

Netwealth Superannuation Fund Member Outcomes Assessment

Trustee
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Fund Details
Netwealth Superannuation
Master Fund
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Executive summary

Each year, Netwealth Investments Limited ABN 85 090 569 109 AFSL 230975 (**NIL or Trustee**) in its capacity as Trustee of the Netwealth Superannuation Master Fund (**NSMF**) is required to assess its performance and determine whether the financial interests of members are being promoted.

The Trustee has conducted an assessment for the calendar year 2020 for the products listed below and determined it has promoted the financial interests of members.

1. Personal Super,
2. Employer Sponsored Super,
3. Income Stream,
4. Transition to Retirement Income Stream, and
5. Term Allocated Pension.

A summary of the findings is contained below.

Investment strategy

The Trustee does not generally make investment decisions on behalf of members. Rather, the investment strategy set by the Trustee is designed to allow members to make their own investment choices. A review of the Investment Strategy confirmed that the Trustee's approach contributes towards the promotion of a member's financial interests.

To enable members and their financial adviser to select assets, the Trustee assesses and determines which assets are appropriate for the NSMF. Netwealth's Investment Strategy provides for an extensive investment menu that allows members exposure to multiple assets, sub-asset classes, counter parties and geographic regions whilst taking into consideration factors such as liquidity and macro-economic risks. The Trustee's Investment Strategy recognises the value of independent research professionals and the Trustee engages their services to assist in the monitoring and maintenance of this investment menu. Liquidity of individual investment options are also reviewed prior to addition to the investment menu.

The Trustee has applied investments limits within its Investment Strategy to certain funds and assets not considered diversified to help encourage diversification of a member's portfolio, which reduces risk of over exposure to one or more assets / asset classes.

The Investment Strategy mandates a process for ongoing monitoring of member accounts to ensure minimum cash holdings and diversification limits are satisfied. This means that the Trustee may contact you or your adviser if changes are required to your investment holdings where you may not hold enough transactional cash in your account or you have an over exposure to one or more assets / asset classes.

Determination

For the 2020 calendar year the Trustee has determined it is satisfied the financial interests of members have been promoted

Investment risk & returns

The Trustee aims to ensure the investment menu covers a range of asset classes, investment styles and risk characteristics so members can construct a diversified portfolio appropriate to their needs, beliefs and objectives rather than the Trustee making the decision on their behalf. This approach recognises that most members of the NSMF have appointed a financial adviser and as such want to choose assets which meet their personal needs and circumstances.

The Trustee created an assessment which reviewed investment options in the context of investment strategies and returns being considered true to label and consistent with expected return outcomes to ensure that members and their financial adviser are better able to make appropriate decisions.

As a result of the Trustee's ongoing risk and return monitoring, a total of eight investment options (1.0% of the investment menu) had additional investment restrictions applied, reducing maximum member exposure. Nine investment options (1.1%) were removed from the investment menu after receiving a redeem rating by one or more independent research houses. Five (0.6%) were also removed after being closed by the underlying investment manager. One investment option with a redeem rating from an independent research house remains available to members but continues to hold an investment grade rating from at least one other independent research house.

The options, benefits and facilities provided to members.

The Trustee considered the NSMFs ranking in various areas of functionality as assessed by the 'Platform Competitive Analysis and Benchmarking Report' which covered the reporting period, produced by Investment Trends¹. The NSMF performed strongly across the board when options benefits and facilities were considered.

| | Product Offering | Transaction Tools | Decision Support | Reporting | Overall |
|------|------------------|-------------------|------------------|-----------|----------|
| NSMF | #2 of 18 | #1 of 18 | #1 of 18 | #1 of 18 | #1 of 18 |

Insurance strategy

The Trustee aims to provide a range of insurance options in the accumulation phase of superannuation. The assessment considered the membership profile of the fund (focusing on common characteristics), and in that context considered:

- Procedures for selecting, renewing and removing insurers,
- Breadth of insurance options currently available,
- The appropriateness (or not) of default insurance,
- Procedures designed to ensure the ongoing performance of the insurer(s).

¹ Investment Trends (ABN 14 107 485 656) is a privately owned financial services industry research company.

The fund currently facilitates four separate insurance offers: three retail insurance and one group insurance offer. The provision of multiple offers provides value to members in the form of premium competition and choice. The independence of the NSMF from its insurers also promotes true competition between insurers.

Unlike many other superannuation funds, the NSMF is not aligned to any employer, industry or distribution network. No members are defaulted into the NSMF. As a result, its membership base is both diverse and engaged (either directly or through a financial adviser). Given the diverse needs of the NSMF membership the Trustee concludes that default insurance is not appropriate, and instead provides significant member choice in this space.

Insurance fees

The Trustee considered the results of the last independent group insurance premium rate review, performed by a third party on behalf of the Trustee. Based on that review the Trustee determined that rates were broadly in line with the market and appropriate for the NSMF.

For retail insurance, the Trustee relies on choice to ensure competitive pricing, features and value to members. Members have a choice to select from three retail insurance propositions (in addition to the group insurance offer). Members can select the most appropriate fee/feature proposition to suit their personal needs.

Fees and costs

Basis for setting fees

The basis for setting fees was an assessment focused on the appropriateness of fee structure. The review found the NSMFs operating costs were appropriately reflected in the structure of fees, including the split between fixed and variable. The minimum fees applied ensure the cost of managing each member's account is recovered. Account fees are also capped ensuring members are not charged excessive fees. A user pays philosophy on many transactions and services also help to minimise the risk of cross subsidisation between members.

Level of fees

Using data from a third-party data provider SuperRatings², fees of the NSMF products were compared against six competitors at an account balance that most closely resembles the average NSMF holding. Competitors were chosen as their features and functionality were most likely to resemble that of the NSMF. Fees and costs were compared across both the full (Accelerator Plus) and restricted (Accelerator Core) investment menus. The NSMF ranked 5th out of 7 for Accelerator Plus and 2nd out of 7 for Accelerator Core.

² SuperRatings Pty Ltd (ABN 95 100 192 283) specialises in independent superannuation research. SuperRatings is part of the Lonsec Holdings Pty Ltd (ABN 41 151 235 406) group.

Fees & Costs at average account balance³

| Ave Acc Bal (\$) | Netwealth | Competitor minimum | Competitor average | Competitor maximum | Netwealth Rank |
|---------------------------|-----------|--------------------|--------------------|--------------------|----------------|
| Full menus (\$260K) | \$1,257 | \$977 | \$1,217 | \$1,668 | #5 of 7 |
| Restricted menus (\$130K) | \$488 | \$351 | \$612 | \$918 | #2 of 7 |

Fees and costs should be viewed in the context of the options, benefits and facilities provided to members. The fees and costs of the NSMF reflect the premium features of the NSMF as described earlier in this document and reflect that the value of these features can enable members to optimise their superannuation to meet their needs and circumstances.

Operating costs & scale

Compared to other superannuation providers in the market using APRA superannuation statistics⁴ the NSMF was the 32nd largest superannuation fund out of 141 by fund assets.

| | Industry | | | NSMF | |
|-------------------|----------|--------------|---------------|---------------|------------|
| | Minimum | Average | Maximum | Assets | Rank |
| Fund assets (\$K) | \$986 | \$12,319,433 | \$126,446,346 | \$ 11,723,604 | #32 of 141 |

Over the last 5 years NSMF increased member numbers by 12% pa and assets by 26% pa. This trend, along with the current size of the NSMF, contributes positively towards ongoing sustainability of the fund.

| | 1-Year (% pa) | 5-Years (% pa) |
|-----------------------------------|---------------|----------------|
| Growth in assets | +19% | +26% |
| Growth in total members | +10% | +12% |
| Growth in average account balance | +8% | +13% |

³ Super Ratings Superannuation Market Analysis and Research Tool (January 2021). Includes Account fees and Operational risk financial requirement, excludes any interest retained on cash accounts.

⁴ APRA Fund-Level Superannuation Statistics (30 June 2020)

Operating expense ratios of the Trustee have decreased materially over the last three financial years and are expected to continue to do so for the foreseeable future. This trend is primarily driven by the rapid increase in assets.

| | FY2017 | FY2018 | FY2019 | FY2020 |
|--|--------|--------|--------|--------|
| Operating expense ratio (%) ⁵ | 0.52% | 0.48% | 0.45% | 0.40% |

⁵ Operating expense ratio calculated as 100% of superannuation administration fees divided by average total NSMF balance over the financial year.

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