

Super funds bounce back in April

Superannuation returns bounced-back in April delivering +2.2% to post their best monthly return since June last year, according to research from Rainmaker Information.

Returns this financial year are tracking at -4.8%, with rolling 12 month returns at -3.2%.

These results are based on 100 MySuper products, although the April results are based on a new forward super fund performance index that analyse 20 MySuper products that declare daily returns.

These 20 products represent two thirds of the MySuper segment which are the default super funds used by most Australians.

“Super fund members worried about their investment returns should take solace that during the Global Financial Crisis in 2008-9 returns got as low as -21% at one point,” said Alex Dunnin, executive director research at Rainmaker Information.

“Results so far during the Corona Financial Crisis (CFC) are nowhere near as deep.”

Showing how positive April was for super funds, Dunnin said MySuper product returns in the April index ranged from 0% to 4.1%, meaning all returns sampled were positive.

“But the average fall since 20 February 2020, when the capital markets peaked before the CFC took hold, was -10.4%.”

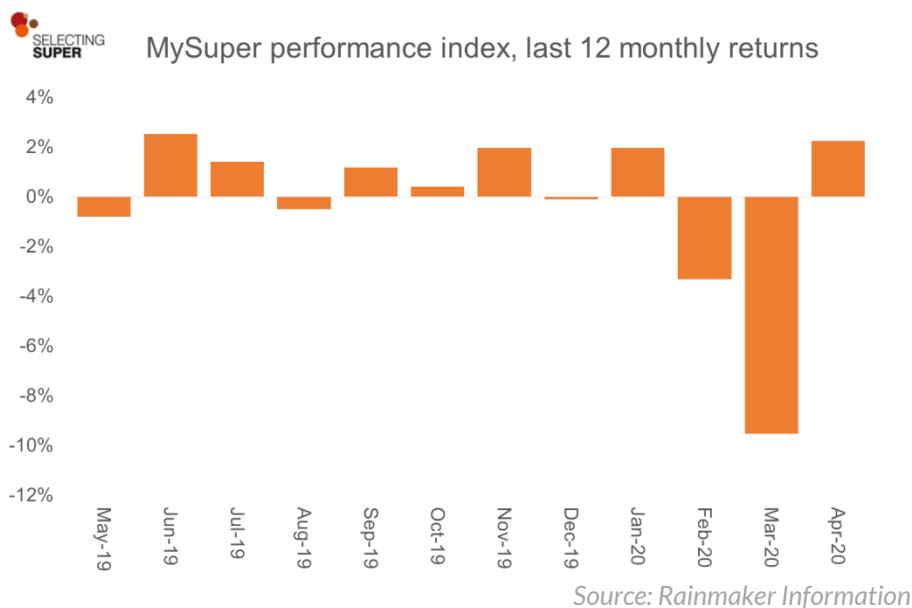
Explaining the upbeat MySuper index return in April, the ASX posted gains of 8.8%, the MSCI All Countries AUD index posted 3.7%, the US S&P 500 in AUD posted 5.5%, AREITs posted 13.7%, however international bonds posted 1.3% and Australian bonds posted -0.3%.

Australian shares have been on a rollercoaster ride. The ASX fell 36% between 20 Feb and 23 March before bouncing back 22% by the end of April. The ASX is nevertheless still down 22% from 20 Feb 2020 when the CFC is considered to have begun.

“At face value super funds have fallen less than half as much as the ASX,” said Dunnin.

“While this is a scary story for super fund members, it’s also a good story because it shows how their fund’s investment strategies have insulated them from the worst of the share market falls.”

More detailed analysis conducted by Rainmaker of complete super fund investment results to the end of March 2020 shows that the SelectingSuper Index returned 3.4% p.a. over three years, 3.9% p.a. over five years and 6.3% p.a. over 10 years.



Growth, balanced and capital stable

Super fund members with exposure to higher growth assets suffered twice the impact due the CFC compared to those in conservative choices. This is shown by the SelectingSuper Growth Index for the 12 months to the end of March 2020 that returned -6.1% compared to -3.4% for balanced and -1.2% for capital stable.

Highest to lowest

The highest performing MySuper product over 12 months to the end of March 2020 delivered 2.2% and the lowest was -7.6%. Only three single strategy MySuper products, i.e. non-lifecycle products, returned positive results.

Not for profit (NFP) vs. retail

While there has been intense focus on not for profit (NFP) super funds during the CFC due to their higher exposure to unlisted assets, the SelectingSuper NFP MySuper Index nevertheless returned -3.0% to significantly outperform the SelectingSuper Retail MySuper Index that delivered -5.4%.

The longer run annual average index gap in favour of the NFP super fund segment was 1.5 percentage points over three years, 1.4 percentage points over five years and 1.9 percentage points over 10 years.

ESG

“While in general terms the MySuper regular index is ahead of the ESG Index over 12 months and three months to 31 March 2020, this isn’t a fair comparison,” said Dunnin.

“This is because of the breadth of what smart MySuper products do and how they’re constructed.”

“A better way to assess the portfolio returns impact of ESG is to compare like with like.”

Dunnin said many MySuper products are run by groups that follow ESG principles anyway, even if they don't run their MySuper product on explicitly ESG grounds.

Rainmaker found that if a fund member invested in general balanced or growth options, they would have been +1.5% better off over the 12 months to end March if they chose ESG balanced or growth options.

The ESG effect over the quarter would have added +1.0%.

This reinforces the view that ESG funds seemed to have withstood the onslaught of the CFC better than non-ESG funds.

Reinforcing this is that Australian Ethical was one of just three MySuper products to deliver positive 12 month returns to the end of March and Future Super is the top personal balanced option.

"Four of the top five personal balanced options are ESG options, with the same result seen in retirement products."

The ESG funds leading the way in the March results are Australian Ethical, Future Super, Australian Catholic, AMP and UniSuper.

Highest performing products in selected major sectors, 12 months, 31 March 2020:

Workplace (MySuper/default) - single strategy

1	State Super (NSW) SASS - Growth	2.2%
2	Australian Ethical Super Employer - Balanced (accumulation)	0.9%
3	First Super Employer - Balanced	0.1%
4	WA Super - My WA Super	-0.1%
5	VicSuper FutureSaver - Growth (MySuper)	-0.4%
	Average single strategy	-3.1%

Workplace (MySuper/default) - lifecycle *

1	QSuper Accumulation Account	-0.2%
2	Mercer Super Trust - Corporate Super Division	-0.5%
3	First State Super - Employer Sponsored	-0.9%
4	TASPLAN	-2.0%
5	Catholic Super	-2.6%
	Average Lifestage	-4.8%

* Lifecycle options for 40 year old members

Personal (balanced) #

1	Future Super - Balanced Index	2.1%
2	UniSuper Personal Accounts - Sustainable Balanced	1.5%
3	Suncorp Brighter Super personal - Suncorp Multi-Manager Growth Fund	1.3%
4	Australian Catholic Super Personal - Socially Responsible	1.2%
5	Australian Ethical Retail Superannuation Fund Personal - Balanced (accumulation)	0.9%
	Average	-3.7%

Retirement (balanced) #

1	AMP Flexible Super Retirement - Responsible Investment Leaders Balanced	5.6%
2	Australian Ethical Retail Superannuation Fund Pension - Balanced (pension)	2.1%

3	Australian Catholic Super RetireChoice - Socially Responsible	1.9%
4	UniSuper Pension - Sustainable Balanced	1.9%
5	Suncorp Brighter Super pension - Suncorp Multi-Manager Growth Fund	1.1%
Average		-3.7%

If a fund offers multiple options in these sectors only the highest performing option is shown

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About Rainmaker Information

Rainmaker Information is a privately held Australian company founded in 1992. The company has established a reputation as a leading financial services information publishing house in Australia providing marketing intelligence, research and consulting services on the wealth management industry and forms part of the Rainmaker Group of companies.

www.rainmaker.com.au

About SelectingSuper

Rainmaker Information publishes the superannuation information portal SelectingSuper.

SelectingSuper brings together superannuation funds, members, employers and financial advisers in the world’s fourth largest pension market.

SelectingSuper empowers members, employers and financial advisers in their search for information about superannuation. SelectingSuper also celebrates the best superannuation funds in Australia through a rigorous research and ratings program, awarding the Rainmaker SelectingSuper AAA Quality Assessment and recognising funds that have excelled through the Rainmaker SelectingSuper Awards, which are held in November each year.

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