



2024 Annual Member Meeting

Additional member questions and answers

Held online, Tuesday 3 December 2024, 1pm - 2pm (AET)

Questions and answers

- 1. Member tax rebates direct to Members when they are taxed after retirement or the year they turn 60? Some funds have paid large sums into members accounts for taxes charged during the retirement year. Catholic Super have not chosen to provide such rebates?*

When you transfer your super out of the accumulation phase and into a retirement income account, some super funds offer a 'pension transfer bonus' – although the methods used to calculate any applicable bonus can vary from fund to fund.

Essentially, this bonus is made up of money that was withheld by the super fund during the financial year, to pay anticipated capital gains tax (CGT) due after the end of the financial year. For members transferring into retirement phase, however, CGT no longer applies, as the same investment options in retirement phase are not subject to CGT. And so the money withheld by the fund may in some cases be refunded to members upon retirement.

The Fund does not currently offer a pension transfer bonus, but we're always looking at different ways to improve our offer for members in future. We'll keep our members informed if we decide to implement any changes.

- 2. Can a copy of the slides be provided after the meeting?*

A full recording of this year's Annual Member Meeting – including all presentations and accompanying slides – is available for you to view on our websites:

equipsuper.com.au/amm
csf.com.au/amm

- 3. Does the Fund make any contributions to political parties or lobbyists?*

As noted in our short-form expenditure summary for the 2023-24 financial year, we can confirm that the Fund does not make political donations.

- 4. In 2023 Sustainable Responsible Investment was removed and only 'some consideration of ESG factors' investments are available. Why has the board allowed Equip to go backwards? Why should ESG focused members stay at Equip with better ESG products on the market?*

In 2023 we replaced the Sustainable Responsible Investment (SRI) option on the Equip Super investment choice menu with a new option, Future Focus.

While the SRI option was 100% invested in Australian shares and replicated a sustainability index, the Future Focus option is a broadly diversified investment option. Future Focus seeks to provide members with higher exposure (compared to our MySuper investment option) to investments selected by the Fund's investment managers, based on alignment to certain ESG criteria (compared to the MySuper option).

The Product Disclosure Statement provides summary information on how ESG factors are considered for each of the asset classes that Future Focus is invested in. Additional information is also provided in the Future Focus factsheet available on our websites:

equipsuper.com.au/future-focus
csf.com.au/future-focus

Future Focus has a broader range of exclusions across its listed equity asset classes, which means we can be clearer about what it doesn't invest in than was possible for the SRI option. It also has higher exposure to infrastructure that's aligned to climate-related goals when compared to our My Super option.

This year we also made some additional changes to Future Focus. You'll find details of the criteria applied to this investment option in the factsheet.

5. Is money invested properly?

Equip Super has been investing on behalf of members for more than 90 years and today our funds under management have grown to more than \$34 billion.

Our aim is to grow our members' wealth over time so they're better equipped for financial freedom throughout retirement, and we have a track record of providing solid, long-term returns for our members.

For example, over the 10 years to 30 June 2024, our MySuper option returned an average of 7.18% a year, and our Balanced Growth option returned an average of 7.43% a year – outperforming the average fund measured by the SuperRatings Balanced Fund Crediting Rate Survey June 2024.

We take an active approach to managing investments, which means we make proactive investment choices based on market conditions. At the same time we're both patient and disciplined. And while financial markets present opportunities and risks that we manage over shorter time frames, our main focus is on delivering strong returns over the longer term.

We also invest responsibly, not only because it's a fundamental part of our fiduciary obligation, but because we're committed to delivering the best financial outcomes possible for our members.

The Fund's investments are managed in accordance with the Fund's Trust Deed, as well as a number of established policies and frameworks, as required by law.

Our websites provide detailed information on our investment strategy as well as our approach to responsible investing, how each investment option is invested, and our investment returns:

equipsuper.com.au/your-investments
csf.com.au/your-investments

6. What losses have been sustained on exiting investments in so called 'renewables' over the last 5 years and what as yet unrecognised losses are likely from this category of investments over the next five years?

The Fund has a robust approach to assessing the investment managers we appoint and the underlying assets they invest in.

The Fund does invest in renewable generation assets within our infrastructure portfolio, however the exposure is quite small at the total fund level. We also have exposure in other asset classes such as shares.

In terms of our infrastructure assets, we apply the same criteria to investments in renewable energy or other green technologies, as we do to more traditional infrastructure assets.

While some aspects of the energy generation sector (across both operational renewable and fossil fuel-based generation) have been challenged over the past 12 months, we have a robust approach to the valuation of the investments in our portfolio, which means that any changes (positive or negative) are reflected in the unit price and therefore in members' investment returns.

Our principal position when making investment decisions is to do so in the long-term best financial interest of members. For example, we don't invest in assets or industries that we don't expect will provide positive financial performance over the long term. Diversification is also a key element of our portfolio risk management and ensures that the impact at the investment option level, positive or negative, of any one particular asset is small.

7. Why are the fees so high for fixed interest investment options?

We aim to keep our fees as low as possible for members, and generally aim to be at or below the median of all super funds when it comes to the fees we charge. In the case of the Diversified Fixed Interest investment option, the fees we charge are in fact well below the median.

When compared against 102 other fixed interest options in the total superannuation universe, the administration and investment fees we charge for the Diversified Fixed Interest investment option are both below the median and well within the second quartile.*

For example, the median investment fee charged for an account with a balance of \$50,000 is \$145 (which means that half of the 102 options charge more than \$145, and half charge less). Our Diversified Fixed Interest investment fee is \$90.

While we believe that the fees charged for our Diversified Fixed Income product remain competitive, we're also very conscious of how important it is to keep our fees as low as we can for members. Therefore, we're always looking for opportunities to reduce our fees where possible.

In each of the past two years, for example, we've reduced our administration fees for our members. And in this year's Annual Member Meeting, we were pleased to announce that our members will receive a reduction in the asset-based administration fee to 0.15% and a reduction in the administration fee cap to \$750 p.a., from the effective date of the merger of Equip Super and TelstraSuper, expected in late 2025.

* Source: Chant West Member Outcomes module – Super, 18 November 2024. Chant West is an independent research, data and analytics provider for the superannuation industry.

8. How does the investment team respond to a change in President in the USA? Is it a reactive approach or a pro-active approach?

We take a proactive approach to managing the portfolio.

It's only been a month since Trump's victory in the 2024 US presidential elections. On a positive note, the election outcome itself was clear and uncontested, which provides certainty. Also, Trump's policy agenda is positive for earnings and growth which will also benefit markets over the medium term.

However, Trump's approach to trade policy and tariffs will be watched carefully for any flow-through impact to inflation and retaliatory measures from global trade partners.

Deficits will likely remain high, too. The key flow-through here is to interest rate policy and bond yields.

9. A lot of controversy regarding LINK. Does Equip use LINK?

The Fund uses administration services provided by Mercer Outsourcing (Australia) Pty Ltd. We don't outsource the Fund's administration to the Link Group.

10. Would a downturn in the American market affect CSF overseas shares?

The US share market comprises a large proportion (around 65%) of the market capitalisation of global share market indices. So whatever happens in US markets has a large impact on global equity returns. For members in the Catholic Super Overseas Shares investment option, however, there are also other factors that have an influence, including currency movements, active management decisions, and changes to other holdings in the portfolio.

Notwithstanding this, developments in the US market will have a substantial impact on members in this option. It's also worth noting that the performance of US, and global, shares has been very strong for a number of years, which has benefited member account balances. For investments in this investment option we recommend a long time period for investment, given the higher level of risk associated with this type of investment, and to super investments more broadly.

11. Do you have a process on the time it takes to finalise an account to a nominated beneficiary, if not are you contemplating such a KPI?

Claiming a benefit typically comes at a highly challenging time for members and their loved ones. It's something we're very aware of, and so we, along with our service providers, are committed first and foremost to supporting claimants in these circumstances, and working to ensure each claim is handled with empathy.

It's also important that we help claimants understand the process and keep them informed as we progress the claim.

So we work to finalise claims as soon as possible. The Trustee conducts proactive reviews of our claims portfolio and individual claims. At times that extends to reaching out to claimants where progress may have stalled to see how we can help.

The time taken to resolve a claim is often determined by the circumstances of the member who has passed away. Some claims can be quite straight forward (as may be the case if there's a single claimant or a valid binding nomination). But others are more complex and may involve competing claimants for example.

While we work towards finalising claims as quickly as possible, we're currently evolving our processes and as part of that will be working towards revising KPIs to ensure they better reflect the variance we see in the complexity of claims.

Something that can assist the claims process is for members to always keep beneficiary nominations up to date. Binding beneficiary nominations need to be updated every three years, for example.

We would recommend that members firstly make sure they've made a beneficiary nomination for their super, and secondly, remember to keep those nominations up to date, and let us know if you need to make any changes.

You can find out more about that on our websites:

equipsuper.com.au/nominate-your-beneficiaries
csf.com.au/nominate-your-beneficiaries

12. The Responsible Investment Policy covers the investments made by the fund. Page 17 lists those activities listed for exclusion, which I applaud. However, why are nuclear weapons not excluded from the investments? Link to Catholic ethics & principles?

The Fund's approach to responsible investment is set out in our Responsible Investment Policy, which is available on our website.

We currently have some restrictions on certain types of investments in specific weapons (including chemical and biological weapons, anti-personnel mines and cluster munitions).

These restrictions apply to our Australian and overseas shares investments as well as our Australian and international corporate fixed interest investments in number of our investment options, including our MySuper investment option.

But we recognise that members have differing views and objectives in relation to their investments.

Our Future Focus investment option seeks to provide members with higher exposure (when compared to the default MySuper option) to investments that have been selected based on their approach to sustainability issues, including consideration of environmental, social and governance (ESG) factors in the investment process.

Future Focus has a broader range of restrictions in place compared with other options we provide, including in relation to companies that generate more than 5% of their revenue from the manufacture and production of certain weapons including military weapons systems, small arms and nuclear weapons.

You can find more information on the criteria for each asset class in the Future Focus factsheet on our websites:

equipsuper.com.au/future-focus
csf.com.au/future-focus

13. I would like to know if any of my super and pension investments are supporting fossil fuel industries. If this is the case I would also like to have greater visibility with a view to changing such investments.

The extent to which your super or retirement savings are invested in companies involved in the extraction or use of fossil fuels – for example gas used for energy generation or coal used for steelmaking – will differ depending on the investment option (or options) you're invested in.

Responsible investment is an important element of our overall investment approach as a Fund. However, in general, we prefer to engage with companies exposed to industries and activities that are contributing to climate change and increased global carbon emissions – rather than exclude them completely from the portfolio.

This is because we recognise that significant change is needed to reduce dependence on fossil fuels. And as an investor that operates across a number of asset classes, industries and economies, we see our role as one where we use our influence to encourage companies to take actions that will help drive this change, for example through investment in research and new technologies.

Not all members favour this approach necessarily, and some prefer not to be exposed to certain industries. For this reason, we offer the Future Focus investment option.

This option has a broader range of restrictions in place compared with other options we provide – for example additional restrictions apply to investments in thermal coal, oil and gas extraction, as well as certain forms of energy generation, based on revenue thresholds.

Because it has a different set of parameters, you may see some differences in the performance of Future Focus, compared to the MySuper option for example.

You can find more information on the criteria for each asset class in the Future Focus factsheet on our websites:

equipsuper.com.au/future-focus

csf.com.au/future-focus

14. Can Catholic Super divest from all armament and fossil fuel investments?

Please refer to question 12 and question 13 for information on the approach we take when it comes to investments in armaments and companies involved in the extraction or use of fossil fuels.

We know not all members will favour our approach, and some members prefer their super is not invested in certain industries and activities.

We offer the Future Focus investment option for this reason. This option has a broader range of restrictions in place compared with other options we provide, including in relation to companies that generate more than 5% of their revenue from the manufacture and production of certain weapons including military weapons systems, small arms and nuclear weapons.

Future Focus also restricts investment in thermal coal, oil and gas extraction, as well as certain forms of energy generation, based on revenue thresholds.

Because it has a different set of parameters, you may see some differences in the performance of Future Focus, compared to the MySuper option for example.

You can find more information on the criteria for each asset class in the Future Focus factsheet on our websites:

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15. Can you please advise me if you participate in the annual PRI investment survey and if so, can you please provide me a copy of the results. If you don't participate, can you please tell me why when all the good major funds do participate?

PRI is an international, UN-backed initiative that sets principles for responsible investment to be adopted by investors globally. As part of joining PRI, member funds report on their activities in adopting the formal principles across the fund. These responses are compared to peer funds globally. It is voluntary for funds to submit their responses.

And yes, we do participate. In fact, the Fund has a long history with PRI, as Catholic Super was a founding signatory of the initiative in 2006.

This year, we achieved 4 out of 5 stars for majority of the modules we were required to complete and 5 stars for our fixed income module. Our approach scored well above the peer median in all cases.

We've uploaded our results to our websites, so you can access them there. This covers the year ending 31 Dec 2023.

equipsuper.com.au/responsible-investing
csf.com.au/responsible-investing

16. Why does Catholic Super not offer a non-lapsing Binding Death benefit nomination? I know of one other Industry Fund that does.

Nominating beneficiaries is an important way to make your wishes known when it comes to how you want your benefit to be distributed when you pass away. There are a few different types of beneficiary nomination.

While the Fund's Trust Deed currently doesn't allow for us to set up *non-lapsing* binding death benefit nominations, we do offer binding beneficiary nominations, non-binding beneficiary nominations, and an additional reversionary beneficiary option specifically for retirement members.

Please note though that a binding beneficiary nomination essentially does the same as a non-lapsing binding nomination, but you do need to update your binding nomination every three years.

We would recommend that members make sure they've made a beneficiary nomination for their super, and remember to keep those nominations up to date and let us know if you need to make any changes.

You can find out more about these nominations – including simple ways to update your nominations – on our websites:

equipsuper.com.au/nominate-your-beneficiaries
csf.com.au/nominate-your-beneficiaries

17. How secure is my Defined Benefit and how many members currently remain active in the DB pool?

At the end of June 2024, we had just over 1,700 active defined benefit members in the Fund. We also have around 300 members receiving defined benefit lifetime pensions. So the total membership associated with our defined benefit plans is approximately 2,000 members.

We monitor our defined benefit plans on a regular basis, using rigorous actuarial review processes. We also comply with all the requirements set by the regulator. And together, these measures help us to ensure the overall health of the Fund's defined benefit plans.

18. Will EquipSuper consider adding crypto currency as a new asset class to diversify the investment portfolio?

The Fund doesn't allocate member funds to bitcoin, or any other digital asset, nor do we plan to.

We view bitcoin as a speculative asset. It provides no cash flow to investors and it's difficult to ascribe a fundamental value to. We do note that the regulatory environment for

bitcoin continues to evolve. And the ways for investors to gain exposure have expanded recently.

However, for the time being, we don't view it as an appropriate investment for member funds.

19. We've seen the success of Bitcoin ETFs this year and the success of companies allocating Bitcoin to their treasuries, what will Equip Super do to provide members with this exposure and assure its members?

The Fund doesn't allocate member funds to bitcoin, or any other digital asset, nor do we plan to.

We view bitcoin as a speculative asset. It provides no cash flow to investors and it's difficult to ascribe a fundamental value to. We do note that the regulatory environment for bitcoin continues to evolve. And the ways for investors to gain exposure have expanded recently.

However, for the time being, we don't view it as an appropriate investment for member funds.

Disclaimer

Issued by Togethr Trustees Pty Ltd ABN 64 006 964 049, AFSL 246383 ("Togethr"), the Trustee of Equipsuper ABN 33 813 823 017 ("the Fund"). Catholic Super is a division of the Fund.

The information contained is general advice and information only and does not take into account your personal financial situation or needs. You should consider whether this information is appropriate to your personal circumstances before acting on it and, if necessary, you should seek professional financial advice. Where tax information is included, you should consider obtaining taxation advice.

Before making a decision to invest in the Fund, you should read the Product Disclosure Statement (PDS) and target market determination (TMD) for the product which you'll find on our websites at equipsuper.com.au and csf.com.au

Past performance is not a reliable indicator of future performance.

Eligibility criteria apply for insurance and the insurer is MetLife Insurance Limited (ABN 75 004 274 882 AFSL 238096).

Financial advice may be provided to members by Togethr Financial Planning Pty Ltd (ABN 84 124 491 078 AFSL 455010) a related entity of the Trustee – trading as Equip Financial Planning and Catholic Super Financial Planning.