

MEDIA RELEASE

2 April 2009

FEBRUARY DOWN BUT NOT OUT AS MARCH BOUNCES BACK FOR SUPER FUNDS, PLUS THE SIMPLE ANSWER BEHIND RETAIL VERSUS NOT FOR PROFIT FUND PERFORMANCE

Highlights (Median Fund)*

The month of February 2009	- 3.66%
3 Months ending 28 February 2009	- 5.99%
Financial year to 28 February 2009	- 18.32%
12 months ended 28 February 2009	- 19.73%
Rolling 3 year return to 28 February 2009	- 3.5% pa
Rolling 5 year return to 28 February 2009	▲ 3.67% pa
Rolling 7 year return to 28 February 2009	▲ 3.95% pa
Rolling 10 year return to 28 February 2009	▲ 4.77% 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.

Despite a further 3.66% median drop for super funds' balanced options in February, March is set to recoup the loss and finally add some positive cash flow to Australians' super accounts. A sharp rally in both Australian and International share markets should see many balanced options recording close to a 4% increase for March, offsetting not only February but part of January's losses as well. In what is a clear lesson to consumers on the risk of trying to time markets, this March mini rally has surprised many by both its timing and degree. So for those who switched at the end of February to cash, their minds must be spinning over just what to do next!

Notwithstanding the above, Australian super funds' balanced options are still set to deliver negative returns for the second year running and in all likelihood these returns will be in the double digits. However, as shown in the tables on following pages, medium term results of super funds' key investment options remain sound with only international share options recording a 5 year median negative result (-2.8% per annum). Australian Share options (+4.5% per annum); Growth options (+2.5% per annum) and Balanced options (+3.7% per annum) all recorded results which, given the current economic climate, could be considered as reasonable.



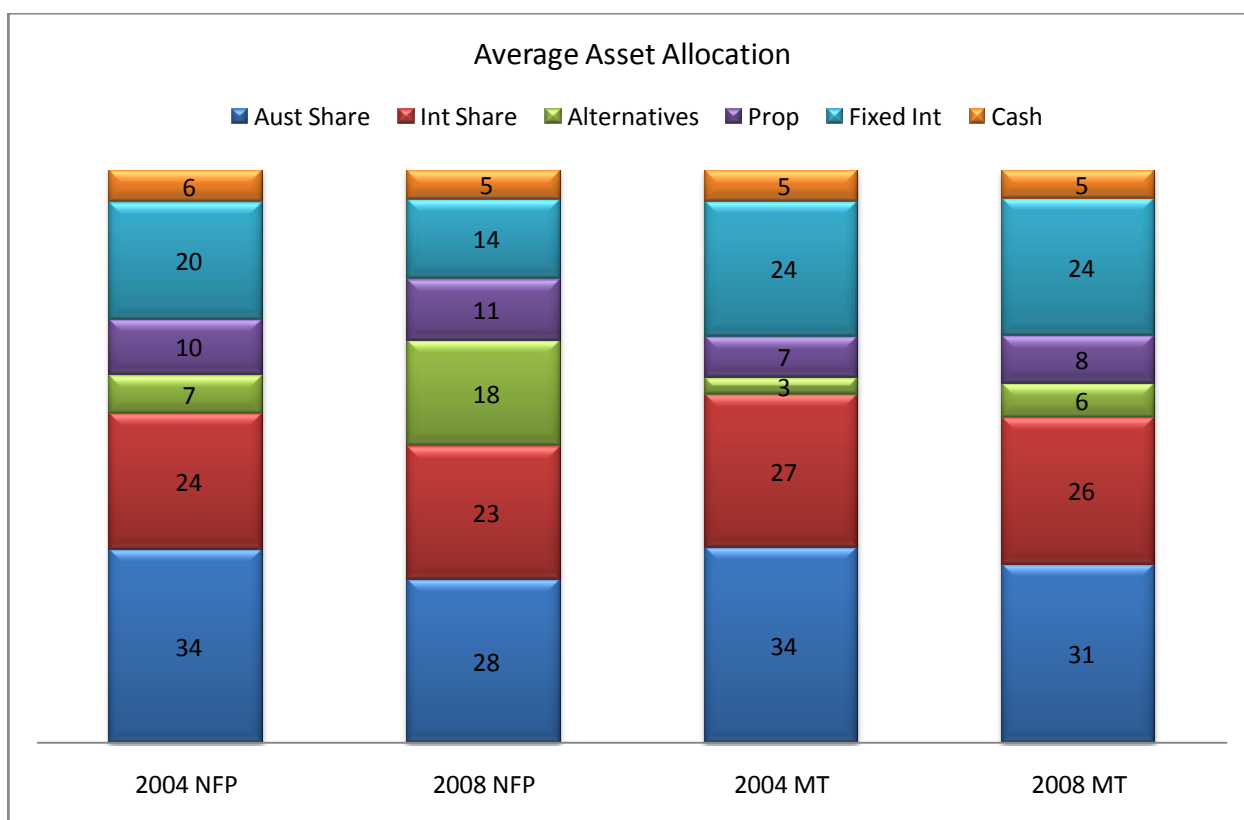
THE SIMPLE ANSWER BEHIND RETAIL VERSUS NOT FOR PROFIT FUND PERFORMANCE

For many years debate has raged about the performance differential between these two sectors. However, there is no rocket science in the answer. Not for Profit funds have outperformed their retail counterparts due predominately to their asset allocation decisions over the last 10 years. A number of simple, but important issues have created the outperformance:

- Retail funds have traditionally been “true to label” meaning that despite market volatility and asset class outlooks, balanced portfolios are rebalanced, usually daily, back to their strategic asset allocation (SAA). So, as markets increase/decrease in value, the percentage allocation to each asset class is maintained, irrespective of the outlook.
- In contrast, many Not for Profit funds actively take “tilts” on their asset allocation, often due to the outlook of different markets. For example, one asset consultant’s recommendation of overweighting their clients’ Australian share portfolios in early 2003 at the expense of International equities is an excellent example of a tactical asset allocation tilt (TAA). That decision led most of their clients to well above average performance over the following four years. If a fund gets more TAA decisions right than wrong, then out performance will most likely ensue.
- Retail funds have favoured Listed Property Trusts as their preferred property vehicle over recent years, against the Not for Profit’s penchant for direct property. This led to the retail funds outperforming their Not for Profit counterparts right up to October 2007 in the property sector as the listed markets completed their four and a half year bull run. However, since then, this one asset class has been the biggest contributor to the differential between the sectors, with the median twelve month return from retail funds showing as negative 49.9% against the Not for Profit median of negative 6.5%. Based on a 10% allocation to property in a balanced portfolio, this would be equivalent to a 4.34% performance differential over the last twelve months.
- Retail funds have been reluctant to commit to alternative investments such as infrastructure and private equity investments (with an exposure of just 6% against the Not for Profit sector’s 18%), citing possible liquidity issues. However, the Not for Profit sector embraced these asset classes in the first half of this decade and the early adopters have reaped rewards ever since. Aside from the potential returns from these sectors, by definition they should not display the volatility of listed markets, something that has assisted the Not for Profit funds over the past 15 months.
- There remain significant differentials between current asset allocations (see graph on next page). There is a 10 percentage point gap in Fixed Interest allocations; a 12 percentage point gap in exposure to alternatives; and the Not for Profit sector has held lower exposures to both Australian and International share markets during the Global Financial crisis.

On an overall basis, and with the exception of the property sector, the differential between retail funds and Not for Profit funds at sector level over the last 5 years is between 1.2% and 1.8% per annum, around half of which can be accounted for by fees (see table on next page).

The first column shows the average asset allocation of a Not for Profit fund in December 2004 whilst the second column reflects changes over the four years to 31 December 2008. The third and fourth columns show the same statistics but for the retail funds. As can be seen, the retail funds have made few changes to their allocations over the past four years whilst the Not for Profit sector continues to move assets around. The big gaps between fixed interest and alternative assets will by definition create large disparities in performance.



The table below ignores the asset allocation of funds and looks more at sector level performance over the past five years (to 28 February 2009). As can be seen, apart from the property exposures, there has been between a 1.2% and 1.8% per annum difference in performance across the key asset classes.

FIVE YEAR MEDIAN RETURNS BY FUND TYPE PER ANNUM

Type of Fund/Option	Cash	Fixed Interest	Property	International Equities	Australian Equities
Retail MasterTrusts	+ 3.89%	+ 3.08%	- 7.51%	- 3.42%	+ 3.41%
Not for Profit	+ 5.08%	+ 4.88%	+8.30%	- 2.07%	+ 5.07%
Industry Median	+ 4.89%	+ 4.41%	- 2.52%	- 2.81%	+ 4.54%



So, as can be seen by the following tables, the Not for Profit funds continue to dominate our performance tables due predominately to ongoing asset allocations decisions which in the main, have benefitted consumers. It remains to be seen whether there is an “elephant in the room” regarding unlisted asset revaluations, but so far it certainly seems to be camouflaging itself well, if in fact an elephant exists!

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 28 February 2009 per annum compound returns
1 MTAA Super Balanced	+ 8.1 %
2 Buss(Q) - Balanced Growth	+ 6.6 %
3 HOSTPLUS – Balanced	+ 6.2 %
4 AustralianSuper - Balanced Option	+ 6.1 %
5 Cbus - Core Strategy	+ 6.0 %
6 Catholic Super - Balanced	+ 5.6 %
7 Vision SS – Balanced Growth	+ 5.4 %
8 UniSuper Accum (1) – Balanced	+ 5.1 %
9 OSF Super – Mix 70	+ 5.0 %
10 Intrust Core Super - Balanced	+ 4.7 %
Top Quartile	+ 4.6%
SuperRatings' Median Index	+ 3.7%
Bottom Quartile	+ 2.0%

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



TOP 10 GROWTH INVESTMENT OPTIONS* OVER LAST 5 YEARS

Fund and Option Description	5 years to 28 February 2009 per annum compound returns
1 HOSTPLUS – Shares Plus	+ 5.3 %
2 UniSuper Accum (1) - Growth	+ 5.3 %
3 REST - Diversified	+ 5.0 %
4 REST – Core Strategy	+ 5.0 %
5 OSF Super – Mix 90	+ 4.9 %
6 AustralianSuper – High Growth	+ 4.8 %
7 Catholic Super – Moderately Aggressive	+ 4.6 %
8 Media Super - Growth	+ 4.5 %
9 Sunsuper Solutions - Growth	+ 4.2 %
10 ESI Super – Growth Option	+ 4.0 %
Top Quartile	+ 4.0 %
SuperRatings' Median Index	+ 2.5%
Bottom Quartile	+ 1.2%

*Growth Fund Options with between 77% and 90% of assets in growth style investments.
All results are net of fees and tax.



TOP 10 AUSTRALIAN SHARES INVESTMENT OPTIONS* OVER LAST 5 YEARS

Fund and Option Description	5 years to 28 February 2009 per annum compound returns
1 HOSTPLUS – Australian Shares	+ 6.4 %
2 REST – Australian Shares	+ 6.1 %
3 Combined Fund – Australian Shares	+ 6.0 %
4 Westscheme – Australian Shares	+ 5.7 %
5 MTAA Super – Australian Shares	+ 5.6 %
6 Intrust Core Super – Australian Shares	+ 5.6 %
7 Catholic Super – Australian Shares	+ 5.6 %
8 Telstra Super Corp Plus – Australian Shares	+ 5.5 %
9 Mercer Super Trust – Mercer Australian Shares	+ 5.5 %
10 ING Corp – ING Australian Shares	+ 5.2 %
Top Quartile	+ 5.3 %
SuperRatings' Median Index	+ 4.5 %
Bottom Quartile	+ 3.4%

* All results are net of fees and tax.



TOP 10 INTERNATIONAL SHARES INVESTMENT OPTIONS* OVER LAST 5 YEARS

Fund and Option Description	5 years to 28 February 2009 per annum compound returns
1 Hunter Hall – International Equity Portfolio	+ 2.6 %
2 Catholic Super – Overseas Shares	+ 0.8 %
3 Telstra Super Corp Plus – International Shares	+ 0.6 %
4 REST – Overseas Shares	+ 0.1 %
5 HOSTPLUS – International Shares	- 0.2 %
6 Sunsuper Solutions – International Shares (Unhedged)	- 0.6 %
7 CareSuper – Overseas Shares [^]	- 0.7 %
8 AustralianSuper – International Shares	- 1.0 %
9 Asset Super – International Shares	- 1.1 %
10 Mercer Super Trust – Mercer Overseas Shares (Unhedged)	- 1.5 %
Top Quartile	- 1.1%
SuperRatings' Median Index	- 2.8%
Bottom Quartile	- 3.9%

* All results are net of fees and tax. [^]Interim Rate Returns.



The key thing for consumers is to not only understand why these differentials are occurring, but also to importantly understand the relativity of their own fund's returns. Or in short, understand how their fund's return compares against the comparable broader market. The table below 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 28 February 2009 (taken from the respective SR Universe for each option):

Option Type	Highest	Top Quartile	Median	Bottom Quartile	Lowest
Balanced (60%-76% Growth)	- 13.9%	- 17.2%	- 19.7%	- 22.9%	- 34.1%
Growth (77%-90% Growth)	- 15.6%	- 21.7%	- 25.9%	- 28.6%	- 33.5%
Australian Shares	- 29.0%	- 31.6%	- 33.1%	- 34.7%	- 37.8%
International Shares	- 19.7%	- 23.4%	- 26.2%	- 32.7%	- 42.4%
Capital Stable	- 1.2%	- 4.8%	- 7.5%	- 9.9%	- 17.4%
Property	5.1%	- 5.2%	- 34.5%	- 49.9%	- 59.8%
Cash	7.6%	6.0%	5.3%	4.4%	2.5%

“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 28 February 2009 include:

Growth Options SuperRatings Index	- 6.3% p.a.
Australian Share Options SuperRatings Index	- 6.6% p.a.
International Share Options SuperRatings Index	- 11.9% p.a.
Property Options SuperRatings Index	- 12.9% p.a.
Capital Stable Options SuperRatings Index	+ 0.4% p.a.
Cash Options SuperRatings Index	+ 5.2% p.a.

Other key results in respect of the rolling five year results to 28 February 2009 include:

Growth Option SuperRatings Index	+ 2.5% p.a.
Australian Share Option SuperRatings Index	+ 4.5% p.a.
International Share Option SuperRatings Index	- 2.8% p.a.
Property Option SuperRatings Index	- 2.5% p.a.
Capital Stable Option SuperRatings Index	+ 3.8% p.a.
Cash Option SuperRatings Index	+ 4.9% 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	Conservative Balanced
Growth	High Growth
Australian Shares	Secure
International Shares	Diversified Fixed Interest
Capital Stable	Cash
Property	

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

Click on "Latest Investment Returns" to view the various tables. The website will be updated with all 28 February 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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