

MEDIA RELEASE

21 October 2009

SUPER FUNDS CONTINUE TO RALLY WITH THE SHARE AND PROPERTY MARKETS



Highlights (Median Balanced Option)*

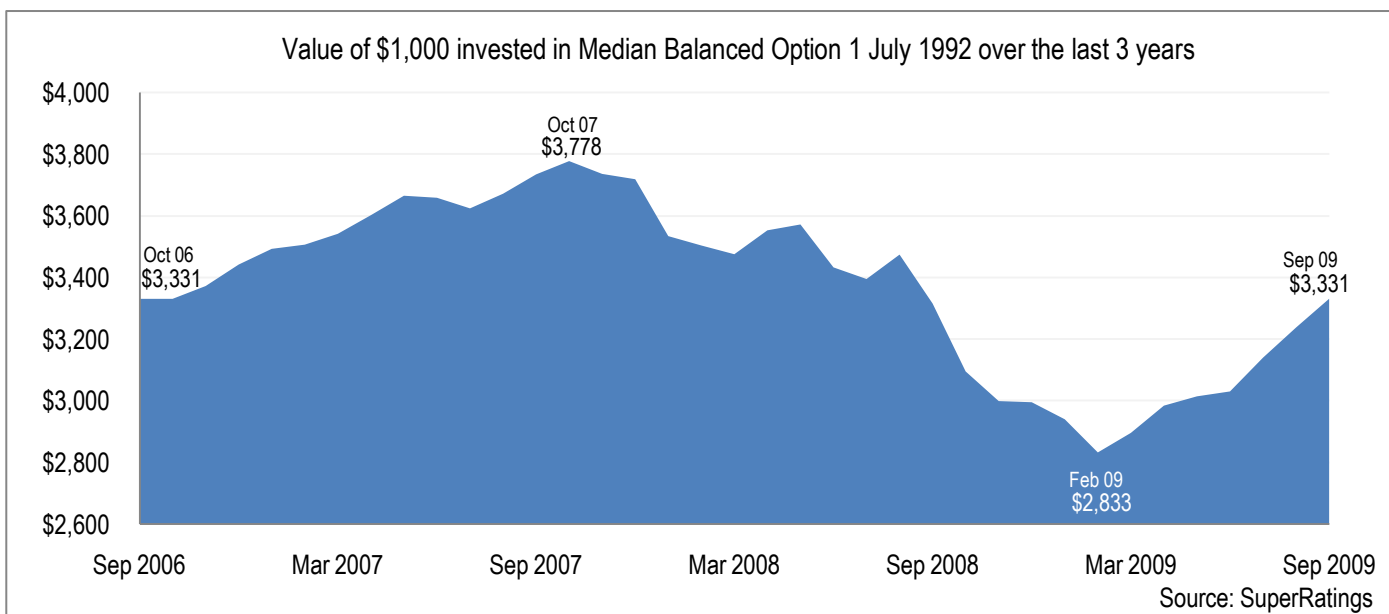
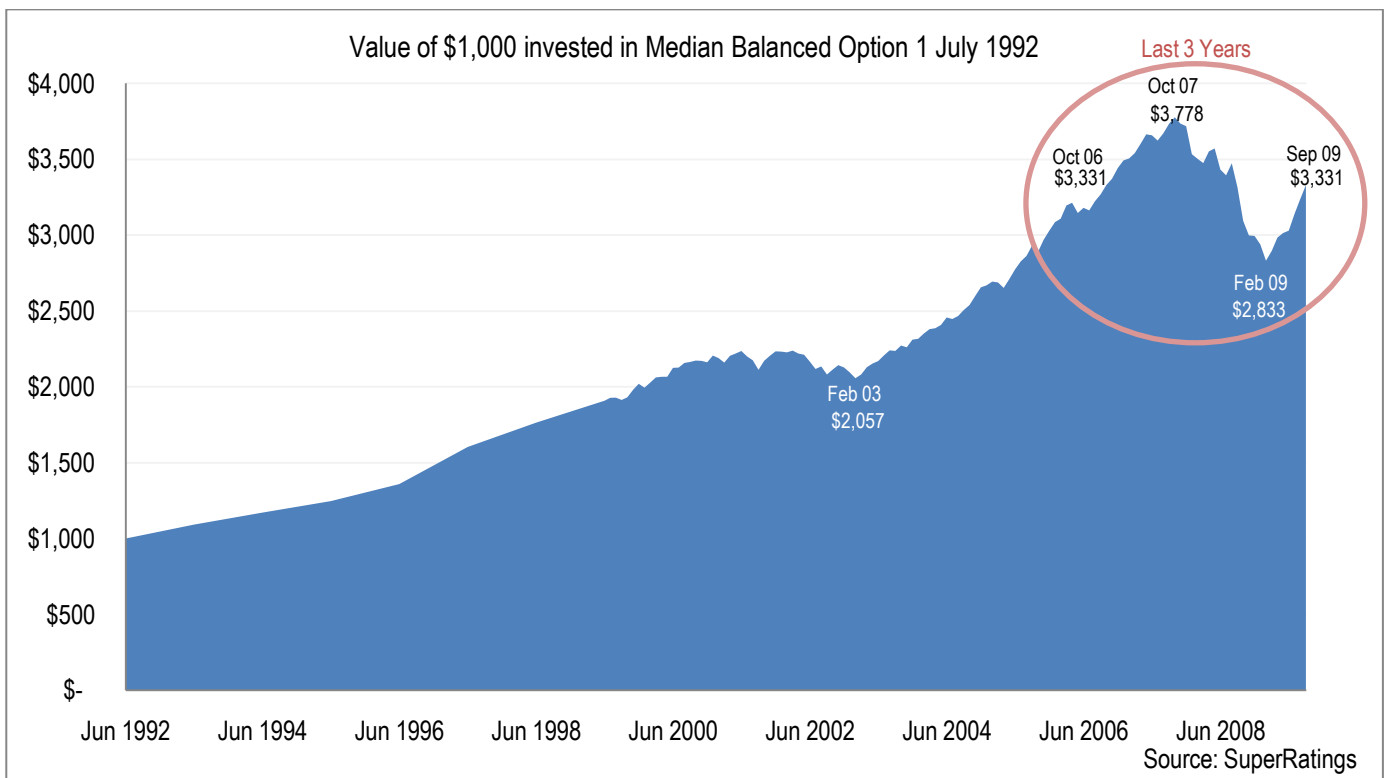
The month of September 2009	▲ 2.55%
3 Months ending 30 September 2009	▲ 9.27%
Financial year to 30 September 2009	▲ 9.27%
12 months ended 30 September 2009	▼ 0.79%
Rolling 3 year return to 30 September 2009	▲ 0.03% pa
Rolling 5 year return to 30 September 2009	▲ 5.55% pa
Rolling 7 year return to 30 September 2009	▲ 6.97% pa
Rolling 10 year return to 30 September 2009	▲ 6.00% 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.

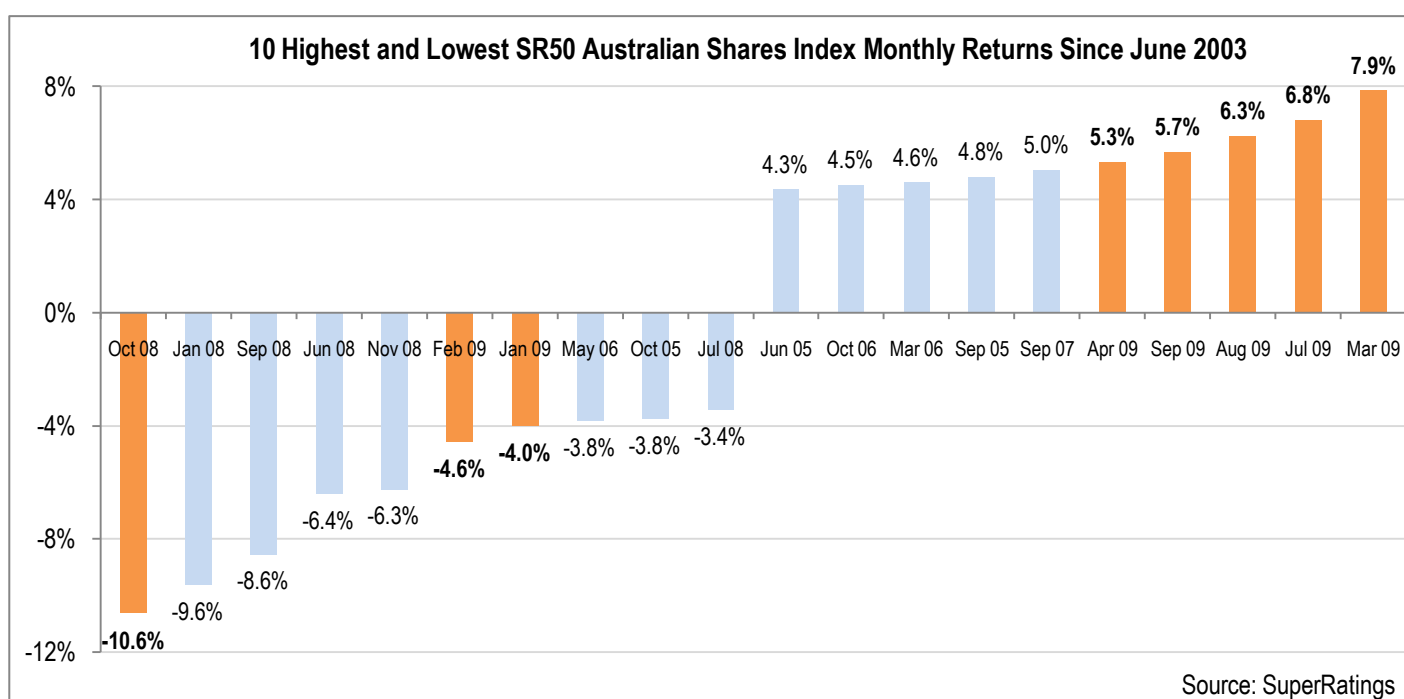
2009 is a year to remember with the 5 highest monthly returns on Australian Share super options in the last five years occurring in the last seven months (see graph on page 3). Never have we seen super funds jump so quickly, with the median one year rolling return on balanced options set to return to positive territory in October despite hovering around minus 20% just seven months ago. An additional 2.55% was added to the median balanced option during the month of September, taking the September quarterly gain to an impressive 9.27% and the overall bounce since super funds bottom in early March to just over 17%. Whilst a great recovery for those who sat through the GFC, it is a very different story for those who panicked by switching to cash earlier this year, who are now some 15%+ behind the average Australian.

Perhaps the most realistic perspective is that despite the whole GFC, the average Australian superannuant in a balanced option is now sitting in exactly the same spot as they sat three ago from an investment point of view (see graph on page 2). A \$1,000 investment in super at the inception of compulsory super on 1 July 1992 had grown to \$3,331 as at 30 September 2006. Three years to the day and that same investment is still worth exactly \$3,331. Depending on which side you take, one could be very pleased in a relative sense (compared to other international pension funds) or disappointed with the lack of growth over the past three years. We suspect that few would be in the latter camp!

As can be seen from the graph below, compulsory super has clearly delivered since its inception. Steady yet unspectacular growth in the early 1990's was followed by strong growth towards the end of the decade and into the early 2000's. Two very poor years in 2001/02 and 2002/03 were followed by a spectacular 5 ½ year boom that saw super funds' median investment return top 83% before tanking by some 33% between October 2007 and November 2008. Like the share market, on which super funds so heavily rely, they continue to bounce back and move towards new highs. Importantly, long term balanced option returns since 1992 continue to average around 4% above inflation, meaning that Australians are truly increasing their wealth and with time, reducing their reliance on the age pension.



In hindsight, 2008 was a great time to avoid Australian share options in our major super funds whilst in 2009 they were the place to be!! Over the past 5 years 2008 threw up the five worst monthly results for Australian share options, whilst 2009 has thrown up the best five. If only it were so easy! Managing Director of SuperRatings, Jeff Bresnahan, reflected as follows, “if you look at all super fund returns since the introduction of compulsory super in 1992, we have never seen such volatile returns as we have over the last two years. Australians need to understand their ability to handle financial risk and once established, ensure that they maintain such a strategy for the long term. Challenges such as the GFC will be thrown at everyone numerous times during their working life and in retirement. The key is in understanding where your money is invested and the potential risk involved with such an investment. Unfortunately, most Australians have no clue as to where their super fund monies lie and the risk associated with same”. As mentioned earlier, those who purport to be able to time markets face a very dangerous game with monthly variations such as those below graphically illustrating the potential losses/gains.



Bold and orange columns signify those that have occurred in last 12 months.

No matter which way one looks at the performance numbers, the key driver for super fund returns over the past seven months has been Australian shares. Whilst international shares have also performed well, the strengthening of the Australian dollar has significantly diluted these markets. For some funds their hedging strategy has been crucial. Fixed interest has been the only other success story over the past twelve months with 6% plus returns evident.

Not surprisingly, funds with higher than average unlisted assets have suffered after significant valuation write downs. The interesting thing is whether those same funds now sit on unrealised gains due to improved market sentiment. Notwithstanding this, it is clear that diversification has led to many funds clearly outperforming others due predominately to their Trustees' willingness to take calculated investment risks, something their members, often mistakenly, believe they do as a matter of course. The range of returns following clearly shows the effect of differing investment strategies within what are essentially similar sounding portfolios.



What these continued gains have done however, is to bring many funds closer to their 5 year objective which for balanced option is traditionally somewhere between CPI + 3% or 3.5% per annum. The current 5 year rolling return is now CPI +2.85% or 5.55% per annum. The table below shows the highest and lowest results for the 12 months ended 30 September 2009 (taken from the respective SR Index for each option):

Option Type	Highest	Top Quartile	Median	Bottom Quartile	Lowest
Balanced (60%-76% Growth)	5.0%	1.3%	- 0.8%	- 3.5%	- 19.8%
Growth (77%-90% Growth)	4.8%	1.3%	- 0.2%	- 2.5%	- 7.8%
Australian Shares	19.5%	12.8%	10.0%	6.9%	- 3.7%
International Shares	7.0%	- 6.3%	- 9.5%	- 11.7%	- 20.5%
Capital Stable	6.5%	4.1%	2.6%	1.1%	- 15.7%
Property	- 6.2%	- 12.3%	- 15.9%	- 21.1%	- 26.2%
Cash	5.7%	3.8%	3.6%	2.9%	1.6%

Overall, Australian super funds have done an excellent job, and to be able to provide members with returns of 5% plus over the past five years is proof of sound investment strategies during various market cycles. 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 30 September 2009 per annum compound returns
1 OSF Super – Mix 70	+ 7.5 %
2 Catholic Super – Balanced	+ 7.3 %
3 Club Plus Super - Balanced Option	+ 7.1 %
4 Telstra Super Corp Plus - Balanced	+ 6.9 %
5 Buss(Q) - Balanced Growth	+ 6.9 %
6 NGS Super – Diversified	+ 6.8 %
7 Cbus - Core Strategy	+ 6.8 %
8 Local Super (SA/NT) – Growth Option	+ 6.6 %
9 AustralianSuper - Balanced Option	+ 6.6 %
10 CareSuper – Balanced [^]	+ 6.6 %
Top Quartile	+ 6.4%
SuperRatings' Median Index	+ 5.6%
Bottom Quartile	+ 4.5%

*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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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 "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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