



# Questions and answers for Annual Members' Meeting 2023

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Our Annual Members' Meeting for the 2023 financial year was held online on Monday 12 February 2024 at 6pm (Sydney time).

Below are questions and answers members asked to be addressed at the meeting.

## **1. Is CFS planning to reduce fees given the increased cost of living?**

- We understand the cost-of-living pressures that are flowing through the economy. Our own research has confirmed that cost of living is the number one financial concern for Australians, which came as no surprise.
- Our fees are highly competitive, and we review them on a regular basis.
- For example, our FirstChoice Wholesale Personal Super funds have admin fees of just 20 basis points, which is among the lowest in the market.
- For those with Essential Super or FirstChoice Employer Super, our fees are 15 per cent lower than the average MySuper fund.
- In the year ahead we will continue to focus on providing the best possible value for money by ensuring that our fees remain highly competitive.

## **2. How does CFS compare to the industry funds on performance?**

- CFS has more than 180 investment options, so it's important to know which option you're invested in and then compare that with its closest industry fund counterpart where possible. Comparing funds on a like-for-like basis is essential.
- For example, FirstChoice Employer Super balanced fund (Lifestage 1965-69) delivered a 10.5% return over the year to 30 June 2023, outperforming the balanced options of the three largest industry funds.

## **3. How do CFS management fees compare to industry funds?**

- We have some of the lowest fees in the market.
- For example, FirstChoice Employer Super has a total fee of 0.79% on balances of \$50,000, which is lower than many of the largest industry funds according to data from Chant West.

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Avanteos Investments Limited ABN 20 096 259 979, AFSL 245531, trustee of the Colonial First State FirstChoice Superannuation Trust ABN 26 458 298 557

#### **4. Does CFS have any plans to offer more fixed income indexed funds?**

- We already have a very broad range of index funds available on the menu across both single sector and multi-sector offerings. There is currently an Australian Bond Index and a Global Bond index, plus a Conservative Index option that has a high allocation to fixed interest assets.
- We don't currently have plans to add to the existing fixed income index range, but we will continue to monitor demand for these options and assess as appropriate.

#### **5. Will ETFs be available via CFS Wholesale Pension?**

- We already have a range of ETFs including US treasury Bill, Physical Gold, World Markets and US Shares.
- ETFs and index funds have a lot in common. Both are typically low-cost passive investment vehicles that pool investors' money into a basket of securities to track a market index. CFS Wholesale Pension also has wide range of index options across all the major markets and risk types.

#### **6. Would it not be better for me to withdraw my super and put the cash in the bank as interest rates are likely to increase soon?**

- We believe inflation is likely to remain volatile over the year ahead, making RBA rate decisions difficult to predict.
- Moving your super in a savings account means you are also missing out on the growth opportunities and investment performance that your cash won't be exposed to. It will however leave you exposed to inflation.
- Understanding your appetite for risk and taking that into account when making investment decisions is the key to choosing the right investment strategy for you.
- The CFS Risk Profiler Tool, which you can access for free on our website, can help you determine your overall risk appetite.

#### **7. Will the concessional contribution cap increases in to \$30,000 in the 24/25 financial year?**

- Unfortunately, we don't know yet.
- The concessional cap is indexed in line with wages rather than inflation, and the ABS is not due to publish the relevant wage data until 22 February.
- However, given previous wage increases and the recent minimum wage announcement, we think it's likely the concessional cap will increase to \$30,000 on 1 July, however we will need to wait for the ABS data to know for sure.

#### **8. I find the 5% withdrawal limit is too high for me. Why can't it be less?**

- When you commence a superannuation pension, such as an account-based pension, you are required to receive at least a minimum level of pension payments each year. This amount is generally based on your account balance and the minimum drawdown rate that applies depending on your age.
- These minimum pension drawdown rules are mandated by the Government and all funds must comply with them in order for your pension account qualify for concessional (tax-free) status

- The Government provides generous tax-concessions to help people save for, and fund, their retirement. The minimum drawdown rules form part of this system and are designed to ensure people draw down on their concessional tax super savings throughout their retirement.

#### **9. What is CFS's position on fossil fuels?**

- CFS acknowledges climate change as a financial risk that needs to be managed. We mitigate this risk in a number of ways, including conducting due diligence on investment managers and incorporating ESG factors into our investment management agreements.
- CFS announced its commitment to climate change in October 2021, setting an ambition to achieve net zero greenhouse gas emissions by 2050 for the FirstChoice portfolio, with a 30% reduction by 2030 on 2019 base levels.
- This ambition aligns CFS' FirstChoice portfolio to the Paris Agreement goal to limit global warming to below 2 degrees.
- While there are risks associated with climate change, there are also emerging opportunities for strong risk-adjusted returns. CFS was responsible for introducing Generation Investment Management's sustainable fund into the Australian market back in 2007, which has delivered a total net return of almost 10% since inception.
- We recently expanded on that partnership through an investment in their Just Climate fund, which focuses on decarbonising hard-to-abate industries such as steel making.

#### **10. Can CFS use its influence to prevent major resources companies from going ahead with new fossil fuel projects?**

- Our managers will engage with individual companies on our behalf on a range of issues, including climate change.
- For our global equity investments, we have an agreement with a stewardship provider who also engages on our behalf.
- The engagement delivered on our behalf is important in ensuring that the companies we invest in are managing the risks associated with climate change, leveraging opportunities for growth, and ultimately protecting returns over the short, medium and long term.

#### **11. Will CFS divest from fossil fuel industries?**

- We recognise that our members have different values, objectives and preferences when it comes to how they invest their savings.
- A decision to divest or exclude a company, sector or industry is not taken lightly. At this stage, CFS has decided not to divest from fossil fuels. We believe some major resources companies will play an integral role in energy transition going forward, which presents a significant sustainable investment opportunity globally.
- An example of this is our investment in Generation Investment Management's Just Climate fund.
- Just Climate's industrial climate solutions focus will pursue investments in growth-stage, asset-heavy companies globally which have the potential to deliver transformational climate impact across some of the highest-emitting, hard-to-abate industries — including energy, mobility, industry, and buildings — in order to generate outsized emissions abatement in the next decade.

**12. I have super with another company. How can I put that money in FirstChoice? I also want to register my sister to get my super when I pass away.**

- You can always consolidate your super into one fund. If you go to the CFS website ([www.cfs.com.au](http://www.cfs.com.au)) there is a service called SuperMatch, which allows you to search for other super accounts you may have.
- Be sure to check your insurance arrangements before you consolidate.
- Speak to a financial adviser. You can find an adviser in your area via the Find an Adviser tool on the CFS website.
- You will also be able to find the forms to nominate a beneficiary on the CFS website.

**13. Where can I get advice about my super?**

- You can use the Find an Adviser tool on the CFS website, which allows you to search for advisers in your local area.
- The CFS Contact Centre will also be able to help.

**14. Your financial adviser service attracts costs. How much?**

- Financial advisers are independent from CFS. We don't actually provide the advice but we can help put you in touch with an adviser in your local area via our Find an Adviser tool on the CFS website.
- The cost of advice varies depending on what you are looking for.
- You can visit ASIC's MoneySmart website if you are looking for simple calculations.

**15. When will members with FirstWrap accounts who are not aligned to an adviser be switching to Edge? Will Edge users have increased functionality?**

- You will receive communications well ahead of any move onto the Edge platform. We are currently working on those timelines at the moment.
- That communication will also include details on new product features, new investments and improved online functionality.

**16. What are some interesting investment opportunities that CFS is looking at? For example, technology and artificial intelligence (AI)?**

- Private debt is seeing very attractive yields at the moment.
- Indices in emerging markets are also looking attractive from a valuation perspective.

**17. What is CFS doing to assist women looking to educate themselves about their finances?**

- It is important to understand where your super is, what your super balance is and how much you may need at retirement.
- Retirement calculators are helpful and are available on the CFS website or ASIC's MoneySmart website.
- Financial advice can also be helpful. We know from our own research that only one in five women who don't receive advice feel financially prepared for retirement. This jumps to three in five women once they get advice. You can find an adviser near you by using the 'Find an Adviser' tool on our website.

We also have a range of educational resources available on our website which can help

**18. What benefits does FirstChoice Employer Super have from a performance and cost perspective?**

- Our fees for FirstChoice Employer Super are 15 per cent lower than the average MySuper fund.
- FirstChoice Employer Super has a total fee of 0.79% on balances of \$50,000, which is lower than many of the largest industry funds according to data from Chant West.
- FirstChoice Employer Super balanced fund (Lifestage 1965-69) delivered a 10.5% return over the year to 30 June 2023, outperforming the balanced options of the three largest industry funds.

**19. Does CFS invest in any cryptocurrencies?**

- No, there are no investments in cryptocurrencies.

**20. Was anyone within Avanteos dismissed or otherwise dealt with following the June 2022 fine of \$1.7m?**

- It is not appropriate to discuss circumstances of individuals however CFS can confirm the matter has been fully remediated.

**21. Can you provide an update on class actions, likely outcomes and settlement dates?**

- CFS is currently defending three class actions, namely:
  - Marcel Eugene Krieger and another v Colonial First State Investments Limited (ACN 002 348 352) VID 1141 of 2019;
  - Keith Kayler-Thomson & Ors v Colonial First State Investments Limited & Ors (ACN 002 348 352) VID 1313 of 2018; and
  - Simon Mallia v Colonial First State Investments Limited & Ors VID28 of 2020

In relation to the first class action, an in-principle settlement has been reached between the parties. The Federal Court will consider whether to approve the proposed settlement at a hearing on 3 June 2024. In relation to the remaining class actions, as these matters continue to be the subject of court proceedings, we are unable to provide any further information at this time.

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