



Ensuring your family is looked after

INSIDE THIS EDITION

- Investment results for the quarter ending 30 June 2016
- *Behind the numbers* analysis of the quarterly investment returns
- *Ensuring your family is looked after:* Helping you understand your beneficiary nomination choices.

While a Will is a great first step in managing your estate, the Trustee of a super fund is not actually bound to follow instructions within your Will about who receives your super.

The rules governing super mean that we are only able to pay your APSS benefit to one or more of your dependants or your legal personal representative (i.e. the executor of your estate). For more information on who can be a 'dependant' see page 3.

So, the best way to ensure that your benefit from super goes to whom you prefer, is to let us know which of these eligible people you would like to receive your benefit, in the event of your death.

Cover story

When it comes to nominating a beneficiary for your death benefit, the APSS offers you two choices. You can make either a **binding** or **non-binding (preferred)** nomination. Knowing that your family is being looked after in the event of your death, may help to provide you with peace of mind.

Binding nominations

When you make a valid binding nomination, the Trustee is legally obliged to pay your benefit in accordance with your stated wishes. Binding nominations have a fixed term of three years, and can provide you with greater certainty about payment of your benefits. It is therefore important that you update your binding nomination if your personal circumstances change, such as having a child, remarrying or divorcing. This will ensure that your nomination continues to reflect your wishes. Your binding death benefit nomination will generally remain valid despite a change in your circumstances, (such as separating from your spouse, but not filing for divorce) therefore if you do not update your nomination, it may no longer reflect your wishes when you die.

Be sure to complete the *Binding Nomination* form correctly.

When making a binding nomination, please make sure that you complete all sections of the *Binding beneficiary nomination* form correctly. The APSS can only pay in accordance with your binding nomination if:

- the person(s) you have nominated are classified as dependants for superannuation purposes at the time of your death, or your legal personal representative (see the section 'who you can choose as your beneficiary' for more information);
- the total percentages for your nominations add up to 100% ;
- it is signed and dated by you in front of two witnesses (who both sign at the same time) who are aged 18 or over and are not nominated by you on the form; and
- your nomination is received by us before your death.

If your binding beneficiary nomination is invalid at the time of your death the Trustee will decide who will get your super.



Cover story

Non-binding (or preferred) nomination

Alternatively, you can make a non-binding nomination, which has no expiry date and is used as a guide by the Trustee. This means that, if you die, the Trustee is obliged by law to conduct its own investigations into your personal circumstances before deciding who should receive your benefit payment. The Trustee can take your non-binding nomination into account, but must act in the best interests of your dependants when making a decision.

When deciding who should receive your death benefit, remember that current superannuation law only allows it to be paid to your dependants (see below) or your legal personal representative (i.e. your estate).

As always, if you hold a Pension Account, you also have the option to make a **reversionary** beneficiary nomination. Please see the *Choosing your beneficiaries* fact sheet at apss.com.au for more information about this.

How to choose or change your beneficiaries

Non-binding nomination

Login to your account at apss.com.au, or call SuperPhone and make your changes over the phone. You can also download the *Nominate your beneficiaries* form from the website, or call to have one sent to you.

Binding nomination

Download the *Binding beneficiary nomination* form at apss.com.au or call to have one sent to you.



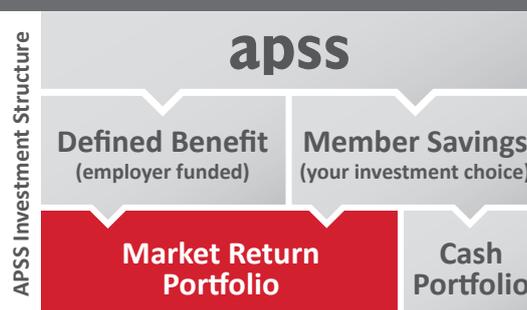
Who can be a dependant?

You can choose the following people:

- your spouse (including de facto and same-sex).
- your children (including step, adopted and ex-nuptial).
- a person who has an interdependent relationship with you – this means you live together in a close personal relationship, and one of you provides the other financial assistance, domestic support and personal care. If you have a close personal relationship but either or both of you have a physical intellectual, or psychiatric disability, or you are living apart temporarily (such as temporarily working overseas or in jail), your relationship is still interdependent.
- any other person who is financially dependent on you.

The Market Return Portfolio

The crediting rates for Market Return Member Savings are determined by reference to the investment returns of the Market Return Portfolio. The APSS Market Return Portfolio invests in a broad range of shares, real estate and bonds comprising both listed (public) and unlisted (private) global assets. The Market Return option has a higher relative risk and volatility than the Cash Return investment option with an expectation of higher returns over the long term. The APSS adopts strategies aimed at reducing the impact of volatility in financial markets and currency markets.



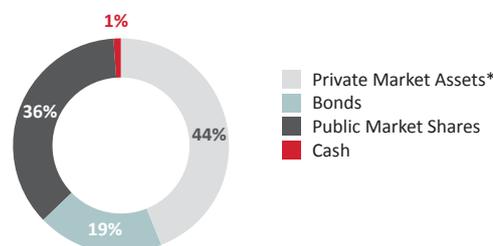
Market Return Member Savings Crediting Rates to 30 June 2016

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	1.15%	3.27%	8.63%	8.25%
APSS Rollover	1.15%	3.27%	8.63%	8.25%
APSS Pension	0.99% [#]	3.38%	9.67%	9.31%

The compound crediting rates shown above are after investment costs and tax (where applicable). Pension members do not incur tax on investment earnings of their APSS Pension Accounts.

[#]The current quarter Pension return is lower than the Employee return due to a tax adjustment being processed in April 2016.

Actual asset allocation for the quarter ending 30 June 2016



* Private Market Asset class is made up of Private Property and Private Market Shares. Remember, the Trustee intends to scale down the private market investments in the Market Return Portfolio over time.

Important reminder: Past investment returns are not necessarily indicative of future investment returns.

Behind the numbers

The Market Return crediting rate for Member Savings was 1.2% for the June quarter, bringing the crediting rate for the 2015-16 financial year to 3.3% (after tax). The crediting rates for the APSS Pension are slightly different as investment earnings are not taxed.

The June quarter produced a volatile end to a

volatile year in financial markets. Already grappling with record low bond yields and slow global economic growth, investors had to adjust to the shock result of the 'Brexit' referendum on 23 June and a new set of unknowns about how and when – Britain's exit from the European Union may occur, and with what repercussions.

Reminder

* In June 2013, the Trustee amended the investment strategy for Market Return Member Savings and the assets held in the APSS to pay defined benefits (both of which are currently invested in the Market Return Portfolio), increasing the Market Return Portfolio's target allocation to public market investments and reducing the portfolio's target allocation to private market investments, without reducing the long-term expected investment returns. The transition is expected to take several years and is designed to ensure that the APSS has liquid assets to pay benefits now that it is closed to new Australia Post employees, while continuing to meet the long-term growth objectives of members who choose Market Return Member Savings.

The Market Return Portfolio

Behind the numbers (continued)

Share markets around the world fell around 5% on average following the UK referendum, erasing the gains made earlier in the quarter. But markets regained some value in the final days of June, so the APSS’s public market shares delivered a return of 2.8% (after tax).

Capital flowed into the relative security of government bonds, resulting in a 1.3% return on the APSS’s bond portfolio. Volatility in public markets tends to cause a slowdown in private markets, as fund managers and other investors adopt a ‘wait and see’ approach. The APSS’s

private market investments rose slightly through the quarter, except that currency movements pulled the total value of those investments down by 1.5%.

The return achieved over the past financial year is a small reward for navigating through such volatile global conditions. Market Return investors can take some comfort in gaining a small margin over the cash interest rate and, once again, achieving an above-average result (compared to annual return figures for growth funds reported in super surveys).

How we compare

How \$1,000 invested in APSS Market Return Member Savings would have changed in value since 1 July 2007 compared to the same amount invested in publicly-traded Australian and overseas shares.



*Australia Share Market reflects returns from Russell Australian Shares for period prior to 30 September 2014 and Russell After-Tax Australian Shares Unit (for Superannuation Investors) thereafter.

Values used in this chart are based on Russell Investments’ Australian Shares and International Shares (Hedged) PST sector funds.

Important reminder: Past investment returns are not necessarily indicative of future investment returns.

The Cash Portfolio

The crediting rates for Cash Return Member Savings are determined by reference to the investment returns of the Cash Portfolio. The APSS Cash Portfolio invests in high quality cash deposits or bills and short-term interest bearing securities. The Cash Return option is therefore relatively low risk, with a capital guarantee provided by Australia Post that means crediting rates will not be negative, but with an expectation of lower relative returns in the long term.



Cash Return Member Savings Crediting Rates to 30 June 2016

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	0.35%	1.69%	1.99%	2.47%
APSS Rollover	0.35%	1.69%	1.99%	2.47%
APSS Pension	0.41%	1.99%	2.34%	2.95%

The compound Crediting Rates shown above are after investment costs and tax (where applicable). Pension members do not incur tax on investment earnings of their APSS Pension Accounts.

Actual asset allocation for the quarter: Cash 100%

Important reminder: Past investment returns are not necessarily indicative of future investment returns.

Remember

When comparing the official cash interest rate to the APSS Cash Return Crediting Rates, keep in mind that, with the exception of the APSS Pension Accounts, the crediting rates are shown after tax is paid on investment earnings.

Behind the numbers

The Cash Return crediting rate follows the official cash interest rate set by the Reserve Bank of Australia (RBA). The crediting rate was 0.4% for the June quarter and 1.7% for the 2015-16 financial year.

The RBA lowered the official cash rate from 2% to a new record low of 1.75% in May, following the release of a very low inflation rate for the previous quarter. The RBA's latest statements have noted that Australia's economy is coping reasonably well in a low-growth and volatile global environment but it is keeping its options open in case anything causes the outlook to change. For example, if the Australian dollar continues to strengthen or inflation stays below the normal range, the RBA may opt to cut the cash rate further in the coming months.

When comparing the official cash interest rate to the APSS Cash Return crediting rates, keep in mind that, with the exception of the APSS Pension, the crediting rates shown are after tax on investment earnings has been deducted.

How to contact the APSS

Call *SuperPhone* on **1300 360 373** between 9am and 5.30pm (AEST) Monday to Friday or visit us online at **apss.com.au**. Write to APSS, Locked Bag A5005, Sydney South NSW 1235 or Fax (02) 9372 6288.

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