

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HOSTPLUS

- HP8QW:** Details of each individual asset currently held at a value other than available listed market prices (an unlisted asset) wholly owned by the fund or funds under your control, including:
- a. The asset name and location.
  - b. The frequency of the revaluation of the asset.
  - c. The most recent valuation.
  - d. A copy of that valuation.
  - e. The methodology used for its valuation.
  - f. Whether the valuation was completed internally or externally.
  - g. The details of any external party involved in the valuation.

#### **Answer:**

All valuations of assets are performed by external entities at arms-length from Hostplus.

A summary of Hostplus' overall process is provided below:

- Net Present Value-based, independently assessed valuations are sought;
- All valuations are currently performed external to both the Trustee and to Hostplus Management;
- Valuations are sought at the frequencies considered most appropriate, and which represent best practice, for the particular characteristics of the assets. For listed assets this is daily, whilst for unlisted assets this is either weekly, monthly, quarterly or at most, annually.
- Valuations are outsourced to the entities best-placed and best-qualified to ensure the appropriateness and accuracy of valuations, being the Custodian Citi (listed assets) or to the Trustees/General Partners/Investment Managers/Responsible Entities (pooled/unlisted assets);
- Each entity has an individual valuation policy that is applied to valuation of these assets. The policies include factors such as the frequency of application, the valuation methodologies applied and the need for independent assessment.

- These entities' valuation policies are continually reviewed by Hostplus Management and its Asset Consultant (JANA) to ensure consistency with the Trustee's valuation policy, and the requirements for their ongoing application by these entities are embedded in their service level agreements;
- Independent annual audits are performed on the application of these entities' valuation policies throughout the year, with the results of these audits monitored by Management;
- The Trustee receives annual assurance of the valuations of all assets from external entities as at 30 June every year via the Net Asset Clearance process, which is performed by the Trustee's external Financial Auditor (PwC). This process reconciles the Trustee's financial statements against the valuations sourced directly from the Custodian, from the investment managers/Responsible Entities and from all directly valued investments.

For the purpose of responding to this question, Hostplus has adopted the following definitions:

- **Control:** where Hostplus owns 50% or more of an investment vehicle. For simplicity, this definition has been adopted for the purpose of answering HP8QW and HP9QW. However, where Hostplus invests via such investment vehicles, it is the external Trustees/General Partners/Responsible Entities/Investment Managers of these investment vehicles that are responsible for the day-to-day management of finances and operations.
- **Wholly owned:** where Hostplus owns 100% of an investment vehicle.
- **Listed asset:** assets which have a well-recognised pricing discovery mechanism, including assets that are listed on stock exchanges, investment grade bonds, cash and certain derivatives (eg forward foreign exchange contracts). This definition also includes pooled vehicles containing these assets (eg listed equity pools).

The Hostplus Pooled Superannuation Trust owns the below mentioned investment vehicles in their entirety as at 30/06/2019.

Asset name	% ownership	Frequency of the revaluation of the asset	Methodology used for that valuation	Whether the valuation was completed internally or externally	Location of asset
Blackbird Hostplus Trust	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
Carthona Capital Venture Fund 1 (Part A)	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
Carthona Capital Venture Fund 1 (Part B)	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
Carthona Capital Venture Fund 1 (Part C)	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
Flexstone - Hostplus US EMP, LLC - Series 1	100%	Monthly	Last Trade Price / Book Value	Externally	US
Flexstone - Hostplus US EMP, LLC - Series 2	100%	Monthly	Last Trade Price / Book Value	Externally	US

IFM Hostplus Trust (Project Frijia)	100%	Monthly	Term of Loan	Externally	Australia
Fitzroy Horizons Fund (IAM)	100%	Monthly	Net Market Value	Externally	UK
IPG Hostplus 2018 Trust Class A	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
IPG Hostplus 2018 Trust Class H	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
ISPT Non-Discretionary Residential Mandate (Hostplus Residential Property Trust)	100%	Monthly	Comparable Sales	Externally	Australia
LGT - HP Special Investment Fund S.C.Sp	100%	Monthly	Last Trade Price / Book Value	Externally	EUR
Carnegie Healthcare Fund, LP	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
MHC Hostplus Co-investment Trust	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
QIC Liquid Alternatives Fund (H)	100%	Monthly	Net Market Value	Externally	Australia
Hostplus ROC Private Equity Trust	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
Square Peg Co-Investment 2015 Trust	100%	Monthly	Last Trade Price / Book Value	Externally	Australia
Hostplus Property Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Hostplus Residential Property Trust	100%	Monthly	Comparable Sales	Externally	Australia
North Fremantle Unit Trust	100%	Monthly	Comparable Sales	Externally	Australia
Hostplus North Fremantle Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Hostplus Helensvale Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Helensvale Unit Trust	100%	Monthly	Comparable Sales	Externally	Australia
Hostplus Peel Street Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Peel Street Unit Trust	100%	Monthly	Comparable Sales	Externally	Australia
Hostplus Phillip Street Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Phillip Street Unit Trust	100%	Monthly	Comparable Sales	Externally	Australia
Hostplus Mooney Valley Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Mooney Valley Unit Trust	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Darling Harbour Live Trust 3	100%	Monthly	Independent Valuation	Externally	Australia
Darling Harbour Live Trust 4	100%	Monthly	Independent Valuation	Externally	Australia
Darling Harbour Live Hold Co 3 Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Darling Harbour Live Hold Co 4 Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Darling Harbour Live 3 Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Darling Harbour Live 4 Pty Limited	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia
Hostplus AI (Port) Trust	100%	Monthly	Discounted Cash Flow	Externally	Australia
NSW Ports Property Hold Trust	100%	Monthly	Discounted Cash Flow	Externally	Australia
NSW Ports Pty Ltd	100%	Monthly	Paid Up Capital / Book Value	Externally	Australia