



Chant West Media Release

19 May 2015

Super funds stall in April as shares run out of steam

Super funds were down in April, with the median growth fund (61 to 80% growth assets) losing 0.4% for the month. However, they remain well on track to deliver a sixth consecutive positive financial year, with the return over the ten months of the year to date standing at a very healthy 10.9%.

Listed share markets had a mixed month. Australian shares gave up some of their recent gains, and retreated 1.6%. International shares were up 1.1% in hedged terms but, due to the appreciation of the Australian dollar over the month (up from US\$0.76 to US\$0.79), this translated to a loss of 0.8% in unhedged terms. Listed property was also in negative territory, with Australian and global REITs down 1% and 2.4%, respectively.

Chant West director, Warren Chant says: "In April, we saw the benefits of diversification at play. The typical growth fund has an average allocation of about 50% to Australian shares, unhedged international shares and listed property, and all these sectors delivered negative returns for the month. However, most funds are well diversified across a wide range of other asset sectors, both growth and defensive, and these include unlisted assets that are relatively untouched by listed market movements. This helps reduce the impact of market falls, and it had the effect of limiting the loss to 0.4% for the month. That keeps us on track for another positive financial year return, quite possibly in the double digits.

"US economic data in April was generally disappointing but, in another example of bad news being treated as good news, the US share market reacted positively because investors took it as a sign that the anticipated interest rate hike would be pushed back. In the Eurozone, economic data was mixed and most of the focus was on the potential fallout from the ongoing Greek debt crisis.

"In China, economic growth continued to slow, but the Chinese share market rose on expectations of further easing measures. Back in Australia, the official interest rate was cut by 0.25% to a new record low 2%, and a further cut appears not to be far away as the Reserve Bank looks to provide further stimulus to the sluggish economy.

Table 1 compares the median performance for each category in Chant West's multi-manager survey, ranging from All Growth to Conservative. The one, three and five year returns reflect the strong performance of listed shares and property, so the more aggressive fund categories, which have a higher proportion invested in those assets, have produced the best performance. The seven year returns, while still weighed down by the 'GFC effect', are gradually improving as the GFC period continues to drop out of the calculation.

Table 1: Diversified Fund Performance (Results to 30 April 2015)

| Fund Category | Growth Assets (%) | 1 Mth (%) | FYTD (%) | 1 Yr (%) | 3 Yrs (% pa) | 5 Yrs (% pa) | 7 Yrs (% pa) | 10 Yrs (% pa) | 15 Yrs (% pa) |
|---------------|-------------------|-----------|----------|----------|--------------|--------------|--------------|---------------|---------------|
| All Growth | 100 | -0.5 | 14.0 | 15.4 | 15.7 | 9.9 | 6.3 | 8.4 | 8.4 |
| High Growth | 81 – 100 | -0.4 | 12.5 | 13.9 | 14.2 | 9.8 | 5.8 | 7.8 | 6.9 |
| Growth | 61 – 80 | -0.4 | 10.9 | 12.4 | 12.4 | 8.9 | 5.8 | 7.2 | 6.9 |
| Balanced | 41 – 60 | -0.3 | 8.7 | 9.9 | 9.8 | 7.8 | 5.8 | 6.5 | 6.1 |
| Conservative | 21 – 40 | -0.2 | 6.6 | 7.8 | 7.6 | 6.7 | 5.4 | 6.0 | 5.8 |

Source: Chant West

Note: Performance is shown net of investment fees and tax. It is before administration fees and adviser commissions.



Chart 1 compares the performance since July 1992 – the start of compulsory superannuation – of the Growth category median with the typical return objective for that category (CPI plus 3.5% per annum after investment fees and tax over rolling five year periods). The strong returns in recent years, combined with the GFC period having worked its way out of the calculation, have seen the five year return rise sharply. For the past 18 months it has been tracking well above that CPI plus 3.5% target.

Chart 1: Growth Funds – Rolling 5 Year Performance (Returns – % pa)



Source: Chant West

Note: The CPI figure for April 2015 is an estimate.

Chart 2 compares the performance of the lower risk Conservative category (21 to 40% growth assets) median with its typical objective of CPI plus 2% per annum over rolling three year periods. It shows that Conservative funds have also exceeded their objective in recent times.

Chart 2: Conservative Funds – Rolling 3 Year Performance (Returns – % pa)



Source: Chant West

Note: The CPI figure for April 2015 is an estimate.



Industry funds ahead of retail funds in April

Industry funds, with their lower allocation to shares and listed property, outperformed retail funds in April with a return of -0.3% versus -0.7%. Industry funds also hold the advantage over the longer term, having returned 7.2% per annum against 6.1% for retail funds over the 15 years to April 2015, as shown in [Table 2](#). However, returns over other periods are much closer.

Table 2: Performance by Industry Segment (Results to 30 April 2015)

| | 1 Mth (%) | FYTD (%) | 1 Yr (%) | 3 Yrs (% pa) | 5 Yrs (% pa) | 7 Yrs (% pa) | 10 Yrs (% pa) | 15 Yrs (% pa) |
|----------------|-----------|----------|----------|--------------|--------------|--------------|---------------|---------------|
| Industry Funds | -0.3 | 11.0 | 12.4 | 12.6 | 9.0 | 5.9 | 7.3 | 7.2 |
| Retail Funds | -0.7 | 10.8 | 12.1 | 12.3 | 8.7 | 5.6 | 6.8 | 6.1 |

Source: Chant West

Note: Performance is shown net of investment fees and tax. It is before administration fees and adviser commissions.

Release Ends

About Chant West



Chant West Director, Warren Chant, or Investment Research Manager, Mano Mohankumar, are available to discuss this release. Please call Dee Prasad on (02) 9361 1400 to arrange a time.

Warren is an expert in the industry with over 40 years' experience, and regularly provides commentary on superannuation issues.

We publish a monthly superannuation fund performance survey and a quarterly pension performance survey. Returns for investment options in the Growth and Conservative categories are published on our website at www.chantwest.com.au.