

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Sunsuper

- SS42QW:** How will the overall fund performance be affected if:
- a. The income return of unlisted assets declines?
 - b. The fund can no longer purchase unlisted assets onshore?
 - c. The fund can no longer purchase unlisted assets offshore?

Answer:

- a. With a focus on income return (yield), particularly for Sunsuper's property and infrastructure portfolios, a decline in yield would likely result in a decline in total returns for the portfolio (all else being equal). However, if the yield declines as a consequence of capital appreciation due to falling discount rates, the net impact may be positive.
- b. Sunsuper believes strongly that diversification is an important component in delivering the best risk-adjusted returns and that illiquid investments should be made when they are expected to generate an appropriate premium for liquidity risk. If the fund can no longer invest in unlisted assets onshore, this would have a detrimental impact on the portfolio in terms of risk (reduced diversification benefits) and returns (unable to capture the illiquidity premium).
- c. If the fund can no longer invest in unlisted assets offshore, this would have a detrimental impact on the portfolio for the previously mentioned reasons.