



Monday, 02 July 2018

Notice to members of the Australian Expatriate Superannuation Fund

Dear Member.

SIGNIFICANTLY REDUCED ANNUAL FEES AND REVISED FUNDS STRUCTURE

The primary purpose of this notice is to provide you with notice of a change to the fund fees, structure and administration, which will lead to some changes to the fund setup, due to take effect 30 days from the date of this letter. This will not have any impact on the current value of members' investment and cash holdings, and the reduction of annual fees should provide significant savings to the members going forward.

Change from unitisation to a notional allocation of returns

The previous system configuration led to the fund being setup as a unitised fund, and now with the change of administration system there is an opportunity to improve the fund structure, streamlining administration and therefore allowing for a reduction in the annual fees.

The fund structure will change from a unitised basis (where the value of a member's superannuation interest is based upon "unit prices" determined by the net value of each investment option that they are invested in), to a non-unitised structure (where the value of a member's superannuation interest will be based on the notional value of the combination of the member's account balance, additional contributions made, and the positive or negative net returns on investment).

This change will provide more transparency as investment prices will be applied directly from the fund managers' returns, with fees and taxes clearly being applied to each member account separately.

In order to accommodate the new structure members will be allocated with a new number of direct investment holdings to reflect the value of the current holdings. This change will take place 30 days from the issue of this notice.

Administration fee reductions

We are also pleased to announce that the administration fees will change from the current tiered fee:

- 1.25% p.a. \$0 - \$250,000
- 0.70% p.a. \$250,001 - \$500,000
- 0.45% p.a. \$500,001 - \$1 million
- 0.10% p.a. \$1,000,001 - \$1.5 million
- Nil p.a. \$1,500,001 +

The new monthly administration fees will be charged on the whole account balance inclusive all cash and investment holdings as follows (irrespective of your account balance):

- 0.6% p.a. for non QROPS money (Australian Super Rollovers) invested in AUD denominated investment option funds, and cash funds;
- 0.8% p.a. for non QROPS money (Australian Super Rollovers) invested partly or wholly in either:
 - o foreign currency (non-AUD) denominated investment option funds; or

- o foreign currency (non-AUD) denominated cash funds;
- 0.8% p.a. for QROPS money invested wholly in AUD denominated investment option funds, and cash funds; and
- 1.0% p.a. for QROPS money invested partly or wholly in either:
 - o foreign currency denominated (non-AUD) investment option funds; or
 - o or foreign currency denominated (non-AUD) cash funds.

This is a positive change providing you with a vehicle genuinely designed to assist you to meet your long-term retirement goals.

Exit fee changes

The Exit Fee will only apply to QROPS money. This will be known as the **QROPS Exit Reporting Fee**.

Dealing with the transfer of UK Pension entitlements overseas is a complicated and protracted process by which AESF accepts monies from UK Pension Funds. This requires a significant amount of initial work by AESF, the Trustee and other parties involved with these transfers to meet the UK requirements.

As the majority of work for this is conducted initially (upon the UK Pension transfers into the fund) there is the requirement to introduce compensation for the administrator, trustee and other parties involved with these transfers should a member decide to withdraw from the fund within the first 3 years of membership. As such a change in the exit fee for QROPS money has been introduced.

The exit fee will change from the existing \$2,200 in the first year and will now become subject to a minimum of \$1,000 or the greater of:

- 3% within the first 12 months of membership;
- 2% between 12 and 24 months of membership; and
- 1% between 24 and 36 months of membership.

After completion of 3 years' membership a QROPS exit reporting fee of \$895 will apply.

This fee will apply to QROPS money only.

Operational Risk Financial Reserve

The Operational Risk Reserve that covers risks arising from the day to day operations has been reduced from a levy of 0.10% to 0.05% annually. This is included within the monthly administration fee.

Expense Recovery

The Expense recovery fee has been changed from the current 0.30% p.a. to 0.10% p.a. This enables the Trustee to recover from the fund, set up expenses that cannot be met from the administration or investment fees. This means that current members will no longer pay the ongoing 0.30%.

Set up Fees

The foreign transfer establishment fee of \$880 has been changed and reduced to an initial setup fee of \$595, plus \$195 for each foreign transfer.



QROPS reporting fee

The QROPS reporting fee will be changed from an ongoing annual fee of \$264 (payable monthly) to an activity based report fee only charged when an ad-hoc QROPS report is required and is submitted to HMRC. This will be set at \$295 per report.

Cash Account

The cash account fee of 1.00% has been removed. Members will no longer be charged this going forward.

Members will be required to maintain a minimum balance of 2% of the fund value in the AUD denominated cash account to cover ongoing fees. Should the account balance fall below a 1% balance of the total fund, an automatic redemption will occur to bring the balance back above 2% of total investment. Investment holdings will be redeemed across their investment portfolio (as determined by the trustee).

Should a fee be required to be taken at any point and there are not enough funds held in the minimum balance then investment holdings will be redeemed across their investment portfolio (as determined by the trustee) to cover the fee and reinstate the minimum balance. If the member wishes to determine the funds to be redeemed, then it will be their responsibility to monitor the cash holdings, ensuring the amount does not drop below 1%, and to issue a redemption instruction of their own allowing a minimum of 10 working days for processing. As soon as the account drops below 1% the system will trigger the automatic redemption.

We encourage you to read the product disclosure statement on the website, and advise you that this will be updated 30 days from the date of this letter. We look forward to continuing to work with you. If you need further information, please contact member services on 1300 323 489, the office on 02 7202 0151, or email australia@ivcm.com.

Issued by: Tidswell Financial Services Ltd ABN 55 010 810 607

Disclaimer

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