

ART Annual Member Meeting - Minutes

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| Date: | Wednesday, 22 November 2023 |
| Time: | 5:30 pm (Brisbane time) |
| Location: | Plaza Ballroom Brisbane Convention and Exhibition Centre Glenelg Street, South Brisbane |
| Chair: | Andrew Fraser |
| Directors: | Aaron Santelises Beth Mohle AM Bruce Cowley Elizabeth Hallett Georgina Williams Janine Walker AM Linda Apelt Mark Burgess Michael Clifford Michael Traill AM Shayne Maxwell |
| Minutes: | Trevor Golden (Company Secretary & Governance Advisor) |
| In Attendance: | Anne Browne (Chief Risk Officer) Anne Fuchs (Acting Chief of Retirement) Anthony Rose (Chief Financial Officer) Bernard Reilly (Chief Executive Officer) David Rodgers (Deloitte & ART's External Auditor) Dave Woodall (Chief Commercial Officer) Deanne Wilden (General Counsel) Guy Holley (ART Actuary) Helen Jackson (Chief People Officer) Ian Patrick (Chief Investment Officer) Jacqueline Downham (ART Actuary) Joanne Gorton (Deloitte & ART's External Auditor) Julie Bingham (Chief of Staff) Kristy Huxtable (Company Secretary) Krystle Rae (Company Secretary – Trustee Secretariat) Lachlan East (Chief Member Officer) Louise Campbell (ART Actuary) Luke Carroll (ART Actuary) Matthew Burgess (ART Actuary) Nicolas Wilkinson (ART Actuary) Reg Du Preez (Head of Internal Audit) Rod Greenaway (Chief Technology Officer) Saffron Sweeney (ART Actuary) Shane Mather (Head of Product & ART Actuary) Simonne Burnett (Executive General Manager, Marketing & Digital) Stevhan Davidson (Chief Strategy Officer) Vimbai Mhlanga (Deloitte & ART's External Auditor) Wayne Cannon (Queensland State Actuary & ART Actuary) |

339 ART Members (in person at the meeting)
1,039 ART Members (streaming the meeting online)

Apologies: Kate Ruttiman (ART Director)
Mark Samuels (ART Actuary)

The meeting commenced at 5:30 pm and Ms Mohle, as Master of Ceremonies, welcomed everyone to the Australian Retirement Trust (ART) Annual Members' Meeting.

1. Welcome to Country

Ms Mohle noted that ART pays respects to our First Nations people and a Welcome to Country video was played acknowledging the First Nations people as the Traditional Owners of the land on which the meeting was taking place and paying deep respects to all Elders past and present.

2. Introduction

Ms Mohle introduced ART Board Chair, Mr Andrew Fraser; ART's Chief Executive Officer (CEO), Mr Bernard Reilly; ART's Chief Investment Officer, Mr Ian Patrick; the Chair of ART's Audit & Risk Committee, Ms Elizabeth Hallett; as well as Ms Kristy Huxtable, ART's Company Secretary. It was noted that the other members of the ART Board, ART's Executive Team, and the Fund's Auditors and Actuaries were also in attendance at the meeting.

It was noted that members' questions would be addressed in the Q&A session after the formal part of the presentation. It was also noted that if there was insufficient time to get through all of the questions, a complete list of questions and answers would be posted on the ART website in the coming weeks.

3. Chair's Address

Mr Fraser:

- Welcomed members to the second Annual Members' Meeting of ART and noted that the Board and Management were focused on the next phase of the merger, the integration, and what that is delivering for members. He noted the importance that the Fund continues to deliver the benefits of size and scale which underpinned the rationale to form ART.
- Provided a summary of the performance of ART's Super Savings Balanced investment option and QSuper Balanced option, noting that the options continue to meet their longer-term targets. He also noted that the QSuper portfolios were designed to deliver a smoother ride by meeting long-term return objectives with less risk than comparable funds.
- Noted that ART is working towards aligning portfolios, strategies and approaches, however the Fund will continue to have a range of different investment options, underpinned by different strategies aimed at suiting member needs and preferences.
- Further noted that growth is integral to ART achieving economies of scale and that the Fund will continue to focus on growing sustainably through attracting new members and partnering with more Australian employers who choose ART as their superannuation fund.
- Highlighted changes to the Board during the year, as well as the appointment of Dr Guy Debelle, a former Deputy Governor of the Reserve Bank, as an advisor to the ART Investment Committee.
- Noted that in February 2024, Mr Bernard Reilly will conclude his tenure as CEO of ART and acknowledged the leadership and commitment to ART members that Mr Reilly has demonstrated to both ART and Sunsuper in this role over the last several years.

4. **CEO's Address**

Mr Reilly:

- Noted that through the merger integration, ART achieved a number of tangible benefits for members including bringing together the Fund's investment operations, and that ART was progressing towards a single technology platform for administering member accounts.
- Acknowledged the opening of the ART Member Centre on the ground floor of our George Street, Brisbane, headquarters. Noted that ART's member services team answered more than 1.1 million of phone calls and live chats, and close to 20,000 members visited ART at our member centres. Also noted that at times, this higher engagement placed pressure on our commitment to being there when you need us.
- Noted the generally positive performance this financial year, particularly after the period of negative returns last year. Also noted the Fund's disappointment that one of ART's 18 investment options had failed the annual superannuation performance test run by APRA. It was further noted that the Fund intends to close that option from 1 July 2024 and believes that changes already made to this option's investment strategy and asset allocation will improve its performance in the interim.
- Confirmed that this will be his last Annual Members' Meeting as CEO and that it has been an honour to lead the team through Australia's largest superannuation merger.

5. **Chief Investment Officer's Address**

Mr Patrick:

- Noted that share markets have already demonstrated some recovery from their lows in 2022, and that led to ART members generally experiencing positive returns on their savings.
- Provided an overview of investment markets for different asset classes as well as the median fund returns over several years. He noted that the past 12 months was somewhat unusual in that almost all the return from the US share market came from seven large cap, predominantly technology shares, and that not being invested in these shares, or holding a weight lower than the market weight in these shares, would have led to lower returns than the market overall. He also noted that some of the QSuper options were in this position as these shares had expensive valuations relative to others and so were underweighted.
- Noted that whilst both options have similar naming, the QSuper Balanced option is quite different to the Super Savings Balanced option. Whilst each investment option is well diversified, the fact that they have different weights to the various types of assets, particularly shares and fixed income, means that they experience different returns over time.
- Noted that ART has a good spread of members across age-bands with many retirees as well as many members who have 20 or more years in the workforce before they will draw down on their superannuation savings. Also noted that ART is a large fund and can buy sizeable portions of unlisted infrastructure and real estate assets so the combination of these factors means that ART can obtain a return premium for members from holding these assets over the long term. This is noted as a prime example of the benefit of scale, and why ART expects the substantial size of the merged fund will give advantages into the future.
- Provided examples of ART's investments including: (i) BoCo Living, the largest privately owned student accommodation provider in Norway with 53 properties; (ii) Elevation Aged Care is a pre-eminent provider of aged care facilities in the UK; and (iii) ART's partnership with Mirvac which will result in meaningful investments in state-of-the-art industrial properties in the key logistics hub of Western Sydney and the developing aerotropolis around Sydney's second major airport.

- Used the QSuper Accumulation Balanced Option as an example to show how \$10,000 invested at the end of 1999 would have been worth \$43,257 at the end of June 2023, despite the volatility over time including during three global recessions. Noted that the diversification of the asset mix and staying the course on the strategy meant that over the 23.5-year period the return achieved averaged 6.4% per annum and exceeded the average annual inflation rate of 2.8% by over 3.5%.
- Noted the work that ART has been doing in the area of Sustainable Investment given that ESG factors present key long-term risks and opportunities in ART's portfolios. Also noted that climate change continues to be the most topical issue in relation to ESG and that ART has formally adopted the target of having a Net Zero greenhouse gas emissions investment portfolio by 2050. Further noted that ART's Net Zero 2050 Roadmap includes an emission intensity reduction target for 2030 for the listed equities, infrastructure, and real estate asset classes, as it is important to have clear commitments and milestones.
- Provided an opinion on the future outlook for investment markets.
- Noted that the ART team takes the trust members place in us stewarding their savings very seriously and Management retains conviction about the Fund's longer-term positioning, believing that by remaining vigilant and positioning for opportunities with solid fundamentals, ART will be able to capture the returns ahead.

6. ART Member Question & Answer

Q *I am concerned about the time the merger is taking in order to generate the promised benefits to members and this is clearly demonstrated in significantly different performance outcomes for QSuper Balanced fund and Super Savings holders.*

A Mr Fraser noted that when the Board undertook the merger, it made a decision to reduce fees across the general membership of both Sunsuper and QSuper, and that applied from 1 July 2022. He noted that ART has also invested products and services as well as other tangible things such as the new Member Service Centre in George Street. With respect to performance, he noted that there are going to be different outcomes for different products, and what matters is the performance over the longer term.

He noted that ART was endeavouring to capture more of the benefits of the merger by streamlining into one investment product menu by 1 July 2024. He also noted that previously Sunsuper and QSuper each had a custodian, and that following a market tender, the Fund had been able to consolidate the custodian activities resulting in considerable cost savings.

Q *Do you invest in cryptocurrencies? If not, why?*

A Mr Patrick explained the distinction between the cryptocurrency coin or the token and the underlying technology, which is commonly referred to as blockchain. He noted that ART does not invest in the coins or the tokens as they are highly speculative. He also noted that within ART's private equity portfolio, ART has companies that make use of the blockchain technology. So, no to the coins; yes to investment in the underlying technology.

Q *Whenever I turn on the TV over the last couple of years, cybersecurity seems to be the topic of the day. Most financial institutions I deal with online have two-factor authentication. What has ART's two years' worth of looking into this produced and what assurance can you give me that our funds aren't going to disappear into the pockets of some hacker?*

A Mr Reilly noted that with respect to multifactor authentication (MFA), ART is bringing two systems together into one, and as that happens, ART will be able to implement MFA.

Ms Hallett noted that protecting members' data and funds is very important to the Board and cybersecurity is one of the most significant responsibilities the Board has. She noted that cybersecurity is a challenging topic because every organisation is subject to the risk, and ART is working extremely hard to mitigate that risk and protect members' data and funds.

Q *My question relates to expenditure, and in particular some of the items that are listed on your additional financial disclosures document. Who decides all of the donations and how much money you're going to give to these organisations, and why would some of the donations that you have made, not appear on that additional financial disclosure document? For example, the Reconciliation Action Plan.*

A Mr Fraser noted that ART has arrangements where there are sponsorships with commercial entities, however the Reconciliation Action Plan is not a donation but rather a payment for a service. He noted that it's important for ART as a large employer to reflect the values of all of the people who work for the Fund.

Mr Reilly added that when we're making any expenditure for the Fund, we are very focused on our members' best financial interests.

Q *Why was the new self-invest option closed?*

A Mr Reilly noted that in the case of the Self Invest option, we had a very small number of members using it and that it costs members' money for ART to be able to offer that option on an on-going basis, so the Fund made the decision to close that option to new members. He also noted that the Fund will offer the combined investment menu from 1 July 2024.

Q *Why fund Riverfire?*

A Mr Reilly noted that sponsorship or marketing is a way for ART to continue to get the Fund's name out in the broader marketplace. Superannuation is a competitive landscape and we want to continue to grow the Fund for us to be able to capitalise on the scale and benefits. He noted that ART has a clear process as an organisation and criteria around how the Fund looks at any opportunity and it's governed for ART by members' best financial interests.

Q *For the whole Board, your prime task is to act as stewards to our life savings, to invest for growth with security. Since amalgamation, fees have increased and returns have diminished, for me at least. The Board should have compensation reduced by the amount that our returns are reduced. Also Riverfire is an environmental disaster.*

A Mr Fraser noted that ART has reduced administration fees for the membership from 1 July 2022, although he acknowledged that returns have been different since the merger has taken place. He noted that ART endeavours to deliver positive returns in many more years than the negative outcomes so that over the long run, members are better off. He also noted that the Board has not increased its remuneration since the merger had taken place and that the number of Board members has reduced to 13 from the 18 from the heritage funds.

Q *My questions concerns the investment in social housing: (i) how was the amount of the investment decided; (ii) what's the tangible asset that we get as members; and (iii) what is the anticipated return on investment?*

A Mr Patrick noted that in relation to this particular investment, it will ultimately be a loan. He noted that all investment decisions must be in the members' best financial interests, and that ART wants a market commensurate return equivalent to a similar credit risk.

He noted that ART is benefiting here from the strong relationship between QIC as an asset manager, its primary stakeholder Queensland Treasury, and the Brisbane Housing Corporation, which is one of the pre-eminent community housing providers. He also noted that ART does not carry construction or other development risk.

Q *Does ART have future expansion plans with more acquisitions or mergers?*

A Mr Reilly noted that ART is always looking at opportunities to grow the Fund because growth is important for us to continue that scale and be able to deliver cost reduction and benefits to all of our members. He further noted that when ART looks at these opportunities, we do not just take any opportunity that comes – it must be in our members' best financial interests.

Q *Is ART placing too much attention on ESG in preference to maximising investment returns?*

A Mr Patrick noted that the first point to make is these elements are not mutually exclusive. ART believes that if the Fund does not manage the risks and opportunities associated with the environment, with social factors like modern slavery and with good governance, if we don't manage that successfully, we will prejudice the financial return of our members. He noted that we need to integrate those factors into the overall assessment to generate members' best financial outcomes.

Q *My question relates to coal mining, noting that coking coal is an essential ingredient of steelmaking, which we all need. So how do you assess investment in mining considering that Australia is one of the better producers of fine quality coal?*

A Mr Patrick noted that ART's view is to think about the energy mix and engage directly with companies to ensure that we understand their transition pathway. We want to invest in metallurgical coal companies because they will be important to members' returns in a total portfolio context however we also want to engage with the company to see that they develop transition plans to a Net Zero world.

Q *I believe 2,258 listed companies contributing to my QSuper Balanced portfolio is not a balanced portfolio of shares. I also see you have 46 investment managers and 11 of them are handling Australian listed equities. I believe that ART should have sufficient investment power to do their own investing and I think that would save a deal of money, as would reducing the number of shares in the portfolio.*

A Mr Patrick noted that in terms of ART's investment model, given our size we can negotiate fees with external managers to deliver a very cost-effective outcome and we believe sourcing the best talent is the right way to invest your money. In terms of the number of companies in our holdings, you would have identified those are global holdings and it's not unreasonable to have a highly diversified portfolio.

Q *What impact do you expect artificial intelligence (AI) to have on the global economy and how are you positioning investments for it?*

A Mr Patrick noted that AI has the potential to be as transformative as many developments in the past, possibly even more so than the internet, but noted the length of time that it took to realise true economic benefits from the internet. He also noted that whilst it will have an impact on the global economy, doing the research to understand the potential scenarios that can emerge is absolutely critical, and ART will continue to do that work actively.

Q *Please provide an update on the valuation process for private assets, especially real estate and infrastructure equity?*

A Mr Patrick noted that ART's valuation process for private assets includes quarterly valuations on all our private assets and those come from a collection of external valuers who are professionals in that task. He noted that a Valuation Review Committee considers market events and emerging information and will make out-of-cycle adjustments to those valuations if deemed appropriate.

Ms Hallett added that ART aims for best practice in the valuation of unlisted assets noting that the Audit & Risk Committee reviews the valuation methodology of various unlisted assets as part of our assurance process in preparing the financial statements. She also noted that separately, there is a Valuation Oversight Committee that meets regularly to check the valuation changes to our unlisted assets, including reviewing back-testing.

Q *What is ART's attitude towards cash and is it going to change?*

A Mr Patrick noted that Cash is certainly much more attractive today than it was 18 months ago and that Cash offers you liquidity. He noted that Cash remains vital to the on-going liquidity in the Fund and so ART always has an allocation to Cash within our various investment options. He noted that he did not believe that it is more attractive today than fixed income or Government bonds because over time you get a premium for holding the long-term bond and you get deflation or recession protection.

Q *My question relates to the life and income protection service that ART provides to members. Robust life insurance is a critical component of any wealth strategy, so my question is around the business strategy for the life insurance unit and whether this is designed and operated as a support service for members or a commercial insurance business which prioritises profit?*

A Mr Reilly agreed with life and income protection being a very important strategy when you think about broader wealth. He noted that there are some activities that the fund undertakes itself and life insurance through QInsure is one of these, and that ART looks at whether these activities make sense from a members' best financial interest perspective. He also noted that QInsure is run on behalf of our members from a particular cohort of our members, and it is there for their best financial interests.

7. Meeting close

Ms Mohle noted that the Annual Members Meeting had run out of time. Ms Mohle thanked members both for their attendance at the meeting and for their questions. It noted that the minutes of the meeting as well as a complete list of member's questions and corresponding answers would be posted on the ART website in the coming weeks. Ms Mohle formally closed the meeting at 7:00 pm.
