



Chant West

# Media Release

19 December 2023

## Super funds closing in on a strong 2023 result

Super funds had a tremendous November as share and bond markets rallied strongly, propelling the median growth fund (61 to 80% in growth assets) up 3.1% over the month. With markets also up in December so far, Chant West estimates that with less than two weeks of the calendar year remaining, the median growth fund return is up 8.8% - an excellent result under challenging circumstances.

Chant West Senior Investment Research Manager, Mano Mohankumar, says that strong share markets have been the main driver of the healthy calendar-year-to-date return, in particular international shares, which have returned a staggering 22% over the period with the tech sector being the strongest contributor, benefitting from advancements in AI.

“While Australian shares haven’t reached the same heights this year, they’ve still delivered a solid 9.5% over the same period. At a time when many Australians are feeling financial stress due to high inflation and high interest rates, the better-than-expected calendar year return will provide some good news. It’s a reward for super fund members who have remained patient and maintained a long-term focus. A final result close to the 8.8% estimate would more than offset the entire 2022 calendar year loss of 4.6%.

“In the month of November, the strong performance from share and bond markets was largely on the back of slowing inflation in the US and other regions, which further raised hope that interest rates may have reached their peak. Over the month, Australian shares surged 5.1%, while international shares fared even better, returning 8.4% in hedged terms. However, the sharp appreciation of the Australian dollar over the month pulled back that return to 4.4% in unhedged terms. Australian and international bonds also performed strongly, returning 3% and 3.2% respectively as bond yields fell sharply.

“Despite this positive news, market volatility is unlikely to disappear given the uncertain backdrop, with signs of slowing economic growth in the US, stubborn services inflation and geopolitical risks. However, super fund members should take comfort in the fact that most Australians are invested in well-diversified portfolios that have their investment exposure spread across a wide range of asset classes. That diversification helps provide smoother returns during periods of market volatility.”

The table below compares the median performance to the end of November 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 November 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	4.2	-1.0	0.8	8.9	5.3	7.0	8.4	8.5	8.2	8.9
High Growth	81 – 95	3.5	-0.6	1.0	8.1	5.5	6.6	8.0	8.1	8.1	8.5
Growth	61 – 80	3.1	-0.4	0.9	6.8	4.6	5.3	6.5	6.8	6.9	7.6
Balanced	41 – 60	2.6	-0.2	1.0	5.7	4.1	3.9	5.0	5.3	5.5	6.3
Conservative	21 – 40	2.0	0.2	1.1	4.4	3.2	2.6	3.5	3.9	4.3	5.2

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

Source: Chant West

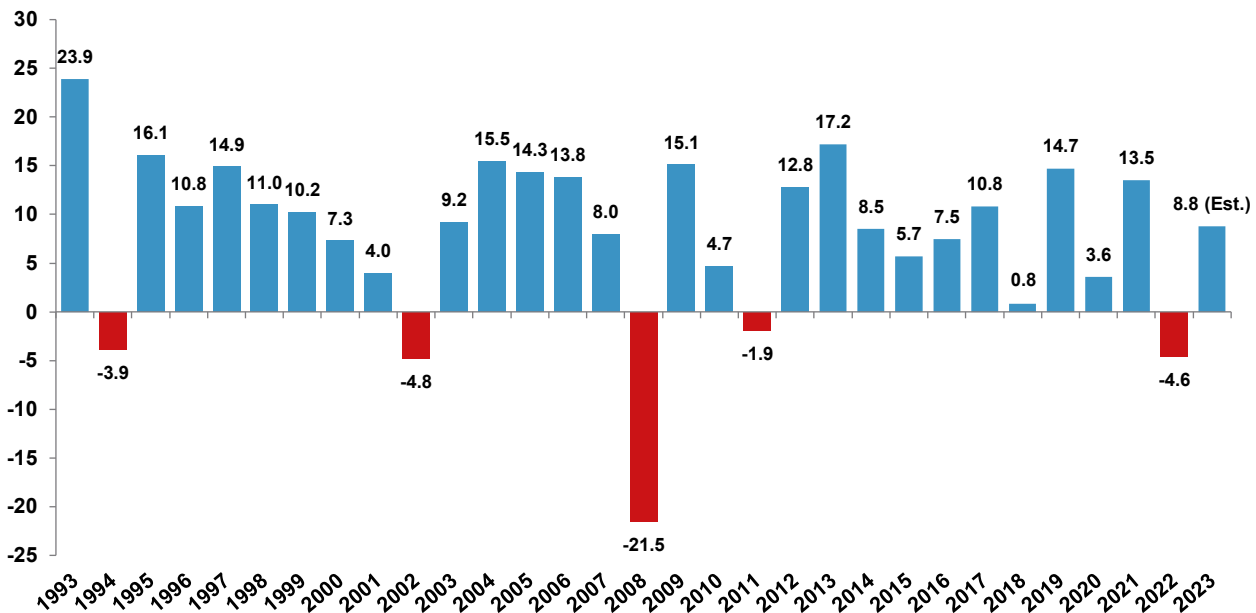


## Funds continue to beat risk and return targets

To provide further context, Chart 1 plots the year-by-year performance of the median growth fund over the previous 30 full calendar years since the introduction of compulsory super in July 1992, as well as the 2023 calendar-year-to-date return. It shows that super funds have delivered on their risk and return objectives over the long term. Since the introduction of compulsory super, the median growth fund has returned 7.8% p.a. The annual CPI increase over the same period is 2.7%, 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 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.

On the risk side, there have only been five negative years over the entire period which translates to about one year in every six. Again, funds have done better than their typical long-term risk objective, which is one negative return in every five years, on average.

Chart 1: Growth Funds – Calendar Year Performance (Returns – %)



Source: Chant West

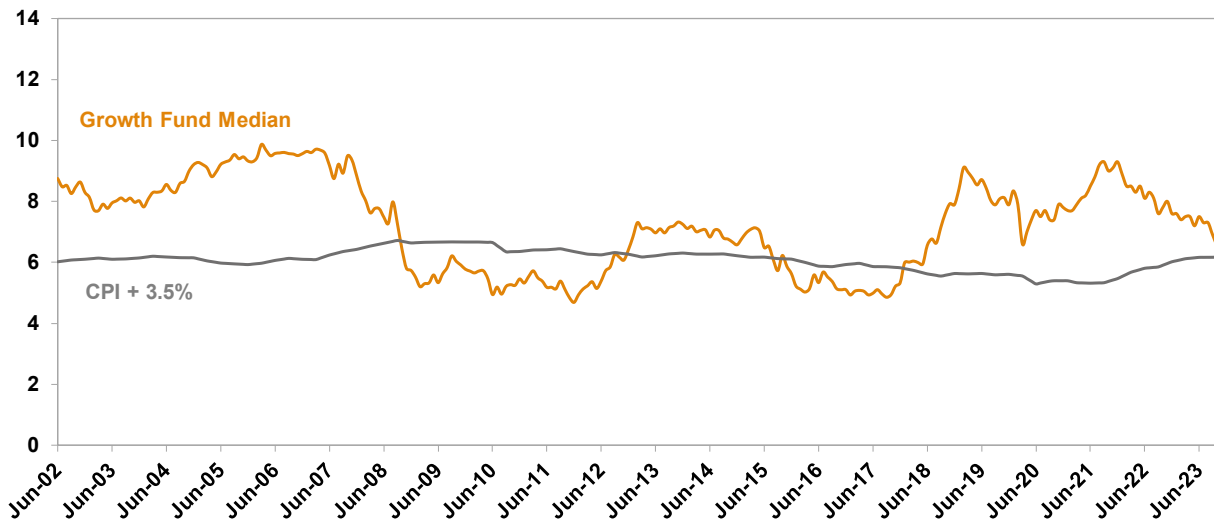
Note: Performance is shown net of investment fees and tax. It is before administration fees.



## Long-term performance remains above target

Chart 2 below shows that for most of the time since compulsory super, 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.

**Chart 2: Growth Funds – Rolling 10 Year Performance (Returns – % pa)**



Source: Chant West

**Note:** The CPI figures for October and November 2023 are estimates.

**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.



# 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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