



Super
with
impact



Member outcomes assessment

Financial year ending 30 June 2024

The information in this document relates to:

- **HESTA Income Stream**
- **HESTA for Mercy Income Stream**
- **HESTA Term Allocated Pension**

Members of these products who have reached preservation age but have not met a condition of release are members of *HESTA* or *HESTA for Mercy Choice - Income Stream (Transition to Retirement)*, all other members are members of *HESTA* or *HESTA for Mercy Choice - Income Stream* for the purposes of this assessment.

How we assessed ourselves and how we compare

Each year we are required to assess our performance to determine whether we have promoted the financial interests of members. We do this by comparing our products against other comparable products in relation to investment returns, level of investment risk, and fees and costs (comparison factors). We also assess the appropriateness of our investment strategy, basis for setting fees, features of our products and member services (assessment factors).

This year our assessment has determined that we have promoted the financial interests of members. This document provides a summary of our assessment.

Data for comparisons against other funds

In undertaking our comparisons, we have relied on data prepared by SuperRatings and Chant West¹ which reviews the performance of cohorts of superannuation funds that have similar investment strategies and features. If you would like to view a full list of the funds we compare against you can download this from hesta.com.au/moa.

¹ SuperRatings Fund Crediting Rate Survey 2024 and Chant West Member Outcome Dashboard June 2024.

Comparison factors

HESTA and HESTA for Mercy Choice - Income Stream product

Investment returns

The table below shows the performance of the different HESTA and HESTA for Mercy Choice Income Stream options against other investment options with a similar investment strategy.

HESTA Balanced Growth

1 year return	3 year returns	5 year returns	10 year returns
10.16%	5.70%	7.35%	8.13%

Relative to median of comparable products

Better

Source: SuperRatings Fund Crediting Rate Survey June 2024.

HESTA and HESTA for Mercy Choice - Income Stream product

The majority of our investment options performed better than the median over all time periods when compared to other investment options with a similar investment strategy.

HESTA's Investment option	1 year return		3 year returns		5 year returns		10 year returns	
	HESTA (%)	Relative to median of comparable products	HESTA (%)	Relative to median of comparable products	HESTA (%)	Relative to median of comparable products	HESTA (%)	Relative to median of comparable products
Balanced Growth	10.16	Better	5.70	Better	7.35	Better	8.13	Better
Conservative	6.03	Lower	3.49	Better	4.39	Better	5.56	Better
Indexed Balanced Growth	13.11	Better	6.27	Better	n/a	No return	n/a	No return
Sustainable Growth	7.71	Lower	2.96	Lower	7.16	Better	9.53	Better
High Growth	12.70	Better	7.10	Better	9.15	Better	9.71	Better
Cash and Term Deposits	4.69	Better	2.63	Better	1.83	At the median	2.07	Better
Diversified Bonds	3.71	Better	-2.01	Better	n/a	No return or no benchmark	n/a	No return or no benchmark
Property and Infrastructure ²	-0.99	No benchmark	5.56	No benchmark	4.71	No benchmark	7.21	No benchmark
International Shares	18.63	Better	6.12	Lower	10.89	Lower	10.86	Lower
Australian Shares	12.75	At the median	8.23	Better	8.69	Better	9.02	Lower

Source: SuperRatings Fund Crediting Rate Survey June 2024. Median is based on the following Indexes: SRP50 Balanced (60-76) Index (Balanced Growth), SRP50 Capital Stable (20-40) Index (Conservative), Balanced (60-76) Index (Indexed Balanced Growth and Sustainable Growth), SRP50 Growth (77-90) Index (High Growth), SRP50 Cash Index (Cash and Term Deposits), SRP25 Diversified Fixed Interest Index (Diversified Bonds), SRP50 International Shares Index (International Shares), SRP50 Australian Shares Index (Australian Shares). Returns are after tax and investment management expenses but before the deduction of administration fees. Past performance is not an indicator of future performance.

² There is no comparative peer universe for the Property and Infrastructure investment option.

HESTA and HESTA for Mercy Choice - Income Stream (Transition-to-retirement) product Investment results

There are no comparative results for Transition to Retirement (TTR) investment returns.

Investment risk

All investments carry a level of risk. The level of risk depends largely on the type of investments you're invested in. We use the Standard Risk Measure (SRM) as a basis to compare the risk levels of investment options across other funds. This measure describes risk based on how many negative annual returns you can expect over 20 years.

→ The HESTA and HESTA for Mercy Choice - Income Stream and HESTA and HESTA for Mercy Choice - Income Stream (Transition to Retirement) investment risk ratings for each option remain appropriate.

Our investment options are monitored to ensure expected outcomes are consistent with the intended risk/return profile.

Fees and costs

The fees and costs in this section include administration fees and costs as well as investment fees and costs (including transaction costs and performance fees).

The table below show how the fees and costs for HESTA's options compare to the median fee of the relevant comparison group.

HESTA and HESTA for Mercy Choice – Income Stream products

period from 1 July 2023 to 30 June 2024

HESTA Balanced Growth

Amount

\$458

Relative to median of comparable products

Below

Source: SuperRatings June 2024. Median fee is based on the administration fees and costs and the investment fees and costs for options within the SuperRatings SRP50 Balanced (60-76) Index. The fees and costs are based on a member with a \$50,000 account balance. Other fees and costs may apply. See the Product Disclosure Statement for full details.

HESTA and HESTA for Mercy Choice – Income Stream products

HESTA's Investment option	Period to 30 June 2024	
	HESTA Fees (\$)	Relative to median of comparable products
Balanced Growth	458	Below
Conservative	413	Below
Indexed Balanced Growth	243	Below
Sustainable Growth	623	Above
High Growth	483	Below
Cash and Term Deposits	223	Above
Diversified Bonds	363	Above
Property and Infrastructure ³	643	n/a
International Shares	383	At the median
Australian Shares	313	Below

Source: SuperRatings June 2024. Median fee is based on the administration fees and costs and the investment fees and costs for options within the SuperRatings Index of a similar investment strategy to the HESTA option. Medians are based on the following indexes: SRP50 Balanced (60-76) Index (Balanced Growth), SRP50 Capital Stable (20-40) Index (Conservative), Balanced (60-76) Index (Indexed Balanced Growth and Sustainable Growth), SRP50 Growth (77-90) Index (High Growth), SRP50 Cash Index (Cash and Term Deposits), SRP25 Diversified Fixed Interest Index (Diversified Bonds), SRP50 International Shares Index (International Shares), SRP50 Australian Shares Index (Australian Shares). The fees and costs are based on a representative member with a \$50,000 account balance. Other fees and costs may apply. See the Product Disclosure Statement for full details.

³ There is no comparative peer universe for the Property and Infrastructure investment option.

Assessment factors

Services and benefits

Our analysis found that the options, benefits, and facilities available to members in HESTA's products are appropriate for those members.

HESTA has a range of services available to members which are tailored to suit their needs and circumstances.

In reaching this finding, we considered the availability of services and member usage as compared to other funds. Chant West data¹ showed that HESTA's options, benefits, and facilities were well utilised by members, and the range of services available were similar to our peers.

We also considered that the fees and costs are appropriate, compare favourably to peers and come in below the median for the provision of services, benefits, and facilities.

Investment strategy

HESTA Choice – Income Stream and Income Stream (Transition to Retirement) investment options comprise ready-made, diversified investment options designed to meet the needs of members who want exposure to a diversified portfolio of investments across different asset classes and with different risk/return outcomes. HESTA Your Choice options (specific asset class/classes) are designed to meet the needs of members who want access to a range of investment option choices with different risk/return outcomes.

HESTA has an investment strategy that sets out the investment characteristics of Funds options. We review our Investment Strategy each year to ensure objectives, risk profiles and long-term strategic asset allocation targets and ranges remain appropriate.

Scale and size of business operations

We have determined that the scale and size of HESTA's business operations do not disadvantage members, and our operating costs are not inappropriately affecting the financial interests of members.

When compared against most funds in the market⁴ HESTA performs better than the benchmark in most metrics that we assessed, including:

- operating expense per member of \$190 is lower than the median of \$256
- membership growth of 4.8% is above the median of 1.8%.

As HESTA continues to grow, investment fees are expected to decline through scale benefits. This also enables our investment team to leverage our size and reputation in negotiating fees with external fund managers.

With over one million members and \$85 billion in assets⁵, we can use our scale and size to deliver value to all our members.

Basis for setting fees

Our analysis found that HESTA's fees and costs, and the basis for setting fees generally on a cost recovery basis is appropriate for members currently invested in HESTA products.

All fees deducted from member accounts are retained in the reserves to fund the operations of the Fund, planning for significant projects that are not business as usual, address risks or to respond to any initiatives that arise that will benefit members of the fund (and in accordance with reserving policies).

Retirement Income Strategy

The Retirement Income Covenant requires HESTA to develop a Retirement Income Strategy for members who are retired or approaching retirement.

HESTA has a Retirement Income Strategy in place to help our members maximise and manage the expected risks to the sustainability and suitability of their expected retirement income, and to allow flexible access to their capital.

⁴ Chant West Member Outcome Dashboard June 2024 – comparing HESTA with most Income Stream products in the market.

⁵ Represents membership and funds under management as at 30 June 2024.

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