SUPERRATINGS MEDIA RELEASE

Thursday 19 January 2017

TOP 10 SUPER FUNDS IN 2016

Rank	Fund - Balanced (60-76%) Option	2016 Return
1	Catholic Super - Balanced	▲10.1%
2	HOSTPLUS - Balanced	▲10.1%
3	Cbus - Growth (Cbus MySuper)	▲9.6%
4	CareSuper - Balanced	▲9.4%
5	Sunsuper for Life - Balanced	▲8.9%
6	EISS Super - Diversified	▲8.8%
7	Energy Super - Balanced Option	▲8.8%
8	Media Super - Balanced	▲8.7%
9	Equip MyFuture - Balanced Growth	▲8.6%
10	HESTA - Core Pool	▲8.4%
	Median Return	▲*7.3%*

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.

CATHOLIC SUPER & HOSTPLUS DELIVER TOP RETURN TO SUPER INVESTORS

Catholic Super and HOSTPLUS were the top returning super funds in 2016, delivering a 10.1% gain for their members, compared to the median Balanced option return of 7.3%.

Boosted by strong manager performance in Australian shares and allocations to high-performing property, infrastructure and private equity investments, Catholic Super provided its members with an outstanding return of 10.1% over the calendar year, in what was a highly volatile market in 2016.

HOSTPLUS also returned 10.1% for its members over the year, supported by strong returns from its unlisted investments in infrastructure and property, whilst a zero allocation to bonds also bolstered performance.

Catholic Super and HOSTPLUS were followed by Cbus, CareSuper and Sunsuper, all of which provided well above median performance for their members over the year.

Aside from volatile market conditions, the superannuation industry has weathered another year of regulatory change and uncertainty, including the reductions in contribution caps legislated in November, changes to the pension assets test thresholds, and the re-emergence of the government's plan to impose new governance rules on industry super funds.

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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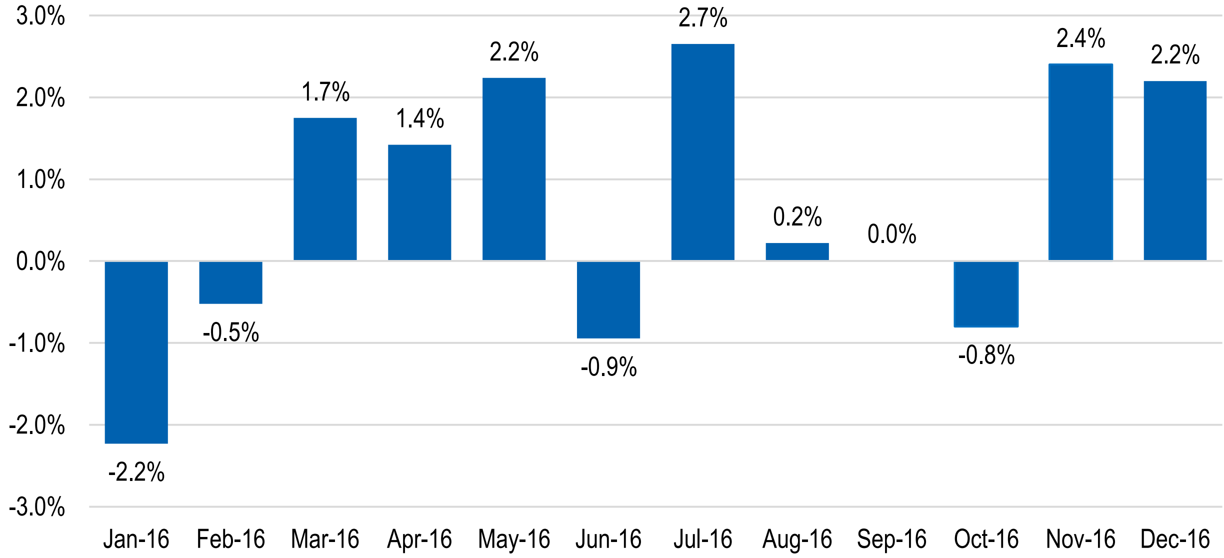
INVESTORS BRACE FOR MORE VOLATILITY IN 2017

After a sharp fall at the start of 2016, super funds delivered convincing returns through the first half, hitting Brexit-related volatility mid-year. Funds struggled through the three months to October as shares gradually sold off, but enjoyed a late surge in November and December. The median balanced option returned 7.3% over the 12 months to 31 December 2016, which is just slightly below the 7.6% p.a. average seen over the last seven years.

“Political upsets were the dominating theme of 2016, and this year we will see whether these trends carry over to the European continent,” said SuperRatings Chairman, Jeff Bresnahan. “There will be no shortage of political events in 2017, and based on last years’ experience we can expect continued bouts of heightened volatility. However, like 2016, we may be surprised at the resilience of super funds and their ability to perform in a range of market conditions.”

Median Balanced (60-76) Option Calendar Year Returns



Source: SuperRatings

Longer-term returns for super continue to sit close to funds’ inflation targets, with the seven-year return sitting at 7.6% p.a. (which is well above most funds’ CPI targets). The 10-year return is sitting at 5.1% p.a., remaining impacted by the Global Financial Crisis, which occurred nearly ten years ago. However, over longer periods, superannuation funds have generally delivered solid performance, and while 10-year returns are marginally below the common CPI + 3.5% target, medium-term returns continue to sit well above these levels.

“When you look at the long-term performance of super as a whole, it is clear that Australians have been well served by the system,” said Mr Bresnahan. “It is important to note that, since the GFC, there has been only one year of negative returns, and 2016 represents the fifth consecutive year of robust positive returns. While 2017 will certainly have its own challenges, we expect long-term performance to hold up.”

LOCAL PROPERTY AND SHARES DRIVE RETURNS IN 2016

Australian listed and direct property were the top performing asset classes in 2016, but super funds were also bolstered by strong performance from local shares. Property was one of the main beneficiaries of falling interest rates, and seen by investors as a source of stability as well as much-needed yield. While A-REITs came under pressure in October and November as bond yields began to rise, property fundamentals were generally seen as robust. Listed property investors still anticipate a ‘lower for longer’ rate environment despite the recent hike from the Federal Reserve, with A-REITs gaining strongly in December and delivering 13.2% through the year.

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Australian shares, measured by the S&P/ASX 200 Accumulation Index, returned 11.8% in 2016, beating the rest of the world, which returned 7.9%. Materials was by far the strongest sector, returning 44.0% as the commodities rally lifted earnings for key resources shares and reversed the sector's 2014 and 2015 losses. Volatility battered equity markets throughout the year, but was surprisingly subdued in the second half, despite major political upsets in Brexit and the US presidential election.

Asset Class	2016 Return
Australian Listed Property	▲ 13.2%
Australian Direct Property	▲ 12.4%*
Australian Equities	▲ 11.8%
Emerging Markets	▲ 11.7%
Global Listed Infrastructure	▲ 11.6%
Global Equities	▲ 7.9%
Global Listed Property	▲ 6.1%
Global Fixed Income	▲ 5.2%
Diversified Income	▲ 3.1%
Australian Fixed Income	▲ 2.7%
Cash	▲ 2.1%

*As of 30 November 2016

Market indices:
S&P/ASX 300 A-REIT (TR) Index
Mercer/IPD Australian Monthly Property Fund Index
S&P/ASX 300 Accumulation Index
MSCI Emerging Markets (Net TR) Index
FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged)
MSCI World ex Australia (Net TR) Index
FTSE EPRA/NAREIT Developed NR Index (AUD Hedged)
Barclays Global Aggregate (AUD Hedged)
Bloomberg AusBond Credit FRN 0+ Yr Index
Bloomberg AusBond Composite 0+ Yr Index

While equities have moved ever higher, bonds remain the problem child for super funds. Global bonds returned a modest 5.2% in 2016, but Australian bonds managed only 2.7%, with benchmark duration stretching further as companies sought to lock in long-term borrowing at historically low rates. The RBA's May rate cut came as a surprise to the market, and was followed by another cut in August, resulting in yields pushing below what some funds would have expected. While yields moved significantly higher in the final quarter of 2016, it is unclear whether this expansion will be sustained or capped by the relentless demographic demand for yield.

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

SuperRatings Pty Ltd ABN 95 100 192 283 AFSL No. 311880 (SuperRatings) is a superannuation research house with specialist areas of expertise that was originally established in 2002. From 1 July 2011, SuperRatings became a fully owned subsidiary of the entity currently registered as Lonsec Fiscal Holdings Pty Ltd, a privately owned and independent entity with a multi-brand strategy of providing leading financial services research and investment execution. SuperRatings believes that professional financial services institutions and members need informed opinions on the best superannuation and pension financial products. To meet this need, SuperRatings has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of superannuation financial products. No fee is paid by superannuation and pension funds to SuperRatings for reviewing and rating superannuation and pension financial products.