

APRA's Super Stats Deficient: New University of Adelaide Report Finds

University of Adelaide's International Centre for Financial Services has today released a 'Review of APRA Investment Performance Statistics of the Australian Superannuation Industry'. The report was commissioned by the Investment and Financial Services Association who requested the ICFS provide an independent and objective view on the way in which APRA report and interpret the data they receive as part of their prudential oversight of the superannuation industry.

"The size of the superannuation industry means it is crucial that analysis of the market is accurate and meaningful to investors and end users of the data alike." Said Professor Ralf Zurbruegg.

"We looked at APRA's 2007 report: 'Celebrating 10 years of superannuation data collection', as well as one APRA Insight Report from 2007 and identified several issues in APRA's reporting.

"Among other things, our analysis flags that there are significant problems with drawing conclusions from aggregated data, particularly when measuring performance between fund classifications.

"The Return of Total Assets as an evaluation tool for fund performance is not precise and can result in misleading interpretations. The measure that APRA uses is merely an aggregation of a large group of fund managers' performances and is not the real performance experienced by an investor – the real return depends on the investment choice selected by an investor.

"We have also raised concerns about the treatment of management expense fees and the value of *net* and *gross* returns; the calculation of returns using arithmetic means; diversity of fund types within fund classifications; the issues caused by survivorship bias within the data cohort used; the difference in investment choices offered within fund classifications; and performance measurement of asset allocation of superannuation funds.

"If APRA is interested in providing reliable and meaningful summary statistics on the performance of super funds across the various fund classifications, we recommend that they review their current superannuation statistics to address the concerns highlighted and focus on presenting the data in a way that compares funds on a like for like basis." Concluded Ralf