

Grosvenor Pirie Super

Product Summary

2019-2020

We have assessed our performance and, based on that assessment, made an annual determination that members' interests have been promoted, in accordance with superannuation laws and standards.

1 Summary

The 2019-2020 financial year was an unprecedented year with challenges arising from prolonged drought conditions, the worst bushfire season on record, and the onset of COVID-19 in February 2020, which impacted businesses and communities on a global scale.

The Trustee's strategic objective is to deliver quality, value for money outcomes for members, achieving sustainability and success over the long term, and helping individuals meet their superannuation needs over a required time horizon.

Grosvenor Pirie ("the Fund") faced many challenges during the year ended 30 June 2020. Many of our members suffered financial hardship because of lockdowns caused by the impact of COVID-19 and the Fund experienced a large number of withdrawals via the government COVID-19 early release initiative. This resulted in membership being reduced by 38%. The funds under management are low and we acknowledge the need to achieve better scale and efficiencies and are working on consolidation opportunities.

During the year, work commenced on developing and digitalising an online application form and on other enhancements to the online experience. However, due to COVID-19, many of these initiatives were postponed and work recommenced later in the financial year, as the impacts of Covid-19 eased somewhat.

Two new investment options, a Growth and a Conservative option, were introduced during the financial year to provide members with access to investments with differing levels of investments risks. There were 3 investment options for accumulation members and one investment option for pension members available at 30 June 2020.

We continue to serve our members to the highest standards and remain committed to better member outcomes. We have implemented the following improvements since 30 June 2020:

- A new insurance premium rate table was made available from 1 November 2020 removing the administration fee included in the premium cost thereby reducing the overall insurance premium rates;
- We are creating a new online application form;
- We refreshed the Member Portal for existing users;
- Implemented GreenID, for electronic identification verification checks for members; and
- We transitioned to daily unit pricing, from weekly, which has significantly enhanced the member experience.

2 Determination

Based on the assessment of the outcomes achieved and evidence contained in this summary, we have determined that:

- members' interests are being promoted;
- the basis for the setting of fees is appropriate for members;
- members have not been disadvantaged due to the scale of, and within, the Trustees' business operations;
- the operating costs of the Trustees' business operations are not inappropriately affecting the financial interests of members;
- the options, benefits and facilities offered under the product are appropriate to members;
- the investment strategy for the product, including the level of investment risk and the return target, is appropriate to members; and
- the insurance strategy for the product is appropriate to members and undergoing regular reviews.

Details of this assessment are outlined below.

3 Member Services and Product options

The 2020 financial year was a year in which we focused on supporting members and taking care of our less fortunate members, whether that was due to hardship or having a low account balance. We had over 2,000 members with around \$16M under management at 30 June 2020. The Fund's membership and FUM was significantly impacted by the COVID-19 Early Release Initiative reducing the funds under management by around 20%.

We have been monitoring the Fund and our objective is to seek consolidation opportunities to drive operational and administrative scale to ensure members' outcomes continue to be achieved.

Based on the above we have determined that member services and product options were achieved during the year.

4 Investment

4.1 Investment Strategy

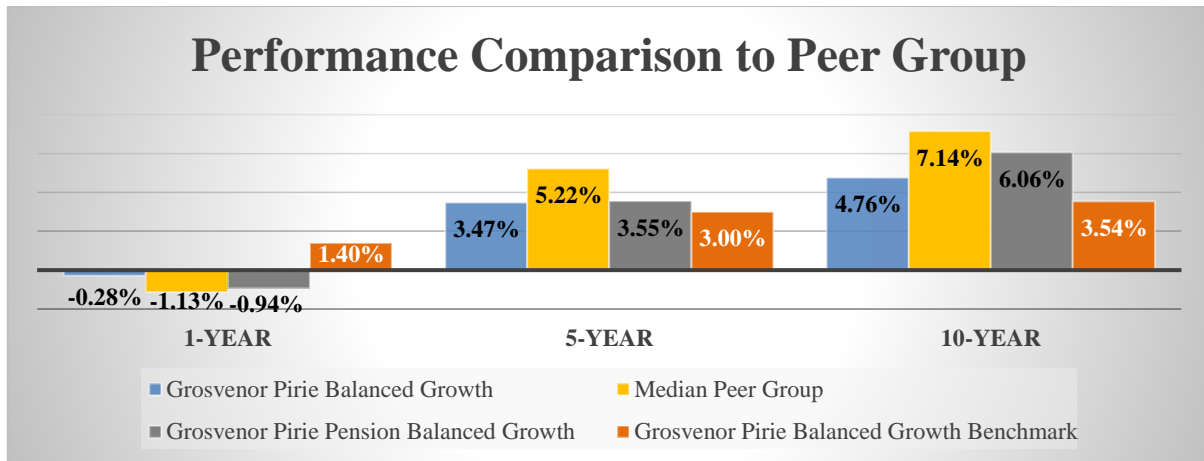
During the year ended 30 June 2020, we changed our investment strategy and broadened the investments portfolio to include 3 investment options, allowing members to decide on the level of investment risk they wish to take. The three investments are: Balanced, Growth and Conservative. Growth and Conservative became available only towards the end of the financial year and therefore had no money invested at 30 June 2020.

We have determined our investment objective to be the rate of inflation (Consumer Price Index) plus an additional amount. For Balanced option this was CPI + 1.75%.

In assessing our investment option, we used survey data from SuperRatings as the basis of our assessment of our investment option. SuperRatings specialise in ratings and research for the super industry and compare funds across a range of quantitative and qualitative factors.

Our peer group is based on Industry Public Offer, Industry Personal, Master Trust – Personal, Master Trust – Corporate as per SuperRatings classification and option type of Balanced Investment with the growth asset allocation between 60% to 76%.

The below graph shows that Grosvenor Pirie Super Balanced Option delivered a higher return¹ than its peer group for 1 year for both Pension and Accumulation Investment Options. However, the performance is lagging over the longer-term compared with its peer group. The benchmark was not met for 1 year, however, the benchmark return for 5 and 10 year was achieved and it was above its determined benchmark. The negative returns were impacted by COVID-19, when investment markets reacted to the uncertainty during the March quarter and only partly recovered in the quarter ending 30 June 2020.



4.2 Level of Investment Risk

As a choice product, the Fund's investment strategy is to provide a diverse mix of assets at different levels in growth assets such as shares and defensive assets, including cash and fixed interest. This provides members with access to investments with differing levels of investment risks.

We believe that the investment strategy implemented during the year provides an appropriate risk levels for our range of member cohorts.

5 Fees and Costs

Our aim is to maintain a fee structure that ensures member services can be appropriately delivered.

During the year all members were charged an administration fee as a mix of flat fee of \$78 per annum and a percentage fee of 0.84% per annum plus an investment fee, including investment indirect costs, of 0.15% based on Balanced Investment Option.

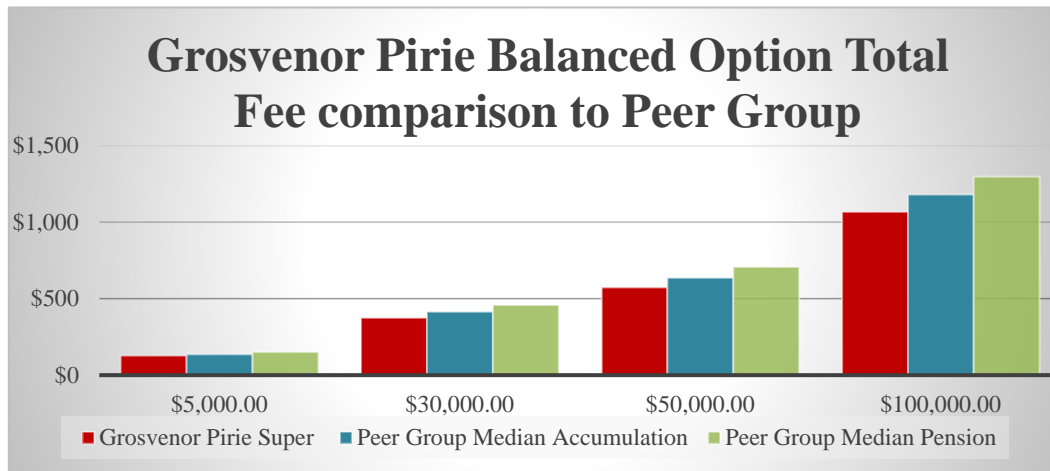
A combination of flat fee and percentage fee was chosen to take into account the fact that the Fund has a wide range of account balances with an average balance of \$11,614, ensuring that all members contribute to the operational costs of the Fund.

In order to better understand an individual member's account, we have conducted testing of members' total fees charged per annum on the fee structure in place at 30 June 2020 at various balances.

We used data from SuperRatings as the basis of this assessment. The Balanced Investment

¹ Returns are net of all investment fees, administration fees and taxes, excluding member direct fees. Returns are calculated using changes in the unit price. Past performance should not be relied upon as an indication of future.

Option was measured against its peer median².



The graph shows that our total fees charged remain within the median of peer group and are marginally less expensive in comparison to its peer group.

We have further measured our costs by calculating the operating expense ratio and investment of the Fund against all superannuation funds using the publicly available statistics issued by Australian Prudential Regulation Authority (APRA). The results reveal that the Fund's operating expense ratio is 1.56% which is above median of 0.60% for retail funds. Our rate is considerably higher in comparison to other retail funds due to low average member balances and higher costs of the Fund per member when compared to other funds.

We acknowledge that our operating expense ratio for the financial year was high when compared against other funds, yet believe this will improve through our consolidation strategy, ensuring scale and efficiency for the Fund.

6 Insurance

AIA Australia Limited is the issuer of life insurance policies. Members are able to opt-in to Life, Total and Permanent Disablement (TPD) and Income Protection Insurance. The Fund has created an easy opt-in process that new members can use to opt-in online for Death and TPD cover. Members are also able to transfer cover from their old fund to their Grosvenor Pirie Super Fund account.

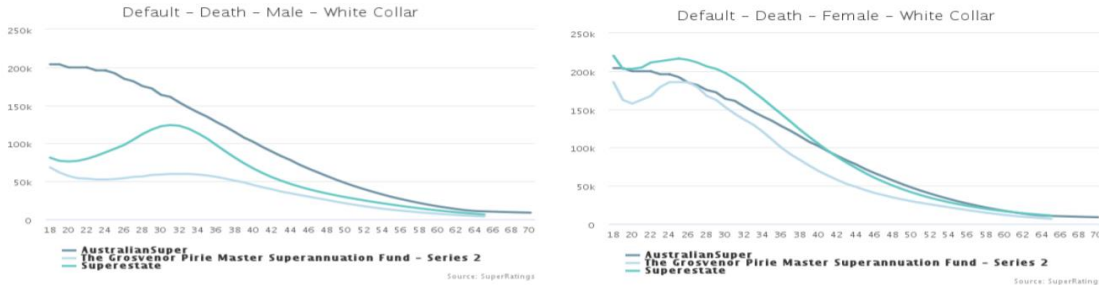
As cover is voluntary, there has not been high levels of uptake in the fund. However, it is noted that offering insurance makes it more attractive for members to consolidate their entire super balances into the Fund, improving the scale of the Fund.

Additionally, as members must opt-in to accept the default insurance offering, after considering their personal situation and needs, and the costs of the cover, as such, we do not look to measure the impact of insurance eroding your retirement income, and have determined that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

In our assessment, we considered a comparison to other funds and we provide below, a charts comparison showing insurance cover for a \$1 week.

² Our peer group is based on Industry Public Offer, Industry Personal, Master Trust – Personal, Master Trust – Corporate as per SuperRatings classification and option type of Balanced Investment with the growth asset allocation between 60% to 76%.

The below graphs show that the amount of cover for \$1 premium paid provide a female white collar member with a comparable value cover to other funds, yet a white collar male member will receive less cover:



Since 30 June 2020 we have reduced the premiums costs by the administration fee of to our members to further provide for better member outcome.