

5. HOW WE INVEST YOUR MONEY

The information in this document forms part of the Product Disclosure Statement (PDS), dated 1 July 2024 for the Active Super Accumulation Scheme. This document is dated 1 July 2024 and is available free of charge at activesuper.com.au/PDS or from Member Care on 1300 547 873.

OVERVIEW

For most Australians, super will be one of the biggest financial supports in retirement and your choice of super fund can make a real difference to your long-term financial future.

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 objectives 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.

We do not guarantee the investment performance of any of the investment options available to members in the fund. 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.

<p>Active Super Lifestage Product</p> <p>The default option Hands-free investing We make the decisions Set and forget: Investment mix adjusts automatically based on age</p>	<p>and/or</p>	<p>Choice</p> <p>Your choice option Hands-on investing You make the decisions You choose your investment mix from five different options</p>
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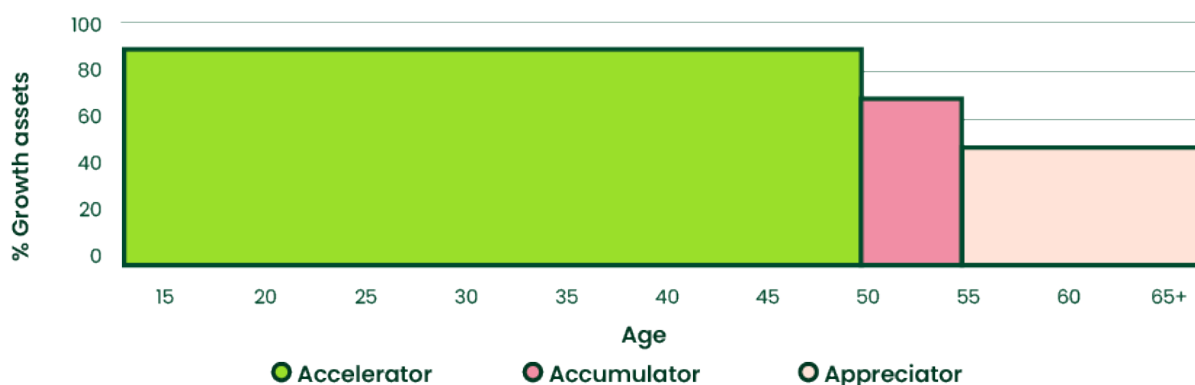
MySuper: Active Super Lifestage Product

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

How does it work?

If you are invested in the Active Super Lifestage 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.

MySuper: Active Super Lifestage 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 fall, 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 delaying retirement or adjusting 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

	ACCELERATOR HIGH GROWTH (DEFAULT OPTION FOR MEMBERS UP TO AND INCLUDING AGE 49)	ACCUMULATOR BALANCED (DEFAULT OPTION FOR MEMBERS AGED BETWEEN 50-54)	APPRECIATOR CONSERVATIVE BALANCED (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 band¹	Up to 49	50 - 54	55 and above
Suggested investment timeframe	10 years	7 years	7 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 estimate of 4.5 negative annual returns in any 20-year period).	Risk band: 5 Risk label: Medium to High (Based on an estimate of 3.9 negative annual	Risk band: 5 Risk label: Medium to High (Based on an estimate of 3.0 negative annual

		returns in any 20-year period).	returns in any 20-year period).
ASSET ALLOCATION (%)	RANGE	RANGE	RANGE
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 - 5%	0 - 5%	0 - 5%
Growth Alternatives	0 - 5%	0 - 5%	0 - 5%
Short Term Fixed Interest	0 - 10%	5 - 15%	6 - 26%
Bonds	0 - 10%	2 - 22%	11 - 31%
Infrastructure	0 - 10%	0 - 10%	0 - 10%
Managed Cash	0 - 10%	0 - 10%	0 - 10%
TOTAL SPLIT OF GROWTH/DEFENSIVE	RANGE	RANGE	RANGE
Growth Assets	85-95	60-80	44-64
Defensive Assets	5-15	20-40	36-56

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

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	10 years	7 years	7 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 fluctuate over the short term.	The emphasis is still on growth, but with more stability than might be expected in High Growth or Balanced.

Standard Risk Measure	Risk band: 6 Risk label: High (Based on an estimate of 4.5 negative annual returns in any 20-year period).	Risk band: 5 Risk label: Medium to High (Based on an estimate of 3.9 negative annual returns in any 20-year period).	Risk band: 5 Risk label: Medium to High (Based on an estimate of 3.0 negative annual returns in any 20-year period).
ASSET ALLOCATION (%)	RANGE	RANGE	RANGE
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 - 5%	0 - 5%	0 - 5%
Growth Alternatives	0 - 5%	0 - 5%	0 - 5%
Short Term Fixed Interest	0 - 10%	5 - 15%	6 - 26%
Bonds	0 - 10%	2 - 22%	11 - 31%
Infrastructure	0 - 10%	0 - 10%	0 - 10%
Managed Cash	0 - 10%	0 - 10%	0 - 10%
TOTAL SPLIT OF GROWTH/DEFENSIVE	RANGE	RANGE	RANGE
Growth Assets	85-95	60-80	44-64
Defensive Assets	5-15	20-40	36-56

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 – 19%
	International Equities	0 – 19%
	Australian Direct Property	0 – 10%
	International Listed Property	0 – 10%
	Private Equity	0 – 5%
	Private Credit	0 – 10%
	Growth Alternatives	0 – 10%
	Short Term Fixed Interest	8 – 28%
	Bonds	17 – 37%
	Infrastructure	0 – 10%
Managed Cash	0 – 20%	
OBJECTIVE	Total split of Growth/Defensive	Range
	Growth Assets	24-44
	Defensive Assets	56-76
RISK PROFILE	1.5% net investment return per annum above CPI, measured over a rolling ten-year period.	
	<p>Standard Risk Measure:</p> <p>Risk Band: 3</p> <p>Risk Label: Low to Medium</p> <p>(Based on an estimate of 1.4 negative annual returns in any 20-year period)</p> <p>Suggested investment time frame: 5 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	To outperform the Bloomberg Ausbond Bank Bill Index net after tax.	
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: 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 or by calling Member Care.

If you choose your own investment option(s), you should review your choices from time to time because you will remain in your chosen investment option until you choose otherwise. You can revert to the Active Super Lifestage product via the Active Super app, Member Online or by completing a *Changing Investment option(s)* form.

Alternatively, 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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Active Super takes certain environmental, social and governance (ESG) factors into account in its investment decision making.

The ESG factors that are taken into account are:

- tobacco production and manufacturing
- controversial weapons manufacturing
- gambling activities
- military weapons manufacturing
- coal and oil tar sands mining
- coal-fired electricity production.

Active Super obtains data from its ESG research provider periodically about companies' exposures to these factors. Ordinarily, the data concerns whether a relevant activity exceeds a specific revenue and/or asset threshold (limited to the company's direct business activities). The data depends on the ESG research provider's definitions (for the factors identified above) and is limited to companies in the ESG research provider's index. This data informs Active Super's investment restrictions list, which is revised periodically (having regard to the data received) and then communicated to our investment managers who are responsible for managing the relevant portfolios.

Active Super does not take labour standards into account in its investment decision making.

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 across a number of investment managers. This is to ensure diversification of both investments and investment managers.

Please note that both the selection of investment managers and their relative weightings will change from time to time.

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. The aim of this is to minimise fluctuations in the market and unit prices to reduce the impacts on the member's account balance.

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 Care 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 of contributions received, and fees and costs deducted.

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 or from Member Care.

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 day¹. 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 factor. 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 are 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 reserve is invested in cash and is applied towards the expenses it relates to, as and when the expense becomes 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. The assets which support the Tax Reserve are invested in cash.
- **Group Life Reserve:** The Group Life Reserve represents the insurance premium deducted from members' accounts including the retention of the 1.5% insurance administration fee, which is then transferred to the Trustee (via the Administration Reserve).

¹ 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.

Any advice in this document is general only and has been 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'). The advice does not take into account your personal objectives, financial situation or needs. Before making a decision about the product, you should consider the appropriateness of the product having regard to these matters and the relevant PDS and TMD or by calling us on 1300 547 873. If you would like advice that takes into account your personal circumstances, please contact a financial adviser.

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