

Netwealth Superannuation Master Fund Member Outcomes Assessment Summary

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

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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 2023 for the products listed below and determined that it has promoted the financial interests of members.

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

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

- 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 four 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, 16 investment options (1.74% of the investment menu) had additional investment restrictions applied over the calendar year, reducing the maximum allowable exposure. Three investment options were removed due to failing a quarterly performance review (0.33%). 16 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 Trends¹. The NSMF performed strongly across the board when options, benefits and facilities were considered and ranked highest overall in terms of platform functionality.

	Product Offering	Transaction Tools	Decision Support	Reporting Tools	Cyber security*	Overall
NSMF	#1 of 9	#1 of 9	#3 of 9	#2 of 9	#2 of 9	#2 of 9

* sub-category

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 AEDT Monday to Thursday and 8:30am to 6:30pm AEDT Friday.
- Reports and statements repository including the ability to customise reports

¹ 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.

A recent review performed by KPMG² concluded that insurance administration fees charged by the NSMF, were below the industry average.

Accounting for the market tender conducted during 2021 along with the assessment of the Heron Partnership, the Trustee concluded the proposed changes to group insurance premiums were appropriate and broadly in line with the market.

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 members³ to avoid charging insurance fees to these accounts.

²'Fee Structure & Fee Level Review Report' by KPMG February 2021

³ 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 four NSMF products were compared against similar superannuation wrap products available through the Chant West Wrap Comparator Tool at the average NSMF portfolio balance of \$285K⁴. Each product was compared against competitor superannuation and pension wrap products with similar features, which resulted in between 20 and 41 comparison products.

Fees and Costs at average account balance (\$285K)

	Accumulation	Income Stream	TTR	TAP
Core ranking	(6/25)	(6/24)	(6/24)	(6/24)
Plus ranking	(14/39)	(16/38)	(16/38)	(16/38)

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 as described earlier in this document. The Trustee does not seek to have the cheapest offering but rather provide functionality and service benefits at a reasonable or competitive cost.

Operating costs and scale

Compared to other superannuation providers in the market using the latest available APRA annual superannuation statistics⁵, the NSMF was the 27th largest superannuation fund out of 102 as measured by fund total assets.

	Industry			NSMF	
	Minimum	Average	Maximum	Total assets	Rank
Total assets (\$K)	\$227	\$24,171,748	\$311,497,761	\$ 23,967,998	#27 of 102

⁴ Chant West analysis performed January 2024

⁵ APRA Fund-level Superannuation Statistics (30 June 2023)

Over the last 3 years, NSMF member numbers increased by 14% pa and total assets have increased by 28% pa. This trend, along with the current size of the NSMF, contributes positively towards the ongoing sustainability of the Fund.

	1-Year (% pa)	3-Years (% pa)
Growth in total assets	+25%	+28%
Growth in total members	+10%	+14%
Growth in average account balance	+11%	+11%

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.

	FY2019	FY2020	FY2021	FY2022	FY2023
Operating expense ratio (%) ⁶	0.49%	0.46%	0.38%	0.37%	0.36%

⁶ The operating expense ratio is calculated as total superannuation administration fees divided by average total assets over the financial year.