

# SMARTMONDAY PENSION – TRANSITION TO RETIREMENT INCOME STREAM

## MEMBER OUTCOMES ASSESSMENT

### INTRODUCTION

In this report, Equity Trustees Superannuation Limited publishes the results of our annual assessment of how well the smartMonday PENSION – Transition to Retirement Income Stream product (the **product**) issued from the Smart Future Trust (the **fund**) provides member outcomes and promotes members' financial interests. The assessment is based on information as at 30 June 2023.

### METHODOLOGY AND STRUCTURE

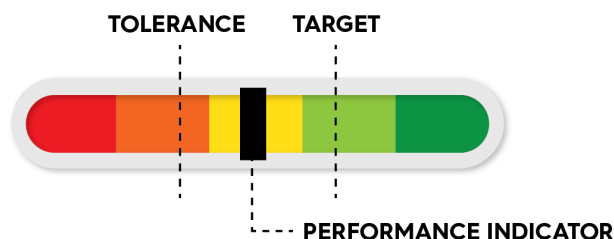
In conducting this assessment, we compared the product to other choice superannuation products included in statistical data published by the Australian Prudential Regulation Authority (**comparable products**) using the criteria in Part 6 of the *Superannuation Industry (Supervision) Act 1993* and Prudential Standard SPS 515 *Strategic Planning and Member Outcomes*.

This report includes:

- our overall assessment of whether the product provides optimal member outcomes and promotes their financial interests;
- a dashboard that depicts our assessment of the product's market-relative performance for each outcome we aim to provide members;
- a table summarising the key metrics that we relied on when making this assessment; and
- our commentary on this performance that includes action items to improve suboptimal performance.

For each member outcome, the dashboard presents the relevant segment of market performance. The width of each segment is based on the range of market performance for each outcome and is specific to each outcome. The positioning of the black performance indicator bar against the colour coding is our assessment of how well the outcome has been delivered. The colour coding gives a visual representation of performance that moves from neutral (yellow) through orange to least tolerance (red), and in the opposite direction from yellow to the target (or green) area of the dashboard. The assessment of each member outcome is based on several equally-weighted metrics. Accordingly, if one metric is outside our tolerance level it doesn't automatically mean the entire member outcome is outside our tolerance level.

*Example dashboard for illustrative purposes only*



The target is generally the average position of the comparable products while the tolerance level is the trigger for us to consider any necessary actions to improve member outcomes.

Please visit our [website](#) to view a short video that provides more information about the operation of the dashboard.



## OVERALL ASSESSMENT

Having carefully considered the comparisons of the product with comparable products set out in this report, including the dashboards, metrics, commentary, and other relevant information available to us at the time of writing, we have concluded that as a result of the following factors the product is promoting members' financial interests:

1. the fees and costs that affect the return to members are appropriate having regard to their financial interests;
2. the net returns for the product (i.e. returns after deducting all fees, costs and taxes) are not consistent with market rates;
3. the level of investment risk for the product is not acceptable in relation to the net returns generated;
4. the investment strategy for the product is appropriate;
5. the options, benefits and facilities offered in the product is appropriate for members; and
6. the scale of the product and the fund does not disadvantage members.

## ACTION ITEMS

To improve net returns we:

- increased our exposure to alternative assets;
- continue to review manager performance and will take appropriate action if required; and
- will complete a review of the investment strategy in 2024.

## DASHBOARD

### STRATEGIC CONTEXT

Working together with the fund's promoter, smartMonday Solutions Limited, our purpose is to support members to meet their financial goals by focusing on smart, easy actions that contribute to the long-term growth of their superannuation savings.

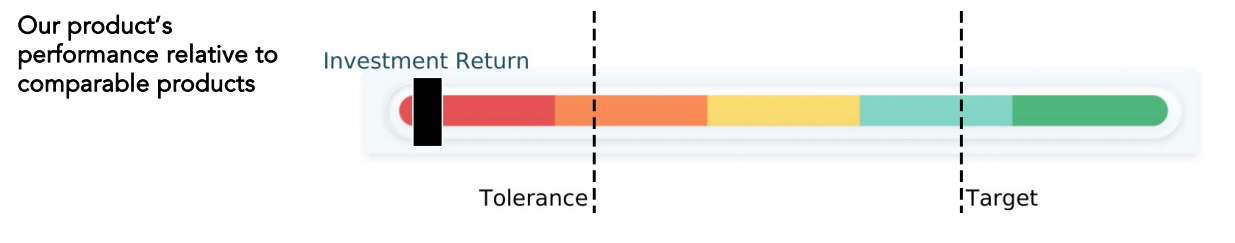
To support this purpose, our goals for the fund are to deliver long term sustainable investment returns and fee structures, grow the fund organically and strategically, rationalise and simplify the operational structure, maintain strong governance, improve member engagement and develop and offer innovative and needs-based solutions to improve member outcomes.

The product is a choice transition to retirement product.



## INVESTMENT RETURN

**Outcomes** Investment return for a \$50,000 account balance in the product<sup>1.0</sup> is consistent with market indexes.



Metrics	Ref	Metric Label	Value	Tolerance	Target
	1.1	1-year actual net return	7.91%	8.58%	9.03%
	1.2	3-year actual net return	5.68%	5.91%	6.65%
	1.3	5-year actual net return	4.11%	4.74%	5.14%
	1.4	10-year actual net return	5.58%	6.08%	6.85%

1.0 Investment returns and associated targets and tolerance levels are weighted averages for the product. The weighted averages are based on the performance, asset allocation and funds under management of the investment options available in the product. The table in Appendix 1 provides more information.

1.1 – 1.4 The product's fee structure leads to different net returns for different account balances. The table in Appendix 2 provides more information.

1.2 – 1.4 Net returns are based on historic returns and the current fee structure.

### Commentary

In August 2023, the following investment options in the product failed the [Annual superannuation performance test](#).

- High Growth - Active; and
- Moderate - Index.

This is a legislated performance test that is undertaken by the regulator, APRA, that assesses the performance of investment options against tailored benchmarks over a nine year time horizon.

For further information on the performance test as it relates to these options, please click [here](#).

The performance indicator measures the average investment return of all investment options in the product over one, three, five and ten year periods and is based on an equal weighting of all the metrics in the above table.

The investment options in this product include smartMonday MySuper. A separate report has been prepared for smartMonday MySuper, which members should read if they want more information about this investment.

Appendix 1 displays the returns for each investment option available in the product and its weighted average returns over these periods.

This commentary focuses on the five-year weighted average return to 30 June 2023. The 5 year term is a balance between capturing any shorter term developments with the longer term trend of return performance.

When reading this commentary, it's important to bear in mind that past performance is not a reliable indicator of future performance.

Over the five years to 30 June 2023 the Fund's weighted average investment return is outside our tolerance level. The major detractors from investment performance over the five-year period were asset allocation and manager performance.

Specifically, underperformance was attributed to the product been relative underweight in alternative assets and the performance of International Equities.

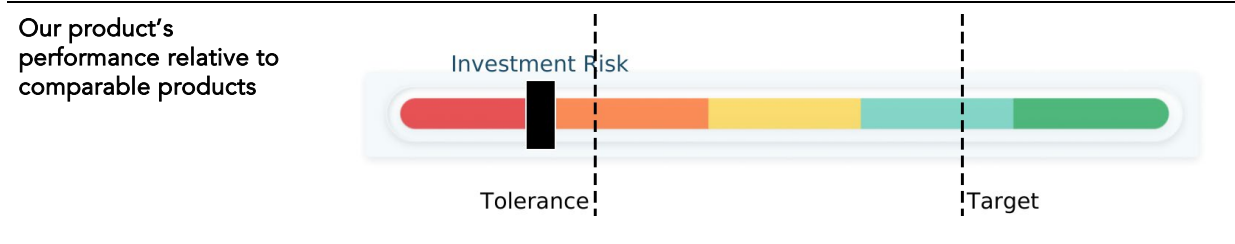


As a result, we are not comfortable that the product’s weighted net returns are consistent with market rates and therefore do not advance members’ financial interests. To improve net returns we:

- increased our exposure to alternative assets;
- continue to review manager performance and will take appropriate action if required; and
- will complete a review of the investment strategy in 2024.

## INVESTMENT RISK

<b>Outcomes</b>	Investment risk for a \$50,000 account balance in the product is consistent with the Standard Risk Measure (SRM) <sup>2.0</sup> .
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Metrics	Ref	Metric Label	Value	Tolerance	Target
	2.1	Negative annual net returns over last 10 years	2.15	2.00	1.00

2.0 Negative annual returns and associated targets and tolerance levels are weighted averages for the product. The weighted averages are based on the performance, SRM and funds under management of the investment options available in the product. Portions of years have been rounded up or down to a whole year.

### Commentary

The performance indicator measures the weighted average number of negative annual returns for the 10 years to this date.

When reading this commentary, it’s important to bear in mind that:

- we have focussed on asset classes that have a material effect on the number of negative annual returns over the last 10 years; and
- past performance is not a reliable indicator of future performance.

Over the 10 years to 30 June 2023 the weighted average number of negative returns for the product was outside our tolerance level.

The contributing factors of the negative annual returns over the period were a combination of manager selection and the product’s fees and costs in the following asset classes:

- Cash;
- International Shares; and
- Property.

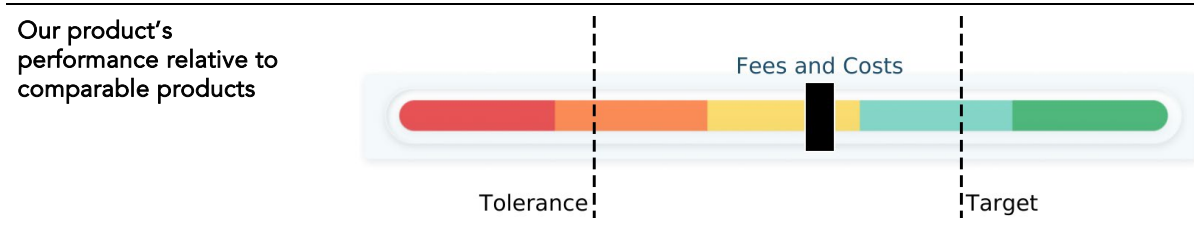
While we cannot remove underperformance in the past, we have sought to protect member outcomes by optimising investment performance through changes to the investment strategy which we are seeing through the product’s short term investment performance.

We therefore believe these changes ensured that the investment strategy for the product remained appropriate. No further action is required as a result of this assessment.



## FEES AND COSTS

**Outcomes** Fees (gross of tax) for a \$50,000 account balance are consistent with market rates.<sup>4.0</sup>



Metrics	Ref	Metric Label	Value	Tolerance	Target
	4.1	Total fees	1.17%	1.47%	0.98%

4.0 The product's fee structure leads to different net returns for different account balances. The table in the Appendix 2 provides more information.

4.1 These fees include a weighted average investment fee that is based on the investment fees and funds under management of the investment options available in the product.

### Commentary

This table lists the product's total fees and costs (administration and investment fees and costs). Other fees may be payable which are set out in the product's disclosure documents.

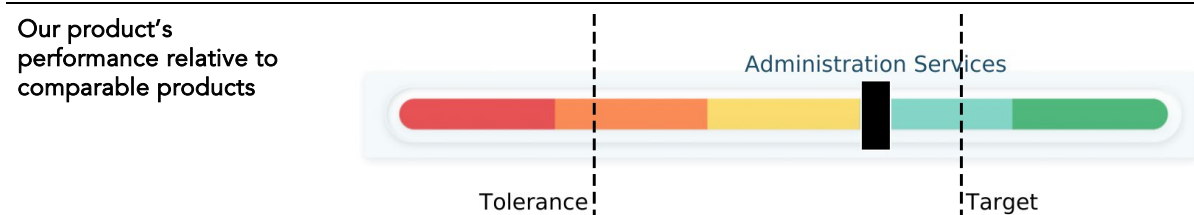
The performance indicator measures total fees and costs together against comparable products.

Total fees were within our tolerance level. No action is required as a result of this assessment.

As a result, we are comfortable that fees and costs are consistent with market rates and therefore are appropriate having regard to members financial interests.

## MEMBER SERVICES

**Outcomes** Administration services satisfy member expectations.



Metrics	Ref	Metric Label	Value	Tolerance	Target
	8.1	Administration-related EDR complaints	1.43	3.50	1.50
	8.2	Service Level Achievement	95.75%	80.00%	90.00%
	8.3	Administration fees	0.73%	0.62%	0.38%
	8.4	Information security controls	Effective	Partially ..	Effective

8.1 EDR means "External Dispute Resolution".

8.1 This is the annual number of administration-related complaints to the Australian Financial Complaints Authority per 10,000 member accounts.

8.2 Service level achievement measures the portion of new member, contribution and benefit payment transactions that were processed within our service level.

8.4 This is our view of the effectiveness of the Administrator's information and cyber security controls based on an independent review completed during the year.



**Commentary**

The performance indicator measures the delivery of administration services against our service levels, and against the cost of similar services for comparable products.

The performance indicator, which is within our tolerance level, is based on an equal weighting of the above metrics.

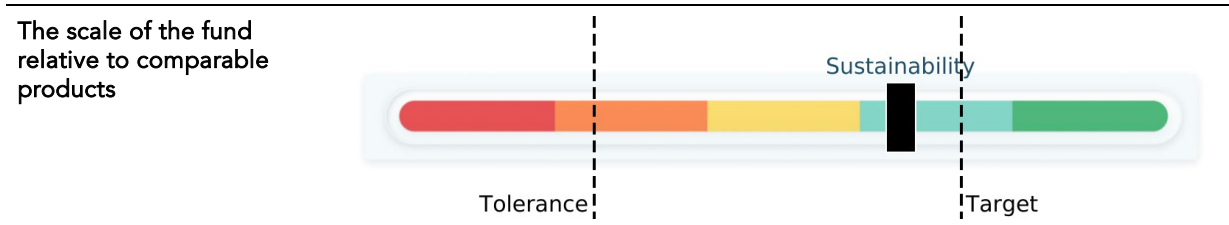
Administration fees were outside of tolerance level. As total fees are within our tolerance level, no action is required as a result of this assessment.

We are comfortable that administration services satisfy member expectations because of the high rate of service level achievement, the number of administration related complaints and the administrator’s information and cyber security controls are effective.

Therefore, we consider the options, benefits and facilities offered in the product are appropriate for members.

**SCALE**

**Outcomes** The fund is likely to deliver optimal outcomes in the future.



Metrics	Ref	Metric Label	Value	Tolerance	Target
	9.1	RSE adjusted total accounts growth rate	6.30%	-6.25%	-2.50%
	9.2	RSE Net Cash Flow Ratio	-4.19%	-2.75%	-0.50%
	9.3	RSE Net Rollover Ratio	-0.64%	-3.00%	-1.75%

9.1 The RSE adjusted total accounts growth rate is the average annual percentage change in member accounts averaged over the three year period, excluding Successor fund Transfers (SFTs) and account consolidations.

9.2 The RSE Net Cash Flow Ratio is members' benefits flows in less members' benefits flows out as a percentage of cash flow adjusted net assets averaged over the three year period, excluding SFTs.

9.3 The RSE Net Rollover Ratio is rollovers in less rollovers out as a percentage of cash flow adjusted net assets averaged over the three year period, excluding SFTs.

**Commentary**

The performance indicator measures the fund’s growth and ability to deliver scale benefits to members against other funds.

The performance indicator, which is within our tolerance level, is based on an equal weighting of the above metrics.

Therefore, we are comfortable that the scale of the product and the fund does not disadvantage members.



## LIQUIDITY

**Outcomes** Benefit and rollover requests can be met in a timely manner from investments

Our product's performance relative to comparable products



Metrics	Ref	Metric Label	Value	Tolerance	Target
	10.1	Investment liquidity in a GFC scenario	90.31%	40.00%	80.00%

10.1 Liquidity is a weighted average that is based on the liquidity in a Global Financial Crisis scenario and funds under management of the investment options available in the product. The table in Appendix 1 provides more information.

### Commentary

The performance indicator measures the fund's ability to meet benefit and rollover requests in a timely manner.

We regularly monitor whether the investments would be able to meet cash requirements in extreme situations. Based on our analysis, we consider that benefits are supported by liquid investments.

As a result, we are comfortable that the level of liquidity risk for the product is acceptable.



## APPENDIX 1

### INVESTMENT OPTION INFORMATION

Investment Option	Inception Date	Growth Ratio	Member Assets	Investment Period			
				1 Year	3 Years	5 Years	10 Years
smartMonday Australian Shares - Core	2008-09-30	NA	\$0.0M	13.36%	11.68%	6.72%	7.94%
smartMonday Australian Shares - Index	2004-09-30	NA	\$0.3M	14.61%	11.04%	7.17%	7.74%
smartMonday Australian Shares - Diversified	2001-06-30	NA	\$0.4M	13.33%	11.53%	6.44%	7.99%
smartMonday Balanced Growth - Active	1998-06-30	65%	\$1.8M	8.06%	6.62%	4.67%	6.35%
smartMonday Balanced Growth - Index	2004-10-31	68%	\$2.0M	9.18%	5.91%	5.02%	6.56%
smartMonday Cash	2001-06-30	NA	\$1.7M	1.94%	0.16%	0.31%	0.59%
smartMonday Defensive - Active	1998-06-30	16%	\$0.1M	1.72%	-0.06%	0.42%	1.36%
smartMonday Defensive - Index	2004-10-31	18%	\$1.0M	1.75%	-1.15%	0.06%	1.07%
smartMonday Fixed Interest - Diversified	2001-06-30	NA	\$0.0M	0.36%	-2.72%	-0.09%	1.48%
smartMonday Growth - Active	1998-06-30	78%	\$1.8M	9.29%	8.48%	5.48%	7.30%
smartMonday Growth - Index	2004-08-31	82%	\$0.5M	11.42%	7.91%	6.07%	7.70%
smartMonday High Growth - Active	1999-12-31	93%	\$0.5M	10.87%	10.03%	6.22%	8.16%
smartMonday High Growth - Index	2004-08-31	96%	\$1.1M	13.65%	10.06%	7.06%	8.67%
smartMonday International Shares - Diversified	2001-06-30	NA	\$0.2M	19.14%	12.13%	8.31%	9.69%
smartMonday International Shares - Index	2004-09-30	NA	\$0.3M	17.80%	10.94%	8.84%	10.75%
smartMonday Moderate - Active	1998-06-30	32%	\$0.8M	3.60%	1.71%	1.77%	3.41%
smartMonday Moderate - Index	2004-10-31	33%	\$0.4M	3.42%	0.17%	1.43%	3.19%
smartMonday Property - Australian Index	2004-08-31	NA	\$0.0M	5.39%	6.82%	2.17%	5.87%
smartMonday Property - Diversified	2001-06-30	NA	\$0.3M	0.01%	4.92%	0.84%	4.75%
smartMonday-Fixed Interest-Diversified Index	2021-10-01	NA	\$0.2M				
Weighted Average		65%	\$13.5M	7.91%	5.68%	4.11%	5.58%

This table provides information about the asset allocation, size and performance of the investment options available in the product.

## APPENDIX 2

### ACCOUNT BALANCE-BASED INVESTMENT METRICS

Time Frame	Account Balance Value					
	\$10,000	\$25,000	\$50,000	\$100,000	\$250,000	\$500,000
1	7.4%	7.8%	7.9%	8.0%	8.0%	8.1%
3	5.2%	5.5%	5.7%	5.7%	5.8%	5.9%
5	3.6%	4.0%	4.1%	4.2%	4.2%	4.3%
10	5.1%	5.5%	5.6%	5.6%	5.7%	5.8%

This table illustrates how the product's fee structure affects net returns for different account balances. The illustration is based on historic returns and the current fee structure.

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