



# MEDIA RELEASE

22 June 2009

## MAY DELIVERS HATRICK OF POSITIVE RETURNS BUT CONFIRMS DOUBLE DIGIT NEGATIVE FOR 2008/09 – CONSUMERS LOOKING FOR ANSWERS

### Highlights (Median Fund)\*

The month of May 2009	▲ 1.01%
3 Months ending 31 May 2009	▲ 6.25%
Financial year to 31 May 2009	▼ 12.91%
12 months ended 31 May 2009	▼ 16.25%
Rolling 3 year return to 31 May 2009	▼ 1.47% pa
Rolling 5 year return to 31 May 2009	▲ 4.75% pa
Rolling 7 year return to 31 May 2009	▲ 4.98% pa
Rolling 10 year return to 31 May 2009	▲ 5.07% 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.

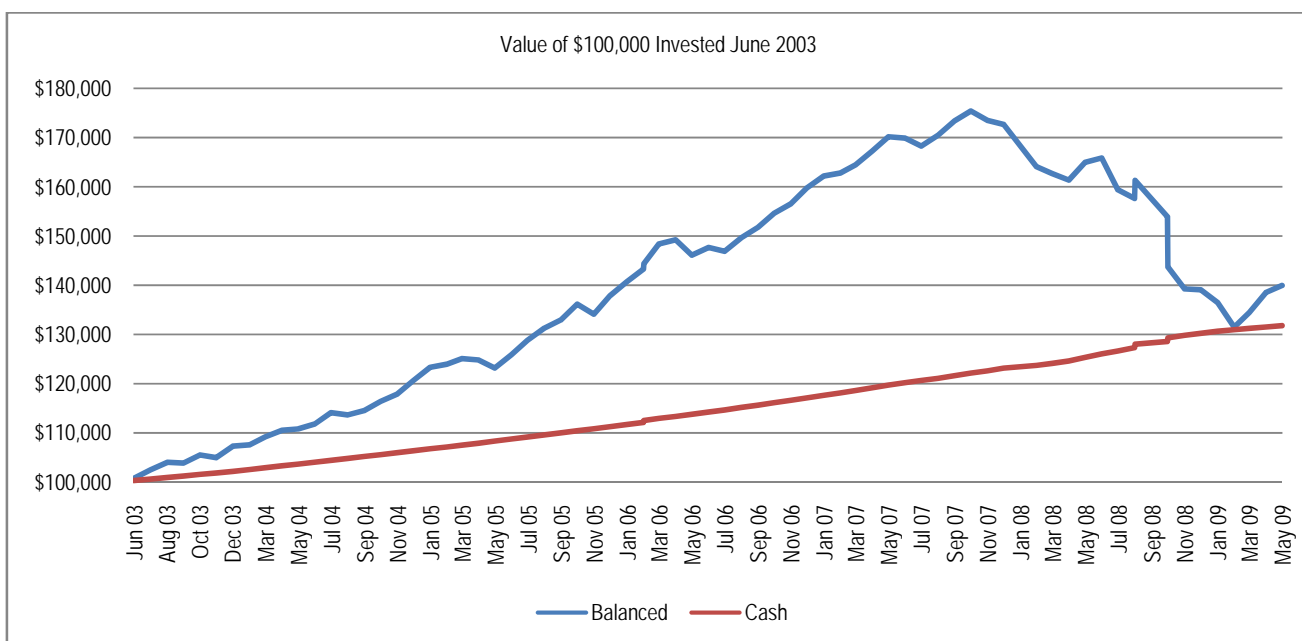
Surging local and particularly international share markets continued to assist Australian super funds in May with the median "Balanced" super option posting a 1.01% positive return for the month, bringing the last three months' turnaround to a positive 6.25%. However, whilst these gains are a welcome relief to investors, it will not be enough to avoid a double digit negative return for the 2008/09 financial year, with most funds expected to post losses around the -10% to -14% mark once results are finalised next month. This will confirm 2008/09 as the worst performing year for superannuation since it became compulsory on 1992. This, following on from a median loss of -6.4% last financial year, reflects the unprecedented impact the Global Financial Crisis has had on all Australians' short and long term savings positions.

Whilst the GFC has decimated many retirees' nest eggs, the longer term strategy of balanced options appears to be holding up with 5, 7 and 10 years annual returns all hovering around 5% per annum compound growth. Despite 2008/09 recording the third negative return for super funds this decade, \$100,000 invested 5 years ago would still have grown to \$126,115, whilst the same investment made 7 and 10 years ago would have grown to 140,522 (see graph later in release) and \$163,978 respectively.

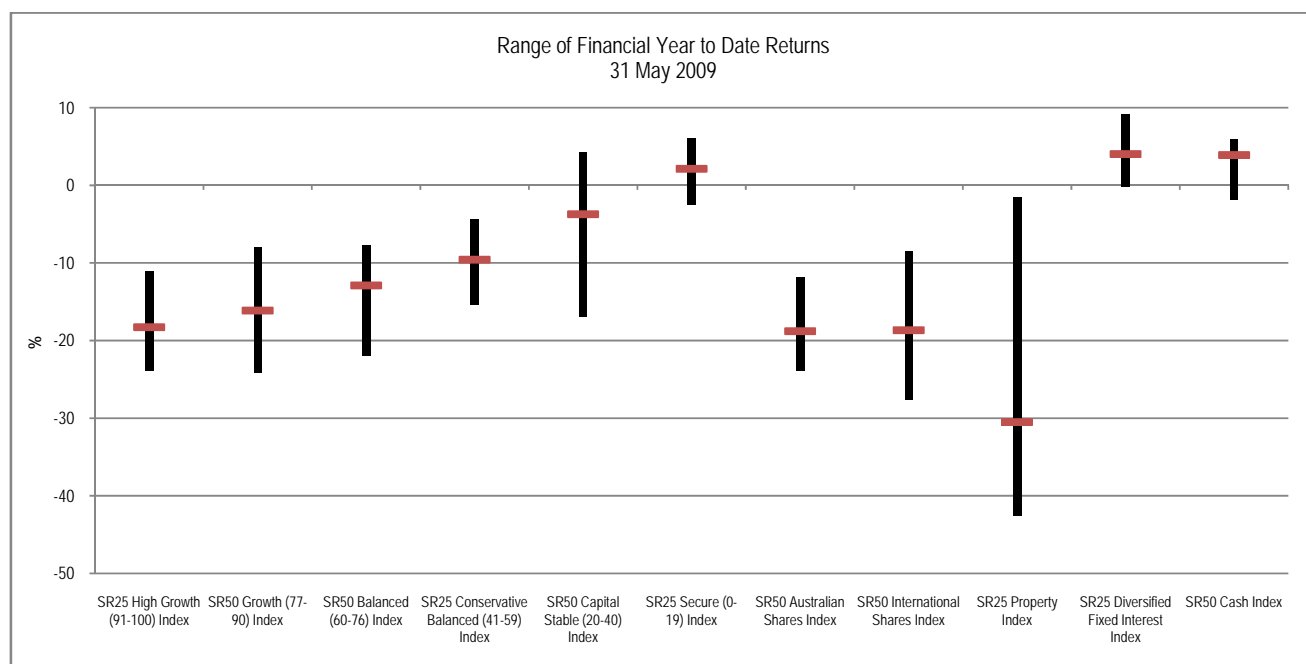
However, the quoting of long term numbers, or the selective use of statistics, does nothing to help those who have lost considerable amounts of money, particularly those close to or in retirement who have a limited opportunity to make good their positions. So, is there someone to blame for these returns or should they be taken as part of the long term nature of superannuation? In short, and despite the temptation to blame the super industry itself, reality says that nearly all consumers have had, for over a decade now, the ability to switch investment options within their own fund. Most (82% of pre retirees) appear, whether through apathy or intentionally, to sit contentedly in balanced and growth style investment options. Just 3.8% of monies in these options have been moved away from these options in the last 12 months.

So, arguably there appears to be massive inconsistency in Australians' approach to financial products. Where a mortgage is concerned, Australians will spend countless hours analysing the terms of same in the hope of saving money over the long term. Most will also accept that markets will move over time and take the odds to a variable interest rate. A minority percentage will lock in fixed rates to protect their short term position. For those who take the variable (and higher risk) rate, they are betting over time that they will pay less than those who need the fixed rates and are prepared to possibly pay more for certainty.

The behaviour of super returns can similarly be structured like the mortgage lending sector. If you are happy with a variable rate and can take a bit of a short term hit but are happy to risk this for longer term gain, then a diversified or aggressive portfolio is arguably the way to go. If you need to protect your position in the short term, then a cash option is your best bet. So, consumers need to understand that everything other than cash in a super fund comes with a degree of risk. The thing with a super fund however, is that the bet between fixed and variable is a much bigger bet than that of a mortgage which can result in much bigger gains and losses, as we have seen this decade. Members can however, dictate just how big that bet is by getting involved in and better understanding their investment option. The graph below demonstrates the volatility of a balanced option against a cash option over the past seven years. As can be seen the gap between the two can become significant and over time it would be expected that the balanced option would deliver significantly higher end benefits (that is of course assuming that history repeats itself and that the GFC is a once in a life time occurrence!).



Once Australians have grasped the concept of risk and reward (or variable versus fixed), then comes the even more daunting task of selecting an appropriate super fund. Many Australians now have the opportunity to select, retain and/or change their own fund throughout their working life, rather than be enrolled automatically by their employer as used to be the case. But choosing a fund can appear even more difficult than selecting a mortgage. Massive disclosure documents serve only to confuse the issue and create a marketing competition between funds to see who can promote themselves best. The real issues of costs and performance often become difficult to extract and compare. But as the following table demonstrates, selecting the right investment option in the wrong fund can mean significant variations in returns.



As can be seen, the best performing Balanced option has lost just 7.75% for the 11 months ended 31 May 2009, whilst the worst comes in at negative 21.93%, a differential of over 14% for the period. The capital stable option shows an even more dramatic range with a high over just over +4% to a low of over negative 16%. So, for those who assume that all funds are the same, the above demonstrates that nothing could be further from the truth.

In terms of overall performance, the last five years has provided an intriguing period to assess super fund's performance with three incredibly strong years, followed by the two worst years on record. The tables following demonstrate those funds that have been able to keep it all together over these unprecedented times.



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 May 2009 per annum compound returns
1 Buss(Q) - Balanced Growth	+ 7.0 %
2 Catholic Super – Balanced	+ 6.5 %
3 HOSTPLUS – Balanced	+ 6.3 %
4 CareSuper – Balanced ^	+ 6.3 %
5 OSF Super – Mix 70	+ 6.1 %
6 Cbus - Core Strategy	+ 6.0 %
7 AustralianSuper - Balanced Option	+ 6.0 %
8 Club Plus Super - Balanced Option	+ 5.8 %
9 NGS Super - Diversified	+ 5.7 %
10 MTAA Super – Balanced ^	+ 5.6 %
Top Quartile	+ 5.4%
SuperRatings' Median Index	+ 4.8%
Bottom Quartile	+ 3.2%

\*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.



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

Fund and Option Description	5 years to 31 May 2009 per annum compound returns
1 OSF Super – Mix 90	+ 6.4 %
2 HOSTPLUS – Shares Plus	+ 6.2 %
3 Catholic Super – Moderately Aggressive	+ 6.1 %
4 REST – Core Strategy	+ 5.9 %
5 REST – Diversified	+ 5.8 %
6 UniSuper Accum (1) – Growth	+ 5.6 %
7 ESI Super - Growth Option	+ 5.4 %
8 CareSuper – Growth ^	+ 5.3 %
9 AustralianSuper – High Growth	+ 5.0 %
10 Health Super – Long-Term Growth	+ 4.9 %
Top Quartile	+ 4.8 %
SuperRatings' Median Index	+ 3.9 %
Bottom Quartile	+ 2.3 %

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



## TOP 10 AUSTRALIAN SHARES INVESTMENT OPTIONS\* OVER LAST 5 YEARS

Fund and Option Description	5 years to 31 May 2009 per annum compound returns
1 Catholic Super – Australian Shares	+ 9.1 %
2 HOSTPLUS – Australian Shares	+ 8.6 %
3 REST – Australian Shares	+ 8.5 %
4 AUSCOAL Super - Australian Shares	+ 8.2 %
5 Telstra Super Corp Plus – Australian Shares	+ 8.0 %
6 Intrust Core Super – Australian Shares	+ 7.9 %
7 Mercer Super Trust – Mercer Australian Shares	+ 7.8 %
8 ING Corp – ING Australian Shares	+ 7.8 %
9 Westscheme – Australian Shares	+ 7.8 %
10 CareSuper – Australian Shares ^	+ 7.4 %
Top Quartile	+ 7.5 %
SuperRatings' Median Index	+ 7.1 %
Bottom Quartile	+ 6.2 %

\* 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 31 May 2009 per annum compound returns
1 Hunter Hall - International Equity Portfolio	+ 2.6 %
2 NGS – International Shares	+ 2.6 %
3 Telstra Super Corp Plus – International Shares	+ 2.3 %
4 Catholic Super – Overseas Shares	+ 1.9 %
5 HOSTPLUS – International Shares	+ 1.7 %
6 CareSuper – Overseas Shares^	+ 1.1 %
7 REST – Overseas Shares	+ 0.7 %
8 AustralianSuper – International Shares	+ 0.3 %
9 ESI Super - International Equities	+ 0.1 %
10 AUSCOAL Super - International Shares	- 0.9 %
Top Quartile	+ 0.1%
SuperRatings' Median Index	- 2.0%
Bottom Quartile	- 3.4%

\* 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

## 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 May results this week. 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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