



Super
with
impact

Member outcomes assessment

Financial year ending 30 June 2024



The information in this document relates to:

- **HESTA Super**
- **HESTA Personal Super**
- **HESTA Corporate Super**
- **HESTA for Mercy Super**

Members of these products who have not made a choice where to invest their money or have chosen to invest all their money in Balanced Growth are members of either *HESTA for Mercy MySuper* (for the HESTA for Mercy product), or *HESTA MySuper* (for all other products). All other members of the products are members of *HESTA Choice - Accumulation* or *HESTA for Mercy Choice - Accumulation*¹ for the purpose of this assessment.

How we assessed ourselves and how we compare

Each year we are required to assess our performance to determine whether we have promoted the financial interests of members.

We do this by comparing our products against other comparable products in relation to investment returns, level of investment risk, fees and costs (comparison factors).

We also assess the appropriateness of our investment and insurance strategy, basis for setting fees, features of our products and member services (assessment factors), and giving consideration to the most recent results from the Australian Prudential Regulation Authority's (APRA) Annual Superannuation performance test.

This year our assessment has determined that we have promoted the financial interests of members. This document provides a summary of our assessment.

Data for comparisons against other funds

In undertaking our comparisons, we have relied on data prepared by SuperRatings and Chant West² which reviews the performance of cohorts of superannuation funds that have similar investment strategies and features. If you would like to view a full list of the funds we compare against you can download this from hesta.com.au/moa.

¹ The investment options available and the fees and costs, are the same for both HESTA and HESTA for Mercy Choice Accumulation products.

² SuperRatings Fund Crediting Rate Survey 2024 and Chant West Member Outcome Dashboard June 2024.

Comparison factors

How we compare

The HESTA MySuper and HESTA for Mercy MySuper option's returns to 30 June 2024 were ranked better than the median for 1,3, 5 and 10 year periods when compared to other MySuper products.

Source: SuperRatings Fund Crediting Rate Survey, June 2024. Median is based on the SuperRatings SR50 MySuper Index. Returns are after tax and investment management expenses but before the deduction of administration fees. Past performance is not an indicator of future performance.

Investment returns – MySuper option

Balanced Growth (MySuper)

1 year return

9.10%

3 year returns

5.50%

5 year returns

6.93%

10 year returns

7.62%

Relative to median of comparable products

Better

Investment Returns - HESTA Choice – Accumulation options

The table below shows the performance of the different HESTA Choice accumulation options against other investment options with a similar investment strategy.

The majority of our investment options performed better than the median over all time periods when compared to other investment options with a similar investment strategy.

| | 1 year return | | 3 year returns | | 5 year returns | | 10 year returns | |
|--|---------------|---|----------------|---|----------------|---|-----------------|---|
| HESTA's Investment option | HESTA (%) | Relative to median of comparable products | HESTA (%) | Relative to median of comparable products | HESTA (%) | Relative to median of comparable products | HESTA (%) | Relative to median of comparable products |
| Balanced Growth | 9.10 | Better | 5.50 | Better | 6.93 | Better | 7.62 | Better |
| Conservative | 5.44 | Lower | 3.21 | Better | 4.04 | Better | 5.18 | Better |
| Indexed Balanced Growth | 11.86 | Better | 5.72 | Better | n/a | No return or no benchmark | n/a | No return or no benchmark |
| Sustainable Growth | 6.98 | Lower | 2.73 | Lower | 6.49 | Better | 8.69 | Better |
| High Growth | 11.91 | Better | 7.27 | Better | 9.03 | Better | 9.13 | Better |
| Cash and Term Deposits | 3.98 | Lower | 2.23 | Lower | 1.56 | Lower | 1.79 | Better |
| Diversified Bonds | 3.24 | Better | -1.77 | Lower | -0.28 | Better | 2.03 | Better |
| Property and Infrastructure ³ | -0.72 | No benchmark | 5.14 | No benchmark | 4.08 | No benchmark | 6.65 | No benchmark |
| International Shares | 17.43 | Better | 5.79 | Lower | 10.24 | Better | 10.07 | Lower |
| Australian Shares | 11.79 | Better | 7.29 | Better | 8.25 | Better | 8.35 | Better |

Source: SuperRatings Fund Crediting Rate Survey June 2024. Medians are based on the following Indexes: SR50 Balanced (60-76) Index (Balanced Growth), SR50 Capital Stable (20-40) Index (Conservative), Balanced (60-76) Index (Indexed Balanced Growth and Sustainable Growth), SR50 Growth (77-90) Index (High Growth), SR50 Cash Index (Cash and Term Deposits), SR25 Diversified Fixed Interest Index (Diversified Bonds), SR50 International Shares Index (International Shares), SR50 Australian Shares Index (Australian Shares). Returns are after tax and investment management expenses but before the deduction of administration fees. Past performance is not an indicator of future performance.

³ There is no comparable peer universe for the Property and Infrastructure investment option.

Investment Risk

All investments carry a level of risk. The level of risk depends largely on the type of investments you're invested in. We use the Standard Risk Measure (SRM) as a basis to compare the risk levels of investment options across other funds. This measure describes risk based on how many negative annual returns you can expect over 20 years.

- Our investment risk rating for HESTA MySuper and HESTA for Mercy MySuper is in line with other MySuper options with a similar growth / defensive asset split and remains appropriate for MySuper members.
- Our investment risk ratings for options within HESTA Choice (Accumulation) and HESTA for Mercy Choice (Accumulation) are in line with comparable products and remain appropriate.

Our investment options are monitored to ensure expected outcomes are consistent with the intended risk/return profile.

Fees and costs

The fees and costs we refer to in this section include administration fees and costs as well as investment fees and costs (including transaction costs and performance fees). The table below show how the fees and costs for HESTA's options compare to the median fee of the relevant comparison group.

HESTA MySuper and HESTA for Mercy MySuper

Period from 1 July 2023 to 30 June 2024

Total fees and costs over the last year for a representative member with a balance of \$50,000 in our MySuper option, were below the median fee when compared to other MySuper options.

Balanced Growth (MySuper)

HESTA Fees

\$457

Relative to median of comparable products

Below

Source: SuperRatings June 2024. Median fee is based on the administration fees and costs and the investment fees and costs for options within the SuperRatings SR50 MySuper Index. The fees and costs are based on a representative member with a \$50,000 account balance. Insurance premiums and other fees and costs may apply. See the Product Disclosure Statement for full details.

HESTA and HESTA for Mercy Choice – Accumulation products

Total fees and costs over the last year for a representative member with a balance of \$50,000 in our investment options, were below the median fee for most options when compared to other options with similar investment strategies.

| HESTA's Investment option | Period from 1 July 2023 to 30 June 2024 | |
|--|---|---|
| | HESTA Fees (\$) | Relative to median of comparable products |
| Balanced Growth | 457 | Below |
| Conservative | 357 | Below |
| Indexed Balanced Growth | 177 | Below |
| Sustainable Growth | 562 | Above |
| High Growth | 537 | Above |
| Cash and Term Deposits | 157 | Below |
| Diversified Bonds | 292 | Below |
| Property and Infrastructure ⁴ | 617 | No Benchmark |
| International Shares | 322 | Below |
| Australian Shares | 257 | Below |

Source: SuperRatings June 2024. Median fee is based on the administration fees and costs and the investment fees and costs for options within the SuperRatings Index of a similar investment strategy to the HESTA option. Medians are based on the following Indexes: SR50 Balanced (60-76) Index (Balanced Growth), SR50 Capital Stable (20-40) Index (Conservative), Balanced (60-76) Index (Indexed Balanced Growth and Sustainable Growth), SR50 Growth (77-90) Index (High Growth), SR50 Cash Index (Cash and Term Deposits), SR25 Diversified Fixed Interest Index (Diversified Bonds), SR50 International Shares Index (International Shares), SR50 Australian Shares Index (Australian Shares). The fees and costs are based on a representative member with a \$50,000 account balance. Insurance premiums and other fees and costs may apply. See the Product Disclosure Statement for full details.

⁴ There is no comparable peer universe for the Property and Infrastructure investment option.

Assessment factors

Services and benefits

Our analysis found that the options, benefits, and facilities available to members in HESTA's products are appropriate for those members.

HESTA has a range of services available to members which are tailored to suit their needs and circumstances.

In reaching this finding, we considered the availability of services and member usage as compared to other funds. Chant West data⁵ showed that HESTA's options, benefits, and facilities were well utilised by members, and the range of services available were similar to those offered by our peers.

We also considered that the fees and costs are appropriate, compare favourably to peers and come in below the median for the provision of services, benefits, and facilities.

Insurance strategy and fees

Our analysis found that for members in our accumulation products, our insurance strategy remains appropriate.

Our insurance benefit design carefully considers our members' demographics and needs.

Most insured members hold default cover. Our default cover design is generally intended to provide eligible members with a minimum level of cover. HESTA considers our member demographics and the protection of their retirement outcomes when setting the level of insurance fees.

The insurance benefit design also has flexibility to cater for more specific insurance needs that may not be satisfied by the default cover and provides eligible members with the ability to increase their level of cover without having to provide extensive medical evidence in some circumstances.

Investment strategy

HESTA MySuper Balanced Growth is a ready-made diversified investment option which is designed to meet the needs of members who don't exercise choice in their investment option based on the understanding of our members' characteristics and likely investment objectives.

HESTA Choice – Accumulation investment options comprise ready-made, diversified investment options and specific asset class/classes options to meet the needs of members who want exposure to a diversified portfolio of investments across different asset classes and with different risk/return outcomes.

HESTA has an investment strategy that sets out the investment characteristics of the Funds options, including our MySuper option. We review our Investment Strategy each year to ensure objectives, risk profiles and long term strategic asset allocation targets and ranges remain appropriate.

⁵ Chant West Member Outcome Dashboard June 2024 – comparing HESTA with most MySuper and Choice products in the market (excluding any employer plans).

Scale and size of business operations

We have determined that the scale and size of HESTA's business operations do not disadvantage members, and our operating costs are not inappropriately affecting the financial interests of members.

When compared against most funds in the market⁶ HESTA performs better than the benchmark in most metrics that we assessed, including:

- operating expense per member of \$190 is lower than the median of \$256
- membership growth of 4.82% is above the median of 1.8%
- net benefit to HESTA MySuper members demonstrates outperformance over the median recorded over 5 and 10 years
 - 5 year: \$23,951 (Median: \$20,648)
 - 10 years: \$73,809 (Median: \$64,419).

As HESTA continues to grow, investment fees are expected to decline through scale benefits. This also enables our investment team to leverage our size and reputation in negotiating fees with external fund managers.

With over one million members and \$85 billion in assets⁷, we can use our scale and size to deliver value to all our members.

Basis for setting fees

Our analysis found that HESTA's fees and costs, and the basis for the setting of fees generally on a cost recovery basis is appropriate for members currently invested in HESTA products.

All fees deducted from member accounts are retained in the reserves to fund the operations of the Fund, planning for significant projects that are not business as usual, address risks or to respond to any initiatives that arise that will benefit members of the fund (and in accordance with reserving policies).

contact us

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APRA annual superannuation performance test

Our HESTA MySuper product passed the APRA annual performance test⁸ with a score of 0.629%. Our HESTA for Mercy product passed the APRA annual performance test with a score of 0.435%. The benchmark for a pass result was -0.50%.

Each of the following Choice Accumulation investment options also passed the APRA annual performance test.

| HESTA's Investment option | Metric (%) | Result |
|--------------------------------------|------------|--------|
| Conservative | 0.767 | Pass |
| Diversified Bonds | 0.305 | Pass |
| High Growth | 0.809 | Pass |
| Indexed Balanced Growth ⁹ | N/A | Pass |
| Property and Infrastructure | 0.914 | Pass |
| Sustainable Growth | 1.478 | Pass |

The Cash and Term Deposits, International Shares and Australian Shares investment options are single sector investment options which are not subject to the APRA annual performance test.

⁶ Chant West Member Outcome Dashboard June 2024 – comparing HESTA with most MySuper and Choice products in the market (excluding any employer plans).

⁷ Represents membership and funds under management as at 30 June 2024.

⁸ APRA annual superannuation performance test 2024.

⁹ If a product has a performance history of less than six years, the product has met the requirements of the performance test, unless APRA issues a determination under regulation 9AB.10(4) to calculate a performance measure for the product.