

**Minutes of QSuper's Annual Members' Meeting,
held at the Brisbane Convention & Exhibition Centre,
Glenelg St, South Brisbane on Tuesday, 10 November 2020**



QSuper Trustees: Don Luke (Chair)
Bruce Cowley
Mary-Anne Curtis
Michael Drew
Walter Ivessa
Shayne Maxwell
Sandra McCullagh
Beth Mohle
Kate Ruttiman

Secretary: Trevor Golden (Fund & Company Secretary)

Apologies: Nil

In Attendance: Michael Pennisi (Chief Executive Officer)
Anne Finney (Chief Risk Officer)
Paul Landy (Chief of Transformation)
Jason Murray (Chief of Member Experience)
Karin Muller (Chief Operating Officer)
John Seccombe (Acting Chief Financial Officer)
Charles Woodhouse (Chief Investment Officer)
Wayne Cannon – State Actuary (Fund Actuary)
David Rodgers – Partner, Deloitte (External Auditor)
Megan Ashenden (Member Education Officer) – Event MC

Guests: QSuper members joined the meeting by video-conference

1. Welcome

The meeting commenced at 5:30 p.m. and Megan Ashenden welcomed everyone to the inaugural, QSuper Annual Members' Meeting. Megan introduced the QSuper Chair, Trustees and Executive Management in attendance and it was noted that if there was insufficient time to answer all of the questions, a full list of questions and answers would be published on the QSuper website in the coming weeks.

Megan noted QSuper's support for NAIDOC Week celebrations which celebrate the history, culture and achievements of Aboriginal and Torres Strait Islander peoples. Megan welcomed Shannon Ruska, a bloodline descendant of the Yuggera, Turrbal, Nunukul, Gorenpul/Cooperoo, and Yugembar peoples, to the meeting.

2. Welcome to Country

Shannon performed the Welcome to Country ceremony, acknowledging the First Nations people as the Traditional Owners of the land on which the meeting was taking place and paying deep respects to all Elders past and present and emerging. Shannon left the meeting at 5:40 p.m. at which time Megan invited Don Luke, QSuper Chair, to address the meeting.

3. Chair's Address

Don thanked members for attending QSuper's first Annual Members' Meeting and noted that QSuper only exists to serve members by helping them have the best possible retirement.

Don noted the incredibly challenging year and expressed his thanks to the many QSuper members who have served our communities so exceptionally over this time. He noted that in addition to health consequences, COVID has caused enormous economic dislocation in Australia and throughout the world and it has been an incredibly difficult time in investment markets. Don acknowledged the great deal of concern this may have caused members and noted that the Fund was continuing to invest members' money wisely and productively. It was noted that whilst these difficult markets have meant that investment returns have been lower than we would have liked, the Board and Management are immensely proud of how the investment team has navigated this crisis.

It was noted that members were seeking financial advice in different ways throughout the year and therefore QSuper altered its advice model to put more emphasis on a telephone response to members who wanted advice on their superannuation. It was also noted that Board and Management understand the importance of insurance as part of retirement planning and therefore QSuper had adapted its offering to meet new Government regulations and to make it more accessible to new members. Members were advised that in a year where having insurance has been more important than ever, QSuper claims paid over the last year have been much higher than expected, delivering benefits when they are needed most. It was noted that QSuper was awarded Pension fund of the year for the fifth year in a row and Superfund of the year from SuperRatings.

Don noted that superannuation is designed as a long-term asset, a means by which members can prepare for their life after work, during their whole working life. He noted that QSuper is members' partner in achieving this and that QSuper will serve members best if it achieves strong returns by being exceptionally competitive in international investment markets, minimising fees and by achieving excellence and scale in our operations. Don noted that the Board and Management continue to explore a merger with Sunsuper, however the merger would only occur if it is in the best interests of QSuper members.

It was noted that accountability to our members is crucial and that today's meeting adds another forum to the many QSuper already has, to educate members and talk to them about how their funds are invested, and how the Fund works to meet members' needs.

Don thanked viewers for their interest and support and welcomed Michael Pennisi, Group Chief Executive Officer, to the podium.

4. Chief Executive Officer's Address

Michael welcome everyone to the meeting and noted that it was great to have so many members taking such a keen interest in their retirement savings.

Michael noted that the past year had been extraordinary and unprecedented and that no one could have predicted what was going to transpire. Michael acknowledged the tireless efforts of many QSuper members who are the firefighters, police and emergency services workers who battled the fires in 2019 and earlier this year, our frontline nurses, doctors and health workers who have kept us safe from the Coronavirus and our teachers who have done such an excellent job distance learning with our children. To each and every one, Michael expressed a heartfelt thank you.

Michael informed members that the investment strategy QSuper put in place a decade ago had delivered over the medium to long-term and importantly through the volatile markets of the past eight months. It was noted that QSuper's strategy was built on feedback from members who told us that they are looking for solid performance, less ups and downs, a smoother ride with less uncertainty for their retirement savings. Michael was pleased to say that this has been the case.

Michael provided a summary of the year's investment returns and noted that this result sees QSuper again reinforce our position as one of the leading funds in the country and retains our position in the Top 5 performing funds in the country, with QSuper being awarded the Investment "Smooth Ride" award at the recent industry Superratings awards.

Michael advised the members that liquidity management had been quite topical in the broader press in recent months and he was pleased to report that this has not been a pressing issue for QSuper during these volatile times. He noted that the Fund has always proactively monitored and managed liquidity to ensure it remains strong and equipped to take advantage of market opportunities.

Michael also noted that it has also been a year that has seen us strengthen our focus on sustainable investing with the most visible outcome of this being the transition in-house of QSuper's Socially Responsible Investment Option. He noted that Charles would talk further about this shortly.

Michael then addressed QSuper's commitment to protecting our members noting that this year has seen QSuper pay over 7,500 insurance benefits, totalling in excess of \$350 million. Michael noted that we must never forget that these statistics are people – they are members and family members who rely on QSuper to provide financial security in their most dire times. He noted that an issue that the Board and Management is paying careful attention to is the fact that over recent years the number of members who need to rely on QSuper insurance, and who are receiving insurance benefits, is increasing quite markedly. It was noted that this is an issue being seen across the industry and is an area of focus for the QSuper Board with a program of work underway to review the appropriateness and costs of the current insurance suite and to consider the product of the future.

Michael noted that QSuper remains committed to ensuring that members are well served and receive very good value from their insurance in terms of both cost and level of cover. He noted that in light of the increasing insurance claims we have experienced, and the need to ensure that premiums are appropriate and sustainable for all members, in coming days the Fund will be writing to all members to advise that insurance premiums will be increasing from 1 January 2021 for many members. Michael assured members that this decision has not been taken lightly and that we only increase premiums to reflect the true cost of insurance aiming to ensure a fair and equitable outcome for members.

Reflecting on QSuper's role in protecting members, Michael noted that a significant additional risk is that members may run out of money during retirement or, as we quite often see, live quite frugally in retirement for fear that they will consume all of retirement savings prematurely. He noted that to address this risk, QSuper is working hard in the background to develop a product solution to provide greater confidence to members and to deliver an income stream such that they can have comfort that their retirement savings will be there for their whole retirement. It was noted that this product still has some way to go before any details can be shared, but that it is looking quite promising.

Michael noted the importance of ongoing investment in technology and cyber security to ensure that services can be maintained in the event of unplanned events and that your personal details and your savings are protected. Michael noted that the significant investments QSuper had made in these areas over recent years have served our members extremely well.

Michael also noted that QSuper has always been a leader in providing services, member seminars and advice to its members and our investment in services continued this year with a number of innovations including the release of our new QSuper app. It was noted that as COVID evolved earlier this year, QSuper responded quickly to our members seeking more advice and reassurance. In a matter of weeks, together with QInvest we pivoted our financial advisers to provide more immediate, accessible and focussed advice on QSuper. Michael noted that more than 19,000 members received advice in the 2020 financial year. He also noted that this change in member needs played a part in the difficult decision to change our financial advice model by expanding phone advice services and ceasing our comprehensive advice service through QInvest. It was noted that as a result, more members will have more accessible and affordable advice on a range of topics relating to their superannuation including investment selection and switching and QSuper retirement and pension payments.

In closing, Michel noted that in these uncertain times it so important that we are able to rely on trusted institutions, those that have supported us through the good years and more importantly, those that will continue to be solid and strong institutions when the going gets tough. He further noted that is the role he sees that QSuper plays, having been the members' fund for over 100 years and the decisions we make today are for the long-term benefit of you, our members.

Michael closed by saying that the trust you afford us is the reason we do the things that we do and we will work hard to continue to repay that trust for many years to come.

Michael welcomed Charles Woodhouse, Chief Investment Officer, to the microphone.

5. Chief Investment Officer's Address

Charles thanked members for their interest in how the Fund is operating to serve their best interests and for the ongoing support of a strategy QSuper believe continues to deliver for members.

It was noted that we have come through a turbulent year and face the prospect of more turbulence both at home and in the rest of the world, as the impact of the pandemic and other political shifts flow through the value of investments, their earnings and ultimately our superannuation balances.

It was noted that QSuper's objective has been, and continues to be, to offer members assurance through this turbulence, to give a "smooth ride" that can give members confidence that your retirement years can be your best years.

The meeting was advised that QSuper is in good shape, highly liquid and in a position to take advantage of investment opportunities that will arise from the shakeouts in markets around the world. It was noted that the current downturn is unlike others in living memory in that it is simultaneously universal – not just an economic downturn, but a downturn determined by a health issue that remains unresolved. It was also noted that the rebound in markets since their fall in March – the V-shaped recovery – has been driven by unprecedented levels of debt-funded government stimulus which is not sustainable and this points to lower levels of economic growth, hence lower investment returns, over the foreseeable future.

Charles noted that although QSuper's Balanced fund ended the year lineball with where it started, it achieved a better than many of our competitors, and that we have preserved your capital through a volatile period. It was noted that this was achieved by sticking with our strategy which promises diversification across asset allocations and asset classes. Charles stated that this has seen us need to react quickly to adjust our tradeable holdings while also keeping a close eye on the valuations of our long term unlisted assets which provide the ballast in our portfolio. Some of those, such as airport interests, have obviously been affected by the slowdown of travel caused by COVID, but the Fund is confident their value will begin to recover as the world either learns to live with the risk of COVID, or a vaccine or more effective treatments are developed and deployed.

It was noted that QSuper's most high-profile airport, Heathrow, has advanced plans on how it will rapidly recover when travel recommences and that some of our other unlisted assets, such as energy facilities, are unaffected by the virus. Charles informed the meeting that some of our real estate, such as office buildings leased to quality technology tenants, have had their values enhanced. It was noted that the QSuper Board and Management has ensured valuations across our assets are current and are reflected in published unit prices. It was also noted that we came through the worst of the year's financial volatility, highly liquid, even allowing for the cash drawdown required to meet the needs of the early release scheme designed to help members in need of financial support.

Charles stated that the challenge over the coming year will be to find assets that can go near to matching the return levels we have achieved over the past five years and that Management sees evidence of opportunities arising, noting that members can be assured that we will approach them with the same rigour we have applied to all our previous investments. Our investment decisions will be guided by the quest for strong, stable returns and they will be supported by the reputation QSuper has built as a patient and supportive investor strongly sought after by innovative partners.

Charles noted that during the last twelve months, the Fund had successfully transferred management of our Socially Responsible Investment option to an in-house capability based on the belief that we could replicate the skills applied in the rest of our portfolio in an option which had been outsourced. Charles informed members that it is differentiated from other such options by its focus on proactively choosing investments with a positive social outcome, not just eliminating those seen to have a negative impact, including holdings in renewable energy investments, healthcare holdings and a growing portfolio of green bonds. Charles noted that QSuper is active in its stewardship program to encourage businesses we invest in to both understand and act on their environmental impact, and that we are in the process of developing a full Environmental, Social and Governance framework which will guide how the fund deals with these issues well into the future. It was noted that members can be assured that QSuper will step through this carefully, recognising your interests come first and recognising that sustainable investment is wise investment.

6. Member Question & Answer Session

Megan thanked the speakers and noted that the panellist would now begin answering member questions. It was noted that the panel would be endeavouring to answer as many questions as possible and that a full list of questions and answers would be made available on the QSuper website in the coming weeks. Megan read each of the questions and invited a panellist to respond:

Q1. "What is happening about the proposed merger between QSuper and Sunsuper? Is it going ahead or has it been abandoned and why is it proceeding or not proceeding?"

Don noted that a significant amount of hard work had been done over the last six months on high level due diligence to determine if there is anything that would prevent a merger. It was noted that this work progressed until about August or September, and both QSuper and Sunsuper decided that we would continue to engage with each other in relation to the merger.

It was noted that we are currently in the midst of quite detailed due diligence and over the next few weeks we'll be completing a very detailed business case that highlights the costs and the benefits of the merger, and so we'll be considering that in the next few weeks. That will then be refined and we would expect in around about two months, maybe even up to three months, to have made our decision on whether the merger will proceed or not.

Q2. "Does or will QSuper ensure that it doesn't invest in fossil fuel?"

Charles noted that the answer to that question is there are a range of different options that QSuper has and that we always invest, mindful of the sole purpose test, and that is to invest in members' best interests. Some options, like the socially responsible option, focus on investments in things like clean energy, where there's a more proactive approach to investing in investments that have a positive impact from a climate perspective. It was noted that from a general perspective, what QSuper has done through the establishment of our climate change policy, is to make sure that climate change risk is one of the risks that is incorporated into our investment decisions. So this would consider things like transition risks, such as a carbon pricing scheme, or whether that's incorporating physical risks like increased weather activity around some of our assets.

Don noted that the Board has become very involved with the Investment Team in relation to climate change and, in fact, in relation to all of the Fund's ESG obligations and we are very passionate about this. Don invited Walter Ivessa, Chair of QSuper's Investment Committee, to comment.

Walter noted that the Investment Committee and the Board has given a lot of thought this year to our policy approach to climate change risk and we see climate change risk as an investment risk that can impact the achievement of our investment objectives for our members. It was noted that as a Board, we believe that the transition to a low carbon world economy, as envisaged in the Paris agreement, is necessary to address and manage climate change. Walter noted that the transition to a low carbon economy poses a number of risks to businesses across the world as well as the physical risk from climate change that can impact assets that we invest in. So our strategy is very much built around understanding those risks, understanding climate change risks and the focus of our climate change policy is to make the best possible investment decisions, using the best possible information around climate change risks and how they might impact our portfolio.

Walter informed the meeting that QSuper's Investment Team tasked with better quantifying, better measuring, better assessing the impacts of climate change on our portfolio and that will inform the way that we manage climate change risk in our portfolio. It was noted that the way we can manage climate change risk in the portfolio can range from engagement with the companies that we invest in, with the asset managers that look after our specific investments, to understand their individual strategies for managing climate change risk and how they're going to manage their businesses in the transition to a low carbon economy. Walter noted that these were some examples of the approach but that it can go as far as potential divestment, or non-investment, if we consider that the balance between risk and return is unacceptable. In conclusion, Walter stated that importantly, the Board's primary focus is to manage climate change risks in ways that can best achieve our long-term investment returns for you, our members.

Q3. "Can you please provide the rationale for discontinuing full service financial planning services via the QInvest division of QSuper."

Michael noted that this was quite a difficult decision for the Board and Management given QInvest has been part of the fabric of QSuper since 1994, delivering comprehensive advice to members.

Michael informed members that consideration had been given to: What is the right thing for members? What are our members seeking? What do our members need? And what is the right course of action for every member of QSuper?

It was noted that the demand for full comprehensive advice had been decreasing over a number of years and that members were telling us, by their actions, that they were seeking a different type of advice. It was also noted that demand for more specific QSuper services was going up and we had been delivering that for a number of years. Michael advised members that when COVID occurred, we saw that change in behaviour and an exponential change in demand. Therefore, after a review of the whole business where we considered all the things just mentioned and also the fact that the cost of providing comprehensive advice was rising significantly, we wanted to make sure that at all times we provide the advice services, compliant with the laws and in the best interests of our members. Michael noted that when the Board and Management weighed up all of those, the benefits to our members, the demand, what our members needed and the cost of providing that advice, given that a portion of that is contained within your administration fee, we felt that the best course of action was to enhance the amount of services in terms of Intrafund or QSuper specific advice, do that at no cost to our members and that was going to be of greater benefit to our members. A very difficult decision but a decision that Michael noted the Board and Management are very comfortable with one that demonstrates QSuper acting in members' best interests.

Q4. "Is market volatility behind us or will it persist with the US election being legally challenged?"

Charles noted that he expected the risk to market volatility to go beyond the US election and that trade tensions with China are also an on-going concern. He noted that we are in the middle of one of the sharpest contractions of world economic growth in modern history and that this has been responded to by unprecedented levels of stimulus. It was also noted that there is both the application of that stimulus and then the tactful unwinding of that stimulus, so he does expect future market volatility. Charles advised members that the positive in that is that QSuper's strategy is set up in its more diversified way to be more robust to that volatility, irrespective of what the drivers are and that the strategy performed well through the COVID crisis, even though we didn't anticipate the COVID crisis.

Charles also noted that volatility isn't always a bad thing, in that it also provides opportunities, so in this current crisis, as equity markets pre-crisis were at quite high levels, QSuper had built up a bond portfolio which is quite responsive in terms of generating positive returns in these short-term market shocks. He noted that as the equity markets moved down, those bonds rallied very, very strongly and QSuper was able to take profits in those bonds and then buy equities at cheaper prices which then generated strong returns for members when those markets recovered. Charles noted that whilst volatility can feel uncomfortable, it can also present investment opportunities that the Fund can take advantage of.

Q5. "Do QSuper members get to vote on any merger with Sunsuper, if QSuper want to go down that path?"

Don informed the members that the Trustee role is a very onerous role and a role requiring Trustees to act in members' best interests. He noted that if a merger was to go ahead, the QSuper Board would have to be absolutely convinced that it would be in the best interests of QSuper members. It was also noted that one of the reasons the Fund is spending such a lot of time doing so much detailed work in looking at the merger, is because the Board and Management are looking at just about every aspect of QSuper, and every aspect of Sunsuper, to determine what the real benefits would be for members – from our point of view it's QSuper members, from the Sunsuper Board it's Sunsuper members – to determine whether that is in your best interests.

Don noted that this included looking at things such as: What would the services be? Would the services be enhanced? Would members get increased opportunity to have a better retirement income and better retirement living? Would investment returns improve? Would the cost of services come down? Don noted that the Board and Management interrogate all of those issues but it is up to the Board, acting in members' best interests, to determine whether or not the merger should go ahead.

Q6. "At an online seminar on the 1st of September, the development of a lifetime pension offering was mentioned. Is this available yet?"

Michael noted that the simple answer is no, it's not available just yet, however work was progressing to make sure that the Fund can firmly stand behind any product that it brings to you, our members, and that there is still some work to do. Michael informed members that we absolutely believe that there is a place for our members to get a more reliable income stream that they may be able to use with a QSuper income account and they may be able to get benefits from the pension. He noted that will be a little while longer, but as soon as it is available we'll be telling you, our members.

Q7. "Does QSuper still have sufficient buffer investments to cope with any future volatility of markets?"

Charles noted that QSuper's bonds investment had really filled their purpose in the portfolio but given where yields have fallen in some of those countries, we've effectively reached lower bounds for many of the fixed interest investments that we use in many different markets. Charles also noted that with respect to the lower bounds he referred to, he believed they are at levels where there is less ability for bond prices to rally, should equity markets have a sharp downturn. He noted that Management has been working with the Investment Committee to try to identify other diversifying investments that QSuper can make and we are actioning some of those right now to try to find other investment opportunities that will still generate long-term return, but can help provide some of that diversification or cushion when equities, which is still the largest risk allocation we have in the portfolio, albeit a lot less than most funds would hold, can still provide that cushion when we have those sharp equity pullbacks.

Q8. "Does the Board and QSuper have a proactive policy around diversity, gender, cultural and so on, so that the senior positions are representative of the diversity in our community?"

Don noted that QSuper does have a policy and that the Fund is very keen on diversity and this includes reporting to the Board on these matters. He noted that QSuper has a passion for diversity in all its manifestations, gender diversity, cultural diversity, diversity of different thoughts and ensuring that everyone is listened to. Don invited Beth Mohle, Chair of QSuper's People and Nominations Committee, to comment.

Beth informed members that we firmly believe that you get much better outcomes if you have a diversity of thought and opinion, and that's something that we're really concentrating on with our People and Nominations Committee which has been re-structured this year. Beth noted that you can see from the representation on the Board we've got almost equal gender representation on the Board, and we've got a diversity of thought from the different backgrounds of people who are on the Board. She also noted that there are union nominees, people who have very significant investment and academic backgrounds, and a whole lot of other perspectives that people bring to the Board. It was noted that QSuper also has gender diversity in relation to our Executive Team and Beth commented that the Board and Management are not afraid of actually having difficult conversations. That's what we do as a Board and it's something that we take very, very seriously.

Q9. "Recently the Queensland Government Treasurer announced that QIC would invest 400 million of our super in encouraging Virgin Airlines to remain in Brisbane. Is this a wise use of our hard-earned super?"

Charles responded noting that the answer to that question is, it depends on your objectives. He noted that QSuper, as a fund, did not consider an investment in Virgin and that was strictly because

we looked at our policies, which are set with the Board, and we looked at the different investment opportunities and we very methodically looked through the characteristics of those investments and where they stack up, relative to the other opportunities that we have going forward.

Charles advised the members that QIC would be investing on behalf of other clients that have other objectives, and so to answer the question as to whether it was a wise investment to pursue for QIC, it would be necessary to know what the objectives are for the clients that they were looking to invest. He further noted that from QSuper's position, we are quite disciplined about the investment policies that we work and establish with the Board and the Investment Committee that allow us to exercise that discretion, really around the objectives that we're looking to achieve on behalf of our membership for those particular asset classes.

Q10. "What is the impact of a hard Brexit on QSuper holdings?"

Charles stated that QSuper holds a very diversified portfolio and that we are much more evenly spread across country exposure than most investors. He noted that QSuper does have some significant investments in the UK, most notably Heathrow Airport.

Charles commented that the airline agreements that can influence traffic with an asset like Heathrow are actually set under other arrangements, and so the management of Heathrow and the airlines took the step pre-Brexit of negotiating many of those arrangements. He noted that there are 17 or 18 different arrangements, specifically between the UK and the EU that needed to be re-established and renegotiated such that air travel could still continue back and forth, so with respect to the various assets that we have, we are assessing that with respect to each asset. It was noted that most of the traffic that comes through Heathrow is really international traffic rather than the domestic or short haul traffic that goes back and forth between the UK and the rest of Europe.

Charles noted that the Investment Team consider investments on an asset by asset basis for QSuper's unlisted assets and then assess them on a broader scale in terms of what the potential implications could be.

Q11. "What measures does QSuper have in place to ensure that members' personal identity is not stolen or used by scammers to access QSuper accounts?"

Anne Finney (Chief Risk Officer) noted that QSuper has a number of measures in place to protect members. She noted that if a member calls into the Contact Centre, our staff verify the member's identity through a number of personal identifying factors and there are also a number of measures in place if members log in through Member Online. Anne advised members that this is an area where QSuper is continuing to invest as the Fund is quite conscious that the maturity of the scams improve each year, so QSuper also needs to continuously improve.

Q12. "What ultimate gains are you expecting from a potential merger with Sunsuper? Is it about size and scale?"

Don reinforced that the Board will be looking at what is good for members and that scale and size is important, but what is much more important is what benefits do people get in the long run. For instance, if by coming together Charles and his team can get better access to different investments, if we can reduce the costs of investments and work through that, that would be good for members. He further noted that if by joining together IT systems and being able to invest more into the future, to be able to provide our members with better ways of linking with us, with better ways of engaging, with better ways of getting advice about how best to proceed with your superannuation and through your retirement, that would be greatly beneficial. Don noted that the Board would be looking to what the two organisations can bring together to do something quite extraordinary.

Don advised members that QSuper and Sunsuper are both funds that are in the Top 10 funds in Australia by both size and performance. He noted that both funds are highly awarded by independent third party organisations for doing something very substantial for their members and so what the Board is looking at is, by coming together, can we do something that is truly extraordinary. Don informed the meeting that the Board and Management are still testing that and would only proceed with the merger if we are acting in the best interests of QSuper.

Q13. "There is a lot of concern regarding the heat in various asset markets, cessation of government stimulus and financial safety nets for struggling companies and individuals set for early next year, so it's a perfect storm maybe. What is QSuper's outlook for next year with these clouds gathering?"

Charles confirmed the uncertainty that is being faced in markets and noted that it is one of the reasons QSuper pursues the strategy that it does. He stated that we have seen a lot of uncertainty in markets over the years, and really since the Global Financial Crisis and that it why the Fund has pursued that strategy of being more diversified across a range of different asset classes – so that if one or more of them is impacted in some way by one of the decisions, for instance, the removal of stimulus, QSuper tries to find other drivers in that portfolio that can help get members the return objectives for that particular investment option.

Charles noted that while the US election may or may not be resolved, recently, just overnight, we had the announcement that there may be a vaccine for COVID-19, so some of the uncertainties that we face today may get resolved, but there are a number of different factors that we see out there in markets, including the over-heating of certain asset classes and certain valuations in some of those asset classes, but the QSuper Investment Team operates dynamically in that way.

He noted that QSuper takes those valuations into account and the Trustees and the Investment Committee give Management the flexibility to adjust QSuper's positioning in some of those asset classes through dynamic asset allocation to reflect our views on valuations in some of those cases. So it's both a dynamic approach, in terms of the environment that we see ourselves at any point in time, but it's also a recognition that there's a lot of uncertainty out there in investment markets and so we need to pursue that strategy of diversification and we will do so.

Q14. "Are the Federal Government measures to identify and report on underperforming funds likely to encourage short-termism or other undesirable factors in fund investment strategy, and do you see any impacts on QSuper with the Federal initiative?"

Michael noted that QSuper supports any policies that are going to deliver better outcomes for members, and that's not just QSuper members, that's members in the whole industry. He noted that the proposals that have been put forward have not yet legislated, however the Federal Government has been very clear about what it wants to achieve.

Michael advised members that there is an opportunity for QSuper to play a role in perhaps helping the Government to understand where the initiatives can be improved, in order to deliver probably a little bit of a better outcome, and as one of the largest funds in the country, QSuper is often asked for its opinion.

In terms of the question, is there going to be an impact on QSuper, Michael noted that he would stand behind our strategy as being a strategy that has been designed for QSuper members and that it has delivered long-term benefits, so he was not concerned from that perspective. However, one of the things that we see when we look through it is that it is a bit unclear how it may deal with life-cycle funds, which might apply to QSuper Lifetime.

Michael also noted that the other point that we would raise would be if we are going to look at returns, what we want to do is make sure that the benchmarks are the right benchmarks. That you're comparing it to the right thing. Michael noted that the Government has proposed a long-term horizon, which is a good thing, but that is something that we would be open to discuss. He noted that it is important that all fees are taken into account, that fees matter and it is not just one fee it is the total fee that comes off your account, and as you invest through your life it can make a big difference. He also noted that it is actually okay to pay above average fees if you are getting an above average return over the long-term, so it is important to take total fees into account.

He noted that the Board and Management is want to ensure that the comparison is done on a risk adjusted basis, so making sure that we are comparing like with like. Michael noted that they are some of the things that we are thinking about and if we get the opportunity, as we often do, we will be raising those and entering into a productive debate with our counterparts and the Federal Government who are always keen to speak to QSuper and other funds.

Q15. "Can you provide details of the considerations or policies that your fund managers use to guide investments in the socially responsible portfolio?"

Charles noted that QSuper's Investment Team looks at investment managers and considers how they manage ESG, and that is across the whole range of QSuper's investment manager suite. He noted that in the Socially Responsible option, in particular listed equities, the Board and Investment Committee nominate a specific index that Management use to invest and the manager then passively invests against that index. In other areas, for instance in green bonds, these are bonds that are brought to market specifically to invest in investments that support clean energy development, and so those green bonds we do look at the fund managers, how they source those investments but, again, the mandate is very tailored around a specific type of investment that fits within our appetite for inclusion in the Socially Responsible option. He noted that in other areas, when we start moving into the unlisted asset classes and private equity, it is again, alignment with the kinds of positive investments that our members have told us that they want us to prioritise. Charles advised the members that the Investment Team is exploring larger investments in the infrastructure space as these would be very attractive from a diversification perspective. He noted that QSuper has made a few infrastructure investments through our private equity program, but QSuper has a number of managers that for the broader Fund, that invest in assets that produce renewable energy, so we are trying to figure out ways that we can get some exposure to those assets, through those investment managers, into that particular option. Charles advised that QSuper has re-structured the Socially Responsible option but the way we look at it is really a continuum about continuing to pursue that strategy of diversification and bring those other good diversifying asset classes in, in a way that's consistent with member expectations, in terms of how those moneys are invested.

7. Concluding Remarks

Megan noted that the meeting had reached the end of the allocated time and she thanked members for the large number of questions that had been sent through. She noted that a few questions had been received about the lapel pins that panellists were wearing and commented that they represent the key pieces of QSuper's Reconciliation Action Plan artwork including a worker bee, which represents the QSuper Team, and a wild flower, which represents QSuper members and shows our commitment to the First Nations peoples.

Megan reminded members that a video of the meeting would be available on the QSuper website in the coming weeks along with the minutes of the meeting and a full list of members' questions and QSuper's responses.

Megan thanked everyone for attending and closed QSuper's inaugural, annual members' meeting. The meeting closed at 6:35 p.m.



Don Luke – Chair, QSuper Board
1 December 2020