

# Superannuation performance

Financial year 2022/23

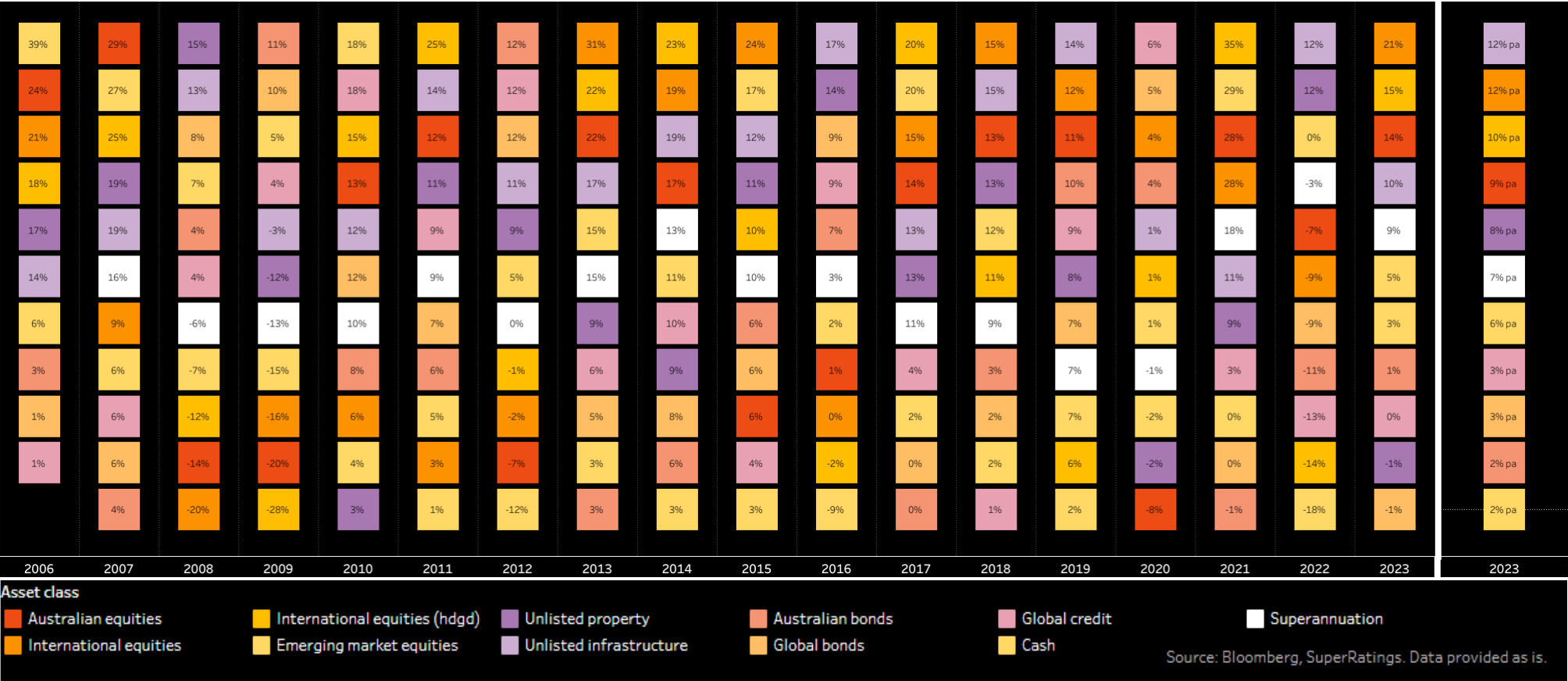


# Superannuation performance

The 2022/23 financial year experienced a volatile global economic landscape, marked by early market instability due to rising inflation, central bank movements, geopolitical strain and global recession fears. Despite these challenges, markets exhibited resilience and rebounded later, driven by moderating inflation, the near end of central bank rate hikes, alleviation of the European energy crisis through a mild winter and China's easing of COVID-19 restrictions. Despite turbulence in the banking sector, including the collapse of Silicon Valley Bank and Credit Suisse, global equities saw impressive returns, primarily fuelled by strong performance of large tech stocks associated with artificial intelligence advancements.

Chart 1: Financial year periodic return table

10 years



# Superannuation performance

Performance was strong for MySuper options as equity markets rallied.

Table 1 ranks performance of the top ten super funds covered by the SuperRatings reporting, for the one-year period through June 2023. It includes growth asset ratio, size of the fund as well as multiple rolling time periods through seven years.

**Table 1: Performance through June 2023**

Option name	Growth asset ratio	Size \$m	Rolling one-year %	Rolling one-year rank	Rolling three-year %	Rolling three-year rank	Rolling five-year %	Rolling five-year rank	Rolling seven-year %	Rolling seven-year rank
ESSSuper Accum - Basic Growth	72	38	13.33	1	9.26	4	7.36	2	-	
Hostplus - Indexed Balanced	75	9,780	12.34	2	8.00	14	6.49	10	7.46	12
Brighter Super Accumulation - Multi-Manager Growth Fund	75	-	12.24	3	8.10	12	7.39	1	8.34	2
Vision SS - Balanced Growth	67	5,446	10.96	4	8.32	8	6.82	6	8.01	5
Brighter Super Accum - Balanced	75	550	10.6	5	7.39	27	5.97	18	7.09	18
UniSuper Accum (1) - Balanced	68	33,596	10.34	6	7.54	23	6.63	8	7.59	10
Equip MyFuture - Balanced Growth	70	1,665	10.06	7	7.31	28	5.91	23	7.42	13
Australian Retirement Trust - Super Savings - Balanced	70	8,155	10.02	8	9.57	3	7.02	3	8.28	3
IOOF Employer Super Core - IOOF MultiSeries 70	70	-	9.82	9	6.65	38	5.88	24	6.64	31
Aware Super Future Saver - Balanced	75	11,875	9.66	10	7.62	21	6.35	12	7.74	8
<b>SuperRatings SR50 Balanced median</b>	70	2,562	9.05		7.52		5.88		6.93	

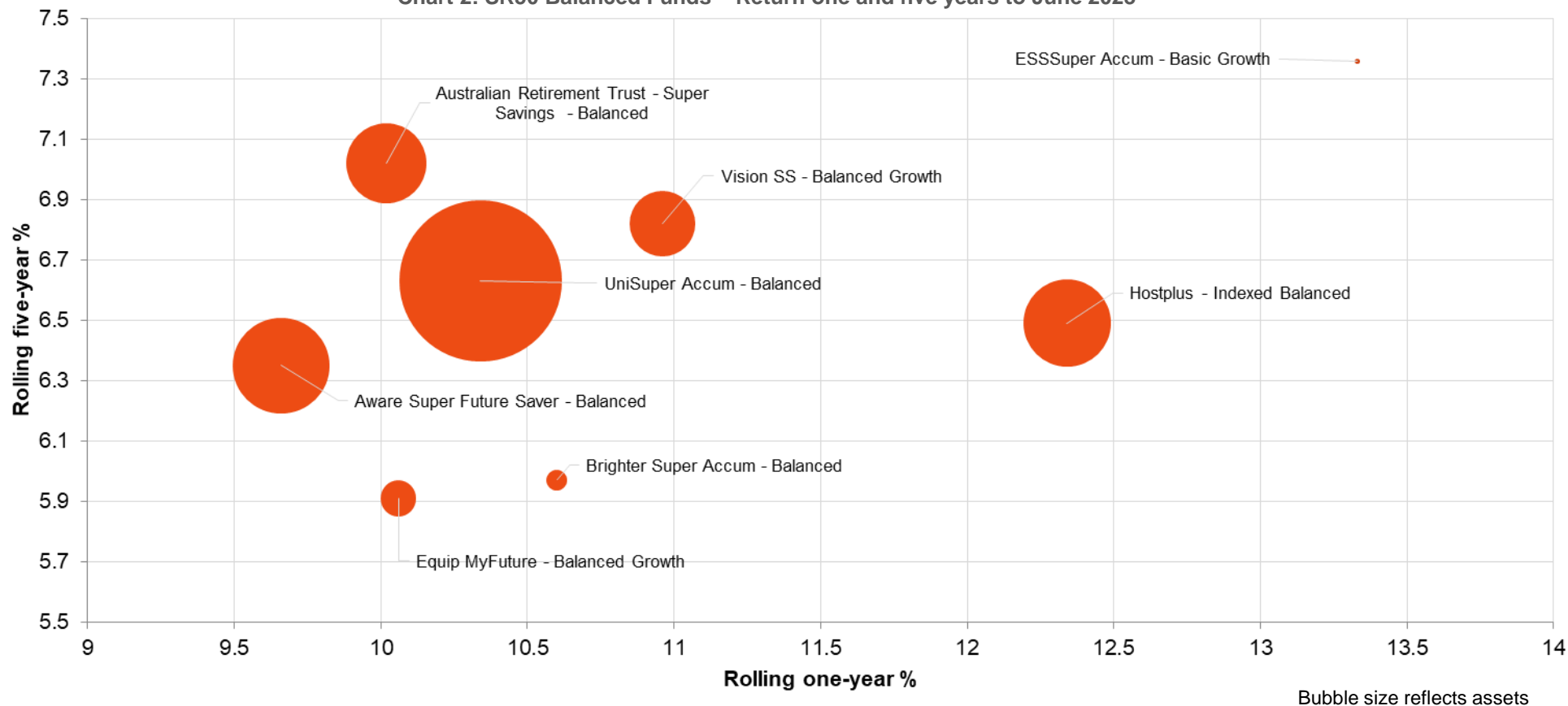
Source: SuperRatings

# Superannuation performance

## Size effect

While ESSSuper - Basic Growth option, with a size of \$38 million, is significantly smaller than many other funds options, it demonstrated strong performance, topping the one-year return at 13.3% and showing a competitive five-year return at 7.4%. Larger options, such as UniSuper - Balanced (\$34 billion) and Hostplus - Indexed Balanced (\$10 billion), have demonstrated strong one-year returns of 10.3% and 12.3%, and five-year returns of 6.6% and 6.5%, respectively.

Chart 2: SR50 Balanced Funds – Return one and five years to June 2023



# 2023 performance

## Risk and return

Chart 3 shows performance and risk as defined by standard deviation of returns through one-year to June 2023. Contrary to last year, the funds with higher risk than the median tended to outperform as equity markets rallied and unlisted valuations being stretched.

Chart 3: SR50 Balanced Funds – Standard deviation versus return one-year to June 2023



# 2023 performance

## Asset allocation

Based on the most recent asset allocations for the funds available, shown in Table 2, funds with greater exposure to unlisted assets across private equity, property and infrastructure performed well (noting some funds classify these exposures as alternatives or other). Some of the top ten funds have not submitted timely allocation data to SuperRatings.

**Table 2: Universe asset allocation**

Option	Growth	Defensive	Australian shares	International shares	Private equity	Property	Infrastructure	Alternatives	Bonds	Cash	Other
Vision Super - MySuper Balanced Growth	70.3%	29.7%	23.6%	28.2%	1.4%	8.7%	12.7%	0.0%	11.5%	5.0%	8.9%
Brighter Super Accum - Balanced	77.7%	22.3%	24.2%	34.5%	0.0%	11.1%	11.4%	2.6%	9.9%	6.3%	0.0%
Equip MyFuture - Balanced Growth	71.1%	28.9%	24.8%	29.4%	1.0%	6.3%	11.2%	3.9%	17.0%	4.6%	1.8%
Australian Retirement Trust - Super Savings - Balanced	73.8%	26.2%	26.3%	26.8%	6.5%	8.5%	10.5%	5.5%	14.0%	2.0%	0.0%
IOOF Employer Super (Corporate 100) - IOOF MultiSeries 70	72.0%	28.0%	21.6%	29.3%	0.0%	8.8%	0.0%	12.3%	22.5%	5.5%	0.0%
Aware Super - Balanced	80.0%	20.0%	22.9%	32.2%	6.0%	6.9%	10.9%	1.1%	7.6%	7.4%	5.0%
Top quartile	72.7%	31.8%	27.7%	35.2%	8.0%	8.3%	10.5%	5.5%	23.3%	6.0%	0.0%
<b>Median</b>	<b>70.0%</b>	<b>30.0%</b>	<b>25.2%</b>	<b>31.2%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>3.2%</b>	<b>1.7%</b>	<b>18.0%</b>	<b>2.8%</b>	<b>0.0%</b>
Bottom quartile	68.3%	26.3%	12.5%	26.8%	0.0%	0.1%	0.0%	0.0%	13.2%	2.0%	0.0%

Source: Frontier Advisors, SuperRatings

# Longer-term performance

## Persistent outperformance

With superannuation a long-term investment, members should be looking for a fund with good performance consistency rather than just one good year. Table 3 examines the performance of the top ten funds over the ten years to June 2023.

**Consistent top performers:** AustralianSuper Balanced has the highest number of top quartile (Q1) returns over the past ten years, with eight instances in the top quartile. This suggests a strong and consistent performance. Hostplus Balanced, ART- Super Savings - Balanced, and UniSuper Balanced also show strong performance with seven instances in the top quartile.

**Stability:** HESTA Balanced Growth stands out for its stability. It has never been below median and has been in the second quartile (Q2) for seven years, suggesting consistent performance.

**Variability:** CareSuper Balanced has the most balanced distribution across the top three quartiles, with four instances in both Q1 and Q2, and two in Q3. This suggests that its performance varies more from year to year compared to other funds.

**Table 3: Ten-year performance consistency**

Fund	Ten year through June 2023		Annual performance quartiles over the decade			
	Return (% p.a.)	Rank	Top	Second	Third	Bottom
Hostplus MySuper - Balanced	8.9	1	7	0	2	1
AustralianSuper - MySuper Balanced	8.6	2	8	1	1	0
Australian Retirement Trust - Super Savings - Balanced	8.4	3	7	2	1	0
UniSuper Accum - Balanced	8.4	4	7	0	3	0
Cbus - Growth (MySuper)	8.3	5	6	2	2	0
Vision Super - MySuper Balanced Growth	8.1	6	6	1	3	0
CareSuper - MySuper Balanced	8.0	7	4	4	2	0
HESTA MySuper - Balanced Growth	8.0	8	3	7	0	0
HOSTPLUS - Indexed Balanced	7.9	9	4	3	2	1
Aware Super Future Saver - Balanced	7.9	10	5	3	1	1

Source: SuperRatings

# The final word

Superannuation is a long-term investment, and it is long-term returns which impact member outcomes. However, analysing short-term performance can be helpful, especially in understanding how performance was achieved and whether there are any trends. Waiting ten years to determine a fund is persistently underperforming will negatively affect a members' final benefits.

However, basing an assessment of a fund on one year of good performance has limitations. As we have highlighted in this report, the level of risk and the underlying asset allocations will affect each funds' ranking in any individual year. Basing an assessment on longer-term performance has more appeal. However, care is needed to differentiate between those funds which have done well in the past and those funds which may do well in the future.

A robust assessment across a wider range of factors is needed to be satisfied each fund is of appropriate quality and provides good value for members. A 'bright line' test based on a single metric will misrepresent the complexity of 'past performance being a guide to the future'. Instead, we believe a better outcome comes from analysing:



Investment performance measured across multiple time periods, and consideration of the level and nature of investment risk.



Level of fees and costs, particularly where these are increasing.



Size of assets and cashflow position, especially if the cashflow is negative.



Fund governance, business management and trustee oversight.



Other factors such as member services and other qualitative factors.



The focus should be on improved outcomes for members over the long-term.



# Enabling superior investment outcomes

## Frontier Advisors' Partners Platform

Frontier Advisors is an award-winning investment consultancy business, with a leading-edge investment technology product and capability.

We see technology as an enabler of superior client outcomes, and it has been a key strategic pillar and core part of our business since 2013. Our dedicated and expert technology team is focused on building software applications to assist asset owners make better long-term investment decisions.

The Partners Platform provides a state-of-the-art technology platform to allow institutional investors to build and model their portfolios, observing potential outcomes of asset and fund manager allocation decisions, risks, factors and providing performance attributions.

Our **Peer Comparison** module provides the ability to conduct peer and industry comparison and attribution. Peer Comparison allows users to analyse risk and return metrics, view performance characteristics including Your Super Your Future, attribute performance against asset allocation positioning, regress performance against independent variables to discover key drivers, and research member benefit and balance distributions by age group.

Key features include:



Performance dashboard



APRA key metrics



Asset allocation



Membership profile



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