



Is retail vs industry still relevant in a MySuper world?

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Outline

Is retail vs industry still relevant in a MySuper world?

No

Traditional competitive drivers have been commoditised

There are new differentiators

The industry compares funds, not sectors



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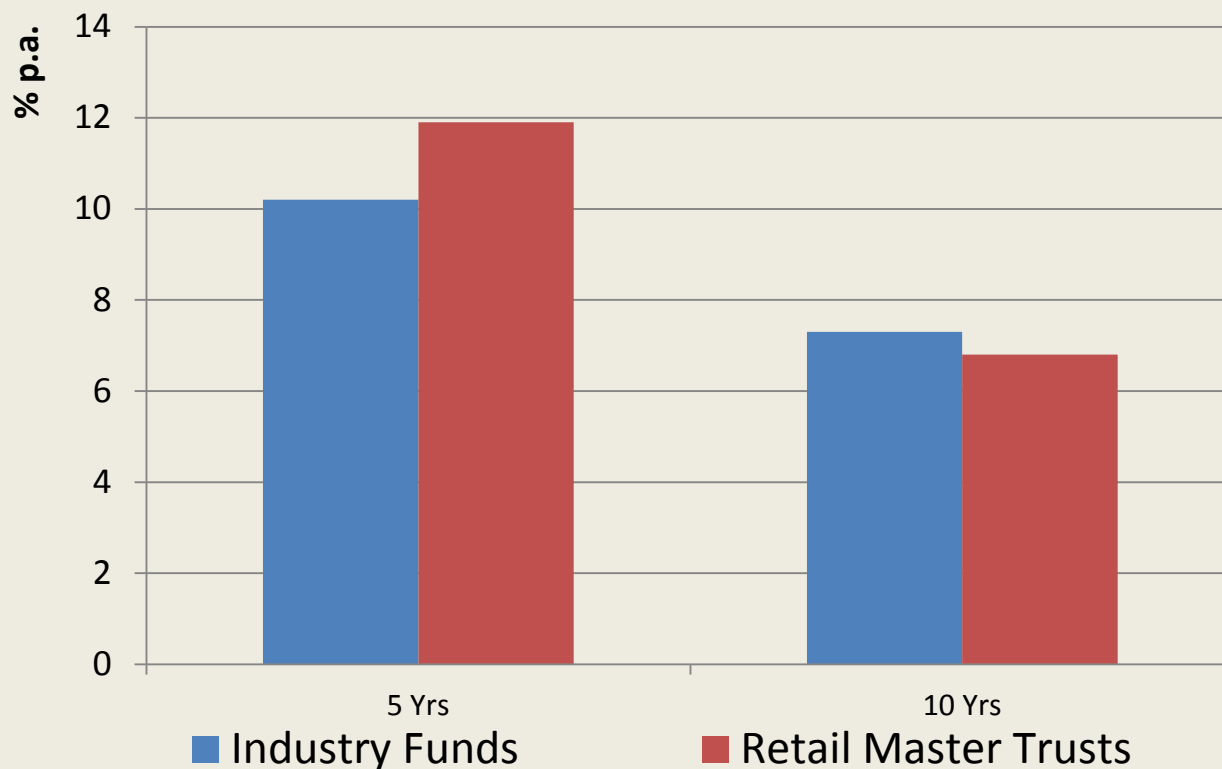
- Performance
- Fees
- Insurance premiums

There are new differentiators

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Performance – retail funds have outperformed over 5 years and industry funds have outperformed over 10 years





There is a single major contributor to the performance differential over 10 years – performance of unlisted property

Allocation to unlisted property and infrastructure¹

Industry funds 15.2%

Master funds 1.3%

10 Year Investment Performance²

Listed property 2.5%

Unlisted property 9.1%



Accounts for a 0.5% p.a. performance differential over 10 years

¹Source: Chant West 2011

²Source: Mercer



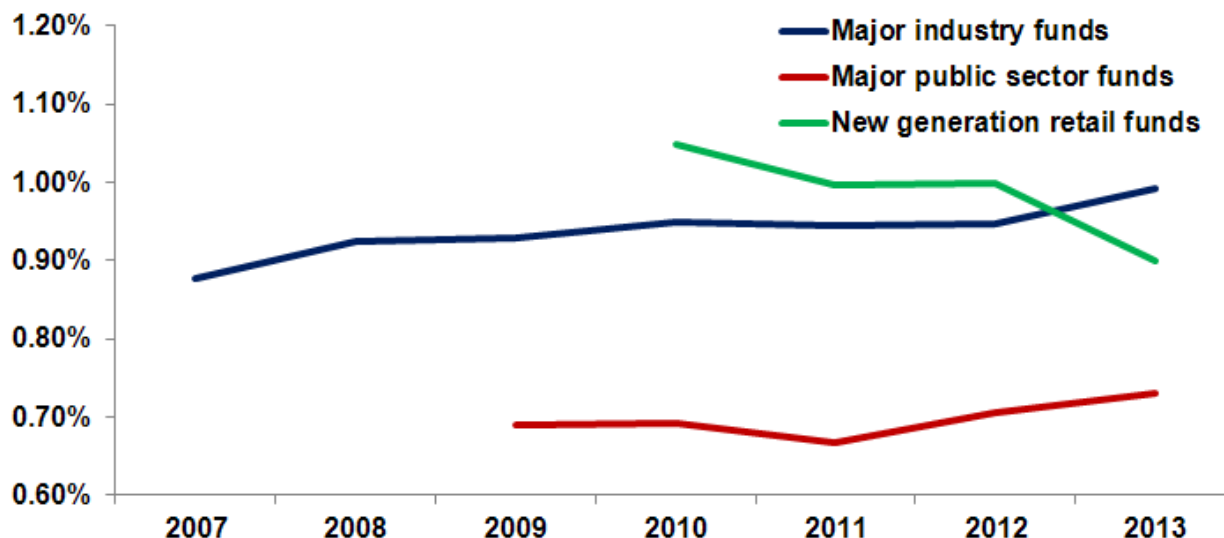
Fees – Tria showed the new retail funds are priced lower than industry funds

Oops - new retail funds now 10% cheaper than industry funds

ASFA 2013
BEYOND THE HORIZON

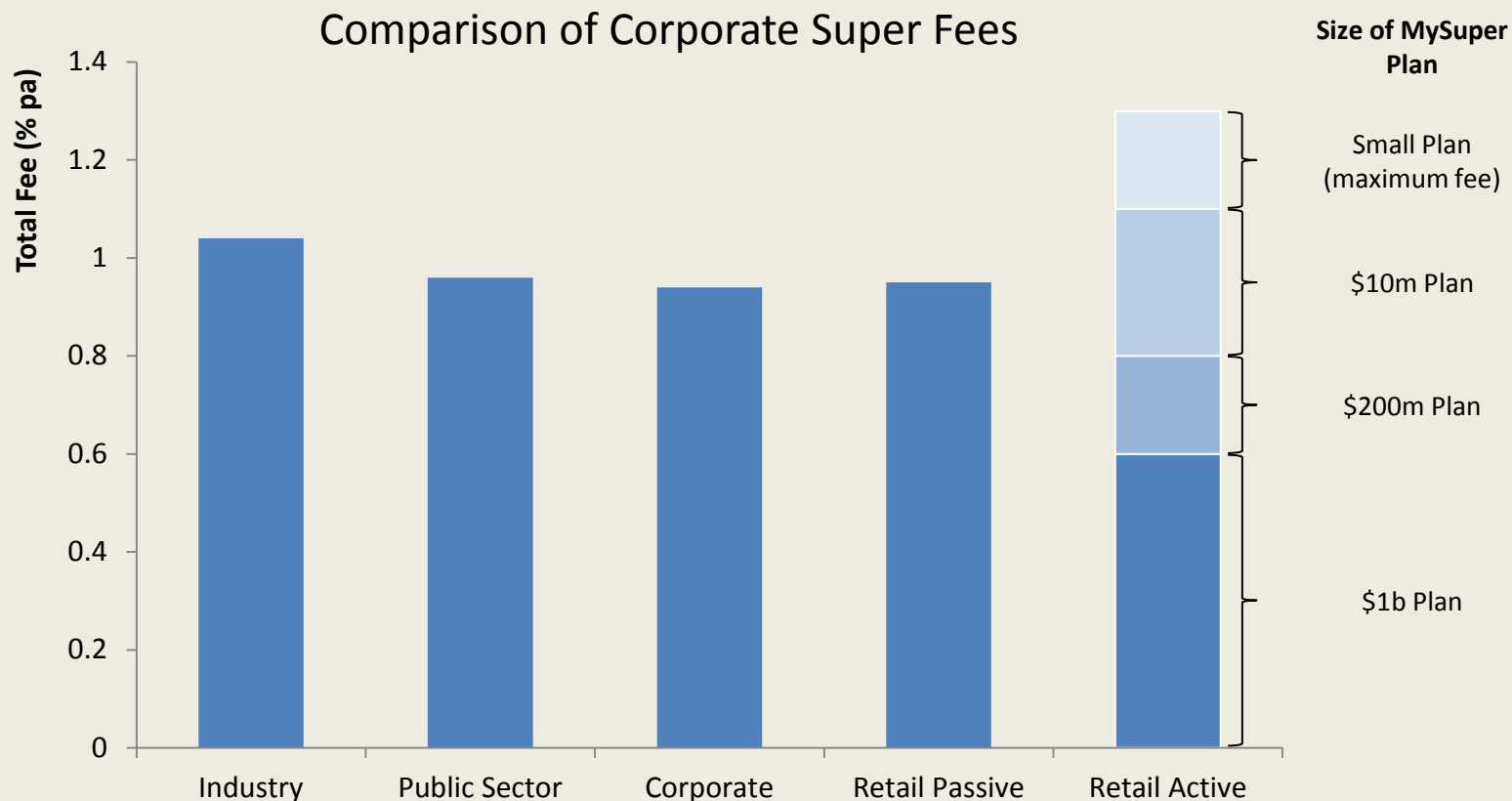


Average total cost for a \$50,000 member balance



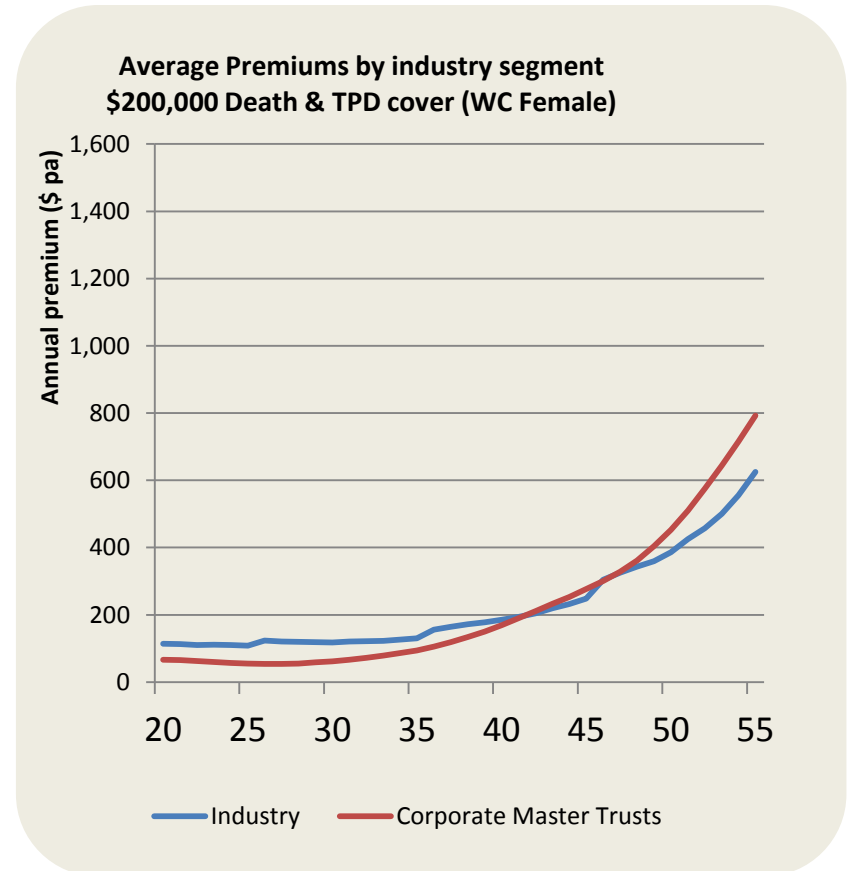
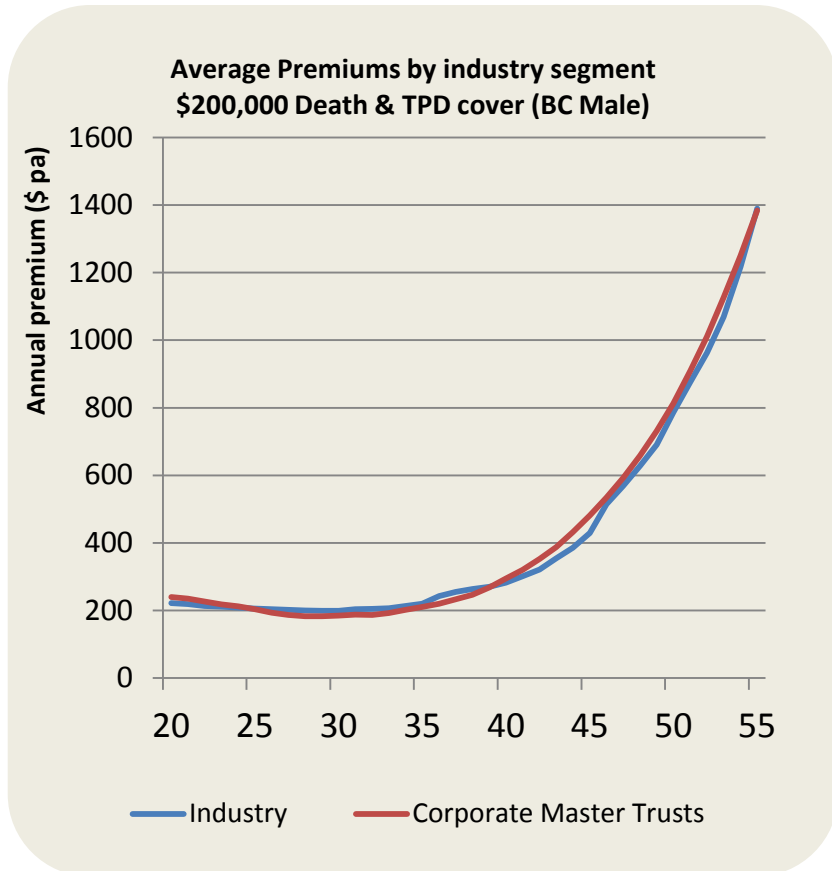


Fees – Chant West analysis shows retail fees are highly competitive, particularly when discounts for large plan sizes are taken into consideration





Insurance premiums – virtually no difference in insurance premiums (currently!)





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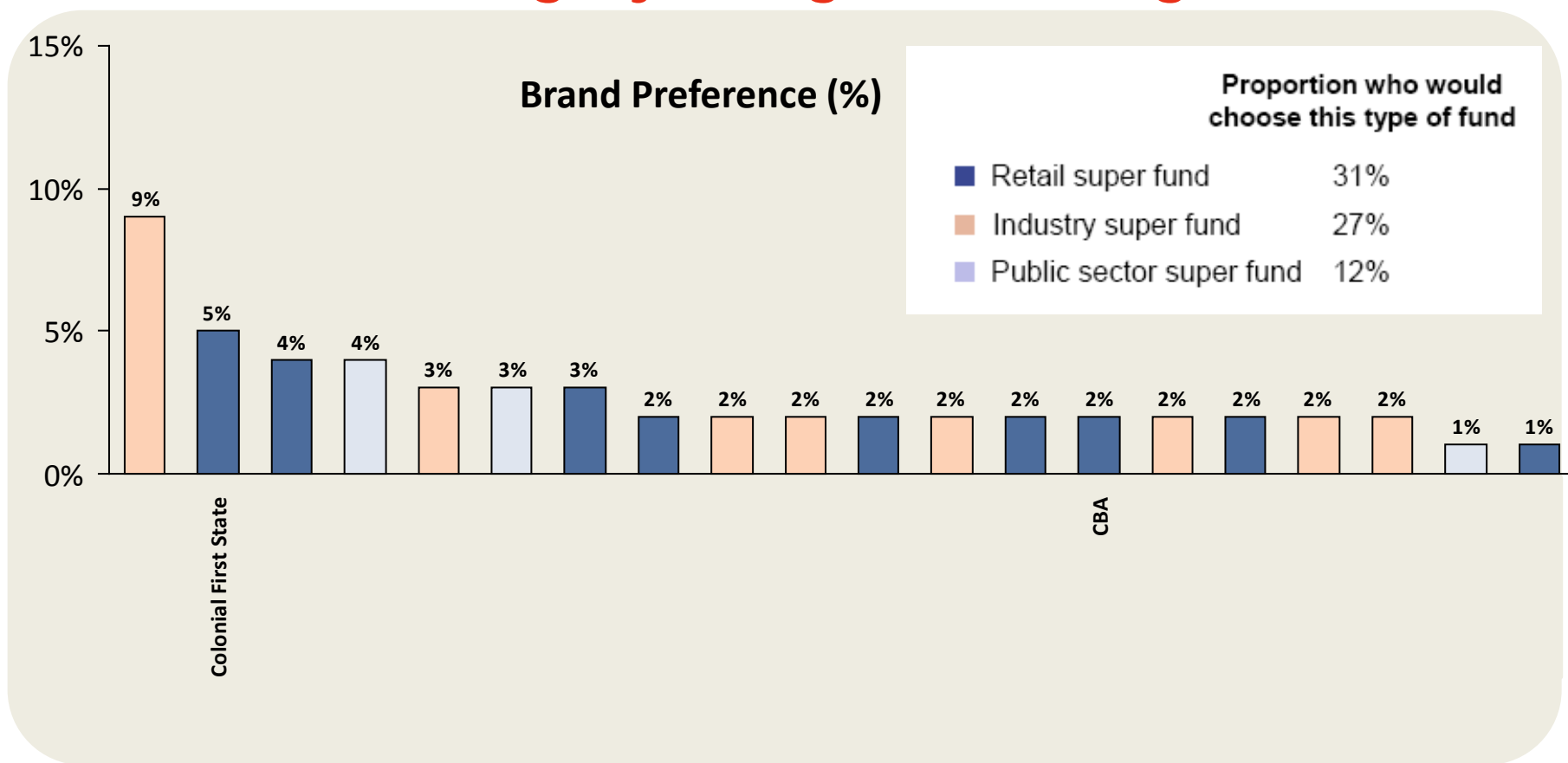
There are new differentiators

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- Brand
- Product structure
- Advice / service
- Governance



Brand – Some strong industry and retail brands, with retail slightly stronger on average





Product structure – retail funds generally have superior offers in terms of number of investment options, life stage funds and retirement capability

Investment options

Fund Type ¹	Average No. of Investment options
Industry	11
Retail	283

Number with life stage funds²

Retail	Industry
12	2

Retirement

- Seamless transfer to an allocated pension
- No payment of unrealised CGT or transaction costs
- Investment options suitable for retirement
- Longevity protection

Source:

(1) APRA 2013 Superannuation Fund Level Profiles and Performance Table 10

(2) Mercer October 2013, Chant West Criteria Comparison March 2014



Advice/ service - The retail sector has higher adviser numbers and platforms deliver an array of adviser services

Adviser numbers

Adviser conglomerate	Advisers	Adviser conglomerate	Advisers
AMP	3,436	Lifespan	130
ANZ OnePath	1,866	RBS Morgans	121
NAB/MLC	1,846	Australian Unity	114
CommBank/CFS	1,663	ClearView	102
Westpac/BT	1,168	Matrix	100
IOOF	752	Interprac	97
PIS	533	FinancialLink	95
Suncorp	305	Yellow Brick Road	84
Synchron	293	Madison	79
Aon Hewitt	220	Neo Financial	75
SAS	178	Patron Financial	72
Wealthsure	170	TAL	72
SFG Australia	153	Members Equity	71
Dover	139	Capstone	70
Crowe Horwath	131	Bendigo and Adelaide Bank	68
The rest			3,809
Total			18,012

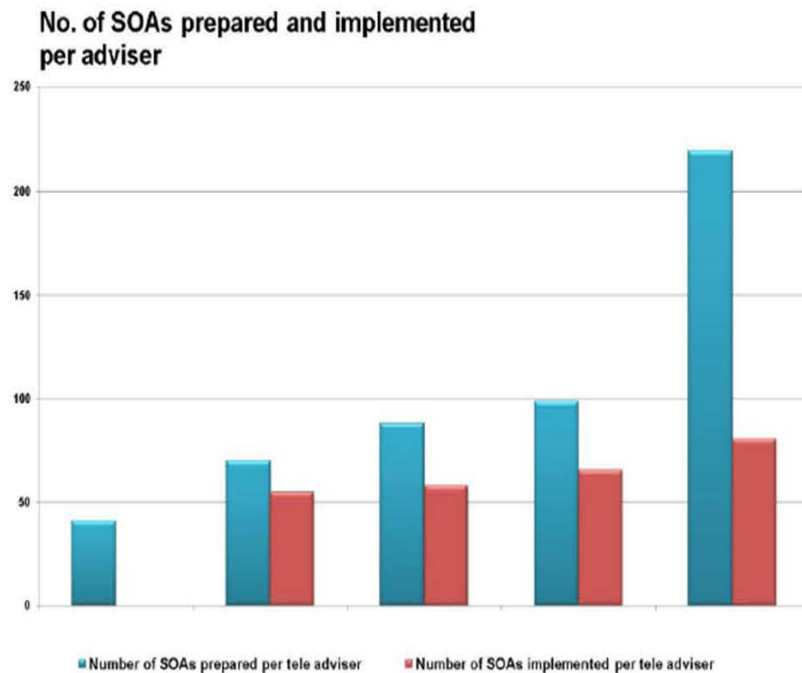
Adviser services

- Online transactions
- E-Post
- Model portfolio functionality
- ROA/SOA functionality
- Client segmentation
- Tailored reporting – client review reports, business reports, client call reports, ongoing service fee report, cash flow and income reporting
- Choice of insurers
- Adviser dashboard - workflow functionality
- Adviser fee flexibility

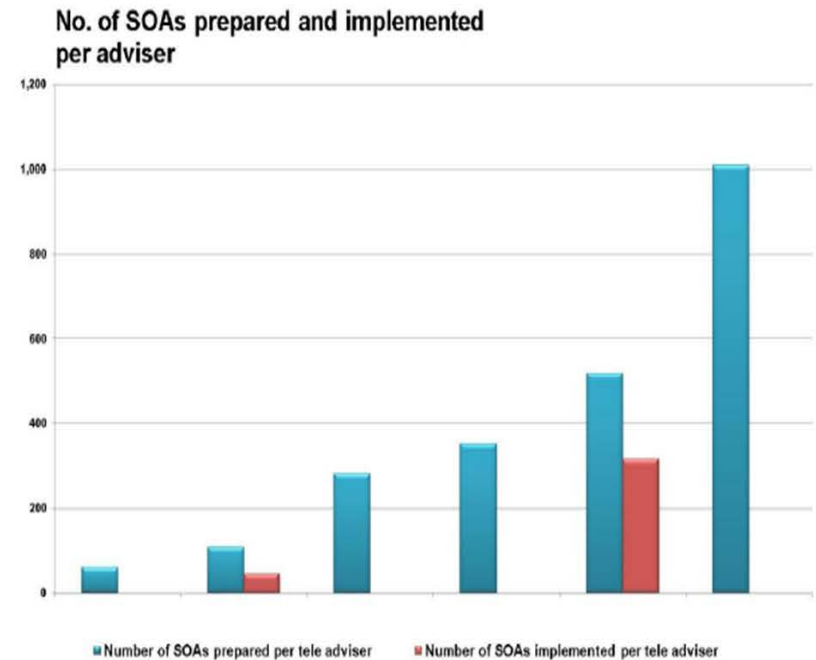


However, for telephone advice, industry funds are generating larger number of SOAs per adviser, but issues with implementation

Retail Fund Peer Group



Industry Fund Peer Group





Governance – FSC standard requires the majority of directors to be independent

Section 5 of the FSC Standard provides that :

- (a) ...the governance arrangements necessary to satisfy an independence criterion for relevant licensees. This has the following distinct elements (which require disclosure to RSE Members):
 - (i) a requirement that the Chair of the entity's Board be independent;
 - (ii) a requirement that a majority of directors of that Board be independent



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- Member satisfaction
- Market share

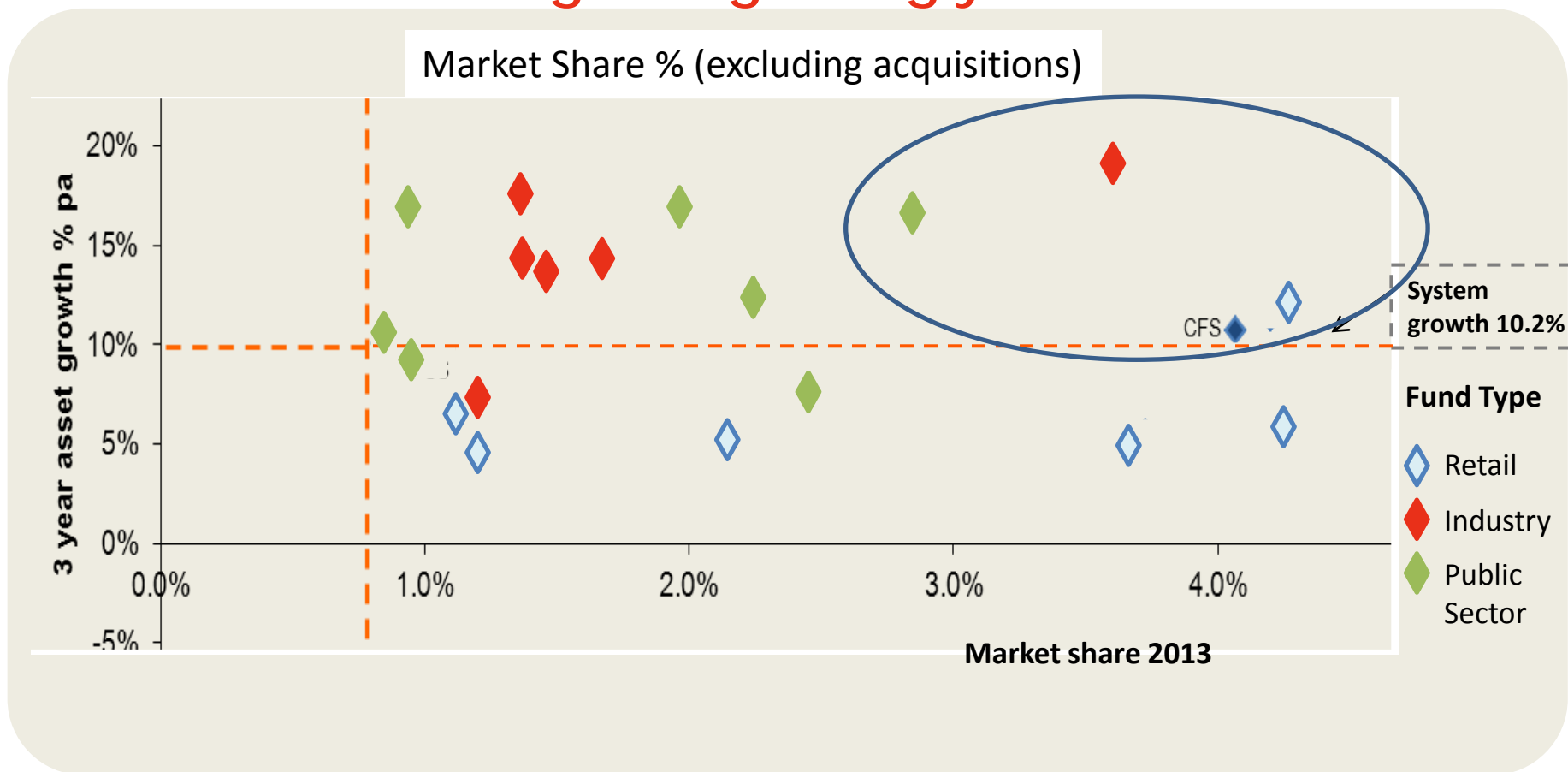


Member satisfaction – top end is closely contested, but industry and public sector funds are stronger on average





Market share – again, there are industry funds and retail funds that have both large market share and are growing strongly





Conclusion

Traditional competitive drivers have been commoditised

- Retail funds outperform over 5 years, industry funds outperform over 10 years
- The main contributor to the 10 year performance was the performance of unlisted property
- Retail fees are highly competitive compared to industry fund fees
- Insurance premiums are almost identical

There are new differentiators

- Retail funds have slightly stronger brands on average
- Retail funds have superior offers in terms of number of investment options, life stage funds and retirement capability
- Whilst retail funds have more focus on advisers & service, industry funds have higher SOA production per telephone adviser
- FSC has taken the moral high ground on governance

The industry compares funds, not sectors

- There are strong and weak retail and industry funds when you compare member satisfaction and market share growth

Thank You