

Allan Gray Superannuation and Allan Gray Retirement Fund Year in Review 2020

Summary

Thank you for reading the Allan Gray Superannuation and Allan Gray Retirement Fund (Allan Gray, the Fund) product summary which includes the product determination, and 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. Allan Gray's investment philosophy is to take a contrarian approach to investing, apply it consistently, and invest for the long term.

Allan Gray had 148 members and was a sub-plan of MAP Master Superannuation Plan Division II (MAP). Members of Allan Gray were transferred as part of the larger MAP transfer into OneSuper¹ from 1 December 2020. 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. Allan Gray offers an accumulation superannuation product and account based pension, with a transition to retirement option, directly to members or through a financial adviser.

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.

During the year, we implemented the following positive changes:

- We updated and expanded the CORE and Full Category investment menus, which provided members with the ability to choose either a simple or tailored investment portfolio consisting of managed funds, listed securities, term deposits and a choice of managed account model portfolios.
- We simplified our fee structure resulting in a reduction in our administration fees and abolishment of certain transaction fees. On a balance of \$50,000, this represents a reduction in total fees of \$7.50 p.a, from \$200 p.a. to \$192.50 p.a.
- We launched a Fee Hub including a calculator, and educational materials to assist members with making informed fee decisions.

¹ 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).

Allan Gray's focus in the last financial year was to enhance our superannuation offering to members through an expanded investment menu, a reduction in fees and costs and enhanced member education resources and an interactive tool placing members in control of the fees they wish to pay.

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;
- 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

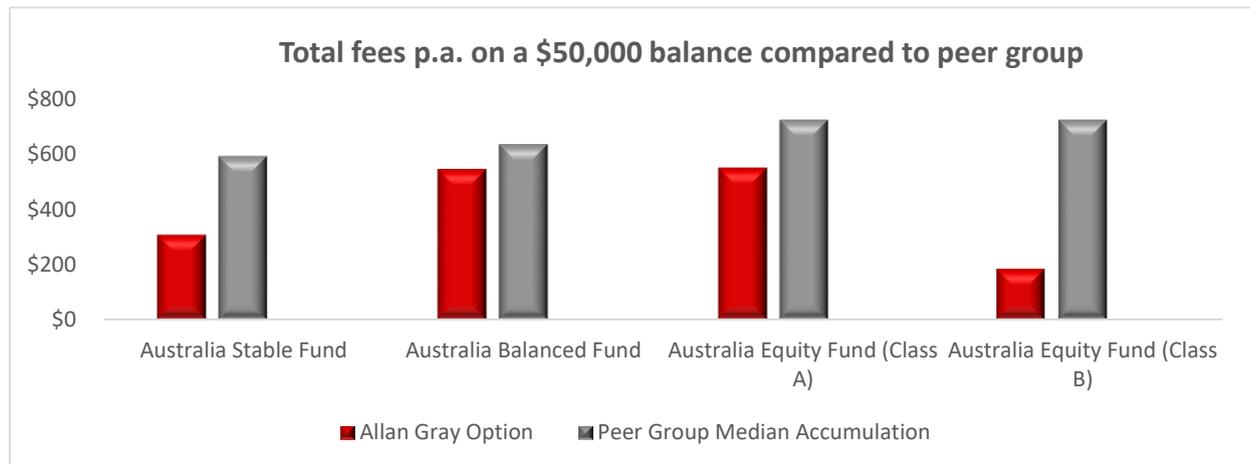
Where we have used the median in our comparisons, benchmarks or measurements, the median is defined as the middle of a sorted list of values. For example, take this list of numbers: 2, 10, 12. The average is found adding all of the numbers together and dividing the number of items in the set: $(2 + 10 + 12) \div 3 = 8$. 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 SuperRatings², a company which specialises in ratings and research for the super industry and compares funds across a range of quantitative and qualitative factors. We compared our fees, returns and level of investment risk against our peers³.

² Fee medians are sourced from SuperRatings and are as at 30 June 2020.

³ Peer Group is defined as all Master Trusts – Personal, Master Trust – Corporate, Industry – Personal, and Industry Public Offer Corporate – Personal products with data sourced from SuperRatings.

Fees



The Allan Gray Managed Funds available in the Core menu made up 30% of the underlying investments as at 30 June 2020. A minimum of \$2,500 is required to be maintained in the Cash Hub for the deduction of fees and insurance premiums. As shown above, our fees are less expensive than the median for comparable investments options in our peer group across all options. The Australia Equity Fund Class B does not charge an underlying investment menu, however, charges a high performance fee.

From 1 August 2019, we implemented the following new simplified fee structure:

- No account keeping fees if you invested in the CORE category menu only, and a standard \$100 p.a. fee on all asset balances which are part of the FULL menu, calculated daily and deducted from the Cash Hub monthly and on exit.
- A simpler tiered administration fee structure applicable to both CORE and FULL menus.
- Removal of Transaction fees on individual Managed Funds, FUND.eXchange Managed Funds and Term Deposits.
- Removal of the Member and Trustee fee.
- A simple expense recovery fee.

This has resulted in an overall reduction to members on a balance of \$50,000 of \$7.50 p.a., from \$200 p.a. to \$192.50 p.a, not including any investment fees charged by the underlying investment manager.

Allan Gray's fee design is premised on equality, where everyone has access to the same investment menu, for the same price, for the same dollars invested – always. Therefore, if a member wants to access investments outside of the Core menu, they pay a small additional fee of \$100 p.a, and this fee is prorated for the number of days that they are invested in an option outside of the Core menu. The Trustee therefore believes that the basis for the setting of fees is appropriate for members.

The operating expense ratio for Allan Gray is 0.32% p.a., which is well below the median of 0.60% p.a. for retail funds and 0.40% p.a. for the total industry. Post the transfer of its members to OneSuper,

Allan Gray leverages the scale of being part of an umbrella fund with funds under management of over \$1.15 billion⁴. Therefore, the Trustee has determined that our members are not disadvantaged due to the scale of, and within, the Trustees' business operations, and the operating costs of the Trustees' business operations are not inappropriately affecting the financial interests of members.

Investment Returns and Investment Risk

The general investment objectives of Allan Gray Superannuation are:

- To offer members a range of different approved investment options by return potential, risk profile and style to suit their individual circumstances and promote diversification of member strategies,
- To achieve competitive investment returns for its members commensurate with risk.

Members of the Allan Gray Superannuation and Allan Gray Retirement have access to the CORE and FULL category investment menu. As at 1 December 2020, Allan Gray offered the following number of different investments:

Core Menu		Full Menu	
Type	Number	Type	Number
Fund Exchange Managed Funds	44	Managed Funds	350+
		Term Deposits	8
Term Deposits	8	ASX listed securities including Exchange Traded Funds and Listed Investment Companies.	
		Managed Account Model Portfolios	

Where the Fund offers members an externally managed investment option (including Managed Portfolios offered through external Responsible Entities and MDA providers) it will adopt the investment objectives specific to that option. Those objectives can be found in the Offer Documents made available to members prior to investment.

Members can decide on the level of investment risk they wish to take, and Allan Gray does not have a default investment option model. Where investors do not make an investment choice, their money will remain invested in the Cash Hub. The labelling of the diversified options and the aligned Standard Risk Measure label is consistent with other comparable funds.

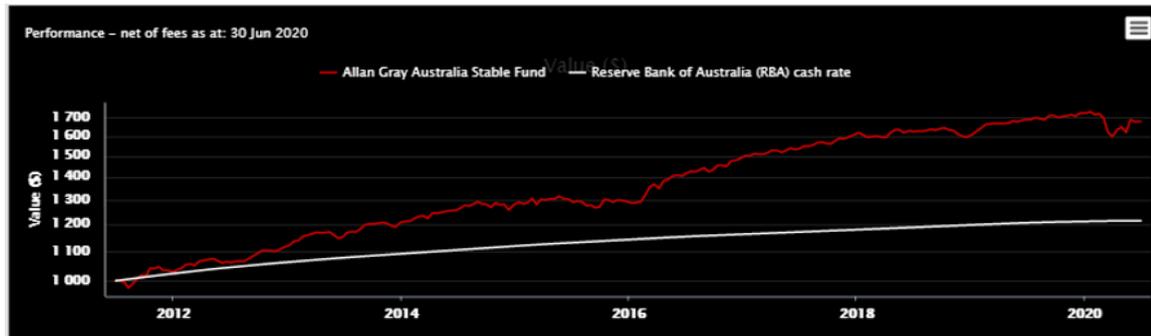
Allan Gray's investment philosophy is to take a contrarian approach to investing, apply it consistently, and invest for the long term. This philosophy is applied across all of the Allan Gray Managed Funds.

As our members are able to create their own tailored investment strategy from the vast choice of

⁴ Figure is as at 30 June 2020

options, we have assessed our investment performance⁵ using the Allan Gray Managed Funds available in the Core menu, which made up 30% of the underlying investments as at 30 June 2020, against their investment objectives benchmarks.

The Allan Gray Australia Stable Fund (Stable Fund) was launched 1 July 2011 and has an investment risk of Low to Medium. The Stable Fund aims to provide a long-term return that exceeds the Reserve Bank of Australia cash rate, with less volatility than the Australian share market. As shown below, we have consistently exceeded our benchmark.

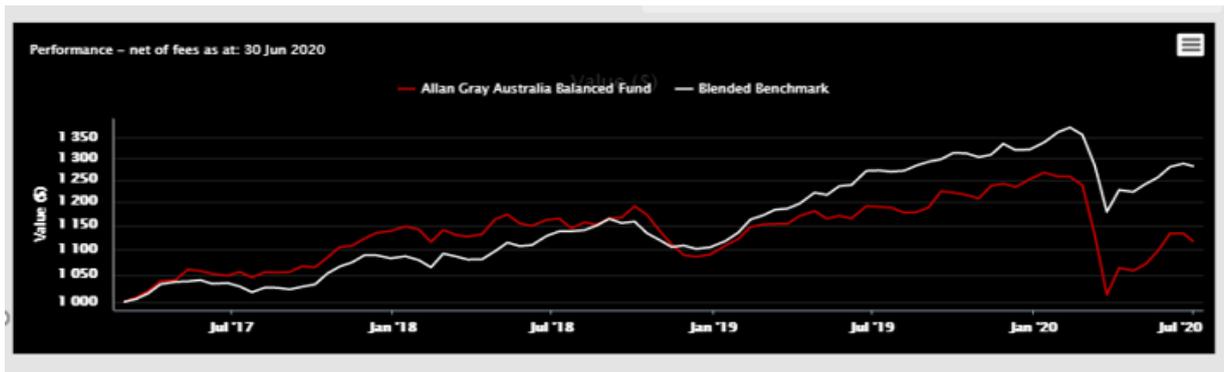


The Allan Gray Australia Balanced Fund (Balanced Fund) was launched on 1 March 2017 and has an investment risk rating of Medium to High. The benchmark for the Balanced Fund has a custom benchmark consisting of:

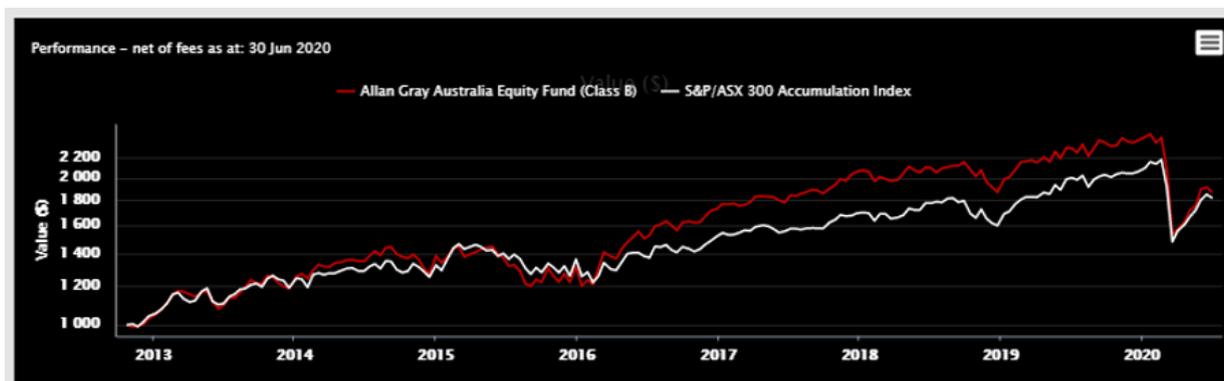
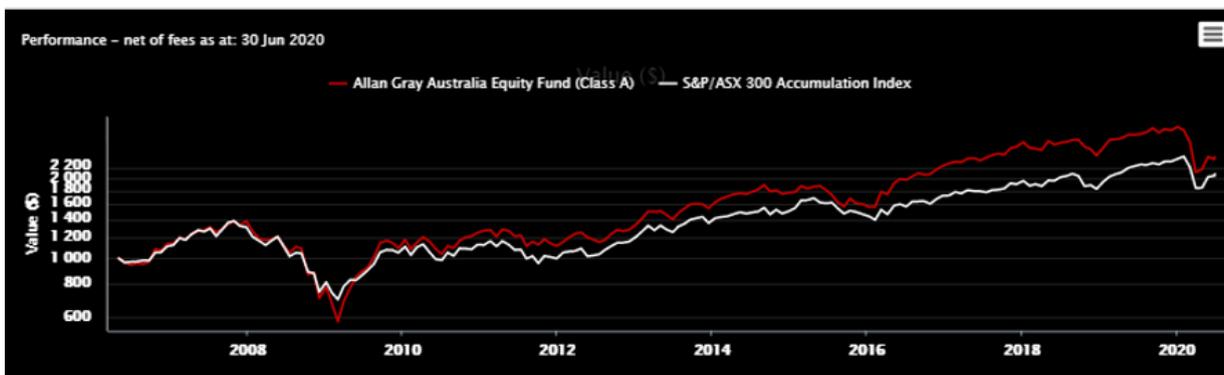
- 36% S&P/ASX 300 Accumulation Index;
- 24% S&P/ASX Australian Government Bond Index;
- 24% MSCI World Index (net dividends reinvested) expressed in AUD; and
- 16% JPMorgan Global Government Bond Index expressed in AUD.

The Balanced Fund invests in different asset classes to take advantage of the best opportunities. This means the Fund can capitalise when markets are cheap. The target range is to have anything between 40%-90% of the Fund invested in shares and 10%-50% in fixed income, depending on where the opportunities are. As a result, the Balanced Fund can look very different to that of its peers, as the investment mix is based on finding the best value. The Fund may experience periods of underperformance in pursuit of its long-term objective, particularly given its exposure to local and overseas markets. The risk level of the fund which is Medium - High is reflective of this.

⁵ Past performance should not be relied upon as an indication of future returns.



The Allan Gray Australia Equity Fund (Class A) was launched on 4 May 2006 and the Allan Gray Australia Equity Fund (Class B) was launched on 26 October 2012. Both have an investment risk rating of High. Using Allan Gray’s contrarian investment philosophy, the Fund seeks to provide a long-term return that exceeds the S&P/ASX 300 Accumulation Index (Benchmark). As shown below, these funds have consistently exceeded the benchmark for both options.



The contrarian approach to investing (investing in undervalued shares and bonds of companies identified through fundamental research) over the long term, offers the potential for steady returns.

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

Member services and product options

Members can join Allan Gray Superannuation directly or through a financial adviser. During the financial year, the number of members increased from 100 members to 148 members (+48%) and funds under administration grew from \$9,400,000 to \$15,559,799 (+65%), which indicates that there is an increasing demand for our product. Allan Gray Superannuation and Allan Gray Retirement have a long-term view and continue to focus on growth within the fund over the next three years within the target market.

Members are provided with high quality educational material as well as the ability to change details and perform transactions via the member and adviser Secure Online Portal. Allan Gray also provides regular product updates, news and investment insights, quarterly fund commentary, and online webinars through its public website. The Allan Gray website also provides Super Smart Tips for members, a solutions overview for advisers providing super solutions for members, and FAQs to help members understand more about the Superannuation, and Retirements solutions offered.

In March 2020, to assist members with making informed fee decisions, Allan Gray launched a new Fee Hub including a fee **calculator**. Explanations were provided to help members learn about fees, a video on understanding fees, and how the calculator worked, and a calculator which provides prospective members with an indication of the fee range in dollars and basis points when using certain variables. Users can see how investment choices made will determine the administration fees paid through Allan Gray Superannuation before and when considering changes before they join the fund⁶. The calculator is one way in which Allan Gray demonstrates its transparency and belief in fee equality for all members.

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

Insurance

Allan Gray Superannuation provides default insurance cover through Group Insurance as well as Retail Insurance cover through an adviser. Allan Gray looks to protect members against the impacts to their family's financial situation or quality of life arising from an insurance event. It offers Death, terminal illness, Death and Total Permanent Disablement (TPD) Insurance as well as Salary Continuance Insurance. It allows for Life Event increases to cover as well as long term (up to age 65) Salary Continuance.

Eligible members, upon joining the fund are provided with default Death and TPD cover ranging from \$50,000 up to a maximum of \$250,000 based on a members' age next birthday. The cost of default cover ranges from \$3.49 to \$287.26 p.m. for males and \$1.43 to \$222.13 p.m. for females.

⁶ Important information on the workings and components of the Calculator can be found on the Allan Gray website under the administration fee calculator.

To receive the default cover, members must tell us they would like to receive it, that is, opt-in, after considering their personal situation and needs, and the cost of the cover, as such, the Trustee does not look to measure the impact of insurance eroding your retirement income.

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