



Questioning conventional thinking

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Introduction

We know the composition of survey data changes over time
but does it change that much?

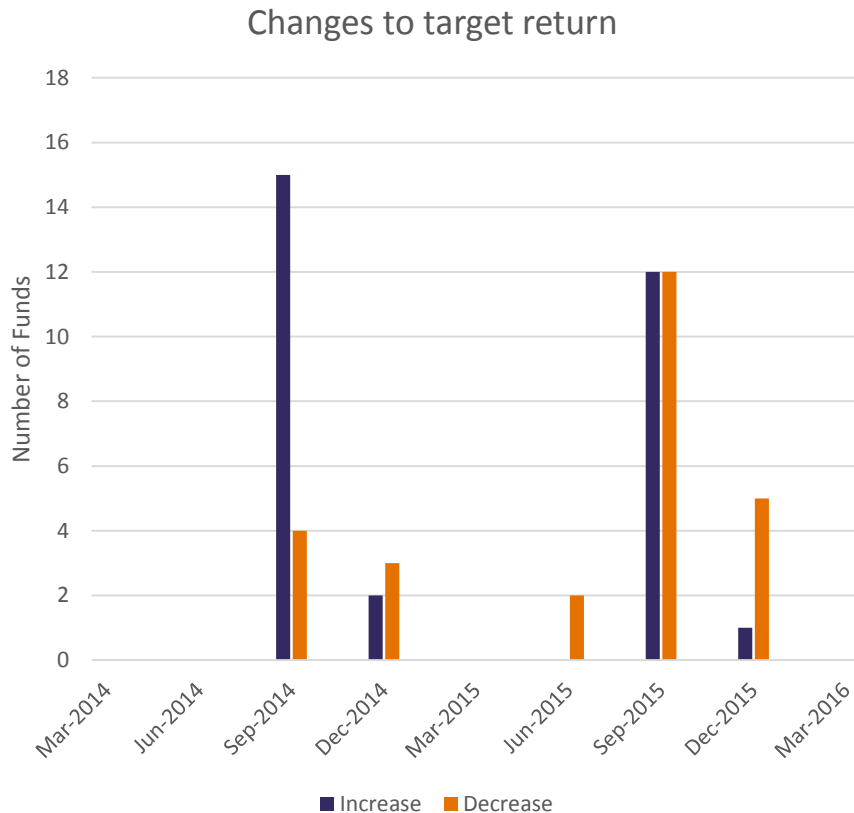
We know information comparability can be challenging.

But what can we learn about ourselves and our industry?

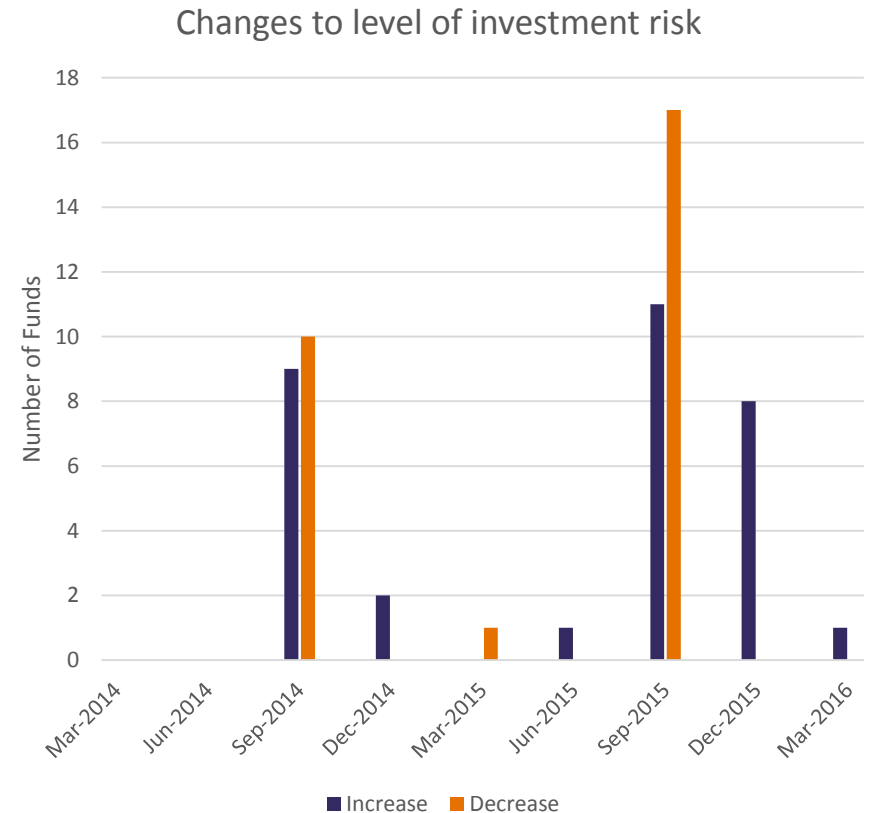
What are the conventional wisdoms and what is actually happening?

Changes in return and risk targets

While superannuation funds have changed their risk and return targets there is no strong pattern either up or down



Source: APRA website

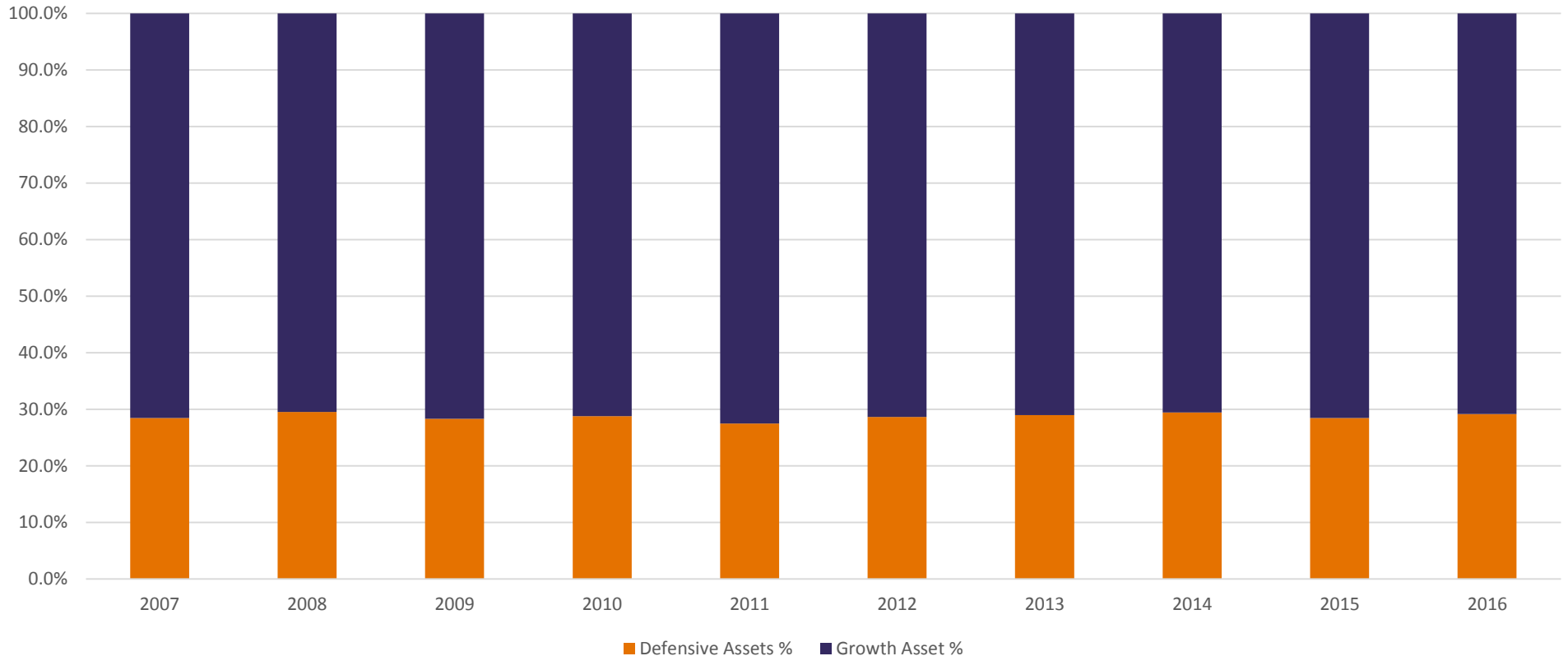


Source: APRA website

Changes in growth versus defensive mix

No evidence of any significant change in Superannuation Funds Growth / Defensive mix

Changes in defensive v growth allocations

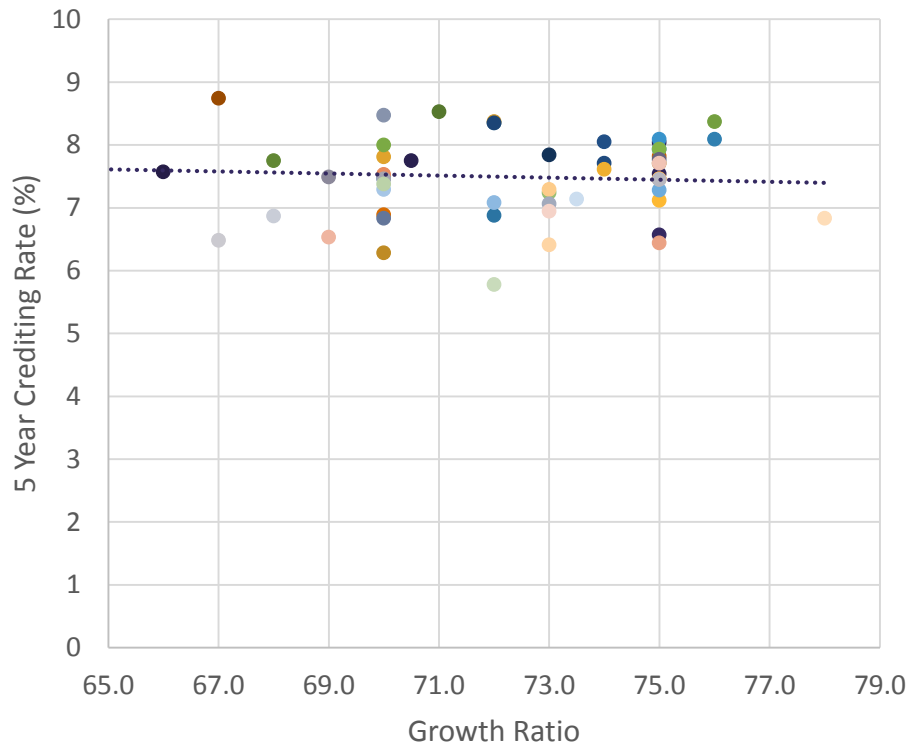


Source: SuperRatings

Some historical context – Longer term results

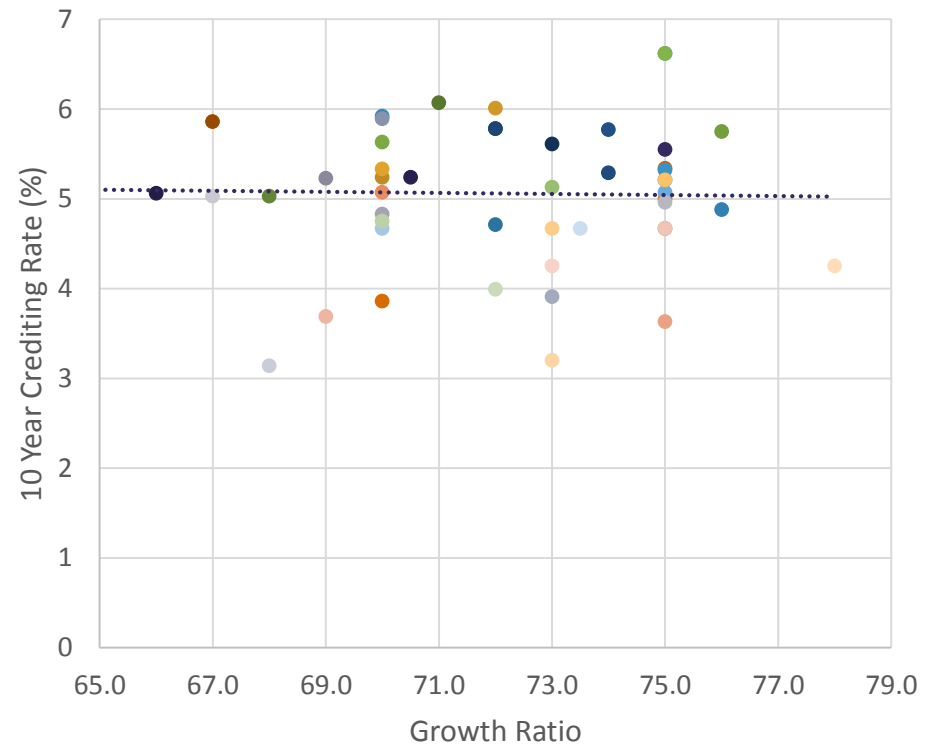
A Higher Growth Ratio has not proved to be a key factor in driving returns

Growth Asset Ratio versus 5 Year Returns to March 2016



Source: SuperRatings

Growth Asset Ratio versus 10 Years Returns to March 2016

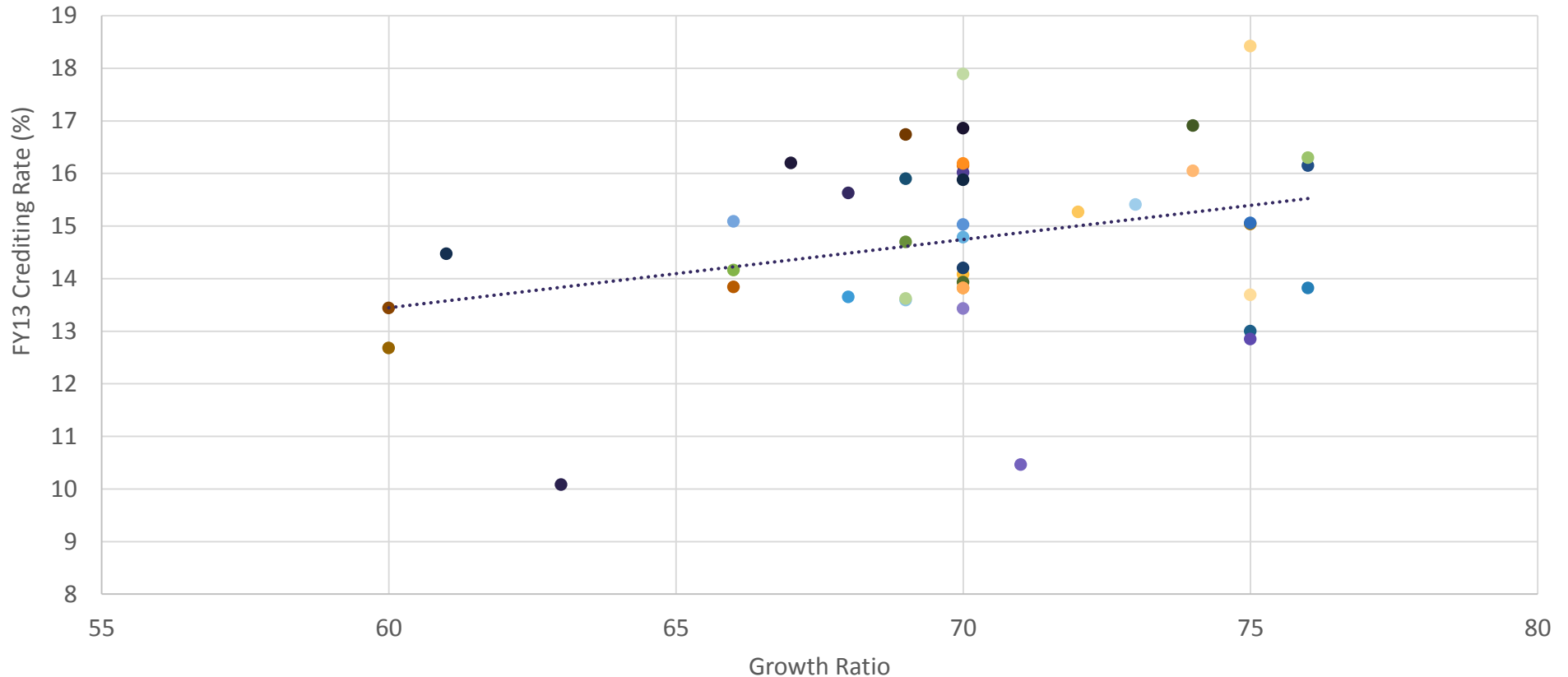


Source: SuperRatings

Some historical context – Shorter term results

In years of strong equity market returns Higher Growth Ratio = Higher Crediting Rate

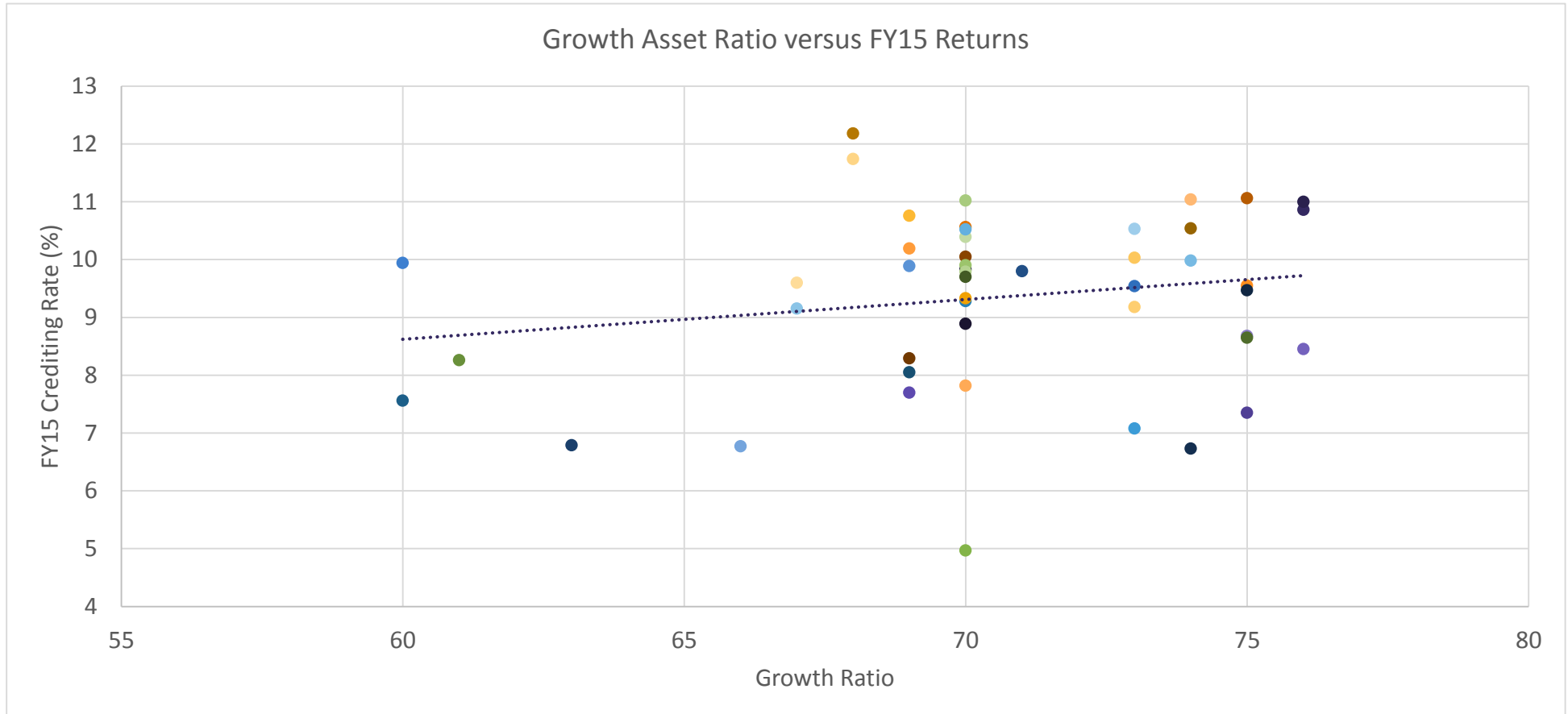
Growth Asset Ratio versus FY13 Returns



Source: SuperRatings

Some historical context – Short term results

Generally the same result although the line of best fit is flattening



Source: SuperRatings

“After all, you only find out who is swimming naked when the tide goes out.”

Warren Buffett
Berkshire Hathaway 2001 Chairman’s Letter

How alternative are your alternatives - The Buffett Bet

BET 362

DURATION 10 years (02008-02017)

“Over a ten-year period commencing on January 1, 2008, and ending on December 31, 2017, the S&P 500 will outperform a portfolio of funds of hedge funds, when performance is measured on a basis net of fees, costs and expenses.” [DETAILED TERMS »](#)

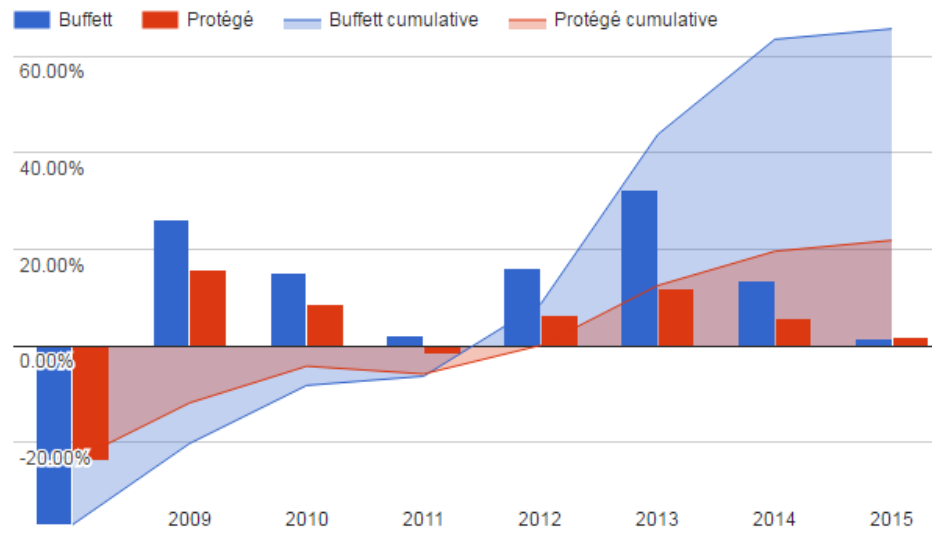
PREDICTOR
Warren Buffett

CHALLENGER
Protege Partners, LLC

STAKES \$1,000,000
will go to *Girls Incorporated of Omaha* if Buffett wins,
or *Friends of Absolute Return for Kids, Inc* if Protege Partners, LLC wins.

Source: Longbets.org

Oracle of Omaha vs Masters of the Universe: Round 8



Scorecard to end of 2015

Buffett 65.7%

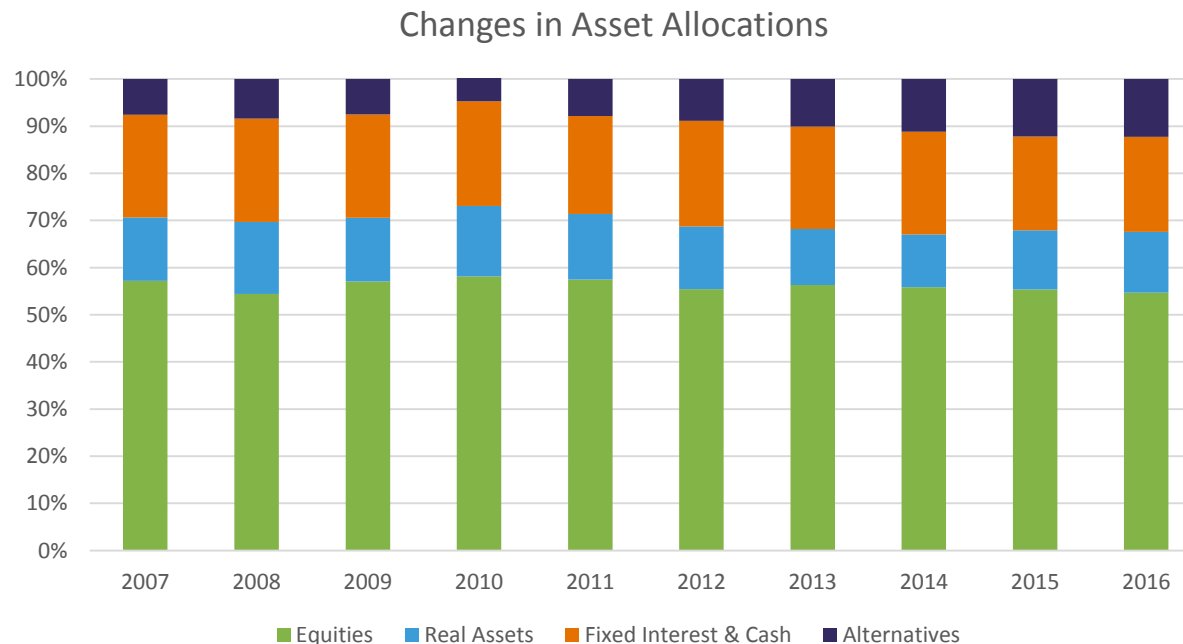
Protégé 21.9%

The Australian superannuation industry exposure to alternatives

The average allocation to alternatives has increased over time funded by decreases in equities, fixed interest and cash

Buffett or Protégé?

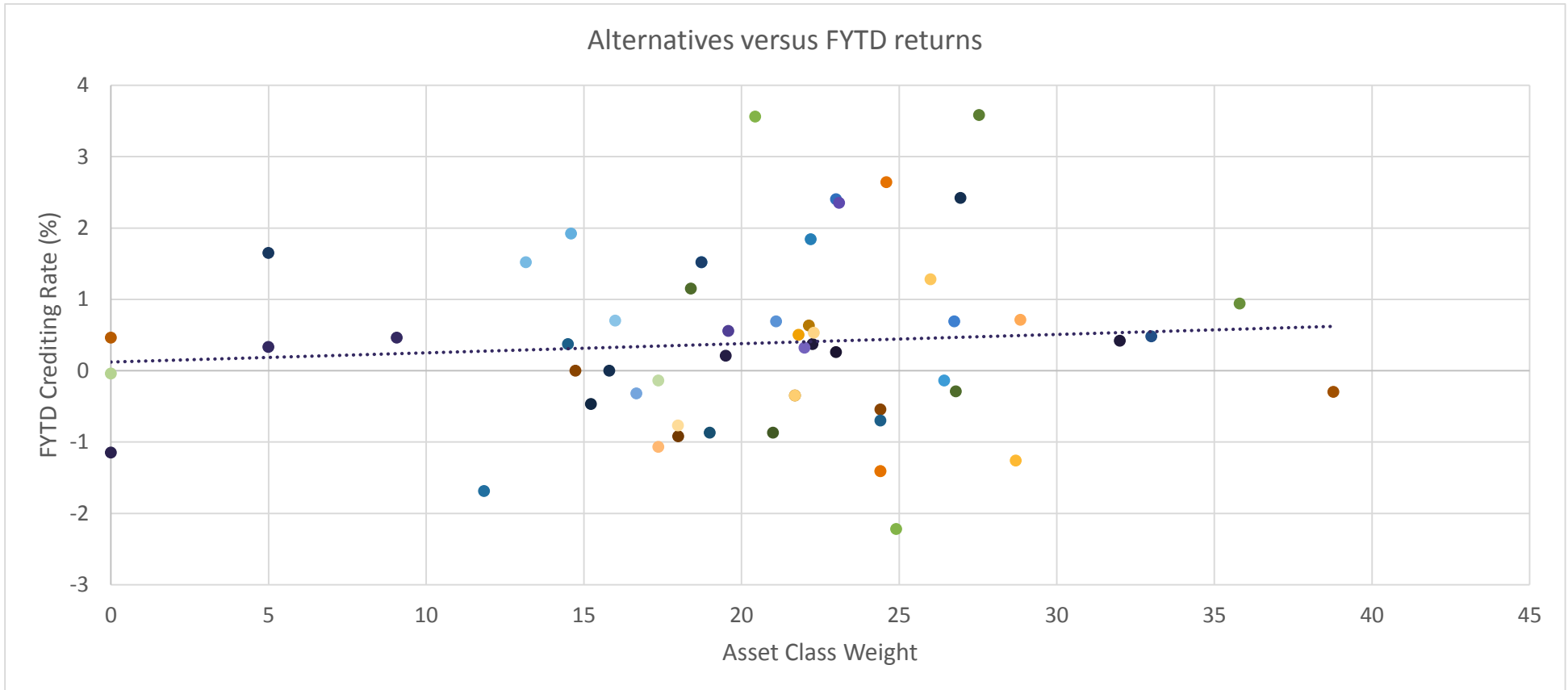
Who have Australian superannuation funds backed?



Source: SuperRatings

Correlation between alternatives and FYTD performance

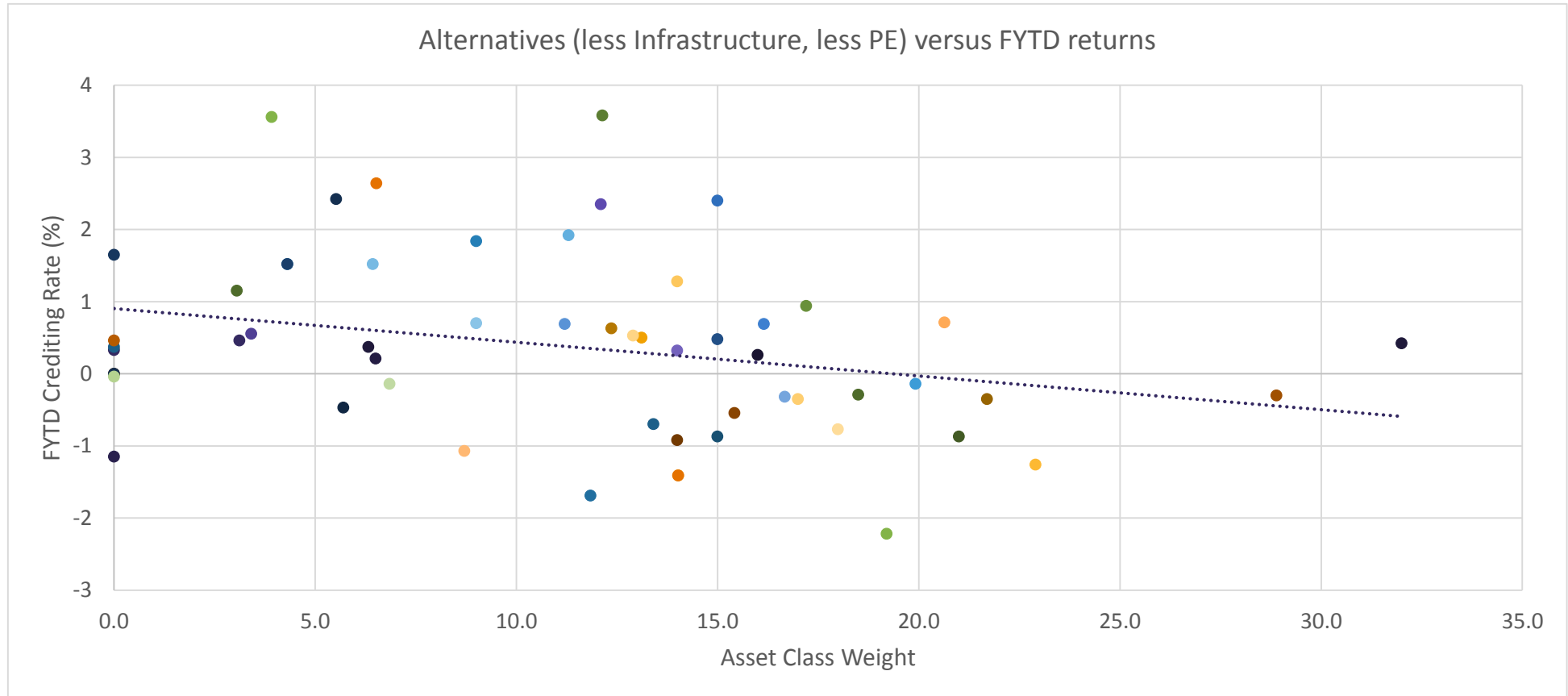
Based on survey allocations increased allocations to alternatives has marginally helped crediting rates this financial year. However ...



Source: SuperRatings

Alternatives and FYTD Performance – Stripping out infrastructure and PE

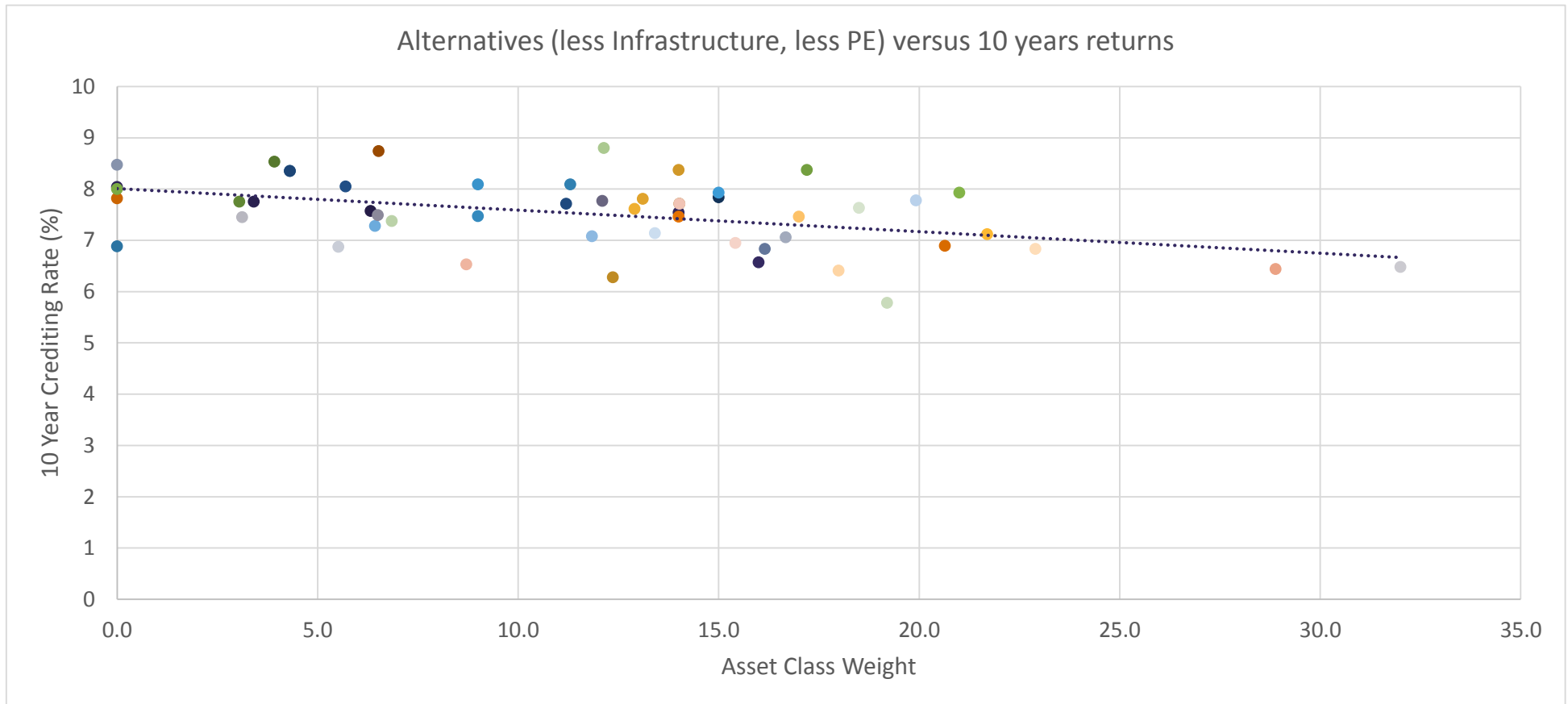
When stripping out infrastructure and private equity the results reverse.
Alternatives have not proved to be all that was promised.



Source: SuperRatings

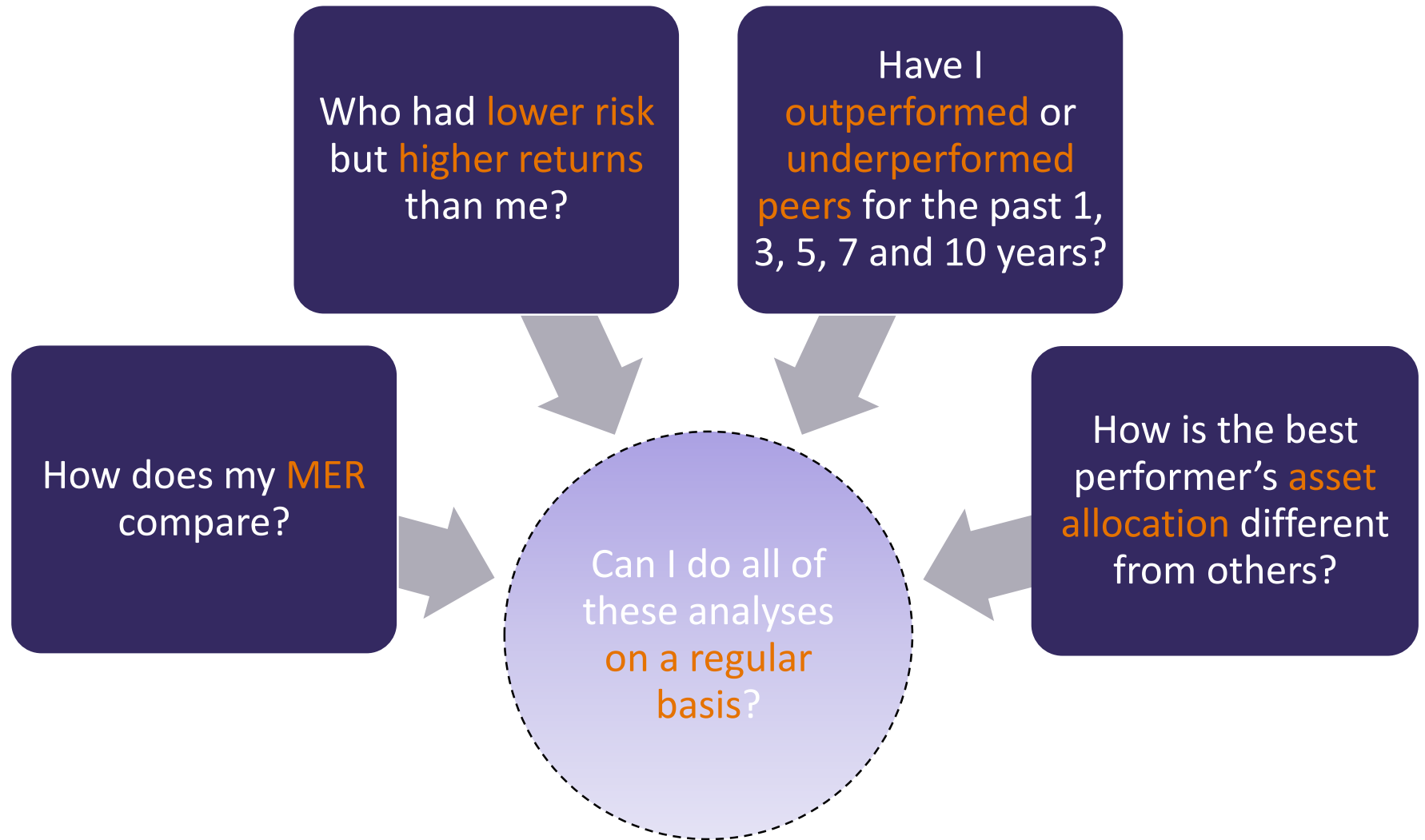
Alternatives and 10 year performance – Stripping out infrastructure and PE

This has also proved to be the case when measured over longer periods

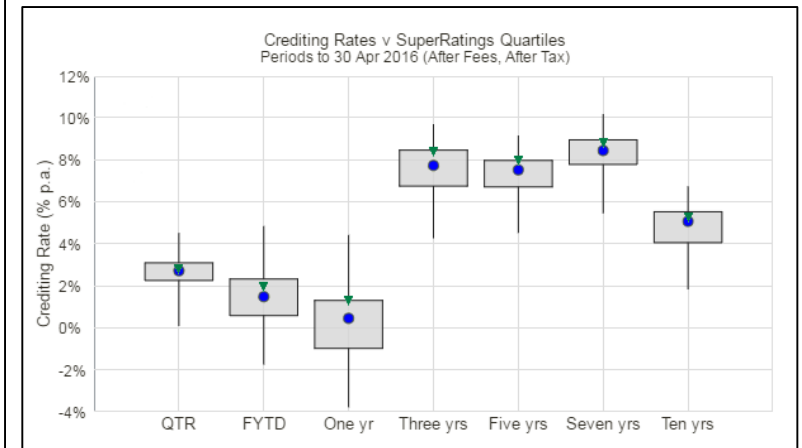
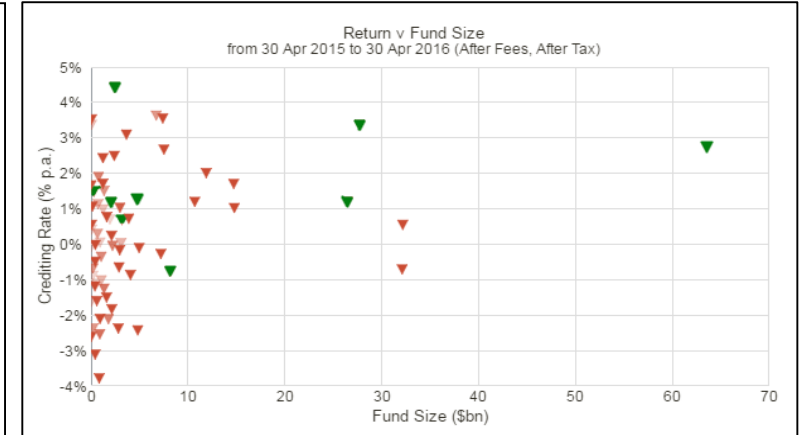
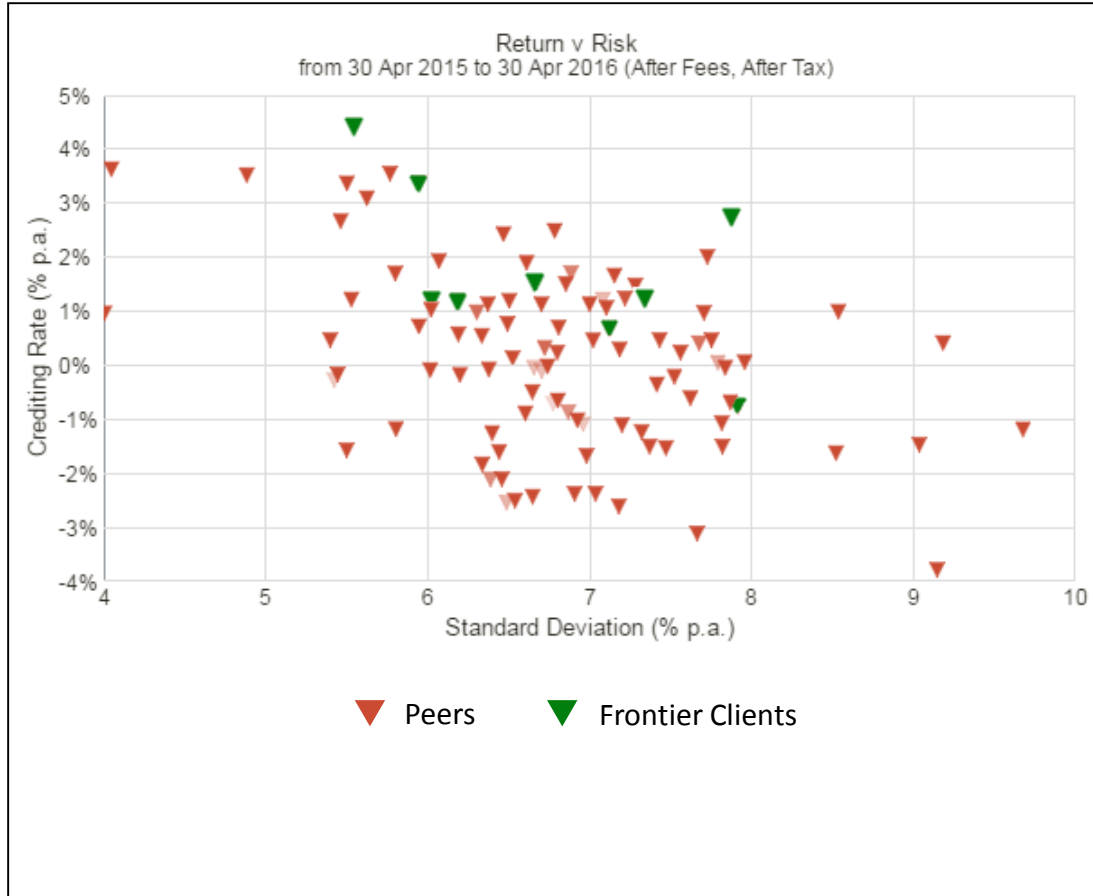


Source: Super Ratings

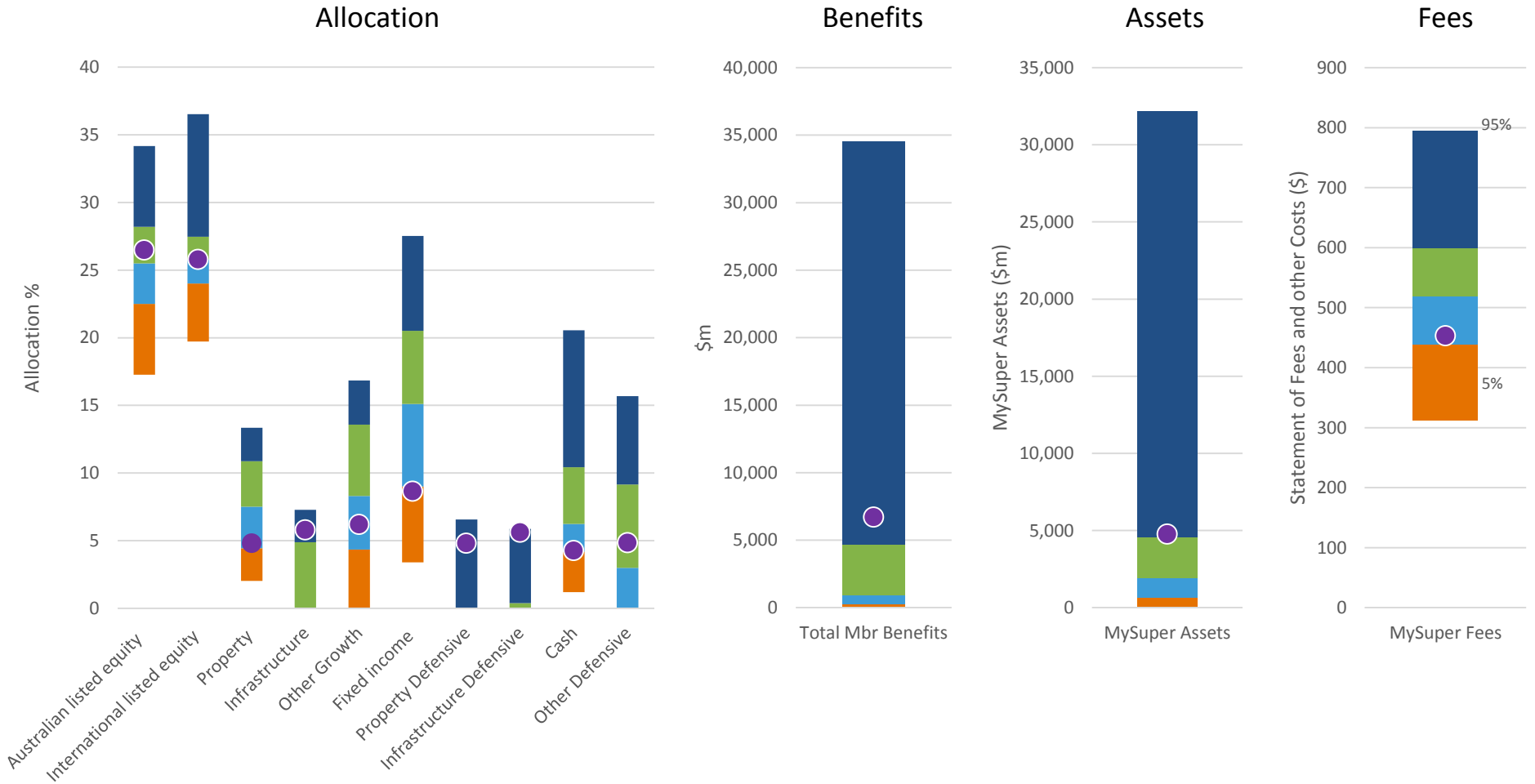
Prism Comparator Module



Prism Comparator Module – Performance comparison



Prism Comparator Module – How do I compare to my peers?



Key takeaways

- The industry has come around to the lower for longer economic environment, however, this has not translated to any major change to superannuation funds stated investment and risk objectives
- Going for growth may work over short term periods but over the long term has not paid off
- While there is no real evidence that the industry has gone down this path
- The promise from alternative strategies of strong returns better risk characteristics and a low or negative correlation to equities has not proved to be the case in 2015/2016
- Understanding where your fund sits versus peers is important, the new PRISM Comparator Module will help with this analysis

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