

Spaceship Super

Member Outcomes Assessment
For the year ended 30 June 2021

23rd February 2022

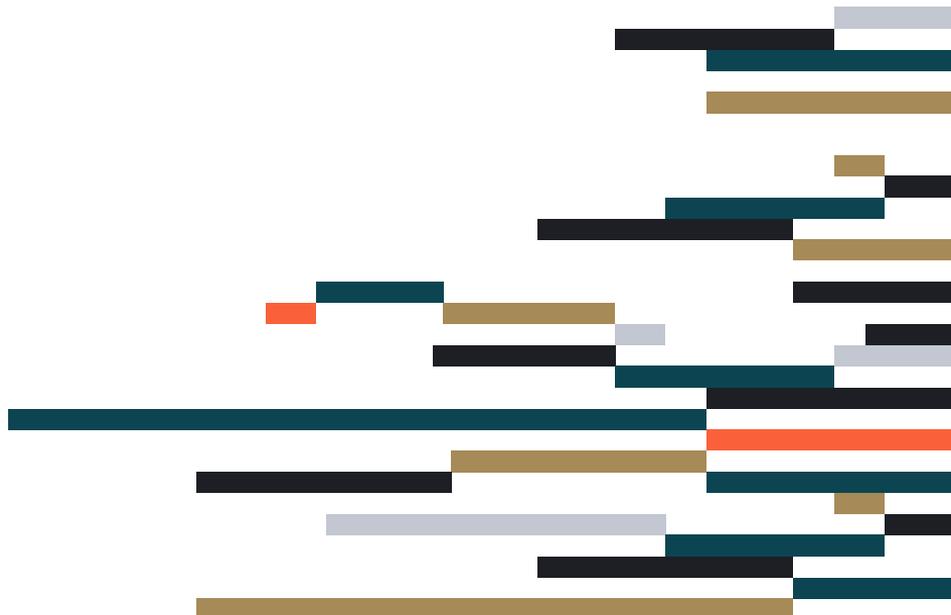
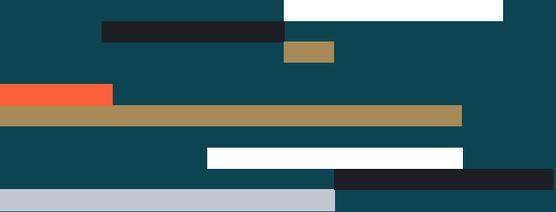


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Introduction

Introduction

What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to Spaceship Super. It analyses how Spaceship Super's products compare to similar products and whether these products are serving the financial interests of the members. The document will present the final conclusions and summary, before going into detail on steps 1 and 2 of the assessment.

All data is reported in accordance with APRA requirements. This assessment was undertaken in February 2022, and is relevant for the financial year ended 30 June 2021.

Approach for this assessment

Step 1: Measure and compare products



1. Return comparison
A comparison of returns



2. Fee comparison
A comparison of fees



3. Risk comparison
A comparison of investment risk

Step 2: Assess product appropriateness

Assessment of product appropriateness against key factors that can affect superannuation

Section 52 (11)

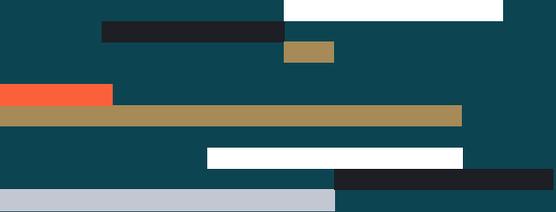
1. Options, benefits and facilities
2. Investment strategy
3. Insurance strategy and fees

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4. Scale
5. Operating costs
6. Basis for setting fees

Step 3: Publish determination

A publication with a determination for each product is required to assess whether the financial interests of the beneficiaries who hold the product are being promoted.



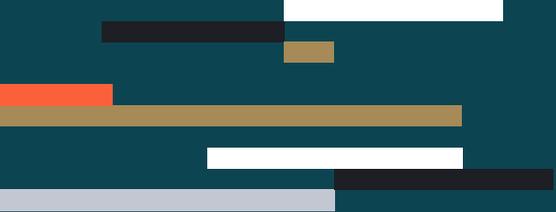
Executive Summary

Product Determination

The Trustee has determined that it is promoting the financial interests of the beneficiaries invested in its products on the basis that:

- The investment returns of the GrowthX and Global Index investment options both outperformed the peer fund median on a three year basis, with this longer term investment horizon considered by the Trustee to be more important than the one year investment performance due to the long term nature of superannuation;
- Total fees (which includes both administration and investment fees) at a product level are less expensive than the peer fund median for FY21 across all modelled balance points for both investment options;
- Investment risk on a longer term time horizon has outperformed the peer fund median; and
- The objective assessment factors, being Spaceship's options, benefits and facilities, investment strategy, scale, operating costs and the basis for setting fees, are considered appropriate for Spaceship's members and do not inappropriately erode their retirement balances.

The Trustee notes however, that there is an opportunity for further reductions in administration fees in order to be more competitive with peers.



Choice Overview

Spaceship Super Overview

Spaceship Super was launched in 2017 and is designed to meet the needs of millennial superannuation members, a demographic largely overlooked in the superannuation market due to their lower accounts balances.

Spaceship differentiates itself with its focus on intuitive member portals and an investment tilt towards technology. Members can join and manage their account via a mobile app, giving members a single view of their non-retirement and retirement investments in one place.

Spaceship Super offers two investment options:



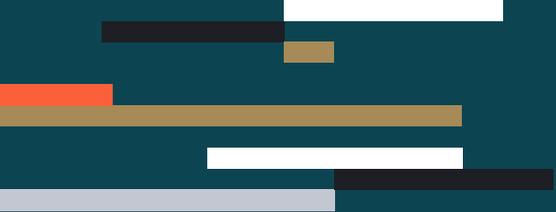
Spaceship GrowthX Option

Spaceship's flagship investment option, GrowthX is a diversified investment portfolio with a focus on global technology companies.



Spaceship Global Index Option

Global Index is passively invested diversified investment portfolio weighted towards international shares.



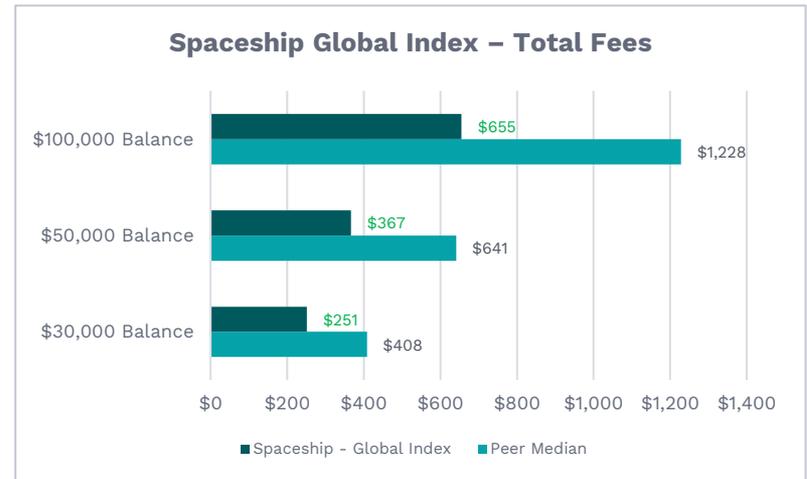
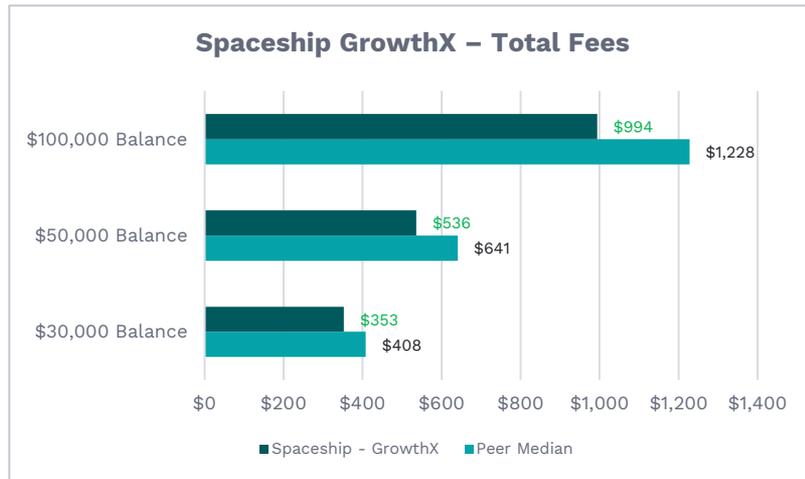
Choice Assessment

Fees & Costs Comparison

Spaceship's total fees (administration plus investment fees) are compared to peer fund median fees in the charts below. For the GrowthX investment option, Spaceship is lower cost than the peer fund median when total fees are calculated on a \$30,000, \$50,000 and \$100,000 balances. For the Global Index investment option, Spaceship is lower cost than the peer fund median for total fees at all balance points (\$30,000, \$50,000 and \$100,000).

The Trustee notes that this is consistent with APRA's heatmap which rated Spaceship as having more competitive fees than the median fund on a total fees basis for \$50,000 and \$100,000 balances.

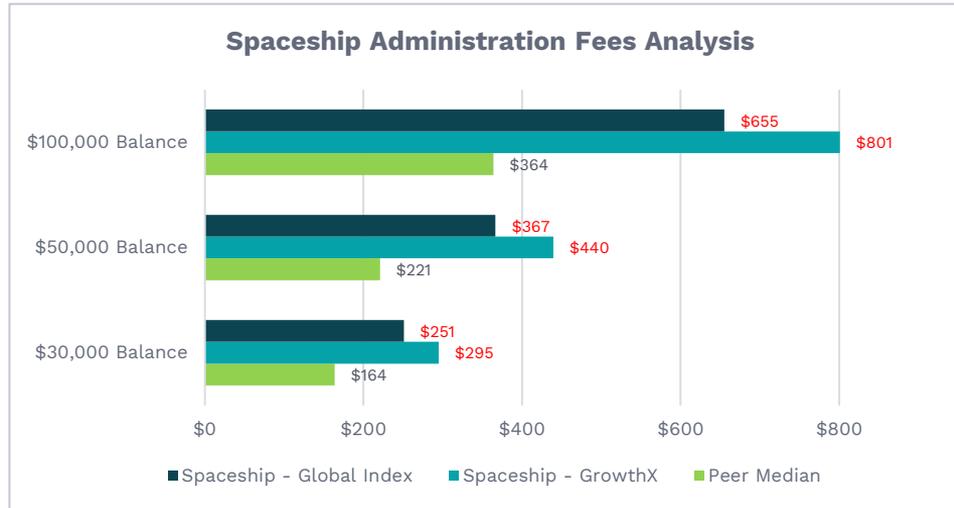
In December 2020, fee reductions were applied to both Spaceship Super investment options. The GrowthX investment option was reduced by 0.074% and the Global Index investment option was reduced by 0.07%.



Fees & Costs Comparison

Spaceship's administration fees for its GrowthX and Global Index investment options are compared to the peer fund median administration fees in the charts below. Across all balance points (\$30,000, \$50,000 and \$100,000) Spaceship is more expensive than the peer fund median. This is consistent with APRA's heatmap rating for Spaceship's administration fees and indicates that there is an opportunity for improvement on administration fees in order to be more competitive with peers.

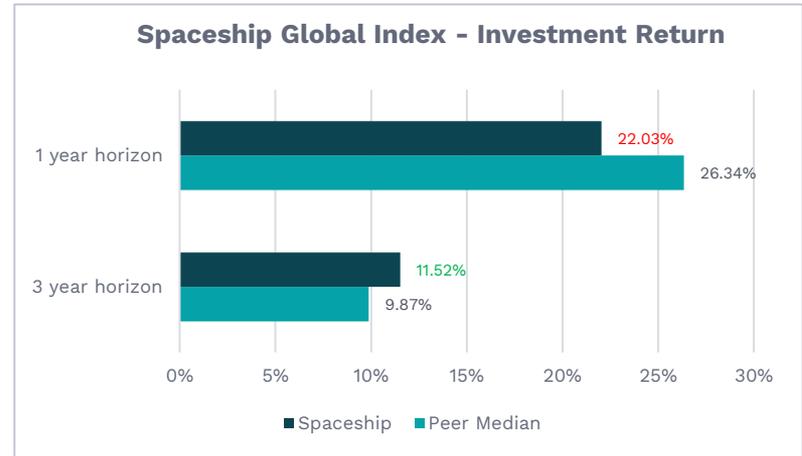
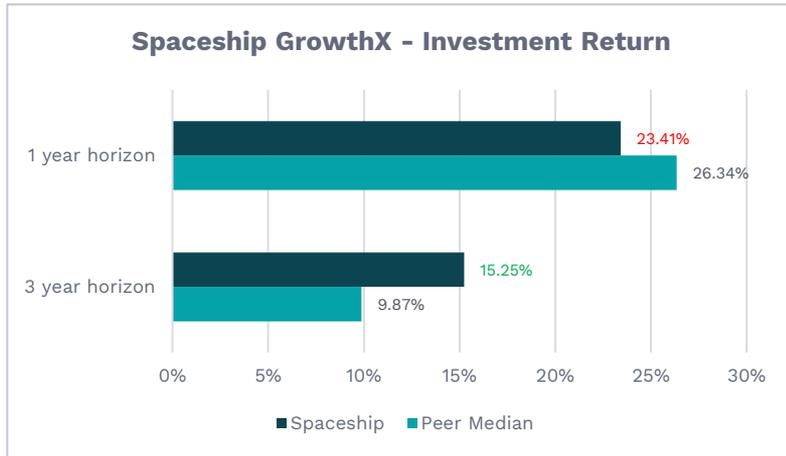
For fees and costs, the Trustee has determined that, on balance, it is promoting the financial interests of the beneficiaries as the total fees for Spaceship at a product level are less expensive than the peer fund median.



Investment Return Comparison

Spaceship's net investment return for both its GrowthX and Global Index options have outperformed peer fund median over three years, while one year performance to 30 June 2021 has slightly underperformed the peer fund median (GrowthX 23.41%, Global Index 22.03% vs 26.34% median return). As superannuation is a long term investment, the Trustee considers the three year investment performance to be more significant than the one year performance.

As Spaceship has not yet been in operation for five years, there is no five year or longer investment performance to consider.



Investment Return Comparison

Spaceship's net investment return for its GrowthX option and its Global Index option both outperformed the relevant three year APRA benchmark. Spaceship's GrowthX option outperformed its APRA benchmark by 4.40% and the Growth Index option outperformed its APRA benchmark by 0.26%. Although the APRA performance assessment covers a seven year lookback period and performance data for Spaceship does not cover that period, Spaceship's investment options are currently outperforming APRA benchmarks and within APRA's performance test tolerances.

The Trustee has determined it is promoting the financial interests of the beneficiaries as the investment return for longer dated returns are exceeding peer performance and APRA benchmarks.

Investment option name	3 year Net Investment Return p.a.	3 year Net Investment Return relative to APRA Benchmark p.a.	3 year Net Investment Return relative to APRA Simple Reference Portfolio p.a.
Spaceship - Global Index	11.52%	0.26%	0.98%
Spaceship - GrowthX	15.25%	4.40%	4.71%

This column reflects the value of Spaceship's product selection*

This column reflects the value of Spaceship's asset allocation**

*Spaceship's Investment option performance is shown against a benchmark with identical asset allocation constructed from APRA prescribed Indices net of APRA's tax and fee assumptions.

**Spaceship's investment option performance is shown against APRA's simple reference portfolios weighted to the options growth and defensive asset allocations.

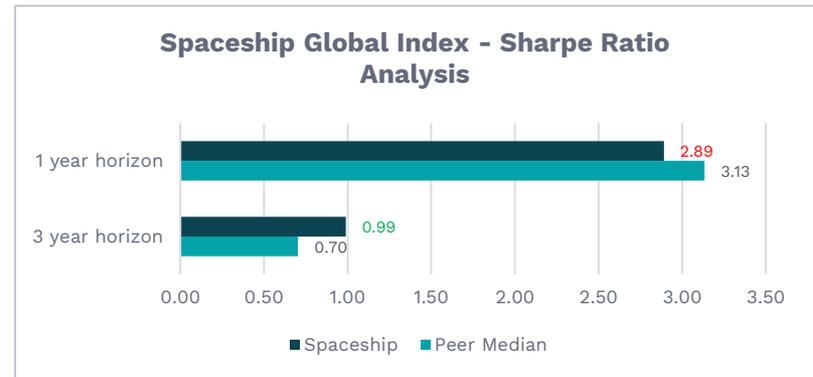
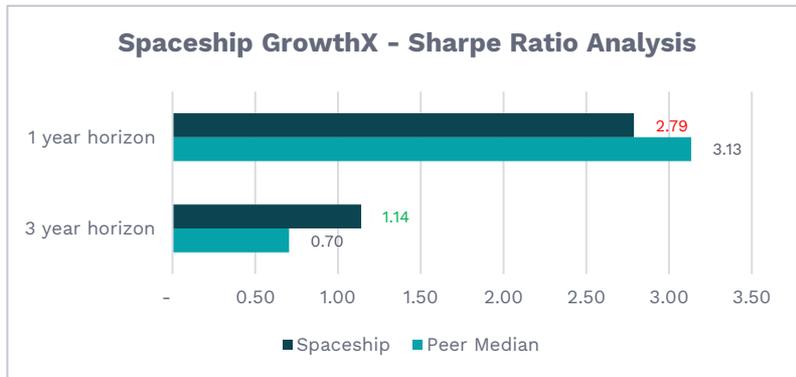
Investment Risk Comparison

In the following graphs, we measure the performance of Spaceship's investment options after adjusting for risk comparing to the peer fund median. To do this, we apply a Sharpe ratio calculation which is a standardised measure of risk-adjusted returns. The higher the ratio, the greater the investment return relative to the amount of risk taken, representing the additional amount of return that an investor receives per unit of increase in risk.

Spaceship's Sharpe ratios for both investment options are higher than the peer fund median over a three year time horizon, but over one year to 30 June 2021 is lower than the peer fund median (2.79-2.89 ratio for Spaceship vs 3.13 median ratio). Given the long term nature of superannuation, the Trustee considers the three year investment performance to be more significant than the one year performance when reviewing risk adjusted returns and risk reward.

As Spaceship has not yet been in operation for five years, there are no five year Sharpe ratios to consider.

The Trustee has determined it is promoting the financial interests of the beneficiaries as the Sharpe ratio over 3 years is higher than the peer fund median and not significantly lower over 1 year period.



OPTIONS, FACILITIES & BENEFITS

Spaceship Super offers a range of services and products to all members in order to assist them with engaging with their superannuation so that they can maximise their balance and optimise their retirement outcomes.

Members are able to interact with Spaceship via a digital member portal, market leading mobile app or through a contact centre.

At of November 2020, Spaceship had a Net Promoter Score ('NPS') of 67. This compares to an average NPS score of -10.4 across the superannuation industry*.

Spaceship also creates content to provide members with educational and informative information. During FY21, 173 blog posts were published spaceship.com.au and Spaceship's Facebook and Twitter pages. In addition, a curated news feed provides approximately seven articles every business day on the Spaceship mobile app for members to read.

In December 2020, Spaceship moved from weekly to daily unit pricing which means members now have more up-to-date information on their account balances.

INVESTMENT STRATEGY

As a choice product, Spaceship offers two investment options, both with a higher allocation to growth assets. Spaceship generally attracts younger members (under the age of 40) who are seeking growth options.

The investment options offer appropriate levels of investment risk for our core cohort; overall, the level 6 investment risk based on the Standard Risk Measure (4 to less than 6 estimated number of negative annual returns over any 20-year period) is intended to be suitable for members who are comfortable accepting short-term volatility in order to achieve higher expected returns.

The investment strategy was last reviewed in December 2020. As a result of this review the existing strategic asset allocations and investment objectives for the investment options were deemed to be suitable and no changes were recommended.

The Trustee believes that the investment strategy, level of risk, and return target is appropriate for the member cohort.

INSURANCE STRATEGY & FEES

Spaceship Super does not currently offer insurance. However, as the Fund grows, Spaceship will consider an insurance offering for our members.

As Spaceship's members have no insurance, the assessment of whether there is inappropriate erosion of members' retirement income due to the impact of insurance premiums is not applicable.

SCALE

Spaceship Super had 10,184 members with approximately \$521 million in funds under management as at 30 June 2021.

While these figures are indicative of Spaceship Super's relatively small size in the industry, it is anticipated that Spaceship Super will steadily grow and achieve greater scale benefits based on its growth during FY21:

- Funds Under Management ('FUM') grew by 73%, compared to the industry median of 15%
- Net members' benefits flows of \$138M, compared to the industry median of -\$4M
- Number of member accounts grew by 87%, compared to the industry median of -3%
- Net rollovers into Spaceship Super of \$106M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 18%, compared to the industry median of 107%

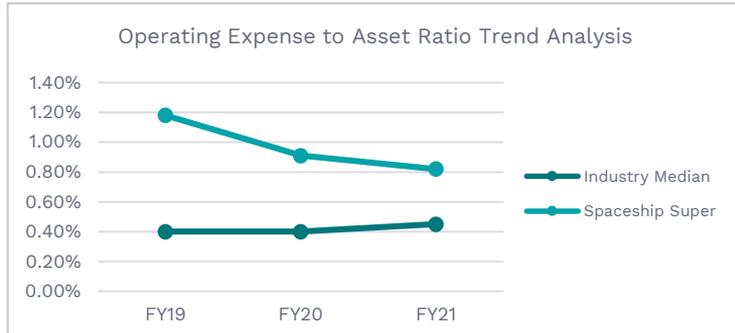
From the above, it is clear that Spaceship Super's growth rate is positive and higher than the industry median. This puts Spaceship Super in an increasingly competitive position and will help drive down various costs as more members join the fund.

In addition, Spaceship Super's operating model leverages third party service providers (e.g. administrator) so that the fund can be cost competitive with larger funds and access resources at scale, as opposed to running such services in-house.

It is concluded that members are not disadvantaged due to the scale of, and within, the Trustee's business operations.

OPERATING COSTS

Spaceship Super's operating expense to asset ratio trend is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that Spaceship Super's operating expense ratio is significantly higher than that of the median fund but that this has reduced by 0.36% between FY19 and FY21 whereas the median fund operating expense ratio has increased by 0.05%.



Noting the smaller size of the Fund, the operating costs are considered appropriate for Spaceship Super's members and do not inappropriately erode their retirement balances. However, the Trustee notes that there is an opportunity to improve this ratio in the future.

BASIS FOR SETTING FEES

The basis for setting fees is considered appropriate for members and promotes their financial interests, while not inappropriately eroding retirement balances.

The administration fee is comprised of the combination of a flat dollar-based fee (\$78 per annum) and a basis points fee. For balances under \$6,000 the flat dollar fee is waived and total fees are capped at 3%, which means it will not erode the retirement balances of lower account balance members and ensures services available to all members are appropriately shared across the fund membership base. This was implemented post 2021 financial year.

Fees are charged to members on a monthly basis, therefore ensuring that the cost of maintaining a superannuation account is smoothed over the course of a year rather than members incurring a large impact to their balance at once.

In December 2020, fee reductions were applied to both Spaceship Super investment options. The GrowthX investment option was reduced by 0.074% and the Global Index investment option was reduced by 0.07%.

In addition, the buy/sell spread was reduced by between 0.41% to 0.49% and removed the \$11 switching fee for subsequent switches in a calendar year.

The basis for setting fees is considered appropriate for Spaceship Super's members and does not inappropriately erode their retirement balances.



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