

Annual Report 2018

INSIDE

- ▶ Strong long-term returns
- ▶ Professional investment management
- ▶ Personalised service
- ▶ Your real estate industry fund





On the cover: Nik Bradley, Creswick and District Sales Consultant PRD Nationwide, Ballarat, Victoria.

‘My biggest career highlight so far was a sale I made to a lovely older couple in their 70s. The husband had recently lost his sight and they were needing to find a more suitable place to live and they wanted to stay in Creswick.

They knew it was going to be really hard to be able to stay in their community but I managed to find a place for them that suited them really well. That was my biggest win for the year.’



Download the REI Super app!

View your super on the go.



Stay connected

Join us on social media where we are sharing important updates and industry news so you can stay on top of your super.

[facebook.com/reisuper](https://www.facebook.com/reisuper) twitter.com/reisuper [linkedin.com/company/rei-super](https://www.linkedin.com/company/rei-super)

Features



6
Saving money for our members



9
Supporting professional development in the Industry



16
Federal Budget changes to super

Contents

- 4** Chair’s message
- 6** CEO’s message
- 9** Supporting the industry
- 10** Investment report
- 12** Investment returns & SuperRatings benchmarks
- 14** Investment managers and trusts
- 15** Financial advice options
- 16** Federal Budget changes
- 17** Your investment options
- 22** Managing your fund
- 24** Governance of the Board of Trustees
- 26** Fees and other costs
- 27** Insurance Savings Pension Fee Cuts
- 30** Financial statements
- 32** Contact details

The information in this annual report is for general information purposes only. It has been prepared and published by REI Superannuation Fund Pty Ltd ABN 68 056 044 770 RSE L0000314 AFSL 240569. REI Super ABN 76 641 658 449 and RSE R1000412 MySuper unique identifier 76641658449129 for the general information of members of REI Super. It does not take into account any member’s individual financial objectives, financial situation or needs. We recommend that you seek help from a licensed financial adviser before acting on any information contained in this annual report. Although REI Super makes every reasonable effort to maintain current and accurate information, you should be aware that there is still the possibility of inadvertent errors and technical inaccuracies. The REI Super Helpline and online account access for members are provided by Mercer Outsourcing (Australia) Pty Ltd ABN 83 068 908 912 and Mercer Financial Advice (Australia) Pty Ltd (MFA) ABN 76 153 168 293, Australian Financial Services Licence (AFSL) #411766 November 2018

Another successful year

In the financial year ended 30 June 2018 REI Super's Balanced option delivered another strong investment return to our members of 7.72% (net of fees and taxes), which was well above its annual performance objective of at least 3% above inflation.

2018 also marked the Balanced option's ninth consecutive year of positive returns generated since the global financial crisis, including four years of double-digit returns.

Over the five years to 30 June 2018, the Balanced option has provided an average annual net return to members of 8.59%. This is a great result for REI Super members' savings in the longer term context as well.

A year of two distinct periods for the markets

The first six months of the financial year were very strong, as investment markets were driven by optimism about stronger global economic growth. Most global share markets performed extremely well during this period, especially those in emerging market economies and the technology sector. Global and domestic property and fixed interest also performed well.

During the second six months of the year we started to see increased volatility in some markets. During this period emerging markets experienced reverses on their earlier gains while developed markets (such as the US) generally continued to strengthen.

The benefits of our investment decisions

Our portfolios performed well under these influences. Our Australian and international share market exposures provided above-average returns and bond returns were also solid.

'As an industry super fund, we exist solely to provide benefits and services to our members.'

Our portfolios particularly benefited from our holdings in European shares – especially within the energy sector. Both listed and unlisted property delivered solid gains during the financial year as well. (See the table on pp 12-13 for the full investment results).

Diversification: always a good strategy for the long-term

The reason for maintaining well-diversified portfolios across different asset types is of course because the recent peaks and troughs are a normal part of the investment cycle. When some assets are performing well others may be performing poorly, and vice versa. History suggests that both shares and bonds have produced unusually high returns in recent years, fuelled in part by central banks' stimulus measures to kick start growth in many economies.

As always, the Investment Review Committee and the Board spend a great deal of time with our advisers to devise and implement our investment strategy.

Our role is to serve our members' best interests

As an industry super fund, REI Super doesn't have shareholders to whom we have to pay dividends. We exist solely to provide benefits and services to our members.

During the course of 2018 the Banking and Financial Services Royal Commission exposed egregious profit-taking practices in the retail – or bank-owned sector – of the superannuation industry. These findings again brought into stark relief the superiority of the industry superannuation model, which has members' best interests, rather than corporate best interests, at its heart.

I am very proud to be associated with a fund that operates under this model and which, as one of Australia's original industry super funds, has provided superior investment returns, benefits and services to our members since 1975.

Thank you

I would like to thank all our members and participating employers for their continued support of the Fund. And thank you to the team and the Trustee Directors at REI Super for another successful year of work on behalf of our members.

Claire Higgins
Chairperson



Saving money for our members

2017-18 was another successful year for REI Super. Our team remains committed to delivering excellent superannuation services and performance to our members and stakeholders. We continued to build our scale, with a trajectory of strong and sustainable growth. We also developed a number of initiatives that took effect shortly after the year end.

Fee and premium reductions for our members

We worked hard during the year on saving money for our members. We were very pleased to have been able to offer these reductions, because as the real estate industry super fund, our sole purpose is to maximise our members' retirement savings. This is in contrast to bank-owned super funds, which pass on profits to their shareholders.

We reduced death and disablement insurance premiums by 5 to 6%

During the year we negotiated a premium reduction with our group cover insurer, MetLife, which has enabled us to pass savings on to our members of 5 to 6% of their death and total and permanent disablement premiums. The lower premiums came into effect on 1 October 2018.

Lower insurance premiums naturally translate into more money in our members' superannuation savings.

We reduced administration fees on pension accounts

We also achieved some great efficiencies in our pension administration area which enabled us to reduce the administration fee on our pension account from

'We were very pleased to have been able to offer reductions, because as the real estate industry super fund, our sole purpose is to maximise our members' retirement savings.'

\$182.00 to \$85.80 per annum, effective 1 October 2018, keeping more retirement savings in our members' accounts. (The administration fee is in addition to the percentage-based fees on members' chosen investment option or options.)

New tailored investment strategy for pension members

In July 2018 we launched a default investment strategy for new pension members who do not wish to actively manage their own investment mix. Existing REI Super pension members can also choose this strategy.

The strategy splits members' accounts across our Balanced and Cash investment options in set proportions, depending on the member's age group. As a member gets older, we gradually increase their level of investment in cash and reduce their level of investment in growth-style assets such as shares.

We developed this strategy because we recognise that the vital thing, particularly in retirement, is for members' super savings to be invested in a way that is relevant to their investment timeframe. They also need a measure of certainty and access to secure income.

Don't let the ATO take your super

This year's Federal Budget contained a number of proposals for changes to super. At the time of writing, they were still making their way through the parliamentary process. One of the proposals is to transfer 'inactive' accounts of \$6,000 or less to the ATO. An inactive account would be defined as one that had not received a contribution for 13 months or more.

You can keep your account active and avoid the impact of this proposed rule by making a contribution to your REI Super account – even a very small one. It's easy to login to your account on our website to make a contribution or a rollover.

Thank you

I would like to thank all our members and participating employers for their continued support and contribution to the Fund. Thank you also to the Board of Trustees and REI Super's entire team for their ongoing commitment to serving the best interests of REI Super members during the year.

Mal Smith

Chief Executive Officer





REI Super Business Development Manager Sharlene Jamieson presents fortnightly at REINSW training seminars for new agents. Sharlene covers aspects of why super is important and how to grow your super investment. Sharlene also provides examples of the value of consolidating, explains recent changes to super, with particular focus on saving for your first home through super and super opportunities for downsizing

Supporting professional development in the real estate industry

REI Super supports all the state real estate industry institutes by providing information and education to their members.

We are one of the oldest Industry Super Funds in Australia with more than 40 years' experience. We actively support the institutes' development of the profession and advocacy of professional standards in the real estate industry.

Tailored for real estate businesses

REI Super works closely with all the major real estate institutes, franchises and employer bodies to ensure that all real estate staff and employers have access to the super information they may require. All active REI Super members are eligible to run for election as a Director of the Board of Trustees, ensuring that the REI Super Board represents a broad range of real estate professionals and interests.

Easy to manage

REI Super understands that real estate businesses tend to be smaller, independently-owned practices where many people multi-task and time is precious, so making super contributions needs to be simple and efficient.

Unique insurance cover

We know that sales people generally earn most of their income in commission and that it is this, not just their retainer, which needs to be insured through Income Protection Insurance.

REI Super is the only real estate-specific superannuation fund named in the Federal Real Estate Award as a default fund.



Strong returns for members

The 2017-18 financial year was again a year of two halves.

The first six months were quite strong, as markets looked past uncertainty and focused on all the positives, such as stronger global economic growth, and the positive impact of President Trump's tax cuts on US company profits. We saw some spectacular investment returns from global share markets, especially from emerging market shares and from the technology sector.

Markets, however, wound back some of this excessive optimism in the second six months, and focused on the risks related to trade wars, rising interest rates, and political events.

This saw divergence in market performance in the latter half of the year, with emerging markets suffering losses while developed markets generally strengthened.

Despite the choppiness of the second half of the year, REI Super recorded another strong financial year, with the Fund's Balanced investment option delivering a net return of 7.72%. Over the five years to 30 June 2018, the Balanced option has provided an average annual net return to members of 8.59%.

Investment returns for all our investment options are provided on pages 12-13.

Where the returns came from

Growth assets did very well, with Australian and international equity markets delivering above historical average returns for the year.

Bond markets returns were subdued but respectable, and an important source of diversification for the portfolio.

We also benefited from our overweight allocation to European shares, and specifically to the energy sector, which performed strongly. Our Australian equity managers also did very well.

Finally, both our listed property exposures, as well as our unlisted exposure via Industry Super Property Trust (ISPT) produced strong results.

On the horizon

Equity and bond markets have enjoyed unsustainably high returns over recent years, fuelled by very low interest rates. Many markets still appear expensive based on fundamentals, despite the recent market volatility, and as interest rates rise, we are closely watching how they react.

We expect more volatility is ahead of us in the near term, and in this environment, we believe continued caution is warranted. This can also create opportunities of course to acquire well priced assets when others are making emotional decisions. We remain focused on building returns over the long term.

Market assessment: the short term and the long term

Over the short term, we are seeing signs of rising inflation in the US and believe inflation risks are rising globally. As such, we have been increasing our holdings of inflation-linked bonds which will offer the portfolios some protection from such increases.

We think that Australian and US share markets remain expensive, although this has reversed somewhat with the markets falls in October 2018. We still have a slight preference for Japan and Emerging Markets, and in some selective European sectors where there is better value.

Over the longer term, our strategy is to remain invested across a diversified suite of assets. We remain disciplined in our investment process and look to take advantage of opportunities as they emerge. We will continue to focus on investments that are well priced and have good potential to provide excellent long-term returns for members with an acceptable level of risk.

Note: Past returns are no guarantee of future performance, and investment returns of less than one year should not be relied upon as any guide to future performance.

Investment returns

REI Super's net investment returns* to 30 June 2018

Investment option	1 year (%)		3 years (average annual % p.a.)		5 years (average annual % p.a.)		7 years (average annual % p.a.)		10 years (average annual % p.a.)		Commencement date
	REI Super	Benchmark	REI Super	Benchmark	REI Super	Benchmark	REI Super	Benchmark	REI Super	Benchmark	
REI Super											
Growth¹	9.28	10.56	8.45	7.81	10.10	9.97	9.83	9.25	6.96	6.65	1/07/98
Balanced²	7.72	9.22	7.17	7.29	8.59	8.91	8.65	8.48	6.70	6.70	1/07/90
Stable³	4.61	4.65	4.26	4.41	5.03	5.27	5.43	5.44	4.83	5.09	1/11/03
Premium Income	2.69	4.65	3.76	4.41	n/a	5.27	n/a	5.44	n/a	5.09	1/10/13
Cash⁴	1.27	1.62	1.42	1.75	1.68	1.99	2.23	2.44	2.83	2.92	1/07/98
Australian Shares	7.07	13.40	9.34	9.37	9.81	10.11	8.36	9.96	7.34	6.96	31/07/06
International Shares	10.91	12.25	9.19	8.86	12.42	12.47	11.89	12.33	10.00	7.57	31/07/06
Australian Property	11.74	n/a**	9.06	n/a**	11.17	n/a**	11.90	n/a**	8.99	n/a**	31/07/06
Global Property	6.64	n/a**	6.83	n/a**	8.03	n/a**	7.39	n/a**	7.37	n/a**	31/07/06
Bonds	1.32	2.06	3.13	2.77	4.14	3.60	5.04	4.50	5.60	5.29	31/07/06
REI Super Pension											
Growth¹	7.98	11.82	8.71	9.37	10.81	11.16	10.60	10.31	7.50	7.27	31/10/06
Balanced²	6.59	9.92	7.28	7.94	9.12	9.75	9.32	9.27	7.25	7.04	31/10/06
Stable³	4.20	5.17	4.36	4.87	5.46	5.98	5.95	6.19	5.34	5.82	31/10/06
Premium Income	3.17	5.17	4.22	4.87	n/a	5.98	n/a	6.19	n/a	5.82	1/10/13
Cash⁴	1.59	1.91	1.69	2.08	2.03	2.35	2.57	2.87	3.31	3.51	31/10/06
Australian Shares	4.76	14.80	9.34	10.16	10.45	11.28	9.29	10.12	8.13	7.63	31/10/06
International Shares	12.09	13.57	10.06	9.39	13.69	13.50	13.49	13.19	11.35	8.10	31/10/06
Australian Property	12.27	n/a**	9.71	n/a**	12.31	n/a**	13.26	n/a**	10.00	n/a**	31/10/06
Global Property	7.53	n/a**	7.48	n/a**	9.07	n/a**	9.20	n/a**	9.14	n/a**	31/10/06
Bonds	2.02	2.42	3.20	3.26	4.56	4.21	5.55	5.19	6.27	5.93	31/10/06

1. Known as Super Growth to 30 June 2016.

2. Known as Trustee Super Balanced to 30 June 2016.

3. Known as Super Stable to 30 June 2016.

4. Known as Super Cash to 30 June 2016.

* Please note: All REI Super returns are quoted net of investment fees and tax. Past performance is not an indication of future performance.

** No SuperRatings benchmark available.

How investment earnings are applied to members' accounts

Members' accounts receive the earnings achieved on the underlying investments of their chosen investment option(s), net of investment-related costs. Investment earnings have been determined and allocated weekly via the change in the weekly unit price of the chosen investment option(s).

Benchmarks for superannuation returns

REI Super options	Median fund returns
Growth	SuperRatings High Growth (91-100) Index
Balanced	SuperRatings SR Balanced (60-76) Index
Stable	SuperRatings Capital Stable (20-40) Index
Premium Income	SuperRatings Capital Stable (20-40) Index
Cash	SuperRatings Cash Index
Australian Shares	SuperRatings Australian Shares Index
International Shares	SuperRatings International Shares Index
Australian Property	No SuperRatings benchmark available
Global Property	No SuperRatings benchmark available
Bonds	SuperRatings Diversified Fixed Interest Index

Investment Managers & Trusts

As at 30 June 2018

Asset	Investment Managers
Australian shares	Allan Gray Australia JCP Investment Partners Omega Platypus Vinva
International shares	Altrinsic Blackrock Lazard (Japanese Equities) Marathon Sands Capital Omega iShares
Property	Omega Vanguard
Unlisted property	Industry Super Property Trust
Global infrastructure	Omega
Australian bonds	Metrics Omega
International bonds	Colchester Ashmore (Emerging Market Debts) Standish Global Bond T.Rowe Price
Global inflation linked securities	Omega (Australia) Omega (Global)
Cash	Omega

This information is correct as at 30 June 2018.

REI Super's policy on the use of derivatives

The REI Super Trustee does not currently invest directly in futures, options and other derivatives and has no intention of doing so.

REI Super's Implemented Investment Consultant, Morningstar, is permitted to use such instruments to assist with the effective management of the assets of the Morningstar Investment Trusts to the extent described in its Derivative Risk Statement (DRS). Investment managers appointed by Morningstar are permitted to use such instruments to assist with the effective management of the assets, within constraints set both by Morningstar and as described in each asset manager's DRS.



Erin Fisher,
REI Super member
New South Wales

Financial advice to suit all our members' needs

REI Super makes it easy to access financial advice that's right for you, with some services provided to REI Super members at no charge.

The advice that we can provide covers the full spectrum of your potential financial planning needs, including:

- Super savings advice
- Organising to receive a retirement income from superannuation
- Comprehensive advice on any financial topic

Topic	Sample coverage	Cost for phone advice	Cost for video advice	Cost for face-to-face advice
Superannuation advice	Risk appetite Selecting investments Contribution options Insurance needs Savings adequacy	No cost		\$295
Transitioning to retirement advice	Setting up or reviewing a Transition to Retirement (TTR) strategy	\$295	\$295	\$495
Transferring your superannuation account to a pension account		No cost		\$495
Comprehensive advice	Any other financial planning topic (e.g. estate planning, other investments etc.)	First appointment free Subsequent appointments on a fee-for-service basis		

Financial planning is offered to REI Super members through our appointed administrator and consultant, Mercer. Mercer financial advisers are authorised representatives of Mercer Financial Advice (Australia) Pty Ltd (MFA) ABN 76 153 168 293, Australian Financial Services Licence 411766.

Federal Budget changes to super

Key changes include:

- Transferring inactive accounts with \$6,000 or less to the ATO
- Opt-in (rather than automatic) insurance for under 25s and or accounts with less than \$6,000
- Capping of fees (to a maximum of 3%)
- Banning of exit fees
- Work test changes
- Some exemptions for high income earners with multiple employers

Changes outlined in the federal budget in May 2018 were still making their way through the parliament at the time of writing. The changes are most likely to be supported, however, to make their way into law for 2019.

So what could this mean for members?

Inactive accounts

The definition of an inactive account is likely to be determined as an account that has not received a contribution for 13 months or more. If your super was to go to the ATO you would have no costs, but you would lose your insurance cover and your returns would be tied to CPI (inflation) which in most cases would be significantly less than in your REI Super account. As a younger member in particular there can be many reasons why you may not have a contribution - travel, career changes, maternity leave to name a few.

If you are not receiving employer contributions you can keep your account active by making a personal contribution; just \$1 a year will keep your super invested with your industry super fund, REI Super.

Opt in insurance

Currently all members of REI Super automatically receive default levels of cover when joining. Levels of cover and costs are negotiated with our insurer on the basis of number of members insured and the spread of their ages, amongst other factors. In future, members under 25 or with less than \$6,000 in their account would need to choose to have insurance cover. That's likely to lead to fewer members insured and increased cost of cover.

Capping of fees and banning of exit fees

This is a good thing for members and removes any barriers to rolling all your super into the one account and making further savings. Multiple funds mean multiple fees and cost.

Work test changes

Will allow members aged 65-74 with less than \$300,000 in super to contribute to super even if they don't work at least 40 hours in 30 consecutive days in a financial year.

Exemptions for high income earners

Under the proposed changes, high income earners with multiple employers would be able to exclude income from some employers to avoid going over the \$25,000 cap for pre-tax ('concessional') contributions.

Your investment options

You can invest in one option or a mixture, depending on your investment needs. If you don't choose an investment option, your account balance will be invested in the Balanced option (also known as the MySuper option).

Over 90% of REI Super members are invested in the Balanced option. This portfolio is invested across shares, property, unlisted investments, infrastructure, fixed interest and alternative investments.

Understanding investment risk

Each investment option has a different level of investment risk (volatility), together with a different likely level of earnings (returns) on the investment.

Investment risks include:

- Changing economic cycles
- Political events, wars and natural disasters
- Investment market sentiment
- Tax and legislation changes
- Interest rates and currency relativity changes
- Factors affecting particular industries, companies or securities.

The effects of this volatility on investments may mean that over a period they do not grow and may, in fact, fall in value.

Historically, growth assets such as Australian and overseas shares and property carry a higher level of risk (volatility) over the short-term, with the likelihood of higher

returns over the long-term. None of the investment options are capital guaranteed, and their value may rise and fall.

When choosing your investment option, you may wish to seek professional financial advice as well as considering:

- The amount of time your money will be invested
- The level of investment earnings (return) you are hoping to achieve
- The level of risk (volatility) that you are comfortable with.

When making investment decisions, the appointed investment managers take into account the expected return and performance of their investments, depending on their own investment style.

The managers may, from time to time, consider social, ethical, environmental matters or labour standards of companies within the portfolio, where these may materially impact on the performance.

Your investment options

Growth¹



- 1. Australian shares
- 2. International shares
- 3. International listed property (hedged)
- 4. Unlisted property
- 5. Global infrastructure
- 6. Australian bonds
- 7. International bonds
- 8. Global inflation linked bonds
- 9. Alternatives
- 10. Cash

	Super SAA %	Pension SAA %	Actual at 30 June 2018		Actual at 30 June 2017*
			Super %	Pension %	%
1. Australian shares	31	34	27.3	31	26.5
2. International shares	45	42	49.3	48.6	44.6
3. International listed property (hedged)	8	8	4.5	6.1	4.8
4. Unlisted property	3	3	3.4	2.7	3.5
5. Global infrastructure	4	4	2.1	2.1	1.8
6. Australian bonds	0	0	1.0	1.0	–
7. International bonds	0	0	2.2	2.3	4.2
8. Global inflation linked bonds	0	0	1.8	2.4	2.0
9. Alternatives	8	8	1.9	1.5	7.0
10. Cash	1	1	6.5	2.3	5.6

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 4% pa over rolling 10 year periods.

Risk Profile: High

Stable¹



- 1. Australian shares
- 2. International shares
- 3. International listed property (hedged)
- 4. Unlisted property
- 5. Global infrastructure
- 6. Australian bonds
- 7. International bonds
- 8. Global inflation linked bonds
- 9. Alternatives
- 10. Cash

	Super SAA %	Pension SAA %	Actual at 30 June 2018		Actual at 30 June 2017*
			Super %	Pension %	%
1. Australian shares	9	10	9.1	9.9	10.6
2. International shares	14	13	10.5	10.0	14.0
3. International listed property (hedged)	4	4	2.2	2.8	–
4. Unlisted property	0	0	0	0	–
5. Global infrastructure	2	2	0	0	–
6. Australian bonds	18	18	18.1	18.5	18.4
7. International bonds	11	11	10.9	10.6	12.9
8. Global inflation linked bonds	6	6	9.7	9.1	9.7
9. Alternatives	10	10	2.1	2.1	6.4
10. Cash	26	26	26.6	26.6	27.6

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 1% pa over rolling 3 year periods.

Risk Profile: Low to medium

Balanced¹



- 1. Australian shares
- 2. International shares
- 3. International listed property (hedged)
- 4. Unlisted property
- 5. Global infrastructure
- 6. Australian bonds
- 7. International bonds
- 8. Global inflation linked bonds
- 9. Alternatives
- 10. Cash

	Super SAA %	Pension SAA %	Actual at 30 June 2018		Actual at 30 June 2017*
			Super %	Pension %	%
1. Australian shares	20	22	19.0	20.4	18.1
2. International shares	33	31	44.2	41.9	32.4
3. International listed property (hedged)	7	7	4.7	4.8	–
4. Unlisted property	4	4	4.9	4.2	4.7
5. Global infrastructure	3	3	1.7	1.8	1.9
6. Australian bonds	8	8	6.3	8.3	8.5
7. International bonds	5	5	4.5	4.9	6.3
8. Global inflation linked bonds	3	3	5.5	4.8	5.1
9. Alternatives	12	12	2.0	2.2	7.4
10. Cash	5	5	8.9	6.7	10.5

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 3% pa over rolling 10 year periods.

Risk Profile: Medium to high

Premium Income¹



- 1. Australian shares
- 2. International shares
- 3. International listed property (hedged)
- 4. Unlisted property
- 5. Global infrastructure
- 6. Australian bonds
- 7. International bonds
- 8. Global inflation linked bonds
- 9. Alternatives
- 10. Cash

	Super SAA %	Pension SAA %	Actual at 30 June 2018		Actual at 30 June 2017*
			Super %	Pension %	%
1. Australian shares	10	11	8.8	10.0	6.5
2. International shares	5	4	10.7	9.1	8.1
3. International listed property (hedged)	7	7	2.1	2.1	1.4
4. Unlisted property	0	0	0	0	–
5. Global infrastructure	4	4	1.6	1.5	1.4
6. Australian bonds	24	24	24.3	27.9	24.4
7. International bonds	15	15	15.1	15.5	13.4
8. Global inflation linked bonds	5	5	7.8	7.6	7.7
9. Alternatives	0	0	0	0	–
10. Cash	30	30	29.6	26.4	35.4

Performance objective: To earn a rate of return that exceeds Consumer Price Index increases by at least 1.0% pa over rolling 3 year periods.

Risk Profile: Low to medium

Charts show Super Strategic Asset Allocation.

For more details about investment options, go to www.reisuper.com.au/investment-guide and read the REI Super Investment Guide.

¹ Allocations shown may vary by up to +/- 15%.

* Asset allocations for Super and Pension were combined in actual figures for 2017.

Cash⁵



	SAA	Actual at 30 June 2018	Actual at 30 June 2017
Cash	100%	100%	100%

Performance objective: To match and, where possible, enhance performance relative to the benchmark (Bloomberg AusBond Bank Bill Index) over rolling three year periods by investing predominately in Australian short-term cash deposits and cash equivalent securities.

Risk Profile: Very low

⁵ Known as Super Cash to 30 June 2016

Australian Property



	SAA*	Actual at 30 June 2018	Actual at 30 June 2017
Australian Listed Property	100%	100%	100%
100% Australian Property Securities			

Performance objective: To grow the value of your super savings above the S&P/ASX 300 Property Accumulation Index over rolling five-year periods.

Risk Profile: High

Australian Shares



	SAA*	Actual at 30 June 2018	Actual at 30 June 2017
Australian Shares	100%	100%	100%

Performance objective: To grow the value of your super savings above the S&P/ASX 300 Accumulation Index over rolling five-year periods.

Risk Profile: Very high

Global Property



	SAA*	Actual at 30 June 2018	Actual at 30 June 2017
International Listed Property Hedged	100%	100%	100%
100% International Property Securities (Hedged)			

Performance objective: To grow the value of your super savings above the UBS Global Real Estate Investors Index (\$A Hedged) over rolling five-year periods.

Risk Profile: Very high

International Shares



	SAA*	Actual at 30 June 2018	Actual at 30 June 2017
International Shares (Hedged)	50%	50.4%	50.1%
International Shares (Unhedged)	50%	49.6%	49.9%

Performance objective: To grow the value of your super savings above the benchmark over rolling 5-year periods. The weighted average benchmark comprises: 50% MSCI All Country World Ex-Australia with Net Dividends Reinvested (Unhedged) Index and 50% MSCI All Country World Ex-Australia with Net Dividends Reinvested (\$A hedged) Index.

Risk Profile: High

Bonds



	SAA*	Actual at 30 June 2018	Actual at 30 June 2017
Australian Bonds	50%	50%	50.6%
International Bonds (Hedged)	50%	50%	49.4%

Performance objective: To earn a rate of return above the benchmark over rolling 3 year periods. The benchmark is 50% Bloomberg AusBond Composite Bond Index and 50% Barclays Global Aggregate (Hedged in \$A) Index.

Risk Profile: High

For more details about investment options, go to www.reisuper.com.au/investment-guide and read the REI Super Investment Guide.

*May include exposure to cash of up to 10%.

Managing your fund REI Super Trustee Directors



Claire Higgins

Chair, Independent Director

REI Super Board Committee memberships:

- Audit, Risk & Compliance Committee
- Investment Review Committee
- Governance Committee
- Remuneration Committee



Emery Feyzeny

Independent Director

REI Super Board Committee memberships:

- Investment Review Committee (Chair)
- Remuneration Committee
- Governance Committee



Michelle Beveridge

Independent Director

REI Super Board Committee memberships:

- Remuneration Committee
- Audit, Risk and Compliance Committee
- Marketing Committee



Greg Paterson

Member Elected Director

REI Super Board Committee memberships:

- Investment Review Committee
- Administration Committee
- Governance Committee
- Death & Disablement Benefit Claims Committee



Ian Armstrong

Member Elected Director

REI Super Board Committee memberships:

- Marketing Committee (Chair)
- Audit, Risk & Compliance Committee
- Investment Review Committee



Beth Stratfold

Member Elected Director

REI Super Board Committee memberships:

- Administration Committee (Chair)
- Marketing Committee
- Death & Disablement Benefit Claims Committee (Alt)



Jonathan Blocksidge

Member Elected Director

REI Super Board Committee memberships:

- Governance Committee (Chair)
- Investment Review Committee
- Administration Committee



Dianne Helmich

Member Elected Director

REI Super Board Committee memberships:

- Marketing Committee
- Governance Committee
- Death & Disablement Benefit Claims Committee (Chair)



John Bailey

Member Elected Director

REI Super Board Committee memberships:

- Death & Disablement Benefit Claims Committee
- Administration Committee
- Remuneration Committee (Chair)



Neville Pozzi

Member Elected Director

REI Super Board Committee memberships:

- Administration Committee
- Audit, Risk & Compliance Committee (Chair)
- Remuneration Committee

Governance of the Board of Trustees

The Trustee is responsible for the management of the Fund and ensuring that it is managed in accordance with the Trust Deed and the Superannuation Industry (Supervision) Act 1993 and Regulations. There are strict internal and government controls over the operation of REI Super. You can view the Trust Deed at reisuper.com.au/about-us/our-board.

At REI Super we are committed to Fund Governance, compliance and risk management. Our policies, processes and procedures reflect this commitment. You can view these at reisuper.com.au/about-us/governance.

The Board has established seven committees to assist in the oversight of the various functions and operations of the Fund. All seven committees report through to the Board. Directors are required to complete a minimum of 20 hours training per annum.

The Trustee has a conflicts management framework to ensure it identifies and takes all reasonably practicable actions to avoid, or manage, all potential and actual conflicts in its business operations. The policy is available at reisuper.com.au/about-us/governance.

A Register of Duty and Relevant Interest, as well as a Gift Register, are maintained and are available on the website. The Trustee holds indemnity insurance to protect the Fund from the costs involved in legal actions.

Directors' and Chairperson's remuneration

The Board has implemented a process for the periodic review and evaluation of its performance and the performance of its committees, individual Directors and Executive Officers. More information is available at reisuper.com.au/about-us/governance/board-renewal-policy.

Directors' attendance at meetings

There were four Board meetings held during the year. Listed below are the number of Board and committee meetings attended by each Director and the Chair for the last seven years.

Name	Date of appointment	2017 /18	2016 /17	2015 /16	2014 /15	2013 /14	2012 /13	2011 /12
Ian Armstrong	12/11/1996	3	5	4	4	3	4	5
John Bailey	1/09/2007	3	5	3	3	4	4	5
Michelle Beveridge	27/10/2017	3	—	—	—	—	—	—
Jonathan Blocksidge	1/10/2011	3	5	4	4	4	3	4
Emery Feyzeny	15/02/2012	3	5	4	4	4	4	2
Dianne Helmich	1/11/2014	4	5	4	3	—	—	—
Claire Higgins	1/10/2014	4	5	4	3	—	—	—
Greg Paterson	1/12/2013	3	5	4	4	2	—	—
Neville Pozzi	9/12/1993	4	4	4	4	4	4	4
Beth Stratfold	1/05/1998	4	5	4	4	4	4	5

Cells marked with '—' indicate the Director was not serving on the REI Super Board during that financial year.

Fees and other costs

Effective from 1 October 2018

How fees are charged to your account

REI Super manages the Fund with a tight control on costs, because we know that lower fees and costs mean higher returns to our members' accounts. Investment costs are deducted from your investment earnings before the earnings are added to your account. Fees and costs related to administration of your account are deducted directly from your account, and the amounts are shown on your annual member statement.

You should read all the information about fees and costs because it is important to understand their impact on your investment. Please refer to reisuper.com.au/fees for more information.

Different types of fees and costs

Type of fee or cost	Super, TTR* and Pension members	How and when paid
Investment fee	From 0.15% p.a. to 0.50% p.a. depending on the investment option.	These fees are not deducted directly from your account. They are deducted proportionately from the investment option and reflected in the calculation of the unit prices.
Administration fee	\$85.80 p.a. (\$1.65 per week) + 0.25%.	The dollar fee is deducted from your account balance monthly in arrears or on the date your account is closed. The percentage fee is not deducted directly from your account. This fee is deducted proportionately from the investment option and reflected in the calculation of the unit prices.
Buy/Sell spread	Buy spread from 0.00% to 0.15% depending on the investment option. Sell spread from 0.00% to 0.15% depending on the investment option.	These amounts are not deducted directly from your account. They are charged each time units are bought or sold on your behalf and reflected in the calculation of the unit prices.
Indirect Cost Ratio	From 0.00% p.a. to 0.46% p.a. depending on the investment option.	These costs are incurred indirectly by our investment managers and are attributed to the investment option before the gross investment returns have been determined.
Withdrawal/exit fee	\$90	Deducted from your account for each withdrawal or if your account is closed.

For more information refer to Additional explanation of fees and costs on page 28.

* TTR - Transition to Retirement.
For more details about fees and costs go to reisuper.com.au and read **Fees and costs**. The material relating to the fees and costs may change between the time when you read this Statement and the day when you acquire the product.

Fee rebate

If your total account balance is over \$300,000, you will receive a Fee rebate on the portion of your account over \$300,000 as follows:

Account balance	Rebate (%)
First \$300,000	Nil
Amount over \$300,000	0.28%

Insurance premiums

The cost of insurance premiums are also passed on to members by deduction from their accounts. Please refer to the Fund's PDS for more details.

Fee changes

The Trustee has the right to increase fees at any time. You will receive at least 30 days' notice of any increase in fees.

For more details about fees and costs, go to reisuper.com.au/fees. Please note that details relating to the fees and costs may change between the time you read this Report and the day you acquire the product.

Great fee reductions for members

Insurance premiums reduced

REI Super is pleased to announce that we have successfully negotiated savings for our members covered by our Death and Total and Permanent Disablement insurance. Negotiations with our insurer, MetLife, have enabled us to pass on savings of 5% to 6% to most members.

Pension admin fees cut by over 50%

Efficiencies achieved in our administration have enabled us to pass on significant savings to Pension members' accounts, cutting the flat administration fee by more than half, from \$182.00 per annum to just \$85.80 per annum.

Lower fees mean more money for our members

As Australia's Real Estate Industry Super Fund, our sole purpose is to make profits for our members, in contrast to the bank-owned super funds that direct profits to shareholders.

We are constantly searching for ways to improve our members' super outcomes.

Additional explanation of fees and costs

Administration fee

These fees cover the general administration and management of the Fund, including the operations of the Trustee office, the costs associated with regulatory compliance, communications and marketing and access to Helpline advice services provided by Mercer Financial Advice (Australia) Pty Ltd (MFA) ABN 76 153 168 293, Australian Financial Services Licence 411766.

Investment fee

The investment fees (shown in Table 1 below) include internal and external investment-related fees such as investment management fees, asset consulting fees, custody fees etc. These fees are not deducted directly from Members' account balances, instead they are deducted from

the underlying assets of each investment option and reflected in the unit prices.

As these are forward looking estimates, actual fees may vary from these depending on the actual assets each investment option invests in.

Indirect costs

Indirect costs are those that, directly or indirectly, reduce the return on investments of each investment option including investment management costs, performance related fees and certain transactional and operational costs.

These costs are not deducted directly from Members' account balances, instead they are deducted from the underlying assets of each investment option and reflected in the unit prices. The ICRs (shown in Table 1 below)

represent the ratio of the total indirect costs for each investment option to the total average net assets attributed to that investment option. The actual indirect costs for each investment option and hence the actual ICRs are likely to vary from year to year.

Buy/Sell spread

When a contribution is received or a benefit is paid, it is used to purchase or sell units in your investment option. For some investment options, the entry price for the issue of units may be different from the exit price for the redemption of those units.

The difference between the entry and exit price represents an allowance for transaction costs, and is commonly referred to as a 'Buy/Sell spread'.

Buy/Sell spreads (if incurred) are additional costs and do not form part of the management costs shown in the 'Example of annual fees and costs' table above. The Buy/Sell spreads of each investment option are set out in the table below:

Investment option	Buy/Sell spreads
Growth	0.15% / 0.15%
Balanced	0.14% / 0.14%
Stable	0.10% / 0.10%
Premium Income	0.09% / 0.09%
Australian Property	0.08% / 0.08%
Australian Shares	0.09% / 0.09%
Bonds	0.10% / 0.10%
Global Property	0.09% / 0.09%
International Shares	0.08% / 0.08%
Cash	0.00% / 0.00%

Fee changes – our disclosure obligations

All fees are current at the time of publication. They may be revised or adjusted by us from time to time. We may also introduce new fees from time to time.

If there were to be a material increase in fees, we'll notify you at least 30 days in advance of the change.

Where there is a materially adverse change to the Indirect Costs Ratios, we will update the PDS and this document. Where the change is not materially adverse, we will provide an update on our website at reisuper.com.au.

Eligible Rollover Fund (ERF)

If your account balance is less than \$6,000 and we have not received a contribution for you for more than 16 months, we may transfer your account balance to AUSfund, our nominated ERF. If we have a current address, we will write to you and give you the option to reactivate your account before transferring your REI Super account to AUSfund.

If your superannuation benefits are transferred to AUSfund, your personal information will also be passed on to AUSfund and you will cease to be a member of REI Super and will lose any insurance arrangements you have in place with REI Super.

To contact AUSfund

Email: admin@ausfund.net.au
 Web: unclaimedsuper.com.au
 Phone: 1300 361 798

TABLE 1: Investment fees & Indirect Cost Ratio (ICR)

Investment option	Super Investment fee [^] p.a.	Pension Investment fee [^] p.a.	Indirect Cost Ratio p.a. (ICR)*		
			Super	Pension	TTR
Growth	0.51%	0.44%	0.51%	0.46%	0.44%
Balanced	0.47%	0.43%	0.46%	0.38%	0.43%
Stable	0.38%	0.36%	0.32%	0.34%	0.36%
Premium Income	0.33%	0.32%	0.10%	0.11%	0.09%
Australian Property	0.26%	0.26%	0.00%	0.00%	0.00%
Australian Shares	0.30%	0.30%	0.02%	0.08%	0.00%
Bonds	0.33%	0.33%	0.05%	0.10%	0.09%
Global Property	0.41%	0.41%	0.14%	0.09%	0.07%
International Shares	0.16%	0.16%	0.02%	0.08%	0.06%
Cash	0.16%	0.16%	0.05%	0.08%	0.08%

[^] The Investment fees above represent the Trustee's reasonable estimates for the 2017/18 financial year and will vary from year to year depending on the underlying asset mix of each investment option. * The ICRs above reflect the Trustee's reasonable estimates of the actual indirect costs incurred by the underlying investment vehicles used by the Fund over the 2017/18 financial year. Past fees and costs may not be a reliable indicator of future fees and costs.

Financial Statements

Financial Year ended 30 June 2018

Statement of financial position as at 30 June 2018

	2018 \$'000	2017 \$'000
Assets		
Cash and cash equivalents	7,355	6,458
Receivables	2,322	934
Investments	1,621,769	1,501,529
Prepayments	78	46
Deferred tax assets	138	151
Total assets	1,631,662	1,509,118
Liabilities		
Creditors and accruals	1,674	1,342
Employee entitlements	185	178
Current tax liability	7,183	5,300
Deferred tax liabilities	18,781	14,989
Total liabilities excluding member benefits	27,823	21,809
Net assets available for member benefits	1,603,839	1,487,309
Members benefits	1,587,395	1,483,028
Net assets	16,444	4,281
Equity		
Operational risk reserve	3,954	3,730
Administration reserve	4,773	4,529
Unallocated surplus/(deficit) *	7,717	(3,978)
Total equity	16,444	4,281

* Unallocated earnings or losses between the date of the unit prices determined by the Trustee and the reporting date are shown in the statement of financial position as 'Unallocated surplus/(deficit)' within equity.

Income statement for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Revenue from superannuation activities		
Interest	65	105
Trust distributions	76,752	117,797
Net changes in fair value of investments	44,246	4,554
Other investment income	3,529	3,291
Other income	29	295
Total superannuation activities revenue	124,621	126,042
Expenses		
Direct investment expense	326	301
General administration expenses	7,622	7,280
Total expenses	7,948	7,581
Net profit superannuation activities	116,673	118,461
Benefits allocated to members accounts	(95,193)	(125,551)
Profit/(loss) before income tax	21,480	(7,090)
Income tax expense	9,653	9,008
Profit/(loss) after income tax	11,827	(16,098)

Statement of changes in member benefits

	2017/18 \$'000	2016/17 \$'000
Member benefits at start	1,483,028	1,327,394
Employer contributions	104,116	104,688
Transfers in	20,944	29,354
Member contributions	11,498	17,098
Insurance proceeds	5,081	3,063
Net investment income	102,911	132,738
Total credited to member accounts	244,550	286,941
Net benefits paid	-111,150	-102,850
Income tax on contributions	-15,969	-14,971
Administration fees	-7,717	-7,187
Insurance premiums	-5,347	-6,299
Total deducted from member accounts	-140,183	-131,307
Member benefits at end	1,587,395	1,483,028

Reserves

Administration Reserve

The Fund maintains an Administration Reserve which is managed in accordance with the Fund's Administration Reserve Policy. It's used to pay for unexpected future administration and operational expenses of the Fund, to provide any additional funding which may be required in the Operational Risk Reserve and for any other purpose which is considered by the Trustee to be in the best interests of Fund beneficiaries.

Operational Risk Reserve

The Fund has an Operational Risk Reserve, in accordance with APRA's prudential standards. This reserve is managed in accordance with the Fund's Operational Risk Financial Requirement (ORFR) Strategy. The Trustee may use the reserve to make a payment to address an operational risk event.

	2018 \$'000	2017 \$'000	2016 \$'000
Administration Reserve			
Balance at beginning of period	4,529	4,334	4,520
Movement	244	195	-186
Balance at end of period	4,773	4,529	4,334
Operational Risk Reserve			
Balance at beginning of period	3,730	3,298	3,082
Movement	224	432	216
Balance at end of period	3,954	3,730	3,298

Contacting us couldn't be easier

Contact us



1300 13 44 33

Between 8:30am and 7:00pm (AEST)
Mon-Fri (local call cost within Australia)



admin@reisuper.com.au



reisuper.com.au

GPO Box 4303, Melbourne VIC 3001

Fax (03) 9245 5827

Online enquiry form:

reisuper.com.au/contact

Join

To join REI Super go to **reisuper.com.au/join** or call us on **1300 13 44 33** to request a copy of the PDS to be sent by post.

Register as an employer

To register and gain access to our free clearing house, go to **reisuper.com.au** and click **join** or call **1300 13 44 33** to request a copy of the Employer Application Form.

Change of details

You can update your details online. Access your account at **reisuper.com.au** or call **1300 13 44 33**.

Protecting your privacy

The Fund holds personal information about you (such as your name, address, date of birth and tax file number) in order to provide your super benefits. This personal information may be disclosed to the Fund's administrators and professional advisers, insurers, Government bodies, employers and other parties. The Fund has a privacy policy which can be viewed at **reisuper.com.au/privacy-policy**.

Problem?

Most queries can be answered over the phone. If you are not satisfied with our response, REI Super has a formal complaints handling procedure. This procedure provides a mechanism to lodge complaints and to have them answered. Details of how to lodge a complaint and where to send this to are available in our *How to make a complaint* factsheet, which can be found in the Publications and Forms section of our website at **reisuper.com.au**.

