



# Media Release

16 May 2024

## Super funds still on track to deliver a healthy FY24 result

After five straight months of positive returns, super funds experienced a pull-back in April with the median growth fund (61 to 80% in growth assets) down 1.7% over the month. However, with markets up again so far in May and with less than seven weeks of the financial year remaining, Chant West estimates that the median growth fund's return for FY24 is sitting at a healthy 8%. This of course comes on the back of the surprisingly strong FY23 return of 9.2%.

Chant West Senior Investment Research Manager, Mano Mohankumar, says both share and bond markets were down in April as expectations of interest rate cuts from the US Federal Reserve in the near term were dampened. "Over the month, Australian shares fell 2.9%. International shares slipped 3.2% and 3.3% in hedged and unhedged terms, respectively. Bonds too had a disappointing month as Australian and international bonds fell 2% and 1.7% respectively, as bond yields rose.

"However, the big story is the healthy return over the financial year to date, despite all of the uncertainty around inflation and expectations of when the Fed will start cutting rates, not to mention ongoing geopolitical tensions. The return experience over FY23 and FY24 so far collectively represents a healthy reward for members who have remained patient and maintained a long-term focus. If you think back to nearly two years ago, FY22 closed with a particularly disappointing June quarter amid surging inflation and uncertainty as to when interest rate rises might come to an end. At that time, I don't think anyone could have foreseen a return of nearly 18% over the subsequent two years. It's just another important reminder to put short-term noise aside and focus on the long game.

"Over the long term, super funds continue to meet their return and risk objectives and our estimate of 8% for FY24 puts super funds on pace for a 13th positive return out of 15 years," Mohankumar said.

The table below compares the median performance to the end of April 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 30 April 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	-2.3	3.5	9.8	11.4	7.2	8.1	8.4	8.8	9.5
High Growth	81 – 95	-1.9	2.7	8.4	9.9	6.3	7.7	8.0	8.4	8.9
Growth	61 – 80	-1.7	2.1	6.9	8.0	5.3	6.2	6.7	7.1	8.0
Balanced	41 – 60	-1.4	1.4	5.7	6.3	4.0	4.8	5.2	5.7	6.7
Conservative	21 – 40	-1.1	0.8	4.2	4.3	2.7	3.3	3.8	4.3	5.3

**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 2.7%, 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 7.2% 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 April 2024 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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