

## Comparing The Pair: Update to June 2018

In my Research Note in August last year, I examined the results of the Active vs Indexed (i.e. active vs passive) experiment being carried out by Australian Super as of June 2017.

The relative performance of **Australian Super's Balanced and Indexed Diversified options** allows us to realistically compare the outcomes for superannuation fund members of the Active vs Passive decision for investments with essentially the same risk and return expectations.

**The experiment continues.** The table below updates the net return to Australian Super's members for periods to **June 2018**

Option	6 Month	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	7 Years p.a.
Balanced (Active)	4.04%	11.08%	11.76%	9.30%	10.51%	9.81%
Indexed Diversified	3.10%	9.41%	9.05%	6.88%	8.01%	7.34%
Active Outperformance	0.94%	1.67%	2.71%	2.42%	2.50%	2.47%

Australian Super's active managed Balanced Option's fees are 0.55% per annum greater than those of the Indexed Diversified option

### Hostplus

In addition, I have included information on **Hostplus's active vs passive experiment**, with the the net performance of the Balanced (Active) and Indexed Balanced (Passive) options listed below

Option	6 Month	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	7 Years p.a.
Balanced (Active)	4.76%	11.67%	12.43%	9.90%	10.85%	10.14%
Indexed Balanced	3.36%	9.61%	9.93%	7.29%	9.38%	9.33%
Active Outperformance	1.40%	2.06%	2.50%	2.61%	1.47%	0.81%

Hostplus's actively managed Balanced Option's fees are 0.99% per annum greater than those of the Indexed Balanced option.

While the 'accepted wisdom' would have it that the active options should underperform due to their higher fees, the reality is that, over all periods, **the active decision has consistently added significantly greater value than the investment fees incurred.**

Best regards  
John