

# Super Update

setting up for your future

Welcome to *Super Update*, the newsletter for the Heidelberg Australia Superannuation Fund that keeps you up to date with what's happening with your super. If you have any suggestions for articles in future issues of *Super Update*, please pass them on to the Fund's Policy Committee.

## How your super is performing

Globally, COVID-19 cases showed no signs of slowing down over the September 2020 quarter, with many countries seeing a second wave after restrictions were eased earlier in the year. US-China relations deteriorated further and trade tensions between Australia and China also intensified. Data released for the June 2020 quarter confirmed that many countries, including the US and Australia, are in an economic recession. Governments and Central banks around the world continue to implement policies to try to stimulate their economies, with interest rates expected to stay low for an extended period.

Over the September 2020 quarter, global share markets were positive overall, with international shares rising 6.4%\* over the quarter (MSCI World Index-ex Australia). The US share market returned 8.9%\* (S&P 500 Composite Index) over the same period, recovering to pre-COVID levels. US manufacturing activity also recovered and the housing market is showing positive signs as record-low mortgage rates continue to boost demand for new homes.

Chinese shares were up 7.8%\* over the September 2020 quarter (Shanghai Composite Index), also back to pre-pandemic levels. Over the same period, Japanese shares rose 4.7%\* (MSCI Japan Index), while European shares fell 0.8%\* (Euro Stoxx 50 Index).

The Australian economy entered its first recession in 30 years in the June 2020 quarter. Whilst the Victorian coronavirus outbreak resulted in an extended lockdown, economic activity resumed throughout the rest of Australia. Australian shares were flat over the September quarter after an impressive recovery in the previous quarter.

Inflation was negative over the June quarter and year-on-year, driven largely by the declining prices of childcare, fuel and rent. The unemployment rate reached a 22-year high of 7.45% in July with the Reserve Bank of Australia expecting it to peak at nearly 10% in the December quarter. The tightening of the JobKeeper program is expected to slow down recovery in the labour market.

The Australian dollar appreciated against the US dollar, from 68.63 US cents at the start of July to 71.08 US cents at the end of September. The Australian dollar also appreciated against other major currencies. This has the effect of dampening returns from international share investments which are subject to currency movements, including those in which the Fund invests.

Returns for the three months to 30 September 2020 are shown in the table below. Please remember that past performance is not necessarily a reliable indicator of future performance.

Investment option	Year to date 1 July 2020 to 30 September 2020
Diversified Shares	2.92%
Growth	2.17%
Balanced	1.79%
Capital Stable	1.29%
Cash	0.07%

Note: Returns shown in the above table are net of tax and investment fees.

\* Returns from international shares are expressed in local currency terms (i.e. hedged to Australian dollars).

## Contact information

If you have a query about any of the information provided in this newsletter or about your super, please contact Con Xanthos on **(03) 9548 6210** or GK Ng on **(03) 9548 6218**. You can also speak with Con and GK on general information about the Fund's management, features and benefits.

Alternatively, you can contact the Fund Administrator on **1800 127 953** or seek guidance from a licensed financial adviser.



## Fee changes

As advised in the April 2020 *Super Update*, the Trustee made some changes to the Fund's investments and investment managers. The overall aim was to improve diversification and to strengthen the resilience of the Fund's investments in times of global financial stress. The fees and costs associated with each investment option have been revised and are shown in the tables below.

The investment fee ranges and expected investment fees increased for the Diversified Shares option, and were either unchanged or decreased for the other options. There has also been a slight increase in transactional and operating costs reflecting the fees that were incurred when realigning the Fund's investments in early 2020. The Trustee remains focused on delivering competitive outcomes to members over the long term.

**Table 1. Revised investment fee ranges from 3 September 2020**

Investment option	Investment fee ranges (per year)	How and when paid
Diversified Shares	0.53% to 0.63% (\$5.30 to \$6.30 per \$1,000)	This fee is deducted from investment returns of each investment option before the returns are applied to your account in the Fund.
Growth	0.41% to 0.49% (\$4.10 to \$4.90 per \$1,000)	
Balanced	0.32% to 0.38% (\$3.20 to \$3.80 per \$1,000)	
Capital Stable	0.20% to 0.24% (\$2.00 to \$2.40 per \$1,000)	
Cash	0.09% to 0.11% (\$0.90 to \$1.10 per \$1,000)	

**Table 2. Revised fees and costs from 3 September 2020**

The annual fees and costs for each investment option which are deducted from investment returns are shown below. These numbers are indicative only, as they are based on the experience in the previous financial year (i.e. 12 months to 30 June 2020). The actual amount charged will depend on the actual fees and costs incurred by each investment option.

Investment option	Expected investment fee	Total transactional and operational costs <sup>#</sup>	Borrowing costs <sup>^</sup>	Direct property operational costs <sup>^</sup>
Diversified Shares	0.58%	0.29%	Nil for all options	Nil
Growth	0.45%	0.21%		0.04%
Balanced	0.35%	0.15%		0.04%
Capital Stable	0.22%	0.09%		Nil
Cash	0.10%	Nil		Nil

<sup>#</sup> Transactional and operational costs are included in the expected investment fee.

<sup>^</sup> Borrowing costs and property operational costs are not included in the investment fee ranges in Table 1 above.

## Budget update

In the October 2020 Budget, the Federal Government outlined a new package of superannuation measures called "Your future, your super". The proposals are intended to reduce the number of people with multiple superannuation accounts and introduce further measures on super products that are considered underperforming. None of these proposals are law yet, and as with any proposed legislation they may change by the time they become law. The proposed changes include:

### Steps to reduce multiple accounts

The ATO will develop an online "YourSuper comparison tool" to provide employees with a performance-based ranking of funds and prompt employees to consider consolidating their accounts.

For new employees from 1 July 2021, an employer will be required to pay super to the employee's existing superannuation account unless they choose another fund. This is to avoid creating unnecessary new super accounts every time someone changes jobs.

### Ways to improve performance

MySuper products will need to satisfy an annual performance test starting from 1 July 2021, with most other funds to follow from 2022. Funds that are considered underperforming, based on their net investment returns, will need to inform members each year and any fund that fails the test two years running will not be permitted to accept new members. APRA will conduct the tests and publish the results.

### Increased accountability

Extra requirements will be imposed on superannuation trustees to act in the best financial interests of members. For annual members' meetings held from 1 July 2021, Trustees will also need to provide additional information to members in advance of the meetings. (Annual members' meetings are a new requirement for super funds. The Fund's first members' meeting is expected to be held early in 2021. More information will follow about the date of and agenda for that meeting.)

The information in this publication is general information only and does not take into account your particular objectives, financial circumstances or needs. It is not personal or tax advice. Any examples included are for illustration only and are not intended to be recommendations or preferred courses of action. You should consider obtaining professional advice about your personal circumstances before making any financial or investment decision based on the information contained in this document. Please note that past investment performance is not necessarily an indication of future performance.

Issued by Towers Watson Superannuation Pty Ltd (ABN 56 098 527 256, AFSL 236049), as Trustee of the Heidelberg Australia Superannuation Fund (ABN 75 071 229 817). November 2020.