

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SUPERANNUATION SECTOR

#### Prime Super

#### PS91QW:

Please provide the titles of all externally commissioned reports over the past five years that have reviewed any of the following:

- a. Performance of funds.
- b. Investment strategies for funds.
- c. Conflicts of interest for funds.

#### Answer:

Prime Super has engaged Whitehelm Capital Pty Ltd to provide strategic investment and investment performance advice. This advice includes advice relating to:

- the overall asset allocation of the Fund;
- the asset allocation of the various member investment choice options within the Fund;
- individual manager selection; and
- investment performance.

Whitehelm Capital Pty Ltd is an independent investment advisory business.

The following reports have been received from Whitehelm Capital Pty Ltd over the last five years:

- a. Performance of funds.
  1. Monthly Performance Report – every month for the last five years
  2. Listed Assets Portfolio Quarterly Report – every quarter for the last five years
  3. Alternatives Quarterly Report - every quarter for the last five years
- b. Investment strategies for funds.
  1. Annual Strategic Update – June 2016, June 2017, June 2018, June 2019. (The current year’s report will be provided in October 2020)
  2. Developed Overseas Equity Portfolio Construction plus Developed Overseas Equity Portfolio Configuration – June 2020 and June 2018
  3. Listed Assets Portfolio Strategy 2019 – June 2019 and June 2018
  4. Investment Strategy Update – June 2020
  5. Quarterly Foreign Currency Strategy - every quarter for the last five years
  6. Tail Risk Hedging Manager Search – March 2020
  7. Increasing Listed Equity Exposure – March 2020
  8. Annual Performance Attribution Analysis – August 2016, August 2017, August 2018, August 2019
  9. Defined Benefit Division Investment Strategy Review August 2019
  10. Alternatives Portfolio Underweight Review August 2019
  11. Portfolio Rebalancing Reports
  12. Socially Responsible Investment Option Review - April 2019
  13. Investment Strategy Framework Review - March 2019

14. Active Manager Review – October 2017

c. Conflicts of interest for funds.

Prime Super has a clear and established process for the management of conflicts of interests. Prime Super does not appoint any person to the Board that has or may be perceived to have a conflict of interest.

From an investment point of view Prime Super does not appoint any investment manager or any investment advisor where there is a real or perceived conflict of interest with the Fund, or any other party engaged by the Fund.

Prime Super has not engaged any external party to review conflicts of interest for the Fund.

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**PS92QW:**

For each fund where more than 30 per cent of capital is managed by another entity, please complete the below table including:

- a. The name of the fund.
- b. The allocation of capital as a percentage of the total capital held by the fund.
- c. The allocation of capital of the total capital held by the fund.
- d. The entity managing the capital.
- e. Whether you are a shareholder in that entity.

Fund	Allocation of fund capital		Managing entity	Shareholder
	%	\$		
i.e. Hostplus infrastructure options	i.e. 70%	i.e. \$10 billion	i.e. IFM Investors	i.e. Yes

**Answer:**

The following table sets out the investments held by Prime Super as at 31 May 2020. No manager individually holds more than 9% of the total investment holdings of Prime Super.

Asset Class / Fund Manager	Gross Market Value \$m	% of Asset Class	% Of All Assets	Managing Entity	Prime Super Shareholder Y/N**
<b>Cash</b>					
Notice Period 90DYS	282.22	43.12%	5.50%	Commonwealth Bank of Australia	Yes
CFS Institutional Cash Fund	355.87	54.37%	6.94%	Colonial First State Investments Limited	No
Notice Period Deposits CBA 180	16.44	2.51%	0.32%	Commonwealth Bank of Australia	Yes
<b>Total</b>	654.54	100.00%	12.77%		
<b>Australian Fixed Interest</b>					
Blackrock Aus GOVT Bond	163.83	77.06%	3.20%	Blackrock Investment Management (Australia) Limited	No
<b>Total</b>	163.83	77.06%	3.20%		
<b>Overseas Fixed Interest</b>					
BlackRock Global Bond Index	48.78	22.94%	0.95%	Blackrock Investment Management (Australia) Limited	No
<b>Total</b>	48.78	22.94%	0.95%		
<b>Australian Shares</b>					
Bennelong Australian Equities	184.61	16.91%	3.60%	Bennelong Australian Equity Partners Pty Ltd	No
Vinva Australian Equities	381.34	34.92%	7.44%	Vinva Investment Management Limited	No
Ausbil Australian Equity	273.75	25.07%	5.34%	Ausbil Investment Management Limited	No
Firetrail Australian Equity	145.16	13.29%	2.83%	Firetrail Investment Pty Ltd	No
Tribeca Small Cap Aust Equity	101.30	9.28%	1.98%	Tribeca Investment Partners Pty Ltd	No
Nikko Aus Share Income Fund	5.83	0.53%	0.11%		No

				Nikko Asset Management Australia Limited	
<b>Total</b>	1091.99	100.00%	21.30%		
<b>Developed Markets Overseas Shares</b>					
AQR Global Enhanced Equity Fund	449.40	40.09%	8.77%	AQR Capital Management, LLC	No
MFS Global Equity Trust	246.55	22.00%	4.81%	MFS International Australia Pty Ltd	No
Real Index Global Share Fund	225.89	20.15%	4.41%	Realindex Investment Pty Limited	No
Wellington Global Equity	207.54	18.52%	4.05%	Wellington Management Company LLP	No
<b>Developed Markets Overseas Shares (Unhedged)</b>	1129.38	100.76%	22.03%		
Developed Markets Hedging	-8.48	-0.76%	-0.17%	Macquarie Investment Management Limited	No
<b>Total</b>	1120.90	100.00%	21.86%		
<b>Emerging Markets Shares</b>					
BlackRock Indexed Emerging Markets IMI Equity Fund	272.63	100.00%	5.32%	Blackrock Investment Management (Australia) Limited	No
<b>Total</b>	272.63	100.00%	5.32%		
State Street Futures Overlay	44.65		0.87%	State Street Bank and Trust Company	No
<b>Total</b>	44.65		0.87%		
Perennial Protect	3.77		0.07%	Perennial Value Management Limited	No
<b>Total</b>	3.77		0.07%		
<b>Property</b>					
Lend Lease Prime Property	16.00	3.87%	0.31%	Lendlease Real Estate Investments Limited	No

Investa Commercial Property	48.71	11.78%	0.95%	Lendlease Real Estate Investments Limited	No
Royale Investment Trust	72.80	17.60%	1.42%	1KW Adelaide Pty Ltd	Yes
50 Miller Street	76.45	18.48%	1.49%	The Trust Company (Australia) Limited	Yes
Blackstone Real Estate Part VI	1.17	0.28%	0.02%	Blackstone Real Estate Associates VI, LP	No
Gresham Property Fund No 3	0.03	0.01%	0.00%	Gresham Partners Capital Limited	No
Lend Lease Communities Fund 1	0.29	0.07%	0.01%	Lendlease Real Estate Investments Limited	No
Macquarie Real Estate Equity Fund No.7	0.30	0.07%	0.01%	Macquarie Real Estate Equity Fund No.7 Pty Limited	No
Citilink Bowen Hills Brisbane	77.75	18.80%	1.52%	PS Citilink Pty Ltd	Yes
313 Adelaide Street	70.20	16.97%	1.37%	PS Financing SPV Pty Ltd	Yes
111 Alinga Street	49.94	12.07%	0.97%	PS Infrastructure House Pty Ltd	Yes
<b>Total</b>	<b>413.64</b>	<b>100.00%</b>	<b>8.07%</b>		
<b>Private Equity</b>					
CM Capital Venture Trust 4	2.61	9.10%	0.05%	CM Capital Investments Pty Ltd	No
AIF Capital Asia III Fund	2.62	9.15%	0.05%	AIF Capital Asia III, L.P.	No
AIF Capital Asia IV Fund	9.82	34.31%	0.19%	AIF Capital Asia IV, L.P.	No
Harbourvest DS VII Cayman LP	1.22	4.28%	0.02%	Dover Street VII (AIV 2) Cayman Fund L.P.	No
Harbourvest VII Cayman B LP	0.39	1.38%	0.01%	HarbourVest Partners VII-Cayman Buyout Fund L.P.	No
Harbourvest VII Cayman V LP	1.41	4.93%	0.03%	HarbourVest Partners VII-Cayman Venture Fund L.P.	No
Partners GP EURO B 2008 B LP	8.02	28.02%	0.16%	PARTNERS GROUP EUROPEAN BUYOUT 2008 (B), L.P.	No
Partners Group Secondary Fund	2.53	8.83%	0.05%	PARTNERS GROUP SECONDARY 2008, L.P.	No

<b>Total</b>	28.63	100.00%	0.56%		
<b>Infrastructure Credit Post Swaps</b>					
Infrastructure Credit Pre Swaps	18.67	102.66%	0.36%	Macquarie Investment Management Limited	No
Infrastructure Credit Swaps	-0.48	-2.66%	-0.01%	Macquarie Investment Management Limited	No
<b>Total</b>	18.19	100.00%	0.35%		
<b>Credit Opportunities Post Swaps</b>					
IFM Super Loans Trust	0.05	0.02%	0.00%	IFM Investors Pty Ltd	No
Westbourne Capital Infra Debt	31.58	10.74%	0.62%	Westbourne Credit Management Limited	No
Continuity Capital Private Cred 1	3.65	1.24%	0.07%	Continuity Capital Partners Pty Limited	No
Continuity Capital Private Cred 2	14.91	5.07%	0.29%	Continuity Capital Partners Pty Limited	No
Metrics Credit Fund	34.36	11.69%	0.67%	Metrics Credit Partners Pty Ltd	No
Arqiva Junior Med Term Notes	19.53	6.64%	0.38%	Prime Super Pty Ltd	No
Alpha Trains Junior Debt	51.59	17.55%	1.01%	Prime Super Pty Ltd	No
Sydney Airport Debt	21.99	7.48%	0.43%	Prime Super Pty Ltd	No
TDF Term Loan	50.83	17.29%	0.99%	Prime Super Pty Ltd	No
Aunor Senior Secured Loan	39.50	13.44%	0.77%	Prime Super Pty Ltd	No
Yorkshire Water	28.64	9.75%	0.56%	Prime Super Pty Ltd	No
<b>Credit Opportunities Pre Swaps</b>	296.63	100.93%	5.79%		
Credit Opportunities Swaps	-2.73	-0.93%	-0.05%	Macquarie Investment Management Limited	No
<b>Total</b>	293.89	100.00%	5.73%		
<b>Infrastructure</b>					
Magellan Core Infrastructure	18.19	2.82%	0.35%	Magellan Asset Management Limited	No

ICG Div Infra Trust	38.69	5.99%	0.75%	Infrastructure Capital Group Limited	No
CFS Wholesale Infrastructure	22.91	3.55%	0.45%	Colonial First State Infrastructure Holdings Limited	No
Emerging Markets Infrastructure Fund	0.84	0.13%	0.02%	Emerging Market Infrastructure Fund, L.P.	Yes
Southern Water	21.90	3.39%	0.43%	Greensand Holdings Limited	Yes
Southern Water 2	11.80	1.83%	0.23%	Greensand Holdings Limited	Yes
International Parking Group	16.08	2.49%	0.31%	International Parking Group Pty Ltd	Yes
Peninsula Link	28.78	4.46%	0.56%	Southern Way Pty Limited	Yes
Peninsula Link Two	17.17	2.66%	0.33%	Southern Way Pty Limited	Yes
Igasamex	37.66	5.83%	0.73%	Igasamex USA, Ltd.	Yes
Igasamex Two	69.11	10.70%	1.35%	Igasamex USA, Ltd.	Yes
Rowville Transmission Facility	11.16	1.73%	0.22%	Rowville Transmission Facility Pty Ltd	Yes
Storrund Vindkraft Onshore Wind	19.55	3.03%	0.38%	Storrund Vindkraft AB	Yes
Worsley Multi Fuel Cogen Plant	54.85	8.50%	1.07%	WR Carpenter No.1 Pty Limited	Yes
Igasamex Three	9.71	1.50%	0.19%	Igasamex USA, Ltd.	Yes
Sarpsborg Avfallsenergi AS	56.45	8.74%	1.10%	Sarpsborg Infrastructure AS	Yes
Vopak Terminal Eemshaven	49.79	7.71%	0.97%	Vopak Terminal Eemshaven B.V.	Yes
International Parking Group 2	20.58	3.19%	0.40%	International Parking Group Pty Ltd	Yes
Kinland AS	77.88	12.06%	1.52%	Odin BidCo AS	Yes
International Parking Group 3	29.44	4.56%	0.57%	International Parking Group Pty Ltd	Yes
ITE College West	33.15	5.13%	0.65%	PPP Infrastructure Management Holding Pte Limited	Yes
<b>Total</b>	<b>645.67</b>	<b>100.00%</b>	<b>12.59%</b>		
<b>Sustainable Responsible Entities</b>					
Pendal SRI Balanced	19.33	99.99%	0.38%	Pendal Institutional Limited	No



AMP Investment Leaders Balance	0.00	0.01%	0.00%	AMP Capital Funds Management Limited	No
<b>Total</b>	<b>0.00</b>	<b>0.01%</b>	<b>0.38%</b>		
<b>Absolute Return Strategies</b>					
Schroders Real Return Fund	0.72	44.78%	0.01%	Schroder Investment Management Australia Limited	No
PineBridge Abs Return Fund	0.89	55.22%	0.02%	PineBridge Investments LLC	No
<b>Total</b>	<b>1.61</b>	<b>100.00%</b>	<b>0.03%</b>		
<b>Global Floating Rate Credit</b>					
Alliance Bernstein Global Floating Rate Credit	304.02	100.00%	5.93%	Alliance Bernstein Investment Management Australia Limited	No
<b>Total</b>	<b>304.02</b>	<b>100.00%</b>	<b>5.93%</b>		
<b>Alternatives Currency Hedging</b>					
Alternatives Currency Hedging	0.85		0.02%	Macquarie Investment Management Limited	No
<b>Total</b>	<b>0.85</b>		<b>0.02%</b>		
<b>Prime Super - Total Fund</b>	<b>5,126.94</b>	<b>100%</b>	<b>100%</b>		

\*\* Where Prime Super is noted as being a shareholder it is where:

1. A direct investment by Prime Super in the equities that are listed on the Australian share market for which Prime Super is the registered shareholder; or
2. A direct investment of the Fund in respect of which Prime Super is the owner of the special purpose vehicle that owns the underlying investment.

Prime Super offers members a number of direct investment choice options. Following are the options offered by Prime Super to members together with the percentage value of monies held in each of those options across direct investment choice options:

- MySuper (default) – 86.0%
- Managed Growth – 3.9%
- Conservative – 2.5%
- Alternatives – 0.4%
- Socially Responsible Investments – 0.3%
- Income Focused – 0.3%

- Australian Equities – 2.1%
- International Equities – 1.0%
- Property – 1.1%
- Fixed Interest – 0.9%
- Cash – 1.6%

These options are member directed investment choices. That is, a member that selects the Cash Option is directing the allocation of Fund assets to the cash managers of Prime Super, and a member that selects the Australian Equities Option is directing their funds to be invested across the pool of Australian Equity managers used by Prime Super.

The following table shows the allocation of the investments in the nominated option to a specific manager.

Fund	Allocation of fund capital		Managing entity	Prime Super Shareholder Y/N
	%	\$ mill**		
<b>Prime Super Australian Equities Option</b>	34.92%	\$8.0	Vinva Investment Management	No
<b>Prime Super International Equities Option</b>	32.2%	\$4.5	AQR Capital Management, LLC	No
<b>Prime Super Cash Option</b>	45.6%%	\$4.7	Commonwealth Bank – direct cash and term deposits	Yes
	54.37%	\$5.7	First Sentier Investors (CFS)	No
<b>Prime Super Socially Responsible Investments Option</b>	100.0%	\$19.3	Pendal Institutional Limited	No
<b>Prime Super Fixed Interest Option</b>	31.7%	\$1.5	BlackRock	No
	58.8%	\$2.7	Alliance Bernstein	No

\*\* In the above table, the amount allocated within the specific investment option to an individual investment manager is noted. For the Australian Equities Option the investment manager accounts for 34.92% of the monies held in that option, totalling an amount of \$8.0 million in that option.

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**Prime Super**

**PS93QW:**

**If you do have capital managed by another entity that you are also a shareholder in, please identify how you manage conflicts of interest.**

**Answer:**

Prime Super does not have any investments managed by an entity in which Prime Super Pty Ltd is a shareholder, where as a shareholder Prime Super has an ability to influence that entity.

Prime Super invests in products issued by the Commonwealth Bank of Australia Ltd (“CBA”). Prime Super is also a shareholder in CBA. Prime Super is a shareholder of CBA as a result of investments in direct equities that are listed on the Australian share market. Prime Super does not see any conflict of interest arising from the holding of shares in CBA and the investment in a product offered by the CBA

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**PS94QW:**

**Please provide details of the following reduction to remuneration packages since 11 March 2020:**

- a. Board members.**
- b. The chief executive.**
- c. Executive management.**

**Answer:**

No reduction in remuneration package has occurred since 11 March 2020 to any staff member of Prime Super.

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### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SUPERANNUATION SECTOR

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PS95QW:

**Is the fund considering divestment from pure play fossil fuel producers in order to mitigate climate-related financial risks and to increase the cost of capital for those producers?**

**If not, how has the fund arrived at the conclusion that this approach would not be in members' best interests?**

**Answer:**

Prime Super is not currently considering a divestment from pure play fossil fuel producers.

Prime Super has a clear statement on the Fund's website in relation to the management of climate related risks. Disclosure in this area will be enhanced over the coming year. The following statement is currently provided on the website (<https://www.primesuper.com.au/investments/our-approach/climate-change/>):

*We work with our investment managers to ensure they consider climate risks in their investment approach. Our investment managers provide us with regular updates on how they engage with investee companies on ESG issues, including climate change.*

*Prime Super works to protect its investments from the possible future implications of climate change and has engaged experts to help analyse our investment exposure.*

Prime Super has also made a number of direct investments into infrastructure investments that have a positive impact on the environment, such as:

- A waste to energy provider in Norway; and
- Wind power generator in Finland.

Prime Super has obligations which include acting in the best interests of its members as a whole, and to act fairly as between classes of members and also as between members of classes of members.

Prime Super has a membership of 128,000 accumulation and pension members. Its members include persons just joining the workforce, persons about to leave the workforce, and persons who are pensioners. A consideration in setting the investment strategy is the need to deliver a return for all of these investors that is at least above average when compared to other superannuation providers on an annual basis - by doing so the Fund will deliver a long term return that is also above average.

Prime Super invests in a range of listed and unlisted investments and the consideration of climate change related risks in each type of investment is different:

#### *Listed Equities*

A consideration when investing in a listed equity has long been on the Environmental, Social and Governance ("ESG") considerations of each company. Where a company has sound ESG considerations embedded within

the organisation they are more likely to outperform the broader market. This is one element of the consideration of one stock over another within the same sector.

Prime Super also actively votes at Annual General Meetings on shareholder matters, and will vote against motions put forward by the Company where it is believed that the Company is not acting in the best long term interests of the shareholders.

Prime Super invests in international developed market economies through pooled investment vehicles. As a result, Prime Super has less influence on the underlying companies that are invested in, however, a core strategy in the manager selection process is adopted by Prime Super is to ensure the manager of the pooled investment vehicle has an ESG policy that aligns with that adopted by Prime Super.

#### *Unlisted investments*

As with listed equities when investing in direct assets a consideration of ESG principles is core to the long term prospects of an asset. An assessment is made at the time of the investments that climate change related financial risks are understood and mitigated where possible. The decision is firmly underscored by balancing the risks against the potential return to be generated from the asset with the aim of delivering a long term positive contribution to the overall performance of the Fund.