

Super funds deliver choice returns

The nation's wharfies are celebrating, perhaps with a cold beer, after their super-annuation fund returned an impressive 18 per cent to grab the No. 1 position in 2003-04 league tables.

The \$1.1 billion Stevedoring Employees Retirement Fund outstripped its nearest rivals by more than 2 per cent in preliminary performance rankings from independent researcher Rainmaker Information.

Its closest competitors were the \$2 billion Motor Trades Association of Australia Superannuation Fund and the \$12 billion Queensland government QSuper fund.

Rainmaker's survey of 36 funds is the first comprehensive analysis of super returns over the past year. It shows the gains that will be credited to investors' super accounts for the 2003-04 financial year.

The second-placed MTAA fund gained 15.53 per cent in the year to June 30, while QSuper returned 15.26 per cent.

The average member will be credited with a 12.87 per cent return after super funds rode the global stockmarket rally to wipe out losses suffered over the previous two years.

The remarkable turnaround will provide advertising fodder for super funds that want to woo new customers when so-called super choice is introduced on July 1 next year.

Super choice will let an estimated

After some rocky years, super funds are back boasting decent returns. **Allson Kahler** checks out the numbers.

4.5 million workers switch from their company super to another fund if they want.

"You don't want to be ripped off by a dodgy mortgage, [so] don't be ripped off by being in the wrong super fund. You should be checking your super in the way you check everything else," Rainmaker's director of research, Alex Dunnin, says.

"It's really quite straightforward. You want a fund that gives you a decent return and a decent range of features that you can understand," Dunnin says.

Eligible employees will be able to switch to a so-called industry fund, personal super plan or set up their own do-it-yourself super fund.

Rainmaker's survey analyses the performance of balanced portfolios run by institutions that will vie for new customers from next July.

It includes master trusts, industry funds, government funds and company super.

These funds will compete with financial planners who sell personal super plans for big-name financial institutions.

The average personal plan returned 12 per cent in 2003-04, according to separate figures from fund researcher Morningstar.

The strong short-term returns of personal plans might entice invest-

tors who are fed up with their employer's super fund. But an independent expert has warned people to be wary of financial planners spruiking personal super because they may be motivated by commissions paid by financial institutions, rather than by clients' interests.

"The great majority of Australians are in well-managed super-annuation funds and shouldn't even need to contemplate change," SuperRatings managing director Jeff Bresnahan says.

"We all know there are some great financial planners who have clients' interests at heart.

"But the depth peters out very quickly, and a lot of them are remunerated according to sales targets set by big institutions."

If you do want to swap funds next year, there are alternatives to the super plans run by big institutions.

Many of the top industry funds in Rainmaker's survey are open to the general public and not just workers in a particular sector.

The MTAA scheme is one example of such a fund.

The \$2.3 billion Equipsuper fund, ranked 11th in Rainmaker's survey, also expects to offer its products to the general public by July next year.

Equipsuper spokesman Brian Towers says the fund's strong

returns were partly attributable to the fact that around 45 per cent of clients' money was invested by inhouse professionals, rather than given to fund managers.

"We do all our own cash, all our own property, part of our domestic equity and most of our fixed interest. We use external managers for international equities," Towers says.

He also says the Equipsuper investment committee includes two external experts, as well as representatives of asset consultant Jana Investment Advisors.

Equipsuper doesn't vary its asset allocation from year to year to try to capture short-term gains in financial markets, instead maintaining a steady 70 per cent allocation to shares and property.

Industry funds such as Equipsuper tend to be cheaper than other super funds, but Rainmaker's survey shows that low fees don't necessarily translate into higher returns.

Three of its top 10 funds were corporate master trusts, despite the high fees that tend to be charged by such products.

"The debate shouldn't be about the cheapest super funds but instead about the best funds," Dunnin says.

AMP's Custom Super master trust and Flexible Lifetime Super master trust both returned 14.9 per cent to rank equal fourth in the year to June 30.

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Super funds deliver some choice returns

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A balanced portfolio run through MLC's Masterkey master trust ranked 10th with a 14.4 per cent return.

AMP Capital Investors chief economist Shane Oliver says clever asset allocation and stock selection boosted its return over the past year.

"We moved into global listed property about 18 months ago and that performed exceptionally well over the past year. Plus we took the decision to hedge a portion of our international equity exposure," Oliver says.

"Virtually every sector added value. Our Australian equity fund returned 2.5 per cent more than the S&P/ASX 200 index. Likewise, we added value in our bond fund," he says.

However, AMP's returns over the long term are not as strong as rivals. It returned 1 per cent in the three years to June 30 and 3.9 per cent in the five years to the same date.

The Motor Trades Association of Australia Superannuation Fund far outstripped those gains, returning 6.53 per cent over the past three years and 7.45 per cent over the past five years.

Oliver says AMP's biggest problem has been its disappointing performance in international shares.

"Last year, we moved away from using a single manager, Henderson, to having 30 per cent of the portfolio in an index fund. The remaining 70 per cent is split across five external managers," he says.

"Over the past six months, the portfolio has performed quite well. We'd argue we've fixed that problem."

Another four of the top 10 funds over the past financial year were government plans, suggesting public-sector employees don't need to panic and swap funds as soon as they can.

Telstra Super returned 14.85 per cent, while the Military Superannuation and Benefits Scheme returned 14.51 per cent.

Telstra Super chief executive Terry McCredden says a decision to hedge its international share portfolio was a prime reason the fund outperformed in the past financial year.

McCredden says Telstra Super also reduced its weighting to bonds and invested the money in shares instead.

This boosted the fund's returns because the stockmarket did better than the bond market in the 2003-04 year.

He also says the fund managers chosen by Telstra to invest its employees' money did well over the

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Default investment options

Fund name	Segment	1 year %	3 year %	5 year %
Stevedoring Employees' Retirement Fund - Growth	Industry fund	18.00	3.65	7.03
MTAA Super - Balanced	Industry fund	15.53	6.53	7.45
QSuper - Balanced	Government	15.26	2.71	5.16
AMP Custom Super - AMP Balanced Growth	Master trust	14.90	1.00	3.90
AMP Flexible Lifetime Super - AMP Balanced Growth	Master trust	14.90	1.00	3.90
Telstra Super - Balanced	Government	14.85	4.12	5.67
Unilever Super - Balanced	Corporate	14.70	6.57	8.71
Military Superannuation and Benefits Scheme - Growth	Government	14.51		
ESI Super - Balanced Option	Government	14.41	2.99	
MLC MasterKey Business Super - Horizon 5 Growth Portfolio	Master trust	14.40	0.50	3.80
equipsuper - equipselect Balanced Growth	Industry fund	14.39	5.73	7.73
Southern State Superannuation Scheme (Triple S) - Balanced	Government	14.18	3.61	5.96
REI Super - Trustee Super Balanced	Industry fund	14.11	2.33	4.10
Alcoa Australia Rolled Products Super Fund (KAAL) - Balanced Option	Corporate	13.86	2.06	4.09
REST - Core Strategy	Industry fund	13.60	6.90	8.20
Sunsuper - Balanced	Industry fund	13.60	4.60	6.80
First State Superannuation Scheme - Diversified	Government	13.31	3.18	5.04
NGS Super - Diversified Portfolio	Industry fund	13.04	3.64	5.70
Holden Employees Superannuation Fund - Balanced Option	Corporate	12.71	2.77	
ASSET Super - Medium Growth	Industry fund	12.34	1.48	4.16
Finsuper - Moderate Growth	Industry fund	12.31	3.95	5.85
Finium Corporate Super - Strategic 85% Growth	Master trust	12.30	2.40	
Local Super - Growth	Government	11.97		
Flexible Benefits Super Fund - Active Balanced	Industry fund	11.95		
Accountants Superannuation Fund - Managed Growth Option	Master trust	11.81	1.70	4.51
Christian Super - Ethical Growth	Industry fund	11.70	1.98	
Catholic Superannuation Fund - Victoria - Balanced	Industry fund	11.63	3.20	5.20
Fujitsu Super - Balanced	Corporate	11.33	1.76	4.20
Colonial Select Super - Multi-Manager Moderate	Master trust	11.16		
AvSuper - Stable Growth	Government	10.92		
Aust Ethical Super A&RO - Balanced	Master trust	10.86		
The Master Superannuation Fund - Balanced Option	Corporate	10.70	1.99	5.62
BT Lifetime Super Employer Plan - Multi Manager Balanced	Master trust	10.46		
Colonial First State - FirstChoice Personal Super - MM Moderate	Master trust	9.68		
Perpetual WealthFocus - InTech Balanced Growth Fund	Master trust	9.20		
Colonial First State - FirstChoice Employer Super - MM Moderate	Master trust	8.98		



Source: Rainmaker

year. "Maybe some individuals hadn't performed as well as we hoped. But as a group they added the final part of our performance," he says.

Telstra Super uses Towers Perrin as an asset consultant, but it also employed some of its rivals, such as Watson Wyatt, over the past year for extra advice.

"We also have a sizeable inhouse team ... and [they] are really the

ones driving [some of the decisions]," McCredden says.

Unilever Super was the only company super fund among the top 10 funds. It returned 14.71 per cent, but spokesman Andrew Bell refuses to gloat.

"We look at the figures but think it was not that great relative to the sharemarket over the past year. If we had invested without active managers and just put all our money in

shares we would have done better," Bell says. "Another thing that helped our performance was that only 20 per cent of our international equity portfolio was hedged, and the Australian dollar dropped off sharply later in the year."

The next-best company plan over the past year, the Alcoa Australia Rolled Products Super Fund, ranked 14th in the survey with a 13.86 per cent return.