



# MEDIA RELEASE

19 NOVEMBER 2008

**MOST SUPER FUNDS STILL DELIVER ON THEIR OBJECTIVES EVEN WITH MARKET TURMOIL**

**BUT, JUST 24% OF FUND OPTIONS MAKE IT EASY FOR CONSUMERS TO UNDERSTAND**

## Release Highlights

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New analysis provides for investment performance to be measured relative to objectives irrespective of asset allocation definitions

Number of fund options to meet 3 year objectives 4% ( 1 from 23 assessed)

Number of fund options to meet 5 year objectives 94% ( 58 from 62 assessed)

Number of fund options to meet 7 year objectives 50% ( 8 from 16 assessed)

Number of fund options with clear and easily measurable definitions 24% (101 from 413 assessed)

Issue: There is no clear requirement for funds to provide a "measurable" objective to consumers

Issue: Over 300 (75%) of fund options assessed provided ill-defined investment objectives to consumers

Action: SuperRatings calls for identically defined "investment objectives" within Fund PDS' to allow consumers to measure results

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At a time when Australians are learning the hard way that their 10%+ returns above inflation between 2003 and 2007 came with associated risk, it is worth reflecting on whether Australia's major super funds continue to achieve their long term objectives and what happens when a member tries to measure the investment option they are in (or considering).

For example, take the two following investment objectives taken from existing funds in the market, both of which describe the Investment Objective of their Balanced Option:

1. To provide moderate to higher returns over the medium to long term through a portfolio diversified across all asset types, but with an emphasis on shares and property.
2. To achieve returns after tax and fees that exceed increases in the inflation rate (as measured by the CPI) by at least 3% pa over rolling 5-year periods. Over shorter periods, to ensure as far as possible that the amounts credited to members each year are competitive with those credited by comparable balanced options in other super funds. To achieve positive returns after tax and fees in at least 8 out of 10 financial years.

As can be seen, an investor in Fund 1 has been provided with a series of non-descript words that in no way brings to the attention of the member that the option can experience a negative return. Further, it appears the member has no way of measuring whether their fund has actually achieved their objective as there are too many ill defined terms relating to both the relativity of the return itself and also the time period.

Contrast the objective of Fund 1 against Fund 2, where it is quite clear to the member that they can experience regular negative returns and if the member were to review the performance there are a number of clearly defined objectives that the fund has either met or not met.



Consumers have a right to be able to clearly understand and measure the performance of their investment option and that such measurement should be consistent across funds. As an initial step SuperRatings is of the opinion that all investment objectives contain the following measurable figures:

1. The objective should be referenced against a "CPI Plus" objective. In other words, all objectives should state that they are trying to return CPI plus X% (e.g. the objective is to return 3.5% above the CPI).
2. The objective should be stated over an annualized time frame. In other words the objective should be expressed as being achieved over a X year period (e.g. the objective is measurable over a 5 year period).
3. The objective should clearly advise the risk of having a negative return. This should be in the form of the likelihood of having a negative return in this investment option is "a" years in "b" years (e.g. 1 year in 10).

Less than 1 in 4 investment objectives were in SuperRatings' view able to be easily measured against clearly defined and measurable benchmarks. Out of 413 investment options, 312 had to be eliminated from the study due to ill-defined objectives, leaving just 101 options for the study.

Notwithstanding the wide divergence of definitions, SuperRatings conducted analysis on the performance of superannuation options against their stated objectives. The findings of this research indicated that over the short term (3 years) only one fund had met their objective and none had exceeded same. Conversely, over the medium time of 5 years, some 94% of options had met their objectives whilst over the medium to long term (7 years) approximately half of the options met their objectives. The top 10 fund options in terms of exceeding their investment objectives were as follows:

## Top 10 Performing Funds Relative to Stated Investment Objectives

### DIVERSIFIED INVESTMENT OPTIONS WITH CLEARLY MEASURABLE OBJECTIVES

Fund and Option Description	Performance in excess of stated objectives for the stated period ended 30 September 2008 (per annum excess returns above objective)
1 MTAA Super - Balanced	+ 5.1 % (5 years)
2 AMIST - Balanced	+ 3.9 % (5 years)
3 Westscheme - Trustee's Selection	+ 3.6 % (5 years)
4 Cbus - Core Strategy	+ 3.2 % (5 years)
5 MTAA Super - Growth	+ 3.2 % (7 years)
6 REST - Industry - Diversified	+ 3.0 % (5 years)
7 Westscheme - Screened Investment	+ 3.0 % (5 years)
8 REST - Industry - Core Strategy	+ 2.8 % (5 years)
9 Intrust Core Super - Balanced	+ 2.8 % (5 years)
=10 MTAA Super - Conservative	+ 2.7 % (5 years)
=10 TWUSUPER - Equity Plus	+ 2.7 % (5 years)
Top Quartile (using 5 year time frame)	+ 2.5%
Median (using 5 year time frame)	+ 1.5%
Bottom Quartile (using 5 year time frame)	+ 0.9%



## COMMENTARY

With the extremely turbulent investment markets it is not surprising that achieving investment objectives for Australia's major super funds has become quite a challenge. This is particularly true for funds with short term measurement time frames. At present the mid term 5 year numbers appear most to favour the assessment against objectives, due predominately to the fact that only one poor year out of 5 is exhibited. Contrast that against the 7 year measurement where even though there are two negative years and one effectively flat year included in the measurement, 50% of all funds measured continued to achieve or exceed their objective.

The overall end result is that on balance, Australia's major super funds are delivering on their promises, but that this figure will decrease as the market turmoil continues and the good times from between March 2003 and November 2007 start to fall out of the measurable time periods for different investment options.

The summary for each time frame is as follows (full tables are included in the attached analysis):

### SHORT TERM

Not surprisingly the majority of funds with shorter term CPI based objectives are funds with a lower growth asset ratio reflecting the risk profile of these funds. For the 3 years to 30 September 2008 not one fund exceeded their targeted objective out of 23 assessed. Overall this is a poor result and can likely be attributed to the recent market downturn and increasing CPI. It does bring into question however whether a 3 year time frame is too short even allowing for the more conservative nature of these options. Further, unless markets rebound in the short term it is likely that this universe of funds will continue to miss their investment objectives.

### MEDIUM TERM

The greatest number of funds set their CPI based objective over a 4 or 5 year period. The performance of this sample was strongest with almost all funds exceeding their stated CPI objective over the 5 years to 30 September 2008. This indicates that despite recent market difficulty (notwithstanding October) the majority of funds have still delivered on their promise to members and remain ahead of stated performance objectives.

The analysis also highlights the gap between the best and worst performing superannuation funds with the best performing fund exceeding its target return by over 5% per annum over the last five years. This excellent result contrasts with the worst performing option which has underperformed its objective by more than 2% per annum over the same time period.

### LONGER TERM

A smaller number of funds assessed have a longer performance horizon although with mixed performance results. Half of the funds assessed remained ahead of their performance targets while the other half has not delivered sufficient value to their members over the longer term.

It is worth noting that the longer term assessments bring into play the periods of poor performance around 2002 and 2003 as well as the difficult 2008. This reinforces the strong result of those funds that remain ahead of their objective, despite the inclusion of 3 difficult years.

## 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  
Growth  
Australian Shares  
International Shares  
Capital Stable  
Property  
Cash

RELEASE ENDS

## SUPERRATINGS

*To encourage and where necessary create disclosure within the Superannuation industry.*



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[www.superratings.com.au](http://www.superratings.com.au)

Click on "Latest Investment Returns" to view the various tables. The website will be updated with all 31 October results next week. The "SuperRatings' Index" as shown in the tables is the median result of funds using only a 5 year measurement. We welcome any Media enquiries regarding any of the information held on our database and where possible we will provide customised tables/graphs.

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