

# GROW Super

## Year in Review 2020

### Summary

Thank you for reading the GROW Super (GROW) product summary which includes the product determination, a summary of our annual member outcomes assessment and comparison for the 2019-2020 financial year.

The Trustee's strategic objective is to deliver quality, value for money outcomes for members, achieving sustainability and success over the long term, and helping individuals meet their superannuation needs over a required time horizon.

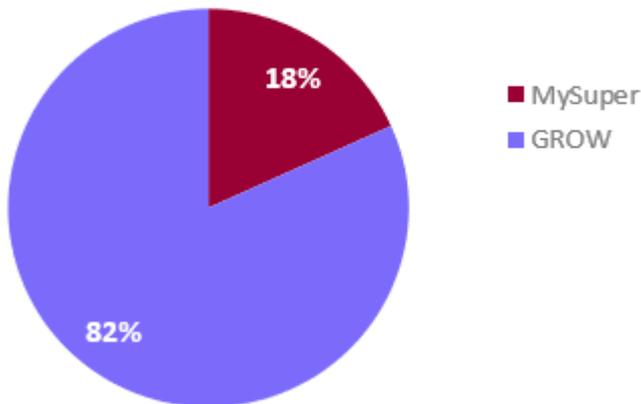
GROW was established in 2017 as a disruptive fund that fuses innovation and technology with core values of Access, Transparency and Wealth Creation. GROW's goal is to break down the confusion that many Australians have towards their superannuation by empowering them with the information and education that will enable them to achieve their financial goals on a platform that is engaging and enjoyable to use.

Members of GROW were transferred as part of the larger LESF Super transfer into OneSuper<sup>1</sup> on 30 June 2020. At the time of the transfer, there were 3,349 members in GROW. This transfer enabled members to take advantage of greater efficiencies through being part of a larger fund, which is expected to ultimately lead to improved member outcomes. GROW offers a white label MySuper product of Smartsave, and a Choice Division (GROW).

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<sup>1</sup> Members were transferred into OneSuper ABN 43 905 581 638 (formerly known as Smartsave 'Member's Choice' Superannuation Master Plan) by way of Successor Fund Transfer (SFT).

**Graph 1. Members**



Graph 1 provides a breakdown of our members as at 30 June 2020 across the Divisions. Most GROW members are Choice members.

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-19 in February 2020 which impacted business and communities on a global scale.

With a focus on the demographic of our members and their needs, we implemented the following positive changes:

- We increased the mix of passive investments in the Growth MySuper investment option, which became the Passive Growth MySuper investment option. This resulted in a reduction in investment fees from 0.46% p.a. to 0.33% p.a. which in turn increase the net investment returns provided to members.
- We reduced the administration fees for members in the Passive Growth MySuper investment option through a change in fee structure from 0.83% p.a. to 0.60% p.a. plus \$20 p.a., and decreased the indirect cost ratio from 0.46% p.a. to 0.33% p.a. which, on a \$50,000 balance represents a reduction of \$180 p.a. in administration fees.
- We improved the sustainability and scale of the Passive Growth MySuper investment option through the consolidation of OneSuper's other MySuper balances into this option. As at 30 June 2020, there were 11,958 members with a combined balance of \$366m in the option. This increased scale has provided the ability to drive down investment costs as evidenced above.

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

- members' interests are being promoted;
- the basis for the setting of fees is appropriate for members;
- members are not 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 members;
- the options, benefits and facilities offered under the product are appropriate to members;

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- 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 members.

## Fees, investment returns and risk

### MySuper

For members of our MySuper division, the fees, returns and level of investment risk are benchmarked against all other MySuper products. Where we have used the median in our comparisons, benchmarks or measurements, the median is defined as the middle of a sorted list of values. For example, take this list of numbers: 2, 10, 12. The average is found adding all of the numbers together and dividing the total by the number of items in the set:  $(2 + 10 + 12) \div 3 = 8$ . The median is just the middle number: 10 in the range of values.

We have used the median either calculated using APRA statistical data, or provided by SuperRatings<sup>2</sup>, a company which specialises in ratings and research for the super industry and compares funds across a range of quantitative and qualitative factors.

**Table 1: MySuper Fees and Return Comparison Dashboard**

Item	Our aim	Our results
Fees on a \$50,000 balance	To be less expensive than the median of \$540 p.a.	We were more expensive than the median with an annual fee of \$645.
Investment Returns <sup>3</sup>	To deliver higher than the median returns for the relevant period.	We delivered higher than then median returns in the 3 years periods.
	<b>3 Years</b>	<b>3 Years</b>
	5.01% p.a.	6.20% p.a.

### Fees

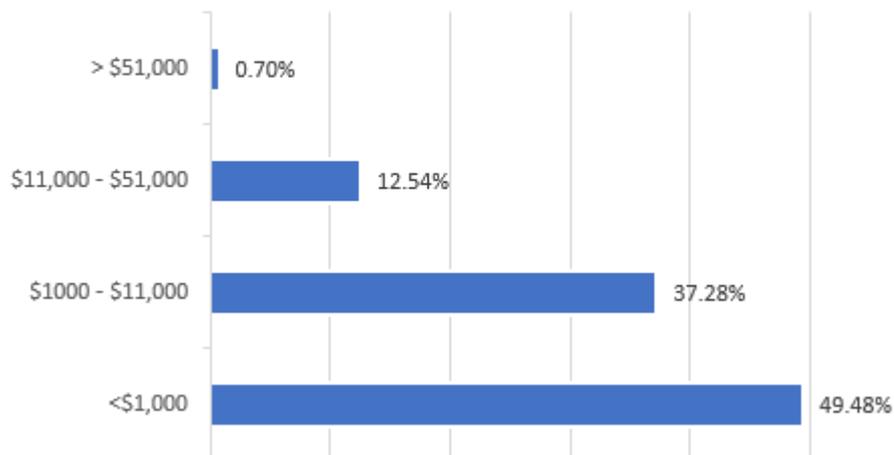
#### Insights

GROW aims to provide value for money outcomes for members. As shown in Graph 2, most of our MySuper members (86%) have account balances of less than \$11,000. Prior to the fee reductions noted below, MySuper members with a balance of \$50,000 were charged a total fee of \$645 p.a. which was more expensive than the median of \$540 p.a. at 30 June 2020.

<sup>2</sup> The medians stated have been provided by SuperRatings using the 30 June 2020 figures in the APRA Quarterly MySuper statistics: September 2018 – September 2020 published on 24 November 2020.

<sup>3</sup> Past performance is not a reliable indicator of future performance

Graph 2. MySuper Account Balances



### Action

In July 2020, we implemented a new administration fee structure of 0.60% p.a. plus \$20 p.a and decreased the indirect cost ratio from 0.46% p.a. to 0.33% p.a. This change resulted in a decrease in our total fee on a \$50,000 balance by \$180 p.a. to \$485 p.a. This translated to us being less expensive than the median of \$540 and assisted in us being able to achieve our aim of contributing to an improvement in members accumulation of benefits in retirement.

### Returns

#### Insights

GROW aims to deliver higher than the median returns for the relevant period measured across all MySuper products. As GROW was transferred to OneSuper on 30 June 2020, 1 year returns for the MySuper option are unavailable. We have used the 3 years return to undertake our comparison. As evidenced in Table 1: MySuper Fees and Return Comparison Dashboard, we achieved this for 3 years rate of return

### Risk

50% of MySuper products have a risk label of Medium-High<sup>4</sup> which represents an estimated 3 to less than 4 negative annual investment returns over a 20-year period. The GROW MySuper option has an investment risk label of High, with an estimated 4 to less than 6 negative annual investment returns over a 20-year period. We believe that this level of risk is appropriate for our members, since the average age of a GROW member is 29 years of age. This allows us to take advantage of longer investment timeframes from which to drive higher long-term returns.

Based on the above, the Trustee has determined that the basis for setting of fees and the investment strategy for the product, including the level of investment risk and the return target, is appropriate to its MySuper members.

<sup>4</sup>\*Based on the 30 June 2020 information provided in the APRA Quarterly MySuper Statistics: September 2018 – September 2020 published on 24 November.

## GROW Division

For members of our GROW choice division, the fees, returns and level of investment risk were benchmarked against peers using the peer median<sup>5</sup>.

### Fees

**Table 2: Total Fees p.a. on a \$50,000 balance compared to peer group**

Investment Option	GROW	Peer Median
Grow 30	\$645.00	\$590.00
Grow 40	\$560.80	\$593.60
Grow 50	\$560.80	\$593.60
Grow 60	\$560.80	\$636.50
Grow 70	\$560.80	\$636.50
Grow 80	\$560.80	\$629.90
Grow 100	\$560.80	\$722.50
Industrial Tech	\$575.80	\$711.25
Future Internet	\$575.80	\$711.25
Global Sustainability	\$560.80	\$711.25
Green Energy	\$560.80	\$711.25
Global Property	\$560.80	\$650.00

Table 2 shows that we are less expensive than our peers across almost all of our comparable investment options. The average balance of a GROW member is \$17,848. We employ a mix of percentage and dollar-based fees, and a low fixed administration fee of \$1.65 per week is appropriate for members given the average account balance.

Our operating expense ratio is 1.96% p.a., which is above the median of 0.60 % for retail funds and above the median of 0.40% p.a. for the whole industry.

We acknowledge that for the financial year, our fees and operating expense ratio were high when compared against the peer group median. We believe this will improve in future years with GROW being part of an umbrella fund with funds under management of over \$1.15 billion<sup>6</sup>.

### Returns

Whilst each investment option has a return objective (as stated in the Investment Strategy section of this Summary), these were set prior to, and without consideration of the impacts of the once in a lifetime challenges faced in the 2020 financial year. Therefore, we have instead

<sup>5</sup> Peer Group is defined as all Master Trust – Personal, Master Trust – Corporate, Industry – Personal, and Industry Public Offer Corporate – Personal products with data sourced from SuperRatings. For investment returns, we have used comparable investment options within our Peer Group previously defined, in order to calculate the peer group median.

<sup>6</sup> Figure is as at 30 June 2020

aimed to deliver higher than the median returns for our peer group for the relevant period. All returns stated below are p.a.

**Table 3: Investment 3 Years Return Compared to Peer Group**

Investment Option	GROW	Peer Median
<b>CORE</b>		
Grow 30	3.3%	3.5%
Grow 40	2.9%	4.1%
Grow 50	3.4%	4.1%
Grow 60	2.8%	4.8%
Grow 70	3.5%	4.8%
Grow 80	2.7%	5.1%
Grow 100	3.0%	5.4%
<b>Tactical Tilt</b>		
Industrial Tech	20.2%	7.2%
Future Internet	38.1%	7.2%
Global Sustainability	9.4%	7.2%
Green Energy	15.7%	7.2%
Global Property	4.3%	1.8%

\*Past performance is not a reliable indicator of future performance

Table 3 Investment 3 Years Return Compared to Peer Group shows that we have delivered far higher returns than the peer group median for our Tactical Tilt investment options. More work is required to improve our returns for our Core investment options.

The focus for GROW in the last year was driving greater outcomes for its members through investment and fee reductions and delivering investment returns higher than the median. Taking into consideration the actions taken during the financial year and since our assessment, on balance, we have determined that the financial interests of members are being promoted.

## Member services and product options

GROW offers its members:

- An engaging, easy to use app and online platform that gives every user full control and transparency of their superannuation.
- 7 core investment options which means 85% of members' money is invested with Dimensional, a company with Nobel Prize winners on their team.
- 5 tactical tilt investment options: GROW lets you invest up to 15% of your superannuation in industries and opportunities that are relevant to you. These are called Tactical Tilt options. GROW's Tactical Tilt options currently include technology, green, start up, property and sustainability.
- Round Up - Members can invest their spare change by automatically rounding up to the nearest dollar from everyday purchases to contribute their super.

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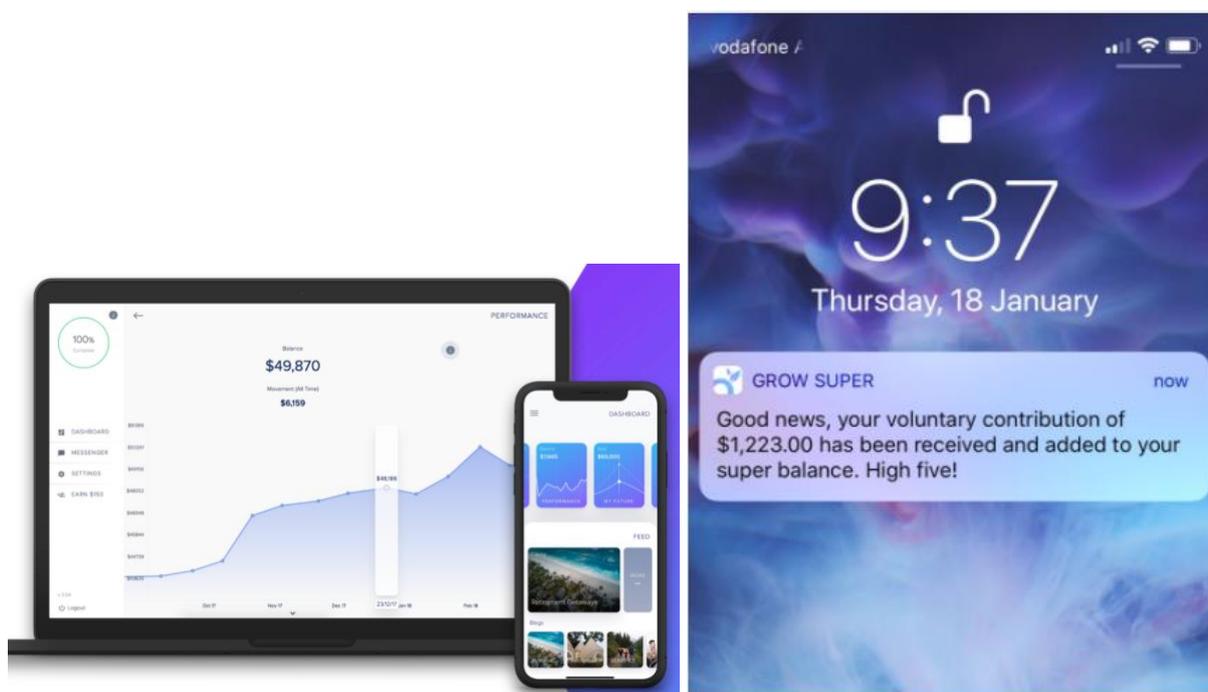
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- Automatic death, terminal illness and total and permanent disability insurance for members who meet the eligibility criteria, with the ability to increase their insurance cover.
- An authorised MySuper product (Passive Growth MySuper) that has the ability to accept all types of Superannuation contributions.

### Transparency

GROW provides complete visibility and control over every aspect of your superannuation direct from your phone. This include smart notification for transactions such as employer contributions.



### Wealth creation

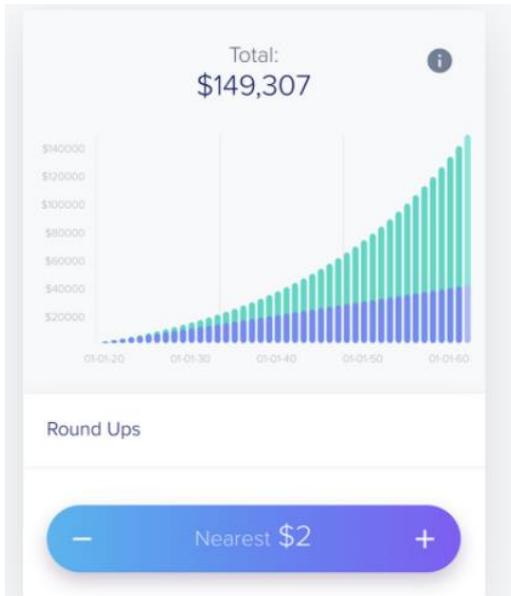
The whole point of super is to make money for your retirement! When you invest with GROW, your money is invested and managed by a team with over 37 years' experience and more than \$800 billion in funds under management worldwide.

We're aware how powerful investing spare change can be - so we've given you the power to do this simply and effectively direct from the GROW app. This provides benefits to be enjoyed now while building up your wealth to be enjoyed later.

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

## Investment strategy

### Access

GROW's overarching investment philosophy is underpinned by their belief that all Australians should have access to high-quality investment opportunities.

All Australians are different. Some of us are passionate about the environment, some of us about new technology. Some of us are into start-ups or supporting companies that invest sustainably. And some of us just want to be able to invest our money in the safest place possible.

It doesn't matter whether you're a struggling student or a millionaire, GROW provides opportunities for everyone to invest their super in what matters to them. Member can choose to invest in one Core investment option and up to 15% of their super in one or more Tactical Tilt option.

Core Options	Tactical Tilt Options
GROW 30	GROW Industrial Tech
GROW 40	GROW Future Internet
GROW 50	GROW Global Sustainability
GROW 60	GROW Green Energy
GROW 70	GROW Global Property
GROW 80	
GROW 100	
GROW Passive Growth MySuper	

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Taking into consideration the average age of our members, the investment options provided to members are appropriate given the long investment timeframes they have.

Based on the above, the Trustee has determined that the investment strategy for the product, including the level of investment risk and the return target, is appropriate to members.

## Insurance

GROW aims to provide its members with a diverse range of insurance options to enable them to tailor the product to meet their specific needs at very competitive rates. GROW offers two types of insurance cover, personal and employee.

### Employee Cover

Generally, MySuper products must automatically provide members with default Death and Total and Permanent Disablement (TPD) insurance cover on an opt-out basis. Eligible members of participating employers are automatically provided with default Death and Total and Permanent cover which is calculated based on the age next birthday of a member. The costs of the cover is dependent on a members age next birthday and gender.

Members, with a balance of less than \$6,000, or below 25 years of age are not provided with default cover, however, can elect to opt-in to insurance within 60 days of first becoming eligible for cover.

### Personal Cover

Default Death and TPD Personal Cover is provided to GROW members on an opt-in basis, that is members must actively tell us they would like to take up default Personal Cover after considering their personal situation and needs. Members can also apply for Income Protection Insurance cover. As such, the Trustee does not look to measure the impact of insurance eroding members' retirement income for members with Personal Cover.

### Insurance Strategy

GROW offers affordable insurance options so you can plan for your retirement and know that you are covered for those unexpected events and 'what ifs'.

The erosion of member benefits due to the impact of insurance premiums is most common where multiple fund accounts are held, and/or insurance premium levels are high. Whilst GROW has not opted into the Insurance in Superannuation Voluntary Code of Practice, the recommended benchmark of 1% of annual salary is still considered.

Here is the typical profile of our members with default insurance cover:

- Male, 31 years of age next birthday, Light Blue Collar occupation rating, \$92,596.40 annual salary
- Female, 29 years of age next birthday, Light Blue Collar occupation rating, \$76,393.20 annual salary

Default Death & TPD cover for both male and females is \$250,000.

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The above information uses what we know about our members, and information published by the Australian Bureau of Statistics<sup>7</sup>, as we do not collect members' salary information. A typical GROW member would pay the following annual premiums for their default cover:

- Male – Death and TPD cover \$343 p.a.
- Female - Death and TPD cover \$150.50 p.a,

The total annual default cover insurance premium as a percentage of annual salary is 0.37% for a typical male member and 0.19% for a typical female member. This means that we have met the benchmark of insurance premiums being less than 1% p.a. of salary for both male and females.

We will undertake further analysis across different cohorts of member to further assess the erosion of members retirements income due to insurance premiums.

Members can opt out of default insurance, decrease, or cancel their insurance cover at any time.

Taking into consideration the above, the Trustee has determined that the insurance strategy for the product is appropriate to our members, and that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

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<sup>7</sup> Average Weekly Earnings, Australia as at May 2020 published by the Australian Bureau of Statistics published 1 August 2020. The private sector average weekly earnings is \$1,780.70 for males, and \$1,469.00.10 for female. These figures have been annualized for the purposes of determining whether GROW has met the recommended benchmark of 1% of annual salary. The typical member is determined using data from May 2020.