BEST SUPERANNUATION PTY LTD
ABN 57 070 732 008, RSE LICENCE NO. L0001939, AFSL 530672
AS TRUSTEE FOR THE GOLDMAN SACHS & JBWERE SUPERANNUATION FUND
ABN 55 697 537 183, RSE REGISTRATION NO. R1005271
MINUTES OF MEETING OF THE THIRD ANNUAL MEMBER MEETING
HELD VIA VIDEO CONFERENCE
ON WEDNESDAY 15 MARCH 2023 AT 12:30PM AEDT

ATTENDANCE AND APOLOGIES

PRESENT	MS. A MANNING – CHAIR MR. B JONES – DIRECTOR MR. C SMYTH – DIRECTOR MR. G VON WOWERN – DIRECTOR MR. J VAIS – COMPANY SECRETARY MS. M MURATORE –DEPUTY DIRECTOR MR. P SUNDBERG – DIRECTOR MR. S TOLPINRUD – DIRECTOR
APOLOGIES	Nil
IN ATTENDANCE	MR. A CHAN – RSE ACTUARY, WILLIS TOWERS WATSON MR. G SAGONAS – AUDITOR, PWC MR. R HASLAM, SECRETARIAT OFFICER, MERCER MS. C TODHUNTER – DEPUTY FUND SECRETARY, MERCER MR. A SCHIAVO – FUND SECRETARY, MERCER MR. J CAMILLERI – RISK AND COMPLIANCE OFFICER, MERCER

1. WELCOME TO MEMBERS

Welcome to Members

Mr Anthony Schiavo, Fund Secretary, welcomed members to the third Annual Member Meeting (AMM) held by BEST Superannuation Pty Ltd (Trustee) as trustee of the Goldman Sachs & JBWere Superannuation Fund (Fund). Mr Schiavo advised the following:

- The meeting would be recorded and made available to members on the Fund website;
- Questions not answered during the meeting would be published on the Fund website within twenty-eight days;
- Members are able to ask questions during the meeting via the online Q&A function; and
- Questions that relate to personal circumstances would not be answered live, however members are encouraged to contact the Helpline or the Fund website for further information.

Director Introductions

Ms Angela Manning, Chair of the Trustee Board, introduced each member of the Board and other service providers to the Fund present at the meeting.

2. CHAIR ADDRESS

Chair Address

Ms Manning provided a brief background to the Fund:

- Our approach is to be driven by members' best financial interests and high quality risk management;
- Governance structure: three employer-appointed and three member-elected Directors;
- All Trustee board members are members of the Fund: aligned to our success;
- Investment, Remuneration and Audit, Risk and Compliance (ARCC) Committees support the Trustee board; and

- Fund utilises an 'outsourced' structure for all non-investment operational activities.

Ms Manning explained how the Fund is structured, highlighting the following:

- The Fund is made up of a combination of Goldman Sachs Australia and JBWere current and former staff;
- The Trustee Board is made up of three employer representatives and three employee representatives, both from Goldman Sachs and JBWere;
- All Board members are also members of the Fund;
- The operations of the Fund are outsourced to external service providers that specialise in superannuation;
- The Board is focused on utilising its own expertise to maintain an effective governance structure and effectively invest member funds to achieve superior returns;
- The average account balance within the Fund is high compared to the average in other superannuation funds in Australia;
- Committee structures are in place to focus on investment management and audit, risk, and compliance; and
- The Fund is managed with members' best financial interests as a priority.

Ms Manning provided members with an update on the following matters:

- The Fund remains the #1 rated superannuation fund for investment performance over 15 years to 31 December 2022 (amongst Growth options);
- 2022 saw significant achievements for the Fund, including:
    - Continued #1 ranking for investment performance over 15 years (amongst Growth options)
    - Third place ranking in the all-important Pass/Fail APRA NIR test introduced last year
- Regulatory reform continued in 2022 – resulting in improved outcomes for members and greater accountability for super funds. However this does come with additional ongoing costs.

Ms Manning discussed the highlights for 2022, including the following:

- Quality governance and a high performing board is critical to our ongoing success;
- Focus was on continuing to deliver top performance in the context of further regulatory changes, including:
    - *Investment Governance*;
    - *Retirement Income Covenant;*
    - *Target Market Determination;*
    - *Portfolio Holdings Disclosures;*
    - *APRA data transformation;*
    - *Member Outcomes;*
    - *Non-Arms' Length Income Rules;*
    - *Financial Accountability Regime;*
    - *Trustee Indemnity;*
    - *COVID-19; and*
    - *Government's "Objective for super".*

Ms Manning then provided a summary of ongoing changes to the superannuation industry affecting the Fund:

- 2023 will see continued Government reform in the superannuation landscape:
    - Banking Royal Commission reforms have seen significant changes introduced to our industry; and
    - APRA and ASIC continue to closely monitor the superannuation industry and, in particular, underperforming funds.
- 2023 will see continued challenges in the wider macro landscape, including:
    - Market volatility;
    - Higher inflation and rising cost of living;
    - Industry consolidation (mergers);

    - Cyber risk; and
    - Climate risk.
- Focus remains on achieving competitive long-term investment returns for members and quality corporate governance – continue to review tactical asset allocation in light of recent market volatility with a focus on the long term.

3. INVESTMENT UPDATE

Mr Paul Sundberg, Chair of the Investment Committee, provided members with an update on investments and Fund performance, highlighting in particular:

- The Fund's overall investment objective is to generate a total net return of at least 4% above inflation over a rolling 10-year period;
- In the ten years to 30 June 2022, the fund returned 10.36%, with an objective of 6.3% (CPI +4%);
- The Fund placed 3rd over the Financial Year to Date, 7th over the five, 7th over the ten and 1st over the 15-year periods in the SuperRatings peer comparison rankings for growth options to 31 January 2023; and
- The Fund's rankings are reviewed regularly to assess where the Fund sits and how it may improve in line with its investment philosophy.

Mr Sundberg discussed the Fund's investment strategy, highlighting the following:

- The objectives and strategy are to provide a net return of at least 4% above inflation over a rolling 10-year period:
    - Level of risk appropriate to the investment of these assets is likely to remain within the range of 10% to 16% annualised volatility over a rolling 10-year period;
    - Objective to limit negative rolling 12-month periods to <6 in every 20 years;
    - Primary driver of performance is the asset allocation; and
    - Focus on quality growth and a long-term investment timeframe.

4. QUESTION & ANSWER SESSION

1. **There have been significant macro developments since the last AMM. Are there any notable changes to asset allocations?** (ANSWERED BY PAUL SUNDBERG)

   The short answer is no, not yet. Given the unclear nature of the world right now, we will stick to our lane. We have however increased our cash holdings, waiting for opportunities as they present themselves.

2. **We know many strategies have struggled to outperform because of an underweight exposure to energy. How have you been managing the energy exposure across the portfolio?** (ANSWERED BY PAUL SUNDBERG)

   Direct equity exposure to energy has been neutral for the majority of the past year. The Fund maintains a positive structural view on energy, following significant underinvestment in exploration in recent years.

   Whilst the Australian energy equity exposure was generally at benchmark weight for large caps, this was not the case for international equities.
   Accordingly, the super fund has decided to take action in addressing the perpetual underweight to the sector within the unit trusts held.

   This ETF seeks to track the investment results of an index composed of global equities in the energy sector.

3. **I would be most interested to know the tracking errors for each part of the portfolio please or whatever you consider appropriate as well as the portfolio turnover again as appropriate.** (ANSWERED BY PAUL SUNDBERG)

   Tracking errors in the direct equity portion of the portfolio has been at lower levels for some time, currently as at January it is ~ 2.2%.

   Most of the funds held in the BEST Super portfolio tend to be relatively benchmark agnostic in their portfolio construction. As a result, tracking error on an individual basis is rather elevated.

   To counter this, we blend complementary strategies to construct a profile that isn't at extreme levels away from benchmark weights (both at regional and sector levels).

   Despite this, we expect tracking errors to be relatively high through the cycle given the super fund's focus on generating absolute returns.

4. **For the last 10 years the reported asset allocation at 30 June has been in excess of 80% Growth assets. Similarly, the reported Neutral position has been in excess of 80% Growth assets. Can the Fund or Mercer explain what classification is used to define the Balanced Growth survey and why that survey is appropriate for a 80% plus growth asset fund? Given that the Fund Annual Reports show performance vs Super Ratings data, would the Super Ratings Growth assets survey be a better benchmark?** (ANSWERED BY PAUL SUNDBERG)

   The growth allocation in the Mercer Balanced Growth survey is 60%-80%. The current neutral position has 80% combined equities, 3% real assets, 10% credit, 5% cash and 2% uncorrelated strategies. If the Trustee were to classify everything other than equities as defensive then it could be deemed the Fund still falls between the 60%-80% range. It is obviously preferable to be near the top of this range for performance tables rather than the bottom of the next survey range. If the growth neutral allocation tipped over 80% then we would be recommending the Mercer High Growth survey (81%-100%) is used rather than Balanced Growth.

   The Super Ratings Growth asset survey is for the 77%-90% growth asset allocation range, which is where the neutral position sits. Therefore it is also a reasonable survey to use as well as the Mercer Balanced Growth survey. Either could be used as the "primary" survey comparison, but the Fund will normally compare better to the Mercer Balanced Growth survey due to the Fund sitting more at the top of the growth asset allocation range.

5. **Asset allocation – the permitted ranges for each asset class provided in the 2022 Annual Report are very broad, which suggests that in particular circumstances the Growth bias could be abandoned and a 60% defensive position adopted. Can the Fund provide examples of the circumstances that would prompt the Trustees to set the asset allocation at 40% Growth?** (ANSWERED BY PAUL SUNDBERG)

   To paraphrase, when would we go from 80% allocation to equities to 40%? This would likely occur only during a period of runaway inflation and interest rates at double digits. We have always taken a longer-term view to ride out the peaks and troughs.

6. **The Fund Election Rules information on the website sets maximum tenure for member elected directors at 12 years and employer appointed directors at 16 years (subject to limited exceptions approved by the**

Trustee Board). Has the "limited exceptions" provision been applied in respect of any current Directors, and if so, what were the exceptional circumstances? (ANSWERED BY ANGELA MANNING)

In short, yes. Back in 2019 we consulted with the regulatory body, APRA, on our policy regarding Board renewal and tenure, and developed a transition plan in relation to existing long standing Directors' tenure.

Our transition plan includes succession arrangements for two of our long-standing Directors, acknowledging that the loss of these Directors would have a material impact on the makeup and experience of the Board.

As such the "limited exceptions' provision has been applied to ensure relevant fund specific knowledge and corporate experience is maintained on the Board.

7. **Congratulations to the Trustees for the performance accolades reported in the Annual Report. The Super Ratings website currently shows the Fund as a Silver Award winner for 2023, with no awards for the 10 and 15-year performance. I would have expected a Gold or even Platinum award for a fund that continues to provide excellent long term returns, notwithstanding the poor one-year return (-6.4% compared with -4.0% for the median high growth fund, as reported by SuperGuide). Does the Super Ratings award come with any explanation of the lower than expected award and the apparent absence of any acknowledgement for the outstanding 10 and 15-year performance?** (ANSWERED BY ANTHONY SCHIAVO AND ANGELA MANNING)

   Great question. The Super Ratings assessment is based on a number of criteria used to benchmark a super fund's products against its peers – criteria such as investments, fees, insurance, member servicing, administration and governance.

   The process the Fund undertakes to be considered for a Gold rating is rather onerous as it involves providing a substantial amount of information to Super Ratings to inform their assessment – so we'll be considering the value in undertaking this process in future given the trustees obligations to act in the best financial interests of our members.

   We are not as focused on 'gold star' as we are on what the actual absolute return that hits members' accounts.

8. **Given the relatively small size of the Fund compared to some of the larger industry funds, has the Fund ever considered merging with a larger fund to improve scale?** (ANSWERED BY ANGELA MANNING)

   Generally speaking, those funds that are looking at their future have been forced to do so due to poor investment returns or because it was no longer sustainable to keep the fund running due to ongoing costs.

   We are in a relatively unique position in that we have been able to keep costs down whilst outperforming our peers on investment performance, despite not having the same level of scale as some of the larger funds. As such we are not on APRA's supervisory list and have not held discussions with the regulator about the future of the Fund.

   Whilst there are currently no plans for a merger, we of course always have members' best financial interests on our minds and should any of our circumstances change, we will consider appropriate action.

9. **There have been a number of changes to superannuation rules introduced by the Government over the past 18-24 months – are further changes expected?** (ANSWERED BY ANGELA MANNING)

   The pace of regulatory change over the past couple of years has certainly been significant, particularly following the Hayne Royal Commission into the Banking, Superannuation and Financial Services Industry. A number of changes were introduced to super which have improved outcomes for members and ensured that trustees remain accountable for their decisions.

   This year's program of work is expected to be fairly light on, although as I mentioned earlier we are currently awaiting final legislation on a couple of areas including the Financial Accountability Regime and non-arms' length expenditure.

   Given the support structure the trustee has in place, which includes receiving expert advice from our trusted partners, the Fund is well positioned to navigate the complexities of further change.

   QUESTIONS RECEIVED LIVE DURING THE MEETING:

10. **Could you comment on how we obtain the benefits of first class stock selection please? In particular how many stocks do we own in Aussie Equities and what is the average size of each holding compared with total fund assets, and therefore what is the potential for one top performing stock to contribute to overall fund performance?** (ANSWERED BY PAUL SUNDBERG)

    Paul advised that the head of the Australian Equities Working Group will provide a response outside of the meeting. This question can be found in an additional document on the Fund's website, alongside these minutes.

11. **As an alternative to merging, is there a potential for the fund to change the ability for retained members to continue to contribute to the fund after leaving either GS or JBW?** (ANSWERED BY ANGELA MANNING)

    This would change the very nature of the Fund and the trustee, so this would be difficult. One thing to be mindful of is that anyone making contributions to an external fund can roll in a balance from another fund into the Fund – without having employer contributions targeted to our Fund.

5. CLOSING REMARKS

Mr Schiavo thanked members and presenters for attending and reminded members that a recording of the meeting will be available on the Fund's website within 28 days, along with minutes and answers to all questions received for the session today.

MEETING CLOSED

The meeting closed at 1:30pm.