



Annual Trustee Report to Members

30 June 2012

*AvSuper and you...
planning for your
retirement together*

In this report:

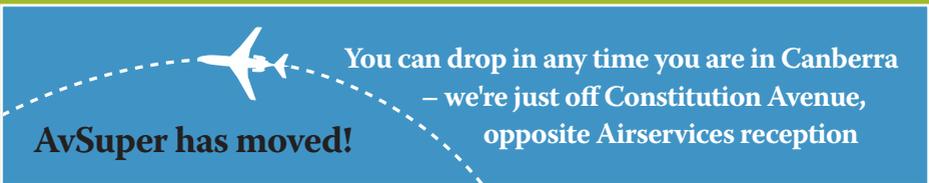
- > Stronger Super (MySuper) update
- > AvSuper's investment performance
- > new income stream (pension) advice service!



What's inside?

Your super fund – AvSuper	1
Reports by our Chair & CEO	2
AvSuper News	4
What you told us about AvSuper	6
Investment overview for 2011 -12	8
AvSuper returns	10
Your super in perspective	11
Other investment information.....	12
Defined benefit accounts.....	14
Investment portfolio update.....	15
Investment managers	16
Member investment choice	17
2011 - 2012 super snapshot	22
Stronger super	24
Enquiries	25
Your AvSuper Trustee	26
Financial statements	28
Retirement income streams.....	29

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AvSuper has moved! You can drop in any time you are in Canberra – we're just off Constitution Avenue, opposite Airservices reception

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Your super fund – AvSuper

AvSuper 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.

For over 22 years, AvSuper has been providing member-focussed superannuation services to the aviation and related industries.



AvSuper members 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, technical and administration staff across Australia.

With a unique structure combining the best of corporate, industry and retail super funds, AvSuper provides our 6,100 plus members (and their \$1.2 billion of retirement savings) with the best of all worlds by delivering high quality superannuation products and highly personalised service to individual members.

Family members of current AvSuper members and an increasing number of people from other industries have also chosen AvSuper to care for their super.

Beyond saving for retirement, AvSuper offers retirement income streams options. With the same low fees and membership structure as accumulation members, an AvSuper income stream is a simple, cost-effective solution for maintaining your money as you move from work to leisure in retirement.

Member Online

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



Report by our Chairman

Last financial year was another volatile year for investors, driven largely by global uncertainty over the future of the Euro bloc. Despite Australia's position as one of the best performing economies, the shadow of Europe and to a lesser extent the US continues to influence investment markets.

Those of our members with a Defined Benefit have been able to grow their retirement savings without impact from the volatile markets. This is largely due to the strong and ongoing support of the Principal Employer, Airservices Australia, and the Associate Employer, CASA, to underwrite any shortfall in the liabilities of the Defined Benefit division. As at the end of June 2012 the vested benefit index (VBI) stood at about 98%. Since July the markets have bounced back to the extent that the VBI ratio is likely to be around or over 100%.

A similar situation applies to our accumulation and income stream divisions. The slump experienced in the June 2012 quarter which resulted in negative or lower returns has been reversed since then, as market confidence shows signs of improvement. Notwithstanding these short term trends, **it is important for us to remember superannuation investing is a long term process.** Accumulation options were first introduced in 2002. A dollar invested in any of the Member choice options (excluding cash) at that time, has grown by between 60.6 % and 72.7%, even accounting for the fact that returns over the last four years have been impacted by the Global Financial Crisis. **We will continue to take a long term view in managing your superannuation to ensure the best prospects for achieving your retirement objectives.**

This will be my last annual report as Chairman and Trustee Director of AvSuper. After nearly 23 years I will be stepping down from the Fund in January 2013. Serving AvSuper members has been a privilege and an immensely rewarding experience for me; however, in the interest of refreshing the Board I have decided to look for new challenges elsewhere in the superannuation industry. I would like to note the incredible support I have received from Michelle Griffiths as CEO, the staff and management, and my fellow Directors over this period.

"We stick to our profit-for-members philosophy - you won't see us using members' retirement savings to sponsor TV shows or run expensive commercials"



Report by our CEO

Welcome to AvSuper's Annual Trustee Report to Members for 2012, after what has again been an eventful year. You will find a lot more information about AvSuper's investments and our performance in this year's report, in response to member feedback for even more such content.

We've also provided an overview of the raft of legislation the superannuation industry has been grappling with, evolving from the Federal Government's 'Stronger Super' reform package (see page 24). Its certainly been a very busy time for super funds with many of the changes slated to commence from 1 July 2013, notwithstanding that much of the associated legislation is still draft and subject to changes.

Despite all the uncertainty in investment markets and with pending legislation, we've made a number of other improvements to the Fund over the last twelve months. **We're particularly proud to be able to launch our new Member Advice Solution module (see page 5) for members seeking personal advice about AvSuper's retirement income streams (pensions).** If you're approaching retirement and thinking about how you are going to access your retirement savings, this could be particularly useful for you.

We've also continued to enhance our insurance products for members throughout the year, most recently with the introduction of 'transfer cover'. If you've been holding on to an old super account elsewhere because you didn't want to lose the insurance benefit, you may now be eligible to transfer your old account and bring your old insurance with you as additional cover in AvSuper. Check out page 4 and our website for additional information, including eligibility conditions.

Finally, we acknowledge with much sadness the departure of our current Chairman, Tom Grant, in January 2013. Tom was a founding Trustee Director of AvSuper and has actively served AvSuper members' interests for more than 20 years, most recently as Chairman of the Board of Trustee Directors. Tom has made a significant and consistent contribution to the Fund over many years, across all aspects of the Fund's growth and development. **On behalf of the other Trustee Directors and the Management Staff of AvSuper, we wish him the very best for his future.**



Tom Grant & Michelle Griffiths

AvSuper news

AvSuper ranked in the in top 10 super funds for death & disablement insurance cover for both high and low risk occupations (2011 Rainmaker Benchmarking - super fund group insurance survey of over 200 funds). Our 2010 decision to change insurers continues to provide you with affordable premiums and options above the minimum requirements. Please visit our website or call us for more information about AvSuper's insurance options.

Now you can transfer insurance from your other super funds

If you've been holding off consolidating your super so you could keep your insurance benefit from another fund, we've solved your problem!

Eligible members who rollover their old super can now transfer their existing death and/or disability insurance cover to their AvSuper account **without paying transfer or entry fees**. Insurance terms and conditions apply so check out our website or contact us to see if you qualify.

AvSuper's Advice Calculator

We've updated AvSuper Calculator for you! It's now easier to test your investment choice, contribution levels and insurance needs at once.

AvSuper Radar

Next time you log into Member Online, why not see how much super you may get at retirement? Radar, our new projection calculator, will use your current (accumulation, defined benefit or both) balance to project your balance for you.

Income stream advice

new!

We've expanded our Member Advice Solution to include advice on transition to retirement and income streams. **Book your personalised advice appointment TODAY!**

AvSuper income protection

Income protection insurance gives you time to recover from a temporary disablement without the financial stress of needing to return to work. As an AvSuper member you can insure up to 75% of your salary plus a further 10% to continue super contributions while you can't work.

All members under 65 years and working at least 15 hours a week can apply for income protection cover – including heavy blue collar workers such as fire fighters. Members over 60 can only apply for short term cover.

Visit our website for information or get help with how much cover you need through AvSuper Calculator or our Member Advice Solution.

AvSuper's Member Advice Solution

- > Wondering if you should be switching options?
- > Want to contribute but nervous of exceeding the caps?
- > Unsure about how much insurance will protect your family?
- > Not sure whether an income stream would suit your needs? **new!**



AvSuper's Member Advice Solution can answer these questions, and more, so book your free appointment today!

See how much super you'll get in retirement with AvSuper Calculator or get free personalised advice from one of our Member Advice Consultants



Call 1800 805 088 for details or visit www.avsuper.com.au

What you told us about AvSuper...

Each year we ask a group of members we've recently had contact with about their satisfaction levels and seek suggestions for further improvements. This helps us focus on the areas most important to you, now and in the future.

We received a broad range of comments from a diverse group of members in our 2011 survey.

Pleasingly, members thought we were doing well overall, however you told us there is still more we can do to improve

and we are working through all those suggestions.

You don't need to be surveyed to tell us what you think - **we welcome your comments and feedback at any time.** After all, it's YOUR super and we want

to ensure your fund continues to meet your retirement needs and your customer service expectations.

If you've got something to say about AvSuper, contact us by phone or email.

THINGS YOU WANT US TO IMPROVE

YOU SAID:
Your default investment strategy is too conservative

OUR RESPONSE:
This is great feedback - we're reviewing how we can be more responsive to queries we can't answer immediately and deliver follow up information faster

YOU SAID:
More financial advice services would be good

OUR RESPONSE:
Super fund trustees are required by law to invest prudently - after all, we're dealing with other people's hard earned retirement savings! However, if you want a little more investment risk check out our more aggressive investment options

YOU SAID:
Your phone responses are great but sometimes it takes too long to get things sent to me

OUR RESPONSE:
We agree and are looking at ways to further enhance our financial advice options

OTHER COMMENTS & SUGGESTIONS

OUR RESPONSE:
You're not alone so the old graph was reinstated - you can now choose your preferred format

YOU SAID:
I preferred the old investment graph on your site but it changed

YOU SAID:
I would recommend AvSuper but you can't to someone not in the industry

OUR RESPONSE:
You can stay with AvSuper even if you leave the industry - and we welcome people from all industries although we focus on aviation

THINGS YOU SAID WE DO WELL

YOU SAID:
They always keep me informed, they are approachable, their returns are better than a lot of industry super funds

YOU SAID:
Keeps me informed and if I need anything they send it to me straight away

YOU SAID:
It's a good scheme with excellent benefits, that seems to be run and organised with expertise

YOU SAID:
Easy to deal with, and they explain everything to me

YOU SAID:
Very, very helpful and friendly, and I've never been put on hold!

YOU SAID:
I can always get hold of a real person when I call, someone picks up the phone almost immediately

YOU SAID:
Low fees, easy to deal with and I like their service

YOU SAID:
They are excellent, they are more concerned about their members than any other super fund

YOU SAID:
It's a not for profit fund and they treat members as their priority



OUR RESPONSE:
One of the things which makes AvSuper different from other super funds is our internal Member Services team. When you contact AvSuper, whether for general information or for personalised financial advice, you'll be speaking with the experienced and qualified Trustee staff shown here - not an anonymous outsourced call centre!

Investment overview for 2011-12

AvSuper sets objectives for each investment option, and the Investment Committee regularly reviews and monitors our performance and progress towards these objectives. The table below lists the objectives and our results against an averaged 'CPI + x%' target and the median performance of super funds with similar portfolio characteristics.

Without question, the GFC and events in Europe have impacted returns for super funds, including AvSuper. Despite the disparity between AvSuper's options' short term returns and their long term objectives, the Trustee continues to believe the structure and objectives remain appropriate - and achievable with a protracted and significant turnaround in market performance.

Investment Option	2011-12 returns	Industry Benchmark return*	Rolling returns	Rolling years	Investment Objective (CPI +)
Growth	-1.3%	-1.2%	-0.2%	5	4.5%
Stable Growth	2.6%	3.7%	3.9%	4	2.5%
High Growth	-1.6%	-1.2%	3.8%	7	5.5%
Cash	4.8%	4.0%	4.5%	3	1.0%
Conservative Growth #	4.8%	3.7%	N/A	3	1.5%
Australian Shares #	-7.3%	-6.8%	N/A	7	6.0%
International Shares #	0.7%	-3.8%	N/A	7	6.0%

* Selecting Super 2011-12 Benchmark Index # Long term data is unavailable for our newer options

AvSuper's Investment Performance...

2011-12 was another tough year for investors exposed to risk assets. Markets and economies continue to struggle to escape the grip of the four-year old GFC. Three out of the last five years have been negative for Australian equities, while global equities markets in total barely managed to edge ahead. Conversely, defensive assets had a stellar run over the year as investors sought safe havens away from investments potentially exposed to an economic slowdown.

The fixed interest asset class arguably best reflected investor sentiment and economic conditions over the year. Bond yields contracted due to investor demand for defensive assets with most major developed market bonds reaching new lows in yields. Global credit continues to be resilient, achieving a double digit return over 2011-12 on a hedged basis.

While AvSuper's investment portfolio remains well positioned despite continued volatility, there was significantly mixed performance across the various asset classes in which we invest. In aggregate, AvSuper's positioning for International Equities,

Infrastructure and Fixed Interest added value, Australian Equities were roughly neutral, while Property detracted.

AvSuper's investment performance drivers

The key drivers of AvSuper's asset class performance for the 2011-12 year:

- **AvSuper's International Shares asset class was among the best performers in the country** in local currency terms, achieving a positive result while most super funds' global share options reported negative returns. This was largely due to the underlying manager positions, being exposed predominantly to 'quality' stocks that benefited from markets' risk aversion. The Trustee tactically increased its exposure to emerging markets during the year.
- The Australian Shares asset class marginally underperformed its benchmark, largely due to the portfolio's value bias, which resulted in an exposure to stocks and sectors which struggled. Over 2011-12, the Investment Committee adjusted the manager line up to address performance concerns.
- The Fixed Interest asset class performed strongly with both underlying managers outperforming their benchmark, and one manager positioned to profit from the increasing investor risk aversion.
- The Property asset class was the main detractor to overall performance. The Investment Committee aims to make significant changes to this asset class over the next year to produce more consistent returns and improve downside protection.
- The Infrastructure asset class outperformed its benchmark, largely due to the strong performance of the unlisted portfolio which is predominantly exposed to Perth and Melbourne Airports.
- We opportunistically increased our exposure to term deposits during the year, resulting in a consistent and significant contribution to overall cash performance.

Looking Ahead...

Little has changed over the last 12 months. Equity markets are looking cheap based on forward earnings but risks are high and accordingly, investors remain cautious. Whilst the US has reported some promising economic data, namely an improvement to the housing sector, the prospect of a recovery remains clouded by the November election and the imminent need for an extension to the debt ceiling limit in late 2012 and early 2013. Along with concerns about the stability of the Eurozone and expectations for slower Eurozone growth make for a cautious outlook for 2012-13.

Once again, **we remind you to take a long term view** and assure you we are managing the Fund prudently against such uncertainty. The Investment Committee continues to work with our investment advisers and managers to position AvSuper for better long term outcomes, accepting some short term volatility is likely.



AvSuper Returns

All AvSuper investment returns are shown after allowing for relevant fees and taxes.

Accumulation Account Returns to 30 June							Compound Average	
Investment Option	2012	2011	2010	2009	2008	5 year *	10 year *	
Growth (default)	-1.3%	11.1%	8.1%	-14.9%	-6.4%	-1.2%	4.9%	
Stable Growth	2.6%	9.2%	7.7%	-6.1%	-0.2%	2.5%	5.7%	
High Growth	-1.6%	12.6%	9.0%	-16.2%	-14.3%	-2.8%	4.7%	
Conservative Growth	4.8%	7.7%	1.5%	N/A	N/A	5.5%	5.5%	
Australian Shares	-7.3%	10.7%	-2.0%	N/A	N/A	0.2%	0.2%	
International Shares	0.7%	16.3%	-3.5%	N/A	N/A	5.7%	5.7%	
Cash	4.8%	4.2%	3.1%	4.3%	6.6%	4.6%	4.6%	

Investment earnings in our income stream products are tax free for members, so returns will vary from those in accumulation accounts. Superannuation payments made to members aged over 60 in either division are also generally tax free.

Income Stream Returns to 30 June							Compound Average	
Investment Option	2012	2011	2010	2009	2008	5 year*	10 year*	
Growth (default)	-0.1%	12.2%	8.8%	-16.9%	-8.1%	-1.4%	5.5%	
Stable Growth	3.7%	10.4%	8.7%	-7.0%	-1.3%	2.7%	6.3%	
High Growth	-2.6%	13.4%	9.5%	-17.3%	-15.9%	-3.4%	3.1%	
Conservative Growth	5.6%	8.7%	1.2%	N/A	N/A	6.1%	6.1%	
Australian Shares	-6.6%	10.5%	-0.4%	N/A	N/A	1.2%	1.2%	
International Shares	9.9%	0.2%	N/A	N/A	N/A	4.6%	4.6%	
Cash	4.9%	4.9%	3.6%	5.0%	6.8%	5.1%	5.2%	

Remember that past performance is not always indicative of future performance.

** Where 5 year or 10 year history is not yet available, the compound average is calculated from inception of the relevant investment option.*

Did you know...

...that switching your investment option for future transactions occurs on the date you request it? Switching for existing savings is only applied once unit prices are set for that week.

Getting your super into perspective...

Repeatedly, behavioural studies show that successful investors share many similar characteristics and traits. These investors commonly have a clear investment philosophy and strategy, are very disciplined and take a patient, unemotional approach to investing. Most acknowledge that emotions like fear or greed make it impossible to successfully navigate a changing investment environment and build long term wealth.

Reacting emotionally can threaten your financial future

Successful investors understand that crises and uncertainty will inevitably rock markets, and keep short term market movements in perspective. They are acutely aware that moving out of assets in poor markets can realise losses that may be difficult to recoup in better times, which can have disastrous consequences for their long term financial future. Instead of reacting with drastic investment changes, they keep a cool head and position themselves for long term growth opportunities.

Look ahead – and think long term

Managing your investments successfully over the long term requires knowing your investment horizon (do you have 15 years until retirement or another 15 years of enjoying retirement?) and your associated tolerance to higher risk for higher rewards.

For example, investing money in share market assets means accepting the potential of short term pain (low or negative returns in some years) for long term gains (asset growth).

In contrast, investing only in cash assets means you accept extremely low growth in your overall long term investment rather than facing short term losses.

Ultimately, you have to choose your actions

If you need to generate investment returns, you will need to take investment risk. However, you can influence and diversify the degree of risk you take at different retirement planning stages.

To help you better understand investing, investment risks and AvSuper's performance, thus having better control of your retirement savings, we're continuing to build up a variety of fact sheets and tools on our website. Of course, if you require a more personalised approach, or advice to suit your circumstances, our Member Advice Solution might be just what you need.

Did you know...

that you can leave your current savings invested as is (and avoid realising any losses) but switch the allocation of your future contributions?

Find out how to manage your switching by reading our member investment guide or by calling us.

Other investment information

Unlisted assets

AvSuper invests in Australian and international unlisted funds for increased diversification and stability (from less volatile asset classes), as well as more buffering from inflation and scope for direct tax benefits.

We continue to monitor our portfolio in light of market fluctuations, with the expectation this asset class can potentially give more value to members' 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 also aim to maximise investment returns.

Our derivatives policy allows our investment managers to use derivative instruments conservatively and for controlling risk, subject to tight controls imposed by AvSuper's Trustee. They are never used to gear portfolios.

Securities Lending

Securities lending fees are an important source of low risk income within an investment portfolio for super funds, which contributes to overall investment performance.

Securities lending is the temporary transfer of securities (for example shares in an investment portfolio) to a third party for a fee. Super funds and similar institutional shareholders may agree to lend their securities to benefit from the lending fees.

When lending securities, AvSuper retains all associated benefits and entitlements (such as dividends paid and voting rights). 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 their return.

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.

Find your lost super!

If you think you may have super in an old account somewhere, SuperSeeker on the ATO website might help you find it. Even better, if you find any lost super, the ATO will tell your old fund to send your money to your AvSuper account – simple!

Diversification as a risk management tool

In our pre-mixed options, your super is deliberately invested with a long term focus and diversified across several asset classes and investment managers per asset class. This spreads the risk of an investment under-performing and takes advantage of various investment styles.

AvSuper's Australian Shares, International Shares and Cash options have investments in one asset class. However, they are invested across a number of sectors and companies, and are managed by multiple managers to maintain diversity and manage risk.

Our pre-mixed options offer more diversification than our single asset class options.

Unitisation

AvSuper accumulation and income stream investments are unitised. Units are allocated to you when we receive a contribution or rollover for you. Your unit holding reduces when you make a withdrawal, receive an income stream payment, leave AvSuper or we deduct fees, taxes and insurance premiums.

Unitisation is similar to buying and selling stocks, with frequent price changes. The allocation price is based on that week's unit price so even regular contributions often convert to a different number of units. For members, the buying and selling price is the same each week. We take out fees and any applicable tax before setting unit prices. You can find current and historical unit prices on our website.

Make extra contributions to help your super soar!

Have you thought of growing your retirement savings with...

- Salary sacrifice contributions (with potential tax advantages)
- 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 with your spouse (with potential tax advantages)

Remember AvSuper Calculator can show you the impact of additional contributions and different investment strategies.

Visit our website for relevant forms and direct deposit details.

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. Declines in the value of defined benefit assets don't generally affect your final payment as the investment risk is borne by your employer. Despite drops in global investment markets in recent years AvSuper's defined benefit division remains financially sound and fully funded.

When you cease corporate employment you can stay with AvSuper, and receive contributions from any new employer, although your defined benefit must end. Unless you tell us otherwise within 28 days of ceasing employment, your benefit will be transferred to the default Growth option of an AvSuper accumulation account in your name using the unit price effective on the day following your exit.

Superannuation surcharge

The super surcharge was a contributions tax that ended in July 2005. Your member statement shows any applicable outstanding surcharge. 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.

Investment returns & objectives

The primary objective is an after tax and fees return exceeding Average Weekly Ordinary Time Earnings (AWOTE) increases by at least 3% over rolling five years.

Investment returns for the Defined Benefit division (after fees and taxes)

One Year Return for 2011-2012	-0.7%
Five Year Compound Average Return Per Annum	-1.0%
Ten Year Compound Average Return Per Annum	4.3%

Long term strategic asset allocation at 30 June 2012

Asset Class	Benchmark	Asset Allocation Ranges
Cash	5%	0 - 20%
Property	10%	0 - 20%
International Shares	26%	15 - 45%
Diversified Fixed Income	10%	0 - 30%
Growth Alternatives	10%	0 - 20%
Australian Shares	29%	15 - 45%
Infrastructure	5%	0 - 15%
Defensive Alternatives	5%	0 - 15%

Investment portfolio update

AvSuper's Investment Committee monitors the underlying asset allocation of our investment options and regularly reviews that investment strategies remain appropriate for their objectives and risk profile. As circumstances require, usually due to changing investment markets and medium and long term economic outlooks, AvSuper may change asset allocations to better position the portfolio and/or reduce investment risk.

From 1 July 2012, the Trustee changed asset allocation for some investment options to allow for changing investment market conditions, opportunities and risks. Details of the new asset class benchmarks and ranges for the changed investment options are listed below, on our website and in our Member Investment Choice guide.

Overall, a small reduction in share market exposure has been made in favour of alternative assets which we expect to deliver similar investment earnings as share markets **with less investment risk and/or volatility**. The changes also provide more flexibility by widening the range for the changed investment options of holdings in each asset class. Thus we can avoid rebalancing holdings when market conditions may not be ideal or when members' best interests could be compromised.

Asset Allocation (for changed investment options only) as at 1 July 2012

ASSET CLASS	Growth		Conservative	
	Benchmark	Range	Benchmark	Range
Australian Shares	36%	20 - 45%	12%	0 - 20%
International Shares	24%	20 - 45%	8%	0 - 20%
Property	10%	0 - 20%	10%	0 - 20%
Infrastructure	5%	0 - 10%	0%	0 - 10%
Growth Alternatives	5%	0 - 10%	0%	0 - 10%
Diversified Fixed Income	13%	0 - 30%	30%	20 - 60%
Cash	2%	0 - 10%	30%	10 - 40%
Defensive Alternatives	5%	0 - 10%	10%	0 - 20%

ASSET CLASS	Stable Growth		High Growth	
	Benchmark	Range	Benchmark	Range
Australian Shares	20%	10 - 30%	54%	30 - 70%
International Shares	10%	10 - 30%	36%	30 - 70%
Property	10%	0 - 20%	0%	0 - 30%
Infrastructure	5%	0 - 10%	5%	0 - 30%
Growth Alternatives	5%	0 - 10%	5%	0 - 30%
Diversified Fixed Income	25%	15 - 50%	-	-
Cash	20%	0 - 30%	-	-
Defensive Alternatives	5%	0 - 10%	-	-

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 2012, AvSuper's assets were managed by the following entities:

Australian Shares	Maple Brown Abbott Schroders * Alliance Bernstein Australian Value * Balanced Equity Management (BEM) * Invesco
International Shares	Independent Franchise Partners * AQR Global Equities MFS Investment Management* Walter Scott Global Equities Genesis Investments
Defensive Alternatives	Fauchier Partners Aurora
Property	Eureka Property Fund Management Franklin Templeton Investments Colonial First State Property * EG Property Group
Fixed Interest	Loomis Sayles * Brandywine Global Fixed Interest *
Cash & Currency	Blackrock * Pareto Partners Bank term deposits (various)
Infrastructure	RARE Infrastructure Limited Utilities Trust of Australia (UTA)
Growth Alternatives	Bentham Siguler Guff Coller Capital

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

Want to grow your defined benefit?

You can increase your contribution rate at any time by completing our change of contributions form. Log into Member Online to see the impact of even a small percentage change. Alternatively, you can open an accumulation account alongside your defined benefit if you wish to make ad hoc personal contributions.

Please be aware that there are Government imposed limits on how much you can contribute at concessional tax rates

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.

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

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 downloaded 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 investment options

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

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

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 shows if you have an accumulation, income stream or defined benefit account.

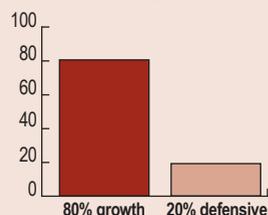
AvSuper options

Note that asset allocations and ranges for some of our investment options have changed with effect from 1 July 2012 - please see page 15 for details.

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.

Standard Risk Measure

Risk band	6
Risk label	High
Expected frequency of negative return in 20 years	4 to less than 6

Investment management fee: 0.77% pa

Asset allocation at 30 June 2012

Asset Class	Benchmark	Range
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%

The Standard Risk Measure for each investment option is based on industry guidance to allow members to compare investment options. It is not a complete assessment of all forms of investment risk, specifically it does not take into account the impact of administration fees or the magnitude of investment earnings (positive or negative).

You should ensure you are comfortable with the risks (especially the risks of negative investment earnings) associated with your chosen investment option. You can find out more about the Standard Risk Measure on our website.

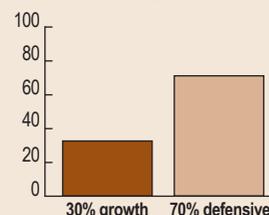
Growth assets such as shares and property generally have a greater level of investment risk over shorter periods, with the possibility of higher returns over the longer term in comparison to defensive assets.

Defensive assets such as fixed interest and cash have a lower investment risk but usually provide lower returns over the longer term.

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.

Standard Risk Measure

Risk band	3
Risk label	Low to Medium
Expected frequency of negative return in 20 years	1 to less than 2

Investment management fee: 0.46% pa

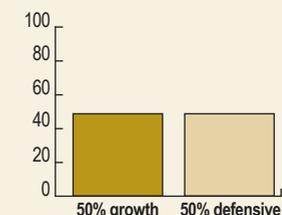
Asset allocation at 30 June 2012

Asset Class	Benchmark	Range
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%

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.

Standard Risk Measure

Risk band	4
Risk label	Medium
Expected frequency of negative return in 20 years	2 to less than 3

Investment management fee: 0.50% pa

Asset allocation at 30 June 2012

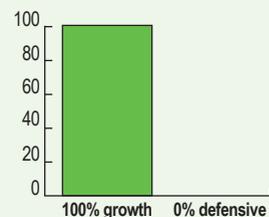
Asset Class	Benchmark	Range
Australian Shares	20%	10 - 30%
International Shares	10%	0 - 20%
Property	10%	0 - 20%
Infrastructure	5%	0 - 10%
Growth Alternatives	5%	0 - 10%
Diversified Fixed Income	30%	20 - 50%
Cash	15%	0 - 20%
Defensive Alternatives	5%	0 - 10%

AvSuper options (continued)

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.

Standard Risk Measure

Risk band	6
Risk label	High
Expected frequency of negative return in 20 years	4 to less than 6

Investment management fee: 0.82% pa

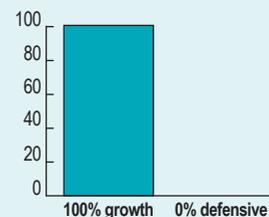
Asset allocation at 30 June 2012

Asset Class	Benchmark	Range
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.

Standard Risk Measure

Risk band	6
Risk label	High
Expected frequency of negative return in 20 years	4 to less than 6

Investment management fee: 0.58% pa

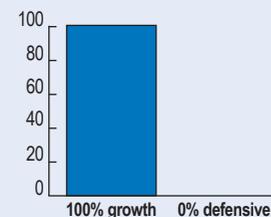
Asset allocation at 30 June 2012

Asset Class	Benchmark	Range
Australian Shares	100%	NA

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.

Standard Risk Measure

Risk band	6
Risk label	High
Expected frequency of negative return in 20 years	4 to less than 6

Investment management fee: 0.89% pa

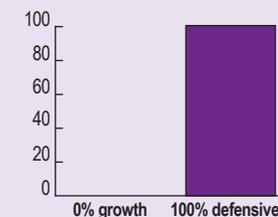
Asset allocation at 30 June 2012

Asset Class	Benchmark	Range
International Shares	100%	N/A

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.

Standard Risk Measure

Risk band	1
Risk label	Very Low
Expected frequency of negative return in 20 years	<0.5

Investment management fee: 0.15% pa

Asset allocation at 30 June 2012

Asset Class	Benchmark	Range
Cash	100%	N/A

2011-2012 super snapshot



There has certainly been a lot of activity in the superannuation industry during the last year – primarily in response to the Federal Government's Stronger Super proposals (see page 24), especially the introduction of a 'MySuper' option. There have also been a number of other super changes introduced (or proposed) throughout the year.

Remember: for some changes, legislation is still draft and has not yet passed into law. While this can make it difficult to provide meaningful guidance about how the changes are likely to affect you, we'll provide you with regular updates via email and the news section of our website.

Government Co-contribution rates

Eligible members can receive a Government Co-contribution if they earn less than \$46,920 pa and make a personal contribution to super. From 1 July 2012, the co-contribution rate **reduced to \$0.50 co-contribution** per \$1 you make as a personal contribution, up to a maximum co-contribution of \$500.

Low income superannuation contributions

From 1 July 2012, if you earn less than \$37,000 pa you may be eligible for up to \$500 from the Government as a low income super contribution. This is separate to any co-contribution you may be entitled to but will be administered in a similar way with similar eligibility rules.

Financial Advice Reforms

Most legislation has been passed and will apply from 1 July 2013. There will be minimal impact on the advice we offer to members.

Check out the Future of Financial Advice fact sheet on our website to find out more.

Superannuation Guarantee Changes

The Federal Government has legislated that compulsory employer contributions for eligible employees will increase gradually from 9% (from 1 July 2013) to 12% (from 1 July 2019). The Superannuation Guarantee will also apply to employees over 70 from 1 July 2013.

Changes to concessional contributions limits

From 1 July 2012, all members are subject to a \$25,000 concessional contributions limit. These contributions generally include your employer contributions and any salary sacrifice arrangements you may have in place. Contributions in excess of this limit will attract additional contributions tax.

Higher super contribution tax for very high income earners

In the 2012 Federal Budget, the Government announced its intention that the contributions tax rate on certain contributions would increase from 15% to 30% for people earning more than \$300,000 per year.

This remains a Government proposal only and has not yet been legislated.

Income stream drawdown relief

Income Stream members must withdraw a minimum amount (as calculated under legislation), from their account each year. Since 2009, in response to the effects of the GFC, the Government has permitted members to withdraw less than the legislated minimum to avoid crystallising investment losses. From 1 July 2012, members can reduce their minimum annual withdrawal by 25%.

We have written to all AvSuper members with income stream accounts about this change. Additional information can also be found on our website.

Refund of excess concessional contributions

From 1 July 2011, members who exceed their concessional contribution limit by up to \$10,000 (not indexed) **may be eligible for a refund of those excess contributions.** This refund option will only be available the first time a member breaches their concessional contributions.

Any concessional contributions withdrawn using this system will attract the relevant marginal tax rate (eg as salary) which may be less than the 46.5% tax charged on excess concessional contributions. Note that any excess concessional contributions also count towards your non-concessional contribution limit so both limits may be affected by this refund.

If you are eligible for a refund, the ATO will send you a letter explaining your options.

Stronger Super, a story in several parts

In September 2011, the Federal Government provided its final position on superannuation changes within its Stronger Super reform package.

Although most of the changes are proposed to apply from 1 July 2013, much of the legislation remains draft. Throughout the year, AvSuper actively contributed to many of the industry consultation groups to ensure our members' interests are represented as the legislation takes shape.



Consistent with our profit-for-members philosophy, AvSuper broadly supports many of the proposed changes – in fact we meet many of the higher requirements already. However we have some concerns about the magnitude of future cost savings purported to be achievable for low cost, profit-for-members funds like AvSuper, which already operate on a cost recovery basis.

Although there is a raft of legislation supporting the reform package, the three key changes for members are outlined below - refer to our factsheets for details.

MySuper

The Government has proposed MySuper as a new class of super product to replace existing "default" arrangements from 1 July 2013. We are confident that once details are legislated, AvSuper will meet the new requirements, with minimal changes, to offer:

- ✓ a single investment option
- ✓ a standard set of fees that meet certain legislated requirements, and
- ✓ default levels of death and disability insurance

Trustee obligations and prudential standards

This aspect of Stronger Super legislation has passed into law and includes three major changes from 1 July 2013:

- ✓ a requirement for trustees to put members' interests first at all times
- ✓ specifying trustee duties such as to act honestly and in members' best interests
- ✓ providing one of super's regulators, APRA, with power to make prudential standards as it can for other sectors of the finance industry

As a profit-for-members fund, AvSuper already meets most of these requirements, especially the need to act only in the best interests of members.

SuperStream levy

The Government has imposed an additional levy on super funds as part of a funding boost for Australia's regulators to implement the Government's Stronger Super and financial advice reforms, improve the collection of superannuation guarantee contributions and to implement SuperStream reforms (which the Government asserts will increase the super system's operational efficiency).

AvSuper will continue to participate in consultations and monitor progress of the Stronger Super reforms as they become law. We'll keep you informed as changes are made, however if you have any queries or concerns about Stronger Super, or your super generally, please contact us.

Enquiries and complaints

Please contact AvSuper if you have any enquiries – in most cases, enquiries can be answered over the phone. Responses to written enquiries will generally be provided within five business 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
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.



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.

AvSuper's Trustee is supported by comprehensive risk management strategies, plans and compliance programs.

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

The Principal Employer, Airservices Australia, nominates four of the Directors (Mr Grant, Ms Allen, Ms Goode and Ms Roper) and four are nominated by the ACTU (Mr Cox, Mr Firkins, Mr Arnott and Mr Fishlock).



(top) Lawrie Cox
(middle) Ben Firkins, Tom Grant (Chair),
Christine Goode, Denise Allen,
George Fishlock
(front) Glenys Roper,
Michelle Griffiths (CEO), David Arnott

George Fishlock and Ben Firkins are also authorised to act as AvSuper Representatives which means they are qualified to provide you with general superannuation 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 Board, its Directors, its officers and the Fund against the financial effects of legal action against AvSuper.

Trustee Director remuneration

AvSuper's Trustee Directors meet regularly and undergo training to ensure your Fund is run prudently and effectively to grow your retirement savings within an appropriate governance and risk management framework. The Trustee's focus remains strategic, long term and with a view to serving members' best interests at all times.

The Trustee has developed a Remuneration Policy that recognises that to prosper over the long term, it must be able to attract, motivate and retain a stable and talented team of highly skilled Trustee Directors.

The key principles that underpin AvSuper's Trustee Remuneration Policy are that remuneration levels will:

- Be linked to the "profit-for-members" philosophy and management of the Fund and comply with relevant legal requirements,
- Be treated as financial compensation for individual directors for their efforts; for clarity this means that Directors' Fees are not paid to any third party associated with the Director
- Reflect the market in which the Trustee operates, and which is referenced to appropriate external benchmarks for similar roles

The Trustee considers the remuneration levels should appropriately compensate for associated work and attendance by Directors at all Board Meetings, all Committee meetings (where the Director is a Committee member) and any required training sessions each year. The payment of higher fees to Committee members and to Chairpersons recognises the additional time commitment required by Directors who serve in those roles. Directors do not receive bonuses or other incentive payments.

Paid quarterly in arrears, Directors also receive superannuation guarantee contributions for their remuneration. The total paid to our Directors is disclosed in AvSuper's full audited financial accounts.

AvSuper professional support

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

Administrator	Russell Employee Benefits
Auditor	Deloitte
Group Life Insurer	Hannover Life Re Australasia
Investment Adviser	JANA Investment Advisers Pty Ltd
Custodian	National Asset Servicing & BNP Paribas Australia (from 1 September 2012)
Actuary	cHr Consulting Pty Ltd
Legal Advisor	Greenfields Financial Services Lawyers

Abridged financial statements

The details below are a summary of AvSuper's financial statements for the last two financial years. Note the 2012 figures are taken from unaudited accounts - AvSuper members can request the copies of the full audited financial statements and auditor's report after 31 October 2012.

Statement of changes in net assets for the period ended 30 June	2012	2011
Net assets available to pay benefits at beginning of year	1,193,323,390	1,050,674,348
Plus Income		
Employer contributions	79,911,266	74,940,400
Member contributions	4,506,262	4,773,595
Transfer from other plans	11,973,547	11,761,715
Investment Revenue	2,705,801	123,641,183
Insurance Proceeds	1,100,876	829,635
Other income	6,400	1,955
Total Income	100,204,152	215,948,483
Less Expenses		
Benefits paid and payable	51,824,216	44,092,678
Administration & operating costs	9,239,334	11,144,230
Insurance Expense	1,515,251	1,686,004
Income Tax Expense	7,753,345	16,376,529
Total Expenses	70,332,146	73,299,441
Net Assets	1,223,195,396	1,193,323,390

The AvSuper Team...

When you call AvSuper, you'll never get an anonymous call centre. One of our experienced Trustee team will happily help you.



AvSuper Team (L to R):
 Silas Dingiria, Sara Stidworthy,
 Leyman Leyes, Scott Malpass,
 Michelle Griffiths, Naomi Hales,
 Kayla Bambling, Amy Ward

Thinking of retiring?

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 a super member, with the same fees.

What if I'm still working?

Under transition to retirement rules, you can use an income stream as part of your income while continuing to work. You can also keep your super growing with employer and personal contributions into your 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 payments (from age 60)
- Your beneficiaries receive the remainder of your account if you die

We currently manage over \$65 million in income stream savings.

What do I do next?

If you are in or approaching retirement, read our income stream Product Disclosure Statement (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 listed in the PDS for you.

* AvSuper 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.



facebook.com/avsuper



twitter.com/aviationsuper

Linked in



Contact 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