

# MEDIA RELEASE

24 November 2008

## OCTOBER SHAREMARKET ROUT SEES MORE HURT FOR SUPER FUNDS AND RETIREES

### Highlights (Median Fund)\*

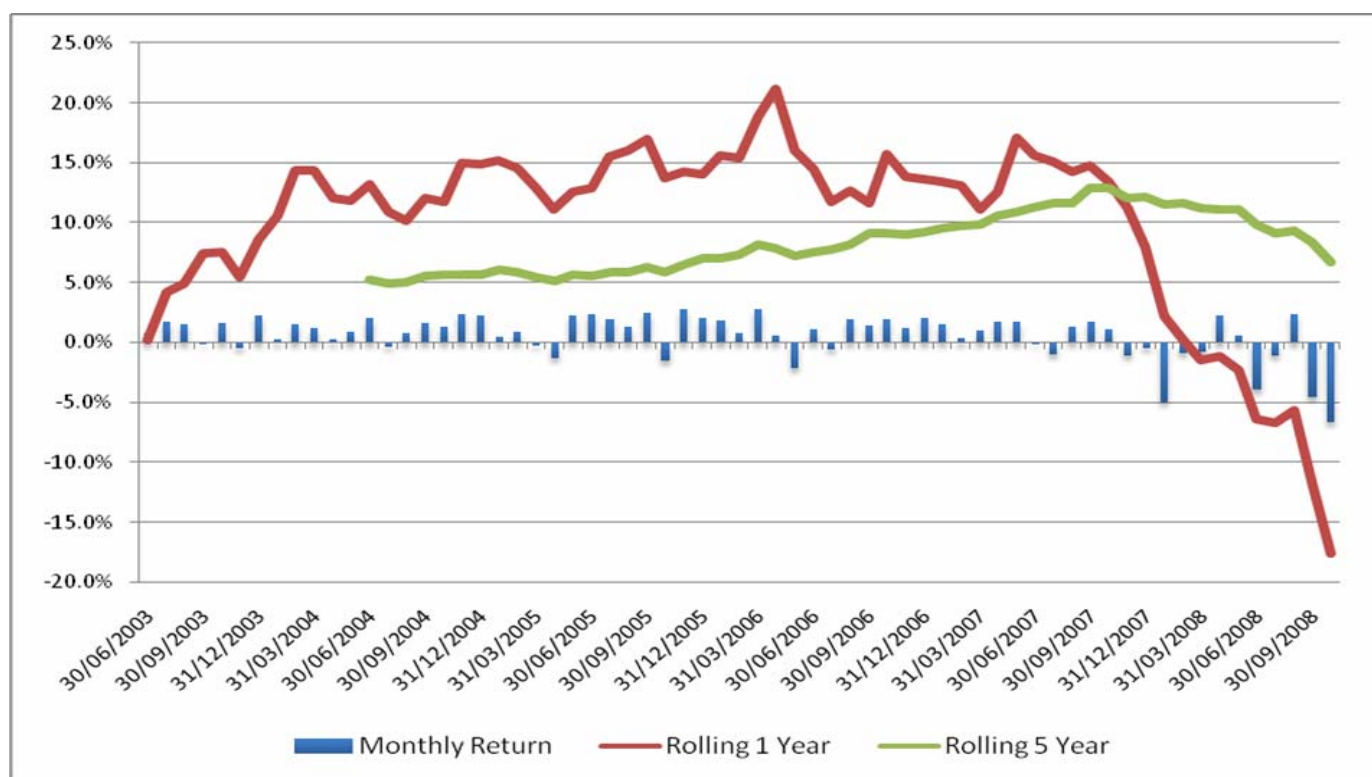
The month of October 2008	-6.65%
3 Months ending 31 October 2008	-8.55%
Financial year to 31 October 2008	-9.36%
12 months ended 31 October 2008	-17.61%
Rolling 3 year return to 31 October 2008	▲ 2.40% pa
Rolling 5 year return to 31 October 2008	▲ 6.67% pa
Rolling 7 year return to 31 October 2008	▲ 5.81% pa
Rolling 10 year return to 31 October 2008	▲ 6.37% pa

\*Median Fund 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.

Australia's share market fall of some 14% during October put the accelerator down on the short term losses being experienced by Australia's major superannuation funds with the median balanced investment option recording its highest ever one month fall of -6.65%. This takes the year to date returns down to -9.36% and the rolling twelve month return to an unprecedented -17.61%. However, despite all of the market decimation, medium to long term results for balanced investment options are holding up reasonably well with both the five and ten year results showing compound annual returns of 6.67% and 6.37% respectively.

What is interesting is comparing the volatility of the rolling 12 month return against that of the rolling 5 year return as displayed in the graph over page. It is only just over 5 years ago that we had an effective zero return (0.1%) for the 12 months ended 30 June 2003. Since then the 12 month return range has seen it reach a high of 21% for the 12 months ended 30 April 2006 and then this year plummet to a low of -17.6% as at 31 October 2008. Conversely, the rolling 5 year result has never dipped under 5% per annum, reaching a peak of 12.8% per annum as at 30 September 2007 and declining since to the current 6.7% per annum. So it is clear that when members are encouraged to focus more on the 5 to 7 year numbers, their chance of a panicked reaction due to fear would be substantially reduced.

## MONTHLY, ROLLING 12 MONTH AND ROLLING 5 YEAR RETURNS SINCE JUNE 2003



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

## ADDITIONAL COMMENTARY

As can be seen above, the turmoil in global markets has meant that even with a diversified asset base, balanced investment options in Australia's super funds have experienced losses in 9 of the past 12 months. However, for the four years before that, negative monthly returns averaged out at only two per annum and no-where near the quantum of the last 12 months. This starts to put the size of this correction in some form of perspective.

As a result, Australian super funds are facing their biggest challenge since the introduction of compulsory superannuation in 1992 with the fallout of the international financial crisis affecting nearly all institutions. With short term losses at an all time high, funds are faced with the challenge of communicating the effect of one of the world's biggest ever financial crisis to an, at times, financially illiterate consumer.

In a perverse sort of way, the financial illiteracy and general apathy of the average fund member of Australia's super funds is a good thing, as many will ignore the headlines and let their super fund manage the crisis as best they can. However, those most affected by the falling markets, namely those in and around retirement, are also those that want the most information as they are faced with decisions that will affect them for the rest of their retirement. To the industry's credit, many funds are doing their utmost by way of an increased number of seminars; improved commentary on web-sites and generally enhanced communications to these critical members of their funds. Further, this has forced financial planners to get on the front foot and proactively meet with clients to allay their fears and reinforce the long term nature of superannuation.



As can be seen below, the five year returns for the better performing funds remain impressive. However, as the boom years of 2003 to 2007 fall out of the five year numbers and are replaced by less impressive performance figures, it is likely that the 5, 7 and 10 year performance numbers will continue to decline and in many cases, funds will no longer be meeting their stated investment objectives.

The best performing funds over the last 5 years are as follows:

## TOP 10 BALANCED INVESTMENT OPTIONS\* OVER LAST 5 YEARS

Fund and Option Description	5 years to 31 October 2008 per annum compound returns
1 MTAA Super Balanced	+ 10.7 %
2 Buss(Q) - Balanced Growth	+ 9.4 %
3 Cbus - Core Strategy	+ 8.6 %
4 AustralianSuper - Balanced Option	+ 8.2 %
5 Westscheme – Trustee's Selection	+ 8.2 %
6 HOSTPLUS - Balanced	+ 8.2 %
7 Catholic Super - Balanced	+ 8.0 %
8 Vision SS – Balanced Growth	+ 7.7 %
9 AGEST – Balanced	+ 7.7 %
10 UniSuper Accum (1) - Balanced	+ 7.6 %
Top Quartile	+ 7.3%
SuperRatings' Median Index	+ 6.7%
Bottom Quartile	+ 5.6%

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

What will be interesting once all of this turmoil has washed through our superannuation system and the six monthly statements to members are sent out early next year, is the reaction of members to their own funds. It would be surprising if the level of switching did not increase as consumers became more aware of the divergence of returns between funds. As the table shows below, even amongst the "balanced" investment options, the difference between the best and worst option is over 16% for the twelve months. This is a big number when losses are involved. And spare a thought for those who may have thought property was a safe haven twelve months ago. The best fund has shown a 10% increase whilst the worst has shown a 54% loss.



The key thing for consumers is to not only understand why these losses are occurring, but also to importantly understand the relativity of their returns. Or in short, understand how their fund's return compares against the comparable broader market. The table over the page reflects the effects of not only asset allocation but the range of returns for similar allocations within each option type by showing the highest and lowest results for the 12 months ended 31 October 2008 (taken from the respective SR Universe for each option):

Option Type	Highest	Top Quartile	Median	Bottom Quartile	Lowest
Balanced (60%-76% Growth)	- 11.2%	- 16.2%	- 17.6%	- 21.4%	- 27.4%
Growth (77%-90% Growth)	- 15.2%	- 20.8%	- 23.6%	- 27.5%	- 30.5%
Australian Shares	- 28.0%	- 31.4%	- 33.2%	- 35.1%	- 38.9%
International Shares	- 16.7%	- 22.0%	- 24.0%	- 28.3%	- 37.0%
Capital Stable	- 2.1%	- 4.3%	- 6.7%	- 9.5%	- 13.5%
Property	10.1%	- 1.4%	- 32.8%	- 48.0%	- 54.3%
Cash	7.1%	6.4%	5.7%	4.8%	3.0%

"The above shows that no-one has been immune from this turmoil over the last twelve months, except those who have been nestled happily in cash. However, those who have been sitting in the better performing funds have clearly felt much less pain than those who have for whatever reason seen their fund under perform. It is critical that Australians regularly review their choice of super fund as the effect on ones ultimate retirement benefit can be significant. Australians have a need to better understand their super to ensure they maximize their benefits."

**Other key results in respect of the rolling three year results to 31 October 2008 include:**

Growth Options SuperRatings Index	+ 1.1% p.a.
Australian Share Options SuperRatings Index	+ 1.4% p.a.
International Share Options SuperRatings Index	- 4.0% p.a.
Property Options SuperRatings Index	- 4.5% p.a.
Capital Stable Options SuperRatings Index	+ 3.2% p.a.
Cash Options SuperRatings Index	+ 5.3% p.a.

**Other key results in respect of the rolling five year results to 31 October 2008 include:**

Growth Option SuperRatings Index	+ 5.9% p.a.
Australian Share Option SuperRatings Index	+ 8.4% p.a.
International Share Option SuperRatings Index	+ 1.2% p.a.
Property Option SuperRatings Index	+ 1.4% p.a.
Capital Stable Option SuperRatings Index	+ 5.3% p.a.
Cash Option SuperRatings Index	+ 5.0% p.a.

## 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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More Info?? Simply go to our website  
[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 this week. The "SuperRatings' Index" as shown in the tables is the median result of all 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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