

# ANNUAL REPORT 2017/18



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This Annual Report provides important details of Nationwide Super’s activities and investments for the financial year ended 30 June 2018.

A summary of the benefits and features of Nationwide Super can be found in our Product Disclosure Statement, available at [nationwidesuper.com.au/PDS](http://nationwidesuper.com.au/PDS) or by contacting the Nationwide Super team.

## Our push for paperless

Unless you tell us otherwise, your Annual Report will be available to view or download from the Nationwide Super website at [nationwidesuper.com.au/annual-report](http://nationwidesuper.com.au/annual-report)

You can also ask to receive a free electronic copy by email or printed copy by post - simply contact the Nationwide Super team at [enquiries@nationwidesuper.com.au](mailto:enquiries@nationwidesuper.com.au) or 1800 025 241.

# Nationwide Superannuation Fund – on the move

Nationwide Superannuation Fund (formerly NSF Super) was launched in 1987, and the current team are just as committed to the original objectives – to grow a multi-industry superannuation fund that provides exceptional products and services to you, our members and supporting employers.

We call ourselves the Small Business Super Business. We are the superannuation fund here to look after the millions of people, just like you, who work in and run small businesses right around Australia. Our current members and employers are spread around the country and represent a wide range of industrial, commercial, professional and lifestyle organisations.

We're here to help you to make the most of your future by making your superannuation journey simple, informed and smart – helping our members to take control of their super savings and providing access to personalised advice, tools and benefits. We also understand that super can be a complex topic, and businesses are run by busy people who don't always have a lot of time to manage their super obligations – so we're always looking for ways to make the process as smooth and simple as possible.

The coming year will see a number of exciting changes for Nationwide Super, with a range of improvements and benefits for our valued members and employers. Rest assured that our focus remains on keeping fees low, the products competitive, and the service top-shelf.

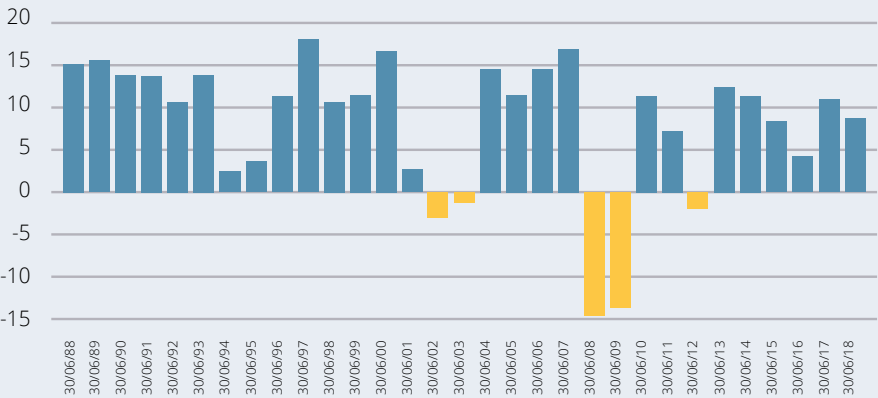
We're here to support you all the way, to help you make the most of your future, wherever you are, Nationwide.

## SMALL BUSINESS SUPER BUSINESS



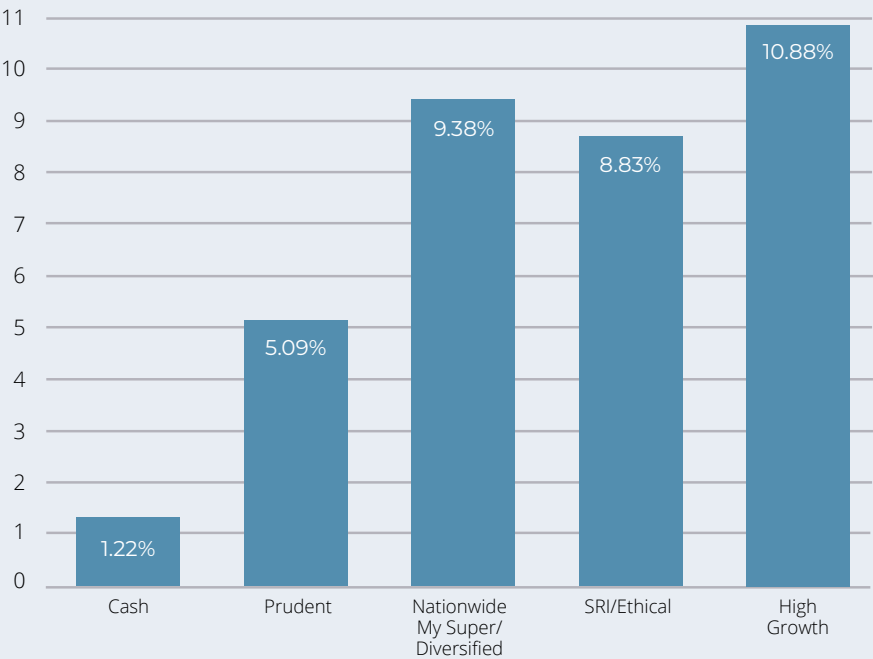
# Your Nationwide Super - key facts at a glance

Nationwide MySuper/Diversified\*      Compound average annual return since inception 7.95%^



*\*Nationwide MySuper/Diversified (Default) option, which commenced in 1987. ^Net of fees and taxes. Please remember that past performance is no indication of future performance.*

## Annual returns to 30 June 2018



*Note: Past performance is no indication of future performance.*



**Kim McHugh**  
Chair

## Report from the Nationwide Super Chair

Welcome to the 2017/18 Annual Report of Nationwide Superannuation Fund.

Again, thank you for your continued support and loyalty to Nationwide Super. Your Directors continue to work hard to ensure that your retirement savings continue to grow and that your insurance cover is relevant.

There has been an increasing volume of media coverage of the financial services industry, including super, recently. A lot of this coverage stems from a number of current events, including a Productivity Commission review of superannuation, the Financial

Services Royal Commission, further changes to superannuation from the latest Federal budget, and a number of reviews by ASIC.

While much of the media coverage has sensationalised the topic, some of the likely changes to come from these reviews will be both diverse and industry changing.

My view is that the key message from these reviews is to treat your superannuation savings like any other asset you own – to achieve the best results you should take control of it, learn to understand it, and take care of it. While superannuation may appear complex and daunting, the ultimate aim is for you to save enough money to live on when you retire.

If you're like many other people, the insurance cover provided within a super fund may be the only insurance cover you have at all to protect your biggest asset – YOURSELF, and your ability to earn an income. You need to ensure that it is the amount and type of cover right for you.

The Australian Taxation Office has over \$16 billion in unclaimed superannuation accounts that have been passed to it by super funds over the past few years. New rules regarding inactive accounts and higher balances will see this figure increase again in the near future. Once at the tax office, your money receives interest at the rate of CPI only and you lose your insurance cover. As a member of the Claims Committee, I know how valuable any insurance cover can be for members of all ages in their time of need.

Again, these changes simply point to the need for you to take control of your money. We are here to help, so please call us. No question is too small. It is the small changes that can make a big difference.

Our brand relaunch in early 2017 provided us with the opportunity to confirm our support for small business – positioning ourselves as Nationwide Super – the Small Business Super Business. We acknowledge the huge part that small businesses play in our country, and will try to assist them in any way to easily meet their obligations relating to your superannuation

contributions and their own.

Currently, there is an amnesty period during which employers can pay any outstanding super contributions without penalty. This is a great opportunity for employers to bring your super obligations up to date, and for employees to recover any unpaid superannuation.

Finally, a special thank you to the Management Team who perform above and beyond what is asked of them, and to my fellow Directors who always work with your best interests in mind.

Remember that super is a long term investment and performance should not be looked at based on short term results.

This is your money. Please help us take care of it by letting us know what you need.



**Ian Morante**  
CEO

## Report from the Nationwide Super CEO

During the past financial year, the Trustee Directors and Management Team of your super fund have been dealing with the increasing challenges posed by numerous changes to super regulations and requirements, while continuing to focus on the needs of our valued members and employers.

The challenge from an individual's point of view, is to focus on the long-term outcomes of your actions. This includes understanding the potential benefits of making additional contributions to your super, which you can calculate using the tools available on our website. These calculators can clearly demonstrate the estimated benefit at retirement from increasing your own contributions,

or changing your investment option. If you would like some assistance to understand these options and what suits your individual circumstances, our financial advice service for members is always available.

From an employer's point of view, particularly those in small business, having simple solutions for managing your super obligations to your employees is very important, and something Nationwide Super strives to provide. Small Business and the people they employ, plays a crucial role in the Australian economy, and we believe they deserve to have a super fund that understands their needs and can take the hassle out of super obligations - so you can concentrate on the things that will make your small business a big success.

My view is that 'time' can be your friend or your enemy, and it's what you do with that time that can make all the difference to your retirement outcome. If retirement is many years down the track, taking what might seem like small steps, such as modest extra contributions to your super, can have significant benefits at retirement, through the power of compound interest. However, if retirement is just around the corner and you haven't already put some retirement planning strategies in place, you might need to take some bigger steps as soon as possible. Again, the financial advice service available to members can guide you towards the most appropriate strategies.

Your Trustee Board has also been looking to the future, to ensure we continue to provide the best possible outcomes for our members and employers. This includes assessing the range of changes within the super industry that have occurred or are likely to occur in the near future.

Following extensive investigations and assessments, the Trustee Board has entered into an alliance with Russell Investments. The aim of the arrangement is to achieve a fee reduction for members, provide access to a wider range of investment options, and a significantly improved suite of tools and services, including a real time mobile app, to better manage your super savings. Once final details of the alliance and benefits are confirmed, we'll be in touch to share the great news.

Your Annual Member statement is now available, and even taking a few minutes to look at the information in it will be a great starting point for planning to maximise the benefits from your super.

Your Annual Member statement provides a useful snapshot of where your super savings are sitting, as at 30 June 2018. Contributions and interest added to your account over the financial year, your current investment options and level of insurance cover, are some of the fairly simple, but important information shown on the statement. It can help you to work out whether your super is on track to meet your current and future objectives.

My sincere thanks go to the Nationwide Super Management Team, the Directors of the Trustee Board, and all our service providers, for their hard work and efforts during the year to assist Nationwide Super members and employers with achieving their superannuation objectives.

Below are some helpful tips to consider about your super:



### **Do you have any lost superannuation?**

- ➔ We've made it even easier to search online for lost super and consolidate any other super accounts you may have in just a few minutes.
- ➔ When you log into MemberAccess, you'll be asked for permission to search the ATO database for any super they can identify in your name. You'll then see a list of any lost super held by the ATO and a second list of any accounts held with other super funds. Simply select the accounts you'd like to transfer to your Nationwide Super account and we'll take care of the rest!



### **Do you have multiple superannuation accounts?**

- ➔ Apart from making it easier to manage your super savings, gathering up multiple accounts and rolling them over into a single account means you could end up paying a lot less in fees.
- ➔ Just keep in mind that you should take into account the loss of any insurance cover held in other accounts, or any exit fees you may be charged when looking at consolidating.



### Are you making the most of superannuation opportunities?

- ➔ The way your super savings are invested can have a huge impact on the total value of your super at retirement. Nationwide Super offers you 5 different investment options to help meet your needs and objectives. Are you currently invested in the best option/s for you?
- ➔ Most of our members are entitled to automatic 'default' insurance cover, in the case of death, terminal illness, or total and permanent disability. Did you know you can apply for more cover and even Income Protection insurance? How much cover is right for you?



### Have you considered how best to access your superannuation at retirement?

- ➔ Many people think of their super as a 'lump sum' of money you get at retirement, but a pension option can be tax effective and help your savings last longer in retirement. Would a pension account suit your retirement needs down the track?

## 2017/18 in numbers



65,000  
visits to our  
website



9

16

thousand **phone calls** and **emails** received from members and employers



**\$630 million** in funds under management



**31,000 members** nationwide



.....  
of employer contributions compliant with government **SuperStream** requirements

7,200

.....  
contributing employers



# Your investment performance - looking back at the 2017/18 year

*This investment commentary is issued by Mercer Investments (Australia) Limited ABN 66 008 612 397, Australian Financial Services Licence #244385. You should remember that past performance should not be relied upon as an indicator of future performance.*

Investors enjoyed another financial year of favourable conditions, particularly for equities and growth assets. Over the year, small cap markets outperformed their broad cap counterparts while emerging markets also fared well despite a late drop off.

The major international share index returned 11.5% for hedged Australian investors while domestic equities returned 13.2% on the back of a strong push late in the financial year. Domestic small cap markets enjoyed a growth momentum fuelled run. The resources sector was a key driver of this, returning +49.0% following strong demand from China and rising oil prices. Industrials were also strong under this environment, returning +18.3%, and also benefitting from public infrastructure spending, improving commodities prices and favourable financial data releases. Meanwhile, global markets enjoyed a positive run of synchronised growth over the first half of the year, partly due to increased stimulatory economic sanctions from the US government's economic policies under President Trump, as well as improved confidence in China's ability to pull through its current debt situation and maintain strong economic growth levels. However, US economic policy would lead to increased volatility during the second half of the financial year as the US government embarked on a protectionist regime, imposing new trade tariffs against major global trading partners, notably Europe and China, sparking retaliatory trade tariffs and decreasing consumer sentiment.

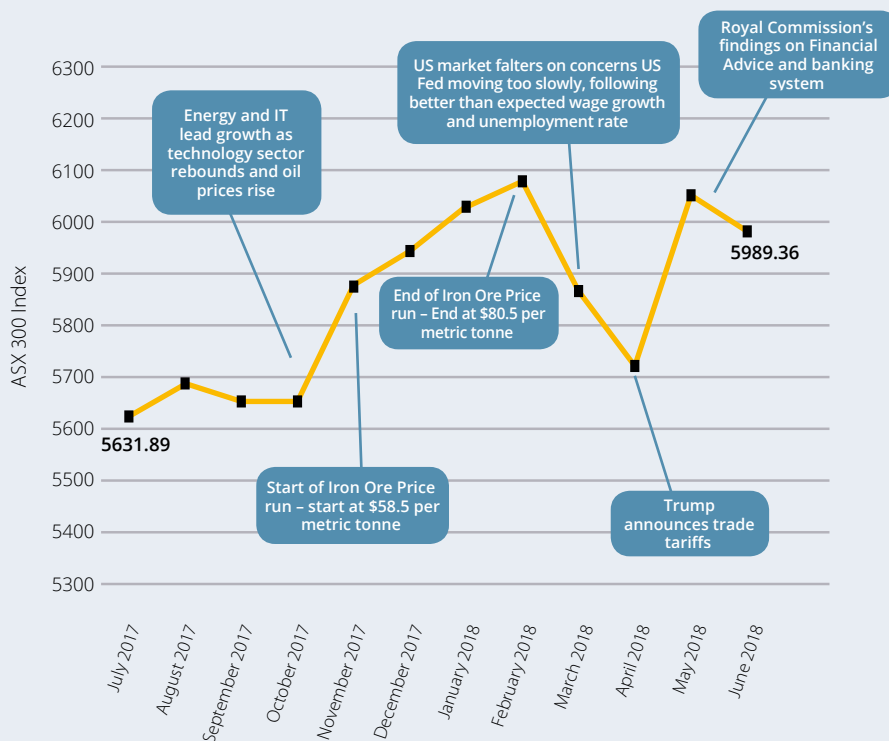
For the most part, returns for bond holders were limited due to rising global bond yields, as major central banks across the world implemented or expressed intentions for tightening their monetary policy stances.

## Australia

The broad Australian shares market returned 13.2% over the 2017/18 financial year, a strong result against the backdrop of increasing volatility and dropping consumer sentiment following the commencement of the Banking Royal Commission. The Reserve Bank of Australia (RBA) held the cash rate at the record low of 1.50%, set in August of 2016, and the cash rate remained at that level throughout the year, held down by a fear of a potential peak in the housing market and overly risky public debt figures. Australian labour force conditions improved, as the unemployment rate decreased from 5.6% to 5.4%, with forward-looking indicators predicting further growth in employment over the long term. Oil prices experienced a surge over the financial year, moving from \$47.82 per barrel in June 2017 to \$79.44 per barrel in June 2018 for a 66% increase. Iron ore prices also experienced a sharp run, increasing from \$63.5 per metric tonne in June 2017 to a peak of \$80.5 per metric tonne in February 2018 before reversing to \$67 per metric tonne by end of financial year.

## ASX 300 Index Performance - FY 17/18

### Australian Share Market Movement 2017/18



## China

China played a supportive role over the first half of the 2017/18 financial year, with tightening credit standards and steadier monetary policy affecting the stability of the Renminbi and easing credit fears, providing relief to its aim of moving towards a market driven economy. Stimulus spending through infrastructure projects also contributed to improved manufacturing indices, driving global demand for commodities. This activity would prove a key driver for emerging markets and the Australian economy.

However, the protectionist measures announced by the US in quarter 1 2018 would place pressure on China's development, with the increasing tariffs from an escalating trade war causing the Renminbi to fall while the ensuing increase in the US dollar would cause a selloff in emerging market equities, negating some of the growth experienced in the first half of the financial year.

## Europe

Europe continued the financial year 2017/18 under a shroud of political tension which had characterised the region over the previous year. Protests over Catalanian Independence in Spain and a tumultuous Italian election were some of the major events, while Brexit negotiations trailed on slowly.

Over the first half of the year, the region experienced strong expansion as consumer sentiment grew more positive, the employment situation improved and activity ramped up with the PMI indices entering a deep expansion period. All this activity promoted the European story of Economic Recovery, further strengthened by the ECB's continued express intentions to wind down QE and begin the process of balance sheet normalisation.

However, sentiment turned in the second half of the year due to the escalating trade war with the US as well as political turmoil within the region, with notable events including the success of 2 far-right anti-establishment Italian parties to successfully form a coalition, increasing fears of another 'Brexit' style event and placing further pressure on the single-use currency for the EU.

## USA

The US economy continued to strengthen over the first half of the financial year, against an erratic political backdrop of controversial US politics involving tension with North Korea and anticipated fiscal policy. Despite the political volatility, this period over the first half of the 2017/18 financial year saw US manufacturing indicators signal continued expansion, improving employment, and expansionary fiscal policies implemented by President Trump concerning infrastructure spending and tax cuts. The US dollar depreciated against other major world currencies during this half.

Over the second half of the 2017/18 financial year, the US indicated their intentions to implement trade protectionist policies which would go on to spark a global tit-for-tat trade war between the US and major trading partners, specifically in China and Europe. This initiative would see a dramatic increase in volatility, and put an end to the synchronised growth period as a depreciating US dollar weighed heavily on emerging markets. Nevertheless, the US would continue to experience strong growth, supported by positive financial results releases, despite contraction of the manufacturing indices.

As inflation and economic growth picked up, the Federal Reserve continued to tighten, raising the interesting rates 4 times over the year from 0.75-1.00% to 1.75-2.00%.

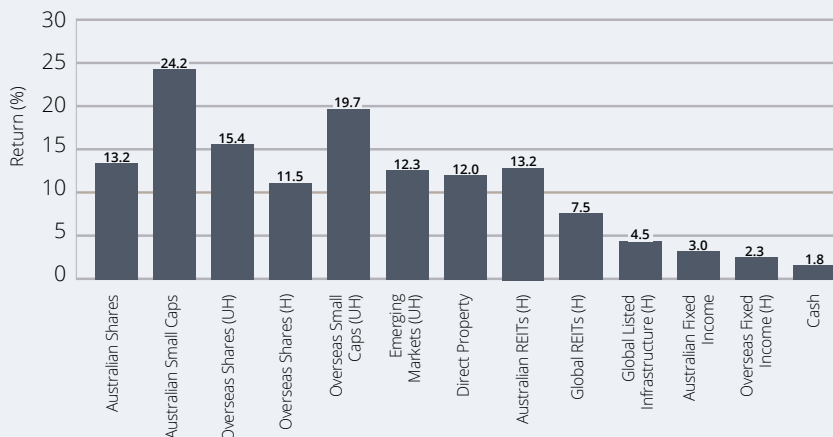
## Asset Class Performance to 30 June 2018

Performances were positive over the year, with the strongest returns coming from Australian and overseas small caps (unhedged), while overseas shares (hedged and unhedged), Australian shares, emerging markets, Australian REITs (Australian Property) and direct property also experienced strong positive movements. Overseas and domestic fixed income indices also experienced positive returns, although much milder than equities. The Australian dollar depreciated over the year. Market volatility is expected to continue as US interest rate hikes continue and the geopolitical situation remains problematic. The following graph shows the asset class returns for the 2017/18 financial year:

## Asset Class Returns - 30 June 2018

(H) = Hedged in Australian dollars (UH) = Unhedged in Australian dollars

12 months to June 2018



Data source: Thomson Financial Datastream; MSCI. Data provided 'as is'

## Investment market outlook

Investor sentiment for 2018/19 has taken a cautionary turn compared with sentiment from the previous year, with conditions fitting the characterisation of a late-cycle dynamic. Mercer believes that although returns for growth assets should continue to be positive in 2018-19, confidence in growth vs defensive assets has decreased slightly looking ahead. Further increasing volatility is expected in the year ahead as markets adjust to tighter monetary conditions. Increasing levels of inflation are anticipated, as well as higher bond yields. Geopolitical tension is also expected to rise further as countries deal with the end of the synchronised growth period and more constrained economic conditions.

Currently, the moderate expansion in the global and Australian economies remains intact, albeit challenged by what could be a potential peak in the global cycle. More central banks are shifting towards the reduction of excessive monetary accommodation, and the emerging glimmers of material inflationary pressures in Australia suggests this process may ramp up domestically over 2018/19.

The Australian dollar has moved closer to fair value on a wide range of fundamental criteria and the exchange rate of approx. 0.74 USD makes us slightly more optimistic of AUD in the short-term.

Diversification across global markets and asset classes continues to be key in ensuring a robust investment strategy during times of economic uncertainty. Investors are reminded to maintain a long term focus, especially in the context of superannuation savings.

# Your investment options

## Option

### Nationwide MySuper/Diversified<sup>^</sup>

*\*Inception – 1987 (Super), 1 July 2011 (Pension)\*\**

The Diversified option is the default option in which your balance and contributions are invested where you have not made an investment choice.

Aims to produce an investment return of at least 3% in excess of the average rate of inflation (measured by the Consumer Price Index for Australia) over a rolling 7 year period (as at 30 June). This objective is also considered appropriate over rolling 10 and 20 year periods.

This option is designed for members who want a moderate level of return over the medium term. There will be some fluctuations of returns from year to year.

The option provides balanced investment diversification by investing across a wide range of growth and defensive asset types, namely Australian and global shares, property, fixed income, infrastructure, alternative investments and cash.

On average, this option may produce a negative return in 3.5 years over a 20 year period, making it a medium to high risk investment option.

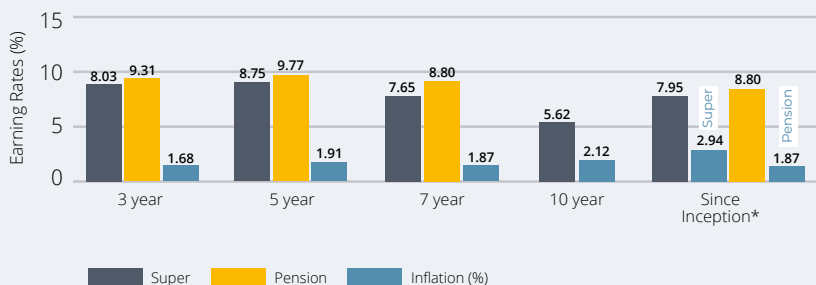
*<sup>^</sup>From 1 September 2013, this option became known as the NSF MySuper option for members in the Employer Sponsored Division only.*

## Historic crediting rate of earnings

Year ended	Earning rates (%)		
	Super + Pre-Retirement Pension <sup>*</sup>	Pension	Inflation (%)
30 June 2009	-13.41	N/A	1.46
30 June 2010	11.29	N/A	3.05
30 June 2011	7.04	N/A	3.60
30 June 2012	-1.96	-1.17	1.18
30 June 2013	12.33	14.55	2.39
30 June 2014	11.30	12.54	3.02
30 June 2015	8.40	8.44	1.51
30 June 2016	4.23	5.87	1.02
30 June 2017	10.30	11.84	1.93
30 June 2018	9.38	10.31	1.02

*<sup>^</sup>For Pre-Retirement Pension members, the investment earnings applied from 1 July 2017 are subject to tax of up to 15%.*

## Compound average annual returns



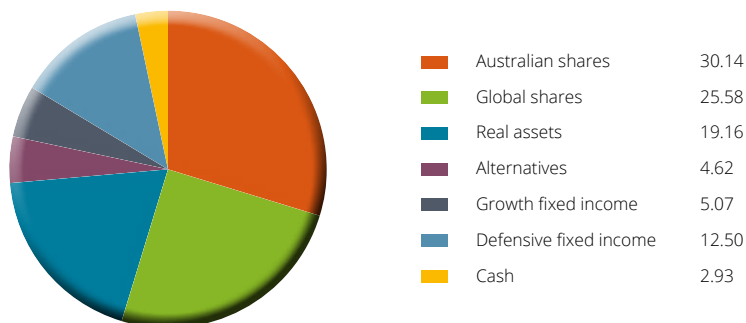
Please remember that past performance is no indication of future performance.

\*\*Pension Division opened on 1 September 2011. Earnings rates for 2011/12 have been annualised from 1 July 2011.

## Asset allocation - Super

Asset class	Target (%)		Actual (%)	
	Range	Target	At 30 June 2017	At 30 June 2018
Australian shares	15-40	29.5	29.73	30.14
Global shares	15-40	24.5	25.23	25.58
Real assets	5-25	17	18.68	19.16
Alternatives	0-10	5	4.91	4.62
Growth fixed income	0-15	5	5.14	5.07
Defensive fixed income	5-30	15	13.16	12.50
Cash	0-20	4	3.15	2.93

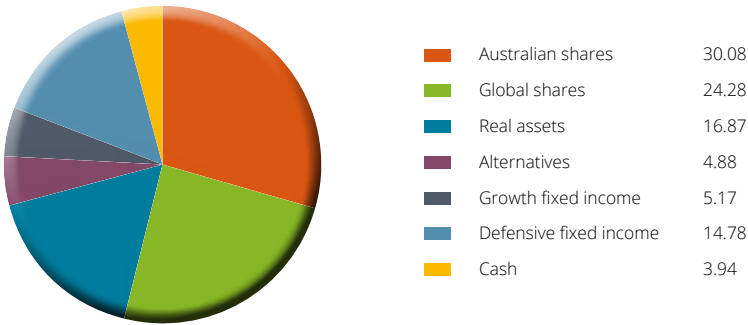
## Asset allocation at 30 June 2018 - Super



Asset allocation - Pension

Asset class	Target (%)		Actual (%)	
	Range	Target	At 30 June 2017	At 30 June 2018
Australian shares	15-40	29.5	29.5	30.08
Global shares	15-40	24.5	24.5	24.28
Real assets	5-25	17	17	16.87
Alternatives	0-10	5	5	4.88
Growth fixed income	0-15	5	5	5.17
Defensive fixed income	5-30	15	15	14.78
Cash	0-20	4	4	3.94

Asset allocation at 30 June 2018 - Pension



## Option

### High Growth

*\*Inception – 1 July 2003 (Super), 1 July 2011 (Pension)\*\**

Aims to produce an investment return of at least 4% in excess of the average rate of inflation (measured by the Consumer Price Index for Australia) over a rolling 10 year period (as at 30 June).

This option provides investment diversification by investing across a wide range of growth assets including Australian and global shares, property, fixed income, infrastructure and alternatives.

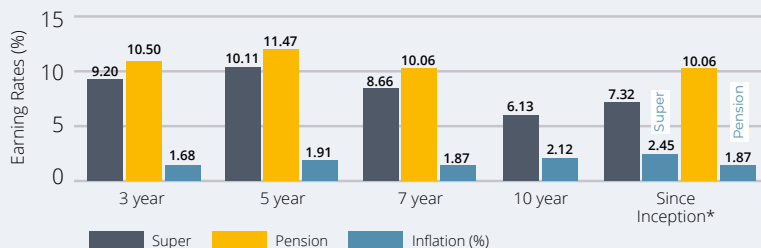
On average, this option may produce a negative return in 4.2 years over a 20 year period, making it a high risk investment option.

### Historic crediting rate of earnings

Earning rates (%)			
Year ended	Super + Pre-Retirement Pension <sup>a</sup>	Pension	Inflation (%)
30 June 2009	-15.44	N/A	1.46
30 June 2010	13.32	N/A	3.05
30 June 2011	5.81	N/A	3.60
30 June 2012	-4.62	-4.29	1.18
30 June 2013	15.83	18.80	2.39
30 June 2014	14.16	15.60	3.02
30 June 2015	8.88	10.32	1.51
30 June 2016	3.94	4.94	1.02
30 June 2017	12.98	14.52	1.93
30 June 2018	10.88	12.28	1.02

<sup>a</sup>For Pre-Retirement Pension members, the investment earnings applied from 1 July 2017 are subject to tax of up to 15%.

### Compound average annual returns



Please remember that past performance is no indication of future performance.

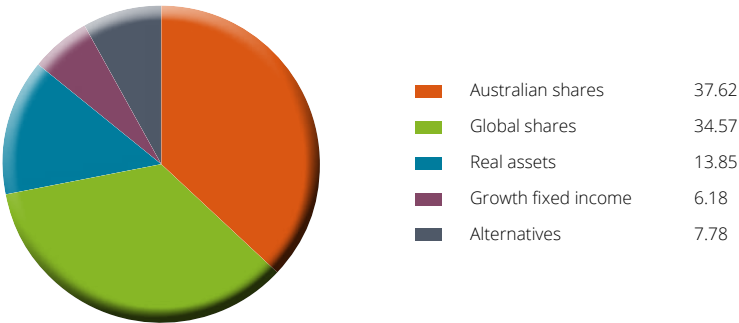
\*\*Pension Division opened on 1 September 2011. Earnings rates for 2011/12 have been annualised from 1 July 2011.



Asset allocation

Asset class	Target (%)		Actual (%)	
	Range	Target	At 30 June 2017	At 30 June 2018
Australian shares	20-50	37	37.00	37.62
Global shares	20-50	35	35.00	34.57
Real assets	0-20	14	14.00	13.85
Growth fixed income	0-15	6	6.00	6.18
Alternatives	0-15	8	8.00	7.78

Asset allocation at 30 June 2018



## Option

### SRI/Ethical

*\*Inception – 1 May 2005 (Super), 1 July 2011 (Pension)\*\**

Aims to produce an investment return of at least 3% in excess of the average rate of inflation (measured by the Consumer Price Index for Australia) over a rolling 7 year period (as at 30 June).

This option provides investment diversification by investing across a wide range of growth and defensive asset types, namely Australian and global shares, property, fixed income, infrastructure, alternative investments and cash.

This option includes investments in share funds which are designated as Socially Responsible Investments (SRI). Labour standards, environmental, social and ethical issues are taken into account (in addition to the usual investment criteria).

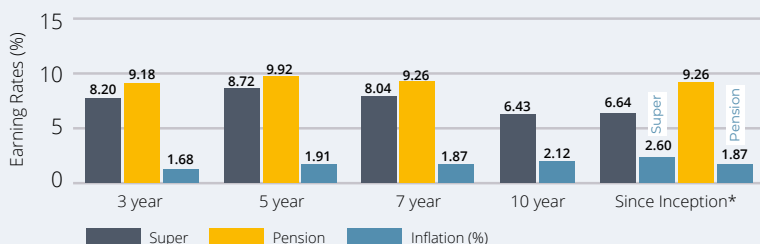
On average, this option may produce a negative return in 3.5 years over a 20 year period, making it a medium to high risk investment option.

### Historic crediting rate of earnings

Earning rates (%)			
Year ended	Super + Pre-Retirement Pension*	Pension	Inflation (%)
30 June 2009	-14.88	N/A	1.46
30 June 2010	16.53	N/A	3.05
30 June 2011	9.40	N/A	3.60
30 June 2012	-0.47	-0.24	1.18
30 June 2013	13.63	16.13	2.39
30 June 2014	11.63	13.58	3.02
30 June 2015	7.40	8.58	1.51
30 June 2016	4.87	5.76	1.02
30 June 2017	11.00	11.89	1.93
30 June 2018	8.83	9.97	1.02

*\*For Pre-Retirement Pension members, the investment earnings applied from 1 July 2017 are subject to tax of up to 15%.*

### Compound average annual returns



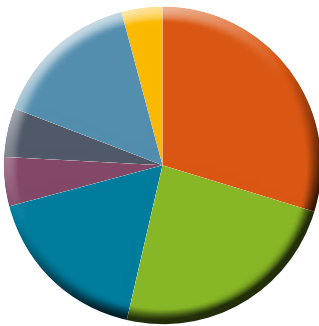
*Please remember that past performance is no indication of future performance.*

*\*\*Pension Division opened on 1 September 2011. Earnings rates for 2011/12 have been annualised from 1 July 2011.*

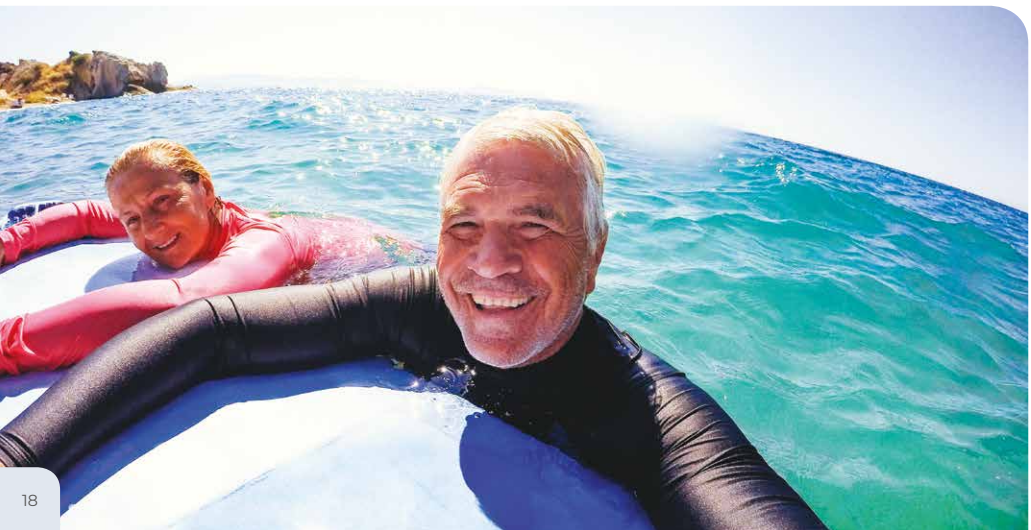
## Asset allocation

Asset class	Target (%)		Actual (%)	
	Range	Target <sup>Δ</sup>	At 30 June 2017	At 30 June 2018
Australian shares	15-40	29.5	29.81	29.94
Global shares	15-40	24.5	23.99	24.47
Real assets	5-25	17	17.08	16.85
Alternatives	0-10	5	5.02	4.87
Growth fixed income	0-15	5	5.02	5.16
Defensive fixed income	5-30	15	15.06	14.77
Cash	0-20	4	4.02	3.94

## Asset allocation at 30 June 2018



	Australian shares	29.94
	Global shares	24.47
	Real assets	16.85
	Alternatives	4.87
	Growth fixed income	5.16
	Defensive fixed income	14.77
	Cash	3.94



## Option

### Prudent

*\*Inception – 1 July 2003, 1 July 2011 (Pension)\*\**

Aims to produce an investment return of at least 2% in excess of the average rate of inflation (measured by the Consumer Price Index for Australia) over a rolling 5 year period (as at 30 June).

This option provides less volatile investment diversification by investing across a wide range of defensive asset types, namely Australian and global shares, property, fixed income, infrastructure, alternatives and cash.

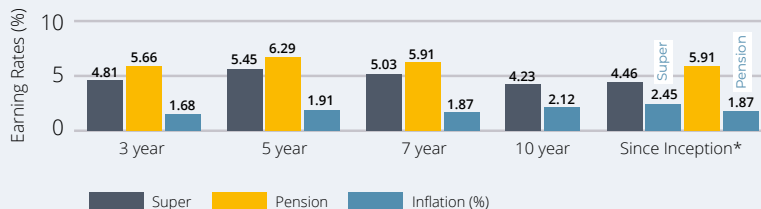
On average, this option may produce a negative return in 1.6 years over a 20 year period, making it a medium risk investment option.

### Historic crediting rate of earnings

Earning rates (%)			
Year ended	Super + Pre-Retirement Pension*	Pension	Inflation (%)
30 June 2009	-9.88	N/A	1.46
30 June 2010	10.77	N/A	3.05
30 June 2011	7.49	N/A	3.60
30 June 2012	0.64	1.32	1.18
30 June 2013	7.42	8.76	2.39
30 June 2014	7.73	8.29	3.02
30 June 2015	5.12	6.20	1.51
30 June 2016	4.13	4.97	1.02
30 June 2017	5.22	6.12	1.93
30 June 2018	5.09	5.89	1.02

*^For Pre-Retirement Pension members, the investment earnings applied from 1 July 2017 are subject to tax of up to 15%.*

### Compound average annual returns



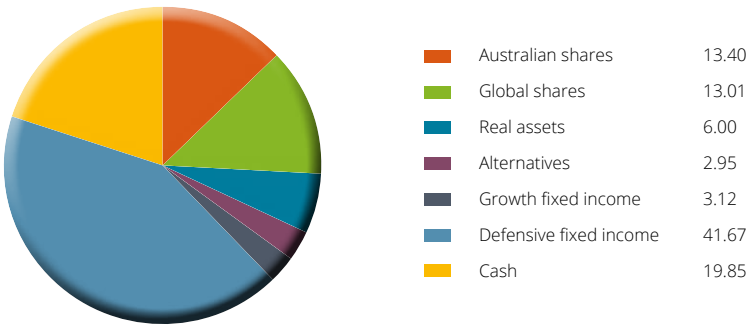
*Please remember that past performance is no indication of future performance.*

*\*\*Pension Division opened on 1 September 2011. Earnings rates for 2011/12 have been annualised from 1 July 2011.*

## Asset allocation

Asset class	Target (%)		Actual (%)	
	Range	Target	At 30 June 2017	At 30 June 2018
Australian shares	0-20	13	13.00	13.40
Global shares	0-20	13	13.00	13.01
Real assets	0-10	6	6.00	6.00
Alternatives	0-10	3	3.00	2.95
Growth fixed income	0-6	3	3.00	3.12
Defensive fixed income	35-60	42	42.00	41.67
Cash	10-35	20	20.00	19.85

## Asset allocation at 30 June 2018



## Option

### Cash

\*Inception – 1 July 2003, 1 July 2011 (Pension)\*\*

Aims to produce an annual investment return of at least the annual cash rate (measured by the UBS Australian Bank Bill Index as at 30 June).

This option invests in term deposits and money market related interest bearing securities.

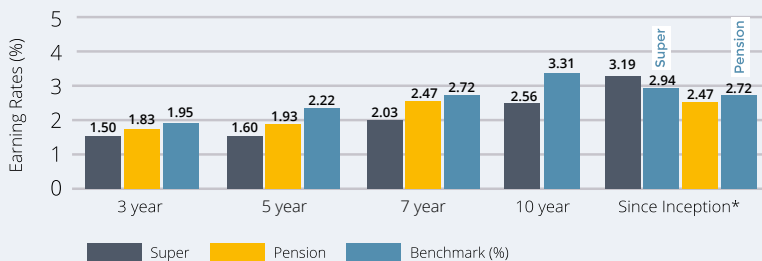
On average, this option is expected to not produce a negative return in a 20 year period, making it a very low risk investment option.

### Historic crediting rate of earnings

Earning rates (%)			
Year ended	Super + Pre-Retirement Pension <sup>†</sup>	Pension	Benchmark (%) <sup>†</sup>
30 June 2009	4.23	N/A	1.46
30 June 2010	3.37	N/A	3.05
30 June 2011	3.84	N/A	5.00
30 June 2012	3.67	4.59	4.70
30 June 2013	2.57	3.03	3.28
30 June 2014	1.90	2.21	2.68
30 June 2015	1.60	1.98	2.60
30 June 2016	1.49	1.82	2.24
30 June 2017	1.79	2.16	1.82
30 June 2018	1.22	1.50	1.78

<sup>†</sup>For Pre-Retirement Pension members, the investment earnings applied from 1 July 2017 are subject to tax of up to 15%.

### Compound average annual returns



Please remember that past performance is no indication of future performance.

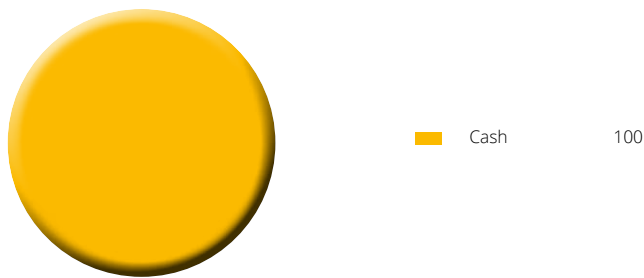
<sup>†</sup>Prior to 2010/11, benchmark was Consumer Price Index. From 2010/11, benchmark is Bloomberg AusBond Bank Bill Index (previously called UBS Australian Bank Bill Index).

\*\*Pension Division opened on 1 September 2011. Earnings rates for 2011/12 have been annualised from 1 July 2011.

Asset allocation

Asset class	Target (%)		Actual (%)	
	Range	Target	At 30 June 2017	At 30 June 2018
Cash	N/A	100	100	100

Asset allocation at 30 June 2018



# Your investment managers

Nationwide Super has appointed Mercer Investments (Australia) Ltd as its investment consultant, advising on target asset allocation and fund manager selection.

To help invest your super, we use professional investment managers and regularly monitor their performance. The following is a list of the investment managers that looked after Nationwide Super assets as at 30 June 2018.

## Investment managers

### Australian shares

Acadian Asset Management  
Ausbil Dexia  
BlackRock Investment Management  
BT Investment Management  
Fidelity Investments  
Greencape Capital  
JCP Investment Partners  
Macquarie Investment Management  
Perpetual Investment Management  
Plato Investment Management  
State Street Global Advisors  
Vinva Investment Management  
WaveStone Capital  
Yarra Capital Management

### Global shares

Acadian Asset Management  
Arrowstreet Capital  
Baillie Gifford  
Lazard Asset Management  
LSV Asset Management  
Macquarie Investment Management  
State Street Global Advisors

### Alternatives

Acadian Asset Management  
AQR Capital Management  
Brevan Howard Asset Management  
Cantab Capital Partners  
Elementum Advisors  
GMO  
GSA  
H2O Asset Management  
Hoplite Capital Management  
Man Investments  
QCAM Currency Asset Management  
Taconic Investment Partners  
Tiger Eye Capital

### Australian fixed income

BT Investment Management  
Challenger  
Macquarie Investment Management  
ME Portfolio Management

### Real assets

AMP Capital  
Charter Hall  
Colonial First State Global Asset Management  
Dexus  
Goodman Funds Management  
IFM Investors  
Investa Property Group  
Kohlberg Kravis Roberts & Co (KKR)  
Lend Lease Investment Management  
Macquarie  
Stonepeak Infrastructure Partners

### Global fixed income

AXA Investment Managers  
Challenger  
Colchester Global Investors  
CSQ Capital  
Franklin Templeton Investments  
H2O Asset Management  
Kapstream Capital  
Robeco Asset Management  
Wellington Management

### Cash & term deposits

Blackrock  
Challenger (managing term deposits held with banks and financial institutions)  
National Australia Bank (operating accounts)



## Significant investments

The following investments represent more than 5% of Nationwide Super's assets:

Investment	Percentage of assets
State Street Global Advisors (under Australian Equities and Overseas Equities mandates from Mercer)	26.30%
Kapstream	6.70%

## Top Ten Share Holdings

### Australian shares

As at 30 June 2018, Nationwide Super's top ten Australian share holdings, by investment value, were:

Company name	Industry	Percentage of Australian shares portfolio
Commonwealth Bank of Australia	Financials	7.14%
BHP Billiton Limited	Materials	6.81%
Westpac Banking Corporation	Financials	5.77%
Australia and New Zealand Banking Group	Financials	5.22%
CSL Limited	Health Care	5.12%
National Australia Bank	Financials	4.05%
Macquarie Group Limited	Financials	2.56%
Wesfarmers Limited	Consumer Staples	2.34%
Woolworths Limited	Consumer Staples	2.22%
Rio Tinto Limited	Materials	2.12%

### Global shares

As at 30 June 2018, Nationwide Super's top ten global share holdings, by investment value, were:

Company name	Country	Industry	Percentage of global shares portfolio
Apple Inc	USA	Information Technology	1.67%
Microsoft Corporation	USA	Information Technology	1.28%
Amazon.com Inc	USA	Information Technology	1.25%
Alphabet Inc	USA	Information Technology	1.23%
Tencent Holdings Limited	China	Information Technology	1.01%
Facebook Incorporated	USA	Information Technology	0.83%
Alibaba Group Holdings Ltd	China	Information Technology	0.76%
Samsung Electronics Company Limited	South Korea	Information Technology	0.71%
JPMorgan Chase & Co.	USA	Financials	0.64%
Exxon Mobil Corporation	USA	Energy	0.62%

# Your investment information

## Investment policy

The Trustee has developed the following overall investment objectives for Nationwide Super:

- a) To provide sufficient investment diversification by investing across a wide range of asset types;
- b) To at all times retain sufficient liquidity within Nationwide Super to meet immediate liabilities; and
- c) To invest 75% of Nationwide Super's assets in investments that are capable of being redeemed for cash within 30 days.

## Socially responsible investing (SRI)

Socially responsible investment takes environmental, social, governance (ESG) or ethical considerations into account for the investment selection and management process.

While Nationwide Super considers ESG investment considerations to be important across all investment options, the SRI/Ethical investment option has been developed to provide members access to an investment option with a specific focus on ESG criteria.

Where possible and cost effective, the SRI/Ethical option will invest in strategies with ESG considerations imbedded in the investment process.

## Policy on derivatives

Nationwide Super allows some of its investment managers to use derivatives such as futures and options in order to manage risk and liquidity and enhance returns. At no time during 2017/18 did the derivative charge ratio exceed 5% of assets.

## Crediting rates

Investment earnings are calculated and allocated to members' accounts on a yearly basis, effective as at 30 June each year.

The amount that is allocated to members' accounts at the end of the financial year is determined by the Trustee, after taking into account the investment return of the Fund's assets after tax and expenses.

However, should you make a switch or withdrawal; an interim rate of earnings will be applied to your account. The interim rate is determined by the Trustee on a weekly basis and is calculated based on net returns for the period after allowing for an estimate of tax and expenses. Please note that the interim rate of earnings is generally less than the final audited crediting rate.



## Your trustee board

NSF Nominees Pty Limited is the Trustee of Nationwide Super. The Trustee is a company with a Board consisting of independent Directors responsible for the management of Nationwide Super.

### Directors

The Directors at 30 June 2018 were:



#### **Kim McHugh (Chair)**

Director since December 2007, Chairperson since October 2013

Kim is an Honours Graduate of the University of Newcastle, an Associate of the Institute of Chartered Accountants and CPA Australia, and a Registered Tax Agent.



#### **Helen Imienionek**

Director since April 2013, Deputy Chairperson since December 2014

Helen is a Graduate of the Australian Institute of Company Directors and holds Masters Degrees in Business Administration and Commercial Law. Helen has previously held senior management positions at a number of large Australian and International financial institutions. Helen was for 15 years, a Risk and Compliance Analyst with a large Australian electricity generation company and is currently a Consultant in the area of Risk and Compliance.

**Matthew Kerr**

Director since July 2013

Matthew holds a Bachelor of Commerce degree from the University of Newcastle and is an Associate of the Institute of Chartered Accountants, a Certified Financial Planner™ and a SMSF Specialist Advisor. He has held senior management positions in a number of financial services and superannuation companies and has been providing financial and superannuation advice to clients for over 15 years.

**Timothy Edmonstone**

Director since October 2013

Timothy is an Associate of the Institute of Chartered Accountants and holds a Bachelor of Economics degree from the University of Sydney and a Graduate Diploma of Applied Finance. Timothy has extensive management and investment analyst experience, having worked for leading financial and investment firms.

**John Lynch**

Director since June 2014

John is a fellow of the Australian Institute of Superannuation Trustees and has previously held the role of trustee director and Chair of a corporate superannuation fund. As a qualified workplace trainer and assessor, John has provided advice and support to numerous superannuation boards.

**Board changes**

Matthew Burgess resigned as a Director during the year, effective 14 May 2018.

## Role and Remuneration of the Board

The role of the Board is to ensure that Nationwide Super is operated and managed in the best interests of members and in accordance with its Governing Rules and super legislation. The Board met at least every three months. The Directors receive a fee in recognition of their time and responsibility commitment to Nationwide Super.

Director and Management remuneration for 2017/18	
Remuneration band ^	Directors & Key Management personnel
\$30,001 - \$40,000	-
\$40,001 - \$50,000	3
\$50,001 - \$60,000	2
\$60,001 - \$70,000	1
\$80,001 - \$90,000	1
\$110,001 - \$120,000	1
\$220,001 - \$230,000	1

^ Including 9.50% Superannuation Guarantee.

The Directors are remunerated on the following basis:

Role	Fees
Base fee (covers attendance at Board meetings and a minimum of 30 hours training)	\$39,500 per annum
Additional fees	
Investment committee membership	\$3,100 per annum
Claims committee membership	\$12,910 per annum
Chairman fee	\$19,000 per annum
Other approved activities	\$295 per hour

## Management Staff

### Chief Executive Officer (CEO) - Ian Morante CEO and Trustee Company Secretary since May 2005

As CEO of Nationwide Super, Ian is responsible for the day to day management of Nationwide Super and implementing the Trustee Board's strategic plans.

Ian has over 25 years experience in the superannuation industry and holds a Bachelor of Commerce from the University of Newcastle, a Diploma of Financial Planning, a Diploma of Financial Services (Super), an Advanced Diploma of Financial Services (Super), Graduate of the Australian Institute of Company Directors and is a Fellow of the Australian Institute of Superannuation Trustees.

**Chief Operating Officer (COO) – Rebecca Fitzgibbons**  
**Risk and Compliance Manager since April 2014**  
**Chief Operating Officer since October 2017**

As COO of Nationwide Super, Rebecca manages the operational functions of Nationwide Super, particularly those functions undertaken by service providers.

Rebecca has over 15 years experience in the financial services industry, including 10 years in specialist superannuation roles. Rebecca holds a Bachelor of Economics (Honours Class I) from the University of Newcastle, Bachelor of Arts from the University of Newcastle and a Graduate Certificate in Risk Management.

## Trustee Indemnity insurance

NSF Nominees Pty Limited holds indemnity insurance cover, underwritten by Lloyd's of London and Dual Australia Pty Ltd, to protect the Trustee from any loss incurred as a result of a claim made against the Trustee, subject to the terms and conditions of the policy.

Liability insurance has been arranged to compensate for any losses that may occur as a result of a claim against the Trustee, the Fund, or the Directors personally.

## Committees

The Board operates a number of committees, which are sub-groups of the Directors to focus on particular issues of importance to Nationwide Super. The following Directors were members of these committees at 30 June 2018:

Board committees		Members
<b>Audit, Risk and Compliance Committee</b>	Considers matters relating to the financial and statutory compliance obligations of Nationwide Super, including external audit, risk and legal compliance.	Helen Imienionek (Chair) Matthew Kerr John Lynch Kim McHugh
<b>Investment Committee</b>	Oversees the investment arrangements of Nationwide Super. In particular, works closely with the investment consultant to undertake strategic investment monitoring and decision making.	Timothy Edmonstone (Chair) Helen Imienionek Kim McHugh
<b>Administration Committee</b>	Makes recommendations to the Board to improve efficiencies of fund administration and quality of service to members and employer sponsors.	Matthew Kerr (Chair) Helen Imienionek John Lynch Kim McHugh
<b>Claims and Insurance Policy Committee</b>	Considers and determines claims lodged for Death, Disablement and Terminal Illness. Recommends to the Board any changes necessary to Nationwide Super's insurance policies.	John Lynch (Chair) Timothy Edmonstone Kim McHugh
<b>Business Development Committee</b>	Develops and recommends Nationwide Super's strategic direction to the Board.	John Lynch (Chair) Helen Imienionek Matthew Kerr
<b>Remuneration and HR Committee</b>	Oversees the appointment, removal, evaluation and remuneration of Board members and NSF Management Team.	Helen Imienionek (Chair) Timothy Edmonstone Matthew Kerr John Lynch Kim McHugh

# Your important information

## Complying Fund

For the period 1 July 2017 to 30 June 2018, and all previous reporting periods, the Trustee is of the opinion that Nationwide Super complied with all conditions for the operation of superannuation funds required by legislation and licensing requirements.

The Trustee held an Australian Financial Services Licence (AFSL No. 253129) and Registrable Superannuation Entity (RSE) Licence (No. L0001007) throughout 2017/18. The Trustee was granted an authority to offer a MySuper product from 1 July 2013.

## Policy committees

Employer sponsors of Nationwide Super and their members have the opportunity to play an active role in the operation of Nationwide Super by forming a policy committee. A policy committee is a forum for an employer and its employees who are members of Nationwide Super to express their views and ask questions about the running of Nationwide Super.

Under law, Nationwide Super is required to take all reasonable steps to ensure that a policy committee is set up for each employer with at least 50 employees with Nationwide Super. For employers with between 5 and 49 employees in Nationwide Super, a policy committee can be established if at least 5 members request in writing that one be formed.

For further information on the important role that a policy committee plays, please contact Nationwide Super or download the *Policy Committee Guide* from [nationwidesuper.com.au/forms](http://nationwidesuper.com.au/forms)

## Superannuation surcharge tax

The superannuation surcharge was a surcharge tax on certain contributions paid for high income earners made after 20 August 1996 and before 1 July 2005. Assessments and adjustments to previous years may still be issued by the Australian Taxation Office (ATO) directly to Nationwide Super. Any superannuation surcharge tax payable by a member will be deducted from their Nationwide Super account and paid to the ATO.

## Operational Risk Financial Reserve

APRA requires Trustees to hold adequate financial resources to respond to an operational risk event. To meet these requirements, the Trustee established an Operational Risk Financial Reserve on 1 July 2012 to have access to financial resources to address any losses arising from operational risks.

During 2014/15, the Trustee achieved a balance in the Operational Risk Financial Reserve account that satisfied the target set by the Trustee to ensure compliance with APRA's prudential standards.

The majority of the reserve account is invested in a growth assets management investment, with the balance invested in cash or cash equivalent assets. Interest and earnings on these investments are re-invested back into the reserve account.

The following net movements occurred in the Operational Risk Financial Reserve account during 2017/18:

Operational Risk Financial Reserve account	For the year ended 30 June		
	2018	2017	2016
Opening balance	\$1,954,309	\$1,779,760	\$1,517,625
Movement	\$190,149	\$174,549	\$262,135
Closing balance	\$2,144,458	\$1,954,309	\$1,779,760

## General Reserve

The Trustee established a General Reserve on 18 June 2013 for end-of-year crediting rate adjustments and from which expenditure associated with the development of the Fund, or the improvement of services to members, may be funded.

This reserve account is invested in cash or cash equivalent assets and interest is re-invested back into the reserve account.

The following net movements occurred in the General Reserve account during 2017/18:

General Reserve account	For the year ended 30 June		
	2018	2017	2016
Opening balance	\$1,172,150	\$1,574,267	\$1,731,973
Movement	\$139,621	-\$402,117	-\$157,706
Closing balance	\$1,311,781	\$1,172,150	\$1,574,267





## Service providers

Nationwide Super engages various professional advisers and service providers to assist in managing the Fund. The following entities provided expert advice and service to Nationwide Super as at 30 June 2018:

<b>Administrator and Consultant</b>	PSI Superannuation Management Pty Limited
<b>Advice Provider</b>	Link Advice Pty Ltd
<b>Asset Consultant</b>	Mercer Investments (Australia) Ltd
<b>Auditor</b>	PricewaterhouseCoopers (PwC)
<b>Internal Auditor</b>	Ernst & Young
<b>Custodian</b>	NAB Asset Servicing
<b>Group Insurer</b>	The Colonial Mutual Life Assurance Society (CommInsure)
<b>Legal Advisers</b>	Mullane & Lindsay Solicitors Thomson Geer Lawyers Moray and Agnew
<b>Actuarial Services</b>	Mercer Consulting (Australia) Pty Ltd Rice Warner Pty Ltd

The Trustee is not associated with any of these organisations.

## Eligible Rollover Fund

If your Nationwide Super account balance is less than \$6,000 (excluding investment earnings and any applicable fee and tax rebates) and you are classed as lost, we may rollover your account to the SuperTrace Eligible Rollover Fund (operated by Colonial Mutual Superannuation Pty Limited) to protect your account from being eroded by administration fees.

The Trustee will determine whether to implement a rollover to the eligible rollover fund on a regular basis, and will consider if the rollover is in the best interest of the affected members.

If your account is rolled over to SuperTrace, you will no longer be a member of Nationwide Super and any insurance cover you had with Nationwide Super will cease. Please also note that the investment earnings of SuperTrace may be lower than those of Nationwide Super.

You are taken to be a lost member if:

- You are inactive, having been a member for at least two years and Nationwide Super has not received a contribution or rollover for you in the last two years. Further, at the time of joining Nationwide Super you entered as an employer sponsored member;
- You are also inactive if you have joined Nationwide Super from another super fund as a lost member; or
- Nationwide Super has not received a contribution or rollover for you in the last 12 months and you become uncontactable, whereby Nationwide Super has never had an address for you or where we have attempted to contact you in writing at the last known address and the communication has been returned.

- Where you have had recent engagement with Nationwide Super, such as logging into your online MemberAccess account, you will not be considered lost.

### To contact SuperTrace:

Telephone: 1300 788 750

Write to: Locked Bag 5429, PARRAMATTA NSW 2124

Facsimile: 1300 700 353

Website: [www.supertrace.com.au](http://www.supertrace.com.au)

## Unclaimed monies

The government requires Nationwide Super to transfer lost super accounts to the ATO, for members who are:

- Over 65 years old, haven't made a contribution for the past two years and we haven't had contact with you for five years;
- Deceased and we are unable to locate a beneficiary for payment of the benefit;
- A lost member whose account balance is less than \$6,000;
- A lost member whose account has been inactive for 12 months and we don't have the information needed to make a payment to you.

You are able to claim back any unclaimed super money in your name from the ATO at any time. For more information, go to [www.ato.gov.au](http://www.ato.gov.au)

## Temporary residents

All super funds are generally required to transfer to the government (at the ATO's request) the account balances of members who were temporary residents no longer holding a current temporary visa, where the member left Australia at least six months ago.

An individual who has, at any stage, been a temporary resident and who is not a citizen or permanent resident of Australia or New Zealand, is able to withdraw their super benefits in cash (net of tax) by applying to Nationwide Super (or to the ATO when, after six months, the benefits have been transferred to the ATO).

Generally these payments have tax of 35% deducted from the payment amount before it is paid, however a higher tax rate of 65% applies for 'working holiday makers' who held a Working Holiday visa (subclass 417) or a Work and Holiday visa (subclass 462).

For more information, see Information Sheet: Super for Temporary Residents, available by contacting the Nationwide Super team.

### Disclaimer

*This document contains general information only and has been prepared without taking into account your financial objectives, situation or needs. It may, therefore, not be right for you. Before you make any investment decision, we suggest you consult Nationwide Super's Product Disclosure Statement and/or seek licensed financial advice.*

*As at the time of compilation, the information contained in this document is correct and any estimates, opinions, conclusions or recommendations are reasonably held or made. Subsequent events may mean that the information becomes out-of-date and so, to the maximum extent permitted by law, we disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from this document.*

# Financial Statements

## Statement of Financial Position

As at 30 June 2018

	2018	2017
ASSETS	\$	\$
Cash and cash equivalents	7,081,747	6,759,449
Receivables	123,797	290,483
Investments		
Cash and short term deposits	6,989,936	8,720,285
Diversified fixed interest	128,299,366	123,710,193
Australian equities	186,918,601	169,619,057
International equities	190,030,891	174,681,128
Alternative investments infrastructure	47,133,305	42,896,953
Property	69,836,813	62,207,180
<b>Total assets</b>	<b>636,414,456</b>	<b>588,884,728</b>
<b>LIABILITIES</b>		
Payables	(952,763)	(1,275,118)
Income tax payable	(1,760,083)	(381,729)
Deferred tax liabilities	(7,082,912)	(3,751,238)
<b>Total liabilities excluding member benefits</b>	<b>(9,795,758)</b>	<b>(5,408,085)</b>
<b>Net assets available for member benefits</b>	<b>626,618,698</b>	<b>583,476,643</b>
<b>Member benefits</b>		
Allocated to members	570,720,188	580,209,126
Unallocated to members	1,386,949	7,896
<b>Total member liabilities</b>	<b>572,107,137</b>	<b>580,217,022</b>
<b>Net assets</b>	<b>54,511,561</b>	<b>3,259,621</b>
<b>Equity</b>		
Other reserves	52,367,103	1,305,312
Operational risk financial reserve	2,144,458	1,954,309
<b>Total equity</b>	<b>54,511,561</b>	<b>3,259,621</b>

## Income Statement

For the year ended 30 June 2018

	2018	2017
	\$	\$
<b>Superannuation activities</b>		
Interest	197,595	221,524
Distributions from unit trusts	20,679,882	32,013,979
Changes in assets measured at fair value	39,591,378	26,734,887
Other investment income	2,878,477	1,238,527
Other income	(4,444)	8,979
<b>Total superannuation activities income</b>	<b>60,342,888</b>	<b>60,217,894</b>
Investment expenses	(623,307)	(617,719)
Administration expenses	(5,176,458)	(5,093,507)
Operating expenses	(3,214,137)	(3,108,846)
<b>Total expenses</b>	<b>(8,487,667)</b>	<b>(8,820,072)</b>
<b>Result from superannuation activities before income tax expense</b>	<b>51,855,221</b>	<b>51,397,824</b>
Income tax expense/(benefit)	(2,722,187)	(1,423,001)
<b>Result from superannuation activities after income tax expense</b>	<b>49,133,034</b>	<b>49,974,823</b>
Less: Net benefits allocated to members' accounts	2,118,905	(50,487,123)
<b>Profit after income tax</b>	<b>51,251,939</b>	<b>(512,300)</b>

## Accounts for the Year Ended 30 June 2018

This summary has been prepared from the unaudited financial accounts of Nationwide Superannuation Fund for the year ended 30 June 2018. The audit of the financial statements is expected to be completed in September 2018. A full copy of the audited accounts and auditor's report will be available after this time by contacting Nationwide Super.



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W [nationwidesuper.com.au](http://nationwidesuper.com.au)

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Trustee of Nationwide Superannuation Fund ABN 15 201 768 813 RSE Registration No R1001761