

SuperUpdate | SPRING 20



NESS Super, the industry fund to power your financial future

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PAUL CAHILL
NESS Super CEO

Message from the CEO

Dear Members,

The 2019-20 financial year has been a year that none of us will ever forget.

The first six months of 19/20 was a period of significant improvement in the NESS Super's offering as well as strong investment returns, but it's in the last six months that we have seen world-wide challenges that none of us expected.

At NESS Super, our job is simple. It's to be trusted to build wealth for retirement for you our members. Regardless of the ups and the downs we have seen, we want you to know that NESS will be there and remain focused on that job.

During 2019, we brought our Contact Centre in-house to offer you a more personalised service. I am so proud to see how we have been able to respond quickly and advocate for our members and their employers who have been hard-hit by COVID-19.

We changed our insurance offering at the end of November 2019, to make it cost-effective for Death and Total and Permanent Disablement and significantly improved the Income Protection offering for members actively contributing to the Fund.

We had high hopes of a strong investment performance until the world effectively went into lockdown, before seeking to minimize losses and attempting to claw-back to positive territory.

Our MySuper option finished at -1.42% (the Fund's first default negative return in over a decade) and, given the far-reaching impact of the pandemic on markets, this was a fair result but a result we seek to turn around.

The coming year promises to be another one of big improvement for the Fund. Over the coming months, you will see the following transpire:

1. Daily unit pricing for investments, enabling members to switch daily between investment options;
2. Simplifying investment options to allow for an easy transition from Accumulation to Pension phases;
3. Enhanced financial planning offering;
4. Retirement planning seminars; and
5. Our first Annual Members Meeting where we encourage you to ask questions and give feedback

I look forward with hope to what our future holds and thank you for your ongoing trust in NESS Super to build wealth for your retirement.

Regards

Paul Cahill – CEO NESS Super

What's ahead in 2021!

- ✓ Enhanced Financial Planning offering
- ✓ Daily Unit Pricing
- ✓ Seminars
- ✓ Simplified Investment Options
- ✓ Annual Members Meeting



COVID-19 & your super

Early Access to Superannuation

Our hearts go out to our members and employers who have felt the brunt of the COVID-19 pandemic.

We have seen many of our members take the opportunity provided by the Federal Government to access up to \$10,000 of their super (tax-free) prior to 30 June 2020 and a further \$10,000 in this financial year, due to their loss of employment or reduction in working hours. We appreciate that this was a difficult but necessary decision.

Upon receiving news from the Government of this opportunity the Fund took the following measures:

1. We ensured that the Fund's investments were appropriately structured to ensure prompt payment of Early Access requests;
2. Ensured that our Contact Centre was adequately staffed to be able to handle the influx of calls from members enquiring about Early Access;
3. Where we had a mobile phone number, we texted every member who we had received a claim from to reduce the risk of fraudulent claims;
4. Contacted every member who made an Early Access claim to provide them with an update as to when they had been paid; and

5. Regularly reported to the Board the volume of claims that had been made to ensure that we understood the magnitude of the impact of COVID-19 on the Fund and most importantly its members.

Please note that the second round of Early Access payments remains open until 31 December 2020 enabling eligible Australian and New Zealand citizens and permanent residents the opportunity to apply to access their super through the ATO's myGov website.

Please make sure that you are eligible as there are harsh penalties imposed by the ATO if you have claimed Early Access and it is later discovered that you were not eligible. We'd also remind members that Early Access to super will have a negative impact on your retirement savings nest egg, but we understand the importance of getting through this difficult period.

If you have any questions you'd like answered in relation to Early Access of super and the impact to your retirement balance or insurance cover, call our friendly team between 8.30am and 6.00pm (Sydney time) Monday to Friday on 1800 022 067 or email us at nessadmin@nesssuper.com.au.

Investment Update

Market Commentary – six months 30 June 2020

Overview

The last six months has seen significant volatility in investment markets, with an initial strong start followed by a significant fall (due to COVID-19) and a period of recovery to close out the financial year. In January global share markets continued to edge higher thanks to improving US-China trade relations. However, upon the realisation that COVID-19 was spreading rapidly outside of Mainland China, the markets fell sharply amongst fears that the global economy would fall into recession. From late March, the markets began to recover with expectations that markets would pick up due to loosening of COVID-19 containment measures, as well as fiscal and monetary policy stimulus.

Looking at specific asset classes we note the following:

Global Shares

While global share markets experienced significant volatility during the year due to the impact of COVID-19, gains were primarily driven by monetary and fiscal stimulus measures implemented by central banks and governments which supported growth and restored confidence in financial markets. Members who invested in Global shares received positive returns.

Australian Shares

The Australian share market weakened over the past 12 months, with the S&P/ASX 300 Accumulation Index closing the year 7.6% lower. Performance of the local market was weighed down by the impact of COVID-19 which led to the underperformance of the 'Big Four' banks along with travel and tourism names.

Property

Australian real estate investment trusts (A-REITs) significantly underperformed over the past 12 months, closing the period down 20.7%. Retail names were the worst performers, suffering most from government imposed lockdown restrictions. The market bounced back towards the end of the financial year but this wasn't enough to offset the losses incurred from the impact of COVID-19.

Bonds and cash

International bonds made good gains for the year, returning 5.2%. Major long-term bond yields fell over the period driven largely by the massive fiscal and monetary stimulus in response to the COVID-19 outbreak. Australian bonds underperformed their global counterparts over the year, gaining 4.2%. Cash returned 0.8% over the past 12 months. The RBA also cut rates over the year from 1.00% down to a historic low of 0.25% over 3 meetings (October 2019 and twice in March 2020).

What this means for your NESS Super Investment Options

The NESS Super Investment Options are exposed to a mixture of some or all of the above asset classes. Some asset classes were more heavily impacted by COVID-19 and that reflects in the final 1 Year performance numbers for each option. The tables below show the returns (net of fees and taxes) achieved across the range of NESS products and investment options for the period to 30 June 2020.

NESS Super and Transition to Retirement Pension (TRP) Members Investment performance

Periods Ending 30 June 2020	1 Year % (p.a.)	3 Year % (p.a.)	5 Year % (p.a.)	10 Year % (p.a.)
NESS MySuper	-1.42	4.65	5.36	7.22
NESS High Growth	-2.55	5.22	6.22	8.67
NESS Stable	0.69	3.87	4.14	5.59
NESS Australian Shares	-6.65	4.12	5.71	7.96
NESS Overseas Shares	1.13	6.56	6.87	10.20
NESS Property	-16.34	1.62	4.78	7.86
NESS Cash	0.71	1.53	1.71	2.66

Account Based Pension (ABP) Members

Periods Ending 30 June 2020	1 Year % (p.a.)	3 Year % (p.a.)	5 Year % (p.a.)
NESS Aggressive	-4.89	3.85	5.82
NESS Assertive	-4.44	3.42	4.90
NESS Moderate	-3.33	3.29	4.59
NESS Cautious	-1.25	3.53	4.35
NESS Conservative	0.38	3.37	3.73
NESS Cash	1.03	1.86	2.03

Notes:

1. The Investment performance calculations in the table above is different to the crediting rate used to allocate earnings to your NESS Super / Pension accounts. Returns are allocated to your NESS Super / Pension accounts on an annual basis, or when you trigger an earnings event to be allocated through switching an investment option or exiting the Fund.
2. Past performance is not a reliable indicator of future performance
3. If you need help choosing the right investment option for your personal situation or managing your NESS Super / Pension accounts, please call us on 1800 022 067 and we will put you in contact with our financial adviser at Link Advice ^

^ Advice is provided by Link Advice Pty Limited, ABN 36 105 811 836, ASFL No. 258 145.

Insurance Update

This year saw big changes to NESS Super's insurance offering, which were implemented on 30 November 2020.

We encourage all members to look at their insurance arrangements with NESS Super, and keep reviewing this on at least an annual basis, for the following reasons:

1. **Death and TPD Insurance** – For our younger and older members, the default cover has dropped significantly for the following reasons:
 - a. Younger members – Insurance claims history for our fund and the superannuation industry indicate that many members under the age of 25 years have been paying too much for insurance that they were unlikely to claim for. Of course there are exceptions, but when providing default insurance we must keep in mind the impact for this demographic.
 - b. Older members – Maintaining a higher default level of cover for older members, would have resulted in significant increase in premiums, causing erosion to super balances for members approaching retirement.

It is important to note, that we provided opportunity for members to maintain an equivalent level of default cover at 30 November 2019 should the new cover not suit their needs. Speaking of needs, we wish to emphasise, that as default insurance cover is now provided on a bell-shaped curve, we encourage you to think about what insurance cover you need and take opportunity of the insurance that is offered within super.

2. **Income Protection Insurance** – For all members who have employer SG contributions paid into NESS Super, we have significantly improved the default insurance benefit available – which is up to 75% of your income plus up to 10% contribution paid to your NESS Super account for a period of up to 2 years. This compares to the previous product which provided only \$2,550 per month for up to 2 years.

For members who are not having employer SG contributions paid into their NESS Super account, but would like to take advantage of this insurance, we encourage you to contact

us on 1800 022 067 to find out more information about how you can have employer SG contributions paid into NESS Super and be eligible to receive this insurance.

For members who are self-employed, we have introduced a new product whereby you can nominate in advance an income you expect to earn over the next 12 months to insure against an injury or illness. If you do fit this category, we encourage you to call us and let's help you get the right level of insurance.

Apart from improving our insurances, the Government has introduced over the last 12 months two key pieces of legislation which has reduced the number of members who have automatic insurance within superannuation.

Protecting Your Super – If your account has not received contributions or rollovers within the last 16 months and you did not elect to maintain cover when notified, your insurance would have been permanently cancelled and you would need to be underwritten to receive insurance. The intention of this legislation was to reduce erosion of superannuation from premium deductions where there is no contributions to offset these deductions.

Putting Members Interests First (PMIF) – If your account balance had not reached \$6,000 by 1 April 2020, or you have commenced since 1 April 2020 with a balance of less than \$6,000 your default insurance will be temporarily cancelled until such time as your balance reaches that amount. Further if, from 1 April 2020, you commence a new superannuation account and you are under the age of 25 your default insurance will not commence until you have both a balance of greater than \$6,000 and you have reached 25 years of age.

Upon joining NESS Super, members are being issued a welcome letter, which provides them the option to waive the requirements of PMIF and receive automatic insurance.

As you can see from above, there is a lot of change and a lot to take in when it comes to thinking about insurance. We encourage you to call us so that we can get the right insurance solution for you. You can also take advantage of the Government's Life Insurance Calculator to work out what level and type of insurance you need by visiting: <https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/life-insurance-calculator>.

As a valued NESS member, you also have access to free online general advice through our partner LINK Advice.

Through our financial planning partner, Link Advice[^], you can access general and simple advice over the phone about your retirement planning options.

There is no additional cost for our phone based advice, this service is included in your NESS membership.

[^] Advice is provided by Link Advice Pty Limited, ABN 36 105 811 836, ASFL No. 258 145.

LINKAdvice

1300 734 007

fp@linkadvice.com.au

linkadvice.com.au

At NESS Super, we're here to help you. Contact a member of the NESS Service Team today.

NESS Super is the super fund for the electrical, communications, technology and cabling industries.

NESS Super has been lighting the way forward for employees, employers and self-employed contractors in the electrical and communications industries since 1987. This means that no other fund, or team, understands the work you do better. We operate on the principle, 'we're large enough to matter, small enough to care' and we are one of the few niche industry specific funds.

This principle keeps our fees competitive, insurance premiums lower and helps us deliver consistent long-term returns for people like you. So, if you like the idea of a super fund with personalised service dedicated to helping you make the most of your financial future, consider making the switch to NESS Super today.

To find out more about how NESS Super can help you and your business, please contact us between 8.30am and 6.00pm (Sydney time) Monday to Friday on 1800 022 067 or email us at nessadmin@nesssuper.com.au.



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Contact us for more information about any of the topics in this newsletter.

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