

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

BT13QW:

Could you please indicate how you supervise the indirect costs associated with vertically integrated retail funds, including what the costs are for (brokerage etc) and how you ensure they are not eroding members' accounts?

Answer:

The Trustee has processes and controls in place to report indirect costs charged by underlying investment managers. Where superannuation options are invested through funds operated by a related entity, members pay a single investment fee and rebates apply with the effect of ensuring duplicate management fees are not incurred by reason of the related party investment. External manager indirect costs are directly sourced and reviewed. Reporting is conducted annually and disclosed as the Indirect Cost Ratio (**ICR**) to members via product disclosure statements (**PDS**), annual statements (including online where available), and exit statements, where applicable.

Indirect costs are collated from each underlying investment manager and reported for each superannuation investment option per annum for disclosure purposes. Indirect costs are compared from year to year and any significant change, or underperformance of an investment manager is reviewed and investigated.

Investment options offered within BT super products are subject to extensive monitoring. Indirect costs arise in the course of the investment activities undertaken by investment managers as they seek to generate return outcomes to meet or exceed their fund objectives. The Trustee does not specifically monitor the underlying components of what may constitute the indirect costs of day-to-day trading activities. These indirect costs are implicit in performance outcomes. The Trustee monitors performance against risk and return targets detailed in the Trustee approved Investment Governance Policy (**IGP**) as well as relative to investment options within the relevant asset class peer group.