

NULIS Nominees (Australia) Limited Annual Member Meeting

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 Member 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. Published on 24 March 2022.

Government and legislation questions

1. Do you have any insights into what the government is planning for super and tax in the near future, and what the trustee's initiatives are to cope with regulatory updates and changes made to superannuation?

In recent years, through vehicles like the Retirement Income Review and the 2021 Intergenerational Report and various legislation, there has been a lot of focus on a more efficient and effective superannuation system. There has been significant change including the Your Future Your Superannuation reforms which introduced stapling and performance measurements, Portfolio Holding Disclosure, Design and Distribution Obligations and the introduction of Best 'Financial' Interest duty. As a group we have welcomed this broad reform push and its focus on better results for members. We expect both sides of politics to continue the focus on members' outcomes but also allow time for the current reforms to bed down. This includes the recent passage of legislation to abolish the minimum threshold of \$450 salary a month before super guarantee contributions are payable, the removal of the work test for those aged between 67 and 74 for salary sacrifice and non-concessional contributions from 1 July 2022, and the reduction to age 60 for making downsizer contributions. As a result of the recent reforms, we also expect to see more fund consolidation.

2. Will the Government be continuing concessional pension draw downs on super funds after 30 June 2022?

At this stage we don't know. The Government normally announces any changes to superannuation as part of the Federal Budget. The Federal Budget is scheduled for the 29 March 2022, so we hope to know after that.

3. Does MLC contribute to any political party?

No. MLC does not make contributions to political parties. Your Trustee does not make contributions to political parties.

Governance questions

4. Has MLC/IOOF taken up LGBTQ2S+ feminism and colour quoters within their employment and management roles? What are MLC IOOF employment demographics vs Australia's demographics? Maintenance of my fund with you requires an answer. Thank you.

Diversity and inclusion lie at the very heart of our culture. At Insignia Financial, which includes MLC, we have a culture of belonging. We are an 'every person' organisation that welcomes and appreciates everyone for who they are. We recognise and celebrate the value of individual difference. This applies to employees and clients alike. **You can find our diversity and inclusion action plan and policy here.**

5. How do Plum, MLC, IOOF, NULIS all fit together and what are the differences? If my super is in Plum, does it mean they're also a member of IOOF?

Plum is a division of the MLC Super Fund and NULIS Nominees (Australia) Limited (NULIS) is the trustee of the MLC Super Fund. NULIS's role is to look after the best interests of all MLC Super Fund members. NULIS is part of the Insignia Financial group of companies comprising Insignia Financial Ltd (formerly IOOF Holdings Ltd) and its related bodies corporate. While the Insignia Financial group owns a series of trustee companies and superannuation fund managers, your membership of the MLC Super Trust does not make you part of any other fund and your member rights are protected by your specific fund's Trustee – NULIS.

6. Who is Insignia Financial and how does it relate to MLC, ANZ, OnePath, Rhythm, eXpand, Shadforth, Oasis and IOOF?

As a group, Insignia Financial is made up of a number of businesses and products. IOOF Investment Management Limited (IIML) is the trustee of the IOOF Portfolio Service Superannuation Fund and the AvWrap Retirement Service. NULIS Nominees (Australia) Limited (NULIS) is trustee of MLC Super Fund, MLC Superannuation Fund, PremiumChoice Retirement Service and DPM Retirement Service. Oasis Fund Management Limited (OFM) is trustee of the Oasis Superannuation MasterTrust. OnePath Custodians Pty Limited (OPC) is the trustee of the Retirement Portfolio Service. IIML, NULIS, OFM and OPC are members of the Insignia Financial group of companies, comprising Insignia Financial Ltd (formerly IOOF Holdings Ltd) and its related bodies corporate. The Australia and New Zealand Banking Group Limited (ANZ) brand is a trademark of ANZ and is used by OPC under licence from ANZ. ANZ and companies within the Insignia Financial group are not related bodies corporate. IIML, NULIS, OFM and OPC are related companies.

Insignia Financial has been helping Australians secure their financial future since 1846. During that time, we have grown substantially, most recently with the acquisition of MLC in 2021, to become one of the largest groups in the financial services industry.

Insignia Financial provides advisers and their clients with the following services:

- **Platforms** for advisers, their clients and hundreds of employers in Australia;
- **Advice** services via our extensive network of financial advisers; and
- **Asset Management** products that are designed to suit any investor's needs.

Insignia Financial is the corporate brand, and the organisation remains committed to a multi-brand strategy as we work towards our ambition of delivering financial wellbeing to all Australians.

7. How are the Board Members selected? Where are the positions advertised? How much are they each paid? How many board members are members? How many women are on the board?

NULIS Nominees (Australia) Limited (NULIS) is the trustee of MLC Super fund. NULIS' Constitution governs the appointment and re-election of board members to the NULIS Board. Consistent with the Constitution, Insignia Financial is ultimately responsible for the appointment of directors to the NULIS Board, and, in consultation with the NULIS Board and, where required, executive search agencies will identify candidates with the appropriate expertise and experience to be considered as directors of NULIS. Executive Officer remuneration including directors is publicly available information disclosed on the member website. This is also the case for the Register of Relevant Duties and Relevant Interests, and gender diversity of the NULIS Board.

You can find the information at the below links:

- [Executive Officer Remuneration Disclosure](#)
- [Register of Relevant Duties and Relevant Interests](#)
- [Diversity Register](#)

8. How does Plum Super deal with the conflict of interest brought about by extracting profit for company versus best interests of members?

Plum Super is now part of Insignia Financial which takes a member first approach and is committed to best practice in governance of Superannuation Trustees. The Trustee boards comprise a majority of independent non-executive directors, that are exclusively directors of the Trustees and do not serve as directors of other Insignia Financial Group entities.

The Trustee boards are supported by the Member Office. The Member Office is an independent function, comprising a dedicated group of superannuation and financial services professionals that reports directly to and supports the Trustee boards. The Trustee boards and the Member Office work together to ensure Plum Super continues to act in our members' best financial interests, in accordance with legislation, taking care of your superannuation and long-term needs.

9. A 2020 Australian study identified a causal role between gender diversity in leadership roles within an organisation, and the organisation's business success. What has been done in this space within MLC? What percentage of your leadership roles are currently held by women?

MLC is now part of the Insignia Financial group of companies. Insignia Financial is committed to diversity, fostering an inclusive environment and prides itself on being an 'every person' organisation. In relation to gender diversity, Insignia Financial conducted a detailed gender pay analysis in 2021 and began the implementation of an action plan to address the gender pay gap. Aligned with WGEA and financial sector companies, women currently hold 41% of management roles at Insignia Financial. The pay gap at Insignia Financial is also lower than both WGEA and other financial service organisations though we acknowledge there is more work to be done in further

closing this gap. Insignia Financial has a Diversity and Inclusion Committee which is a representative body for all employees. It is focused on the support and monitoring of the Diversity and Inclusion action plan to create meaningful change. Aligned to the Diversity and Inclusion Strategy, there are also a number of education and development programs in place across the organisation.

10. How is Insignia keeping members and the market informed on the transition progress against the goals moving forward?

As a listed company, Insignia Financial lodges quarterly business updates, as well as half and full year reporting with the ASX to keep shareholders informed of the organisation's performance and progress against strategic priorities. Members also get informed by the trustee's annual reports and member communications.

11. I've never received invitation to annual member meeting before, why? 2. Performance - we've looked over 10 -20 years and it's negative. I would be better in a cash fund or use my super to buy my home got retirement. 3. Private equity - why are retail clients only paying performance fees and not wholesale? 4. Information - why does APRA have to enforce information to members? Why is the trustee not taking initiative and what is the board doing? 5. Investment - is John Armitage seeking best in investments or just applying industry standard? I started in platinum fund returning 26% now I see MLC just follows trend and does not seem to be an outlier. 6. Has IOOF bitten off more than they can chew? 7. Governance - is NULIS trustee really independent and what are the factors?

Firstly, the Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Act 2019 introduced the requirement for superannuation trustees to hold annual members' meetings. This is the second annual member meeting held in accordance with the legislation. All members are invited to attend these meetings.

In relation to investment decision making, MLC continually reviews all portfolios to ensure they are appropriately structured to meet their objectives and they remain well-positioned for the future market environment. We provide our investors with a diverse range of investment options. This range of options is designed to meet the varying needs of our investors, including low risk (and lower expected return) options right through to high risk (and higher expected return) options. Whilst there have been periods of extreme market volatility over the past 10-20 years, the investment environment over that time has generally been favourable for investors. This has meant that absolute returns have generally been strong across the MLC multi-asset investment funds, especially for those options with higher exposure to growth assets such as shares, private equity and property. To provide an indication of longer term returns across MLC's diversified funds, we have included below the performance of the MLC Horizon 4 Balanced Fund. MLC Horizon 4 is one of MLC's flagship balanced funds and has the longest history of returns available to us. Since its inception over 21 years ago, the fund has delivered investors a net return of 6% per annum. Over the past 10-year period, the fund has delivered a net return of 9.3% per annum.

Net returns as at 31 December 2021

Option	1 year (%)	3 Years (% p.a.)	5 years (% p.a.)	7 years (% p.a.)	10 years (% p.a.)	Since Inception (% p.a.)*
MLC Horizon 4 Balanced	15.1	10.9	8.6	8.0	9.3	6.0

* Inception date 30/04/2001. Net returns are shown after superannuation tax and investment fees and before administration fees.

Past performance is not a reliable indicator of future performance.

MLC Super Fund members benefit from its size and scale. One of those size and scale benefits is the ability to access the private equity program that is part of MLC MySuper (the default fund in which most MLC and Plum members are invested in), as well as superannuation versions of the MLC Horizon and MLC Inflation Plus funds.

Performance fees are applicable to these funds because they have investments in the private equity program. We believe that performance fees are in members' best interest as the private equity managers we invest alongside only earn performance fees if they deliver returns above specific thresholds. We think this represents a strong alignment of interests between fund members and private equity managers. In other words, performance fees represent a 'win-win'. In the absence of outperformance, private equity managers in our private equity program do not earn performance fees.

Members invested in these superannuation funds have benefited from the strong long-term returns generated by the private equity program, which (net of performance and other fees) have far exceeded returns from listed global share markets in recent years. By contrast, while the non-superannuation versions of MLC Wholesale Horizon and Inflation Plus funds are managed the same way as the funds in the MLC Super Fund, they don't currently invest in private equity. Therefore, non-superannuation MLC Wholesale funds didn't benefit from the strong returns of private equity and didn't pay the performance fees relating to private equity.

MLC has been renowned for its multi-asset, multi-manager investment approach for four decades. This means that our portfolios, including superannuation portfolios, are made up of a mix of assets across the risk-return spectrum managed by Australian and global investment firms that we believe are 'best of breed'. The effectiveness of our multi-asset, multi-manager model can be seen in the strong performance of the MLC MySuper Growth option (which is the default fund in which most MLC and Plum members are invested in) against peers. Over the year ending 31 December 2021, MLC MySuper Growth ranked 6th in the SuperRatings Top 50 MySuper Funds Survey. Over the two-year period ending 31 December 2021, the MLC MySuper Growth was ranked 10th against the same peer group. Returns in this survey are net of investment fees and taxes and includes both retail and industry funds. The SuperRatings performance surveys are closely watched and it's pleasing that our MySuper Growth option ranked highly.

Finally, NULIS is the trustee of the MLC Super Fund and is one of the Trustee Boards under Insignia Financial. The Trustee boards comprise a majority of independent non-executive directors, that are exclusively directors of the Trustees and do not serve as directors of other Insignia Financial Group entities.

The Trustee boards are supported by the Member Office. The Member Office is an independent function, comprising a dedicated group of superannuation and financial services professionals that reports directly to and supports the Trustee boards. The Trustee boards and the Member Office work together to ensure MLC continues to act in your best interests, taking care of your superannuation and long-term needs.

12. Given a class action against MLC Super Fund, how is it possible to trust the organisation going forward? If the class action is successful, do policy holders baring the burden of the costs?

MLC has undertaken a significant transformation to uplift governance and operations to promote the best financial interests of members. While we cannot comment on the details of any class action, we can confirm the costs of these activities are not borne by members.

Investment questions

13. What has driven the strong returns from Private Equity?

Across buy-out, venture capital, and growth strategies, and all geographies, the MLC Super Private Equity portfolio has outperformed over the past 12 months, compared to longer-term returns. In particular, venture capital returned well above expectations. Regionally, exposure to the US has served the portfolio particularly well, with all other regions also delivering above longer-term returns.

Past performance is not a reliable indicator of future performance.

14. Please explain the difference Fixed Income - Diversified and Fixed Income – Credit?

We recently adjusted some of the asset class categorisations in our Product Disclosure Statements to better align with those outlined in APRA's new Reporting Standard SRS 550.0. As part of this process, we introduced a new asset class category named **Fixed Income - Credit** into our disclosure documents. We believe this new category better captures the credit-related exposures that were previously categorised under various other asset classes, including Growth Alternatives and Defensive Alternatives. It's important to note that these were disclosure classification changes only rather than changes to the underlying assets in your portfolio. **Fixed Income - Diversified** generally refers to investment grade fixed income securities and other fixed income securities that are not considered credit. Fixed Income - Credit refers to those assets where the main source of investment return is regarded as credit or credit-related.

15. Will planned federal elections have any marked impact on the markets and MLC Super performance?

Government policies, or the potential for policy changes are part of the many factors and risks our investment team takes into consideration when managing our members' portfolios. The current government's policy direction is well-known, and while the opposition has yet to release its policies, investment professionals are not expecting dramatic proposals that could worry financial markets. The Australian government, like many governments around the world, has accumulated a lot of debt to support businesses and households to get through COVID-related disruptions. We will be carefully watching how governments propose to bring down the debt level.

16. Given the recent worldwide stimulus and rising inflation concerns, what is the outlook for Australian and International equities and specifically the outlook for the Australian dollar (foreign exchange cross rates)?

Given US annual consumer price inflation at 7.5% is at its highest level since the early 1980s and Australia's 3.5% annual inflation is above the central bank's target, there is considerable concern that central banks need to rapidly raise interest rates. However, we cannot exactly predict the future and thereby what will happen to Australian and international shares. The Australian and global economy could be transitioning to a higher and more persistent inflationary environment. However, inflation could be moderate if the long-term forces of globalisation and cost-cutting technology reassert themselves, keeping price pressures contained. Essentially, we do not know. So rather than try to guess one future path for inflation and share markets, our preference is to consider a range of scenarios that incorporate both higher and lower inflationary outcomes and share prices.

Currently we have a broadly neutral allocation to Australian shares and international shares in our Horizon and Inflation Plus portfolios. Our current risk assessment is that share markets will be challenged and tested by higher bond yields and interest rates in 2022. The US central bank has indicated that interest rates will rise as “soon” as March. The Reserve Bank of Australia has recognised that there is a “*plausible*” case for higher interest rates this year but is prepared to be “*patient*”. For the Australian dollar against any foreign currency, predicting the future path is not possible, given a forecaster would need to predict Australia’s extensive array of commodity prices including iron ore, coal, gold, liquid natural gas, beef and wheat as well as the future path of global interest rates, bond yields, trade balances and politics. However, a foreign currency exposure is an important diversifier for international share holdings. The Australian dollar is very responsive to rising and falling global share prices. For example, in a scenario where global share prices are falling sharply, this typically is accompanied by a weaker Australian dollar. Currently our portfolios moderately favour a higher foreign currency exposure. This should provide some protection if global shares do disappoint in 2022.

17. Security of the super funds?

Superannuation has a reputation as a generally secure and well-managed form of investment. The system’s security begins with a strong regulatory framework in which the superannuation industry is regulated and monitored by the Australian Securities & Investments Commission (ASIC), as well as the Australian Prudential Regulation Authority (APRA). The combination of the two is aimed at ensuring that there are no gaps in regulatory oversight of the superannuation system.

Nevertheless, it’s worth monitoring your super to ensure a) that you get what you are entitled to and b) that you act on any suspicious activity early on. Here are a few steps you can take to make sure your superannuation continues to accumulate safely.

1. Keep track of your employer contributions

The easiest way to check what contributions your employer is paying is to read your annual statement from your fund, or your regular payslip, which should show the amount of super that has been paid by your employer into your fund.

If after checking you still think something is wrong and you need to take the matter further, the next step is to lodge an enquiry with the Australian Taxation Office (ATO) about unpaid super. You can contact the ATO on 13 10 20.

2. Read your annual member statement and your fund’s annual report

Your annual statement covers the financial year ending 30 June, each year. If you don’t understand something on your statement, contact your fund.

The annual report gives you a chance to have a look at your fund’s investment strategy. You can find copies of MLC annual report [here](#) and the Plum annual reports [here](#) in the ‘Governance’ section, under “Financial statements and reports”

3. Beware of scams

Anyone offering you early access to your super is most probably not legitimate. Except in very **limited circumstances** (such as the early release of super during the COVID1-9 crisis of 2020), accessing your super before you reach the legal age (depending on your date of birth) is illegal.

If you get caught in scams, you risk losing your super savings.

18. What investment is being made in the Australian defence industry, which has seen record Government expenditure and commitments in recent years?

The diversified nature of our investment approach means our investors gain access to a wide range of listed companies, bonds, property, infrastructure and other alternative assets. Some of these exposures have direct links to the Australian defence industry, for example specific defence industry-related listed companies, whilst some have more indirect links, such as for example banking service providers, defence housing, infrastructure construction, infrastructure services contracts and so on.

19. How do Plum super funds rank in the Australian government's performance comparisons?

Our answer relates to MLC MySuper, the default super product for Plum members. MLC MySuper was rated 'performing' in the 2021 Australian Prudential Regulatory Authority (APRA) performance test. That is: "The product has met or exceeded the performance test benchmark" (source: APRA website). APRA regulates the superannuation industry. For the year ending 31 December 2021, MLC MySuper Growth (which is the default option in which most Plum members are invested in) ranked 6th in the SuperRatings Top 50 MySuper Funds Survey. Over the two-year period ending 31 December 2021, MLC MySuper Growth was ranked 10th against the same peer group. Returns in this survey are net of investment fees and taxes and includes both Retail and Industry funds. The SuperRatings performance surveys are closely watched and it's pleasing that our MySuper Growth ranked highly.

20. How does our fund performance compare to our major competitors over 1, 3, 5 and 10 years, after fees?

For the MLC MySuper Growth option (which is the default fund in which most MLC and Plum members are invested in), we've been pleased with how the fund has been performing relative to peers since its launch in March 2019. Over the year ending 31 December 2021, the fund ranked 6th in the SuperRatings Top 50 MySuper Funds Survey. Over the two-year period ending 31 December 2021, MLC MySuper Growth was ranked 10th against the same peer group. Returns in this survey are net of investment fees and taxes and include both Retail and Industry funds. The SuperRatings performance surveys are closely watched and it's pleasing that our MySuper Growth option ranked highly.

	SuperRatings Crediting Rate survey	1 year		3 years		5 years		10 years	
		Net return	Median return	Net return	Median return	Net return	Median return	Net return	Median return
MLC Horizon 7	High Growth Category	28.1	17.8	19.2	13.7	14.5	10.1	15.4	11.5
MLC Horizon 6	High Growth Category	21.4	17.8	14.8	13.7	11.4	10.1	12.1	11.5
MLC Horizon 5	Growth Category	18.3	16.6	12.7	12.7	9.8	9.6	10.5	10.5
MLC Horizon 4	Balanced Category	15.1	13.3	11.0	10.6	8.6	8.3	9.3	9.2
MLC Horizon 3	Conservative Balanced Category	10.2	9.3	7.9	7.9	6.4	6.4	7.2	7.3
MLC Horizon 2	Capital Stable Category	6.2	5.6	5.3	5.4	4.4	4.6	5.2	5.5

**SuperRatings Fund Crediting Rate Survey, December 2021*

Past performance is not a reliable indicator of future performance.

21. What is being done to improve the historically very poor performance of the Growth investment option? For example, the 5-year average return for this option with Plum has been terrible at 8.20%, versus Sunsuper 11.19%, Australian Super 11.48%, UniSuper 13.30%. Total fees with Plum for this investment option of 1.05%pa, versus 0.60% and 0.63% with AustralianSuper and Unisuper respectively highlight that Plum is an extremely high cost, yet a very very poor underperforming super fund. Why would anyone have their superannuation with Plum?

With regard to the 5-year performance of the MLC MySuper Growth option mentioned; some background is required. The MLC/Plum MySuper strategy was redesigned as a new strategy was rolled out from March 2019. Since then, MLC MySuper Growth's (this is the default option in which most Plum members' super is invested in) performance versus peers has changed significantly. For the year ending 31 December 2021, the MLC MySuper Growth ranked 6th in the SuperRatings Top 50 MySuper Funds Survey. Over the two-year period ending 31 December 2021, MLC MySuper Growth was ranked 10th against the same peer group. This survey is closely watched in the super industry. Returns in the SuperRatings Top 50 MySuper Funds Survey are net of investment fees and taxes and includes both Retail and Industry funds.

Prior to the March 2019 redesign, the MLC/Plum MySuper strategy's allocation to growth assets, such as Australian and global shares, was capped at a maximum 70%. By contrast, a number of other major super funds' MySuper options had significantly higher growth assets exposure. In other words, our MySuper strategy, prior to March 2019, was structurally different to many of its peers making direct comparison less valuable. Share markets have been strong for most of the past five years, and thus those super funds with structurally higher share market exposure outperformed. Our redesigned MySuper strategy has addressed this structural issue, and this is reflected in the strong one and two-year returns for MLC MySuper Growth.

22. Given the challenging outlook for both equity and bond markets due to the changing economic and monetary policy landscape, is the fund looking at alternative tactical investment strategies (and or asset classes) to underpin performance over the next 12 to 24 months. If so, is the fund considering broadening its investment adviser panel?

The high probability of an increase in official interest rates in major countries, such as the United States, is one of the major risks we have been alert to. We've been concerned about inflation for some time and that's why we've been moving away from fixed income assets and directing our investors and members' funds towards 'alternative assets' with different return patterns to traditional assets. The adjustments we made ahead of recent market jitters align with the principles of diversification, active-management, and risk-control we've stuck by since we began managing money for Australians in the mid-1980s.

As for our use of alternative and other assets, the derivatives management capability we created in-house after the 2008/09 Global Financial Crisis has been a very valuable addition to our investment tool-kit – allowing us to act quickly, flexibly, and cost-effectively. The 'insurance' provided by derivatives strategies in MLC's MySuper portfolios has allowed them to participate in the upside of share market movements, while providing some cushioning when markets have slipped. Moreover, our MySuper portfolios' substantial exposures to alternative assets – via unlisted asset classes – private equity (investments in companies not listed on stock markets), property, and infrastructure – means they are less affected by short-term market volatility than portfolios only invested in listed assets. The MySuper portfolios also have exposure to alternative investments with income streams across legal, government and corporate receivables. Cash flows from these sources tend not to move in lockstep with those from listed companies and this contributes to overall

portfolio diversification.

Whilst we are happy with our current investment panel and its coverage of alternative assets, we are always reviewing the mix to improve the risk/return equations for members.

23. Is MLC promoting the opportunity to invest in The Future Fund - Australia's sovereign wealth fund? I have heard the Chairman of this fund is supportive of the opportunity for the Australian public to invest in some way in this.

The Future Fund is a well-regarded national institution which has had a strong investment track record since its inception in 2006. Currently the Future Fund manages money solely for the Commonwealth government, primarily to help fund the future superannuation liability of former government employees. Whether or not this changes in the future is a decision for the federal government.

However, we would note that if the Future Fund were to open up to a wider market (for example, superannuation investors) there would likely be a number of significant changes required at both the operational and the investment strategy level. These would include the administration of thousands (potentially millions) of member superannuation accounts and the introduction of various new types of investment risk considerations (such as illiquidity risk, or the risk of having too much exposure to illiquid assets when investors have the ability to withdraw their funds at very short notice).

24. Why do you charge for the buying and selling of direct shares within our super funds when you are being paid to look after our funds and also charge more than double Commsecs and won't allow dividend reinvestment?

Any buy/sell spreads reflect the costs associated with buying or selling the investment. These costs are limited to cost recovery and ensure that non-transacting members do not incur costs of transacting members. Given the personal nature of your query, we suggest contacting the Contact Centre who can provide you with more information on the various products and services available.

25. What's your thoughts on iron ore prices going forward? Many analysts' predictions have been well under the actual market outlook on pricing for BHP/RIO and what value/weighting do you put on Block (and Afterpay)? It's now in the top 5 ASX by market value, correct? Any stock tips for 2022?

MLC has no single iron ore price forecast or stock tips. Under our 'Futures Framework' investment process, MLC has a comprehensive array of 40 economic and political scenarios which envisage a range of possible outcomes for the iron ore price. Given that China is currently curtailing steel production and Brazil is ramping up iron ore supply, the iron ore price may see some downward pressure. However, MLC would emphasise that iron ore prices and commodity prices are not precisely predictable. MLC's investment process takes this commodity pricing uncertainty into account. When it comes to the impact of iron ore pricing for BHP and Rio share prices, our Australian share managers make their stock selections given their detailed knowledge and specialised focus on company fundamentals and broader economic conditions as well as commodity prices.

26. Why does the unit price for my superannuation continue to go up even though the market has been going down? Surely this will be directly proportional.

Our answer to your question will be based on the MLC MySuper Growth option, as this is the default investment option in which most members have their super in. As you will see from the chart below,

the MLC MySuper Growth option is diversified, albeit with a bias towards 'growth assets' such as Australian and global shares, as well as private equity (investments in companies not listed on stock exchanges), infrastructure (examples include telecommunications towers, solar energy farms) and commercial real estate (industrial sites and commercial offices).

Diversification means that the MLC MySuper Growth option's performance is not dependent on good performance from any single asset or type of asset. Instead, it is able to accumulate returns from many assets in many countries and regions. Equally, diversification is valuable when financial markets become volatile, as they have been since the start of this year. Through diversification, stresses in some parts of a portfolio can be offset, to some extent, by resilience in other parts of portfolios.

We also have derivatives strategies in place which have allowed the MLC MySuper Growth option to participate in the upside of share market movements, while providing some cushioning when markets have slipped, as they have at various times since the beginning of 2022. The MySuper portfolios also have exposure to alternative investments with income streams across legal, government and corporate receivables. Cash flows from these sources tend not to move in lockstep with those from listed companies, and this contributes to overall portfolio diversification and returns.

27. We are hearing that in China property is very unstable and may collapse, what is the impact on the Australian property market and our funds?

China's property market is presently under stress. A number of property developers such as Evergrande have taken on too much debt and are having difficulty meeting their repayments. These financial difficulties for developers have been magnified by the pandemic and a more restrained appetite for property purchases by Chinese consumers. However, while the property sector is under pressure, there are some signs that China's policymakers are starting to relax lending conditions. The Reserve Bank of Australia (RBA) recently noted in their February statement that "*authorities have also eased financial conditions slightly to limit further falls in sales*", "*taking actions to assure buyers that pre-sales will be honoured*" and "*providing direct support to first homeowners*"*.

Australia's economy is highly sensitive to China's economy given that China is our largest trading partner. Hence any further setback to China's property market and broader economy could have a significant negative impact on Australia's economy by reducing Australian exports. However, the impact on Australia's property market is likely to be more limited given that Chinese property buyers have already been a diminishing presence recently. As noted by the ABC News in July 2021, the "*Australian Foreign Investment Review Board data shows that amid political tensions with China and COVID lockdowns, investment in Australian real estate from China declined significantly from its peak of almost \$32 billion in 2015-16 to \$7.1 billion in 2019-20.*" ** .

Sources:

* Reserve Bank Statement on Monetary Policy, February 2022, page 9

** ABC News, 2 July 2021 "Chinese foreign investors have cooled on Australian properties, but overseas buyers are tipped to return"

28. Investment performance on full pension accounts. Aware there is always a risk of losses but how well is this monitored, and are decisions made on investment reasonably secure?

The response will vary depending on the type of pension product that has been chosen. For MLC multi-sector pension products, we offer a range of different investment options to cater for members with different levels of risk tolerance.

Our more conservatively positioned investment options provide a lower level of performance volatility due to their higher exposure to more defensive asset classes. However, they are also expected to provide a lower level of return over the long term relative to our more aggressively positioned options, which have a higher exposure to growth assets like listed shares.

MLC continually reviews all the multi-sector portfolios to ensure that they are appropriately structured to meet their objectives and that they remain well-positioned for the future market environment. MLC's portfolios are also well diversified across asset classes, investment managers and regions, in order to reduce risk for our members. Furthermore, they have a reasonable exposure to unlisted asset classes – private equity (investments in companies not listed on stock markets), property and alternative assets – which means they are less impacted by short-term market volatility than portfolios only invested in listed assets.

29. How often are investments (say MLC Wrap) reviewed and investment decisions made to buy or sell shares within a portfolio by the MLC team? Are opportunities taken up on a random or predetermined basis or both?

The response will vary substantially depending on the type of product that has been invested in through MLC Wrap. For direct equities held on MLC Wrap (i.e. not via a managed fund), the member/investor, in conjunction with their financial adviser, make the trading decisions. For MLC multi-manager products, MLC continually reviews all the multi-manager portfolios to ensure that they are appropriately structured to meet their objectives and that they remain well-positioned for the future market environment. With respect to the decision-making process for individual share purchases and sales, MLC chooses specialist investment managers to carry out this role. We believe these managers are best placed to assess the relative attractiveness (or otherwise) of the investible universe of shares, either through fundamental analysis, quantitative analysis, or through the replication of specific share market indices.

However, everyone's situation is unique, so we would suggest you seek professional, qualified financial advice in relation to your particular circumstances and before making any investment decisions.

30. When finally are we having access to ETFs? At least to those on ASX

The products issued by the MLC Super Fund (MLC Super and Pension Fundamentals, MLC Business Super, MLC Personal Super and Plum) offer limited investment menus and as such ETFs are not currently offered as part of these investment menus. The investment options offered via MLC Wrap Super and Navigator Retirement Super, issued by the MLC Superannuation Fund, include access to 68 ETFs.

31. Do we have a gold product/investment option?

The products issued by the MLC Super Fund (MLC Super and Pension Fundamentals, MLC Business Super, MLC Personal Super and Plum) offer limited investment menus and niche investment options, such as a specific offering limited to a single resource do not form part of the investment menu. The MLC Wrap Super and Navigator Retirement Super issued by the MLC Superannuation Fund has a gold EFT on the investment menu, being the ETF Securities Physical Gold or directly via gold mining companies.

32. Shouldn't bonds be shown as a separate category in the fixed income class of investments so that people are aware of exposure to decrease in the value of bonds resulting from the markets view of potential movements in interest rates because many people would not be aware of this risk?

Our answer to your question will focus on the MySuper Growth portfolio, as this is where most of our members' super is invested in. Within our asset class disclosures, we disclose fixed income in two separate categories. 'Fixed Income – Diversified' generally refers to investment grade fixed income securities and other fixed income securities that are not considered credit. 'Fixed Income – Credit' refers to those assets where the main source of investment return is regarded as credit or credit-related. These asset class categorisations closely align with those outlined in APRA's Reporting Standard SRS 550.0.

MLC continually reviews all the multi-sector portfolios to ensure that they are appropriately structured to meet their objectives and that they remain well-positioned for the future market environment. As part of this process, the MySuper Growth portfolio has held an underweight position in Diversified Fixed Income relative to benchmark for some time, given MLC's view of the risks associated with a rising interest rate environment. This positioning has helped insulate our investors from the worst of the bond market falls during 2021.

33. Can you explain what you include within alternative assets?

Our answer to your question will focus on the MySuper Growth portfolio, as this is where most of our members' super is invested in. The current makeup of alternative assets within this portfolio includes a diverse group of assets comprising hedge funds and real return strategies. Cash flows from these sources tend not to move in-step with those from listed companies, and thus contribute to overall portfolio diversification.

Alternatives also include MLC's derivatives management capability. We created this in-house capability after the Global Financial Crisis (GFC) – and it has been a very valuable addition to our investment toolkit allowing us to act quickly, flexibly, and cost-effectively. Derivatives strategies in place in the MLC MySuper portfolios have allowed them to participate in the upside of share market movements, while providing some cushioning when markets have slipped.

34. Are staff conducting investment choices for Plum and those for MLC different and acting separately?

MLC Asset Management is the investment team responsible for all MLC multi-asset investment options available on the Plum and MLC Superannuation platforms.

35. In what general areas is MLC investing the large dividends from the big mining companies?

Dividends from all investments are aggregated at the superannuation fund level and continue to be reinvested aligned to strategic asset allocation.

Product questions

36. What products will be introduced to invest in industries that will do well between now and 2030?

We offer a diverse investment menu that allows members to invest in many diversified funds or sector funds. Additionally, our Wrap provides members with the ability to invest in a large number of specific industries and companies.

37. Transacting through MLC Super Wrap without an adviser relies to a great extent on completing forms and is very slow, with simple transactions taking weeks to action. Other funds offer online transactions and same day turnaround. What is the Trustee doing to improve its service?

Following the acquisition of MLC, Insignia Financial is currently undertaking a review of our product and service suite to identify opportunities to improve the member experience, including digital experience such as online transaction capability for our members and advisers.

38. How can industry super fees be about \$100 p.a. whereas MLC charges about 0.07%?

There are significant differences in the fee structures across the industry, and even across sectors and within funds. Funds will use different structures such as fixed dollar fees, percentage of assets, or a combination of both. In 2020, MLC implemented a new pricing framework which resulted in a simplified, contemporary, and competitive pricing structure. As part of these changes, administration fees were reduced, fee tiers simplified and limits on administration fees (fee caps) were reduced.

39. Can you confirm the procedure you undertake to establish CPI increases to defined benefit packages in place and currently being drawn?

Defined benefit pensions are generally funded by the employer sponsor of the defined benefit plan offering the pension. They may in some cases be indexed to CPI or some other measure of inflation. Indexation provisions are generally set out in the Participation Agreement which governs how each employer's defined benefit plan operates. We ensure pensions are indexed in accordance with the terms of any relevant Participation Agreement. We also liaise with the employer plan's actuary and the employer where appropriate to ensure any indexation is appropriately funded.

40. How do we know you are looking after the 'small fish' in our superannuation investments and how do we know you are keeping the overall costs down in running our superannuation?

All superannuation investments are overseen by our independent superannuation Trustee Board who has a fiduciary obligation to oversee the operation of the fund and member outcomes so that they are in the members' best financial interests. As one of Australia's largest superannuation funds, our size provides improved economies of scale to keep costs down.

41. Why is the insurance premium increased 150% by this year? What kind of benefit are you going to provide while premium is increased this much?

We review all of our insurer rates at least every three years to ensure they remain competitive. In some cases, we engage an independent consultant to review changes to rates. The premium within MasterKey Personal Super increased in 2021. This premium change was driven by a number of factors including the claims experience and significant regulatory changes affecting insurance product costs. Cost is only one element of insurance. Over recent times we have sought to improve Total and Permanent Disability (TPD) definitions to remove the more restrictive Activities of Daily

Living (ADL) component and removing 'uninsurable occupations' from cover exclusions. This makes insurance cover more effective for many members.

42. I have heard that there have been moves already made by MLC to reimburse members for fees that have been charged for account administration through brokers in the past years that have since been found to have been incorrect. Can you please let us know the progress on this?

MLC has a dedicated remediation group to assess errors or incidents and ensure that, where applicable, members are remediated. This group also works to enhance operations and processes to reduce future errors and to promote the best financial interests of members. I would encourage you to contact our Contact Centre who can provide you with specific details relating to your situation.

43. How to increase super? How to protect yourself with insurance?

We have a range of insurance offers to protect you and your family, [click here for more information](#). In regard to increasing your super, there are many ways to grow your balance, including through voluntary contributions. For more resources on how to grow your super with voluntary contributions, [click here](#). However, given the personal nature of these questions, we recommend that you get in touch with our Contact Centre who can provide you with information relating to your circumstances. As everyone's situation is unique, we would also suggest you seek professional, qualified financial advice in relation to your particular circumstances and before making any investment decisions.

44. Is the voluntary reduction in Monthly Pension draw-down currently permitted by Government likely to continue after 30 June 2022?

We continue to monitor for any required regulatory changes. If there are any changes impacting pension arrangements these will be communicated to you.

45. Is there a halal investment option within your superannuation products for Muslim clients that does not include interest? Can a member have an option to opt out of investments that mainly produce revenue via interest?

At present, there are no shariah compliant options available on the investment menu. There are, however, options that largely derive earnings through capital growth or rent. As everyone's situation is unique, we would also suggest you seek professional, qualified financial advice in relation to your particular circumstances and before making any investment decisions.

46. Is life (death) insurance available for purchase through super after age 65? If yes, what are the costs?

The provision of death insurance within our super products generally stops at age 65. For those under 65, we have a range of insurance offers to protect you and your family at different stages of life – [click here](#) for more resources. Given the personal nature of the question it is recommended that you contact our Contact Centre who can provide you with information relating to your circumstances.

47. What security improvements will you be implementing and when to keep superannuation more secure, following numerous superannuation frauds and your present low ID verification methods of a nine-digit online password and requested DOB, before funds may then be transferred to someone else's super?

Our systems, controls and processes are regularly reviewed, tested and upgraded by internal and external cyber security professionals to align to changes and developments across the industry.

48. Can I transfer funds to my super outside of my contribution?

There are a variety of ways you can contribute to super. These include the standard superannuation guarantee paid by your employer, and voluntary contributions such as salary sacrifice (before tax) contributions, and personal (after tax) contributions. For more resources on voluntary contributions, [click here](#). Given the personal nature of the question it is recommended that you contact the Contact Centre who can provide you with information on alternative contribution options available to you.

49. Managing super e.g. transferring between asset classes, reinvestments and general reporting on MLC platform is not as good as other super funds - what plans are in place to improve?

There have been a number of enhancements to the platform to improve experience while providing you with the information members and advisers need. Following the acquisition of MLC by Insignia Financial, there will be further enhancements to platforms to continue to provide you with leading platform services.

50. Super beneficiary nominations - MLC's options are overly restrictive and don't apply to all members. In my case, I have no spouse, children, financial dependants nor an interdependency relationship. Will MLC consider making the beneficiary categories more flexible, e.g. I would like to nominate one of my nieces directly rather than the roundabout route via my legal representative and estate?

Superannuation Industry (Supervision) Act 1993 (SIS) legislations sets out who can be a nominated beneficiary in superannuation. For more resources on who can be nominated as a beneficiary and the different types of nominations, [click here](#).

Given the personal nature of your question, it is recommended you contact the Contact Centre who can assist you with the beneficiary nomination given your circumstances.

51. Why have life insurance fees increased so much?

Our insurers re-price the premium rates charged to our members every two or three years based mainly on the claims experience of the particular plan involved. The Trustee assesses any proposed premium rate change by the insurer and in some cases seeks independent review of the changes (particularly in the case of a large increase in premium rates). Over the last few years, we have seen premium rates increase and decrease for different plans. It is recommended you contact the Contact Centre who can assist you with the specifics of any premium rate changes for your plan.

Sustainability

52. What are your proposals for eliminating your greenhouse gas emissions and the date by which you propose to reach zero emissions? What are your proposals for ensuring that your investments are only in companies that have concrete, measurable plans for reaching net zero before 2050? What are your policies on ensuring that from now on, all financing provided to projects contains clear goals for greenhouse gas abatement, including Scope 3 emissions? What provisions will you put in place to allow members to readily review your performance on these matters?

MLC's parent company Insignia Financial supports the global transition to 'net-zero' emissions. In regard to our investments, our Responsible Investment Statement outlines a number of

approaches that can allow us to assist in this transition, these include: the **integration of ESG factors** (including environmental impact) in the selection and monitoring of funds and companies; **active ownership** (including proxy voting) to improve company sustainability outcomes, including addressing of climate risks; and **exclusion**, which is the screening out of companies or industries that represent a long term risk due to negative ESG factors such as poor environmental management, that can't be mitigated by the above approaches.

In addition to these approaches, we can take targeted sustainability investment approaches, where we can invest directly in funds and industries that are assisting in the transition to renewable energy technologies, such as our recent investment in the Powering Australian Renewables Fund (PARF). In relation to transparency for members on these issues, MLC publishes its proxy voting report on its public website so members can assess its active management and engagement approach.

Speaking as an organisation, we measure the impact our own operations have on the environment and will report on our greenhouse gas emissions in our next annual reporting period. We will also be outlining how we're going to further to reduce our environmental impact.

53. Renewables are good but are we still supporting coal?

We still have investments in companies within the fossil fuel industry. We believe that through active ownership and engagement, we can assist these businesses in the transition from fossil fuels, including coal, to a renewable energy economy. Through this strategy, we believe we can also protect the sustainability of our members' returns.

54. Can you give an example of engaging with a company to improve the ESG outcomes? If confidentiality prevents this, how often did you do this in the last 12 months?

MLC/Plum are active owners and engage on a variety of E, S and G metrics. To view a number of examples of recent ESG-related activities in client portfolios, [click here to download our Responsible investing update.](#)

55. In our current weather patterns in Australia where we may have more floods, bush fires or cyclones, how is this risk managed in investing in renewable energies? For example, if we don't get sun for solar power, or we don't get wind for wind farms. What is our redundancy if these investments folds?

Renewable energy assets such as wind turbines, hydro facilities and solar have been proven reliable alternatives to coal fired power stations. As an example, the Clean Energy Council released a report in March 2021 indicating that renewables accounted for nearly 28% of Australia's energy generation in 2020, with Canberra moving to 100% renewable power in the same year.

We do believe there needs to be an ordered move to more renewable energy and we still hold investments with companies that own coal fired power assets, which still provide the majority of reliable power to the grid while Australia makes the transition to renewables. In that sense, we are still diversified across a range of power generating assets.