Media Release

20 January 2025

Super funds deliver stellar result for 2024

Super funds posted a stellar 2024 result for their members with the median growth fund (61 to 80% in growth assets) returning 11.4%, with higher risk portfolios faring even better. The 11.4% growth fund return comes on the back of the surprisingly strong 2023 return of 9.9% and represents the 12th positive return in the past 13 years. It is also well ahead of the typical long-term return objective of approximately 6% p.a.

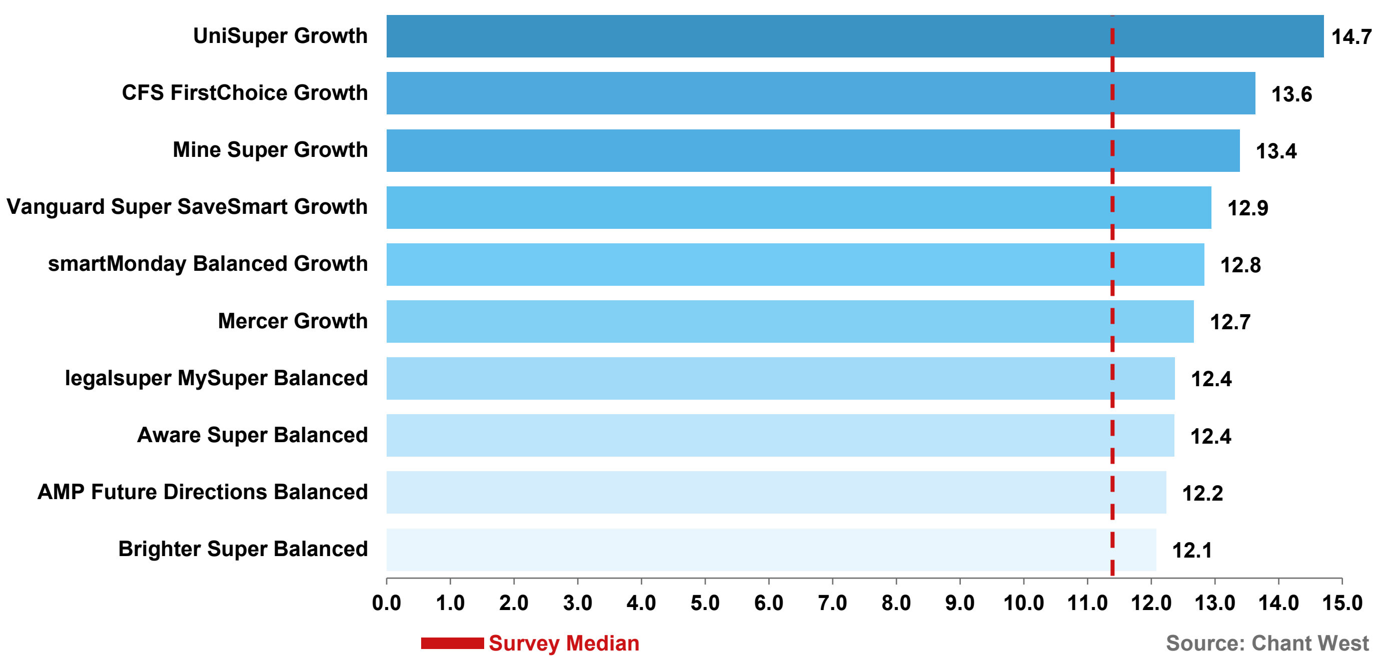
Chant West Senior Investment Research Manager, Mano Mohankumar, says that international share markets, with a return of 21.2% on a currency hedged basis, led by the tech and financials sectors, were the main driver of the tremendous 2024 result. “International shares in unhedged terms returned even more, with a staggering 31.2% gain due to the depreciation of the Australian dollar over the year (down from US$0.68 to US$0.62). On average, growth funds have 30% in total invested in international shares and 25% allocated to Australian shares. While not reaching the same heights, Australian shares, with a return of 11.4%, also contributed meaningfully to the strong CY24 result. The other point to note is that all other major asset classes, with the exception of unlisted property, also delivered positive returns for the year.

“We’re still in the process of collecting final returns for unlisted asset classes such as unlisted property, unlisted infrastructure and private equity. While the loss for unlisted property over FY24 is likely to be around the mid- single digits on average, we estimate that private equity and unlisted infrastructure finished the year with gains in the 7% to 10% range on average. Listed real assets were also up, with Australian listed property returning 17.6%, while international listed property and international listed infrastructure yielded gains of 2.8% and 11.9%, respectively. Traditional defensive sectors were also up with cash, Australian bonds and international bonds advancing 4.5%, 2.9% and 2.2%, respectively.

“With share markets performing so strongly in 2024, particularly international shares, it’s not surprising that the better performing super funds generally had higher allocations to those asset classes. Funds that had lower allocations to unlisted property, cash and bonds would have also benefitted. Having a higher exposure to foreign currency would have also helped.”

Chart 1 shows the top 10 performing growth options over the 2024 calendar year, together with the survey median, noting that long-term performance is more important for super fund members.

Chart 1: Top 10 Performing Growth Funds (1 Year to December 2024 – %)



Notes:

1. For inclusion in the Top 10, investment options must have been in the Growth category for the full year and where an investment option is not a fund’s main option in the Growth category, it must also meet a minimum size requirement of $1 billion.
2. Performance is shown net of investment fees and tax. It is before administration fees.

Table 1 compares the median performance for each of the traditional diversified risk categories in Chant West's Super Fund Performance Survey, ranging from All Growth to Conservative. Over the long-term, all risk categories have met their typical return objectives, which range from CPI + 1.5% for Conservative funds to CPI + 4.25% for All Growth.

Table 1: Diversified Fund Performance (Results to 31 December 2024)

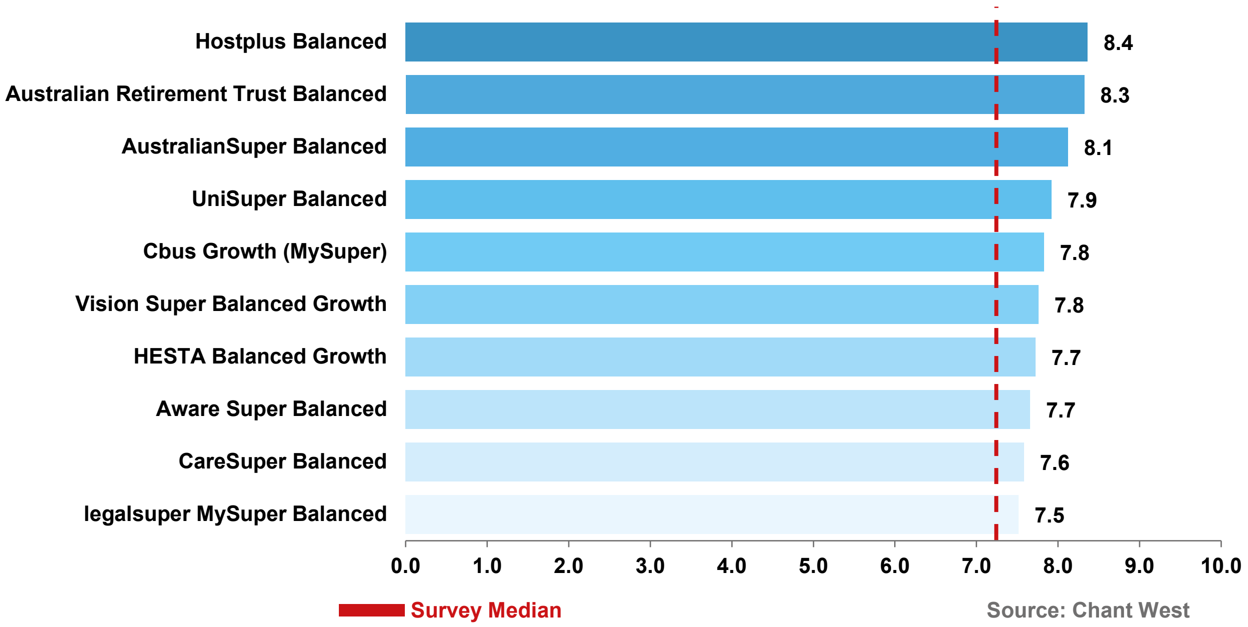
Fund Category	Growth Assets (%)	1 Mth (%)	Qtr (%)	FYTD (%)	1 Yr (%)	3 Yrs (% pa)	5 Yrs (% pa)	7 Yrs (% pa)	10 Yrs (% pa)	15 Yrs (% pa)
All Growth	96 – 100	-0.7	3.2	7.9	16.5	6.8	8.7	8.9	9.0	8.9
High Growth	81 – 95	-0.5	2.9	6.9	13.8	6.2	8.0	8.2	8.5	8.5
Growth	61 – 80	-0.4	2.2	5.8	11.4	5.2	6.6	6.9	7.2	7.6
Balanced	41 – 60	-0.2	1.6	4.8	8.7	4.2	5.1	5.6	5.7	6.4
Conservative	21 – 40	-0.1	1.1	3.8	6.3	3.2	3.6	4.0	4.3	5.1

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

Source: Chant West

Chart 2 shows the top 10 performing growth options over 10 years, together with the survey median.

Chart 2: Top 10 Performing Growth Funds (10 Years to December 2024 – % pa)



Source: Chant West

Notes:

1. For inclusion in the Top 10, investment options must have been in the Growth category for the full 10 years and where an investment option is not a fund's main option in the Growth category, it must also meet a minimum size requirement of $1 billion.
2. Performance is shown net of investment fees and tax. It is before administration fees.

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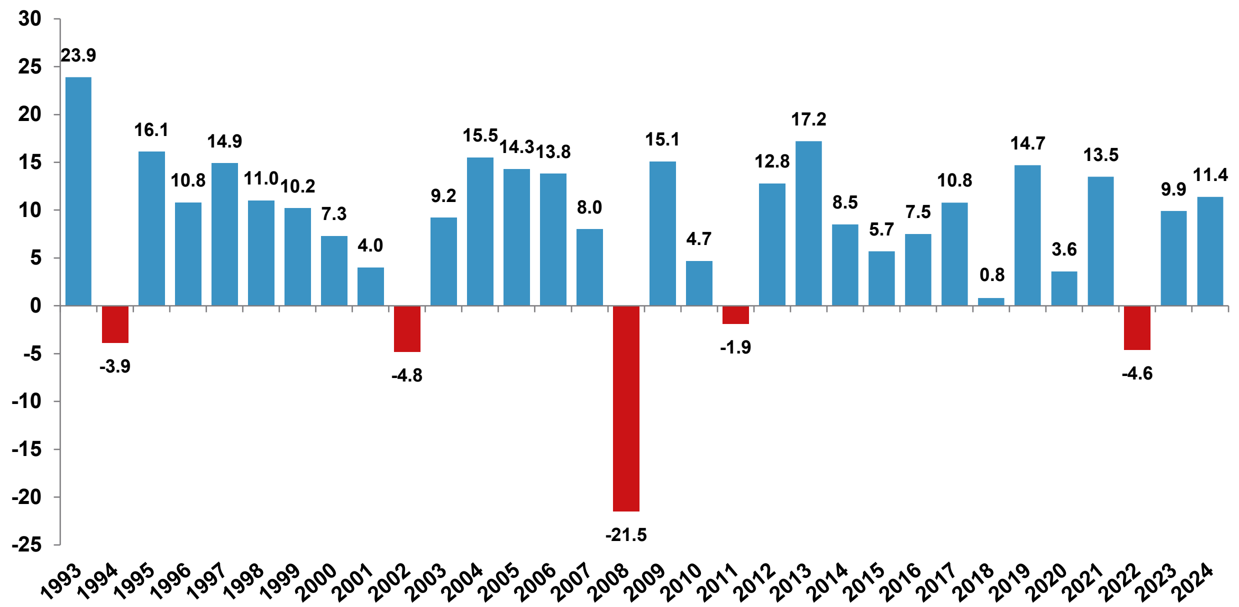
Funds continue to beat risk and return targets

While much of the focus at this time of year is on calendar year performance, Mohankumar believes fund members always need to think long term. To provide further context, Chart 3 plots the year-by-year performance of the median growth fund over the full 32 calendar years since the introduction of compulsory super in July 1992. It shows that super funds have delivered on their risk and return objectives over the long term.

Mohankumar says that while super funds had a particularly strong 2024 with a median return of 11.4%, that level of return shouldn't be thought of as normal. "The typical long-term return objective for growth funds is to beat inflation by 3.5% p.a., which translates to just over 6% p.a. Since the introduction of compulsory super, the annualised return is 8% and the annual CPI increase is 2.6%, giving a real return of 5.4% p.a. – well above that 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 7.1% p.a., which is still comfortably ahead of the typical objective.

"Returns are important but so is risk, and most funds also set themselves a risk objective. Risk is normally expressed as the likelihood of a negative annual return, and typically a growth fund would aim to post no more than one negative return in five years on average. This objective would translate to no more than six negative years over the 32 financial years shown. As it turns out, there have only been five, so the risk objective has been met as well as the performance objective."

Chart 3: Growth Funds – Calendar Year Returns (%)



Source: Chant West

Note: Performance is shown net of investment fees and tax. It does not include administration fees.

Long-term performance remains above target

Chart 4 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 4: Growth Funds – Rolling 10 Year Performance (Returns – % pa)

Source: Chant West

Note: The CPI figure for the December 2024 quarter is an estimate.

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 (Chant West) 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' 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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