Chant West

Media Release

18 September 2024

Super funds finish August in positive territory despite early jitters

Despite some sharp share market falls in in early August, the median growth fund (61 to 80% in growth assets) finished the month in positive territory with a return of 0.3%, bringing the return over the first two months of FY25 to 2.3%.

Chant West Senior Investment Research Manager, Mano Mohankumar, says that the catalysts for the market volatility in early August were flow-on effects from the Bank of Japan raising interest rates and increased fears of a recession in the US resulting from weaker job data. “Markets rebounded quite quickly as economic data released later in the month was more reassuring, coupled with US Fed Chair, Jerome Powell, stating that the ’time has come’ for interest rate cuts. Indeed, the first rate cut is officially expected to be announced today – representing the first cut by the Fed in over four years.

“Despite sharp share market falls in early August, both Australian shares and international shares hedged finished the month in positive territory. The volatility experienced in August is another reminder to super fund members of the importance of maintaining a long-term focus and not getting distracted by short-term noise.

“Over the full month, international shares were up 1.9% in hedged terms, but the appreciation of the Australian dollar (up from US$0.65 to US$0.68) turned that into a loss of 1.2% in unhedged terms. Super funds on average have about 70% of their international shares exposure unhedged. Australian shares finished the month in positive territory with a small gain of 0.4%. Bond markets were also up over the month as bond yields fell with Australian and international bonds up 1.2% and 1%, respectively. The experience in August also serves as another reminder of how resilient share markets can be and highlights the benefits of having investment exposures spread across a range of asset classes.”

The table below compares the median performance to the end of July 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 August 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	-0.3	3.8	3.0	13.5	6.0	8.8	9.0	9.2	9.2
High Growth	81 – 95	0.2	3.4	2.5	11.7	5.2	8.0	8.5	8.5	8.6
Growth	61 – 80	0.3	3.1	2.3	9.8	4.6	6.6	7.2	7.3	7.7
Balanced	41 – 60	0.3	2.9	2.1	8.2	3.6	5.0	5.7	5.7	6.2
Conservative	21 – 40	0.5	2.5	1.8	6.3	2.6	3.5	4.1	4.4	5.3

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

Source: Chant West

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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 2.7%, 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 7.3% 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 July and August 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.

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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.

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