OFM (Oasis) FY2024 Annual Members' Meeting Transcript

Danielle Press – Welcome and Fund Update

Good morning everyone, and welcome to the Annual Members' Meeting for the 2024 financial year.

I'm Danielle Press, and I'm the chair of Oasis Fund Management Limited, which is the trustee for Oasis Superannuation Master Trust.

I'd like to begin by acknowledging the traditional owners of Country, both the Wurundjeri Woi-wurrung and Bunurong / Boon Wurrung peoples of the Kulin nation on whose land we are meeting today, and throughout Australia. We pay our respects to elders, past and present.

I'd also like to thank you, our members, for taking this time to listen and ask questions about your super, especially those who might not have attended our previous annual meetings.

Oasis is part of the Insignia Financial group of companies, one of Australia's largest wealth managers. As such, it benefits from a large investment team with diverse skills and experience. This scale enables us to improve and simplify investment products for better member outcomes.

This is, after all, your money that we're managing, and we really appreciate the trust you place in us.

I'm pleased to represent Oasis at today's meeting along with Dan Farmer, our Chief Investment Officer.

It's worth pointing out that there are lots of others working behind the scenes, including a group of non-executive directors of Oasis. Everyone is working hard to uphold our statutory and fiduciary obligations and ultimately to act in the best interests of you, our members.

We've also benefited enormously from the support and leadership of our outgoing chair, Lindsay Smartt.

No one saw the pandemic coming in 2020, and Lindsay's oversight during that challenging period was crucial. On behalf of Oasis, I'd like to wish Lindsay all the best and thank him for his service and dedication.

Today I will be summarising the year that was and discussing some of the vital work we have undertaken to improve our performance, our service to members, and our risk management.

After this, you'll hear from our Chief Investment Officer, Dan Farmer, who will take you through the major events that shaped both Australian and global economies in 2024, the impact on investment markets and, most importantly, how your super has performed.

After Dan, you'll have the opportunity to ask questions about your super fund's performance, investment strategy, and anything else you would like to know in the Q&A session.

I know several of you have submitted your questions in advance, and we thank you for that. You can also ask questions via your screen now.

Two important bits of housekeeping with regard to those questions.

For privacy reasons, we will not be able to answer personal financial questions. I encourage you to reach out to our contact centre with your personal questions. They'll be able to direct you to the appropriate person.

Secondly, we will aim to answer as many questions as we can during today's meeting. Any questions we don't get to in this meeting will be published in our full response on our website within a month.

Now, let's get started.

Towards the end of 2024, we released the second edition of the Financial Freedom Report, which explores financial wellbeing and what it means to Australians—to people like you, our members.

This was a significant undertaking, compiling data from thousands of Australians of all ages, genders, and locations to better understand how Australians feel about their financial position.

If you haven't read the report, I encourage you to have a look.

I don't want to go through it in too much detail, but I do want to discuss some of the bigger themes.

Firstly, financial independence remains the most common goal among Australians, more so than the ability to take regular holidays or even to buy a home.

And 70% of Australians believe that their financial wellbeing is critical to their mental and physical wellbeing as well.

So, what else does financial wellbeing look like? We actually asked that question, and while we got some pretty varied answers, there's one here that I think captures it pretty well:

“Financial wellbeing is being able to meet my obligations, to have savings and a good retirement plan, meaning that when I retire, I’ll have enough money to live on instead of relying on the Government.”

That speaks directly to our purpose as a super fund—to give you peace of mind that your retirement will be comfortable and well-funded.

Our goal is to complete that part of your financial wellbeing puzzle for you.

2024 has not been without its challenges, with ongoing conflicts weighing on markets and inflation continuing to apply pressure more locally.

What does all this mean for your fund's performance? Despite these challenges, it's been a strong year for returns, which we are very proud of.

And in just a moment, you'll hear from Dan, who will go over that in more detail.

We’ve also been working towards your financial wellbeing in other ways.

In March this year, a new financial accountability regime was introduced by our regulators, and we've taken this as an opportunity to update the way we measure performance and assess risk.

Soon, you'll hear how markets and your super fund have performed this year.

But before I hand over to Dan, I'd like to remind you that within the Insignia Financial Group, we have a number of financial advice practices.

If you're unsure about what to do with your super, or maybe if you're nearing retirement and are unsure how to manage your money through that process, speaking to a financial planner might be a good place to start.

Remember, if you are ever in doubt about your super, whether you're looking for advice or just have a quick question about your fund, please talk to us. Our contact centre can put you in touch with the right people to answer your questions and help you get the most from your super.

Finally, we'll address pre-submitted questions about recent publicity regarding our parent company, Insignia Financial Limited, and the agreement with SS&C Technologies to enhance our Master Trust business, during the Q&A segment.

Thank you all again for your time today, and I'd like to welcome our Chief Investment Officer, Dan Farmer, to update you on the fund's results.

Dan Farmer – Investment and Market Update

Thanks, Danielle, and good morning everyone.

As Danielle mentioned, I'll be talking about the investment performance of our fund over the last year and what we have planned for the year ahead.

2024 has been a good year for most investment markets, and our funds have delivered healthy returns.

To help explain why you have enjoyed this strong performance over the year, I'll aim to cover a few key topics.

First of all, we'll look at the key economic drivers over the past 12 months, how we positioned the fund to navigate those conditions, the performance of your fund, and finally, the outlook for the economy, markets, and our fund in 2025.

So, let's start by looking back at the economic themes that drove investment returns over the last year.

Economic growth proved to be pretty resilient over the year, holding up well in the face of higher cost-of-living and interest rate pressures. This provided a reasonable economic backdrop for shares and other high-growth assets to perform well.

Inflation remained one of the most talked about and important topics over the year. Inflationary pressures have been a big focus of markets over the last three to four years.

If we think back to when high inflation first re-emerged during the COVID period, after a 40-year dormancy, many economists expected higher prices to be transitory and that inflationary pressures would pass fairly quickly once COVID cleared up and our supply chains returned to normal.

Now, while inflation has eased back from very high levels, the pace of decline has slowed, and Australian households continue to feel the pinch through higher living costs.

So, inflation in Australia has remained a bit higher than central banks are comfortable with, and this has kept interest rates higher for longer as the RBA works to push inflation rates back down.

The most recent reading of Australian inflation was the December CPI data, showing price increases of 2.4% for the year.

Now, while that places inflation within the Reserve Bank's target range of 2 to 3%, this will likely turn out to be a temporarily low level driven down by electricity price rebates introduced earlier in 2024.

And this is one reason why the RBA has been reluctant to cut official cash rates to date.

Now, the US appears a little further advanced than Australia in its fight against inflation.
The rate of inflation there has fallen more rapidly, allowing the Federal Reserve to make three cuts to the official cash rates over late 2024 and signal further modest cuts if inflation continues to behave.

So overall, we expect inflation to moderate a little further over the next 6 to 12 months, but we think central banks may remain a little wary of inflation pressures persisting, and we may find a number of future cash rate cuts is less than many hoped for.

Now, a few unknowns around the direction of inflation have cropped up following President Trump's re-election to office. And we'll touch on these later in our outlook section.

So what does all this mean for you, our members? Well, as I mentioned earlier, even in the face of higher-for-longer inflation, the global economy has been pretty resilient.
With its reasonably positive economic backdrop, we've seen share markets continue to deliver good returns.

The rollout of AI and its potential applications has investors pretty excited. And we've seen stocks that are linked to these themes perform very well. This helped international share markets deliver exceptional returns of around 27% over the year, which boosted returns in our diversified funds that invest in global shares.

In addition to strong share markets, more defensive parts of our portfolio have also delivered healthy returns.

Investment in fixed interest assets, which includes government bonds and corporate credit, delivered returns of around 5 to 6%.

Now, while not as strong as shares, this level of return is considered healthy for these more defensive parts of our portfolio.

In addition to markets being strong, we've also made several enhancements to the fund as part of our strategy to grow your savings.

So 2024 has been a strong year for returns; how do the prospects for 2025 look? The investment team constantly monitors investment markets, adhering to a well-established process to assess market conditions and outlook.

Right now, our outlook for the year ahead is mildly positive, albeit with a few unknowns that could pose some risks.

When it comes to the economy, our base case expectation is for a gentle expansion in the all-important US economy and for inflation to moderate a little further, allowing central banks to modestly lower cash rates.

Given this supportive economic outlook, what might we expect to see from investment markets? Well, if we start with the share markets, which were a big driver of fund returns last year, the healthy economic growth we expect, coupled with further cuts to cash rates, is generally a good environment for shares.

Now, while this economic backdrop is supporting for shares, share prices have already risen sharply over the past year and much of the good news about the economy and corporate earnings is already “priced in,” as we say.

This just means share markets generally look expensive compared to history, and this tempers our outlook for the share market returns in the year ahead.

All in all, we're relatively neutral on shares, expecting modest positive returns, but unfortunately, we don't expect to see a repeat of the stellar returns of last year.

Now, if we turn to the more defensive holdings in our portfolio and think about the outlook for bonds and fixed interest investments here, the outlook is even more dependent on the direction of inflation going forward.

The rate of interest received on bonds and credit securities has risen significantly with the onset of inflation, and income generated from these defensive assets is now far more attractive than it was four years ago.

Just as an example, the yield on a ten-year US government bond at the end of December was around 4.55%, compared to a yield of only 0.9% on the same bond four years ago.

Now, there's a risk interest rates and yields could go higher, but we see the level of income received from these fixed interest assets as reasonably attractive.

In addition to the better returns, if inflation continues to behave, our fixed interest holdings could provide improved diversification benefits to our fund.

Now, as with any outlook, events can crop up that cause a change of view, and the team is constantly assessing and monitoring these.

Now, I mentioned President Trump earlier. There's some uncertainty about what his second term will mean economically. The share market has initially reacted positively to his win and enjoyed a “Trump Bump” on the prospect of his government extending lower tax rates and pursuing a more business-friendly deregulation agenda.

On the flip side, a number of President Trump's other campaign promises may pose a risk to our outlook. His touted trade policy, which threatens to impose hefty tariff increases on key trade partners like 60% tariffs on China and drastically reducing the level of illegal immigrants in the United States, are potentially inflationary and may ultimately crimp growth.

Another factor which could influence returns next year is China, and what policies are announced to stimulate growth in its large economy. In November, China announced a 2.1 trillion Australian dollar stimulus package to give its sluggish economy a boost. Now, that's a lot of money and probably signals that China is willing to start spending again to boost its economy, but it appears more is needed to convince investors of a sustained pick-up in the Chinese economy.

So, as always, the future is never certain. But no matter what happens, we're keeping a sharp eye on things, and our investment team is more than capable of managing your money through any ups and downs that 2025 might bring.

So in closing, I'd really like to thank you all for listening today, and more importantly, for trusting us to invest your money. Super is a long-term investment, and for most Australians, we know it's often one of the biggest assets they'll own.

So it's a real privilege to have your trust. Our investment team works hard to generate the competitive returns we delivered in 2024 and manage your portfolio in line with our investment philosophy to help give you the life you want in retirement.

Every year in markets is different, and just as surely as there will be years like this where we deliver strong returns for our members, there will no doubt be tougher periods ahead too. Regardless, I'm confident our team and our approach will continue to work on your behalf, no matter what the market conditions, to deliver the strongest results we can for our members over the long run.

Thank you once more for your time. I'll now hand you back to our chair, Danielle Press, to host the Q&A session.

Q&A Session – Danielle Press and Dan Farmer

Danielle: Thank you, Dan, and we'll now kick off our Q&A session.

As I mentioned earlier, we have received some questions during registration. But just a quick reminder that the answers we provide are for information purposes only and not financial advice.

Joining me to address your questions today is Dan Farmer, who you've just heard from.

So let's get started.

To begin with, we've had a question from Jennifer, who has asked with regard to the Federal Government's changes in Superannuation Diploma qualified advisers, what is the percentage of employees who are diploma-qualified to fill this new job role? Also, has a decision been made by Oasis to change the charge for advice given these advisers? And if so, what is the basis for these fees? I think that one's actually for me.

So I believe your question relates to the proposal, the proposed new class of adviser that was announced by the government as part of the 'Delivering Better Financial Outcomes' policy changes, which at this point have not been legislated.

The trustee is closely monitoring this government proposal and its impacts and is waiting for more details to be available.

Right. So our next question is from Colin, who asks whether we can arrange a simple action to allow members to check their balances rather than fully logging in. An example is Macquarie, who shows your balances prior to fully logging in.

Dan, I think that one might be for you.

Dan: Thanks, Danielle, and thanks, Colin, for the question.

And Colin, I can understand your request for a quick glance feature similar to what Macquarie offers, where members can check their balance before fully logging in.
So, look, we really appreciate your feedback and will consider it for future improvements.
But just as a reminder, for now, members can access the balances by fully logging in securely.

Danielle: Thank you. Dan, another one for you. Amanda would like to know how our funds' performance compares with Host Plus and CBUS.

Dan: Okay, thanks for the question, Amanda. And look, it's a little bit of a difficult question to answer because industry funds like Host Plus and CBUS offer MySuper and or single default options, which can be managed and structured differently to the investment options offered on Wrap platforms like Oasis.

Oasis Wrap offers a choice of many investment options, which all have different investment styles and return goals, and an adviser generally helps select the investment mix, you know, based on their individual goals.

So because of these differences between MySuper and Wrap products, unfortunately, we're not really able to provide an apples-to-apples type comparison for you.
So if you'd like to know more about how your specific investments are performing compared to the wider market, I'd suggest you, please speak to your adviser.

Danielle: Thanks, Dan. I think we've got time for one more question.

Oh, and it looks like it's for me. It concerns the related media coverage of our parent company, Insignia Financial Limited, which I mentioned earlier.

John has asked for more details on the SS&C arrangement and an update on the recent takeover proposals. So in December, Insignia Financial took the exciting step of engaging SS&C Technologies to simplify and transform our master trust business.
Once that agreement is finalized in Sydney, it plans to subcontract a range of administration and technology functions to SS&C.

And this will involve moving about a thousand Insignia team members and some technology to SS&C.

The transfer will help support the continuity of services, operations, and product knowledge for our members.

And importantly, Insignia will still oversee claims and compliance, making sure we have a high level of care and service that our members expect.

This is expected to happen around the middle of this year, and we're very excited about the engagement with SS&C, which will help us enhance our operations further, prioritizing our member experience.

As for the private equity interest we have been receiving that you may have seen in the media, Insignia Financial has received non-binding proposals from Bain Capital, CC Capital, and Brookfield Capital Partners.

Because the three proposals have similar terms, the board has decided to provide them with the same limited due diligence access.

We will continue to update the market as required, but we won't be commenting further on the process now until it's underway.

Okay, well, thank you all very much for your engaging questions during the Q&A session.
Your input is invaluable, and it allows us to address your questions while gaining a better understanding of what matters most to you.

For unanswered questions today, we'll be publishing our responses along with the recording and the minutes of this meeting on our annual members' meeting website.

Within one month, you'll receive a feedback form following this meeting, and we'd love to hear your thoughts on what worked well and what we can improve for next year.
As Chair of Oasis Funds Management Limited, I want to thank each of you for being here and for trusting us with your superannuation.

And a special thanks to you, Dan, for contributing this morning.

Thank you again for joining us, your participation, and I wish you a very great day.

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