Minutes of the 2020 Annual Member Meeting for Russell Investments Master Trust

- **iQ Super**
- **Resource Super**
- **Nationwide Super**
- **iQ Retirement**

Date: Tuesday, 10 November 2020

Time: 12pm – 1pm (Sydney Time)

Conducted online. Link to the video: russellinvestments.events.corrvium.live

Agenda	1. Event Welcome and Acknowledgement to Country 2. Introduction 3. Chair Update 4. GoalTracker 5. Investment Q&A 6. Member questions
TRM Directors in attendance	Jim O'Connor, Chair of the Board Michael Gordon, Chair of the Investment Committee Alexis Dodwell, Chair of the Audit, Risk & Compliance Committee Marian Carr Keith Knapman Patricia Montague
Also in attendance:	
Office of the Superannuation Trustee	Leigh Robinson, Head of the Office of the Superannuation Trustee
Russell Investments Executives	Jodie Hampshire, Russell Investments, Managing Director Australia Emma Barrett, Russell Investments Director of Member Services Tim Cook, Russell Investments Head of Investment Strategy Tim Furlan, Russell Investments Head of Superannuation
Auditors and Actuaries	Fiona O'Keefe, Auditor, Deloitte Mwamba Mwamba, Auditor, Deloitte Louise Campbell, Actuary, Willis Towers Watson Saffron Sweeney, Actuary, Aon Travis Dickinson, Actuary, Willis Towers Watson Jackie Downham, Actuary, Willis Towers Watson Andrew Sach, Actuary, Willis Towers Watson Richard Saverimuttu, Actuary, Willis Towers Watson David Lewis, Actuary, Professional Financial Solutions Consulting John Burnett, Actuary, Willis Towers Watson Luke Carroll, Actuary, Willis Towers Watson Nicholas Wilkinson, Actuary, Willis Towers Watson

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<tr><td>Agenda Item</td><td>Minutes</td><td>Speaker</td></tr>
<tr><td>1.</td><td>Event Welcome & Acknowledgement to Country
Emma Barrett opened the meeting at 12pm and acknowledged the meeting was held on Aboriginal land.</td><td>Emma Barrett, Russell Investments Director of Member Services</td></tr>
<tr><td>2.</td><td>Introduction
Emma:
Introduced each of the presenters
Introduced each of the other directors, executives, actuaries and accountants in the studio and online
Advised the meeting will provide an overview of activity and results for the 2019/2020 financial year, the plans for the current year and provide an opportunity for questions.
Advised members how to submit their questions online.
Reminded everyone that the information provided today was general in nature and was not in any way personal financial product advice. A general advice disclaimer was shared on screen.
Confirmed a quorum of the TRM Board Directors in attendance.</td><td>Emma Barrett, Russell Investments Director of Member Services</td></tr>
<tr><td>3.</td><td>Chair Update
Jim O’Connor spoke to four key questions many people have about their super.
How is your money being managed during COVID-19 and for the years ahead?
A super fund needs to be big enough and experienced enough to handle these turbulent times. At 70,000 members with $9 Billion invested we have the size needed to access the required skills and services.
Russell Investments, as the investment manager, has the investment expertise and experience to navigate the inevitable periodic investment storms with confidence.
Russell Investments performance has remained in excess of investment return objectives, but less than some other funds. Part of this is due to adopting a less risky approach.
How can you be assured sound decisions are being made on your behalf?
The six directors on your Board have, between them, many decades of experience in the superannuation and funds management industries.
Both Russell Investments and the TRM Board wanted to improve on a default balanced investment option (70% growth and 30% stable assets) for members and have worked over the past 2 years to develop something better, called GoalTracker.
At its best, GoalTracker can invest your super based on the retirement income goal that you set and other personal information that you provide to help you achieve that goal. But until you tell GoalTracker that information, GoalTracker gets</td><td>Jim O’Connor, Chair of the Board</td></tr>
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	started by investing your super based on information it knows about you (such as age). • For members under 50 years of age, who can afford to ride out short term market movements in pursuit of better long-term returns, GoalTracker invests your money in a high proportion of growth assets – typically up to 95%. Then this % automatically reduces as you approach retirement. • For those of you who want more personalised investment help, the GoalTracker Plus feature provides this. • For members who are over 60 and / or retired, we will be considering an extension of the GoalTracker product to manage retirement savings. **3. How are we making it easy for you to manage your super as and when you want to?** • The enhanced iPhone mobile app and a new android mobile app will be launched soon. • There are also a wide range of advice options, often at no additional cost. This includes the retirement consultant service where you can access free one-on-one guidance - either face to face or over the phone from a qualified expert as you plan for retirement. **4. How are we ensuring you receive value for money in the fees you pay?** • Whether you are a member of the fund via your employer, under a special fee arrangement, or have continued to be a member of the fund after you have ceased employment, under a standard fee arrangement, all members of the Master Trust have access to great services. • We have recently reviewed the fund's administration fees and from October, a range of fee reductions to the standard fee arrangements has been introduced. • We have also reviewed the investment fees paid by all members. We have agreed new fees on many options with Russell Investments from 1 October based on current fees out in the market. • The fees for our fund are a little higher than average, but your Board believes we are delivering value for money based on the innovative and comprehensive services we provide.	
4.	**GoalTracker** Jodie Hampshire discussed GoalTracker: • There are a number of Australians who don't have enough super savings to fund the retirement they need or expect. • There's a gap between how we want to live in retirement, and how much money we will actually end up with to pay for it. If you've ever considered 'what can you do about it?' GoalTracker has been designed to help answer that. • We talk to hundreds of members like you every day, and we're constantly reminded just how difficult it is to make those decisions to help you get and stay on track – like how much extra to contribute to your account, and the big one - how to invest those super savings.	Jodie Hampshire, Russell Investments Managing Director Australia

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	• Many people end up with just the minimum contributions from their employer, and most funds offer investments that just lump you in with a bunch of other people and don't consider your unique needs and circumstances. • Directors worked hard over two years to understand and improve GoalTracker for members, while Russell Investments brought the skills, tools and experience to deliver a great product. GoalTracker turns super on its head, using technology and investment smarts to make things simple - and personalised. Jodie played a video. https://www.youtube.com/watch?v=s5dRlINfcJ0&feature=youtu.be • The key message out of the video is that setting a goal for your super makes it real. It gives you something to aim for, and a good reason to do the little things that can make a difference. And once you've set a goal, GoalTracker Plus can take care of the hard stuff, and invest your super in a way that gives you the best chance of reaching that goal. • When it comes to that investing part, an investment mix that's right for one person, may be wrong for somebody else. GoalTracker builds your own personalised investment strategy, based on the information it knows about you. • With GoalTracker Plus, there's an automatic review every quarter – to check your situation and make changes to your investment strategy if necessary. You'll get regular updates to show how you're tracking to your goal, how your investments are being managed and suggests the actions you can take to help you stay on track. There are also specialist advisers to talk to if you need a little extra help. • This is all available to you at no additional cost.	
5	**Investment Q&A** Michael Gordon asked Tim Cook a series of questions. **What has happened in the investment markets over the year?** • It has been a challenging year, the impact of COVID19 has caused the first recession in Australia in 29 years. • The Reserve Bank has noted that the downturn has not been as severe as initially expected thanks to the huge amounts of stimulus including jobkeeper and jobseeker and reductions in interest rates. • For many Australians, times remain tough, however, an economic recovery has started in Australia. • Recovery is likely to be uneven, bumpy and we are all very conscious of those sectors facing difficulties, airlines, retail, hospitality and tourism. A chart of share market performance was shared. • The chart showed the significant falls (in March) and the rebounds seen in Australia and the US. • The Australian stock market fell by 36% from 19th February to 23rd March. One of the fastest falls ever recorded. The market has recovered much of that loss, and it now sits 5% down for the year as at the end of last week. **How did Russell Investments navigate through the market volatility?**	Michael Gordon, Chair of the Investment Committee Tim Cook, Russell Investments Head of Investment Strategy

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	• At the start of calendar 2020 we were cautious about asset prices, our view being that we were in the later stages of a very long bull run, and that there were some stocks that were very highly priced. With that view, we had positioned our portfolios cautiously. • Through the period we held to our strategic asset weightings and stuck with our long-term investment plans – which is important when thinking about investing for retirement. We did not panic trade or sell to cash but rather maintained our positions which meant buying when the market was falling which helped when the markets subsequently recovered. • The crisis provided some buying opportunities for equities as well as bonds, and we added to positions where we had seen excessive falls in prices, and took advantage of the opportunities that presented themselves. **How has the Master Trust performed during this period?** • Each member's investment return will depend on how they are invested as well as their contributions through the year. A slide of key fund performance was shared. • The slide showed 4 popular options: Balanced Growth, High Growth and Defensive and Australian Opportunities as they hold nearly 75% of member's money. • The slide shows returns to 30 June over the past 1, 3 and 5 years. • It shows that over the 1 year the Balanced Growth investment option only lost marginal value despite the significant equity market falls in the first quarter of this year. As we move to the longer-term, we see that returns are positive. • The defensive investment option held value over the 12 months, but we see that over 3 & 5 years, that lower level of risk, has meant lower levels of return. A slide of long-term performance was shared. • The slide showed the same investment options against their investment objectives and recommended investment horizons. The slide showed strong returns both in an absolute sense and against the inflation-based objectives. **Given the market environment has been volatile, did Russell have to change or adapt their approach to investing during the year?** • No, Russell Investments, generally, stuck to our long-term investing strategy. Tim set out the 4 key steps in the Russell Investments' investment approach: • We don't put all your eggs in one basket – we invest your super across many different asset classes through many different managers to achieve that. • To achieve the returns we need, to exceed inflation and build that nest egg, taking risks is necessary, but those risks should not be taken unnecessarily and only be taken where we expect to be rewarded.	

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	• Choosing 'best of breed' managers from all over the world is key to delivering great returns through time, and we put much work into manager research. • Put it all together in a way that doesn't erode return. We have people who work very hard to ensure that the way we invest, and trade is as efficient as possible – every basis point matters and adds up when it is rolled up over the entire investment horizon of a super fund member. **Looking ahead, how are you seeing things looking forward? Are there in changes you anticipate making to the members investments in the Master Trust?** • I would ask people in general not to expect too much to change in 2021. • From an investment perspective COVID-19 will rumble on and that as well as central bank support is going to be the key factor driving markets as it has been for the majority of this year. • The environment of very low interest rates is here for the foreseeable along with different working arrangements and these will impact asset values and prospective returns. • We will experience heightened levels of uncertainty, so ongoing risk management is and will continue to be critically important. • We are working hard across the globe to manage member assets in a risk-controlled manner, never losing focus of the long-term goal. Michael concluded with three key messages for members: • Firstly, 2020 has been an incredibly challenging year for everyone and that the actions of governments and central banks in providing support has cushioned the impact for our member's superannuation investments. • Secondly, whilst that has meant good returns for our members in the circumstances, we need to continue to be aware of the challenges ahead, particularly when that government support begins to ease off. • And finally, it's the long term that matters, despite the short-term volatility we can get from time to time. Stay the course. Remember its time in the markets and not timing the markets that is the best path to achieving your savings goals for retirement.	
6	**Member Questions** Emma reminded everyone that any member questions that are not answered today will be included in the Q&As available to members published after the event. **1. Are cash investment returns going to be extremely low or even negative?** <u>Response from Michael Gordon, Chair of the Investment Committee</u> Yes. Cash rates will remain low for the foreseeable future. It is also possible that rates could become negative, noting that similar rates in other countries are already negative and have been for a number of	Various

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	months now, including some prior to COVID. Indeed on Melbourne Cup day just after the RBA's announcement to cut interest rates to 0.1% the money markets briefly registered negative rates. The role we see for cash options and the role of cash within diversified options is for stability and safety. We don't expect to see levels of return at all, but to provide a buffer and the defensive component of those diversified options. **2. In March considerable value was wiped from our investment accounts. Since that time recovery has been modest at best. What factors does the Board see that will improve growth rates over the next say 24 months?** <u>Response from Michael Gordon, Chair of the Investment Committee</u> We would say that in our view the recovery has been a lot better than just "modest". Even before the significant rises seen in markets in the days leading up to this meeting, many markets have more than recovered the losses that we've seen and are now in positive territory for year to date. Almost at 40% recovery here in Australia and up to almost 60% in the US. This has been led primarily by the government support for economies, including outside of Australia and the low interest rates being set by central banks. Indeed its the factors that have enabled the recovery that are most likely to drive growth in markets over the next 24 months. While there have been no announcements at this stage, it remains to be seen what happens when that support starts to be taken away. **3. How are your views on climate change evolving and what changes are planned to support long term sustainable environmental choices?** <u>Response from Tim Cook, Russell Investments Head of Investment Strategy</u> We at Russell Investments believe that Environmental, Social and Governance (or ESG) factors influence share prices. We take into account those factors when creating the asset allocation strategy itself and also when selecting shares and bonds etc. For a number of years we have integrated consideration of ESG factors into our research of investment managers, and we're in turn looking for them to consider factors like the impact of climate change for example, when developing their portfolios when it makes sense to do so. We also have a climate change policy that is available to view and download from our website, and have information available that allows us to view the carbon footprint of any equity fund we manage and make better investment decisions. We also understand that members may wish to make investment decisions themselves based on these factors and have (two) Responsible Investing options available within the Master Trust. **4. In light of the current low interest rate environment, how is the investments being managed especially the portion of the investment in fixed income instruments? Are you thinking of alternative instrument or reduction in fixed income instruments in order to enhance returns to investors?** <u>Response from Tim Cook, Russell Investments Head of Investment Strategy</u> The low interest rate environment is here to stay for the foreseeable future in our view, which we need to take into account when managing	

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	members assets on a multi-asset/diversified basis. We need to consider things on a number of different levels. What is the expected return from these assets and what do they bring to the table. In the COVID environment, bonds and cash provided stability in returns that we were looking for. The opportunities that we identified and took advantage of was making the fixed income assets 'work harder'. We saw good return opportunities from buying in the realms of extended credit sectors, and need to remain diversified and not 'put all our eggs in one basket'. When it comes to alternative investments, including unlisted property and unlisted infrastructure assets, we consider these when building our portfolios as well. We have a lot of exposure to Australian infrastructure and property which will provide the balance to the equity risk that we need to take to meet our return objectives. **5. What happens to my money when I retire?** <u>Response from Jim O'Connor, Chair of the Board</u> The simple answer is that nothing changes with your account unless you tell us that you're retiring. Your super savings stay invested as they have up until that point. There are some potential positive benefits when you retire, for example super investment earnings become tax free, and if you're over 60 then pension payments made from your super are also tax free. However, given that everyone's circumstances are different, there are many considerations and our main message is to speak with us as early as possible so we can help you plan for your retirement. **6. Russell recently imposed higher fees for the Balanced Opportunities Option - why?** <u>Response from Jim O'Connor, Chair of the Board</u> As part of our recent fee review, we bore two things in mind. Firstly, we wanted the fees to be competitive and secondly to accurately reflect the cost of running each investment option. Following this review, your Board agreed a decrease in investment fees for 10 investment options, and an increase for three options. Balanced Opportunities (renamed to Balance Growth from 1 October) was one of the three increases - and moved from 0.57% to 0.64%, an increase of 0.07%. This particular option has a higher allocation to unlisted assets – such as roads, airports, shopping centres. These assets provide great diversification and relatively stable long-term returns. However, they do require more resources to research and manage and, hence the increase in the investment fee for this option. **7. What makes Russell Investments stand out from their competitors?** <u>Response from Jim O'Connor, Chair of the Board</u> We would say there are two things. Firstly, our personal, goal-based approach to super which is unique in the market, and secondly our focus on member services. This includes our range of advice options, which are often at no additional cost to you. **8. How has COVID-19 impacted us as customers and what can be done to recover?**	

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	During the meeting, we have covered in detail how markets have recovered significantly since the lows of March and April. Therefore, the impact to members more broadly was addressed. <u>Response from Alexis Dodwell, Chair of the Audit, Risk & Compliance Committee</u> More broadly, COVID has impacted us all, and we have remained committed to communicating directly and regularly with members throughout the pandemic, which we hope has provided some clarity and comfort with regards to our response. Our call centre volumes increased significantly in March and April, however we were still able to respond to over 75% of calls in under 30 seconds. All of our service providers responded effectively and efficiently in these challenging times. For example, regarding the early release payment scheme, we were able to process 95% of claims within 5 days. We continue to monitor the situation closely in our Audit, Risk and Compliance Committee and via the Board. **9. In your Aug 2020 communication to members you informed members of changes to Insurance fee due to legislative changes. Could you please provide more insights that justify the cost increases in the insurance covers as seen?** <u>Response from Tim Furlan, Russell Investments Head of Superannuation</u> Not every member saw an increase in their insurance premiums, which was detailed in the August communications so please check what has applied to you. Having said that , we have seen increases in insurance premiums across the industry due to a couple of factors, including the impact of COVID. Insurers have been worried about what the impacts of COVID will be, including the indirect factors of mental health etc. The second impact has been recent government changes, where they have restricted insurance for younger people, those with smaller super balances, and for inactive accounts (with no recent contributions). Insurance has been 'switched off' for those accounts and insurers have been receiving less premiums as a result, without necessarily seeing less claims. The ratio of premiums to claims has changed, and insurers have needed to increase premium rates. The key message is that if insurance is important to you, you should understand that your insurance could be 'turned off' for a variety of reasons, but you have the ability to choose to retain your insurance via our website. We work with a number of insurers and review our insurance arrangements regularly to make sure that the premiums are fair and competitive with what's out there in the market. **10. We've heard a couple of times in the presentation, announcements overnight and certainly lots of interesting news in last couple days to week of what has been occurring all around the world. How do we take this into account in terms of our investments?** <u>Response from Tim Cook, Russell Investments Head of Investment Strategy</u> There is a lot of volatility at the moment, for example from political dramas, lockdowns, and news about vaccines. How do we think about that? We know that there is going to be volatility in markets going	

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	forward. We need to make sure our investment strategy and process can weather the storm. For example, looking for buying opportunities, to take advantage of ‘growth” when it becomes available. But it’s about staying invested, as Michael said a good analogy is “its time in the market not timing the market”. Staying in the market, buying on the way down, making sure you stay to strategy, is the best way of providing over the long term and this is what we seek to do for all of our diversified portfolios. Make sure they are positioned for the long term, take advantage of opportunities but manage our way in a risk controlled manner for a shorter term, medium term volatility. In the end its about growing returns over time.	
7	**Meeting Close** Emma reminded members the event was created for them and so their feedback would be greatly appreciated and directed members to the feedback form. Emma thanked everyone for attending the event, thanked the presenters and then called the meeting to a close at 12.56pm.	Emma Barrett, Russell Investments Director of Member Services