

Superhero Super

Member Outcomes Assessment
For the year ended 30 June 2023

28 February 2024

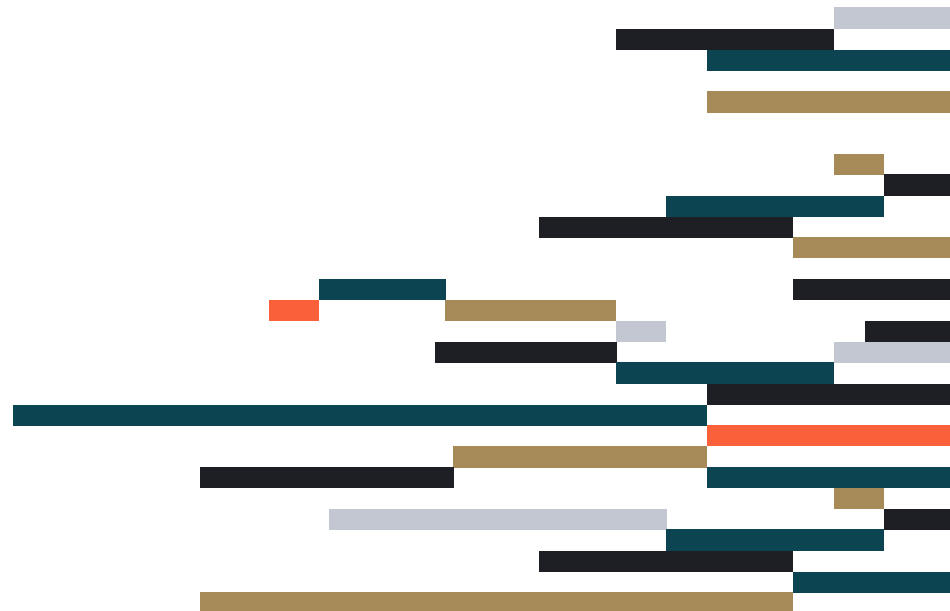


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Introduction

Introduction

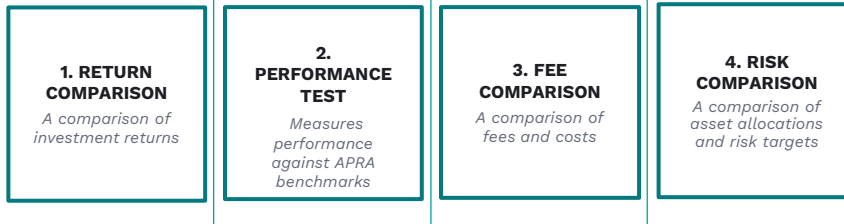
What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to Superhero Super. It analyses how Superhero Super 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 promoting the financial interests of the beneficiaries invested in this products on the basis that:

- Total fees (which includes both administration and investment fees) at a product level for most in-scope investment options were less expensive than the peer fund median for FY23 across all modelled balance points for Autopilot account members, and administration fees are less expensive than the peer fund median for Control account members;
- The objective assessment factors, being Superhero's options, benefits and facilities, investment strategy, insurance strategy, scale, operating costs and the basis for setting fees, are considered appropriate for Superhero's members and do not inappropriately erode their retirement balances.

The Trustee notes however, that:

- As the product only launched in July 2021, it was not deemed appropriate to assess investment returns and investment risk over such a short period, given the long-term nature of superannuation; and
- There is an opportunity for further reductions in administration fees for Autopilot account types in order to be more competitive with peers; and
- The Smartsave sub-plan of OneSuper intra fund transferred into Superhero in December 2023, which is expected to improve the long-term sustainability of Superhero.



Superhero Overview

Superhero Overview

Superhero Super (“Superhero”) is a superannuation fund that gives members the flexibility to invest their super the way they want. The Superhero platform provides transparency and control to members, allowing them to easily access and manage their superannuation funds down to individual shares and Exchange Traded Funds (“ETFs”) via a digital platform. Superhero was launched in July 2021.

Superhero offers a selection of listed shares that fall within the ASX300, as well as Listed Investment Companies (“LICs”) and ETFs. In December 2023, Superhero made changes to its investment menu. However, as of 30 June 2023, all members had an investment allocation to one of three Diversified Managed Investment Options (Balanced, Growth and High Growth, for which the underlying ETFs were Vanguard Diversified Index ETFs). At this date, Superhero offered the following account types (noting the differing account types was also removed in December 2023):

- Autopilot - up to 30% of the account balance to be invested into a range of themed investments (maximum of 10% in each theme), with the rest invested in a diversified managed investment option
- Control – up to 75% of the member’s account balance can be invested directly in a choice of ASX 300 shares & ETFs, with the rest allocated to the Diversified Global Balanced Index Option

The themed investment options available for Autopilot members were as follows:

- Asia Tech Giants (underlying investment Betashares Asia Tech Tigers ETF)
- Climate Leaders (underlying investment Betashares Global Sustainability Leaders ETF)
- Global Healthcare (underlying investment iShares Global Healthcare ETF)
- Gold (underlying investment ETFS Physical Gold ETF)
- High Interest Cash (underlying investment Betashares Australian High Interest ETF)
- US Tech (underlying investment Betashares Nasdaq 100 ETF)

Control members could also invest in the themed investment options’ underlying ETFs.

For the purposes of this assessment, the analysis is focused on the three Diversified Managed Investment Options and the six themed investment options available to Autopilot members as at 30 June 2023. Administration fee comparisons are provided for Control members on page 18.



Comparative Assessment

Fees & Costs Comparison

Autopilot accounts

Superhero's Autopilot account type Total Fees (administration plus investment fees) are compared to peer fund median fees in the following slides for the three Diversified Managed Investment Options: Vanguard Diversified Balanced Index, Vanguard Diversified Growth Index and Vanguard Diversified High Growth Index options (into which members must invest at least 70% of their balance), in addition to the six available 'themed' options. Administration Fees are compared to peer fund median fees at a product level.

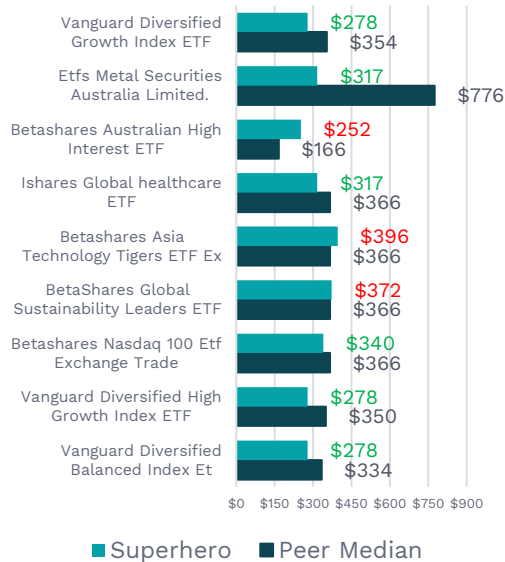
In terms of total fees, eight of the nine investment options are less expensive or slightly higher than the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances. The exception is the BetaShares Australian High Interest investment option which is clearly higher cost than the median for all modelled account balances. This is largely due to the use of SuperRatings 'Cash', which was used as the median benchmark in the absence of a more appropriate benchmark being available. Pure 'cash' options that make up the majority of the median are generally lower cost than investment options such as BetaShares Australian High Interest, which seeks a higher return than a pure cash fund. The Trustee notes that this investment option was removed as a themed investment option in December 2023.

In terms of Administration Fees, Autopilot account types are more expensive than the peer fund median, indicating that there is an opportunity for improvement on administration fees in order to be more competitive with peers.

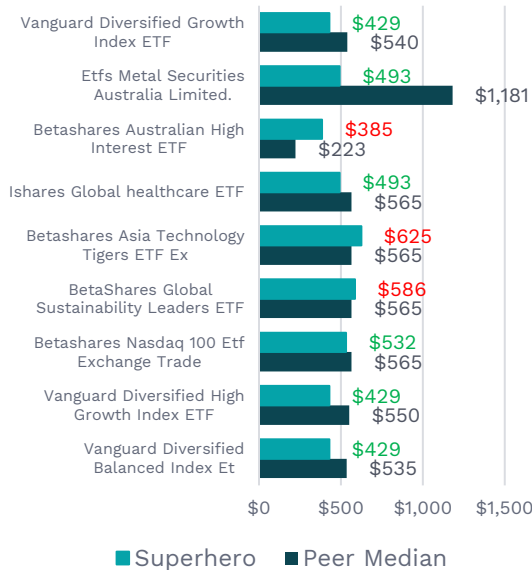
On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of Superhero as the total fees at a product level are generally lower or in line with peer fund medians across all comparative balances.

Fees & Costs Comparison: Total Fees

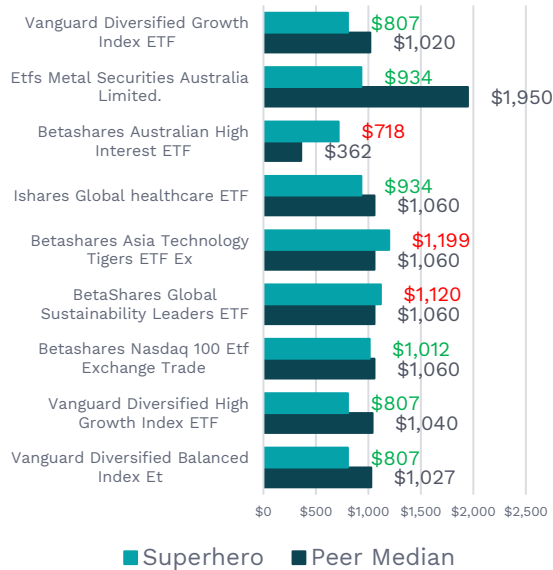
Total Fees at \$30,000 Balance



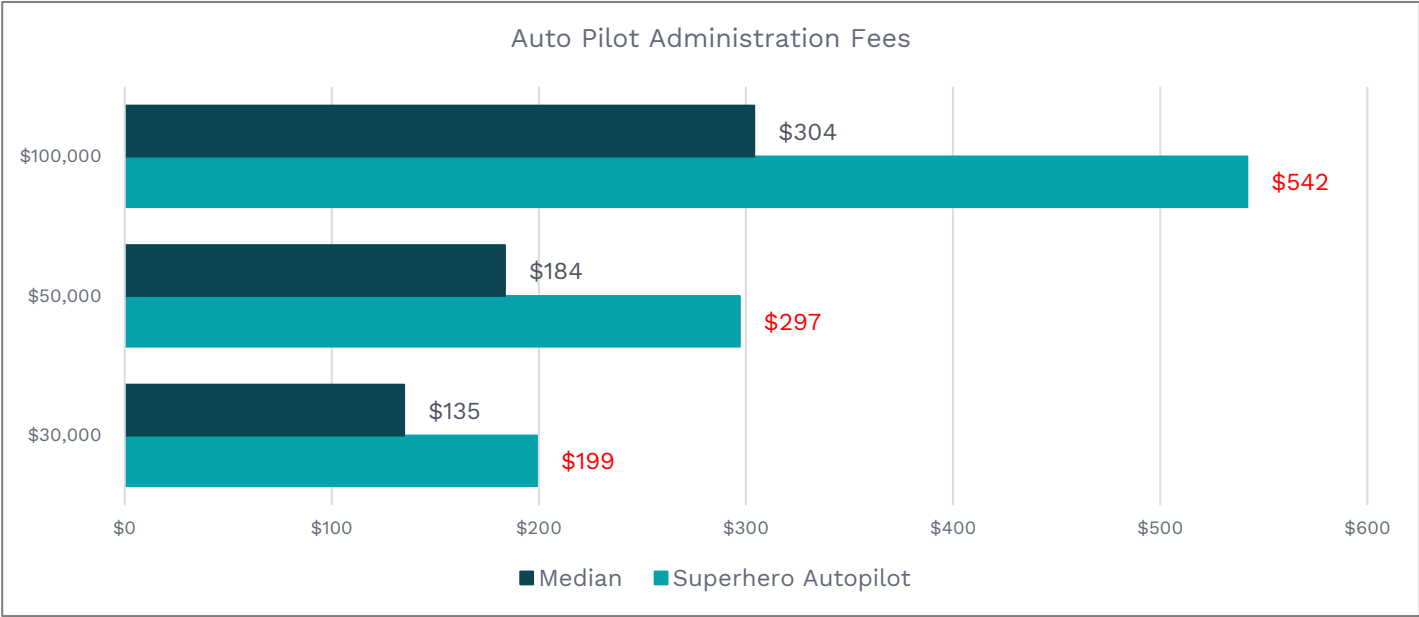
Total Fees at \$50,000 Balance



Total Fees at \$100,000 Balance



Fees & Costs Comparison: Admin Fees – Autopilot



Investment Return Comparison

Superhero's net investment returns for the investment options that have been assessed in this report are illustrated in the graph contained on page 14.

It is noted that the medians depicted in the following graphs are based on pooled investment options, with the relevant peer fund median selected based on the closest corresponding asset class to the relevant Superhero investment option. Although not a perfect comparison, these medians represent a suitable proxy for assessing the performance of Superhero's underlying investment options.

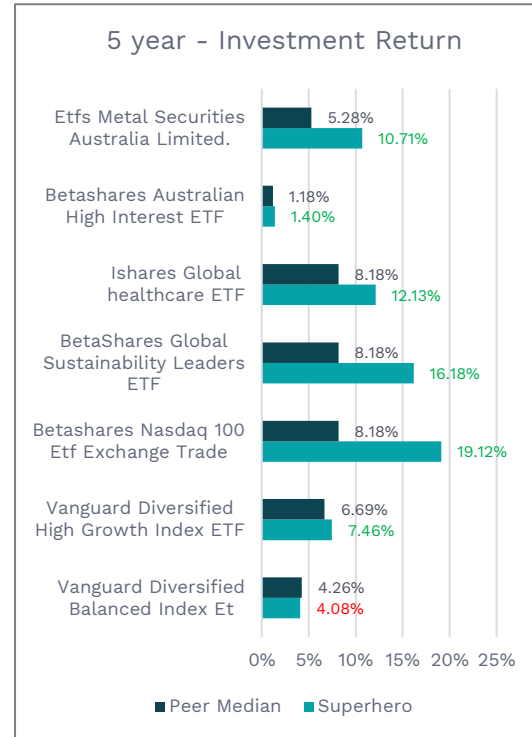
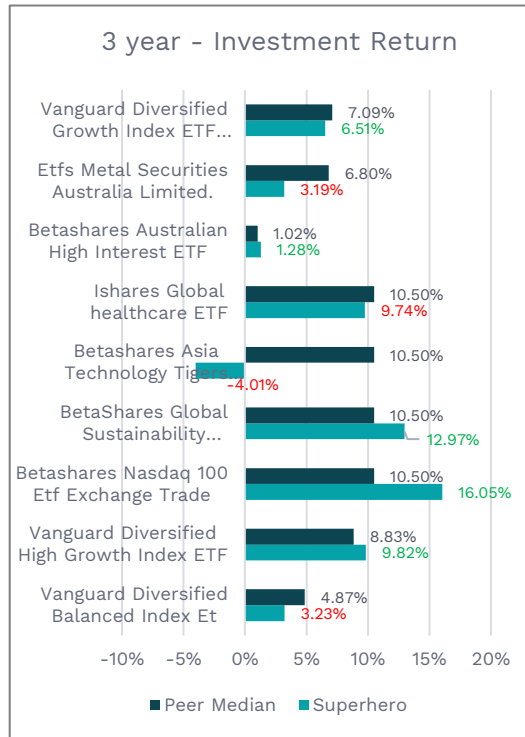
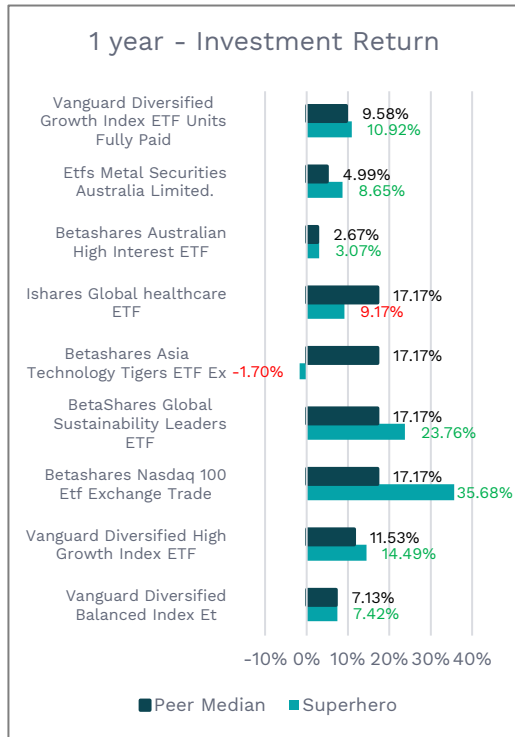
Over the one and three-year periods to 30 June 2023, the majority of in scope Superhero investment options outperformed, or were in line with, the peer median. The exceptions being for BetaShares Asia Technology Tigers (over one and three-years) and iShares Global Healthcare (over one-year), that significantly underperformed the peer median. In terms of these investment options, significant variance from the median return is not unexpected given these are sector specific, niche investment options, unlike the SuperRatings benchmark (International Shares) which has a much higher level of diversification and hence less volatile returns.

Over the five-year period, six of the seven investment options with a five-year history outperformed the peer median, whilst Vanguard Balanced Diversified Index marginally underperformed.

It should be noted that Superhero only launched in July 2021. As the investment options are externally issued Exchange Traded Funds, longer-term performance is available and has been documented in this report, however members would not have been impacted by the three and five-year performance.

Given Superhero had been in operation for less than two-years as at 30 June 2023, 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.

Investment Return Comparison



Choice Investment Risk Comparison

In the graphs on the following pages, we measure the performance of Superhero's top holdings after adjusting for risk comparing to 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.

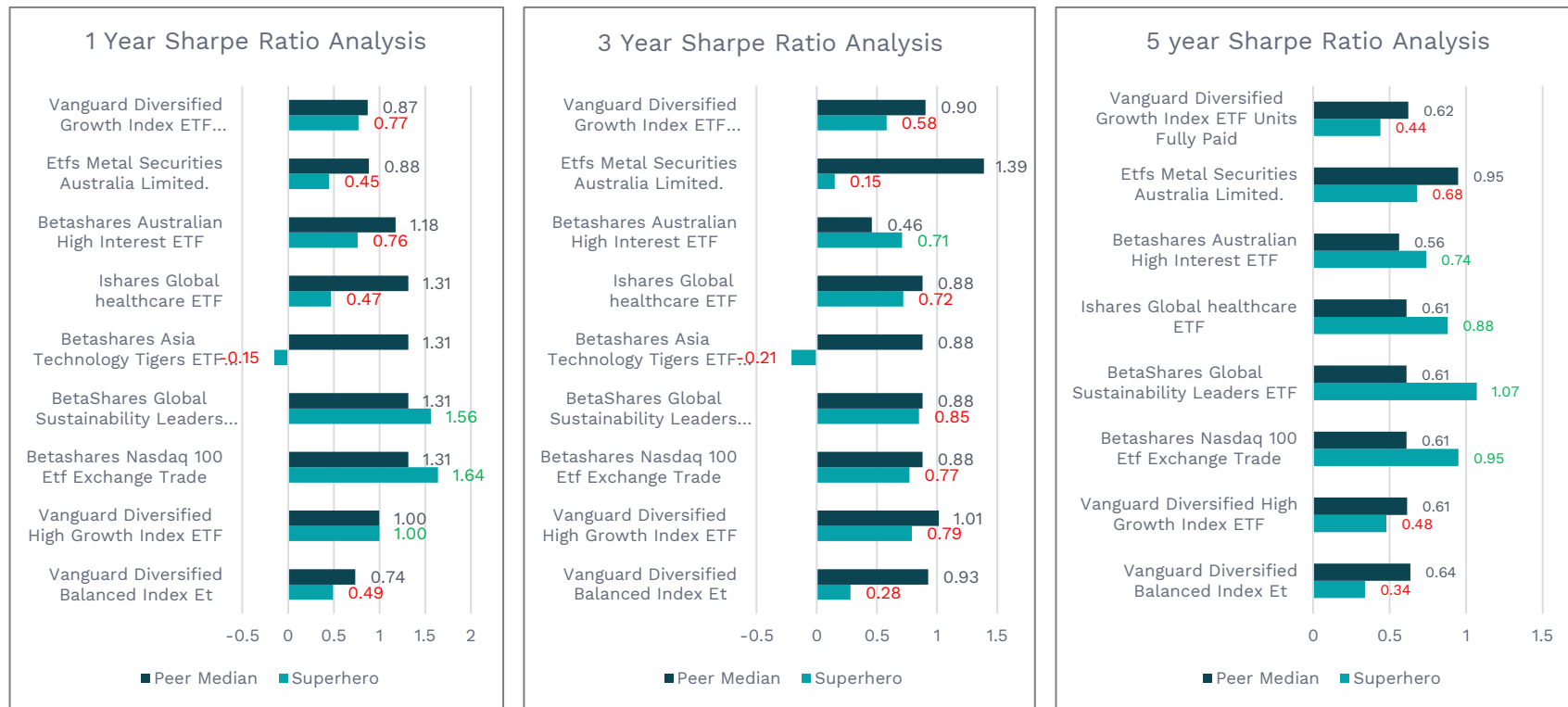
It is noted that the medians depicted in the following graphs are based on pooled investment options, with the relevant peer fund median selected based on the closest corresponding asset class to the relevant Superhero's investment option. Although not a perfect comparison, these medians represent a suitable proxy for assessing the risk-adjusted performance of Superhero's underlying investment options.

Over the one and three-year periods to 30 June 2023, the majority of in scope Superhero investment options underperformed the peer median in terms of investment risk. Over the five-year period, the majority of investment options outperformed or was in line with the peer median.

It should be noted that Superhero only launched in July 2021. As the investment options are externally issued Exchange Traded Funds, longer-term performance is available and has been documented in this report, however members would not have been impacted by the three and five-year performance.

Given Superhero had been in operation for less than two-years as at 30 June 2023, 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 risk over such a short period, given the long-term nature of superannuation.

Investment Risk Comparison



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 Superhero investment options were assessed under the performance test as Superhero does not have a 6-year performance history to 30 June 2023.

Direct Investments – Control Account

Fees and Costs Comparison – Control account

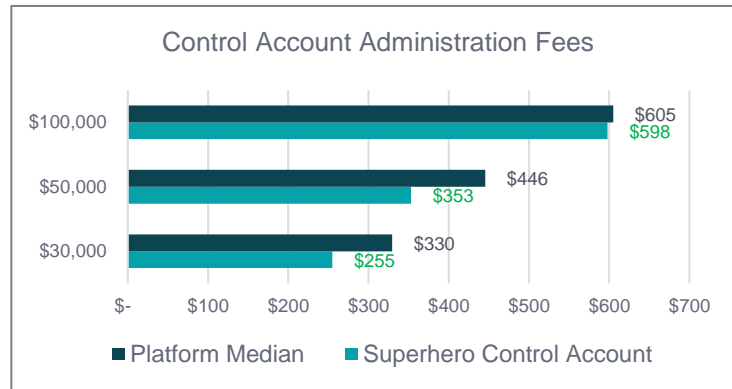
For the purpose of this assessment, only Superhero Control account type administration fees are compared to peer fund median administration fees. For Control account types, administration fee comparison is at the product level and being assessed against a peer group of platform superannuation products. Comparison with platform funds is considered most appropriate given members are able to invest 75% of their account balance in a choice of ASX 300 shares & ETFs and any investment management fees are charged by the individual investment managers and deducted from the returns, which vary by the individual ETF selected and are not comparable to benchmarks based on pooled investment structures.

Superhero's Control account administration fees are lower cost across all investment options when administration fees are calculated on \$30,000, \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is promoting the financial interest of the beneficiaries of its 'Control' product as the administration fees are less expensive than the peer fund median.

Investment Returns and Risk comparison – Control account

Control account members are able to invest 75% of their account balance in a choice of ASX 300 shares & ETFs. Members choose and manage their own investments and the level of risk will vary depending on personal circumstances, expected investment timeframe, risk tolerance, personal investment objectives and long-term goals. The Trustee is comfortable that a sufficient range of direct investments is available via the Control account to ensure that members are able to make appropriate decisions.



Source: Peer median is derived from 20 similar platform products, which includes 19 Peers and Superhero Super Control Account. Administration fees are inclusive of any cost of recovery fees or Operational Risk Financial Requirement reserves.



Product Appropriateness Assessment

OPTIONS, FACILITIES & BENEFITS

Superhero's platform provides members with transparency and control, allowing them to easily access and manage their superannuation funds down to individual shares and ETFs. Superhero offers industry-leading investment administration technology and a user-friendly, and award-winning platform that is available both through an online portal and a mobile application.

Members can track their Superhero portfolio performance in their Superhero Dashboard where they are also able to see:

- Portfolio Value: shows how their overall portfolio is performing.
- Holdings: tracks the return on each of a member's investments and their current value, as well as their overall portfolio return.
- Diversification: allows members to understand how their portfolio is diversified across different sectors including Information Technology, Materials, Energy and Financials.
- Following: keep track of the performance of the stocks the member follows.

Superhero also offers members access to the following default insurance options:

- Death only cover;
- Death and Total and Permanent Disability (TPD) cover.

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.

INVESTMENT STRATEGY

Superhero offers members the choice of two account types:

1. Autopilot

An Autopilot account offers members the choice of a Managed Investment Option as well as up to six Themed Investment Options. Autopilot accounts must have a minimum of 70% of the account balance allocated to a Managed Investment Option. A maximum of 10% can be allocated to any one Themed Investment Option, while the combined amount allocated to Themed Investment Options cannot be greater than 30% of the account balance.

2. Control

With a Control account, members can allocate up to 75% of their superannuation to the 'Superhero Wallet' which acts as a holding account, to then invest into a broad range of self-directed investments including Australian shares, ETFs and LICs as follows:

- Exchange Traded Products including ETFs and LICs - both passively and actively managed
- Securities in the S&P/ASX 300 Accumulation Index

Control accounts must have a minimum of 25% of the account balance allocated to the Managed Investment Option. All investments are subject to the holding limits.

In Q1 2023 Superhero introduced two additional Managed Investment Options for members to choose from.

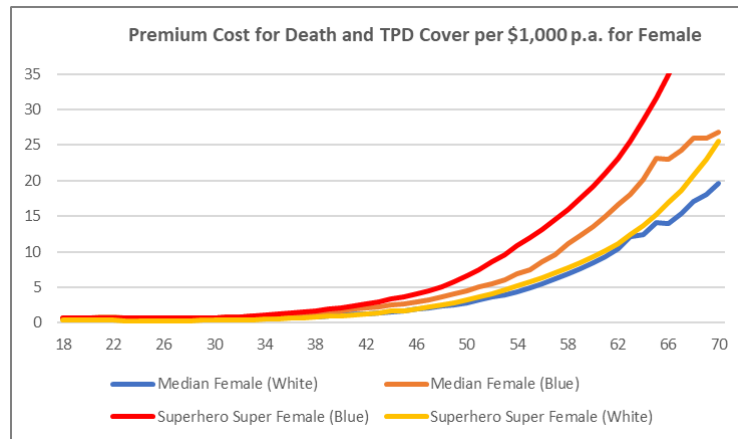
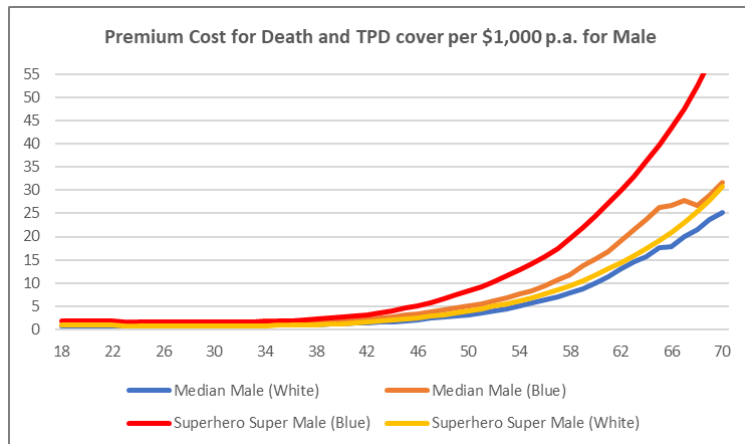
In December 2023, Superhero made changes to its investment menu, however as at 30 June 2023 the investment strategy was as above.

INSURANCE STRATEGY & FEES

Superhero provides default insurance cover for members through MLC for Death & TPD. Members are able to opt-out of this cover on joining or at a later date, as required.

Members may opt-out of the default insurance offering, 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 Superhero'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, particularly for males. As shown below, we consider the insurance premiums to be competitive relative to the median when taking into account the age demographics of Superhero members (the average Superhero member age at 30 June 2023 was 38).



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

SCALE

Superhero had 3,416 members with approximately \$143 million in funds under management as at 30 June 2023. These figures are indicative of Superhero's relatively small size in the industry, although the figures below shows strong growth during the FY23.

- Funds Under Management ('FUM') grew by 54.68%, compared to the industry median of 10.10%
- Net members' benefits flows of \$41.8M, compared to the industry median of \$9.07M
- Number of member accounts grew by 26.8%, compared to the industry median of 1.157%
- Net rollovers into Superhero of \$27.2M, compared to the industry median of -\$29.9M
- Net members' benefit outflow ratio of 26.37%, compared to the industry median of 90.65%

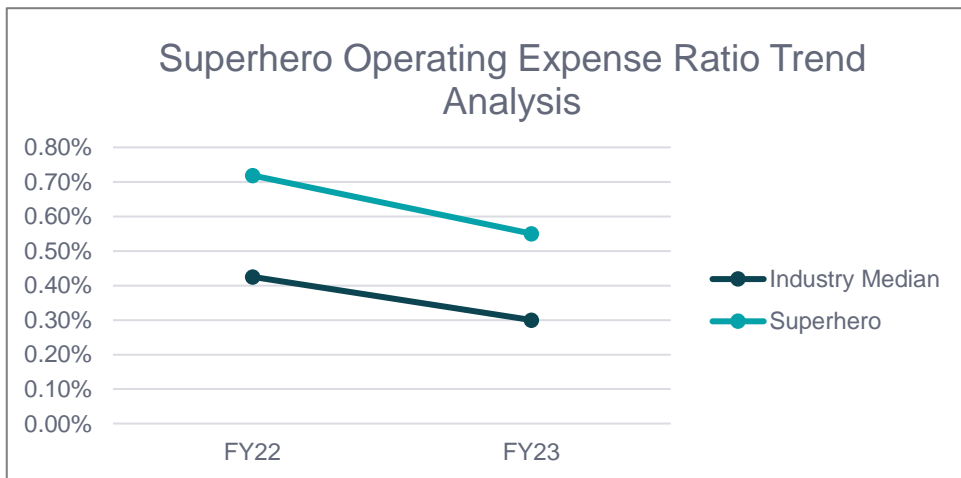
From the above, it is clear that Superhero's growth rate is positive and greater than the industry median. However, for the product to remain sustainable it requires this growth to continue year on year in order for it to be in a competitive position to help drive down costs as more members join the fund

The Trustee notes that the Smartsave sub-plan of OneSuper intra fund transferred into Superhero in December 2023, which is expected to improve the long-term sustainability of Superhero.

It is concluded that members have not been disadvantaged due to the scale of, and within, the Trustee's business operations.

OPERATING COSTS

Superhero's operating expense to asset ratio for FY23 is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that although Superhero's operating expense ratio decreased in FY23, it was still higher than that of the median fund. However, it is noted that Superhero only launched in July 2021 and that as it continues to grow, the operating expense ratio is expected to decrease. The intra fund transfer of Smartsave into Superhero in December 2023 is expected to improve this ratio.



The Trustee notes that given the size of the Fund, the operating costs are considered appropriate for Superhero's members and do not inappropriately erode their retirement balances.

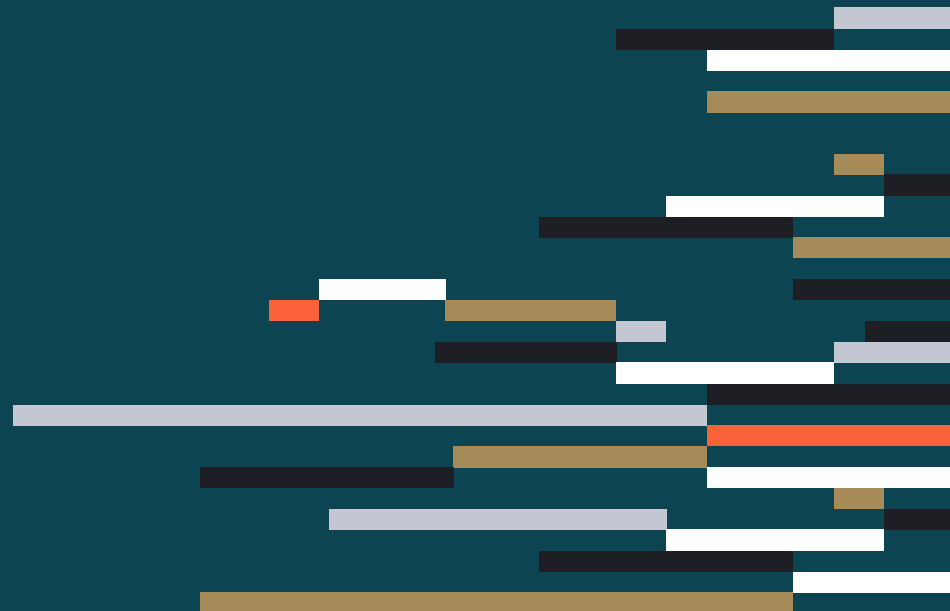
BASIS FOR SETTING FEES

The basis for setting fees is considered appropriate for members and promotes their financial interests, while not inappropriately eroding retirement balances.

The administration fee is comprised of the combination of a 0.49% asset-based administration fee for all members, plus a flat dollar-based fee of \$52 per year per member for Autopilot account type members and \$108 per year per member for Control account type members. The higher fees for Control account type members is reflective of the much larger investment menu available to these members and is therefore considered appropriate.

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.

The basis for setting fees is considered appropriate for Future Super Fund's members and does not inappropriately erode their retirement balances.



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