

Heidelberg Australia Superannuation Fund

Outcomes assessment – year ended 30 June 2020

All superannuation funds are required to make an annual determination as to whether the financial interests of members are being promoted by the trustee having regard to various prescribed factors. This document summarises the Trustee's determinations in relation to the Heidelberg Australia Superannuation Fund's (the Fund) Choice product for the year ended 30 June 2020.

To make these determinations the Trustee established a number of outcomes that it sought for members who hold the product. These outcomes covered a number of areas including the following:

- investment strategy, returns and investment risk
- fees and costs
- insurance strategy and insurance fees
- the options, benefits and facilities offered.

The Fund has been specifically designed for employees of Heidelberg Graphic Equipment Limited and associated companies (Heidelberg). The Fund's Choice product covers all accumulation members.

The Fund also has a number of defined benefit members. An outcomes assessment is not required for these members, although the Trustee has established an outcome relating to appropriate funding of the defined benefit section and some of the information below may be relevant to defined benefit members who have accumulation accounts.

The Fund does not have a MySuper product.

Outcomes determination – Choice product

In relation to the Fund's Choice product, the Trustee has determined that:

- the financial interests of the members who hold the product are being promoted by the Trustee having regard to a comparison of the product with other Choice products based on various prescribed factors
- the options, benefits and facilities offered are appropriate for the members
- the investment strategy including the level of investment risk and return target is appropriate for the members
- the insurance strategy is appropriate for the members
- the insurance fees charged do not inappropriately erode the retirement incomes of the members
- the members who hold the product are not being disadvantaged because of the scale of and within the Trustee's business operations
- the operating costs of the Trustee's business operations are not inappropriately affecting the financial interests of the members
- the basis for the setting of fees is appropriate for the members.

Making the comparisons

The Trustee compared the Fund’s Choice product with a range of other products (called “peer funds”). Those products were not limited to any particular size, sector type or profit status. For its investment return comparisons, the Trustee used SuperRatings* survey data for products with a similar level of investment risk.

** Source: SuperRatings Pty Ltd’s Survey published on 21 July 2020, www.superratings.com.au. This is not financial product advice, independent professional advice must be obtained before making any financial decisions.*

Summary of assessments and comparisons

Important Note - The information in this publication is general information only and does not take into account the personal financial situation, objectives or needs of any individual. It is not financial product advice. You should obtain professional advice before making any decisions based on the information in this publication.

Investments

The Trustee considers the Fund’s investment arrangements to be a key factor for achieving retirement outcomes for members. The Trustee focuses on measuring the Fund’s investment performance against its agreed objectives for investment returns and levels of investment risk.

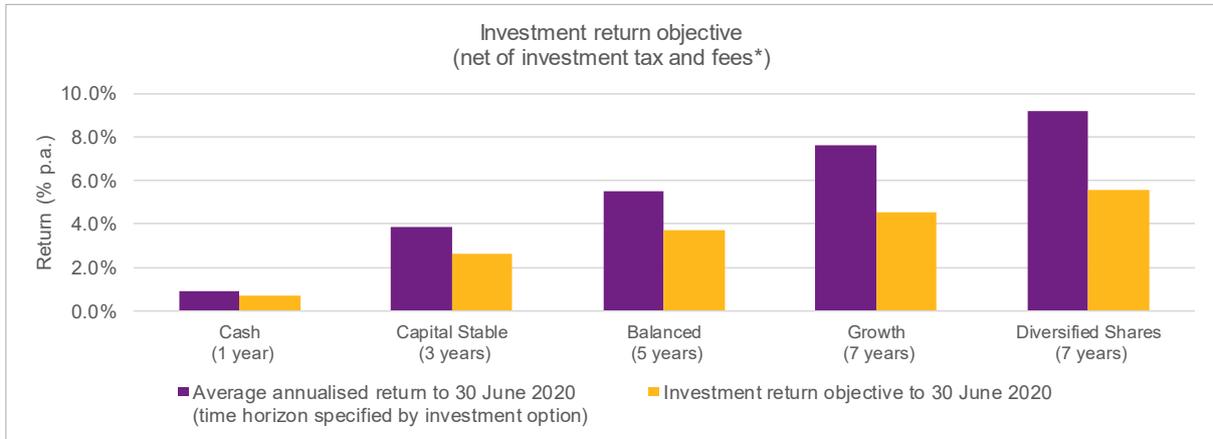
The Fund’s investment strategy is reviewed at least annually. The most recent review, conducted in November 2020, recommended a change in the fixed interest asset allocations. The Trustee concluded that the strategic asset allocations for each option following this change are appropriate and the risk and return objectives are expected to be achievable over the longer term.

Investment returns against objectives

Each of the Fund’s diversified investment options has an objective to achieve a return (net of investment fees and tax) that exceeds movements in the Consumer Price Index (CPI) by a specific amount over a designated measurement period; the Cash option’s objective is set against an appropriate sector benchmark. These objectives are shown in the table below.

Investment option	Investment return objective	Measurement period
Diversified Shares	CPI + 4.0% p.a.	7 years
Growth	CPI + 3.0% p.a.	7 years
Balanced	CPI + 2.5% p.a.	5 years
Capital Stable	CPI + 1.5% p.a.	3 years
Cash	Bloomberg AusBond Bank Bill Index (net of tax)	1 year

The Trustee assessed the investment performance of the Fund's investment options against these objectives. The results are shown in the chart below.



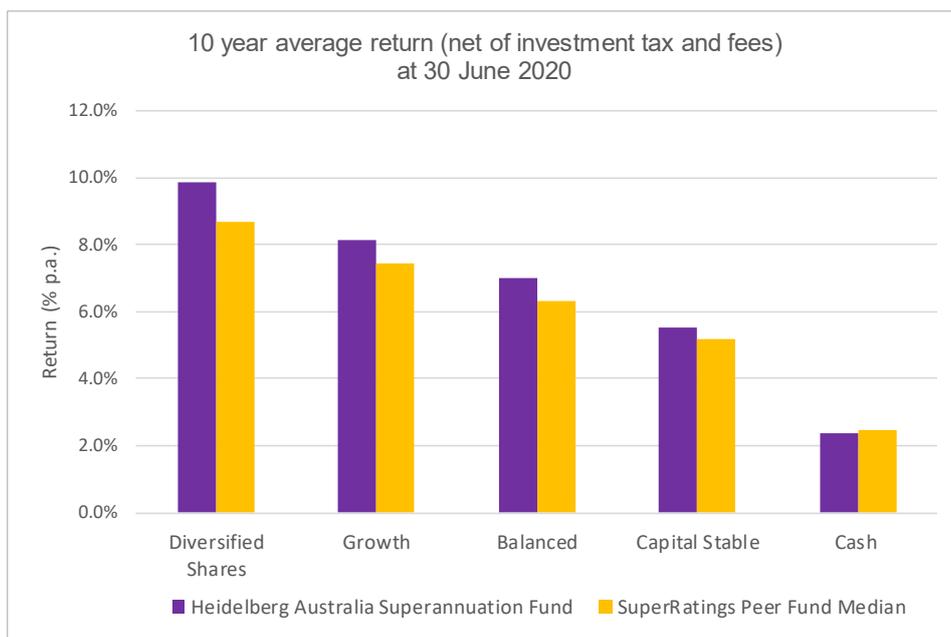
* includes investment fees and indirect costs
 Note that past performance is not a reliable guide to future performance.

The Fund's objectives were achieved for all options at 30 June 2020.

Investment returns against peers

The Trustee aims to achieve medium and long-term investment returns, net of investment fees and tax, that are at or above the median return for peer group funds with comparable levels of investment risk.

The 5-year and 10-year net returns for all of the Fund's diversified investment options were above the median returns for peer funds. The Fund's Cash option was slightly below the median return over these time periods. The following table illustrates the performance of the investment options against peer funds over the 10 years ended 30 June 2020:



Level of investment risk

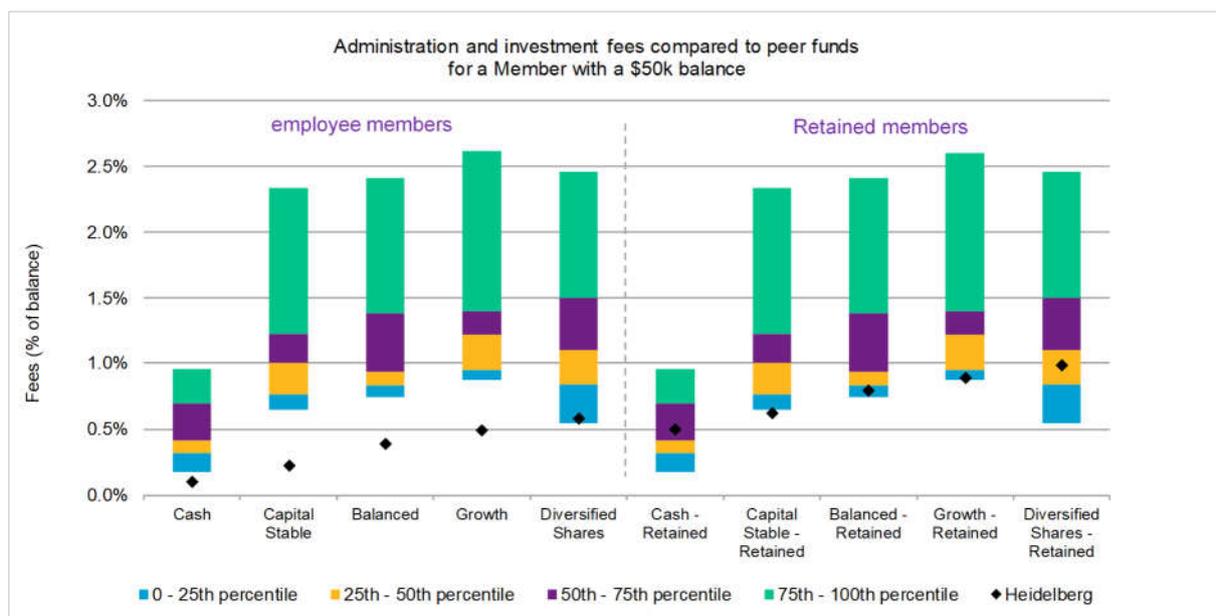
Investment risk is an important consideration when assessing investment performance. Each of the Fund's investment options has a different tolerance limit for negative annual returns. The Trustee has assessed the actual level of investment risk for each investment option by measuring the number of negative annual investment returns over specified time periods. The frequency of negative returns for all options is at or below the risk tolerance limits set by the Trustee at 30 June 2020 as illustrated in the following table:

Investment Option	Target Frequency of negative annual returns	Number of negative annual returns realised over measurement period	Achieved?
Diversified Shares	1 year out of every 4 years	1	✓
Growth	1 year out of every 5 years	0	✓
Balanced	1 year out of every 6 years	0	✓
Capital Stable	1 year out of every 9 years	0	✓
Cash	Nil over each year period	0	✓

Fees and Costs

The Fund's administration fees and insurance fees are paid by the Company as part of its defined benefit funding for all Choice product members who are current employees of the Company. The fees for non-employee members (i.e. Retained members) are charged on a cost-recovery basis. Investment fees and activity fees are deducted from all members' accounts.

The chart below compares the annual investment and administration fees for the Fund's investment options with those of the peer funds. The comparisons are for employee and Retained members and are based on a member account balance of \$50,000.



* includes investment fees and indirect costs

The chart shows that the Fund's fees compare favourably with peer funds.

The Trustee also monitors the Fund's operating costs and the fees charged to members over time. Over the past five years the fees charged to members (where relevant) have remained relatively stable and in fact the administration fee charged to Retained members reduced in 2019/2020.

Insurance strategy and insurance fees

The Fund provides standard insurance cover for death and total and permanent disablement to employee members at no cost to those members, and Retained members have the option to retain the level of cover at their date of employment cessation within the Fund. The Fund does not provide the option for members to have additional voluntary insurance.

The Trustee compared the level of standard cover in the Fund with cover in the peer funds for members at various ages and using a consistent salary. The insurance cover provided by the Fund generally compared favourably across all the ages examined.

The Trustee also has an objective to ensure that the fees for insurance cover (which are deducted from Retained members' accounts) do not inappropriately erode those members' retirement benefits. For a sample level of cover that reflects the actual cover of the Fund's Retained members, at all relevant ages the Fund's insurance fees were comparable with peer funds.

Options, benefits and facilities

The Fund has been specifically designed for employees of Heidelberg. However, the Trustee wants to ensure that it is providing suitable options, benefits and facilities and that the Fund's scale is sufficient to provide the outcomes the Trustee set for members.

The Fund offers a range of investment options, members can stay with the Fund after they leave employment with Heidelberg and also maintain insurance cover. The Fund is relatively small compared with many other superannuation funds and it is closed to new members. The Trustee considers it important to minimise the cost to the Fund of providing members with ancillary benefits that they may not need. To achieve the outcomes it seeks for members, the Trustee focuses on the fundamentals of competitive investment returns, low fees, insurance cover that compares favourably with other superannuation funds, and personal service to members.

Scale

The Trustee has noted that the Fund has sufficient scale to provide the outcomes the Trustee has established for members due to the appointment of third-party providers and the ongoing support for the Fund provided by the Company.