



METHODOLOGY Superannuation Star Ratings

What are the CANSTAR Superannuation Star Ratings?

CANSTAR *Superannuation Star Ratings* use a unique ratings methodology that compares both cost and features across superannuation products. CANSTAR star ratings represent a shortlist of products, enabling consumers to narrow their search to products that have been assessed and ranked.

There are more than 350 super funds in the market that are classified as personal super, corporate super, SMSF products, public sector super, wrap/platform accounts, industry funds, retail funds, master trusts, etc. Many of these funds are not available directly to the public. You may need to be employed by a particular government department or a large corporation, or you may need to see a financial planner first.

We have limited our Superannuation star ratings to accumulation products that are directly available to the public, i.e. open to all. We have not credit rated the super fund managers.

Eligibility requirements for the Superannuation Star Ratings

A product must meet the following requirements to be considered for rating:

- Retail or Industry open public offer (i.e. corporate products and products closed to new members are excluded)
- Directly available to individuals without an intermediary such as a financial planner
- Not a wrap-only product. Wrap platforms are typically only accessed via a broker and can have wrap-specific fees in addition to those associated with the super product itself
- Not restricted solely to members of a specific organisation, i.e. available publicly to the average person
- Has been available in the market for at least 12 months
- Minimum funds under management of the provider is \$100 million (superannuation and pension combined)

CANSTAR *Superannuation Star Ratings* are a transparent analysis comparing all products considered eligible for the star rating. Ratings range from five to one star. Five-star rated products have been assessed as offering outstanding value to consumers.

Profile descriptions

For our analysis we have used five profiles that reflect typical superannuation saving stages. The five profiles to be rated, based on life stage and account balance, are as follows:

Profile Name	Typical Investment Life Stage	Superannuation Balance		
		Average	Low	High
Starter	<ul style="list-style-type: none">• Low super balance• Low fees more important than features	\$25,000	\$10,000	\$40,000
Builder	<ul style="list-style-type: none">• Reasonable balance• Focus on longer term growth	\$80,000	\$60,000	\$100,000
Established	<ul style="list-style-type: none">• Larger balance• Focus on longer term growth	\$140,000	\$120,000	\$160,000
Pre-Retiree	<ul style="list-style-type: none">• Significant balance• More conservative investment approach• Focus on reaching retirement objectives	\$160,000	\$140,000	\$180,000
Wealth Accumulator	<ul style="list-style-type: none">• Substantial balance• Focus on investment growth inside and outside of super	\$500,000	\$400,000	\$600,000

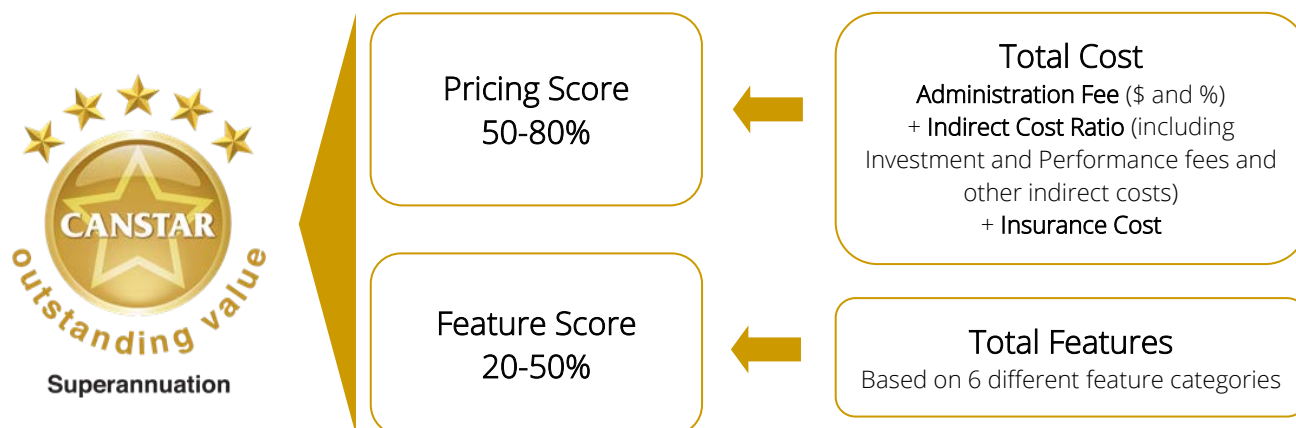
CANSTAR Star Ratings

Each superannuation product reviewed for the CANSTAR *Superannuation Star Ratings* is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a 'Pricing' score and a 'Feature' score.

To arrive at the total score, CANSTAR applies a weight (w) against the Pricing and Feature scores. The weights for each profile vary from 50 to 80 percent for pricing and 20 to 50 percent for features, with the weights reflecting the relative importance of either costs or features in determining the outstanding superannuation products. This method can be summarised as:

$$\text{TOTAL STAR RATINGS SCORE (T)} = W_1 \text{ PRICING SCORE (P)} + W_2 \text{ FEATURES SCORE (F)}$$

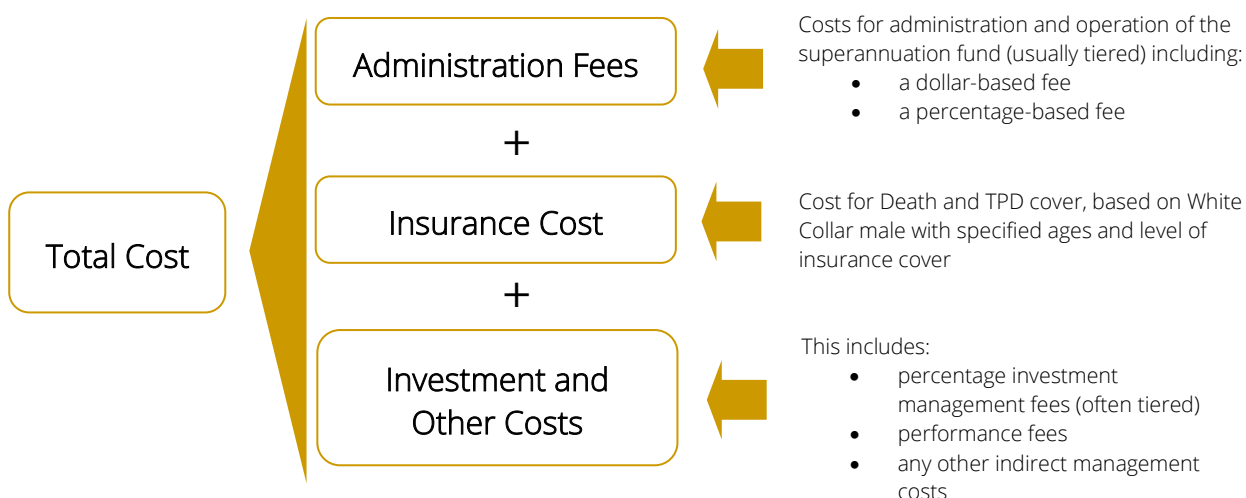
The methodology is as follows:



Profile	Price weighting	Feature weighting
Starter	80%	20%
Builder	70%	30%
Established	60%	40%
Pre-Retiree	50%	50%
Wealth Accumulator	60%	40%

Pricing score

The total cost is the sum of the insurance cost and total fees based on the average super balance (taking into account administration fees and indirect cost ratio), and using 500 scenarios per profile built around a normal distribution based on an average balance specified for each profile. We do not include contribution or withdrawal fees in our calculations.



In calculating the Pricing Score, the investment option used for each fund is the default option with a growth asset allocation of 60 to 80 percent or, when the default option does not meet this criterion, the option with the lowest fees with a growth asset allocation of 60 to 80 percent.

Insurance quotes are based on a white collar male with the following ages and level of Death and TPD cover according to profile:

Profile Name	Age for quotes (in years)	Insurance Cover (Death & TPD)	Superannuation Balance		
			Average	Low	High
Starter	25	\$50,000	\$25,000	\$10,000	\$40,000
Builder	35	\$200,000	\$80,000	\$60,000	\$100,000
Established	45	\$200,000	\$140,000	\$120,000	\$160,000
Pre-Retiree	55	\$100,000	\$160,000	\$140,000	\$180,000
Wealth Accumulator	35 & 45 (average)	\$200,000	\$500,000	\$400,000	\$600,000

Feature score

The feature score takes into account a number of features within six different categories, with individual features allocated points and each category, and subcategory, assigned a weighting. The product with the highest features score is allocated the maximum score, with all remaining products within the profile scored against it. The feature categories and subcategories are:

Category	Starter	Builder	Established	Pre-Retiree	Wealth Accumulator
Member Access	5%	5%	5%	5%	5%
Account set-up	30%	15%	15%	15%	15%
Contribution method	15%	30%	30%	30%	30%
Online Access	25%	25%	25%	25%	25%
Phone Access	25%	25%	25%	25%	25%
Other Fees & Charges	5%	5%	5%	5%	5%
Investment Options	25%	25%	30%	30%	35%
Managed Funds	70%	70%	70%	70%	70%
Listed Securities	20%	20%	20%	20%	20%
Term Deposits	10%	10%	10%	10%	10%
Insurance	40%	35%	25%	15%	20%
Death Cover	35%	35%	35%	35%	35%
TPD Cover	35%	35%	35%	35%	35%
Income Protection Cover	30%	30%	30%	30%	30%
Financial Advice & Education	20%	25%	30%	40%	30%
General Advice/Tools & Education	50%	40%	30%	35%	30%
Scaled/Limited Advice	50%	50%	50%	35%	30%
Comprehensive Advice	0%	10%	20%	30%	40%
Beneficiary Options/Death Benefit	5%	5%	5%	5%	5%
TOTAL:	100%	100%	100%	100%	100%

Consideration of Investment Performance

CANSTAR investment ratings are based on value delivered to the consumer, i.e. the features, functionality, flexibility and other benefits the investor receives, relative to the fees and other costs incurred.

With respect to superannuation there are some particular elements captured – range of investment options, access to advice and investment performance. Treatment of investment options and advice has already been outlined in this document and weightings are applied relative to the consumer profile.

Investment performance is incorporated into the rating in order to identify and recognise funds that have either outperformed or underperformed consistently over a five-year period. It is treated as an adjustment at the end of the calculations. We do this, as in other respects we measure known elements of the value proposition, while we cannot assure an accurate prediction of future investment performance based on past performance. We want our rating to be dominated by clear “knowns” and the research reveals a lack of persistence of investment outperformance.

The year on year performance over a five-year period is considered, as reported by the Australian Prudential Regulation Authority (APRA). The APRA-published *Rate of Returns* measures the combined earnings of a superannuation fund's assets across all its products and investment options.

- The year-on-year performance is assessed for the top-quartile of 4-star rated products for the past five years. Funds that have made the top quartile performance for four out of the five years are awarded an additional star (i.e. awarded a 5-star rating).
- The performance of funds identified as placing in the bottom quartile for at least four out of the five years at the fund level, based on APRA-published data, is further investigated. Products meeting such criteria are potentially limited to achieving a rating of no more than 3 stars. We do this because persistent underperformance can be an indicator of broader management or systemic issues which may be impacting the investment performance.

Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often are CANSTAR Superannuation Star Ratings re-rated?

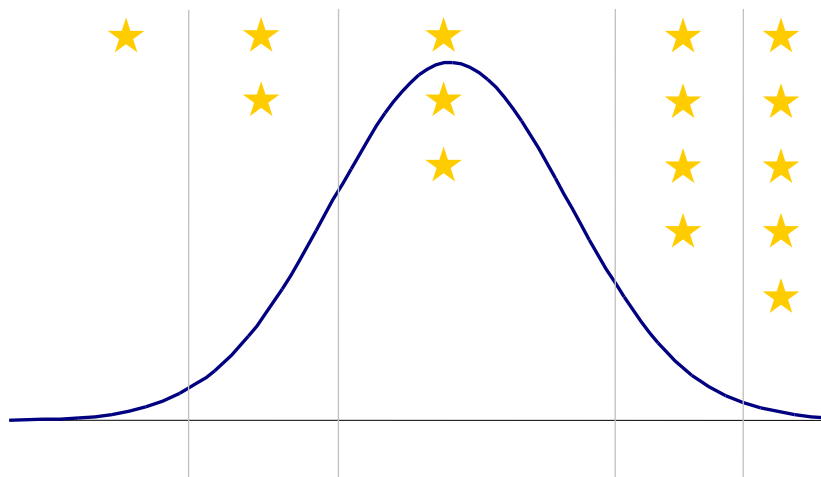
Our Superannuation Star Ratings are recalculated every 12 months based on the latest pricing and features offered by each provider.

How are the stars awarded?

CANSTAR ranks superannuation products based on value-for-money measures and then awards a star rating according to rank. The number of products awarded each of the one- to five-star ratings within each profile will ultimately depend on the dispersion of final scores.

Scores are awarded to each product on the basis of price (total average cost) and features. The methodology is revised and parameters are updated on a regular basis to make sure that the products are analysed using the most up-to-date information capturing all industry developments.

The objective is to award the top 5-10% of products with the CANSTAR five-star rating.



Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings reports of interest.



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|---------------------------|------------------------|----------------------|
| • Account-based pensions | • Home loans | • Superannuation |
| • Agribusiness | • Landlord insurance | • Term deposits |
| • Business banking | • Life insurance | • Travel insurance |
| • Business life insurance | • Managed investments | • Travel money cards |
| • Car insurance | • Margin lending | • Youth banking |
| • Credit cards | • Online banking | |
| • Deposit accounts | • Online share trading | |
| • Direct life insurance | • Package banking | |
| • First home buyer | • Personal loans | |
| • Health insurance | • Pet insurance | |
| • Home and contents | • Rewards programs | |

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