

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Sunsuper

SS48QW:

Discount rates:

- a. For unlisted assets, do you use a consistent discount rate for income across all unlisted assets, or an asset-specific discount rate?
- b. What is the discount rate you apply to the income from unlisted assets, and has it changed over the past decade, and if so, when and why?

Answer:

- a. Discount rates are determined on an asset by asset basis having regard to public market comparables, observable market transactions and the relative risk of the underlying asset cash flows.
- b. Discount rates across our unlisted assets vary significantly, for reasons including asset specific risk considerations (sector, strategy, geography etc), capital structure and current market pricing.

Discount rates on unlisted assets across our portfolio vary from 6% to in excess of 25% and have trended down in recent years as bond yields have trended down. This wide range is reflective of the diverse range of strategies, geographies and instruments we invest in, from senior debt positions in developed markets through to equity positions in emerging markets. Assets are scaled appropriately given the level of risk associated with the cash flows.