



Transcript of CSC Annual Member Meeting held Wednesday 13 November 2024

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Bree Joseph: Good evening, everyone. I'm Bree Joseph, one of CSC's Member Education Consultants and I'd like to welcome you to the 2024 Annual Member Meeting. I would first like to begin by acknowledging the Ngunnawal People, the Traditional Owners, and Custodians of the land on which we meet today. I acknowledge and respect their continuing culture and the contribution they make to the life of this city and region. I would also like to acknowledge the Traditional Owners and Custodians of the land from which our online attendees are joining us. I pay my respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander People that are here with us today. Thank you for joining us.

On behalf of our Board of Directors and executive team, we really appreciate you taking the time to be with us this evening. To confirm our agenda, you will hear updates from our Chair, our Chief Executive Officer, our Chief Customer Officer, and our Chief Investment Officer. This will then be followed by a live Q&A session where the Board and executive are available to respond to your questions. For our customers who are online, you can submit your questions now using the button in the middle of your screen.

Joining us in our live audience are the representatives from our employer agencies. If you do have questions, you're welcome to ask it during the Q&A session. You'll just raise your hand when I ask for you and [Mark] is going to come round with a microphone so that everyone can hear you. Please note that we will not be responding to questions tonight relating to your individual circumstances. These are best directed to our customer support teams and their contact details can be found on our website.

I'd now like to introduce our Board of Directors, who are all joining us this evening. CSC's Chair, Garry Hounsell; Mr Alistair Waters; Mrs Ariane Barker; Mrs Juliet Brown; Rear Admiral Lee Goddard; Major General David Mulhall; Mrs Andrea Hall, Ms Melissa Donnelly, and Ms Jacqueline Hey.

The CSC executive team, Damian Hill, our Chief Executive Officer; Alison Tarditi, our Chief Investment Officer; Adam Nettheim, our Chief Customer Officer; Robert Firth, our Chief Risk Officer; Andy Young, our Chief Operating Officer; Andrew Matuszczak, Chief Transformation and Information Officer; Alana Scheiffers, our General Counsel; Catharine Armitage, our Executive Manager of People; and Paul Abraham, our Executive Manager of Investment Operations. I will now hand over to our first speaker, the Chair of CSC's Board of Directors, Garry Hounsell, who'll provide an update to the Board and CSC's focus. Thank you, Garry.

Garry Hounsell: Thanks, Bree. I don't know whether I now need my glasses or not to read the - I'll be all right. Good evening, ladies, and gentlemen. Thank you very much for your attendance and for those joining remotely, welcome to you as well. Thank you for joining us for our 2024 Annual Member Meeting. It's a vital

opportunity for you to hear directly from our management team who are managing your superannuation, and to address any questions that you may have.

Our recently released Annual Report is available online and offers detailed insights into what we'll discuss tonight, focusing on the issues that are most important to you. Reflecting on the past, I'm delighted by the progress at CSC. Years of hard work on key projects are beginning to deliver results. However, we also face significant challenges, rising cost of living, global uncertainty. Despite these hurdles, CSC remains unwavering in its mission, which is securing your retirement future. The good news, we've achieved another strong investment performance, showing that even in difficult times your retirement savings are in capable hands and Alison will talk a little bit more about that later.

Before we proceed, I'd like to address a few Board matters. This is my final Annual Members Meeting as Chair. You can have a maximum nine-year term, three by three years. I've achieved my nine years, or almost my nine years, so this is my final meeting. I've witnessed tremendous growth and change in this organisation and I'm proud to leave the organisation stronger than I think it's ever been. This success is a testament to the dedication of the entire Board and our teams and CSC will continue to evolve and meet the needs of all of our members, whether you're just starting your career, whether you're a long serving ADF or APS member, or you're in your retirement.

I'm also pleased to announce the reappointment of Directors, Juliet Brown, and Jacqueline Hey, for another three-year term for each of them. Their governance expertise is invaluable as we continue to navigate a complex financial landscape. At CSC the Board's role is clear, we are independent custodians of your superannuation, with a single focus and that's your best interests. Especially in uncertain economic times you can trust our decisions are made to safeguard your future.

In closing, it's been a privilege to serve as Chair and I thank every member for your contributions to our country. To the CSC team, thank you for your hard work and dedication and I look forward to watching CSC achieve even greater things in the future. Thank you.

Bree Joseph: Thank you, Garry, for all you've done for CSC in your time as Chair. Your commitment and care have been greatly appreciated, and we wish you all the best for the future. We are also very grateful to Juliet and Jacqueline for continuing to be part of the CSC Board and appreciate the insights and integrity that you bring.

I'll now hand over to our CEO, Damian Hill, who will provide his perspective on how CSC is positioned in the superannuation market across three key dimensions. Thank you, Damian.

Damian Hill: Thank you, Bree, and if I can also say good evening and a warm welcome to the 2024 Annual Member Meeting in what is our fourth iteration of this event. It gives me great pleasure and pride to see so many of you attending online from many different corners of Australia and in fact the world. That's the nature of our customer base, with many people on deploying at any point in time. It reflects the diversity and it's great to see you all with us here this evening.

At CSC we measure our success by a mission to be your trusted and valued partner in retirement, providing you with peace of mind that your families and futures are secure. This mission is deeply supported by our core organisational values, which guide us in delivering meaningful value to our members. Your trust is our priority, and we're committed to upholding it every step of the way.

This evening, I want to provide my perspective on how CSC is positioned in the superannuation market across three key dimensions, those being the intersection between delivering on customer expectations and meeting the everchanging regulatory requirements, the tsunami of soon to be retirees in Australia and our unique positioning. Finally, the risk that is cyber and the threat that this poses to all Australians across all industries and what we're doing to protect you, our customers, and key stakeholders, including employers.

As I'm sure you are no doubt aware, the superannuation industry is heavily regulated and faces ongoing scrutiny and legislative changes. The superannuation sector has always operated in a shifting regulatory environment. The past financial year has already seen new rules for superannuation to be paid on the Commonwealth's parental leave pay scheme, an increase to the superannuation guaranteed to 11.5% on the way to 12% and the removal of the \$450 monthly earnings threshold for the superannuation contributions.

The Government continues to pass legislation such as the financial accountability regime, referred to as FAR, to ensure the super system meets customers' needs, enhances accountability standards in entities, improve operating culture and reinforce the standards of conduct expected by the Australian community. FAR also imposes consequences in the event of a material failure to meet those expectations.

There are further legislative changes on the horizon as we speak. The better targeted superannuation reforms are aiming to create a fairer distribution of superannuation tax benefits, by reducing concessional tax arrangements for balances exceeding \$3 million. These reforms are particularly complex for the defined benefits funds we manage and in response, we received additional funding in the Federal budget to support the initial implementation and ongoing administrative requirements.

The financial advice reforms are focused on making financial advice more accessible and affordable. We are looking to embrace these changes in our advice model, helping us strengthen our role as a trusted advisor to our customers. Adam will provide more details on how we're offering supporting through advice and educational resources.

Finally, under Payday super, employers will be required to make superannuation contributions on the same schedule as salary and wages payments. This reform is currently scheduled for 2026 but is another major reform that impacts employers across our whole economy.

As new legislation is introduced, we remain agile in implementing changes and quick to act in the best interests of our customers. CSC's robust framework empowers us to navigate constantly evolving regulatory landscape without losing sight of our commitment to customers. Just here are a couple of examples of how we accomplish this. By collaborating with employers and key stakeholder groups. We work closely with all our employers to ensure accurate and complete data for our customers. In workload forecasting, we anticipate peak service periods to deploy staff effectively, ensuring timely responses.

I wanted to move on to also technology improvements, that we are continuously enhancing our systems to ensure that administration is not only compliant but is fast and accurate. Since its launch in February 2023, CSC Navigator, our online customer portal, has seen impressive growth. Just over the last year, more than 200,000 customers have registered, bringing total signups to around half of our customer base. As we work to continually enhance the platform the customer experience is improving, delivering even greater value for all users. This year we've further expanded our digital services, including the integration of several digital forms into CSC Navigator, making it more convenient and accessible for our customers.

Another significant milestone was the successful transition of ADF Cover to the acuity platform. This is the first of our 11 schemes to transition to our new administration platform and we are looking to progress this further over the next three years, so that in the end all our schemes are on the one contemporary, secure, and functionally rich platform.

By complying with regulatory requirements and promoting innovation through our transformation program, our service enhancements allow our people to prioritise meeting our customers' needs. We are committed to continuing to build on these improvements in the months and years to come. Whilst our services and products may evolve, our approach to delivering them remains steadfast. Our core values guide our actions and define how we serve you, those who serve Australia.

Moving on to retirement, it is estimated that over 700,000 Australians will retire over the next five years, yet many are unprepared for this chapter in their lives. Compounding this issue is the fact that no one can accurately predict their lifespan, and many Australians are unaware even of their average life expectancy. We do have some actuaries in the room so I'm sure they can advise you on this. Given that Australians must increasingly finance their own retirement, this highlights a significant challenge in financial literacy.

As a leading pension provider in Australia, with over 102 years of paying pensions, we have over a quarter of a million pensioners and our customers typically spend an average of 35 years in retirement, that is much

longer than the average Australian. That means that we possess a unique and invaluable perspective on the retirement experience.

As Australians approach retirement, they often depend on a single income source from their employment. However, this shifts in retirement as income may be derived from a combination of superannuation savings, the Age Pension and investments or savings outside of super. Retirees must determine the best way to draw an income from their superannuation throughout retirement, while also managing health and aged care costs, living expenses and other unexpected expenses. The complexity of retirement income products and annuities further complicates their ability to understand and to compare options.

One of the challenges retirees are facing during the current cost of living crisis is the fear of running out of money and not having enough to sustain their lifestyle. With rising living costs and increasing life expectancies it is crucial to ensure a stable income for life, enabling more Australians to make the most of their retirement savings and maintain a reliable cash flow.

Our experience shows that retirement is much more than just a financial consideration. With issues of ongoing purpose, health, when your partner is likely to retire, home ownerships, et cetera, also go into the mix. With many factors to consider, planning your retirement income can be difficult without access to the right information or guidance, or if you struggle to understand these resources.

Successfully navigating the complexities of retirement planning demands a careful approach and having improved tools and detailed information and expert advice. After decades of accumulating superannuation savings, it can be difficult for individuals to shift their perspective and view it as a source of income, rather than just a source of wealth. Retirement income planning must take into account risk, a long-term investment strategy, different spending patterns and other challenges that should not be expected to be handled by any individual retiree independently.

A Government review indicated that a lack of adequate support and guidance and advice, combined with low financial literacy and the complexities of the system, hinders individuals from making informed decisions regarding their retirement income. In effect, what that means is that many Australian retirees are living more frugally than necessary, where with greater confidence in their financial position they could be having a higher standard of living in retirement.

This is where CSC can help. What we know is people who seek financial advice feel much more confident about their overall financial wellbeing. This shows the important benefits of having access to quality advice, resources, and tools. At our last AMM we were in the midst of developing our retirement income strategy, also known as RIS. You will hear shortly from Adam Nettheim, our Chief Customer Officer, who will delve more into more of these insights.

Ultimately, our goal is to help you maximise your retirement savings and give you the confidence to live a comfortable retirement. Currently our average defined contribution customer in PSSap or ADF Super cohorts has savings expected to provide a retirement lump sum approximately 20% above the ASFA comfortable retirement standard shown on the screen. We take pride in this outcome and remain committed to working for the benefit of all our customers. At the moment, only about 29% of Australians are on track for that comfortable retirement and so the position of CSC customers, even in both our defined benefits and our accumulation benefits, are much better than the average Australian.

Moving on to cyber and as our reliance on technology increases in this digital age, ensuring robust cybersecurity for your super is more crucial than ever. Protecting your super against sophisticated cyber threats is a top priority at CSC. Our risk framework rigorously tests and monitors our processes to stay ahead of potential cyber-attacks. I'm confident that CSC is well positioned in terms of cybersecurity. During 2023/24 we managed to attain level 1 of the Essential Eight, a cybersecurity standard issued by the Australian Cyber Security Centre.

However, we recognise that cyber criminals are constantly evolving as well, and complacency is not an option. Cyber-attacks can be costly and are increasingly innovative, which is why we're committed to ongoing investment in our security measures. Our dedicated team of cybersecurity experts is always on alert, leveraging insights and working with thread intelligence partners to monitor the internet and dark web for any stolen credentials linked to our customers. If any issues arise, we promptly notify affected customers and implement additional security measures as needed.

A significant recent advancement is our partnership with a leading cybersecurity group which provides 24/7 endpoint security monitoring. This service ensures that every workstation and every laptop connected to our corporate network is continuously monitored, allowing us to quickly identify and address any potential security threats at any time of the day or night. This capability significantly reduces our response time to cyber incidents.

Finally, I urge all our members to stay vigilant. Many unfortunate stories highlight how individuals inadvertently expose their personal information, increasing the risk of cyber-attacks. Always be cautious with your information and reach out if you have any concerns. We're committed to collaborating with members to highlight a prevention first approach and you can find more information on our website. Thank you all for being here this evening. I appreciate your time and membership with CSC. I look forward to our Q&A session later and your questions and insights are invaluable, so thank you.

Bree Joseph: Thank you, Damian. The mission of maximising retirement savings and giving members the confidence to live a comfortable retirement is at the heart of everything we do here at CSC. It's great to hear

that so many of our members are on track to do just that. It's also a timely reminder that there are people out there that want to take advantage of our amazing super system, so by staying vigilant and working together we can continue to combat any cyber threats.

I'll now hand over to Adam Nettheim, our Chief Customer Officer, who'll talk about how we're working to deliver exceptional experience through data. He'll also be focusing on the recent launch of our retirement income strategy and how we're helping members engage easier and earlier with their super, to help them achieve that comfortable retirement that Damian talked about. Thank you, Adam.

Adam Nettheim: Thank you, Bree, and good evening, everybody. I'm pleased to be here to share some of the work underway at CSC. In my role at CSC, I'm predominantly focused on delivering an exceptional experience for our customers, who serve or have served Australia every day. Superannuation is often perceived as complex and difficult, and our role is to make it easier to understand and manage. We want to empower you to make confident decisions and achieve the outcomes that you're looking for from your super.

Whether you're just starting your career or approaching retirement it's crucial that you have access to the right tools and expertise to support you and these are under continual development at CSC and they're foundational to our customer-centric strategy. In our effort to support you, we are of course harnessing the power of data. You'd appreciate that data has become foundational for almost every business and CSC is no different. By improving our data understanding our objective is to offer you more personalised content, create a frictionless experience and ensure enhancements to our products and offerings are aligned with your changing needs.

Damian mentioned CSC Navigator, our online portal, which now has 47% of our total customer base registered to utilise it. While this benefits you in being able to access your information when convenient, it will also enable us to improve our understanding of your areas of interest, how you think about your super as your life changes and how well we provide confidence for you to make those informed decisions.

Along with the higher-than-average lumpsum at retirement, which Damian mentioned, our data insights also indicate that the majority of our full-time working customers are well positioned to meet or exceed the ASFA comfortable standard. By gaining a clear understanding of where you stand in relation to your goals, we can create meaningful, proactive interactions that strengthen your financial confidence.

Another number which is of great interest to us reflects how you think about the services we provide. It's called NPS, net promoter score. Our overall net promoter score rose two points in the last year, driven by three key elements. Expanded self-service capabilities, strong investment performance, which you'll hear more about shortly from Alison, and access to expert guidance when needed. That expert guidance is an

interesting area and something that I'm proud of. Our member education team has an NPS of plus-45 and our super specialists at plus-65.

These strong scores reflect high levels of customer satisfaction with the exceptional service provided. The majority of customers expressed they would recommend those services to others, highlighting the impact and value of the support they receive. I'm hoping that some of you who have joined us tonight may have experienced some of these services.

Every data point helps us understand a little better every insight, shape sounder decisions and every improvement strengthens our commitment to excellence in retirement solutions. By combining robust internal analytics with feedback from you, our customers, we're not just improving our service, we're continually revolutionising the journey towards and post-retirement.

Damian did mention that 12 months ago we were progressing our retirement income strategy response and when we did launch on 1 July 2024 it was the culmination of several years of focus from dedicated people at CSC. We were also one of the first funds to go live with our retirement response, which we're very proud of. Our extensive expertise, including the purposeful investment strategy that our CIO has talked about in each of our previous AMMs was one of the key enablers to achieve this quick, but not so quick, outcome to the market.

We have long recognised that retirement can sometimes feel like an afterthought, especially as you progress through your career, so engaging early in the process can significantly enhance your preparation for this major life event. Just as with our accumulation phase offerings, our retirement income strategy is designed to simplify the complexities of retirement planning and alleviate the cognitive load that often accompanies it.

For those who haven't seen the CSC retirement income approach, we have developed tailored retirement profiles that consider essential factors, home ownership, superannuation balance, other financial assets and lifestyle expectations, all which Damian mentioned. Each profile is based on these common elements, enabling you to explore options that best fit your retirement goals. They include specific investment and income drawdown strategies that balance your needs, characteristics, and key objectives of the profile.

We do offer a range of calculators and modelling tools to help you determine when you might retire, estimate your income in retirement and assess how long your super might last. While self-service options are preferred by some, many people wish to have some personal assistance through this, so we've ensured we have teams ready to assist with your retirement understanding. Of course, if you've got your own advisor, we encourage you to engage with them and get that help with your retirement needs.

Our cohort-based retirement strategies are designed to mimic the same stability enjoyed by our defined benefit customers. We will continue to strive for a DB-like retirement from a DC product. So how does it go on reality? Since the launch of our retirement income strategy, we've observed an increase in the number of customers opening a CSCri account-based pension. We've also seen a lot more activity on our websites in accessing information and downloading forms.

While we allowed for seasonal variations, the number of new accounts opened in the first three months showed a clear upward trend compared to the same period last year, highlighting the growing interest and uptake in our offering.

There's another information item to note, there's more than just the financials. Damian touched on some of these elements, happiness, health, hobbies, social connections and so on and are all important as we look into retirement. We're currently looking at opportunities where we might support on the nonfinancial side as much as the financial side and in doing so, move from pension administrator to retirement partner.

Let's switch to some of the life journey to get to retirement. In today's challenging economic climate, financial pressure has emerged as a major stress. The impact is far more than on the personal lives, it significantly affects workplace productivity, engagement, and overall business success. In fact, 70% of Australian employees believe they would feel more financially secure if they had access to financial education and advice through their workplace.

Studies have shown that 82% of employees feel more engaged at work when they feel financially secure. As a result, many Australian organisations are investing in wellness programs, which include financial wellness. Through offering these programs employers can help their staff feel more in control of their financial future, reduce stress, boost productivity and boost employee engagement. We've seen your employers, some of whom are in the room with us tonight, take proactive steps to support your financial wellbeing.

This support goes beyond traditional workplace benefits and with them, CSC is delivering regular financial education sessions, access to professional financial guidance and clear and simple communication about super benefits and options. These collective services stretch between clarifying elements of your account, through to personal advice. I encourage you to take full advantage of these services if you haven't already. It's certainly a step in the right direction to a more secure financial outcome.

I'm really pleased to say that over the last financial year we connected with more than 6,000 customers in one-on-one conversations and hosted education seminars that were attended by more than 15,000 people, helping everybody in those sessions gain confidence hopefully about their super and retirement planning. If you'd like to understand what's available, reach out to the appropriate team in your workplace and have them reach out to us to organise sessions.

I mentioned that every interaction tells a story, and every story helps us shape our journey of continuous improvement for you. Our commitment goes beyond service delivery, it's about improving your outcomes. Whether it's streamlining processes, reducing costs, or helping you achieve your financial goals, we measure our success through the tangible value that we're going to create for you. We've always been committed to a culture that puts our customers at the centre of everything that we do, and we've built our foundation on understanding your needs and being responsive to your feedback.

For over 100 years we've had a fantastic customer-centric culture and as we add to this, we bring new experience into our business. The combination of experience, both new and past, ensures we better understand your challenges, adapt to your evolving requirements and are constantly restless about what we provide to you.

You'll hear from Alison Tarditi, our CIO, in just a little while about the robust long-term investment returns achieved through her team, despite the tough economic conditions. In addition to these investment returns, we've kept our fees competitive, with a change implemented earlier this year and in March 2023 we lowered our insurance premiums for you.

The combination of impressive investment returns, and well managed costs is a combination that are important components to your overall outcome. As a profit for member fund, we invest all our administration fees back into products and services. These changes help advance our offerings, support future strategic projects, help us protect your data, help us protect your accounts and give you hopefully confidence in remaining with CSC.

My presentation today was to highlight our commitment to strengthening your financial futures through deepening your knowledge, building your confidence, and partnering with your employer to create a more financially empowered community. Our teams are working as one, putting their expertise to work with one goal in mind, serving you, our customers, better. I thank you for your time.

Bree Joseph: Thank you, Adam. That was incredible to hear, how many of our members are taking part in the education sessions. As a Member Education Consultant, being able to experience that connection myself is so powerful and you can really see the difference that it makes. We're also incredibly proud of the launch of the retirement income strategy and how we're able to be a real partner with our customers in their retirement journey. Great news too that both fees and insurance costs have been reduced this year as well.

I'm now going to hand over to Alison Tarditi, our Chief Investment Officer, who will elaborate more on the CSC long-term investment strategy, as well as reflecting on the strong performance in the last financial year. Thank you, Alison.

Alison Tarditi: Good evening to all here with us in person and tuning in from home. My first job after university was with the Reserve Bank of Australia, so when I come back to Canberra I often catch up with old colleagues from that time, because the friendships you forge in your youth are really precious, aren't they? They remind me of how I felt back then, the world moved a little too slowly for me, time was an endless resource and financial planning in retirement, well that was easily overshadowed by way more interesting immediate and energising priorities. But as we journey through life the world seems to gather speed, doesn't it?

I suspect the world feels like it's spinning faster for all of us today, regardless of our age or career stage, because the velocity of technological and social change is making everyone feel a little less certain about what lies ahead. For most of the past four decades, borderless access to capital, to trade, to labour, deregulated financial markets and what feels like an ever-expanding toolkit for policymakers has contributed to relatively stable and positive global growth, even in the aftermath of a global pandemic.

For many Australians joining the workforce in the past 33 years, a full-blown recession with its accompanying spike in unemployment rates is a concept but not a personal experience. Yet many of us still feel that our personal fortunes are slowly getting worse. I think this is because the sources, nature and distribution of financial risks have changed.

In the past, most economic and financial market risks came from normal business cycle dynamics. This will all be familiar to all of you and while I'm simplifying to some extent, it's fair to say that typically economic growth accelerated, equity markets boomed, inflation picked up, central banks raised rates. This weakened economic growth, equity markets fell, inflation moved back to target, central banks cut rates, so on and so on in cycle.

Today the sources of economic and financial market risk and on the flipside of course, opportunity, have migrated to some of the more structural drivers of prosperity. This duo of charts compares volatility in global domestic product, or GDP, in the top chart, as a way of illustrating the frequency and variation of business cycles, with the volatility of equity markets in the lower chart. I think the contrast is pretty clear. Less of the variability in financial returns, which continue to oscillate around their long-term average, can be explained by macro business cycle variation which has trended down and been maintained now within a very low average range since the 1990s.

The corollary of this is that the sources of financial market volatility have increasingly included political decisions and the capacity of those in power to govern, regional inclinations to either cooperate, compete or conflict, climate and related transition policies, healthcare inadequacies, the integrity and competence of our institutions, and national security, a vector that now includes two really important factors of production, energy and technology.

This migration in the sources of financial risks makes it much harder to predict how government policies might shape financial market returns in the years ahead and how risky it is to lend to governments, which is what we do when we buy government bonds, because they're now borrowing more than ever. Today total global debt is 330% greater than the value of the economic growth it helps to produce.

The nature of financial risk is also evolving because we haven't paid enough attention to these basic building blocks of economic prosperity. Resulting regulatory inefficiencies and insipid productivity growth erode living standards, a fact visible in the GDP per capita trends across most major economies.

Countries that can avoid these problems are likely to attract more long-term investment and the bottom right-hand chart here shows how India is demonstrating some potential to do this.

Now with the digitalisation of everything, we need little reminding of how economic vitality has shifted away from things to ideas. As this chart of US investment shows, I think quite dramatically, companies have been investing far more in nonphysical intangible assets, like intellectual property, software, goodwill, and brand value.

Now assessing value in a world dominated by intangible assets is far from straightforward. Winner takes all dynamics across most sectors of our public markets raise concentration risks in investment portfolios and these are now further complicated by the incursion of unpredictable government industry policies across not just the emerging world but developed economies as well.

In this far less familiar world, where the sources, nature and distribution of risks are changing, macroeconomic cycles have had less signal power for financial market prospects than at least when I entered the workforce. Economists describe this as migration in the pattern of returns from a normal to a fat-tailed distribution, meaning that because markets today are worried about risks that sit outside the business cycle, returns are far more exposed to a higher probability of unforeseen events that fatten the tails of the distribution with outsized gains and outsized losses. I think the pandemic and the policy responses elicited are perfect examples of fat-tailed events on opposite sides of this distribution.

In this context, I think it's very reasonable to ask can my superannuation savings remain dependable? So, let's spend the rest of our time together this evening in a way that helps you, I hope, make that assessment. Our investment strategy has never staked your savings on point forecasts of economic or market outcomes, nor assumed that return generation by any market will be well behaved.

Instead, we analyse our portfolio vulnerabilities under multiple but plausible future scenarios, incorporating a broad distribution of returns that likely include those fatter tails. We address those vulnerabilities proactively; that's our day job. But we do that mindful of the price required to do so and without compromising the long-

term value embedded in the assets that we've already curated for you. Because diversification in the sources of high-quality returns is a really important structural hedge against the unexpected.

Now someone much smarter than me once said vision without traction is merely hallucination. That's a pretty apt quote in the era of artificial intelligence, with hallucinating AI all around us. So let me make this real or at least try to. Recall that at last year's Annual Member Meeting in November 2023, I said that our investment outlook was cautious. My exact quote is reproduced in this rear-view mirror slide. We are all accountable at CSC, this is an example of that.

"Our overall investment outlook," I said, "is characterised by a heightened degree of cautiousness, but we are continuously scanning ahead to find direction in disconnects. Because resilience is not only about enduring storms, it's also about capturing positive return surprises."

As we exited 2023, our real-time risk management processes built internally and calibrated not just on macroeconomic cycles, but on an expansive set of behavioural, technical and structural data sources, led us to consider portfolio vulnerabilities arising from the emerging disconnect between very impatient financial markets on one hand wanting higher interest rates sooner, and the US Central Bank's own evolving self-assessment of the right balance it should strike between lowering inflation and maintaining employment.

We addressed that portfolio vulnerability by increasing our exposure to public equities. Importantly because at that time equity prices had already factored in a lot of US monetary policy tightening and a higher probability of recession. This created the potential for an asymmetric financial market response, limited downside if those embedded expectations were met, but potential upside on positive growth surprise if the Fed indeed proved more lenient.

As this chart, I hope, shows you, the payoff to that assessment contributed to strong annual returns in each of our premixed options last year, returns well in excess of what we expect to achieve on average through the lifecycle of these products. I hope it demonstrates that we're not just here to manage the risk of loss, we're also here seeking to capture gains on your behalf, but importantly where it is not merely speculative to do so.

Now that's just one example, but I hope it's one that illustrates how our focus extends beyond net returns to include the risks that you must accept to achieve them. We're not chasing returns that come from accumulating undercompensated risks. On that risk adjusted basis, independent comparisons by SuperRatings show how each of our options outperform their equivalent offering from most other superfunds over the long term.

Now some temporary losses are unavoidable in a savings journey spanning decades of global change, as this chart of balanced funds performance through the seven negative market environments of the past 15 years shows. In 2018 global equity markets fell 12%, leading into Christmas Eve on fears of global growth slowdown and intensifying rhetoric around US-China trade wars. In March 2020 equity markets reacted to the global pandemic, I'm sure we all recall it, with a 34% fall in four weeks. It was the most intensive decline in stock markets ever.

If you joined any superfund in February 2020, you probably had a poor start to your journey. If you started contributing just two months later in April 2020, you had a phenomenal first year. The equity share of your portfolio was up 58% over the next 12 months as the floodgates of fiscal and monetary policy opened to fill the gap that the pandemic threatened to create in growth.

Yet across all of these periods, some of which like the global financial crisis and the global pandemic qualify as genuine tail events, CSC has consistently avoided more of the peak to trough loss on average than other super funds in the same category. The example shown here is for our default MySuper Balanced option. Extending this particular example, after such events this MySuper option typically recovers its dollar value within six to seven months of the material adverse market correction.

Market shocks, while inevitable, need not be game changing to your financial wellbeing in retirement, regardless of how the sources, nature and distribution of risks might be changing. This is because each of our options harness the powers of diversification, asset quality and proactive risk exposure management. Now most superfunds would say that, wouldn't they? But this is what we do.

Firstly, in an industry that's increasingly dominated by scaling fund sizes, our mid-range scale offers competitive advantage because it allows us to access any investment category globally, whether that's large and established or emergent, ensuring no compromise on diversification or early mover advantage. You can see that balance at a very high level in this pie chart, depicting the well distributed asset allocation of our MySuper option.

Secondly, clear delineation of where my internal team and I have intellectual property, versus where it's best accessed externally, means that we partner in a complementary, not a competitive way, with skilled external operating and implementation teams. After all, that is governance, empowering the right people to take the right decisions at the right time. If an organisation's resources are additive in that way, it is more likely to continue delivering to purpose and promise regardless of the state of the world it's operating in.

These partnerships enable us to patiently acquire private assets from all over the world, selected for their capability to withstand economic adversities. Often precisely because they're acquired early, well before their structural tailwinds are fully recognised by markets. These partnerships also help us underwrite efficient

stewardship of those investments by specialised people, experienced with the nuances of the regions in which those assets are located and the industries in which they operate.

Oh, and if this chart makes you super nervous that some of your private assets are floating off to sea, then rest assured those green dots floating in the Indian and Pacific Oceans, are renewable, solar and battery system assets being developed on islands like Tonga, Mauritius, and New Caledonia.

Thirdly, to make investment risk management a competitive advantage, it has to be proactive. Capitalising on market or asset dislocations wherever they occur require potential acquisitions and divestments to be premeditated, supported by the scenario analysis I mentioned earlier. As Rupert Murdoch said recently, the world is changing very fast. Big will not beat small anymore, it will be the fast beating the slow. Let me give you an actual example.

We invest in private equity for its higher returns. We've been doing so since the mid-1990s. You can see from this chart that this has earned you an average annual 4.5 percentage point premium to global public market returns over the past seven years. Now in my view, that premium is due to private company oversight by business builders who are operationally very well versed in the industries in which they're operating. They're capable of strategic and timely decision-making and they're aligned to enduring value creation because their wealth, like ours, is tied to the success of those businesses they're building.

But in the two years between 2020 and 2022, as super expansionary policy addressed pandemic risks, private equity investments experienced a period of exceptional returns, benefiting from abundant borrowing capacity at very low borrowing costs. We recognised these outsized returns as a lucky anomaly, rather than the product of an immediate escalation in our skills to the ranks of genius.

Anticipating reversion to more normal returns as those policy supports washed through, we sold \$1.4 billion of our private equity exposure in the second half of 2023, capitalising on the potential for a trade sale, locking in outsized gains and recycling that capital into more competitive uses, while maintaining a targeted 10% allocation to our curation of private equity investments, because we believe in their long-term superior returns versus public markets. This is how we access diversification, asset quality and as I hope this private equity example illustrates, proactive exposure risk management, to collectively underwrite a surer path to comfortable income in retirement for you, even in a fast-changing world.

Let me also note, following on from some of Adam's comments earlier, the investment costs of building these portfolios are transparent and while we're always working to lower them, they are ultimately compensated by consistent net real returns. And value for money should also extend to the minimisation of far less transparent leakages.

For example, statistics from our regulator APRA show that your contributions to your CSC super accounts are invested in assets to secure your future, not leaked out into expensive marketing campaigns. While this means that our new customer capture rates rely on word of mouth from satisfied existing customers and experts who've experienced and trust what we do, I believe there's much more information in that than can ever be found in a catchy television ad or a footy sponsorship.

In a fastmoving and noisy world it's very easy to lose sight of your long-term financial goals and to feel overwhelmed with the obligation to assess and choose the right super fund option for you. Our investment proposition has always been threefold. (1) We can help you reduce that choice stress without any opportunity cost. We do this by simplifying our investment options to just three complementary portfolios tailored to the stages of your working life. Of course, if you have a very precise view of your risk appetite, that is higher or lower than your work stage would naturally suggest, then you can always customise by using a combination of those options.

Secondly, each option is built to manage both the up and the downside risks associated with generating competitive returns in an uncertain world. I've tried to show you some examples tonight of how this can mean that your journey to a comfortable retirement need not be thrown off course, even as the sources, nature and distribution of risks change through time.

Finally, in so doing we have and can continue to deliver you dependable long-term gains in purchasing power as your savings grow much faster than inflation, for a surer path to maintaining a comfortable retirement living standard. Because your super is much more than a mandatory savings account or a paper gain or loss at any point in time. It is the promise of dependable income to your future self-post-retirement, so that you can continue to live the way you want, not just the way you need, however fast the world's changing.

Thank you, I really appreciate the time with you this evening and we all appreciate you trusting us with the significant responsibility of growing and protecting your retirement savings. I also look forward to your questions.

Bree Joseph: Thank you, Alison. It's been incredibly insightful and interesting to hear you talk about both last year's strong returns and also about CSC's unique position in the market. The investment team is led with such strong strategic vision to ensure CSC customers have a reliable retirement.

We will now move on to our Q&A session. A reminder for those online that you can submit your questions via the question area using the button in the middle of your screen. If you're in our audience, in a few moments I'll call on you. Please raise your hand and we'll get a microphone to you so you can ask your questions. Just

a reminder as well, we're not going to be responding to questions relating to your personal circumstances during tonight's meetings. You can refer those to our customer support teams. If we run out of time to answer your questions tonight, we'll make sure to post our answers on our website.

[QUESTION AND ANSWER SESSION: REFER TO [CSC.GOV.AU/AMM](https://www.csc.gov.au/amm) FOR RESPONSES TO ALL QUESTIONS SUBMITTED DURING THE MEETING]

Bree Joseph: So, to conclude our meeting, on behalf of the Board and executive team, thank you once again for taking the time to attend the Annual Member Meeting tonight. I hope everyone has a safe journey home. Thank you so much, I'll now close the meeting.

[END OF TRANSCRIPT]