

Annual Trustee Report *to Members*

30 June 2010



Serving your industry, building your super

- AvSuper's investment performance
- AvSuper insurance changes
- upcoming changes to super





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Your super fund – AvSuper

Now in our 20th year, AvSuper has grown from humble beginnings in 1990 to a sophisticated, service focussed super fund caretaking the retirement savings of more than 5700 members with total funds under management of more than \$1 billion at 30 June 2010.

AvSuper has a unique structure, taking the best features of industry, corporate and retail super funds to provide our members with the best of all worlds.

As a profit-for-members super fund, we remain member focussed, with a low fee philosophy, providing boutique, personalised arrangements specifically tailored for the aviation and aviation safety industries.

As well as building retirement savings for members in these and other industries across Australia, we also manage significant savings in our income stream divisions for retired and partially retired members from all walks of life.

AvSuper members live Australia-wide and include skilled specialists such as air traffic controllers, aviation rescue and fire fighters, engineers, technical officers, pilots and aviation safety specialists, along with associated management and administration staff.

Family members of current AvSuper members and other members of the general public have also chosen AvSuper as their preferred super fund.

AvSuper is a profit-for-members super fund and seeks to provide outstanding service to members, has strong long-term investment

performance, low fees, doesn't pay commissions to financial advisers and is run only to profit members.



DISCLAIMER: The contents of this document have been prepared for general advice without taking into account your objectives, financial situation or needs. Therefore you should consider the appropriateness of the advice in light of your own objectives, financial situation or needs before acting on the advice. A Product Disclosure Statement on any financial product mentioned in this document should also be obtained and read prior to proceeding with an investment decision. Although every effort has been made to verify the accuracy of the information contained in this document, AvSuper, its officers, representatives, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by any person directly or indirectly through relying on this information.

A note from your Chairman and CEO

Welcome to our annual report to AvSuper members for 2010, our 20th anniversary of serving members in the aviation and aviation safety industries.

Following the most turbulent period for investments in our history, AvSuper is very pleased to report positive investment earnings across all pre-mixed options for the financial year. We are cautiously optimistic that the worst impact of the Global Financial Crisis is behind us and that we can return to the strong, long term investment performance you expect of us.

The Trustee Board responded to this challenge by progressively undertaking a fundamental review of our investments over the last twelve months. We have made a number of changes designed to further reduce risk, enhance performance and increase the options available to members; in effect, we are offering you more control over your investments. Read more about our investment returns plus our investment commentary from page 9.



Team (L to R): John Hackett, Sara Stidworthy, Emily Duke, Amy Ward, Tim Ironside, Michelle Griffiths

Your AvSuper Team

AvSuper is managed by a skilled, qualified and experienced team of professionals. As part of our personalised service, our phones are answered by our management team so you get help from experienced Trustee staff.

With more than \$1 billion in retirement savings, including more than \$65 million of assets for income stream (pension) members, AvSuper has certainly attracted plenty of industry attention this year. We were awarded a AAA Quality Rating following a Fund review by SelectingSuper and a 'Gold' rating from SuperRatings, both independent rating groups. AvSuper's former Chairman and Trustee Director, David Leggo was announced as Trustee of the Year by the Australian Institute of Superannuation Trustees – a very fitting tribute as he retired from AvSuper earlier this year after 18 years of service to the Fund.

The Trustee spent considerable time looking for ways to deliver improved services and add even more value to your super fund. In addition to adding three new investment options (see page 7), we negotiated significantly improved insurance arrangements for all members (see page 8). Most members are now enjoying a reduction in the cost of their insurance. We've continued our member seminar program in workplaces across Australia, including in regional areas, and continued to develop a range of resources and easy to understand information on our website. All this has been achieved whilst retaining **our profit for members philosophy**.

We've also listened to your feedback on financial advice solutions and we're very excited to launch our new **personal advice service** from October 2010. AvSuper was one of the first super funds in Australia to achieve the necessary licence changes to be able to offer personal advice to members about their super. So now when you want advice on how to choose your investment options, insurance or personal contributions from someone who knows you and your super, we're able to help. You can find more information on this new AvSuper initiative in the flyer enclosed with your member statement and on our website.

Throughout all this change and in spite of the investment turmoil of the recent past, we continue to **offer personalised service at every contact point by dedicated Trustee staff** – not anonymous call centre operators. As we move into our next 20 years of service to AvSuper members, it's these small but important differences that will continue to make your super fund central to your financial future.

Once again, we urge you to review your member statement and think about ways that we can help you save for a more comfortable retirement. In the meantime you can be assured that we'll continue looking for ways to enhance our services and work hard to protect and grow your retirement savings.

Tom Grant and *Michelle Griffiths*
(Chairman) (CEO)



AvSuper year in review...

AvSuper awarded AAA Fund Quality Rating

To achieve a AAA rating, AvSuper demonstrated that it is an exceptional quality super fund. This rating is an independent stamp of approval by one of Australia's leading financial services research companies, Rainmaker Information. AvSuper has always sought to provide outstanding service to members and the SelectingSuper AAA Quality Rating reflects our dedication to serving the retirement savings needs of our members.



Website Enhancements

We believe it's important to keep the website informative and useful for you, now and in the future, so we constantly review it and have added some new features during the year:

All members can make investment choices online at any time without paying any switching fees. Simply log into Member Online and choose 'change investment choice' in the left menu.

Income stream members can now access more functions on Member Online, including updating personal details and nominating preferred beneficiaries.

You can now partially complete any AvSuper form online, before printing it to return to us.

And from August, we are adding a monthly investment commentary to the site so you can stay in touch with the overall market as well as AvSuper returns.

New AvSuper publications

Since 1 January 2010, we introduced three shorter Product Disclosure Statements to help you understand your membership easily, and revamped our forms so they are as quick and easy to complete as possible.

Not sure of your investment or insurance options?

Well our latest initiative - AvSuper's member advice solution - might be just what you need to help your super take off!

AvSuper members can access free personal advice - that takes into account your personal circumstances - about the various options available to you through your AvSuper account. Visit our website for information or just ask us!

Call Tim Ironside on 1800 805 088 or email avsinfo@avsuper.com.au and we'll give you the help you need.

Super is probably a key pillar in your retirement savings plan, and needs to be viewed as a long term investment. Investment performance varies year to year, but in the long term your super will grow and override short term market fluctuations.

Comparing long term investment performance gives a better perspective of your super investment's performance.

New investment options

AvSuper's member investment choice (MIC) enables you* to choose one or a combination of our professionally managed investment options.

In response to member requests for greater choice and flexibility, AvSuper added new MIC options during the year.

Conservative Growth

The Conservative Growth investment option was introduced on 1 January 2010. It comprises 30% growth assets and 70% defensive assets and is expected to demonstrate low short term volatility with generally conservative returns over longer periods.

Asset class options

We are very pleased to have introduced two specific asset class investment options.

The **Australian Shares** option invests in 100% Australian shares (i.e. companies listed on the Australian stock exchange) and the **International Shares** option invests in 100% international shares (i.e. companies listed on non-Australian stock exchanges).

Although you could purchase shares directly from a stock exchange, **buying shares through an AvSuper investment option is an affordable and simple alternative** which leverages our knowledge, experience and considered research.

Specific asset class options give you more control over how your money is invested by providing targeted exposure to a particular investment type. Choosing a specific class with AvSuper's existing pre-mixed options may provide a balance between control and risk-reducing diversification, and you can determine the proportions of each as best suits your needs.

The right investment option for you will depend on your retirement needs, risk comfort and age. To find out more about all of AvSuper's other investment options, check out page 17 or the AvSuper MIC guide. You can change your investment options by completing our Nominate or switch investment options form, or you can change your investment options yourself via Member Online. Remember you do not have to make a choice, and if you don't choose, your super will be automatically invested in AvSuper's default Growth investment option.

* MIC is not available to defined benefit accounts

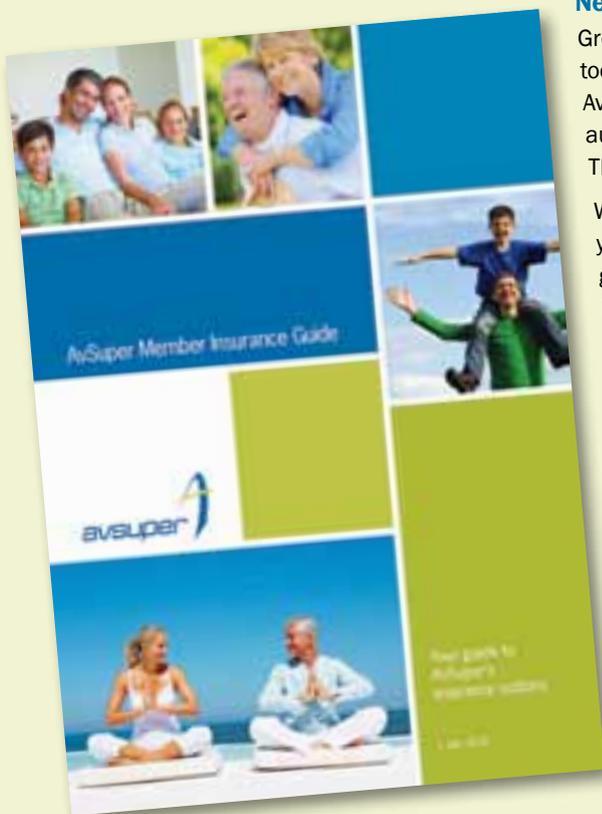


AvSuper insurance revamped!

After an extensive review and negotiation process, we found a new insurance provider which resulted in changes for AvSuper insurance from 1 July 2010. AvSuper still offers death, TPD and income protection insurance, of course, but at reduced premiums – members are saving up to 7.5% for the same level of cover.

On top of the savings, fire fighters and other heavy blue collar workers can now access **long term income protection cover**. Given that these workers often find it hard to get any income protection insurance, this is a real benefit for our members.

We have also introduced a fourth occupation class for assessing risk in income protection policies; the professional class is open to tertiary qualified members earning over \$80,000 pa, working indoors and belonging to a professional association.



New members

Great news for new Public Offer members, too. If your employer has chosen AvSuper as their default fund, you will automatically be covered for death and TPD as you join.

We will also take over any existing cover you may have before joining AvSuper, giving you peace of mind about insurance when transferring your super.

Want to know more?

For full details on AvSuper insurance, including premiums, occupation classes and beneficiaries, please refer to the AvSuper member insurance guide (mailed to all members and available from our website).

Ready to apply for more insurance?

Simply complete a *Voluntary insurance application* (whether or not you have any AvSuper insurance so far, the same form applies).

How AvSuper's investment performance stacked up!



One of the most important factors influencing the final amount of your retirement savings is the investment earnings on those savings, compounded over many years of your membership (including your retirement years). During the last two years, investment savings have taken a real battering as a result of the Global Financial Crisis – few Australians escaped the short term pain. Throughout this time the AvSuper Trustee – and a dedicated, experienced Investment Committee – has been using the time productively to position members' retirement portfolios for a future recovery and for a return to the consistent, long term investment returns you expect of us.

So what has the 30 June 2010 financial year produced for AvSuper members?

Most importantly, are we delivering what we said we will? Yes we are - most members in AvSuper's default Growth investment option have received a return **more than 4% above inflation levels** for the year ending 30 June 2010.

The returns for each of our investment options can be found on page 15.

Shares

Globally, share markets continued to be turbulent in the last year, although the Australian and international markets both ended in positive territory at the end of June 2010. Strong gains made in the first three quarters were somewhat eroded in the fourth quarter of the year, driven primarily by instability in key European economies such as Greece, Spain and Portugal, combined with concerns that economic growth in the US might be stalling and the Chinese economy might be cooling.

Property

Unlisted property finally rose from the valuations floor to post modest investment returns at the end of the year, although these were still well behind returns experienced by listed property trusts.

Fixed Income & Infrastructure

Fixed income markets and infrastructure assets were the main outperformers for the financial year, with international markets and corporate credit exposures being key to the improved returns.

Cash

AvSuper's cash holdings again returned conservative but secure long term returns, being invested in a diversified pool of only the most liquid short term Australian cash and money market instruments with the highest credit ratings. At the same time, the Australian dollar remained volatile throughout the year against the main foreign currencies.

Investment Education

With the global financial crisis bringing investments to mind, we have built up a collection of fact sheets in our investment education series. Taken alone or as a series, these fact sheets will help develop your understanding of investments. View the series on our website at any time.

Managing your investments for you

At AvSuper, our investment portfolio is actively managed in response to market conditions. We regularly review the performance and asset allocations of each AvSuper investment option to ensure objectives are met.

Investment returns for each AvSuper investment option at 30 June 2010 are detailed in the tables on page 15. These returns reflect how well each investment option performed after allowing for tax and investment related expenses. When reviewing investment returns for different funds and investment products, make sure you are comparing returns after investment related expenses and taxes. Of course, these figures relate to what has happened up to 30 June 2010 and may not accurately predict the future performance of any of AvSuper's divisions or investment options.

To help you keep the long term in mind, we've also included 5 and 10 year returns in the relevant tables on page 15, and the graph on page 14. Please note retirement income stream accounts are generally not subject to tax, but all returns are shown after accounting for appropriate fees and taxes.



Some interesting news...

A recent report* has shown that over the last 20 years Australian shares have delivered higher returns than residential property, after fees and tax. Before tax, property was a high performing asset class but an effective tax rate of 26% made a considerable dent in investment returns, placing it below Australian shares over the long term. The report emphasised the importance of considering real returns (ie after tax), showing that reduced tax rates for super savings can be of significant benefit to investors over the long term, even during periods like the GFC.

* released by the Australian Securities Exchange (ASX) in 2010 for the period ending December 2009

General investment information

Listed and unlisted assets

AvSuper invests in both listed and unlisted property funds in Australia and overseas. By including listed and unlisted property in our portfolio, we gain diversification, increased stability (from less volatile returns), more buffering from inflation and scope for direct tax benefits.

Your Trustee continues to monitor our property portfolio, with the expectation that this asset class has the potential to provide additional value to AvSuper members' investment and retirement savings.

Derivatives

Derivatives are financial instruments linked to the future purchase or sale of securities, such as shares or other assets, and are common risk management tools which can also maximise investment returns.

AvSuper policy sets tight controls on the use of derivatives by our investment managers. Derivatives are predominantly used for controlling risk but may be used in the management of an investment portfolio. They are not used to gear the portfolio.

Securities Lending

Securities lending is the temporary transfer of securities (for example shares in an investment portfolio) from the owner of the securities to a third party, for a fee. Institutional shareholders such as super funds may agree to securities lending to benefit from the lending fees.

Securities lending fees are an important means of generating an additional source of low risk income within an investment portfolio and contribute to overall investment performance.

When lending securities, AvSuper still retains all associated benefits and entitlements (for example, dividends paid and voting rights) throughout the loan period. The securities (or an equivalent number and type of securities) must be returned to AvSuper at the end of the loan term - or sooner if we request that they be returned.

AvSuper's securities lending program is conservative - only a small proportion of AvSuper's overall shares portfolio is lent out at any time - and the program is subject to regular reporting, monitoring and review by the Trustee.

Did you know that AvSuper offers transition to retirement income streams (or pensions)?

This allows eligible members to begin accessing some of their retirement savings, even if they are still working. Visit our website to find out more.





Defined Benefit Accounts

As a defined benefit member, your super is based on a combination of your years of service, your contribution rate and your final average salary. Your benefit is guaranteed so declines in the value of assets don't generally affect your final payment. AvSuper's defined benefit division remains financially sound despite drops in global investment markets in recent years.

While you can stay in AvSuper, once you cease Airservices employment you are unable to remain in the defined benefit division. Therefore, your benefit will be transferred to the AvSuper Public Offer division, using the unit price effective as at the day following your exit, unless you tell us otherwise within 28 days of ceasing employment.

Financial position of defined benefits

The total of AvSuper's defined benefit assets available to cover payment due to members sometimes moves into deficit or surplus. In May 2010, the deficit position improved on the prior year however a small deficit remained. Airservices Australia and CASA continued to contribute at a higher payment rate in order to meet the shortfall. Additional cash contributions were made by Airservices Australia and CASA in 2009 and 2010 to improve the deficit.

Investment returns & objectives

The primary objective is to achieve an after tax and fees return that exceeds Average Weekly Ordinary Time Earnings (AWOTE) increases by at least 3% over rolling five year periods.

Investment returns for the Defined Benefit division

One Year Return for 2009/2010	9.4%
Five Year Compound Average Return Per Annum	2.6%

At 30 June 2010, the defined benefit investment strategy was as follows:

Asset Class	Benchmark	Asset Allocation Ranges
Australian Shares	36%	25 - 45%
International Shares	24%	15 - 35%
Property	10%	10 - 20%
Infrastructure	5%	0 - 10%
Growth Alternatives	5%	0 - 10%
Diversified Fixed Income	13%	10 - 30%
Cash	2%	0 - 10%
Defensive Alternatives	5%	0 - 10%

Superannuation surcharge

The super surcharge was a contributions tax that has not applied since July 2005. Any outstanding surcharge you may have is shown on your member statement. Note that interest may be applied to this debt. Unless you make other arrangements with us, the outstanding debt will be deducted from your final benefit when you leave the defined benefit division.

Making contributions helps your super TAKE OFF FASTER!

You can build your retirement savings by making regular or one-off contributions to your AvSuper accumulation* account to enhance any employer contributions you receive.

Have you thought of making...

- **Salary sacrifice contributions (which may also have tax advantages for you)**
- **Regular personal contributions from your post tax salary or bank account**
- **Lump sum personal contributions whenever you have some 'spare' money**
- **Spouse contributions**
- **A contribution split (sharing some of your employer contributions with your spouse)**

Visit our website for relevant forms and our bank account details for a direct deposit.

** Defined benefit members may open an accumulation account as well if they wish to make personal contributions or simply get ASA to increase their contribution rate.*

Member Online

Remember - you can easily check all super contributions paid to your AvSuper account using Member Online, available via our website. You can also switch investment options or update your details.



Accumulation & Income Stream Accounts

Your accumulation and/or income stream account balance is the sum of all contributions made to your account and any investment earnings (whether positive or negative), less all applicable deductions such as fees, taxes or withdrawals.

Your savings are invested the same way, with the same member choice, if you have an accumulation account or an income stream. (Please see page 17 or our website for details on investment choice.)

Unitisation

Your investment in AvSuper's accumulation and income stream divisions is unitised. You are allocated a number of units depending on your account balance and your investment option(s). Units are allocated to you each time we receive a contribution for you, or if you rollover money from another super fund. Your unit holding reduces when you make a withdrawal, receive an income stream payment, leave AvSuper or when we deduct fees, taxes and insurance premiums from your account.

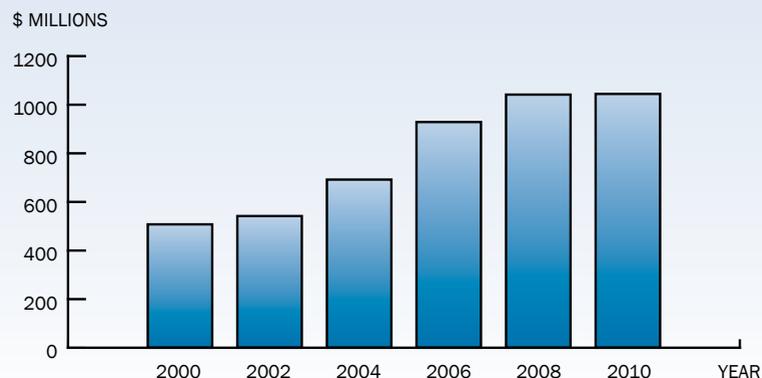
Unitisation is similar to buying and selling stocks, with prices changing frequently. The allocation price is based on that week's unit price so your regular contributions will probably convert to a different number of units each time. For members, the buying and selling price for units is the same each week. We take out investment fees and tax[^] before setting our unit prices. You can find current and historical unit price information on our website.

[^] Income stream (pension) members generally do not pay tax on investment earnings, so unit prices are only adjusted for relevant fees.

AvSuper Overall assets

Despite the GFC, AvSuper has continued growing our members' retirement savings as shown in the following graph:

AvSuper Asset Growth over the last 10 years



AvSuper Accumulation Returns

Accumulation Account Returns to 30 June (%)							
Investment Option	2010	2009	2008	2007	2006	Compound 5 year	Average 10 year *
Cash	3.1%	4.3%	6.6%	5.3%	5.0%	4.8%	4.6%
Stable Growth	7.7%	-6.1%	-0.2%	10.0%	8.6%	3.8%	5.7%
Growth	8.1%	-15.0%	-6.4%	16.2%	12.2%	2.3%	4.9%
High Growth	8.9%	-16.2%	-14.3%	18.2%	15.4%	1.3%	4.5%
Since inception date							
Conservative Growth*	2.9% [^]	N/A	N/A	N/A	N/A	2.9%	

AvSuper Income Stream Returns

If you are over 60, all payments you receive from your income stream will be tax free and you generally do not pay tax on investment earnings. If you are under 60, tax may apply to any withdrawals.

Income stream members, including transition to retirement members, must withdraw (drawdown) a minimum amount each financial year. However, this amount has been reduced until 1 July 2011 (see page 22).

Income Stream Returns to 30 June (%)							
Investment Option	2010	2009	2008	2007	2006	Compound 5 year	Average 10 year *
Cash	3.6%	5.0%	6.8%	6.1%	5.8%	5.5%	5.3%
Stable Growth	8.7%	-7.0%	-1.3%	11.5%	8.9%	3.9%	6.1%
Growth	8.8%	-16.9%	-8.1%	17.4%	14.1%	2.2%	5.4%
High Growth	9.5%	-17.3%	-15.9%	20.5%	17.4%	1.5%	2.4%
Since inception date							
Conservative Growth*	2.1% [^]	N/A	N/A	N/A	N/A	2.1%*	

* the compound average is calculated from inception as longer term figures are not yet available.

[^] Part year return only as Conservative Growth option introduced 1 January 2010.

Australian and International share options were introduced on 1 May 2010. Annual figures are therefore not available but since inception, they returned -2.2% and -3.7% respectively for accumulation accounts.



Investment managers

AvSuper uses a range of professional investment managers to invest members' money according to specific objectives and strategies (including strategies to guard against excessive risk) set out by the AvSuper Trustee.

Our website lists our current investment managers. As at 30 June 2010, AvSuper's assets are managed by the following entities:

Australian Equities	Arnhem (formerly Fortis) Investments*
	Maple Brown Abbott*
	Perennial Growth*
	Alliance Bernstein Australian Value*
	MTM*
International equities	Wellington Global Equities*
	Walter Scott Global Equities
	AQR Global Equities*
	MTM
	MFS Global Equity Trust*
Emerging markets	Genesis Investment Managers
Property	Morgan Stanley
	Eureka Funds Management
	EG Property Group
	Colonial First State Property*
	Fiduciary International Real Estate Funds
Fixed Interest	Loomis Sayles*
	Brandywine Global Fixed Interest*
	Super Loans Trust
Cash & Currency	Barclays Global Investors*
	Pareto Partners
Infrastructure	RARE Infrastructure Limited

* These managers have a value in excess of 5% of the total assets of AvSuper

Member investment choice

As an AvSuper accumulation and/or income stream member*, you can access member investment choice. Your options are outlined on the following pages and described in detail in AvSuper's *Member Investment Choice Guide*.

You can change the way your super is invested in our investment options at any time; this is called switching. Even better, AvSuper doesn't charge a fee to switch investment options!

Switching can be done online or by completing a *Nominate or switch investment options form available from our website*.

If you do not make an investment choice, your balance will automatically be invested in the AvSuper Growth option, which is the default investment option.

AvSuper's member investment choice options enable you to choose one investment option or a combination of the seven options available. You can have your current super balance and future contributions invested identically or in different ways. It's up to you!

AvSuper's investment options

There are seven investment options available for you to choose from:

Growth (the default option)
Stable Growth
High Growth
Australian Shares
International Shares
Cash
Conservative Growth

AvSuper is working towards incorporating environmental, social and governance (ESG) considerations into all of our investment decision making rather than offering a stand alone sustainable, green or SRI investment option

Each option has its own performance objectives, investment strategy and risk/return profile as shown on the following pages. Note that past performance is not always indicative of future performance.

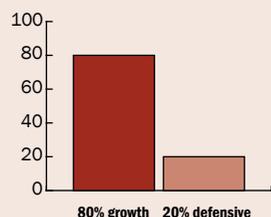
* Your member statement will indicate if you have an accumulation, income stream or defined benefit account.

AvSuper investment options...

Growth Option (the default option)

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 4.5% pa over rolling five-year periods.

Investment strategy



Risk/return profile

Returns are generally less volatile than the High Growth portfolio but can still be volatile over the short to medium term.

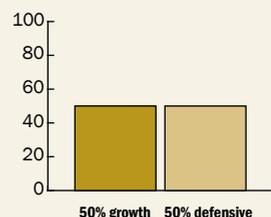
How your Growth super assets are allocated at 30 June 2010

Asset Class	Benchmark	Asset Allocation Ranges
Australian Shares	36%	25 - 45%
International Shares	24%	15 - 35%
Property	10%	0 - 20%
Infrastructure	5%	0 - 10%
Growth Alternatives	5%	0 - 10%
Diversified Fixed Income	13%	10 - 30%
Cash	2%	0 - 10%
Defensive Alternatives	5%	0 - 10%

Stable Growth Option

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 2.5% pa over rolling four-year periods.

Investment strategy



Risk/return profile

There may be some volatility in returns in the short term but they tend to stabilise over longer periods.

How your Stable Growth super assets are allocated at 30 June 2010

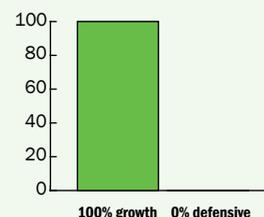
Asset Class	Benchmark	Asset Allocation Ranges
Australian Shares	20%	10 - 30%
International Shares	10%	0 - 20%
Property	10%	0 - 20%
Infrastructure	5%	0 - 10%
Growth Alternatives	5%	0 - 10%
Diversified Fixed Income	30%	20 - 50%
Cash	15%	0 - 20%
Defensive Alternatives	5%	0 - 10%

AvSuper investment options...

High Growth Option

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 5.5% pa over rolling seven-year periods.

Investment strategy



Risk/return profile

Share market investments can be very volatile over the short to medium term but, historically, these investments have offered the highest long-term returns.

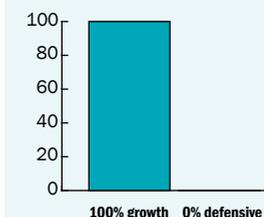
How your High Growth super assets are allocated at 30 June 2010

Asset Class	Benchmark	Asset Allocation Ranges
Australian Shares	54%	45 - 65%
International Shares	36%	25 - 45%
Infrastructure	5%	0 - 10%
Growth Alternatives	5%	0 - 10%

Australian Shares

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 6% pa over rolling seven-year periods.

Investment strategy



Risk/return profile

Share market investments can be very volatile over the short to medium term but historically, these investments have offered the highest long-term returns.

How your Australian Shares super assets are allocated at 30 June 2010

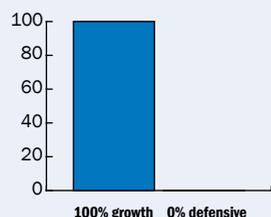
Asset Class	Benchmark	Asset Allocation Ranges
Australian Shares	100%	N/A

AvSuper investment options...

International Shares

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 6% pa over rolling seven-year periods.

Investment strategy



Risk/return profile

Share market investments can be very volatile over the short to medium term but historically, these investments have offered the highest long-term returns.

How your International Shares super assets are allocated at 30 June 2010

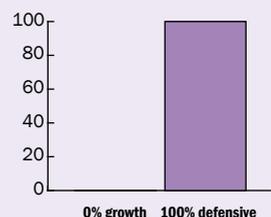
Asset Cass	Benchmark	Asset Allocation Ranges
International Shares	100%	N/A

AvSuper investment options...

Cash Option

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 1% pa over rolling three-year periods.

Investment strategy



Risk/return profile

Relatively low but stable returns.

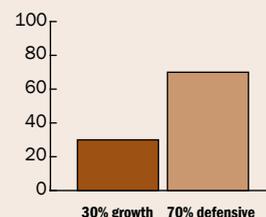
How your Cash super assets are allocated at 30 June 2010

Asset Cass	Benchmark	Asset Allocation Ranges
Cash	100%	N/A

Conservative Growth

The primary objective is to achieve a return, after tax and fees, which exceeds Consumer Price Index (CPI) increases by at least 1.5% pa over rolling three-year periods.

Investment strategy



Risk/return profile

Less volatility in the short term but generally conservative returns over longer periods.

How your Conservative Growth super assets are allocated at 30 June 2010

Asset Cass	Benchmark	Asset Allocation Ranges
Australian Shares	12%	5-25%
International Shares	8%	0-15%
Property	10%	0-20%
Diversified Fixed Income	40%	30-60%
Cash	20%	10-30%
Defensive Alternatives	10%	0-10%

What's in store for super in 2010/11?

While there haven't been a lot of changes to super during the last financial year, some changes have come into effect and major reports have been released which may lead to future changes. Any changes plus more detailed explanations of the reports are included on our website.

Income stream drawdown extension

The reduced minimum drawdown for income stream members has been further extended to 30 June 2011.

Due to the GFC, a 50% reduction in drawdown minimums has been in place since 2009. This reduction was due to end in June but has now been extended another year to assist income stream members rebuild after capital losses which occurred while investment markets were low.

Co-contribution rates set

The Federal Government provides eligible individuals with a superannuation co-contribution to help them save for retirement. New legislation states that the maximum co-contribution rate will remain at \$1.00 for every \$1 personally contributed up to \$1,000. The rate reduces once your income is above \$31,920*, stopping when you earn \$61,920 or more.

Ripoll Inquiry

The focus of the Federal Government's Ripoll Inquiry was on non-superannuation products and services, but its recommendations may have flow-on effects for super fund members.

The three key reforms proposed by the Government in response to the Inquiry are:

- A ban on conflicted remuneration structures, including commissions and any form of volume based payment. In addition, percentage-based fees (known as assets under management fees) can only be charged on ungeared products or investment amounts
- Requirements for financial advisers to act in the best interests of their clients when providing personal advice to retail clients
- Introducing an adviser charging regime, with flexible options for consumers paying for advice and requirements for retail clients to agree to the fees and to annually renew (by opting in) to an adviser's continued services

Henry Review

In May, the Government released their response to a comprehensive review of the tax system by a panel led by Dr Ken Henry. Amongst other reforms are the following changes affecting superannuation.

- The maximum age for the Superannuation Guarantee (SG) will increase from 70 to 75 from 1 July 2013. This means your employer will continue making contributions for you until you are 75 years old
- The SG rate will gradually increase to 12% (this was not in the Henry Review recommendations)

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
% Rate	9.25	9.50	10.00	10.50	11.00	11.50	12.00

- The introduction of a government contribution of up to \$500 for workers with adjusted taxable incomes up to \$37,000. The \$500 will not be indexed and is separate from the Government co-contribution scheme
- The concessional contribution cap will be increased to \$50,000 (indexed) from 1 July 2012 for those aged 50 or over with total superannuation balances of less than \$500,000



Cooper review

The Federal Government released the Super System Review Final Report (Cooper Review) in early July 2010. It is important to note that **none of the proposals are yet law** - we will be monitoring developments and will keep members informed as information becomes available.

GOVERNMENT RELEASES 'COOPER REVIEW INTO SUPERANNUATION' REPORT

Read our online summary of the Cooper Report recommendations



The key elements of the Review are outlined below and in greater detail on our website.

1. new super system architecture

The Review proposes three types of members (MySuper, Choice and self-managed). The recommendations include specific criteria super products for MySuper members with limited choices, simplified disclosure and specific advice, and various investment and insurance options in Choice member products.

AvSuper already provides a low-cost default investment option for members who don't want to make a choice, such as has been proposed as a MySuper product, and a range of investment and other options (such as insurance) for those members who want to have more of a say in their super.

2. improved operational efficiencies

The Review suggests more electronic contribution options, standard data quality and increased use of TFNs.

Fortunately, AvSuper is already using EFT and other electronic options for members, and we do not have data quality and lost member issues like many large super funds.

3. changed Trustee and governance rules

The Review proposes including non-associated directors and removing the equal representation rules for Trustee boards, plus mandating a focus on managing investments on an after tax basis.

AvSuper has worked very well with an equal representation board to date. Otherwise, we broadly welcome the enhancement of investment governance as proposed by Cooper - in fact AvSuper already takes into account the costs involved and the taxation consequences (i.e. after tax returns) for members when making investment decisions about your retirement savings.

4. insurance through super

The Review acknowledges the importance of insurance through super and recommends plain English descriptions of such products along with a prohibition on upfront and trailing commissions.

AvSuper also welcomes the prohibition on commissions in insurance - consistent with our profit-for-members philosophy, AvSuper's insurance arrangements do not include such commissions.

5. retirement products

The Review suggests funds provide members with advice and access to retirement income streams.

Again, AvSuper supports these reforms. We already provide members with easy access to a range of income stream products and our member advice solution will easily accommodate the specialised advice requirements of retiring and retired members as part of our 'whole of life' focus.



An initial Government response was released in early August, and indicated they will introduce MySuper products from July 2013 but it is not yet clear whether these products will be entirely separate from Choice products.



Why stay with AvSuper?

Did you know that you can stay with AvSuper when you change jobs, stop working, retire and even change industries? As well as continuing with our low fees, member investment choice and competitively priced insurance cover, we thought we'd give you some examples of why staying with AvSuper is a good idea.

1. **AvSuper has strong long term returns – remember that short term returns can be misleading and a long term perspective is important for super savings.**
2. **AvSuper keeps member fees as low as possible by avoiding expensive projects such as television advertising and major marketing campaigns.**
3. **When you call us, you will speak to one of the Trustee team members (maybe even the CEO!) who can answer your questions - not an anonymous call centre.**
4. **Everything from investment managers to insurance policies and member communications are reviewed regularly to ensure members get the best available services.**
5. **AvSuper can be YOUR Fund for life! AvSuper membership is open to all industries so you can stay with AvSuper, and receive employer contributions, even when you change employers or stop working. When you're ready to retire (fully or partially), you can access your money through an AvSuper income stream without losing all the great features of your membership.**

Stay with AvSuper and watch your savings take off!

As a member of AvSuper, you get the following benefits compared to a SMSF:

- Your money is invested and constantly monitored by an experienced Trustee
- You are protected against fraudulent conduct and theft
- Competitively priced insurance cover* with minimal or no health evidence required
- Generally lower fees
- We stay up to date with legislation and other changes (so you don't have to learn all the rules)

* Terms & conditions apply

Thinking of Self Managed Super?

Self managed super appeals to some people because they want control of their money and think it will save them on fees. Having a self managed super fund (SMSF) can work really well for some people, but it is important to understand what is involved before making any decision.

AvSuper has fiduciary responsibilities and meets many legal requirements. In a SMSF, you would be responsible for those requirements yourself (even if you pay someone to manage them), and liable for penalties for any mistakes you make, as well as pay for an annual audit.

According to 2009 statistical reports from the Australian Bureau of Statistics (ABS) and Australian Tax Office (ATO), an SMSF

- Takes 5 years on average to grow above \$200,000 (if starting below that amount)
- Needs a balance of at least \$500,000 to be cost effective

Compare AvSuper with a self-managed super fund

Thought managing super yourself would save you money?
We've compared the average costs with AvSuper...

Management cost per annum is \$7,125

2.9% of your balance

SMSF
self managed super fund



Management cost per annum \$2,550

1.0% of your balance

AvSuper members **save \$4,575 a year** compared to SMSF

Please visit www.avsuper.com.au and read our product disclosure statement before making a decision about AvSuper (ABN 84 421 446 069, AFSL 239078)

Please refer to an AvSuper PDS for full details of AvSuper fees and costs. SMSF costs are based on "A statistical summary of self-managed superannuation funds, 2009".

Your AvSuper Trustee

The Trustee of AvSuper is AvSuper Pty Ltd, a professional corporate trustee company which ensures that the Fund operates in the best interests of all members.

The Trustee consists of a Board of eight Trustee Directors governed by the AvSuper Constitution and Trust Deed. They possess significant expertise in super complexities as well as experienced knowledge of the wider aviation industry. Trustee Directors must satisfy both propriety and competency requirements on appointment and thereafter.

The Principal Employer, Airservices Australia, nominates four of the Directors (Mr Grant, Ms Allen, Ms Roper and Ms Goode) and four are nominated by the ACTU (Mr Firkins, Mr Arnott, Mr Fisher and Mr Fishlock). AvSuper's Trustee is supported by comprehensive risk management strategies, plans and compliance programs.



Trustees (L to R): Glenys Roper, Ben Firkins, David Arnott, Christine Goode, Tom Grant, Denise Allan, George Fishlock, Michael Fisher

Ben Firkins and George Fishlock are also authorised as AvSuper Representatives so they are qualified to provide you with super information and advice on AvSuper's products.

Trustee Insurance

The Trustee has taken out trustee indemnity insurance (through Chubb Insurance Company of Australia Limited) to protect the Trustee, its Directors, its officers and the Fund against the financial effects of legal action against AvSuper.

Vale Robert Belzer

It is with great sadness that we acknowledge the passing of Robert Belzer during the past financial year.

Robert was an enthusiastic AvSuper Trustee Director, and his contribution will be greatly missed. He had been ill with cancer for some time, dying peacefully at home with his wife and son on 16th December 2009.

David Leggo Retired after 18 years



In May 2010, David Leggo retired from the AvSuper Board and his role as Chairman of the AvSuper Fund, following 18 years of service to Fund members.

As a fitting farewell, David was awarded 'Trustee of the Year' for 2010 by the Australian Institute of Superannuation Trustees - their highest accolade. This is an important industry acknowledgement of the diligent contribution David made to all aspects of the AvSuper during his tenure.

AvSuper Professional Support

AvSuper also uses external service providers to ensure it operates efficiently:

Administrator	Towers Watson
Auditor	Deloitte
Group Life Insurer	Hannover Life Re Australasia
Investment Adviser	JANA Investment Advisers Pty Ltd
Custodian	National Custodian Services
Actuary	cHr Consulting Pty Ltd
Legal Advisor	Greenfields Financial Services Lawyers

Enquiries and Complaints

Please contact AvSuper if you have any enquiries – our contact details are listed on the back cover. In most cases, enquiries can be answered over the phone. Answers to written enquiries will generally be provided within 5 days.

1. We work hard to help with your super, but if you have any complaints or concerns please contact us on **1800 805 088** or **avsinfo@avsUPER.com.au** to discuss the issue.
2. If our discussions or suggestions don't satisfy you, please write to **Complaints Officer, AvSuper, GPO Box 367, Canberra, ACT 2601** or email **avsinfo@avsUPER.com.au**. We will get back to you with a decision as soon as possible.
3. If your complaint is unanswered or not resolved to your satisfaction within 90 days, you may then have the right to refer the matter to the Superannuation Complaints Tribunal. They can be contacted on 1300 884 114.

Abridged financial statements

The details below are a summary of AvSuper's financial statements for the last two financial years. Note the 2010 figures are taken from unaudited accounts - copies of the full audited financial statements and auditor's report will be available after 31 October 2010 on request.

Statement of changes in net assets for the period ended 30 June	2010	2009
NET ASSETS AVAILABLE TO PAY BENEFITS AT BEGINNING OF YEAR	932,085,899	1,041,623,668
PLUS INCOME		
Employer contributions	81,134,322	83,541,172
Member contributions	4,595,912	5,441,658
Transfers in	9,453,881	11,771,238
Investment revenue	90,737,398	(162,028,017)
Insurance proceeds	755,353	1,103,805
Other income	28,880	560,054
TOTAL INCOME	186,705,746	(59,610,090)
LESS EXPENSES		
Benefits paid & payable	38,846,699	48,253,193
Administration & operating expenses	8,132,835	7,505,458
Insurance expense	2,046,494	1,697,745
Income tax expense	12,305,190	(7,528,717)
TOTAL EXPENSES	61,331,218	49,927,679
EQUALS NET ASSETS AVAILABLE TO PAY BENEFITS AT YEAR END	1,057,460,427	932,085,899
LIABILITY FOR ACCRUED BENEFITS	1,057,460,427	932,085,899



AvSuper's retirement income streams

AvSuper offers you more choices when you retire – you can leave your money in your accumulation account or you can purchase an AvSuper income stream*. It all depends on what suits you!

What is an income stream?

An income stream simply means getting your super paid to you in regular instalments, rather than taking it as a lump sum. You can choose to do this whether or not you are still working as long as you meet preservation (age) requirements.

AvSuper income streams are easy to manage and offer many of the benefits you enjoy as an accumulation member, with the same fees.



What if I'm still working?

Under transition to retirement rules, you can use an income stream as income while continuing to work. You can also keep your super growing with employer and personal contributions to a separate accumulation account. It's a great way to ease into retirement!

Why consider an AvSuper income stream?

Some of the advantages of an AvSuper income stream are:

- **Low fees to protect your savings**
- **Your choice of investment options**
- **Investment earnings are tax free**
- **You choose how much you are paid, how often (Government limits apply)**
- **No tax on your pension payments (from age 60)**
- **Your beneficiaries receive the remainder of your account if you die**

What do I do next?

If you are in or approaching retirement, read our income stream PDS (available from www.avsuper.com.au or by calling 1800 805 088) to see if it is right for you. Details on how to join are included in the PDS.

* AvSuper manages over \$65 million for retirees and income streams are issued by AvSuper Pty Ltd.



Do We Have Your Email Address?

As a profit-for-members super fund, reducing printing and mail costs directly benefits you. And it can help to reduce environmental impact.

You can provide or update your email address via Member Online or by calling us.

Phone: 1800 805 088 or 02 6268 4722

Fax: 02 6268 4469

Email: avsinfo@avsuper.com.au

Post: AvSuper, GPO Box 367, Canberra ACT 2601

www.avsuper.com.au

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