

Significant Event Notice

Important changes to the investment objectives, Strategic Asset Allocations and fees for IRIS Super Income Stream and IRIS Term Allocated Pension

1 August 2015

This Significant Event Notice is issued by Super Members Investments Limited (ABN 61 095 974 100), (AFSL 231230) in its capacity as Trustee of the IRIS Superannuation Fund ('IRIS'). The IRIS Super Income Stream and the IRIS Term Allocated Pension are divisions of IRIS.

We are writing to inform you of changes that have been made to the IRIS Super Income Stream and IRIS Term Allocated Pension. This communication is for information purposes. No action is required from you.

What are the changes?

As a result of our recent review of our products, the following changes will apply to the IRIS Super Income Stream and the IRIS Term Allocated Pension.

A reduction in Administration fees from 1 July 2015

We review our fees to ensure that they fairly reflect costs. We are pleased to advise that we are reducing the Administration fees for the following investment options with effect from 1 July 2015:

- Conservative
- Diversified Fixed Interest
- Australian Shares
- International Shares.

Details of the reductions are shown in Table 1.

Investment changes from 1 October 2015

The Trustee conducts an annual review of the investment objectives, strategy, allocation ranges and benchmarks of the investment options of IRIS to ensure that they remain appropriate.

Following on from our most recent review, we made changes to the:

- Investment Objectives of eight of the ten investment options (shown in Table 2),
- Strategic Asset Allocations of six investment options (shown in Table 3), and
- Allocation Ranges of six investment options (shown in Table 4).

The changes reflect the outcomes of an extensive review of the Fund's investments conducted by the Trustee in conjunction with our investment adviser. The key review findings included:

- Long-term returns across all asset classes are expected to be marginally lower, which will make it more difficult to achieve existing investment objectives for some options. As such, we have reduced the investment objectives for the most impacted investment options.
- As Alternative Debt exhibits a different return profile from traditional Fixed Interest, it is now shown separately in the strategic asset allocations.
- The level of risk associated with International Share investments within the relevant investment options varies and is determined by the underlying share investments and the level of foreign currency exposure.

The investment options which include International Shares now show the proportion which is hedged (no foreign currency exposure and volatility) or unhedged (100% foreign currency exposure and volatility).

In general, lower risk investment options have zero or low levels of foreign currency exposure (provided by the unhedged International Shares exposure), while higher risk options have higher levels of foreign currency exposure.

If you have any questions about these changes please contact our Customer Service Centre on **1300 367 485** or visit ifs.net.au/retirement/iris. If you would like to discuss how these changes might affect your current investment choices please contact the IRIS Financial Adviser on **1300 138 848**.

Yours sincerely,



David Vernon
General Manager
IRIS Superannuation Fund



Table 1: Changes to Administration fees

Investment Option	Administration fees deducted directly from members' accounts			
	Total account balance below \$250,000 p.a.		Total account balance of \$250,000 p.a. and above	
	Current Fee %	Effective Fee* %	Current Fee %	Effective Fee* %
Conservative	0.95	0.76	0.90	0.71
Diversified Fixed Interest	0.75	0.55	0.70	0.50
Australian Shares	1.00	0.80	0.95	0.75
International Shares	1.15	0.92	1.10	0.87

*The Administration fee reduction will take the form of a rebate paid to the IRIS Superannuation Fund and reflected in weekly unit prices. You will continue to be charged the Current Fee on a monthly basis. The rebate will be the difference between the Current Fee and the Effective Fee. For example, the Conservative option rebate is 0.19% (i.e. a reduction from 0.95% to 0.76% for account balances below \$250,000).

Table 2: Changes to Investment Objectives

Investment Option	Current Investment Objective	Replacement Investment Objective
Defensive Option	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 2.0% per annum (after tax)², on a rolling five year basis. This objective is expected to be achieved around 70% of the time.</p> <p>It aims to provide security (but not a guarantee) of capital invested, as well as limiting the likelihood of applying negative annual returns to one in 50 years (i.e. approximately 0.4 times in 20 years).³</p>	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 1.5% per annum (after tax)², on a rolling five year basis. This objective is expected to be achieved around 70% of the time.</p> <p>It aims to provide security (but not a guarantee) of capital invested, as well as limiting the likelihood of applying negative annual returns to one in 50 years (i.e. approximately 0.4 times in 20 years).³</p>
Conservative Option	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 2.5% per annum (after tax)², on a rolling five year basis. This objective is expected to be achieved around 70% of the time.</p> <p>It aims to provide security (but not a guarantee) of capital invested, as well as limiting the likelihood of applying negative annual returns to one in every ten years (i.e. approximately 2 times in 20 years).³</p>	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 2.0% per annum (after tax)², on a rolling five year basis. This objective is expected to be achieved around 70% of the time.</p> <p>It aims to provide security (but not a guarantee) of capital invested, as well as limiting the likelihood of applying negative annual returns to one in every ten years (i.e. approximately 2 times in 20 years).³</p>

¹ CPI= Consumer Price Index

² Investment returns at the IRIS investment option level do not attract tax due to their status as pensions. "After tax" in this context relates to how the tax credits arising from the underlying asset classes of each investment option (and arising due to the Tax exempt status of IRIS), are taken into account when modelling expected returns for each option.

³ This is the estimated frequency of negative returns over a 20 year period. This is an average based on a set of long term capital market assumptions and the actual frequency of negative returns over a 20 year period may be more or less frequent than estimated depending on the prevailing economic and investment market environment.

Investment Option	Current Investment Objective	Replacement Investment Objective
High Growth Option	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This objective is expected to be achieved around 70% of the time.</p> <p>To achieve this, the High Growth Option will predominantly invest in Australian and international shares. It aims to limit the likelihood of applying negative annual returns to one in every four years (i.e. approximately 5 times in 20 years).³</p>	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This objective is expected to be achieved around 70% of the time.</p> <p>To achieve this, the High Growth Option will predominantly invest in Australian and international shares. It aims to limit the likelihood of applying negative annual returns to one in every three and a half years (i.e. approximately 5.7 times in 20 years).³</p>
Cash Option	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 1.00% per annum (after tax)², on a rolling two year basis. This objective is expected to be achieved around 70% of the time.</p> <p>To achieve this, the Cash Option will predominantly invest in short term cash investments with minimal risk of capital loss. It aims to limit the likelihood of applying negative annual returns to a negligible level.</p>	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 0.75% per annum (after tax)², on a rolling two year basis. This objective is expected to be achieved around 70% of the time.</p> <p>To achieve this, the Cash Option will predominantly invest in short term cash investments with minimal risk of capital loss. It aims to limit the likelihood of applying negative annual returns to a negligible level.</p>
Diversified Fixed Interest Option	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 2.5% per annum (after tax)², on a rolling five year basis. This objective is expected to be achieved around 70% of the time.</p> <p>To achieve this, the Diversified Fixed Interest Option will predominantly invest in a diverse range of government and corporate bonds and alternative debt. It aims to limit the likelihood of applying negative annual returns to one in every twenty five years (i.e. approximately 0.8 times in 20 years).³</p>	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 2.0% per annum (after tax)², on a rolling five year basis. This objective is expected to be achieved around 70% of the time.</p> <p>To achieve this, the Diversified Fixed Interest Option will predominantly invest in a diverse range of government and corporate bonds and alternative debt. It aims to limit the likelihood of applying negative annual returns to one in every twenty five years (i.e. approximately 0.8 times in 20 years).³</p>

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² Investment returns at the IRIS investment option level do not attract tax due to their status as pensions. "After tax" in this context relates to how the tax credits arising from the underlying asset classes of each investment option (and arising due to the Tax exempt status of IRIS), are taken into account when modelling expected returns for each option.

³ This is the estimated frequency of negative returns over a 20 year period. This is an average based on a set of long term capital market assumptions and the actual frequency of negative returns over a 20 year period may be more or less frequent than estimated depending on the prevailing economic and investment market environment.

Investment Option	Current Investment Objective	Replacement Investment Objective
Property Option	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3% per annum (after tax)², on a rolling five year basis. This objective is expected to be achieved around 65% of the time.</p> <p>To achieve this, the Property Option will invest in both direct and indirect Australian and international property. It aims to limit the likelihood of earning negative annual returns to one in every three and a half years (i.e. approximately 5.7 times in 20 years).³</p>	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3% per annum (after tax)², on a rolling five year basis. This objective is expected to be achieved around 65% of the time.</p> <p>To achieve this, the Property Option will invest mainly in listed Australian and international property. It aims to limit the likelihood of applying negative annual returns to one in every three years (i.e. approximately 6.7 times in 20 years).³</p>
Australian Shares Option	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This is expected to be achieved around 70% of the time.</p> <p>To achieve this, the Australian Shares Option will predominantly invest in Australian shares. It aims to limit the likelihood of applying negative annual returns to one in every three and a half years (i.e. approximately 5.7 times in 20 years).³</p>	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This is expected to be achieved around 70% of the time.</p> <p>To achieve this, the Australian Shares Option will predominantly invest in Australian shares. It aims to limit the likelihood of applying negative annual returns to one in every three years (i.e. approximately 6.7 times in 20 years).³</p>
International Shares Option	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This is expected to be achieved around 70% of the time.</p> <p>To achieve this, the International Shares Option will predominantly invest in international shares. It aims to limit the likelihood of applying negative annual returns to one in every three years and a half years (i.e. approximately 5.7 times in 20 years).³</p>	<p>To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This is expected to be achieved around 65% of the time.</p> <p>To achieve this, the International Shares Option will predominantly invest in international shares. It aims to limit the likelihood of applying negative annual returns to one in every three years (i.e. approximately 6.7 times in 20 years).³</p>

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² Investment returns at the IRIS investment option level do not attract tax due to their status as pensions. "After tax" in this context relates to how the tax credits arising from the underlying asset classes of each investment option (and arising due to the Tax exempt status of IRIS), are taken into account when modelling expected returns for each option.

³ This is the estimated frequency of negative returns over a 20 year period. This is an average based on a set of long term capital market assumptions and the actual frequency of negative returns over a 20 year period may be more or less frequent than estimated depending on the prevailing economic and investment market environment.

Table 3: Changes to the Strategic Asset Allocations

Investment Option	Current Strategic Asset Allocation	%	Replacement Strategic Asset Allocation	%
Defensive Option	Australian Shares	7.0	Australian Shares	8.0
	International Shares	3.0	International Shares (Unhedged)	0.0
	Property	7.5	International Shares (Hedged)	3.0
	Australian Fixed Interest	18.75	Property	2.0
	International Fixed Interest	18.75	Alternative Debt	2.0
	Cash	45.0	Australian Fixed Interest	22.0
			International Fixed Interest	22.0
		Cash	41.0	
Conservative Option	Australian Shares	17.0	Australian Shares	18.0
	International Shares	10.5	International Shares (Unhedged)	5.0
	Property	10.0	International Shares (Hedged)	3.0
	Australian Fixed Interest	22.5	Property	4.0
	International Fixed Interest	22.5	Alternative Debt	4.0
	Cash	17.5	Australian Fixed Interest	25.0
			International Fixed Interest	25.0
		Cash	16.0	
Growth Option	Australian Shares	37.5	Australian Shares	38.0
	International Shares	22.5	International Shares (Unhedged)	15.0
	Property	15.0	International Shares (Hedged)	3.0
	Australian Fixed Interest	8.75	Property	6.0
	International Fixed Interest	8.75	Alternative Debt	4.0
	Cash	7.5	Australian Fixed Interest	15.0
			International Fixed Interest	15.0
		Cash	4.0	
High Growth Option	Australian Shares	59.0	Australian Shares	60.0
	International Shares	36.0	International Shares (Unhedged)	25.0
	Cash	5.0	International Shares (Hedged)	5.0
			Property	10.0
Diversified Fixed Interest Option	Australian Fixed Interest	50.0	Alternative Debt	15.0
	International Fixed Interest	50.0	Australian Fixed Interest	42.5
			International Fixed Interest	42.5
International Shares Option	International Shares	100.0	International Shares (Unhedged)	25.0
			International Shares (Hedged)	75.0

Table 4: Change to Allocation Ranges

Investment Option	Current Allocation Ranges	%	Replacement Allocation Ranges	%
Defensive Option	Australian Shares	2–12	Australian Shares	5–20
	International Shares	0–8	International Shares (Unhedged)	0–10
	Property	5–10	International Shares (Hedged)	0–10
	Australian Fixed Interest	10–25	Property	0–10
	International Fixed Interest	10–25	Alternative Debt	0–5
	Cash	40–50	Australian Fixed Interest	10–40
			International Fixed Interest	10–40
		Cash	20–60	
Conservative Option	Australian Shares	10–20	Australian Shares	10–30
	International Shares	7.5–17.5	International Shares (Unhedged)	0–10
	Property	5–15	International Shares (Hedged)	0–10
	Australian Fixed Interest	15–30	Property	0–10
	International Fixed Interest	15–30	Alternative Debt	0–10
	Cash	12.5–22.5	Australian Fixed Interest	10–40
			International Fixed Interest	10–40
		Cash	10–30	
Growth Option	Australian Shares	32.5–47.5	Australian Shares	25–55
	International Shares	17.5–27.5	International Shares (Unhedged)	5–35
	Property	10–20	International Shares (Hedged)	0–20
	Australian Fixed Interest	5–15	Property	0–15
	International Fixed Interest	5–15	Alternative Debt	0–10
	Cash	2.5–12.5	Australian Fixed Interest	5–25
			International Fixed Interest	5–25
		Cash	0–10	
High Growth Option	Australian Shares	42.5–72.5	Australian Shares	40–80
	International Shares	22.5–52.5	International Shares (Unhedged)	10–40
	Cash	0–10	International Shares (Hedged)	0–20
			Property	0–20
			Cash	0–10
Diversified Fixed Interest Option	Australian Fixed Interest	40–60	Alternative Debt	0–25
	International Fixed Interest	40–60	Australian Fixed Interest	20–65
	Cash	0–10	International Fixed Interest	20–65
			Cash	0–10
International Shares Option	International Shares	90–100	International Shares (Unhedged)	0–30
	Cash	0–10	International Shares (Hedged)	0–90
			Cash	0–10