

26 April 2021

**PRIVATE AND CONFIDENTIAL**

Member Number:

Dear ,

## **Notice of changes to smartMonday fees and investment options**

This notice, and attachment, will provide you with information about upcoming changes we are making to smartMonday fees and investment options that will deliver improved cost-effectiveness for the fund.

Details of the changes are outlined below. Their impact on your account specifically is provided in the **Attachment – Fee and Investment Change Details**.

### **Update on fees**

A fee review was conducted in 2020 and has resulted in the following changes:

- A reduction of the annual member fee from \$94.56 to \$72.00
- A lower investment fee for most members
- A higher asset administration fee for some members
- A slightly reduced fee rebate on account balances over \$250,000

Most members will enjoy a reduction to the overall fees thanks to these upcoming changes, however, a few may see an increase. These changes will come into effect on **1 June 2021**. To see how these changes will affect you, please refer to the 'Fees' section in the attachment to this notice.

We have also completed our regular review of the estimated Indirect Cost Ratio (ICR) for each investment option. To see the latest ICRs, please refer to "Indirect costs – Investments" Factsheet at <https://smartmonday.com.au/Documents?cat=Factsheets&pro=investment>

### **Changes to investment options**

#### **Investment option profile changes**

A review of smartMonday investments focused on ensuring investments options were able to deliver expected investment returns in a cost-effective manner, has resulted in changes to the objectives, fees and asset allocation to some smartMonday investment options. These changes will occur on **1 June 2021**.

More information about these changes can be found in the Attachment to this notice.

**Closure of some investment options**

We regularly examine the smartMonday menu of investment options, reviewing members usage and the ability of each option to deliver its expected investment return in a cost-effective manner.

A recent review has identified 9 investment options that do not have enough scale to provide a reasonable return against their operational costs (i.e. these investments do not have enough members invested in them). As such, we have made the decision to close these options and remove them from the smartMonday investment menu. This action will occur on **1 October 2021**.

**What do you need to do?**

If you are invested in an option(s) scheduled for closure on **1 October 2021**, your money in those options will be automatically switched to smartMonday investment options that have similar asset allocation, time horizon and objectives to those that are closing. This will happen automatically during **October 2021**, and you do not need to do anything if you are happy with our investment selection. To smoothly implement these changes, we will stop accepting new transactions for the closing options on **1 October 2021**.

The list of the options scheduled for closure and the recommended alternative options, can be found in the attachment to this notice.

If you wish to choose a different investment option prior to **1 October 2021** and at any time, you can complete an investment switch online, or complete the Investment switch form available at [www.smartMonday.com.au](http://www.smartMonday.com.au), or if you need more information speak to one of our smartCoaches at [smartcoach@smartmonday.com.au](mailto:smartcoach@smartmonday.com.au).

As mentioned, these changes will be automatically applied for all members invested in the options scheduled for closure. We will write to members still invested in the closing options in August to confirm timing.

We strongly encourage you to review the details in the Attachment which includes contact details for help and questions you may have.

Yours sincerely,

For, and on behalf of the Trustee  
Equity Trustees Superannuation Limited

**Attachment:** – Fee and Investment Change Details

This notice is prepared by Aon Solutions Australia Limited ABN 48 002 288 646 AFSL 236667 (Aon) on behalf of the trustee of the Fund. The information in this notice is general information only and does not take into account your particular objectives, financial circumstances or needs. You should consider obtaining personal financial advice that takes into account your particular circumstances before making any financial decisions based on the information in this notice.

## Attachment: Fee and Investment Change Details

### Fee changes

The impact of the fee changes on your smartMonday account are provided below. The fee changes will **result in a decrease in the total fees payable** from your account.

The current fee displayed is based on your account balance of \$ as at 22/03/2021.

The new fees will apply from **1 June 2021**.

	Current Fee		New fees from 01/06/2021	
<b>Ongoing (annual) fees</b>				
Investment fee <sup>1</sup>				
Administration fees <sup>2</sup>	Asset admin fee: <sup>2</sup> % pa PLUS Member Fee: \$94.56	+	Asset admin fee: <sup>2</sup> % pa PLUS Member Fee: \$72.00	+
Total \$ fee charges (annual) estimate based on your current account balance:				

1. This fee is a weighted average of the individual investment fees for the investment Options you hold.
2. If your account balance is greater than \$250,000, the asset administration fee shown above includes the impact of the large account balance rebate.

The table does not show Indirect Cost Ratio(s) (ICR). To see the latest ICRs, please refer to "Indirect costs – Investments" Factsheet at <https://smartmonday.com.au/Documents?cat=Factsheets&pro=investment>

### Changes to Investment options

#### Option profile changes

A review of the expected performance of smartMonday investment options within existing and expected future economic and market conditions, have resulted in a decision to make changes to the profile of some of our investment options.

The key influences on the decision to make these changes include:

- The significant negative impact the Covid-19 health pandemic has had on lower risk investments such as high-quality bonds and cash, which reduces the overall expected return of options invested in these asset classes.
- The increased relative attractiveness of so-called alternative investments, as a way to reduce risk whilst achieving an investment return. Popular examples of such assets include direct property and infrastructure investments that aim to provide a positive return in most situations.
- Due to economic and market changes the mix of growth and defensive asset classes that make up some of the options have struggled to achieve the options' return objective. In those cases the mix of those assets (commonly called the Strategic Asset Allocation) have been adjusted, to provide greater confidence that each option's objective will be achieved.

A summary of the option profile changes is provided below.

Option/Portfolio	Objective change	Strategic Asset Allocation key change	Investment range change <sup>3</sup>
High Growth – Active	Inflation + 4.75% to 4.00%	More diversification <sup>1</sup>	No
High Growth – Index	Inflation + 4.50% to 3.75%	More diversification <sup>1</sup>	No
Growth – Active	Inflation + 4.25% to 3.50%	More diversification <sup>1</sup>	No
Growth – Index	Inflation + 4.00% to 3.25%	More diversification <sup>1</sup>	No
Balanced Growth - Active	Inflation + 3.75% to 3.00%	More diversification <sup>1</sup>	No
Balanced Growth - Index	Inflation + 3.50% to 2.75%	More diversification <sup>1</sup>	No
Moderate – Active	Inflation + 2.75% to 1.75%	More growth assets <sup>2</sup>	Alternative - Defensive assets from 0-20% to 0-30%
Moderate – Index	Inflation + 2.50% to 1.50%	More growth assets <sup>2</sup>	Alternative - Defensive assets from 0-20% to 0-30%
Defensive – Active	Inflation + 1.75% to 0.75%	More growth assets <sup>2</sup>	No
Defensive – Index	Inflation + 1.50% to 0.25%	More growth assets <sup>2</sup>	No

- 1 “Diversification” means the asset mix has been broadened, reducing the reliance on any one asset class to generate investment returns.
- 2 “Growth assets” are investments which are expected to offer high returns but are also likely to be higher risk. Shares and property are examples of growth assets.
- 3 The investment range defines the maximum and minimum amount that the Option can be invest in each asset class.

A detailed description of these Options and the changes are provided at the end attachment and will be available in the PDS from 1 June 2021.

### **Currency hedging policy of the International Shares – Index Option**

Investing in international shares provides the opportunity for high returns, but also introduces currency risk which can increase the volatility of returns. Aon's research indicates that a long-term hedging policy of between 20-40% of the currency exposure of international share portfolios maintains the return potential while lowering return volatility. This hedging policy is already implemented for the International Shares – Diversified Option and all of the smartMonday pre-mix Options. It will be introduced to this Option from 1 October 2021.

### **Investment Option Closures**

The table below lists:

- the investment options that are scheduled to close and,
- recommended alternative options.

In October 2021, members invested in these Options will have the funds in those Options automatically switched to the alternative Option.

Scheduled to Close	Replacement options
Australian Shares – Core	Australian Shares - Diversified
International Shares – Index (\$A hedged)	International Shares - Index
International Shares – Core	International Shares - Diversified
International Shares – Core (\$A hedged)	International Shares - Diversified
Property – Australian Index	Property – Diversified
Fixed Interest – Australian Index	Fixed Interest - Diversified – Index <sup>1</sup>
Fixed Interest – Australian	Fixed Interest - Diversified
Fixed Interest – International Index (\$A hedged)	Fixed Interest - Diversified – Index <sup>1</sup>
Fixed Interest – International	Fixed Interest - Diversified

<sup>1</sup> Investment option will open to members from 1 October 2021.

## How these changes impact your smartMonday account

The impact on your smartMonday portfolio of the changes is illustrated below.

Option invested	Amount	Current Investment Fee <sup>1</sup>	New Investment Fee from 1 June 2021 <sup>1</sup>	Replacement Option to switch to from October 2021 <sup>2</sup>	Allocation on Future contributions & additions (%) <sup>3</sup>	Change in Investment Objective? (Y/N) <sup>4</sup>
Cash		0.45%	0.24%	Cash	5.00%	N
Fixed Interest - International		0.72%	0.56%	Fixed Interest - Diversified	12.50%	N
Fixed Interest - Australian		0.65%	0.56%	Fixed Interest - Diversified	12.50%	N
Fixed Interest - Australian Index		0.47%	0.38%	Fixed Interest - Diversified - Index		N
Property - Diversified		0.75%	0.68%	Property - Diversified	6.00%	N
International Shares - Diversified		0.92%	0.72%	International Shares - Diversified	32.00%	N
Australian Shares - Diversified		0.92%	0.68%	Australian Shares - Diversified	32.00%	N

- 1 Refer to 'Fees' section for an estimate breakdown of fee changes.
- 2 Refer to 'Your Investment options guide' on the smartMonday website for more information.
- 3 Any future contributions / additions will be allocated to the current or new replacement option (from 1 October 2021).
- 4 Refer to 'Investment Objective changes' for more information.

### Do you need help?

We understand that investment decisions can be complicated and before making any decision about your investments we recommend you speak with your financial adviser.

If you require any further information, please contact us on 1300 112 403 or via email at [one@smartmonday.com.au](mailto:one@smartmonday.com.au). Also, the current Product Disclosure Statement (PDS) and associated Investment Guide and Fees and cost guide are available at [www.smartMonday.com.au/documents](http://www.smartMonday.com.au/documents). Your current balance, investment options, and fees are displayed on your Personal homepage at [smartMonday.com.au](http://smartMonday.com.au). If you haven't already done so register on the site (<https://www.smartmonday.com.au/Account/Register>) to access your Personal homepage.

Updated Option profiles with effect 1 June 2021.

	High Growth – Index Option	High Growth – Active Option	Growth – Index Option	Growth – Active Option	Balanced Growth – Index
<b>smartMonday Pension</b>					
<b>Target return</b>	To provide a return at least 3.75% pa above inflation (after fees) over rolling 15-year periods.	To provide a return at least 4.00% pa above inflation (after fees) over rolling 15-year periods.	To provide a return at least 3.25% pa above inflation (after fees) over rolling 12-year periods.	To provide a return at least 3.50% pa above inflation (after fees) over rolling 12-year periods.	To provide a return at least 2.75% pa above inflation (after fees) over rolling 10-year periods.
<b>Suggested minimum timeframe</b>	15 years	15 years	12 years	12 years	10 years
<b>Investment strategy</b>	Invests 90–100% of the portfolio in growth assets.	Invests 90–100% of the portfolio in growth assets.	Invests 80–90% of the portfolio in growth assets and typically 15% in defensive assets.	Invests 80–90% of the portfolio in growth assets and typically 15% in defensive assets.	Invests 60–80% of the portfolio in growth assets and typically 30% in defensive assets.
<b>Risk/return profile</b>	Returns can be very volatile over the short to medium term. Historically, high growth assets have offered the highest long-term returns.	Returns can be very volatile over the short to medium term. Historically, high growth assets have offered the highest long-term returns.	Returns are generally less volatile than the High Growth portfolio but can still be very volatile over the short to medium term.	Returns are generally less volatile than the High Growth portfolio but can still be very volatile over the short to medium term.	There is likely to be volatility in returns in the short to medium term but volatility tends to decline over longer periods.
<b>Asset allocation</b>	<b>Target %</b> 42.5 <b>Range %</b> 0-70	<b>Target %</b> 39 <b>Range %</b> 0-70	<b>Target %</b> 36.5 <b>Range %</b> 0-70	<b>Target %</b> 32 <b>Range %</b> 0-70	<b>Target %</b> 29.5 <b>Range %</b> 0-70
Australian shares	42.5	39	36.5	32	29.5
International shares	0-70	0-70	0-70	0-70	0-70
Listed property	0-30	0-30	0-30	0-30	0-30
Alternative-growth	7.5	7	6	6	6
<b>Total growth</b>	<b>7.5</b>	<b>15</b>	<b>6</b>	<b>15</b>	<b>5</b>
Alternative-defensive	0-30	0-30	0-30	0-30	0-30
<b>Total growth</b>	<b>100</b>	<b>100</b>	<b>85</b>	<b>85</b>	<b>70</b>
Alternative-defensive	0-10	0-10	0-15	0-15	0
Aust. fixed interest	0	0	7.5	0-15	13
Int'l fixed interest	0-10	0-10	0-15	0-15	13
Cash	0-10	0-10	0	0-15	4
<b>Total defensive</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>10-20</b>	<b>30</b>
	<b>0-10</b>	<b>0-10</b>	<b>10-20</b>	<b>10-20</b>	<b>20-40</b>

smartMonday Pension		Balanced Growth – Active		Moderate – Index		Moderate – Active		Defensive – Index		Defensive – Active	
<b>Target return</b>	To provide a return at least 3.00% pa above inflation (after fees) over rolling 10-year periods.	To provide a return at least 1.50% pa above inflation (after fees) over rolling 3-year periods.	To provide a return at least 1.75% pa above inflation (after fees) over rolling 3-year periods.	To provide a return of at least 0.25% pa above inflation (after fees) over rolling 2-year periods.	To provide a return at least 0.75% pa above inflation (after fees) over rolling 2-year periods.						
<b>Suggested minimum timeframe</b>	10 years	3 years	3 years	2 years	2 years						
<b>Investment strategy</b>	Invests 60–80% of the portfolio in growth assets and typically 30% in defensive assets.	Invests 20–40% of the portfolio in growth assets and typically 70% in defensive assets.	Invests 20–40% of the portfolio in growth assets and typically 70% in defensive assets.	Invests 80–100% of the portfolio in defensive assets and typically 0-20% in growth assets.	Invests 80–100% of the portfolio in defensive assets and typically 0-20% in growth assets.						
<b>Risk/return profile</b>	There is likely to be volatility in returns in the short to medium term but volatility tends to decline over longer periods.	Relatively low returns but with less volatility than Balanced Growth options.	Relatively low returns but with less volatility than Balanced Growth options.	Relatively stable returns. Generally lower long-term returns than the other options.	Relatively stable returns. Generally lower long-term returns than the other options.						
<b>Asset allocation</b>	<b>Target %</b> <b>Range %</b>	<b>Target %</b> <b>Range %</b>	<b>Target %</b> <b>Range %</b>	<b>Target %</b> <b>Range %</b>	<b>Target %</b> <b>Range %</b>						
Australian shares	27    0–70	12    0–30	12    0–30	6    0–20	5    0–20						
International shares	27    0–70	12    0–30	10    0–30	5    0–20	3    0–20						
Listed property	6    0–30	6    0–30	6    0–30	6    0–20	5    0–20						
Alternative–growth	10    0–30	5    0–15	7    0–15	2    0–20	6    0–20						
<b>Total growth</b>	<b>70</b> <b>60-80</b>	<b>35</b> <b>20-40</b>	<b>35</b> <b>20-40</b>	<b>19</b> <b>0-20</b>	<b>19</b> <b>0-20</b>						
Alternative–defensive	11    0–15	0    0–30	18    0–30	0    0–40	10    0–40						
Aust. fixed interest	7.5    0–30	32    0–60	22    0–60	33    0–90	28    0–90						
Int'l fixed interest	7.5    0–30	28    0–60	20    0–60	30    0–90	25    0–90						
Cash	4    0–30	5    0–60	5    0–60	18    10–90	18    10–90						
<b>Total defensive</b>	<b>30</b> <b>20-40</b>	<b>65</b> <b>60-80</b>	<b>65</b> <b>60-80</b>	<b>81</b> <b>80-100</b>	<b>81</b> <b>80-100</b>						