

SMSF Investment Patterns Survey

DECEMBER 2017



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 2670 funds, a sample of the SMSFs SuperConcepts administers and the investments they held at 31 December 2017.



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 under \$3.2 billion.

Post 1 July 2017 super changes – back to normality

The changes applying to superannuation from 1 July 2017 were the most significant changes since 2007. From 1 July 2017, the total value members can hold in existing tax free pension accounts cannot exceed \$1.6 million and new reduced contribution caps apply linked to member balances.

As a result of this the cash level for the June quarter showed a significant increase. This cash has now been invested during the September & December quarters, mainly in the Australian & International equity markets.

The overall asset allocation break-up as at 31 December 2017 was:

Sector	31 Dec 2016 (%)	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)
Cash and short term deposits	18.4	18.0	19.8	18.6	17.3
Fixed Interest	12.4	12.7	12.0	12.6	12.1
Australian Shares	36.0	36.7	35.4	35.6	36.9
International Shares	13.1	12.9	13.1	13.9	14.2
Property	19.6	19.2	19.3	18.9	19.0
Other (Hedge funds, agricultural funds, private geared & ungeared trusts and collectables)	0.5	0.5	0.4	0.4	0.5
Total	100	100	100	100	100

Top 10 largest holdings

The table below summarises the 10 largest investments which represent 14.2% of the total SMSF assets held. The total number of investments of the funds covered in the survey is just under 7,850. Two of the top ten are pooled structures used for accessing international equities which have solidified their positions at number 4 & 6 on the list.

The most commonly held (\$ invested) investments at 31 December 2017 were:

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

Cash levels plummet

The level of cash decreased significantly from 18.6% to 17.3%. The June 2017 quarter saw a significant spike in cash as many members utilised their last opportunity to make larger member contributions to super. During the September and December quarter this additional cash has been invested amongst the various sectors which resulted in a decrease in the level of cash not seen since June 2015.

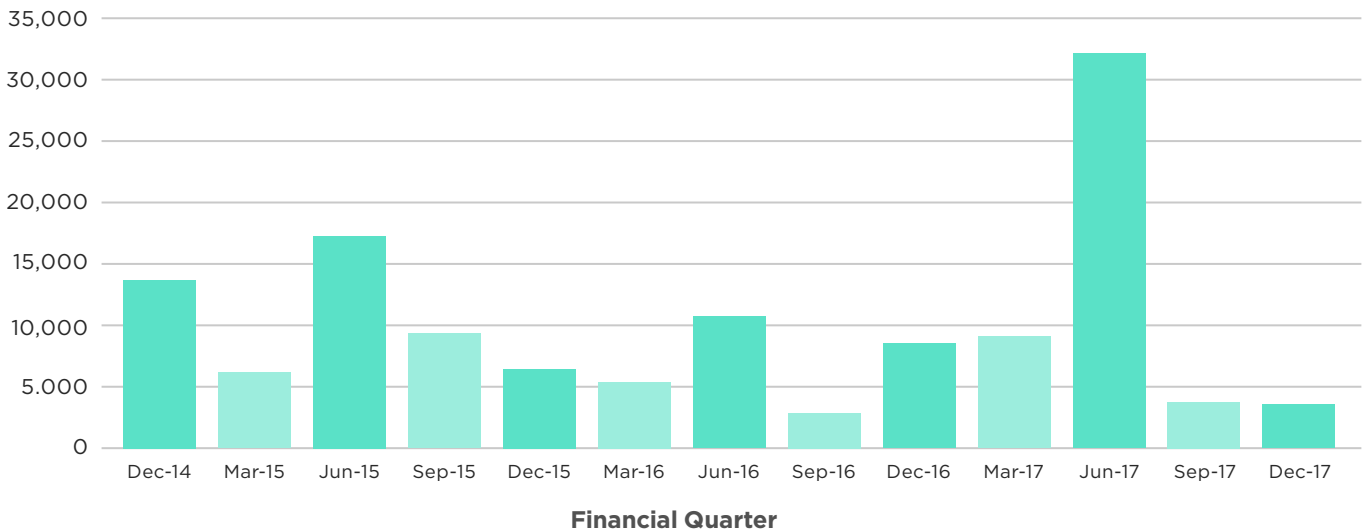
	31 Dec 2016 (%)	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)
Cash	13.5	12.7	14.5	13.3	12.0
Term Deposits < 1 year	4.9	5.3	5.3	5.3	5.3
Total %	18.4	18.0	19.8	18.6	17.3

Contributions, Benefit and Pension payments stabilising

The average contribution for the quarter decreased from \$3,838 to \$3,611 per quarter. This was anticipated due to the reduced non-concessional and concessional caps that apply since 1 July 2017.

The average non-concessional contribution was \$1,852 compared to \$2,050 for the September 2017 quarter and \$26,900 for the June 2017 quarter. Since 1 July 2017, members with a balance in excess of \$1.6M at 30 June of the prior financial year, are no longer able to make non-concessional contributions to super. This quarter's small reduction is in line with the contribution level patterns that existed prior to announcement of the super reforms in 2016.

Average Contributions level history

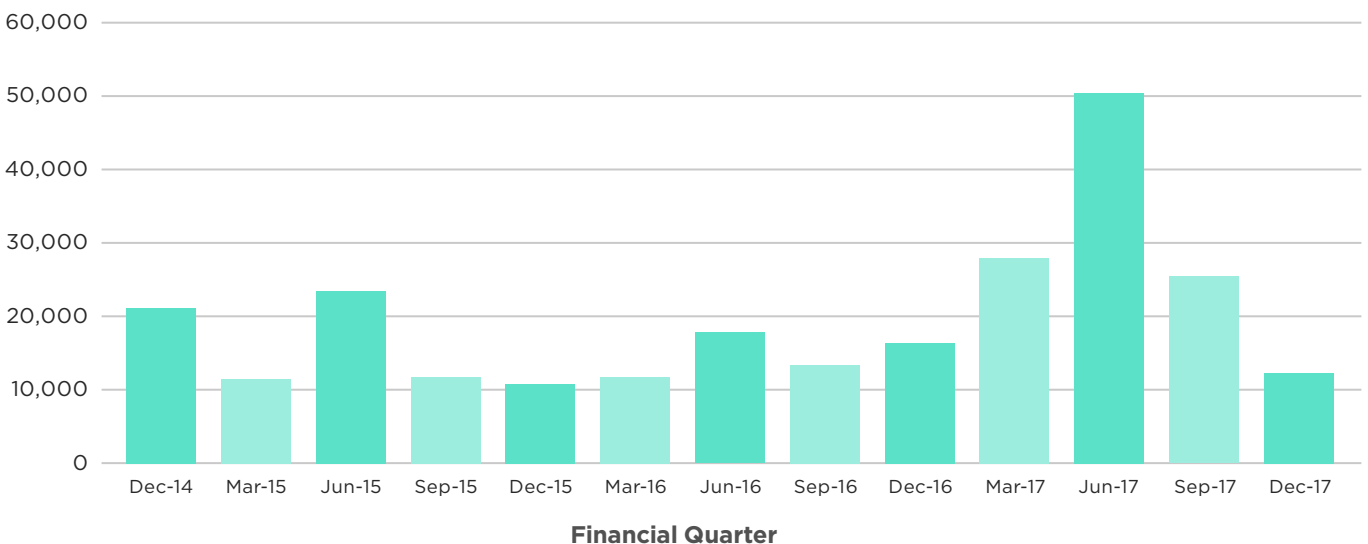


The average benefit payment was \$12,218, down from \$25,342 for the September quarter and \$50,313 for the June quarter.

The June quarter increase was a result of members having to adjust their pension balances to the new \$1.6M transfer balance cap. From 1 July 2017 onwards, a cap of \$1.6M on the capital value of tax free pension accounts applies. Members are able to hold their remaining balance in accumulation phase where earnings are taxed at 15% compared to 0% for pension balances.

The split between lump sum withdrawals versus pension payments for the quarter was 12% versus 88%, which is similar compared to prior quarters.

Average Benefit payment level history



Fixed Interest shows decrease via managed fund allocation

The asset allocation to the fixed interest sector decreased from 12.6% to 12.2%. This mainly comes from the reduced allocation to managed funds from 5% to 4.3%.

	31 Dec 2016 (%)	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)
Hybrids & other direct holdings	7.2	7.0	6.7	6.6	6.7
Term Deposits > 1 year	1.4	1.3	0.8	1.0	1.2
Managed Funds	3.8	4.4	4.5	5.0	4.3
Total %	12.4	12.7	12.0	12.6	12.2

Exposure to Australian Equities rises from cash

The allocation to Australian Equities increased from 35.4% to 36.9%.

When taking into consideration the performance in the different sectors, if trustees left their allocation unchanged, their theoretical allocation to Australian Equity for the quarter should have increased to 36.3%. This shows trustees have invested new monies into the Australian Equity sector, mainly coming from the Cash sector.

	31 Dec 2016 (%)	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)
Direct Shares	30.8	31.3	30.4	30.3	31.2
ETF's	1.4	1.2	1.2	1.1	1.3
Managed Funds	3.8	4.2	3.8	4.1	4.4
Total Australian Shares %	36.0	36.7	35.4	35.5	36.9

Top 10 largest Australian listed securities

Out of the total SMSF assets held, the top 10 listed securities trustees invest in represent 13% of total investments. This level continues to fall as a percentage of the total during the past few quarters.

The top 10 shares represent around 34% of all trustees Australian Equity holdings.

The most commonly held (\$ invested) shares at 31 December 2017 were:

Ranking	Company	Ranking	Company
1	Commonwealth Bank Limited	6	Telstra Corporation Limited
2	Westpac Banking Corporation	7	CSL Limited
3	National Australia Bank Limited	8	Wesfarmers Limited
4	BHP Billiton Limited	9	Transurban Group
5	ANZ Limited	10	Woolworths Limited

Exposure to International Equities rises from cash

Exposure to International Equities increased from 13.9% to 14.2%. When looking at performance in the different sectors and currency movements, the theoretical allocation should have declined to 13.5% if trustees had left their allocation unchanged for the quarter. This shows trustees have directed new funds into the international equity market, mainly coming from cash into Managed Funds.

	31 Dec 2016 (%)	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)
Direct Shares	2.6	2.2	2.4	2.3	2.5
ETF's	2.2	2.2	2.4	2.7	2.4
Managed Funds	8.3	8.5	8.3	8.9	9.3
Total %	13.1	12.9	13.1	13.9	14.2

Exposure to ETF's and International Managed Funds

The overall allocation to Managed Funds decreased slightly increased from 19.8% to 19.6% for the quarter. The allocation to the Fixed Interest sector decreased while allocation to managed funds in the International Equity sector increased.

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.

	31 Dec 2016 (%)	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)
Cash & Fixed Interest	4.0	4.5	4.6	5.2	4.5
Australian Equities	3.8	4.3	3.8	4.1	4.4
International Equities	8.3	8.5	8.3	8.9	9.3
Property & other	1.5	1.4	1.4	1.6	1.4
Total	17.6	18.7	18.1	19.8	19.6

Investment using ETFs represents 4.3% of all assets during the December quarter. ETF's are mostly used in the International Equity sector which represents 55% of all ETF investments.

Property Exposure remains steady

The asset allocation to the property sector increased slightly from 18.9% to 19% for the quarter.

In actual numbers, the approximately 2670 funds covered in the survey own a total of 950 residential or commercial properties. The split between commercial property and residential property was 31% versus 69%.

The average value per property was \$704k for commercial property and \$415k for residential property.

	31 Dec 2016 (%)	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)
Direct Property	15.8	15.6	15.9	14.2	13.9
Listed Property	1.6	1.6	1.6	1.9	1.7
Managed Funds	1.2	1.2	1.2	1.3	1.1
Other (Syndicates, Unlisted Trusts etc)	1.0	0.8	0.6	1.6	2.3
Total %	19.6	19.2	19.3	18.9	19.0

Limited recourse borrowing arrangements

Around 16.5% of the total number of funds in the survey are currently utilising a borrowing arrangement.

In percentage terms based on number of loans, 88% of borrowed monies relate to property, with financial asset loans representing 12% of the borrowed monies.

The average property loan amount was \$248k compared to \$68k for financial asset loans, so based on loan values, 96% of borrowed monies relates to property, with financial asset loans representing 4% of the borrowed monies

At the end of the December quarter 40.7% of all direct property holders had a gearing arrangement in place, slightly down from 41.8% from the previous quarter. The table below shows the percentage of geared property for the year.

	31 Dec 2016 (%)	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)
Direct Property holders utilising LRBA's	39.5	41.1	40.7	41.8	40.7

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Important information

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