

# Media Release

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27 November 2020

## Re: Review of the Your Future Your Super Performance Test

A working group of researchers has analysed the Your Future Your Super (YFYS) performance test, identifying that the performance test will, in many cases, be ineffective at identifying poor performing funds, while creating a range of undesirable outcomes.

Full details of the working group are provided in Addendum 1.

The working group explored three areas: the effectiveness of the YFYS performance test, the potential for undesirable outcomes, and a principles-based assessment of alternative solutions.

All research and supporting models are open source and can be accessed [here](#).

The working group strongly believes that an effective performance test would be of great benefit to consumers and complement existing trustee obligations.

Unfortunately, the working group found that in a number of cases the YFYS performance test approached a 50% likelihood (i.e. similar to a coin toss) of successfully identifying a 'poor' fund as poor, and a similar likelihood of mistakenly identifying a 'good' fund as poor.

The working group also identified a range of undesirable outcomes relating to how funds will manage their portfolios, the impact on consumer decision-making, and the impact on industry structure.

Using principles based on consumer outcomes (emphasising predictors of total investment outcomes) the working group identified the following:

1. A solution incorporating regulatory assessment can best assess a range of elements which cannot be reliably identified using metrics
2. A well-designed collection of metrics will be more effective than a single metric
3. There are metrics which are more effective than the YFYS performance metric

### Quotes

All quotes attributable to David Bell, Executive Director, The Conexus Institute:

*“Developing an effective performance test is a great opportunity to improve superannuation outcomes for consumers. Unfortunately, we found the Your Future Your Super performance test will likely be ineffective and introduce some undesirable outcomes.”*

*“We found that the test will have a high likelihood of failing to identify poor funds and a high likelihood of mistakenly identifying good funds as poor. Why? An 8-year timeframe introduces some uncertainty, the test focuses on a small component of total investment performance, while the use of liquid benchmarks creates a lot of benchmark noise.”*

*“We are concerned the test will create a large range of undesirable outcomes relating to the way super funds will manage their portfolios. We think there are some consumers who may inadvertently be worse off. And we think the test may distort industry structure.”*

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## Addendum 1

Working group members.

	<b>Affiliation</b>
David Bell	The Conexus Institute
Kim Bowater	Frontier
David Carruthers	Frontier
Matthew Griffith	JANA
Emily Barlow	Mercer
Clayton Sills	Mercer
Andrew Boal	Rice Warner
Nick Callil	Willis Towers Watson
Tim Unger	Willis Towers Watson