



SUPERRATINGS MEDIA RELEASE

Wednesday 16 November 2016

SUPER FUNDS DOWN AS US ELECTION NERVES SET IN

	Accumulation Returns
Month of October 2016	▼ 1.0%
3-month return to 31 October 2016	▼ 0.7%
Rolling 1 year return to 31 October 2016	▲ 3.4%
Rolling 3 year return to 31 October 2016	▲ 6.3% p.a.
Rolling 5 year return to 31 October 2016	▲ 8.6% p.a.
Rolling 7 year return to 31 October 2016	▲ 7.2% p.a.
Rolling 10 year return to 31 October 2016	▲ 4.8% p.a.

*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.

*Returns in this release are based on estimates available to SuperRatings at 5.00pm on 15 October 2016.

OCTOBER SELLING LEAVES SUPER FUND INVESTORS DOWN -1.0%

While markets may have appeared remarkably calm ahead of the US election storm, a gradual sell-off in shares through October led to losses for superannuation investors. According to SuperRatings, the median balanced option return for October is likely to be an estimated -1.0%, with shares and bonds both contributing to falls in portfolios.

"Volatility was surprisingly low ahead of the US presidential election, which became the geopolitical event to watch after Brexit," said SuperRatings CEO, Adam Gee. "But what we saw in October was a string of small losses, which culminated in the market's shock reaction to the election result last week, and this has led to losses for fund members."

October was generally a good month for economic news, with improvements in business confidence and some upside surprises in US and UK growth. Payroll figures show job creation remains robust in the US, bolstering the case for a Fed rate hike in December. Yet despite the good news, election jitters may have got the better of investors, with shares and bonds both selling off.

"Along with equities, we also saw some selling in fixed income markets in anticipation of the Fed resuming its tightening, either in December or early 2017," said Mr Gee. "It's been a long time between drinks, and after the US election result it may be longer still. A Trump win was unexpected, and there may be more for markets to adjust to, but if economic data continues to be positive, there will be mounting pressure on the Fed to act regardless of who occupies the White House."

SuperRatings welcomes media enquiries regarding any of our research or information held in our database.

We are also able to provide commentary and customised tables/graphs for your use.

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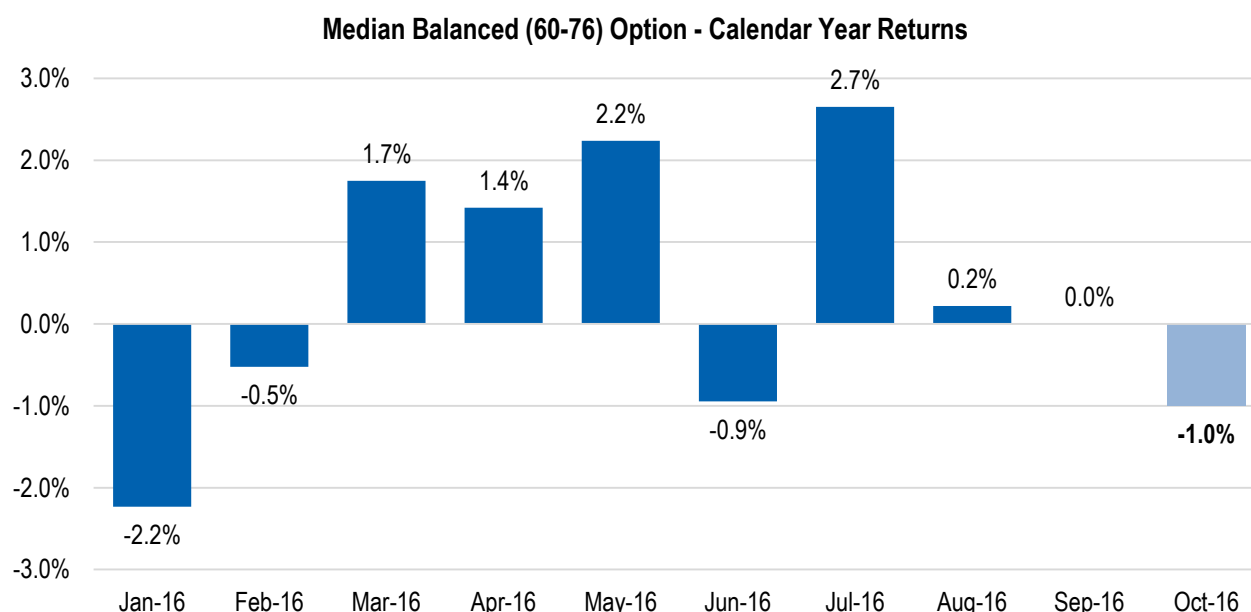
COMMODITIES SURGE LIFTS AUSTRALIAN DOLLAR

The Australian market followed US indices lower in October, with the S&P/ASX 200 Accumulation Index down 2.2%. All sectors suffered, with the exception of Materials, which was able to add to large gains over the previous five months, returning 1.3% in October, while the Financials sector produced a small positive return of 0.8%, with modest gains from the Big Four Banks. Commodity prices resumed their bull run, with large gains in iron ore and coal lifting the terms of trade. The Australian dollar rose 1.7% in trade weighted terms, but finished the month softer against the US dollar after reaching a mid-month high of 0.7726 – the highest rate since April 2016.

In overseas markets, the S&P 500 TG Index returned -1.3%, while Europe's largest shares managed to bounce back from recent falls, allowing the Eurostoxx 50 Index to finish in positive territory. Global bonds, measured by the Barclays Global Aggregate TR Index, returned -0.9% in October (in AUD hedged terms) as yields moved off their record lows. Developed market yields saw real expansion in October, building steadily through the month and prompting investors to ask if the turning point has finally arrived. The US 10-year Treasury yield rose from 1.6% to 1.9% in October, and has moved even higher since the US election. The US Fed has soft-pedalled its guidance for months now, and may be fearful of another 'taper tantrum'. The US election result saw the implied probability of a Fed rate rise in December drop below 50%, but this has since risen, and recent economic data has generally been supportive of a hike.

VOLATILE 2016 CONTINUES ALTHOUGH RETURNS REMAIN POSITIVE

With an estimated median Balanced Option return of 3.5% for the calendar year to 31 October, there is no doubt that the 2016 year has been one of continued volatility, with returns for 4 out of the 10 months being negative and one being flat. The table below shows the month-by-month returns achieved by super funds over the calendar year:



Source: SuperRatings

Similarly, longer-term returns continue to sit close to funds' inflation targets, with the 7-year return sitting at an estimated 7.2% per annum (which is well above the CPI targets) and the 10-year return sitting at 4.8% per annum, remaining impacted by the Global Financial Crisis, which occurred nearly ten years ago.

"The calendar year has been challenging for super investors with global uncertainty higher than that seen for many years, given the US election and Brexit results over the year," said Mr Gee. "While 10-year returns are not quite hitting their CPI + 3.5% target, medium term returns continue to sit well above these targets, reflecting the strong performance of funds generally."

Release Ends



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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 update our website monthly to show the Top 10 performing funds together with the medians over all time periods for the following investment options: Balanced, MySuper, Growth, Australian Shares, International Shares, Capital Stable, Property, Conservative Balanced, High Growth, Secure, Diversified Fixed Interest and Cash.

About SuperRatings

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