

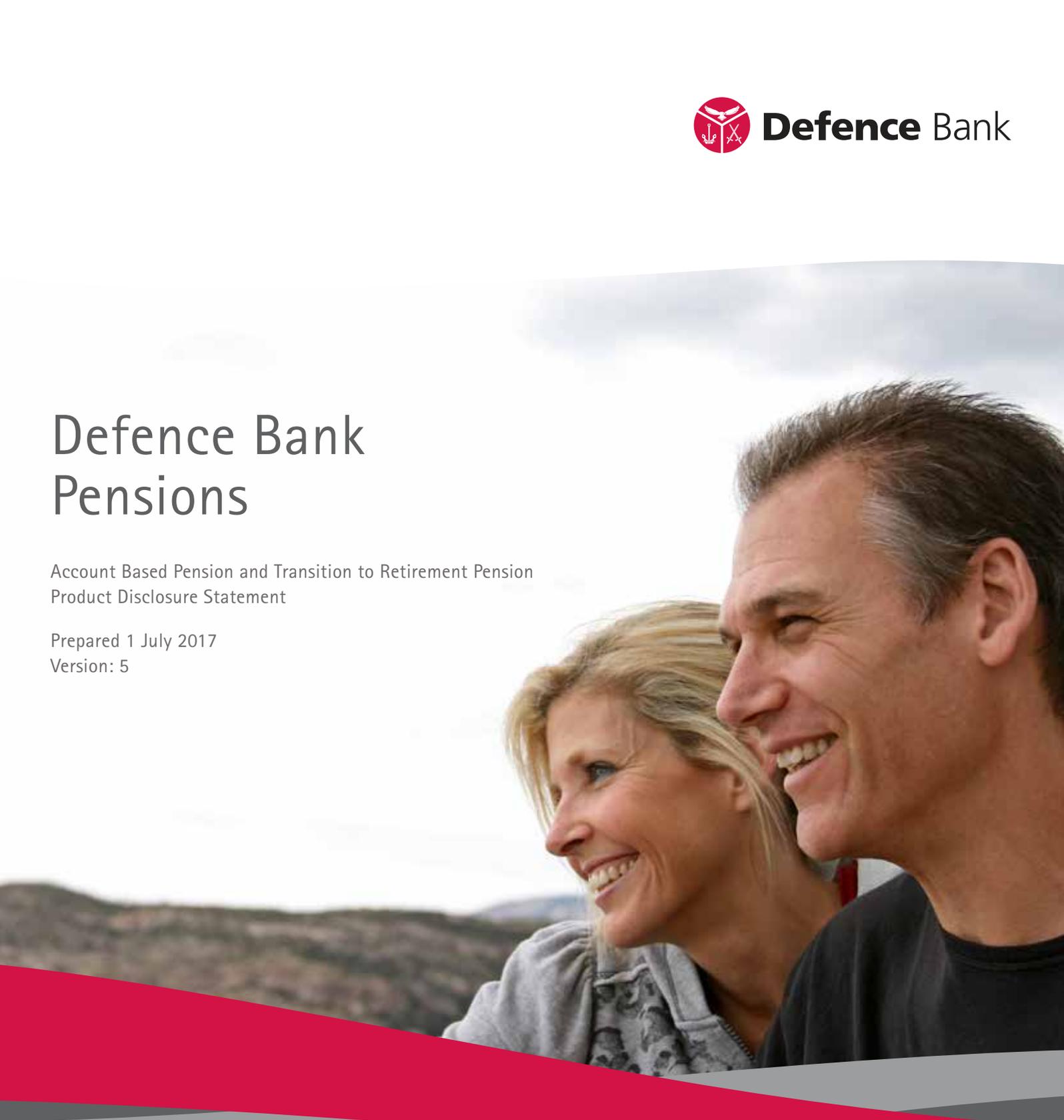


Defence Bank

Defence Bank Pensions

Account Based Pension and Transition to Retirement Pension
Product Disclosure Statement

Prepared 1 July 2017
Version: 5



Super made easy

Trustee: Equity Trustees Superannuation Limited ABN 50 055 641 757 AFSL No 229757 RSE Licence No L0001458. Defence Bank Pension, a product of the CUBS Superannuation Fund ('Fund'). ABN 90 120 177 925, USI 90120177925005. Phone 1800 979 188. The Fund's contact details are GPO Box 4344, Melbourne, 3001. Phone 1800 979 188.

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If you have a query

Visit www.defencebank.com.au | Call our Hotline **1800 979 188** | Email investments@defencebank.com.au

Defence Bank Pension has an established procedure for dealing with enquiries and complaints. For further details on the procedure for lodging an enquiry or complaint please read 'Complaints Resolution' in the *More Important Information* section of this PDS.



About this Product Disclosure Statement (PDS)

This Product Disclosure Statement (PDS) dated 1 July 2017, for the Defence Bank Pension Account Based and Transition to Retirement Pension products ('Defence Bank Pensions') was prepared by Equity Trustees Superannuation Limited ('the Trustee,' 'us,' 'our,' or 'we'), ABN 50 055 641 757 and holder of AFS License No. 229757 and RSE License No. L0001458.

Inside this PDS you will find an easy to understand outline of all the main features of the pension products including our investment options, information to help you compare the products with others, and general information concerning superannuation. To help explain some of the more technical terms you will come across, we have included a glossary of definitions at the end of this PDS.

It is a requirement that you must provide a valid email address. Your email address must be kept up to date at all times.

The information in this PDS is accurate at the time of preparation. Information in this PDS may change from time to time. Where the change is made to information that is not materially adverse information, the updated information can be obtained (free of charge) from www.defencebank.com.au, by calling 1800 979 188 or by writing to the Fund. Where the change is materially adverse or as otherwise required by law, we will replace this PDS or issue a Supplementary PDS and give investors notice as required or permitted by law.

Pension applications will only be processed if they have been issued with this PDS, and any subsequent Supplementary PDS.

Who looks after Defence Bank Pensions?

Equity Trustees Superannuation Limited is the RSE Licensee and Trustee of the CUBS Superannuation Fund ('the Fund') from which the pensions are offered, and is responsible for making sure the Fund is run in accordance with the Fund's rules (or Trust Deed) and Government legislation. The Trustee is responsible for ensuring that the Fund is managed in accordance with all relevant requirements and to act in the best interests of members.

The Trustee utilises the services of external service providers in the management of the Fund to help it manage the Fund and ensure its compliance with all regulatory and legislative requirements. The administrator of the Fund is Financial Synergy Pty Ltd ('the Administrator') and receives remuneration from the Fund for its administration services. For information about other service providers to the Fund, see below.

Top Quartile Management Pty Limited (AFSL 238816) is the promoter of the Fund and has delegated some of its promotional functions in relation to the products offered in this PDS to Defence Bank Limited AFSL No. 234582 Australian Credit Licence No.234582.

The Defence Bank Limited Logo has been shown with the consent of Defence Bank Limited. Defence Bank Limited is not the issuer of the PDS. Insurance cover is provided to eligible Fund members by TAL Life Limited ('TAL'), ABN 70 050 109 450, AFSL 237848. The Trustee may use other service providers such as a custodian or asset consultant in the management and operation of the Fund.

The Trustee, Administrator, other service providers and any of their associated or related entities do not guarantee the return of capital or the performance of the Fund, the pensions or any investment options.

Any statement included in this PDS that is attributable to another person (including any of the Fund's service providers or advisers) has been included with the consent of that person and that consent has not been withdrawn at the date of preparation of this PDS.

It is important to remember that service providers or advisers may change from time to time at the discretion of the Trustee.



Choosing the right pension product for you

The information set out in this PDS is of a general nature, and does not take into account your specific superannuation objectives, financial requirements and circumstances. Before making any decision to invest in our pension products you should review your personal circumstances. We recommend that professional advice from a licensed adviser and/or tax adviser be obtained before investing.

Read this PDS thoroughly for important information about the features, costs, benefits and risks of investing your super in one of our products.

Note: the features and benefits of our pension products are based on our understanding of laws as at the date of preparation of this PDS.

If you are trying to decide whether to acquire one of our pensions or another, this PDS will be useful to compare the important features of each product and help you reach a decision that is right for you.

However, it's important to remember that the PDS is a summary of the features of our pensions. More detailed information is contained in the Fund's Trust Deed which is available on request by contacting the Administrator (see contact details on the inside cover). If there is any inconsistency between the Trust Deed and this PDS, the Trust Deed will prevail.

Your privacy

As a member of the Fund you will be protected by our Privacy Policy, and that of the Administrator. This means that we only collect information that is necessary for the efficient operation of the Fund and as required by law. On occasion, and as required by legislation, certain information must be passed on to various regulatory bodies to ensure that you receive all the benefits to which you are entitled. All parties involved in these transfers of information are also subject to the privacy requirements.

A copy of the Administrator's Privacy Policy can be viewed at www.financialsynergy.com.au or you may call the Administrator on 03 9654 1399 to have a copy mailed to you.

A copy of the Trustee's Privacy Statement is also available on request by contacting the Trustee.

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Our pensions at a glance

Retirement is an exciting time that will present you with many opportunities. Our pension products can help you ensure that you're set up with everything you need come that time.

Our pensions are flexible, easy online, income stream product that you can move your super benefit into before you retire, or on retirement.

We offer two types of pensions:

- **Defence Bank Pension Account Based Pension.**
Our Account Based Pensions are regarded as 'retirement phase' pensions under relevant laws and are highly flexible. Retirement phase pensions are not subject to tax on their investment earnings but are subject to a new lifetime limit (called a 'transfer balance cap') from 1 July 2017.
- **Defence Bank Pension Transition to Retirement Pension.**
Transition to Retirement Pensions are also flexible but are subject to some restrictions and (from 1 July 2017) tax on investment earnings. Until you meet a condition of release which gives you unrestricted access to your Transition to Retirement pension account balance, these pensions do not count towards your transfer balance cap.

For more information about starting a pension, refer to the 'How to join' section of this PDS. On acceptance of your application for a Pension, a Pension account is established for you. If you commence a Transition to Retirement Pension, and wish to later commence a Superannuation Pension, you must complete a form available at www.defencebank.com.au or on request from the Fund Administrator.

What are my options?

Account Based Pension

With the Defence Bank Pension Account Based Pension, you have access to a regular, flexible and tax-effective source of income during retirement, subject to a transfer balance cap. You must be an Australian citizen, New Zealand citizen or permanent resident of Australia and have satisfied a condition prescribed in Government regulations which allows the release of your super in cash ('condition of release') to take up an Account Based Pension. For example, if you have reached your Preservation Age (see the Glossary at the end of this PDS) and have permanently retired from the workforce or are age 65 (whether or not you have permanently retired), you can start an Account Based Pension.

For more information about eligibility to start an Account Based Pension, contact the Defence Bank Pension Call Centre on 1800 979 188.

Transition to Retirement Pension

With the Defence Bank Pension Transition to Retirement Pension, you can access a regular income from your super without having to leave the workforce permanently. While, from 1 July 2017, the Transition to Retirement Pension is subject to tax on its investment earnings, it may still provide a tax-effective source of income depending on your circumstances.

To start a Transition to Retirement Pension, you must have reached your Preservation Age and still be working. This allows you some access to your preserved and (if applicable) restricted non-preserved super. For more information about 'preserved' and 'restricted non-preserved' super contact the Defence Bank Pension Call Centre. A Transition to Retirement Pension will automatically be treated as an Account Based Pension in certain circumstances (e.g. when you turn age 65).

Both types of Pension allow you to nominate how your account is dealt with in the event of your death while a member. For more information, see the *Estate Planning* section of this PDS for more details.

Features at a glance

Feature	Account Based Pension	Transition to Retirement Pension
Eligibility	<p>You must be at least your Preservation Age and permanently retired (or 65 and over and working). You must not be a temporary visa holder (except for certain prescribed visas).</p> <p>The minimum amount you need to establish your Account Based Pension is \$25,000.</p> <p>When establishing your pension, you should bear in mind that this pension will count towards the lifetime limit (called a 'transfer balance cap') on the total amount of retirement phase pensions you can hold. For more information, refer to the 'How to join' section of this PDS.</p>	<p>You must be at least your Preservation Age (but not 65) and still working. You must not be a temporary visa holder (except for certain prescribed visas).</p> <p>The minimum amount you need to establish your Transition to Retirement Based Pension is \$25,000.</p>
Term of Pension	Not fixed. You will continue to receive payments each year until your account balance reaches \$0.	Not fixed. You will continue to receive payments each year until your account balance reaches \$0 or you meet a new condition of release (for example, you permanently retire).
Amount of annual income	<p>Subject to legislated minimum annual limits. You may take out as much as you wish above the minimum.</p> <p>Your account balance may go up or down, in line with the market movements of your chosen investments.</p>	<p>Subject to legislated minimum and maximum annual limits.</p> <p>Your account balance may go up or down, in line with the market movements of your chosen investments.</p>
Regularity of income	Monthly, quarterly, half-yearly or annually.	Monthly, quarterly, half-yearly or annually.
Investment choice	You have access to a range of investment options.	You have access to a range of investment options.
Lump sum withdrawals (commutations)*	You may take a lump sum withdrawal at any time. It is taxed as a lump sum super benefit.	Generally, not permissible.
Social Security Treatment**	Pension is not exempt from assets test or income test applicable to Government pensions.	Pension is not exempt from assets test or income test applicable to Government pensions.
Tax Treatment of pension payments (regular income)	<p>If you are 60 and over, all income you receive will be tax free.</p> <p>If you are under 60, income is taxed as ordinary income by default.</p> <p>Any 'tax free component' attracts no tax, and you may be entitled to a 15% offset on your taxable component. Investment earnings are tax free.</p> <p>You cannot elect, for taxation purposes, that your pension payments are taxed as lump sums.</p>	<p>If you are 60 and over, all income you receive will be tax free.</p> <p>If you are under 60, income is taxed as ordinary income.</p> <p>Any 'tax free component' attracts no tax, and you may be entitled to a 15% offset on your taxable component. Investment earnings are subject to tax.</p>

* Subject to any redemption arrangements applicable to your investments

** For information about the social security treatment, go to: <http://www.humanservices.gov.au> You can also request to speak with a Financial Information Service Officer ("FIS Officer") who may provide information to people over the telephone. To speak to a FIS Officer, you can telephone 13 23 00. Alternatively, speak to an appropriately qualified financial adviser.

Defence Bank Pension Account Based Pension

An Account Based Pension ('Pension') provides you with a regular, flexible and tax-effective source of income during retirement, as well as investment option choices for differing needs in retirement.

How your Account Based Pension works

The money in your Pension account is invested according to your preferred investment option (from our available range of options). The balance of your account depends on many factors, including:

- the amount of money you withdraw each year;
- the investment earnings of your nominated investment options; and
- the amount you pay in fees and costs.

Please note that a negative investment return could reduce your Pension account balance. You should also be aware that the Pension account may not provide you with an income stream for the rest of your life as payments will only continue until your account balance runs out.

It's important to remember that additional transfers and contributions can't be made to your Pension account once it has commenced.

Income payments

The amount of income you'll receive from your Pension account annually depends on your account balance as at 1 July each year. There's a legislated minimum amount that you must withdraw.

This amount is set by the Government and is calculated as a minimum percentage of your account balance. Total payments made in a year must be at least equal to the minimum limit prescribed.

See the *Minimum Pension Table* on page 9 of this PDS to help you calculate your minimum income level.

If your Pension account is invested in more than one investment option, pension payments will be withdrawn from each investment option in the following order (as applicable to you) unless you notify us of any other preference:

1. Cash Plus Option
2. Conservative Option
3. Balanced Option
4. Growth Option
5. High Growth Option

If you would like to change the order please contact the Defence Bank Pension Call Centre to request the relevant form, or download it from www.defencebank.com.au.



Please note if you have acquired a Term Deposit and there is a shortfall in any of the abovementioned investment options to pay your pension payments, we will be required to access your Term Deposit prior to maturity to pay your pension payment.

You should make sure that you have sufficient liquid investments to draw a pension without having to access your Term Deposit.

Please read the further information shown later in this PDS, as well as the Defence Bank Pension Term Deposit Product Disclosure document, for further information regarding the consequences of accessing your Term Deposit prior to maturity.

You can elect to increase your Pension payment at any time. For example, you may be planning a holiday which means you'll need more money. You can reduce your payments again the following year (provided the minimum annual amount is withdrawn).

Pension payment frequency

A Pension payment must be made at least once each financial year.

You can choose to have your regular pension income payments paid to you monthly, quarterly, half-yearly or annually. Payments will be made on the 15th day of the month. If the 15th day falls on a weekend or public holiday, your income payment will be processed earlier so that it is accessible by the 15th.

If you commence your Pension account after 1 June of any year, you're not required to receive a minimum pension payment for that financial year.

The payment frequency and the value of each payment can be varied at any time, as long as the total yearly payment is not less than the Government's set minimum amount.

Lump sum withdrawals

With the Account Based Pension, your money isn't locked away for life.

You have the flexibility to make lump sum withdrawals at any time (subject to any redemption arrangements applicable to your investments), as long as your account balance has paid or can pay the minimum income payment amount in the relevant financial year. If your Pension account is invested in more than one investment option (but not any Term Deposits), any partial lump sum payment will be withdrawn from each investment option in the same order as income payments, unless you specify otherwise.

Please note if you are invested in a Term Deposit:

- withdrawals (including partial withdrawals) may be delayed if the investment is not able to be converted into cash quickly or within 30 days (because of the applicable maturity date). Refer to the *Pension Investment* section of this PDS for more information about redeeming investments in a Term Deposit;
- you must have, and maintain, at least \$50,000 in any of the other investment options provided by Defence Bank Pension prior to acquiring, and while you hold, a Term Deposit. Refer to the *Pension Investments* section of this PDS for more information; and
- you are also required to keep additional sufficient monies in liquid assets for the duration of any Term Deposit you invest in to cover deductions from your pension account for fees and costs, and pension payments (based on your pension payment amount and frequency as at the date you acquire your Term Deposit).

Where you no longer hold sufficient monies in liquid assets to cover 3-months of income payments (generally through a drop in unit prices, an ad-hoc withdrawal or a change in your payment amount and/or frequency) and the next Term Deposit maturity date is more than 3-months in the future, you will be contacted and be provided with the following options:

- If you have already received the legislatively required minimum pension payments in the current financial year, you will have the choice of:
 - suspending pension payments for the remainder of the financial year;
 - suspending pension payments until the next Term Deposit maturity date (not valid if next maturity date is more than one financial year in the future); or
 - terminate your Term Deposit prior to maturity (you will have the option of which Term Deposit to terminate if you have more than one Term Deposit).
- If you don't confirm your choice, we will send you one follow up letter and when liquid assets are insufficient to cover one full pension payment, the Term Deposit with the nearest maturity date will be terminated.
- If you have not yet received the legislatively required minimum pension payments in the current financial year, you will have the choice of:
 - suspending pension payments until a Term Deposit matures (subject to the next maturity date being within the current financial year); or
 - terminate your Term Deposit (you will have the option of which Term Deposit to terminate if you have more than one Term Deposit).

If you don't confirm your choice, we will send you one follow up letter and when liquid assets are insufficient to cover one full pension payment, the Term Deposit with the nearest maturity date will be terminated.

A lump sum withdrawal is taxed as an ordinary lump sum super benefit payment (see the *Tax and Pensions* section of this PDS for information).

Please note, when a lump sum withdrawal is made during a financial year, your minimum income payment will not be recalculated on the new account balance. The minimum income levels are recalculated on 1 July of each year only.

Important notice: Our pension products may not provide a pension for the rest of your life. Payments will only continue to be paid until the balance in your account has run out. The amount of the balance in your account is determined by the amount of your investment, the investment returns earned by the product, fees and costs, and how much pension has already been paid to you.

Calculating your annual pension payment

The minimum annual payment which you must draw down is set by the Government, and is dependent on your age (at commencement of your pension or 1 July each year thereafter). **Note:** where your Account Based Pension was previously a Transition to Retirement Pension (because you turn age 65 or notify us you have satisfied a condition of release) the Account Based Pension is treated as having begun on the date the Transition to Retirement Pension began.

Rollovers or transfers to another super product or fund or lump sum cash withdrawals do not count towards satisfaction of the minimum payment. However, family law split amounts do count.

Your annual payment amounts will be re-calculated at 1 July each year.

The formula used to calculate your minimum pension payment is:

- Account Balance x Percentage Factor
(See *Minimum Pension Table* below).

Changes to the minimum pension payment requirements may occur from time to time. Information about this will be made available (free of charge) via www.defencebank.com.au or by calling the Defence Bank Pension Call Centre on 1800 979 188 or by writing to us.

Minimum Pension Table

Age*	Percentage factor
Under 65	4%
65 – 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 – 94	11%
95 or more	14%

* Your age at commencement of your pension, or at each 1 July thereafter.

The final amount is rounded to the nearest \$10.

In the first year, the amount you must receive will be pro-rata, based on the remaining number of days in that financial year. If you start your pension after 1 June, you are not required to receive a pension payment for that financial year.



An example

Jim is 62 years old and commences a Pension on 1 April. He is investing \$100,000.

His first payment will be pro-rata for that first financial year. There are 91 days between 1 April and 30 June.

From the **Minimum Pension Table** we can see that the minimum percentage factor for a 62 year old is 4%.

The minimum income Jim must receive is:

- $\$100,000 \times 4\% \times (91/365) = \$1,000$
(rounded to the nearest \$10)

Jim is still 62 years old at 1 July.

His Pension balance is now \$99,000.

The minimum income he must receive is:

- $\$99,000 \times 4\% = \$3,960$
(rounded to the nearest \$10)

Note: The above example is for illustrative purposes only. It does not take into consideration any fees, charges or investment performance.

Defence Bank Pension Transition To Retirement Pension

The Defence Bank Pension Transition to Retirement ('TTR') Pension is designed to help you build up your retirement savings while allowing you to have access to a regular income from your super.

If you're thinking about reducing your working hours the TTR Pension can provide (depending on your circumstances) a tax-effective income stream to supplement your wages as you approach retirement with some flexibility in the pension income you receive.

How your TTR Pension works

The money in your TTR Pension account is invested according to your preferred investment choice (from our available range of options). You'll receive a regular income from it which may be useful in supplementing your salary if you choose to cut back your hours in the lead up to your retirement.

The balance of your TTR Pension account depends on many factors, including:

- the amount of money you withdraw each year;
- the investment earnings of your nominated investment options; and
- the amount you pay in fees and costs and tax on investment earnings.

Please note that a negative investment return can reduce the balance of your TTR Pension account.

The account balance will be split between your preserved, restricted non-preserved and unrestricted non-preserved benefits (where applicable, depending on the components of your super benefits used to commence the TTR Pension). Your TTR Pension account payments will firstly be made from any unrestricted non-preserved amounts, then from any restricted non-preserved amounts and finally from the remaining preserved balance of your account.

You can cash out any unrestricted non-preserved benefits in your TTR account at any time (subject to any redemption arrangements applicable to your investments).

However, restricted non-preserved and preserved benefits cannot be taken as a lump sum payment until you satisfy a further condition of release.

Once you reach age 65 or you notify us you meet a further condition of release which gives you unrestricted access to your pension account balance (such as permanent retirement or permanent incapacity), your TTR Pension account becomes a regular Account Based Pension account with no maximum pension payments or restrictions on lump sum withdrawals (see below for further information about this).

You can close your TTR Pension account at any time, in which case the account balance is subject to normal cashing and rollover restrictions that limit when you can access preserved or restricted non-preserved super monies. The account balance must be transferred into an accumulation account (either within Defence Bank Super or another super product).

It's important to remember that additional transfers and contributions can't be made to your TTR account once it has commenced.

For more information about 'preserved', 'restricted non-preserved' and 'unrestricted non-preserved' super contact the Defence Bank Pension Call Centre.

If you'd like to continue contributing to your super savings, you'll need to have a separate superannuation (accumulation) account. This account can be within Defence Bank Super or another super product. If you would like to maintain insurance cover within the Fund, this account must be within Defence Bank Super.

Refer to the Defence Bank Super Product Disclosure Statement (including incorporated information) issued by Equity Trustees Superannuation Limited available

from www.defencebank.com.au or on request by contacting us on 1800 979 188. You should consider the Defence Bank Super Product Disclosure Statement before deciding whether to acquire an accumulation account with Defence Bank Super.

Am I eligible?

You're eligible to take up a TTR Pension if you're an Australian citizen, New Zealand citizen or permanent resident of Australian who has reached your Preservation Age (see the *Glossary*) and are still working. The minimum amount you need to establish a TTR Pension is \$25,000.

Income payments

Minimum and maximum payments

With a TTR Pension, you can choose how much you are paid each year (within Government set minimum and maximum limits). The minimum limit is calculated in the same way as for a standard Account Based Pension (see page 9). A maximum of 10% of your TTR Pension account balance can be taken as pension payments in any one year, regardless of age.

You'll receive an income until your TTR Pension account balance reaches zero. Each time you receive a pension payment, the balance of your account reduces.

If your Pension account is invested in more than one investment option, pension payments will be withdrawn from each investment option (as applicable to you) in the following order unless you notify us of any other preference:

1. Cash Plus Option
2. Conservative Option
3. Balanced Option
4. Growth Option
5. High Growth Option

If you would like to change the order please contact the Defence Bank Pension Call Centre to request the relevant form, or download it from www.defencebank.com.au.

Please note if you have invested in a Term Deposit and there is a shortfall in any of the abovementioned investment options to pay your pension payments, we will be required to access your Term Deposit prior to maturity to pay your pension payment.

You should make sure that you have sufficient liquid investments to draw a pension without having to access your Term Deposit. Refer to the *Pension Investments* section of this PDS and the Defence Bank Pension Term Deposit Product Disclosure document for more information about the consequences of accessing your Term Deposit prior to maturity.

Payment frequency

A pension payment must be made at least once each financial year.

You can choose to have your regular pension income payments paid to you monthly, quarterly, half-yearly or annually. Payments will be made on the 15th day of the month. If the 15th day falls on a weekend or public holiday, your income payment will be processed earlier so that it is accessible by the 15th.

If you commence your TTR Pension account after 1 June, you are not required to receive a pension payment for that financial year.

The payment frequency and the value of each payment can be varied at any time, as long as the total yearly payment is within the Government's set minimum and maximum limits.

Lump sum withdrawals

There are only limited circumstances in which a TTR Pension may be commuted (have a lump sum taken from it) including:

- in order to transfer your TTR Pension account balance back into an accumulation account; or
- to rollover your benefit into the accumulation or pension division of another complying super fund or retirement savings account; or
- on death.

Conversion of your TTR Pension to an Account Based Pension

This will occur automatically once you turn age 65 (unless you request otherwise, before turning age 65). In all other cases, this will only occur when we are notified in writing you have satisfied one of the other conditions of release (that is, retirement before or after age 60, permanent incapacity or terminal medical condition). In the case of permanent incapacity or a terminal medical condition, the Trustee must also be satisfied, based on medical evidence, that you are permanently incapacitated or are suffering a terminal medical condition (as defined in superannuation legislation). Until you provide us with written notification (and we are satisfied) that a condition of release (other than age 65) has occurred, your pension will be subject to tax on its investment earnings.

When your TTR Pension is converted to an Account Based Pension the following applies:

- Your pension account balance will remain invested in accordance with investment option(s) equivalent to those applicable to your TTR Pension (unless you instruct us otherwise);
- If your TTR pension is invested in the Cash Plus, Conservative, Balanced, Growth and/or High Growth option, it will be transferred into the equivalent 'tax-free' investment option pools where tax on investment earnings does not apply. This means the unit prices applicable to your pension will be the Account Based Pension unit prices, not the Transition to Retirement unit prices (refer to page 31 for more information about unit prices) and the number of units you hold will change;
- If your TTR pension is invested in a Term Deposit, you will continue to hold the Term Deposit however tax on the investment earnings of the Term Deposit will not apply;
- Your Account Based Pension will count towards your transfer balance cap. Depending on the size of your TTR Pension (and other retirement phase pensions you hold) you will be subject to additional tax and will be required to remove the excess (above the transfer balance cap). Refer to the 'Tax and Pensions' section of this PDS for more information;
- Your Account Based Pension will continue to be paid in accordance with previous payment instructions you have provided (eg. nominated bank account, frequency and amount). If you would like to increase the amount (because the pension will no longer be subject to a maximum limit) you will need to advise us in writing;
- Your beneficiary nomination in respect of the TTR Pension will continue to apply to the Account Based Pension (provided it remains valid and effective).

Defence Bank Pension Investments

We offer investment options to suit different people. The options are designed to move with you through your life, so that as your personal and financial circumstances change, so too can your investment options. Subject to special rules relating to the Term Deposits Option (specified further below):

- you can select an investment strategy when you open your Pension account.
- you can switch from one investment to another at any time, and it is important that you take advantage of this and review your investment strategy periodically.

Note: if you don't make a selection when you open your Pension account, the investment option(s) applicable to your Defence Bank Super accumulation account from which your pension has been established will apply, except for accumulation account investments in Term Deposits. Any Term Deposits held in relation to an accumulation account must be redeemed, if the Term Deposit amount is to be used to establish a Pension. This may result in termination of a Term Deposit prior to maturity and an interest rate adjustment, however a Term Deposit Early Withdrawal Fee will not be applied. There may be a delay in establishing your Pension account in these circumstances, to enable redemption of the Term Deposit to occur. We may invest some of your Pension account in a Term Deposit, after your Pension account is established.

The same investment options are available in each type of pension product we offer, however the assets underlying Transition to Retirement Pensions and Account Based Pensions are kept separate because the tax treatment of investment earnings is different (see the Tax and Pensions section of this PDS for more information).

When selecting your investment strategy, it's essential to identify your personal and financial goals. You should think about your investment timeframe and your risk tolerance in order to determine an appropriate investment strategy. Also consider the fees and costs applicable to each investment option, including any buy and sell spread when switching into or out of unitised investment options. Refer to the *Fees and Other Costs* section of this PDS for more information.

Except for the Term Deposit Option, you can switch the investment option(s) applicable to your existing account balance at any time by submitting an Investment Switch Form (Existing Balance - Pension) to the Fund Administrator.

You're entitled to make three free switches each financial year; with a \$25 switching fee payable for each additional switch thereafter.

Buying and selling costs may also apply. You'll find more information about buy and sell costs in the *Fees and Other Costs* section of this PDS.

Please note you cannot switch to a Term Deposit in the same way as for other investment options, however, you can redeem monies from other investment options and apply the proceeds to invest in a Term Deposit online at www.defencebank.com.au. This means there may be a delay between your request for a Term Deposit and your investment in the Term Deposit.

It's important that you have all the information to make an investment choice that suits your financial needs. This PDS provides a detailed explanation of the investment options offered, to help you make an informed decision.

If you need further help, please call us on 1800 979 188.

How we look after your investments

The Trustee utilises professional asset consultants and other investment expertise from time to time to provide advice about and help monitor the performance of the investment options and underlying investments, as well as any other investments that are under consideration.

The asset consultant also advises of any changes occurring within the underlying investment managers' organisations, which may impact on their future performance.

The investment options may change from time to time. The Trustee may close, remove or add investment options.

The Trustee or its service providers do not guarantee your investments or the returns on any of your selected investments.

Investment options

We offer six investment options that cover a range of risk tolerances or profiles, so you should be able to find investment options to suit your individual needs. If no one option suits, you can also mix options.

Investment options

Cash Plus Option*

Conservative Option

Balanced Option

Growth Option

High Growth Option

Personal Term Deposit Option

** Note: We've called this option 'Cash Plus' because it invests in Fixed Interest assets as well as Cash.*

The Cash Plus, Conservative, Balanced, Growth and High Growth options are unitised or pooled investment options with underlying investments determined by the Trustee as considered appropriate from time to time (taking into account recommendations of investment consultants with separate unit prices and investment pools maintained for Transition to Retirement Pensions and Account Based Pensions (because of the different tax treatment on investment earnings applicable to these types of pensions).

The Personal Term Deposit Option (also referred to as the Term Deposit Option in this PDS) provides you with the ability to choose from a range of Term Deposits approved by the Trustee according to your preferred term and interest rate. In this way a Term Deposit is 'personal' to the member, however it is important to note the Term Deposit is actually held by the Trustee, on your behalf, subject to applicable superannuation requirements. When investing in a Term Deposit, some additional conditions apply as described in this section of the PDS.

Investment options continued

Important information about the investment tables

The tables below show strategic asset allocations for each of the investment options. With the exception of the Term Deposit Option, variations from the strategic asset allocations may occur due to market fluctuations, underlying investment manager decisions, amounts held in cash pending investment or other factors. At the date of preparation of this document, the Trustee has determined that the Cash and Fixed Interest investments utilized in each of the investment options are or will be cash or fixed interest deposits or products issued by Defence Bank Limited (which also undertakes some promotional activities in respect of our pension products). The underlying investments utilized in the investment options may be changed at any time at the discretion of the Trustee, and any underlying investment information is indicative only of the product's investments and is provided for information purposes only. More detailed information about actual asset allocations at the end of each financial year will be published in an Annual Report available from www.defencebank.com.au.

Options	Cash Plus Option		Conservative Option		Balanced Option	
Investor Profile	This option is intended to be suitable for members looking for stability, above all, who accept that long-term investment returns are likely to be the lowest of all investment options.		This option is intended to be suitable for members seeking a low risk, diversified portfolio with a small exposure to growth assets, capital stability and some capital growth potential.		This option is intended to be suitable for members with an average tolerance for risk who are seeking a balance between income and capital growth assets.	
Investment Return Objectives	To achieve returns (after tax and fees) in line with 50% RBA cash rate + six-month bank bills over a rolling 1 year period.		To achieve returns (after tax and fees) that exceed CPI by at least 1.50% over a rolling 5 year period.		To achieve returns (after tax and fees) that exceed CPI by at least 2.50% over a rolling 5 year period.	
Strategic Asset Allocation	Australian Equities	0%	Australian Equities	14%	Australian Equities	22%
	International Equities	0%	International Equities	10%	International Equities	18%
	Listed Property	0%	Listed Property	3%	Listed Property	5%
	Fixed Interest	50%	Fixed Interest	30%	Fixed Interest	30%
	Cash	50%	Cash	43%	Cash	25%
Recommended Minimum Investment Timeframe	Short term (No minimum)		Short to Medium term investors (usually three to five years)		Medium to Long term investors (usually five years plus)	
Risk Level	Estimated number of negative annual returns over any 20 year period is less than 0.5.		Estimated number of negative annual returns over any 20 year period is one to less than 2.		Estimated number of negative annual returns over any 20 year period is two to less than 3.	
Standard Risk Level	Very Low		Low to Medium		Medium	
Risk Band	1		3		4	

Options	Growth Option	High Growth Option	Term Deposits*																				
Investor Profile	This option is intended to be suitable for members with an above average tolerance for risk who are seeking long-term capital growth.	This option is intended for members with a tolerance for high levels of risk and are seeking long-term capital growth.	This option is intended to be suitable for conservative members who want very low levels of risk and to preserve their capital.																				
Investment Return Objectives	To achieve returns (after tax and fees) that exceed CPI by at least 3.25% over a rolling 5 year period.	To achieve returns (after tax and fees) that exceed CPI by at least 4.0% over a rolling 5 year period.	To achieve returns (after tax and fees) in line with 50% RBA cash rate + six-month bank bills over a rolling 1 year period.																				
Strategic Asset Allocation	<table border="0"> <tr> <td>Australian Equities</td> <td>31%</td> </tr> <tr> <td>International Equities</td> <td>25%</td> </tr> <tr> <td>Listed Property</td> <td>7%</td> </tr> <tr> <td>Fixed Interest</td> <td>34%</td> </tr> <tr> <td>Cash</td> <td>3%</td> </tr> </table>	Australian Equities	31%	International Equities	25%	Listed Property	7%	Fixed Interest	34%	Cash	3%	<table border="0"> <tr> <td>Australian Equities</td> <td>40%</td> </tr> <tr> <td>International Equities</td> <td>40%</td> </tr> <tr> <td>Listed Property</td> <td>10%</td> </tr> <tr> <td>Fixed Interest</td> <td>10%</td> </tr> <tr> <td>Cash</td> <td>0%</td> </tr> </table>	Australian Equities	40%	International Equities	40%	Listed Property	10%	Fixed Interest	10%	Cash	0%	Available Terms 1 year 2 years 3 years
Australian Equities	31%																						
International Equities	25%																						
Listed Property	7%																						
Fixed Interest	34%																						
Cash	3%																						
Australian Equities	40%																						
International Equities	40%																						
Listed Property	10%																						
Fixed Interest	10%																						
Cash	0%																						
Recommended Minimum Investment Timeframe	Long-term investors (usually seven years plus)	Long-term investors (seven to ten years or more)	Recommended Minimum Investment Timeframe (1 to 3 years, depending on the term of the deposit)																				
Risk Level	Estimated number of negative annual returns over any 20 year period is three to less than 4.	Estimated number of negative annual returns over any 20 year period is four to less than 6.	Estimated number of negative annual returns over any 20 year period is less than 0.5.																				
Standard Risk Level	Medium to High	High	Very Low																				
Risk Band	5	6	1																				

* You have a choice of Term Deposits issued by Defence Bank Limited (ABN 57 087 651 385, AFS License No. 234582). The Trustee is not the issuer of the Term Deposits. See overleaf for more information about Term Deposits.

More information about the Defence Bank Pension Term Deposit

Term Deposits may suit investors seeking the security of a cash type investment with the certainty of income for the period chosen. The inclusion of Term Deposits in the range of options available to you provides even more choice to ensure you can construct an investment portfolio that suits your attitude to risk and return.

You can choose a Term Deposit with terms including:

- 365 days (1 year)
- 730 days (2 years)
- 1095 days (3 years)

Interest rates can change regularly. So before you invest you can obtain up to date interest rates from www.defencebank.com.au or contact the Defence Bank Pension Call Centre. It's also important to carefully choose how long your money will be invested as if you withdraw from a Term Deposit prior to maturity, an interest rate adjustment (applied by the Term Deposit issuer) and a Term Deposit Early Withdrawal Fee may be applied.

Before your investment in any Term Deposit, you must read a copy of the current Term Deposit Product Disclosure document available from the Defence Bank Pension Call Centre or from www.defencebank.com.au (free of charge).

The availability of a Term Deposit should not be construed as a recommendation by the Trustee to invest in that Term Deposit.

A Term Deposit is an interest bearing deposit held at a financial institution (for example, a building society, credit union or bank) that has a fixed term and pays a fixed rate of interest calculated daily. Interest will be paid into your Defence Bank Pension account on a monthly basis after the deduction of any tax on investment earnings, for any period that a Term Deposit is held in a Transition to Retirement Pension, and is credited to your other chosen investment option(s), depending on the investment options you have selected (that is, depending on your 'investment profile'). For example, if you have chosen two pooled investment options, interest from your Term Deposit will be allocated equally to each of these options.

(See below for information about what happens to interest accrued and paid at maturity).

To instruct us as to the Term Deposit (including term and rate) you have selected, you will need to notify us on line at www.defencebank.com.au. Your Term Deposit application will be processed once the proceeds from the redemption of your other chosen investment option(s) are received.

Please note:

- there may be a delay between your request for a Term Deposit and the effective date of your investment in a Term Deposit. This is due to other investments being redeemed to enable the Term Deposit to be acquired (see overleaf for more information about this);
- you must maintain at least \$50,000 in any of the other investment options provided by Defence Bank Pension prior to acquiring, and while you are invested in, a Term Deposit to ensure some diversification of your investments. In addition to the \$50,000 minimum, you must retain additional funds in other investment options to cover fees and costs for the duration of the term deposit(s). Refer to the *Fees and Other Costs* section of this PDS for more information about applicable fees and costs;
- if the total balance of your investments held outside of your term deposit(s) falls below \$50,000, or there are insufficient additional funds held in other investment options to meet pension payments or fees and costs, your term deposit closest to maturity will be broken, ensuring an amount of at least \$50,000 is maintained within the other investment options;
- because of investment market fluctuations, holding more than \$50,000 in other investment options may help reduce the prospect of a term deposit being broken prior to maturity.

You can nominate which of your other chosen investment option(s) shall be redeemed to provide you with the proceeds to acquire your selected Term Deposit. If you don't choose where the proceeds for acquiring a Term Deposit will come from, money will be redeemed from your Defence Bank Pension account in the following order.

1. Cash Plus Option
2. Conservative Option
3. Balanced Option
4. Growth Option
5. High Growth Option

If there are still insufficient monies for the selected Term Deposit, the amount of the Term Deposit will be adjusted to the amount available (subject to prevailing liquidity and minimum investment requirements for Term Deposits.)

Upon maturity of a Term Deposit, you will have the following options to choose from:

- close the Term Deposit and transfer the deposit to another available investment option; or
- re-invest the deposit amount into another term deposit.

You can choose which option you prefer when you apply for a Term Deposit or at least 2 business days before the maturity date. If no maturity instructions are provided the maturity value (including interest) will be invested in accordance with your investment profile.

If a Term Deposit matures on a weekend or public holiday in Melbourne, it will be extended to the next business day and the accrual of interest will be continued to that day.

You will be advised via email and/or SMS that your Term Deposit is due and up for renewal, 5 days prior to maturity. When a Term Deposit has matured, you will receive notification of the maturity date and amount.

Please note that an interest rate adjustment may apply if a Term Deposit is terminated prior to maturity.

A Term Deposit may be terminated early by a member (for example, if a member wishes to close their pension account) or by the Trustee to meet fees or costs or minimum income pension payment requirements. For further information about termination of Term Deposits, refer to the applicable Term Deposit Product Disclosure document.

Important information when investing in Term Deposits

Each Term Deposit is a financial product for which a separate Term Deposit Product Disclosure document is available from www.defencebank.com.au. The Trustee must be satisfied that you have received and/or know where to obtain the Term Deposit Product Disclosure document prior to the Trustee making investments in accordance with your selection of a Term Deposit.

You should read the Term Deposit Product Disclosure document when making any decisions about a Term Deposit. However bear in mind that it may contain information that is not relevant to you because there are differences between investing in a Term Deposit directly (in your own name) and investing in a Term Deposit through Defence Bank Pension.

Key differences include:

- All investments held through the Fund are held in the name of the Trustee, not in your name. This means you will not receive communications from the financial institution that issues a Term Deposit.
- The taxation of earnings on direct investments in a Term Deposit are different to the taxation of investment earnings of a superannuation pension (the taxation of investment earnings of a superannuation pension also depends on the type of pension you have).
- Direct investments in a Term Deposit are not subject to the transfer balance cap applicable to Account Based Pensions and other retirement phase pensions you may hold.
- If you invested directly in a Term Deposit you may have the benefit of a 14 day "cooling off" period. The Trustee is not entitled to any "cooling off period" because it is a wholesale investor.
- If you invested directly in a Term Deposit, any queries or complaints would be handled by the inquiries and complaints handling mechanism of the relevant financial institution. As an investor in the Fund, any queries or complaints must be handled by the Trustee's inquiries and complaints handling mechanism, even if they relate to the Term Deposit.

What happens if information in the Term Deposit Product Disclosure document changes?

Information in the Term Deposit Product Disclosure document may change from time to time. For this reason, you may not always have the most current Product Disclosure document relating to a Term Deposit at the time the Trustee implements your selection of a Term Deposit. You can obtain the most recent Term Deposit Product Disclosure document from www.defencebank.com.au and should ensure you have an up to date copy before you invest.

The Trustee reserves the right to refuse or delay an investment in a Term Deposit for whatever reason, including the occurrence of a materially adverse change or materially adverse significant event affecting the information in the PDS or the Term Deposit Product Disclosure document.

Where the Trustee considers that such a refusal or delay is appropriate or necessary, the Trustee accepts no liability for any losses incurred by a Member.

If a materially adverse change or materially adverse significant event occurs which affects the information in the PDS or the Term Deposit Product disclosure document and we continue to invest monies received for a Member on or after the change or event is notified to us, we will notify you about your options as soon as practicable after the change or event occurs. Other changes affecting a PDS or Term Deposit Product Disclosure document may be available from www.defencebank.com.au or through such other means as the Trustee considers appropriate.



Investment risk and return

All investments are subject to varying degrees of risk and generally, the greater the risk, the greater the volatility of the investment and its investment performance. Investment earnings from the investment options can be positive or negative and the return of capital is not guaranteed.

Risk and return relationship

Risk and return are terms often used together, as they are inextricably linked. Where a greater return is expected, then invariably a greater risk is associated with it.

A popular misconception is the belief that the best objective to investing is to eliminate risk altogether, however by doing this, the prospect of reaping the high returns is also eliminated. Investors need to be able to manage risk by bringing it to a level that is acceptable for their circumstances (for example, their age, desired level of investment return and the amount of risk that is acceptable to achieve the desired investment return) when selecting an investment option.

Asset classes

The money you invest in an investment option may be invested in underlying investment funds, assets or products. These investments or assets can be classified into a number of asset classes according to the type of asset they are and their expected likelihood of producing a higher or lower return.

There are a number of different asset classes that may be utilised in the investment options. These can be placed in four broad categories:

- **Cash** – These are funds held in bank accounts and investments made in the short term money market. These are generally short term investments.
- **Fixed Interest** – These are medium to long term investments that are basically loans from an Approved Deposit Taking Institution to its members and are fixed to be repaid at a certain time. The borrowing organisation pays back the loan, plus a fixed amount of interest. Investments in fixed interest will be in Australian fixed interest. In the case of the Term Deposit Option, the investments are fixed term deposits issued by Defence Bank Pension.
- **Property** – As an asset class, this includes many categories, such as investment in residential, retail, commercial, industrial, rural and tourism (resort) properties. These are generally a medium to long term investment. Investments in property may be in listed Australian and listed overseas properties.
- **Equities** – Also referred to as 'shares' or 'stocks', these are investments in corporations, where the purchaser buys a certain amount of 'shares' in a company. These are generally a long term investment. Investments in equities may be in Australian and International shares.



Types of risk

Examples of the types of risk associated with superannuation investments include:

- **Market risk** – The risk associated with the market as a whole. The factors are universal, and depending on the particular market, the factors affecting performance include political and social climates, change in interest rates, economic cycles and government policy, all of which may result in the increase or decrease of market valuations. The impact of the market on your investment may be different depending on the market segment in which you participate, for example, the resources sector.
- **Investment specific risk** – Generally, the riskier the investment, the higher the expected returns, but the riskier investment also has the potential to generate the greatest losses. There is also the risk associated with underlying investment managers not performing to expectations due to a range of factors including their investment style, loss of key personnel or interruption to their processes or systems.
- **Currency risk** – The risk is that movements in currency can have an effect on the domestic value of international investments. For example, a fall in the value of the Australian dollar can increase the value (in domestic value terms) of international investments held in an investment option. Similarly, a rise in the Australian dollar can reduce the value of that investment. Currency risk can be reduced through 'hedging', which may involve use of derivatives, short positions and exotic securities to deliver returns in both rising and falling markets. However hedging has its own risks including increasing the potential for asset sell-downs to meet the cost of hedging in periods where local currency depreciates, and the risks associated with derivatives or other hedging mechanisms used.
- **Country risk** – Economic and political climates in countries may have an adverse effect where particular investments may be held.
- **Legislation risk** – Changes may occur to superannuation or taxation legislation which may in turn, affect the value or accessibility of the investments.
- **Liquidity risk** – This is the risk that an investment may not be easily converted into cash with little or no loss of capital and minimum delay because of either not enough buyers in the market for the particular investment or disruptions in the marketplace. Liquidity risk depends on the composition of an investment option's underlying assets or investments. While liquidity risk is not expected to be significant for the investment options, liquidity risk may change from time to time.
- **Operational risk** – This is the risk that the Fund's operations are disrupted or affected in some way. When you invest in a superannuation fund you rely on the quality of personnel and systems to manage investments. If key personnel leave or administration systems fail, your investment may be affected. The Trustee maintains a compliance and risk management framework to help manage these risks.

Other possible influences include natural disasters, new technology, war and acts of terrorism, which are all beyond the control of the Trustee, the Fund and the investment managers involved. Lack of diversification in your investment options may also have an influence.

The relevance of these risks will depend on the underlying assets utilised in the investment options selected. For example, currency risk will be a greater consideration for investment pools that invest in international shares.

An indication of the risk profile of each investment option (risk level and standard risk measure) is shown in the Investment table earlier in this PDS. The risk levels help you compare investment strategies that are expected to deliver a similar number of negative annual returns over any 20 year period. These risk levels are a guide only and do not take into account your personal circumstances.

Investment options which involve investment, directly or via a diversified fund, in international funds may be fully or partially hedged to remove or reduce currency risk.

The hedging strategies employed will also have a flow-on effect to a diversified fund that obtains exposure via the underlying international funds. Hedging may be used in the Conservative, Balanced, Growth and High Growth investment options.

The risk levels and standard risk measures are based on industry guidance to facilitate comparison of superannuation investments. They are not a complete assessment of all forms of investment risk, for instance, they do not detail what the size of a negative return could be or the potential for a positive return to be less than a member's investment objectives. Further these risk indicators do not take into account the impact of fees and tax on the likelihood of a negative return. For this reason, you should ensure you are comfortable with the risks and potential losses associated with your chosen strategy and investments.

There may also be a relationship between fees and risks. All other things being equal, higher fees will increase the probability of a negative return.

Additional risks information relating to Term Deposits

In addition to the risks information shown above, you should also consider the following risks:

- Because the Term Deposit interest rate is fixed for the term of investment (i.e. until maturity), you are protected from potential decreases in interest rates. However, you may not be able to take advantage of potential interest rate increases should they occur during the term of investment.
- An interest adjustment may apply if you or the Trustee terminates the Term Deposit before maturity. This may result in the term deposit interest rate being reduced. You should refer to the Term Deposit Product Disclosure document for more information about this.

Derivative investments

It is the Trustee's policy not to use derivative investments directly. Derivatives include investment products such as futures, options, swaps and warrants. They are securities whose value is derived from other securities or assets.

The underlying investment managers in the Conservative, Balanced, Growth and High Growth investment options may use derivatives to reduce risks in, their investment products, to modify the expected returns and risk in their funds, and/or to manage their exposure to particular investment sectors or markets.

However, use of derivatives can carry its own risks like the possibility that the derivative position is difficult or costly to reverse, that it does not perform as expected or that the parties to the derivatives contract do not perform their contractual obligations. Any exposure to derivatives may vary depending on the strategy and objectives of an investment option.

Consideration of ethical investments

The Trustee does not take into account labour standards, environmental, social, or ethical considerations when selecting, retaining or redeeming investments of the Fund, however underlying investment managers may do so (in their own right, not on the Trustee's behalf).

Investment performance

The investment performance of the Cash Plus, Conservative, Balanced, Growth and High Growth Options is reflected in the unit prices for these options (usually calculated daily), after taking into account relevant fees and costs and, in the case of Transition to Retirement Pensions, tax on investment earnings. Refer to the *Fees and Other Costs* section of this PDS for more information. There are different unit prices for each of the investment options for Transition to Retirement Pensions and Account Based Pensions, to reflect the different tax treatment of investment earnings for each of these types of pensions.

The investment performance of a Term Deposit (available under the Term Deposits Option) is based on applicable rate of interest declared by the relevant financial institution and is allocated to your account less, in the case of Transition to Retirement Pensions, tax on investment earnings.

Neither the Trustee or any service provider or other entity associated with the Fund or our pensions guarantee your investments or the returns on any of your selected investments.

If you would like further information about the allocation of investment performance to accounts go to www.defencebank.com.au or contact the Defence Bank Pension Call Centre on 1800 979 188.

Fees and Other Costs

What you should know

Under Government legislation, super funds must include a consumer advisory warning as shown below, however there is no ability to negotiate lower management costs.

CONSUMER ADVISORY WARNING

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You or your employer, as applicable, may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

To find out more

If you'd like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.moneysmart.gov.au) has a superannuation calculator to help you check out different fee options.



This document shows fees and other costs that you may be charged for each pension account you hold in the Fund. These fees and other costs may be deducted from your money, from the returns on your investment or from the assets of the superannuation entity as a whole. Other fees, such as activity fees, may also be charged, but these will depend on the nature of the activity chosen by you. Taxes are set out in another part of this PDS. You should read all the information about fees and other costs because it is important to understand their impact on your investment. The fees and costs (percentage based administration fee, buy-sell spread and indirect cost ratio) for each investment option are set out on pages 28 to 30.

Fees and other costs table

Defence Bank Pensions		
Type of fee	Amount	How and when paid
Investment fee	N/A	N/A (however indirect investment costs are included in the indirect cost ratio).
Administration fee	<p>\$30 per annum</p> <p>PLUS</p> <p>0.30% of your account balance as at the end of each quarter (known as the ORFR fee), less ORFR fees previously deducted from your account</p> <p>PLUS</p> <p>between an estimated 0.624% and 0.643% of an option's assets, depending on your investment option</p> <p>PLUS</p> <p>(For members invested in term deposits) \$200 per annum</p>	<p>The \$30 Administration fee is deducted from your account in arrears at the end of the month or on account closure.</p> <p>The ORFR fee of 0.30% of your account balance is calculated and deducted from your account as at the end of the quarter after you join the Fund (30 June, 30 September, 31 December or 31 March, as applicable). If, at the end of any subsequent quarter the ORFR fees previously deducted from your account represent less than 0.27% of your account balance, an ORFR fee of 0.30% of any increase in your account balance is calculated and deducted from your account. Refer to the 'Additional Explanation of Fees and Costs' overleaf.</p> <p>Deducted from the relevant option's assets before unit prices for the option are calculated (usually daily). It is not deducted directly from your account.</p> <p>The term deposit administration fee is deducted from your account monthly (if applicable) regardless of the amount of Term Deposit investments you hold.</p>
Buy-sell spread	The buy cost or sell cost is estimated between 0.00% and 0.12% depending on your investment option	The cost will be reflected in the buy or sell price of the investment option.
Switching fee	<p>For investment options other than Term Deposits</p> <p>3 free switches per financial year.</p> <p>\$25 for each switch thereafter in the financial year</p>	Deducted from your account for the 4th and any subsequent switch in a year.
Exit fee	Nil	N/A (however a sell spread may apply when you close your account)
Advice fees Relating to all members investing in a particular investment option	Nil	N/A
Other fees and costs¹	Various	Deducted from your account after an activity triggering an activity fee occurs or, monthly in arrears, if you have insurance cover
Indirect cost ratio	Estimated between 0.00% per annum to 0.378% per annum of an option's assets depending on the investment option(s).	Indirect costs are deducted outside the Fund before investment option's returns are received by the Fund and are reflected in the calculation (usually daily) of the unit prices of each option. Indirect costs do not apply to Term Deposits.

¹ Other fees and costs, such as activity fees or insurance fees, may apply. Refer to the 'Additional Explanation of Fees and Costs section' overleaf for further information.

Example of annual fees and costs

This table gives an example of how the fees and costs in the Balanced investment option for this superannuation product can affect your superannuation investment over a one year period. You should use this table to compare this superannuation product with other superannuation products. The example is based on the Balanced investment option because this is the option in which most assets of the Fund are invested.

Example – the Balanced Option		Balance of \$50,000
Investment Fees	N/A	For every \$50,000 you have in the superannuation product you will be charged \$0 each year
PLUS Administration Fees	\$30 (\$2.50 per month) + 0.934%	And , you will be charged \$30 in administration fees regardless of your balance plus \$467 depending on your balance
PLUS Indirect costs for the superannuation product	0.190%	And , indirect costs of \$95 each year will be deducted from your investment
EQUALS Costs of product		If your balance was \$50,000, then for that year you will be charged fees of: \$592* for the superannuation product

* Additional fees may apply. **And**, if you leave the Fund an **exit fee** does not apply, however a **buy-sell spread** may apply which also applies whenever you make a contribution (to establish your pension), exit, rollover or investment switch. The **sell spread** for exiting the Balanced investment option is an estimated **0.06%** (this will equal **\$30** for every \$50,000 you withdraw).

Note: the 0.30% administration fee (known as the ORFR fee) included in the percentage based administration fee shown in the above example is NOT a per annum fee. It is calculated and deducted as at the end of each quarter in a year, taking into account any ORFR fees previously deducted from your account. The dollar amount of the ORFR fee you pay in a year depends on the size of your account balance at the end of each quarter. You may pay no ORFR fee if the ORFR fees previously deducted from your account in the year (or previous years) equals at least 0.27% of your account balance at the end of a quarter.

Important note: The fee example shown is prescribed by government legislation and provides an estimate of total costs that may be incurred in a year. Actual fees and costs (including indirect costs) may be higher than estimated fees and may be met from Fund assets. The example does not include switching fees which may be incurred for investment switches or redemptions during the year. When comparing the above fee example with examples shown for other superannuation products you should take into account the nature of the investment option that is used in the fee example.

Defined fees

Activity fees

A fee is an **activity fee** if:

- (a) the fee relates to costs incurred by the trustee of the superannuation entity that are directly related to an activity of the trustee:
 - i. that is engaged in at the request, or with the consent, of a member; or
 - ii. that relates to a member and is required by law; and
- (b) those costs are not otherwise charged as an administration fee, an investment fee, a buy-sell spread, a switching fee, an exit fee, an advice fee or an insurance fee.

For information about the activity fees applicable to Defence Bank Pension refer to the Additional explanation of fees and costs below.

Administration fees

An **administration fee** is a fee that relates to the administration or operation of the superannuation entity and includes costs that relate to that administration or operation other than:

- (a) borrowing costs; and
- (b) indirect costs that are not paid out of the superannuation entity that the trustee has elected in writing will be treated as indirect costs and not fees, incurred by the trustee of the entity or in an interposed vehicle or derivative financial product; and
- (c) costs that are otherwise charged as an investment fee, a buy-sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee.

For information about the administration fees applicable to Defence Bank Pension refer to the Additional explanation of fees and costs below.

Advice fees

A fee is an **advice fee** if:

- (a) the fee relates directly to costs incurred by the trustee of the superannuation entity because of provision of financial product advice to a member by:
 - i. a trustee of the entity; or
 - ii. another person acting as an employee of, or under an arrangement with, the trustee of the entity; and
- (b) those costs are not otherwise charged as an administration fee, an investment fee, a switching fee, an exit fee, an activity fee or an insurance fee.

Defence Bank Pension does not charge advice fees.

Buy-sell spreads

A **buy-sell spread** is a fee to recover transaction costs incurred by the trustee of the superannuation entity in relation to the sale and purchase of assets of the entity.

For information about buy-sell spreads applicable to Defence Bank Pension refer to the Additional explanation of fees and costs below.

Exit fees

An **exit fee** is a fee to recover the costs of disposing of all or part of members' interests in the superannuation entity. Defence Bank Pension does not charge exit fees.

Indirect cost ratio

The **indirect cost ratio (ICR)**, for an investment option offered by a superannuation entity, is the ratio of the total of the indirect costs for the investment option, to the total average net assets of the superannuation entity attributed to the investment option.

Note: A fee deducted from a member's account or paid out of the superannuation entity is not an indirect cost.

For information about the ICRs applicable to Defence Bank Pension's investment options, refer to the Additional explanation of fees and costs below.

Insurance fees

A fee is an **insurance fee** if:

- a) the fee relates directly to either or both of the following:
 - i. insurance premiums paid by the trustee of a superannuation entity in relation to a member or members of the entity;
 - ii. costs incurred by the trustee of a superannuation entity in relation to the provision of insurance for a member or members of the entity; and
- b) the fee does not relate to any part of a premium paid or costs incurred in relation to a life policy or a contract of insurance that relates to a benefit to the member that is based on the performance of an investment rather than the realisation of a risk; and
- c) the premiums and costs to which the fee relates are not otherwise charged as an administration fee, an investment fee, a switching fee, an exit fee, an activity fee or an advice fee.

Investment fees

An **investment fee** is a fee that relates to the investment of the assets of a superannuation entity and includes:

- (a) fees in payment for the exercise of care and expertise in the investment of those assets (including performance fees); and
- (b) costs that relate to the investment of assets of the entity, other than:
 - i. borrowing costs; and
 - ii. indirect costs that are not paid out of the superannuation entity that the trustee has elected in writing will be treated as indirect costs and not fees, incurred by the trustee of the entity or in an interposed vehicle or derivative financial product; and
 - iii. costs that are otherwise charged as an administration fee, a buy-sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee.

There are no investment fees, however indirect costs associated with underlying investments (included in the ICR) apply.

Switching fee

A **switching fee** is a fee to recover the costs of switching all or part of a member's interest in the superannuation entity from one investment option or product in the entity to another.

For information about switching fees applicable to Defence Bank Pension's investment options, refer to the Additional explanation of fees and costs below.

Additional explanation of fees and costs

The following provides additional information about the fees and costs for our pensions as set out in the Fees and Other Costs Table.

Indirect Cost Ratio

An estimated indirect cost ratio (ICR) of between 0.00% and 0.378% of assets per annum is taken into account when unit prices are calculated depending on the investment option in which you are invested in.

The ICR is the total estimated indirect costs applicable to an investment option based on Fund data (including data provided by underlying investment vehicles) for the 2016/2017 financial year and is reflected in the calculation of unit prices for the investment option. The ICR is in addition to the fees deducted directly from your account and other fees and costs paid out of Fund assets, and includes other (indirect) expenses or costs including underlying managers' expense ratios and expenses relating to or incurred in or through the underlying investments.

ICRs may vary from year to year, in particular if costs associated with the underlying investments increase. If an increase in such costs occurs, the ICRs will increase. (refer to the 'Increases or alterations in fees' section below for further information).

Investment Option	Estimated Indirect Cost Ratio (% of assets p.a.)
Cash Plus Option	0.000
Conservative Option	0.114*
Balanced Option	0.190*
Growth Option	0.266*
High Growth Option	0.378*

* The amount of indirect costs incurred by your investments may be less than shown above as some costs (transactional and operational costs associating with the buying and selling of underlying investments) are also reflected in buy-sell spread charges.

ORFR fee

The ORFR fee is the fee that has been determined by the Trustee to be payable by members to ensure that the Fund's Operational Risk Financial Requirement Reserve (ORFR) is maintained at an appropriate level. The ORFR fee of 0.30% is first calculated, and deducted (where required) from your account balance as at the end of the quarter during which you commence your pension (that is, 30 June, 30 September, 31 December, 31 March). For example, if you commence your pension on 15 July, an ORFR fee may be deducted as at 30 September. The ORFR fee is calculated (and deducted, where required) thereafter (as at the end of each quarter) for as long as your account remains open, under a continual ORFR funding process (referred to as the 'constant' funding method). This process assesses, at the end of each quarter, whether the aggregate of the ORFR fees previously deducted from your account balance are less than 0.27% of your account balance as at the end of a quarter. For this purpose, the aggregate of the ORFR fees previously deducted from your account balance will include ORFR fees previously deducted from an accumulation account you had in the Fund, where the accumulation account was closed to commence your pension account.

Generally, an ORFR fee will only be deducted from your account balance at the end of a quarter if (at that date) your account balance has increased (for example, due to positive investment earnings) and the ORFR fees previously charged to you are less than 0.27% of your account balance. If they are less than 0.27%, an ORFR fee will be applied to your account, being the difference between what you have previously been charged in ORFR fees and 0.30% of your account balance as at the end of the quarter.

In summary, where previously deducted ORFR fees are less than 0.27% of your account balance at the end of a quarter, the ORFR fee payable under the quarterly 'constant' funding method is calculated as follows:

$$\begin{aligned} & \mathbf{0.30\% \times \text{account balance at the end of the quarter}} \\ & \text{(less the sum of any previous ORFR fees deducted} \\ & \text{from your account)} \\ & \mathbf{= \text{ORFR fee payable as at the end of the quarter.}} \end{aligned}$$

The Fund will maintain a record of the ORFR fees deducted from your account, for the purpose of undertaking the quarterly assessments. The amount of ORFR fees recorded as deducted from a pension account may include ORFR fees deducted from an accumulation account in the Fund that has been closed to establish the pension account. The amount recorded may also be reduced in certain circumstances (for example, if the ORFR has been or will be used to compensate for operational losses that have or will occur).

If there is no increase in your account balance as at the end of any quarter (for example, because of your pension payments) the ORFR fee will not be deducted, subject to any changes to the ORFR fee that may be made (including adjustments arising from the occurrence of an operational loss).

The purpose of the ORFR is to protect members' interests should an operational failure occur that may result in losses to the Fund or its members. The reserve will remain in the Fund, in cash, and will be used to meet any losses that may arise from the operational risks due to a failed internal process or an external event (or as otherwise permitted by law).

The Fund's ORFR arrangements are reviewed regularly. The ORFR fee percentage, how the ORFR fee is calculated and deducted or the period during which it will be charged may change at any time (refer to 'Increases or alterations in fees' below for further information about this). For example, this may occur if the Trustee determines that the amount of the ORFR fee required to maintain the ORFR or the ORFR target is not set at an appropriate level, or if the ORFR is used to meet operational losses that result in the ORFR being significantly diminished below an allowable level.

Administration Fee (Percentage based) (excluding ORFR fee)

An estimated percentage based administration fee of between 0.624% and 0.643% per annum of your account is taken into account when calculating unit prices depending on the investment option(s) in which you are invested in.

This fee is the total estimated percentage based administration fees applicable to an investment option based on Fund data for the 2016/2017 financial year, excluding the ORFR fee of up to 0.30% p.a. that may apply (see *the ORFR fee section above*), and is reflected in the calculation of unit prices for the investment option you are invested in. This fee is in addition to the fees deducted directly from your account and other fees and costs paid out of Fund assets and includes expenses or costs relating to operation of this product such as administration, website and promotional services, and trustee remuneration, paid out of Fund assets.

The percentage based administration fee may vary from year to year, in particular if relevant expenses or costs increase. If an increase in such costs occur, the percentage based administration fees will increase.

Investment Option	Estimated Percentage Based Administration fee (% of assets p.a).
Cash Plus Option	0.624
Conservative Option	0.630
Balanced Option	0.634
Growth Option	0.637
High Growth Option	0.643

Buy and Sell Spread Costs (for investment options other than Term Deposits)

Your investment (other than in the Term Deposit Option) buys units in your investment option(s) (Refer to the Investments factsheet for more information about how investments in Term Deposits are made). Each investment option has a Buy price and Sell price, which includes an allowance for a Buy and Sell spread. Buy prices and Sell prices are usually calculated daily for each investment option, based on market valuations of the assets in each option after the deduction of relevant fees, costs and (in the case of Transition to Retirement Pensions) taxes on investment earnings.

The Buy and Sell spread (or cost) is shown as an additional cost associated with the investment of your money in an investment option. The Buy and Sell spread is based on costs associated with the buying and selling of underlying assets incurred by certain underlying investment managers or in or through underlying investment vehicles in relation to non-cash assets. These costs may change from time to time and are charged, as far as practicable, on a cost recovery basis.

Buy and Sell spread costs are designed to achieve equity between investors by ensuring that the expense of buying and selling underlying non-cash assets is borne by those who invest in or withdraw from options invested in non-cash assets.

The Buy and Sell spread for each investment option (based on the percentage of non-cash assets utilised in the option) is estimated to be up to the amounts shown below. The costs associated with buying and selling underlying investments may be higher or lower and is also reflected in the ICRs for the investment options (refer to the information about transactional and operational costs for more details).

No part of the Buy and Sell spread is paid to the Trustee or an external manager.

Investment Option	Buy spread cost	Sell spread cost
Cash Plus	0.00%	0.00%
Conservative	0.04%	0.04%
Balanced	0.06%	0.06%
Growth	0.08%	0.08%
High Growth	0.12%	0.12%

Buy price of units

Investment applications (including applications to commence a pension, applications using proceeds from a Term Deposit investment and switching applications) are processed using the next Buy price after the receipt of the application and the investment monies.

Sell price of units

The next Sell unit price for an investment option is used to calculate the value of the unit holding after receipt of a completed request for a withdrawal (including pension payments) and on statements issued.

If you ask for part or all of your investment to be converted from one investment option to another or to be redeemed for investment in a Term Deposit, the Sell price for the existing units will be used to calculate the value of the units redeemed, and (if you are switching to another investment option other than Term Deposits) the Buy price for the new investment option will be used to determine the number of new units issued.

In exceptional circumstances or where the Trustee considers it appropriate (for the interests of members), the Trustee may delay or suspend asset valuations or the striking of unit prices. For example, this might occur if underlying investments become illiquid.

The Trustee may also take whatever other action it considers appropriate for the ongoing management of underlying investments, member accounts and processing of applications, investment switches and withdrawals in the event of illiquidity or other exceptional circumstances.

Transactional and operational costs

Transactional and operational costs are costs associated with the buying and selling of underlying investments and are defined (under relevant regulations) to include buy-sell spreads, brokerage, settlement costs (including related custody costs), clearing costs and stamp duty of investment transactions (depending on the nature of the underlying investments or assets) but do not include (in the case of superannuation funds) certain costs associated with over-the-counter derivative financial products and borrowing costs. There are no transactional and operational costs paid out of the Fund's assets, any such costs are incurred outside the Fund.

These costs can be incurred directly by underlying fund managers or as a result of a fund manager investing through a fund into another fund. This is referred to as gaining exposure to underlying assets through an "interposed vehicle".

Examples of costs that are incurred by our underlying investment managers or through interposed vehicles in relation to the buying and selling of assets include brokerage and settlement costs on share trading and buy-sell spreads of or incurred by unitised managed funds.

Transactional and operational costs (excluding costs associated with over-the-counter derivative financial products, borrowing costs and any other investment related costs that would otherwise form part of the investment fees of each of the investment options) vary depending upon the different asset classes and investment managers within each investment option, and estimates of these are shown in the table below, based on information provided by underlying investment managers for the year ending 30 June 2017:

<i>Investment Option</i>	<i>Transactional and operational costs (% of assets p.a.)</i>
Cash Plus Option	0.000
Conservative Option	0.003
Balanced Option	0.005
Growth Option	0.007
High Growth Option	0.008

Estimated transactional and operational costs are reflected in the unit price of the underlying fund managers or gross earnings the Fund receives from non-unitised investments and are taken into account (together with costs associated with over-the-counter derivative financial products and other investment related costs not included in investment fees) in the ICR for each investment option.

Some or all of the above transactional and operational costs have been taken into account in the buy-sell spreads we apply to the investment options.

The estimated transactional and operational costs are not an additional cost to members. If the allowance for transactional and operational costs that we make in buy-sell spread charges is less than transactional and operational costs incurred in our investments in any year, the costs are (in any case) reflected in the ICRs and the calculation of returns.

Activity fees

Family Law Information fee \$102.50

This fee is payable to the Trustee prior to the completion of the Superannuation Information Request Form that accompanies the Family Court Form 6 declaration. This fee is usually paid by the non-member spouse seeking the information and is not deducted from your account. However, if you are requesting the information, the fee can be deducted from your account.

Family Law Split fee \$256.25

This is the fee that is payable to the Trustee following the receipt of a Family Court Order or Superannuation Agreement, which requires the splitting of a member's benefit following the breakdown of a marriage or a qualifying defacto relationship. It's the practice of the Trustee to send an invoice for the fee to the Solicitor who sends the Family Court Order or Superannuation Agreement, but the fee can be deducted from the member's account, if that is requested by the member.

Family Law Flagging Fee

There is currently no fee charged for flagging a member's account.

Term Deposit Early Withdrawal Fee \$25.00

This fee is payable to the Administrator which covers the administration of the early withdrawal of a Term Deposit. This fee will not be applied where the early withdrawal of a Term Deposit occurs to give effect to a request to establish a Pension account from an accumulation account in the Fund which is invested in a Term Deposit.

There may be other consequences for you when redeeming a Term Deposit prior to maturity. Please read the Defence Bank Pension Term Deposit Product Disclosure document for further information about accessing your Term Deposit prior to maturity.

Increases or alterations in fees

The Trustee may increase fees and other costs. Where this occurs, we will advise you in writing at least 30 days prior to the increase where required by law.

The \$30 Administration fee and family law related fees may be indexed annually based on changes to Average Weekly Ordinary Time Earnings. Estimated percentage based administration fees and Indirect Cost Ratios may change from year to year. **Actual indirect costs paid outside the Fund may be higher than the estimated Indirect Cost Ratios and may be met from returns received from underlying investment vehicles.**

The Trustee is entitled to receive out of the assets of Defence Bank Pension and retain for its own use, remuneration for its trustee services based on Fund assets. Trustee remuneration in respect of the Fund forms part of the administration and operational costs of the Fund. The Trustee fee can be 1% (plus GST) of assets per year, however the Trustee can charge a lower fee.

In addition, the Trustee is entitled to be reimbursed from the assets of the Fund for liabilities, costs, charges, expenses and outgoings reasonably and properly incurred by the Trustee in respect of a range of matters relating to the Fund (as permitted by the Trust Deed), for example, audit costs, bank fees, government charges, fees for external experts and postage. If, for whatever reason, the estimated percentage based administration fee and other fees shown in this document are not sufficient to cover relevant liabilities, costs, charges, expenses and outgoings related to the operations of our pensions or the Fund, the shortfall may be met from Fund assets. This means that actual fees and costs paid out of Fund assets may be higher.

Taxation

Fees and costs are shown inclusive of GST (net of any reduced input tax credit) where applicable. The benefit of any tax deduction received by the Trustee for expenses or costs relating to the product is passed on to members through an increase in unit prices or as a credit directly into pension accounts depending on where the fee was originally levied. For information about taxes, see the *Tax and Pensions* section on page 34.



How fees are deducted

If you are invested in more than one investment option, fees (other than percentage based administration fees and indirect cost ratios taken into account in calculating unit prices) will be deducted from your investment in the investment options applicable to your account in the following order, depending on which investment option(s) you are invested in:

1. Cash Plus Option
2. Conservative Option
3. Balanced Option
4. Growth Option
5. High Growth Option

In this way, fees will be met according to the 'order of liquidity' of the investment options you are invested in, based on the Cash Plus Option being the most liquid option.

Please note if you invest in a Term Deposit and there is a shortfall in any of your other investment options to deduct applicable fees, your Term Deposit may be accessed prior to maturity to enable the deduction of these fees. Refer to the *Pension Investments* section of this PDS for more information about early termination of Term Deposits, including the consequences of early termination.

Insurance fees or costs

Refer to the *Insurance* section of this PDS for relevant information. If insurance premiums become payable from a pension account, they will be deducted in the same way as other fees deducted directly from an account (see 'How fees are deducted' above).

Tax and pensions

The following information is a summary only based on our understanding of significant tax rules relating to super and pensions at the date of preparation of this PDS and is subject to change. More information about tax, including any changes to tax rules and changes to thresholds or caps (limits) applicable from year to year, is available from www.ato.gov.au. Special rules apply to transfers from overseas super funds. As individual circumstances may differ, you should seek advice from a suitably qualified professional in relation to the tax implications for your particular circumstances.

Tax upon transfer into a pension

Rollovers or transfers that you make into your pension account are not taxable unless it's from a super benefit that contains an untaxed element (generally taxable at the rate of 15%).

Pension payments

If you are aged 60 or over the income you receive from your pension is tax-free.

If you are aged under 60, different rules apply.

Pension payments that you receive from your pension account must be declared as taxable income for income tax purposes, however part of your pension payment may contain a 'tax free component' Any taxable component will be subject to tax at your marginal tax rate (plus medicare levy) however a 15% tax offset may apply. You cannot elect for pension payments received prior to age 60 to be treated as lump sum payments for tax purposes. This means it is not possible for a pension payment amount to be taxed as a superannuation lump sum under lump sum benefit rules, where tax laws do not permit this.

A tax offset of 15 per cent will apply to all pensions paid product to people who are their Preservation Age to 59 years (or if you are under the Preservation Age and receiving a disability superannuation benefit).

Tax on investment earnings of assets supporting a pension

The investment earnings on the assets supporting an Account Based Pension are usually tax-free, such that the full amount earned on these assets (less any applicable fees and costs) will be allocated to your pension account via unit prices. If your total 'retirement phase' pensions (across all superannuation products you participate in) exceed the transfer balance cap (\$1.6 million for the 2017/2018 year, subject to indexation in future years) you will be subject to additional tax on notional earnings (determined in accordance with tax legislation) associated with the excess, for the period that the excess remains in a 'retirement phase' pension. You can request us to remove an amount from your Account Based Pension at any time if you have an excess amount (for example, by commuting the amount via a transfer to an existing accumulation account you have in the Fund) or the ATO will require you to do this. If we receive an ATO direction that an excess amount must be removed from your Account Based Pension, we must comply with it.

Note: The calculation of transfer balance cap is complex and its impact on you depends on your personal circumstances. Some amounts are excluded from the calculation (for example, investment growth on your retirement phase accounts will not count nor will contributions made under a personal injury compensation which qualifies as a 'structured settlement' that forms part of the super savings used to purchase the pension).

Also, special rules apply if you are receiving any defined benefit pensions or are receiving a pension as a death benefit beneficiary (for example, as a result of the death of your spouse). If you have significant amounts of superannuation savings (accumulation and pension) you should obtain taxation and financial advice.

From 1 July 2017, investment earnings on the assets supporting a Transition to Retirement Pension will be subject to a maximum 15% tax rate (as is the case for assets supporting accumulation accounts.). Tax payable on any earnings (as well as any applicable fees and costs) is deducted before the calculation of unit prices for the Cash Plus, Balanced, Conservative, Growth and High Growth options prior to net earnings being allocated to your account. Tax payable on interest earned from Term Deposits and payable monthly and on maturity, in the case of Transition to Retirement Pensions, is deducted before the interest is allocated to your account. If you convert from a TTR Pension to an Account Based Pension, the interest will be taxable for the phase you were in the TTR.

Lump sum payments

You may receive a super lump sum (eg. if you commute some or all of your pension) if you have an Account Based Pension. If you do receive a super lump sum as a cash payment, the amount of tax payable is dependent on the components included in your super benefit payment and your age at the date of payment.

All super benefit payments made to people aged 60 and over will be tax free. Super benefit payments made to a member who suffers from a terminal medical condition (as defined in tax legislation) are also tax free.

If you are withdrawing your benefit as a lump sum under age 60, the tax payable depends on the components of your benefit for taxation purposes. Benefits may have a tax-free component and a taxable component (see *Lump Sum Tax Rates Table* overleaf for the rates applicable to each component).

Lump sum tax rates table

Superannuation lump sum components	Below Preservation Age (see glossary)	Preservation Age to age 59	Over age 60
Tax Free Component	Tax Free	Tax Free	Tax Free
Taxable Component	Taxed at 20% plus Medicare Levy	* First \$200,000 is tax free and the balance is usually taxed at 15% plus Medicare Levy	Tax Free

* Applicable for 2017/2018 year, subject to indexation in future years.
Rates for members under age 60 assume the Fund has the member's Tax File Number.

Taxation of lump sum death benefits

Lump sum death benefits paid to a dependant (as defined in the tax legislation) are exempt from tax. A 'dependant' for tax purposes includes a spouse, any children under the age of 18, any person with whom the deceased had an interdependency relationship and anyone financially dependent upon the deceased.

Benefits paid to 'non-dependants' (e.g. non-financially dependent children over the age of 18) will generally be taxed as a super lump sum at 15% (plus the Medicare Levy) on the taxed element of the benefit, any untaxed element will be taxed at 30% (plus the Medicare levy).

Taxation of reversionary pension payments

If you have nominated a reversionary pensioner as the beneficiary of your account (see the *Estate Planning* section of this PDS), on your death the pension payments to the reversionary pensioner must be from a 'retirement phase' pension.

Where a death benefit is paid in the form of one or more retirement phase pensions, the tax treatment of the pension in the hands of the recipient depends on the recipient's personal circumstances. For example, where a pension is paid as a pension where the deceased and/or recipient is aged 60 or more, the pension payments will be tax-free, however there may be other taxes payable by the recipient depending on the recipient's transfer balance cap. Reversionary beneficiaries or other death benefit beneficiaries receiving a death benefit in the form of a pension, or wishing to convert their pension payments to a lump sum benefit should obtain their own taxation advice.



Insurance

Although catering for worst case scenarios is never pleasant, insurance for death or disablement should be an integral part of your financial plan. You can obtain insurance cover with an accumulation account held with Defence Bank Super. In this way, you have a convenient way to ease financial strain, should the unexpected happen.

Please note: You can keep your insurance when you transfer to an Account Based Pension but you cannot add a new insurance benefit to your pension account.

The types of insurance cover available via Defence Bank Pension are:

- Death only cover (including terminal illness cover); or
- Death and Total and Permanent Disablement (TPD) cover (including terminal illness cover); or
- Salary Continuance cover (Income Protection).

For more information, refer to the Defence Bank Super Product Disclosure Statement (including incorporated information) issued by Equity Trustees Superannuation Limited available from www.defencebank.com.au or on request by contacting us on 1800 979 188. You should consider the Defence Bank Super Product Disclosure Statement before deciding whether to acquire an accumulation account including insurance cover.

Insurance cover is subject to eligibility criteria and acceptance by TAL, and may cease in certain circumstances including if there are insufficient funds in your account to pay insurance premiums. Insurance premiums are deducted from the accumulation account monthly in arrears. If there are insufficient funds in your accumulation account to cover premiums, the premiums may be deducted from your Account Based Pension account (if you have one).

Please note insurance premiums will not be deducted from a Transition to Retirement (TTR) pension, which may mean that your insurance cover will cease if your accumulation account has insufficient funds to cover premiums.

If you would like to transfer to a TTR and continue your insurance cover you must leave at least \$1,000 or six months premiums in your accumulation account.



How to join

To open a pension account please complete the online Super to Pension Transfer Request form and send it to the Defence Bank Pension Call Centre with the requested additional information. If you are not already a member of Defence Bank Super, you will need to open an accumulation account in Defence Bank Super by completing an Application for Membership form.

Note that any benefits from other funds that you wish to use for your Pension should be transferred to your accumulation account in Defence Bank Super prior to the transfer from your accumulation account to a pension account. Until your Pension commences, these amounts will be invested in an accumulation account with Defence Bank Super in accordance with the investment arrangements applicable to the accumulation account.

Once a Pension is commenced, additional transfers cannot be accepted into your Pension account. Any new transfers may, however, be made to your accumulation account and used to open a separate Pension account.

You can have more than one Pension account, subject to the transfer balance cap applicable to Account Based Pensions and other retirement phase pensions. We recommend you obtain advice about how best to establish your super pension arrangements.

Important information about the transfer balance cap

For the 2017/18 financial year the transfer balance cap is \$1.6 million which will usually be indexed in line with CPI in \$100,000 increments. The transfer balance cap takes into account all the superannuation income streams in 'retirement phase' you hold (whether commenced before or after 1 July 2017) from superannuation products you participate in. Consequently, when commencing a new 'retirement phase' pension on or after 1 July 2017, you should take into account the 'retirement phase' pensions you already hold. It is your responsibility to track your total 'retirement phase' pension holdings. If you exceed the transfer balance cap (as applicable from year to year) you will be subject to additional tax for as long as the excess amount remains in a 'retirement phase' pension. Also, the ATO will require you to remove the excess from a 'retirement phase' pension.

Please note, Transition to Retirement Pensions paid to a person aged under 65 do not count towards an individual's transfer balance cap.

Note:

- You must be an Australian or New Zealand citizen or permanent resident.
- The minimum amount you need to establish an Account Based Pension or TTR Pension is \$25,000.
- Your pension can only be purchased with super savings transferred from your accumulation account in Defence Bank Super.
- From 1 July 2017, the Government has introduced a limit (per person) on the amount that can be transferred from an accumulation superannuation account to commence a superannuation 'retirement phase' income stream, such as the Account Based Pension described in this PDS. This limit is called the 'transfer balance cap'.
- If you wish to maintain any insurance cover granted on opening your accumulation account, you should ensure that sufficient funds are available from your accumulation account or Account Based Pension account to meet insurance premiums, otherwise cover may cease.
- Proof of your identity may also be required (refer to the *More Important Information* section of this PDS for further details).

Completed forms and other requested information should be sent to:

Defence Bank Pension

GPO Box 4344
Melbourne VIC 3001

Cooling off period

If, after applying for a pension you change your mind about acquiring the product, you may write to the Trustee and request a refund. The request must be received within a period of 14 days (the 'cooling-off period') from the earlier date of:

- when the Trustee provides you with confirmation of your acquisition of the product; or
- the end of the fifth (5th) day after the date on which your pension account is opened.

Your ability to cancel your membership may be lost in certain circumstances (for example, if you exercise a right associated with your membership).

If you do cancel your pension during the cooling off period, the amount that is repaid to you will be adjusted to take account of any increase or decrease in the value of the investments you selected, reasonable costs and any tax payable on that amount.

If any of the monies used to acquire your Pension were preserved benefits, then those monies will not be repaid to you, but may instead be transferred to an accumulation account, including an account with Defence Bank Super, another super fund or rollover product of your choice (provided that it complies with Commonwealth Government regulations).

Cooling off does not apply when you convert your TTR pension account to a standard Account Based Pension.

Tax File Number

It's not an offence not to quote your Tax File Number (TFN). However giving your TFN to the Fund will have advantages (which may not otherwise apply) including:

- Other than the tax that may ordinarily apply, no additional tax will be deducted when you start drawing down your super benefits; and
- It will make it much easier to trace different super accounts in your name so that you receive all your super benefits when you retire.

Under super legislation the Trustee is authorised to collect your TFN which will only be used for lawful purposes, and these purposes may change in the future as a result of legislative change.

The Trustee of the Fund may disclose your TFN to another super provider, when your benefits are being transferred, unless you request the Trustee in writing that your TFN not be disclosed to any other super provider.

Estate planning

Estate planning is a very important component of any financial plan. In the event of your death, you can have some comfort knowing that you have done some planning for your family's needs. Of course, estate planning may involve other, more complex, arrangements however you should contact a licensed or qualified financial adviser for advice about what other estate planning options are available to you.

In the case of Defence Bank Pension, there are three options available for you to nominate how a death benefit may be paid in the event of your death.

They are:

- A reversionary beneficiary nomination;
- A non-binding nomination; and
- A binding nomination.

Each of these options is explained in more detail below. Regardless of which option you choose, your nominated beneficiary must satisfy the criteria of dependant as described in the Fund's Trust Deed and super legislation or, in the case of a binding or non-binding nomination, you also have the option of nominating your legal personal representative.

A dependant includes:

- Your spouse, which may include a legally married or de-facto spouse of the same or opposite sex.
- Your child, which may include a stepchild, an adopted child or one born within or outside of marriage as well as a child of a spouse.
- Financial dependants.
- A person with whom you are considered to be in an interdependency relationship.

Please refer to the *Glossary* at the end of this PDS for further explanation of dependants and interdependency relationships.

If you don't have any dependants or legal personal representative, the Trustee, at its discretion, will pay your benefit to other persons allowed by law.

As different taxation and social security implications may arise depending on who you nominate as a beneficiary (and whether they receive the death benefit as a pension or lump sum), we recommend you consult an appropriately qualified adviser about this. See the *Tax and Pensions* section of this PDS for some more information about taxation of benefits.

Reversionary beneficiary nomination

If you nominate your spouse or any other eligible dependant (e.g. a child) as your reversionary pensioner, your pension payments will revert to that person when you die.

Payments will continue until your account balance reaches zero or until their death. In the event that there is a remaining balance payable when your reversionary pensioner dies, the Trustee will decide how the balance should be paid under super legislation and the Trust Deed.

If your reversionary beneficiary does not wish to continue to receive the benefit in the form of a pension, they can elect to receive the benefit as a lump sum.

Special rules apply in the case of children. A pension can only continue to be paid to a child if, at the date of death:

- the child is aged under 18; or
- the child is aged 18 - 24 and is financially dependent on the member; or
- the child is aged 18 or more and permanently disabled.

When a child reaches age 25, the pension must be converted into a lump sum benefit unless the child is permanently disabled.

You cannot change your reversionary beneficiary once the account has been established.

Non-binding nomination

You can make or change a non-binding nomination at any time by entering the details online or downloading the relevant form (available from www.defencebank.com.au or on request by phoning 1800 979 188) and mailing the form to Defence Bank Pension. The Trustee will accept the nomination for all accounts you hold within Defence Bank Super and Defence Bank Pension, except for any pension account for which you have made a reversionary beneficiary nomination.

When you make a non-binding nomination for your pension account, the Trustee will take your wishes into account when it comes to deciding who to pay your benefit to, and in what proportion, when you die, but your nomination is not legally binding.

Binding nomination

You can nominate on a Death Benefit Nomination form, the names of any dependant(s) and/or your legal personal representative to whom you wish your super benefit to be paid as a lump sum, upon your death.

Please Note: Any valid binding nomination you make applies to all super accounts you hold in Defence Bank Super and Defence Bank Pension.

For example, if you also have an accumulation account with Defence Bank Super, your valid binding nomination will also apply to the accumulation account unless you make different arrangements in relation to the pension account (by nominating a reversionary beneficiary).

A Death Benefit Nomination form is available from www.defencebank.com.au.

When you make a binding nomination, the Trustee is bound to pay the balance of your account to those you've nominated when you die – provided that the nomination is still valid at the date of your death.

In order for a binding death benefit nomination to be valid, the following criteria must be satisfied:

- The person(s) nominated are your dependants and/or your legal personal representative, as defined under super legislation, and the nomination specifies the proportion of the benefit to be paid to each person;
- The nomination has been signed by the member in front of two witnesses being persons over the age of 18 who are not mentioned in the notice;
- No more than three years have elapsed since the nomination was first signed or last amended or confirmed.
- The nomination has been received by the Trustee prior to your death.

You can renew, change or cancel your binding nomination at any time by completing and signing the form available online or by contacting Defence Bank Pension on 1800 979 188 and sending it to the following address:

Defence Bank Pension
PO Box 4344
Melbourne VIC 3001.

The nomination will be treated as non-binding until the fully completed and signed form is received.

Please note that the validity and effectiveness of a binding nomination is only fully assessed in the event of death.

No nomination

If you don't nominate a beneficiary, or your reversionary beneficiary nomination or binding nomination is invalid, the balance of your account will be paid to your estate, your dependants or a combination of both at the discretion of the Trustee.

If you don't have any dependants or a legal personal representative, the Trustee will pay your benefit to other persons allowed by law.

More important information

Keeping you informed

Once you hold one of our pensions, we'll notify you of any material changes or significant events as required by law. Communications from the Trustee (including notifications of material changes or significant events) will be made available for you to access from www.defencebank.com.au. We will notify you when important Trustee communications are available for you to access. Updated information relating to the investment options is available (free of charge) at www.defencebank.com.au or by calling 1800 979 188.

To make sure you stay well informed regarding the progress of your investments, we also provide the following services:

Regular reports on your investment

Statement and reports

All Pension members will have access to, or can receive, an Annual Statement showing details of their account, including all transactions and their final account balance as at 30 June. You will also have access (via the Defence Bank Limited website) to, or can request a copy of, an Annual Report containing information regarding the management and financial condition of the Fund, including the investment performance of each of the investment options available for our Transition to Retirement and Account Based Pensions.

Confirmation of transactions

For confirmation of individual transactions during a year, contact the Defence Bank Pension Call Centre on 1800 979 188 or go to www.defencebank.com.au.

If you don't have web access and would like to receive any of the items listed above, please call 1800 979 188 and a copy can be mailed to you (free of charge).

Should you wish to receive any other information, including full audited Fund accounts and the auditor's report or the Fund's Trust Deed, please call 1800 979 188 and a copy will be mailed to you or an appointment will be made for you to inspect the documents.

Further information can be found at <http://www.eqt.com.au/corporate-and-employer-super/etsl-registrable-superannuation-entity-disclosures>, including trustee and executive remuneration and additional documents prescribed by superannuation law can be found at www.defencebank.com.au.

Keeping in touch

We can only notify you that important communications are available for you to access, or send you the information you request, if we have your current contact details.

It's important to advise us if you change your postal or email address. You can do this easily by contacting us on 1800 979 188 or via www.defencebank.com.au.

Portability

You can request to transfer your benefit to another Australian super fund or product at any time subject to pension standards applicable from time to time (for example, standards requiring minimum annual pension payments). No minimum withdrawal is required.

Before requesting a transfer of benefits you can ask the Trustee for any information you reasonably require for the purpose of understanding your entitlements, including fees and costs that may be incurred and the effect of the transfer on your benefits (for example, the impact of the transfer on any insurance cover you may have).

Transfers of benefits must be made by us within the time prescribed by law (generally 3 days but sometimes a transfer may take up to 30 days or more depending on the nature of the investment) after we have received a transfer request that contains all requisite information. Requisite information may include proof or verification of identity under Federal Government legislation relating to anti-money laundering and counter-terrorism financing.

If you are invested in a Term Deposit, a request to transfer your super may not be able to be processed within the usual (maximum) 30 day timeframe, the accrual of interest on the Deposit may be affected and Term Deposit Early Withdrawal Fee will be payable. Refer to the Pension Investments section of this PDS for more details about the redemption of investments.

You may be required to provide proof or verification of your identity. Additional information may be requested by the Trustee in the case of a request to transfer benefits to a self managed super fund.

If your Pension account is invested in more than one investment option, partial transfers payments will be withdrawn from each investment option in the same order as for income payments unless you specify otherwise.



Proof of identity

As a result of anti-money laundering and counter terrorism financing (AML/CTF) requirements in government legislation, you will be required to provide proof of identity prior to being able to access your benefits in cash (lump sum or pension payments) or purchase a pension.

These requirements are called 'customer identification and verification requirements'.

These requirements may also be applied by the Trustee from time to time in relation to the administration of your super benefits. You will be notified of any requirements when applicable. If you don't comply with these requirements there may be consequences for you, for example, a delay in the commencement of your pension or payment of your benefits.

Under AML/CTF requirements, the Trustee is required to provide yearly compliance reports to AUSTRAC and notify AUSTRAC of suspicious transactions.

This may involve the provision of your personal information to AUSTRAC.

Complaints resolution

The Trustee has an established procedure for dealing with member enquiries and complaints.

Enquiries and complaints should be made to:

Complaints Officer

Defence Bank Pension

PO Box 4344

Melbourne VIC 3001

Telephone 03 9654 1399

Fax 03 9654 2187

Email investments@defencebank.com.au

If you are unhappy with the response to an enquiry, or have a complaint or dispute, you will generally be asked to place your question or problem in writing to the Trustee. The Trustee will try to reach a satisfactory solution to your problem within 90 days of you raising the complaint and will advise you accordingly.

If a satisfactory solution is not achieved within 90 days of you raising the complaint or you don't hear from us in this timeframe, you are able to take your complaint to the Superannuation Complaints Tribunal (SCT) by:

- phoning 1300 884 114; or
- writing to Locked Bag 3060, Melbourne Victoria 3001; or
- visiting level 15, 31 Queen St, Melbourne, Victoria.

The Tribunal is an independent body set up by the Commonwealth Government to review trustee decisions relating to members (as opposed to trustee decisions relating to the management of the Fund as a whole).

You must follow the procedure set out above. The SCT will only handle certain types of complaints and time limits apply for lodging some complaints. If the SCT accepts your complaint it will try to help you and the Trustee to reach a mutual agreement through conciliation. If this is not successful, the SCT will make a decision that is binding on all parties (subject to a limited right of appeal to the Courts).

Glossary

A

Administrator: the person or company responsible for providing administration services to a super fund. Administration includes keeping records up to date, processing claims, paying out benefits, ensuring members are given or have access to statements and reports as required by law.

Annual Report: a document issued annually detailing the financial position of the Fund and other relevant information. Information which must be disclosed in the annual report includes a summary of the financial position, investment objectives and strategies, asset allocation information, investment performance, reserves and other fund level or investment option information.

Annual Statement: a document issued to each member at least annually, which contains details about the withdrawal benefit, preserved and non-preserved portions, death and disablement benefits and any insurance cover (where applicable). It also includes transactions made during the year and fees and costs information.

AUSTRAC: The Australian Transaction Reports and Analysis Centre which is responsible for administering the Government's anti-money laundering and counter-terrorism financing legislation.

AWOTE: Australian Weekly Ordinary Time Earnings

B

Beneficiary: a person for whom super benefits are being held. Beneficiaries of a super fund are the members and their dependants.

Benefit: the amount of money in a super fund to which a member is entitled.

C

Capital Growth: an increase in the market value of an asset. The term is also used as a description for the asset profile of an underlying investment fund, for example a capital growth fund. In this case, the fund would invest a significant proportion of the fund in assets which have the potential to increase in value, typically shares and property.

D

Dependant: the spouse, child, any other person who, in the opinion of the Trustee, financially relies on that member or a person who was in an interdependency relationship with the deceased member. A child may include a stepchild, an adopted child or one born within or outside marriage as well as a child of a spouse. A spouse may include a legally married or de facto spouse of the same or opposite sex who qualifies as a spouse under relevant law and the Fund's Trust Deed.

I

Interdependency Relationship: you are considered (whether or not related by family) to have an interdependency relationship with a person if:

- (a) you have a close personal relationship with that person; and
- (b) you live together with that person; and
- (c) either of you provides the other with financial support; and
- (d) either of you provides the other with domestic support and personal care.

If you and another person (whether or not related by family) satisfy the requirements set out in paragraph (a) above but don't satisfy the requirements of paragraphs (b), (c), and (d) and the reason why those requirements are not satisfied is because either of you or both of you suffer from a physical, intellectual or psychiatric disability, then nevertheless you are still considered to have an interdependency relationship.

M

Medicare Levy: the levy expressed as a percentage of taxable income that is paid by most Australians in addition to normal tax to help pay for the public health system.

P

Preservation Age: the age set out in the following table, depending on a person's date of birth.

Date of birth	Preservation age
Before July 1960	55
July 1960 to June 1961	56
July 1961 to June 1962	57
July 1962 to June 1963	58
July 1963 to June 1964	59
After June 1964	60

T

Taxable Income: assessable income minus any allowable deductions, calculated for the purpose of determining gross tax payable.

Tax Free Component: is the non-concessional contributions and other pre 1 July 2007 concessional treated segments (if any) of your super benefit payment.

Taxable Component: is the taxable portion of your super benefit payment.

Directory

Trustee

Equity Trustees Superannuation Limited

ABN 50 055 641 757 Level 2, 575 Bourke Street,
AFS License No. 229757 Melbourne VIC 3000
RSE License No. L0001458 Telephone: 1300 133 472
Fax: (03) 8623 5200

Administrator

Financial Synergy Pty Limited

Financial Synergy Pty Limited (ACN 005 484 391) as trustee for the
Financial Synergy Unit Trust (ABN 73 423 494 780) (FSUT)

GPO Box 4344 Telephone: 03 9654 1399
Melbourne VIC 3001 Fax: (03) 9654 2187
Email: investments@defencebank.com.au
Website: www.financialsynergy.com.au

Promoter

Top Quartile Management Pty Limited

ABN 98 006 771 848 Telephone: (03) 9654 1399
AFS License No. 238816 Fax: (03) 9654 2187

GPO Box 4344
Melbourne VIC 3001

Sub-Promoter

Defence Bank Limited

ABN 57 087 651 385
AFS License No. 234582
Australian Credit Licence Number 234582

For Further Information

Email investments@defencebank.com.au

Website www.defencebank.com.au

Telephone 1800 979 188

Fax 03 9654 2187

Postal Address Defence Bank Pension
GPO Box 4344
Melbourne VIC 3001

This Product Disclosure Statement is issued by Equity Superannuation Trustees Limited ABN 50 055 641 757, AFSL 229757, RSE License No L0001458, as Trustee for CUBS Superannuation Fund ABN 90 120 177 925 (the Fund).

This Product Disclosure Statement is for general information purposes only and is not intended to be relied on for the purpose of making an investment decision or other decisions pertinent to your investment in the Fund. It has been prepared without taking account of the objectives, financial situation and needs of any particular person. You should also consider obtaining professional advice before making decisions regarding your investment in the Fund, to determine if they are appropriate to your needs.

The Trustee reserves the right to vary the benefits, the insurer and insurance related costs at any time.

The terms of the trust deed governing the Fund have precedence over anything in the PDS and the FactSheets.