

The Committee Secretary,  
Senate Economics References Committee.

Congratulations on the excellent progress in highlighting the deficiencies and irregularities in the area of financial advice and the advisors of certain fund managers.

However there is one associated matter I would like to draw to your attention.  
This does not appear to be a complaint against advisors rather it concerns fund managers.

In the last financial year my accredited independent financial advisor recommended that I hold significant amounts of my allocated pension funds in Cash Funds.

These were all invested in funds operated by the large fund managers, CFS, Perpetual, Macquarie and MLC (the last in three different investments).

A review of the 2013/14 f/y performance of each of these funds reveals a most disappointing performance.

I attach a table that compares the performance of each of my Cash Funds with the Morningstar average return for cash and that of Australian Super - Australia's largest NFP super fund. These are all figures net of fees and tax.

This comparison shows that the performance of each of my Cash Funds is well below the Morningstar averages - in most cases nearly half - and well under half that of Australian Super.

Even their performances against the Reserve Cash Rate - currently 2.5% pa - is quite inadequate.

As each of my funds is managed by a major Australian financial organisation, including some of the 'big four' banks, why is their performance so miserable?

Just one illustration should tell the story.

MLC is a full subsidiary of the NAB bank.

I can currently deposit 'at call' in the NAB subsidiary, Ubank, at a return of 4.17%pa gross, daily interest, with the only proviso being that I must deposit \$200 a month that can be withdrawn immediately. During the past financial year this return offered by Ubank was as high as 4.66%pa.

A similar situation exists with other fund managers.

Even allowing for tax of 15%, the Ubank returns are vastly greater than those from the fund managers.

So, why is this so?

The MERs of investing in cash cannot - or should not - be much at all. Are the fund managers taking more than they should for such straightforward investment?

Then it might appear that the fund managers are in the business of providing cheap cash for their principals rather than investing for the best possible return for their clients as they are required to do.

Why, for instance, does NAB not provide the same or equivalent facility for its own fund manager as it does for the man in the street?

How can a NFP organisation like Australian Super provide a cash return more than double that of the major fund managers?

Are the fund managers making excessive profits for themselves and their principals?

Some entity appears to be profiting from what may be investing malpractice.  
Would you enquire into this matter and advise me, please?

You are the first avenue I have approached with this concern. Please let me know if I should refer this to any other entities at this stage.

Also, please, do not hesitate to contact me should you require any further information.

Yours sincerely,

James Fairley

<u>Fund</u>	<u>Morningstar &amp; Aust Super Categories</u>	<u>Total Rtn - 1yr</u>
CFS FC Pen-CFS Cash		1.94
M Star Australian Cash average to 30/6/14	Australian Cash	2.46
Australian Super - Cash to 30/6/14	Cash	3.02
MLC MKey AP-Cash Fund		1.28
M Star Australian Cash average to 30/6/14	Australian Cash	2.46
Australian Super - Cash	Cash	3.02
MLC MKey Pens-Cash Fund		1.41
M Star Australian Cash average to 30/6/14	Australian Cash	2.46
Australian Super - Cash	Cash	3.02
Perpetual WFP-Perpetual Cash		1.6
M Star Australian Cash average to 30/6/14	Australian Cash	2.46
Australian Super - Cash	Cash	3.02
MLC MKey Pens-Cash Fund		1.4
M Star Australian Cash average to 30/6/14	Australian Cash	2.46
Australian Super - Cash	Cash	3.02
Macquarie A Pension - Deposit		1.46
M Star Aust Short Term Fixed Interest	Aus Short Term Fixed Interest	3.21
Australian Super - Australian Fixed Interest to 30/6/14	Australian Fixed Interest	6.73