OASIS SUPERANNUATION MASTER TRUST

MINUTES OF THE ANNUAL MEMBER MEETING

Oasis Fund Management Limited ABN 38 106 045 050
Trustee of Oasis Superannuation Master Trust (Fund)

Annual Member Meeting for the financial year ending 30 June 2021 held online via video conference on Wednesday 2 March 2022 at 6.00 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	Partner, KPMG
David O'Keefe	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 circumstances. Before making any investment decision you should obtain and read the Fund's product disclosure statement which is available at https://www.wrapinvest.com.au/wealthtrac, www.wrapinvest.com.au/voyage 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 could not be answered during the 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 then 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;
- IOOF's approach to managing investment risks and opportunities; and
- the continuing focus on responsible investing and ESG.

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:

- Insignia Financial 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 our portfolios and measured the impact of our 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;
- 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;
- 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 it's particularly important for women.

MEMBER QUESTIONS

The Chair opened the Member Question and Answer session.

1. ***What impact is the unfolding tragedy in the Ukraine currently having and expected to have on investment markets?***

   Dan Farmer: First and foremost, the invasion of Ukraine is a traumatic humanitarian event for those directly involved or even indirectly involved. Our thoughts go out to all of those impacted. When we think about what this means for investment markets, we really think about the impacts of this in the context of our broader economic outlook, which I touched on in my speech. There's no doubt that the Russian invasion of Ukraine makes the outlook a lot cloudier. One of the key things that immediately jumped out to us is the invasion is likely to put upward pressure on inflation. We think Russian actions are just going to add to that inflation pressure we were talking about earlier and inflation pressures is going to come via sanctions, rising energy prices that we're already seeing and just adding further disruption to supply chains that are already disrupted post-COVID. So more inflation pressure just means it's much harder for central banks to keep inflation under control, and particularly under control without causing economies to stall.

   On top of this, rising energy prices and the negative impacts on confidence that the invasion will cause may crimp demand and growth. We think the risk of stagflation has become a little more elevated. Stagflation is a period of high inflation and slow economic growth simultaneously. If you look at specific markets more closely, one thing we can say with absolute certainty is markets don't like uncertainty, and the Russian invasion, and particularly the resulting financial sanctions, are clearly adding to uncertainty in the market. There's a lot of uncertainty around the impacts of locking Russia out of SWIFT, which is a global payment messaging system. Russian themselves are putting capital controls on markets. This has caused relatively widespread worries about unintended consequences on the financial system. We've seen investors initially move to safe haven assets like cash and gold, and safe currencies like the Swiss Franc.

   The potential impact on energy prices and energy supply in Europe is really a big focus of markets. We've already seen oil prices spike above $100 with the invasion and this itself is just driving further inflation pressure. I think it's important to remember that Russia provides about 40% of the European natural gas supply and around 30% of its oil supply. These potential disruptions to energy supplies to major European economies could severely impact their economic growth and have wider knock-on impacts. Some of you might have noticed that equity markets have actually moved higher in some cases post the invasion and surprisingly, we saw equities rally quite hard the day after the invasion, which may seem quite counterintuitive. To give you a sense of how equity markets think about these things, the reason the equity markets did move higher the day after was there was a view that central banks may actually delay rising interest rates, which we talked about in the presentation, given the level of uncertainty, and many equity investors view this positively. Secondly, and initially, there was a view that perhaps the sanctions that were put in place were not as severe as many market pundits thought might happen. That's now been eliminated. The sanctions are quite tough. As the Russian invasion may become a more prolonged event, this uncertainty will just continue to weigh on equity markets.

How the invasion itself will play out is unclear. A lot of people are speculating about what Putin's next move may be, but it looks like at least for the immediate future Russia's ambitions may be limited to the Ukraine and just building a friendly buffer state between Mother Russia and NATO countries along its border.

Now that's the outlook. I think a lot of you are probably thinking, well, what does this mean for me and my funds. For the funds the investment management team at IOOF run, I wanted to make a couple of points. We have very small exposure to Russian assets, so they're not having a big impact on the overall fund directly. It's a really complex and evolving situation. The financial sanctions and Russian capital controls are literally evolving as we speak, and it's a quite a complex situation in terms of trading or moving money out of Russia. The key thing I want to do is reassure members that the team is working very closely with our investment managers to monitor the situation very closely, understand what our managers are thinking and make sure we're tracking how the situation evolves very closely. We're doing all that to make sure we manage our members' exposures there in our members' long-term financial interests.

2. ***How can performance be improved? Do you provide a platform or advice for Bitcoin investments?***

   Dan Farmer: We did touch on aspects of this question around crypto in my presentations, but I can make a few additional comments. As I mentioned, we don't currently offer crypto assets directly on the Oasis menu. There was a question around advice in your question. I think seeking advice around crypto is a really wise move and we would recommend seeking professional advice for any major investment decision you're thinking about, particularly if it regards highly volatile assets such as crypto. Oasis' parent company Insignia Financial has the provision of quality financial advice at the absolute core of its purpose. With respect to the question around performance and lifting performance through crypto, again I'll just remind you on some of the comments I made in my presentation: that 88% of the funds on the Oasis menu generated positive returns over the year, and the Insignia Financial research team continue to monitor the quality of the offerings very closely on our menu. Again, we always take a long-term lens to performance, to make sure we're offering members an appropriate selection of really high-quality options.

3. ***Is it good to keep putting money into your superannuation fund at the age of 85 years?***

   Mark Oliver: Legislation requires that if you're over the age of 75, the only contributions that can go into your super fund are employer superannuation guarantee contributions or downsizer contributions, which is where you may sell your house and roll in some of the proceeds. Whether you should make contributions will depend on obviously your goals, personal circumstances and needs and you should seek professional, independent financial advice before making those decisions.

4. ***Are you investing in the fossil fuel industry and if so, when will it stop?***

   Steve Black: As I said in my presentation earlier, we do acknowledge the science behind climate change, and we also acknowledge the impact that it can have on long-term financial markets and therefore investments as well. We do consider this within our responsible investment philosophy and we have the ability to exclude companies and the ability to exclude entire industries if we like. However, we don't currently exclude fossil fuels within our investment philosophy. As climate-related issues are important to us, what we do with our investments is we increasingly measure the carbon footprint of a number of our investment managers. Then we use this information to engage with the managers and the companies that they invest with, as appropriate, to understand their emissions reductions plans. This is what we call a concept of active ownership. Of course, we're always regularly reviewing our responsible investment approach to ensure we're meeting all of our members' needs.

5. ***What is your opinion about investing in property over the next five years, given all major banks are indicating interest rate rises and if interest rates rise, property values are going to drop?***

Dan Farmer: The premise of the question is right, that mortgage rates are likely to rise in Australia. As I've talked about earlier, central banks are definitely fighting inflation at the moment and need to increase interest rates to try and keep inflation in check. Here in Australia, markets are pricing in four 25 basis point increases to the cash rate over the next year. This just means that variable mortgage rates will likely rise from there, what are current very low levels, and perhaps rise back to levels around 4 or 5% over the next couple of years.

Now when people ask about property and what we think about property, often people have a residential property on their mind. It's important, I think, to point out for funds like ourselves, there are many different types of properties across the globe and across different regions, and our funds invest both in direct property and listed property trusts, here in Australia and overseas. Our funds also invest in many types of properties such as industrial, office, retail and residential and also look for more niche property opportunities such as logistic centre and medical centres and self-storage. Our investment managers are continuing to find opportunities in more resilient property sectors where there are good long-term secure tenants.

Perhaps if we focus on the impact of higher rates on the Australian residential property market, which I think is probably where the question is focused. There are many factors that influence the performance of property prices and always pros and cons and lots of experts with opinions around this. If we focus on the negatives or the cons first, there's no doubt that rising interest rates are a clear headwind for residential property prices. Higher mortgage rates will just reduce the borrowing capacity of buyers and hence the amount they can actually pay for properties. On top of this, macroprudential regulations are requiring banks to build in bigger buffers when they determine how much they're willing to lend. This really starts biting as rates rise so, again, this will limit how much people can actually borrow. A more indirect effect is that higher interest rates also mean that other forms of savings, such as term deposits, start becoming a more attractive alternative to buying an investment property, particularly those looking for income. We get a substitution effect of new investment flows going to traditional fixed interest assets over property. Australian property prices have also risen significantly, as we all know, and high property prices may now be coming prohibitive, particularly for new entrants to the market. One thing we're watching particularly closely at the moment is those new entrants that have entered the property market who have really had to stretch themselves in terms of borrowing to pay these high prices we're seeing today. That group of buyers may find that the rise in interest rates and mortgage rates particularly painful.

There are certainly a number of headwinds going against Australian residential property at the moment, but there are also some positives. If we look at the pros, we think wages in Australia may begin rising and this just again will provide more borrowing capacity to buyers and that helps offset some of those pressures of higher mortgage rates. Immigration is re-opening and this should help support housing demand. Finally, Australian households have really built up their balance sheets through the COVID lockdowns and household finances are in pretty good shape to withstand some rising mortgage rates. Overall, we think rising mortgage rates will ultimately prove to be a headwind to residential property in Australia. Now it's unclear whether we'll see the significant falls that was hinted at in the question. However, one thing we do find difficult to see is a continuation of the really strong gains that we've seen over recent periods. We're expecting a much more stable, flatter return period for residential property. I should just, say as a footnote, everyone's circumstances are different and with all personal investment decisions, we'd recommend seeking independent professional advice before deciding on where to invest.

6. ***What is the best way to seek advice regarding my superannuation account?***

   Mark Oliver: You can email us for some financial coaching without charge and one of our coaches will be happy to book a phone conversation or a Zoom conversation if you want to email us at advice@ioof.com.au. Now for specific needs, you may require more comprehensive advice and we can also put you in touch with a professional financial adviser, who will be chosen from one of the largest advice networks in Australia, and that could help you in those decisions. They may charge a fee, of course, but the key is please get in touch and we'll be very happy to help.

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

   Lindsay Smartt: 10 years is a long time, but let's look at what we've had recently. Through vehicles like the Retirement Income Review and the 2021 Generational Report and various other legislation, there's been a lot more focus on a more efficient and effective superannuation system. Now under the banner of Your Future, Your Super, a number of changes have recently been introduced, including stapling of member contributions to members' existing superannuation accounts, and there's the performance test, you might have seen some recent media on this. Also, importantly, there's been a legislative change to create an obligation on the trustee, that we're required to make all decisions in the members' best financial interests and to evidence that. There's also the design and distribution obligations. There's a long list, but we welcome these reforms because they're all aimed at improving outcomes for members.

   Now in terms of the future, very hard to say, but I think we can be pretty certain that both sides of politics will potentially look at superannuation changes in the future. We certainly hope that there's a period of calm while we allow these recent reforms to be bedded down. I think there are other changes that are happening and I could go on, but maybe just to mention one more, there was a minimum threshold of $450 of monthly salary before needing to make the superannuation guarantee contribution, and this has now been abolished in legislation. When I do stand back from this and look at the impact, I think one of the outcomes is that there will be more consolidation and mergers of superannuation funds going forward and we've already seen some of this happening.

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

   Dan Farmer: We do spend a lot of time thinking about outlook, but as I've already touched on my market outlook, so I might focus in on the question about reliance on international and Australian shares. To start answering that question, I'll just point out that diversification is really key to how we manage risk in all our portfolios. So, in the multi-asset class portfolios that the team and I run, we have many layers of diversification and invest in a whole lot of different asset classes, including international and Australian shares. Importantly, we obviously are not limited just to those exposures. In our higher growth portfolios, we do have higher allocations to equity markets to generate a higher expected return, although this comes with a higher level of short-term risk. To give you an example, we have about 51% invested in some of our higher growth equity funds. It's important to note that in our portfolios we are diversified within the equity portfolios themselves. We have about 2,000 individual companies inside our equity portfolios, and we have specialist allocations to niche segments of the equity market, like smaller companies and emerging markets. We don't just rely on equities to drive higher returns for our growthier funds. Also as we've touched on throughout the presentation, we look for strong returns from alternative strategies such as alternative assets and real assets, such as direct property and infrastructure. So while equities are undoubtedly an important building block in our diversified funds, we're always looking for sensible diversification strategies to control risk.

9. ***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: This is very topical, in fact, the government currently allows members to apply for early release of their voluntary contributions to help with the purchase of their first home. This is through the first home super saver scheme. We will release those funds when we get a proper authority from the ATO and we're supportive of this and also other existing early release schemes, including for financial hardship. A strong message and our firm belief is that superannuation is for retirement and should primarily be preserved for that purpose.

10. ***How do you see the potential rise of interest rates affecting investment performance?***

Dan Farmer: Undoubtedly the direction of interest rates is really an important driver for many investment markets, which we have touched on. I think it's helpful to think back on the emergency low interest rates that central banks set in response to the crisis. These emergency low rates have really been a key driver of the strong returns we've seen from growth assets such as equities since the COVID lows back in March 2021. Now we're seeing the re-emergence of inflation. As we've said, it's very likely that central banks around the globe will need to raise official cash rates and Australian markets are expecting official cash rates to rise from the current very low levels of 0.1% up to around 1.25% over the coming couple of years. As ,mentioned earlier, mortgage rates will go up as a result and probably have some impacts on housing markets. It's important to remember this point that rates are at extraordinarily low levels. So even with multiple increases to cash rates that markets are now pricing in, cash rates are only likely to get back to around pre-COVID levels. While rising interest rates will slow the economy and hopefully keep inflation in check as a result, we believe there's enough strength in the economy to tolerate moderately higher rates. As already noted before, household and corporate balance sheets are in good shape and we think they can generally withstand, a modest lift in rates.

In Australia, we're probably more sensitive to rising short-term rates for a couple of reasons. Firstly, our variable mortgages are priced off short-term cash rates, whereas in, say, the United States, mortgages are priced off 30-year bond yields. Secondly, the relatively high level of property debt in Australia just means we're more sensitive to rate increases. This sensitivity may mean the RBA doesn't have to increase as aggressively as other central banks such as the US Federal Reserve. Impacts on markets are as I mentioned earlier. Higher cash rates are a headwind to many growth assets such as equities, and we expect positive returns to equities, but far more modest than the very strong returns we've seen over the last year. More defensive, fixed interest assets still look a bit challenging today, but may become more interesting soon. As we see interest rates rise, higher income generated from these more defensive assets may start to look a bit more attractive for investors looking for safe income. Although we don't quite think we're there yet on bonds, it's an area we're watching very closely. So again, the direction of interest rates is very important, we're watching it very closely, and it is one of the key inputs to how we set our portfolios.

11. ***What are the best investments during this ongoing COVID-19 pandemic environment?***

Dan Farmer: I won't go over the market outlook again. I just would remind all our members that we remain true to careful diversification when thinking about where to invest under any conditions. Hopefully we're now entering a post-COVID phase rather than staying in a COVID phase. We're thinking about what looks attractive in that sort of post-COVID world.

Maybe the easiest way to answer this question is just to talk through broadly how we're positioning the big parts of our internally managed portfolios. In terms of equity, we continue to hold equity allocations around our long-term benchmarks, and again, this is on the expectation that returns will be moderately positive, though not generating those sort of boom returns we've seen over the last couple of years. This is really because valuations to equities are quite high, interest rates are rising, and now we've got the uncertainty of the Ukraine situation to deal with as well. Defensive asset classes such as bonds, may become more interesting over the next few years as interest rates rise. We've actually held a negative view of bonds for quite some time now based on the very low yields that they've offered investors historically. As rates rise, there may be opportunities for investors, particularly looking for those secure incomes, to revisit this defensive space. We don't quite think we're there to top-up bonds at the moment, but it's something we're watching very closely.

One element I've touched on several times is really looking for niche opportunities, as well outside traditional asset classes. We're looking at real assets such as property infrastructure and alternative strategies. Opportunities may arise in areas that have been hit really hard during the COVID lockdowns, where valuations have been pushed to really low levels. There's no doubt that some parts of the economy may never return to pre-COVID levels as society structurally changes, but some hard-hit areas will bounce back and could look quite attractive. One small example, is in our direct property portfolio we manage internally that portfolio recently acquired a brand-new large format retail centre in an out-of-Sydney growth corridor. This is one of those open plan, large format properties with a lot of parking around it . It has a large cornerstone tenant, in this case BCF, along with a whole lot of medium-sized specialty retail and food and dining for the local community. These sorts of assets have had really beaten-up valuations during COVID. In a post-COVID world, these sorts of open, local community-based, convenience-based property assets can look really attractive. In summary, there will be opportunities in a post-COVID world, but we always try to stay well diversified.

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 thanked members for trusting Oasis Fund Management Limited with their super.

The meeting closed at 7.07 pm.

Lindsay Smartt

Chair

25 March 2022