



The Super Money Eligible Rollover Fund

**SMERF**

**Annual Report for the year  
ending 30 June 2010**

This Annual Report should be read with your Member Statement for the period ending 30 June 2010. Your Member Statement has been mailed to you. If you would like a printed copy of this Annual Report (free of charge), contact us on 1800 114 380.

**SMERF**

SUPER MONEY ELIGIBLE ROLLOVER FUND

ABN: 94 334 023 289 SFN: 511 787 055 RSE: R1001372

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The Super Money Eligible Rollover Fund ("Fund" or "SMERF"), ABN: 94 334 023 289 SFN: 511 787 055 RSE No: R1001372.

The registered office of the Trustee is:  
CCSL Limited

**ABN:** 51 104 967 964  
**AFSL:** 287084  
**RSE Licence:** L0000758

Level 16, 114 William Street  
Melbourne Vic 3000

**Note:** Neither the Trustee, nor any of its advisors or service providers guarantee the performance of the Fund. Any information contained in this document is general information only. We have not taken into account your individual investment objectives, financial position or needs. Before making a decision on the basis of the information contained in this document, you need to consider whether it is appropriate in light of your own circumstances and you should refer to the Product Disclosure Statement (PDS) for the Fund. You may wish to consult an appropriately licensed or authorised financial adviser for advice on your particular needs.

Whilst all due care has been taken in the preparation of this report, the Trustee reserves its right to correct any errors or omissions.

This Annual Report should be read in conjunction with your annual member statement, which shows your member entitlements in the Fund as at 30 June 2010.

The SMERF was established on 1 July 2005. The Fund operates on the "accumulation" principle, that is, contributions are allocated to specific accounts established for each member. These accounts are credited with amounts transferred to the Fund and any positive investment earnings (after taking into account fees, costs and taxes deducted from the assets of the Fund before determining the Fund's crediting rate) and debited with withdrawals, amounts transferred from the Fund, any negative investment earnings and fees, costs and taxes deducted directly from a member's account.

Insured benefits are not available through the Fund.

### Who manages the Fund?

The Fund's current trustee is CCSL Limited (ABN 51 104 967 964, AFSL No. 287084, RSE L0000758); address: Level 16, 114 William Street, Melbourne Vic 3000; Ph (03) 9616 8600.

Trust Company Superannuation Services Limited resigned as Trustee and CCSL Limited was subsequently approved by the Australian Prudential Regulation Authority (APRA) and appointed as the trustee of the Fund on 10 August 2009.

The Trustee is responsible for the operation of the Fund and is legally obliged to operate the Fund in accordance with the Trust Deed and relevant law.

The directors of the Trustee (CCSL Limited) are Mark Cerché (Chairman), Nicholas Brookes, Murray Jones, Alan Bowman and James Ferguson.

The Trustee uses a range of specialist service providers to help look after the Fund and its investments, including the following as at 30 June 2010:

Auditors	Virgoe Crispin Accountants
Administration	Superannuation Administration Corporation trading as Pillar Administration
Asset Consultant	TAG Asset Consultants Pty Ltd trading as Atchison Consultants
Custodian	RBC Dexia Investor Services Trust

The Trust Deed sets out the rules that govern the management of the Fund including how benefits are calculated. For a copy of the Trust Deed, phone 1800 114 380. Should there be any inconsistency between this report and the Fund's Trust Deed, the terms of the Fund's Trust Deed will prevail.

### Trustee liability insurance

The superannuation law requires the Trustee to act in the best interests of the members at all times. 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).

## Investments

The Trustee has formulated an investment policy that governs the way the assets of the Fund are invested which includes the Fund's investment objective (see below) and strategy for achieving this objective (see benchmark asset allocations further below).

The Fund invests members' money in underlying investment funds that invest across various asset classes. An investment portfolio with a spread of asset classes is designed to reduce the volatility (variability) of the returns of the portfolio.

## Investment Objective

The investment objective of the Fund is to:

- > Achieve an after fee and tax earning rate of at least 3% per annum above increases in the Consumer Price Index (CPI) over a rolling five-year period;
- > Avoid the employment of member protection costs beyond one in every 10 years (Member protection costs are costs that are ordinarily charged directly to member accounts but cannot, in a given year, be deducted from the accounts to the extent they are in excess of the crediting rate allocated to member accounts. Costs that cannot be deducted from accounts will be met out of the assets of the Fund and, therefore, are borne by all members);

**The objective is not a promise or guarantee of any particular benefit or return. The objective is used by the Trustee to measure the performance of the Fund's investments.**

## Investment Strategy

The Fund's investment strategy to achieve these objectives is that the Trustee will have regard to the overall circumstances of the Fund, and will comply with all applicable legislative requirements, when making decisions on investment strategy.

The Trustee believes the following long term strategic asset allocation for the Fund's assets is consistent with achieving the Fund's investment objectives:

	Benchmark*	Ranges
Australian Shares	18%	10-25%
Overseas Shares	10%	5-15%
Australian Listed Property	3%	0-10%
International Listed Property	2%	0-5%
Alternative Assets	2%	0-5%
Australian Fixed Interest	10%	5-20%
Overseas Fixed Interest	15%	10-20%
Cash	40%	30-50%
	100%	

\*Note: The benchmark asset allocation is the Fund's target allocation to the different asset classes. The actual asset allocation of the Fund will be close to this benchmark, but will vary from time to time, as a result of the asset allocation decisions of the underlying fund manager of the portfolio.

The actual asset allocation may occasionally fall outside of the ranges shown above. 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.

The Fund's investments will be managed with a view to ensuring that sufficient liquidity will be available to meet expected cash-flow requirements.

Assets will be invested in pooled funds managed by professional portfolio managers who will have responsibility for the investment of the assets within specific constraints.

In choosing prospective managers, the Trustee will have specific regard to their investment strategy, historical performance, effect on the diversification of the Fund's assets, and management structure.

Each underlying investment manager will be expected to report to the Trustee any major shifts in their investment strategy which they

may implement, or significant changes in the management structure or other characteristics of their management style as soon as is practicable after their occurrence. Depending on the nature of any such change, the Trustee will consider whether the investment manager remains suitable for the investment strategy outlined above.

## Underlying managers, Significant Investments and asset allocations

The Trustee is required to disclose any individual investments or the total investments with any one organisation which represents 5% or more of the Fund's total assets. As at 30 June 2010 the Fund's investments were held as follows:

Name of Investment	% of Assets
Vanguard Lifestrategy PST - Conservative	81.5
BT Wholesale Active Balanced Fund	13.7
Cash	4.8
<b>Total</b>	<b>100.00</b>

During the year, the assets held in the State Street Indexed Conservative Trust were redeemed and invested in the Vanguard Lifestrategy PST - Conservative.

In June 2010 Vanguard announced the closure of the Vanguard Lifestrategy PST - Conservative. As a result, the Trustee has re-invested the assets held in the Vanguard Lifestrategy PST - Conservative into the Vanguard Diversified

Conservative Fund which occurred during September 2010. The strategy of the Vanguard Diversified Conservative Fund matched the Vanguard Lifestrategy PST – Conservative and remains an appropriate investment for the Fund.

Over the longer term it is anticipated that members will benefit from the diversification of managers which reduces the possibility of an investment portfolio suffering from poor performance reflecting a style bias or poor management. Further diversification between growth and defensive portfolios will achieve varying levels of performance at different stages of the market cycle in accordance with the underlying assets. If these are combined it may result in more stable returns to investors.

The actual asset allocations of relevant underlying funds on 30 June 2009 and 30 June 2010 are shown in the table below

Asset Class	Actual Asset Allocation 30 June 2010	Actual Asset Allocation 30 June 2009
Australian Shares	16.7	21.2
Overseas Shares	11.6	14.5
Australian Property	2.5	6.1
International Property	2.1	6.1
Alternative Assets	1.1	5.2
<b>Total Growth Assets</b>	<b>34.0</b>	<b>47.1</b>
Australian Fixed Interest	11.5	19.8
Overseas Fixed Interest	15.1	14.0
Cash	39.4	19.1
<b>Total Income Assets</b>	<b>66.0</b>	<b>52.9</b>

## Investment performance

Due to the Fund commencing on 1 July 2005, performance figures are only available for the period 1 July 2005 to 30 June 2010. 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, see your annual Member Benefit Statement and the Fund's current Product Disclosure Statement.

The investment performance of the Fund is calculated and applied to member's accounts each year as at 30 June utilising a declared crediting rate for the Fund which takes into account the performance of the Fund's underlying investments and any allocation to or distributions from the Fund Reserves (see below).

The declared crediting rate can be positive or negative and may be different from the net return from investments.

The net returns (earned from the Fund's investments) and declared crediting rates for each year ending 30 June, since the inception of the Fund, is shown below:

1 July to 30 June	Net Returns	Declared Crediting Rate
2006	3.00%	3.00%*
2007	8.00%	8.00%
2008	-4.90%	-4.80%**
2009	-6.10%	-3.85%
2010	10.20%	8.25%

\* The crediting rate for the year ending 30 June 2006 represents the net earnings of the Fund (after rounding) for the period (approximately 9 months) that the Fund held assets (it is not an annualised rate and does not reflect a full year of investment).

\*\* From 30 June 2008 the Declared Crediting Rate takes into account allocations from the Fund's Reserve and reflects changes to the Fund's crediting rate policy effective 15 December 2007.

The compound average net return for the Fund since its inception is 1.83% and the compound average declared crediting rate for the Fund since inception is 1.97%.

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.

With effect from 15 December 2007 the crediting rate policy of the Fund was changed to take into account the creation of the Fund's Reserve (see below for more information about this).

As a result of the changes to the Fund's crediting rate policy (and changes to the Fund's objectives, strategy and reserving policy), the crediting rates declared by the Trustee for future years may differ to a greater degree from the actual net returns achieved from the Fund's investments.

## 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. Derivatives are carefully monitored by the Trustee in accordance with the investment policy for the Fund.

### Performance monitoring by the Asset Consultant

The Trustee utilises an independent Asset Consultant to provide advice regarding the investments of the Fund. Atchison Consultants were appointed Asset Consultant with effect from 1 November 2006.

The investments of the Fund are monitored via regular investment reports which are reviewed by the Trustee. The underlying investment managers utilised by the Fund are appointed and removed by the Trustee in accordance with the Fund's investment policy. Any decision to appoint/remove a manager is based upon an assessment of the manager's style and performance.

### Operation of Fund Reserves

The Fund operate a Reserve Account. From 23 April 2010, the following reserving arrangements applied:

### Source and Limits of 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 Reserve

The primary purpose of the reserve is that it will accumulate investment income during the financial year in anticipation of crediting members at the conclusion of the financial year.

The purpose of the Reserve is to pay Fund expenses and taxes as they fall due. The Reserve may also be used to meet member protection costs.

### Distributing the Reserve

At 30 June each year, the Trustee 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 Reserve

The Reserve will be invested in line with the Fund's investment strategy, as determined by the Trustee from time to time.

The amount of the Reserve as at 30 June (since inception of this reserve) is:

30 June	Reserve Value \$
2006	43,867
2007	59,391
2008	148,760
2009	83,625
2010	76,395

## Fees and costs

Information about the Fund's management costs is shown below. Other fees and costs may apply (for example, transaction costs and service fees). For a further explanation of fees and costs, see the current Fund PDS.

Management Costs depend upon your account balance. It is calculated by adding the Administration, Investment Management\* and Additional Expense Recovery together. Management Costs are calculated and deducted from your account monthly.

# The Administration Fee for Members will be \$9.13 per annum up until 1 January 2011. This fee is increased annually in accordance with the Consumer Price Index ("CPI").

\* As a result of the change of investments from State Street Indexed Conservative Trust to Vanguard Lifestrategy PST – Conservative the estimated investment management fees decreased from 0.66% to 0.44%. The investment management fees will vary from year to year depending on the allocation of the Fund's assets to the underlying investment managers during a year.

## Management Costs

Administration Cost	less than \$200.00	2.50% p.a. (e.g. \$2.50 per \$100)
	more than \$199.99 but less than \$5,000.00	\$9.13 <sup>#</sup> p.a.
	greater than \$4,999.00	0.165% p.a. (e.g. \$16.50 per \$10,000)
Investment Management	an estimated fee of 0.40%* p.a. (e.g. \$4.00 per \$1,000)	
Additional Expense Recovery	<p>Additional Expense Recoveries may apply if the expenses of the Fund (including member protection costs) are not covered by the Administration and Investment Management Fees. Expense recoveries cannot be reasonably estimated as they depend on a number of factors including the operational costs actually incurred by the Fund in a given year, the number and size of account balances and the impact of member protection rules. For information about the member protection rules refer to your member statement and the current Fund PDS. Expense Recoveries are deducted from the investment assets if required and taken into account in the calculation of the Crediting Rate.</p>	

## GENERAL SUPERANNUATION INFORMATION

### Transaction Costs

Transaction costs are charged by the investment managers to cover the cost of buying and selling assets. These are also called buy sell spreads. These costs are taken into account when valuing the net assets of the Fund before determining the Crediting Rates. These fees do not form part of the management costs described above (they are an additional indirect cost to you).

The transaction costs charged by the applicable investment managers for SMERF are as follows:

Investment Fund	Buy Spread	Sell Spread
BT Wholesale Active Balanced Fund	0.35%	0.35%
Vanguard Lifestrategy PST – Conservative	0.15%	0.10%
Vanguard Diversified Conservative Fund	0.15%	0.10%

### Fees relating to splitting or flagging a benefit upon marriage breakdown

The following fees will be charged in relation to processing requests for information under the Family Law Act and splitting and flagging of benefits in the event of marriage breakdown:

Request	Fee*
Processing an application for information	\$114.45 <sup>#</sup> (GST Inclusive)
Processing payment split	\$91.55 <sup>##</sup>
* Plus any additional legal costs	

<sup>#</sup> The Family Law Application for Information Fee will be \$114.45 per annum up until 31 December 2010.

<sup>##</sup> The Family Law Processing Payment Split Fee will be \$91.55 per annum up until 31 December 2010.

Family Law related fees will be increased annually in accordance with the Consumer Price Index ("CPI").

The Family Law Processing Payment Split fee will be deducted from the Member's account prior to the split being performed. Such fees do not incur GST.

All other family law related fees will be payable up front via cheque by the person making the request.

For further information regarding splitting of superannuation benefits upon marriage breakdown, see the current Fund PDS.

### Federal Budget Changes

Over the past 12 months there have been a number of legislation and policy changes made relevant to superannuation, which have been summarised below. This section only deals with changes that may be relevant to you as a member of an eligible rollover fund.

#### Concessional contribution caps

From 1 July 2009 the cap on concessional contributions was reduced from \$50,000 to \$25,000 p.a. and the transitional contributions cap for members over 50 (which applies until 30 June 2012) reduced from \$100,000 to \$50,000. The concessional contributions cap is indexed in line with average weekly ordinary time earnings, in increments of \$5,000 however the transitional contributions cap will not be indexed.

#### Non concessional contribution caps

The non-concessional contributions cap will remain at \$150,000 p.a. for 2009–2010 and will be set at six times the concessional contributions cap. Therefore the non-concessional contributions cap will only increase when the lower \$25,000 cap is increased by indexation.

### Co-contributions

The Government has announced that they will permanently maintain the:

- > super co-contribution matching rate at 100%
- > maximum super co-contribution that is payable on an individual's eligible personal non-concessional super contributions at \$1,000

The Government has also announced that it would freeze the indexation of the super co-contribution income thresholds for 2010–11 and 2011–12 at;

- \$31,920 (the lower income threshold)
- \$61,920 (the higher income threshold).

### Change to lost and unclaimed super rules

From 1 July 2010, the government will require super providers to report and pay the following accounts to the ATO as unclaimed super:

- > Lost accounts with balances of less than \$200 (small lost member accounts)
- > Lost accounts which have been inactive for a period of five years and have insufficient records to ever identify the owner of the account (insoluble lost member accounts).

From December 2010, individuals will be able to search for these types of accounts using the ATO's SuperSeeker tool and lodge a claim for them with the ATO.

At that time, SuperSeeker will display all unclaimed super, including small and insoluble lost member accounts, where a high confidence match with ATO records has been identified.

### Other

As a result of the protracted result in the Federal election and the issues surrounding a "Hung Parliament", there are a number of proposals that were introduced via the 2010 Federal Budget and other industry reviews that remain in limbo. Some of these measures are:

- > MySuper which is a simplified options for those members who do not want to make a choice about super

- > SuperStream which is proposal to allow superannuation funds to transfer information electronically more efficiently
- > Allowing an increase in the Concessional contributions cap threshold for people who have account balances less than \$500,000
- > A number of other tax measures.

### 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.

### More Information

If you would like more general information about superannuation (including relevant tax rules), see the current Fund PDS or contact the Administrator (see the final page of this report for contact details).

The Federal Government's reforms in the superannuation area include other reforms that affect the calculation of Superannuation Guarantee (SG) contributions and rules relating to account based pensions. While these changes do not affect your membership of SMERF, further general information about these changes is available from [www.ato.gov.au](http://www.ato.gov.au).

As we cannot provide you with taxation advice or financial advice that takes into account your personal circumstances, for advice relevant to your personal circumstances, we recommend you seek appropriately qualified taxation or financial advice.

The following abridged financial information is based on audited data.  
SMERF's Statement of Financial Position at 30 June 2010.

<b>ASSETS</b>	<b>30 JUNE 10</b>	<b>30 JUNE 09</b>
	<b>\$</b>	<b>\$</b>
<b>Receivables</b>		
Contributions & Rollovers Receivable	-	-
Income Receivable	91,175	892,107
Other Receivables	39,516	50,168
<b>Investments</b>		
Cash & Short Term Deposits	1,306,978	2,285,983
Unit Trusts	4,250,014	23,681,007
Pooled Superannuation Trusts	25,311,988	-
<b>Other Assets</b>		
GST Receivable	-	-
<b>Tax Assets</b>		
Deferred Tax Assets	785,411	1,105,370
<b>TOTAL ASSETS</b>	<b>31,785,082</b>	<b>28,014,635</b>
<b>LIABILITIES</b>		
<b>Payables</b>		
Accrued Expenses	92,299	26,960
Benefits Payable	1,728	2,757
Accounts Payable	28,455	13,755

<b>Tax Liabilities</b>		
Current Tax Liabilities	-	-
Deferred Tax Liabilities	-	-
<b>TOTAL LIABILITIES</b>	<b>122,482</b>	<b>43,472</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>31,662,600</b>	<b>27,971,163</b>

**Represented by:**

<b>LIABILITY FOR ACCRUED BENEFITS</b>		
Allocated to Members' Accounts	31,586,205	27,878,866
Not Yet Allocated		8,672
Administrative Reserve	76,395	83,625
<b>Total Liability for Accrued Benefits</b>	<b>31,662,600</b>	<b>27,971,163</b>

## Statement of Financial Performance for the Financial Year ended 30 June 2010

INVESTMENT REVENUE	30 June 10 \$	30 June 09 \$
Interest	40,098	65,822
Distributions	263,502	1,318,946
Other Investment Income	2,296,650	(3,135,506)
<b>CONTRIBUTIONS REVENUE</b>		
Taxable contributions	120,889	11,086
Member	87,540	14,734
Transfers In	4,110,432	2,885,506
<b>OTHER REVENUE</b>	15,498	113
<b>TOTAL REVENUES FROM ORDINARY ACTIVITIES</b>		1,160,701
<b>INVESTMENT EXPENSES</b>		
Direct Investment Expenses	-	-
Superannuation Contributions Surcharge	1,178	75
<b>GENERAL ADMINISTRATION EXPENSES</b>		
Administration Expenses	215,019	167,127
Audit Fees	15,780	17,362
Operating Expenses (GST inclusive)	40,034	30,792
<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>	280,011	215,356
<b>BENEFITS ACCRUED AS A RESULT OF OPERATING BEFORE INCOME TAX</b>	6,654,598	945,345
INCOME TAX (BENEFIT) EXPENSE	304,212	(681,484)
<b>BENEFITS ACCRUED AS A RESULT OF OPERATING AFTER INCOME TAX</b>	6,350,384	1,626,829

## Would you like further information?

Abridged financial statements are shown in this report. Full (audited) financial statements and the auditor's report will be available by 31 October 2010. To request a copy of the audited accounts and auditor's report, please contact the Fund.

As a regulated fund, SMERF is audited each year and a return is lodged with the Australian Prudential Regulation Authority (APRA).

## Communicating with us

The Fund will be happy to assist you with any questions you may have about the Fund or your account. If you want more information please contact the Fund at:

### SMERF

Locked Bag 8840  
Wollongong NSW 2500

Freecall: 1800 114 380  
Freefax: 1800 118 307  
Email: [administration@smerf.com.au](mailto:administration@smerf.com.au)  
Website: [www.smerf.com.au](http://www.smerf.com.au)

**SMERT**  
SUPER MONEY ELIGIBLE ROLLOVER FUND