



Spaceship Super

Member Outcomes Assessment
For the year ended 30 June 2022

7th March 2023





Table of contents

Item	
Introduction	3
Executive summary	5
Choice overview	7
Choice assessment	9

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 2023, and is relevant for the financial year ended 30 June 2022.

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

SPS 515

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 option underperformed the peer fund median on a one-year basis, however outperformed on a 5-year basis. The investment returns of the Global Index option underperformed the peer fund median on a one-year basis, however outperformed on a 3-year basis. Longer term investment horizon is considered by the Trustee to be more important than 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 FY22 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 Super's options, benefits and facilities, investment strategy, scale, operating costs and the basis for setting fees, are considered appropriate for SpaceShip Super'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 Super's flagship investment option, GrowthX is a diversified investment portfolio with a focus on global technology companies.



Spaceship Global Index Option

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

Choice Assessment

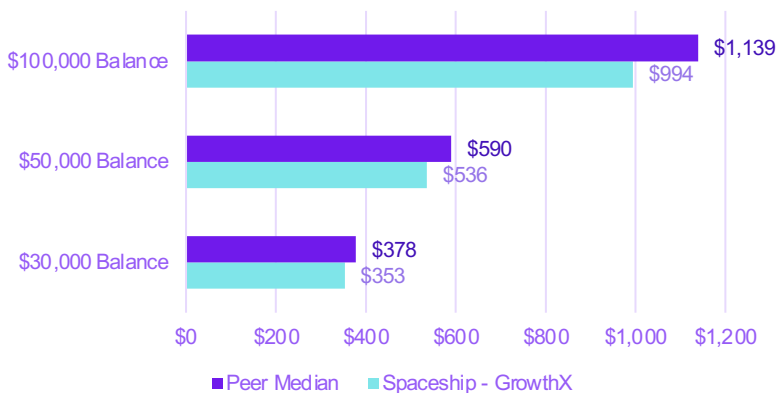


Fees & Costs Comparison – Total Fees

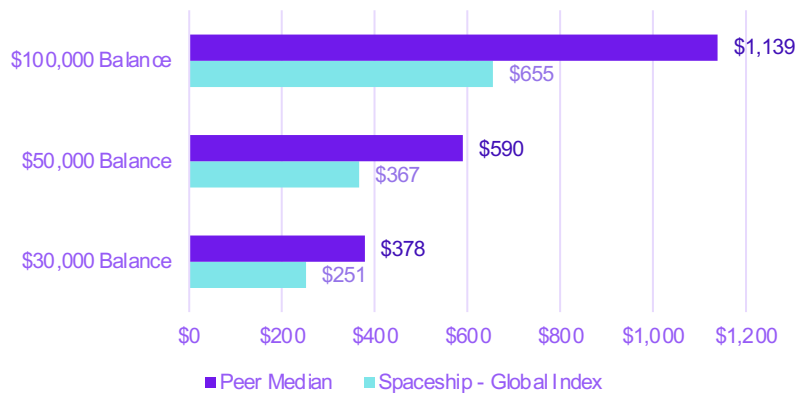
SpaceShip Super's total fees (administration plus investment fees) are compared to peer fund median fees in the charts below. For the GrowthX option, SpaceShip Super is lower cost than the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances. For the Global Index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

In December 2021, a fee reduction was applied to the Global Index option, which lowered the percentage-based administration fees from 0.58% to 0.577%. In addition, SpaceShip Super removed the dollar-based administration fee (usually \$78 p.a.) for accounts with a balance less than \$6,000.

SpaceShip Super GrowthX - Total Fees Analysis



SpaceShip Super Global Index - Total Fees Analysis

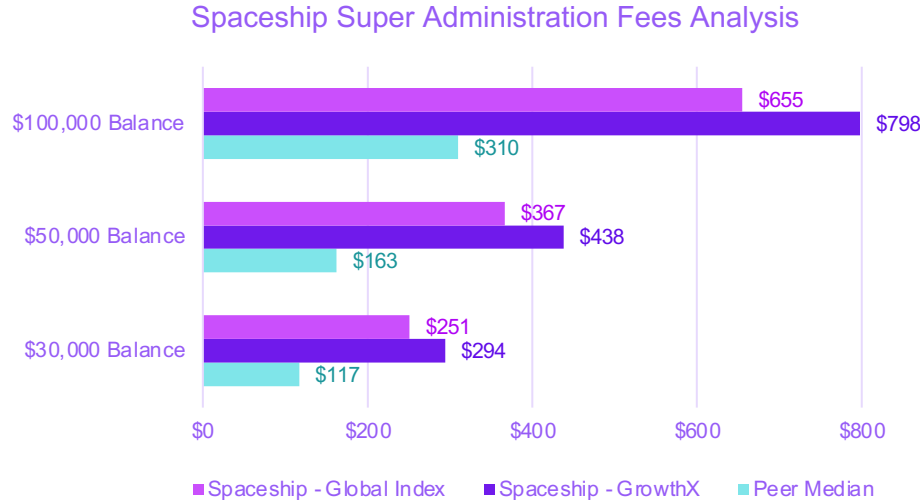




Fees & Costs Comparison- Administration Fees

SpaceShip Super's administration fees for its GrowthX and Global Index 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 Super is more expensive than the peer fund median, indicating 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 Super at a product level are less expensive than the peer fund median.





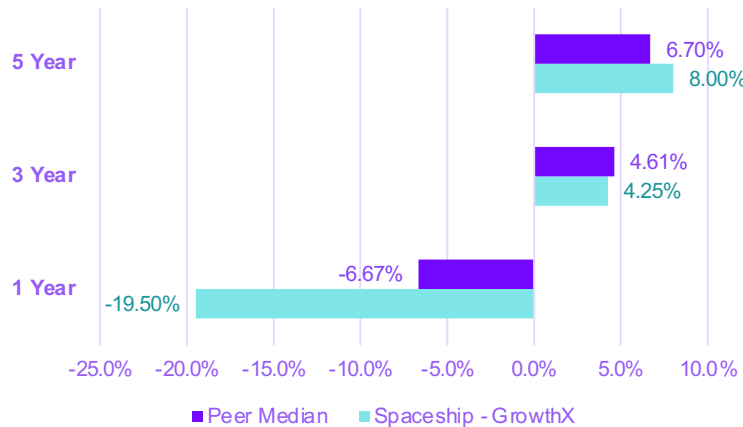
Investment Return Comparison

SpaceShip Super's net investment return for both its GrowthX and Global Index options have underperformed peer fund median over one year, however the five year investment return for the GrowthX option has outperformed the peer fund median (GrowthX option 8.00% vs 6.70% median return), as has the Global Index option over the three year period (Global Index 5.48% vs 4.61% median return). As superannuation is a long term investment, the Trustee considers the five year and three year investment performance to be more significant than the one year performance.

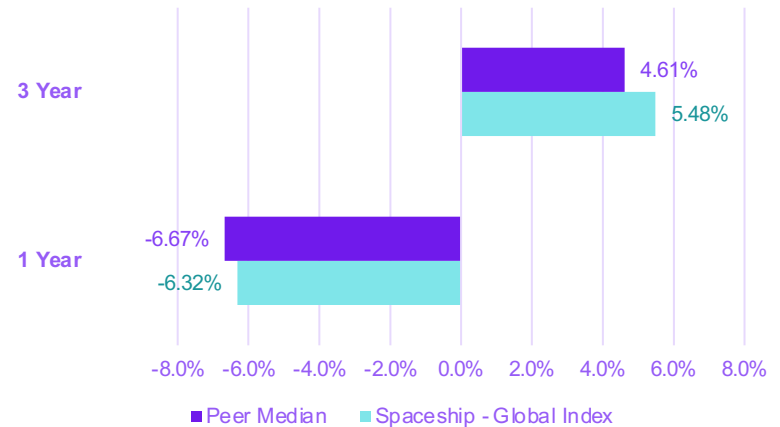
The Trustee notes SpaceShip Super has a large investment allocation in the technology industries sector which has underperformed over the one year period.

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

SpaceShip Super GrowthX - Investment Return



SpaceShip Super Global Index – Investment Return



Investment Risk Comparison

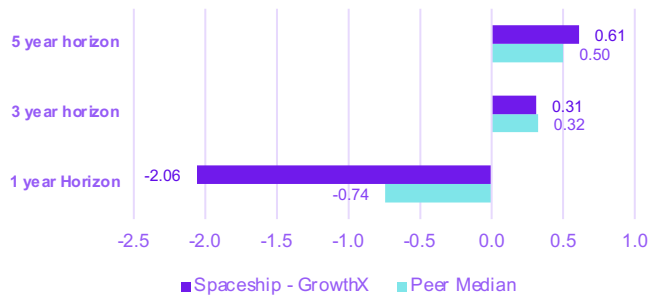
In the following graphs, we measure the performance of Spaceship Super's investment options after adjusting for risk comparing to the peer fund median. To do this, we apply a Sharpe ratio calculation which is a standardised measure of risk-adjusted returns. The higher the ratio, the greater the investment 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 Super's Sharpe ratios for the Global Index option is higher than the peer fund median over one year and three year time horizons. The GrowthX option's adjusted risk ratio is higher over the 5 year period but lower over the one and three year periods. Given the long term nature of superannuation, the Trustee considers the five and three year investment performance to be more significant than the one year performance when reviewing risk adjusted returns and risk reward.

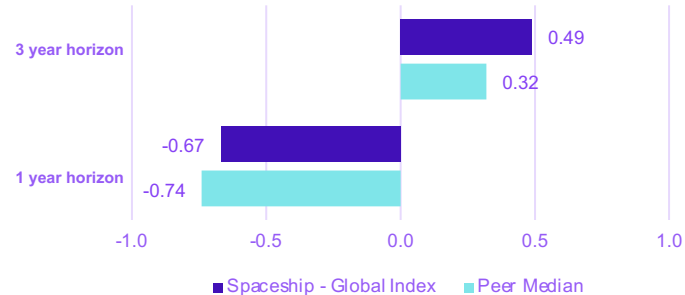
As the Global Index option has not yet been in operation for five years, there is no five year Sharpe ratio to consider.

The Trustee has determined it is promoting the financial interests of the beneficiaries as the Sharpe ratios over 3 years for the Global Index option and over 5 years for the GrowthX option are higher than the peer fund median.

Spaceship Super GrowthX - Sharpe Ratio Analysis



Spaceship Super Global Index - Sharpe Ratio Analysis





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, mobile app or through a contact centre. In mid-2022, Spaceship Super launched its in-app First Home Super Saver feature which is designed to help members save for their first home deposit through Spaceship Super.

Spaceship Super also provides members with educational and informative content, including blog posts, a quarterly Spaceship Super newsletter sent to members and updates on social media platforms such as Instagram, Twitter and Facebook. In addition, a curated news feed provides educational articles on the Spaceship mobile app for members to read.

INVESTMENT STRATEGY

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

The investment strategy was last reviewed in December 2021. 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.

At the last annual review, the investment risks were adjusted upwards from 6 to 7. The level 7 investment risk based on the Standard Risk Measure (6 or greater 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 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 Super will consider an insurance offering for our members.

As SpaceShip Super'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 18,088 members with approximately \$554 million in funds under management as at 30 June 2022.

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 over the next years:

- Funds Under Management ('FUM') grew by 6.29%, compared to the industry median of -4.12%
- Net members' benefits flows of \$156.9M, compared to the industry median of \$23.8M
- Number of member accounts grew by 78%, compared to the industry median of 0.084%
- Net rollovers into SpaceShip Super of \$79.9M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 24%, compared to the industry median of 91.4%

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 SpaceShip Super.

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

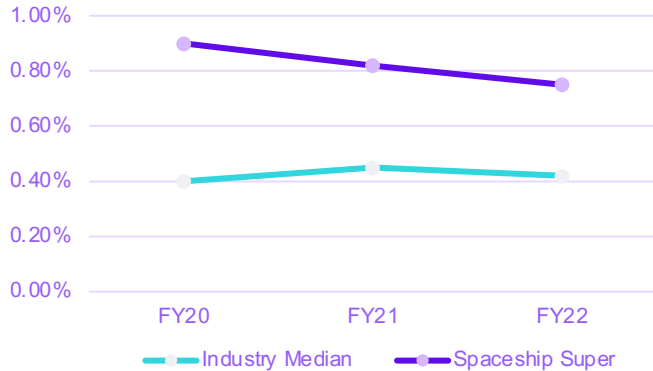
It is concluded that members are not disadvantaged due to the scale of, and within, the Trustee's business operations.



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 has reduced by 0.05% between FY21 and FY22.

SpaceShip Super Operating Expense Ratio Trend Analysis



Noting the smaller size of SpaceShip Super, the operating costs are considered appropriate for 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.

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 2021, a fee reduction was applied to the Global Index option, reducing the percentage-based administration fee from 0.58% to 0.577%.

In addition, the buy/sell spread was reduced across both investment options. For the GrowthX option, the buy spread reduced from 0.198% to 0.188% and the sell spread reduced from 0.14% to 0.113%. The Global Index option's buy spread reduced from 0.199% to 0.189% and the sell spread reduced from 0.133% to 0.106%.

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



spaceship.com.au

Disclaimer

- The material included in this presentation (Material) is produced by Diversa. It is designed and intended to provide general information in summary form on legal topics, current at the time of publication, for general informational purposes only. The Material may not apply to all jurisdictions.
- The Material does not constitute legal advice, are not intended to be a substitute for legal advice and should not be relied upon as such.
- You should seek legal advice or other professional advice in relation to any particular matters you or your organisation may have.
- No claim or representation is made or warranty given, express or implied, in relation to any of the Material. You use the Material are entirely at your own risk.
- The Material remains the intellectual property of Diversa and its related bodies corporate and must not be copied, shared, or reproduced without express prior authorisation.

Limitation of Liability

- Where conditions and warranties implied by law cannot be excluded, Diversa limits its liability where it is entitled to do so. Otherwise, Diversa is not liable for any loss or damage (including consequential loss or damage) to any person, however caused, which may arise directly or indirectly from the Material or the use of such Material.
- Diversa is not responsible for ensuring that any of the Material is accurate, current, suitable or complete although Diversa uses every reasonable endeavour to maintain the accuracy information available, however, some or all of the information may, from time to time, be amended, or become superseded or otherwise inaccurate.

No client-solicitor relationship created

- The transmission or receipt of any Material is not intended to create, nor should such transmission or receipt be taken as creating, a client-solicitor relationship between Diversa and the recipient.