

insight

Member newsletter

Summer 2019/20



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CEO update

Happy new year, and welcome to the first quarterly update from Vision Super for 2020.

I often tell people that although the details of superannuation can be complex, at its core it's really quite simple: it's about delivering strong risk-adjusted returns for members, while keeping fees low.

That's what we're focused on at Vision Super, and we continued to deliver strong results last year. Balanced growth – our default super option where most of our members (including me) are invested – returned 14.7% for the year ending 31 December. Over three years it returned 9.13% pa*.

The pension plan returns are similarly strong where the Balanced growth option returned 16.25% for the year ending 31 December, and over three years returned 10.20%*.

We're also very conscious that every dollar saved means lower costs, and in the end that means more for members' retirements. We've continued to reduce our expense ratios over the last year – largely through trapping costs as funds have grown, and through renegotiating investment fees – and have reduced fees for members again. In October 2013, a member with \$50,000 in their Balanced growth Super Saver account was paying \$598 a year in fees, and today they're paying \$488 (see graph below).

Vision Super enters 2020 with a strong focus on environmental, social and governance (ESG) issues. Last year we were rated in the top two funds in the country for proxy voting by the Australasian Centre for Corporate Responsibility (ACCR) and were recognised as a world leader by the Principles of Responsible Investment (PRI), with A+ or A ratings across the board in their report. We will continue engaging with the companies we invest in for members, to improve their performance over the long-term and reduce their impact on global warming.

Along with striving to provide great customer service and investment growth, we will continue sending you quarterly balance updates, investment updates, and financial and lifestyle articles that may be of interest to you.

As always, I would welcome hearing from you with any thoughts or ideas you have about our products or services and wish you all the best for 2020.



Stephen Rowe
CEO

Date	Flat dollar admin fee (per week)	Asset based admin fee#	Investment fees (Balanced growth)	Reserving margin	Example fee on \$50,000 balance
Oct '13	\$1.50	0.18%	0.80%	0.06%	\$598
Current	\$1.50	0.14%	0.66%	0.02%	\$488

* Investors should be aware that returns may go up and down, so past returns are not a guarantee of future performance.

Capped at \$540.



Investment update

JANUARY 2020



Looking back, overall 2019 shaped up to be a very good year for equities and debt. While 2018 had a few bumps along the way and ended with a few negative returns, 2019 has seen the markets largely bounce back.

All options were positive, and most were very strong, except for the Cash option (which was still positive but not strong). Vision Super's 'Balanced growth' option for accumulation members returned 14.7% and 'Balanced growth' in pension phase returned 16.25%. The DB LASF plan returned 12.4% for 2019 and the VBI estimate as of 30 September was 107.3%. There have been a few factors contributing to this turnaround both nationally and internationally which have helped increase returns for our members.

Interest rates lowered

Central banks played a large role in the turnaround, lowering interest rates and signaling they will keep interest rates low for some time. Lower rates help borrowers and boost company valuations. In Australia, the central bank cut interest rates three times, taking the cash rate to historic lows. During the same period, the US Federal Reserve made three interest rate cuts. This was a change in course from 2018 where rates were raised four times in the USA.

Global growth

While central banks cutting interest rates is positive news, it is important to note that this was in response to weakening economic data. Most economies in the globe continued to grow, but at a slowing rate. China's economy is crucial to global and Australian growth. Trade tensions with the US initially escalated with new tariffs, increasing tariffs, and threats of more, but ultimately ended on a calmer note. This occurred while Chinese authorities were already having to carefully manage slowing economic growth. Prior slowdowns have been solved by boosting debt. Chinese authorities didn't use this strategy again to avoid the risks associated with too much debt.

Overall, growth remains relatively fragile. While interest rate cuts have reduced the likelihood of a downturn in the near term, they have also used up some of the policy tools to fight a recession if one does come.

Australia

Australia was not immune to the global slowdown. The economy muddled through 2019, which can be illustrated by our labour market: unemployment remains very low, but there is very little wage growth. Concerns about Australian consumers having too much debt had been rising, exacerbated by housing market weakness. One brighter note is that the housing market stabilised in 2019.

Political uncertainty

The year was marked by several major political events. However, the ultimate impact on investments was relatively benign. The re-election of the Coalition government in May helped bank share prices recover as this removed the fear that ALP policies may have hurt an already soft housing market. The US Congress's vote to impeach President Donald Trump was big news, but the process remains controlled by the President's party, who have since voted not to remove him from office. In the UK, the process to leave the European Union had been impacting UK investments. With the re-election of PM Boris Johnson, some of this uncertainty faded. Oil prices saw some spikes with a strike on Saudi Arabian oil fields and increased US/Iran tensions. Since Oil remains a key input for the global economy, markets are watching this closely.

Outlook

The outlook for investment markets is always difficult to predict in the short term. Interest rate cuts helped boost share and bond market returns last year. However, 2020 remains a tug of war between soft economic fundamentals and the support provided by low interest rates.

Over the long term, very low interest rates make it harder to achieve strong investment returns, particularly in more defensive options. As we saw this year, these low rates can boost share market valuations. However, this makes it harder to achieve strong returns, so returns in the next ten years potentially could to be weaker than in the last ten years.



For the latest investment returns, unit prices and financial market updates visit visionsuper.com.au/investments

Investors should be aware that returns may go up and down, so past returns are not a guarantee of future performance.

Sustainability

The future of investing



In 2019, Vision Super's approach to responsible investment was recognised by a number of leading organisations in the field.

A super ESG fund!

Being a long-term investor means looking at a lot of different factors that may have an effect on markets or individual companies over time – and when you're investing for members' retirements, it's essential to take a long-term view. Climate change is one of the biggest risks we consider, because it will have a massive impact right across the economy. More generally, ESG factors – environment, social and governance – are known to have an impact on companies' long-term performance, so it's important for us to consider how well companies manage these factors to get the best returns we can for you. In 2019 Vision Super's approach to responsible investment was recognised by a number of leading organisations in the field.

Vision Super rated A+ across 9/10 categories

Vision Super documents our responsible investment activities each year as part of our PRI reporting.

Our PRI Reporting Framework assessment results for 2019 were outstanding - we scored an A+ across 9 out of the 10 reporting categories, including the strategy and governance module. Our only non-A+ was an A score for the listed equity active ownership module – which was still an outstanding result, well above the median score of our peers. In fact, we outperformed the average scores of all PRI signatories across all asset classes!

RIAA Responsible Investment Super Study Leaders Board

The Responsible Investment Association Australasia (RIAA) also recognised Vision Super in 2019, including us on their Responsible Investment Super Study Leaders Board. We were one of the top 14 out of the 57 funds they researched. They found we consistently articulate and demonstrate a comprehensive responsible investment approach across our investment framework.

Importantly for our members, the RIAA found that funds like Vision Super who invest responsibly have higher returns than those that don't*:

RI Super Study 2019 leader board v non-leaders			
	1 year average	3 year average	5 year average
Non-leader (41 funds)	7.07%	8.62%	7.74%
RI Super Study leader board (13 funds)	8.11%	9.81%	8.71%
Benchmark average	7.32%	8.90%	7.98%

Financial performance of MySuper options to 30 June 2019

PRI Leaders' Group

Vision Super was one of just six Australian super funds (out of a total of 206 industry, retail, public sector and corporate super funds) to be included in the 2019 PRI Leaders' Group. The 2019 PRI Leaders' Group showcases signatories to the UN's Principles of Responsible Investment that demonstrate excellence in responsible investment broadly, and in selecting, appointing and monitoring external managers.

The Leaders' Group includes only around 10% of all investor signatories globally. Vision Super is very proud that our responsible investment approach has been recognised, and that we are one of the funds being showcased by the PRI to raise standards of responsible investment among other PRI signatories.





Vision Super wins Money Magazine's Best of the best award

SuperRatings Infinity Rating

Vision Super received a SuperRatings' Infinity Rating for environmental and social responsibilities for 2020. This was the 11th time that we have received a SuperRatings' Infinity Rating. The Infinity Rating recognises Vision Super as leading the industry in sustainable behaviour with genuine responsible investment principles, openly communicating with fund members and having sound internal sustainability practices underpinning our responsible investment practices.

ACCR proxy voting report

The Australasian Centre for Corporate Responsibility (ACCR) released a study of the proxy voting records of Australia's largest super funds in May last year. Of the 50 largest Australian super funds, Vision Super was rated number two in the country, finding we supported 88% of the shareholder proposals on ESG issues that we voted on in 2018. We were also listed as one of only five funds that disclose voting records less than a week after the company meeting. Our complete voting record is always available for members at www.visionsuper.com.au/investments/active-ownership

Vision Super returns

Please see below our superannuation returns for the period ending 31 December 2019*:

Investment Option	1 year return
Conservative	8.73%
Balanced	12.51%
Sustainable balanced	16.20%
Balanced growth	14.70%
Growth	17.45%
Cash	1.58%
Diversified bonds	5.96%
Australian equities	23.95%
International equities	22.14%
Just shares	23.77%
Innovation and disruption	28.86%

*Investors should be aware that returns may go up and down, so past returns are not a guarantee of future performance.

We're very proud to announce that we are the winner of Money Magazine's Best Cheapest Superannuation Platform for 2020.

This is a great acknowledgment because Vision Super's focus is always on the best interests of our members – and that includes a focus on keeping our costs low, so members get more in their accounts.

Money Magazine described Vision Personal plan as a "standout when it comes to price". On average other industry funds charge more than double Vision Personal's total management fee of 0.49%¹.

"We started the Vision Personal – Sustainable balanced option to give people who wanted to invest sustainably a better option, at a much lower cost than similar retail fund offerings," said Vision Super CEO Stephen Rowe. "And having a low cost, low carbon option available to the public is important because Australian's are "getting a lot more informed and savvy about where their super is invested – particularly since the Royal Commission."

¹ As calculated by Rainmaker on a \$50,000 balance





Meet Deb and Rod

Vision Super member Rod and his wife Deb, share their journey through working life towards retirement with the help of Vision Super. Here is their story.

R: I've been here in Rushworth for most of my life. I left school at 15 and did my apprenticeship which was as an automotive painter over in Mooroopna, I worked out at the local factory out here for a few years, and then got a job on the shire and I've been there for 36 years"

D: I was born in Melbourne in Carlton. I used to work on the telephone exchange here in Rushworth and the last 20 years I've been working in a nursing home. It must about 46 years, 47 years I've been here. Because I met him!

R: We bought this block about 40 years ago and we didn't do anything with it for 4, 5 years or 6 years something like that, and then we thought where we had before we either had to renovate that place pretty big or we'd do a fresh start. And we did a fresh start. This is ours, mate. The family's been here. We've reared our family here, with extras. Fun times and some times that weren't so much fun.

D: We've got 3 children then we have a niece that lived with us for quite a few years and a cousin of Rods. She was left homeless for want of a better word, when she was about 12, so she also lived with us. So we had 5 in the house at any one time and now they've all married. 3 of the girls live here, one is in America and one son, he's in Melbourne.

R: There's nothing like family. Family is everything. That's just the way it is. Retirement was never in the forefront of anything. We were never at 62 or 63 we weren't thinking we've got a couple years to go and were going to retire soon, so it never really came up.

D: We knew we had super but the only thing we knew about it was what we talked about with friends or whatever. And that's "you never have enough money".

R: I'm not a facts and figures person so that's really what Michael (Vision Super financial planner) did. He took it off a piece of paper, her personalised it and he made it something we could understand.

D: We're also still in control and what he suggested to us suited us. I think I'm going to be happy not to go to work. And I'll just be sowing, and I'll be able to go to Melbourne more often and see my other grandchildren. Perhaps I'll go to America and we'll do a few trips.

R: Our lifestyle really is not going to change. The biggest thing I'll do is probably go shooting, or fishing, or gardening. I don't see retirement changing any of that. Just freedom to do whatever we want.

To secure your own happy retirement, have a chat with one of our friendly financial planners by calling 1300 300 820 Monday to Friday 8:30am to 5:00pm. Our highly qualified planners don't receive commissions or bonuses.

Watch Deb and Rod's story on YouTube - www.youtube.com/visionsuperfund

PMIF

Putting member's interests first

Recent changes to legislation, called Putting Member's Interests First (PMIF), aims to stop members' retirement savings being eaten away by insurance premiums for cover that isn't right for them and will be coming into effect 1 April 2020. So, what is PMIF and will you be affected?

PMIF makes life and Income Protection (IP) insurance in superannuation optional for people who are under the age of 25 or for people who have an account balance less than \$6,000 irrespective of age. Essentially, the changes are ensuring members are conscious of the level of cover they have in super and can make a decision whether or not they want to keep it.

Will I lose my insurance?

If you have automatic insurance cover which was provided to you by Vision Super before 1 April 2020, your cover will be cancelled on 1 April 2020 if:

- Your account balance has not reached \$6,000 or more since 1 November 2019; and
- we do not receive notification from you electing to keep your insurance cover.

We have sent out letters, emails and SMSs to those who are affected by these changes, but if you're still unsure, please don't hesitate to contact us.

Other situations resulting in cancellation of your cover will continue to apply, for example, if you reach the cover cessation age or your account becomes inactive for a continuous period of 16 months and no election has been made. Please refer to the relevant "Insurance in your super – additional guide" available in the publications section of the Vision Super website.

What if I have applied for voluntary cover?

If you have applied for, and been granted, voluntary death only or death and TPD or IP cover before 1 April 2020, your voluntary cover will not cease under PMIF. Your application for voluntary cover is a request for cover, and shall be taken to be an election to keep that cover notwithstanding having a low account balance.

Is insurance cover right for me?

No-one expects the worst to happen but having the right insurance in place could help you and your family financially should the worst happen. And, the premiums are deducted from your super automatically as opposed to your take-home pay. Before making a decision, you should check the relevant Vision Super PDS and Insurance in your super – additional guide for more information on insurance cover and determine whether it is right for you.

What can you do?

You can tell us you'd like to keep any death, TPD and IP insurance cover that has been automatically provided to you by making an election before 31 March 2020.

When deciding whether to make an election, you should consider your personal circumstances including your current and future insurance needs and the impact of insurance costs on your retirement savings.

Once you've made a decision, there are a few ways you can elect to continue your cover.

1

Online: simply go to <http://www.visionsuper.com.au/keepmyinsurance> to make an election online quickly and easily.

2

Send us an email: Send an email to insurance@visionsuper.com.au with the following statement:

I, [insert full name and member number] elect to maintain any death, TPD or IP insurance cover that has or will be automatically provided to me in Vision Super before 1 April 2020 and for insurance premiums to be deducted from my account in relation to that cover, even if:

- *my Vision Super account does not have at least \$6,000 in it at some point in time between 1 November 2019 and before 1 April 2020; or*
- *my Vision Super account is inactive (ie. no contributions or other amounts are received by Vision Super for me) for 16 continuous months.*

Ensure that we receive the election as soon as possible and by no later than 31 March 2020.



Financial Services Guide (FSG)

Prefer your newsletter sent electronically?

Change your preferences now!

Log in to your online account, head to “my details” and change your preferred communication method to [digital](#).

Did you know? Vision Super holds an Australian Financial Services Licence (AFSL no: 225054) allowing us to provide general financial product advice and personal financial product advice about superannuation and non-cash payment products. Vision Super is responsible for any factual information or general advice given to you by its staff.

A financial services guide describes the financial services offered by, and important information about, a financial services licensee. The FSG can help you decide whether or not to use Vision Super’s superannuation, planning and retirement services. Please go to our website to see the guide.