

Australian Institute of Superannuation Trustees

Fee and Performance Analysis

10 April 2019 | Prepared by Katie Sparkes and Scott Abercrombie

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1. Introduction

SuperRatings has been engaged by the Australian Institute of Superannuation Trustees (“AIST”) to once again undertake analysis of the investment performance, fee structures and asset allocation of superannuation products across the industry, to evaluate the differences between the Not for Profit (“NFP”) sector and the Retail Master Trust (“RMT”) sector.

Specifically, this report and its associated analysis and commentary addresses the following areas:

- Fee data from SuperRatings’ database of superannuation funds (“SMART”) for MySuper and Choice products based on publicly available information, including member, administration, investment, indirect cost ratios, activity fees and the impact of these fees on different account balances, showing the NFP and RMT median relative to the All Fund Median (NFP, RMT, Corporate and Government);
- Respective Funds Under Management (“FUM”) between the NFP and RMT sectors split between MySuper and Choice products;
- Asset allocation of the MySuper products and Choice products relative to the All Fund Median for High Growth (91-100), Growth (77-90), Balanced (60-76), Conservative Balanced (41-59), Capital Stable (20-40), Secure (0-19), Australian Shares, International Shares, Property, Diversified Fixed Interest and Cash as per SuperRatings Fund Crediting Rate Survey; and
- Investment performance (net of fees and taxes) over the past one, three, five, seven and ten years and a comparison of these against the All Fund Median for each of the investment options listed above.

This report also provides commentary on whether there has been any material departure from our previous report dated June 2018 (data as at 31 December 2017) to assist AIST in understanding whether disclosure can be improved and where there have been material changes to administration fees and investment fees across the industry. Specifically:

- Investment fees of investment options to show where non-disclosure or cross-subsidisation may be ‘hidden’ in both MySuper and Choice options, including by sector;
- How different fund types disclose returns, taking into account various approaches to fee disclosure;
- How returns are shown (median returns versus weighted average returns); and
- An update on the current status of RG 97 fee disclosures and proposed Budget measures.

In relation to the analysis, SuperRatings utilised performance and fee data (contained in Product Disclosure Statements) for the period ended 31 December 2018, unless otherwise specified.

* * * * *

The remainder of this report summarises the findings of our analysis.

2. Fee analysis across MySuper and Choice products

SuperRatings' analysis suggests that whilst there remains a significant fee differential between the NFP and RMT sectors as it relates to Choice products, the gap continues to be narrowing when assessing MySuper products across the two sectors.

Over the year to 31 December 2018, the median fee on a \$50,000 MySuper account balance decreased by 8% from \$628 to \$576. Overall, the result was primarily driven by a modest reduction in ICRs. The gap between sectors remains, although we expect to see this close at a faster rate in coming years. For the RMT sector, the removal of legacy products and administration fee compression will accelerate this trend, supported by greater prevalence of lower cost default solutions. By comparison, Not for Profit providers face administration fee pressure, driven by the removal of inactive accounts and the ongoing investment in products and services.

2.1. MySuper products

Asset-based administration fees remain the main difference between sectors in MySuper, with the median RMT charging a 0.34% premium. However, as exemplified by a number of recent fee announcements by RMTs, we may see this gap close towards 0.10 - 0.20%. When combined with lower disclosed investment fees and costs, this may see fee momentum shift further away from NFPs. The key swing factor being faced by NFPs is the potential upward pressure on administration fees but may be potentially offset by more favourable fee disclosure requirements for alternative assets and property.

For MySuper products, the latest figures show that the median fee differential has reduced to \$11 on a \$50,000 account balance, compared to a fee differential of \$65 last year (\$112 the year before). The following analysis details the current positioning of fees across the two sectors:

Median fee components across sectors

The following table outlines fee medians across the NFP and RMT sector in relation to ongoing fees that are charged to members of MySuper products. The fees utilise a median across all MySuper products, with approximately 10% of MySuper products offering a non-Balanced style (growth assets of between 60% and 76%) investment option as their default:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.16%	0.53%	0.30%
RMT	\$78.00	0.50%	0.40%	0.28%
All Fund	\$78.00	0.21%	0.47%	0.29%

As evident from the table above, significant differences continue to be evident between the two main sectors (NFP and RMT) for percentage-based administration fees, whilst the median fixed-dollar member fees remain the same.

Median fees across varying account balances

The following table compares MySuper fees across the two sectors based upon a range of account balances, to understand the impact of member and asset based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$125.05	\$567.50	\$2,598.80
RMT	\$134.25	\$578.34	\$2,588.38
All Fund	\$126.45	\$575.84	\$2,588.38
RMT/NFP	107%	102%	100%

As is evidenced above, the NFP sector maintains lower median fees across all account balances relative to the RMT sector, with the exception of an account balance of \$250,000.

Whilst not a material difference, fee capping has been a factor in the charges on higher account balances within the RMT sector.

Compared to last year, the Indirect Cost Ratios across both sectors moved the most, whilst the RMT sector experienced a reduction in the asset-based administration fee, which has resulted in a reduced fee gap between the NFP and RMT sectors overall.

2.2. Choice products

Unlike MySuper products, the fee differential between NFP and RMT is more pronounced in the Choice environment, particularly as it relates to higher growth options. Whilst the main contributors to this differential are Asset-based Administration fees and Investment Management fees, Member administration fees are not immune. Over the past 3 years, the median RMT Member administration fee has risen marginally across the majority of Choice options, whereas the NFP median fee has remained consistent at \$78.00 across all options.

As an example, the below table demonstrates the change in median Investment Management fees over the past 3 years for an Australian Shares option:

Sector	Investment Management Fee 2015	Investment Management Fee 2018	Variance
NFP	0.54%	0.43%	- 0.11%
RMT	0.84%	0.90%	+ 0.06%
All Fund	0.61%	0.78%	+ 0.16%

The following tables outline the median fee levels and fees payable on a range of account balances across the various investment options within Choice products. With regards to the tables that represent the individual fee components (member administration, asset-based administration, investment management and indirect cost ratio), these have been based on a \$50,000 account balance.

2.2.1. High Growth options

The following table illustrates the median fees across sectors for High Growth investment options, which are those that hold between 91% and 100% in growth assets:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.15%	0.65%	0.16%
RMT	\$89.52	0.51%	0.77%	0.16%
All Fund	\$78.00	0.29%	0.76%	0.15%

The following table compares High Growth option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$122.50	\$591.00	\$2,678.00
RMT	\$180.47	\$942.00	\$4,150.00
All Fund	\$156.67	\$835.00	\$3,518.60
RMT/NFP	147%	159%	155%

2.2.2. Growth options

The following table illustrates the median fees across sectors for Growth investment options, which are those that hold between 77% and 90% in growth assets:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.17%	0.45%	0.42%
RMT	\$84.72	0.53%	0.50%	0.10%
All Fund	\$78.00	0.35%	0.52%	0.22%

The following table compares Growth option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$129.50	\$646.10	\$2,915.00
RMT	\$156.50	\$790.00	\$3,290.84
All Fund	\$147.30	\$736.80	\$3,290.00
RMT/NFP	121%	122%	113%

2.2.3. Balanced options

The following table illustrates the median fees across sectors for Balanced investment options, which are those that hold between 60% and 76% in growth assets:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.17%	0.48%	0.29%
RMT	\$84.00	0.54%	0.59%	0.16%
All Fund	\$78.00	0.27%	0.57%	0.21%

The following table compares Balanced option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$124.00	\$569.10	\$2,603.00
RMT	\$165.50	\$820.00	\$3,594.72
All Fund	\$140.50	\$703.00	\$3,125.00
RMT/NFP	133%	144%	138%

2.2.4. Conservative Balanced options

The following table illustrates the median fees across sectors for Conservative Balanced investment options, which are those that hold between 41% and 59% in growth assets:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.16%	0.48%	0.31%
RMT	\$84.60	0.54%	0.50%	0.18%
All Fund	\$78.00	0.35%	0.54%	0.22%

The following table compares Conservative Balanced option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$117.00	\$528.20	\$2,402.00
RMT	\$161.50	\$782.50	\$3,401.50
All Fund	\$152.50	\$728.60	\$3,212.50
RMT/NFP	138%	148%	142%

2.2.5. Capital Stable options

The following table illustrates the median fees across sectors for Capital Stable investment options, which are those that hold between 20% and 40% in growth assets:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.16%	0.41%	0.23%
RMT	\$84.60	0.54%	0.52%	0.09%
All Fund	\$78.00	0.28%	0.50%	0.12%

The following table compares Capital Stable option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$116.50	\$463.00	\$2,003.00
RMT	\$159.17	\$780.00	\$3,212.50
All Fund	\$145.34	\$675.00	\$2,907.50
RMT/NFP	137%	168%	160%

2.2.6. Secure options

The following table illustrates the median fees across sectors for Secure investment options, which are those that hold between 0% and 19% in growth assets:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.19%	0.09%	0.08%
RMT	\$40.00	0.57%	0.53%	0.00%
All Fund	\$68.90	0.35%	0.39%	0.01%

The following table compares Secure option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$97.60	\$296.10	\$1,186.60
RMT	\$152.50	\$755.00	\$3,255.00
All Fund	\$136.25	\$634.50	\$2,837.50
RMT/NFP	156%	255%	274%

2.2.7. Australian Share options

The following table illustrates the median fees across sectors for Australian Share investment options:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.15%	0.43%	0.06%
RMT	\$74.88	0.55%	0.90%	0.07%
All Fund	\$78.00	0.35%	0.78%	0.06%

The following table compares Australian Share option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$112.00	\$435.00	\$1,892.80
RMT	\$181.59	\$1,033.00	\$4,587.26
All Fund	\$161.00	\$905.84	\$4,064.52
RMT/NFP	162%	237%	242%

2.2.8. International Share options

The following table illustrates the median fees across sectors for International Share investment options:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.15%	0.43%	0.07%
RMT	\$78.00	0.56%	0.93%	0.05%
All Fund	\$78.00	0.38%	0.81%	0.06%

The following table compares International Share option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$114.00	\$446.52	\$1,890.00
RMT	\$179.50	\$995.00	\$4,415.84
All Fund	\$153.00	\$869.52	\$3,810.00
RMT/NFP	157%	223%	234%

2.2.9. Property options

The following table illustrates the median fees across sectors for Property investment options:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.15%	0.60%	0.48%
RMT	\$78.00	0.54%	0.77%	0.06%
All Fund	\$78.00	0.30%	0.67%	0.08%

The following table compares Property option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$125.50	\$707.90	\$3,262.40
RMT	\$184.23	\$938.50	\$4,033.82
All Fund	\$167.10	\$839.25	\$3,682.26
RMT/NFP	147%	133%	124%

2.2.10. Diversified Fixed Interest options

The following table illustrates the median fees across sectors for Diversified Fixed Interest investment options:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.15%	0.27%	0.07%
RMT	\$84.00	0.51%	0.55%	0.07%
All Fund	\$78.00	0.21%	0.50%	0.07%

The following table compares Diversified Fixed Interest option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$101.50	\$313.00	\$1,289.00
RMT	\$169.50	\$800.84	\$3,387.60
All Fund	\$132.10	\$605.00	\$2,475.00
RMT/NFP	167%	256%	263%

2.2.11. Cash options

The following table illustrates the median fees across sectors for Cash investment options:

	Member Administration fee	Asset-based Administration fee	Investment management fee	Indirect Cost Ratio
NFP	\$78.00	0.16%	0.07%	0.00%
RMT	\$78.00	0.58%	0.25%	0.00%
All Fund	\$78.00	0.25%	0.08%	0.00%

The following table compares Cash option fees across the sectors based upon a range of account balances, to understand the impact of member and asset-based fee differentials:

	\$5,000	\$50,000	\$250,000
NFP	\$88.25	\$202.73	\$718.60
RMT	\$141.90	\$573.00	\$2,372.00
All Fund	\$103.76	\$327.90	\$1,470.60
RMT/NFP	161%	283%	330%

2.2.12. Summary

As can be seen from the above tables, the overall fee differential between NFP and RMT Choice products remains evident across all investment option types analysed. This variation is predominantly attributed to the continuing difference in asset-based administration fees between the two sectors.

It is evident that the NFP sector maintains materially lower median fees across all account balances than the RMT sector. As account balances increase, the fees for the NFP sector continue to become more competitive, given the lower overall asset-based fees charged.

We note that the RMT pre-mixed balanced option and options with a lower percentage growth allocation are more expensive than the RMT MySuper option. In contrast, the cost of an NFP balanced option is more closely aligned to the NFP MySuper option.

2.3. Activity-based fees

Overall, activity-based fees have experienced little movement over the year. The following table shows the median activity fees charged by funds across the NFP and RMT sectors, as well as providing an overall industry median for each fee type:

Fee Types	NFP Median	RMT Median	All Fund Median
Exit fees*	\$75.00	\$75.00	\$75.00
Switching fee	\$27.50	\$24.95	\$27.00
Family Law request	\$103.00	\$100.00	\$100.00
Family Law split	\$90.00	\$100.00	\$100.00
Buy/sell spread	0.30%	0.42%	0.42%

The latest data sees median RMT and NFP activity fees largely in line with each other, with RMT generally charging higher buy/sell spreads.

* We note that the Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018 cleared the Senate in February which contains a measure to ban exit fees from 1 July 2019, pending Royal Assent.

2.4. Composition of assets across the superannuation industry

The following table illustrates the levels of assets held within NFP and RMT across both MySuper and Choice products:

Industry sector	% of total assets - NFP	% of total assets - RMT
MySuper	54.39%	27.05%
Choice	45.61%	73.95%

As evident from the table above, within the NFP sector, the majority of assets are sitting in MySuper options, whilst for the RMT sector, the opposite is true. We note that the large divergence from the results reported previously can be attributed to APRA's 2017 FUM results having been restated.

Whilst fees are generally coming down across the industry, of the two sectors, RMT funds experienced a greater decrease in total fees than their NFP counterparts during 2018. This has resulted in a non-material fee differential on a \$50,000 account balance as at 31 December 2018.

Total fees on a \$50,000 account balance

	31 December 2017	31 December 2018	Percentage change
NFP	\$605.00	\$567.50	-6.2%
RMT	\$670.00	\$578.34	-13.7%
All Fund	\$628.35	\$575.84	-8.4%

It's all about the Net Benefit to member

SuperRatings notes that for the ten years to 30 June 2018, for the average fund in the superannuation industry, investment performance attributed to the majority of overall Net Benefit outcomes to members. Though the disclosure of fees is important for providing full transparency for members, their contribution to the overall Net Benefit outcome continues to be less than that of investment performance. Overall, though the fee cap legislation emphasises the continued focus on fees in the markets, SuperRatings continues to believe that a key measure of a funds' success should be based on the 'Net Benefit to Member' outcomes, which reflects the actual fees and investment earnings applicable to a member's retirement account, whilst also taking into account the contributions and taxes over the period.

3. Analysis of asset allocation across MySuper and Choice products

With the variability in asset allocations across products, SuperRatings utilises a consistent measure in respect of both lifecycle investment options and standard diversified options across MySuper and Choice products.

The following sections provide the average asset allocation across MySuper and Choice products as at 31 December 2018.

3.1. MySuper products

The following table outlines the average asset allocations for MySuper products across the industry:

Asset class	NFP Average	RMT Average	All Fund Average
Australian Shares	24%	27%	25%
International Shares	26%	27%	26%
Property - growth	7%	7%	7%
Alternatives – growth	12%	5%	10%
Other growth assets	1%	1%	1%
Total growth assets	71%	67%	70%
Fixed Interest	14%	23%	17%
Property – defensive	2%	0%	1%
Alternatives – defensive	7%	3%	6%
Cash	5%	7%	5%
Other defensive assets	1%	1%	1%
Total defensive assets	29%	33%	30%

As can be seen from the table above, overall allocations to assets across MySuper products indicate that NFP funds maintain a slightly higher allocation to growth assets than their RMT counterparts.

The key differential between the sectors continues to be the allocation towards Alternatives – Growth assets, where the NFP sector holds more than double that of the RMT allocation.

In terms of defensive asset allocations, once again, the NFP sector maintains a higher allocation to Alternatives – defensive at the expense of fixed interest and cash.

3.2. Choice products

The following tables detail the asset allocations across the variety of choice options tracked by SuperRatings:

3.2.1. High Growth options

Asset class	NFP Average	RMT Average	All Fund Average
Australian Shares	40%	41%	41%
International Shares	43%	44%	44%
Property - growth	4%	6%	5%
Alternatives – growth	9%	8%	8%
Other growth assets	1%	0%	0%
Total growth assets	97%	99%	98%

Asset class	NFP Average	RMT Average	All Fund Average
Fixed Interest	0%	1%	1%
Property – defensive	1%	0%	0%
Alternatives – defensive	1%	0%	1%
Cash	1%	1%	1%
Other defensive assets	0%	0%	0%
Total defensive assets	3%	2%	2%

3.2.2. Growth options

Asset class	NFP Average	RMT Average	All Fund Average
Australian Shares	30%	36%	34%
International Shares	34%	36%	35%
Property - growth	6%	7%	7%
Alternatives – growth	13%	6%	8%
Other growth assets	1%	0%	1%
Total growth assets	85%	85%	85%
Fixed Interest	6%	10%	9%
Property – defensive	2%	0%	1%
Alternatives – defensive	5%	1%	2%
Cash	2%	3%	3%
Other defensive assets	1%	0%	0%
Total defensive assets	15%	14%	15%

3.2.3. Balanced options

Asset class	NFP Average	RMT Average	All Fund Average
Australian Shares	25%	30%	28%
International Shares	27%	27%	27%
Property - growth	6%	7%	7%
Alternatives – growth	11%	5%	7%
Other growth assets	1%	0%	1%
Total growth assets	71%	70%	70%
Fixed Interest	16%	22%	20%
Property – defensive	2%	0%	1%
Alternatives – defensive	6%	2%	3%
Cash	5%	6%	6%
Other defensive assets	1%	0%	1%
Total defensive assets	29%	30%	30%

3.2.4. Conservative Balanced options

Asset class	NFP Average	RMT Average	All Fund Average
Australian Shares	16%	21%	19%
International Shares	17%	20%	19%
Property - growth	5%	6%	6%
Alternatives – growth	12%	5%	7%
Other growth assets	1%	0%	1%
Total growth assets	52%	52%	52%
Fixed Interest	22%	33%	30%
Property – defensive	2%	0%	1%
Alternatives – defensive	10%	3%	5%
Cash	11%	12%	12%
Other defensive assets	2%	0%	1%
Total defensive assets	48%	48%	48%

3.2.5. Capital Stable options

Asset class	NFP Average	RMT Average	All Fund Average
Australian Shares	10%	12%	12%
International Shares	10%	11%	11%
Property - growth	5%	5%	5%
Alternatives – growth	7%	3%	4%
Other growth assets	1%	1%	1%
Total growth assets	33%	32%	32%
Fixed Interest	30%	44%	40%
Property – defensive	2%	0%	1%
Alternatives – defensive	8%	2%	4%
Cash	24%	21%	22%
Other defensive assets	3%	0%	1%
Total defensive assets	67%	68%	68%

3.2.6. Secure options

Asset class	NFP Average	RMT Average	All Fund Average
Australian Shares	1%	3%	2%
International Shares	1%	1%	1%
Property - growth	1%	1%	1%
Alternatives – growth	1%	0%	0%
Other growth assets	0%	0%	0%
Total growth assets	4%	5%	5%
Fixed Interest	24%	40%	36%
Property – defensive	0%	0%	0%
Alternatives – defensive	3%	2%	2%
Cash	48%	52%	51%
Other defensive assets	21%	1%	6%
Total defensive assets	96%	95%	95%

As can be seen from the tables above, the overall allocations to growth assets across the various diversified choice investment options remain similar between the sectors.

Once again, the key differential between the sectors is the allocation to Alternatives assets, where the NFP sector holds significantly larger allocations across almost every choice investment option at the expense of allocations to listed markets including Australian and international shares and property.

Lastly, across all the option types, NFP funds holds less allocation towards fixed interest securities.

4. Investment performance comparisons

Apart from MySuper products which have limited historical performance data, the following tables compare the investment performance of all of the above-mentioned investment options across one, three, five, seven and ten-year periods to 31 December 2018. In line with SuperRatings methodology, all investment returns are shown net of all implicit administration fees, investment fees and tax, such that they reflect the actual returns achieved by members over the various periods. SuperRatings remains supportive of the disclosure of returns on a median basis rather than an asset-weighted basis, which is the method used by the majority of the superannuation industry.

4.1. MySuper products

As there are some MySuper products that still don't have a 5-year performance number, we have provided the median return data for the 1 and 3-year timeframes.

Given the volatility in returns over shorter periods, and that superannuation is a long-term investment, we suggest that the more meaningful insights can be drawn from the 3-year performance numbers.

	1-year	3-years (p.a.)
NFP Median	0.99%	6.47%
RMT Median	-0.79%	4.94%
All Fund Median	0.33%	5.82%

4.2. Choice products

Recognising that Choice products have been in existence for much longer than MySuper products, we provide the following performance comparisons in relation to each of the investment options tracked by SuperRatings.

4.2.1. High Growth options

	1-year	3-years (p.a.)	5-years (p.a.)	7-years (p.a.)	10-years (p.a.)
NFP Median	-1.04%	7.34%	7.46%	10.72%	9.21%
RMT Median	-2.61%	5.86%	6.40%	10.34%	9.03%
All Fund Median	-2.32%	6.31%	6.96%	10.56%	9.07%

4.2.2. Growth options

	1-year	3-years (p.a.)	5-years (p.a.)	7-years (p.a.)	10-years (p.a.)
NFP Median	0.00%	6.86%	7.32%	9.77%	8.76%
RMT Median	-1.98%	5.47%	6.05%	9.22%	8.27%
All Fund Median	-1.29%	5.79%	6.31%	9.49%	8.48%

4.2.3. Balanced options

	1-year	3-years (p.a.)	5-years (p.a.)	7-years (p.a.)	10-years (p.a.)
NFP Median	0.71%	6.35%	6.48%	8.76%	7.87%
RMT Median	-1.23%	5.04%	5.61%	8.05%	7.56%
All Fund Median	-0.35%	5.16%	5.83%	8.35%	7.71%

4.2.4. Conservative Balanced options

	1-year	3-years (p.a)	5-years (p.a)	7-years (p.a)	10-years (p.a)
NFP Median	1.53%	5.40%	5.68%	7.30%	6.92%
RMT Median	-0.43%	4.06%	4.69%	6.80%	6.65%
All Fund Median	0.12%	4.34%	4.91%	6.81%	6.66%

4.2.5. Capital Stable options

	1-year	3-years (p.a)	5-years (p.a)	7-years (p.a)	10-years (p.a)
NFP Median	1.92%	4.44%	4.66%	5.83%	5.91%
RMT Median	0.40%	3.04%	3.68%	4.91%	5.19%
All Fund Median	0.80%	3.42%	3.92%	5.16%	5.47%

4.2.6. Secure options

	1-year	3-years (p.a)	5-years (p.a)	7-years (p.a)	10-years (p.a)
NFP Median	1.85%	2.04%	2.18%	2.67%	3.21%
RMT Median	1.27%	1.97%	2.45%	2.89%	3.12%
All Fund Median	1.42%	1.97%	2.31%	2.77%	3.19%

4.2.7. Australian Share options

	1-year	3-years (p.a)	5-years (p.a)	7-years (p.a)	10-years (p.a)
NFP Median	-3.49%	6.76%	6.15%	9.58%	9.01%
RMT Median	-4.80%	5.25%	5.00%	8.95%	8.39%
All Fund Median	-4.45%	5.70%	5.15%	9.05%	8.60%

4.2.8. International Share options

	1-year	3-years (p.a)	5-years (p.a)	7-years (p.a)	10-years (p.a)
NFP Median	-1.96%	7.23%	8.05%	12.52%	9.32%
RMT Median	-1.94%	6.62%	7.69%	12.83%	8.79%
All Fund Median	-1.96%	6.86%	7.82%	12.74%	8.93%

4.2.9. Property options

	1-year	3-years (p.a)	5-years (p.a)	7-years (p.a)	10-years (p.a)
NFP Median	6.67%	8.65%	9.87%	9.53%	7.47%
RMT Median	-0.40%	5.58%	10.25%	12.32%	9.52%
All Fund Median	0.49%	6.05%	10.17%	11.32%	9.21%

4.2.10. Diversified Fixed Interest options

	1-year	3-years (p.a)	5-years (p.a)	7-years (p.a)	10-years (p.a)
NFP Median	2.10%	3.30%	3.60%	4.34%	5.24%
RMT Median	1.51%	2.20%	2.64%	3.31%	4.35%
All Fund Median	1.57%	2.74%	3.21%	3.77%	4.93%

4.2.11. Cash options

	1-year	3-years (p.a)	5-years (p.a)	7-years (p.a)	10-years (p.a)
NFP Median	1.79%	1.78%	1.99%	2.36%	2.82%
RMT Median	1.47%	1.41%	1.62%	1.93%	2.41%
All Fund Median	1.61%	1.60%	1.80%	2.14%	2.65%

Based upon SuperRatings analysis, we note that the median NFP fund has outperformed the median RMT fund over most periods to 31 December 2018 in respect of each of the investment options assessed, with the exception of the Secure (5 and 7 years periods only), International Shares (7-years period only) and Property (5, 7 and 10 years) option types.

5. The current fee landscape

5.1. Fee transparency

SuperRatings acknowledges that fixed dollar administration fees may remain net of tax for some providers due to the current state of facilitative compliance and ongoing RG97 consultation. However, from the consumer's perspective, it is important that funds' fees are comparable, thus we have analysed the extent of differences in disclosure approaches. Evidently, the broad majority of funds disclose these items gross of tax, though similar to last year's findings around 20% of the industry do not follow this approach.

5.2. Trends

The gap between the different sectors remains, although we expect to see this close at a faster rate in coming years. For Retail Master Trusts, the removal of legacy products and administration fee compression will accelerate this trend, supported by greater prevalence of lower cost default solutions. By comparison, Not for Profit providers face administration fee pressure, driven by the removal of inactive accounts and the ongoing investment in products and services.

In addition to the key themes outlined above, other variances within fee disclosure continue, particularly around tax deductions and how they are treated by providers. This remains a key industry focal point of discussion regarding fee disclosure and we believe the industry would benefit from greater comparability.

5.3. RG 97 fee disclosures

Over the past year, the RG 97 fees and costs disclosure regime remained on the radar, albeit somewhat overshadowed by the Royal Commission, with independent expert Darren McShane releasing his review and ASIC providing its response in January 2019. While we hope to see the fees and costs framework simplified and applied more consistently across providers, the prospect of the industry being consumed by more regulatory change is very real and undoubtedly frustrating for providers.

In its paper ASIC proposes to take forward key recommendations that relate to:

- simplifying how fees and costs information is presented to consumers, including:
 - removing the Indirect Cost Ratio as a separate line item with indirect costs to be included in administration fees and costs or investment fees and costs, depending on their nature;
 - removing advice fees with these incorporated within administration fees;
 - amending periodic statements for superannuation products and managed investment products, so they contain the following three lines:
 - 'Fees deducted from your account';
 - 'Fees and costs deducted from your investment'; and
 - 'Total fees and costs you paid';
- reducing data inputs, including eliminating the requirement for fees and costs disclosure to incorporate some costs categories, particularly property operating costs, borrowing costs and implicit costs, and
- making disclosure for managed investment schemes more consistent with superannuation.

ASIC has opened a consultation for industry views on the proposed updates, which closes on April 2, 2019.

5.4. An update to the fee cap initiative

To gain insight into the potential impacts on the superannuation industry, SuperRatings has once again analysed the proportion of funds that charged fees in excess of a 3% fee cap on balances ranging from \$1,000 to \$6,000 as at 30 June 2018, with the results displayed in the following table:

Proportion of funds exceeding the 3% fee cap.

Balance	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
NFP	90.2%	89.7%	81.4%	41.2%	23.7%	9.3%
RMT	85.7%	86.3%	80.4%	70.2%	54.8%	43.5%
All Funds	88.2%	88.2%	81.0%	54.8%	38.3%	25.3%

While a higher proportion of Not for Profit providers breach this limit at lower balances, the issue is more pronounced on higher balances for Retail Master Trusts. On a \$6,000 account balance, the proportion of funds triggering this cap drops to 9.3% of Not for Profit funds and 43.5% of Retail Master Trusts, with over a quarter of the industry exceeding a 3% cap on a \$6,000 balance.

Through our discussions with funds, two main approaches are being considered to respond to this change as required. These include the introduction of rebates to accounts that breach the 3% level, which would bring back memories of member protection. Alternatively, some providers have considered changes to the profile of the percentage-based administration fee, including the use of capping to prevent the threshold being breached.

While we observed diverse thinking on the best approach during meetings with providers, we expect to see some consistency driven by administration providers implementing the change, particularly given the multitude of potential regulatory and legislative changes on the horizon.

SuperRatings has also analysed a 3% fee cap against current fees across the market, with the following chart illustrating the landscape as at 30 June 2018.

The below chart demonstrates that whilst a fee cap on balances up to \$6,000 would provide protection for a broader cohort of members, given the current operating cost landscape for the industry, this will likely present a material revenue challenge to a number of funds with high proportions of lower account balance members.

Fee cap against current fees

