Message from the Trustee

I am pleased to present the following annual report to members of the SMF Eligible Rollover Fund (Fund) for the year ended 30 June 2014. This report has been prepared by IOOF Investment Management Limited as Trustee of the Fund.

Within the report you will find general information about the Fund, including abridged financial statements and changes to the Fund that have occurred during the 2013/14 financial year.

On behalf of the board of Trustee directors, thank you for your ongoing support.

Yours sincerely,

Christopher Kelaher
Managing Director
IOOF Investment Management Limited
as Trustee of the SMF Eligible Rollover Fund

Important Information

Issued by IOOF Investment Management Limited ABN 53 006 695 021, AFSL 230524 (IIML) as Trustee for the SMF Eligible Rollover Fund ABN 82 810 851 250 (Fund). IIML is also the investment manager and administrator of the Fund. IIML is part of the IOOF group, comprising IOOF Holdings Ltd ABN 49 100 103 722 and its related bodies corporate.

The information in this report is general information only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this report, you should assess your own circumstances or seek advice from a financial adviser. You should obtain and consider a copy of the Product Disclosure Statement available from us or your financial adviser before you acquire a financial product. The information is given in good faith and is believed to be accurate and reliable at the time of publication. IIML provides no assurance that the Fund will continue to be available in the future.
Changes and developments in superannuation

New superannuation and tax thresholds for 2014/15

- The concessional contributions cap increased to $30,000 ($35,000 for those aged 49 or more on 30 June 2014).
- The non-concessional contributions cap increased to $180,000 (annually) and $540,000 over three years if you were under age 65 during the financial year.
- The low rate cap for tax on super lump sum withdrawals under age 60 increased to $185,000. Therefore lump sum super benefits paid after preservation age but before age 60 will be taxed at 0% of the first $185,000 of the taxable component and 17% thereafter (15% plus 2% Medicare levy).

Superannuation Guarantee rate increases to 9.5%

- The Superannuation Guarantee (SG) rate increased from 9% to 9.5% of ordinary time earnings from 1 July 2014. Legislation has also passed to freeze the SG rate at 9.5% until 1 July 2021, after which it will increase by 0.5% every year until it reaches 12% from 1 July 2025.

Low income super contribution changes

- The low income super contribution (LISC) is a Government contribution of up to $500 for those with incomes under $37,000, effectively as compensation for the 15% tax on contributions paid by the super fund. Legislation was passed which will abolish LISC for concessional contributions (including SG contributions) made from 1 July 2017. The Government had intended to abolish LISC from 1 July 2014, however after compromising with the minor parties in the Senate, it delayed the removal of LISC for 3 more years.
- Note: Although the LISC will cease from 1 July 2017, the Government Co-contribution is still available.

SuperStream – reforming the superannuation back office

- SuperStream is a comprehensive package of reforms that aims to increase the efficiency and improve data quality in the superannuation system. The ATO regulates compliance with SuperStream and provides guidance to super funds about the requirements. During the 2013/14 financial year super funds (except self-managed super funds), were required by law to rollover and transfer benefits using electronic means and consistent data. IOOF superannuation funds have been at the forefront of these exciting new reforms, making consolidating your super with us easier and more efficient.

- Stage two of SuperStream applies to employers making contributions to super funds. Over the 2014/15 financial year, employers with 20 or more employees must pay contributions electronically and send matching contribution data in a particular consistent format. From 1 July 2015, the rules will apply to smaller employers with 19 or less employees. The advantages for members are contributions are processed efficiently, with fewer errors and invested in members’ preferred investment option(s) as soon as possible.

MySuper

- MySuper is the new default superannuation option for IOOF corporate and employer super plans. From 1 January 2014, contributions are made to MySuper where the member has not made an investment choice. Most personal super and pension members make investment choices as part of joining the fund and MySuper will not apply to them.
Super income streams to be subject to deeming under Centrelink income test from 1 January 2015.

- From 1 January 2015, new account-based pensions (including IOOF allocated pensions) will be subject to deeming under the Centrelink Income test for social security purposes. Deeming does not apply to term allocated pensions.

- Currently account-based (or allocated) super pensions are treated generously under the income test, with the actual pension income less a generous deductible amount being counted as income. From 1 January 2015, the account will be deemed to earn income at the rate of 2% pa on the first $48,000 ($79,600 for couples) and 3.5% pa thereafter.

- Existing account-based pensions payable to individuals receiving Centrelink income support on 31 December 2014 are grandfathered from these changes and will continue to receive the current income test treatment.

- The Government has also announced it will extend deeming of account-based pensions to the income tests for the Low Income Health Card and the Commonwealth Seniors Health Card from 1 January 2015. Pensions commencing before 1 January 2015 payable to current card holders will be excluded.

ATO tax file number notification

- Each year SMF ERF is required to provide a report to the ATO setting out basic member account information including tax file numbers (TFNs). If a TFN is incorrect or has changed, the ATO will provide the correct TFN to SMF ERF. If the correct TFN is not available, the ATO will ask SMF ERF to follow up with the member and will also notify the member if the TFN remains unresolved.

- If you have not provided your TFN to SMF ERF, but you have provided it to another super fund, the ATO will forward your TFN to SMF ERF and we will update your records. Your next annual statement will indicate that we now hold your TFN.

Personal tax rates

- Personal tax rates increased from 1 July 2014 with the increase in the Medicare levy to 2% (an increase of 0.5% to fund the National Disability Insurance Scheme) and the increase in the top marginal tax rate to 47% (an increase of 2% to fund the Government’s temporary budget repair levy).

- This means the top marginal tax rate plus Medicare is now 49%. Therefore contributions made to super without a TFN and excess non-concessional contributions will be taxed at 49%.
The year at a glance

Changes to the Trust Deed
The Trust Deed for the SMF Eligible Rollover Fund was not amended during the 2013/14 financial year.

A copy of the current Trust Deed is available to members upon request by calling our client services team or may be inspected by arrangement during business hours at the office of the Trustee.

Changes to the product

Closure of SMF Master Pooled Superannuation Trust (MPST)

A pooled superannuation trust is an investment vehicle set up specifically for super funds. The SMF ERF held investments in the MPST.

As part of a review of our processes, on 31 January 2014, IIML removed the MPST layer from our investment structure for the SMF ERF.

Whilst this has simplified some background administration processes, you will not notice any differences.

SMF ERF welcomes Plan B ERF members
The Plan B ERF transferred into the SMF ERF on 14 February 2014. The Plan B ERF had 4,680 members and $20.5m in funds under management and was part of Plan B Group of Companies that joined the IOOF group in 2012.

New product disclosure statement – reduced fees and other changes

IOOF Investment Management Limited (IIML) issued a Product Disclosure Statement (PDS) on 1 January 2014 for the SMF Eligible Rollover Fund. The PDS contains the following updates:

- new fees that apply as from that date in accordance with our application to APRA for authorisation
- new fee table disclosure requirements
- new Privacy disclosure requirements
- noting new purpose of an ERF (temporary repository)
- removing the MPST layer so that members are now invested directly into the investment strategy
- new reserving disclosure requirements (ORFR)
- updated tax (and super) rules.
## Reduced fees

<table>
<thead>
<tr>
<th>Fee type</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upfront</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Percentage administration fee</td>
<td>2.05% pa</td>
<td>1.75% pa</td>
</tr>
<tr>
<td>Percentage investment fee*</td>
<td>0.72% pa</td>
<td>0.72% pa</td>
</tr>
<tr>
<td>Total ongoing percentage fees</td>
<td>2.78% pa</td>
<td>2.48% pa</td>
</tr>
<tr>
<td>Buy/Sell spread</td>
<td>0.13%</td>
<td>0.13%</td>
</tr>
<tr>
<td>Flat dollar member fee</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Exit / Withdrawal fee</td>
<td>$50</td>
<td>Nil</td>
</tr>
<tr>
<td>Family law information request**</td>
<td>$100</td>
<td>$125 per hour (subject to minimum of $100)</td>
</tr>
<tr>
<td>Family law payment flagging</td>
<td>$100</td>
<td>$125 per hour (subject to minimum of $100)</td>
</tr>
<tr>
<td>Family law payment splitting</td>
<td>$200</td>
<td>$125 per hour (subject to minimum of $100)</td>
</tr>
<tr>
<td>Other member specific fees</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

* Excludes performance fees charged by underlying investment managers. For 2014 financial year the total performance fees applied by underlying managers was 0.05% (total ICR was 0.77%).

### Member reunification policy introduced

In the 2013/14 financial year the SMF ERF introduced a Member Reunification Policy which involves a variety of strategies, both reactive and proactive in attempting to consolidate the accounts of members within the SMF ERF with their main superannuation account.

These strategies are:

- A data cleansing process which includes a data matching strategy, an ATO Reuniting Super Strategy, a returned mail strategy and a Feeder Fund strategy.
- A direct member communication process which includes an inbound call centre strategy and an outbound call centre strategy.
- A mail out process including a statutory reporting strategy and a new business and member variations strategy.
- An electronic communication process including an email and website strategy.

### Eligible rollover fund authorisation from APRA

IIML, as trustee of the SMF ERF, was required to receive authorisation from the Australian Prudential Regulation Authority (APRA) to continue to receive and manage the transferred benefits of members from other superannuation funds after 1 January 2014. The SMF ERF was required to receive authorisation from APRA by 15 November 2013. IIML’s authorisation was granted on 1 November 2013.

### Investment return

For the year to 30 June 2014, your account was adjusted to reflect a net crediting rate of 5.60 per cent pa. The compound average net fund crediting rate for the last five years was 5.26 per cent pa.

## How your Fund works

Eligible rollover funds are designed to accept the benefits of members leaving or changing employment or who have become ‘lost’. The Fund operates on an accumulation style basis; benefits are based on the balance of your account at the time you leave the Fund. Your benefit includes investment earnings which may be positive or negative (after fees, taxes and other expenses are deducted).

The Fund does not provide any insurance benefits. IIML holds professional indemnity insurance.
The Trustee invests members’ money with the aim of achieving competitive returns at an acceptable level of risk.

To achieve this aim, the Fund is wholly invested in a single conservative investment strategy which is the IOOF MultiMix Conservative Trust (Trust). The Fund also maintains a small portion in cash to facilitate cashflow. As Trustee, we regularly monitor the investment option available to members in the Fund. This option may not continue to be available in the future. If we remove it, we may transfer your investments in the investment option to another investment option. We will attempt to notify you before we take this action. Neither IIML nor any service provider to the Fund guarantee investment performance, the repayment of capital or any particular rate of return for the Fund. If you require further information regarding the investment option, please refer to the PDS, speak to your financial adviser or our client services team. The Fund has the following investment objectives and strategy.

Objectives

To provide stable returns over the medium term by investing in a diversified portfolio of defensive assets with some growth asset exposure, and to achieve a total return after fees in excess of the Trust’s benchmark over a rolling three-year period.

Strategy

The Trust generally gains its exposure to a diversified portfolio of investments through a mix of investment managers.

The conservative nature of the Trust means it has a greater exposure to income bearing assets such as cash, fixed interest and alternative-debt with some exposure to growth assets such as Australian and international property and shares.

The Trust is authorised to utilise approved derivative instruments for risk management purposes subject to the specific restriction that the derivative instruments cannot be used to gear portfolio exposure.

The underlying investment managers may utilise strategies for the management of currency exposure. The level of currency hedging used for the Trust will vary from time to time. The Trust has the capacity to apply a currency overlay to manage the Trust’s currency risk.

Asset allocation

Asset allocation of IOOF MultiMix Conservative Trust as at 30 June 2014:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Range %</th>
<th>Strategic Benchmark %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short term securities</td>
<td>10-35</td>
<td>23</td>
</tr>
<tr>
<td>Diversified fixed interest</td>
<td>30-55</td>
<td>42</td>
</tr>
<tr>
<td>Alternative defensive assets</td>
<td>0-15</td>
<td>5</td>
</tr>
<tr>
<td>Property</td>
<td>0-20</td>
<td>10</td>
</tr>
<tr>
<td>Australian shares</td>
<td>0-20</td>
<td>11</td>
</tr>
<tr>
<td>International shares</td>
<td>0-20</td>
<td>9</td>
</tr>
</tbody>
</table>

The Fund will vary the asset allocation around prescribed benchmarks and within the broad ranges set by IIML as detailed below:

Investment manager

At IOOF, we have been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become a leading provider of quality financial services. Through our investment management services, we have a team of portfolio managers, supported by a host of support services all committed to providing, strong risk adjusted returns over the long term. The IOOF multi-manager investment approach adds value on several fronts; through our active management of underlying investment managers, our dynamic asset allocation and our robust risk management.
Fund earning and crediting rates

The net earning rate is the investment return on the assets of the Fund after payment of investment management fees and taxes. As at 30 June 2014, the underlying investment manager fee was 0.77 per cent including GST (after application of performance fees).

The crediting rate is the investment return credited to your account annually, based on the amount earned on the Fund’s investments after investment management fees, trustee management fees, recovery of fund expenses, government charges and taxes. The crediting rate may be positive or negative.

The difference between the two rates is that the crediting rate includes both the investment manager’s fees and the trustee’s fees and expenses.

As at 30 June 2014 the Fund expense rate (including all underlying investment manager and trustee fees, costs and expenses) is 2.48 per cent pa net of GST.

The compound average net fund crediting rate for the last five years was 5.26 per cent pa.

For more information on potential investment performance, please visit our website (www.ioof.com.au) and view the IOOF MultiMix Conservative Trust Profile.

Crediting rate policy

At the beginning of each financial year, the Trustee estimates the expenses required to operate the Fund. During the financial year an interim crediting rate is calculated on the earnings of the Fund’s underlying assets, less the estimated fees and costs, expenses, and taxes. At the end of the financial year, the Trustee reviews the expenses and any over or under provision for expenses incurred during the year is considered in the calculation of the crediting rate for 30 June.

The interim crediting rate will be used to determine the investment return credited to your account if you withdraw or rollover your investment in the Fund during a financial year, before the crediting rate for that financial year is calculated at 30 June.

Reserving policy

The Trustee will pass all investment earnings, whether positive or negative (less fees, expenses and taxes) to members when they are received. The Trustee does not maintain investment reserves.
Taxation

Tax on investment earnings
The Fund’s investment earnings are taxed at a maximum rate of 15 per cent.

Taxation of benefits
A lump sum withdrawal from the Fund may be subject to tax, unless rolled over into another complying superannuation, rollover or pension fund. How your withdrawal is taxed will depend on its components and your age at the date of withdrawal. If you have been classified as a lost member and your account balance is less than $200, you can withdraw your benefit tax-free.

Member information

Trust Deed
The Trust Deed sets out the rules of the Fund. The PDS summarises the major provisions of the Fund, which is at all times governed by the Trust Deed. If there is a conflict between the PDS and the Trust Deed, the Trust Deed prevails.

About the Trustee
As the Trustee, we have met all of the necessary APRA requirements to operate as a trustee of the Fund and we maintain an AFS Licence under the Corporations Act 2001. We monitored the Fund’s compliance with the relevant legislative requirements during the 2013/14 financial year, and confirm that the Fund:

- is a resident regulated superannuation fund within the meaning of the Superannuation Industry (Supervision) Act 1993
- has not received a notice of noncompliance from APRA

Directors of the Trustee
Dr Roger Neil Sexton (Chairman)
Ms Jane Margaret Harvey
Mr Ian Gregory Griffiths
Mr George Venardos
Mr Christopher Francis Kelaher
Mr Allan Raymond Griffiths

Access to information
You may view copies of the following information at any office of the Trustee during business hours:

- The annual report of the Fund.
- The audited accounts and auditor’s report of the Fund.
- The Trust Deed of the Fund.

All enquiries relating to the Fund should be directed to our client services team on 1800 677 306.
Abridged financial statements

Set out below are the abridged financial statements detailing the Fund’s financial transactions for the year ended 30 June 2014.

If you would like to obtain a copy of the full audited fund financial statements and related audit reports for the year (free of charge), please contact our client services team or email us.

The auditor has issued an unqualified opinion in respect of the financial statements.

<table>
<thead>
<tr>
<th>Extract of accounts as at 30 June</th>
<th>2014 ($)</th>
<th>2013 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>6,875,437</td>
<td>8,252,671</td>
</tr>
<tr>
<td>Sundry income</td>
<td>-</td>
<td>528,951</td>
</tr>
<tr>
<td>Member contributions</td>
<td>17,702</td>
<td>43,801</td>
</tr>
<tr>
<td>Transfers from other funds</td>
<td>21,655,180</td>
<td>400,084</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>28,548,319</td>
<td>9,225,507</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits paid</td>
<td>6,569,288</td>
<td>19,363,580</td>
</tr>
<tr>
<td>Management Fees</td>
<td>1,807,208</td>
<td>2,614,504</td>
</tr>
<tr>
<td>General administration expenses</td>
<td>228</td>
<td>-</td>
</tr>
<tr>
<td>ORFR Levy</td>
<td>85,606</td>
<td>-</td>
</tr>
<tr>
<td>APRA fees</td>
<td>19,175</td>
<td>31,981</td>
</tr>
<tr>
<td>Superannuation contributions surcharge</td>
<td>213</td>
<td>-</td>
</tr>
<tr>
<td>Income tax (benefit)/expense</td>
<td>(2,073,260)</td>
<td>(281)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>6,408,458</td>
<td>22,009,784</td>
</tr>
<tr>
<td>Transfers to reserves</td>
<td>85,606</td>
<td>-</td>
</tr>
<tr>
<td>Increase in members’ funds</td>
<td>22,225,467</td>
<td>(12,784,277)</td>
</tr>
<tr>
<td>Balance brought forward</td>
<td>83,029,961</td>
<td>95,814,238</td>
</tr>
<tr>
<td>Members’ funds</td>
<td>105,255,428</td>
<td>83,029,961</td>
</tr>
</tbody>
</table>

**Represented by**

**Assets**

| Investments                          | 99,161,079 | 83,149,592 |
| Cash and cash equivalents            | 177,322    | 694,501    |
| Sundry debtors                       | 4,937,877  | 81,021     |
| Current tax asset                    | 65,528     | 281        |
| Deferred tax assets                  | 2,007,958  | -          |
| **Total Assets**                     | 106,349,764 | 83,925,395 |

**Liabilities**

| Creditors and accruals               | 1,094,336  | 895,433    |
| Income tax payable                   | -         | -          |
| **Total liabilities**                | 1,094,336  | 895,433    |
| **Net assets**                       | 105,255,428 | 83,029,962 |
| **Members’ funds**                   | 105,255,428 | 83,029,962 |
Operational Risk Financial Requirement Reserve

The Operational Risk Financial Requirement (ORFR) Reserve has been established to meet the requirements of Prudential Standard SPS 114 – Operational Risk Financial Requirement. The prudential standard requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect the Fund.

<table>
<thead>
<tr>
<th>Reserves</th>
<th>2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to reserves</td>
<td>85,606</td>
</tr>
<tr>
<td>Closing balance</td>
<td>85,606</td>
</tr>
</tbody>
</table>

Concentration of assets of the Fund

The Trustee advises that at 30 June 2014:

- the IOOF MultiMix Conservative Trust is an underlying investment of the Fund which has a value of more than five per cent of the total assets of the Fund
- no direct shareholding of the Fund constituted an investment whose value was more than five per cent of the value of the Fund.

Derivative policy

Derivatives may be used in accordance with the investment strategy and objectives of the Fund and at the investment option level in order to:

- to protect the investment from upward or downward movements in rates or prices through hedging
- protect funds from the range of market risks
- change the overall asset allocation in a timely manner without exposure to the timing and liquidity constraints or higher transaction costs associated with the physical market
- permit ongoing management of funds invested during periods of uncertainty where liquidity is not available in the physical market
- minimisation of transaction costs associated with spread on physical market transactions
- facilitating switching between asset classes or as an alternative to physical investment

Derivatives will not be used to gear funds, for speculative purposes or trading.

The investment managers of the investment option may use derivatives such as options, futures, swaps. The Trustee has controls and procedures in place relating to the investment managers’ derivative use in order to ensure that it is suitable to the Trustee’s and its members’ own investment strategies and objectives.
Contact us

Client services
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Website: www.ioof.com.au

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