

15 August 2022
Director, Member Outcomes and Governance Branch
Retirement, Advice and Investment Division
Treasury
Langton Crescent
Parkes ACT 2600

By email: superannuation@treasury.gov.au

Dear Sir/Madam

**TREASURY LAWS AMENDMENT (MEASURES FOR A LATER SITTING) BILL
2022: FAITH-BASED PRODUCTS**

Haven Wealth Partners appreciates the opportunity to make a submission to the Treasury in response to its consultation entitled *Treasury Laws Amendment (Measures for a later sitting) Bill 2022: Faith-based products*. Please find the Haven Wealth Partners' submission attached.

Please contact us on 1300 941 505 or at info@havenwealth.com.au in the first instance if you require further information or clarification.

Yours sincerely



Nick Heuzenroeder
CEO/Executive Director
Haven Wealth Partners



Natasha Hibberd-Keyzers
Board Chair/Director
Haven Wealth Partners

TREASURY LAWS AMENDMENT (MEASURES FOR A LATER SITTING) BILL 2022: FAITH-BASED PRODUCTS

About Haven Wealth Partners

Haven Wealth Partners was founded in 2020 out of the desire to deliver lower cost, truly ethical, and faith-focused managed funds to the Australian market. Not only does the *Haven Wealth Partners Ethical Absolute Return* fund, our first retail managed fund, fully screen out all controversial areas that could be screened for, but has also obtained Halal certification. By virtue of our Shariah screens, this fund is also able to be certified Kosher which we are currently exploring further.

Haven Wealth Partners' initial product caters to two distinct customers:

1. Those seeking to align their wealth with their social agenda, those frustrated with green-washers and product providers that espouse ESG, sustainability, etc. while still maintaining exposure to some or all controversial areas.
2. Those seeking to align their wealth with their religious beliefs (Islam in particular) and remove all non-permissible areas and activities from their investments. Further, those sick of paying the invisible levy (also referred to as CBM or 'Cost of Being Muslim') often applied to Shariah certified investments.

Since the launch of our first managed fund, Haven Wealth Partners has been engaged to construct portfolios for other faith-based and conventional funds and product providers alike, both in Australia and Internationally.

Halal investments in Australia have a very brief history but are starting to gain momentum now that the country's Muslim population exceeds 800,000.¹ The fees relating to these products are still significantly higher than that of conventional investment peers. This is an issue that not only impacts net investment performance but also an issue that Haven Wealth Partners is working hard to address.

Introductory Comments

1. Haven Wealth Partners welcomes the opportunity to provide this submission to the Treasury in response to the:
 - a) Exposure Draft Treasury Laws Amendment (Measures for a later sitting) Bill 2022: Faith-based products (**Exposure Draft**);
 - b) related Exposure Draft Explanatory Materials (**Explanatory Materials**);
 - c) (together, the **Proposed Reforms**).
2. Haven Wealth Partners also welcomes this positive attention on faith-based investments.

¹ <https://www.abs.gov.au/media-centre/media-releases/2021-census-shows-changes-australias-religious-diversity>

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3. In this submission, issue is not taken with the underlying policy that is sought to be pursued by the Proposed Reforms namely, to provide for a supplementary annual performance test for faith-based products. Rather, concerns are expressed as to why this supplementary annual performance test is reserved for faith-based products only and not also considered for responsible investments.

Purpose of the Proposed Reforms

4. Haven Wealth Partners notes that the Proposed Reforms are aimed in part at making sure faith-based investment products receive a ‘fair and reasonable’ performance assessment given the additional complexity of their product design and the customers which they serve.
5. Haven Wealth Partners is supportive of this approach as we know first-hand how much of the investible universe is screened out as faith-based screens are applied. Our Shariah screens rule out the following areas:
 - conventional banking;
 - conventional insurance;
 - gambling;
 - liquor and liquor-related activities;
 - pork and pork-related activities;
 - non-halal food and beverages;
 - Shariah non-compliant entertainment;
 - tobacco and tobacco-related activities;
 - interest income from conventional accounts and instruments.

Further to the above, Shariah screening also includes financial ratio benchmark screening assessing each company’s statements of financial position.

Once these two layers of screening are applied a considerable portion of the investments are no longer accessible which presents portfolio construction challenges not faced by conventional investment managers/products.

6. While Haven Wealth Partners is supportive of the proposed supplementary annual performance test for faith-based products, we are concerned that dedicated responsible investment products (truly ethical, ESG integrated, responsible, sustainable and/or impact products) are not being considered for the same/similar supplementary annual performance test.
7. Many ethical, responsible, sustainable, impact, and/or ESG focused product manufacturers undertake considerable screening and, similar to Shariah screening, remove a large numbers of controversial investment assets/sectors in order to form their portfolios. According to Responsible Investment Association of Australasia (RIAA),

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flows into responsible investment products have exceeded \$1.2 trillion at a growth rate 15 times that of flows into convention investments.²

8. One of Haven Wealth Partners' biggest frustrations is that our high conviction ethical approach is classified 'responsible' just the same as the investment product built on the bare minimum screening to achieve the same 'responsible' classification. To date, ratings and certifications in this area tend to be binary rather than depict the level of commitment toward screening. That said, we are aware of developments in this space.
9. Once a higher minimum standard for the proper classification of 'responsible investment' was established (*similar to the trustee certification for faith-based investment mentioned in 1.7-1.11 of the Explanatory Materials*), to sort out the truly committed from the green-washers, Haven Wealth Partners would be fully supportive of a supplementary annual performance test in this area also.

Effect on competition

10. The introduction of the Proposed Reforms will offer faith-based investment managers and product providers the opportunity to provide much needed investment alternatives for Australians seeking to align their wealth with their faith. Faith-based investments, while still in the broad category of investments, offer well nuanced investment portfolios that make comparison with conventional products both disjointed and unfair. To borrow from a well-used idiom from the superannuation industry, this isn't '*comparing apples with apples*'.
11. As to what constitutes a faith-based portfolio, this is not very clear and will require considerably more community engagement. Haven Wealth Partners have approached many different religious groups with the intention of constructing dedicated investment portfolios based on their fundamental beliefs but soon discovered that many religions are not as decisive in what is permissible and non-permissible as is the case with Islam.
12. Should the Proposed Reforms also be introduced for responsible investments (only those that meet a high minimum standard) it is highly probable that capital flows will continue into this space which in turn is likely to have the following positive impacts:
 - a. Australia establish itself as a world leader and a country which champions responsible investment;
 - b. Greater flow of capital through to the companies and initiatives within each asset class, supporting continued growth and magnifying their impact moving forward; and
 - c. Improved performance toward the commitments discussed/made recently at COP26 and closer alignment with intent and purpose of the Paris Accord.

-End-

² <https://responsibleinvestment.org/wp-content/uploads/2021/08/Media-Release-Australia-Responsible-Investment-Benchmark-Report-2021.pdf>

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