

Annual Report 2019

INSIDE

- ▶ Strong long-term returns
- ▶ Professional investment management
- ▶ Personalised service
- ▶ Your real estate industry fund



‘As the industry super fund for real estate, REI Super ticked all the boxes, we had no hesitation selecting them to manage the superannuation assets for our team.’

On the cover: Cathy Loftus, Director of Finance at Morrison Kleeman, Eltham, Victoria.

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of positive returns**

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Another successful year

I am very pleased to report that REI Super's Balanced option has, for the financial year ended 30 June 2019, delivered another solid investment return of almost 5% (net of fees and taxes) and achieved its long-term performance objective of returning at least inflation plus 3% per annum over 10 years.

Pleasingly for our members, the Balanced option recorded its 10th consecutive year of positive returns since the global financial crisis, including four years of double-digit returns.



The Investment Year in Review

It has not been smooth sailing over the past year in investments, with a lot of volatility being driven by a number of varying influences. These included uncertainty in markets over trade tensions between China and the US, Brexit negotiations on European markets, and here in Australia, the Financial Services Royal Commission.

We also believe that many markets are currently trading at prices that are much higher than supported by underlying fundamentals, and in response our portfolios have held elevated cash balances. These higher cash balances have, in the short term, created some drag in performance returns given that markets have continued to gallop higher. However, protecting your wealth from losses is critically important to our investment strategy, and we believe it is prudent to reduce risk when the true value of investments, or a particular asset class, appears to be significantly below its market price.

Good Governance to Protect Your Super

For the first half of the financial year through to February, the Financial Services Royal Commission dominated the headlines. While the final report from the

‘...the Balanced option recorded its 10th consecutive year of positive returns since the global financial crisis, including four years of double-digit returns.

Commission highlighted some shocking practices that had occurred to consumers, it also served to generally highlight the sound governance structure of industry funds like REI Super. We as a Board are proud that our governance model is robust, and designed to protect and focus solely on providing benefits to our members.

This past year we also opted into the AIST Governance Code, as well as received the highest score possible from the independent ratings agency SuperRatings on our approach to governance. In July, we held elections to appoint replacements for three of our nine Board members whose terms of office were expiring. The elections are meant to ensure that you, our members, are able to have a say and have the representation you want on your super fund. You can see who our directors are on page 22.

Changes at the Helm

We are farewelling long-serving directors, Beth Stratfold and John Bailey, and welcoming Victorian director Richard Simpson to the Board. A big thank you to Beth and John for their time and dedication to the membership and the Fund and the expertise they have brought to the Board.

On a final note, long-serving CEO Mal Smith is stepping down from the role after 15 years at the helm. We are pleased to

announce Jarrod Coysh has been appointed as our new CEO, and we are excited to work with Jarrod to take the Fund to the next stage. Mal Smith has guided REI Super with a firm and trusted hand, and we would like to offer Mal our sincerest thanks for his dedication and excellent leadership over the past decade and a half. Under Mal’s guidance, REI Super has grown from a fund with \$400 million FUM to \$1.6 billion FUM, as well as delivering innumerable enhancements and value to our members, including more investment choices, additional advice services, better technology, post-retirement products and converting to becoming a public offer fund.

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

Putting our members first

REI Super has had another strong year focused on you, the member.

Our annual member satisfaction survey confirms that you are happy with how easy we are to deal with and that we represent both you and your industry.

We are pleased to report that an overall saving in investment costs compared to last year has been achieved. The net result being an extra \$70 per year approximately into members' accounts with a balance of \$50,000 invested in the Balanced (MySuper) option.

In December 2018 we launched SuperMatch 2, a new technology to reunite our members with their lost super. Since the introduction of SuperMatch 2, we have received 351 transfer-in requests from members, equating to \$3.8m of funds under management.

Ongoing government changes

2019 has been a year of changing regulation and new laws and this will continue throughout 2020. This year saw the implementation of the Protecting Your Super changes which facilitated the transfer of low balance inactive accounts to the Australian Taxation Office. Next year requires implementation of the 'Putting Members' Interest First'. This will have the effect of making life insurance optional on an opt-in basis for new members under 25, or with balances less than \$6,000. As this represents an unwinding of a long-established universal system it will likely cause a rise in the cost of insurance for existing members.





Found \$3.8m
of our members' lost super

Looking forward

REI Super has a long, rich history as the super fund for the Real Estate Industry for over 44 years. We are proud of our unconflicted governance model which combines independent and member-elected directors, all focused solely on outcomes for members. We acknowledge the significant contribution that our industry makes to the economic life of the nation and are passionate about representing your views at both a state and Federal level.

Over the next twelve months you will see:

- The rollout of a completely new member website and corresponding mobile app that will make reviewing and accessing your super easier, no matter where you are
- Significant enhancement to the offering to members through a range of value-added services

- The strengthening of relationships with both the real estate Institutes and the large franchise groups to make super easy to administer
- The development of a range of additional services for employers that make running your business easier and more efficient

Thank you

As the new incoming CEO, I'd like to thank all of our members and their employers for their continued support and contribution to the Fund.

Thank you also to the Board of Trustees for welcoming me so warmly and for the support they have provided me in the initial few months.

Finally, thank you to the Trustee team for their continued focus on our members in everything that they do.

Jarrod Coysh
Chief Executive Officer

Cathy Loftus, Director
of Finance at Morrison
Kleeman, Eltham, Victoria



An employer's perspective on super

With multiple offices and 50 staff, there's a lot to manage in the business.

We are a service industry and reliant entirely on our people for our reputation, service and results for our clients. So having the best people with the right attitude on-board and happy is critical.

We take great care in selecting the people we want on our team, in particular we look at attitudes and motivations over and above technical skills that can be taught. We also invest in our people so we consider longevity as a factor.

Duty of care

Financial wellbeing is a big motivator in our industry and we take our responsibility very seriously in this arena. Superannuation is a huge part of this and we knew we had a responsibility and most importantly a duty of care when it came to selecting a default super fund for our staff.

Can you imagine if we got that wrong?

As the industry super fund for real estate, REI Super ticked all the boxes, we had no hesitation selecting them to manage the superannuation assets for our team.

Getting the message out

Young staff don't have the same connection to super as the older members of the team, even though it could well be the second biggest asset they have after their own home. We understand this and that's why we make it one of the discussion points in our induction process.

We also have REI Super come out and speak to staff on occasions to help them understand how they can make the most of their super outcome. It's great to see a number of our people taking advantage of this and utilising the option of salary sacrifice, amongst other things, to save tax and grow their retirement wealth.

REI Super not only works for our staff, it works for our business as well. They keep us abreast of government changes (of which there can be many), keeps us compliant, our staff satisfied and makes it easy to contribute.

SUPPORTING THE REAL ESTATE INDUSTRY

As one of the oldest industry funds in Australia, REI Super has been supporting the real estate industry for over 40 years. We do this through the major real estate institutes, franchises and employer bodies by supporting professional, training and standards development together with superannuation information and advice for members.



Your 10th consecutive year of positive returns

Despite significant drops in the first half of the financial year, share markets then surged ahead, with Australian shares finishing the financial year with double-digit returns, rising 20% in the last two quarters of the financial year and achieving highs not seen since 2007.

Shares and bonds ended strongly after a volatile year

REI Super's portfolios benefited from outstanding returns from international share managers, in both developed and

emerging markets. The fall of the Australian dollar against the U.S. dollar helped to boost the unhedged returns from the global investment markets. Both unlisted and listed property also delivered exceptional gains.

These results were in the context of extreme volatility due to trade tensions between the U.S. and China, ongoing Brexit uncertainty, and the banking Royal Commission in Australia.

Bonds also performed well due to expectations of continued interest rate cuts, which eventuated across world banks, including Australia. The country ended the financial year with an interest rate of 1.25%, which was lowered further by the Reserve Bank of Australia in July to 1%, the lowest cash rate in Australia's history.

The first quarter of 2019 saw an 'inversion' of the yield curve for bonds, which means that the longer-term interest rate for bonds is less than the short-term interest rate. This continued in the June quarter.

Longer-term aims achieved

REI Super aims to protect balances for members whilst achieving our aims for investment returns over the longer term. We've achieved this goal, with the Balanced option outperforming the benchmarks and its aims over 10 years, with an average of 7.51% per annum over 5 years, 9.03% per annum over 7 years and 8.61% per annum over 10 years.

Investment returns for all investment options are provided on pages 12 – 13.

Taking a measured approach

Members who read the investment report in last year's Annual Report will remember that we flagged an unusual market, in which both shares and bonds were doing well, in what some experts considered an

unsustainable way. There was also the risk of inflation rising globally, and shares being expensive compared to their underlying value. REI Super considers that protecting its members' wealth from losses as critically important, which means reducing risk when indicators show that the true value of an asset class is significantly below its market price. We increased holdings in cash and bonds, with a preference for Japan and emerging markets in share holdings. The higher cash holdings caused some drag in performance returns to the end of FY2019, due to interest rates reducing and share markets rising.

Where to for markets next?

Looking ahead, and in a marketplace where all asset classes are expensive, we will continue to manage risk by assessing the underlying values of investments and making adjustments to our holdings accordingly. For example, in the high-performing U.S. share markets, REI Super invests in companies like healthcare and consumer staples, which will always be required by consumers, even if a correction occurs.

We will maintain a strong exposure to cash and bonds, traditionally defensive investment asset classes. The Fund is also increasing investment in infrastructure and listed property, both of which are tied to Consumer Price Index (CPI) rises and have solid underlying value. Across asset classes we will continue to focus on finding well-priced investments with an acceptable level of risk.

Note: Past returns are no guarantee of future performance, and investment returns of less than one year should not be relied upon as any guide to future performance.

Investment returns

REI Super's net investment returns* to 30 June 2019

Investment option	1 year (%)		3 years (average annual % p.a.)		5 years (average annual % p.a.)		7 y
	REI Super	Benchmark	REI Super	Benchmark	REI Super	Benchmark	(average an
REI Super							
Growth¹	6.19	7.08	9.11	11.33	8.69	9.15	10.72
Balanced²	5.49	6.93	7.22	8.73	7.51	7.71	9.03
Stable³	4.08	5.28	4.54	5.02	4.59	4.85	5.45
Premium Income	5.12	5.28	3.63	5.02	4.01	4.85	N/A
Cash⁴	1.48	1.83	1.38	1.72	1.57	1.87	1.81
Australian Shares	6.94	8.17	9.37	11.53	8.32	8.51	10.48
International Shares	4.66	8.13	8.92	12.28	9.49	10.64	13.09
Australian Property	16.42	N/A**	7.36	N/A**	12.01	N/A**	13.48
Global Property	8.32	N/A**	4.68	N/A**	7.31	N/A**	8.87
Bonds	6.54	5.52	3.36	3.16	4.38	3.71	4.42
REI Super Pension							
Growth¹	7.69	8.17	9.75	12.09	9.38	9.96	11.75
Balanced²	6.39	7.95	7.47	9.53	7.96	8.41	9.79
Stable³	5.17	6.33	4.85	5.7	5.02	5.48	6.09
Premium Income	6.03	6.33	4.12	5.7	4.58	5.48	N/A
Cash⁴	1.74	2.15	1.63	2.02	1.85	2.22	2.18
Australian Shares	12.52	9.25	11.01	12.83	9.57	9.79	11.90
International Shares	5.39	8.69	9.88	13.16	10.48	11.48	14.69
Australian Property	18.95	N/A**	8.08	N/A**	13.28	N/A**	14.45
Global Property	9.90	N/A**	5.24	N/A**	8.20	N/A**	9.94
Bonds	7.06	6.77	3.45	3.74	4.64	4.31	4.87

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).

Years annual % p.a.)	10 years (average annual % p.a.)		Commencement date
	Benchmark	REI Super	
11.8	9.96	10.03	1/07/98
9.48	8.61	8.6	1/07/90
5.62	5.75	6.06	1/11/03
N/A	N/A	N/A	1/10/13
2.11	2.44	2.64	1/07/98
11.25	8.79	9.64	31/07/06
13.6	11.29	10.73	31/07/06
N/A**	11.78	N/A**	31/07/06
N/A**	10.53	N/A**	31/07/06
4.19	5.75	5.54	31/07/06
12.86	11.00	11.13	31/10/06
10.52	9.44	9.57	31/10/06
6.38	6.45	6.85	31/10/06
N/A	N/A	N/A	1/10/13
2.48	2.85	3.18	31/10/06
12.93	10.25	10.72	31/10/06
14.91	12.84	11.82	31/10/06
N/A**	13.24	N/A**	31/10/06
N/A**	12.94	N/A**	31/10/06
4.84	6.39	6.04	31/10/06

Benchmarks for superannuation returns

REI Super options	Median fund returns
Growth	SR25 High Growth (91-100) Index
Balanced	SR50 Balanced (60-76) Index
Stable	SR50 Capital Stable (20-40) Index
Premium Income	SR50 Capital Stable (20-40) Index
Cash	SR50 Cash Index
Australian Shares	SR50 Australian Shares Index
International Shares	SR50 International Shares Index
Australian Property	No SuperRatings benchmark available
Global Property	No SuperRatings benchmark available
Bonds	SR25 Diversified Fixed Interest Index

Investment Managers & Trusts

As at 30 June 2019

Asset	Investment Managers
Australian shares	Allan Gray Australia Omega Platypus Vinva
International shares	Lazard (Japanese Equities) Marathon Sands Capital Omega Vanguard
Property	Omega
Unlisted property	Industry Super Property Trust
Global infrastructure	Omega
Australian bonds	Metrics Omega
International bonds	Colchester Ashmore Standish T.Rowe Price
Global inflation linked securities	Omega
Cash	Omega

This information is correct as at 30 June 2019.

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, 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 everyone

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

Topic	Sample coverage	Phone advice	Video advice	Face-to-face advice
Superannuation advice	<ul style="list-style-type: none"> • Risk appetite • Selecting investments • Contribution options • Insurance needs • Savings adequacy 	No cost	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	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.

Legislative super update

The 2019/20 federal budget had just a few changes to super and retirement proposed, in contrast to last year.

Super to the tax office

Under the Protecting Your Super Package announced in the previous year's budget, members with \$6,000 or less in their account that have not had a contribution for 16 months or more are to have their insurance cancelled and their super balance transferred to the ATO. The aim of which is to protect members' accounts being reduced unnecessarily by fees.

Other changes include the capping of fees (to a maximum 3%) for all accounts with \$6,000 or less and a ban on charging exit fees.

Proposed changes announced before parliament in this year's budget

- Insurance for under 25s to become opt-in from 1 April 2020. This will require members in this age group to actively choose to have insurance as opposed to getting automatic cover. This will have implications for anyone choosing not to have insurance when it's first offered as later on they will have to provide evidence of health to get cover.
- Changes to voluntary contribution requirements for Australians aged 65 & 66 will allow for more significant concessional and non-concessional contributions to super without meeting the work test.
- Increasing the age limit for Australians to be able to receive spouse contributions to 74 (previously 69).
- Increased funding to be provided to the Fair Work Ombudsman to clamp down on sham contracting to ensure employers pay their statutory obligations, notably the Superannuation Guarantee.
- Increased funding for the ATO to police on-time payment of superannuation liabilities of big business and high-wealth individuals.



Your investment 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 (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 (returns) 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.

Key considerations

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

- 1 The amount of time your money will be invested
- 2 The level of investment earnings (returns) you are hoping to achieve
- 3 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.



YOUR INVESTMENT OPTIONS

Growth¹



	Super SAA %	Pension SAA %	Actual at 30 June 2019		Actual at 30 June 2018	
	%	%	Super %	Pension %	Super %	Pension %
1. Australian shares	31.0	34.0	28.5	30.1	27.3	31
2. International shares	45.0	42.0	44.4	41.4	49.3	48.6
3. International listed property (hedged)	8.0	8.0	3.8	3.5	4.5	6.1
4. Unlisted property	3.0	3.0	3.4	2.7	3.4	2.7
5. Global Infrastructure	4.0	4.0	4.2	5.9	2.1	2.1
6. Australian bonds	0.0	0.0	1.0	2.4	1.0	1.0
7. International bonds	0.0	0.0	4.1	3.7	2.2	2.3
8. Global inflation linked bonds	0.0	0.0	1.0	0.9	1.8	2.4
9. Alternatives	8.0	8.0	5.7	5.7	1.9	1.5
10. Cash	1.0	1.0	3.9	3.6	6.5	2.3

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 4% pa over rolling 10 year periods.

Risk Profile: High

Balanced¹



	Super SAA %	Pension SAA %	Actual at 30 June 2019		Actual at 30 June 2018	
	%	%	Super %	Pension %	Super %	Pension %
1. Australian shares	20.0	22.0	17.1	18.0	19.0	20.4
2. International shares	33.0	31.0	34.0	30.9	44.2	41.9
3. International listed property (hedged)	7.0	7.0	3.5	3.2	4.7	4.8
4. Unlisted property	4.0	4.0	5.3	4.3	4.9	4.2
5. Global Infrastructure	3.0	3.0	3.3	3.2	1.7	1.8
6. Australian bonds	8.0	8.0	9.1	9.1	6.3	8.3
7. International bonds	5.0	5.0	8.9	10.1	4.5	4.9
8. Global inflation linked bonds	3.0	3.0	2.2	2.4	5.5	4.8
9. Alternatives	12.0	12.0	6.8	7.4	2.0	2.2
10. Cash	5.0	5.0	9.8	11.3	8.9	6.7

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 3% pa over rolling 10 year periods.

Risk Profile: Medium to high

Charts show Super Strategic Asset Allocation.

Stable¹



	Super SAA %	Pension SAA %	Actual at 30 June 2019		Actual at 30 June 2018	
			Super %	Pension %	Super %	Pension %
1. Australian shares	9.0	10.0	5.9	6.1	9.1	9.9
2. International shares	14.0	13.0	15.8	13.6	10.5	10.0
3. International listed property (hedged)	4.0	4.0	1.9	2.5	2.2	2.8
4. Unlisted property	0.0	0.0	0.0	0.0	0	0
5. Global Infrastructure	2.0	2.0	1.6	1.4	0	0
6. Australian bonds	18.0	18.0	18.1	19.6	18.1	18.5
7. International bonds	11.0	11.0	14.5	15.8	10.9	10.6
8. Global inflation linked bonds	6.0	6.0	3.6	3.8	9.7	9.1
9. Alternatives	10.0	10.0	6.6	6.4	2.1	2.1
10. Cash	26.0	26.0	32.1	30.6	26.6	26.6

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 1% pa over rolling 3 year periods.

Risk Profile: Low to medium

Premium Income¹



	Super SAA %	Pension SAA %	Actual at 30 June 2019		Actual at 30 June 2018	
			Super %	Pension %	Super %	Pension %
1. Australian shares	10.0	11.0	5.6	7.3	8.8	10.0
2. International shares	5.0	4.0	6.8	4.4	10.7	9.1
3. International listed property (hedged)	7.0	7.0	3.1	3.3	2.1	2.1
4. Unlisted property	0.0	0.0	0.0	0.0	0	0
5. Global Infrastructure	4.0	4.0	3.8	4.2	1.6	1.5
6. Australian bonds	24.0	24.0	26.0	26.3	24.3	27.9
7. International bonds	15.0	15.0	18.9	18.3	15.1	15.5
8. Global inflation linked bonds	5.0	5.0	4.3	4.3	7.8	7.6
9. Alternatives	0.0	0.0	0.0	0.0	0	0
10. Cash	30.0	30.0	31.5	31.9	29.6	26.4

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 1.0% pa over rolling 3 year periods.

Risk Profile: Low to medium

FOR MORE DETAILS ABOUT INVESTMENT OPTIONS:

Go to reisuper.com.au/investment-guide and read the REI Super Investment Guide.

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

YOUR INVESTMENT OPTIONS

Cash⁵



	Super SAA	Pension SAA	Actual at 30 June 2019		Actual at 30 June 2018
			Super	Pension	
● Cash	100%	100%	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*



	Super SAA*	Pension SAA*	Actual at 30 June 2019		Actual at 30 June 2018
			Super*	Pension*	
● Australian Shares	100%	100%	97.8%	97.9%	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*



	Super SAA*	Pension SAA*	Actual at 30 June 2019		Actual at 30 June 2018
			Super*	Pension*	
● International Shares (Hedged)	50%	50%	47.4%	49.6%	50.4%
● International Shares (Unhedged)	50%	50%	50.6%	48.6%	49.6%

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 (SA hedged) Index.

Risk Profile: High

● *May include exposure to cash of up to 10%.

Australian Property*



	Super SAA*	Pension SAA*	Actual at 30 June 2019 Super*	Actual at 30 June 2019 Pension*	Actual at 30 June 2018
● Australian Property Securities	100%	100%	96.4%	98.0%	100%

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*

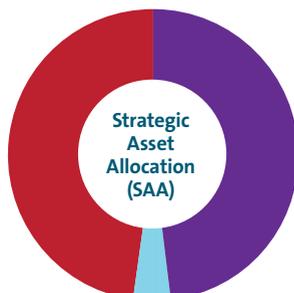


	Super SAA*	Pension SAA*	Actual at 30 June 2019 Super*	Actual at 30 June 2019 Pension*	Actual at 30 June 2018
● International Property Securities	100%	100%	98.0%	97.8%	100%

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*



	Super SAA*	Pension SAA*	Actual at 30 June 2019 Super*	Actual at 30 June 2019 Pension*	Actual at 30 June 2018
● Australian Bonds	50%	50%	48.9%	48.8%	50%
● International Bonds (Hedged)	50%	50%	49.1%	49.1%	50%

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 reissuper.com.au/investment-guide and read the REI Super Investment Guide.

● *May include exposure to cash of up to 10%.

REI Super Trustee Directors



Claire Higgins

Chair, Independent Director

REI Super Board Committee memberships:

- Investment Committee
- Governance, Remuneration & Nomination Committee
- Finance, Audit & Compliance Committee



Emery Feyzeny

Independent Director

REI Super Board Committee memberships:

- Investment Committee – Chair
- Governance, Remuneration & Nomination Committee



Michelle Beveridge

Independent Director

REI Super Board Committee memberships:

- Membership & Business Development Committee – Chair
- Finance, Audit & Compliance Committee
- Risk Committee



Greg Paterson

Member Elected Director

REI Super Board Committee memberships:

- Investment Committee
- Death & Disablement Benefit Claims Committee



Ian Armstrong

Member Elected Director

REI Super Board Committee memberships:

- Governance, Remuneration & Nomination Committee – Chair
- Investment Committee



Beth Stratford

Member Elected Director

REI Super Board Committee memberships:

- Membership & Business Development Committee
- Risk Committee
- Death & Disablement Benefit Claims Committee – Alternate



Jonathan Blocksidge

Member Elected Director

REI Super Board Committee memberships:

- Risk Committee – Chair
- Investment Committee
- Membership & Business Development Committee



Dianne Helmich

Member Elected Director

REI Super Board Committee memberships:

- Death & Disablement Benefit Claims Committee – Chair
- Membership & Business Development Committee
- Risk Committee



John Bailey

Member Elected Director

REI Super Board Committee memberships:

- Finance, Audit & Compliance Committee
- Death and Disablement Benefit Claims Committee



Neville Pozzi

Member Elected Director

REI Super Board Committee memberships:

- Finance, Audit & Compliance Committee – Chair
- Governance, Remuneration & Nomination Committee

Governance of the Board of Trustees

The Trustee is responsible for the management of the Fund and ensuring that it 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.

Committed to best practice

At REI Super we are committed to Fund Governance, Compliance and Risk Management. In keeping with industry best practice we have adopted the Australian Institute of Superannuation Trustees (AIST) governance code to strengthen the policies, processes and procedures we have in place. 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/remuneration.

Directors' attendance at meetings

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 last eight years.

Name	Date of appointment	2018 /19	2017 /18	2016 /17	2015 /16	2014 /15	2013 /14	2012 /13	2011 /12
Ian Armstrong	12/11/1996	4	3	5	4	4	3	4	5
John Bailey	1/09/2007	3	3	5	3	3	4	4	5
Michelle Beveridge	27/10/2017	3	3	–	–	–	–	–	–
Jonathan Blocksidge	1/10/2011	4	3	5	4	4	4	3	4
Emery Feyzeny	15/02/2012	4	3	5	4	4	4	4	2
Dianne Helmich	1/11/2014	4	4	5	4	3	–	–	–
Claire Higgins	1/10/2014	4	4	5	4	3	–	–	–
Greg Paterson	1/12/2013	3	3	5	4	4	2	–	–
Neville Pozzi	9/12/1993	4	4	4	4	4	4	4	4
Beth Stratfold	1/05/1998	4	4	5	4	4	4	4	5

Cells marked with '–' indicate the Director was not serving on the REI Super Board during that financial year.

Fees and other costs

Effective from 1 October 2019

How fees are charged to your account

REI Super manages the Fund with a tight control on costs, because we know that lower fees and costs mean higher returns to our members' accounts. 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	Super, TTR* and Pension members	How and when paid
Investment fee	From 0.15% p.a. to 0.50% p.a. depending on the investment option.	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% p.a.	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 0.15% depending on the investment option. Sell spread from 0.00% to 0.15% depending on the investment option.	These amounts are not deducted directly from your account. They are charged each time units are bought or sold on your behalf and reflected in the calculation of the unit prices.
Switching fee	Nil	Not applicable.
Advice fee	Nil	Advice fees only apply to comprehensive personal financial planning and setting up or reviewing a Transition to Retirement (TTR) strategy.
Insurance fees	Vary depending on the level and type of cover you have.	See details for our insurance fees including Death, Total and Permanent Disability and Income Protection.
Indirect Cost Ratio	From 0.00% p.a. to 0.44% p.a. depending on the investment option.	These costs are incurred indirectly by our investment managers and are attributed to the investment option before the gross investment returns have been determined.

For more information refer to Additional explanation of fees and costs on page 28.

* TTR – Transition to Retirement.

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 Report 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%

Insurance premiums

The cost of insurance premiums are 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 reissuper.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.

Compensation sought for performance discrepancies

As part of our regular review of service providers' performance, discrepancies within REI Super's cash and Australian bond investment holdings were revealed. In particular, this relates to the holding of low interest earning cash investments by Morningstar over a period of approximately three years, and the charging of unexpected investment costs by Morningstar over a period of approximately seven years.

The combination of the above events has resulted in slighter lower than expected returns for REI Super members. For most

members who are invested in the REI Super Balanced (MySuper) Option the Trustee estimates this to be less than 0.04% pa on average.

Whilst Morningstar does not admit any wrongdoing, the Trustee is of the view that REI Super members are entitled to compensation and to this end has been working with Morningstar to resolve the issue in members' best interests. Our aim has been to seek settlement rather than engage in expensive litigation with no certainty of success. The Trustee expects to finalise negotiations with Morningstar in the near future and will be reimbursing eligible members in due course once amounts have been determined.

Reduced investment costs



As your industry super fund we are committed to keeping downward pressure on fees and costs across the board. With every saving meaning more \$\$ in members' accounts.

We are pleased to report an overall saving in investment costs compared to last year has been achieved. The net result being an extra \$70 per year approximately into members' accounts with a balance of \$50,000 invested in the Balanced (MySuper) option.

Additional explanation of fees and costs

Administration fee

These fees cover the general administration and management of the Fund, including the operations of the Trustee office, the costs associated with regulatory compliance, communications and marketing and access to Helpline advice services provided by Mercer Financial Advice (Australia) Pty Ltd (MFA) ABN 76 153 168 293, Australian Financial Services Licence 411766.

Investment fee

The investment fees (shown in Table 1 below) include internal and external investment-related fees such as investment management fees, asset consulting fees, custody fees etc. These fees are not deducted directly from members' account balances, instead they are deducted from

the underlying assets of each investment option and reflected in the unit prices.

As these are forward looking estimates, actual fees may vary from these depending on the actual assets each investment option invests in.

Indirect costs

Indirect costs are those that, directly or indirectly, reduce the return on investments of each investment option including investment management costs, performance related fees and certain transactional and operational costs.

These costs are not deducted directly from members' account balances, instead they are deducted from the underlying assets of each investment option and reflected in the unit prices. The ICRs (shown in Table 1 below)

TABLE 1: Investment fees & Indirect Cost Ratio (ICR)

Investment option	Super Investment fee [^] p.a.	Pension Investment fee [^] p.a.	Indirect Cost Ratio p.a. (ICR) [*]		
			Super	Pension	TTR
Growth	0.50%	0.44%	0.44%	0.46%	0.44%
Balanced	0.47%	0.43%	0.43%	0.38%	0.43%
Stable	0.38%	0.36%	0.36%	0.34%	0.36%
Premium Income	0.32%	0.32%	0.09%	0.11%	0.09%
Australian Property	0.26%	0.26%	0.00%	0.00%	0.00%
Australian Shares	0.22%	0.27%	0.00%	0.08%	0.00%
Bonds	0.33%	0.33%	0.09%	0.10%	0.09%
Global Property	0.30%	0.30%	0.07%	0.09%	0.07%
International Shares	0.23%	0.23%	0.06%	0.08%	0.06%
Cash	0.15%	0.15%	0.08%	0.08%	0.08%

[^] The Investment fees above represent the Trustee's reasonable estimates for the 2018/19 financial year and will vary from year to year depending on the underlying asset mix of each investment option. ^{*} The ICRs above reflect the Trustee's reasonable estimates of the actual indirect costs incurred by the underlying investment vehicles used by the Fund over the 2018/19 financial year. Past fees and costs may not be a reliable indicator of future fees and costs.

represent the ratio of the total indirect costs for each investment option to the total average net assets attributed to that investment option. The actual indirect costs for each investment option and hence the actual ICRs are likely to vary from year to year.

Buy/Sell spread

When a contribution is received or a benefit is paid, it is used to purchase or sell units in your investment option. For some investment options, the entry price for the issue of units may be different from the exit price for the redemption of those units.

The difference between the entry and exit price represents an allowance for transaction costs, and is commonly referred to as a 'Buy/Sell spread'.

Buy/Sell spreads (if incurred) are additional costs and do not form part of the management costs shown in the 'Example of annual fees and costs' table above. The Buy/Sell spreads of each investment option are set out in the table below:

Investment option	Buy/Sell spreads
Growth	0.15% / 0.15%
Balanced	0.14% / 0.14%
Stable	0.10% / 0.10%
Premium Income	0.09% / 0.09%
Australian Property	0.08% / 0.08%
Australian Shares	0.09% / 0.09%
Bonds	0.10% / 0.10%
Global Property	0.09% / 0.09%
International Shares	0.08% / 0.08%
Cash	0.00% / 0.00%

Fee changes – our disclosure obligations

All fees are current at the time of publication. They may be revised or adjusted by us from time to time. We may also introduce new fees from time to time.

If there were to be a material increase in fees, we'll notify you at least 30 days in advance of the change.

Where there is a materially adverse change to the Indirect Costs Ratios, we will update the PDS and this document. Where the change is not materially adverse, we will provide an update on our website at reisuper.com.au.

Eligible Rollover Fund (ERF)

If your account balance is less than \$6,000 and we have not received a contribution for you for more than 16 months, we may transfer your account balance to AUSfund, our nominated ERF. If we have a current address, we will write to you and give you the option to reactivate your account before transferring your REI Super account to AUSfund.

If your superannuation benefits are transferred to AUSfund, your personal information will also be passed on to AUSfund and you will cease to be a member of REI Super and will lose any insurance arrangements you have in place with REI Super.

To contact AUSfund

Email: admin@ausfund.net.au
 Web: ausfund.com.au
 Phone: 1300 361 798

Financial Statements

Financial Year ended 30 June 2019

Statement of financial position as at 30 June 2019

	2019 \$'000	2018 \$'000
Assets		
Cash and cash equivalents	8,405	7,355
Receivables	155	2,322
Investments	1,709,847	1,621,769
Prepayments	90	78
Deferred tax assets	131	138
Total assets	1,718,628	1,631,662
Liabilities		
Creditors and accruals	1,814	1,674
Employee entitlements	198	185
Current tax liability	5,796	7,183
Deferred tax liabilities	18,474	18,781
Total liabilities excluding member benefits	26,282	27,823
Net assets available for member benefits	1,692,346	1,603,839
Members benefits	1,671,998	1,587,395
Net assets	20,348	16,444
Equity		
Operational risk reserve	4,116	3,954
Administration reserve	4,951	4,773
Unallocated surplus/(deficit) *	11,281	7,717
Total equity	20,348	16,444

* Unallocated earnings or losses between the date of the unit prices determined by the Trustee and the reporting date are shown in the statement of financial position as 'Unallocated surplus/(deficit)' within equity.

Income statement for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Revenue from superannuation activities		
Interest	126	65
Trust distributions	75,149	76,752
Net changes in fair value of investments	20,865	44,246
Other investment income	3,801	3,529
Other income	1	29
Total superannuation activities revenue	99,942	124,621
Expenses		
Direct investment expense	486	326
Administration Expenses	3,195	3,269
Other Operating Expenses	4,071	4,353
Total expenses	7,752	7,948
Net profit superannuation activities	92,190	116,673
Benefits allocated to members accounts	84,022	95,193
Profit/(loss) before income tax	8,168	21,480
Income tax expense	4,547	9,653
Profit/(loss) after income tax	3,621	11,827

Statement of changes in member benefits

	2019 \$'000	2018 \$'000
Member benefits at start	1,587,395	1,483,028
Employer contributions	100,108	104,116
Member contributions	13,434	11,498
Transfers in	26,415	20,944
Net investment income	92,222	102,911
Insurance proceeds	5,374	5,081
Total credited to member accounts	237,553	244,550
Income tax on contributions	-14,868	-15,969
Net benefits paid	-124,978	-111,150
Insurance Premiums	-4,904	-5,347
Administration Fees	-8,200	-7,717
Total deducted from member accounts	-152,950	-140,183
Member benefits at end	1,671,998	1,587,395

Reserves

Administration Reserve

The Fund maintains an Administration Reserve which 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

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

	2019 \$'000	2018 \$'000
Administration Reserve		
Balance at beginning of period	4,773	4,529
Movement	178	244
Balance at end of period	4,951	4,773
Operational Risk Reserve		
Balance at beginning of period	3,954	3,730
Movement	162	224
Balance at end of period	4,116	3,954

Contacting us couldn't be easier

Here to help

1300 13 44 33

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

reisuper.com.au

admin@reisuper.com.au

Online enquiry form: reisuper.com.au/contact

GPO Box 4303, Melbourne VIC 3001

Join

To join REI Super go to reisuper.com.au/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 at
reisuper.com.au or call **1300 13 44 33**

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

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

