# Are Superannuation funds serving our best interests?

*Canberra Weekly,15 August 2024*

Since the requirements for all employees to participate in superannuation schemes, these savings have come to dominate the nation's wealth holdings. The total funds now amount to $4 trillion, which is one third greater than the total value of shares traded on the Australian Stock Exchange.

Superannuation funds fall within three categories. Industry Funds (the biggest being Australian Super) are controlled by trade unions and manage about one third of funds. Originally founded to cover particular sectors, all these funds are now open to anyone. Public sector funds account for about 20 per cent of holdings with Queensland's Australian Retirement Trust being the largest - Commonwealth Super covers most ACT public servants. Retail funds, the largest being Insignia and AMP, manage a similar 20 per cent. The balance is with self-managed funds.

The super funds have become investment colossuses willing to exercise a great deal of influence over corporate decision making. This is in stark contrast to previous eras when investment funds were passive shareholders.

The funds themselves are in competition with each other.

Obviously, the success in returns is a key attraction – and is strongly featured in the funds' advertising. In addition, about half of the 46 funds that can readily be tracked using Canstar's analysis, virtue signal by claiming to exclude investments not deemed to meet trendy "Environment, Social, Governance" criteria. In today's world of climate hysteria, this means they proclaim a policy of rejecting investments in coal, oil and gas.

Predictably, most of the union-controlled funds are in this category, though perhaps unsurprisingly, some like Mine Super and the real estate industry's REI have no such provisions.

But climate agitator, Market Forces, finds that many virtue signalling funds are actually heavily invested in fossil fuel businesses. In fact, only three funds: Future Super Balanced, Australian Ethical Balanced and Verve can be identified as having no investments in fossil fuels. Australian Ethical Balanced has performed poorly and while Future Super Balanced and Verve performed strongly in 2023/24, longer term they have underperformed.

The table below shows the dozen best performers last year and their longer-term results. The average of all identifiable funds was an 8.7 per cent gain in 2023/24 and 6.4 per cent over the five years to 2023/24.

| Provider | year 23/4 | 5 yrs to 23/24 | Claimed climate exclusions | Actual Fossil Fuel share |
|---|---|---|---|---|
| Catholic Super Employer - Growth Plus | 11.8 | 8.1 | avoid | 10 |
| GuildSuper \| Building | 11.8 | 7.4 | none | 10 |
| Mine | 11.6 | 8.1 | none | 10 |
| Virgin Money \| LifeStage Tracker | 11.5 | 7.9 | none | 11 |
| AMP \| SignatureSuper 1990s Plus | 11.1 | 6.3 | none | 11 |
| Future Super \| Balanced Index | 11 | 5.5 | exclude | 0 |
| Mercer\| SmartSuper SmartPath | 10.5 | 7.2 | none | 10 |
| Active Super \| Lifestage - Accelerator | 10.4 | 8.2 | exclude | 9 |
| Child Care Super \| Growing | 10.3 | 7.3 | none | 10 |
| Aware super High Growth | 10.1 | 7.9 | exclude | 7 |
| Verve | 10 | 4.7 | exclude | 0 |
| ANZ \| Smart Choice Super 2000s | 9.6 | 6.4 | none | 11 |

In spite of their claims to the contrary, it is clear that many woke Super funds are heavily invested in fossil fuel businesses. Members of ten of the top twelve performers (including three which claim to exclude or avoid fossil fuels) have so benefitted. The fortunate reality is that, irrespective of the ideological puffery of their board members, most Super funds' investment decision makers are more grounded on getting value.

Notwithstanding government support for all things green, fossil fuels (with uranium) have powered modern day living standards. And oil coal and gas will power increased living standards for those countries where governments do not regulate them out of the market. Sadly, Australia under present policies, cannot be among those success stories.

But many of those funds that inaccurately describe their actual investment policies as excluding or avoiding fossil fuels do actually bias their investments towards green energy. Even with government support, the inherent uncompetitiveness of those investments means they cannot flourish indefinitely.

Some are already incurring losses and there are more losses in train. Reality has forced one of the great green visionistas, Andrew Forrest, to wind down his "green hydrogen" fantasies. Two years ago, he claimed these projects added $20 billion in value to Fortescue, the company he controls. How much have the more woke super funds injected into this and others of the now fallen green gods?