TRANSCRIPT OF THE 2020 ANNUAL MEMBER MEETING

HELD AT 6.00 PM (AEDT), 11 NOVEMBER 2020
VIA VIDEO CONFERENCE

A recording of the meeting can be found at
www.rest.com.au/about-rest/annual-member-meeting

PRESENT

Rest Responsible Officers:

Ken Marshman, Director and Board Chair
Helen Cooney, Director
John Edstein, Director
Sally Evans, Director
Julia Fox, Director
Michael Tehan, Director
Vaughn Richtor, Director
Adam Walk, Director
Vicki Doyle, Chief Executive Officer
Gemma Kyle, Group Executive, Risk and Governance
Deborah Potts, Group Executive, Employer and Industry Engagement
Andrew Lill, Chief Investment Officer
Simon Esposito, Deputy Chief Investment Officer
Jeremy Hubbard, Group Executive, Information & Technology
Trevor Evans, Group Executive, People, Finance and Change
Tyrone O'Neill, Group Executive, Member Engagement
Brendan Daly, Group Executive, Product & Operations
Todd Chambers, Company Secretary
Jim Monahas, Deputy Company Secretary
Dean Borner, General Manager, Advice & Education

Rest Auditors and Actuaries

Andrew Maudsley, KPMG (Internal Auditor)
Andrew Reeves, KPMG (Internal Auditor)
Stephanie Smith, PwC (External Auditor)
Ben Tompsett, PwC (External Auditor)
Michael Berg, Rice Warner (External Actuary)
David O'Keefe, ALEAA Actuarial (External Actuary)
Peter May, PFS Consulting (External Actuary)

Apologies:

Steven Priestley, Director

INTRODUCTION AND WELCOME

Good evening, everyone, and welcome to Rest's Annual Member Meeting for 2020. I'm Gemma Kyle, Group Executive of Risk & Governance at Rest, and I'll be your MC for tonight's proceedings. In the spirit of reconciliation, Rest acknowledges the traditional custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples this evening.

Thank you for joining us in this virtual environment. We'd love to be meeting with you in person as we did last year, but this year we've all had to get used to a new way of life. I'm sure many of you have become very familiar with videoconferencing in recent months, whether for work or to keep in touch with loved ones, family and friends. Tonight we'll hear from our Chair, Ken Marshman, from our Chief Executive Officer, Vicki Doyle, and our newly appointed Chief Investment Officer, Andrew Lill.

We also look forward to hearing from you. Throughout tonight's presentations, the Q&A tool will be open for you to submit your questions. Simply click in the Q&A box on the side of your screen and type your question. We have around 25 minutes for questions and we will try and answer as many as possible. If we aren't able to get to yours, though, don't worry. We'll come back to you with an answer in the coming days.

To start this evening off, it's my pleasure to introduce the Chair of the Rest Board, Ken Marshman. Ken has been with Rest for seven years and with more than 30 years' experience in financial markets and corporate strategy, he is well acquainted with protecting and building retirement savings. Ken will share the actions our board has been taking during this incredible year.

BOARD CHAIR MESSAGE

Thank you, Gemma. Good evening, ladies and gentlemen, and welcome to Rest Industry Super's Annual Members' Meeting for 2020. I want to thank you all for joining us and I'm delighted to be here before you as Chair of Rest's Board of Directors from my home town, Melbourne. Melbourne is on the land of the Wurundjeri people of the Kulin nation and I pay my respects to their elders and particularly welcome any Wurundjeri people who are joining us this evening.

The Annual Members' Meeting is an important occasion in Rest's calendar. It is a way for us to continue to be directly accountable to you and for you to understand a bit more about how we invest your money, the thinking behind our investment decisions and, of course, how we have performed. This evening is also an opportunity for you to meet some of the Rest executives responsible for steering your retirement savings. All the fund's directors are also here on the broadcast, as are members of your senior executive team, and are available to answer your questions. I'm only sorry that I am not able to meet with you in person this year.

Tonight, you'll be hearing from our Chief Executive Officer, Vicki Doyle, and from our recently appointed Chief Investment Officer, Andrew Lill. I'm sure you'll be very interested in what they have to say, both about our investment performance and also other developments at Rest. I would simply like to make a statement of thanks in the context of the year that's been. COVID-19 has caused massive dislocation across our community, leading to illness, stress and disruption to everyday life as we know it, as well as too many deaths. We know many of our members have done it tough. Rest staff have worked particularly hard this year to support you through this testing time.

On the investment front, I'm very pleased to report that our investment team has successfully managed the impact of the pandemic on our investments. On your behalf, I want to commend their efforts in the face of what were considerable challenges. And at the same time, you'll be aware of the early release scheme of superannuation savings for those affected by COVID-19.

Last financial year, Rest released $1.8 billion in funds for one in six of our members, but despite this unexpected call for funds, I'm pleased to confirm that Rest was able to meet these applications for early release on time with no detrimental impact to our liquidity position.

I particularly want to thank our team, both within Rest and our trusted partner Link, for rising to the considerable administrative challenge in addressing the needs of so many of our members. This was a time when they themselves and their families were significantly and personally impacted by the pandemic. Let me close by reconfirming our commitment to you.

At Rest, we have a simple mission - to help you achieve your personal best retirement outcome. This mission is deeply embedded in every part of Rest. We do not take the mission lightly, nor do we take your support for Rest for granted. We thank you for your trust in Rest and we are confident that your trust is well justified. The Rest team is the strongest it's been. Our long-term investment capability is proven and our inroads into new technology to serve you better are exciting and industry-leading. So thank you.

I hope you get a lot from this evening. And now at this point I'll hand back to Gemma, who will share some of our members' stories.

Thank you, Ken. It's wonderful to have you join us from Melbourne and we hope that you and your family have been keeping safe. Now, before introducing Vicki, I'd like to show you a video featuring one of your fellow Rest members. Glenn has generously shared his experiences during the past 12 months.

When you hear stories like Glenn's, it's a reminder that while you hope to never need insurance, it's reassuring to know it's there. Glenn's experience is but one story. In the past financial year, we have paid more than 5,000 claims. If you'd like to check your insurance, please head to our website or message the Q&A and one of our exceptional education managers will direct you on how to access this information.

Next we will hear from our CEO, Vicki Doyle. Vicki has been leading the Rest team since May 2018 and has more than 20 years' experience of executive leadership in superannuation, insurance, wealth management and banking. Vicki will take us through Rest's activities and achievements in the past year, particularly how we've responded to challenges we've all faced as a result of COVID-19.

CHIEF EXECUTIVE OFFICER MESSAGE

Good evening. I'm Vicki Doyle, the CEO of Rest. Thank you for joining us this evening for our Annual Member Meeting. We appreciate you making the time to hear about the performance of your investments with Rest and other services that we've delivered to you during the 2019-20 financial year.

It's fair to say this year posed a lot of challenges for investors. There were turbulent waters to navigate. But it's important to focus on the long-term performance over short-term volatility. Of course, the extreme market volatility on global markets had an impact on the performance of our investments.

In the year to 30 June, Core Strategy had a negative return of -1.05%. However, this is only the third negative year in 32 years since the option first started. In fact, if you'd been in this option since 1988, you would have received an average of 8.33% per year. Rest's Core Strategy is one of the top-performing investment options over the past 20 years. But before we look deeper into investment performance, I'd like to take you through some of the key achievements of the past year.

One achievement I'm particularly proud of is that we were able to negotiate a great value insurance offer with our new insurance provider TAL Life, which has seen premiums go down by an average of 36%. And we are now seeing claims such as income protection being processed in 12 days when the industry benchmark is 60 days. This is a phenomenal benefit to you, our members. I'm also really proud of the way the Rest team has dealt with such a challenging year without ever losing sight of the need to support you, particularly when many of you were facing difficult circumstances of your own.

To give you a sense of this, in a normal year, we'd process around 100 requests for financial hardship payments each week. In the first week of this year's early release of super scheme, we received 65,000 requests. We also saw an incredible increase in demand for our advice services, particularly for our online digital advice tools.

The last financial year truly was a year like no other for all of us, but our focus has never changed. It is our mission to help you achieve your personal best retirement outcome. This is what guides us every day. For those of you who are new to Rest, let me tell you a little bit about your super fund. Rest started in 1988 and is now one of Australia's largest superannuation funds by membership. We represent people from all walks of life, from all corners of the country, in the cities, suburbs and country towns. We are used by around 129,000 employers.

As a fund with a strong connection to the retail industry, it won't surprise you that half of our members are younger than 30, but we also have many members who have taken Rest with them throughout their working life. As such a large fund, we use our scale to continually improve our products and services. But what does this mean for you? It means we have some of the lowest fees in the industry. We provide you with access to investment opportunities that aren't usually available to individuals, like infrastructure. We provide flexible and cost-effective insurance, as I mentioned earlier. We can provide you with financial advice, often at no additional cost.

And we believe we are the leading super fund in providing digital services. We were the first to offer a virtual agent, Roger, we have a leading app and online digital advice tools, all of which you can access any time, day or night.

The COVID-19 pandemic has impacted all of us in some way this year. It feels trite to say it's been extraordinary when there's been so much upheaval, but it's hard to find the right words. Like many Australians, some of our members have experienced job losses, salary reductions or negative impacts on their businesses. The early release scheme was a lifeline for those who were forced to draw down on their retirement savings.

We have so far, in both the previous and this financial year, provided more than $3 billion to around 300,000 members. While this is, of course, a lot of money, it represents about 5% of our total funds under management. Thanks to our financial position, we've been able to meet these requests comfortably throughout the year and remain well placed to pursue value on investment markets on your behalf. If you are one of those members who's accessed your super under early release, we will be here to support you down the track when you're in the financial position to start considering ways to get your account balance back on track.

If I was to highlight one positive from such a difficult year, it's that so many more of you have gotten in touch with us and have taken a strong interest in your super. The kind of engagement we've had with you in the past year has far exceeded anything we've experienced before. This was particularly the case during the height of the uncertainty in February and March when many of you were looking for reassurance about your investments. Contact with our customer service channels increased dramatically. In January, we were averaging around 3,300 interactions with members every day. By March, this had risen to more than 7,000 per day.

All in all, there were around one million interactions with you through our customer service channels during the crisis from February to this end of June. Of course, some of you may have had a hard time getting in touch with us, particularly in April. I'd like to apologise to all those members who faced delays and were inconvenienced. We've made improvements and I'm pleased to say that things are much smoother now.

I'm very pleased that you will meet Andrew Lill tonight. Andrew, who joined us in August as our new Chief Investment Officer, brings a wealth of strategic investment management and executive leadership experience. Following my presentation, Andrew will speak to you about our investment strategy and performance. Before that, I just wanted to talk about how our commitment to building your super also considers the world in which we will all be retiring in one day. We place an emphasis on responsible investing. It's important to us and we know it matters to you.

You've told us that investing responsibly was one of your top three most important expectations of us behind low fees and investment returns. In fact, 75% of members we surveyed told us they believe that a super fund like ours has a responsibility towards society when it comes to investing. Andrew will cover some of our latest initiatives.

We are always looking to enhance the products and services we offer and this year was no different. In addition to our actively managed Core Strategy, we have a range of investment options to suit your preferences, including indexed investment options with zero investment fees. These passive options are for members who would like a low-cost option and are in a position to withstand the highs and lows that come with tracking the index.

I'm pleased to say that our Balanced - Indexed option was recognised in the most recent 'Money' magazine awards as the best value balanced investment option in the market. We have updated our administration fee structure to ensure we can continue to improve our products and services for you.

The majority of you will experience an increase in your administration fee from the 28th of November 2020, but even then they'll still be among the lowest in the industry. To put this into context, for those of you with an account balance of around $31,000, your annual administration fees increase from $98 to $115 per annum. That's a $17 increase for the year.

And we're also introducing a cap on admin fees. That will mean the highest admin fees any of you will pay will be $378 per annum. The investment fees on most of our options have been reduced, so when you combine these with admin fees, our total costs are among the lowest in the industry. For example, for an account balance of $50,000 in the Core Strategy, the combined annual administration and investment fees will be $443 per annum. According to SuperRatings, the median fees charged by the super industry on an account balance of $50,000 were $660 per annum - more than $200 higher.

We've also simplified the fees for our Rest Pension members. Rest Pension members with a balance of $100,000 will see their annual administration fees decrease from $248 to $198. Again, these are very competitive compared to other funds. Technology is one of the most important ways we can simplify super for you. I have a very strong belief that technology that helps you engage with your retirement savings will make a real difference.

Rest's investment in technology is helping members connect with their super earlier and more often, making it easier to access your account, find the right information and make choices, all of which give you much more control in achieving your personal best retirement. The Rest app is one of the pillars of this. As I said earlier, it's still the market-leading superannuation app, with a 4.6 rating in the Apple Store. And we've seen the number of registered users almost double in the last 12 months, with more than half a million members now registered.

I mentioned earlier that we saw an explosion of people taking up our online advice tools. We launched our online Super Health Check in September 2019 and this has been a really convenient tool to help more people take the first step to engage with their super. Often, people want to look into their super, but just don't know where to start. The Super Health Check is designed to ask a handful of basic questions to get you started. You can access it on our website. It only takes a few minutes and doesn't come at any additional cost. Importantly, it also provides links to access our other online advice tools that can help you choose the right investment option, boost contributions to your account, or determine the appropriate level of insurance for you.

Since the launch of Super Health Check online, we've experienced a surge in demand for our digital advice tools. In fact, it more than tripled compared to this previous year. We believe insurance in super is a really important benefit. Not only does offering it in super make it more affordable, many of you wouldn't be able to access it at all if it wasn't part of your super, particularly those of you in part-time or casual jobs. This is why Rest offers death, income protection and total and permanent disability by default.

As I mentioned earlier, we launched our new insurance offering in April with our new insurance provider TAL Life. This resulted in premiums going down by an average of 36%, but it's also seen real improvements to the service provided to you. In the past quarter, the average time to determine an income protection claim was 12 days, far exceeding the 60-day time frame set as the industry benchmark. In the past financial year, we paid around 1.5 million in claims benefits per day.

Rest is a committed advocate for Australia's superannuation system. You might have seen Rest engaging in public debate about the future of superannuation in the media. We do this to advocate on your behalf and ensure changes are in your best interests. Some of our areas of focus include a commitment to the super guarantee increase, retaining affordable insurance within super, protecting access to financial advice.

You may also have seen some of the changes proposed in the recent Federal Budget. We'll be participating in debate and consulting with the government to make sure those changes work for you. One of the key changes will mean it's easier to take your super with you as you change jobs and will avoid unnecessary multiple accounts being created. Throughout the challenges of 2020, it has also been a priority to support our Rest employees. Like many workplaces, we've been primarily working from home for months and we were able to transition to remote working really quickly without much disruption. Our people were proud that we adapted so well and we were able to continue focusing on the support provided to you, particularly those of you facing hardship. As a sign of this pride, 82% of Rest employees say they would recommend Rest as a great place to work.

In closing, it's certainly been and continues to be a challenging time. However, we're fortunate that Australia is in a much more positive place than many other parts of the world and I hope that continues for all of us. In terms of the year ahead, we're in the process of designing a socially responsible investment option which will give you even greater choice of your investments. We're also looking at ways to further build on our digital advice tools to make super even simpler for you. I'd like to encourage you to continue reaching out to the Rest team for any support, help or advice that we can give you around your super or insurance. We love to hear from you and we look forward to continuing to work for you.

Thanks, Vicki. I'd like to echo your sentiments. Everyone working at Rest is committed to delivering outstanding value to you, our members. It's a great motivation, knowing that we can help you achieve your personal best retirement outcome. Vicki talked about the financial support provided to so many thousands of members during the year, so let's hear from one of our members now. Tracey has kindly shared her experiences on how the pandemic has impacted her.

We know this year has been very difficult and we are humbled that we've been able to provide support to Tracey and the many Rest members in similar circumstances. Now I'd like to introduce you to Andrew Lill, our newly appointed CIO. Andrew joined us in August this year. Previously, he was the CIO for Morningstar Investment Management, which is an American mutual fund that manages around 25 billion in US dollars. Andrew is going to speak to you about Rest's investment strategy, how we have navigated a volatile market and touch on what's next.

INVESTMENT OVERVIEW

Thank you, Gemma, and thank you, Vicki. I'm Andrew Lill and I'm delighted to be here tonight, having joined Rest as the Chief Investment Officer in August this year. It's wonderful being back in Australia after two years in the US and I'm excited to be part of a great investment team as Australia and the world fight the pandemic and put in place positive steps towards recovery. Our three new board investment committee members and I are also thrilled to be part of a profit-to-member fund where your investments are focused on strong outcomes from which to grow your retirement savings.

Tonight's presentation will cover... An explanation of investment performance and the factors driving short- and long-term returns. Our investment beliefs and the process that guides how we invest your retirement savings. The spread of your investments across a range of markets and asset classes. And our approach to responsible investing.

As we have seen, the pandemic has caused significant disruption to the global economy, with second and even third waves, shifting lockdown restrictions and changing trading patterns. We expect this will continue. In response, many governments provided stimulus measures and central banks have cut cash rates close to zero to soften the blow on the economy and on individuals in general. Australia has been just the same, with JobKeeper and the early release of super. The Reserve Bank of Australia made two cuts to the official cash rate in February and March and then just last week cut again to 0.1% - truly unique times. All these factors when considered together have on balance been favourable for global stock markets - a fact of which, when combined with a diversified portfolio, has helped super fund returns to partially recover from their March 2020 lows.

But first let's look at investment performance. Following 10 consecutive years of positive returns, Rest's default Core Strategy ended the 2019-20 financial year down 1.05%. For Pension Members, the default Balance Strategy returned -0.24%. These are well above the performance expectations of many in a year of pandemic and ahead of many of our competing super funds. However, there is room for improvement. Be assured that we have documented learnings from the last extraordinary year and will apply these to a stronger future.

The good news is that the Core Strategy delivered a 10-year return of 7.66% per annum for Rest Super members and 8.51% per annum for Rest Pension members. These results were well above their performance objectives. And as Vicki mentioned earlier, while this year provided negative returns for the Core Strategy, this is only the third negative year in the 32 years since the option started on the 1st of July 1988, and in those 32 years, the Core Strategy has delivered one of the top-performing outcomes, averaged at 8.33% per annum, demonstrating the benefits of active management. This long-term return includes the market downturn in March this year as well as other major falls like the dotcom crash in 2000 and the global financial crisis in 2008.

Most of Rest's other structured options, with the exception of Balanced - Indexed, provided negative returns for the year, but also remain on track to meet or exceed their longer-term performance objectives. The tailored options finished the year softer as well, with Cash, Basic Cash, Property and Overseas Shares all being impacted by the markets falling. The biggest contributing factor to our investment performance was, unsurprisingly, the extreme volatility caused by the global coronavirus pandemic in the second half of the financial year.

In this turbulent time, our teams were able to rationally assess overall conditions and noted the market prices post-March as an opportune time to deploy the cash that we had built up over the previous 12 months, meaning we could buy assets at cheaper prices. This is similar to the Warren Buffett investing rule to be greedy, or buy, when others are fearful. This approach to look through short-term risks and buy with an eye to the future has served Rest members well in the past and we intend to maintain this approach going forward.

For example, in past downturns, such as the 2000 dotcom crash and the 2008 global financial crisis, Rest did not follow others and move into cash. Instead, we used the cash that we had to add attractive investments to the portfolio in order to generate future returns. We are confident that this same disciplined approach to investing will again stand us in good stead and benefit your retirement.

Now, I'd like to take a step back from our immediate performance to outline the core investment beliefs guiding how we manage your superannuation savings. Our primary investment goal is to grow your retirement savings over the longer term. We believe in an active investment manager approach, but can also selectively employ index-tracking or passive approaches in our portfolio to keep fees low. We also actively manage the asset allocation as we think carefully about which markets across the world are most attractive. We retain a mix of investment managers who have different management styles to build a portfolio that gives you exposure to a range of companies as diverse as the well-known US FAANGs through to small, lesser-known healthcare companies in Australia.

Another important foundation for how we manage your retirement savings is diversification. The extraordinary volatility throughout 2020 is a reminder of the importance of diversification, discipline and a long-term view. While we are disappointed to declare a negative return for the last financial year, the results are so much more positive than if the Core Strategy had only been invested in share markets or only invested in Australian assets alone. This diversified approach to investing is central to Rest's investment philosophy, and this philosophy means that we are able to invest in interesting asset classes such as property, infrastructure, agriculture, private equity and private debt. These are all asset classes that would be hard, if not impossible, for individuals to build investments in.

This slide gives you an overview of where we invest your money in our most popular investment option, the Core Strategy. Let's stop for a minute and consider the property and infrastructure investments, which are true nation-building foundations to make Australia a better economy and country. As at the 30th of June 2020, Rest's investment in property and infrastructure was approximately $7 billion. We operate these investments both in and out of Australia, with approximately 20% of our property investments and over half of our infrastructure investments located overseas.

Some examples of these include... Our investments in build-to-rent accommodation across the US. The Collgar Windfarm in WA, which generates over 25% of the state's renewable electricity. Our long-term investment in 99,000 hectares of rain-fed cropping farms in Victoria, New South Wales, Queensland and WA, making Rest the second-largest grain grower in Australia. And your money is also invested in a direct portfolio of high-quality Australian assets in the Sydney and Melbourne CBD. You can see more in this short video.

A focus on responsible investing is a prudent approach for all investments in 2020. Through integrating environmental, social and governance considerations - otherwise known as ESG - into the investment process, we have strong conviction that we can reduce risks, maximise investment opportunities and contribute to a more sustainable future, and all this on behalf of you and your investments. In managing climate-related risk, we support the introduction of industry recommendations such as the Task Force on Climate-related Financial Disclosures.

We have calculated the carbon footprint of our equities portfolio and we are tracking this closely with reference to the benchmark and also our long-term targets. So far this financial year, financial returns have risen steadily and all options have produced positive returns in line with longer-term expectations. We expect to have some volatility along the way and it may well be closer than we expect. Our investment principles will remain the same - to remain disciplined and using the benefits of diversification across an actively allocated portfolio. At times like these, it's never been more important to remember that your super is a long-term investment.

This graph demonstrates the benefits a long-term investment strategy can produce for those investing their super through Rest. Whether you are planning on retiring in 2 or in 20 years' time, it's important to remember that your super is a long-term investment. Staying invested for the long term and not reacting to short-term market events is as critical now as at any other time.

Unfortunately, worries and risks will always be present in the world. Predicting events is very challenging and the timing of moving into cash and back into markets is fraught with danger. Those who moved into cash in the middle of the GFC or in March this year will testify to that. It's never been more important to repeat that time in the market is much more valuable than market timing. Ultimately, the economic impact of the coronavirus remains uncertain, but often the biggest risks are those that we can't predict or see.

Ultimately, this pandemic will pass and the economic and investment landscape will paint a better picture. Be assured that my investment team and I will continue to monitor the global situation closely, employ the very best advice and actively adjust the mix of investments in the Core Strategy to deliver on our commitment to strong, stable returns for members. In an ever-changing market environment, we are confident in our strategy and expertise in helping you grow your retirement savings over the longer term. Thank you. I'll now hand over to Gemma to introduce our Q&A panel session.

Thank you, Andrew, for taking us through how Rest's investments are tracking and reminding us of the importance of staying focused on the long term during times of market volatility. Now in the last of our member features, we will hear from Deb, who will share with us how the financial advice available at Rest has made a difference for her. Remember, financial advice is available to all members. You can speak with our advice team or use one of our online tools that you can access on our website.

We are incredibly proud of the value Rest advice has delivered for our members. What may seem like a small choice now can have real benefits in the long run and your team...and our team, I should say, can help you make an informed decision. Many of the advice services we provide are available at no additional cost to you so it's great value and can make a real difference.

Q&A SESSION

Now we will commence our Q&A panel to answer some of the questions - there's actually quite a few questions - we have been receiving from all of you. We will try and get to as many of these as possible in the time we have. However, if we do not get to your question tonight, one of our team will be in contact in the coming days.

Before we commence, I'd like to advise you that in addition to our chair, Ken Marshman, we have our directors, Helen Cooney, John Edstein, Michael Tehan, Julia Fox, Sally Evans, Vaughn Richtor and Adam Walk.

We also have present the members of our executive team, Group Executive of Product and Operations Brendan Daly, Group Executive of Innovation & Technology Jeremy Hubbard, Group Executive of Member Engagement Tyrone O'Neill, Group Executive of People, Finance and Change Trevor Evans, and our Group Executive of Employer and Industry Relations, Deb Potts.

Also with us tonight are our internal auditors, Andrew Reeves and Andrew Maudsley from KPMG, as well as our external auditors, Stephanie Smith and Ben Tompsett from PwC.

So let's start with the first question. Now, this question comes from... I just have to change glasses. This question comes... Actually, I'll direct it straightaway to Andrew and it comes from Dale. "My perception is that your performance has slipped versus other large funds. Am I correct?"

Thank you very much for the question. Super is a long-term investment, but as you acknowledge and we acknowledge, performance over the last financial year has been marginally below the median of the industry funds.

I think, though, it's important to point out that over the longer term - over our 10-year period and also 20 years - Rest remains one of the best-performing super funds in our class. Also, it points out that in a very turbulent period through the pandemic, when the ASX share market fell by over 6% over the financial year, a performance of -1.05% really demonstrates the benefit of diversification.

And, lastly, it was a great opportunity for our investment team to take that extreme volatility, take some of the cash that we had built up prior to the pandemic, and, as I mentioned in the video, invest that money into markets at more attractive times and prices, with a higher growth allocation by the end of the year, setting us up so well to deliver those long-term returns into the future.

So I'm really happy about how the portfolio is now set up to continue our long-term performance record for you, our members.

Thanks, Andrew. We do have a lot of questions in that vein, so I hope that has answered your question. So if I don't read out one of your questions that's similar to that, we will absolutely answer it in the next couple of days. The next question I'd like to address to Vicki, and it's from Peter. "With the decline in retail employees and, hence, members for Rest, do we have a strategy to increase our member base?"

Well, hi, Peter, and thank you for that question. Well, surprisingly so, retail is quite a resilient sector and I think what we found is that we actually haven't had any significant drop in members throughout the year. We were expecting that we might get some of that, and particularly more recently with the Victorian lockdowns, but we haven't seen that through a member drop-off and we actually haven't seen it through superannuation guarantee flows either.

So, my take on that is that retail is quite a resilient industry. There are lots of people and lots of, as we know, sales happening online. So people are changing jobs and moving from what were more traditional jobs in retail to broader pieces. And I'd also say that once those doors open up again, people have very quickly been employed. Some of our larger employers have actually had employment growth, so some of the employers we work with have tens of thousands more employees coming into retail and then coming into Rest. So at this stage, we don't have any concerns about that growth and we look forward to continuing to service all our members, whether they're in retail or more broadly.

Thanks, Vicki. I'm going to throw one back to you, Andrew. This question is from Martin. "What steps are you taking to ensure that future investment returns are competitive when compared to other industry funds?"

Martin, that's a very important question and entirely consistent with our long-term investment philosophy. As I mentioned in the video, we have documented some learnings from the performance we have delivered over the last 12 months, but I really feel confident that the changes that we were able to make to the portfolio where we added around 5% of the portfolio back into growth assets during the time of market weakness will set us up really well going into the future.

We're going to keep our focus on active investment management returns, but we do see also a place for index management to keep those fees as low as possible. And we're going to keep looking for those benefits and those opportunities from investing responsibly and in those interesting areas of property, infrastructure and other direct assets to really get every dollar invested in a way that can deliver returns for you into the long term.

So I'm very excited about the benefits of a diversified portfolio in this time as well as any other environment and I think the portfolio is really well set up for the future.

Thanks for that, Andrew. Vicki, another one for you. This one is from Brian. "I've had to give up my employment to look after my disabled son. As my super no longer has contributions put into it, what stops my super from being milked away because of fees and charges?"

Well, firstly, Brian, it has been a very difficult situation and I'm sorry to hear about that circumstance for you. I think some of the things that are important for you given your circumstances is you are with Rest and we do have one of the lowest set of fees in the industry. So in terms of your admin and investment fees, you can feel confident that your superannuation is still within a fund that really focuses on fees.

The second thing I would say is that you should call our advice team at no additional cost and perhaps just talk about your insurance aspects and whether you've got the right insurance for you. I'm assuming you probably do have the three sets of insurance. Just make sure that that insurance value is at the right levels for you. So that team is there and ready to talk to you at any point to make sure that that minimises any fees from anything that you may not desire in your super fund.

Thanks, Vicki. Another one for you, Andrew. This one's from Anna. "With Biden winning the US election, how is Rest positioning to invest, or not, in renewable energy assets?"

Thank you, Anna. This is a really good topic. And of course this US election was perhaps one of the most watched elections in recent times. It was interesting, wasn't it, that despite all the forecasts and future predictions, that it was a very close-run election and at this point president-elect Biden looks to have won. So as far as how we think about the investment policy at this time, it's clear that we are doing a lot of work to understand the policies that a Biden presidential term will bring to the US economy and the broader global economy, but I think it's important to be circumspect that at this point, it looks like it's going to be a very difficult presidential term for a president to get all their policies brought to fruition and we will continue to be looking across the spectrum.

I mentioned in our video that we have half of our infrastructure investments invested outside of Australia. So we will continue to watch very carefully about how that focus on future returns for members with a potential Biden presidential term and a focus on policies towards greener investments will yield some great opportunities for us to further diversify our portfolio. I would say lastly that we have continued to think very carefully about our responsible investing approach.

We do have a number of infrastructure, real estate and broader listed market investments that will benefit from greater focus amongst governments towards the 2050 targets. So we think we are well positioned already, but of course we're watching for future opportunities.

Thanks, Andrew. Our next question is for Ken Marshman, the Chair of the board. It comes from Jacinta, who asks, "As the board sets the tone and direction of a business, I wish to ask..." There are three parts to this question so I'll ask all three. "Will Rest undertake to provide an ethical option for investors? Will Rest survey their client investors to determine the uptake of such a product and commit to make the outcome of the survey available to their investors? I would be very surprised if I'm your only client concerned about what stocks I'm actually investing in." And the third part of the question is, "Have these questions been considered by the board and what is your opinion?"

Thank you, Jacinta. I'm delighted you asked the question because next year, we are...we are planning to actually open an ethical option. I don't quite know what its name will be, but it will be along the lines that you've spoken.

Defining how that ethical option... What it will include or not include and what its focus will be is actually being determined by a survey of our members, and over the last couple of months we have surveyed a range of our members, several thousand members, to understand what is important to them if they were to invest in an ethical option.

And so I look forward to announcing it and I hope it meets your needs. Thank you, Jacinta.

Thank you, Ken. That's great. My next question is for Vicki. "How much do we..." Sorry, and this is from John. "How much do we spend on TV advertising?"

Well, thanks for the question, John. As we often disclose... Well, we do disclose what we spend on advertising and TV through the Senate and House of Reps committee and I'm happy to share that with you. So back in 2017, that figure was around $8 million per year and then over the proceeding or the following years, it's actually dropped down. So in the last financial year, it was only around $3 million.

Now, the way that we think about advertising is it's a really important communication tool to our members. It's something that enables us to tell you about new products, new services or anything that is happening more broadly in the legislation. So we do think it's really important both to communicate with you as members, but also make sure that the broader Australia understands the benefit and value of Rest so we can continue to grow as a fund.

As I said, we will always determine those advertising costs depending on, each year, the type of messages that we need to get out to our members and also to the market. So we will again think about that quite carefully for the next financial year and what is important in terms of messaging.

So it does change year to year, but we do think about it quite deeply in terms of what's right for our members.

Thanks, Vicki. The next question, I can actually answer. It's from Georgia and she asks, "How much of members' money did Rest spend on the ESG case recently settled out of court?"

Well, I'd like to state first of all I'm very happy that we did manage to settle this issue before it went to court. First and foremost on our minds is always the members' best financial interest and making sure that we meet the members' best financial interest over the long term.

As part of the McVeigh claim, there was no request for compensation. As part of the settlement, there was no exchange of money whatsoever and both parties incurred their own costs. We're very happy to have reached the settlement and we see this as a recognition that Rest was already performing well when it comes to the assessment of risks and the inclusion of environmental, social and governance risks as part of our broader risk framework.

OK, so the next question is from Kerry and it's for you, Vicki. "Why are indirect fees not performance-based?"

Ooh, that's a very good question. Indirect fees are disclosed, as you would know, in line with all the regulations and they are quite extensive in terms of how we do disclose those. So we follow the rules that are given to us about that. In terms of directly attributing them, it can be very difficult to do that in some of the property options and things like that.

So as I said, we follow the rules that the regulator gives us to make sure that you can compare those indirect costs for Rest against other funds. And I think you will note that the indirect costs for Rest are quite low relative to other funds.

So we do try to keep those to a minimum and if you go to our investment guide, you'll be able to see the breakdown of implicit and explicit costs and compare those to other funds, and, as I said, I think you'll find that our indirect costs and indirect cost ratios are quite low.

We'd like to be as transparent as we can about our fees and also just make them simple so that it's not difficult to understand ultimately the fees that you are paying.

Thanks, Vicki. The next question is for Andrew. And it's from Paik... Now, my apologies. I may mispronounce some people's names. So my apologies for that. The question is, "What is your plan to make sure Rest Balanced - Indexed funds' returns are better than the competitors' for the coming years?"

Well, thank you for the question. So I think it's the same plan for all of our diversified options, not just the Balanced - Indexed. It's to blend all the areas of the investment process that have really been able to drive our longer-term performance record, to continue doing it, but doing it carefully within the different investment environment that we face.

As was mentioned, we are active investors, so we employ active investment managers, we employ an active asset allocation approach and we think hard about keeping our fees low. Now, when it comes to the particular Balanced - Indexed product, of course, the most important thing is to keep our fees as low as possible, because many of the returns of our fund compared to other funds will be similar in the indexed option and what will differentiate our options against other industry fund options will be the fees, and we're very happy that our fees are amongst if not the lowest in the industry for an indexed option.

So across our investment team, we focus on thinking about for the different products those areas of diversification, disciplined investing and focusing on the longer term, and I think that's no different when it comes to the Balanced - Indexed product.

Thanks, Andrew. I've got two more specific investment questions here. The first one is from Gary, who asks, "Compared to peer industry funds, Rest has a very high allocation to alternative assets. Can you advise the nature of these alternative assets and how they contribute to the 2020 performance?"

Yes, thank you. That's a good question, Gary. Now, there are many different definitions of what determines an alternative asset. In our product disclosure statement, we talk about alternative assets as being our absolute return exposures, which we've actually brought down over the course of the last financial year to be quite a small exposure.

We think that some of the fees that are implied by these absolute return products are perhaps a little high for what we're trying to achieve with our lower fee Balanced option A different definition of alternative assets are effectively some of the interesting assets that are able to diversify the portfolio away from traditional equities or the stock market and traditional bonds or debt and anything that fits in the middle is often defined as 'alternative'.

Now, we certainly have a high allocation. We mentioned about property and infrastructure and agriculture being some of those alternative assets, including credit, and we have very strong plans to continue maintaining a high allocation to those areas. But as I mentioned, over the last financial year, we have increased our allocation to the stock market through that period of March and April, more attractive prices, and we have brought down our total alternative assets by a small amount.

So we think it's a very important part of our portfolio. It'll stay being a very important part of our portfolio as a diversification for Rest, but over the last financial year, we have skewed the portfolio slightly more towards the stock market and slightly away from alternative assets. I hope that answers your question.

Thanks, Andrew. The next question is from Malcolm. And Malcolm asks, "Can someone explain to me why as soon as COVID hit early 2020 that my super balance dramatically dropped by tens of thousands of dollars?"

It was certainly a very difficult time and it was one of the sort of times where the stock market was magnifying the impact that was being felt by all of us in the broader economy. So while the benefits of diversification are that we could limit the amount of...fall of a balanced or diversified investment, unfortunately, the fact that a high proportion of the portfolio was invested in stock markets that through March were falling by often 10% a day means that we were not able to buffer the portfolio sufficiently to ensure that the overall super fund returns didn't fall.

I am happy to say that as we stand here in November, most of that return has been made back up again, and to deliver a return of -1.05% for the Core Strategy for the financial year through all that period of volatility does demonstrate once again the benefits of diversification and that long-term focus for the investment team.

Thanks, Andrew. My next question is for Vicki. It's from Susan, and she asks, "What happens if we are close to retirement and therefore do not have long-term recovery time?"

Well, thanks, Susan, for that question. I think one of the things that we often talk about is although you can access your savings at 65 and the like and transition to retirement, often people will still retain some of that money within their savings account or their pension account, so actually you don't then crystallise any of those returns necessarily.

So from my perspective, I think one of the important things to do is if you're getting close to retirement, you should absolutely speak to an adviser. You should talk to us about how you should best manage that given your horizon, the risks you are or aren't prepared to take and which investment strategy is really right for you.

We have lots of different options in Rest and you can choose ones that are anything from capital protection and more cash-like products to the index-type products, to Core Strategy and then to high-growth. So I guess what I would say is, again, please give us a call and speak to one of our Rest advisers who can have a look at your length to retirement, the risks, and making sure you're in the exact right investment option for you.

Thanks, Vicki. The next question is for yourself, Andrew. It's from Navid. "How does the future look like in terms of return on investment?"

Navid, the opportunity for the returns to bounce back significantly this financial year from the negative return we declared for most options in the last financial year is very good. We've already seen a very strong start to the financial year and I'm very confident that we're going to be able to navigate the potential sort of headwinds ahead to declare a good return and maintain that longer-term record.

I would say that in general when we think about super over the next 10 years, when we start with cash rates at around zero, so you're putting your money in the bank and you're getting almost zero for it, and then moving into slightly the next investment in terms of low risk of government bonds, investing in debt that's issued by the Australian government or other governments around the world that are also yielding less than 1%, that means that sort of the foundation of building a portfolio when these sorts of investments deliver almost zero, it's going to be very hard to keep generating in future the returns that we've seen for the last 10 years.

However, we do see a rosy future from maintaining that diversified approach, some of those alternative, those interesting asset classes, that of course nations and economies are going to grow, we believe, over 10 years and by investing in stock markets and direct assets that will benefit in that environment, we think that will help your super to grow over that long-term period.

So be sort of aware that it's going to get a little bit harder, but we're ready and the investment team have got our skills and our advice and our investment portfolio ready to navigate and we think it's going to be a rosy picture ahead.

Thanks, Andrew. Keeping on the theme of the future, we have quite a few questions in that regard. This one is... So they'll be for you, Andrew. This one's from Justin, who asks, "How does Rest view the risk of investment in property, particularly office buildings and shopping centres, given COVID has accelerated the shift to working from home and shopping online?"

The risk of investments, I have to say, is always there, whether it's sort of the risk that you can see and right now we can see a lot of risks, particularly investing in sort of traditional properties, whether it be offices or retail malls, as you suggest. But often the areas of greatest risk deliver the highest returns.

If you can stay invested and remain invested in the most quality assets through that time, then often the returns will produce the commensurate returns to compensate for that risk. Today I'm probably more concerned about some of the risks that we can't see today. Of course I think that office life will change, I think that retail mall life already has changed and in many cases, valuation and prices are sort of adjusting or have already adjusted.

But what about other assets that are looking very expensive today? Think about some of the investments in US technology companies that are at very, very high prices. We don't know yet what the impact of a Biden presidential term might have on those particular companies. Of course, there are continuing risks with geopolitical concerns around the world and we have to stay alive to some of those areas that right now are not sort of 100% ahead of us, but you have to keep making sure that you're looking around very carefully to find those risks that are not straight in front.

So all in all, we are aware of the risks that you mentioned. We think by investing in the quality assets, be it the best offices in Sydney or Melbourne or around, we'll get some good returns. But let's be sort of aware of those other risks and making sure that we're diversified, staying diversified, and not getting too concentrated into any one sector.

Thanks, Andrew. And this one from Martina. "How is the renewables court case, which was won by a Rest member, going to change Rest's investment strategy?"

I think what was started in 2013 for us in terms of our focus on long-term investing and considering an ESG - environmental, social and governance - approach to investing was the start of this focus for us on by investing responsibly, we believe we can maximise returns and keep risks low. We don't believe there's any trade-off there. The next challenge for us is to think about climate change and we've made some very clear commitments looking towards the future about how we will think about the 2050 target for net zero carbon emissions in our portfolio.

We think that climate risk is investment risk and the more that we consider climate risk in our portfolios, the more we'll be aware of investment risks and be able to navigate towards better areas and delivering stronger returns. We continue to engage very carefully with companies and areas to ensure that they are aware of our focus on responsible investing. We're measuring our carbon intensity in our stock market and bond investments and we're very much joining up with other super funds around the world in terms of being aware of how we can make companies aware of potential climate and ESG risk in their strategies.

So all in all, we see it as being a continuing increasing focus for us in this area and we're very confident that we have the skills to navigate through that. We've got properties that we invest in that are very highly rated. We've got a wind farm in Western Australia that is rated number one of power-generation assets in Oceania for ESG-related risk. And we're going to continue to navigate to find those areas that are well rated in ESG concerns because we think that by looking for them, we'll actually find the best opportunities for return going forward.

Thanks, Andrew. We had quite a few questions on the McVeigh case and the outcome of that and what our response will be in the future, and we will answer all of those questions in the coming days. We are, unfortunately, running out of time. It looks like, yes, we've run out of time for any further questions. But thank you very much for your questions. We really appreciate them and we will answer them in the coming days.

We've come now to the end of our Annual Members' Meeting. I'd like to thank you again for taking the time to attend this evening and I hope you found the session valuable and informative and with the confidence that your super is in very good hands. Thank you, stay safe and have a nice evening.