

KOGAN Super

Annual Outcomes Assessment

Each year, we, Mercer Superannuation (Australia) Ltd (MSAL) as Trustee of Kogan Super are required to assess Kogan Super's performance against other super products and determine whether it promotes the financial interests of its members¹.

When carrying out this assessment, MSAL considered a number of factors including investment options, investment performance, costs and fees, insurance options and fees of Kogan Super, as well as the overall size and scale of MSAL. The annual assessment is split into three stages – two comparative assessment stages as applied for the 2022 assessments, and a further stage which considers the results of the Australian Prudential Regulation Authority (APRA) Annual Superannuation Performance Test.

For the two comparative assessment stages, the Trustee is required to:

- decide on the weighting of the comparative assessment stages when making its determination – The Trustee has decided to place an equal weighting on both comparative assessment stages; and
- identify the other super products used to undertake the comparison – noting Kogan Super is a Choice product, the Trustee has decided to perform comparative assessments against Choice products in the market.

We've assessed the performance of Kogan Super and determined that it is continuing to promote the financial interests of members as at 30 June 2022.

Both comparative assessment stages examine results based on different factors. We summarise the assessment of each factor in the table below

Factor	Rating
Stage 1	
Net Investment Returns	Members' financial interests are mostly promoted.
Investment Risk	Members' financial interests are promoted.
Fees	Members' financial interests are promoted.
Stage 2	
Options, Benefits and Facilities	Members' financial interests are promoted.
Investment Strategy	Members' financial interests are promoted.
Insurance Strategy	Members' financial interests are promoted.
Insurance Fees	Members' financial interests are promoted.
Scale	Members' financial interests are promoted.
Operating Cost	Members' financial interests are promoted.
Fees Structure	Members' financial interests are promoted.

¹ SIS Act section 52 (9)

Guide to Reading this Document

Comparison Table Key

Quartile	Colour
Bottom 25% of Choice Products (Bottom Quartile)	
Bottom 50% to 25%of Choice Products (Below Median)	
Top 50% to 75% of Choice Products (Above Median)	
Top 25% of Choice Products (Top Quartile)	

For Fees and Costs, above median refers to the fees being less expensive than the median. Below median refers to the fees being more expensive than the median.

For Returns, above median refers to the returns being higher than the median. Below median refers to the returns being lower than the median.

Stage One

Net Investment Returns

Rating	
Members' financial interests are mostly promoted	Investment returns, after deduction of all fees, costs and taxes, are mostly below median in the short term.

The table below shows Kogan Super net returns over one year, along with how those returns compared to other Choice products².

Product	1-year net return (% p.a.)
Indexed Australian Listed Property	-10.42%
Indexed Diversified Shares	-5.73%
Enhanced Indexed Growth	-6.16%
Enhanced Indexed Conservative Growth	-5.24%
Cash	0.12%

With the large negative declines of investment markets in 2022, four out of the five Kogan Super options had negative returns, ranking below median to bottom quartile. This result is not unexpected as the options with negative returns are indexed, tracking general market movements. Cash was the only option to have a positive return (0.12%) and rank top quartile against competitors. We note that in last year's (2022) annual outcomes assessment, four out of five Kogan Super options performed above median. A longer-term assessment, once available, will better represent overall member interests.

Overall, when the performance of each option is weighted based on the investment strategy and historical returns, members' financial interests are mostly promoted.

Investment Risks

Rating	
Members' financial interests are promoted	Overall, members' financial interests are promoted as Kogan Super does not expose members to levels of investment risk inappropriate for their chosen investment option.

As part of the APRA requirements, the Trustee performs an annual review of each Kogan Super investment option to understand the level of investment risk inherent in each option and whether that would be in line with the expectations of the members who are invested in that option. During the last review, the Trustee confirmed that it was comfortable with the level of investment risk in each option.

² SuperRatings Return Data as at 30 June 2022

Fees

Rating

Members' financial interests are promoted

Per annum fees for Kogan Super are amongst the lowest when compared to other similar Choice products and would be considered to be promoting the financial interests of members.

All Kogan Super options sit above median or top bottom quartile against competitor choice products, having some of the lowest fees in the market.

Choice Product	Fees (% p.a.) ³	Difference to median	Rank and Quartile
Median	0.87%	-	118
Indexed Australian Listed Property	0.69%	-0.18%	166
Indexed Diversified Shares	0.62%	-0.25%	181
Enhanced Indexed Growth	0.67%	-0.20%	172
Enhanced Indexed Conservative Growth	0.68%	-0.19%	168
Cash	0.49%	-0.38%	206

Kogan Investment Option	Class ⁴	Number of Options in Class	Rank and Quartile amongst Asset Class	Kogan Option Asset Allocation	Class Asset Allocation Median	Kogan Fee	Median Class Fee
Indexed Australian Listed Property	Listed Property	3	3	100%	100%	0.69%	0.82%
Indexed Diversified Shares	High Growth (91-100)	18	16	100%	100%	0.62%	0.99%
Enhanced Indexed Growth	Balanced (60-76)	39	31	75%	73%	0.67%	0.89%
Enhanced Indexed Conservative Growth	Capital Stable (20-40)	21	18	35%	35%	0.68%	0.80%
Cash	Cash	17	8	0%	0%	0.49%	0.43%

No Kogan Choice option sits in the bottom quartile against all products or against others in the same asset class. All options are top quartile except for the Cash Product when ranked against similar asset class options.

³ SuperRatings Fees Data as at 30 June 2022

⁴ SuperRatings Fees Data as at 30 June 2022

Stage Two

Factor	Rating
Options, Benefits and Facilities	<p>Members' financial interests are promoted.</p> <p>The Trustee assessed the appropriateness of the options, benefits and facilities in the MST in February 2020 considering member outcomes, member services, and any subsequent actions to improve the MST service offering. The assessment was that the options, benefits and facilities provided in the MST provide significant value for members.</p> <p>Further to this, the Chant West member outcomes dashboard rated MST 5 out of 5⁵ for quality of Member Services and Member Engagement. The Roy Morgan Research Institute ranked MST as the 5th best retail fund for customer satisfaction for 2022⁶.</p> <p>MST also achieved an overall Net Promoter Score (NPS) of +13⁷, which sits well above our comparative superannuation industry average benchmark and among the top 10 ranked reported super funds⁸.</p>
Investment Strategy	<p>Members' financial interests are promoted.</p> <p>An annual review of investments has been completed, and adjustments were made to the investment strategy to improve member outcomes.</p> <p>Overall, the Trustee is comfortable that the annual review process ensures each investment strategy continues to promote members' financial interests.</p>
Insurance Strategy	<p>Members' financial interests are promoted.</p> <p>In accordance with the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act)⁹, we have used the Insurance Management Framework to assess the appropriateness of the Insurance Strategy.</p> <p>An insurance benchmarking exercise was completed in December 2022 to compare the Kogan Super insurance design to our competitors. The key findings of the report were that the terms, conditions, and pricing were reasonable and competitive.</p> <p>Furthermore, MST products were rated 5 out of 5 by Chant West¹⁰.</p> <p>Subsequently we have determined that our Insurance Strategy supports member needs.</p>
Insurance Fees	<p>Members' financial interests are promoted.</p> <p>The Insurance Management Framework assessment completed in 2020 were used to assess the appropriateness of Insurance Fees. We have determined that the insurance fees charged in relation to Kogan Super do not inappropriately erode the retirement income of members.</p>

⁵ Chant West Member Outcomes Dashboard 30 June 2022

⁶ Roy Morgan's superannuation customer satisfaction ratings Report September 2022

⁷ Mercer Super in-house online Customer Sentiment program

⁸ Investment Trends Super Member Engagement Report 2022 – Independent research with 23 major super funds surveying over 7,500 Australians

⁹ APRA Prudential Standard SPS 250 Insurance in Superannuation

¹⁰ Chant West Member Outcomes Dashboard 30 June 2022

Factor	Rating
Scale	<p>Members' financial interests are promoted.</p> <p>In determining scale, and whether the scale of MSAL's operations disadvantages the financial interests of beneficiaries in a particular product, we separately analysed Kogan Super against five scale assessment perspectives:</p> <ol style="list-style-type: none"> 1. Operational scale 2. Impact on investment strategy 3. Bargaining power with service providers 4. Staffing 5. Risk pooling. <p>Three categories determined the scale was optimised and the remaining two categories, Operational Scale and Staffing, were determined that scale was obtained, however could be improved on in the future.</p> <p>Additionally, based on analysis of the APRA annual fund-level superannuation statistics as at 30 June 2022, MSAL ranked 18th (of all APRA regulated funds with more than four members respectively) for number of member accounts and total assets. Both results are above the median and just outside the top quartile and thus providing strong scale opportunities for members.</p> <p>Although this annual outcomes assessment is for Kogan Super specifically, the product benefits from the full scale of MSAL's operations and therefore the comparison has been completed at the most comparable level for MSAL which is Registrable Superannuation Entity (RSE) level.</p>
Operating Cost	<p>Members' financial interests are promoted.</p> <p>MSAL outsources all of the functions required to operate the MST in an efficient and effective manner. Therefore, how the operating costs of the MST affect members' financial interests depends largely on the costs MSAL pays to its service providers.</p> <p>The service providers have contracts that are negotiated regularly and benchmarked to other potential providers.</p>
Fees Structure	<p>Members' financial interests are promoted.</p> <p>The general MSAL approach to charging administration fees within the MST is on a "pass through" basis, which means that MSAL accepts the costs charged by its outsourced service providers and passes them on directly to the member. This ensures equitable cost recovery of fees vs operating costs.</p> <p>MSAL is comfortable with the current methodology used and liaised with our service provider to perform a fees competitive review to ensure that the fees it charges are appropriate.</p> <p>As discussed in Stage One, Kogan Super's fees are amongst the lowest when compared to other Choice products and would be considered to be promoting the financial interests of members.</p>

Stage 3 Annual Superannuation Performance Test

The annual outcomes assessment also requires regard of the latest determination by APRA of the Kogan Super product's performance under the APRA Annual Superannuation Performance Test.

As there has been no APRA Choice Heatmap or Choice Annual Superannuation Performance Test this year, these could not be taken into consideration in the overall assessment.

Overall Determination

Balancing the Stage 1 and Stage 2 assessments

We are required to balance the Stage 1 and Stage 2 assessments so as to make an overall determination of whether the Kogan Super product promotes the financial interests of beneficiaries in the product.

MSAL notes that the Stage 1 assessments look at historic data and includes the net returns analysis, which is an important consideration to assess whether member outcomes are being delivered. The Stage 2 assessments are more forward looking in nature but equally important to assist MSAL make its overall determination. As a result, MSAL has chosen to place an equal weighting on each stage (a 50:50 balance has been applied).

Overall Determination

Based on consideration of the weighted Stage 1 and Stage 2 assessments conducted and given that an APRA Choice Annual Superannuation Performance Test (Stage Three) could not be taken into consideration, it would be appropriate for MSAL to determine that it is promoting the financial interests of Kogan Super product members.