

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 Retirement Scheme. This document is dated 20 September 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.

WHAT IS AN INVESTMENT OPTION?

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

An investment option is the investment portfolio your Contributor Financed Benefit and/or Other Contributions accounts (if applicable) are 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 for your Contributor Financed Benefit and/or Other Contributions account balance, 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.

INVESTMENT OPTION OVERVIEW

High Growth

DEFINITION

For high investment growth above the Consumer Price Index (CPI) over the long term.

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 the longer term. 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.

ASSET ALLOCATION	Asset class	Asset allocation range
	Australian Equities	23 – 43%
	International Equities	27 – 47%
	Australian Direct Property	0 – 10%
	International Listed Property	0 – 10%
	Private Equity	4 – 14%
	Private Credit	0 – 5%
	Growth Alternatives	0 – 5%
	Short Term Fixed Interest	0 – 10%
	Bonds	0 – 10%
	Infrastructure	0 – 10%
	Cash	0 – 10%
	Total split of Growth/Defensive	Range
	Growth Assets	85-95
	Defensive Assets	5-15
OBJECTIVE	3.5% net investment return per annum above CPI, measured over a rolling ten-year period.	
RISK PROFILE	<p>Standard Risk Measure:</p> <p>Risk band: 6</p> <p>Risk label: High</p> <p>(Based on an estimate of 4.7 negative annual returns in any 20-year period)</p> <p>Suggested investment time frame: 10 years</p>	

Growth

DEFINITION	<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. The volatility for the Growth option should not be as great as it is in the High Growth option.</p>	
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 – 5%
	Growth Alternatives	0 – 5%
	Short Term Fixed Interest	5 – 15%
	Bonds	2 – 22%
	Infrastructure	0 – 10%
	Cash	0 – 10%
	Total split of Growth/Defensive	Range
	Growth Assets	60-80
	Defensive Assets	20-40
OBJECTIVE	3.0% net investment return per annum above CPI, measured over a rolling ten-year period.	
RISK PROFILE	<p>Standard Risk Measure:</p> <p>Risk band: 6</p> <p>Risk label: High</p> <p>(Based on an estimate of 4.1 negative annual returns in any 20-year period)</p> <p>Suggested investment time frame: 7 years</p>	

Balanced

DEFINITION	<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 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.</p>	
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 – 5%
	Growth Alternatives	0 – 5%
	Short Term Fixed Interest	5 – 15%
	Bonds	2 – 22%
	Infrastructure	0 – 10%
	Cash	0 – 10%
	Total split of Growth/Defensive	Range
	Growth Assets	60-80
	Defensive Assets	20-40
OBJECTIVE	3.0% net investment return per annum above CPI, measured over a rolling ten-year period.	
RISK PROFILE	<p>Standard Risk Measure:</p> <p>Risk band: 6</p> <p>Risk label: High</p> <p>(Based on an estimate of 4.1 negative annual returns in any 20-year period)</p> <p>Suggested investment time frame: 7 years</p>	

Conservative Balanced

DEFINITION	<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>	
ASSET ALLOCATION	Asset class	Asset allocation range
	Australian Equities	8 – 28%
	International Equities	8 – 28%
	Australian Direct Property	0 – 10%
	International Listed Property	0 – 10%
	Private Equity	1 – 11%
	Private Credit	0 – 5%
	Growth Alternatives	0 – 5%

	Short Term Fixed Interest	6 – 26%
	Bonds	11 – 31%
	Infrastructure	0 – 10%
	Cash	0 – 10%
	Total split of Growth/Defensive	Range
	Growth Assets	44-64
	Defensive Assets	36-56
OBJECTIVE	2.0% net investment return per annum above CPI, measured over a rolling ten-year period.	
RISK PROFILE	<p>Standard Risk Measure:</p> <p>Risk band: 5</p> <p>Risk label: Medium to High</p> <p>(Based on an estimate of 3.2 negative annual returns in any 20-year period)</p> <p>Suggested investment time frame: 7 years</p>	

Conservative

DEFINITION	<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>	
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%
	Cash	0 – 20%
	Total split of Growth/Defensive	Range
	Growth Assets	24-44
	Defensive Assets	56-76
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: 3</p> <p>Risk Label: Low to Medium</p> <p>(Based on an estimate of 1.6 negative annual returns in any 20-year period)</p> <p>Suggested investment time frame: 5 years</p>	

Managed Cash

DEFINITION	<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>	
ASSET ALLOCATION	Asset class	Asset allocation range
	Cash and income producing assets, term deposits and money market instruments.	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.	

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

RISK PROFILE

Standard Risk Measure:

Risk band: 1

Risk label: Very Low

(Based on an estimate of there being no negative annual returns in any 20-year period)

Suggested investment time frame: 3 years

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 in²:

² 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.

- **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 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 Russia³.

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.

³ 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.

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 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 both the selection of investment managers and their relative weightings will change from time to time and that updated details are provided.

Automatic switch upon death notification

Upon receiving notification of a member's death, Active Super will move the deceased member's Contributor Financed Benefit and Other Contributions account (if applicable) to the Managed Cash investment option, where it/they will remain invested until the 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.

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

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 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 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:

- **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 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 Accumulation Scheme members' accounts including the retention

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.

of the 1.5% insurance administration fee, which is then transferred to the Trustee (via the Administration Reserve).

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