

## HOW WE INVEST YOUR MONEY

The information in this document forms part of the Product Disclosure Statement (PDS), dated 1 October 2021 for the Active Super Retirement Scheme. This document is dated 1 October 2021 and is available free of charge at [activesuper.com.au/PDS](http://activesuper.com.au/PDS) or you may request a copy from Member Services on 1300 547 873.

### INVESTMENT OPTION OVERVIEW

You can choose to invest your Contributor Financed Benefit and Other Contributions accounts (if applicable) in one of the following investment options:

#### High Growth

<b>DEFINITION</b>	<p>For high investment growth above the Consumer Price Index (CPI) over the long term.</p> <p>The High Growth option generally invests a very high proportion of its funds in growth assets, such as Australian and international shares and property. This combination aims to earn high real investment growth above CPI over a ten-year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this option. The value of the investment may fluctuate over the short term.</p>	
<b>ASSET ALLOCATION</b>	<b>Asset class</b>	<b>Asset allocation range</b>
	Australian Equities	22 – 42%
	International Equities	28 – 48%
	Australian Direct Property	0 – 10%
	International Listed Property	0 – 10%
	Private Equity	4 – 14%
	Private Credit	0 – 6%
	Growth Alternatives	0 – 5%
	Short Term Fixed Interest	0 – 10%
	Liquid Alternative	0 – 5%
	Bonds	0 – 10%
	Infrastructure	0 – 10%

	Cash	0 – 10%
	<b>Total split of Growth/Defensive</b>	<b>Range</b>
	Growth Assets	85-95
	Defensive Assets	5-15
<b>OBJECTIVE</b>	3.5% net investment return per annum above CPI, measured over a rolling ten-year period.	
<b>RISK PROFILE</b>	<p><b>Standard Risk Measure:</b></p> <p><b>Risk band:</b> 6</p> <p><b>Risk label:</b> High</p> <p>(Based on an estimate of 4.2 negative annual returns in any 20-year period).</p> <p><b>Suggested investment time frame:</b> 7 years.</p>	

**Growth**

<b>DEFINITION</b>	<p>For real investment growth above the CPI over the medium to long term.</p> <p>For investors who want high exposure to Australian and international shares and property and are prepared to accept more risk. The emphasis is on growth so investors should be prepared for some potential short-term volatility. The value of the investment may fluctuate over the short term.</p> <p>The volatility for the Growth option should not be as great as it is in the High Growth option.</p>	
<b>ASSET ALLOCATION</b>	<b>Asset class</b>	<b>Asset allocation range</b>
	Australian Equities	15 – 35%
	International Equities	17 – 37%
	Australian Direct Property	0 – 10%
	International Listed Property	0 – 10%
	Private Equity	2 – 12%
	Private Credit	0 – 6%
	Growth Alternatives	0 – 5%
	Short Term Fixed Interest	5 – 15%
	Liquid Alternatives	0 – 5%
	Bonds	2 – 22%
	Infrastructure	0 – 10%
	Cash	0 – 10%
	<b>Total split of Growth/Defensive</b>	<b>Range</b>
	Growth Assets	60-80
	Defensive Assets	20-40
<b>OBJECTIVE</b>	3.0% net investment return per annum above CPI, measured over a rolling ten-year period.	
<b>RISK PROFILE</b>	<b>Standard Risk Measure:</b>	

**Risk band:** 5

**Risk label:** Medium to High

(Based on an estimate of 3.4 negative annual returns in any 20-year period).

**Suggested investment time frame:** 5 years

## Balanced

### DEFINITION

For real investment growth above the CPI over the medium to long term.

For investors who want high exposure to Australian and international shares and property and are prepared to accept more risk. The emphasis is on growth above CPI over a ten-year period, so investors should be prepared for some potential short-term volatility. The value of the investment may fluctuate over the short term.

### ASSET

### ALLOCATION

#### Asset class

#### Asset allocation range

Australian Equities	15 – 35%
International Equities	17 – 37%
Australian Direct Property	0 – 10%
International Listed Property	0 – 10%
Private Equity	2 – 12%
Private Credit	0 – 6%
Growth Alternatives	0 – 5%
Short Term Fixed Interest	5 – 15%
Liquid Alternatives	0 – 5%
Bonds	2 – 22%
Infrastructure	0 – 10%
Cash	0 – 10%

#### Total split of Growth/Defensive

#### Range

Growth Assets	60-80
Defensive Assets	20-40

<b>OBJECTIVE</b>	3.0% net investment return per annum above CPI, measured over a rolling ten-year period.
<b>RISK PROFILE</b>	<p><b>Standard Risk Measure:</b></p> <p><b>Risk band:</b> 5</p> <p><b>Risk label:</b> Medium to High (Based on an estimate of 3.4 negative annual returns in any 20-year period).</p> <p><b>Suggested investment time frame:</b> 5 years</p>

### Conservative Balanced

<b>DEFINITION</b>	<p>For real investment growth above CPI over the medium term.</p> <p>The Conservative Balanced option generally invests a proportion of its funds in growth assets such as Australian and international shares and property, semi liquids and private equity and the balance in income-producing assets, such as interest-bearing securities. This combination aims to earn real investment growth above CPI over a ten-year period. There are more assets that produce income which makes the option more stable than the High Growth and Balanced options.</p>	
<b>ASSET ALLOCATION</b>	<b>Asset class</b>	<b>Asset allocation range</b>
	Australian Equities	7 – 27%
	International Equities	7 – 27%
	Australian Direct Property	0 – 10%
	International Listed Property	0 – 10%
	Private Equity	1 – 11%
	Private Credit	0 – 6%
	Growth Alternatives	0 – 5%
	Short Term Fixed Interest	6 – 26%
	Liquid Alternatives	0 – 5%
	Bonds	13 – 33%
	Infrastructure	0 – 10%
	Cash	0 – 10%
	<b>Total split of Growth/Defensive</b>	<b>Range</b>

	Growth Assets	42-62
	Defensive Assets	38-58
<b>OBJECTIVE</b>	2.0% net investment return per annum above CPI, measured over a rolling ten-year period.	
<b>RISK PROFILE</b>	<p><b>Standard Risk Measure:</b></p> <p><b>Risk band:</b> 4</p> <p><b>Risk label:</b> Medium</p> <p>(Based on an estimate of 2.3 negative annual returns in any 20-year period).</p> <p><b>Suggested investment time frame:</b> 3 years</p>	

## Conservative

<b>DEFINITION</b>	<p>For shorter-term investing with good security and some potential for growth.</p> <p>The Conservative option generally invests a small proportion in growth assets and the balance in income-producing assets such as interest-bearing securities. This combination aims to earn real investment growth above CPI over a ten-year period. Although it is relatively more stable than the High Growth, Balanced and Conservative Balanced options, the returns and the value of the investment can still fluctuate.</p>	
<b>ASSET ALLOCATION</b>	<b>Asset class</b>	<b>Asset allocation range</b>
	Australian Equities	0 – 18%
	International Equities	0 – 18%
	Australian Direct Property	0 – 10%
	International Listed Property	0 – 6%
	Private Equity	0 – 7%
	Private Credit	0 – 10%
	Growth Alternatives	0 – 10%
	Short Term Fixed Interest	10 – 30%
	Liquid Alternatives	0 – 5%
	Bonds	19 – 39%
	Infrastructure	2 – 12%

	Cash	5 – 15%
	<b>Total split of Growth/Defensive</b>	<b>Range</b>
	Growth Assets	20-40
	Defensive Assets	60-80
<b>OBJECTIVE</b>	1.5% net investment return per annum above CPI, measured over a rolling ten-year period.	
<b>RISK PROFILE</b>	<p><b>Standard Risk Measure:</b></p> <p><b>Risk Band:</b> 2</p> <p><b>Risk Label:</b> Low</p> <p>(Based on an estimate of 0.7 negative annual returns in any 20-year period).</p> <p><b>Suggested investment time frame:</b> 2 years</p>	

## Managed Cash

<b>DEFINITION</b>	<p>For investors who want exposure to investments in money market securities with a very low risk of capital loss.</p> <p>The Managed Cash strategy invests predominantly in short-term Australian money market assets and term deposits. A proportion of the assets are invested in floating rate debt securities issued by Australian banks having a longer maximum term. This gives this strategy greater exposure to higher returns than by just investing in short-term cash deposits, with only a small increase in the overall volatility of the returns. This option offers investments for short-term investors or those seeking less volatile returns.</p>	
<b>ASSET ALLOCATION</b>	<b>Asset class</b>	<b>Asset allocation range</b>
	Cash and income producing assets, term deposits and money market instruments.	100%
	<b>Total split of Growth/Defensive</b>	<b>Range</b>
	Growth Assets	0
	Defensive Assets	100

<b>OBJECTIVE</b>	0.20% net investment return per annum above the cash <sup>1</sup> rate, measured over a rolling ten-year period.
<b>RISK PROFILE</b>	<p><b>Standard Risk Measure:</b></p> <p><b>Risk band:</b> 1</p> <p><b>Risk label:</b> Very Low</p> <p>(Based on an estimate of there being no negative annual returns in any 20-year period).</p> <p><b>Suggested investment time frame:</b> 2 years</p>

## RESPONSIBLE INVESTING

Active Super invests on behalf of our members in a range of assets using a responsible investment approach. We believe that this approach minimises risks, generates better long-term returns and is in line with our members' interests.

A responsible investment approach means integrating environmental, social and governance (ESG)<sup>2</sup> considerations into investment decision making processes<sup>3</sup>.

### Active Super Sustainable and Responsible Investment Policy

The Active Super Sustainable and Responsible Investment (SRI) policy provides a formal framework for integrating ESG considerations into all our investments. Reviewed annually, the Active Super SRI policy details our internal processes for assessing and undertaking investments and includes the following strategies:

Active Super is the largest of four superannuation funds that have gained certification in RIAA's Superfund Whole of Fund category. This means that aside from all the required disclosures related to responsible investment strategy, holdings and performance, we also have at least 75% of our total fund, across all assets, managed under multiple responsible investment strategies.

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<sup>1</sup> The benchmark for the cash rate is the Bloomberg AusBond Bank Bill Index.

<sup>2</sup> At Active Super, ESG also includes labour standards and ethical considerations.

<sup>3</sup> The investment decision-making process includes the selection, retaining and realising of investments.



### Key environmental, social and governance considerations

Active Super uses MSCI ESG Research to inform our analysis of ESG risk factors and performance.

Common ESG risk factors we consider during the investment process can include:

ENVIRONMENTAL RISK FACTORS	SOCIAL RISK FACTORS	GOVERNANCE RISK FACTORS
Climate change	Occupational health and safety and labour rights	Corporate governance
Pollution and waste	Human rights	Board independence
Resource scarcity	Location of operations	Executive remuneration
Food security and sustainable agriculture	Population growth and ageing demographics	Risk management
Biodiversity	Stakeholder engagement	Business ethics
	Supply chain management	Corruption and bribery

## Investment restrictions

Active Super uses investment restrictions (negative screens) to limit our exposure to companies that are involved in controversial or high-risk industries. Investment restrictions are monitored and regularly reviewed.

Active Super will not actively invest in companies that derive any revenue from:

- Controversial weapons: Including the manufacture and/or production of controversial weapons such as land mines, cluster bombs and nuclear weapons.
- Tobacco: Including the manufacture and/or production of tobacco products.

Active Super will not actively invest in companies that derive 10% or more of their revenue from:

- Armaments: Including the manufacture and/or production of armaments.
- Gambling: Including the manufacture and/or production of gambling machines and services and/or ownership of outlets housing these machines.
- Uranium mining/nuclear: Including involvement in uranium mining and production of nuclear energy.

Active Super will not actively invest in companies that derive 33.3% or more of their revenue from:

- High carbon sensitive activities: Including coal mining, oil tar sands and coal fired electricity generation.

Active Super will not actively invest in companies that are identified as:

- High ESG risk: Including poor governance and management of ESG risks.

## Active ownership

At Active Super we take our responsibility as a shareholder seriously. We are committed to being an active owner of our investments and believe that by working with the superannuation industry and engaging with companies on ESG issues, we can minimise potential risks across our investment portfolio, maximise member returns and make a difference to society. Engagement strategies we use to influence change include:

- Proxy voting: Active Super votes at shareholder meetings because we believe that it is important to fulfil our ownership obligations and rights that come with being a long-term shareholder. We use the recommendations of the Australian Council of Superannuation Investors and CGI Glass Lewis to guide our voting at shareholder meetings and publicly disclose our voting decisions before company meetings.
- Company engagement: To help minimise risk and promote long-term shareholder value, we engage with the companies we invest in through a variety of channels, including direct engagement with company board members and executives, indirect engagement via fund managers and through our involvement in industry groups and associations. By engaging with companies, we aim to increase

executive awareness of key ESG issues that may impact company operations, now or in the future.

- Working with the superannuation industry: We believe that by collaborating with other investors on key ESG issues, we will have a much greater impact on company activities and their long-term performance. Key industry groups and initiatives we are involved with include:
  - Principles for Responsible Investment
  - Australian Council of Superannuation Investors
  - Investor Group on Climate Change
  - Responsible Investment Association Australasia.
- Divestment: Occasionally we will utilise divestment to minimise our exposure to ESG risks that we believe could have a material impact on a company's financial performance or society more broadly. Divestment is used as a last resort following comprehensive engagement.
- Transparency: We disclose comprehensive information about our responsible investment practices to raise awareness about how we manage our members' retirement savings.

#### **EXAMPLES OF THE RESPONSIBLE INVESTMENTS ACTIVE SUPER MAKES ACROSS DIFFERENT ASSET CLASSES ON BEHALF OF OUR MEMBERS INCLUDE:**

**Shares:** We invest in listed companies that focus on biofuels, energy and water efficiency, recycling and renewable energy generation equipment and development.

**Bonds:** We invest in green bonds issued by corporations and community infrastructure including hospitals and schools. International bonds – we invest in long-term, large scale renewable energy generation projects such as wind and solar farms via green bonds issued by international agency banks.

**Property:** Our direct property portfolio, consisting of office, industrial and retail buildings have achieved numerous industry awards in recognition of our efforts to reduce energy and water consumption and increase sustainability. ACTIVE SUPER has achieved carbon neutral certification by the Australian government for all NABERS rated buildings in its direct property portfolio. Active Super is a signatory to the world green building council's global net zero carbon buildings commitment to achieve net zero operating carbon emissions across the Active Super Direct Property Portfolio by 2030, as well as advocating for all buildings to be net zero by 2050.

**Private equity:** We invest in unlisted funds to enable the development of solar and wind farms, biofuel plants and clean technology projects.

## INVESTMENT MANAGEMENT

The Active Super Trustee is responsible for selecting and managing the range of investment managers, who are in charge of the investments contained within their respective portfolios in each investment option.

Active Super adheres to the guiding principle that several carefully selected investment managers will, over any reasonable period, produce:

- more consistency
- lower volatility and risk
- better results.

### What is an investment option?

An investment option is the investment portfolio your account balance is held in. Each investment portfolio has been constructed with its own return and investment risk objective and is invested in a mix of different asset classes such as shares and fixed interest. Investment options with a higher allocation to growth assets such as shares generally have higher levels of returns and investment risk whereas investment options with a higher allocation to defensive assets such as fixed interest or cash generally have lower levels of returns and investment risk.

In selecting an investment option, you are instructing Active Super to invest the amount nominated into a pool of assets constructed by Active Super, to meet the objectives of that option.

Your investment in the Retirement Scheme is not guaranteed. The value of your investment can rise or fall.

### Diversification

Active Super's assets are allocated to a range of investment managers. This is to ensure diversification of both investments and investment managers.

Please note that investment managers and/or their weightings can change from time to time and that updated details are provided in the Annual Report available at [activesuper.com.au/annualreports](http://activesuper.com.au/annualreports)

### Automatic switch upon death notification

Upon receiving notification of a member's death, Active Super will move the deceased's Contributor Financed Benefit and Other Contributions account (if applicable) to the Managed Cash investment option, where they will remain invested until the benefit is paid. No Investment switching fee is charged.

### Investment returns in recent years

Up-to-date information in relation to the annual effective net earnings for each investment option for the last five financial years are set out in the latest Annual Report, along with other related investment performance information.

The net earning rate reported in the Annual Report may not be the same as the rate experienced by members because of the timing differences and the reserving policy of Active Super.

Also please note that past net earning rates are not a reliable indicator of future net earning rates.

More information regarding recent performance is available at [activesuper.com.au](http://activesuper.com.au) or from Member Services.

### Unit pricing

For Contributory members the value of your Contributor Financed Benefit and Other Contributions account (if applicable) is expressed in terms of units. For Deferred members the whole Deferred Benefit is unitised. When money is allocated to your account, units in a selected investment are issued to you. The number of units purchased is dependent on the unit price for that day and the amount allocated to your account.

The unit price is the net asset value (NAV) of the investment on a particular day divided by the total number of units on issue on that particular business day<sup>4</sup>. The NAV is the valuation of assets and liabilities (net of all fees, costs and taxes) determined by the market price at a valuation point after allowing for transaction costs and the deduction of taxation and expenses.

Provided that all relevant information is available to Active Super to make the declaration, unit prices for each investment option are calculated and declared for each business day. There may be times when unit prices cannot be issued, and payments are temporarily suspended. This may occur in times of extreme market volatility caused by political, financial year end, economic or any other crisis.

If this occurs, an interim valuation method may be applied, or payments suspended for a period of time.

### Reserves

The following reserve accounts are held by Active Super for the Retirement Scheme:

- **Operational Risk Financial Requirement (ORFR) reserve:** The purpose of the ORFR reserve is to cover potential losses, should they arise, in administering Active Super. The ORFR holds at least at least 0.25% of assets, to satisfy any expenses or losses arising from operational risk events.
- **Additional Benefit Insurance reserve (ABIR):** This reserve represents an amount held by Active Super to pay death and invalidity insurance. The actuary reviews the level of ABIR from time to time.

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<sup>4</sup> A business day is a day that the ASX (i.e. both SEATS [Stock Exchange Automated Trading System] and DTF [Derivatives Trading Facility]) is open for trading in Australia.

- **Administration and tax reserves:** Deductions are made from members' accounts to pay for Active Super's income tax liabilities and administration related expenses. The administration and tax reserves are invested in cash and are applied towards the expenses they relate to as and when they become payable. This information is disclosed in the Annual Report.
- **Defined Benefit reserve:** This reserve represents an actuarial assessment of excess assets held by the Fund over and above what is considered necessary to meet the Fund's liabilities. Furthermore, there is also a series of accumulation accounts representing Member contributions and Deferred Members along with other Reserves determined and monitored by the Fund's actuary.

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