# 2018
# Annual Report

ORACLE

Oracle Superannuation Plan

# Reflecting on 2017/18

Welcome to your 2018 *Annual Report* for members of the Oracle Superannuation Plan (ABN 17 608 890 083). It has been another busy year for superannuation and the Plan.

While the year ended on a positive note, investment returns were volatile throughout the year, with sizeable daily movements in share markets occurring in early 2018. Those options with higher levels of investment in shares and property performed better than options where the investments were more exposed to fixed interest and cash.

We are focused on achieving good retirement outcomes for our members. We provide you with the tools and resources to plan for the future and build your retirement savings. If you have a question about your super, we are here to help – please contact the Plan Administrator on **1800 127 953**.

## Our performance

Despite challenges, investment returns finished the year by posting some good gains.

Past performance is not necessarily a reliable indicator of future performance.

| Investment option | One-year net return to 31 May 2018 | Five-year compound average net return (per year) | 10-year compound average net return (per year) |
|---|---|---|---|
| **Diversified Shares** | 9.3% | 10.7% | 6.3% |
| **Growth** | 6.0% | 7.8% | 6.1% |
| **Balanced** | 4.4% | 6.3% | 5.7% |
| **Stable** | 3.1% | 4.7% | 5.0% |
| **Cash** | 1.6% | 1.9% | 2.7%* |

Note: The returns shown are after tax, investment fees and, from 1 July 2013 to 30 June 2016, an allowance to build up the Operational Risk Financial Requirement (ORFR) reserve. The rates apply to the accounts of Employee and Spouse members. Retained Benefit members should see page 6 for information on the returns applied to their accounts. To learn more about the Plan's ORFR reserve, see page 11.

*The Cash option commenced on 1 April 2009, so the return shown is for the nine year and two month period since inception.

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**$312m**
in Plan net assets

**2018 Budget**
Proposals to protect your super

**2,449**
members are building their wealth in the Plan.

**1800 127 953**
Contact us

**https://super.towerswatson.com/super/oracle**
Find the tools you need to plan

## Super fact

On average, women retire with half the super balance of men

See page 4 to learn about how to close the gap

The information in this document 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 particular circumstances before making any financial or investment decisions based on the information contained in this document. Information on tax and superannuation legislation is current as at 1 August 2018 and may change.

Issued by Towers Watson Superannuation Pty Ltd (ABN 56 098 527 256, AFSL 236049), as Trustee of the Oracle Superannuation Plan. Preparation of this *Annual Report* was completed on 30 August 2018.

# Are you playing catch up?

Try this quick quiz. See page 5 for answers.

**True or false:**

Women make up 47% of the Australian workforce?

20% of women rely on their partner's income as the main source of funds for retirement?

You get super contributions if your job pays you less than $450 per month?

If you earn less than around $50,000 a year, there are incentives to help you get more money into super?

Of people aged 65 years and older receiving a full or part Age Pension, around 55% are women?

A recent survey* found that Australian women retire with an average super balance of $230,907 and men retire with about twice this amount. That's quite a shortfall to catch up. Women face many common challenges when it comes to saving for retirement.

### They take career breaks to care for children or family

Women take an average of 5 years[§] out of the workforce to care for children or other family members

### They often work part-time

Two in three part-time employees are women[#]. And, if you earn less than $450 per month your employer doesn't need to pay super on your behalf

### They often earn less than men

The full-time average weekly ordinary earnings for women are 14.6% lower than for men[#]

Taking an active interest in planning for retirement can benefit everyone, but especially women. While the Age Pension acts as a safety net, it is unlikely to provide you with any comforts or the ability to travel once you stop earning a regular income.

## Three ways to get in front

Here are a few things you can do to help grow your super balance. Remember every little bit helps. It might be via finding lost super, or budgeting to see if you can make extra contributions.

### Have fewer accounts

Consider whether you need to have super in more than one fund. In many cases this means you are paying extra administration and other fees for every fund you have. It is worth thinking about whether these fees provide you with any extra benefits. Paying less in fees means more at retirement.

If you don't need multiple funds, one of the easiest things you can do is put your super into one fund. The Plan makes it easy for you to do this, and doesn't charge you fees for rolling amounts into the Plan. You should always check if your other funds will charge you fees to move your super out, or if you will lose any insurance benefits.

And if you have had a lot of different jobs you might have left super behind. You can check to see if you have any lost super, and then consolidate it all into the one fund.

### Action!

By setting up a myGov account at **https://my.gov.au/** you can see details of all your super accounts including any you have lost track of. You can then transfer any "lost" accounts into your preferred super fund.

It is also easy to consolidate your super in the Plan by using our online tool. Simply go to the Member Centre at **https://super.towerswatson.com/super/oracle** and click on **Consolidate Super**.

## Save more

If you are an Employee member, you can contribute from before or after tax earnings. Can you arrange extra contributions to take advantage of some Government incentives?

**After-tax contributions?** You may qualify for a Government co-contribution of up to $500 per year (see page 18 for details). You don't need to do anything to claim this benefit. The ATO will make the payment to your super fund if you are eligible.

**Can your spouse contribute?** If you are a Spouse member, your Oracle Employee partner could contribute to your Spouse Account. This is a good way for couples who can satisfy the income test and eligibility requirements to save for a more comfortable retirement. In some cases, a tax offset of up to $540 may apply.

**Are you a low income earner?** You may be eligible for a refund of up to $500 on the 15% contributions tax that applies to your employer superannuation contributions and any before tax contributions you make if you earn less than $37,000. Some other rules apply. This money is paid directly to your super fund.

### Action!

Go to **https://super.towerswatson.com/super/oracle** to download a *Super Options form* or *My Spouse form* to start contributing.

## Understand your choices

One of the main choices you have that influences how your super grows is your investment choice.

How your super is invested can have a big impact on how much you will have when you retire. Generally, over the long term, you are likely to receive lower returns if your super is invested in cash or fixed interest than if you invest in shares or property. Make sure your investment choice for your super matches your needs.

When thinking about what investment option is right for your super, consider:

- How long do you have before you will need your super?
- How do you feel about risk?
- How will you pay for what you'd like to do in retirement?
- What other assets do you have?

### Action!

Log into the Member Centre on the Plan's website and use our Retirement Planner. Once you answer some questions, the calculator will help you understand what kind of income you could have in retirement and how this may change depending on your investment choice. Go to **https://super.towerswatson.com/super/oracle**.

**Answers:**
**True**, women make up 47.0% of the employed Australian workforce[#]; **False**, 44% of women rely on their partner's income in retirement[§]; **False**, employers aren't required to pay super contributions on your behalf if you earn less than $450 per month. It is estimated that this affects around 220,000 women[§]; **True**, the Government offers a co-contribution scheme to help top up superannuation balances if you earn under $52,697 per year (2018/19 threshold); **True**, more women receive the Age Pension[#].

* 2017 HILDA Survey, https://melbourneinstitute.unimelb.edu.au/__data/assets/pdf_file/0010/2437426/HILDA-SR-med-res.pdf.

§ The facts about women and super, http://www.womeninsuper.com.au/content/the-facts-about-women-and-super/gjumzs.

# Gender workplace statistics at a glance, https://www.wgea.gov.au/sites/default/files/Stats_at_a_Glance.pdf.

## Getting advice

If you need some guidance to help you plan for your future, consider speaking with a licensed financial adviser. Towers Watson Australia Pty Ltd offers financial planning services through qualified financial planners: call (03) 9655 5222. Alternatively, you can contact the Financial Planning Association of Australia by calling 1300 337 301 or visiting at **www.fpa.com.au**.

# Review our performance

The table to the right shows the Plan's investment returns. Your super performance will fluctuate each year depending on how investment markets perform. Super returns can be either positive or negative. In most cases though, super is a long-term investment. For instance, returns earned over a period of 10 years, instead of one or two years, are likely to better indicate your super's performance.

Detailed returns are also provided on your *Benefit Statement* and the most recent returns are on the website at **https://super.towerswatson.com/super/oracle**.

## A snapshot of the Plan's returns to 31 May

Past performance is not necessarily a reliable indicator of future performance.

### Employee and Spouse members

| Investment option | 2018 | 2017 | 2016 | 2015 | 2014 | Five-year compound average net return (per year) | 10-year compound average net return (per year) |
|---|---|---|---|---|---|---|---|
| **Diversified Shares** | 9.3% | 14.8% | -1.9% | 15.9% | 16.4% | 10.7% | 6.3% |
| **Growth** | 6.0% | 10.2% | -0.8% | 12.1% | 12.1% | 7.8% | 6.1% |
| **Balanced** | 4.4% | 8.0% | 0.5% | 10.0% | 8.8% | 6.3% | 5.7% |
| **Stable** | 3.1% | 5.7% | 1.3% | 7.3% | 6.0% | 4.7% | 5.0% |
| **Cash** | 1.6% | 1.8% | 1.9% | 2.2% | 2.3% | 1.9% | 2.7%* |

Note: The returns shown are after tax and investment fees. An allowance of 0.1% per year from 1 July 2013 reducing to 0.05% per year from 1 July 2015 to 30 June 2016 has been deducted to build up the Plan's ORFR reserve. To learn more about the Plan's ORFR reserve, see page 11. The returns apply to the accounts of Employee and Spouse members.

*The Cash option commenced on 1 April 2009, so the return shown is for the nine year and two month period since inception.

### Retained Benefit members

| Investment option | 2018 | 2017 | 2016 | 2015 | 2014 | Five-year compound average net return (per year) | 10-year compound average net return (per year) |
|---|---|---|---|---|---|---|---|
| **Diversified Shares** | 8.7% | 14.1% | -2.5% | 15.2% | 15.8% | 10.0% | 5.7% |
| **Growth** | 5.4% | 9.5% | -1.5% | 11.5% | 11.4% | 7.1% | 5.5% |
| **Balanced** | 3.8% | 7.4% | -0.1% | 9.3% | 8.2% | 5.6% | 5.1% |
| **Stable** | 2.5% | 5.1% | 0.6% | 6.6% | 5.4% | 4.0% | 4.4% |
| **Cash** | 1.0% | 1.1% | 1.2% | 1.5% | 1.6% | 1.3% | 2.1%* |

Note: The returns shown are after tax, investment fees and administration fees. An allowance of 0.1% per year from 1 July 2013 reducing to 0.05% per year from 1 July 2015 to 30 June 2016 has been deducted to build up the Plan's ORFR reserve, see page 11. The returns apply to the accounts of Retained Benefit members. The administration fee is currently 0.65% per year.

*The Cash option commenced on 1 April 2009, so the return shown is for the nine year and two month period since inception.

## Investment market update for 2017/18

The 2017/18 financial year was marked by robust global economic growth. Share markets continued to be volatile. Downside risks have intensified due to US moves to trade protectionism. Despite this, strong share returns were experienced globally with the exception of Europe. Overall, bonds continued to provide low returns.

### United States

- The US economy led global growth. Tax cuts, strong corporate earnings and low unemployment underpinned the growth. Annual GDP growth for the one-year period to March 2018 increased to 2.8% from 2.0% for the previous year.
- Shares in the US (in the S&P 500 Composite) returned 14% for the year in local currency terms.
- Unemployment fell to 4.0% in June 2018.
- In response to strong economic growth and inflation, the US Federal Reserve increased interest rates three times.

### Europe / UK

- In Europe, broad economic improvement and increased confidence were offset by renewed geopolitical risk and US protectionist trade policies in the last few months of the financial year.
- The swearing in of Guiseppe Conte's coalition government in Italy ignited fears of an EU breakup and dragged down share returns.
- There were some positive indications, with annual GDP growth improving to 2.5% year-on-year in the first quarter of 2018, up from 2.1% in the previous year.
- Unemployment fell to 8.4% in May 2018, down from 9.2% a year earlier.
- The European Central Bank responded to the improvement in economic conditions by signalling its intention to wind down and end its stimulatory bond purchasing program by the end of 2018.
- Ongoing uncertainty over Brexit negotiations dampened returns in the UK, as the FTSE 100 return index increased 8.4% (in local currency terms) over the year.

### Japan

- Japan's economy continues to grow slowly. Prime Minister Shinzo Abe comfortably won the snap election in October 2017, providing political stability and boosting confidence that there should be few changes to his economic policies.

### China

- Fears of a trade war between China and the US led to the Shanghai Composite price index dropping by 10.8% over the year. Despite losses in equity markets, solid economic growth was reported in China.

### Australia

- In Australia, the economy picked up in the March 2018 quarter, growing at an annual rate of 3.1%, well above the 1.8% in the previous year.
- The Australian share market had a strong year, with the ASX 300 returning 13.2%. The Financials sector, which accounts for a third of the index, returned only 1.7%, partly due to uncertainty surrounding the Royal Commission into misconduct in the banking, superannuation and financial services industry.
- Higher commodity prices over the financial year also boosted national income. Residential property prices in Australia fell 0.7% quarter-on-quarter in March 2018, with the housing sector likely to be a key risk for the economy over coming years.
- Unemployment fell to 5.4% in May 2018, from 5.6% the previous year.
- The RBA kept the cash rate at a record low of 1.5% throughout the year (where it has remained since August 2016).
- The Australian dollar fell to 74 US cents at 30 June 2018 from a peak of 81 US cents in January 2018.
- The Australian 10-year bond yield ended the year relatively flat, increasing 0.03% to 2.63% over the year. In contrast, the US 10-year bond yield increased 0.56% to end the year at 2.86% (rising above the Australian yield for the first time in 18 years).
- Overall, bonds continued to provide low returns, given the ultra-low starting yields. Australian fixed interest returned 3.1% for the year, while international fixed interest returned 1.9%.

| INDEX RETURNS* | Returns for year to 30 June 2018 % |
|---|---|
| Australian Shares | 13.2% |
| International Shares (unhedged) | 15.4% |
| International Shares (hedged) | 11.5% |
| Australian Listed Property | 13.2% |
| Global Listed Property | 5.5% |
| Australian Fixed Interest | 3.1% |
| International Fixed Interest | 1.9% |
| Cash | 1.8% |

*All returns refer to the relevant accumulation index. Australian Shares: S&P/ASX 300 Accumulation Index; International Shares (unhedged): MSCI World ex-Australia Index (with net dividends reinvested in AUD); International Shares (hedged): MSCI World ex-Australia Index (with net dividends reinvested hedged in AUD); Australian Listed Property: S&P/ASX 300 A-REIT Accumulation Index; Global Listed Property: FTSE EPRA/NAREIT Developed Ex Aus Rental Index (Net TRI Hedged in AUD); Australian Fixed Interest: Bloomberg AusBond Composite Index; International Fixed Interest: Barclays Global Aggregate Hedged in AUD Index; Cash: Bloomberg AusBond Bank Bill Index.

Note: This investment commentary does not constitute advice. All investment figures quoted relate to before-tax performance of the relevant industry benchmark.

## Returns on your super

Your accounts receive the actual investment return for your chosen option(s) after allowing for tax and investment fees and, if you are a Retained Benefit member, an administration fee (currently 0.65% per year). A small amount was deducted each month from 1 July 2013 to 30 June 2016 to build up the Plan's Operational Risk Financial Requirement (ORFR) reserve. See page 11 for more information about the ORFR reserve.

Investment returns can be positive or negative.

Note: Surcharge payments (if any) are deducted from your benefits.

## If you leave during the year

Investment returns are calculated each year. If your super needs to be paid out before investment returns have been calculated, an interim earning rate will be used. This will cover the period from the previous annual review date until the date your benefit is paid or your transfer request is processed.

If you switch investment options, an interim earning rate will be applied to the part of your account that you're switching to calculate earnings at that time.

The interim earning rate is based on the Plan's estimated monthly net investment returns, pro-rated if calculated during the month. When net investment returns are not available, a calculation is made using a suitable market index for each asset class.

You can visit **https://super.towerswatson.com/super.oracle** and log into the Member Centre to view the most recent investment returns.

# How we invest your super

The Plan has five investment options for you to choose from, each with different investment objectives and a different investment strategy. We know that it is crucial for you to find the most appropriate investment choice for your circumstances. If you wish to change how your super is invested, go to the Member Centre on the Plan's website or download a *Super Options form*. You should consider obtaining financial advice before making any changes – see page 5 for how to find a financial adviser.

On pages 12 to 16 you can read about the investment objectives and strategy of each option. Details of the Plan's investment managers as at 31 May 2018 are on page 10 (also refer to the right for recent changes to investments).

## Our investment objectives

Investment objectives are specific goals that the Trustee sets for the performance of the Plan and each investment option. They are not intended as forecasts or guarantees of future investment returns. Generally, the Trustee aims to:

- Invest the Plan's assets prudently as permitted by the Trust Deed and by superannuation law;
- Invest across a diverse range of assets;
- Ensure that the Plan is able to make benefit payments to members when they are due; and
- Monitor the performance of the Plan's investment managers to ensure they exercise integrity, prudence and professional skill in fulfilling the investment tasks delegated to them.

## Our investment strategy

An investment strategy is the plan the Trustee follows to achieve the objectives of an investment option. Each investment option has its own investment strategy. See pages 12 to 16 for details.

### Changes to investment strategy

As previously advised, in June 2017 the Trustee reviewed the Plan's hedge fund allocation, which had been invested in the K2 Advisors Diversity Fund, Ltd (K2) for a number of years. After a comprehensive review, the Trustee decided to directly replace the Plan's investment in K2 with an alternative risk premia strategy, in a fund called the Towers Watson Investment Management Diversifying Strategies Fund ("TWIM DSF").

Alternative risk premia assets are a special type of diversifying investment which invest in non-traditional assets and use a number of lower cost strategies to generate investment returns. These strategies can potentially deliver attractive returns that are more stable in challenging markets.

The TWIM DSF selects up to 10 alternative risk premia managers who invest in strategies similar to hedge funds without incurring the fees associated with hedge funds.

The majority of the transfer from K2 to TWIM DSF occurred in late 2017. A small amount remained with K2 until July 2018 when it was released to the Plan, to be invested in the TWIM DSF. This change affected the Growth, Balanced and Stable options and is reflected in the asset allocations shown on pages 13 to 15. Some of the Plan's investment fees also reduced as a result and are reflected in the Plan's Product Disclosure Statements.

## Investment managers

The Trustee appoints professional investment managers to manage the Plan's investments. These managers and their products may be changed from time to time without prior notice to, or consent from, members.

The Plan's investment managers at 31 May 2018 were:

| Investment Manager | 2018 | 2017 |
| --- | --- | --- |
| | $ Million | |
| **Australian shares** | | |
| Karara Capital (Karara Australian Equities Fund – Series 1) | 11.5 | 10.5 |
| Vinva Investment Management (Vinva Australian Equities Fund) | 11.7 | 10.5 |
| Merlon Capital Partners (Merlon Australian Share Fund Class I) | 11.4 | 10.6 |
| Schroder Investment Management Australia Limited (Schroder Australian Equity Fund – Professional Class) | 11.6 | 10.6 |
| **International shares (Hedged)** | | |
| State Street Global Advisors (International Equities Index (Hedged) Trust) | 43.7 | 42.6 |
| **International shares (Unhedged)** | | |
| BlackRock Investment Management (Australia) Limited (BlackRock Fission Indexed International Equity Fund) | 25.5 | 23.2 |
| BlackRock (iShares Wholesale International Equity Index Fund) | 18.1 | 18.5 |
| **Hedge funds*** | | |
| K2/D&S Management Co., LLC (K2 Advisors Diversity Fund, Ltd) | 1.7 | 17.4 |
| **Alternative risk premia*** | | |
| Towers Watson Investment Management Limited (Towers Watson Diversifying Strategies Fund AUD A Hedged) | 15.4 | – |
| **Emerging markets shares (Unhedged)** | | |
| Schroder (Schroder QEP Emerging Markets Fund – Wholesale Class) | 16.2 | 15.1 |

| Investment Manager | 2018 | 2017 |
| --- | --- | --- |
| | $ Million | |
| **Real return fund** | | |
| Schroder (Schroder Real Return CPI Plus 5 Percent Fund – Professional) | 17.8 | 16.9 |
| **Australian property** | | |
| Dexus Wholesale Property Limited (Dexus Wholesale Property Fund) | 26.5 | 23.5 |
| **Structured beta funds** | | |
| Bridgewater Associates, LP (Bridgewater All Weather Fund (Aust) – S2) | 18.4 | 17.7 |
| **Global listed infrastructure (Hedged)** | | |
| Maple-Brown Abbott Limited (Maple-Brown Abbott Global Listed Infrastructure Fund – Hedged) | 13.5 | 14.0 |
| **Australian fixed interest** | | |
| Macquarie Investment Management Australia Limited (Macquarie True Index Australian Fixed Interest Fund) | 30.6 | 28.6 |
| **Australian inflation-linked bonds** | | |
| BlackRock (iShares Aust Govt Inflation-Linked Bond Index Fund – E Class) | 11.0 | 10.2 |
| **International fixed interest (Hedged)** | | |
| BlackRock (iShares Global Bond Index Fund) | 13.7 | 12.7 |
| **Cash** | | |
| State Street Global Advisors (Australian Cash Trust) | 14.3 | 13.8 |

* The majority of the Plan's assets in hedge funds transferred to alternative risk premia in late 2017, while the residual amount was released by K2 in July 2018.

## Other investment information

### Derivatives

During the year, part of the Plan's assets (approximately 15% to 24% of each investment option except the Diversified Shares and Cash options) were invested in a fund of hedge funds, a structured beta fund, an alternative risk premia fund and a real return fund. The underlying managers for these investments may make use of derivatives to assist in achieving their objectives. The managers do not hold uncovered derivatives.

The Plan's other investment managers only use derivatives for risk-control purposes or to more efficiently shift asset allocations.

Investment managers are required to have risk management processes in place in relation to the use of derivatives and the purposes for which they are used. Each year, the Trustee obtains confirmation from the managers that they have complied with their processes.

### Super decoder

**Investment objectives:** This is a fund's investment goals. A fund's investment objectives are usually set in terms of risk and return. For example, the Plan might aim to achieve returns that exceed the rate of inflation by a set amount.

**Asset allocation:** The distribution of investments across various asset classes (such as shares, property, fixed interest and cash).

### Reserves

The Trustee does not maintain investment reserves. However, it does maintain an Operational Risk Financial Requirement (ORFR) reserve and a general reserve, as described below.

### General reserve

The general reserve is used to finance certain Plan expenses. The level of the general reserve over the past three years is shown below. The Trustee has decided that the general reserve will be invested in the same way as the Growth option.

### Operational Risk Financial Requirement (ORFR) reserve

From 1 July 2013, super funds have been required to set aside financial resources to address their operational risks. The Trustee has established an ORFR reserve of 0.25% of the Plan's net assets for this purpose.

The Trustee has decided that the ORFR reserve will be invested in the same way as the Growth option. The desired level of 0.25% was reached at 30 June 2016 so the Trustee will periodically monitor the reserve to ensure that it remains close to this level. Should the reserve fall below a predetermined shortfall limit, the Trustee will enact a plan for its replenishment. The Trustee will update members annually on the status of the reserve.

### Level of reserves

| As at 31 May | General reserve $ | General reserve % of net assets | ORFR reserve $ | ORFR reserve % of net assets |
|---|---|---|---|---|
| **2018** | 832,723 | 0.27% | 791,295 | 0.25% |
| **2017** | 890,958 | 0.30% | 747,492 | 0.25% |
| **2016** | 746,800 | 0.27% | 680,047 | 0.24% |

## Diversified Shares

### What are the investment objectives for this option?

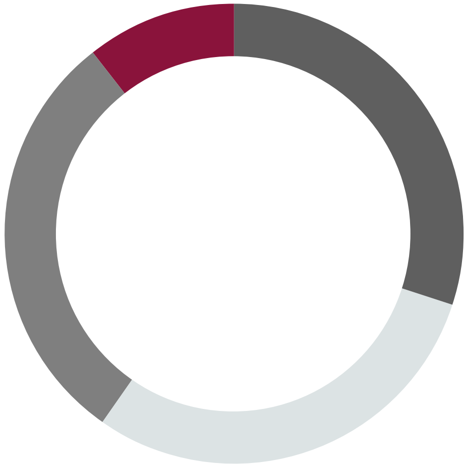
- To achieve a return (after tax and investment fees) that is at least **4.0% p.a.** more than movements in the Consumer Price Index (CPI) over rolling 10-year periods.
- To limit the probability of a negative gross of tax return over rolling 12-month periods to **approximately 6 in 20 years.**

### What investment strategy does this option use?

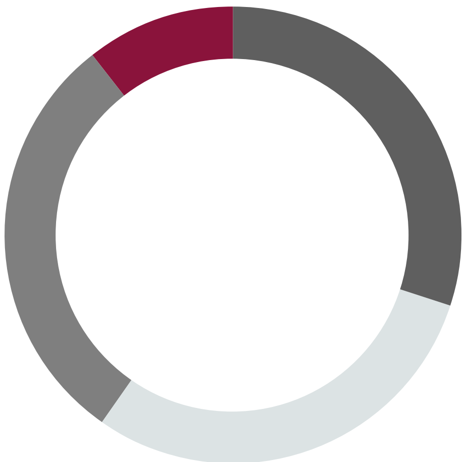
Invest 100% in shares, with approximately 30% in Australian shares and approximately 70% in international shares (including emerging markets), and some exposure to currency.

### How is the option invested?

#### At 31 May 2018




#### At 31 May 2017



## Growth

### What are the investment objectives for this option?

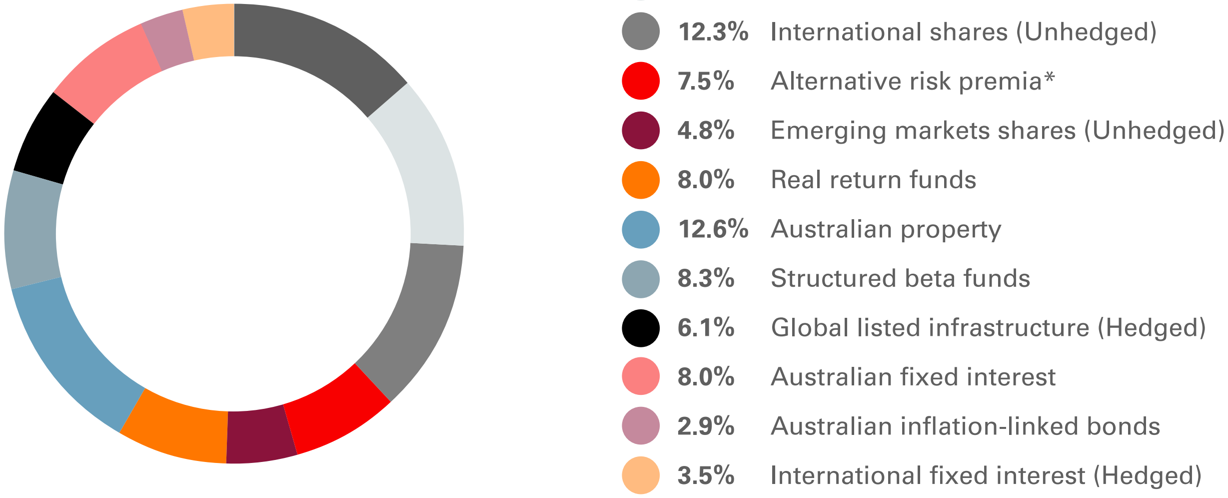
- To achieve a return (after tax and investment fees) that is at least **3.5% p.a.** more than movements in the CPI over rolling 10-year periods.
- To limit the probability of a negative gross of tax return over rolling 12-month periods to **approximately 5 in 20 years.**

### What investment strategy does this option use?

Invest about 85% in shares (including emerging markets), alternative risk premia, property, real return funds, infrastructure and structured beta, and about 15% in fixed interest investments.

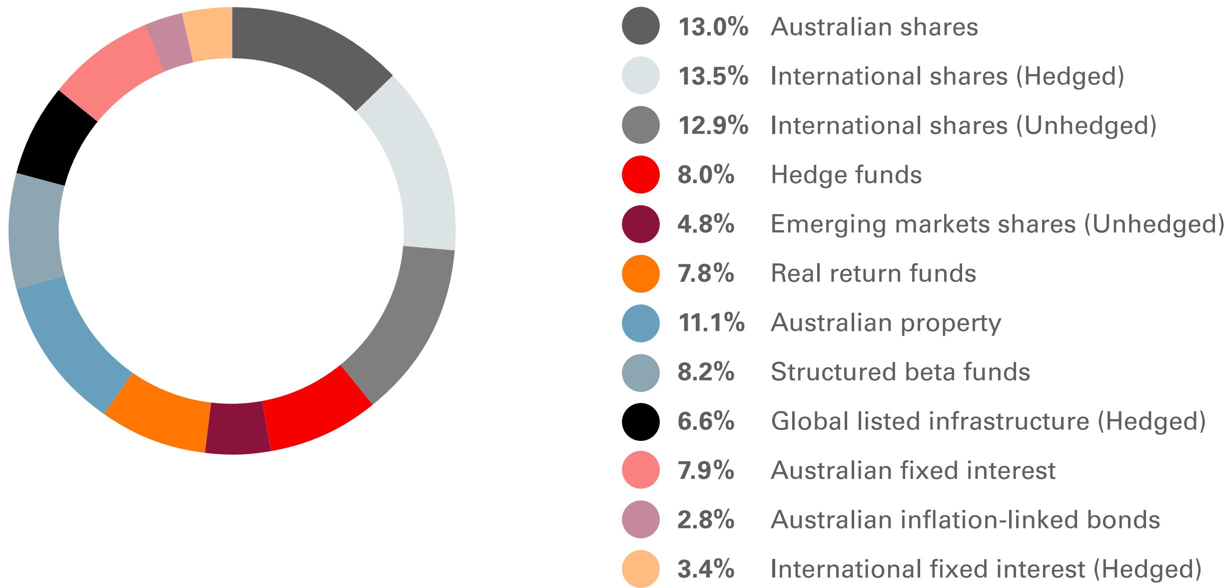
## How is the option invested?

### At 31 May 2018




*Note: The allocation to alternative risk premia previously applied to hedge funds (see page 9).

### At 31 May 2017



## Balanced

### What are the investment objectives for this option?

- To achieve a return (after tax and investment fees) that is at least **2.5% p.a.** more than movements in the CPI over rolling 10-year periods.
- To limit the probability of a negative gross of tax return over rolling 12-month periods to **approximately 4 in 20 years.**

### What investment strategy does this option use?

Invest about 62% in shares (including emerging markets), alternative risk premia, property, real return funds, infrastructure and structured beta, and about 38% in fixed interest investments.

### How is the option invested?

**At 31 May 2018**

| | |
|---|---|
| **9.0%** | Australian shares |
| **8.9%** | International shares (Hedged) |
| **8.9%** | International shares (Unhedged) |
| **6.4%** | Alternative risk premia* |
| **3.2%** | Emerging markets shares (Unhedged) |
| **6.4%** | Real return funds |
| **8.0%** | Australian property |
| **6.4%** | Structured beta funds |
| **4.8%** | Global listed infrastructure (Hedged) |
| **21.0%** | Australian fixed interest |
| **7.5%** | Australian inflation-linked bonds |
| **9.5%** | International fixed interest (Hedged) |

*Note: The allocation to alternative risk premia previously applied to hedge funds (see page 9).

**At 31 May 2017**

| | |
|---|---|
| **9.0%** | Australian shares |
| **8.9%** | International shares (Hedged) |
| **8.9%** | International shares (Unhedged) |
| **6.4%** | Hedge funds |
| **3.2%** | Emerging markets shares (Unhedged) |
| **6.4%** | Real return funds |
| **8.0%** | Australian property |
| **6.4%** | Structured beta funds |
| **4.8%** | Global listed infrastructure (Hedged) |
| **21.0%** | Australian fixed interest |
| **7.5%** | Australian inflation-linked bonds |
| **9.5%** | International fixed interest (Hedged) |

## Stable

### What are the investment objectives for this option?

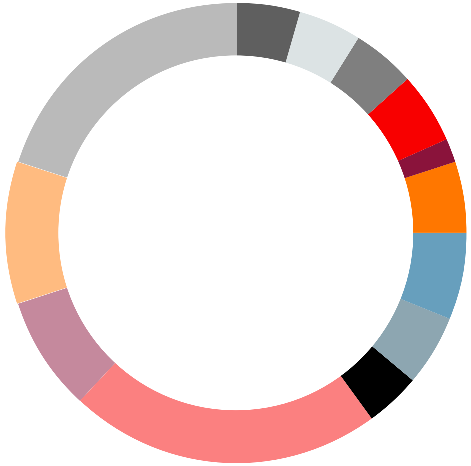
- To achieve a return (after tax and investment fees) that is at least **1.5% p.a.** more than movements in the CPI over rolling 10-year periods.
- To limit the probability of a negative gross of tax return over rolling 12-month periods to **approximately 3 in 20 years**.

### What investment strategy does this option use?

Invest about 40% in shares (including emerging markets), alternative risk premia, property, real return funds, infrastructure and structured beta, and about 60% in fixed interest and cash investments.

### How is the option invested?

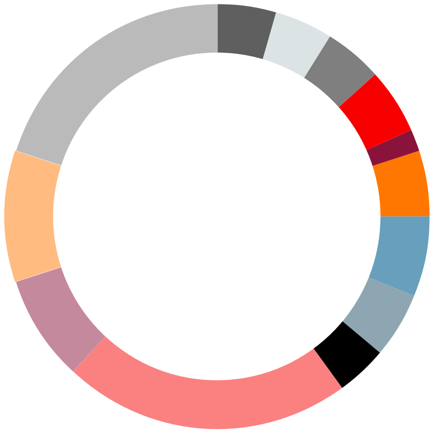
**At 31 May 2018**



| | |
|---|---|
| 4.5% | Australian shares |
| 4.5% | International shares (Hedged) |
| 4.5% | International shares (Unhedged) |
| 5.0% | Alternative risk premia* |
| 1.5% | Emerging markets shares (Unhedged) |
| 5.0% | Real return funds |
| 6.3% | Australian property |
| 5.0% | Structured beta funds |
| 3.7% | Global listed infrastructure (Hedged) |
| 22.0% | Australian fixed interest |
| 8.0% | Australian inflation-linked bonds |
| 10.0% | International fixed interest (Hedged) |
| 20.0% | Cash |

*Note: The allocation to alternative risk premia previously applied to hedge funds (see page 9).

**At 31 May 2017**



| | |
|---|---|
| 4.5% | Australian shares |
| 4.5% | International shares (Hedged) |
| 4.5% | International shares (Unhedged) |
| 5.0% | Hedge funds |
| 1.5% | Emerging markets shares (Unhedged) |
| 5.0% | Real return funds |
| 6.3% | Australian property |
| 5.0% | Structured beta funds |
| 3.7% | Global listed infrastructure (Hedged) |
| 22.0% | Australian fixed interest |
| 8.0% | Australian inflation-linked bonds |
| 10.0% | International fixed interest (Hedged) |
| 20.0% | Cash |

## Cash

### What are the investment objectives for this option?

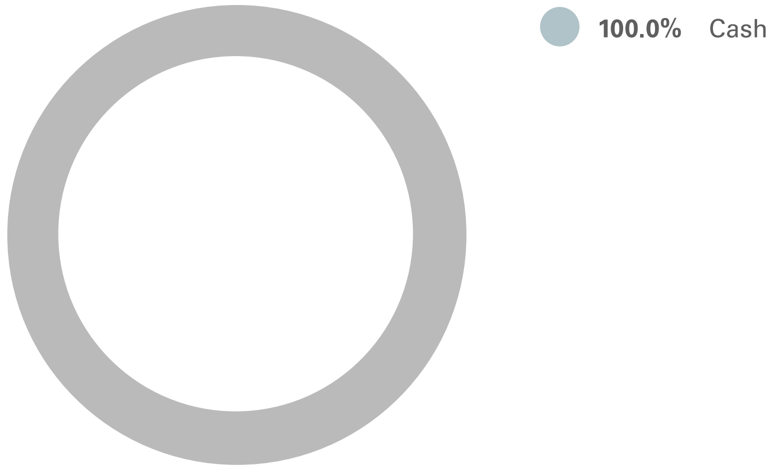
- To achieve a return (after tax and investment expenses) that is at least **0.5% p.a.** more than movements in the CPI over rolling 10-year periods.
- To minimise the probability of any negative gross of tax returns over moving **one-year periods**.

### What investment strategy does this option use?

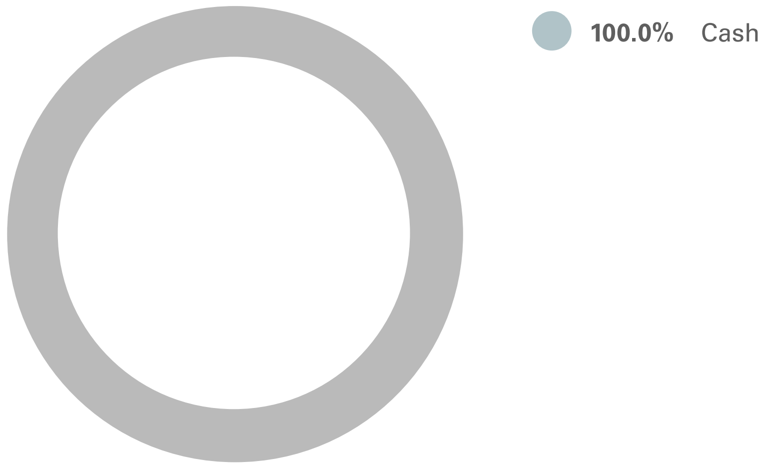
Invest 100% in secure fixed interest investments, such as bank deposits, bills, mortgages and short-dated bonds.

### How is the option invested?

**At 31 May 2018**




**At 31 May 2017**



# Super updates

## What the 2018 Budget means for your super

Here are some of the Government's proposals from the 2018 Federal Budget. They must be passed by Parliament before they can commence.

### Actions to protect small super accounts

The Government proposes changes to apply from 1 July 2019 to protect small accounts from erosion by fees, including fees for insurance.

- Super funds will be banned from charging exit fees (that is a fee to recover the costs when you withdraw or transfer money out of a fund).
- There will be a 3% annual cap on administration and investment fees charged by super funds on accounts with balances below $6,000.
- Some people will have to opt in to insurance cover instead of being provided cover automatically. This is proposed to apply if you:
  - Have a balance of less than $6,000; or
  - Are under age 25; or
  - Are classified as "inactive". This will be where there have been no contributions or rollovers into your account for 13 months.
- Inactive accounts with balances below $6,000 will be automatically transferred to the ATO, which will have greater powers to consolidate this money into your active superannuation account.

If these proposals become law, the Trustee will provide further information about how the changes will apply to you.

### Steps to enhance options for retirees

Proposed initiatives to improve retirement policy are outlined below.

- Trustees will be required to develop a strategy to help members achieve their retirement income objectives and to offer products which provide a regular income for life.
- There will be a new approach to how retirement income products are disclosed, to simplify and standardise the information.
- There are also proposed new rules around how certain lifetime income products will be means tested for the Age Pension.
- The Pension Loans Scheme will be expanded to cover everyone over Age Pension age. The maximum combined Age Pension and Pension Loans Scheme income stream will be increased to 150% of the Age Pension rate. This will enable eligible individuals to use the equity in their home to increase their income.

### Other changes

- An additional measure being considered will assist high-income individuals (with income over $263,157 p.a.) with multiple employers to avoid unintentional breaches of the concessional contributions cap as a result of receiving multiple SG contributions.
- An exemption will be introduced from the work test for personal contributions to superannuation for individuals aged 65 to 74 with superannuation balances below $300,000. The exemption will only be available in the first year they do not meet the work test.

## What are the latest super thresholds?

Super thresholds are usually set by the Government from 1 July each year. Below are some for 2018/19.

### Government co-contributions

Under the co-contribution scheme, the Government pays up to fifty cents for every dollar of after-tax contributions you make to your super if you earn less than $52,697 a year. The maximum co-contribution is $500 per year, which reduces by 3.33 cents for every dollar of income above $37,697, with no co-contribution payable once your income reaches $52,697. If you qualify for the co-contribution, the ATO automatically pays it to your account in the Plan after processing your annual tax return.

### Contribution caps

Contribution caps are limits the Government sets on the amount of super contributions each year which can receive concessional tax rates. The caps are shown in the table below.

| | Concessional contributions | Non-concessional contributions# |
|---|---|---|
| **What is the annual limit?** | $25,000 regardless of your age | $100,000, however, if your total superannuation balance on 30 June 2018 was more than $1.6 million any non-concessional contributions you make in the 2018/19 year will be excessive |
| **What tax applies if my contributions are within the cap?** | Generally 15% contributions tax*^ | Nil |

# If you are under age 65 and want to make larger non-concessional contributions to your superannuation fund, you may be able to bring forward up to two years of caps, to make total contributions of up to $300,000 over three years. The maximum you can contribute over three years is $300,000 and further restrictions may apply if your total superannuation balance on 30 June 2018 was greater than $1.4 million. Transitional rules apply if you brought forward contributions in 2016/17.

* If your relevant income is **over $250,000 per year**, you may receive an additional tax assessment from the Australian Taxation Office (ATO).

^ If you earn **less than $37,000 per year** you may receive a refund of the 15% contributions tax deducted from your compulsory Company contributions through the low income superannuation tax offset. The refund ranges from $10 to $500 a year. Each year the ATO will determine whether you are eligible, and if so, will pay the refund to your superannuation fund.

## What happens if I exceed the caps?

This table shows the extra tax applicable if you exceed the caps.

| | Concessional contributions | Non-concessional contributions |
|---|---|---|
| **How much tax applies to the excess if I exceed the limit?** | Your marginal tax rate less 15% (reflecting tax already paid by the Plan), plus an interest charge | **If you withdraw the excess from superannuation:** Nil tax on contributions. Associated earnings (see box to the right) taxed at your marginal tax rate<br><br>**If you leave the excess in superannuation:** Taxed at up to 47% |

If you **exceed the concessional contributions cap**, you can elect to release up to 85% of the excess contributions from the superannuation system. The amount will be paid by your superannuation fund to the ATO and used to meet any of your outstanding tax liabilities (including the tax on the excess contributions) with the remainder then paid back to you. Amounts that you withdraw will not count towards your non-concessional contributions cap.

If you **exceed the non-concessional cap**, you can elect to release the excess contributions from superannuation, together with an amount of "associated earnings" determined by the ATO.

The ATO will send you a form to enable you to make your elections.

### What are concessional and non-concessional contributions?

**Concessional contributions** include the Company's contributions and any contributions you make from your before-tax salary (by salary sacrifice). If the Company pays administration or insurance fees for you, these are also counted as concessional contributions. For the 2018/19 financial year, it is expected that the administration fees paid by Oracle for employee members will be around $465 per member and annual insurance fees (for eligible members) will be around 0.9% of your salary. If you made after-tax contributions and choose to claim a tax deduction for them, these will also count as concessional contributions.

**Non-concessional contributions** include after-tax contributions for which you haven't claimed a tax deduction, along with any contributions made for you by your spouse, amounts you transfer from overseas funds (except to the extent an election applies to them to be taxed in the fund), excess concessional contributions (except if they are refunded to you) and certain other less common amounts.

### Super decoder

#### What are associated earnings?

An amount that the ATO calculates using a prescribed interest rate. It may not reflect the actual earnings on the contributions in the Plan.

# About your Plan

## How your Plan is managed

A Trustee with input from the Policy Committee manages the Plan and uses several advisers who provide their services to the Plan.

### Who is the Trustee?

A Trustee company, Towers Watson Superannuation Pty Ltd (ABN 56 098 527 256, AFSL 236049) is responsible for managing the Plan. It has been licensed to act as a Trustee by the Australian Prudential Regulation Authority (APRA), the prudential regulator of super funds in Australia.

Towers Watson Superannuation Pty Ltd is a subsidiary of Towers Watson Australia Pty Ltd (ABN 45 002 415 349, AFSL 229921), who also acts as Administrator (via an outsourced arrangement), consultant and secretary to the Plan. See "Who advises the Plan?" to the right for more information.

### Super decoder

**Policy Committee:** The Policy Committee provides input to the trustee of a fund. It is made up of equal representation from employers and members.

## Your Policy Committee

A Policy Committee ensures that the interests of members and the Company are represented in the management of the Plan. Your Policy Committee comprises six members, with half appointed by Oracle and half elected periodically by members.

At 31 May 2018, members of the Policy Committee were:

| Company-appointed | Member-elected |
|---|---|
| Gareth Hunt | Mark Ferguson |
| Brett Reeves | Pravesh Babhoota |
| Catherine Reynolds | Juneed Ali |

There were no changes to the Policy Committee during the year.

The next Policy Committee election will be held in March 2019.

## Indemnity insurance

The Trustee is currently covered by a Trustee Professional Indemnity insurance policy that protects the Plan's assets from a legal liability to the extent allowed by law and the policy conditions.

## Who advises the Plan?

The following organisations provide specialist services to the Trustee.

| | |
|---|---|
| **Consultant and actuary** | Towers Watson Australia Pty Ltd |
| **Administrator** | From 1 June 2018, Towers Watson Australia Pty Ltd (outsourced to Australian Administration Services Pty. Limited ABN 62 003 429 114 (AAS) a Corporate Authorised Representative (No. 307946) of Pacific Custodians Pty Limited ABN 66 009 682 866, AFSL 295142).<br><br>Prior to 1 June 2018, Towers Watson Australia Pty Ltd had outsourced to Link Super Pty Limited ABN 68 146 993 660 a related body corporate of AAS. |
| **Investment consultant** | Towers Watson Australia Pty Ltd |
| **External auditor** | Deloitte Touche Tohmatsu |
| **Insurer** | AMP Limited |

## How can you resolve any problems or concerns?

Although our aim is to ensure that the Plan's level of service meets your expectations, sometimes problems may arise. If you have an enquiry or complaint, including privacy-related enquiries, you should contact the Plan Administrator (see the back page for contact details).

The Trustee has a formal process for reviewing enquiries and complaints if you are not satisfied with the response you receive. To make a formal enquiry or complaint, please write to the Plan Administrator (see the back page for contact details) or to the Trustee directly, using the address on the Enquiries and Complaints Form. A copy of the Enquiries and Complaints Policy and Form can be downloaded from the Plan's website at **https://super.towerswatson.com/super/oracle.** The Trustee will respond to you within 90 days. You can request the Trustee's reasons for its decision on your complaint.

If you are not happy with how the Trustee handles your enquiry or complaint, you may contact the relevant independent external dispute resolution body.

There are changes coming to the external dispute resolution process.

| **Up to 31 October 2018**, you can lodge your complaint with the Superannuation Complaints Tribunal (SCT) | **From 1 November 2018**, complaints should be lodged with the new external dispute resolution body, the Australian Financial Complaints Authority (AFCA) |
|---|---|
| Locked Bag 3060<br>MELBOURNE VIC 3001 | GPO Box 3<br>MELBOURNE VIC 3001 |
| **1300 884 114** | **1800 931 678** |
| **info@sct.gov.au** | **info@afca.org.au** |
| **www.sct.gov.au** | **www.afca.org.au** |

The SCT will not transfer complaints to AFCA but will continue until it has dealt with all complaints lodged with it. The rules for the operation of AFCA are still being established. The Trustee will provide more information on the operation of the service as it becomes available.

Complaints about your privacy that have not been resolved to your satisfaction can be directed to the Office of the Australian Information Commissioner (OAIC). You can contact the OAIC on **1300 363 992** or by email to **enquiries@oaic.gov.au**.

## What happens if you leave

If you leave Oracle or choose another super fund for your contributions, your super will be transferred to the Retained Benefit section of the Plan and remain invested in the same investment option(s) for up to 180 days. Fees apply in the Retained Benefit section (see the Plan's Product Disclosure Statement for details) and all insurance cover ceases when you transfer to the Retained Benefit Section. During this period, you will be contacted by the Plan Administrator and asked how you want to receive your benefit.

If your benefit is greater than $10,000 and you do not provide payment instructions, your benefit will remain invested in your chosen investment option(s) in the Retained Benefit section of the Plan.

The Trustee may roll your benefit over to an Eligible Rollover Fund (ERF) if:

- Your benefit is less than $10,000 and you fail to give the Plan Administrator instructions within 180 days of receiving details of your benefit; or
- The fund you nominate won't accept your benefit.

The ERF is:

The Administrator
SuperTrace
Locked Bag 5429
Parramatta NSW 2124

1300 788 750

www.supertrace.com.au

Once your benefit is transferred to the ERF, you stop being a member of the Plan and no longer have any rights under the Plan. You will then need to contact the ERF directly about your benefit. You can also obtain the ERF's Product Disclosure Statement using the contact details above.

The investment and crediting rate policy of the ERF will be different to those that applied in the Plan. Also, the ERF will not offer any insurance cover. You should seek advice from a licensed financial adviser about whether the ERF is a suitable investment for you.

## Establishing proof of identity

Before you withdraw a benefit from the Plan, you may need to establish your identity by providing certified paper copies of certain documents. The Trustee may also need to obtain additional identification information and to verify your identity from time to time.

In some cases, the Trustee may have to disclose information about you to the Australian Transaction Reports and Analysis Centre (AUSTRAC), the regulator of this legislation. Due to the sensitive nature of the information, the Trustee is not permitted to inform you if this happens.

### Super decoder

**Product Disclosure Statement (PDS):**
The PDS is the main disclosure document for superannuation funds.

## Need to know more?

Other information about your benefits such as your choices for contributions, investments and insurance levels are available at **https://super.towerswatson.com/super/oracle**. Refer to your Product Disclosure Statement, *Your Oracle Super Guide*. A number of Plan documents are also available on the website including the Trust Deed and various Trustee policies.

# Financials

Here is a summary of the Plan's unaudited financial accounts for the year to 31 May 2018. The audit is expected to be finalised by the end of August 2018. The audited financial accounts and auditor's report will be available on request from the Plan Administrator on **1800 127 953** after that date.

Current assets include amounts in the Plan's bank account. All contributions due at 31 May 2018 have now been paid to the Plan.

| STATEMENT OF FINANCIAL POSITION | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 4,076,659 | 4,156,574 |
| Receivables | 2,078,907 | 58,900 |
| Investments | 311,027,625 | 296,086,939 |
| Deferred tax assets | 38,220 | 25,119 |
| **Total assets** | **317,221,411** | **300,327,532** |
| **Liabilities** | | |
| Payables | 516,388 | 169,861 |
| Income tax payable | 1,216,519 | 865,596 |
| Deferred tax liabilities | 3,903,341 | 3,645,705 |
| **Total liabilities excluding member benefits** | **5,636,248** | **4,681,162** |
| **Net assets available for member benefits** | **311,585,163** | **295,646,370** |
| **Member benefits** | | |
| Allocated to members | 309,960,645 | 294,108,189 |
| Unallocated to members | 500 | 0 |
| **Total member liabilities** | 309,961,145 | 294,108,189 |
| **Financial position (net assets less member liabilities)** | **1,624,018** | **1,538,181** |

| CHANGE IN FINANCIAL POSITION DURING THE YEAR | | |
|---|---|---|
| Interest revenue | 46,469 | 47,879 |
| Investment income | 18,789,017 | 28,724,303 |
| Other income | 3,292,377 | 1,318,782 |
| Total expenses | (3,864,180) | (1,851,841) |
| Net change in member liabilities | (16,860,427) | (25,640,935) |
| Income tax (expense) / benefit | (1,317,419) | (2,509,804) |
| **Total change in financial position** | **85,837** | **88,384** |

# Contact us

**For enquiries or any complaints:**

**The Plan Administrator**
Oracle Superannuation Plan

PO Box 1442, Parramatta NSW 2124

**1800 127 953**

(02) 8571 6222

oraclesuperadmin@linksuper.com

**https://super.towerswatson.com/super/oracle**

You can also contact:

**Human Resources**
Oracle Corporation Australia Pty Ltd

4 Julius Avenue, North Ryde NSW 2113

humanresources_au@oracle.com

Oracle Financial Services Software Pte. Ltd.

Level 4, 417 St Kilda Road, Melbourne VIC 3004