

5. 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 Accumulation Scheme. This document is dated 1 October 2021 and is available free of charge at activesuper.com.au/PDS or from Member Services on 1300 547 873.

OVERVIEW

For most Australians, your super is one of the largest investments that will help support your financial needs in retirement. Your choice of super fund can make a real difference to your long-term financial future, so you may wish to invest in a super fund that works to maximise the returns on your investment and reduce the impact on our environment. That's why at Active Super, we're active in how and where we invest, so you can live your best life.

WHAT IS AN INVESTMENT OPTION?

An investment option is the investment portfolio your account balance is held in. Each investment option 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 bonds. 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 bonds or cash generally have lower levels of returns and investment risk.

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

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

TWO WAYS TO INVEST WITH ACTIVE SUPER ACCUMULATION SCHEME

You can choose to invest your account balance and/or future contributions in a combination of one or more of the following investment options shown below.

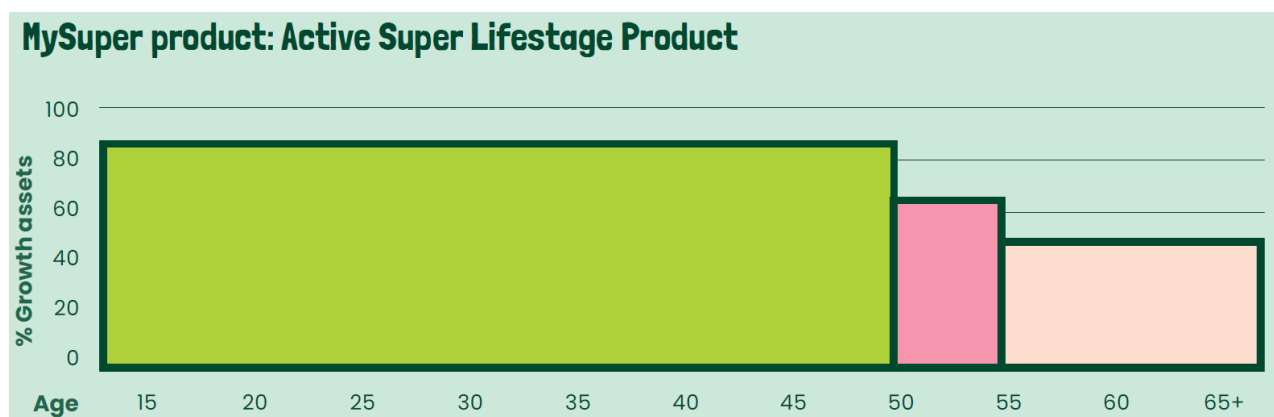


MySuper: Active Super Lifestage Product

If you do not make an investment choice, your account will automatically be invested 100% in our MySuper product, the Active Super Lifestage Product, detailed in section 5 of the PDS available at activesuper.com.au/PDS.

How does it work?

If you are invested in the MySuper product, your account balance is invested in a particular pre-mixed investment according to your age and is automatically switched to another investment when you reach a different age group. Please refer to the diagram below for more information on our MySuper product.



■ Accelerator (up to age 49)

This is the stage of life when members may want to take more risk to maximise the potential growth in their super balance. Accelerator invests in the High Growth investment option.

■ Accumulator (Age 50-54)

At this age, members may be starting to think about limiting the downside of any significant market corrections, while still benefitting from the market rising. Accumulator invests in the Balanced investment option.

■ Appreciator (Age 55+)

Members may be moving into the last stage of their full-time working life and may want to ensure the super balance they've accumulated continues to grow, but with less exposure to significant falls in the market that could lead to having to delay retirement or adjust their lifestyle based on a lower balance when they retire. Appreciator invests in the Conservative Balanced investment option.

Investment details for the MySuper product, Active Super Lifestage Product

	ACCELERATOR (Default option for members up to and including age 49)	ACCUMULATOR (Default option for members aged between 50-54)	APPRECIATOR (Default option for members aged 55 and above)
Description	Invests a very high proportion of funds in growth assets, such as shares and property and may be suitable for members seeking high investment growth over the longer term	Invests a high proportion of funds in growth assets, such as shares and property and may be suitable for members seeking real investment growth over the medium to longer term.	Invests a proportion of funds in growth assets, such as shares and property, in combination with income-producing assets, such as interest-bearing securities. May be suitable for members seeking investment growth over the medium term with less volatility.
Objective	3.5% net return p.a. above CPI over a rolling 10-year period.	3.0% net return p.a. above CPI over a rolling 10-year period	2.0% net return p.a. above CPI over a rolling 10-year period.
Age band ¹	Up to 49	50 - 54	55 and above
Suggested investment timeframe	7 years	5 years	3 years
Risk profile	The emphasis is on growth, so the value of the investment may fluctuate over the short term.	The emphasis is on growth, but with more stability than might be expected in Accelerator. The value of the investment may fluctuate over the short term.	The emphasis is still on growth, but with more stability than might be expected in Accelerator or Accumulator.
Standard Risk Measure	Risk band: 6 Risk label: High (Based on an	Risk band: 5 Risk label: Medium to High (Based on an	Risk band: 4 Risk label: Medium (Based on an estimate of 2.3

	estimate of 4.2 negative annual returns in any 20-year period)	estimate of 3.4 negative annual returns in any 20-year period)	negative annual returns in any 20-year period)
ASSET ALLOCATION (%)	RANGE	RANGE	RANGE
Australian Equities	22 - 42%	15 - 35%	7 - 27%
International Equities	28 - 48%	17 - 37%	7 - 27%
Australian Direct Property	0 - 10%	0 - 10%	0 - 10%
International Listed Property	0 - 10%	0 - 10%	0 - 10%
Private Equity	4 - 14%	2 - 12%	1 - 11%
Private Credit	0 - 6%	0 - 6%	0 - 6%
Growth Alternatives	0 - 5%	0 - 5%	0 - 5%
Short Term Fixed Interest	0 - 10%	5 - 15%	6 - 26%
Liquid Alternatives	0 - 5%	0 - 5%	0 - 5%
Bonds	0 - 10%	2 - 22%	13 - 33%
Infrastructure	0 - 10%	0 - 10%	0 - 10%
Cash	0 - 10%	0 - 10%	0 - 10%
TOTAL SPLIT OF GROWTH/DEFENSIVE	RANGE	RANGE	RANGE
Growth Assets	85-95	60-80	42-62
Defensive Assets	5-15	20-40	38-58

¹ Within the Active Super Lifestage Product, your account will automatically move through a range of investment options as you get older.

Before 1 October 2021, the MySuper product, the Active Super Lifestage Product, was known as MySuper Age Based Investment Strategy.

Choice investment options

You can choose to invest your account balance and/or future contributions in a combination of one or more of the Choice investments options shown below.

PRE-MIXED CHOICE INVESTMENT OPTIONS	SINGLE SECTOR CHOICE INVESTMENT OPTION
High Growth	Managed Cash
Balanced	
Conservative Balanced	
Conservative	

Additional information for the Choice investment options is included below.

	HIGH GROWTH	BALANCED	CONSERVATIVE BALANCED
Description	Invests a very high proportion of funds in growth assets, such as shares and property and may be suitable for members seeking high investment growth over the longer term.	Invests a high proportion of funds in growth assets, such as shares and property and may be suitable for members seeking real investment growth over the medium to longer term.	Invests a proportion of funds in growth assets, such as shares and property, in combination with income-producing assets, such as interest-bearing securities. May be suitable for members seeking investment growth over the medium term with less volatility.
Objective	3.5% net return p.a. above CPI over a rolling 10-year period.	3.0% net return p.a. above CPI over a rolling 10-year period	2.0% net return p.a. above CPI over a rolling 10-year period.
Suggested investment timeframe	7 years	5 years	3 years
Risk profile	The emphasis is on growth, so the value of the investment may fluctuate over the short term.	The emphasis is on growth, but with more stability than might be expected in High Growth. The value of the investment may	The emphasis is still on growth, but with more stability than might be expected in High Growth or Balanced.

		fluctuate over the short term.	
Standard Risk Measure	Risk band: 6 Risk label: High (Based on an estimate of 4.2 negative annual returns in any 20-year period)	Risk band: 5 Risk label: Medium to High (Based on an estimate of 3.4 negative annual returns in any 20-year period)	Risk band: 4 Risk label: Medium (Based on an estimate of 2.3 negative annual returns in any 20-year period)
ASSET ALLOCATION (%)	RANGE	RANGE	RANGE
Australian Equities	22 - 42%	15 - 35%	7 - 27%
International Equities	28 - 48%	17 - 37%	7 - 27%
Australian Direct Property	0 - 10%	0 - 10%	0 - 10%
International Listed Property	0 - 10%	0 - 10%	0 - 10%
Private Equity	4 - 14%	2 - 12%	1 - 11%
Private Credit	0 - 6%	0 - 6%	0 - 6%
Growth Alternatives	0 - 5%	0 - 5%	0 - 5%
Short Term Fixed Interest	0 - 10%	5 - 15%	6 - 26%
Liquid Alternatives	0 - 5%	0 - 5%	0 - 5%
Bonds	0 - 10%	2 - 22%	13 - 33%
Infrastructure	0 - 10%	0 - 10%	0 - 10%
Cash	0 - 10%	0 - 10%	0 - 10%
TOTAL SPLIT OF GROWTH/DEFENSIVE	RANGE	RANGE	RANGE
Growth Assets	85-95	60-80	42-62
Defensive Assets	5-15	20-40	38-58

Note: Before 1 October 2021, the *Balanced* investment option was known as *Balanced Growth* and the *Conservative Balanced* investment option was known as *Balanced*.

Conservative

DEFINITION	For shorter-term investing with good security and some potential for growth.	
	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 10-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.	
ASSET ALLOCATION	Asset class	Asset allocation range
	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%
	Total split of Growth/Defensive	Range
	Growth Assets	20-40
	Defensive Assets	60-80
OBJECTIVE	1.5% net investment return per annum above CPI, measured over a rolling ten-year period.	
RISK PROFILE	<p>Standard Risk Measure:</p> <p>Risk Band: 2</p> <p>Risk Label: Low</p> <p>(Based on an estimate of 0.7 negative annual returns in any 20-year period)</p> <p>Suggested investment time frame: 2 years.</p>	

Managed Cash

DEFINITION	For investors who want exposure to investments in money market securities with a very low risk of capital loss.	
	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.	
ASSET ALLOCATION	Asset class	Asset allocation range
	Cash, term deposits and money market securities	100%
	Total split of Growth/Defensive	Range
	Growth Assets	0
	Defensive Assets	100
OBJECTIVE	0.20% net investment return per annum above the cash ¹ rate, measured over a rolling ten-year period.	
RISK PROFILE	<p>Standard Risk Measure:</p> <p>Risk band: 1</p> <p>Risk label: Very Low</p> <p>(Based on an estimate of there being no negative annual returns in any 20-year period)</p> <p>Suggested investment time frame: 2 years.</p>	

SWITCHING INVESTMENTS

You can choose to invest your money in one option or a combination of options. You can switch between options for no fee at any time via our secure Active Super app or Member Online. Alternatively, you can complete and send us a *Changing investment option(s)* form available from activesuper.com.au/forms or by calling Member Services. If you are invested in the Active Super Lifestage product, you will be automatically switched when you reach a different age group. Active Super does not

¹ The benchmark for the cash rate is the Bloomberg AusBond Bank Bill Index.

charge a switch fee. Please refer to the *Fees and costs* fact sheet at activesuper.com.au/PDS

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)² considerations into investment decision making processes³.

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.

² At Active Super, ESG also includes labour standards and ethical considerations.

³ 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 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.

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 weighting will change from time to time and that updated details are provided in the Active Super Annual Report available at activesuper.com.au/annualreports

Automatic switch upon death notification

Upon receiving notification of a member's death, Active Super will move the deceased's benefit to the Managed Cash investment option where it will remain until the death benefit is paid. No investment switching fee is charged.

Automatic account rebalancing

If your current account balance and future contributions are invested in the same way in more than one investment option, your account is then automatically rebalanced each quarter.

Active Super monitors the actual proportions invested in your chosen options, as these proportions may vary with performance trends over time. Active Super automatically makes any necessary transfers between the underlying investments to ensure your account does not move out of line with your chosen investment mix.

Rebalancing is normally done on a quarterly basis at the end of February, May, August and November. If you do not want automatic rebalancing to occur, please contact our member services team on 1300 547 873.

Automatic rebalancing does not occur if you have elected to invest your account balance and future contributions in different options.

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/performance or from Member Services.

Unit pricing

The value of your account is expressed in terms of units. 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 day⁴. 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 the Trustee 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 Accumulation Scheme and Account-Based Pension Plan:

- **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 reserve holds at least 0.25% of Active Super's assets to satisfy any expenses or losses arising from operational risk events.
- **Self-insurance reserve:** This reserve operates to meet any self-insured death/invalidity claims within the Accumulation Scheme.

⁴ 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.
- **Group Life Reserve:** The Group Life Reserve represents the insurance premium deducted from members' accounts including the retention of 1.5% insurance administration fee, which is then transferred to the Trustee (via the Administration Reserve).
- **Investment of reserves:** The assets which support these reserves are held in cash, either in a bank account or in a short-term notice account.

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