

Smartsave

'Member's Choice' Superannuation Master Plan



ANNUAL REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2014

The Trustee and issuer of an interest in Smartsave 'Member's Choice' Superannuation Master Plan (ABN 43 905 581 638, Fund Registration No. R1001341) is:

Tidswell Financial Services Ltd
ABN 55 010 810 607
AFS Licence No. 237628
RSE Licence No. L0000888
MySuper Licence No.
43905581638590
50 Hindmarsh Square
Adelaide SA 5000

Telephone (08) 8223 1676
Facsimile (08) 8232 1675

The Promoter of Smartsave 'Member's Choice' Superannuation Master Plan is:
Group Insurance & Superannuation Concepts Pty Ltd
ABN 51 070 756 740
AFS Licence No. 245521
PO Box 137
Dromana Vic 3936

Telephone (03) 5987 1423
Facsimile (03) 5987 1423

Issue date: 29 September 2014

This Annual Report should be read in conjunction with your Annual Statement of Benefits. These documents should be read together because they constitute your periodic information for the financial year ending 30 June 2014.

Your Annual Statement of Benefits has either been emailed to you or been posted to you at your last known address. This Annual Report and your Annual Statement of Benefits are available to you online at www.smartsavesuper.com.au. If you require a hard copy of this Annual Report, please contact Client Services on 1300 654 720.



...partners in securing your prosperity

Any reference in this Annual Report and your Annual Statement of Benefits to:

Adviser means your financial adviser. For the purposes of this Annual Report we have assumed that you or your employer have appointed a financial adviser and that you have consented to that financial adviser being provided with access to your information. If you have not appointed a financial adviser please disregard any irrelevant references in this Annual Report and be assured that no information will be provided to a financial adviser without your consent. You should be aware that financial advisers are independent to the Trustee and the Trustee is not responsible for any information or services provided to you by your financial adviser.

Client Services, Tranzact or Administrator means Tranzact Superannuation Services Pty Ltd (ABN 33 056 524 522, AFS Licence No. 238385).

Custodian means Australian Executor Trustees Limited (ABN 84 007 869 794, AFS Licence No. 240023).

Fund Manager means the fund managers appointed by the Trustee for Smartsave from time to time.

Insurer means MLC Limited (ABN 90 000 000 402, AFS Licence No. 230694).

Investment Manager means Tranzact Consulting Pty Limited (ABN 78 058 305 525, AFS Licence No. 244560)

PDS means the current product disclosure statement for Smartsave including any incorporated by reference documents which are issued in respect to that PDS.

Plan or Smartsave means the Smartsave 'Member's Choice' Superannuation Master Plan.

Promoter or GIS Concepts means Group Insurance and Superannuation Concepts Pty Ltd (ABN 51 070 756 740, AFS Licence No. 245521).

Scheme means a segment of Smartsave specific to an employer or group of employers. Additional Scheme level information is provided in your Annual Statement of Benefits (where applicable).

SIS Act means the Superannuation Industry (Supervision) Act 1993 as amended from time to time.

SIS Legislation means the SIS Act and the SIS Regulations.

SIS Regulations means the Superannuation Industry (Supervision) Regulations as amended from time to time.

Smartsave Divisions means the Smartsave Employer Super, Smartsave Personal Choice and Smart Pensions divisions of Smartsave.

Trustee means Tidswell Financial Services Ltd (ABN 55 010 810 607, AFS Licence No. 237628, RSE Licence No. L0000888 MySuper Licence No. 43905581638590).

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For full details on how Smartsave works, including investing, fees, insurance and accessing your benefits, please refer to the PDS and any incorporated by reference documents.

These are available from your Adviser or can be downloaded from Smartsave's website at www.smartsavesuper.com.au.

INTRODUCTION

The Trustee is pleased to present its Annual Report to Smartsave members for the year ending 30 June 2014.

This Annual Report brings you up-to-date with Smartsave's operations during the 2013/14 financial year and provides information on the management, financial condition and investment performance of Smartsave. You should have received your Annual Statement of Benefits which provides details of your benefit entitlements as at 30 June 2014. This Annual Report and your Annual Statement of Benefits should be read in conjunction with each other because they form your periodic information for the year ending 30 June 2014.

Member specific information is provided in the Annual Statement of Benefits, along with details of your benefit entitlements as at 30 June 2014.

We hope you find this Annual Report informative. If you have any questions about this Annual Report, your benefits or about Smartsave, please contact Client Services (contact details below).

Client Services' contact details are as follows:

Administration Manager

Tranzact Superannuation Services Pty Ltd

PO Box 20314

World Square

SYDNEY NSW 2002

Telephone (02) 9236 5600

Toll free 1300 654 720

Facsimile (02) 9236 5699

E-mail smartsave@tranzact.com.au

You should be aware that none of the Trustee, Custodian, Promoter, Investment Manager, Administrator, Insurer nor any of the stated Fund Managers nor any of their respective subsidiaries or their respective officers guarantees the capital invested by investors, the performance of the specific investments available or your account generally.

The Trustee

Tidswell Financial Services Ltd (ABN 55 010 810 607, AFS Licence No. 237628, RSE Licence No. L0000888 MySuper Licence No. 43905581638590) is the Trustee of Smartsave. The Trustee has been granted a Registrable Superannuation Entity (RSE) licence by the Australian Prudential Regulation Authority (APRA) which enables it to act as a trustee of a regulated superannuation fund. Smartsave is a regulated superannuation fund and the Trustee is responsible for ensuring that it is operated in accordance with Smartsave's trust deed and the relevant legislative requirements. The Trustee is also the issuer of this Annual Report.

The board of directors of the Trustee as at 30 June 2014 were:

Directors

Michael Terlet AO (appointed 19 April 1991)

Stephen Heath (appointed 14 May 1999)

Jeffrey Tidswell (appointed 11 May 1988)

Ron Beard (appointed 20 August 2012)

Secretary

Jeffrey Tidswell (appointed 11 May 1988)

Compliance statement

The Trustee intends to operate Smartsave at all times as a regulated superannuation fund as that term is defined in the SIS Act. Compliance with the SIS Legislation entitles Smartsave to receive special tax treatment. The Trustee is unaware of any events that could jeopardise Smartsave's compliance status and has not had any penalties imposed on it under section 38A of the SIS Act.

The Trustee has taken out professional indemnity insurance to protect it from certain liabilities subject to the terms and conditions of the relevant insurance policy.

Deed Amendments

There were no deed amendments during the year.

Further Information

You are entitled to inspect certain documents associated with Smartsave's operation. These documents include Smartsave's annual returns, audited accounts, auditor's report and the trust deed. All requests for this information or other queries about your superannuation entitlements should be referred to:

Tidswell Financial Services Ltd

50 Hindmarsh Square

Adelaide SA 5000

Phone: (08) 8223 1676

Fax: (08) 8232 1675

Disclaimer

The intent of this Annual Report is to provide useful information, not investment or financial advice, and the information should not be construed as investment or financial advice. Each member is ultimately responsible for making his or her own investment decisions and obtaining whatever assistance he or she deems necessary. Neither the Trustee, Custodian, Promoter, Investment Manager, Administrator, Insurer or any of the underlying Fund Managers nor any service providers guarantee the investment returns in Smartsave.

The information in this Annual Report is of a general nature only and is not intended to be a complete or definitive statement of all matters outlined in it. The Trustee does not recommend that any member make decisions concerning superannuation arrangements based solely on this Annual Report. Formal legal documents, called the governing rules and relevant legislation ultimately govern the operation of Smartsave. The central document is Smartsave's trust deed. Should there be any discrepancies between the information in this Annual Report and the governing rules, the governing rules will prevail. Whilst all due care has been taken in the preparation of this Annual Report, the Trustee reserves the right to correct any errors or omissions.

INVESTMENTS

This Annual Report provides commentary on the investments that were in place on 30 June 2014.

The investment profile, including the investment objective and strategy of each investment option is set out in this Annual Report. The value of your investment is determined by reference to unit prices applicable to the investment option(s) that your account is invested in and the change in the unit price for each investment option represents the investment return for that investment option.

Smartsave's investment strategy is aimed at offering a broad range of investment options to allow you to structure an investment portfolio that meets your long-term investment needs and risk tolerance for your superannuation in the context of your other investments. The investment options available to members participating in the Smartsave Divisions during the financial year ending 30 June 2014 were as follows:

Open Investments

| |
|---|
| Risk Band 1 – Very Low Risk |
| Smartsave Cash |
| Risk Band 2 – Low Risk |
| Smartsave Diversified Fixed Interest |
| Risk Band 3 – Low to Medium Risk |
| Smartsave Managed Stable |
| Risk Band 4 – Medium Risk |
| Smartsave Balanced |
| Risk Band 5 – Medium to High Risk |
| Smartsave Growth |
| Risk Band 6 – High Risk |
| Smartsave High Growth |
| Smartsave Australian Shares - Imputation |
| Risk Band 7 – Very High Risk |
| Smartsave Diversified Property |
| Smartsave Australian Shares |
| Smartsave Global Shares |
| Smartsave Resources |
| Smartsave Australian Shares – Small Companies |
| Smartsave Australian Shares - Geared |

In addition to above there is a default investment option which is only available for members in Smartsave Employer Super who do not make an investment choice – this investment option became available at 1 January 2014:

| |
|----------------------------------|
| Risk Band 4 – Medium Risk |
| Smartsave MySuper Balanced |

The Risk Bands outlined above are based on the Standard Risk Measure. The Standard Risk Measure is based on industry guidance to allow you to compare investment options that are expected to deliver a similar number of negative annual returns over any 20 year period.

The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than you may require to meet your objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return.

You should ensure that you are comfortable with the risks and potential losses associated with your chosen investment options. The table explains categories of risk by reference to the estimated number of years that negative returns would arise over any 20 year period, referred to as the Standard Risk Measure:

| Risk Band | Risk Label | Estimated number of Negative Annual Returns over any 20 Year Period |
|------------------|-------------------|--|
| 1 | Very Low | Less than 0.5 |
| 2 | Low | 0.5 to less than 1 |
| 3 | Low to Medium | 1 to less than 2 |
| 4 | Medium | 2 to less than 3 |
| 5 | Medium to High | 3 to less than 4 |
| 6 | High | 4 to less than 6 |
| 7 | Very High | 6 or greater |

Closed Investments

LM Mortgage Income Fund (closed 26/08/2008)

MacarthurCook Mortgage Fund (closed 27/10/2008)

Smartsave High Yield B (closed 16/07/2007)

INFORMATION ON THE INVESTMENT OPTIONS

The Trustee has appointed an Investment Manager (Tranzact Consulting Pty Limited) to professionally construct Smartsave investment options, select fund managers to meet Smartsave investment objectives and an Asset Consultant (Atchison Consultants) to benchmark and monitor performance outcomes.

The information below does not take into account your personal investment objectives, financial situation or particular needs. We recommend you seek professional financial advice from an appropriately licensed or authorised Adviser before making any investment decision. To assist you in reading the investment profiles, we have provided below an example of one investment option, with an explanation of the information provided. Information is shown as at 30 June 2014 (unless otherwise specified).

How to read the investment options

| | | | |
|---|---|-----------------------|---|
| Name of Investment Option | Smartsave Cash* | | ← This is the name of the investment option that will appear on reports and statements. |
| Investment Objective | To outperform the average 3-month Bank Term Deposit rate offered by the five major trading banks, as published by the RBA over rolling three year periods, without exposing the portfolio to credit default risk worse than the average credit rating of the five major trading banks. Achievement of this objective would therefore limit the probability of a negative return in any one year to less than half a year in any 20. | | ← Describes the goals of the investment option. Objectives are guidelines only and may not be met. They are not a promise or guarantee of any particular return or benefit. |
| Investment Strategy | To invest in a range of wholesale cash and short-term money market securities issued by the major banks and corporates with investment grade ratings as defined by the major credit rating agencies. The option may also invest in managed cash funds and mortgage funds with similar mandates and credit criteria. While the investment option can invest in securities with moderately higher credit risks than the major trading banks for this class of investment option, it is not anticipated that the overall risk profile will be significantly higher, given the limits on those securities and the diversified nature of the investments to be held. | | ← This outlines how the investment option is managed and where it invests to achieve its investment objective. |
| Suggested Minimum Timeframe | 3 to 6 months | | ← This describes the suggested minimum investment period. It is a guideline only. We recommend you regularly review the appropriateness of the timeframes to your needs with your Adviser. |
| Risk/Return Profile | Very Low (Risk Band 1) | | ← This is a general assessment of the investment option's relative risk level and expected return based on historical performance of asset sectors in which the investment option invests. More information about risks is contained in the PDS. |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) | ← This provides information of the actual asset allocation of the investment option as at 30 June 2013 and 30 June 2014. Asset allocations can change from time to time, in accordance with applicable benchmarks, due to market movements and investment positions taken by the underlying Fund Manager(s). More information about asset allocations is contained in the PDS. |
| Australian shares | 0 | N/A | |
| Global shares | 0 | N/A | |
| Property | 0 | N/A | |
| <i>Total growth assets</i> | 0 | N/A | |
| Fixed Interest | 0 | N/A | |
| Cash* | 100 | 100 | ← This shows the compound average annualised performance returns of the investment option for 5 years (or since inception) to 30 June 2014. Past performance is not a reliable indicator of future performance. 'Since inception' is defined as the period since the unit price was first struck at Smartsave level. It is only shown if the investment option has less than 5 years of performance. |
| <i>Total defensive assets</i> | 100 | 100 | |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Employer & Personal Super | Smart Pensions | ← This shows the annual rate of return for the investment option to each 30 June. More recent performance information is available from Smartsave's website, www.smartsavesuper.com.au . Past performance is not a reliable indicator of future performance. |
| Or since inception date (DD/MM/YYYY) | N/A | N/A | |
| Annual rate of return for 12 months to 30 June (% pa): | Employer & Personal Super | Smart Pensions | |
| 2010 | N/A | N/A | |
| 2011 | N/A | N/A | |
| 2012 | N/A | N/A | |
| 2013 | N/A | N/A | |
| 2014 | 0.8% | 0.9% | |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent).

| | | |
|---|---|-----------------------|
| Name of Investment Option | Smartsave Diversified Fixed Interest* | |
| Investment Objective | To outperform both the UBSWA Government Bond benchmark index and the relevant Morningstar survey median of Australian Fixed Interest managers over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 1 year in any 20 | |
| Investment Strategy | To invest primarily in a range of directly-held government and non-government fixed interest securities issued in Australia. These will be augmented with exposure to global fixed interest securities, but only where the currency risk is removed by fully hedging back into Australian Dollars. The investment option adopts an index-enhanced approach, with a core index holding augmented by a range of direct securities, inflation-linked bonds and managed funds. This strategy not only provides a cost effective index tracking component, but also provides the mechanism to vary the duration relative to the benchmark in order to achieve a total return above the benchmark. | |
| Suggested Minimum Timeframe | 3 years | |
| Risk/Return Profile | Low (Risk Band 2) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 0 | N/A |
| Global shares | 0 | N/A |
| Property | 0 | N/A |
| <i>Total growth assets</i> | 0 | N/A |
| Fixed Interest | 97.8 | N/A |
| Cash** | 2.2 | N/A |
| <i>Total defensive assets</i> | 100.0 | N/A |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | N/A | N/A |
| Or since inception date (DD/MM/YYYY) | 2.6% (01/07/2013) | 2.8% (01/07/2013) |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | N/A | N/A |
| 2011 | N/A | N/A |
| 2012 | N/A | N/A |
| 2013 | N/A | N/A |
| 2014 | 2.6% | 2.8% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent).

| | | |
|---|---|-----------------------|
| Name of Investment Option | Smartsave Managed Stable* | |
| Investment Objective | To outperform both the benchmark asset allocation weighted index portfolio and the relevant Morningstar survey median of Conservative managers over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 2 years in any 20. | |
| Investment Strategy | To invest mainly in a diversified range of fixed interest securities and funds, combined with a modest exposure to growth assets such as Australian and international shares. Asset allocations will be actively managed within ranges around the long-term strategic asset allocations below, in accordance with the Investment Manager's assessment of global economic and market value conditions relative to the level of assumed risks. | |
| Suggested Minimum Timeframe | 3 years | |
| Risk/Return Profile | Low to Medium (Risk Band 3) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 10.0 | 12.6 |
| Global shares | 10.1 | 12.3 |
| Property | 10.1 | 4.8 |
| <i>Total growth assets</i> | 30.2 | 29.7 |
| Fixed Interest | 50.9 | 60.9 |
| Cash** | 18.9 | 9.4 |
| <i>Total defensive assets</i> | 69.8 | 70.3 |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | 4.3% | 5.2% |
| Or since inception date (DD/MM/YYYY) | N/A | N/A |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | 5.6% | 6.6% |
| 2011 | 2.9% | 3.0% |
| 2012 | 2.6% | 3.6% |
| 2013 | 5.3% | 6.5% |
| 2014 | 5.4% | 6.3% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

Multi-Manager Balanced Investment Option

| | | |
|--|--|-------------------------------|
| Name of Investment Option | Smartsave Balanced* | |
| Investment Objective | To outperform both the benchmark asset allocation weighted index portfolio and the relevant Morningstar survey median of Balanced managers over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 3 years in any 20. | |
| Investment Strategy | To invest in a diversified range of fixed interest securities and funds, combined with an equal exposure to growth assets such as Australian and international shares. Asset allocations will be actively managed within ranges around the long-term strategic asset allocations below, in accordance with the Investment Manager's assessment of global economic and market value conditions relative to the level of assumed risks. | |
| Suggested Minimum Timeframe | 5 years | |
| Risk/Return Profile | Medium (Risk Band 4) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 22.7 | 20.4 |
| Global shares | 22.6 | 22.6 |
| Property | 10.2 | 5.1 |
| <i>Total growth assets</i> | 55.5 | 48.1 |
| Fixed Interest | 30.9 | 43.7 |
| Cash** | 13.6 | 8.2 |
| <i>Total defensive assets</i> | 44.5 | 51.9 |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave 5.4% | Smart Pensions 6.3% |
| Or since inception date (DD/MM/YYYY) | N/A | N/A |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | 6.1% | 6.4% |
| 2011 | 3.3% | 2.7% |
| 2012 | 0.5% | 1.6% |
| 2013 | 9.4% | 11.1% |
| 2014 | 8.0% | 9.1% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

| | | |
|---|---|-----------------------|
| Name of Investment Option | Smartsave Growth* | |
| Investment Objective | To outperform both the benchmark asset allocation weighted index portfolio and the relevant Morningstar survey median of Growth managers over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 4 years in any 20. | |
| Investment Strategy | To invest mainly in a diversified range of growth assets such as Australian and international shares, combined with a modest exposure to fixed interest securities and funds. Asset allocations will be actively managed within ranges around the long-term strategic asset allocations below, in accordance with the Investment Manager's assessment of global economic and market value conditions relative to the level of assumed risks. | |
| Suggested Minimum Timeframe | 7 years | |
| Risk/Return Profile | Medium to High (Risk Band 5) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 32.2 | 29.2 |
| Global shares | 32.7 | 33.9 |
| Property | 10.3 | 5.1 |
| <i>Total growth assets</i> | 75.2 | 68.2 |
| Fixed interest | 20.4 | 27.5 |
| Cash** | 4.4 | 4.3 |
| <i>Total defensive assets</i> | 24.8 | 31.8 |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | 6.8% | 7.1% |
| Or since inception date (DD/MM/YYYY) | N/A | N/A |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | 6.9% | 6.1% |
| 2011 | 3.4% | 1.8% |
| 2012 | -1.5% | -0.1% |
| 2013 | 14.1% | 15.4% |
| 2014 | 11.8% | 12.0% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

| | | |
|---|--|-----------------------|
| Name of Investment Option | Smartsave High Growth* | |
| Investment Objective | To outperform both the benchmark asset allocation weighted index portfolio and the relevant Morningstar survey median of High Growth managers over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 6 years in any 20. | |
| Investment Strategy | To invest in a diversified range of growth assets such as Australian and international shares. The portfolio will invest in both direct securities and a range of complementary fund managers. Asset allocations will be actively managed within ranges around the long-term strategic asset allocations below, in accordance with the Investment Manager's assessment of global economic and market value conditions relative to the level of assumed risks. | |
| Suggested Minimum Timeframe | 10 years | |
| Risk/Return Profile | High (Risk Band 6) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 39.8 | 38.7 |
| Global shares | 40.5 | 43.9 |
| Property | 10.3 | 5.0 |
| <i>Total growth assets</i> | 90.6 | 87.6 |
| Fixed interest | 5.1 | 10.8 |
| Cash** | 4.3 | 1.6 |
| <i>Total defensive assets</i> | 9.4 | 12.4 |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | 7.9% | 8.6% |
| Or since inception date (DD/MM/YYYY) | N/A | N/A |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | 9.1% | 7.8% |
| 2011 | 3.9% | 3.2% |
| 2012 | -2.5% | -2.9% |
| 2013 | 18.1% | 20.1% |
| 2014 | 13.0% | 14.7% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

| | | |
|---|---|-----------------------|
| Name of Investment Option | Smartsave Australian Shares – Imputation* | |
| Investment Objective | To perform in line with the S&P/ASX 200 Accumulation benchmark index return over rolling three year periods, but with lower relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 6 years in any 20. | |
| Investment Strategy | To invest primarily in a diversified portfolio of directly-held Australian shares which have a relatively high and significantly imputed dividend yield in order to deliver investors with a strong, tax-effective income based component as part of the total return. The option may include equity linked or hybrid securities as well as investing through managed funds which offer the opportunity to deliver strong levels of imputed income return for investors. | |
| Suggested Minimum Timeframe | 10 years | |
| Risk/Return Profile | High (Risk Band 6) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 95.7 | N/A |
| Global shares | 0 | N/A |
| Property | 0 | N/A |
| <i>Total growth assets</i> | 95.7 | N/A |
| Fixed interest | 0 | N/A |
| Cash** | 4.3 | N/A |
| <i>Total defensive assets</i> | 4.3 | N/A |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | N/A | N/A |
| Or since inception date (DD/MM/YYYY) | 14.0% (01/07/2013) | 15.8% (01/07/2013) |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | N/A | N/A |
| 2011 | N/A | N/A |
| 2012 | N/A | N/A |
| 2013 | N/A | N/A |
| 2014 | 14.0% | 15.8% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

| | | |
|---|--|-----------------------|
| Name of Investment Option | Smartsave Diversified Property* | |
| Investment Objective | To outperform both the S&P/ASX 300 A-REIT benchmark index and the relevant Morningstar survey median of Australian Listed Property managers over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 7 years in any 20. | |
| Investment Strategy | An enhanced index approach with the majority of investments made directly into listed property securities that comprise the S&P/ASX 200 A-REIT Index. These will be augmented with exposure to global property funds to provide strategic geographical diversification. Although the strategy typically includes an allocation of only 20% to pure index funds, the directly-held component will explicitly take account of the individual security index weightings. In addition the investment option may invest through managed funds to achieve access to a specific property segment. | |
| Suggested Minimum Timeframe | 5 years | |
| Risk/Return Profile | Very High (Risk Band 7) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 0 | N/A |
| Global shares | 0 | N/A |
| Property | 94.9 | N/A |
| <i>Total growth assets</i> | 94.9 | N/A |
| Fixed interest | 0 | N/A |
| Cash** | 5.1 | N/A |
| <i>Total defensive assets</i> | 5.1 | N/A |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | N/A | N/A |
| Or since inception date (DD/MM/YYYY) | 10.7% (01/07/2013) | 8.0% (01/07/2013) |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | N/A | N/A |
| 2011 | N/A | N/A |
| 2012 | N/A | N/A |
| 2013 | N/A | N/A |
| 2014 | 10.7% | 8.0% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

| | | |
|---|---|-----------------------|
| Name of Investment Option | Smartsave Australian Shares* | |
| Investment Objective | To outperform both the S&P/ASX 200 Accumulation benchmark index and the relevant Morningstar survey median of Australian Share managers over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 7 years in any 20. | |
| Investment Strategy | An enhanced index approach, with investments primarily made directly in a diversified selection of Australian listed securities that make up the S&P/ASX 200 Index. Although the strategy includes an allocation of only 20% to pure index funds, the directly-held component will explicitly take account of the individual security index weightings and typically only invest in the larger companies included in the ASX50 Index. Research will be undertaken utilising both bottom-up analysis at the individual stock level and top-down market and fund risk analysis to identify stocks which the Investment Manager believes are undervalued and offer long term growth prospects. | |
| Suggested Minimum Timeframe | 10 years | |
| Risk/Return Profile | Very High (Risk Band 7) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 98.7 | 98.3 |
| Global shares | 0 | 0 |
| Property | 0 | 0 |
| <i>Total growth assets</i> | 98.7 | 98.3 |
| Fixed interest | 0 | 0 |
| Cash** | 1.3 | 1.7 |
| <i>Total defensive assets</i> | 1.3 | 1.7 |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | 6.5% | 9.3% |
| Or since inception date (DD/MM/YYYY) | N/A | N/A |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | 8.6% | 11.9% |
| 2011 | 5.0% | 8.3% |
| 2012 | -8.6% | -6.1% |
| 2013 | 17.3% | 19.4% |
| 2014 | 12.3% | 12.0% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

| | | |
|---|--|-----------------------|
| Name of Investment Option | Smartsave Global Shares* | |
| Investment Objective | To outperform both the MSCI World Accumulation (50% AUD hedged) benchmark index and the relevant Morningstar survey median of Global Shares managers over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 7 years in any 20. | |
| Investment Strategy | <p>An enhanced index approach, investing, either directly or through other funds, into a diversified portfolio of international shares. The Investment Manager may use a mixture of index-investment funds to gain broad exposure to world markets, combined with a range of specially selected stocks and exchange traded funds that represent global themes with the potential to outperform the wider market over time.</p> <p>Whilst any index and managed funds used will tend to invest across the full universe of countries included in the MSCI Index, any directly-held shares and securities will normally be limited to companies listed on the major recognised stock exchanges (currently, for example, in the US, Canada, UK, Germany, France, Switzerland, Japan and Hong Kong). The Investment Manager will normally maintain a 50% hedge ratio, but may vary this ratio between 25% and 75% based on the assessed outlook for the Australian dollar.</p> | |
| Suggested Minimum Timeframe | 10 years | |
| Risk/Return Profile | Very High (Risk Band 7) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 0 | 0 |
| Global shares | 98.5 | 97.4 |
| Property | 0 | 0 |
| <i>Total growth assets</i> | 98.5 | 97.4 |
| Fixed interest | 0 | 0 |
| Cash** | 1.5 | 2.6 |
| <i>Total defensive assets</i> | 1.5 | 2.6 |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | 6.8% | N/A |
| Or since inception date (DD/MM/YYYY) | N/A | 14.9% (01/07/2013) |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | 2.3% | N/A |
| 2011 | -1.7% | N/A |
| 2012 | -2.1% | N/A |
| 2013 | 23.1% | N/A |
| 2014 | 16.3% | 14.9% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

| Name of Investment Option | Smartsave Resources* | |
|---|--|-----------------------|
| Investment Objective | To outperform the average of the S&P/ASX 200 Resources benchmark index and the HSBC Global Mining index over rolling five year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 7 years in any 20. | |
| Investment Strategy | To invest in a diversified portfolio of global and listed Australian resource sector stocks that are expected to deliver superior capital growth relative to the sector and wider market. Although broad resource-based index funds are not readily available, the investment option will utilise a range of sub-sector resource index funds where applicable in order to provide the core exposure. The Investment Manager may also include exposure to fund managers who specialise in the resource sector to gain exposure to specific sectors. Research will be undertaken utilising both bottom-up analysis at the individual stock level and top-down market and risk analysis to identify stocks which the Investment Manager believes are undervalued and offer long term growth prospects. | |
| Suggested Minimum Timeframe | 10 years | |
| Risk/Return Profile | Very High (Risk Band 7) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 65.7 | N/A |
| Global shares | 28.8 | N/A |
| Property | 0 | N/A |
| <i>Total growth assets</i> | 94.5 | N/A |
| Fixed interest | 0 | N/A |
| Cash** | 5.5 | N/A |
| <i>Total defensive assets</i> | 5.5 | N/A |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | N/A | N/A |
| Or since inception date (DD/MM/YYYY) | 15.3% (01/07/2013) | 17.6% (01/07/2013) |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | N/A | N/A |
| 2011 | N/A | N/A |
| 2012 | N/A | N/A |
| 2013 | N/A | N/A |
| 2014 | 15.3% | 17.6% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

| | | |
|---|--|-----------------------|
| Name of Investment Option | Smartsave Australian Shares – Small Companies* | |
| Investment Objective | To outperform the S&P/ASX Small Ordinaries Accumulation benchmark index over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 8 years in any 20. | |
| Investment Strategy | To invest either directly or through selected managers in a range of Australian smaller company shares outside of the S&P/ASX 50, which are expected to deliver superior capital growth ahead of the wider market. Research will be undertaken utilising both bottom-up analysis at the individual stock level and top-down market risk analysis to identify stocks which the Investment Manager believes are currently undervalued and offer long term growth prospects. The investment option may gain access to securities through selecting a range of specialist small cap managers with specific investment mandates on an individually managed account basis. | |
| Suggested Minimum Timeframe | 10 years | |
| Risk/Return Profile | Very High (Risk Band 7) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 96.0 | N/A |
| Global shares | 0 | N/A |
| Property | 0 | N/A |
| <i>Total growth assets</i> | 96.0 | N/A |
| Fixed interest | 0 | N/A |
| Cash** | 4.0 | N/A |
| <i>Total defensive assets</i> | 4.0 | N/A |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | N/A | N/A |
| Or since inception date (DD/MM/YYYY) | 9.9% (01/07/2013) | 9.1% (01/07/2013) |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | N/A | N/A |
| 2011 | N/A | N/A |
| 2012 | N/A | N/A |
| 2013 | N/A | N/A |
| 2014 | 9.9% | 9.1% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

| | | |
|---|--|-----------------------|
| Name of Investment Option | Smartsave Australian Shares – Geared* | |
| Investment Objective | To outperform both the S&P/ASX 200 Accumulation benchmark index and the ungeared Australian Shares Portfolio over rolling five year periods, consistent with the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 9 years in any 20. | |
| Investment Strategy | <p>An enhanced index approach, with investments primarily made directly in a diversified selection of Australian listed securities that make up the S&P/ASX 200 Index. Although the strategy includes an allocation of only 20% to pure index funds, the directly-held component will explicitly take account of the individual security index weightings and typically only invest in the larger companies included in the ASX50 Index.</p> <p>The option can borrow up to 50% of the net value of the assets, however, the actual gearing level is expected to average around 25%, depending upon the level of prevailing (borrowing) interest rates and the overall value of the share market relative to long-term averages.</p> | |
| Suggested Minimum Timeframe | 10 years | |
| Risk/Return Profile | Very High (Risk Band 7) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 97.6 | N/A |
| Global shares | 0 | N/A |
| Property | 0 | N/A |
| <i>Total growth assets</i> | 97.6 | N/A |
| Fixed interest | 0 | N/A |
| Cash** | 2.4 | N/A |
| <i>Total defensive assets</i> | 2.4 | N/A |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | N/A | N/A |
| Or since inception date (DD/MM/YYYY) | 18.9% (01/07/2013) | 23.1% (01/07/2013) |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | N/A | N/A |
| 2011 | N/A | N/A |
| 2012 | N/A | N/A |
| 2013 | N/A | N/A |
| 2014 | 18.9% | 23.1% |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.

** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)

The following investment option is only available for those members in Smartsave Employer Super who do not make an investment choice – it is a default investment option and is not available for selection under the Smartsave Choice Menu.

| | | |
|---|--|---------------------|
| Name of Investment Option | Smartsave MySuper Balanced* | |
| Investment Objective | To outperform both the benchmark asset allocation weighted index portfolio and the relevant Morningstar survey median of Balanced managers over rolling three year periods, without increasing the relative quarterly return volatility risk. Achievement of this risk objective should therefore limit the probability of a negative return in any one year to less than 3 years in any 20. | |
| Investment Strategy | To invest in a diversified range of fixed interest securities and funds, combined with an equal exposure to growth assets such as Australian and international shares. Asset allocations will be actively managed within ranges around the long-term strategic asset allocations below, in accordance with the Investment Manager's assessment of global economic and market value conditions relative to the level of assumed risks. | |
| Suggested Minimum Timeframe | 5 years | |
| Risk/Return Profile | Medium (Risk Band 4) | |
| Asset Allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 22.2 | N/A |
| Global shares | 20.6 | N/A |
| Property | 3.6 | N/A |
| <i>Total growth assets</i> | 46.4 | N/A |
| Fixed interest | 41.5 | N/A |
| Cash** | 12.1 | N/A |
| <i>Total defensive assets</i> | 53.6 | N/A |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | |
| | N/A | |
| Or since inception date (DD/MM/YYYY) | 2.9% (01/01/2014) | |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | |
| 2010 | N/A | |
| 2011 | N/A | |
| 2012 | N/A | |
| 2013 | N/A | |
| 2014 | N/A | |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

** If you invest in this investment option the amounts invested with the various fund managers will be determined by Tranzact Consulting Pty Limited (TCL) and/or the Trustee and there will be no ability on the part of members to select the underlying investments or fund managers.*

*** Cash in this context means investments in high quality short term call deposits, cash equivalent securities, such as semi-government, bank bills of exchange, corporate and asset backed promissory notes, and interest rate investment contracts (or equivalent)*

CLOSED INVESTMENTS

Please note that the commentaries which follow for the closed investments funds for LM Mortgage Income Fund, Macarthur Cook Mortgage Fund and Smartsave High-Yield B were applicable at the time they were open. An update of the current positions can be found on page 22.

| LM Mortgage Income Fund | | |
|---|--|-----------------------|
| Fund Manager | LM Investment Management Limited (LM) | |
| Investment Objective | To provide a regular income stream while maintaining capital. Income is generally derived from first mortgages so the potential for capital growth is low. | |
| Investment Strategy | <p>LM's investment approach is based on responsible lending policies with a focus on short to medium term fixed rate first mortgages that are diversified by sector, geographic location, and size. The option invests in:-</p> <ul style="list-style-type: none"> a diversified portfolio of registered first mortgages over commercial, residential, industrial, retail and vacant land; and interest bearing cash investments and "at call" securities. <p>The Trustee provided LM with a full redemption request in September 2008 and suspended all applications and redemptions to and from this option with effect from 22 August 2008. The total investment was due to be paid on 2 April 2009. On 3 March 2009 LM closed the underlying fund to all applications and redemptions.</p> <p>The underlying fund remains closed to all applications and redemptions until further notice.</p> | |
| Suggested Minimum Timeframe | 2 years | |
| Risk/Return Profile | Medium | |
| Asset allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | 0 | 0 |
| International shares | 0 | 0 |
| Property | 0 | 0 |
| Total growth assets | 0 | 0 |
| Fixed interest | 98.0 | 98.0 |
| Cash | 2.0* | 2.0 |
| Total defensive assets | 100 | 100 |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | -29.9% | -25.6% |
| Or since inception date (DD/MM/YYYY) | N/A | N/A |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | 1.6% | 2.2% |
| 2011 | 0.1% | -0.1% |
| 2012 | -25.4% | -38.6% |
| 2013 | -23.0% | -37.0% |
| 2014 | -71.1% | -42.2% |

| MacarthurCook Mortgage Fund | | |
|---|-----------------------|--|
| MacarthurCook Funds Management Limited | | |
| To provide investors with regular monthly income with a low level of investment risk, and to outperform the UBS Bank Bill Index (after fees and charges). | | |
| <p>The option primarily invests in a diversified portfolio of mortgages over retail, commercial, investment residential and industrial property and other income producing assets.</p> <p>On 24 October 2008 the Fund Manager suspended all applications and redemptions to and from the underlying fund. The Fund Manager has allowed quarterly redemptions since that date and these will continue until all monies are redeemed.</p> | | |
| 2 years | | |
| Low to Medium | | |
| 30/06/14 (%) | 30/06/13 (%) | |
| 0 | 0 | |
| 0 | 0 | |
| 0 | 0 | |
| 0 | 0 | |
| 90.0 | 90.0 | |
| 10.0** | 10.0 | |
| 100 | 100 | |
| Smartsave | Smart Pensions | |
| 2.5% | 2.9% | |
| N/A | N/A | |
| Smartsave | Smart Pensions | |
| 1.7% | 2.0% | |
| 4.4% | 5.2% | |
| 2.8% | 3.2% | |
| 1.6% | 2.0% | |
| 2.0% | 2.3% | |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* Cash in this context means cash and at call securities.

** Cash in this context means bank deposits and short term money market securities with a maturity of less than 185 days.

| | | |
|---|--|-----------------------|
| | Smartsave High-Yield B** | |
| Fund Manager | Basis Capital Pty Ltd | |
| Investment Objective | To provide investors with relatively stable returns with an emphasis on income yield and maintaining a secure capital base, rather than seeking capital growth. | |
| Investment Strategy | The option invests in the Basis Yield Fund. On 16 July 2007 the Fund Manager suspended all applications and redemptions to and from the underlying fund. Information on asset allocation and unit pricing (and consequently investment returns) is not available until the Fund Manager re-opens the underlying fund. | |
| Suggested Minimum Timeframe | 3 years | |
| Risk/Return Profile | Low to Medium | |
| Asset allocation | 30/06/14 (%) | 30/06/13 (%) |
| Australian shares | N/A | N/A |
| International shares | N/A | N/A |
| Property | N/A | N/A |
| <i>Total growth assets</i> | N/A | N/A |
| Aust. fixed interest | N/A | N/A |
| Int. fixed interest | N/A | N/A |
| Cash | N/A | N/A |
| <i>Total defensive assets</i> | N/A | N/A |
| 5 Year Compound average annualised returns to 30 June 2014 (% pa): | Smartsave | Smart Pensions |
| | N/A | N/A |
| Or since inception date (DD/MM/YYYY) | N/A | N/A |
| Annual rate of return for 12 months to 30 June (% pa): | Smartsave | Smart Pensions |
| 2010 | N/A | N/A |
| 2011 | N/A | N/A |
| 2012 | N/A | N/A |
| 2013 | N/A | N/A |
| 2014 | N/A | N/A |

Investment returns are after the deduction of applicable fees, costs and taxes. They do not take into account any other fees, costs or taxes. Investment returns for Smart Pensions are shown separately to reflect the different taxation treatment of pension assets.

* Cash in this context means bank deposits and government backed securities with a maturity of less than 2 years.

** Since closing their fund to new money and redemptions, the fund manager has not issued a unit price or provided the investment option's asset allocation

UPDATE ON SMARTSAVE'S ILLIQUID (CLOSED) INVESTMENTS

LM First Mortgage Income Fund (FMIF)

As previously advised in last year's annual report, on 8 August 2013, the Supreme Court of Queensland ordered LM to wind up the LM First Mortgage Income Fund. Mr David Whyte of BDO was appointed the receiver.

The Receiver for the LM Wholesale First Mortgage Income Fund is in the process of preparing the financial statements for the year ending 30 June 2013 which will enable unit prices to be determined.

MacarthurCook Mortgage Fund

MacarthurCook has continued to pay full interest plus they have instigated a quarterly drawdown facility. To date (30 June 2014) over 98.83% of moneys invested have been returned. MacarthurCook has confirmed that it will continue the current redemption process until all funds are returned to members, i.e. 25% of the (remaining) balance owing each quarter.

Smartsave High Yield B (Basis Capital)

Basis Capital has not provided a timeframe for reopening the Fund. We await further information.



PLAN INVESTMENTS

Set out below is certain information about Smartsave's investments as a whole.

Investments held representing more than 5% of Plan assets

At 30 June 2014, the following investment products each held 5% or more of Smartsave's assets.

| Investment Product | Amount Invested | % of Plan Assets |
|---|-----------------|------------------|
| Bank SA | \$17,584,476 | 8.43% |
| Vanguard International Fixed Interest Index Fund (AUD Hedged) | \$14,083,744 | 6.76% |
| Vanguard International Shares Index Fund | \$17,853,955 | 8.56% |
| Vanguard International Shares Index Fund (AUD Hedged) | \$15,862,533 | 7.61% |

Investment in Derivatives

Derivatives are investments that derive their value from an underlying asset or asset class (for example, an option to purchase a share at a particular price sometime in the future).

The Trustee does not intend to directly invest in any futures, options or other similar investments. However, where applicable, the underlying fund managers may use such investments indirectly as a hedging device to help protect the value of assets against a significant decline in investment markets.

If you wish to obtain further information in respect of whether an underlying fund manager uses derivatives, you should refer to the relevant section in the PDS for the specific investment option. You can access this PDS on Smartsave's website (www.smartsavesuper.com.au) or you can contact Client Services on 1300 654 720 and request that a hard copy be sent to you via mail free of charge.



FINANCIAL SUMMARY

Set out below is an abridged version of Smartsave's unaudited Financial Statements for the year ended 30 June 2014.

| SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014 | | |
|--|-------------------------|-----------------------|
| Item | 2014 (unaudited) \$'000 | 2013 (audited) \$'000 |
| Assets | | |
| Investments | \$204,244 | \$199,275 |
| Other assets | \$4,236 | \$15,217 |
| Total | \$208,480 | \$214,492 |
| Less Liabilities | | |
| Income tax liabilities | - \$30 | \$291 |
| Other liabilities | \$2,646 | \$2,600 |
| Total | \$2,616 | \$2,891 |
| Equals net assets available to pay benefits | \$205,864 | \$211,601 |
| Represented by liability for accrued benefits | \$205,864 | \$211,601 |
| Movement in Liability for Accrued Benefit | | |
| Opening balance | \$211,601 | \$208,457 |
| Increase in accrued benefits | \$29,128 | \$33,283 |
| Benefits paid | \$34,865 | \$30,139 |
| Closing balance | \$205,864 | \$211,601 |

| SUMMARY OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2014 | | |
|---|-------------------------|-----------------------|
| Item | 2014 (unaudited) \$'000 | 2013 (audited) \$'000 |
| Revenue | | |
| Gross investment income | \$19,854 | \$26,558 |
| Contributions and transfers from other funds | \$18,386 | \$17,748 |
| Other revenue | \$3,498 | \$2,167 |
| Total | \$41,738 | \$46,473 |
| Less Expenses | | |
| Group life insurance premiums | \$3,290 | \$3,872 |
| General administration expenses | \$7,529 | \$7,083 |
| Income tax expense | \$1,791 | \$2,235 |
| Total | \$12,610 | \$13,190 |
| Equals benefits accrued as a result of operations | \$29,128 | \$33,283 |

A copy of the full audited Financial Statements and auditor's report will be available on request to the Trustee via Client Services on 1300 654 720. It is expected that they will be available after 30 September 2014.

SUPERANNUATION DEVELOPMENTS

1. Super guarantee has increased to 9.5%

Super guarantee (SG) is the compulsory super amount that is paid by your employer into your super account. From 1 July 2014 the SG rate increased to 9.5%.

The Federal Government has announced that the current rate would not increase further until 1 July 2018 and that it would be gradually increased thereafter to 12% by 2022/23.

2. Concessional contributions caps

Concessional contributions (also known as before-tax contributions) are subject to special tax treatment. These include your employer's SG contributions, voluntary employer contributions such as salary sacrifice, and personal contributions for which you're eligible to claim a tax deduction). The amount of concessional contributions you can make to your super tax-effectively each year is capped but these caps were increased on 1 July 2014. The table below shows the previous and current concessional caps:

| Financial Year | Age 60 & over* | Age 50 to 59* | Age under 50* |
|----------------|----------------|---------------|---------------|
| 2013/2014 | \$35,000 | \$25,000 | \$25,000 |
| 2014/2015 | \$35,000 | \$35,000 | \$30,000 |

*Age on 30 June prior to financial year

What it means to you

Making salary sacrifice contributions or personal tax-deductible contributions to super can be a tax-effective way to boost your super balance. Concessional contributions are generally taxed at a maximum of 15% instead of at your marginal tax rate. The higher caps mean you can add more to your super tax-effectively. If you're 49 to 58 on 30 June 2014, you can now add a further \$10,000 or if you're 48 or under at 30 June of this year, you can add a further \$5,000 annually. If you go over your cap, the extra amount will be included in your assessable income and effectively taxed at your marginal tax rate rather than a maximum of 15%.

3. Pension age to increase to 70 by 2035

The Government confirmed in the recent Federal Budget that the pension age is proposed to increase to 70 by the year 2035. This means that if you were born on or after 1 January 1966 (which means you are currently 48 years of age or younger) you will have to wait until age 70 before you will be eligible for the age pension.

The age pension age was already legislated to increase to 67 by 1 July 2023. The proposed change will see the age pension age continue to increase by six months every two years until it reaches 70 at 1 July 2035.

4. Changes to account-based pensions

The Government passed new legislation that will impact the way that account-based pensions are treated for Age Pension income test purposes.

Currently retirees who are eligible for Centrelink or Department of Veterans' Affairs (DVA) payments generally have the total market value of their financial investments deemed for income test purposes, meaning all financial investments are assumed to be earning a certain rate of income regardless of the actual income generated.

At present, account-based pensions are subject to different income test treatment, involving only part (or in some cases none) of each year's pension payment being income tested. This results in account-based pensions often receiving a more favourable income test treatment which can lead to higher social security payments.

The Government passed legislation to apply deeming to account-based pensions and account-based annuities from 1 January 2015. This means that the income test will include an assumed - or deemed - level of income from your account-based pension, based on your account balance. Actual income (e.g., your account-based pension payments) will be ignored for income test purposes.

Special rules allow you to keep the existing income test treatment for your account based pension if you commence it prior to 1 January and are receiving an eligible social security payment since that date.

What it means to you

The income test treatment of account based pensions from 1 January 2015 could mean a greater level of income assessed under the income test, and a lower Age Pension as a result.

If you are considering opening an account-based pension in the near future, the correct preparation for this change could make a real difference to your entitlements from 1 January 2015. For more information on these changes, speak to your financial adviser.

5. Proposed removal of the Low-Income Super Contribution

In 2012, the Low-Income Super Contribution (LISC), a government contribution was introduced to help low income earners save for their retirement. LISC rebates the tax that low-income earners pay on certain super contributions.

The LISC currently benefits those earning less than \$37,000 annually with a payment of up to \$500. However, the Government has proposed discontinuing the scheme, effective from 1 July 2013.

What it means to you

If the LISC scheme is discontinued, Australia's low-income workers will be most affected and it will become more important for low income workers to seek advice on strategies to top-up their retirement funds.

For more information on any of these changes, speak to your financial adviser or call us on 1300 654 720.



OTHER IMPORTANT INFORMATION

Eligible Rollover Fund

Smartsave has decided to no longer offer the facility of an Eligible Rollover Fund (ERF) to fund members. This decision has been taken as a result of recent changes in government superannuation legislation which has negated any ERF advantages to members. Specifically the introduction of MySuper and the new requirements in relation to transferring account balances to the ATO (see below under Why it is important to keep details up to date?) and also the removal of the need for superannuation funds and Eligible Rollover Funds to protect small member account balances.

Why is it important to keep your details up to date?

It's important that you stay in touch with us and keep your account active, so you don't become lost. You may be classified as a 'lost member' if:

- two items of written correspondence to you are returned to us as unclaimed mail from your last known address; or
- you are in an employer plan and we have not received a contribution or rollover from you, or on your behalf, in the last 5 years of membership.

We are required to report 'lost members' to the ATO.

Additionally, we are required to transfer lost member accounts to the ATO as unclaimed if:

- the account balance is less than \$2,000; and
- we have insufficient records to identify the rightful owner of the account and have not received a contribution or rollover from, or on behalf of, you in the last 12 months of membership (applicable to both members of Smartsave Employer Super and Smartsave Personal Choice).

The Government will further increase the account balance threshold to \$2,500 from 31 December 2015 and to \$3,000 from 31 December 2016.

Your super benefit may also be classified as 'unclaimed money' and paid to the ATO if:

- you are age 65 or over;
- we have not received a contribution or rollover from you, or on your behalf, for two years; and
- we are unable to contact you after five years since we last contacted you.

Relationship between the Trustee and some service providers to Smartsave

The Trustee undertakes to disclose all service providers who are associates of the Trustee. It also undertakes to treat all service providers equally and fairly regardless of their association with Smartsave.

Stephen Heath is a Director of the Trustee of Smartsave 'Member's Choice' Superannuation Master Plan and also a partner of the legal firm Wallmans Lawyers. Wallmans Lawyers may provide some legal services to Smartsave and receives fees on commercial terms for its services.

Administrator, Investment Manager & Asset Consultant – Change of Name

Following the delisting of the Tranzact Group on the Australian Stock Exchange, the following companies have been changed from Public Companies to Proprietary companies

- Tranzact Financial Services Limited became Tranzact Financial Services Pty Limited
- Tranzact Consulting Limited became Tranzact Consulting Pty Limited
- Tranzact Investment Services Limited became Tranzact Investment Services Pty Limited

Enquiries and complaints

The Trustee has an established procedure for dealing with enquiries and complaints.

What is an Enquiry?

An enquiry is a request to answer any question or provide further information in relation to Smartsave. The Trustee is obliged to provide you with any information you may reasonably require to understand your benefits. Where your enquiry is straightforward it may be able to be dealt with by your contact person, i.e.:

Administration Manager
Tranzact Superannuation Services Pty Limited
Level 5
241 Castlereagh Street
Sydney NSW 2000
Phone: (02) 9236 5600
Fax: (02) 9236 5699
Email: admin@tranzact.com.au

If you do not receive a satisfactory response within 28 days, you should immediately contact the Trustee contact via the Complaints Officer (see below).

What is a Complaint?

A complaint is where you express dissatisfaction with some aspect of Smartsave's service to you or other decision relating to your interest in Smartsave.

Complaints are to be directed to the Trustee's Complaints Officer whose details are listed below. The Trustee has an internal dispute resolution system in place and all member complaints are reviewed. The Trustee will contact you within 90 days of the date the Trustee received your complaint.

Complaints Officer
Tidswell Financial Services Ltd
50 Hindmarsh Square
Adelaide SA 5000
Phone: (08) 8223 1676
Fax: (08) 8232 1675



Superannuation Complaints Tribunal

If you are not satisfied with the Trustee's handling of your complaint or the decision, or the Trustee fails to respond to the complaint to your satisfaction within 90 days, you may refer a complaint to the Superannuation Complaints Tribunal (Tribunal).

The Tribunal is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of complaints with trustees. You can telephone the Tribunal from anywhere in Australia on 1300 884 114. The postal address for the Tribunal is:

Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

The Tribunal may be able to assist you to resolve your complaint, but only if you are not satisfied with the response resulting from the Trustee's handling of your complaint. The Tribunal cannot consider:

- complaints outside the Tribunal's jurisdiction, e.g. complaints about the general management of a fund;
- complaints that have not been dealt with by a fund's internal procedures; or
- complaints subject to Court proceedings.

If the Tribunal accepts your complaint, it will attempt to resolve the matter through conciliation, which involves assisting you and the Trustee in reaching a mutual agreement. If conciliation is unsuccessful, the complaint is referred to the Tribunal for a determination that is binding on all parties. However, a decision of the Tribunal may be appealed to the Administrative Appeals Tribunal or the Federal Court for review.

Financial Ombudsman Service

If you are not satisfied with the Trustee's response to your complaint and the complaint is outside the Tribunal's jurisdiction, you may be able to refer your complaint to the Financial Ombudsman Service (FOS). FOS is an independent external dispute resolution organisation which provides free dispute resolution services in relation to the provision of financial services.

If FOS accepts your complaint, it will attempt to resolve your dispute through negotiation or conciliation. If a satisfactory resolution cannot be reached using these methods, a FOS Panel or Adjudicator may make a determination. Determinations are binding on the provider of the financial services, but not on you.

Before you can refer your complaint to FOS you must have raised the issue with your financial services provider first, and your provider has 45 days to respond to the complaint. Please note that FOS can only deal with complaints within its monetary limits.

For more information on the monetary limits that apply, please call FOS on 1300 780 808 or visit www.fos.org.au.

To refer a complaint to FOS, you must complete a Dispute Form and lodge it, together with any other documents relevant to your complaint, with FOS. A Dispute Form is available for download at www.fos.gov.au, or call 1300 780 808 to request a copy. The contact details for FOS are:

Financial Ombudsman Service
GPO Box 3
Melbourne, Victoria 3001
Phone 1300 780 808
Facsimile 03 9613 6399
Email info@fos.org.au
Website www.fos.org.au

Privacy

We are committed to protecting the privacy of the personal information that you provide to us and we only collect personal information from you that is necessary for us to provide assistance to you. We need to collect the personal information requested to provide us with sufficient information to process your application to join Smartsave or to manage your participation in Smartsave. If you do not provide this information, we may not be able to process your application.

We will not pass on your personal information to any other body, unless:

- the law requires us to do so;
- we believe your Adviser (if applicable) needs the information and you have previously consented to information being provided to your Adviser;
- the Promoter, or a sub-promoter appointed by the Promoter, needs to send you promotional material (if you do not wish to receive promotional material, please contact and advise us at any time); or
- we need to disclose your personal information to agents that provide administration or specialist services to us. We require our agents to keep any personal information about an investor confidential and to only use it for the purposes of providing services to them.

From time to time, we might also be required to disclose information concerning you or your account to:

- your employer, if your employer has agreed to participate in Smartsave;
- your spouse and/or their legal adviser where a valid request for information is received under government legislation;
- the trustee of another fund where you request benefits to be transferred from that fund to your account or where you request us to transfer your account benefits to another fund;
- an insurer providing insurance benefits to members, when we receive an application from you for the purpose of providing you with insurance cover, an insurance claim or a claim for superannuation benefits based on medical grounds. The insurer may refer your health information to their health and medical experts for consideration;
- any deposit-taking institution to allow for the electronic transfer of funds; and
- regulators such as ASIC, the ATO, APRA and AUSTRAC.

You can also tell us at any time not to pass on your personal information for certain purposes, by advising us in writing.

If you would like a copy of the Privacy Policy or you would like to access the personal information that we have collected from you, please contact the Privacy Officer on (08) 8223 1676. If you wish to lodge a complaint about privacy please contact the Privacy Officer on the above telephone number.

To find out more about rights and remedies for breaches of privacy, you can visit the Privacy Commissioner's website at www.privacy.gov.au or contact the Privacy Commissioner's hotline on 1300 363 992.

Family Law and superannuation

Your superannuation interests may be divided by formal agreement or by a Family Court order. Interests may be divided in the accumulation phase (pre-retirement) either as an agreed amount or percentage. Interests may also be divided in the payment phase (when you are in receipt of a pension) as a percentage of the regular pension payments or as a lump sum. Only superannuation interests of \$5,000 or above may be split.

As this legislation is complex, you should seek professional advice on the consequences of separation and divorce on your superannuation interests.

Policy committees

All employers who contribute to Smartsave for more than 49 employees are required to form a policy committee. Each policy committee consists of an equal number of employee representatives and employer representatives and the Trustee must ensure, so far as practicable, that the policy committee meets at least once in each 12 month period and must provide facilities reasonably necessary to enable the committee to meet and to function properly.

The policy committee is designed to provide an avenue for members to make enquiries regarding the operation and performance of Smartsave, including the investment strategy and objectives and for the Trustee to obtain the views of the members in respect of Smartsave. The employer nominates the employer representatives. The employees nominate the employee representatives.

If more employee representatives are nominated than there are vacancies, a ballot must be held to decide who shall be the employee representatives.

Policy committees must also be established where an employer has between 4 and 50 members and at least 5 members request in writing that a policy committee be established. If there is a policy committee at your place of employment, the names of your policy committee representatives will be included on your Annual Statement of Benefits.

