



RETURNS: Into the light

After a dark period for superannuation, how do long-term returns stack up?
ANTHONY SERHAN reports.

While long-term returns continue to provide a beacon in these uncertain times of superannuation returns, the last two years have clearly shifted the goal posts for return expectations – short and long.

The objective of this long-term return study is to capture the experience of the typical superannuation fund.

These returns have largely been derived from the average rates of return of funds participating in various surveys with returns prior to 1 July 1970 based on representative asset allocations and sector fund returns from that period.

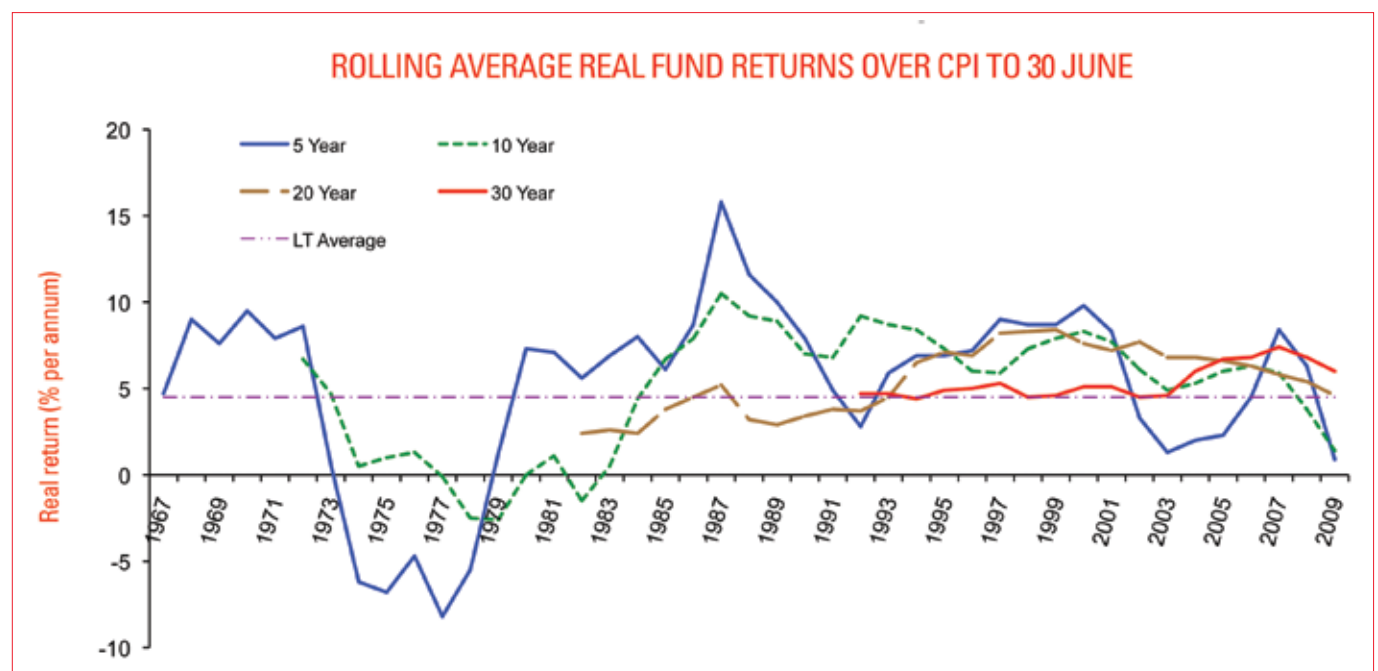
While members have a wide choice of investment options today this study can only have one number. The study continues to use the average return of funds with growth assets between 60 and 80 per cent of assets as the representative fund.

It is important to note that the figures portrayed should be viewed in the context of the long-term trends and not as performance benchmarks.

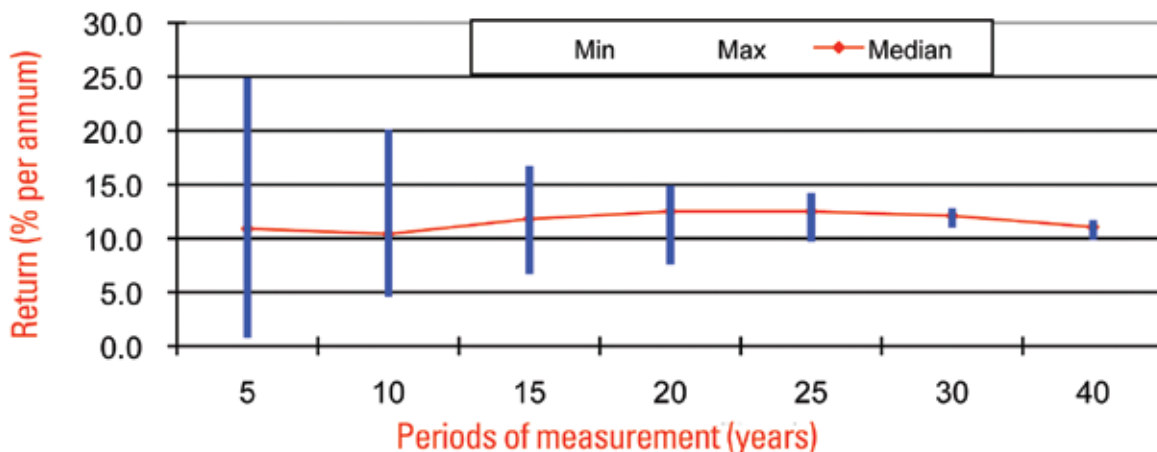
Over the last 47 years superannuation funds have returned 10.2 per cent per annum. Over the same period this return

SUPERANNUATION FUND RETURNS TO 30 JUNE 2009

Period	Fund Returns	Real Returns	
		vs AWOTE/AWE	vs CPI
1 Year (%)	-12.9	-16.8	-14.2
5 Years (% pa)	3.8	-0.8	0.9
10 Years (% pa)	4.6	-0.1	1.4
15 Years (% pa)	9.7	5.3	6.9
20 Years (% pa)	9.3	4.4	5.8
25 Years (% pa)	12.3	6.6	7.8
30 Years (% pa)	12.8	6.2	7.4
35 Years (% pa)	11.5	3.7	5.0
40 Years (% pa)	11.7	3.8	5.5
47 Years (% pa)	10.2	2.7	4.5



RANGE OF FUND RETURNS 1963 - 2009



has exceeded wage (AWE/AWOTE) and price (CPI) inflation by 2.7 per cent pa and 4.5 per cent pa respectively. The period you have been invested will clearly have a material impact on the returns received as shown in the table on page 13.

The financial year end for 2009 produced a negative return of 12.9 per cent, the second largest one year fall after 1974. Together, the 2008 and 2009 financial years represent the greatest drop in values since the inception of this study and the first time that two consecutive years of negative returns have been recorded (although many would have confronted this in 1973/74 and 2002/03).

In total, the annual return has fallen into negative territory on seven occasions, or one in every 6.7 years, which is within expectations for a growth-oriented strategy.

Those invested for 15 years or more would still have enjoyed healthy returns from superannuation with real returns

consecutive falls over 2008 and 2009 of 36.3 per cent and 42.3 per cent respectively as measured by the S&P/ASX 200 Property accumulation index.

Over the same period, Australian shares also fell 13.4 per cent and 20.1 per cent as measured by the S&P/ASX 200 accumulation index. Cash and bonds were positive with returns of 5.5 per cent and 10.8 per cent respectively for the year to 30 June 2009.

Not only have equities taken a hit, but the exposure to growth assets has sat at the top end of the range (60 per cent to 80 per cent) for superannuation funds considered in this study.

The table (opposite) details the monthly average actual asset allocations of funds in the Intech Super Growth survey from 30 June 2007 to 30 June 2009. Over this period the average fund had an allocation to growth assets of 75.1 per cent to 77.2 per cent. There were few places to hide in this mix from the asset value free fall.

been little change in the range of returns over different time periods in this study for many years.

While the last year still does not change the minimum return recorded over a 12 month period we have seen new lows set for longer term periods. The chart above records the range of returns recorded for various time periods over the period of this study.

Prior to 2007 the minimum return over a 20 year period was 9.8 per cent per annum recorded to 1982 – the first 20 years of the study. Through to 2009 the 20 year return is now 7.6 per cent per annum or 2.2 per cent per annum lower.

This might not sound like much in percentage terms but it means that, over a 20 year period, a superannuation account may be one third lower in value than expected. Remember this is not a change in expected returns, but the minimum return achieved. The range of returns have permanently widened for the 10 to 25 year periods.

Without doubt the last two years have been challenging for superannuation fund members.

The most salient reminder for all is that returns over cash do not just sit on trees waiting to be picked, they come with risks.

While these risks have bitten hard in recent years, and investors must shape new expectations about potential outcomes, this study once again confirms that time and patience can help deliver an outcome. **SF**

Returns over cash do not just sit on trees waiting to be picked – they come with risks.

against inflation exceeding 5 per cent per annum.

Most of the traditional asset classes, with the exception of cash and bonds, experienced significant falls over the two years to June 2009.

Australian listed property had

The fall in equity markets over the last two years has challenged people's expectation that equities will provide superior returns.

While the equity premium still holds over long periods, the real issue is framing expectations for the medium term. There has

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AVERAGE ASSET ALLOCATIONS OF SUPER GROWTH (NET): 30 JUNE 2009

	Aust shares (ex prop)	Aust unlisted prop	Aust listed prop	Aust unlisted shares	Aust bonds (ex ILB)	Aust infl'n linked bonds	Aust cash	Int'l shares	Int'l prop	Int'l bonds	Int'l cash	Total shares	Total growth	Total Aust assets	Total int'l assets
30/06/2009	35.2	4.1	2.4	4.2	9.6	0.5	6.7	24.6	1.8	6.9	0.0	59.8	76.4	62.7	37.3
31/05/2009	34.8	4.8	2.3	4.6	9.3	0.5	6.4	24.4	1.6	7.0	0.0	59.1	76.8	62.6	37.4
30/04/2009	34.8	4.9	2.2	4.8	9.2	0.5	6.4	23.8	1.6	7.2	0.0	58.6	76.7	62.8	37.2
31/03/2009	34.7	5.2	2.0	5.2	9.4	0.6	5.7	23.8	1.4	7.1	0.0	58.5	77.2	62.9	37.1
28/02/2009	33.4	5.1	2.2	5.3	9.7	0.6	5.9	23.7	1.3	7.7	0.0	57.1	76.1	62.3	37.7
31/01/2009	33.1	5.2	2.1	5.1	9.5	0.5	5.8	24.7	1.4	7.2	0.0	57.8	76.9	61.3	38.7
31/12/2008	33.8	4.9	2.4	5.0	9.7	0.6	5.6	24.8	1.5	7.6	0.0	58.6	76.5	62.0	38.0
30/11/2008	33.2	4.9	2.6	4.9	9.6	0.6	5.5	24.8	1.4	7.6	0.0	57.9	76.7	61.2	38.8
31/10/2008	33.3	4.7	2.2	5.1	10.2	0.6	5.3	25.3	1.5	7.4	-0.1	58.6	76.5	61.4	38.6
30/09/2008	34.0	4.3	2.7	4.6	9.8	0.6	5.4	25.6	1.7	7.4	0.0	59.6	76.8	61.5	38.5
31/08/2008	34.4	4.2	2.5	4.7	9.7	0.7	5.7	25.5	1.6	7.1	0.0	59.9	76.9	61.8	38.2
31/07/2008	33.9	4.1	2.6	4.6	10.2	0.7	5.4	25.5	1.6	7.5	0.0	59.5	76.2	61.6	38.4
30/06/2008	33.8	4.0	2.3	4.5	10.4	0.7	6.2	25.1	1.7	7.5	-0.1	58.9	75.2	61.9	38.1
31/05/2008	34.6	3.9	2.1	4.3	9.9	0.6	6.3	25.7	1.7	7.3	-0.1	60.3	75.9	61.8	38.2
30/04/2008	34.4	3.8	3.0	3.8	9.8	0.6	6.3	25.7	1.7	7.3	0.0	60.1	76.0	61.7	38.3
31/03/2008	34.3	3.6	2.9	3.7	10.1	0.5	6.5	25.6	1.7	7.7	0.0	59.9	75.2	61.6	38.4
29/02/2008	34.2	3.6	3.0	3.6	10.3	0.5	6.8	25.6	1.8	7.5	-0.1	59.7	75.1	61.9	38.1
31/01/2008	34.1	3.7	2.9	3.7	10.5	0.4	6.6	25.6	1.9	7.5	-0.1	59.7	75.1	61.8	38.2
31/12/2007	35.0	3.4	2.9	3.5	10.2	0.4	6.8	26.4	1.8	6.9	-0.2	61.4	76.0	62.2	37.8
30/11/2007	35.3	3.3	2.9	3.3	9.9	0.4	6.3	26.7	1.8	7.1	-0.1	62.0	76.4	61.4	38.6
31/10/2007	35.7	3.5	3.2	3.4	10.3	0.5	5.8	25.9	1.8	7.4	-0.1	61.6	76.1	62.3	37.7
30/09/2007	36.4	3.2	3.3	3.2	9.6	0.4	6.0	26.0	2.0	7.0	0.0	62.3	76.9	62.2	37.8
31/08/2007	35.5	3.5	3.4	3.7	9.7	0.3	6.0	26.4	1.5	7.0	0.0	61.9	77.0	62.2	37.8
31/07/2007	35.4	3.5	3.2	3.3	10.8	0.5	5.8	26.0	1.5	7.2	0.0	61.3	75.7	62.4	37.6
30/06/2007	35.3	3.5	3.3	3.2	10.7	0.4	5.6	26.2	1.4	7.2	0.1	61.5	76.1	62.0	38.0

NOTES TO GRAPHS AND TABLES

- The annual returns over the past 6 years have been sourced from the Intech Super Survey – Growth universe. Prior to this, figures have been largely derived from average returns of funds participating in various surveys.
- CPI is the consumer price index, for all groups, as published by the Australian Bureau of Statistics.
- Wage increases are those as published by the Australian Bureau of Statistics for full-time adults average weekly ordinary time earnings (AWOTE) from 1 July 1982 and for males average weekly total earnings prior to this. AWOTE for 2009 was based on available data to 31 March 2009.
- The real rate of return has been calculated as the ratio of the typical fund return to the rate of increase in AWOTE or CPI.

1 Year Period				5 Year Period						
YE 30/6	Average Fund Returns (%)	AWOTE Increase (%)	CPI Increase (%)	Y/E 30/6	Average Fund Returns (% pa)	AWOTE (% pa)	CPI (% pa)	Real Returns vs AWOTE (% pa)	vs CPI (% pa)	Y/E 30/6
1962										
1963	11.3	2.6	0.0							
1964	13.6	5.4	0.7							
1965	-8.7	7.3	4.2							
1966	8.4	4.8	3.4							
1967	12.0	6.9	2.6	1967	7.0	5.4	2.2	1.5	4.7	
1968	41.4	5.8	3.8	1968	12.2	6.0	2.9	5.8	9.0	
1969	8.3	7.5	2.5	1969	11.2	6.5	3.3	4.4	7.6	
1970	-1.5	8.4	3.0	1970	12.9	6.7	3.1	5.8	9.5	
1971	2.4	11.2	5.1	1971	11.6	7.9	3.4	3.4	7.9	
1972	20.6	10.2	6.5	1972	13.2	8.6	4.2	4.2	8.6	1972
1973	0.1	9.0	8.2	1973	5.7	9.2	5.1	-3.2	0.6	1973
1974	-14.5	16.2	14.6	1974	0.8	10.9	7.5	-9.1	-6.2	1974
1975	8.7	25.4	16.9	1975	2.8	14.2	10.3	-10.0	-6.8	1975
1976	21.3	14.3	12.0	1976	6.4	14.9	11.7	-7.4	-4.7	1976
1977	7.3	12.5	13.5	1977	3.9	15.3	13.2	-9.9	-8.2	1977
1978	15.5	9.9	8.0	1978	6.9	15.5	13.1	-7.4	-5.5	1978
1979	13.9	7.7	8.7	1979	13.2	13.8	11.9	-0.5	1.2	1979
1980	37.5	9.5	10.8	1980	18.7	10.7	10.6	7.2	7.3	1980
1981	17.1	13.9	8.7	1981	17.8	10.7	10.0	6.4	7.1	1981
1982	-2.8	14.6	10.8	1982	15.5	11.1	9.4	4.0	5.6	1982
1983	26.4	10.3	11.1	1983	17.6	11.2	10.0	5.8	6.9	1983
1984	14.2	10.2	4.0	1984	17.7	11.7	9.0	5.4	8.0	1984
1985	21.5	4.8	6.6	1985	14.8	10.7	8.2	3.7	6.1	1985
1986	32.0	6.9	8.5	1986	17.6	9.3	8.2	7.6	8.7	1986
1987	31.5	6.6	9.3	1987	24.9	7.7	7.9	16.0	15.8	1987
1988	1.0	6.6	7.1	1988	19.5	7.0	7.1	11.7	11.6	1988
1989	10.0	7.8	7.6	1989	18.6	6.5	7.8	11.4	10.0	1989
1990	11.2	6.6	7.7	1990	16.5	6.9	8.0	9.0	7.9	1990
1991	9.4	5.0	3.4	1991	12.2	6.5	7.0	5.4	4.9	1991
1992	10.6	4.7	1.2	1992	8.4	6.1	5.4	2.2	2.8	1992
1993	11.5	1.8	1.9	1993	10.5	5.2	4.3	5.0	5.9	1993
1994	8.8	3.3	1.7	1994	10.3	4.3	3.2	5.8	6.9	1994
1995	7.9	4.8	4.5	1995	9.6	3.9	2.5	5.5	6.9	1995
1996	10.5	4.0	3.1	1996	9.9	3.7	2.5	6.0	7.2	1996
1997	18.9	3.5	0.3	1997	11.5	3.5	2.3	7.7	9.0	1997
1998	8.7	4.3	0.7	1998	10.9	4.0	2.0	6.6	8.7	1998
1999	8.4	3.2	1.1	1999	10.8	4.0	1.9	6.5	8.7	1999
2000	12.2	4.1	3.2	2000	11.7	3.8	1.7	7.6	9.8	2000
2001	5.6	5.2	6.0	2001	10.7	4.1	2.2	6.3	8.3	2001
2002	-3.5	5.1	2.8	2002	6.1	4.4	2.7	1.6	3.3	2002
2003	0.1	6.2	2.7	2003	4.4	4.8	3.1	-0.4	1.3	2003
2004	14.3	3.0	2.5	2004	5.5	4.7	3.4	0.8	2.0	2004
2005	13.3	6.0	2.5	2005	5.7	5.1	3.3	0.6	2.3	2005
2006	15.0	3.2	4.0	2006	7.5	4.7	2.9	2.7	4.5	2006
2007	15.3	5.1	2.1	2007	11.4	4.7	2.8	6.4	8.4	2007
2008	-8.0	4.0	4.5	2008	9.6	4.3	3.1	5.1	6.3	2008
2009	-12.9	4.7	1.5	2009	3.8	4.6	2.9	-0.8	0.9	2009

