Media Release

23 May 2023

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.

Super funds closing in on a healthy financial year result

Super funds posted another solid return in April with the median growth fund (61 to 80% in growth assets) up 1.2% over the month. That propelled the return for the first ten months of the financial year to 8.1% so, with just two months remaining, it looks likely that funds will finish the year with a healthy return. That 8.1% return, if sustained to the end of June, would more than offset the entire loss of 3.3% from the 2022 financial year, and is well above the typical long-term return objective which is about 6% per annum.

Chant West Senior Investment Research Manager, Mano Mohankumar, says positive returns from both shares and bonds were mainly responsible for April's rise. "Australian shares were up 1.9% over the month. International shares were up 1.6% in hedged terms and that was boosted to 3.2% unhedged because of the depreciation of the Australian dollar over the period. Meanwhile, Australian and international bonds returned 0.4% and 0.3%, respectively.

"In the US, markets were buoyed in late April by better-than-expected earnings results from several of the mega-cap tech companies. While US inflation has eased, it remains stubbornly high. The Federal Reserve, prioritising bringing down inflation, raised interest rates by 0.25% earlier this month. But it hinted that its rate hikes could be nearing an end as it assesses the fallout from recent bank failures. In the eurozone, share markets were supported by some resilient corporate earnings results and there were rises in the eurozone and the UK over the month. Both the European Central Bank and Bank of England raised interest rates by 0.25% earlier this month as they too continue to combat inflation.

"In China, economic growth data was surprisingly strong but sentiment took a hit due to renewed tensions with the US. In Australia, meanwhile, the Reserve Bank surprisingly raised interest rates by 0.25% earlier this month to bring the official cash rate to 3.85% – the 11th increase in the past 12 meetings."

Table 1 compares the median performance to the end of April 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 range from CPI + 1.75% for Conservative funds to CPI + 4.25% for All Growth.

Table 1: Traditional Diversified Fund Performance (Results to 30 April 2023)

Risk Category	Growth Assets (%)	1 Mth (%)	3 Mths (%)	FYTD (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)	15 Yrs (% pa)
All Growth	96 – 100	1.7	1.7	10.9	3.7	11.6	7.5	9.1	9.3	6.8
High Growth	81 – 95	1.4	2.1	10.2	4.1	10.2	7.3	8.5	8.8	6.9
Growth	61 – 80	1.2	1.9	8.1	3.6	8.4	6.1	7.2	7.5	6.1
Balanced	41 – 60	0.9	1.6	6.3	3.1	6.0	4.8	5.5	6.0	5.5
Conservative	21 – 40	0.6	1.4	4.7	2.5	3.8	3.5	4.2	4.6	4.8

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

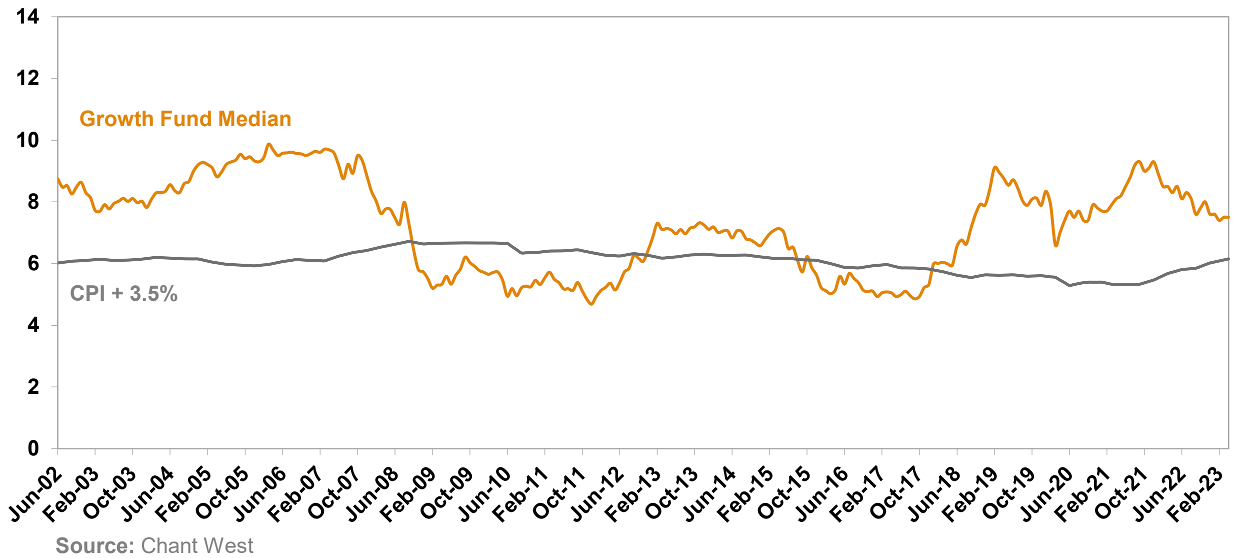
Source: Chant West

Long-term performance remains above target

MySuper products have only been operating for just over eight 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 7.9% p.a. The annual CPI increase over the same period is 2.6%, giving a real return of 5.3% p.a. – well above the typical 3.5% target. Even looking at the past 20 years, which includes four major share market downturns – the 'tech wreck' in 2002-2003, the GFC in 2007-2009, COVID-19 in 2020 and the high inflation and rising interest rates in 2022 – super funds have returned 7.4 % 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 figure for April 2023 is an estimate.
Source: Chant West

About Chant West

Senior Investment Research Manager Mano Mohankumar and General Manager Ian Fryer are available to discuss this release. Please call Nick Kane on (03) 7068 9068 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.