

## SUPERANNUATION

# Warm champagne the order for returns

INVESTORS might not break out the champagne in celebration of this financial year's superannuation returns but nor should they curse managers either.

Preliminary data indicates that returns from the median growth asset (shares and bonds) manager for the financial year ended June 30, 2004 will only be a breath ahead of the Australian share market as measured by the S&P/ASX 200.

In some cases, the positive returns that are reported will just be making up for the negative returns of recent years.

But Rainmaker Information's head of research Alex Dunnin says returns of 12-15 per cent for balanced options is "terrific news" for super members; particularly since the lead funds were rock stars in 2002-03 with 3-4 per cent returns.

Dunnin says even poor funds will do three times as well as last year.

As is often the case there will be a few surprises on the upside and a few on the downside, but nothing should be as shocking as investors have seen in recent years.

Based on data before the end of the financial year, Intech expects returns from growth funds to range from 16 per cent to 39 per cent, with most of the growth being attributed to strong recovery from Australian and international shares.

Intech senior consultant Andrew Korbel says returns net of tax and fees for growth-oriented funds should be about 13 per cent.

"Given that the world economy is not awash with positive sentiment I think people should be happy with these returns," he says.

Mercer Investment Consulting says the average superannuation return is likely to be the best seen since the heady days of 1996-97.

Mercer estimates the median return for the year to June 2004 to be at about 15 per cent: "Not since 1996-97, when the average fund returned 18.6 per cent have superannuation investors been so well rewarded."

All the main asset classes had a positive year overall, led by the Australian share market, which had its best annual return since the 26.6 per cent rise in 1996-97.

Overseas markets also produced strong returns, with the MSCI World ex-Australia expected to finish the year up about 20 per cent.

Mercer says the rise and fall in the Australian dollar has had little impact on the financial year return, with the hedged return likely to be similar to the unhedged return.

Bonds produced much lower returns while property, despite negative sentiment in the residential markets, is expected to finish the year up almost 18 per cent for the year.

Fund managers and researchers are keen to remind people not to expect this financial year's returns to be repeated.

"Investors with short memories should be cautious in their expectations that this year's results heralds a return to the heady days of the 1980s, when double digit returns were the expectation rather than the exception," Mercer warns.

**Bina Brown**