TRANSCRIPT OF THE 2021 ANNUAL MEMBER MEETING

HELD AT 6.00 PM (AEDT), 22 NOVEMBER 2021
VIA VIDEO CONFERENCE

A recording of the meeting can be found at
www.rest.com.au/about-rest/annual-member-meeting

INTRODUCTION AND WELCOME

Good evening, everyone, and welcome to Rest's Annual Member Meeting for 2021. I'm Gemma Kyle, Chief risk officer and Group Executive of Risk & Governance at Rest, and I'll be your MC for tonight's proceedings. In the spirit of reconciliation, Rest acknowledges the traditional custodians of country throughout Australia and their connections to land, sea and community. We pay our respects to their elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples this evening.

Thank you for joining us tonight for what we hope will be an insightful evening. Much like last year, we have Rest member's attending virtually from all corners of the country, and we're pleased to have this opportunity to talk with you about your super and the topics that matter to you. Tonight, we'll hear from our Chair, Ken Marshman, from our Chief Executive Officer, Vicki Doyle, and our Chief Investment Officer, Andrew Lill.

We also look forward to hearing from you. Throughout tonight's presentations, the Q&A tool will be open for you to submit your questions. Simply click in the Q&A box on the side of your screen and type your question. We have around 40 minutes for questions, and we will try and answer as many as possible. If we aren't able to get to yours, though, don't worry. We'll come back to you with an answer in the coming days.

To start this evening off, it's my pleasure to introduce the Chair of the Rest Board, Ken Marshman. Ken has been with Rest for eight years and has more than 30 years' experience in financial markets and corporate strategy. He is highly experienced in protecting and building retirement savings and will share with us the various positions and actions our board has been taking during this incredible year.

BOARD CHAIR MESSAGE

Thank you, Gemma. Good evening to you all and thank you for joining us tonight. Welcome to Rest's Annual Members' Meeting for 2021. Tonight, we reflect on yet another big year for Rest, and for you our members and your super savings. As Chair of Rest's Board of Directors, I'm delighted to have the opportunity to speak to you from my home city, Melbourne. Melbourne is on the land of the Wurundjeri people of the Kulin nation, and I pay my respects to their elders and particularly welcome any Wurundjeri people who are joining us this evening.

While we’ve all felt the impact of the last twelve months, the Board and I would especially like to thank the many Rest members who are essential services workers, front-line retail staff and those working in small businesses who have kept the country moving – under very testing circumstances. While you’ve been working hard the financial markets have been resilient too and we’ve been able to help boost your super savings through this period.

Rest puts particular focus on protecting and growing your retirement savings, so we are very pleased to share some strong investment returns for the Rest Core Strategy and Rest Pension Balanced options for the past year. We’re also pleased to have continued building on important services and support like financial advice, flexible insurance and even better access through our mobile app. These are an important part of our commitment to supporting you to make super easy and to ensure you get a fair go.

One great initiative you’ll hear more about tonight is the launch of our roadmap to achieve a net zero carbon footprint for the fund by 2050. This is something we believe will help our members retire in a better future.

We’ve also seen some welcome changes to the super legislation, including the increase in the Superannuation Guarantee, that means you, our members, will have more money back in your pocket for your retirement. On your behalf, Rest has been a strong advocate for these changes.

Tonight’s Annual Member’s meeting is an opportunity to learn more about how we invest your money and the choices we make on your behalf. It’s also a chance to ask us about our performance, services and initiatives. I’ll be on hand later this evening along with my fellow directors and members of the Rest executive team to answer your questions.

Thank you again for joining us and thank you for the trust you’ve placed in us to grow your super savings.

CHIEF EXECUTIVE OFFICER PANEL DISCUSSION

Thank you, Ken. As Ken mentioned, this year saw both challenges and resilience, for Rest members, for the wider Australian community, for our businesses and the retail sector. I’d like to now introduce and direct our first question to our Chief Executive Officer Vicki Doyle. Vicki, can you speak to some of Rest’s wins and challenges over the year?

Thanks Gemma, this was certainly another extraordinary year on many fronts. We’ve all continued to face challenges at home, at work, and in our personal lives. Like Ken, I’d really like to thank the health and essential services workers including the front-line retail staff who have worked hard to keep our communities going during the pandemic. Many of these individuals are Rest members.

Throughout the pandemic, our team have continued to remain focused on delivering strong investment returns for you, our members. I’m very pleased to say the Rest Core Strategy option for our Rest Super and Rest Corporate members has delivered an annual return of 17.4 per cent to the end of the last financial year. Our members who are in the Rest Pension, default balanced option, also saw great returns of 15.2 per cent for the financial year.

We are pleased to see such an incredible turn-around from the results of the previous year. It's an indication of how quickly markets can recover, with many members having seen the benefits reflected in their super balances this year.

We certainly did see some great returns this financial year, after what was a remarkable market rebound. As you mentioned, this led to positive results for our members and their super balances. What more can you tell us about investment returns over the year?

The strong recovery in Australian and overseas share markets is reflected in the competitive performance of your super over the financial year. Andrew Lill will cover this in more detail later tonight.

But the point to make here is that this rebound is a testament to the benefits of staying the course during market volatility. Your superannuation is a long-term investment. Sometimes if we react to a sudden market change, and move to cash, we could in fact miss out on opportunities when the market recovers.

We focus on delivering value to members with market leading investment options and I'm pleased to say that many of our other investment options also performed strongly.

Options such as our award-winning Balanced-Indexed option with zero per cent investment management fees, delivered 20 per cent for last financial year.

Our high-growth option delivered an impressive 23.1 per cent, and over the last ten years has delivered an average of 10 per cent per annum. ...This is a testament to our long-term investment approach we take here at Rest, with the aim of helping our members to achieve their best possible retirement.

We are also focused on delivering low fees for you, our members,
so that more money stays in your super. In fact, our Core Strategy has fees at least 25% lower than the super industry average.

Many of you also told us how important sustainable and ethical investing was to you. Our recently launched Sustainable Growth investment option, which we co-designed with you, has up to 48% lower fees than the average ethical super option. It has seen steady growth in the number of members switching to this option and good investment returns to date.

Launching the Sustainable Growth investment option in March this year was certainly a milestone for the fund, and many of our members were very happy to see the option. Let's take a look at what some of our Rest members had to say about it.

At Rest, advocating for a fair and sustainable super system is important to us, and to our members. Can you tell us what Rest has done in this space over the last year?

Being a fair and sustainable super fund is at the core of who we are as a fund. This is one of the reasons that we continue to advocate on your behalf with Government.

This past year we were pleased to see the increase of the Superannuation Guarantee to 10%, going ahead as legislated. This increase means our members will benefit with larger super contributions and is particularly important for members who may have withdrawn funds during the pandemic last year. The removal of the $450 per month income threshold on super contributions also means that members with multiple jobs or employers can now accumulate super on every dollar they earn.

We also think the recent changes to enable couples who may be going through a separation to find out their partner's super balance, is a fair thing to do and a positive change for the system.

We will continue to advocate for changes that will provide better retirement savings for you - such as, extending the Superannuation Guarantee to those on parental leave so that parents who take time off to care for their children aren't impacted with lower balances at retirement.

But fair is not just about the super system, it's about what we do here at Rest every day of the year for members. Earlier this year we launched a wide range of communications direct to our members as well as through the media on "A fair go for all Australians', which showcases our commitment to you on these points. For us, fair is simple advice at no extra cost, fees at least 25 per cent lower than the super industry average and services and support that make it easy and simple for everyone to get ahead in super.

We also think ‘fair’ is about offering a sustainable super option that doesn’t cost the planet.

In October we introduced a new campaign focusing on our commitment to sustainable growth and responsible investing. Again, we featured our Rest members, as well as two very excited echidnas. And you’ll be pleased to know we were fair to the echidnas - named Likka and Houdini - having two on set so they weren’t overworked!

The key message to take from these initiatives, is that the future of our members is a priority for us. It’s reflected in the way that we invest your money, and in the way that we operate as a fund.

To put just one achievement into perspective, in October this year the Collgar windfarm in Western Australia, which is wholly owned by Rest, was rated by GRESB as the one of the best infrastructure assets in the world for environmental, social and governance standards.

As a Rest member, Collgar is an asset that you all collectively own. It’s an asset that is also contributing to a greater and more sustainable future for all of us. Each small step we take, adds to greater change, and our aim is that this change will contribute to a more positive future for you, and for your super savings.

It’s important to advocate for change at an industry level and also an individual level. Can you tell us about how Rest empowers members to engage actively with their super?

At Rest, we think it’s important to support you in achieving your retirement goals, which is why we offer a range of investment options to suit the different needs of each of our members.

We also focus on empowering our members with education and advice to help you make the best decisions for your future - which is why our range of advice services and support is so important.

Tools such as the super health check on our website can give you an indication of how your super is tracking for retirement. Our online learning centre can give you some great tips on how to boost your super balance. You can also book a call with a Rest adviser through our website at no extra cost.

I encourage you to take advantage of the Rest Advice services we offer as an important benefit of being a Rest member. The great thing is that so many members are already benefiting from these services. And in fact, our Rest phone advice team consistently receive customer satisfaction scores of 97%. I have heard a number of positive stories from members who’ve received advice and said it made a real difference to the way they chose to manage their super.

We’ve also had a large number of you taking advantage of the digital advice tools we have on the website, and many have attended our education seminars. Again, these are all available to you at no additional cost.

We also offer smart digital services like our popular Rest App - which scores a very respectable 4.6 out of five on the App Store. We’ve made several new updates this year - including some great new rewards, just for members, as well as a smart new interface that helps you watch and track how your super savings are growing. The App is available for free download, so if you haven’t already done so, I urge you to download it today. It’s a really simple and easy way to understand and keep an eye on your super. For example, you can see whether your employer has made your latest super contribution, check your investment options or insurance cover, and find and combine your super into one account.

And if you're interested in learning more about some of our advice tools and services simply head to our website.

It's great to see that there are so many options for Rest members to actively engage with their super - online or by speaking directly with an adviser. Let's hear what some of our members had to say.

Thank you to our member, Andrew, for sharing his experience, and we do hope you're enjoying your retirement. Rest is always looking for ways to better help our members through products and services such as advice and insurance. Vicki, can you tell us more about the benefits of insurance?

For some people, insurance is very much an out of sight, out of mind service, and we can understand why. It's never pleasant to think about being in a situation where you might need it. But it also can be the support that you need to help you when the unexpected does happen.

It's important to us that we provide you with the option to have insurance cover that's valuable - and also flexible in a way that meets your individual circumstances.

During the last financial year, Rest paid out more than $500 million in benefits and handled more than 11,000 claims from Rest members. To put that into perspective, that's $1.4million a day to members when they needed that support most.

Having the right support to help you throughout the claims process can really make a difference when times are tough, and we are pleased to say that we've made huge improvements in this space. For example, income protection claims for Rest members are determined in an average of 9 days. The industry standard is 60 days, meaning Rest members get their claim sorted on average 80 per cent faster.

Sometimes understanding the true value of insurance is best told through hearing someone's direct experience. We've been lucky enough to have one of our members share their story, and the role that insurance played in supporting them through difficult times.

CHIEF INVESTMENT OFFICER PANEL DISCUSSION

What an incredible story, and we are so grateful to Mallory for sharing her experience with us. And it's been great to get a deeper insight into all of the business initiatives that Rest has taken over the past year to improve both the customer experience and investment returns for our members. We're now going to switch our focus to take a closer look at what's been happening in investment markets. On that note, I'd like to introduce our Chief Investment Officer, Andrew Lill. Can you tell us about how financial markets were impacted this year?

Thanks Gemma and thank you Vicki and Ken.

I'm Andrew Lill, Rest's Chief Investment Officer. This section will cover an explanation of investment performance and the factors driving short- and long-term returns; our investment beliefs and the process that guides how we invest your super savings; the spread of your investments across a range of markets and asset classes; and our approach to responsible investing plus our watch points for the future.

It's been another exceptional year for the investment team matching the best investment opportunities globally with a focus on portfolio resilience through an uncertain and individually testing environment.

The investment team and I have worked hard on behalf of you, our members, to provide competitive returns and I'm delighted to share with you some great results. Your superannuation balances grew materially throughout the year representing one of the strongest 12-month periods for growth since 2009.

The Rest Core Strategy investment option delivered a very competitive double-digit return of 17.4% to 30 June 2021. This represents a strong recovery from last year with investment performance emphatically bouncing back in just 12 months. The losses of March 2020 now seem like past history and everyone who sensibly stayed invested over this time, will now be sitting on higher balances putting you in front for a better retirement.

Also delivering great returns was the Rest Pension balanced option - which is marginally less growth oriented than the Rest Core Strategy - and returned a strong 15.2 per cent to 30 June 2021.

Our performance over the longer term has also remained competitive, with Rest's Core strategy returning 8.6 per cent since the fund's inception 33 years ago and 8.4 per cent per year over the 10 years to 2021.

Echoing Vicki earlier, the Core Strategy has delivered great results over 10, 15 and 20 years.
In addition, two of our most popular investment options - Australian Shares and the High Growth Strategy remain no.1 ranked against all competitors over the last 20 years. What a terrific achievement!

Once again, the success of the investment approach has its foundations in sensible diversification meaning that you never rely on just one type of investment.

Against many expectations the last year has seen a tremendous recovery in Australian and overseas shares whilst bonds have surprisingly fallen in value. Global share markets closed up an impressive 37 per cent for the financial year. And Australia's Shares Index rose 26 per cent, which is its biggest financial year gain in 34 years.

It's great to see such good investment returns this year. Can you tell us more about how the investment team has worked to deliver these results?

I mentioned the term Diversification earlier. A sensible mix of different assets plus a commitment to active management has once again delivered very competitive returns for you.
Active management can apply at different points in the portfolio.

Firstly, asset allocation. During the year we increased our overall exposure to Shares ahead of the vaccine induced optimism for the post- pandemic future, while reducing the proportion of assets invested in cash and unlisted property.

In this way the increased exposure to Shares was begun in April 2020 and continued all the way through the calendar year as market conditions were improving and forecasting better times on the near horizon. This proved to be a positive contributor.

Secondly investment management. We also reduced the overall number and changed some of the investment managers in our portfolio to maximise their overall impact and keep investment fees low. Maintaining lower investment fees is not only important for assisting you in a better retirement but means more competitive investment returns as well.

Lastly new investments. Rest has always been focused on adding interesting assets to your portfolio which can make a difference in the world and add additional financial returns. This year new investments have been made in private equity which is a growth area for innovative and disruptive companies.

We also added to long-standing investments in property, agriculture and infrastructure which again produced solid returns during the year and contributed to building the broader economy in Australia.

What were some of the major economic factors in play that impacted investment markets?

It’s no surprise Gemma, that COVID-19 had the greatest influence on global markets in the last financial year.

The pandemic sent the world economy into one of its fastest and deepest recessions. But by the end of the financial year the global economy posted its fastest recovery in more than 80 years. Government stimulus measures, ultra-loose monetary policy and record low interest rates globally were also at play in this year. The rollout of vaccines in many countries and the easing of lockdowns and restrictions allowed greater movement of people and the reopening of economies. This contributed to the strong recovery of markets during this time.

The US presidential election in November 2020 also gave positive momentum to markets as an uncertain outcome became known and a supportive presidential policy for future economic growth.

But within markets other factors were at play. Bond markets began to nervously anticipate higher inflation in future. Energy markets focused on a bigger role for renewables in future, but in the short-term it was traditional fossil fuels that were in most demand.

Navigating this environment needs a steady approach and the best investment skills.

The investment team remained focused on its strategy – with some great developments to help them achieve their goals. Can you tell us more about that?

At Rest, our main priority is to continue investing in your future, by investing in the best people, new technology systems and new areas of investment that give your portfolio an edge. In doing so we refer to best practice to ensure Rest investments is competitive against other Australian super funds.

We’ve continued to invest in our strong team of investment people. We’ve welcomed new investment team members in Sydney and Melbourne. The team has a combination of investors, market analysts and strategists adding their skills to a dynamic investment view. Each person brings years of experience, and a unique perspective on how to further enhance your investment portfolio.

We’ve invested in new systems to enhance our portfolio analysis, because in investments, the tools of the trade are nearly as important as those who use them. These tools allow us to ensure that every minute of every day we are monitoring the hard-earned dollars that you have contributed towards your retirement and achieve better results for you in the long-term.

Each year our research uncovers up-and-coming companies as well as established operators to keep steadily adding to your investment in overseas markets. For example, Cincinnati Bell is one of our latest new infrastructure investments - they are a major telecommunications company in the US. They’ve done some exciting things recently, rolling out Fibre-to-the-Home technology that has dramatically increased internet speeds provided to over 500,000 US homes.

The Plastic Surgery centre in the United States is one of the new private equity investments.
This centre performs reconstructive surgery and benefits the lives of many patients who have suffered through forms of cancer treatment.

Your portfolio has recently acquired a stake in Copenhagen Infrastructure Partners - one of the largest fund managers globally focusing on renewables. This company is one of the global leaders in wind and solar-energy technology.

And here in Sydney, we’re eagerly awaiting the completion of Quay Quarter Tower in Circular quay. This is a 49-storey premium commercial property with a mix of office, residential and retail space due for completion in 2022. If you are crossing the Sydney Harbour bridge, take a look at the “state of the art” architecture on this building.

All of these investments deliver you a diverse portfolio across Australia and the world which are only able to be accessed by the team of experts working on your behalf at Rest.

We know that sustainability and responsible investing are important to our members.
What’s Rest doing in this area?

Rest has been following an approach to investing that incorporates environmental, social and governance factors since 2013.

This year Rest was named a Responsible Investment “Leader” by the Responsible Investment Association Australasia, which is a wonderful achievement that recognises our commitment, as well as strong investment beliefs around Responsible Investing. Congratulations to the team for that award.

In March this year we launched the new Sustainable Growth investment option - which was another key milestone for us. This investment option is a diversified portfolio with additional enhanced E-S-G investment characteristics. A framework of certain companies being excluded with others being earmarked for strong proactive engagement to achieve positive outcomes is the key to success in this option. And at its core is the strong belief that responsible investment adds value so that you can benefit from higher returns. It is also one of the lowest-fee ethical options available on the market, meaning more money in your super over the long term.

In only six months since launch many of you have decided that this is an investment approach which would match your investment goals; thank you for your support so far!

So, Andrew, what is Rest doing to manage the financial risks of climate change?

Our commitment to achieving a net zero carbon footprint for the fund by 2050 is another important focus for us as we continue to invest towards a better future for our members and for the planet.

In fact, scenario analysis and stress testing of Rest’s investment portfolio estimates our members are likely to be better off if the global community acts to keep temperature rises to well below two degrees Celsius by the end of the century. "Better off" means both financially and as humans inhabiting this planet.

A member with the average retail industry account balance and salary could be approximately $50,000 better off when they retire at age 67 in 2040 if the world acts to keep temperature rises below two degrees Celsius. This is a 29 per cent higher result from meeting climate change targets.

Rest is committed to six key measures to help us achieve our net zero target which we made formally in the last financial year.

We are considering divestment from companies that derive more than 10 per cent of their revenue from thermal coal mining by the end of this year unless they have their own credible plan to achieve net zero by 2050 including science-based targets.

Secondly, we’re focused on reducing the portfolio’s exposure to carbon emissions, while also increasing our investment in renewable energy, low-carbon solution assets, and impact investments.

Within the decade we’ll work to achieve net zero carbon emissions within our directly owned property assets, as well as introduce business measures that will help towards reaching our net zero goal.

Throughout this entire process, we will continue to model and scenario test our portfolio in a detailed fashion every two years. You can read more about this in our recently published Sustainability, Responsible Investment and Climate Change Supplement report for the last financial year on our website.

It's great to see such a strong focus on the future, and what it looks like for our members over the long term. In the short term, what are your thoughts on some of the market pressures and geopolitical influences that may impact investment returns of members?

The extraordinary measures employed by governments in the wake of the pandemic outbreak seem to have worked!

By helping support growth and providing a strong launching pad for economies as vaccines were rolled out across the world, major economies have partially and fully reopened.

In this environment I will be leading our team to watch closely for impacts of higher inflation, supply chain difficulties and share markets pricing in a perfect rebound for economies.

We will remain diversified and with a degree of caution applied to medium term corporate profits as the rebound impact tires. We will match sensible optimism for future technological change with a degree of understanding that real dividends and cash profits matter. And we will be positive for the Australian economy with an eye for overseas countries with higher growth rates and an updated role in post-pandemic global world order.

We foresee a strong future for Rest members and will apply skill and expertise to building your retirement savings dollar by dollar.

LIVE QUESTIONS AND ANSWERS

Thanks Andrew. It's great to see that our investment team are well placed to continue delivering competitive returns in the future.

Now we will commence our Q&A panel to answer some of the questions we have been receiving from all of you.

We will try and get to as many of these as possible in the time we have. However, if we do not get to your question tonight, one of our team will be in contact in the coming days.

Before we commence, I'd like to advise you that in addition to our chair, Ken Marshman, we have in attendance directors of the Board, members of the Group Executive team, our internal and external auditors, actuaries and responsible officers.

So, let's start with the first question.

Now for the first questions, which is for yourself Andrew, and it's from Sudhir. He asks, I recall seeing some reports in the media that Rest barely made the APRA health checks. Can you elaborate, what was the problem? Thankyou.

Thank you for the questions, Sudhir. We are following an approach which is focused on giving you the members that long-term targets and helping you build towards a more stable and secure retirement. Now, certainly over the course of the last 12 months, we've had to adapt to a new rule around the heat map and Your Future Your Super test. We've taken some time to fully understand that. We're very confident that going forward, we will continue to sort of to pass that test.

And at 2021, we were above the threshold adopted by the heat map. We certainly have some more work to do. I alluded to last year in this meeting that some of our performance from the last three or four years has been below some of the thresholds that we set for ourselves in providing competitive returns. But I know that the team and myself are 100% focused on giving that stronger and more competitive our returns going forward. Thank you.

Our next question is from Krista, and it's for yourself Andrew. What will Rest be doing about investing into energy produced through bio waste?

Krista that's a great question. Energy is definitely on the tip of everyone's tongue in terms of how will the world sort of adapt some of these net 2050 zero carbon targets. The transition from fossil fuels to wind solar biofuels is all going to be quite complex. It's not going to be easy. We are looking at all the different ways that we can help the world to transition, but also increase and maintain the strong financial returns for members that we've delivered in the past. I would like to say that one of the quotes that I really like in this space was given at the recent COP26 conference by David Attenborough.
And one of the things he said was that as humans, we have been the greatest problem solvers existing on this earth. If working apart, we are a force powerful enough to destabilize our planet ensure working together, we are powerful enough to save it. And I think the collective work that all the investors and governments are now doing around transitioning from that fossil fuel history towards that new clean energy future is going to be transformational and really beneficial for you as members in getting better returns.

Okay, I'm going to throw this one to you Vicki. It's a question from Elliot and the question is what new investment options are you looking to introduce in the future? Particularly investment options hedged into Australian dollars.

We are continuously reviewing our investment options. And as we mentioned earlier this year, we launched our sustainable growth investment option, which was a really important and also something that our members had told us was important.

So, I think you're indicating to us you'd like further options. We're currently reviewing more investment options at the moment, working with Andrew and the investment team and thinking about those for retirees as we look at our retirement income covenant over there at which needs to be in and our strategy around retirement products and investment options for the 1st of July, 2022.

And we will continuously refresh our menu, as we think about what it is that our members require. So, I can't give you the exact investment options at this point, but we will certainly look to that. And I look forward to letting us know what you'd like.

Andrew this one's for you, it's from Brenda. And she asks with a pending interest rates to rise through central banks worldwide and domestic elections. What impact will or likely to have on pension income streams?

It's been difficult, hasn't it Brenda? In terms of gaining income from our assets, particularly as cash rates have been so low and also the bond markets have delivered very low returns too. Now in this environment, I continue to think that most investors will continue to look at the equity market and particularly strong dividend payers has been a source of income.

But I do think that there's better sort of days on the future horizon. It is likely now that most central banks will be withdrawing from their huge stimulus that they'd been adding over the last two years. I mean, I likely to see interest rates rise both on cash and also on bonds. So, I would suggest that for most people focused on retirement income, then having a good mix of equities that pay dividends and bonds and cash that we'll see rising income rates, we think over the next five years is a good prudent approach to achieving your income targets.

I have another one here from Claire. Claire asks, what are the underlying absolute return strategies/products? Would you describe them as more defensive or growth oriented? If they are benchmarks against the other, your future, your super benchmark, do you think they are likely to keep up with the 50/50 benchmark?

So, I think in sort of when you talk about absolute returns, then we think very carefully about our diversified options as delivering that long-term inflation plus absolute returns through the kind of the different environments the cycles of ups and downs of markets in economies.

So, I think that both the balanced and the high growth option will outperform a 50/50 approach. We think that in Your Future, Your Super legislation that you're alluding to absolute returns or alternatives are benchmarks to 50/50, certainly challenging because on one hand we want to beat that benchmark, but we also want to have the exposures being additive against our equity and bond parts of the portfolio. So really providing some balanced and some different sort of types of returns. But overall, I think our balanced option, our core strategy, our high growth option with the amount of diversification they have between markets and geographies and asset classes will be able to beat those benchmarks over the future period.

And we have another one for you, Andrew, from James. James asks, what is the five-year percentage benefit or negative projected percentage return impact that net zero may have on performance of my fund over the next five years and 10 years? Is it going to be beneficial or negative? And what are the projected figures?

That's right. So, we use some scenario testing in our recent investment strategy exercise that we do every year around June July with our investment committee and board. Our projections show that by following a net zero carbon emissions approach to the portfolio and that being a strong contributor to climate change defense, and basically keeping global warming across the world to below the two degrees centigrade targets that we're aiming for under the Paris Agreement.

We think that a typical members balance with 29% higher by the time of retirement by doing that. So, there's certainly kind of a longer-term projection, 15 to 20 years in the shorter term five to 10 years, then we need to balance out some of the changes we're making to the portfolio around energy transition with some of the parts of the portfolio that are going to be supporting strong returns in the shorter term. And that's why we think that a diversified approach to energy, whether it be our wind farm investments or some of our managers maintaining small amounts of exposure to various forms of fossil fuels is going to be a good short-term mix.

In the longer term, we fundamentally believe responsible investment and net zero 2050 pathway and approach towards keeping a climate below two degrees C will yield better returns for all of us as members and importantly allow us to live without the big impacts on the planet. So, we are very focused on this five-year period and the longer term 10-to-20-year period.

And I have another one here from Adrian. Adrian asks I've been a member of Rest for 20 years during the first 10 years or so Rest consistently ranked in the top three super funds for three-, five- and 10-year returns. The last eight years or so has seen Rest sit down the return rankings sitting outside of the top 20. Why has this happened and why should I stay as a Rest member?

And I appreciate the clarity of your question. So, two things I would suggest we're focused on the future - past performance is no guide to that future. At Rest we always have a long-term focus on delivering strong returns for our members. And the last 10 years has been no different, we have delivered returns in our Core Strategy and our Balance Pension Strategy exactly in line if not exceeding our targets. Our returns have been 8% or higher over that 10-year period compared to a target of beating inflation by 3%. So, we have met our targets.

It is clear that some others by taking more risk in the portfolio have delivered higher returns through different parts of that cycle. And we are focused on ensuring that over the longer term, those returns stay competitive. We have made some changes to our investment approach. We think that our dynamic approach to both asset allocation and investment managers makes sense, and I'm really committed to ensuring that that members like yourself that have stayed with us for that time are going to feel very proud of being a member of Rest over the next year, the next three years and the next 10 years. And we really are very grateful for you being a member of our fund.

I have an insurance question now that I'm actually will pose to Brendan Daley. Who's our group executive for product and operations. Brendan is joining us virtually tonight. Hi Brendan. So, the question is from Salish and it says the insurance offered by third party provider. We have insurance offered by a third-party provider is an incentive received by Rest? And a follow-up question of how does Rest ensure that the members get the best rates and service?

No, we don't receive incentives from Tal as our insurer And how we may make sure that members maintain the best rates and services in terms of rights. The rights that are in applied by Rest are generally driven by the claims experience and how well we predict future experience.

The claims experience is driven by things like return-to-work programs and rehab, where Tal is a market leader in those services and approaches, which means that sort of getting people back to work is good for them and also manages client expense.

We also spend a lot of time ensuring that we plan for future experience, and we work with external actuaries and internal resources to make sure that we're taking into account past experience of what's happening in the environment to predict what's going to happen in claims going forward. And we balance all these assumptions to make sure that we have a really smooth ride for members and really predictable rates so that what you see don't change significantly through time.

In terms of the other services we provide, as you'll know, we change from another insurer to Tal in December 2019. And that was because we keep an eye on the market and what services are being provided. And we found that the Tal was offering better services at that time. And they’ve continued to live up to that promise that we identified then with market-leading claims processing times and also time to decision timeframe and service levels. So, it's by keeping an eye on what's happening around us to make sure we get the best outcome for our members.

Stay on the line because we have another question for you. It's from Jennifer and Jennifer asks just confirming that the grandfathered insurance arrangements for income protection lasting through to age 65 will remain in place for the foreseeable future?

And thank you very much for the question, Jennifer. One thing I'll point out to people as well in relation to insurance, it's really important to keep an eye on the comms that we send out, putting members interest first legislation, and other changes introduced by the government sees that if your account is inactive for a period of time, your insurance might cease So we'll get in touch with you on a regular basis, and also write to you if this is going to happen, but I'd encourage all members to keep an eye out for that and keep an active interest in what's happening in their fund to make sure that the cover is not canceled through these measures.

I have a question for Andrew now from Claire, she asks, what is Rest’s view on investment insourcing versus outsourcing? What percentage of investments are currently managed internally and does Rest intend to grow that and, or expand the asset classes that include internal management?

That's a good, detailed question and I'm very happy to answer it.

So internal and external. External in our language means that we’re using the best investment managers in the globe for the particular mandate or a skill that they have. And we also build our own investment team in our offices in Sydney and Melbourne to invest some of the portfolio through utilizing their own skills and thinking very carefully about what's right for members. Through all of this, the important thing is that we focus on quality.

So, whether it be an internal investment team or a global team, we look to access best practice skills. As we build internal capability, we are going to get benefits for members through lower fees. I'm also going to get a team that's able to really kind of invest purely in squarely on behalf of you the Rest members with your interest in mind. Our targets are to go from the 10% internally invested last financial year to 25% by 2026, a five-year transition strategy that's been very much approved and supported by our board and investment committee.

We're going to be investing across the range of asset classes, equities in Australia, potentially in the global equity environment as well to come. Fixed income, mainly in Australia, we invest in properties, we invest in infrastructure. We're beginning to think about private equity and agriculture.

I mean, it's very confident that our team here in Australia can take on from both a quality and a focus perspective any of those best practice teams from around the world. It doesn't mean that we will sort of see as dispensing with those best practice managers, we think they'll also be a great place in the portfolio for global best practice managers from the US focusing on China, focusing on certain areas of European infrastructure, or focusing on those new sustainable investments.

So, it's going to be a good combination of both, but we see the kind of the future being very sort of strong for a larger and more internalized investment portfolio by 2026.

The next question is also for you, it's from Alex. Alex asks, do you see a big market correction in the next few months? I am getting nervous about my portfolio and already moved half to cash, am I making the right move?

Well, I think it's important that for anyone that you think about what's right for you and your own circumstances. So, I'm going to make a few comments that are general in nature, but I will come back to that move of equities and cash.

It certainly feels a nervous time to be investing in equity markets. I can definitely understand that and feel that myself in some ways markets are in many metrics at all-time highs particularly those in the US. In Australia we sort of haven't seen quite the same that's happened in the US post-pandemic. So, I think there's a bit more sort of security and strength in the Australian marketplace. The real challenge for investors like myself globally at the moment is that what's being called TINO or that There Is No Other Option bonds deliver hardly any return and are looking very shaky in a higher inflation environment. Cash delivers no returns.

It's thought that most infrastructure property, real cash flow investments have reached very sort of high levels particularly in some of the newest sustainable investments. So, in that market, we do actually feel like there's a strong future for equities continuing to deliver between 8 and 10 percent returns for the next 12 to 24 months.

I think until we are clear around is inflation really permanently here at a higher level to stay. We've continued to support maintaining a part of your portfolio at least in a diversified manner in share markets that will continue to sort of to be strong, although perhaps not return the same returns as we've seen in the last 12 months. I think a diversified mix is always okay.

The challenge with moving into cash is it doesn't yield any returns and it's very hard to find the right time to come back out of cash into market. So, I would just be cautious. I think I'm staying sort of partially invested enables you to see some of the upside and avoid some of the downsides. So, in that regard, I see that as a prudent approach, particularly based on the returns that you see in the last 12 months that have been very high.

My next questions for Vicki, what do you see as the biggest emerging risks for the fund? - Well, that's a very good question. Thank you.

Before I answer that can I just go back to the previous question with Andrew and just remind Rest members that we have Rest advice and some great advisors who you can talk to at no additional cost. And so, timing of cash moving out of it, moving into it, thinking about the risks you might want to take or not take in the next few years, please jump on the website, grab our phone, and talk to one of our Rest advisors, as I said, is no additional cost. And you can get some personal advice around your investments and risk appetite. So just wanted to, firstly just reinforce that. Secondly, what are the big risks that the fund is facing in the future?

Well, I think Andrew's just highlighted quite a few of those and that is that we are living in quite an uncertain world and certainly in my time, I'm the most uncertain that I've ever lived in. And that presents all sorts of challenges, both globally and locally. I'm, hoping we're moving towards a sort of trajectory that sees us move out of the pandemic or to the next phase. And that we can see the opportunities in that from an investment perspective, but also more broadly for our own lives.

So, I think that remains top of mind for me, we saw through the original pandemic that markets really tanked. That was a very significant drop that we hadn't been expecting across the globe and I think the pandemic has caught all of us by surprise. So, we're keeping a watchful eye and none of us can predict the future unfortunately, but we are keeping very much abreast of how that is in unfolding globally and locally.

I think more in terms of the fund will, I think the most important thing for us is to just continue to innovate and to continue to deliver services to you. And that can sometimes be challenging. You will know that superannuation sector, we've had an enormous amount of regulation over the last couple of years really to help you and help members Australians get more from their retirement. But that regulation and compliance can add a whole lot of reporting and costs for funds.

So, for me, I'm trying to balance that we made sure that everything we do meets the needs of the regulators and all of the reporting and all of those compliance aspects because that is critical for to keep your money safe. But I would like to make sure that we're continuously investing in our app, in our live chat services, giving you more digital advice, things that will really make it easy for all Australians and all of our 1.8 million members to really understand super because one little step that you might take, one little direction or action you might take around your investment option or thinking about insurance or contributing could really make an absolutely massive difference to your retirement.

And so that's the challenge that I see is balancing in a sector that's been going through so much structural change, a world that's also changing, but how do we make sure that we stay focused on delivering really great services for you? And that's what I'm very focused on.

Our next question is from Lee Fang for Andrew and Lee Fang asks, traditionally pension return is usually a little higher than the same option in superannuation, but risk super seems opposite where the Core Strategy return is 17.34%, and the Pension return is around 15%. Why is that?

You've identified that correctly for the last 12 months. Normally the pension option for equivalent investment has a higher return because it received less tax when during that pension phase compared to the before retirement phase.

Now at Rest our default option for the pension investors is our balanced option whereas for super it's our core strategy and our balanced for pension investors does have a slightly less growthy or a less aggressive approach to combining typical sort of share markets and bonds. And in this year where share market returns were really the major driver of all option returns that extra allocation to share markets overcame the impact of the benefit of having a lower tax.

So, in some years where share markets don't deliver quite some sort of huge returns, then the tax benefit yields a better return for the pension option. In this particular 12 months, whereas as we showed earlier, equity markets delivered 20 or 30% that impact overweigh the tax benefit. And that's why the pension balanced option had a lower return at 15%.

And another question from Jonathan. Would you consider Rest's portfolio more conservative relative to peers and is this intentional? How do you balance the needs among younger and *older members and different risk appetites, or does this conservatism benefit all members?*

So, it's a question that we spend a lot of time thinking about because we want to invest our core strategy in with our members in mind. And those members are those that are just starting out on their working life and those that are approaching retirement.

We think in this particular year that the product is positioned very closely to its peer group, but with some sort of key advantages. We think that the investments that we've made in some areas of property and infrastructure deliver a better overall risk and return balance in the portfolio. And we think that within the market weight that we've got to share markets, we think that our managers are picking some of the stocks and shares in areas sectors countries that will benefit most in this post-pandemic era.

So, looking forward we think that we are actually more aggressively positioned than some of the other investors that have investing in line with an index. So that's how we think about our core strategy. Obviously if you are towards the end of your working life, as you approach sort of retirement, then perhaps you can think about one of our other options that has a slightly lower growth allocation. If you are starting out at the start of your working life, then potentially one of our high growth options and our high growth option that invest between 77 and 90% of our portfolio in share markets has delivered one of the market-leading performance returns over the last 10 years.

So again, where we've positioned very carefully is depending on where you are in that sort of life cycle. Rest has that approach to combining both sort of prudent returns and security. And we think we'll continue to have that kind of that mix of being appropriately aggressive when conditions are favorable and thinking about defense and playing the defensive strategy, when things get more challenging and uncertain. And at this point we're probably going from a more aggressive stance to thinking about more becoming more defensive as the post-pandemic sort of fortune start to sort of to slow down a little bit. So, Rest will continue to think very hard about you as a member and thanks for the question.

Another one here from John. John asks the question. Do you see risks to the Australian economy from the unsustainable price growth in the domestic housing market?

I think the Australian economy doesn't in some cases become more fragile because of all of our focus on house prices and just how much most families in Australia have got invested in their own house or through a kind of a portfolio of houses. I think it probably plays out more carefully in the kind of the constitution of the share market. And traditionally the Australian banks had a very high weight in the Australian share market, and a lot of their fortunes were determined by the strength of the housing market, because they are the kind of the main lenders to mortgage owners such as ourselves.

I think the last 12 months has seen that the Australian share market is becoming a little bit more diverse. We're seeing companies like Afterpay bringing some new technology, a new FinTech skills to the market and then becoming a global company. We're seeing commodities become ever more in demand across the world. And particularly some of the newer commodities that are going to drive the growth in electric vehicles, lithium and other areas like that, copper. So, I think that it's a risk, it's been a risk probably for the last 10 to 20 years, the sort of dependence on housing for the Australian economy. But I think the Australian share market where we typically invest is actually becoming more diversified and that's a good thing.

Sorry, this just quite a large number of questions coming through, so I'm just trying to get them right. There's a question that's come through from Amanda and it's for you Vicki asking what opportunities do you see for the fund over the horizon?

That's a great question. I think one of the great opportunities that we have as a fund is our continued approach around sustainable investing. And you've heard a lot about that tonight. So, we are continuing on that trajectory. And as Andrew pointed out we see that that has both a material financial risk we need to look at, but also there's great opportunities around investments that are going to materialize. So that from an investment perspective is great.

Secondly, I am really excited about technology and where we are getting to in superannuation. Our app is as we've said really highly rated at the 4.6, on the Apple Store. And we've got over 500,000 members who are interacting with that app. And for the first time ever, I'm starting to see that tools like that are going to simplify superannuation. And I really think that's at the heart of what we need to do as I alluded to earlier, there are so many people who find superannuation quite complex, don't understand necessarily what they can do about it or aren't think that it's too far out for them to do anything about it.

So, I think one of the greatest opportunities is the technology that is coming in. Superannuation probably in the past hasn't had as much of that technology innovation till now. And so, apps live chat technology to help you understand your super, I think is one of the most exciting initiatives that I can see.

In another sense the (indistinct) claims an insurance we saw again in technology which Brendan alluded to earlier was that you can now lodge your claims online and that's why you get a response and a decision in three days for income protection for the like rather than in three or nine days, rather than the 60 days. So again, that's driven by really simple online processes. So that's the thing that really excites me because I think if we can simplify super everyone knows where they are, knows how to. What they've got, knows a couple of key choices you can make for your circumstances. It could make tens of thousands or even more difference to your retirement and for me, that's really exciting.

This one's a question actually for me, and there's two questions here. It's from Ronald and Ronald asks, please update on the ASIC case and what the impact will be on member's financial situation at worst case. And the other question, just so I capture all the questions from you Ronald, the outcome of the ASIC case really concerns me. And does the Rest have enough reserves to pay any potential fine or will the members have to pay for this which would be outrageous.

Thanks Ronald, for your question. That's a very good question. At the moment we are currently in the federal court ASIC has lodged a civil case against Rest in relation to the treatment of certain roll over requests.

Now, in relation to the case, it's still in the federal court. We haven't reached a mediation yet, but we are working towards that and that's pretty much all I can update you on that matter, but we continue to work as closely as we possibly can to reach a resolution on this matter. In relation to the impact on members, first of all for those members who were impacted by having their rollover requests delayed in relation to this specific breach, with both ASIC and APRA to make sure that we had the full cohort of members who were impacted and to make sure that you are a fully impacted both in terms of any additional fees you had to pay or insurance premiums and the potential differences and investment returns. And there's more information on that remediation process on our website.

In relation to the specific question, you ask on the payment of potential penalties, we simply don't know what will be the outcome of the federal court case. And I'm really not in a position to be able to speculate, but we are absolutely working on looking at our financial reserves and making sure that we have appropriate reserves in place to pay for any potential fines or penalties that may result post-one, January 2022, when the indemnification rules for trustees change.

Okay, so I'll now track back to Oliver which is a question for yourself Andrew. Oliver asks as a younger generation I'm very concerned about climate change and the future. I find that Rest lacks transparency to see what company it invests my super in I'm considering changing... Sorry, just need to scroll down. I'm considering changing to Australian Ethical super who are 100% transparent and support non-investment in fossil fuels. Can you kindly confirm by what *year Rest is fully fossil fuel uninvested, I think has the intention and why is Rest not a hundred percent fossil fuel free right now? What can Rest do better to stop supporting fossil fuel companies?*

We agree that thinking very hard about the planet and thinking about where we invest is critical to getting our best financial returns and being appropriately investing the interests of our members, such as yourself. I think it's potentially worth mentioning our new SRI ethical option called the Sustainable Growth Fund that was launched in March of this year. It does have a number of clear exclusions in the way that it invests. It's also very low cost, both against our other options and against the competitive ethical peer group. And it's off to a great start in terms of producing great returns and lots of members are moving their superannuation to this particular option.

So that is the most purest view that we can give of the future of responsible investing, where fossil fuels are non-included as investments within that option. When it comes to our core strategy option, this is part of our net 2050 zero carbon pathway. At the end of this year, any company that has more than 10% of its revenue derived from fossil fuels will need to demonstrate to us that it has a clear path towards reducing that fossil fuel imprint by 2030. If that clear path is not demonstrated, we will be exiting that investment for our core strategy.

We want to be having a prudent careful approach to this because there is this balance of short-term and long-term returns. But again, we do think that unless companies are making plans now for gaining less revenue from fossil fuels and starting to invest away from this area that they will suffer, and our members returns will suffer. So, we are taking this path, it is like if you want to go the path today which would support your beliefs and what you are suggesting to us, we would definitely recommend that you look at the Sustainable Growth option. And all of the investments of our options are now on the website as part of the disclosure that we give at the 30th of June as to where we invest. Thank you.

And another one for yourself is from Todd. Now Todd asks the question: Do you see cryptocurrencies becoming part of Rest's investing approach, taking into account the stance of Matt Comyn from CBA around investing in cryptocurrency? And he's quoted Matt as saying "we see risks in participating, but we see bigger risks in not participating".

I'm pleased that we haven't got through this session without mentioning cryptocurrency. I'm pleased that we're on it. So, the answer to your question is with a cautious yes, we do see the future for Rest investing in cryptocurrency. Certainly, over the course of the last 12 months, we would see cryptocurrency as becoming an investible long-term part of our investment offering. We are doing a lot of work in this area.

I'm going to give you a quick sort of balanced scorecard on the plus, it means that you're investing in a disruptive technology that can really drive payments and processing forward. There are very many different sorts of cryptocurrency. We need to be aware of the different parts of that the whole ecosystem. It can be a stable source of value at a time when a lot of typical kind of currencies have been. It's been so much supply that they might sort of be impacted in future. And we do think that potentially in an era of inflation, it could be a potentially good place to invest.

The challenge is that we do want more certainty over platform security. We want to ensure that regulation allows as a tax advantaged investment scheme to basically invest carefully and cautiously in crypto. And I would say that it's still a very volatile investment. So, any allocation exposure we make to cryptocurrency is likely to be as part of our diversified portfolio inside as initially a fairly small allocation that may over time build. So, I'm pleased that you're asking the question. The answer is yes, we see it's a very interesting and important part of our portfolio going into the future.

We're really putting you under the pump tonight. So, I have another question here from John who asks years of quantitative easing have inflated asset values well in excess of their yields, *particularly in the US share market. Do you think the winding back of quantitative easing will result in a correction in asset values, particularly equities in the US and housing in Australia?*

It's certainly a thesis that we are aware of. I think the reality is however that we do have trust in governments and central bankers to wind back that easing in a cautious and careful manner, which we believe will not result in any significant sort of market falls. Now of course anything can come out of anywhere and just like the pandemic produce something uncertain that might mean that markets stay volatile.

But with regard to the long-term stimulus that's been applied it has driven asset values across the world to very high levels. And we need to be cautious about that in considering the future returns. We think we're going into a period of the next five to 10 years of lower returns in the last five to 10 years. But through that trust and abilities of central bankers to act in a coordinated way we don't see an imminent danger for a big market crash.

CONCLUSION

Now we've come to the end of our Q&A session. Thank you so much to everyone for joining us tonight. Before we conclude tonight, I'd like to mention that more information about Rest's investments performance, financial results, and business initiatives for the year can be found in our annual report, which is available for download on our website. Responses to all questions asked by our members will be posted on our website shortly, thank you again for taking the time to attend this evening and I hope you found this session valuable and informative. We've certainly very much appreciated the questions that you've asked of us tonight. So, thank you, stay safe and have a nice evening.