



# Chant West Media Release

17 June 2015

## Super funds close in sixth straight year of gains

Super funds were up in May, with the median growth fund (61 to 80% growth assets) gaining 1% for the month. It is now almost certain that they'll deliver a sixth consecutive positive financial year, with the return over the eleven months of the year to date standing at 11.9%.

Listed share markets had a positive month in May. Australian shares were up slightly with a return of 0.4%. International shares were up 1.3% in hedged terms but due to the Australian dollar's depreciation over the month (down from US\$0.79 to US\$0.77), the unhedged return was even higher at 3.5%. Listed property was mixed with Australian REITs up 2.7% but global REITs down 0.2%.

Chant West director, Warren Chant says: "Even factoring in the share market losses over the first half of June, it's still quite possible that the median growth fund will finish the financial year in double digit territory for the third year in succession. With only two weeks of the financial year remaining, we estimate that growth funds are up 10% with returns in this category likely to range between 7% and 14%. This follows returns of 15.6% in 2012/13 and 12.8% in 2013/14.

"In fact, since the end of the last negative financial year in 2008/09, during the depths of the GFC, they have delivered an impressive 74% which translates to an average annual return of nearly 10%. To put this in perspective, the typical longer-term return objective of growth funds is to outperform inflation by between 3% and 4% per annum which works out to be about 6% to 7%.

"During the month of May, we saw the US share market rally despite patchy economic and corporate earnings data. The Euro zone showed signs of improving growth. However, Greece's debt crisis remains a concern. The UK share market was one of the best performers in May, responding favourably to greater political certainty following the Conservative party's victory in the general election.

"In China, economic growth continued to slow while back in Australia, the official interest rate was cut by 0.25% to a new record low 2% at the Reserve Bank's May meeting, and a further cut appears not to be far away 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 31 May 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	1.4	15.5	15.6	18.0	11.2	5.7	7.1	5.9
High Growth	81 – 100	1.3	13.7	14.0	15.8	10.8	5.9	7.4	6.8
Growth	61 – 80	1.0	11.9	12.1	13.7	9.7	5.8	7.0	7.0
Balanced	41 – 60	0.7	9.5	9.8	10.8	8.3	5.8	6.3	6.1
Conservative	21 – 40	0.4	7.1	7.5	7.9	6.9	5.5	5.9	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 figures for April and May 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 April and May 2015 are estimates.



## Industry funds and retail funds in line in May

Industry funds and retail funds performed in line with each other in the month of May with a return of 1%. However, industry funds hold the advantage over the longer term, having returned 7.3% per annum against 6.1% for retail funds over the 15 years to May 2015, as shown in Table 2. However, performance over periods of seven years and less is much closer.

**Table 2: Performance by Industry Segment (Results to 31 May 2015)**

	1 Mth (%)	FYTD (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)	15 Yrs (% pa)
Industry Funds	1.0	11.9	12.3	13.7	9.9	5.9	7.4	7.3
Retail Funds	1.0	12.0	12.0	13.7	9.6	5.7	6.5	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](http://www.chantwest.com.au).