

Media Release

21 July 2020

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

Background

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 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.

All industry participants are encouraged to review the materials and make a submission to the consultation.

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

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

Quotes

David Bell, executive director of The Conexus Institute, who chaired the working group, acknowledged all working group members: *“Growth/defensive categorisation is one of those tough projects - it is complex, controversial and everyone has different views. I thank each member of the working group for their positive contribution to the proposed solution.”*

Ian Fryer, head of research at Chant West, who was heavily involved in working group activities, noted that: *“The lack of a standardised approach to growth/defensive categorisation reduces confidence in performance assessment and fund comparisons in general. We need a standardised approach to provide consistency.”*

Bell noted the importance of the consultation process: *“I strongly encourage industry to participate actively in the consultation process. All industry feedback is important. It would be great for an industry of this size to be able to develop collaborative solutions to industry problems.”*

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