



Australian Executor Trustees



Part of Equity Trustees



AET Small APRA Funds 2022/23 Annual Trustee Report

Issuer: Equity Trustees Superannuation Limited as the trustee of the AET Small APRA Funds.

Within the report you will find general and financial information relating to your SAF fund. Together, this Annual Trustee Report, and the covering letter, Abridged Financial Statements, Investment Holdings Comparison and your Annual Member Statement make up your Annual Fund Reporting Package. Information reported is in respect of the year ended 30 June 2023 unless otherwise stated.

Equity Trustees Superannuation Limited ABN 50 055 641 757 AFSL 229757 RSE L0001458
P 1300 133 472 F 03 8623 5200 Level 1, 575 Bourke Street Melbourne VIC 3000 GPO Box 2307 Melbourne VIC 3001 eqt.com.au

Contents

Message from the Managing Director	3
Key government reforms in superannuation since 1 July 2022	4
General information	5
Financial information about your fund	9
Complaints	10
Contact us	11

This report is issued by Equity Trustees Superannuation Limited ABN 50 055 641 757 AFSL 229757 RSE Licence No L0001458 as trustee of the AET Small APRA Funds. Australian Executor Trustees Limited (AET) ABN 84 007 869 794 is the administrator and custodian for the AET SAFs appointed by Equity Trustees Superannuation Limited.

The information in this Annual Trustee Report is general information only, is not intended to represent or be a substitute for financial advice, and does not take into account your financial circumstances, needs and objectives. Before making any financial decision, you should assess your own circumstances and seek advice from a qualified and registered financial adviser. You should obtain and consider a copy of the AET SAF Product Disclosure Statement available from us or your financial adviser before you make a decision about the financial product. The information is given in good faith and based on information believed to be accurate and reliable at the time of publication but to the extent permitted by law no warranty of accuracy or reliability is given.

Message from the Managing Director

Welcome to the Annual Trustee Report for members of the AET SAFs for the financial year ended 30 June 2023.

This report has been prepared by Equity Trustees Superannuation Limited (**we, our, us**), as trustee of the AET SAFs. It contains general information about the AET SAFs, including changes during the year. Your Annual Fund Reporting Package also includes your SAF's Abridged Financial Statements (ie Operating Statement and Statement of financial position and accompanying Notes).

This is the first annual report that we have prepared since we became trustee of the AET SAFs on 1 December 2022.

As previously advised to you, IOOF Investment Management Limited retired as trustee of the AET SAFs on 30 November 2022.

The superannuation industry has historically seen remarkable growth underpinned by its compulsory nature and the rising rate of contributions. While these drivers are expected to continue, there also continues to be increasing regulatory intensity, scrutiny and ongoing change with unprecedented proposed tax reforms targeting members with high superannuation account balances (over \$3million) and an increased focus on SAFs with income that may be exposed to penalty tax related to non-arm's length expenses (NALE) or non-arm's length income (NALI).

For many members, this will have been a difficult year with high inflation, increasing interest rates, the rising cost of living and conflicts around the globe dominating the headlines and leading to volatility in investment markets.

While navigating through these uncertain times, becoming trustee, we've also been strengthening governance arrangements for the SAFs so we can continue to provide quality SAF trustee services in a sustainable way and optimise outcomes for our members.

On behalf of the Board and Management, I would like to thank you for your support during our time as we continue to make changes to ensure the ongoing provision of quality SAF trustee services to you remains sustainable.

Warm regards

Mick O'Brien
Managing Director

Key government reforms in superannuation since 1 July 2022

Removal of minimum pension relief

For 2023/24, the Government has discontinued the 50% reduction in the minimum pension required to be drawn from account-based income streams that previously applied for the 2022/23 financial year.

Superannuation thresholds for 2023/24

Concessional contributions cap	\$27,500 (previously \$27,500 in 2022/23). Higher, if you have unused amounts of your annual concessional cap from previous years (subject to limits).
Non-concessional contributions cap (NCC)	<p>\$110,000 annual cap (previously \$110,000 in 2022/23) if under \$1.9m in total super (including pensions) on 30 June 2023</p> <p>\$0 if \$1.9 million or more in total super on 30 June 2023</p> <p>If individual is under age 75 on 30 June 2023, potential bring-forward:</p> <ul style="list-style-type: none"> • \$330,000 if under \$1.68 million in total super on 30 June 2023 • \$220,000 if between \$1.68 million and \$1.79 million in total super on 30 June 2023
Superannuation guarantee (SG) rate	11% (increase from 10.5% in 2022/23)
SG maximum contribution base	\$62,270 ordinary time earnings per quarter or \$249,080 pa (up from \$60,220 per quarter 2022/23)
Preservation age <ul style="list-style-type: none"> • Benefits can be accessed on retirement • 0% effective tax on withdrawals under low rate threshold 	<p>Age 58 if born from 1 July 1962 to 30 June 1963</p> <p>Age 59 if born from 1 July 1963 to 30 June 1964</p> <p>Age 60 if born after 1 July 1964</p>
Low rate cap <ul style="list-style-type: none"> • 0% effective tax on taxable component of withdrawals 	\$235,000 (up from \$230,000 for 2022/23)
CGT cap amount <ul style="list-style-type: none"> • Excluded from NCC cap 	\$1,705,000 (up from \$1,650,000 for 2022/23)
Government co-contribution income	<p>Full co-contribution – \$43,445 pa or less (up from \$42,016 for 2022/23)</p> <p>No co-contribution – \$58,445 pa or more (up from \$57,016 for 2022/23)</p>
Spouse contribution tax offset	Maximum of \$540 if annual spouse income less than \$37,000. Offset ceases at \$40,000.
Departing Australia Superannuation	35% on taxable component (65% for working holiday makers)
Payment tax rate	
Centrelink age pension age	Age was 66 and six months if you were born between 1 July 1955 and 31 December 1956 and as of 1 July 2023, if you were born on or after 1 July 1957 it is now 67.

General information

Directors of the AET SAF Trustee during the financial year ended 30 June 2023:

IOOF Investment Management Limited – 1 July 2022 to 30 November 2022

- Mr Lindsay Raymond Smartt
- Ms Beth Veronica McConnell
- Mr Steven John Schubert
- Mr Robert Andrew Bloore
- Ms Karen Nita Gibson
- Ms Jane Margaret Harvey

Equity Trustees Superannuation Limited – 1 December 2022 to 30 June 2023

- Ms Catherine Anne Robson
- Mr Paul Douglas Rogan (Resigned 16 November 2023)
- Mr Michael (Mick) Joseph O'Brien
- Ms Susan (Sue) Granville Everingham
- Mr Steven Thomas Carew (Appointed 1 March 2023)
- Mr Ellis Neville Varejes (Resigned 30 June 2023)
- Mr David Coogan (Appointed 1 July 2023)
- Mr Mark Andrew Blair (Resigned 10 February 2023)

Up to date Trustee information is available at <https://www.egt.com.au/superannuation/board-and-governance>

Trustee indemnity insurance

As trustee, we have taken out a policy of trustee indemnity insurance.

Generally, we and each of our Directors, subject to any limitation or prohibition imposed by superannuation law, are entitled to be indemnified from the assets of your SAF for all fund liabilities, losses, costs and expenses incurred in the proper exercise or purported proper exercise of our powers.

Trustee penalties

No penalties were imposed on us, as trustee, during the reporting period.

Types of benefits

The types of benefits available through your SAF include:

- retirement benefits at normal retirement age (age 65)
- any early retirement benefits
- any total and permanent disablement benefits
- any temporary disability benefits
- any leaving service benefits (resignation or termination of employment); and
- any death benefits.

The benefits specified above will generally be the sum of your accumulation account. In the event of death or disability, an additional amount representing the proceeds of insurance (if any) may be included.

Payment of the benefits listed above depends on compliance with the relevant superannuation law as well as the required condition of release being satisfied.

The benefit amounts in your Annual Member Statement are shown as at 30 June 2023 and were prepared in good faith based on information that was available to us when they were prepared. The benefit amount may be subject to change, and we reserve the right to rectify any errors or omissions that may subsequently be identified, including by way of a separate explanatory letter.

Upon request, we will give you any information you reasonably require to understand your benefit entitlements.

Death cover continuation option

If you have insurance coverage within your SAF, and you leave your current employment or close your SAF, you will need to contact your insurer about any insurance continuation option that may be available to you.

Nominating beneficiaries

The beneficiary nominations you make do not expire and we will pay the benefit in accordance with your nomination, unless a nominated beneficiary is not a dependant (as that term is defined in the superannuation law) at the time of your death. Please ensure you check and if necessary, update your nomination if your circumstances change. If you would like to make or amend a nomination, please complete the 'Change of nominated beneficiary form' available from our website at www.aetmyportfolio.com.au and forward it to us.

In the event of your death, where you do not have a nomination, or your nomination is ineffective for any reason, your benefits will be paid to your Legal Personal Representative.

Minimum cash balance requirements

The current minimum cash balance requirements are as follows:

- For member accounts under \$1 million, a minimum cash balance of \$8,000 is required.
- For member accounts over \$1 million, a minimum cash balance of 0.8% of the value of the account is required.

Operational Risk Financial Requirement (ORFR)

The Government requires superannuation fund trustees to hold adequate financial resources in the form of an ORFR to cover any losses that members incur due to operational errors. For all AET SAFs, the ORFR is met by holding trustee capital outside of the SAF. If the ORFR falls below our targets, we will approve and implement a plan to replenish financial resources to bring the ORFR back to the Target Amount. The expected period over which the financial resources will be replenished will be dependent on the quantum of the shortfall from the Target Amount as prescribed in the applicable policy.

The balance of the ORFR at the end of the last 3 financial years is summarised below:

- 30 June 2023: \$2.97M
- 30 June 2022: \$2.94M
- 30 June 2021: \$2.94M

Investment objectives

The investment objective for any superannuation fund is to maximise each member's benefits for retirement purposes, within acceptable parameters of risk and diversity.

Our minimum objective for every SAF is to achieve an average annual growth in each member's benefits, for the life of their SAF, which exceeds the increase in the Consumer Price Index (CPI) for that period.

Investment strategies

The superannuation law requires us to formulate, and give effect to, an effective investment strategy for your SAF.

To give you the flexibility to help you achieve your investment goals, we provide five model investment strategies for you to choose. When formulating these strategies, we take into account:

- the expected risk and return of each investment;
- the existing assets of the SAF;
- diversification of investments;
- liquidity and cash flow requirements; and
- current and future liabilities.

Benchmark asset allocation and investment guidelines apply to each investment strategy. The benchmark asset allocation and investment guidelines for each of the five model investment strategies are outlined on the following pages. If you would like a copy, please refer to the AET SAF Product Disclosure Statement and investment guide.

Once an investment strategy has been selected, we monitor your SAF to ensure that it stays within your selected investment strategy. In the event your SAF remains out of strategy, we will let you know and seek further instructions but if it remains out of strategy for more than 180 days, we will select another investment strategy that is more appropriate to the assets held within your SAF and notify you of the change.

Your investment strategy is disclosed in the covering letter to your Annual Reporting Pack and the implementation of your strategy is demonstrated in the Investment Holdings Comparison that also forms part of the Annual Fund Reporting Package.

Understanding investment performance

The investment performance of your SAF is driven by the investment performance of the assets of your SAF and different types of assets will perform differently in different market conditions. You get to choose the assets that your SAF is invested in and, accordingly, the investment performance of those assets is directly allocated to you. You should refer to your Annual Member Statement for the year ended 30 June 2023 for details of the investment performance of your chosen assets. The rate of allotment of net earnings shown in the Annual Member Statement is an estimate only based on information available to us, and taking into account applicable fees and costs for your SAF.

Further information on the performance of the assets in your SAF is available from your financial adviser.

Past performance is not a reliable indicator of future performance.

Strategy 1: Conservative

- **Risk** – Low – Medium
- **Usually held for a minimum of:** 1 – 3+ years
- **Objective** – To provide a low risk investment over the short to medium term by investing predominantly in defensive assets.
- **Performance benchmark**
 - Consumer Price Index +1%
- **Suitability** – This strategy is designed to suit the more conservative investor. It can be appropriate where high liquidity is required or where the SAF will have a short life span. There will generally be little or no capital appreciation.

Strategy 2: Moderately conservative

- **Risk** – Medium
- **Usually held for a minimum of:** 3 – 5+ years
- **Objective** – To provide stable returns over the medium term by investing in a diversified portfolio of defensive assets with some growth asset exposure.
- **Performance benchmark**
 - Consumer Price Index +2%
- **Suitability** – This strategy is less conservative than the ‘conservative’ strategy (strategy 1) but the potential for capital appreciation is still relatively low. Any growth will come mainly from the accumulation of income.

Strategy 3: Balanced

- **Risk** – Medium to High
- **Usually held for a minimum of:** 5+ years
- **Objective** – To provide capital growth over the medium to long term by investing in a diversified portfolio of growth and defensive assets.
- **Performance benchmark**
 - Consumer Price Index +3%
- **Suitability** – This strategy is designed to produce a moderate level of income accumulation and medium capital growth over the longer term and should also provide moderate liquidity.

Investment strategy	
Asset class	Allowable range (%)
Defensive investments	80-100
Growth investments	0-20

Defensive investments	80-100
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Growth investments	0-20
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Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	0
Cautious	10
Non-speculative	30
Property	0

Highly speculative	0
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Speculative	0
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Cautious	10
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Non-speculative	30
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Property	0
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Investment allocation	Maximum allocation in account (%)
Speculative investments	0
Cautious investments	10
Cautious & Speculative investments combined*	10

Speculative investments	0
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Cautious investments	10
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Cautious & Speculative investments combined*	10
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Investment strategy	
Asset class	Allowable range (%)
Defensive investments	55-85
Growth investments	15-45

Defensive investments	55-85
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Growth investments	15-45
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Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	5
Cautious	10
Non-speculative	30
Property	0

Highly speculative	0
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Speculative	5
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Cautious	10
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Non-speculative	30
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Property	0
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Investment allocation	Maximum allocation in account (%)
Speculative investments	5
Cautious investments	15
Cautious & Speculative investments combined*	15

Speculative investments	5
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Cautious investments	15
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Cautious & Speculative investments combined*	15
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Investment strategy	
Asset class	Allowable range (%)
Defensive investments	35-65
Growth investments	35-65

Defensive investments	35-65
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Growth investments	35-65
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Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	5
Cautious	10
Non-speculative	30
Property	50

Highly speculative	0
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Speculative	5
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Cautious	10
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Non-speculative	30
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Property	50
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Investment allocation	Maximum allocation in account (%)
Speculative investments	15
Cautious investments	25
Cautious & Speculative investments combined*	25

Speculative investments	15
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Cautious investments	25
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Cautious & Speculative investments combined*	25
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* The limits listed in the table for speculative investments still apply when applying the total combined investment allocation limit in cautious and speculative investments.

Strategy 4: Balanced to moderate growth

- **Risk** – High
- **Usually held for a minimum of:** 5 – 7+ years
- **Objective** – To provide capital growth over the medium to long term by investing in a diversified portfolio of growth assets with some defensive asset exposure.
- **Performance benchmark** Consumer Price Index +4%
- **Suitability** – This strategy is designed to achieve stronger capital growth over the long term. There is still provision for some liquidity and an income accumulation capability to enable the account to meet its ongoing commitments.

Investment strategy	
Asset class	Allowable range (%)
Defensive investments	15-45
Growth investments	55-85
Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	10
Cautious	15
Non-speculative	30
Property	60
Investment allocation	Maximum allocation in account (%)
Speculative investments	25
Cautious investments	35
Cautious & Speculative investments combined*	35

Strategy 5: Growth

- **Risk** – High
- **Usually held for a minimum of:** 7 – 10+ years
- **Objective** – To provide capital growth over the long term by investing in a diversified portfolio of predominantly growth assets with minimal defensive asset exposure.
- **Performance benchmark** Consumer Price Index +5%
- **Suitability** – The strategy has a greater focus on share securities (listed and unlisted) as well as property and investors should be aware there are greater risks involved as considerable volatility may be experienced over the short term.

Investment strategy	
Asset class	Allowable range (%)
Defensive investments	1-25
Growth investments	75-99
Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	15
Cautious	20
Non-speculative	30
Property	70
Investment allocation	Maximum allocation in account (%)
Speculative investments	25
Cautious investments	40
Cautious & Speculative investments combined*	40

* The limits listed in the table for speculative investments still apply when applying the total combined investment allocation limit in cautious and speculative investments.

Financial information about your fund

Audited financial statements

The superannuation law requires us to produce certain accounting statements for your fund each year and have these statements audited by a qualified auditor.

A redacted copy of the auditor's report is now available on request by calling us on 1800 254 180 or emailing us at aetclientfirst@aetlimited.com.au and the Abridged Financial Statements are included in your Annual Fund Reporting Package.

Allocation of earnings

Any earnings from your chosen investments are paid to your SAF and reflected in your account balance. The "New earnings" figure in your Annual Member Statement included in your Annual Fund Reporting Package represents the net investment earnings of your chosen investments after any fees and costs have been deducted from your account. Except where a SAF's investments are pooled, the details of the fees and costs deducted from your account are disclosed in the 'Detailed Member Transaction Statement' section of your Annual Member Statement. The "New earnings" figure is also net of any income tax payable or refundable.

Where the SAF's investments are segregated, the net earnings are allotted based on the individual investments held by each individual member and member account. Similarly, the fund expenses are allotted based on each individual member account balance.

Where the SAF's investments are pooled, the net earnings and expenses are allocated to members in accordance with the proportion of the member account balance held in the SAF as part of a single transaction (at financial year end) on the account. For the aggregate amount of expenses, refer to the 'Administrative fees and costs' amount shown under 'Earnings From Your Investments' in the Detailed Member Transaction Statement in your Annual Member Statement. A detailed fund level transaction listing of all expenses is available on request.

All assets are held in trust and separate accounts are maintained for each member. AET collects all fund income and records capital gains, and pays expenses.

In the "Long Term Investment Return" section of your Annual Member Statement included in your Annual Fund Reporting Package, the compound average effective rate of net earnings for your member account for the last five and ten years (or for the period of your membership if that is shorter) is shown. Past performance is not a reliable indicator of future performance.

Asset allocation

The 'Investment Holdings Comparison' report (included in your Annual Fund Reporting Package) shows the asset allocation of your SAF at the beginning of the reporting period and at the end of the reporting period.

The values shown at the beginning of the reporting period in your Investment Holdings Report are carried forward from the previous year end audited financial statements.

Illiquid investments

Illiquid investments are investments that have low liquidity, which means they cannot be easily bought or sold or quickly converted into cash. Examples of illiquid investments may include:

- capital guaranteed funds;
- certain property funds;
- unlisted unit trusts; and
- direct property.

Generally, when we receive instructions to transfer your superannuation benefits, we have 30 days to implement your request. An illiquid investment within your SAF may prevent us from processing your transfer request within the 30 day timeframe due to delays in receiving the sale proceeds from these investments.

Derivative securities

A derivative is a financial contract, the value of which depends on, or is derived from, assets, liabilities or indices (the underlying assets). Derivatives include a wide assortment of instruments, such as forwards, futures, options, swaps and warrants

Under our policy, derivatives may be used for risk management and not for leverage at a total SAF level.

However, generally, we do not allow the use of derivatives in the AET SAF for strategic portfolio management. Moreover, direct investments into futures, forwards, written call and put options including covered calls are specifically excluded.

Your SAF may be exposed to derivatives by investing in managed funds using derivatives for hedging or risk management purposes.

Management of earnings reserves

We do not maintain earnings reserves on behalf of your SAF.

Contributions

As a consequence of your membership, contributions may be made to your SAF by you, your employer, your spouse, the Government or the Australian Taxation Office if permitted under superannuation legislation.

Your employer may be required to make contributions to the SAF to satisfy the requirements of the Superannuation guarantee, Federal or State Awards, employment agreements such as salary sacrifice arrangements you have made with your employer, or voluntary contributions withheld from your salary or wages at your request.

There is currently no minimum limit on the amount of contributions that can be made. However, maximum limits do apply to the amount of contributions that you or your employer may claim as a tax deduction, or that will be eligible for other tax concessions.

Please refer to the AET SAF Product Disclosure Statement and general reference guide for further general information including information around how your contributions and/or superannuation benefits may be treated for tax. For information on how the taxation of superannuation benefits affects you, please speak to your financial and/or taxation adviser.

Complaints

If you have a complaint (or wish to obtain further information about the status of an existing complaint), please:

- call us on 1800 254 180, or
- write to us at:

Manager Customer Care
GPO Box 546
Adelaide SA 5001

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

Complaints are managed in accordance with a regulatory guide governed by the Australian Securities and Investment Commission, specifically Regulatory Guide 271 (**RG 271**). For more information on the regulatory guide, visit the ASIC website on www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-271-internal-dispute-resolution.

You have the option to lodge a complaint with the Australian Financial Complaints Authority (**AFCA**) directly rather than lodging a complaint with us, however (usually) AFCA will not consider your complaint until we've had an opportunity to deal with it. You can also lodge a complaint with AFCA if you are not satisfied with our response or if your complaint has not been resolved within the maximum timeframe prescribed by RG 271. AFCA provides a fair and independent financial services complaint resolution that is free to consumers. Time limits may apply to complain to AFCA. Please act promptly and consult the AFCA website to find out if or when the time limit relevant to your circumstance expires.

Website: www.afca.org.au
Email: info@afca.org.au
Telephone: 1800 931 678 (free call)
In writing to: Australian Financial Complaints Authority
GPO Box 3 Melbourne VIC 3001

Contact us

If you have any questions or require any further information, please use the following contact details:

Postal address:

GPO Box 546
Adelaide SA 5001

Office address of Administrator and Custodian (AET)

44 Pirie Street
Adelaide SA 5000

Trustee

Equity Trustees Superannuation Limited
ABN 50 055 641 757, AFSL 229757
RSE Licence No L0001458

Registered office address of Trustee

Equity Trustees Superannuation Limited
Level 1/575 Bourke Street
Melbourne VIC 3000

Telephone

1800 254 180

Email

aetclientfirst@aetlimited.com.au

AET SAF Website

www.aetlimited.com.au

Trustee Website

www.eqt.com.au/superannuation