



Significant Event Notice.

For members of Hostplus Self-Managed Invest (SMI)

15 February 2022

i Significant Event Notice (SEN) contains important updates relating to changes to Hostplus Self-Managed Invest (SMI) which may impact your investment and related services. Please take the time to read through the important information provided about upcoming changes to fees, costs and investment options. These changes will be reflected in the Hostplus SMI Product Disclosure Statement (PDS) and Additional Information brochure (AIB) from 18 March 2022, available on our website. Hostplus Self-Managed Invest (SMI) is issued by Host-Plus Pty Limited ABN 79 008 634 704, AFSL 244392 as trustee for the Hostplus Pooled Superannuation Trust ABN 13 140 019 340 (PST).

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1. Introduction of a new trustee fee

From 18 March 2022, Host-Plus Pty Limited (ABN 79 008 634 704, AFSL No. 224392) (the Trustee), as the trustee of both the Hostplus Superannuation Fund (ABN 68 657 495 890) (Fund) and the Hostplus Pooled Superannuation Trust (ABN 13 140 019 340) (PST), will introduce a new "trustee fee".

Why is the Trustee introducing a new trustee fee?

As outlined in the SMI Investor Update provided on 22 October 2021, the trustee fee is being introduced in response to recent legislative changes (to sections 56 and 57 of the Superannuation Industry (Supervision) Act 1993 (Cth) (SIS Act)), which impact the Trustee on and from 1 January 2022.

These legislative changes have significantly broadened the types of penalties for which the Trustee and its Directors cannot be indemnified out of the assets of the Fund or the PST. In this context, to be "indemnified" means the Directors or Trustee being compensated for harm or loss they might incur from performing their duties for Fund members and PST investors.

As the Fund and PST are operated on a profit-for-member basis, the Trustee does not currently hold sufficient capital that could be used to indemnify the Trustee, or otherwise meet related liabilities. Instead, the Trustee has previously relied on being able to draw against the assets of the Fund and PST to recover such costs.

As a result of these legislative changes, the Trustee risks becoming insolvent if a penalty were to be imposed on it, or its Directors (e.g., as a result of an inadvertent breach of Commonwealth legislation), and the Trustee does not have sufficient capital to pay the penalty. This is because the Trustee and its Directors may no longer have the right to be indemnified from the assets of the Fund or PST in relation to that penalty.

The trustee fee will be paid to the Trustee in relation to the risks of it carrying out its duties and obligations in acting as trustee of the Fund and the PST. The Trustee will hold the trustee fee paid to it in a Special Purpose Reserve within the Trustee (and not within the Fund or PST), thus ensuring these funds are kept separate from Fund members' and PST investors' funds. The Special Purpose Reserve will only be used to meet relevant liabilities incurred on or after 1 January 2022 for which the Trustee and its Directors cannot be indemnified out of the assets of the Fund or PST.

Supreme Court approval to apply the trustee fee

The Trustee recently applied to the Supreme Court of South Australia to request the Court to amend the Fund and PST trust deeds to include a new provision (clause 4.11 for the Fund and 19.2A for the PST- available to view at hostplus.com.au/super/about-us/governance-and-disclosures) to give the Trustee the power to charge the trustee fee. The Court heard the Trustee's application in December 2021, and subsequently made the trust deed amendments by Court Orders issued on 24 December 2021.

In response to a request by the Court, the Trustee also undertook to collect 50% of the trustee fee from the PST, and 50% from the Fund, as far as is reasonably practicable to do so, each financial year.

How was the amount of the trustee fee determined?

The Trustee engaged a suitably experienced and independent consultant, PwC, to help develop a methodology to determine a fair and appropriate target amount to be held in the Special Purpose Reserve to cover potential future trustee risk-related liabilities. The Trustee intends to collect the initial target amount over a three-year period, so that the Special Purpose Reserve reaches its initial target amount by 31 December 2024. The Trustee considers this to be a fairer approach to all Fund members and PST investors, compared to deducting the entire initial target amount at the one time.

Whether a trustee fee is charged after this period will depend on whether the Special Purpose Reserve has reached its target amount, or whether the target amount needs to be revised depending on the risks to the Trustee at that time.

Management of the Special Purpose Reserve.

To safeguard the purpose and use of funds in the Special Purpose Reserve, the Trustee has also amended its Constitution to include specific provisions covering the permitted use of funds in the reserve, including additional provisions relating to maintaining the not-for profit purpose of the Trustee.

The Trustee also prepared a policy which sets out how the Special Purpose Reserve will be managed and used, and the methodology to determine the appropriate target amount to be held in the reserve, based on PwC's recommendations. The policy allows for the trustee fee and targeted amount to be held in the reserve to change, depending on the Trustee's circumstances (e.g., if new legislation is introduced which increases the risk to the Trustee, additional amounts may need to be held in the reserve).

Should the Trustee need to increase the trustee fee in the future, SMI investors will be provided a minimum of 30 days' prior notice.

The Trustee is required to annually disclose how much was held in the Special Purpose Reserve and the payments made into and out of it over the previous financial year. The Trustee will also advise SMI investors, at least annually, of the amount of the trustee fee charged directly or indirectly (e.g. through investments in the PST), to your account.

Impact on SMI investors' accounts

The specific impact of the new trustee fee on SMI investors' accounts is described in this section. You can find out more information about the meaning of the italicized terms below, in the SMI PDS and AIB. These changes will also be incorporated into future versions of the SMI PDS and AIB, which will be available at smi.hostplus.com.au.

What is the fee amount and how will it be charged?

The first deduction of the trustee fee will be made on or around 31 March 2022. It will be based on the balance of your SMI account as at 31 March 2022 and will be an amount equal to one quarter (1/4) of the annual trustee fee, otherwise determined on the basis set out in the table below. After this, the trustee fee will be deducted from unit prices daily and paid to the Trustee monthly, on the basis set out in the table below.

For example, using the amounts of the trustee fee in the table below, a SMI investor with a balance of \$50,000 will be charged \$1.91 based on that account balance on 31 March 2022, and \$5.84 from 1 April 2022 to 31 December 2022, so the total annual trustee fee will be \$7.75.

Application of the trustee fee

The new trustee fee is set out in the following table:

Type of fee or cost	Amount	How and when paid
<i>Administration fees and costs</i>	0.0155% p.a. of your account balance	This component of the trustee fee is deducted daily from gross investment earnings before net investment returns are applied to your account. It is paid to the Trustee monthly.

For example, the total annual trustee fee will be \$7.75 p.a. on an account balance of \$50,000.

i **Important Note: The new trustee fee applies in addition to the other types of fees and costs that apply to your investment in Hostplus SMI. These other fees and costs are disclosed in the SMI PDS and AIB available at smi.hostplus.com.au.**

The above examples only show the amount of the new trustee fee that will be charged on the relevant example balances, and do not take into account other fees and costs you may be charged in addition to this.

Need more information?

Please contact us on smi@hostplus.com.au, or **1300 350 819** 8am-8pm AEDT weekdays, if you have any questions in relation to the information in this SEN.

2. Changes to Hostplus SMI investment options

This SEN also provides you with information about the closure of the two (2) SMI individual manager investment options and the introduction of three (3) new sector investment options.

Closure of Hostplus SMI individual investment managers options

Following a strategic review of our investment portfolio and investment managers, the Trustee has decided to cease to offer its individual manager options as part of SMI's investment choice options. These individual manager options consist of underlying investments that are managed by a single manager.

As such, no new investments in, contributions to, or switches into the individual manager options will be permitted on or after 18 March 2022. Further, the individual manager options will be formally closed on 30 June 2022.

The Individual manager options affected by this change are:

- Industry Super Fund Property Trust - Property
- IFM - Australian Infrastructure.

In determining that these individual manager options will close, the Trustee has observed that these options are typically much less diversified – in terms of geographies, industries, sectors and manager styles – than the broader asset classes they generally invest in.

The Trustee believes that greater diversification, and a reduced single manager concentration risk is more appropriate and likely to support long-term, risk-adjusted, returns. As such, the Trustee has decided to cease offering individual manager options and replace these with sector options.

What does it mean for you?

SMI investors not invested in an individual manager option on 18 March 2022

These investors do not need to do anything – you will not be able to switch into an individual manager option on or after 18 March 2022.

SMI investors who intend to remain invested in an individual manager option on or after 18 March 2022

These investors:

- will remain invested in that option until the earlier of the date they switch out or 30 June 2022;
- may not make further switches or contributions to any of the individual manager options on or after 18 March 2022. No new investments will be permitted into the individual manager options from 2 pm 17 March 2022;
- may switch out the entire balance they hold in an individual manager option to any other investment options (other than an individual manager option), prior to 30 June 2022; and
- will have their remaining individual manager option investments automatically transferred to the mapped alternate investment option, on 30 June 2022, as set out below:

Current Individual manager options	Mapped alternate sector investment option
Industry Super Fund Property Trust - Property	Property
IFM - Australian Infrastructure	Infrastructure

Investors can switch investments held in the individual manager options to alternate SMI investment options before 30 June 2022 via the SMI investor portal, or by contacting the Hostplus customer services team.

i **Please note: the fees and costs applicable to sector investment options may differ or be higher than the individual manager option fees and costs. For further information in respect of the above existing Hostplus investment options, including the applicable fees and costs, please refer to the SMI PDS.**

Introduction of new SMI sector investment options

The Trustee will introduce the following new sector investment options from 18 March 2022:

- Australian Shares – Indexed
- Diversified Fixed Interest – Indexed
- International Shares – Emerging Markets

Details of these new options are provided overleaf:

	Australian Shares – Indexed			Diversified Fixed Interest – Indexed		
Return target	Accumulation & TTR: CPI plus 3.5% per annum on average over 20 years. Pension: CPI plus 5.0% per annum on average over 20 years.			Accumulation & TTR: CPI minus 0.5% per annum on average over 20 years. Pension: CPI per annum on average over 20 years.		
Level of investment risk*	Very High. (Negative returns expected in 6 or greater years out of every 20 years)			Medium to High. (Negative returns expected in 3 to less than 4 years out of every 20 years)		
Investment style	Enhanced passive management.			Enhanced passive management.		
Who is this investment suitable for?	Investors with a five years plus investment horizon in pursuit of exposure to a highly diversified portfolio of companies listed on the Australian Securities Exchange. This option is designed for investors with a primary focus on minimising fees by utilising an indexed-enhanced strategy based upon an established market index and then seeks to add modest value by exploiting market inefficiencies. This option aims to achieve capital growth and income growth via dividends over the long term.			Investors with a two years plus investment horizon in pursuit of exposure to a portfolio of Australian and international government bonds and other investment grade debt. This option is designed for investors with a primary focus on minimising fees by utilising an indexed-enhanced strategy based upon an established market index and then seeks to add modest value by exploiting market inefficiencies. This option aims to provide capital stability and a return above cash over a market cycle.		
Minimum Suggested Time Frame#	5 years +			2 years +		
Asset mix	Asset Class	Range	Strategic Asset Allocation Benchmark	Asset Class	Range	Strategic Asset Allocation Benchmark
	Australian Shares	100 – 100%	100%	Diversified Fixed Interest	100 – 100%	100%
	Growth assets	-	100%	Growth assets	-	0%
	Defensive assets	-	0%	Defensive assets	-	100%
	Investment managers may invest a proportion of this option's assets in cash for management purposes from time to time.			Investment managers may invest a proportion of this option's assets in cash for management purposes from time to time.		
Fees and costs^	Investment fees and costs (Excluding Performance Fees): 0.03% Performance Fee: 0.00% Transaction costs: 0.00% Total investment fees and costs: 0.03% Cost of product (including administration fees and costs) for 1 year assuming a balance of \$50,000 at the beginning of the year: \$186.28			Investment fees and costs (Excluding Performance Fees): 0.05% Performance Fee: 0.00% Transaction costs: 0.06% Total investment fees and costs: 0.11% Cost of product (including administration fees and costs) for 1 year assuming a balance of \$50,000 at the beginning of the year: \$227.66		

*The Level of investment risk is based on an industry-wide Standard Risk Measure. It shows the number of expected negative annual returns over a 20-year period. #The Minimum Suggested Time Frame is based on the risk and return profile of this option. The timeframe considers volatility and the likelihood of negative annual returns in any one year. Past performance is not a reliable indicator of future performance.

^ The cost of product information includes administration fees and costs. The fees and costs as disclosed in this document are based on reasonable estimates only; actual fees and costs payable may be higher or lower.

International Shares – Emerging Markets			
Return target	Accumulation & TTR: CPI plus 4.0% per annum on average over 20 years. Pension: CPI plus 5.0% per annum on average over 20 years.		
Level of investment risk*	High. (Negative returns expected in between 4 to less than 6 out of every 20 years)		
Investment style	Active management.		
Who is this investment suitable for?	Investors with a five years plus investment horizon in pursuit of exposure to a highly diversified portfolio of companies listed on international stock exchanges within emerging market countries. This actively managed option aims to outperform the market by carefully selecting which companies of all sizes to buy and sell. This option aims to achieve capital growth and income growth via dividends over the long term. This Option is less diversified than the Fund's Default Option and has a higher risk and return profile.		
Minimum Suggested Time Frame#	5 years +		
Asset mix	Asset Class	Range	Strategic Asset Allocation Benchmark
	International Shares – Emerging Markets	100 – 100%	100%
	Growth assets	-	100%
	Defensive assets	-	0%
	Investment managers may invest a proportion of this option's assets in cash for management purposes from time to time.		
Fees and costs^	Investment fees and costs (Excluding Performance Fees): 0.63% Performance Fee: 0.00% Transaction costs: 0.14% Total investment fees and costs: 0.77%		
	Cost of product (including administration fees and costs) for 1 year assuming a balance of \$50,000 at the beginning of the year: \$555.82		
<p>*The Level of investment risk is based on an industry-wide Standard Risk Measure. It shows the number of expected negative annual returns over a 20-year period. #The Minimum Suggested Time Frame is based on the risk and return profile of this option. The timeframe considers volatility and the likelihood of negative annual returns in any one year. Past performance is not a reliable indicator of future performance.</p> <p>^ The cost of product information includes administration fees and costs. The fees and costs as disclosed in this document are based on reasonable estimates only; actual fees and costs payable may be higher or lower.</p>			

For further information about Hostplus SMI investment options please visit hostplus.com.au/smi

For further information on Hostplus Self-Managed Invest, please read the Hostplus Self-Managed Invest Product Disclosure Statement (PDS) and Additional Information brochure (AIB), dated 18 March 2022. Hostplus Self-Managed Invest is issued by Host-Plus Pty Limited ABN 79 008 634 704, AFSL No.244392, as trustee for the Hostplus Pooled Superannuation Trust (PST) ABN 13 140 019 340. This information is general information only and does not take into account your personal objectives, financial situation or needs. You should consider if this information is appropriate for you in light of your circumstances before acting on it. Please read the PDS available at smi.hostplus.com.au/investor/home before making a decision about Hostplus Self-Managed Invest. For a description of the target market, please read the Target Market Determination (TMD), available at smi.hostplus.com.au/ddo/HP1907/02/22