



NULIS Nominees (Australia) Limited ABN 80 008 515 633, AFSL 236465
Trustee of MLC Super Fund, MLC Superannuation Fund, DPM Retirement
Service, PremiumChoice Retirement Service and MLC Pooled
Superannuation Trust.

Responses to member questions not answered during Annual Members' Meeting

Important Information: The answers to member questions may contain general advice that does not take into account your objectives, financial situation or needs. Before you act on any general advice, you should consider whether it is appropriate to your individual circumstances. Before making any investment decision, you should obtain and read the Fund's relevant product disclosure statement. You can obtain the latest copy at <https://www.mlc.com.au/pds> (MLC) or <https://www.plum.com.au/tools-and-resources/forms-and-publications> (PLUM), or by calling us on 132 652 (MLC) or 1300 55 7585 (Plum). Past performance is not an indicator of future performance.

1. Unlisted Investments - can there be significantly much more transparency over the key assumptions, changes to key assumptions, valuation methodology, by who, and the frequency of the valuations for unlisted investments?

The majority of the unlisted assets we invest into are valued on a regular basis. For our property assets, this is generally on a quarterly basis and more typically a combination of quarterly and semi-annual valuations in the case of our infrastructure assets. However, additional valuations will occur outside of the normal valuation cycle in the event that the underlying manager believes that there has been a material impact on asset values. For example, in the first half of 2020, during the market volatility in the initial stages of the COVID-19 pandemic, our managers undertook more frequent and out of cycle asset revaluations in response to the changing market conditions.

We note that the valuation process is overseen by our underlying managers' investment committee. Most of the underlying fund investments are valued by professional third-party valuers with the appropriate skills, experience and resources. The manager will typically rotate the valuer firm every three years and no less than every five years.

2. I would like to know Plum membership numbers i.e. is membership growing, declining etc and what impact he may have on fees etc.

Plum Super has almost 200,000 members and many of them enjoy discounted fee structures due to benefits of scale their larger employers bring to the Fund. That being said, we are focussed on continuing to simplify our operations and structures to enable us to better leverage our increasing size and scale (e.g. negotiating more competitive arrangements with suppliers such as insurers and external fund managers) reducing our cost of doing business, enabling us to pass on these savings to members.

3. Is the fund utilising external advisory to help provide in depth analysis before making investment decisions?

We do utilise external advisory services to provide invested related input.

4. If you change from one type of policy class (i.e. Defensive) to another (i.e. High Growth), at what point does the NEW CLASS commence? Put another way, is there an index rating from the old category to the new one?

From time-to-time we make asset allocation changes in our investment options which may involve a categorisation change (e.g. from Defensive to Growth). These changes will become effective at the date of the next published disclosure document. For the most recent strategic asset allocations please refer to the Investment Menu in the PDS available on our website, or by calling us.

5. What reporting do you provide on the financed emissions within the portfolio? Do you provide an ESG option for some or all of our funds? If so, how do the fees and returns compare over various timeframes?

We are currently developing our approach to climate risk management and in this will include the measurement of emissions profile of our investment portfolios.

We are currently developing a socially responsible investment option for launch this year. This will have growth orientated asset allocation and exposure to domestic and global equities and fixed income. It will avoid investment in thermal coal and, as with all of our internally managed investment options, avoid investment in tobacco manufacturers. This will be a more geographically diversified option than the currently available Australian equities option.

MLC MasterKey and Plum have a responsible investment option that is managed externally and information about it can be found in your Product Disclosure Statement (PDS) or by giving us a call. For members with an interest in a broader range of responsible investment options, we suggest they speak to their adviser about our MLC Wrap and Navigator products.

6. What is Dan Andrews now wanting to do with our Super funds?

We assume that you are referring to Dan Andrews, the Premier of Victoria, and we are unaware of his statements concerning superannuation.

However, we are aware of what the Government is saying, after the Minister for Financial Services, The Hon Stephen Jones MP, addressed a Wealth and Superannuation Summit late last year. He said the Government would consult widely to inform a common, agreed objective of superannuation and legislate that objective ahead of a conversation about superannuation tax concessions. We will continue to engage with Government as these discussions progress.

7. Are there any plans to allow for some direct share investment in ASX 200 etc?

We provide a broad range of investment options and you can choose any combination of these to put your investment plan into action. We offer multi-asset investment options that invest across multiple asset classes, and an extensive range of options that invest in a single asset class, and investment options managed by external managers.

However, for our members with an interest in direct share investment, we suggest they speak to their adviser about our MLC Wrap and Navigator products which offer investments of this nature.

8. Can you please explain about the "one off bonus" when transferring my Super to a Pension Account.

The Pension Bonus is an estimated tax saved on assets transferred from pre-retirement phase to retirement phase. This Pension Bonus, if eligible, will be paid into your Pension account as a one-off payment shortly after your Pension starts in the retirement phase.

The amount of the Pension Bonus depends on the MLC Super Fund's tax position at the date the Pension Bonus is processed, and the amount you transfer into your MLC MasterKey Pension Fundamentals account to start your retirement pension.

Find out the eligibility criteria for the Pension Bonus at <https://www.mlc.com.au/personal/pension-bonus>.

9. Can you talk about your valuation process for unlisted assets. How can we be certain there are not significant revaluation risk hidden in these assets.

The majority of the unlisted assets we invest into are valued on a regular basis. For our property assets, this is generally on a quarterly basis and more typically a combination of quarterly and semi-annual valuations in the case of our infrastructure assets. However, additional valuations will occur outside of the normal valuation cycle in the event that the underlying manager believes that there has been a material impact on asset values. For example, in the first half of 2020, during the market volatility in the initial stages of the COVID-19 pandemic, our managers undertook more frequent and out of cycle asset revaluations in response to the changing market conditions.

10. Hi Dan, I am allocated in the MLC Horizon 7 - Accelerated Growth Portfolio. My question is, in a moderated inflation environment, will there be more of an asset allocation in defensives, consumer staples, real assets, etc? And with a high interest environment, will there be a consideration to look at high yield bond investments?

The Horizon 7 – Accelerated Growth Portfolio is a diversified portfolio that uses borrowings to gear its exposure to the more traditionally growth-focused assets that tend to provide higher levels of long-term capital growth (eg shares), with minimal exposure to the more stable, defensive asset classes of cash and fixed income. Our investment experts actively adjust the asset weightings to improve return potential or reduce its risk. An example of this was the introduction of infrastructure to Horizon 7 in 2021. We believe infrastructure provides our members with the benefit of diversification because infrastructure returns are different from other asset classes, and it helped insulate the portfolios from rising inflation.

11. Lindsay's opening comments on potential government initiatives were re-assuring, but if the fund does invest in social projects how will the trustees make sure that these projects provide adequate returns?

Our investment managers always have to act in members best financial interests, so this would still be the case in the event that the managers invest in social projects.

12. Sadly I missed the start of the seminar - can I get a recording of the meeting please?

A recording of the meeting is available on our website at <https://mlc.com.au/amm>.

13. The MLC Business Super PDS states that you may select certain portfolios if you "...value active management". What exactly does active management entail?

There are generally two broad approaches: passive and active management.

Passive management - Passive, or index, managers choose investments to form a portfolio which will deliver a return that closely tracks a market benchmark (or index), for example the S&P/ASX 300

for Australian shares. Passive managers tend to have lower costs because they don't require extensive resources to research and select investments.

Active management - Active managers select investments they believe, based on research, will perform better than a market benchmark (or index) over the long term. They buy or sell investments when their market outlook alters, or investment insights change. The degree of active management affects returns. Less active managers take small positions away from the market benchmark and more active managers take larger positions. Generally, the larger an investment manager's positions, the more their returns will differ from the benchmark.

14. There has been a lot of public commentary on the difference in performance between Private equities and property versus more volatile Public equities and property. How do you approach private valuations compared to public valuations?

To meet the needs of our members saving for retirement, we invest in a variety of assets – both listed and unlisted. Listed assets are valued on a frequent (intra-daily) basis, whereas unlisted assets are valued less frequently.

Unlisted assets have been a valuable part of our portfolios due to their lower correlations with listed markets and distinct characteristics which provide benefits to a diversified portfolio. These benefits can include; potential return premium over listed markets, relative return stability, diversification benefits and more control over end assets.

For our unlisted property assets, these are generally valued on a quarterly basis and more typically a combination of quarterly and semi-annual valuations in the case of our unlisted infrastructure assets. However, additional valuations will occur outside of the normal valuation cycle in the event that the underlying manager believes that there has been a material impact on asset values. For example, in the first half of 2020, during the market volatility in the initial stages of the COVID-19 pandemic, our managers undertook more frequent and out of cycle asset revaluations in response to the changing market conditions.

We note that the valuation process is overseen by our underlying managers' investment committee. Most of the underlying fund investments are valued by professional third-party valuers with the appropriate skills, experience and resources. The manager will typically rotate the valuer firm every three years and no less than every five years.

15. When are we returning to face-to-face meetings?

Our Annual Members' Meetings will continue to be held via webinar so that all members have an opportunity to attend.

16. Why are the questions asked not showing up under this "members Question" tab. Are the questions being discussed mocked up along with the answers?

As many members ask questions specific to their personal circumstances, we don't show questions to protect their privacy.

17. Why cash plus option return rate is around 1.2% pa while banks offer term deposit rates close to 4.5% pa?

The cash investment option is quite a different type of investment than a term deposit. The primary difference is the foregone liquidity when investing in a term deposit and therefore a higher rate of return is offered to customers as they are unable to access these funds for the term of the deposit.

(without penalty). In contrast, the cash option is fully liquid and invested in short term bank deposits which are accessible at any time. The trade-off for this liquidity is a lower return.

It's also worth noting that the return on offer for a term deposit is prospective (i.e. forward looking), whereas the returns mentioned for the cash option are retrospective (i.e. backward looking). Given the sharp rise in interest rates and cash rates over the last 12-15 months, the *prospective* returns for the cash option today are much higher than those experienced in the low cash rate environment of the last few years. Finally, a further important distinction between cash and a term deposit is that the cash option return rate is generally a net rate after fees and tax, whereas the term deposit rate is generally a gross rate before fees and tax.

18. Why is the return on the cash asset class so poor? It seems to be lower than you'd expect from even a regular bank savings account?

The long term – or structural - returns on the cash asset class has been low. A combination of quantitative easing and stimulus measures from central banks following the global financial crisis in 2008 has meant that returns on cash have been at historically low levels for over a decade. Interest rates, both domestically and overseas, have only started to rise within the last 12 months. As a result, we have seen an improvement in total returns on our cash products for our members.

There are a number of differences between our cash products and those offered by banks such as term deposits or online only accounts. The primary difference is the foregone liquidity and therefore the higher rate offered to customers to deposit for longer periods of time. Please also note that a cash option return rate is generally a net rate after fees and tax, whereas a term deposit rate is generally a gross rate before fees and tax.

Our cash options are regularly reviewed to ensure we are providing our members with both a capital stable and liquid solution within their retirement savings.

19. Will MLC or Plum look to offer annuities as at the moment you only offer account-based pensions. I guess this will be answered with the govts review of super of what its purpose & objective is.

We regularly review our products' features and benefits so that they can continue to meet the needs of our members. At this time however, we have no plans to expand our offering to include an annuity product.