Chant West

Media Release

19 October 2023

Super funds retreat in September but still on pace for a positive CY23 return

Super funds retreated in September as investment markets reacted nervously to the prospect of a sustained period of higher interest rates, with the median growth fund (61 to 80% in growth assets) falling 1.9% over the month. Despite this fall, the return over the first nine months of the 2023 calendar year sits at 5.2%.

Chant West Senior Investment Research Manager, Mano Mohankumar, says that both share and bond markets fell in September, with Australian shares down 2.9% for the month.

“Developed market international shares fell 3.7% and 4% in hedged and unhedged terms, respectively. Emerging markets shares were down 2.3%, Australian bonds fell 1.5% while international bonds fell 1.8% as bond yields rose materially over the month. However, it’s important for super fund members to remember that the majority are invested in portfolios that are diversified well beyond those asset classes, with exposures to cash and meaningful allocations to alternatives and unlisted assets. That diversification helped limit the median growth fund’s loss to 1.9% over the month.

“Nearly all major developed markets were down in September. In the US, economic growth remained resilient and while inflation is generally on a downward trend, it remains high. Although the US Federal Reserve kept rates on hold at its September meeting, it expects policy settings to remain restrictive for some time until it’s convinced that inflation is heading back towards its target. The Bank of England also kept rates on hold in September after 14 rises since the end of 2021. The European Central Bank raised rates by 0.25% at its last meeting but signalled that its 10th hike in a 14-month-long effort to bring down inflation may be its last. Back at home, at the first meeting chaired by new Governor Michele Bullock earlier this month, the RBA kept interest rates on hold at 4.1% for the fourth consecutive month.

“Given market volatility and the uncertain economic and geopolitical backdrop, it’s a good time to remind super fund members that super is a long-term investment. Despite the challenging backdrop over the past three-and-a-half years, the median growth fund is about 17% above the pre-COVID high that was reached at the end of January 2020. More importantly, funds are continuing to meet their long-term return and risk objectives.”

The table below compares the median performance to the end of September 2023 for each of the traditional diversified risk categories in Chant West’s Multi-Manager Survey, ranging from All Growth to Conservative. All risk categories have generally met their typical long-term return objectives, which generally range from CPI + 1.5% for Conservative funds to CPI + 4.25% for All Growth.

Traditional Diversified Fund Performance (Results to 30 September 2023)

Risk Category	Growth Assets (%)	1 Mth (%)	3 Mths (%)	FYTD (%)	CYTD (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)	15 Yrs (% pa)
All Growth	96 – 100	-2.7	-0.5	-0.5	7.1	12.8	9.8	6.7	8.5	8.6	7.8
High Growth	81 – 95	-2.2	-0.5	-0.5	6.5	11.3	8.6	6.4	7.9	8.1	7.2
Growth	61 – 80	-1.9	-0.5	-0.5	5.2	9.1	6.6	5.3	6.5	7.0	6.6
Balanced	41 – 60	-1.4	-0.3	-0.3	4.3	7.4	4.7	4.3	5.1	5.6	5.8
Conservative	21 – 40	-1.0	-0.1	-0.1	3.0	4.9	2.9	3.1	3.7	4.3	4.7

Note: Performance is shown net of investment fees and tax. It is before administration fees.

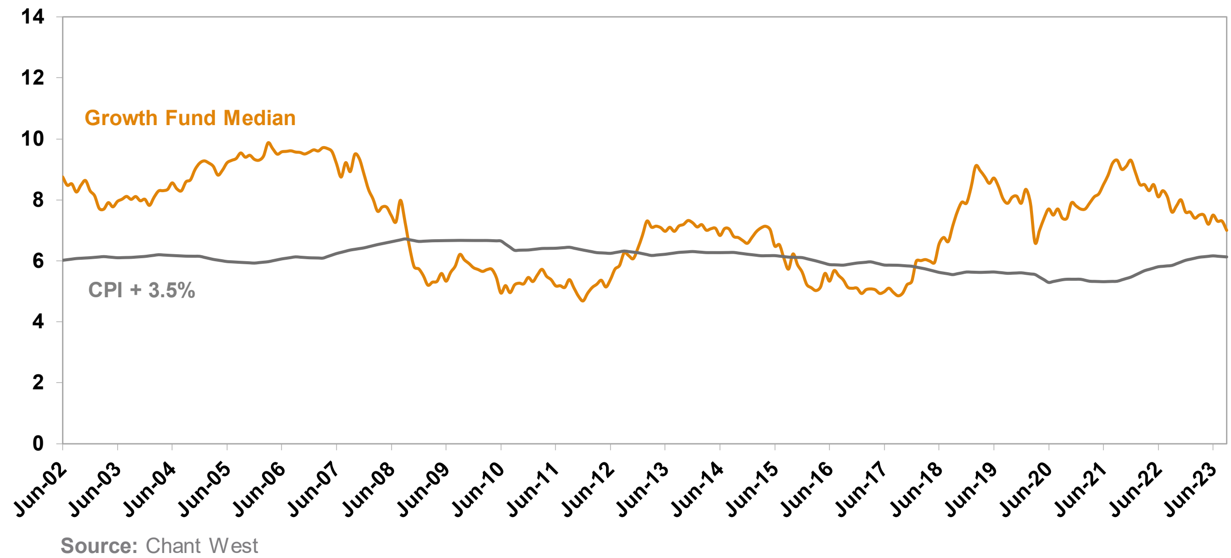
Source: Chant West

Long-term performance remains above target

MySuper products have only been operating for just under 10 years, so when considering performance it's important to remember that super is a much longer-term proposition. Since the introduction of compulsory super in July 1992, the median growth fund has returned 7.7% p.a. The annual CPI increase over the same period is 2.6%, giving a real return of 5.1% p.a. – well above the typical 3.5% target. Even looking at the past 20 years, which includes three major share market downturns – the GFC in 2007-2009, COVID-19 in 2020, and the high inflation and rising interest rates in 2022 – super funds have returned 7.2% p.a., which is still comfortably ahead of the typical objective.

The chart below shows that, for most of the time, the median growth fund has exceeded its return objective over rolling 10-year periods, which is a commonly used timeframe consistent with the long-term focus of super. The exceptions are two periods between mid-2008 and late-2017, when it fell behind. This is because of the devastating impact of the 16-month GFC period (end-October 2007 to end-February 2009) during which growth funds lost about 26% on average.

Growth Funds – Rolling 10 Year Performance (Returns – % pa)



Note: The CPI figures for the September quarter is an estimate.

Source: Chant West

Chant West philosophy: to ensure we capture an accurate picture of the market in any given month, we publish our monthly performance data once we've received responses from at least 80% of our growth fund universe.

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About Chant West

Senior Investment Research Manager Mano Mohankumar and General Manager Ian Fryer are available to discuss this release. Please call Darlene White on 0438 041 032 to arrange a time.

Mano Mohankumar

Mano has over 20 years of experience in the finance industry and regularly provides media comment on superannuation and investment matters.

Ian Fryer

Ian has worked in the superannuation industry for about 25 years in a range of research, consulting, actuarial and administration roles.

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