



## SUPERRATINGS MEDIA RELEASE

Thursday 30 June 2016

# SUPER FUNDS FIGHT BACK AFTER BREXIT

	Accumulation Returns#
<b>Month of June 2016</b>	<b>▼ 1.3%</b>
Financial Year return to 30 June 2016	▲ 2.3%
Rolling 1 year return to 30 June 2016	▲ 2.3%
Rolling 3 year return to 30 June 2016	▲ 8.1% p.a.
Rolling 5 year return to 30 June 2016	▲ 7.8% p.a.
Rolling 7 year return to 30 June 2016	▲ 8.2% p.a.
Rolling 10 year return to 30 June 2016	▲ 5.1% 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.

#All returns are estimates and subject to formal reporting from the funds included in the SR50 Index.

## SUPER FUNDS WIN ON A POINTS DECISION

In what has proved to be the most volatile investment year since the GFC, the majority of Australia's superannuation funds will see their flagship balanced options stumble past 30 June with a positive return. In what can be likened to a title fight, funds have had to withstand markets that dragged them into negative territory in six out of the twelve months, including a late Brexit onslaught which helped drag the funds down by around 1.3% in the month of June.

But that wasn't enough to stop them recording their seventh consecutive positive result since the depths of the GFC, with members of an elite group of funds recording over 100% in investment gains since that time. The 7-year run is the longest in 15 years, when funds enjoyed a 9-year streak of positive returns from 1992 until 2001.

"Overall, we expect the average Australian in a balanced option to see their super increase by around 2.3%, but it will be very much the case of 'haves' and 'have nots' when it comes to individual fund returns," said SuperRatings' Chairman, Jeff Bresnahan. "Once again those in funds that have underperformed this year will see their returns up to 7% lower than the more successful funds. For 2015/16 we expect results to range between minus 1% and positive 6%, so unfortunately for some, they will see red ink on their member statements".

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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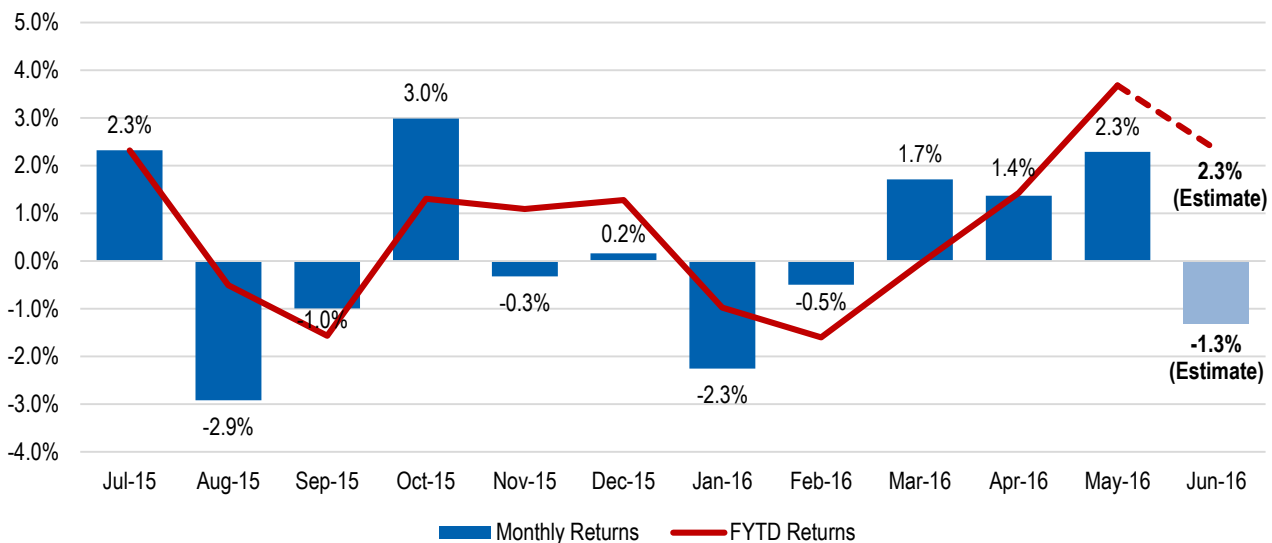
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“Whilst Brexit was the headline, June figures for super funds were already in turmoil prior to the vote. The end result was that a June fall of some 1.3% eliminated much of the 2.3% gain super funds enjoyed in May. With a 5.5% surge in the months of March, April and May, there was even optimism that many funds could reach well above the 6% return for the year. The Exit vote made sure that thought was quickly put to bed”.

**Median Balanced (60-76) Option Returns  
(July-15 to June-16)**



Source: SuperRatings

## THE BREXIT EFFECT ON MARKETS

Markets were sent tumbling late in June as it became clear that the UK were voting to leave to the European Union. The FTSE 100 fell 8.4% as markets opened on the Friday after the referendum, before staging a remarkable comeback to close the month up 2.1%. The Australian S&P/ASX 200 Index fell 3.9% on the result, and while it has recovered some ground, it remains down by more than 3.1% in June. The UK 10-year Gilt yield fell below 1.0% for the first time, while the Australian 10-year Treasury yield has moved below 2.0%.

“Australian dollar weakness following the Brexit vote has brought the currency back around USD 0.74, which will provide some support to unhedged international investments,” said Mr Bresnahan. “Sovereign yields, which were already at record lows, have pushed even lower as investors continue to look for safety.”

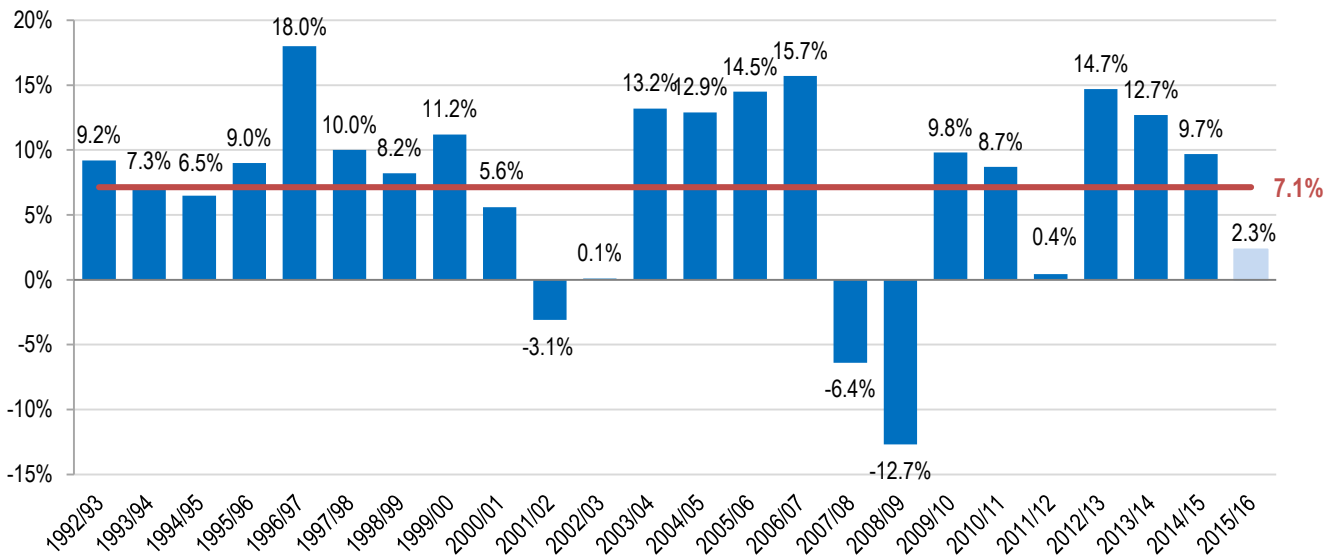
## LONG-TERM SUPER RETURNS REMAIN STABLE DESPITE VOLATILE YEAR

With an estimated median Balanced Option return of 2.3% for 2015-16, this would be the lowest since 2011/12 when funds eked out just 0.4% for the year. However, in all other years since the GFC, funds have pumped out returns well above expectations. As a result, returns over five and seven year periods have averaged 7.8% p.a. and 8.2% p.a. respectively, both of which are comfortably ahead of the common CPI + 3.5% p.a. investment target that funds look for over the long term. Returns over a 10-year period, which include all of the GFC, have still held up and sit marginally below their long term objectives at 5.1% per annum, as against a target of 5.3%.

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**Median Balanced Option Financial Year Returns Since Introduction of Compulsory SG**



“This financial year has been tough for super investors, but over longer periods we are still seeing solid performance,” said Mr Bresnahan. “While 10-year returns are not quite hitting the CPI + 3.5% target, this is largely reflective of the market challenges during the GFC. We expect 2016-17 will continue to present challenges, but long-term performance should continue to hold up. There is no doubt that the volatility experienced in financial markets over the year has resulted in subdued returns and, with this in mind, super fund members should be pleased with a positive result.”

## 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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