

1 January 2018

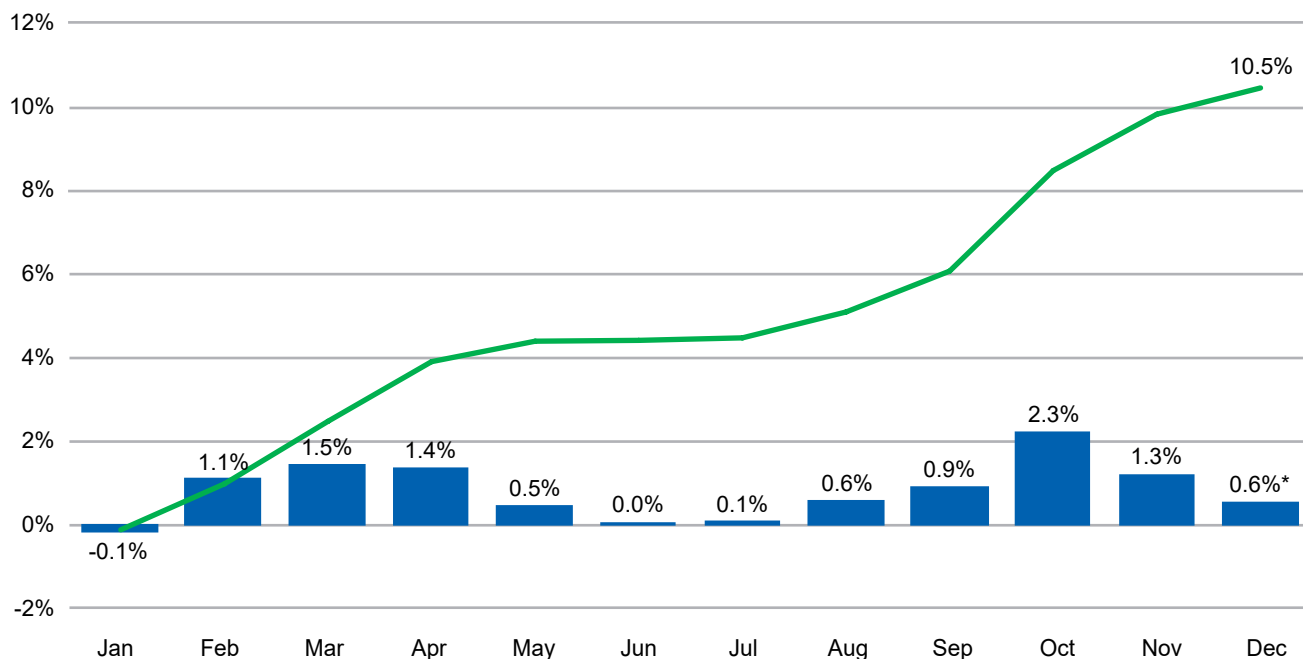
Santa rally delivers 10.5% return for super funds in 2017

Australia's superannuation funds are expected to deliver double-digit returns over the year, with 2017 marking the sixth consecutive year of positive returns for super. 2017 has proven to be another eventful year for investors, with some local market weakness during the year accompanied by a strengthening global outlook. In December, superannuation continues to deliver, helped along by a late rally from Australian shares.

According to SuperRatings, the SR Balanced (60-76) Index, used to measure balanced super fund returns, is estimated to rise 0.6% in December, bringing the annual return for 2017 to 10.5%. Australian shares have been the main drivers of growth through December, offset by negative performance from global shares, which also comprise a significant proportion of most super fund portfolios.

"Investors will certainly be starting out 2018 on the front foot, despite some of the challenges we have seen throughout the past 12 months," said SuperRatings CEO Kirby Rappell. "For Australian investors, it was a frustrating year in many respects, with the share market rallying in fits and starts. However, a falling Australian dollar in the latter part of the year did help boost returns for funds' international share exposures. Of course, the US market has provided some crucial support, with the new US tax package providing some momentum in the market; however, we will have to wait and see exactly how that will flow through to returns in 2018."

Monthly and accumulated Balanced Option returns for calendar year 2017



*Estimate based on interim returns as at 22 December 2017

Source: SuperRatings

SuperRatings media release

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Median balanced option returns to 30 November 2017

Period	Accumulation returns	Pension returns
Month of November 2017	▲ 1.3%	▲ 1.4%
Financial year return to 30 November 2017	▲ 5.2%	▲ 5.7%
Rolling 1-year return to 30 November 2017	▲ 12.5%	▲ 13.4%
Rolling 3-year return to 30 November 2017	▲ 8.2%	▲ 8.7%
Rolling 5-year return to 30 November 2017	▲ 9.9%	▲ 10.9%
Rolling 7-year return to 30 November 2017	▲ 8.4%	▲ 9.3%
Rolling 10-year return to 30 November 2017	▲ 5.1%	▲ 5.5%

Interim results only. Median Balanced Option refers to 'Balanced' options with exposure to growth style assets of between 60% and 76%. Approximately 60% to 70% of Australians in our major funds are invested in their fund's default investment option, which in most cases is the balanced investment option. Returns are net of investment fees, tax and implicit asset-based administration fees.

According to SuperRatings' data, the Median Balanced Option returned 1.3% in November, following October's return of 2.3%. A final push from Australian shares in December means the final monthly return for 2017 is shaping up at around 0.6%. Should we finish at this point, it would mean that the median Super Fund's Balanced option delivered positive returns in 11 out of 12 months in 2017, which would be the first time since 2013 that this feat was achieved.

Super funds deliver six straight years of positive returns

Despite the Australian market largely missing out on the global rally through the middle of 2017, super funds were able to match the string of positive returns experienced since 2011. The estimated 10.5% delivered in 2017 is well above the annual 10-year average of 5.6%, which has dragged down due to the 19.7% negative return experienced in 2008 when the global financial crisis (GFC) hit.

Longer-term returns continue to sit close to funds' inflation targets, with the seven-year return reaching a very healthy 8.4% p.a. (well-above most funds' CPI targets). The 10-year return of 5.1% remains relatively low in historical terms, due to the large negative return from 2008.

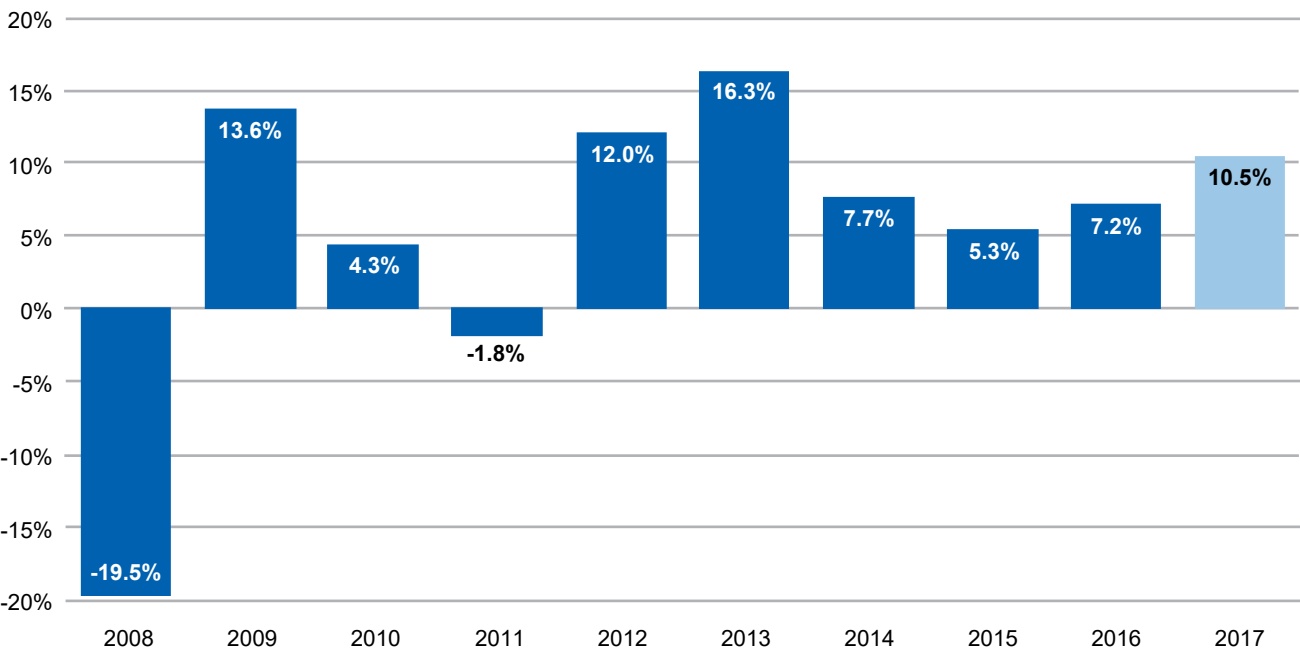
"Over longer periods, superannuation funds have generally delivered solid performance," said Mr Rappell. "The 10-year figure may appear relatively weak and below the common CPI plus 3.5% target, but when we look back to 1992 we see that returns sit above this benchmark."



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Median Balanced (60-76) Option calendar year returns

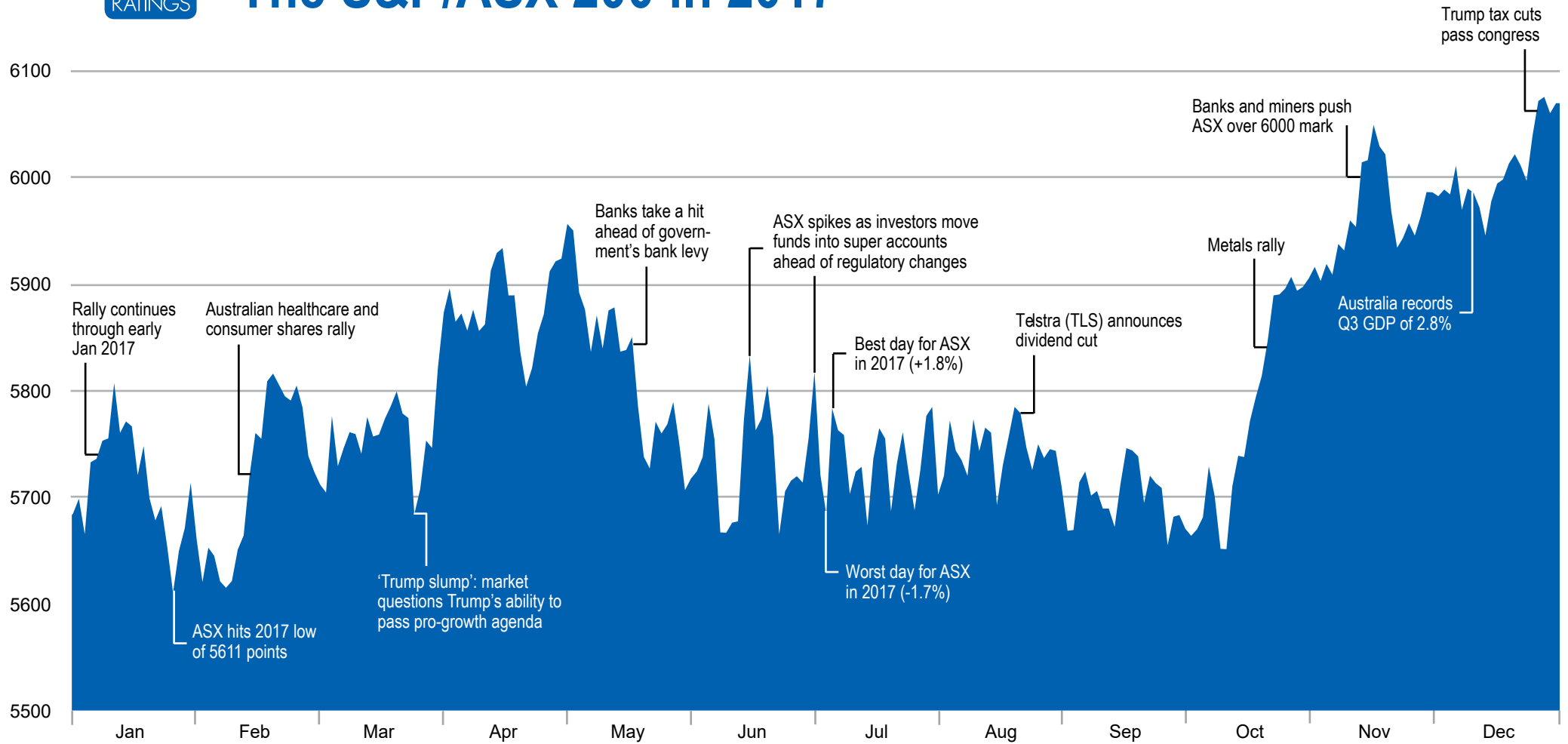


Source: SuperRatings

Release ends



The S&P/ASX 200 in 2017



Source: SuperRatings, Bloomberg

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