

australian**ethical** Super

2010–11 year in review



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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.

Company profile

Australian Ethical Super invests in NEXTDC. They design, build and operate premium data centres across Australia. The company will be offering a range of highly flexible, scalable, resilient, energy efficient and secure data centre and related services to corporate, government and wholesale customers.



M1 – NEXTDC Datacentre Melbourne

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.

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.

The fund's annual report will be provided via our website in future. The 2010–11 annual report will be available in October at www.australianethical.com.au/annual-reports-superannuation. 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.

Company profile

Amcom Telecommunications Ltd is an Australian provider of internet, information and communication technology services to business and residential clients in Adelaide, Darwin and Perth. The provision of internet and communication technologies facilitates communication and access to information which benefits individuals and businesses.



Optical fibre

Important information for members

Inactive members with low balances

Members who have low balances and are not engaged with or contributing to the fund may be moved out of our fund and into another superannuation fund called an eligible rollover fund. You may be affected if you:

- have a balance below \$3000
- haven't made a contribution in more than two years
- have contact details which are out of date.

If the above apply, you may be at risk of being moved to the eligible rollover fund which could impact your superannuation benefits. If you think you could be in this situation please contact us. We will only move your super after attempting to contact you.

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.

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Interests in the Australian Ethical Retail Superannuation Fund 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, RSEL L0001441 (referred to in this document as 'the trustee', 'we', 'our', or 'us').