

Can your investment arrangements build members' TRUST?

2016 FEAL National Conference

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Building TRUST through appropriate management of risk

- 1. Universal ownership innovation
- 2. Member education

3. Protecting members' retirement

engagement with members' objectives and beliefs

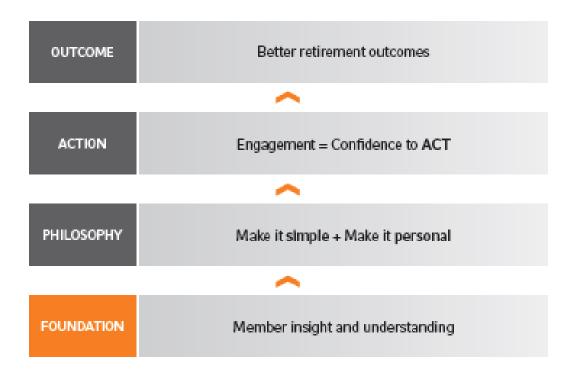
Innovative thinking from overseas

> Regulatory pressure illustration of inherent long-term risks

- Multiple objectives across ESG, Carbon emissions and reserves and Green Energy Ratio considerations
- > Multiple investment objectives:
 - Market Cap and non-price indices (equal risk, Maximum sharp ratio, low volatility/min variance and fundamentally weighted)
 - Minimise active share and transition costs

Member education

making it simple and personal increases trust, action and thus outcomes



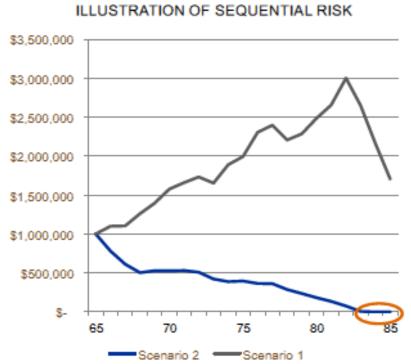
- > Get ready
- > Get information
- Get advice

Downside risk in and through (?) retirement

\$1,000,000 beginning portfolio balance 5% initial withdrawal rate; increased by 3% every year for inflation adjustment Withdrawal begins at age 65

Probability of survival at age 85: Male - 41.1% Female - 52.9%

	SCENARIO 1		SCENARIO 2	
Year	Return	Balance	Return	Balance
0		1,000,000		1,000,000
1	15%	1,100,000	-17%	780,000
2	5%	1,103,500	-15%	611,500
3	19%	1,260,120	-9%	503,420
4	15%	1,394,502	16%	529,331
5	17%	1,575,291	10%	525,988
6	9%	1,659,104	12%	531,143
7	8%	1,732,130	7%	508,621
8	-1%	1,653,315	-5%	421,696
9	18%	1,887,573	7%	387,876
10	9%	1,992,216	19%	396,334
11	19%	2,303,541	9%	364,808
12	7%	2,395,577	18%	361,262
13	-5%	2,204,510	-1%	286,362
14	7%	2,285,399	8%	235,844
15	12%	2,484,018	9%	181,440
16	10%	2,654,521	17%	134,387
17	16%	2,999,009	15%	74,309
18	-9%	2,646,456	19%	5,786
19	-15%	2,164,366	5%	$\overline{}$
20	-17%	1,708,748	15%	$\overline{}$
Arithmetic Mean	7.00%		7.00%	
Geometric Mean	6.40%		6.40%	
Standard Deviation	11.00%		11.00%	



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