# Poor year but don't be super negative

*ANTHONY KEANE*

SUPER fund members are facing their first negative year since 2011 after being hit by sinking share markets in Australia and overseas.

December has been the fourth consecutive month of negative returns for typical default balanced super funds, and more volatility is tipped in 2019.

However, financial experts say negative years should be expected as part of the normal flow of fund cycles, and point out that super's long-term gains still stack up strongly.

SuperRatings executive director Kirby Rappell said the 2018 result "will probably be negative" but that would depend on the weekend's and Monday's market movements.

He said most people had come to expect double-digit returns – 10 per cent or more – in recent years, so a negative or flat result was a shock.

"The big challenge is getting used to the idea of volatility again," he said.

Mr Rappell said many people's super nest eggs were now two or three times larger than during the global financial crisis, prompting them to care more about sharp falls.

Super funds warn members to expect balanced funds to have three or four negative years every two decades, and over the long term funds aim for an average return of 3.5 per cent above the inflation (CPI) rate.

"In terms of the (2019) forecast, if a fund could get anywhere near CPI plus 3 to 3.5 per cent, that would be a stellar result," Mr Rappell said.

Financial strategist Theo Marinis, pictured, said financial markets had been volatile amid a wall of worry about US President Donald Trump's trade war with China and rising interest rates.

"It doesn't take much to dent people's confidence," he said.

Super fund members should not focus on one-year performances but instead look at returns over five and seven years, Mr Marinis said.

"A slight negative year or two doesn't destroy your overall value," he said.

Super research group Chant West said in mid-December that falling share markets had reduced the year-to-date gain to 0.5 per cent.

Since then US and Australian shares – key drivers of super fund returns – have fallen further.

"This year's return will be nowhere near the 10 per cent average of the previous six years," Chant West senior investment research manager Mano Mohankumar said.

This year's result was no surprise, given the "stellar run" of super funds since early 2009, he said. "Asset managers have been saying for some time that most sectors are now priced at the top of their valuations, or close to it."

Industry Super Australia chief executive Bernie Dean said: "Despite 2018 volatility, returns over the decade are still exceptionally strong." He said $100,000 invested in 2008 would be worth $200,000-plus.

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