

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Intrust Super**

**IN63QW:** 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:** Not applicable. Refer to response in IN65QW.

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**Intrust Super**

**IN64QW:** 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?

**Answer:** Not applicable. Refer to response in IN65QW.

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**Intrust Super**

**IN65QW:** Can you please advise what arrangements you have provided to **adjust** 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:** The Fund has offered 3 months free rental arrangement to its commercial tenant. The 3 months free rental arrangement amounts to \$39,242 of lost revenue

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**IN66QW:** Can you please advise what arrangements you have provided to **adjust** 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?

**Answer:** Refer to response in IN65QW.

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**IN67QW:** On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?

**Answer:**

<b>Asset Type</b>	<b>\$ value</b>	<b>% value</b>
<b>Listed</b>	\$2,520,287,937.54	85.0%
<b>Unlisted</b>	\$ 446,225,572.61	15.0%

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**IN68QW:** On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?

**Answer:** No.

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**IN69QW:** What write down, if any, has been made to the value of unlisted assets?

**Answer:** As of 17 April 2020, Unlisted Assets were written down up to 15.57%

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#### Intrust Super

**IN70QW:** 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) As at 17<sup>th</sup> April 2020, the unlisted assets of Intrust Super have been written down up to 15.57%.

b) Generally, unlisted infrastructure valuations are undertaken by valuation experts on a regular basis (e.g. quarterly). The primary valuation methodology for valuing unlisted infrastructure assets is the Discounted Cash Flow (DCF) method which takes into account the long-term future cashflows (e.g. life of the asset, concession) associated with the asset and uses an appropriate discount rate to calculate the present value. Both cashflows and discount rate should reflect general current economic and industry/sector conditions and asset-specific risks. Valuation experts do have regard to valuation metrics of transactions of comparable assets and listed market equivalents. However, these metrics are used as a cross check, as opposed to determining the valuation. This differs from listed assets which are priced daily by the equity market, influenced by a multitude of factors.

Because of the predictability of infrastructure cashflows, the intrinsic value of infrastructure assets tends to be more stable over time. However, listed valuations will typically be impacted by a range of factors (such as overall equity market sentiment, the relative assessment of infrastructure stocks versus other industries/sectors, views of yield versus capital growth, views of the future trajectory of interest rates, the activity of algorithmic/systematic trading strategies, etc.) which will result in greater fluctuations in the price of listed infrastructure assets, as has been recently observed in listed markets during covid-19. Because unlisted assets are only revalued periodically, these typically do not experience short-term fluctuations driven by these factors, resulting in less volatile returns, which is particularly evident in volatile periods such as during the GFC and currently with covid-19. Further, valuers value unlisted infrastructure on a long-term basis, and therefore removing a year of cashflows from a long-term asset (e.g. 30 years), does not necessarily have a material impact on value. This contrasts with the 'next quarterly earnings' focus of many investors in listed equity markets.

Valuation experts of unlisted assets have significant information and transparency when valuing unlisted assets including; management's financial model, cashflow assumptions, board papers, business plans and access to management, whereas listed



market participants will have a much lower degree of information and transparency and therefore trade on asymmetric information.

Whilst unlisted valuations are conducted on an asset specific basis, listed assets tend to get grouped together and sentiment (as previously mentioned) may go against the entire sector or sub-sector, especially when the investors lack access to quality information (the aforementioned information asymmetry), the market may treat a company specific issue as if it applies across other companies in that sector.

The valuation of unlisted assets accords with relevant accounting standards and guidance provided by APRA SPG 531.

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- IN71QW:** 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 as requests will only start being received after 20 April 2020. The Trustee has enacted its liquidity plan in preparation to funding these requests.

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**IN72QW:** What has been the current reduction of the value of your fund, and the unlisted and listed components since 1 January 2020?

**Answer:** **As at 17<sup>th</sup> April 2020 the reductions have been as follows:**

Listed: \$314.3m, 12.5%

Unlisted: \$32.3m, 7.2%

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**Intrust Super**

**IN73QW:** 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:** No requests received as requests are only available to be made from 20 April 2020.

We note your request for monthly updates. The first monthly update will be provided by Monday 18<sup>th</sup> May for month ending April 2020.

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**Intrust Super**

**IN74QW:** 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 of 7 April 2020

	<b><i>Number of Claims Paid</i></b>	<b><i>Value</i></b>
Compassionate Grounds	11	244,711.84
Financial Hardship	47	355,898.74
COVID-19 Financial Hardship*	0	0

There have been no requests for COVID-19 Early Release payments yet as requests are only available to be made from 20 April 2020.

We note your request for monthly updates. The first monthly update will be provided by Monday 18<sup>th</sup> May for month ending April 2020.

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**IN75QW:** 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:** Not applicable at date of response.

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**Intrust Super**

- IN76QW:** 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) The Trustee has in place a Liquidity Management Plan in accordance with APRA SPS 530 – Investment Governance. APRA has been notified that this plan has been enacted due to recent market downturn and broader legislative requirements for early release.
  - b) The Trustee has had ongoing communication with the Investment Committee and Board of Directors regarding the liquidity management plan through email, phone and video conference.
  - c) Chief Executive Officer