



Chant West Media Release

19 June 2014

Super funds close in on fifth straight year of gains

Super funds had another positive month in May, with the median growth fund (61 to 80% allocation to growth assets) gaining 1.1%. With only one month remaining, the cumulative return for this financial year stands at 12.6%. So a fifth consecutive positive annual return is now assured – and almost certainly in double digits.

Global shares and property were the main drivers of performance in May. International shares gained 2.3% in hedged terms and 1.5% on an unhedged basis, while international listed property was up 3.2%. Australian shares advanced 0.6% for the month, while local listed property was flat.

Chant West director, Warren Chant says: “Super fund members will be pleased to hear that they’re in line for positive returns for the fifth consecutive year. Markets have been mixed so far in June but barring something dramatic happening in the next 12 days the median return will be well into the double digits. We’re expecting a range for the growth fund category of between 9% and 15%, so that’s a pretty strong result when you consider inflation is running at less than 3%.

“This year’s result comes on the back of positive returns of 10.4% in 2009/10, 9.2% in 2010/11, 0.5% in 2011/12 and 15.6% in 2012/13. Since the GFC low point at the end of February 2009, growth funds have advanced 70% and now stand about 25% above their pre-GFC high reached at the end of October 2007. This strong bounce-back should serve as a reminder of how dangerous it is to attempt to ‘time’ the market. If you lost your nerve during the GFC and switched to a more conservative strategy you’d have crystallised your losses and missed out on this strong recovery.

“During the month of May, the US economy showed further signs of health with continued improvement in the labour market. In Europe, the European Central Bank cut interest rates to new all-time lows, including the unprecedented move of charging commercial banks for depositing cash with the central bank. The ECB also announced that, in a bid to stave off deflation, it would make targeted liquidity injections along with a 400 billion euro package to help boost business lending by banks. Meanwhile the Chinese economy showed further evidence of stabilisation.

“Domestically, the Reserve Bank has left interest rates on hold at 2.5%, where they have been since August last year. The consensus view seems to be that, while the A\$ remains so high, we won’t see an increase in interest rates any time soon, and this is gradually filtering through into improved confidence among businesses, if not consumers.”

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, produced the best performance. The seven year returns, however, are still weighed down by the ‘GFC effect’.

Table 1: Diversified Fund Performance (Results to 31 May 2014)

Fund Category	Growth Assets (%)	1 Mth (%)	3 Mths (%)	FYTD (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)
All Growth	100	1.3	1.3	16.8	15.7	10.7	11.2	2.4	7.1
High Growth	81 – 100	1.2	1.4	14.8	13.8	10.1	10.9	3.1	7.3
Growth	61 – 80	1.1	1.6	12.6	11.7	9.3	9.8	3.7	7.0
Balanced	41 – 60	0.9	1.5	9.6	9.1	8.0	8.8	4.1	6.5
Conservative	21 – 40	0.8	1.4	7.2	6.7	6.7	7.4	4.6	6.0

Source: Chant West

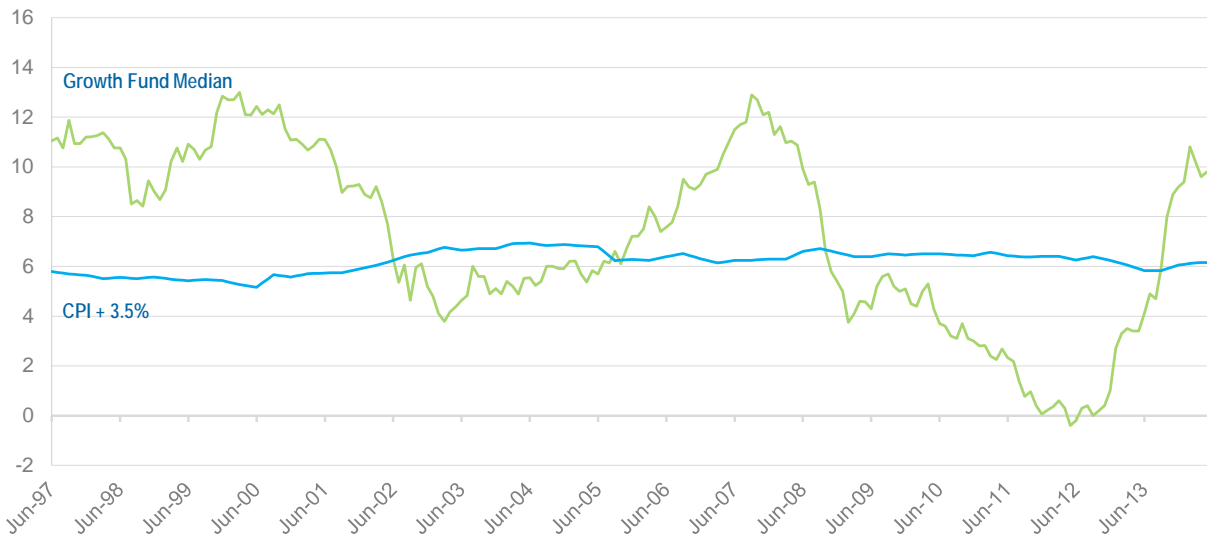
Note: Performance is shown net of investment fees and tax. It does not include administration fees or adviser commissions





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 of the past two and a half years, combined with the GFC period having worked its way out of the calculation, have seen the five year return rise sharply. So much so, it is now tracking well above that CPI plus 3.5% target.

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



Source: Chant West

Source: Chant West

Note: The CPI figures for April and May 2014 are estimates.

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

Source: Chant West

Note: The CPI figures for April and May 2014 are estimates.



Retail funds edge industry funds in May

Retail funds just edged ahead of industry funds in May, returning 1.2% against 1% for the month. However, industry funds continue to hold a convincing lead over the longer term. Over 10 years to the end of May, they outperformed retail funds by 0.6% per annum, returning an annualised 7.2% against 6.6%, as shown in Table 2.

Table 2: Diversified Fund Performance (Results to 31 May 2014)

	1 Mth (%)	3 Mths (%)	FYTD (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)
Industry Funds	1.0	1.6	12.6	11.7	9.1	9.5	3.8	7.2
Retail Funds	1.2	1.6	12.5	11.5	9.3	10.2	3.2	6.6

Source: Chant West

Note: Performance is shown net of investment fees and tax. It does not include administration fees or 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 Amanda Ferre on (02) 9361 1400 to arrange a time.

Warren is an expert in the industry with over 30 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.