

Australian Practical Superannuation

Year in Review 2020

Thank you for reading the Australian Practical Superannuation (AusPrac) product summary which includes the product determination, and a summary of our annual member outcomes assessment and comparison for the 2019-2020 financial year. Prior to 15 June 2020, AusPrac was known as YellowBrickRoad Super. For the purposes of this assessment, we will assess the product based on the outcomes provided to members for the majority of the 2019/2020 financial year. Any references to our objectives will relate to AusPrac, and we will refer to changes made to the product since June 2020 and onwards.

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.

As at 30 June 2020, AusPrac had 1,606 members and was a sub-plan of MAP Master Superannuation Plan Division II (MAP). Members of AusPrac 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. AusPrac offers an accumulation superannuation product and an account based pension, with a transition to retirement option, 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 completed the transition of a number of our investments option to the reconstructed investment pools. The consolidation of the underlying investments, resulting in a reduction of investment fees, should drive greater positive returns in the future.
- We updated and significantly expanded the Core and Full Category investment menus, providing members with the ability to choose either a simple or tailored investment portfolio consisting of managed funds, listed securities, term deposits. Listed Investment Companies (LICs), Exchange Traded Funds (ETFs) and a choice of managed account model portfolios.
- We simplified our disclosure documents and enhanced our members' digital experience with continued improvements to the online portals and the launch of a new public website, with increased and improved communications to advisers and members. We also provided access to educational and research material to assist during this challenging year.

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).

Australian Practical Superannuation a sub plan of OneSuper ABN 43 905 581 638 RSE R1001341

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We focused on reviewing our pooled investment options, and investment menus, including risk profiles, return objectives, strategic asset allocations and the mix of current investment managers to ensure we were meeting our members' best financial interest. On balance, and 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 benchmarked our fees, returns and level of investment risk against our peers³.

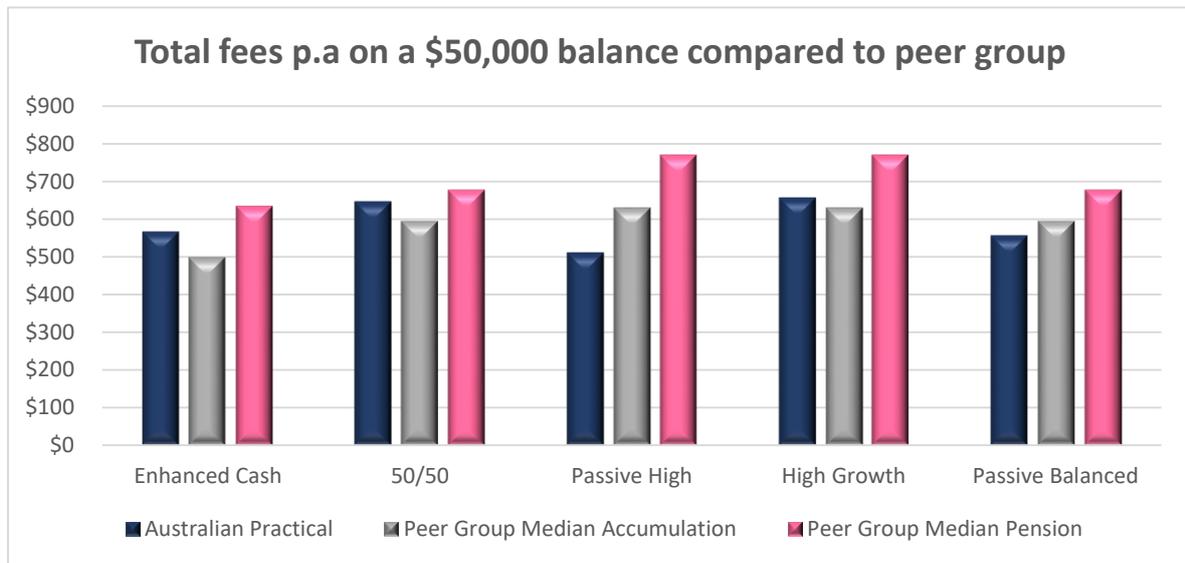
AusPrac offers a wide range of investment options. As at 30 June 2020, more than 75% of our funds were invested in the pooled investment options, noting that the enhanced offering was not available until 15 June 2020, therefore, the pooled investment options were used to compare our fees and investment returns against our peers.

Fees

Our aim is to maintain an adequate fee structure to ensure that member services can be appropriately delivered and be less expensive than the median of our peers, as shown below, we achieved this for two of our five pooled investment options.

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.



We will continue to review the overall pricing to find further efficiencies following the transfer into OneSuper with the aim of reducing member fees.

AusPrac charges a mix of fixed and percentage-based fee. Our percentage-based administration fee is tiered and is reduced when a member’s balance is greater than \$250,000. No asset-based fees are charged for balances over \$1M. The flat account keeping fee ensures that higher balance accounts are not eroded. The average account balance of our members is \$73,000.

AusPrac is an advised product, that is, it is only available through a financial adviser who has a best interest duty to ensure that the product will assist their client in meeting their objectives, financial situation and needs. This includes whether the fees charged are appropriate to the member. Taking into account where we are placed in comparison with the median and the required engagement by our members with a financial adviser, the Trustee has determined that the basis for the setting of fees is appropriate for our members.

The operating expense ratio for AusPrac is 0.45% p.a., which is well below the median of 0.60% p.a. for retail funds and just little higher than the median of 0.40% p.a. for the total industry. Post the transfer of members to OneSuper, AusPrac 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.

⁴ Figure is as at 30 June 2020.

Investment Returns and Investment Risk

Investment Returns

The general investment objectives of AusPrac 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.

AusPrac aims to deliver higher than the median returns for the relevant period across comparable investment of our peers. The below table shows how we performed as at 30 June 2020, with investment returns⁵ lower than our peers indicated in red, and higher than our peers indicated in green.

Cash	1 Year	3 years	5 years
Enhanced Cash	0.89%	1.61%	2.01%
<i>Peer Median</i>	1.34%	1.90%	2.11%
Conservative	1 Year	3 years	5 years
50/50	-0.24%	3.64%	3.92%
Passive Balanced	-0.87%	3.52%	N/A
<i>Peer Median</i>	-0.40%	4.13%	4.27%
Growth	1 Year	3 years	5 years
Passive High Growth	1.01%	N/A	N/A
High Growth	-1.76%	4.79%	5.12%
<i>Peer Median</i>	-1.87%	5.13%	5.67%
Cash	1 Year	3 years	5 years
Enhanced Cash Pension	0.98%	1.85%	2.33%
<i>Peer Median</i>	1.34%	2.03%	2.28%
Conservative	1 Year	3 years	5 years
50/50 Pension	-1.02%	3.96%	4.51%
Passive Balanced	-0.73%	N/A	N/A
<i>Peer Median</i>	-0.72%	4.13%	4.44%
Growth	1 Year	3 years	5 years
Passive High Growth Pension	1.03%	N/A	N/A
High Growth Pension	-2.41%	5.85%	6.33%
<i>Peer Median</i>	-2.54%	5.05%	5.68%

Although there were a number of pooled investment options that did not provide returns higher than our peer median, we believe that with the recent restructuring of the underlying investments including the reduction in investment fees that these returns will improve in the future.

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

Investment Risk and Strategy

From 1 June 2020, AusPrac members and advisers have access to the Core and Full category investment menus.

Core Menu		Full Menu	
Type	Number	Type	Number
Fund.Exchange Managed Funds	6	Managed Funds	100+
		Term Deposits	7
Term Deposits	7	ASX listed securities including Exchange Traded Funds and Listed Investment Companies.	
		Managed Account Model Portfolios	
Pooled Investment Options	5	Pooled Investment Options	5

The extensive range of investments have different risks and return attributes, which can be considered by their adviser when creating a superannuation investment strategy tailored to their needs. The average member in AusPrac is 46 years of age with an account balance of \$73,000

Members through their financial advisers can decide on the level of investment risk they wish to accept. The investment list is approved by the Trustee and has applicable holding limits and minimum investments, and withdrawal amounts. Where members invest in the Full Menu, a minimum balance of \$2,500 must be maintained as well as three months of either pension payments or insurance premiums. This reduces the risk of members having insufficient amounts to pay for these regular deductions. AusPrac does not have a default investment option. The labelling of the diversified options and the aligned Standard Risk Measure label is consistent with other comparable funds.

AusPrac is focused on providing its members and advisers with investment choice, to enable them to tailor their super to suit their needs and to drive greater returns and better long-term outcomes. Based on the above, the Trustee has determined that, on balance, 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 its members.

Member services and product options

2020 was a year in which we focused on driving improvements to our communication and member engagement tools, introducing improved, regular communications and an upgraded website to ensure information was easy for members to find. Given the uncertainty created by COVID-19 and the broader market downturn, it was vital that we were able to increase the support provided to members in these ways.

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A vital part of the upgraded communications were educational emails sent, to put the latest insights into the inbox of members. These communications were very well received, with Smartsave achieving almost double the average industry email open rate, reflecting the relevance and importance of communications with our members. In the period to 30 June 2020, member interest in fund emails were well over benchmark, with emails being opened by members over 39% of the time. Where a click-through to an article was applicable, the industry benchmark was well exceeded with up to 7% click-through rates on the quarterly eNews⁶.

The new OneSuper website was launched on 1 December 2020, with AusPrac given its own set of pages within this secure site to augment the existing fund website enhancing our members digital experience. It's easy to navigate around, and from the site access the member portal for account, investment and insurance information.

We also continue to enhance our member digital experience; we've done this through conducting a comprehensive review of the current end-to-end digital experience. Through this, we created new member educational tools, FAQs and provided links to other websites to provide members with assistance for example, moneysmart.org videos and financial help pages to assist our members navigate through this challenging year.

We are currently exploring the following initiatives to further enhance our digital experience in the near future:

- Provide corporate action event details through the member and adviser portal.
- Implement an Artificial Intelligence knowledge base for technical and product support for advisers.
- Provide the ability to make withdrawal requests online.
- Provide the ability to make super to pension in-specie transfers.

We also refreshed our disclosure documents to make them simpler for members and advisers to understand and reviewed our investment offering.

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

Insurance

AusPrac provides members with access to insurance cover to help protect your family's financial security against the unexpected. Both Group Life insurance (default cover and voluntary cover) and Retail Insurance cover are available in Australian Practical Superannuation.

⁶ Open rates and Click-through rates statistics are evidenced from Promoter Mailchimp reporting data.

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Retail Insurance terms are specific to the retail insurer's product disclosure statement which is available through your financial adviser. AusPrac provides access to Death including Terminal Illness, and Total and Permanent Disablement.

To receive the default cover, members or their financial adviser 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 our members, and that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.