

Annual Report Summary 2020



VicSuper

Contents

1	Message from our CEO
2	VicSuper as part of Aware Super
4	Setting up our members for the future
6	Investments summary
7	Climate change and responsible investment
8	Investment performance
12	Continuing to be a responsible super fund
14	Recognition and awards

Reporting scope

From 1 July 2020, VicSuper officially merged with First State Super now known as Aware Super. This summary report covers some specific information for our members, employers and other stakeholders related to VicSuper's operations prior to the merger.

As the Successor Funds Transfer of the two funds was completed just prior to the end of the financial year, the financial statements, and investment and trustee information related to VicSuper have been incorporated into the full financial statements of the merged fund and can be found in the Aware Super Annual Report.

This summary report forms part of the full suite of reports available on our website at:

 vicsuper.com.au/annualreport2020

The scope of this report is limited to the operations of VicSuper Pty Ltd as Trustee for the VicSuper Fund, the assets and management of the VicSuper Fund and the wholly-owned subsidiary VicSuper Ecosystem Services Pty Ltd prior to the merger with First State Super. Our annual reporting covers the financial year 1 July 2019 to 30 June 2020 for VicSuper Pty Ltd, unless otherwise stated.

Message from our CEO



This year has been one we will always remember: a year shaped by devastating bushfires and the COVID-19 global pandemic. While these crises have caused extraordinary hardship and disruption, they have also shown us the remarkable resilience and spirit of our members, employees and communities.

I want to take this opportunity to thank all our members for the strength and patience you have shown in this very trying year.

VicSuper have continued to uphold our values in pursuit of the best outcomes for members. We successfully completed the merger with First State Super (now known as Aware Super) on 1 July 2020, making us the second largest super fund in Australia. Delivering growth and achieving benefits of scale for our members were always important pillars of our strategy, and we believe the merger will continue to position our members well into the future.

We also delivered another year of steady investment performance in what has been a deeply challenging time for investments generally. Our default FutureSaver Growth (MySuper) option returned 1.16% over the 12 months to 30 June 2020. Its long-term performance (over seven and ten years) puts VicSuper in the top 10 performing funds in the SR50 My Super Index. Our CapitalStable Flexible Income option (the most common option for our retired members) returned 2.16%.

Our continued performance through the second half of the year and the smooth transition throughout the merger would not have been possible without the diligence and dedication of everyone in the VicSuper team in the lead up to 30 June. Despite the uncertainty of COVID-19 restrictions in Victoria, remote working and home-schooling for some, our people continued to focus on the integration

of the two funds and managed volatile markets, while also maintaining our service and availability for members and employers.

This year we said farewell to a number of long-standing board members as a result of the merger. Merran Kelsall, Colin Long, Christine Stewart and Wayne Kayler-Thomson all finished up their duties as VicSuper Trustees. I want to thank them for their many years of service for VicSuper. Fellow board members, Patricia Faulkner, Gabrielle Bell, Travis Bates and Antoinette Masiero will continue to represent VicSuper members' interests in their appointment to the Aware Super Board.

I would also like to acknowledge the contributions of my Executive team, not just for this year, but in the many years that I have led VicSuper as Chief Executive. It has been a privilege to work with such a collaborative team dedicated to achieving the best retirement outcomes for our members.

I am proud that our team remain committed to supporting our members through the unprecedented challenge and uncertainty in our lives, especially for those of us living through the extended lockdown in Melbourne. Undoubtedly, the months and year ahead will throw up new challenges as Australia emerges from the economic downturn caused by the pandemic, but we will as always, continue to stay the course in fulfilling our purpose to provide better outcomes and better futures for members.

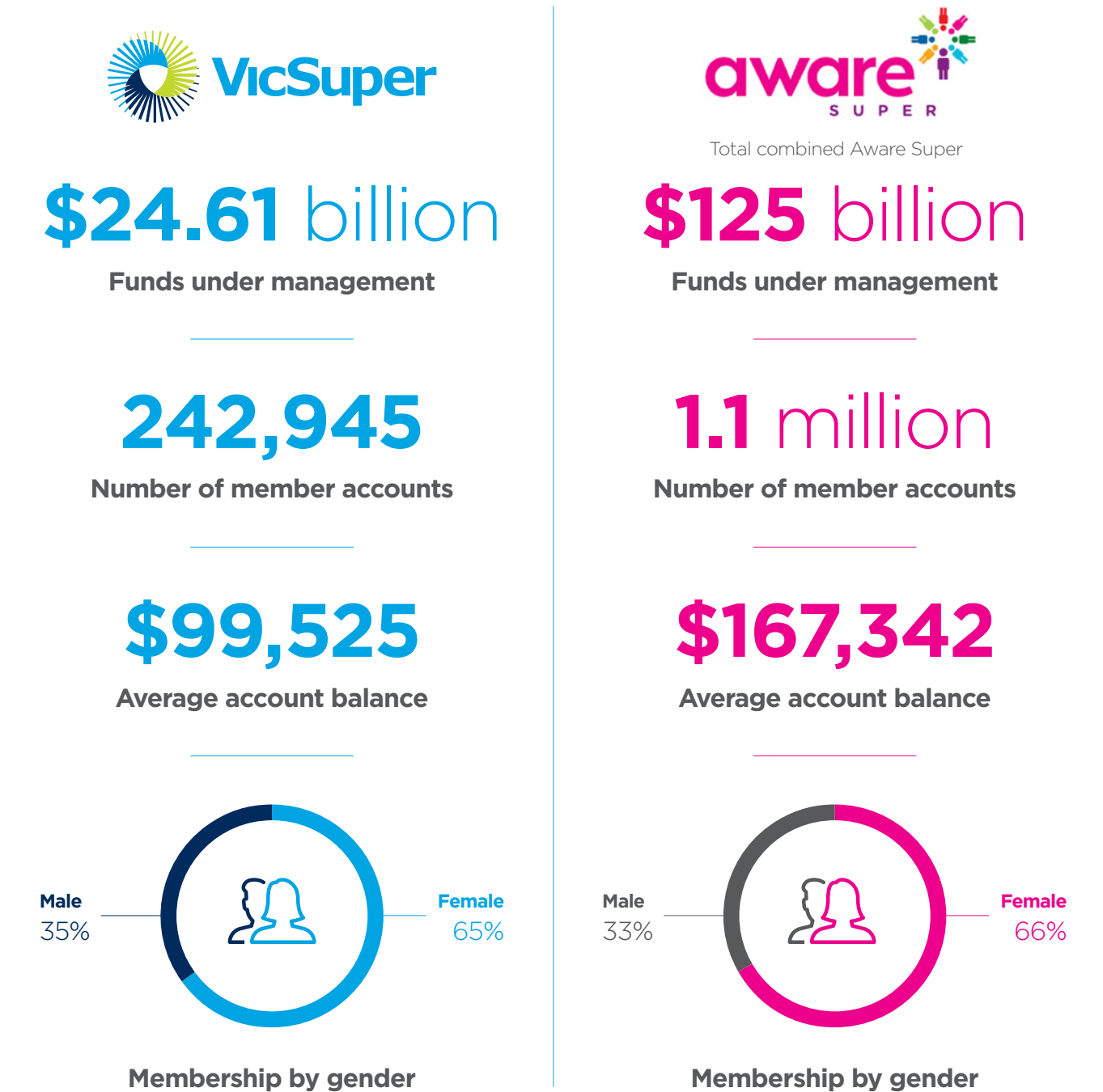
Michael Dundon
Former CEO VicSuper and
Deputy CEO Aware Super

From 1 July 2020, VicSuper officially merged with First State Super, now known as:



VicSuper as part of Aware Super

The merger between VicSuper and Aware Super now makes VicSuper members part of Australia’s second largest superannuation fund, managing \$125 billion in savings on behalf of more than 1.1 million members. VicSuper members are a very important part of the fund, with overall members from Victoria making up close to half the total membership.



The VicSuper FutureSaver has been recognised for outstanding value that’s why we’ve been awarded Canstar’s 5-Star Rating for Outstanding Value Superannuation in 2020.¹



1.12%
Investment return over the past year for our Growth (MySuper) FutureSaver option

★★★★★

2.16%
Investment return over the past year for our Flexible Income Capital Stable option



Shared values for a shared future

VicSuper’s merger with Aware Super continues our strong commitment to deliver for our members.

VicSuper was recognised by the industry as a fund doing the right thing by their members, winning Best Fund: Integrity at the 2020 Chant West Fund of the Year Awards.



¹ The Canstar 5-Star Rating for Outstanding Value Superannuation was awarded in March, 2020.

Setting up our members for the future

Our aspiration has always been to be a strong, enduring and healthy super fund – one that provides outstanding experiences and outcomes for our members and employers. Our decision to merge with Aware Super was driven by our commitment to doing the best for members now and in the future.

The superannuation landscape and delivering on our strategy

Our operating environment has never been more uncertain in light of the conditions we have experienced in the second half of 2020. Understanding how key trends and influences impact our industry and activities was critical to how VicSuper planned our strategy so we could continue to create value for our members, employers and other stakeholders.

What became increasingly evident in our assessment of the superannuation industry, was that it was becoming more and more difficult to achieve growth and scale due to the growing competition in the sector, as super funds strive to increase their efficiency and effectiveness in providing for the retirement of Australian workers. Funds were also under increasing scrutiny to demonstrate positive member outcomes across several measures including investment returns, fees and service and retirement adequacy. How we would deliver on our strategic pillar of growth and achieve the benefits of scale to deliver the greatest outcomes for members, set the scene for our early merger discussions with Aware Super. This also formed a key element in our ultimate decision to merge.

What being part of Aware Super means for our members

Aware Super is the new name for the merged entity that builds on the shared heritage, values and strengths of two successful and strongly aligned profit-to-member super funds. In the lead up to and since the merger on 1 July 2020, our team has been getting on with doing exactly what we're here to do – providing you with great value super and retirement products and services. The team has also been working hard to deliver an ambitious strategic agenda. It will pave the way for new market leadership and innovation that will realise the significant benefits of a large merged fund.

The benefits of scale

With more scale, we hope to offer even better services and access a greater range of investment opportunities to deliver strong, sustainable investment returns over the long-term. In addition, greater size and scale provides opportunities for fee and cost savings. We're pleased to announce that from 1 November 2020, we'll be reducing the account keeping fee by 34%, reducing the administration fee by 21%, and nearly halving the overall administration fee cap for FutureSaver accounts.

The importance of advice

We've always believed in the importance of quality financial advice to help our members make the most of their retirement savings. Since the merger, we are pleased to offer our members an expanded range of advice services across a broader national footprint. We now also offer specialist aged care advice, insurance and estate planning.

Commitment to responsible investing

The merger has helped to further strengthen the individual commitments of both funds to responsible investment. With our new size and scale brings considerable influence and impact and we have already taken steps to optimize our portfolio to allow us to positively contribute to the world in which our members live and retire.

Find out more about our Responsible Ownership approach on page 7 of this report or on the Aware Super website.

[aware.com.au/member/investments-and-performance/our-approach-responsible-ownership](https://www.aware.com.au/member/investments-and-performance/our-approach-responsible-ownership)

Representing your interests in the governance of the Fund

Both the Trustee Boards of VicSuper and Aware Super agreed Director representation on the Board of the new merged fund should reflect the membership composition and would continue to reflect equal member and employer representation. We are pleased to confirm four Directors representing VicSuper nominating bodies have been appointed to the Board of Aware Super.



Antoinette Masiero

Appointing entity: Australian Education Union, Victorian Branch

Member of the Audit Risk and Compliance Committee and the Remuneration and Human Resources Committee.



Gabrielle Bell

Appointing entity: Victorian Public Sector Commission

Member of the Audit Risk and Compliance Committee and Investment Committee.



Patricia Faulkner AO

Appointing entity: Department of Education and Training Victoria

Member of the Governance and Nominations Committee and the Direct Assets Committee.



Travis Bates

Appointing entity: Community and Public Sector Union

Member of the Audit Risk and Compliance Committee and Member Services Committee.

Investments summary

It's been an extremely challenging time for investments generally, but we continue to deliver strong long-term investment returns for our VicSuper members.

Our year in review

The financial year to 30 June 2020 saw unprecedented and challenging market conditions. The devastating Australian bushfires and COVID-19 disrupted the optimistic market outlook and saw share markets fall by around a third from late-February to mid-March. But share markets recovered these losses through the final quarter, buoyed by supportive monetary and fiscal policies globally.

Despite the volatile market conditions, most VicSuper FutureSaver investment options delivered positive 1-year returns to 30 June 2020. This supported continued, solid long-term returns. Notably, the default VicSuper FutureSaver Growth (MySuper) investment option ranked in the top ten performers against peers for the rolling 1, 3, 7 and 10-year periods to 30 June 2020². This is a great result for our members given the challenging environment.

Importantly, our diversified investment approach – spreading money across a range of quality investments – continued to help moderate the fluctuations in the investment returns of our diversified options.

Our investment strategy

Our investment strategy has always been focussed on building and *protecting* members' retirement savings. A key part of our strategy has consistently been about preparing for the prospect of unexpected volatility as

we had a cautious outlook about future returns. This was never more important than in 2020.

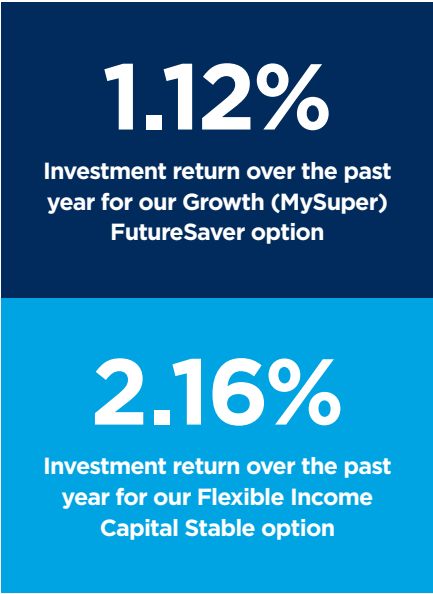
The emphasis of our strategy on diversification across our asset classes as well as within asset classes helped our portfolio resilience as the economic ramifications of COVID-19 become evident in the last quarter of 2019-2020. We also retained a large holding of Cash and had several defensive asset allocation tilts in place that added value in the depths of the market weakness.

Throughout the pandemic, our Investment team was heavily focused on ensuring portfolios remained liquid in the context of various possible adverse scenarios and that portfolios remained appropriately valued during significant market dislocation.

Market outlook

Looking ahead, we believe we'll continue to see heightened volatility as markets grapple with the risk of a second and third wave of COVID-19 infections, rising geopolitical tensions with China and the implications of the US election.

Despite this continued volatility, we remain well placed to manage your superannuation and grow your retirement savings. Our overarching approach of investing with the aims of sustainable long-term returns, and only taking on investment risk that will be adequately rewarded, supports our goal of continuing to deliver strong long-term returns for members.



Investment governance

In the lead up to the merger with Aware Super on 1 July 2020, the Investments team were diligently preparing the investment platform for the merger. This required a significant amount of preparation from teams across both funds. On the merger date, the investment platform was transitioned to the Aware Super custodian and investment processes. We are very pleased to report the merger of the two investment platforms proceeded smoothly. In addition, significant fee savings started to accrue immediately to VicSuper members with the merging of underlying asset class pools.

VicSuper's investment strategy and investment processes were followed right up to the merger date.

Climate change and responsible investment

Responsible investment is an integral part of VicSuper's overall investment approach. Since the merger with Aware Super, we can now further use our size and influence to invest in a way that supports our communities from within, helping to build a better world for all.

Impact of the Australian bushfires

As investors, we have a responsibility to manage for the long term. This requires us to manage long-term trends that may affect economies and markets, providing sources of both risk and opportunity. Climate change is one such significant trend, while others may be economic, environmental, geopolitical, societal or technological and are often inter-related.

We recognise that the effects of the devastating 2019-2020 bushfires are far reaching, with the effects on individuals, communities, emergency service workers and volunteers to be felt for many years to come. Furthermore, the long-term impact on our wildlife and biodiversity more broadly is still yet to fully understood. For VicSuper, we had additional concerns for the wellbeing of our members, their communities and our people, particularly those in regional communities severely impacted by the fires. During this time, our team made special efforts to reach out to members and employers throughout Victoria to check in and see what additional support we could offer.

For many people, the bushfires and the daily presence of smoke haze in and around our major cities also spurred an even greater urgency on climate action. We saw increased engagement and advocacy from our members on the issue of climate change and responded accordingly through our voting and engagement activities.

In July 2020, Aware Super launched their updated Climate Change Portfolio Transition Plan which provides a framework for transitioning to a low-carbon economy while protecting our combined funds members' retirement savings. The plan sets out bold actions and clear targets, including actively contributing to an economy-wide 45% reduction in emissions by 2030 and a commitment to transition our investment portfolio towards carbon neutrality, achieving net zero emissions by 2050.

You can download the Climate Change Portfolio Transition Plan from the Aware Super website.

[aware.com.au/climate-change](https://www.aware.com.au/climate-change)

VicSuper was one of only 6 Australian asset owners to be included in the PRI Leaders' Group in September 2019.

The Principles of Responsible Investment Leaders Group recognises global best practice in responsible investing.

Leading the way in engagement and voting

We believe active ownership (incorporating company engagement and proxy voting) can positively influence the behaviour and performance of the companies we invest in and support the achievement of long-term shareholder value. We use engagement and voting to influence company behaviour for the benefit of companies, our members and the wider society.

VicSuper was committed to voting at all meetings and on all resolutions across our listed equities portfolio. During the first half of the 2019-2020 year, 11.7% of our votes were against management, the majority of which were corporate governance related. We also voted against management on a number of shareholder resolutions and have been noted as one of the leading funds with respect to supporting both domestic and international shareholder resolutions (particularly on climate change).

² Returns for the VicSuper FutureSaver Growth (MySuper) investment option were in the top 10 for the 1, 3, 7 and 10 year periods, and in the top quartile for the 1, 3, 7 and 10 year periods, as published in the SuperRatings Fund Crediting Rate Survey (SR50 MySuper Index) for 30 June 2020.

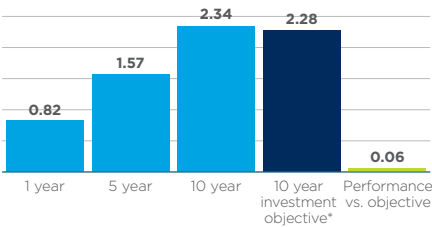
VicSuper FutureSaver

Investment options for members building their super

Cash

Net investment returns

% pa



Investment return objective

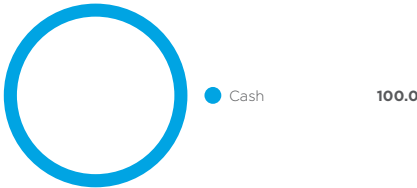
To earn an investment return (after tax and investment expenses) that matches or exceeds the Bloomberg AusBond Bank Bill Index (after tax) over rolling 10-year periods.

Standard risk measure¹

Very low.

Strategic asset allocation

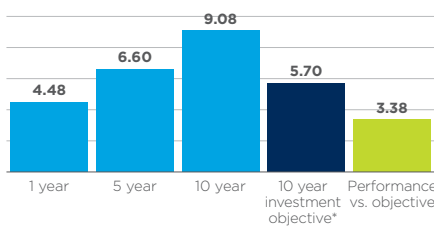
%



Socially Conscious

Net investment returns

% pa



Investment return objective

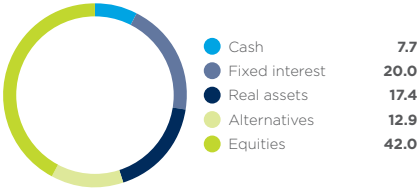
To earn an investment return of 3.25% per annum (after tax and investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

Medium.

Strategic asset allocation

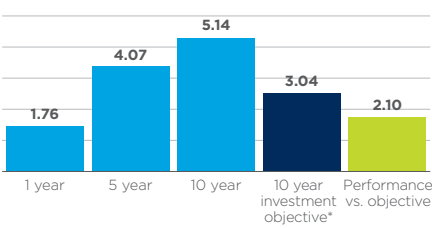
%



Capital Secure

Net investment returns

% pa



Investment return objective

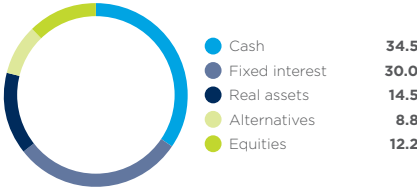
To earn an investment return of 1.25% per annum (after tax and investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

Low.

Strategic asset allocation

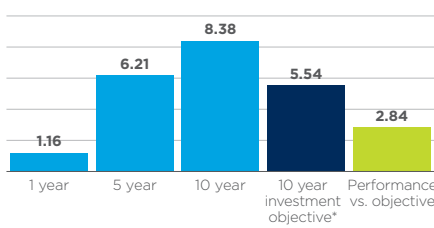
%



Growth

Net investment returns

% pa



Investment return objective

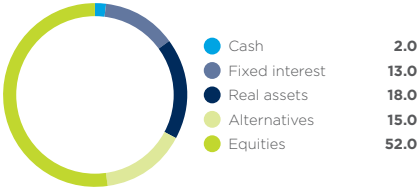
To earn an investment return of 3.75% per annum (after tax and investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

Medium to high.

Strategic asset allocation

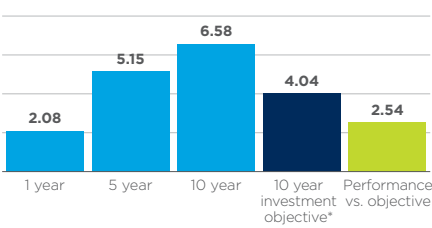
%



Capital Stable

Net investment returns

% pa



Investment return objective

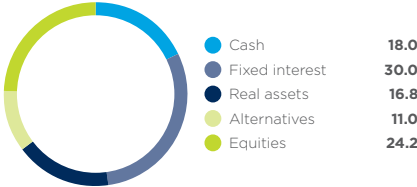
To earn an investment return of 2.25% per annum (after tax and investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

Low to medium.

Strategic asset allocation

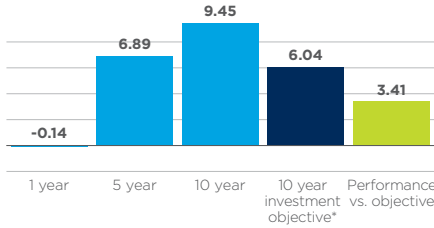
%



Equity Growth

Net investment returns

% pa



Investment return objective

To earn an investment return of 4.25% per annum (after tax and investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

High.

Strategic asset allocation

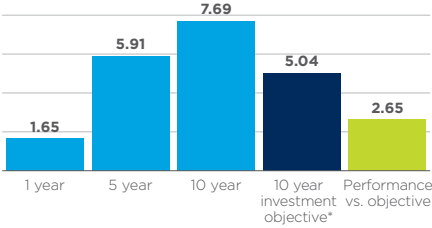
%



Balanced

Net investment returns

% pa



Investment return objective

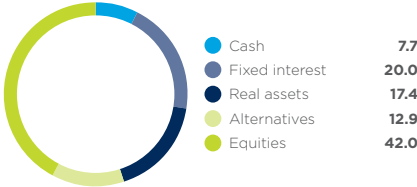
To earn an investment return of 3.25% per annum (after tax and investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

Medium.

Strategic asset allocation

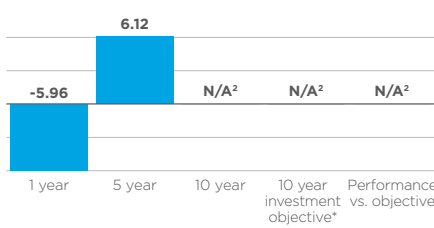
%



Australian Shares

Net investment returns

% pa



Investment return objective

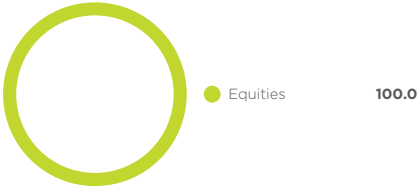
To earn an investment return of 4.25% per annum (after tax and investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

Very high.

Strategic asset allocation

%



¹ Based on an inflation rate of 1.79% per annum. Objectives are predictive in character, may be affected by inaccurate assumptions or by known or unknown risks and uncertainties, and may differ materially from results ultimately achieved.

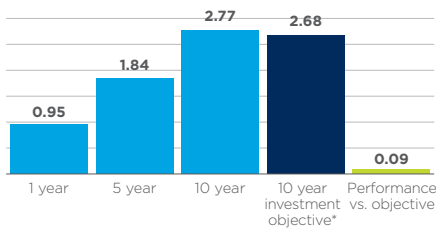
² The Australian Shares option was launched in 2013 so we are not able to report 10-year investment returns or performance against an investment objective. Please note that past performance is not a reliable indicator of future performance.

VicSuper Flexible Income

Investment options for retired members

Cash

Net investment returns % pa



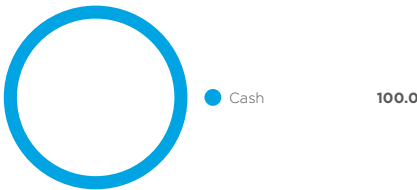
Investment return objective

To earn an investment return (after investment expenses) that matches or exceeds the Bloomberg AusBond Bank Bill Index over rolling 10-year periods.

Standard risk measure¹

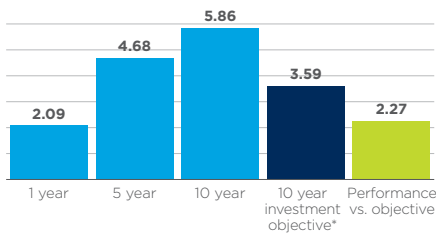
Very low.

Strategic asset allocation %



Capital Secure

Net investment returns % pa



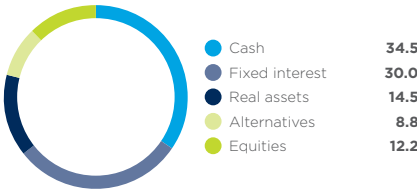
Investment return objective

To earn an investment return of 1.8% per annum (after investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

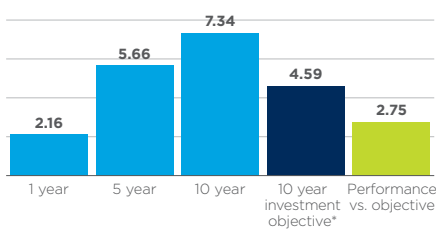
Low.

Strategic asset allocation %



Capital Stable

Net investment returns % pa



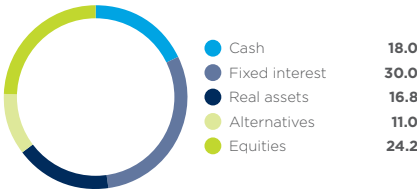
Investment return objective

To earn an investment return of 2.8% per annum (after investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

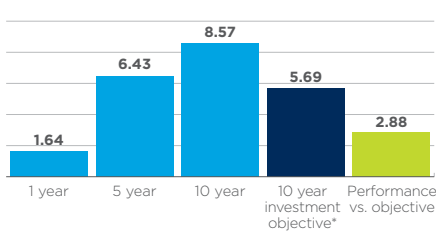
Low to medium.

Strategic asset allocation %



Balanced

Net investment returns % pa



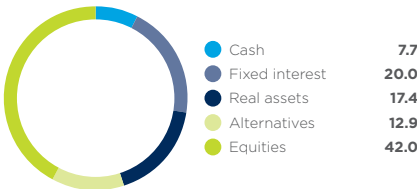
Investment return objective

To earn an investment return of 3.9% per annum (after investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

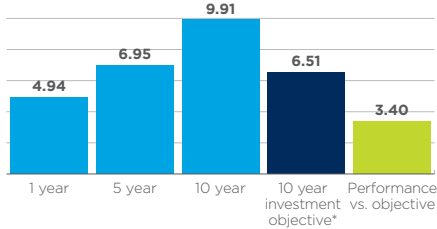
Medium.

Strategic asset allocation %



Socially Conscious

Net investment returns % pa



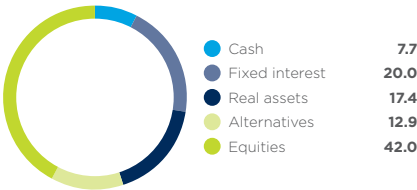
Investment return objective

To earn an investment return of 3.9% per annum (after investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

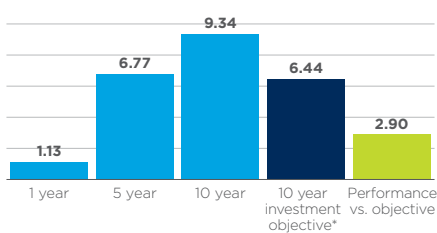
Medium.

Strategic asset allocation %



Growth

Net investment returns % pa



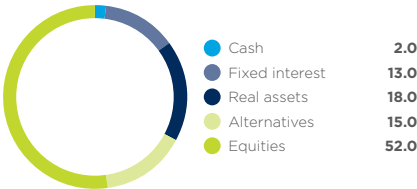
Investment return objective

To earn an investment return of 4.65% per annum (after investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

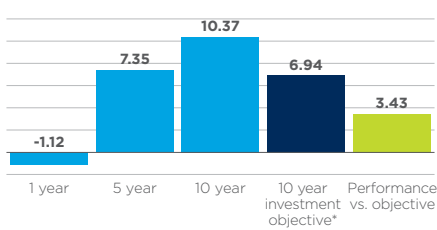
Medium to high.

Strategic asset allocation %



Equity Growth

Net investment returns % pa



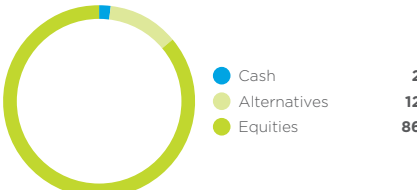
Investment return objective

To earn an investment return of 5.15% per annum (after investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

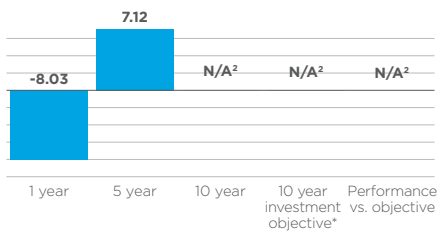
High.

Strategic asset allocation %



Australian Shares

Net investment returns % pa



Investment return objective

To earn an investment return of 5.15% per annum (after investment expenses) above the rate of inflation over rolling 10-year periods.

Standard risk measure¹

Very high.

Strategic asset allocation %



¹ Based on an inflation rate of 1.79% per annum. Objectives are predictive in character, may be affected by inaccurate assumptions or by known or unknown risks and uncertainties, and may differ materially from results ultimately achieved.

² The Australian Shares option was launched in 2013 so we are not able to report 10-year investment returns or performance against an investment objective. Please note that past performance is not a reliable indicator of future performance.

Continuing to be a responsible super fund

Helping our members achieve a better quality of life in retirement goes well beyond sound money management and great service – it’s just as much about taking a responsible approach to everything we do and being a positive member of the communities we all share.

The VicSuper brand

VicSuper’s brand and reputation is strong and well-regarded amongst our members, driven by our exceptional member experiences, dedicated employer partnerships and our commitment to corporate responsibility. Although the fund has recently changed name to Aware Super, the VicSuper brand will continue to sit alongside Aware Super as the VicSuper division of Aware Super, and we will continue to provide members and employers with the same level of service they have come to expect from us.

Honouring our commitments

VicSuper has had a long belief in being a progressive, responsible and future-focused super fund, dedicated to being a positive member of the communities we operate in and society as a whole. We will continue to honour the commitments we undertook last year as a part of our approach to Corporate Responsibility and our Social Sustainability Strategy, and where possible, seek to amplify their impact across Aware Super’s national footprint.

Our areas of focus, progress and commitments are summarised below:

Reconciliation with our First Nations Peoples

Supporting reconciliation means working to overcome the division and inequality between Aboriginal and non-Aboriginal people. For VicSuper, this is the inequality in access to

superannuation and retirement outcomes.

In June 2020 we successfully implemented our Reflect Reconciliation Action Plan (RAP). Our actions focused on building awareness and respect of Aboriginal culture, protocols and language, and building relationships with Aboriginal and Torres Strait Islander groups within our employer networks. We provided cultural safety training to over 80 employees in key member-facing teams so that they are better equipped and have more confidence to assist with the specific needs of Aboriginal and Torres Strait Islander members. We will take our learnings from that journey and apply them as we develop a new RAP for Aware Super.

Building the economic security of women

In superannuation, the statistics are alarming – women are retiring with 47% less superannuation than men and 23% of women are retiring with no super at all. Through our social strategy, we’re actively working to support the economic security of women and make a difference to their future.

Through our partnership with Fitted for Work, VicSuper committed to supporting 30 women through the Fitted for Work’s WomanKind Program.

In response to the impact of COVID-19 on service delivery, we adapted the program and developed a series of online programs to replace the face to face model. This has pushed out the program time frame into 2020-2021.

The program has been renamed and is known as the Emerge Program. Emerge builds women’s resilience and prepares them to re-enter employment when the economy turns, helping them come out of this experience stronger and better than ever. This new flexible structure also means women with caring responsibilities can still actively participate in the program.

Supporting those in the community affected by mental illness with practical financial education

One in five Australians will experience difficulties with mental health at some stage in their lives. At VicSuper, understanding our limitations as a super fund, we focused specifically on delivering financial programs to improve overall mental wellbeing.

Our partnership with WISE Employment centres on the delivery of a financial education program designed for clients within JobActive and Disability Employment Services in the regional areas of Greater Geelong and the LaTrobe Valley. The program will provide specific support to clients of WISE Employment who experience mental health disability with topics and areas of focus designed specifically to their learning needs and situation. As with most things, the impact of COVID-19 has slowed down our progress on the project so we will continue to deliver the project throughout 2020-2021.



Recognition and awards

Chant West



PRI Leaders Group



Canstar



Heron



SuperRatings



Important information and disclaimer

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