

## MEMBER OUTCOMES ASSESSMENT

### Superestate

## Year in Review 2020

We are required to assess our performance and, based on that assessment, make an annual determination that members' interests have been promoted, in accordance with superannuation laws and standards.

### Summary

The 2019-2020 financial year was an unprecedented year with challenges arising from prolonged drought conditions, the worst bushfire season on record, and the onset of COVID in February 2020 which impacted business and communities on a global scale.

Whilst facing these challenges, Superestate was able to promote its members' best interests as required under superannuation law, and was proud to maintain the following core features:

- Provide unique exposure to residential properties via 3 investment options;
- Self-service technology platform;

Many of our members suffered financial hardship because of lockdowns caused by COVID-19. Superestate (the "Fund") was there to assist with the government's early release payments of up to \$10,000 to members in financial hardship.

A new investment option was offered during the year, which provided members with access to residential property, but with a lower administration fee. Many new members were attracted by the new option.

The allocations to residential properties provided some cushioning against the market crash during the March quarter delivering positive performance returns as at 30 June 2020. Superestate Growth Property delivered 1 year return of 2.27% in comparison to peer group median of negative 1.87%<sup>1</sup>.

Throughout the COVID-19 pandemic our property portfolio continued to perform well with no properties decreasing in value, whilst continuing to earn rental income with minimal turnover in our tenants.

The 2019-2020 financial year also saw Superestate increase its housing portfolio from two properties to eight. This increase in the Superestate property portfolio has added significant diversification to our members' portfolios. At the end of 2019-2020 financial year our property portfolio was diversified across Sydney, Melbourne, Brisbane, Adelaide and Perth.

We remain focused on delivering better member outcomes and are working on long term strategies for Superestate.

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<sup>1</sup> Peer Group - (Industry Public offer, Industry – Personal, Master Trust – Corporate and Master Trust – Personal as classified by SuperRatings investment options with growth allocation of 77% to 90%)

## Determination

Based on the assessment of the outcomes achieved and evidence contained in this assessment, we have determined that:

- members' interests are being promoted;
- the basis for the setting of fees is appropriate for our members,
- members have not been disadvantaged due to the scale of, and within, the Trustees' business operations;
- the operating costs of the Trustees' business operations are not inappropriately affecting the financial interests of our members;
- the options, benefits and facilities offered under the product are appropriate to our members;
- the investment strategy for the product, including the level of investment risk and the return target, is appropriate to members; and
- the insurance strategy for the product is appropriate to our members and undergoing regular reviews.

Details of this assessment are outlined below.

## Investment returns and risk

### Investment Return

The investment objectives are designed to provide a unique exposure to residential properties mainly to Australians in the 25-35 age demographic as a key target who like to invest in residential properties. The three investment options on offer provide different levels of exposure to residential property.

We have determined our investment objective to be the rate of inflation (Consumer Price Index) plus an additional amount that can be matched with the risk profile of the investment option.

We used survey data from SuperRatings as the basis for our assessment of our investment options. SuperRatings specialise in ratings and research for the super industry and compare funds across a range of quantitative and qualitative factors.

The options were measured against its peer median<sup>2</sup> using comparable investment options within the peer group. The below graph shows the investment return comparison which reveal the following findings:

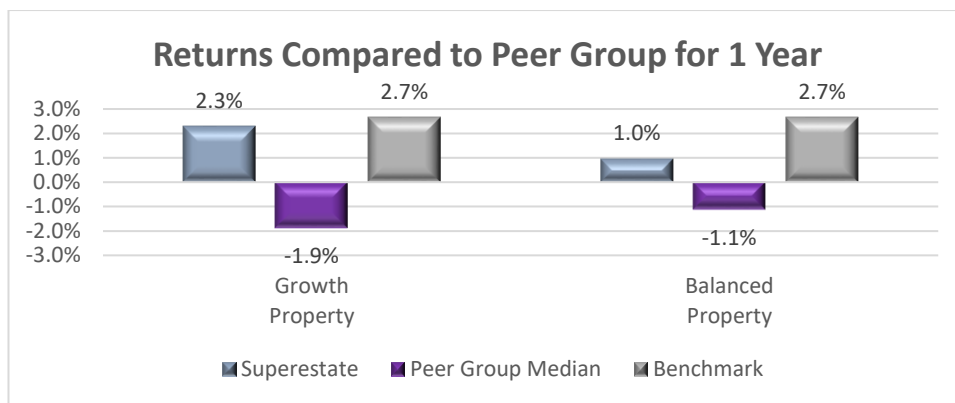
- Both, Growth Property and Balanced Property delivered a positive return showing a return above the peer group;
- However, both options underperformed their determined objective. The returns were partly protected due to investments in properties but lower due to the impact of COVID-19 when investment markets reacted to the uncertainty during the March quarter and only partly recovered in the quarter ending 30 June 2020.
- Balanced Essential option is less than one year old and was not assessed. Longer-term returns are not available for the other property options as both options launched in 2018.

Past performance is not a reliable indicator of future performance.

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<sup>2</sup> Peer Group - (Industry Public offer, Industry – Personal, Master Trust – Corporate and Master Trust – Personal as classified by SuperRatings).

The Trustee of Superestate, which is a division of Tidswell Master Superannuation Plan (ABN 34 300 938 877), is Diversa Trustees Limited (ABN 49 006 421 638; AFSL 235153; RSE Licence L0000635). Superestate Pty Ltd (ABN 61 615 727 663; AFS Representative No, 001257096) is a Corporate Authorised Representative of Sanlam Private Wealth Pty Ltd (ABN: 18 136 960 775; AFSL 337927).



Our residential properties are regularly revalued ensuring the current values are reflected correctly in members’ account balances. No property has experienced any devaluation since inception of the product with most properties delivering an increase in value.

### Level of Investment Risk

As a choice product, Superestate offers 3 investment options so that members can select investments that are appropriate to their needs. This provides members with access to investments with differing levels of investment risk. We believe that the investment strategy and risk and the return target is appropriate for our member cohort.

### Fees and Costs

Our aim is to maintain an adequate fee structure to ensure that member services can be appropriately delivered.

There were 2 investment options with the same level of administration fees of 0.84% per annum and Balanced Essential with a lower fee of 0.24% per annum. All members are charged a mix of flat fee of \$66 per annum and a percentage as mentioned above.

The administration fee is a combination of flat fee and percentage fee which was chosen to take into account that Superestate has a wide range of account balances and ensuring that all members receive the same level of service.

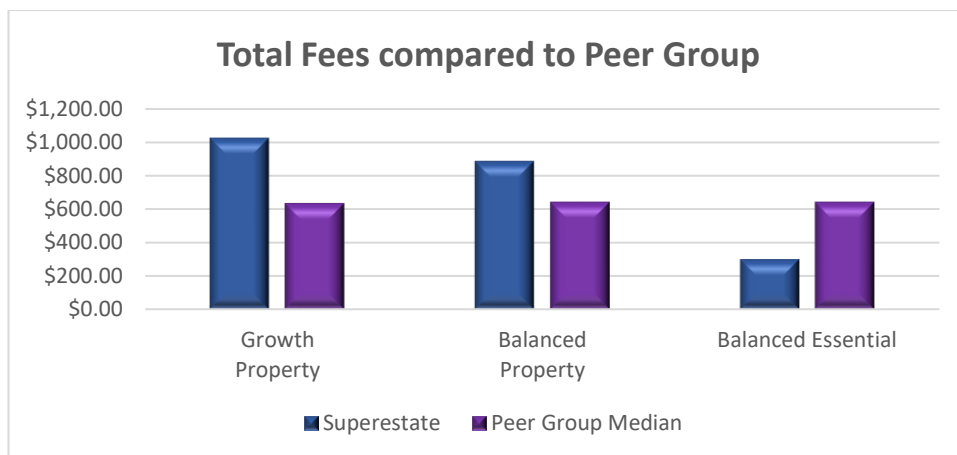
We used data from SuperRatings as the basis of this assessment and measured the fees against the peer<sup>3</sup> using comparable investment options within the peer group.

In order to better understand an individual member’s account, we have conducted testing of members’ fees charged per annum on the fee structure in place at 30 June 2020 for all investment options based on a \$50,000 account balance.

The below graph demonstrates that the total fees on Growth and Balanced Property investment options are more expensive than the peer group and however Balanced Essential is showing a significant lower fee in comparison to its peer group. Our investment fees for the two investment options are generally higher in comparison to peer group. This is due to the costs associated with our investment strategy which includes investment in residential property. We continue to review our investment strategy ensuring the fees remain competitive and appropriate.

<sup>3</sup> Peer Group - (Industry Public offer, Industry – Personal, Master Trust – Corporate and Master Trust – Personal as classified by SuperRatings).

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We have also measured our costs by calculating the operating expense ratio of the Fund against all superannuation funds using the publicly available statistics issued by Australian Prudential Regulation Authority (APRA). The results reveal that Superestate’s operating expense ratio is 1.07%, which is above median of 0.60% for retail funds.

Superestate members were transferred as part of the larger fund – Tidswell Master Superannuation Plan to a new trustee, Diversa Trustees Limited in December 2020. The Trustee leverages its scale across its entire operations, and scale and costs of our business operations do not impact our members.

## Member services and product options

We launched our product in 2018 and at 30 June 2020, we had over 6000 members, all of which were active. We experienced a significant growth in new members during the year and to keep excellent customer service and enhance member experience we have expanded our customer service office size. The growth in new members was 538% which is above industry median decline of 4%.

As the number of members increased so did the funds under management increasing the net assets at 30 June 2020 by \$57M. Even though Superestate experienced a large outflow due to the COVID-19 early release payments, it delivered overall a low net members' benefits outflow ratio of 41% (i.e. more money was rolled into Superestate than was rolled out) in comparison to the industry of 102%. The industry achieved 102%.

As further evidence of our good product design and high-quality customer service we have received a 5/5 rating from 21 online reviews of Superestate on ProductReview.com.au and have received a rating of 4.9/5 from 109 online reviews of Superestate on Google.

It is our goal to provide our members with the highest level of service. If any member needs help with their Superestate account or would like to make a suggestion on how we could further improve the customer experience at Superestate, we encourage our members to reach out to the team.

We believe that we met our objective which is reflected in our in the positive increase in membership.

Considering the product benefits and improvements we implemented during the year, we have assessed that we have promoted the financial interests of our members and we believe we have met our objective to provide value add products, services, and facilities to ensure members receive appropriate services for the fees paid.

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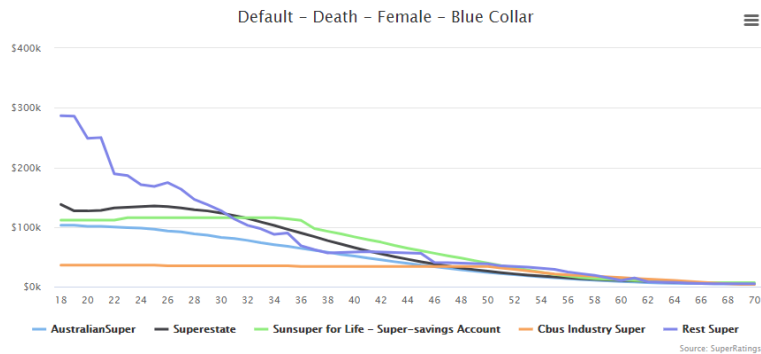
## Insurance

Superestate provides insurance cover, including Life Insurance, Total and Permanent Disablement and Income Protection insurance.

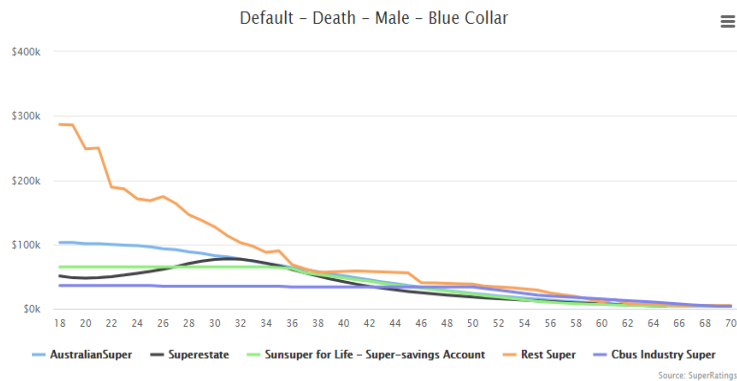
Our objective is to maintain an appropriate insurance offering that is appropriate and meaningful to our members which does not erode retirement benefits.

In our assessment we considered a comparison to other funds and we provide below charts comparison showing insurance cover for a \$1 week.

The below graphs show that the amount of cover for \$1 premium paid provide a female blue-collar member with a comparable value cover to other funds, but a blue-collar male member will receive less cover.



Source: SuperRatings



Source: SuperRatings

As cover is voluntary, there has not been a high level of uptake in the Fund.

Since members must opt-in and accept the default insurance offering, after considering their personal situation and needs, we have determined that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.