

Investment Performance Video Transcript - 20 October 2022

Hello, I'm Scott Durbin the CEO of Commonwealth Bank group super.

As we send out our annual member statements for the year ended 30 June 2022, I thought it might be helpful to provide an update on investment markets and Super Fund performance.

For most investment options, one-year return has been negative, which I'm conscious may be of concern to members. So through this brief video my aim is to provide you with some further information to understand the investment performance for the year.

Having a look at investment markets over the last year, there's been significant volatility and negative returns across shares, bonds and many other asset types.

The drivers of this continue to be higher inflation and inflation expectations, interest rate rises, COVID and the war in Ukraine causing supply chain and commodity price volatility.

Global share and bond markets simultaneously experienced large falls over the year to date, a pretty rare occurrence. Over the financial year, share markets returned -6.8% in Australia and -9.4% globally.

Historically, fixed interest markets would generally cushion share market falls, however this time around fixed interest markets were heavily impacted by inflationary concerns and rising interest rates.

Overall, fixed interest markets returned around -10% over the year.

So how did this investment performance affect Super funds?

The impact returns isn't isolated to group super, the investment market conditions I've just mentioned have affected investors and super funds pretty much across the board.

Our diversified investment option returns have suffered over the shorter term, broadly in line with the rest of the superannuation industry.

According to the performance data in the Super ratings crediting report for the financial year ended 30 June 2022, the vast majority of MySuper products experienced negative returns.

So whilst that's not the outcome we're looking for, it is expected that there will be negative returns in some years over time.

In the same super ratings report, our balanced MySuper option experienced net returns of -3.45% for the financial year to 30 June 2022.

That performance was slightly better than the MySuper product median net return of -3.73%. Net returns are simply the returns after the deduction of investment fees, tax and percentage based administration fees.

A positive for the year was that our balanced, my super investment option, passed the APRA conducted performance test for the 12 months.

And we also continued to deliver on the targets set and disclosed for our investment options. While the relative performance for the year and the test result are positive, I do acknowledge we're still lagging peer returns over the longer term.

So what are we seeing as we look ahead?

Given current market uncertainties, we expect volatility to continue over the short term and are cognisant of the potential for lower returns from share markets over the short to medium term as central banks continue to tackle higher inflation.

As we continue to navigate these volatile times, our investment team trustee board along with our advisors and investment managers. Continue to monitor the situation closely to understand and assess any longer term potential impacts, which in turn informs the future positioning within our portfolios.

While allocations to share market exposure are important to achieve long-term growth for your super we will also continue to develop our allocation to diversified strategies.

And this is not only to help protect your savings from share market volatility but also to access alternative sources of return.

During times of market volatility like this it's important to remember one of the fundamental principles of investing is that markets historically move in cycles.

A natural part of the economic cycle is volatility in investment markets. We continue to believe that the diversification in our multi sector options is appropriate.

We encourage Members to focus on longer term returns and remind you that past performance is not a reliable indicator of future performance.

Thank you for your time and for your group super membership.

We really value the opportunity to look after the retirement savings of our Commonwealth Bank community. If you're after more information, I encourage you to visit our website or talk to us about your super.

Thank you.