

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

HOSTPLUS

- HP9QW: Details of each individual asset currently held at a value other than available listed market prices (an unlisted asset) partly owned by the fund or funds under your control, including:**
- a. The asset name and location.**
 - b. The frequency of the revaluation of the asset.**
 - c. The most recent valuation.**
 - d. A copy of that valuation.**
 - e. The methodology used for its valuation.**
 - f. Whether the valuation was completed internally or externally.**
 - g. The details of any external party involved in the valuation.**

All valuations of assets are performed by external entities at arms-length from Hostplus.

A summary of Hostplus' overall process is provided below:

- Net Present Value-based, independently assessed valuations are sought;
- All valuations are currently performed external to both the Trustee and to Hostplus Management;
- Valuations are sought at the frequencies considered most appropriate, and which represent best practice, for the particular characteristics of the assets. For listed assets this is daily, whilst for unlisted assets this is either weekly, monthly, quarterly or at most, annually.
- Valuations are outsourced to the entities best-placed and best-qualified to ensure the appropriateness and accuracy of valuations, being the Custodian Citi (listed assets) or to the Trustees/General Partners/Investment Managers/Responsible Entities (pooled/unlisted assets);
- Each entity has an individual valuation policy that is applied to valuation of these assets. The policies include factors such as the frequency of application, the valuation methodologies applied and the need for independent assessment.
- These entities' valuation policies are continually reviewed by Hostplus Management and its Asset Consultant (JANA) to ensure consistency with the Trustee's valuation policy, and the requirements for their ongoing application by these entities are embedded in their service level agreements;

- Independent annual audits are performed on the application of these entities' valuation policies throughout the year, with the results of these audits monitored by Management;
- The Trustee receives annual assurance of the valuations of all assets from external entities as at 30 June every year via the Net Asset Clearance process, which is performed by the Trustee's external Financial Auditor (PwC). This process reconciles the Trustee's financial statements against the valuations sourced directly from the Custodian, from the investment managers/Responsible Entities and from all directly valued investments

For the purpose of responding to this question, Hostplus has adopted the following definitions:

- **Control:** where Hostplus owns 50% or more of an investment vehicle. For simplicity, this definition has been adopted for the purpose of answering HP8QW and HP9QW. However, where Hostplus invests via such investment vehicles, it is the external Trustees/General Partners/Responsible Entities/Investment Managers of these investment vehicles that are responsible for the day-to-day management of finances and operations.
- **Listed asset:** assets which have a well-recognised pricing discovery mechanism, including assets that are listed on stock exchanges, investment grade bonds, cash and certain derivatives (eg forward foreign exchange contracts). This definition also includes pooled vehicles containing these assets (eg listed equity pools)

Details of the unlisted assets partially owned by funds under Hostplus' control (as at 30 June 2019) are set out in attachment HP9.1QW.

Details of unlisted assets partially owned by Hostplus (as at 30 June 2019) are set out in attachment HP9.2QW.