

# australian**ethical** Super

## 2010–11 Annual Report

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**australianethical**   
investment + superannuation



## Your super fund in 2011

The financial year to 30 June 2011 produced solid returns for our super members. This is despite market volatility caused by ongoing debt concerns in the US and Europe.

The broad Australian market returned 11.7 per cent. Overseas markets performed well but the strong Australian dollar diminished our overseas returns.

There has been a lot of media attention devoted to the European debt crisis and the political deadlock in the US over the raising of their debt ceiling to 16.4 trillion dollars. Prospects for Australian investors over the next 12 months are however more dependent on how well emerging economies like China and India sustain their strong growth. Opinions are divided on this, with optimists pointing to China's recent record of uninterrupted strong growth and pessimists pointing to its 6.5 per cent inflation rate and to debt issues at the local government level. China's growth rate is likely to slow in the face of these domestic issues and a weak global economy.

### Australian shares

Our investments in smaller Australian companies performed very well over the year, especially in the telecommunications services and healthcare sectors. However, many of our portfolios faced a headwind as they had no investments in the booming mining sector (due to the environmental damage they can cause). Whilst this lack of exposure to a strong industry will sometimes impact our short-term performance, over the longer term, periods of specific industry sector strength tend to be offset by sustained periods of strong performance by ethical investments, often with lower volatility of returns.

### International shares

Our investments in Global Smart Energy were let down by a disappointing year for international renewable energy and energy efficiency companies. There was little progress by overseas governments towards increasing the share of energy produced from renewables, although we remain confident that this will improve. Japan's nuclear tragedy however has led many to press forward with the use of renewables as a safer alternative.

### Property and fixed interest

In addition to the introduction of longer duration fixed interest investments over the last 12 months (for example government and corporate bonds); our Conservative, Balanced and Growth investment options now have

exposure to additional commercial property after the purchase of Lawley House in Canberra.

Lawley House was constructed in 1948 and is located near Lake Burley Griffin and close to Canberra's parliamentary precinct. The property is leased to the Commonwealth until June 2022 with a further five year option. It will provide an initial yield of 8.7 per cent.

The purchase of Lawley House increases the diversity of property types between social infrastructure and high efficiency buildings.

## Looking ahead to 2012

Australian Ethical's portfolios remain well placed to take advantage of a shift towards renewable energy and energy efficiency over the long term. The recently announced carbon tax package, that included \$10 billion of funding for a Clean Energy Finance Corporation, was a promising development.

In addition, we believe that there continues to be a trend toward ethical behaviour by investors in general. This will have a positive impact on our portfolios as the value of ethical investments increase. Our strategy for the coming year is to seek out new opportunities in high quality companies with low or zero debt and solid earnings that we believe are undervalued in the current market.

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## Changes to your super fund

### Removing contribution fees on rollovers

Contribution fees will be removed on direct rollovers into the fund from 14 November 2011.

This is a fantastic opportunity for members to switch all their external superannuation arrangements into Australian Ethical Super. To consolidate quickly and easily please complete the rollover form on our website – [www.australianethical.com.au/forms-individuals](http://www.australianethical.com.au/forms-individuals).

### Electronic communications

We now provide electronic member statements. If you are receiving paper statements, but would prefer to access your statements electronically in future, please send us your current email address to [aes@australianethical.com.au](mailto:aes@australianethical.com.au).

The fund's annual report will be provided via our website in future. If you wish to receive a paper copy you need to let us know – please email or call.

You can get online access to all your super details at the client login area of our website.

### Changes to fund expenses

From 1 January 2012, we are reducing our management fees on all our investment options.

At the same time, the fund will start paying directly for the cost of the fund's administration – the costs associated with processing contributions, making benefit payments and generally managing the fund for members.

The two changes balance out, so that fund expenses for the majority of members are much the same, but for some members expenses will increase. We encourage all members to go to our website to understand the impact the changes have on them at – [www.australianethical.com.au/superannuation-news](http://www.australianethical.com.au/superannuation-news).

### Changes to directors

Directors of the trustee of the fund have changed. Phillip Vernon, Dr Les Coleman and Philip George have become directors of the trustee company. Naomi Edwards, Howard Pender and James Their are no longer directors. Ruth Medd continues as a director and chair of the board of the trustee. Details of the new directors can be found on Australian Ethical's website.

## Investment options

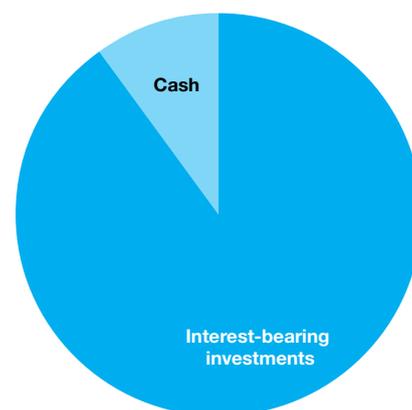
### Defensive

#### Performance objective:

Over 6 to 12 months, achieve returns equal to inflation

#### Risk measure:

Very low



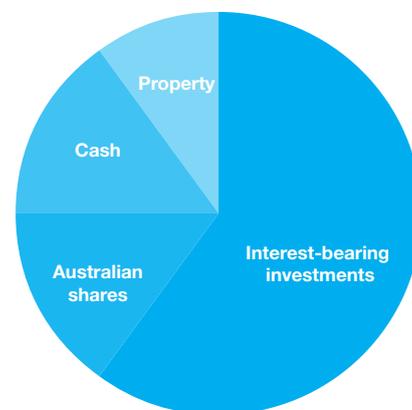
### Conservative

#### Performance objective:

Over 3 to 5 years, achieve returns 1–2% above inflation

#### Risk measure:

Low



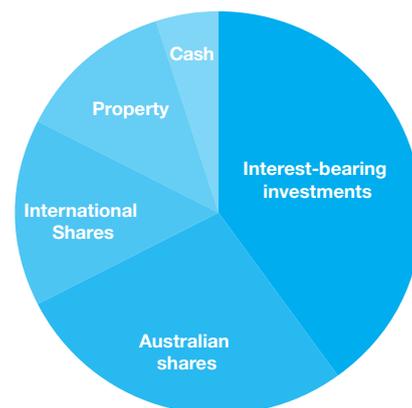
### Balanced

#### Performance objective:

Over 3 to 5 years, achieve returns 2.5–3.5% above inflation

#### Risk measure:

Medium to high



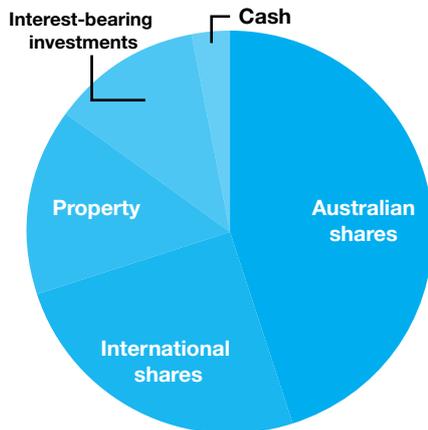
## Growth

### Performance objective:

Over 5 to 7 years, achieve returns 3.5–4.5% above inflation

### Risk measure:

Medium to high



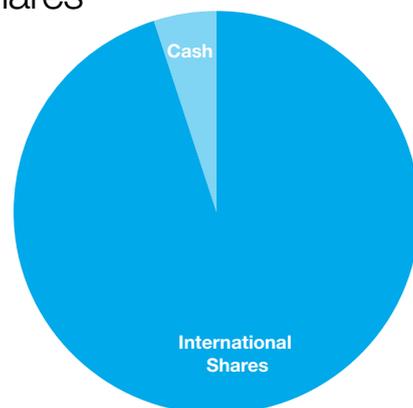
## International Shares

### Performance objective:

Over 5 to 7 years, achieve returns 4–5% above inflation

### Risk measure:

High



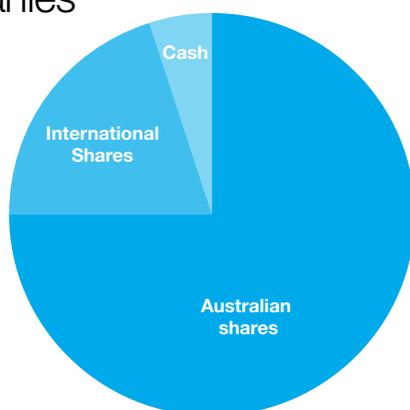
## Smaller Companies

### Performance objective:

Over 5 to 7 years, achieve returns 5–6% above inflation

### Risk measure:

High



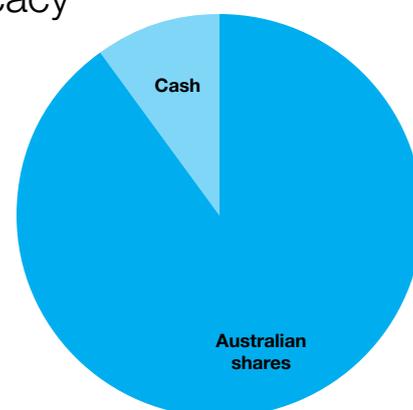
## Climate Advocacy

### Performance objective:

Over 5 to 7 years, achieve returns 3–4% above inflation

### Risk measure:

Medium to high



## Returns to 30 June 2011

Super	3 month return (%)	1 year return (%)	3 year return (% pa)	5 year return (% pa)	10 year return (% pa)	Since inception
Defensive	0.6	4.1	3.8	4.0	4.1	3.9
Conservative	0.9	5.6	–	–	–	5.2
Balanced	-2.7	2.6	0.5	0.4	4.2	5.5
Growth	-6.6	-0.5	-2.0	-1.9	3.6	7.0
Smaller Companies	-6.9	8.9	3.5	5.5	6.3	8.8
International Shares	-7.3	-4.1	-7.0	–	–	-9.3
Climate Advocacy	-2.7	4.5	–	–	–	2.5
<b>Pension</b>						
Defensive	1.4	5.4	4.7	4.8	4.9	4.9
Conservative	0.8	5.2	–	–	–	3.4
Balanced	-2.7	3.7	0.7	0.5	4.8	5.9
Growth	-5.9	1.5	-1.5	-1.9	4.0	6.0
Smaller Companies	-7.1	10.6	3.4	5.9	6.9	8.9
International Shares	-7.8	-4.5	-9.1	–	–	-11.1

# Important information for members

## Flood levy

From 1 July 2011, a flood levy will apply on all taxable income above \$50,000. This will apply to superannuation lump sum and pension payments with taxable components in the 2011–12 year. The levy will not apply to amounts paid from superannuation that are tax free, such as a lump sum or pension payment you take when you are over 60.

The fund will withhold the required amount to meet the levy when making taxable payments to you. If you are receiving a taxable lump sum payment or pension, but are exempt from the flood levy, you should obtain the exemption declaration form (available from the ATO website) and provide it to us.

## Using tax file numbers (TFN)

From 1 July 2011 we are able to use TFNs as a primary identifier to locate and consolidate member accounts.

## Contributions on payslips and regular contribution notifications

From 1 July 2012, employers will be required to provide information on payslips about the amount of superannuation paid to superannuation funds for an employee. Funds will also be required to notify members and employers quarterly if regular contributions cease.

## Refund of excess contributions

If a member exceeds the concessional contributions cap in a year by less than \$10,000, the member can elect to have the excess amount refunded to them. A member will only be able to do this once, and that is in the first year that they make excess contributions. Any amount refunded will be taxed at the member's marginal rate. This will only apply to excess contributions received in 2011–12 and later financial years.

## Concessional contribution caps

A higher concessional contributions cap will apply to eligible members aged 50 and over from 1 July 2012. For members with super balances below \$500,000, the concessional contribution cap will be set at \$25,000 above the 'general' concessional contribution cap (which is currently \$25,000 per year). Further details are required from the government on the implementation of this measure.

## New buy–sell spreads

As of 19 August 2011 new buy–sell spreads were applied to the superannuation fund. Details are available at [www.australianethical.com.au/fees-and-costs-individuals](http://www.australianethical.com.au/fees-and-costs-individuals).

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## Accounts

The Australian Ethical Retail Superannuation Fund financial statements for the year to 30 June 2011 are shown in abridged form below. A copy of the full accounts and the auditor's report is available to members upon request. Phone 1300 134 337 if you would like a copy mailed to you.

### Operating statement

for the year ended 30 June 2011

Investment revenue	2011 \$	2010 \$
Interest	465,720	297,303
Distributions	13,413,780	7,230,244
Changes in net market values	3,058,439	4,830,752
Direct investment expense	(131,226)	(141,255)
<b>Total investment revenue</b>	<b>16,806,713</b>	<b>12,217,044</b>

Contributions revenue		
Employer contributions	30,022,767	28,226,825
Members' contributions	7,220,815	6,473,065
Transfers in	16,353,637	13,315,620
<b>Total contribution revenue</b>	<b>53,597,219</b>	<b>48,015,510</b>

Other revenue		
Management fee rebate	6,562,385	6,146,928
Other revenue	18,861	359,707
<b>Total other revenue</b>	<b>6,581,246</b>	<b>6,506,635</b>

<b>Total revenue</b>	<b>76,985,178</b>	<b>66,739,189</b>
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Less		
General administration expenses	9,624,455	8,762,579
Surcharge tax expense	83	2,068
<b>Total expenses</b>	<b>9,624,538</b>	<b>8,764,647</b>

Benefits accrued before income tax	67,360,640	57,974,542
Less income tax expense	4,766,580	6,350,448
<b>Benefits accrued as a result of operations</b>	<b>62,594,060</b>	<b>51,624,094</b>

### Statement of financial position

as at 30 June 2011

Investments	2011 \$	2010 \$
Shares in listed corporations	–	1,008,050
Units in Australian Ethical Investment unit trusts	345,924,418	323,668,648
Units in Australian Ethical Property Trust	16,079,079	304,392
<b>Total investment assets</b>	<b>362,003,497</b>	<b>324,981,090</b>

Other assets		
Cash at bank	13,802,803	11,607,730
Other receivables	9,349,513	5,926,709
Deferred tax asset	2,685,950	3,617,904
<b>Total other assets</b>	<b>25,838,266</b>	<b>21,152,343</b>

<b>Total assets</b>	<b>387,841,763</b>	<b>346,133,433</b>
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Liabilities		
Accounts payable	2,362,180	874,021
Current tax liability	747,029	1,179,566
Deferred tax liability	2,875	–
<b>Total liabilities</b>	<b>3,112,084</b>	<b>2,053,587</b>

<b>Net assets available to pay benefits</b>	<b>384,729,679</b>	<b>344,079,846</b>
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Liability for accrued benefits		
Allocated to members' accounts	384,682,338	344,037,399
Unallocated to members' accounts	47,341	42,447
<b>Total</b>	<b>384,729,679</b>	<b>344,079,846</b>

## Things you should know

### Indemnity insurance

The trustee is covered by indemnity insurance to protect it from losses arising from claims against it. The insurance has been provided by QBE Insurance (Australia) Ltd throughout the 2010–11 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

The Australian Ethical Retail Superannuation Fund 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 to the trustee on 1300 134 337 or by writing to the Complaints Officer at the address below.

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.

### Eligible rollover fund

An eligible rollover fund is a fund established under superannuation law which accepts benefits of members from other funds in certain circumstances.

Australian Ethical Superannuation has chosen the Australian Eligible Rollover Fund as its eligible rollover fund. A member of our fund may be transferred to the eligible rollover fund:

- if they are a lost member with a balance of less than or equal to \$1000;
- if they are a lost member with a balance of more than \$5000, where they have been a lost member for a period of five years or more;
- if they have a balance of less than \$3000 and no contribution has been received from or on behalf of the member for a period of two years.

A member is regarded as lost if at least two written communications have been sent by the fund to a member's last known address and they are returned unclaimed.

We will attempt to contact relevant members before they are transferred to the eligible rollover fund.

Being transferred to the Australian Eligible Rollover Fund may effect your benefits because you will cease to be a member of the Australian Ethical Retail Superannuation Fund. If you hold insurance cover through the fund, this insurance will cease. A member transferred to the eligible rollover fund will be subject to the governing rules of that fund and a different fee structure and investment strategy will apply. If your benefit is transferred to the eligible rollover fund, you may require the following contact details:

Australian Eligible Rollover Fund  
Locked Bag 5429  
Parramatta NSW 2124  
1800 677 424

### Contact Australian Ethical Superannuation

Australian Ethical Superannuation  
PO BOX 1916  
Wollongong NSW 2500  
1300 134 337  
aes@australianethical.com.au  
www.australianethical.com.au

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