SUPERRATINGS' MEDIA RELEASE

Thursday 27th March 2014

WHY SOME SUPER FUNDS CONTINUE TO OUTPERFORM

Month of February 2014		2.1%
Financial year return to 28 February 2014	▲	10.6%
Rolling 1 year return to 28 February2014	▲	12.8%
Rolling 3 year return to 28 February 2014	▲	8.4% p.a.
Rolling 5 year return to 28 February 2014	▲	10.2% p.a.
Rolling 7 year return to 28 February 2014	▲	4.2% p.a.
Rolling 10 year return to 28 February 2014	▲	7.0% 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 funds' default investment option, which in most cases is the balanced investment option. Returns are based on closing index estimates calculated and are expressed net of all fees and taxes.

How REST Industry Super continues its investment outperformance year after year for its 1.9 million members

As super funds continued their march towards a second successive double digit return for this financial year, there remains the question of what makes some funds continue to outperform their peers over just about all time periods. Sure, super funds can get lucky occasionally, but to keep doing it means there's a lot more than luck at play. This month we focus on REST Industry Super's outstanding short and long term performance (see next page).

The median superannuation Balanced option bounced back from a disappointing 0.8% loss in January, recording a 2.1% gain for the month of February. This brings the return over the first eight months of the 2013/14 Financial Year to 10.6%, with the return over the twelve months to 28 February 2014 now sitting at 12.8%.

Once again share markets around the world provided most of the gains with the median Australian share option gaining 4.3%, compared to a 5.0% gain in the S&P/ASX 200 Accumulation Index over the month. International share options also performed strongly, gaining 2.3% in February, despite the Australian dollar strengthening by 2.1% against the US dollar. Returns across all other asset classes were also positive in February with property options up 2.0% for the month, Diversified Fixed Interest options gaining 0.5% and Cash options up 0.2%.

Returns across the industry over the past 10 years are now at a median of 7.0% per annum, well in excess of their targeted CPI plus 3.5%, or around 5.9%. So just how has REST Industry Super managed to be the best performing fund over the past 3, 7 and 10 years, and in the top 4 over both 1 and 5 year periods?

SuperRatings welcome 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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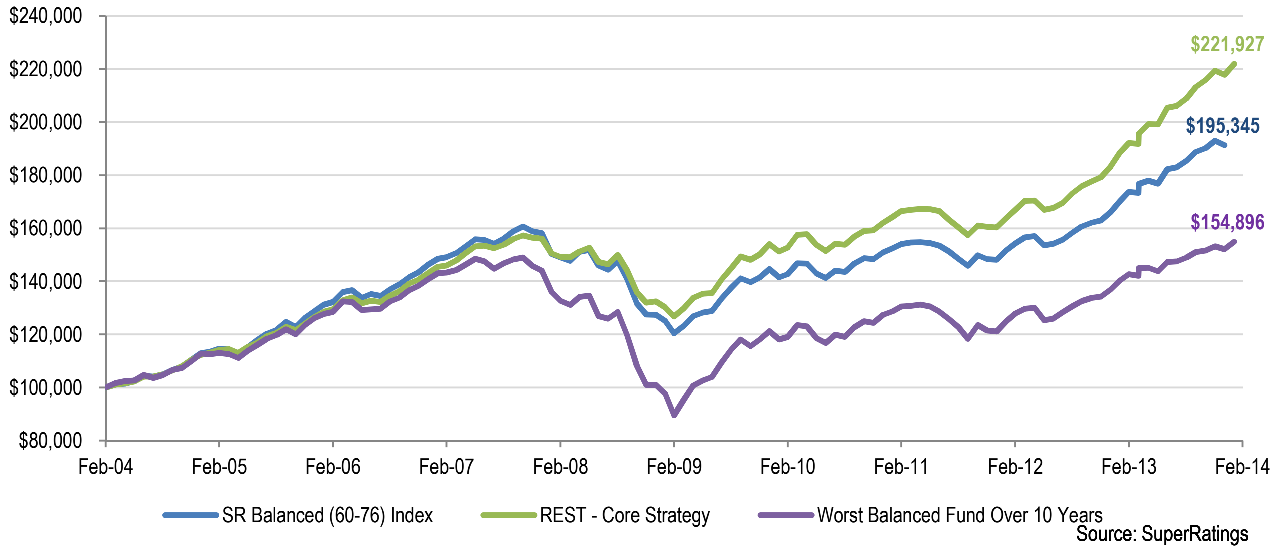
Whilst REST's investment managers have certainly contributed to outperformance relative to peers over the longer term, it was a number of brave asset allocation decisions made by REST during the Global Financial Crisis that really pushed the fund to the top of SuperRatings' performance tables and has allowed it to stay there.

In simple mathematical terms, a $100,000 investment in REST's Core Strategy option 10 years ago would have grown to $221,927 (8.34% p.a.) by the end of February, whilst the median fund would have grown to $195,345 (6.92% p.a.) and the poorest performing fund a not so strong $154,896 (4.42% p.a.).

Jo Townsend, General Manager, Investments at REST Industry Super stresses "REST's true focus is on the delivery of long term real returns to REST members". Along the way she says "Whilst parts of the industry continue to focus on fees, resulting in cost cutting through more passive investment strategies, REST remains a firm believer in the benefits of active management over the longer term. This active approach is both in terms of the investment managers that are used and the way in which the asset allocation for the Core Strategy is managed".

Growth in $100,000 Over the Past 10 Years

SR50 Balanced Index, REST - Core Strategy, Worst Performing Balanced Fund - Feb 04 to Feb 14



Source: SuperRatings

Townsend explains a simple but highly beneficial example of REST's active strategy at work. "The thinking around the current asset allocation for the Core Strategy (equivalent to mainstream balanced options) had its origins in the very stressful market conditions that existed in 2008/2009, at which time REST took advantage of the opportunity to increase its exposure to overseas equities at very attractive valuations. This involved putting in place an overweight position in Overseas Shares compared to Australian Shares. A key element of this positioning was to slowly build up the allocation to overseas equities on an unhedged basis which also reflected the view that the Australian Dollar was expensive".

This decision certainly paid off in 2013, as the falling Australian dollar buoyed the value of the fund's international investments. Overall, the benchmark MSCI World Accumulated Index with Gross Dividends recorded a 49.19% gain in 2013 alone and resulted in a key contribution to REST's performance.

To reinforce the active argument, REST's Townsend confirms "in terms of manager performance, over the past 10+ years REST has been able to add +3% pa to returns for the Australian shares asset class and +2.5% pa for the Overseas Shares asset class (after the payment of all active investment management fees). Given that these are the two largest asset classes, this level of additional return adds meaningful value for REST members".

What is clear throughout the industry is that those funds who have used a more active asset allocation have soundly outperformed those who have continually rebalanced their portfolios back to a pre-set asset allocation. As Research manager for SuperRatings, Kirby Rappell, says "it is argued that asset allocation decisions drive up to 80% of outperformance within portfolios. So it makes sense that super funds adopt an active approach to management if they want their long term performance to sit anywhere but median or below". He goes on to say "In reality there is an expectation from many members that funds are actively managing their assets rather than adopting a set and forget approach".

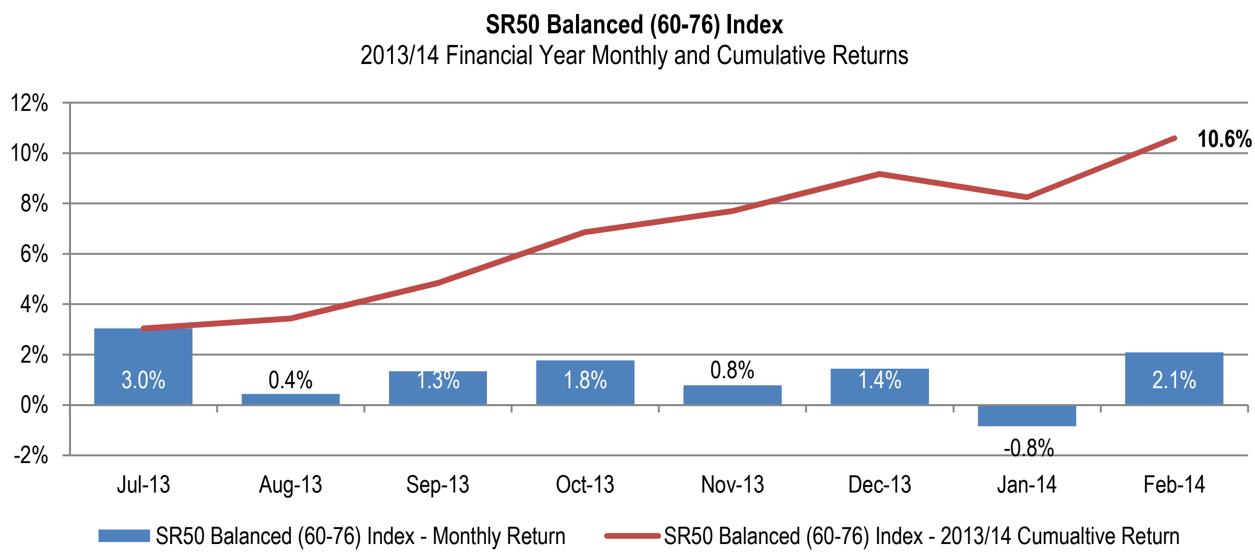
Aside from the traditional asset classes, REST is also prepared to look outside the box. As Townsend elaborates "Back in 2008, REST Industry Super also was able to capture the opportunity to establish a new asset class in credit securities which had been issued primarily in the US. This asset class has been one of the best performing for REST Industry Super members since it was established".

Although the fund remains focused on long term returns, shorter term performance has also been positive for REST Industry Super. The fund currently ranks 1st out of 50 funds in the SuperRatings SR50 Balanced (60-76) Index over a 3 year time period to 28 February 2014, and 3rd over a 1 year period.

"In terms of shorter term performance, the value add from manager performance has been a positive contributor. In terms of asset allocation, the biggest contributor has been the overweight position to overseas shares on a largely unhedged basis, but we have also seen strong contributions from our allocations to both the infrastructure and credit asset classes."

So, overall it is clear that REST has been prepared to take an active role in their asset allocation, something many funds have been reluctant to do. Sometimes this reluctance is because the fund is marketed as a "true to label" option, which means assets are rebalanced either daily or weekly to a pre-determined asset mix, or on other occasions it is because funds are not prepared to pay for active management. In extreme circumstances, funds adopt a set and forget strategy as they do not wish to take any "business risk" which could see them potentially underperform if they get the decisions wrong. In other words it's the IBM decision.

The chart below shows the performance of the SR50 Balanced (60-76) Index for the 2013/14 Financial Year to date. 2013/14 is shaping up to be another strong year for Australian superannuants, with positive gains recorded for the median Balanced option in seven out of eight months so far.



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Interesting, with extremely strong returns over the past two years, due to rallying share markets around the world, SuperRatings' founder Jeff Bresnahan says "the short term performance numbers are starting to look like the numbers were pre-GFC, with double digit returns per annum over the last 5 years against a low inflation environment. The fact that funds have rallied over 60% since the depths of the GFC in February 2009 should mean some alarm bells need to be installed. Whether they are activated remains to be seen".

Overall however, Australians have enjoyed a terrific run over the past five years, and as can be seen from the table below, the 10 year numbers are equally impressive.

Top Ten Returns over 10 Years to 28 February 2014

Fund and Option Description	10 yrs to 28 February 2014 (% p.a.)
REST - Core Strategy	8.3%
Commonwealth Bank Group Super - Mix 70	8.2%
Telstra Super - Balanced	8.0%
AustralianSuper - Balanced Option	8.0%
CareSuper - Balanced	8.0%
Catholic Super - Balanced	7.9%
Cbus - Growth	7.9%
UniSuper - Balanced	7.9%
BUSSQ - Balanced Growth	7.8%
HOSTPLUS - Balanced	7.8%
Top Quartile	7.6%
SuperRatings Median Index	7.0%
Bottom Quartile	6.1%

*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.

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Best and Worst Performance Over Last 12 Months

When examining cash returns, please note that these figures are after tax, while Term Deposit Rates are quoted pre-tax.

Option Type	Highest	Median	Lowest
SR50 Balanced (60-76) Index	15.5%	12.8%	8.1%
SR50 Growth (77-90) Index	19.2%	14.3%	10.5%
SR50 Capital Stable (20-40) Index	10.0%	6.7%	2.6%
SR50 Australian Shares Index	14.8%	11.1%	8.0%
SR50 International Shares Index	41.6%	29.0%	21.9%
SR25 Property Index	9.4%	7.2%	1.2%
SR25 Diversified Fixed Interest Index	6.4%	3.2%	1.0%
SR50 Cash Index	4.5%	2.5%	0.6%

SuperRatings Index Returns for the Period Ended 28 February 2014

Each index is calculated based on a selected universe of funds whose asset sizes represent the largest investment options in that option space (50 or 25), hence covering the vast majority of Australians in our major super funds. It works similarly to major share indices and provides a consistent and reliable measurement for super funds and consumers.

SuperRatings Index	1yr Return	3yr Return p.a.	5yr Return p.a.	7yr Return p.a.	10yr Return p.a.
SR25 High Growth Index	16.5%	8.9%	12.8%	3.3%	7.1%
SR50 Growth Index	14.3%	9.0%	11.6%	3.8%	7.3%
SR50 Balanced Index	12.8%	8.4%	10.2%	4.2%	7.0%
SR25 Conservative Balanced Index	9.3%	6.9%	9.0%	4.3%	6.1%
SR50 Capital Stable Index	6.7%	6.4%	7.5%	4.7%	6.0%
SR25 Secure Index	2.9%	3.9%	3.8%	4.0%	4.3%
SR50 Australian Shares Index	11.1%	8.2%	14.4%	4.0%	9.5%
SR50 International Shares Index	29.0%	11.7%	11.7%	1.9%	4.2%
SR25 Property Index	7.2%	8.1%	10.4%	0.8%	4.9%
SR25 Diversified Fixed Interest Index	3.2%	6.4%	6.8%	6.0%	5.7%
SR50 Cash Index	2.5%	3.4%	3.6%	4.1%	4.3%
SR50 MySuper Index	13.4%	8.7%	10.1%	4.5%	7.4%

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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 ma Australians have their retirement benefits invested. We now update our website monthly to show the top 10 performing funds toge the medians over all time periods for the following investment options: Balanced, Growth, Australian Shares, International Shares Stable, Property, Conservative Balanced, High Growth, Secure, Diversified Fixed Interest and Cash.

Release Ends

About SuperRatings
SuperRatings Pty Ltd ABN: 95 100 192 283 AFSL 311800 (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 advisers need informed opinions on the best superannuation and pension financial products to provide real value for their clients. 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.

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