

FEDERATION ALLIANCE SUPERANNUATION FUND

ANNUAL REPORT AS AT 30 JUNE 2018

This is the Annual Report for members of the Federation Alliance Superannuation Fund RSE registration number R1077018, ABN 20 543 903 424 (**Fund**) and should be read in conjunction with your Annual Statement of Benefits as at 30 June 2018 and 'Important Notes'.

This Annual Report is issued by Diversa Trustees Limited ABN 49 006 421 638, AFSL number 235153, RSE Licence number L0000635 as Trustee of the Fund.

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ANNUAL REPORT FOR THE FEDERATION ALLIANCE SUPERANNUATION FUND FOR THE YEAR ENDED 30 JUNE 2018

Welcome

We are pleased to present you the Annual Report for members of the Federation Alliance Superannuation Fund ABN 20 543 903 424 (**Fund**) for the year ended 30 June 2018.

This report gives you information about the Fund as at 30 June 2018, including its management and how the Fund's investments have performed. As at 30 June 2018, the Fund's investments consisted of investments made for members with Superannuation Accounts and/or Pension Accounts.

The information provided in this report is of a general nature and does not take into account your individual objectives, financial situation or needs. If you would like specific advice you should contact your Financial Adviser.

About the Trustee

Diversa Trustees Limited (ABN 49 006 421 638) (AFSL number 235153) (RSE Licence number L0000635) (the **Trustee**) is the trustee of the Fund and the issuer of this report.

The Trustee has been licensed by the Australian Prudential Regulation Authority (**APRA**) to act as a trustee for superannuation entities.

The Directors of Diversa Trustees Limited as of 30 June 2018 were as follows:

V. Plant (Chairperson), appointed 4 May 2017
R. FitzRoy, appointed 21 December 2017
M. Jones, appointed 1 September 2014
G. Wayling, appointed 4 May 2017

* K. Gibson, appointed 4 May 2017, resigned 20 December 2017

* V. Parrott, appointed 1 September 2014, resigned 13 June 2018

About the Fund

The Fund was established under a Trust Deed dated 26 August 2015. The Fund is a public offer superannuation fund and comprises of a personal accumulation account and a pension account. It allows members to select their own investment strategies for their retirement, with the assistance of their financial adviser, from the accumulation phase all the way through to a pension in retirement.

The Fund is:

- sponsored by Australian Unity Funds Management Limited* ABN 60 071 497 115, AFS Licence No. 234454 ('AUFM' or 'Sponsor'). AUFM also provide Investment Adviser services for the Fund;
- administered by Linear Administration Services Pty Ltd ABN 63 163 681 678 ('Fund Administrator').

* During the year the Sponsor of the Fund advised that it would be ceasing its support of the Fund. The Product Disclosure Statement (PDS) ceased to be available from 26 June 2018.

Compliance

The Fund is administered at all times to comply with the *Superannuation Industry (Supervision) Act 1993 (SIS Act)* and all other relevant legislation.

The Trustee has lodged with APRA all relevant Annual Returns and disclosure documents. The Trustee has not received a notice from APRA stating that the Fund is non-compliant with relevant law during the reporting period.

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 the relevant legislation.

Contacting the Fund Administrator

Contact details:

Mr Matt Dakin
Federation Alliance Superannuation Fund
PO Box 482
Collins Street West
MELBOURNE VIC 8007

Ph: 1300 559 095

E-mail: fed.support@linear.com.au

Website: www.linear.com.au

Why contact the Fund Administrator?

You should contact the Fund Administrator if you wish to receive a copy of Fund's audited accounts, the auditor's report, the Trust Deed (the governing rules of the Fund) or a printed copy of this Annual Report.

Indemnity Insurance

The Trustee has directors' and officers' indemnity insurance to protect its directors and officers from any liability they may incur in carrying out their duties. Protection from liability does not extend to loss incurred through gross negligence or wilful misconduct and is subject to the terms of the relevant insurance policy.

Investments

Your Account balance (Superannuation or Pension) and any contributions and other transfers (where applicable) after taking into account any deductions for relevant tax, fees and costs can be invested in one or more of the investment strategies.

Members must appoint their own Financial Adviser to assist in the selection of the strategies and underlying investments.

The Fund invests solely in the Federation Managed Accounts (ARSN 163 784 432), which makes available a wide range of investment options which include managed funds, model portfolios, securities listed on the ASX and overseas exchanges, term deposits and cash. The diverse range of investment options allows you to create tailored investment portfolios that meet your own superannuation needs with the assistance of your adviser.

Fund Objectives and Strategy

The general investment objectives of the Fund are:

- To offer members a range of different investment options by return potential, risk profile and style to suit their individual circumstances and promote diversification of member strategies.
- To achieve competitive investment returns for its members commensurate with risk.

In order to achieve the investment objectives, the investment strategy determined by the Trustee is to:

- Provide members with a diverse range of investment choices.
- Select and approve an appropriate range of Managed Funds within each asset class based on manager's capabilities, investment style and performance.
- Select and approve a selection of cash products (including Term Deposits) issued by Approved Deposit Institutions (ADI's).
- Approve an appropriate range of direct investment options (listed securities including Exchange Traded Funds and Listed Investment Companies) within selected asset classes.
- Provide members with access to a range of Model Portfolios.
- Ensure that the Managed Funds offered to members maintain an appropriate "Investment Grade" standard.
- Monitor investment return performance.

Investment Performance

Members do not select a specific investment strategy as detailed above but with their financial adviser select underlying investments from the Fund's Approved Product List. Accordingly, we do not report on the investment performance of any of the strategies. However, a report on the long-term performance on each of the underlying investments options that were held by members as at 30 June 2018 is detailed in their annual statement.

Past Performance is not indicative of future performance.

Fund's Asset Allocation for year ended 30 June 2018

	2018	2017
Cash	23%	39%
Property	7%	5%
Australian Equities	29%	22%
International Equities	14%	13%
Fixed Interest	27%	21%

Single Investments exceeding 5% of Fund Assets

The following exceed 5% of the total of the Fund's assets.

Investment	Valuation Method	% of Total Assets
CBA Cash	Redemption Price	18%
PIMCO Australian Focus Fund (ETL0182AU)	Redemption Price	11%
Janus Henderson Tactical Income (IOF0145AU)	Redemption Price	14%
Vanguard Australian Shares Index (VAN0002AU)	Redemption Price	8%

Use of Financial Derivatives

Derivatives are financial contracts such as futures, swaps and options. The Trustee does not enter into any derivative contracts on its own account. The Trustee, however, holds units in underlying pooled vehicles which use derivative instruments and hedging procedures to protect the portfolio from adverse movements in the investment markets, but not for “gearing” the portfolio (“gearing” is a measure of borrowing against assets, or borrowing to fund investments).

Allocation of investment earnings

The Trustee will allocate to members' accounts the income earned from their investments.

The annual return for each Member is equal to the gross income generated by the underlying assets or investments of each investment strategy utilised by the Member less any relevant fees, costs and taxes during each financial year.

Any income, relevant fees, costs and taxes are used to update account balances for Members who leave during the financial year. Amounts of fees, costs and taxes may be estimated where they are not actually known or apportioned as determined by or on behalf of the Trustee where they relate to the Fund as a whole.

The tax benefit for any un-recouped CGT losses will not be paid to Members who leave the Fund.

For actual performance of your Fund account, please refer to your Member Statement for the period ending 30 June 2018 which was issued to you in December 2018.

Operation Risk Financial Reserve (ORFR)

The Trustee has established an operational risk reserve (“ORR”) in response to the operational risk financial requirement introduced by APRA Prudential Standard SPS 114 Operational Risk Financial Requirement effective from 1 July 2013. The ORR is maintained by the Trustee via a separately identifiable Fund reserve which provides an unrestricted commitment of funds to address losses arising from operational risks in a timely manner and is operated in accordance with the Operational Risk Financial Requirement Strategy.

The Trustee assessed an ORFR of 0.25% of funds under management as appropriate for the Fund. An additional amount of \$100,000 of the Operational Risk Financial Requirement is also met by holding Trustee Capital. The ORR is currently held in cash.

Year Ended	30 June 2018	30 June 2017	30 June 2016
Operational risk reserve balance	\$15,937	\$3,843	\$0

Expense Recovery

We have discretion to pass on to members all or a portion of the expenses incurred, such as annual audit, legal fees, regulatory fees and other expenses relating to the operation of the Fund.

The expense recovery cannot be reasonably estimated at this time. The exact amount charged annually to your Account will be reported in your Annual Member Statement as an expense recovery. We will notify you in writing prior to the deduction of any expense recovery fees.

Eligible Rollover Fund

The Trustee may rollover a member’s benefit to an Eligible Rollover Fund (ERF) in some circumstances. This may arise where the member’s balance is less than \$5,000 and no contribution or rollovers have been received into a member’s fund in the past 12 months; if your adviser is no longer authorised to distribute the PDS for the Fund and you are unable to find another authorised adviser within 3 months, your account balance is less than \$5,000 and two communications (including email) are returned and we have no other contact details. You are excluded if you have confirmed your current address within the past two years.

The ERF currently selected by the Trustee is:

Super Money Eligible Rollover Fund (SMERF)
PO Box 1282
Albury NSW 2640
Phone: 1800 114 380

The Trustee is also trustee of SMERF and receives remuneration in this capacity.

Superannuation surcharge tax

While the superannuation surcharge was abolished with effect from 1 July 2005, the ATO may still issue assessments in relation to previous years. Any amounts deducted by the Fund in relation to the superannuation surcharge tax payable will be reflected in the Transaction section of your Annual Member Statement.

Payment of Unclaimed Monies to the ATO

Under Federal Government (Unclaimed Money) legislation, there are a number of circumstances in which superannuation must be paid to the Australian Taxation Office as unclaimed money including inactive benefits of an uncontactable member who has reached age 65 and certain benefits of 'lost members'.

The following accounts of 'lost' members must be paid to the Australian Taxation Office as unclaimed money:

- account balances of less than \$6,000 (or such other threshold determined by the Government from time to time); or
- accounts which have been inactive for a period of 12 months and there are insufficient records to ever identify the owner of the account.

A former temporary resident's superannuation benefit must also be paid to the Australian Taxation Office as unclaimed money where it has been at least six months since they have departed Australia and their visa has lapsed AND the Australian Taxation Office issues a notice to the Fund requesting the benefit be paid to the Australian Taxation Office. If this happens, you have a right, under the Government's legislation, to claim your super money directly from the Australian Taxation Office (subject to the applicable tax rates).

Further information about unclaimed money can be obtained from the Australian Taxation Office website (www.ato.gov.au)

Audited Accounts

Included in this report is the audited abridged financial information. A copy of the audited financial statements and auditor's report for year ended 30 June 2018 is available on request from the Administrator.

ABRIDGED FINANCIAL INFORMATION
*The following financial information is extracted from the
Fund's audited Financial Statements as at 30 June 2018.*

Statement of Financial Position as at 30 June 2018

	2018	2017
	\$	\$
Assets		
Cash and cash equivalents	965,863	4,532,803
Investments held at fair market value	4,378,592	8,433,227
Receivables		
Income receivable	113,043	203,932
GST receivable	-	3,750
Other assets		
Deferred tax assets	2,244	6,477
TOTAL ASSETS	<u>5,459,742</u>	<u>13,180,189</u>
Liabilities		
Accounts payable and accrued expenses	19,189	18,278
Current tax liabilities	76,373	4,981
Deferred tax liabilities	13,774	-
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS	<u>109,336</u>	<u>23,259</u>
NET ASSETS AVAILABLE FOR MEMBER BENEFITS	5,350,406	13,156,930
Defined contribution member liabilities	<u>5,334,860</u>	<u>13,152,036</u>
TOTAL NET ASSETS	<u>15,546</u>	<u>4,894</u>
Equity		
Operational Risk Reserve	15,546	3,843
Other reserves	-	1,051
TOTAL EQUITY	<u>15,546</u>	<u>4,894</u>

Statement of Changes in Member Benefits for the year ended 30 June 2018

	2018	2017
	\$	\$
OPENING BALANCE OF MEMBER BENEFITS (as at 1 July)	13,152,036	-
Contributions:		
- Employer contributions	117,975	45,861
- Member contributions	700,819	5,179,500
Transfers in from other superannuation funds	2,255,354	7,926,866
Income tax on contributions	(17,696)	(6,879)
NET AFTER TAX CONTRIBUTIONS	16,208,488	13,145,348
Benefits to members	(684,470)	(152,898)
Insurance premiums charged to member accounts	-	-
Transfers out to other superannuation funds	(10,986,552)	-
Reserve transferred to/(from) members		
- Operational Risk Reserve	(11,703)	(3,712)
- Other Reserves	1,051	-
Net benefits allocated comprising:		
- Net investment income	1,076,679	241,044
- Net fees deducted	(268,633)	(77,746)
CLOSING BALANCE OF MEMBER BENEFITS (as at 30 June)	5,334,860	13,152,036