

MEDIA RELEASE

Thursday 12th June 2013

SUPERRATINGS LAUNCHES STANDARD RISK MEASURE PERFORMANCE SURVEY

A decade after pioneering Australia's leading superannuation performance survey, SuperRatings have launched another first, this time a performance survey based on the FSC/ASFA initiated Risk Measures. Standard Risk Measures ("SRMs"), whilst not compulsory, have been adopted by the majority of Australian super funds. The intent is to classify the risk of all investment options within funds. The classifications range across 7 bands, from "Very Low Risk" to "High Risk". This in turn, is designed to assist members in assessing the risk of investment options across the industry.

After completing a detailed analysis of over 500 diversified options (see attached paper for statistical analysis), SuperRatings has concluded that whilst the introduction of the controversial Standard Risk Measures ("SRMs") into the superannuation industry has not provided a complete answer, it has at least got the ball rolling in terms of ultimately creating a satisfactory risk measure for consumers, something the industry has been unable to achieve despite over a decade of debate (surely it can't be that hard!).

The Standard Risk Measures initiative, supported by the FSC and ASFA and endorsed by APRA, requires ongoing tweaking to eliminate some inconsistencies. If this is done, a viable consumer outcome is highly possible, if not probable within the next few years. However, right now, from a consumer perspective, the process has some fundamental flaws which means SRMs are still a fair way from providing an accurate and comparable risk measure.

Perhaps the simplest way of showing some of the inconsistencies of the new measures is the significant range of options that end up in the same Risk Measurement grouping. For example, the new SRM "Medium" risk label picks up investment options with a low of 30% in growth style assets right through to options with 100% in growth style assets. Or to look in reverse, Balanced Investment Options (which traditionally hold between 60 to 76% of their assets in growth style investments), have been self labeled by funds as: Low to Medium Risk; Medium Risk; Medium to High Risk; and High Risk. In other words, options that supposedly, due to a similar range of asset allocations and hence behavior, cover some four of the seven possible risk labels.

The problem appears to lie with the ability of funds to self select assumptions to be input in the modeling. Whilst the self selection was forecast by many to be an issue, SuperRatings' analysis has for the first time clearly identified the problems with the outcomes.

Notwithstanding the above, SuperRatings continues to support any endeavours to increase the transparency and measurement of the Australian superannuation industry. As such, the Standard Risk Measure Survey will now be produced monthly and will monitor and measure the performance of the over 500 diversified options within the 7 bands of Risk Measures.

The new SRM survey complements the existing surveys produced by SuperRatings, and takes to six the number of monthly surveys produced, as follows:

Accumulation Fund Crediting Rate Survey

Pension Fund Crediting Rate Survey

Sustainable Fund Crediting Rate Survey

Super CPI + Objectives Survey

Pension CPI + Objectives Survey

Standard Risk Measure Survey

For a copy of any of the above surveys please contact Kirby Rappell on KirbyR@superratings.com.au

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 now update our website monthly to show the top 5 performing funds together with the medians over all time periods.

RELEASE ENDS

SUPERRATINGS

To encourage and where necessary create disclosure within the Superannuation industry.



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More Info?? Simply go to our website

www.superratings.com.au

Click on "Latest Investment Returns" to view the various tables. The "SuperRatings' Index" as shown in the tables is the median result of the largest funds. We welcome any Media enquiries regarding any of the information held on our database and where possible we will provide customised tables/graphs for your use.

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