

A note to industry ---

22 July 2020

Re: Working group releases consultation for growth / defensive asset categorisation

As you know the growth/defensive exposure of a portfolio is an entrenched part of the financial services industry. A portfolio's growth/defensive score is an estimate of the exposure to growth assets (historically equities) and defensive assets (cash and bonds). This is used by superannuation researchers to create peer groups, by APRA as an input into Heatmap calculations, and is often part of the financial planning process. Yet there is no standardised approach for growth/defensive calculations and this undermines confidence in industry calculations.

A voluntary working group has released a [consultation for growth/defensive asset categorisation](#). The aim of the working group is that, following consultation and review, a single standard for growth/defensive is established and applied by all industry participants.

A range of materials (papers, presentations, models and templates) are available on the [growth/defensive resources page here](#).

A working group of 8 members developed the proposed solution over 12 months. The working group contains representatives from a variety of super funds and super fund researchers, and has been coordinated by David Bell of The Conexus Institute. Other working group members are Debbie Alliston (AMP Capital Investors), Ian Fryer (Chant West), Carol Lee (AustralianSuper), Tim Macready (Christian Super), Kirby Rappell (SuperRatings), Anna Shelley (Equip and Catholic Super) and Scott Tully (Colonial First State).

The working group believe a standardised approach to growth/defensive categorisation would benefit industry by increasing confidence in performance assessment. APRA has been kept informed of the progress of the working group.

The proposal considers all investment sectors. A detailed solution provides greater insight into the exposures in more nuanced sectors (such as unlisted and alternative assets), while a simplified solution is an option for funds with immaterial exposure to these sectors.

This is a call to action for all of industry to participate in the consultation. It would be of benefit to all for an industry of this size to develop collaborative solutions to industry problems.

Please review the materials and make a submission. Your feedback will inform the working group and impact the final proposal, which will then be shared with APRA.

There are also a range of areas where the working group seek further insight. Investment managers are invited to participate in a range of specific growth/defensive projects.

Consultations need to be received by **Monday, September 28, 2020**. Please email consultations to submissions@theconexusinstitute.org.au.

For further enquiries please contact David Bell.

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