

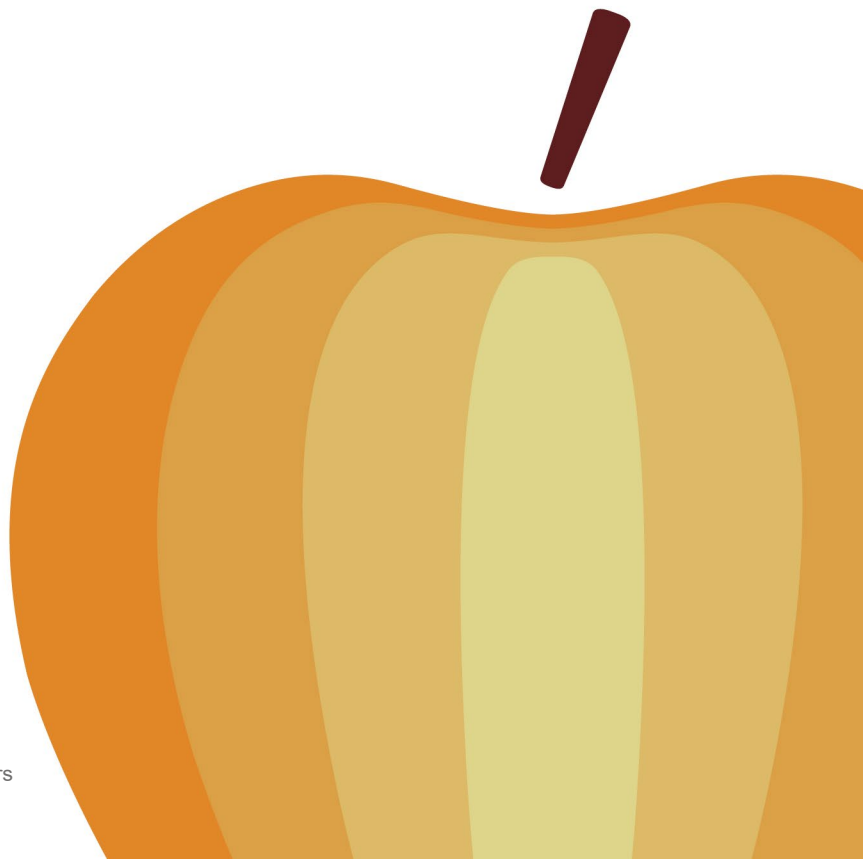
**Chant West**

Confidential

# AustralianSuper

**Multi-Manager Rating**

January 2024



# Disclaimer

© Zenith CW Pty Ltd ABN 20 639 121 403 (Chant West), Authorised Representative of Zenith Investment Partners Pty Ltd ABN 27 103 132 672, AFSL 226872 under AFS Representative Number 1280401 is authorised to provide general financial product advice 2024.

This Multi-Manager Rating Report (report) has been prepared by Chant West exclusively for persons who have entered into a licence agreement with us. Use of this report is subject to the terms of that licence agreement and should not be relied on by any other person. Any advice or rating contained in this report is limited to General Advice for Wholesale clients only, based on the assessment of the investment merits of the financial product and on information (including historical financial performance information) supplied by third parties. While we believe such third party information to be accurate, we do not accept responsibility for any inaccuracy in the data. The ratings in this report are current as at the time of publication. Up to date ratings can be accessed via our [Mosaic website](#). Individuals should seek their own independent financial advice and consider the appropriateness of any financial product in light of their own circumstances and needs before making any investment decision.

This report is current as at the date of issue until it is updated, replaced or withdrawn and is subject to change at any time without prior notice. Any advice contained in this report has been prepared without taking into account the objectives, financial situation or needs of any specific person who may read it including target markets of financial products, where applicable. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek their own independent financial advice, obtain a copy of, and consider any relevant PDS or offer document and consider the appropriateness of this advice in light of their own objectives prior to making any investment decision.

This report is subject to copyright and may not be reproduced, modified or distributed without the consent of the copyright owner. The information contained in this report has been prepared in good faith and is believed to be reliable at the time it was prepared, however, no representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this report. Except for any liability which cannot be excluded, Chant West does not accept any liability, whether direct or indirect arising from the use of information contained in this report. Past performance is not an indication of future performance. If you obtained this report via our [Mosaic website](#), by viewing this report, you also acknowledge that a Financial Services Guide has been made available to you. Chant West ratings and research are prepared by Chant West and are not connected in any way to research and ratings prepared by any of our related entities.

## Ratings Methodology and General Disclosures

Our reports are available online via our [Mosaic website](#). The attachment to this report provides an explanation of our ratings methodology, a description of our ratings and other important disclosures. Additional information about Chant West is available on our website ([www.chantwest.com.au](http://www.chantwest.com.au)).

**This report may only be used and distributed for a period being 12 months or until such time the report is updated, replaced or withdrawn by Chant West. Any report that has been updated, replaced or withdrawn is considered to be expired. Distribution of expired reports is strictly prohibited. Chant West clients are advised to check the currency of reports and ratings via our Mosaic website.**

Chant West will seek to confirm with the product issuer that, where required, the fund has in place a current Target Market Determination as per Regulatory Guide 274: Product Design & Distribution Obligations, issued by the Australian Securities and Investments Commission.

AustralianSuper has retained us to rate its ability to construct multi-manager investment options for its members. We have charged AustralianSuper a fixed fee for this service.

**Date of report:** January 2024

**Analysts:** Mano Mohankumar and Tom White

**Release authorised by:** Ian Fryer

## Contact details

Chant West

Office: Suite 1003 Level 10 45 Clarence Street Sydney NSW 2010

Phone: 02 9361 1400

Email: [research@chantwest.com.au](mailto:research@chantwest.com.au)



## Contents

1. Multi-Manager Ratings	1
2. Responsible Investment Classifications	2
3. Summary	3
4. Manager & Asset Research	6
5. Capital Markets Research	10
6. Portfolio Management	12
7. Approach to Responsible Investment	15
8. Portfolio Structure	17
9. Performance	26

### Attachment

Ratings Methodology and General Disclosures

# 1. Multi-Manager Ratings

## 1.1 Overall rating

We have awarded AustralianSuper our '5 Apples' highest quality overall rating. This refers to AustralianSuper's overall ability to construct quality multi-manager investment options for its members.



The attachment provides an explanation of our ratings methodology, a description of what the different ratings signify, an overview of our Responsible Investment classification system and other important disclosures. It forms part of this report and should be read with the report.

This report is dated January 2024 and, to the best of our knowledge, unless otherwise stated, the information in this report is accurate at that date.

## 1.2 Individual investment option ratings

Table 1 shows our rating of each investment option considered in this report. These ratings may differ from the overall rating as they take into account the specific characteristics of each option.

**Table 1: AustralianSuper options rated**

Diversified	Rating (Apples)	Last Year's Rating (Apples)
Stable	<b>Highly Recommended</b>	<b>Highly Recommended</b>
Conservative Balanced	<b>Highly Recommended</b>	<b>Highly Recommended</b>
Balanced	<b>Highly Recommended</b>	<b>Highly Recommended</b>
High Growth	<b>Highly Recommended</b>	<b>Highly Recommended</b>
<b>Single Sector</b>		
Australian Shares	<b>Recommended</b>	<b>Recommended</b>
International Shares	<b>Recommended</b>	<b>Highly Recommended</b>
Diversified Fixed Interest	<b>Recommended</b>	<b>Recommended</b>
Cash	<b>Recommended</b>	<b>Recommended</b>

For further historical ratings information, please contact Chant West at [research@chantwest.com.au](mailto:research@chantwest.com.au).

## 2. Responsible Investment Classifications

The Zenith group's Responsible Investment (RI) classifications are determined by taking into consideration a broad range of factors, with the output of our analysis summarised in our product assessment reports and Multi-Manager Ratings Reports. The aim of the RI categorisations is to create a uniform framework where investors can broadly understand how superannuation funds and investment managers address RI themes and issues in their investment process. Consistent with this, Chant West-rated investment options are assigned a Responsible Investment Classification.

Table 2 shows our Responsible Investment Classification for each option rated. In our classification system, rated investment options are assigned one of the following classifications:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

Descriptions of the above classifications are provided in the Attachment (Ratings Methodology & General Disclosures). Section 7 summarises AustralianSuper's approach to responsible investment.

**Table 2: Responsible Investment (RI) Classifications**

<b>Diversified</b>	<b>RI Classification</b>
Stable	<b>Integrated</b>
Conservative Balanced	<b>Integrated</b>
Balanced	<b>Integrated</b>
High Growth	<b>Integrated</b>
<b>Single Sector</b>	
Australian Shares	<b>Integrated</b>
International Shares	<b>Integrated</b>
Diversified Fixed Interest	<b>Traditional</b>
Cash	<b>Traditional</b>

## 3. Summary

### 3.1 Business overview

AustralianSuper is a profit-for-members, multi-industry fund. It is the largest superannuation fund in Australia with over 3.2 million members and assets of about \$300 billion. AustralianSuper received \$18.9 billion in net contributions over the 2022/23 financial year.

The Trustee Board of AustralianSuper comprises 12 directors – two independent directors: Dr Don Russell (Chair) and Philippa Kelly; five employer representatives nominated by the Ai Group: Claire Keating, Innes Willox (Deputy Chair), Gabrielle Coyne, John Dixon and Janice van Reyk; and five member representatives nominated mainly by the ACTU: Michele O’Neil, Glenn Thompson, Julia Angrisano, Jo-anne Schofield and Misha Zelinsky.

Paul Schroder heads a team of about 1,470, of which, about 1,160 are based in Melbourne, about 200 in other Australian offices, about 80 in London, 30 in the US and 3 in China. Paul’s leadership team comprises Mark Delaney (Chief Investment Officer and Deputy Chief Executive), Paula Benson (Chief Officer Strategy & Corporate Affairs), Shawn Blackmore (Chief Officer Retirement), Peter Curtis (Chief Operating Officer), Michele Glover (Chief Colleague Officer), Rose Kerlin (Chief Member Officer) and Andrew Mantello (Chief Risk Officer).

Mark Delaney, as Chief Investment Officer, leads the fund’s investment team of about 335 investment staff. The expansion of the Investment team over the coming years will be focussed on its global operations and internal management capability. The team is supported by the Fund Services team headed by Peter Curtis.

Frontier and JANA Investment Advisers (JANA) are the fund’s principal investment consultants. Both provide advice on asset allocation and strategy, with Frontier working closely with the internal investment team and JANA with the Investment Committee. Frontier and JANA are both leading Australian asset consulting firms. AustralianSuper may also leverage the expertise of specialist consultants and its general partners to source investment opportunities in unlisted asset classes.

Frontier is owned by four industry funds (AustralianSuper, Cbus, HESTA and First Super). It has about 80 staff (55 investment professionals) all located in Melbourne. It advises on assets of around \$630 billion. Chris Trevillyan is the key relationship consultant for AustralianSuper. JANA is wholly owned by senior staff. It has about 140 staff (105 investment professionals) located in Melbourne and Sydney and advises on assets of around \$1.3 trillion. Jeremy Willmot is the key relationship consultant for AustralianSuper.

AustralianSuper has a well-defined investment decision-making process that involves considerable interaction between the Trustee Board, Investment Committee, internal investment team and its two principal investment consultants.

### 3.2 Investment beliefs

AustralianSuper has a ‘one portfolio’ approach, seeking to leverage its internal and external resources and capabilities to maximise investment outcomes for its members across each investment option. It has a long-term investment focus. It believes in maintaining broadly diversified portfolios across listed and unlisted assets, asset classes and strategies, managers and manager styles. It believes in active asset allocation and active management within asset classes where there is persistent value added. It sets strategic asset allocation targets which are used as a guide for allocating cash flows to sectors with the best expected returns.

Over the past ten years, AustralianSuper has developed and grown its internal management capability – initially in Australian equities, property, infrastructure, followed by cash, international equities, credit and global fixed interest. In total, AustralianSuper managed about 58% of its assets directly at June 2023. However, AustralianSuper will continue to use external managers where it believes they can add greater value than it could produce internally. Internalisation will continue to be a key lever to fund more expensive higher alpha strategies and AustralianSuper’s global build, with internally managed assets potentially increasing to about 75% of total assets by 2035.

### 3.3 Research

AustralianSuper primarily sources its external fund manager research from its investment team. It supplements its own research with additional strategic advice and research on specific sectors from Frontier and JANA. This includes identifying new investment opportunities and asset sectors, researching incumbent and potential managers and undertaking other assignments as directed by Mark Delaney. JANA and Frontier also provide input to strategic and active asset allocation decisions, and present to the Investment Committee on a regular basis. JANA also reviews AustralianSuper's internal investment management capabilities for the Investment Committee. In addition, AustralianSuper may leverage the expertise of specialist consultants and its general partners to source or obtain additional views on investment opportunities in unlisted markets – infrastructure, property, private equity and private credit. In mid-risk assets (property, infrastructure and credit), AustralianSuper is increasingly taking a lead role in sourcing investment opportunities. The expansion of AustralianSuper's investment capability over the next 5 to 10 years will be focussed on its global build across both unlisted and listed asset classes. This is to enable better access to investment opportunities, key partners and a global talent pool. Wherever possible, AustralianSuper will manage international assets internationally, and Australian assets in Australia.

AustralianSuper draws its asset allocation and macroeconomic research from several sources. The Asset Allocation team, headed by Alistair Barker, is responsible for AustralianSuper's macroeconomic research and portfolio management activities relating to all diversified investment options including its cyclical Portfolio Mix process, which captures AustralianSuper's views on active allocation positioning. The team works closely with its internal Advisory Groups, and its research is strengthened by the depth of its relationships with key global and domestic research houses, government bodies, consultants, economists and investment managers.

### 3.4 Strengths

AustralianSuper's main strengths are listed below along with some key enhancements over the past year.

- It has a large and high-quality investment team of about 335 investment professionals with significant depth and strong succession planning. That is up from 270 staff a year ago with growth across all teams but particularly strong growth across the mid-risk team and global offices. AustralianSuper continues to attract high quality talent as it expands its global operations and expects to add about 85 new roles globally over the next year.
- It has significant scale with about \$300 billion in assets under management which enables it to acquire large assets, particularly in property and infrastructure, and seek co-underwriting and co-investment opportunities in private equity, while lowering investment costs.
- It has built up a strong internal management capability and currently manages about 58% of its assets directly – across equities, property, infrastructure, credit, fixed interest and cash. AustralianSuper's internalisation program has been a key driver of the reduction in investment fees and costs for the Balanced (MySuper) option from 0.67% in FY17 to 0.50% in FY23, excluding transaction costs.
- It has a global presence with offices in London, Beijing and New York. It believes the advantages of having a global presence include being closer to deal origination, better asset management, stronger research of companies, superior execution and better access to the right investment professionals. This is particularly important for unlisted assets such as private equity, infrastructure, property and credit. Indeed, as mentioned above, the expansion of the Investment team over the coming years will be focussed on its global operations and internal management capability, particularly in the unlisted asset space.
- It continues to evolve how it constructs portfolios and how it accesses and researches investment opportunities. As an example, as part of its mid-risk portfolio strategy with the intention to more than double its size from the current \$65 billion by 2030, in October 2023 it brought the real estate and infrastructure teams together to form a broader real assets team, led by Nik Kemp (Head of Global Real Assets and previously Head of Infrastructure) who reports to Jason Peasley (Head of Mid-Risk Portfolios). Central to the strategy will be different mid-risk assets competing for capital.
- It offers high quality investment portfolios that are well-diversified and have benefitted from a strategic commitment to, and significant experience in, investing in unlisted assets (private equity and infrastructure). It has been successful in continuing to further diversify its unlisted asset portfolios in recent years, investing heavily in digital infrastructure, industrial property, and mixed-use property. However, we note that AustralianSuper's property strategy hasn't worked as well as hoped mainly due to its overweight to retail assets and underweight to the industrial sector (this is discussed further in the 'Issues to consider' section).

- It has a strong investment governance framework with an Investment Committee that has a deep understanding of investments, with appropriate delegations to the investment team which are periodically reviewed for appropriateness and modified as the Fund and the investment team's expertise continues to grow globally. The framework enables efficient and timely investment decisions and effective oversight of the delegated authority.
- AustralianSuper also has sound governance around internal strategies which are monitored closely on an ongoing basis through regular reporting and meetings. JANA, in its role as adviser to the Investment Committee, provides independent initial and ongoing review of internal strategies. There has been evidence of AustralianSuper terminating internal strategies where it hasn't achieved the desired outcomes or where it no longer fits with AustralianSuper's go-forward strategy.
- AustralianSuper has a dedicated Valuation team that is independent from the Investment team. It acts as the central point of contact with independent external valuers and is responsible for providing oversight of the valuation process, including inputs required from the Investment team, and makes valuation recommendations to the Valuation Committee.
- Responsible Investment is well-integrated into its core portfolios and it has a strong and well-resourced ESG & Stewardship team of 15 led by Andrew Gray.
- Strong and growing net cash flow. Over the 2022/23 financial year, AustralianSuper received a total of \$18.9 billion in net contributions.
- Strong investment performance for all diversified investment options.
- It has a strong focus on risk management. In addition to investing in its people, AustralianSuper has also invested significantly in systems in recent years and remains committed to further enhancing them. It is currently in the process of uplifting its liquidity management and risk reporting systems.
- To supplement its own deep investment capability, it continues to access insights from two of Australia's leading asset consulting firms – Frontier and JANA. Additionally, it may leverage the expertise of specialist consultants and its general partners to source investment opportunities in unlisted asset classes.

### 3.5 Issues to consider

Issues that investors may need to consider include:

- While AustralianSuper's global expansion provides the benefits described above, preventing silos from developing and maintaining culture may be more challenging. To maintain connectivity and culture, Investments Senior Leadership (Mark Delaney and his direct reports) remain committed to spending a significant proportion of their time in its overseas offices. Additionally, some key senior Australian investment staff will be based overseas for periods of time.
- AustralianSuper's internally managed concentrated Australian large cap equities strategy, which has performed strongly, may approach its capacity limits within the next two years. Chant West will continue to monitor any developments regarding the strategy's risk and alpha targets.
- While AustralianSuper has made solid progress in recent years to reshape its unlisted property portfolio, its legacy retail and US office exposures continue to be a drag on performance. Additionally, reshaping exposures for large unlisted portfolios can take time. However, through AustralianSuper's strong net cash flows and a slowdown of allocations to the asset class, the actual exposure to unlisted property in AustralianSuper's Balanced option has now been reduced to 5%
- With the changes to the Mid-Risk Assets team structure, there are still some key roles to be filled and some new reporting lines. While Chant West has a positive view on the change to the team structure, it remains to be seen how effective it will be.



## 4. Manager & Asset Research

AustralianSuper primarily sources its fund manager research from its internal investment team and manages about 58% of assets directly. It supplements its own research with additional strategic advice and research on specific sectors from Frontier and JANA. This includes identifying new investment opportunities and asset sectors, researching incumbent and potential managers, and undertaking other assignments as directed by Mark Delaney. JANA and Frontier also provide input to strategic and active asset allocation decisions, and present to the Investment Committee on a regular basis. In addition, AustralianSuper may leverage the expertise of specialist consultants and its general partners to source or obtain additional views on investment opportunities in unlisted markets – infrastructure, property, private equity and private credit. In mid-risk assets (property, infrastructure and credit), AustralianSuper is increasingly taking a lead role in sourcing investment opportunities. AustralianSuper's longer-term strategy is to have one-third of its investment team based overseas.

### 4.1 Resources and coverage

The internal investment team, headed by Mark Delaney, comprises about 335 investment staff. Table 3 lists the senior internal investment staff (Investments Senior Leadership and some of their key direct reports). The figures in brackets represent the size of each team.

In October 2023, the Investment Strategy, Enablement and Oversight team, headed by Damian Moloney (Deputy CIO), was renamed the CIO Office, to better reflect its role, which is to:

- plan, set direction, support and oversee the build of the global investment platform and capability; and
- provide portfolio level strategy, risk and performance oversight and advice.

As part of this change, Justine O'Connell joined the CIO Office as Head of Portfolio Strategy (from Alistair Barker's Asset allocation team). Justine is responsible for Balanced option strategy, oversight of investment portfolio strategy relating to all investment options, and performance oversight and research. Portfolio Strategy brings together parts of the Portfolio Construction and Portfolio Performance & Analytics teams under the one leadership structure.

Jason Peasley, as Head of Mid-Risk Portfolios, has overall responsibility for real assets and mid-risk credit. In October 2023, the mid-risk team brought the real estate and infrastructure teams together to form a broader real assets team, led by Nik Kemp (Head of Global Real Assets and previously Head of Infrastructure) who reports to Jason Peasley. The Global Real Assets team will comprise five 'Heads of' reporting directly to Nik – that includes people leaders for Australia, Europe and Americas as well as 'Heads of' for the Asset Management and higher alpha Strategic Opportunities functions. Sector leads across digital, energy transition, estates, toll roads and transport logistics will be responsible for sharing knowledge and building consistent investment practices across the team.

**Table 3: Key senior investment staff**

Staff	Asset sector / role	Experience
Mark Delaney	Chief Investment Officer	41 / 23
<b>CIO Office (41)</b>		
Damian Moloney	Deputy CIO	35 / 5
Justine O'Connell	Head of Portfolio Strategy	22 / 5
Carl Astorri	Head of Investments, Europe	28 / 9
Susan Alexander	Regional Head, US	31 / 14
Stephanie Giurco	Head of Investments Governance & Accountability	14 / 9
Yue Cao	Principal, Strategy and Planning	17 / 4
Rachel Colman	Principal, Investments Business Management	18 / 10
Andrew Gray	Head of ESG & Stewardship	32 / 12

#### Note

Experience: years in the investment industry / years with AustralianSuper

**Table 3: Key senior investment staff (cont.)**

Staff	Asset sector / role	Experience
<b>Asset Allocation (30)</b>		
Alistair Barker	Head of Asset Allocation	24 / 15
Vacant	Head of Diversified Portfolios	
Matthew Dive	Senior Director, Investment Risk	22 / 11
Amber Rabinov	Head of Macro Research & Strategy	18 / 3
John Normand	Head of Investment Strategy	28 / 1
<b>Australian Equities (20)</b>		
Shaun Manuell	Head of Australian Equities	30 / 10
<b>International and Private Equity (66)</b>		
Mark Hargraves	Head of International & Private Equity	28 / 1
Michael Stavropoulos	Head of Portfolio Construction	22 / 1
Ruairidh Stewart	Head of Global Internal Fundamental	27 / 5
Joseph Wahba	Head of Manager Research	32 / 23
Terry Charalambous	Head of Private Equity	25 / 17
Zia Rahman	Head of Equity Portfolio Insights & Strategy	26 / 10
<b>Mid-Risk Portfolios (89)</b>		
Jason Peasley	Head of Mid-Risk Portfolios	30 / 12
Nik Kemp	Head of Global Real Assets	25 / 10
Nick Ward	Head of Private Credit	20 / 12
Roger Knott	Senior PM, Direct Investments	29 / 8
Jessica Melville	Head of Mid-Risk Portfolio Strategy & Research	16 / 2
David Dubrovsky	Head of Mid-Risk Portfolio Governance and Insights	18 / 4
Jane Park	Head of Investment Capability	23 / 1
<b>Fixed Income, Currency &amp; Cash (27)</b>		
Katie Dean	Head of Fixed Income, Currency & Cash	21 / 9
Vacant	Head of Portfolio Construction & Strategy	
Daniel Been	Head of Macro Currency & Emerging Markets	21 / 1
Sujay Shah	Head of Internal Government Portfolios	16 / 1
Damon Lau	Head of Quantitative & Derivative Strategies	23 / 8
Vacant	Head of Macro Rates	
<b>Liquidity &amp; Implementation (50)</b>		
Joris Hillmann	Acting Chief Liquidity Officer	24 / 5

**Note**

Experience: years in the investment industry / years with AustralianSuper

Over the past ten years, AustralianSuper has developed and grown its internal management capability and now manages 58% of total assets directly (at June 2023). However, AustralianSuper will continue to use external managers where it believes they can add greater value than it could produce internally.

It first started managing assets directly in 2013 by establishing an internal Australian equities team headed by Shaun Manuell, which currently comprises 20 staff. This team now covers large cap stocks, small cap stocks and micro-cap stocks. Overall, the team managed assets of \$59.8 billion or 92% of the \$65 billion Australian equities portfolio at 30 June 2023. AustralianSuper's internal fundamental international equities team, headed by Ruairidh Stewart, comprises 18 staff, and began managing a fundamental strategy in November 2016, which has grown to \$13.3 billion. In addition, a systematic equities team, headed by Jonathan Tay, comprises seven staff and manages three international quantitative strategies – a quantitative quality franchise strategy (\$5.4 billion at June 2023 but this has reduced significantly since), a quantitative value strategy (\$6.6 billion) and a quantitative core strategy (\$548 million). This team also manages an Australian Equities Enhanced Index strategy (\$1.1 billion). AustralianSuper also manages a fundamental Asian equities portfolio (\$1.7 billion). Overall (including derivatives-based strategies), internally managed equities accounts for about 43% of the \$82.1 billion international equities portfolio.

AustralianSuper also directly manages the majority of its private credit exposure through a team led by Nick Ward (\$5.9 billion). AustralianSuper also directly holds a meaningful portion of its unlisted infrastructure (\$22 billion which represents 55% of the asset class) and unlisted property (\$6.3 billion which represents 48% of the asset class), including some large investments both domestically and overseas. AustralianSuper has also grown its private equity capability and now manages about \$15 billion (36% of private equity).

AustralianSuper's internal fixed income programme includes an investment grade sovereign fixed income portfolio (about \$20.2 billion), Australian High Grade Spread Portfolio (about \$8.7 billion) and direct investment grade credit portfolios (about \$561 million).

## 4.2 Process

Manager and asset research is carried out by the internal investment team, which is supported, where necessary, by research provided by the external subject matter experts. Internal investment teams, which directly manage portfolios under specific mandates, carry out the majority of the fundamental and quantitative research in-house, complemented by a panel of external research providers.

Investments Senior Leadership or senior staff who have delegated authority are responsible for external manager appointment decisions based on recommendations from their respective teams, following the completion of investment and operational due diligence. The manager selection process typically starts with the internal investment team generating and reviewing a long list of candidates for manager searches, taking into consideration managers that AustralianSuper has existing relationship with, or have been tracking, and Frontier ratings (if applicable). The types of managers and portfolios that are considered can vary across asset classes. As an example, the criteria for international equity managers include concentrated mandates, high active share and capacity, simple and repeatable processes, a stable team and boutique ownership with reputable people.

The long list of 3-20 managers is then narrowed down to a short list through desktop analysis, where the factors considered include fee/capacity constraints, portfolio manager and/or reputational concerns, the range of alpha sources available to the manager, the quality and depth of the investment team and the historical track record. The output of this analysis is a short list of typically a maximum of 6 prospective candidates. Extensive due diligence is undertaken on these short-listed managers including onsite reviews. AustralianSuper also requests that the managers complete detailed operational due diligence and responsible investment questionnaires alongside additional data requests as required. A manager scorecard is completed based on the internal investment team's qualitative and quantitative analysis, and the preferred manager is selected. A detailed manager recommendation paper is prepared for approval from the relevant Investments Senior Leadership who holds significant delegation authority, in line with AustralianSuper's Investment Delegations Framework.

AustralianSuper has good connectivity across asset class teams with the assessment of some investment opportunities in one asset class incorporating insights from other asset class teams.

AustralianSuper has a rigorous performance assessment framework in place with both internal and external mandates monitored closely by AustralianSuper on an ongoing basis through regular reporting and meetings. JANA, in its role as adviser to the Investment Committee, provides independent initial and ongoing review of internal strategies with a deep-dive review conducted every three years.

For co-investment opportunities in unlisted asset sectors, where AustralianSuper invests alongside an external manager, AustralianSuper takes into consideration the due diligence undertaken by the relevant manager (general partner) but will also conduct its own analysis. In the case of co-underwrite opportunities, the AustralianSuper private equity team is involved earlier in the due diligence process and undertakes more in-depth analysis. For direct unlisted asset opportunities, AustralianSuper mainly relies on its own detailed due diligence, using external advisors as required. In the mid-risk asset space, AustralianSuper is now increasingly taking a lead role in sourcing investment opportunities.

See Portfolio Management for further details of the roles of the Investment Committee, the internal investment team, and the Advisory Groups.

## 5. Capital Markets Research

The Asset Allocation team, headed by Alistair Barker, is responsible for setting the strategic asset allocation (SAA) and active asset allocation for all of AustralianSuper's diversified investment options, and therefore undertakes the majority of the Fund's capital markets research. The four core functions of the Asset Allocation team include macroeconomic research, asset allocation strategy, portfolio construction and investment risk. AustralianSuper adopts a total portfolio approach with the Portfolio Strategy and Asset Allocation teams working closely together, seeking to combine top-down asset allocation decisions with asset class construction and security selection decisions, so they are sized with the total portfolio outcome in mind.

The Asset Allocation team also works closely with internal Advisory Groups (described in Section 6.2) and asset class teams. The Asset Allocation team's research is strengthened by the depth of its relationships with key global and domestic research houses, government bodies, consultants, economists and investment managers. The team's macroeconomic research has evolved over recent years from primarily supporting the asset allocation process to increasingly supporting the investment process more broadly. This is in part due to the increasing internalisation of the investment process, which has been a strategic priority for AustralianSuper over the past ten years.

The Asset Allocation team adopts a medium-term view via the Medium-Term Portfolio Stance (MTPS), which reflects the key Balanced option positions that are intended to be held in 3 years' time. The MTPS is underpinned by AustralianSuper's core tenets – outlook and valuations. Adjustments are then made for key thematic drivers that AustralianSuper expects to influence asset class returns over the medium to long-term. The MTPS provides an anchor point for the active asset allocation process. Active asset allocation positions are underpinned by the Asset Allocation team's near-term cyclical outlook and current valuations. Translation rules are then applied to determine the asset allocations of the other PreMixed options.

The Asset Allocation team provides a monthly review of the asset allocation and market outlook to the Asset Allocation Group. AustralianSuper's principal investment consultants present their outlook to the Asset Allocation Group on a quarterly basis. This process highlights points of difference and identifies areas that are subject to further research and analysis. Views are rigorously debated and discussed in this forum before recommendations are presented to the Investment Committee for endorsement. A deep-dive review of the asset allocation outlook is conducted as a part of the MTPS and approved by the Investment Committee on a semi-annual basis.

The Investment Committee also approves asset allocation ranges. The Exposure Management team monitors and reviews the actual allocations on a daily basis to ensure each option's asset class exposure is within approved delegated ranges.

The 2023 SAA Review saw the definition of SAAs shifting from where AustralianSuper sees the portfolio in 5 years to now representing a starting point for its active investment process and representing the risk and return profile of the portfolio it expects to hold over the long-run. The role of the Investment Committee is to endorse the proposed SAAs for each of the PreMixed investment options for final approval by the Board.

Table 4 summarises AustralianSuper's core investment beliefs.

**Table 4: Core investment beliefs**

Overview	<p>AustralianSuper has a 'one portfolio' approach, seeking to leverage its internal and external resources and capabilities to maximise investment outcomes for its members across each investment option.</p> <p>It has a long-term investment focus and believes in maintaining broadly diversified portfolios across listed and unlisted assets, asset classes and strategies, managers and manager styles. The fund employs active asset allocation and active management within asset sectors where there is persistent value added. It sets strategic asset allocation targets which are used as a guide for allocating cash flows to sectors with the best expected returns.</p> <p>Over the past ten years, AustralianSuper has developed and grown its internal management capability. It now manages internal mandates across Australian equities, property, infrastructure, cash, international equities, credit, global fixed interest and private credit. In total, AustralianSuper managed about 58% of its assets directly at June 2023. However, AustralianSuper will continue to use external managers where it believes they have specialist expertise or can add greater value than it could produce internally.</p>
Strategic asset allocation	<p>AustralianSuper's SAA represents the starting point for its active investment process, reflecting the risk and return profile of the portfolio it expects to hold over the long-run. This is the best representation to members of how AustralianSuper expects to be positioned through-the-cycle. Deviations from the SAAs reflect AustralianSuper's active management overlay.</p> <p>Compared with industry averages, AustralianSuper typically has higher strategic allocations to international equities and unlisted infrastructure and lower allocations to Australian equities and property.</p>
Medium-term asset allocation	<p>AustralianSuper implements medium-term (1 to 3 years) asset allocation tilts underpinned by outlook for major economies and valuations of key asset classes. Adjustments are also made for thematic drivers that are likely to influence asset prices over the medium to long-term. AustralianSuper's Medium-Term Portfolio Stance (MTPS) provides an anchor point for its active asset allocation process.</p>
Short-term asset allocation	<p>AustralianSuper generally does not engage in short-term market timing at the asset allocation level. However, it employs strategies within asset classes that take advantage of tactical movements in the market and have shorter investment horizons.</p>
Currency policy	<p>AustralianSuper sets a strategic foreign currency exposure level as part of the asset allocation process and maintains this through a currency overlay. For its Balanced option, the foreign currency exposure may range between 0 and 30% of the total portfolio. AustralianSuper actively manages its currency exposure around the benchmark neutral position, reflecting the Asset Allocation Group's assessment on the likely direction of the currency. The strategic asset allocation foreign currency exposure for the Balanced option is 20.5%.</p>
Active vs passive	<p>AustralianSuper believes in active management within asset classes but uses some passive management to lower portfolio costs or where active management opportunities are fewer.</p>
Sector portfolio construction	<p>AustralianSuper does not aim to achieve style neutral portfolios. It constructs portfolios with strategic tilts that it believes will add value.</p>

# 6. Portfolio Management

## 6.1 Resources

AustralianSuper's internal investment team is responsible for both research and portfolio management (see Manager & Asset Research for details of internal investment staff). This includes making recommendations to the Investment Committee (IC) on each investment option's risk and return objectives, asset allocation, currency policy and portfolio structure.

The fund has an experienced IC with particular experience in economic policy and investment in alternative assets. The IC, which meets approximately six times a year, comprises six Trustee Directors – Philippa Kelly (Independent Chair), Dr Don Russell (Independent), Innes Willox, Misha Zelinsky, Glenn Thompson and Michele O'Neill, as well as a member appointed by the AI Group – Richard Price, and two independent members – Russell Maddox and Pippa Downes.

## 6.2 Process

As CIO, Mark Delaney is ultimately responsible for the performance of AustralianSuper's diversified options, with the Portfolio Strategy and Asset Allocation teams (led by Justine O'Connell and Alistair Barker, respectively) being key drivers of portfolio management activities. The Portfolio Strategy team is responsible for Balanced option strategy while the Asset Allocation team remains responsible for recommending its SAA and its Medium-Term Portfolio Stance (MTPS). The Asset Allocation team is responsible for the management of diversified investment options other than the Balanced Option. The respective Asset Class teams are responsible for underlying asset class portfolios and single sector investment options. AustralianSuper adopts a collaborative total portfolio approach, seeking to combine top-down design and asset allocation decisions with asset class construction and security selection decisions, ensuring all are sized with the total portfolio outcome in mind.

AustralianSuper's overall investment governance structure is summarised below. 'Portfolio mix' refers to the mix of broad asset classes (the mix between listed equities, private equity, mid-risk assets, fixed income and cash), while 'asset class mix' refers to the mix within those broad asset classes (for example, within mid-risk assets, the mix between property, infrastructure and mid-risk credit).

- (a) The Board establishes AustralianSuper's overarching goals, investment return objectives, risk appetite and risk tolerances, and approves the Fund's investment policies and strategies.
- (b) The IC is responsible for the review of AustralianSuper's investment policies and strategies as well as monitoring the investment performance of the investment options against the investment return objectives and risk appetite set by the Board. The IC approves asset allocation ranges as well as risk, liquidity and cost targets. Additionally, all new internal strategies and significant direct transactions require approval from the IC.
- (c) The CIO and Investments Senior Leadership are responsible for the design of AustralianSuper's investment strategy and the execution of its investment program.
- (d) Asset Class teams and Portfolio Managers are responsible for the execution of their investment mandate.
- (e) Fund Services is responsible for providing operations, legal, tax, performance, mandate and regulatory compliance activities as well as operational risk support to the Investments team.
- (f) Group Risk is responsible for setting the risk management framework, overall appetite and accountabilities for managing risk and compliance obligations, and overseeing risk management activities.

The strategic asset allocation (SAA) and ranges are set annually. The Asset Allocation Group (described below) meets monthly to determine asset allocation and portfolio mix decisions. Active asset allocation tilts may be implemented within the asset allocation ranges approved by the IC. The Exposure Management team monitors and reviews the actual allocations on a daily basis to ensure each option's asset class exposure is within approved delegated ranges.

Several bespoke committees, referred to as Advisory Groups, support the CIO and Investments Senior Leadership in their decision-making. These mainly consist of senior staff in the investment team and may include external experts. Their role is to review and debate recommendations from Asset Class teams. Where the Group endorses a recommendation, it is then referred for approval to the CIO or Investments Senior Leadership, where they have delegated authority from the CIO.

Three Advisory Groups support the CIO, with the first two focusing on portfolio management decisions relating to the Balanced option:

- Asset Allocation Group (chaired by Alistair Barker) – assesses the outlook for markets and considers the impact on the current portfolio mix, asset class mix and SAA.
- Portfolio Management Group (chaired by Justine O’Connell) – assesses the positioning of the Balanced option to ensure it meets its performance objectives within the given cost, liquidity and risk constraints.
- Direct Investments Group (chaired by Mark Delaney) – advises the CIO on direct investment opportunities within the CIO’s delegated authority and recommendations to be brought to the IC. The CIO has delegated authority to approve directly managed unlisted asset transactions up to an approved limit. Sector Heads and Portfolio Managers also have some delegations to approve unlisted asset transactions up to set limits approved by the CIO and IC.

Key Advisory Groups that support the Investments Senior Leadership are:

- Equities Portfolio Construction Group (chaired by Michael Stavropoulos) – manages the broad direction of strategy and portfolio construction for the International Equities Portfolio for the Fund.
- Mid-Risk Mix (chaired by Jessica Melville) – manages the broad direction of strategy and portfolio construction for mid-risk assets for the Fund and sets the mid-risk assets strategy for the Balanced Option.
- Fixed Income, Currency & Cash (FICC) Portfolio Construction Group (chaired by Katie Dean) – manages the broad direction of strategy and portfolio construction for fixed interest, currency and cash investments for the Fund.
- Direct Transaction Committee (chaired by Jason Peasley) – advises the Investments Senior Leadership on direct investment opportunities within their delegated authority.

As mentioned above, all new internal strategies and significant direct transactions require approval from the Investment Committee. JANA, in its role as adviser to the IC, provides independent initial and ongoing review on internal strategies. Allocations to internal strategies are approved by the IC with delegation to Investments Senior Leadership on the timing of funding, up to the IC approved limit. Redemptions from internal strategies require approval from the IC.

AustralianSuper believes the most important risk that needs to be managed is the risk of not achieving its stated investment objectives for members. In managing this, it assesses the following key risks:

- Market risk – is the portfolio adequately exposed to market risks to make money?
- Liquidity risk – is there adequate liquidity to meet cashflow obligations across the portfolio?
- Counterparty risk – are potential risks from the failure of a counterparty to a transaction being managed appropriately?
- Asset owner risk – are direct assets being effectively managed?

Managing liquidity risk is a key part of AustralianSuper’s investment process given its appetite for unlisted assets. AustralianSuper’s Liquidity Management Plan (LMP) establishes a framework to measure, monitor and manage the liquidity and rebalancing risks for the Fund and each of its investment options. It ensures that the Fund operates within the Board’s liquidity risk appetite and that investment portfolios have adequate liquidity to meet cashflow obligations. The LMP incorporates liquidity provisions for both normal and stressed market conditions. As part of the LMP, liquidity coverage ratios are calculated and monitored for all options and at the Fund-level each day.



AustralianSuper conducts rigorous scenario analysis, at least annually, to stress test the liquidity within the investment options and assess key liquidity indicators. These include:

- Testing that the level of illiquid assets remains within portfolio limits.
- Testing the net cash outflows from an investment option over the stressed scenario (stress test scenario is run over various time periods).
- Ensuring a reasonable level of cash is maintained in the investment options as an adequate cash buffer.
- Testing potential changes to government policy or regulations that could impact the liquidity of the investment portfolios (e.g. early release of super in 2020).

Out-of-cycle stress testing may be carried out if required, which may or may not be prompted by an actual market event.

To provide additional rigour around unlisted asset revaluations, AustralianSuper has a Valuation team that sits independently from the Investment team. The Valuation team, which includes staff with valuation expertise, is responsible for providing oversight and review of valuations of unlisted assets. It acts as the central point of contact with independent external valuers and obtains inputs from individual asset class teams responsible for the specific investments being valued to ensure a robust valuation process with an enhanced layer of independence. Prior to any valuation being captured in unit pricing, the valuation is presented to the Valuation Committee for discussion and ultimate approval. The Asset Class teams join that discussion for their respective investments. In its role, the Valuation team reviews valuations received from independent valuers, challenging their assumptions and/or valuations, and makes adjustments where necessary.

In addition to continuing to grow its investment team, AustralianSuper continues to invest in systems. It uses Aladdin as its portfolio risk management system. Aladdin comprises risk analytics as well as portfolio management, trading and operational tools to assist investment decision-making, effective risk management and efficient implementation. AustralianSuper's tailored performance and attribution system, 'PEARL', provides granularity into the underlying drivers of performance. AustralianSuper is now in the midst of enhancing its liquidity management and risk reporting system.

## 7. Approach to Responsible Investment

AustralianSuper's ESG & Stewardship team, led by Andrew Gray, comprises 15 staff working across all asset classes to ensure that Environmental, Social and Governance (ESG) risks and opportunities are fully integrated into the investment process. The ESG and Stewardship team reports on the key activities of the ESG and Stewardship program to the Board and Investment Committee. AustralianSuper also measures the progress of the program through various independent assessments such as Principles of Responsible Investment (PRI) and Responsible Investment Association Australian (RIAA). AustralianSuper has been a PRI signatory since May 2007.

AustralianSuper's ESG & Stewardship is based on three pillars:

- ESG integration – integrating ESG considerations when deciding which assets and companies to invest in and assessing their investment value.
- Stewardship – exercising its rights and responsibilities as an asset owner to seek positive management of ESG issues that can impact members' investment returns.
- Choice – taking into consideration members' values in the investment choices it offers.

AustralianSuper integrates ESG considerations into its internal strategies and in the assessment and monitoring of external managers. However, its ESG integration and stewardship approach varies by asset class and the characteristics of the investment, including whether it is directly managed or through external managers, and whether it is through an active or passive strategy. As an example, prior to investing in companies in its internal fundamental portfolios in Australian equities, AustralianSuper conducts due diligence to seek to identify ESG issues that can impact the value of the company. This includes preparing red flag review reports to identify ESG issues and integrating the findings into the Australian Equities team's Key Value Driver assessments which informs its investment valuations and ultimately its decision to invest. The assessment includes consideration of possible valuation impacts due to ESG risks and evaluates underlying companies on their mitigation strategies to manage these risks. Should the decision be made to invest, the findings from the red flag review are used as the base for the company's Ownership Plan and initial engagements with the company. For its direct unlisted property and infrastructure assets, team members are involved in the due diligence process pre-acquisition, and they engage and provide input on ESG issues on an ongoing basis throughout ownership. This includes delivering training programmes to AustralianSuper-appointed non-executive directors and providing comments and feedback on asset-specific ESG strategies/initiatives and periodic ESG-specific engagements.

The ESG & Stewardship team utilises an external manager assessment framework for listed international equity managers which helps evaluate how well prospective managers incorporate ESG considerations into their own investment process and how the manager engages with companies it invests in where issues arise. The outcome of this assessment contributes to the internal asset team's decision to appoint the manager and factors into the annual manager review process. For other asset classes, it asks external investment managers about their approach to ESG considerations during the appointment and annual operational due diligence processes.

AustralianSuper engages with companies and assets, seeking to improve performance on ESG-related issues that can impact members' long-term investment outcomes. It engages directly and collaboratively with other investors through groups such as ACSI and Climate Action 100+. Other collaborations in which AustralianSuper is an active member include the Investor Group on Climate Change (IGCC), Investors Against Slavery and Trafficking (IAST) APAC and the Sustainable Developments Investments Asset Owners Platform (SDI-AOP) in relation to UN SDGs. AustralianSuper completed its founding partnership of the Australian Industry Energy Transitions Initiative in November 2022. For engagement with overseas companies, AustralianSuper utilises the services of engagement adviser, Federated Hermes EOS.

AustralianSuper makes its proxy voting decisions based on what it considers to be in the best investment interest of members, drawing on proxy voting advice from its service providers – Glass Lewis for international companies and Australian Council of Superannuation Investors (ACSI) for Australian shareholdings.

Although AustralianSuper prefers to engage on ESG issues, where it invests directly, it applies a portfolio-wide exclusion to companies that directly manufacture tobacco products across all investment options. AustralianSuper also offers a Socially Aware investment option (not covered in this report) which further excludes investment in companies (shares or corporate component of fixed interest) that directly own thermal coal, oil or gas reserves, directly manufacture cluster munitions or land mines, have single gender boards (for ASX 200 companies), have received the highest severity controversies on labour rights, human rights, environmental or governance controversies. Additionally, in the context of the Australian shares and international shares asset classes, the Socially Aware option excludes direct ownership of uranium reserves.

AustralianSuper has committed to achieving a net zero emissions portfolio by 2050 (based on scope 1 and scope 2 emissions of portfolio investments). The fund has already made progress in reducing its carbon intensity in the Australian and International shares asset classes by 45% between 2013 and 2021. Further reductions in emissions aim to be achieved through the four pillars specified in its Climate Change Report – Investment Activities, Stewardship, Collaboration & Advocacy and Disclosure & Measurement. In 2020, AustralianSuper established the SDI-AOP alongside three other major global asset owners. By using standardised and artificial intelligence-driven data, the platform seeks to help investors identify and assess companies on their contribution to the UN Sustainable Development Goals (SDGs). A number of major asset owners, asset managers and index providers now subscribe to the Platform. In its Annual Report, AustralianSuper has published its portfolio contribution to SDGs across Australian equities, international equities and fixed interest.

AustralianSuper utilises a range of ESG data providers, including MSCI for ESG ratings, research and emissions data, S&P Global Sustainable1 for emissions and climate risk data, SASB's Materiality Map (together with its in-house due diligence framework) which assists in the evaluation of the materiality of ESG issues for individual direct transactions, and Moody's to assist in the assessment of physical climate and environmental risk for its unlisted property and infrastructure portfolios. AustralianSuper utilises GRESB benchmarking to assist with ESG portfolio level and asset information for private markets and is an investor member of GRESB real estate and infrastructure.

AustralianSuper's Responsible Investment Policy is publicly available on its website. AustralianSuper also reports on and discloses information about the ESG and stewardship activities in its Annual Report and on its website, which includes holdings disclosures, share voting and high-level carbon metrics. Also available on its website are its Climate Change Report and its PRI Transparency and Assessment Reports.

In our classification system, rated investment options are assigned one of the following classifications:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

Chant West has assigned a Responsible Investment Classification of Integrated for AustralianSuper's core diversified portfolios (High Growth, Balanced, Conservative Balanced and Stable).

Section 2 shows our Responsible Investment classifications for all investment options rated in this report.

## 8. Portfolio Structure

### 8.1 Investment options offered

AustralianSuper offers six PreMixed diversified options (four of which have been rated in this report) and four single asset class options. In addition, it offers a Member Direct option that enables members to invest in any shares listed in the S&P/ASX 300 Index, a range of ETFs, Listed Investment Companies (LICs) and term deposits.

### 8.2 Diversified options

Tables 5 to 7 show the structure of the main diversified investment options.

Table 5 shows the current risk/return objectives, strategic asset allocations (SAAs) and key statistics of the four main diversified options. Table 6 shows the permissible ranges around the SAAs. Table 7 compares the actual asset allocations at June 2023 with the strategic asset allocations.

SAAs are reviewed annually. The 2023 SAA Review saw the definition of SAAs shifting from where AustralianSuper sees the portfolio in 5 years to now representing a starting point for its active investment process and representing the risk and return profile of the portfolio it expects to hold over the long-run. As a result, the differences between actual asset allocations and SAAs are larger than in previous years. Australian Super adjusts its actual asset allocations based on its current views on markets.

**Table 5: Diversified options – risk / return objectives, SAAs and key statistics**

Asset sector	Stable	Conservative Balanced	Balanced	High Growth
<b>Risk / Return Objectives <sup>1</sup></b>				
CPI +	1.5	2.5	4.0	4.5
Minimum suggested timeframe	5 yrs	7 yrs	10 yrs	12 yrs
Chance of a -ve annual return	3 in 20 yrs	4 in 20 yrs	5 in 20 yrs	5 in 20 yrs
<b>SAA (%)</b>				
<b>Listed Equities</b>				
Australian	9.0	16.0	23.5	30.0
International	11.0	20.0	28.5	37.0
<b>Private Equity</b>				
Private Equity	1.0	3.0	4.0	4.5
<b>Mid Risk Assets</b>				
Direct Property	6.5	7.0	8.0	7.5
Listed Property	1.0	1.5	1.5	1.5
Direct Infrastructure	7.0	8.0	9.0	8.0
Listed Infrastructure	0.5	1.0	1.0	1.0
Credit	6.0	6.0	4.5	2.5
<b>Fixed Income</b>				
Bonds	34.0	26.0	14.0	5.0
Cash	24.0	11.5	6.0	3.0
Total	100	100	100	100
<b>Key Statistics <sup>2</sup></b>				
Growth / defensive assets <sup>3</sup>	32 / 68	52 / 48	69 / 31	83 / 17
Active / passive overall	97 / 3	97 / 3	97 / 3	97 / 3
Internal / external	54 / 46	57 / 43	59 / 41	60 / 40
Aust / int'l share	9 / 11	16 / 20	23.5 / 28.5	30 / 37
Aust / int'l property	4.4 / 3.1	4.7 / 3.8	5.4 / 4.1	5.0 / 4.0
Alternatives <sup>4</sup>	14.5	18	18.5	16
Aust / int'l bond	17 / 17	13 / 13	7 / 7	2.5 / 2.5
Cash	24.0	11.5	6.0	3.0
Listed / unlisted assets <sup>5</sup>	79 / 21	76 / 24	74 / 26	77 / 23
Currency exposure <sup>6</sup>	8.5	15.0	20.5	26.5

## Notes

- Return objectives are after investment fees and tax
- Key statistics are based on SAAs except in the case of the active/passive and internal/external splits
- Defensive assets include 100% of bonds and cash and 50% of direct property, direct infrastructure and credit
- Alternatives includes private equity, infrastructure and credit
- Unlisted assets include private equity, direct property, direct infrastructure and credit
- Currency exposure represents % of the total portfolio

**Table 6: Diversified options – asset allocation ranges and benchmarks (%)**

Asset Sector	Stable		Conservative Balanced		Balanced		High Growth	
	Range	SAA	Range	SAA	Range	SAA	Range	SAA
Australian Equities	0 – 20	9.0	5 – 35	16.0	10 – 45	23.5	20 – 50	30.0
International Equities	0 – 20	11.0	5 – 35	20.0	10 – 45	28.5	20 – 50	37.0
Private Equity	0 – 10	1.0	0 – 10	3.0	0 – 15	4.0	0 – 15	4.5
Direct Property	0 – 15	6.5	0 – 25	7.0	0 – 30	8.0	0 – 30	7.5
Listed Property	0 – 10	1.0	0 – 10	1.5	0 – 10	1.5	0 – 10	1.5
Direct Infrastructure	0 – 20	7.0	0 – 25	8.0	0 – 30	9.0	0 – 30	8.0
Listed Infrastructure	0 – 10	0.5	0 – 10	1.0	0 – 10	1.0	0 – 10	1.0
Credit	0 – 25	6.0	0 – 25	6.0	0 – 20	4.5	0 – 20	2.5
Bonds	0 – 45	34.0	0 – 40	26.0	0 – 25	14.0	0 – 20	5.0
Cash	0 – 50	24.0	0 – 30	11.5	0 – 20	6.0	0 – 15	3.0
Other Assets	0 – 5	0	0 – 5	0	0 – 5	0	0 – 5	0
Growth Assets	n.a.	32.25	n.a.	52.0	n.a.	69.25	n.a.	83.0
Defensive Assets	n.a.	67.75	n.a.	48.0	n.a.	30.75	n.a.	17.0
Foreign Currency	0 – 20	8.5	0 – 25	15.0	0 – 30	20.5	0 – 40	26.5

**Table 7: Diversified options – actual asset allocations at June 2023 (%)**

Asset Sector	Stable		Conservative Balanced		Balanced		High Growth	
	Actual	SAA	Actual	SAA	Actual	SAA	Actual	SAA
Australian Equities	7.6	9.0	14.4	16.0	20.9	23.5	27.3	30.0
International Equities	9.6	11.0	18.0	20.0	26.1	28.5	34.2	37.0
Private Equity	2.0	1.0	4.7	3.0	5.5	4.0	6.0	4.5
Direct Property	5.8	6.5	5.2	7.0	4.8	8.0	3.8	7.5
Listed Property	0.4	1.0	0.4	1.5	0.5	1.5	0.3	1.5
Direct Infrastructure	13.1	7.0	13.1	8.0	15.2	9.0	11.6	8.0
Listed Infrastructure	0.6	0.5	0.1	1.0	0.3	1.0	0.4	1.0
Credit	4.6	6.0	4.3	6.0	3.5	4.5	0.7	2.5
Bonds	35.4	34.0	28.6	26.0	18.8	14.0	11.5	5.0
Cash	20.6	24.0	10.8	11.5	4.0	6.0	4.0	3.0
Other Assets	0.3	0	0.4	0	0.4	0	0.2	0
Growth Assets	32.2	32.25	49.3	52.0	65.5	69.25	76.5	83.0
Defensive Assets	67.8	67.75	50.7	48.0	34.5	30.75	23.5	17.0
Foreign Currency	9.0	8.5	14.9	15.5	19.8	20.5	26.3	26.5

**Notes for Tables 6 and 7**

1. SAAs are effective 1 July 2023
2. Other assets represent unique opportunities or strategies. Examples include strategic equity holdings, commodities, royalties, leases and other alternative investments.

### 8.3 Sector portfolios (within diversified options and stand-alone sector options)

The broad structure of the fund's asset sector portfolios is summarised below. Table 8 lists the underlying managers (for the fund's total portfolio excluding the Socially Aware and Indexed Diversified options) at June 2023.

#### (a) Australian shares

The \$65 billion Australian equities portfolio is managed as one overall framework with mandates for large caps, small & mid-caps and microcaps. The portfolio currently has a passive component (8%) and an active component comprising three mandates managed by AustralianSuper – large caps (core), small/mid-caps (growth) and microcaps. The passive component comprises a passive mandate managed by IFM that tracks the S&P/ASX 100 Index and an enhanced index mandate managed internally. The active component is a concentrated portfolio focussing on investing in high quality, well-managed companies that are expected to outperform the Australian market over the long-term. In total, the internal team manages about 92% of the Australian equities portfolio including derivatives.

The stand-alone Australian Shares option has the same investment exposure as the Australian equities portfolio within AustralianSuper's diversified options.

#### (b) International shares

The \$82.1 billion international equities portfolio is invested across developed and emerging markets with tilts to/from areas that AustralianSuper believes to be undervalued/overvalued. Investment mandates include 10 external active developed market managers and two emerging markets managers. In addition to this, the internal teams manage five mandates – a fundamental core developed markets portfolio, three quant strategies and a fundamental Asian equities portfolio. The internal fundamental core portfolio accounts for about \$13 billion or 16% of the international equities portfolio while \$12.5 billion or 15% of the portfolio is invested in three internal quant strategies – quality franchise, value and core mandates. The fundamental Asian equities portfolio accounts for \$1.7 billion or just over 2% of the overall international equities portfolio. Overall (including derivatives), AustralianSuper manages about 43% of the international equities portfolio internally.

At June 2023, the international equities portfolio had about a 10% allocation to emerging markets (on a look-through basis). Overall, the portfolio is currently more defensively positioned with a slight value overweight. However, AustralianSuper actively manages styles while remaining aware of sector positions for risk management purposes. It generally doesn't actively take regional tilts.

The stand-alone International Shares option has the same investment exposure as the international equities portfolio within AustralianSuper's diversified options.

#### (c) Private equity

The \$14.7 billion private equity portfolio has an 83/17 split between international and Australian investments. The portfolio consists of core funds (45%), co-investments (35%) and co-underwrites (20%) with a small exposure to cash. Co-investments can be internal or external. External co-investments are via external discretionary mandates where investments are made on behalf of AustralianSuper by an external party. Internal co-investments relate to investments reviewed and decided on by AustralianSuper. Longer term, AustralianSuper expects two-thirds of the portfolio to be managed internally including one-third of the portfolio managed through co-underwrites.

AustralianSuper invests in private equity through specialist funds managed by high quality private equity managers (general partners), while building strong relationships with those managers to co-invest and co-underwrite alongside them. On-the-ground presence and fund participation remain key to developing strong relationships with general partners and accessing deal flow.

## (d) Mid-Risk Assets

Within the overall \$64 billion mid-risk portfolio (direct property, direct infrastructure, private credit and listed mid-risk), thematic research and underlying asset classes competing for capital will underpin overall mid-risk portfolio exposures. This enables the Mid-Risk Assets team to identify and pursue the most attractive risk-adjusted returns. Consistent with this approach, as mentioned earlier in the 'Manager and Asset Research' section, in October 2023, the Property and Infrastructure teams have been combined into a single Global Real Assets team.

Mid-risk investment exposures will be in the form of concentrated portfolios via large stakes in illiquid business and loans. The team intends to actively manage, develop and evolve underlying assets to generate additional revenue streams. The team recognises that to be an integrated one-portfolio team, it needs an integrated portfolio and investment process. Additionally, within the mid-risk asset space, AustralianSuper has become less reliant on partners to originate or execute deals. Current underlying mid-risk asset class portfolio structures are summarised below.

### Direct Property

The \$13 billion property portfolio has a 67/33 split between Australian and international property with 27% invested in the UK and 6% in the US. Longer term, the international property exposure is expected to increase, given the size of international markets relative to Australia. The internal direct portfolio makes up 49% of the overall property portfolio. ISPT and QIC are the portfolio's cornerstone external managers, managing Australian property. Longer term, the strategy is to continue to grow the direct portfolio.

The portfolio has about 44% is invested in office property, 30% in retail property (down from 47% four years ago), 18% in industrial (up from 4% four years ago), 5% in residential/multifamily properties, and 3% in other assets.

### Direct Infrastructure

The \$40.1 billion direct infrastructure portfolio has an approximate 53/47 split between Australian and international infrastructure. IFM is the only core manager in both the Australian and international portfolios. Overall, IFM accounts for 36% of the total infrastructure portfolio. Direct investments currently account for about 55% of the portfolio and will continue to grow over the longer term. The remaining assets are invested in various infrastructure platforms.

The portfolio has about 62% invested in transport assets (airports, ports, roads and rail), 15% in utilities, 11% in telecommunications and data, 5% in oil & gas, 1% in renewables and 6% in non-core assets and other.

### Mid-Risk Credit

At June 2023, the overall \$9.1 billion mid risk-credit portfolio comprised two buckets – private credit (\$7.1 billion representing 79% of the portfolio) and liquid credit (\$2 billion representing 21% of the portfolio). The majority of the private credit portfolio (higher return-seeking and less liquid than the liquid credit component) is the internally managed portfolio (about 82%). The remainder of the private credit portfolio is made up of an external real estate loans (EREL) portfolio (through MaxCap and Perpetual), a middle market loans strategy (through a partnership with Churchill), multisector credit (Oakhill), and other smaller positions. The liquid credit portfolio comprises high yield credit and leveraged loans strategies mainly managed by SSgA (99%) with a small allocation to Bentham (1%).

### Listed Property

The Listed Property asset class is entirely passively managed through a mandate with SSgA which replicates the FTSE EPRA/NAREIT Developed Rental Index hedged to Australian dollars.

### Listed Infrastructure

The Listed Infrastructure asset class is passively managed by SSgA, which replicates the FTSE Developed Core Infrastructure Index hedged to Australian dollars.



## **(e) Fixed Interest**

The structure of the \$46.6 billion portfolio has undergone a series of changes over the past two years, with the sector now gaining its investment exposure through the following strategies – macro fundamental, internal government portfolios, quantitative strategies and specialist external managers. AustralianSuper believes this structure better aligns with the key areas of opportunity available within the investment universe. At June 2023, the portfolio comprised one specialist Australian credit manager (IFM), two broad-market international mandates (managed by Brandywine and Jamieson Coote), one manager that focuses on US mortgages (Putnam) as well as a dedicated investment grade credit mandate (Western). AXA manages a global rates mandate, while Ardea manages a relative value mandate. Additionally, the internal team currently manages an investment grade global sovereign bond mandate, an Australian high grade spread portfolio focussing on investment-grade government-related bonds, an investment grade credit mandate (noting this is in run-off), and futures. Portfolio duration at June 2023 was marginally underweight versus the benchmark. In total, the internal team manages about 65% of the bond portfolio. Overall, the portfolio has a duration limit of +/- 4 years away from the benchmark. Additionally, for liquidity purposes, a minimum of 40% of the portfolio must be held in treasury and government bonds.

The stand-alone Diversified Fixed Interest option differs from the bond exposure within the PreMixed diversified options. The primary difference is that the stand-alone option carries less duration risk (2.8 years in the Diversified Fixed Interest option compared to 5.3 years bond exposure within the PreMixed diversified options at June 2023) with similar managers.

## **(f) Cash**

The cash component of the PreMixed options is managed differently to the stand-alone Cash Option. The Cash option's underlying investments is limited to the AASB 107 definition of cash and cash equivalents. However, the cash exposure within the PreMixed options does have the ability to invest in selected investments outside the AASB definition, such as asset-backed or mortgage-backed instruments.

**Table 8: Investment managers – June 2023**

Asset sector	Manager	Actual % of sector	Style	
Australian shares	Passive (8%)			
	IFM	5.8	Passive (S&P/ASX100)	
	Internal quant	1.7	Enhanced passive	
	Core (76%)			
	Internal Large Caps	76.2	Core	
	Small Cap (16%)			
	Internal Small/Mid Caps	14.9	Growth	
	Internal Micro Caps	0.9	Growth	
	Other	0.5	Equitised cash	
International shares	Developed markets (84%)			
	Internal Fundamental	16.2	Core	
	MFS	14.0	Core	
	Sanders Capital	13.6	Value	
	Alphinity	11.6	Core	
	Internal Quant Value	8.0	Value	
	Internal Quant Franchise	6.6	High quality franchise	
	Orbis	6.5	Value	
	Baillie Gifford	3.7	Growth	
	Dimensional	2.5	Passive	
	Internal Quant Core	0.7	Core	
	Sustainable Growth Advisers	0.6	Growth	
	Other managers	0.4	Various	
	Emerging Markets (7%)			
	GQG	2.6	Growth / quality	
	LSV	2.0	Value	
	Internal (Fundamental) Asia Ex Japan	2.1	Core	
	Other (9%)			
	Internal	6.8	Low Volatility	
	Derivatives / cash	2.1	n.a.	
	Direct Property	Aust Core (64%)		
		ISPT	37.2	Office, retail, industrial mid risk
Internal direct		16.4	Office, industrial, development	
QIC		10.4	Retail, office	
Int'l Core (33%)				
Internal direct		33.0	Retail, office, industrial, development	
Non Core (3%)				
Various	3.0	Funds and direct		

**Note:**

Manager allocations are based on AustralianSuper's total investment in each asset class.

**Table 8: Investment managers – June 2023 (cont.)**

Asset sector	Manager	Actual % of sector	Style	
Listed Property	SSgA	100	Index	
Private Equity	International (83%)			
	Funds	37.5	Funds	
	Co-investments	32.0	Co-investments	
	Co-underwrite	13.7	Co-underwrite	
	Australian (16%)			
	Funds	7.1	Funds	
	Co-underwrite	6.0	Co-underwrite	
	Co-investments	3.2	Co-investments	
	Cash (<1%)			
	Cash	0.5	Cash	
Direct Infrastructure	Australian Core (52%)			
	Internal	38.3	Direct investments	
	IFM	13.8	Fund	
	International Core (47%)			
	IFM	22.3	Fund	
	Internal	16.7	Direct investments	
	Indirect	7.9	Platforms and funds	
	Non Core and other (1%)			
	Various	1.0	n.a.	
	Listed Infrastructure	SSgA	100	Index
Fixed Interest	Internal	43.4	Government / government-related bonds	
	Internal	18.7	Australian High Grade Spread	
	Ardea	8.4	Relative value	
	AXA	6.4	Global fixed income	
	Jamieson Coote	5.8	Global fixed income	
	IFM	5.5	Diversified credit	
	Brandywine	4.7	Global fixed income	
	Internal	1.7	Completion/tilts	
	Putnam	1.5	US mortgage-backed	
	Internal	1.4	Investment grade credit	
	Western	1.3	Investment grade credit	
	Other	1.2	n.a.	
	Liquid credit/loans	SSgA	99.0	High yield bonds
		Bentham	1.0	Leverage loans

**Note:**

Manager allocations are based on AustralianSuper's total investment in each asset class

**Table 8: Investment managers – June 2023 (cont.)**

<b>Asset sector</b>	<b>Manager</b>	<b>Actual % of sector</b>	<b>Style</b>
Private credit	Internal	82.2	Global real assets debt
	MaxCap	7.4	External real estate loans
	Perpetual	5.3	External real estate loans
	Oakhill	2.6	Multi-sector credit
	IFM	1.2	Transition private credit
	Churchill	1.1	Middle market loans
	Various	0.2	Other private credit
Cash	IFM	94.3	n.a.
	Internal	5.7	n.a.

**Note:**

Manager allocations are based on AustralianSuper's total investment in each asset class

## 9. Performance

### 9.1 Diversified options

Table 9 shows the performance of four AustralianSuper diversified options over several periods to June 2023. To illustrate absolute risk, it shows the five year standard deviation. The table compares fund performance with the median of a universe of multi-manager funds. Table 10 shows the year by year returns for the past five years. The figures in brackets in both tables represent excess returns relative to the Chant West Multi-Manager Median.

Despite underperforming peers over the year to June 2023 due to a more defensive position, the performance of AustralianSuper's diversified options over longer periods has generally been comfortably ahead of peer medians. Its long-term outperformance is partly due to its relatively higher allocation to infrastructure and private equity. AustralianSuper's asset allocation tilts and the generally strong performance of its Australian equities portfolio have also contributed to the fund's long-term outperformance.

**Table 9: Diversified options – returns to June 2023 (% pa)**

Option	1 Year	3 Years	5 Years	7 Years	10 Years	Std Dev
High Growth (83/17)	10.5 (-1.0)	9.7 (+0.3)	7.6 (+0.5)	9.2 (+0.7)	9.6 (+0.8)	9.5
Multi-Manager Median	11.5	9.4	7.1	8.5	8.8	9.0
Objective	10.5	9.8	7.9	7.5	7.3	-
Balanced (69/31)	8.2 (-1.0)	8.2 (+0.7)	6.7 (+0.9)	8.2 (+1.2)	8.6 (+0.9)	7.8
Multi-Manager Median	9.2	7.5	5.8	7.0	7.5	7.4
Objective	10.0	9.3	7.4	7.0	6.7	-
Conservative Balanced (52/48)	5.6 (-1.4)	5.4 (+0.0)	5.0 (+0.4)	6.1 (+0.7)	6.7 (+0.7)	5.6
Multi-Manager Median	7.0	5.4	4.6	5.4	6.0	5.4
Objective	8.5	7.8	5.9	5.5	5.3	-
Stable (32/68)	3.4 (-1.3)	3.0 (-0.2)	3.5 (+0.2)	4.4 (+0.5)	5.1 (+0.6)	3.7
Multi-Manager Median	4.7	3.2	3.3	3.9	4.5	3.7
Objective	7.5	6.8	4.9	4.5	4.3	-

**Table 10: Diversified options – single year returns to June (%)**

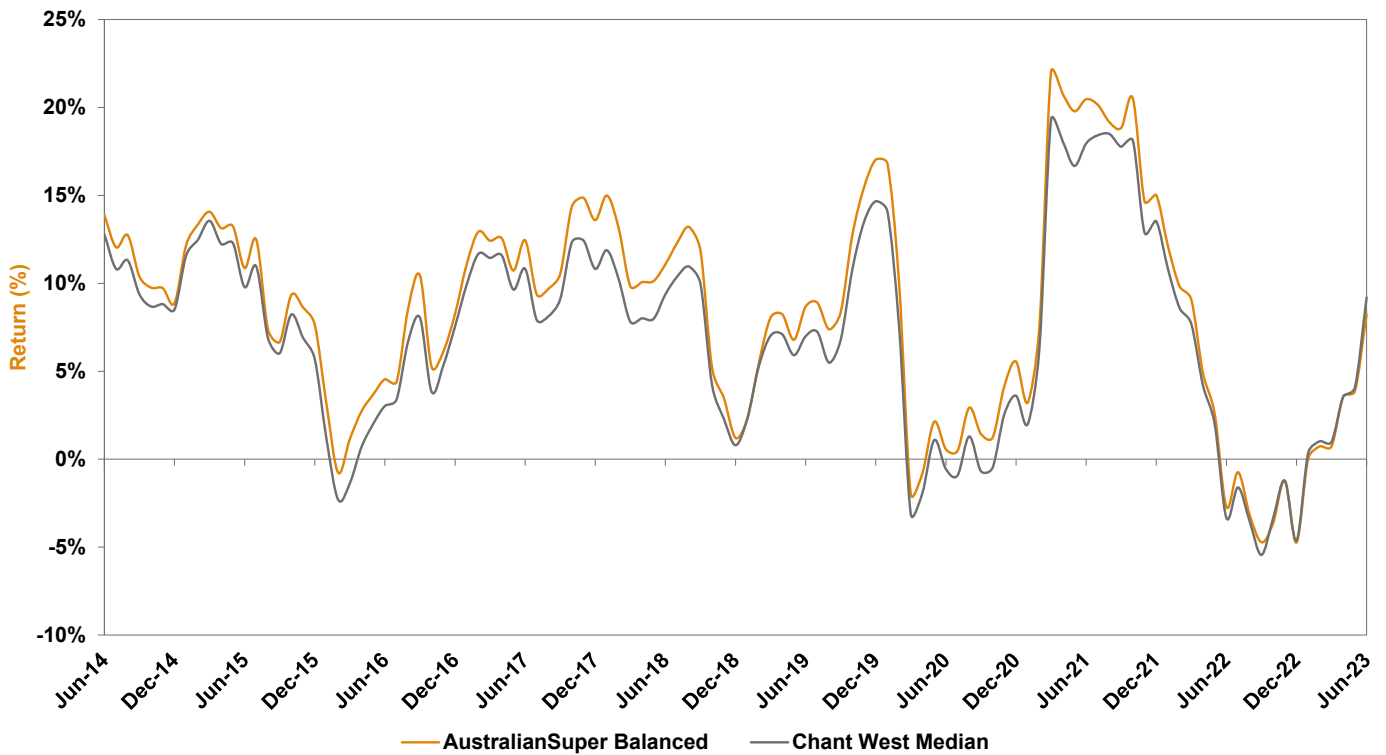
Option	2019	2020	2021	2022	2023
High Growth (83/17)	8.7 (+1.2)	0.6 (+1.5)	24.4 (+2.0)	-3.9 (+0.1)	10.5 (-1.0)
Multi-Manager Median	7.5	-0.9	22.4	-4.0	11.5
Balanced (69/31)	8.7 (+1.7)	0.6 (+1.2)	20.5 (+2.5)	-2.7 (+0.6)	8.2 (-1.0)
Multi-Manager Median	7.0	-0.6	18.0	-3.3	9.2
Conservative Balanced (52/48)	7.6 (+1.4)	1.4 (+1.2)	14.2 (+1.3)	-2.9 (-0.3)	5.6 (-1.4)
Multi-Manager Median	6.2	0.2	12.9	-2.6	7.0
Stable (32/68)	6.7 (+1.2)	1.8 (+0.9)	8.4 (+0.4)	-2.4 (+0.0)	3.4 (-1.3)
Multi-Manager Median	5.5	0.9	8.0	-2.4	4.7

#### Notes for Tables 9 and 10

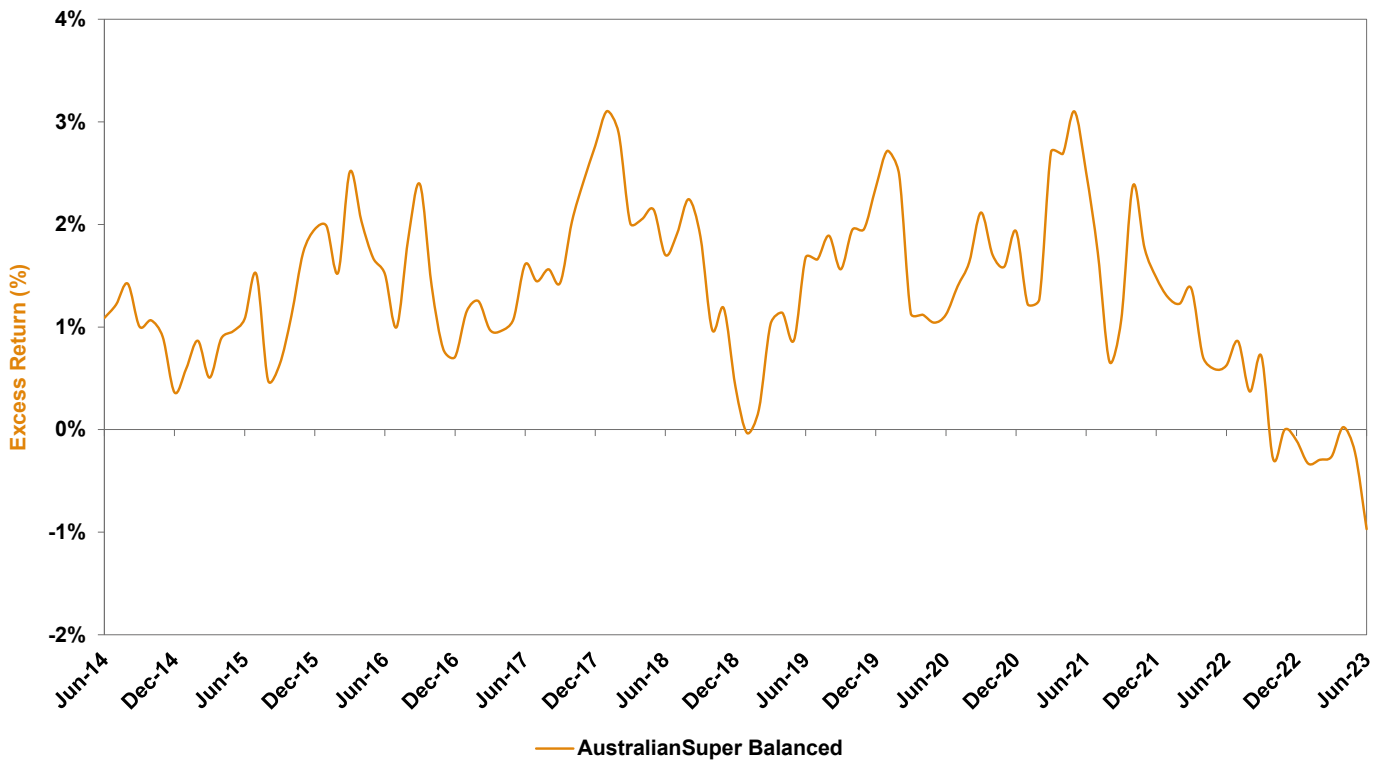
- Returns are net of investment fees and tax (before administration fees). Standard deviation is over five years
- Multi-Manager Median refers to the relevant Chant West Performance Survey Median

Chart 1 shows the rolling 12 month returns within the 10 years to June 2023 for the default Balanced option and the Chant West Multi-Manager median. Chart 2 shows the rolling 12-month excess returns relative to the Chant West Multi-Manager median over the same period.

**Chart 1: AustralianSuper Balanced – rolling 12-month returns**



**Chart 2: AustralianSuper Balanced – rolling 12-month excess returns**



## 9.2 Sector portfolios

### (a) Gross performance

Table 11 shows the gross performance of AustralianSuper's sector portfolios over several periods to June 2023. It also shows the tracking error over three years. The figures in brackets in both tables represent excess returns relative to the Chant West Multi-Manager Median.

**Table 11: Gross returns to June 2023 (% pa)**

Portfolio	1 Year	3 Years	5 Years	7 Years	10 years	Tracking Error
<b>Australian Shares</b>	14.3 (+0.0)	13.2 (+1.3)	8.4 (+1.2)	9.8 (+0.4)	9.6 (+0.3)	1.8
Benchmark	14.4	11.1	7.1	8.9	8.6	-
Multi-Manager Median	14.3	11.9	7.2	9.4	9.3	2.0
<b>International Shares</b>	19.7 (-1.4)	10.5 (-2.1)	11.1 (-0.5)	12.8 (+0.5)	13.5 (+0.3)	3.0
Benchmark	22.6	13.5	11.5	12.5	13.2	-
Multi-Manager Median	21.1	12.6	10.6	12.3	13.2	3.3
<b>Private Equity</b>	-2.0	19.9	13.1	13.5	14.6	n.a.
Benchmark	-5.5	22.4	16.2	13.5	-	-
<b>Direct Property</b>	-8.0	1.6	0.8	3.0	5.2	n.a.
Benchmark	-5.4	5.9	4.3	6.1	7.4	-
<b>Listed Property</b>	-4.9	-	-	-	-	-
Benchmark	-6.1	-	-	-	-	-
<b>Direct Infrastructure</b>	10.1	11.8	9.4	10.6	11.1	n.a.
Benchmark	9.8	11.1	9.1	10.1	10.5	-
<b>Listed Infrastructure</b>	-3.2	-	-	-	-	-
Benchmark	-4.5	-	-	-	-	-
<b>Mid-Risk Credit</b>	6.9	6.1	3.9	5.6	-	n.a.
Benchmark	8.7	3.2	2.4	3.4	-	-

#### Notes

- Returns are gross of investment fees and tax except for Private Equity, Property and Infrastructure where the returns are gross of tax and net of underlying investment manager fees
- Returns for Australian Shares include the benefits of franking credits received from participation in share buy-backs
- Median refers to the Multi-Manager Median from the relevant Chant West Performance Survey
- Benchmark for Australian Shares is the S&P/ASX 300 Accumulation Index
- Benchmark for International Shares is the MSCI World Ex-Aust Accumulation Index A\$
- Benchmark for Private Equity is the Hamilton Lane Customised Median Fund Index.
- Benchmark for Direct Property is 60% Mercer/IPD Unlisted Property Index, 20% IPD UK Quarterly Property Fund and 20% Open End Diversified Core Equity
- Benchmark for Listed Property is the FTSE EPRA NAREIT Developed Rental Index A\$ Hedged
- Benchmark for Direct Infrastructure is bespoke and calculated by Frontier. Prior to July 2015, it was 30% Bloomberg AusBond Composite Index, 70% Citigroup World Govt. Bond Ex-Aust Index Hedged A\$ plus 4%
- Benchmark for Listed Infrastructure is the FTSE Developed Core Infrastructure Index A\$ Hedged
- Benchmark for Mid-Risk Credit is 50% Bloomberg Barclays Global High Yield (Hedged to AUD), 50% S&P Global Leveraged Loan Index (Hedged to AUD). Prior to January 2018, it was 60% Credit Suisse Leveraged Loan Index A\$ Hedged / 20% Credit Suisse Western European Leveraged Loan Index A\$ Hedged / 15% BofA Merrill Lynch US High Yield Index A\$ Hedged / 5% BofA Merrill Lynch Euro High Yield Index A\$ Hedged

**Table 11: Gross returns to June 2023 (% pa) (cont.)**

<b>Portfolio</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>	<b>10 years</b>	<b>Tracking Error</b>
<b>Fixed Interest</b>	-1.0 (-2.1)	-3.5 (-0.8)	0.3 (-0.6)	1.1 (-0.2)	-	1.2
Benchmark	0.1	-3.6	0.4	0.7	-	-
Multi-Manager Median	1.1	-2.7	0.9	1.3	-	0.9
<b>Cash</b>	<b>3.2</b>	<b>1.2</b>	<b>1.4</b>	<b>1.7</b>	<b>2.0</b>	<b>0.1</b>
Benchmark	2.9	1.0	1.2	1.3	1.7	-

**Notes**

1. Returns are gross of investment fees and tax
2. Benchmark for Fixed Interest is 50% Bloomberg AusBond Composite Index All Maturities / 50% Barclays Capital Global Aggregate Hedged
3. Benchmark for Cash is the Bloomberg AusBond Bank Bill Index



## (b) Net of investment fees and tax performance (stand-alone options only)

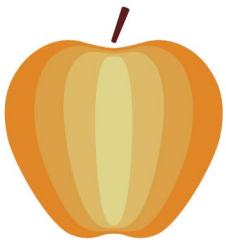
Table 12 shows the net of investment fees and tax performance of AustralianSuper's stand-alone single-sector options compared with the relevant Chant West Multi-Manager median. The performance of the Australian Shares and Diversified Fixed Income option has generally been well ahead of peer over three, five, seven and ten years to June 2023. The performance of the International shares option has lagged peers by a meaningful margin over three years but performance remains significantly ahead of peers over longer periods.

**Table 12: Net returns to June 2023 (% pa)**

Portfolio	1 Year	3 Years	5 Years	7 Years	10 years
Australian Shares	14.0 (+0.0)	12.9 (+1.3)	8.7 (+1.4)	9.9 (+0.8)	9.7 (+0.8)
Multi-Manager Median	14.0	11.6	7.3	9.1	8.9
International Shares	17.4 (-0.4)	9.5 (-1.3)	10.0 (+1.6)	11.4 (+1.1)	11.9 (+1.4)
Multi-Manager Median <sup>3</sup>	17.8	10.8	8.4	10.3	10.5
Diversified Fixed Interest	-0.5 (-0.9)	-0.9 (+1.4)	0.7 (+0.2)	1.4 (+0.5)	2.6 (+0.5)
Multi-Manager Median	0.4	-2.3	0.5	0.9	2.1
Cash	2.6 (-0.1)	1.0 (+0.0)	1.2 (+0.0)	1.4 (+0.0)	1.7 (+0.0)
Multi-Manager Median	2.7	1.0	1.2	1.4	1.7

### Notes

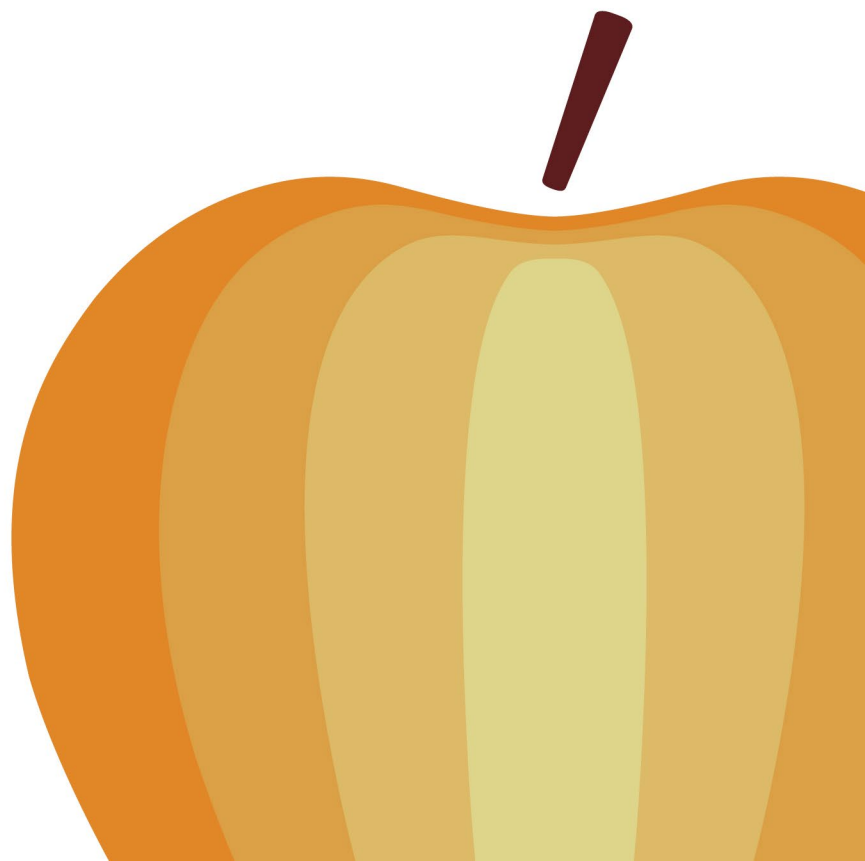
1. Returns are net of investment fees and tax
2. Median refers to the Multi-Manager Median from the relevant Chant West Performance Survey
3. Most investment options in the Chant West's International Shares Multi Manager (Net) universe are unhedged but we define this universe as 0-50% hedged as some investment options in this category have a partial hedge.



**Chant West**

# Attachment

**Ratings Methodology and General Disclosures**



# 1. Ratings Methodology

Our multi-manager ratings, which represent the views of Chant West formulated on the basis of the ratings methodology described below, include an overall rating for the product issuer and separate ratings for each of its products (investment options) covered in our report.

Our overall investment capability rating refers to the issuer's ability to construct investment options that represent industry best practice, and have a high likelihood of achieving their stated risk/return objectives and delivering strong peer-relative outcomes. By industry best practice, we mean portfolios that focus on generating superior long-term investment outcomes for super fund members as opposed to those that are overly focused on short-term business risks. Those portfolios typically reflect the issuer's 'best ideas'.

Our overall investment capability ratings range from 5 Apples, our highest rating, to 1 Apple, our lowest rating. These ratings are in full apple increments. The full range and their descriptions are set out in the table below.

## Description of overall investment capability ratings

Overall Rating	Rating
5 Apples	Highest quality
4 Apples	High quality
3 Apples	Fair quality
2 Apples	Low quality
1 Apple	Lowest quality

In addition to the overall investment capability rating, this report assigns ratings for individual investment options available to super fund members. The ratings of individual investment options may differ from the overall investment capability rating as they assess the specific characteristics of each portfolio. Our ratings assess the ability of the issuer to construct well-diversified portfolios, select and combine managers, and incorporate the issuer's best investment ideas into the portfolio. Our ratings do not assess the underlying investment managers. The table below summarises the ratings definitions for our individual investment option ratings where 'half apple' increments are applied.

## Investment option ratings definitions

Investment option rating	Definition
5 Apples – Highly Recommended	Chant West believes that the investment option has a very high probability of meeting its stated investment objectives and is likely to deliver strong peer-relative outcomes over the long-term. The strategy scores highly across each of Chant West's key areas of assessment.
4.5 Apples – Recommended / 4 Apples – Recommended	Chant West believes that the investment option has a high probability of meeting its stated investment objectives and is likely to deliver competitive peer-relative outcomes over the long-term. The strategy scores highly across each of Chant West's key areas of assessment. We believe that investment options with a 4.5 apples rating are likely to deliver superior outcomes to those with a 4 apples rating.
3.5 Apples – Approved / 3 Apples – Approved	Chant West believes that the investment option should produce outcomes consistent with its stated investment objectives, albeit we have identified areas for potential improvement across Chant West's key areas of assessment and/or believe that its long-term peer-relative investment outcomes may lag investment options with our Highly Recommended or Recommended ratings. We believe that investment options with a 3.5 apples rating are likely to deliver superior outcomes to those with a 3 apples rating.
Under Review	The investment option rating has been temporarily suspended pending investigation of material issues by Chant West.

For diversified (multi-asset) investment options, a Chant West rating takes into account seven criteria: portfolio structure & design (25%), investment governance (15%), manager research & asset research (15%), past performance (15%), capital markets research (10%), portfolio management team (10%), responsible investment integration (5%) and, portfolio risk management & systems (5%). We determine a score for each of these criteria and then weight them to provide an overall rating. The criteria and weightings we use have been developed over a period of 23 years and reflect our considerable experience in evaluating multi-manager investment options.

We apply a different rating methodology for single-sector options: manager research & asset research (25%), portfolio structure & design (25%), past performance (15%), investment governance (10%), portfolio management team (10%), responsible investment integration (5%), portfolio risk management & systems (5%) and capital markets research (5%).

A key aspect of our ratings is that we focus on the issuer's investment governance regime, the quality of the internal investment team, the quality of the primary investment consultant where applicable, and the structure of the investment portfolios. Investment beliefs and processes as well as the quality and integrity of the people involved, are more important to us than past performance.

Our ratings are based on information that is either publicly available or is provided directly to us by the issuers themselves. Issuers review our report for the accuracy of the information, but we do not have the information audited or independently verified.

## 2. Responsible Classification System

Interest in Responsible Investing (RI) has increased materially in both product numbers and traction in recent years. While Zenith group, including Chant West, believes that the increase in RI strategies is broadly a positive, we have observed that defining how investment managers and superannuation funds incorporate these practices into their methodologies is an industry challenge.

Zenith group believes that individual investors are best positioned to determine the portfolios that are most closely aligned to their beliefs and values. By creating additional tools to further identify an investment option's approach to RI, we believe that investors will be able to make more well-informed investment decisions.

To this end, Zenith group believes that the first step in providing clients with increased RI insights is to create a robust classification system across managed funds and superannuation investment options. The aim is to create a uniform framework where investors can broadly understand how the investment manager or superannuation fund addresses RI themes and issues in their investment process.

There are five tiers within our RI framework. All investment options rated by Chant West receive an RI classification, noting that classifications are investment option-specific and do not extend to the broader organisation level of a superannuation fund.

### Responsible investment classification descriptions

RI Category	Description
Traditional	Seeks to achieve a stated investment outcome with little to no regard for RI factors.
Aware	Seeks to achieve a stated investment outcome with consideration of a broad range of factors, including RI.
Integrated	Seeks to achieve a stated investment outcome, with formal consideration of RI factors which materially alter the product's permitted universe and portfolio allocations.
Thematic	Seeks to achieve an investment outcome with an explicit RI objective by investing in themes or assets specifically related to sustainability.
Impact	Aims to generate a positive, measurable social and environmental impact alongside a financial return.

Investment options in the Aware category broadly consider both RI factors and issuer engagement, but typically do so in a less structured and informal way.

Integrated investment options utilise RI as a key component of their security selection and portfolio construction approach. In addition, detailed and transparent issuer engagement is also treated as a fundamental component of the investment management process.

The Thematic and Impact categories are extensions of the Integrated classification, with both required to display a robust assessment of RI issues and formal engagement to be considered for progression. Thematic investment options invest specifically in themes or assets related to sustainability such as renewable energy, sustainable agriculture or affordable housing. While having many commonalities with Thematic investment options, Impact funds must also be aimed at generating a positive, measurable impact alongside a financial return with full transparency.

Our RI classification involves an assessment of three broad indicators:

- Does an investment strategy take into account RI and if so, to what extent is this embedded in the investment process?
- Are superannuation funds acting as active owners of securities?
- What is the extent to which formalised policies and procedures govern the integration of RI issues for the investment option?

To generate these outcomes, we rely on information derived during meetings with superannuation funds as part of our due diligence process as well as the provision of formal documentation from superannuation funds. We may also use external information from sources such as Principles for Responsible Investment (PRI). Classifications reflect an absolute view, not a peer-relative assessment.

The classification framework is underpinned by a set of principles which are overseen by an internal Responsible Investment Committee. We also use our role working right across the industry with a wide range of stakeholders to inform this framework and ensure it remains robust and relevant.

For more details on our RI classifications, please refer to our Responsible Investment Framework which can be found [here](#).

### 3. Scope and expertise

Chant West was established in 1997 as a specialist provider of superannuation research and consultancy services. We conduct research on most of the leading superannuation products in Australia. This research is highly regarded in the industry and is purchased by most of Australia's leading superannuation product issuers and financial adviser groups. Chant West is now part of the FE fundinfo Australia Group and operates as Authorised Representative of Zenith Investment Partners.

Some product issuers (currently 10) commission us to rate their multi-manager investment products. We have provided this service since 2006. We also rate about 155 superannuation and pension products included in our research. This requires us to have a thorough understanding of their investments (which accounts for 45% of our overall evaluation). To understand the funds' investments, we require them to complete an investment governance questionnaire and provide us with key investment policy documents and copies of regular reporting. We also conduct extensive research on all leading asset consulting firms in Australia that consult to these funds. We publish investment performance surveys on a monthly basis and asset allocation surveys on a quarterly basis. Where we rate multi-manager investment products, we meet with the product issuer at least once a year and review all significant asset allocation and sector review documents.

Mano Mohankumar, Senior Investment Research Manager, has been involved in the financial services industry for over 20 years and has been with Chant West for 17 years. He is responsible for setting the firm's investment research agenda, leading the investment ratings process and having responsibility for all investment surveys. He has a Bachelor of Economics from the University of Western Sydney and a Master of Commerce from the University of New South Wales.

Tom White, Research Analyst, has been involved in the financial services industry for seven years and has been with Chant West for three years. He is involved in the firm's investment and superannuation research including ratings and product research. He is a CFA charterholder and has a Bachelor of Business Leadership and Commerce (Finance and International Business) from Macquarie University.

Ian Fryer, General Manager – Chant West, has been involved in the superannuation industry for over 25 years and has been with Chant West for 20 years. He has overall responsibility for the firm's research and consulting services. Ian is a qualified actuary (AIAA) and has a range of actuarial, administration and consulting experience. He has a Bachelor of Science (Hons) from Sydney University, a Master of International Relations from Macquarie University and a Master of Arts (Theology) from the Australian College of Theology.

### 4. Coverage and filters

Chant West only rates the multi-manager investment products of product issuers that request this service (currently 10). We rate the products of most leading retail institutions and implemented asset consultants in Australia. We also rate the investment products of several not-for-profit funds. We do not rate single manager investment products. As such, in rating multi-manager products, we are not expressing an opinion on the underlying investment managers.

## 5. Conflicts management

Where a product issuer commissions us to rate its multi-manager investment options, we charge a fixed fee for this service. This creates a potential conflict of interest as our rating might be influenced by (a) the fee we receive for the service and (b) any revenue we receive where the product issuer buys research from us.

Our overall approach to managing these conflicts of interest is to have a robust and transparent ratings process that is undertaken by senior experienced staff and appropriately peer reviewed.

In addition, our conflicts management policy includes the following measures:

- We disclose whether a multi-manager rating report has been commissioned by a product issuer.
- We charge a fixed fee for a multi-manager rating report pursuant to a written engagement with the product issuer. This fee is not dependent on the report findings / ratings or any other services that may be provided to the product issuer.
- Apart from the fixed fee, we receive no other benefits for the report from the product issuer. However, we may receive fees for providing other research services, where applicable this is outlined below.
- Our agreement with product issuers obliges them to provide all necessary information for the purposes of the report / rating.
- We publish all ratings (regardless of the outcome).
- We have documented conflicts management arrangements that include back testing procedures to test integrity of our product issuer ratings.
- The product issuer reviews our report for the accuracy of the information but is otherwise not involved in the preparation of the report.
- Our staff remuneration is not connected to revenue generated from research reports or ratings.
- No one staff member is responsible for the entirety of the research or testing in connection with the preparation of a report or determination of a rating.
- We disclose any material interests in the products being rated. These interests must be approved in accordance with our internal processes.
- Where applicable, non-material interests are disclosed in relation to analyst holdings.

### 5.1 Associations & Relationships

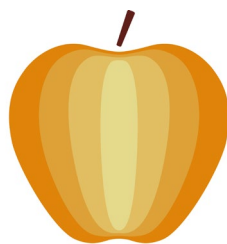
ASIC Regulatory Guide RG79.164 requires Research Houses to disclose certain associations or relationships that they may have with a product issuer. As at the date this report was issued, an associated entity of either the Issuer or Investment Manager relevant to this report is; or has been, a subscriber to Chant West research and/ or data services or the services of its related entities, within the past 12 months. Conflict management arrangements are in place where Chant West or its related entities provides research services to the product issuer or financial advisory businesses who provide financial planning services to investors and are also associated entities of product issuers. This is in accordance with FE fundinfo's Conflict of Interests Policy.

### 5.2 Analyst Disclosure

Further, as at the time this report was issued, one of the Analysts or the report Authoriser holds interests in either the product, the product issuer or a relevant related party. The Analyst/ Authoriser certifies that the extent of the holding is non-material in nature and has been undertaken in accordance with FE fundinfo's Trading Policy and RG79.149(c).

For more details on our conflicts management processes, please refer to our Conflicts of Interest Policy which can be found at [www.chantwest.com.au](http://www.chantwest.com.au).





# Chant West

Chant West  
Suite 1003 Level 10 45 Clarence St  
Sydney NSW 2000  
02 9361 1400  
Email: [research@chantwest.com.au](mailto:research@chantwest.com.au)