

BEST SUPERANNUATION PTY LTD
ABN 57 070 732 008, RSE LICENCE NO. L0001939
AS TRUSTEE FOR THE GOLDMAN SACHS & JBWERE SUPERANNUATION FUND
ABN 55 697 537 183, RSE REGISTRATION NO. R1005271
MINUTES OF MEETING OF THE 1ST ANNUAL MEMBER MEETING
HELD VIA VIDEO CONFERENCE
ON WEDNESDAY 24 FEBRUARY 2021 AT 10:00AM

ATTENDANCE AND APOLOGIES

PRESENT	MS. A MANNING – CHAIRMAN MS. S CAMPBELL – DEPUTY DIRECTOR MR. B JONES – DIRECTOR MS. M MURATORE –DEPUTY DIRECTOR MR. C SMYTH – DIRECTOR MR. P SUNDBERG – DIRECTOR MR. S TOLPINRUD – DIRECTOR MR. J VAIS – COMPANY SECRETARY
APOLOGIES	Nil
IN ATTENDANCE	MS. N CAMBRELL – KHQ LAWYERS MR. A CHAN – RSE ACTUARY, WILLIS TOWERS WATSON MR. G SAGONAS – AUDITOR, PWC MR. M SAMUELS – RSE ACTUARY, MERCER MS. C TODHUNTER – DEPUTY FUND SECRETARY, MERCER MR. B TULK – FUND SECRETARY, MERCER

1. WELCOME TO MEMBERS

Welcome to Members

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

- The meeting would be recorded and 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;
- 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 also introduced the Company Secretary, Fund Actuary, and Fund Auditor.

2. CHAIR ADDRESS

Chair Address

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

- The Fund is made up of a combination of Goldman Sachs Australia and JBWere current and former staff;
- The average account balance is high compared to other superannuation funds in Australia;
- The Board is made up of three employer representatives and three member elected representatives;
- The majority of Board members are also members of the Fund;

- The Board is focused on utilising its own expertise to maintain an effective governance structure and effectively invest member funds to achieve superior returns.

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

- The Board consists of two Goldman Sachs employer representatives, one JBWere employer representative, two Goldman Sachs member representatives, and one JBWere member representative;
- Some of the duties of the Trustee are delegated to the Remuneration Committee, Audit, Risk and Compliance Committee, and an Investment Committee which meet regularly;
- Legal, audit, administration, custody and insurance functions are outsourced to external service providers.

Ms Manning highlighted the following key events for the Fund in 2020:

- The Board focuses on maintaining high net returns after fees and tax for members;
- The Fund remains the number one ranked for investment performance over 10 years as at 30 June 2020 within the SuperRatings peer survey;
- The Fund is also ranked number one for all timeframes in the MySuper Heatmap net investment return survey;
- 2020 was a volatile period for capital markets both domestically and internationally – this included global health challenges and Government stimulus changes;
- The Fund successfully implemented the early access to super regime with minimal member withdrawals;
- An insurance re-rate was successfully negotiated despite a difficult insurance environment and premium increases in the market.

Ms Manning emphasised the high quality governance practices implemented by the Board in 2020, highlighting the following:

- The Board is composed of diverse and experienced members that are diligent in their decision making;
- A long term view is the focus for investment decisions – the Investment Committee met regularly in response to COVID-19 to ensure a strategic view of the market and identification of investment opportunities as they arose;
- Business continuity arrangements were put in place in March 2020 to ensure the Fund continued to function without any member impacts.

Ms Manning discussed the outlook ahead, highlighting the following:

- 2021 will be another significant year for superannuation reform;
- Continued implementation of the Banking Royal Commission reforms;
- The Retirement Income Review will occur;
- A new website will be available for members in the coming months with additional functionality and ease of transacting;
- The focus will continue to remain on achieving competitive long term investment returns for members and high quality corporate governance.

3. INVESTMENT UPDATE

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 ten year rolling period;
- In the ten years to 30 June 2020, the Fund has returned 9.6% pa compared to the objective of 6.1% pa;
- The Fund placed 4th over the seven, 1st over the ten, and 1st over the 15 year periods in the SuperRatings peer comparison rankings for growth options to 30 June 2021;

- 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 Fund employs a volatility range of 10% to 16% for investments and sets risk tolerances to guide allocation decisions;
- The primary driver of risk and return is the Fund's asset allocation which focuses on high growth and a long term investment horizon;
- Derivatives are used by the Fund, however they are only used to hedge;
- Flexibility within asset class allocation ranges allows a dynamic approach, depending on market conditions;
- The Fund holds a relatively high allocation to cash and fixed interest, given the current market conditions, however the Fund is able to re-allocate quickly given high liquidity.

Mr Sundberg discussed the process the Fund utilises to make investment decisions, highlighting the following:

- The Fund employs an Investment Governance Framework and the Investment Committee meets monthly to review the portfolio;
- Appropriate benchmarks, risk limits, and asset allocation tilts are reviewed regularly;
- The investment governance structure is extremely valuable as it allowed the Fund to remain disciplined during the market crisis in March 2020 – the Investment Committee met weekly and market entry limits were set in line with the long term focus;
- The Investment Governance Framework, in addition to operational efficiency, regulatory oversight, and audit functions, ensures the portfolio is managed appropriately.

Mr Sundberg discussed the factors that have driven the Fund's outperformance, highlighting the following:

- A long term view is adopted that is biased towards quality equities and quality fund managers;
- The Fund is active with tactical tilts, however day trading is not a strategy that is employed;
- The Fund draws upon the Goldman Sachs and JBWere expertise to provide further views on investment decisions;
- Australian equity decisions are informed by the Australian Equities Working Group, made up of advisors from Goldman Sachs and JBWere;
- International equity exposure is primarily through managed funds and informed via research from the JBWere Investment Strategy Group;
- Looking forward, the Fund continues to look for new opportunities to maintain returns in public and private markets, while maintaining sufficient liquidity.

4. QUESTION & ANSWER SESSION

Mr Tulk concluded the formal part of the meeting and invited members to engage in the question and answer session, noting that similar questions received during the registration process were grouped together to be able to provide more comprehensive answers.

Mr Tulk advised that the Fund will contact members directly regarding questions that relate to their personal circumstances and all general questions and answers will be available on the website within twenty-eight days of the meeting.

The summary of member questions is below:

1. Does the Fund participate in stock lending?

Mr Sundberg provided the following answer:

- No, the Fund does not participate in stock lending.
- 2. Can you talk about some of the attributes driving the long term performance? What do you see as the key risks and what are you watching for in the next 12 months? How are you managing for these risks?*

Mr Sundberg provided the following answer:

- The Australian equities performance is monitored against market movements, such as the ASX. The Australian Equities Working Group has consistently outperformed. If Australian equities underperform, this is reviewed by the Australian Equities Working Group and the Investment Committee.
- International equities are monitored against the MSCI All-countries benchmark. International equities are regularly discussed in response to market conditions.
- Attribution performance for equity investments is reviewed regularly.
- Risk is managed by adhering to the Investment Governance Framework and remaining flexible in making allocation decisions as opportunities arise.
- 3. Can you explain how the Fund manages ESG in relation to its portfolio?*

Ms Sally Campbell provided the following answer:

- Incorporating Environment, Social and Governance (ESG) considerations into the investment process is included in the investment manager selection process.
- The expertise of JBWere is leveraged and fund managers are assessed on the following:
 - Whether the fund manager employs an ESG policy and whether this policy is integrated into the fund manager's investment decisions and philosophy;
 - Each underlying portfolio of each fund manager is also assessed.
- 4. Can you talk about exposure to alternatives and which strategies you have been invested in? Going forward, which part of the private markets are you focusing on or willing to invest in?*

Ms Campbell provided the following response:

- All of the managed investments invested in by the Fund are available in the annual report and on the Fund website;
- The Fund is invested in alternatives such as private credit and private equity including Merricks Capital Partners and Armitage Associates.
- 5. Could someone explain to the members why the Trustee Directors have chosen to charge fees to non-Goldman Sachs members on a regressive basis? Put simply, members with lower value accounts pay a higher percentage of their accounts in respect to administration of the Fund.*

Ms Manning provided the following response:

- Importantly, the Fund does not aim to make a profit from fees - rather the administration costs are allocated across all members to merely recoup these costs;

- Historically the administration fees were allocated via a combination of a fixed fee plus a percentage of assets based fee. After a detailed review of our fee structure, since 1 July 2020 a simpler assets based fee allocation applies. The result of which is in general smaller accounts (of less than \$120K) actually receive lower fees than higher accounts;
 - The Board is satisfied the fee allocation is an equitable distribution across all members.'
6. *In terms of costs to the Fund, how frequently do we benchmark our service provider costs against the market?*

Ms Manning provided the following response:

- Each service provider is reviewed yearly;
- The Fund's insurance provider is reviewed additionally every three years;

7. *What efforts are you making to reduce fees?*

Ms Manning provided the following response:

- The Fund has two main sources of costs:
 - Investments;
 - Operations;
- With the assistance of our investment advisors, the JBWere Investment Strategy Group, we negotiate fees with each investment manager. In a number of cases the Fund has achieved rebates to the standard manager charges;
- In terms of operational expenses, there are limited opportunities to reduce costs, however, we try to set annual budgets to maintain fees at a sustainable and equitable level. This has been the case over a number of years;
- The Board does a cost/benefit analysis on all major expenditure as each project arises;
- The Fund is not charged brokerage fees or investment advisory fees which is a saving to members.

8. *What about how the Fund deals with real assets?*

Ms Campbell provided the following response:

- In reference to property and infrastructure, the Fund has exposure to both of those categories;
 - Within direct Australian equities the Fund invests in listed Real Estate Investment Trusts and infrastructure;
 - The Fund is also looking to invest in listed infrastructure and direct infrastructure via fund managers;
9. *What proportion of Fund assets are in Australian banks? Do you have a current view of their long term value? Concerned about low interest rates, do you have holdings in overseas banks? If so, what value?*

Mr Brian Jones provided the following response:

- Australian banks are considered relative to the index – within Australian equities, the Fund has an allocation to small market capitalisation fund managers as well as a direct portfolio;
- Structurally, the Fund aims to be underweight in the banking sector, however potential upside is likely as the sector recovers with the domestic economy;
- International equities are managed via fund managers who may allocate to international bank holdings if deemed appropriate;

- As at 14 March 2021, 7.53% of the Fund's assets are allocated to Australian banks.

10. You have given us an update on the renewal of the Fund's insurance provider and the successful negotiation of premiums, which is a great outcome. Can I ask if you look at other aspects of the insurer such as claims made, number of successful/unsuccessful claims made or claims experience? Do you have exposure to this or do you rely on Mercer for this critical assessment?

Mr Tulk provided the following response:

- Insurance claims are handled by both Mercer and the Trustee – Mercer handles day-to-day operational oversight of AIA as the insurer;
- The Board formally reviews the insurer each year which includes member interaction with the insurer and claim turnaround time;
- No claims have been denied while the Fund has been with its insurer AIA.

11. The transition to retirement facility is not available. Why is this the case and will this change?

Mr Tulk provided the following answer:

- The Fund previously had a transition to retirement facility, however very few members engaged with the facility. Additional Government reform, reducing the tax effectiveness and increased administrative requirements meant that the cost involved in operating the facility was too high relative to the demand from members. Accordingly, this facility was closed.

12. Are there pressures to merge with a larger fund to improve economies of scale?

Ms Manning provided the following answer:

- The Fund maintains continuous dialogue and a good relationship with APRA;
- The Fund is not being encouraged to merge with any other Fund as it continues to deliver high net returns and benefits to members.

13. You mentioned the composition of the Fund earlier, with respect to a large number of retained members, can you give a sense of the split between contributing and non-contributing members? Is the Fund likely to be in net in-flow or out-flow over the coming years?

Mr Tulk provided the following response:

- The split between contributing and non-contributing (Retained) members will be included in the answer on the website.
- Over the past few years, there has been a slight net out-flow. Relative to other funds in the APRA Heatmap, the net out-flow has not been significant.

Mr Sundberg provided an additional response:

- The net out-flows do not have a material impact on the investment operations of the Fund.

14. Would you invest in cryptocurrency or other investments such as a 'meme stock' short squeeze?

Mr Sundberg provided the following response:

- A major driver of the Fund's alpha returns is the bias to quality stocks and quality managers with a growth focus;
- The speculative investment space, such as cryptocurrency, short term arbitraging, or day trading, does not align with the Fund's investment philosophy.

15. Can you give me three reasons to stay with the Fund?

Ms Manning provided the following response:

- The Fund has a good track record on net investment performance;
- Goldman Sachs and JBWere are big supporters of the Fund through their subsidisation of fees and costs and access to investment advisory capabilities;
- Your fellow co-workers are on the Board and therefore help to ensure that we operate the Fund in a way that meets the needs of current members.

5. CLOSING REMARKS

Mr Tulk thanked members for attending and reminded members that a recording of the meeting will be available on the Fund website within 28 days, along with minutes, and answers to all questions about the Fund.

MEETING CLOSED

The meeting closed at 10:58am.

ANNEXURE – QUESTIONS AND ANSWERS NOT ANSWERED DURING THE MEETING

16. You mentioned the composition of the Fund earlier, with respect to a large number of retained members, can you give a sense of the split between contributing and non-contributing members?

Response:

- The split between contributing and non-contributing members as at 31 December 2020 is below:

Goldman Sachs & JBWere Superannuation Fund Members	
Goldman Sachs Active	331
JBWere Active	193
Retained Members	1154
Spouses	37
Allocated Pension Members	32
Lifetime Pension Members	36

17. Could someone explain to the members why the Trustee Directors have chosen to charge fees to non-Goldman Sachs members on a regressive basis? Put simply, members with lower value accounts pay a higher percentage of their accounts in respect to administration of the Fund.

Response:

- The Trustee reviewed the Administration Fee structure prior to 1 July 2020 having regard to matters such as:
 - The fixed administration and operating costs;
 - Administration costs which are dependent on the number of Fund members;
 - Administration costs which are dependent on the number of transactions;
 - Administration costs which are dependent on assets under management;
 - and
 - The profile of the fund membership.
- At the conclusion of this review the Trustee determined that there was a suitable administration fee structure which provided reasonable administration fees, which are broadly equitable across all members. Therefore, effective from 1 July 2020 the Trustee amended the structure of the administration fees from a combination of a fixed fee plus asset based fee (subject to a cap) to a simpler asset based fee (subject to a cap).
- The application of the prior fixed fee had the effect that members with lower accounts paid a higher percentage of their accounts in administration fees than someone with a higher balance. For example, under the old fee structure administration fees on a \$50,000 account were \$455 p.a. or 0.91% p.a. of the account balance, whereas under the revised fee structure, fees on a \$50,000 account are \$245 p.a. or 0.49% p.a. of the account balance.

- In general members with account balances less than \$120,000 will have lower fees from 1 July 2020 and those with balances above \$120,000 will have slightly higher fees. Once a member's account balance reaches \$200,000 the 0.4% asset based fee is capped at \$800 per annum.
- The Trustee is satisfied that this fee structure is within the spectrum of what is reasonable and results in an equitable distribution of administration fees across the membership.