

The Aracon Superannuation Fund

Aracon Superannuation Pty Ltd (Aracon) is the Trustee of the Aracon Superannuation Fund is an APRA regulated Superannuation Fund with five Sub Plans namely;

1. ARA Retirement Fund;
2. Xplore Super & Pension;
3. FairVine Super;
4. Oracle Superannuation Plan; and
5. Elevate Super.

On an annual basis, Aracon is required to undertake an annual Member Outcomes Assessment (MOA).to provide the Trustee with an overview of its performance in promoting the financial interests of the members of the Fund in achieving the strategic objectives.

Aracon has determined that the MOA will be based on information available as at 30 June 2020 and as the other Sub Plans have only recently been established and the time period is too short to make any meaningful judgment about their performance, the Trustee has focused on the ARA Retirement Fund Sub Plan in its deliberations.

The Board notes that 2020 was the most challenging year due to Australian bushfires, COVID-19, the black lives matter movement, and the US elections, and despite an unprecedented drop in economic activity, the year ended positively for most financial sectors and investors' returns have recovered significantly since the pandemic sent share markets plunging in the March 2020 quarter.

The ARA Retirement Fund Sub Plan (ARARF)

The ARARF has three investment options, a Defensive, Growth and Equities option each with an accumulation and pension division. The ARARF commenced in 2005 and has been providing retirement benefits to clients of ARA Consultants Limited since that time.

Summary

For the ARARF, the Board:

- Considered the analysis appropriate to its current size/scale of the Sub Plan;
- Considered the options, benefits and facilities to be appropriate for the beneficiaries and that they are not negatively impacted by the size of the Fund given the benefits;
- Considered it to be maintained only for the sole purpose of providing benefits to members; and
- Considered that all Service Providers remain appropriate.

Having carefully considered the information currently available to the Board, it concluded that:

- The ARARF provides reasonable member outcomes considering its design, maintenance and operation, however the Board notes that fees charged to members are high, and has taken steps to remedy this;
- The ARARF's Investment Strategy is appropriate;
- The ARARF adequately promotes members' financial interests;
- The ARARF's members are not disadvantaged as a result of the scale of the Trustee's business operations;
- The operating costs of the Trustee's business operations do not inappropriately affect the financial interests of ARARF's members; and
- The basis for setting the fees are appropriate for members.

Recommendations:

- That the trustee continues to monitor and oversee the investment performance of the ARARF; and
- That the Trustee continues to monitor the agreed path to reduce investment fees payable by the members.

Investment Returns

The Board noted that in relation to the ARARF:

1. The vast majority of the current ARARF members are in or approaching retirement. An investment strategy which focusses on capital stability and regular income is appropriate;
2. The investment choices offered to members are appropriate for the member base;
3. The net returns have mostly met or exceeded the return and risk objectives set for each option;
4. The option returns (net of investment cost) have underperformed, however, the volatility of the ARAIF returns is significantly lower than most sample funds.

The Trustee has determined that the investment strategy for the ARARF members is appropriate given their age, risk profile and that capital preservation central is to the approach.

Over the past 12 months to 30 June 2020, the performance of the Equities and Growth options were rated in the first and second quartile* respectively, with the Defensive being in the lowest quartile returning -0.1

The investment returns for all three investment options over the 3, 5 and 10 year periods have been in the lowest quartile.*

These results reflect the conservative nature of the asset allocations against the peer group and are therefore in line with expectations.

* Chant West Member Outcomes Research

Fees and Costs

ARARF members do not directly pay any administration fees apart from a trustee fee of 0.104%. The administration fees are rated in the best quartile in the Chant West Report* and are competitive.

In relation to the investment fees, steps have been taken to review and reduce those fees.

The Board considers that the whilst the investment fees charged to members are high, based on the fact that they are all clients of and advised by ARA, they are receiving an appropriate level of service.

Insurance Fees

The ARARF does not offer group insurance. Members are only able to take out cover via a retail policy. This is reflective of the age of the members and that 62% of members are in pension mode.

Nature and Quality of Benefits and Services (including administration services)

The administration of the Aracon Superannuation Fund (including the ARARF) is carried out by DIY Master Pty Ltd (DIY).

ARA provides a full financial planning service to its clients and manages the client interface. The five ARA advisers are all nonaligned and given the relationships between the client and adviser, members are fully engaged.

Members are able to access information from the ARA website, including investment updates, education, webinars, general investment information and video updates on a regular basis.

To highlight the level of satisfaction with ARA, there have been no member complaints since 2016.

The active member ratio of 100% (meaning no inactive members) highlights the member engagement and the role of an adviser.

The Board considers the administration services meet the ARARF member expectations.

Sustainability

The key performance indicators determined by the Trustee indicate that in all cases other than the Operating Expense Per Member Ratio, they outperform the benchmark criteria in the Chant West Report*.

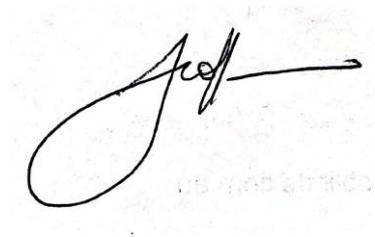
The Board considers the ARARF sustainable and likely to deliver reasonable outcomes in the future and not be disadvantaged by the scale of the ARARF.

* Chant West Member Outcomes Research

Liquidity

The Benefit Outflow ratio* indicates that all benefits can be paid in a timely manner. Members can redeem units in their investment on a weekly basis.

Accordingly, the Fund has reasonable scale to deliver a range of benefits to members at a cost that does not inappropriately affect the ARARF members.

A handwritten signature in black ink, appearing to read 'Geoff', with a long horizontal stroke extending to the right. The signature is positioned above a horizontal line.

Geoff Peck

Aracon Superannuation Board Chair
22 February 2021

* Chant West Member Outcomes Research