SUPERRATINGS MEDIA RELEASE

Tuesday 19 September 2017

STEADY AS IT GOES FOR SUPER FUNDS

	Accumulation Returns	Pension Returns
Month of August 2017	▲ 0.6%	▲ 0.7%
Financial Year return to 31 August 2017	▲ 0.7%	▲ 0.8%
Rolling 1-year return to 31 August 2017	▲ 7.7%	▲ 8.7%
Rolling 3-year return to 31 August 2017	▲ 7.2%	▲ 7.4%
Rolling 5-year return to 31 August 2017	▲ 9.5%	▲ 10.5%
Rolling 7-year return to 31 August 2017	▲ 8.2%	▲ 9.1%
Rolling 10-year return to 31 August 2017	▲ 4.8%	▲ 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.

INVESTORS WAITING FOR MARKETS TO SET A CLEAR DIRECTION

Investors may have been hoping to start the new financial year with some wind in the sails, but instead it has been steady as she goes. According to SuperRatings' data, the median balanced option fund return was a modest 0.6% in August, with local shares assisted by a healthier commodities market.

Australian stocks suffered a mixed earnings season and the US market remains on edge, whilst superannuation funds have been focused on managing any breakout in volatility. Over recent months, market volatility fell to historic lows and this is where it remains. With the ongoing uncertainty facing the Korean peninsula, there has been some movement away from US stocks and currency and towards the relative safety of commodities and the European market. In recent years, we have seen most funds recording strong outcomes, although a greater range of returns is expected if volatility increases.

"Super funds have enjoyed a remarkable run in recent years, but members should be reassured that funds are increasing their focus on downside protection," said SuperRatings Chairman Jeff Bresnahan. "Members have seen a significant increase in their balances in recent years, but most funds are extremely aware that this does not mean they should take their focus off protecting these increased nest eggs."

"Last month we saw the continuation of Australia's remarkable record of GDP growth, with some positive signs in the labour market," said Mr Bresnahan. "However, we are living in a changing world, with higher levels of household debt becoming the norm for many Australians. This is increasing the importance of super as a driver of household wealth, with greater reliance on super for many, particularly for those members that are part of generation rent. Funds continue to perform well against a CPI+3% objective over 1, 3, 5 and 7 years, although the impact of the Global Financial Crisis (GFC) remains evident in 10 year 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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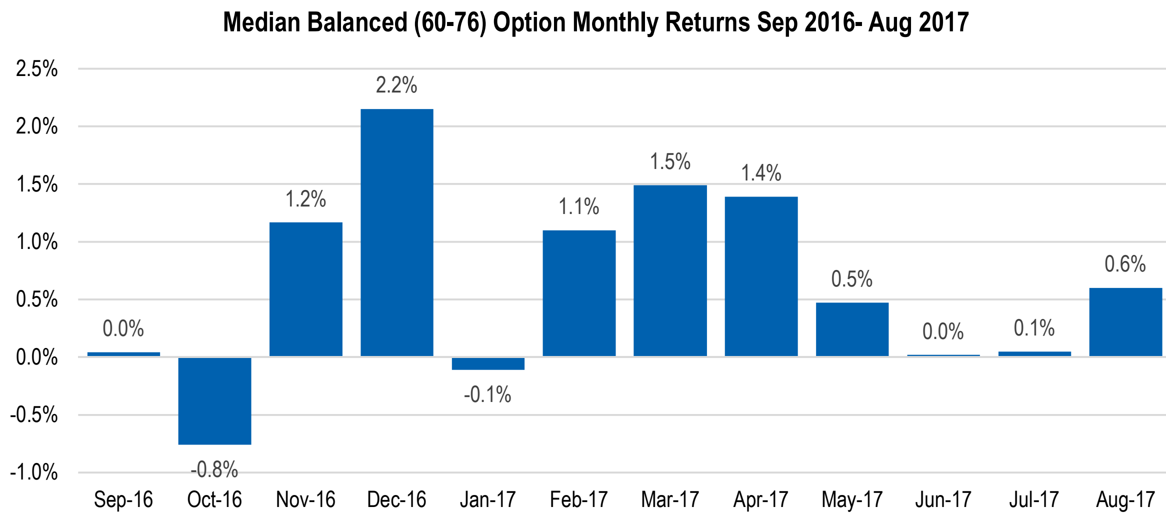

Source: SuperRatings

RETAIL SECTOR FEELS THE HEAT

The Australian market had another flat month in August, with the ASX 200 Accumulation Index posting a meagre 0.7% return, which was boosted by Energy shares (+6.0%), with Whitehaven Coal up 17.6% in price terms on the back of a rallying coal market and a record NPAT of $405m. Steel producer Bluescope (-17.5%) had a rough month as earnings dropped and CEO Paul O'Malley announced his departure.

The S&P/ASX 300 A-REIT Accumulation Index returned 1.5% in August after coming under pressure in July. Gains were widely shared, although retail-focused REITs had another tough month, with Vicinity Centres (-4.7%), Charter Hall Retail REIT (-4.2%), Scentre Group (-4.0%) and Westfield (-1.2%) all down ahead of Australia's retail D-Day.

In the US, the S&P 500 gained 1.0% in AUD terms, as global equity markets confronted renewed geopolitical tension emanating from the Korean peninsula. Global yields were compressed in August as investors sought safer ground in bonds, gold, euros and yen. Bucking the trend was Australia, with the Ausbond Composite Index flat and slightly negative. The Australian 10-year Treasury yield rose 2.7%, but was still down on its March peak of 3.0%.

SOFTER INFLATION REMAINS A KEY CHALLENGE

The end of the central bank easing cycle appeared at the end of 2016 and has been strengthened by recent action, including the Fed's June rate rise. However, further action is likely to be gradual and subject to a sustained lift in core inflation. In July, US Fed members voted unanimously to keep the target funds rate on hold at 1–1.25%, noting that core inflation was running below 2%, with measures of inflation expectations little changed over 12 months. Euro area inflation is expected to be 1.3% p.a. in July, steady on June and now significantly lower than February's high of 2.0%.

In contrast, Australia's tighter monetary policy settings relative to the rest of the world, along with declining commodity prices, led to lower returns, and in particular a noticeable divergence in global and domestic performance since 2013, with Australian shares the laggards.

Longer-term returns for super funds continue to sit close to inflation targets, with the seven-year return sitting at an estimated 8.2% p.a. (above most funds' CPI targets). The 10-year return moved slightly higher to 4.8% p.a. in August, although it remains impacted by the GFC, which occurred nearly ten years ago. As the GFC moves out of the rolling 10-year return period, long-term returns will improve and are likely to move in line with funds' targets.

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.