

## SUPERRATINGS MEDIA RELEASE

Thursday 22 June 2017

# TOP SUPER FUNDS TO END FINANCIAL YEAR ON A HIGH

	Accumulation Returns	Pension Returns
<b>Financial Year return to 31 May 2017</b>	<b>▲ 10.3%</b>	<b>▲ 11.0%</b>
Month of May 2017	▲ 0.5%	▲ 0.5%
Rolling 1 year return to 31 May 2017	▲ 9.1%	▲ 10.0%
Rolling 3 year return to 31 May 2017	▲ 7.7%	▲ 7.9%
Rolling 5 year return to 31 May 2017	▲ 10.0%	▲ 10.9%
Rolling 7 year return to 31 May 2017	▲ 8.3%	▲ 9.1%
Rolling 10 year return to 31 May 2017	▲ 4.9%	▲ 5.2%

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.

## GLOBAL MARKETS PROPEL SUPER FUNDS HIGHER IN FY 2017

Australia's top performing superannuation funds are on track to deliver double-digit returns in FY 2017, riding the global market rally that has driven share prices higher since the latter part of 2016.

The median Balanced option has returned 10.3% for the financial year to May, with recent market weakness in June the only barrier to ending the financial year in double digits. While returns have been relatively evenly distributed, some funds have managed to pull ahead of the pack, with the top three performing funds exceeding 12% for the financial year to date, with 5-year returns holding just above 10% p.a.

"Global shares have been the big driver of returns over the past year, supported by a fall in the Australian dollar through early 2017," said SuperRatings Chairman Jeff Bresnahan. "Market momentum has been strong, and in the US and Europe we are still seeing markets pushing to record highs. Australian markets have benefitted from this momentum, but recently we have seen a noticeable pullback, with banks the hardest hit, and just this week we saw the largest single-day fall in the ASX 200 since November last year. So whether super funds can crack double digits this financial year could depend on how Australian shares perform in the final week."

In Australia, markets have been supported by fundamentals, with full-time employment continuing to grow in May, and manufacturing firmly in expansion. However, there is also evidence of a loss of upward price pressure, partly as a result of declining energy prices and falls in key commodities like iron ore, which fell a further 17.1% in May.

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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“Our outlook for the remainder of the calendar year 2017 is broadly positive, but we note markets are starting to look expensive,” said Mr Bresnahan. “Markets have had time to digest the immediate aftermath of elections in the UK and France, and hopefully this will relieve some of the political uncertainty we have experienced recently. Major central banks are either tightening or signalling the end of the easing cycle, so we will see if and when the RBA follows suit.”

## THE TOP 10 PERFORMERS TO 31 MAY 2017 – BALANCED OPTIONS

The following table shows the top performing funds for the financial year to date to 31 May 2017, with nine out of the top ten funds once again Not for Profit funds:

Fund and Option name	FYTD	Rolling 5-year return	Rolling 10-year return
<b>HOSTPLUS - Balanced</b>	12.4%	11.7%	5.9%
<b>First State Super - Growth</b>	12.3%	10.6%	5.2%
<b>Sunsuper for Life - Balanced</b>	12.2%	10.9%	5.3%
<b>Russell iQ Super Employer - Russell Balanced Portfolio</b>	11.9%	10.2%	-
<b>AustralianSuper - Balanced</b>	11.8%	11.4%	5.7%
<b>Vision Super - Balanced Growth</b>	11.8%	10.1%	5.1%
<b>Cbus - Growth (Cbus MySuper)</b>	11.7%	11.6%	5.8%
<b>CareSuper - Balanced</b>	11.6%	11.2%	6.0%
<b>Equip MyFuture - Balanced Growth</b>	11.6%	10.8%	5.6%
<b>Telstra Super - Balanced</b>	11.5%	10.9%	5.4%

## BANKS FEEL THE PINCH

The Australian market pulled back in May, posting a return of -2.8%, with losses primarily driven by Financials (-7.2%). After riding a tide of positive sentiment since November 2016 – and taking the index with them – the big four banks faced something of a reckoning in May, with ANZ (-11.2%) and Westpac (-9.3%) the hardest hit. Conditions generally benefitted the bond proxies, including Telstra (4.3%) and APA Group (4.6%). Qantas (18.2%) led the gains for the Industrials sector while shares in Sydney Airport (8.0%) were given a boost on speculation the Chinese government may be interested in financing Sydney's proposed second airport at Badgerys Creek.

US market momentum showed signs of slowing in May, but the wheels are still firmly in place. The S&P 500 gained 1.9% in AUD terms, pushing to new record highs. Global yields fell further in May, continuing a downward trend that began in March. While rates began trending higher in October 2016 and yield curves have steepened, investors have appeared to embrace duration again, reflected in longer-term fund flows. In May, the US 10-year Treasury yield fell from 2.3% to 2.2%, moving down from its March highs. The Australian 10-year Treasury yield fell from 2.9% to 2.4% – the lowest since November 2016 but still above its historic low of 1.8%.

## PRICE GROWTH MODERATES BUT THE FED PUSHES ON

Longer-term returns for super continue to sit close to funds' inflation targets, with the seven-year return sitting at 8.3% p.a. (above most funds' CPI targets). The 10-year return moved slightly higher to 4.9% p.a., although it remains impacted by the Global Financial Crisis, which occurred nearly ten years ago. In June, the US Fed lifted the range for the cash rate by 25 basis points as expected, and market pricing still implies one further hike for the calendar year 2017. While the core PCE index – the Fed's preferred inflation measure – remains soft, inflation is still expected to pick up as the economy improves.

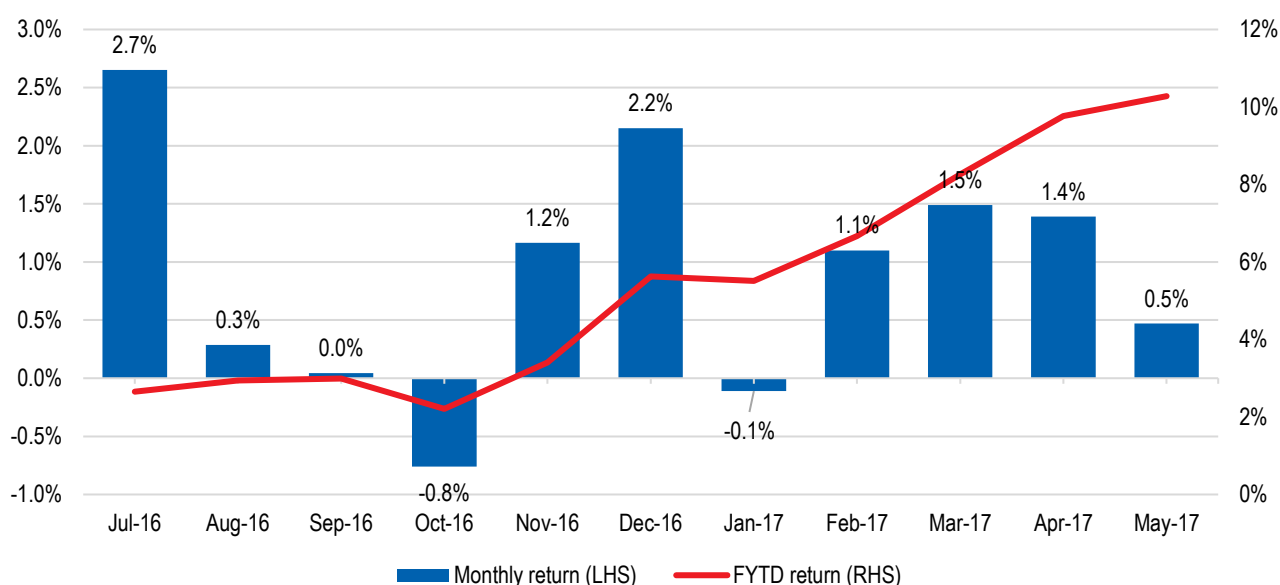
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The following table outlines the monthly returns achieved by superannuation funds over the financial year to date to 31 May 2017:

**Median Balanced (60-76) Option Monthly Returns to May 2017**



Source: SuperRatings

## 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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