

# 2022 Fat Cat Funds Report



# Contents

About the Fat Cat Funds Report .....	3
Case study - Angus McLeod .....	4
10 years of the Fat Cat Funds Report .....	5
Key trends in 2022 .....	8
Best and worst-performing super funds .....	10
<b>Aggressive Growth Super Funds</b>	
Best-performing .....	11
Worst-performing .....	12
<b>Growth Super Funds</b>	
Best-performing .....	13
Worst-performing .....	14
<b>Balanced Super Funds</b>	
Best-performing .....	15
Worst-performing .....	16
<b>Moderate Super Funds</b>	
Best-performing .....	17
Worst-performing .....	18
Our methodology: how our ratings are different .....	19

# About the Fat Cat Funds Report

Since its introduction in 1992, compulsory superannuation has become a product that touches the life of every Australian.

Superannuation is the largest financial asset held by Australian households. It also indicates how financially secure each person will be in retirement.

Despite the importance of superannuation, the information provided by superannuation funds is often murky, complex, and tough to obtain.

It shouldn't be this way. In our 10 years of researching and publishing the annual *Fat Cat Funds Report*, we've seen that there are three fundamental - and very simple - questions that need to be answered when choosing a superannuation fund:

1. What are the fees charged by my superannuation provider?
2. Have I chosen the correct amount of risk for my age and personal circumstances?
3. What is the performance of my superannuation fund compared to other funds that have taken similar levels of risk?

Our research has found that by choosing a superannuation fund that charges 1% less in fees will leave you \$245,000 better off in retirement.

Federal governments have made attempts to simplify superannuation. Initiatives like the ATO's YourSuper comparison tool are a win for consumers - but the YourSuper underperformance test only applies to 80 MySuper options. That leaves hundreds more superannuation funds unscrutinised. Similarly, most superannuation ratings businesses don't adjust for risk levels.

This is why we produce the annual Stockspot *Fat Cat Funds Report*. We find the worst-performing (Fat Cats) and the best-performing (Fit Cats) superannuation funds. It's the only report in Australia that analyses such a wide breadth of superannuation options (more than 500 in 2022), and compares performance based on risk levels.

We're pleased that our research has been a win for consumers. Several of the worst-performing Fat Cat funds have either been closed or shut down, saving Australians hundreds of millions in wasteful fees - and poor performance - each year.



**Chris Brycki**  
Founder and CEO



**Marc Jocum**  
Senior Manager –  
Investments and  
Business Initiatives

**“The Stockspot *Fat Cat Funds Report* is critical reading for shining a light on the superannuation industry.**

**At its heart it exposes the excesses in super and just how much fees affect the performance of an account.**

**The super industry needs more transparency and Stockspot does a good job in making this happen.”**

ANGUS MCLEOD  
UNIVERSITY FINANCE LECTURER  
FORMER PROFESSIONAL MONEY MANAGER  
STOCKSPOT CLIENT SINCE 2016



# 10 years of the Fat Cat Funds Report



## 2013

Inaugural *Fat Cat Funds Report* published looking at the performance and returns of 496 super fund investment options. It found that 45% of all returns earned by super fund members over the previous five years had been lost in fees.



## 2014

The *Fat Cat Funds Report* gains momentum and is featured across mainstream media like *The Sydney Morning Herald* and *The Age*: [Fat Cats Rake in Super Sized Fees](#).

Think tank Grattan Institute releases their report [Super sting](#) which supports Stockspot research that many super funds are overcharging their members.



## 2015

Stockspot expands the *Fat Cat Funds Report* to include 3,390 funds and introduces five categories: Fat Cats, Flabby Cats, Fair Cats, Fine Cats, and Fit Cats. Fat Cats are the worst offenders on the fee front and poorest performers on returns.

Independent media publisher, Michael West Media, covers the *Fat Cat Funds Report* in this [YouTube video](#) and [article](#).



## 2016

Stockspot delivers trophies and oversized novelty cheques to the *Fat Cat Funds Report* 'winners'. [This YouTube video](#) is viewed more than 20,000 times.

The *Fat Cat Funds Report* gains [global interest](#) including from the UK.



## 2017

The *Fat Cat Funds Report* features on Channel 9's *Today* show.



## 2018

The *Fat Cat Funds Report* features in [Money magazine](#).

The Fit Cat funds start sharing the report on their [websites](#).



## 2019

The *Fat Cat Funds Report* features on Channel 7's [Seven News](#).



## 2020

Australia's superannuation regulator, APRA, releases the [MySuper Product Heatmap](#) to shine a light on super fund performance.

Stockspot discusses the *Fat Cat Funds Report* with [Brooke Corte on 2GB](#).

News Corp (through publications like the *Herald Sun* and *The Daily Telegraph*) publishes the *Fat Cat Funds Report* results revealing [Australia's best and worst super funds](#).



## 2021

APRA releases the [Your Future, Your Super Performance Test](#) to hold super funds accountable for underperformance.

[Stockspot interviews](#) the Minister for Superannuation, Financial Services and the Digital Economy and Women's Economic Security about superannuation.

More than 1,000 media mentions of Stockspot and the *Fat Cat Funds Report* report generated since 2013.



## 2022

Our 10th annual *Fat Cat Funds Report* is published.

Several of the Fat Cat funds have either exited the superannuation industry or restructured.

# Key trends in 2022

Global financial markets experienced very high volatility in the 2022 financial year.

**The first trend** we uncovered in this year's report is that some prominent funds claimed that they are less impacted by the volatility. They put this down to a high amount of their funds being in unlisted assets. They claim that the valuation of these unlisted assets is not affected by market movements because they are long-term investments. These funds, therefore, boasted that they had achieved the best super fund performance last financial year.

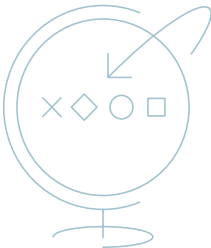
These funds do not disclose what unlisted assets they hold, what methodology is used to value them or when and how often the unlisted assets are revalued.

For example, Hostplus reported a +1.6% performance in the 2022 financial year for their balanced fund, whilst their peers

reported performances averaging -4.7%. One explanation for this difference could be that some of the unlisted assets in the Hostplus balanced fund have not been revalued to reflect the falls in the listed markets as at June 30.<sup>1</sup> Anyone contributing to the Hostplus balanced fund could therefore be paying more for their units than a member of a fund which has more listed assets.

Hostplus and IFM, the wholesale fund holding many of the unlisted assets of Hostplus and other industry funds, vigorously defend the lack of disclosure claiming commercial sensitivity. However, industry funds and private equity bought many listed assets such as Sydney Airport and Crown Casino because they believed these assets were undervalued by the market. The funds were able to make that assessment due to the disclosure required for listed assets. The same standard should be required for unlisted assets so that other potential investors can make their own assessment of the real value of those assets.

The overriding principle is that all super funds should be held accountable to high standards of disclosure and transparency for all of the assets they hold. This protects the rights of millions of Australians whose retirement depends on the integrity of the superannuation industry.





**The second major trend** coming out of the report for this year is that contrary to common belief, increasing the size of a super fund through mergers does not necessarily lead to better outcomes for members. We found no evidence that larger funds outperform smaller funds. The performance of merged funds has not improved and, contrary to expectations, management fees for large and merged funds have remained the same or in some cases increased.<sup>2</sup> Several of the largest super funds in Australia have been increasing their administration and investment fees to members despite growing in scale.<sup>3</sup> This runs counter to the common belief that larger funds achieve economies of scale. Since investing is zero-sum, any fund that increases its fees puts its members at a disadvantage compared to other funds.

**The third trend** is that indexed funds continue to outperform active managers. This has been evident in the 10 years that we have published the *Fat Cat Funds Report* and the reason is simple. Active managers compete against each other, and therefore, as a group, cannot outperform the market. Former market darlings, like Platinum and Magellan, have been replaced by new and better-performing fund managers. Super funds and their asset consultants are unable to consistently identify winning managers in

advance. What all these fund managers have in common is that they charge high management fees and additional fees for 'outperformance'.<sup>4</sup> The safest and most reliable way for most people to invest for the long-term is through low-fee index funds.

**Finally**, it is encouraging to see that underperforming funds, in part due to high fees, are being closed by regulators. In the coming years we expect that the integrity of the superannuation industry will be increasingly challenged by the obligation of trustees to ensure that they report fund performance based on transparent disclosure of the value of all assets in the fund.

### Did you know?

Australians can **boost their super by around \$245,000**, on average, between the ages of 35 and 65 simply by moving from a super fund charging investment fees of 0.5% per year instead of 1.5% per year.



# Best and worst-performing super funds

This year's *Fat Cat Funds Report* compared more than 500 multi-asset investment options offered by Australia's largest 90 super funds to find the best and worst super funds. The funds were assessed on how they performed after fees, and compared to other super investment options of similar risk over five years.

## OVERALL BEST-PERFORMING FUNDS 2022 - FIT CATS

 <b>Gold</b> 8 Fit Cat Funds	 <b>Silver</b> 4 Fit Cat Funds each	 <b>Bronze</b> 3 Fit Cat Funds each
— <b>Qantas Super</b>	— <b>UniSuper</b>	— <b>AustralianSuper</b>
	— <b>HESTA</b>	— <b>IOOF</b>

## OVERALL WORST-PERFORMING FUNDS 2022 - FAT CATS

 <b>Gold</b> 9 Fat Cat Funds	 <b>Silver</b> 5 Fat Cat Funds each	 <b>Bronze</b> 4 Fat Cat Funds each
— <b>OnePath</b>	— <b>Colonial First State (CFS)</b>	— <b>AMP</b>
		— <b>ClearView</b>

# Best-performing Aggressive Growth Super Funds

Aggressive growth super funds are funds with at least 80% in growth assets like shares and property. This investment strategy tends to be more appropriate for investors with the longest investment horizon, as returns can be very volatile over the short-term.

## TOP 10 BEST-PERFORMING AGGRESSIVE GROWTH FIT CAT FUNDS

RANK	FUND NAME	5-YEAR RETURN (p.a.)
1	MLC - Horizon 7 Accelerated Growth Portfolio	9.30%
2	Qantas Super - Aggressive	8.60%
3	Qantas Super - Glidepath: Take-Off	8.60%
4	Australian Retirement Trust - Growth	8.40%
5	UniSuper - High Growth	8.37%
6	HESTA - High Growth	8.32%
7	Hostplus - Shares Plus	8.18%
8	Public Sector Superannuation Accumulation Plan (PSSap) - Aggressive	8.03%
9	AustralianSuper - High Growth	7.99%
10	Military Super - Aggressive	7.98%

# Worst-performing Aggressive Growth Super Funds

Aggressive growth super funds are funds with at least 80% in growth assets like shares and property. This investment strategy tends to be more appropriate for investors with the longest investment horizon, as returns can be very volatile over the short-term.

## BOTTOM 10 WORST-PERFORMING AGGRESSIVE GROWTH FAT CAT FUNDS

RANK	FUND NAME	5-YEAR RETURN (p.a.)
1	OnePath - OptiMix Balanced	2.88%
2	OnePath - Managed Growth	3.13%
3	OnePath - Active Growth	3.17%
4	Zurich - Managed Growth	3.25%
5	OnePath - OptiMix Growth	3.51%
6	Energy Industries Superannuation Scheme (EISS) - Balanced (MySuper)	4.16%
7	Colonial First State (CFS) - FirstChoice Employer Super - Lifestage 1965-69	4.31%
8	Commonwealth Bank Group Super - Balanced (MySuper)	4.46%
9	OnePath - High Growth	4.46%
10	ClearView - IPS Active Dynamic 90	4.57%

# Best-performing Growth Super Funds

Growth super funds have 60%-80% of their funds in growth assets like shares and property. This investment strategy tends to be more appropriate for investors with a long-term investment horizon because returns can be quite volatile over the short-term.

## TOP 10 BEST-PERFORMING GROWTH FIT CAT FUNDS

RANK	FUND NAME	5-YEAR RETURN (p.a.)
1	Qantas Super - Growth	7.50%
2	Qantas Super - Glidepath: Altitude	7.50%
3	HESTA - Sustainable Growth	7.03%
4	IOOF - MultiMix Balanced Growth	6.93%
5	Qantas Super - Glidepath: Cruising	6.80%
6	HESTA - Balanced Growth	6.75%
7	Energy Super - SRI Balanced	6.72%
8	Brighter Super - Socially Responsible	6.72%
9	UniSuper - Balanced	6.65%
10	Lutheran Super - Balanced Growth - MySuper	6.60%

# Worst-performing Growth Super Funds

Growth super funds have 60%-80% of their funds in growth assets like shares and property. This investment strategy tends to be more appropriate for investors with a long-term investment horizon because returns can be quite volatile over the short-term.

## BOTTOM 10 WORST-PERFORMING GROWTH FAT CAT FUNDS

RANK	FUND NAME	5-YEAR RETURN (p.a.)
1	Zurich - Balanced	1.89%
2	OnePath - OptiMix Moderate	1.96%
3	Energy Industries Superannuation Scheme (EISS) - Conservative	2.31%
4	OnePath - Tax Effective Income	2.38%
5	TAL Personal Superannuation Plan - TAL Performance	2.77%
6	Energy Industries Superannuation Scheme (EISS) - Conservative Balanced	3.18%
7	smartMonday - MySuper - Age 65	3.30%
8	Colonial First State (CFS) - FirstChoice Moderate	3.84%
9	Suncorp - Lifestage Fund 1960 - 1964	3.91%
10	BT Super - 1960s Lifestage	3.92%

# Best-performing **Balanced Super Funds**

Balanced super funds are funds with 40-60% of their funds in growth assets like shares and property. This investment strategy tends to be more appropriate for investors with a medium-term to long-term investment horizon, as returns can be slightly volatile over the short-term.



## TOP 10 BEST-PERFORMING BALANCED FIT CAT FUNDS

RANK	FUND NAME	5-YEAR RETURN (p.a.)
1	Qantas Super - Balanced	6.10%
2	Qantas Super - Glidepath: Destination	6.10%
3	AustralianSuper - Conservative Balanced	5.51%
4	IOOF - MultiSeries 50	4.85%
5	Active Super - Conservative Balanced	4.78%
6	Public Sector Superannuation Accumulation Plan (PSSap) - Income Focused	4.69%
7	UniSuper - Conservative Balanced	4.65%
8	Spirit Super - Moderate	4.60%
9	Australian Catholic Superannuation - Conservative	4.57%
10	HESTA - Conservative	4.53%

# Worst-performing Balanced Super Funds

Balanced super funds are funds with 40-60% of their funds in growth assets like shares and property. This investment strategy tends to be more appropriate for investors with a medium-term to long-term investment horizon, as returns can be slightly volatile over the short-term.



## BOTTOM 10 WORST-PERFORMING BALANCED FAT CAT FUNDS

RANK	FUND NAME	5-YEAR RETURN (p.a.)
1	Zurich - Capital Stable	0.59%
2	OnePath - OptiMix Conservative	1.13%
3	ClearView - IPS Active Dynamic 50	2.05%
4	smartMonday - MySuper - Age 75 and above	2.10%
5	OnePath - Balanced	2.10%
6	QSuper - Lifetime Sustain 2	2.16%
7	MLC - Inflation Plus - Conservative Portfolio	2.20%
8	Colonial First State (CFS) - FirstChoice Employer Super - Lifestage 1950-54	2.24%
9	Colonial First State (CFS) - FirstChoice Employer Super - Lifestage 1955-59	2.25%
10	AMP - Cautious Index	2.26%



# Best-performing Moderate Super Funds

Moderate super funds are funds with 20-40% of their funds in growth assets like shares and property. This investment strategy tends to be more appropriate for investors with a short to medium-term investment horizon. Returns are relatively stable over the short-term.

## TOP 10 BEST-PERFORMING MODERATE FIT CAT FUNDS

RANK	FUND NAME	5-YEAR RETURN (p.a.)
1	Qantas Super - Conservative	4.50%
2	AustralianSuper - Stable	3.99%
3	IOOF - MultiSeries 30	3.67%
4	UniSuper - Conservative	3.59%
5	Spirit Super - Conservative	3.50%
6	NESS Super - Stable	3.44%
7	Fiducian Super - Capital Stable Fund	3.43%
8	legalsuper - Conservative	3.30%
9	ANZ Staff Super - Cautious	3.30%
10	Perpetual WealthFocus - Diversified Real Return	3.10%

# Worst-performing Moderate Super Funds

Moderate super funds are funds with 20-40% of their funds in growth assets like shares and property. This investment strategy tends to be more appropriate for investors with a short to medium-term investment horizon. Returns are relatively stable over the short-term.



## BOTTOM 10 WORST-PERFORMING MODERATE FAT CAT FUNDS

RANK	NAME	5-YEAR RETURN (p.a.)
1	TAL Personal Superannuation Plan - TAL Capital Protected	0.87%
2	ClearView - IPS Active Dynamic 30	1.35%
3	ClearView - IPS Index Dynamic 30	1.78%
4	AMP - Future Directions Conservative	1.79%
5	BT Super - 1940s Lifestage	1.88%
6	Australian Ethical - Conservative	1.90%
7	AMP - Conservative Index	1.94%
8	smartMonday - MySuper - Moderate – Index	2.10%
9	AMP - Conservative	2.14%
10	Colonial First State (CFS) - FirstChoice Conservative	2.17%

# Our methodology: how our ratings are different

Our super fund ratings differ from others in two main ways:

1. Most ratings businesses are paid by the funds who they rate. This creates a conflict of interest and means they only show the top funds. Stockspot doesn't get paid by the funds we rate which means we can show the top and bottom performers.
2. We compare apples with apples. Many ratings don't question the asset allocations (growth and defensive assets) reported by the funds. There's no verification of the actual risk of the defensive assets reported by funds. This allows super funds to game the ratings system by mis-categorising growth assets as defensive assets to move up the league tables.

## WHAT IS A DEFENSIVE ASSET?

ASIC defines defensive assets as cash or fixed interest investments. This is what we have used as our definition of defensive assets too.

Cash is defensive because when markets fall it holds its value. High grade bonds can do one better and rise when share markets fall. History backs this up too. Over the past 20 years, Australian shares have had 6 down calendar years, and during each of those time periods, bonds rose to cushion the impact.

## CAN OTHER ASSETS BE DEFENSIVE?

This depends on the opinion of the super fund manager or ratings agency – but opinions are often incorrect.

### High income stream and low growth assets

Just because an investment delivers a big income stream, that doesn't make it defensive. Take Telstra. Most of Telstra's returns come from regular fully franked dividend income but its share price has dropped ~40% since 2015.

### Infrastructure and property assets

A lot of infrastructure and property in super is held in unlisted vehicles which raises three issues:

- The value of the investment is the opinion of the fund manager. There is no way to know if that value is credible given there is no open market for the asset.
- The financial structure may see a return of capital reported as an income distribution.
- The investment is very illiquid and a sale is often extremely constrained by agreements with co-investors, including first right of refusal and so-called 'tag-and-drag' conditions. One critical characteristic of a defensive asset is to be able to sell it in a deep and open market.

The inherently risky nature of these investments is usually exposed towards the end of each market cycle when too much debt is loaded in to increase returns. In 2008, the Real Estate Investment Trust (REIT) sector fell by a whopping 75% globally because these funds had created income which couldn't be sustained under high debts and falling prices.

During the Global Financial Crisis some super funds stopped members from taking their money out because they couldn't sell illiquid unlisted assets. One fund, MTAA Super, lost \$1.67 billion due to their hedging of unlisted assets.<sup>5</sup> MTAA Super lost its spot as one of the best performing funds in 2008 to become the second worst according to SuperRatings.

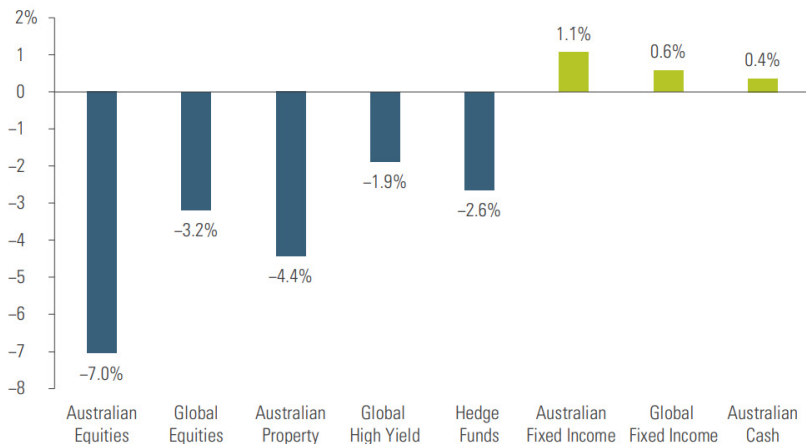
## CREATIVE DEFINITIONS OF DEFENSIVE ASSETS

In recent times many super funds have invented their own definition of a defensive asset which has helped to push them up the rankings of other super fund ratings.

We believe that other ratings agencies and APRA should apply the same criteria for categorising defensive assets within super funds. This would prevent high risk super funds masquerading as balanced or conservative funds, stop the gaming of the ratings process to attract new members, and ultimately give consumers a much better understanding of the source of fund performance and portfolio risk.

## Diversification is particularly critical during periods of market stress

### Median asset returns during the worst Australian equity months



Source: Vanguard Asset Allocation Report June 2020

<sup>5</sup> <https://www.smh.com.au/business/mtaa-super-unveils-hefty-losses-20110614-1q1x9.html>

## **Stockspot was founded in 2013 with a mission to help more Australians invest better**

Read our other research work below:

[ETF Research 2022](#)

[ETF Research 2021](#)

[ETF Research 2020](#)

[ETF Research 2019](#)

[ETF Research 2018](#)

[ETF Research 2017](#)

[ETF Research 2016](#)

[ETF Research 2015](#)

[Fat Cat Super Research 2021](#)

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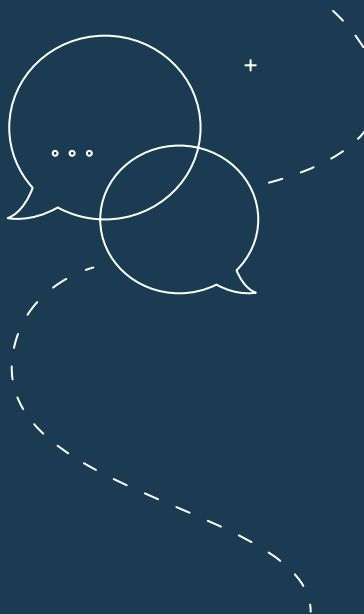
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Call us to chat with one of our team

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