

Living Super Annual Report 2015-16



¹ SuperRatings does not issue, sell, guarantee or underwrite this product. Go to superratings.com.au for details of its rating criteria.
² Canstar Superannuation rating awarded in September 2016. ³ Canstar Pension rating awarded in April 2016.

Contents

CEO report	3	Abridged financial statements	18
Trustee report	4	Product update	19
Legislative changes	5	Finally	22
Market update	7	Contact us	25
Living Super Investments	10	Living Super Partners	26

Diversa Trustees Limited ABN 49 006 421 638, AFSL 235153, RSE L0000635 is the Trustee of the ING DIRECT Superannuation Fund ABN 13 355 603 448 (Fund) and the issuer of interests in the Fund. ING DIRECT Living Super is a product issued out of the Fund. The insurance cover offered by the Fund is provided by MetLife Insurance Limited ABN 75 004 274 882 AFSL 238096. ING DIRECT, a division of ING Bank (Australia) Limited ABN 24 000 893 292, AFSL 229823, is the Promoter of the Fund. Other products are issued by ING DIRECT. The Trustee is required to provide you with information that reasonably allows you to understand your benefit entitlements. This Annual Report to members 2015-2016, which provides general information about the performance, management and financial condition of the Fund, should be read in conjunction with your Annual Statement as at 30 June 2016. The information in this Annual Report is of a general nature only and doesn't consider your particular investment objectives, circumstances, financial situation or needs and you should consider whether it is appropriate for you. You should consider the Product Disclosure Statement and Financial Services Guide available at ingdirect.com.au in deciding whether to acquire, or to continue to hold, the product.

CEO report

CEO summary – Living Super

Over the past 12 months, Living Super has gone from strength to strength - and I'm proud to say that once again it's been a tremendously successful year.

In just four years since inception our funds under management has grown to \$2 billion - up from \$1.3 billion in June 2015. I'm delighted that today over 50,000 Australians entrust their retirement savings to Living Super.

Along with direct consumers, we continue to enjoy strong growth with financial advisers. As at June 30 advisers now account for \$200 million - or 10 per cent of our total funds under management. Recognising the importance of this relationship, in December 2015, Living Super launched an online facility to make it easier for advisers and clients alike to manage their corporate actions.

Industry accolades

I'm pleased to share that we continue to receive many industry accolades that reaffirm the flexibility and exceptional value of our superannuation product. In 2016 Living Super

maintained a 'Platinum' rating from independent group SuperRatings, indicating outstanding value for Living Super's superannuation and pension products. Additionally, in April 2016 research group Canstar awarded Living Super Pension a 'five star' rating - Its highest possible accolade - for outstanding value. This was matched in September 2016, with a Canstar 'five star' rating for Living Super accumulation.

Responding to our customers' needs

I passionately believe we need to continue innovating if we are to respond to the evolving needs of our customers.

Reflecting a growing appetite for direct share trading within the super environment, in February 2016 we expanded the direct share options available on the Living Super investment menu from the S&P/ASX 200 to the broader S&P/ASX 300. This gives our customers access to a further 100 shares as well as 26 additional Exchange Traded Products.

In recognising the growing preference for Australians to manage their money 'on the go', we also upgraded our Living Super digital platform to make it easier for customers to apply for Living Super via mobile devices and tablets.

Our customers remain at the center of everything we do

In the space of only four years, Living Super has gone from being a newcomer to a brand that continually sets new industry benchmarks by giving customers easy 24/7 access to monitor their super and delivering customers control on where and when they invest. It has been an exciting time for all of us and I look forward to the next stage in Living Super's evolution.

Nonetheless, our overarching priority is always the responsible management of our customers' retirement savings. This report aims to keep our customers and other stakeholders informed about how we address this responsibility.

I invite you to learn more about Living Super - a product that gives all Australians the opportunity to grow their retirement savings offering a high degree of direct control in the way their nest egg is invested.



Kind regards,



Uday Sareen
CEO ING DIRECT

Trustee report

Diversa Trustees Limited (the Trustee) is proud to continue our strong partnership with ING DIRECT to enable Living Super to further grow and evolve.

It is the Trustee's job to keep Living Super operating smoothly, efficiently and in accordance with the relevant laws. We also look to work closely with ING DIRECT to provide the highest quality of service to our customers, whilst protecting their retirement savings by ensuring Living Super complies with all relevant legislation and regulatory requirements.

During the year, ING DIRECT and the Trustee worked to improve the service offerings to our Living Super customers. Of particular focus was our share trading platform which saw the following enhancements:

- an expansion of the securities included from the S&P/ASX200 to the S&P/ASX300;
- an expansion of the Exchange Traded Funds (ETFs) and Listed Investment Companies (LICs) offered; and
- the ability to manage your corporate actions online via the corporate actions page accessible once you log in to your account online at ingdirect.com.au.

In addition to the share trading platform enhancements, we also saw the introduction of automatic insurance for most existing customers within Living Super. This was done after careful consideration of feedback from our customers and that we could offer this change without the need to provide health evidence.

We are excited that Living Super has continued its strong growth, evidenced by the fact that Living Super has exceeded the \$2 billion mark during the financial year. We will continue to work closely with ING DIRECT as we both strive to provide a product that responds to our customers' wants and needs to help them to plan for their retirement.

We look forward to working with ING DIRECT to continue to grow Living Super, a product which is simple to understand and which provides you with great flexibility.



Kind regards,

A handwritten signature in black ink, appearing to read 'Mark Cerché', written in a cursive style.

Mark Cerché

Chairman – Diversa Trustees Limited

Legislative changes

Contributions Caps for 2016/17

- The general concessional contribution cap is \$30,000
- If you are aged 49 years or over at 30 June 2016 the concessional cap is \$35,000
- The non-concessional contribution cap is \$180,000

Government Co-Contributions and Low Income Super Contributions

If you make a personal after tax contribution and your total income (conditions apply) is under the co-contributions upper threshold (\$51,021 for 2016/2017) the Government may contribute \$0.50 for each dollar you contribute up to \$500 p.a. The maximum co-contribution payable reduces for every dollar your total income exceeds the lower threshold of (\$36,021 for 2016/2017), until your total income reaches the higher threshold.

The low income super contribution (LISC) is a government superannuation payment of up to \$500 to help low-income earners save for retirement. If you earn \$37,000 or less a year, you may be eligible to receive a LISC payment directly into your super fund.

Government's temporary budget repair levy

A number of taxes which are linked to the highest marginal rate were increased effective from 1 July 2014 to 30 June 2017 from 47% to 49% (this includes the 2% Medicare levy). This includes the excess non-concessional contribution tax, excess untaxed rollover amount and no TFN tax.

Dashboards

The requirement to display dashboards for each investment option for choice products has been further delayed until 1 July 2017. Choice products are superannuation products or investment options that you need to choose, they are not MySuper products that your employer may have chosen for you.

Disclosure requirements administered by ASIC and data required to be reported to APRA

If the Trustee provides information to APRA under a reporting standard and that information is given to another person (including on a website), then the Trustee must ensure that the information is calculated in the same way. It is hoped that these changes will promote greater consistency in disclosure and enable customers to compare between products. This is expected to commence at the same time the dashboard disclosure will commence.

Fees disclosure changes

Indirect fees disclosure legislation in relation to PDSs and for periodic statements have been delayed. These amendments seek to further improve the enhanced fee disclosures which were introduced in 2005. Going forward there is expected to be greater consistency in relation to disclosure of indirect costs and also more accurate reporting of indirect costs in relation to interposed vehicles used for investment.

On 3 May 2016, the Government announced the 2016 Federal Budget. Subject to the proposals being implemented by legislation the major announcements for super are:

1. A \$1.6 million superannuation transfer to income stream balance cap will apply from 1 July 2017

From 1 July 2017, the government will introduce a \$1.6 million transfer balance cap on the total amount of accumulated superannuation an individual can transfer into the retirement (income stream) phase.

Members already in the retirement phase, with balances above \$1.6 million, will be required to reduce their retirement balance to \$1.6 million by 1 July 2017, by either transferring the excess back into an accumulation superannuation account or withdrawing the excess amount from their superannuation.

2. Lifetime cap for non-concessional superannuation contributions

Effective from 7.30pm on 3 May 2016, a \$500,000 lifetime non-concessional contributions cap will now apply for all Australians under the age of 75. This replaces the current non-concessional cap of \$180,000 per year (or \$540,000 every 3 years if aged under 65).

This new cap will take into account all non-concessional contributions made on or after 1 July 2007.

Subsequently, in September 2016 the Federal Government announced that they would not proceed with the lifetime non-concessional cap and would instead limit the non-concessional annual cap to \$100,000 from 1 July 2017.

3. Concessional contributions caps reduced to \$25,000 from 1 July 2017

Currently, a contribution cap applies to concessional contributions of \$30,000 (\$35,000 for individuals aged 49 and over).

From 1 July 2017, the concessional contribution cap will reduce to \$25,000 for ALL individuals.

4. Tax deductibility of personal superannuation contributions

From 1 July 2017, all individuals up to the age of 75 will be able to claim an income tax deduction for personal superannuation contributions. This will count towards the individual's concessional contributions caps, and will be taxed at 15 percent.

5. Higher Income Earner Contributions tax threshold reduced to \$250,000

The 'income' threshold at which the 30% rate of tax applies to an individual's taxable concessional contributions will be reduced from \$300,000 to \$250,000 from 1 July 2017.

Legislative changes

(Continued)

6. Catch-up concessional contributions for those with balances under \$500,000

From 1 July 2017, the government will allow individuals with superannuation balances under \$500,000, who have not reached their concessional contributions cap in previous years, to make additional concessional contributions.

The government is now proposing that unused concessional contributions cap amounts accrued from 1 July 2017 will be able to be carried forward on a rolling basis for a period of five consecutive years.

7. Low income superannuation contribution replaced with Low Income Superannuation Tax Offset

From 1 July 2017, the government will introduce a Low Income Superannuation Tax Offset (LISTO) to reduce tax on superannuation contributions for low income earners, replacing the low income superannuation contribution (LISC).

8. Work test for contributions eligibility removed for those aged 65 to 74

From 1 July 2017, the government will remove the 'work test' which currently limits the ability of individuals aged 65 to 74 to make superannuation contributions.

9. Removal of anti-detriment concession for death benefits

The tax deduction available to funds which pay an 'anti-detriment payment' as part of a death benefit paid to certain eligible beneficiaries will be removed from 1 July 2017. The anti-detriment payment represents a refund of the tax paid by the deceased on super contributions over their lifetime.

10. Integrity of income streams: TTR earnings to be taxed, lump sum versus income stream payment election to be removed

Currently, a fund is entitled to a tax exemption in respect of earnings it derives on assets supporting a current Transition to Retirement income stream. From 1 July 2017, the government will remove the tax exemption for any earnings supporting a transition to retirement (TTR) income stream.

11. Integrity of income streams: lump sum payment election to be removed

Currently individuals can elect to receive certain payments from superannuation income streams as a lump sum for tax purposes. These payments are then received tax free provided they are within the low rate cap (currently \$195,000). The proposal is to remove this election. At this stage, it is not clear from the budget papers if this will apply solely to transition to retirement income streams or for all income streams.

12. Low Income spouse superannuation tax offset: eligibility expanded

From 1 July 2017, access to the low income spouse superannuation tax offset will be expanded, by increasing the income threshold for the low income spouse from \$10,800 to \$37,000. The offset is 18% of the amount of eligible contributions (to be capped a \$540 annually) will phase out for those on incomes between \$37,000 and \$40,000.

13. Other changes

Some of the other measures announced by the government:

- Retirement income products: availability of tax exemption extended to deferred lifetime annuities and group self-annuitisation products.
- Currently, a tax exemption applies for earnings derived by funds on assets supporting current pension (income stream) liabilities. This exemption does not apply for products such as deferred annuities.
- The government is now proposing that the tax exemption on earnings in the retirement phase will be extended to products such as deferred lifetime annuities and group self-annuitisation products from 1 July 2017. The government will also consult on how these new products are to be treated under the Age Pension means test.
- The government has confirmed that the Superannuation Complaints Tribunal (SCT) will receive additional funding of \$5.2 million in 2016/17, including \$2.7 million in capital funding, to reduce the backlog of complaints and improve internal processes.
- The government will provide \$9.7 million over three years from 2016/17 to modernise APRA's data collection and dissemination systems.
- ASIC will also receive a funding boost to support its increased surveillance and enforcement activities, enhancement to its data analytics, preparations for implementation of an industry funding model and commitment for a review role of the effectiveness of the dispute resolution and complaints schemes in the financial services sector.
- These measures in the budget follow the government's recent announcements to better protect Australian consumers and strengthen the various bodies that currently regulate the financial services sector.

Market update



The material in the Market update section is provided by the Fund's Asset Consultant : Atchison Consultants.

The **2015-16 Financial Year** (FY16) saw another year of asset price volatility in global and domestic financial markets, driven by slow-down in China, the collapse of commodity prices, the 'Big Short' against the banks (sell-off of banking stocks), uncertain times following the United Kingdom EU referendum (Brexit) vote in the UK and closer to home, a protracted federal election campaign.

Markets struggle with uncertainty as it is commonly associated with recession, stock price falls, investors rushing to safe havens pushing gold prices up and driving bond yields down. However, amongst the uncertainty, good events do emerge leading to greater economic growth, higher interest rates and a bounce to higher asset prices. Over the year there have been both positive and negative surprises that have had an impact on investment returns, but overall for FY16 the average balanced investment strategy for an Australian superannuation investor is estimated to return around 2.2%⁴, slightly ahead of inflation. Given all the upheaval experienced by markets around the world, for Australian investors whilst the return for the FY16 is not stellar it is the seventh year in a row that superannuation investors have achieved a positive return.

In general terms, the past year has been a difficult one to find assets that provide a decent return in an environment where central banks around the world continued to push interest rates down in light of poor economic growth. In addition, regulations designed to shift risk from the banking system to financial markets has resulted in banks hoarding high-quality assets and reducing the availability of traditionally safe short-term assets. These regulatory developments have led to a reduction in market liquidity and an increase in price volatility across most asset classes.

To finish FY16 off, a decisive vote by the British public may bring to an end the United Kingdom's participation in the European Union (EU), catching markets by surprise. However, the direct impact of Brexit on Australia is deemed to be fairly limited, given that currently only 2.7% of Australian exports go to the UK, and may even be positive as the UK shifts its focus towards Asia.

Australian Markets

Given all the uncertainty around the world, the Australian share market proved to be quite resilient with the S&P/ASX 200 Index (including the benefit of dividends) returning 3.9% for the quarter and 0.6% for the 12 months to 30 June 2016. Overall for the year, the index was dragged down by the energy sector (-21.7%) due to the collapse of iron ore and oil prices followed by other commodity prices. The spot price for iron ore hit a near decade low of US\$38.20 a tonne late in December while the Brent oil price fell to a low of US\$27.88 a barrel in mid- January. For the 12 months to June 2016 BHP Billiton returned (-27.0%), Woodside Petroleum(-17.2%) and Rio Tinto (-9.8%).

On a positive note the following sectors posted strong returns over the year; Listed Property (+24.6%), Utilities (+24.5%), Health Care (+21.5%) and Consumer Discretionary (+20.5%). Some of the stocks that performed strongly over the year were; Westfield Retail (+20.6%), Spark Infrastructure (+32.4%), Cochlear (+53.9%) and Domino's Pizza (+92.6%).

Overall performance of the S&P/ASX 200 Index for the year was also held back by weak performance of the financial sector which returned -3.8%. The financial sector (ex-Listed Property Trusts) makes up around 35.9% of the S&P/ASX 200 Index. Some financial services stocks that performed poorly over the 12 months to June 2016 were; QBE (-20.0%), ANZ (-19.7%) and Computershare (-19.0%).

The outlook for Australian shares in general seems to be encouraging, even with the uncertainties that come with a federal election and risks associated with geo-political events overseas. In the March 2016 quarter the economy grew by 3.1% over the year to March compared with consensus forecast of 2.7%. Recent data from the Australian Industry Group's sectorial indexes show that manufacturing has been expanding 11 months in a row to May 2016. The largest sector in the economy, services has also been expanding. However, with the estimated oversupply of apartments, the construction sector retreated.

Based on National Australia Bank's May index of business conditions, which takes into account businesses' sales, profits, and employment concluded that "Business conditions remained at an elevated level above-average result and close to post GFC highs." Should Australia manage to circumnavigate some of the issues emanating from Brexit and the up and coming US presidential election just to mention a few, then the outlook for Australian shares should remain positive, if not slightly subdued.

Global Markets

Looking at the share market from a global investing perspective the major index, MSCI World Index (ex-Australia) struggled to deliver a meaningful return for FY16, returning 0.4% on an unhedged basis and -2.7% hedged. In some ways this is not surprising given all the angst over the global financial and political landscape, reinforced by mixed-messages during the year from the Federal Reserve about the economic state and direction from the world's biggest economy, USA.

⁴ Research conducted by Atchison Consultants on superannuation funds for the Financial year ending 30 June 2016.

Market update

(Continued)

As we moved through the financial year, in December the US Federal Reserve (US Fed) approved a 0.25% increase in its target funds rate. The first increase in US rates since June 2006. The target went from 0% to 0.25%, to a target rate of 0.25% to 0.50%, showing the world that the US economy was growing though slowly. This was followed by China devaluing its currency, triggering fears that it would aggressively stimulate its economy. As oil prices fell sharply, Middle Eastern sovereign funds repatriated their money from US hedge funds. Then the Trump factor was introduced into the mix followed by the recent unforeseen outcome from the Brexit referendum in the UK. The Bank of England and the European Central Bank have promised additional liquidity, if required to support any adverse impact on the stability of the banking sector.

Certainly European markets have been the most affected, returning -8.4% for the year. Italy and Spain were two of the worst performing markets for the year returning -23.7% and -20.8% respectively. The UK market, as expected lost 6.2% in last month of the financial year and returned -9.3% for FY16. North America performed much better returning 5.3% for the year. Given that North America makes up 64% of the index, this positive return greatly contributed to the overall index return of 0.4% (unhedged). From an industry perspective, surprisingly the best performing industries for FY16 were Oil, Gas and Consumer Fuels and Metals and Mining. Subsequently some of the best performing stocks in the index over the year were listed in the US, such as Exxon Mobil Corp, Johnson & Johnson and Chevron Corp.

The outlook for international shares remains positive, but muted based on the recent economic forecast for world growth from the World Bank, which still forecasts the world economy growing at 2.4% this calendar year and 2.6% next year. These forecasts do not leave much room for any unexpected occurrences, for example a backlash from Brexit. However, the World Bank is more positive on the growth

prospects for emerging markets forecasting growth of 3.5%. World Bank forecasts are confirmed by global business surveys that also conclude mediocre growth in economic activity. Based on the JPMorgan Global Manufacturing and Services Purchasing Managers Index (May 2016) both the services and manufacturing sectors reported lacklustre trends in new orders.

Australian and International Property

Australian listed property trusts (LPTs) were the best performing asset class over FY16. The S&P/ASX 200 A-REIT Index returned 24.6% for the year, of which the dividend income component was 4.9%. The Australian LPT sector has beaten the wider Australian share index for the past three years. This can be partly explained by the view that LPTs have generated higher income and less capital growth and therefore in times of volatility regarded to an extent, as “safe havens” relative to shares. Property rents being more predictive and stable than dividends derived from shares.

Global listed property did not perform as well Australian LPTs, however the return for FY16 was still strong relative to shares. For the 12 months to June 2016 the FTSE EPRA/MARKET Ex-Australia Total Return (unhedged) Index returned 15.7%. Strong listed property returns during the year came from regions that have ultra-easy monetary policy like Japan and the Eurozone.

The outlook for domestic LPTs is not as favourable compared to FY16, many trusts are trading at significant premiums to the value of their underlying properties and properties are valued at record low yields. The sector can be regarded as fully priced, however given the historic low yields from cash and bonds, LPTs can still be regarded as attractive from a yield perspective.

For global listed property the outlook is a little less sure than for domestic LPTs due to differences between regions and sectors, for example Jones Lang Lasalle conclude there is a shortage in office space selectively in the US and Europe, but potentially an oversupply in parts of Asia. Overall, as with Australian LPTs returns going forward will continue to be supported by yield seeking investors.

Cash, Fixed Interest and Corporate Bonds

The Reserve Bank of Australia (RBA) cut the overnight cash rate only once during the year from 2.0% to 1.75% in May. Short term interest rates remained relatively steady over the year, and consequently the 90-day bank yield has remained steady at just below 2.0%. Long-term interest rates fell over the year by 1.03%, with the Australian Government 10-year bond yield at 1.98% (at the end of June 2016). As has been the case overseas, government bonds have been the asset of choice in periods of volatility and therefore the high demand has meant that the S&P/ASX Australian Government Bond index returned 5.2% over the year.

Global bonds yields fell towards the end of FY16 based on a number of factors such as; weaker than expected jobs report leading to a view that the US Fed would postpone raising, persistent low inflation in the Eurozone and Japan and now the additional unknown repercussions as a result of Brexit.

Fixed interest in general has consequently performed well. The Barclays Capital Global Aggregate Bond Index returned (pre-tax) 9.3% for FY16. The yield on global government bonds is now down to around 0.70%. The Barclays index of corporate bonds returned 7.8% for FY16.

The outlook for Australian cash and fixed interest is not clear, financial futures market have priced in a 0.25% cut in the cash target rate by the end of this year. It is therefore likely that bank bill and bank deposit rates will fall further.

Market update

(Continued)

From an international perspective, all eyes are on the US Fed, any change in the direction of US interest rate policy impacts the world, either directly or indirectly. The Chicago Mercantile Exchange's "FedWatch" indicator, which calculates the financial futures market's implicit probability of US Fed moves, currently indicate the US Fed, at most, will raise rates only once this calendar year and have indicated a 50-50 chance of this occurring at the December 2016 meeting.

Australian Dollar Exchange Rate

The Australian dollar has showed itself to be quite resilient even though it is linked closely to the Chinese economy and commodity prices. In addition; even with the influence of global macro pressures, Australia's below target inflation and May's interest rate cut, one Australian dollar ended FY16 buying around US\$0.7450. Not bad, when compared to a 12 month high of US\$0.7834 just before May's cash rate cut.

The reason for the Australian dollar's impressive buoyancy is due to interest rates around the developed world marginally under or above an unprecedented zero rate. Australia's 1.75% cash rate is therefore deemed attractive for sovereign and institutional investors looking for yield to match their liabilities. Given it is likely that further rate cuts may need to be implemented in Europe, China and Japan and rates in the US may remain on hold it is possible that the interest rate differential between Australia and the rest of the developed world will remain through 2017 financial year and Australian dollar will still be in demand for at least the first half of the year.

Outlook

Based on how the new financial year has kicked off it is expected that 2016-17 will continue to be a roller coaster ride as macro-economic events continue to play-out in Europe and China. From Australia's perspective following a number of years of above trend growth, growth in the economy will continue to steadily moderate as the Australian economy transitions from the mining boom to a broader based economy. It is expected that growth in the household and business services sectors, such as health and retail trade will be maintained.

It is expected that wage growth, unemployment and inflation will continue to remain low in Australia. The benefit of low inflation is that it allows for further interest cuts should that be appropriate to encourage economic growth.

Living Super investments⁵



With ING DIRECT Living Super your personal investment strategy can be as simple or as sophisticated as you like.

Investment strategy

The Trustee has established an investment strategy for Living Super that outlines the specific risk and return objectives of each investment option. This strategy has been formulated with regard to the whole of the circumstances of Living Super including investment risk, diversification, liquidity, the ability of the Trustee to discharge existing and future liabilities, whether reliable valuation information is available, the expected tax consequences and costs. In giving effect to this strategy the Trustee may place limits on particular investment options to ensure that appropriate levels of diversification and liquidity are maintained. The investment menu is designed to offer a range of investment options that are straightforward, cost effective and flexible.

ING DIRECT Living Super investment menu

With ING DIRECT Living Super you choose how your money is invested. There is one investment menu, split into four investment categories that you can mix and match. There is also a Cash Hub (transaction account) that allows you to transfer your super between the various investment menu options. The investment menu is designed to offer you a range of investment options that are straightforward, cost effective and provide flexibility throughout your life. The four investment categories are called: **Safe, Smart, Select and Shares.**

Investment categories					Insurance
Cash Hub	Safe Cash & term deposits held by ING DIRECT	Select A great range of managed investment options	Smart The Balanced option	Shares Trade direct shares and listed securities on the ASX	Automatic cover
					Tailored cover
					Income protection

For the curious: ⁵ Buy-sell spreads and other incidental transaction costs apply to all managed investment options, including the Balanced fund. Buy-sell spreads and other transaction costs are retained within the managed investment and are not fees paid to ING DIRECT or the Trustee. The Trustee may replace one or more of the underlying investment managers which may affect the fee structure for the investment options. The Trustee may vary the fees for ING DIRECT Living Super without your consent by giving 30 days' notice. Living Super is not available to U.S. Persons.

Living Super investments

(Continued)

Take greater control of your superannuation

ING DIRECT Living Super makes it easy to diversify and mix and match investments across any or all of these categories.

Safe

The investment options in the Safe investment category are designed for members who want to minimise risk. You have the choice of a unitised Cash option and a range of fixed rate Term Deposits.⁶

Smart

The Balanced option in the Smart investment category is a pre-mixed investment solution with a strategic allocation of 50% invested in shares and 50% invested in cash.

Select

The investment options in the Select investment category enable you to choose from a variety of diversified and single sector managed investments.

Shares

The investment options in the Shares investment category give you the freedom and control to invest in shares included in the S&P/ASX 300 and a range of exchange traded products.

Things you should know

When you are choosing your investment options, you should consider the likely investment return, risk and how long you will be investing your super as well as your particular investment objectives, financial situation and needs.

Investment categories and investment options

Safe	Smart	Select	Shares	Cash Hub (Transaction account)
Cash option	Balanced	Growth	S&P/ASX 300 Shares Exchange Traded Products	The Cash Hub is your transaction account. Depending on which account you're in, the Cash Hub is the transaction account into which all contributions, rollovers and distributions are paid, and out of which all fees, pension payments, withdrawals and insurance premiums are paid. All Term Deposits and Shares must be purchased from the Cash Hub and all proceeds from Term Deposits and Shares must be paid into the Cash Hub.
Term Deposits		High Growth		
3 months		Australian Shares		
6 months		International Shares (Hedged)		
1 year		International Shares		
2 years (the 2 year Term Deposit is only available in Super accounts)		Australian Fixed Interest		
		International Fixed Interest (Hedged)		
		Australian Listed Property		

For the curious: ⁶ Living Super rates are available at ingdirect.com.au

Living Super investments

(Continued)

Investment menu

The investment objectives, internal benchmarks and underlying investment managers for ING DIRECT Living Super are as follows:

Category	Investment options	Investment objectives	Benchmark	Investment strategies	Guidelines, strategic asset allocation and ranges	Who is this suitable for?	Risk label	Investment horizon														
N/A	Cash Hub	Aims to provide security of capital and regular income and achieve a return of the benchmark.	RBA Cash less 0.75% pa before fees and taxes.	The strategy for the Cash Hub is to substantially invest the assets on deposit with ING DIRECT.	Cash 100%	Your ING DIRECT Living Super cash transaction account.	Very low risk	Any period														
Safe	Cash option	Aims to provide security of capital and income built into the unit price and achieve a return of the benchmark.	RBA Cash Rate before fees and taxes.	The strategy for the Cash option is to substantially invest the assets on deposit with ING DIRECT either directly or indirectly (via managed investments).	Cash 100%	Conservative or cautious investors seeking security of capital and positive income returns over time.	Very low risk	Any period														
Safe	Term Deposits	To provide stable returns with low risk of capital loss by investing in Term Deposits. Terms available are: <table border="1" data-bbox="360 1114 857 1364"> <thead> <tr> <th>Option</th> <th>No. of days</th> <th>Interest crediting</th> </tr> </thead> <tbody> <tr> <td>3 Months</td> <td>90</td> <td>On maturity</td> </tr> <tr> <td>6 Months</td> <td>180</td> <td>On maturity</td> </tr> <tr> <td>1 Year</td> <td>365</td> <td>On maturity</td> </tr> <tr> <td>2 Year</td> <td>730</td> <td>Accrued annually & paid on maturity</td> </tr> </tbody> </table>	Option	No. of days	Interest crediting	3 Months	90	On maturity	6 Months	180	On maturity	1 Year	365	On maturity	2 Year	730	Accrued annually & paid on maturity	The strategy for this option is to invest in wholesale term deposits issued by ING DIRECT. Investments will be for the term as selected and will be transferred to the Cash Hub on maturity unless you elect to automatically reinvest in a new Term Deposit option of the same term.	Cash 100%	Conservative or cautious investors seeking security of capital and guaranteed returns for fixed investment periods.	Very low risk	90 days – 2 years depending on the term selected
Option	No. of days	Interest crediting																				
3 Months	90	On maturity																				
6 Months	180	On maturity																				
1 Year	365	On maturity																				
2 Year	730	Accrued annually & paid on maturity																				

Living Super investments

(Continued)

Category	Investment options	Investment objectives	Benchmark	Investment strategies	Guidelines, strategic asset allocation and ranges			Who is this suitable for?	Risk label	Investment horizon
					Asset class	Ranges	Target			
Smart	Balanced	<p>Aims to provide medium to long term capital growth with income built into the unit price.</p> <p>Aims to achieve a 2.5% average annual return above inflation (CPI) over 4 years before fees and taxes.</p>	N/A	<p>The long term asset allocation is 50% growth assets and 50% income assets. This option invests in Cash, Australian shares, International shares (Hedged), International Shares. The option can invest directly or indirectly (via managed investments). Asset allocation is balanced back to the long term target.</p>	Asset class	Ranges	Target	<p>Investors who are seeking a potentially higher return than that available from Cash, who are prepared to accept a moderate exposure to growth assets.</p>	Medium to high risk	At least 4 years
					Australian Shares	15 - 45%	30%			
					International Shares	0 - 20%	10%			
					International Shares (Hedged)	0 - 20%	10%			
					Australian Fixed Interest	0 - 10%	0%			
					Cash	20 - 60%	50%			
Select	Growth	<p>Aims to provide long term capital growth with income built into the unit price. Aims to achieve a 3.0% average annual return above inflation (CPI) over 6 years before fees and taxes.</p>	N/A	<p>The long term asset allocation is 70% growth assets and 30% income assets. This option invests in Cash, Australian Fixed Interest, Australian Shares, International Shares and Australian Listed Property. The option can invest directly or indirectly (via managed investments). Asset allocation is balanced back to the long term target.</p>	Asset class	Ranges	Target	<p>Investors who are seeking a medium to long term investment and moderate - high returns, who accept the possibility of losses in capital.</p>	High risk	At least 7 years
					Australian Shares	20 - 50%	35%			
					International Shares	10 - 40%	15%			
					International Shares (Hedged)	10 - 40%	15%			
					Australian Listed Property	0 - 10%	5%			
					Australian Fixed Interest	0 - 20%	10%			
					Cash	10 - 30%	20%			
					Select	High Growth	<p>Aims to provide long term capital growth with income built into the unit price. Aims to achieve a 3.5% average annual return above inflation (CPI) over 7 years before fees and taxes.</p>			
Australian Shares	25 - 75%	50%								
International Shares	0 - 50%	25%								
International Shares (Hedged)	0 - 50%	25%								
Cash	0 - 5%	0%								

Living Super investments

(Continued)

Category	Investment options	Investment objectives	Benchmark	Investment strategies	Guidelines, strategic asset allocation and ranges			Who is this suitable for?	Risk label	Investment horizon
Select	Australian Shares	Aims to closely match the return of the Australian shares market (income and capital growth) before fees, as measured by the S&P/ASX 200 All Australian Accumulation Index before fees and taxes.	S&P/ASX 200 Accumulation Index	The option can invest directly or indirectly (via managed investments) in shares and securities listed or to be listed on ASX.	Asset Class	Ranges	Target	Investors who are seeking a long term investment in a diversified portfolio of Australian shares who accept the possibility of losses in capital.	High risk	At least 7 years
					Australian Shares	95 - 100%	100%			
					Cash	0 - 5%	0%			
Select	International Shares (Hedged)	Aims to closely match the return of the international share market as measured by the MSCI World ex Australia Index (net Dividends reinvested), hedged in Australian Dollars before fees and taxes.	MSCI World ex-Australia Index (net Dividends reinvested), 100% hedged in \$A.	The option can invest directly or indirectly (via managed investments) in shares and securities listed or to be listed on exchanges outside Australia. Currency exposures are hedged (using derivatives) up to 100% of the value of the portfolio.	Asset Class	Ranges	Target	Investors who are seeking a long term investment in a diversified portfolio of global shares that is protected against the movements in currency exchange rates and who accept the possibility of losses in capital.	High risk	At least 7 years
					International Shares (Hedged)	95 - 100%	100%			
					Cash	0 - 5%	0%			
Select	International Shares	Aims to closely match the return of the international share market as measured by the MSCI World ex Australia Index (net Dividends reinvested), before fees and taxes.	MSCI World ex-Australia Index (net Dividends reinvested).	The option can invest directly or indirectly (via managed investments) in shares and securities listed or to be listed on exchanges outside Australia.	Asset Class	Ranges	Target	Investors who are seeking a long term investment in a diversified portfolio of global shares who accept the possibility of losses in capital.	Very high risk	At least 8 years
					International Shares	95 - 100%	100%			
					Cash	0 - 5%	0%			
Select	Australian Listed Property	Aims to closely match the return of the listed property securities market, as measured by the S&P/ASX 200 A-REIT Index before fees and taxes.	S&P/ASX 200 A-REIT Index	The option can invest directly or indirectly (via managed investments) in property securities listed or to be listed on the ASX.	Asset Class	Ranges	Target	Investors who are seeking a long term investment in a diversified portfolio of listed property securities and the possibility of losses in capital.	High risk	At least 7 years
					Australian Listed Property	95 - 100%	100%			
					Cash	0 - 5%	0%			

Living Super investments

(Continued)

Category	Investment options	Investment objectives	Benchmark	Investment strategies	Guidelines, strategic asset allocation and ranges			Who is this suitable for?	Risk label	Investment horizon
Select	Australian Fixed Interest	Aims to closely match the return of the Australian fixed interest market as measured by the Bloomberg AusBond Composite Bond Index before fees and taxes.	Bloomberg AusBond Composite Bond Index	The option can invest directly or indirectly (via managed investments) in bonds from the Bloomberg AusBond Composite Bond Index.	Asset class	Ranges	Target	Investors seeking a return higher than that available from Cash, Capital losses may occur over the short term and the level of income may vary from time to time.	Medium risk	At least 3 years
					Australian Fixed Interest	95 - 100%	100%			
					Cash	0 - 5%	0%			
Select	International Fixed Interest (Hedged)	Aims to match the return of the international fixed interest market - hedged (income and capital growth) as measured by the Citigroup World Government Bond Index ex Australia, 100% hedged to Australian dollars before fees and taxes.	Citigroup World Government Bond Index ex Australia, 100% hedged to Australian dollars.	The option can invest directly or indirectly (via managed investments) in bonds from the Citigroup World Government Bond Index ex Australia, 100% hedged to Australian dollars.	Asset class	Ranges	Target	Investors seeking a return higher than that available from cash from global fixed interest securities that are protected from movements in currency exchange, as well as an income stream. Capital losses may occur over the short term and the level of income may vary from time to time.	Medium risk	At least 3 years
					International Fixed Interest (Hedged)	95 - 100%	100%			
					Cash	0 - 5%	0%			
Shares	Shares	To provide direct access shares in the S&P/ASX 300 and selected exchange traded products listed on the ASX.	N/A	Access to the shares in the S&P/ASX 300 and selected exchange traded products listed on the ASX is provided through Living Super's share broker.	Aggregate holding limit	Maximum allocation to any single security		Investors who are looking for an investment in one or more single listed securities who accept the possibility of a loss of capital.	See the shares and exchange traded products on ingdirect.com.au for a full list of the exchange traded products available and their risk labels. For the list of shares on the S&P/ASX 300 see asx.com.au . The risk label for the S&P/ASX 300 is High risk.	At least 7 years
					80% of total account balance	20% of total account balance				

Living Super investments

(Continued)

Investment managers

ING Bank (Australia) Limited ABN 24 000 893 292 AFSL 229823, ACL 229823 is the investment manager of the managed investment options, Cash Hub and Term Deposits. State Street Global Advisors Australia Limited ABN 42 003 914 225, AFSL 238276 has been appointed by the investment manager as the sub-investment manager of the assets of the managed investments other than the cash assets. ING Bank N.V. (Sydney Branch) ABN 32 080 178 196, AFSL 234557 may be appointed by the investment manager as the sub-investment manager of a portion of the cash assets of the managed investments, Cash Hub and Term Deposits.

Interest rates in Living Super

The interest rate on the Cash Option and the cash component of the Balanced and Growth Options varies from time to time. This rate is independent to the interest rates on ING DIRECT's other banking products. This means that future interest rates may be different between those credited within Living Super and those that are offered direct on our other banking products.

Single assets valued above 5% of total funds under Management

At the end of the 2015-2016 financial year, the Fund had:

- 44% invested in the ING DIRECT Balanced Fund;
- 15% invested in the Cash Hub with ING DIRECT;
- 15% invested in Term Deposits with ING DIRECT; and
- 9% invested in Shares (through the S&P/ASX 300 and selected exchange traded products)

Derivative securities

The Trustee does not invest directly in any futures, options or other derivative instruments. However, external managers may use derivatives in managed investment schemes in which the Trustee invests. The Trustee views the use of Derivatives within the investment options available through the Fund as acceptable for the following purposes:

- To protect the assets of the Fund against, or minimise liability from, a fluctuation in market values;
- To reduce the transaction cost of achieving the desired asset allocation or investment profile for the Fund;
- To obtain prices that may not be available to the Fund in other markets;
- To reduce volatility and the impact on portfolio valuations of market movements; and
- To achieve adjustment of asset exposures within parameters fixed in the investment strategy.

Treatment of net earnings

Net earnings are allocated to member accounts in accordance with changes in the value of their investments (e.g. unit prices) or by the crediting of returns to member accounts (e.g. interest).

The Trustee uses four different methods and timings to value the investment options within the menu:

1. Managed investment unit pricing is updated daily;
2. The Cash Hub is valued based on relevant interest rates accrued daily and credited monthly;
3. The 3 months, 6 months and 1 year Term Deposits are valued based on relevant interest rates with interest paid on maturity. The 2 year Term Deposit interest is accrued on anniversary and paid on maturity. An Interest Rate Reduction applies if a Term Deposit is closed before the maturity date;
4. ASX listed securities prices are updated via the share broker at the most recent market price.

Living Super investments

(Continued)

Managed Investment Options performance

The tables below detail the historical performance of the investment options for the Super, Transition to Retirement and Pension accounts effective 30 June 2016. Just remember, past performance is not a reliable indicator of future performance.⁷

Super accounts

Investment category	Investment option	1 Month (%)	3 Months (%)	6 Months (%)	1 year (%)	2 years (%pa)	3 years (%pa)	Since inception (%pa)	Inception date
Safe	Cash option	0.17%	0.58%	1.13%	2.33%	2.52%	2.62%	2.92%	3/9/2012
Smart	Balanced	-0.99%	2.00%	0.91%	1.77%	4.48%	6.34%	7.76%	13/8/2012
Select	Australian Fixed Interest	1.09%	2.32%	4.08%	5.77%	5.13%	4.96%	4.45%	16/8/2012
Select	Australian Listed Property	3.08%	7.97%	13.83%	20.64%	19.16%	15.78%	16.26%	16/8/2012
Select	Australian Shares	-1.95%	3.69%	1.61%	2.02%	4.51%	8.38%	10.00%	29/8/2012
Select	Growth	-1.05%	2.89%	1.65%	2.66%	6.03%	8.23%	9.82%	30/8/2012
Select	High Growth	-2.09%	3.19%	0.35%	0.81%	6.21%	9.83%	12.42%	30/8/2012
Select	International Fixed Interest (Hedged)	1.95%	2.54%	6.16%	8.69%	6.69%	6.39%	5.57%	16/8/2012
Select	International Shares	-3.35%	3.89%	-1.44%	0.42%	10.96%	13.10%	16.69%	29/8/2012
Select	International Shares (Hedged)	-1.00%	1.47%	-0.21%	-1.35%	4.47%	9.22%	11.90%	29/8/2012

Transition to Retirement and Pension accounts

Investment category	Investment option	1 Month (%)	3 Months (%)	6 Months (%)	1 year (%)	2 years (%pa)	3 years (%pa)	Since inception (%pa)	Inception date
Safe	Cash option	0.20%	0.67%	1.33%	2.73%	2.96%	3.08%	3.29%	2/10/2012
Smart	Balanced	-1.13%	2.29%	1.02%	2.02%	4.92%	7.12%	8.37%	2/10/2012
Select	Australian Fixed Interest	1.28%	2.71%	4.77%	6.77%	6.05%	5.74%	4.63%	2/10/2012
Select	Australian Listed Property	3.46%	9.00%	15.71%	23.57%	21.55%	17.77%	18.20%	2/10/2012
Select	Australian Shares	-2.19%	4.19%	1.83%	2.28%	4.94%	9.42%	12.21%	2/10/2012
Select	Growth	-1.19%	3.30%	1.88%	3.04%	6.63%	9.20%	10.78%	2/10/2012
Select	High Growth	-2.35%	3.64%	0.39%	0.91%	6.70%	10.94%	13.25%	2/10/2012
Select	International Fixed Interest (Hedged)	2.26%	2.95%	7.18%	10.18%	7.81%	7.47%	6.40%	2/10/2012
Select	International Shares	-3.75%	4.36%	-1.63%	0.40%	11.93%	14.37%	17.85%	26/02/2013
Select	International Shares (Hedged)	-1.13%	1.67%	-0.25%	-1.56%	4.56%	10.08%	10.31%	8/03/2013

For the curious: ⁷The information in the tables above represents the historical performance of the managed investment options available within ING DIRECT Living Super. The performance is calculated by measuring the change in the sell price for each managed investment option over the relevant time period. The performance calculation is net of all fees and taxes that are accrued in the calculation of the unit prices, but does not include any fees and taxes that are charged directly to your account. Past performance is not a reliable indicator of future performance.

Abridged financial statements

The abridged financial statements for ING DIRECT Living Super are based on audited balances extracted from the financial statements ING Direct Living Super for the year ended 30 June 2016. The full audited financial statements and auditor's report for ING Direct Living Super will be available at indirect.com.au by the end of **September 2016**.

Statement of Financial Position as at 30 June 2016	2016 \$'000	2015 \$'000
Investment assets		
Term deposits	299,738	209,960
Australian equities	182,492	82,536
Unlisted unit trusts	1,236,565	896,933
Other assets		
Cash and cash equivalents	299,966	203,625
Trade and other receivables	5,309	3,982
Deferred tax assets	5,082	3,817
Outstanding investment settlements	-	-
Total assets	2,029,152	1,400,853
Liabilities		
Trade and other payables	1,245	512
Outstanding investment settlements	2,789	-
Current tax liabilities	5,760	7,397
Total liabilities	9,794	7,909
Net assets available to pay benefits	2,019,358	1,392,944
Represented by Liabilities for accrued benefits		
Allocated to members' accounts	2,016,844	1,387,234
Unallocated to members' accounts	2,514	5,710
Total liability for accrued benefit	2,019,358	1,392,944

Operating Statement for the year ended 30 June 2016	2016 \$'000	2015 \$'000
Investment revenue		
Interest	11,477	11,608
Dividends	3,901	1,709
Distributions	45,571	60,206
Changes in net market value of investments	(30,040)	(14,925)
Total investment revenue	30,909	58,598
Contribution revenue		
Employer contributions	138,831	97,000
Members' contributions	89,980	79,805
Transfers from other funds	518,626	378,650
Total contribution revenue	747,437	555,455
Other revenue		
Group Life Insurance Proceeds	971	967
Other	591	327
Total other revenue	1,562	1,294
TOTAL REVENUE	779,908	615,347
Direct investment expenses	546	287
General administration expenses		
Operating expenses	2,716	893
Group life insurance premiums	7,661	3,147
Total general administrative expenses	10,377	4,040
TOTAL EXPENSES	10,923	4,327
Benefits accrued as a result of operations before income tax	768,985	611,020
Income tax (expense)/benefit	19,425	13,379
Benefits accrued as a result of operations	749,560	597,640

Product update

Automatic Cover

From 1 December 2015, eligible customers that joined Living Super before 28 March 2015, received insurance as part of their Living Super account – called Automatic Cover.

With Automatic Cover, they will have access to a default level of Death or Death and Total & Permanent Disablement cover.

How does this work?

Premiums are calculated weekly and are deducted at the end of each month or on the next business day. The first premium was deducted from your super balance if you were eligible on 31 December 2015.

It's important to note that Automatic Cover does not cover you for any pre-existing medical condition. But you can apply to change this.

Administration fee increase for the Shares Investment category

From 1 February 2016, the administration fee for the Shares Investment category increased from \$180 p.a. to \$300 p.a. to support providing our customers with a greater range of shares, Exchange Traded Funds (ETFs) and Listed Investment Companies (LICs) to invest in and manage corporate actions online.

What does this mean for you?

If you have a Share Trading account as part of Living Super your monthly fee increased from \$15 per month to \$25 per month from 1 February 2016. If you do not have a share trading account, then you are unaffected. Please note, this fee is applicable whilst the share trading account is open regardless of activity or whether or not you hold shares in your account.

Delivery of disclosure to customers

Previously, any material changes were communicated to you via mail only. From 1 February 2016, any material changes and updates that relate to Living Super may be communicated to you via another method, such as your email address instead of by mail.

What does this mean for you?

We may now communicate any product changes to you electronically instead of via mail. You can also view these in your correspondence library by logging into ingdirect.com.au

Change of Benchmark and name for iShares MSCI Australia 200 ETF (IOZ)

On 1 December 2015, the iShares MSCI Australia 200 ETF became the iShares S&P/ASX 200 ETF as its benchmark changed from the MSCI Australia 200 Index to the S&P/ASX 200 Index. The fund's ASX code remains IOZ.

The iShares S&P/ASX 200 ETF is comprised of the 200 largest securities by market capitalisation and liquidity, including foreign companies listed on the ASX. The benchmark change involves small but important changes in IOZ's portfolio, ensuring that the fund has tighter tracking to most Australian investors' reference benchmark.

What does this mean for you?

If you have a current holding in the IOZ ETF via our Direct Share Trading platform, the benchmark has now changed from the MSCI Australia 200 Index to the S&P/ASX 200 Index. This change means that the IOZ ETF now follows the most widely tracked benchmark of Australian stocks.

A key difference arising from the change of benchmark from the MSCI Australia 200 Index to the S&P/ASX 200 Index is that the treatment of foreign companies listed on the S&P/ASX 200 Index includes foreign-domiciled entities which are cross-listed on the ASX such as News Corp and ResMed. There is no change to the risk label for IOZ which remains high with a risk band of 6.

Product update

(Continued)

Change of Benchmark and name for UBS IQ Research Preferred Australian Share Fund Exchanged Traded Fund (ETF)

On 1 February 2016, the UBS IQ Research Preferred Australian Share Fund ETF became the UBS IQ Morningstar Australia Quality ETF as its benchmark changed from the UBS Research Preferred Index to the Morningstar® Australia Moat Focus Index™. The fund's ASX code remains 'ETF'.

What does this mean for you?

If you have a current holding in ETF via our Direct Share Trading platform, the benchmark has changed from the UBS Research Preferred Index to the Morningstar® Australia Moat Focus Index™. The investment fee, which is reflected in the performance of the investment option, for the underlying Fund has been reduced from 0.70% p.a. to 0.30% p.a. There is no change to the risk label for ETF which remains high with a risk band of 6.

The Morningstar® Australia Moat Focus Index™ is a rules-based, equal-weighted index intended to offer exposure to quality companies that Morningstar determines have sustainable competitive advantages based on a proprietary methodology that considers quantitative and qualitative factors.

The Index is designed to target exposure to approximately 25 wide and narrow 'moat' stocks in the Morningstar Australia Index™ with the lowest ratios of current market price to fair value price determined under an independent research process by the Morningstar Equity Research team. The fair value estimate is based primarily on Morningstar's proprietary three-stage discounted cash-flow model. Morningstar checks its fair value estimates against other valuation measures, such as sum-of-the-parts, multiples and yields, among others.

New Settlement Period from 7 March 2016

On 7 March 2016, the Australian Securities Exchange (ASX) reduced the settlement period to bring the ASX in step with other international markets, such as Hong Kong and Europe. From this date, settlement of your trades will take place two business days after the Trade Date instead of the previous three business days.

What does this mean for you?

From 7 March 2016, if you have a share trading account as part of Living Super, funds in your Share Trading settlement account set aside for share purchases will be deducted one business day earlier from your Cash Hub. If you are selling shares your Cash Hub Balance will be credited a business day earlier.

A shorter settlement timeframe allows you access to your Cash Hub for other share trades or investment transactions after selling your shares and earlier delivery after purchase.

Changes to the Trustee Name reflected within our disclosure documents.

With effect from 1 July 2016, the Trustee Name has changed to 'Diversa Trustees Limited'. All references to 'The Trust Company (Superannuation) Limited ('TTCSL') have been removed.

What does this mean for you?

There has been no impact to customers from the Trustee changing its name.

Minimum membership period in the product prior to making a financial hardship claim

Any client who joins Living Super from 1 September 2016 onwards will be required to remain in ING DIRECT Living Super for 12 months prior to lodging a financial hardship claim.

What does this mean for you?

If you joined ING DIRECT Living Super prior to 1 September 2016, this change does not affect you. If you have joined ING DIRECT Living Super on or after 1 September 2016, you will be required to have been a customer of ING DIRECT Living Super for a minimum period of 12 months before you will be allowed to lodge a claim for financial hardship.

Investment range of Australian Listed Property in the Growth option has changed from 0 - 40% to 0 - 10%.

Following our most recent investment review, the investment range of Australian Listed Property in our ING DIRECT Living Super Growth investment option was lowered from 0 - 40% to 0 - 10%. This has not affected the target asset allocation of Australian Listed Property in the Growth investment option, which remains at 5%.

What does this mean for you?

If you are invested in the ING DIRECT Living Super Growth investment option, this means that we do not have any intention to have more than 10% of the balance of this option invested in Australian Listed Property, down from 40%.

Product update

(Continued)

Buy/Sell spreads were lowered in line with our most recent review

The Buy/Sell spreads for entering, exiting or switching investment options have been reviewed and, where there has been a change, updated in the Product Guide effective 1 September 2016.

What does this mean for you?

If you are investing in a new investment option or switching investment options, you may now pay a lower buy/sell spreads. These have been updated in the Product Guide effective 1 September 2016.

Other fees/costs in the fees and costs table has changed

The disclosure within the fees & costs table in the Other Fees & costs row has been updated to include any insurance fees that may be payable under Automatic cover.

What does this mean for you?

This update was carried out to provide any clarity around any fees that an ING DIRECT Living Super customer may incur.

Budget changes

Changes to Superannuation that were proposed in the Federal Budget on 3rd May 2016 were incorporated into this version of the Product Disclosure Statement and Product Guide.

What does this mean for you?

Subject to the proposals being implemented by legislation the major announcements for super are contained in the 1 September 2016 version of the ING DIRECT Product Disclosure Statement and Product Guide. If implemented these may affect how super operates.

Insurance wording changes to provide clarity

The Insurance section of the ING DIRECT Living Super Product Disclosure Statement was revised, to provide further clarity to customers on the different types of insurance available within ING DIRECT Living Super.

What does this mean for you?

The Insurance section has been made clearer. There have been no product changes as a result of this change.

Superstream mandatory for all employer contributions

Effective 1 July 2016, ING DIRECT Living Super is no longer able to accept employer contributions via cheque.

What does this mean for you?

If your employer has previously submitted contributions to your ING DIRECT Living Super account via cheque, they are no longer able to do this. They will need to contact a SuperStream service provider or a small business clearing house in order to deposit contributions in your Living Super account.

Finally

Online annual report

ING DIRECT makes this annual report available online at ingdirect.com.au.

You can request a printed copy by calling 133 464.

Indemnity insurance

The Trustee has taken out indemnity insurance.

Temporary residents

The Australian Government requires temporary residents' unclaimed super be paid to the ATO after at least 6 months have passed since the later of:

- The date a temporary resident's visa ceased to be in effect; and
- The date a temporary resident permanently left Australia.

Once your benefit has been transferred to the ATO you need to claim it directly from the ATO. We will not notify you or provide you with an exit statement if your benefit has been transferred to the ATO. The Trustee relies on the relief provided by ASIC that it is not obliged to meet certain disclosure requirements in relation to non-residents who benefits have been transferred as a result of the payment of unclaimed superannuation to the ATO. If your benefit has been transferred to the ATO. If your benefit has not yet been transferred to the ATO, you may be able to claim it as a Departing Australia Superannuation Payment (DASP). Full information regarding DASP procedures and current taxation rates can be found at ato.gov.au.

Privacy Statement

The ING DIRECT Superannuation Fund Privacy Policy details how we treat your personal information. The following provides an overview of the key aspects of the ING DIRECT

Superannuation Fund Privacy Policy. For the purposes of the ING DIRECT Superannuation Fund Privacy Policy the terms 'we', 'us' or 'our' refer to the ING DIRECT Superannuation Fund (Fund) and/or ING DIRECT in its capacity as promoter of the Fund (ING DIRECT).

Collection of your personal information

Ordinarily, we'll collect most personal information about you directly from you. For instance, your personal information will be collected when you complete an application form or provide other forms of instructions relating to your account in the Fund, when you apply for insurance or submit an insurance claim or in response to a request for additional information. Occasionally we may need to obtain personal information about you from a third party, but only if you've consented to us collecting the information in this way or you would reasonably expect us to collect the information about you in this way.

Use and disclosure of your personal information

We'll collect personal information to provide you with information about a financial product or service; to assess your application and eligibility for financial products or services including in relation to the Fund; to establish and manage your account in the Fund; to administer our relationship with you; and to communicate with you about us and the products and services we offer, and then only when it's necessary for, or related to, these purposes. We'll also need to collect personal information necessary to comply with our legal and regulatory obligations. If you don't provide the personal information that we request, we will generally not be able to provide you with products or services in relation to the Fund. It may be necessary for us to disclose your personal information to certain ING Group entities or third parties in order to assist us in providing, managing and administering

your account in the Fund or for other related purposes.

These include:

- the administrator of the Fund undertaking the administration and day-to-day operation of the Fund; including establishing and maintaining member records, processing contributions, rollovers and benefits, and providing regular statements;
- the custodian of the Fund providing custody services;
- the insurer responsible for providing insurance cover and assessing insurance claims to members of the Fund;
- the broker or share trader responsible for buying and selling of listed securities;
- the provider of financial tools and calculators on the designated Fund website;
- the ATO as required by law, to administer your account in the Fund, to conduct searches on the ATO's Lost Member Register and to facilitate the consolidation of your superannuation with your consent;
- Government authorities as required or desirable in administering and conducting the business of the Fund, including in complying with relevant regulatory or legal requirements;
- the trustee of another fund where you request that your superannuation be transferred from another superannuation fund into your interest in the Fund or where you request that your superannuation be transferred into another superannuation fund;
- organisations providing financial planning services with which we have entered into an agreement for them to provide financial planning advice services to members of the Fund;

Finally

(Continued)

- your financial adviser, your power of attorney, or your appointed representative;
- entities in the ING Group in order to service the Fund or other products you may have within these Groups;
- ING Group entities located overseas for administration and security purposes;
- any third party product and service supplier that we have an arrangement with (so that either us or they may provide you with the product or service you have requested or in which you have expressed an interest);
- organisations who perform services or functions on our behalf;
- organisations undertaking reviews of the accuracy and completeness of our information;
- organisations undertaking identity verification services to verify information about you including your identity; and
- doctors, medical services or other organisations providing services in the collection, collation or assessment of personal information (including health information) for the purpose of assessing your claim.

Any example used above to indicate when we might disclose personal information may not be limited to those examples (or examples of a similar kind). Personal information will only be disclosed to third parties other than those listed above if you have consented; if you would reasonably expect us to disclose information of that kind to those third parties; if we are authorised or required to do so by law; or it is necessary to assist with law enforcement.

We may have to send personal information overseas for example, if required to complete a transaction or where we outsource a function to an overseas contractor. Your personal information may be accessed by staff in ING Group entities in Singapore and the Netherlands if necessary to administer our relationship with you, for transactional reasons or to comply with regulatory requirements applying to us or the ING Group.

Marketing

We, or other ING Group entities, may provide you with further information about ING Group products and services unless you tell us not to. If you have provided an email address to us, we may contact you using that email address, including to provide you with information about us and the products and services that we and the ING Group offer. You may elect not to receive further information about us or our products and services by contacting us online, calling or writing to us.

Access to your personal information

You may request access to limited amounts of personal information that we hold about you that are readily available – such as your account balance or personal details - by calling us on 133 464. For a more detailed request for access to information that we hold about you, you will need to write to the ING DIRECT Privacy Officer at GPO Box 4307, Sydney NSW 2001. Please note that requests for access to your personal information may only be made by you or by another person who you have authorised to make a request on your behalf, such as a legal guardian or an authorised agent. We will require you to verify your identity, or the identity of your representative, to our reasonable satisfaction. Depending on the nature and/or volume of the information that you request, an access charge may apply, but not to your request for access itself.

Updating your personal information

We take reasonable steps to ensure that your personal information is accurate, up-to-date, complete, relevant and not misleading. For instance, we may ask you to confirm some of your details when you contact us. However, please contact us if you learn that any your personal information that we hold is incorrect, has changed or requires updating.

Complaints

We are committed to resolving your privacy complaint as quickly as possible and have procedures in place to help resolve any problems or complaints efficiently. For more information on how to make a complaint, see the complete ING DIRECT Superannuation Fund Privacy Policy under 'What to do if you have a privacy complaint'.

Payments to Customers

As a result of concerns raised by ASIC and a subsequent internal review, we have found that customers may have understood that the cash invested within the Cash Option and the cash component of the Balanced and Growth Options ('Living Super cash') would be eligible for the highest available variable savings rate, including any bonus rates, as paid by ING DIRECT to eligible savings customers. However ING DIRECT believes it could have been clearer in the communications and has decided to credit customers any difference. The total amount that will be credited to customers by September 30 2016 is approximately \$5m. The total number of customers is more than 24,000. All customers entitled to a credit of \$5 or more will receive the payment. Any amounts of less than \$5 will be donated to our nominated charity – Cerebral Palsy Alliance.

Finally

(Continued)

How to contact us

If you have any further questions about privacy in relation to the ING DIRECT Superannuation Fund please contact us by:

- calling 133 464;
- emailing customer.service@ingdirect.com.au;
- writing to:

ING DIRECT Privacy Officer
GPO Box 4307
Sydney NSW 2001

Our privacy statement may be updated from time to time as we strive to improve the standard of service we provide to you.

Further information

A copy of the Privacy Policy is available at ingdirect.com.au. The Privacy Policy contains further details about our handling of personal information, including how you may access and update your personal information and how we deal with your concerns.

Surcharge Payments

ATO surcharge payments (if any) are deducted from member accounts.

Eligible Rollover Fund

We may transfer your Super account or benefit to an Eligible Rollover Fund (ERF) where:

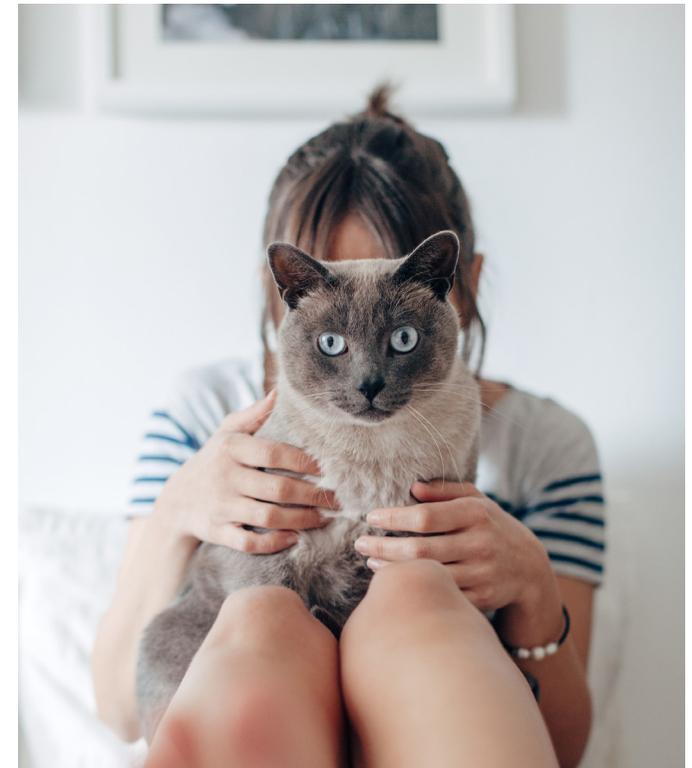
- we cannot get in touch with you; or,
- you do not respond to our requests to transfer your Super account or benefit to another super fund; or
- you have an account balance that's less than \$1,000; or
- you have not met the minimum requirements of the Balanced option; or
- any other reason determined by the Trustee.

The ERF that we have selected is the Australia's Unclaimed Super Fund (AUSfund). Its postal address is:

PO Box 2468
Kent Town SA 5071

If you would like further information on AUSfund, please contact them on 1300 361 798 or email admin@ausfund.net.au. Transferring your Super account to an ERF will have the following effect on your benefit:

- you will no longer have an account in ING DIRECT Living Super;
- you will become a member of the ERF and your benefits will be invested according to the investment strategy of the ERF;
- you will have no insurance cover in ING DIRECT Living Super and the ERF does not provide any insurance cover; and
- the ERF will charge you different fees and charges to that of ING DIRECT Living Super.



Contact us



At ING DIRECT Living Super we will try our best to answer your enquiries over the phone in a prompt manner.

Please call a Customer Care Specialist on:

133 464 between 8am – 8pm, Monday to Friday and
9am – 5pm Saturday (AEST/AEDT).

If it cannot be dealt with over the phone, you can send us a message via Online Banking by selecting My Messages or write to:

ING DIRECT
GPO Box 4307
Sydney NSW 2001

Making a complaint

At ING DIRECT Living Super we will try our best to resolve your issues over the phone in a prompt manner.

Please call:

133 464 between 8am – 8pm, Monday to Friday and
9am – 5pm Saturday (AEST/AEDT) and let us know if
you have an issue.

If it cannot be dealt with over the phone, you can send us a message via Online Banking and selecting My Messages or write to:

Complaints Officer
ING DIRECT
GPO Box 4307
Sydney NSW 2001

Living Super partners



Trustee

Diversa Trustees Limited ABN 49 006 421 638, AFSL 235153, RSE L0000635, is the Trustee of the ING DIRECT Superannuation Fund ABN 13 355 603 448 (Fund). ING DIRECT Living Super is a product issued out of the Fund.

On 1 July 2016, the Trustee changed their name from The Trust Company (Superannuation) Limited to Diversa Trustees Limited. This has no impact to members and all other trustee details remain unchanged.

Promoter

ING DIRECT is a division of ING Bank (Australia) Limited ABN 24 000 893 292, AFSL 229823, ING DIRECT is the Promoter of ING DIRECT Living Super.

Insurer

The insurance cover offered by ING DIRECT Living Super is provided by MetLife Insurance Limited ABN 75 004 274 882, AFSL No. 238096.

Investment managers

ING Bank (Australia) Limited ABN 24 000 893 292 AFSL 229823, ACL 229823 is the investment manager of the managed investment options, Cash Hub and Term Deposits. State Street Global Advisors, Australia, Limited ABN 42 003 914 225, AFSL 238276 has been appointed by the investment manager as the sub-investment manager of the assets of the managed investments other than the cash assets. ING Bank N.V. (Sydney branch) ABN 32 080 178 196, AFSL 234557 may be appointed by the investment manager as the sub-investment manager of a portion of the cash assets of the managed investments, Cash Hub and Term Deposits.

Share broker

The share broker for ING DIRECT Living Super is Australian Investment Exchange Limited ABN 71 076 515 930, AFSL 241400 a Participant of the ASX Group and Chi-X Australia, trading as CommSec Adviser Services.

Custodian

The custody of the managed investment assets within ING DIRECT Living Super and unit pricing are provided by State Street Australia Limited ABN 21 002 965 200, AFSL 241419.

Administrator

The administration of the accounts within ING DIRECT Living Super is provided by Financial Synergy Pty Ltd ABN 27 005 484 391.