

significant event notice

28 August 2024



This Significant Event Notice (Notice) is to let you know about important changes to the HESTA for Mercy Retirement Income Stream (RIS) and the HESTA for Mercy Transition to Retirement (TTR) Income Stream.

Generally, this includes changes to, or events impacting the information provided in the Product Disclosure Statement (PDS).

Changes will generally be incorporated into future versions of the PDS available at hestaformercy.com.au/pds

The changes we are letting you know about in this Notice include:

- investment changes
- changes to fees and costs, and
- changes to amounts paid from fund assets.

Investment changes

Annual investment review

We review our investment strategy each year considering a range of factors. This year, changes have been made to the strategic asset allocation for the Sustainable Growth investment option that reduce its growth asset exposure and marginally reduces risk. This change will bring the Sustainable Growth investment option’s growth asset exposure to similar levels as Balanced Growth.

Strategic asset allocation is the process of determining the proportion of each HESTA investment option that may be invested in each asset class to achieve the option’s long-term risk and return objectives.

The following changes will be made from 28 September 2024.

Table 1: Changes to the Sustainable Growth option’s overall growth and defensive asset splits

Changes are shaded.

Sustainable Growth	Up to 27/9/2024	From 28/9/2024
Growth	72%	68%
Defensive	28%	32%

Table 2: Changes to the Sustainable Growth option's strategic asset allocations

Changes are shaded.

	Strategic asset allocation %		Allocation ranges %	
	Up to 27/9/2024	From 28/9/2024	Up to 27/9/2024	From 28/9/2024
Australian shares	24.5	27	20-45	20-45
International shares	35.5	31	20-45	20-45
Private equity	5	3	0-15	0-15
Alternatives	2	2	0-15	0-15
Infrastructure	3.5	4	0-20	0-20
Property	7.5	7	0-20	0-20
Global debt	17	19	5-30	5-30
Cash	5	7	0-15	0-15
Currency exposure	22.5	22.5	0-35	0-35

Responsible Investment update

We are changing the way we address poor financial practices.

Responding to poor financial practices continues to be important to HESTA and we may seek to engage with certain portfolio listed companies on this issue. Where we have a reasonable belief that poor financial practices of a serious or systemic nature occurred or are occurring, this will be taken into account in our investment approach and may influence HESTA's capital allocation with that organisation until such time as the issues have been adequately addressed.

The following exclusion, applicable to the Sustainable Growth investment option only, will no longer apply from 28 September 2024. We believe this approach offers a more timely and effective mechanism for addressing poor financial practices.

Poor financial practices: Any listed company that receives a corporate behaviour score of <1 (less than 1) in addition to any severe or very severe business ethics controversies. The Corporate Behaviour Theme Score evaluates the extent to which companies face ethics issues such as fraud, executive misconduct, corruption scandals, money laundering, anti-trust violations, or tax related controversies.

Transitioning companies: The Sustainable Growth investment option holds a very limited number of transitioning companies within the private equity asset class that generate >50% of their revenue from the provision of services to the oil and gas sector. While some of these assets have been exited to-date, due to the illiquid nature of the assets, further time is required to exit the remaining assets in a manner consistent with the best financial interests of members. This is currently anticipated to occur by July 2025.

Changes to fees and costs

Investment fees and costs and transaction costs changes

Investment fees and costs and transaction costs are deducted from the valuation of investments before daily unit prices are calculated.

The amounts shown below reflect those of the completed financial years and may include components that have been estimated. The Performance fees incorporated are required to be represented as an average based on the last five financial years. We published an interim estimate of the 2023/24 period on 1 July 2024 based on information available at the time, which has since changed upon collecting information on actual fees and costs for the year.

Past costs may not necessarily be an indicator of future costs and amounts in the current and future financial years may be different to those below. Information about the rate you incur in a financial year are included in the additional information about fees and costs in your statement each year or when you exit the fund.

The tables below detail the updated investment fees and costs and transaction costs for 2023/2024.

Retirement Income Stream (RIS)		2022/2023	2023/2024
Changes are shaded.		Investment Fees and Costs and Transaction Costs	Investment Fees and Costs and Transaction Costs
Ready-Made Options	Balanced Growth	0.45%	0.49%
	Conservative	0.41%	0.40%
	Indexed Balanced Growth	0.05%	0.06%
	Sustainable Growth	0.98%	0.82%
	High Growth	0.46%	0.54%
Your Choice Options	Cash and Term Deposits	0.01%	0.02%
	Diversified Bonds	0.30%	0.30%
	Property and Infrastructure	0.84%	0.86%
	International Shares	0.41%	0.34%
	Australian Shares	0.17%	0.20%

Transition to Retirement (TTR)		2022/2023	2023/2024
Changes are shaded.		Investment Fees and Costs and Transaction Costs	Investment Fees and Costs and Transaction Costs
Ready-Made Options	Balanced Growth	0.66%	0.62%
	Conservative	0.42%	0.42%
	Indexed Balanced Growth	0.05%	0.06%
	Sustainable Growth	0.99%	0.83%
	High Growth	0.82%	0.78%
Your Choice Options	Cash and Term Deposits	0.01%	0.02%
	Diversified Bonds	0.28%	0.29%
	Property and Infrastructure	0.92%	0.94%
	International Shares	0.41%	0.35%
	Australian Shares	0.20%	0.22%

Change to amount paid from fund assets

An additional administration cost may be paid from fund assets, not your account, in years where the amount deducted from the Fund Development Reserve exceeds the amount paid to that reserve. The amount was estimated to be 0.05% as at 1 July 2024. The actual amount based on the costs deducted (unaudited) for the 12 months to 30 June 2024 is confirmed to be 0.04%. This change will take effect from 28 September 2024.

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