



ZURICH[®]

Zurich Master Superannuation

Annual Fund Report
for the year ending 30 June 2017



The Trustee of the Zurich Master Superannuation Fund
(ABN 33 632 838 393 SFN 2540/969/42)
is Zurich Australian Superannuation Pty Limited
ABN 78 000 880 553 AFSL 232500

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Welcome to the Zurich Master Superannuation Fund Annual Fund Report 2016-17



Dear member

As the Chair of the Board of Trustees, I am pleased to present this Annual Fund Report for the year to 30 June 2017.

This Report has news of recent developments affecting the Fund and the superannuation industry. It also provides you with information on investment options.

To help you keep abreast of the latest news, trends and information affecting your superannuation, we also send members a digital newsletter 'Super Insights', twice a year. This is very well received and we welcome your comments and feedback about the issues you want to read about.

If you have not yet received a copy of Super Insights, please contact Zurich Customer Care on the toll-free number 131 551, so that we have your current email address.

On behalf of the Board of Trustees, I would like to assure you our people work hard every day to provide you with exceptional service together with consistent and reliable returns. Our aim is to help your retirement goals become reality. We look forward to continue working for you, providing member-focused products, insurances and services to deliver greater retirement outcomes for this year, and beyond.

Yours sincerely,

Winsome Hall

Chair, Zurich Australian Superannuation Pty Limited

Our aim is
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Federal Budget 2017 – Superannuation & Retirement update

During the 2017 Federal Budget the Treasurer, Mr Scott Morrison, proposed an opportunity for individuals to access the superannuation system by:

1. Helping individuals to boost their savings for their first home by allowing them to build a deposit inside superannuation; and
2. Encouraging older Australians to downsize from homes that no longer meet their needs by allowing some of the proceeds of the sale of their home to be added to superannuation.

First home super saver scheme

The government proposed that from 1 July 2017, first home buyers will be able to help build a deposit in their superannuation. Voluntary contributions of up to \$15,000 per year, and \$30,000 in total, will attract concessional tax treatment under this scheme. These contributions together with deemed earnings (net of tax) can be withdrawn for a first home deposit.

If eligible, both members of a couple can take advantage of this scheme, making it possible to save a total of \$60,000 towards the deposit of a first home.

Voluntary contributions, which must be made within existing superannuation caps, could include:

- salary sacrificed contributions (concessional contribution);
- personal contributions from after-tax monies for which the individual claims a tax deduction (concessional contribution); or
- personal contributions from after-tax monies for which no deduction is claimed (non-concessional contribution).

If you make a concessional contribution, it will be taxed at 15% rather than your marginal tax rate (assuming you pay more than 15 cents in the dollar tax), and any investment earnings on those super contributions, once the money reaches your super account, are also subject to 15% tax. On withdrawal, you shall be taxed at your marginal tax rates less a 30% tax offset.

If you want to see how you could benefit from the First home super saver scheme, there is a great calculator on the government's budget website at www.budget.gov.au/estimator.

Reducing barriers to downsizing

Unable to invest the proceeds of selling their home into superannuation, older Australians have been discouraged over the years to downsize their larger family home to something that better suits their changing needs. The government has addressed these concerns by announcing individuals aged 65 or over will be able to make a non-concessional contribution of up to \$300,000 from the proceeds of selling their home from 1 July 2018. These new contributions will be in addition to any other voluntary contribution made under the existing contribution rules and caps.

This measure will apply to sales of a principal residence owned for at least the past 10 years. Both members of a couple will be able to take advantage of this measure for the same home, meaning up to \$600,000 per couple can be contributed through the downsizing cap.

Under current rules, individuals are unable to make voluntary non-concessional contributions between the ages of 65 – 74 years, unless they meet the work test; and for those aged 75 or older – voluntary contributions can't be made regardless of whether you are working or not. The good news is, these existing age-based restrictions will not apply to contributions made under the proposed downsizing cap and neither will the restriction on not being able to make non-concessional contributions if your balance is above \$1.6million.

As at the start of December 2017, changes relating to the First home super saver scheme and Reducing barriers to downsizing are currently before parliament and had not passed as legislation. You should speak to your adviser for further information



For current and historic Superannuation rates and thresholds go to “News and Views” section on the Superannuation and Retirement page at www.zurich.com.au

Whilst having a balance of \$1.6million in your superannuation account won't stop you from making a non-concessional contribution up to the downsizing cap, you should be aware the transfer cap (from accumulation to pension) of \$1.6million will still apply.

In addition to these changes, the following announcements were made.

Pensioner Concession Card — reinstatement

Did you cease to become entitled to the Pensioner Concession card following the changes to the pension assets test from 1 January 2017? If so, here's some good news for you.

The Government announced they will reinstate the Pensioner Concession Card for pensioners who were no longer entitled to the pension as a result of those changes.

Reinstating the Pensioner Concession Card will enable pensioners to access Commonwealth subsidised hearing services.

Increase to the Medicare levy

The Medicare levy will be increased from 2% to 2.5% of taxable income from 1 July 2019 to ensure the National Disability Insurance Scheme (NDIS) is fully funded. Other tax rates that are linked to the top personal tax rate, such as the fringe benefits tax rate, will also be increased.

Further information

If you are interested in any of the other announcements from Budget night, Zurich have put together a summary which can be located at www.zurich.com.au.

Changes effective 1 July 2017

As outlined in the 2016 Annual Fund Report, significant changes to super were passed into legislation through the year, most of which apply from 1 July 2017.

These changes include lowering of contribution caps and capping amounts that can be transferred to super.

For more information on changes to contribution caps and other superannuation thresholds, please refer to the ATO website: <https://www.ato.gov.au/Individuals/Super/Super-changes/>





In this section, ZSP stands for Zurich Superannuation Plan, ZRP stands for Zurich Retirement Plan, ZABP stands for Zurich Account-Based Pension and ZTAP stands for Zurich Term Allocated Pension.

Please note that the information in the following section applies to all investment plans (unless as indicated).

Increase to the minimum Monthly Portfolio Management Charge (ZSP, ZABP and ZTAP clients only)

Effective 1 April 2017 the minimum monthly Portfolio Management Charge for the Zurich Superannuation Plan (ZSP), the Zurich Account-Based Pension (ZABP) and the Zurich Term Allocated Pension (ZTAP) increased from \$21.56 to \$21.88. The cheque fee (ZABP and ZTAP only) has increased from \$7.51 to \$7.62.

As disclosed in the PDS, the increase has been calculated on the Consumer Price Index ('CPI') increase measured over the 12 months ending 31 December of the previous year (ie. 2016). The CPI is the "Weighted Average of Eight Capital Cities Index" published by the Australian Bureau of Statistics.

Non-commutable account-based pension (transition to retirement pension) – closed to new pensioners

The Federal Government in its 2016 Budget announced significant changes to the taxation of superannuation, including superannuation pensions. One change was to introduce tax on earnings for Transition to Retirement (TTR) pensions. From 1 July 2017, the tax rate on earnings for TTR pensions is 15% pa. Unfortunately Zurich was not able to make the modifications to implement the TTR change by the 30 June deadline.

As Zurich was unable to provide a complying TTR pension, effective 28 April 2017, the non-commutable account-based pension (transition to retirement pension) covered on page 15 of the Zurich Superannuation Plan and Zurich Account-Based Pension Fee Guide and Additional Information Booklet, with an issue date of 1 January 2017, was closed to new pensioners.

For existing pensioners, the Trustee decided to transfer Zurich Master Superannuation Fund members with a TTR pension into another complying fund via a Successor Fund Transfer (SFT). This transfer was made on 2 June 2017.

Family law fees - waived from 23 October 2017

With effect 23 October 2017, a decision was made by Zurich to waive fees levied for additional services required in dealing with superannuation benefits under legislation relating to the splitting or flagging of superannuation benefits on divorce.

Zurich reserves the right to charge family law fees in the future. If Zurich does exercise their right to charge family law fees, these fees together with any legal costs incurred by the Trustee may be deducted from the relevant member's account and/or the benefit to be paid to the non-member spouse.

Capital Guarantee – cost of guarantee reduced (ZRP only)

Zurich guarantees the Capital Guaranteed investment option will never declare a negative rate of investment return. Currently there is a maximum deduction of 0.70% from the declared rate of the option for the cost of providing this guarantee.

Zurich conducted a review of fees and charges and is pleased to advise we have been able to reduce the Cost of Capital Guarantee charge from a maximum of 0.70% to a maximum of 0.50%.

This change applies for annual investment returns credited to policies for statement periods beginning on or after 1 January 2017.

Change of investment objectives

During the period, changes to the investment objectives for a number of diversified and single-sector options to include specific return targets together with an update to the Standard Risk Measures were made.

In respect of the changes to investment objectives the Trustee was satisfied these changes:

- were specific and measurable
- reflect the nature of the investment options
- are consistent with previous disclosure documents
- did not reflect a change in the investment strategy of each option

Standard Risk Measures

During the period the Standard Risk Measure ("SRM") for each option was reviewed by third-party organisations to not only ensure compliance with SRM guidelines introduced by industry bodies, but also to take into account the impact of new costs disclosed in compliance with Regulatory Guide 97 ("RG97").

RG97 was issued by the Australian Securities & Investment Commission ("ASIC") to ensure investors are provided with adequate information on the full costs of investing including indirect costs. Under RG97, the indirect cost ratio will be calculated taking into consideration



transaction costs and certain investment-related costs. It is important to note the disclosure of these costs do not represent new or increased costs by Zurich, but instead are costs incurred within underlying investments and deducted from investment returns prior to calculation of daily unit prices.

Full details of current investment objectives including updated SRMs are shown on pages 11 to 16 of this Report. Further information about the SRM and how options are graded is shown on page 18 of this Report. Previous objectives (including SRMs) can be found in last year's annual fund report located online at www.zurich.com.au/annualreports.

Change of Strategic Investment Partners

With effect 17 May 2017, Nikko AM Limited replaced Above the Index Asset Management Pty Ltd as the investment partner for the Australian shares asset class within the Diversified options and for the Australian Value Share option.

With effect 5 December 2017, Sigma Funds Management Pty Limited replaced Ellerston Capital Limited as an investment partner for the Australian shares asset class within the Diversified options.

The details of the strategic investment partners for the investment options are in the brochure entitled "Zurich Investments – Global Expertise, Specialist Application, Unique products" or from the website www.zurich.com.au/strategicpartners.

Change to Buy/Sell spread for Global Growth Share option (ZSP/ZABP)

The buy/sell spread for the Global Growth Share option changed following a review of the underlying transaction costs incurred by the fund. Effective 1 December 2017 the buy/sell spread for this option reduced from 0.08/0.08 to 0.06/0.06.

Please refer to the Zurich Superannuation Plan & Zurich Account-Based Pension Investment Option booklet for further information on buy/sell spreads and transaction costs.

Update to ZSP Optional Protection Benefits (ZSP clients only)

Effective from 15 May 2017, Zurich have improved some of the terms of the ZSP Optional Protection benefits. As your policy includes a guarantee of upgrade provision, some improvements made are automatically passed on to you for insured events which occur on or after the effective date of the improvement. In summary, the improvements which may affect your cover are as follows:

Zurich Superannuation Income Protector/Plus

- The Funeral benefit will now pay a lump sum of 4 times the insured monthly benefit in the event of death during a claim.
- If your waiting period is 1 or 2 years because you have salary continuance cover with an employer, you can reduce the waiting period without medical underwriting to 1 year or 90 days if you leave that employer and no longer have the cover.

Zurich Superannuation Income Protector

In addition to the above the following change applies to Zurich Superannuation Income Protector clients only:

- Qualifying for a Total disability or Partial disability benefit under the Zurich Superannuation Income Protector policy is now less onerous. The life insured must be totally disabled for at least five consecutive days during the waiting period in order to qualify, where this qualification period previously extended to the entire waiting period.

Zurich Superannuation Term Life Plus

- If you have Death cover, the definition of terminal illness has been improved so that it is now an advance payment of the Death benefit if the life insured is diagnosed as terminally ill and expected to live for no more than 24 months (certain medical certification requirements apply). The definition currently restricts payments to life expectancy of less than 12 months.

These are only a summary of the improvements. Please refer to the Wealth Protection Policy Updates section of our website zurich.com.au for full details.





Please note, objectives shown in this section are goals only and may not be met. Objectives, strategies, asset allocation and other aspects of the investment options are subject to change. Unless otherwise specified there is no guarantee as to the performance of any of the investment options or the repayment of capital.

Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2017)
Capital Guaranteed (ZRP only)	Stable	To provide investors with a guarantee of capital, and with the annualised investment return (before fees and taxes) outperforming the Bloomberg AusBond Bank Bill Index by 5 basis points over a five year period.	This option invests in income producing asset classes, such as fixed interest and cash, to protect capital value. The option holds a relatively small portion in growth assets for diversification benefits.	1 year	Very low	<ul style="list-style-type: none"> Cash 2.14% Australian Fixed Interest 93.72% Australian shares 4.14%
Cash	Stable	To provide investors with security of capital, along with a competitive cash rate over the short term. The option aims to match the Bloomberg AusBond Bank Bill Index over a one year period before fees and taxes.	This option invests in Australian wholesale money markets including bank guaranteed, government guaranteed and corporate securities.	1 year	Very low	<ul style="list-style-type: none"> Cash 2.14%
Australian Fixed Interest	Stable	To provide investors with security, and some capital growth over the short to medium term. The option aims to outperform the Bloomberg AusBond Composite Bond Index by 1% over rolling three year periods before fees and taxes. Standard risk measure: Medium	This option invests in a range of fixed interest securities including Australian government, state government and semi-government securities and corporate bonds. Australian fixed interest assets include securities issued by international bodies which are traded on the domestic Australian fixed interest market, and which may be backed by investments in overseas investments and assets.	3 years	Medium	<ul style="list-style-type: none"> Australian Fixed Interest 98.44% Cash 1.56%

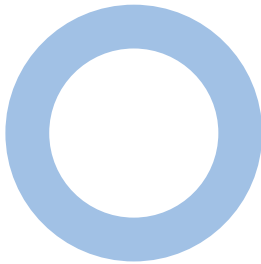
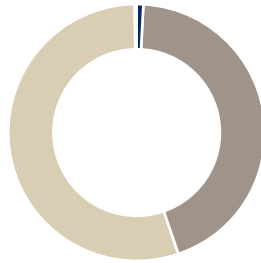


Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2017)
Capital Stable	Stable	<p>To provide investors with security, and some capital growth over the short to medium term, through exposure to a range of asset classes.</p> <p>The option aims to achieve CPI+1% over rolling three year periods before fees and taxes.</p>	<p>This option invests mainly in fixed interest securities and cash with some exposure to growth assets such as Australian and international shares and listed property trusts.</p> <p>The option is designed to reduce risk by diversifying across asset classes.</p>	3 years	Medium	<ul style="list-style-type: none"> Australian shares 16.10% International shares 10.72% Listed Property securities <ul style="list-style-type: none"> Australian 0.85% Global 0.89% Alternative investments 1.93% Australian & International Fixed interest 43.35% Cash 26.17%
Government Securities (ZRP Only)	Stable	<p>To provide investors with security, and some capital growth over the short to medium term.</p> <p>The option aims to outperform the Bloomberg AusBond Composite Bond Index by 1% over rolling three year periods before fees and taxes.</p>	<p>This option invests in a range of fixed interest securities issued by the Australian government, state government or semi-government entities and corporates.</p>	3 years	Medium	<ul style="list-style-type: none"> Australian Fixed Interest 98.57% Cash 1.43%
Balanced	Moderate	<p>To provide investors with security and capital growth over the medium to long term, through exposure across a range of asset classes.</p> <p>The option aims to achieve CPI+2% over rolling four year periods before fees and taxes.</p> <p>Standard risk measure: Medium to High</p>	<p>This option invests in a balanced mix of income and growth assets, which will include Australian and international shares, fixed interest securities, listed property trusts and cash.</p> <p>The option is designed to reduce overall portfolio risk by spreading the option's investments across asset classes.</p>	4 years	High	<ul style="list-style-type: none"> Australian shares 24.21% International shares 17.27% Listed Property securities <ul style="list-style-type: none"> Australian 1.72% Global 1.81% Alternative investments 7.88% Australian & International Fixed interest 37.01% Cash 10.10%



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2017)
Managed Growth	Growth	<p>To provide investors with capital growth over the medium to long term, through exposure across a range of asset classes.</p> <p>The option aims to achieve CPI+2.5% over rolling five year periods before fees and taxes.</p> <p>Standard risk measure: High</p>	<p>This option invests in a mix of Australian and international shares, fixed interest securities, listed property trusts and cash.</p> <p>The option is designed to reduce overall portfolio risk by spreading the option's investments across asset classes.</p>	5 years	High	<ul style="list-style-type: none"> Australian shares 31.28% International shares 26.53% Listed property securities <ul style="list-style-type: none"> Australian 1.59% Global 3.12% Alternative investments 9.15% Australian & International Fixed interest 26.08% Cash 2.25%
Australian Property Securities	Growth	<p>To provide investors with capital growth over the medium to long-term.</p> <p>The option aims to outperform the S&P/ASX 300 A-REIT Accumulation Index by 1.5% over periods of rolling five year periods before fees and taxes.</p>	<p>This option invests in a range of listed property securities, spread across retail, commercial, tourism and industrial property sectors.</p>	5 years	Very High	<ul style="list-style-type: none"> Australian property securities 93.17% Australian shares 2.07% Cash 4.76%
Equity Income[^]	Growth	<p>To provide investors with regular income and some capital growth from the Australian share market.</p> <p>The option's (primary) objective is to provide 7 to 9 percent gross running yield per annum with risk adjusted returns in line with the S&P/ASX 50 over rolling five year periods before fees and taxes.</p>	<p>The option invests in a range of securities listed on the Australian Stock Exchange that are expected to deliver a regular income stream. The option maintains a portfolio of bought and sold options over shares and equity index futures in order to deliver additional income and reduce investment risk.</p>	5 years	High	<ul style="list-style-type: none"> Australian shares 60.62% Australian property securities 6.95% Cash 32.40%



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2017)
Global Property Securities	Growth	To outperform the FTSE EPRA/ NAREIT Developed Real Estate Index (hedged in \$A) (Net TRI) by 2% over rolling five year periods before fees and taxes.	The option invests in a range of global listed property securities of companies that own income producing properties or land and that intend to derive at least 50% of their revenue from the ownership, construction, financing, management or sale of commercial or residential real estate (including property sectors and sub-sectors as defined by NAREIT) or that have at least 50% of their assets in real estate.	5 years	Very High	 <p>Global property securities 100%</p>
Global Equity Income[^]	Growth	<p>To provide investors with higher than market income distributed quarterly and derived from three sources;</p> <ol style="list-style-type: none"> 1. Capital growth from stock selection; 2. Dividends and franking credits from share ownership; and 3. Income from selling option premium. <p>The option's (primary) objective is to provide 6 to 8 percent running yield per annum with risk adjusted returns in line with the MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested) over rolling five year periods before fees and taxes.</p>	<p>The stock selection process is built around the simple principle that the best way to preserve and enhance your wealth over the medium term is to 'buy a good business at a good price'.</p> <p>All portfolio positions are subject to intensive research and peer group review. The analytical expertise of the investment team is utilised to pick around 40 stocks to gain equity exposure.</p> <p>At regular intervals, the investment team will sell equity options against a basket of stocks. The preference is to write out of the money options within a three month time horizon. Subject to price and market views longer dated protection will be sought to protect the portfolio from major market falls.</p>	5 years	High	 <p> Australian shares 0.21% International shares 44.17% Cash 55.62% </p>



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2017)
Managed Share	High Growth	<p>To provide investors with long term capital growth by investing in a diversified option of Australian and international shares.</p> <p>The option aims to outperform its composite benchmark (50% S&P/ASX 300 Accumulation Index; 50% MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested)) by 2% over rolling five year periods before fees and taxes.</p>	<p>This option invests in a mix of Australian and international shares. The option mainly invests in Australian companies, including property trusts, with a smaller allocation to shares listed on foreign stock exchanges.</p>	7 years	High	<p>Australian shares 48.74% International shares 48.30% Cash 2.96%</p>
Priority Growth	High Growth	<p>To provide investors with long term capital growth, through exposure across a range of asset classes.</p> <p>The option aims to achieve CPI+3% over rolling seven year periods before fees and taxes.</p>	<p>This option invests mainly in growth assets including Australian and international shares and listed property trusts and holds a smaller proportion of income assets including fixed interest and cash.</p> <p>The option is designed to reduce overall portfolio risk by spreading the option's investments across asset classes.</p>	7 years	High	<p>Australian shares 37.35% International shares 39.25% Listed property securities Australian 1.63% Global 2.69% Alternative investments 8.91% Australian & International Fixed interest 8.16% Cash 2.01%</p>
Australian Value Share	High Growth	<p>To provide investors with capital growth over the medium to long term.</p> <p>The option aims to outperform the S&P/ASX 300 Accumulation Index by 2% over rolling five year periods before fees and taxes.</p>	<p>This option invests in a range of companies listed on the Australian stock exchange. These investments may include shares and units in listed property trusts.</p>	7 years	Very High	<p>Australian shares 96.63% Cash 3.37%</p>



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2017)
Global Growth Share	High Growth	To provide investors with long-term capital growth by investing in securities listed on international stock exchanges. The Option aims to outperform the MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested) by 2% over rolling five year periods before fees and taxes.	To invest in securities with high growth potential that are primarily listed on international stock exchanges. In addition, an active currency management strategy is employed whereby up to 40% of the exposure to international currency may be hedged back to Australian dollars.	7 years	High	<p>International shares 97.93% Cash 2.07%</p>
Global Thematic Share	High Growth	To provide investors with long term capital growth and the benefits of global diversification. The option aims to outperform the MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested) by 2% over rolling seven year periods before fees and taxes.	This option invests in a broad selection of companies listed on foreign stock exchanges.	7 years	High	<p>International shares 97.46% Cash 2.54%</p>
Colonial First State – Aust Shares	High Growth	To provide long-term capital growth with some income by investing in a broad selection of Australian companies. The option aims to outperform the S&P/ASX 300 Accumulation Index by 3% over rolling three year periods before fees and taxes.	Colonial First State's Growth approach is based on the belief that, over the medium-to-long term, stock prices are driven by the ability of management to generate excess returns over their cost of capital in their chosen industry. The strategy of the fund is to generally invest in high quality companies with strong balance sheets and earnings. The fund predominantly invests in Australian companies and therefore does not hedge currency risk.	7 years	Very High	<p>Australian shares 100%</p>

^AFor members in ZSP and ZABP, this income is automatically reinvested in the investment option and forms part of the options' unit price; it is not paid out in distributions to members.

Asset allocations in this report are shown on a pre-tax basis and do not include tax provisions that may be held in relation to an investment option. In practice an investment option may also include a tax provision. The tax provision will reflect that investment option's own tax experience, but may also be affected by the experience of other investment options. For example, an investment option may exchange investment assets (such as shares or bonds) with another for tax losses.

The maximum amount of exchanged tax losses an investment option can acquire is limited, currently to 5% of its total assets. Tax assets are not income producing, and exchanging them between investment options may have a slight effect on the investment returns of the relevant investment options. Where exchanges take place, this activity will be managed in the best interests of the overall fund membership.





Investment performance

For information about investment returns on your plan, please refer to your annual statement. General information on recent investment performance is available from our website at www.zurich.com.au or by calling Zurich Customer Care on 131 551.

The Fund investment objectives and strategy

In accordance with the Trust Deed of the Fund, the overarching investment objective of the Fund is to offer a range of investment options (which have different levels of risk and generate investment returns in different ways, over different time frames and from different asset classes) to build the retirement benefits of members of the Fund by enabling members to select the investment option/s that most closely meet their own particular needs and circumstances. Details of the range of investment options are set out in the investment options summaries on pages 11 to 16. The Trustee does not guarantee a return of invested capital, future investment performance or returns. However, under the Capital Guaranteed option, your investment (less any fees, withdrawals or tax) plus any interest that is credited to your account is guaranteed by Zurich.

Asset allocations

Asset allocations as at 30 June 2017 are included on pages 11 to 16 of this report. Asset allocations for investment options prior to this reporting period are not included in this annual report. If you would like details of the asset allocation for the investment options as at 30 June 2016 or earlier, copies of previous Annual Fund Reports are available by contacting us or by visiting www.zurich.com.au/annualreports.

Standard Risk Measure information

The Standard Risk Measure is based on industry guidance to allow members to compare investment options that are expected to deliver a similar number of negative annual returns over any 20 year period. Investment options are graded across seven 'risk bands'; from 'very low risk' to 'very high risk' (refer to the table below).

Risk Band	Risk Label	Estimated number of negative annual returns over any 20-year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

The system also estimates how many negative annual returns are expected for each option over a 20-year period, to give you a clear idea of how a particular risk level may affect a long-term investment. The Standard Risk Measures at 30 June 2017 for each investment option are included on pages 11 to 16 of this report.

Note:

The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than a member may require to meet their objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return.

Members should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s.

Switching

You can move your money (called "switching") between investment options at any time. There is no minimum amount that must be switched. If we accept a switch request before 3pm in Sydney on a business day, the exit and entry unit prices determined for the relevant options for that business day will generally apply.

Net earnings of the Fund

Net earnings of the Fund are allotted to members via changes in unit prices (except under the Capital Guaranteed option*). When you contribute to the Fund (or someone else such as your employer, contributes on your behalf), a contribution fee (if any) is deducted from the contribution. The amount remaining is then used to purchase units in your chosen option(s) (or the default option if no choice has been made). The number of units allocated is determined by the 'entry price' for the option, which is the unit price for the date when we process your contribution. For example: assume a net contribution of \$2,000 after deduction of the contribution fee, and that the entry price for the relevant investment option at the time we processed the transaction was 1.2112. The number of units issued would have been $2000/1.2112 = 1651.254$. Further units will be added with additional contributions and units will be deducted when management costs, tax, premiums (if any) and benefits are paid.



The unit price will increase or decrease depending on:

- the investment performance of the underlying assets;
- the taxation liabilities of the Fund; and
- management and indirect costs deducted directly from the underlying assets.

Your latest superannuation statement shows the exit unit price at the end of the reporting period. It also shows the number of units and the total value of the balance held in each investment option at the end of the reporting period. Note that the exit unit price differs from the entry unit price by the amount of the buy/sell spread applicable to the investment option, if any. The buy/sell spread is an allowance to cover the cost of buying and selling the underlying assets. It is intended to:

- reflect an estimate of the transaction costs (for example brokerage) payable for buying and selling the underlying assets; and
- ensure that members of the Fund who rarely transact do not disproportionately bear the transaction costs associated with those members that transact more regularly.

The buy/sell spread is not a fee paid to the Fund, the Trustee, or Zurich.

* Under the Capital Guaranteed option, net earnings are allotted to members via an annual declared interest rate.

Investment performance

For information about investment returns on your plan, please refer to your annual statement. General information on recent investment performance is available from our website at www.zurich.com.au or by calling Zurich Customer Care on 131 551.

Reserving policy – investments

The Fund does not maintain any reserves for the purposes of smoothing fluctuations in investment performance. Zurich may use reserves in managing the Capital Guaranteed investments or in other exceptional circumstances.

Tax on earnings and the effect of tax on unit pricing

Zurich superannuation plans:

Investment earnings of the investment options are taxed at a maximum rate of 15%. Imputation credits from share dividends can reduce the tax payable and result in a tax refund for the Fund if there are any excess credits. The calculation of unit prices takes into account the tax on earnings and any imputation credits available.

There may be circumstances where the tax in unit pricing for an investment option is affected by the tax experience of other investment options (for example where the Fund as a whole has significant realised or unrealised capital losses). Where this occurs, the allocation of tax between investment options will be managed in the best interests of the overall fund membership.

Zurich retirement income plans:

No income tax is paid by the Fund on its investment earnings relating to our retirement income plans.

The Fund will generally benefit from any imputation credits (from share dividends) earned on the options' investment earnings. The calculation of unit prices takes into account a credit given to the account-based pension options equivalent to the imputation credits earned by those options.

Investments and the use of derivatives

Derivatives are investments that derive their value from an underlying asset or asset class (for example, an option to purchase a share at a particular price some time in the future). All of the relevant investment managers involved in the Zurich Master Superannuation Fund have provided the Trustee or its representative with a Derivative Risk Statement in relation to their management of derivatives.

Derivatives are generally used to manage the market value of assets or to otherwise protect the value of an investment and not for borrowing or leveraging purposes. The Trustee itself does not invest in derivatives on behalf of the Fund and has not given a charge over any assets of the Fund for derivatives transactions entered into.

Other important information



Other important information



Transfers to an Eligible Rollover Fund (ERF)

Where one of the following occurs, a Fund member's benefit may be transferred to an Eligible Rollover Fund ("ERF"):

- The benefit is immediately payable, and we have not been provided with instructions for payment within 90 days from the date the benefit became payable;
- We have lost track of the member (this is usually when we believe a member has not received at least two consecutive statements from Zurich);
- The member does not meet the relevant plan's minimum account balance;
- The member is inactive and has a balance of under \$1,000;
- Members in respect of whom their account balance in the Fund is identified as being an 'accrued default amount' as defined in the Superannuation Industry (Supervision) Act for a period of more than 3 months; or
- The member has engaged in activity which could result in, or has resulted in, financial detriment to other Fund members or beneficiaries ("misconduct").

Superannuation law also allows the trustee to determine other transfer circumstances. The Zurich Master Superannuation Fund's nominated ERF is AUSfund. Where we intend to transfer your benefits to AUSfund, we will provide you with prior notification. If your benefits are transferred:

- you will no longer be a member of the Zurich Master Superannuation Fund and all associated benefits such as insurance (if any) will cease;
- you will instead become a member of AUSfund;
- AUSfund will invest your benefit using a default investment strategy without knowing whether it is appropriate to your needs;
- AUSfund will have a different fee structure;
- AUSfund will not provide death or disablement insurance benefits.

If you are transferred to the AUSfund, you may request access to, or correction of, any personal information held by AUSfund by writing to AUSfund's Privacy Officer. AUSfund's postal address is:

AUSfund Administration

PO Box 543
Carlton South VIC 3053

Unclaimed superannuation

Broadly speaking if we do not transfer your benefit to an ERF, your superannuation benefit may become unclaimed and paid to the Australian Taxation Office (ATO) if you are:

- over 65 years old, haven't made a contribution for the last two years and have been uncontactable by your fund for five years#
- deceased, haven't made a contribution for the last two years and your fund has been unable to pay the benefit to the rightful beneficiary because they are uncontactable
- a former temporary Australian resident and it has been six months since you left Australia or since your visa expired
- entitled to be paid your ex-spouse's super in a divorce and the fund is unable to contact you
- a lost member* whose account balance is less than \$6,000
- a lost member* whose account has been inactive for 12 months and your fund does not have the information needed to make a payment to you.

You may contact the ATO to claim your benefits should that occur. For further information about unclaimed superannuation and how to claim, please contact your financial adviser or visit the ATO website, www.ato.gov.au.

Generally, for there to be communication between the fund and the member, it needs to be established that both parties sent and received information. Unfortunately, this does not include where the fund has sent the member their annual statement as the fund is unable to verify if the member actually received the statement.

* A person may be a lost member if they have not made a contribution in the last two years and the fund receives returned mail from their last known address.

If you would like further information on AUSfund, please visit their website at unclaimedsuper.com.au call them on 1300 361 798 or email them at admin@ausfund.net.au



Expense recoveries by Zurich or the Trustee

The trust deed for the Zurich Master Superannuation Fund, allows the Trustee to be reimbursed for expenses it reasonably incurs in administering the Fund. In addition, the investment life insurance policy invested in by the Trustee allows Zurich to recover expenses it incurs in administering the Fund's assets.

There is no limit on expense recoveries by the Trustee. These expenses are incurred through activities such as audit, custody, reporting and systems and other changes needed to comply with laws and regulations. Currently Zurich and the Trustee do not make any additional expense recoveries other than those reflected in the management costs, and therefore they are not an additional cost to you.

This arrangement is in place until 30 June 2020 and its continuance will be reviewed in the lead up to that date. Until then, such expenses are borne by Zurich in consideration for a portion of a tax benefit arising from the amount by which the Fund's death and disablement insurance costs exceed assessable contributions received for members to whom those contributions relate. The Fund receives 10% of that tax benefit, plus any additional amounts needed to meet operational risk reserve requirements imposed by the regulator that are not provided by the Zurich Group. Such reserves are used to address operational risk events as determined by the Trustee in accordance with its established procedure. Zurich receives the remainder of the tax benefit which it uses to meet the expenses of the Fund and expenses it incurs in administering the Fund's assets under the Fund's investment life insurance policies, and retains the residue (if any) for its own purposes

Operational Risk Reserve

The fund maintains a reserve for managing operational risk. The reserve is invested in a Capital Guaranteed portfolio under a Zurich life insurance policy. The approximate closing balances of the reserve at the end of the financial years ending 30 June 2013 to 30 June 2017 are set out below:

Date	Operational Risk Reserve
30 June 2017	\$2,600,676
30 June 2016	\$2,142,878
30 June 2015	\$1,701,550
30 June 2014	\$1,218,055
30 June 2013	\$799,045

Superannuation surcharge

The Trustee may deduct any surcharge payable for any superannuation contribution surcharge liabilities, for financial years 2005 and prior, from your account.

Trust Deed

Since the last Annual Fund Report, there have been no changes made to the Trust Deed. A copy of the current Trust Deed can be obtained on the Zurich website, www.zurich.com.au, or by contacting Zurich Customer Care on 131 551.

Policy committees

In certain circumstances a policy committee may have been formed in respect of an employer group in the Fund. The policy committee liaises between those members, the employer and the Trustee and is designed to provide the Trustee with feedback on any concerns members may have about the Fund. For further information about the role of a policy committee, including how to set one up, contact Zurich Customer Care on 131 551.

The Fund accounts

The Fund accounts, auditor's report and certain investment information (a statement of net assets and information about single investments with a value of more than 5% of the portfolio's value) are not included in this annual report. If you would like a copy of the audit report or the audited accounts (available for 2016-17 after 31 October 2017), please contact us. Contact details are on page 25 of this report.



Complaints resolution

Zurich is committed to providing you with high levels of service and has established arrangements for any enquiries or complaints. If you have an enquiry, or if you require any further information about your investment or management of the Fund, please contact Zurich Customer Care on 131 551.

The Fund has an established procedure for dealing with member enquiries and complaints. Should you have a complaint regarding your plan or the Trustee, you should contact Zurich Customer Care on 131 551 in the first instant. The Customer Care Manager has been authorised by the Trustee to receive all enquires and complaints.

If your complaint has been reviewed through Zurich's internal complaints procedures and the matter is not resolved to your satisfaction, you can contact the Superannuation Complaints Tribunal (SCT). The SCT is an independent body established by the Commonwealth Government to assist you if you are dissatisfied with a decision made by the Trustee.

The SCT's details are:
Telephone: 1300 884 114
Locked Bag 3060, GPO Melbourne Vic 3001

The objective of the SCT is to provide a fair, timely and economical means of resolution of complaints as an alternative to the court system. The SCT is able to substitute its own decision in place of that made by the Trustee. Such a substituted decision is binding on the Trustee. The SCT cannot consider complaints that have not been first referred to the Trustee's complaints resolution process.

The Financial Ombudsman Service (FOS) is able to deal with complaints about the administration and management of the Fund. A decision of FOS is binding on Zurich but not the Trustee. FOS can be contacted by call 1800 367 287, or by writing to GPO Box 3, Melbourne, Vic, 3001.

Important: Although there is no time limit for some complaints to the Tribunal, others, such as a complaint about disability or death benefits, must be lodged within a particular time. For further information regarding the relevant time limits, you should refer to the SCT website, www.sct.gov.au.

Anti-Money Laundering and Counter-Terrorism Financing Requirements

Zurich is required to satisfy various regulatory and compliance obligations, including under the Anti-Money Laundering/Counter-Terrorism Financing Act 2006 (Cth). As a member of a Superannuation Fund, you must complete the Customer Identification forms (either included in the application form or available from us on request), and provide the required identity verification information.

Zurich may, from time to time, require additional information from you, which you must provide. In accordance with our obligation, Zurich will monitor your transactions; may also delay or refuse to process certain transactions. We may also be required to disclose information about you to a regulator or law enforcement body.

Residency and applicable laws

Zurich policies are designed for customers who are resident in Australia. If you move to another country outside of Australia, the policy may no longer be suitable for your individual needs, and you may no longer be eligible to make payments into the policy. The local laws and regulations of the jurisdiction to which you move may affect Zurich's ability to continue to service your policy in accordance with its terms and conditions.

You need to tell Zurich of any planned change in residency before the change happens.

We do not offer tax advice, so if you decide to live outside Australia, we recommend obtaining advice on the tax consequences of changing your country of residence in relation to your policy. We will not be held liable for any adverse tax consequences that arise in respect of you or your policy as a result of such a change in residence.



A change in residency might require Zurich to suspend or terminate your insurance (if any) accordingly.

We and other companies within the worldwide Zurich group of companies have obligations under Australian and foreign laws. Regardless of any other policy terms and conditions, Zurich and the Trustee reserves the right to take any action (or not take any action) which could place us or another company within the group at risk of breaching Australian laws or laws in any other country.

All financial transactions, including acceptance of premium payments, claim payments and other reimbursements, are subject to compliance with applicable trade or economic sanctions laws and regulations.

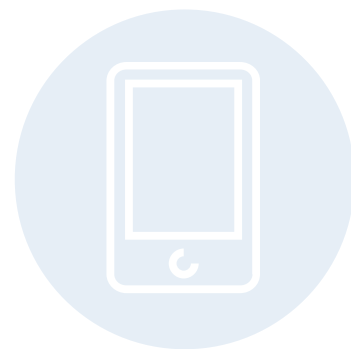
Zurich may terminate a policy where you are considered to be a sanctioned person, or you conduct an activity which is sanctioned, according to trade or economic sanctions laws and regulations. Further, neither Zurich nor the Trustee will provide any cover, service or benefit to any party if we determine this places Zurich or the Trustee at risk of breaching applicable trade or economic sanctions laws or regulations.

Each policy is based on the legal and regulatory requirements applicable at the time the policy is issued. Should the legal and regulatory requirements change in a material way, Zurich is entitled to adapt the terms and condition to the changed legal and regulatory requirements, provided the change is lawful.

Planning to move overseas?

Please contact us before moving so that we can provide you with further information, and consider taking independent financial and/or tax advice on your circumstances. You may be asked to provide additional information and your details may be passed to relevant government authorities. We can also transfer your details to another Zurich worldwide company to check whether a more suitable product is available if you ask us to do so.

Contact details



Enquiries and Fund administration

The team at Zurich Customer Care understands the Fund, and are well equipped to answer questions about the Fund and provide extra information, although they are not able to give financial advice.

Please contact Zurich Customer Care in the most convenient way for you:



131 551



client.service@zurich.com.au



**Locked Bag 994
North Sydney NSW 2059**



www.zurich.com.au

Financial advice

Your financial adviser should be your first point of contact for financial advice. Zurich can only provide you with factual information about your plan and how it operates.

Your board of Directors

as at 30 June 2017



Winsome Hall BA

**Independent Non-Executive Director, Chairman
Appointed 4 December 2007 – Current**

Non-executive director with 20 years' experience in a variety of private and public listed companies in the financial sector; with significant experience in investment governance and innovation funding. Prior to Non-Executive Director roles, Winsome had almost 20 years in Commonwealth government public policy.



Susan Roberts BEC FIAA

**Independent non-executive director
Appointed 1 December 2016 – current**

Formerly CEO and Executive Director Lazard Asset Management, with 25+ years of experience in funds management, financial services and superannuation. Fellow of the Actuaries Institute of Australia, Chair of Investor Working Group of the 30% Club Australia



Brett Bennett GAICD

**Non-Executive Director
Appointed 31 March 2011 - Current**

Chief Technology Officer for APAC. Previously, Chief Technology Officer for Zurich Australia responsible for managing the Technical Operations Group. Prior to Zurich, 15 years with GIO in various roles with the last 10 of these being in Senior & Executive Management positions.



Raelene Seales BBus

**Non-Executive Director
Appointed 16 May 2016 - Current**

Chief Operations Officer for General Insurance Australia responsible for the Zurich Underwriting Centre, Business Transformation, Corporate Real Estate & Facilities Management, Marketing and Customer as well as IT and Commercial Platforms.

Prior to Zurich, Raelene has had over 25 years experience in Banking and Finance including roles at MLC and ANZ.

Important notes

Date of preparation: 5 December 2017

The trustee of the Zurich Master Superannuation Fund ('Fund') is Zurich Australian Superannuation Pty Limited ('Trustee'). Unless otherwise indicated, 'us', 'our' and 'we' generally means the Trustee. The Fund is administered by Zurich Australia Limited ('Zurich') (ABN 92 000 010 195, AFSL 232510).

The assets of the Fund are invested via life insurance policies issued by Zurich. Policy documents have been issued by Zurich to the Trustee setting out the terms on which the Fund's assets are invested and terms on which insurance benefits are provided in respect of members. Through these life policies, each of the investment options are invested in underlying unit trusts managed by Zurich Investment Management Limited ('ZIM') ABN 56 063 278 400 AFSL 232511 or other selected managers.

The information in this report is subject to change and must not be considered as a substitute for the Trust Deed or policy documents, which govern your membership of the Fund. The Trust Deed is consistent with superannuation law and sets out the rights and obligations of the Trustee and the members of the Fund and is available free of charge for members to read. If you wish to read the Trust Deed or policy documents or require further information, access is available on request by contacting us. Our contact details are outlined on page 25. The Trustee is a Registrable Superannuation Entity (RSE) (Licence number L0003216) for the purposes of superannuation legislation and has trustee indemnity insurance in place.

This report should be read in conjunction with your annual statement. Annual statements are generally received shortly after each anniversary of your plan. For members of the Zurich Account-Based Pension the annual statement is produced effective 30 June each year.

Please note that the information contained in this document is general information only. It does not take into account your personal investment objectives, financial situation or particular needs. You should consider these factors and the appropriateness of this information having regard to your objectives, financial situation and needs. We recommend you seek professional advice before making any decision affecting any aspect of your membership in the Fund.

This document contains information about changes to the law governing superannuation. This information, although derived from sources believed to be accurate as at the date of preparing this report, may change. It should not be considered to be a comprehensive statement on any matter and should not be relied upon as such.

Zurich and its related entities receive remuneration such as fees, charges or premiums for the financial products which they issue. Details of these payments, including how and when they are payable, can be found in the relevant disclosure documents for each financial product.

Zurich Australian Superannuation Pty Limited

ABN 78 000 880 553 AFSL 232500

RSE L0003216 Registration No. R1067651

5 Blue Street North Sydney NSW 2060

Zurich Customer Care

Telephone: 131 551 Facsimile: 61 2 9995 3797

Email client.service@zurich.com.au

www.zurich.com.au