

## **BUSS (Queensland) Pty Ltd, Trustee for BUSSQ Fund**

### **Minutes of the 2021 BUSSQ Annual Members' Meeting conducted online**

**Friday 19 November 2021, 10:00am – 11:00am (AEST)**

<b>Meeting number #189</b>	<b>19 November 2021</b>
<b>Directors present:</b>	<b>Paula Masters (Chair)</b>
	<b>Sonya Beyers</b>
	<b>Paul Bidwell</b>
	<b>Jacqui Collie</b>
	<b>Madeline Dermatossian (via video link)</b>
	<b>Michael Ravbar</b>
<b>In attendance:</b>	<b>Simon Mather, Chief Investment Officer</b>
	<b>Camille Magee, Executive Officer Member Engagement</b>
	<b>James Mullen, Executive Officer Operations</b>
	<b>Noreen Romero, Governance and Risk Manager</b>
	<b>David Jewell (via video link)</b>

#### **1. Chair's Welcome address**

Paula Masters, Chair of the Board of Directors, BUSS (Queensland) Pty Ltd, welcomed members to the first BUSSQ Annual Member's Meeting.

She spoke to the following points:

- Welcome everyone, to our second BUSSQ Annual Members Meeting. My name is Paula Masters, and I am the chair of the BUSSQ Board of Directors.
- I would like to officially open the Annual Members Meeting for the 2020 – 21 financial year by firstly acknowledging the Turrbal and Yugara people, the traditional custodians of the land on which we meet today and to pay my respects to their elders past, present and emerging.
- I would like to acknowledge and welcome my fellow BUSSQ Directors here today.
- Sonya Beyers has been a Director since January 2018. She is the Chair of the Audit, Governance and Compliance Committee, Chair of the Risk Management Committee and Chair of the People, Culture, Remuneration and Nominations Committee. She is also a Director Member of the Investment Committee.
- Paul Bidwell is present with us here today and has been a Director for over 6 years. Paul is the Chair of the Insurance Committee and, also a Member Director of the Investment Committee.
- Next, we have Jacqui Collie, who has been a Director of BUSSQ since August 2019. She is a Director Member of the Investment Committee, the Insurance Committee and the People, Culture, Remuneration and Nominations Committee.

- Newly appointed to our board and joining us online is Madeline Dermatossian. She has Board experience gained as a non-executive director in Government, Trustee, and private sector organisations.
- Finally, Michael Ravbar has been appointed recently to our board. He is an experienced Director holding numerous Directorships within the building and construction industry.
- I would like to thank the Directors for their dedication and support of BUSSQ members' interests.
- Also, joining us online is David Jewell, representing our company auditor, Ernst and Young. David has been with EY since 1984 and a partner since 2002. He is a registered company auditor and meets APRA's fit and proper requirements for superannuation auditors.
- I'd like to say thank you to all the members who are online today for our Annual Members Meeting.
- The purpose of this meeting is to give all BUSSQ members information about how the Fund has performed in a difficult and challenging economy, changes to super law during the year and how we have implemented them, and the Fund's future direction and plans to deliver for members. We hope that you leave the meeting feeling a little bit more knowledgeable about BUSSQ.
- This meeting is about you, the member. Members are at the centre of everything we do at BUSSQ. We are a profit for member fund that always acts in the best interests of members. Every decision and every activity we undertake is based around what will be the best outcome for you.
- This event is one of many events undertaken by BUSSQ this year. Our strategy is to give members the right information at the right time, with access to subject matter experts and to the executive team.
- Speaking of the executive, our Chief Executive Officer, Damian Wills is unable to be with us here today. Instead, our Chief Investment Officer, Simon Mather, will be stepping in to provide you with a Fund Update.
- As the Chief Investment officer of BUSSQ, Simon will also provide you with an investment update.
- After hearing from Simon, we will devote the rest of the meeting to addressing your questions.
- If you have a question you would like answered, please use the "chat box" at the bottom right-hand corner of your screen.
- It is possible that we may not be able to answer all your questions today. However, the minutes of today's meeting, along with a recording of the meeting will be published on the BUSSQ website. The minutes will include all the questions received before and during the meeting, along with their answers.
- As with all member meetings and seminars such as these, we are required by legislation to let you know that the information presented here during this meeting is general information only and does not take into account or consider your personal objectives, financial situation or needs.
- Before acting, you should consider the appropriateness of the information to your needs or seek independent advice from a properly qualified professional.

- We would also like to remind members that past performance is not a reliable indicator of future performance. BUSSQ's investment returns quoted are after-tax on investment earnings, where applicable, and after indirect costs.
- At today's meeting, we will not be able to answer any questions that we receive that are of a personal nature. These could be questions relating to your personal circumstances, such as a claim that is underway or requests for advice on investment choice.
- However, if you do have a question pertaining to your individual account, we encourage you to reach out to BUSSQ.
- My job and that of my colleagues on the Board is to ensure that BUSSQ members retire with dignity.
- Delivering dignity means delivering financial products and services that support you all the way through your working life and beyond. The Fund was recognised for our efforts by SuperRatings again this year, with our MySuper, Premium Choice and Income account products were awarded Platinum Ratings for providing the greatest potential to maximise members' retirement savings in a well serviced, secure environment, with a well-priced benefit offering.
- The Government's Your Future, Your Super reforms came into effect on 1 July 2021 and has been a key focus for the fund's leadership. Under the reforms, the Australian Prudential Regulation Authority, or APRA, is required to conduct an annual performance test for MySuper products.
- The assessment under the performance test, in conjunction with the ATO's YourSuper comparison tool, is intended to hold superannuation funds to account for underperformance through greater transparency and increased consequences.
- BUSSQ members will be pleased to know that their fund passed this test. Those funds that failed the performance test had to advise their members that they are in an underperforming fund and should consider moving to a better performing fund.
- The Your Future, Your Super reforms aim to have only one super fund per person. If this outcome is achieved, it will be a positive change for superannuation fund members, to avoid paying fees on multiple accounts.
- For super fund Trustees these reforms also incorporate a revised member best interests duty, moving the focus of this duty to demonstrating Fund expenditure is in members' best financial interest.
- BUSSQ has over \$5.92 billion in members' retirement savings under management. We have always punched above our weight. Since inception, as at 30 June 2021, we returned an average of 9.7% on the Balance Growth investment option.
- In the last financial year we have delivered for members our highest return in over 10 years. Our Balanced Growth Super option achieved a 10 year high of 17.28% and our Balanced Growth Income account option returned 16.61% for the 2020 - 21 financial year.
- Simon Mather, Chief Investment Officer, will provide a more in-depth investment update later in the meeting. It will include more information on short, medium and long term returns across BUSSQ's investment options.

- Over the past year, we have seen many superannuation funds joining together and combining resources. In response to challenges facing an increasingly competitive superannuation industry, BUSSQ is also looking at opportunities to increase scale through Fund growth.
- An increase in scale would improve efficiency, and revenue growth can provide members with benefits, such as lower fees and enhanced products and services. We will be sure to keep BUSSQ members informed of any significant outcomes that will affect you.
- December 2020 saw a change to the executive leadership team. CEO Linda Vickers retired after 22 years at BUSSQ. Damian Wills was appointed CEO and took the helm on 1 January 2021. Damian is only BUSSQ's fourth CEO appointment in our 36-year history.
- Damian is well placed to lead BUSSQ in executing the Fund's strategic plan and has a long track record in the superannuation industry. He has proven to the Board that he has the leadership and strategic vision to guide BUSSQ into what is a complex but exciting future.
- I would like to take this opportunity to thank Damian and the entire BUSSQ team for their ongoing commitment to members and particularly for the support they have provided for our members through the challenges of this year.
- Lastly, we would like to thank each one of you for your membership of BUSSQ and we take this opportunity to affirm our commitment to putting your interests first. Now, I would like to hand over to Simon Mather, Chief Investment Officer, who will be presenting the Fund Update on behalf of CEO Damian Wills. Thank you.

## **2. Chief Executive Officer's address**

Simon Mather, BUSSQ's Acting Chief Executive Officer, spoke to the following points:

- Thank you, Paula, for that update. It has been a true team effort over the past year. The board and staff of BUSSQ have continued to work hard through a year of great legislative change to ensure that the fundamental reason for our being - our members - are at the very centre of everything that we do.
- In 2021 BUSSQ celebrates its 36<sup>th</sup> year, having been created in 1985 to serve the specific needs of the building, construction, and allied industry workers in Queensland. Over this time, our membership base has expanded to comprise of workers from a range of other industries across Australia. Our membership has grown to 68,612 members and we are currently sitting at just over \$6.1 billion in funds under management.
- One of the biggest challenges that we have faced, undoubtedly, is the Coronavirus pandemic. This has put enormous pressure on families, individuals, and businesses all over the world. BUSSQ has not been immune to the impacts of global uncertainty.
- Despite this, during the pandemic, we have achieved some excellent results in key business areas, which I will now tell you about.
- Ensuring advice and support was available for members who suffered financial hardship as a result of COVID-19 was important for us again in the 2020 - 21 financial year with the government's early release scheme.

- The scheme, which formed part of the Government's Coronavirus Economic Response Package, ran through until the end of December 2020 and overall BUSSQ paid \$292.6 million in early release payments to support members through financial hardship suffered as a result of COVID-19. We know that, through government research, these payments have helped members pay for household utilities and to pay down debt.
- The release of these funds which gave those in need early access to their super, had the potential to negatively impact a fund like BUSSQ but thanks to robust prudential management, we emerged at the end of the financial year in a very strong position, and are now looking ahead to the future.
- Despite the financial outflow due to the Early Release Scheme, BUSSQ achieved an excellent result, providing to members the strongest return in over 10 years, on our Balanced Growth option.
- As Paula mentioned, our Balanced Growth Super option achieved a return of 17.28% and our Balanced Growth Income account option delivered a strong return of 16.61% for the financial year.
- I will provide you with more investment performance information, in my investment update, which will include more information on short, medium, and long term returns across BUSSQ's investment options.
- As a profit to members fund, BUSSQ is committed to growing its' membership and funds under management for the benefit of all members. And, looking back over the year, it's great to know that we're delivering on this goal as we welcomed over 7,000 new members into the Fund.
- In response to growth in the Queensland construction industry, employer and member contributions increased last financial year. Over \$304 million was applied to member accounts.
- Growth has led to our average member balance also increasing. The average balance is \$87,373. This growth places our members in a better position for their future and helps to improve their retirement outcomes.
- BUSSQ is committed to delivering value to members in the right way with member outcomes top of mind. Therefore, we undertook a member survey in 2021 to find out what else our members wanted from us. We make it a priority to gather information and feedback from members in order to continue to improve on our products.
- The member survey informed us that many BUSSQ members have more than one super fund. At 30 June 2020, according to the Australian Tax Office, there were around four million people holding two or more super accounts. 10% of our BUSSQ members are in this group.
- BUSSQ has implemented an online portal where members can, if they wish, search the ATO to find and combine their lost super simply and securely. Consolidation of super accounts means that members can reduce additional account fees and charges incurred by having multiple accounts.
- More than half of our members told us that they joined BUSSQ on the recommendation of their employer, with another 17% joining on the recommendation of a colleague or friend. Being an industry fund with a proven, long-term track record, with strong ties in the building, construction and civil industries is one of our strong suits.

- BUSSQ has a team of dedicated member representatives who provide personal service to employers and workers in the industry. They are supported by an administrative team whose purpose is to make the difficult easy for members.
- It is a principal value of BUSSQ to provide a high level of personal service to our membership. We can see that this strategy pays off by our organic growth metrics and by the feedback we routinely seek and act upon.
- In addition to our member survey this year, we regularly conduct satisfaction surveys to collect member's feedback and measure overall sentiment. We do this by using the Net Promoter Score®, or NPS® customer experience program, which reveals how we're performing against other companies and industries worldwide.
- Bain & Co, the source of the NPS system, suggests that above 50 is an excellent score, and I am thrilled to say that our members consistently express a high level of satisfaction with their overall BUSSQ experience.
- When asked in our member survey, "How likely they were to recommend BUSSQ to a family member, friend or colleague?", we returned an NPS score of 56. A fantastic result, highlighting our team's passion and focus on helping members feel supported through their working life and in retirement.
- Last financial year, our contact centre received an impressive score of 63 on average, showing members were very satisfied and willing to recommend us to others, a position we strive to be in.
- We also asked our members if they felt there was anything missing in BUSSQ's service offering. More than three quarters don't see anything lacking in our service suite. In fact, 81% of respondents see BUSSQ as better than other funds.
- Our members told us in the survey that their preferred methods of being contacted by BUSSQ is over the phone or online. 77% of respondents prefer being contacted over the phone, while 56% prefer website.
- This is valuable information in helping us to communicate with our members in a way that best suits them, and we'll continue to tailor our service to make it more accessible to all members.
- We continue to look at ways we can offer better services to our members. As a result, we have recently transformed our financial advice model to deliver a more cost effective and efficient solution for our members.
- Members can receive personal advice that is tailored to their own individual circumstances on contributions, investments, retirement options and insurance in relation to BUSSQ products.
- This advice is delivered by Link Advice, and is provided over the phone, which our recent survey told us is members preferred channel. The phone meeting is then followed up with a written statement of advice showing the members how that advice puts them in a better financial position.
- How much does this cost the member? There's no out-of-pocket expense; the fee is included in the BUSSQ Trustee related costs.
- Members who are seeking tailored retirement advice which considers financial matters beyond their BUSSQ super account, such as assets and income, and eligibility for Centrelink benefits, can receive this type of advice on a fee for service basis.



- And of course, BUSSQ employees continue to be out on work sites, in lunchrooms, in offices, visiting our members and providing them with factual information and general advice to help them get their super sorted.
- Our interaction with members includes daily face to face conversations and last financial year we provided over 440 information sessions for members where they work. Making our team and superannuation information accessible helps engage our membership base.
- As Paula mentioned previously, the superannuation industry in Australia has undergone significant changes since the Fund's inception in 1985 and it could be argued none more so than through legislative change over the past year.
- The superannuation market is being transformed with a keen focus from regulators on improving outcomes to members, something BUSSQ has been focussed on throughout its proud history.
- A key focus for the Fund was the Your Future Your Super legislation. This came into effect on 1 July 2021. Paula mentioned this and talked about the implications for the super industry and for BUSSQ.
- A specific change affecting BUSSQ members, is a key reform known as Stapling legislation. Very simply put, this means that an individual's super account will follow them when they change jobs. The idea behind the legislation is to reduce the incidence of members having and paying fees for multiple, unnecessary accounts.
- While the intention behind the legislation is a positive one, our Relationship Managers found that employers were not prepared for stapling and needed assistance from BUSSQ to understand what it would mean for them. The legislation represents a change to the onboarding process a business will have to administer when a new employee starts with a company.
- Through our relationship managers and strong industry connections, BUSSQ is committed to helping employers with better understanding their obligations and compliance requirements.
- One of our initiatives to help employers understand their obligations and compliance requirements, was a live webinar event where we partnered with the ATO. Employers heard firsthand from the creators of the system, and the information has been distributed through our communication channels.
- It is one of the focal points of the present and future strategic plan to assist employers through legislative change. We know that employers who comply with superannuation legislation obligations are well placed to provide their employees, BUSSQ members, a better retirement outcome.
- And that is the reason BUSSQ exists –your fund is maintained for the sole purpose of providing retirement benefits to members, or to their beneficiaries if a member passes away before retirement. Members are at the core of everything we do.
- Legislative updates over the past year means that there is an onus of reverse proof on Funds to be transparent about how they spend members' money. This is a change that BUSSQ supports as we have always acted in the best financial interests of our members as part of our core cultural value. The best interests' duty underpins our strategic vision over the upcoming years.
- BUSSQ's fundamental strategic objective is to improve outcomes to our members – you. In doing so, we have resolved to continue to provide members with a high degree of personal service and to assist their employers to remain compliant with their superannuation obligations.

- BUSSQ's strategic vision for the future is based around our reason for being – a profit to members fund with a duty to act in the best financial interests of members. We will continue as we have always done, to represent and champion workers requirements.
- The strategic plan is not just a theoretical approach to running this business, it translates to the practical operations of providing BUSSQ members with products and services tailored to the building, construction and civil industry in which the majority of our members work and demonstrates that it is, and continues to be, fit for purpose.
- That concludes the Fund Update. I will now update you on the BUSSQ's investment performance for the 2020 - 21 financial year. Thankyou

### **3. Chief Investment Officer's address**

Simon Mather, BUSSQ's Chief Investment Officer, gave a PowerPoint slide presentation (the slides can be viewed on the video). He spoke to the following points:

- I have prepared a presentation to provide an update on how the Fund has performed in a very difficult year. I will cover the following topics:
  - Looking back over the financial year
  - How BUSSQ has performed
  - Responsible investing
  - Looking forward next 12 months
  - Performance update

#### **Global Economy – rebounded in V-shaped recovery (PowerPoint slide):**

- As initial lockdowns were released, we saw a rebound in trade and manufacturing in the second half of 2020.
- As shown in the graph, China has led this process, rebounding particularly strongly.
- Closer to home, we've seen the Australian economy go into its first technical recession in nearly 30 years. Even going back to 2008, Australia did not go into a recession when most of the world, major economies around the world, did go into recession.
- Our economy has performed relatively well and is now back above pre-pandemic levels.
- Towards the end of 2020 and into the early part of 2021, political instability was high in the US, with the Presidential election, the disputed victory by Joe Biden, the Capitol riot, inauguration of Biden and acquitted impeachment of former President Donald Trump. After this we saw the Biden administration announced infrastructure spending and delivered a very large fiscal stimulus that has supported the US economic recovery.
- Additionally, the transitional period for the withdrawal of the UK from the Eurozone ('Brexit') ended on 31 December 2020 and is now operating under the new agreement. This produced some uncertainty and material trade disruption around the period.



## **Australian share markets 2020/21 financial year (PowerPoint slide):**

- Share markets produced very strong returns over the financial year. Although, there was some volatility, this was mainly from geopolitical risk and COVID-related issues.
- Share markets benefited from the positive news of vaccine developments towards the end of 2020 and you can see the share market increase quite significantly.
- Share market performance was particularly strong in the US and especially around the technology sector globally.
- During the September 2020 period we saw a rotation out of some of the higher growth technology stocks into more 'value' stocks, which are companies trading at a lower share price relative to the company fundamentals.
- Australian share market returns were not as high as world equities over the financial year but were still very strong.

## **Australian share market sectors 2020/21 financial year performance (PowerPoint slide):**

- This graph shows the returns of the top 200 listed companies on the Australian share market for 2020/21 broken down into the contributions of each sector.
- The share market returned just under 27.9%.
- One of the big contributors was Financials, but nearly all sectors posted gains of >25%, with the laggards being Healthcare and Consumer Staples. The Utilities sector (led down by AGL and Origin). Consumer Discretionary, Financials and IT led the charge, up.
- There was a wide dispersion of returns in the Top 20 performers. Afterpay was the best performing leader, ending the financial year +94%, slightly ahead of iron ore producer Fortescue +90% and Aristocrat +70%.
- The Big 4 Retail banks made a significant contribution to the overall market performance, with CBA, Westpac, NAB and ANZ all chalking up returns of 44% plus.
- Conversely a2 Milk (A2M), was the worst performing stock for this year, down 68% after the Chinese overnight just stopped buying their products.

## **Foreign currency – sharp rise in the price of iron ore (PowerPoint slide):**

- The Australian dollar generally appreciated over the financial year, reducing the return of unhedged international equities. The exception was the GBP which benefited from the removal of the uncertainty of how Brexit would progress.
- A key driver of the Australian dollar was the rise in commodities prices that benefited from the rebound in global growth, particularly strong demand from China. The iron ore price increased very sharply, more than doubling over the financial year.

## **Changes made over the financial year (PowerPoint slide):**

- We stuck with our strategy to invest for the longer term.
- Maintained increased weighting to Australian and global shares.
- Reduced investment fees, returning more to members. We were able to reduce our investment fees over the year even further.

## **BUSSQ asset class 2020/21 financial year returns (PowerPoint slide):**

- We saw strong returns from most asset classes outperforming their five-year average, except for fixed interest and cash due to the low interest rates.
- Both Australian and International shares had significant performance.
- Australian shares outperformed the benchmark, which was around 27.9% by around 5 or 6%.
- Pleasing to see that infrastructure, property and agriculture performed really well, as well.
- BUSSQ looks to provide a nice, stable return over time, so those real assets provide a dampening effect on those equity markets, which have been quite volatile.

## **Super and TTR returns to members 2020/21 FY (PowerPoint slide):**

- The High Growth option which is our diversified option with the highest allocation to growth assets, returned just over 20%.
- Our Balanced option returned 17.28%.
- The Defensive option returned just under 8%.
- Over the longer term, with our Balanced option, which is our longest running option, over the 20 years, we've returned for members on average around 7.5%, so really good, strong, long term returns.
- Diversified Fixed Interest and Cash, the returns are quite muted, due to very low interest rates, that we have seen over the past twelve months or so.

## **Income account returns to members 2019/20 FY (PowerPoint slide):**

- The High Growth option which is our diversified option with the highest allocation to growth assets, returned just over 22%.
- Our Balanced option returned 16.61%.
- Again, over the longer term, the Fund has continued to perform very strongly.

## **BUSSQ financial year performance Balanced Growth super option (PowerPoint slide):**

- This slide shows the long term returns of the Balanced Growth option since the Global Financial Crisis.
- The Balanced Growth option annual returns over 13 or so years, compared with the SuperRatings Median Balanced Option.
- Over the 2020/21 financial year, where we returned 17.28%, we were slightly below the median but if you go back one year to 2020 that year was significantly outperforming where I think the median return was just under negative half a percent, we returned about 2.4%.
- BUSSQ is trying to provide you with a stable return over time and part of that is partly driven by our allocation to those real assets.

## **Responsible investing – United Nations Sustainable Development Goals (PowerPoint slide):**

- This has been our third year of measuring against the four Sustainable Development Goals .

- The United Nations have set out our 17 Sustainable Development Goals, aimed at improving the world, to be a better place for everyone.
- We've chosen four Sustainable Development Goals to focus on: The Affordable and Clean Energy, Decent Work and Economic Growth, Sustainable Cities and Communities and Climate Action.
- Between 2019-20, in general, we have increased our allocation to these Sustainable Development Goals.

## **Responsible investing – climate risk (PowerPoint slide):**

- During the year we assessed how our managers are monitoring and managing climate risk and the result was pleasing to see that they were aware of the risks within their portfolios and able to articulate them to us well.
- The majority of BUSSQ's Managers have a good understanding of climate risk and how it can impact our portfolios. There are a few managers, however, that have fallen slightly behind peers and that enables us to engage with them in depth. Pleasingly, this cohort of managers represent a relatively small exposure in BUSSQ's overall portfolio.
- Most Managers were able to self-report on climate regulatory risk, physical, and stranded asset risk at an asset level. These self-reported risks were generally low with few exceptions.
- Those Managers that reported a higher level of climate risk in their portfolio were generally assessed to have suitably rigorous processes for managing these risks in line with peers.
- The findings of this exercise show that BUSSQ's managers, for the most part, are doing a reasonable job of assessing and managing climate risks. The real value of this exercise will be to track the evolution and improvement within BUSSQ's portfolio over time using a process that continues to evolve over time.
- This year we will be performing a base line assessment of our carbon footprint assessment across our share portfolio and fixed interest portfolio. We are already looking at ways of reducing this through our equity portfolio.

## **Responsible investing – Robina Town Centre (PowerPoint slide):**

- An example of where our managers are putting this into practice is Robina Town Centre on the Gold Coast.
- Robina Town Centre is home to the largest rooftop solar array in the southern hemisphere.
- They have over 13,000 solar panels, generating 5,500 KW power every hour, enough energy to power 1,205 homes or charge 755 million per year. The manager, QIC, is also looking to achieve net zero carbon emissions target by 2028 across the core retail portfolio.

## **Responsible investing – Agriculture (PowerPoint slide):**

- Another area we are looking at across the ESG space is within our agriculture portfolio.
- In Australia, agriculture contributes around 13 percent of total greenhouse gas emissions so this is an important area where we look to reduce. One of the things they are looking at is feed additives for cattle which reduces the methane emissions, and looking at crop seed varieties that require less irrigation, and next generation machinery to make sure the machinery we are using is more efficient.

- Other areas we are looking at are carbon, and carbon sequestration to absorb carbon from the atmosphere into the air, and also looking at regeneration of parts of the country.

## **Looking ahead & Coronavirus (PowerPoint slides):**

- Looking ahead, now we will talk about some of the things we are focussing on we are looking at the portfolio.
- Unsurprising coronavirus is still with us and is one of the most important areas we are looking at. The variants are becoming more transmissible, but also global vaccination rates, we're looking at.
- The financial year has been dominated by COVID-19. After the initial outbreak and lockdowns, there have been subsequent waves of new infections, including in late 2020 in the US and Europe, and in India around April 2021.
- COVID-19 spread has been relatively minimal in Australia, but Australia has experienced a number of outbreaks and lockdowns over the year.
- The major development in late 2020 was the approval and release of effective vaccines. The roll out of vaccines through 2021 has been divergent, with some developed markets easing restrictions as vaccination levels increase, while in other regions it has been slow, particularly in many emerging markets.
- New mutations of the virus, as well as vaccine hesitancy and availability, means COVID-19 is likely to remain in circulation for some time.

## **Inflation (PowerPoint slide):**

- Another area is inflation. The easy part of the recovery is behind us. Now we are trying to transition in the economic cycle from a super-charged growth area. Inflation has been talked about a lot. Here in Australia the RBA has talked about targeting inflation between 2 and 3%. We are currently sitting above that, but in some parts of the world inflation has gone much higher, particularly in the US and Europe.
- The vast sums of fiscal and monetary money that have been used to support the economy have shortened the economic recovery cycle and increased its amplitude.
- Global supply bottlenecks are the main contributor to current inflation increases. We have also seen bond yields increasing and consumer prices increase.

## **Central banks (PowerPoint slide):**

- Monetary policy remains highly accommodative as central banks advise that considering rate hikes and the cessation of quantitative easing would be premature. However, there has been a noticeable slowdown in the pace of bond purchases across major central banks.
- The exception is the RBA which has had to expand its balance sheet at a relatively fast pace to achieve its three-year yield target.
- Monetary policy is providing very supportive financial conditions, but it is no longer easing.
- Credit availability is high, but the rate of credit growth is moderating after the initial spike and there are some signs of minor tightening of lending standards. Recently we have seen the Reserve Bank of New Zealand increase their rates. We have also seen this in Brazil and Russia.

## **Global debt levels (PowerPoint slide):**

- Fiscal stimulus has been a key support and remains highly accommodative, particularly in the US.
- There have been further large stimulus packages (American Job Plan and Families Plan) proposed under Biden's administration to support the US's long-term growth. Over time we are expecting the fiscal stimulus to be withdrawn, and debt paid down.
- Most countries are forecast to have decreasing deficits in the years ahead, particularly among advanced economies where fiscal contraction is forecast to occur more quickly.

## **Geopolitical tensions (PowerPoint slide):**

- We continue to think of geopolitical tensions as a key risk particularly in the US and the potential re-escalation of a trade war with China.
- Europe has still got post-Brexit disruptions going on, and we continue to monitor those.
- Here in Australia, there remains rising tensions with China, particularly around our exports.

## **BUSSQ Balanced Growth super performance update (PowerPoint slide):**

- So just as a bit of an update on how we're currently sitting, this graph shows the performance of the Balanced option up until the end of September.
- As you can see in the financial year, we're in the blue, we're slightly ahead of the median. We're sitting just below 2%, so we've started the year quite strongly, which is pleasing to see.

## **4. Questions from members**

Camille Magee, Executive Manager, Member Engagement, conducted the question time. The questions received from members prior to the meeting, the responses, and who provided the response, are shown below. No questions were received during the meeting.

### **Question 1:**

**How does BUSSQ ensure that its returns are above benchmark and competitive with other super funds?**

Answered by Simon Mather, Chief Investment Officer.

- We regularly review the asset allocation of the fund and make changes in line with changing outlook on markets. Over the last 12 months with interest rates remaining low and likely to stay low for a while we have reduced exposure to cash and traditional bonds and increased exposure to nontraditional bond-type structures which includes loans whilst maintaining the allocation to defensive assets.
- We continue to monitor our equities managers and have made some changes there, including introducing a passive manager for global equities to reduce some of the volatility and reduce costs for members.
- In the areas of property, infrastructure and other real assets we continue to look for opportunities to invest in assets that will continue to provide reduction in volatility.
- We also continue to maintain a diversified portfolio and invest for the longer term.

## Question 2:

**Do you still see property including Office buildings as a good investment given that more people look to work from home post-COVID? Also is retail a good investment given the rise in online shopping?**

Answered by Simon Mather, Chief Investment Officer.

- Within our property portfolio, we have seen a number of companies looking to extend their leases after the last 12 months or so and look for additional space. People are working from home but some office presence is still required for companies, especially for collaboration.
- Retail property has certainly had its troubles, particularly in NSW and Victoria during the extended lockdowns, but we are still seeing some strong valuation numbers after the 2019/2020 financial year when we saw valuations fall.
- BUSSQ is an investor in high-quality retail assets in Queensland, Victoria and New South Wales. Interestingly some of those retail assets are looking to remix their leasing space to maximise return through including tenants providing experiences for consumers such as movies, bowling, gyms, food and beverage.

## 5. Close

Executive Officer Member Engagement, Camille Magee, closing address:

- Thank you, Simon for answering those questions.
- That concludes our Annual Members Meeting for 2021.
- I would like to thank the Chair, the directors and of course, our BUSSQ members.

Ms Magee closed the Meeting at 10:46am.