INVESTOR UPDATE

JULY 2017

YOUR INVESTOR UPDATE IS NOW AVAILABLE ONLINE

Read more at anz.com/investorupdate

INVESTMENTS
What's shaping your investment performance?

ONLINE
Access more insights online

FEDERAL BUDGET
How will the changes in the Federal Budget affect you?

CONTENTS

For Superannuation, Retirement and Investment Members of:

- ANZ Personal Superannuation Bond
- ANZ Direct Super Investments
- ANZ Allocated Pension
- ANZ Traditional Policies
- ANZ Savings Products
- ANZ Term Life Policies

WELCOME

WELCOME TO YOUR 2017 INVESTOR UPDATE

As a valued customer, I'd like to thank you for entrusting us with your super, pension and investment needs.

The year to 30 June 2017 has been one of substantial geopolitical and economic change. Despite these challenging times, I am pleased to advise that our investment returns have been healthy, particularly for those options weighted towards global and domestic shares. In this edition of your Investor Update, our Chief Investment Office looks at the factors driving investment markets and how our investment funds are positioned.

The year has also seen a significant amount of regulatory and Budget reform. On 1 July 2017 a number of Federal Government changes to super came into effect. In this edition we identify what these changes are and provide important insights into how they could affect you. The good news for you is that we have ensured your products are ready to comply with these changes.

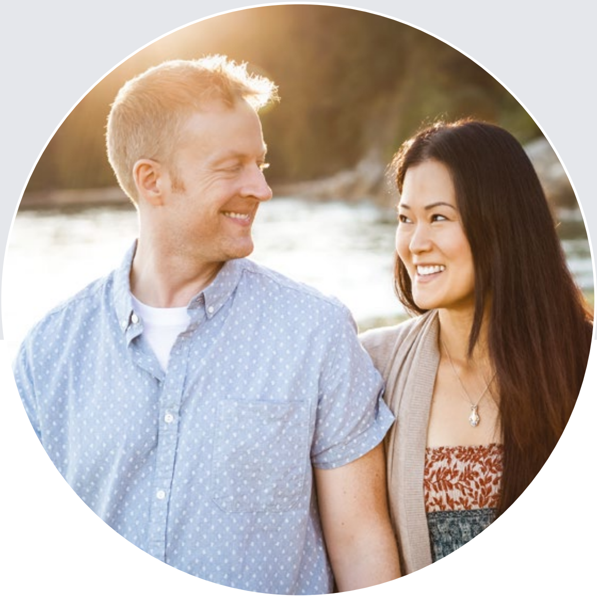
The 2017 Federal Budget also proposed changes for people to use their super account to assist them with purchasing a home. We compare the benefits of super and investing in property, and conclude that superannuation is increasingly playing a role in wealth creation for many Australians.

As always, apart from your Investor Update, the other great place to get the latest up-to-date information and insights into your personal investment and insurance needs is through your licensed and accredited financial adviser. Your adviser has the skills, expertise and industry knowledge to help you navigate these ever evolving financial landscapes and can guide your path to achieve your goals.

We hope you enjoy this edition of your Investor Update. We look forward to continuing to manage your investments to help you connect with, protect and grow your Wealth now, and well into the future.

Mark Pankhurst
Head of Superannuation
ANZ Wealth

EXPLORE MORE ONLINE



GET SORTED

SUPER CAN STILL BE TAX EFFECTIVE

The rules governing superannuation have changed significantly from 1 July 2017, making it more limited as an investment vehicle, but not necessarily less tax effective.

Go online to find out more today.

anz.com/investorupdate

PLANNING

MAKE SURE YOU CHOOSE WHO GETS YOUR SUPER

Considering superannuation can become the most valuable asset over your lifetime – worth five, six or seven figures, it's essential you ensure it goes to the right people.

Go online to find out more today.

anz.com/investorupdate

Optimised for your mobile and easy to read

INVESTMENT

ACTIVE VS PASSIVE INVESTING

There are key differences between 'active' and 'passive' approaches to investing. Passive investing has gained popularity in recent years. Which one is right for you?

Go online to find out more today.

anz.com/investorupdate

PLANNING

THE FIVE BIGGEST MONEY MISTAKES

The decisions you make today may impact your standard of living in the future.

Go online to find out more today.

anz.com/investorupdate

Access more financial insights, tips and ideas at anz.com/investorupdate

WHAT HAS SHAPED YOUR INVESTMENT PERFORMANCE?

Mark Rider, ANZ Wealth's Chief Investment Officer, looks at the factors driving investment markets so you can see what has been influencing the strong returns of our diversified funds.

With the economic growth recovery since the Global Financial Crisis (GFC) now being one of the longest on record, this year saw global shares make strong, broad-based gains. The US started to recover relatively early and the unemployment rate is now low, at 4.3%. This has led the US Federal Reserve on a more sustained pathway of lifting interest rates. Europe lagged the US but has now also entered into a stronger recovery cycle. So what might happen from here? Let's look at some of the factors likely to drive your investments for the remainder of 2017.

COMMODITY AND ENERGY PRICES LEAD RECOVERY BUT REVERT TO MORE SUSTAINABLE LEVELS

The global economic recovery that unfolded throughout 2016 was initially driven by the industrial sector, which was reflected in a surge in commodity prices in the mining and energy sectors. These industries were supported by a large economic stimulus package implemented by China in 2015. However, by the early part of 2017, prices in these sectors were easing. By mid-2017, prices had fallen to more sustainable levels as Chinese policy tightened.

GROWTH IN EUROPE AND JAPAN LIFTS

After a solid lift in Chinese and US growth, momentum has now passed to Europe and Japan. While both of the latter regions have struggled since the GFC, signs are emerging that the current lift in growth may be more sustainable. Political uncertainty in Europe has also receded somewhat after the election of French President Emmanuel Macron. However, later this year the Italian election looms as another political risk.

TRUMP TRADE UNWINDS

Late in 2016, the election of US President Donald Trump added further momentum to global growth. His proposed agenda of tax cuts and increased infrastructure helped drive shares higher. Although with few policy runs on the board, markets have now largely stopped expecting policy support.

EARNINGS LIFT STRONGLY ACROSS MOST MARKETS, ALTHOUGH AUSTRALIA NOW EASING

Global shares displayed a synchronised double digit lift in earnings in most markets; this was the primary driver of shares since late last year. Signs are emerging that upward momentum in the US may now be consolidating, although earnings momentum remains strong in Europe, Japan and emerging markets.

AUSTRALIA DIVERGES FROM GLOBAL RECOVERY

While Australian earnings increased alongside global earnings growth throughout 2016, by early 2017 there were signs that Australian earnings were easing and diverging from the robust global up-trend. In particular, while Australian business confidence remained solid, the household sector eased sharply with income growth weak and consumption soft. Looking into 2018, we expect housing construction could temper growth further, although this could be partly offset by a recovery in non-mining investment. However, 2018 is shaping up as a challenging year for the Australian economy as housing construction slows and households remain under pressure from sluggish wages growth.

Go online to watch our investor insights video with CIO Mark Rider, at anz.com/investorupdate

HOW ARE WE MANAGING YOUR INVESTMENTS?

ANZ's range of diversified funds are a careful mix of asset classes that provide you with a diversified exposure to global and Australian share and bond markets. The mix of growth and defensive assets differ by fund to suit your tolerance to the variability of investment returns. There are more of the 'riskier' asset classes such as shares in Growth funds versus more defensive assets, such as cash, in Conservative funds.

The year to 30 June 2017 has been a strong one in terms of financial outcomes for many of our customers. Many of ANZ's diversified funds, from Conservative through to Growth, have comfortably exceeded their investment objectives over the 12-month period. Despite the historically low returns available from bonds and cash investments, the strong performance of Australian and international shares assisted the diversified funds in delivering strong positive returns, and further demonstrated the expected benefits of diversification.

Currently, we are neutrally positioned in terms of our asset allocation strategy. That is, we hold allocations of defensive and riskier assets at our long-run, benchmark levels. While share market valuations are at somewhat above average levels, the local and global economies are expanding at a better pace and this is likely to have a positive impact on company profits and share prices.

However, we are concerned given the US Federal Reserve is in the process of slowly raising interest rates, which has the potential to restrict global economic growth. The higher rates are also likely to depress the expected returns from bonds, so we have allocated a higher than usual amount to cash in order to protect investors. Find out more investor insights from Mark Rider, our CIO, by watching his video at anz.com/investorupdate

As always, your financial adviser is best placed to guide you on the right mix of assets for your personal situation.

IS THE NEW AUSTRALIAN DREAM A HEALTHY SUPER FUND?

With property prices soaring in many areas of Australia and home ownership increasingly out of reach for younger generations, superannuation is set to become Australians' most valuable asset. We look at whether a strategy that focusses on super instead of home ownership could provide a better level of financial independence.

Australians tend to default to home ownership as their most significant financial objective, from which we gain a sense of security and independence. But strategies that focus on super instead of home ownership may provide a better level of independence.

At the heart of this is our changing economy. Right now the family home remains the single most important asset for the majority of Australians. But it may not be for much longer.

The 2016 'Household, Income and Labour Dynamics in Australia' survey found that superannuation is on track to overtake the family home as Australians' most important asset, and will be the cornerstone of most people's financial independence when they retire.

SUPER CONFUSION

With median house prices reaching $1 million on the east coast of Australia and home ownership rates falling among younger generations, it could be time for a reality check on which asset class is more likely to bring financial freedom.

ANZ research shows attitudes towards superannuation are often out of step with reality. In an in-depth survey of 1,000 Australians in March this year, researchers found more than a quarter of participants didn't know their super balance.

There was also a large number of people who had unrealistic expectations about how much money they would need to retire. A surprising 38 per cent of respondents said they could comfortably retire on less than $300,000 – which falls well short of the $545,000 that the Association of Superannuation Funds of Australia recommends for a single person to retire on comfortably. Less than two-fifths agreed super is the main asset for future independence.

REALITY CHECK

It seems likely many of these people are underestimating the importance of superannuation. The reality at retirement will probably prove otherwise. A white paper commissioned by the Actuaries Institute, and published in 2015, projects the likely asset mix of people in different wealth and age groups when they turn 65.

Titled 'For Richer, For Poorer: Retirement Incomes', the Institute estimates a couple with median wealth aged 30 would have $1.34 million in wealth at age 65, with 61 per cent of this being superannuation and only 32 per cent being home equity (the remainder being non-super savings).

Nathan Bonarius, a consultant at Rice Warner which produced the report, says a financial strategy that focusses on superannuation instead of property could make a lot of sense for some people.

"Generally, super is going to be more tax effective," Bonarius says. "People can contribute to their superannuation before they pay tax on the money", he says, "and get tax advantages on the investment income they ultimately receive – something property doesn't offer.

"An often overlooked investment risk is that while most superannuation portfolios are highly diversified, owning property leaves you exposed to a single asset class – with so many Australians negatively geared and relying purely on capital growth to make a return, the property market falling or even flatlining for a long period would cause a lot of headaches", he says.

"Not many people predicted the housing crash in America, and I suppose fewer would predict a housing crash in Australia," Bonarius says. "That doesn't mean it can't happen."

INVESTING IN SUPER AND PROPERTY

SUPERANNUATION

STRENGTHS

- Available to many
- Tax effective
- A compulsory savings system
- Potential for funds to be diversely invested
- Insurance within super available

WEAKNESSES

- Generally inaccessible until retirement
- Paying fees

PROPERTY

STRENGTHS

- Home is means test-exempt for welfare entitlements
- Tax benefits
- Easily bought and sold
- You can borrow against property
- Security of owning a home

WEAKNESSES

- Increasingly expensive, unaffordable for many
- Investing in a single asset class
- Not a liquid investment
- Hidden costs such as spending on rates, maintenance and renovations
- Significant costs such as stamp duty

PROPERTY VS SUPER

But when talking about choosing super over property, there are some major caveats. Owner-occupied property is means test-exempt for social security purposes, so those who own their own homes can often receive a full pension, no matter the worth of the property they reside in. As home ownership rates fall, this policy setting could one day come under pressure, but there is little sign of that now.

Investment property also offers a range of tax benefits including a 50 per cent discount on capital gains if it is held for more than 12 months. Superannuation funds also get a discount on capital gains when they sell property, but it is only 33 per cent.

Money put into superannuation is generally locked away until retirement age, while property can be sold or rented at any time, provided there is a market. You also can't borrow against your super pre-retirement to improve your lifestyle or start a business.

"That's the price you pay for getting those additional tax concessions in superannuation," Bonarius says. He argues transfer taxes and market vagaries mean you can't easily turn a home into cash and is unlikely to create short-term wealth. "If it's a short-term savings plan then neither property nor super is the right place for you," he says.

Proponents of superannuation as a vehicle for wealth creation argue Australians should pay closer attention to setting up their super funds properly in their younger years, despite how far away the payoff may seem. Compound interest may turn small savings into big gains. Other strategies include sticking with one super fund, optimising your level of insurance and monitoring it so that you don't pay for excess cover, and developing an investment strategy that you can stick with for the long term.

AN ALTERNATIVE PATH TO THE FUTURE

For those worried about their entry into the housing market, this is good news. There are many benefits and advantages to investing actively in superannuation. It can give security and independence in a similar way to owning your own home, especially if you take ownership of your superannuation account by consolidating your money, investing it thoughtfully and contributing what extra you can. The pay off, in the long run, can be impressive.

FEDERAL BUDGET 2017/18: INCENTIVES TO INVEST IN SUPERANNUATION

The Government delivered the 2017/18 Federal Budget in May 2017, with incentives to invest in super to reduce the pressure on housing affordability, explains Byron Smith.

Among the key take outs from the Federal Budget (the 'Budget') – the Government has announced that first-home buyers get a tax break to save in their super, most of us will be paying more for Medicare and the Budget will return to surplus in several years.

In short, the two main measures affecting superannuation account holders are that:

- first-home buyers can save toward a home loan deposit in their super
- eligible seniors may add up to $300,000 extra to their super if they sell their home.

HOUSING AND SUPER

Perhaps the most critical measure is the First Home Super Savers Scheme, where savers can contribute from their before-tax income into their superannuation fund, and be taxed at the 15% superannuation tax rate instead of their marginal tax rate. When funds (including earnings) are withdrawn from a First Home Super Savers Scheme account to purchase a home they'll be taxed at the marginal rate less a 30% tax offset.

First-home savers can contribute up to $15,000 a year under this scheme to a maximum of $30,000 per person, which will be $60,000 for a couple. The Treasurer concluded that "under this plan, most first-home savers will be able to accelerate their savings by at least 30%."

The other major target is older Australians who will be encouraged to downsize in order to free up housing stock for young families. Those aged 65 and over can make an after-tax contribution up to $300,000 into their superannuation account out of the money from the sale of their home.

To be eligible, they must have owned the home for 10 years and it has to be their principal place of residence. Both partners in a relationship can do this, meaning combined they can contribute up to $600,000 to super.

This will be an additional super contribution, and those making such a contribution won't be subject to the usual contribution cap and voluntary contribution rules, so they won't:

- have to pass the usual work test for 65 to 74-year-olds
- be restricted from contributing if their super balance is above $1.6 million.

MEDICARE

The levy almost all Australians pay for Medicare will increase by 0.5% from 1 July 2019, so the Government can fully pay for the National Disability Insurance Scheme.

For more information, go to budget.gov.au or speak to your financial adviser.

FEDERAL BUDGET 2016/17: PROPOSALS NOW LAW

Since the 2016/17 Federal Budget was delivered in May 2016, the Government has made some changes to the original proposals announced for super. The 2016/17 Budget measures include a number of super and taxation reforms which are now law and are applicable since 1 July 2017 (unless stated otherwise in this update). These super rules are complex and we recommend that you seek financial and tax advice with respect to any of these changes which may impact you.

Reduced concessional contributions cap

From 1 July 2017, the annual concessional contributions cap has reduced to $25,000 regardless of your age (previously it was $35,000 if you were aged 50 or more and $30,000 if you were aged less than 50 at 30 June 2017). The cap will be indexed and increase in increments of $2,500 in line with average weekly ordinary time earnings (AWOTE).

Reduced non-concessional contributions cap

From 1 July 2017, the annual non-concessional contributions cap has significantly reduced to $100,000 from $180,000.

If you are under age 65 at the start of a financial year, you should note that the two years bring forward amount that can be contributed over any three-year period will also significantly reduce from $540,000 (2016/17) to $300,000 (2017/18). From 1 July 2017, the ability to use this bring forward rule is also impacted if your total super balance is at least $1.4 million but less than $1.6 million.

What does this mean?

If you have brought forward your non-concessional contributions within the previous two financial years, you can only contribute any residual amount without breaching your non-concessional contributions cap.

Non-concessional contributions – super balances $1.4 million or more

From 1 July 2017, if your total super balance is $1.6 million or more at 30 June of the previous financial year, then you cannot make non-concessional contributions in that financial year. The two years bring forward rule (refer to the section above) is also impacted where your total super balance is at least $1.4 but less than $1.6 million. Refer to the following table for details.

Total superannuation balance on 30 June 2017	Maximum non-concessional contributions cap for the first year	Bring-forward period
Less than $1.4 million	$300,000	3 years
$1.4 million to less than $1.5 million	$200,000	2 years
$1.5 million to less than $1.6 million	$100,000	No bring-forward period, the standard non-concessional contributions cap applies
$1.6 million	Nil	N/A

What does this mean?

From 1 July 2017, if you have a high super balance you may also wish to consider accumulating wealth for your retirement in a non-super environment. To manage your total super balance and the transfer balance cap (refer to the next page for details), couples may also consider making spouse contributions (refer to the next page for tax offset details) and contribution splits on behalf of their spouse with the lower super balance.

Personal contributions claimed as a tax deduction by more than self-employed

From 1 July 2017, more individuals will be able to claim a tax deduction for their personal contributions which can be a great tax incentive if they are considering topping up their super. If you have a salary sacrifice arrangement in place you may wish to review this as it may no longer be your most effective strategy for contributing to your super.

New Low Income Super Tax Offset (LISTO) contribution

Eligible individuals with an annual adjusted taxable income of $37,000 p.a. or less will receive a boost to their super with a LISTO contribution from the Government. If you are eligible, the LISTO contribution will be equal to 15% of your total concessional contributions for an income year, capped at $500. The LISTO replaces the Low Income Super Contribution (LISC) that ceased on 30 June 2017.

Spouse contribution tax offset to become more available to couples

The low income spouse contribution tax offset will be made available to more couples making a contribution on behalf of their low income or non-working spouse (aged less than 70), including a defacto partner. A maximum tax offset of up to $540 p.a. will be available where your spouse has an income of $37,000 p.a. or less (currently this is $10,800 p.a. or less). To receive the maximum tax offset requires you to make a contribution of at least $3,000 on behalf of your spouse. The offset will gradually reduce if your spouse's income is above $37,000 p.a. and cuts out at an income of at least $40,000 p.a. (currently this cuts out at an income of least $13,800 p.a.).

Reduced Division 293 tax threshold for high income earners

If your adjusted annual taxable income (including total concessional contributions less any excess concessional contributions) is greater than $250,000 p.a., then your concessional contributions above this threshold will be subject to an additional 15% tax (Division 293 tax). The threshold is reducing from $300,000 p.a. This additional tax means that you will pay a maximum of 30% tax on your concessional contributions above the threshold. This Budget measure also applies to members of defined benefit funds, but different rules apply to the calculation of this tax for defined benefit members.

New $1.6 million transfer balance cap – retirement income phase

If you are retired or about to retire, from 1 July 2017, the total amount of super benefits that you will be able to transfer into the retirement phase will be capped at $1.6 million. Investment earnings are currently tax-free in the retirement phase.

If you are already retired and are currently receiving a retirement income stream(s), then your existing retirement income stream(s) will be assessed against the cap based on your total balances as at 30 June 2017.

If you exceed the cap, you will be required to rectify the breach by removing the excess amount (and certain notional earnings on this amount) from your retirement income stream. You will also be liable to pay a penalty tax on your total notional earnings (based on the general interest charge) attributable to the excess amount until the breach is rectified.

Certain non-commutable lifetime pensions, lifetime annuities, term pensions and term annuities have special values counted towards the transfer balance cap. Tax implications may apply to income stream payments that exceed $100,000 for these types of income streams. Generally, non-commutable income streams do not allow lump sum withdrawals or the benefits to be rolled back to accumulation.

You should also note that transition to retirement (TTR) income streams do not count towards the transfer balance cap.

What does this mean?

To rectify the breach, the excess amount (and certain notional earnings on this amount) can be transferred back to a super accumulation account where the earnings on the excess will be taxed at 15%. Alternatively, the excess amount may be paid out to you as a lump sum. However, this rectification action will not be possible if you are receiving a non-commutable income stream (including a defined benefit pension).

If you are receiving a retirement income stream, and the excess amount is $100,000 or less, you have until 31 December 2017 to rectify this breach, otherwise a penalty tax may be applied.

Transition to retirement income streams

From 1 July 2017, earnings from assets supporting a transition to retirement (TTR) income stream will be taxed up to 15% and will no longer be tax-free. Members of TTR income streams will also not be able to treat their super income stream payments as lump sum payments for taxation purposes.

What does this mean?

If you have a TTR income stream, you should inform your income stream provider as soon as you have satisfied a condition of release, including permanently retiring from the workforce or reaching age 60 and ceasing gainful employment. Your pension will then be in retirement phase where the earnings on the assets supporting the income stream will be tax exempt, and the value of the pension will count towards your transfer balance cap.

You should decide whether a TTR income stream is still appropriate for you after 30 June 2017, by discussing this strategy with your financial adviser and tax adviser.

Anti-detriment payments abolished

The anti-detriment payment on death benefits from super is abolished where the death occurs from 1 July 2017. If the death occurs before 1 July 2017, the death benefit payment must be made before 1 July 2019 to receive the anti-detriment payment. The anti-detriment payment represents a refund of the tax paid on super contributions by the late member, where the death benefit is paid to their spouse, former spouse or child.

FOR MORE INFORMATION, GO TO BUDGET.GOV.AU, REFER TO THE 'FEDERAL BUDGET 2016-17 PROPOSALS NOW LAW' AT ANZ.COM > PERSONAL > INVESTING & SUPER > RESOURCES, OR SPEAK TO YOUR FINANCIAL ADVISER.

IMPORTANT CHANGES AND INFORMATION

A summary of significant product or regulatory changes that may impact your account.

01 YOUR ANNUAL REPORT IS AVAILABLE ONLINE

For ANZ Personal Superannuation Bond, ANZ Direct Super Investments and ANZ Allocated Pension we have also produced an Annual Report containing other important information associated with your membership, which will be available on our website at anz.com > Personal > Investing & Super > Resources then refer to the OnePath MasterFund Annual Report under Financial Reports and Tax Guides.

You can also elect to receive an electronic or hard copy free of charge by calling Customer Services on 13 38 63. This Investor Update covers the products listed, however, not all sections will be relevant to you.

02 INVESTMENT PERFORMANCE

This section is only relevant to investors of **ANZ Traditional Policies** and **ANZ Savings Products**.

Actual yearly return is as at 30 June (% p.a.) unless otherwise stated and net of management fees. Please note that the five year and ten year returns for the investment funds below will differ from your personalised five year and ten year returns.

Investment fund	One year return (%)	Five year return (%)	Ten year return (%)
ANZ Capital Guaranteed Fund* Spectrum, Investor Plus, Growing Investor, Investor M S Premier Plan, Money Plus, Regular Savings Plan	1.67	2.32	2.88
ANZ Capital Guaranteed Fund* Regular Investor/Investor	1.24	1.85	2.37
ANZ Managed Fund	7.70	8.09	2.23

Investments can go up and down. Past performance is not indicative of future performance. Whilst every care has been taken in the preparation of this document, no warranty is given as to the correctness of the information contained in the investment returns table and no liability is accepted by OnePath Custodians, OnePath Life or any related bodies corporate for any error or omission.

* The one year return is interest calculated on the account's daily balance, being credited at the declared rate applicable as at 30 June. The five-year return is the compound average return of the yearly returns over the last five years. The ten-year return is the compound average return of the yearly returns over the last ten years.

Important to note

This document replaces the Annual Report in 2017 for the following products:

- ANZ Traditional Policies (except superannuation)
- ANZ Savings Products (except superannuation)
- ANZ Term Life Policies (except superannuation).

03 BONUS DECLARATION AND POLICY INFORMATION

Investment fund	
ANZ Capital Guaranteed Fund	Interest is calculated on the daily balance of your account, which is credited at the applicable declared rate at 30 June each year, or on exit from the fund. Interest on contributions is paid with effect from the 16th of the month in which the premium falls due.
ANZ Managed Fund	The fund issues units, with each unit representing a share of the underlying assets. The value of the units will vary depending on the value of the assets of the fund. Your investment balance is the number of units you hold multiplied by the unit price. The earnings of the fund (after deduction of management fees and taxes) are reflected by changes in the unit price. The value of your units may rise or fall.

ANZ Traditional Policies

Traditional Policies include Endowment, Whole of Life and Moneymaster Policies, and are either participating or non-participating.

Participating policies return a guaranteed amount at death and for Endowment policies, at a date specified in your policy document, to which bonus amounts are added yearly. Such bonuses are allocated from profits of the sub-fund, which are principally from investment returns in excess of what is required to meet the guaranteed benefits. Bonuses declared are also guaranteed.

Non-participating policies return a guaranteed amount at death and for Endowment policies, at a date specified in your policy document. Non-participating policies do not participate in the profits of their sub-fund and consequently do not receive bonuses.

Bonus declarations

The reversionary bonus rates (per $1,000 of sum insured) for participating policies are shown in the following table. Reversionary bonuses are annual bonuses that are not payable in cash but added to the sum insured and are payable under the same conditions as the sum insured, at the time of death, maturity or as a lesser value on surrender of the policy. Reversionary bonuses are guaranteed once declared and added to the policy. Bonus rates are declared as at 31 December each year unless otherwise notified by OnePath Life.

In addition, a terminal bonus is also currently in operation for participating policies. A terminal bonus is a cash bonus that is added to the cash value of a policy. The terminal bonus is payable on death, maturity or surrender of the policy. The continued operation and the level of the terminal bonus are not guaranteed.

Year	2016 $	2015 $	2014 $	2013 $	2012 $	2011 $
GPL: Post-1974	30.50*	35.50#	45.50^	45.50^	30.50†	20.50‡
Moneymaster	54.50	59.50	69.50	69.50	54.50	44.50
GPL: Pre-1974	35.00	40.00	50.00	50.00	35.00	25.00
Low Bonus	20.50	25.50	35.50	35.50	20.50	10.50
Ex-Yorkshire	35.00	40.00	50.00	50.00	35.00	25.00
Ex-Skandia	35.00	40.00	50.00	50.00	35.00	25.00

* $38.50 for policies originally issued as non-superannuation.
# $43.50 for policies originally issued as non-superannuation.
^ $53.50 for policies originally issued as non-superannuation.
† $38.50 for policies originally issued as non-superannuation.
‡ $28.50 for policies originally issued as non-superannuation.

Traditional policies have a number of features and benefits including the security of life cover and bonus entitlements, which increase over the term of the policy. Please note that future bonus rates are not guaranteed and the rate of bonus declared depends on economic conditions and the operation of the participating policy sub-fund.

04 INVESTMENT OBJECTIVE CHANGES FOR THE ANZ DIVERSIFIED FUNDS

Following a review of ANZ's diversified funds, the 'Investment objectives' of these funds changed from 20 February 2017. The table below confirms the changes.

Fund	Previous Investment objective	New Investment objective
Gateway Conservative	The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 3.5% p.a., over periods of three years or more.	The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 3% p.a., over periods of ten years or more.
Gateway Balanced	The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 4.5% p.a., over periods of three years or more.	The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 4% p.a., over periods of ten years or more.
OnePath Balanced and ANZ Balanced	The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 4.5% p.a., over periods of three years or more.	The fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 4% p.a., over periods of ten years or more.

Furthermore, the investment horizon over which the investment return objectives are expected to be achieved will be extended to periods of 10 years or more for many of the OnePath and OptiMix diversified funds (including those listed in the table above). This change also applies to the following funds:

- ANZ Conservative
- ANZ Diversified Stable
- ANZ Managed

- ANZ Managed Growth
- Gateway Balanced
- Gateway Aggressive

What is the reason for these changes?

Lower returns are expected from cash and fixed interest assets over the next 10 years. These asset classes make up a substantial portion of the more conservative diversified funds. Therefore, the investment objectives for these funds need to be adjusted to be in line with market conditions and return expectations.

The investment horizon changed for the following reasons:

- we use 10-year capital market assumptions when we look at future expected asset class returns and when we apply our strategic asset allocation process; and
- there has been a general movement in the industry towards stating investment objectives over a 10-year period.

What is not changing?

There is no change to the way we manage the investments of the funds. For example, the investment strategy and asset allocations are unchanged. We will continue to actively manage both the underlying fund managers and the asset allocations of the funds.

What do the changes mean for investors?

The revised investment objectives are more closely aligned with our return expectations for each fund. These changes will ensure that current and future investors in the funds are better informed.

For existing investors these changes took place automatically on 20 February 2017.

05 ANNUAL AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY (APRA) LEVY AND REGULATORY CHANGE LEVY

This section is only relevant to members of ANZ Personal Superannuation Bond, ANZ Allocated Pension, ANZ Direct Super Investments and ANZ Savings products (Super only).

APRA Levy

All Australian Prudential Regulation Authority (APRA) regulated superannuation funds are charged an APRA levy. The amount of the APRA Levy for the 2016/17 financial year recovered the general operational costs of APRA, as well as other specific costs incurred by certain other Commonwealth agencies and departments (ASIC, DHS, SCT and the ATO), as well as some of the costs with implementing the Government's 'SuperStream' reforms. The SuperStream reforms are designed to support the superannuation system to operate more efficiently for the benefit of members.

The APRA levy was applied as an asset-based levy of 0.01% against the investments of the OnePath MasterFund in the 2016/17 financial year.

Regulatory Change levy

This levy is to cover some of the costs incurred to comply with the Government's superannuation regulatory changes and is consistent with the approach taken by many superannuation funds across the industry. The regulatory change levy was applied as an asset-based levy of 0.02% against the investments of the OnePath MasterFund in the 2016/17 financial year.

For members invested in OnePath MasterFund products, the Trustee recovered the APRA and Regulatory Change levies in June 2017 by deducting them from the unit price of each investment option (excluding cash, term deposits and guaranteed products, which do not have a unit price).

The total impact of both levies on members was 0.03% of the value of their unitised investment options. For example, a member with a balance of $50,000 paid $15.00.

These levies are not shown in your statement as they are charged as a deduction from the unit price of each of your investment option(s) and not directly from your account balance.

06 ARE YOUR CONTACT DETAILS UP TO DATE?

For superannuation accounts, if you are under age 65 and we do not have contact details for you, or you have not contacted us during the last 12 months, **we may be required to close your account** and pay it to the ATO, if your balance is under the legislated threshold. The threshold is $6,000 from 31 December 2016. Once this happens, you will lose any insurance associated with the account, and will need to contact the ATO about payment options. Although you can request the monies be re-directed to OnePath, this would generally require a new account to be set up, which is not available for all products, and would have pre-existing conditions limitations on any insurance. Because we don't have your contact details, you will not be provided with prior notification of this happening, or confirmation from us that it has happened. However, you will be able to see the amount as Unclaimed Monies by logging on to the MyGov website, my.gov.au

If you have not provided your phone number or email address, you can do so by calling or emailing us.

07 ANNUAL STATEMENTS FOR SUPER – ADDITIONAL EXPLANATORY NOTES

The following explanatory notes are to be read together with your 2017 Annual Statement for your super account. If you have any further questions about your Annual Statement, please speak to your financial adviser or call Customer Services.

Contributions tax

Contributions tax of 15% will apply to any contributions that you claim as a personal tax deduction (subject to a valid 'Notice of intent to claim a tax deduction' form) or contributions made by your employer (including salary sacrifice contributions).

In calculating the amount of tax payable, we may make allowance for the benefit of tax deductions on transactions such as the payment of insurance premiums.

If you are claiming a tax deduction for personal contributions that you made in the Annual Statement period, the related contributions tax on these contributions will only appear in the Annual Statement if we received your 'Notice of intent to claim a tax deduction form' by the relevant date and the notice has been acknowledged by the Trustee.

Tax at a rate of 15% also applies to the untaxed element of a roll-over superannuation benefit and certain foreign super fund transfers.

The tax payable is shown on your Annual Statement.

Additional tax for high income earners (Division 293 tax)

An additional 15% tax may apply to certain concessional contributions if your adjusted taxable income exceeds $250,000 from 1 July 2017 onwards. For further information please visit ato.gov.au or speak to your financial adviser.

Preservation status

Unrestricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access at any time.

Restricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access, if you leave an employer who has contributed to this fund on your behalf, or when preserved benefits are payable.

Preserved Benefit is the amount of withdrawal benefit at the close of the reporting period required to be preserved by the Trust Deed and super legislation governing your benefits. Generally, you cannot access this amount until age 65, or once you have reached your preservation age (between age 55 and 60, depending on your date of birth) and you have retired.

The total of the preservation components is net of withdrawal fees and contributions tax payable on contributions that were made up to the end of the reporting period. Please note: where no-TFN contributions tax is payable, the total of the preservation components will differ from the withdrawal amount as any no-TFN contributions tax is deducted from the withdrawal amount and not from the preservation components.

Super Guarantee Allocation

The Super Guarantee Allocation is the amount of employee entitlement paid by the Australian Taxation Office (ATO) representing a superannuation guarantee shortfall and any interest for the shortfall. This amount includes the 9.5% (for 2017/18) obligation and any interest earned. The Super Guarantee Allocation may appear on your Annual Statement as either an addition or deduction.

An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid Super Guarantee Allocation by the ATO. This Super Guarantee Allocation amount is determined by the ATO, so you should speak to your financial adviser or contact the ATO in relation to the amount paid.

Government contributions

Government contributions can include the Government co-contribution and the Low Income Super Contribution (LISC). The Government co-contribution is an incentive from the Australian Government designed to assist eligible individuals to save for their retirement.

If you are working, your income is less than $51,813 for 2017/18, and you make personal contributions to super, you may be eligible for a Government co-contribution. The maximum co-contribution is $500 and reduces once your income exceeds $36,813 for 2017/18. The ATO will pay 50 cents for every dollar of personal non-concessional contributions up to your maximum entitlement. Additional criteria must be satisfied to be eligible for the Government co-contribution.

The LISC effectively returns the 15% contributions tax paid (up to $500) on concessional contributions made in a financial year for a low income earner (an individual with an adjusted taxable income of $37,000 or less in an income year).

The co-contribution may appear on your statement as either an addition or deduction. An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid co-contribution by the ATO. Conditions apply, so you should speak to your financial adviser or contact the ATO in relation to the amount paid.

08 EMPLOYER CONTRIBUTION OBLIGATIONS FOR SUPERSTREAM COMPLIANCE

SuperStream is a government reform aimed at improving the efficiency of the superannuation system. As part of the SuperStream reforms, employers must make super contributions on behalf of their employees by submitting data and payments electronically in a consistent and simplified manner prescribed by the ATO.

What does this mean for you?

SuperStream is a significant benefit for employers and their employees as it simplifies the employer super contribution experience by streamlining how payments can be made.

Your employer should liaise directly with the ATO in relation to the specific requirements.

What do you need to do?

The obligation for compliance is with your employer; however, payments received by employers that do not comply with SuperStream obligations may be rejected.

09 UPCOMING CHANGES TO FEE AND COST DISCLOSURES

The following information is relevant for individuals with a superannuation, pension or investment product.

What is changing?

The Australian Securities & Investment Commission (ASIC) has recently issued *Regulatory Guide 97* which implements new rules around how Trustees and Responsible Entities disclose the fees and costs of your investment product to you. Over the coming months, this will result in changes to the way in which fees and costs are disclosed in your statements (such as your Annual Statement).

What does this mean for you?

The changes will not have any impact on the total rate (percent or dollar) of fees and costs incurred by you, nor will they have any impact on your investment returns. However, as these changes require fees and costs to be disclosed differently in the future, it may appear that some new fees are being charged, or that other fees are no longer being applied. Also, it may appear that the rate of some existing fees or costs have increased or decreased. For example, where APRA and Regulatory Change levies are charged and disclosed in your statement as part of 'Indirect Costs of your Investment', in the future these levies would be disclosed as 'Administration Fees'.

We will provide further information on the specific changes to your statements as they occur.

What do you need to do?

You do not need to do anything, as the obligation for compliance is with us as the issuer of the superannuation, pension and investment products.

EXPLORE MORE ONLINE

ENJOY ACCESS TO EVEN MORE INSIGHTS AND TIPS ONLINE

Visit anz.com/investorupdate today

Contact us

Customer Services 13 38 63 customer@onepath.com.au

376698_A2892/0617