



19 April 2024

Superannuation Efficiency and Performance Unit
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
Parkes ACT 2600

By email: YFYS@treasury.gov.au

Consultation Paper on the Annual Superannuation Performance Test

MSCI Inc. ("MSCI") welcomes the consultation by the Treasury on the Your Future, Your Super Performance Test ("Performance Test"). As an administrator of benchmarks used by the Australian Prudential Regulation Authority to conduct the Performance Test, we are pleased to provide our views on the Consultation Paper, in addition to the points made in our earlier response to the Treasury's consultation paper of 2022.¹

The use of benchmarks in the investment process is crucial for several reasons. Benchmarks provide a standard against which the performance of an investment can be measured. They are objective and based on transparent rules and methodologies. This transparency allows investors to understand the construction and administration of the benchmark. Benchmarks are widely recognised and used around the world, making them a common language for investors globally.

MSCI calculates more than 280,000 indices daily across global markets for public and private markets. This includes 132 distinct indices² that cover the spectrum of private capital asset classes. Many of these indices are customised to meet client specific objectives,³ including a number of Australia-based asset owners who have selected MSCI to calculate Australian domestic indices.

Market support for increasing the number of benchmarks used for the Performance Test

At recent stakeholder forums and in discussions with investors, we have observed that there is broad support in the market for the increase in benchmarks used in the Performance Test to better enable superannuation funds to cater to the demands of their members. This is driven by the need for benchmarks to match underlying investment trends in two key areas:

1. **ESG and climate benchmarks.** This is driven primarily for additional benchmarks related to ESG investing and specifically with respect to climate transition-aligned investment portfolios. Based upon global investor demand, including from Australia, MSCI has

¹ MSCI's [response](#) to the Treasury's consultation on Review of Your Future, Your Super Measures.

² [MSCI's Burgiss Private Capital Indexes](#).

³ These objectives might include, for example, decarbonisation/risk.



developed a range of ESG and climate indices that can serve as effective benchmarks. For example, the MSCI ACWI Climate Change Index⁴ is designed to represent the performance of a strategy that weights securities based upon the opportunities and risks associated with the transition to a lower carbon economy.

2. **Private assets benchmarks.** The magnitude of private capital allocation continues to increase but there is limited transparency regarding the returns of private capital, where evaluation of performance is often significantly more challenging than when considering public markets. To address the needs of the market, MSCI acquired Burgiss, which is a market-leading provider of data, analytics, and technology solutions for investors in private assets,⁵ in August 2023. MSCI can provide benchmarks for both international and domestic private capital investments which could be readily implemented in the Performance Test to enhance transparency in this important area.

We look forward to continued engagement with the Treasury on these topics and would be pleased to provide additional detail in support of our comment letter.

Yours sincerely,

Neil Acres

Neil Acres
Managing Director
Global Head of Government & Regulatory Affairs

⁴ [MSCI ACWI Climate Change Index](#).

⁵ [MSCI announces acquisition of Burgiss, expanding private assets leadership and strengthening multi-asset class offering – Burgiss](#)