



# Chant West Media Release

18 March 2015

## Super funds maintain the pace in February

Super funds continued their strong start to 2015, with the median growth fund (61 to 80% growth assets) surging 3.1% in February. This followed a 2% rise in January, contributing to a healthy 10.5% gain over the eight months of the financial year to date.

Listed share markets, which are the main drivers of growth fund performance, had a very strong February. Australian shares soared 6.9%, while international shares surged 5.9% in hedged terms and 5.3% unhedged. Listed property was mixed, with Australian REITs up 3.7% while global REITs were down 0.7%.

Chant West director, Warren Chant says: "The typical growth fund has about 27% of its assets in Australian shares and about 26% in international shares, and these are the sectors that have driven the strong returns in 2015 so far.

"There were several factors that contributed to the positive share market sentiment in February, including a rebound in oil prices. We also saw improving economic data in the Euro zone, and optimism over the impact of the European Central Bank's newly-implemented asset purchasing programme. Easing of concerns surrounding Greece and Russia also helped the market's mood.

"It's a different story in the US, where investors don't know whether to be optimistic about the economic recovery regaining momentum or nervous that this might lead to rising interest rates sooner rather than later. The data in February was mixed, but that wasn't enough to dampen investor sentiment. Share markets were strong, especially in the tech sector which led to the NASDAQ index hitting an all-time high.

"China is a different case again. Despite some uninspiring economic data coming out in February, the Chinese share market rose, supported by further easing measures. Much the same could be said about Australia. Official interest rates have been kept on hold at 2.25% this month, but another cut doesn't appear 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 early months of the GFC period continue to drop out of the calculation.

**Table 1: Diversified Fund Performance (Results to 28 February 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	4.9	13.9	15.9	16.5	10.9	5.9	7.1	6.0
High Growth	81 – 100	4.0	12.2	13.7	14.9	10.5	6.0	7.1	7.0
Growth	61 – 80	3.1	10.5	12.5	13.0	9.4	5.9	7.0	7.0
Balanced	41 – 60	2.1	8.3	10.0	10.3	8.2	5.9	6.2	6.1
Conservative	21 – 40	1.3	6.2	8.1	7.9	7.1	5.6	6.0	5.9

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 figures for January and February 2015 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

Note: The CPI figures for January and February 2015 are estimates.



## Retail funds and industry funds in line in February

Retail funds and industry funds performed broadly in line with each other in February returning 3.2% and 3.1%, respectively. However, industry funds still hold the advantage over the longer term, having returned 7.3% per annum against 6.2% for retail funds over the 15 years to February 2015, as shown in Table 2.

**Table 2: Performance by Industry Segment (Results to 28 February 2015)**

	1 Mth (%)	FYTD (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)	15 Yrs (% pa)
Industry Funds	3.1	10.3	12.4	13.0	9.5	6.0	7.2	7.3
Retail Funds	3.2	10.9	12.8	13.0	9.4	5.8	6.6	6.2

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](http://www.chantwest.com.au).