



a super start
setting up for your future

Super Update

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Welcome to *Super Update*, the newsletter for the Heidelberg Australia Superannuation Fund that keeps you up to date with what's happening with your super. If you have any suggestions for articles in future issues of *Super Update*, please pass them on to the Fund's Policy Committee.

How your super is performing

Despite rising COVID-19 infection rates in the US and Europe, investment markets were strong over the December 2020 quarter on the back of vaccine breakthroughs and the US election outcome. US-China trade tensions continued and trade relations between China and Australia deteriorated with restrictions imposed on Australian wine, lobster, coal and timber. Governments and Central banks around the world continue to set policies to help boost their economies and combat the financial effects of COVID-19.

Australian shares surged over the December quarter, helped by Victoria's easing of COVID-19 restrictions and higher resource prices. Increased trading activity between Australian states led to a strong rebound in economic activity. In November, the Reserve Bank of Australia announced new measures to stimulate economic recovery and employment, including reducing interest rates from 0.25% to 0.10%.

International shares rose 11.7%* (MSCI World Index-ex Australia) and US shares returned 12.1%* (S&P 500 Composite Index) over the December quarter. Data for the US reflected improvements in the economy, including for manufacturing and employment. The incoming Biden administration campaigned for an infrastructure spending program and support for US growth and employment, which investors viewed favourably. The US Congress approved a long-awaited pandemic relief plan for companies and households towards the end of the year.

Chinese shares rose 7.9%* over the quarter (Shanghai Composite Index) and Japanese shares returned 12.8%* (MSCI Japan Index). The Bank of Japan kept the short-term policy rate unchanged at -0.10%. Positive vaccine news, a landmark Euro 1.85 trillion budget package, as well as an agreed Brexit trade deal between the EU and the UK led European shares to rise by 11.4%* (Euro Stoxx 50 Index).

Both Australian and international listed property continued to recover ground, posting strong positive returns over the quarter. However, the one-year returns for these sectors remain negative.

Returns from Australian fixed interest were -0.1% (Bloomberg AusBond Composite Index) and 0.8% for international fixed interest (Barclays Global Aggregate Hedged in AUD Index).

The Australian dollar rose against the US dollar to its highest level since April 2018, to finish the year at 77.02 US cents (up from 71.08 US cents at the beginning of October). The Australian dollar also appreciated against other major currencies. The rapid rise in the Australian dollar has the effect of dampening returns from international share markets which are subject to currency fluctuations. For example, while the return from international share markets for the quarter was 11.7%*, when expressed in Australian dollars this return reduces to 5.7%.

Returns for the seven months to 31 January 2021 are shown in the table below. Please remember that past performance is not necessarily a reliable indicator of future performance.

Investment option	Year to date 1 July 2020 to 31 January 2021
Diversified Shares	11.64%
Growth	8.03%
Balanced	5.66%
Capital Stable	3.89%
Cash	0.21%

Note: Returns shown in the above table are net of tax and investment fees.

* Returns from international shares are expressed in local currency terms (i.e. hedged to Australian dollars).

Contact information

If you have a query about any of the information provided in this newsletter or about your super, please contact Con Xanthos on **(03) 9548 6210** or GK Ng on **(03) 9548 6218**. You can also speak with Con and GK on general information about the Fund's management, features and benefits.

Alternatively, you can contact the Fund Administrator on **1800 127 953** or seek guidance from a licensed financial adviser.



Annual Members' Meeting

Thank you to all members who attended the Fund's first online Annual Members' Meeting at the end of January 2021. All Trustee directors were present, along with the Fund's auditor, actuary and consultant. The session included an overview of the Fund, a review of the 2019/20 financial year and highlights from the Trustee about its ongoing areas of focus for the Fund.

The discussion forum included questions from our members. Minutes from the Annual Members' Meeting, which include the questions and answers addressed at the meeting, are available at heidaustsf.com under the 'Member Meeting' tab.

Measuring super funds' success: Member outcomes assessment

Superannuation fund trustees are now required to make a holistic assessment of fund performance every year, in areas such as:

- › Investment strategy and performance;
- › Costs and fees;
- › Insurance;
- › Options, benefits and facilities offered to members; and
- › Overall size and scale of the fund.

The aim of the assessment is to measure fund performance against the outcomes that the trustee sets for members, to ensure the financial interests of members are being promoted by the trustee and to identify any areas for improving the quality of those outcomes.

The Trustee of the Heidelberg Australia Superannuation Fund has completed the assessment for the Plan's 2019/20 financial year. To read a summary of the Outcomes Assessment Report, go to heidaustsf.com and look under the 'Trustee & Miscellaneous' tab.

If you are a defined benefit member, your benefits are generally linked to final average salary (and are not dependent upon the Fund's investment performance). Accordingly, much of the outcomes assessment does not apply to your defined benefits. However, you may still find the assessment interesting, as the Fund's investment performance does apply to any account-based benefits that you may have and the assessment also considers other features of the Fund.



Investment changes

Investing in Australian fixed interest

Following a recent review, the Trustee has made changes to the Fund's fixed interest investments. From February 2021, the Fund's fixed interest holdings have been transitioned to 100% invested in Australian fixed interest (previously there was a 50/50 split between Australian and international fixed interest). The Fund continues to use its existing manager, State Street Global Advisors (via the Australian Fixed Income Index Trust) for this mandate. The changes affect the Fund's Growth, Balanced and Capital Stable options.

In deciding to make the changes, the Trustee considered the uncertain economic outlook arising from the COVID-19 pandemic, with the changes aimed at protecting these investments from downside risk.

Change to risk measure for Capital Stable option

Every investment option offered by a superannuation fund has a level of volatility. This is the potential for the assets in which the option is invested to go up and down in value. One way to compare risk is using a risk label based on the "Standard Risk Measure" developed by the industry. There are seven levels, ranging from Very Low (Band 1) to Very High (Band 7).

The latest financial modelling of the Capital Stable option lowers the expected risk for the option from risk level Medium (Band 4) to risk level Low to Medium (Band 3). The option's number of annual negative returns in any 20-year period is estimated to reduce from 2 to 3 years in 20, down to 1 to 2 years in 20.

There were no other changes to the Capital Stable option's investment objectives or asset allocation.

The information in this publication is general information only and does not take into account your particular objectives, financial circumstances or needs. It is not personal or tax advice. Any examples included are for illustration only and are not intended to be recommendations or preferred courses of action. You should consider obtaining professional advice about your personal circumstances before making any financial or investment decision based on the information contained in this document. Please note that past investment performance is not necessarily an indication of future performance.

Issued by Towers Watson Superannuation Pty Ltd (ABN 56 098 527 256, AFSL 236049), as Trustee of the Heidelberg Australia Superannuation Fund (ABN 75 071 229 817). March 2021.