CommonwealthBank GroupSuper

Fact sheet: Investment beliefs

The trustee's investment mission is to deliver reliable long-term returns to members through a suite of investment options spanning the risk spectrum, including a MySuper option. We also have a set of eight investment beliefs, outlined below, that serve as guiding principles when making decisions and setting our investment strategies.

General advice warning about using or relying on this information

The information in this document is general information only and does not take into account your individual objectives, financial situation or needs. You should consider the information and how appropriate it is to your own objectives, financial situation and needs before making any decisions. You should read the relevant Product Disclosure Statement and Reference Guides carefully; these are available from oursuperfund.com.au/pds or by calling us. You should consider seeking professional advice tailored to your personal circumstances from an authorised financial adviser before making a decision.

The target markets for our products can be found within the product's Target Market Determination at oursuperfund.com.au/tmd.

Belief 1: Asset allocation is the key determinant of investment risk and return

Sub-beliefs

- Dynamic asset allocation and active management have the potential to improve investment outcomes but are secondary in order of importance compared to strategic asset allocation decisions.
- We need to take investment risk in order to achieve investment returns.
- The investment strategy positioning of peers should not dictate the setting of our investment strategy.

Implications of this belief for our investment strategy

- We establish a strategic asset allocation to achieve our risk and return objectives.
- As most beta decisions have greater impact to investment outcomes than alpha decisions, we aim to spend relatively more time and effort on beta decisions than other matters.
- We assess the risk/return trade-off for investment opportunities when formulating our investment strategy. We remove and/or hedge unrewarded risks from the strategy as cost-effectively as possible.
- We are cognisant of peer practice when setting investment strategy as a means for identifying new investment opportunities but performance relative to peers is not a primary measure of success.

Belief 2: Diversification is important for risk management

Sub-belief

- Assets perform well in some market environments and poorly in others. Other things being equal, a strategy comprised of diversified return sources and risk premia, investment managers and individual investments is preferable to one with concentrated risk exposures.

For Accumulate Plus and Retirement Access members:

Find out more or log in at **oursuperfund.com.au**

Call **1800 023 928** 8am–7pm, Mon–Fri or email **oursuperfund@cba.com.au**

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Implications of this belief for our investment strategy

- In achieving a diversified investment strategy, we allocate across a range of asset classes. We implement these asset class allocations using a selection of specialist investment managers, who are mandated to create a diversified investment strategy of securities and assets. Our strategy is therefore diversified across risk premia, investment managers and individual investments.

Belief 3: Illiquid assets are expected to deliver a return premium above liquid assets, all else being equal

Sub-beliefs

- There are investment benefits to holding illiquid investments but we must manage the level of illiquid assets to ensure we meet our obligations to members.
- It is appropriate for us to consider an allocation to illiquid assets given our investment time horizon.

Implications of this belief for our investment strategy

- We consider illiquid assets providing we are appropriately rewarded and that it is consistent with our liquidity budget, as a function of our expected cash flow requirements and investment time horizon. We monitor and stress test the overall level of illiquidity to ensure it does not compromise our investment strategy and ability to meet our liquidity requirements during normal and stressed periods.

Belief 4: Risk and return can vary over time and are partially exploitable by those with competitive advantages

Sub-beliefs

- Dynamic asset allocation is difficult and requires strongly-held conviction, discipline, resources and skill to add value through time.
- Current market conditions should be considered when determining the appropriate time to implement a change in investment strategy.

Implications of this belief for our investment strategy

- We appoint external multi-asset investment managers that are expected to improve our overall investment outcome through their dynamic asset allocation process.
- We may consider downside protection/tail-risk management strategies when there is strongly-held conviction that significant downside risk exists in markets.

Belief 5: The level of investment governance resources needs to be commensurate with investment strategy complexity

Sub-beliefs

- Strong investment governance is important to support decision-making for efficient and effective management of investment strategies and promotes the likelihood of achieving investment success.
- Delegations and responsibilities should be clearly defined and aligned with the level of investment skill or expertise that is present.

Implications of this belief for our investment strategy

- We take additional resource and skill requirements into account when investigating new and/or complex investment opportunities.
- We engage with third-party service providers, e.g. asset consultants, investment managers or subject matter experts, as extensions of our internal investment governance capacity.
- We clearly articulate delegations and responsibilities in charters and policy documentation.

Belief 6: Active management can add value where markets exhibit persistent, or at times transient, pricing inefficiencies

Sub-beliefs

- Active management performs better in some markets more than others. We will focus on applying active management in markets that provide the best investment outcome after fees.
- Active investment managers with skill are able to outperform benchmark after fees through time but identifying skillful managers is difficult.
- Both quantitative and qualitative factors are informative in identifying manager skill. Past performance is one, of many, considerations but it has limited predictive power for future performance.

Implications of this belief for our investment strategy

- We consider active management in markets where it is expected to result in better investment outcomes after fees.
- In selecting or de-selecting investment managers, we consider both quantitative and qualitative factors in relation to assessing investment manager skill.

Belief 7: Costs matter and need to be effectively managed

Sub-beliefs

- Effective management of investment costs, and tax, will result in superior investment outcomes, all else being equal.
- Fee arrangements with investment service providers should be competitive with market pricing.

Implications of this belief for our investment strategy

- We design mandates and negotiate investment fees with investment managers such that fees are an acceptable proportion of the expected value-add. We also consider tax consequences as part of the assessment process.
- We are mindful of the level of fees that peers pay, as a comparator when reviewing our fee arrangements with investment service providers.
- We evaluate and monitor investment costs, including fees paid to agents and transaction costs, on an ongoing basis.

Belief 8: Sustainability factors have an impact on long-term investment outcomes

Sub-beliefs

- Sustainable investing concepts, including environmental, social and governance (ESG) related risks and opportunities, have growing importance in investment decisions.

Implications of this belief for our investment strategy

- We incorporate sustainable investing concepts as part of setting and monitoring our investment strategy. Our response to these concepts could include, but are not limited to, divestment, exclusions, hedging and engagement. Sustainability is an integral part of the assessment of all third party providers. We continue to enhance our management, monitoring and reporting of these concepts.

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