

# Proposed Growth / Defensive Categorisation

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This presentation is designed to be an introductory resource for industry

21 July 2020

# Background

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## G/D entrenched in industry

- Peer grouping, financial planning, APRA
- But it is not defined anywhere

## No industry standard

- Subjectivity
- Concerns around gaming
- Reduced confidence and accountability

## Complex investment universe

- Approach needs to work for across all investments and portfolios

# Working Group

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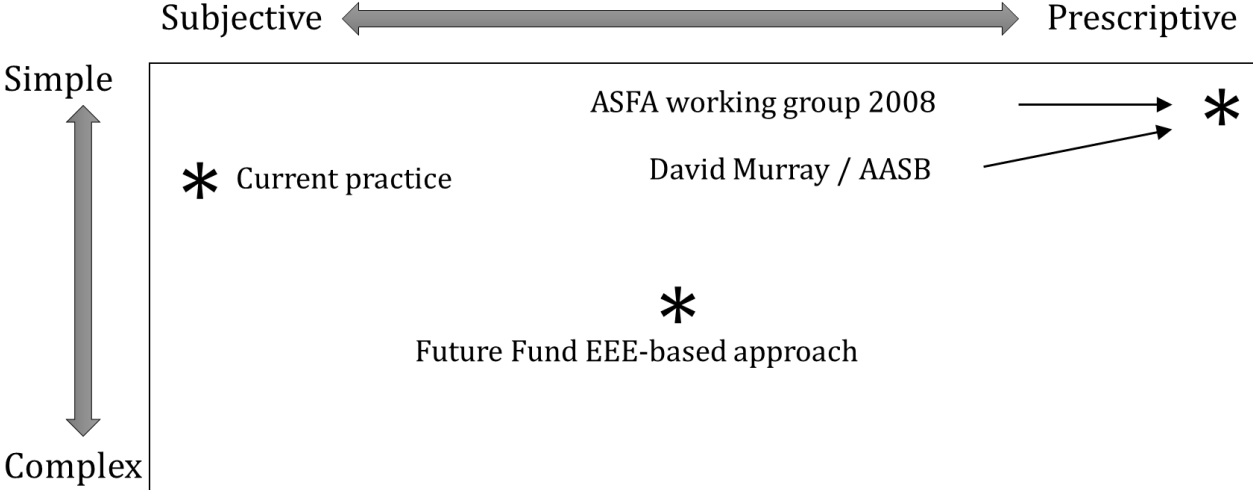
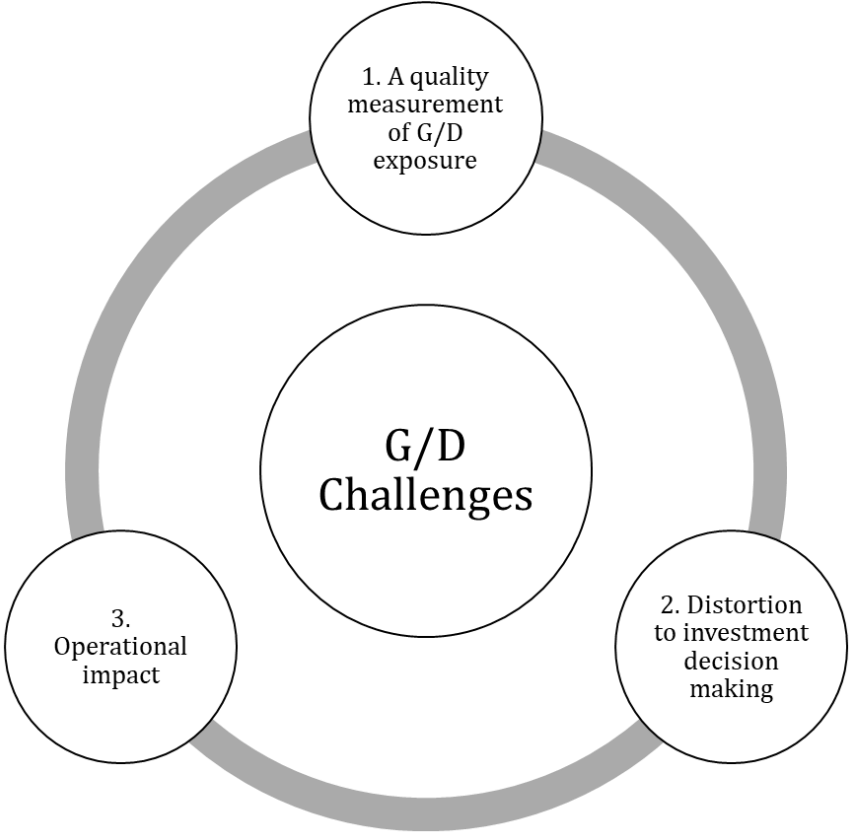
Work began early 2019

Name	Affiliation	Nature of involvement
Debbie Alliston	AMP Capital Investors	Working group member
David Bell	The Conexus Institute	Chair of working group
Ian Fryer	Chant West	Working group member
Carol Lee	Australian Super	Working group member
Tim Macready	Christian Super	Working group member
Kirby Rappell	SuperRatings	Working group member
Anna Shelley	Equip and Catholic Super	Working group member
Scott Tully	Colonial First State	Working group member

## True Working Group solution

Explored well beyond the solution in many directions to enable an informed decision to pull back to the recommended solution

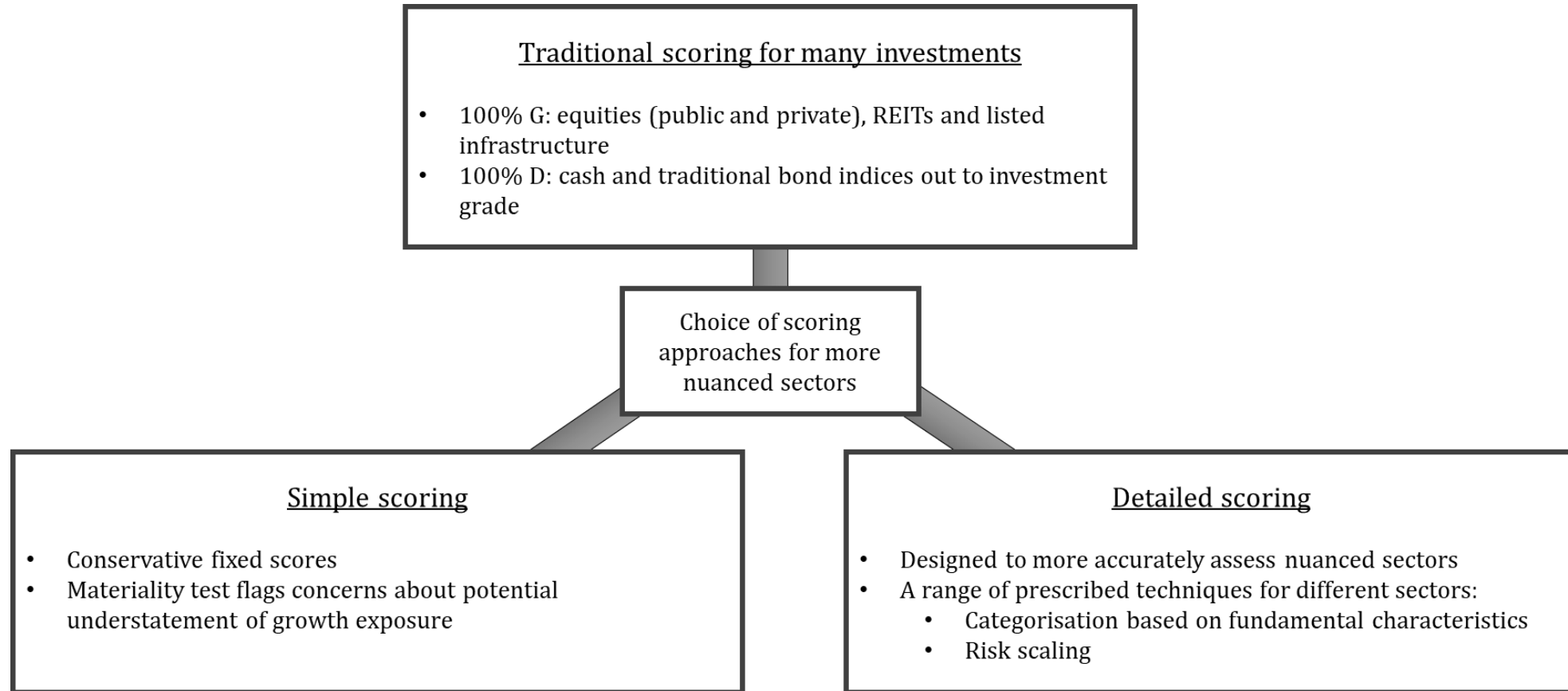
# Challenges



*“ASFA working group 2008”* details initial work of a previous industry working group. *“David Murray / ASB”* relates to a standardised approach suggested by David Murray AO, relating to AASB-style standards (see AFR 23 June, 2019). *“Future Fund EEE-based approach”* relates to the equity equivalent exposure measure used by the Future Fund to communicate exposure. *“Current practice”* is self-explanatory.

# The Solution – Key Features

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# The Solution

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## Other features:

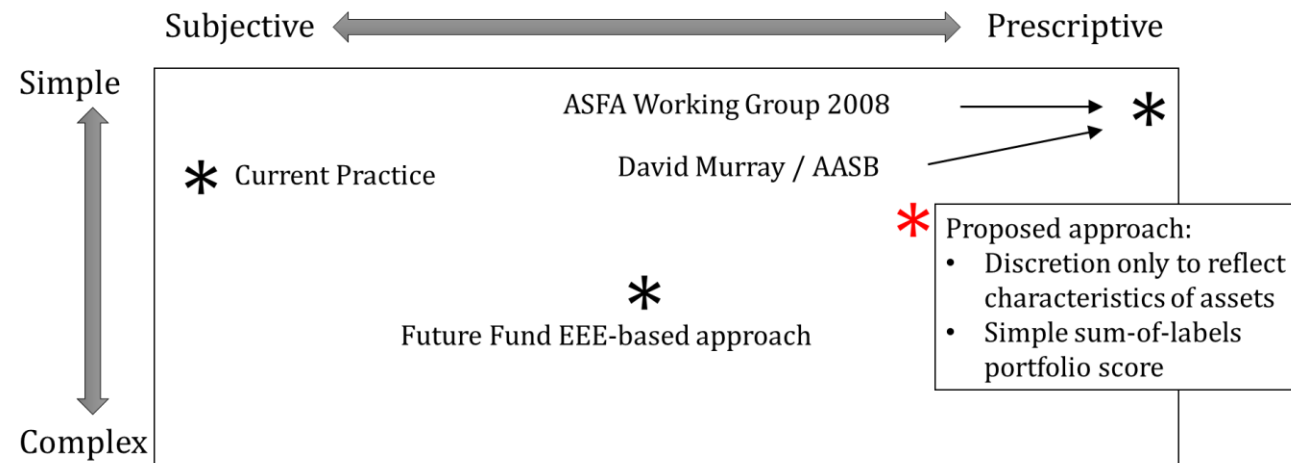
- Currency: not included
- Derivatives: only the delta exposure incorporated, not optionality
- Total portfolio G/D score: simply a weighted sum-of-scores

## For further information:

- Visit the G/D resources page at <https://theconexusinstitute.org.au/>
- Technical documents, models, templates and case studies

# Self-critique

- Positive: standardised, captures nuances of different investments in a prescriptive manner; option to adopt a simple standard (subject to materiality) provides avenue for low operational impact
- Negative: introduces a degree of complexity; some room for subjectivity / gaming; doesn't acknowledge portfolio diversification



# Standardised Approach

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- The working group believe a standardised approach to G/D categorisation would benefit industry by increasing confidence in performance analysis
- APRA has been kept informed of the progress of the working group
- The aim of the working group is that, following consultation and review, a single standard to G/D is established and applied by all industry participants



# Next Steps

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We encourage you to actively participate in the consultation process:

1

Explore the materials

2

Consider the issues raised in the consultation note

3

Make a submission

4

Opportunity for industry to participate in additional research

5

Your submission is important. Positive and negative critique encouraged