

ARC Master Trust

Annual Report – 30 September 2010

This document is for the ARC Master Trust, which includes the following products:

[ARC Corporate Plan](#)
[ARC Personal Plan](#)
[IT Super](#)

The Annual Report is to be read in conjunction with your Annual Statement and is provided by the Trustee of the Fund, TOWER Australian Superannuation Limited. It includes details about the Fund's investment objective and strategy, investment option details and other fund information. Your Annual Statement details your specific entitlements under the Fund.

Details of the investment information such as strategy, objective and asset allocations can be found in the documents on the right side of the webpage. Please select the document relevant to your product.

If you'd like a printed copy of this report or have any questions, please call us on 1300 209 088 or email arcmt@toweraustralia.com.au

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Superannuation Fund
TOWER Master Fund
ABN 20 891 605 180

Issuer & Trustee
TOWER Australian Superannuation Limited
ABN 69 003 059 407
AFSL 237851

Insurer & Administrator
TOWER Australia Limited
ABN 70 050 109 450 AFSL 237848

Customer Service
1300 209 088
Monday to Friday
8:30am – 5:30pm (AEST/AEDT)

arcmt@toweraustralia.com.au

TOWER Australia Limited
PO Box 142
Milsons Point NSW 1565

Terms used in this Annual Report

ABN	Australian Business Number
AFSL	Australian Financial Services Licence
APRA	Australian Prudential Regulation Authority
the Fund	TOWER Master Fund
AEST/AEDT	Australian Eastern Standard Time/Australian Eastern Daylight Time
pa	per annum
CPI	Consumer Price Index
SCT	Superannuation Complaints Tribunal
Russell Investments	Russell Investment Management Limited
the Trustee	TOWER Australian Superannuation Limited
'we', 'us', 'our', 'TOWER'	TOWER Australia Limited
'you', 'your', 'member'	member of the Fund

Disclaimer

TOWER Australian Superannuation Limited (nor any of its related bodies corporate and their respective directors and associates) does not guarantee any particular rate of return, or the repayment of capital or income, or the performance of any of the products or funds referred to in this report unless otherwise stated. The information contained in the Annual Report is general information only. It does not take into account your individual investment objectives, financial situation or particular needs. You should obtain your own advice from a financial adviser with respect to your own individual investment objectives, financial situation and particular needs.

Your superannuation strategy

Whether you've just started working or are nearing retirement age, keeping track of your superannuation is important. Review your investment strategy regularly and make sure details such as your beneficiaries are up to date.

Keep your superannuation up to date

Key life events such as changing jobs, getting married or preparing for retirement usually trigger a need for you to review your financial situation. A superannuation portfolio is often a major part of a long term savings plan which is why it's important to review your investment strategy regularly. Your investment strategy has a significant impact on your final superannuation balance so it's a good idea to keep on top of your superannuation and consult a financial adviser if you need to. If you don't have a financial adviser, please contact us and we'll put you in touch with one. Don't forget to let us know any changes to your account details such as your address so we can keep you up to date on your superannuation.

How to nominate or update your beneficiaries?

Understanding who receives your superannuation benefit (and any applicable insurance) in the event of your death is important. If you would like to nominate or update your beneficiary details for your superannuation benefit, please call our friendly staff on 1300 209 088 to obtain the appropriate form. Alternatively, email us at arcmt@toweraustralia.com.au quoting your membership number.

For more information on how the Trustee pays death benefits from the TOWER Master Fund, please [click here](#) and select the document titled "Superannuation Death Benefits at TOWER".

Investment information

Trustee's investment objective and strategy

The Trustee's investment objective is to provide a product with suitable investment options from which all members can select investments which are broadly suitable for their personal circumstances at any particular time.

The Trustee's investment strategy is to invest in insurance policies issued by TOWER, which provide investment options consistent with the Trustee's investment objective.

The investment objective and strategy for each investment option is consistent with the Trustee's investment objective and strategy for the Fund.

Investment option profiles

Asset allocations for 30 September 2010 and 2009 for each of the investment options are shown below, and have been rounded to one decimal place. The actual allocations may vary from time to time due to market fluctuations and investment decisions. A limited portion of the investment portfolios may be held as cash for liquidity or other investment purposes from time to time. This cash holding is included in the asset class specified in the manager's mandate. For example, a specialist shares manager may hold some cash (within specified limits) and this would be classified as shares. If you need further information about asset allocation benchmarks and minimum and maximum ranges, please contact your financial adviser, call us on 1300 209 088 or [click here](#) and then select the appropriate investment option under 'Actual asset allocation'.

TOWER Australia Limited has engaged Russell Investments to provide fund management services for each of the investment options except for TOWER Australian Property, where fund management services are provided by Vanguard Investments Australia Limited, and TOWER Ethical Growth, where fund management services are provided by AMP Capital Investors Limited.

TOWER Balanced Growth

Investment objective	To aim to provide investors with exposure to a diversified mix of predominantly growth orientated assets with moderate to high volatility and some defensive assets.		
Investment strategy	This fund typically invests in a diversified portfolio mix with exposure to 70% growth and 30% defensive investments. Derivatives may be used to implement investment strategies.		
Investment timeframe	5+ years		
Risk and return profile	Moderate to high		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Alternatives	1.7	0.9
	Australian shares	31.8	33.2
	Cash	7.8	4.1
	Fixed Interest	25.1	26.8
	International Shares	29.4	27.1
	Property	4.2	7.9

TOWER Capital Assured

Investment objective	The option aims to provide modest investment growth over the medium term from a portfolio that invests in a range of asset classes.		
Investment strategy	The option invests in a range of asset classes, with a strong emphasis on defensive assets such as cash and fixed interest.		
Investment timeframe	3+ years		
Risk and return profile	Low		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Australian fixed interest	42.6	41.2
	Australian shares	10.7	10.2
	Cash and short-term securities	21.4	20.3
	International fixed interest	21.3	21.8
	International shares	4.0	4.0
	Property	0.0	2.5

TOWER Conservative Balanced

Investment objective	To aim to provide investors with exposure to a diversified mix of defensive and growth orientated assets with some volatility.		
Investment strategy	This fund typically invests in a diversified portfolio mix with exposure to 50% growth and 50% defensive investments. Derivatives may be used to implement investment strategies.		
Investment timeframe	3+ years		
Risk and return profile	Low to moderate		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Alternatives	1.6	0.4
	Australian shares	22.2	22.9
	Cash	18.6	13.5
	Fixed Interest	34.3	37.0
	International Shares	19.1	19.5
	Property	4.2	6.7

TOWER Growth Maximiser

Investment objective	To aim to provide investors with capital growth over the long term by focusing on growth assets, while accepting fluctuations in capital values in the short term.		
Investment strategy	This fund typically invests in a diversified portfolio mix with exposure to 90% growth and 10% defensive investments. Derivatives may be used to implement investment strategies.		
Investment timeframe	5+ years		
Risk and return profile	Moderate to high		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Alternatives	2.0	0.9
	Australian shares	40.4	41.6
	Cash	4.5	1.2
	Fixed Interest	8.3	9.4
	International Shares	39.4	37.4
	Property	5.4	9.5

TOWER Security Focus

Investment objective	To aim to provide investors with exposure to a diversified mix of predominantly defensive assets and some growth orientated assets with low volatility.		
Investment strategy	This fund typically invests in a diversified portfolio mix with exposure to 30% growth and 70% defensive investments. Derivatives may be used to implement investment strategies.		
Investment timeframe	3+ years		
Risk and return profile	Low to moderate		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Alternatives	1.7	0.4
	Australian shares	14.1	14.7
	Cash	28.1	23.9
	Fixed Interest	44.4	46.5
	International Shares	8.5	8.1
	Property	3.2	6.4

TOWER Australian Fixed Interest

Investment objective	To aim to provide exposure to a diversified portfolio of fixed income securities. To aim to provide a total return, before costs and tax, higher than the fund's benchmark over the long term.		
Investment strategy	The fund typically invests in Australian government securities, semi-government and corporate securities. In addition, the portfolio may also include non-Australian governments, supranational, agency and corporate bonds, as well as mortgage and asset backed securities.		
Investment timeframe	3+ years		
Risk and return profile	Low		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Fixed interest	100.0	100.0

TOWER Australian Property

Investment objective	The fund seeks to match the total return of the S&P/ASX 300 Property Trusts Index before taking into account fund fees and expenses.		
Investment strategy	To closely track the index, Vanguard employs optimised replication techniques to select property securities.		
Investment timeframe	5+ years		
Risk and return profile	High		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Property	100.0	100.0

TOWER Australian Shares

Investment objective	To aim to provide exposure to a diversified portfolio of Australian shares. To aim to provide a total return, before costs and tax, higher than the Fund's benchmark over the long term.		
Investment strategy	The fund invests predominantly in shares or unit trusts listed or about to be listed on the Australian Stock Exchange. The fund may also be exposed to short selling.		
Investment timeframe	5+ years		
Risk and return profile	High		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Australian Shares	100.0	100.0

TOWER Cash

Investment objective	To aim to provide exposure to a diversified portfolio of investment grade cash and cash equivalents. To aim to provide a total return, before costs and tax, in line with the Fund's benchmark over the short term.		
Investment strategy	The Fund typically invests in assets such as cash deposits, bank bills, floating rate notes and other cash equivalent products.		
Investment timeframe	The expected volatility of the fund is low, so the fund is appropriate for short-term investments.		
Risk and return profile	Low		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Cash and short-term securities	100.0	100.0

TOWER Ethical Growth

Investment objective	The option aims to provide high investment growth over the long term from a portfolio of Australian shares issued by companies that take into account the wider ethical, social and environmental issues in the community.		
Investment strategy	The option invests in a range of Australian shares issued by companies that take into account the wider ethical, social and environmental issues in the community.		
Investment timeframe	5+ years		
Risk and return profile	High		
Asset allocation	Asset class	2010 (%)	2009 (%)
	Australian shares	100.0	100.0

TOWER International Shares

Investment objective	To aim to provide exposure to a diversified portfolio of International Shares. To aim to provide a total return, before costs and tax, higher than the Fund's benchmark over the long term.		
Investment strategy	The fund invests predominantly in a broad range of international shares listed on stock exchanges in developed international markets (such as countries included in the MSCI World Index). The fund may also be exposed to emerging market securities.		
Investment timeframe	5+ years		
Risk and return profile	High		
Asset allocation	Asset class	2010 (%)	2009 (%)
	International shares	100.0	100.0

Changes to investment options

We regularly review the investment options and managers offered on the ARC Master Trust (ARC) investment menu and have decided to terminate the following six investments options, effective mid-August 2010. This was communicated to you in July 2010. Below is the asset allocation of these options as at 30 September 2009.

Colonial First State Wholesale Imputation

Asset class	2009 (%)
Australian shares	99.0
Cash	1.0

Legg Mason Australian Bond Trust

Asset class	2009 (%)
Cash	4.0
Commonwealth Government and semi government bonds	39.0
Supranatural and sovereign bonds	6.0
Corporate bonds	45.0
Inflation linked bonds	1.0
Mortgage and asset backed securities	5.0

Perennial Value Shares Wholesale Trust

Asset class	2009 (%)
Australian shares	96.8
Cash	3.2

Perpetual's Wholesale Industrial

Asset class	2009 (%)
Australian shares	97.0
Cash	3.0

Platinum International

Asset class	2009 (%)
Cash	14.1
International shares	85.9

Schroder Wholesale Australian Equity

Asset class	2009 (%)
Australian and NZ shares	97.4
Cash	2.6

Changes to strategic asset allocation

About the strategic asset allocation

The strategic asset allocation (SAA) is the asset allocation that TOWER has decided is most appropriate to meet each investment option's investment objective.

As part of the ongoing monitoring and commitment to continually improve investment offerings, the asset allocation of each investment option has been reviewed. As a result, the SAA of the following investment options have been adjusted to ensure they can continue to efficiently meet the investment objective. These changes were effective the second half of 2010.

The actual asset allocation will vary from time to time based on the market movements and investment decisions within the minimum and maximum ranges listed.

TOWER Capital Assured	Original SAA (%)	New SAA (%)	Ranges Minimum (%)	Ranges Maximum (%)
Australian fixed interest	40.0	45.0	30.0	60.0
Australian shares	10.5	8.0	0.0	15.0
Cash and short-term securities	20.0	20.0	15.0	25.0
International fixed interest	20.0	20.0	15.0	25.0
International shares	5.0	4.0	0.0	10.0
Property	4.5	3.0	0.0	10.0

Risk and return profile

Volatility can be simply defined as fluctuations in the returns of an investment and is the most common way to measure the risk associated with certain asset classes. An investment which is more volatile than another is said to be riskier. This is because the greater the volatility of an investment, the greater the chance that its return could be less than expected. It is widely accepted that over long periods of time, a relationship exists between the risk and return of each investment option. Generally, the investment options with the potential for earning higher returns carry a higher risk (i.e. have higher volatility of returns). If you would like details for each of the investment options available to you as a member (including asset allocation benchmarks and ranges) call us on 1300 209 088 or [click here](#) and then select the appropriate investment option under 'Actual asset allocation'.

Multi-manager investment style

TOWER's multi-manager investment options are managed by Russell Investment Management Ltd (Russell Investments), ABN 53 068 338 974. Russell's investment strategy begins by researching some of the world's best investment managers. Managers are then selected for inclusion in the portfolios – each chosen for what Russell believes are their outstanding capabilities. These managers, with different approaches and styles to investing, are then combined together to manage portfolios of securities. It's a multi-dimensional process that provides a simple yet sophisticated investment for investors.

For nearly 40 years, Russell's extensive understanding of markets, managers and investors has enabled them to design funds that seek to deliver consistent long-term results. Through the TOWER investment options, you gain exposure to a highly awarded investment company.

Labour standards and environmental, social and ethical considerations

Other than for the Ethical Growth investment option, labour standards, environmental, social, or ethical considerations are not taken into account for the purpose of selecting, retaining, or realising an investment. Underlying investment managers may or may not take these considerations into account.

Investment in derivatives

Derivatives such as futures, forwards, options and swaps (as applicable) may be used, within agreed limits, by the underlying investment managers in managing the various asset classes. TOWER's Derivative Risk Statement (DRS) contains information about our approach to the use of derivatives. If you would like a copy of this, please call us on 1300 209 088 or [click here](#) to access a copy of the DRS.

How we manage your superannuation

Processing of contributions and withdrawals

The following section provides information about the circumstances in which we may suspend the processing of contributions and withdrawals. Our current process may differ to the description in your original product terms.

We reserve the right to suspend the processing of all contributions or withdrawals under certain market conditions or extraordinary circumstances, if in our opinion, to continue processing would not be in the collective best interests of members. If the suspension on withdrawals continues for a long period, the Trustee must seek approval from the Australian Prudential Regulation Authority (APRA). Please note that before you rollover, transfer or withdraw a benefit, you can ask us for any assistance or information on anything you are unsure of, including benefits, fees and charges, or the possible effects of rolling over / transferring your benefit.

Identification requirements

TOWER has processes in place to help to prevent unauthorised people from gaining access to your investments. However, there are some steps that individuals can take to help protect their personal information from unauthorised access or use. To view information about steps you can take to help protect your personal information [click here](#).

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (the AML/CTF Act) requires us to identify you and verify your identity when you withdraw benefits from your policy. Generally, you will need to provide certain documents (such as your passport or current driver's licence) for sighting and verification of your identity. If you do not provide identifying documents we will not be able to pay your benefit. The AML/CTF Act also imposes reporting obligations on us if we form suspicions about the identity of someone we are transacting with or about the transaction itself. In these circumstances we may decide to delay or decline to process that transaction and report it to the regulator if we are concerned that the request or transaction may be in breach of the provisions of the AML/CTF Act or cause us to commit an offence under that Act. If we take this step we will not incur any liability to you.

Unit pricing

The following section provides information about unit pricing. Our current process may differ to the description in your original product terms. We reserve the right to alter our process at any time without notice.

How unit pricing works

When you invest money in a fund, your money is pooled together with that of other members. TOWER then uses this pool of funds to buy assets which are managed on behalf of all members. All units within each unit linked investment option have an equal value. Unit prices for these investment options are determined daily (for each business day) by dividing the total net asset value of the investment option by the number of units on issue within that investment option.

The net asset value of the investment option includes the market value of the assets (including some tax benefits that may arise in the future) and provisions for fees, taxes, transaction costs and any other expenses of the fund. We use the most recent best estimate of these provisions in each day's net asset value. These estimates are updated regularly.

The only options that are not unitised are the TOWER Capital Assured investment option, which credit income via an interest rate.

Benefit payments

TOWER's current procedure is to calculate the withdrawal value using the latest available unit price at the time of calculating the payment. Our current process has been updated and may differ from the benefit calculation procedure in your original product terms.

Adjustments

Unfortunately, from time to time administration or unit pricing errors occur that may affect the value of accrued benefits in the Fund. When a material error has been identified, TOWER will adjust members' accounts as follows:

- for members who are still current, we will adjust your investment to ensure it is in the position it should have been had the error not occurred; and
- for members who have exited, compensation will be paid where the adjustment is \$20 or more.

Where an exited member has been overpaid, TOWER may seek to recover the overpayment from the Trustee. In these circumstances, the Trustee reserves its right to recover the overpayment from the exited member.

Fees

We will provide you with at least 30 days notice before introducing any additional fee(s) or before any increases (other than Consumer Price Index increases) to existing fees.

Lost members

The Australian Taxation Office (ATO) maintains a register of 'lost members'. Members may search this register to help trace any superannuation entitlements that may have been transferred to an eligible rollover fund. It is important to ensure that we are always advised of any change of address.

Unclaimed benefits

In some circumstances, your benefit in the Fund may become subject to the unclaimed money laws.

For example, if you reach the prescribed age (i.e. 65 years of age) and a benefit from the Fund is to be paid to you but we have not received any contributions or rollovers into your account in the last two years and, after making reasonable efforts and after five (5) years, we are unable to contact you about the benefit payable, your benefit will be considered as an unclaimed benefit.

We must pay unclaimed benefits to the ATO.

To claim any benefit transferred to the ATO, you or your dependants will need to contact the unclaimed money service of the ATO. The contact details are:

Call 13 10 20

Website www.ato.gov.au

On transfer to the ATO, any benefit entitlement (including any insurance protection benefit, if applicable) that you have in the Fund will cease.

Changes to lost and unclaimed superannuation rules

From 1 July 2010, in addition to the current Unclaimed Monies legislation, the government will require superannuation providers to report and pay the following accounts to the ATO as unclaimed super:

- Lost accounts with balances of less than \$200 (small lost member accounts), and
- Lost accounts which have been inactive for a period of five (5) years and have insufficient records to ever identify the owner of the account (insoluble lost member accounts).

Superannuation surcharge

The Government abolished the superannuation surcharge with effect from 1 July 2005. However, if an assessment is still outstanding, the surcharge will be deducted from your account balance. Details of any such deduction will be shown on your Annual Statement.

Approved eligible rollover fund

We are required by superannuation law to select an Eligible Rollover Fund (ERF) to which we may transfer your withdrawal benefit in certain circumstances including if:

- your address details have never been provided to us; or
- we have sent to you one item of written communication which has been returned as unclaimed mail.

Small accounts of \$1,000 or less may also be transferred to the ERF. If we pay your benefit to the ERF, you cease to be a member of the Fund and become a member of the ERF. On transfer to the ERF, any benefit entitlement (including any insurance protection benefit) that you have in the Fund ceases. You are able to transfer or withdraw your benefit from the ERF as the governing legislation permits.

The Trustee has nominated the Australian Eligible Rollover Fund as the Fund's ERF. The contact details are:

Australian Eligible Rollover Fund
Locked Bag 5429
Parramatta NSW 2124
1800 677 424

Fund Information

The Fund

TOWER Master Fund is a complying superannuation fund under the Superannuation Industry (Supervision) Act 1993.

The Trustee

The Trustee, TOWER Australian Superannuation Limited, currently has an approved guarantee from the National Australia Bank. Under this agreement, all liabilities of the Trustee incurred as a result of the Trustee fulfilling its duties to the TOWER Master Fund (and other superannuation entities of which it is trustee) are guaranteed by the National Australia Bank. This guarantee extends up to the amount of \$5 million dollars. A copy of the approved guarantee is available for review upon request by contacting us.

Indemnity insuranceance

The Trustee is covered under a professional indemnity insurance policy.

Trust deed

A legal document called a trust deed sets out the provisions that govern the Fund. The Trustee is responsible for ensuring that the Fund operates according to the trust deed and the accompanying rules and that it complies with all relevant superannuation law.

Members may inspect the trust deed at any time by arrangement with us (see Directory for contact details).

Fund review date

The annual fund review date is 30 September. This is the date each year when your account balance is valued specifically for the purpose of:

- determining and reporting your benefits to you (i.e. as at the end of the reporting period), as required by law; and
- preparing the Fund's financial accounts (see 'Financial Information' for further information) and annual return to APRA.

Please note that where applicable, your member account balance as at 30 June each year is used to determine your minimum and maximum pension levels for the financial year ahead.

Financial information

The financial accounts of the Fund are prepared in accordance with the Australian Accounting Standard AAS25 *Financial Reporting by Superannuation Plans* and within the provisions of the trust deed and relevant legislative requirements.

Members' benefits in the Fund are wholly determined by reference to life insurance policies. This means that the Fund is exempt from providing the following information to members:

- audited fund accounts, auditor's report or abridged financial information
- statement of assets; and
- details of any assets (or group of associated assets) which exceed 5% of the value of the Fund.

All administration expenses incurred in operating the Fund to date have been borne by us, and reflected in the charges appropriate to the life insurance policies within the Fund. The Trustee is entitled (and may commence) to recover reasonable expenses from the Fund by giving 30 days notice to members. Any such expense recoveries may be made by deducting the relevant amounts from the Fund's assets as a whole.

Important information about tax surpluses

The Fund is entitled to claim a tax deduction of 15% on the premiums paid for members' insurance cover. Generally, these deductions are offset against the tax that the Fund has to pay on its assessable income (i.e. taxable contributions and investment earnings). However, where these deductions exceed the amount of tax that the Fund has to pay on its assessable income, not all of the deductions will be used. In certain circumstances, the Australian Accounting Standards allow the unused deductions to be recognised as a surplus in the Fund. The Trustee has determined that a surplus will be applied towards the expenses that it reasonably incurs in the performance of its duties as trustee of the Fund.

Contact us

Enquiries

If you have a general enquiry or require further information on your membership, call us on 1300 209 088, Monday to Friday between 8:30am-6:00pm (AEST/AEDT). Alternatively, [click here](#) to email us (quoting your member number) or write to us at the following address:

TOWER Australia Limited
PO Box 142
Milsons Point NSW 1565

Complaints

If you have a complaint about the Fund please lodge your complaint in writing to the Complaints Resolution Manager at the address shown above.

If your complaint has not been resolved to your satisfaction within 90 days of lodgement, you may refer your complaint to the Superannuation Complaints Tribunal (SCT), contact details are shown below:

Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

Call 1300 884 114
Email: info@sct.gov.au
Website: www.sct.gov.au

The SCT is an independent body established by the Commonwealth Government to deal with complaints about superannuation, annuity policies and retirement savings accounts. The objective of the SCT is to provide a fair, timely and economical means of resolution of complaints as an alternative to the court system. The SCT cannot consider complaints that have not been first referred through the complaints resolution process of the provider of the product.