



Super funds return 0.5%, but reduce equity risk

The SelectingSuper workplace default option index rose slightly during June 2012 with the rise just enough to tip super funds into positive territory for 2011-12 with an annual return of +0.5%.

While the return is disappointing — it's far below even inflation — the silver lining is that the 0.5% return stands in sharp contrast to the -7% return delivered by the S&P/ASX 300.

“Super funds are finally beginning to see the benefits of their increased asset weightings to alternative assets, fixed interest and cash,” said Alex Dunnin, director research at Rainmaker Information, SelectingSuper's research partner.

“If it wasn't for this, funds would be sitting of returns right now of -3% because of the tremendously strong relationship (correlation 96%) between Australian share market returns and super fund returns,” he said.

Asset allocation

The poor returns for super funds are explained by the fact that super funds on average have about half their money invested into Australian and international equities, which earned a -7% and -0.5% respectively this financial year.

Offsetting this, however, were the 20% of super fund assets in bonds that earned 11%, the 10% in property that earned 9% and a similar proportion in cash that earned 5%.

“Because so much of superannuation is invested into equities, their poor return was such a deadweight on funds overall that stellar returns from bond and property markets were not enough to rescue super funds from what has been happening in world capital markets,” explained Dunnin.

Funds that did out-perform were those able to see above this fray and they will most likely be the ones attracting new members over the coming year.

These averages of course refer to default investment options. If fund members have been shrewd enough to shift their superannuation money into fixed interest, cash or property then their returns will now be much higher than these lack luster overall averages.

Long term averages and cost of advice

While one year returns are poor, fund members can take solace that three year returns are more buoyant at 6.3% pa and 10 year returns are 5.4% pa. Five year returns are, however, very depressed at only -0.3% pa.

Not-for-profit funds (industry funds, public sector funds and corporate funds), achieved median 12 month returns of +0.9% and corporate master trusts (funds run by banking and insurance groups) achieved -0.1%.

The 1.0 percentage point gap is explained by master trusts having higher fees because consumers access them through financial advisers; not-for-profit funds are distributed through workplaces.



Continued

While the 1.0 percentage point gap may seem high, it should be noted it's usually twice as large.

Viewed another way, super funds distributed through workplaces averaged a return this year of 0.5% while funds sold through financial advisers averaged -0.6%, meaning that using a financial advisers usually incurs an implicit fee (or opportunity cost) of about 1.1% that has to be made up by the customer getting better advice and being placed into stronger performing and/or more tax effective investments.

Best funds

While the market average was +0.5%, leading funds delivered returns significantly above this benchmark, showing them to have remarkable agility in extremely difficult conditions.

The top five Workplace Super funds (by default options) over the 12 months were QSuper with 6.2%, ESSSuper with 4.9%, Chifley Super with 3.7% and AXA Simple Super and AXA Tailored Super both with 3.6%.

The top five Personal super funds (by balanced options) over the 12 months were legalsuper with 5.7%, Vision Super with 4.4%, EquipSuper with 3.4%, Perpetual Wealth Focus with 3.2% and AustralianSuper with 2.8%.

The top five public offer Retirement super funds (by balanced options) over the 12 months were Vision Super with 4.6%, EquipSuper with 4.1%, Perpetual Wealth Focus with 3.6%, Quadrant with 3.5% and AustralianSuper with 3.3%.

Self managed super funds

Applying asset class performance averages to the average asset allocation of self managed super funds, Rainmaker estimates that while default workplace super funds achieved +0.5% during 2011-12, the average SMSF achieved only -0.5%.

Driving down SMSF average returns is their 35% weighting to Australian shares, noted Rainmaker.

This SMSF return being 1.0 percentage point lower than the SelectingSuper default workplace index is explained by, while SMSFs have a high weighting to cash, it's not high enough to counter-act under-performing equities especially when SMSFs are also under-weight in the high performing bond sector.

Nonetheless, for SMSFs without significant equities exposure they are likely to have earned about 3.4% in 2011-12, an average that would have been beaten almost all regular super funds.

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-See following pages for league tables and a graphs supporting this media release-

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Top 50 super funds, 30 June 2012

Fund name	Segment	Open to the public	Crediting rates, ie returns after fees and taxes							
			1 yr	rank	3 yrs	rank	5 yrs	rank	10 yrs	rank
QSuper	Government fund	No	6.2	1	9.0	2	1.8	4	6.4	9
ESSSuper	Government fund	No	4.9	2	7.9	8	1.8	5	6.6	4
Chifley Super Employer	Master trust	Yes	3.7	3	6.7	28	1.1	9	4.7	40
AXA Australia Simple Super	Master trust	Yes	3.6	4	2.9	81	3.1	1	3.3	49
AXA Australia Tailored Super	Master trust	Yes	3.6	4	2.9	81	3.1	1	3.3	49
AESuper	Industry fund	Yes	3.2	6	8.2	6	-0.3	41		
Super SA - Triple S Scheme	Government fund	No	3.1	7	8.8	3	-0.2	40	6.3	11
RecruitmentSuper	Industry fund	Yes	2.9	8	8.1	7	0.5	17		
CBA Group Super	Corporate fund	No	2.8	9	8.3	5	2.5	3	6.6	3
REI Super	Industry fund	No	2.8	10	7.5	12	-0.5	45	5.0	35
Accountants Super	Industry fund	Yes	2.8	11	7.7	11	0.4	20		
Vision Super	Industry fund	Yes	2.3	12	6.2	45	0.4	19	5.4	28
CareSuper	Industry fund	Yes	2.1	13	7.0	21	1.2	8	6.6	4
CSC PSSap	Government fund	No	1.7	14	6.3	41	0.0	30		
UniSuper	Industry fund	No	1.7	15	6.7	29	0.7	14	6.1	15
Lutheran Super	Corporate fund	No	1.7	16	6.2	45	-1.4	62		
LG Super (QLD)	Government fund	No	1.6	17	7.5	13	0.2	23		
EISS	Government fund	No	1.5	18	7.0	24	-0.9	54	4.6	42
ANZ Australian Staff Super	Corporate fund	No	1.5	19	9.0	1	-0.3	42	5.2	33
GESB	Government fund	No	1.4	20	7.7	10	0.2	26		
Quadrant Investment Choice	Government fund	Yes	1.4	21	5.8	54	-1.2	58		
HESTA Super Fund	Industry fund	Yes	1.3	22	7.0	21	0.3	22	6.0	18
Cbus Industry Super	Industry fund	Yes	1.2	23	6.2	44	0.1	29	6.1	16
Health Super Fund	Industry fund	No	1.2	24	8.7	4	0.2	24	5.9	20
LUCRF Super	Industry fund	Yes	1.2	25	6.0	52	-0.7	49	5.4	28
Equisuper Corporate	Industry fund	Yes	1.1	26	6.5	34	0.9	10	6.2	13
Retirement Benefits Fund (Tas)	Government fund	No	1.1	27	6.4	39	0.2	25	5.4	27
Christian Super	Industry fund	Yes	1.0	28	5.6	62	-1.1	57	4.2	46
BUSS(Q) Employer	Industry fund	Yes	1.0	29	6.5	36	0.3	21	6.3	10
HOSTPLUS	Industry fund	Yes	1.0	29	6.3	40	0.1	27	6.3	12
AustralianSuper	Industry fund	Yes	1.0	31	7.0	20	0.0	30	6.4	7
Rio Tinto Staff Super	Corporate fund	No	0.9	32	7.4	14	-0.2	38	5.2	32
Statewide Super (SA)	Industry fund	Yes	0.9	33	3.8	78	-3.6	80		
Acumen Corporate Super	Master trust	Yes	0.9	34	7.2	16	1.7	6	6.7	1
REST Industry Super	Industry fund	Yes	0.9	34	7.2	16	1.7	6	6.7	1
TWUSUPER	Industry fund	Yes	0.8	36	7.1	18	0.0	32		
Plum Super Employer	Master trust	Yes	0.8	37	6.3	42	-1.3	60		
Combined Fund	Industry fund	No	0.7	38	4.7	71	-1.5	63	4.4	45
Local Super	Industry fund	No	0.7	39	7.2	15	0.8	11	6.1	17
AGEST Super	Industry fund	Yes	0.7	40	5.8	55	-0.8	52	5.2	33
Catholic Super	Industry fund	Yes	0.6	41	6.8	25	0.5	16	6.4	8
ASSET Super	Industry fund	Yes	0.6	42	7.0	21	-0.7	47	4.6	41
AMIST	Industry fund	Yes	0.5	43	6.8	26	-0.1	35	6.0	18
Energy Super	Industry fund	Yes	0.5	43	6.2	48	-0.2	37	5.4	26
IAG & NRMA Super Plan	Corporate fund	No	0.5	45	6.6	32	-0.7	47	4.9	38
State Super (NSW)	Government fund	No	0.5	45	6.2	47	-0.1	36	5.3	31
AustSafe Super	Industry fund	Yes	0.5	47	6.5	36	-0.3	43		
Suncorp WealthSmart Business Super	Master trust	Yes	0.5	48	4.8	70				
Connolly Temple Employer Super	Master trust	Yes	0.3	49	3.5	79	-0.8	53	2.5	55
BT Business Superannuation	Master trust	Yes	0.2	50	5.5	63	-1.3	59	3.3	51
Average			0.5		6.3		-0.3		5.4	
Number of funds				85		83		82		55

Source: Rainmaker

www.selectingsuper.com.au

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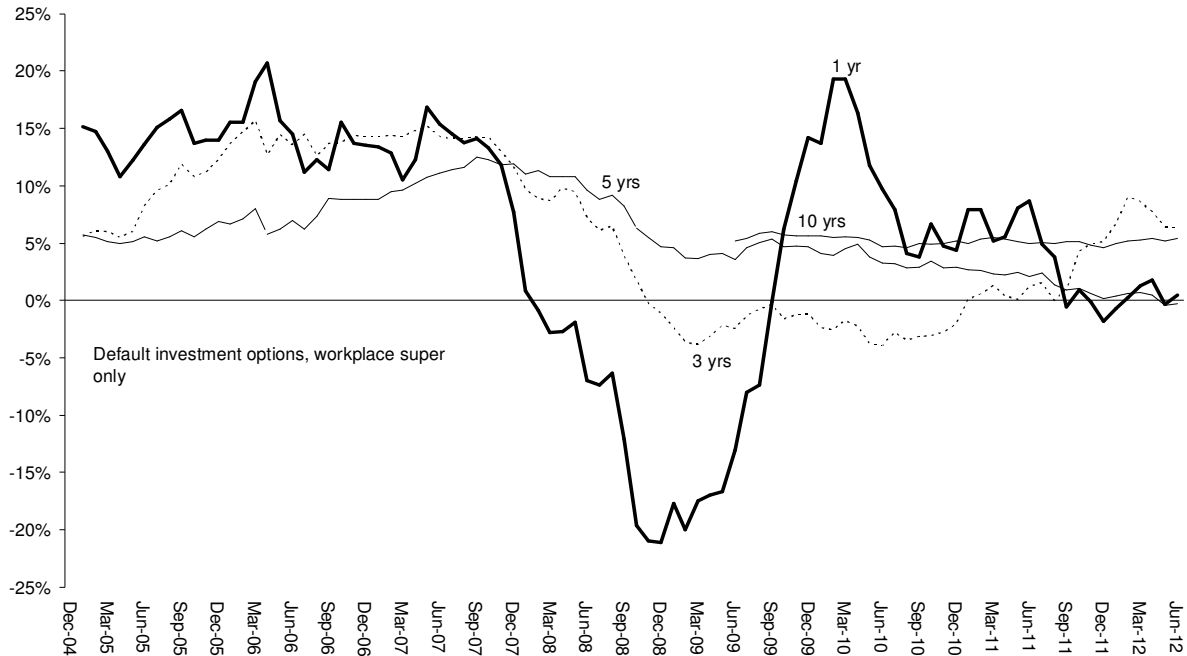
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Super returns - rolling 1, 3, 5, 10 yrs; June 2012



Segment performance gap

