



The Super Money Eligible Rollover Fund

**SMERF**

Annual Report for the year  
ending 30 June 2011

This Annual Report should be read with your Member Statement for the period ending 30 June 2011. 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 RSE: R1001372

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**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 2011.

The Super Money Eligible Rollover Fund ("Fund" or "SMERF"), ABN: 94 334 023 289  
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

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.

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 names of the directors of the Trustee who held office during the year 1 July 2010 to 30 June 2011 are as follows:

Mark Cerché (Chairman), Nicholas Brookes\*, Murray Jones, Andrew de Vries (appointed 15 April 2011), Vincent Parrott (appointed 15 April 2011), Alan Bowman (resigned 15 April 2011), Barry Cochran (appointed 17 September 2010, resigned 31 December 2010), James Ferguson (resigned 28 October 2010), Russell Higginbotham (appointed 17 September 2010, resigned 15 April 2011).

\* Nicholas Brookes resigned effective 31 August 2011

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 2011:

Auditors	Virgoe Crispin Accountants
Administration	FuturePlus Financial Services Pty Limited
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:

Asset Class	Benchmark*	Ranges
Australian Listed Equities	18%	10-25%
International Listed Equities	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%
International Fixed Interest	15%	10-20%
Cash	40%	30-50%
<b>Total</b>	<b>100%</b>	

\*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 2011 the Fund's investments were held as follows:

Name of Investment	% of Assets
Vanguard Conservative Index Fund	81.4
BT Wholesale Active Balanced Fund	14.3
Cash	4.3
<b>Total</b>	<b>100.00</b>

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 Conservative Index Fund which occurred during September 2010. The strategy of the Vanguard 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 the Fund on 30 June 2010 and 30 June 2011 are shown in the table on the following page.

### 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 2011. 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 the Fund's current Product Disclosure Statement.

The investment performance of the Fund is calculated and applied to members' 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 details over the page).

Asset Class	Actual Asset Allocation 30 June 2011	Actual Asset Allocation 30 June 2010
Australian Shares	17.5	16.7
International Shares	12.0	11.6
Australian Listed Property	2.3	2.5
International Listed Property	2.0	2.1
Alternative Investments	1.1	1.1
<b>Total Growth Assets</b>	<b>34.9</b>	<b>34.0</b>
Australian Fixed Interest	10.9	11.5
International Fixed Interest	14.5	15.1
Cash	39.7	39.4
<b>Total Defensive Assets</b>	<b>65.1</b>	<b>66.0</b>
<b>TOTAL ASSETS</b>	<b>100.0</b>	<b>100.0</b>

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%
2011	7.10%	7.10%

The compound average net return for the Fund since its inception is 2.69% and the compound average declared crediting rate for the Fund since inception is 2.8%.

**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 details over the page).

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 operates 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
2011	76,594

## 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

Management Costs depend upon your account balance. They are calculated by adding the Administration, Investment Management and Additional Expense Recovery together.

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 p.a.
	greater than \$4,999.00	0.165% p.a. (e.g. \$16.50 per \$10,000)
Investment Management	an estimated fee of 0.41% p.a. (e.g. \$4.10 per \$1,000)	
	Additional Expense Recovery 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.	

## 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 Conservative Index 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. Fees shown below will apply until 1 January 2012:

Request	Fee*
Processing an application for information	\$114.45 (GST Inclusive)
Processing payment split	\$91.55

\* Plus any additional legal costs

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.

## Excess contributions tax relief

At present, if you exceed the concessional cap by any amount, the excess amount is taxed at 31.5%, which is in addition to the 15% contributions tax paid on the initial contributions, giving a total taxed amount of 46.5%.

It is proposed from 1 July 2011 that individuals who breach their concessional contributions cap by up to \$10,000 can request that these excess contributions be refunded to them. The refunded contributions are then taxed at the taxpayers' marginal rate and there are no amounts over the concessional cap. This will only apply in the first year that the breach occurs and will only ever occur once.

## Over 50's concessional contribution cap indexation.

From 1 July 2012, the concessional cap for over-50's will be at least \$50,000 if a member's account balance is less than \$500,000. If the account balance is over \$500,000 then the concessional cap will be \$25,000 or whatever the indexed amount is at 1 July 2012.

From 1 July 2012, the over-50's cap will always be \$25,000 more than the under-50's cap which is subject to indexation.

(It should be noted that legislation for these changes are not yet passed for this measure.)

## Co-contributions

The Government has announced that they will 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 a further year through to the 2012-13 year at:

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

## 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
- > 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).

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 2011

ASSETS	30 June 11 \$	30 June 10 \$
<b>Receivables</b>		
Contributions & Rollovers Receivable	-	-
Income Receivable	894,628	91,175
Other Receivables	20,657	39,516
<b>Investments</b>		
Cash & Short Term Deposits	1,393,961	1,306,978
Unit Trusts	4,586,895	4,250,014
Pooled Superannuation Trusts	-	25,311,988
Wholesale Funds	26,095,992	-
<b>Tax Assets</b>		
Deferred Tax Assets	858,726	785,411
<b>TOTAL ASSETS</b>	<b>33,850,859</b>	<b>31,785,082</b>

<b>LIABILITIES</b>		
<b>Payables</b>		
Accrued Expenses	49,147	92,299
Benefits Payable	258	1,728
Accounts Payable	161,163	28,455
<b>Tax Liabilities</b>		
Current Tax Liabilities	-	-
Deferred Tax Liabilities	-	-
<b>TOTAL LIABILITIES</b>	<b>210,568</b>	<b>122,482</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>33,640,291</b>	<b>31,662,600</b>

LIABILITY FOR ACCRUED BENEFITS	30 June 11 \$	30 June 10 \$
<b>Represented by:</b>		
Allocated to Members' Accounts	33,563,697	31,586,205
Administrative Reserve	76,594	76,395
<b>TOTAL LIABILITY FOR ACCRUED BENEFITS</b>	<b>33,640,291</b>	<b>31,662,600</b>

## Statement of Financial Performance for the Financial Year ended 30 June 2011

INVESTMENT REVENUE	30 June 11 \$	30 June 10* \$
Interest	39,711	40,098
Distributions	2,087,981	263,502
Other Investment Income	(15,949)	2,296,650
<b>CONTRIBUTIONS REVENUE</b>		
Taxable contributions	8,154	120,889
Member	19,165	87,540
Transfers In	3,196,520	4,110,432
<b>OTHER REVENUE</b>	783	15,498
<b>TOTAL REVENUES FROM ORDINARY ACTIVITIES</b>	<b>5,336,365</b>	<b>6,934,609</b>
<b>INVESTMENT EXPENSES</b>		
Direct Investment Expenses	-	-
Superannuation Contributions Surcharge	-	1,178
<b>GENERAL ADMINISTRATION EXPENSES</b>		
Administration Expenses	234,329	215,019
Audit Fees	13,721	15,780
Operating Expenses (GST inclusive)	47,176	48,034
<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>	<b>295,226</b>	<b>280,011</b>
<b>BENEFITS ACCRUED AS A RESULT OF OPERATING BEFORE INCOME TAX</b>	<b>5,041,139</b>	<b>6,654,598</b>
Income Tax Expense	122,394	304,212
<b>BENEFITS ACCRUED AS A RESULT OF OPERATING AFTER INCOME TAX</b>	<b>4,918,745</b>	<b>6,350,384</b>

\* The 30 June 2010 figures have been corrected from the previous annual report.

## 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 2011. 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

PO Box N835

Grosvenor Place NSW 1220

Freecall: 1800 114 380

Freefax: 1800 118 307

Email: [administration@smerf.com.au](mailto:administration@smerf.com.au)

# Annual Report 2011



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ABN: 94 334 023 289 RSE: R1001372