

# MEDIA RELEASE

23 November 2009

## DO SUPER FUNDS HAVE INDIGESTION OR THE ONSET OF FOOD POISONING



### Highlights (Median Balanced Option)\*

The month of October 2009	▼ 1.05%
3 Months ending 31 October 2009	▲ 4.62%
Financial year to 31 October 2009	▲ 8.24%
12 months ended 31 October 2009	▲ 5.85%
Rolling 3 year return to 31 October 2009	▼ 0.97% pa
Rolling 5 year return to 31 October 2009	▲ 5.11% pa
Rolling 7 year return to 31 October 2009	▲ 6.35% pa
Rolling 10 year return to 31 October 2009	▲ 5.55% pa

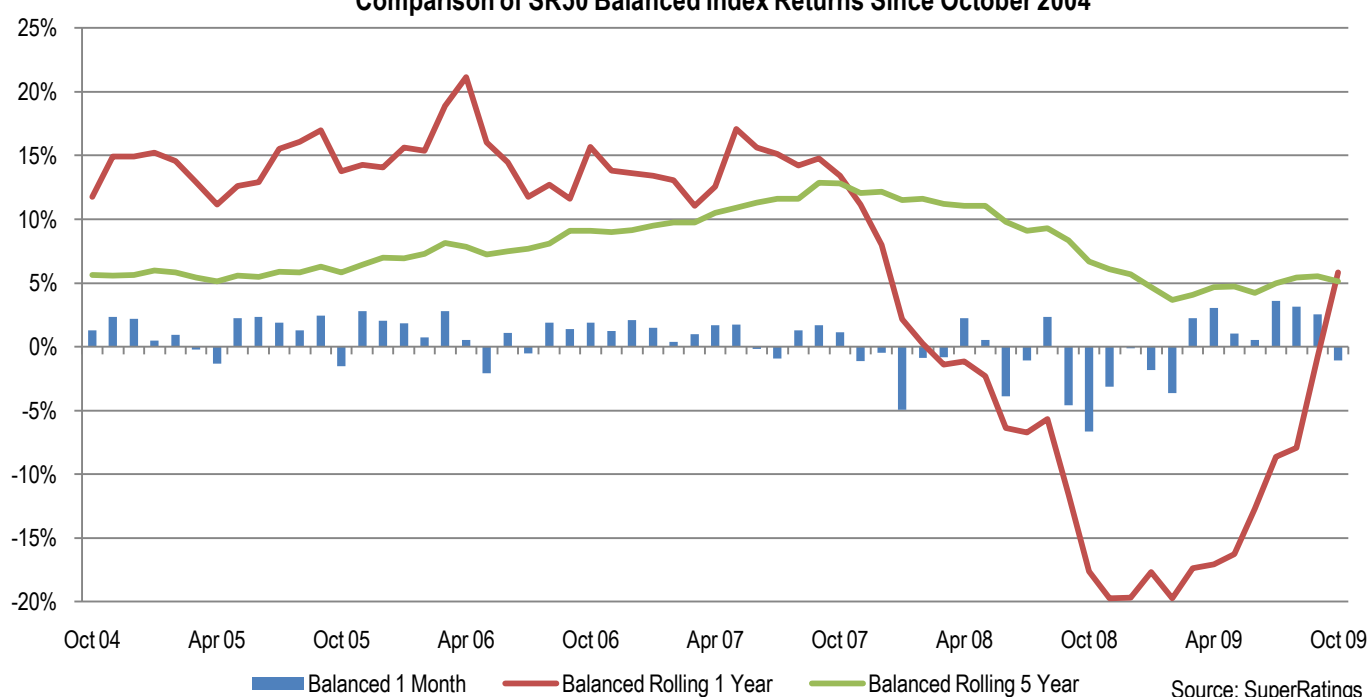
\*Median Option refers to "balanced" option with exposure to growth style assets of between 60% and 76%. Approximately 80% of Australians in our major super funds are invested in their fund's default investment option which in most cases is the balanced investment option. Returns are net of fees and tax.

October marked the first possible sign that super funds' incredible fight back may have come to an end. On the back of declining local and international share markets, and a continually strong dollar, the median Australian super funds' balanced option posted its first negative return in eight months, with a median loss for the month of 1.05%. However, whether this is a sign that worse is to come or just a hiccup in the overall recovery is well and truly open to debate. As can be seen from the graph overleaf, the short term recovery by our super funds has been nothing short of amazing, fuelled obviously by listed markets which in turn have been ably assisted by a multi billion dollar injection into the Australian share market over the six months to the end of September by our major super funds.

Our median balanced option's exposure to Australian and international share markets bottomed as at the end of March this year at 28.5% and 22.4% respectively. This virtually coincided exactly with the bottom of the various share markets in early March 2009. From there our super funds have clearly been allowing their exposure to creep upwards, although still down from their respective allocation peaks just prior to the GFC of 32.1% for Australian shares and 24.9% for international shares as at the end of September 2007. All of this has meant consumers continue to see returns well ahead of where most people thought they would be just eight short months ago.

As can be seen from the graph below, the rolling twelve month return for our median balanced option has shown extreme volatility with a change over the past seven months of over 25%. Whereas as at the end of February 2009, the median balanced option was showing a loss of 19.7%, just eight months later the rolling twelve month median return was 5.9% positive. Conversely, the five year median annualised return has moved from a positive 3.7% as at the end of February to a positive 5.1% as at the end of October, reflecting the lower volatility of long term performance. Add to this that the range between the best and worst balanced option over the last twelve months is over 26% whilst comparatively over 5 years the gap falls to just over 5.5% per annum, and it is clear that consumers should not react to short term results. Whilst it is critical to understand what funds' performance is on a relative basis, there will normally be many reasons for short term performance disparity. However, measuring performance over 5 to 7 years, provides a much clearer picture of just how funds have performed and should be a key trigger for consumers to consider switching funds.

**Comparison of SR50 Balanced Index Returns Since October 2004**



Whilst the performance reporting debate continues with a vengeance within the industry, and has now sucked in everyone including the regulator, the poor old consumer continues to sit by blindly without any further help as to what risk various investment options carry. Historical measures, introduced as a necessity with the onset of the S.I.S. legislation in 1993, as part of defining an options' "investment objective", have failed miserably and require a complete rethink.

Irrespective of the above debate, and no matter which way one looks at the performance numbers, the key driver for super fund returns over the past eight 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 8% 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 over the long term 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 +2.4% or 5.1% per annum. The table below shows the highest and lowest results for the 12 months ended 31 October 2009 (taken from the respective SR Index for each option):

Option Type	Highest	Top Quartile	Median	Bottom Quartile	Lowest
Balanced (60%-76% Growth)	11.1%	7.4%	5.9%	2.7%	- 15.5%
Growth (77%-90% Growth)	12.1%	8.9%	6.5%	4.6%	- 0.6%
Australian Shares	42.5%	23.7%	20.8%	18.4%	8.1%
International Shares	11.8%	2.4%	- 5.2%	- 9.6%	- 15.6%
Capital Stable	11.0%	6.8%	5.6%	4.5%	- 12.3%
Property	3.3%	- 3.3%	- 6.9%	- 11.7%	- 17.0%
Cash	5.1%	3.4%	3.1%	2.6%	1.3%

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 31 October 2009 per annum compound returns
1 OSF Super – Mix 70	+ 7.1 %
2 Catholic Super – Balanced	+ 6.7 %
3 Buss(Q) - Balanced Growth	+ 6.6 %
4 Local Super (SA/NT) – Growth Option	+ 6.6 %
5 NGS Super – Diversified	+ 6.4 %
6 Telstra Super Corp Plus - Balanced	+ 6.4 %
7 Cbus - Core Strategy	+ 6.3 %
8 CareSuper – Balanced^	+ 6.2 %
9 AustralianSuper - Balanced Option	+ 6.1 %
10 UniSuper Accum (1) - Balanced	+ 6.0 %
Top Quartile	+ 5.8%
SuperRatings' Median Index	+ 5.1%
Bottom Quartile	+ 3.9%

\*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

## 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 "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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