

2023 ANNUAL MEMBER MEETING Q&A



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ANZ STAFF SUPERANNUATION (AUSTRALIA) PTY LIMITED
(the Company/Trustee) as Trustee of ANZ Australian Staff Superannuation Scheme (ANZ Staff Super)
Annual Member Meeting – Q&A
Held via live webcast on Tuesday, 15 August 2023 at 5.00pm

Questions and answers:

Paul Rosam advised members about the process to submit questions and noted that answers to questions would be placed on ANZ Staff Super's website within the next month.

Paul responded to questions which had been submitted by members prior to the meeting and questions asked during the course of the meeting. Answers to 6 number of questions asked at the end of the meeting that were not answered due to technical difficulties, are included at numbers 43 to 48.

1. What have been the learnings from the past year's poor performance and what actions are being taken to improve?

With equities increasing off the back of still high inflation, increasing interest rates and low unemployment, how is the Fund positioning itself for the next year?

Performance over the past year was ranked in the third quartile, which is a poor result. What were the reasons for this and what is being done to ensure improved performance going forward?

Performance is disappointing over the short and longer term. Third, over every time period for the balance fund is substandard. Promoting low fees is all very well, but net return to members is what really matters. What steps are being taken by the Board and its management to improve performance and what is ANZ Staff Super fund doing to lift its performance?

We know how important performance is to our members and we thank you for your questions. You may recall we surveyed members last year and 63% of respondents listed investment performance as what members wanted us to focus on above all else.

Before we get to the rankings, can I highlight that the investment objectives of the balanced growth option are to maximise returns over the long term whilst accepting a moderate degree of performance variability and to exceed inflation or CPI on average by at least 2.5% per annum over rolling 10-year periods. This has well and truly been achieved.

Now, these relative rankings move around quite a bit. In June 2023 our 10-year rankings were all first or second quarter. We do agree third quartile over the longer term is not where we aim to be with regard to our peers.

The speed and magnitude of monetary tightening in 2022 was among the most aggressive in history, which had a significant downward effect on equity markets. Many funds benefit from a greater investment in unlisted assets such as property and infrastructure, which didn't get devalued immediately in line with equity markets.

Some of these funds have up to 25% of their fund invested in these assets, while we had about 8%. Now, we haven't rushed to significantly increase investments in these assets as they're now devaluing but have made some tactical purchases at good discounts. In addition, we've increased our credit allocation to take advantage of the interest rate environment.

Finally, by staying the course with our equity investments, we benefitted with our international equity returns up around 18% in the six months to 30 June.

2. Why don't you have more investment options?

A fund such as ours carefully considers the structure of our investment options to cater for the needs of our members and working for their best financial interest.

It is simply not optimal to have significantly more investment options. It's worth remembering though, you can have any combination of the four options we offer if you wish to customise your investments.

3. What is the scheme doing to ensure we achieve great returns into the future?

Look, we are constantly reviewing our investment strategy, seeking the best ideas from our investment consultant and managers to ensure our investment options exceed their individual investment objectives, which for our three mixed options is a rolling 10-year period.

In addition, we challenge our managers to provide us with the best value for money as fees reduce the overall return to you.

4. Please provide some comments about how the funds' fees compare to peers and what is being done to continually drive this lower?

In the Chant West June 2023 Super Fund Fee Survey for our employee section invested in our default investment option, balanced growth, we ranked number one for a dollar balance of \$25,000 and \$50,000 and number three for a balance of \$250,000 out of the 77 major Super funds in Australia. We are a low cost fund providing value for money Super that's in our members' best financial interest.

5. Are there any plans being considered to discuss and potentially offer older full time employees insurance cover in their superannuation? Currently, once a person reaches 65 years, they are excluded from insurance within superannuation.

We currently have no plans to make significant changes to our insurance arrangements. We understand our age limits are pretty common in the industry.

6. Given the scheme's size and considering the benefits of scale when it comes to fees dealing with increased regulatory burden, broader investment opportunities, etcetera, what are the Trustees' thoughts on the benefits and likelihood of a merger? If you were to seek a merger partner, would it be with another profit for member scheme?

Great question. We're always looking for optimal strategies for members' best financial interest, but at the moment there are no current plans for us to merge. If a merger was contemplated, then we'd be obligated to ensure the merger would be in members' best interest.

As we've discussed, our fees are exceedingly competitive, which is just one reason why we're optimistic about our future.

7. Will expected returns over the next two years surpass the last financial year?

That's a great question. This is a standard disclaimer in superannuation that past performance is no guarantee of future performance. That being said, the one-year return to June 2023 significantly exceeded the one year return to June 2022. As we discussed, we're investing over the long term to secure the retirement goals for our members.

8. What are your expectations in terms of growth recovery over the next 12 months given the poor result of the last full year?

The year to 30 June numbers have been very encouraging with positive returns, but we remain cautious. As we've seen it doesn't take much for the markets to change direction as recent events have shown.

9. Are there any plans to introduce the ability for members to select an investment strategy outside of the current cash, cautious, balanced, aggressive, such as a percentage in ESG funds?

No, there are no current plans to increase the number of investment options in the fund. Last year we conducted a survey to gauge interest in a separate ESG investment option. The survey showed that the number of members who would use the ESG option and the amount of money they would invest was quite low. So currently it just doesn't justify the setup expense and ongoing cost to support that investment option.

10. What is the safest option for Super through a collapse. If we use cash 100%, what is the interest rate as ANZ is paying 4.65% currently. Can we get that in our Super? Can it be locked at the Bank's highest rate?

Our cash option currently earns interest at the official cash rate plus 60 basis points. As at 30 June 2023 that's 4.7%. As you'd appreciate, rates on offer and deposit sizes vary between retail and wholesale investors, but any funds that you invest in the cash option will receive this rate.

11. Is there a definitive timeframe for introducing daily unit prices? We need commitment from the Fund's management. This was raised in our first annual meeting two years ago, and we have not seen any progress.

As I mentioned earlier, we're working on a move to daily pricing in 2024. We understand some members are keen to see this and work has been going on behind the scenes. We needed our custodian to upgrade their accounting system, which has now just been finalised in the last month. So we expect to be ready to go once we finish our administrator transition.

12. If I die, are my beneficiaries guaranteed to get my Super balance?

Members have two options for nominating how you'd like your benefit paid in the event of your death. Number one, a non-binding nomination, or number two, a binding nomination. The people you're able to nominate usually include your partner, your child, or any other person who is or was financially dependent on you.

If you don't make a nomination, your benefit will be paid to your dependents and/or your estate.

13. Why can an investment switch only be done weekly and why is there an approximate one week lag after an investment switch decision is made before the investment switch is affected? This results in significant market risk. Could ANZ Staff Super please enable daily switching with no time lag, please?

Yes, indeed. We look to have daily pricing introduced in 2024.

14. Could ANZ Staff Super please provide more detailed performance history of its investment options so that members can see more historical unit price and/or performance data over time?

Currently, only yearly data is readily available and more detailed price and/or performance data over time would be beneficial, including daily or weekly data and by selecting time periods over which to review the data. Could this please be provided in easily downloadable format?

We provide yearly returns for the last 10 years on your annual statement, and we include them in the Annual Report. Historical unit prices are available on the website as far back as 2001.

15. Could ANZ Staff Super please provide the composition of its investment options split into asset classes and fund managers and the performance of each in detail?

Our performance holding disclosures are indeed available on our website. In there is a listing of each of the investment options investments held by asset class. Including performance of each manager in holding disclosures is not something we would consider nor as a rule do other funds. To do so could lead to potentially commercially sensitive information being released, resulting in unintended consequences.

I direct members to page 15 of our Annual Report that also lists our investment managers and the asset class they invest in.

16. Why does access to account availability keep dropping out?

Our website host told me that website availability over the last 10 months was 99.45%, which on the face of it seems a pretty good outcome, but we'll reach out to this member to get more info so that we can diagnose the issues that they've had.

17. Is there any consideration being made to changing investment switching from weekly to daily?

Yes, indeed. 2024.

18. Please rate how the superannuation fund performed in terms of annual return on investment compared to other funds and industry benchmarks. How does ANZ Staff Super intend to improve the fund's performance in the forthcoming reporting period?

Over the last 10-year period to 30 June 2023, we achieved first quartile for aggressive growth and cash and second quartile for balanced growth and cautious. More importantly, we continue to comfortably exceed each of our investment option objectives.

19. Is there a financial planner to review my Super and anything to put in place for retirement planning?

Yes, indeed. All members have access to general or limited personal financial advice about options available within ANZ Staff Super. You can call us over the phone and this is at no extra charge. Please call us on 1800 000 086 if you'd like to talk to a financial advisor.

20. How do we compare with leaders that win all the awards like Hesta, Australian Super, Aware, etcetera? A table would be nice.

Our performance stacks up against our broad group of peers. Some of the most prominent industry funds have been near the top of the rating surveys for some of the reasons we discussed earlier, including taking more risk, and having more illiquid assets, which didn't get devalued immediately, in line with equity markets.

The ATO's YourSuper comparison tool, on their website, list MySuper products, their performance and fee levels. When you open it up, you'll see it's automatically sorted on fees, with ANZ Staff Super listed second, with \$279 per annum in fees, only behind the Australian Retirement Trust, which is listed at between \$260 and \$425 per annum.

21. What is the outlook for full year – financial year '23, '24 and beyond?

We've seen significant increases in interest rates, and it remains to be seen how successful this will be in bringing inflation down, without leading to a recession. So far, this has been a painful experience, with many asset classes performing poorly across the industry, with interest rates rising.

Having said that, very low interest rates are not great for savers, which is what our members are, and for quite a while, we had interest rates below the rate of inflation. If inflation is brought under control, and interest rates stabilise at a level that is higher than the emergency rates we've seen over recent years, this actually could be quite positive for the long-term returns for members.

22. A member has asked a similar question to us last year, when will ANZ super fund have an app for easy access? Is there a further update?

Yes, indeed. We're looking to make available an app for members to use in 2024.

23. A member would like to know the process of transition to an annuity payment for those 60 plus years or more?

We don't have an annuity, as such, in our product offering. We do offer either a transition to retirement or an account-based pension with very competitive fees. Access to these will depend on whether you've reached your preservation age, and your current employment status. For more information, and the process to commence a pension, please call us on 1800 000 086.

24. How is ANZ performing in the market, and at what age can we access funds?

We've discussed performance pretty extensively, and, as I've mentioned with the last question, access to your super generally depends on whether you've reached preservation age, and your current employment status, however, there are some circumstances where you could access your super account earlier. For more information, give us a call.

25. Please provide a breakdown of asset classes invested into the aggressive growth investment option. Are instruments like derivatives included in here? Or where can one access this information?

On our website, on the section, view scheme documents, we have our portfolio holdings for 2022 that sets out that breakdown of asset classes by investment option. Now, as for derivatives, we don't directly invest in derivatives such as futures and options, but we do engage a specialist investment manager to use forward exchange, forward contracts for currency hedging.

In addition, investment managers may use derivatives in managing portfolios for us. Derivatives are used to reduce risk, reduce transaction costs, and as a really efficient way of gaining exposure to certain asset classes.

26. When will my super make up the funds it lost last year?

Pleasingly, in 2023, there's been a recovery in financial markets, and by 30 June the losses from 2022 have nearly been fully recovered.

27. What are the criteria to select a fund management panel? For example, performance, consistency, benchmark, etcetera?

The investment managers we appoint go through an extensive due diligence process, to ensure they have the appropriate skill and expertise. The due diligence also includes legal, tax and operational reviews. In addition, our asset consultant Willis Towers Watson, review the managers and take into account a range of factors, including the calibre of the people, the depth of the resourcing, strength of the investment process, performance culture, and alignment with the investors.

28. Detailed analysis of what rate of return the balance growth segment has achieved for the year ending 30 June '23, and why the achieved rate is not more than 10%, and where the achievement is, when compared to market leaders' rate of return?

As surveyed by Rainmaker, our balance growth option, after fees and tax, returned 8.04% for the year to 30 June 2023, whereas the market leader for that period topped the rankings with a 13% return, its larger weight to equities being a key differentiator. That said, our performance matched or bettered many funds.

29. Why are our returns consistently lower than industry average, like UniSuper?

As we've talked about, our performance stacks up pretty well against our broad group of peers. Some of the most prominent industry funds have been near the top of ratings surveys recently, for reasons discussed, including taking more risk, and more illiquid assets, which haven't yet been devalued in line with equity markets.

30. Can super be used to invest into a business? Also, can it be invested into purchasing shares, stock, on the stock market, via e-trade account, or individual choice?

Oh, look, I'd suggest you talk to a qualified financial planner if you want to discuss other options to invest your super.

31. Superannuation schemes from other countries, such as Canada, have invested heavily in Australian agriculture. Is there any appetite to apply the same thinking to investing long term in farming?

We're always looking at ways to diversify our portfolios, but currently, a direct Australia agriculture exposure isn't under consideration.

32. What is the best option, to go for highest return, but safer risk?

I can't answer question without giving advice. I'd remind members that they have access to general or limited personal financial advice about options available within the scheme. Give us a call.

33. How do you justify current executive remuneration in alignment to the Fund's performance and economic environment, noting several increases in the cash rates?

The management team are all ANZ employees. Our remuneration is decided in the same manner as other ANZ staff, taking into account performance and market competitiveness.

34. What are some of the future investment areas that members' funds will be invested in?

Our insurance strategy is formally reviewed on an annual basis, but we're constantly looking at alternative strategies as they arise, to ensure we're acting in members' best financial interests.

35. Is ANZ developing a user friendly app for ANZ super?

Yes, indeed. We plan to release it in 2024.

36. I have been exceptionally loyal to ANZ, even once I moved to other banks, albeit the past few years have been quite dismal and disappointing, whilst other super funds have outperformed ANZ and under the same risk and investment strategies and categories. I still have my accounts at ANZ for over 30 years, including shares and mortgage.

I hope I'm able to attend this meeting. I have already spoken a few times to the super customer service, which does not represent much, and the outcome is not at all convincing. I do not feel that ANZ is well desired in the industry, given the unsatisfactory performance of the fund, albeit still making billions in profits.

I think is more a comment than a question, but we thank the member for your observation.

The following questions were submitted during the meeting:

37. Approximately what percentage of the aggressive option shareholdings would be the high performing tech stocks, like Meta, Microsoft, Apple, etcetera?

That's an excellent question, and one that I'm going to take on notice, and put, with our responses, on the website, over the next month.

ANSWER: "Our Aggressive Growth Investment option has a 41.6% exposure to international share spread across passive and active strategies and our active exposure is currently overweight technology. As a result, the option's weight to the information technology section through global equities is around 10%, with over half of this coming from Apple, Alphabet, Meta and Microsoft. We also have smaller exposures in our emerging markets and Australian equities portfolios to companies such as Samsung, Taiwan Semiconductors and Block."

38. Each year I ask the same question. When the fund will be open to our other family members, beyond spouses?

At this stage we did some investigation some time ago, to see if we could expand into allow other family members to join the fund. Unfortunately, it was too cost prohibitive, to set up additional options. So, we didn't proceed, and we'll keep an open mind, but it's not likely to be something we move ahead with over the next couple of years.

39. Are the three management staff noted employed by ANZ, and do they work exclusively for ANZ Staff Super?

The three of us that are listed, and are the responsible managers, 95% of what we do is for ANZ Staff Super, with a small percentage of activities we do for ANZ, but keen to point out that that which we do for ANZ Staff Super is paid for by ANZ Staff Super, and when we work for ANZ, ANZ fund that amount.

40. Does the fund provide members access to financial planners to assist with planning issues?

Oh, most definitely, yes, and we would love our members to avail their services more often, so, please give us a call, if you'd like advice with your holdings on ANZ Staff Super.

41. The Staff Super website is in need of an update - basic features like graphs for balance changes, are there updates planned?

Yes, indeed. With our transition of administrator, we'll also be getting a refresh to the website out of that, so, keep your eyes open for changes over the next six to nine months.

42. Is there a presentation that accompanies the discussion, as I don't see anything other than a static page?

No, this is largely a video event, but we will provide a detailed set of minutes and a video of the event, plus a transcript, as well, for you to review afterwards.

The following questions were answered after the meeting:

43. Are we keeping up with the swift changes in the market and investing sufficiently into Artificial intelligence (AI)?

We are always monitoring the economic landscape to ensure that our portfolios are well-placed to deliver returns to members. We also employ active managers who are able to react quickly to reposition their investments in response to changing market conditions.

Through our passive equities investments, we have broad exposure to Australian and global equities markets, meaning we are well placed to benefit from improvements in artificial intelligence through both the technology sector itself and the potential economy-wide improvement in productivity that artificial intelligence could provide. In addition, our active equities managers are looking to find the best opportunities through individual companies, while being mindful that hype around AI could lead to inflated prices for some companies/sectors.

44. Not a question but well done to you and the team!

Thanks for the feedback

45. What differentiates ANZ Staff Super from other funds? Excluding performance, in what ways is it a better fit for ANZ staff?

The key difference between ANZ Staff Super and other Super funds in that it is run by ANZ Staff who have an intimate knowledge of the needs of ANZ staff and easy access to members to road test ideas, while at the same time ensuring that the 'value for members' philosophy is maintained. The benefits of membership in ANZ Staff Super are outlined in the Employee Section in Detail PDS on our website.

46. The Member Login Member balance has at been incorrect on occasions. Is there an issue with the Member account details section of the website?

Our technical team are investigating, and we will reach out to this member to discuss.

47. I find it difficult to adjust my contributions via ANZ pay to maximise the concessional allowances - can the fund put instructions as to how to do this on its website.

Instructions for ANZ employees to start, amend or end voluntary contributions can be found on PeopleHub via this link https://anztech.service-now.com/esc?id=kb_article_view&sysparm_article=KB0556716

48. Where on the ANZ Super website are risk measures for each of the funds published?

Our 4 investment options provide a range of risk and return profiles that members may choose from. As noted in our earlier responses, we carefully consider the structure of our investment options to cater to the needs of our members and working for their Best Financial Interest. Members can have any combination of the 4 options we offer if you wish to customise your investment risk and return profile. The standard risk measures for Aggressive Growth, Balanced Growth, Cautious and Cash options (which are set out in our product disclosure statements), are 'High', 'Medium to High', 'Low to Medium' and 'Very Low' respectively.