Chant West

Media Release

23 April 2024

Super funds deliver fifth straight month of gains in March

Super funds were up for the fifth consecutive month in March, with the median growth fund (61 to 80% in growth assets) delivering 1.9% over the month. With just one quarter of the 2023/24 financial year remaining, the median growth fund's financial year return is sitting at an impressive 8.8%, which comes on the back of the better-than-expected return of 9.2% in FY23.

Chant West Senior Investment Research Manager, Mano Mohankumar, says that the first nine months of the financial year can be split into two distinct periods. "Over the first four months (July to October), growth funds retreated 1.9% but over the most recent five full months (November to March), super funds gained a stunning 11% on the back of the strong share market rally. The financial year to date return of 8.8% puts super funds on pace for a 13th positive return out of 15 years.

"In the month of March, Australian shares gained 3.3%. Developed international shares advanced 3.4% and 3% in hedged and unhedged terms, respectively. Emerging markets shares were up 2.3% despite Chinese equities being relatively flat over the month. Bonds also had a good month as Australian and international bonds rose 1.1% and 0.8% respectively, as bond yields declined.

"While this is good news for super fund members, we're seeing increased market volatility in April mainly due to inflation concerns, with US Federal Reserve Chair, Jerome Powell, indicating last week that interest rate cuts are likely to be delayed. The escalating tensions in the Middle East have added to those inflation worries. It's a good time to remind members that super is a long-term investment and there'll be ups and downs along the way. Members should take comfort in the fact that most Australians have their super invested in well-diversified portfolios that have weathered previous periods of market volatility, and they continue to meet their long-term risk and return objectives. We caution those members who are contemplating switching to a more conservative option or cash with a view to switching back to a growth option later. Attempting to time the market more often than not results in inferior long-term investment outcomes than if you stay the course."

The table below compares the median performance to the end of March 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 March 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	2.9	7.5	12.4	16.2	8.7	9.1	9.0	9.0	10.2
High Growth	81 – 95	2.3	6.0	10.4	13.5	7.9	8.6	8.7	8.6	9.4
Growth	61 – 80	1.9	4.9	8.8	11.3	6.6	7.1	7.2	7.4	8.4
Balanced	41 – 60	1.5	3.6	7.0	8.6	5.1	5.5	5.6	5.9	6.9
Conservative	21 – 40	1.1	2.2	5.2	6.0	3.6	3.7	4.1	4.5	5.6

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

Source: Chant West

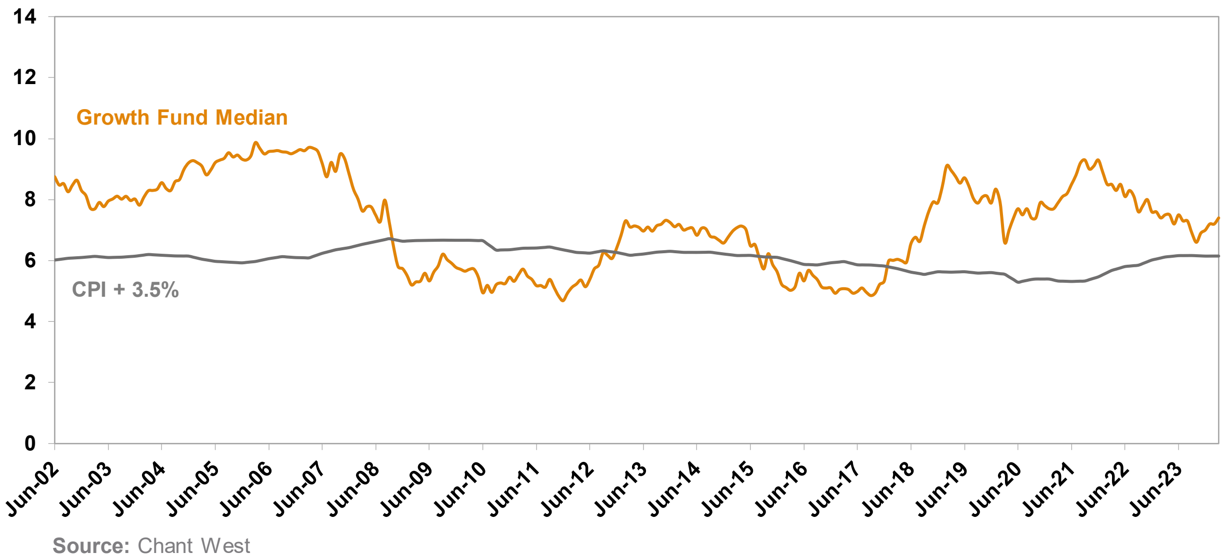
Long-term performance remains above target

MySuper products have been operating for just over 10 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 2.6%, giving a real return of 5.4% 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 7.4% 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)



Note: The CPI figures for the March 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.

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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.