

# Verve Super



## Product Summary



We have assessed our performance and, based on that assessment, made an annual determination that members' interests have been promoted, in accordance with superannuation laws and standards.

# 1. Summary

The 2019–2020 financial year was an unprecedented year with challenges arising from prolonged drought conditions, the worst bushfire season on record, and the onset of COVID in February 2020 which impacted businesses and communities on a global scale. Whilst facing these challenges, Verve Super (“the Fund”) was able to promote its members’ best interests as required under superannuation law, delivering strong investment returns to our members and increasing the funds under management to around \$80M as at 30 June 2020. We are proud to have maintained our core values of supporting women and dedicating our resources and passion to ‘build the wealth and financial power of women everywhere’. We saw first-hand how women were disproportionately hit by the effects of COVID-19 having suffered job loss and now facing the longer-term impacts of unemployment. Our focus has not only been on providing an ethical investment option that considers gender in investments but also to be a financial learning community for our members.

During the year we delivered a full range of services and support to help members and this included:

- Events, webinars, courses and resources all tailored to support women to build wealth; and
- 1:1 support for matters including career transitions, new salary arrangements, divorce and separation support.

We remained focused on member growth, increasing our membership by 337% increasing scale and better services to our members.

We provided service that is kind and personal, which can be evidenced in our Net Promoter Score of 82% (scale from negative 100 to positive 100) when comparing this to the average NPS across the superannuation industry of -10.4. Net Promoter Score is a measure of the share of members that would refer others to become members relative to those who would not.

We are excited about the investments that were made during the year. For example, Verve Super, together with Future Super were the first major investors to support a \$20M bond issued by VisionFund International. The focus of the bond is on supporting women entrepreneurs, rural clients and farmers, and other vulnerable people seeking greater financial inclusion. Our Investment team worked tirelessly ensuring that the focus is on protecting the financial interests of our members while seeking impact opportunities.

We continue our commitment to members and further delivered improvements to the Fund since 30 June 2020:

- The overall fee was reduced since January 2021 by \$7.50 on an account balance of \$50,000;
- We have reduced insurance premiums by removing the Insurance Administration fee that formed part of members’ insurance premiums in order improve benefits to members; and
- We are continuing to develop new member online capabilities in line with our commitment to members to provide superior member services and provide more opportunities for self-service.

The Verve Balanced investment option has delivered a return since its inception of 8.98% from 1 November 2018.

## 2. Determination

Based on the assessment of the outcomes achieved and evidence contained in this summary, we have determined that:

- members’ interests are being promoted;
- the basis for the setting of fees is appropriate for our members;
- members have not been disadvantaged due to the scale of, and within, the Trustees’ business operations;
- the operating costs of the Trustees’ business operations are not inappropriately affecting the financial interests of our members;
- the options, benefits and facilities offered under the product are appropriate to members;
- the investment strategy for the product, including the level of investment risk and the return target, is appropriate to members; and
- the insurance strategy for the product is appropriate to members and undergoing regular reviews.

Details of this assessment are outlined below.

### 3. Member Services

#### Key services offered to Members

We launched our product in 2018 and at 30 June 2020, we had close to 3,000 members and \$80M in funds under management. Our objective is to provide exceptional service to members and support women through the various stages of life. This is supported by the results of our 2020 Annual Member Survey, where the fund received an NPS of 82%. When comparing this to the average NPS across the superannuation industry of **-10.4**<sup>1</sup>, it is clear that Verve Super members see significant value in being with the fund.

We are working to deliver an enhanced online experience for existing and new Verve Super members, and this includes:

1. Digitise existing financial wellness programs & resources;
2. Digitise behavioural change focused coaching approach – this activity will allow Verve to digitalise & gamify its existing financial coaching program which is focused on supporting people to develop their knowledge & skills & also to create strong financial behaviours; and
3. Develop a wealth building platform and app that can be integrated to the financial coaching platform and digital resources.

We are also working on our Reflect Reconciliation Action Plan and completing B Corporation Certification. Verve continues to attract new members which is noticeable by very low net members' benefit outflow ratio (i.e., that more money was rolled into Verve Super than was rolled out) in comparison to the industry. The industry ratio was 102% and Verve Super achieved 7%. This reflects on our ability to grow the fund based on the services and facilities the Fund provides.

Considering the product benefits and improvements we implemented during the year, we have assessed that we have promoted the financial interest of our members and we believe we have met our objective to provide products, services and facilities that add value to members and are commensurate with the fees paid.

### 4. Product options

#### 4.1 Investment strategy

The fund's investment strategy is to provide a diverse composition of investments considering the following:

- the objective to provide strong risk-adjusted returns from investment in assets that satisfy the ethical criteria of the fund; and
- the liquidity of the Fund's investments having regard to its expected cash flow requirements.

We invest across a diverse mix of assets such as shares, cash and fixed interest. The exposure to these asset classes is primarily obtained by holding assets directly, including Exchange Traded Funds. We have a large investment team ensuring the diversified portfolio is screened appropriately and actively managed.

We have determined our investment objective to be the rate of inflation (Consumer Price Index) plus an additional amount of 2.50%.

We used survey data from SuperRatings as the basis of our assessment of our investment option. SuperRatings specialise in ratings and research for the super industry and compare funds across a range of quantitative and qualitative factors.



The below peer group<sup>2</sup> includes all Balanced options as classified by SuperRatings.

The above graph reveals the Verve Balanced Investment option<sup>3</sup> outperformed its benchmark and median peer group. As the Fund only launched in 2018, long-term returns are not available.

<sup>1</sup> Evolved Omnibus Survey 2020.

<sup>2</sup> Peer Group – (Industry Public offer, Industry – Personal, Master Trust – Corporate and Master Trust – Personal as classified by SuperRatings).

<sup>3</sup> Returns are net of all investment fees, administration fees and taxes, excluding member direct fees. Returns are calculated using changes in the unit price. Past performance should not be relied upon as an indication of future.

## 4.2 Level of Investment Risk

As a choice product, the Verve Super investment strategy is intended to be suitable for members comfortable with accepting short term market volatility in order to achieve higher returns. This product is designed for members who want to save for their retirement without investing in companies whose activities are not consistent with ethical, environmental or social values. This provides members with access to investments with a Standard Risk Measure level of 6 with an estimated number of negative net investments between 4 to 6 over a 20-year period.

We believe that the investment strategy and risk and the return target is appropriate for our member cohort.

## 5. Fees and Costs

Our aim is to maintain an adequate fee structure to ensure that member services can be appropriately delivered. Our goal is to create a better superannuation experience for members, with excellent customer service and investments that are helping to shape better environmental and social outcomes.

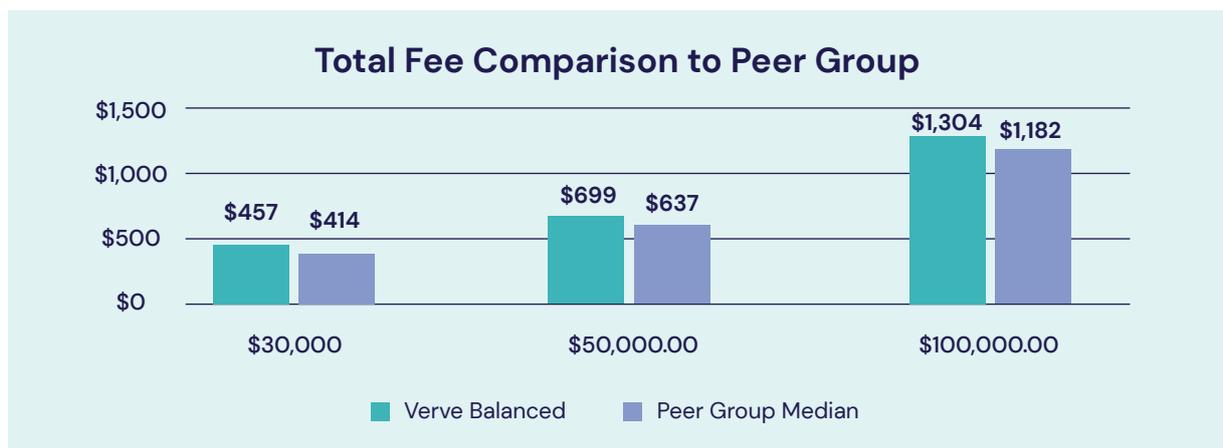
The assessment of fees and costs considers the allocation of costs across the membership and compares the investment fees and non-investment fees to comparable products in the industry.

At 30 June 2020 our fee structure included an administration fee of \$93.60, administration asset based fee of 0.79% per annum and an investment fee including indirect costs of 0.42% per annum.

Our average balance is around \$36,000, a large proportion of members benefit from this combination of a flat and a percentage-based fee.

In order to better understand an individual member's account, we have conducted testing of members' total fees charged per annum on the fee structure in place at 30 June 2020 at various balances.

We used data from SuperRatings as the basis of this assessment. The graph determines that our total fees for Verve Balanced option are marginally more expensive compared to our peer group<sup>4</sup> median. Our fee reduction implemented in January 2021 will further increase our member outcome.



We have further measured our costs by calculating the operating expense ratio of the Fund against all superannuation funds using the publicly available statistics issued by APRA (Australian Prudential Regulation Authority). The results reveal that Verve Super's operating expense ratio is 0.87% this is modestly above median of 0.60% for retail funds. We will continue review the operations of the Fund to ensure we improve members outcomes as the Fund grows.

Taking this into consideration, on balance, we have determined that we have promoted the financial interests of our members.

## 6. Insurance

AIA is the Fund's Group Life Insurer. Members are able to opt-in to Life, TPD and Income Protection Insurance. The Fund has created an easy opt-in process that new members can use to opt-in online for Death and TPD cover. Members are also able to transfer cover from their old fund to their Fund account.

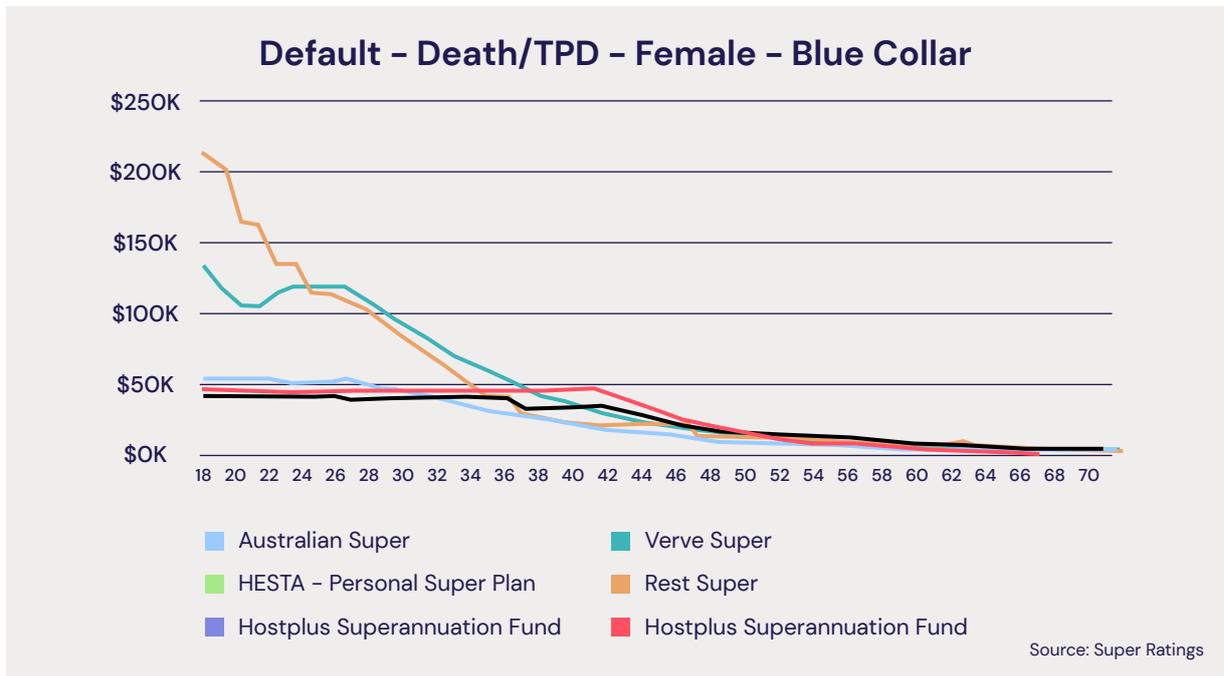
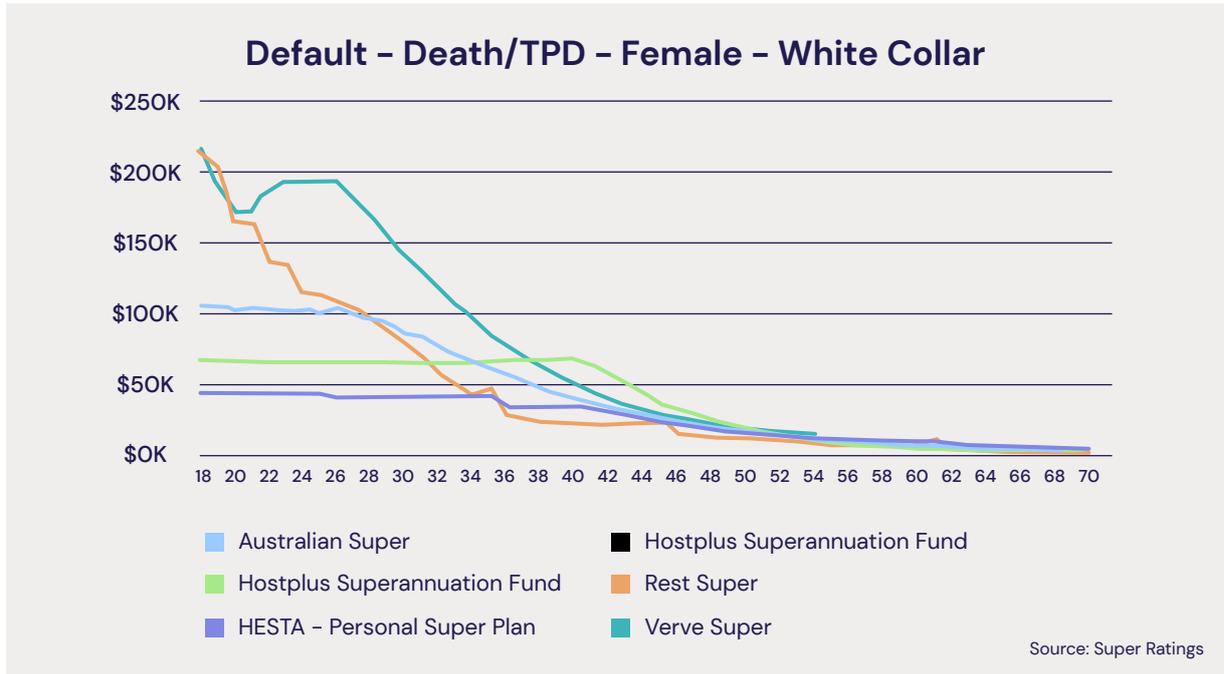
As cover is voluntary, there has not been a high level of uptake in the Fund.

Additionally, as members must opt-in and accept default insurance offering, after considering their personal situation and needs, we have determined that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

<sup>4</sup> Peer Group - (Industry Public offer, Industry - Personal, Master Trust - Corporate and Master Trust - Personal as classified by SuperRatings).

In our assessment we considered a comparison to other funds and we provide below charts comparison showing insurance cover for a \$1 week.

The below graphs show that the amount of cover for \$1 premium paid provide a female white collar member with a comparable value cover to other funds, but a white collar male member will receive less cover:



Since 30 June 2020 we have reduced the premiums costs by the administration fee of to our members to further provide for better member outcome.