



a super start
setting up for your future

Super Update

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Welcome to *Super Update*, the newsletter for the Heidelberg Australia Superannuation Fund that keeps you up to date with what's happening with your super. If you have any suggestions for articles in future issues of *Super Update*, please pass them on to the Fund's Policy Committee.



Contact information

If you have a query about any of the information provided in this newsletter or about your super, please contact Con Xanthos on (03) 9548 6210 or GK Ng on (03) 9548 6218. You can also speak with Con and GK on general information about the Fund's management, features and benefits.

Alternatively, you can contact the Fund Administrator on 1800 127 953 or seek guidance from a licensed financial adviser.

How your super is performing

Stronger returns from shares and other assets combined to produce some good returns for the Fund for the quarter ended 31 March 2019.

The US-China trade war, slowing global economic growth and Brexit uncertainty were the key themes of both the December and March quarters. International share markets all saw double-digit negative returns in the December quarter but rebounded strongly in the March quarter recovering most of the losses from the previous quarter. In unhedged Australian dollar (AUD) terms, the MSCI North American index (US shares) rose 13.0%, Japanese shares 5.9%, Eurozone shares 9.6% and UK shares, despite uncertainty around Brexit, were up 11.0% over the March quarter.

Australian economic concerns continue with the economy coming under pressure from low wages growth and a falling housing market. Economists have inferred that consumers are likely to spend less. As a result, the RBA is indicating a potential interest rate cut in the second half of 2019. At its April meeting, the RBA agreed to keep cash rates unchanged at 1.5% for the thirty-second month in a row.

Like international markets, the Australian share market fell in the December quarter off the back of lower than expected Australian GDP growth, falling manufacturing activity, and business and consumer confidence, however, consumer spending and exports (bolstered by Christmas) grew slightly.

Even with a weakening economy, resources stocks helped the Australian share market rebound strongly from the sharp falls at the end of 2018 with the S&P/ASX300 Accumulation Index up 10.9% over the March 2019 quarter.

The AUD ended the December quarter down against the US dollar at 70.58 US cents before appreciating marginally over the March quarter to 70.87 US cents. Australia's Trade Weighted Index changed little over the March quarter.

Returns from fixed interest for the March quarter were much stronger, reflecting the general slowing down of central banks' programs of increasing interest rates.

Returns for the Fund's options more heavily invested in shares (like Diversified Shares, Growth and Balanced) are directly affected by the movements in the share markets. Returns for the nine months to 31 March 2019 are shown in the table below. Please remember that past performance is not necessarily a reliable indicator of future performance.

Investment option	Year to date 1 July 2018 to 31 March 2019
Diversified Shares	3.9%
Growth	4.3%
Balanced	4.5%
Capital Stable	3.8%
Cash	1.4%

Note: Returns shown in the above table are net of tax and investment fees.

'Protecting your super' changes

Last year's Federal Budget proposed some measures to help protect small superannuation accounts from erosion by fees, including insurance fees. Below is a summary of some of the key measures that take effect from 1 July 2019.

Most Fund members will not be affected by the changes. This is because the Company pays all insurance and administration costs on behalf of employee members and the fees for Retained Benefit members are well below the new fee cap for small balances.

What's changing?	What does this mean for Fund members?	
	Employee members	Retained Benefits Division members
<p>Exit fees</p> <p>Super funds will no longer be able to charge exit fees. An exit fee is generally a fee to recover the costs when you withdraw or transfer money out of a fund.</p>	No change. The Fund does not charge exit fees.	
<p>3% cap on certain fees for small accounts</p> <p>Account balances less than \$6,000 will be subject to a 3% per year cap on the amount of administration and investment fees that can be charged.</p>	No change. The Company pays for administration fees on your behalf. Also, the Trustee has already negotiated low investment fees which fall under the cap.	No impact, as the Trustee has negotiated administration and investment fees which fall under the cap.
<p>'Inactive' members and insurance cover</p> <p>If your account has been 'inactive' for a continuous period of 16 months, a fund can only provide you with insurance cover if you have elected to receive the insurance cover.</p> <p>You are considered to be 'inactive' if you have not had any contributions or rollovers into your account over the relevant period. Super funds will be required to write to you to ensure you are aware that your insurance cover will stop, unless you elect for the cover to continue.</p>	No impact.	May affect some 'inactive' Retained Benefits Division members. The Trustee will write to affected members.
<p>Small inactive accounts</p> <p>Inactive accounts that are less than \$6,000 will be required to be paid to the ATO.</p> <p>The ATO will consolidate your small inactive accounts once it is satisfied that it has correctly identified an active super account for you.</p> <p>It is important to note that the definition of 'inactive' is different to the insurance test mentioned above. Generally, you will not be considered 'inactive' if you have made a contribution or rollover, an investment change, lodged a binding nomination or made a change to your insurance.</p>	No impact.	Retained Benefits Division members with an inactive account with a balance less than \$6,000 and no insurance cover will be affected. <p>If you are affected, the Fund Administrator will write to you when the money has been paid to the ATO. Contact the Fund Administrator on 1800 127 953 if you need to update your address.</p>

Royal Commission update

In February, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released its final report. A number of recommendations were made for the superannuation industry, which have been endorsed by both the Government and the Opposition. However, it is still a long way before the recommendations can be turned to actions, as legislation will need to be passed after the upcoming election.

The Trustee does not expect any significant changes to the Fund as a result of the recommendations. This is because the Heidelberg Australia Superannuation Fund is a not-for-profit fund, sponsored by Heidelberg Australia and run for the benefit of employees (as well as former employees). We will keep you informed of developments.

The information in this publication is general information only and does not take into account your particular objectives, financial circumstances or needs. It is not personal or tax advice. Any examples included are for illustration only and are not intended to be recommendations or preferred courses of action. You should consider obtaining professional advice about your personal circumstances before making any financial or investment decision based on the information contained in this document. Please note that past investment performance is not necessarily an indication of future performance.

Issued by Towers Watson Superannuation Pty Ltd (ABN 56 098 527 256, AFSL 236049), as Trustee of the Heidelberg Australia Superannuation Fund (ABN 75 071 229 817). May 2019.