

Member questions and answers

Annual Members' Meeting 2023-24

Why should I continue to choose Colonial First State over other super fund providers?

CFS is widely recognised for delivering industry-leading member outcomes across a range of areas.

We are regarded as one of the highest rated retirement funds by independent experts CoreData, our FY24 financial year returns are verified by SuperRatings and Chant West as market leading, and our fees lower than industry averages. Our FirstChoice Wholesale Pension, FirstChoice Wholesale Personal Super and FirstChoice Employer options have all been rated Platinum by SuperRatings, which is the highest possible rating.

In FY24 CFS delivered double-digit returns for most of our MySuper members, outperforming many of our competitors with returns that are well above the industry average. FirstChoice Wholesale Personal Super members also benefited from strong returns with, the CFS FirstChoice Growth option ranked equal first in the Top 10 performing Growth funds

For Essential Super or First Choice Employer Super members our annual fees are 15% lower than the average super fund. For members with a FirstChoice Wholesale Personal Super account, there is an admin fee of just 0.2%, 40% lower than the super fund average, and among the lowest fees in the market

CFS is also committed to delivering excellence in customer service. The latest data from the Australian Financial Complaints Authority shows CFS has the lowest number of complaints of the top 20 super funds in both the 2024 financial year and over a three-year average.

Why is so much money being spent on promotion and marketing?

How much of my money goes to the fund expenditures? ie aggregate remuneration expenditure and aggregate promotion, marketing or sponsorship expenditure??

CFS is extremely conscious of our cost base and expenses. In fact, one of our key strategic objectives is to become the most efficient superannuation provider in the market.

It's important to explain that all marketing expenditure is paid out of the assets of Avanteos Investments Limited, which is the Trustee of Colonial First State super and pension products.

As stated in the FY24 annual member meeting notice, our aggregate promotion, marketing or sponsorship expenditure for FY24 was \$8.9 million.

We very carefully assess the amount of marketing expenditure we undertake and note that this figure also includes amounts we spend on preparing member communications for our more than 900,000 members.

We believe that some level of marketing and promotion is important to ensure members are kept up to date with developments about their super but also to encourage more members to join CFS – allowing us to keep our costs down and provide even better services.

Finally, CFS's disclosed marketing and related party costs are considerably lower than many of our peers in the industry and given our desire to keep fees as low as possible we expect to maintain this position.

What is your remuneration expenditure?

Please justify \$8million spent on promotion, advertising and sponsorship and is any Director worth \$850,000? The graph in the SMH on November 1 is troublesome.

How much is the total expenditure on promotion, marketing and sponsorship in the last financial year? What are the measurable benefits to members? How much net profit does that expenditure attract for members? What's the total net profit made for members? How much is the total remuneration? How do you justify remuneration is at reasonable level?

We want to make sure we can attract and retain the very best people to oversee your savings. We manage around \$100 billion in superannuation assets and we believe it's critical that we have highly skilled and experienced individuals as Trustee directors.

Over FY24 our aggregate remuneration expenditure was \$1.7m. The member notice for this meeting includes a short-form summary of prescribed fund expenditure for the financial year. The director remuneration referenced in the Sydney Morning Herald on 1 November 2024 was a combined amount for all directors, not one individual.

By way of comparison, recent disclosures by other funds showed they had considerably higher remuneration expenditure for their respective fund, with many having remuneration expenses many times higher than CFS.

What is the First Home Super Saver scheme?

The First Home Super Saver Scheme helps people save money for their first home using their super fund. Through the scheme, you can make voluntary contributions of money into your super fund. You then ask for these funds when you're ready to buy your first home.

You can find out more about the First Home Super Saver Scheme on the Australian Taxation Office website. When you're ready to apply, use ATO online services through myGov.

I am glad you included Hyperion Global. Will you be adding more high performing funds with a great track record? Also, will you be removing negative performing funds, so there is no chance of selecting them by mistake?

We continuously monitor investment managers on the menu and seek to identify and add quality new investment choices, which improves member experience and outcomes.

Past performance is not always an indicator of future performance. As a result, we monitor fund managers across a wide range of criteria to ensure they are performing as expected. This includes obtaining independent research house ratings.

We are listening to members and their advisers on how we can further enhance the investment menu.

From 18 November 2024, there are 10 new investment options available through CFS FirstChoice by way of a combination of brand-new additions and manager replacements.

Which funds are CFS looking to purchase or merge with as per KKR's announcement and will that be in the best interests of existing CFS members?

To give some context, our Group CEO Clive van Horen appeared in the Australian Financial Review in October 2024 where he discussed our growth plans. It was not an announcement from KKR.

Following a significant investment in our technology, products and services, CFS is in a strong position to support further consolidation in the industry for the benefit of members.

Our focus is on those funds with members that would benefit from CFS's scale, performance and low fees. Any merger opportunities will need to deliver material benefits for our existing members.

What are the differences between FirstNet, FirstWrap and Edge?

FirstNet, FirstWrap and CFS Edge are all technology platforms for our customers, and our customers are either direct members or financial advisers

FirstNet is our member portal. CFS members can log in to FirstNet through any web browser or with our mobile app on the go.

FirstWrap is a platform used by financial advisers and their clients. CFS Edge is our new wrap platform, which launched in August last year and will replace FirstWrap.

How often do you rotate investments and what are the signs it is time to do so?

We have a disciplined investment process in which both quantitative and qualitative elements are utilised in a dynamic asset allocation process.

This process allows us to make tilts within our strategic asset allocation to take advantage of opportunities in the market and manage the risk within the portfolio

What is the outlook for investment in cryptocurrency as part of CFS portfolios?

We do not have any investments in crypto currencies as part of our CFS superannuation portfolios. There are currently no fundamentals that drive crypto currency valuations and there is no yield from these investments.

It is difficult to assess the value in an investment that relies more on momentum than fundamentals. We do believe that the technology that sits behind crypto and blockchain is very interesting and do have exposure to these investments in our equity portfolios.

Has there been any successful hacking or fraud perpetrated on members this year? What are you doing to combat hacking and fraud?

We implement technical and procedural measures that align to international cyber security standards and continue to enhance these capabilities. We are also introducing multi-factor authentication to provide extra protection against unauthorised account access.

The process of maturing our cyber security controls as well as the validation of their effectiveness is tested by internal and external independent reviews. The ongoing performance of the controls is reviewed regularly, and we have a team of industry-leading experts in this space.

While we have observed hacking and fraud attempts, the measures we have in place to prevent, detect and respond to these events have been effective in mitigating these attempts.

How does Essential Super work? How can the super fund be managed with the cooperation of Commonwealth Bank?

Essential Super is a simple MySuper product offered through the Commonwealth Bank and managed by CFS. The fund is integrated as part of NetBank so you can see your super, banking and anything else you hold with Commonwealth Bank in one location online.

Essential Super's growth option was ranked the top performing MySuper Lifecycle option by SuperRatings in the 2024 financial year. Essential Super members also have access to a range of diverse investment options including global or Australian shares, as well as the Thrive+ sustainable growth option.

I would like to know any benefit of having a super fund.

Super is a powerful tool for building financial security. Super is money put aside by your employer over your working life for you to live on when you retire from work. Super is important for you, because the more you save, the more money you will have for your retirement

Super can be an extremely tax-effective form of investing. Your concessional (before-tax) contributions are generally taxed at 15%, which may be lower than your marginal tax rate

(depending on your income). You may also get a government co-contribution if you make non-concessional (after-tax) contributions, or a tax offset if you make contributions for your spouse.

Earnings on your accumulation (pre-retirement) super balance are also concessional taxed at a maximum of 15%. And if you commence an income stream in super after retirement, earnings on that balance are not taxed at all.

Are financial advisers really necessary after continual set up? What is the benefit when nothing is changed?

The benefit of financial advice will depend on your personal circumstances. The nature and scope of the advice that you have received is also relevant as to whether you will need to refresh the advice with your financial adviser. Sometimes your own personal circumstances may have changed, in other cases it may be external circumstances, such as changing rules with respect to the Age Pension or changes in financial markets.

Is it really necessary to keep a financial advisor. What benefit does one get by retaining them?

In some cases, it may be appropriate to have an on-going relationship with your financial adviser to ensure that your advice is up to date and suitable. You may also choose to only engage an adviser and pay for advice on an episodic basis. Financial advisers are required to act in the best interest of their clients. In doing so, your financial adviser should be able to demonstrate clear benefits of acting in your best interests.

How much commission do your financial advisors receive?

Colonial First State does not employ financial advisers. The Find an Adviser tool on our website can assist you with locating an independent financial adviser in your area but we do not receive any commission, and nor do we pay any, should you choose to engage an adviser.

What will be the impact of the result of the US election?

Given the Trump administration's tariff policies contributing to inflation does the US stock market look much more risky. The bond markets think so.

Do you think the change of govt in the US will cause more volatility for members with exposure to US shares

The area that has had very little exposure is the budget deficit which is expected to rise further under the new President. Tackling this issue will be something that markets – especially bond markets – will turn their attention to.

We continue to focus on improving diversification in our portfolios as this is the best way to manage risk. We have added private debt and private credit to our Fixed Income exposures and broadened our equity exposure by increasing the weight of global smaller companies. The latter is designed to mitigate the portfolio exposure to US Large Cap stocks and particularly US Large Cap tech.

How are you managing the challenge of these volatile times?

How does the outcome of the recent U.S. election affect the fund's investment strategy, particularly regarding sectors or regions impacted by potential policy changes?

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Treasury GDP forecasts are dire in short-term and yet long term are set to recover under the brave assumptions about easing inflation and significant cuts in interest rates- do you hold the same belief on these forecasts?

Relative to other countries, Australia's deficit is relatively small and manageable. The challenge of improving productivity is one that the RBA has been vocal about and this remains a key policy challenge. We continue to believe that inflation data will be volatile and are seeking to increase portfolio diversification to help alleviate some of that volatility.

What would be the impact of war in the Middle East and if Ukraine escalates on the market. How will it impact Colonial's strategies?

The key focus from the current conflicts is the impact on energy prices and supply. Any escalation, particularly in the Middle East, could result in more elevated gas and oil prices which would ultimately feed through into higher and more volatile inflation. We believe that inflation data will continue to be more volatile for a variety of short term and longer-term reasons and CFS has been adding components like private debt and increasing unlisted infrastructure to our portfolios

The ASX is at an all-time high, so are other markets and commodities (gold, residential real estate) yet the returns have been modest to poor - how come?

CFS has been widely recognised by independent research houses SuperRatings and Chant West for delivering some of the best super returns available in the 12 months to 30 June. Our pension returns also performed strongly, according to Chant West. CFS again delivered double-digit returns for most of our MySuper members, outperforming many of our competitors with returns that are well above the industry average.

As individuals progress through different stages of life, their financial situations and risk tolerances evolve. Lifestage investment strategies account for this by adjusting the investment mix accordingly.

For those approaching retirement and seeking to preserve their wealth, the investment mix emphasizes more defensive assets such as fixed interest and cash. In this case, a conservative investment approach may result in lower returns compared to a more growth-focused strategy.

If you would like to discuss your investment strategy, you can contact our guidance team or consult with a financial adviser.

What investment strategy changes will be made to the CFS Lifestage 1960-1964 & the CFS Geared Funds?

We continue to build out our exposure to unlisted assets, particularly in private debt and unlisted infrastructure. We are also actively looking at inflation linked bonds as a way to manage the risk of a higher inflation environment in the portfolios.

The CFS Geared Share fund will continue to be managed in accordance with its current investment strategy which is to invest generally in large high-quality companies with strong balance sheets and earnings.

What weighting is given to fossil fuel investments and renewables inclusion in your funds? Is there any focus on investing in renewable companies?

CFS does not have screens in place regarding fossil fuels or renewables at a whole-of-portfolio level. However, CFS offers 12 sustainable options on FirstChoice that adopt a wide range of strategies and approaches, including the application of negative and positive screens to exclude or include certain companies based on a range of factors.

One of the sustainable options is the CFS manufactured Thrive+ Sustainable Growth fund. This fund is managed to sustainable investment criteria that encourages investment in companies with a sustainable business and strong environment, social and governance characteristics.

The fund seeks out companies that are aiming to achieve sustainable outcomes whilst seeking to avoid companies, that in the view of CFS and the Thrive+ investment managers, will have an adverse effect on the environment or society.

CFS has committed to transitioning our FirstChoice investment portfolio to net zero emissions by 2050, with a target of a 30% reduction in emissions intensity by 2030 on 2019 base levels (down to Scope 1 and 2 emissions of investee companies).

We have taken important steps since we made our net zero commitment in late 2021, including measuring and analysing emissions in the listed equity asset class, appointing a stewardship provider for our global equity investments, collaborating with peers to achieve common goals and working closely with our investment managers. While we note the decarbonisation of our portfolio will not be linear, we were pleased to observe a material reduction in our emissions in FY23. CFS is also giving consideration to opportunities arising from climate change including investment in renewables. These are part of our direct infrastructure and private equity investments.

You can read more in our inaugural climate report here: <https://www.cfs.com.au/about-us/responsible-investing/climate-change.html>

Can I switch my funds to the CFS Thrive+ option and is CFS committed to this investment pathway overall?

Yes, you can switch your funds to the Thrive+ option – there are no switching fees that apply but there are buy/sell spreads that you may incur from the selling of existing assets within your portfolio and the purchase of new assets in the Thrive+ option.

CFS is committed to Thrive+ and we have been pleased with its strong performance since launch in September 2022. Over the 12 months to 30 November, Thrive + returned 16.6% to members and

10.8% over a two-year period. You can learn more about Thrive+ [via the Sustainable Investment Charter on the CFS website](#).

What weighting is given to fossil fuel investments and renewables inclusion in your funds? Is there any focus on investing in renewable companies?

What are you doing to offer investments to members that address the challenges of climate change?

CFS does not have screens in place regarding fossil fuels or renewables at a whole-of-portfolio level. However, CFS offers 12 sustainable options on FirstChoice that adopt a wide range of strategies and approaches, including the application of negative and positive screens to exclude or include certain companies based on a range of factors.

Our Thrive+ Sustainable Growth fund is managed to sustainable investment criteria that encourages investment in companies with a sustainable business and strong environment, social and governance characteristics.

It seeks out companies that are aiming to achieve sustainable outcomes whilst seeking to avoid companies, that in the view of CFS and the Thrive+ investment managers, will have an adverse effect on the environment or society.

How much of our super is being used to fund renewable programs which have been initiated by the Labor government and what due diligence is being done to check on the profitability of these initiatives as we have seen some of the initial projects stop or wind back e.g. green hydrogen, making of solar panels onshore, wind farms stopped due to objection by residents and environmental issues?

At CFS we appoint investment managers who look for investment opportunities that will provide the best risk adjusted return for our members. This includes, through our investments in direct infrastructure private equity and private credit, investments that will assist in the energy transition, such as solar, wind and green hydrogen.

CFS has a robust and consistent process when appointing investment managers which includes investment and operational due diligence. Part of this is a specific Responsible Investment due diligence meeting that will focus on the integration of ESG factors into the manager's process. The manager appointment process is complemented by continuous monitoring, which includes regular manager meetings.

Whilst CFS sees climate change as a financial risk for our investments that will have social and economic implications, we need to manage both climate risk and opportunities in order to achieve the best returns for our members.

Is Colonial First State currently investing in any funds that are related to arms/weapons? If so, which ones? And if so, what is Colonial First State's position on this?

We have a FirstChoice wide exclusion for companies that manufacture controversial weapons. CFS defines controversial weapons manufacturers as any company engaged in the manufacture of chemical and biological weapons, cluster munitions (excluding delivery platforms), antipersonnel landmines, depleted uranium ammunition, non-detectable fragments, incendiary weapons (as defined per 'The convention on Certain Conventional Weapons of 1980 under Protocol 3') and blinding lasers.

Within our sustainable option, CFS Thrive+ Sustainable Growth, we have more extensive exclusions covering this area for more details see the [Thrive+ Sustainable Investment Charter](#)

Has the company donated or supported any Israeli weapons companies or companies within Australia who contribute to the ongoing genocide against Palestine?

In general, we will not take a position on, or make judgement of, an ethical or socially responsible issue unless it is specific to our investment strategy. However, there may be some ESG risks, ethical issues and circumstances in which we believe it is appropriate to take action, whether that's through the use of negative screens, exclusions or active engagement with our investment managers. CFS has two investment exclusions in place across all FirstChoice portfolios. These are exclusions against controversial weapons manufacturers and tobacco producers. Our current exclusion list is published on our website here: [CFS FirstChoice Exclusions List](#)

In addition to these exclusions, before appointing a new manager or introducing a new option on the FirstChoice platform, our Responsible Investment team conducts a thorough evaluation to assess the manager's approach to sustainability and how well it aligns with CFS's Responsible Investment Policy. You can read more about it here: [AIL Responsible Investment Policy \(cfs.com.au\)](#)

For members particularly concerned about ESG matters, we offer 12 sustainable options on FirstChoice, including the Thrive+ Sustainable Growth Fund.

I am concerned about what my Super is invested in. Does Colonial review every investment product for ethical soundness with consideration for the environment, ethical practices, the effects of the products on local people and their economies, etc.

At CFS, we support our members being able to invest in ways that align with their personal values, objectives and preferences. For this reason, we offer FirstChoice members over 190 investment options, giving members the flexibility to choose strategies that best reflect their individual views.

For members particularly concerned about ESG matters, we offer 12 sustainable options on FirstChoice, including a dedicated investment option called Thrive+ which seeks to invest in companies that focus on managing environmental and social issues such as waste and pollution, diversity and inclusion and ethical supply chains and forced labour.

In general, we will not take a position on, or make judgement of, an ethical or socially responsible issue unless it is specific to our investment strategy. However, there may be some ESG risks, ethical issues and circumstances in which we believe it is appropriate to act, whether that's through the use of negative screens, exclusions or active engagement with our investment managers. CFS has two investment exclusions in place across all FirstChoice portfolios. These are exclusions against controversial weapons manufacturers and tobacco producers. Our current exclusion list is published on our website here: [CFS FirstChoice Exclusions List](#)

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Are there any plans to add further sustainable/ethical options to the menu?

We add investment options where there is evidence of demand among members and/or their

financial advisers. We continue to strive to have a range of sustainable options across asset classes as well as our flagship Thrive+ Sustainable Growth investment option

Are fees performance based? If not, why not?

CFS fees are among the lowest in the market, which means more of your money continues to go towards growing your super. For members in Essential Super or First Choice Employer Super, our annual fees are 15% lower than the average super fund. For members with a FirstChoice Wholesale Personal Super account, there is an admin fee of just 0.2%. Our admin fees are 40% lower than the super fund average, and among the lowest fees in the market. With over 190 investment options available, some of these have performance fees and some do not – the PDS of each individual fund contains this information.

What's the returns next year and next five years?

Past investment performance is no indication of future performance. Speaking to an independent financial adviser can help to ensure that your investment options are appropriate for your personal circumstances and retirement objectives. You can find an independent financial adviser via the ['find an adviser' tool on the CFS website](#).

How do you calculate the quoted annual return?

In superannuation, the quoted annual return is based on the return from exit price to exit price, which is after ongoing fees and expenses but excluding individual tax and member fees.

There are some popular pre-retirement strategies talked about lately, such as concessional contribution splitting with one's spouse. I have heard that CFS facilitates this for members by issuing cheques to the receiving fund. Is this true and, if so, couldn't a timelier electronic approach be used instead? The days of waiting multiple days for cheques clearance seem to be from the prehistoric age.

We recognise that this payment method isn't as timely as electronic transfer of funds. As this pre-retirement strategy grows in popularity, we're exploring options to change our processes and systems to allow for more modern payment options

Some superannuation providers pay a 'retirement bonus' when starting a pension, that is moving from accumulation to pension phase. Does CFS plan to introduce such a payment?

Will Colonial First State introduce a retirement bonus when moving into the pension phase?

Why is Colonial not offering a retirement bonus when a member wishes to start an income stream for retirement?

We currently have a project team focused on introducing this feature.

The live Q&A does not show any questions other than those I have submitted. What do I need to do to see all questions?

All general questions (those that are not personal in nature) are contained in this document.

Will you use AI to select stocks?

AI is a rapidly developing technology with the potential for many interesting uses, but we will not be using it to select stocks

I note that on 1 Oct 24 CFS applied to ASIC to have around 20 investment funds deregistered, including First Choice Australian Shares, Emerging Markets and Fixed Interest can you please outline the reason why these funds were deregistered and the implications for CFS superannuants?

There are no implications for CFS superannuants with these changes. As we manage our investments and transfer assets within portfolios, we are often closing trusts that are no longer needed. This is largely an operational exercise to manage the number of trusts that we look after.

Can you be more specific on investment details for CFS Lifestage? Exactly what shares are being invested in. E.g. BHP, Fortescue, CBA etc.

Please refer to the Portfolio Holdings Disclosure section of the CFS website

<https://www.cfs.com.au/personal/resources/funds-and-performance/portfolio-holdings.html>

The provides full details of every holding in each investment option and is updated twice a year in December (available February) and June (available in August).

What is the average settlement time (days) on death benefit claims?

Colonial First State is among the quickest funds to pay death benefits to members. The average death benefit settlement time for the past six months of 60 days, noting that this can be faster if we have a nominated beneficiary.

We have detailed service level agreements in place to closely monitor the claims handling process and we have dedicated internal resources to support the expedited payment of insurance claims to members. Additionally, through the independent Office of the Superannuation Trustee, which supports the Trustee in carrying out its responsibilities to members, we scrutinise all our insurer's disputed or declined death claims to ensure our members' best interests are being met.

CFS adds new investments which is great, do you remove poor returning investments?

We closely monitor our investment options on an ongoing basis. This involves not only meeting with our investment managers but also identifying any risks or concerns as to the manager's performance or strategy as it relates to the investment option they are managing on our behalf.

Do you have an investment scheme for grandparents to grandchildren?

FirstChoice Wholesale Investments is designed for general saving and investing, providing you with access to a wide range of managed funds from some of the world's most respected managers. Saving on behalf of grandchildren can be complex and there may be unintended tax consequences. Further details are available on the Australian Tax Office website ato.gov.au or you may wish to discuss further with an independent financial adviser. You can locate an adviser via the ['find an adviser' tool on the CFS website.](#)