

HOW WE INVEST YOUR MONEY

The information in this document forms part of the Product Disclosure Statement (PDS), dated 1 July 2023 for the Active Super Defined Benefit Scheme. This document is dated 1 July 2023 and is available free of charge at activesuper.com.au/PDS or you may request a copy from Member Care on 1300 547 873.

OVERVIEW OF THE DEFINED BENEFIT STRATEGY

DEFINITION	The Defined Benefit Strategy generally invests a high proportion of its funds in growth assets, such as Australian and international shares and property. The balance is invested in income producing assets. Because the emphasis is on growth, there may be 'short-term volatility' in this strategy, which means the value of the investment may fluctuate over the short-term.	
ASSET ALLOCATION	Asset class	Asset allocation range
	Australian Equities	11% – 31%
	International Equities	11% – 31%
	International Listed Property	0% – 10%
	Australian Direct Property	0% – 10%
	Private Equity	0% – 10%
	Private Credit	0% – 5%
	Growth Alternatives	0% – 5%
	Short Term Fixed Interest	5% – 25%
	Bonds	5% – 25%
	Infrastructure	0% – 5%
	Cash	0% – 20%
	Total split of Growth/Defensive	Range
	Growth Assets	50-70
	Defensive Assets	30-50
OBJECTIVE	6.0% to be achieved over 10 years.	
RISK PROFILE	High/Medium.	

RESPONSIBLE INVESTMENT – A PORTFOLIO-WIDE APPROACH

Active Super believes in responsible investment and takes into account environmental, social and governance (ESG) factors in our investment decision making. These factors may include:



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

Active Super recognises that ESG factors are important considerations in driving long-term investment returns and reducing risk. We incorporate consideration of ESG factors as part of our fiduciary investment management obligation through our responsible investment approach.

For Active Super, responsible investment means:

- **Investment restrictions:** Neither Active Super nor our external investment managers investing on our behalf, will invest directly in shares of listed companies that contravene our restriction criteria, including companies involved in:
 - **Tobacco:** companies that derive any revenue directly from the manufacture or production of tobacco products. Does not include paper packaging, or retail sales.
 - **Controversial weapons:** companies that derive any revenue directly from the manufacture or production of land mines, cluster bombs or nuclear weapons.
 - **Gambling:** companies that derive 10% or more of their revenue directly from the provision of gambling services to consumers, or the

¹ Revenue-based restriction criteria apply only to companies that derive revenue directly from the relevant activities, and do not include revenue from the supply of goods, services or materials to those activities.

manufacture, production or hosting of gambling machines. Does not include revenue from food or beverage sales, nor from retail sales of lottery tickets.

- **Armaments:** companies that derive 10% or more of their revenue directly from the manufacture or production of armaments.
- **Coal and oil tar:** companies that derive 33.3% or more of their revenue directly from coal mining, oil tar sands or coal fired electricity utilities.
- **High ESG risks:** companies in any sector or industry that the Trustee has determined have a high ESG risk profile and poor management of ESG risks. This determination will be informed by research from specialised ESG data providers, and take into account all relevant factors including a company's ESG commitments and transition plans.
- **Country:** companies domiciled in Russia².

Note that these restrictions apply only to direct investment in listed company shares, either by the Trustee or an external investment manager under a mandate from the Trustee. They do not apply to investments in pooled funds.

- **Positive investments:** we actively seek out opportunities to invest in ways that can offset long-term environmental and social risks while delivering the right risk and return characteristics to meet our investment objectives for our members.
- **Active ownership:** we monitor and engage with the companies we invest in regarding ESG issues directly as an investor, as well as indirectly through our investment managers and also industry partners like the Australian Council of Superannuation Investors (ACSI). We aim to exercise our proxy vote at shareholder meetings and generally publish our decisions on our website before the meetings take place.

Our responsible investment approach covers all of our super and account-based pension products.

INVESTMENT MANAGEMENT

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

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

² From April 2022. Note that some managers may have residual holdings acquired prior to the restriction coming into effect, and that are unable to be liquidated due to international sanctions.

- 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 both the selection of investment managers and their relative weightings will change from time to time and that updated details are provided in the Active Super Annual Report available at activesuper.com.au/annualreports

Investment returns in recent years

Up-to-date information in relation to the annual effective net earnings for the last five financial years is 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 applied to member accounts due to 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.

RESERVES

The following reserve accounts are held by Active Super:

- **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 expenses 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. The assets which support the Tax Reserve are invested in cash.
- **Group Life Reserve:** The Group Life Reserve represents the insurance premium deducted from Accumulation Scheme members' accounts including the retention of the 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'). Any advice in this document is general advice 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://www.activesuper.com.au/PDS) before making a decision about a product. Find the TMD at <https://www.activesuper.com.au/tmd>
Date issued: 1 July 2023