

Slate Super

Member Outcomes Assessment
For the year ended 30 June 2022

28 February 2023

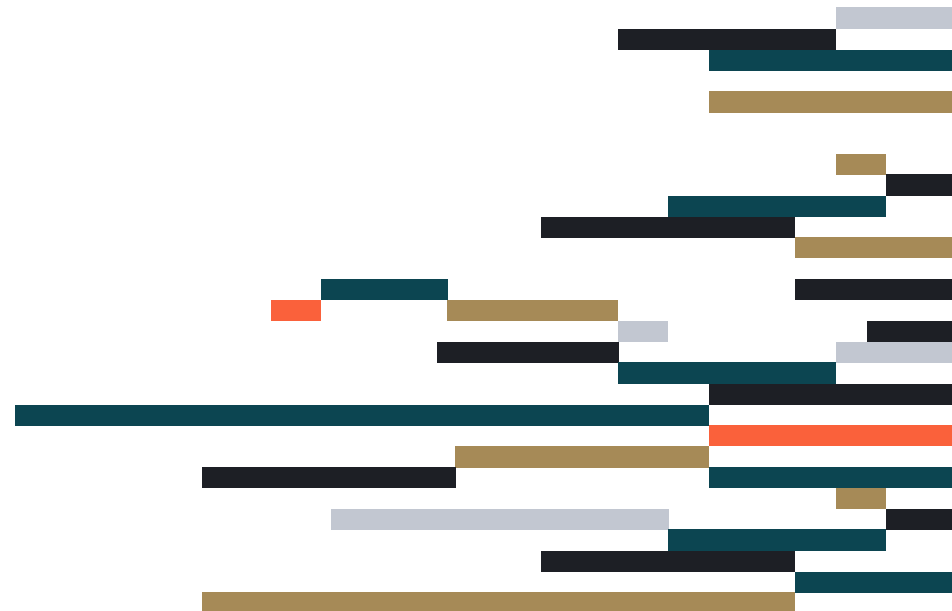


Table of contents

Item	
Introduction	3
Executive summary	5
Choice overview	7
Choice assessment	9
Product appropriateness assessment	16



Introduction

Introduction

What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to Slate Super (incorporating Simple Choice Super) (“Slate Super”). It analyses how Slate Super’s products compare to similar products and whether these products are serving the financial interests of the members. The document will present the final conclusions and summary, before going into detail on steps 1 and 2 of the assessment.

All data is reported in accordance with APRA requirements. This assessment was undertaken in February 2023, and is relevant for the financial year ended 30 June 2022.

Approach for this assessment

Step 1: Measure and compare products



1. Return comparison
A comparison of returns



2. Fee comparison
A comparison of fees



3. Risk comparison
A comparison of investment risk

Step 2: Assess product appropriateness

Assessment of product appropriateness against key factors that can affect superannuation

Section 52 (11)

1. Options, benefits and facilities
2. Investment strategy
3. Insurance strategy and fees

SPS 515

4. Scale
5. Operating costs
6. Basis for setting fees

Step 3: Publish determination

A publication with a determination for each product is required to assess whether the financial interests of the beneficiaries who hold the product are being promoted.



Executive Summary

Product Determination

The Trustee has determined that it is not promoting the financial interests of the beneficiaries invested in its Accumulation product on the basis that:

- Total fees (which includes both administration and investment fees) are higher than the peer fund median across all modelled balance points;
 - Slate Super's lifestage investment returns and investment risk performed poorly against peers (noting they were only introduced during FY21 therefore longer-term data is not available to consider); and
 - Investment returns and risk-adjusted returns for the Balanced Growth investment option are lower than peer fund medians for the one and three year periods available. However, this investment option is closed to new members.
- However, the Trustee does note that:
- On 1 June 2022, a zero fee was introduced in the dollar-based membership fees for members with account balances of less than \$2,000; and

The Trustee is currently in discussions with the promoter of Slate Super regarding the future of the Fund with a view to improve member outcomes in the long-term.



Choice Overview

Slate Super Overview

Slate Super offers investors the opportunity to invest in socially responsible diversified products. Slate Super offers four diversified investment options under a lifestage investment structure which was launched during FY21. Each investment option has a varying growth asset allocation to suit an individual's circumstance. There is also a diversified Balanced Growth investment option, however this option is closed to new members effective from 1 July 2020.

Slate Super's investment options focus on ensuring members are not invested in assets involved in:

- Fossil Fuels;
- Weapons and armaments;
- Tobacco;
- Gambling; and
- Violations of human rights.





Choice Assessment

Fees & Costs Comparison: Lifestage Investment Options

Total Fees

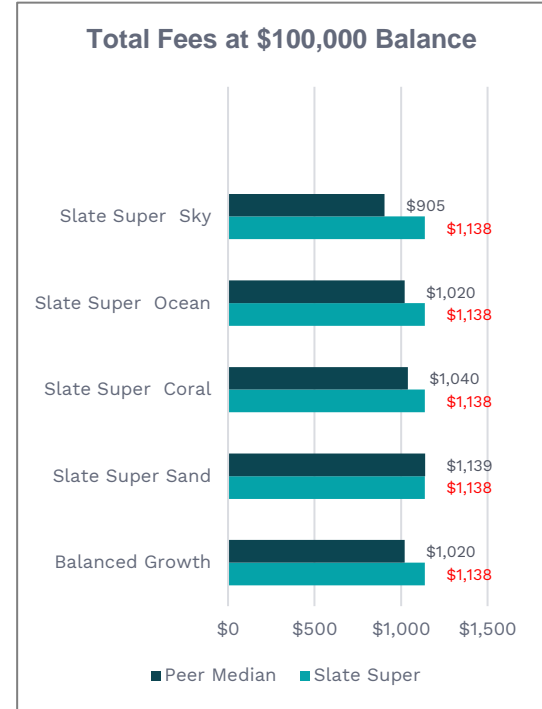
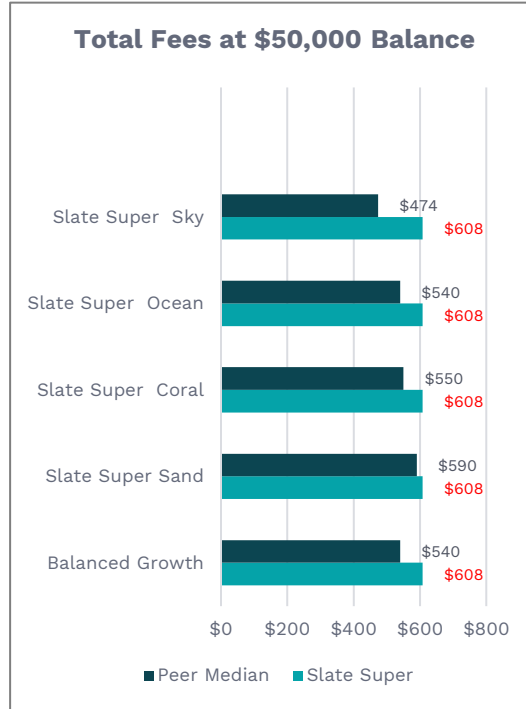
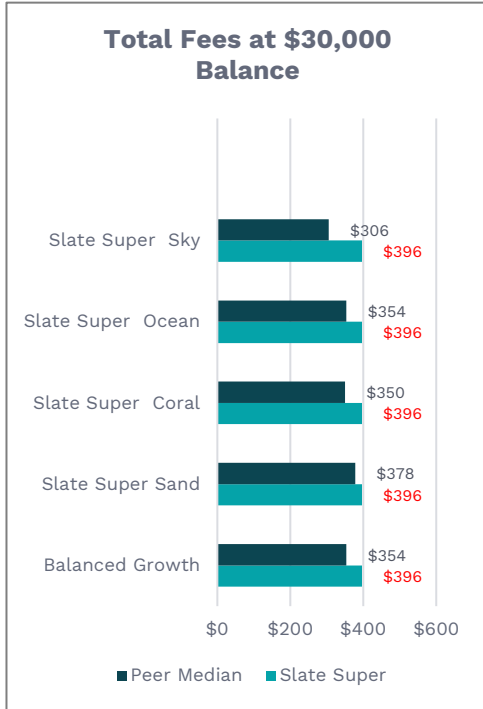
Slate Super's total fees (administration fee plus investment fees) for its lifestage investment options are compared to peer fund median fees in the charts on the following page. All investment options are above the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances (other than Slate Super Sand for a \$100,000 balance).

Administration Fees

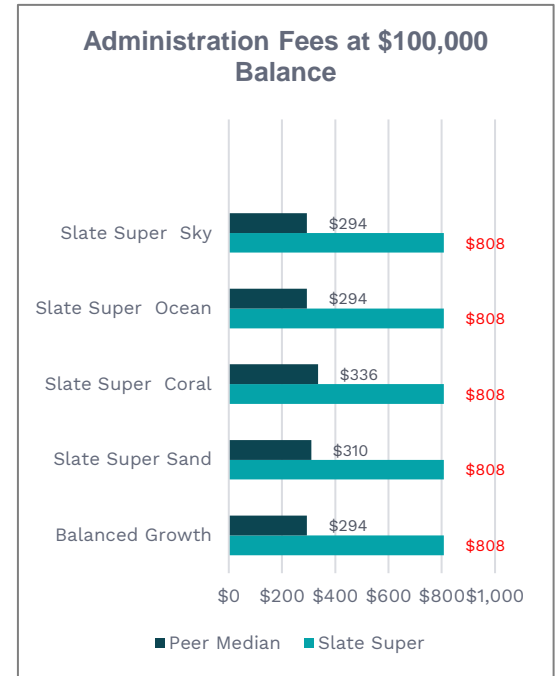
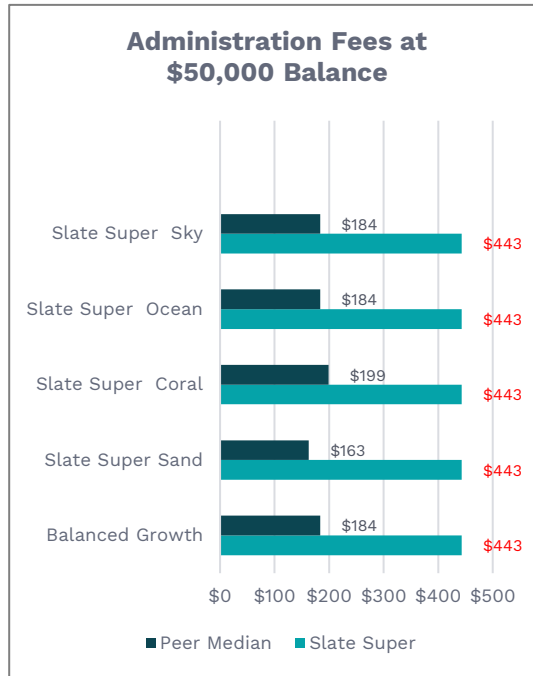
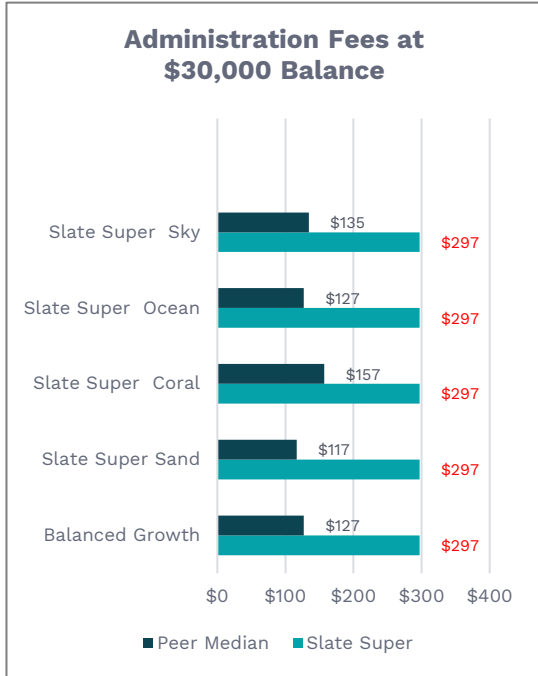
On page 12, Slate Super's administration fees for its lifestage investment options are compared to peer fund median administration fees. Slate Super is significantly higher cost than the median across all investment options when calculated on \$30,000, \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is not promoting the financial interests of the beneficiaries of its lifestage product as the total fees for Slate Super at a product level is above the peer fund median. The Trustee notes that improvement on administration fees is also needed in order to be more competitive with peers.

Fees & Costs Comparison – Total Fees



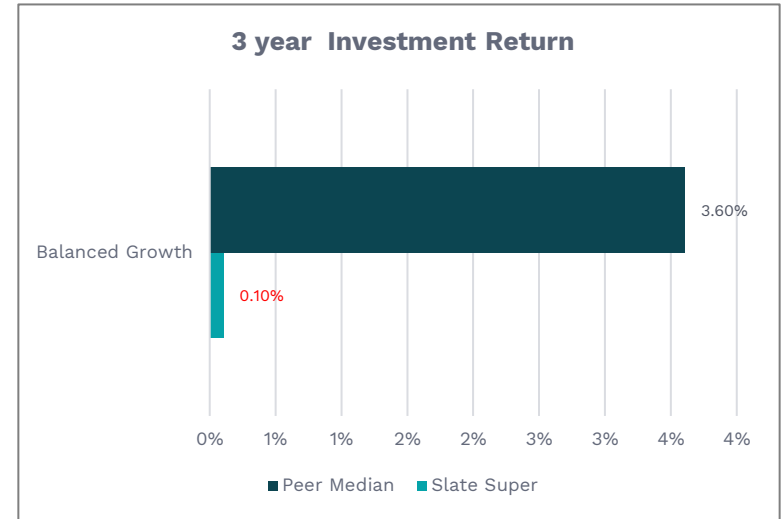
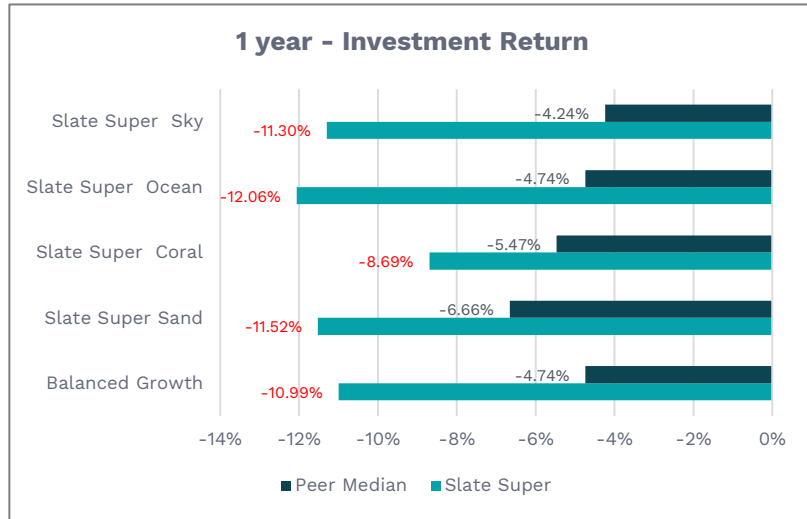
Fees & Costs Comparison – Administration Fees



Investment Return Comparison

The graphs below illustrates Slate Super's investment performance for all its investment options compared to the relevant peer fund medians. Slate Super's net investment returns over one and three years to 30 June 2022 have underperformed the peer fund medians (noting the lifestage options were only launched in FY21 so only one-year returns are available).

The Trustee has determined it is not promoting the financial interests of the beneficiaries as both short and long term performance are significantly below peers (noting the lifestage options were only launched in FY21 so only one-year returns are available).

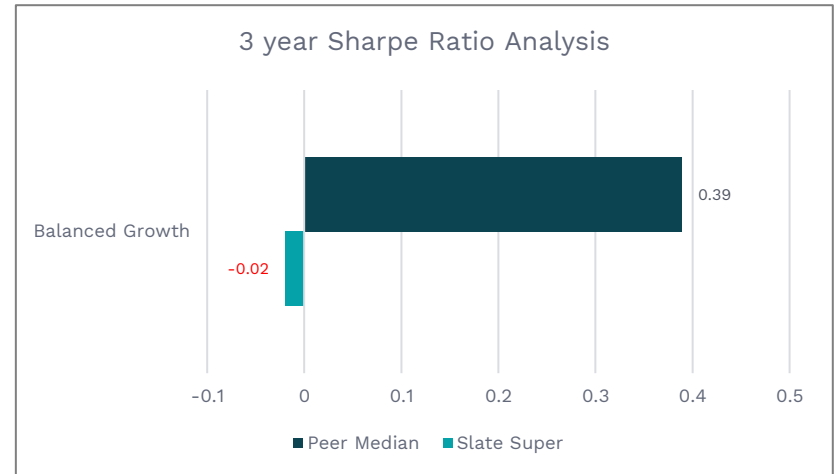
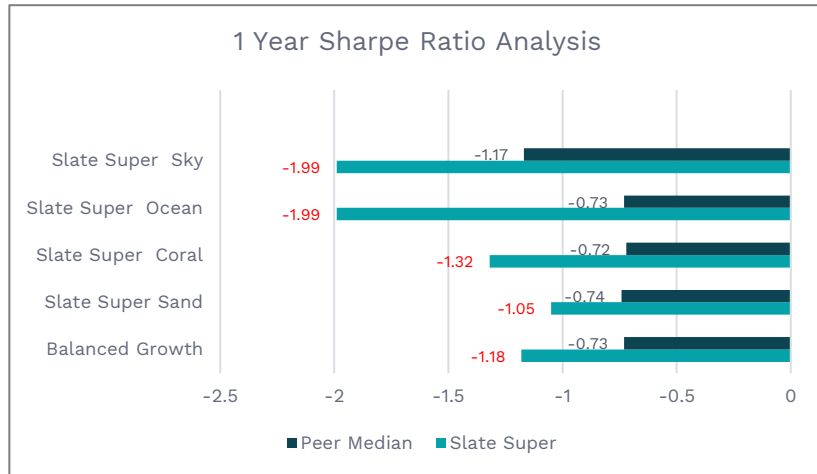


Investment Risk Comparison

In the following graph, we measure the performance of Slate Super's investment options after adjusting for risk and comparing against the peer fund median. To do this, we apply a Sharpe ratio calculation which is a standardised measure of risk-adjusted returns. The higher the ratio, the greater the investment return relative to the amount of risk taken, representing the additional amount of return that an investor receives per unit of increase in risk.

Slate Super's Sharpe ratio for all investment options is significantly lower than the peer median over the one and three year timeframes (noting the lifestage options were only launched in FY21 so only a one-year comparison is available).

The Trustee has determined the financial interests of the members are not being promoted as risk-adjusted returns are lower than the peer fund median.





Product Appropriateness Assessment

OPTIONS, FACILITIES & BENEFITS

While Simple Choice Super is closed to new members, Slate Super does offer members access to a mobile app available in both the Google Play and Apple App Store. Designed with usability and function at its core, the app's features include:

- Financial calculator and retirement planning tools with a focus on visual engagement
- Provides smart prompts and alerts to help members stay on track, with alerts for when a super contribution is made, missed or late
- Balance and transactions history
- Assistance with member information to assist when job changes occur

The Trustee has made available to members a Retirement Income Calculator via its website. The calculator is a forecasting tool that is free to members and is intended to assist them in reviewing their financial situation and to help them engage with their superannuation, particularly as they approach retirement.

The Trustee has determined that the options, benefits and facilities offered under the product are appropriate to members.

INVESTMENT STRATEGY

Slate Super offers lifestage diversified investment options with a shifting growth asset allocation. Slate Super's products move from an all growth asset allocation to a majority defensive asset allocation.

Slate Super offers a product for investors who are seeking an Environmental, Social and Governance ('ESG') product with negative screening elements. The negative screening excludes fossil fuels, environmental destruction, weapons and armaments, tobacco, gambling and human rights violations and are applied to the equity component.

Slate Super's lifestage investment strategy takes into consideration age, gender and account balance to determine risk profile and growth allocation.

It is also noted Simple Choice Super's single strategy Balanced Growth option is closed to new members. As an investment option it caters to a wide risk appetite pool suitable for a variety of investors with an ESG strategy incorporated into the equity component.

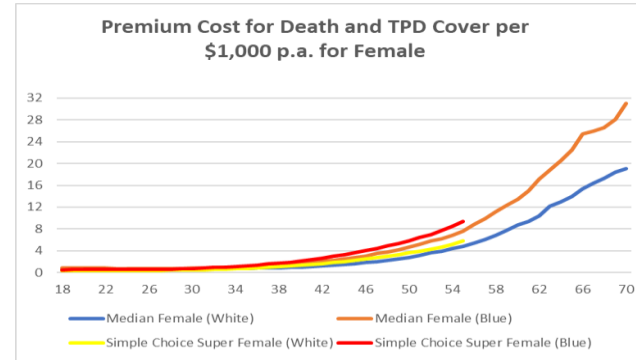
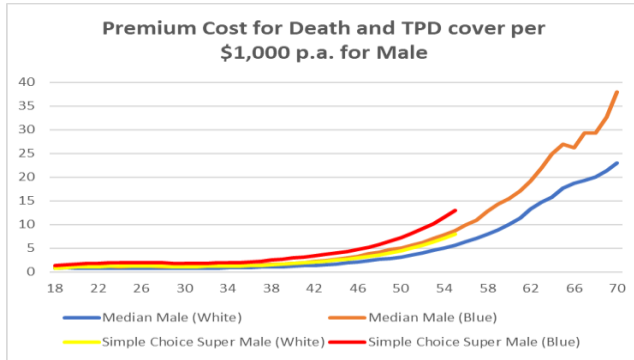
The investment strategy was last reviewed in December 2022. There were no changes to the investment objectives, although the strategic asset allocations were changed as a result of this review.

Slate Super offers a simple investment menu which is appropriate as the strategy caters for a wide risk appetites.

INSURANCE STRATEGY & FEES

Slate Super provides insurance for members through AIA Australia. As members must opt-in to standard insurance cover when they first join, after considering their personal situation and needs, the Trustee has determined that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

The following graph shows how Slate Super's premiums* for Automatic Death and Total and Permanent Disability insurance cover compared to the industry median. Generally speaking, as members become older, the premiums increase to reflect the rise in health risk. As shown below, we consider the insurance premiums to be reasonable relative to the median when taking into account the age demographics of Slate Super's members.



Based on our analysis, the Trustee has determined that that the insurance strategy for the product is appropriate for Slate Super's members, and that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

SCALE

Slate Super had 63,057 members with approximately \$253 million in funds under management as at 30 June 2022.

These figures are indicative of Slate Super's relatively small size in the industry, although the figures below shows significant growth during the FY22.

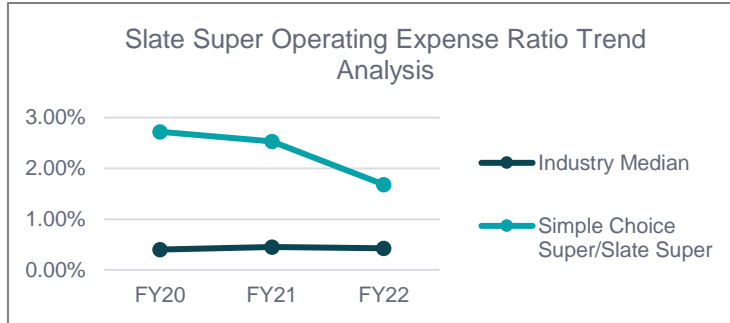
- Funds Under Management ('FUM') grew by 124.67%, compared to the industry median of -4.12%
- Net members' benefits flows of \$177.5M, compared to the industry median of \$23.8M
- Number of member accounts grew by 139.69%, compared to the industry median of 0.084%
- Net rollovers into Slate Super of \$117.5M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 14.25%, compared to the industry median of 91.40%

From the above, Slate Super's growth rate is positive and higher than the industry median. However, for the product to remain sustainable it requires this growth to continue year on year in order for it to be in a competitive position to help drive down costs as more members join the fund. Due to the low average member account balances, it may be difficult to achieve this in the short to medium term.

The Trustee is currently in discussions with the promoter of Slate Super regarding the future of the Fund with a view to improve member outcomes in the long-term.

OPERATING COSTS

Slate Super's operating expense ratio for FY20 to FY22 is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that Slate Super's operating expense ratio is significantly higher than that of the median fund but dropped significantly between FY21 to FY22. To help address this, on 1 June 2022, a zero fee was introduced in the dollar-based membership fees for members with account balances of less than \$2,000.



The Trustee notes that there is an opportunity to improve this ratio in the future as Slate Super continues to grow, however this remains higher than the industry median and should be closely monitored in the future.

BASIS FOR SETTING FEES

It is clear when compared to the industry peer median the administration fees for Slate Super for \$30,000, \$50,000 and \$100,000 balances is too high and further fee reductions should be considered to align the product with its peer median.

Therefore, the basis for setting fees is not considered appropriate for Slate Super's members.



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