

Michael E Block

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Superannuation Efficiency and Performance Unit
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Treasury
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Dear Treasurer

My name is Michael Block and I am an independent investment strategy and governance consultant and an academic at UTS

Given that the YFYS Performance test is here to stay and that I believe that certainty and simplicity are desirable aims, I recommend the following areas of consideration:

- (1) Leave the test mostly as it is
- (2) Only introduce changes where there is consensus (therefore introducing a risk element would be difficult)
- (3) Consider amending those benchmarks which can be easily enhanced and which are causing major issues
- (4) At present that would mean adjusting the credit benchmark such that high risk illiquid credit strategies are no longer measured against lower risk fixed interest; and
- (5) At present that would mean giving some consideration to responsible investments having a different benchmark. It is not just that ESG strategies be measured against non ESG strategies
- (6) Finally, my preference is for all amended benchmarks to apply prospectively (and not retrospectively)

Best

Michael Block