

MEDIA RELEASE

22 July 2009

FUNDS STRUGGLE TO FINALISE RETURNS AMID VOLATILITY

Continued market volatility, and record losses for Australia's major super funds, have combined to delay a number of funds' declaration of their final earning rates to members for 2008/09.

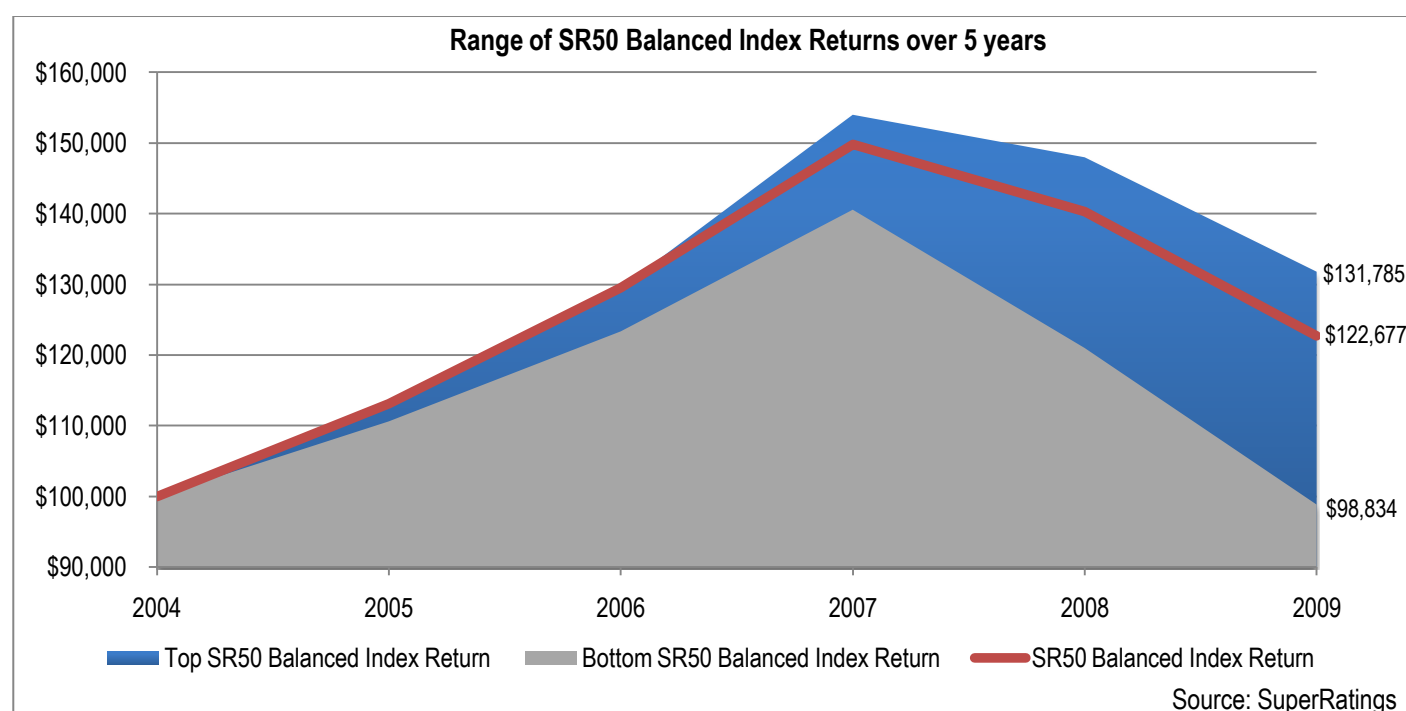
SuperRatings' Managing Director, Jeff Bresnahan, made the following comments on this matter: "Just over 55% of funds have been able to provide their final earning rates by the close of business yesterday, well below SuperRatings' expectations. It would appear that among those yet to declare final rates are a number of funds expected to feature predominately amongst the best performers for the year".

The delay is due to a multitude of things, but primarily relate to the not for profit sector and include:

- The need to finalise additional revaluations for unlisted assets
- The need for more certainty of tax implications in a negative earning environment
- The need to run interim reviews to accurately determine member protection costs which balloon in negative investment times

Despite the delay, and for the third time this decade, a negative median return is going to lead to a massive range between the best and worst balanced options. In 2008/09 this range is expected to be some 17%, whilst in the other negative return years of 2001/02 and 2007/08 the ranges were 11.2% and 18.4% respectively. This contrasts sharply with positive earning years where the range has been confined to a single digit range of between 6.2% and 9.5% over a 12 month period, demonstrating that when funds make poor investment decisions, poor results tend to be exacerbated in times of market declines.

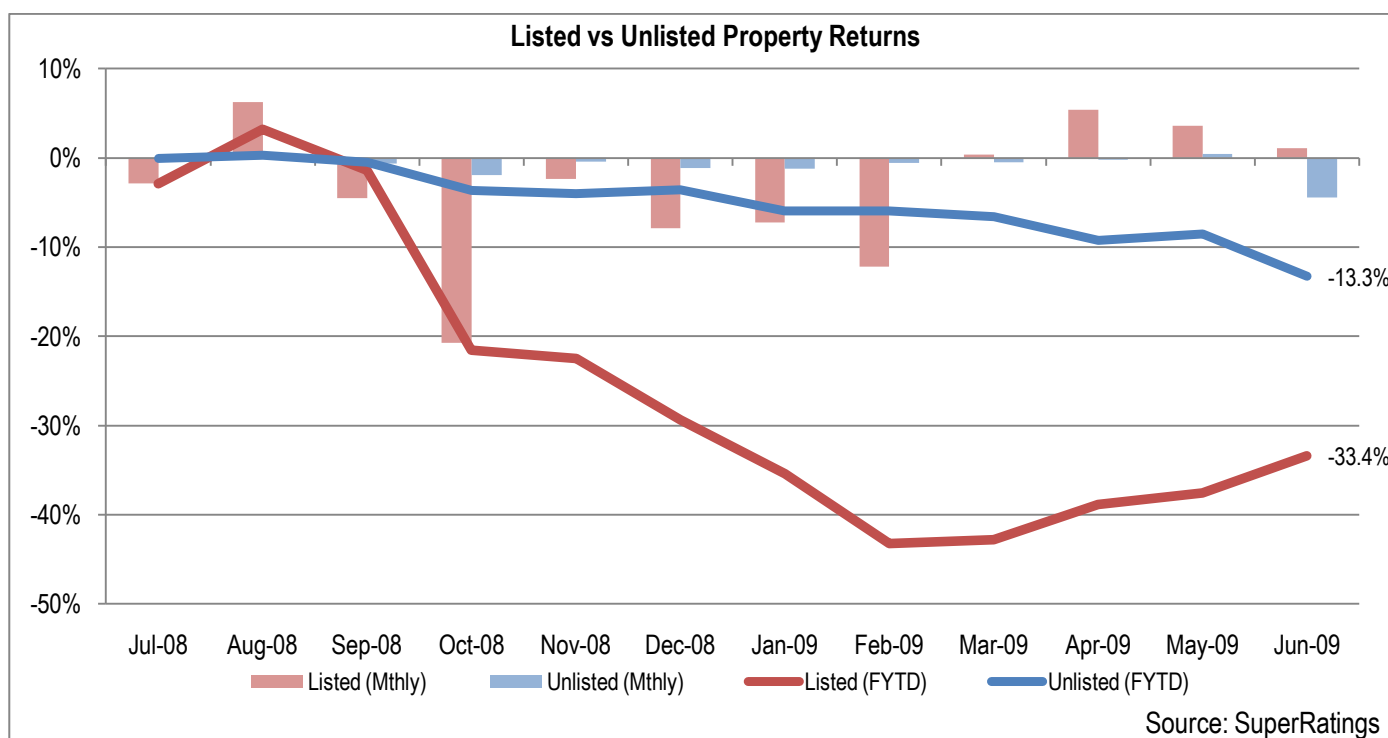
The recent wide ranging spread of investment returns should be of considerable concern to consumers who effectively believe that balanced funds behave in a similar manner, which is clearly not the case. As the graph below shows, the top, median and bottom balanced option performance over the past 5 years, drawn from our largest 50 funds with current data, will have led to extremely different outcomes for consumers:



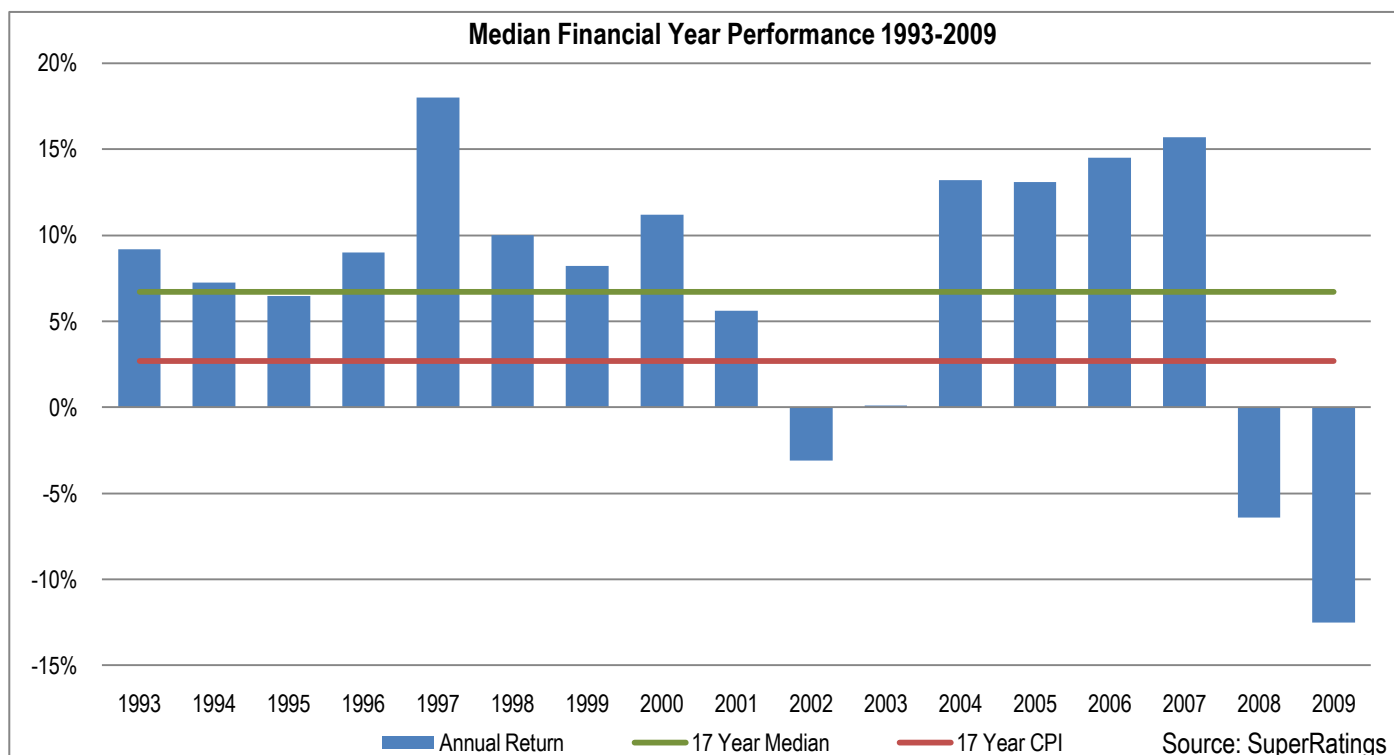
In just 5 years a consumer would be up to some 33% worse off than their next door neighbour, simply by being a member of the wrong fund. Even against the median result, those in the poorest performing fund will be some 24% worse off than most.

Significant differentials in annual and long term earning rates are mostly attributable to asset allocation, with fees being a secondary contributor. What is clear is that those funds that took on unlisted assets in the late 1990's and early 2000's have benefited greatly from this strategy. These allocations were predominately at the expense of fixed interest allocations which performed poorly in relative terms over the period since. Those unlisted assets have also demonstrated much lower volatility than their listed counterparts. This is best demonstrated by the listed versus direct property markets over the past twelve months. Whilst listed property options within super funds were absolutely decimated from July to February, only to partially rebound over the last four months, their unlisted property options cousins showed only a gradual decline until June when downward revaluations accelerated. In this regard Bresnahan commented: "It remains to be seen just how long the performance lag is for unlisted assets and whether rebounding listed markets will once again put a floor under unlisted revaluations".

Over the past twelve months, the median listed and unlisted property options within our mainstream super funds have behaved as follows:



On an overall basis however, many Australian super funds continue to deliver long term value – despite seeing investment falls of approximately 20% over the past two years. In fact, the median balanced option return since the introduction of compulsory super in July 1992 has yielded Australians a return some 4% per annum above the prevailing inflation rate as the following graph demonstrates:



So, diversified balanced portfolios are, at least for the moment, delivering on a long term basis in line with expectations. Further if history is any guide, Australians can finally look forward to seeing some positive returns emanating from their super fund in 2009/10.

END OF RELEASE

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 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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