

# Netwealth Superannuation Master Fund Member Outcomes Assessment

---

**Trustee**

Netwealth Superannuation  
Services Pty Ltd  
ABN 80 636 951 310  
AFSL 528032  
RSEL L0003483

**Fund Details**

Netwealth Superannuation  
Master Fund  
ABN 94 573 747 704

Level 6/180 Flinders Street  
Melbourne VIC 3000

PO Box 336  
South Melbourne VIC 3205

---

February 2022

This document is for general use. Modification of content is prohibited unless you have Netwealth's express prior written consent.

## Executive summary

Each year, Netwealth Superannuation Services Pty Ltd ABN 80 636 951 310 AFSL 528032 (**NSS 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 2021 for the products listed below and determined it has promoted the financial interests of members.**

1. Accumulation,
2. Income Stream,
3. Transition to Retirement Income Stream, and
4. Term Allocated Pension.

The Trustee determined it is satisfied that the financial interests of members have been promoted for all products by:

- An Investment Strategy that promotes diversification and quality assets
- A wide range of investment options and robust approval and monitoring processes
- The range of options, benefits, and facilities available to members
- An Insurance Strategy that makes available a range of insurance offers to members
- Competitive insurance fees, determined to be at or below industry average
- Competitive fees and costs compared to other superannuation wrap products
- Continued growth in assets and member numbers contributing to a decreasing operating expense ratio

A summary of the findings is contained below. Unless otherwise stated, the findings in this summary are applicable to all products within the NSMF.

## 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, engaging their services to assist in the monitoring and maintenance of the investment menu. The liquidity of individual investment options are also reviewed prior to addition to the investment menu.

The Trustee applies investments limits within its Investment Strategy to certain investments to facilitate diversification of a member’s portfolio, which reduces the risk of concentration 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 members or their financial adviser if changes are required when cash holdings fall below the minimum or there is an over exposure to one or more assets / asset classes.

## Investment risk and 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, preferences, and objectives rather than the Trustee making the decision on their behalf.

The Trustee has created an assessment which reviewed investment options in the context of their 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, two investment options (0.2% of the investment menu) had additional investment restrictions applied over the calendar year, reducing the maximum allowable exposure. Four investment options were removed due to failing a quarterly performance review (0.4%). Nineteen investment options were removed after receiving a redeem rating by one or more independent research houses.

## The options, benefits and facilities provided to members.

The Trustee considered the NSMFs ranking in various areas of functionality as assessed by the annual ‘Platform Competitive Analysis and Benchmarking Report’ which covered the reporting period, produced by Investment Trends<sup>1</sup>. The NSMF performed strongly across the board when options, benefits and facilities were considered.

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

The Trustee provides services to members via:

- Online tools including digital portfolio management tools, performance reports, investment research tools and an enhanced mobile application
- Contact centre available from 8:30am to 7pm Monday to Thursday and 8:30am to 6pm Friday.
- Reports and statements repository including the ability to customise reports

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

## Insurance strategy

The Trustee aims to provide a range of insurance options for the accumulation product. The assessment considered the membership profile of the fund and considered:

- Procedures for selecting, renewing, and removing insurers,
- Breadth of insurance options currently available,
- The appropriateness of default insurance,
- Procedures designed to ensure the ongoing performance of the insurer(s).

The NSMF currently facilitates four separate insurance offers: three retail insurance and one group insurance offer. Multiple insurance offers provide benefits to members in the form of an easy to obtain, cost-effective offer (group insurance), a choice of three retail providers for bespoke insurance arrangements. 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 competition between insurers.

Unlike many other superannuation funds, the NSMF is not aligned to any employer, industry, or distribution network and does not have any default members. Given the diverse membership of the NSMF, the Trustee concludes that default insurance is not appropriate, and instead provides members with a choice of insurers.

## Insurance fees

Insurance options are only offered within the accumulation product; therefore insurance fees are only applicable for this product.

An independent third party conducted a review on behalf of the Trustee, which found that insurance administration fees, were well below the industry average.

The Trustee considered the results of the last group insurance premium rate review, performed by an independent third party on behalf of the Trustee. Based on that review the Trustee determined that insurance premiums 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 providers in addition to the group insurance offer. Members can select the most appropriate cover to suit their personal needs.

To meet the requirements of the *Protecting Your Super (PYS)* legislation, the Trustee produces weekly reports to identify inactive members<sup>2</sup> to avoid charging insurance fees to these accounts.

---

<sup>2</sup> Inactive members are defined as members who have not received a contribution or rollover into their account for at least 16 months.

## Fees and costs

### Basis for setting fees

The basis for setting fees was an assessment focused on the appropriateness of the fee structure. The review found the NSMFs operating costs were appropriately reflected in the structure of fees, including the split between fixed and variable. There is a minimum fee applied per account, however fees are also capped to ensure members are not charged excessive fees. The Trustee has a user pays philosophy for transaction fees such as brokerage, international share trading and some corporate actions.

### Level of fees

Each of the NSMF products were compared against similar superannuation wrap products available through the Chant West Wrap Comparator Tool at the average NSMF portfolio balance of \$260K. Each product was compared against competitor superannuation wrap products with similar features, which resulted in between 21 and 40 comparison products.

### Fees and Costs at average account balance (\$260K)

	Accumulation	Income Stream	TTR	TAP
Core ranking	10/22	10/21	10/21	10/21
Plus ranking	13/40	13/36	13/36	13/36

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 and scale

Compared to other superannuation providers in the market using the latest available APRA annual superannuation statistics<sup>3</sup>, the NSMF was the 23<sup>rd</sup> largest superannuation fund out of 105 by fund assets.

	Industry			NSMF	
	Minimum	Average	Maximum	Total assets	Rank
Total assets (\$K)	\$20	\$15,790,296	\$244,939,807	\$ 17,018,668	#23 of 105

<sup>3</sup> APRA Fund-level Superannuation Statistics (30 June 2021)

Over the last 5 years, NSMF member numbers increased by 13% pa and assets increased by 28% 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 total assets	+45%	+28%
Growth in total members	+17%	+13%
Growth in average account balance	+9%	+13%

The operating expense ratio of the Trustee has decreased over the last four financial years and is not expected to increase materially in future years. Given this, the Trustee concludes that operating costs are not inappropriately affecting the financial interests of members.

	FY2017	FY2018	FY2019	FY2020	FY2021
Operating expense ratio (%) <sup>4</sup>	0.52%	0.48%	0.45%	0.40%	0.33%

<sup>4</sup>The operating expense ratio is calculated as total superannuation administration fees divided by average total assets over the financial year.