

Essential Super Stats

Volume 1, January 2007

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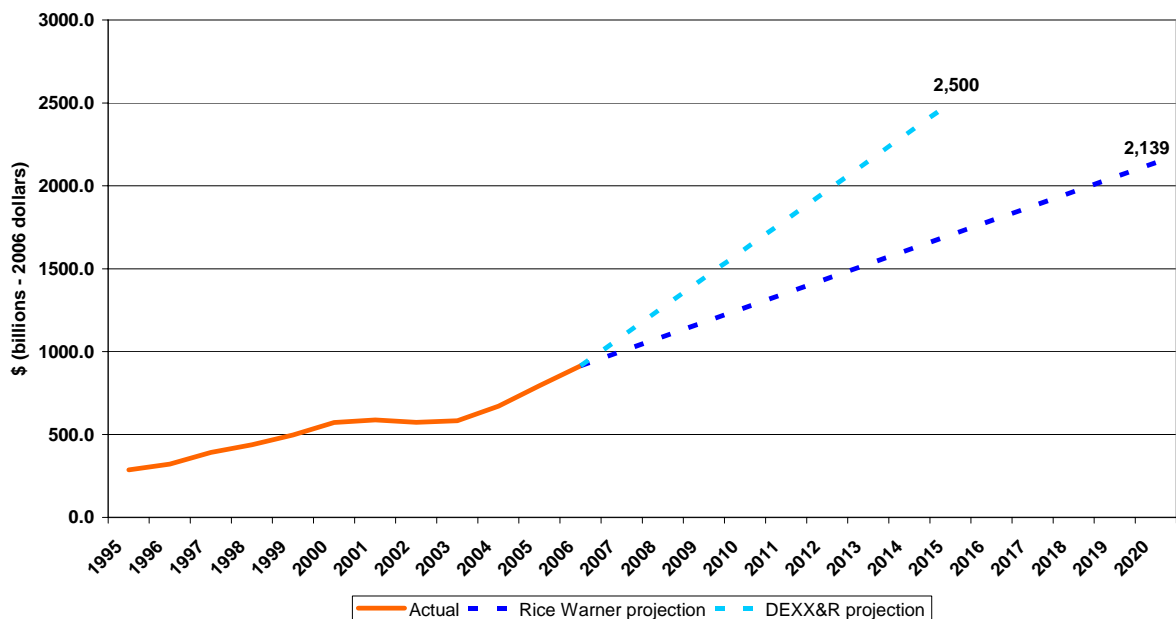
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Total assets in superannuation funds rise to \$913.9 billion

- According to APRA, total assets of superannuation funds reached \$945.6 billion in the September quarter 2006, an increase of 3.4% over the quarter, after rising by 1.3% during the June quarter 2006. Over the 12 months to the September quarter 2006, there was an increase of 16.6%.
- Over the quarter industry sectors recorded the following growth in funds under management: industry funds 5.0%, public sector funds 4.1%, retail funds 4.2%, corporate funds 2.6%. During the June quarter 2006 industry funds for the first time overtook public sector funds in assets under management.
- This strong growth in superannuation assets is expected to continue (see chart below).

Actual and projected total superannuation assets 1995-2020

source: APRA, ABS, Rice Warner, DEXX&R



Actuaries Rice Warner have projected that total assets under management will hit \$2,139 billion in 2020 (2006 dollars).

Of this increase of approximately \$1,225.1 billion, \$404 billion, or approximately 23%, is projected to be due to the Government's superannuation changes introduced in the last Budget.

Research consultants DEXX&R's projection is more bullish, with total assets predicted to reach \$2,500 billion in 2015.

Australia also maintained its ranking as having the fourth largest pool of funds under management in June 2006:

	\$trillion
United States	11.97
Luxembourg	2.45
France	2.04
Australia	0.97
United Kingdom	0.86

Source: "Super industry swamped by cash flow" by Jonathan Barrett and Brendan Swift, *Australian Financial Review*, Tuesday 2 January 2007.

Super returns up 1.4% for November 2006

- According to Intech's *Super Survey*, superannuation funds recorded on average growth of 1.3% during November 2006 (net of fees and tax).
- Australian equities significantly outperformed international equities over each of the last five years. However, listed property produced still higher returns over the period.
- The following returns were recorded over the five year period to 30 November 2006:

Average Fund Returns	1 year Return (%)	2 year Return (%)	3 year Return (%)	4 year Return (%)	5 year Return (%)
Moderate(net)	11.45	11.71	12.15	10.27	8.06
Growth (net)	14.13	14.30	14.86	12.41	9.11
Australian Equities (gross)	23.49	23.25	25.03	20.72	15.12
International Equities (unhedged, gross)	12.56	14.46	12.67	7.16	0.63
Listed property (gross)	31.55	21.55	24.20	19.64	18.15

- According to AMP Capital Investors Chief Investment Strategist Shane Oliver, the Australian share market will return 14% in 2007 as growth in company profits moderates.

Source: Intech's Super Survey November 2006 (<http://www.intech.com.au>), "Top super funds still back world-beating Aussie equities over bonds, cash", by Geoffrey Newman, *The Australian*, Tuesday 9 January 2007

Analysts say slowdowns in US and China biggest risks for continued asset growth...

- The major short-term threat to this continued growth is a sharp correction in equities markets, with analysts citing possible triggers such as a depressed US housing market and overshooting by China in its attempts to moderate growth as key dangers.
- With corrections increasing in size over the past few years – in 2004 the market came back 4% in its main correction, in 2005 corrections reduced prices by 8% on two occasions and in 2006 there was a correction of 12% – there is the potential for a correction of between 10% and 15% in 2007, according to AMP Capital Investors Chief Investment Strategist Shane Oliver.
- During 2006 share prices rose by an average of 19% over the year.
- According to *Bulletin* journalist Philip Rennie, the recent increase in private equity activity, with highly geared private equity funds bidding for companies whose shares may already

be fully priced, has the potential to artificially increase share valuations, which may make a subsequent correction more likely.

...with the effect of any future interest rate rises to be magnified by high debt levels

- CommSec's chief equities economist Craig James notes that with the ratio of household debt to liquid assets at a record high of 125.5% in the September quarter 2006, any further rises in interest rates are likely to have a significant impact on consumer spending. This in turn could slow economic growth and have a deflating effect on equities markets.
- NSW, where state final demand in trend terms declined by 0.1% during the September quarter 2006, could be particularly vulnerable to any future interest rate rises.
- The Reserve Bank Board will next meet on 6 February 2007 to determine the official cash rate. With the headline inflation rate remaining close to 4% over the year to the September quarter 2006 – above the Reserve Bank's target of between 2% and 3% over the medium term – the scope for any interest rate cuts may be limited in the short term at least.
- However, analysts consider that continued investment flows from superannuation funds and buoyancy in resource stocks will tend to counteract any dampening effect from reduced consumer demand on equities markets.

Sources:

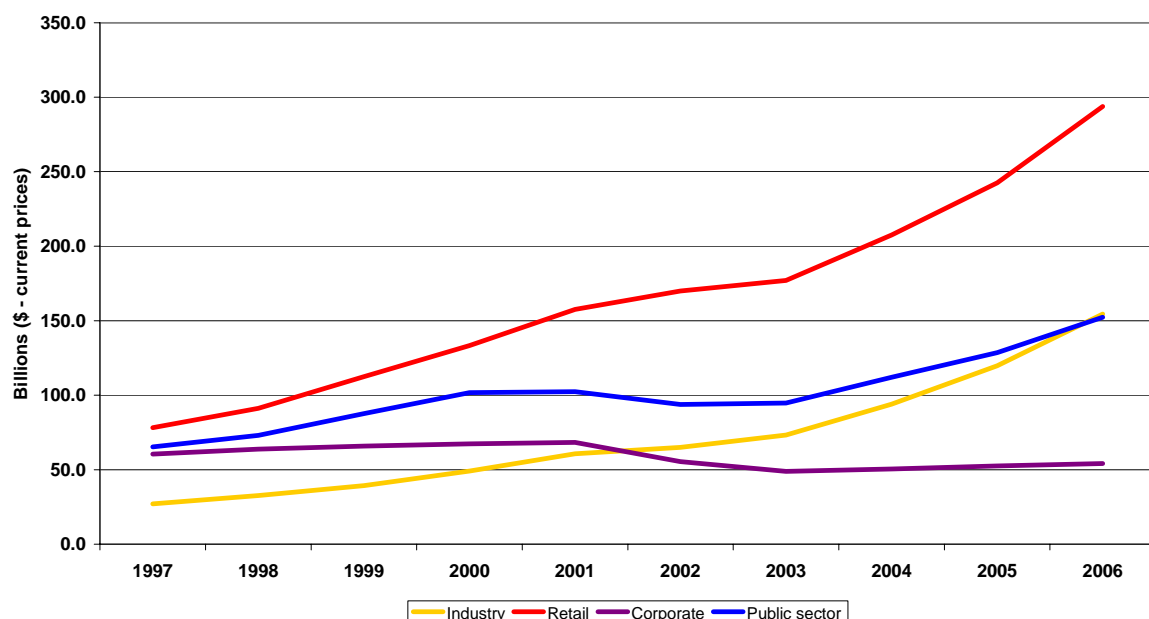
- "Recession looms as consumers pay off credit card debts, academic warns" by Peter Switzer *The Australian*, 2 January 2007
- ABS catalogue 5206.0 Australian National Accounts: National Income, Expenditure & Product September quarter 2006
- RBA Statement on Monetary Policy 13 November 2006
- "Returns at risk from US, China", by Robin Bromby, *The Australian*, 2 January 2007
- "The year of living dangerously" by Philip Rennie, *The Bulletin* 16 January 2007

Retail, industry funds strong growers in funds under management

- According to APRA data, over the period June 1997 to June 2006, both retail funds and industry funds experienced relatively rapid growth in funds under management when compared to public sector and corporate funds (see chart below). Industry funds have now overtaken public sector funds in funds under management.

Total assets - retail and industry superannuation funds 1997-2006

source: APRA Quarterly Superannuation Performance September 2006, APRA Annual Superannuation Bulletin 2006

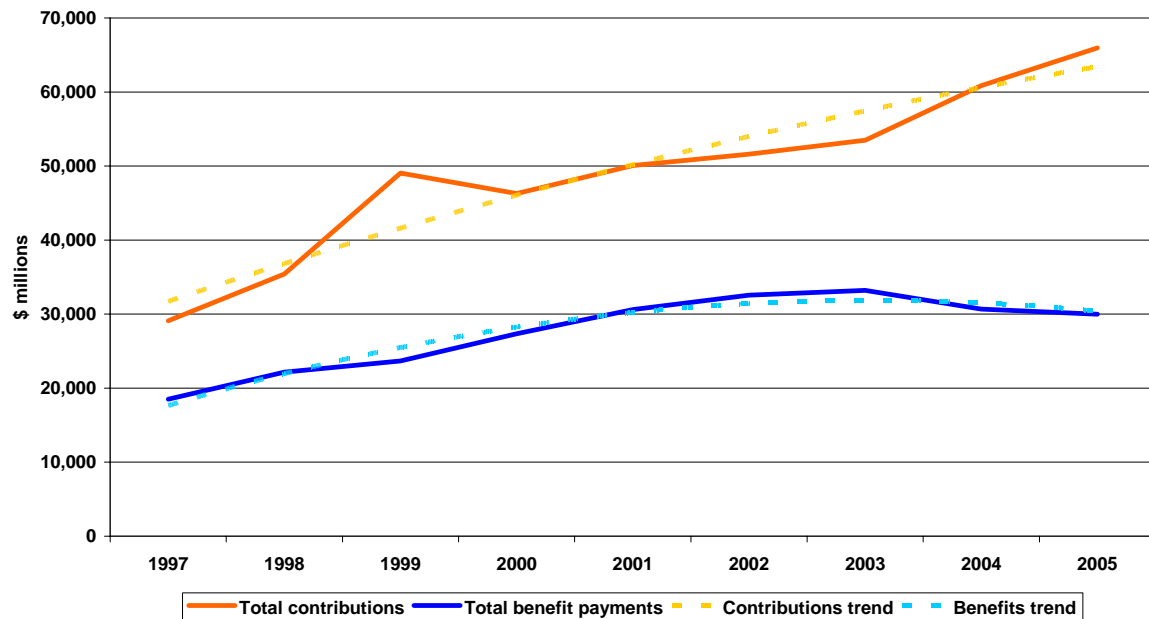


Net contributions positive shows strength of domestic super system

- According to APRA data, total superannuation contributions are still outstripping total benefits paid, thus swelling the net pool of funds available for future needs. This emphasises the viability of the Australian retirement incomes system, in contrast to many other countries.

Total contributions against benefit payments 1997 - 2005

source: Annual Superannuation Bulletin, June 2005, APRA



Key Economic Data

- Latest economic data for Australia from the Australian Bureau of Statistics:

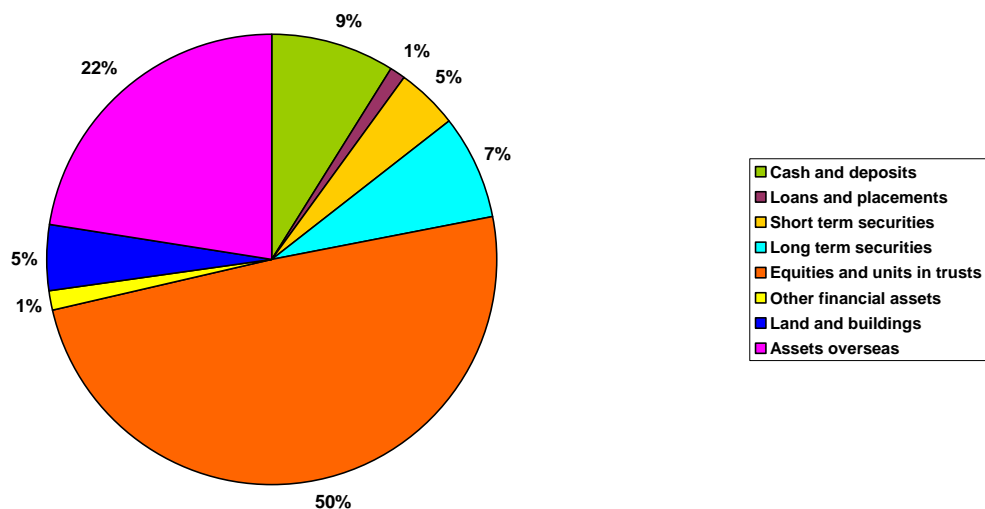
	Current period	Annual
Unemployment rate	4.6% (seasonally adjusted) November 2006	5.1% (seasonally adjusted) November 2006
CPI	0.9% September quarter 2006	3.9% September quarter 2005 – September quarter 2006
Economic growth	0.3% September quarter 2006	2.2% September quarter 2005 – September quarter 2006
Company gross operating profits	0.6% September quarter 2006	8.3% September quarter 2005 – September quarter 2006
Wages and salaries	1.1% (seasonally adjusted) September quarter 2006	6.2% (seasonally adjusted) September quarter 2005 – September quarter 2006

Domestic equities and units in trusts receive lion's share of superannuation investment

- According to APRA data, during the September quarter 2006, the breakdown of superannuation assets by investment class was as follows (see chart below). Equities and units in trusts (50%) was the largest asset class, followed by assets overseas (22%) and cash and deposits (9%).

Superannuation funds by asset class, September quarter 2006

source: ABS Catalogue 5655.0 Managed Funds Australia, September quarter 2006



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