SUPERRATINGS MEDIA RELEASE

Thursday 25 August 2016

TOP FUNDS DELIVER UP TO 7% IN LAST 12 MONTHS

	Accumulation Returns	Pension Returns
Month of July 2016	▲2.7%	▲2.9%
3-month return to 31 July 2016	▲3.9%	▲4.3%
Rolling 1 year return to 30 June 2016	▲3.1%	▲3.2%
Rolling 3 year return to 30 June 2016	▲8.0% p.a.	▲8.8% p.a.
Rolling 5 year return to 30 June 2016	▲8.7% p.a.	▲9.6% p.a.
Rolling 7 year return to 30 June 2016	▲8.3% p.a.	▲9.2% p.a.
Rolling 10 year return to 30 June 2016	▲5.7% p.a.	▲6.0% 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.

PROMISING START TO FY17, BUT INVESTORS SHOULD BE CAUTIOUS

After a tumultuous 12 months for superannuation, investors are looking to the 2017 financial year with fresh hope. Australian shares underwent a post-Brexit rally in July, which kicked in with full force, delivering a median balanced option return of 2.7%, according to SuperRatings data. This strong start means that the better performing funds have returned up to 7% over the 12 month period to the end of July.

"We have just had one of the most trying years for super funds and their members since the GFC, so it is certainly pleasing to see such a strong start," said SuperRatings Chairman Jeff Bresnahan. "Investors should remain hopeful, but they should also keep their wits about them. Many of the risks that have weighed on markets in recent months are still in play, even with Brexit behind us. The unexpected RBA decision earlier this month was a timely reminder that things are still very shaky."

The RBA's decision to cut the cash rate to a new record low of 1.50% came as a surprise to the market, but did little to curb the Australian dollar, which rose above US $0.77 mark in mid-August. And while low rates are providing accommodation to financial markets, the impact on pension funds may not be so positive.

"We are still concerned about the impact lower rates will have on pension fund returns" said Mr Bresnahan. "Equity markets have benefited from ultra-loose monetary policy, but it's savers who ultimately bear the cost. This is something that monetary authorities have not paid a lot of attention to, and it could have a detrimental impact on retirement outcomes."

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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AUSTRALIAN SHARES THE HEAVY LIFTERS

Super funds were boosted by a strong showing from Australian equities in July, with the S&P/ASX 200 Accumulation Index returning 6.29%, led by consumer shares and materials. Global markets entered a period of calm following the June Brexit storm, with a series of global events – including terror attacks in Europe, a failed coup in Turkey and China's South Sea intervention – failing to produce any real anxiety in global share markets. Indeed, the CBOE Volatility Index (VIX) hit a two-year low during the month – a remarkable 54% drop from its 24 June spike.

Australian bonds returned a modest 0.74% in July, driven by a further compression in yields. The Australian 10-year Treasury yield hit a new record low of 1.82%, while in global markets government bonds remained in high demand, driven by fallout from the Brexit referendum and associated uncertainty.

The Australian dollar rose 1.3% in July in trade weighted terms, gaining 2.0% against the US dollar but softening against other major currencies. The rising Australian dollar put a dampener on US-denominated investments, but provided support to managers with unhedged UK and European exposure. The MSCI Emerging Markets Net TR Index returned 2.90%, with no evidence of Brexit contagion, while in Asian markets, the Nikkei 225 Index gained 6.38% and the Shenzhen CSI 300 Index rose 1.59%.

THE BETTER FUNDS HAVE DELIVERED UP TO 7.0% OVER THE PAST 12 MONTHS

Given the strength of markets in July, the 12-month returns continue to show strong performance, with the top 10 funds returning between 4.6% and 7.0% for period. The following table shows the top 10 Balanced Options* for the 12-months to 31 July 2016:

Superannuation Fund	Return for the 12-months to 31 July
BUSSQ Premium Choice – Balanced Growth	7.0%
Catholic Super – Balanced	6.4%
UniSuper Accumulation (1) – Balanced	6.1%
MTAA Super – MyAuto Super	5.9%
Cbus – Growth	5.9%
HOSTPLUS – Balanced	5.6%
REI Super – Balanced	5.5%
Energy Super – Balanced	5.3%
AMIST Super – Balanced **	4.9%
CareSuper – Balanced	4.6%

*SR50 Balanced Index Investment Options with between 60% and 76% of assets in growth style investments. All results are net of fees and tax.

** indicates the interim results.

"The returns for the month of July clearly demonstrate the varying asset allocations between super funds across both sectors of the industry", said Mr Bresnahan. "With strong equity markets dominating performance in July, the retail funds, who generally maintain higher allocations to listed assets, have performed strongly".

"Over the rolling 12-month period, however, the strength of the performance of not for profit funds is evident, with all of the top 10 funds coming from this sector of the market, resulting from greater allocations to unlisted assets as equities remained volatile over the year."

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DIVERGENCE IN RETURNS REMAINS EVIDENT

SuperRatings continues to note that there remains substantial divergence between the best and worst performing funds over the 12-months to 31 July 2017. The following table shows the range of returns across each of SuperRatings key performance indices:

Option Type	Highest	Median	Lowest
SR50 Balanced (60-76) Index	7.0%	3.1%	-0.7%
SR50 Growth (77-90) Index	7.5%	2.2%	-2.1%
SR50 Capital Stable (20-40) Index	7.1%	3.5%	0.8%
SR50 Australian Shares Index	10.9%	3.7%	-2.7%
SR50 International Shares Index	1.9%	-3.4%	-7.8%
SR25 Property Index	24.0%	12.5%	5.4%
SR25 Diversified Fixed Interest Index	6.9%	4.5%	1.8%
SR50 Cash Index	2.4%	1.9%	0.0%

Commenting on the difference in returns, Jeff Bresnahan suggested "Now, more than ever, super fund members should be vigilant in understanding the investment returns achieved by their superannuation fund to ensure these remain competitive against the broader industry".

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.

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