



Annual Report 2016

Another year of market-beating returns
New investment options for all members
Supporting the real estate industry



Your life your fund



Michelle Winckle, Director of Hayeswinckle in Geelong, Victoria.

“ I love the fact that in this business you can basically write your own ticket. I get the biggest buzz out of getting a listing. I love the honour of being trusted to sell someone’s house. ”

On the cover: Cameron Elliott of Blount Osborne Walsh, Commercial and Industrial Property Consultants in Melbourne.

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Features



Pension member profile

They're not slowing down



Public offer

Now membership is open to everyone



Helpline profile

Help is only a phone call away

Been to our website lately?

It's now easily accessed from all mobile devices, with improved usability and navigation and a wealth of content for REI Super members and employers.



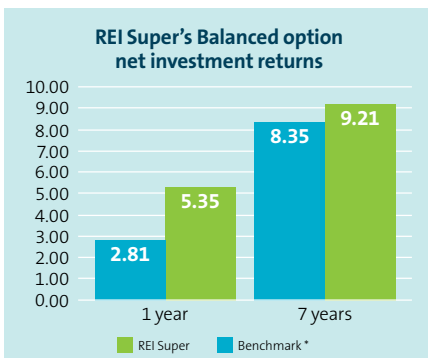
Chair's Message

REI Super continues to perform with distinction

I'm very pleased to report that REI Super has delivered another year of superior investment returns for our members.

Our Balanced option had a net investment return of 5.35% for the 2015/16 year, which puts REI Super well above most superannuation funds in the market. By comparison, the median* balanced fund return for the year was only 2.81%.

When measured over the long term our performance was also very strong. Over the last 7 years REI Super's Balanced option's average annual net investment return has been 9.21%, which is well above the median* balanced fund return of 8.35%.



* The benchmark is the median super fund balanced option, as reported in the SuperRatings Crediting Rate Survey June 2016

Investment markets were again very volatile in 2015/16, due to a range of factors, including currency disruptions in China and the outcome of the Brexit vote.

Against this challenging backdrop, we achieved such strong returns by sticking to our disciplined strategy of:

- Investing less when markets are expensive and investing more when they are cheap;
- Diversifying across a range of different types of assets, countries, industries and currencies and by;
- Identifying investments that offer good value and a good return for their level of risk.

A cornerstone of our philosophy is that members' investments need to have adequate capital and downside risk protection. This approach has served, and continues to serve, our members very well.

The returns above relate to accumulation accounts. See pages 14 to 25 for more information on the Fund's investment returns and investment strategy, including REI Super Pension returns.



We've doubled our members' money since the GFC

A great testament to the success of our strategy is the recent finding by ratings agency SuperRatings that REI Super is one of only eight superannuation funds that has achieved an accumulated return of more than 100 per cent on its Balanced option since the Global Financial Crisis. In other words, we are one of only 8 funds that have doubled our members' money since then – and that's even without the benefit of contributions.

In the period between 1 March 2009 and 31 May 2016 our Balanced option achieved a 100.6 per cent accumulated return*.

We're very proud of this recognition because it demonstrates we are succeeding in our core objective, which is to deliver strong long-term returns that will help our members enjoy a comfortable retirement.

Thank you

I would like to thank REI Super members and participating employers for their continuing interest in and support of REI Super. It is your fund and your participation in the Fund is central to its success.

I would also like to thank my colleagues on the REI Super Board of Trustees, in the REI Super Trustee office and the Fund's service providers, for their dedication and commitment in another year of working in REI Super members' best interests.

Claire Higgins
Chairperson

CEO's Message

A year of expansion

I'm pleased to report that 2015/16 saw REI Super continue to evolve and innovate on behalf of our existing and future members.

Membership is now open to everyone

On 1 July 2016 REI Super became a public offer fund, which now makes it possible for people who are not directly employed by a real estate business to join the Fund.

While firmly remaining the fund for the real estate industry, we're now open to anyone who wishes to join us. This is particularly good news for friends, spouses and family members of existing REI Super members, as well as self-employed people in the industry, and people working closely with the industry, such as valuers, conveyancers, marketers and tradespeople.

Previously, to become a member of the Fund, you needed to work for a participating REI Super employer. But growth in self-employment within the industry and in sectors associated with real estate means that not everyone is attached to a participating employer any more.

Now anyone can easily join REI Super and benefit from our record of strong investment returns, our great personalised service and our low fees.

More investment and insurance choices for our members

During the year we expanded our offering of investment and insurance options, to give members more flexibility and control in their investment portfolios and their death and disablement cover.

Extra investment options

Now all members can access all ten of our investment options.

In addition to the five existing investment options, all members can now select from five additional investment options: Australian Shares, International Shares, Australian Property, Global Property and Bonds.

This enables members to construct their own investment portfolios by combining a selection of single asset class investment options. It means they also have more choices when they are thinking about switching their investment options to match their risk preferences.



Extra insurance options

Low-cost death and disablement insurance is a great benefit of REI Super membership and we know our members value it highly. Now we've made it an even better offering for them.

The new choices include the ability to convert from unit-based to fixed cover for Death and/or Total and Permanent Disablement Insurance.

And members now have more choices on waiting periods for Income Protection Insurance (previously known as Salary Continuance Insurance). They can choose waiting periods of 30, 60 or 90 days, where previously the only option was 90 days.

This change makes it more convenient than ever before for members to protect their monthly income, should they ever be unable to work due to disability or illness.

New website

I'm also delighted to see our new mobile enabled website is getting lots of use by our members. Log on today and take control of your super!

On the horizon

It's an exciting time for REI Super. Many thanks to our members and participating employers for their support in 2015/16 and I'm looking forward to receiving your feedback and input on our activities in 2016/17.

Regards,

Mal Smith
Chief Executive

REI Super Pension members David and Sue Florance.
“We’re right on track. We’re very impressed
with the financial advice we got.”

They’re not slowing down



David and Sue are enjoying the good life

After 40 years in real estate, David and Sue Florance know the industry inside-out. But when it came to their super funds, they turned to REI Super.

“We didn’t have a lot of money in super,” said David.

“We started making salary sacrifice contributions to super, but realised we needed to do more if we were to be comfortable, so we spoke to REI Super who put us onto their advice team.”

“We know real estate backwards but we are not financial wizards, so we preferred to leave that to the experts.”

“We are cautious people,” said Sue.

“We opted for comprehensive financial advice, got a plan and have followed it closely ever since.”

“We never bothered with self-managed super,” said David.

Knowing their super is in good hands hasn’t just given Sue and David peace of mind; it’s given them more time to enjoy their busy retirements.

Their days are now spent with family, including their much-adored grandchildren. As if travelling, walks together and lunching in one of the many cafes and restaurants in Melbourne’s eastern suburbs wasn’t enough, the Florances took up bowling.

“We were anxious about retirement after so many years of working and what we would do with our time,” said Sue.

“We wanted to find something we could do together, something we could be passionate about.”

“Well, we found it with bowls!”

After living the good life for the past four years, David says “I regularly check on dates along the way in our plan and so far we are right on track. We’re very impressed with the financial advice we got.”

“We often think of the man who put our plan together and how good he was and how comfortable we are now,” said Sue.

With another big holiday on the horizon, and a new bowling season to organise, Sue and David won’t be slowing down anytime soon.

Your REI Super Pension options

Receive an income while keeping your super invested

With an REI Super pension you can keep your money in super, keep the tax advantages of super and receive a regular income.

You have two options:

1. REI Super Transition to Retirement (TTR) Pension

As you approach retirement you can consider reducing your working hours without reducing your income. You can do this by supplementing your employment income with income from your super.

Even if you hit preservation age (see table below) you can continue working full time and boost your super by taking advantage of potential tax breaks.

Preservation age and access to your super

Date of Birth	Preservation age
After 30 June 1964	60
1 July 1963 – 30 June 1964	59
1 July 1962 – 30 June 1963	58
1 July 1961 – 30 June 1962	57
1 July 1960 – 30 June 1961	56
before 1 July 1960	55

2. REI Super Retirement Pension

Once you are fully retired from the paid workforce you can receive regular income from your super. You may also be able to combine your REI Super Retirement Pension with the Government Age pension to provide you a better retirement income.

Great pension benefits

- No fee to open an account
- Tax free investment earnings from age 60
- Tax free lump sum withdrawals after age 60[^]
- Flexible investment options
- You choose your payment amounts and frequency*
- Low ongoing fees
- Fee rebates on high balances

Speak to our Helpline today on **1300 13 44 33** about establishing an REI Super Pension account.

* subject to statutory minimum draw down thresholds

[^] lump-sum withdrawals are not applicable for transition to retirement members

Now membership is open to everyone



Since 1975, REI Super has been the industry super fund for real estate professionals. As of 1 July 2016, it is a public offer fund, meaning it is open to anyone who wishes to join.

“REI Super is the only super fund specifically for the real estate industry,” CEO Mal Smith said.

“We’ve grown with the industry and we are in step with its needs. We know it’s different to what it was when we started, with growth in self-employment, but still the same great career choices and flexibility. In becoming a public offer fund we want to ensure that existing members enjoy the great benefits of REI Super can also bring their family members to the fund.”

Previously new members needed to be employed by a participating employer, whereas anyone can now join.

REI Super remains dedicated to the real estate industry, supporting the state and territory real estate industry institutes and franchise groups by providing information services and education to their members.

“In becoming a public offer fund we want to ensure that existing members who wish their spouse or other family members to join can do so.”

Mal Smith,
REI Super CEO



New investment and insurance options

Now all members have access to REI Super's full range of ten investment options. This provides more choices and more control for people who want to be involved in their super account's investment portfolio.

Members also have additional options in their insurance cover.

A wider range of investments for all members

In addition to the five existing options, now all members have the flexibility to select from five additional investment options: Australian Shares, International Shares, Australian Property, Global Property and Bonds. This gives members more options and control to tailor their investment strategy to suit their savings goals and level of comfort with investment risk. For more information on these options, see page 24.

To change your investment options, call us on **1300 13 44 33** or log in to your account at **reisuper.com.au**.

New flexible insurance options

Insuring yourself within your super is one of the most cost-effective ways of making sure you have the right level of cover. To make that even better, you can now choose to convert from unit-based to fixed cover for Death and/or Total and Permanent Disablement Insurance.

We've also given you the option to vary your waiting period for Income Protection Insurance (previously known as Salary Continuance Insurance) from 90 days to 60 or 30 days. It's now more convenient than ever before to protect your monthly income, should you ever be unable to work due to disability or illness.

To change your insurance cover, log in at **reisuper.com.au**, or call us on **1300 13 44 33**.

Investment Report

Strong returns in a volatile climate

The last 12 months brought very challenging conditions for all investors, but REI Super's disciplined investment strategy yielded superior returns for our members. REI Super's Balanced option had a net investment return for the year of **5.35%**, which was well above the median* balanced fund return of **2.81%**.

Further, all of REI Super's main investment options delivered positive returns for the year. Among these, the Premium Income option continued to provide outstanding results, returning **5.52%**, against its benchmark** return of **3.36%**.

When measured over the longer term – which is the most important measure with superannuation – our performance was also very strong. Over the last 7 years REI Super's Balanced option's average annual net investment return has been **9.21%**, compared to the median* balanced fund return of **8.35%**.

The 2015/16 investment environment

Within the year there were large swings in world share markets, caused by disruptions in the Chinese currency, the falling oil price, and the response to the Brexit 'Leave' vote.

Although a number of world share markets dropped by as much as 10% at various points during the year, these nevertheless recovered on each occasion. The net result was that markets finished the financial year at approximately the same levels they started from.

These swings during the year caused at times significant reaction and speculation among some investors, and many super funds and investors found it to be a difficult trading environment. In addition to world share markets being volatile, we saw significant volatility in world currencies (including the Australian dollar) and in fixed interest markets. Global and domestic property remained strong performers.

REI Super's disciplined investment strategy yielded superior returns

While challenging, this was also the environment that provided opportunities for those with good investment skills, a robust process and access to deep investment research. All these factors were needed to generate good investment outcomes.

As a result of the volatility and uncertainty in share markets, more defensive assets tended to be the sources of the highest returns during the year.

The best performers in REI Super's portfolios were Australian bonds and Australian listed property trusts. In contrast, many Australian companies reduced their dividends during the year, which meant that sources of secure income were in great demand and drove prices higher.

We also actively managed our exposure to Japanese and emerging markets – and particularly around currencies. This helped to reduce the impact of share market volatility on our portfolios.

A low-growth investment outlook

Political and economic challenges continue to affect global share markets and as a result, members should prepare for continued volatility.

We are also watching for signs of inflation rising in the United States – which could lead to its central bank – the Federal Reserve – increasing interest rates.

In Europe, political events and uncertainties will manifest as an ongoing source of risk for investors, which will generally discourage investment in all asset classes. Lower than normal levels of investment will result in lower growth and therefore lower returns.

Our strategy going forward

The outlook for uncertainty and low growth means we need to continue to be very agile and proactive in our asset allocation.

Our strategy is to continue to actively manage our diversified portfolio, and to maintain good levels of cash that we can deploy when good investment opportunities arise.

We are starting to trim our holdings in Australian listed property trusts and Australian bonds – because we are now finding better opportunities in the portfolio – including Japanese stocks. We are also maintaining our allocation to Australian unlisted commercial property – through our Industry Superannuation Property Trust (ISPT) portfolio.

Also, as always, we are diligently maintaining adequate capital and downside risk protection for our members.

* SuperRatings Fund Crediting Rate Survey – SR50 Balanced (60-76) Index, June 2016

** SuperRatings Fund Crediting Rate Survey – Capital Stable (20-40) Index, June 2016

Returns are for REI Super accumulation accounts. For REI Super Pension, see page 14.

Investment returns

REI Super's net investment returns* to 30 June 2016

Investment option	1 year (%)		3 years (average annual % p.a.)		5 years (average annual % p.a.)		7 years (average annual % p.a.)		10 years (average annual % p.a.)		Commencement date
	REI Super	Benchmark	REI Super	Benchmark	REI Super	Benchmark	REI Super	Benchmark	REI Super	Benchmark	
REI Super											
Growth ¹	4.30	0.68	9.78	9.30	9.53	8.60	10.33	9.35	4.85	4.82	1/07/98
Balanced ²	5.35	2.81	8.92	8.16	8.88	7.92	9.21	8.35	5.33	5.35	1/07/1990*
Stable ³	3.27	3.36	5.21	5.47	5.70	5.70	6.28	6.57	4.38	5.03	1/11/03
Premium Income	5.52	3.36	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1/10/13
Cash ⁴	1.61	1.90	1.91	2.23	2.59	2.73	2.90	3.06	3.79	3.70	1/07/98
Australian Shares	6.84	1.50	9.28	7.86	7.48	7.37	8.54	8.77	n/a	5.28	31/07/06
International Shares	5.43	-2.30	13.29	11.48	12.20	11.19	12.33	9.99	n/a	3.67	31/07/06
Australian Property	22.03	n/a**	16.90	n/a**	15.62	n/a**	13.73	n/a**	n/a	n/a	31/07/06
Global Property	15.14	n/a**	11.59	n/a**	9.23	n/a**	13.14	n/a**	n/a	n/a	31/07/06
Bonds	5.84	4.43	5.73	4.61	6.36	5.28	6.79	6.40	n/a	5.76	31/07/06
REI Super Pension											
Growth ¹	4.69	0.68	10.82	9.30	10.53	8.60	11.54	9.35	n/a	n/a	31/10/06
Balanced ²	5.83	2.81	9.87	8.16	9.86	7.92	10.30	8.35	n/a	n/a	31/10/06
Stable ³	3.69	3.36	5.98	5.47	6.46	5.70	7.14	6.57	n/a	n/a	31/10/06
Premium Income	6.33	3.36	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1/10/2013
Cash ⁴	1.93	1.90	2.34	2.23	2.98	2.73	3.37	3.06	n/a	n/a	31/10/06
Australian Shares	7.51	1.50	10.57	7.86	8.90	7.37	9.92	8.77	n/a	n/a	31/10/06
International Shares	5.92	-2.30	14.71	11.48	14.01	11.19	14.14	9.99	n/a	n/a	31/10/06
Australian Property	24.41	n/a**	18.96	n/a**	17.63	n/a**	15.52	n/a**	n/a	n/a	31/10/06
Global Property	17.06	n/a**	13.32	n/a**	11.79	n/a**	16.40	n/a**	n/a	n/a	31/10/06
Bonds	6.31	4.43	6.53	4.61	7.14	5.28	7.68	6.40	n/a	n/a	31/10/06

¹ Known as Super Growth to 30 June 2016

² Known as Trustee Super Balanced to 30 June 2016

³ Known as Super Stable to 30 June 2016

⁴ Known as Super Cash to 30 June 2016

* Please note: All REI Super returns are quoted net of investment fees and tax. Past performance is not an indication of future performance.

** No SuperRatings benchmark available.

How investment earnings are applied to members' accounts

Members' accounts receive the earnings achieved on the underlying investments of their chosen investment option(s), net of investment-related costs. Investment earnings have been determined and allocated weekly via the change in the weekly unit price of the chosen investment option(s).

Benchmarks

REI Super options	Median fund returns
Superannuation returns	
Growth	SuperRatings High Growth (91-100) Index
Balanced	SuperRatings Balanced (60-76) Index
Stable	SuperRatings Capital Stable (20-40) Index
Premium Income	SuperRatings Capital Stable (20-40) Index
Cash	SuperRatings Cash Index
Australian Shares	SuperRatings Australian Shares Index
International Shares	SuperRatings International Shares Index
Australian Property	No SuperRatings benchmark available
Global Property	No SuperRatings benchmark available
Bonds	SuperRatings Diversified Fixed Interest Index

Investment Managers and Trusts as at 30 June 2016

Asset	Investment Managers
Australian shares	Allan Gray Australia JCP Investment Partners Omega Platypus Vinva
International shares	Altrinsic Axiom Morningstar International Shares Fund Lazard (Japanese Equities) Marathon Sands Capital Omega iShares
Australian property	Omega
International property	Omega
Unlisted property	Industry Super Property Trust
Global infrastructure	Omega
Australian bonds	Metrics Omega
International bonds	Colchester Ashmore (Emerging Market Debts) Omega (Global Corporate Bonds) Standish Global Bond T.Rowe Price
Global inflation linked securities	Omega (Australia) Omega (Global)
Cash	Omega

This information is correct as at 30 June 2016.

REI Super's policy on the use of derivatives

The REI Super Trustee does not currently invest directly in futures, options and other derivatives and has no intention of doing so.

REI Super's Implemented Investment Consultant, Morningstar (previously known as Ibbotson), is permitted to

use such instruments to assist with the effective management of the assets of the Morningstar Investment Trusts to the extent described in its Derivative Risk Statement (DRS). Investment managers appointed by Morningstar are permitted to use such instruments to assist with the effective management of the assets, within constraints set both by Morningstar and as described in each asset manager's DRS.

Financial advice to suit all our members' needs

REI Super makes it easy to access financial advice that's right for you, with some services provided to REI Super members at no charge.

The advice that we can provide covers the full spectrum of your potential financial planning needs, including:

- Super savings advice
- Organising to receive a retirement income from superannuation
- Comprehensive advice on any financial topic

	Sample topics	Cost for phone advice	Cost for video advice	Cost for face-to-face advice
Superannuation advice	Risk appetite Selecting investments Contribution options Insurance needs Savings adequacy	No cost		\$295
Transitioning to retirement advice	Setting up or reviewing a Transition to Retirement (TTR) strategy	\$295	\$295	\$495
Transferring your superannuation account to a pension account		No cost		\$495
Comprehensive advice	Any other financial planning topic (e.g. estate planning, other investments etc)	First appointment free Subsequent appointments on a fee-for-service basis		

Financial planning is offered to REI Super members through our appointed administrator and consultant, Mercer. Mercer financial advisers are authorised representatives of Mercer Financial Advice (Australia) Pty Ltd (MFA) ABN 76 153 168 293, Australian Financial Services Licence 411766.

We're here for the industry

REI Super is the industry super fund for Australia's real estate employees and we are the only real estate specific superannuation fund named as a default fund in the Federal Real Estate Award. Our products and services are tailored to real estate employees and businesses.

REI Super supports all the state and territory real estate industry institutes by providing information and education to their members. We support the institutes' development of the profession and their advocacy of professional standards in the real estate industry.

This year we've been honoured to attend a number of events across all of the institutes nationally. These include the Awards for Excellence for REI ACT, REIV, REIWA and REIQ, the REISA Property Management Conference, the REIQ Summit, and the REINSW Roadshow and Women in Real Estate Conference.

"These events allow us to meet with and engage many of our long standing members and to allow them the opportunity to be educated and guided through all things super," said Jeremy Dileva, REI Super's Sales and Relationship Manager. "Whether they're business owners, directors, sales agents or property managers, each and every one of them has an important stake in the Fund, and it's our role to support them and their long-term needs and goals. There's nothing we love more than meeting our members face to face and offering them as much support as possible to grow their wealth over time for a comfortable and prosperous retirement."



Your long-term investment when markets are volatile

Switching investments carries its own risks

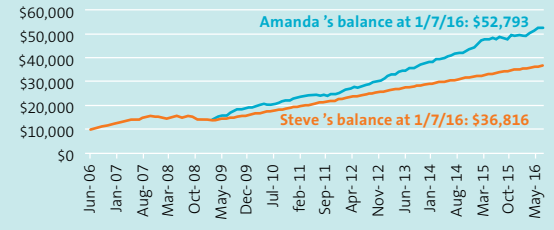
Investment markets fluctuated again in the 2015/16 financial year.

Some members find the ups and downs of the markets to be worrying. And some members get so worried, they change to a more conservative investment option, without thinking about how this could affect their long-term savings.

This graph opposite shows how two members reacted differently to the market volatility during the Global Financial Crisis (GFC).

- Steve and Amanda are both Real Estate agents, both aged 30 and both had the same opening balance in REI Super's Balanced option of \$10,000 on 1 July 2006. They each made super contributions of \$3,000 per year.
- During March 2009 when the GFC hit, Steve switched his whole balance to the Cash option, which is unlikely to have a negative return in a 20 year period.
- Amanda stayed invested in the Balanced Option (she held her nerve), which is likely to have a negative return four in every 20 years.

Look what happened to Steve's super savings when he switched his investment option while the markets were down



Figures are shown in today's dollars. This case study is for illustrative purposes only. Past performance is not a reliable indicator of future performance.

Graph assumptions:

- Steve and Amanda have opening balances in REI Super's Balanced option of \$10,000 on 1 July 2006
- \$3,000 super contributions p.a.
- Steve switches his whole balance to the Cash option on 1 March 2009
- Amanda remains invested in the Balanced option and does not make any switches

Unfortunately Steve's decision hurt his account balance. The Cash option only made very modest returns, and Steve missed the market gains seen in the Balanced option in the months and years that followed the GFC.

Our strategy for making long term returns for our members is to:

- Diversify across a range of different types of assets, countries, industries and currencies
- Invest less when markets are expensive and investing more when they are cheap
- Identify investments that offer good value and a good return for their level of risk

Look before you leap when markets get jumpy

It's great that you monitor your investments to know how it is performing but frequent switching between investment options may not benefit you.

If you have concerns about your investments, it's a good idea to seek financial advice. REI Super members have access to professional and cost effective advice as part of their membership. For more information, see page 17.

Please note: Future investment performance can vary from past performance, and you should not base your decision to invest in REI Super simply on past performance. Past earning rates are not an indicator of future earning rates. The information contained in this article does not constitute financial product advice. However, to the extent that the information may be considered to be general financial product advice, we advise that REI Super has not considered any individual person's objectives, financial situation or particular needs and individuals need to consider whether the advice is appropriate in light of their goals, objectives and current situation.



Help is only a phone call away

Back row: Ashishdeep Singh, Julian Kearney, Ethan Haggett, Michael Bandman, Aaron Farrell
Centre: Rachel Ram Front row: Daniel Venner, Fabian Viti, Brenden Campbell, Naomi Keessen

We're listening

Real estate is a business unlike any other. So it's no surprise that working at the REI Super Helpline is different to any other call centre.

From the everyday:

Q: *How often should my employer be paying my super?*

A: *At least quarterly*

to the creative:

Q: *Can I get my employer to pay my super into my mortgage?*

A: *No*

our member services team has heard it all, and they understand the unique needs of the property industry.

According to team member Naomi Keessen, real estate agents are often more numerate than the average superannuation investor.

“Interest, yield and diversification are already part of their vocabulary.”

“Their involvement in the property market often gives them a unique perspective on some investment options on offer,” added Daniel Venner.

Michael Bandman, REI Super team member for over two years, knows some of the challenges that come with the territory, too. “A commission-based pay can mean great fluctuations in members’ super contributions.”

Our member services team are on hand for any superannuation query you may have, and can even arrange for personalised financial advice (more information on page 17).

They all agree the best thing you can do with your super is to get involved: log in, check your contributions and keep track of your investments. If you need help getting started, pick up your phone and call them.

To speak to one of our friendly member services team, call the Helpline on **1300 13 44 33** between 8.30am and 7.00pm AEST, Monday to Friday (except for national public holidays).

The Helpline is offered to REI Super members through our appointed administrator and consultant, Mercer. Mercer Outsourcing (Australia) Pty Ltd ABN 83 068 908 912

Your investment options

Your options

You can invest in one option or a mixture, depending on your investment needs. If you don't choose an investment option, your account balance will be invested in the Balanced* option. This is also known as the MySuper option. Over 90% of REI Super members are invested in the Balanced option. This portfolio is invested across shares, property, unlisted investments, infrastructure, fixed interest and alternative investments.

Understanding investment risk

Each investment option has a different level of investment risk (volatility), together with a different likely level of earnings (return) on the investment.

Investment risks include:

- Changing economic cycles
- Political events, wars and natural disasters
- Investment market sentiment
- Tax and legislation changes
- Interest rates and currency relativity changes
- Factors affecting particular industries, companies or securities.

The effects of this volatility on investments may mean that over a period they do not grow and may, in fact, fall in value.

Historically, growth assets such as Australian and overseas shares and property, carry a higher level of risk (volatility) over the short-term, with the likelihood of higher returns over the long-term. None of the investment options are capital guaranteed, and their value may rise and fall.

When choosing your investment option, you may wish to seek professional financial advice as well as considering:

- The amount of time your money will be invested
- The level of investment earnings (return) you are hoping to achieve
- The level of risk (volatility) that you are comfortable with.

When making investment decisions, the appointed investment managers take into account the expected return and performance of their investments, depending on their own investment style. The managers may, from time to time, consider social, ethical, environmental matters or labour standards of companies within the portfolio, where these may materially impact on the performance.

*Known as Trustee Super Balanced to 30 June 2016

Your investment options

Growth¹



	SAA %	Actual at 30 June 2016 %	Actual at 30 June 2015 %
1. Australian shares	30	29	31
2. International shares	45	40	38
3. Australian listed property	8	6	8
4. International listed property hedged	3	2	0
5. Unlisted property	3	3	3
6. Global Infrastructure	4	2	4
7. Australian bonds	0	0	0
8. International bonds	0	5	4
9. Global inflation linked bonds	0	0	0
10. Alternatives	6	8	8
11. Cash	1	5	4

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 4% pa over rolling ten year periods.

Risk Profile: High

¹Known as Super Growth to 30 June 2016. Allocations shown may vary by up to +/- 15%

Balanced²



	SAA %	Actual at 30 June 2016 %	Actual at 30 June 2015 %
1. Australian shares	19	18	19
2. International shares	32	27	26
3. Australian listed property	8	6	8
4. International listed property hedged	2	3	1
5. Unlisted property	4	5	4
6. Global Infrastructure	4	2	3
7. Australian bonds	10	8	9
8. International bonds	6	7	6
9. Global inflation linked bonds	3	4	3
10. Alternatives	7	11	11
11. Cash	5	10	11

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 3% per annum over rolling ten year periods.

Risk Profile: Medium to high

²Known as Trustee Super Balanced to 30 June 2016. Allocations shown may vary by up to +/- 15%

Stable³



	SAA %	Actual at 30 June 2016 %	Actual at 30 June 2015 %
1. Australian shares	10	10	3
2. International shares	13	11	11
3. Australian listed property	4	3	3
4. International listed property hedged	0	0	0
5. Unlisted property	0	0	0
6. Global Infrastructure	3	0	1
7. Australian bonds	22	18	14
8. International bonds	10	14	10
9. Global inflation linked bonds	6	6	6
10. Alternatives	6	8	9
11. Cash	26	31	44

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 1% pa over rolling three year periods.

Risk Profile: Low to medium

³Known as Super Stable to 30 June 2016. Allocations shown may vary by up to +/- 15%

Premium Income⁴



	SAA %	Actual at 30 June 2016 %	Actual at 30 June 2015 %
1. Australian shares	6	6	0
2. International shares	4	7	0
3. Australian listed property	8	6	3
4. International listed property hedged	3	0	0
5. Unlisted property	0	0	0
6. Global Infrastructure	6	1	3
7. Australian bonds	25	22	36
8. International bonds	12	14	13
9. Global inflation linked bonds	6	8	6
10. Alternatives	0	0	0
11. Cash	30	36	40

Performance objective: To earn a rate of return that exceeds CPI increases by at least 1.0% p.a. over rolling 3 year periods.

Risk Profile: Low to medium

⁴ Allocations shown may vary by up to +/- 15%

For more details about investment options, go to reisuper.com.au/investment-guide and read the REI Super Investment Guide.

Cash⁵



	SAA	Actual at 30 June 2016	Actual at 30 June 2015
Cash	100%	100%	100%

Performance objective: To match and, where possible, enhance performance relative to the benchmark (Bloomberg AusBond Bank Bill Index) over rolling three year periods by investing predominately in Australian short-term cash deposits and cash equivalent securities.

Risk Profile: Very low

⁵ Known as Super Cash to 30 June 2016

Australian Shares



	SAA	Actual at 30 June 2016	Actual at 30 June 2015
Australian shares	100%	100%	100%

Performance objective: To grow the value of your super savings above the S&P/ASX 300 Accumulation Index over rolling five-year periods.

Risk Profile: Very high

International Shares



	SAA	Actual at 30 June 2016	Actual at 30 June 2015
International Shares (Hedged)	50%	50.1%	50.2%
International Shares (Unhedged)	50%	49.9%	49.8%

Performance objective: To grow the value of your super savings above the benchmark over rolling 5-year periods. The weighted average benchmark comprises: 50% MSCI All Country World Ex-Australia with Net Dividends Reinvested (Unhedged) Index and 50% MSCI All Country World Ex-Australia with Net Dividends Reinvested (\$A hedged) Index.

Risk Profile: High

Australian Property



	SAA	Actual at 30 June 2016	Actual at 30 June 2015
Australian listed property	100%	100%	100%

100% Australian Property Securities

Performance objective: To grow the value of your super savings above the S&P/ASX 300 Property Accumulation Index over rolling five-year periods.

Risk Profile: High

Global Property



	SAA	Actual at 30 June 2016	Actual at 30 June 2015
International listed property hedged	100%	100%	100%

100% International Property Securities (Hedged)

Performance objective: To grow the value of your super savings above the UBS Global Real Estate Investors Index (\$A Hedged) over rolling five-year periods.

Risk Profile: Very high

Bonds



	SAA	Actual at 30 June 2016	Actual at 30 June 2015
Australian Bonds	50%	50.6%	49.9%
International Bonds (Hedged)	50%	49.4%	50.1%

Performance objective: To earn a rate of return above the benchmark over rolling 3 year periods. The benchmark is 50% Bloomberg AusBond Composite Bond Index and 50% Barclays Global Aggregate (Hedged in \$A) Index.

Risk Profile: High

For more details about investment options, go to reisuper.com.au/investment-guide and read the REI Super Investment Guide.

Managing your fund

REI Super Trustees



Claire Higgins *Chair, Independent Director*

REI Super Board Committee memberships:

- Audit, Risk & Compliance Committee
- Investment Review Committee
- Governance Committee
- Remuneration Committee



Beth Stratfold *Member Elected Director*

REI Super Board Committee memberships:

- Administration Committee (Chair)
- Marketing Committee
- Remuneration Committee
- Death & Disablement Claims Committee (Alt)



Dianne Helmich *Member Elected Director*

REI Super Board Committee memberships:

- Marketing Committee
- Governance Committee
- Death & Disablement Claims Committee



Greg Paterson *Member Elected Director*

REI Super Board Committee memberships:

- Investment Review Committee
- Administration Committee
- Governance Committee



Michael Kumm *Member Elected Director*

REI Super Board Committee memberships:

- Audit, Risk & Compliance Committee (Chair)
- Death & Disablement Benefit Claims Committee
- Marketing Committee
- Remuneration Committee



Ian Armstrong *Member Elected Director*

REI Super Board Committee memberships:

- Marketing Committee (Chair)
- Remuneration Committee
- Audit, Risk & Compliance Committee
- Investment Review Committee



Jonathan Blocksidge *Member Elected Director*

REI Super Board Committee memberships:

- Governance Committee (Chair)
- Marketing Committee
- Remuneration Committee
- Investment Review Committee



Emery Feyzeny *Independent Director*

REI Super Board Committee memberships:

- Investment Review Committee (Chair)
- Remuneration Committee (Chair)
- Audit, Risk & Compliance Committee
- Governance Committee



John Bailey *Member Elected Director*

REI Super Board Committee memberships:

- Death & Disablement Benefit Claims Committee (Chair)
- Administration Committee
- Remuneration Committee



Neville Pozzi *Member Elected Director*

REI Super Board Committee memberships:

- Administration Committee
- Audit, Risk & Compliance Committee

Governance

Governance of the Board of Trustees

The Trustee is responsible for the management of the Fund and for ensuring that the Fund is managed in accordance with the Trust Deed and the Superannuation Industry (Supervision) Act 1993 and Regulations. There are strict internal and government controls over the operation of REI Super. You can view the Trust Deed at reisuper.com.au/about-us/our-board.

At REI Super we are committed to Fund Governance, compliance and risk management. Our policies, processes and procedures reflect this commitment. You can view these at reisuper.com.au/about-us/governance.

The Board has established seven committees to assist in the oversight of the various functions and operations of the Fund. All seven committees report through to the Board. Directors are required to complete a minimum of 20 hours training per annum.

The Trustee has a conflicts management framework to ensure it identifies and takes all reasonably practicable actions to avoid, or manage, all potential and actual conflicts in its business operations. The policy is available at reisuper.com.au/about-us/governance.

A Register of Duty and Relevant Interest, as well as a Gift Register, are maintained and are available on the website. The Trustee holds indemnity insurance to protect the Fund from the costs involved in legal actions.

Directors' and Chairperson's remuneration

The Board has implemented a process for the periodic review and evaluation of its performance and the performance of its committees, individual Directors and Executive Officers. More information is available at reisuper.com.au/about-us/governance/board-renewal-policy

Directors' attendance at meetings

Directors' and Chair's attendance

There were four Board meetings held during the year. Listed below are the number of Board and committee meetings attended by each Director and the Chair for the year.

Name	Board		Audit, Risk and Compliance Committee		Remuneration Committee	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
Ian Armstrong	4	4	4	4	2	2
John Bailey	4	3	2	1	2	2
Jonathan Blocksidge	4	4	2	2	2	2
Emery Feyzeny	4	4	4	4	2	2
Claire Higgins	4	4	2	2	2	2
Dianne Helmich	4	4	0	0	1	1
Michael Kumm	4	4	2	2	2	2
Greg Paterson	4	4	2	2	1	1
Neville Pozzi	4	4	2	2	1	1
Beth Stratfold	4	4	2	2	2	2

Fees and other costs

How fees are charged to your account

Investment costs are deducted from your investment earnings before the earnings are added to your account. Fees and costs related to administration of your account are deducted directly from your account, and the amounts are shown on your annual member statement.

You should read all the information about fees and costs because it is important to understand their impact on your investment. Please refer to reisuper.com.au/fees for more information.

Different types of fees and costs

Type of fee or cost	Amount	How and when paid
Investment fee	0.43%	These fees are not deducted directly from your account. They are deducted proportionately from the investment option and reflected in the calculation of the unit prices.
Administration fee	\$85.80 p.a. (\$1.65 per week) + 0.25%.	The dollar fee is deducted from your account balance monthly in arrears or on the date your account is closed. The percentage fee is not deducted directly from your account. This fee is deducted proportionately from the investment option and reflected in the calculation of the unit prices.
Buy/Sell spread	Buy spread from 0.00% to 0.19% depending on the investment option. Sell spread from 0.00% to 0.19% depending on the investment option.	Deducted weekly before unit prices are declared.
Indirect Cost Ratio	Nil	Not applicable
Withdrawal/exit fee	\$90	Deducted from your account for each withdrawal or if your account is closed

For more details about fees and costs go to reisuper.com.au and read **Fees and costs**. The material relating to the fees and costs may change between the time when you read this Statement and the day when you acquire the product.

Fee rebate

If your total account balance is over \$300,000, you will receive a Fee rebate on the portion of your account over \$300,000 as follows:

Account balance	Rebate (%)
First \$300,000	Nil
Amount over \$300,000	0.28%

Government-imposed taxes and charges

The Federal Government imposes the most significant taxes and charges levied on the Fund. Employer contributions on behalf of employees and before tax contributions by employees are taxed at 15 per cent.

Earnings on investments are also taxed at 15 per cent. Capital gains tax can also apply, depending on the asset and the length of time it is owned.

Income tax paid by the Fund in 2015/16 was \$18.4 million (2014/15: \$24.7 million). As the Government's superannuation regulator, the Australian Prudential Regulation Authority (APRA) charges each superannuation fund a fee to fund its activities and provide supervision to the industry. During the year, REI Super paid approximately \$132,000 in fees to APRA.

2016-17 Budget Amendments

The Government has amended the superannuation changes announced in the 2016-17 Budget.

The \$500,000 lifetime non-concessional cap will be replaced by a new measure to reduce the existing annual non-concessional contributions cap from \$180,000 per year to \$100,000 per year.

Individuals aged under 65 will continue to be able to 'bring forward' three years' worth of non-concessional contributions.

Individuals with a superannuation balance of more than \$1.6 million will no longer be eligible to make non-concessional (after tax) contributions from 1 July 2017.

The commencement date of the proposed catch-up concessional superannuation contributions will be deferred by 12 months to 1 July 2018.

Insurance fees

The cost of insurance is also passed on to members by deduction from their accounts. Please refer to the Fund's PDS for more details.

Fee changes

The Trustee has the right to increase fees at any time. You will receive at least 30 days' notice of any increase in fees.

For more details about fees and costs, go to reisuper.com.au/fees. Please note that details relating to the fees and costs may change between the time you read this Report and the day you acquire the product.

Financial Statements

Financial Year ended 30 June 2016

	2016 \$ ('000)	2015 \$ ('000)
ASSETS		
Investments	1,359,403	1,270,878
Cash at bank	8,790	12,412
Sundry debtors	1,012	874
Tax assets	137	67
Total Assets	1,369,342	1,284,231
LIABILITIES		
Amounts payable	18	17
Sundry creditors	1,421	1,076
Employee benefits	169	132
Provision for income tax	20,002	17,334
Total Liabilities	21,610	18,559
Net Assets Available to Pay Benefits	1,327,394	1,256,162
Represented by: Liability for Accrued Benefits		
Allocated to Members' Accounts	1,327,394	1,256,162
Unallocated Amounts	12,747	1,908
Operational Risk Reserve	3,298	3,082
Administration Reserve	4,334	4,520
Liability for Accrued Benefits as at 30 June	1,347,773	1,265,672
REVENUE		
Net investment revenue	71,526	125,605
Contributions revenue	119,400	117,191
Transfers from other funds	22,477	45,817
Insurance proceeds	4,235	5,051
Group life rebate	-	-
Other income	63	10
Total Revenue	217,701	293,674
EXPENDITURE		
Contribution surcharge	-1	1
Group life and income protection premiums	6,090	4,425
General administration expenses	7,494	6,752
Total Expenditure	13,583	11,178
Benefits Accrued as a result of Operations before Income Tax	204,118	282,496
Income Tax Expenses	18,373	24,703
Benefits Accrued as a Result of Operations	185,745	257,793

The Financial Statements of the Fund have been audited and an unqualified auditor's report has been received. A copy of the audited fund accounts and the auditor's report are available to members on request.

Reserves

Administration Reserve

The Fund maintains an Administration Reserve and it is managed in accordance with the Fund's Administration Reserve Policy. It's used to pay for unexpected future administration and operational expenses of the Fund, to provide any additional funding which may be required in the Operational Risk Reserve and for any other purpose which is considered by the Trustee to be in the best interests of Fund beneficiaries.

Operational Risk Reserve

Effective 1 July 2013, the Fund established an Operational Risk Reserve, in accordance with APRA's prudential standards. This reserve is managed in accordance with the Fund's Operational Risk Requirement (ORR) Strategy. The Trustee may use the reserve to make a payment to address an operational risk event.

	2016 \$ ('000)	2015 \$ ('000)
ADMINISTRATION RESERVE		
Balance at beginning of period	4,520	4,052
Movement	-186	468
Balance at end of period	4,334	4,520
OPERATIONAL RISK RESERVE		
Balance at beginning of period	3,082	2,806
Movement	216	276
Balance at end of period	3,298	3,082

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Between 8:30am and 7:00pm (AEST)
Mon-Fri (local call cost within Australia)

reisuper.com.au

GPO Box 4303, Melbourne VIC 3001

Fax (03) 9245 5827

Online enquiry form:

reisuper.com.au/contact

Join

To join REI Super go to **reisuper.com.au** and click **Join** or call us on **1300 13 44 33** to request a copy of the PDS to be sent by post.

Register as an employer

To register and gain access to our free clearing house, go to **reisuper.com.au** and click **Join** or call **1300 13 44 33** to request a copy of the Employer Application Form.

Change of details

You can update your details online.
Access your account at **reisuper.com.au** or call **1300 13 44 33**.

Protecting your privacy

The Fund holds personal information about you (such as your name, address, date of birth and tax file number) in order to provide your super benefits. This personal information may be disclosed to the Fund's administrators and professional advisers, insurers, Government bodies, employers and other parties. The Fund has a privacy policy which can be viewed at **reisuper.com.au/privacy-policy**

Problem?

Most queries can be answered over the phone. If you are not satisfied with our response, REI Super has a formal complaints handling procedure. This procedure provides a mechanism to lodge complaints and to have them answered. Details of how to lodge a complaint and where to send this to are available in our *How to make a complaint* factsheet, which can be found in the Publications and Forms section of our website at **reisuper.com.au**

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Contact us:



1300 13 44 33

between 8.30am and 7.00pm AEST. (Local call cost within Australia, calls from mobile phones may cost more.)



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