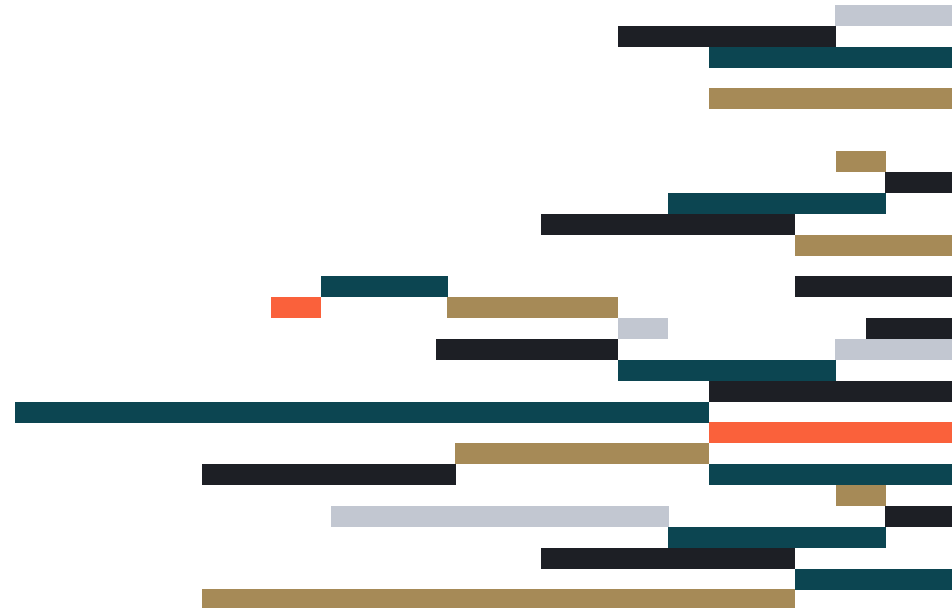


# DIY Division (Xplore)

**Member Outcomes Assessment**  
For the year ended 30 June 2021

28 February 2022



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# Introduction

# Introduction

## What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to the DIY Division sub-plan ('Xplore'). It analyses how Xplore's products compare to similar products and whether these products are serving the financial interests of the members. The document will present the final conclusions and summary, before going into detail on steps 1 and 2 of the assessment.

All data is reported in accordance with APRA requirements. This assessment was undertaken in February 2022 and is relevant for the financial year ended 30 June 2021.

## Approach for this assessment

### Step 1: Measure and compare products



**1. Return comparison**  
A comparison of returns



**2. Fee comparison**  
A comparison of fees



**3. Risk comparison**  
A comparison of investment risk

### Step 2: Assess product appropriateness

Assessment of product appropriateness against key factors that can affect superannuation

#### Section 52 (11)

1. Options, benefits and facilities
2. Investment strategy
3. Insurance strategy and fees

#### SPS 515

4. Scale
5. Operating costs
6. Basis for setting fees

### Step 3: Publish determination

A publication with a determination for each product is required to assess whether the financial interests of the beneficiaries who hold the product are being promoted.



# Executive Summary

# Product Determinations

The Trustee has determined that it is promoting the financial interests of the beneficiaries of its **Accumulation product** and those of its **Pension product** on the basis that:

- For administration fees, Xplore is lower cost than the relevant peer fund median on \$50,000 and \$100,000 balances and broadly in line with the median at the \$250,000 balance point;
- For investment returns, the majority of Xplore's investment options outperformed their relevant peer fund median on a three and five years' basis;
- Risk-adjusted returns are higher or in line with peer fund medians for a majority of investment options; and
- The majority of the objective assessment factors, being Xplore's options, benefits and facilities, investment strategy, scale and the basis for setting fees, are considered appropriate for Xplore's members and do not inappropriately erode their retirement balances.

The Trustee notes however, that improvement in the relative competitiveness of administration fees is needed and driving operating costs down to ensure sustainability of the platform to ensure financial interest of beneficiaries continue to be served for the foreseeable future.



# Xplore Overview

# Xplore Overview

The DIY Division (Xplore) sub-plan ('Xplore') offers 'wrap-style' accounts through its platform for members. Xplore offers the following products:

- Accumulation Account
- Pension Account, being either an:
  - Account Based Pension (Allocated Pension Member) or
  - Term Allocated Pension for rollovers only (Term Allocated Pension Member).

Members have access to over 1,000 investments via Xplore's investment menu, including:

- Managed funds
- Model portfolio
- ASX-listed investments
- International shares
- Cash
- Term deposits
- Exchange Traded Funds ('ETFs') / Listed Investment Companies ('LICs')
- Fixed interest securities

For the purposes of this assessment, the analysis is focused on the eight Xplore investment options with the highest concentration of assets invested in them at 30 June 2021. These investment options are available as part of Xplore's Model Portfolios but do not necessarily comprise the entirety of the selected Model Portfolio. If you would like to know the performance of your Xplore account for the year ended 30 June 2021, please refer to your Financial Year 2020/21 member statement.





# Comparative Assessment

# Fees & Costs Comparison

For the purpose of this assessment, only Xplore's administration fees are compared to peer fund median administration fees. As investment management fees are charged by the individual investment managers and deducted from the returns, these vary by the individual managed fund or ETF investment option selected and are not comparable to benchmarks based on pooled investment structures.

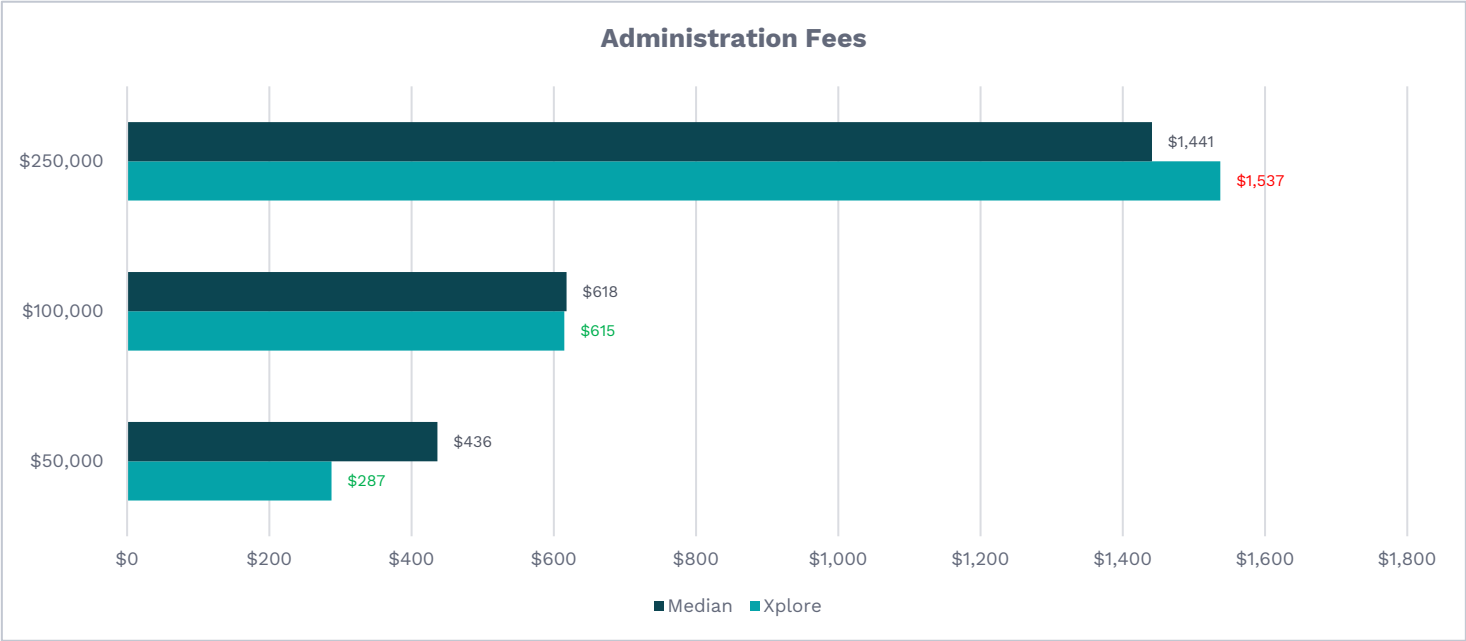
It is noted that this administration fee comparison is at the product level and being assessed against a peer group of similar platform superannuation products. On the following page, the Xplore administration fee for Accumulation and Pension members is compared to the peer fund median administration fee which includes Xplore and fifteen other peer Platform funds.

Xplore's administration fees are lower cost at a product level when administration fees are calculated on \$50,000 and \$100,000 balances, and broadly in line with the peer fund median at the \$250,000 balance point.

The average Xplore member has a balance of \$222,000, so the modelled account balances are appropriate for assessing the relative competitiveness of Xplore's administration fees for its membership.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation product and its Pension product as the administration fees for Xplore at a product level are more expensive than the peer fund median.

# Fees & Costs Comparison



Source: Peer median is derived from 16 similar platform products, which includes 15 Peers and Xplore Wrap. Peers are comprised of Praemium SMA Superannuation Fund, Division 1, DIY Division (Xplore), Allan Gray, Mason Stevens, LifeFocus Superannuation Fund, Personal Choice Private Superannuation Fund, WealthO2, MLC Wrap Super, Perpetual Private Super Wrap, BT Personal Super Plan (SuperWrap), AMP MyNorth Super, HUB24 Super, Netwealth Super Accelerator, IOOF Personal Super (Full Menu), and CFS FirstWrap Super. Administration fees are inclusive of any cost of recovery fees or Operational Risk Financial Requirement reserves.

# Choice Investment Return Comparison

Xplore's net investment returns for the investment options that have been assessed in this report are illustrated in the graphs contained on pages 13, 14 and 15.

It is noted that the medians depicted in the following graphs are based on pooled investment options, with the relevant peer fund median selected based on the closest corresponding asset class to the relevant Xplore investment option. Although not a perfect comparison, these medians represent a suitable proxy for assessing the performance of Xplore's underlying investment options.

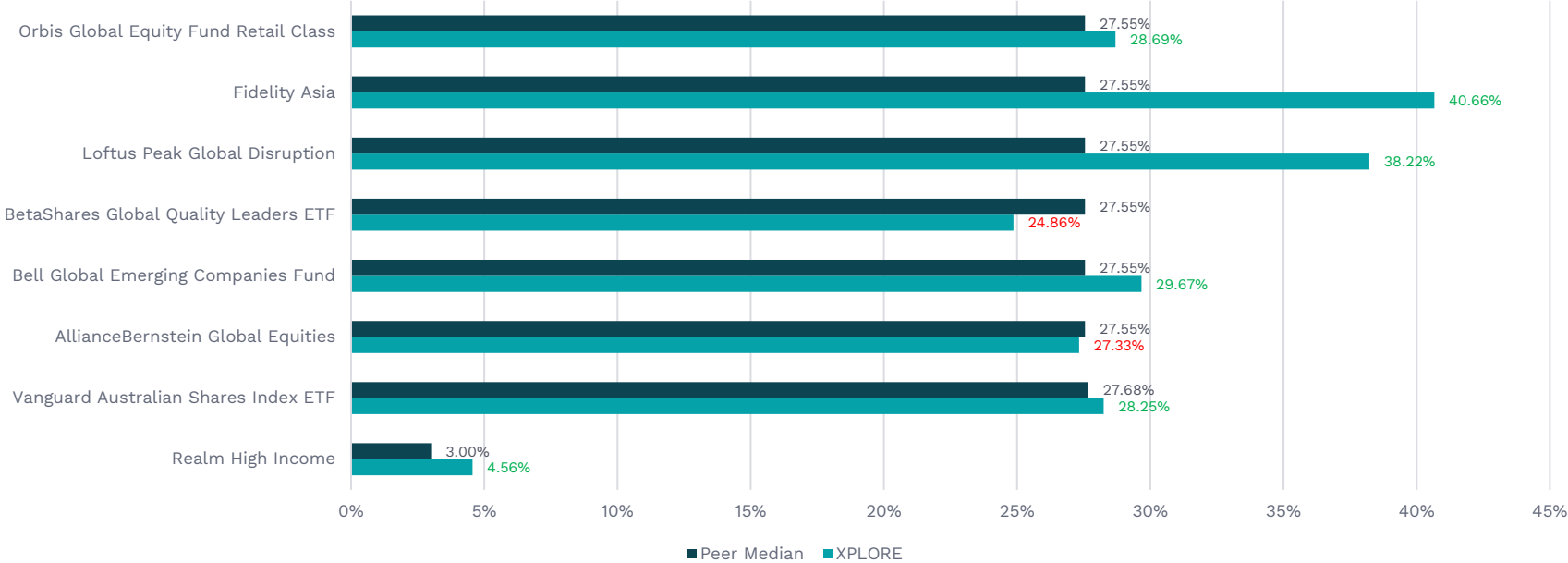
Over a one year period to 30 June 2021, all options on the platform outperformed the peer fund median, except for Beta Shares Global Quality Leaders ETF and AllianceBernstein Global Equities. Over a three year period to 30 June 2021, all options on the platform outperformed the peer fund median, except for Orbis Global Equity Fund Retail Class. Over a five year period to 30 June 2021, all options on the platform outperformed the peer fund median.

For BetaShares Global Quality Leaders ETF only one year performance is available.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation product and its Pension product as the investment returns show strong performance for most investment options over the short term and for all over the longer five year period.

# Investment Return Comparison

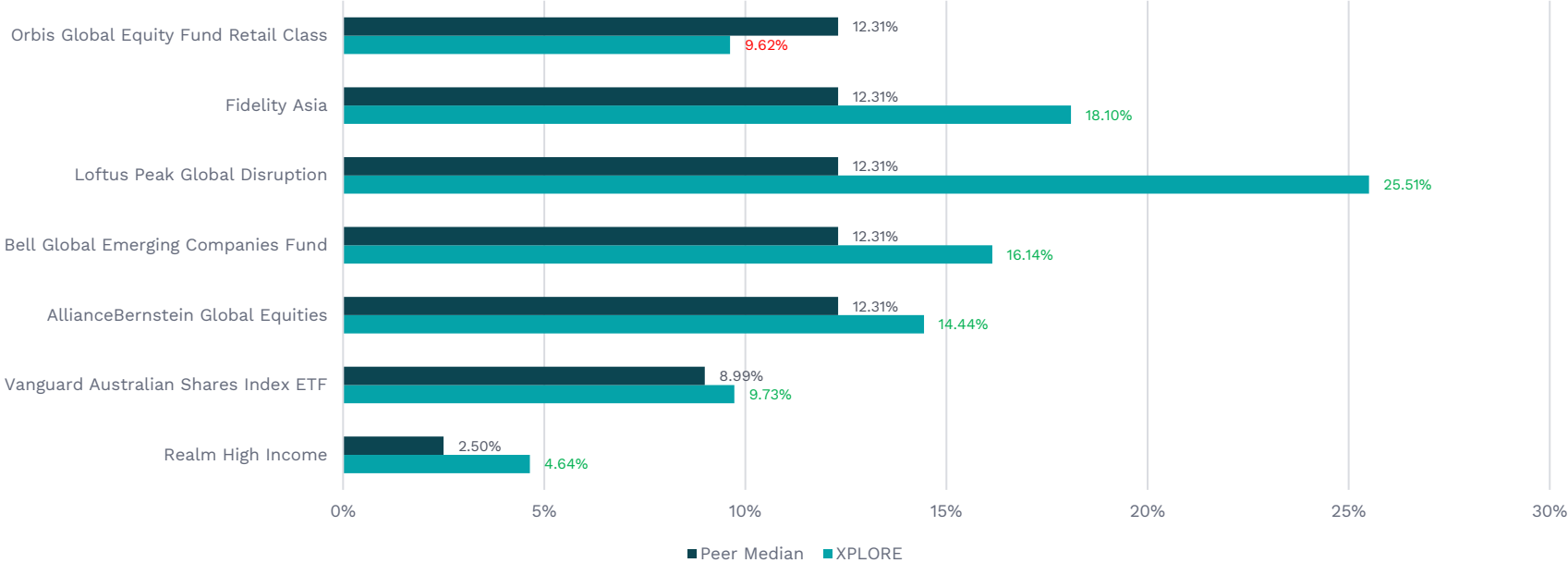
1 Year Investment Return



Source: Peer median is derived from SuperRatings median data for the relevant asset class Cash for the Cash Account Option, Secure (0-19) for the Realm High Income Option, Australian Shares for the Vanguard Australian Shares Index ETF Option, International Shares for the AllianceBernstein Global Equities Option, Secure (0-19) for the Yarra Enhanced Income A Option, International Shares for the Bell Global Emerging Companies Fund Option, International Shares for the BetaShares Global Quality Leaders ETF Option, International Shares for the Loftus Peak Global Disruption Option, International Shares for the Fidelity Asia Option, International Shares for the Orbis Global Equity Fund Retail Class Option,

# Investment Return Comparison

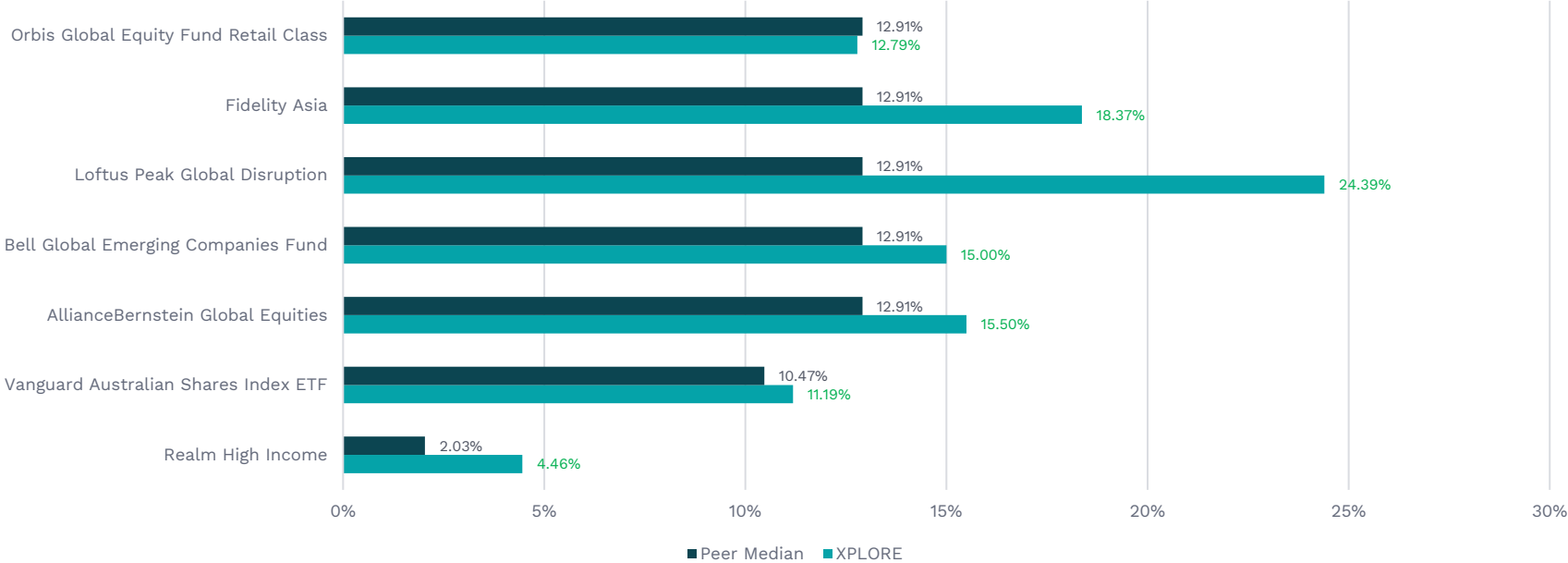
3 Year Investment Return



Source: Peer median is derived from SuperRatings median data for the relevant asset class Cash for the Cash Account Option, Secure (0-19) for the Realm High Income Option, Australian Shares for the Vanguard Australian Shares Index ETF Option, International Shares for the AllianceBernstein Global Equities Option, Secure (0-19) for the Yarra Enhanced Income A Option, International Shares for the Bell Global Emerging Companies Fund Option, International Shares for the BetaShares Global Quality Leaders ETF Option, International Shares for the Loftus Peak Global Disruption Option, International Shares for the Fidelity Asia Option, International Shares for the Orbis Global Equity Fund Retail Class Option,

# Investment Return Comparison

5 Year Investment Return



Source: Peer median is derived from SuperRatings median data for the relevant asset class Cash for the Cash Account Option, Secure (0-19) for the Realm High Income Option, Australian Shares for the Vanguard Australian Shares Index ETF Option, International Shares for the AllianceBernstein Global Equities Option, Secure (0-19) for the Yarra Enhanced Income A Option, International Shares for the Bell Global Emerging Companies Fund Option, International Shares for the BetaShares Global Quality Leaders ETF Option, International Shares for the Loftus Peak Global Disruption Option, International Shares for the Fidelity Asia Option, International Shares for the Orbis Global Equity Fund Retail Class Option,

# Choice Investment Risk Comparison

In the following graphs, we measure the performance of XPLORE's top holdings after adjusting for risk comparing to the peer fund median. To do this, we apply a Sharpe ratio calculation which is a standardised measure of risk-adjusted returns. The higher the ratio, the greater the investment return relative to the amount of risk taken, representing the additional amount of return that an investor receives per unit of increase in risk.

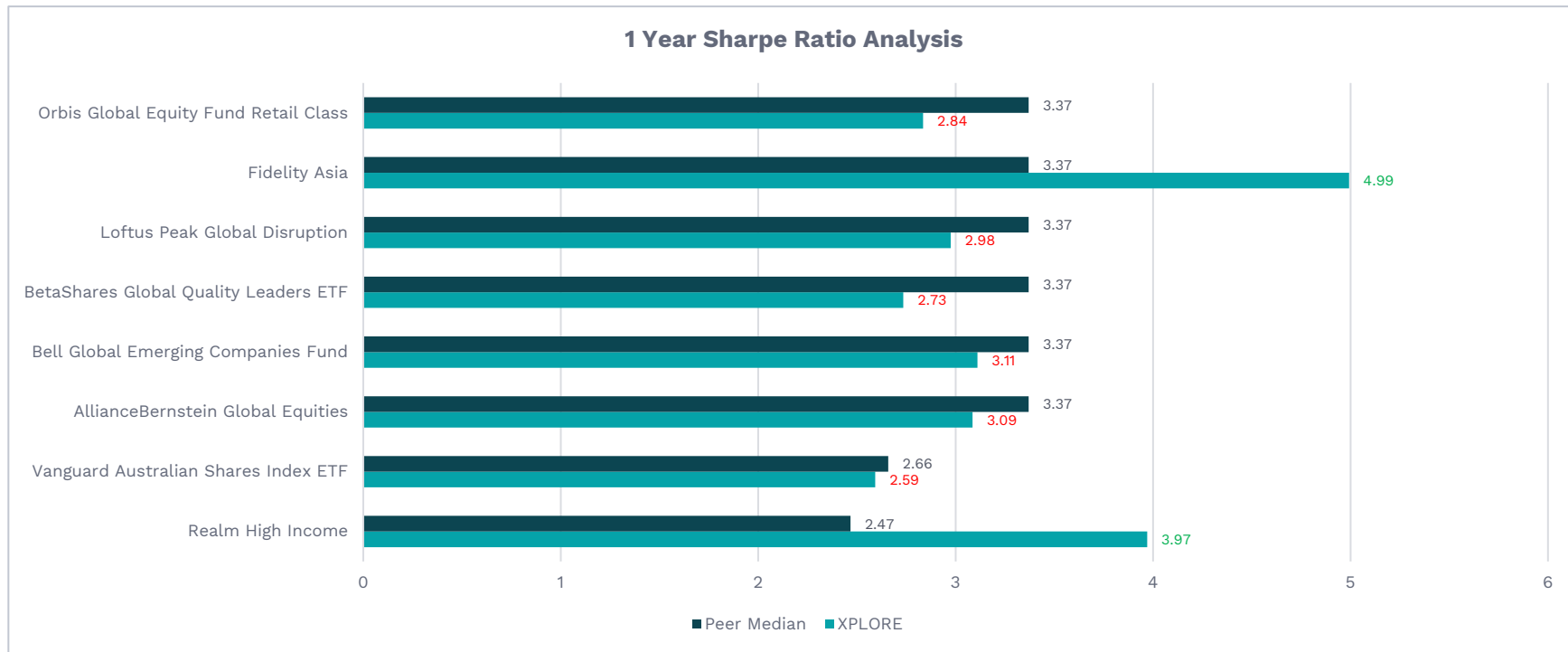
It is noted that the medians depicted in the following graphs are based on pooled investment options, with the relevant peer fund median selected based on the closest corresponding asset class to the relevant Xplore investment option. Although not a perfect comparison, these medians represent a suitable proxy for assessing the performance of Xplore's underlying investment options.

Xplore's Sharpe ratio are lower than the peer median for most of the options for the one year period to June 30 2021. However, for the longer dated periods the Sharpe ratios are greater or inline with the peer fund medians for all investment options.

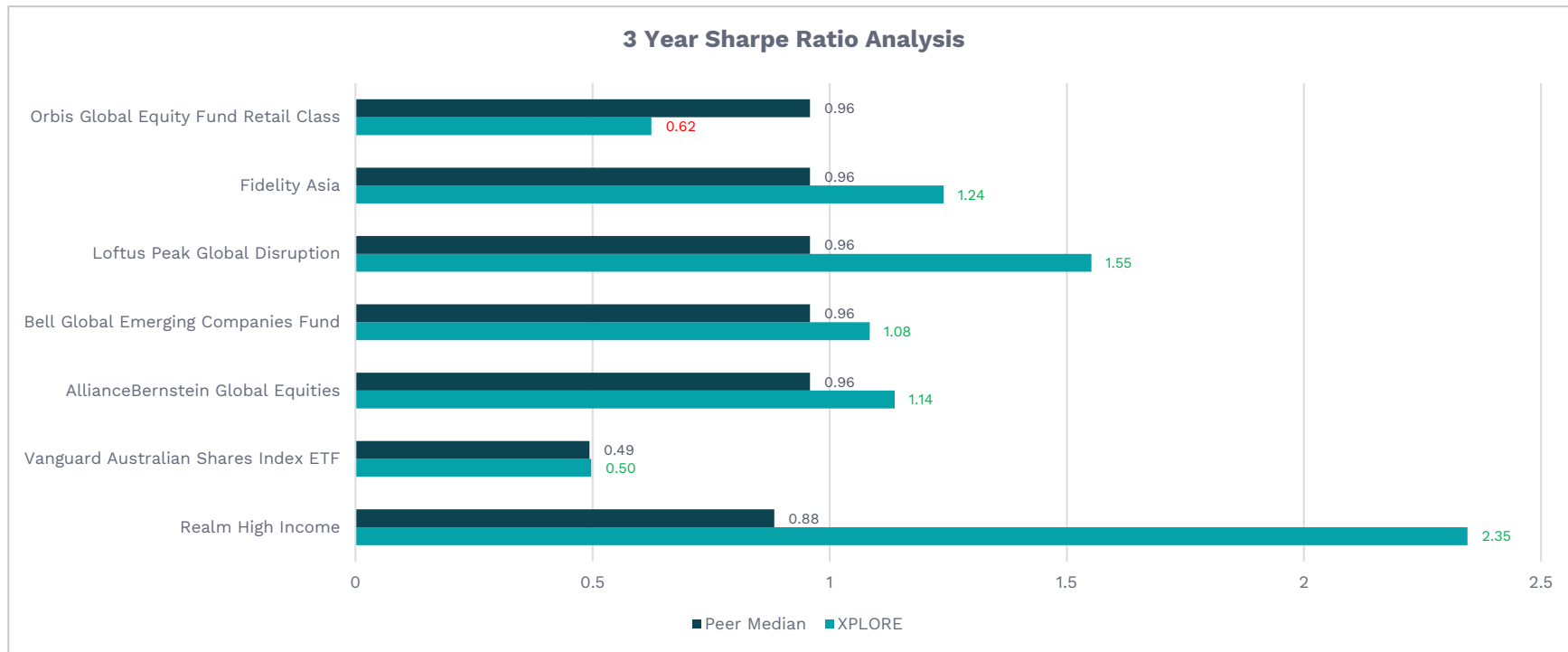
On balance, the Trustee has determined is promoting the financial interests of its beneficiaries of its Accumulation product and its Pension product as the investment risk return for the options over three and five years are higher than or are in line with relevant peer medians.



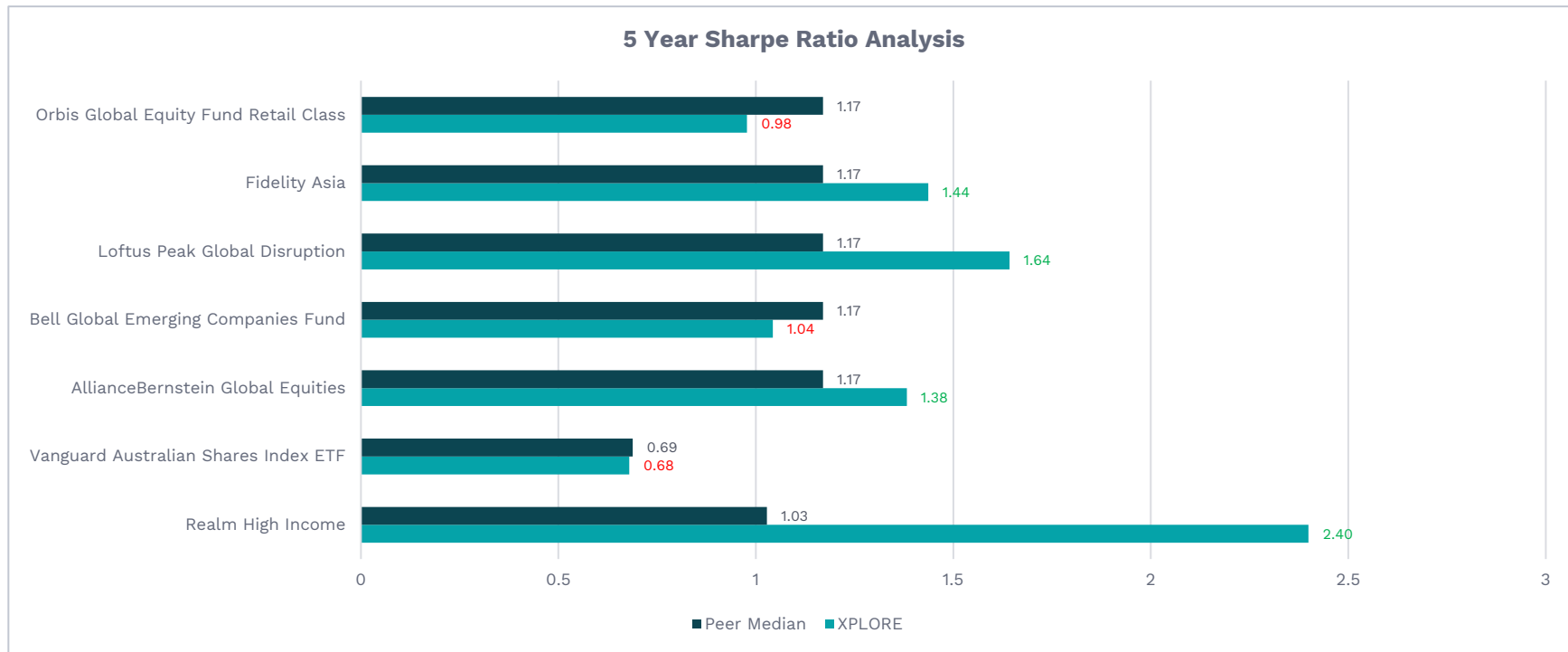
# Investment Risk Comparison



# Investment Risk Comparison



# Investment Risk Comparison





# Product Appropriateness Assessment

## OPTIONS, FACILITIES & BENEFITS

Xplore offers a range of services and products to all members in order to assist them with engaging with their superannuation to optimise their retirement outcomes.

Xplore offer an online portal that allows members to view and access their account information such as the overall value, any income received and expenses charged to their account, asset allocation and transaction history, monitor their investment performance.

Family linking member pricing for up to four immediate family members for a reduced overall cost of the Administration Fee.

Individual tax processing within Member Accounts to benefit from individual investment decisions made by members.

The Trustee has determined that the options, benefits and facilities offered under the product are appropriate to members.

## INSURANCE STRATEGY & FEES

Xplore does not offer default cover or any group policies. However members have access to death, total and permanent disability and income protection cover through a number of insurance providers to suit individual needs with consultation the of their advisers.

Given insurance cover decisions are member and adviser driven, the Trustee does not look to determine impacts of insurance on member balances. However, the Trustee has determined there is appropriate accessibility for members to insurance cover.

## INVESTMENT STRATEGY

Xplore offers access to 'wrap-style' account. Members may choose to access managed portfolios with professional investment managers. Members may also tailor their investment with access to the investment menu which includes managed funds, ASX-listed investments, international shares, cash, term deposits, exchange traded funds and fixed interest investments.

All new investments added to the investment menu (including Model Portfolios) are subject to approval by the Trustee's Investment Committee and are required to meet a certain rating from recognised third party research houses such as Lonsec, Morningstar and/or Zenith, or receive an approved rating from the Fund's asset consultant.

A majority of Xplore's members' investment portfolios have been prepared with guidance from a financial adviser who developed a diverse portfolio of investments tailored to suit each members':

- personal circumstances;
- personal investment objectives and long-term goals;
- risk tolerance; and
- expected investment timeframe

Based on the above, the Trustee has determined that the investment strategy for the product is appropriate for members.

## SCALE

XPLORE had 726 members with approximately \$161 million in funds under management as at 30 June 2021. While these figures are indicative of Xplore's relatively small size in the industry, it is anticipated that Xplore will be limited in being able to achieve greater scale benefits in the short term based on its growth during FY21:

- Funds Under Management ('FUM') grew by -2%, compared to the industry median of 15%
- Net members' benefits flows of \$-19M, compared to the industry median of -\$4M
- Number of member accounts grew by -6%, compared to the industry median of -3%
- Net rollovers into XPLORE of \$-19M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 193%, compared to the industry median of 107%

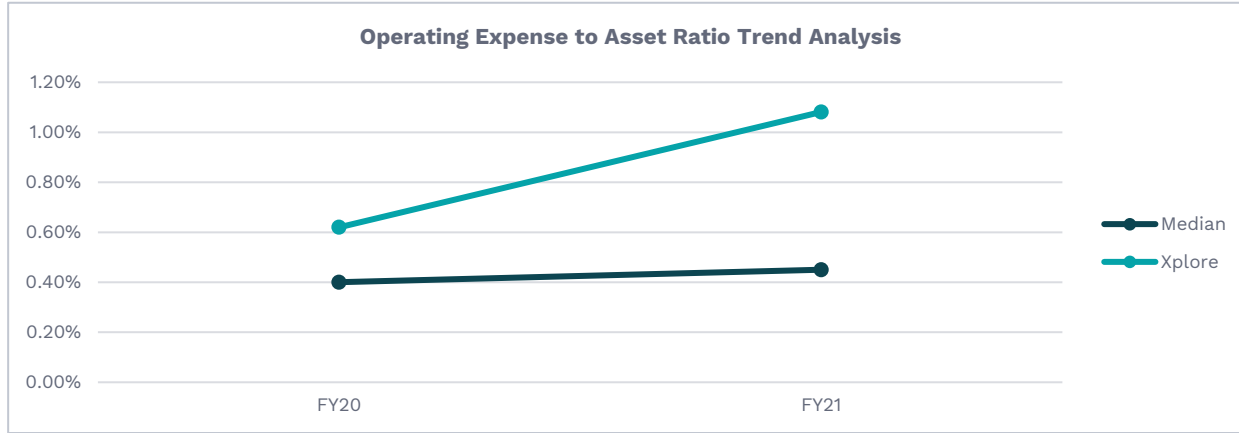
From the above, it is clear that Xplore's growth rate is negative and lower than the industry median.

However, there is an ongoing ability to access resources at scale as a result of Xplore's operating model leveraging outsourced administrator and an outsourced trustee.

It is concluded that members have not been disadvantaged due to the scale of, and within, the Trustee's business operations. However, to ensure satisfactory outcomes for members over the long-term, the Trustee is planning to successor fund transfer Xplore to the larger HUB24 Super Fund in FY23. It is anticipated that member fees will be reduced as a result of this transfer.

## OPERATING COSTS

Xplore's operating expense to asset ratio trend is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that Xplore's operating expense ratio was significantly higher than that of the median fund in FY20 and increased 0.46% between FY20 and FY21 whereas the median fund operating expense ratio has only increased by 0.05%.



The Trustee notes that the operating costs are move in the wrong direction and the increase is significant, therefore the Trustee has determined the financial interests of beneficiaries are currently not being met with regards to operating costs as they are inappropriately erode their retirement balances.

To ensure satisfactory outcomes for members over the long-term, the Trustee is planning to successor fund transfer Xplore to the larger HUB24 Super Fund in FY23. It is anticipated that operating costs will be reduced as a result of this transfer.

## BASIS FOR SETTING FEES

Xplore's administration fee structure consists of asset based fee on member balances with a regressive tier system to limit subsidisation by large account balances whilst ensuring coverage for operational costs and reserves.

Xplore's administration fee is calculated on the average daily balance of members investments based on the full account balance which includes both cash and investments. The fees are charged monthly to ensure that the cost of maintaining a superannuation account is smoothed over the course of a year rather than members incurring a large impact to their balance at once. Hence, retirement balances are not eroded.

The basis for setting fees is considered appropriate for members and promotes their financial interests, while not inappropriately eroding retirement balances.

Other Fees	
Expense Recovery	0.03% p.a.

Asset based Admin Fees		
From	To	Rate
\$0	\$500,000	0.5449% p.a.
\$500,001	\$2,500,000	0.3399% p.a.
Over \$2,500,000		0.1349% p.a.





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