

# Perpetual Super Wrap

RSE R1074406

ABN 22 897 174 641

## Annual Outcomes Assessment

**Annual Determination: 30 June 2020**

**Perpetual Superannuation Limited**

**ABN 84 008 416 831 AFSL 225246 RSE L0003315**

## Statement from the Chair

The Trustee of the Perpetual Super Wrap (Fund) would like to start by thanking 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 Fund's Trustee, Perpetual Superannuation Limited, to determine whether it is promoting the financial interest of members of the Fund.

This document presents the first Annual Outcomes Assessment for the Fund, being for the period ending 30 June 2020

### Determination for period ending 30 June 2020

The Trustee has determined that the financial interests of members of the Perpetual Super Wrap are being promoted by the Trustee. The determination is as at 30 June 2020, although we have also taken into consideration developments since that date. This determination is based on the following assessments:

- the options, benefits and facilities offered in the Fund are appropriate for members.
- the Fund's investment strategy is appropriate for members
- the Fund's insurance strategy for the Fund is appropriate and the insurance is not inappropriately eroding member benefits
- members are not being disadvantaged due to scale of the Trustee's operations
- the Fund's operating costs are not disproportionately affecting the beneficial interest of members and
- the basis for setting the Fund's fees is appropriate.



Janet Torney  
Chair

## Fund Purpose

The Fund is predominately used by members receiving financial advice. The Fund allows members and their advisers to create diversified investment portfolios using a selection of managed funds, ASX Listed Securities and term deposits in order to help achieve a member's retirement goal.

On an annual basis the Trustee is required to determine whether we are promoting the financial interests of our members by:

- i. Completing a comparison of the Fund with other similar funds in relation to:
  - Level of investment risk
  - Investment returns and
  - Fees and costs
  
- ii. Assessing the Fund's performance against a number of key member outcomes, namely:
  - options, benefits and facilities available to members of the Fund;
  - investment strategy;
  - insurance strategy and premiums;
  - overall size and scale of operations;
  - operating costs; and
  - the basis for setting fees.

## Annual Outcomes Assessment

### 1. Comparison of the Fund to others similar Funds

A comparison of the Fund with other similar funds in relation to levels of investment risk, investment returns and fees and costs is required to be completed. The Fund offers access to a menu of managed funds, ASX Listed Securities and term deposits offered by the underlying investment manager or providers. On this basis the level of investment risk, investment returns and fees and costs would for each be the same or similar when offered on other superannuation wrap products. The level of administration fees charged by the Fund for specific features and services, as compared with other similar funds is detailed under 2.6 Basis for Setting Fees.

### 2. Assessment of Member Outcomes

#### 2.1. Options, Benefits and Facilities

The Fund seeks to provide access to features, tools and functionality appropriate for member and their adviser's needs.

#### Assessment

*The options, benefits and facilities offered to members are appropriate for their needs.*

The member online experience provides Fund members with access to information they need to monitor their retirement portfolios, including portfolio valuations, cash and investment transactions, asset allocations and other detailed reports. The online member experience continues to be progressively upgraded with new features and reporting. The adviser or account manager for members also have access to tools features and information they require to administer and monitor member retirement portfolios. Work is also underway to progressively launch new Adviser Portals which improve and simplify how advisers can manage and monitor member accounts.

The Fund has continued to provide a high level of quality call centre and administration service to members (and their advisers). Services were impacted in March 2020 by the increased demand, volatile markets and shutdowns as a result of COVID19. A number of new features and improvements including adoption of electronic requests and signatures have been introduced to reduce impacts from this event and maintain the required level of member and adviser services in the new environment.

## 2.2. Investment Strategy and level of risk and return target

The investment objective for the Fund as a whole is to offer a sufficiently broad range of investment options which have different levels of risk and generate investment returns in different ways, over different time frames and from different asset classes to enable members and their advisers to create diversified investment portfolios which meet their own particular needs and circumstances.

### *Assessment*

*The Fund has met its overall investment objective of offering a range of member investment options by maintaining a menu of over 230 managed funds, ASX Listed Securities and a panel of Term Deposits.*

Members continue to have the ability to access investments options with different levels of risks and returns, across different asset classes, investment styles and a choice of fund managers.

The Trustee provides oversight of the quality of the investment options. During the period the Trustee has continued to update and refine the investment options in the managed fund investment menu by adding new investment options and by also removing investment options. The Trustee conducts ongoing assessments as to whether investment options should be removed by monitoring the performance of the investment options (eg against rolling return long-term target benchmarks) and also consideration of the option's investment strategy, manager commentary and actions, research house ratings, market cycles and investment styles (eg value vs growth).

As at 30 June 2020 the Trustee was monitoring 10 of the 230 investment options for improvements on the managed funds menu as a result of these assessments. For a number of these investment options it was noted the manager continued to execute their stated investment objectives and maintained strong research ratings however the market cycle at the time did not support their value investment style. It should be noted that a number of these investment options have since turned around their performance through the current market cycle.

The operation of the Trustee Investment Limits , which place limits on how much can be invested in certain options, coupled with the broad range of investments offered on the Fund have supported the creation of diversified investment portfolios by members and their advisers by limiting the concentration of investments in more volatile investments or asset types to manage risk.

## 2.3. Insurance strategy and benefit erosion

The insurance objective of the Fund is to provide a choice of suitable retail insurance policies which allow members and their advisers to tailor the level of cover they need based on their needs.

## Assessment

*The insurance strategy for the Fund is appropriate for members and the premiums are not eroding member benefits.*

For this assessment the Trustee considered independent benchmarking and comparisons of retail insurance policies. In addition to premiums, underwriting and claims experience, members and their advisers seek to ensure the cover contains certain features and definitions. The retail policies available in the Fund are offered by Zurich Australia Limited and AIA Australia Limited.

The independent benchmarking and competitor comparisons ranked the core product features, definitions and premium rates of the Fund's insurers high. It was identified that both insurers also held competitive advantages over others for certain supplementary features (eg adviser support with servicing members, product innovation) and allowed members and advisers to select the features they valued or preferred. The Trustee notes that some members in the Fund may choose to hold insurance both within the Fund and outside the Fund (eg Total and Permanent cover Own Occupation) which both retail insurers can facilitate under the same policy.

In regard to erosion of benefits, members in the Fund are predominately advised and those that hold insurance will insure for a level of cover based on their specific needs and circumstances. We have taken into account that some members who are in pension phase will choose to hold a small balance in accumulation solely for the purpose of paying their insurance premiums.

The Trustee has less control over the erosion of benefit outcomes for members who are advised but continues to ensure through monitoring that premiums are at appropriate levels relative the member balances and the insurance offer provides members with the flexibility they need to tailor cover in accordance to their needs and circumstances.

## 2.4. Overall Size and Scale

The Fund's scale objective is to ensure that members are not disadvantaged due to scale.

## Assessment

*The Fund's beneficiaries are not disadvantaged due to scale.*

The Fund is one of a number of products and services available utilising the features and functions on the Perpetual Private Wrap, and part of Perpetual Group.

The Fund is able to leverage the scale of the Perpetual Private Wrap and the wider Perpetual Group for the high quality services in administration, tax, fund accounting, and to partner with strong outsourced providers.

## 2.5. Operating costs

The Fund's operating cost objective aims to ensure costs are fairly and reasonably allocated across member's beneficial interests.

### Assessment

*The operating costs of the Fund are not disproportionately affecting the beneficial interest of members.*

All administration and operating costs for the Fund are paid from the Trustee's resources generated from fees charged to members.

The Trustee does not currently recover normal operating expenses like regulatory fees from Fund members. The operating expense ratio for the Fund has also remained relatively static.

## 2.6. Basis for setting fees

The basis for the Fund charging fees is appropriate

### Assessment

*The fees charged for the various subplans are appropriate and commensurate with the benefits members receive.*

The assessment considered the fees charge by the Fund and the benefits received by members. For this purpose, it should be noted that the benefits, facilities and services the Fund provides to members will be different to those of competitors. The Fund has been designed for High Net Worth (HNW) advised clients, their advisers and the participating dealer groups. This allow advisers to administer the member's investment portfolios using tailored reporting, investment menus, insurance options and features which integrate into their service processes and systems.

Other similar funds generally also charge base fees as well as additional fees like transaction fees, menu access fees or expense recovery fees each time a member seeks to access or use a particular feature. In contrast, the Fund fees give members access to all available features and investments.

In addition, members using the Fund will typically have multiple Perpetual Private Wrap accounts and will take advantage of the fee grouping offered by the Fund which considers the member's entire family portfolio in the Perpetual Private Wrap when determining fees. This leads to a reduction in overall fees subject to the entire portfolio balance, and other benefits like group reporting and statements.

As the Fund's fees provide access to all features and menus, they appear to be on the upper end when compared to competitor fees which typically charge lower base fees but additional transactional or access fees and have no fee discounting. The Trustee is working to address this perception.

## 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 Perpetual Super Wrap ABN 22 897 174 641, RSE R1074406). 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 Perpetual Super Wrap, issued by PSL, should be considered before deciding whether to invest through the Fund.

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.

## Contact details

Phone	1800 099 265
Mail	Perpetual Private Super Wrap GPO Box 5230 Sydney NSW 2001
Website	<a href="http://www.perpetual.com.au">www.perpetual.com.au</a>
Email	wrap@perpetual.com.au