



Media Release

20 November 2024

Super funds flat in October but strong CY24 result on the horizon

Super funds were flat in October with the median growth fund (61 to 80% in growth assets) up 0.1% for the month. However, with share markets up in November so far, Chant West estimates that with just six weeks of the calendar year remaining, the growth median is sitting at a healthy 10.3%.

Chant West Senior Investment Research Manager, Mano Mohankumar, says that a final result near that 10.3% would be a tremendous outcome. "It's well ahead of the typical long-term return objective which translates to about 6% and super fund members shouldn't forget that this year's result follows the better-than-expected CY23 return of 9.9%. Given the strength of share markets over the past two years, super fund members in higher risk portfolios would have fared even better.

"In October, both shares and bonds fell as stronger than expected economic data resulted in markets dialling back expectations on the rate of policy easing by the US Federal Reserve. At its most recent meeting in November, the Fed followed up its September 0.5% interest rate cut with a less aggressive reduction of 0.25%, bringing the target range to 4.5% - 4.75%. Also weighing on markets during the month was uncertainty leading up to the US Presidential election, which we now of course know the result of."

Despite the negative month for shares and bonds, super funds were able to produce a flat return in October, largely due to the diversification provided by foreign currency exposure. Over the month, Australian shares retreated 1.3%. International shares were down 0.9% in hedged terms, but the depreciation of the Australian dollar (down from US\$0.69 to US\$0.65) turned that into a healthy gain of 3.9% in unhedged terms. Super funds on average have about 70% of their international shares exposure unhedged. Australian and international bonds slipped 1.9% and 1.5%, respectively, as bond yields rose.

The table below compares the median performance to the end of October 2024 for each of the traditional diversified risk categories in Chant West's Super Fund Performance 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 October 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	0.5	2.3	5.7	13.1	22.2	7.1	8.6	8.9	9.2	9.1
High Growth	81 – 95	0.4	1.8	4.3	10.9	18.5	6.1	7.9	8.1	8.4	8.6
Growth	61 – 80	0.1	1.6	3.7	8.9	15.4	5.3	6.5	6.8	7.2	7.7
Balanced	41 – 60	-0.1	1.2	3.1	6.9	12.1	4.2	4.9	5.4	5.8	6.5
Conservative	21 – 40	-0.3	1.0	2.4	5.0	9.2	3.1	3.5	4.0	4.3	5.2

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 been operating for just under 11 years, so when considering performance, Mohankumar says 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 8% p.a. The annual CPI increase over the same period is 2.7%, 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.”

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)



Source: Chant West

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

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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