Media Release

20 March 2024

Super funds up for fourth straight month in February

Super funds were up for the fourth consecutive month in February, with the median growth fund (61 to 80% in growth assets) delivering 1.9% over the month. The return over those past four months is a staggering 9%, lifting the return over the first eight months of the 23/24 financial year to 6.7%.

Chant West Senior Investment Research Manager, Mano Mohankumar, says that the strong February result was powered by international share markets, fuelled in large part by healthy corporate earnings results. “Economic data released during February again showed continued resilience in the US economy, which weakens the case for interest rate cuts in the near term. Over the month, developed market international shares surged 5.9% and 4.7% in hedged and unhedged terms, respectively. Emerging markets shares were up even more, returning 6.3%, boosted by the share market rebound in China.

“Australian shares were also up but by a more modest 1%. As expectations of interest rate cuts in the near term faded, bond yields rose over the month which resulted in bond markets slipping slightly, with international and Australian bonds down 0.8% and 0.3%, respectively.

“As a result of the strong share market rally in recent months, there’s a little nervousness around share market valuations. It’s a good time to remind fund members that super is a long-term game and that most Australians have their super invested in well-diversified portfolios. While listed shares, with a 55% weighting on average, remain the primary driver of growth fund performance, there’s a meaningful 45% allocated to a wide range of other asset classes. That diversification provides a smoother return journey during periods of share market volatility. At the same time, growth funds are able to capture a significant proportion of the upside when share markets perform strongly as we’ve seen in recent months.

The table below compares the median performance to the end of February 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 29 February 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	3.0	8.7	9.4	14.2	8.9	8.9	9.0	8.7	10.3
High Growth	81 – 95	2.4	6.9	8.0	12.0	7.9	8.2	8.5	8.3	9.5
Growth	61 – 80	1.9	5.7	6.7	10.2	6.6	6.8	7.2	7.2	8.4
Balanced	41 – 60	1.3	4.4	5.5	8.2	5.0	5.2	5.6	5.7	6.9
Conservative	21 – 40	0.6	2.9	4.0	6.0	3.5	3.7	4.1	4.4	5.5

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

Source: Chant West

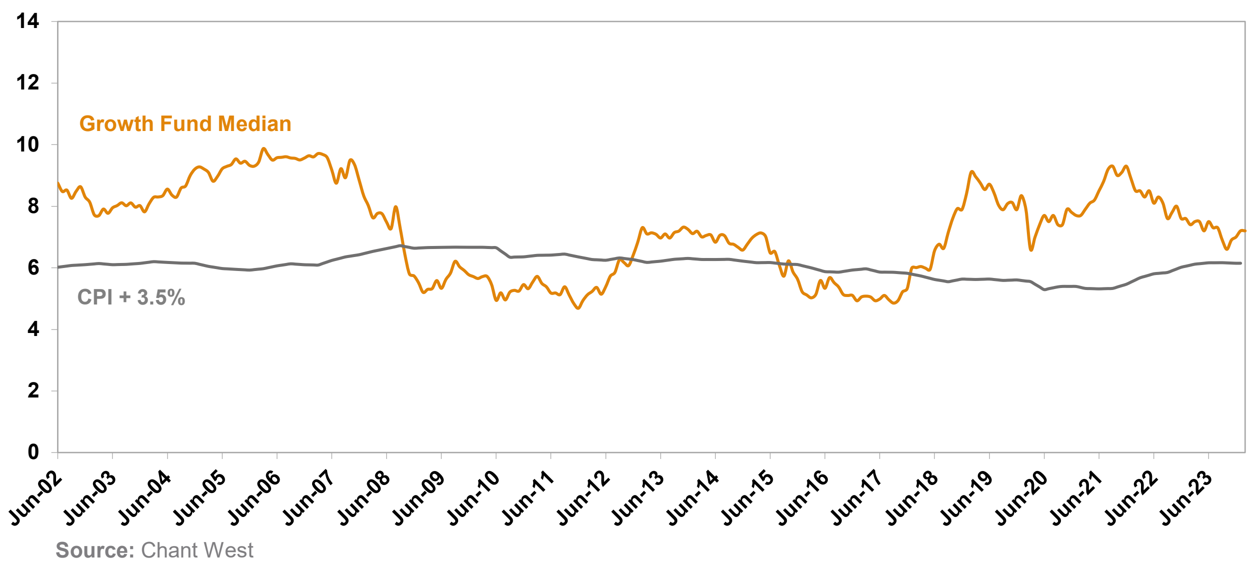
Long-term performance remains above target

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 7.9% p.a. The annual CPI increase over the same period is 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 7.4% 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 January and February 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.