy for achieving this objective.

The Trustee does not promise that Members will earn any return on their investment or that their investment will gain or retain its value. An investment in SMERF is subject to investment risk.

Currently SMERF invests Members' money across various asset classes and two principal underlying investment managers. An investment portfolio with a spread of asset classes is designed to reduce the volatility (variability) of the returns of the portfolio. Volatility may also be reduced by utilising multiple investment managers.

SMERF only has one investment option. As a Member of SMERF, your money will be invested in accordance with the SMERF investment strategy. You do not have a choice of different investment options to choose from.

Investment Objective

The investment objectives of SMERF are to:

- Achieve an after fee and tax crediting rate of at least 1.5% per annum above increases in Consumer Price Index (CPI) over a rolling five-year period;
- Maintain a cash account of \$1m (within ranges of \$500,000 to \$1.5m) for cash flow management purposes;
- To preserve capital by limiting the likelihood of a negative annual return to no more than one year in ten (Risk Level).

Investment Strategy

In formulating the investment strategy, the Trustee has regard to items related to sources of returns, the risk factors associated with each return source and the appropriate level of diversification required for the investment strategy.

Returns will generally be generated from growth assets and defensive (income) assets. Growth assets will include shares (Australian and international), property and alternative assets, and defensive assets will include fixed interest (Australian and international) and cash.

Asset Allocation

The Trustee has set the following long term strategic asset allocation consistent with the investment objectives and strategy. On an annual basis the objectives and strategy are reviewed by the appointed investment consultant including confirmation that the strategic asset allocation targets and ranges remain consistent with these. The strategic asset allocation and targets and ranges will be changed if required in order to continue to meet the investment objectives.

Asset Class	Asset Allocation Benchmark (%)	Asset Allocation Range (%)
Australian Shares	18.0	10-25
Overseas Shares	9.0	5-15
Australian Property	3.5	0-10
Overseas Property	2.5	0-5
Alternative Assets	2.0	0-5
Total Growth Assets	35.0	15-55
Australian Fixed Interest	9.0	5-20
International Fixed Interest	16.0	10-20
Cash	40.0	30-50
Total Defensive Assets	65.0	45-85

The benchmark asset allocation is SMERF's target allocation to the different asset classes. The actual asset allocation may occasionally fall outside of the ranges shown. This may happen for example as a result of sudden significant movements in values for an asset class or decisions by underlying fund managers. Where this happens, the Trustee will take action to move back within the ranges as soon as practicable having regard to the interests of Fund members.

Underlying Managers and Significant Investments

The Trustee is required to disclose any individual investment or the total investments with any one organisation which represents 5% or more of the Fund's total assets. As at 30 June 2016 the Fund's investments were held as follows:

Name of Investment	% of Assets
Vanguard Balanced Index Fund	58.5
Vanguard Cash Reserve Fund	26.0
BT Wholesale Active Balanced Fund	9.8
Cash	5.7
Total	100.0

Updated information about the allocation of Fund assets to particular asset classes and investment managers is available on request from SMERF. The underlying investment managers used by SMERF may change at the discretion of the Trustee without notification to you as considered necessary or appropriate to achieve SMERF's investment objectives.

Investment Performance

The investment performance of the Fund is calculated after the deduction of some (but not all) fees, costs and taxes. For more information about fees and costs deducted from your account and/or deducted from your investment, please see the Fund's current PDS.

The investment performance of the Fund is calculated and applied to members' accounts each year as at 30 June using a declared crediting rate for the Fund. This rate takes into account the performance of the Fund's underlying investments and any allocation to or distributions from the Fund Reserves.

The declared crediting rate can be positive or negative and may be different from the net return of the Fund's underlying investments.

The net returns (earned from the Fund's investments) and declared crediting rates over the 5 years period to 30 June 2016 are shown below:

Year to 30 June	Net returns	Declared crediting rate
2012	4.10%	1.80%
2013	10.30%	8.02%
2014	8.90%	4.99%
2015	7.70%	6.00%
2016	2.20%	2.53%
Compound average annual return over 5 years	6.60%	4.64%

Note: Past performance is not a reliable indicator of future performance. The Trustee does not guarantee that you will earn any specific rate of return on your investment or that your investment will gain or retain its value.

Interim crediting rates are reviewed and determined at various times during the year for members who leave the Fund part way through a financial year. These are based on what the Trustee believes is prudent having regard to the investment experience of the Fund at the time of the determinations and estimated tax and indirect fees and costs. An interim crediting rate is applied to the accounts of Members that leave the Fund prior to 30 June in any year. The interim crediting rate can be positive or negative.

Derivatives

The Trustee does not directly invest any of the assets of the Fund in derivative securities such as futures, options or swaps. The underlying investment managers of the Fund may however, utilise derivatives to manage the risk and liquidity of their portfolios. Derivatives are not used by the investment managers to gear the investment portfolio of the Fund or as speculative investments.

Asset Consultant

The Trustee utilises an independent Asset Consultant to provide advice regarding the investments of SMERF. The Asset Consultant is Atchison Consultants.

The underlying investment managers and investment funds utilised by SMERF are appointed and removed by the Trustee in accordance with SMERF's investment strategy. Any decision to appoint/remove a manager or fund is based upon an assessment of the style and performance of the manager or fund.

Other Considerations

Labour standards, environmental, social or ethical considerations are not taken into account in making investment decisions or selecting underlying investment managers or investment funds.

OPERATION OF FUND RESERVES

The Fund operates two Reserve accounts. The following reserving arrangements apply:

Source and Limits of the General Reserve

The Reserve comprises accumulated investment income, fees deducted from member accounts, expenses paid, investment tax provisions and any distributions and member protection applied to members including exited members during the year.

The Reserve is measured at 30 June each year. The Trustee manages this Reserve to ensure excess funds are not accumulated. The Reserve cannot be negative.

Purpose and Use of the General Reserve

The primary purpose of the reserve is to accumulate investment income during the financial year in anticipation of crediting members at the conclusion of the financial year. It is also used to pay Fund expenses and taxes as they fall due. The General Reserve may also be used to facilitate the funding of the Fund's Operational Risk Financial Requirement (ORFR). In this regard, amounts from the General Reserve may be transferred to the Operational Risk Reserve (refer to the Operational Risk Reserve section following for further details).

Distributing the General Reserve

At 30 June each year, the Fund administrator runs a trial estimated crediting rates through the administration system and thereby are able to provide estimates of the annual distributions to members. The Trustee then determines and approves the final crediting rates to be applied having regards to the amount distributed and the balance remaining in the Reserve. The final crediting rates are to be applied in such a manner so that the Fund's Reserve after crediting is in the order of \$50,000 - \$100,000 at 30 June each year.

Investment of the General Reserve

The Reserve is invested in line with the Fund's investment strategy, described in the 'SMERF INVESTMENTS' section of this document.

Operational Risk Reserve

The Federal Government as part of its Stronger Super reforms has imposed a requirement for funds to establish and maintain an Operational Risk Reserve (ORR) to specifically cover potential losses arising from operational risks that may affect the Funds' business operations.

An operational risk is the risk of a loss resulting from inadequate or failed internal processes, people and systems, or from external events. The ORR may be drawn upon to assist in compensating members or the Fund in the event of an operational risk having materialised.

The amount of the Reserves as at 30 June (for the respective year) was:

30 June	General Reserve Value \$	Operational Risk Reserve value \$
2014	99,620	110,000
2015	65,306	160,000
2016	94,783	160,000

GENERAL SUPERANNUATION INFORMATION

Superannuation Changes Proposed in 2016 Federal Budget

In the 2016 Federal Budget, the Government announced a package of superannuation reforms. Some highlights of the proposed changes are summarized below. Please note that at the time of preparing this document, these proposals have not been passed by the parliament into legislation. The proposals, if passed, will have an effective date of 1 July 2017, unless otherwise stated:

- Lower the concessional contributions cap to \$25,000 per annum and remove the special cap for those over 50 years old.
- Lower the non-concessional contributions cap to \$100,000 per annum. Further, non-concessional contributions can only be made if you have less than \$1.6 million in your super account. This will replace the current \$180,000 annual cap with 3 years bring forward rules.
- Allow catch-up concessional contributions over 5-year period from 1 July 2018, if your super account balance is less than \$500,000.
- Reduce the income threshold above which high income earners are required to pay 30% tax on the concessional super contributions from \$300,000 to \$250,000 per annum.
- Replace the Low Income Superannuation Contribution (LISC) with Low Income Superannuation Tax Offset (LISTO). The eligibility and amount under LISTO will be the same as LISC.
- Increase the income threshold for spouse tax offset from \$10,800 to \$37,000 phasing out at \$40,000. The same 18% tax offset of up to \$540 will apply.
- Introduce a transfer balance cap of \$1.6 million on retirement balances. This cap will be indexed in \$100,000 increments in line with the consumer price index.
- Remove the tax exemption for earnings on transition-to-retirement pensions (TRIPs). Earnings from assets in TRIPs will be subject to 15% tax.
- Increase the rate of tax on the Departing Australia Superannuation Payment (DASP) for working holiday makers to 95%.
- Abolish the anti-detriment rule.

Asset Test Limits for the Age Pension

From 1 January 2017 the assets test free area and the assets taper rate will increase.

The assets test free area is the amount of assets a pensioner can have in addition to the family home and still qualify for a full Age Pension. This will increase to \$250,000 for single home owners and \$375,000 for couple home owners from 1 January 2017.

Further, pensioners will be subject to a new taper rate of \$3 for every \$1,000 above the new assets test free areas. This effectively reduces the upper level of allowable assets before the Age Pension cuts off.

Tables a, b, c below show the current lower and upper thresholds compared to post 1 January 2017 thresholds.

Table a - Asset Test Free Area for Full Pension				
Family situation	Homeowners Assets must be less than		Non-homeowners Assets must be less than	
	1 Jul 2016	1 Jan 2017	1 Jul 2016	1 Jan 2017
From	1 Jul 2016	1 Jan 2017	1 Jul 2016	1 Jan 2017
Single	\$209,000	\$250,000	\$360,500	\$450,000
Couple combined	\$296,500	\$375,000	\$448,000	\$575,000
Illness separated couple combined	\$296,500	\$375,000	\$448,000	\$575,000
One partner eligible, combined assets	\$296,500	\$375,000	\$448,000	\$575,00

Table b - Asset Test Limits for Part Pensions				
Family situation	Homeowners Assets must be less than		Non-homeowners Assets must be less than	
	20 Sep 2016	1 Jan 2017	20 Sep 2016	1 Jan 2017
From	20 Sep 2016	1 Jan 2017	20 Sep 2016	1 Jan 2017
Single	\$793,750	\$542,500	\$945,250	\$742,500
Couple combined	\$1,178,500	\$816,000	\$1,330,000	\$1,016,000
Illness separated couple combined	\$1,466,000	\$960,000	\$1,617,500	\$1,160,000
One partner eligible, combined assets	\$1,178,500	\$816,000	\$1,330,000	\$1,016,000

Table c - Asset Test Limits for Transitional Rate Pensions				
Family situation	Homeowners Assets must be less than		Non-homeowners Assets must be less than	
	20 Sep 2016	1 Jan 2017	20 Sep 2016	1 Jan 2017
From	20 Sep 2016	1 Jan 2017	20 Sep 2016	1 Jan 2017
Single	\$701,500	\$496,250	\$853,000	\$696,250
Couple combined	\$1,091,000	\$772,500	\$1,242,500	\$972,500
Illness separated couple combined	\$1,281,500	\$867,500	\$1,433,000	\$1,067,500
One partner eligible, combined assets	\$1,091,000	\$772,500	\$1,242,500	\$972,500

Surcharge

Surcharge tax was abolished from 1 July 2005, however the ATO may issue surcharge assessments in respect of prior years. If the Fund received and paid a surcharge assessment in respect of a member during the reporting period, the surcharge tax will have been deducted from the member's account balance and paid to the ATO.

OTHER IMPORTANT INFORMATION

More Information

If you would like more general information about superannuation, please refer to the current Fund PDS or contact us.

Lost Members & Unclaimed Benefits

SMERF is required to pay superannuation accounts as lost or unclaimed money to the ATO in certain circumstances:

- members aged 65 or older
- non-member spouses
- deceased members
- former temporary residents
- the balance of the lost member account is less than \$4,000

A SMERF member will be a lost member unless:

- SMERF has verified their address within the last 2 years and there is no reason to believe the address is incorrect; or
- they are permanently excluded from being classified as a lot member

A member can be considered “permanently excluded” from being lost where:

- the member is an inactive member who has indicated by a positive act (for example, deferring a benefit in the fund, or nominating a beneficiary) that he or she wishes to continue to be a member of the fund; or
- the member has contacted the fund at any time after the time at which he or she joined the fund and indicated that he or she wishes to continue being a member of the fund

In the 2015/16 financial year, SMERF transferred over 790 member accounts and over \$739,000 to the ATO as lost and unclaimed benefits.

Once a member’s account has been transferred to the ATO, the member can reclaim their money by applying to the ATO. You can call them on 13 10 20 or visit their website at www.ato.gov.au/super.

Enquiries and Complaints

The Trustee has set up a formal procedure for dealing with enquiries and complaints regarding SMERF’s operation and management. You can make an initial enquiry by contacting SMERF or you can formally register a complaint by contacting the:

Enquiries and Complaints Officer
SMERF
PO Box A2499
SYDNEY SOUTH NSW 1235
Phone: 1800 114 380
Fax: 02 9262 7473
Email: smerf@diversa.com.au

We aim to resolve all complaints quickly and fairly. If you are not satisfied with the response from us, or we have not responded within 90 days of your complaint, you may refer your complaint to the Superannuation Complaints Tribunal (SCT), an independent government body. Strict time limits apply for lodging certain complaints with the SCT; otherwise the SCT may not be able to deal with your complaint.

Superannuation Complaints Tribunal
Locked Bag 3060
GPO MELBOURNE VIC 3001
Phone: 1300 884 114
www.sct.gov.au

ABRIDGED FINANCIAL INFORMATION

The following abridged financial information is based on audited data. As a regulated fund, SMERF is audited each year and a return is lodged with the Australian Prudential Regulation Authority (APRA).

A copy of the fully (audited) financial statements and auditor's report can be made available on request by calling Member Services on 1800 114 380 or on the Fund's website www.smerf.com.au.

The Super Money Eligible Rollover Fund Abridged Statement of Financial Position at 30 June 2016		
	30 June 16 \$ '000	30 June 15 \$ '000
ASSETS		
Investments		
Wholesale Unit Trusts	53,489	60,637
Total Investments	53,489	60,637
Other Assets		
Cash	594	761
Receivables	2,655	973
Current Tax Asset	-	75
Total Other Assets	3,249	1,809
TOTAL ASSETS	56,738	62,446
LIABILITIES		
Current Tax Liability	76	-
Deferred Tax Liability	128	236
Other Payables	62	106
TOTAL LIABILITIES	266	342
NET ASSETS AT END OF THE PERIOD	56,472	62,104
Liability For Accrued Benefits		
Represented by:		
Vested Benefits Allocated to Members	56,080	61,835
Not yet Allocated	138	43
	56,218	61,878
Administrative Reserve	94	66
Operational Risk Reserve	160	160
NET ASSETS AT END OF THE PERIOD	56,472	62,104

COMMUNICATING WITH US

We are happy to assist you with any questions you may have about the Fund or your account. If you have any enquiries or complaints, please contact the Fund at:

SMERF Member Services
PO BOX A2499
Sydney South NSW 1235
Freecall: 1800 114 380
Fax: (02) 9262 7473
Email: smerf@diversa.com.au

You can also follow the SMERF on Twitter: @The_SMERF

