



SUPERRATINGS MEDIA RELEASE

Monday 19 December 2016

SUPER FUNDS BENEFIT FROM 'TRUMP EFFECT'

	Accumulation Returns
Month of November 2016	▲ 1.2%
Financial Year return to 30 November 2016	▲ 3.3%
Rolling 1 year return to 30 November 2016	▲ 5.0%
Rolling 3 year return to 30 November 2016	▲ 6.6% p.a.
Rolling 5 year return to 30 November 2016	▲ 9.3% p.a.
Rolling 7 year return to 30 November 2016	▲ 7.6% p.a.
Rolling 10 year return to 30 November 2016	▲ 5.1% 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 figures available to SuperRatings at 5.00 pm on 18 December 2016.

EQUITIES RALLY AS MARKETS BET ON REFLATION

After a brief shock to the system, equity markets have rallied strongly on the back of Donald Trump's upset win in the US presidential election, with Australia's superannuation investors among the immediate beneficiaries. However, SuperRatings warned investors to prepare for a potentially rocky ride as markets continue to adjust to the changing political landscape.

According to SuperRatings' analysis, the median balanced option returned 1.2% in November, reversing the impact of a sustained market slide heading into the election. Investors have turned their attention to the impact Trump's proposed policies will have on the US and global economy, while the bond market is signalling higher anticipated inflation and higher levels of government debt and spending.

"The turnaround in equity markets has been remarkable, and has resulted in a significant boost to superannuation fund balances in November," said SuperRatings Chairman Jeff Bresnahan. "The median balanced option has returned an estimated 3.3% in the five-months since June and 5.0% over 12 months, underlining the strength of superannuation despite a tumultuous 2016."

Although the immediate 'Trump effect' has been positive, however, there is still a lot of uncertainty around the president-elect's policies and what they will mean in practice.

"With the recent rotation into equities and the continued surge in commodities, it appears investors are expecting a more inflationary environment in the future, which will impact wages and prices in Australia," said Mr Bresnahan. "But it remains to be seen whether recent market gains will be sustained, and we would expect a period of volatility as markets adapt to the changing political landscape."

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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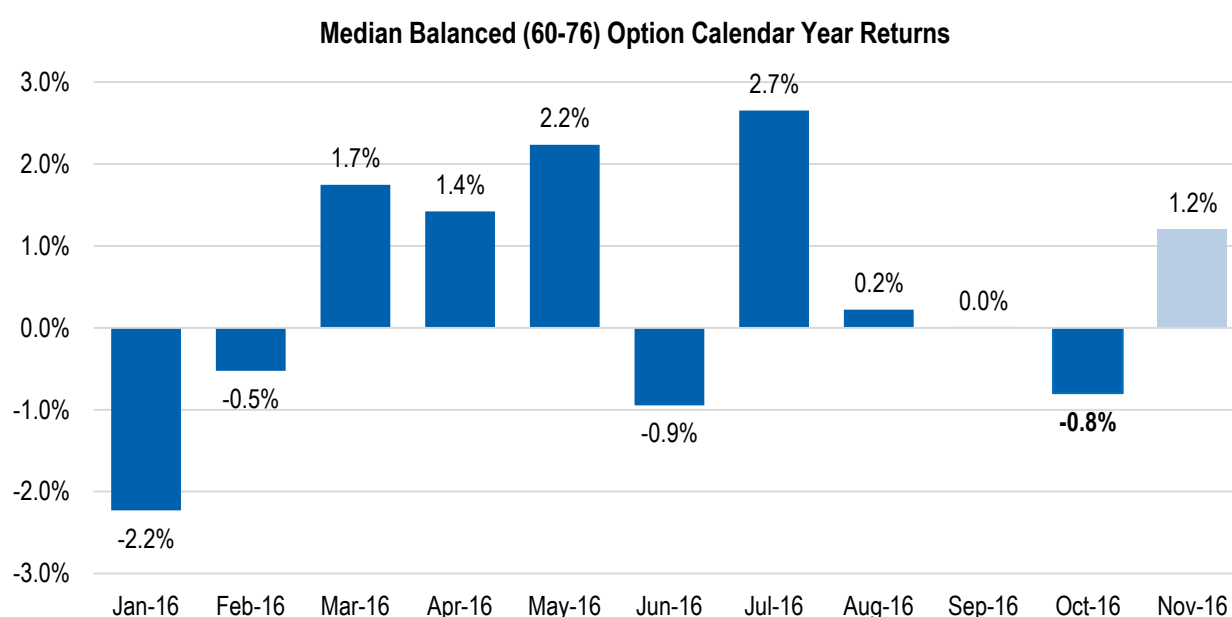
US DOLLAR RALLY PROVIDES TAILWIND FOR SUPER

Global markets approached the US presidential election with mounting trepidation, but the consensus view was for a Clinton victory. As Trump's prospects firmed on election day, the immediate reaction from markets was negative, with S&P 500 futures falling 5.8% as the magnitude of the upset hit home. But US indices were quick to recover, and since early November have been sitting at record highs. US banks rose in the immediate aftermath, taking Australian lenders with them, while oil and gas sectors gained strongly, along with materials and healthcare.

The return on Australian shares, measured by the S&P/ASX 200 Accumulation Index, was 3.0% in November, while the US S&P 500 Index gained 6.8%. Australian bonds suffered as yields moved sharply higher, with the index losing 1.4%, while the A-REIT sector was able to stem losses, delivering a modest positive return of 0.8%. The US dollar gained 3.1% in trade weighted terms and 1.5% against the Australian dollar, benefiting superannuation funds with unhedged US market exposure. After surging 15.3% in October, the price of iron ore rose another 12.0% in November, but the biggest gains came from copper, which rocketed 20.0% as investors began betting on inflation.

LONG-TERM SUPER RETURNS STABLE AMID SHORT-TERM VOLATILITY

Despite the significant drawdowns experienced in early 2016, as well as a series of smaller volatility spikes throughout the year, super fund returns have generally proved capable of riding out the storm. The median balanced option return is an estimated 5.0% over the 12 months to 30 November 2016, which is below the 7.6% p.a. average seen over the last seven years, but has been rocked by a number of key events. The chart below shows the month-by-month returns achieved by super funds over the calendar year to November, demonstrating the volatile nature of returns over the year.



Source: SuperRatings

Longer-term returns 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) and the 10-year return sitting at 5.1% p.a., remaining impacted by the Global Financial Crisis, which occurred nearly ten years ago.

"While we have not seen a repeat of the large falls experienced at the start of 2016, the past 12 months have been volatile for superannuation returns," said Mr Bresnahan. "There has been a high degree of global uncertainty, whether due to Brexit or the US presidential election, and while economic fundamentals appear relatively robust, there is still some persistent weakness, which was exemplified by the September quarter's negative GDP growth figure.

Over longer periods, superannuation funds have generally delivered solid performance, however, and while 10-year returns are marginally below the common CPI + 3.5% target, medium-term returns continue to sit well above these levels."



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Release Ends

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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