

Introduction slide

It's been over a year since the COVID-19 pandemic swept the world, and we're all left with a lot of questions.

These questions include ones regarding our safety, the rollout and effectiveness of a vaccine, how long it will take for the world to recover and many others. While some parts of Australia are looking closer to a recovery than others, the very nature of this situation means that what affects one of us affects us all.

Certainly, one of the biggest questions on our mind as Promoter has been about the effects on the Australian economy - and, as a consequence, our members' superannuation. Many markets throughout the world - Australia included - saw contractions especially in the early days of the pandemic, but many are also on the road to recovery faster than worst-case scenarios predicted.

It's important to remember, though, that your super has been invested with the long-term very much in mind. Our focus is on sustainable returns throughout your superannuation journey, and that means that short-term market movements - even those as difficult to predict as the ones related to COVID-19 - have been factored into our investment strategy.

The Asset Consultant to MAP Super, Mercer Investments (Australia) Limited has noted there are numerous signs which give them cause to be cautiously optimistic. However, whether the recovery can be sustained beyond the immediate rebound remains highly dependent on containing further spread of the virus and the timing and success of treatments or a vaccine which will help life return to a new normal.

No matter how long it takes for the economy to recover from COVID-19, we're continuing to work on building our members' superannuation through your working life and into retirement.

2020 in review

Mercer Investments Australia Limited was appointed asset consultant for MAP, Smartsave and LESF in 2018. With such volatile times such as 2020, partnering with an organisation with such depth of resources has resulted in all key performance measures being higher than the target, even though the market had not fully recovered by the end of June 2020.

Most financial markets posted strong gains through the first half of the financial year into January 2020, with many asset sectors posting all-time highs. The world then changed dramatically with the outbreak of COVID-19, which spread across the globe in February before being declared a pandemic on 11 March - the singular most important event defining the last 12 months. The devastating health crisis and the enormous efforts to contain it has dominated our lives and financial markets since early 2020.

From late January, governments started to impose lockdown measures on businesses and the movement of people to protect public health. To limit economic contraction and support financial markets, central banks and governments around the world cut interest rates and increased spending. While their responses helped to support markets and economies, they weren't able to prevent the largest economic shock since the 1930s. Lockdowns around the world caused many people to lose jobs or experience a fall in incomes. Unemployment numbers in most parts of the world quickly reached levels not seen for decades.

In Australia, the unemployment rate rose significantly (the highest jobless rate since 1998) as parts of the economy especially tourism, leisure, hospitality, transport and retail came to a standstill. The job losses, combined with a decline in the volume of goods and services produced, pushed Australia into its first recession in 30 years.

Global share markets experienced a substantial sell-off in March, triggered by fears of the spreading virus and the implications for economies. However, after short but very sharp declines share markets around the world recovered strongly into the financial year end. This recovery was not universal across all market sectors.

In July, Mercer wrote that

There are numerous signs which give us cause to be cautiously optimistic. However, whether the recovery can be sustained beyond the immediate rebound remains highly dependent on containing further spread of the virus and the timing and success of treatments or a vaccine which will help life return to some kind of normal.

Six months later, that seems to have been a reasonable position.

Investment options – Asset Class Returns

With the volatility in shares during 2020, returns were negative for Australian Shares, Australian Property Securities and Emerging Shares. However, defensive assets such as Australian Bond and International Bonds performed relatively well.

Of course, in the 6 months since June, investment returns from growth assets have continued the rebound started in the last financial year, with returns for assets with high amounts of growth assets performing positively through the 6 months to December

Investment options – Performance

Depending on your product, and account, you will have a different list of investments that are available to you. The following is a focus on investment options that are managed by the fund's asset consultant, Mercer.

Pleasingly, when reviewing the performance of investment options against their target and suggested timeframe, there is a consistent outperformance against target.

Investment options – Super Wrap

For those members who have access to other investments, there are also a range of other investment options including managed funds, like those offered by Allan Gray, ASX listed securities from the All Ordinaries Index, managed accounts, like those offered by Watershed and term deposits.

Super changes

A year doesn't go by with some changes in super. In the past year there has been quite a few with the following some of the more meaningful.

New temporary early release rule changes due to the COVID pandemic. This allowed eligible members to withdraw up to \$20,000 from their super account. This rule change generated a lot of interest from members and resulted in a large increase in withdrawal volumes.

Protecting your super legislation (or PYS) resulted in some members having to elect to retain insurance cover or else have it cancelled, introduced caps on fees for balances lower than \$6,000 and the transfer to the ATO of inactive low balance accounts.

Putting Members' Interest First included further changes to accessing default insurance within super again resulting in less insurance for members.

There have been changes to the eligibility of making contributions to your fund, particularly for members aged 65 or over.

And coming up in July 2021, there will be the first ever change to the transfer balance cap from \$1.6 million to \$1.7 million.

There has never been a better time to stay engaged with your superannuation, both because of investment markets and keeping yourself aware of changes to the rules and how they affect you. We have increased our communications to you in 2020 which includes greater use of electronic delivery of information about what is happening in your fund. We urge you to open and read emails from the fund and keep up to date. Ensure that you have up to date details with the fund especially with email addresses as this is the best way for the fund to communicate with you.

If you have a financial adviser, it is important to engage with them. Super is complex, you should consult a financial adviser and tax advisor for advice tailored to your personal circumstances.

Moving Forward

Regulatory Landscape

The Australian Prudential Regulation Authority (APRA) is actively encouraging mergers between superannuation funds, where the merger is considered to be in the best interests of members. Mergers result in larger funds which promote greater efficiencies for their members and ultimately lead to improved member outcomes.

Decision making process

In September 2020 we advised you that the trustee of your superannuation fund, Diversa Trustees Limited, was considering the transfer of the MAP Superannuation Plan to become a sub-plan of OneSuper (formerly Smartsave), by way of a Successor Fund Transfer (SFT). OneSuper provides an 'umbrella structure' to house MAP and other superannuation products. The Trustee carefully considered the initiative and determined the SFT is in the best interests of members of MAP Super and that each member being transferred is being provided with equivalent rights in respect of their benefits.

Commonality

In OneSuper, there were already similarities that aided the decision:

- Mercer is the asset consultant
- OneVue Super Services is the administrator
- OneVue Wealth is the promoter including the provision of website services

The strategy for OneSuper is to build off this base with more members using the same services, and over time create efficiencies that benefit you, the members of the fund.

MAP Chart

For over 50 years, MAP Super has provided for the superannuation and investment needs of medical and allied professionals. In 2013, MAP formed a partnership with OneVue and Yellow Brick Road to launch a branded product. This grew into a sizeable part of the fund and the partnership with OneVue continued and growth came from other avenues as well.

In 2015, the fund was comprised of 4,596 members and over \$388 million in assets. As at June 2020 there were 23,524 members and \$778 million in assets.

The importance of the scale of the fund is the addition of LESF and Smartsave which combine for 54,129 members and \$1,144 million in assets. These figures restate all three funds as at 30 June 2020.

In future, as part of OneSuper, MAP Super will continue to provide the same services and your membership will be aligned – including the name of the product, the website and document branding. What will be different is that MAP will be part of OneSuper.

Why OneSuper

There are members that were both part of the Smartsave fund, the LESF fund and the MAP fund, including different products within those funds that had different names. Bringing these funds together wasn't about choosing the 'best' name from among the pack, because all members brought with them a name they identified with. We chose instead to keep the name they identified with as a product name, but changed the fund name. OneSuper was chosen due to its simplicity and its ability to be complementary with each of the names you identify with.

The Combined fund

Illustrating the umbrella structure of the fund and the varied member cohorts. There are doctors and medical professionals, lawyers and mining workers. There are some members that use the fund just for insurance purposes.

There are some members who use a financial adviser and some who hold their superannuation direct.

The fund also is a MySuper option, meaning it can be used as a default fund.

The different products are also varied from Allan Gray the fund manager promoting their product, to AusPrac who use the fund within their adviser network.

New Fund Website

With the combining of funds and new name, each of the existing websites didn't reflect the combined fund structure. On the website there is important information about the fund including information about the trustee, policies, annual reports and other information as is required to be made available to you.

There are also pages for each product where you can find out about each product, access disclosure documents, links to member logins and for some products, and in some cases, links back to the fund page you are already familiar with.