

Super Prophets

Member Outcomes Assessment
For the year ended 30 June 2021

28th February 2022



Table of contents

Item	
Introduction	3
Executive summary	5
Super Prophets' overview	7
Accumulation comparative assessment	9
Pension comparative assessment	18
Product appropriateness assessment	25

Introduction

Introduction

What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to Super Prophets. It analyses how Super Prophets' 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.

The comparative analysis for Super Prophets' Accumulation and Pension products is contained in separate sections within this report, however the assessment of product appropriateness applies across both the Accumulation and Pension products.

All data is reported in accordance with APRA requirements. This assessment was undertaken in February 2022, and is relevant for the financial year ended 30 June 2021.

Approach for this assessment

Step 1: Measure and compare products



1. Return comparison
A comparison of returns



2. Fee comparison
A comparison of fees



3. Risk comparison
A comparison of investment risk

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 Determinations

The Trustee has determined that it is promoting the financial interests of the beneficiaries invested in its **Accumulation product** and its **Pension product** on the basis that:

- Total fees (which includes both administration and investment fees) at a product level are less expensive than the peer fund median for FY21 across all modelled balance points for most investment options except the Cash option;
- On balance, the investment returns of Super Prophets' investment options outperformed the peer fund median across three year and five year timeframes, and diversified options outperformed their APRA benchmarks on a five year basis;
- A majority of the objective assessment factors, being Super Prophets' options, benefits and facilities, investment strategy, insurance strategy and fees, operating costs and the basis for setting fees, are considered appropriate for Super Prophets' members and do not inappropriately erode their retirement balances.

The Trustee notes however, that there is an opportunity for improvement on administration fees for both Accumulation and Pension products in order to be more competitive with peers, as well as in relation to the one year investment risk measurement across the majority of investment options.

The Trustee notes the consolidation into OneSuper that has occurred, but given APRA's stance on sub-scale funds, this does not go far enough to ensure a cost effective operating structure and good outcomes for members, so the sub-plan will be terminated in FY22zzzzzz

Super Prophets Overview

Super Prophets Overview

Super Prophets is the brand name of Whole Super, and is an extension of the Fat Prophets brand which is locally and internationally recognised as a leader in research and wealth management. Members are able to invest in a range of diversified and single sector options, each of which are also offered as a pension product.

Super Prophets offers five investment options to its members. These investment options are available to both Accumulation and Pension members.

Cash Option

**Balanced
Option**

**Passive
Balanced
Option**

**High Growth
Option**

**Passive High
Growth
Option**

Accumulation Comparative Assessment

Fees & Costs Comparison: Accumulation

Total Fees

Super Prophets' total fees (administration fee plus investment fees) for accumulation members are compared to peer fund median fees in the charts on the following page. Super Prophets' investment options are lower cost than the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balance except for the Cash option which is higher cost at all account balances, and the Balanced and High Growth options at \$30,000 balance which were slightly higher cost than the median.

The Trustee notes that this is consistent with APRA's heatmap which rated Super Prophets as having more competitive fees than the median fund on a total fees basis for \$50,000 and \$100,000 balances, but very slightly less competitive fees for the High Growth option at \$100,000 balance.

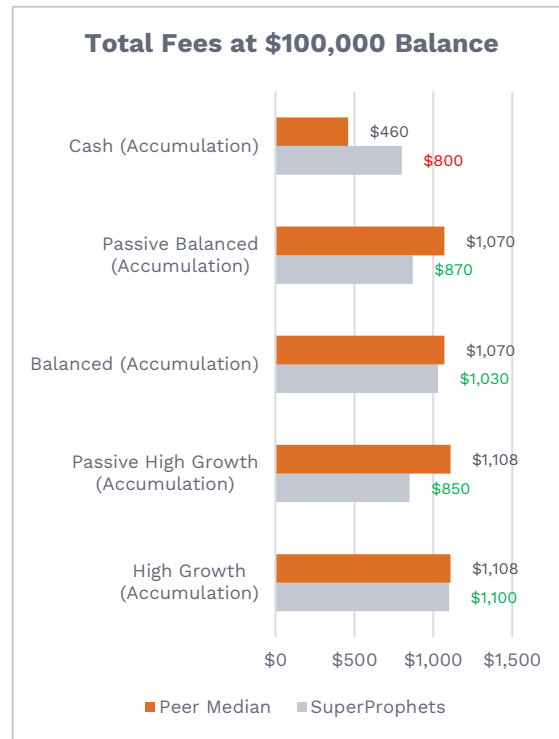
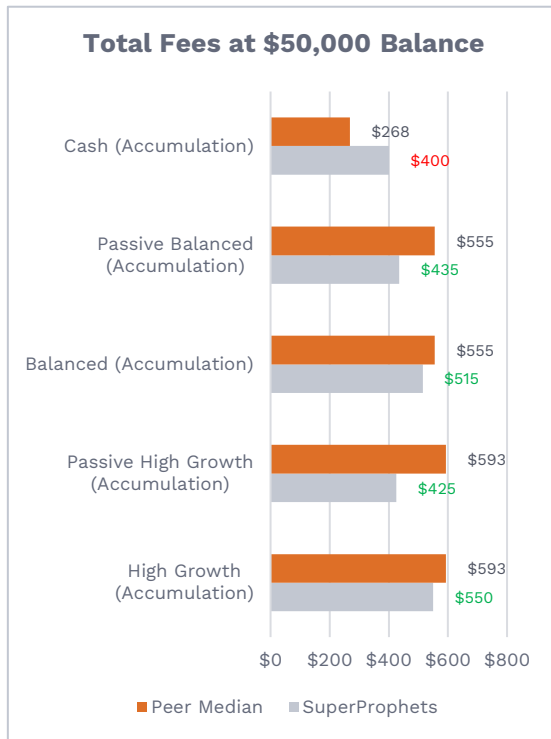
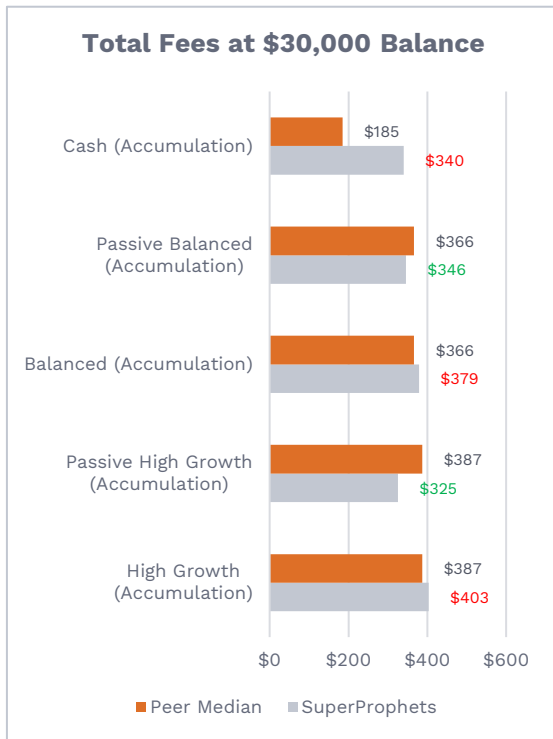
Administration Fees

Super Prophets' Accumulation administration fees are also compared to peer fund median administration fees. Super Prophets is higher cost across a majority of investment options when administration fees are calculated on a \$30,000, \$50,000 and \$100,000 balances.

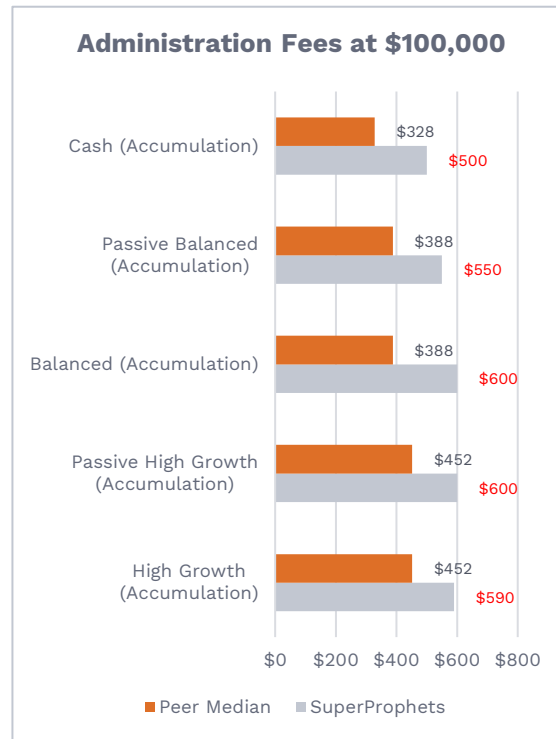
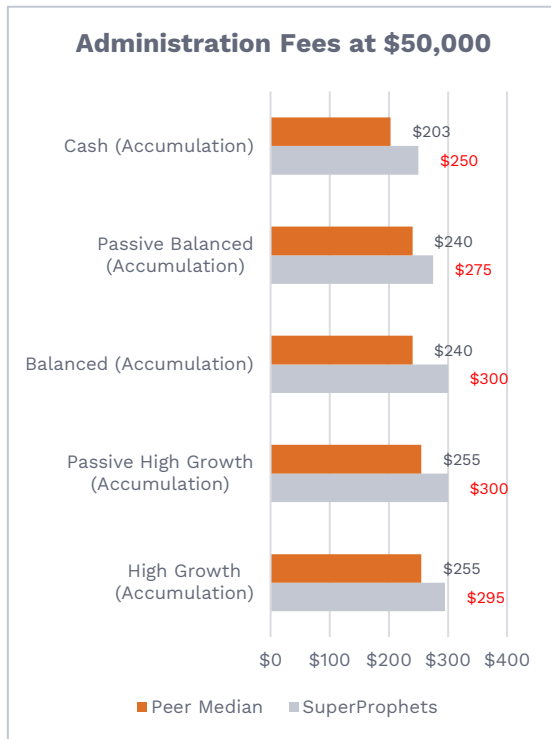
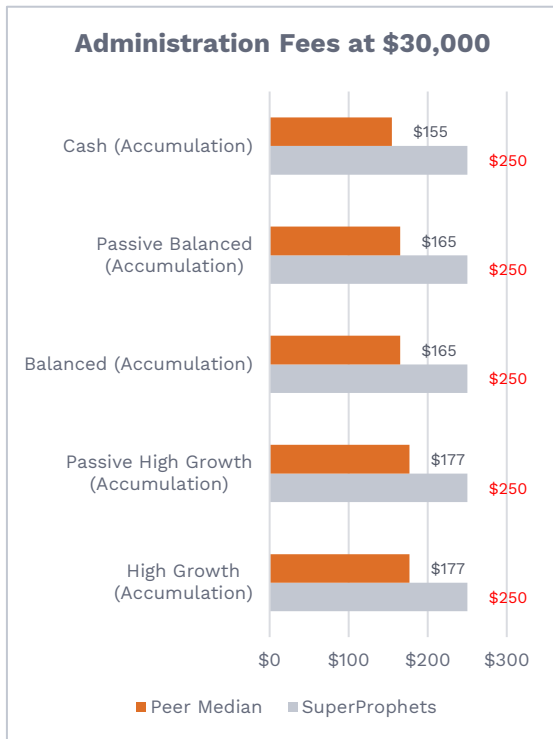
The Trustee notes that this is consistent with APRA's heatmap which rated Super Prophets as having less competitive administration fees for \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation product as the total fees for Super Prophets at a product level are less expensive than the peer fund median. The Trustee notes that improvement on administration fees will make it more competitive with peers.

Fees & Costs Comparison: Accumulation



Fees & Costs Comparison: Accumulation

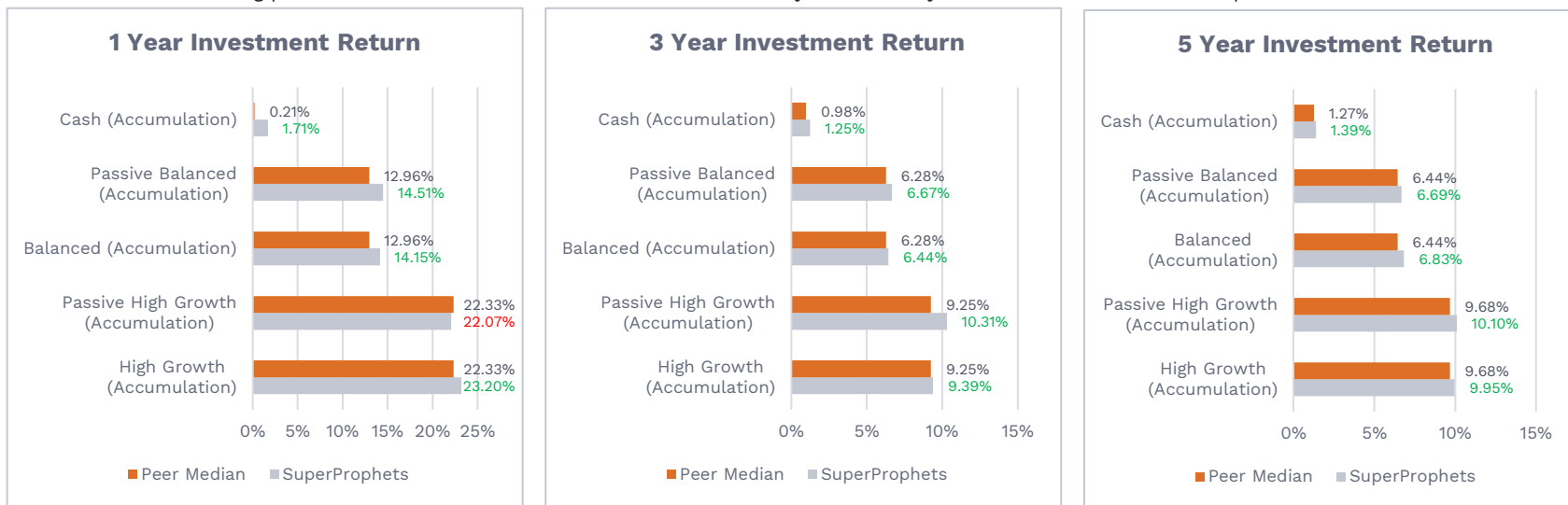


Investment Return Comparison: Accumulation

The graphs below detail the investment return of Super Prophets' investment options for accumulation members. These graphs show that the net investment returns over a one year period to 30 June 2021 have all outperformed the peer fund median, except for the Passive High Growth option which only marginally underperformed its relevant median. Super Prophets' investment options also all outperformed their peer fund medians over three year and five year timeframes.

The majority of Super Prophets' diversified options have outperformed APRA's Strategic Asset Allocation Benchmark over three years, which will be used for the Your Future Your Super performance test.

As superannuation is a long term investment, longer dated performance is considered more significant. The Trustee has determined the financial interests of the members are being promoted as all investment returns across the three year and five year timeframes exceeded the peer median.



superPROPHETS

Source: Peer median is derived from SuperRatings median data for the relevant asset class (Growth (77-90) for the High Growth (Accumulation) Option and Passive High Growth (Accumulation) Option, Conservative Balanced (41-59) for the Balanced (Accumulation) Option and Passive Balanced (Accumulation) Option, and Cash for the Cash (Accumulation) Option)

Investment Return Comparison: Diversified options

Super Prophets' net investment return for its diversified accumulation investment options outperformed their corresponding three year APRA benchmarks which are used for APRA's performance heatmap, with only the High Growth option underperforming slightly. The Passive High Growth option outperformed the five year APRA simple reference portfolio, while the other options underperformed slightly.

Value of Super Prophets' Product Selection* in the past 3 years

Value of Super Prophets' asset allocation** in the past 3 years

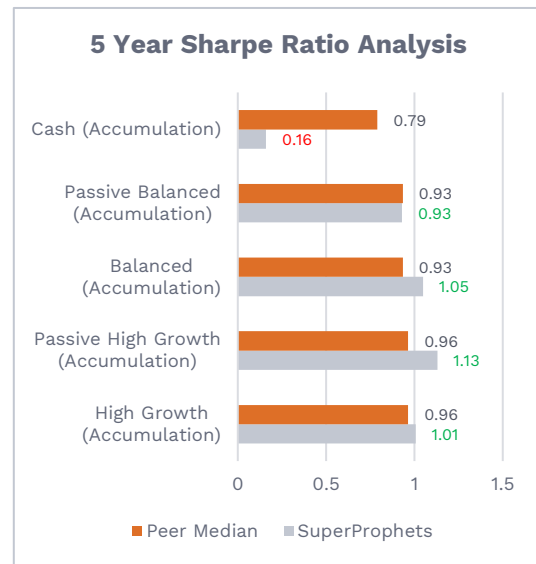
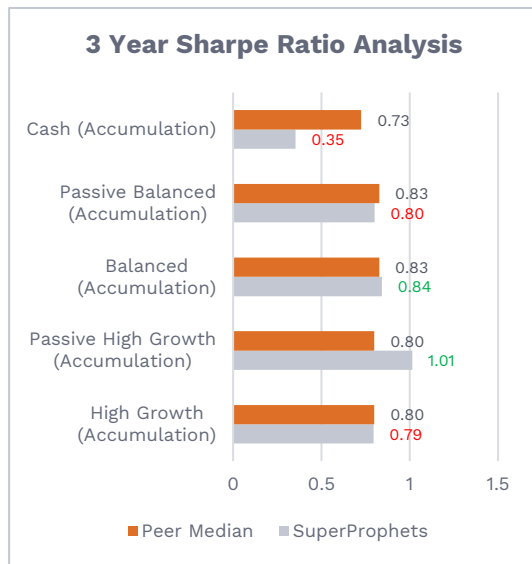
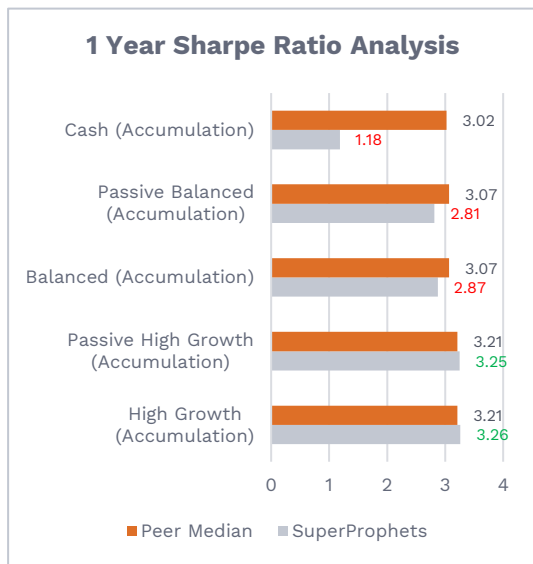
Choice option name	3 year Net Investment Return (NIR) p.a.	3 year NIR relative to SAA Benchmark Portfolio p.a.	3 year NIR relative to Simple Reference Portfolio p.a.
Whole Super - Balanced	6.95%	0.16%	-0.31%
Whole Super - High Growth	9.90%	-0.12%	-0.06%
Whole Super - Passive Balanced	7.18%	0.78%	-0.10%
Whole Super - Passive High Growth	10.82%	0.83%	0.86%

Investment Risk Comparison: Accumulation

In the following graphs, we measure the performance of Super Prophets' 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.

Super Prophets' Sharpe ratio over one year, three and five years are above or effectively in line with peer fund medians for its diversified investment options. Its Cash investment option however is significantly lower than the peer fund median in all periods measured.

On balance, the Trustee has determined the financial interests of the members are being promoted as risk-adjusted returns are inline with peer fund medians.



Pension Comparative Assessment

Fees & Costs Comparison: Pension

Total Fees

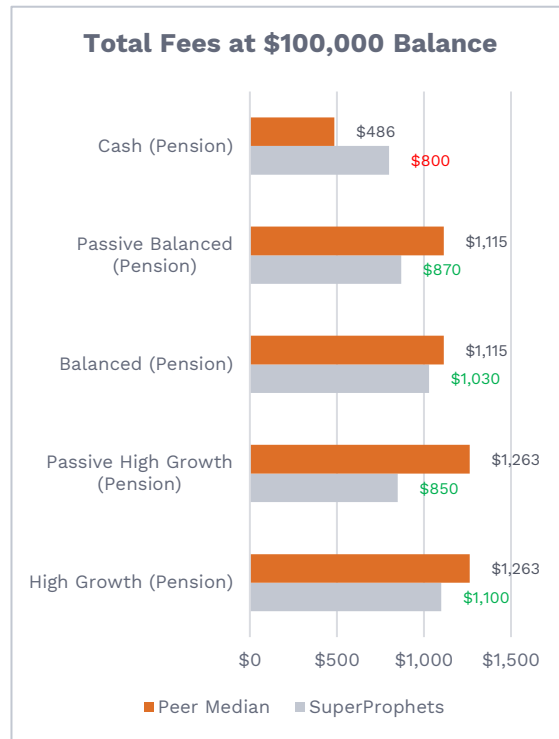
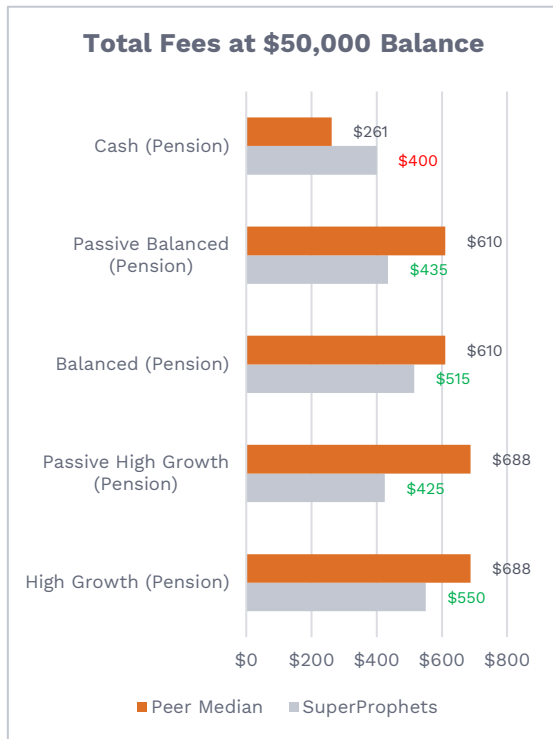
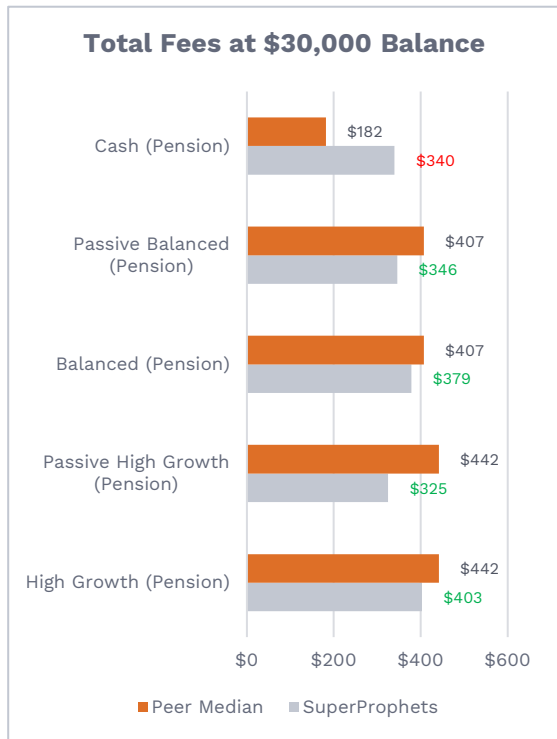
Super Prophets' total fees (administration fee plus investment fees) for pension members are compared to peer fund median fees in the charts on the following page. Super Prophets' investment options are lower cost than the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balance except for the Cash option which is higher cost at all account balances.

Administration Fees

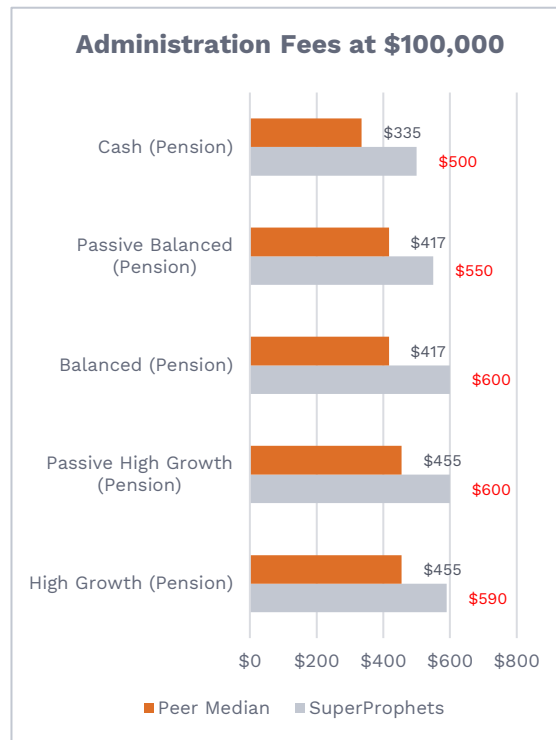
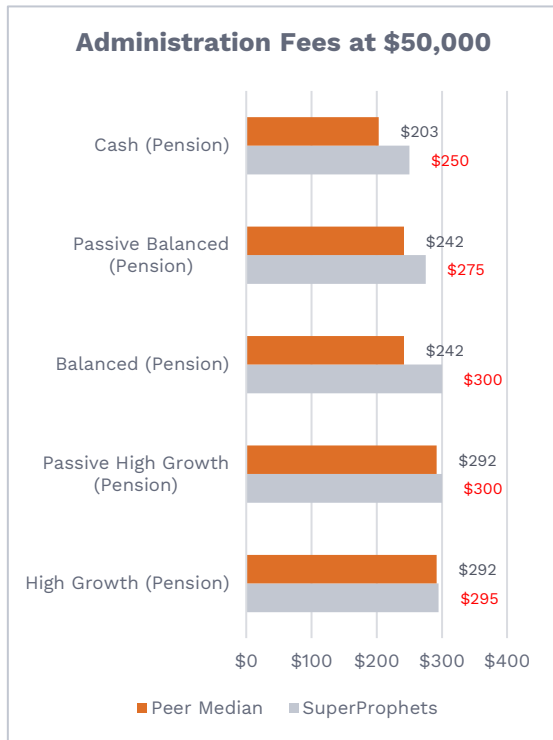
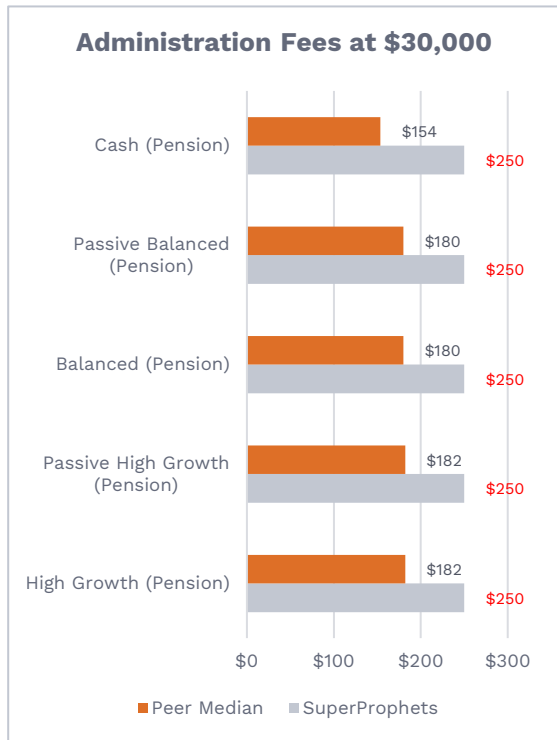
On page 19, Super Prophets' pension administration fees have been compared to peer fund median administration fees. Super Prophets is higher cost across a majority of investment options when administration fees are calculated on a \$30,000, \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension product as the total fees for Super Prophets at a product level are less expensive than the peer fund median. The Trustee notes that improvement on administration fees will make it more competitive with peers.

Fees & Costs Comparison: Pension



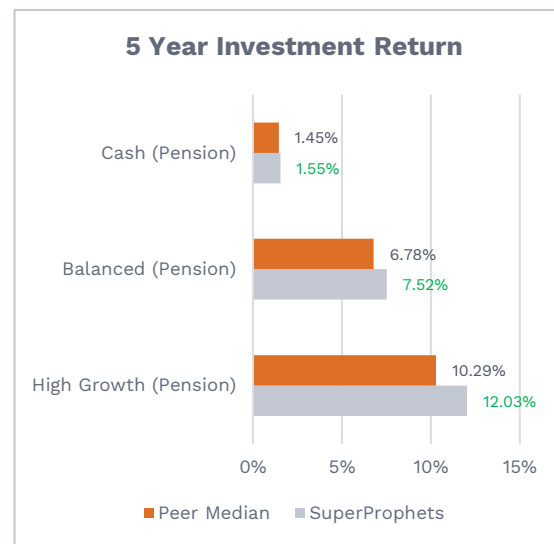
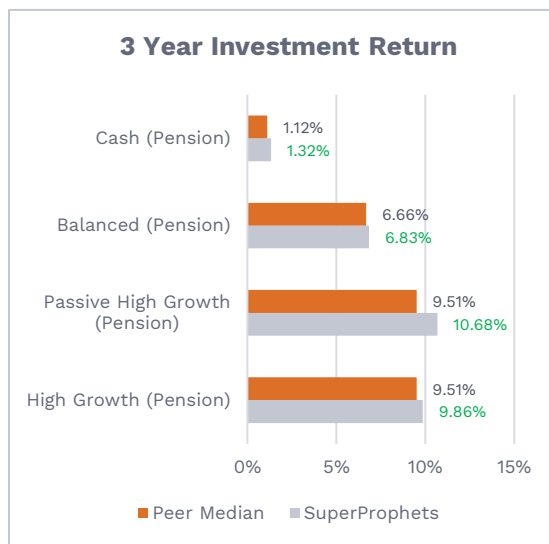
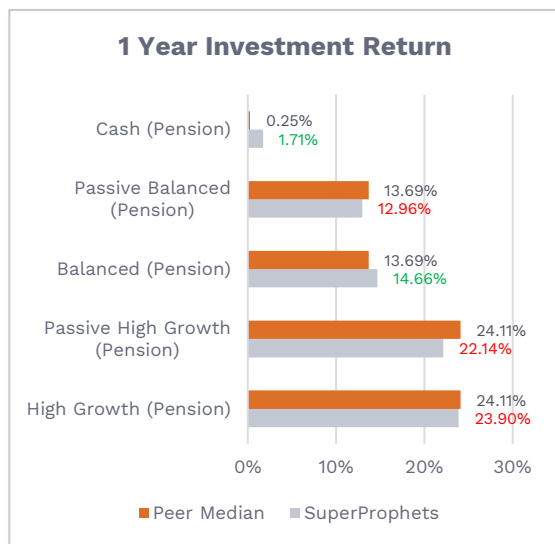
Fees & Costs Comparison: Pension



Investment Return Comparison: Pension

The graphs below detail the investment return of Super Prophets' investment options for pension members. Super Prophets' Balanced and Cash Options have outperformed their relevant peer fund median over the one year period to 30 June 2021, but its Passive High Growth, Passive Balanced and High Growth options have underperformed their peer fund median. Super Prophets' options' net investment returns over a three and five year period have all outperformed their relevant peer fund median. Five year performance is not available for the Passive High Growth investment option, and both three and five year performance is not available for the Passive Balanced option.

As superannuation is a long term investment, longer dated performance is considered more significant. The Trustee has determined the financial interests of the members are being promoted as all investment returns across the three year and five year timeframes exceeded the peer median.

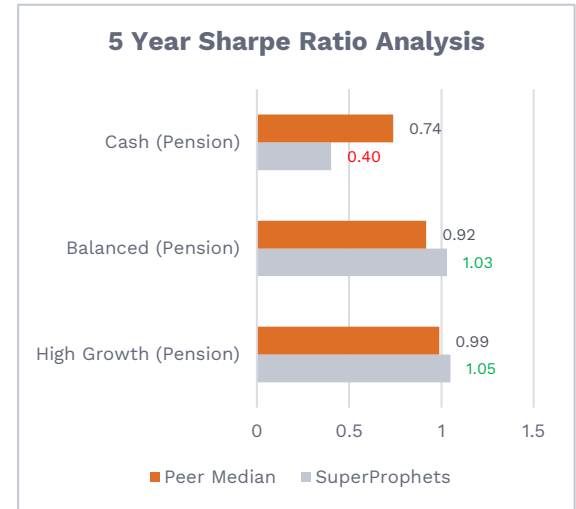
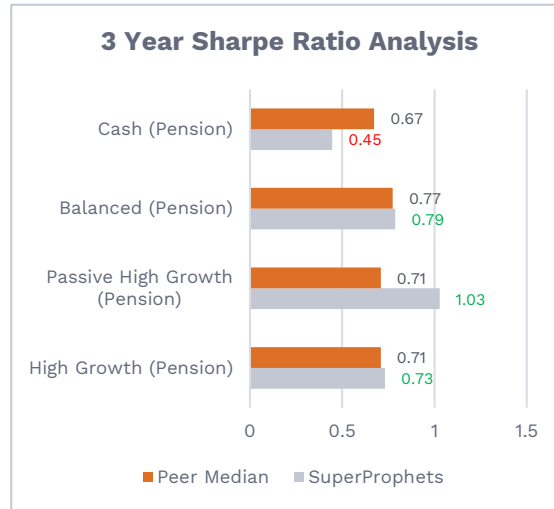
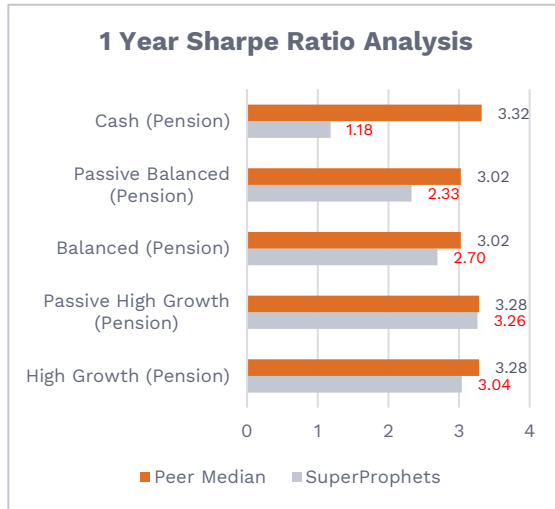


Investment Risk Comparison: Pension

In the following graphs, we measure the performance of Super Prophets' 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.

Super Prophets' Sharpe ratio over three and five years are above peer fund medians for its diversified options. Its Cash investment option however is significantly lower than the peer fund median in all periods. The five year Sharpe ratios is not available for the Passive High Growth investment option, and both three and five year performance is not available for the Passive Balanced option. It is noted that there is an opportunity for improvement on the one year Sharpe ratios as these lag the peer median.

On balance, the Trustee has determined the financial interests of the members are being promoted as risk-adjusted returns are inline with peer fund medians.



Product Appropriateness Assessment

OPTIONS, FACILITIES & BENEFITS

Super Prophets offers a range of services and products to all members in order to assist them with engaging with their superannuation to optimise their retirement outcomes.

Super Prophets' focus on driving improvements to the quality and usage of communication and member engagement tools has resulted in above average member engagement. Key initiatives undertaken over FY21 include the launch of a digital online portal with a platform for investment management and research, ten outsourced model portfolios and an insurance calculator.

An 'Education Hub' has also been implemented to provide members with a structured form of financial education on superannuation and its key basics. It is noted that implementation for this commenced on August 2021 and thus is outside the scope of this Member Outcomes Assessment, but this is due to the impacts of COVID-19 on the content filming schedule. The Education Hub's digital content and financial literacy tools are being actively monitored to improve and tailor content to members with a focus on driving engagement and improving member financial literacy.

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

INVESTMENT STRATEGY

Super Prophets' investment menu consists of four diversified options and a Cash option.

Its diversified options cover two of APRA's and SuperRatings growth bands: Growth and Conservative Balanced, with a passive and active investment option within these bands. The average Super Prophets member is 53 years of age, with an account balance of over \$145K, so these investment options are considered appropriate for Super Prophets' membership.

In addition, there is a Cash option available for investors seeking greater liquidity or those who hold a more conservative investor sentiment. The simple menu of investment options gives enough choice for multiple risk appetites appropriate for the member cohort.

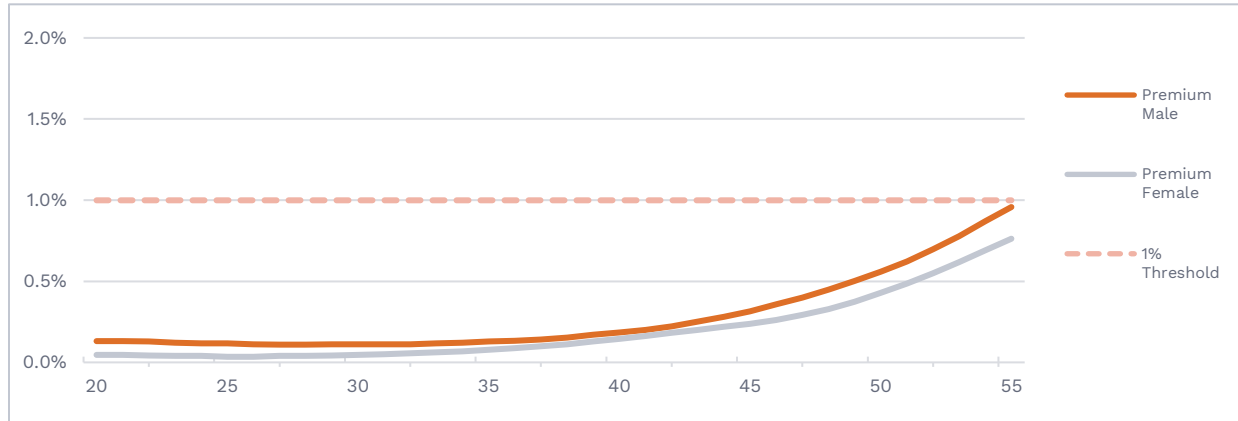
The investment strategy was reviewed in June 2021. As a result of this review, there was only one change made which was to the investment objective of the High Growth and Passive High Growth investment options.

Based on the above, the Trustee has determined that the investment strategy and investment menu is appropriate for members as it provides options for all members who have varying risk profiles and circumstances.

INSURANCE STRATEGY & FEES

Super Prophets provides insurance for members through MLC Limited. Default insurance is not offered so members must opt-in to gain access to insurance.

The following graph shows how Super Prophets' premiums* for Death and TPD insurance cover compares to a 1% of salary** threshold from ages 20 to 55. Whilst Super Prophets has not opted into the Insurance in Superannuation Voluntary Code of Practice, the recommended benchmark of 1% of annual salary is still considered. As members become older, the premiums increase, and cover decreases to reflect the rise in health risk. The standard cover starts at \$200,000, rises to \$300,000 at age 33 and then reduces to \$250,000 at 47 and again to \$150,000 at 52.



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

SCALE

Super Prophets had 24 members with approximately \$13M in funds under management as at 30 June 2021:

- Net members' benefits flows of \$0M, compared to the industry median of -\$4M
- Number of member accounts grew by 71%, compared to the industry median of -3%
- Net rollovers into Super Prophet Super of \$0M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 48%, compared to the industry median of 107%

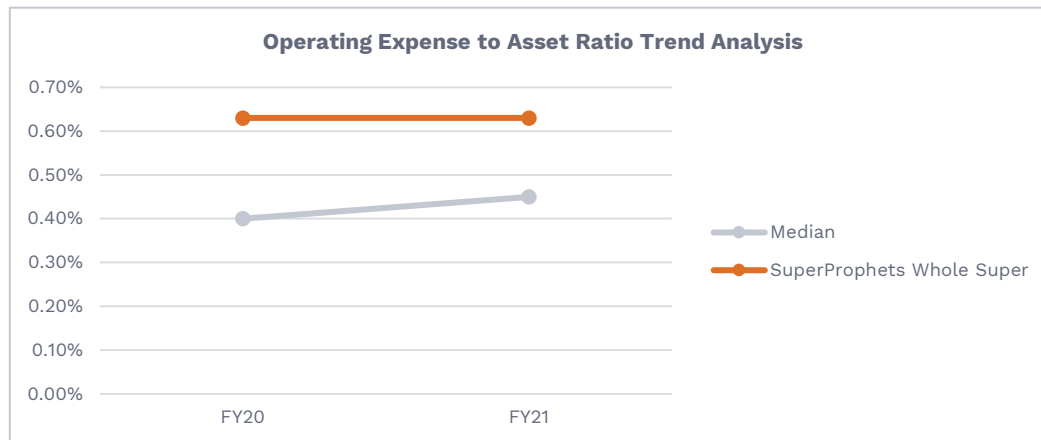
From the above, it is clear that Super Prophets' growth rate is positive and higher than the industry median. This puts Super Prophets in an increasingly competitive position and will help drive down various costs as more members join the fund.

Additionally during FY21, members of Super Prophets were transferred into OneSuper via a Successor Fund Transfer ('SFT'). This resulted in members becoming part of a larger superannuation fund with approximately \$1.28 billion of Funds Under Management ('FUM'). This consolidation has the potential to realise improved member benefits and lower overall costs through a range of efficiencies for members of Super Prophet and OneSuper.

The Trustee notes the consolidation into OneSuper that has occurred, but given APRA's stance on sub-scale funds, this does not go far enough to ensure a cost effective operating structure and good outcomes for members, so the sub-plan will be terminated in FY22

OPERATING COSTS

Super Prophets' operating expense to asset ratio trend is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that Super Prophets' operating expense ratio was slightly higher than that of the median fund in FY20 and FY21, but remained flat whilst industry median operating expense ratio increased by 0.05% between FY20 and FY21.



Noting the smaller size of the Fund, the operating costs are considered appropriate for Super Prophets' members and do not inappropriately erode their retirement balances. However, the Trustee notes that there is an opportunity to improve this ratio in the future – it is anticipated that the consolidation activity with the SFT into OneSuper is likely to drive down fixed cost per member and per dollar of FUM to improve the operating expense ratio.

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 an asset-based fee and an expense recovery fee, calculated as a percentage of the account balance (tables for these tiered fees are shown below). The combination of a minimum fee and reducing fee with larger account balances ensures that the costs of services, which are available to all members, are appropriately shared across the fund membership base.

The investment fees are lower for the passively managed options reflecting the lower cost of managing the investment.

Administration fees are charged to members on a monthly basis and investment fees are factored into unit price. This ensures 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. Hence, retirement balances are not eroded.

Asset-based Fees		
From	To	Rate
\$0	\$249,999	0.60% p.a.
\$250,000	\$499,999	0.55% p.a.
\$500,000	\$999,999	0.45% p.a.
\$1m	\$1,499,999	0.20% p.a.
Over \$1.5m		Nil
Or a minimum of \$250		

Expense Recovery fee		
From	To	Rate
\$0	\$500,000	0.05% p.a.
\$500,001	\$1,000,000	0.025% p.a.
Over \$1m		Nil



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