



# Chant West Media Release

19 December 2016

## 'Trump effect' propels funds towards a positive 2016

After averaging 11% per annum over the past four years, super funds look set to deliver a fifth consecutive positive calendar year return. A gain of 1.1% in November propelled the median growth fund (61 to 80% growth assets) to a cumulative 5% for the first 11 months of 2016. And with share markets continuing to rise in December, the median return for the year currently stands at an estimated 6.3%.

In November, Australian shares advanced 2.8%. International shares were up 2.6% in hedged terms but, due to the depreciation of the Australian dollar over the month (down from US\$0.76 to US\$0.74), the return in unhedged terms was even higher at 4.5%. Listed property was mixed, with Australian REITs up 0.7% but global REITs down 1.3%. Bond markets were down with Australian and global bonds retreating 1.4% and 1.6%, respectively.

Chant West director, Warren Chant says: "With less than two weeks of the year remaining, it's almost certain the median growth fund will deliver another positive return to follow up the 12.8% recorded in 2012, 17.2% in 2013, 8.5% in 2014 and 5.7% in 2015. It would represent the seventh positive calendar year return in the past eight years and the twelfth in the past fourteen.

"In November, the shock US presidential election victory by Donald Trump dominated headlines. Trump's victory brings with it uncertainty, but share markets around the world have focused on his plans to stimulate the economy. The US market has risen steadily to record highs, and most other major markets have also gained ground. US bond markets, meanwhile, have slumped in anticipation of increased infrastructure spending and reduced taxes.

"Last week, the US Federal Reserve finally raised its benchmark interest rate by 25 basis points to a range of 0.50 to 0.75%. This was widely expected, but the surprise was that the Fed also went as far as to forecast three further rate rises over 2017.

"Earlier this month the European Central Bank, in response to ongoing lacklustre growth, announced an extension of its quantitative easing programme by nine months to the end 2017 – albeit a tapered version cutting monthly bond purchases from 80 billion euros to 60 billion euros. In Britain, the government says it will be looking to trigger Article 50 to take the UK out of the European Union but it will need parliamentary approval before it does so.

"Closer to home, in China, diplomatic sensitivities were ruffled when President-elect Trump took a call from the Taiwanese president. More importantly, Trump has canvassed protectionist policies that, if enacted, have the potential to set off a trade war that could be damaging to China – and, by extension, to Australia."

Table 1 shows the median performance for each category in Chant West's Multi-Manager Survey.

Table 1: Diversified Fund Performance (Results to 30 November 2016)

Fund Category	Growth Assets (%)	1 Mth (%)	FYTD (%)	CYTD (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)	15 Yrs (% pa)
All Growth	100	2.2	5.0	5.1	5.2	7.3	11.9	8.4	4.6	5.8
High Growth	81 – 100	1.6	4.2	5.6	5.7	7.6	11.1	8.3	5.2	7.0
Growth	61 – 80	1.1	3.4	5.0	5.1	7.0	9.9	7.8	5.3	6.9
Balanced	41 – 60	0.7	2.6	4.5	4.6	6.0	8.1	6.8	4.8	6.0
Conservative	21 – 40	0.2	1.6	4.0	4.0	5.1	6.4	6.0	5.0	5.7

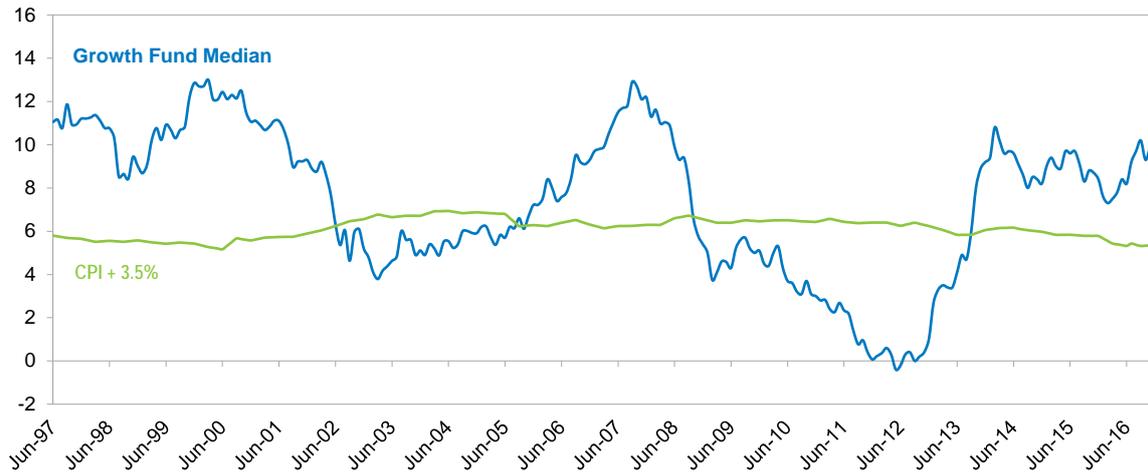
Source: Chant West

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 healthy returns in recent years, and with the GFC period now out of the calculation, have seen the five year performance 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 October and November 2016 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 years.

Chart 2: Conservative Funds – Rolling 3 Year Performance (Returns – % pa)



Source: Chant West

Note: The CPI figures for October and November 2016 are estimates.



## Industry funds edge retail funds in November

Industry funds edged out retail funds in November returning 1.2% (versus 1.1% for retail funds). Industry funds continue to hold the advantage over the longer term, having returned 5.6% per annum against 4.5% for retail funds over the ten years to November 2016, as shown in [Table 2](#).

Table 2: Performance by Industry Segment (Results to 30 November 2016)

	1 Mth (%)	FYTD (%)	CYTD (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)
Industry Funds	1.2	3.7	6.0	6.0	7.6	10.2	8.2	5.6
Retail Funds	1.1	3.1	4.3	4.3	6.5	9.5	7.4	4.5

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 Senior Investment Research Manager, Mano Mohankumar, are available to discuss this release. Please call Janeen Armstrong 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).