

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS  
SUPERANNUATION SECTOR**

**CARE**

**CARE63QW:** Can you please advise what arrangements you have provided to **defer** the payment of rent for tenancies for **assets owned** by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** CareSuper does not influence the rental arrangements of any assets.

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**CARE**

**CARE64QW:** Can you please advise what arrangements you have provided to **defer** the payment of rent for tenancies for **assets controlled** by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

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**CARE67QW:** On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?

**Answer:**

	1/01/2020	
	FUM at End of Period (\$m)	FUM at End of Period (%)
<b>Listed Investments</b>	<b>8,396</b>	<b>49%</b>
<b>Unlisted Investments</b>	<b>4,069</b>	<b>24%</b>
<b>Other Investments</b>	<b>4,783</b>	<b>28%</b>
<b>CareSuper Total Investments</b>	<b>17,248</b>	<b>100%</b>

Notes:

1. Other Investments include; cash, term deposit and money market, fixed interest, credit and high yield debt, absolute return fixed income strategies and capital guaranteed cash management accounts.

Details of the fund's asset allocation are also reported to APRA (SRF 530.0) and published in its Fund Level Superannuation Statistics (Annual and Back series) at Table 9, Columns M to S. APRA does not report asset allocation by listed and unlisted.

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**CARE**

**CARE68QW:** On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?

**Answer:** No.

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**CARE**

**CARE69QW:** What write down, if any, has been made to the value of unlisted assets?

**Answer:** The value of some Infrastructure and Property assets have been written down as a result of COVID-19. Write downs have been reflected in unit prices.

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#### CARE

**CARE70QW:** Listed companies holding infrastructure assets have had write downs of around 40 per cent:

- a. How does this compare to your write down of unlisted assets?
- b. If there is a difference, why is there a difference?

**Answer:**

- a. CareSuper's write down of unlisted assets is materially less.
- b. The difference is appropriate for several reasons.

The value of listed infrastructure securities is subject to price moves associated with the rise and fall of listed markets. The price of listed securities at any time does partly reflect the value of underlying assets, but it also reflects supply and demand for those securities and investor sentiment - so the value of those listed securities can at times be significantly undervalued or overvalued verses any assessment of 'true value' for the underlying assets.

Many believe that the recent large fall in the value of listed infrastructure securities is at least partly due to these securities being significantly overvalued prior to COVID-19. Similarly, as share markets have risen in April, the prices of these securities have risen again. Clearly, the value of the underlying infrastructure assets is not changing in this way.

The market value of a listed security should not be confused with the value of the underlying assets within that listed entity. They are related but demonstrably not the same thing.

Listed and unlisted valuation methodologies both have pros and cons. Listed valuations are often regarded as more transparent as they represent a price at which actual transactions have occurred, the price at which buyers and seller on a given day were willing to trade. Other factors influence listed security pricing other than underlying asset value.



As a result of this transparency, an inference is sometimes made that listed values are more accurate than unlisted values. This is not necessarily the case.

For unlisted infrastructure assets, the imperative is to fairly and correctly value the assets and have the valuation change only when the actual value of the asset changes. Investors are subject to this valuation risk.

Investors in unlisted assets are not subject to the additional risk associated with non-fundamental moves in listed prices.

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**CARE71QW:** Have you had any liquidity issues in honouring your obligations to members as a result of the:

- a. recent decline in the share market?
- b. permission by the Federal government to allow members to remove up to \$10,000 per financial year if they lose their job?

**Answer:**

- a. No.
- b. No.

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**CARE72QW:** What has been the current reduction of the value of your fund, and the unlisted and listed components since 1 January 2020?

#### Answer:

	<b>Reduction in FUM from 1 January 2020 to 24 April 2020 (\$m)</b>
<b>Listed Investments</b>	<b>-1,350</b>
<b>Unlisted Investments</b>	<b>-157</b>
<b>Other Investments</b>	<b>-221</b>
<b>CareSuper Total Investments</b>	<b>-1,728</b>

#### Notes:

1. Other Investments include; cash, term deposit and money market, fixed interest, credit and high yield debt, absolute return fixed income strategies and capital guaranteed cash management accounts.

The market value of the Fund's assets, particularly the listed assets, is currently subject to high levels of volatility. Any reduction in value of the investments held by the Fund will be subject to a timely, proper and considered assessment in accordance with appropriate standards and will be reported to APRA and publicly available when completed. Information on the unit pricing or crediting rates is published regularly on the Fund's website.

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**CARE**

**CARE73QW:** How many members have **requested the early release** of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

**Answer:** CareSuper is unaware of how many members have requested early release of superannuation. Requests for COVID-19 early release of superannuation are made directly to the Australian Taxation Office (ATO) and reported to APRA. The ATO is best placed to respond to this question.

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**CARE**

**CARE74QW:** How many members have **had approved the early release** of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

**Answer:** As reported to APRA on 29 April 2020, 3163 members (\$26,152,360) have been processed.

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**CARE75QW:** If some members have required the early release of their superannuation since 12 March 2020 and not been approved, please provide details of the grounds on which they have not been approved.

**Answer:** The Australian Taxation Office (ATO) approves COVID-19 early release of superannuation.

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#### CARE

**CARE76QW:** Liquidity management:

- a. What is your fund's process for complying with APRA's prudential framework which requires trustees to have a liquidity management plan?
- b. How is the plan being reported to the trustee directors?
- c. Who is responsible for the day-to-day liquidity management for the fund?

**Answer:**

- a. CareSuper's Liquidity Management Policy describes the consideration given by the Board and Management to monitoring and managing the liquidity of the Fund. It considers the responsibilities of the Fund from a regulatory perspective as well as the practical considerations of ensuring that the Fund is able to satisfy member requests in an equitable and timely manner.
- b. The plan is being reported in line with existing protocols according to the Policy which includes monitoring and reporting of Liquidity to both the Investment Committee and Board as appropriate.
- c. Day to day liquidity actions and monitoring is the responsibility of the CIO and Investment Team. The Board has ultimate responsibility and oversight of the Fund's liquidity conditions.