



Chant West

Media Release

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Double digit super fund returns a live possibility for CY24

Super funds had a tremendous month in November with the median growth fund (61 to 80% in growth assets) up 2.5% for the month, benefitting from buoyant share markets led by the US market following the Republican party’s clean sweep victory. Taking into consideration market movements over December so far, with less than two weeks of the year remaining, Chant West estimates that the median growth fund return for CY24 is sitting at an impressive 11%. While markets are unpredictable, a strong result is likely and that would represent the 12th positive return out of the last 13 years.

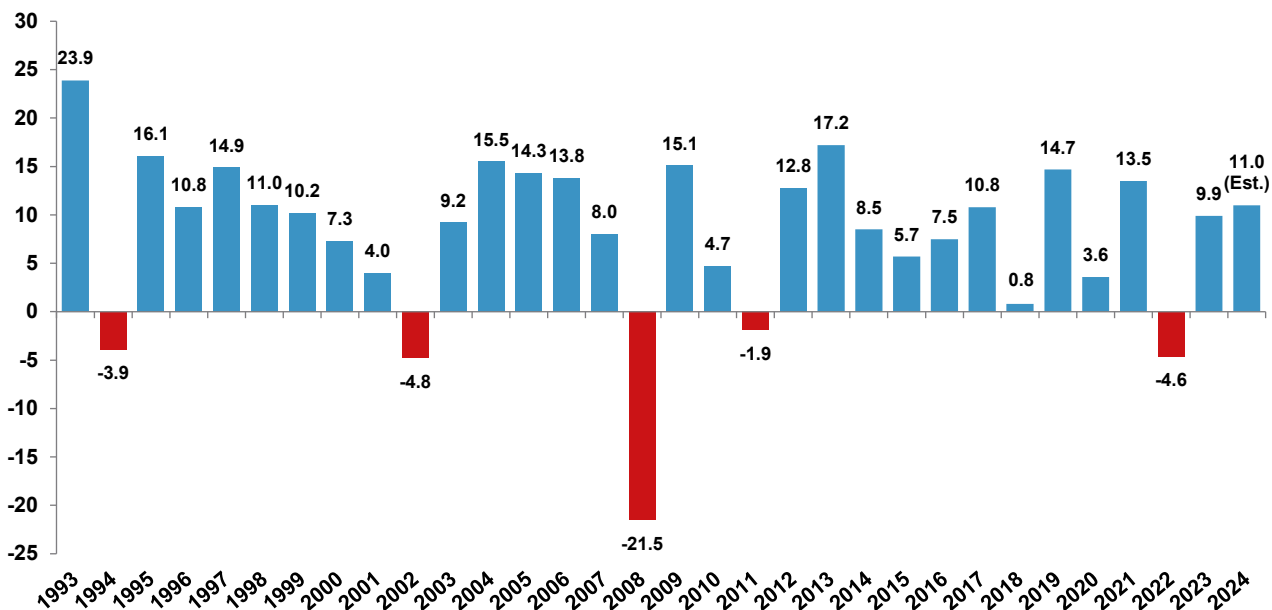
Chant West Senior Investment Research Manager, Mano Mohankumar, says that strong share markets have been the main driver of the excellent CY24 return so far, in particular international shares which are up more than 20% this year. “Growth funds, on average, have 30% invested in international shares and 25% allocated to Australian shares. While not reaching the same heights, Australian shares have still delivered about 13%. The other point to note is that all other asset classes, with the exception of unlisted property, have produced positive returns for the year so far. Given the strength of share markets over the year, super fund members in higher risk portfolios would have fared even better.

“This year’s growth fund result would follow the better-than-expected return for CY23 of 9.9%, making the modest loss of 4.6% in CY22 seem like a distant memory. More importantly, super funds continue to meet their long-term return and risk objectives,” he said.

Chart 1 plots the year-by-year performance of the median growth fund over the previous 31 full calendar years since the introduction of compulsory super in July 1992, as well as the 2024 calendar year-to-date estimate. 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 7.9% p.a. The annual CPI increase over the same period was 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 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.

“On the risk side, there have only been five negative years over the entire period, which translates to less than 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,” said Mohankumar.

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



Source: Chant West



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The table below compares the median performance to the end of November 2024 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.

Table 1: Traditional Diversified Fund Performance (Results to 30 November 2024)

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	3.3	5.5	9.1	17.1	21.8	7.7	8.7	9.1	9.3	9.2
High Growth	81 – 95	2.9	4.6	7.3	14.2	17.7	6.9	8.1	8.4	8.7	8.7
Growth	61 – 80	2.5	3.8	6.2	11.5	14.7	5.8	6.6	7.1	7.4	7.8
Balanced	41 – 60	2.0	2.8	5.1	9.0	11.5	4.8	5.1	5.7	5.9	6.5
Conservative	21 – 40	1.5	1.9	3.8	6.3	8.4	3.4	3.6	4.1	4.5	5.2

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

Source: Chant West

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)



Note: The CPI figures for October and November 2024 are estimates.

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.



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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