



Chant West Media Release

20 August 2014

Super funds start the new financial year in positive territory

Super funds started the new financial year on a positive note, with the median growth fund (61 to 80% growth assets) delivering 1.2% for the month of July. This is on the back of a strong 2013/14 financial year return of 12.8%, which was the fifth consecutive positive year.

Listed shares and property, which are the main drivers of growth fund performance, with an average weighting of about 57%, had a mixed month. Australian shares surged 4.4%. Australian listed property also had a good month gaining 5%, while global listed property was up 1%. International shares, however, retreated 1% in hedged terms but, due to the slight depreciation of the Australian dollar (down slightly from US\$0.94 to US\$0.93), this loss was reduced to 0.2% in unhedged terms.

Chant West director, Warren Chant says: "While the economic recovery from the GFC remains a work in progress, the recovery in investment markets is complete. Although it did take some time, all five of our five risk categories, ranging from Conservative to All Growth, are now comfortably ahead of their pre-GFC highs achieved in October 2007. Growth funds, which have returned 72% since the low point in February 2009, now sit 27% above that October 2007 high. Even the most aggressive All Growth category, which was most severely impacted during the GFC, now stands over 17% in excess of its pre-GFC high.

"The strong performance of super funds in recent years and the positive start to the new financial year start is great news. However, we do caution members that they shouldn't expect the double digit returns of the past two years every year. The typical long-term return objective of growth funds is to beat inflation by 3 to 4% per annum which translates to about 6 to 7%. Funds are delivering on this promise. Over the past 15 years, growth funds have returned 6.4% per annum. If we go back even further to the introduction of compulsory super in July 1992, growth fund have returned a healthy 8.1% per annum.

"The strong performance by the Australian share market in July was largely due to the flow on effect from improved economic data out of China's and the increasing momentum of the Chinese government's anti-corruption campaign, which will be a positive for the nation over the long-run. Domestically, the Reserve Bank 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."

"Over the month, the US economy showed further signs of improvement despite mixed labour market data. In Europe, while there have been signs of improvement in recent times, economic growth remains sluggish. Geopolitical tensions in Eastern Europe have also weighed on markets."

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 July 2014)

Fund Category	Growth Assets (%)	1 Mth (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)	15 Yrs (% pa)
All Growth	100	1.8	13.6	12.9	10.1	3.0	7.0	5.5
High Growth	81 – 100	1.5	12.3	11.7	10.0	3.7	7.4	6.3
Growth	61 – 80	1.2	10.8	10.6	9.1	4.1	7.0	6.4
Balanced	41 – 60	0.9	8.5	8.8	8.2	4.5	6.5	5.8
Conservative	21 – 40	0.7	6.8	7.1	7.1	4.7	6.0	5.5

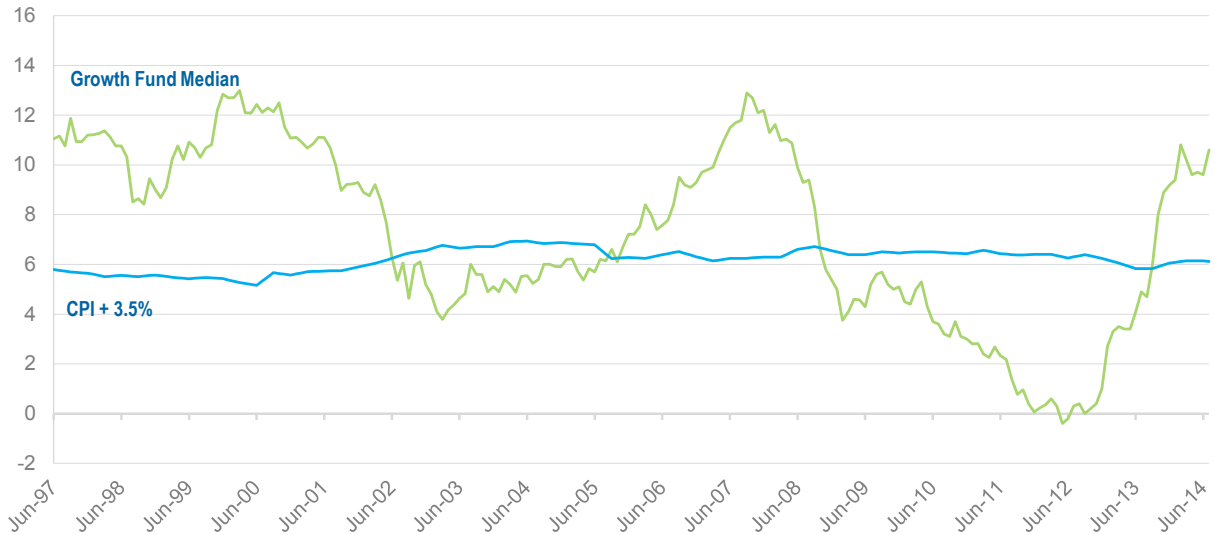
Source: Chant West

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 figure for July 2014 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

Source: Chant West

Note: The CPI figure for July 2014 is an estimate.



Retail funds edge industry funds in July

Retail funds edged out industry funds in July, returning 1.4% against 1.2%. However, industry funds continue to hold a convincing lead over the longer term. Over 15 years to the end of July, they outperformed retail funds by 1.2% per annum, returning an annualised 7% against 5.8%, as shown in [Table 2](#).

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

	1 Mth (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)	15 Yrs (% pa)
Industry Funds	1.2	10.8	10.6	9.2	4.2	7.2	7.0
Retail Funds	1.4	10.7	10.7	9.1	3.7	6.6	5.8

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.