

***Pension system design and its
implication for investment-led growth
and financial stability***

Zachary May
Executive Director, Strategy and Policy



AUSTRALIA - KOREA
BUSINESS COUNCIL



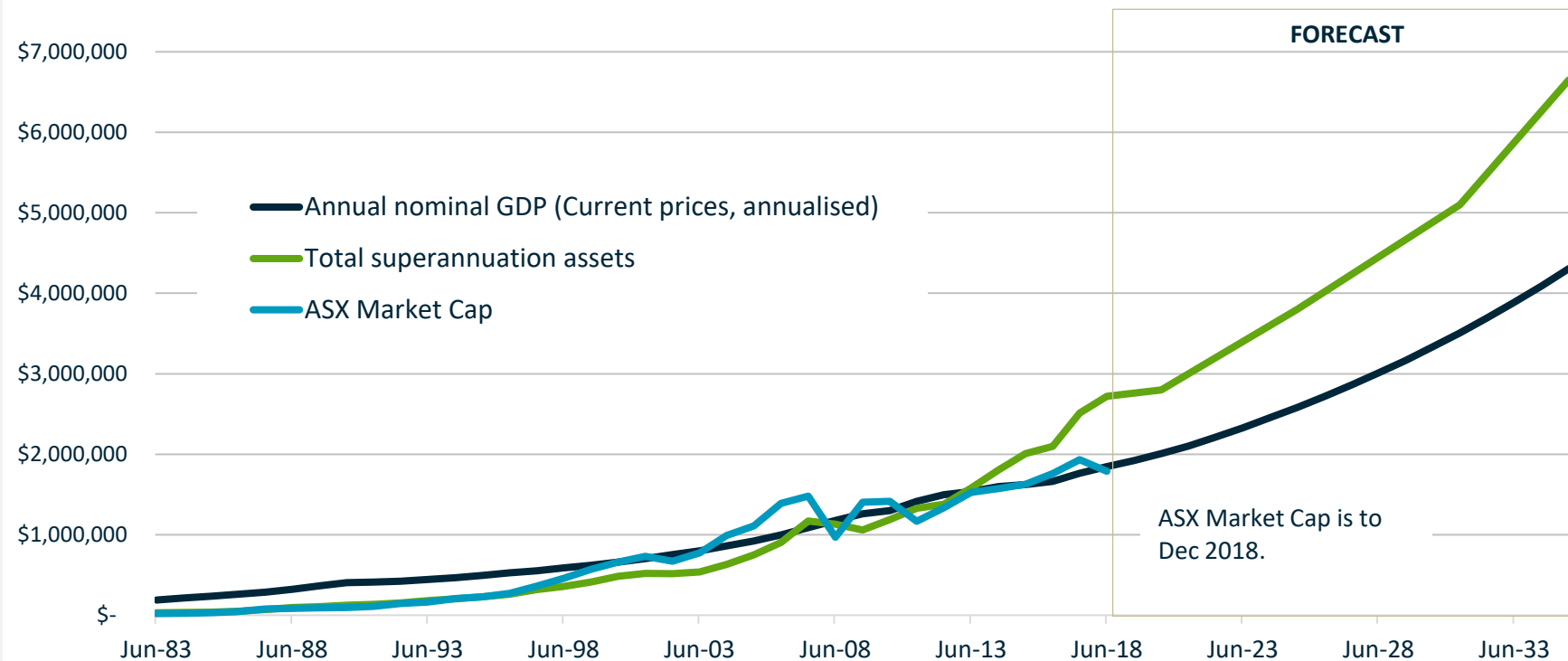
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Australia: Super, GDP and the ASX



Historical and projected growth to 2035

Superannuation, GDP and the ASX market cap



**ASFA
Superannuation
Statistics**

*Consensus private sector forecast is for Australia's superannuation assets to grow to between **\$6,100 and \$8,500 billion.***

Source: ASFA Superannuation Statistics (August 2019). Forecast superannuation assets is from APRA Annual Superannuation Bulletin Statistics, revised Jan 2019, Treasury, RIM Group. GDP: 5206.0 Australian National Accounts: National Income, Expenditure and Product. Forecast nominal GDP growth is sourced from ABS 5206.0, 6345.0, 64010.0 and Treasury (2018–19 = 4%, 2019–20 = 4.5%, 2020–21 = 4.75% and 5.25% thereafter). ASX Market capitalization is from asx.com.au.

Average annual net returns by fund type



Average annual net returns by segment to June 2018

	1 year	3 years	5 years	10 years
For-profit superannuation funds	6.26%	6.85%	5.81%	7.18%
Not-for-profit superannuation funds	7.08%	8.57%	7.74%	8.60%
Industry superannuation funds	7.09%	9.00%	7.97%	8.63%
Corporate superannuation funds	6.52%	7.75%	6.70%	8.26%
Public sector superannuation funds	7.15%	8.36%	7.59%	8.56%
Average term deposit	1.60%	1.67%	1.84%	2.85%
Consumer price index	1.33%	1.79%	1.60%	2.12%

Source: Australian Prudential Regulation Authority; RBA Statistical Table F4, Retail Deposit and Investment Rates (1 Year term deposit); Australian Bureau of Statistics

Average annual net returns by country



Average annual net returns after inflation to December 2017, selected OECD jurisdictions

	5 years	10 years	15 years
Australia	7.5%	2.5%	4.2%
Canada	6.5%	4.0%	5.5%
Chile	4.0%	2.0%	4.1%
Denmark	4.6%	4.4%	4.7%
Germany	2.9%	2.6%	2.6%
Korea	2.3%	1.8%	1.6%
Mexico	0.7%	1.9%	--
Netherlands	6.0%	4.4%	5.3%
United States	4.2%	0.5%	1.7%

About IFM



IFM Investors believes in the power of bold, long-term and sustainable investment to enhance people's retirement outcomes.

4 asset classes



INFRASTRUCTURE A\$61.7b
DEBT INVESTMENTS A\$45.4b
LISTED EQUITIES A\$43.9b
PRIVATE EQUITY A\$1.4b

90%



Products that have exceeded client objectives over past five years



420

institutional investors



9 offices globally

Melbourne
Sydney
New York
London
Berlin
Zurich
Tokyo
Hong Kong
Seoul

27

Australian industry superannuation fund shareholders



152bn

funds under management



30 million+

Estimated pension fund members represented



IFM in Korea



- Opened Seoul office in 2017
- Raised US\$1.2bn
- 14 clients

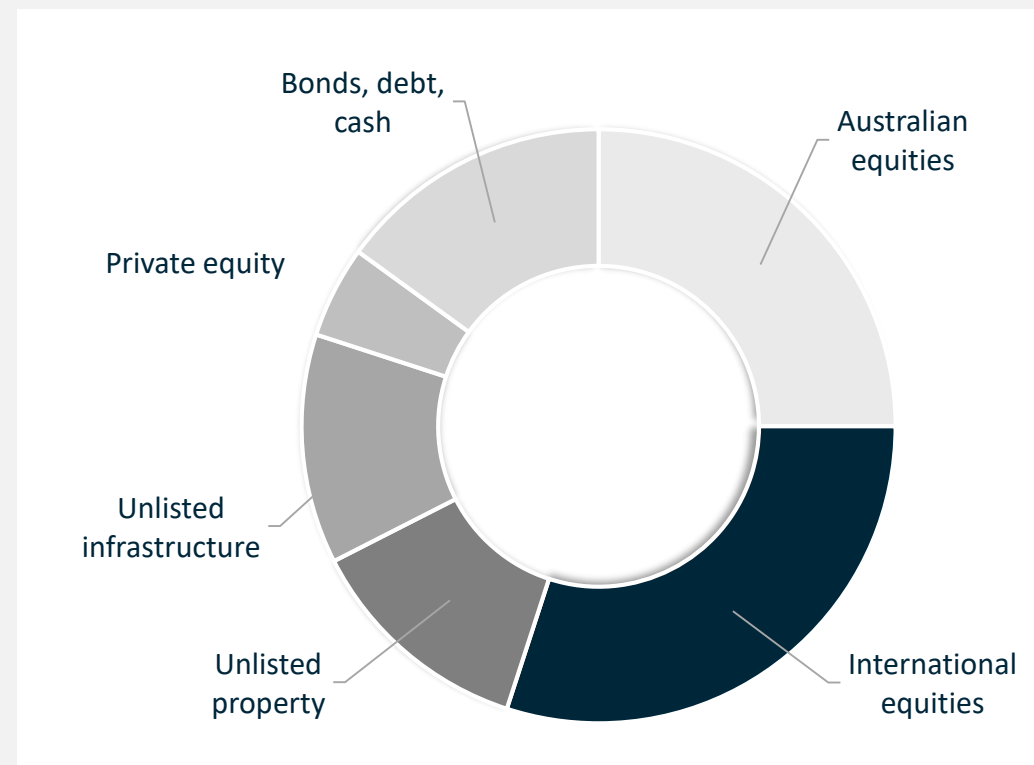


IFM Investors plans to continue to grow and develop the business in South Korea, including hiring more local staff to service existing/new clients and bringing a broader set of products to the market

Indicative asset allocation of a large industry superannuation fund



Asset Class	Indicative Allocation
Australian equities Enhanced passive; Active – large & small cap	25%
International equities Enhanced passive; Active; Emerging markets	30%
Unlisted property Australian; International	10 to 15%
Unlisted infrastructure Australian; International	10 to 15%
Private equity	5%
Bonds, debt, cash	10-20%



Some key factors behind the success of Australian superannuation system



Industry superannuation funds have delivered strong long-term net returns to their members because of:



Motivation and culture

The motivation of the not-for-profit trustees and the culture created by the industry superannuation fund movement has, from the outset, been focused on outperforming in terms of net benefit to members, i.e., what actually goes into member accounts over the short, medium and long term.



Wholesale distribution

The industrial regulatory system and the industry-wide approach of the parties enabled the bypassing of the sales and individual financial advice system. Where employees do not choose a fund, they are automatically placed in an industrial or employer default fund.



Scale

The multi-employer, wholesale approach also meant that scale was achieved fairly quickly by most industry superannuation funds. Economies of scale are quite strong in each component of the system: administration, insurance and investment.

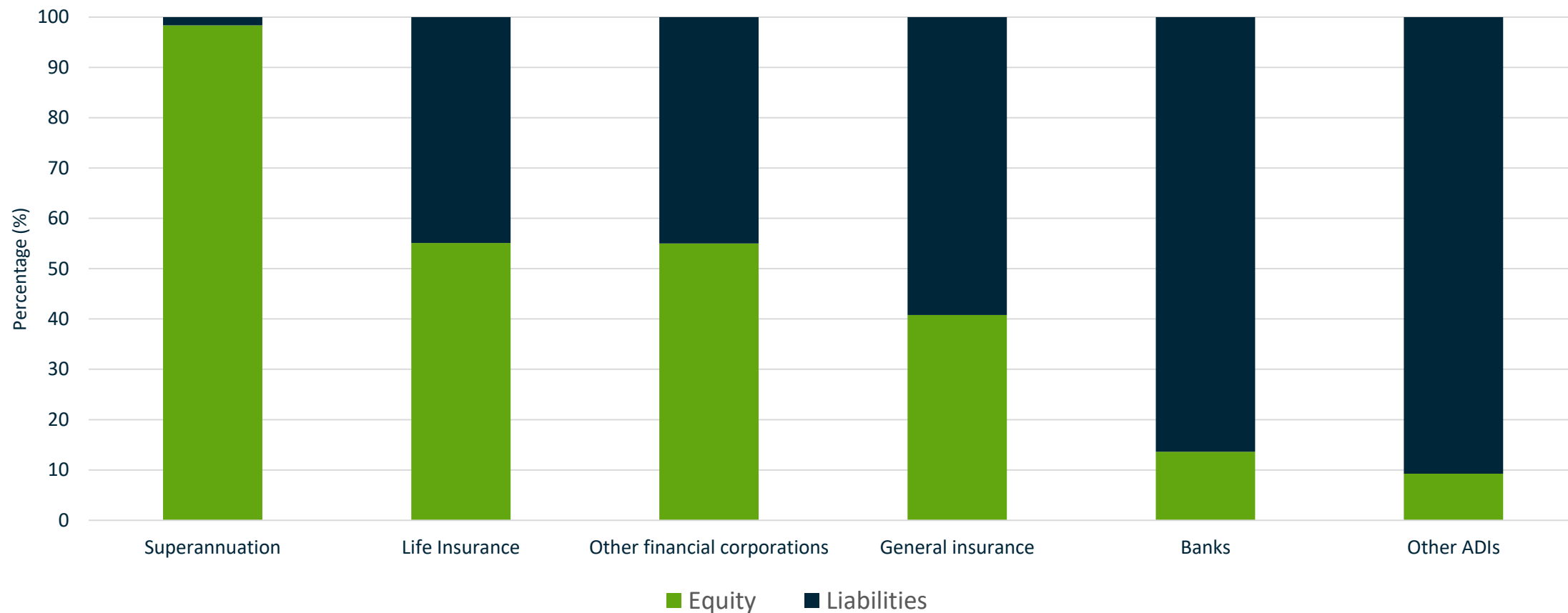


Investment strategy

The industry superannuation funds were early movers in unlisted assets, including property, infrastructure and other private equity. By actively seeking less liquid, longer term assets, they should be able to achieve a premium return.

Superannuation system and financial system leverage

Leverage of financial institutions by category, June 2018



Infrastructure investment



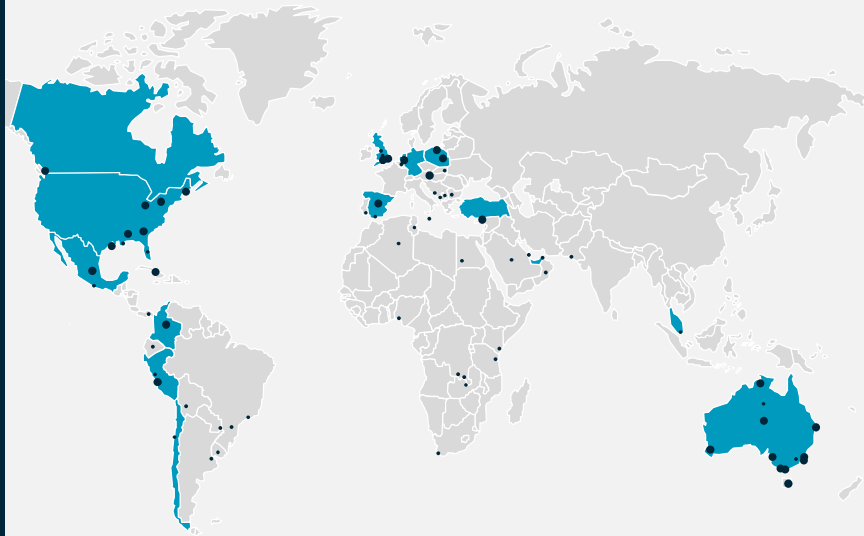
IFM Investors is a leader in infrastructure investment and management

24 Years in infrastructure

33 Currently operating infrastructure projects

39 A\$61.7B Funds Under Management

90 Infrastructure investment professionals



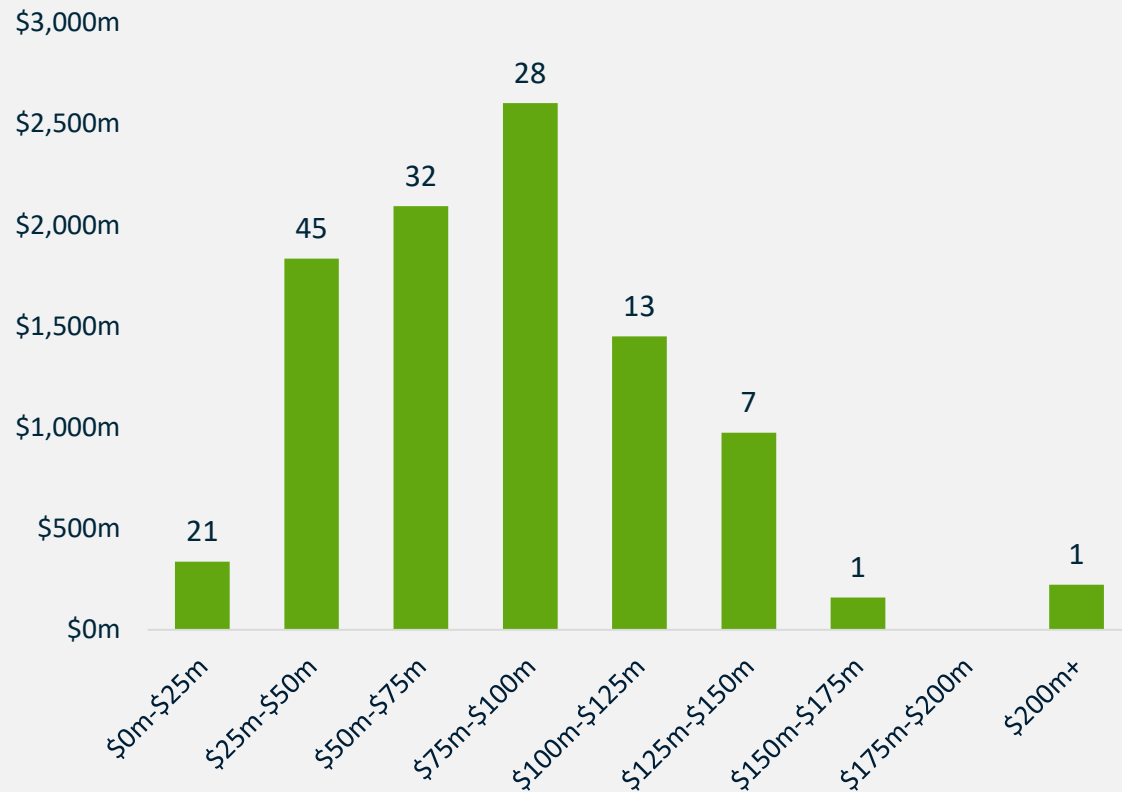
Selected projects

- ▶ Planned CAPEX of **+A\$10b** over next 7 years at Melbourne, Brisbane, Darwin, Adelaide, Launceston and Perth airports.
- ▶ New runway at Brisbane Airport will create **2,700 jobs** and **A\$5b p.a.** of economic benefit by 2035
- ▶ New **+A\$400m terminal built** at Melbourne Airport
- ▶ Port of Brisbane building new **~\$160m Brisbane International Cruise Terminal**

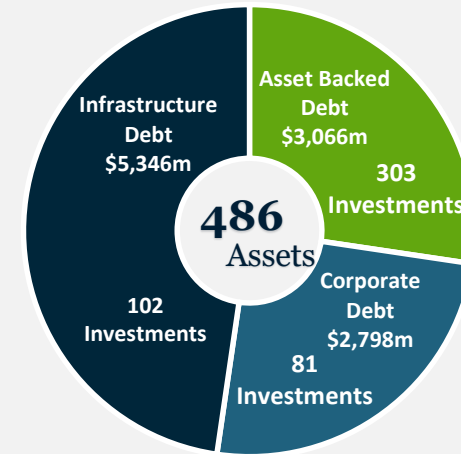
Business funding



IFM Debt Investments (Jan 2017 – Sep 2019)



Total portfolio (Sep 2019)



Major sectors

Corporate

- ▶ Banking & Finance
- ▶ Power & Utilities
- ▶ Energy, Oil & Gas
- ▶ Hotels & Accom.
- ▶ Mining
- ▶ Agriculture

Infrastructure

- ▶ Energy & power
- ▶ Transport
- ▶ Social infra.
- ▶ Utilities

Asset-backed

- ▶ Mortgage-backed
- ▶ Auto & Equipment
- ▶ Credit cards / Personal Finance
- ▶ Healthcare



One purpose. Shared prosperity.

CONTACT:

Zachary May

Executive Director, Strategy and Policy

T: +61 3 9132 5517

E: Zachary.May@ifminvestors.com

IFMINVESTORS.COM

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