

Simple/Slate Super

Member Outcomes Assessment
For the year ended 30 June 2023

28 February 2024

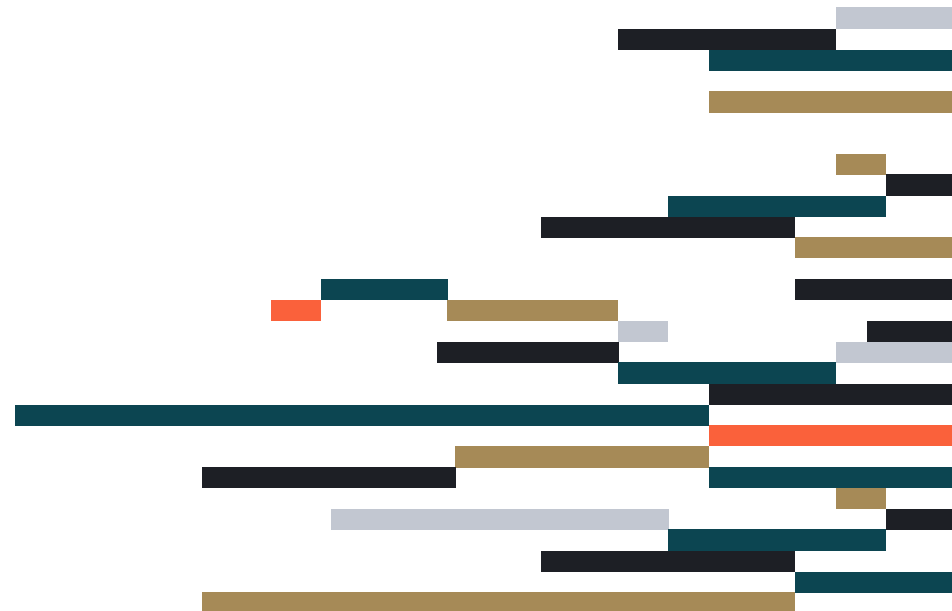


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Introduction

Introduction

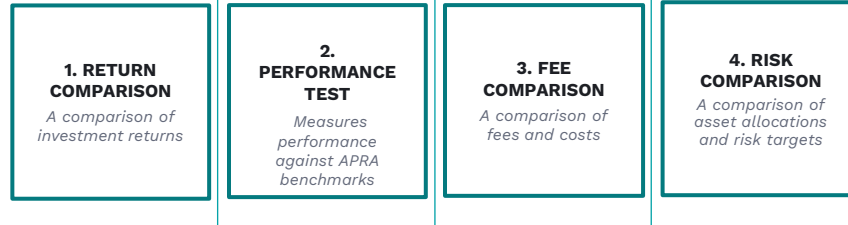
What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to Slate Super (incorporating Simple Choice Super which is closed to new members) (“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 2024, and is relevant for the financial year ended 30 June 2023.

Approach for this assessment

Step 1: Measure and compare products



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; and
- The relatively high operating expense ratio may indicate member retirement balances being inappropriately eroded.

However, the Trustee does note that:

- Although Simple Choice Balanced Growth has underperformed over 3 and 5-year periods, over 83% of Slate Super is invested in the lifestage options, for which only one-year returns are available. Accordingly, it has not been deemed appropriate to make a determination as to whether the Trustee is promoting the financial interests of the beneficiaries in relation to investment returns over such a short period, given the long-term nature of superannuation;
- On 30 September 2023, there was a 0.11% fee reduction applied to percentage-based administration fees, with further fee reductions anticipated to be introduced by 30 June 2024;
- A number of Slate Super's objective assessment factors, including Slate Super's options, benefits and facilities and investment strategy, are considered appropriate for Slate Super's members and do not inappropriately erode their retirement balances; and
- Given Slate Super's relatively small size in the industry, the Trustee is currently working with the Promoter to potentially merge with a larger fund to decrease costs and improve long-term sustainability.



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 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.

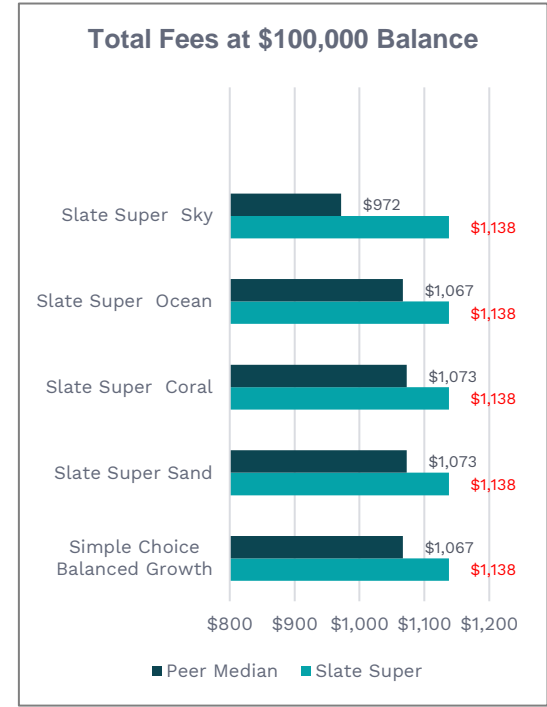
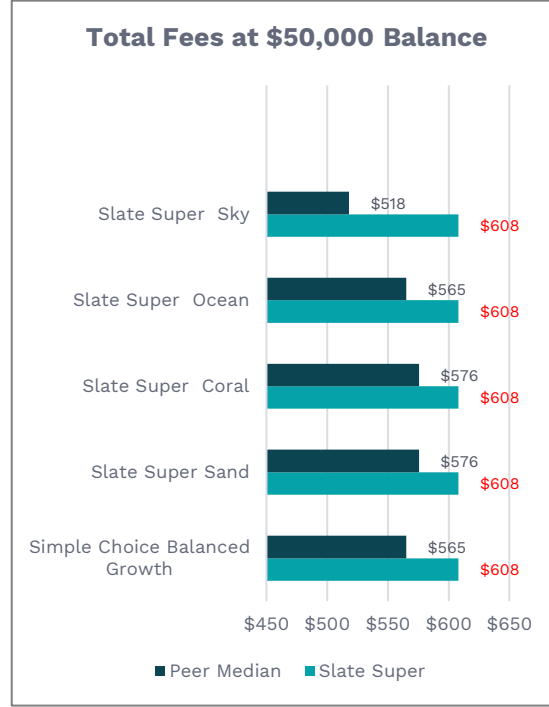
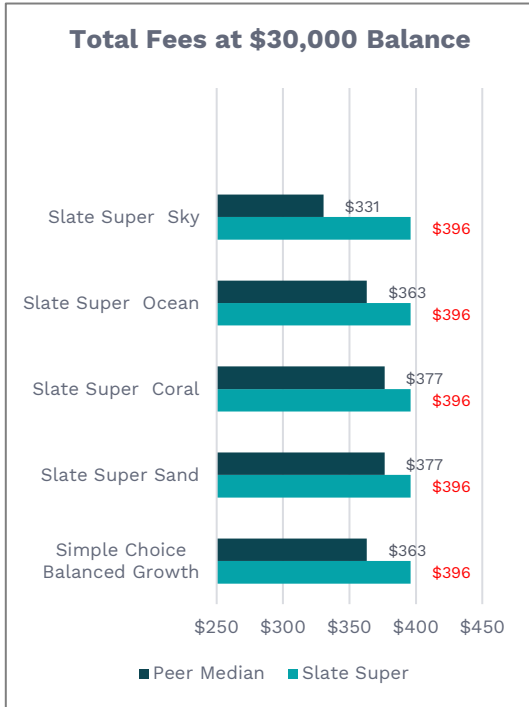
Administration Fees

On page 12, Slate Super's administration fees for its 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.

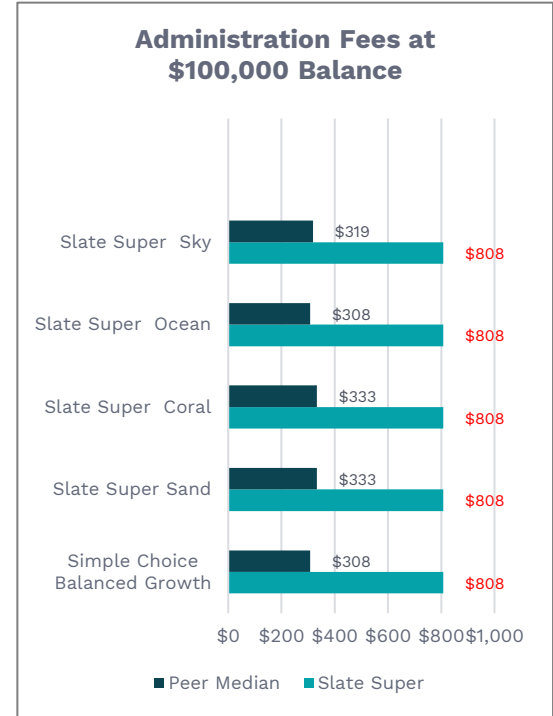
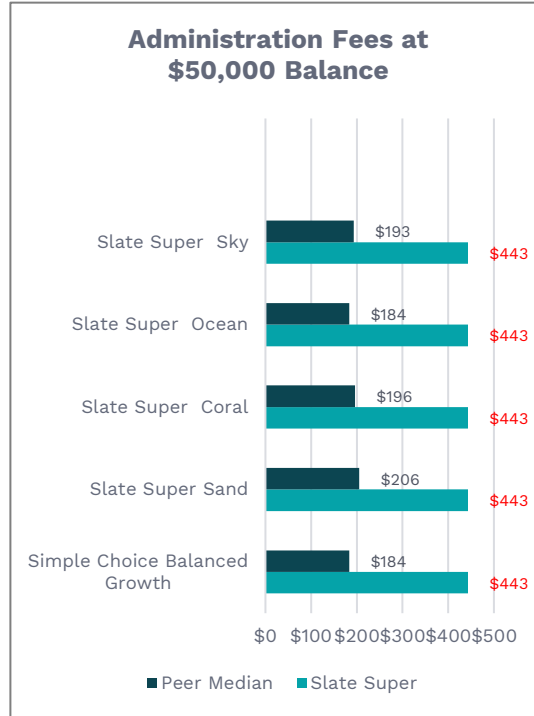
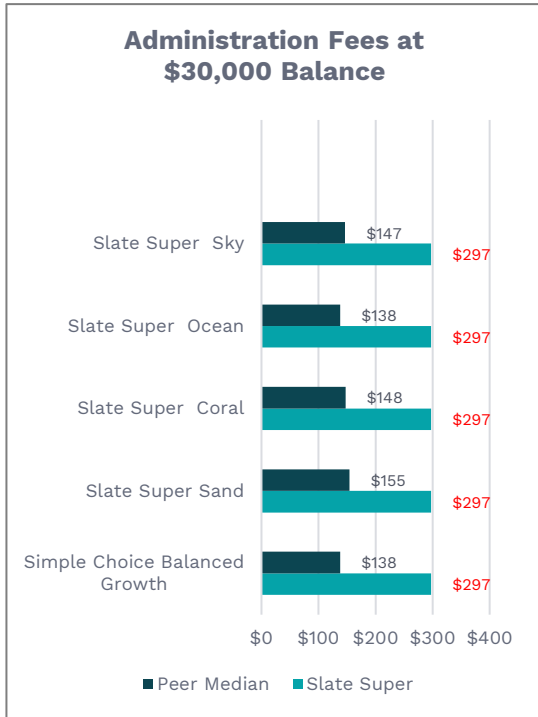
Summary

On balance, the Trustee has determined it is **not** promoting the financial interests of the beneficiaries 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

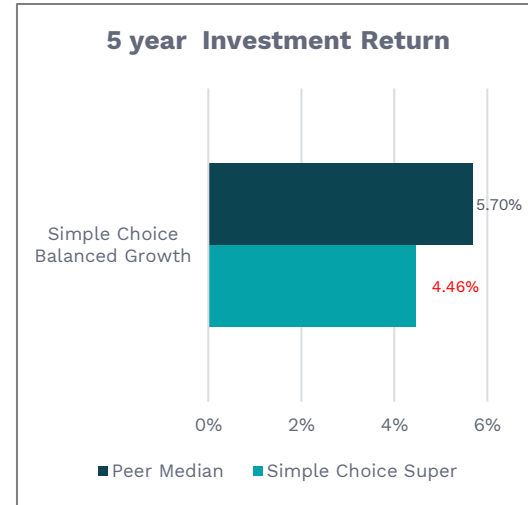
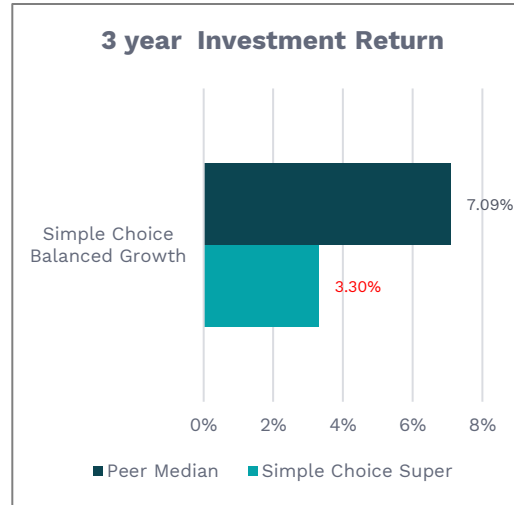
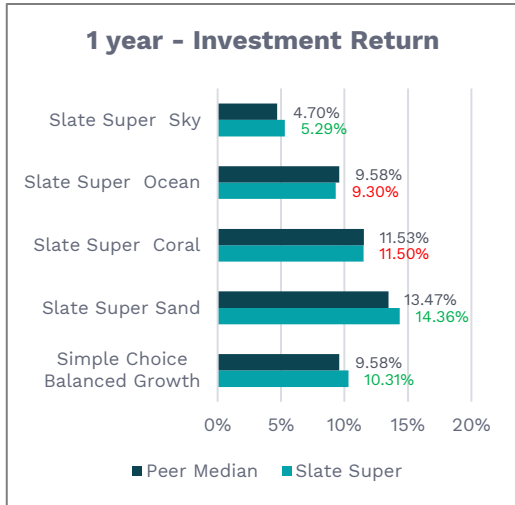


Investment Return Comparison

The graphs below illustrates Slate Super's investment performance for all its investment options compared to the relevant peer fund medians. For 3 of 5 investment options, Slate Super's net investment returns* have outperformed the peer median over one-year to 30 June 2023. Simple Choice Balanced Growth has underperformed the peer fund median investment returns for 3-year and 5-year periods (noting the Slate Super's lifestage options were only launched in FY21 so only one-year returns are available).

Although Simple Choice Balanced Growth has underperformed over 3 and 5-year periods, over 83% of Slate Super is invested in the lifestage options, for which only one-year returns are available. Accordingly, it has not been deemed appropriate to make a determination as to whether the Trustee is promoting the financial interests of the beneficiaries in relation to investment returns over such a short period, given the long-term nature of superannuation.

* Slate Super's net investment returns are calculated before factoring in asset-based percentages and flat dollar amount administration fees



APRA's annual performance test: Accumulation

From 1 July 2023, certain accumulation diversified investment options are subject to APRA's annual performance test. The test measures the performance of these investment options against a benchmark determined by APRA. It compares the investment option's earnings, less costs, with those of similar investment options over the same period. It does not consider member's personal situation, fees, or tax. Only investment options with performance history of at least 6 years were included in the 2022/23 performance test.

Where an investment option fails the performance test for the first time, the trustee must inform members of this fact in writing. Where an investment option fails the performance test for two consecutive years, the trustee will be prohibited from accepting new members into that option.

The performance test assessment metric is based on two components:

1. an investment return component that measures the net investment return of a product relative to an APRA determined benchmark that is created using a product's strategic asset allocation (SAA) (the '*Actual return minus benchmark return*' in the table below). The investment return, relative to the benchmark, measures how a Trustee is delivering value to members when implementing the SAA for the product; and
2. an administration fees component, which compares the latest year of administration fees and costs charged to an industry benchmark. For each option, a representative administration fees and expenses ('*RAFE*' in the table below) measure is determined based on fees over the latest year for a representative member with an account balance of \$50,000 and this is compared to a benchmark ('*Relevant BRAFE*' in the table below), which is the median RAFE of all options within each product group.

An investment option fails the performance test if the '*performance test metric*' is below a threshold of minus 0.50% points per annum.

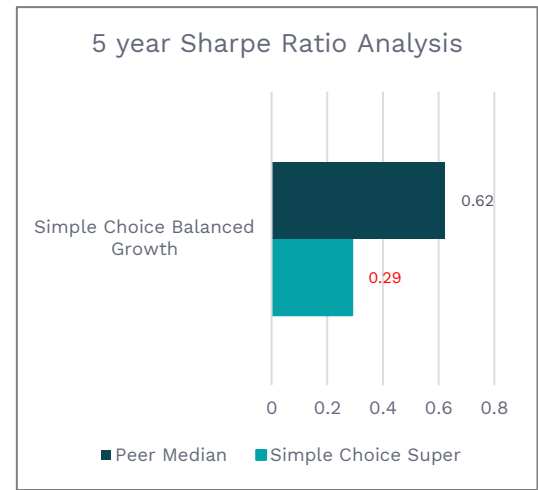
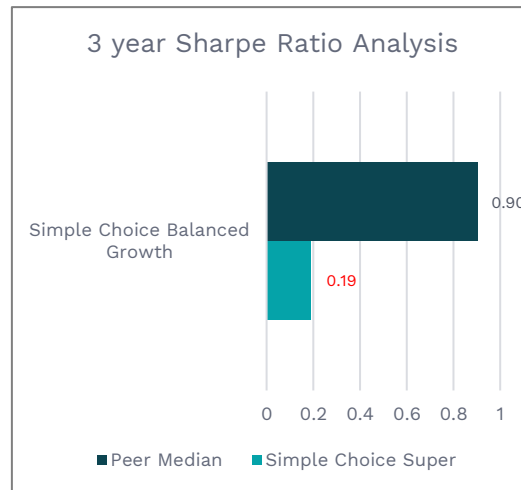
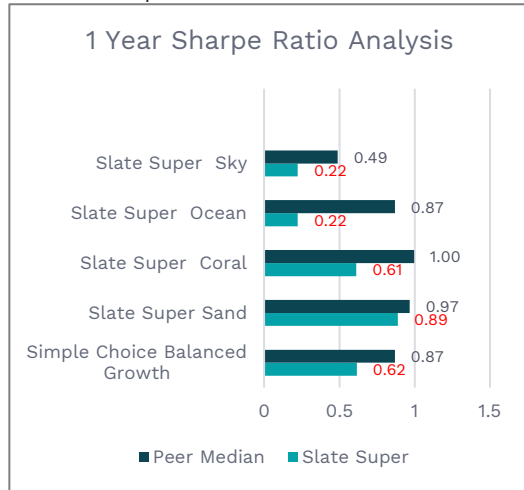
None of the Slate Super investment options were assessed under the performance test as they did not have a 6-year performance history to 30 June 2023.

Investment Risk Comparison

In the following graphs, 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 all measured timeframes (noting the lifestage options were only launched in FY21 so only a one-year comparison is available).

Although Simple Choice Balanced Growth has underperformed over all measured periods, over 83% of Slate Super is invested in the lifestage options, for which only one-year returns are available. Accordingly, it has not been deemed appropriate to make a determination as to whether the Trustee is promoting the financial interests of the beneficiaries in relation to investment returns over such a short period, given the long-term nature of superannuation.





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:

- 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 for Australian and international equity investments. 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.

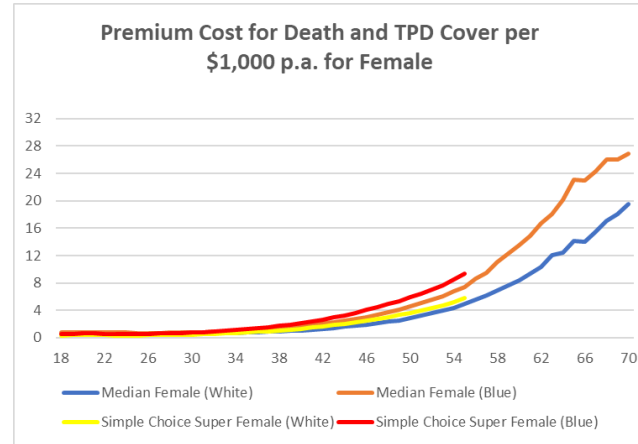
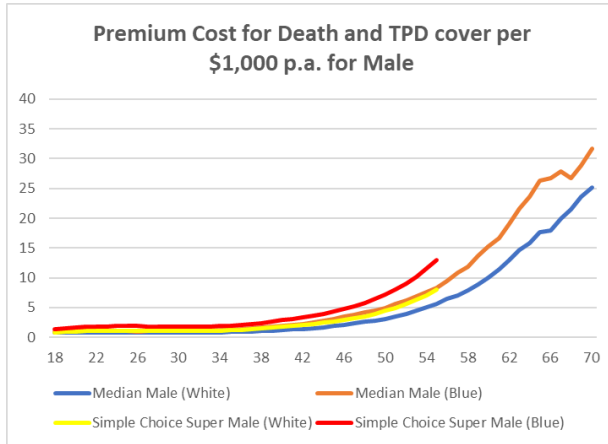
The investment strategy was last reviewed in December 2022. There were no changes to the investment objectives, although the strategic asset allocations were changed as a result of this review.

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 graphs show 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 that the average Slate Super member's age is 29, at which point premiums are competitive.



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 90,014 members with approximately \$502 million in funds under management as at 30 June 2023. These figures are indicative of Slate Super's relatively small size in the industry, although the figures below shows significant growth during the FY23.

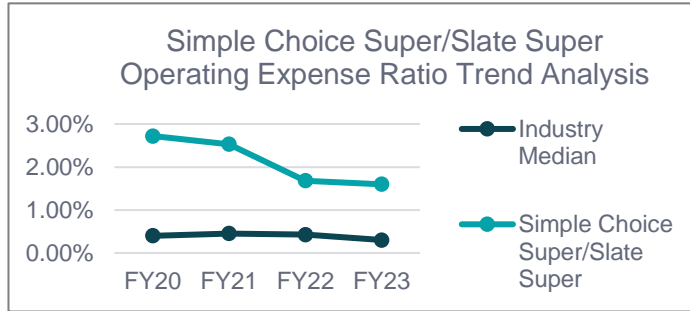
- Funds Under Management ('FUM') grew by 98.4%, compared to the industry median of 10.10%
- Net members' benefits flows of \$201.3M, compared to the industry median of \$9.07M
- Number of member accounts grew by 42.75%, compared to the industry median of 1.157%
- Net rollovers into Slate Super of \$47.8M, compared to the industry median of -\$29.9M
- Net members' benefit outflow ratio of 21.15%, compared to the industry median of 90.65%

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.

Given Slate Super's relatively small size in the industry, the Trustee is currently working with the Promoter to potentially merge with a larger fund to decrease costs and improve long-term sustainability.

OPERATING COSTS

Slate Super's operating expense ratio for FY20 to FY23 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, although it dropped slightly between FY22 to FY23.



The relatively high operating expense ratio may indicate member retirement balances being inappropriately eroded. The Trustee is currently working with the Promoter to potentially merge with a larger fund which would likely decrease this ratio in the future.

BASIS FOR SETTING FEES

The administration fee is comprised of the combination of a flat dollar-based fee (\$78 per annum) and a basis points fee (0.73% per annum), ensuring services available to all members are appropriately shared across the fund membership base. It is to be noted that account balances below \$2,000 are not charged the flat dollar fee of \$78. This is appropriate given Slate Super's low average balance of \$5,701.96.

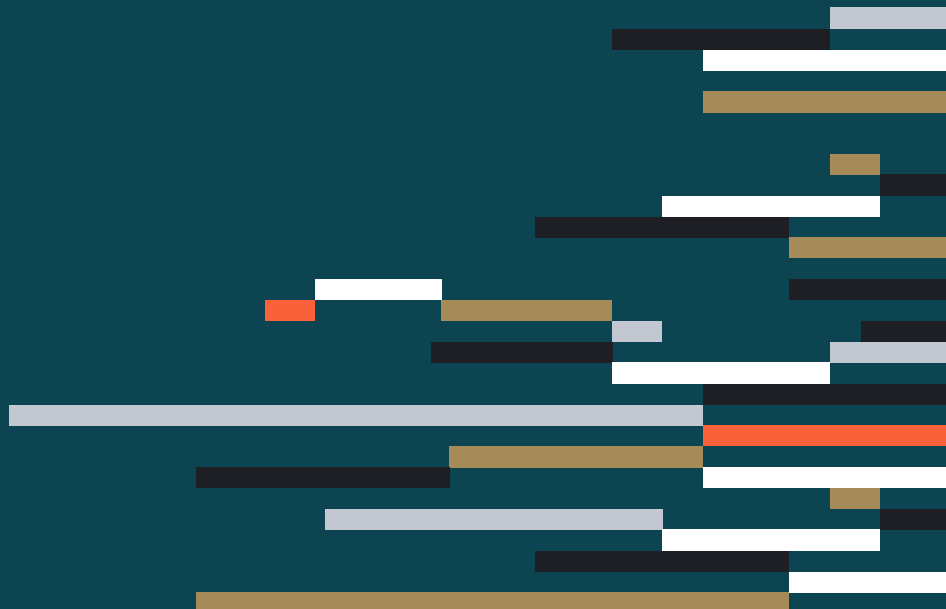
The Trustee notes that the Slate Super percentage-based administration fees were decreased from 0.73% p.a to 0.62% in September 2023.

Fees are charged to members on a monthly basis, therefore ensuring that the cost of maintaining a superannuation account is smoothed over the course of a year rather than members incurring a large impact to their balance at once.

An additional investment basis points fee is applied to all investment options. This fee is deducted from the returns on the asset and is accrued daily, ensuring impacts are smoothed over the year. The basis for setting fees is considered appropriate for members and promotes their financial interests, while not inappropriately eroding retirement balances.



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