

Session 8: Valuation governance frameworks for unlisted investments

2023 Frontier Advisors Annual Conference

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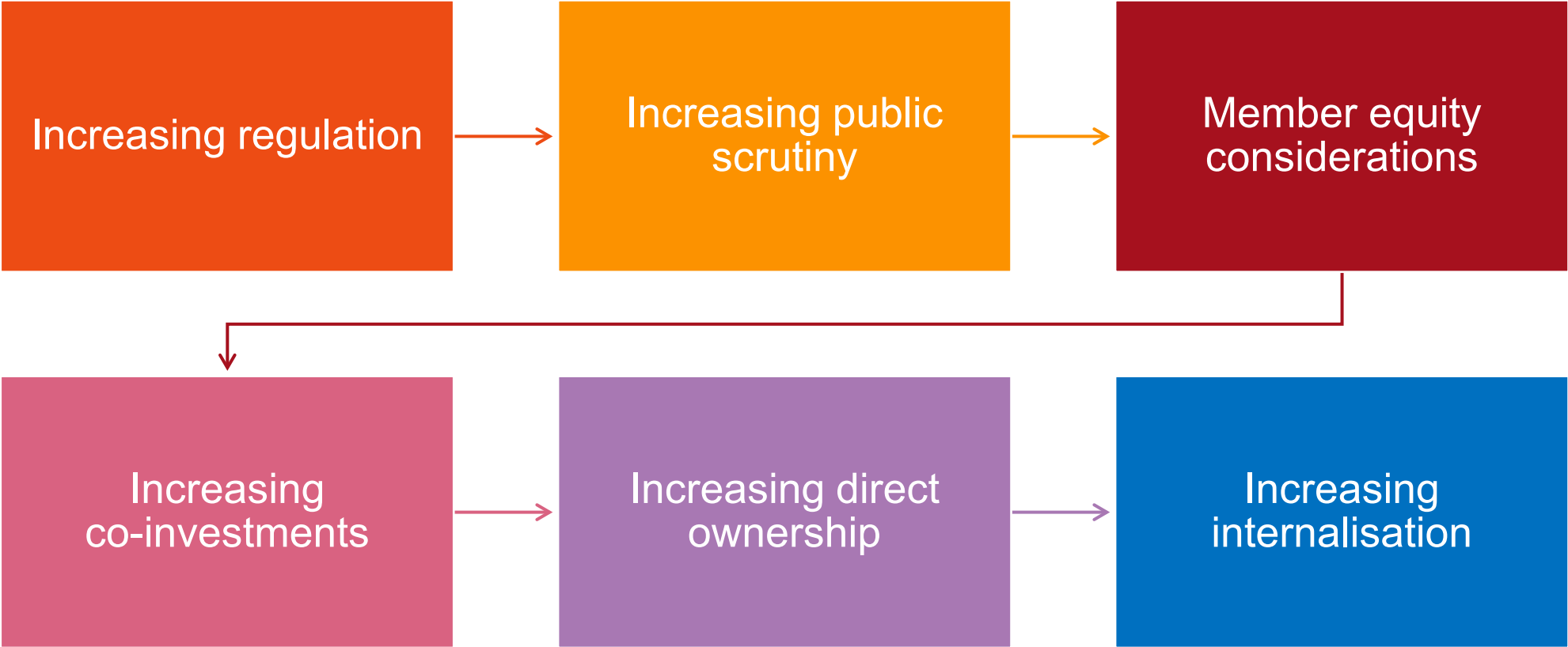
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Sandra Lee

Head of Private
Markets, UniSuper

Unlisted valuations in focus



Rapidly increasing public scrutiny

APRA targets valuations of unlisted superannuation assets

Australia: volatility stirs valuations debate

APRA probes big super on Canva

Canva's secret value with super funds a test for the regulator

APRA turns screws on property funds in super

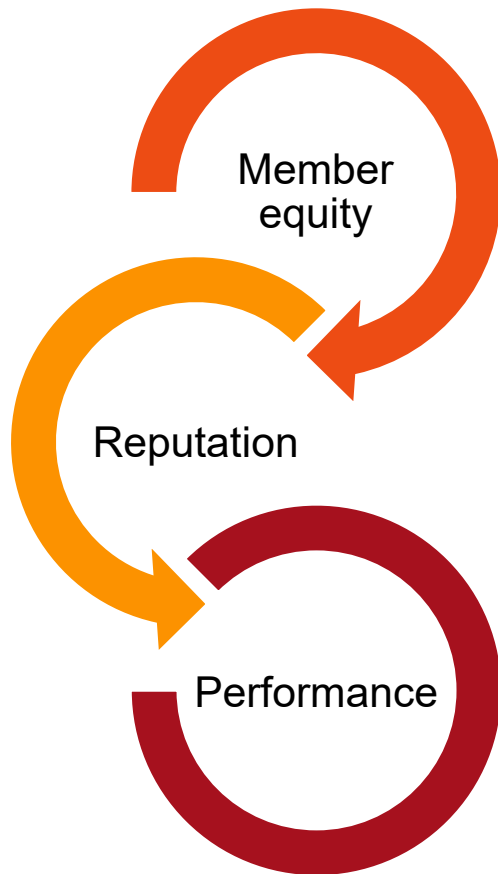
The "massive" performance gap caused by static valuations between listed and unlisted funds is alarming investors and regulators.

Screws tighten on super funds over valuing unlisted assets

Watch the secret super valuation gap

Why is it important to get valuations right?

Inaccurate valuations create risks for fund members, the executive and ultimately the Board



Cross-subsidisation between transacting and non-transacting members

Valuation arbitrage exposure through switching

Overstated performance – can adversely impact investment management and portfolio allocation decisions plus skew performance.





Frontier conference UniSuper's unlisted assets valuations framework

Sandra Lee, Head of Private Markets

June 2023

UniSuper's unlisted investments

Total Unlisted FUM of ~\$23 billion

Infrastructure

~\$13b

- Direct infrastructure portfolio of ~\$11b
- Long-term investment horizon
- Current assets are predominantly Australian based with exposure to Europe, US and New Zealand
- Infrastructure Funds portfolio of ~\$2b
- Funds have a mix of Australian and global assets

Private equity

~\$2b

- Seek to establish 'smart partnerships' with a small number of high quality managers to enable participation in meaningful co-investment opportunities
- Seek to optimise arrangements, and leverage larger direct co-invest opportunities, if appropriate

Property

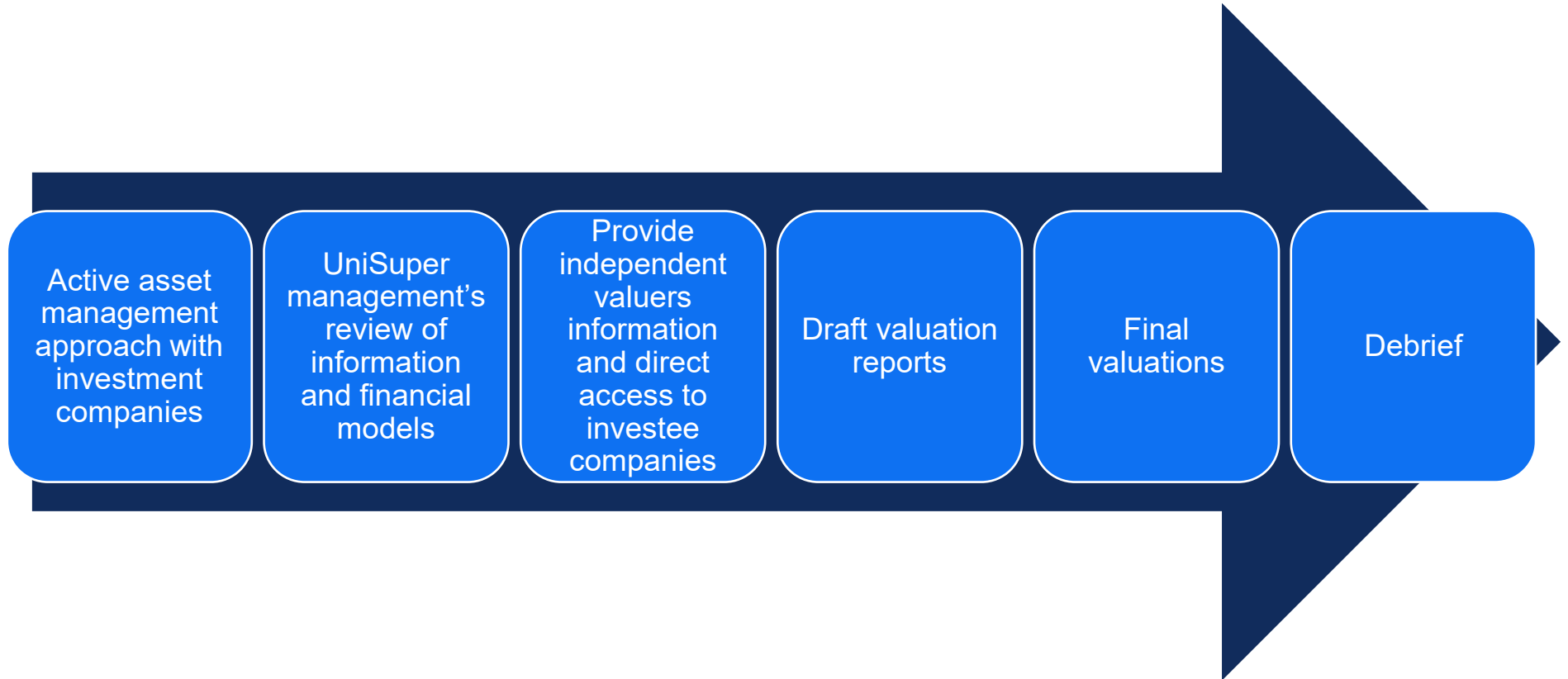
~\$8b

- Directly held property portfolio of ~\$4.5b
- Focus on wholly owned assets with long-term investment horizon
- 100% domestic
- Pooled property portfolio of ~\$3.5b
- The funds have a mix of single sector and diversified exposures

Unlisted investments valuation policy

- UniSuper has an Unlisted Assets Valuation Policy (the Policy) in place which governs the valuation of UniSuper's unlisted infrastructure, private equity and property assets.
- The Policy outlines the process of appointment of independent valuers, the frequency of valuations, methodology, and differences in approach between sectors within unlisted assets.
- The Policy ensures that all unlisted assets within the infrastructure, property and private equity portfolios are valued by the relevant asset managers and independent valuers at least once every six months (or more frequently if Management considers there has been a significant variation or change in circumstances).
- From 31 December 2023, UniSuper will transition to undertaking valuations on a quarterly basis, in line with APRA's draft Prudential Guidance SPG 530.

Our working model







Thank you for joining us.

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