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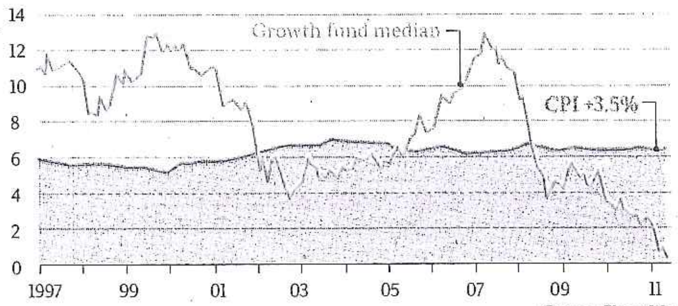
Another losing year for most super savers

ANDREW MAIN
SUPERANNUATION



Source: Chant West

MOST of Australia's superannuation savers have lost money this year for the second time in four years, following a dismal sharemarket performance in the second half of 2011.

Warren Chant, principal of independent consultant Chant West, said he expected a median fund return of -3 per cent for the 2011 calendar year.

Funds holding between 61 per cent and 80 per cent of growth assets — by far the most common in Australia — had positive years in 2009 (up 15.1 per cent) and 2010 (up 4.7 per cent) after suffering a horrible 21.5 per cent reverse in the global financial crisis year of 2008.

Mr Chant said median funds were down by about 1.1 per cent in November alone.

"From January 1 to December 19, Australian shares and hedged international shares were down 11 per cent and 9 per cent, respectively," he said.

"While any negative return is disappointing, a 3 per cent loss is far less damaging than the 21.5 per cent loss that members experienced in 2008 at the height of the GFC."

But Chant West research manager Mano Mohankumar said members who had switched into more conservative options would probably finish up ahead this year because of the solid performance by fixed-interest investments.

"Those funds are actually ahead now," he said, noting that conservative funds containing between 21 per cent and 40 per cent of growth assets looked set to deliver a positive return of about 2.5 per cent for 2011.

"That's because these funds have a much higher asset weighting to Australian and international bonds, which have been the strongest-performing asset sectors, delivering double-digit returns for the year to date."

He said that while the returns from conservative funds had not exceeded 10 per cent in the past six years, they had only gone backwards in one of those years, 2008, when they returned -7.5 per cent. "That's a positive story in a negative year," he said.

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Also yesterday, Australian Fund Monitors, which follows the performance of hedge funds, noted that more than 50 per cent of hedge funds had provided a positive return over the past 12 months. Hedge funds sell stocks short in declining markets to make money, as well as investing more conventionally.

Chris Gosselin, who runs Australian Fund Monitors, said that demonstrated "that investors should be increasing their allocation to hedge funds in 2012 — provided they invested in the right 50 per cent".

He said a model portfolio of five Australian equity hedge funds returned 1.9 per cent in November for a 12-month return of 18.47 per cent.

"With the ASX 200 index racking up its seventh losing month this year, and only one positive month in the last eight, the market's direction has frequently seemed as random as the toss of a coin," Mr Gosselin said. "It is a true test of investment and risk skills to produce a positive return when the market has fallen over 13 per cent in the year to date."