# The SuperConcepts SMSF Investment Patterns Survey September 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 2650 funds, a sample of the SMSFs SuperConcepts administers and the investments they held at 30 September 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 over $3.2 billion.**

## Post 1 July 2017 super changes – back to normality

The changes applying to superannuation from 1 July 2017 are 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 quarter in the various other sectors.

The overall asset allocation break-up as at 30 June 2017 was:

| Sector | 30 Sept 2016 (%) | 31 Dec 2016 (%) | 31 March 2017 (%) | 30 June 2017 (%) | 30 Sept 2017 (%) |
|---|---|---|---|---|---|
| Cash and short term deposits | 18.1 | 18.4 | 18.0 | 19.8 | 18.6 |
| Fixed Interest | 12.7 | 12.4 | 12.7 | 12.0 | 12.6 |
| Australian Shares | 35.3 | 36.0 | 36.7 | 35.4 | 35.5 |
| International Shares | 12.8 | 13.1 | 12.9 | 13.1 | 13.9 |
| Property | 20.6 | 19.6 | 19.2 | 19.3 | 18.9 |
| Other (Hedge funds, agricultural funds, private geared & ungeared trusts and collectables) | 0.5 | 0.5 | 0.5 | 0.4 | 0.5 |
| **Total** | **100** | **100** | **100** | **100** | **100** |

## Top 10 largest holdings

The table below summarises the 10 largest investments which represent almost 16% of the total SMSF assets held. The total number of investments of the funds covered in the survey is just under 7,900. Two of the top ten are pooled structures used for accessing international equities which have solidified their positions at number 5 & 6 on the list.

The most commonly held ($ invested) investments at 30 September 2017 were:

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

## Cash levels decreasing

The level of cash decreased significantly from 19.8% to 18.6%. The level in cash increased significantly during the June quarter as many members utilised their last opportunity to make larger member contributions to super. During the September quarter this additional cash was invested amongst the various sectors which resulted in a decrease in the level of cash.

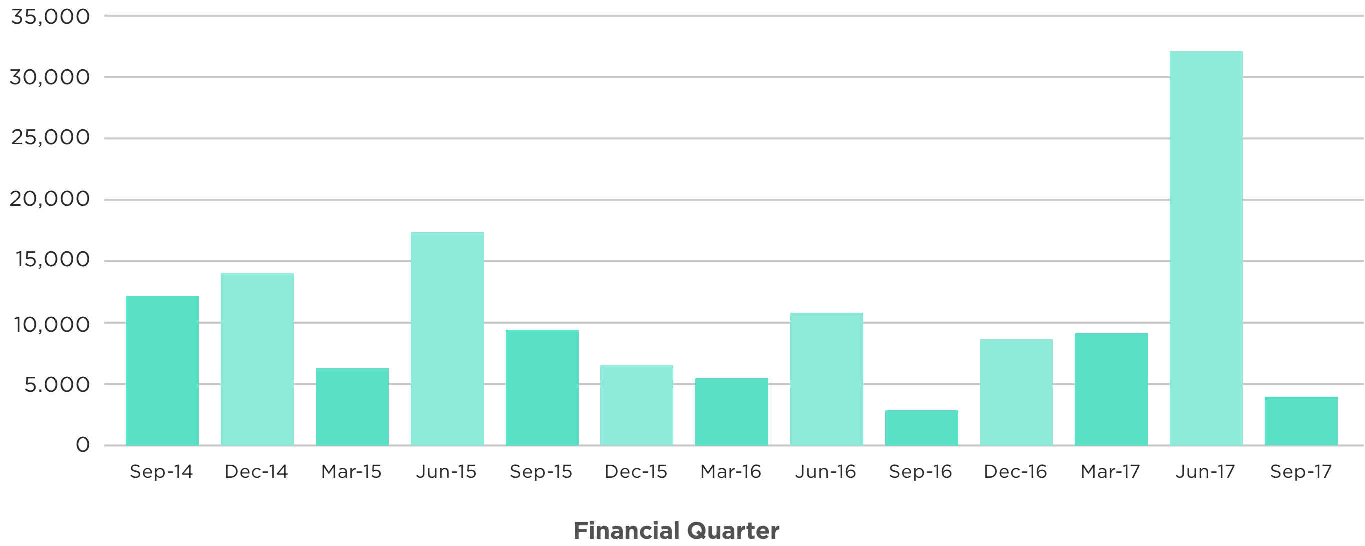
| | 30 Sept 2016 (%) | 31 Dec 2016 (%) | 31 March 2017 (%) | 30 June 2017 (%) | 30 Sept 2017 (%) |
|---|---|---|---|---|---|
| Cash | 13.2 | 13.5 | 12.7 | 14.5 | 13.3 |
| Term Deposits < 1 year | 4.9 | 4.9 | 5.3 | 5.3 | 5.3 |
| **Total %** | **18.1** | **18.4** | **18.0** | **19.8** | **18.6** |

## Contributions, Benefit and Pension payments show significant changes

The average contribution for the quarter decreased significantly from $32,055 to $3,838 for the quarter. This was anticipated due to the reduced non-concessional and concessional caps and roughly in line with the September 2016 quarter but significantly lower than prior September quarter levels.

The average non-concessional contribution was $2,050 compared to $26,900 for the June 2017 quarter.

**Average Contributions level history**

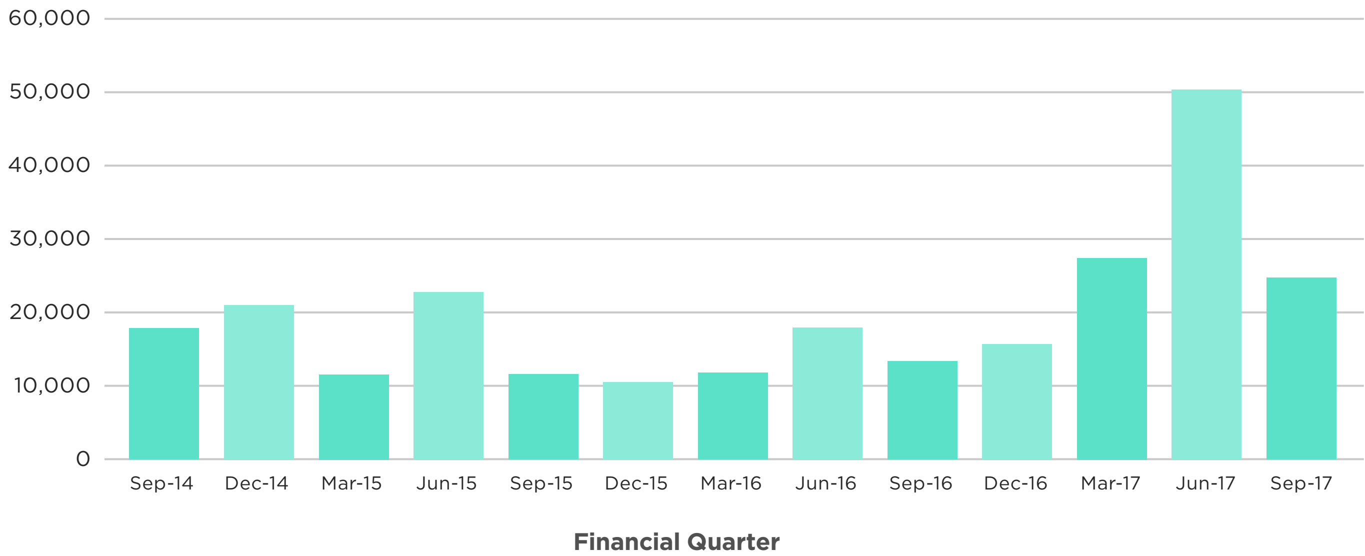



The average benefit payment was $25,342 for the quarter which was almost half of the June quarter value of $50,313.

The June quarter always shows an increase in benefit payments as members are required to draw their minimum pension before the end of the financial year. With the introduction of the $1.6 million transfer balance cap, some members converted excess pension balances to accumulation phase but others made significant withdrawals from super instead.

During prior quarters the split of lump sum withdrawals versus pension payments was generally around 10% versus 90%.

**Average Benefit payment level history**



## Fixed Interest shows increase via managed fund allocation

The asset allocation to the fixed interest sector increased from 12% to 12.6%. This mainly comes from the increased allocation to managed funds from 4.5% to 5%.

| | 30 Sept 2016 (%) | 31 Dec 2016 (%) | 31 March 2017 (%) | 30 June 2017 (%) | 30 Sept 2017 (%) |
|---|---|---|---|---|---|
| Hybrids & other direct holdings | 7.0 | 7.2 | 7.0 | 6.7 | 6.6 |
| Term Deposits > 1 year | 1.5 | 1.4 | 1.3 | 0.8 | 1.0 |
| Managed Funds | 4.2 | 3.8 | 4.4 | 4.5 | 5.0 |
| **Total %** | **12.7** | **12.4** | **12.7** | **12.0** | **12.6** |

## Australian Equity increases

The allocation to Australian Equities increased from 35.4% to 35.5%.

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 decreased to 34%. This shows trustees have invested new monies into the Australian Equity sector, mainly coming from the Cash sector.

| | 30 Sept 2016 (%) | 31 Dec 2016 (%) | 31 March 2017 (%) | 30 June 2017 (%) | 30 Sept 2017 (%) |
|---|---|---|---|---|---|
| Direct Shares | 30.4 | 30.8 | 31.3 | 30.4 | 30.3 |
| ETF's | 1.1 | 1.4 | 1.2 | 1.2 | 1.1 |
| Managed Funds | 3.8 | 3.8 | 4.2 | 3.8 | 4.1 |
| **Total Australian Shares %** | **35.3** | **36.0** | **36.7** | **35.4** | **35.5** |

## Top 10 largest Australian listed securities

Out of the total SMSF assets held, the top 10 listed securities trustees invest in represent 14.2% of total investments. This level continues to fall as a percentage of the total.

The top 10 shares represent around 45% of all trustees Australian Equity holdings.

The most commonly held ($ invested) shares at 30 September 2017 were:

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

## Exposure to International equities rises from cash

Exposure to International Equities increased from 13.1% to 13.9%. When looking at performance in the different sectors and currency movements, the theoretical allocation should have been 13.3% if trustees would have left their allocation unchanged for the quarter. This shows trustees have directed new funds into the international equity market.

| | 30 Sept 2016 (%) | 31 Dec 2016 (%) | 31 March 2017 (%) | 30 June 2017 (%) | 30 Sept 2017 (%) |
|---|---|---|---|---|---|
| Direct Shares | 2.5 | 2.6 | 2.2 | 2.4 | 2.3 |
| ETF's | 2.1 | 2.2 | 2.2 | 2.4 | 2.7 |
| Managed Funds | 8.1 | 8.3 | 8.5 | 8.3 | 8.9 |
| **Total %** | **12.7** | **13.1** | **12.9** | **13.1** | **13.9** |

## Exposure to ETF's and International Managed Funds

The overall allocation to Managed Funds increased from 18.1% to 19.8% for the quarter with the growth spread between Fixed Interest, Australian Equities and International Equities.

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.

| | 30 Sept 2016 (%) | 31 Dec 2016 (%) | 31 March 2017 (%) | 30 June 2017 (%) | 30 Sept 2017 (%) |
|---|---|---|---|---|---|
| Cash & Fixed Interest | 4.4 | 4.0 | 4.5 | 4.6 | 5.2 |
| Australian Equities | 3.8 | 3.8 | 4.3 | 3.8 | 4.1 |
| International Equities | 8.1 | 8.3 | 8.5 | 8.3 | 8.9 |
| Property & other | 1.4 | 1.5 | 1.4 | 1.4 | 1.6 |
| **Total** | **17.7** | **17.6** | **18.7** | **18.1** | **19.8** |

Investment using ETFs represents 4.5% of all assets during the September quarter. The ETF allocation has continued to increase over the past few quarters. ETF's are mostly used in the International Equity sector, representing 59% of all ETF investments.

## Property Exposure

The asset allocation to the property sector decreased from 19.3% to 18.9% for the quarter. The decline is mainly the result of the decline in direct property values. Direct property represents around 75% of the total property allocation. The decrease appears to be the result of trustees still having to revalue their property as part of completing the 30 June 2017 financials.

In actual numbers, the approximately 2650 funds covered in the survey own a total of 960 residential or commercial properties. The split between commercial property and residential property was 31% versus 69%.

The average value per property was $720k for commercial property and $415k for residential property.

| | 30 Sept 2016 (%) | 31 Dec 2016 (%) | 31 March 2017 (%) | 30 June 2017 (%) | 30 Sept 2017 (%) |
|---|---|---|---|---|---|
| Direct Property | 16.3 | 15.8 | 15.6 | 15.9 | 14.2 |
| Listed Property | 1.9 | 1.6 | 1.6 | 1.6 | 1.9 |
| Managed Funds | 1.2 | 1.2 | 1.2 | 1.2 | 1.3 |
| Other (Syndicates, Unlisted Trusts etc) | 1.2 | 1.0 | 0.8 | 0.6 | 1.6 |
| **Total %** | **20.6** | **19.6** | **19.2** | **19.3** | **18.9** |

## Limited recourse borrowing arrangements

Around 17.5% of the total number of funds in the survey are currently utilising a borrowing arrangement.

In percentage terms based on number of loans, 87% of borrowed monies relate to property, with financial asset loans representing 13% of the borrowed monies.

The average property loan amount was $246k compared to $69k 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 September quarter 41.8% of all direct property holders had a gearing arrangement in place, up from 40.7% from the previous quarter. The table below shows the percentage of geared property for the year.

| | 30 Sept 2016 (%) | 31 Dec 2016 (%) | 31 March 2017 (%) | 30 June 2017 (%) | 30 Sept 2017 (%) |
|---|---|---|---|---|---|
| Direct Property holders utilising LRBA's | 38.0 | 39.5 | 41.1 | 40.7 | 41.8 |

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### Important information



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