AustralianSuper 2020 Annual Member Meeting Transcript

AustralianSuper

Transcript of the 2020 AustralianSuper Annual Member Meeting

Link to video can be found at www.australiansuper.com/memberbriefing

Tuesday 27 October 2020

6.00pm – 7.45pm (Melbourne time)

Conducted online

Presenters: Rose Kerlin, Group Executive Membership

Ian Silk, Chief Executive

Dr Don Russell, Chair

Claire Keating, Director and Chair Finance and Audit Committee

Jim Craig, Director and Chair Investment Committee

Mark Delaney, Deputy Chief Executive and Chief Investment Officer

Important information

TRANSCRIPT

Annual Members Meeting

ROSE KERLIN: Good evening, and a very warm welcome to AustralianSuper's 2020 Annual Member Meeting. Let me begin by acknowledging the traditional custodians of the land on which we meet and pay my respects to their Elders past, present and emerging, and I also extend that respect to Aboriginals and Torres Strait Islander peoples attending this event.

This year, all superannuation funds are required to do a Member Meeting, but we've been doing them for over 15 years and, more recently, across every State and Territory of Australia. The emergence of COVID 19 has meant that we, like everyone else, have had to adjust the way we do things, so this year, this is our only event and we're only doing it online. Before the meeting, we also held 14 SuperTalks and five virtual information booths. They were conducted with 80 of our colleagues who were there to answer members' questions, so I hope if you got to attend a SuperTalks or drop into one of the information booths, that you found them really valuable and informative and got some of your questions answered.

My name is Rose Kerlin. I'm Group Executive Membership at AustralianSuper and it's my pleasure to be your MC this evening. This event is so important to the fund for three key reasons. Firstly, we want to share what's been happening at AustralianSuper, particularly in light of the upheaval COVID 19 has caused, along with providing an update on the Fund's investment performance and some of the future plans and initiatives we have in place to deliver more for members. Secondly, we want to provide you an opportunity to ask questions and provide suggestions to the Fund, and I'll tell you how you can do that at the end of the presentations. And, finally, we hope that hearing about the Fund's performance and future plans and hearing some of the Q&A session will help you to feel more secure and comfortable about your superannuation and your life in retirement.

We have recorded the formal presentations. However, this will be followed by a live Question and Answer Session with our panel. The Directors of AustralianSuper are present this evening, along with our Fund Actuary and our Auditor, PwC, represented by Craig Cummins. All these people will be available to answer questions at the end of the meeting. We aim to have the presentations complete in around an hour and they'll be followed by up to 45 minutes of questions and answers. You'll be able to type a question in and we'll do our best to answer it in the time. We can't answer anything if it's about your personal account or personal situation.

This is your fund and it's the fund chosen by over 2.3 million Australians. AustralianSuper is run only to benefit members and the best interests of our members drive our decisions every single time.

To begin, I'd like to introduce Dr Don Russell to provide a welcome on behalf of the Board. Don joined AustralianSuper as an independent Director in May 2019 and he was appointed as the Chair in September of that same year. Don is also Director of the Centre for Policy Development. His previous roles include global investment strategist at BNY Mellon, Australia's Ambassador in Washington, independent Chair of State Super and Principal Adviser to the Honourable Paul Keating, both in his time as Treasurer and as Prime Minister. Don has an exceptional background across a wide variety of sectors and he brings a deep understanding of finance, superannuation and public policy to the Fund. Welcome, Dr Don Russell.

DON RUSSELL: Thank you, Rose. I'm delighted to have this opportunity to address AustralianSuper's 2020 Annual Member Meeting and I too acknowledge the traditional owners of the lands on which we meet and pay my respect to their Elders past, present and emerging. I would also like to acknowledge all my fellow Directors, who have joined us this evening online and, in particular, Claire Keating and Jim Craig, who you will be hearing from a little bit later.

This is my first year on the Board of AustralianSuper and it has certainly been a tumultuous one. This financial year brought into sharp focus the importance of super, both directly and indirectly, in the lives of Australians and our economy. In an increasingly uncertain world, we believe it is important people feel they have some control over their lives and that, through their own actions, including saving super for their retirement, they are well-equipped to manage their future. We aim to help members by investing and growing their super and by providing the right help and guidance so they feel comfortable and confident in their retirement.

More broadly, as a large investor with a long-term investment horizon, AustralianSuper helps provide stability to investment markets and capital for economic growth. With over $90 billion invested in Australia, your super is part of something much bigger than your retirement. It's helping grow Australia.

For much of the year, investment returns were positive but as the COVID 19 pandemic began to spread around the world and governments' responses to the health emergency impacted economies, investors were faced with levels of market volatility not seen for decades. In addition, the Government decided to temporarily relax rules relating to accessing super, and AustralianSuper quickly responded to implement them to assist members. At the same time, we carefully managed the impacts on the Fund and maintained our focus on long-term goals.

During this time, the Board has met more frequently, all virtually, to provide strategic oversight and direction, along with frameworks for important topics to assist the committees and staff. Late last year, we reviewed our committee structure and replaced the audit, Compliance and Risk Management Committee with two new committees - Finance and Audit, and Risk and Compliance, reflecting the increasing role financial and risk management have in achieving the Fund's goals. We also added a Technology Committee to oversee the development and implementation of technology strategies that are critical to building our technology capability.

Looking to the future, with the current strategic plan concluding at the end of Financial Year 2021, we are developing a new long-term strategic plan that will position the Fund to continue to deliver positive outcomes for you. We are also focused on the health, wellbeing and positive culture of the AustralianSuper team. Like many, our team is juggling isolation, changed working environments, routines and responsibilities. There is no doubt that the current uncertainty will continue in our lives for some time to come. In this environment, I would like to reassure you that AustralianSuper will continue to invest your retirement savings prudently, advocate on your behalf and, as one of the largest investors in the Australian economy, continue to play a leading role in the post COVID 19 economic recovery.

Finally, I would like to thank you, AustralianSuper members, for your trust and support. It has been a difficult and anxious year for many of us and I hope our actions and responses to the year leave you reassured that AustralianSuper remains steadfastly by your side to help you achieve your best retirement outcomes.

ROSE KERLIN: Thank you, Don, for those important opening remarks on behalf of the Board. Our next speaker is the Chief Executive of AustralianSuper, Ian Silk. Ian is responsible for the overall leadership and strategic direction of the Fund. He is also a Director and President of the Australian Council of Superannuation Investors and a Director of Basketball Australia. To provide an overview of what the Fund has been delivering for you over the past 12 months, I welcome Ian Silk.

IAN SILK: Good evening, everyone. And thank you for participating in the 2020 Annual Member Briefing for AustralianSuper. These are incredible times that we're living through at the moment, as you all appreciate, and it's for that reason, COVID 19, that we're having this virtual session rather than the typical in-person sessions that we have.

I want to talk to you about what AustralianSuper has been doing over the last 12 months, in particular through the COVID 19 period, to ensure that we are protecting your savings as much as possible and giving you all the services and assistance that you rightfully expect from your superannuation fund. I'm going to talk about four things. I'm going to talk about COVID 19 itself and the direct implications on the Fund; secondly, the services that we've been providing through this period; thirdly, some elements of our investment program, in particular investment performance; and, finally, I want to talk about some matters of superannuation policy because it's the policy architecture of the system that will determine how you and your children retire.

So I want to talk about COVID 19 and some of the direct issues associated with COVID 19 and AustralianSuper and your superannuation savings. But, firstly, on your behalf, I want to give a quick shout-out to my colleagues at AustralianSuper and the businesses that we work with, in particular Link, who have gone above and beyond over the last six months in very trying circumstances. They have done a terrific job in keeping the Fund performing well and delivering the sort of services that you expect from us. So a big thank you to those people.

Two specific matters I do want to talk about. One is the Government's early release program. You might have heard of this program. The Government announced arrangements whereby you could take some money out of your super fund before you retired, so long as you had lost your job or lost a lot of your income due to COVID 19, and a very large number of AustralianSuper members have done that, and I am very pleased to say that AustralianSuper has been able to make 96% of those payments within five days. So that part of it is terrific.

But some people referred to this money as "free money". "I'm able to take money out of my super fund". Well, of course, it's not free money. There's a cost to taking that money out, and that is, the money is not going to grow over time by virtue of compound investment returns for the remaining period before you retire. $20,000 taken out today can be equivalent to $60,000 or $80,000 at the time of retirement. So if you're one of those people who has taken money out of the Fund under the early release program, if you're able, think about contributing some extra money during your working life so that the amount you retire with is not reduced by the whole amount of the effect of the early release.

The second point is that you would be aware that COVID 19 has led to very significant gyrations in the investment markets and, as you know, we say to members: if you can exercise the patience and the discipline to not respond to that and to stick to your current investment strategy, despite all the noise in the investment markets, then that will hold you in good stead. And it's a universal lesson but one that was brought home to me in spades about four or five weeks ago when I received a phone call from a member. She was a woman that lives in Sydney. She's a freelance writer. She's about to retire. She wasn't ringing to complain. She was really ringing to lament about what she had done. So at the start of the impact of COVID 19 on investment markets, when the investment markets fell significantly, after they had fallen, she moved her money from the balanced option into the cash option, and at the time we spoke, some four or five months after that, her money was still in cash. So she had experienced a significant decline in her superannuation account; at that point, moved into cash and, because it was still in cash, had missed the rebound.

So a really important lesson. For her, it cost her over $100,000, but the really important lesson, of course, is that if you are going to respond to market movements and market noise, you've got to make two really important decisions: one is when to get out of your growth assets into cash and then when to get back into it. Very difficult to time the market. So COVID 19 was the latest in the period of significant market volatility but there'll be many more instances through your time in the superannuation sector. When you've got money invested in the super system, if you can, exercise that patience and that discipline.

The Fund has continued to operate normally, albeit many people working from home, and here are some of the services that we've continued to provide over the last 12 months, including through the COVID 19 period. I'm not going to go through them all. Many of you have experienced many of these services. One of the issues that I'm particularly pleased about - and particularly proud on your behalf - is that for the eighth consecutive year, AustralianSuper has won the award for the most trusted brand in superannuation. Given that this year it's through the incredible, tumultuous period that we live in, it's a great recognition of so many thousands of people who responded to this survey that AustralianSuper is the most trusted superannuation fund in the country.

Now let me turn to our investment program. Jim Craig and Mark Delaney will talk in more detail shortly, but I want to touch on, firstly, how we use the Fund's size and scale to benefit you, how ESG considerations feed into our investment process and then, finally, and most importantly from your point of view, what has the Fund's performance been like when we've been investing your money?

This photograph was taken at Port Botany, the big trading port in Sydney. AustralianSuper - and, therefore, you - own a big stake of Port Botany, and that stake in Port Botany was bought by, and is currently managed by, AustralianSuper staff. Now, it used to be the case that we would hand a big bucket of money to an investment manager and they would go out and buy our stake in Port Botany or any other asset, but over recent years, we've built up to the point where 40% of the $180 billion in AustralianSuper are managed by staff of AustralianSuper, which means we've cut out the expensive middle person, and this year, cutting out that expensive middle person has yielded $200 million in investment savings. That's money that we previously paid to external fund managers that is now paid into your account. Now, this is a real world, very significant benefit that derives from the Fund's size and scale. We've got the size and scale to build up an investment team that's able to execute these transactions. So a very real benefit of being part of a large fund.

The second part of our investment program I just want to touch on is related to ESG - environmental, social and governance - factors. Now, in some people's mind, it's a controversial proposition that ESG factors should be considered in an investment program. We have an entirely different view of that. We say it's essential to maximise the economic value of our investments - your retirement savings - to include ESG factors, so we have an ESG team at AustralianSuper. They're deeply embedded in the investment decision-making process. The reason for that is that most ESG factors have a long-term effect, which means they're going to impact the long-term value of the assets that we're invested in on your behalf: issues like climate change. Are companies conscious of the implications of climate change on their business? What's the culture of an organisation like? Do they have bad news filter up to management and the Board, or is it suppressed and it explodes in some terrible scandal sometime down the track? Labour rights - are those issues taken into account or is, again, a scandal likely to emerge that will see the value of those businesses drop? And when that happens, the value of your superannuation savings drop. So we see ESG not as a bit player but an integral part of our investment decision-making process, and we'll continue to do that.

So we've got an investment program. Jim and Mark will talk of the detail about that. But let me tell you about what it has meant for you in the last 12 months and over longer periods. So I'm going to chart the one-year performance of the balanced plan that is for the last financial year, the average performance of that plan over the last three years, and the average performance of that plan over the last decade. I'm going to use as the source data SuperRatings, an independent ratings organisation that collates the investment performance of the 50 largest superannuation funds in the country. And I'm going to use the worst performing fund, the median fund - so the middle performer - and AustralianSuper.

So last year, the worst performing fund produced a return of minus 5%. Over three years, the worst performing fund produced an average annual return of 3.1%, and over a decade, the worst performing fund produced an average return of 6.3%. The median fund's performance over the 1, 3 and 10-year periods are there. And AustralianSuper's performance over those same periods. Half a per cent last year, just into positive territory. 6.7% per year over three years. And 8.8% over 10 years. So that's roughly 1.5% better than the median fund. Now, 1.5% is something but it's not an outlandish amount of outperformance until you remember, of course, that superannuation is a multi-decade investment. You might be in the work force for 40 years; you might be retired for 30 years; you might have a 60 or 70 or 80-year investment horizon for your superannuation and pension savings. And 1.5% compounding over a long period of time provides a staggering difference.

So let me try to show what an apparently small figure like 1.5% means in real terms for a member of a superannuation fund when they come to retirement. Let me use a conservative and simple example. Let's take three people earning the median full-time income of about $72,000, so not a large amount of money. Three people. One of them joins the fund that turns out to be the worst performing fund over their 40-year working life, and we'll give them the earning rate we saw in the last slide, the 10-year earning rate of the worst performing fund. We will give another person the earning rate for the last 10 years of the middle performing fund and we'll give the third person the 10-year earning rate of AustralianSuper. Over a 40-year working life, based on a $72,000 income, the person in the worst performing fund retires with a lump sum of around $463,000. The middle performing fund produces a return for that person of around $600,000. And the person in AustralianSuper retires with something over $800,000. Now, remember, this is using the 10-year earning rate from the last decade for each of those categories: AustralianSuper, the average fund and the poorest performing fund. There's no guarantee, of course, that those same figures will be replicated in the future but it does give you a really good sense of how important it is to be in a strong performing fund because the difference between a strong performing fund and a poor performing fund can be life changing. These figures are life changing. You could retire with $463,000 or $815,000. They're a world apart.

Finally, on investment performance, let me give you a sense of where AustralianSuper ranks compared to other funds over different time periods. In the last year, that 0.5% ranked 11th of the 50 largest funds. Over three years, AustralianSuper ranks third of the 50 largest funds. And over 5, 10 and 15-year periods - these are the long term that all the regulators say we should focus on to determine high performing funds - the Fund ranks first. So it's a terrific credit to Jim and his Investment Committee and in particular Mark and his team to have generated these results for AustralianSuper members.

Finally, let me talk briefly about superannuation policy because it's the policy architecture of the whole system that determines how our savings are invested today and how our children's savings will be invested in the future. You might have been aware there was some speculation before the recent Federal Budget that the Government might have announced a pause on the superannuation guarantee increases. You'll be aware that employers are required to provide 9.5% of your wage or salary into a superannuation fund, and that 9.5% has already been legislated by the Parliament to go to 12% over the next five years, half a per cent a year from July of next year through to 2025. The Government didn't announce any change to that program, and so for the moment at least we can be confident that the 12% will be achieved by 2025.

We will continue to advocate on your behalf to government and other politicians to stick with the already legislated timetable. We've heard from you so often now that you want more in your super fund, and one of the key ways to get that is for the superannuation guarantee to increase from 9.5 to 12%. So we will continue to advocate for that on your behalf.

Whilst the Government didn't make any Budget announcements about the SG - and we were very pleased about that - they did announce a number of changes to how the super system will be managed, and we're very supportive of the high-level objectives that sit behind the announcements made in the Budget. One of them is to reduce the number of multiple accounts, so this refers to the fact that unless you want more than one superannuation fund account, you shouldn't have any more than one. Some people have two, three, four or five. Well, for most people, that's an unnecessary cost, so to reduce the number of multiple accounts is a great objective. We think there are better ways to do it than the Government has announced, and we'll be engaging with them to speak to them about the alternative that we have in mind.

The second area that Government has announced they wish to pursue is greater disclosure of the costs of running funds and the net performance to members. We think that's a terrific objective. Again, we think there are improvements that can be made as to how the Government wants to achieve that objective but, essentially, we support the objectives. We think there are better ways of doing it, and we will advocate to the Government on your behalf about that.

So COVID 19 has transformed the way many of us live and work and manage a superannuation fund. We're very conscious that you rely on AustralianSuper to safeguard your retirement savings and to grow them as much as we can. And I want to thank you. I want to thank you because it's a big decision what superannuation fund you choose to invest your savings in, and it's because 2.3 million Australians like you have chosen AustralianSuper that we're able to build this big pool of assets and invest them in a very scaleable way, in a way that maximises the benefit of aggregating those assets so that you can invest in Port Botany, you can invest in some of the best companies in the world at a very low cost, because we have built this family, if you like, of AustralianSuper members. The largest superannuation fund in the country and, as you saw before, if not the best, then certainly one of the best performing funds, and it's due to the support of 2.3 million Australians like you. Thank you very much.

ROSE KERLIN: Thanks, Ian, for that great overview of what the Fund has been delivering for members and how we are using our scale and skill to outperform and to navigate the uncertain times ahead. I'll now introduce Director Claire Keating, who will provide an overview of AustralianSuper's net benefit and some key management activities undertaken in the past year. Claire joined the Board of AustralianSuper in January this year. She's a chartered accountant with over 25 years experience, specialising in superannuation and funds management. She was previously a partner at PricewaterhouseCoopers and is the current Chair of AustralianSuper's Finance and Audit Committee. I welcome Claire Keating.

CLAIRE KEATING: Good evening. As Rose mentioned, I have recently joined the AustralianSuper Board and, as the Chair of the Finance and Audit Committee, I, along with Don Russell, sign off on the financial reports. I have been passionate about superannuation and financial management for over 25 years and I am delighted to be part of an organisation that is really harnessing its scale to deliver meaningful value to members. The Fund aims to prudently invest your money, provide a suitable range of services and manage our costs carefully so we can continue to deliver the best possible net returns to you.

I would like to take a minute to talk about net returns or what is sometimes called net benefit. Put simply, net benefit is how much investment return your fund earns, less what it charges you to invest your money and provide you with a range of services. Whilst it's very important to manage costs to keep fees low, it's also important to consider the return you are receiving over the long term. The better the combination of low fees and high return, the bigger the net benefit you receive and the more money you have in retirement.

As Ian mentioned, of the 50 largest funds in the country, AustralianSuper's balanced investment option has been the top performing fund over 5, 10 and 15 years. AustralianSuper's fees are amongst the lowest in the industry. Additionally, the total investment fees for the Balanced investment option, where most members invest, has gone down from 0.6 of a per cent last year to 0.5, or half a per cent, this year. The combined administration and investment fees for the Balanced investment option are lower than they were 10 years ago.

This year we have been focusing on further strengthening our risk management, including data and cyber security. We have enhanced our governance and reporting approaches to comply with changes in legislation and regulation, and we continue to meet the wide range of reporting requirements. I am very pleased to advise that this year, the Australian Tax Office gave AustralianSuper its highest rating: justified trust. This followed the ATO's comprehensive review of the Fund's tax affairs and reflects our diligent approach to governance and tax management. We have continued the development of the Fund's global investment approach, including by establishing a London securities dealing desk, and this has lowered investment costs and improved performance.

We have also started implementing our new member experience strategy, which includes new ways for you to interact with us. We're aiming to deliver a more intuitive, self-service experience, whether you're on a mobile or desktop device. And, of course, a big focus of the last few months of the year was managing the movement of cash to meet around $2.5 billion of early access to super payments to over 360,000 members. Over 96% of payments were completed within five days. I am immensely proud of how the Fund was able to efficiently meet the needs of members in difficult circumstances whilst effectively managing the impact on the investment portfolio. Across the Fund, we constantly balance the things we must do and the competitiveness of what we offer with providing members with the best net benefit we can over the long term. We will continue to identify opportunities to leverage scale, improve processes and capabilities, to drive down costs, while supporting the growth of AustralianSuper.

ROSE KERLIN: Thank you, Claire. I will now invite independent Director and the Chair of the Investment Committee, Jim Craig, to provide an investment overview. Jim has had a successful career in investment banking and fund management across Europe and Australia for over 25 years. We're fortunate to have his perspective, knowledge and his global experience on both the Board and Investment Committee. Following

Jim's address, you will hear from Mark Delaney, AustralianSuper's Chief Investment Officer and Deputy Chief Executive, and Mark will provide a detailed look at last year's performance, as well as the investment outlook and future plans. Welcome, Jim Craig.

JIM CRAIG: Thank you, Rose. As Ian has noted, the returns over the last year were pleasing. In the current environment, I understand this understatement. However, I would like to congratulate Mark and his investment team for their hard work over many years to ensure the Fund remains well prepared to manage all investment conditions.

The impact of COVID 19 on investment markets was unprecedented, but the team has built a portfolio that is diversified and balances the need for liquidity. Over the last 12 months, this approach has served members particularly well. As share markets tumbled in March, exposure to more defensive asset classes, such as fixed income and cash, and less volatile asset classes, such as infrastructure and property, helped cushion the impact on returns.

As share markets rebounded sharply in the final three months of the financial year, members benefitted from the portfolio's exposure to growth assets, including Australian and international shares. The Investment Committee and Board consider all of the potential impacts on how we invest members' money. This includes how the companies we invest in manage their environmental, social and governance, or ESG, responsibilities. We do this because we know that companies that manage their ESG considerations well, perform better over the long term.

You may have seen media reports of the very strong position we took with Rio Tinto, calling for accountability and improved governance in relation to their destruction of the Juukan Gorge. We constantly engage with the Australian companies we invest in to understand how they manage their responsibilities, including ESG. We do this to assess their sustainability and their ability to deliver long-term returns for members. We also make it clear to them what we expect as an often large investor in their company. We want their actions to create value for members, not destroy it. In all cases, our actions are motivated to improve your retirement savings, not by social or political agenda.

The last six months truly have been extraordinary. Looking ahead, despite the continued volatility in all markets, we see many opportunities for long-term investment growth as Australia and the world recovers from the impact of COVID 19. As an investor with a long-term perspective, we see opportunities as varied as fibre-optic cables in Europe, leading UK and European ports, and toll roads here and overseas. Closer to home, we have a portfolio of over $90 billion in Australian investments. We will continue to invest in Australian companies and assets, growing your retirement savings, which also supports Australia's economic growth and prosperity.

I would like to thank you, the members of AustralianSuper, for your support and the trust you place in us to invest your money. And to tell us more, it is my great pleasure to introduce Mark Delaney, the Chief Investment Officer of your fund. Thank you.

MARK DELANEY: Thanks, Jim. Hi, everybody. I am here to talk to you about investment returns over the last year. When you think about the last year, it's been such an incredible period, and when you do that, nothing dominates more than COVID, as the first two slides indicate. The first slide I think is of Adelaide Airport. Have a look at this. There's not a single person in the airport terminal. International passenger travel is still down almost 90% from what it was pre-COVID. This is going to take some time to work through.

The second slide for Melburnians is probably a bit of a haunting picture. It shows the City of Melbourne, the corner of Bourke and Swanston Street, normally the epicentre of the city and the busiest part, completely deserted. That is what shutdowns have done: made the cities deserted places. They also had a big impact on your investment returns, which is what we are going to talk about next.

So now let's turn our attention to investment returns. The first graph talks about investment returns over 1 and 3 years for accumulation members; that is members in pre-retirement. The small bars, unfortunately, are returns for the last year and the bigger bars are the returns over the last three years. What you see is that while the Balanced plan earned a return of a half a per cent - pretty acceptable, given how much volatility there was during year - it is not very much compared to the previous three years. In addition, what you also saw is all the investment options really had very low returns as well, so it didn't matter what option you were in; your returns were very low last year.

Now, let's turn to pension members and see whether the story is different. Unfortunately not. Same portfolio. Pretty much the same result, the only difference being that pension members have slightly higher three-year returns because they don't pay tax.

The other thing which is interesting when you have a look at this graph is that on the three-year numbers, the high-growth option substantially outperformed the stable option. That's what you would expect in the long run as the more risky investment options generate higher returns than the more conservative options.

This slide shows the returns of the accumulation option for the past 5 and 10 years. What you can see from this slide is the returns are far more consistent. The bars are all pretty much the same size, but the gap between 5 and 10 isn't particularly large. Clearly, the 10-year returns are larger because they reflect the full period since the financial crisis of 2009. The Balanced plan return of over 8% is very acceptable, but probably bigger than what you expect to get in the long run. The 20-year returns for the balanced plan have been 7.42%, which I think is far more indicative of what you are likely to earn in the longer term.

When you have a look at these options, what you see is all of them performed quite strongly. That reflected very strong markets since the financial crisis.

The longer-run returns for pensions are very similar, the big difference being that the size of the blue bars are bigger; that is, pension members have earnt more over the last 10 years than accumulation members. You can see from the Balanced plan, pension members have earned almost 10%. That's the benefit of not paying any tax on your investment earnings. Even those members in the stable option have earned over 7% and closer to 8%. That's a very hefty return for what is a fairly conservative investment option.

The last 10 years has been a very good period for investing. We came off very low levels of markets after the financial crisis and the economic recoveries were fueled by very low interest rates of central banks, which allowed all asset classes to perform quite strongly over this period.

Now, if we turn to the different asset classes and have a look below the bonnet at what drives these returns over the last 1 and 10 years, the picture is very interesting. The orange bars are the one-year returns. What you find is that some orange bars are up, like Internationally equities, and up quite strongly, and some orange bars are down, like Australian equities, Property and Private Equity. That reflected the differential impact of COVID on these different investments. Take Property, for example. People being unable to go to the shopping centre, people unable to go to work, has clearly affected property returns, while international equities, where you've got people who are investing in stocks like Google and Facebook and Amazon and even Zoom, for example, have had strong returns, while stocks like banks, which the Australian equity market has a large holding of, have done very poorly, as low interest rates have really crimped bank profitability.

Looking at the longer term, what you find is this volatility in asset classes smooths out and what you see is all asset classes are positive but global equities is still the strongest performing asset class, reflecting the secular trend toward more digitalisation. You might ask: why is that the case? There has been two reasons really. The last 10 years has really been about the recovery after the financial crisis, which meant low interest rates, and also the shift to much more digitalised technology around how people operate.

Global shares have many more of these businesses, the ones you've all got at home - Amazon, Facebook, Google, et cetera, and so they've been the big beneficiaries of this shift towards global, while the Australian equity market has a large exposure to resources, which is affected by the end of the resources boom, plus exposure to financial stocks like banks, which have been affected by the very low interest rates. So the composition of the equity markets between international and Australia have been a big factor to explain why the performance has been different, both over the short term and over the long term.

Now, let's have a look at the key return drivers of last year. And last year was really a period of three distinct phases, the first phase being the pre-COVID period, which I have jargonised as the go-go period, and that was when there was a trade deal taking place between the US and China, central banks were cutting interest rates and everybody thought things would just be fantastic. Lo and behold, you get to January/February and COVID started to appear and then we move into the panic period, the COVID panic period, of February and March into early April, where share markets fell very quickly. And then from early April through to June, we've had the recovery phase, so three distinct phases reflecting three distinct, if you like, market moods.

Have a look at this graph now. The orange bar is the performance of the Australian equity market. That's been the worst performing market you can see over the period. The red one - sorry, the red line - is the performance of the Balanced plan. It says if the Balanced plan started out at zero in June and then its returns have increased to almost 10% by the period of late January, early February, and then its returns have fallen to minus 10% or more by the end of April, March/April. This just says - this just highlights how volatile the Balanced plan is. And then there was a recovery from the period of April through to June when returns smoothed out a fair bit. So it was a year whereby returns went up, went down very sharply and then recovered. Quite an unusual period.

Investing is about the future. It's good to know where you have been but much better to know where you're heading. So what do we think about the future? As always, there's some things which are new and some things which are old. So let's just talk about the new things first. The biggest new thing happening is on November the 3rd, when there's going to be the US election and almost certainly a change in US President. That will be a very big event for the world because it looks likely that the Democrats will get all the Presidency plus the House plus the Senate, which gives them a fair mandate to make material changes. So we should be looking for things to change substantially around US politics from as early as December. Not very far away.

The second thing is: what does the world look like post-COVID? No-one really knows. We've got vaccines coming. We've got better testing coming. We've still got COVID causing shutdowns in many countries around the world, as people in Victoria well and truly know. And so the world post-COVID will be materially different than the world pre-COVID, and health and health security I think will be much more prominent.

The third issue which is very different is geopolitics. This separation between the US and China - if you like, almost a mini Cold War - has grown much more over the last 12 months. It has become part of orthodoxy. The world is dividing up into zones and we're slipping into the US's defensive sphere. That's going to make Australia more challenged around its economic links with China. So managing this new Cold War will be a big deal.

The other thing which stands out is Budget deficits. For how many years did we hear that Budget deficits were bad and government spending by borrowing was a bad thing? All that orthodoxy was thrown out in three weeks during COVID, and now the orthodoxy is the Government should spend a lot to stimulate the economy, generate jobs and keep things moving. The baton has well and truly changed from monetary policy to fiscal policy, and this is going to make a big difference.

And the final thing is the shift toward digital. It's hard to imagine a business being viable in the future without a digital business model. How does that work in your everyday life and how does it work in your employment? Being adaptable to a digital world will become a key to how you operate going forward.

So that's all the new things. What about the old things? Well, in investing, some of the old rules and the old lessons are still as good as ever. Valuations, which means don't buy stocks when they're expensive and try to buy them when they're cheap and out of fashion, is still the right way to do things. Looking at the economic cycle and where you are in the economic cycle, as we've talked about in previous years, is also important. It tells you where you are and when it's likely to be a good time to invest in stocks and when it's likely to be a risky time to invest in stocks. What we do know now is that valuations are fair value to slightly expensive for the US equity market, but we're very early in the economic cycle, which tends to lead you to a position whereby you might want to own more US stocks than others.

The investment universe is another question. Some of the things we are buying - stocks, bonds and whatever - we have bought for a very long time. Some of those investments will gradually move out of favour but, by and large, the investment universe we have been investing in and low interest rates will remain the same I think for the foreseeable future. They have been low for some time and are going to stay very low for a very long time.

So while the political aspect of the world is changing quite rapidly and the impact of digitalisation is changing things, the underlying investment basics of valuations, where you are in the cycle, what's your investment universe and the impact of low interest rates is likely to continue.

Environmental, social and governance factors matter a lot for investing. They're the underpinning long-run factors which determine the ability of companies to grow their revenue stream. Poor governance leads to poor investment returns, as well as poor management of your social or your environmental considerations. Just consider three companies: AMP, who acted inconsistently with community and staff expectations. Rio Tinto, and what they did in Western Australia, completely inconsistent with maintaining the environment, has resulted in a very significant impact. Dominos pizza is another example of a company which failed to act consistent with community and legal obligations by underpaying workers and resulted in a very dramatic impact on the company.

So what you see is ESG considerations and, more importantly, companies maintaining their social license is critical for them to maintain their long-run viability and long-run earnings streams. It is becoming more and more important and has become an increasingly important consideration as to how we assess investments.

Now, what are we doing about how we manage your investment money? The first thing is we are continuing to build out our global presence. I have talked for a couple of years about how we have got offices in London. We're starting one in New York. That's been interrupted by COVID, not surprisingly, so that has pushed things back a little bit. We're continuing to build that out. And we've got a small office in Beijing. Increasingly, the portfolio will have more international assets, and having offices overseas gives us a chance to get access to better deals, build better relationships and generate better returns for you.

The next thing we're trying to do is to continue to internalise the portfolio. That means managing more of your money in-house by AustralianSuper staff rather than employing external agents. That leads to much lower cost to you because the internal staff can do it for roughly a quarter of the cost of the external agents. So getting the costs lower in managing your super is also very important.

And the final thing is technology digitalisation. I talked a bit about how you have to have a digital model for your business. Well, the same thing applies to us. We need to think about how we can improve our digital aspects of how do investments and also improve use of technology in managing the portfolio.

Now, let's turn back to the long term. This graph is perhaps my favourite graph in the whole slide pack. It talks about a person who had $100,000 in June 2000. 20 years ago. That $100,000 is now worth $417,000 just 20 years later. That's an incredible growth in the amount of money. What that says is you can convert $100,000 to $400,000 by investing and doing nothing. The important thing is doing nothing; staying the course, investing for the long run, thinking about the long-term horizon.

The other thing when you look at this graph is how many events have there been over the 20-year period? The tech bubble, the Iraq war, the Global Financial Crisis, the European debt crisis, the Fed Taper Tantrum, the commodity crunch, Brexit, trade wars and now COVID. Eight or 10 of these things happened over a 20-year period. So lots of events happen. The key thing is not to panic during these events and stay the course. So thank you very much for your time. I'll hand you over to the next speaker.

ROSE KERLIN: Thanks to Jim and Mark for that informative investment update and especially for explaining the impact of COVID 19 on investment markets and how we're constantly positioning the investment portfolio to continue to deliver strong long-term returns.

That concludes the formal presentations and I hope you've found them informative. We will now proceed to the live Question and Answer Session. For those that are not joining us, thank you and have a good evening. For those that are joining us, please note the questions can only be typed into the questions box and, if it is not reasonably practicable to answer appropriate questions at the Annual Member Meeting, the response will be provided to you afterwards as part of the Minutes of the Meeting.

I'd like to remind you that if you choose to send any questions to us during the Annual Member Meeting, these questions and our responses may be made publicly available to other meeting attendees in real time as part of the meeting. They'll also be recorded in the Minutes of the Meeting and they'll be made publicly available on our website.

Please note that to protect your privacy, do not include any personal information in the messages or questions you submit to us as part of the Annual Member Meeting. We are not able to answer questions if they relate to your personal circumstances or your personal account but you can contact us via the website, the phone or the AustralianSuper app and we'll be able to assist you there. Now, please return to the timeline and join the live Q&A session, which starts shortly. Thank you.

Question And Answer Session

ROSE KERLIN: Welcome and thank you for joining us at the AustralianSuper 2020 Annual Member Meeting Question and Answer session. Now, for those of you who are just joining us and weren't at the previous presentation, my name is Rose Kerlin and I'm the Group Executive, Membership.

Just a few reminders before we start, firstly, if you'd like to ask a question, just go to the top right-hand side of your screen and type your question into the question box. We'll endeavour to get through as many questions as we can in the 45 minutes we now have allotted. However, don't worry. If we don't get to your question, we will provide a response with the minutes of the meeting and they'll be up on our public website within a month. You should also remember that any of your questions that you ask and the answers that we respond with will also be publicly available to other members attending and they'll also be up on our public website. That means to protect your own privacy, please don't put any personal information into the question. If you do happen to have a question of a personal nature, you can always contact AustralianSuper through our normal channels, so our website, the AustralianSuper app, or just call up the Contact Centre.

So to help us answer your questions this evening, we have a number of people together here in our COVID-safe studio and also via Zoom. We have all of the AustralianSuper Directors, including some of those you heard from in the presentations - Dr Don Russell, Jim Craig and Claire Keating. We also have with us the Chief Executive, Ian Silk; the Deputy Chief Executive and Chief Investment Officer, Mark Delaney; our Fund Actuary, the Fund Auditor, PwC, represented by Craig Cummins; and also a number of our subject matter experts who we can call upon.

So without further ado, get on with your questions, and we've already had some coming through. So I'll go to the first one now. I'll give this one to Ian Silk and it's from our member Finn. Finn would like to know: some super funds had liquidity issues during the crisis. Did this happen with AustralianSuper and, if so, what are you doing or have done about it? Thanks, Ian.

IAN SILK: Thanks, Finn. You've nailed one of the questions that superannuation funds around Australia were asking during the height of the crisis from February through to April/May, because in super fund terms, liquidity means: does the super fund have enough cash to pay a member who wants to take their money out of the fund or do they have enough liquidity within the fund if the member wants to move from one investment option to another? And even if they do have the cash, is the only way they can get that cash to sell good assets at a depressed price, which, of course, you don't want to do. So all funds were looking to maximise their liquidity so they could make the payment obligations but not at the cost of the remaining members of the fund.

Now, fortunately, AustralianSuper - because of our size - has had very strong net cashflow coming into the fund. Last financial year, even with the COVID crisis, we had about $17 billion in net cashflow coming into the fund. That's after we had paid money out, $17 billion remained. That was, by a significant margin, the largest amount of net cashflow into any super fund in the country, and that really aided the Fund's ability to meet member obligations.

So the short answer to the question is: we did not have liquidity issues. Unhappily, and unfortunately, a number of other funds did because they didn't have the size of the fund; they didn't have the cashflow; and they were in an awkward position to meet their member requests. But AustralianSuper did not. But, notwithstanding that, we've established a new liquidity steering committee, a management committee. I chair it. Mark Delaney is on the committee, the Chief Investment Officer; Paul Schroder, Chief Risk Officer, and a number of other fund executives. It is a matter of constantly assuring ourselves that the Fund's liquidity is there to ensure that we're stewarding your money as well as we can. Happily, a very good crisis from a liquidity point of view, but we have new structures in place to ensure that that continues into the future.

ROSE KERLIN: Thanks, Ian. You would have heard both Ian and Mark in their presentations speak about the importance of ESG considerations and also talk about the fact that AustralianSuper has our own ESG team. I'm going to give that next question to the person who heads up the AustralianSuper ESG team, and the question is from member Lisa, who has asked: how is AustralianSuper ensuring the sustainability of future investments by transitioning towards the green economy and avoiding investments that will be impacted by climate change? And that will go to Andrew Gray.

ANDREW GRAY: Thanks, Rose. And thanks, Lisa, for the question. I am glad you asked. Climate change is very significant for us as a fund and for the ESG team. So there's a couple of elements I wanted to mention in answering the question. The first was to give you a feel for what the current make-up of the portfolio is and then, secondly, to talk through some of the things that we are proactively doing as a fund to ensure our investments are adequately managing climate change.

In terms of where we're currently positioned as a fund, you'd probably be interested to know that we currently have no active investments in thermal coal, and that is using a commonly accepted definition of companies that have more than 10% of their revenue coming from thermal coal. We do have some small holdings in the index portfolio, which is part of the broader passive portfolio.

Another interesting piece of information on the portfolio is that over the last seven years, so since 2013, there has been a 44% reduction in the carbon intensity of our portfolio, and currently the Australian portfolio is 17%, less carbon intensive than the ASX 200 index, and the international portfolio is 44% less intensive than the international benchmark. So hopefully that gives you a flavour of the transition that's already occurring in the portfolio in terms of the way we're managing to a lower carbon intensity portfolio.

In terms of looking forward and what we're doing with our assets, as a very large investor, we recognise that we have got a key role to play in advocating for the broad-based low carbon economic transition that needs to occur and, by doing so, we recognise that that's an effective way to manage investment risk, to maximise investment returns for members and have a positive impact on the climate change outcome in the process. So I would say we have a very active program to do this and, in fact, climate change is probably the issue that takes up most of the time of the seven-person ESG team at AustralianSuper.

There's three key actions that we take in terms of this low carbon transition advocacy. The first one is engaging with our assets, so we're very actively engaging with the companies that we invest in. As a big investor, we have got a very strong and credible voice with the companies, and so it is pleasing that they listen to us. So we undertake that engagement directly ourselves. But also from time to time, we will partner with other investors to amplify our voice, and so one of the things that we have done in recent years is we have co-founded a group called Climate Action 100 Plus, and this is a group of 500 investors now, globally, which is advocating to companies to reduce their emissions. And we're getting some great outcomes from that initiative. So there's 160 companies covered by the Climate Action 100 Plus. They're the world's biggest emitters. The initiative started about three years ago and so far 50 of those companies have committed to being net zero by 2050. So that's a great start. There's more to come. We know there's announcements soon in the pipeline from others of the 160 companies.

Another piece that we're doing in the engagement area is we have joined an initiative called the Energy Transitions Initiative. So this is working with Australian industry on their low carbon pathway. So we're a founding partner in that initiative, working directly with some of the companies that we own in our portfolio.

The second key piece we're doing on the advocacy is we're measuring the performance of our assets in the portfolio, so how are they performing on climate change and then feeding that back into our investment process. So as part of the Climate Action 100 initiative, we actually have launched a benchmarking framework to measure how companies are performing on climate change. So this covers things such as: have they set net zero 2050 commitments? Have they set interim targets? But through to things such as: is there capital expenditure aligned with those targets? Do they have the right skills on the Board to manage climate change and have they got enunciated low carbon transition strategies? We are using that framework to measure the performance of our assets and feed that back into our investment process to assess whether we think they remain good investments going forward.

The third thing I would mention in terms of our forward advocacy piece on climate change is using our shareholder rights. So, as a large shareholder, we have the capacity to vote at company AGMs, and that's one way we can really signal to companies our voice and what we're expecting of them. We have seen a very large increase in recent years in what we call shareholder proposals but those particularly relating to climate change, so asking companies to set emissions targets, asking companies to manage their own advocacy activities for climate change policy. So we're a very active voter on all those issues and will assess shareholder resolutions and will vote in favour of those we think are successful in achieving their stated aims. For example, in 2020 we voted in favour of climate change resolutions at both Santos and

Woodside. We're in the middle of the AGM season in Australia currently, and there may be more to come.

The final thing I would mention in terms of using our voting rights is that what we are seeing as an emerging trend is for remuneration schemes at companies to start to include climate change metrics. This is important because this is what creates the incentive within companies to manage climate change. So we see that as an increasing trend and expect that our remuneration vote at companies will increasingly start to consider climate change issues.

I hope that has given you a feel for how we're managing climate change in the portfolio. Certainly we're very active in our advocacy for companies to make sure we are building that climate change resilience into the portfolio.

ROSE KERLIN: Great. Thank you, Andrew. The next question is from member Dilip and he would like to know how we can get a copy of the AustralianSuper Annual Report. Ian?

IAN SILK: Hello, Dilip. Very straightforward answer. A copy of the annual report is available on the Fund’s website, australiansuper.com.

ROSE KERLIN: Easy. Alright. The next question I'm going to give to Mark Delaney, and our member KT would like to know: why did AustralianSuper rank 11th in the last financial year, FY19/20? What are the lessons learnt? Over to Mark.

MARK DELANEY: Hi , KT. Thanks for the question. Investments, I think, is a job which is never done. You are always looking for opportunities to get better and better ways to make money. You learn that from things that don't go as well even more so than things which do go well. So last year a few things went well and a few things didn't go well, to be frank.

It's fair to say that we would have liked to have had fewer shares in the first quarter of the year than what we had and we would have liked the opportunity to buy more shares at the bottom of the market when the market rebounded quite quickly. So the funds that did well last year typically were those who held pretty low weighting to shares, and that wasn't us, and we had to make up for that by working the portfolio harder. So it has encouraged us to think about whether we should show more patience in how we set our strategy and actually invest with much more of an eye to the longer term, and be less swayed by shorter term events, which turned out to be like the end of the trade war or the euphoria which occurred toward the end of 2019.

ROSE KERLIN: Thank you, Mark. Stay with us, Mark, because this next question is also for you, and the question is from our member Roger, who said: last year I asked if AustralianSuper would launch an infrastructure-only investment classification. Has this been considered alongside the existing ones?

MARK DELANEY: Yeah, g'day. That would be a great idea but we can't implement it. The reason why we - because it's been a great investment over a long period of time and what we try and do is get as much infrastructure into the portfolio as we possibly can because it is a great investment. But the issue for us, Roger, is if you and I are in this infrastructure option, just the two of us, and I decided to leave, what would happen to the other half of the toll road? Would you double your holding or would we just be stuck with having half a toll road we can't sell? So we can't really allow people to move in and out of options whereby we can't sell the assets. So that's why we can't have an infrastructure option. But, by crikey, it's a great investment.

ROSE KERLIN: Thank you, Mark. The next question is also - no, the next question is going to go to Jim Craig. So, Jim, our member's asked about you earlier talked about some of the future investment opportunities. Can you give us a bit more information about that? Thanks, Jim.

JIM CRAIG: Thank you, Rose, for the question. We're seeing attractive opportunities across all asset classes - equities, loans, infrastructure and property opportunities. What the investment team is doing is looking through those opportunities, trying to find the quality businesses that will respond strongly through COVID. We are looking for multi-year - in fact, multi-decade - strong cashflows to underpin your retirements. This isn't easy. If I can just take an example, Mark mentioned before a toll road. Last week, we were looking at what looks like an attractive toll road, but when you think about COVID, you have to think about things like: will people work from home more? Will there be less cars on the road because of that? On the other hand, it's likely there will be less people using public transport. Will that mean more cars on the road? So what the investment team is trying to do is look through all those issues, find really good, attractive, long-term, multi-year cashflow businesses to set up your retirement. If the team and we all get it right, it will be very good for your retirements. Thank you, Rose.

ROSE KERLIN: Thanks, Jim. The next question is from our member Steven And I'm going to give it to Mark Delaney. Steven says: Mark, the RBA seems to have run out of bullets to stimulate the economy. How likely are negative rates?

MARK DELANEY: Yes. Yes. We recently received a presentation where they compare how monetary policy is being conducted across all the major countries of the world. There's three things that stand out. All of them have got very low interest rates and some of them have got negative rates. So how many have got negative rates? Maybe 30% of them. A lot of them, almost all of them, are doing what's called quantitative easing, which is buying government bonds in the marketplace. And the third thing they're doing is doing interest rate guidance or, in technical terms, yield curve control. So 30% to 40% of the world's countries have already headed down the path of negative interest rates. It's certainly not the preferred course for the Reserve Bank, who think that the benefits are not sufficient compared to the cost, but the others have ended up there as the economies have struggled. So if Australia was to not have sufficiently stimulatory fiscal policy, that chance would materially increase. But, at the current time, I think the Reserve Bank is going to try to hold out.

ROSE KERLIN: Great. Thanks, Mark. Alright, we've got a question now from our member Paul, and I'm going to give this question to Jim Craig. Paul says: Ian talked about $200 million gain from bringing investment management back in-house. So, Jim, could you talk a little about the governance around the internal management of investments? What's the approach? How is transparency of each investment management performance maintained?

JIM CRAIG: Thank you, Paul. This is a really important question. The $200 million that Ian spoke about is a lot of money, but unless we actually achieve as good or better performance, it's actually not as important as it might seem. So making sure, when we have an internal team, they perform as well, if not better, than an external team is really important from a governance and Investment Committee and Board perspective.

There are two key elements to this. Firstly, whenever we set up an investment team, just like when we give the money to an external manager, we put in place an investment mandate. We review that team's performance against that investment mandate. We compare it to what external managers may do and benchmarks, and we look to ensure that team is performing as well, if not better. Secondly, on an annual basis, we look at all our internal teams. We effectively are internal investment auditor. And we make sure that those teams have beaten their benchmarks that we've set them. So that's how we try to make sure that not only do we get the $200 million of cost savings but we also actually get better performance from our teams. Thank you, Rose.

ROSE KERLIN: Thanks, Jim. Next question is from our member Stanley and I'm going to give that to Ian Silk. Stanley would like to know: what is the approximate percentage of early redemptions to the total assets under management? Do you expect redemptions to grow and does maintaining excess liquidity cost existing investors a reduced return?

IAN SILK: Thanks, Stanley. The early redemption reference of Stanley is, I think, to the Government's early release program or early redemption program, which I mentioned earlier, and that, of course, was in response to COVID. The Government allowed people to take up to $20,000 out of their superannuation account if they had lost their job or lost some income. This was announced very early on when the height of concern and uncertainty was really at its zenith. In fact, it even preceded the announcement of the JobKeeper program. So it came as a time of enormous uncertainty and many millions of Australians have taken advantage of it. In AustralianSuper's case, we have had around 440,000 members withdraw in aggregate around $4.8 billion. Now, AustralianSuper is around a $185 billion fund with your retirement savings in it, so $4.8 billion of $185 billion frankly did not amount to a disconcerting amount from the Fund's point of view. It didn't change how we manage the Fund's investments. We were able to continue to invest and generate, in the circumstances, reasonably good returns.

What we've seen is that the Government has extended it once and it goes through until 31 December this year, but we keep a daily track of that, and each day is less than the previous day. So the numbers are coming right off, as members presumably have exhausted their entitlements under the program or have returned to work. So it's worked well as a buffer, as a release for individuals in dire financial circumstances. It couldn't be an ongoing part of the superannuation system because we would exhaust retirement savings and there wouldn't be savings for people to enjoy in retirement but, as a one-off measure, I think it's worked very well for those individuals and, importantly to your question, Stanley, has not adversely impacted how we've managed the rest of the portfolio.

ROSE KERLIN: Thanks, Ian. We will stay with you because we have got another question from our member, James, on the same topic. He would like to know: how much notice did the Commonwealth Government give AustralianSuper that it was proposing to have super funds give early payouts under the COVID 19 proposals?

IAN SILK: Look, I can't recall the precise time lag between the announcement and the implementation, James, but it wasn't very long. We didn't get any forewarning of it. It was announced on a Sunday, from memory, so we heard it the same time as everybody else, and the system - the whole superannuation industry had to retool quickly because, as you would understand, most people have taken their money out of the system when they retire, so there's a pretty gradual withdrawal. We know when somebody is approaching retirement. We can suggest that they're probably going to take money out over the next two or three years, but this was a sudden influx of people taking money out of the system, a bit like people being able to take money out of the bank. So even though it was only two or three weeks, which is not a long time to remodel the whole withdrawal mechanism across the industry, I think the industry generally responded really well and, as I said in my earlier remarks, AustralianSuper was able to meet more than 96% of those applications within five days.

ROSE KERLIN: Thanks, Ian. Mark, I'm going to come across to you for a question now, and this is from our member Vishtasp. He's asked: what is your opinion on the medium-term movements in the Australian dollar?

MARK DELANEY: Nice question. Thank you very much. We are reasonably constructive about the Australian dollar in the medium term for two reasons. The first thing is that the Australian dollar medium term path is typically generated by the path of commodity prices, and we think the recovery in the global economy after COVID will allow commodity prices to rise. But particularly that was related to China but also more broadly.

The second thing is interest rate differentials, and the Australian dollar has been weak over the last period because Australian rates have fallen down now to the very low levels seen globally. Given that event has occurred, we don't think it can be repeated again, so much more the path of the Australian dollar will be generated by the path of commodity prices, which we think are probably going to be up over the medium, say, five-year term. But a lot of people have failed in forecasting the Australian dollar, so I hope I'm not one of those.

ROSE KERLIN: Thanks, Mark. Now, a number of members have been asking questions and they're coming through about Rio, so I might get Ian to address this. Ian, will you continue to invest in Rio? How can you trust what they say about their ESG management? They talk about PRI, SDGs, the UN Global Compact, but how do you know it's not all talk?

IAN SILK: Well, thanks to the many members who have asked about Rio. For the, I suspect, small number people viewing this who aren’t aware of what the reference is, Rio Tinto is, of course, a large mining company and effectively blew up some caves around the Juukan Gorge in the Pilbara in northern WA, and these were of the utmost cultural significance to the local people there, the PKKP people. Caves were 46,000 years old and had signs of human habitation. Quite extraordinary.

Rio responded to the public outrage by imposing a financial penalty on three executives, including the Chief Executive, and we spoke with the company about that and said given the gravity of this, the impact it's had on the community and the act itself, that we didn't believe that that was sufficient accountability for those involved, and we pressed the Board in direct discussions to impose a greater degree of accountability on those involved, and I might say it wasn't just AustralianSuper. The Australian Council of Superannuation Investors, ACSI, and a range of other investors made similar representations to Rio. But AustralianSuper, I think, is the largest active investor - largest Australian active investor in the company, so, of course, they were keen to hear our views. And Andrew Gray, who you heard from before, and a number of members of the Australian equities team meet regularly with Rio, so we know their people. We know what sort of organisation they are. And they heard very directly what we had to say, as well as what other investors had to say. They responded to that by changing their Board decision, and rather than just imposing a financial penalty, those three senior executives are leaving the organisation, including the Chief Executive.

We are continuing to have further discussions with the company because we think there needs to be Board accountability in relation to this issue, and in discussions as recently as last week with the UK-based Chair of Rio, together with one of the Australian directors, we pushed that point again. Now, as a large investor, we have this entree. They will listen to us. The fact they changed their view about the accountability for the executives is evidence of that.

Andrew spoke before about one of the key tenets of our ESG approach being engagement. Now, it's pointless just to knock on a company's door, express a view, walk away and nothing changes. That's not how we operate and it's certainly not what we expect of companies in which we invest. They've responded satisfactorily as far as management accountability is concerned, but as far as Board accountability is concerned, which we think is really critical here, we're yet to get the response we desire, but I'm hopeful that we will see some movement there reasonably soon.

I think the underlying question here is: how do we know that the commitments that Rio or indeed any other company make are real and genuine? And I come back to the point I made before. As an investor, as a large investor - and most of the Australian companies in which we invest, we are the single largest investor, so we have a real voice, we have a real presence when we speak with senior executives and senior directors, and that gives us the opportunity to exercise some leverage. Now, that is a position of significant responsibility and we don't exercise it capriciously. We exercise it in the best interests of you, all the AustralianSuper members, because we know that the application of good ESG principles will translate through to good economic outcomes, and that's the approach that Andrew, the Australian equities team and, in fact, all the asset class teams at AustralianSuper apply.

ROSE KERLIN: Thanks, Ian. For this next question, I'm going to go to the Fund's Chair, Dr Don Russell. Don, our member Sam would like to know: can members vote on who is appointed to the Board and, if not, why not?

DON RUSSELL: Well, thanks, Sam. That is an important question. In fact, anything that goes to the governance of the fund is important because what makes AustralianSuper the fund that it is, is our member-first culture. It's very important that - it's always been very important that 'member-first' is more than just lip-service, that it is actually embedded in our culture; it's how we think; it's how we approach all our investment decisions.

Right from the beginning - this was back in the early '90s when the structure of the funds and the industry was being put together - people were concerned, I guess, about the history of the mutual funds, the large mutual funds in Australia - this is the old AMP and National Mutual - and the way that, over time, they'd lost that contact with their members and, in fact, it was progressing through to demutualisation. It was quite evident and it was a point of principle that we wanted to have AustralianSuper tethered to member-first, and having the two shareholders - the AI Group and the ACTU - has done that. I guess the proof is in the pudding, that we have been able not only to maintain that member-first link but we've also operated the fund very much on that principle, and I am sure that's the reason why we've been able to deliver such strong performance. It's also meant that we have been able to invest in the skills of the Board but we've also been able to build an understanding of the skills we need on the Board and to make sure that the people who are appointed to the Board have that right balance to deliver for the members. So important question but it's really about how do we make sure that AustralianSuper never loses the member-first culture that it has.

ROSE KERLIN: Thank you, Don. We have got some insurance questions coming through, so I'll ask a couple of these to Ian now. The first one is: is insurance through super still worthwhile for members? The media and the regulators over the past year suggest that particularly life insurance through super has lost its value. Ian?

IAN SILK: Michael, thank you for this question. It's a question that's exercising the minds of a lot of people in the superannuation industry. The first perspective to make is that AustralianSuper has 2.3 million members. Each member will have a different view about this. They will have their own circumstances to consider and decide whether insurance is worthwhile for them. And that's why AustralianSuper provides the opportunity for people who are members of the fund to have insurance, the sort of insurance that might be, or to decide they don't want any insurance at all. So ultimately it's up to each individual to decide whether they want that insurance.

But most insurance policies that big superannuation funds have are priced based on historical experience, and that basically means the more claims there have been in previous years, the higher the claims will be today. If claims go down today, then premiums will go down tomorrow. And across the industry, the number of claims has risen generally and therefore premiums have risen, which has caused people to question whether the premiums represent good value. AustralianSuper is such a big fund. We have a lot of buying power, so for our experience, we're very confident we've got the best premiums, the best value premiums, for members but, ultimately, it's a question for each individual to decide whether that represents good value for them.

ROSE KERLIN: Thanks, Ian. Just while we're on insurance, there's a question as well from Dilip that says: does AustralianSuper receive any commissions from the insurance companies which offer their products via AustralianSuper?

IAN SILK: The answer here is very straightforward, Dilip. The answer is no. No commissions. AustralianSuper, remember, is a profit-for-member fund. The only reason we exist is for the benefit of the

2.3 million members. We don't have shareholders that receive dividends. We don't pay commissions to any party whatsoever. And, in particular, we don't pay any insurance commissions.

ROSE KERLIN: Thanks, Ian. We'll go across now to Mark Delaney. Mark, there's a question from Rebecca, who has asked: what impact is the outcome of the US election likely to have on the global economy?

MARK DELANEY: Thanks for that. Hi, Rebecca. It's generally accepted, based upon what the Democrats have announced, that they are going to have a very large fiscal stimulus program. Now, that program could be up to $20 trillion, so it's very, very large on the global scale - I think greater than 10% of GDP. Now, whether they put it that all in in one go or phase it in, we will have to wait and see. It will depend upon whether or not they get the two Houses as well as the Presidency, or miss out on one of them. If they miss out on one, it is likely the program could be scaled back because the Republicans won't be as enthusiastic about spending as the Democrats are. So that should underpin the US economy and put, if you like, a cracker in the recovery for the US economy and keep it going. As you are seeing, as COVID has bounced back in the US, the US economy slowed a bit and it does need another stimulus program. The second thing I think it will do is restore some confidence about how international order takes place because Joe Biden is likely to be, in his style, less disruptive than Donald Trump. And I think that will encourage governments to work more closely together than what we saw in the previous four years.

ROSE KERLIN: Thank you, Mark. Alright. This next question I'll give to Ian and it's from our member Steven, who said: hi, it was nice to hear about our investment in Port Botany. Can members get disclosure on other large investments we have, like what Telstra Super does with their property portfolio? Ian?

IAN SILK: Steven, I am so pleased you asked this question because it is one of the things I am most proud of about AustralianSuper. We pride ourselves on transparency and full accountability to members, and, as Rose said at the start, whilst these Annual Member Meetings are now compulsory for all funds, we have been doing them for 15 or 16 years. That is one element of the transparency. But another one is this point. So we have - if you go to our website, under Investments, you will be able to see a list of almost all of the assets that we invest in and you can get them by asset class. So you mentioned property. It will tell you the name of the asset - if it's an office building, it will have the address, it will often have a photograph, it will have a reference that you can click on and see where it's located. And we've done that right across the portfolio. So we talk - one of the earlier questions talked about AUM, which is a common investment term for "assets under management". Another common term is "funds under management". We don't use those terms at AustralianSuper. We talk about members' assets. So I would encourage you, Steven, and many other people on this call to go to that website and have a look at the assets that you own. We're talking about AustralianSuper owning them. We're investing them on your behalf. You are a part owner in Port Botany and all the other assets that you will be able to see. They're all listed on the website.

ROSE KERLIN: Thanks, Ian. OK, we've got a couple of questions coming in for Mark. Mark, I'll give you the first one. It's from our member Ron who says: do you expect Australian shares to perform well compared to international shares this year?

MARK DELANEY: When we think about Australian equity market compared to global equities, we think less about markets now and much more about the underlying companies in those markets because the difference in performance between different types of companies has become very large. The Australian equity market has a large exposure to banks and, to some extent, resource companies and is relatively light on for technology stocks, whereas the global equity market, technology stocks around consumer discretionary, like Amazon and Google and the likes, and cloud computing stocks are the biggest part of the international index.

So the real question comes down to: do we think the banks are going to recover or do we think the technology stocks - the consumer discretionary stocks have run too hard in the global markets? For what it's worth, we still think the trends that have been in place for the last four, five years will continue, and that is that the new economy stocks will continue to perform those impacted by COVID like the banks, so we tend to think on balance that global equities will probably do better than Australian equities.

ROSE KERLIN: Great. Thanks, Mark. The next question will stay with you, Mark, if you can answer: how do you see the recent tension between Australia and China playing out in the investment market? Further, is AustralianSuper sufficiently diversified internationally to withstand any turn-down in trade? I will just let members know, we're getting close to the end of our time that we've got allocated for the Q&A so this will be the last question. Over to you, Mark.

MARK DELANEY: OK. The tension between Australia and China has manifested itself in some restrictions about Australian companies getting access to the Chinese market. I think that's going to continue. We followed up with our office in Beijing about the recent announcement around coal, for example, and it turned out that that was an announcement made at the central level and some of the companies hadn't actually heard about it, with changing their plans all that much. So from time to time, when things get particularly prickly between the two nations, the Chinese Government is likely to lean on Australian exports to the Chinese market as the way of having leverage. That is unlikely to be sustainable in the longer term but will operate in the short term.

The final thing, when we think about China, is it's an enormous market and there's some fantastic companies there which we would like to invest in. And these companies make lots of money and we want to be able to continue to do so. So it's still a destination point for us for making capital returns for members, but some companies, particularly those who originated out of Australia exporting into China, could well be affected from time to time.

ROSE KERLIN: Thank you, Mark. Now, that brings us to the end of our time for our Question and Answer Session. I apologise to anyone that we didn't get to respond to your question but, as I mentioned earlier, we will be putting responses, together with the Minutes of this meeting, and they'll be able on the AustralianSuper website within one month of the meeting. You just go along to australiansuper.com.

I also wanted to remind our members that if you weren't able to attend all of the SuperTalks that were done earlier, all that you need to do is to go back into the timeline and you can click on any of those sessions you're interested in just by pressing the recording. There's also some really handy handouts that are available that will give you a wealth of information.

So I hope you have found this evening really informative and that you've got some of your questions answered or you're able to attend one of the SuperTalks and really find out more about your fund. I hope that's made you feel more comfortable and more reassured about your superannuation. Thank you so much for joining us this evening and have a good night.

END