ZURICH®

Zurich Master Superannuation

Annual Fund Report
for the year ending 30 June 2018

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 2017-18

Our aim is to help your retirement goals become reality.

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 2018.

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

You will note in the Report the Trustee has adopted the new Insurance in Superannuation Voluntary Code of Practice, supporting our commitment to high standards when providing insurance to our members.

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 did not receive the Winter edition 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 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

Legislative update

Federal Budget 2018 – Superannuation & Retirement update

Each year, the Federal Government releases its Budget, setting out the economic plan and outlook for Australia. Inevitably, the various measures announced to tackle current social issues and expense management often result in changes being made within the superannuation environment. However this year super was given somewhat of a reprieve with just a small number of announcements specifically aimed at preventing the erosion of superannuation accounts with small balances.

A summary of the key changes announced during the Budget that may impact you include:

"Protecting Your Super" package

The Government's Protecting Your Super package is a package of regulatory reforms designed to protect Australians' superannuation savings from undue erosion by fees and insurance premiums. The draft legislation that has been released for public consultation includes the following elements which are currently planned to take effect from 1 July 2019:

- A cap on administration and investment fees charged on superannuation accounts with balances of $6,000 or less at 3 per cent of the account balance, in addition to banning superannuation funds from charging exit fees for any account.
- Changes to strengthen the ATO-led consolidation regime by requiring the transfer of all accounts that have been inactive for a continuous period of 13 months where the balances are below $6,000 to the ATO. The account will not be transferred if the member has chosen to maintain insurance or if the existing insurance cover has not ceased.
- A requirement on default employer superannuation funds to only offer insurance arrangements on an opt-in basis in relation to accounts:
  - that have balances below $6,000;
  - of new members who are under 25 years old; or
  - that have not received a contribution for 13 months or longer.

Finances for a longer life

The Government intend to introduce a range of measures that will enhance the standard of living of older Australians. These measures are planned to commence on 1 July 2019, and comprise:

- an increase to the Pension Work Bonus from $250 to $300 per fortnight allowing age pensioners to earn up to $7,800 each year without impacting their pension. It will also be expanded to allow self-employed retirees to earn up to $300 per fortnight without impacting their pension;
- amending the pension means test rules to encourage the development and take-up of lifetime retirement income products that can help retirees manage the risk of outliving their savings; and
- expanding the Pension Loans Scheme to everyone over Age Pension age and to increase the maximum fortnightly income stream to 150 per cent of the Age Pension rate. This will enable Australians to use the equity in their homes to increase their incomes.

Work test exemption for recent retirees

With effect from 1 July 2019 the Government will introduce an exemption from the work test for voluntary contributions to superannuation, for people aged 65-74 with superannuation balances below $300,000, in the first year that they do not meet the work test requirements.

The work test exemption will give recent retirees additional flexibility to get their financial affairs in order in the transition to retirement. Currently, the work test restricts the ability to make voluntary superannuation contributions for those aged 65-74 to individuals who self-report as working a minimum of 40 hours in any 30 day period in the financial year.

Important: Your Zurich superannuation plan is not a default employer arrangement. Any insurance you have with Zurich under superannuation will have been acquired on an opt-in basis, with your purchasing decision generally made after your financial adviser had undertaken a full fact find on your individual circumstances and needs. If you are concerned about the level of insurance you have, we suggest that you contact your financial adviser to discuss.

As at the end of November 2018 changes for the Protecting Your Super Package and the Preventing inadvertent concessional cap breaches by certain employees are currently before Parliament and had not passed as legislation. You should speak to your adviser for further information

Preventing inadvertent concessional cap breaches by certain employees

The Government have proposed they will allow individuals whose income exceeds $263,157 and have multiple employers to nominate that their wages from certain employers are not subject to the superannuation guarantee (SG) from 1 July 2018.

The measure will allow eligible individuals to avoid unintentionally breaching the $25,000 annual concessional contributions cap as a result of multiple compulsory SG contributions. Breaching the cap otherwise results in these individuals being liable to pay excess contributions tax, as well as a shortfall interest charge.

Employees who use this measure could negotiate to receive additional income, which is taxed at marginal tax rates.

If you are interested in any of the other announcements from Budget night, Zurich have put together a summary which can be located on their website.

Next steps

Please be aware the measures mentioned in this article have not yet been legislated, and if passed by Parliament they may end up looking slightly different to the announcements made in the Federal Budget and/or the legislation that is currently before Parliament. 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.

New complaints authority for financial services

Effective 1 November 2018 the Australian Financial Complaints Authority (AFCA) became the new external dispute resolution scheme for the financial services industry. AFCA is an independent body established by legislation passed by the Commonwealth Government and provides a free dispute resolution process to consumers and small businesses for financial products and services and replaces the Superannuation Complaints Tribunal (SCT), the Financial Ombudsman Service (FOS) and the Credit & Investments Ombudsman (CIO).

For contact details of the AFCA please refer to page 22 of this Report.

Changes announced last year

As outlined in the 2017 Annual Fund Report, there were a number of changes to superannuation that were before Parliament and had not been passed at the time the Annual Fund Report was prepared.

The following changes have been passed into legislation:

First home super saver scheme

From 1 July 2017, you can make voluntary concessional (before-tax) and non-concessional (after-tax) contributions into your super fund to save for your first home.

From 1 July 2018, you can then apply to release your voluntary contributions, along with associated earnings, to help you purchase your first home. You must meet the eligibility requirements to apply for the release of these amounts.

Downsizer contribution into superannuation

From 1 July 2018, if you are 65 years old or older and meet the eligibility requirements, you may be able to choose to make a downsizer contribution into your superannuation of up to $300,000 from the proceeds of selling your home.

Superannuation catch-up measure

From 1 July 2018, members will be able to make 'carry-forward' concessional super contributions if they have a total superannuation balance of less than $500,000. They will be able to access their unused concessional contributions cap space on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire.

The first year in which you can access unused concessional contributions is the 2019–20 financial year.

For more information about these changes, please contact your financial adviser or refer to the ATO website: https://www.ato.gov.au/Individuals/Super.

Product and Investment update

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 2018 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 $21.88 to $22.30. The cheque fee (ZABP and ZTAP only) has increased from $7.62 to $7.76.

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. 2017). The CPI is the "Weighted Average of Eight Capital Cities Index" published by the Australian Bureau of Statistics.

Change of Strategic Investment Partners

With effect 7 November 2018, DWS Group GmbH & Co replaced State Street Global Advisers as the investment partner managing an allocation within the Australian equities asset class of the Diversified options, including the Capital Stable, Balanced, Managed Growth and Priority Growth 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.

Closure of the Global Equity Income option (ZSP and ZABP clients only)

Effective 21 December 2018 the Global Equity Income investment option will be closed. Members in this option have been asked to nominate an alternative option(s) for their investments or their investment will be moved into the relevant default option.

The decision to close this option was based on the relatively small level of funds under management, which made the option costly to administer. Over the long-term, this could have had an adverse effect on member's investment returns and fees charged.

If you have any questions regarding the closure of this option, please contact either your financial adviser or Zurich's Customer Care team on 131 551.

Insurance in Superannuation Voluntary Code of Practice

Zurich Australian Superannuation Pty Ltd, the Trustee of the Zurich Master Superannuation Fund, has adopted the Insurance in Superannuation Voluntary Code of Practice.

The Code is the superannuation industry's commitment to high standards when providing insurance to members of superannuation funds.

By 31 December 2018, the transition plan for compliance with the Code can be located at www.zurich.com.au. Funds adopting the Code have until 30 June 2021 to comply with it.

A copy of the Insurance in Superannuation Voluntary Code of Practice can be located on the Superannuation and retirement page of the Zurich website - www.zurich.com.au.

Update to Zurich's Privacy Policy

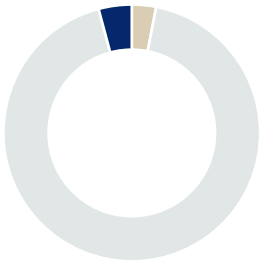
Zurich's Privacy Policy has been updated to include our banking gateway providers and credit card transaction processors as third parties to whom we may disclose your details, including your sensitive information. Other relevant third parties include your intermediary, affiliates of the Zurich Insurance Group, insurers, reinsurers, our service providers, our business partners, health practitioners, your employer, parties affected by claims, government bodies, regulators, law enforcement bodies and as required by law, within Australia and overseas.

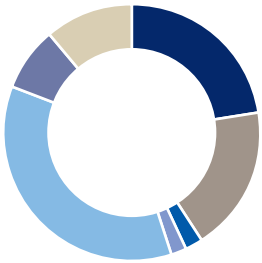
For further information about Zurich's Privacy Policy, a list of service providers and business partners that we may disclose your Information to, a list of countries in which recipients of your Information are likely to be located, details of how you can access or correct the Information we hold about you or make a complaint, please refer to the Privacy link on our homepage – www.zurich.com.au, contact us by telephone on 132 687 or email us at privacy.officer@zurich.com.au.

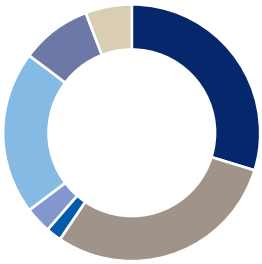
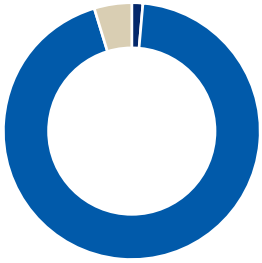
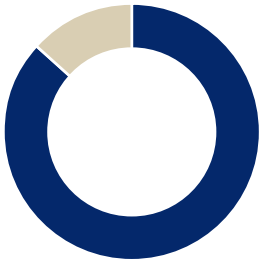
Investment options As at 30 June 2018

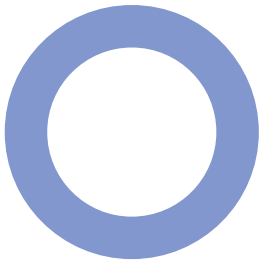
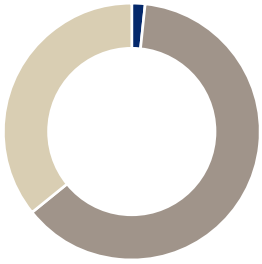
Investment options As at 30 June 2018

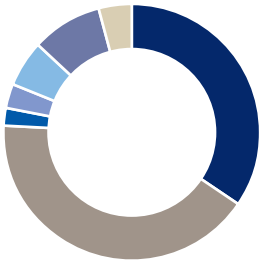
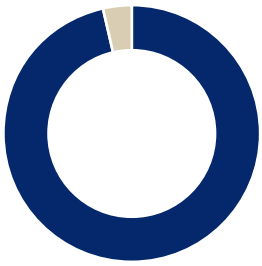
Please note, objectives shown in this section are goals only and may not be met. Objectives, strategies, asset allocation and other aspects of the investment options are subject to change. Unless otherwise specified there is no guarantee as to the performance of any of the investment options or the repayment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

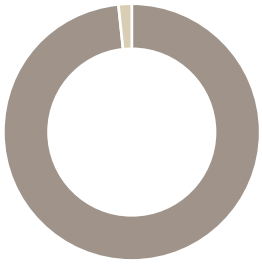
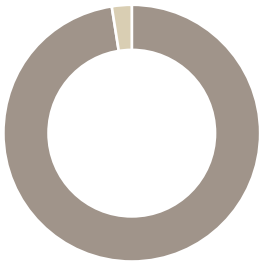
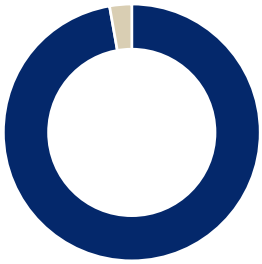
Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2018)
Capital Guaranteed (ZRP only)	Stable	To provide investors with a guarantee of capital, and with the annualised investment return (before fees and taxes) 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	 Cash **3.30%** Australian Fixed Interest **92.63%** Australian shares **4.07%**
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	Cash **100%**
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.	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	Australian Fixed Interest **98.71%** Cash **1.29%**

Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2018)
Capital Stable	Stable	To provide investors with security, and some capital growth over the short to medium term, through exposure to a range of asset classes. The option aims to achieve CPI+1% over rolling three year periods before fees and taxes.	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. The option is designed to reduce risk by diversifying across asset classes.	3 years	Medium	 Australian shares **15.05%** International shares **11.52%** Listed Property securities Australian **1.04%** Global **1.10%** Diversified Fixed Interest **42.71%** Alternative investments **2.09%** Cash **26.50%**
Government Securities **(ZRP Only)**	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.	This option invests in a range of fixed interest securities issued by the Australian government, state government or semi-government entities and corporates.	3 years	Medium	 Australian Fixed Interest **98.87%** Cash **1.13%**
Balanced	Moderate	To provide investors with security and capital growth over the medium to long term, through exposure across a range of asset classes. The option aims to achieve CPI+2% over rolling four year periods before fees and taxes.	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.	4 years	Medium to High	 Australian shares **22.5%** International shares **18.50%** Listed Property securities Australian **2.11%** Global **2.13%** Diversified Fixed Interest **35.68%** Alternative investments **7.99%** Cash **11.09%**

Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2018)
Managed Growth	Growth	To provide investors with capital growth over the medium to long term, through exposure across a range of asset classes. The option aims to achieve CPI+2.5% over rolling five year periods before fees and taxes.	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.	5 years	High	 Australian shares **29.94%** International shares **29.61%** Listed Property securities Australian **2.10%** Global **3.24%** Diversified Fixed Interest **20.45%** Alternative investments **9.07%** Cash **5.58%**
Australian Property Securities	Growth	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 by 1.5% over periods of rolling five year periods before fees and taxes.	This option invests in a range of listed property securities, spread across retail, commercial, tourism and industrial property sectors.	5 years	Very High	 Australian shares **1.48%** Listed Property securities Australian **93.92%** Cash **4.60%**
Equity Income^	Growth	To provide investors with regular income and some capital growth from the Australian share market. 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.	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	 Australian shares **86.92%** Cash **13.08%**

Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2018)
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	 Global Property securities **100%**
Global Equity Income^ *(closing 21/12/18)*	Growth	To provide investors with higher than market income distributed quarterly and derived from three sources; 1. Capital growth from stock selection; 2. Dividends and franking credits from share ownership; and 3. Income from selling option premium. 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	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'. 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. 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.	5 years	High	 Australian shares **1.86%** International shares **62.46%** Cash **35.68%**

Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2018)
Managed Share	High Growth	To provide investors with long term capital growth by investing in a diversified option of Australian and international shares. 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	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.	7 years	High	 Australian shares **48.10%** International shares **49.36%** Cash **2.54%**
Priority Growth	High Growth	To provide investors with long term capital growth, through exposure across a range of asset classes. The option aims to achieve CPI+3% over rolling seven year periods before fees and taxes	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. The option is designed to reduce overall portfolio risk by spreading the option's investments across asset classes.	7 years	High	 Australian shares **34.61%** International shares **41.40%** Listed Property securities Australian **2.12%** Global **3.25%** Diversified Fixed Interest **5.57%** Alternative investments **9.06%** Cash **3.99%**
Australian Value Share	High Growth	To provide investors with capital growth over the medium to long term. The option aims to outperform the S&P/ASX 300 Accumulation Index by 2% over rolling five year periods before fees and taxes.	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.	7 years	High	 Australian shares **96.61%** Cash **3.39%**

Investment Option	Category	Investment Objective	Investment Strategy	Minimum time horizon	Standard Risk Measure	Asset Allocations (as at 30 June 2018)
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	 International shares **98.60%** Cash **1.40%**
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	 International shares **97.71%** Cash **2.29%**
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	 Australian shares **97.37%** Cash **2.63%**

^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 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.

Additional information on investments

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 10 to 15. 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 2018 are included on pages 10 to 15 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 2017 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 current at 30 June 2018 for each investment option are included on pages 10 to 15 of this report. Any changes to the Standard Risk Measure will be published on the Zurich website (on the "Updates" tab on the Product Disclosure Statement page for Superannuation and Retirement).

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.

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 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.

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 2025 unless Zurich puts an acceptable proposal to the Trustee for consolidation of the fund with another superannuation fund before then. Until that time, 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 will receive 10% of that tax benefit until 30 June 2020, plus any additional amounts needed to meet operational risk reserve requirements imposed by the regulator that are not funded by the Zurich Group. The Fund's operational risk reserve is used to address unrecoverable losses arising from operational risk events as and when determined by the Trustee in accordance with its established procedure and will be fully funded by 30 June 2020. 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 2018 are set out below:

Date	Operational Risk Reserve
30 June 2018	$2,998,235
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 2017-18 after 31 October 2018), 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 instance. 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 Australian Financial Complaints Authority (AFCA).

AFCA is an independent body established by legislation passed by the Commonwealth Government and provides a free dispute resolution process to consumers and small businesses for financial products and services.

AFCA cannot consider complaints that have not been first referred to the Trustee's complaints resolution process. However, if you have made a complaint to the Trustee and you are not satisfied with the response you receive, or the trustee fails to resolve the complaint within the 90 days you can raise the matter with the Australian Financial Complaints Authority (AFCA). You can contact AFCA at:

Online: www.afca.org.au
Email: info@afca.org.au
Phone: 1800 931 678
Mail: Australian Financial Complaints Authority
GPO Box 3 Melbourne VIC 3001

The objective of AFCA is to provide an accessible, independent, fair, accountable, efficient and effective resolution of complaints as an alternative to tribunals and the court system. AFCA is able to substitute its own decision in place of that made by the Trustee. Such a substituted decision is binding on the Trustee.

Important: Although there is no time limit for some complaints to AFCA, 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 AFCA website, www.afca.org.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.

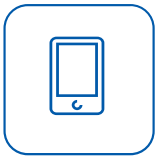
Contact details

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 2018

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.

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

- Operations Business Stream Leader - Life & Investments, responsible for the target operating model design for all operations (Product, Investments, Customer, Underwriting, Claims and Property) for the ANZ One Path acquisition and defining the customer servicing experience between OnePath, ANZ and IOOF.
- Previously 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: 4 December 2018

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

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