

# MEDIA RELEASE

30 June 2010

## JUNE WOES DROP SUPER FUND RETURNS BELOW DOUBLE DIGIT

### Highlights (Median Fund)\*

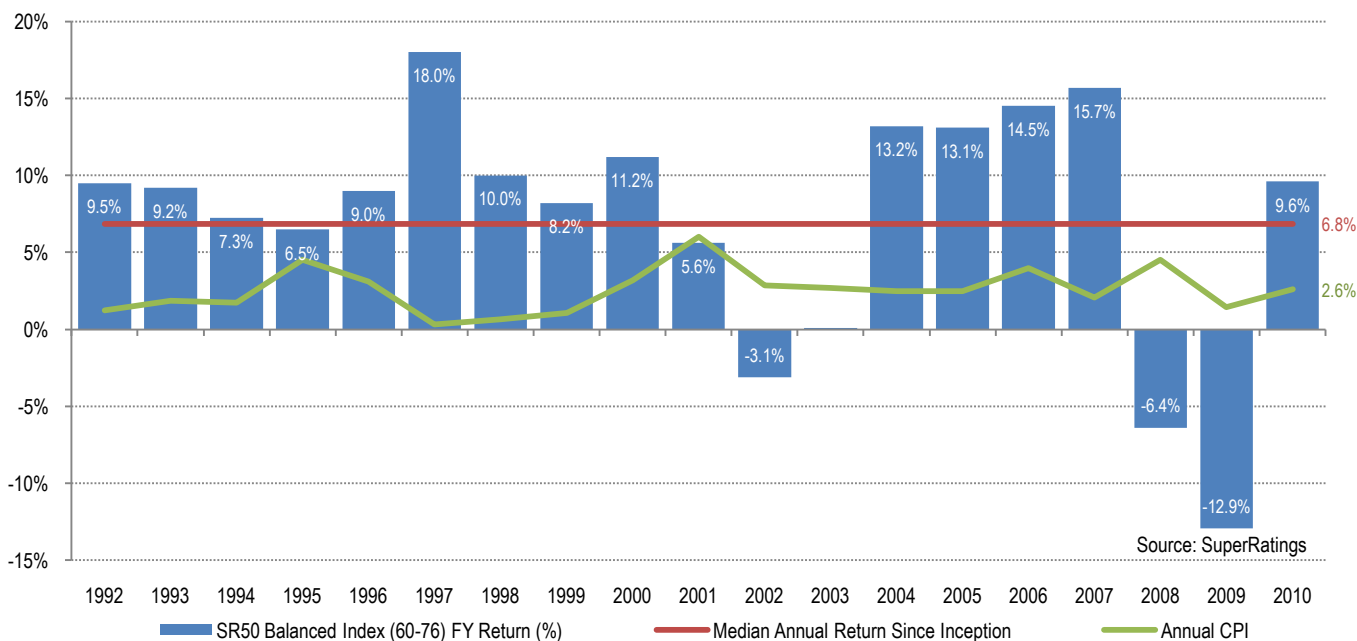
Financial year to 30 June 2010 (estimate)	▲ 9.6%
5 Years to 30 June 2010	▲ 3.7% pa
Return Since Introduction of Compulsory Superannuation <sup>^</sup>	▲ 6.8% pa
Inflation Since Introduction of Compulsory Superannuation <sup>^</sup>	▲ 2.6% pa

\*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. <sup>^</sup> 18 Year Annualised Return since the inception of Compulsory Superannuation on 1 July 1992

Despite a roller coaster ride for Australians, in which super funds lost almost 5% in the last two months, our major super funds are still on track to deliver a strong estimated median return for Balanced investment options of some 9.6% for the 2009/10 financial year. SuperRatings' Managing Director, Jeff Bresnahan said "this whole Global Financial Crisis has really tested the Australian superannuation system and whilst there has been much temptation by consumers to try and take control of their own super, mainstream super funds have demonstrated that diversified portfolios do protect members from catastrophic losses and provide genuine upside over the long term". The graph below shows the median financial year performance of superannuation since the inception of compulsory Superannuation in 1992 and that balanced options have clearly met and exceeded their long term objectives of beating CPI by a 3% margin each year.

### GRAPH 1

Financial Year Returns 1992-2010



## Balanced Options versus Australian Share options versus Cash Options

However, whilst returns over seven years clearly show out-performance by the super industry, the first decade of the millennium has demonstrated just how volatile things can get. After falling behind simple cash investments in the post tech wreck environment of the early 2000s, Australians enjoyed a 4 ½ year rally in their super, only to be followed by the Global Financial Crisis. This latest 2 ½ years has seen, at one point, a 100% differential between cash and Australian share option performance, shrink to just 45%, whilst the balanced option, which at one point would have shown a 30% higher benefit than cash, shrink to less than 5%. And let's not forget those funds that have simply failed to perform, which in many cases have led to members having significantly less in their balanced option than a cash option would have returned.

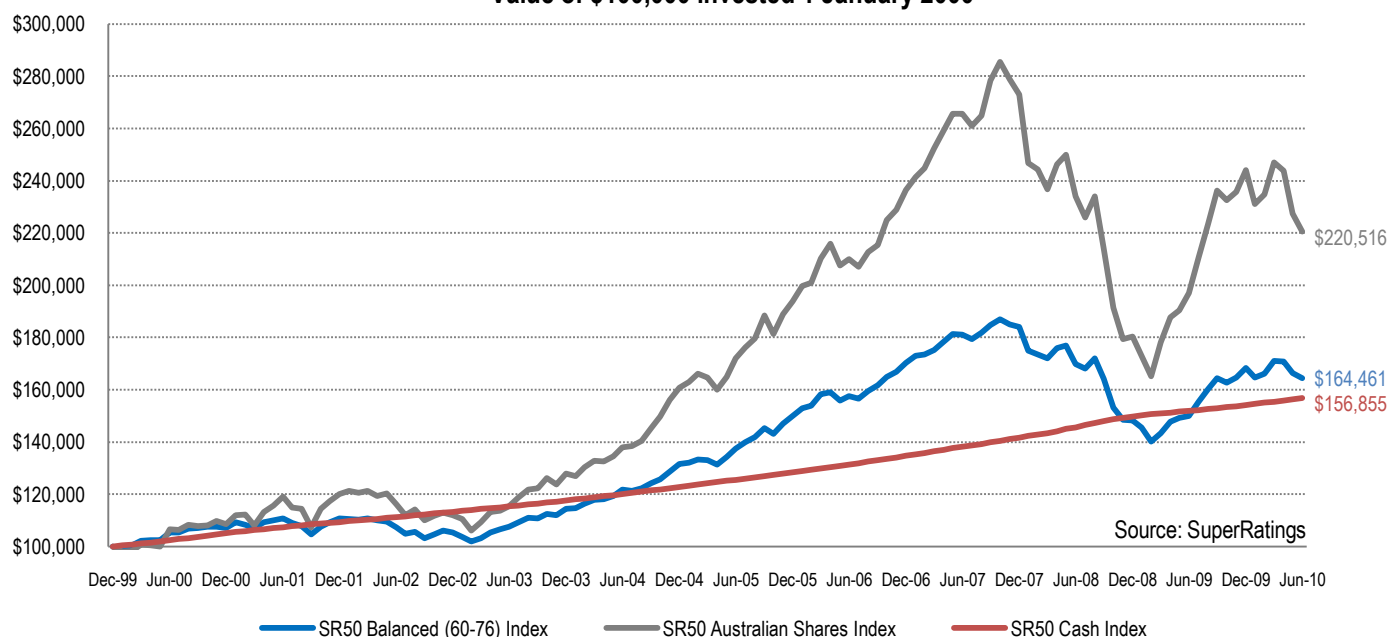
The comparative between a cash option and the significantly more popular Balanced option is one which for many will have them reaching for a form to switch their investments. However, history has repeatedly shown that consumers move investments to cash at market lows and switch back in at market highs, both of which result in significant losses to investors. Bresnahan said "It would be good if most people with super, particularly those under 50 years of age, could simply stick their head in the sand and pull it out about 5 years away from retirement. Market volatility is an ongoing reality, but growth style assets will continue to outperform cash investments over the medium to long term. What we are witnessing via this Global Financial Crisis looks like it is yet to play out fully and the greed of some financial institutions has been responsible for most of the ongoing issues world economies are currently working through".

But, in a typical case of "it depends on what time period one picks", whilst seven year returns are showing sound results, the five year performance median of just 3.7% per annum for a balanced option, sits well below funds' objectives and just 1.1% per annum above inflation. A ten year median result of some 4.9% per annum also doesn't sit well with objectives, but is comfortably above inflation.

Importantly, whilst the 1990s showed continued positive returns, the last decade has shown 3 negative returns and one flat return out of 10. This is significantly higher than most funds' stated position of having a negative return once every six years. This begs the question as to whether the current disclosure to members about risk has been adequately explored. If such an event occurs three times in eight years, then we would think this type of statement by funds needs to be revisited, in much more depth than the regulator, APRA, announced yesterday.

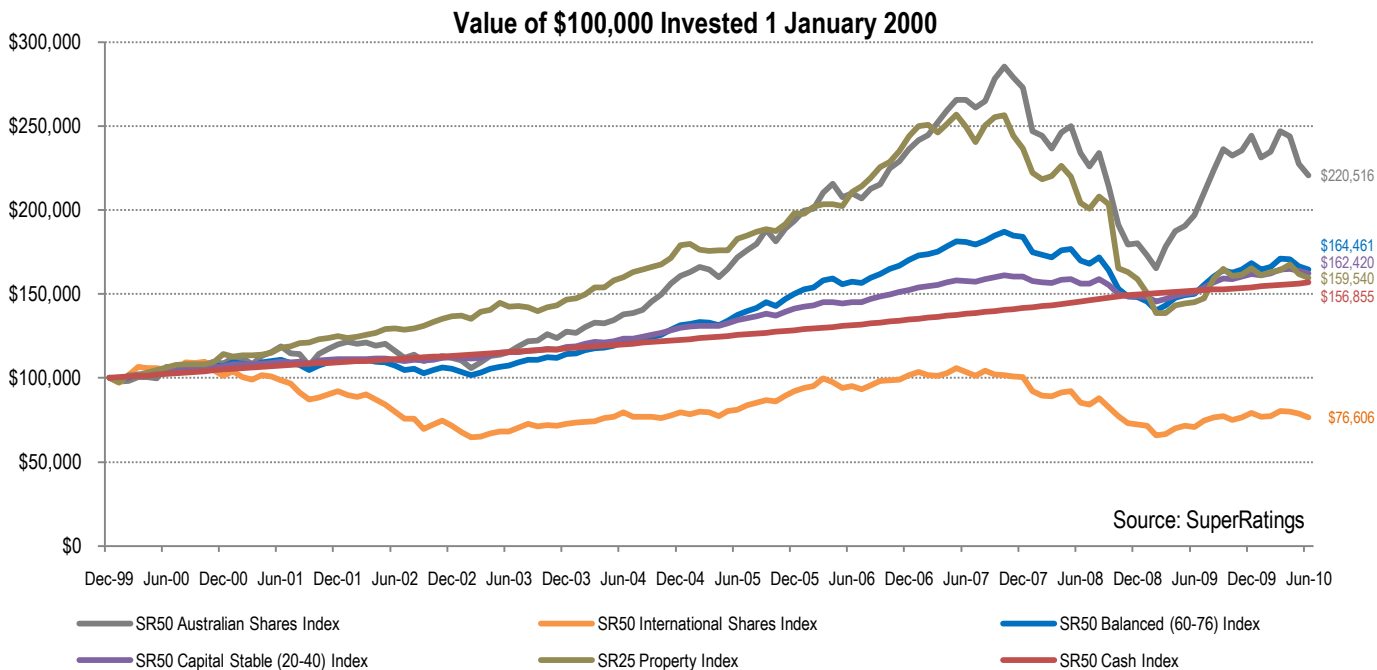
### GRAPH 2

Value of \$100,000 invested 1 January 2000



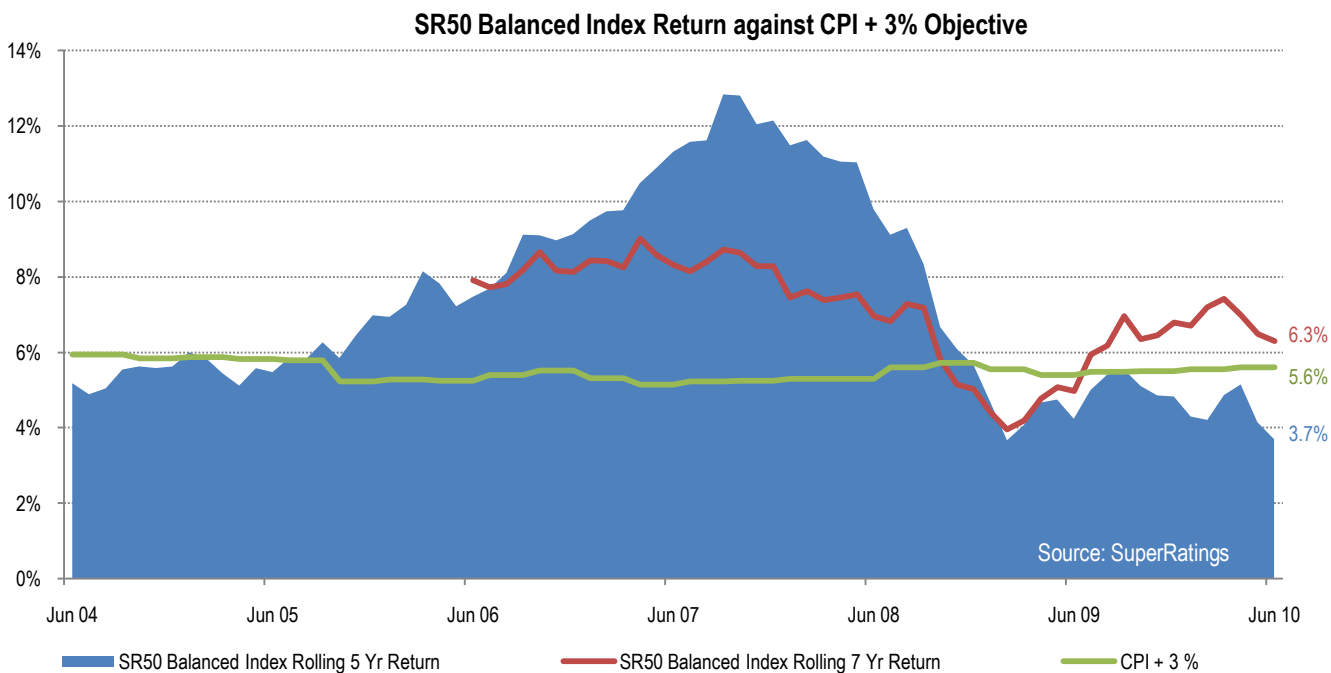
And while most Australians continue to sit in Balanced or Growth style investment options, spare a thought for those who have either gone it alone, or with advice, plunged into international shares at the beginning of the millennium. A \$100,000 investment on 1 January 2000 would have shrunk to just \$76,606 over the last ten years. Compare this against an identical investment in an Australian share option, which by now would have been showing a gain of 120% to \$220,516. Comparatively, a Balanced option will have grown to \$164,461 whilst a simple cash option would, on average yield a result of some \$156,855.

**GRAPH 3**



Full fund level results for Australian super funds are not expected to be available until the end of July due to year end calculations, the need for revaluations of unlisted assets and complex tax calculations for many funds.

**GRAPH 4**



## 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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