

2022 ANNUAL MEMBERS' MEETING TRANSCRIPT



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ANZ STAFF SUPERANNUATION (AUSTRALIA) PTY LIMITED
(the Company/Trustee) as Trustee of ANZ Australian Staff Superannuation Scheme (ANZ Staff Super)
Annual Members' Meeting – Minutes
Held via live webcast on Tuesday, 9 August 2022 at 5.00pm

Opening of meeting:

Hello. Welcome to the ANZ Staff Super 2022 annual members' meeting. We're one of Australia's largest corporate superfunds, designed especially for current and former ANZ employees and their partners. You can stay with us if you leave ANZ and you can stay with us into retirement.

We're here to deliver you strong, long-term performance that's good for the planet. We're proud to have committed to net zero by 2050 and to be embedding environmental, social, and governance considerations in all our investment options. As a fund run only to benefit members, we're here just for you. And the great thing is we're run for you by people like you.

Our trustee Board has eight directors. Four elected by members and four appointed by ANZ. And the people who run ANZ Staff Super are ANZ employees and members too. So let's have a look at the benefits of ANZ Staff Super membership.

Our size and focus on value for members means low fees and low fees means more of your money invested for the future. We have consistently delivered competitive long term investment returns in rising and falling markets as shown by our 10-year returns to 31 December 2021.

We do this by investing in diversified, high quality, value for money investments that position us favourably long term while managing short term market volatility. We believe in keeping our insurance flexible and affordable so it works for you.

In a changing world, our top priority continues to be you, our members, protecting your interests and improving your financial wellbeing. We continue to top the charts when it comes to how the independent super agencies rate our fees and costs and our death and total and permanent disablement insurance cover premiums.

And our employee, personal, and retirement sections all received a AAA from Rainmaker Information in their selecting super assessment. We're here to help you make the most of your super and to set you up for the future you want.

Paul Rosam:

Good afternoon everyone and thank you for joining us for our second annual members' meeting for ANZ Staff Super. Paul Rosam is my name. I'm the Senior Manager Superannuation and it's my privilege to be your host again today.

At this stage, I'd like to acknowledge the Wurundjeri and Boon Wurrung peoples as the traditional custodians of this land and pay my respects to their Elders past, present, and emerging.

Once again, the current COVID situation has us broadcasting from our home offices rather than 833 Collins Street which is not how we envisaged this meeting originally. But as we've learnt over the last couple of years, it's important to be agile so that we can keep the show going. I trust you and your families are all keeping well under the circumstances.

Now, before we start, I would like to particularly thank my management team for helping put this together, as well as Natasha Carter from the corporate governance team and Michelle Weerakoon from ANZ investor relations who helped make this meeting possible.

So, onto the formal part of the meeting. As required by regulation, our Chairman, Directors, senior management, external auditor, and appointed actuary are all joining us albeit remotely.

On the line in Sydney we have our Chairman, Gary Newman, who you will hear from shortly. And again this year to reduce our technology risk, Gary recorded his address earlier.

All our other Directors are also online. Welcome along to Anne Flanagan, Adrian Went, Margot Dargan, Adam Vise, Rob Sparrow, Janelle Mason, and Glenn Phillips. Megan Currie and Rob Gill from the management team are also online this afternoon, and Dean Waters from KPMG, our external auditor, and Matthew Burgess from Willis Towers Watson who has been our appointed actuary for many years.

Also online today we have Natasha Carter from the corporate governance team who will be assisting with the moderating of the question and answer session. So when we sent out the notice of this meeting, we invited members to submit questions and thank you to those that have.

You're also welcome to submit questions during the session. If you'd like to ask a question now, please click in the ask a question box below the video and type in your question. Your question will only be visible to me and the other presenters and not displayed in the webcast.

We've had quite a few submitted prior to the meeting, about 40, and we aim to get through them all tonight, along with any submitted questions during the meeting. If not, the answer to all questions, including any questions we don't get to today, will be posted on our website next month, along with the transcript and a video of this afternoon's meeting.

The agenda for this afternoon's meeting is as follows; Gary Newman's address on the highlights and key issues of 2021, the focus of the Board now and going forward. Then I'll follow Gary with a deeper dive into 2021 and what we're working on this year. And then we'll get to your questions.

But before we start, we've got to have a disclaimer. It's important to note that this afternoon's content is general information only. It doesn't take into account your personal financial circumstances. You should read and consider the relevant product disclosure statement before making any decisions. Right, now that we've got the legalities out of the way, we'll now play Gary's address.

Gary Newman:

Thanks, Paul, and thank you all for joining us this afternoon for the second annual meeting of your superannuation fund. Disappointingly, many of us again find ourselves constrained by COVID and I hope you all find ways to again manage as best you can and to stay safe.

The disruption we have all negotiated in our work and personal lives has remained throughout the world's investment markets, however. After the volatility of 2020, the calendar year of 2021 saw a rebound in value which led to strong returns across our investment categories, particularly in the aggressive and balanced growth options.

No doubt you're all aware that the first half of 2022, we have seen some major market reversals, driven by jumps in local and global inflation as well as the fallout impacts from Russia's invasion of the Ukraine.

We have already seen the Reserve Bank of Australia respond, with interest rate increases of 175 basis points and our markets are pointing towards further rises to come. We have always viewed bond investments as a strong diversifier to our equity portfolio but as for so many other funds, we recently suffered losses in both of these asset classes.

Our investments in infrastructure, together with the returns from our selected diversity managers, our foreign exchange holdings, and our credit exposures, which have a low delta to actual interest rates, have helped to ameliorate this position somewhat.

Much of our investment focus in 2021 and into 2022 has been on improving the diversification and resilience of our investment options. We have increased our allocation to healthcare property while reducing exposure to the office sector. And additional infrastructure investments have been made while transitioning our currency hedging to QIC, which we believe will enhance our risk management activities.

Hopefully, you will all be aware by now that the fund has committed to meet net zero emissions by 2050. We will make further investments in ESG as acceptable investment opportunities arise and in particular, in the climate space.

And to this end, we have just committed a \$50 million investment to Palisade Impact, a local infrastructure fund with whom we already have a relationship. And that fund has a focus on helping infrastructure clients achieve zero emissions, zero waste, and zero inequality. The last via a digital inclusion strategy.

Effective and active governance has always been a key focus for your Board and management and the external formal requirements have continued to increase. The first regulatory performance test for MySuper products were implied in 2021 and the ANZ Staff Super option passed these comfortably.

The 2022 tests should be released in the near future and meeting these regulatory challenges is a high-level focus for us. In addition, there have been changes to our dispute resolution processes and the introduction of target market determinations for our member sections.

These have been completed and are available on the website. We will include a link with the minutes of this meeting. Amid all this activity, the focus on keeping ANZ Staff Super fund as one of the market's lowest fee structures remains.

It has been a core focus of the fund over history and it remains so today. Lower fees and insurance costs contribute directly to member returns and I am confident we can continue to deliver this to you.

I would like to close by thanking your Board and the funds management teams who have, and continue to do, such a good job of managing your money in a volatile environment. Thank you. Back to you, Paul.

Paul Rosam:

Thanks, Gary. Before getting to our performance and questions, it's worth recapping our purpose. At ANZ Staff Super, we focus on providing well governed value for money super and we are designed specifically for current and former ANZ staff and their partners.

We are a modest sized fund which means that we need to focus on what's important to our members, taking into account our size which can create some limitations, but also means we can be more agile than larger funds.

There is room in the super industry for small well run funds that have a particular niche or competitive advantage and that is our ongoing value proposition for members. We focus on what will meet the needs of the majority of members and making sure we do it well. So we deliver good outcomes for our members rather than trying to be all things to everyone.

We focus on three key areas. Investment returns, being value for money, and providing quality member services. We aim to provide value for money super focusing on performance with low fees and costs.

Our philosophy when it comes to investments is based on a few key principles. We build diverse, well-constructed portfolios that perform strongly over time and provide a reasonable range of return and risk profiles to cater for most members.

We can't cater for every member's specific preferences. No fund can, other than a self-managed fund. So we need to carefully determine both the number of investment options we offer and the underlying mixture of investments within them.

Now I'll talk about market conditions. Over the 2021 calendar year, the continued rebound of investment markets after the challenges of 2020, led to strong returns from our investment options. Particularly the aggressive growth and the balance growth options. And saw our total FUM reach \$6.5 billion for the first time.

However, we've seen a sharp reversal in the first half of 2022, driven by rising inflation and the impacts of Russia's invasion of Ukraine. These factors have led to central banks starting to move away from record low interest rates, with the Reserve Bank already lifting rates in Australia from 0.1% to 1.85% and both economists in the market predict further rate increases.

We know that the combined impact of inflation and rising interest rates is challenging for many of our members. It's also had significant impact on investment markets with global share markets falling heavily.

Over the majority of the past three decades, bonds have acted as a strong diversifier to shares, particularly when share markets have fallen. However, rising interest rates have been bad for both asset classes. Meaning that bonds have not cushioned the blow as in previous crises.

While bonds are an asset class that can help protect capital, we know that this doesn't work in all market conditions and hence further diversification is important for any super fund. Pleasingly, our other diversifying investments have helped cushion the blow over the first six months of 2022.

Our investment in property and infrastructure have continued to deliver income and provide some protection against rising inflation. Our diversity managers have added value through active management and diversifying positions.

Our credit investments have low exposure to interest rates and have continued to deliver positive returns. And our exposure to foreign currencies has proven strong downside protection as the Australian dollar has fallen over recent months.

With our cautious option, we've also been careful to limit the exposure of the portfolio to rising interest rates which has helped reduce the downside of this option so far this year. The Rainmaker investment option benchmarking surveys which we subscribe to to June '22, provide a useful comparative of our recent relative performance in what has been a very difficult time for investment markets globally.

Over one year, our Rainmaker rankings were first quartile for cash, second quartile for aggressive growth and cautious, and their quarter for balanced growth. And over the 10 year period, we've achieved first quartile results for aggressive growth and cash, second quartile for balanced, and third for cautious.

Over the long term, the biggest driver of relative returns over the last decade has been the level of risk taken. The average age of an ANZ Staff Super Accumulation member is 45. Whereas some of the more prominent large funds have younger demographics with smaller balances so they can have larger allocations to growth assets than us as the investment time horizon for their members is longer.

We'll go into this in more detail as we address some of the specific questions from members. Now I'll talk about our investment focus. Much of our investment focus in 2021 and into 2022, has been on continuing to improve the diversification and resilience of our investment options.

This includes several additional investments in unlisted assets which have elements of downside protection and linkage to inflation. Including increasing our allocation to healthcare property while reducing our exposure to office buildings.

Adding to our existing infrastructure exposures and adding a new infrastructure exposure via Palisade Impact, which we announced last week. Palisade Impact focuses on investments that intentionally target solutions to environmental and social challenges while driving strong risk adjusted returns.

Palisade Impact takes a cross sector approach to driving the race to zero by focusing on three themes; zero emissions, zero waste, and zero inequality. During 2021, we also transitioned our currency hedging to QIC to access their expertise in currency overlay services which will deliver enhanced risk management over hedging and harness, operating, and financial efficiencies.

The current environment remains challenging for both investors and many of our members. However, it's important to remember that superannuation is a long term investment and our options have weathered a variety of challenging conditions over time to deliver strong long term returns.

While historically low interest rates were good for investment markets in the short term, they make achieving good long term results - good long term returns above inflation more challenging.

We're now seeing the flipside of this. Rising interest rates have hurt returns in the short term but provide the prospect of higher long term real returns for members if inflation is brought back under control.

In the short term, volatility is likely to remain high and we continue to focus on building diverse portfolios that can weather this short term environment while delivering you strong returns over the long term.

Now I'll talk about investment sustainability and our commitment to net zero. Our work in relation to environmental, social, and governance or ESG factors, continued throughout 2021 and into 2022.

We believe that sustainability is important for society and that the investment industry has a significant role to play. But just as importantly, we believe sustainability in investment portfolios is crucial to their long term success.

Earlier this year, we surveyed members to gauge whether there was sufficient support for a stand alone sustainable investment option. Unfortunately, there was insufficient member interest to justify introducing a new option and as a result, we remain focused on ensuring that sustainability is embedded across all of our investments, rather than seeking to create a separate option which specifically focuses on sustainability.

We embed sustainability in our portfolio in a number of ways which will continue to evolve and allow us to improve our approach over time. We examine the expected of climate change on our asset allocations under multiple scenarios.

We include the approach to sustainability as a key factor in determining whether to hire or fire our investment managers. Once we hire an investment manager, we continue to engage with them both directly and via our investment advisor to ensure that they maintain their approach to sustainability and make changes where there's room for improvement.

Now, onto our net zero admissions announcement. We're proud that earlier this year we committed to achieving net zero carbon emissions from our investments by 2050. This is an important step in building support for emission reductions and the Paris Agreement's temperature goals.

We believe that aligning our members' investments with net zero by 2050 is fundamental to our duty in managing our members' retirement savings. A significant proportion of our investments are already managed by fund managers that are committed to net zero by 2050 or earlier.

And there are five ways that we've identified that will help us on our journey to a net zero portfolio. The first and most important is global decarbonisation. Ultimately, the global economy needs to transform to net zero to help limit the impacts of climate change, so we expect that changes such as a shift from fossil fuels to renewables will help reduce the carbon footprint of our portfolio over time, without any change to our approach.

We believe that we have a role in aiding this transition and indeed that it is in our members' best financial interests. Now, the second of the five is engagement. We expect our underlying fund managers to engage directly with companies to ensure that they are adapting their strategies in light of climate change and the expected policy response from governments and the choices of consumers.

In turn, we engage with our fund managers both directly and via our asset consultant to ensure they are both engaging with underlying companies and considering the financial risk of climate change and a transition to net zero when selecting their investments.

The third point is impact investing. The need for significant amounts of investments to help transition the economy away from fossil fuels creates opportunities to make good returns while impacting that transition to net zero.

In recent years, we've committed to capital to the SUSI Energy Transition Fund, and more recently, the Palisade Impact Fund. SUSI invests into renewable energy and energy efficiency, while Palisade is investing into energy efficiency, digital equity, and minimising wastes.

The next of the five are asset allocation changes. To allow for greater investments into addressing climate change, we're looking to increase our allocation to infrastructure. And the last of the five, nearly half our global shares are invested in a fund that excludes companies that manufacture tobacco or derive material revenue from thermal coal or oil sands.

This is the example of mandate changes and exclusions. At this stage in our passive shares, we prefer engagement over excluding investments from our portfolio. However, we've not ruled out changes to this approach if we don't get sufficient outcomes from engagement or we believe we can improve member returns through moving away from the passive approach.

All right, from a member services perspective. I'm excited to announce tonight that from 1 October, there will be a 9% reduction in our death and total and permanent disablement insurance premiums.

We are already externally rated as having the lowest cost premiums, some 60% cheaper than average. Our insurer has determined that based on our members' claim history, that those premiums can be reduced by a further 9% which is a really great outcome for members.

Later this year, our 50 plus members will start receiving communications from us to help them navigate in time the journey from accumulation of super into drawing down on their retirement savings as they approach and enter into retirement. ANZ Staff Super has a retirement product that members can access when they reach that age and it has many of the attractive features of our accumulation section.

From 1 July this year, the retirement income covenant took effort. All funds are now required to have a strategy to support members as they approach retirement and are looking to start using their super to provide income in retirement.

We've published a summary of our retirement income strategy and I recommend that all members take the time to read the document. We'll put a link in the notes when we publish so that you can all have a read at your leisure.

From a regulatory perspective, as Gary mentioned, the second Your Future, Your Super performance test for MySuper products will be released shortly. We comfortably passed that test in 2021 and we are confident of a similar result when we get the news later this month.

Now, before we get to the questions, twice a year we run a survey via Fund Executives Australia Limited to get feedback on what we do. This year we added an extra question. We asked the surveyed members what's the most important thing you would like ANZ Staff Super to focus on in the next year? And this is what you told us.

Of the 400 or so members that answered this survey question, 63% told us that they want us to focus on investment returns. 10% digital tools online, the app. 9% on fees. 7% on ESG. 6% on member services. And 2% on unit pricing - move to daily unit pricing. So this is really good at informing the management team and the Board what's on the mind of our members, what you'd like us to focus on.

And now, let's move to your questions. Natasha Carter from the corporate governance team will be reading the questions again for us this year.

Natasha Carter:

Thanks, Paul. The first question we have for tonight is how are you managing the downturn of the stock market?

Paul Rosam:

Thanks, Tash. This is a really great question so I'll go into quite a bit of detail here and may refer back to this answer when we're talking about other questions. And there's a graph that I'll ask to have put up on the screen for you that will help me to illustrate the point.

First thing to note here is we remain invested in the stock market in all but the cash option. This is not unique to ANZ Staff Super. All major funds have a significant percentage of their investments in equities.

This has driven strong results for us and for all funds over the last 10 plus years, however, this comes with the reality, not just the risk, the reality that there will be some down years.

We believe in the equity risk premium. That is we believe that investors will be rewarded over the long term for the risk of investing in shares versus very low risk investments like cash.

It is extremely difficult to predict exactly when the stock market will go up and down. So staying invested over the long term is the best approach. And this has been highlighted once again by the returns in July, where US equity markets saw their best month since the strong post-COVID rebound in 2020.

Whilst we view equities as a key contributor to member outcomes over the long term, this does mean that falling stock markets will impact members' balances in the short term. While the media focus on risk naturally focuses when markets are falling, ultimately the risk our members face is not just short term volatility, but the long term risk of not having an income at retirement that meets their needs.

We believe that the best way to balance these short term and long term risks is to stay invested in shares but limit the downside risk by diversifying this and this is how we manage the downturn of the stock market.

What we've seen in recent months has been some of the worst returns from markets in some time, with equities and bonds falling together. However, our investments in diversity, unlisted property and infrastructure, have tempered these losses for members.

As a result, while the global share market was down 19.4% for the first six months of the year on a hedge basis, our balance growth fell by only 8.6% over this time. This diversification is the key to the approach. And as you can see from the graph on your screen, the yellow line is equities. They move up and down, they have short term gains and losses.

And you can see some rather big ones there that historically have been followed by strong growth for the years that follow. And it's this approach that has meant that despite the ups and downs we've experienced over the last two and a half years, the balance growth option has delivered 7.8% a year over the last 10 years.

Natasha Carter:

Thanks, Paul. A member has provided a comment in relation to investment switching. When a member put in their switch option, ANZ should lock in their unit price for that day instead of giving them the unit prices for one week's time when ANZ makes the switch, as markets can move a lot.

Paul Rosam:

Thanks, Tash. Our approach to investment switching stems from its units being priced on a weekly basis. Requests received on or before 5pm Thursday are processed on the following Wednesday. This means that they are processed at the next available unit price which came into effect from the Tuesday and takes into account valuation movements up to the close of business on the previous Thursday.

This approach is appropriate and seeks to maintain equity between members given the current unit pricing cycle. Having said that, we are looking to move to daily unit pricing. When we make this change, members will be informed and provided with details about the revised switching timeframes.

Natasha Carter:

The next question, whilst our fund performance has generally managed to score with the top quartile of fund performance, ANZ Staff Super has underperformed some of the leading industry super funds. For example, Australian Super, HESTA, Hostplus. Our funds' underperformance is consistent based on historic results of 1% to 3% per year.

Are there any discussions or initiatives within our fund looking to close this gap? Having low administration fees does not offset the underperformance where a super balance is beyond a certain size.

Paul Rosam:

Thanks, Tash. A number of those funds mentioned have a younger member demographic and take more risk and illiquidity in their portfolios as a result. This greater risk is typically reflected in more shares, more property, and more infrastructure. Which when they are unlisted, will usually have a valuation lag versus the valuation posted in a listed market which is currently attracting the attention of the media for some super funds.

Despite the last six months, the past 10 years have been a very strong period for risky assets and so this has been a big contributor over this period. This is one of the reasons why our aggressive growth option has outperformed the balance growth option over this time. And it's worth noting that our aggressive growth option is a top quartile performing option over 10 years.

Now we're always looking at improving our investments and this is including making more investments into infrastructure in recent years. But we're also committed to taking an appropriate amount of risk in our MySuper option based on our member demographics.

We have to look at our member base as a whole to come up with our MySuper strategy. But we know that each of our members has their own circumstances so once again, I'd encourage you to seek advice on what option makes the most sense for you.

Natasha Carter:

A member has asked what is management doing to minimise the impact of the bear market on balanced fund members?

Paul Rosam:

Thanks, Tash. As we talked about with previous answers, we diversify our options which means in a significant bear market, as we've seen in 2022, our investment option returns are better than those from equity markets.

Natasha Carter:

A member would like to know is it possible to set up a part pension annuity payment post 60 years of age?

Paul Rosam:

We offer a transition to retirement pension option through the retirement section. This option allows members who have reached their preservation age to draw a pension from their super savings as they phase into retirement.

This option is an account based pension rather than annuity which is a specialised investment. So it would be important to seek financial advice to make sure you invest in product which is appropriate to your financial circumstances.

Natasha Carter:

Thanks, Paul. The next question, looking at the cost of the sum of executive officer remuneration for the 2021 financial year, being \$930,461, is this for one officer only? What is the justification for these costs? What is being done to cut the costs?

Paul Rosam:

Thanks for your question. No, this is not for one officer only. The amount quoted on the notice is the sum total of all remuneration for directors and responsible managers of the fund.

Details of this expenditure is published on the website. We run a lean operation. Our expenditure is among the lowest of all super funds, as evidenced by our market leading account management fees.

Natasha Carter:

How does the performance for the fund compare with leading industry funds?

Paul Rosam:

Our performance stacks up reasonably well against our broad group of peers. Some of the most prominent industry funds have been the near the top of rating surveys for some of the reasons discussed, including taking more risk and having more in liquid assets.

Natasha Carter:

A member would like to know if there is any timeframe to introduce daily unit price settings?

Paul Rosam:

Thanks, Tash. Whilst we had flagged that we'd be looking at whether moving to daily unit pricing would be a cost effective change to consider in 2022 or 2023, we've not yet completed this work.

We have commenced investigating with our service providers what would be required to move to daily pricing and the potential timeframes and the likely cost. There are a number of initiatives we would like to implement and the service providers are also making upgrades that will enable us moving to daily unit pricing.

Now, we need to work out and balance our priorities and confirm our plans. We'll then, as soon as we're able, be able to provide a better indication of when daily unit pricing may be introduced.

Natasha Carter:

Thanks, Paul. A member has asked, ANZ Staff Super's performance appears to have really fallen off a cliff this financial year and especially first half of '22 compared to peers in the SuperRatings Survey. First half of '22 performance looks like it is way worse than the bottom quartile. What has driven this extremely poor performance relative to peers?

Could you please provide a performance attribution, including dynamic asset allocation versus manager selection?

Paul Rosam:

Thanks, Tash. This isn't correct. None of our options are in the bottom quartile in the SuperRatings Survey as at 30 June over one, three, five, or 10 years when compared against their respective SuperRatings cohorts or in the case of the balance growth option against the universe and MySuper options.

Further to that, all but the balance growth option are in the top two quartiles over each of these periods. In line with what I've talked about previously, it's the level of risk taking and the strategic asset allocations that are the biggest driver of relative performance. Rather than dynamic asset allocations and manager selection.

Now, just a note if I may on the SuperRatings Survey. Because we have weekly unit pricing, our performance in the extreme short term rankings isn't always accurately captured in a one month survey when month end and weekend don't line up.

By example, let me talk how this timing mismatch can work. We were ranked number 1 of 47 funds in the SuperRatings SR50 MySuper options for one month for the month of April and forty eighth of 48 funds for the following month.

Now, we weren't the best fund in the country in April and we weren't the worst fund in the country in May. This is purely due to the timing and it may be the reason for the question. To be clear, this is purely a timing discrepancy than what's reported and has no impacted on the long term returns that you receive.

Natasha Carter:

Thanks, Paul. The next question. I would like to understand the performance of the superannuation fund against the other performing funds to determine performance of my superannuation as a basis for decision making.

Paul Rosam:

Thanks, Tash. Hopefully the previous discussions have helped with these considerations. Once again, we suggest getting financial advice before making any decisions.

Natasha Carter:

How are our investment decisions being influenced by global and domestic market conditions today and our projections for the future? Inflation, cash, cash rates, potential recession et cetera.

Paul Rosam:

Current environment remains challenging for both investors and many of our members. As this question implies, there's a high degree of uncertainty in relation to key economic factors, including inflation, growth, and interest rates.

When the potential range of outcomes for economies and markets is so broad, we don't believe it makes sense to make big bets on any one scenario eventuating. Instead, we've got a continuing focus on ensuring our investment options maintain a well-diversified mix of assets.

It's important for me to reiterate that super is a long term investment and our options have weathered a variety of challenging conditions over time and deliver strong long term results because of this diversified approach.

Natasha Carter:

A member would like to know what is the outlook for growth over the next 12 months within the fund? Or should we be looking at more cautious investments within the fund over the next 12 months?

Paul Rosam:

Thanks, Tash, it's a good question. Unfortunately I can't give advice. As we talked about earlier, compared to the last decade, our advisors, Willis Towers Watson, are telling us that growth will slow initially in response to the central banks around the world lifting their interest rates to address inflation.

Markets are quick to price in expectations of change in growth, inflation, and interest rates, as we've seen so far in 2022. So our expectation is that growth will slow. It does not necessarily lead to obvious portfolio changes when it's similar to consensus fears, re we're not looking to make continual portfolio changes in response to market volatility, short term market volatility. We have a longer term investment focus.

Natasha Carter:

A member has asked, are an absence of political donations a strategic move in the current environment given the ever dynamic nature of banking?

Paul Rosam:

Thanks, Tash. All of our expenditure needs to be in members' best interests. We don't believe that political donations are in our members' interests and we'd prefer to direct our expenditure to seeking better outcomes for our members.

Natasha Carter:

Thanks, Paul. The next question. While significant progress has been made in the reporting of ESG or sustainable investments in the most recent annual report, can you please provide further details about your plans for action to meet the net zero by 2050?

In particular, what concrete steps will be taken in this decade to halve the carbon emission from investments?

Paul Rosam:

Thanks, Tash. Great question. I've covered the five areas that we're currently looking at but this is an area we'll continue to work on. And we expect to adjust our approach over time as the data improves and the opportunity to improve our approach arise.

Natasha Carter:

With regards to both Australian and international shares, how does the fund plan to balance the returns of a diverse share portfolio with ethical and sustainable investments given that the majority of these managed funds do not beat the market and have higher management fees?

Paul Rosam:

Now, this question and the one previous highlight plurality of views amongst members. We continue to strike a balance between passive and active management in our share portfolios.

We expect our active managers to consider sustainability but this is only one aspect of what they do. We employ them to improve returns and wouldn't invest with them if we didn't think they could achieve this.

On the passive side, our focus from a sustainability perspective is of ensuring that all our managers are engaging with underlying companies to improve their approaches and through this, the overall performance of the market.

Though we haven't ruled out moving away from this approach if we believe it is in the best interest of members.

Natasha Carter:

A member has made a comment that there should be an option to allocate portfolio to digital assets. But instead, we have to move our super to somewhere else. When is this option coming?

Paul Rosam:

We don't believe digital assets are an attractive investment option for our members. So I can't see a situation where we'll invest in digital assets in the foreseeable future.

Natasha Carter:

Thanks, Paul. The next question. Is there any plans to improve a core front end platform that increases the risk of switch errors and investors not being aware of any error during a long processing period, with no confirmation sent to investors during this long period processing period, where the market can move materially?

Paul Rosam:

Our online switching tool allows members to change the investment option for their current account balance or for their future cash flow. And you need to edit your investment options for both of them separately.

Thanks for raising this with us, we'll review the online tool with our service provider to consider whether there are any further changes that could be made to mitigate the risk of members making a switching error or provide an earlier notification regarding the switch so a member might be able to identify if they've made an error in the online tool.

Natasha Carter:

Thanks, Paul. A member would like to know when ANZ has an easy app available to view super balances and details which can be easily seen as an account, is it possible on the ANZ app to have all financial details in one place? I would like to actively view my balances and account information in a handy format.

Paul Rosam:

We've been in discussions with ANZ for some time now. I doubt there'll be any new additions to the ANZ app but with ANZ moving to a new application platform, ANZ Plus, we're hopeful that we may have something to announce in the next 12 months.

Natasha Carter:

A member has asked, many super funds are currently allowing members more diverse options and control over where their super is invested. For example, ESG, industry specific, et cetera. This is fast becoming the biggest selling point when picking a super fund. When will ANZ Staff Super align themselves with this industry standard?

Paul Rosam:

Thanks, Tash. Over time, we'll continue to consider the menu investment options that we offer and whether it makes sense to increase the number of options, and if it did, what type of option we'd offer.

If we were to introduce new options, we need to be comfortable that their return and risk profiles complement the existing menu, their expected performance is achievable on a long term basis, and they have a scale to ensure they don't need to be subsidised by members who invested in other options.

It's important to ensure that all the options are well constructed and cost effective and they perform strongly over time, providing a reasonable range of returner risk profiles that cater to most members.

Natasha Carter:

Thanks, Paul. A member would like to know whether you feel members should be more aware of and engaged with their super. Providing zero visibility of the underlying investments and an annual statement covering a period that started 18 months in the past suggests you'd rather members had a pay and ignore attitude.

Paul Rosam:

Look, we certainly do agree that members would benefit from being more engaged with their super. I don't accept that we provide zero visibility. There's information available online, up to date account balance, investment performance, and portfolio holdings.

We encourage members to take a look at this information. Our website and annual report includes the asset classes for each of our options and all of the investment managers within each of those asset classes that make up these options.

The vast majority of our investments are held via the pooled funds of these managers. So any further drill down would involve significant cost in management time and we'd need to be convinced that spending members' money on this is warranted.

As for our annual member statements, these are provided three months after the end of the year which is a fair bit of work and relies on info which is not available the day after the end of the year, and considering the resourcing required, it's a good effort by the team.

Natasha Carter:

A member has asked why can an investment switch only be done weekly and why is there an approximate one week lag after an investment switch decision is made before the investment switch is affected? This results in significant market risk.

Paul Rosam:

Thanks, Tash. I think we've covered that question earlier.

Natasha Carter:

A member would like to know if ANZ Staff Super could please provide more detailed performance history of its investment options so that members can see more historical unit price and/or performance data over time? Currently, only yearly data is available and more detailed price and/or performance would be beneficial, including daily or weekly data and by selecting time periods over which to review the data.

Paul Rosam:

Thanks, Tash. Great question. We provide yearly returns for one, five, and 10 years on your annual statement and each of the last 10 years on the annual report. And also, historical unit prices are available on the website for each week back to 2001.

Natasha Carter:

Thanks, Paul. A member has asked, could ANZ Staff Super please provide the composition of its investment options split into asset classes and fund managers and their performance over each in detail?

Paul Rosam:

Our portfolio holding disclosures are available on the website under the trustee information/scheme document. In there, there's a listing of each investment options investments held in the schemes name by asset class. Including the performance of each manager and holding disclosures is not something we would consider nor is a rule to other funds. To do so could lead to potentially commercially sensitive information being released, resulting in unintended consequences. Have a look at page 15 of our annual report which also lists our investment managers and the asset class they invest in.

Natasha Carter:

Thanks, Paul. Perceptions are not always reality. Having said that, why does this fund appear to continually perform so poorly compared to the union controlled ones?

Paul Rosam:

I'm not sure I agree with that. Our performance has been sound over a long period of time and reflects the invest risks we've taken, as evidenced by our survey rankings, particularly the Rainmaker survey for June 2022 that I've mentioned earlier.

As I also mentioned earlier, typically the larger industry funds have taken on more risk and illiquidity in their portfolios as a result. This greater risk is typically reflected in more shares, more property, more infrastructure.

Despite the last six months, the past 10 years have been a very strong period for risky assets and drivers for returns over that period.

Natasha Carter:

A member has asked what is the outlook for the rest of 2022? Notice my super has gone backwards.

Paul Rosam:

Yes, June concluded the worst half - the worst first half year returns for decades. For instance, US equities were down 20% which is the worst performance since 1962.

In this environment, traditional portfolios failed to provide investments with any meaningful diversification as both equities and bonds continue to drift lower together. However, whilst the short term experience and outlook is challenging, with volatility likely to remain high, we remain focused on ensuring our portfolios can weather this environment while delivering you strong returns over the long term.

As for the outlook, our advisors tell us to expect growth to be lower over the next five years than what we've experienced previously. Having said that, what the Ukraine highlights is how uncertain forecasts can be. That sure as heck wasn't a consideration at the start of 2021. It's worth noting that there has been a significant rebound on equity markets in July.

Natasha Carter:

A member has provided a comment that changing superannuation percentage amount on PeopleSoft MyPay request details requires start and end dates. Can it be streamlined to just enter a new percentage amount? As experienced issues in the past in which no deduction happened due to issues with the dates.

Paul Rosam:

Thanks, Tash. Although this isn't an area under ANZ Staff Super's control, I do understand that system limitations in PeopleSoft and different rules for the ending and starting of contributions require the end user to input differing dates to the starting and ending of contributions. Potentially there may be some enhancements with the upgrade to ANZs people systems which is going on at the minute.

Natasha Carter:

A member has asked what is the status of enabling children of members to become members? You said previously this is under review.

Paul Rosam:

Yes, the trustees considered enabling ANZ Staff Super's members' children to join. At this stage, the option hasn't proceeded given the regulatory requirements and the cost of establishing this option. If circumstances change, we may revisit this decision in the future.

Natasha Carter:

A member would like to know the growth outlook for the next five years.

Paul Rosam:

I think we've covered that one in previous answers.

Natasha Carter:

Sure. The next question is, I lost money. Why is that?

Paul Rosam:

Similarly, I think we've covered that one off. Long term success involves significant investment in equities which means that your investments can go down with falls in equity markets but it's the right strategy for the long term.

Natasha Carter:

A member has provided a comment, need to update on life insurance.

Paul Rosam:

Look, ANZ Staff Super offers death and TPD cover at market leading rates. And as you'll recall, I announced earlier tonight a further decrease of 9% from already low premiums. For more information, please refer to our PDS or call us on 1800-000-086.

Natasha Carter:

Thanks, Paul. A member has asked can we receive yearly reports on our emails and the past performance of the last few years or any place where we can view it?

Paul Rosam:

I think we may have covered this. Our year to date investment performance and average returns over one, three, five, and 10 years is on the website each month, along with an independently sourced quartile ranking of our performance against peers.

And yearly returns for one, five, and 10 years are on your annual statement, and each of the last 10 years in the annual report, and for those wanting to check through history, historical unit prices are on the website back to 2001.

Natasha Carter:

The next one is a similar question. Why can't we get daily, weekly, monthly performance details from the website?

Paul Rosam:

I think we covered that in the previous one, Tash.

Natasha Carter:

Sure. The next one, would you be able to update the application for membership? Retirement section document, it currently allows for a maximum single transfer of \$999,999. This is well below the government limit of \$1.7 million.

Paul Rosam:

Good suggestion. We've passed that onto our administrator to fix that.

Natasha Carter:

When - a member has asked, what benefit do I get being staff for superannuation?

Paul Rosam:

Well, look, some of the benefits of ANZ Staff Super include competitive fees, investment performance, a range of investment options, really competitive - well, market leading flexible insurance cover, online education programs, we have a partner personal section accounts, an account based pension, and access to limited financial advice.

Natasha Carter:

Thanks, Paul. How are we positioning the fund for the coming years in the face of the ongoing pandemic, related supplier demand, and inflationary constraints? Are there any sectors that offer promising growth prospects over the coming years?

Paul Rosam:

To reiterate my earlier comments, we're focusing on building diverse portfolios that can weather this short term environment and deliver you strong returns over the long term.

Natasha Carter:

A member asks, when will an investment option for stricter ESG screening requirements be available to members?

Paul Rosam:

We've outlined our approach to ESG and I hope you appreciate the progress we've made in the five areas which we're focusing on from an ESG perspective.

Natasha Carter:

Thanks, Paul. A number of industry super funds are obtaining high returns from investing in a higher percentage of unlisted assets. What is ANZ's position on unlisted investments and will they be looking to invest in a higher percentage of funds going forward in this area?

Paul Rosam:

As I've mentioned, much of our recent investment focus has been on continuing to improve the diversification and resilience of our investment options. And this has included increasing allocations to unlisted assets which have elements of downside protection and linkage to inflation.

Importantly, these increased allocations to unlisted investments need to be balanced against the scheme's membership and liquidity profile.

Natasha Carter:

A member has asked, in terms of the ANZ Staff Super app, I would like an understanding of where we are with it, next steps, when do you think we can go live? App would be a better experience and easier to log on to.

Paul Rosam:

Yes, I agree. An app would be good. We do have the mobile website but that means members need to remember their log on details and password. It's certainly on our agenda. We're in discussions with ANZ and I hope to have some good news to announce at some stage in the future.

Natasha Carter:

A member has asked a question in relation to investment options. In the future, outside the four options in the fund, considering lifecycle super. As you get old, the risk changes, different asset selection classes et cetera.

Paul Rosam:

Look, we'll give it some thought. However, what we need to remember is members are living much longer nowadays. So need to be really careful that they don't dial down their risk too early and that way they get lower but more stable investment returns and find themselves in the situation of running out of money earlier than if they maintained a more balanced portfolio.

We do suggest that all members get financial advice to determine the right investment mix for you.

Natasha Carter:

The next question. Is the trustee satisfied that the failure to implement daily pricing and overnight processing of investment switches is in members' best interests?

Paul Rosam:

Look, we are certainly looking to move to daily unit pricing. You've just got to remember that super is a 50 year investment and a weekly cycle is consistent with that approach but we certainly are looking to move to daily unit pricing at some stage in the future and when we're ready to make this change, members will be informed and provided with details about the revised switching timeframes.

Natasha Carter:

Thanks, Paul.

Paul Rosam:

I think that's the end of the pre-submitted questions so now we're relying on the technology to deliver the questions that have been submitted tonight.

Natasha Carter:

Sure. I'll start with the first one. A member has asked is there any consider underway of TPD cover for retained members? Specifically the need - application of the activities of daily living standard.

Paul Rosam:

Certainly we are focusing on our insurers just at the minute and our insurer has proposed a revised TPD definition, so that's total and permanent disablement definition. We will be working through that in the next month or two. And if we are comfortable with the revised definition, we'll announce that as soon as practical.

Natasha Carter:

Thanks, Paul. Why can't I simply access online a historical graph showing the performance of my super investment over time?

Paul Rosam:

Look, we will be working with our service provider to review our offering to see what can be provided. You do get that in your members' statement each year and unit prices are certainly available on a weekly basis. But I accept that our website is becoming due for an upgrade.

Natasha Carter:

Thanks, Paul. If a few competing funds are consistently performing better and have higher returns due to the illiquid funds, then why shouldn't I switch to one of those? What is the value proposition that would make ANZ Staff Super a more attractive option?

Paul Rosam:

Well, there are a couple of things. If you're an insured member, you have access to the lowest death and TPD premiums in the market, some 60% to 70% below average.

We have among the lowest fees and we have good solid investment returns. However, if you speak to your financial advisor and they identify a fund that may be a better fit for you, then that's a matter for you and your financial advisor.

Natasha Carter:

Thanks, Paul. The next question. If other funds are taking more risk but are receiving better returns, why don't we follow their lead?

Paul Rosam:

Well, we need to consider the demographics of our fund. If you were a fund that has the average age of your members at 30, it's quite a different investment demographic to what we've got where the average age of our members is 45, and you need to take that into account when setting your investment strategy.

Natasha Carter:

Thanks, Paul. The next question, the \$50 million investment into Palisade is an exciting push towards 2030 and 2050 net zero goals. This represents approximately 0.7 of current FUMs. Did we have a target for FUM allocation over the next three years, say 5% for similar net zero investments?

Paul Rosam:

We don't have a target for specific FUM at this stage. We're continuing to look at our investment mix and we've also got a large passive fund. And if it would make sense to apply a filter to that, that would not increase the tracking error. When I say tracking error, that's the risk of underperformance. If we could find the right fund to allocate that money to, then we will certainly consider that.

Natasha Carter:

Thanks, Paul. The Suncorp Superannuation is faced with a class action, settled in the New South Wales Supreme Court with Suncorp to pay \$33 million. Since ANZ has bought Suncorp, how does that affect ANZ and our superannuation on the legal perspective?

For example, for those with super with Suncorp sometime in the past who are now on ANZ Super. We're being invited to sign up for that class action by the end of this month. How does that affect those in this scenario?

Paul Rosam:

Okay. How it affects ANZ, I'm really not sure. I'm probably not qualified to comment. I would suggest that as it pertains to any of our members' holdings with ANZ Staff Super, it has no impact. It would have no impact. So I'm probably not holding enough information to answer how that would affect you, other than what it would for ANZ Staff Super, and that would be no impact.

Natasha Carter:

Thanks, Paul. Why did it take over seven months to provide the last annual review?

Paul Rosam:

Well, I'm not entirely sure that it did. The email with our annual report went out in June and member statements went out in March. So there's a fair bit of work that happens post year end. So all the financials need to run, the annual review, and that means that we get various things done in various timeframes.

So the end of March we got our annual member statements out which are the most read document that we provide. And then once that's done, then we can move onto the annual report, which was provided to members in June. And there's a fair bit of work so don't undersell the amount of effort that it takes to build those reports.

And having them delivered five or six months after the end of the year is not unusual.

Natasha Carter:

Thanks, Paul. There has been significant consolidation of superannuation funds over the last few years. Is ANZ Staff Super in any danger of merging with another fund?

Paul Rosam:

Look, I refer back to my previous comments. We believe that there is a place for small, well run, niche funds with a competitive advantage. I would suggest that our relationship with ANZ would be a good example of competitive advantage.

So will consolidation affect ANZ Staff Super in the future? Potentially. But we're confident for the short to medium term that we'll continue on providing superannuation to ANZ Staff Super members as a standalone entity.

Natasha Carter:

Thanks, Paul. Next question. You talk about the average member being 45 years old. But shouldn't each member just adjust their investment according to their age and choose appropriate percentage investments in aggressive, balanced, et cetera?

Paul Rosam:

Yes, the 45 I talked to is relevant for us setting the overall investment mix. But yes, I would recommend that all members speak to a financial advisor to work out what is the appropriate investment mix for you. But also, be careful, because of the length of time that Australians are now living after they retire, to be careful that they don't dial down their risk too early.

Now, recall I can't give advice. So that's general information and general theory about investments. Please speak to your financial advisor to work out a plan that's appropriate for you.

Natasha Carter:

Thanks, Paul. How can I see how much my employer has contributed year to date and also previous years?

Paul Rosam:

The year to date information I believe is available via the ANZ Staff Super website and employer contributions are detailed specifically in your members' statement.

Natasha Carter:

Thanks, Paul. I'm just refreshing my screen because I think that's the last question that members have asked. So I can't see that there are any further questions at this stage.

Paul Rosam:

All right. Thank you, Tash, and thank you everyone for joining us tonight. There will be a summary of this meeting, along with the transcript and a video, and answers to all questions that have been asked tonight, be available on the website sometime in the next few weeks.

So all that is left for me to do is to thank you all for your attendance tonight and hopefully I'll see you all next year.

End of transcript