

Australian Eligible Rollover Fund

RSE R1067750

ABN 81 932 639 940

Annual Outcomes Assessment

Annual Determination: June 2020

Perpetual Superannuation Limited

ABN 84 008 416 831 AFSL 225246 RSE L0003315

Statement from the Chair

The Trustee of the Australian Eligible Rollover Fund (**AERF**) would like to thank you, our members, for trusting us to manage your retirement savings. It is not a role we take lightly, knowing that trust needs to be earned every day. Our commitment to earning your trust drives all our actions.

One way we demonstrate this commitment is the provision of an Annual Outcomes Assessment, the purpose of which is for the AERF's Trustee, Perpetual Superannuation Limited, to determine whether it is promoting the financial interest of members of the AERF.

This document presents the first Annual Outcomes Assessment for the AERF, being for the period ending June 2020.

Determination for the period ending 30 June 2020

The Trustee has determined that the financial interests of members of the Australian Eligible Rollover Fund are being promoted by the Trustee. The determination is as at 30 June 2020, although developments since that date have also been taken into consideration. This determination is based on:

- i. a comparison of investment returns, investment risk and fees with other similar funds; and
- ii the following assessments :
 - the options, benefits and facilities offered in the AERF are appropriate for members;
 - the AERF's investment strategy, including the level of investment risk and the return target, is appropriate for members;
 - the AERF's insurance strategy is appropriate, and the insurance premiums are not inappropriately eroding the retirement income of members;
 - members are not disadvantaged due to scale of the Trustee's operations;
 - the AERF's operating costs are not inappropriately affecting the beneficial interest of members; and
 - the basis for the setting of the AERF's fees is appropriate.



Janet Torney
Chair

The AERF's Purpose

The AERF is an Eligible Rollover Fund (ERF) that receives transferring member benefits from other superannuation funds, retirement savings accounts or approved deposit funds. The purpose of an ERF is to act as a temporary repository for transferred superannuation benefits until the member transfers the balance to their main superannuation account.

On an annual basis the Trustee assesses whether it is promoting the financial interests of the AERF's members by looking at two measures:

i. completing a comparison of the AERF with other similar funds in relation to:

- investment returns;
- level of investment risk; and
- fees and costs.

ii. assessing the AERF's performance against a number of key member outcomes, namely:

- options, benefits and facilities available to members of the AERF;
- investment strategy;
- insurance strategy and premiums;¹
- overall size and scale of operations;
- operating costs; and
- the basis for fee setting.

¹– Note that insurance is not offered by the AERF.

Annual Outcomes Assessment

1. Comparison of the AERF with other similar funds

The Trustee has completed a comparison of investment returns, investment risk and fees of the AERF with other similar funds, a summary of which is shown at Attachment 1. The outcomes of the comparison are discussed under Section 2.2 (investment strategy and the level of investment risk and return target) and Section 2.6 (basis for setting fees).

2. Assessment of member outcomes

2.1 Options, Benefits and Facilities

The AERF seeks to offer options, benefits and facilities that are appropriate to the needs and wants of members.

Assessment

The options, benefits and facilities offered under the product are appropriate for the members

The main services provided to members of the AERF are a contact centre to assist with enquiries and an administration service for processing transactions. The contact centre and administration for the AERF is outsourced to Jacques Martin Administration and Consulting (JMAC), a subsidiary of AIA Australia.

JMAC provides reporting to the Trustee on the grade of service that it provides to members. The grade of service is based on measures such as call waiting time and timeliness of transaction processing.

The service reporting provided by JMAC shows that the grade of service was below target from March 2020 to June 2020. This was a consequence of increases in call volumes and withdrawal requests generated by the superannuation early release initiative. The grade of service from July 2019 to February 2020 was either at or above the target level.

2.2 Investment strategy and the level of investment risk and return target

The investment objective for the AERF is to be a temporary repository for member benefits by investing in a single conservative diversified investment strategy to achieve a return which outperforms the CPI by 2%, after fees, over rolling 2-year periods.

Assessment

The investment strategy for the product, including the level of investment risk and the return target, is appropriate for members.

During the 2020 calendar year, the Trustee completed a comprehensive review of the investment strategy for the AERF that concluded the investment objective of outperforming the CPI by 2% after fees, over rolling 2 year periods, remained appropriate. By completing these reviews on a regular basis, the Trustee ensures that the investment strategy, including the target level of investment risk and return, is appropriate for members.

Our comparison of investment returns and risk with other similar funds showed slightly lower levels of investment returns at similar levels of investment risk as the median levels of similar funds. Each fund follows its own investment strategy, including their own target level exposure to each asset class, that results in different outcomes over time. The Trustee is comfortable that the investment strategy, including the target investment returns and risk, for the AERF is appropriate for members.

2.3 Insurance strategy and premiums

Not applicable as the AERF does not offer insurance.

2.4 Overall size and scale of operations

The scale objective of the AERF is to ensure that members are not disadvantaged due to scale.

Assessment

Members of the AERF members are not disadvantaged due to scale.

The AERF is one of a number of products and services offered by the Perpetual Group which is a diversified financial services company comprised of domestic and global asset management, corporate trustee services and advice.

The AERF is able to leverage the scale of the Perpetual Group in funds management, administration, tax, fund accounting, product legal and risk resources and partner with strong outsourced providers. This is to the benefit of AERF members.

2.5 Operating costs

The operating costs objective of the AERF is for operating costs to not inappropriately affect the financial interests of members.

Assessment

The operating costs of the AERF are not disproportionately affecting the financial interests of members.

Normal operating expenses (including mailing costs, audit fees, APRA levies) are recovered from the AERF. The deduction of these costs is permitted under the AERF's Trust Deed and is disclosed to members in the Product Disclosure Statement. The comparison of fees with other similar funds was based on the total cost of the fund that includes the indirect costs such as the recovery of normal operating expenses. This showed that the total cost of the AERF is similar to the other funds.

2.6 Basis for setting fees

The fee objective of the AERF is that the basis for the setting of fees be appropriate.

Assessment

The basis for the setting of fees is appropriate.

As disclosed in the AERF Product Disclosure Statement, the total cost of the AERF is:

- an investment fees estimated to be 0.465%p.a.
- an administration fee paid to the trustee of 0.175% p.a.
- an administration fee of 0.60% p.a. paid to the AERF administrator and
- indirect costs estimated at 0.725% p.a.¹

The comparison with other funds shows that the total cost for the AERF is similar to the median of the other Funds. The Trustee is comfortable that the basis for setting of fees is appropriate.

¹ For sub-plan A

Attachment 1 – comparison with other similar Funds

We have compared fees, investment returns and investment risk to other similar funds. The peer benchmark is the median result of the other similar funds.

| | Returns p.a. | Risk ¹ p.a. | Fees p.a. |
|-----------------------------------|--------------|------------------------|-----------|
| Australian Eligible Rollover Fund | 2.57% | 1.58% | 1.97% |
| Peer Benchmark | 2.86% | 1.57% | 1.94% |

1. An investment option with a lower level of investment risk is less risky than an option with a higher level of investment risk (see definitions).

Past performance is not an indicator of future performance

Definitions:

Returns - the 5 year compound crediting rate to 30 June 2020

Risk - Investment risk is the amount of risk taken in generating the return delivered. The measure of risk used is the volatility (standard deviation) in annual returns over a 5 year period to 30 June 2020

Fees - the total cost of the product including investment fees, administration fees and indirect costs as at December 2020

Source:

Investment Risk sourced from APRA's Annual Fund Statistics

Investment Returns sourced from each ERF's Annual Report 2020

Fees sourced from each ERF's Product Disclosure Statement

Important note

This information has been prepared by Perpetual Superannuation Limited ABN 84 008 416 831 (PSL), AFSL 225246, RSE L0003315 as trustee for the Australian Eligible Rollover Fund ABN 81 932 639 940, RSE R1067750. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

The product disclosure statements (PDSs) for the Australian Eligible Rollover Fund, issued by PSL, should be considered before deciding whether to acquire or hold units in the Fund. The PDSs can be obtained by calling 1800 677 424 or visiting our website www.perpetual.com.au.

No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Past performance is not indicative of future performance.

The crediting rates shown have been calculated net of any fees and estimated indirect costs and income tax of up to 15%.

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