Media Release

20 June 2024

Super funds close in on strong FY24 result

After a pull-back in April, super funds were back in positive territory in May with the median growth fund (61 to 80% in growth assets) up 0.9% over the month. And with markets up in June so far and just over a week of the financial year remaining, Chant West estimates that the median growth fund return for FY24 is sitting at about 9%. A positive FY24 result, which is now a near certainty, would represent the 13th positive return out of the most recent 15 years.

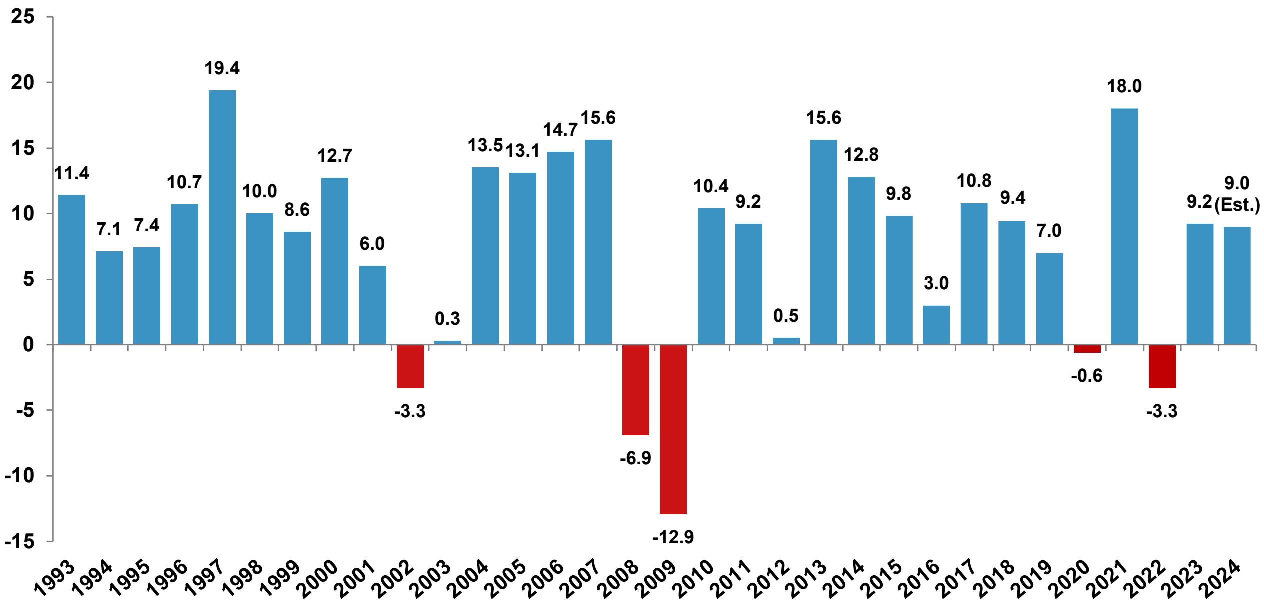
Chant West Senior Investment Research Manager, Mano Mohankumar, says that resilient share markets have been the primary driver of the healthy FY24 return so far, in particular international share markets. “A final result close to 9% would be an excellent outcome given all of the uncertainty around inflation, expectations of when the Fed will start cutting interest rates and ongoing geopolitical tensions.

“This year’s result would follow the better-than-expected return for FY23 of 9.2%. The experience over the past two years is another reminder of the importance of remaining patient and not getting distracted by shorter-term noise. If you think back to nearly two years ago, FY22 closed with some sharp losses over the June quarter amid surging inflation and uncertainty as to when interest rate rises might come to an end. At that time, very few could have foreseen a return of 19% over the subsequent two years. More importantly, super funds continue to meet their long-term return and risk objectives,” he said.

For further context, Chart 1 plots the year-by-year performance of the median growth fund over the previous 31 full financial years since the introduction of compulsory super in July 1992, as well as the 2024 financial 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 7.9% p.a. The annual CPI increase over the same period was 2.7%, giving a real return of 5.2% 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 7.3% 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,” said Mohankumar.

Chart 1: Growth Funds – Financial year-by-year performance (Returns – %)



Source: Chant West

Media Release

The table below compares the median performance to the end of May 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.

Traditional Diversified Fund Performance (Results to 31 May 2024)

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	1.1	1.5	11.3	13.7	6.9	8.8	8.7	8.7	9.5
High Growth	81 – 95	1.1	1.5	9.6	11.5	6.2	8.1	8.1	8.3	8.9
Growth	61 – 80	0.9	1.3	8.0	9.4	5.3	6.7	6.8	7.2	8.0
Balanced	41 – 60	0.8	0.9	6.5	7.2	4.1	5.1	5.3	5.7	6.6
Conservative	21 – 40	0.6	0.7	4.8	5.0	2.7	3.4	3.8	4.3	5.3

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)

Source: Chant West

Note: The CPI figures for April and May 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.

Media Release

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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