MINUTES OF THE ANNUAL MEMBER MEETING

**HELD AT SHERATON GRAND SYDNEY, PARK HYATT MELBOURNE AND VIA VIDEOCONFERENCE
ON TUESDAY 15 DECEMBER 2020 COMMENCING AT 5.30PM**

PRESENT:	Peter Promnitz	Chair, Independent non executive director
	Andrew Gale	Independent non executive director
	Beth McConnell	Independent non executive director
	Karina Kwan*	Independent non executive director
	Kathryn Watt	Non executive director
	Steve Schubert*	Independent non executive director
	Terry McCredden*	Independent non executive director
FULL ATTENDANCE:	Cangie Matera*	Head of Trustee Governance & Company Secretary, NULIS
	Brian Marriott*	General Manger, NULIS
	Paul Clitheroe AM	Guest Speaker
	Tim Steele	MLC Wealth Group Executive Retirement and Investment Solutions
	Jonathan Armitage	General Manager Asset Management and CIO, MLC Wealth
	Russell Jansen*	General Manager Wealth Operations, MLC Wealth
	Peter Sutherland*	Chief Risk Officer, NULIS
	Andrew Morgan*	Acting Managing Director, MLC Wealth
	Pei-Onn Lee*	Executive Audit, MLC Wealth
	David Jewell*	RSE Auditor, EY
	Brad Jeffrey*	RSE Actuary, Willis Towers Watson
	Kathryn Maartensz*	RSE Actuary, Willis Towers Watson
	David McNeice*	RSE Actuary, Willis Towers Watson
	Phillip Patterson*	RSE Actuary, Willis Towers Watson
	Nicholas Wilkinson*	RSE Actuary, Willis Towers Watson
	Nicholas Callil*	RSE Actuary, Willis Towers Watson
	Tracy Anne Polldore*	RSE Actuary, Willis Towers Watson
	Andrew West*	RSE Actuary, Willis Towers Watson
	Mark Nelson*	RSE Actuary, Mercer
	Mark Samuels*	RSE Actuary, Mercer
	David O'Keefe*	RSE Actuary, ALEA Actuarial
	Nerida Seccombe*	RSE Actuary, Heron Partners
	Diane Somerville*	RSE Actuary, Deloitte

**Videoconference*

AGENDA ITEM 1: OPENING of MEETING

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

AGENDA ITEM 2: PAUL CLITHEROE AM

Mr Clitheroe addressed the meeting and provided his insights on planning and preparing for retirement in these challenging times.

AGENDA ITEM 3: CHAIR ADDRESS

The Chair thanked Mr Clitheroe and addressed the meeting. The Chair spoke about the role of the Trustee in protecting the benefits of members and the major role superannuation has in the economy, in workplaces and in particular to the future retirement plans of individuals. He then went on to discuss some of the major issues in superannuation, focussing on the industry, changes in regulation and government policy and implications for members.

The Chair also spoke about the sale of MLC to IOOF and the role of the Trustee in ensuring member interests are looked after.

AGENDA ITEM 4: BUSINESS UPDATE

The MLC Weath Executive, Retirement and Investment Solutions addressed the meeting. In particular Mr Steele focussed on the following key topics:

- COVID-19 and impacts on super and health;
- Evolution of the MLC Wealth business and the decision by NAB to sell the business to IOOF; and
- Investment markets and performance.

AGENDA ITEM 5: PERFORMANCE UPDATE

The Chief Investment Officer addressed the meeting, remarking on the following key points:

- Impact of world events on investment markets
- Diversification of MLC portfolios
- MLC approach to market turbulence
- MLC's focus on long-term investment outcomes; and
- Responsible investing and ESG.

AGENDA ITEM 6: PANEL DISCUSSION

The Chair opened the Q&A session advising attendees that all questions would be answered either in this session or in writing and that the questions and answers will be published on the MLC website within 30 days of the meeting. The Chair further advised that for privacy reason any personal questions about your individual super will not be answered in this session.

The Q&As, including all questions raised through the registration process and at the meeting, is attached to these minutes.

AGENDA ITEM 7: MEETING CLOSE

The Chair thanked the Directors and MLC Wealth all those present for attending the inaugural Annual Member Meeting.

The meeting closed at 7.30pm.

....	12 January 2021 ....
Chair	Date

QA Panel Session Transcript

Peter Promnitz: Thanks, Jonathan. So now we've reached what may be the most important part of the evening, a session where we can directly address your questions as members of MLC super funds. This Q&A section will run for about 45 minutes. Here's how it will work.

Across Melbourne and Sydney, we have a range of MLC executives and NULIS board members, including Tim, Jonathan, and I, available to answer your questions. Through the registration process, many of you have already submitted questions. And we have looked to incorporate answers to those questions in the presentations tonight.

In addition, many of your questions fell into two or three main thematic areas. We felt these were best answered during the Q&A, so these will be answered first. As you can see, there is a question box on screen where you can submit your questions now. There is also an option for you to vote on a question someone else has submitted so we will know which ones are the most important to members.

Here's one really important point. If your question doesn't get answered tonight or there's someone else's question you'd really like to see addressed, you can come back to our website to see a written answer to that question. So all questions will be answered, either in the 45 minutes we have now or in writing on the MLC website. And those written answers will be online within 30 days.

Just a quick reminder-- we can't answer any personal questions about your individual super for privacy reasons. So if you have personal questions, please contact us using the contact details displayed on the screen. So let's get started. Tim, can I ask you to read the first question?

Tim Steele: Thank you, Peter. And the first question is, in fact, an investment-related question. So best directed to Jonathan Armitage, affectionately known as Johnny. And the first question comes from Michael. Do we expect a COVID-19 slump in markets in 2021 or 2022, as it hasn't been that dire in 2020?

Jonathan Armitage: Thanks, Tim. And Thank you, Michael, for the question. We've seen an astonishing period for markets, particularly equity markets, in 2020 with the sort of dramatic falls in both February, March, and then unprecedented responses both from central banks in terms of reducing interest rates and also asset purchases and then also from governments, particularly through fiscal policy. And a very good example is the JobKeeper program here in Australia.

And what those sorts of investments have done is very much stabilise or cushion that very dramatic impact that the pandemic had on economic activity. And as those programmes came through, you saw a very strong rebound both in equity markets, but also in fixed-income markets. And so as we move into 2021, you are continuing to see that sort of government support and central bank support being a very important component in terms of keeping economic activity going.

I think as we look forward, there are going to be a couple of important things to examine. Overall, I think we're cautiously optimistic about the growth prospects for global economies. The things that we are going to be particularly focused on is the rollout of vaccines. We've obviously seen, in the last week or so, the start of the rollout both in the United Kingdom and the US. And an important thing to monitor is the efficacy of that vaccine rollout and the way that it will transmit back into helping economic activity get back to some more normal levels.

One of the other things that is going to be, obviously, crucial as we look into 2021 is the potential withdrawal of some of the stimulus measures that I mentioned earlier. And there's going to be a fine balancing act both for central banks and also governments to work through as you see economic activity return to normal levels, but also seeing those support measures being rolled back. But overall, we think there are grounds to be cautiously optimistic, particularly given that I think we've now got a series of vaccines which are going to be available probably earlier than we anticipated when we first entered the-- first saw the pandemic erupt earlier this year.

Tim Steele: Thanks, Johnny. I will now hand back to our chairman, Peter Promnitz, to facilitate the remainder of the Q&A portion of this meeting.

Peter Promnitz: Thank you, Tim. So we've got a number of questions both pre-submitted and being submitted through this meeting. So next question is for Tim from Johann. I'm not happy about the unilateral decision to introduce a trustee levy. What's the reason for it? And what is taking place on 1 December to justify the fee? Tim?

Tim Steele: Thanks, Peter. And thank you, Johann, for your question. And it is correct that on the 1st of December, we introduced a trustee levy of 0.02% across all products within the MLC Super Fund. And the levy was put in place to cover existing government levies, including replacing the current APRA levy of 0.01%. In addition, the levy was put in place to cover the cost that the trustee incurs in running the MLC NAB. This is part of a broader number of changes that we've made across our pricing over the past couple of years and has sought us to ensure that we had contemporary, competitively priced products that enabled us to continue to run the fund sustainably and compliantly.

Peter Promnitz: Thank you, Tim. I've got a question for-- I'll ask Kathryn to answer this one, a question from Olaf. How are you managing climate risk of investments and ensuring members benefit from the transition of business modes due to climate change?

Kathryn Watts: Thanks. And Thanks Olaf, for a very well-put question. The word "transition" is really important in there. We consider climate change two ways, from both an asset allocation perspective and also in how we assess our managers. In terms of asset allocation, we incorporate modelling of different climate change scenarios and the impact that this might have on different industries, countries, and companies, indeed, because each circumstance will be different. Some will be more reliant on fossil fuel, some less so, some more on renewables.

Then the next thing is that we look closely at what our managers are doing, our underlying investment managers. We look at how they think about and how they analyse climate change risks in the companies that they invest in and the companies that they choose not to invest in. The MLC investment teams also continuously looking at how they can evolve our thinking about what's clearly a very important issue to all of us and how it impacts our portfolios.

Peter Promnitz: Thanks, Kathryn. So there's some interest in the questions on the IOOF transaction. So perhaps I'll ask Andrew to answer the question from Emily. What does the acquisition of MLC by IOOF mean for MLC members? What will happen when IOOF take ownership?

Andrew Gale: Thanks, Peter. And thanks, Emily, for your question. First key point, I think, is that your situation is looked after by the trustee. And any decisions around how your superannuation is managed and your investment arrangements and your insurance arrangements and the like are decisions which can only be made by the trustee.

So just as, at the moment, the current shareholder, MLC Wealth, the NAB group, cannot direct the trustee as to how your superannuation interests are managed, so too, will it be the case that under new ownership with IOOF no key decisions impacting your superannuation can be made unless the trustee is actually comfortable that they're in your interests. So our role as trustee is to, first and foremost, absolutely prioritise members' interests. And if there's any distinction or any possible conflict between the interests of members and the shareholder, our statutory responsibility is to prioritise members' interests.

In the longer term, we actually expect that the IOOF transaction will potentially be quite beneficial to members, not the least of which because of scale benefits. With the larger-scale benefit, economies of scale flowing through into fee structures, we would expect that to be beneficial.

The transaction itself is subject to regulatory approvals, both through the ACCC, which actually came through this week, and by APRA. Now, APRA is the prudential regulator. The key thing they'll be looking at is whether change of control is in members' interests. So they, too, are looking at exactly the same issue. And in turn, they'll actually be looking to the trustee to seek comfort that we're satisfied that that is also the case. So there's lots of checks and balances to make sure that members' interests are being covered.

So that's a broad overview. There's, obviously more detail which we can cover on different dimensions. But the trustee is basically the one looking after your superannuation interests, investment insurance, and the like.

Peter Promnitz: Thanks, Andrew. A question for Johnny-- what impact does China have on investments from a super?

Jonathan Armitage: Thanks, Peter. And it's a very important question. I think if we look at things purely from an economic perspective, China's the world's second-largest economy and growing at a very significant rate. And I think that very strong growth profile, particularly compared to other major developed economies, is obviously something that's important and worthwhile us paying a lot of attention to.

It's also a very dynamic economy. We've seen within, really, the last decade quite a strong shift away from an economy that was very resource-intensive to one where services in particular and also consumption have been an increasingly important part of the growth dynamic in that part of the world.

China is also a very important trading partner for Australia, which is, obviously, seeing some challenges in the short term. But when we look at the impact here domestically in terms of not just around raw materials but also the goods and services that are traded between the two economies, it's obviously an area that deserves an awful lot of attention. We continue to see that there are attractive investment opportunities within China.

I think it's important to note that we apply the same ESG-- so Environmental, Social, and Governance-- policies to China, as we do any of the other markets that we invest in. And so there's obviously a strong focus on making sure that any investments that we have in that part of the world are ones that we continue to, first of all, see abide by the policy that Kathryn outlined, but also we see as being sustainable over the medium to long term to make sure that we're providing the best long-term returns for you as our members of the super fund.

Peter Promnitz: Thanks, Johnny. A question for Beth from anonymous. Any thoughts about the government's retirement income review?

Beth McConnell: Thanks, Peter. And look, as a trustee company, we're very supportive of any government initiatives that help our members plan for their future income or to live well in their retirement. So we've welcomed the review into the retirement income system. And it's provided, actually, a very detailed report, I think over 650 pages long. And there are a whole series of observations about the retirement income system that I think will inform government policy for years to come. So we think it's provided a real fact-based assessment of the retirement income system. And we've welcomed it.

A couple of observations that are probably worthwhile mentioning. The first one is that, overall, the three pillars of our retirement income system is seen as continuing to be effective. So that's the age pension, compulsory superannuation or superannuation guarantee, and the third pillar being voluntary savings. Costs are seen as broadly sustainable. And a third observation is that there continues to be a need for improvement in understanding of the retirement income system by Australians who rely upon the system for their retirement.

So we endorse that finding. And I have to say that we are gratified to see the number of our members who use the calculators and tools online, who seek advice or read educational material or attend an annual member meeting such as this. And it helps everybody to inform themselves and to plan for their own retirement and make sure that their needs are met. So overall, we've welcomed it. And we'll be watching closely to see what happens next.

Peter Promnitz: Thanks, Beth. A question for Tim from Ludwig. Have the fees been reduced? Or is this another way of charging these difficult to work out? How can members find out what fees they're paying?

Tim Steele: Thank you, Peter. And thank you for your question, Ludwig. And look, I think this question relates to the trustee levy as well, which, obviously, we've already touched on. But members should have received, as is the case any time we change fees, a letter including a significant event notice 30 days prior to any change. And it would outline specifically what that means for each individual member, whether it's neutral, positive, or negative.

If you don't have a copy of your significant event notice or letter handy, you can always go to our secure website, log in to the website, and receive a copy of the significant event notice. You can also go to mlc.com.au and have a look at our product disclosure statements, which will outline the fees. And you can also call us if need be and ask our team to explain any questions you might have about the fees that you're paying.

But look, it is a good question. And I appreciate that you can't always work through this as easily as it might be our preference in explaining fees within superannuation, more broadly. But certainly as we've worked to continue to enhance our communications to members, we've sought to try to simplify the messaging so it's very clear in advance of any change exactly what these fee changes mean for individual members. And as I said, you can also go to our website to get the latest information.

Peter Promnitz: Thank you, Tim. And Tim, I'll go straight back to you with the next question, from Samantha. How do you work out how much you need to have in super or investments for retirement? How do you know if you've got enough?

Tim Steele: It's a great question. And I think Paul Clitheroe gave us some insights on his view of funding retirement, including having two years of cash available to see out market volatility. But obviously, that depends on any individual's personal circumstances, including dependents and cost of living and their own lifestyle.

The best thing I can do is direct you to the abundance of tools that are available in particular online, either through the government website, or go to mlc.com.au. Proudly, the team have been working really hard to continue to uplift the quantity and quality of materials we have available, either through webinars or videos, to enable people to make better and informed decisions about their superannuation, including adequacy of retirement tools that they can then put in some of the information that relates to them.

And again, if they've got questions, they can either post those to us through that forum or contact our team over the phone to answer questions. We can typically over the phone only answer questions related to people's general circumstances. But the retirement tools available both through the government and online will enable you to put in information that relate to your personal circumstances.

Peter Promnitz: Thanks, Tim. A question from Ed-- how will MLC investment products be affected when IOOF takes over? It's a question which I'm going to ask Johnny to talk about the investment side of and Tim to talk about the product side. So how will the investments themselves change? And how will they fit into the product suite? Tim can answer the second part of that question.

Jonathan Armitage: OK, Ed. And thanks a lot for the question. The very simple answer is that we will not be making any changes as a result of the IOOF takeover. There are very clear criteria and objectives that we have for our range of investment products. And those will remain unchanged as a result of IOOF potentially becoming our new owners. We've got a very tried and tested investment process. And it's been quite clear that IOOF will continue to support that going forward.

Tim Steele: Thanks, Johnny. And from an investment products perspective, we're also not foreshadowing any immediate changes to the products we offer. That doesn't mean that over time that they won't change. In fact, I think to Andrew's earlier points around the IOOF acquisition, we would hope over time that the scale that comes from being part of a combined organisation would be able to pass through benefits to members. And that will include new products and potentially consolidated products as part of that transaction.

So the short answer is no immediate change to the products we offer for our members. But we would hope by the time, as would be the case if we remained as we are, we'd continue to invest in developing new products that meet the needs of our members. And we expect that will be even enhanced through the scale that will come and the benefits of the combined organisation.

Peter Promnitz: Thanks, Tim. So we're having a run of investment questions here. The next question for Johnny from anonymous-- why does MLC never make the top 10 superannuation companies performance charts? I presume the question means in particular the comparison to industry funds performance.

Jonathan Armitage: OK. So thanks for the question. It's obviously a very important one. I think in the first instance, sometimes the comparisons are never apples to apples. Our focus as an investment team is making sure that we are achieving or beating the investment objectives which are set by the trustee. And I think there was a chart that we showed up earlier that over the medium and long term, we have very much not just achieved the investment objectives that we set, but exceeded them comfortably.

We're very focused on making sure that the returns that we produce for you as our members are the best we can do over the medium to long term. We tend to try and avoid making short-term decisions which may impact investment returns over the short term but may be more detrimental to the returns over longer periods of time.

I think one of the other things that we think is a very important component to the way that we manage your money within the superannuation fund is a focus on risk. Return is very important. But we also think that the risk component to the way that we manage and look after the investments that we hold on your behalf is a very important component. And we have been through an unusually volatile period in markets. We feel that it's very important that we've positioned our portfolios to ensure that we are best positioned to produce those investment returns in order to meet those medium-to long-term objectives and not just get caught up in perhaps a focus on the shorter term.

Peter Promnitz: Thanks, Johnny. The next question is from Diane, and I'll answer the next question. As an employer in the construction industry, who does the government think will pay for the increase of super by 2025? That's the contribution going up to 12% in 1/2% increases over the next four years. It's already a cutthroat industry. It will only impact salary increases.

Peter Promnitz: So this is one of those questions to which there is no correct answer. It's quite political. And if we asked all the economists on this call, we would get 20 economists would get 21 different answers. It's really a trade-off between saving for retirement and the impact that that has on the Australian economy versus the short-term impact on directing available money to salary increases rather than putting it into savings.

I think if we took a poll of all of the members on this call, we'd get a very broad range of responses to that. It's become quite politicised. And I'm not proposing to try and choose sides here. It certainly is a question that depends if you're in retirement or preretirement and comfortable, then directing contributions to super sounds like a good idea. If you're in your early, mid 20s, early 30s and trying to pay the mortgage, directing contributions to super might not sound as good an idea as more money in your pocket to pay the daily bills.

So it's one of those political decisions that will be bounced around the media and Parliament for the next few months and years. But I'm not proposing that MLC or NULIS as trustee has a position other than, whatever the contribution come through to us, we will properly invest on your behalf, look after, help them grow, and pay them back to you when you retire.

Peter Promnitz: So interesting question from anonymous. How long do you think it would take for super balances to bounce back to their pre-2020 balances? Again, I'll initially direct this to Johnny because it's part investment to this but also make the observation that it depends a little bit on what your investment strategy is. So if you've been very defensive or very aggressive, the answer is going to be completely different. But Johnny, can you give us an overview on that question, please?

Jonathan Armitage: Yeah. Thanks a lot, Peter. And first of all, it will depend a little bit on those overall, the portfolio structure. I referred earlier to the fact that it has been an extraordinary year from an investment perspective. If you just look at the US equity market, it's actually now at a higher level than it was at the start of 2020, which, when you consider what we've been through and the impacts of the pandemic, that's quite an extraordinary feat.

It's been less true for people who have been more focused domestically. The Australian equity market has not kept up in the way that other markets have done. We do think that with the emergence of not just one but now it looks like three vaccines which will be more readily available as we move into 2021, that opens up the opportunities for economies to start to recover. And so that would allow equity markets to continue to see the recoveries that we've seen through the second part of this year.

We're continuing to see really interesting investment opportunities emerge in different parts of our portfolio, parts of fixed income, but also within our private equity portfolio, which has been a strong component to investment returns certainly this year, but also over longer periods of time. So we do think that there is the opportunity, given the rollout of the vaccines and potentially a return to more normal economic conditions, that superannuation balances in the main will start to see healthy recoveries back to their pre-COVID levels.

Peter Promnitz: Thanks, Johnny. As I said, we're having a run of investment-related questions. So you're going to get the next couple as well. Firstly, a question for Johnny from Hans. MLC My Super growth investment performance has been excellent for this financial year. Thank you. What do you think might have been the reason for this? And can you continue the performance?

Jonathan Armitage: Well, thank you, Hans, for the comment and also the question. If we look at the things that have helped us over the last 12 months, it has been overweight things, like global equities. I mentioned in some earlier remarks that global equities have done better than domestic equities here in Australia. And our portfolios also benefited from being unhedged. And so as the Australian dollar declined in value, actually, that global equity component saw very strong returns.

We've also benefited from some of our exposures to unlisted assets, particularly within private equity, also within our unlisted exposure, for example, in real estate. And this is particularly true for our MySuper portfolio. Our exposure there was very much focused away from retail, which is, obviously, an area that has particularly suffered in the last 12 months or so as a result of the restrictions caused by the pandemic.

And we probably had a greater exposure to industrial property, which has, obviously, benefited. Because an awful lot of those type of facilities have been involved in the distribution of goods, which have benefited from everyone being at home and probably doing an awful lot more online shopping. So those are some of the areas that we know have been contributors to investment performance over the last 12 months or so.

I think as we look forward, we continue to be very comfortable with the overweight to global shares because of the growth opportunities that they offer, both in developed economies and also emerging markets as well. We also, I think, continue to see good opportunities emerging in unlisted assets, both in terms of unlisted equity, private equity, but increasingly in parts of the debt markets, where the volatility that we saw earlier this year as the virus really impacted those parts of markets, that's thrown up a number of really interesting opportunities that we think will benefit our members over the next two to three years.

Peter Promnitz: Thanks, Johnny. And another question for Johnny again. do China's human rights violations represented an ESG risk? I'm assuming that this is in terms of portfolio selection.

Jonathan Armitage: Thanks, Peter. And I think that it's, obviously, something that we are very focused on and take very seriously, not just around investing in China, but all our investments. All the investments that we look or examine, we look through a lens covering both environmental, social, and also governance issues when we look at those. We're very focused on making sure that the returns that our members get are sustainable and that we've got a clear understanding about the risks that we are entering into when we purchase individual securities, but also where we make allocations to particular geographies.

And within that, it's having a very clear understanding around the number of non-financial risks. And that would include political risk as well. So we think that that is something that we incorporate into every investment that we make, whether or not it's in China or any other of the markets that we invest our members' money into.

Peter Promnitz: Thank you. Next question is an anonymous question. I'll start the answer on this, and then I'll perhaps ask Tim to follow up. If the comparison to industry funds doesn't really matter, why does APRA publish heat maps? And why is there so much publicity around it?

Peter Promnitz: So just to explain, the heat maps is a document published by APRA every six months which sets out relative fees and performance of all of the licenced super funds in Australia, something that's only been going for a few months. And the second one has just been released. The rationale to it is to provide a single point of reference as to how superannuation funds are performing.

Unfortunately, it's really difficult to sum up in one small set of numbers how you compare super funds. And so it's something that came out of the Royal Commission. It's something that APRA has introduced. We're certainly complying with all the requirements to put the numbers into the heat map. But we see examples in the numbers that we put into to the heat map where if you're in a corporate plan with Plum and you're getting very good low fees because of the discount for scale, none of that's represented in the heat map.

So it's an attempt by APRA to provide information. But for complex businesses and complex funds like MLC, it's very difficult to summarise all of the different aspects of that complexity in one number. Tim, do you want to add to that?

Tim Steele: Yeah. I think it's a good question, Peter. And I think it does matter because APRA and I think all trustees are hoping to help members make informed decisions about their long-term retirement outcomes and superannuation. And whether it's retail or industry funds, I think both have the same objective, which is to deliver excellent performance and ultimately great superannuation outcomes for members in the long run.

And so I think the APRA heat map is, as you said, a way of providing that comparison, albeit imperfect given the various complexities and nuances that exist across the system. It is a way of providing comparison for members and the public more broadly to understand how their fund performs compared to others. And so I think it does matter. And it is an important initiative that APRA have progressed.

And I should state, without getting too much into proposed legislation, that it will be very interesting over time to understand how the APRA heat map aligns to the proposed benchmarking as part of Your Future Your Super legislation, which is currently going through a process of consultation across the industry for consideration by Treasury and ultimately APRA and regulators more broadly. And so the APRA heat map and how that aligns to the proposed benchmarking is still to be determined, Peter. But I think the objective is similar. And that is to provide transparent and objective assessment of funds performance and the outcomes they deliver for members to enable people to make good decisions about their superannuation fund.

Peter Promnitz: Thanks, Tim. As we expected, there's a lot of focus on investments this evening. And there's also a theme of China. So the next question's for Johnny. How do you feel investment will be impacted by China's embargo on Australian products, as Australian GDP is heavily weighted towards export-imports from China?

Jonathan Armitage: It's, obviously, a very current and very important question for us to think about. This is, obviously, a bit of an evolving situation. And so I think it's important for us to understand how that may impact things in the shorter term and then looking at the longer-term impacts that this might have.

I think it's clear that the different raw materials and products that Australia produce are valued in China. And these are markets which have developed and evolved over relatively long periods of time. So I think it's important for us to make sure that we don't necessarily overreact to some of the short-term measures that have been put in place.

And it's quite clear that the quality of the products that are exported from Australia, whether or not it's raw materials, like thermal coal, metallurgical coal, or iron ore-- the quality of those products are very much valued by both industrial consumers in China and also the service consumers as well. So it's something that we are watching, obviously, extremely closely. But as I said, I think it's important that we make sure that we've got a clear understanding about what the medium-term impacts of some of these regulations are or whether or not what we're seeing is more short term in nature and has more of a sort of political dynamic to it rather than a longer-term economic impact.

Peter Promnitz: Thanks, Johnny. Next question is anonymous. And I'll ask Andrew to answer this question. Assuming the IOOF purchase proceeds, how will NULIS and APRA report back to members and the market on A, executing it, and B, delivering on the benefits?

Andrew Gale: Thanks. To the first question in terms of the execution of the deal, there's already been public announcements around the target timetable for that. One, there's a range of necessary steps leading up to that, including regulatory approvals and the APRA one, which I mentioned previously.

But there are other key steps, not the least of which is MLC Wealth, we as trustee being very confident that at the time of the transaction and the handover of the business that everything is in order in terms of members' interests being covered and all the right business management processes in place and the like. So that's a current process. In terms of the actual announcements, bearing in mind that both NAB is listed on the market and IOOF is listed on the market and market sensitivities and continuous disclosure issues and the like, those announcements would be made at the time that there's certainty both on the transaction and the timing and completing all of the conditions required for that transaction.

In terms of the second component of the question around reporting back on benefits to members, there's actually a really good framework in place now which is called the Member Outcomes Framework, which all superannuation trustees need to adhere to, which means having some really targeted outcomes for members. And it's baked into business plans and our risk plans and the like. Every 12 months, we need to go through an internal assessment of business performance review on how we delivered against member outcomes.

And then publicly, there's also a requirement now through what's called a "member outcomes assessment" to report those results for members through a public forum. And that would be available on our website. And that's done across quite a range of criteria-- investment outcomes, insurance outcomes, that we're doing the right thing in terms of trust and reliability and delivery of service, generation of retirement incomes, quite a range of dimensions which we report against.

So the most relevant mechanism, I think, in terms of providing feedback to all members will be through that outcomes assessment framework, which will be made public. And the first one-- I'll check with Tim on time in a sec. But I think that's targeted around March or April in the new year.

Peter Promnitz: Thanks, Andrew. Good answer. So the next question is from Faye. And I'll answer this initially and, again, throw it to Tim to see if Tim wants to add anything. How will MLC help ensure that the increase in super that was committed to by the federal government goes ahead? What is MLC doing to help support this?

Peter Promnitz: So let me answer that question from the NULIS perspective, NULIS as trustee. And I'll ask Tim to make a comment about MLC as the commercial organisation delivering the services.

From the trustee's perspective, we don't spend any of your money on any political lobbying whatsoever. It's not our purpose. Our purpose in life is to look after your money and ensure that you're getting the right benefits delivered as efficiently as possible. So we don't take a political stance. We don't spend money on political lobbying.

And the reason is, in that particular case, from the perspective of the questioner-- and this relates back to the answer I gave before-- they're clearly committed to having the increase in super contributions go through. But we have lots of members in their 20s and 30s who might not want it to go through for their own particular personal reasons, which we neither agree with or disagree with. So if we were to spend some of your money doing political lobbying, then at least 50% the members will be unhappy because we'd be lobbying against their interests. And that's not what we're in the business of doing.

Peter Promnitz: Tim, do you want to make any observations on behalf of MLC itself?

Tim Steele: Thank you, Peter. And look, I can understand the question and the potentially varying perspectives that people might have on whether that's a good or bad thing. We have the benefit of being members of some various industry groups to which we contribute, debate, and challenge.

And through that forum and because of our position in the market-- and MLC is proudly one of the largest superannuation funds in Australia-- we are, from time to time, asked to contribute to various discussions and engagements with government and regulators. And we do feel it's our responsibility to be able to make a meaningful contribution to those dialogues. And so certainly on the topic of SG, we've continued to engage with various industry bodies.

And similar to your previous answer, Peter, ultimately, our view is that we will do the best we can with whatever contributions we receive to help optimise the outcome for our members. And there are various issues at play that the government is carefully considering with the overall lens of the broader economy and the needs of businesses and members and people wanting to help, obviously, build adequate retirement savings. We will, ultimately, as I said, do the best we can with what we receive from the SG to deliver the best outcomes for members.

Peter Promnitz: Thanks, Tim. A question for Beth from Allison-- what impact do you think the superannuation stapling announced in the recent budget will have on the fund?

Beth McConnell: Thanks, Peter. And thanks, Allison, for the question. Well, stapling is a relatively new concept in the superannuation context. It was part of the federal government's announcements in October with the budget. And the concept is that when you begin a job with a new employer, you will effectively bring your old, ah, existing super fund with you. So you won't be put into a new super fund, which is a default arrangement for your new employer.

So the idea is that that will reduce duplication of accounts. And so people won't be paying double sets of fees. And so as a trustee, we absolutely support that concept.

The devil's in the detail, I suspect, in terms of how that will play out in practice. And we haven't seen a lot of that detail yet. So we are waiting as an industry to see a little bit more detail about what stapling means and how it will play out in practice. And so we are very committed to watching that. And we'll be keeping in contact with you about what that means in practice moving forward.

But certainly as a matter of principle, we think that the concept of increased simplicity and avoiding duplicate accounts is a good one. So we'll watch and see with that one.

Peter Promnitz: Thanks, Beth. An anonymous question for Tim which relates to an earlier answer, Tim, but I'll ask you to address this one as well-- speaking about calculators on your website with regards to how much money is required to retire comfortably, why doesn't MLC update the calculator to take account of current times and-- I presume, and provide the interest rates, is the rest of that question. But I'm not sure. Tim?

Tim Steele: Look, I'm going to take it as both a question and some feedback. I know that the team responsible for all of our online tools and various educational resources are regularly reviewing calculators and the relevance of various information, including changing things like interest rates. It's not always possible, I have to say, to keep up given the speed with which some of these changes have been occurring. But I will also take the feedback and ask the team to review the currency of the information and perhaps default settings that are included in the calculator to ensure that the question that was raised-- can give them confidence that they're getting an accurate assessment of the retirement adequacy as a result of the calculator.

Peter Promnitz: Yeah. Thanks, Tim. Next question for Andrew from Suzanne-- how do members reassess their life insurance requirements now that level premiums for TPD are experiencing a 15% increase?

Andrew Gale: Thanks, Suzanne. And in terms of insurance, premium rates for total and permanent disablement, pretty much across the industry, are subject to upward pressure at the moment. There's a range of factors driving that, including mental health-related issues. So the answer to your question really is, it depends on whether you're in an individual insurance arrangement or what we call retail insurance arrangement. And especially if you have an advisor, I'd be having a discussion with them about your insurance coverage and what your options are.

If you are in a corporate arrangement through MasterKey Business Super or Plum arrangements, effectively, one of the roles played by the trustee is to be representing you in discussions with the insurers. Now, MLC Life is the primary insurer for a lot of those corporate plans. But there are a range of other insurers involved. I think we're dealing with eight insurers on behalf of members. So we fulfil that role.

When there's a review done of the insurance arrangements, we very much assess the value for money, the definitions around total and permanent disablement, the pricing, checking that it's competitive, and checking that there's a reasonable basis for any adjustments to premium rates. So that's one of the roles put forward by the trustee.

One additional comment I would make is that just this week, ASIC has come out with a report on insurance and value for money on insurance and superannuation. So we've only had a quick look at that report, given that it's only come out in the last one or two days. But certainly when we look at that, in the case of MLC, the premium rates that we have are reasonable compared to industry and, in fact, are below average for most cohorts of members. So realise none of those increases are welcome if they're coming through. It is reflecting pressure on the insurance industry overall and some pressure from APRA, the regulator, in terms of insurers having sufficiently strong capital positions.

Peter Promnitz: Thanks, Andrew. So an anonymous question for Johnny and his crystal ball-- what do you think will happen with the Australian dollar?

Jonathan Armitage: --question I always get asked. And I'm reminded of a quote that Ben Bernanke, the previous chairman of the Federal Reserve, came out with when he was asked about currencies. And he said that at his time at the Fed, the Fed had spent hundreds of millions of dollars trying to come up with computer models to predict currency movements. And he basically felt that it was a waste of money and that you might as well flip a coin in order to try and work out the direction of currencies.

Having said all that, if we look at our portfolios at the moment, we continue to have a strong overweight to global shares. And quite a lot of that exposure is unhedged. And from that, I think we can infer that we think that there's a possibility that the dollar, from its current levels, will decline a little bit over the next 12 to 18 months or so. I think I'm making the assumption that the exchange rate that you're referring to is probably against the US dollar. And that's where our main FX exposure probably lies currently.

One of the things that's interesting at the moment is looking at exchange rates in other parts of the world, particularly in Europe and against sterling, given what we're seeing in particularly in the UK with the Brexit negotiations. And that's one thing that we're keeping a close eye on as to whether or not there is an opportunity there to perhaps benefit from an overreaction to sterling if the UK exits Europe without a formal agreement. Because I think in the short term, it's likely that sterling would see quite a sharp depreciation.

Peter Promnitz: Thank you, Johnny. A question from Ama for Tim. And this question has been cut off on the screen, so I'm going to have to guess the last bit of it. My organisation has leveraged and benefited greatly from your financial wellness series and member programmes

through the pandemic. Can employers like me count on this support from MLC? And I'm assuming it says, after the IOOF transaction completes.

Tim Steele: Thanks, Peter. I can, in fact, see the whole question. And it ends with, into the future, which, again, may also align to the IOOF transaction. So the simple answer is yes. And in fact, I think you can continue to expect more from us.

And can I thank you for the question and the feedback. Because I know our education and digital team have been working so hard this year to ensure that we can bring relevant, contemporary insights and educational forums to help people navigate through what has been such an extraordinary time. And when you see market volatility like we've experienced, one of the benefits, I think, we feel like is that at least people have been inclined to be more engaged in their super and understanding what's going on in the market. And so the financial wellness beyond the dollars and cents, the broader holistic financial well-being of people, is so fundamentally important.

Given we know as important as super is, money doesn't make people happy. It's part of a solution. And so the financial well-being programmes and financial wellness programmes the team have built are to support more holistically people's financial circumstances and overall well-being. So you can expect more from us as we continue to roll out enhanced digital capability and respond to current circumstances and what we understand the needs, wants, and worries of our members are.

Peter Promnitz: Thanks, Tim. Next question from Faye for Tim-- after IOOF takes over, will we still have the same access to our Plum account in terms of looking at our daily balance?

Tim Steele: Thanks for the question, Faye. The answer is yes. So we're not expecting any change on day one. You will receive-- given the change of ownership, there will be communication to members. Assuming the transaction is approved, there will be communication to members confirming all of that.

But in fact, our objective and the goal of the team is to ensure, ultimately, if the transaction proceeds that it is seamless to members and that there is no change in accounts, access, and information that you've come to rely on and that's important to you. And that includes access to Plum accounts and Plum balances.

Peter Promnitz: And Tim, another question for you from Kerry-- how do we know that you are not overpaying your senior management? You might want to explain the difference between MLC and NULIS in terms of who employs whom, Tim.

Tim Steele: Thank you for the question, Kerry. And I can confirm that on behalf of-- certainly NULIS has a very rigorous process that they undertake in assessing and screening the appropriateness of remuneration for any responsible person, including myself, who is part of the superannuation fund. And we form part of, as you'd expect us to, the broader NAB and MLC remuneration framework. And any remuneration needs to be, and the framework needs to be approved by that group, as well as endorsed, ultimately, by the NULIS board as part of their oversight of the appropriateness of the remuneration arrangements for all responsible persons.

Peter Promnitz: Thanks, Tim. Andrew, question from Linden-- who does the trustee use to give opinion on insurance definitions? From my experience, not many people understand the definitions. I've directed that to Andrew because he's chair of the trustees insurance board subcommittee.

Andrew Gale: Yeah. Thanks, Linden. So as Peter mentioned, we do have an insurance committee made up of a few nonexecutive directors and some subject matter experts. Any of the insurer arrangements-- a lot of them are with MLC, but I mentioned earlier a range of other insurers. We absolutely scrutinise, when there's reviews done, a whole range of issues, including definition-related issues.

The specific answer to your question is, whenever we are seeking real expertise, we contact an organisation called The Heron Partnership, who are our insurance advisors. They got knowledge right across the market in a range of issues, including definition issues. And they advise the insurance committee as our independent advisors.

Peter Promnitz: Thanks, Andrew. So here's a question from Tim for Tim. There's been quite a bit of movement within the MLC leadership team. How stable is the leadership structure within the next 12 months? Again, implying through the IOOF transaction.

Tim Steele: Thanks for the question. And look, I think it's a good question because, obviously, the transaction-- and ultimately, it'll be IOOF's decision to determine what's the appropriate organisational design that they need to support the combined organisation. We proudly have a great team who are really passionate and committed to delivering great outcomes for our members. As I said in my presentation, part of the strength and the reason that, in fact, IOOF has an interest in acquiring MLC is because of the business and the great people we have as part of our organisation.

And so I remain hopeful and confident that there will be fantastic opportunities for many of our people on the other side of the IOOF transaction. It is, appropriately, IOOF's decision in conjunction with the CEO and their board to work through a process to determine what's the right org design that they need and what are the right capabilities and, ultimately, the people and therefore the executive appointments that they intend to make to support the future success and growth of that organisation to deliver for members.

Peter Promnitz: Thanks, Tim. We only have time left for one question. And so the final question, which I'll answer, is a question from Jim. How much time would you as trustee directors put into the fund with meetings, catch-ups, et cetera?

Peter Promnitz So that's a good question, in fact. And it's a question you see debated in the press about directors of listed company boards-- in this particular case, directors of trustee board.

And directors are asked to do several things. They're asked to attend board meetings. All directors are on a number of board subcommittees, and they have to attend those meetings. And then we run regular workshops to make sure that the directors have all the information at their fingertips that they need to make decisions.

Your average director would probably expect to put in a day a week into a directorship, which is 40 hours a month, perhaps 50 hours a month. I think it's fair to say that with all the things happening in the superannuation industry, and added to by the IOOF transaction, all the members of NULIS are putting in double or triple their normal time they would need to put into their the board work acting as trustees on your behalf.

So right now-- and this has been a situation that's been going on for probably at least 12 months-- your directors are working double or triple time to make sure that all of the issues that are raised by a lot of things, but particularly right now the IOOF transaction, are given proper consideration, that the right research is being done, that the right decisions are being made and based on the right information. So the answer is, as a director, a lot. But that's a personal view.

So thank you. We've run out of time. I'll remind you that if your question wasn't answered or someone else's question that you wanted to hear the answer to wasn't answered, within 30 days, all the answers will be up on the website.

So we've covered a lot. We've covered a lot of investment questions. We've covered a lot of fees questions. We talked a little bit about COVID. We had a number of ESG issues discussed and much more. So it's been a pretty broad-ranging set of questions in what was going to be a 45-minute Q&A session that's now spun out to an hour.

I'd like to thank all of the NULIS team and all the MLC team for putting in the effort required in preparing for this member meeting. Of course, this is the first Annual Member Meeting. We'll be having one of these each year from now on. So I look forward to you joining us and hearing what we've got to say, but particularly asking lots of good questions next year and after that.

And all that's left for me to do now is to wish everyone a great Christmas and new year break. And take care on the roads. Enjoy the time with your family. And look forward to talking to you in 12 months' time. Thank you.

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AMM Remaining QA Document @ 17 December 2020

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Dated 17 December 2020

Important Please Read
Member questions were answered during the Annual Member Meeting; within speeches or the QA session.
You can find the answers to your question via watching the AMM video, or reading the AMM transcript, or below in the questions which were not addressed in the session.

Themes of Member Questions and QAs

1. The increase in fees from 0.01% from Govt Levy to 0.02% to Trustee Fee effectively doubles the MLC revenue. How much is this in total actual $ terms and what is the actual total annual $ cost of the Trustee cost?

The Trustee Levy was set at 0.02% pa to ensure that it would cover the APRA and AFCA levies that have been imposed by regulatory bodies, and a range of other costs incurred by the Trustee in the running of the MLC Super Fund. The costs covered by the Trustee Levy are specific to the Trustee and are not covered by other administration fees.

This new levy provides increased transparency around the costs of running the MLC Super Fund and aligns to new Government regulatory requirements relating to increased fee disclosure, which come into effect from 1 July 2021.

2. Re new fee structure - can MLC present a compare and contrast re new fee structure with other comparable schemes?

You can contact your Financial Adviser to obtain more detailed information regarding superannuation products, including comparisons with other providers' funds/products
For MySuper, you can also check MLC's MySuper dashboards – showing performance, fees and sustainability metrics on the MLC website at
https://www.mlc.com.au/personal/superannuation/products/mysuper
And at the APRA website at https://www.apra.gov.au/mysuper-product-heatmap.

3. I work over a month a year to just pay the fees for my Financial Planner and my Super. This seems double dipping for the same outcome. Is there any ray of light for reducing the fee burden?

Over the past 18 months we've done a comprehensive review of the fee structure across MLC Super Funds. In simple terms, we have:

- reduced administration fees on our flagship retail super products
- made pricing changes in our workplace products including reducing MySuper fees
- in our Wrap funds, we also released a new more cost-effective investment suite – and moved many clients onto a new more cost-effective structure.

We have updated our products so that whether you're a new client or one who's been with us for years, you get the benefit of more modern products and more competitive fees. It's a bit like switching onto a new mobile phone plan – you get the latest – and mostly lower - prices.
One note I will make is that if you're a member of one our workplace super funds – some of these fee changes won't apply to you – but that's simply because your fees are typically discounted anyway to reflect the benefits of scale that come with a workplace fund.

4. Speaking about calculators on your website with regards to how much of money is required to retire comfortably, why doesn't MLC update the calculators to take account of current times and growth?

We do review and update the calculators on a regular basis.
The Retirement Forecaster on our retirement hub is updated every year around October. It draws some of its assumptions from the ASIC MoneySmart website which we check monthly. You can find the calculator at: www.mlc.com.au/personal/retirement/am-I-on-track.
Our SuperSizer tool lets you compare your savings with people like you. You can find it at https://www.mlc.com.au/personal/superannuation/supersizer. It was last updated in July 2020 (using data as at May 2020). The current process is to update the data every 2 years.
Members can also use some super calculators available after logging onto the secure site. These calculators have been updated this year (2020).

5. Why there is no monthly health insurance plan for students and Temporary Work Visa Holders? Why I am asking this because for some people it's hard to pay a big amount

straightaway, they have to borrow from others to pay their Health Insurance. So, I believe that there should be monthly plan for everyone.

NULIS cannot provide health insurance to members through super by law. We make Life insurance available through our funds and members can pay insurance premiums from their superannuation accounts. Some of the Life insurance policies providing cover through our funds do offer a range of payment options, however paying monthly is generally more expensive than paying annually.

6. How was MLC able to continue to charge the accounts of dead people for so long with no accountability?

Over the past two years we've worked through the issues that surfaced from the royal commission. We acknowledge there were instances where we let some members down – including occasions where fees continued to be charged when they should not have been.

We have returned more than $130 million to over 320,000 members. We have also removed grandfathered commissions across most of our superannuation products. We are working on improving our processes, controls and risk management processes and believe this is an ongoing effort to ensure our customers' needs are met and all customers are treated fairly.

7. **What are the structural changes (changes to Investment options/Fees etc) you're planning to make when finalising integration of Plum Super with MLC Super Fund? Please do not respond by saying there won't be any changes. Thanks**

We have a program to simplify the investment menu for the MLC Super Fund (which includes Plum) and to optimise the investment structures. By streamlining the investment structures and simplifying the menus, we plan to deliver better financial outcomes to members. This is a strategic initiative and has significant executive attention to ensure the right outcomes and efficient delivery.
At the moment we are comfortable with the current arrangement of MLC and Plum as separate brands. We have no plans to change that structure.

8. By the end if the meeting I'd like to know gross performance, fees and performance net of fees also over the past few years if possible. I'd also like a comparison to the market condition for those years.

It is sometimes difficult to compare performance between different providers. Each provider can have a wide range of different investment options with different objectives, different fee structures, different investment strategies. Your net (after fee return) could differ depending on all these factors and on when and how often you invested.
You can find a wide range of performance information as follows:

- You can check MLC's MySuper dashboards – showing performance, fees and sustainability metrics on the MLC website at https://www.mlc.com.au/personal/superannuation/products/mysuper
- You can also check MySuper performance, fees and sustainability metrics on the APRA website at https://www.apra.gov.au/mysuper-product-heatmap.
- You can review the performance of MLC MasterKey, MLC Navigator and MLC Wrap on the MLC website – including information on overall performance, income and growth.
- Plum members can view their returns information via the secure site (under the investment tab) at www.plum.com

You can also find useful investment insights on the MLC website. For example, here's an article on property versus share investing.

9. Impact of US/EU/AU cumulative deficits (with QE) on inflation and long-term interest rates evolution.

The virus has had a devastating impact on businesses, employment and national income (GDP). Governments around the world are running large budget deficits in order to support economic activity this year.

Australia is now expected to run a budget deficit of approximately -11% of the Nominal GDP (Federal Budget projection). The United States budget deficit is circa 16% of US GDP (CBO estimate). Europe is expected to record a budget deficit of circa -10% of GDP (IMF estimate for the Euro area). These are the largest budget deficits since 1945 (end of World War 2).
Central banks have also responded by making asset purchases of government and corporate bonds this year as well as providing financial institutions with extra cash funding. These measures are known as "quantitative easing" (QE). The aim of these QE measures is to ensure borrowing interest rates remain low and credit is made readily available by private financial institutions.
These large budget deficits and QE measures should progressively restore global economic activity and employment provided the virus is contained. Over the next two to three years, stronger economic activity should bring rising price and wage pressures in terms of inflation. Given that government bond markets are forward looking, this suggests that long term interest rates will start to rise soon given the revival in inflation risks and the declining willingness of central banks to purchase bonds.
Governments will then face a challenging balancing act of trimming support measures to mitigate inflation risks but remain sufficiently supportive of those who are still struggling. Measures such as "Job keeper" and "Jobseeker" are politically sensitive. So governments will confront the dilemma of tapering support to ensure fiscal discipline without undermining economic activity or entrenching economic disadvantage.

10. How has MOGS delivered such strong returns over the last couple of years? Can we access as a direct strategy on the Plum menu?

The MLC Opportunistic Growth Strategy (MOGS) has produced strong returns for our members since its inception in early 2019. The strategy has capitalised on a number of attractive investment opportunities that fall outside the scope of traditional asset classes like shares and bonds. Some of these opportunities have arisen on the back of the credit and liquidity squeeze experienced during the height of the COVID-19 market dislocation in early 2020 but opportunities are likely to be quite varied over time. Our Alternative Strategies team will continue to look for opportunities that we believe will provide attractive risk-adjusted returns for our members.
It's important to point out that while we are very pleased with the performance of MOGS to date, our expectation is that these strong returns are unlikely to be repeated and we are likely to experience more modest returns from the strategy going forward.
MOGS is available via the MySuper Growth and Conservative Growth portfolios.

11. How often do you change the underlying funds strategy? Who is managing your funds discretionary portfolio, what are their credentials?

MLC Super Fund
The MLC discretionary (or fully implemented) diversified portfolios are actively managed by MLC Asset Management. As part of this active portfolio management, the investment team continually review all the diversified portfolios to ensure they remain appropriately structured to meet their objectives and that they remain well-positioned for the future market environment.
The MLC Asset Management investment team is made up of a large, experienced and stable group of investment professionals. The team adopts an investment approach that has been consistently applied for over 30 years at MLC and has a demonstrated long-term track record of delivering value add to members.
Wrap Funds
The investment options are managed by the investment managers as named in their Product Disclosure Statements. Some options are managed by MLC Asset Management and related parties, while most of the investment options in Wrap are managed by other investment managers from Australia and around the world.

12. What are the high-level reasons for the poor performance of the MLC MySuper Growth fund other than COVID-19?

From a total return perspective, the performance of MySuper products across the Australian superannuation industry, including the MLC MySuper Growth portfolio, has generally been challenged in 2020. For MLC, one of contributors to the disappointing MySuper performance over the year has been the portfolio's exposure to growth assets including listed shares which have generally had a difficult 2020. While the US share market has recovered to pre-COVID levels, the performance of other markets like Australia's remains in negative territory. However, market returns have

progressively recovered through the year with November a very good month for markets due to the positive vaccine trial results.
Another detractor from fund returns was the performance of some of the appointed global share managers who have chosen not to invest in some of the tech giants such as Apple, Facebook, Google, Microsoft and Amazon because they considered their share prices to be extremely expensive. These companies have made a substantial contribution to the recovery of the US share market this year so having a low exposure to them resulted in our global share strategy delivering a return lower than the global share market return. However, since November, we have seen a recovery in those managers' returns as the market focus has broadened beyond the tech giants.
Relative to our peers, the MLC MySuper Growth portfolio outperformed during the significant market falls experienced during the March quarter of 2020 and has performed better than peers over the quarter and year ending 31 October 2020*.

*Source: SuperRatings Crediting Fund Survey (SR50 MySuper Index)

13. Does MLC invest in fossil fuel industries?

Climate change poses significant financial risks for many economies, industries and companies throughout the world. We factor these risks into our investment strategy using tools such as climate change stress testing and expect the investment managers we appoint to consider climate risks when investing in companies. The transition from fossil fuels to renewable energy presents many attractive investment opportunities and we invest in wind, solar, geothermal and battery storage projects.

However, a very large number of companies remain reliant on or are involved in the production of fossil fuels. Some of these companies will perform well financially provided they can manage the risks associated with climate change. Our ownership of a selection of these companies can generate attractive returns for our members and give us influence with management as they transition to a lower carbon footprint.

14. Does the ESG risk criteria mean that our funds are not invested in companies that are involved in Australia's Human Rights violations such as internment of refugees off-shore?

ESG is an integral part of the investment process of MLC. We believe that environmental, social and governance factors can influence investment outcomes and should be managed prudently. Our ESG Policy, which is available on our website, outlines how MLC considers ESG factors in managing its funds. Where consistent with our responsibilities and with the aim of meeting stated investment objectives, we adhere to the following:
Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest. We also intend that applying these ESG Guiding Principles may better align investors with the broader objectives of society.
MLC Asset Management is not invested in companies that are involved in offshore processing or internment. This applies both to our Core (or Index) and Plus (or active) equity exposures.

15. What is the percentage exposure of MLC into different regions of the world.

MLC manages a variety of investment and superannuation portfolios across a number of risk profiles for over a million members. Whilst the allocation to global shares (and therefore different regions of the world) will vary depending on a client's risk profile, our 'growth' portfolios will typically have a global shares allocation in the range of 25-35% of a total portfolio. In addition, we invest globally in fixed income assets, private equity and unlisted assets.
Within the traditional global shares 'sleeve' of our portfolios it is important to make the distinction between developed and emerging markets. Emerging markets is a particularly attractive subsector and it provides members with exposure to long-term structural growth (rising middle class in Asia etc). MLC has exposure to China and Asia (noting that Hong Kong is the largest exposure at 4.3%) along with South America.

16. Does the current disconnect between asset prices and the real economy represent a risk or an opportunity?

It's not surprising that the recovery and strength of share markets this year looks incongruous considering the severity of the economic downturn caused by COVID-19. However, markets are typically forward looking. In other words, they price assets based on anticipated fundamentals in the future. Share markets have recovered this year because they are expecting global economic circumstances will be much better than this year's. Better economic conditions will translate to higher corporate profits. Share markets have also been underpinned by very low interest rates globally and the massive monetary and fiscal policy support which has laid the foundations for better economic conditions.

Having said that, the market recovery that has occurred is already pricing in a lot of good news. As we know, COVID-19 has not gone away and it still has the potential to alter the favourable economic circumstances that markets have anticipated. That is why, after such a strong revival in 2020, it may be appropriate for investors to be careful in their investment decisions.

17. Should I be throwing as much money into super as I can now while stock prices are relatively low?

Investing via a superannuation fund can be an attractive way to invest over an extended period. It is tax effective for most taxpayers and the typical default superannuation fund is widely diversified, professionally managed and aims to grow members' savings for when they retire.

A sensible investment strategy is to buy low and sell high. If a member has an informed view that stocks are currently attractively priced and represent good value then they could consider increasing their investment via a salary sacrifice arrangement in addition to the regular employer super contributions. Another option available to super members is moving to a fund strategy that has a higher exposure to shares. However, this entails taking on more risk as shares can be volatile (e.g. March quarter 2020 when many markets fell by around 20% in a matter of weeks) so any decision to do so should take this into account and be consistent with the member's risk appetite.

18. The significant underperformance of MLC Inflation Plus Moderate portfolio over the past 5 years was not, reflected on the 'True to Label' slide 22. Why not?

We offer hundreds of investment options across our investment menus and we showed some of our oldest and largest as representative investment options in Slide 22.

Investment options can underperform their objectives in some investment environments. While we work hard to have our investment options achieve their objectives, investing isn't a perfect science and sometimes variables work against achieving an investment objective.

In the case of MLC Inflation Plus Moderate Portfolio, it's an outcome-focused portfolio which means it's designed to preserve capital over a 5-year timeframe, while also aiming to deliver a return of 3% above inflation (after deducting fees and taxes) over a 5-year period. To achieve this, we've invested the portfolio in less traditional asset classes, and we use many investment strategies to reduce exposure to the risk of a share market fall because a negative return over a 5-year period would be unacceptable to investors in the portfolio.

The portfolio's investment objective states we aim to achieve a return above inflation but that's subject to not delivering a negative return. Not delivering a negative return over a 5-year period is the focus of the objective and the portfolio has successfully achieved this for investors despite several times in the past 5 years when share markets fell sharply. An outcome of our careful approach to managing risk is that sometimes we won't achieve the return above inflation.

Over the past 5 years to 30 November 2020, the portfolio has achieved an average return of 3.3% each year for the past 5 years after deducting fees and taxes. While the portfolio's return is higher than inflation, it hasn't outperformed inflation by the hurdle of 3% p.a. (after fees and taxes). The portfolio's return above inflation has lifted more recently as the investment environment has evolved. We're committed to delivering on the portfolio's investment objective which includes a firm focus on risk control, as it's essential to preserving investors' capital over a 5-year timeframe.

Investment returns are always changing, and we provide commentaries on MLC Inflation Plus Moderate Portfolio's performance, each quarter, in the Fund Profile Tool available at mlc.com.au/fundprofiletool

19. How do you foresee FUM growth at MLC over next 5 years?

MLC MySuper/Plum MySuper is proud to invest over $70 Billion* dollars on behalf of 1.1 million** members. Our size makes us one of the largest superannuation providers in the country. This scale and our experience, of more than 30 years of managing money, provides us with opportunities to invest members' retirement savings in asset classes and with investment managers that some of our peers may not be able to access. We work hard to ensure our FUM increases over time as it means our member's wealth is increasing through positive returns and inflows of money. We achieve this through:

- Continuously researching better ways to increase members' returns and manage investment risks
- And enhancing our products to ensure they continue to meet the evolving needs of our clients. Enhancements are regularly made to existing products and we develop new products to meet client needs. A recent product initiative that has resulted in an increase in FUM is the introduction of the MLC Core Investment List to our Series 2 Wrap platforms in April 2020. It reached a significant milestone of $1 billion FUM in November as a result of a strong desire from advisers and clients for investment options that are cost-effective and have a good track record. As a result we further expanded the Core Investment List to include MLC's new Managed Account Strategies which have also been attracting new FUM since their launch on 1 July 2020.

Source: * and ** is Plan for Life Data June 2020.