



# Chant West Fund Ratings

## Super Fund Ratings Methodology

### Overview

Most workers in Australia can choose which fund will receive their employer's super contributions, but without help they have no reliable means of comparing one fund with another. That is the purpose of our fund ratings. By applying our knowledge and experience of funds, we compare them in a way that is both fair and rigorous.

The result is a set of ratings that encapsulate our view about the quality of each fund we rate. We express those ratings in terms of Apples, reflecting our 'apples with apples' approach. Funds earn a rating ranging from 5 Apples, our highest grade, to 1 Apple, our lowest.

### Ratings Definitions

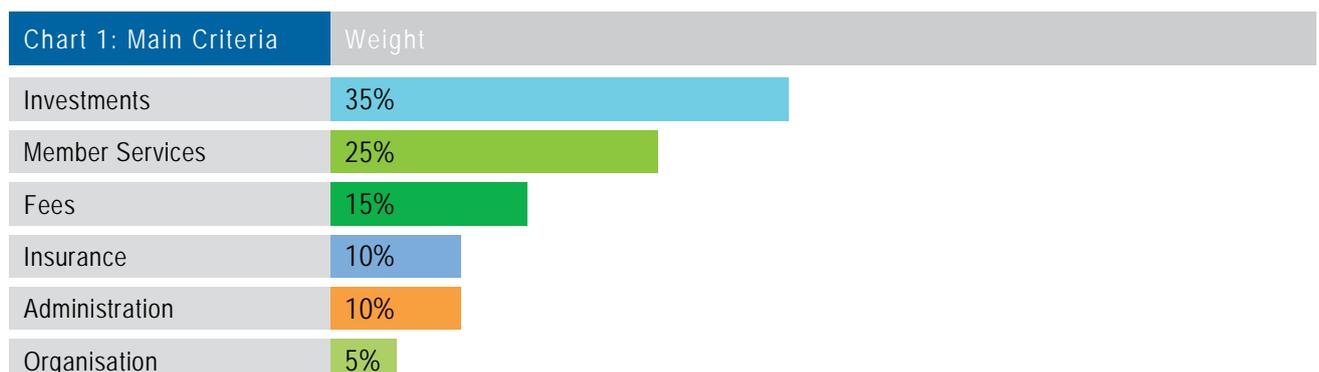
Rating	Definition
	Highest quality
	High quality
	Sound quality
	Low quality
	Lowest quality

Our ratings are based on information that is either publicly available or is provided directly to us by the funds themselves. Where necessary, we modify that information to ensure fair comparisons. We give each fund the opportunity to review the information we use for its accuracy.

### Main Criteria

When we rate super funds, we apply a methodology that was first developed in 1997 and has been continuously refined ever since. We focus on six main criteria: organisation, investments, fees, insurance, administration and member services.

We determine a score for each of the main criteria and then weight these to provide an overall rating for the fund. [Chart 1](#) shows the main criteria we use and the weights we assign to them.



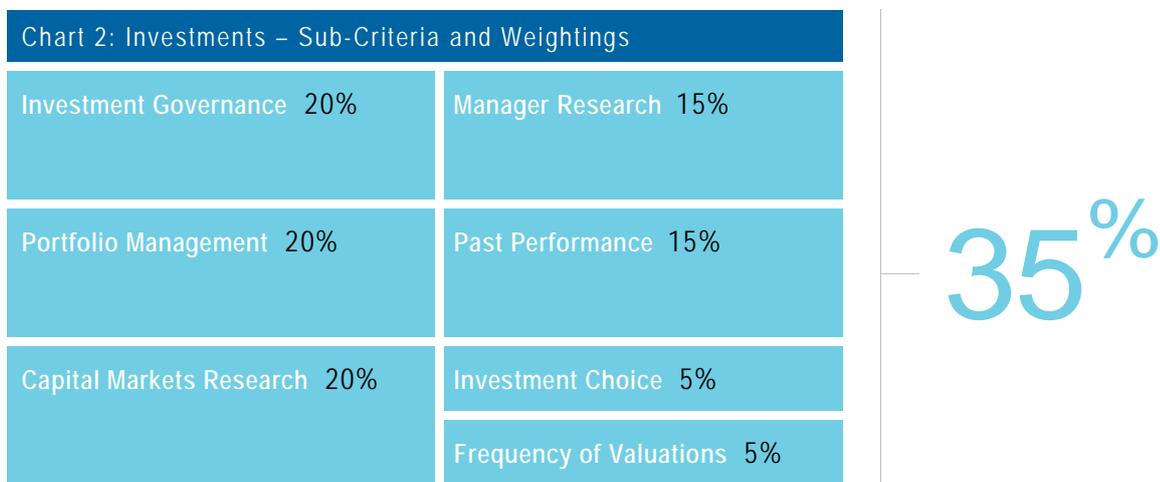


In the following sections, we look at each of the main criteria in turn, starting with the most important, and explain the sub-criteria we assess for each of them.

### Investments

Investments are obviously important and account for 35% of our overall rating. When we rate a fund's investments, we do not focus on past returns. Rather, we focus on assessing the quality of the fund's investment governance, its internal investment team, its primary investment consultant (particularly for research), and the structure of its investment portfolios. If it does these things well, it is likely to have strong, long-term performance.

Most funds offer a range of investment options to choose from, but we concentrate our research mostly on the multi-manager options because that is where most members are invested. [Chart 2](#) shows what we take into account. It is worth noting that past performance only accounts for 15% of the total score for investments (which equates to 5.25% of our overall fund evaluation).



### Member Services

While investments carry the highest weighting in our ratings process, we believe member services are also vitally important. For that reason, they account for 25% of our overall weighting.

The best funds offer services that help their members understand the purpose of super (which is to accumulate a nest egg that will provide them with a comfortable income in retirement), how they are tracking to achieve their retirement goals, and what they can do to ensure they meet those goals.

The main aspects that we focus on are education (retirement calculator, public website and secure website), communication materials (member statement and newsletters) and financial advice services (scaled and full advice). [Chart 3](#) shows those sub-criteria and the weightings we assign to them.





## Fees

The fees that a member pays – either directly from their account or indirectly through their investments – have a bearing on how much money they end up with in retirement. However, a low fee fund is not necessarily the best. A fund may be cheap because its investments use a lot of passive management, or it may cut costs by providing little in the way of member services.

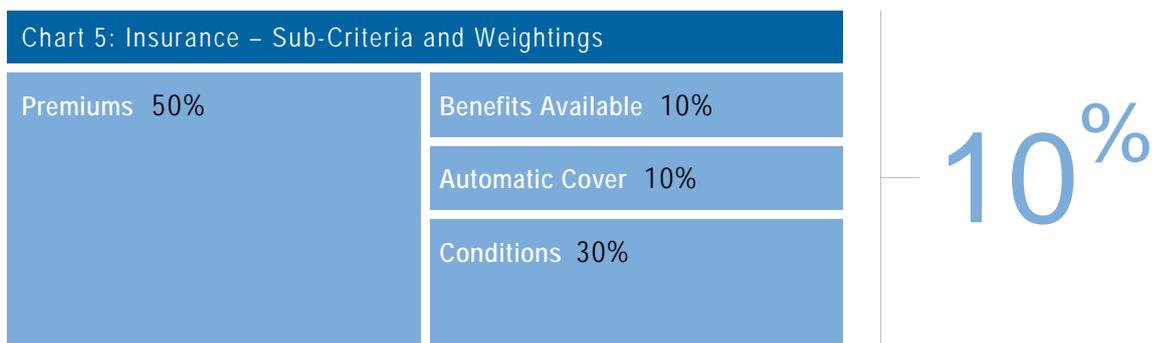
When we assess a fund on fees, we look not only at the fees and costs a member pays, directly or indirectly, but also on how clearly and completely the fund discloses those fees and costs, as shown in [Chart 4](#).



## Insurance

Insurance is an important benefit, but it is also a cost that a member pays, so they want to be comfortable that it represents good value. The best funds provide cover that is affordable, flexible, relevant to the demographics of their membership, and requires the minimum of paperwork and medical evidence.

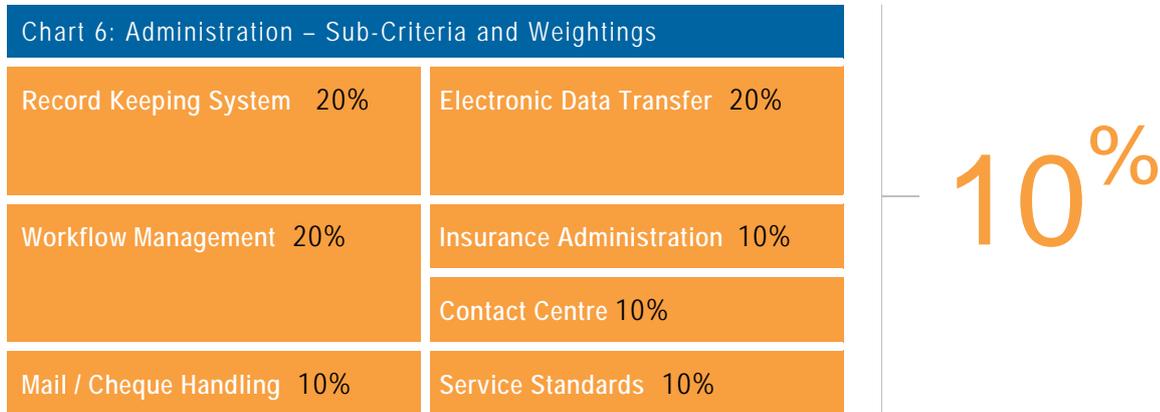
The main aspects we focus on are the premiums, the conditions that apply before benefits are paid, the amount of cover available without medical evidence and the range and relevance of the benefits provided. These are shown in [Chart 5](#).





## Administration

For a fund to deliver high quality services to its members and their employers, it needs to have efficient administration. There is a range of factors we focus on when we assess a fund's administration, including the quality of its record-keeping system and workflow management, and its ability to meet realistic service standards. These are shown in [Chart 6](#).



## Organisation

Australian super funds are highly regulated and they are not geared, so the chance of failure (loosing most of the fund's assets) is remote. Nevertheless, it is important to know that the organisation behind the fund has the capacity to sustain and improve it now and into the future.

When we assess a fund on organisation, we look at who owns or controls it, the strength of its management team and its strategy for the future, as shown in [Chart 7](#).

