



## **The ARA Retirement Fund**

**ABN 40 586 548 205  
RSE Registration Number R1001020**

Annual Report

30 June 2018

Issued by Aracon Superannuation Pty Ltd  
ABN 13 133 547 396  
AFS Licence Number 507184  
RSE Licence Number L0003384

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## Contact Details

If you have any questions or would like more information about The ARA Retirement Fund (the “**Fund**”), please contact the Fund’s Promoter, ARA Consultants Limited (ABN 78 102 304 692 - AFSL No. 224150) as follows:

Address: Lakeland Place, Level 1, 17 Cotham Road Kew VIC 3101  
 Postal: PO Box 2273, Kew, VIC 3011  
 Telephone: (03) 9853 1688  
 Facsimile: (03) 9853 1622  
 Email: [info@araconsultants.com.au](mailto:info@araconsultants.com.au)  
 Internet: [www.araconsultants.com.au](http://www.araconsultants.com.au)

## Important Information

This annual report has been prepared to provide members with information that the Trustee reasonably believes is needed for the purpose of understanding the management, financial condition and investment performance of the Fund. It has been prepared on behalf of the Trustee by the Promoter for members of The ARA Retirement Fund and should be read in conjunction with your annual member statement.

Information is available for the purposes of understanding any of your benefit entitlements; the main features of the Fund; or to assist you make an informed judgement about the investments, the investment performance, the management or the financial condition of the Fund and its various divisions or investment options. This may include copies of the Fund’s Trust Deed, Product Disclosure Statement (“**PDS**”), and previous editions of the Annual Report, or other more specific information about your membership account. These are available to you at no cost by contacting ARA Consultants Limited and requesting a copy.

The information contained in this report is of a general nature only and has been prepared without taking into account your personal investment objectives, financial situation or needs. Before making any decision concerning your investment in the Fund, you should consider seeking professional advice from a licensed or authorised advisor. You should also consider the information contained in the Fund’s PDS.

The Trustee or any of its service providers do not guarantee the investment performance or the repayment of capital in The ARA Retirement Fund. Investments in the Fund are subject to risk, including the loss of income and capital invested. The Trustee believes the information contained in this report is accurate and reliable at the date of issue of 17 December 2018. Whilst all due care has been taken in its preparation, the Trustee reserves the right to correct any errors or omissions.

## Report to Members

17 December 2018

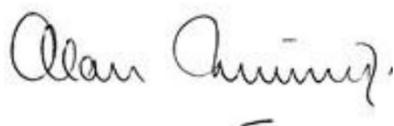
Dear Investor

We present here the Annual Report for the ARA Retirement Fund for the financial year ended June 30, 2018.

Returns for the three portfolios were all comfortably above their respective targets, although marginally below their five-year averages, largely reflecting the continuing low interest rate environment. We continue to adopt a prudent approach to the management of your funds and we look forward to reporting throughout the next financial year on progress.

Our sincere thanks for your continued faith in entrusting stewardship of your savings to us.

Yours sincerely



Alan Rimmer  
Director  
Aracon Superannuation Pty Ltd

## About The ARA Retirement Fund

The ARA Retirement Fund (the “**Fund**”) is a public offer superannuation fund that has been designed for employees, their employer sponsors, self-employed persons, retirees and other eligible individuals who wish to take advantage of the favourable taxation concessions available to superannuation funds as part of their retirement savings strategy.

The Fund has two divisions. The Accumulation division, for members saving for their retirement; and the Pension division, for members who are receiving an income stream from the Fund. Within each division, you have a choice of investment strategies. Accumulation division members may also include insurance cover with their membership account.

The Trustee of the Fund is Aracon Superannuation Pty Ltd (“**Aracon**”), a wholly owned subsidiary of ARA Consultants Limited (“**ARA**”). ARA is also the Promoter and Investment Manager. Disclosures about the Trustee, including remuneration information and other documents about the Fund can be located at [www.araconsultants.com.au/publications](http://www.araconsultants.com.au/publications).

## Management of the Fund

### The Trustee

Aracon Superannuation Pty Ltd  
ABN 13 133 547 396 RSE Licence Number L0003384  
AFS Licence Number 507184  
Level 12, 500 Collins Street  
Melbourne Vic 3000

The Trustee holds appropriate indemnity insurance as protection against certain claims that are subject to the terms of that policy. The Trustee has not been issued any penalties under the Superannuation Industry (Supervision) Act 1993, the Corporations Act 2001 or any other applicable legislation.

The Directors of Aracon Superannuation Pty Ltd have consented to the issue of this Annual Report.

On the 31<sup>st</sup> October 2018, Managed Accounts Holdings Limited (MGP), an ASX Listed Financial Services Company, purchased Aracon Superannuation Pty Ltd. A Significant Event Notice was sent to members on 31<sup>st</sup> October 2018 advising of the Change of Ownership.

### Investment Manager and Promoter

ARA Consultants Limited  
ABN 78 102 304 692 AFS Licence Number 224150

ARA Consultants Limited is the Promoter of The ARA Retirement Fund. It is also the Responsible Entity of The ARA Investment Fund, which the Trustee currently invests in.

### Custodian

National Australia Bank Limited  
ABN 12 004 044 937

All of the Fund’s investments are held in the name of the Custodian.

### Auditor

William Buck  
ABN 59 116 151 136

The Trustee appointed William Buck as the Fund’s auditor for the year ended 30 June 2018.

### Policy Committees

Where an employer sponsor has 50 or more employees who are active members of the Fund, the Trustee is required to take reasonable steps to establish a policy committee. Employees of employer groups that have at least five but less than 50 active members of the Fund may request the Trustee establish a policy committee provided at least five of those members have made a written request to the Trustee. The Trustee is not required to establish a policy committee for employer groups with less than five active members.

The purpose of a policy committee is to provide an avenue for members to inquire about the investment strategies, performance, operations or other matters of concern about the Fund. The Trustee may also utilise policy committees as a method of obtaining member information needs and to assist in the response to any inquiries and complaints.

Policy committees comprise of equal representation from the employer sponsor and the employees who are active members of the Fund. Employer representatives are generally appointed by the sponsoring employer, while member representatives are generally nominated and then elected by other fund members within that employer group.

You will be provided specific information, where applicable, with your annual Member Statement of any policy committee established for your employer group.

### **Eligible Rollover Fund**

If your account balance remains less than \$1,000 and the Trustee is unable to contact you, your benefit may be transferred to:

Super Safeguard Fund  
ABN 13 917 747 013  
RSE Registration Number R1001389

GPO Box 3426  
Melbourne Vic 3001  
Telephone: 1300 135 181  
Facsimile: 1300 135 191  
Email: [enquiries@supersafeguard.com.au](mailto:enquiries@supersafeguard.com.au)  
Website: [www.supersafeguard.com.au](http://www.supersafeguard.com.au)

The Super Safeguard Fund has different benefits, fees and investments to The ARA Retirement Fund. Where the Trustee is able to contact you, it will endeavour to confirm and provide you with the relevant details of any such transfer. Upon payment of your benefit to the eligible rollover fund, your membership of this Fund will cease.

### **Member Accounts**

Individual accounts are maintained for each member that records your personal details, transaction amounts, investment selections, insurance covers (if applicable) and other information required to manage and report on your superannuation. Your benefits are generally based on the sum of your account balance.

### **MySuper**

The Trustee has not sought approval for a MySuper product within The ARA Retirement Fund and intends to utilise a MySuper product of another regulated superannuation fund for any accrued default amounts received. The Trustee does not accept default contributions into the Fund. Where default contributions are received, they will either be returned to the payee or re-directed to a suitable MySuper product.

### **Inquiries and Complaints Procedure**

If you have any inquiries about the Fund or your membership account, please contact ARA Consultants Limited. Their contact details are shown on page 1 of this Annual Report. Where you are not satisfied with the response to your inquiry, please detail your concerns and requested outcome in writing and forward to The Complaints Manager at ARA who will classify your inquiry as a complaint and aim to resolve it within 90 days. ARA may contact you to request a meeting, which they will generally host in their office. If you are not satisfied with the outcome of this process after the 90 day period, you may contact the Australian Financial Complaints Authority (AFCA). AFCA replaced the Superannuation Complaints Tribunal from 1<sup>st</sup> November 2018. They are an independent tribunal established to resolve complaints by way of conciliation between the parties.

Australian Financial Complaints Authority  
GPO Box 3  
MELBOURNE VIC 3001

**Phone:** 1800 931 678  
**Email:** [info@afca.org.au](mailto:info@afca.org.au)  
**Internet:** [www.afca.org.au](http://www.afca.org.au)

## Investments

Strategy name	Defensive		Growth		Equities	
<b>Management Strategy</b>	Invests in a variety of assets designed to provide an attractive income yield, greater in aggregate than bank bills or term deposits, but still highly liquid. The Responsible Entity may invest directly or via a managed trust.		Invests in growth assets, some listed on stock exchanges, some unlisted. These assets may include shares, property, interest bearing and unlisted securities. The Responsible Entity may invest directly or via a managed trust.		Invests predominantly in growth assets, some listed on the Stock Exchanges and may also include unlisted, interest bearing and international securities. The Responsible Entity may invest directly or via a managed trust.	
<b>Type of Investors for whom it is intended to be suitable for</b>	Designed for investors with a low tolerance to fluctuation in the value of their portfolio and who are content to accept a lower long term return as a consequence.		Designed for investors with a moderate tolerance to short-term fluctuation in the value of their portfolio, in the pursuit of a more attractive medium term return.		Designed for investors with a high tolerance to short-term fluctuation in the value of their portfolio, in the pursuit of a more attractive long term return.	
<b>Asset Classes</b>	<b>Allowable Range (%)</b>	<b>Current Strategic Benchmark (%)</b>	<b>Allowable Range (%)</b>	<b>Current Strategic Benchmark (%)</b>	<b>Allowable Range (%)</b>	<b>Current Strategic Benchmark (%)</b>
<b>Defensive Assets</b>	70-100	85	10-70	40	0-30	10
<b>Growth Assets</b>	0-30	15	30-90	60	70-100	90
<b>Investment Return Objectives</b>	To exceed the RBA Cash Rate by at least 1% per annum, before tax and after fees and expenses, over rolling three year periods.		To exceed the RBA Cash Rate by at least 3% per annum, before tax and after fees and expenses, over rolling five year periods.		To exceed the RBA Cash Rate by at least 4% per annum, before tax and after fees and expenses, over rolling five year periods.	
<b>Minimum suggested time for Investment</b>	Up to 3 years		4-7 years plus		7 years plus	
<b>Risk Level</b>	Low to Medium		Medium to High		High	

The Standard Risk Measure is based on industry guidance to allow members to compare investment options that are expected to deliver a similar number of negative annual returns over any 20 year period. This measure includes seven bands where 1 represents the least risk and 7 represents the highest risk of negative returns. Note that this is not a complete assessment of all forms of investment risk e.g. it does not take into account the size of the negative return or that positive returns may not be sufficient to meet your objectives, the impact of fees and tax on the likelihood of a negative return. Members should ensure they are comfortable with the risks and potential losses associated with their chosen investment strategy.

The Trustee has a philosophy of basing its asset allocation decisions on a 10 year outlook of future returns as it believes this provides a greater degree of confidence that the outcomes will be achieved over that time frame. The Trustee regularly reviews and modifies its strategic asset allocations using its model of long-term return expectations. Specific investments held within the various investment strategies may frequently change as the Fund is actively and continuously managed on behalf of its members.

**Cash and Tier 1 Fixed Interest** may include cash and term deposits issued by the four major Australian banks and fixed term annuities supported by the statutory reserves of Australian Life Insurance offices.

**Listed Securities** may include interest-bearing securities, hybrids, preference and ordinary shares traded on Australian and International Stock Exchanges. Securities may be purchased directly for the Fund, or managed on the Fund's behalf by external fund managers.

**Unlisted Investments** may include investments such as property, private equity, infrastructure, agribusiness and hedge funds and interest bearing securities, usually managed on the Fund's behalf by external fund managers.

The actual asset allocation may vary between the Accumulation and Pension divisions within the Fund due to the different taxation concessions and cash flow of each division's portfolio. This may result in different investment performance between the same investment options when comparing the two divisions.

You may alter your investment strategy selection at any time by notifying the Trustee via ARA in writing of your intention. This includes switching your current investment balance and/or any future contributions or other transactions. An investment switch will generally take effect after the close of business on the next unit price calculation date following the receipt of your request.

The Trustee may change how the investment strategies are designed and invested, including any underlying investment managers, allowable or strategic asset ranges, and the addition or removal of investment strategy options. Where these changes are considered material or significant to your investment, the Trustee undertakes to notify you or provide updated information which can be accessed at [www.araconsultants.com.au](http://www.araconsultants.com.au).

For the year ended 30 June 2018, all of the Fund's investments were held in The ARA Investment Fund.

### **Labour Standards, Environmental, Social or Ethical Considerations**

The Trustee does not take into account labour standards or environmental, social or ethical considerations in the selection, retention or realisation of investments for the Fund. However, underlying fund managers may do so in their own right, although this is not on behalf of the Trustee.

### **Reserves - General**

The Trustee's policy is to allow any investment returns (less applicable fees, costs and taxes) to flow through to the relevant unit prices of each investment strategy. As a result, the Trustee does not intend to hold any investment reserves. A reserve may exist from time to time due to rounding of the relevant unit prices, timing delays in the allocation of transactions to member accounts; or reporting or timing differences associated with the taxation of the Fund's investments. These amounts are generally classified as "not yet allocated" to member accounts in the Fund's financial statements. The amounts for the past four years represented 0% of the Fund's net assets as follows:

30 June 2018	\$0
30 June 2017	\$0
30 June 2016	\$0
30 June 2015	\$0

Amounts not yet allocated to member accounts are generally retained in the Fund's cash operating accounts until allocated to the relevant investment option in the subsequent period.

## Operational Risk Financial Requirement (“ORFR”)

From 1 July 2013, the Trustee has been required to hold, and have unfettered access to, financial resources in the form of operational risk reserves that can be used in the event of certain operational risk events. The amounts held as at 30 June 2018 were:

ORFR maintained in The ARA Retirement Fund	\$ 791,694
ORFR maintained by Aracon Superannuation Pty Ltd	<u>\$ 250,114</u>
Total ORFR Reserve at 30 June 2018	<u>\$ 1,041,808</u>

## Derivatives

The Trustee does not directly invest in derivatives, however, underlying investment managers may invest in derivatives such as futures and options in order to gain exposure to investment markets and to manage the risks associated with market prices, interest rates and currency fluctuations. The Trustee will not use derivatives for gearing of investments or for speculative purposes.

The investment manager will from time to time employ investment strategies using options, primarily for the purpose of generating additional income and/or reducing the risk profile of the portfolio. Options will not be used to leverage or increase the risk profile of the portfolios.

## Allocation of Earnings

The dollar amount of net earnings disclosed in your account summary is calculated by reference to the change in value of the underlying units allocated to your account for each transaction processed. Unit prices are calculated for each of the Fund’s investment options on a regular basis, generally at the end of each week, and take into account any realised and unrealised investment gains as well as fees, costs and taxes of the Fund that are not already deducted from member accounts.

The actual rate of return of your account may be different to the Fund’s published returns for each investment option due to the timing and value of the transactions processed in your account.

## Investment Performance of The ARA Retirement Fund

Period	Defensive		Growth		Equities	
	Accumulation	Pension	Accumulation	Pension	Accumulation	Pension
<b>Year ended 30 June 2018</b>	2.7%	3.5%	4.9%	6.0%	5.4%	6.3%
<b>Compound average annual rate of net earnings for 5 years ended 30 June 2018</b>	4.1%	4.6%	6.7%	7.4%	6.2%	Not Applicable
<b>Compound average annual rate of net earnings for 10 years ended 30 June 2018</b>	3.3%	3.7%	5.1%	5.7%	5.6%	Not Applicable
<b>Compound average annual rate of net earnings since inception to 30 June 2018</b>	4.0%	5.5%	5.9%	4.5%	6.2%	6.3%

All investment options shown in the above table commenced on 29 April 2005 except for the Equities – Pension investment option, which commenced on 1 October 2013. Past performance is not indicative of future performance.

## Investment Holdings of The ARA Investment Fund at 30 June 2018

The following table identifies the underlying investments that made up each portfolio option, their asset class and the proportions of the overall option as at 30 June 2018. This includes investments approved and committed at 30 June 2018.

	Asset Class	Defensive	Growth	Equities
National Australia Bank at Call Deposits	<b>Cash &amp; Tier 1 Fixed Interest</b>	7.8%	13.1%	32.6%
National Australia Bank Term Deposits		21.4%	8.0%	
Challenger Life Guaranteed Annuities		18.5%	8.8%	
Smarter Money Cash		11.3%	6.7%	0.4%
Smarter Money Income		4.5%	2.9%	5.8%
Bank Hybrids & ETF		7.8%	0.4%	2.7%
<b>Cash and Tier 1 Fixed Interest - total</b>		<b>71.3%</b>	<b>39.9%</b>	<b>41.5%</b>
River Capital Growth	<b>Listed Securities</b>	1.9%	9.9%	6.9%
Macquarie True Index- Linked Australian Share Fund			2.9%	13.9%
Sterling Equity Fund		2.9%	6.0%	6.1%
Anacacia Wattle Fund		2.5%	7.1%	6.3%
Pentalpha Income for Life Fund		3.9%		
<b>Listed Securities - total</b>	<b>11.2%</b>	<b>25.9%</b>	<b>33.2%</b>	
ProTen Limited	<b>Private (Unlisted) Equity</b>	3.2%	6.3%	6.8%
Hastings Utilities Trust of Australia			4.6%	2.8%
Anacacia Capital		4.1%	9.3%	9.4%
Cobram Estate		2.0%	2.4%	
Proserpine Capital Partners		7.0%	10.0%	6.3%
Warakirri Dairy Trust		1.2%	1.6%	
<b>Unlisted Investments - total</b>	<b>17.5%</b>	<b>34.2%</b>	<b>25.3%</b>	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Investment Holdings of The ARA Investment Fund at 30 June 2018

The following table identifies the underlying investments that made up each portfolio option, their asset class and the proportions of the overall option as at 30 June 2018. This includes investments approved and committed at 30 June 2018.

	Asset Class	Defensive	Growth	Equities
National Australia Bank at Call Deposits	<b>Cash &amp; Tier 1 Fixed Interest</b>	42.4%	24.4%	23.0%
National Australia Bank Term Deposits		17.3%	7.7%	
Challenger Life Guaranteed Annuities		19.0%	12.5%	
RMBL Mortgage Fund		0.1%		
<b>Cash and Tier 1 Fixed Interest - total</b>		<b>78.8%</b>	<b>44.6%</b>	<b>23.0%</b>
River Capital Growth	<b>Listed Securities</b>	1.7%	10.1%	18.6%
Macquarie True Index- Linked Australian Share Fund				0.2%
Sterling Equity Fund		2.1%	5.0%	19.9%
Anacacia Wattle Fund		2.8%	7.1%	10.6%
<b>Listed Securities - total</b>	<b>6.6%</b>	<b>22.2%</b>	<b>49.3%</b>	
ProTen Limited	<b>Private (Unlisted) Equity</b>	3.5%	6.9%	8.7%
Hastings Utilities Trust of Australia			5.0%	
Anacacia Capital		3.3%	8.3%	4.7%
Cobram Estate		1.5%	2.1%	
Proserpine Capital Partners		5.3%	9.2%	14.3%
Warakirri Dairy Trust		1.0%	1.7%	
<b>Unlisted Investments - total</b>	<b>14.6%</b>	<b>33.2%</b>	<b>27.7%</b>	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Financial Information

The following is abridged financial information for the Fund, which has been extracted from the audited fund accounts. You may request a copy of the audited fund accounts, including the auditor's report, by contacting the Fund's Promoter, ARA Consultants Limited, by telephone on (03) 9853 1688 or by email at info@araconsultants.com.au.

	30 June 2018	30 June 2017
<b>Net assets at start of year</b>	\$321,170,902	\$294,331,014
<b>Investment and other revenue</b>		
Interest	34,265	73,636
Distributions from investments	8,961,155	5,110,048
Movements in net market values	6,391,384	11,089,960
Investment fund fee rebates	1,283,624	1,136,679
Trustee Fee Rebate	100,920	89,641
Other income	3,197	-
<b>Contribution revenue</b>		
Non-taxable contributions	5,164,392	15,952,428
Taxable contributions	1,711,676	2,146,717
Transfers from other funds	9,142,719	21,346,294
<b>Total revenue</b>	\$32,793,332	\$56,945,403
<b>Expenses and outgoings</b>		
General administration expenses	338,094	305,923
Insurance premiums	96,363	90,611
Other expense	296	12,734
Income tax expense / (benefit)	(319,464)	(130,082)
Benefits and pensions paid	24,259,516	29,826,329
<b>Net assets at end of year</b>	\$329,589,429	\$321,170,902
<b>Represented by:</b>		
<b>Investments</b>		
Cash and cash equivalents	4,939,846	3,365,152
Units in managed funds – ARA Investment Fund	324,408,211	317,433,673
<b>Other assets</b>		
Deferred tax asset	-	295,412
Current tax asset	487,655	296,170
Other assets	16,019	166,302
Trustee Fee rebate	100,920	89,642
<b>Total assets</b>	\$329,952,651	\$321,646,351
<b>Liabilities</b>		
Accounts payable and accrued expenses	80,153	74,328
Deferred tax liabilities	283,069	401,121
<b>Total liabilities</b>	\$363,222	\$475,449
<b>Net assets</b>	\$329,589,429	\$321,170,902
Allocated to members' accounts	328,797,735	320,379,208
Not yet allocated	-	-
Operational Risk and Financial Requirement reserve	791,694	791,694
<b>Liability for accrued benefits</b>	\$329,589,429	\$321,170,902

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Financial Guidance