



ZURICH[®]

Zurich Master Superannuation


Annual Fund Report
for the year ending 30 June 2016



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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A message from the Trustee



Welcome to the Zurich Master Superannuation Fund Annual Fund Report 2015-16



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 2016.

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

Over the coming year changes for the industry include the impending federal government legislation seeking to enact the superannuation reforms announced in the 2016-17 budget.

The proposed changes are wide-ranging and reinforce the need for heightened education and strategies to support your transition to retirement. With this in mind, please read this report carefully and speak to your financial adviser if you are unsure on how these changes will impact you.

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

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Zurich set for continued growth thanks to Macquarie Life insurance acquisition

Earlier this year, Zurich entered into an agreement to acquire Macquarie Life's life risk business.

The transaction was subject to regulatory and court approvals, and was finalised on 1 October 2016.

This is an exciting development for Zurich Australia's Life & Investments business, reinforcing its commitment to bring quality and value for money life insurance to all Australians.

You will still benefit from the same award-winning service, and there will be no changes to the terms and conditions of any investment plan or insurance cover. And for those who choose Zurich life insurance as part of their membership, Zurich Australia's expanded stronger business will be even better placed to bring you protection which is easier to keep and easier to understand.

More information about this exciting development is available via our website www.zurich.com.au







By now you would have heard about the 'Superannuation Reform Package' that was originally announced by the Federal Treasurer as part of the 2016-17 Budget. Among all the noise of 'winners and losers', 'cuts and changes', many people are still left seeking answers to the most important question: 'How will these measures affect me?'

If you're confused, you're not alone. The Australian superannuation system is one of the most complex in the world – but it's important. Superannuation was designed to provide a better standard of living in retirement than would otherwise be available by the Aged Pension. That's why it's vital Australians are aware of the changes that are being made and can make informed decisions on how they continue to save for their retirement.

Following is a snapshot of the proposed Superannuation Reform package and how those changes may affect you.

1. Reduced cap for non-concessional contributions

What this means: The Government announced on 15 September 2016 the original Budget proposal of a \$500,000 lifetime cap for non-concessional superannuation contributions will be replaced by reducing the existing annual cap of \$180,000 to \$100,000 from 1 July 2017. In addition, individuals with a superannuation balance of more than \$1.6m will no longer be eligible to make non-concessional (after tax) contributions. The limit will be tied and indexed to the proposed transfer balance cap of \$1.6m.

How this may affect you: Access to the bring forward provision will depend on an individual's total superannuation balance being less than \$1.6 million at 30 June of the previous financial year. The new non-concessional contributions cap of \$100,000 per annum is intended to begin from 1 July 2017. Until then, the current treatment of non-concessional contributions apply.

2. Changes to concessional contributions

What this means: From 1 July 2017, the annual cap on concessional superannuation contributions will reduce to \$25,000 (currently \$30,000 under age 50; \$35,000 for ages 50 and over).

How this may affect you: Annual concessional caps can limit people with interrupted work patterns (for example women or carers) access to deductible contributions to the same level as those who don't take breaks from the workforce.

To help these people "catch-up", from 1 July 2018, those with a super balance of less than \$500,000 can make additional concessional contributions if they haven't reached their concessional contributions cap in previous years. Unused cap amounts can be carried forward from 1 July 2018 for five consecutive years. Regardless of which category you fall into, now is a good time to talk to your adviser about salary sacrifice contributions if you want to make the most of the current higher concessional contribution caps. Make sure these contributions are received by your fund no later than 30 June 2017.

3. Tax deduction for personal contributions

What this means: From 1 July 2017, individuals up to age 75 will be able to claim an income tax deduction for personal superannuation contributions.

How this may affect you: This effectively allows all individuals, regardless of employment circumstances, to make concessional superannuation contributions up to the concessional cap. If you are partially self-employed and partially wage and salary earners, or an individual whose employer does not offer salary sacrifice arrangements, you can benefit from these changed arrangements. Note if you are aged 65 or more, you must meet the work-test in order to contribute to superannuation.

4. Reduced income threshold

What this means: the Government will lower the income threshold at which high income earners pay additional contributions tax on concessional contributions. The income threshold is reducing from \$300,000 to \$250,000 per year.

How this may affect you: To be liable for the increased contributions tax, a person would need to have at least \$250,000 in combined income and concessional superannuation contributions. The additional tax would be charged on the whole amount of the contributions, up to the concessional cap, if your salary and wages are above the threshold. Otherwise, the additional tax is only imposed on the portion of the contribution that takes you over the threshold. Only one percent of fund members are expected to pay additional contributions tax as a result of this measure in 2017-18.

While at the time of printing this Report, these superannuation changes have not been legislated, ignoring them may result in penalties and significantly impact your retirement goals. If you are unsure if any of these changes could put your projected super balance at risk, it is recommended you seek professional advice from your financial adviser, who will be able to assist you with your retirement planning taking these announcements into consideration.



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

5. Cap on funds you can use to start a pension

What this means: The maximum amount which can be transferred from superannuation into a retirement income product will be capped at \$1.6 million from 1 July 2017.

How this may affect you: Where an individual accumulates amounts in excess of \$1.6 million, they will be able to maintain this excess amount in their superannuation account. If you are already in a retirement product (such as the Zurich Account-Based Pension) and have a balance above \$1.6 million, you will need to reduce your retirement balance to \$1.6 million by 1 July 2017. Excess balances may be converted to a superannuation account such as the Zurich Superannuation Plan. Alternatively the excess can be withdrawn from the superannuation environment.

6. Low Income Superannuation Tax Offset

What this means: From July 2017, people who earn less than \$37,000 a year and have concessional contributions made on their behalf, will be entitled to the Low Income Superannuation Tax Offset (LISTO).

How this may affect you: If your take-home pay is under \$37,000, your super fund will get a tax discount of up to \$500, based on the tax paid on concessional contributions (which includes your Employer's compulsory contributions and any Salary Sacrifice contributions). The LISTO reduces contributions tax on those contributions.

7. Transition to retirement pensions (TTR) taxed the same as superannuation

What this means: From 1 July 2017 the tax exemption on earnings of a TTR pension, will be removed.

How this may affect you: Under the proposed changes, earnings generated by TTR pensions will be taxed the same as earnings in superannuation (ie taxed 15 per cent), rather than being tax-free. The change is proposed irrespective of when your TTR commenced. TTR pensions may continue to be of value to those members who need extra income while reducing the number of hours worked. If you have a current TTR, you should speak to your adviser to see if the strategy will continue to suit your individual needs.

8. No more anti-detriment payments

What this means: An anti-detriment payment is essentially the refund of contributions tax that increases the death benefit paid to an eligible beneficiary. From 1 July 2017, super funds will no longer be able to provide these payments.

How this may affect you: While lump sum death benefits will continue to be paid to dependants tax free, there will be no additional “anti-detriment” payment included in the death benefit payout. As not every super fund made anti-detriment payments, you should check with your adviser if they had allowed for that payment as part of your estate planning strategy.





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 2016 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 \$21.20 to \$21.56.

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. 2015). The CPI is the "Weighted Average of Eight Capital Cities Index" published by the Australian Bureau of Statistics.

Change of investment objectives

During the period, changes to the investment objectives for the Global Thematic Share, Equity Income, Global Equity Income, Capital Guaranteed and Government Securities options were made effective on the following dates.

Investment Option	Product	Effective Date
Equity Income	ZSP and ZABP only	1 July 2015
Global Equity Income	ZSP and ZABP only	1 July 2015
Global Thematic Share	All	1 October 2015
Capital Guaranteed	ZRP only	1 October 2015
Government Securities	ZRP only	1 October 2015

Please refer to the relevant investment option summary on pages 12 to 19 for the updated investment objectives.

Change of Strategic Investment Partners

Effective 22 September 2015, Antares Capital Partners Ltd was appointed investment manager for part of the Australian Equity allocation within the Diversified options, including the Capital Stable, Balanced, Managed Growth and Priority Growth options.

Effective 22 January 2016, the Alternative Investment asset class within the Diversified options, including the Capital Stable, Balanced, Managed Growth and Priority Growth options, no longer included Colonial First State Investments Ltd as an investment partner.

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.

Superannuation death benefit nominations

As mentioned in last year's report, effective 1 July 2016, non-binding nominations are no longer valid. Existing binding nominations will continue until their expiry (3 years after nomination or renewal). If you have a valid binding nomination in place at the time of your death, the trustee will pay your death benefit to your nominated beneficiaries as long as they are your dependants at the time of death, or your legal personal representative (generally the executor of your will).

For pension products, at the time you commence your plan, you can nominate an eligible dependant to receive your pension at death. An existing reversionary pensioner nomination will continue to apply.

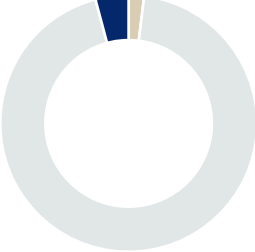

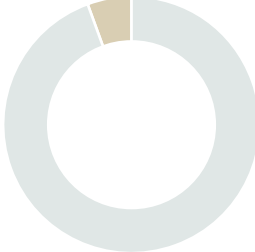
If there is no valid binding nomination or reversionary pensioner, your benefits will be paid in accordance with the rules of the fund which generally means payment will be made to your estate (provided it is solvent).

Further information on death benefits

For further information or to make a binding death benefit nomination, please read and complete the form in the **Zurich Binding Death Benefit Nomination** online brochure at www.zurich.com.au/bindingnominations or call Zurich Customer Care on 131 551 for a hard copy.



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 2016)
Capital Guaranteed (ZRP only)	Stable	To provide investors with a guarantee of capital and outperform the Bloomberg Australian Bank Bill Index over a seven year period before fees and taxes.	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	 <p> Cash 2.14% Australian Fixed Interest 93.72% Australian Shares 4.14% </p>
Cash	Stable	To provide investors with security of capital, along with a competitive cash rate over the short term. The option aims to outperform 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	 <p>Cash 100%</p>
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 (All Maturities) Index over rolling three year periods before fees and taxes.	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	Low	 <p> Australian Fixed Interest 94.29% Cash 5.71% </p>



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2016)
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 outperform its composite benchmark [16% S&P/ASX 300 Accumulation Index (ex-property); 9% MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested); 1% MSCI Emerging Markets Accumulation Index in \$A (net dividends reinvested); 1% S&P/ASX 300 A-REIT Accumulation Index; 1% FTSE EPRA/NAREIT Developed Real Estate Index (hedged in \$A) (net TRI); 22% Bloomberg AusBond Composite Bond Index; 22% Barclays Global Aggregate Index hedged into \$A; and 28% Bloomberg AusBond Bank Bill Index] 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	Low	<ul style="list-style-type: none"> ■ Australian shares 15.62% ■ International shares 10.07% Listed Property securities <ul style="list-style-type: none"> ■ Australian 0.83% ■ Global 1.04% ■ Alternative investments 2.00% ■ Australian & International Fixed interest 45.25% ■ Cash 25.19%
Government Securities (ZRP Only)	Stable	<p>To provide some capital growth, over the medium to long term, by investing in Australian government securities markets.</p> <p>The option aims to outperform the Bloomberg AusBond Composite Bond (All Maturities) Index 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	Low	<ul style="list-style-type: none"> ■ Australian Fixed Interest 95.48% ■ Cash 4.52%



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2016)
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 outperform its composite benchmark [24% S&P/ASX 300 Accumulation Index (ex-property); 14.4% MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested); 1.6% MSCI Emerging Markets Accumulation Index in \$A (net dividends reinvested); 2% S&P/ASX 300 A-REIT Accumulation Index; 2% FTSE EPRA / NAREIT Developed Real Estate Index (hedged in \$A) (net TRI); 19% Bloomberg AusBond Composite Bond Index; 19% Barclays Global Aggregate Index hedged into \$A; and 18% Bloomberg AusBond Bank Bill Index] over rolling three year periods before fees and taxes.</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. The option is designed to reduce overall portfolio risk by spreading the option's investments across asset classes.</p>	4 years	Low to Medium	<ul style="list-style-type: none"> ■ Australian shares 23.46% ■ International shares 16.17% Listed Property securities <ul style="list-style-type: none"> ■ Australian 1.72% ■ Global 2.05% ■ Alternative investments 6.90% ■ Australian & International Fixed interest 40.79% ■ Cash 8.91%



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2016)
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 outperform its composite benchmark [32% S&P/ASX 300 Accumulation Index (ex-property); 23.4% MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested); 2.6% MSCI Emerging Markets Accumulation Index in \$A (net dividends reinvested); 2% S&P/ASX 300 A-REIT Accumulation Index; 3% FTSE EPRA / NAREIT Developed Real Estate Index (hedged in \$A) (net TRI); 12% Bloomberg AusBond Composite Bond Index; 12% Barclays Global Aggregate Index hedged into \$A; and 13% Bloomberg AusBond Bank Bill Index] over rolling three year periods before fees and taxes.</p>	<p>This option invests in a mix of Australian and international shares, fixed interest securities, listed property trusts and cash. The option is designed to reduce overall portfolio risk by spreading the option's investments across asset classes.</p>	5 years	Medium to 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. The option aims to outperform the S&P/ASX 300 A-REIT Accumulation Index over 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	High	<ul style="list-style-type: none"> ■ Australian property securities 94.46% ■ Cash 5.54%



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2016)
Equity Income	Growth	To provide investors with regular income^ and some capital growth from the Australian share market. The Fund aims to provide 7-9% gross running yield per annum over rolling three year periods before fees and taxes.	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.	5 years	High	<p>■ Australian shares 90.46% ■ Cash 9.54%</p>
Global Property Securities	Growth	To outperform the FTSE EPRA/NAREIT Developed Real Estate Index (hedged in \$A) (Net TRI) 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	High	<p>■ Global property securities 100%</p>



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2016)
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 aims to provide 6% to 8% running yield per annum 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	Very High	<ul style="list-style-type: none"> Australian shares 2.63% International shares 79.14% Cash 18.23%
Managed Share	High Growth	<p>To provide investors with long term capital growth by investing in a diversified portfolio 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)) 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	<ul style="list-style-type: none"> Australian shares 47.80% International shares 48.94% Cash 3.26%



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2016)
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 outperform its composite benchmark [37% S&P/ASX 300 Accumulation Index (ex-property); 33.3% MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested); 3.7% MSCI Emerging Markets Accumulation Index in \$A (net dividends reinvested); 2% S&P/ASX 300 A-REIT Accumulation Index; 3% FTSE EPRA/NAREIT Developed Real Estate Index (hedged in \$A) (net TRI); 5% Bloomberg AusBond Composite Bond Index; 5% Barclays Global Aggregate Index hedged into \$A; and 11% Bloomberg AusBond Bank Bill Index]over rolling three 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	<ul style="list-style-type: none"> Australian shares 36.33% International shares 37.81% Listed property securities <ul style="list-style-type: none"> Australian 1.53% Global 3.11% Alternative investments 9.12% Australian & International Fixed interest 12.10%
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 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	High	<ul style="list-style-type: none"> Australian shares 96.57% Cash 3.43%
Global Growth Share	High Growth	<p>To provide investors with long-term capital growth by investing in securities listed on international stock exchanges.</p> <p>The Fund aims to outperform the MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested) over periods of five or more years.</p>	<p>To invest in securities with high growth potential that are primarily listed on international stock exchanges.</p> <p>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.</p>	7 years	Very High	<ul style="list-style-type: none"> International shares 96.33% Cash 3.67%



Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2016)
Global Thematic Share	High Growth	The primary objective of the fund is to provide long term capital growth with the benefits of global diversification. The fund aims to achieve risk adjusted returns that exceed the MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested) over periods of seven or more years.	This option invests in a broad selection of companies listed on foreign stock exchanges.	7 years	Very high	<p>International shares 96.37% Cash 3.63%</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 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	High	<p>Australian shares 98.35% Cash 1.65%</p>

^For 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 options 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.





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 12 to 19. 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 2016 are included on pages 12 to 19 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 2015 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 2016 for each investment option are included on pages 12 to 19 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.

* 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.



Net earnings of the Fund cont.

The unit price will increase or decrease depending on:

- the investment performance of the underlying assets;
- the taxation liabilities of the Fund; and
- management 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.

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

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

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 \$4,000^
- 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.

^ With effect 31 December 2016 this threshold will increase to \$6,000.



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 2017 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 2012 to 30 June 2016 are set out below:

Date	Operational Risk Reserve
30 June 2016:	\$2,142,878
30 June 2015:	\$1,701,550
30 June 2014:	\$1,218,055
30 June 2013:	\$799,045
30 June 2012:	\$393,985

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, the Trust Deed has been amended to modify the arrangements for the payment of death benefits to the arrangements described in the "Update: Product and Investment" section.

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 2015-16 after 31 October 2016), please contact us. Contact details are on page 28 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 1300 780 880, 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 2016



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 funding innovation. Prior to Non-Executive Director roles, Winsome had almost 20 years in Commonwealth government public policy.



Catherine Osborne BA (Mus) LLB

**Independent Non-Executive Director
Appointed 4 December 2007 - Current**

Partner at Curwoods Lawyers and was previously a partner at Wotton & Kearney Lawyers. Previously a partner at Ebsworth & Ebsworth Lawyers from 1998 to 2008, having worked as a lawyer since 1989. Member of a number of industry and professional associations including ASFA, AIST, ANZIIIF, AILA and WII.



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: 26 October 2016

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.

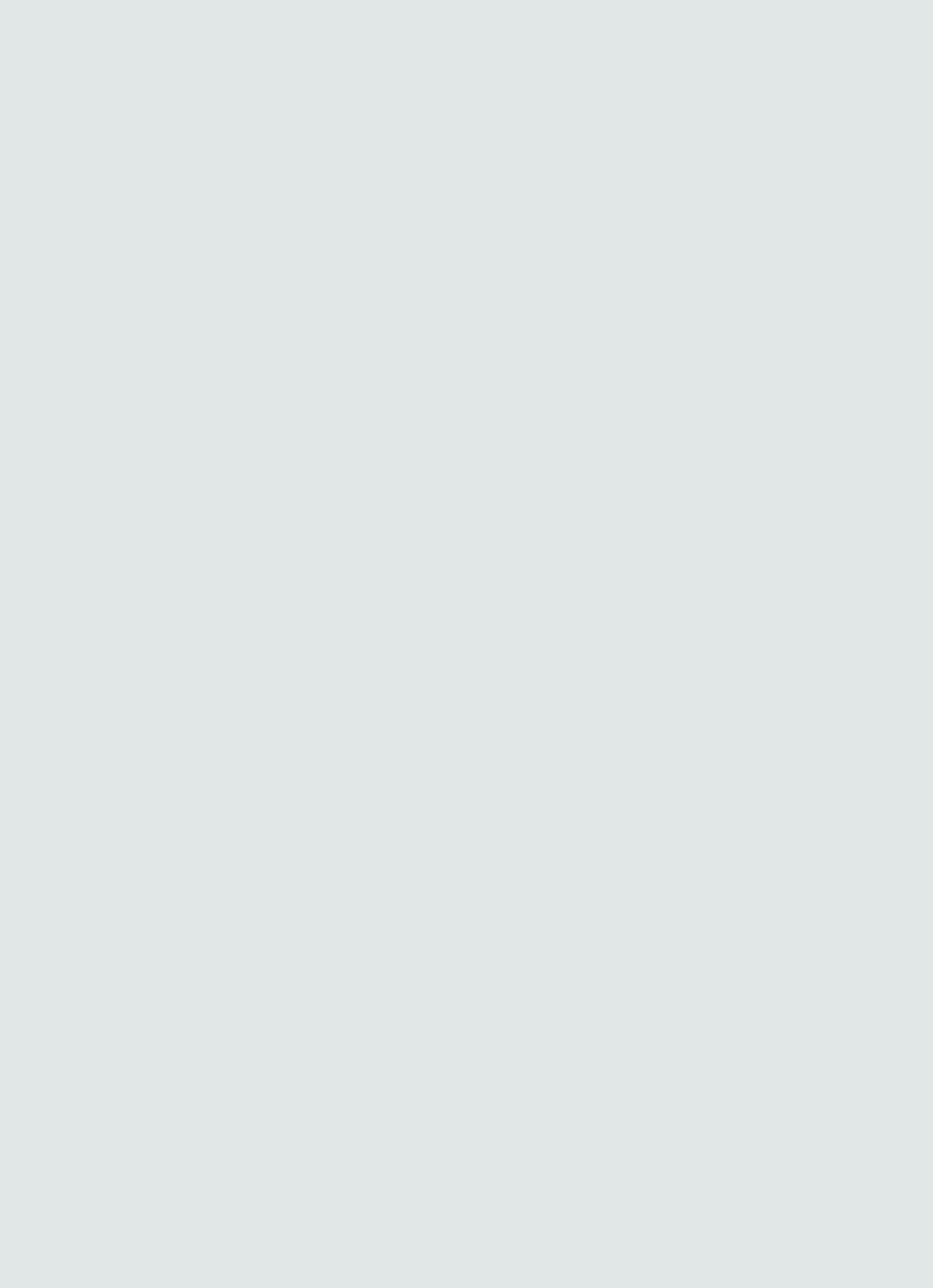
The information in this report is subject to change and must not be considered as a substitute for the Trust Deed or policy documents, which govern your membership of the Fund. The Trust Deed is consistent with superannuation law and sets out the rights and obligations of the Trustee and the members 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 this page. 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