

Essential Super

2023 Annual Outcomes Assessment

Provided by



The Essential Super product (**ES**) is offered to superannuation members by Avanteos Investments Limited (AIL) (the trustee). ES has a default MySuper LifeStage offer (**MySuper**), in addition to select 8 investment options for members to choose from ("**Choice**" options).

The Outcomes Assessment for the year ending 30 June 2023, for ES MySuper and the ES Choice offerings, concluded that overall **the financial interests of members are being promoted**. This document provides a summary of the key findings of these Outcomes Assessments.

The assessments were conducted using data and comparative benchmark reports to analyse the performance of ES relative to defined criteria, for example, investment performance rankings against other comparable products. The benchmarking data is obtained from various sources such as the Australian Prudential Regulation Authority (**APRA**), respected industry research houses and in-house member records.

Fees and costs

We assessed whether the fees and costs paid by ES members (administration fees, and total fees & costs) are competitive. In doing so, we used segmented member data to evaluate the fee and cost outcomes across the membership.

MySuper ✓

Analysis of APRA's Expanded Performance Test Data 2022-23, showed that ES MySuper LifeStage members are paying Relevant Administration Fees and Expenses (RAFE)¹ that are cheaper than the MySuper industry median (1st Quintile).

Choice options ✓

An analysis using research house data showed that, for ES Choice options, administration fees for more than 87% of options and total fees for 100% of options are 'at median or better' when compared to industry peers.

Net returns

We assessed the level of investment returns delivered to members after the deduction of fees, costs and taxes.

MySuper ✓

ES MySuper passed APRA's annual YFYS performance test as at 30 June 2023. Further, analysis of APRA's Expanded Performance Test Data 2022-23 shows the investment returns for the ES Representative Members was 'at median' when compared to industry peers.

With an aim to further improve MySuper investment performance, during FY23, changes were made within;

- Investment strategy and objectives;
- Strategic asset allocation;
- Glidepath design;
- Underlying investment strategy and manager selection; and
- Portfolio management, investment related risk management and implementation.

Choice options ✓

Using industry research house data, when compared to investment options with comparable risk profiles and asset classes, we determined that 100% of ES Choice options achieved investment returns that were 'at median or better' over 1, 3, 5 or 7 years.

Level of investment risk

We assessed whether the investment volatility of each investment option was appropriate for the risk profile of the investment..

MySuper ✓

Using APRA's MySuper Statistics, we confirmed that the Standard Risk Measure (SRM) (which estimates the likely number of negative annual returns expected over any 20 year period) for each ES MySuper LifeStage option was comparable to similar risk weighted MySuper options.

We also verified that the investment performance of each ES MySuper LifeStage option was aligned to its stated SRM, having only 2 years of absolute negative return since inception (i.e. since 2015).

Choice ✓

Using industry research house data, when compared to investment options with comparable risk profiles and asset classes, it was identified that 100% of ES Choice investment options achieved an investment risk ranking that was 'at median or better' over 1, 3, 5 or 7 years.



Options, benefits and facilities ✘

We worked with an independent research house to benchmark the quality of our member services. The overall finding of the review was that member services require improvement, especially in relation to online education content and financial advice services.

Uplifting these member services is a key priority for the trustee and are being actioned as part of its business plan

Investment Strategy ✔

MySuper

Over the recommended investment objective horizon period for each of the LifeStages, more than 88% of ES MySuper members have achieved or are reasonably expected to achieve investment outcomes which align with the stated investment objectives of the LifeStages glide-path.

Choice options

We determined that 100% of ES Choice investment options have delivered upon (and are expected to continue to deliver upon) their stated investment objectives over their stated investment timeframe.

We also confirmed that 100% of the investment options meets or exceeds the 'Investment Grade' ratings by multiple research houses.

Insurance Strategy ✔

To evaluate the appropriateness of the insurance strategy for ES, we used AIL's Annual Insurance Review for 2023, which was conducted by an independent research house. ES Insurance features were assessed to be appropriate for a product that offers a 'simple insurance offer' as part of the product design.

It was also assessed that the claim processing time for 70% of Death & 73% of TPD insurance claims are better than APRA's average processing time.

Insurance fees ✔

ES does not charge insurance premiums on an occupation class basis. Therefore, the comparison of the base ES insurance premium rates was supplemented with a comparison that incorporates different occupations across competitor funds.

AIL's Annual Insurance Review for 2023, found that for Death and TPD (Total and Permanent Disablement), more than 98% members are paying insurance premiums that are 'at median or cheaper' in comparison to the industry/peers.

It is estimated that the average ES member pays premiums which are 0.3% of their salary

Sustainability ✔

Scale is important as it allows AIL to meet its commitments and negotiate competitive arrangements for members. As at 30 June 2023, based on APRA's Annual fund-level superannuation statistics, AIL was the 7th largest provider of superannuation in Australia with total super assets of approximately \$110 billion and a membership of approximately 821k members.

As at 30 June 2023, ES had superannuation assets of \$4.4 billion and a membership of 122k members.

100% of ES investment options held assets of more than \$30m and therefore did not have any imminent last man standing risk.

Operating costs ✔

As at 30 June 2023, based on APRA's fund level data, AIL's superannuation operating cost ratio was ranked among the lowest in the industry (1st quintile). AIL's operating costs have increased over the last few years due to regulatory compliance and aging infrastructure costs. However, a number of projects are underway to further automate and streamline our processes, and improve our technology platforms, which are expected to stabilise AIL's operating costs in the longer term.

Dividend payments that were paid to our parent companies were made in accordance with AIL's Capital and Dividend Policy, which requires that the amount and timing of any dividend is consistent with AIL's fiduciary duties and members' best financial interests.

Basis of setting fees ✔

We confirmed the appropriateness of each category of fee and cost charged to members.

The fees and costs paid by ES members were assessed as being sufficient to cover the costs of the product and that the manner in which fees and costs are charged to members is appropriate.

Product evaluation

We concluded that on balance the ES MySuper LifeStages and Choice offerings, both, are promoting the financial interests of members.

1 'RAFE', as defined by APRA, is the sum of representative member administration fees and costs, representative member administration-related tax expense/benefit, representative member advice fees and costs, and representative member advice-related tax expense/benefit, as reported to APRA in accordance with the investment performance standard.

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The insurance provider is AIA Australia Limited ABN 79 004 837 861, AFSL 230043 (AIA Australia). AIA Australia is not part of the Commonwealth Bank Group. The insurance cover is provided under policies issued to the Trustee. 30063/FS7988/0524