

Australian Securities and Investment Commission (ASIC)  
via email: [markets.consultation@asic.gov.au](mailto:markets.consultation@asic.gov.au)

29 April 2025

## **Hostplus response to ASIC discussion paper – Australia’s evolving capital markets: A discussion on the dynamics between public and private markets**

Hostplus welcomes the opportunity to provide feedback on ASIC’s discussion paper to inform the regulator’s understanding of evolving dynamics in Australia’s capital markets.

Hostplus has been an active participant in public and private markets since the fund’s inception in 1988 and recognises the integral role that ‘strong and well-functioning’ capital markets play in maximising the retirement savings for our 1.8 million members.

As a member of the Super Members Council (SMC) and Association of Superannuation Funds of Australia (ASFA), Hostplus has participated in working group discussions held by both industry bodies to inform and support the development of their respective submissions. Throughout this engagement, Hostplus has emphasised the importance of the following:

### Private markets are imperative to optimise portfolios in the best financial interest of members

Hostplus has long been a significant investor in private markets, with an investment philosophy which leverages the diversification benefit and illiquidity premiums derived from private market investments. While public markets remain the largest proportion of assets held within Hostplus’ default fund, global investment trends<sup>1</sup> support ongoing exposure to risk diversifying private markets to optimise our portfolio in the best interests of our members.

As highlighted in the discussion paper, the growth of private markets has enabled private companies to more easily access capital, reducing the need to list on public markets. This evolution has been amplified in newer future focused industries (e.g., space travel/logistics, artificial intelligence, quantum computing). Hostplus is of the view, as long-term investors, that

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<sup>1</sup> In 2024, 87% of US companies with revenue over \$100 million USD were privately owned (Slok, T (2024 April). *Many more private firms in the US – Apollo Academy* <https://www.apolloacademy.com/many-more-private-firms-in-the-us/>)

superannuation funds are well-positioned to invest in these companies and require access to such opportunities to generate strong, sustainable returns for members over the long term.

#### Superannuation funds have mature investment governance frameworks to adequately manage private market risks

As outlined in the discussion paper, private markets attract a different risk profile to public markets, including 'opacity, conflicts, valuation uncertainty, illiquidity and leverage' risks. Hostplus supports AFSA's submission that one of the 'key differences between retail investors and APRA-regulated superannuation funds relates to depth of expertise and resources available to select, manage and monitor investments,' with a heightened level of transparency and scrutiny. This is evidenced by the 'regular and rigorous' valuation processes undertaken for private assets by specialist managers such as IFM Investors as detailed in their response to the discussion paper.

This position is also reflected in the submission provided by SMC, which further highlights that APRA's Prudential Standard, SPS 530 Investment Governance, requires superannuation funds to maintain robust and mature investment governance frameworks. We believe that this framework, encompassing comprehensive due diligence processes, valuation governance practices and liquidity risk management, supported by regulatory oversight from APRA, provides the appropriate structures to manage the risks associated with private market investment, while still accessing the benefits.

#### Large superannuation funds have unique access to private market investment expertise

Hostplus partners with specialist managers to unlock private market expertise and gain access to newer areas of private markets. In contrast to public markets, private markets require active management and therefore access to investment experts often attracts a fee cost premium. Hostplus is able to leverage its scale, investment strategy and the global profile of Australian superannuation to engage top-tier managers while optimising net returns (e.g., returns credited to members after the payment of fees and costs). We highlight this as a difference when considering superannuation funds and retail investors.

#### Superannuation funds offer efficiency of data collection and reporting across financial services' regulatory bodies

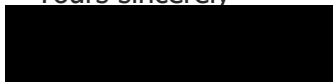
Hostplus recognises the need for financial services regulators to have access to the appropriate level of information to oversee and regulate markets to ensure the integrity and stability of the system. Superannuation funds provide investment related data, information and reporting to APRA in relation to its private market investments through its current and draft reporting standards (for example, SRS 550.0 Asset Allocation, SRS 553.0 Investment Exposure and SRS 705 Investment Performance and Objectives, SRS 705.0 Components of Net Returns). As a result, it is important to acknowledge the difference in the transparency and availability of information across superannuation funds and retail investors.

Noting this difference, Hostplus is supportive of data collection activities that give consideration to the existing information provided to APRA, to reduce potential duplication and costs which may not be consistent best financial interest of our members. This is consistent positions outlined by ASFA and SMC in their submissions on this matter.

We thank ASIC for the opportunity to provide feedback on the discussion paper and support the important work ASIC is undertaking to better understand Australia's capital markets.

Please do not hesitate to contact me should you have any questions or concerns relating to the matters above.

Yours sincerely

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Chief Executive Officer  
Hostplus