

Rhythm

AvWrap Retirement Service

Annual Report to members for the year ended
30 June 2022

Rhythm Super

IOOF Investment Management Limited

ABN 53 006 695 021 AFSL 230524 RSEL L0000406

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This report is issued by IOOF Investment Management Limited (IIML) ABN 53 006 695 021, AFSL 230524. IIML is the Registrable Superannuation Entity (RSE) Licensee, RSE Licence No. L0000406 for the AvWrap Retirement Service (Fund) ABN 82 004 832 237, RSE R1069020.

Rhythm Super is part of the Fund.

The information in this report is general information only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this report, you should assess your own circumstances or seek advice from a financial adviser. You should obtain and consider a copy of the Product Disclosure Statement available from us or your financial adviser before you acquire a financial product. The information is given in good faith and is believed to be accurate and reliable at the time of publication.

Message from the Chair

Welcome to the Trustee's Annual Report for members of the **AvWrap Retirement Service (Fund)** for the year ended 30 June 2022.

This report has been prepared by **IOOF Investment Management Limited**, as Trustee of the Fund. It contains general information about the Fund, including abridged financial statements and changes to the Fund during the year.

The financial year can be separated into two contrasting halves. From July to December 2021, the global economy had turned for the better with vaccines becoming more available, allowing many businesses to re-open and employees returned to work. Factors such as low interest rates set by central banks and the financial support provided by governments worldwide, allowed global economic activity to pick up speed and make a rapid recovery.

The second half of the financial year from January to June 2022 has seen a different picture at home and across the globe. Concerns grew over high inflation and rising interest rates. Russia's invasion of Ukraine in February only intensified the inflation threat by pushing up prices of oil, gas, copper, fertiliser and wheat. Given the strong global demand for these commodities and Russia being a key source of supply, both energy and food prices have skyrocketed.

The combination of rising inflation, higher interest rates and the war in Ukraine have created a challenging period. While navigating through these uncertain times we've introduced a number of measures to bring about the best outcomes for members.

This last financial year has also seen a growing focus on Environmental, Social and Governance (ESG) issues. We acknowledge that the sustainability of our business is intrinsically linked to the sustainability of the environment and the communities in which we operate. We believe in considering ESG issues as important factors in maximising return potential for members.

We are committed to supporting our ESG principles and initiatives.

We look forward to inviting you to the Annual Members' Meeting. You'll receive an invitation this year for the meeting in February 2023. At the meeting you'll hear first-hand from executives and directors about our plans to support your financial wellbeing.

On behalf of the Trustee Board and Management, we would like to thank you for your ongoing support.

Warm regards



Lindsay Smartt

Investment strategies and asset allocation

The Trustee formulates and gives effect to investment strategies and objectives for the Fund. These strategies and objectives take into account the whole of the circumstances of the Fund, including investment risk, diversification, liquidity and the ability of the Fund to discharge liabilities.

The Trustee has placed restrictions on certain investments designed to reduce the potential for large losses by encouraging diversification, ensuring adequate liquidity and satisfying regulatory requirements. In line with our obligations, the Trustee reviews these strategies and applicable limits on an ongoing basis. Please contact your adviser for further information on these limits or refer to the relevant Product Disclosure Statement (PDS).

Rhythm Super allows you to spread your super or pension account across many investment strategies, choosing from a range of investment options and product issuers.

The combination of investments you choose will be based on your individual circumstances. Information on the individual investment options can be found in the relevant PDS. You should consider the relevant PDS before deciding to invest in, or switch between, investment options.

Asset allocation

The table below shows how the Fund is invested across different asset classes

Asset Class	30/06/2022	30/06/2021
Cash	16.13%	11.06%
Commodities	0.00%	0.00%
Australian equities	25.11%	27.74%
International equities	29.58%	26.54%
Australian fixed interest	11.69%	13.07%
International fixed interest	10.63%	10.76%
Property	5.99%	10.33%
Other	0.87%	0.50%
Total	100.00%	100.00%

Through your account in the Fund, you can invest in a number of different term deposits, managed investments and approved ASX-listed securities.

If a managed fund invests across a number of asset classes, we will treat the asset allocation based on a 'look through basis' using the managed fund's individual asset allocations.

The asset allocation for each managed fund is determined by the investment managers and provided either by the investment managers directly or from a third party¹.

Asset allocations can vary over time within ranges specified by the individual product issuers. Information on the asset allocation ranges for the individual investment options can be found in the relevant PDS.

Understanding investment performance

The investment performance of the Fund is determined by reference to the investment performance of the assets of the Fund, and different types of assets will perform differently in different market conditions. In your product, you get to choose the assets (investment options) that your super (and, accordingly, the Fund) is invested in. The investment performance of those investment options is directly allocated to you. You should refer to your annual statement for the year ended 30 June 2022 for details of the investment performance of your chosen investment options.

Alternatively, information on the performance of accessible listed securities and term deposits are available through InvestorHub. Additional information on the performance of all managed funds available through your product is available from your financial adviser.

Important information

Amendments to the Fund's Trust Deed

The trust deed for the Fund was amended on 11 October 2021 to

- expressly allow for the Trustee to transfer the benefits of a Member by way of an Intra-fund transfer to a product that provides equivalent rights and benefits to the Member.

A copy of the trust deed and amendments is available to members online at www.ioof.com.au/about-us/about-ioof/trustee-disclosures or upon request by calling our ClientFirst team on 1800 913 118.

Significant events

A summary of each significant event or material change notice made to members can be accessed at www.ioof.com.au/about-us/about-ioof/trustee-disclosures

Changes to offer documents

During the financial year the following changes were made to the offer documents for Rhythm Super:

Product Updates were issued on the following dates:

- 1 July 2021
- 1 December 2021
- 10 December 2021

A copy of the latest offer documents for Rhythm Super can be accessed at ioof.com.au/forms.

Following the end of financial year, there were some changes to the offer documents for Rhythm Super, as follows:

- The Product Disclosure Statement and documents incorporated by reference were updated on 30 September 2022.

Ongoing changes to investment strategies and available investment options

All available investment strategies and investment options made available by the Trustee are outlined in the Investment Booklet.

A copy of the Investment Booklet for Rhythm Super can be accessed at ioof.com.au/forms.

Consolidation of multiple accounts

Each year, the Trustee is obliged to identify and review members who hold more than one superannuation account within the Fund. Where the Trustee reasonably determines that it is in the best interests of the member, the member's superannuation benefits may be consolidated into a single account. Members may be provided with the opportunity to elect not to consolidate their accounts.

Trustee Board

Information about the Trustee's directors and executive officers is available from ioof.com.au/about-us/about-ioof/trustee-disclosures.

Accessing your Annual Report

You can view the latest Annual Report for the Fund online at any time by visiting ioof.com.au/about-us/about-ioof/trustee-disclosures.

Further information

More information about the Fund is available from ioof.com.au/about-us/about-ioof/trustee-disclosures, including:

- the Trustee company's constitution and financial statement for the previous financial year
- the trust deed for the Fund
- information about the Trustee's directors and executive officers
- policies relating to conflicts management and proxy voting.

Trustee information

The Trustee of the Fund is IOOF Investment Management Limited ABN 53 006 695 021 AFSL 230524 RSEL L0000406. The Trustee has effected and maintains in force professional indemnity insurance to protect the interests of members.

Directors of the Trustee are listed below.

Mr Lindsay Raymond Smartt (Appointed 6 August 2019)

Ms Beth Veronica McConnell (Appointed 17 March 2022)

Mr Steven John Schubert (Appointed 17 March 2022)

Mr Robert Andrew Bloore (Appointed 26 November 2018)

Ms Karen Nita Gibson (Appointed 26 November 2018)

Ms Jane Margaret Harvey (Appointed 19 March 2020)

Ms Carolyn Judith Colley (Resigned 16 March 2022)

Mr Geoffrey Martin Walsh (Resigned 16 March 2022)

Mr Alan Harold Chonowitz (Resigned 31 December 2021)

Mr Geoffrey Martin Walsh (resigned 16 March 2022)

Ms Annette Louise King (Appointed 17 March 2022, Resigned 20 May 2022)

Administrator information

IIML has appointed HUB24 Custodial Services Ltd (HUB24) ABN 94 073 633 664, AFSL 239122 as the administrator of Rhythm Super and the custodian of the investments held in this product. HUB24 may sub-contract the performance of some or all of its administrative functions to other professional service providers.

Fund management information

During the 2021/22 financial year, the Fund held money with the following investment managers, directly or indirectly with a value of greater than five per cent of the Fund's total assets:

- AllianceBernstein Investment Management Australia Limited (\$33.271M)
- Magellan Asset Management Limited (\$32,273M)
- Vanguard Investments Australia Ltd (\$27.775M)
- Macquarie Investment Management Australia Limited (\$23,781M)
- PIMCO Australia Management Limited (\$21.994M)

The Trustee has formulated a strategy for establishing, implementing, managing and maintaining an Operational Risk Financial Requirement (ORFR) in accordance with the relevant superannuation prudential standard.

Complaints

If you have a complaint (or wish to obtain further information about the status of an existing complaint), please contact the administrator of your account as follows:

HUB24

Email: complaints@hub24.com.au
Telephone: 1300 319 363
In writing to: HUB24 Custodial Services Ltd, GPO Box 529,
Sydney NSW 2001

We will provide you with all reasonable assistance and information you may require for the purpose of making a complaint and assist you in understanding our complaints handling procedures.

Complaints are managed in accordance with a regulatory guide governed by ASIC, specifically RG271. For more information on the regulatory guide, visit the ASIC website on asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-271-internal-dispute-resolution/.

You have the option to lodge a complaint with AFCA directly rather than lodging a complaint with us. You can also lodge a complaint with AFCA if you are not satisfied with our response or if your complaint has not been resolved within the maximum timeframe prescribed by ASIC's Regulatory Guides (RG 271). AFCA provide a fair and independent financial services complaint resolution that is free to consumers. Time limits may apply to complain to AFCA. Please act promptly and consult the AFCA website to find out if or when the time limit relevant to your circumstance expires.

Website: www.afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority,
GPO Box 3, Melbourne VIC 3001

Further information

The relevant PDS for the product you are invested in is available from your adviser or as follows:

Rhythm Super

Available online at ioof.com.au/forms
or by calling 1300 319 363

Government reforms in superannuation since 1 July 2021

Changes to contribution eligibility from 1 July 2022

Individuals under age 75 are able to make contributions to superannuation regardless of their working status. Contributions can be accepted until 28 days after the end of the month in which the member turns 75.

However, if a member intends to claim a personal tax deduction for contributions made after their 67th birthday, the work test or work test exemption must be met for the ATO to accept the deduction. The work test requires an individual to be gainfully employed for at least 40 hours in a consecutive 30-day period during the financial year. The work test exemption can be used if the work test is not met, however the work test was met in the previous financial year and the member's total super balance is under \$300,000. The exemption can only be used once. The ATO will assess the work test / exemption when a member lodges their tax return for the relevant financial year. If the deduction is denied, the member may be able to vary their deduction with the Fund if they have not commenced a pension or withdrawn their benefit.

Further, the age restriction on accessing the bring-forward provisions has been increased to age 74. This means any member under age 75 on 1 July of a financial year may be able to contribute up to \$330,000 as a non-concessional contribution subject to their total super balance.

Additionally, the eligible age for making a downsizer contribution has been reduced to age 60.

Continued extension of minimum pension relief

The Government has further extended the 50% reduction in the minimum pension required to be drawn from account-based income streams to the 2022/23 financial year.

First Home Super Saver Scheme increased cap

From 1 July 2022, the total contributions that can be released under the First Home Super Saver Scheme increased from \$30,000 to \$50,000. The annual cap remains unchanged at \$15,000, and contributions must be made within an individual's contribution caps.

Removal of income limit before Super Guarantee payable

From 1 July 2022, the \$450 monthly earning threshold before employers are required to make super guarantee contributions for their employees has been removed. This means employers will be required to make super contributions for all employees (excluding employees under 18 working less than 30 hours in any week)

Retirement income covenant

From 1 July 2022, all super trustees (excluding self-managed super funds) are required to have a retirement income strategy, and publish a summary of this strategy on their public website. Our summary can be found [here](#) or on the trustee disclosure section of our website:

[ioof.com.au/about-us/about-ioof/trustee-disclosures](https://www.ioof.com.au/about-us/about-ioof/trustee-disclosures).

Deferral of performance testing for trustee-directed products

As part of the 'Your Future Your Super' reforms, certain investment options within super funds which were administered by the Fund or a related party (known as trustee-directed products) were to be subject to performance testing by APRA from 1 July 2022. However, this has been deferred for 12 months until 1 July 2023.

Reforms announced but not yet legislated

The following reforms have been announced but not yet legislated:

- Legislation has been introduced to further reduce the eligible age for downsizer contributions to 55
- An announcement from the 2021-22 Federal budget was to allow a two-year window for members to exit certain legacy income stream arrangements such as Term Allocated Pensions. This was expected to commence 1 July 2022 however at present no legislation or regulation has been introduced to support this measure.

Superannuation thresholds for 2022/23

Concessional contributions cap	\$27,500 (previously \$27,500 in 2021/22)
Non-concessional contributions cap (NCC)	<p>\$110,000 annual cap (previously \$110,000 in 2021/22) if under \$1.7m in super and pension on 30 June 2022</p> <p>\$0 if \$1.7 million or more in super and pension on 30 June 2022</p> <p>If individual is under age 75 on 30 June 2022, potential bring-forward:</p> <ul style="list-style-type: none"> • \$330,000 if under \$1.48 million in super and pensions on 30 June 2022 • \$220,000 if between \$1.48 million and \$1.59 million in super and pensions on 30 June 2022
Superannuation guarantee (SG) rate	10.5% (increase from 10% in 2021/22)
SG maximum contribution base	\$60,220 ordinary time earnings per quarter or \$240,880 pa (up from \$58,920 per quarter 2020/21)
Preservation age <ul style="list-style-type: none"> • Benefits can be accessed on retirement • 0% effective tax on withdrawals under low rate threshold 	<p>Age 58 if born from 1 July 1962 to 30 June 1963</p> <p>Age 59 if born from 1 July 1963 to 30 June 1964</p> <p>Age 60 if born after 1 July 1964</p>
Low rate cap <ul style="list-style-type: none"> • 0% effective tax on taxable component of withdrawals 	\$230,000 (up from \$225,000 for 2021/22)
CGT cap amount <ul style="list-style-type: none"> • Excluded from NCC cap 	\$1,650,000 (up from \$1,615,000 for 2021/22)
Government co-contribution income	<p>Full co-contribution - \$42,016 pa or less (up from \$41,112 for 2020/21)</p> <p>No co-contribution - \$57,016 pa or more (up from \$56,112 for 2021/22)</p>
Spouse contribution tax offset	Maximum of \$540 if annual spouse income less than \$37,000. Offset ceases at \$40,000.
Departing Australia Superannuation Payment tax rate	35% on taxable component (65% for working holiday makers)
Centrelink age pension age	<p>Age 66 and six months</p> <p>Age pension age increases by 6 months every 18 months until it reaches age 67 by 1 July 2023.</p>

Abridged financial statements

The following abridged financial information for the financial year ended 30 June 2022 is for the AvWrap Retirement Service.

As at 30 June 2022, the assets for the AvWrap Retirement Service are \$425 million.

The auditor has issued an unqualified audit opinion in respect of the financial information.

If you would like to obtain a copy of the full audited Fund financial statements and related audit opinion for the year (free of charge), please contact our ClientFirst Team or email us.

Abridged Financial Information – Statement of Financial Position

As at 30 June 2022

	2022 \$000	2021 \$000
Assets		
Cash and cash equivalents	44,831	23,044
Receivables	12,639	2,255
Financial assets at fair value through profit and loss:		
Listed securities	31,419	32,852
Listed trusts	30,276	11,497
Term deposits	5,620	6,184
Unlisted unit trusts	299,232	288,590
Current tax assets	-	658
Deferred tax assets	815	-
Total assets	424,832	365,080
Liabilities		
Payables and accruals	621	350
Current tax liabilities	467	-
Deferred tax liabilities	-	1,360
Total liabilities (excluding member benefits)	1,088	1,710
Net assets available for member benefits	423,744	363,370
Member benefit		
Defined contribution members liabilities	422,655	362,281
Total member liabilities	422,655	362,281
Total net assets	1,089	1,089
Equity		
Operational Risk Financial Requirement Reserve	1,089	1,089
Total equity	1,089	1,089

Abridged Financial Information – Income Statement

For the year ended 30 June 2022

	2022 \$000	2021 \$000
Superannuation activities		
Revenue		
Dividend income	2,454	1,105
Interest income	216	122
Trust distributions	22,137	12,021
Net gains/(losses) in fair value of investments	(53,873)	38,029
Total revenue / (loss)	(29,066)	51,277
Expenses		
Administration and adviser fees	4,403	4,206
Sundry Expense	240	-
Total expenses	4,643	4,206
Profit / (loss) from operating activities	(33,709)	47,071
Less : Net loss/(benefit) allocated to defined contribution members' accounts	33,335	(46,437)
Profit / (loss) before income tax	(374)	634
Income tax (expense) / benefit	374	(634)
Profit / (loss) after income tax	-	-

Abridged Financial Information – Statement of changes in member benefits

For the year ended 30 June 2022

	2022 \$000	2021 \$000
Opening balance of member benefit	362,281	349,784
Contributions:		
Member contributions	33,649	7,959
Employer contributions	2,445	2,177
Transfers from other funds	89,142	8,042
Income tax on contributions	(496)	(323)
Net after tax contributions	124,740	17,855
Transfers out to other funds	(10,164)	(30,513)
Benefits payments	(20,439)	(20,778)
Insurance premiums charged to members' accounts	(428)	(504)
Benefits allocated to members' accounts, comprising:		
Net investment income	(28,692)	50,643
Operating expenses	(4,643)	(4,206)
Closing balance as at 30 June 2022	422,655	362,281

Abridged Financial Information – Statement of changes in reserves

For the year ended 30 June 2022

	Operational Risk Financial Requirement Reserve \$000	Total Equity \$000
Opening balance as at 1 July 2021	1,089	1,089
Profit / (loss) after income tax	-	-
Closing balance as at 30 June 2022	1,089	1,089
Opening balance as at 1 July 2020	1,089	1,089
Profit / (loss) after income tax	-	-
Closing balance as at 30 June 2021	1,089	1,089
Opening balance as at 1 July 2019	1,084	1,084
Profit / (loss) after income tax	5	5
Closing balance as at 30 June 2020	1,089	1,089

Operational Risk Financial Requirement (Reserve)

The Government requires superannuation fund trustees to hold adequate financial resources (Reserve) to cover any losses that members incur due to operational errors. If the Reserve falls below our targets, the Trustee will approve and implement a plan to replenish or distribute financial resources to bring the Reserve back to the Target Amount. The expected period over which the financial resources will be replenished or distributed will be dependent on the quantum of the shortfall or excess from the Target Amount as prescribed in the applicable policy.

The balance of the Reserve at the end of the last 3 financial years is summarised below;

- 30 June 2022: \$1.1M
- 30 June 2021: \$1.1M
- 30 June 2020: \$1.1M

AvWrap Retirement Service

Abridged Financial Information – Statement of cash flows

For the year ended 30 June 2022

	2022 \$000	2021 \$000
Cash flows from operating activities	Inflows / (Outflows)	Inflows / (Outflows)
Interest received	229	201
Trust distributions received	12,222	18,405
Dividend income received	2,348	1,032
Tax refund	17	930
Other operating expenses paid	(4,463)	(4,216)
Insurance premiums paid	(428)	(504)
Net cash inflow / (outflow) from operating activities	9,925	15,848
Cash flows from investing activities		
Proceeds from the sale of investments	113,207	116,590
Payments for the purchase of investments	(196,513)	(91,408)
Net cash inflow / (outflow) from investing activities	(83,306)	25,182
Cash flows from financing activities		
Employer contributions	2,416	2,177
Member contributions	28,423	7,959
Co - contributions	12	-
Transfers from other superannuation plans	95,027	7,147
Transfers to other superannuation plans	(10,165)	(30,513)
Benefits to members/beneficiaries	(20,420)	(20,778)
Income tax on contributions	(125)	(323)
Net cash inflow / (outflow) from financing activities	95,168	(34,331)
Net increase / (decrease) in cash and cash equivalents	21,787	6,699
Cash and cash equivalents at the end of the financial year	23,044	16,345
Cash and cash equivalents at the beginning of the financial year	44,831	23,044

Concentration of assets of the Fund

As at 30 June 2022 no underlying investments exceeded five per cent of the total assets of the Fund.

The Trustee acknowledges that, as a result of the discretion which can be exercised by account holders, individual accounts may have a greater than five per cent exposure to a single investment.

Further, the Trustee acknowledges that when considered in aggregate (across all managed fund options in which the Trustee holds assets on behalf of members of the Fund), the Fund may be construed as having a total exposure to a single shareholding (or to a composite interest in the investment assets of a single issuer) and this exposure may exceed five per cent of the total value of Fund assets.

Allocation of earnings into members' accounts

Earnings from a particular investment of the Fund will be allocated into the members' accounts in proportion to the member's interest in the investment.

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