SUPERRATINGS MEDIA RELEASE

Monday 20 February 2017

FUNDAMENTALS POINT TO STRONG 2017 FOR SUPER FUNDS

	Accumulation Returns	Pension Returns
Month of January 2017	▼ 0.1%	▼ 0.2%
Financial Year return to 31 January 2017	▲ 5.4%	▲ 5.8%
Rolling 1 year return to 31 January 2017	▲ 9.8%	▲ 10.4%
Rolling 3 year return to 31 January 2017	▲ 7.3%	▲ 7.7%
Rolling 5 year return to 31 January 2017	▲ 9.3%	▲ 10.1%
Rolling 7 year return to 31 January 2017	▲ 7.8%	▲ 8.7%
Rolling 10 year return to 31 January 2017	▲ 5.0%	▲ 5.5%

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 17 February 2017.

SUPER INVESTORS NEED TO LOOK PAST THE POLITICS

With a packed political calendar in 2017, superannuation investors should remain focused on their long-term objectives and the underlying strength of the economy, according to leading research house SuperRatings.

Superannuation funds posted a small negative return for the first month of 2017, but a number of indicators are showing real promise for the health of the Australian and global economies, lifting confidence and setting the year up for robust performance. In a year loaded with global political events, investors should prepare for more volatility, but should take comfort in the superannuation system's track record of performance.

"In Australia, the economy appears to have entered 2017 on firmer footing, and we have seen further evidence that growth is at or slightly below trend," said SuperRatings Chairman Jeff Bresnahan. "The terms of trade have lifted, which has boosted national incomes, and in December we had our largest trade surplus since data began in 1971."

The global economy entered 2017 with a level of growth momentum not seen since 2013, with confidence surging and activity levels solid. While markets generally eased off in January, economic conditions continue to improve, albeit with the risk of creeping price and wage inflation.

"The market took a bit of a breather in January, but for those looking carefully, we are seeing the ground being laid for a positive year for super funds," said Mr Bresnahan. "We will have to wait to see if the recent momentum generated from Trump's win can be sustained, but overall we see the underlying state of the economy as generally positive, while the market's expectations of earnings growth appear to be supported by recent results."

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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SHARE MARKETS TAKE A BREAK, BUT COMMODITIES STILL RUNNING HOT

The Australian market had a sober start to 2017 following the highs late in 2016. The S&P/ASX 200 Accumulation Index was down 0.8% following December's gain of 4.4%. Strong gains came from the Health Care sector, rising 4.8%, led by heavyweight CSL, which recorded a rise of 11.8% after upgrading its full year earnings. Materials had another positive month, with the sector gaining 4.7%. Bluescope gained 20.8% in January, helped along by rising steel prices, a negotiated pay freeze, and payroll tax relief from the NSW government. The S&P/ASX 300 A-REIT Accumulation Index lost -4.7% in January, following strong gains in December, with the index finally pulled down by rising bond yields.

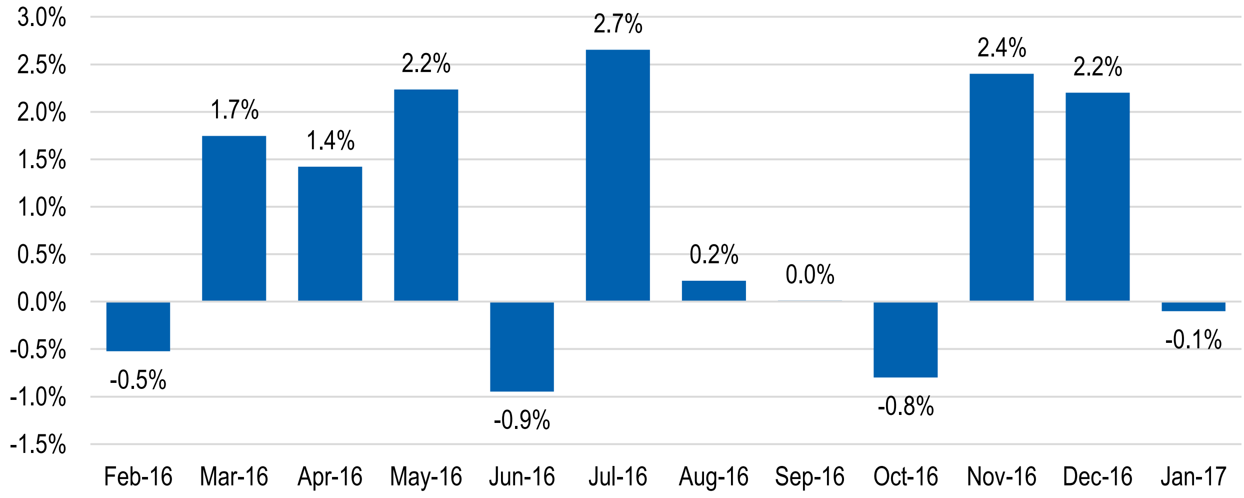
In the US, markets continued to push higher in January, although a weaker USD was evident. The S&P 500 TG Index lost 2.8% in AUD terms. While the 'Trump trade' was a certainly a winner in December 2016, the new year has brought a slightly greater degree of scepticism to bear on the new administration. Markets are hungry for more detail on President Trump's policies, especially with regard to tax, regulation and government spending.

In the latest quarterly Statement on Monetary Policy and in recent speeches, the RBA presented a more upbeat assessment of the Australian economy, a view inconsistent with further policy easing. Growth is projected to be around 3% over the next two years – slightly above trend – although labour market conditions remain mixed. The global economy entered 2017 with a level of growth momentum not seen since 2013, with confidence surging and activity levels solid. On the downside, however, wages and inflation continue to creep higher, prompting expectations of further Fed tightening.

INFLATION REARS ITS HEAD

Longer-term returns for super continue to sit close to funds' inflation targets, with the seven-year return sitting at an estimated 7.8% p.a. (which is well above most funds' CPI targets). The 10-year return is at 5.0% p.a. and, while it has lifted in recent months, it remains impacted by the Global Financial Crisis, which occurred nearly ten years ago. Signs of rising inflation in Europe and the US, along with tightening labour market conditions, could create a more challenging environment for super funds attempting to reach the common CPI + 3.5% target, especially if expansion in yields fails to keep pace. However, steady inflation matched with higher rates of growth would be beneficial for super fund performance.

Median Balanced (60-76) Option Monthly Returns 2016



Source: SuperRatings

"The inflation question is still somewhat vexed, especially in the US where much depends on government policy," said Mr Bresnahan. "In Australia, it is likely headline inflation has risen recently with higher commodity prices, but underlying measures are still below the RBA's 2% target. If any future growth in prices is steady, it could be supportive of further growth, which would be positive for superannuation investors."

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
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.