

9 December 2020

[REDACTED]
Principal Analyst — Data Analytics & Insights
AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY
1 Martin Place (Level 12),
Sydney, NSW 2000

By email: [REDACTED]

Dear [REDACTED],

Re: APRA Super Data Transformation project – Asset Allocation

AustralianSuper is pleased to take the opportunity to provide feedback in response to the draft reporting standards released in September.

AustralianSuper supports the overarching objectives behind the enhanced data reporting standards to provide greater transparency with the ultimate aim of improving outcomes for members.

About AustralianSuper

AustralianSuper is Australia's largest superannuation fund and is run only to benefit its members. With over 2.2 million members and \$180 billion of members' assets, our sole focus is to provide the best possible retirement outcomes for members. AustralianSuper is responsible for investing the superannuation savings of more than 10% of Australia's workforce and we take seriously our responsibility to act in the best interests of our members in this process. With this in mind our general comments in relation to the Asset Allocation reporting are as follows:

1. We are supportive of the enhanced reporting on Asset Allocation. In particular:
 - clear and consistent metrics, allowing for comparison between funds;
 - alignment of reporting to investment exposures; and
 - the distinction between a longer-term Strategic Asset Allocation (**SAA**) which may deviate within bounds, as compared to Actual Asset Allocations (**AAA**).
2. We have concerns about some of the specific details in terms of the volume of data, potential duplication and confidentiality concerns;
3. We believe that (with the exception of some finer details, such as Asset Characteristics), the reporting is able to be produced:
 - a. AustralianSuper is well placed to provide SAA and AAA information – which can be collated using a bottom-up data
 - b. For funds that either used pooled investment vehicles and/or do not capture underlying holding information, the exercise is more difficult and would require;
 - i. a standardised reporting framework to obtain consistent information from fund managers
 - ii. a streamlined reporting approach, as collation of numerous data points across multiple managers is cumbersome.

AustralianSuper has generated reporting based on our Balanced Option, utilising data that is fairly readily extractable. We believe that (with an implementation timeframe) reporting on this basis is feasible across the industry.

Please note that this information set is **illustrative only** – some “dummy” data (knowingly incorrect) has been input for system purposes to allow for sample reporting to be generated, it the outputs not been reviewed for accuracy.

Further observations and commentary are provided in Appendix 1.

We would be very pleased to meet with you to discuss our observations and comments and answer any questions you may have about them. Please let me know if this would be of interest to you. I can be reached on [REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]

Senior Manager, Corporate Affairs

Appendix 1

<p>SRF 550.1 – Item 1 – High-level Strategic Asset Allocation</p>	<p>Observations</p> <ul style="list-style-type: none"> - Feasible for funds to report - Consistent with PDS disclosure - No confidentiality concerns - Data should be readily available - Can be provided in a timely manner <p>Comments:</p> <ul style="list-style-type: none"> - Suggest allowance for currency exposures to be reported separately, as currency may be managed separate to asset class exposures. - Some definitions may be required (e.g. credit v fixed income).
<p>SRF 550.1 – Item 2 – Low-level Strategic Asset Allocation</p>	<p>Observations</p> <p>Consistent with the High-level SAA.</p> <p>Comments:</p> <ul style="list-style-type: none"> - Some funds may not have a strategic target (e.g. credit v fixed income v government bonds). - Suggest allowance for currency exposures to be reported separately.
<p>SRF 550.1 – Item 3 – Actual Asset Allocation</p>	<p>Observations</p> <ul style="list-style-type: none"> - Distinguishing between High-level and Low-level sectors is helpful – and allow for the gap between a “top down” view and a “bottom up” view. For example, e.g. cash within an equities portfolio / cash used to back synthetic exposures. Clear guidance is required to ensure consistent and comparable reporting. - Details of portfolios to an Asset class characteristic level should NOT be made public. <ul style="list-style-type: none"> - this may inadvertently release confidential information about trading strategies. - due to granularity of data, this may allow for valuation information of specific assets to be available – which is confidential, and the release of which may be prejudicial during a sale process, and contrary to members interests. <p>Comments:</p> <ul style="list-style-type: none"> - Asset class characteristic 1 data will generally be available <ul style="list-style-type: none"> - A once-off data collection exercise may be required to load individual asset attributes. - Funds without security level data and/or systems to capture and collate specific attributes of these securities will require custodian/manager reporting to be developed. This may require some implementation time. - Some categories (e.g. developed / established) may be more appropriate for property/infrastructure than other assets (e.g. private debt).

<p>SRF 550.1 – Item 3 – Actual Asset Allocation (continued)</p>	<ul style="list-style-type: none"> - Clear definitions will be required for Asset class characteristic 2 and 3 items <ul style="list-style-type: none"> - We do NOT believe this data should be publicly available. - Suggest removal of the active/passive classification – this is based on investment intention and can be subjective. Complexities arise (e.g. passive positions utilised for active purposes). We recommend objective information (based on asset attributes) may be more appropriate. - Whilst technically feasible – some processes will require a manual process of classification of individual assets. Applying this approach across the industry is unlikely to be practicable. - Suggest removal of the modified duration data <ul style="list-style-type: none"> - Many funds are unable to calculate this on an aggregate basis. - A “guard rail” type approach may be sufficient, with asset class classification subject to bounds to identify high-duration strategies.
<p>SRF 550.1 – Item 1 – Investments</p>	<p>Observations</p> <p>There appears to be substantial duplication at the asset level with the Actual Asset Allocation report.</p> <p>Comments:</p> <ul style="list-style-type: none"> - Suggest removal of asset-level information where already provided in Asset Allocation reporting. - This report could be simplified by simple split between direct / mandate / pooled vehicle. - Data could then be provided by Investment Option. - Suggest review of definitions (“direct v indirect” has been complex for RG97 purposes).
<p>SRF 550.1 – Item 2 – Currency Exposure</p>	<p>Observations</p> <ul style="list-style-type: none"> - Individual currencies could be an extensive list – in particular if provided by option. - Suggest classifications (e.g. DM/EM) or top [10] currencies. <p>Comments:</p> <ul style="list-style-type: none"> - “Value” may need a definition – suggest this is about exposures rather than MTM valuations. - Some funds may not be able to provide this on a look-through basis - Some subjectivity involved (e.g. domicile v country of risk)
<p>SRF 550.2 – Item 1 – Derivatives</p>	<p>Observations</p> <p>Extremely detailed – could be thousands of lines.</p> <p>Comments:</p> <ul style="list-style-type: none"> - If AAA data identifies synthetic exposures, this should be sufficient. - Whilst technically able to be provided, detailed information by instrument types will raise confidentiality issues (in particular given counterparties are named).

<p>SRF 550.0 – Item 2.1 – Derivative collateral</p>	<p>Observations Appropriate for some organisations – but could be very complicated for some arrangements.</p> <p>Comments</p> <ul style="list-style-type: none"> - Unclear on what is trying to be identified – could potentially lead to misleading disclosure (e.g. overdraft facilities where counterparties may have access to all trustee assets).
<p>SRF 550.0 – Item 2.2 – Counterparties</p>	<p>Comments</p> <p>Definitions required. E.g. we consider that we have counterparty exposure when we have cash on deposit with a bank.</p>