

## 5. HOW WE INVEST YOUR MONEY

The information in this document forms part of the Product Disclosure Statement (PDS), dated 1 July 2022 for the Active Super Accumulation Scheme. This document is dated 1 July 2022 and is available free of charge at [activesuper.com.au/PDS](https://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.

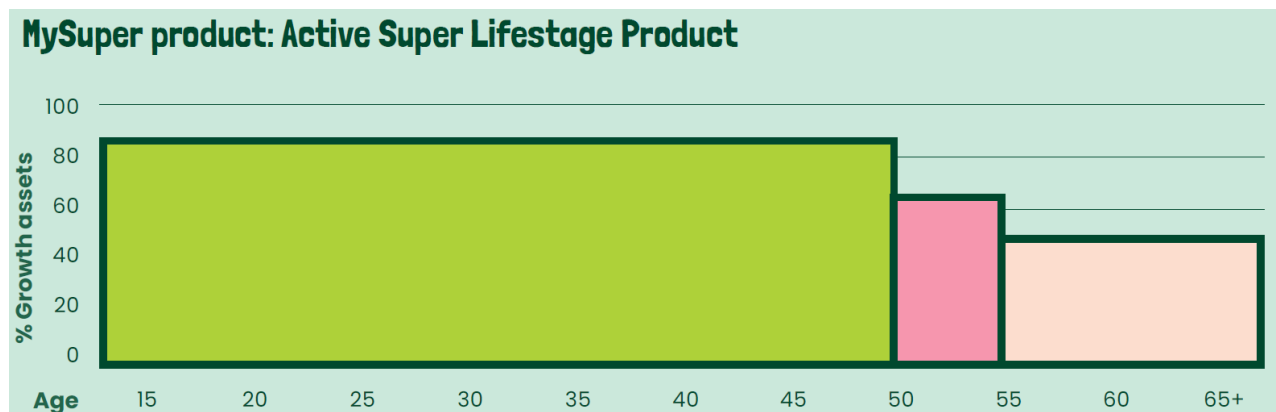


### MySuper: Active Super Lifestage Product

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

	<b>ACCELERATOR</b> <b>HIGH GROWTH</b> (DEFAULT OPTION FOR MEMBERS UP TO AND INCLUDING AGE 49)	<b>ACCUMULATOR</b> <b>BALANCED</b> (DEFAULT OPTION FOR MEMBERS AGED BETWEEN 50-54)	<b>APPRECIATOR</b> <b>CONSERVATIVE BALANCED</b> (DEFAULT OPTION FOR MEMBERS AGED 55 AND ABOVE)
<b>Description</b>	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.
<b>Objective</b>	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.
<b>Age band<sup>1</sup></b>	Up to 49	50 - 54	55 and above
<b>Suggested investment timeframe</b>	10 years	7 years	7 years
<b>Risk profile</b>	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.

<b>Standard Risk Measure</b>	<b>Risk band: 6</b> <b>Risk label: High</b> (Based on an estimate of 4.8 negative annual returns in any 20-year period)	<b>Risk band: 6</b> <b>Risk label: High</b> (Based on an estimate of 4.2 negative annual returns in any 20-year period)	<b>Risk band: 5</b> <b>Risk label: Medium to High</b> (Based on an estimate of 3.2 negative annual returns in any 20-year period)
<b>ASSET ALLOCATION (%)</b>	<b>RANGE</b>	<b>RANGE</b>	<b>RANGE</b>
Australian Equities	23 – 43%	15 – 35%	8 – 28%
International Equities	27 – 47%	17 – 37%	8 – 28%
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%	11 – 31%
Infrastructure	0 – 10%	0 – 10%	0 – 10%
Cash	0 – 10%	0 – 10%	0 – 10%
<b>TOTAL SPLIT OF GROWTH/DEFENSIVE</b>	<b>RANGE</b>	<b>RANGE</b>	<b>RANGE</b>
Growth Assets	85-95	60-80	44-64
Defensive Assets	5-15	20-40	36-56

<sup>1</sup> 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 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
<b>Description</b>	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.
<b>Objective</b>	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.
<b>Suggested investment timeframe</b>	10 years	7 years	7 years
<b>Risk profile</b>	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 fluctuate over the short term.	The emphasis is still on growth, but with more stability than might be expected in High Growth or Balanced.

<b>Standard Risk Measure</b>	<b>Risk band: 6</b> <b>Risk label: High</b> (Based on an estimate of 4.8 negative annual returns in any 20-year period)	<b>Risk band: 6</b> <b>Risk label: High</b> (Based on an estimate of 4.2 negative annual returns in any 20-year period)	<b>Risk band: 5</b> <b>Risk label: Medium to High</b> (Based on an estimate of 3.2 negative annual returns in any 20-year period)
<b>ASSET ALLOCATION (%)</b>	<b>RANGE</b>	<b>RANGE</b>	<b>RANGE</b>
Australian Equities	23 – 43%	15 – 35%	8 – 28%
International Equities	27 – 47%	17 – 37%	8 – 28%
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%	11 – 31%
Infrastructure	0 – 10%	0 – 10%	0 – 10%
Cash	0 – 10%	0 – 10%	0 – 10%
<b>TOTAL SPLIT OF GROWTH/DEFENSIVE</b>	<b>RANGE</b>	<b>RANGE</b>	<b>RANGE</b>
Growth Assets	85-95	60-80	44-64
Defensive Assets	5-15	20-40	36-56

**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

<b>DEFINITION</b>	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.	
<b>ASSET ALLOCATION</b>	<b>Asset class</b>	<b>Asset allocation range</b>
	Australian Equities	0 – 19%
	International Equities	0 – 19%
	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	17 – 37%
	Infrastructure	2 – 12%
	Cash	5 – 15%
	<b>Total split of Growth/Defensive</b>	<b>Range</b>
	Growth Assets	24-44
	Defensive Assets	56-76
<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> 3</p> <p><b>Risk Label:</b> Low to Medium</p> <p>(Based on an estimate of 1.3 negative annual returns in any 20-year period)</p> <p><b>Suggested investment time frame:</b> 5 years.</p>	

## Managed Cash

<b>DEFINITION</b>	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.	
<b>ASSET ALLOCATION</b>	<b>Asset class</b>	<b>Asset allocation range</b>
	Cash, term deposits and money market securities	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> 3 years.</p>	

## SWITCHING INVESTMENTS

You can choose to invest your money in one option or a combination of options. You can switch between options 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](https://activesuper.com.au/forms) or by calling Member Services. If you are invested in the Active Super Lifestage product, you will be automatically switched

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



when you reach a different age group. Active Super does not charge a switch fee. Please refer to the *Fees and costs* fact sheet at [activesuper.com.au/PDS](https://activesuper.com.au/PDS)

## RESPONSIBLE INVESTING

Many super funds claim to be focused on sustainability. But Active Super is one of only three super funds in Australia that are Whole-of-Fund certified for responsible investment by the Responsible Investment Association Australasia. This sets us apart from funds who offer ‘sustainable’ or ‘ethical’ investment options, but which are run separately to their mainstream investments.

At Active Super, our Sustainable and Responsible Investment policy applies to our whole portfolio, across all asset classes. Responsible investment is all we do.

Our Sustainable and Responsible Investment policy is available on our website and includes the following strategies:



## ESG integration

All the investments we make and the fund managers we select are assessed for their ability to deliver strong financial performance as well as their environmental social and governance (ESG) impact on the world. The kinds of risks we look for are:



### Environmental

- Climate change
- Resource depletion
- Waste
- Pollution
- Deforestation



### Social

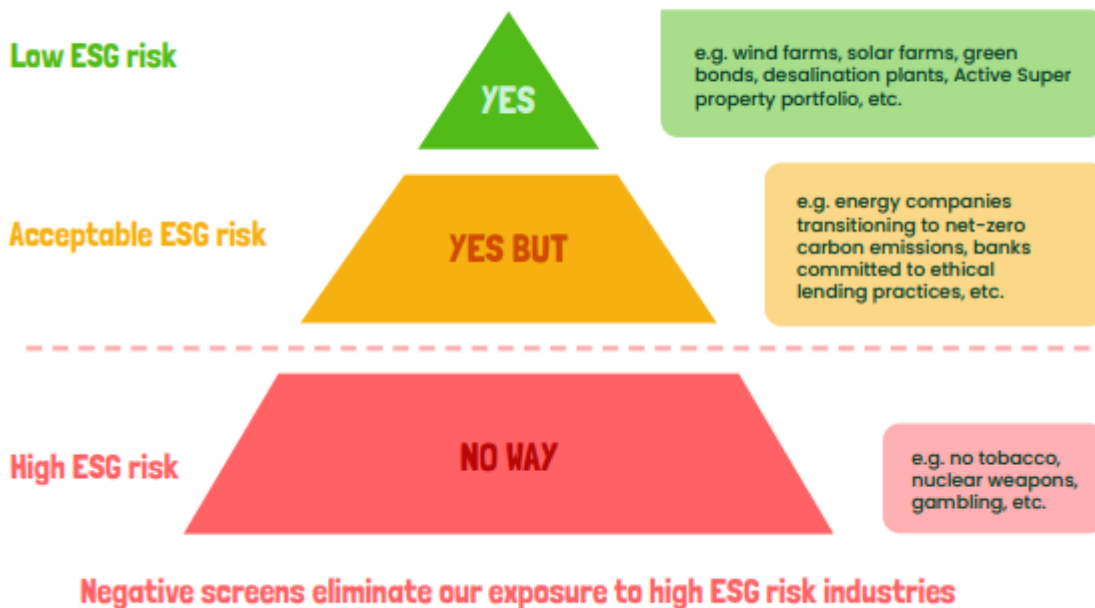
- Human rights
- Modern slavery
- Child labour
- Working conditions
- Employee relations



### Governance

- Bribery and corruption
- Executive pay
- Board diversity and structure
- Political lobbying and donations
- Tax strategy

Once assessed for both performance and ESG impact, prospective investments generally fall into one of three categories, which informs whether we decide to invest.



Investments in the middle section often have the potential to progress up into the top tier. So our decision on whether to invest is often 'YES BUT' only if we continue to see

them making good progress on their ESG commitments. This involves ongoing engagement, monitoring and regular reviews of their impact.

### **Positive screens**

We seek investment opportunities that have a positive impact on the world, for example, schools, hospitals, solar and wind energy, waste management and recycling.

### **Negative Screens**

We eliminate investments that pose too great a risk to the environment and the community, for example nuclear weapons, tobacco manufacturing, oil tar sands and gambling. We also recently added Russia to our list of excluded countries, following the invasion of Ukraine.

### **Active ownership**

We actively engage as shareholders to push for positive change. We vote at all shareholder meetings and work directly with the companies we invest in to ensure that their conduct and progress are aligned with our responsible investment philosophy.

### **Collaboration**

We work with leading industry bodies who share our values to help achieve our responsible investment goals.

### **Transparency**

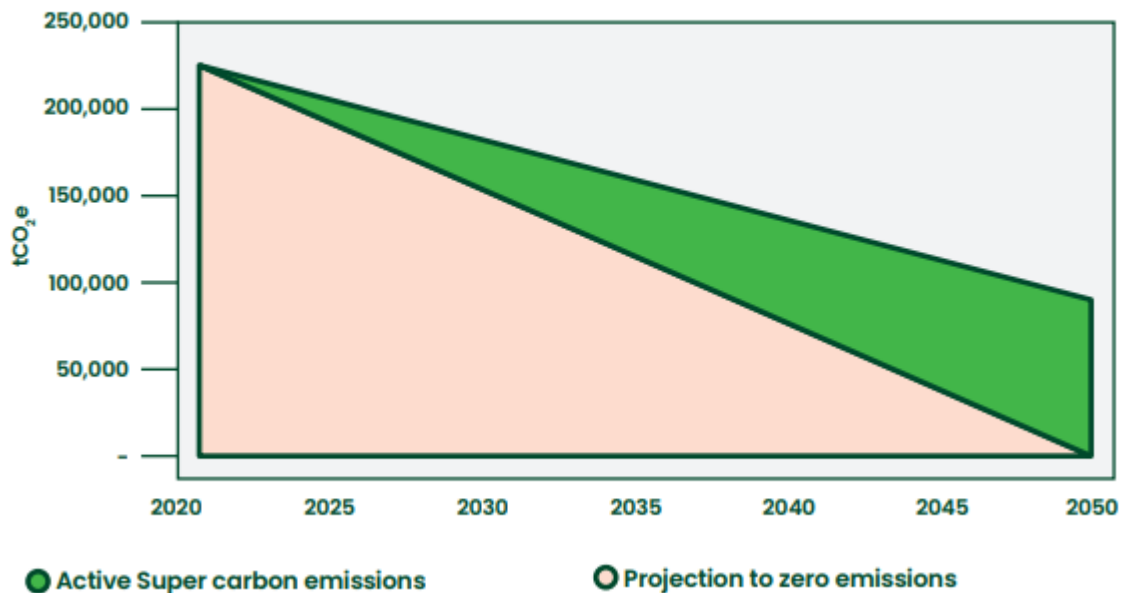
Unlike most super funds, we publish our voting intentions on our website before investee company meetings, so you always know where we stand. You can also view our investment holdings on our website at any time.

### **Climate Change**

At Active Super, we believe climate change is one of the most significant risks facing the world today. We were among the first super funds to move on climate change issues in 2009 and introduced climate change and fossil fuel reserve restrictions back in 2014.

We are one of the few super funds in Australia to be certified Carbon Neutral for our business operations and we use multiple strategies to manage the risk of climate change across our portfolio. This now includes a net zero modelling tool which we are using to map our trajectory towards Net Zero 2050.

## Carbon emissions trendline and shortfall (Australia)



### 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](https://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](http://activesuper.com.au) 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 day<sup>2</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.

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<sup>2</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.

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. The assets which support the ORFR are held in multi-asset classes within the Fund.
- **Self-insurance reserve:** This reserve operates to meet any self-insured death/invalidity claims within the Accumulation Scheme. The assets which support this reserve is held in cash, either in a bank account or in a short-term notice account.
- **Administration Reserve:** Deductions are made from members' accounts to pay for Active Super's, administration and operational expenses, legislative changes and funding for strategic projects to drive better outcomes for members. 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.
  - **Investment and Tax Reserve:** Holds funds to pay the investment related tax liabilities and Member Contribution Tax. These are paid to the ATO on a monthly basis.
- **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).

Issued by LGSS Pty Limited (ABN 68 078 003 497) (AFSL 383558), as trustee for Local Government Super (ABN 28 901 371 321) ('Active Super'). This document contains general information only and is not intended to be a substitute for professional taxation, financial and legal advice. It does not take into account any individual's investment objectives, financial situation or particular needs. Accordingly, an individual should consider the information having regard to their own investment objectives, financial situation and particular needs before making a decision in relation to any of the matters covered in this document and obtain and consider the relevant Product Disclosure Statement available at [activesuper.com.au/PDS](https://activesuper.com.au/PDS) before making a decision about a product.

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