

# IOOF INVESTMENT MANAGEMENT LIMITED ABN 53 006 695 021

## MINUTES OF THE ANNUAL MEMBER MEETING

### Trustee of the IOOF Portfolio Service Superannuation Fund ABN 70 815 369 818 and AvWrap Retirement Service ABN 82 004 832 237 (Funds)

Annual Member Meeting for the financial year ending 30 June 2023 held online via video conference on Wednesday 14 February 2024 at 5:00 pm (Melbourne Time).

#### PRESENT:

Lindsay Smartt	Chair & Independent Non-Executive Director
Karen Gibson	Independent Non-Executive Director
Steven Schubert	Independent Non-Executive Director
Beth McConnell	Independent Non-Executive Director
Marianne Perkovic	Independent Non-Executive Director
Mario Pirone	Independent Non-Executive Director
Anne Coyne	Chief Member Officer
Renato Mota	Chief Executive Officer
Dan Farmer	Chief Investment Officer
Frank Lombardo	Chief Operating & Technology Officer
Mark Oliver	Chief Distribution Officer
David Chalmers	Chief Financial Officer
Anvij Saxena	Chief Risk Officer
Chris Tay	Company Secretary
Sharyn Cowley	Company Secretary
Adrianna Bisogni	Group Company Secretary
Lawrence Hastings	Chief Legal Officer
Christopher Weldon	Chief Client Officer
Melissa Walls	Chief People Officer
Dean Waters	RSE Auditor
David Lewis	RSE Actuary
Mark Nelson	RSE Actuary

#### APOLOGY:

Garry Mulcahy	Chief Asset Management Officer
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#### IMPORTANT INFORMATION:

The presentations, meeting minutes and answers to member questions may contain general advice that does not take into account your objectives, financial situation or needs. Before you act on any general advice, you should consider whether it is appropriate to your individual personal circumstances. Before making any investment decision you should obtain and read the Fund's product disclosure statement which is available at <https://www.ioof.com.au/forms> or by calling 1800 913 118. Past performance is not an indicator of future performance.

The minutes include a summary of the key aspects of the presentations and the member questions submitted through the registration process and answered in the meeting. Any questions about a member's Fund account or questions of a personal nature cannot be answered during the meeting. Members can contact the Member Services team if they have questions about their Fund account or their personal circumstances.

## **INTRODUCTION AND CHAIR'S ADDRESS**

The Chair opened the Annual Member Meeting (**AMM**), welcomed all attendees present and acknowledged the traditional owners of lands on which the meeting was held.

The Chair spoke about the superannuation industry which is currently valued at \$3.5 trillion with Australia's superannuation system being one of the world's fastest growing retirement savings schemes.

The Chair provided an overview of the key change to superannuation in 2023, namely the increase of superannuation guarantee contribution to 11% and the announcement that from 1 July 2026 employers will need to pay super for their employees every payday as opposed to every quarter.

The Chair discussed the current cost of living and inflation as well as the median growth and returns of superannuation in the last calendar year being above the usual long-term annual goal.

The Chair explained the role of the Trustee in improving the Funds for members and provided examples such as the increased ways to contact the Funds through a new mobile app, newsletters, educational webinars and quarterly performance updates. The Chair advised on the enhancements of the Expand products and the industry accolades received on its products.

The Chair spoke about the role of the Trustee in providing insurance offerings for the Funds and optimising the quality of insurance cover and services.

The Chair concluded with discussing the importance of advice and the Government reforms that will assist in making quality advice affordable and more accessible.

## **INVESTMENT AND MARKET UPDATE**

Mr Farmer addressed the meeting, making the following key points:

- high global consumer inflation and the impact to the investment market performance;
- the volatility of the traditionally stable fixed interest markets; and
- the strengthening of the global share valuation.

Mr Farmer also provided an update on how the Funds have performed through this environment, the investment outlook and the approach that will be taken in managing money through the next market cycle.

## **MEMBER QUESTIONS AND ANSWERS**

The Chair opened the Member Question and Answer session and introduced the panel which included Dan Farmer and a director, Beth McConnell.

**1. *What the three most important things are that a single retiree can do to grow their money in retirement?***

**Lindsay Smartt:** Although there is no one-size-fits-all-approach when it comes to growing your money in retirement, there are some key things that can help improve retirement outcomes.

Firstly, it's important to focus on diversifying investments to minimise risk. Secondly, sticking to a realistic budget for your personal retirement income and cutting costs where you can, and thirdly, consider getting financial advice and a personalised retirement plan that can provide you with guidance on your investments and adapting to changing circumstances.

**2. *What are the related party payments amount, that was involved in the invitation to this meeting, cover?***

**Beth McConnell:** For context, IOOF Investment Management Limited, or IIML as we refer to it, as the Trustee of your super fund, outsources the provision of a range of services for members to related parties, rather than directly employing any individuals or parties that are not related. Some funds use unrelated parties, but we use related parties that share our collective mission. These outsourced services are important to run the super fund such as administration or investment services. The related party payments relate to these services and include investment management costs, directors' and Board committee fees, insurance services, financial planning, and other member services.

IIML has responsibility for approximately 208,000 members. The related party payments for the last financial year were equal to approximately \$593 per member.

**3. *Why do the MultiSeries 30 investment options have negative returns when they have a conservative strategy?***

**Dan Farmer:** MultiSeries 30 (which is one of our lower cost diversified funds) delivered a positive return of around 4% for calendar year 2023, and looking back it's delivered positive returns consistently over longer-term periods.

As the question rightly points out, portfolios with a conservative investment strategy like MultiSeries 30, are designed to have a low probability of delivering negative returns, but as with most investments, that doesn't mean a negative return isn't possible.

As the question pointed out, we did see periods of negative returns through late 2022 and early 2023 for MultiSeries 30, much of this was due to negative bond returns resulting from the upswing in yields that I mentioned in my talk earlier.

So while short periods of negative returns like this can happen from time to time, to date there has never been a negative rolling 3-year return for MultiSeries 30.

And as we know, superannuation is a long-term investment, and so we set our investment strategy with a long-term view to support you into retirement.

**4. *What makes a balanced investment option?***

**Dan Farmer:** Balanced options generally refer to investment options that hold a mix of both growth investments (like shares, private equity, property) and defensive assets (like cash, bonds, and fixed interest).

There's no hard definition for the exact split of the assets, but typically a balanced fund will hold between 50 to 80% in growth assets, with the remainder in defensive assets.

Now for our Balanced option, we've taken the approach of 70% in growth assets and 30% in defensive.

Overall, balanced options are a good way to get a well-diversified mix of investments like shares, property, infrastructure, alternatives, fixed income and cash.

**5. *What are the key things to think about when planning for retirement?***

**Beth McConnell:** I am not a trained financial adviser but I am happy to share some high-level reflections.

Retirement is different for everyone. Transitioning to retirement requires careful planning and we do recommend that you seek professional guidance. There are a range of things to think about, such as, your financial situation, your savings and any investments. Do you have a budget, any debts that you need to pay or have an emergency fund? And importantly, would you be eligible for the aged pension?

The Fund website has some valuable insights into retirement planning. You can also contact the Fund to book an appointment with a financial coach.

**6. *Is there a plan to provide the option of Excel format reports rather than PDF?***

**Beth McConnell:** Yes. We don't have an exact timeframe at this stage, but our goal is to enhance our reporting this year.

**7. *How does the shift towards renewable energy and decarbonisation and along with the inevitable rise in energy costs, impacts Shadforth's investment strategies in decision making?***

**Dan Farmer:** We take an evidence-based approach to investing in all our funds, which really just means our investment decisions are rooted in rigorous research and evidence, and we look through any prevailing market sentiment.

As the question points out, one of the genuine trends we're seeing is the accelerating shift towards renewable energy and decarbonisation. In response to this our investment managers, along with the investment team, are monitoring this shift, and we seek to incorporate this as one component of our overall decision making. The transition to renewables presents many opportunities and risks at the individual company level. In our equity portfolios, several managers hold investments in lithium and other rare earth producers supporting electrification and storage. Likewise our infrastructure portfolios have investments in renewable energy generation via wind and solar.

As with all our investments, they're selected with the goal of delivering attractive returns to our members with an appropriate level of risk. There's always a multitude of trends & shifts influencing future returns, and we aim to strike a balance to deliver strong long-term returns.

**8. *Could you provide more information on the sustainability strategy in the investment choices?***

**Dan Farmer:** We recognise that sustainability issues can influence the long-term risk and return potential of many investments, hence we look to build consideration of these issues into our decisions making.

We practice responsible investment, which for us has two key pillars. The first is seeking to identify and consider ESG issues when we are making our investment decisions. The second is being active stewards of our clients' money, for example doing things like voting at AGM's when we have that right to, and where possible, engaging with the managers of our underlying investments to try and ensure they are also considering these ESG issues.

Avoiding investment in particular types of companies with ESG issues isn't really considered a contemporary, or particularly effective, approach to dealing with these issues. The reason being that as investors we are in a position where we can actively engage with these companies to try and positively influence certain ESG issues, as compared to divesting, and leaving this to shareholders who may not care about progress or act to address the issues.

**9. *What is the Fund's strategy for addressing the risks of AI?***

**Beth McConnell:** Artificial Intelligence is a 'hot topic' for us all, including market participants and technology stocks over the last year. There are certainly benefits, efficiency and cost reductions, lack of bias, performing menial analytical tasks 24/7 and reducing human error. But we also need to be cautious of the risks, such as ethics around personal data, human job loss and more recently the ability for fake images and language to circulate quickly on social media.

We are working with all of our relevant global equity investment managers. Our team regularly discusses and reviews these holdings with a particular focus on ESG. And we have on occasion, voted against a number of management resolutions at companies like META (formerly Facebook) where we didn't believe some of their proposals were in the best interests of our members.

We will continue to monitor these holdings and the development of AI closely.

**10. *Will this meeting be available to stream to watch at another time?***

**Lindsay Smartt:** A recording of the meeting will be available on our website within one month of this meeting.

**11. *Do financial advisers attend this meeting?***

**Lindsay Smartt:** Although the purpose of the meeting is to provide an opportunity for members to ask questions to their super fund, it's open to anyone who wishes to attend.

**12. *Given the high price-earnings ratio on most shares, is it the view of our team at IOOF that these are the new norm or that ultimately, the market will correct. If the view is that the market will correct, what are the likely circumstances that would trigger a correction?***

**Dan Farmer:** Shares do look expensive in some sectors given their current high price to earnings ratios, or P/E ratio for short. It is important to remember that P/Es aren't high across all companies and sectors, which re-enforces our view of being well diversified and keeping well balanced portfolios.

Looking back on history we see that P/E ratios do tend to gravitate back towards their long run averages, so we do not see the current high P/Es as the new normal.

Now, P/Es can gravitate back to long term averages in two main ways. First share prices can fall, which is the correction scenario referenced in the question, and secondly the earnings of companies can improve, in other words the E in P/E goes up, rising earnings is the more pleasant way for P/Es to normalise.

As we talked about earlier, we expect to see a fairly resilient economy ahead, but some slowing in economic growth is still likely and this would mean only modest earnings growth over the period ahead.

Given this view, we are taking a neutral to mildly cautious view on global share markets over 2024, in part due to the pockets of high valuations the question pointed to. Again, we always work to make sure our portfolios are well diversified, to support consistent good returns through time.

- 13. *Given that income protection ceases at 65 while the retirement age currently stands at 67, will the fund align these ages by extending income protection to age 67.***

**Beth McConnell:** We are currently looking at when insurance coverage stops for a range of our super products as part of a thorough review of our insurance offering in our products. We will weigh up the impact of the rising retirement age and how insurance premiums affect retirement benefits before deciding on any changes to our products.

- 14. *Will there be any more investment options added and will reinvestment plans be reintroduced?***

**Dan Farmer:** Firstly, we will soon be introducing a variety of Separately Managed Accounts to the menu, and these can be a great way to invest directly in shares coupled with the benefits of professional investment management. Expand Extra already offers a really diversified menu, including around 600 managed funds, listed securities from the All Ordinaries, a range of exchange traded funds, and term deposits.

Secondly, currently there are no plans to introduce dividend reinvestment plans, but we are always reviewing the features of our products so this may change in the future.

- 15. *Can you briefly explain the new tax on superannuation monies over \$3M and confirm when this will start.***

**Beth McConnell:** About a year ago, the Government shared plans to limit tax benefits on certain high-balance super accounts starting 1 July 2025. If this becomes law, it might impact estate and superannuation planning for people with higher super balances.

Right now, the tax on earnings while you are working (known as the accumulation phase) is capped at 15%. With the proposed changes, any earnings on super balances above \$3 million in the accumulation phase could face a higher tax rate of 30%. This is still a proposal and certain details have not been shared yet. We recommend speaking with your adviser to understand how it might affect your specific situation.

**16. *What is the fund's approach to implementing the Retirement Income Covenant legislation, in particular how the fund is guiding retirees on managing their super during retirement?***

**Beth McConnell:** We offer a wide range of products and services to members as they approach and enter retirement including webinars and seminars, access to personal advice, and digital tools and information.

We are also continuing to work on new initiatives to broaden the reach of advice and improve member experience as they go through their personal retirement journeys.

**MEETING CLOSE**

The Chair advised that minutes of the meeting, responses to questions submitted but not answered during the meeting and a recording of the meeting would be available on the Fund's website within one month of the meeting.

The Chair thanked everyone for attending and submitting questions. He also thanked members for trusting the Trustee with their superannuation.

The meeting closed at 5:49 pm.



Lindsay Smartt

Chair of the Board

IOOF Investment Management Limited

5 March 2024