IOOF PORTFOLIO SERVICE SUPERANNUATION FUND

MINUTES OF THE ANNUAL MEMBER MEETING

IOOF Investment Management Limited ABN 53 006 695 021

Trustee of the IOOF Portfolio Service Superannuation Fund ABN 70 815 369 818 (Fund)

Annual Member Meeting for the financial year ending 30 June 2021 held online via video conference on Thursday 3 March 2022 at 5:00 pm (Melbourne Time).

PRESENT:

Lindsay Smartt	Chair & Independent Non-Executive Director
Andrew Bloore	Non-Executive Director
Carolyn Colley	Independent Non-Executive Director
Karen Gibson	Independent Non-Executive Director
Jane Harvey	Independent Non-Executive Director
Martin Walsh	Independent Non-Executive Director
Renato Mota	Chief Executive Officer
Dan Farmer	Chief Investment Officer
Mark Oliver	Chief Distribution Officer
David Chalmers	Chief Financial Officer
Lorna Stewart	Chief Risk Officer
Sarah Burley	Chief Member Officer
Chris Tay	Company Secretary
Sharyn Cowley	Company Secretary
Christopher Wooden	RSE Auditor, KPMG
Darren Ball	RSE Auditor, KPMG
David Lewis	RSE Actuary
Peter Crump	RSE Actuary
Mark Nelson	RSE Actuary
Steve Black	Head of ESG
Anthony Caneva	General Manager of Member Engagement & Wellbeing
Genevieve Frost	Business Development Manager
Michelle Stone	Principal Owner & Lead Financial Adviser, Feel Good Financial Planning

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.

WELCOME 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 role of the Trustee in protecting the benefits of members and working to deliver improved outcomes for members.

The Chair discussed how members were part of one of the five largest superannuation organisations in Australia, with well over two million members. He discussed the additional layer of protection members received from the reporting and disclosure requirements of Insignia Financial Ltd (**Insignia Financial**), as a listed company, and the benefit to members from the company's ability to raise capital and invest in product and service development.

The Chair also discussed how the trend of consolidation in superannuation can advantage members over the long term, as scale can bring more value and benefits for all members. He noted that investing in superannuation was paying off for Australians and will help them active their retirement plans, with returns from the median growth fund significantly outperforming inflation over the last 20 years.

FUND AND MARKET UPDATE

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

- the impact of world events on investment markets;
- IOOF's focus on long-term investment outcomes;
- the wide diversification in IOOF's portfolios;
- IOOF's approach to managing investment risks and opportunities;
- the continuing focus on responsible investing and ESG; and
- further strengthening of the investment team through Insignia Financial' s acquisition of MLC.

MEMBER INITIATIVES

Mr Oliver addressed the meeting and discussed the following key points:

- the benefits of Insignia Financial's increased scale, including wider expertise in the investment team and the ability to negotiate lower investment management fees and insurance premiums;
- the ongoing enhancements to personal service, digital tools and technology to respond to members' super questions; and
- the improvements to modernise older super products.

SUSTAINABILITY

Mr Black addressed the meeting and spoke about Insignia Financial Group's approach to sustainability:

- it believes in the science of climate change and supports the effort to get to net zero emissions by 2050;
- it considers the climate impact of our investments across the Fund's portfolios and measures the impact of our own operations on the environment;
- it takes all ESG risks seriously and applies them in specialist ESG funds, when managing money directly and when using external managers; and
- it drives sustainability both by selecting investments that are good opportunities and have outstanding ESG characteristics, and by engaging with companies that are taking action to improve their ESG and sustainability performance.

FINANCIAL WELLBEING PANEL DISCUSSION

Mr Caneva, Ms Frost and Ms Stone addressed the meeting and provided some information and tips on how members can make the most of their money, including:

- think about your money personality and how it affects your behaviour towards money;
- get a clear idea of where you are with your super now;
- think about the retirement you want, what will it look like?;
- use some of Insignia Financial's digital and phone-advice tools to see what actions will get you closer to your retirement goals; and
- a reminder that it's never too late to get your finances right, and that this is particularly important for women.

MEMBER QUESTIONS & ANSWERS

The Chair opened the Member Question and Answer session.

1. ***Can you comment on the unfolding situation in the Ukraine?***

   Dan Farmer: Events are literally unfolding as we speak. First and foremost, the invasion of Ukraine is a traumatic humanitarian event for those directly or indirectly involved and our thoughts really go out to all of those that are impacted.

   In terms of what the invasion may mean for markets, we must consider the impacts of this in the context of the broader economic outlook, which I touched on earlier. There's no doubt at all that the Russian invasion of Ukraine makes the outlook for markets cloudier. One of the key issues it raises is, it puts upward pressure on inflation. Russia's actions could really just put more momentum in that upward inflation pressure. This pressure will come via sanctions, rising energy prices and just adding further disruptions to supply chains, which is already adding pressure to inflation. More inflation pressure just means it's much harder for central banks to actually keep inflation under control without causing the economy to stall. Rising energy prices and negative impacts on confidence from the invasion could also crimp demand and growth. At the moment, we think the risk of stagflation, a period where we have high inflation and low economic growth, has become a little more elevated at the moment, although it's not our base case. If we look at specific markets and what this might mean for individual markets. One thing we can say for sure is that markets just don't like uncertainty and the Russian invasion, and particularly the resulting financial sanctions, are clearly adding a lot of uncertainty to markets at the moment. Now there is uncertainty around the impacts of locking Russia out from SWIFT, which is a global payment messaging system, and also Russia's own capital controls. These controls have caused worries about unintended consequences on the financial system. We've seen investors initially move to safe haven assets like cash, gold and safe currencies like the Swiss Franc, and the potential impact on energy prices and energy supply in Europe is a really big focus of the markets. We've already seen oil prices spike well above $100 on the invasion, and again, this is just adding to those inflation pressures. I think it's important to just remind ourselves that Russia provides around 40% of the European natural gas supply and about 30% of Europe's oil supply.

   Now, when we look at equity markets, they have been quite volatile following this event, as you'd expect given the heightened uncertainty. But surprisingly, we have seen equity markets rally hard the day after the invasion. We actually saw equities rally again last night. It's interesting to think about what's driving this market reaction because it feels quite counter-intuitive and probably one of the key reasons we've seen equities rally is markets taking the view that central banks may delay raising interest rates given the level of uncertainty we're seeing. Last night we saw another example of that with US Federal Reserve Chairman Jerome Powell indicating he may not raise interest rates as aggressively in March 2002. As the Russian invasion becomes a more prolonged event, this uncertainty weighing on equity markets will just increase. How the invasion itself may play out is still pretty unclear. At the moment it seems likely, at least for the immediate future, that

Russia's ambitions will probably be limited to the Ukraine and building a friendly buffer state, really, between Mother Russia and the NATO countries along its border. However, clearly, a lot is yet to come.

Importantly, I want to touch on what does this Russian invasion of Ukraine potentially mean for your funds? The first thing I wanted to point out is we have a very small exposure to Russia in our funds. Secondly, the situation at the moment is very complex and a very evolving and dynamic situation. The capital controls and the lock-out of SWIFT is making movement of money and movement of assets in Russia quite challenging. I want to reassure members that the team is working incredibly closely with our investment managers to try and ensure that we really maximise the long-term return to our members. We continue to monitor the situation and work very closely with our managers. Again, as we said at the outset, our thoughts are with the people of Ukraine and that they stay healthy and loss of life is limited.

2. ***Why do we have these frequent member meetings regarding our superannuation investments?***

   Lindsay Smartt: Our annual member meetings are all about understanding what matters to you, our members. It's about allowing you to hear from the trustee and the executives and to reflect on what was achieved for you in your super in the last financial year and also the outlook for the next 12 months. These meetings also, importantly, give you an opportunity to ask questions about topics that are of interest to you, such as investment performance.

3. ***Are we investing in fossil fuel and if so, when is that going to stop?***

   Steve Black: Within our responsible investment framework, we do have the ability to exclude companies or even whole industries based on poor ESG performance or ESG factors. However, we don't currently exclude investments in fossil fuel industries. I mentioned earlier in my presentation that we do believe in the science behind climate change and the long-term effects that this may have on members' portfolios. So as a result of that, we do track the carbon footprint for an increasing number of our investments within our portfolios, and we engage with those fund managers and in some cases companies where appropriate to understand their emission reduction plans. We're also regularly reviewing our responsible investment approach within our Responsible Investment framework, and we're consulting with groups, external groups such as the Responsible Investment Association of Australasia(**RIAA**), to ensure we're meeting our members' expectations and needs in this space.

4. ***What is the performance of this fund like compared to others?***

   Dan Farmer: As I mentioned earlier in my presentation, we do have many investment options on offer for our members. The IOOF Balance Investor Trust (**IBIT**),is our default fund which many members are in. This fund has performed really quite well compared to other similar funds. If we look at the SuperRatings Balanced Fund Survey to December 2021, the SuperRatings survey contains over 180 similar super fund products. Looking at this survey over the last three years, IBIT has been in the second quartile of this survey. This simply means that IBIT performed better than the average comparable fund over the last three years. IBIT has also performed well over the recent very volatile periods where we've seen inflation start to re-emerge. IBIT is again second quartile over the last six months to December 2021, so again, above the average fund. I mentioned awards in the presentation and IBIT along with its sister trust, the MultiSeries funds, have won a number of awards over the last couple of years. IBIT won the 2021 Money Management Fund Manager of the Year Award in the Multi Asset - Balanced category. That is a very good award for this fund.

   If we look more widely at the other funds, the investment teams manage our MultiMix funds, which are also used by many members and are really our longest running series of funds, have also performed really well compared to other funds. In the SuperRatings Survey to December, all MultiMix diversified funds are in the first or second quartile over 3, 5, 7 and 10 years, so have really good performance against peers over long periods. We have just been informed that Canstar has awarded our MultiMix and MultiSeries funds, the best managed fund offering in the Multi Sector category again for 2022. That's two years in a row we've won that Canstar award. I hope this provides some comfort our funds are competitive to other comparable funds but, as always, our key goal is really to grow our members' savings over the long term to help support a comfortable retirement.

5. ***Please clarify IOOF's policy in relation to the payment of account-based pension super payments to their nominated beneficiaries upon the death of the account holder, if they hold a non-lapsing, binding death nomination. In addition, is the payment to beneficiaries using a non-lapsing, binding death benefit nomination 100% included in our trust deeds as payable to these beneficiaries?***

   Mark Oliver: Many people can easily get confused by the differences between the different type of death benefit nomination. Members can nominate their dependants or their legal personal representative to receive the benefits in the event of their death. They can do that in what they call a non-lapsing, binding death benefit nomination. If the trustee consents to that nomination, which they'll do so fairly quickly after the nomination is made, on the death of the member, the trustee will pay the persons nominated in the proportions that are specified in the death benefit nomination. As the name suggests, a non-lapsing binding death benefit nomination does not lapse unless it's updated or altered, and it continues until its revoked. Under the Fund's trust deed, the trustee can only take back that consent after the death of a member if the person nominated dies before the member has died or the person is no longer legally a dependant of the member.. For example, that might happen if the member nominated their spouse but they then divorce. This is a legitimate reason why you might want to reconsider a non-lapsing binding death benefit nomination, but there's very little in the way of circumstances that the trustee could otherwise reverse that decision.

6. ***What is your opinion in investing in property over the next five years given that there's been a lot of media around major banks indicating interest rates may rise and in turn property values perhaps will drop?***

   Dan Farmer: I think you're right that mortgage rates in Australia are likely to rise. As we've noted throughout the meeting today, central banks are out there fighting inflation and need to increase interest rates in order to try and control inflation. If we look at the Australian markets, we're pricing in four, 25 basis point increases to the cash rate over the next year. This really means that variable mortgage rates will likely rise from their very low levels currently and perhaps even get back to the 4% or 5% level over the next couple of years.

   Now often when people talk about the outlook for property, they really think about residential property only. Its important particularly for funds like us to recognise that there are many different types of property across many regions and right around the globe. Our funds invest both in direct and listed property funds here and overseas. Our funds also invest in many types of property such as industrial, office, retail and residential property. We also look at even more niche property opportunities such as logistic centres and medical centres and self-storage. Our investment managers are continuing to find opportunities in more resilient property sectors with good, long-term, secure tenants.

   If we perhaps focus in on higher rates and what that might mean for residential property here in Australia, which I think is probably the thrust of the question, many factors influence the performance of property prices and there's always pros and cons and lots of different opinions about where property prices are going. Perhaps if we just look at the cons first, rising interest rates are a clear headwind for residential property prices and higher mortgage rates will just reduce the borrowing capacity of buyers, which in effect means it reduces the amount they can pay for property. Macroprudential regulations are requiring banks to build in bigger buffers on how much they can lend. As interests rates rise, these buffers will also limit how much people can borrow. A less direct impact of higher interest rates is as rates go up, other forms of savings, such as term deposits, start becoming a more attractive alternative to buying an investment property, particularly for those investors that are looking for stable income. As we all know, and it's a very common topic of conversation, Australian property prices have risen significantly over recent periods and now we're seeing these higher property prices becoming quite prohibitive for many new entrants into the market. One thing we're watching particularly closely is those recent entrants to the property market who have really had to stretch themselves in terms of borrowing to pay these high prices. These recent entrants may find these rises in mortgage rates particularly painful. There's definitely some headwinds and negatives against residential property outlook at the moment.

There are also positives. If you look at the pros, we think there's a good chance that wages may continue rising here in Australia and this just provides more borrowing capacity to buyers, again offsetting some of that negative effect on interest rate increases. Now we're entering a post-COVID world and lockdowns easing, immigration will pick up again and this helps support housing demand as we just get more people in the Australian economy. Australians have done a good job building up their household balance sheet through the COVID lockdowns and the household finances are in pretty good shape now to withstand some higher rates. So we think overall, rising mortgage rates will be the key driver and prove a headwind for residential property here in Australia.

It's unclear whether we'll see a significant fall, as the question hinted at, but what we can say with a degree of confidence, it's quite hard to see a continuation of the really significant gains we've seen over recent periods. Now in all these sorts of discussions where we're looking at particular asset types, we acknowledge that everyone's circumstances are different. As with all sorts of personal investment decisions, we would recommend members seek professional financial advice before deciding where to invest.

7. ***Are eXpand and IOOF the same company?***

   Lindsay Smartt: They are part of the same family. Let me explain. eXpand consists of eXpand Super and eXpand Pension, which are superannuation and pension products forming part of the IOOF Portfolio Service Superannuation Fund, and I'm the Chair of the trustee of that Fund. eXpand Investment is what we call an Investor Directed Portfolio Service , which is operated by IOOF Investment Services Ltd. These entities are all members of the Insignia Financial Group, previously known as IOOF. The extensive eXpand investment menu allows members' financial advisers to design unique portfolios tailored to members' personal objectives.

8. ***Why has IOOF changed to the eXpand platform?***

   Mark Oliver: IOOF has previously operated two technology platforms, to offer products to members. As a result we have had multiple products on more than one technology service. Managing all of our members on one platform through a simplified product set really allows us to reduce the cost to serve and make sure that our additional effort goes into improving that product to improve the experience for all members. The eXpand product provides that improvement for our members and is part of our ongoing commitment to improve our products. Some of the benefits you'll now see in eXpand versus some of the older products are improvements in things like online security, stronger passwords, two factor authentication and using your telephone, if you like, as a secondary means for a code to access your account. Easy access to your account really comes in the form of being able to do it on an iPhone or a tablet or a desktop PC. All of these enhancements have been possible, including some interactive charts, improved communications and annual statements. Finally, to my earlier point around straight through online beneficiary nominations, the new technology is giving you access to much more contemporary set of services, and that's really emblematic of where IOOF is keen to take the services into the future for you.

9. ***How are managed funds selected for inclusion in our choice menus?***

   Dan Farmer: At Insignia Financial there's a specialist research team which supports the selection of managed funds on our menus, and this research team employ a really comprehensive set of criteria when considering whether they should add a managed fund to our menu. To give you a flavour of the sort of things the research team looks at when they're considering managers, they're looking for managers with a strong investment capability, deep experience in markets and a strong track record. They're also looking for managers with strong governance and operational processes and procedures to make sure these managers can meet their regulatory requirements. A favourable independent research house rating is really important, and gives that independent outside view of the managed fund. Having funds with a competitive fee structure is also clearly important. The team also spend a lot of time considering how the new managed fund or manager complements the range of asset classes and strategies already available on the menu to give our members a good cross-section of opportunities. As Steve Black talked about before, environmental, social and governance considerations are really becoming increasingly important also. Just within the investment lens, we're seeing evidence building that improving ESG outcomes is associated with a superior risk adjusted return over the long run. So, the team considers ESG issues wherever possible when selecting, retaining or removing fund managers from the investment menus. Options on the choice menus are also reviewed by our specialist Board Investment Committee, which supports the Trustee in monitoring and reviewing these funds. There is a really comprehensive process for managed funds to be included on our choice menus.

10. ***What do you think the consequences will be if the Government allows superannuation to be used as a deposit for first home buyers?***

    Lindsay Smartt: The Government currently allows members to apply for the early release of their voluntary contributions to help purchase their first home through the first home super saver scheme, but this is subject to certain requirements. We release the funds once we get a proper authority from the ATO and we're supportive of this and other existing early release arrangements, including financial hardship. However, we strongly believe that superannuation should primarily be preserved for retirement.

11. ***What is the outlook for investments given the world circumstances and how much reliance is there on international versus Australian shares?***

    Dan Farmer: I won't go over the economic outlook again, but will focus in on the question of reliance on international and Australian shares. As I've touched on a couple of times, diversification is really key to how we manage risk in our portfolios. In our multi-asset class portfolios, we have many layers of diversification and we invest in many different asset classes, including international and Australian shares, but we're certainly not limited to just those exposures. Now in our high growth portfolios we do have higher allocations to equity markets and this is so we can generate a higher expected return, although this comes with a higher level of short-term risk. Just to give you an example, in IBIT we have about 51% invested in equity markets plus some smaller allocations to listed property. Now I think it's important to note that within our equity portfolios we are still well diversified so in the IBIT equity allocations we have over 2,000 individual companies and we also have allocations to specialist managers in what we think are attractive niche segments of the equity market such as small companies and emerging markets. To get to the heart of the question, we don't just rely on equities to drive high returns for our growth funds. We look for strong returns from alternative strategies along with real assets such as direct property investments. So, while equities are undoubtedly an important building block in our diversified funds, we're always out there looking for sensible diversification opportunities to control risk.

12. ***Are Dividend Reinvestment Plans (DRPs) able to be reintroduced to the IOOF superannuation schemes?***

    Mark Oliver: We've got a very big program of enhancements and work to continue to uplift the experience for our members. We're keen to do this across our products, including the introduction of a mobile app this year. DRP has been available on some products in the past. It has tended to have lower usage, but is certainly something that we're keen to get around to in the medium term. So, watch this space on that one.

13. ***What legislative changes are you anticipating in the next 10 years that could affect performance? What are the key legislative changes that have been introduced in the last 12 months and what impact have these changes had?***

    Lindsay Smartt: 10 years is a long time. In recent years though, with vehicles like the Retirement Income Review and the 2021 Intergenerational Report and various other pieces of legislation, there's been a lot more focus on getting a more efficient and effective superannuation scheme. Under the banner of the recent Your Future, Your Super reforms, changes included stapling member contributions to members' existing super accounts and the performance test. You might have seen some recent publicity on this. Importantly, the legislative obligations on trustees is to make sure that every decision that we take as your trustee is made in the best financial interests of members. There's also, in a separate piece of legislation, design and distribution obligations that have been introduced. These are welcome reforms because they're all about better outcomes for members. We expect both sides of politics will continue to focus on better member outcomes, which may mean more changes, but also hopefully allow some time for these recent reforms to be properly bedded down. Another recent change in legislation was the abolition of the minimum threshold of $450 salary per month before superannuation guarantee contributions are payable. An outcome of all of these reforms is that we're likely to see continued consolidation in superannuation funds across the industry.

Ms Frost 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 responses to questions not answered during the meeting are an attachment to these minutes.

MEETING CLOSE

The Chair thanked everyone for attending and submitting questions. He also thanked members for trusting IOOF Investment Management Limited with their super.

The meeting closed at 6.13 pm.

Lindsay Smartt

Chair

23 March 2022