ACSA Practice Guide on the Implementation of Portfolio Holdings Disclosure ("PHD") Reporting
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Introduction
The recommendations of the Cooper Review were handed to Government in 2010 and formed the basis for the Stronger Super reforms, which were targeted at the superannuation industry. The Cooper Review made recommendations aimed at improving the superannuation system’s focus on operating in members’ best interests, leading to a series of reforms to the regulatory framework for superannuation funds. In relation to transparency, the Cooper Review specifically recommended a complete PHD regime.

Improved disclosure on portfolio holdings will enable members to communicate their preferences to funds about exposure to certain asset classes. This should promote efficiency and enhance competition. If a member is dissatisfied with the asset classes of their investment option, they can switch to an alternative investment option, or change superannuation providers. Enhanced transparency supports superannuation funds being more accountable for their requirement to act in the best financial interests of members.

Although Custodians are not required to report PHD to the Australian Securities and Investments Commission ("ASIC") themselves, they do prepare PHD reporting on behalf of their registrable superannuation entities ("RSEs") clients.

ACSA has been working closely with both ASIC and the Australian Prudential Regulatory Authority ("APRA") to resolve interpretation issues and establish pragmatic reporting solutions to meet these disclosure requirements. This practise guide aims to summarise the outcome of these workshops to give the wider industry transparency on how the regulatory reporting requirements are being practically implemented.

ACSA expects all members to be compliant with the outcomes described in this guide or otherwise be able to explain to an RSE client their rationale for any areas of non-compliance.

Legal Framework
The legal framework for portfolio holdings has been in place in since the Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Act 2012 amended the Corporations Act.

Section 1017BB of Corporations Act 2001 provides an obligation for RSEs to make information relating to investment of assets publicly available.

The obligations did not come into effect until 31 December 2021 as ASIC provided class order relief until supporting regulations were made by Government.

The Corporations Amendment (Portfolio Holdings Disclosure) Regulations 2021 (the "PHD Regulations") were registered on 11 November 2021 and provide the outline of reporting requirements.
Timing
The PHD Regulations apply in respect of reporting days on or after 31 December 2021.

Information relating to investment of assets publicly available on the RSE’s website in respect of each reporting day, i.e. 31 December and 30 June.

Information must be published within 90 days of the reporting date and must remain on the RSE’s website until it is replaced by the next reporting day’s information.

Overview of Reporting
This guide has been prepared based on the feedback provided by ASIC to ACSA and other industry bodies in December 2021 and February 2022.

ASIC have confirmed that the following may be relied on in the completion of PHD requirements:

- APRA Superannuation Reporting Standard ("SRS") 101.1 Definitions for Superannuation Data Collections
- APRA SRS 550.0 Asset Allocation Table 2 Asset Class Sector type

The PHD regulations allow aggregation:

- of valuations for all internally managed, directly owned unlisted assets;
- of assets by fund manager for all externally managed, directly owned unlisted assets;
- of assets by fund manager for all externally managed unlisted assets that are held by a non-associated entity;
- by type of derivative for derivative valuations and weightings; and

Additional tables disclose the exposure of the fund to certain asset classes and currency as a result of the total derivative positions.

Reporting is provided in a standard template:

- Table 1 – Assets
- Table 2 – Derivatives by kind of derivative
- Table 3 – Derivatives by asset class
- Table 4 – Derivatives by currency
Table 1 Assets
Table 1 summarises assets by asset class. The asset class categories are similar to the disclosures in APRA SRS 550.0. ACSA has applied the APRA asset class definitions PHD reporting consistent with ASIC feedback.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Business Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Means cash on hand and demand deposits, as well as cash equivalents. Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Refer to Australian Accounting Standards.</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Means a loan, placement or debt security. Loans are financial assets that are created when a creditor lends funds directly to a debtor, and are evidenced by documents that are non-negotiable. Placements are liabilities of entities not described as authorized deposit-taking institutions, e.g. State treasuries. Debt securities are securities which represent borrowed funds which must be repaid by the issuer with defined terms including the notional amount (amount borrowed), an identifiable return and maturity/renewal date.</td>
</tr>
<tr>
<td>Listed Equity</td>
<td>An equity means an ownership interest in a business, trust or partnership. Includes: common shares, preference shares, listed investment companies and units. Excludes: units in property trusts, units in infrastructure trusts. An equity is listed if it is traded through an Australian or international stock exchange</td>
</tr>
<tr>
<td>Unlisted Equity</td>
<td>An equity is unlisted if it is not traded through an Australian or international stock exchange</td>
</tr>
<tr>
<td>Listed Property</td>
<td>Property means an investment in real estate where the earnings and capital value are dependent on cash flows generated by the property through sale or rental income. A property investment is listed if it is traded through an Australian or international stock exchange</td>
</tr>
<tr>
<td>Unlisted Property</td>
<td>A property investment is unlisted if it is not traded through an Australian or international stock exchange</td>
</tr>
<tr>
<td>Listed Infrastructure</td>
<td>Infrastructure means the basic physical systems of a country, state or region including transportation, communication, utilities, and public institutions. An infrastructure investment is listed if it is traded through an Australian or international stock exchange</td>
</tr>
<tr>
<td>Unlisted Infrastructure</td>
<td>An infrastructure investment is unlisted if it is not traded through an Australian or international stock exchange</td>
</tr>
</tbody>
</table>
### Asset Class | Business Definition
--- | ---
**Listed Alternatives** | Alternatives means any investment which does not meet the definition of the other strategic sectors. An alternatives investment is listed if it is traded through an Australian or international stock exchange

**Unlisted Alternatives** | An alternatives investment is unlisted if it is not traded through an Australian or international stock exchange

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For cash, including cash equivalents, amounts denominated in the same currency should be aggregated based on the relevant institution (for example, ABC Bank).

The reference to “name of institution” for cash refers to the institution where the cash has been deposited, or the institution that accepts responsibility for the payment of the amount in the case of bank bills. ACSA determines the “Name of Institution” with reference to APRA SRS 101.0 definitions of:

- Banking Institutions (type of counterparty)
- Other Financial Institutions (type of counterparty)
- Authorised deposit taking institutions (“ADIs”)

Name of Institution Reporting - aggregation of cash by either issuer or ultimate parent entity and by currency.

**Value**

Column 2 – ACSA assumes the Value refers to market value of the assets.

A CSA further assumes that the total value of Table 1 Assets and the total value of Table 2 Derivative by kind of derivative will sum to the net market value of total assets of the fund investment option.

**Weighting**

Column 3 – ACSA assumes weighting for each type of asset is calculated on the basis of the total value of that asset class divided by the total value of assets in Table 1 and total value of derivatives in Table 2 (i.e. the net market value of total assets of the fund investment option).
Table 2 – Derivatives by kind of derivative
Table 2 summarises derivatives by type. The derivative types are consistent with the disclosures in APRA’s SRS 550.2 Derivatives and Counterparties. The PHD Regulations do not include an “Other” category. ACSA has included this to enable consistency with APRA classifications, consistent with ASICs feedback that additional categories maybe included. The addition of the “Other” category is consistent with APRA SRS 550.2. ACSA has followed feedback from ASIC and applied the APRA derivative definitions to the PHD reporting.

Kind of Derivative
Per APRA SRS 101.0 ACSA has interpreted Contract Type to be defined as below:

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Business Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options</td>
<td>Means a contract that provides the holder with the right, but not the obligation, to buy or sell a specific amount of the underlying asset at an agreed price, on or before a specific future date.</td>
</tr>
<tr>
<td>Forwards</td>
<td>Means a negotiated agreement to exchange a predetermined amount of an underlying asset financial instrument at a specified future date and at a predetermined price.</td>
</tr>
<tr>
<td>Futures</td>
<td>Means a standardised agreement to exchange a predetermined amount of an underlying asset financial instrument at a specified future date and at a predetermined price.</td>
</tr>
<tr>
<td>Swaps</td>
<td>Means an agreement between two or more parties to exchange a series of cash flows over a period in the future.</td>
</tr>
<tr>
<td>Other</td>
<td>Means a contract type other than the types above.</td>
</tr>
</tbody>
</table>

Value
Column 2 – ACSA assumes the Value refers to market value of the derivatives.

ACSA further assumes that the total value of Table 1 Assets and the total value of Table 2 Derivative by kind of derivate will sum to the net market value of total assets of the fund investment option.

Weighting
Column 3 – ACSA assumes weighting for each type of derivative is calculated on the basis of the total value of that derivative type divided by the total value of investments in Table 1 and total value of derivatives in Table 2 (i.e. the net market value of total assets of the fund investment option).
Table 3 – Derivatives by asset class

Table 3 summarises derivatives by asset class. The asset classes are consistent with the disclosures in APRA’s SRS 550.2. In line with ASIC feedback ACSA has applied APRA asset classifications to the PHD reporting.

**Kind of Derivative**
Per APRA SRS 101.0, ACSA has interpreted Asset Class to be defined as below:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Business Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Means cash on hand and demand deposits, as well as cash equivalents. Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Refer to Australian Accounting Standards.</td>
</tr>
<tr>
<td>Fixed income</td>
<td>Means a loan, placement or debt security. Loans are financial assets that are created when a creditor lends funds directly to a debtor, and are evidenced by documents that are non-negotiable. Placements are liabilities of entities not described as authorized deposit-taking institutions, e.g. State treasuries. Debt securities are securities which represent borrowed funds which must be repaid by the issuer with defined terms including the notional amount (amount borrowed), an identifiable return and maturity/renewal date.</td>
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<tr>
<td>Equity</td>
<td>Means an ownership interest in a business, trust or partnership. Includes: common shares, preference shares, listed investment companies and units. Excludes: units in property trusts, units in infrastructure trusts.</td>
</tr>
<tr>
<td>Property</td>
<td>Means an investment in real estate where the earnings and capital value are dependent on cash flows generated by the property through sale or rental income.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Means the basic physical systems of a country, state or region including transportation, communication, utilities, and public institutions.</td>
</tr>
<tr>
<td>Alternatives</td>
<td>Means any investment which does not meet the definition of the other sectors.</td>
</tr>
</tbody>
</table>
ACSA classifies Forwards as Cash.

To align with APRA reporting, ACSA assumes that cash offset is included within the cash asset class (AUD).

**Actual Asset Allocation**

Column 2 – ACSA assumes that the Actual Asset Allocation for each asset class is calculated on the basis of the total value of that asset class divided by the total value of investments in Table 1 and total value of derivatives in Table 2 (i.e. the net market value of total assets of the fund investment option).

Below is a sample calculation of column 2.

<table>
<thead>
<tr>
<th>Table 1 Assets</th>
<th>Asset Class</th>
<th>Actual Asset Allocation</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Equity</td>
<td>100,000.00</td>
<td>A</td>
<td></td>
</tr>
<tr>
<td>Unlisted Equity</td>
<td>350,000.00</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>500,000.00</td>
<td>C</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2 Derivatives</th>
<th>Asset Class</th>
<th>Actual Asset Allocation</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>15,000.00</td>
<td>D</td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>35,000.00</td>
<td>E</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 3 Derivatives by asset class</th>
<th>Asset Class</th>
<th>Actual Asset Allocation</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>46.50%</td>
<td>(A + B + D) / (Sum of A to E)</td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>53.50%</td>
<td>(C + E) / (Sum of A to E)</td>
<td></td>
</tr>
</tbody>
</table>

**Effect of Derivatives Exposure**

Column 3 – ACSA assumes that the Effect of Derivatives Exposure for each asset class is calculated on the basis of the synthetic exposure per APRA SRF 550.0 Table 2 divided by the total value of investments per Table 1 and total value of derivatives per Table 2 (i.e. the net market value of total assets of the fund investment option).

Per APRA SRS 101.0, synthetic exposure means the increase or decrease in effective exposure in the asset class arising from derivative instruments. Similarly, effective exposure means the sum of the value of all physical assets together with the equivalent asset position of the derivative instruments. The equivalent asset position of a derivative is the dollar amount of the underlying physical asset that needs to be held to generate the same return as holding the derivative.

**Table 4 – Derivatives by currency**

**Currency Exposure**

ACSA considers that currency exposure refers currency of the derivative, it does not refer currency of the underlying assets i.e. no look through is required.
For forwards and swaps, the two legs are included in the respective currency exposure. Below is an example of a foreign exchange forward contract.

<table>
<thead>
<tr>
<th>Derivative Type</th>
<th>Currency Bought</th>
<th>Currency Sold</th>
<th>Synthetic exposure amount</th>
<th>Net market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange</td>
<td>CAD</td>
<td>USD</td>
<td>59,149,879.90</td>
<td>484,524.81</td>
</tr>
<tr>
<td>forward</td>
<td></td>
<td>-59,405,146.01</td>
<td>-739,790.92</td>
<td>-255,266.11</td>
</tr>
</tbody>
</table>

Below is a proforma Table 4 disclosure reflecting the above foreign exchange forward contract, assuming the total net market value of the assets of the investment option is $100m and the above foreign exchange contract is the only non-AUD currency exposure:

<table>
<thead>
<tr>
<th>Currency exposure</th>
<th>Actual Currency Exposure (% of Assets (including derivatives) in the investment option)</th>
<th>Effect of Derivatives Exposure (% of Assets (including derivatives) in the investment option)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>USD</td>
<td>-1%</td>
<td>-59%</td>
</tr>
<tr>
<td>Currencies of other developed markets</td>
<td>1%</td>
<td>+59%</td>
</tr>
<tr>
<td>Currencies of emerging markets</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

To align with APRA reporting, cash offset is included in AUD.

**Actual Currency Exposure**
Column 2 - The Actual Currency Exposure for each currency exposure is calculated on the basis of the total value of that currency exposure divided by the total value of investments per Table 1 and total value of derivatives per Table 2 (i.e. the net market value of total assets of the fund investment option).

**Effect of Derivatives Exposure**
Column 3 - The Effective of Derivatives for each currency exposure is calculated on the basis of the synthetic exposure per APRA SRF 550.0 Table 2 divided by the total value of investments per Table 1 and total value of derivatives per Table 2 (i.e. the net market value of total assets of the fund investment option).

**Look through Reporting**
The look through reporting under PHD is different to APRA look-through reporting.
Under the Corporations Act (2001), section 1017BB, trustees are only required to disclose investments held by an RSE, an associate of the RSE or a Pooled Superannuation Trust ("PST"). Look through is, therefore, required for an investment in an associate of the RSE or a PST.

**Reporting of Unlisted unit trusts and asset class allocation**

Where trusts look through of unlisted investment is not required, for the purposes of PHD disclosure the asset class of the primary investment strategy of the unlisted investment trust will be applied. For example, a Cash Management Trust will be reported within the Cash asset class with reference to the Fund Manager.

For multi-asset/sector class funds, ACSA proposes using the primary asset class. For example, a Balanced fund with exposure to 40% equity, 25% fixed income, 25% alternative and 10% cash would be reported within the asset class of equity.

ASIC feedback has noted that in the event the underlying assets of a multi sector investment cannot classified, the investment in this scenario maybe classified as “Unlisted Equity”.

**Associated Entities and Externally Managed Funds**

Where an associated entity has appointed an external manager, for PHD reporting purposes ACSA will treat this as externally managed and disclosed as per the look through reporting requirements as per feedback from ASIC.