

MEDIA RELEASE

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SUPER DECADE OF CONTRASTS ENDS ON A HIGH THANKS TO RECORD 6 MONTH RALLY



Highlights (Median Balanced Option)*

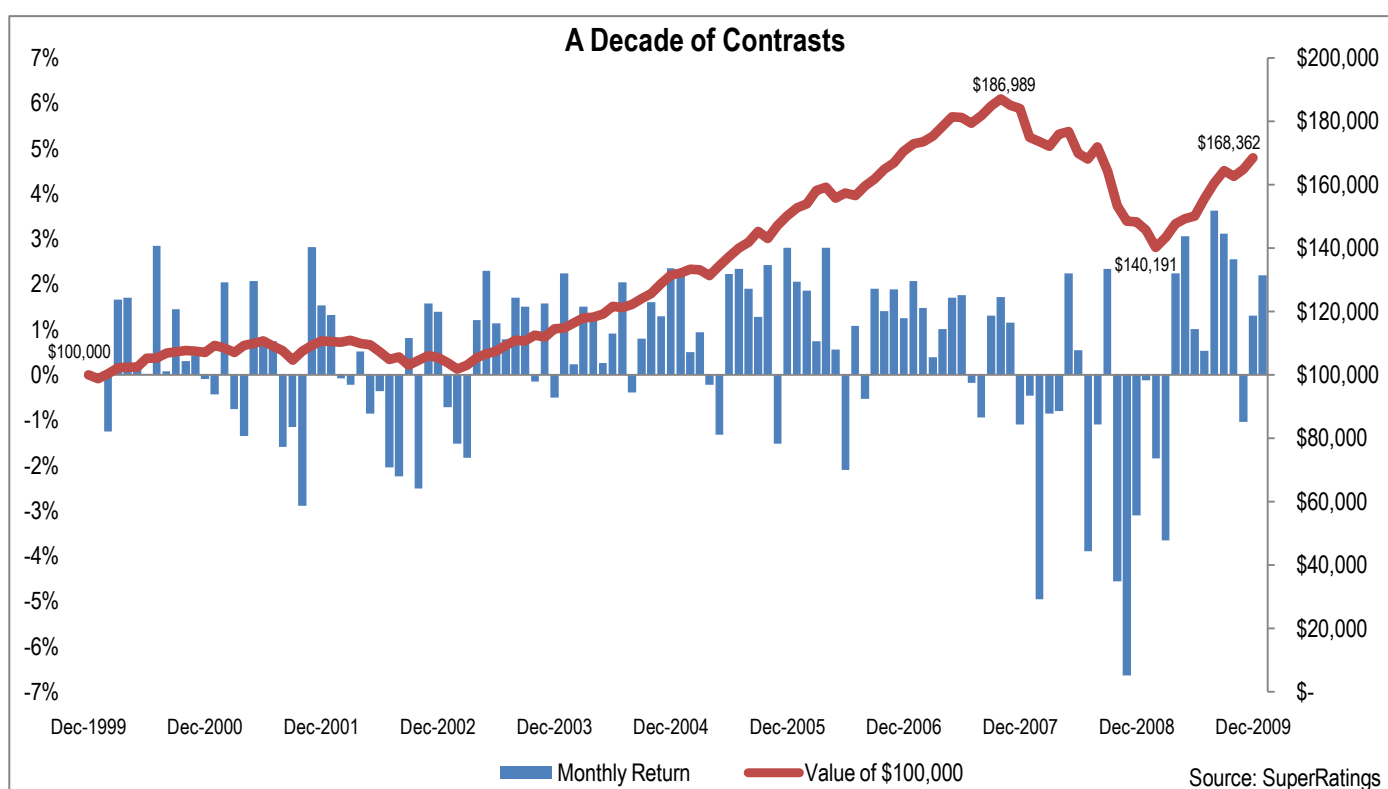
| | |
|--|------------|
| The month of December 2009 | ▲ 2.19% |
| 3 Months ending 31 December 2009 | ▲ 2.39% |
| Financial year to 31 December 2009 | ▲ 12.11% |
| 12 months ended 31 December 2009 | ▲ 12.88% |
| Rolling 3 year return to 31 December 2009 | ▼ 1.10% pa |
| Rolling 5 year return to 31 December 2009 | ▲ 4.83% pa |
| Rolling 7 year return to 31 December 2009 | ▲ 6.80% pa |
| Rolling 10 year return to 31 December 2009 | ▲ 5.51% pa |

*Median Option refers to "balanced" option with exposure to growth style assets of between 60% and 76%. Approximately 80% of Australians in our major super funds are invested in their fund's default investment option which in most cases is the balanced investment option. Returns are net of fees and tax.

After experiencing their worst year on record in 2008, when the median balanced option lost 19.7%, Australia's major super funds have staged a remarkable recovery in 2009, by returning 12.9% for the year. However, this was not without angst, with a virtually flat first half of the year being followed by a record 6 month rally of 12.0% for the half year ended 31 December 2009, the largest half year result for super funds since the introduction of compulsory super in 1992. The strength of this rally has surely convinced the average Australian that the Global Financial Crisis is over.

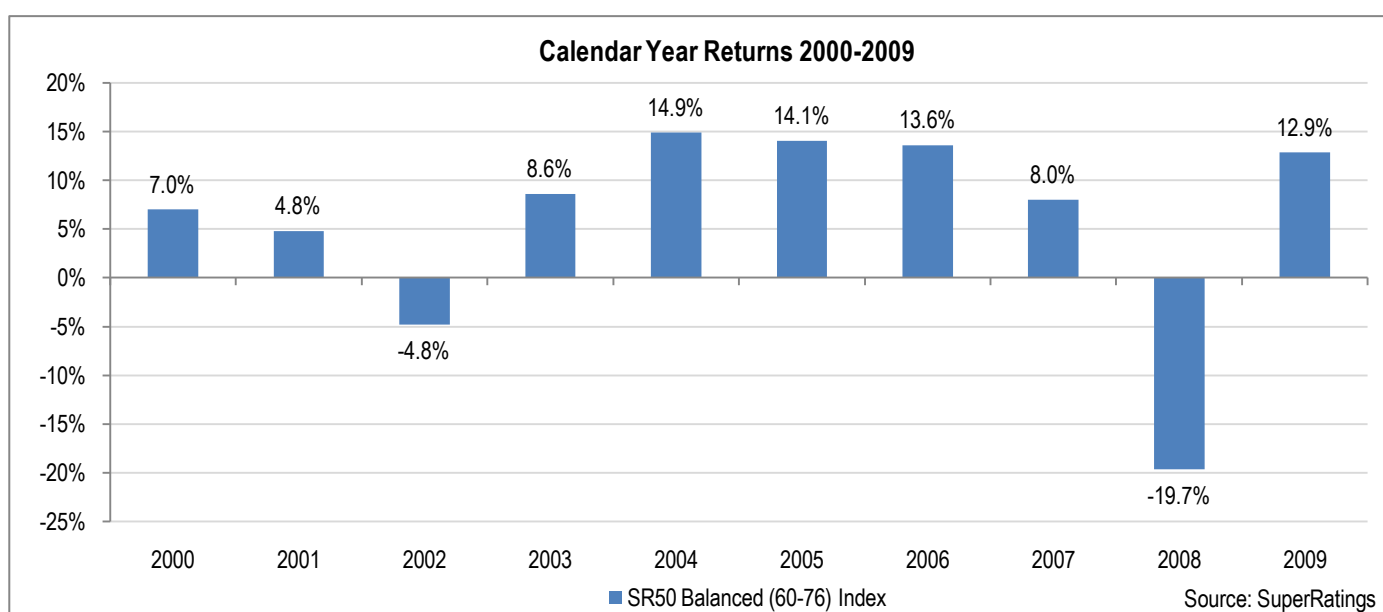
The decade itself should be carefully studied by consumers (see graph 1). If volatility is the name of the game then super funds and their members have experienced it all over the past 10 years. A \$100,000 investment made into a balanced super option on 1 January 2000 virtually stood still for the first third of the decade, accumulating to just \$105,500 over the first 3 1/3 years. For the next 3 1/3 years (May 2003 to August 2006) things suddenly took off with record breaking appreciation of 51% to \$159,400. Finally the last third of the decade provided unprecedented volatility, with further appreciation to a peak of \$187,000 in November 2007; a sudden drop to \$140,200 in February 2009; only to see a final spurt, to end the decade at \$168,400, a net appreciation of some 5.4% over the final 3 1/3 years, despite the GFC.

So, if consistency of returns is the order of the day, then surely to noughties has convinced those in and around retirement that balanced and growth style options may not be the best alternative. However, when long term results are analysed it is still clear that a diversified portfolio such as balanced or growth options will outperform the traditionally more conservative assets such as cash and fixed interest. It is simply a trade off between long term returns and short term volatility. Appreciation of over 68% in a balanced option for the decade clearly shows that benefits will accrue to those who are prepared to invest with a long term objective. This is even more in context when one considers that inflation has only lowered purchasing power by just over 30% over the same period.



So, where did all of the appreciation come from in 2009? In short, almost entirely from Australian share market. Based on a 32% exposure to Australian shares within a balanced option, and a 33% return from the All Ordinaries during 2009, Australian shares look to have added some 10.3% after the provision for tax. Whilst international equities also saw bumper returns of 28% during 2009, many funds remained “un” or only partially hedged during the year meaning that the 28% return was quickly diminished to 8% after the appreciation of the Australian dollar, the level of hedging and tax were factored in. Given a 20% exposure to this asset class international shares looked to have added just 1.6% to the average balanced option. The only other contributor to returns was the fixed interest area which returned a median of around 6% for the year. Given a 16% exposure to this asset class has translated into a further 0.8% after tax for investors. Poor cash rates and poorly performing property and alternative asset classes did nothing for super investors in 2009, adding the remaining 20 basis points for the total 12.9% return.

Interestingly however, the calendar year returns for Australia's major super funds for the decade superficially look considerably better than the financial year results, thus reinforcing that longer term numbers are the real story. Whilst the calendar year results produced just 2 negative years (see graph over page), the financial year results produced 3 negative years and one completely flat year year. However, it doesn't matter which period is reviewed when over the last 7 years the median balanced option has returned some 6.8% per annum against an inflation rate of just 2.8% per annum, meaning that most funds are meeting their long term objectives. The 5 year number is not as impressive with a median return of just 4.8% per annum against inflation of 3% over the same period, whilst the 10 year number improves somewhat to a 5.5% per annum return against a 3.2% inflation rate over the same period.



Despite the good news for 2009 it would appear that the Global Financial Crisis has paralysed Australians. In our benchmark report released to major Australian super funds this month, it was revealed that personal or discretionary contributions fell by over 40% in 2008/09. This was on top of a 40% drop in contributions in 2007/08, immediately after the Hon. Peter Costello's generous contribution limits were abolished. So, in the last 2 years, Australians have reduced their voluntary contributions to super by over 60% which surely translates into a loss of confidence.

In addition to this we have seen a 40% drop in transfers between funds. Whilst no doubt some of this drop in activity has been caused by the aforementioned paralysis, some needs also to be attributed to the onerous requirements imposed by the anti-money laundering legislation and made even harder by the payee funds, many of whom seem intent on frustrating their so-called client out of the transaction through excessive paperwork. It is high time this seemingly simple process was streamlined to allow further industry account consolidation.

And in what will probably go down as the end of the most volatile period for Australian super fund returns, it is interesting to reflect on the range of returns from seemingly similar investment options over the past twelve months. Balanced, Australian shares, International shares, Capital Stable and Property all exhibited ranges in returns that exceeded 20% between funds, a very worrying feature. The table below shows the highest and lowest results for the 12 months ended 31 December 2009 (taken from the respective SR Index for each option):

| Option Type | Highest | Top Quartile | Median | Bottom Quartile | Lowest |
|---------------------------|---------|--------------|--------|-----------------|---------|
| Balanced (60%-76% Growth) | 20.2% | 15.4% | 12.9% | 11.0% | - 8.6% |
| Growth (77%-90% Growth) | 23.8% | 18.4% | 16.5% | 13.9% | 8.1% |
| Australian Shares | 46.8% | 38.0% | 35.8% | 31.8% | 18.8% |
| International Shares | 23.0% | 13.9% | 7.8% | 1.3% | - 4.4% |
| Capital Stable | 15.1% | 10.1% | 8.9% | 7.5% | - 7.5% |
| Property | 16.3% | 10.4% | 1.8% | - 8.3% | - 14.9% |
| Cash | 6.1% | 3.4% | 2.9% | 2.5% | 1.1% |

Overall, however many Australian super funds continue to do an excellent job. The top performing balanced investment options over the past five years have been:

TOP 10 BALANCED INVESTMENT OPTIONS* OVER LAST 5 YEARS

| Fund and Option Description | 5 years to 31 December 2009 per annum compound returns |
|--------------------------------------|---|
| 1 OSF Super – Mix 70 | + 6.8 % |
| 2 Buss(Q) - Balanced Growth | + 6.5 % |
| 3 Catholic Super – Balanced | + 6.4 % |
| 4 NGS Super – Diversified | + 6.2 % |
| 5 Club Plus Super - Balanced Option | + 6.2 % |
| 6 Telstra Super Corp Plus - Balanced | + 6.1 % |
| 7 Local Super – Growth Option | + 6.0 % |
| 8 AustralianSuper – Balanced Option | + 6.0 % |
| 9 Cbus - Core Strategy | + 5.9 % |
| 10 UniSuper Accum (1) - Balanced | + 5.8 % |
| Top Quartile | + 5.6% |
| SuperRatings' Median Index | + 4.8% |
| Bottom Quartile | + 3.8% |

*Balanced Fund Options with between 60% and 76% of assets in growth style investments.
All results are net of fees and tax. ^Interim Rate Returns.

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 now update our website monthly to show the top 5 performing funds together with the medians over all time periods for the following investment options:

| | |
|----------------------|----------------------------|
| Balanced | Conservative Balanced |
| Growth | High Growth |
| Australian Shares | Secure |
| International Shares | Diversified Fixed Interest |
| Capital Stable | Cash |
| Property | |

RELEASE ENDS

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More Info?? Simply go to our website
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Click on "Latest Investment Returns" to view the various tables. The "SuperRatings' Index" as shown in the tables is the median result of the largest funds. We welcome any Media enquiries regarding any of the information held on our database and where possible we will provide customised tables/graphs for your use.

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