

The background of the entire page is a light cream color, decorated with a pattern of various orange and yellow fruit slices, including lemons, oranges, and kiwis, scattered across the surface.

# Australian Ethical Super Annual Report

*Year ended 30 June 2014*

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The information contained in this report is general information only. It doesn't take into account your individual objectives, financial situation or needs. Before making any investment decisions you should assess whether the information is appropriate to your circumstances. Interests in the Australian Ethical Retail Superannuation Fund (ABN 49 633 667 743) are offered by Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949) and issued by the Trustee of the Fund, Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733). A product disclosure statement is available from our website [australianethical.com.au](http://australianethical.com.au) or by calling 1300 134 337 and should be considered before deciding whether to acquire, or to continue to hold, interests in the Fund.

# Performance: How Your Money Has Grown



*"Strong returns were observed across a large number of equity indices during the 2013/2014 financial year as bond yields continued to fall in a world awash with liquidity, driving investors globally to share markets in pursuit of higher yielding securities"*

*By Mason Willoughby-Thomas, Portfolio Manager  
Larger Companies Trust*

Following on from the solid returns recorded in the 2012/13 financial year, momentum was maintained, with further strong performances achieved across most global indices over the past 12 months. The MSCI World Index posted an increase of 20.3% for the financial year, again driven to a significant extent by the US which returned 23.9% (using the S&P 500 as a proxy). Key European indices, notably the German DAX and the French CAC, also delivered strong returns with gains of 23.1% and 21.3% respectively.

A supportive procession of economic data from the US helped provide some fundamental justification for the strong performance of equity markets in 2013/14. However, the primary driver of equity market performance appears to be the ongoing availability of ultra-cheap credit, fueling investor appetite for riskier assets in an attempt to boost portfolio returns. This explanation draws support from the almost unfettered rise in global indices throughout the period, despite a series of confidence-rattling events that would usually precipitate a shift in investor risk appetites. Prime examples include the commencement of QE tapering by the US Fed, a string of global geopolitical disturbances (Syria, China v Japan, North Korean belligerence, instability in Ukraine and the rise of ISIS in Iraq), threats to the shadow banking system in China and currency crises in emerging markets.

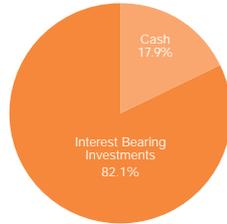
The Australian market (ASX 200) returned a robust 17.4%, albeit underperforming the MSCI World Index. The initial flight to safety late in the 13/14 financial year, in response to US Federal Reserve tapering fears, gave way to a resumption in demand for higher yielding assets in 2013/14, including the Australian dollar. Whilst the RBA had hoped that record low interest rates, falling commodity prices and slowing economic growth would reduce support for the A\$ and assist the much needed transition away from Australia's resources driven economy, global appetite for yield ensured the currency remained stubbornly above \$0.90. With limited success in stoking a broader base of economic growth, mining sector investment cooling and the Chinese economy showing signs of strain, the underperformance of the Australian market relative to global peers was understandable.

# Investment Options

*Asset Allocations(%)\* for accumulation options as at 30 June 2014*

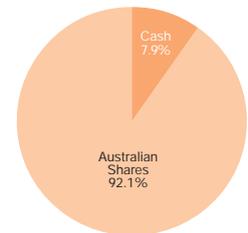
## Defensive

Risk measure:  
Low



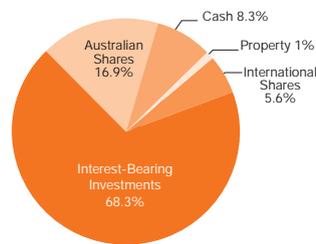
## Smaller Companies

Risk measure:  
High



## Conservative

Risk measure:  
Low to medium



## International Shares

Risk measure:  
High



## Balanced (accumulation)

Risk measure:  
Medium



## Advocacy Fund

Risk measure:  
High



## Growth

Risk measure:  
Medium to high



\* The strategic asset allocation for the Accumulation and Pension options are the same, however the actual asset allocations do vary. Please refer to the Australian Ethical website for the asset allocations for the Pension options. Some asset allocations will not total 100% due to rounding.

The risk measures are based on the Standard Risk Measure Guidelines issued jointly by the FSC and ASFA

## Returns to 30 June 2014

	<b>1 year return (%)</b>	<b>3 year return (%p.a.)</b>	<b>5 year return (%pa)</b>	<b>10 year return (%pa)</b>	<b>Since inception (%pa)</b>
<b>Super</b>					
Defensive	2.6	3.0	3.5	3.7	3.7
Conservative	3.7	4.0	n/a	n/a	4.3
Balanced (accumulation)	8.8	7.6	5.8	4.6	5.9
Smaller Companies	10.7	10.5	8.9	8.9	9.1
Advocacy	16.5	11.5	n/a	n/a	9.0
Growth	10.3	9.0	5.9	5.0	7.4
International Shares	15.7	8.9	4.3	n/a	-1.9
<b>Pension</b>	<b>1 year return (%)</b>	<b>3 year return (%p.a.)</b>	<b>5 year return (%pa)</b>	<b>10 year return (%pa)</b>	<b>Since inception (%pa)</b>
Defensive	2.0	3.4	4.1	4.4	4.6
Conservative	3.6	4.4	n/a	n/a	4.1
Balanced (pension)	8.8	8.5	6.7	5.1	6.4
Smaller Companies	9.6	12.6	10.7	10.0	9.7
Growth	10.1	10.3	7.3	5.6	6.8
International Shares	15.4	8.6	4.0	n/a	-3.2

**Calculating Returns**

- Net investment returns are calculated using exit prices.
- Net investment returns have been calculated using prescribed standard methods and assumptions, and take into account administration and investment fees, taxes and other costs.
- The standard calculations are based on a member with an account balance of \$50,000, which will not be relevant to all members.
- The standard calculations do not allow, for example, for the effect of contributions to an account, insurance fees from an account or various other matters.

Past performance is not an indicator of future performance. Performance is not guaranteed.

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# Six Things That Your Money Is Doing



## *Reducing energy consumption with LED lighting*

LED lights are able to reduce energy consumption by 75%, and last 25 times longer than incandescent lighting.

## *Helping countries impacted by climate change*

We are one of 15 initial investors in the recently launched \$300 million World Bank Green Bond. The Green Bond is intended to help countries that will be hit hardest by the impacts of climate change.

## *Recycling metals & electronics*

Sims Metal Management is the world's largest listed metals and electronics recycler. For every 1 million phones recycled, Sims Recycling Solutions is able to recover 75lb or \$1.5m worth of gold!

## *Investing in the world's biggest green financier*

KfW is a development bank owned by the German government. Over 40% of their lending is specifically identified as supporting climate and environment projects, making it the world's biggest "green financier".

## *Developing treatments for Alzheimers*

Prana Biotechnology is an Australian company currently focusing on developing treatments to assist sufferers of neurodegenerative diseases such as Alzheimer's disease and Huntington's disease.

## *Facilitating employment in the building industry*

Hipages.com.au is Australia's most visited building and renovation website with over 40,000 tradespeople in its network. A job is posted on hipages.com.au every 64 seconds and hipages.com.au facilitates 40,000 jobs every month.

# Changes To Your Super Fund

## *Changes to fees – better value for members*

During 2013/14 we reduced the administration fees for all members, and the investment management fees payable in the Balanced (accumulation) and Balanced (pension) options. The amount you pay for investment management will depend on the investment option you have chosen. The buy/sell spreads have also been reduced for all options from 1 December 2014.

Further information on fees can be found in the Product Disclosure Statement available from our website.

## *New service for members: We can help find and combine your other super*

Some members have told us that they'd like to combine their other super balances/accounts into Australian Ethical, but they don't know where it is, or that the process seems too hard or confusing.

It's now very easy with our new service for members:

1. You authorise us to find your other super accounts (by matching your TFN);
2. We send you a pre-filled consolidation form that you simply need to sign, and send back to our reply paid address;
3. We do the rest, including following up your other funds until they send over your super.

To make your 'Find my super' request, go to [australianethical.com.au/combine](http://australianethical.com.au/combine)

It's so easy that all you need to provide is your name and member number.

Before combining your super you should consider any exit fees payable when you leave your other fund, and any insurance benefits you may lose. You may be eligible to transfer insurance cover you hold with another fund to Australian Ethical. Call us on 1300 134 337 for more information about insurance.

## *Insurance changes*

As a result of legislative changes, we have been required to amend the Total and Permanent Disablement (TPD) definition that applies to the Fund's group life insurance policy. The new definition applies to all TPD cover held in the Fund on and after 30 June 2014. For further information on the new TPD definition, please refer to the Fund's Insurance Guide available from our website.

## *MySuper*

The government introduced MySuper products to give employees access to default, cost-effective superannuation that provides standard product features, such as default insurance. From 1 January 2014, employers have been required to pay Superannuation Guarantee contributions to a MySuper product for employees that have not made an investment choice.

Australian Ethical Super has been authorised to offer a MySuper product. This means that we are one of the funds employers can choose as a 'default' option for the payment of SG contributions.

To comply with government legislation we have ceased our member protection policy which restricts the fees that can be charged to low balance members.

# Accounts

The Australian Ethical Retail Superannuation Fund financial statements for the year ended 30 June 2014 are shown in abridged form below. A copy of the full accounts and the auditor's report is available to members upon request. Please phone 1300 134 337 if you would like a copy mailed to you.

## *Operating statement*

for the year ended 30 June 2014

<b>Investment revenue</b>	<b>2014 \$</b>	<b>2013 \$</b>
Interest	270,336	218,773
Distributions	13,200,465	11,019,259
Changes in net market values	51,995,821	50,557,355
Direct investment expense	-	91,896
<b>Total investment revenue</b>	<b>65,466,622</b>	<b>61,887,283</b>

<b>Contributions revenue</b>		
Employer contributions	37,516,322	32,961,896
Member contributions	9,329,550	5,202,961
Transfers in	58,653,998	16,520,188
<b>Total contribution revenue</b>	<b>105,499,870</b>	<b>54,685,045</b>

<b>Other revenue</b>		
Management fee rebate	8,763,408	6,917,722
Other revenue	2,401,984	233,433
<b>Total other revenue</b>	<b>11,165,392</b>	<b>7,151,155</b>

<b>Total Revenue</b>	<b>182,131,884</b>	<b>123,723,483</b>
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<b>Less:</b>		
General administration expenses	15,130,142	11,919,669
Auditor's remuneration	11,354	-
Surcharge tax expenses	1,568	2,127
<b>Total expenses</b>	<b>15,143,064</b>	<b>11,921,796</b>

<b>Benefits accrued as a result of operations before income tax</b>	<b>166,988,820</b>	<b>111,801,687</b>
Income Tax Expense	8,184,613	10,975,824
<b>Benefits accrued as a result of operations after income tax</b>	<b>158,804,207</b>	<b>100,825,863</b>

## Statement of financial position

as at 30 June 2014

<b>Investments</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Investments	580,470,619	452,156,511
<b>Total Investment Assets</b>	<b>580,470,619</b>	<b>452,156,511</b>
<b>Other Assets</b>		
Cash and cash equivalents	10,771,021	11,872,547
Trade and other receivables	11,525,503	6,072,949
Deferred Tax Asset	29,241	323,212
<b>Total Other Assets</b>	<b>22,325,765</b>	<b>18,268,708</b>
<b>Total Assets</b>	<b>602,796,384</b>	<b>470,425,219</b>
<b>Liabilities</b>		
Trade and other payables	1,167,827	1,783,432
Unsettled Investment Trades	4,343,394	1,918,033
Current Tax Liabilities	1,697,791	1,979,110
Deferred Tax Liabilities	5,799,697	1,577,930
<b>Total Liabilities</b>	<b>13,008,709</b>	<b>7,258,505</b>
<b>Net Assets available to pay Benefits</b>	<b>589,787,675</b>	<b>463,166,714</b>
<b>Liability for Accrued Benefits</b>		
Allocated to Members' Accounts	587,299,167	461,376,846
Unallocated to Members' Accounts	1,718,174	1,464,572
Operational risk financial reserve	770,334	325,296
	<b>589,787,675</b>	<b>463,166,714</b>

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# Things You Should Know

## *Indemnity insurance*

The Trustee is covered by indemnity insurance to protect it from losses arising from claims against it. This insurance was provided by QBE Insurance (Australia) Ltd throughout the 2013/14 financial year.

## *Investment managers*

The Trustee uses Australian Ethical Investment Ltd as its investment manager. More than 5% of the Fund's assets were invested in Australian Ethical's funds during the year.

## *Derivatives*

Australian Ethical Superannuation does not directly use derivatives. It invests in collective investment funds managed by Australian Ethical Investment Ltd, which may use derivatives to reduce the impact of large adverse movements in currency exchange rates (foreign currency hedging). The collective investment funds may also use derivatives to manage interest rate and duration risk in fixed interest and property portfolios

## *Complaints resolution*

If you have any inquiries or complaints you should address them in the first instance by contacting on 1300 134 337 or by writing to the Complaints Officer at Locked Bag 5125, Parramatta NSW 2124.

If you are dissatisfied with a decision of the Trustee relating to you as a member, you may be able to lodge a complaint about the decision with the Superannuation Complaints Tribunal. The Tribunal's role is to act as conciliator on such matters and, where appropriate, make determinations (including determinations overturning decisions by trustees).

The Superannuation Complaints Tribunal may be contacted on 1300 884 114.

## *Allotment of earnings*

Australian Ethical Superannuation uses unit prices for its investment options. Once a week a unit price is struck for each investment option and members' funds are updated in line with the movement in their investment option unit price.

Movements in unit price reflect movements in the value of an investment option's assets as well as amounts payable by the investment option for fees and expenses.



## Contact us

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