



SUPERRATINGS MEDIA RELEASE

Wednesday 18 May 2016

SUPER FUND RETURNS MOVE INTO THE BLACK

	Accumulation Returns	Pension Returns
Month of April 2016	▲ 1.4%	▲ 1.6%
Financial Year return to 30 April 2016	▲ 1.7%	▲ 1.7%
Rolling 1 year return to 30 April 2016	▲ 0.7%	▲ 0.4%
Rolling 3 year return to 30 April 2016	▲ 8.0% p.a.	▲ 8.5% p.a.
Rolling 5 year return to 30 April 2016	▲ 7.7% p.a.	▲ 8.4% p.a.
Rolling 7 year return to 30 April 2016	▲ 8.7% p.a.	▲ 9.5% p.a.
Rolling 10 year return to 30 April 2016	▲ 5.2% p.a.	▲ 5.9% 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 17 May 2016.

MEDIAN BALANCED OPTION UP 1.4% IN APRIL

Investors are holding out for a positive return on their super this financial year, with fund balances still recovering from market turbulence at the start of 2016. The median Balanced Option returned 1.4% in April, as the market extended its recovery despite choppy global conditions. However, the financial year-to-date return remains at a fragile 1.7% — a far cry from the 9.6% returned to super fund members in 2015 — and investors are still bracing for another possible bout of volatility.

"April saw another solid month for superannuation, but the prospect of a positive financial year return is not a certainty," said SuperRatings Chairman Jeff Bresnahan. "Following the rocky start to the year, investors are now more upbeat, and we have seen that reflected in the current market recovery. But significant downside risks and a lot of uncertainty in the global economy remain. Outside of share markets, global returns on fixed income are low, and zero and negative interest rate policies are presenting a real challenge for funds seeking to achieve their risk and return targets."

According to SuperRatings, the median Balanced Option return for the first half of May is estimated to be around 1.5%, with further declines in the Australian Dollar in the wake of the RBA's recent rate cut likely to prove positive for investors. However, while volatility has returned to more moderate levels, the uncertain global outlook means funds remain more focused than ever on protecting members from downside risk, particularly those in or around retirement.

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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VOLATILITY DOWN, BUT RATE CUT A CONCERN FOR PENSION MEMBERS

The Australian share market has continued to recover from its February lows, with the S&P/ASX 200 Index ending April only slightly below its starting value for 2016. Returns on Australian equities, as measured by the S&P/ASX 200 Accumulation Index, were 3.4% in April, bringing the financial year-to-date return to zero. Large gains from the Materials and Energy sectors again drove returns, with higher commodity prices supporting valuations. The RBA's decision to cut the cash rate in early May came as a shock to the market, with the Board worried about low consumer price growth and the threat of deflation.

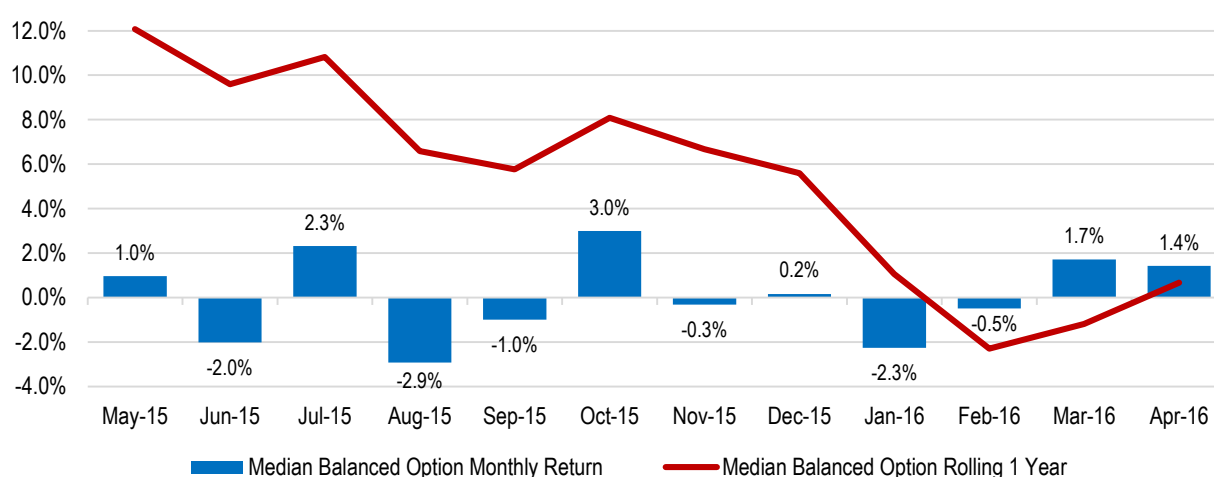
"Clearly the RBA is keen to support prices, but undoubtedly it has also seen an opportunity to bring the Australian dollar down further," said Mr Bresnahan. "A falling dollar is generally good for super returns, because most super fund portfolios are only partially hedged. However, we are concerned about the impact lower interest rates will have on pension fund returns, as many retirees rely on fixed interest and cash to offset their income drawdowns. While low rates are good for borrowers, savers ultimately bear the cost, and persistently low rates will undoubtedly have a negative impact on the longevity of pension accounts."

International markets were soft in April, with weakness in Asian markets, ongoing uncertainty in Europe and mixed results from the United States leading to subdued returns. The MSCI World Ex-Australia Net TR Index gained 0.9% during the month in AUD hedged terms, while global bonds, measured by the Barclays Global Aggregate Bond TR Index, returned a modest 0.3%.

LONG-TERM SUPER RETURNS REMAIN STABLE

The financial year-to-date return for the median Balanced Option was 1.7% at the end of April 2016, which remains well below financial year returns over the last few years. Returns over five and seven year periods were 7.7% p.a. and 8.7% p.a. respectively — well above the common CPI + 3.5% p.a. target. Returns over a 10-year period are starting to slip below this target, now returning 5.2% p.a. to the end of April.

Median Balanced Option Monthly and 1 Year Rolling Returns



Source: SuperRatings

"This financial year has been a challenging one for super returns, but over longer periods we are still seeing good performance," said Mr Bresnahan. "While 10-year returns are not quite hitting the CPI + 3.5% target, this is largely reflective of the challenging post-GFC environment. There is no doubt 2016 will be a more subdued year, which may reflect a turning point in fund returns, with the continuation of lower returns a real possibility in coming years."



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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

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