Chant West

Media Release

20 November 2023

Super funds down in October but positive calendar year result on the horizon

Super funds endured a challenging October, with the median growth fund (61 to 80% in growth assets) falling 1.5% over the month. However, as share markets have rallied strongly in November so far, leading super fund research group, Chant West, estimates that with just six weeks of the calendar year remaining, the median growth fund return is estimated to be 6.5% - a great result under testing circumstances.

Chant West Senior Investment Research Manager, Mano Mohankumar, says that in October, both share and bond markets fell amid ongoing concern that interest rates in the US may remain higher for longer.

“The tragic events in the Middle East also weighed on markets in October. Over the month, Australian shares fell 3.8% while developed market international shares fell 2.6% in hedged terms. However, the depreciation of the Australian dollar against all major currencies reduced the loss in unhedged terms to just -1% and super funds, on average, have about 70% of their international shares exposure unhedged. Emerging markets shares were down 2% for the month. Australian bonds fell 1.8% while international bonds fell 0.8%, as bond yields rose again during October.

“Given the ongoing market volatility, super fund members need to remember that super is a long-term investment so there’ll be ups and downs along the way. Members should take comfort in the fact that super funds’ portfolios have weathered previous periods of market volatility and they continue to meet their long-term risk and return objectives. We caution those members who are thinking about switching to a more conservative option or cash with a view to switching back to a growth option later. Attempting to time the market more often than not results in inferior long-term investment outcomes than if you stay the course. We’d encourage those members who are considering switching investment options to speak to a financial adviser.”

The table below compares the median performance to the end of October 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 31 October 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	-2.4	-4.7	-2.9	4.6	5.2	8.7	7.4	8.3	8.0	8.3
High Growth	81 – 95	-1.8	-4.2	-2.3	4.6	5.2	7.6	6.9	7.8	7.6	7.8
Growth	61 – 80	-1.5	-3.4	-1.9	3.7	4.3	5.9	5.7	6.4	6.6	7.1
Balanced	41 – 60	-1.2	-2.5	-1.4	3.1	3.7	4.1	4.4	5.0	5.3	6.1
Conservative	21 – 40	-0.7	-1.5	-0.8	2.4	2.9	2.5	3.2	3.7	4.2	4.9

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

Source: Chant West

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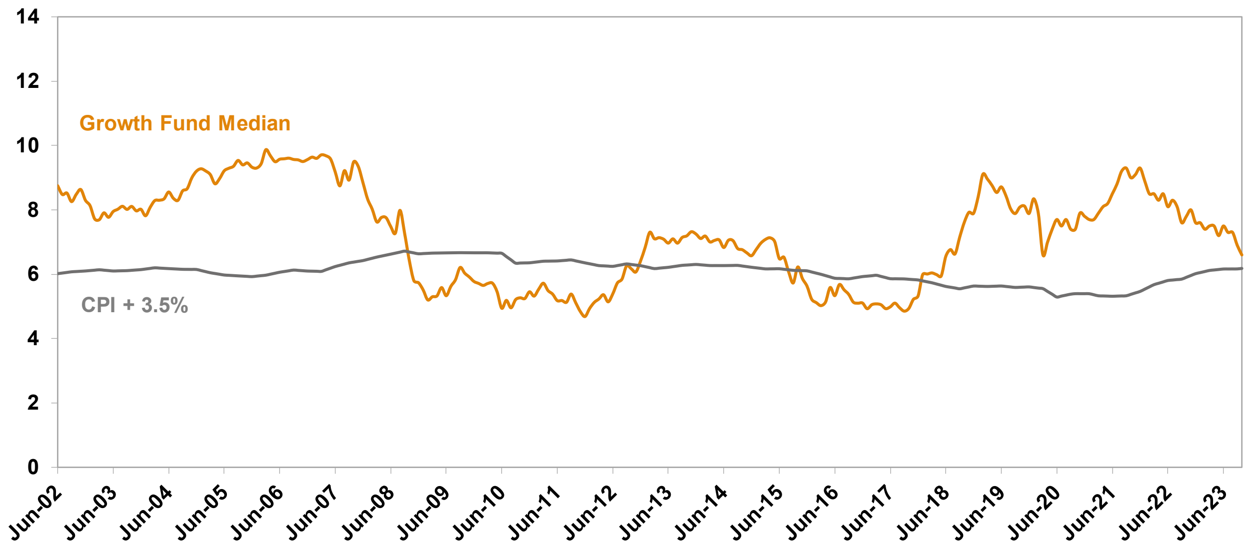
Long-term performance remains above target

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 7.6% p.a. The annual CPI increase over the same period is 2.7%, giving a real return of 4.9% 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% 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)



Source: Chant West

Note: The CPI figure for October 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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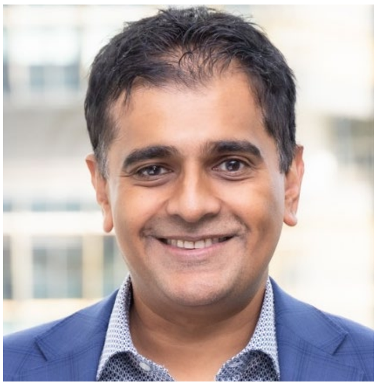
About Chant West

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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