



AON ELIGIBLE ROLLOVER FUND ANNUAL REPORT 2018

ABOUT THE AON ELIGIBLE ROLLOVER FUND

The Aon Eligible Rollover Fund (the fund) is a public offer superannuation fund.

The sole purpose of the Aon ERF is to be a temporary repository for amounts transferred from other regulated superannuation funds. These amounts are generally lost, inactive or small accounts.

The fund cannot accept any contributions. If you would like information about how to consolidate your superannuation and be able to make contributions, please contact us on 1300 880 588.

This report contains general information for the benefit of all members. It is designed to bring you up to date with recent developments and to keep you informed about the operation and benefits of the fund. More information is available on the fund's website at erf.aon.com.au

Every effort has been made to ensure the information contained in this report is accurate. However, the trust deed ultimately governs your rights and benefits.

Your fund annual reporting for 2017/18 consists of:

- this annual report and
- your 2018 benefit statement.

If you would like a printed copy of this annual report free of charge, call us on 1300 880 588 or email us at contactaon@pillar.com.au.

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This annual report has been prepared by Aon Hewitt Limited ABN 48 002 288 646 AFSL 236667 as sponsor and administrator of the Aon Eligible Rollover Fund ABN 54 338 733 881 (the fund) on behalf of the trustee. The trustee of the fund is Equity Trustees Superannuation Limited ABN 50 055 641 757 AFSL 229757 RSE Licence L0001458 and is the issuer of this report. References in this report to 'we', 'us', and 'our' are references to the trustee. The information contained in this report is general in nature and should not be relied on as personal advice because your personal needs, objectives and financial situation have not been considered when preparing this information. Past performance should not be considered a guide to future performance. Before deciding whether any general advice or particular product is right for you, please consider the Product Disclosure Statement and talk with your financial adviser for advice tailored to your personal circumstances.

INVESTMENT IN THE AON ERF

Returns

The fund's net earning rate (ie net of the investment fee, asset administration fee, indirect costs, and tax on investment earnings) for the year ended 30 June 2018 was 3.1%. Net earning rates for the past five years and the compound average net earning rates for five and 10 years are shown in the table below.

| Year ended 30 June | Actual net earning rate |
|-------------------------------------|-------------------------|
| 2018 | 3.1% pa |
| 2017 | 2.8% pa |
| 2016 | 2.8% pa |
| 2015 | 3.6% pa |
| 2014 | 6.2% pa |
| Compound average net earning rates: | |
| 5 years to 30 June 2018 | 3.7% pa |
| 10 years to 30 June 2018 | 2.9% pa |

The fund's unit prices change (usually daily) according to the investment earnings (or losses) attributed to the fund. As the unit price changes, the investment earnings (or losses) are reflected in your account balance.

Past performance should not be considered a guide to future performance.

Management

The trustee has engaged an asset consultant to monitor and report regularly on the fund's investments. The investments of the fund (other than cash held for meeting daily administrative and benefit expenses) are managed on behalf of the trustee by specialist managers in accordance with the fund's investment strategy to achieve the fund's investment objectives. The trustee may seek information from the managers regarding any risks and the expected returns associated with each underlying investment to help determine its ongoing suitability for the fund.

Objective and strategy

The investment objective for the fund is to achieve a return of at least 0.25% pa above inflation (after fees and taxes) over rolling three-year periods.

To enhance the fund's potential to outperform inflation after fees, the strategy is to invest a moderate amount of the portfolio (typically 30% but within a range of 20–40%) in shares, and most of the portfolio (typically 70% but within a range of 60–80%) in fixed interest and cash. The emphasis is on managing risk rather than maximising the investment return.

Strategic asset allocations

The allocations shown below are current target and ranges. Actual allocations may vary.

| | Target % | Range % |
|------------------------------|-----------|--------------|
| Australian shares | 15 | 0–30 |
| International shares | 15 | 0–30 |
| Property | 0 | 0–30 |
| Alternative-Growth | 0 | 0–15 |
| Total growth | 30 | 20–40 |
| Alternative-Defensive | 0 | 0–20 |
| Australian fixed interest | 36 | 0–60 |
| International fixed interest | 24 | 0–60 |
| Cash | 10 | 0–60 |
| Total defensive | 70 | 60–80 |

Derivatives and other financial instruments and strategies

The trustee will not usually invest in futures, options and other derivative instruments directly, except as required during the transition of assets to maintain the strategic position in the market.

However, it will permit investment managers to use futures, options and other derivative instruments to assist with the effective management of portfolio assets.

These professional managers each have their own risk management policy statements which specify the use of derivatives. Most managers use derivatives such as options, futures and swaps to hedge (protect) positions, to implement investment positions efficiently and to adjust asset allocation in a cost-effective and timely manner. Some managers use derivatives to add value. For example, a commodity trading specialist trades commodities futures to generate returns.

The trustee obtains and reviews a copy of each investment manager's derivative risk statement.

Investments – actual asset allocation at 30 June 2018 and 2017

| Asset class | 30/6/18 | 30/6/17 |
|------------------------------|---------------|---------------|
| Cash | 10.3% | 10.7% |
| Australian fixed interest | 35.0% | 34.3% |
| International fixed interest | 23.7% | 24.7% |
| Australian shares | 15.5% | 15.3% |
| International shares | 15.5% | 15.0% |
| Total | 100.0% | 100.0% |

Investments – value and percentage of total fund assets

The following table shows the value of investments in unlisted unit trusts (or managed funds) as a percentage of the fund's total assets as at 30 June 2018. The table excludes assets held in cash and cash equivalents held directly (not in a managed fund), and other assets shown in the *Statement of financial position* on page 7.

| Investment | Asset class | Value as at 30/6/18 | % of the fund's total assets as at 30/6/18 |
|---|----------------|---------------------|--|
| Russell Australian Cash Fund | Cash | \$4,817,721 | 9.9 |
| Vanguard Australian Fixed Interest Index Fund | Fixed interest | \$16,228,426 | 33.2 |
| Vanguard International Fixed Interest Index Fund (Hedged) | Fixed interest | \$10,971,646 | 22.5 |
| Vanguard Australian Shares Index Fund | Shares | \$7,198,181 | 14.7 |
| Vanguard International Shares Index Fund | Shares | \$5,119,559 | 10.5 |
| Vanguard International Shares Index Fund (Hedged) | Shares | \$2,039,118 | 4.2 |
| Total | | \$46,374,651 | |

INVESTMENT MARKETS IN 2017/18

With a strong start, a bumpy patch in the middle, and a strong finish, markets broadly (and global markets in particular) delivered good results for investors in 2017/18.

A strong start: The first half of the year was positive with the announcement of good US earnings results, improving US and European economic data, stronger commodity prices, the approval of President Trump's US tax cuts plan, the election results in Germany and Japan, and general optimism around global growth.

This positivity was only mildly dampened by concerns over the US Federal Reserve's measured wind back of its massive post-GFC balance sheet, President Trump failing to push through his healthcare reforms, and speculation of interest rate hikes in the UK. Even ongoing low inflation in the US, renewed political uncertainty in Europe, and North Korea's nuclear arms capability claims did not notably impact the upward trajectory of markets.

A bumpy patch: Share markets had a strong start to 2018 thanks to further encouraging US earnings results and evidence of global economic activity gathering pace. However, in February news of unexpectedly high US wages growth sparked fears of accelerated interest rate increases, pushing share markets down and bond yields up.

Following a recovery in late February, markets were then unsettled by allegations of Russian interference in the 2016 US presidential election, further US political uncertainty and, most significantly, global trade tensions after the US announced tariffs on a range of imports, particularly from China.

A strong finish: Positive influences late in the year included more encouraging US earnings results and jobs data, stronger commodity prices, China's economic expansion, and the European Central Bank's intention to leave interest rates on hold.

Share markets ended the year strongly despite political risk in Italy, escalation in US/China trade tensions, an accelerated US rate hike agenda, and lower-than-expected Japanese growth.

Closer to home, Australian shares delivered a solid return and Australian bonds out-performed global bonds. While ongoing low interest rates helped both bonds and Australian commercial property, they also kept cash returns low.

Aon Hewitt has adapted the above investment markets summary from *Annual market update July 2018* by Russell Investments, russellinvestments.com/au. Adapted with permission.

This investment markets summary and the market performance for the year ended 30 June 2018 relate to investment markets as a whole and not the fund's investments.

Market performance for year ended 30 June 2018

| Market | Return | Index |
|------------------------------|--------|---|
| Australian shares | 13.2% | S&P/ASX 300 |
| Global shares (\$A hedged) | 12.3% | Russell Developed Large Cap Total Return (AUD hedged) |
| Global shares (\$A unhedged) | 16.1% | Russell Developed Large Cap Total Return USD |
| Australian listed property | 13.2% | S&P/ASX 300 A-REIT |
| Global property | 7.5% | FTSE EPRA NAREIT Developed Total Return (AUD hedged) |
| Australian fixed interest | 3.1% | S&P/ASX Australian Fixed Interest Index Total Return |
| Global fixed interest | 1.9% | Barclays Global Aggregate Total Return (AUD hedged) |
| Cash | 1.8% | S&P/ASX Bank Bill Index Total Return |

Past performance should not be considered a guide to future performance.

RESERVES

The trustee maintains the following reserves within the fund.

Operational risk reserve (ORR)

The Australian Prudential Regulation Authority requires super fund trustees to 'reserve' monies which can be drawn on to address losses to members or beneficiaries arising from operational risk. The trustee of the Aon ERF maintains an ORR for this purpose and operates it in line with the Operational Risk Financial Requirement Strategy.

The target ORR amount has been determined as 0.25% of the fund's net assets. The ORR is invested in the fund's operating bank account. The ORR is funded by interest earned on the reserve. The funding methodology will be reviewed if the ORR falls below 90% of the target amount. The level of the ORR is reviewed each year.

Trustee expense reserve (TER)

The trustee maintains a TER to pay for trustee expenses. The TER is invested in the fund's operating bank account. On an annual basis, the TER is funded via a daily deduction of up to 0.16% from all members' unit prices on a daily basis, and interest earned on the reserve. The level of the TER is reviewed each year.

Reserve balances for the last three financial years

| Reserve | Balance at | | |
|---------|------------|-----------|-----------|
| | 30/6/18 | 30/6/17 | 30/6/16 |
| ORR | \$223,562 | \$216,181 | \$208,773 |
| TER | \$53,608 | \$48,543 | \$36,778 |

FINANCIAL SUMMARY

The abridged financial statements below are a summary of the fund's audited financial statements for the years ended 30 June 2018 and 2017.

The full audited accounts are available online at erf.aon.com.au/erf_gov.htm or you can contact us if you would like a copy.

| Statement of financial position | At 30 June 2018 \$ | At 30 June 2017 \$ |
|---|-----------------------|-----------------------|
| Unlisted unit trusts | | |
| – Australian equity | 7,198,181 | 7,706,773 |
| – International equity | 7,158,677 | 7,560,776 |
| – Australian fixed income | 16,228,426 | 17,210,880 |
| – International fixed income | 10,971,646 | 12,417,096 |
| – Australian cash | 4,817,721 | 5,354,995 |
| Cash and cash equivalents | | |
| – Cash at bank | 961,126 | 972,782 |
| – Cash with custodian | 835,673 | 922,645 |
| All other assets including accrued income and other receivables | 678,145 | 1,247,110 |
| Total assets | 48,849,595 | 53,393,057 |
| Accrued expenses and other payables | 247,532 | 233,856 |
| Deferred tax liabilities | 391,541 | 379,365 |
| Total liabilities (excluding member benefits) | 639,073 | 613,221 |
| Net assets available for member benefits | 48,210,522 | 52,779,836 |
| Member benefits | 47,312,889 | 51,928,037 |
| Total net assets | 897,633 | 851,799 |
| Total equity | 897,633 | 851,799 |

| Statement of changes in member benefits | Year ended 30 June 2018 | Year ended 30 June 2017 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Opening balance of member benefits | 51,928,037 | 59,684,373 |
| Transfers and rollovers | 3,109,493 | 3,688,641 |
| Tax rebate | 101,560 | 123,268 |
| Net after-tax contributions | 3,211,053 | 3,811,909 |
| Benefits paid to members | (8,651,408) | (12,352,974) |
| Benefits allocated to members' accounts, comprising net investment income and administration fees | 824,941 | 784,729 |
| Other operating income | 266 | – |
| Closing balance of member benefits | 47,312,889 | 51,928,037 |

| Statement of changes in equity | Year ended 30 June 2018 | Year ended 30 June 2017 |
|----------------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Opening balance of equity | 851,799 | 1,356,354 |
| Net transfers to/from reserves | – | – |
| Operating results | 45,834 | (504,555) |
| Closing balance of equity | 897,633 | 851,799 |

GOVERNANCE AND TRANSPARENCY

The trustee

The trustee of the fund, Equity Trustees Superannuation Limited ABN 50 055 641 757 holds an Australian Financial Services Licence AFSL 229757 and a Registrable Superannuation Entity Licence RSE Licence L0001458 issued by the Australian Prudential Regulation Authority (APRA).

Through its board of directors, the trustee is responsible for the fund's strategic direction, compliance with legislation, regulations and superannuation prudential standards, and adherence to its trust deed and rules.

The board exercises a 'duty of care' on behalf of members of the fund and maintains their best interests in its decision-making and strategy process.

Trustee board

On 3 November 2017, Aon Superannuation Pty Limited ABN 83 057 982 822 AFSL 237465 was replaced as trustee of the fund by Equity Trustees Superannuation Limited.

Trustee directors during the year ended 30 June 2018 were:

Aon Superannuation Pty Limited (to 3 November 2017)

- ↳ Frank Argent
- ↳ Steven Clarke
- ↳ Giselle Collins—-independent director and chairman
- ↳ Jennifer Dean
- ↳ Jim Humphrey—-independent director
- ↳ Michael Murphy
- ↳ Janice Sengupta

As Aon Superannuation Pty Limited did not employ any staff, all the directors were 'non-executive' as defined in the superannuation prudential standards. Three of the directors were employees of Aon Hewitt Limited and two directors met the prudential standards' definition of 'independent'. See the latest audited accounts at erf.aon.com.au for details of payments made to directors.

Equity Trustees Superannuation Limited (from 3 November 2017)

- ↳ Mark Blair—executive director
- ↳ John Crocker—non-executive director and chairman (retired 14 June 2018)
- ↳ Tony Lally—non-executive director and chairman (appointed 1 June 2018)
- ↳ Michael O'Brien—managing director
- ↳ Catherine Robson—non-executive director
- ↳ Ellis Varejes—non-executive director

Current directors' profiles, including remuneration details, are available at ETSL Registrable Superannuation Entity Disclosures at eqt.com.au

Documents and disclosures

With its focus on always acting in the best interests of members, the trustee is committed to managing the fund with the highest levels of governance, transparency and accountability.

In line with that commitment, the trustee makes the following documents and disclosures available online and/or on request to us.

ETSL Registrable Superannuation Entity Disclosures

- ↳ Conflicts management framework
- ↳ Proxy voting policies
- ↳ Register of relevant interests and register of relevant duties
- ↳ Financial services guide
- ↳ Constitution
- ↳ Board meeting attendance

erf.aon.com.au

- ↳ Trust deed and amending deeds
- ↳ Product Disclosure Statement
- ↳ Latest audited accounts and auditor's report
- ↳ Investment returns
- ↳ Register of significant event notices
- ↳ Significant event notices
- ↳ Outsourced providers

Compliance

The fund is administered at all times to comply with provisions contained in the Superannuation Industry (Supervision) Act 1993 and Regulations, the Corporations Act 2001 and Regulations, and other superannuation laws.

Various supervisory functions are carried out by the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC) and/or the Australian Taxation Office (ATO).

The trustee is not aware of any matter that would cause the fund to lose its complying status and expects to continue to comply with all relevant legislation.

Indemnity insurance

The trustee has the benefit of professional indemnity insurance cover to protect the trustee, its directors and the fund, subject to the terms and conditions of the relevant insurance policy.

Trust deed changes and significant events

The fund was established by a trust deed dated 16 December 2003 and this deed has been amended from time to time. The trust deed was amended during the 2017/18 year to require the trustee's consent before appointment of a new trustee.

The only significant event during the year was the replacement of Aon Superannuation Pty Limited as trustee of the fund by Equity Trustees Superannuation Limited effective 3 November 2017.

Privacy policies

The trustee and Aon are committed to protecting your personal information and complying with the Australian Privacy Principles under the Privacy Act 1988 (Cth). For details, go to:

Equity Trustees Privacy Statement at eqt.com.au/global/privacystatement

Aon Australia Group Privacy Policy Statement at erf.aon.com.au/erf_privacy.htm

Complaints resolution

We take complaints very seriously and will do our best to make things right. Call us on **1300 880 588** or put your complaint in writing to:

Complaints Officer
Aon Eligible Rollover Fund
PO Box 1949
Wollongong NSW 2500

If you're not satisfied with our handling of your complaint, or a response is not provided within 90 days, you may be able to refer the matter to the Australian Financial Complaints Authority (AFCA).

You can contact the AFCA at:

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Phone: 1800 931 678
Email: info@afca.org.au
Online: www.afca.org.au

MORE INFORMATION

Surcharge

The surcharge tax was abolished for contributions made after 1 July 2005. This will not, however, affect any existing or previous surcharge tax liability you may have incurred.

There were no payments of surcharge by the fund to the Australian Taxation Office during the year ended 30 June 2018.

Unclaimed super

If your benefit in the Aon ERF becomes unclaimed super it may be transferred to the Australian Taxation Office (ATO).

In summary, the following are regarded as unclaimed super:

- ↘ Accounts of members who have reached age 65 where:
 - the member is uncontactable, and
 - the account has been inactive for at least two years.
- ↘ Lost super accounts that:
 - have a balance under \$6,000 and have been inactive for five years, or
 - have a balance under \$6,000 and the member is uncontactable, or
 - are unidentifiable and have been inactive for 12 months.

Death benefit payments and temporary residents' payments may also be regarded as unclaimed monies.

See 'ATO-held super' on the ATO website at ato.gov.au for more information.

There are also significant proposed changes to the unclaimed money laws from 1 July 2019 which will expand the circumstances in which superannuation monies must be transferred to the ATO to include all inactive accounts (whether or not a member is uncontactable or lost) with a balance under a specified amount.

DIRECTORY

Aon Eligible Rollover Fund

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Web erf.aon.com.au
ABN 54 338 733 881

Trustee

Equity Trustees Superannuation Limited
ABN 50 055 641 757 AFSL 229757
RSE Licence L0001458

Administrator

Aon Hewitt Limited
ABN 48 002 288 646 AFSL 236667
with majority of administration services outsourced to:
Mercer Administration Services (Australia) Pty Limited
ABN 48 616 275 980 AFSL 245591

Asset consultant

Aon Hewitt Limited
ABN 48 002 288 646 AFSL 236667

Investment managers

Russell Investment Management Ltd
ABN 53 068 338 974 AFSL 247185
Vanguard Investments Australia Ltd
ABN 72 072 881 086 AFSL 227263

Auditor

PricewaterhouseCoopers
ABN 52 780 433 757

Custodian services

BNP Paribas Funds Services Australasia Pty Ltd
ABN 71 002 655 674 AFSL 241080



Contact the fund's Administrator

Email contactaon@pillar.com.au

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Aon Eligible Rollover Fund

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