



The role of the superannuation industry in supporting the Australian economy

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The economic crisis brought about by the COVID-19 pandemic demonstrates the importance of the superannuation industry in supporting the Australian economy and the wellbeing of Australians.

The current crisis has shown that the superannuation industry, and the compulsory system in particular, can support people in times of financial hardship. But looking ahead, the superannuation industry – in a more traditional capacity – will be needed to support the economy’s recovery.

Superannuation funds are part of the broader financial sector mechanism whereby new savings are mobilised to fund new fixed capital investment that builds the economy’s productive capacity. This supports higher levels of GDP and higher realised gains in labour productivity, which ultimately leads to higher wages for workers and higher living standards for the broader Australian population.

Superannuation funds make investments, on behalf of their members, with the aim of optimising long-term investment returns – which facilitates a long-term approach to investing. As such, superannuation funds are a key source of patient capital for a range of asset classes that are crucial for Australia’s long-term productivity performance, such as infrastructure assets, and investments in private equity and venture capital enterprises.

In the absence of superannuation, it is likely that some longer-term investments would need to offer a higher rate of return, in order to attract the required funding, than otherwise might be the case. Indeed, some projects might not go ahead.

Superannuation funds invest in assets that not only provide high, long-term returns, but are also sustainable and contribute to the communities where members live, work and retire. This includes investments in public transport, affordable housing facilities and hospitals.

Overall, approximately 20 per cent of all APRA-regulated fund assets, or \$349 billion, is invested in unlisted equity, unlisted property, infrastructure or other alternate assets. Among MySuper products these categories represent 26 per cent of investments, or approximately \$183 billion.

Transport infrastructure

Superannuation funds provide stable sources of funding for infrastructure projects. New infrastructure investment is a key source of productivity growth in the broader economy, while investments in existing infrastructure help governments unlock their balance sheets.

Over half the shareholders of Brisbane Airport are superannuation and other institutional funds. These include Colonial First State, Commonwealth Bank Group Super, MTAA Super, Sunsuper and UniSuper. Other funds have holdings via IFM Investors and QIC.

Other airports in which funds have investments include Adelaide, Melbourne and Perth Airports.



Superannuation funds have investments in Australia's major seaports that facilitate the export of Australia's key bulk commodities, and the export and import of general merchandise.

NSW Ports manages a number of major infrastructure assets including Port Botany and Port Kembla. Major investors include AustralianSuper, Cbus, HESTA and Hostplus.

Other ports in which funds have investments include Flinders Ports (MTAA Super and others) and the Port of Brisbane.

While historically rail and road infrastructure have been less of a focus for superannuation funds compared with other transport assets, a number of funds have substantial investments.

AustralianSuper is a partner in an international consortium of investors that holds the majority stake in Sydney's new WestConnex road project.

First State Super (soon to be Aware Super) has a majority stake in the new Sydney Light Rail network.



Energy infrastructure

Superannuation funds have investments across a range of energy generation and distribution assets, including in renewables.

Ausgrid operates the electrical network that supplies 1.8 million customers in Sydney, the Central Coast and Hunter regions of New South Wales.

AustralianSuper owns a minority stake in Ausgrid, while a number of other funds have a stake via IFM Investors.

The Worsley Cogen electricity generation plant in Western Australia is partly owned by MTAA Super and Prime Super.



Electricity generation assets include investments in renewables, such as wind, solar and biomass.

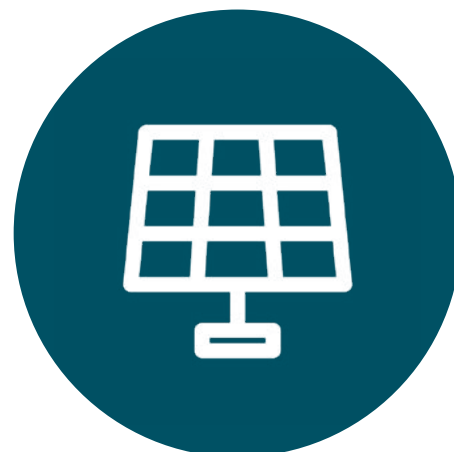
AMP Capital has a 50 per cent stake in Victoria's Macarthur Wind Farm – the largest wind farm in the southern hemisphere.

First State Super and HESTA have major stakes in the Snowtown 2 Wind Farm in South Australia.

Rest is the sole owner of the Collgar Wind Farm – Western Australia's largest operational wind farm.

Sustainable Energy Infrastructure manages a portfolio of 18 infrastructure assets, including biomass generation facilities, on behalf of a number of superannuation funds.

Palisade's Renewable Energy Fund comprises a number of Australian renewable energy assets – including solar and wind farms – for institutional investors, including superannuation funds.



Property

Superannuation funds hold range of unlisted property assets, held directly by funds or indirectly through pooled arrangements.

This includes commercial property assets, such as office blocks, retail shopping centres and industrial estates, as well as a variety of residential property assets.

Cbus has a large range of office and mixed-use property assets across all of Australia's major capital cities, including the 720 Bourke Street office tower in Melbourne.

First State Super has a stake in the Barangaroo precinct in Sydney, which comprises commercial office towers, and ancillary retail facilities.

More recently, funds have looked to diversify their property holdings into industrial developments.



As cities grow, and relatively high house prices and rents in some areas effectively exclude many workers, key personnel in service occupations such as health, education and emergency services need to relocate or travel long distances to their places of employment.

First State Super has a portfolio of affordable housing units that are rented at a discount to market rent to key workers such as teachers, nurses, and emergency services and social workers.

First State Super's portfolio is invested in sites across Sydney, Melbourne and Perth.

First State Super owns a majority stake in retirement village developer and operator, Oak Tree, which produces quality but affordable retirement living communities for senior Australians.

Thus far, Oak Tree has completed 11 villages and 614 villas housing 1318 residents. The near-term plans will see Oak Tree develop a further 20 villages producing a further 1295 villas.



Healthcare

Superannuation funds have investments in range of healthcare assets. A number of funds have investments in facilities that provide direct care to patients, including hospitals.

But funds also invest in medical research and development – the source of break-throughs in treatment of medical conditions.

The Barwon Institutional Healthcare Property Fund comprises more than 20 healthcare assets including the John James Hospital Campus in Canberra and the new Somerset Private Hospital development in Sydney.

Other assets include pathology laboratory facilities, mental health hospitals, oncology facilities and multidiscipline medical centres located across Australia.



Medical Research Commercialisation Fund (MRCF) is a biosciences venture capital fund managed by Brandon Capital.

MRCF is the largest life-science investment fund in Australia and New Zealand, which is a collaboration between major Australian superannuation funds, Australian and New Zealand governments, and over 50 leading medical research institutes and research hospitals.

Superannuation fund collaborators include AustralianSuper, HESTA, Hostplus, Statewide Super and TelstraSuper.

With respect to specific medical research and developments, examples of specific fund investments made by Hostplus include:

- EBR Systems – a medical device company with a treatment for cardiac rhythm diseases using wireless cardiac resynchronisation.
- Vaxxas – a medical device company developing an advanced platform for needle-free vaccine delivery.





ASFA is a non-profit, non-political national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its \$2.7 trillion in retirement savings.

Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing nearly 90 per cent of the 16 million Australians with superannuation.

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