

OPERATIONAL TOOLKIT

Investment Language

VERSION 1.0



TOOLKIT CO-PRODUCED WITH:



AUSTRALIAN INSTITUTE of
SUPERANNUATION TRUSTEES

PURPOSE OF THE OPERATIONAL TOOLKITS

AIST has developed the Operational Toolkits to assist trustees with matters relating to fund operation. They are created specifically to assist AIST members and are a benefit of membership.

The Toolkits contain functional tools such as diagrams, decision trees, flowcharts and checklists, to assist Trustees with understanding and applying their legal obligations and regulatory guidance.

HOW TO USE THIS TOOLKIT

The Investment Language Toolkit is designed to enhance literacy around key investment concepts relating to superannuation fund investment portfolios. Understanding key investment concepts will help Trustees meet the investment governance standards set out in Australian Prudential Regulation Authority (APRA) Prudential Standard 530 (SPS 530) and Prudential Practice Guide 530 (SPG 530). This Toolkit does not attempt to replicate or cover the entire investment framework governing a fund, but is designed as a complementary tool.

📖 Trustees must have regard to various statutory duties, obligations and covenants when making investment decisions. In particular, Trustees are ultimately responsible for investment governance and must, at a minimum, have their investment governance framework reviewed every three years and their investment strategies reviewed annually.

TOOLS

Investment flowchart	flowchart of typical investment process of a superannuation fund
Dictionary	key investment terms grouped according to where in the investment process they arise, in alphabetical order. Terms have been defined using 'plain English' and in a superannuation context, rather than adhering to the precise technical meaning. Key terms are highlighted and listed first, followed by other terms that will be useful to Trustees
Example fund structure	typical structure of a superannuation fund, showing how member contributions flow through to investment portfolios
Example equity portfolio structures	diagrams of main structures used by superannuation funds to create multi-manager equity portfolios: traditional multi-manager, core-satellite and centralised portfolio management (CPM)
Example performance reports	typical investment performance reports, pre-tax and after-tax, with examples of how Trustees can interpret key results
Alerts	the symbol 📖 is used to identify a requirement under SPS 530 and SPG 530 . It is expected that the Board can satisfy all prudential requirements.
Workshops	AIST recommends that Trustees consider training workshops to assist them with understanding their duties under SPS 530 and SPG 530 . For more information about available workshops, contact info@aist.asn.au .

WARNING & DISCLAIMER

The Toolkit is intended to assist Trustees but does not replace or exhaustively replicate primary sources of a Trustee's legal obligations, such as general law, legislation, regulations, prudential standards and regulatory guidance.

This Toolkit does not constitute legal or tax advice and should not be relied upon to demonstrate compliance with any legal obligation or standard of conduct expected of Trustees or their directors. While this Toolkit is a valuable tool for a Trustee considering its obligations, it will not guarantee compliance or sound prudential outcomes.

The information is current as at August 2018. APRA's Prudential Standards and Prudential Practice Guides can change and any changes made on or after August 2018 will need to be taken into account.

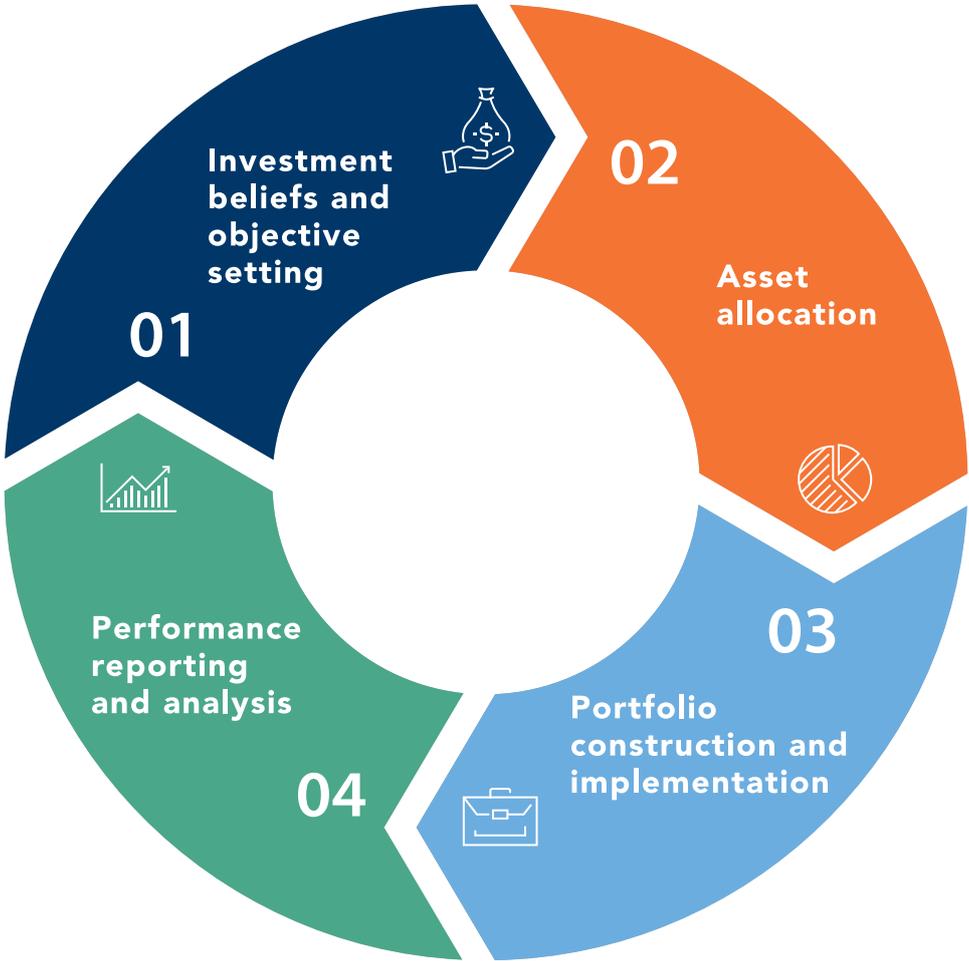
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Further assistance

If you would like further assistance, contact your professional advisers or alternatively contact AIST at info@aist.asn.au or Parametric at www.parametricportfolio.com.au/contact.

1. Investment process



2. Dictionary of investment language

2.1 INVESTMENT BELIEFS AND SETTING INVESTMENT OBJECTIVES

A superannuation fund’s investment structure and process are guided by an overarching set of well-formed, articulated investment beliefs, usually set by the fund’s Board or Investment Committee. From these beliefs, the fund will formulate a specific set of investment objectives (goals) for its portfolios. The key terms relating to a fund’s investment beliefs and objectives are:



INVESTMENT TERM	DEFINITION
Active management	Identifying mispriced assets or using predictions to create an investment portfolio which differs from a benchmark portfolio to generate higher returns
Diversification	Reducing overall risk by spreading sources of risk across a wider set of assets; not “putting all your eggs in one basket” <i>Trustees must determine an appropriate level of diversification and document how this is being managed</i>
Investment governance framework	The systems, processes and resources a superannuation fund uses to set and pursue its investment objectives, including generating and assessing returns, managing risks and ensuring compliance with investment-related obligations to members <i>Trustees are responsible for investment governance and must have an investment governance framework in place</i>
Investment objective	A superannuation fund’s desired overall investment outcome for an investment option <i>Trustees must approve investment objectives (risk and return) for each option and regularly monitor and assess whether they are being met</i>
Investment Policy Statement <i>Also: IPS</i>	A written summary of a superannuation fund’s investment beliefs, policies and guidelines
Passive management <i>Also: Indexing, tracking the index, market capitalisation (or cap) weighting</i>	Investing in assets that together are designed to move and perform like a published market index; typically capitalisation-weighted (which measures the company’s size by multiplying the share price by the number of shares in the company available)
Risk appetite	The risk that a superannuation fund is willing to accept to pursue its investment objectives
Risk/return	The basic principle that a superannuation fund must take risk in order to earn a return on its investments; often discussed as a “risk-return trade-off” or balancing returns and risks. Generally, higher returns come with higher risk
Active ownership <i>Also: Shareholder engagement</i>	Using a superannuation fund’s influence as a shareholder to improve the practices of a company
Efficient Market Hypothesis <i>Also: Efficient market theory, EMT</i>	The theory that assets in markets reflect their fair (true) value, so skill can not be used to beat the market

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INVESTMENT TERM	DEFINITION
Environmental, sustainable and governance investing <i>Also: ESG, responsible investing, ethical investing, stewardship</i>	Assessing an investment in a company by considering how sustainable and well-governed the company is, how ethical its practices are and the broader impact of the company on the community. <i>The Australian Council of Superannuation Investors (ACSI) released a voluntary Australian Asset Owner Stewardship Code in May 2018, available at www.acsi.org.au</i>
Factor investing	Using defined rules to invest in assets with particular desired risk attributes. Common equity “factor risks” are: Value, Profitability, Momentum, Yield, Size and Low Volatility
Implementation efficiency	Managing the real-world costs of implementing investment ideas, such as taxes and transaction costs
Smart beta	Using rules to weight assets in a portfolio differently to their index (market cap) weighting

2.2 ASSET ALLOCATION

The most important decision a superannuation fund can make in investing its members' funds is how to allocate between different types of assets (for example, equities versus bonds) as each asset class has different characteristics. The key terms relating to asset allocation are:



INVESTMENT TERM	DEFINITION
Asset allocation <i>Also: AA</i>	<p>Choosing the desired weight of investments between asset classes; for example, a balanced option AA may be 50% equities, 50% bonds, whereas a growth option AA may be 75% equities + 25% bonds</p> <p> Trustees must determine and monitor asset allocation targets and ranges for investment options</p>
Asset class	<p>A set of assets or investment opportunities with common attributes that are sufficiently different to other assets such that, grouped together, they form their own class. Distinct asset classes include cash, fixed income, equities, property, infrastructure and hedge funds</p>
Strategic asset allocation	<p>The long-term asset allocation (and ranges) targeted by a superannuation fund</p>
Alternatives <i>Also: Alts</i>	<p>Non-traditional assets (i.e. not equities, fixed income and cash); examples are infrastructure, hedge funds and venture capital, private equity. Direct property is sometimes thought of as an "alternative" asset and sometimes thought of as its own asset class.</p>
Asset consultant <i>Also: Investment advisor</i>	<p>A firm engaged by a superannuation fund to provide independent advice to the fund on its investments; can also refer to an individual within the asset consulting firm who advises the fund</p>
Correlation	<p>The extent to which particular assets in a portfolio, or entire asset classes, move up or down in value together. Asset allocation is used to build superannuation portfolios by combining "lowly correlated" assets to reduce (diversify) risks</p>
Developed markets <i>Also: DM</i>	<p>Countries that are most advanced in relation to their economy and capital markets. Firms who create market indexes (for example, MSCI) tend to define what is a "DM" country. Examples of "DM" countries are U.S, U.K, Canada, Japan, Germany, France, Australia and NZ</p>
Dynamic Asset Allocation <i>Also: DAA, tactical asset allocation, TAA</i>	<p>Using investment insights to regularly reallocate the superannuation fund's investment portfolio between more favourable and less favourable asset classes as part of an ongoing programme; short-term deviations from long-term desired strategic asset allocation weights</p>
Emerging markets <i>Also: EM</i>	<p>Countries that are not yet developed, but are progressing towards becoming developed, in relation to their economy and capital markets. Firms who create market indexes (for example, MSCI) tend to define what is an "EM" country. Examples of "EM" countries are China, Brazil, India, Mexico, Turkey and Russia</p>
Equities <i>Also: Shares or stocks</i>	<p>Stocks or other forms of securities that represent an ownership interest in a company</p>
Fixed income <i>Also: Fixed interest, debt</i>	<p>Bonds or other assets which represent a loan from the superannuation fund and pay a (usually) fixed level of income over a fixed period of time; can be issued by a Government (sovereign debt) or a bank or other company (corporate debt)</p>

INVESTMENT TERM	DEFINITION
Frontier markets	<p>Countries that are very undeveloped in relation to their economy and capital markets. Firms who create market indexes (for example, MSCI) tend to define what is a frontier country. Examples of frontier countries are Argentina, Kuwait, Lebanon, Tunisia, Bangladesh, Romania and Vietnam</p>
Infrastructure	<p>An investment in a physical community asset such as a road, electricity plant, port or airport</p>
Lifecycle investing <i>Also: Glide path, target date investing</i>	<p>Varying the asset allocation for a fund member based on factors like their age and/or time remaining until retirement; generally, means allocating to less risky assets through time.</p> <p> <i>Trustees must be able to demonstrate that a lifecycle strategy is in the best interests of members</i></p>
Property <i>Also: Real estate</i>	<p>Retail, industrial or commercial real estate assets which are expected to increase in value and pay rental income to the superannuation fund</p>
Real estate investment trust <i>Also: REIT, listed property trust</i>	<p>A pooled investment fund that holds property assets; typically, a superannuation fund will buy units in a REIT and receive income distributions regularly from the REIT</p>
Rebalancing	<p>Buying or selling assets in a portfolio to maintain a superannuation fund's desired asset allocation. For example, if the fund begins with a 50% equities + 50% bonds balanced portfolio and the equities triple in value, the fund's portfolio (by value) is now 75% equities + 25% bonds. The fund "rebalances" by selling 33% equities to buy bonds, restoring the 50% equities + 50% bonds balanced portfolio</p> <p> <i>Trustees must have a rebalancing policy as part of their investment strategy</i></p>

2.3 PORTFOLIO CONSTRUCTION AND IMPLEMENTATION

Once the asset allocation strategy is decided for each member option, the superannuation fund sets particular investment objectives for each asset class and then designs portfolios to meet these objectives. This includes selecting managers (which may include a decision to insource some investment management), styles, investment structures and drafting investment management agreements that cover details like investment return objectives, risk and liquidity constraints, the type of assets the fund can use, tax awareness, fees and performance reporting requirements. The key terms relating to portfolio construction are:



INVESTMENT TERM	DEFINITION
Index	A notional basket of assets which, together, measure of the value of a section of an investible market, or the market itself; such as S&P/ASX 200 Index, MSCI All Countries World Index and Barclays Global Aggregate Bond Index
Investment risk	The risk of a superannuation fund failing to meet its investment objectives due to adverse or inadequate investment performance
Liquidity	How easily an asset can be quickly bought or sold in the market without affecting the asset's price <i>Trustees must approve a liquidity management plan covering each investment option</i>
Tracking error <i>Also: TE, tracking risk, tracking variance, benchmark-relative risk</i>	A common measure of risk, capturing the extent to which the portfolio assets, together, have returns that are different to (rather than "tracking") the portfolio's benchmark
Brokerage <i>Also: Commissions, transaction costs</i>	A charge by brokers to buy or sell securities in a superannuation fund's portfolio; deducted directly from the portfolio rather a separate charge paid by funds
Centralised Portfolio Management <i>Also: CPM</i> <i>See Toolkit section 4.3</i>	Centralising the implementation of multiple equity manager portfolios to provide whole-of-portfolio transparency and reduce implementation costs like tax, brokerage and foreign exchange commissions
Collateral <i>Also: Margin</i>	Cash or assets set aside for a counterparty out of a superannuation fund's portfolio as security for future payments the fund may need to make; e.g. when trading futures or options, when gearing the portfolio or borrowing stock to sell short
Core-Satellite <i>See Toolkit section 4.2</i>	An equity portfolio structure which uses a basic, large ("core") allocation to a manager and a number of smaller allocations to "satellite" managers. For example, a superannuation fund may establish a low-cost passive core strategy with smaller, higher cost active satellites
Currency forwards <i>Also: Forwards, forward exchange contracts, FFX, derivatives</i>	An investment in the form of an agreement to buy or sell a particular currency at a set rate at a specified time in the future; typically used to hedge a superannuation portfolio from the risk of the currency moving in a direction that loses money
Derivatives	An investment whose value is based on ("derived" from) the value of another asset
Downside protection	A portfolio constructed to reduce or hedge out downside (tail) risk
Duration	The sensitivity of the value of a fixed income asset or portfolio to changes in interest rates based on term to maturity
Equal weighting <i>Also: EW</i>	A "smart beta" investment approach which aims to invest equally between assets in a portfolio rather than according to their index (market cap) weighting

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INVESTMENT TERM	DEFINITION
Exchange	A public, regulated marketplace for buying and selling securities, such as ASX, NYSE, LSE, Tocho, CBOE
Exchange-traded fund <i>Also: ETF</i>	A fund which pools the contributions of underlying investors to buy an investment portfolio; the ownership interests (e.g. units) of which can be bought or sold on an exchange
Externally managed <i>Also: Outsourcing</i>	A superannuation fund appointing a third party manager to invest some of its portfolio on its behalf  <i>Trustees must apply robust due diligence when selecting external managers</i>
Foreign exchange commissions <i>Also: FX commissions</i>	A charge by traders to buy or sell currency in a superannuation fund's portfolio; deducted directly from the portfolio rather a separate charge paid by funds
Futures <i>Also: Futures contracts, derivatives</i>	An investment in the form of an agreement to buy or sell a particular commodity or financial instrument at a set price at a specified time in the future; similar to a currency forward, except that futures are traded on an open exchange with standard terms
Gearing <i>Also: Leveraging</i>	Borrowing funds to invest to increase risk and return; some derivative investments and structures have the effect (though not the legal form) of gearing
Hedging	An investment made to reduce the risk of an adverse price movement in an asset or portfolio
Insourcing <i>Also: Internally managed</i>	A superannuation fund managing in-house some of its own investments, instead of having the investments managed by a third party
Investment horizon <i>Also: Time horizon</i>	The expected length of time for an investment
Investment management agreement <i>Also: IMA</i>	A contract with the rules governing an investment mandate awarded by a superannuation fund to an external investment manager
Listed <i>Also: Public, publically traded, exchange-traded, "lit market"</i>	Being included and traded on a given exchange. See also unlisted
Long position	Having a positive interest in an asset, so a superannuation fund bears the risk of the asset falling (or rising) in value
Multi-manager portfolio <i>See Toolkit section 4.1</i>	Dividing up the total allocation to a particular asset class into separate "sleeves" managed by different managers
Operational Due Diligence <i>Also: ODD</i>	Analysing the philosophy, people and processes of an external investment manager to ensure it is capable performing the functions for which a superannuation fund has appointed it. <i>AISt has produced a factsheet, ODD framework and letter template to help funds perform ODD in an efficient, cost-effective way, available at www.aist.asn.au</i>
Options <i>Also: Option contracts, puts, calls, derivatives</i>	An investment giving the option-holder the right, but not the obligation, to buy (call option) or sell (put option) a particular security or basket of securities at a set price at or up to a specified time in the future; after that time, the option "lapses" or "expires"

INVESTMENT TERM	DEFINITION
Overlay	An investment strategy which adjusts or complements one or more underlying strategies to achieve a particular objective; for example, a superannuation fund may award a “currency overlay” to a manager to hedge the currency risks of the combined global equity managers’ portfolios
Overweight <i>Also: OW, O/W, tilt</i>	An investment in a security, manager or asset class which is higher than the target or benchmark weight
Over-the-counter <i>Also: OTC, unlisted</i>	Trading of an asset directly between two parties without the supervision of an exchange
Proxy voting <i>Also: Voting proxies</i>	Exercising a superannuation fund’s rights, as a shareholder, to vote on a resolution proposed by a company or shareholders
Risk premium	The investment performance (reward) associated with a superannuation fund taking on risk in relation to specific assets; the most commonly referred to is the “equity risk premium”
Screens <i>Also: Exclusions, restrictions</i>	A prohibition on a portfolio containing assets with certain undesirable attributes; these assets are “screened out”, or removed, from the portfolio. Typically used in ESG investing (for example, a “tobacco screen”)
Short position <i>Also: Shorting</i>	Having a negative (i.e. opposite) interest in an asset, so a superannuation fund gets rewarded when the asset falls in value and loses when the asset rises in value
Tail risk <i>Also: Downside risk, left-tail risk, “black swan event” risk</i>	The risk that a security or portfolio will lose significant value if market conditions change dramatically
Tax lot selection <i>Also: Tax parcel selection</i>	The chosen method of allocating particular assets and tax attributes to a portfolio trade; the most common method used by superannuation funds is “FIFO” (highest in, first out)
Transition management <i>Also: TM</i>	Moving a group of assets from a current (“legacy”) portfolio to a new (“target”) portfolio, such as awarding part of an existing portfolio to a new manager or in a fund merger; usually a third party transition manager is engaged unless a centralised implementation (CPM) structure is used  <i>Transition management processes must be robust and clearly documented</i>
Underweight <i>Also: UW, U/W</i>	An investment in a security, manager or asset class which is lower than the target or benchmark weight
Unlisted <i>Also: Over-the-counter</i>	Not included and traded on an exchange; must be traded direct with a counterparty
Volatility <i>Also: Vol, variance, standard deviation of returns</i>	A common measure of risk, capturing how much and how quickly the value of an asset or portfolio can change and the size of this change

2.4 PERFORMANCE REPORTING AND ANALYSIS

The final, crucial stage of investing by a superannuation fund is to monitor the investment performance and other characteristics of the portfolio to determine whether it is meeting the fund's investment objectives. The key terms relating to performance reporting and analysis are:



INVESTMENT TERM	DEFINITION
After-tax return <i>See Toolkit section 5.2</i>	<p>The investment return on an asset or portfolio after accounting for the tax impact of income and trading</p> <p><i>Trustees must show they focus on after-tax returns and that the tax impacts of investing are considered</i></p>
Alpha <i>Also: Risk-adjusted excess return, the Greek symbol α</i>	<p>The extent to which the investment return on the portfolio exceeds its benchmark, adjusted for the level of market risk (beta) taken; a measure of active management skill</p>
Basis point <i>Also: bp</i>	<p>One-hundredth of a percentage point; for example, 0.20% = 20 basis points</p>
Benchmark <i>See Toolkit section 5.1</i>	<p>A standard against which the performance of a security, portfolio or investment manager can be measured; portfolios generally use a broad market index like S&P/ASX 200, while superannuation fund options use "cash plus" benchmarks (e.g. a "cash + 4%" benchmark means the return on cash + 4%)</p> <p><i>Benchmarks and/or other performance criteria must be used to evaluate performance and managers</i></p>
Growth return <i>Also: Capital return, price return</i>	<p>The increase in the value of an asset or investment over time</p>
Pre-tax return <i>See Toolkit section 5.1</i>	<p>The investment return of an asset or portfolio, including income, gains and changes in value, before accounting for the tax impact of income and trading</p>
Yield <i>Also: Income return or distribution</i>	<p>The income received on an investment, such as interest on bonds, dividends on equities, rent from property and distributions from trusts</p>
Annualised <i>Also: Average annual</i>	<p>Performance over a period re-expressed as an average annual return</p>
Attribution <i>Also: Performance attribution, Brinson attribution</i>	<p>Techniques used by performance analysts to explain what caused a portfolio's performance; a common method, a "Brinson attribution", divides a portfolio's performance between the value of specific asset bets and the value of the market sectors to which those assets belong</p>
Backtesting <i>Also: Modelling, simulating</i>	<p>Testing or predicting the performance of a hypothetical investment strategy using historical data</p>
Beta <i>Also: The Greek symbol β</i>	<p>How closely an asset or portfolio moves in line with the market</p>
Capital gains tax <i>Also: CGT</i>	<p>Tax levied on gains on sales of equities and some other assets by superannuation funds</p>
Cash drag	<p>Investment performance foregone when a superannuation fund holds a higher amount of its assets in cash than it desires (rather than investing in higher-return opportunities)</p>
Concentration	<p>A disproportionate amount of a portfolio's risk being held in a small number of assets</p>

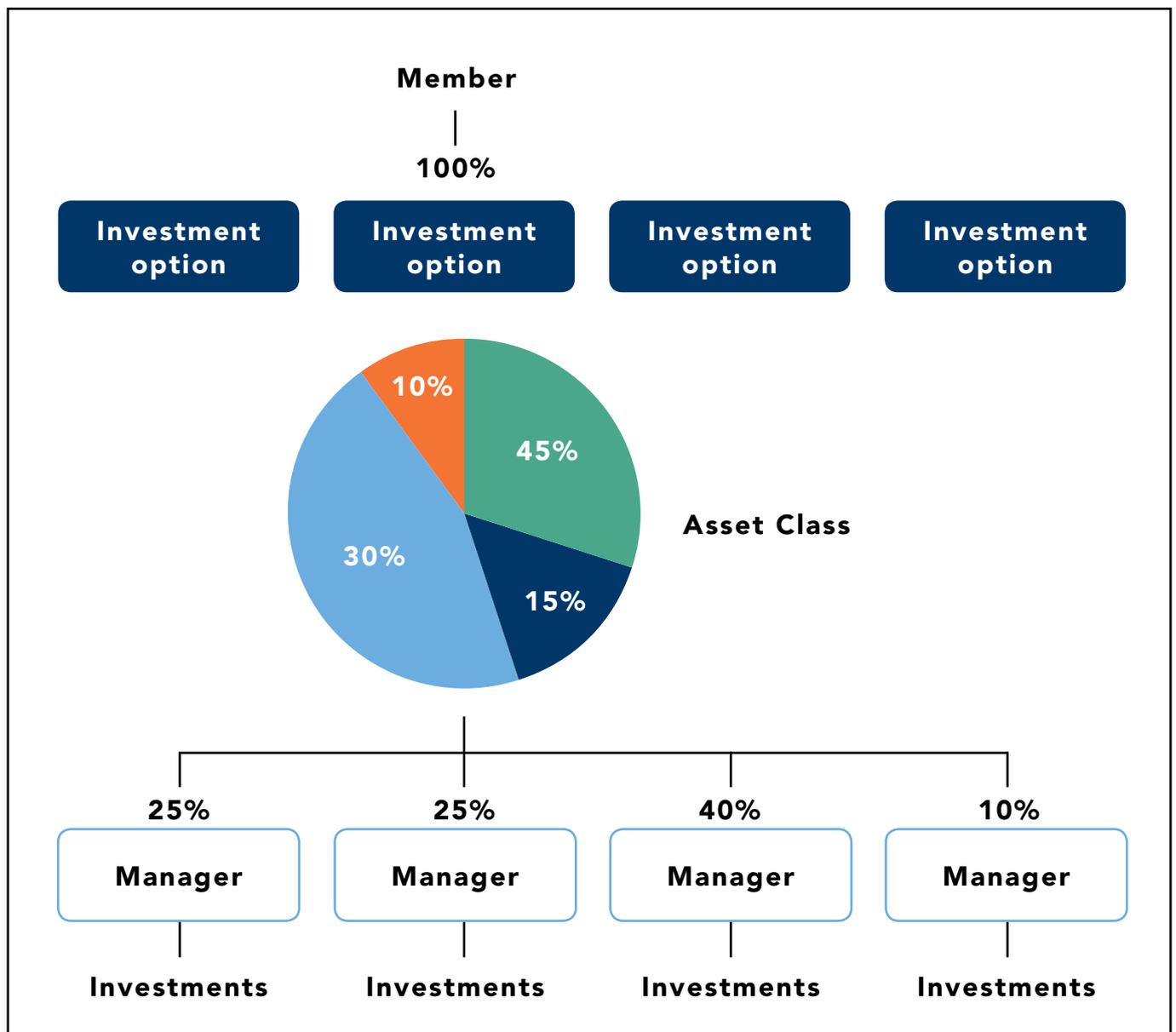
INVESTMENT TERM	DEFINITION
Franking credits <i>Also:</i> Imputation credits	A tax credit on most Australian equity dividends that allows a superannuation fund to reduce its tax bill or receive a tax refund;
Information ratio <i>Also:</i> IR	A common measure of the risk/return trade-off; the portfolio return earned in excess of a benchmark relative to the tracking error of the portfolio. The higher, the better
Internal rate of return <i>Also:</i> IRR, dollar-weighted return	A measure of the profitability of an investment based on future cash flows
Normal distribution <i>Also:</i> Bell curve	A graph which plots a range of outcomes in a symmetrical fashion with most outcomes falling at or near an average value (mean)
Sharpe ratio <i>Also:</i> Risk-adjusted return	A common measure of the risk/return trade-off; the portfolio return earned above the risk-free return, relative to the volatility of the portfolio return. The higher, the better
Stress testing <i>Also:</i> Risk analysis, sensitivity analysis	Analysing an investment portfolio to identify how more extreme scenarios affect the ability to meet return objectives
	 <i>Trustees must have a comprehensive stress testing programme in place</i>
Transaction cost analysis <i>Also:</i> TCA	Assessing the costs of trading the superannuation fund's portfolio to determine how efficient trading is and how skilled the fund's managers and traders are; including explicit costs (commissions) and implicit costs (price movements, differences between the costs that buyers "bid" and sellers "ask")
Withholding tax <i>Also:</i> WHT	Tax deducted by foreign countries from returns on certain overseas investments (such as equities) which a superannuation fund may be able to claim back

3. Example fund structure

The following diagram shows the typical relationship between the money contributed by a superannuation fund member and the investment portfolios maintained by the fund.

The fund sets an asset allocation for each option (such as Choice options and MySuper) and all money flowing into the option gets directed into the appropriate asset classes based on the asset allocation proportions specified.

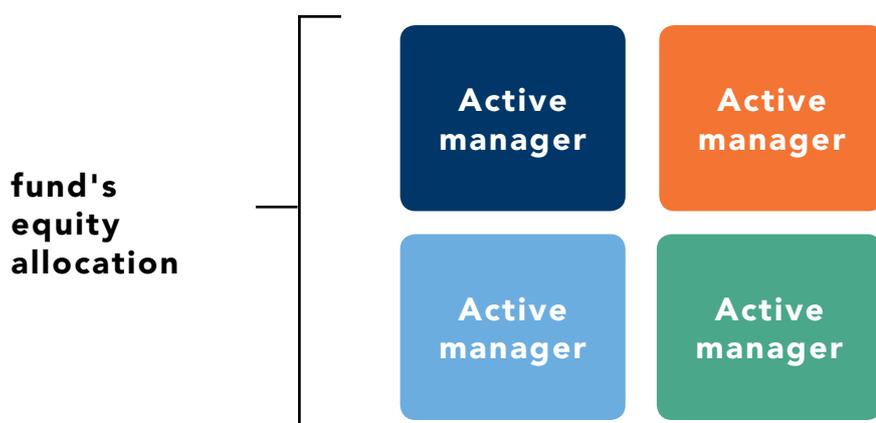
Diversified options (e.g. a balanced option) will direct money to a number of asset classes, while single sector options (e.g. an Australian shares option) will direct money to just one underlying asset class. The money allocated to each asset class is then directed to one or more of the underlying investment portfolios within that asset class according to the fund's investment rules and practices. In this way, any particular investment portfolio being maintained by the superannuation fund represents the contributions and savings of a cohort of the fund's members and net returns on that portfolio are deposited back into each member's account.



4. Example equity portfolio structures

A typical superannuation fund holds around half of their total investments in listed equities (shares), so the investment decisions and structures used to invest in Australian and international equities are very important. Many funds choose to diversify their equity investments by awarding investment management mandates to a number of different managers, with each manager managing a piece or “sleeve” of the overall asset class in isolation. This is known as a “multi-manager portfolio”, the most traditional structure of which is shown below.

4.1 TRADITIONAL MULTI-MANAGER

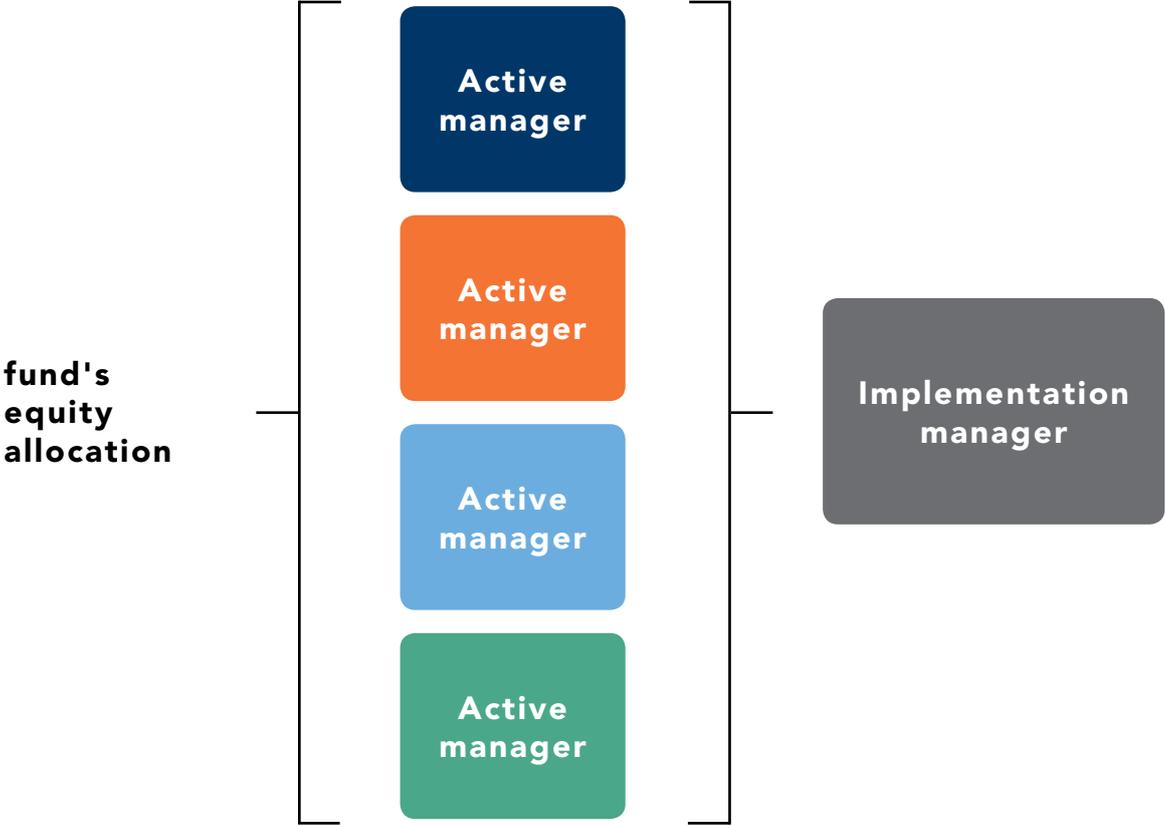


Recent years have seen innovation in how superannuation funds are designing their multi-manager equity portfolios, for both Australian and international equities. Two of the emerging ways of structuring a multi-manager equity portfolio are shown below. One (4.2) is a structure which centres on a (usually) lower cost large “core” portfolio providing equity market exposure, augmented with a number of smaller, more sophisticated “satellite” portfolios to add some specific desired return or risk characteristics to the overall portfolio. The other (4.3) addresses the value that is lost from the traditional structure by coordinating the implementation of the individual managers and provides a holistic view of the overall equity allocation to the superannuation fund.

4.2 CORE-SATELLITE



4.3 CENTRALISED PORTFOLIO MANAGEMENT



5. Example performance reports

Usually, superannuation funds receive monthly reports on the investment performance of their most important portfolios. It is helpful for Trustees to understand what is included in performance reporting and how to read a performance report to answer key questions. Two types of example performance reports are shown below (numbers are hypothetical, for illustrative purposes only), along with some guidance on how the content can be used by Trustees to answer questions they have about the investment portfolio.

5.1 PRE-TAX

Monthly Report

Manager Equity Strategy name

PREPARED FOR:

A Super Fund

A Super Fund

REPORTING PERIOD:

1 - 31 August 2018

TARGET INDEX:

MSCI World ex Australia

CURRENT VALUE:

\$100,000,000

TARGET INDEX:

MSCI World ex Australia

PORTFOLIO PERFORMANCE

PORTFOLIO INCEPTION: 1 September 2016	PRE-TAX %	
	PORTFOLIO	BENCHMARK
Cumulative Periods		
Month End	1.73	1.65
Year To Date	5.33	4.84
Since Inception	6.33	3.94

REPORTING PERIOD:

1 - 31 August 2018

Portfolio performance is gross of investment management fees.

REPORTING CURRENCY:

Australian Dollar

PORTFOLIO CHARACTERISTICS

	PORTFOLIO	BENCHMARK
Dividend Yield	2.9	2.7
Weighted Avg. Cap. (millions)	\$109,804	\$100,465
Country Weights (%)		
Austria	0.1	0.1
Belgium	0.6	0.3
Canada	2.3	3.4
Denmark	0.8	0.7
Finland	0.5	0.4
France	3.9	3.8
Germany	6.2	3.4
Hong Kong	1.1	1.2
Ireland	0.3	0.2
Israel	0.3	0.4
Italy	0.9	0.8
Japan	8.3	8.8
Netherlands	0.1	1.2
New Zealand	0.1	0.1
Norway	0.3	0.2
Portugal	0.0	0.1
Singapore	0.5	0.5
Spain	2.2	1.2
Sweden	1.1	1.1
Switzerland	3.5	3.0
United Kingdom	6.5	7.8
United States	60.3	60.9
	100	100

"Great! The value of our portfolio has increased and our active management approach is paying off because we beat our market benchmark"

"Our manager must be confident about Germany – this is our biggest overweight"

"Here is a risk: our highest exposure is to the U.S"

FIVE LARGEST HOLDINGS

POSITION WEIGHTS %	PORTFOLIO	BENCHMARK
Apple Inc.	1.88	1.89
Microsoft Corporation	1.34	1.32
Exxon Mobil Corporation	1.14	1.14
Johnson & Johnson	0.99	1.00
General Electric Company	0.96	0.94

5.2 AFTER-TAX

Monthly Report

Manager Equity Strategy name

PREPARED FOR:
A Super Fund

A Super Fund

REPORTING PERIOD:	TARGET INDEX:	CURRENT VALUE:
1 - 31 August 2018	MSCI World ex Australia	\$100,000,000

TARGET INDEX:
MSCI World ex Australia

PORTFOLIO PERFORMANCE

PORTFOLIO INCEPTION: 1 September 2016	PRE-TAX %		AFTER-TAX %	
	PORTFOLIO	BENCHMARK	PORTFOLIO	BENCHMARK
Cumulative Periods				
Month End	1.73	1.65	1.41	1.27
Year To Date	5.33	4.84	4.88	4.24
Since Inception	6.33	3.94	5.03	3.10

REPORTING PERIOD:
1 - 31 August 2018

Portfolio performance is gross of Parametric fees.

REPORTING CURRENCY:
Australian Dollar

PORTFOLIO CHARACTERISTICS

	PORTFOLIO	BENCHMARK
Dividend Yield	2.9	2.7
Weighted Avg. Cap. (millions)	\$109,804	\$100,465
Country Weights (%)		
Austria	0.1	0.1
Belgium	0.6	0.3
Canada	2.3	3.4
Denmark	0.8	0.7
Finland	0.5	0.4
France	3.9	3.8
Germany	6.2	3.4
Hong Kong	1.1	1.2
Ireland	0.3	0.2
Israel	0.3	0.4
Italy	0.9	0.8
Japan	8.3	8.8
Netherlands	0.1	1.2
New Zealand	0.1	0.1
Norway	0.3	0.2
Portugal	0.0	0.1
Singapore	0.5	0.5
Spain	2.2	1.2
Sweden	1.1	1.1
Switzerland	3.5	3.0
United Kingdom	6.5	7.8
United States	60.3	60.9
	100	100

Through time, we've made 5.03% on this portfolio, not 6.33% like the pre-tax report suggests"

"Great! We paid almost half of what the benchmark paid in tax this month"

FIVE LARGEST HOLDINGS

POSITION WEIGHTS %	PORTFOLIO	BENCHMARK
Apple Inc.	1.88	1.89
Microsoft Corporation	1.34	1.32
Exxon Mobil Corporation	1.14	1.14
Johnson & Johnson	0.99	1.00
General Electric Company	0.96	0.94

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