

MEDIA RELEASE

25 March 2010

SUPER REGULATOR GETS THIS ONE SO WRONG – AGAIN



Highlights (Median Balanced Option)*

The month of February 2010	▲ 0.84%
3 Months ending 28 February 2010	▲ 0.98%
Financial year to 28 February 2010	▲ 10.66%
12 months ended 28 February 2010	▲ 17.59%
Rolling 3 year return to 28 February 2010	▼ 2.10% pa
Rolling 5 year return to 28 February 2010	▲ 4.21% pa
Rolling 7 year return to 28 February 2010	▲ 7.20% pa
Rolling 10 year return to 28 February 2010	▲ 5.26% pa

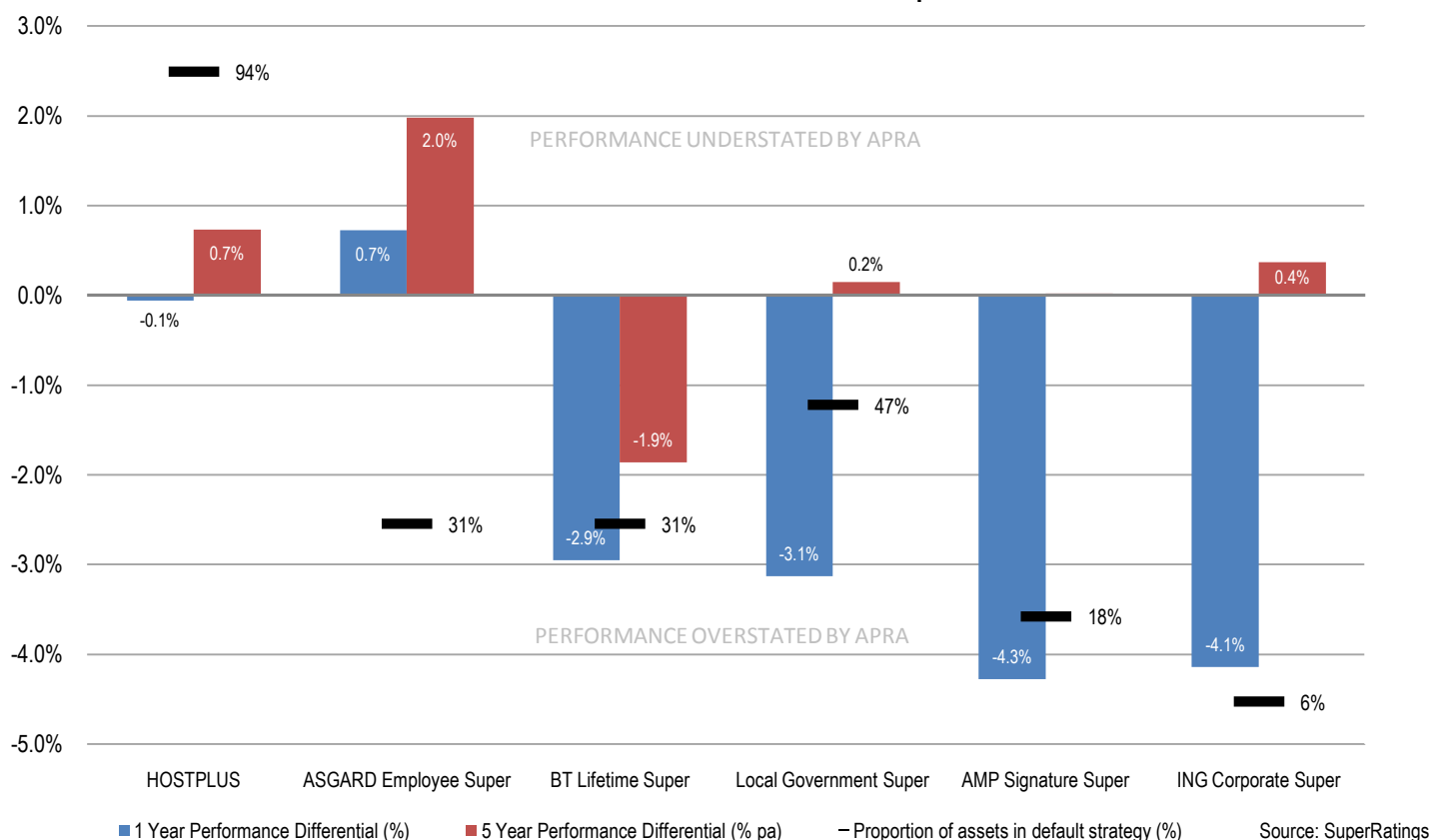
*Median Option refers to “balanced” option with exposure to growth style assets of between 60% and 76%. Approximately 80% of Australians in our major super funds are invested in their fund’s default investment option which in most cases is the balanced investment option. Returns are net of fees and tax.

Despite the Australian share market continuing to contribute outstanding results to Australian’s super accounts over the past twelve months, with the median balanced option up 17.6% to the end of February, industry regulator, APRA, yesterday publically released performance data that to the general consumer has the potential to completely undermine confidence in the system and in some cases, be the catalyst for people to switch super funds using incorrect information.

Aside from releasing information that is almost nine months old, the regulator has for the second year running released performance data that has no relevance to consumers and in many cases completely mis-represents the performance of many of Australia’s largest funds. In APRA’s own words “The return for individual members is likely to be different from the whole-of-fund rate of return” (i.e. APRA’s numbers). Why then release the information in the first place? It is unthinkable that, at a time when the government is running multiple enquiries into the superannuation system, that its main regulator can get it so wrong.

In short, APRA has released the performance data of Australia’s top 200 funds, not sorted by which investment options Australians have invested in, but by combining all options within a fund together (in one case this is 2,752 options) and then establishing an overall rate of return (“ROR”) for that fund. This is like looking at the All Ordinaries Index when deciding whether to buy or sell a 20 cent stock. These meaningless statistics should never be released and could almost be described as irresponsible reporting.

Performance Differential between APRA Statistics and Balanced Option Returns as at 30 June 2009



So, why are APRA's figures so wrong? The simple reasons are that the demographics and engagement by members vary widely between funds. In many funds the percentage of members who default to the main investment option is considerably less than 50%, whilst in many others the rate is well above 90%. The lower the level of investment in a fund's default option, the further from reality the APRA figure becomes. The variance can be either overstating or understating actual performance. As the graph above shows, a member in ASGARD's Employer Super SMA balanced option (their default option), looking at APRA's tables as at 30 June 2009, would think that they had earned 2.3% per annum over the last 5 years. In fact, they actually earned 4.2% per annum, a differential of almost 2% per annum. Similarly, an investor in ING Corporate Super's Balanced Growth option would actually see a figure some 4.1% better than they actually achieved over 1 year, but then 0.4% per annum understated over a five year period.

The superannuation industry has throughout the 2000s accepted the use of performance tables and for this they are to be applauded from a transparency perspective. But, when a government runs multiple enquiries, one of which is specifically looking at the efficiencies of the industry (The Super System Review), and their own regulator thinks that close enough is good enough, then we really have a major disconnect in goals. Jeremy Cooper, the head of the Government's Super System Review, is to be commended on his focus on driving fees down. After all, a half of one percent reduction in fees results in over \$700 million worth of additional super for Australians. But for the regulator to then publish data that intimates that 4% of assets are neither here nor there, then it undermines and trivialises the whole review process.

So, in an effort to once again demonstrate that timely information is available, SuperRatings has provided consumers with an unlimited list of performance over the last 1, 3, 5 and 7 years for over 4,500 investment options covering Australia's major super and pension funds. The lists, effective 31 December 2009 (super and pension), are both attached and available free of charge via our website at www.superratings.com.au



On the investment front, February once again saw Australia's major super funds clawing back lost ground since the onslaught of the Global Financial Crisis in November 2007. The median balanced option returned 0.84% with the financial year to date figure improving to 10.66%. Given strong equity markets in March, it is fair to say that, barring another market melt-down, Australians can look forward to a strong positive result on their 30 June 2010 statements, in stark contrast to last financial year's 12.9% median loss and the 6.4% loss the year before.

BEST AND WORST FUND OPTION PERFORMANCE OVER LAST 12 MONTHS

Option Type	Highest	Top Quartile	Median	Bottom Quartile	Lowest
Balanced (60%-76% Growth)	32.9%	21.7%	17.6%	15.2%	-7.9%
Growth (77%-90% Growth)	34.2%	27.5%	23.7%	19.4%	13.4%
Australian Shares	52.0%	44.8%	42.5%	39.0%	24.0%
International Shares	41.5%	23.7%	15.9%	9.1%	2.5%
Capital Stable	18.5%	13.5%	12.1%	10.0%	-5.7%
Property	46.7%	38.2%	19.5%	- 3.3%	- 14.6%
Cash	5.5%	3.5%	3.0%	2.7%	1.0%

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 28 February 2010 per annum compound returns
1 OSF Super – Mix 70	+ 6.4 %
2 Buss(Q) - Balanced Growth	+ 6.3 %
3 Catholic Super – Balanced	+ 5.8 %
4 Club Plus Super - Balanced Option	+ 5.7 %
5 NGS Super – Diversified	+ 5.6 %
6 CareSuper – Balanced ^	+ 5.5 %
7 Telstra Super Corp Plus - Balanced	+ 5.5 %
8 Local Super – Growth Option	+ 5.4 %
9 Cbus - Core Strategy	+ 5.4 %
10 AustralianSuper – Balanced Option	+ 5.3 %
Top Quartile	+ 5.1%
SuperRatings' Median Index	+ 4.2%
Bottom Quartile	+ 3.0%

*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.



For information please call
Jeff Bresnahan, Managing Director
T 02 9247 4711 M 0411 472 470

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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