

# Super gains not worth celebrating yet

**Brian Robins**

It has been a bumper year for superannuation funds. But don't break open the champagne just yet, since the double digit returns in sight will leave most investors with barely positive gains on their savings for the past few years.

The final returns will become clearer on Wednesday, June 30, but updated data from InTech Financial Services shows returns this financial year running at 13 per cent after tax.

This will more than wipe out the average negative 2 per cent return last financial year and minus 4 per cent for the year before that.

That leaves a return of just over 2 per cent for the past three years, rising to 3 per cent for the past four and just 5 per cent for the past five years – not much ahead of inflation.

"It's been a stunning year," said Alex Dunnin, research director of Rainmaker Information.

Andrew Korbel, of Intech, said: "If 18 months ago you would have predicted a 13 per cent return for this financial year that would have been the most extreme positive case around."

Strong sharemarket rallies here and overseas at the end of the Iraq invasion boosted superannuation fund returns.

The Australian sharemarket

## BACK IN THE BLACK

(superfund returns)

2004 (estimate)	13 pc
2003	-2 pc
2002	-4 pc
2001	5 pc
2000	13.2 pc

\*year to June 30

SOURCE: INTECH

has risen 17 per cent so far this financial year, lagging the 30 per cent gains from offshore markets, although this has been muted by the Australian dollar's 10 per cent rally against the greenback. Both of these returns are before tax.

Larger superannuation funds usually have about half of their funds invested in Australian shares and about 20 per cent in overseas shares, with the balance spread across locally listed property trusts, bonds and some cash.

So the big sharemarket gains have translated into big gains for superannuation fund managers.

"If your fund is not doing double digit [returns] this year, you should ask questions," Mr Dunnin said.

"This is fantastic. Last year the top 10 per cent gained 4 per cent. The average was zero.

"The return is so strong that a lot have made more money in the past 12 months than in

the past five years, combined."

Thanks to the technology stock boom of the late 1990s, superannuation funds earned 13.2 per cent in the year to June, 2000. But they have struggled since, first, with the pricking of the boom in technology stocks in March, 2000.

"Then 18 months later, there was September 11, which left markets in the doldrums and they didn't pick back up until during the [Iraq] war, and since then the market has surged," Mr Dunnin said. "Super is a good long-haul bet. It vindicates not panicking when things go down, but you should review performance every 12 months."

The rebound in returns is not likely to be repeated in the new financial year, since shares are fully priced, with the chance that higher interest rates could pressure share prices.

A fund manager with Perpetual Investments, John Sevier, said: "The last year has been a pretty strong year, on the heels of two pretty punk years. It will be tough to make money in the next

"It is much harder to buy at sensible prices."

Mr Dunnin said: "The law of averages supports a return to the long-term average of 8-10 per cent. We have had two or three lean years back to back, which is very unusual."

**'A lot have made more money in the past 12 months than in the past five years, combined.'**

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