

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2016 - 2017

Division/Agency: Australian Prudential Regulation Authority

Question No: 321

Topic: Member Assets - Bank owned retail funds

Reference: Hansard page 37 (02 March 2017)

Senator: Gallagher, Katy

Question:

Senator GALLAGHER: I have just a couple more questions. First, I know you have taken a large number of my questions on notice, and maybe you will have to take this one as well. But I am interested in the percentage of members' assets in the bank-owned retail funds that are in the bottom quartile of performers compared with other fund types. Is that okay?

Mr Byres: Yes.

Answer:

Fund performance should be assessed in a multifaceted way over the medium to long term, and not just by reference to investment returns. As noted above, factors such as fees and costs, insurance, services, and governance of the RSE licensee are also relevant to the outcomes achieved for members over the medium to long term.

The industry-wide 25th percentile for the ten year rate of return (ROR) for the period ending June 2016 was 3.4% pa. Of the 27 bank-owned funds with a ten year ROR, 12 funds were below the industry-wide 25th percentile value of 3.4% pa. These 12 funds represented \$216.6 billion (or 18.7%) of total assets of the population of funds with a ten year ROR as at 30 June 2016. We note the population for this analysis comprises APRA-regulated entities with more than four members who have ten years' worth of ROR data.

ROR represents the net earnings on superannuation assets and measures the combined earnings of a superannuation fund's assets across all its products and investment options. The majority of RSE licensees offer, from within their funds, both default and choice products. This is particularly the case for larger retail funds such as the bank owned public offer funds.

As APRA has noted in many forums previously, whole of fund investment performance comparisons between funds with substantially different levels of default and choice members/assets are less meaningful than more "like for like" comparisons at product or investment option level.