

AMG PERSONAL PENSION

MEMBER OUTCOMES ASSESSMENT

INTRODUCTION

In this report, Equity Trustees Superannuation Limited (**we, our, us**) publishes the results of our annual assessment of how well the AMG Personal Pension product (the **Product**) issued from AMG Super (the **Fund**) provides member outcomes and promotes members' financial interests. The assessment is based on information as at 30 June 2020.

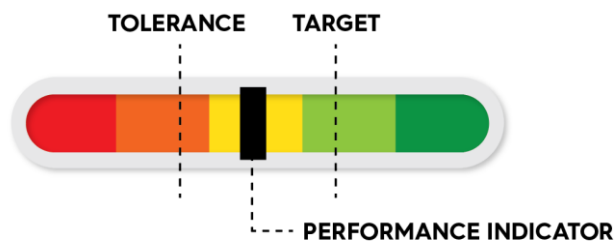
METHODOLOGY AND STRUCTURE

In conducting this assessment, we compared the Product to similar superannuation 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 comparison includes outcomes related to investment risk and return; fees and costs; and the options, benefits and facilities offered to members. These options, benefits and facilities include administration, sustainability (as a measure of the ability to deliver optimal member outcomes in the future) and liquidity.

This report also includes 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 illustration is based on historic returns and the current fee structure.



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

OVERALL ASSESSMENT

Having considered the information available to us at the time of writing, including comparing the Product with similar superannuation products, 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 consistent with market benchmarks;
3. the level of investment risk for the Product is 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 are appropriate for members; and



6. the scale of the Product and the Fund does not disadvantage members.

DASHBOARD

STRATEGIC CONTEXT

Working together with the Fund’s Promoter, AMG, our purpose is to offer a diverse range of products, catering for default members through to more sophisticated advised members who want features similar to a self-managed superannuation fund without the added administrative burden and cost. Our overarching philosophy is to provide members with flexibility and choice to control how their superannuation is invested.

To support this purpose, our goals for the Fund are to reduce operating costs, meet investment objectives, maintain strong governance, improve stakeholder engagement, provide competitive insurance and increase economies of scale.

The Product is an allocated pension product.

INVESTMENT RISK AND RETURN

Outcomes Investment risk and return for a \$50,000 account balance in the Vanguard Growth Index Fund^{1.0} is consistent with market benchmarks.

The Product’s performance relative to other similar products



Metrics	Ref	Metric Label	Value	Tolerance	Target
	1.1	1-year actual net return	0.50%	-0.64%	-0.04%
	1.2	3-year actual net return	6.44%	5.23%	5.83%
	1.3	5-year actual net return	6.40%	6.24%	6.84%
	1.4	10-year actual net return	8.55%	6.34%	6.94%
	1.5	Negative annual net returns over last 10 years	0	3	2

1.0 This is the balanced investment option available in the Product that has an allocation to growth assets closest to 68%.

1.1 – 1.4 The Product’s fee structure leads to different net returns for different account balances. The table in the Appendix provides more information.

1.5 The target and tolerance levels are based on the investment option’s Standard Risk Measure. Portions of years have been rounded up to the next whole year.

Commentary

In the one-year period ended 30 June 2020 investment markets were volatile due to the impact of the COVID-19 pandemic, with equity markets most impacted. Investment options with a higher allocation to growth assets (e.g. equities) were therefore likely to provide low-to-negative returns over this period.

The Vanguard Growth Index Fund seeks to track the weighted average return of the various indices of the underlying funds in which it invests, in proportion to the strategic asset allocation, before taking into account fees, expenses and tax.

The investment returns (net of all fees and taxes) for the Vanguard Growth Index Fund outperformed our targets over all periods to 30 June 2020, except for the five-year period.

The investment option has achieved its investment objective and investment risk was acceptable in relation to the returns generated.

While we have presented the net returns for the Vanguard Growth Index Fund, we regularly monitor and assess the net returns of all investment options in the Product and take appropriate action where necessary. The following table provides details of other investment options that have not achieved their investment objective:



Investment Option(s)	Action taken
<p>The following single-sector investment options have not achieved their investment objectives due to investment manager performance, fees and taxes:</p> <ul style="list-style-type: none"> • AMG Australian Fixed Interest • AMG Australian Listed Property • AMG International Shares • AMG International Fixed Interest 	<p>A review of the underlying managers in the single-sector investment options is currently underway with changes to be made in 2021</p>

Members should also be aware of the potential negative returns in cash investment options due to the impact of fees and the low level of interest rates.

Details of the performance of all investment options in the Product can be found in the Fund’s annual report which is available online.

FEES AND COSTS

Outcomes	Fees for a \$50,000 account balance are consistent with market rates. ^{3.0}				
The Product’s performance relative to other similar products					
Metrics	Ref	Metric Label	Value	Tolerance	Target
	3.3	Administration and investment fees	1.36%	1.89%	1.20%
	<p>3.0 The Product’s fee structure leads to different net returns for different account balances. The table in the Appendix provides more information.</p> <p>3.3 These fees include the investment fee for the Vanguard Growth Index Fund.</p>				

Commentary

Although they are slightly higher than our target, administration and investment fees are comfortably within our tolerance level. We therefore consider that the Product provides good value to members.

We continue to work with AMG on investment consolidation and simplification of the Fund’s product offering, with economies of scale passed onto members through fee reductions whenever possible.



MEMBER ENGAGEMENT AND EXPERIENCE

Outcomes Administration services satisfy member expectations.

The Product's performance relative to other similar products



Metrics

Ref	Metric Label	Value	Tolerance	Target
7.1	Active member ratio	51.42%	68.18%	82.74%
7.2	Administration-related EDR complaints	0.83	4.82	2.07

7.1 The active member ratio is the portion of member accounts that in the last two years have received a contribution, rollover or transfer; or have made benefit payments.

7.2 EDR means "External Dispute Resolution".

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

Commentary

The metrics in the table relate to the Fund rather than the Product.

Although the number of administration-related complaints for the Fund is lower than the industry average we continue to work with AMG to improve member engagement through, among other things, improved administration services.

SUSTAINABILITY

Outcomes The Product and Fund are sustainable and likely to deliver optimal outcomes in the future.

The sustainability of the Product and Fund relative to other similar products



Metrics

Ref	Metric Label	Value	Tolerance	Target
8.3	Net member benefit flows p.a.	3.48%	-29.51%	-1.52%
8.4	Average account balance	\$49,663	\$23,530	\$124,315
8.6	Movement in member accounts p.a.	-9.05%	-36.39%	-8.01%
8.7	Average member age	44.0	58.0	48.7

Commentary

The Product and Fund are growing faster than our targets; although from a comparatively small base in terms of the number of members and total member benefits, both of which are below the industry average for retail funds.

We continue to work with AMG to develop and implement strategies that will enhance the growth of the Fund through new partnerships with financial advisers and advice licensees.



LIQUIDITY

Outcomes	Benefit and rollover requests can be met in a timely manner from investments.				
The Product's performance relative to other similar products					
Metrics	Ref	Metric Label	Value	Tolerance	Target
	9.1	Investment liquidity in a GFC scenario	100.00%	40.00%	80.00%
9.1 GFC means "Global Financial Crisis".					

Commentary

We regularly monitor whether the Product's investments would be able to meet cash requirements in extreme situations. Based on our analysis, we consider that benefits are supported by liquid investments. The product was able to meet its cash requirements despite the impact that COVID-19 had on markets.

APPENDIX

ACCOUNT BALANCE-BASED INVESTMENT METRICS

Time Frame	Account Balance					
	\$10,000	\$35,000	\$70,000	\$150,000	\$300,000	\$600,000
1yr Net Return	-0.02%	0.44%	0.54%	0.59%	0.64%	0.77%
3yr Net Return	5.92%	6.38%	6.48%	6.53%	6.58%	6.71%
5yr Net Return	5.88%	6.34%	6.44%	6.49%	6.54%	6.67%
10yr Net Return	8.03%	8.49%	8.59%	8.64%	8.69%	8.82%

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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