

SMSF Investment Patterns Survey

Q4 2022 | Released February 2023



Introduction



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 4,400 funds, a sample of the SMSFs SuperConcepts administers and the investments they held at 31 December 2022.



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 over \$7billion.

The overall asset allocation break-up as of 31 December 2022 was:

Sector	31 March 2022 (%)	31 December 2022 (%)
Cash and short-term deposits	12.2	12.7
Australian Fixed Interest	8.4	9.1
International fixed interest	2.1	2.0
Australian equities	40.0	38.8
International equities	16.4	15.4
Property	16.0	16.4
Other (including infrastructure, cryptocurrency, commodities, and collectables)	4.9	5.6
Total	100	100

Since re-launching this report on 31 March 2022 and 31 December 2022, the major indices have changed as follows:

Index name	31 December 2022
RBA official cash rate	+3.00%
ASX 200 accumulation (AJO)	-6.15%
ASX listed property index (XJP)	-17.6%
MSCI world ex Aus	-0.40%

When considering these factors, it explains why both cash and domestic fixed interest have increased in allocation, particularly when looking at the investment into longer-term term deposits.

Similarly, the performance of domestic and overseas equity markets is reflected in the lower equity allocations.

Top 10 largest holdings

The table below summarises the 10 largest investments which represent almost 12.4% of the total SMSF assets held. The total number of investments held in the data set included in this survey is just over 8,200.

As expected, included are all the major banks, BHP and Telstra however pooled vehicles (managed funds and ETFs) did not make the cut (number 18 and 12 respectively).

The most commonly held (\$ invested) investments at 31 December 2022 were:

Ranking	Investment
1	Commonwealth Bank Ltd
2	BHP Billiton Limited
3	National Australia Bank Ltd
4	CSL Ltd
5	Macquarie Group
6	Westpac Banking Corporation
7	ANZ Limited
8	Woodside Energy Group
9	Telstra Corporation Limited
10	Wesfarmers Limited

Cash is king with little other options for liquidity

The current environment has left SMSF trustees with very few options in terms of investment choices for immediate liquidity.

Despite increasing official cash rate settings, short-term term deposits are still unattractive and not heavily used. There has been some use of other pool structures to try and achieve higher rates of return but this is also limited, resulting in most liquidity being managed through cash at bank.

	31 March 2022 (%)	31 December 2022 (%)
Cash	11.5	11.9
Term Deposits < 1 year	0.1	0.1
Managed funds and ETFs	0.6	0.7
Total %	12.2	12.7

Australian Fixed Interest

Australian Fixed Interest is predominantly split between 3 major investment solutions. Firstly about 40% is accessed through managed funds particularly mortgage and income trusts.

Nearly 20% is accessed via longer-term term deposits (greater than one year) which have increased with the lifting of the official interest rate. Interestingly almost a third of fixed interest exposure is achieved directly by either hybrids, capital notes or loans with increased use of debt securities occurring.

	31 March 2022 (%)	31 December 2022 (%)
Hybrids and Other direct holdings	2.6	3.0
Term Deposits	1.8	2.1
Managed Funds	3.6	3.5
ETFs	0.4	0.5
Total %	8.4	9.1

Pooled vehicles the way for International Fixed Interest

The International Fixed Interest sector is predominantly accessed through pooled vehicles.

This is highlighted by nearly 90% being invested through managed funds and a much smaller proportion is also held through ETFs. The remainder is accessed through foreign currency deposits and some foreign currency notes.

	31 March 2022 (%)	31 December 2022 (%)
Hybrids and Other direct holdings	0.4	0.1
Managed Funds	1.5	1.8
ETFs	0.2	0.1
Total %	2.1	2.0

Australian Equity has the lion's share

Australian equities still represent the largest portion of the SMSF investment pool at nearly 39%. Most of this is done by direct investment in the Australian share market.

The pooled arrangements make up 7.3% of the total investment pool but are still modest in terms of Australian equity exposure (18%). There is some exposure to private company equity but, again, this is quite small.

The falls in allocations for direct shares and managed funds are mainly due to market performance whereas the increases for unlisted are mainly due to timing as there has been little revaluation since 30 June 2022.

	31 March 2022 (%)	31 December 2022 (%)
Direct shares	31.2	30.3
Unlisted shares	1.0	1.2
Managed Funds	6.3	5.3
ETFs	1.5	2.0
Total %	40.0	38.8

Exposure to International equities dominated by pooled products

Between Managed Funds and ETFs, almost 80% of international equities exposure is via pooled structures. This allows SMSFs easier access to international markets as well as provides greater diversification.

There is a continued increase in the use of ETFs through Managed Funds, also accessed through listed and unlisted versions.

	31 March 2022 (%)	31 December 2022 (%)
Direct equities	3.7	3.3
Managed Funds	9.7	8.9
ETFs	3.0	3.2
Total %	16.4	15.4

Exposure to ETF's and International Managed Funds

Just under a quarter of all SMSF amounts are invested via Managed Funds with another 7% in ETFs. When ETFs are used, it is mainly to access International Equities (50% of all ETFs). Managed Funds are used across most asset classes with Fixed Interest being the standout of the two sectors.

	ETFs	MFs
Cash	0.0	0.6
Fixed Interest	0.5	3.4
International Fixed Interest	0.2	1.8
Australian Equities	2.0	5.3
International Equities	3.2	8.9
Property	0.3	1.5
Other	0.4	1.9
Total	6.7	23.5

Top 10 largest pooled holdings

The table below summarises the 10 largest pooled investments which represent almost 2.8% of the total SMSF assets held.

The total number of investments of the funds covered in the survey is just over 8,200. There is a predominance of international investments in this list, seven out of ten. There is also a trend occurring where fund managers are using different structures for the same offering, as seen by Vanguard having both the Australian share index ETF & Managed Fund on this list and Magellan having both the managed fund and listed version of their Global Fund appearing.

The most commonly held (\$ invested) investments at 31 December 2022 were:

Ranking	Investment
1	Vanguard Aust Shares Index ETF
2	Vanguard MSCI Index International Shares ETF
3	Vanguard Australian Shares Index Fund
4	Platinum International Fund
5	Magellan Global Fund
6	ANZ Private Global Equities Fund
7	Listed Magellan Global Fund
8	iShares Core S&P/ASX 200 ETF
9	Vanguard All World ex US Shares Index ETF
10	iShares Global 100 ETF

Property allocation

Nearly 85% of exposure to property is through direct real property. When property is acquired with other investors, very little is done through private pooling arrangements compared to public structures (12% vs 88%). All growth in the sector appears to be in the direct category but, as property valuations for 30 June 2022 and later appear, it will be interesting to observe whether there is the reported decline in values here in our next quarter's report.

	31 March 2022 (%)	31 December 2022 (%)
Direct Property	12.9	13.8
Listed Property	0.6	0.5
Managed Funds	1.7	1.5
ETFs	0.4	0.3
Other (Syndicates, Unlisted Trusts etc)	0.4	0.3
Total %	16.0	16.4

Other assets

While this category is broad, highly publicised asset types such as cryptocurrency and collectables consist of small levels of both the overall investment pool as well as in the "other" pool. Though there are a lot of commentary and questions surrounding cryptocurrency, it only contributes to 0.1% of total assets invested.

Managed funds and ETFs continue to be utilised in this sector to access investments such as infrastructure and absolute return funds. There is also an increasing usage of private investment vehicles and managed accounts (SMAs & MDAs) in this category.

	31 March 2022 (%)	31 March 2022 (%)
Crypto currency	0.1	0.1
Collectables	0.2	0.2
Managed Funds	1.5	1.9
ETFs	0.4	0.4
Managed accounts and other	2.7	3.0
Total %	4.9	5.6

About SuperConcepts

SuperConcepts is a leading provider of self-managed superannuation fund (SMSF) administration, software and education services to SMSF trustees, accountants and financial advisers. SuperConcepts comprises a number of sub-brands including AMP SMSF, Ascend, MORE Super, and our SMSF Software SuperMate. Find out more at www.superconcepts.com.au