

## SUPERRATINGS MEDIA RELEASE

Tuesday 19 April 2016

# SUPER FUNDS FIGHTING TO GET BACK IN THE BLACK

|                                         | Accumulation Returns | Pension Returns |
|-----------------------------------------|----------------------|-----------------|
| <b>Month of March 2016</b>              | ▲ 1.7%               | ▲ 1.9%          |
| Financial Year return to 31 March 2016  | ▼ 0.1%               | ▲ 0.1%          |
| Rolling 1 year return to 31 March 2016  | ▼ 1.2%               | ▼ 1.3%          |
| Rolling 3 year return to 31 March 2016  | ▲ 8.1% p.a.          | ▲ 8.6% p.a.     |
| Rolling 5 year return to 31 March 2016  | ▲ 7.3% p.a.          | ▲ 8.0% p.a.     |
| Rolling 7 year return to 31 March 2016  | ▲ 8.6% p.a.          | ▲ 9.8% p.a.     |
| Rolling 10 year return to 31 March 2016 | ▲ 5.1% p.a.          | ▲ 5.7% p.a.     |

\*Median Balanced Option refers to "Balanced" options with exposure to growth style assets of between 60% and 76%. Approximately 60% to 70% of Australians in our major funds are invested in their fund's default investment option, which in most cases is the balanced investment option. Returns are net of investment fees, tax and implicit asset-based administration fees.

\*Returns in this release are based on figures available to SuperRatings at 5.00 pm on 18 April 2016.

### MEDIAN BALANCED OPTION UP 1.7% IN MARCH

Yet another bounce in investor confidence has led to a turnaround in superannuation fund returns, with the median Balanced Option jumping by 1.7% in March. According to SuperRatings, the bounce in March returns simply reflected the improved optimism in the global economy, with many markets across the world, rallying hard during the month, particularly in Asia.

"The most recent returns have been promising and will no doubt be of comfort to Australian superannuants," said SuperRatings Chairman Jeff Bresnahan. "However, whilst we are starting to see signs that the global economic recovery may be setting in, there is no disputing that market volatility continues to be a factor. Looking at returns for the past year, it would appear that the fight between the Bears and Bulls is far from over."

The first 9 months of the financial year has seen super funds fall by just 0.1%, with four positive months offset by 5 negative ones. Every step forward during this financial year has been quickly met by a step back and vice versa. While March returns were positive, poor returns in January and February meant that over the full quarter funds lost 1.0% and offset the modest gains achieved in the six months to 31 December 2015. So, in terms of super funds achieving their seventh consecutive positive return for 2015/16, this possibility remains balanced on a knife edge, with even the smallest bit of news capable of moving markets and hence super fund returns, one way or the other.

SuperRatings welcome media enquiries regarding any of our research or information held in our database.

We are also able to provide commentary and customised tables/graphs for your use.

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## SUPER FUND RETURNS BOLSTERED BY EQUITIES GROWTH

Australian markets performed well in March, with the S&P/ASX 200 Accumulation Index returning 4.7%. This result was driven by gains across Resources, Energy and Material, following their challenging start to the year. Listed property also performed well, with the S&P/ASX 200 A-REIT TR Index up 2.4% in March, resulting in a return of 11.3% for the past year.

International markets rallied in response to the Federal Reserve's decision to leave rates on hold in March and lower its consensus for expected future rate rises. In hedged terms, the MSCI World Ex-Australia Net TR Index gained 5.2% for the month, boosted by strong growth from Asian markets. The European Central Bank announced further monetary stimulus in response to weak inflation and growth, cutting the deposit rate by 10 bps to -0.4% and expanding its asset purchase programme.

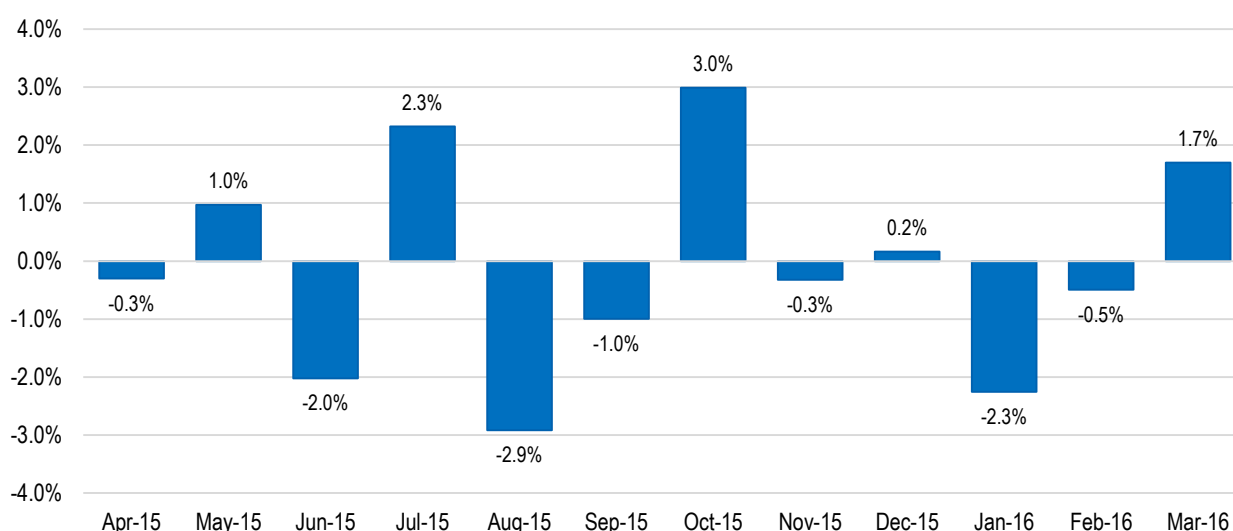
"However, despite the stronger showing by international markets in March, the rise was largely offset by the rallying Australian Dollar, which rose from USD\$0.71 to USD\$0.77 during the month," said Mr Bresnahan. "While the falling Australian Dollar helped smooth fund returns when overseas markets incurred losses, it may mean that members don't see as much upside from international shares if the dollar continues to rise."

"Central banks remain very accommodative, and this has flowed through to equity markets, but there is still a lot riding on the ability of key decision makers around the world to deal with current low levels of growth and inflation," said Mr Bresnahan.

## LONG-TERM RETURNS STILL DELIVERING FOR INVESTORS

The year-on-year return for the median Balanced Option was -1.2% at the end of March 2016, although returns over five and seven year periods are relatively steady, at 7.3% per annum and 8.6% per annum respectively – well above the common CPI + 3.5% per annum target. Returns over a 10-year period are starting to slip below this target, returning 5.1% per annum to the end of March.

**Median Balanced Option Monthly Returns**



Source: SuperRatings

"Long-term returns remain solid, despite recent market turbulence," said Mr Bresnahan. "Over a 10-year period, returns are not quite at the CPI+3.5% benchmark, although this is reflective of a more challenging investment environment post-GFC. However, when we look back to returns since 1992, the story remains strong."



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## Release Ends

### ADDITIONAL RETURN AND DATABASE INFORMATION

We believe our database to be the largest in Australia dealing with multi-employer superannuation funds, where the great majority of Australians have their retirement benefits invested. We update our website monthly to show the Top 10 performing funds together with the medians over all time periods for the following investment options: Balanced, MySuper, Growth, Australian Shares, International Shares, Capital Stable, Property, Conservative Balanced, High Growth, Secure, Diversified Fixed Interest and Cash.

#### About SuperRatings

SuperRatings Pty Ltd ABN 95 100 192 283 AFSL No. 311880 (SuperRatings) is a superannuation research house with specialist areas of expertise that was originally established in 2002. From 1 July 2011, SuperRatings became a fully owned subsidiary of the entity currently registered as Lonsec Fiscal Holdings Pty Ltd, a privately owned and independent entity with a multi-brand strategy of providing leading financial services research and investment execution. SuperRatings believes that professional financial services institutions and members need informed opinions on the best superannuation and pension financial products. To meet this need, SuperRatings has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of superannuation financial products. No fee is paid by superannuation and pension funds to SuperRatings for reviewing and rating superannuation and pension financial products.

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