

The SuperConcepts Investment Patterns Survey March 2016



SuperConcepts undertakes a quarterly analysis of its SMSF client investments to get a closer insight into how SMSF trustees invest and to identify emerging investment trends.



The survey covers around 2900 funds, a sample of the SMSFs SuperConcepts administers and the investments they held at 31 March 2016.



Funds are administered on a daily basis which ensures data is based on actual investments and is completely up to date. The assets of the funds surveyed represent just over \$3.1 billion.

Australian Equity exposure up due to Trustees divesting out of S&P/ASX Top 20

Traditionally trustees invested almost \$1 of every \$5 in the S&P Top 10 shares during the 2015 financial year, with almost 20% of fund assets invested in the Top 10 shares, this percentage reduced to under 14% of total fund assets during the March quarter.

Trustees have been gradually moving away from the S&P Top 10 shares in search of capital growth and yield.

The ASX Top 10 and Top 20 performed poorly during the quarter compared to the overall equity market. However because trustees seem to have moved away from the ASX Top 10 and ASX Top 20 shares and divested out of the Top 20 shares, allocation to the sector has actually increased to 35.8% of all assets.

The overall asset allocation break-up as at 31 March 2016 was:

| Sector | 31 March 2015 (%) | 30 June 2015 (%) | 30 Sept 2015 (%) | 31 Dec 2015 (%) | 31 March 2016 (%) |
|--|-------------------|------------------|------------------|-----------------|-------------------|
| Cash and short term deposits | 16.5 | 17 | 18.7 | 18 | 18.4 |
| Fixed Interest | 13.1 | 12.9 | 12 | 12.3 | 12.3 |
| Australian Shares | 38.6 | 37.1 | 36.4 | 35.4 | 35.8 |
| International Shares | 14.4 | 14.1 | 12 | 12.9 | 12.6 |
| Property | 17 | 18.3 | 20.4 | 20.8 | 20.4 |
| Other (Hedge funds, agricultural funds, private geared & ungeared trusts and collectables) | 0.4 | 0.6 | 0.5 | 0.6 | 0.5 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: SuperConcepts Pty Ltd

Top 10 largest holdings

The table below summarises the 10 largest investments which represent almost 14.8% of the total SMSF assets held. The total number of investments of the funds covered in the survey is just over 8,500. Two of the top ten are pooled structures used for accessing international equities.

The most commonly held (\$ invested) investments at 31 March 2016 were:

| Ranking | Investment |
|---------|-----------------------------|
| 1 | Commonwealth Bank Ltd |
| 2 | Westpac Banking Corporation |
| 3 | Telstra Corporation Limited |
| 4 | ANZ Limited |
| 5 | National Australia Bank Ltd |
| 6 | Magellan Global Fund |
| 7 | Platinum International Fund |
| 8 | BHP Billiton Limited |
| 9 | Wesfarmers Limited |
| 10 | CSL Ltd |

Cash holdings increases

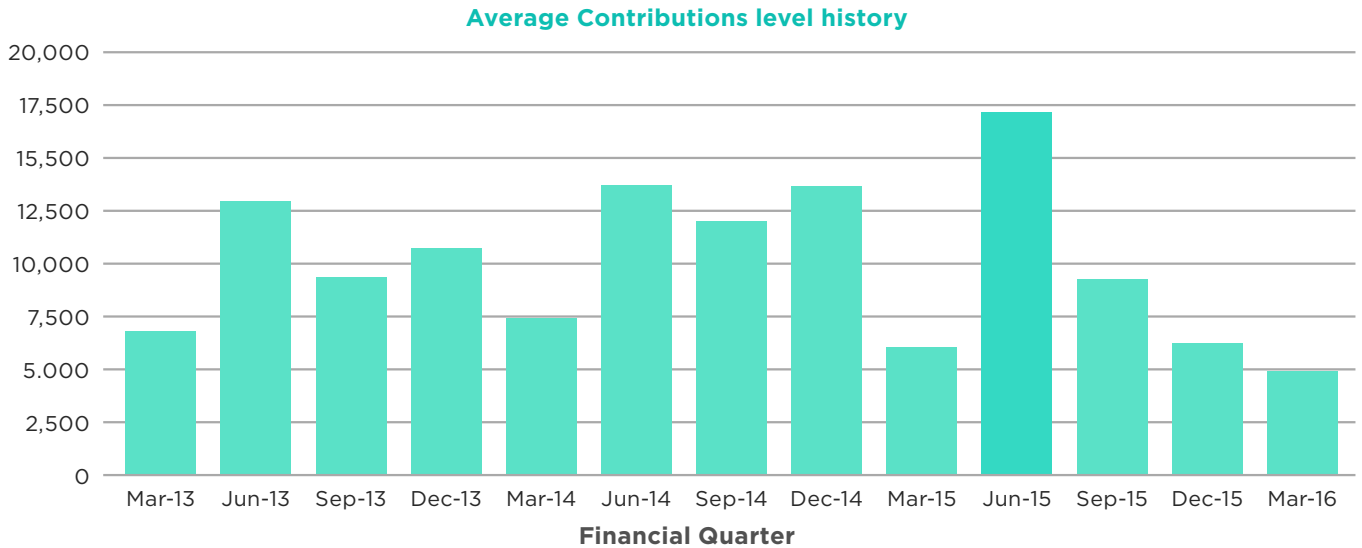
The level of cash increased from 18% to 18.4%. When taking in consideration performance within the different sectors, it shows that the increase in cash is mainly the result from monies shifting from the fixed interest sector with longer-term term deposits not being reinvested but kept in cash due to lower interest rates.

| | 31 March 2015 (%) | 30 June 2015 (%) | 30 Sept 2015 (%) | 31 Dec 2015 (%) | 31 March 2016 (%) |
|------------------------|----------------------|---------------------|---------------------|--------------------|----------------------|
| Cash | 11.7 | 12.3 | 13.1 | 12.6 | 13.1 |
| Term Deposits < 1 year | 4.8 | 4.7 | 5.6 | 5.4 | 5.3 |
| Total % | 16.5 | 17 | 18.7 | 18 | 18.4 |

Source: SuperConcepts Pty Ltd

Contributions, Benefit and Pension payments

The average contribution inflow per fund for the quarter decreased from \$6,393 to \$5,426. This is in line with previous quarters where the March quarter typically shows a decline compared to the December quarters.

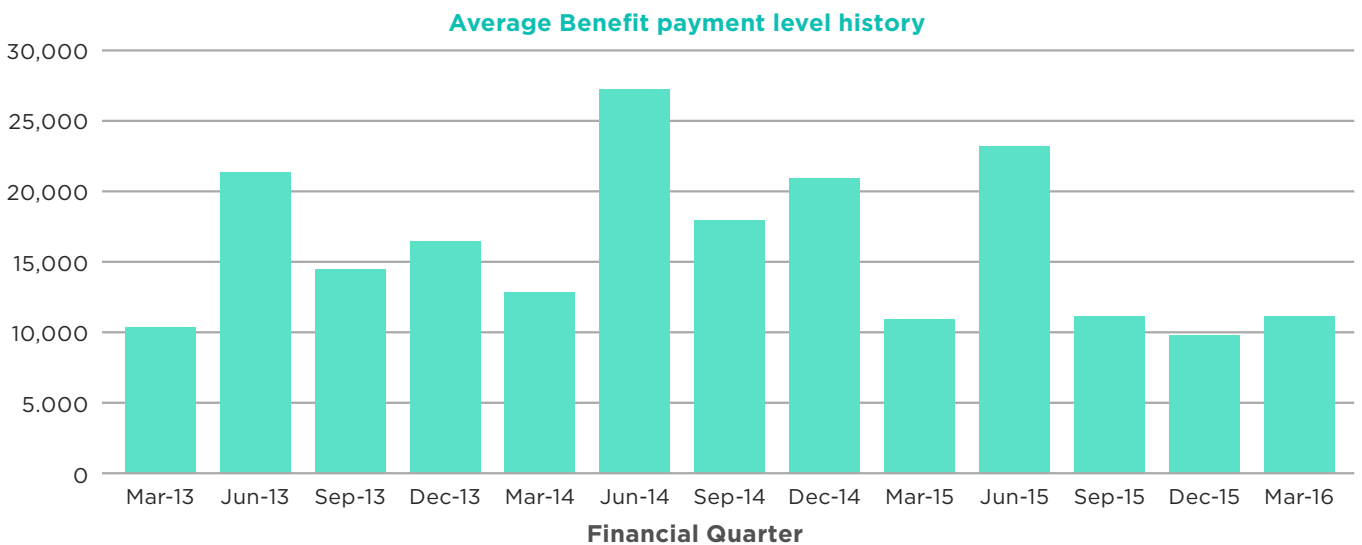


Source: SuperConcepts Pty Ltd

The average benefit and pension payments made by SMSFs were \$11,865 compared to \$10,818 for the December quarter.

This is quite similar to prior years with generally only the June quarter showing a strong increase in benefit payments with trustees ensuring they draw the annual minimum pension requirement before the end of the financial year.

During the March quarter 81.9% of benefit payments were pension payments and 18.1% lump sum payments, compared to 79.7% and 20.3% for the previous quarter.



Source: SuperConcepts Pty Ltd

Fixed Interest increase

The asset allocation to the fixed interest sector remained static, however when taking into consideration the performance amongst the different asset categories. If trustees left their asset allocation unchanged for the quarter, the allocation should have been 12.6% as opposed to 12.3%. This shows monies have been taken out of the sector, specifically in relation to longer-term term deposits not being rolled over and being converted to cash.

| | 31 March 2015 (%) | 30 June 2015 (%) | 30 Sept 2015 (%) | 31 Dec 2015 (%) | 31 March 2016 (%) |
|---------------------------------|----------------------|---------------------|---------------------|--------------------|----------------------|
| Hybrids & other direct holdings | 6.9 | 6.2 | 5.8 | 6.3 | 6.6 |
| Term Deposits > 1 year | 1.4 | 1.6 | 1.8 | 1.6 | 1.3 |
| Managed Funds | 4.8 | 5.1 | 4.4 | 4.4 | 4.4 |
| Total % | 13.1 | 12.9 | 12 | 12.3 | 12.3 |

Source: SuperConcepts Pty Ltd

Australian Equity allocation increasing

Based on performance in the sectors, the theoretical allocation should have decreased to around 34.4%, instead the allocation to Australian Equities increased to 35.8%.

Even though the performance of the ASX Top 20 shares was a negative 7.7% for the quarter, the allocation to Australian Equities increased, showing trustees benefitted from moving away from the top 20 shares within the sector.

The reduction in exposure to the ASX Top 20, which performed poorly compared with the overall equity market for the period, has resulted in the increased allocation with trustees benefitting from having divested out of the ASX Top 20.

| | 31 March 2015 (%) | 30 June 2015 (%) | 30 Sept 2015 (%) | 31 Dec 2015 (%) | 31 March 2016 (%) |
|----------------------------------|----------------------|---------------------|---------------------|--------------------|----------------------|
| Direct Shares | 30 | 32.4 | 32.2 | 31.1 | 31.2 |
| ETFs | 1.8 | 1.1 | 0.9 | 1 | 0.9 |
| Managed Funds | 3.8 | 3.6 | 3.3 | 3.3 | 3.7 |
| Total Australian Shares % | 38.6 | 37.1 | 36.4 | 35.4 | 35.8 |

Source: SuperConcepts Pty Ltd

Top 10 largest Australian listed securities

Out of the total SMSF assets held, the top 10 listed securities trustees invest in, represent 14% of total investments.

During most of the 2015 calendar year, this figure was generally around 20% with trustees investing almost \$1 of every \$5 in the S&P Top 10 shares. The top 10 shares now represent just less than 40% of all trustees Australian Equity holdings.

The most commonly held (\$ invested) shares at 31 March 2016 were:

| Ranking | Company | S & P Top 10 Constituents by Market Cap |
|---------|-----------------------------|---|
| 1 | Commonwealth Bank Ltd | Commonwealth Bank Ltd |
| 2 | Westpac Banking Corporation | Westpac Banking Corporation |
| 3 | Telstra Corporation Limited | ANZ Limited |
| 4 | ANZ Limited | BHP Billiton Limited |
| 5 | National Australia Bank Ltd | National Australia Bank Ltd |
| 6 | BHP Billiton Limited | Telstra Corporation Limited |
| 7 | Wesfarmers Limited | Wesfarmers Limited |
| 8 | CSL Limited | Woolworths Ltd |
| 9 | Woolworths Ltd | Rio Tinto Ltd |
| 10 | Transurban Group | Woodside Petroleum Ltd |

Source: SuperConcepts Pty Ltd

The ASX Top 10 by market cap in the index are the four major banks, two mining companies, a telco, two retailers and an energy company.

Exposure to International holdings remain steady

Exposure to International Equities decreased slightly from 12.9% to 12.6%. When looking at performance in the different sectors, the theoretical allocation should have instead reduced to 12.2% if trustees would have left their allocation unchanged for the quarter. This shows some new funds have flowed into the sector.

| | 31 March 2015 (%) | 30 June 2015 (%) | 30 Sept 2015 (%) | 31 Dec 2015 (%) | 31 March 2016 (%) |
|----------------|----------------------|---------------------|---------------------|--------------------|----------------------|
| Direct Shares | 1.7 | 2.1 | 1.3 | 2.5 | 2.3 |
| ETFs | 2.8 | 2.6 | 2.2 | 2.3 | 2.4 |
| Managed Funds | 9.9 | 9.4 | 8.5 | 8.1 | 7.9 |
| Total % | 14.4 | 14.1 | 12 | 12.9 | 12.6 |

Source: SuperConcepts Pty Ltd

Exposure to ETFs and International Managed Funds increasing

The overall allocation to Managed Funds increased from 17.6% to 17.8% for the quarter.

The split continues to show pooled structures are the preferred method of investing in overseas markets due to the complications still present in investing overseas directly.

The top 10 managed funds is made up of six international managed funds, two fixed interest managed funds, one small cap managed fund and one index managed fund.

| | 31 March 2015 (%) | 30 June 2015 (%) | 30 Sept 2015 (%) | 31 Dec 2015 (%) | 31 March 2016 (%) |
|------------------------|----------------------|---------------------|---------------------|--------------------|----------------------|
| Cash & Fixed Interest | 5 | 5.3 | 4.6 | 4.5 | 4.6 |
| Australian Equities | 3.8 | 3.6 | 3.3 | 3.3 | 3.7 |
| International Equities | 10 | 9.4 | 8.5 | 8.1 | 7.9 |
| Property & Other | 1.7 | 1.8 | 1.7 | 1.7 | 1.7 |
| Total | 20.5 | 20.1 | 18.1 | 17.6 | 17.8 |

Source: SuperConcepts Pty Ltd

Investment through the use of ETFs represents 3.65% of all assets during the March quarter. ETFs are mostly used in the International Equity sector, representing 17% of all International Equity holdings.

Direct Property allocation remains steady

The asset allocation to the property sector decreased slightly from 20.8% to 20.4% for the quarter.

Direct property represents around 78% of the total property allocation, compared to 79% for the previous quarter.

In actual numbers, approximately 2900 funds covered in the survey own a total of 1070 residential or commercial properties. The split between commercial and residential property was 27% versus 73%.

The average value per property was \$713k for commercial property and \$404k for residential property.

| | 31 March 2015 (%) | 30 June 2015 (%) | 30 Sept 2015 (%) | 31 Dec 2015 (%) | 31 March 2016 (%) |
|--|----------------------|---------------------|---------------------|--------------------|----------------------|
| Direct Property | 13.1 | 14.6 | 16.5 | 16.5 | 16 |
| Listed Property | 1.8 | 1.7 | 1.7 | 1.9 | 2.2 |
| Managed Funds | 1.3 | 1.3 | 1.2 | 1.2 | 1.3 |
| Other (Syndicates, Unlisted Trusts etc) | 0.8 | 0.7 | 1 | 1.2 | 0.9 |
| Total % | 17 | 18.3 | 20.4 | 20.8 | 20.4 |

Source: SuperConcepts Pty Ltd

Limited recourse borrowing arrangements

Around 19.4% of the total number of funds in the survey are currently utilising a borrowing arrangement, compared to 17.5% during the previous quarter.

The number of property loans increased by 11.4% for the quarter while the number of investment loans increased by 16.7% for the quarter.

In percentage terms based on number of loans, 68% of borrowed monies relates to property, with financial asset loans representing 32% of borrowed monies.

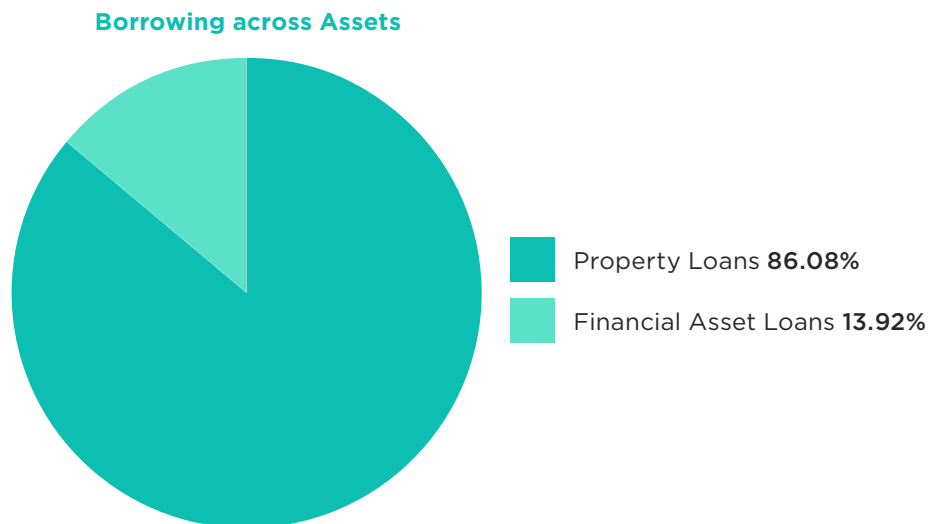
The average property loan amount was \$293k compared to \$99k for financial asset loans, so based on loan values, 86% of borrowed monies relates to property, with financial asset loans representing 14% of borrowed monies.

At the end of the December quarter 35.6% of all direct property holders had a gearing arrangement in place, up from 33% from the previous quarter. The table below shows the percentage of geared property for the year.

The decrease in the geared property percentage in the September quarter was mainly the result of approximately 450 existing funds being added to the data. These funds held a relatively high portion of direct property mostly without borrowings, with the demographics being mainly older trustees.

| | 31 March 2015 (%) | 30 June 2015 (%) | 30 Sept 2015 (%) | 31 Dec 2015 (%) | 31 March 2016 (%) |
|---|-------------------|------------------|------------------|-----------------|-------------------|
| Direct Property holders utilising LRBAs | 37 | 38.8 | 29.8 | 33 | 35.6 |

The graph below shows the split across direct property and financial assets of the value of total borrowings at 31 March 2016.



For any queries in relation to this Investment Pattern Survey please contact Philip La Greca, Executive Manager, SMSF Technical & Strategic Solutions on (02) 9257 5326 or Philip@multiport.com.au. Multiport is brought to you by SuperConcepts.

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