

# The SuperConcepts SMSF Investment Patterns Survey December 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 2,800 funds, a sample of the SMSFs SuperConcepts administers and the investments they held at 31 December 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 under \$3.2 billion.

## Significant increase in contributions in response to revision to 1 July 2017 rule changes

The changes that will apply to superannuation from 1 July 2017 are the most significant changes since 2007. With trustees making the most of the current rules while they still can, the average level of contributions almost tripled compared to the prior quarter.

The changes in the different sectors were mostly in line with market performance.

Low interest rates continue to result in a relatively low allocation to cash and fixed interest with term deposits generally not being rolled over.

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

Sector	31 Dec 2015 (%)	31 March 2016 (%)	30 June 2016 (%)	30 Sept 2016 (%)	31 Dec 2016 (%)
Cash and short term deposits	18.0	18.4	18.0	18.1	18.4
Fixed Interest	12.3	12.3	12.2	12.7	12.4
Australian Shares	35.4	35.8	34.5	35.3	36.0
International Shares	12.9	12.6	13.1	12.8	13.1
Property	20.8	20.4	21.7	20.6	19.6
Other (Hedge funds, agricultural funds, private geared & ungeared trusts and collectables)	0.6	0.5	0.5	0.5	0.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Top 10 largest holdings

The table below summarises the 10 largest investments which represent almost 15.5% of the total SMSF assets held. The total number of investments of the funds covered in the survey is just under 8,200. Two of the top ten are pooled structures used for accessing international equities with Magellan moving up one ranking past BHP.

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

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

## Cash levels slightly up

The level of cash increased slightly from 18.1% to 18.4%. When taking in consideration performance within the different sectors the cash level should have been slightly lower at 17.9%. The increase is likely related to higher contribution levels being received. Term deposits with a term up to and including 1 year has remained static.

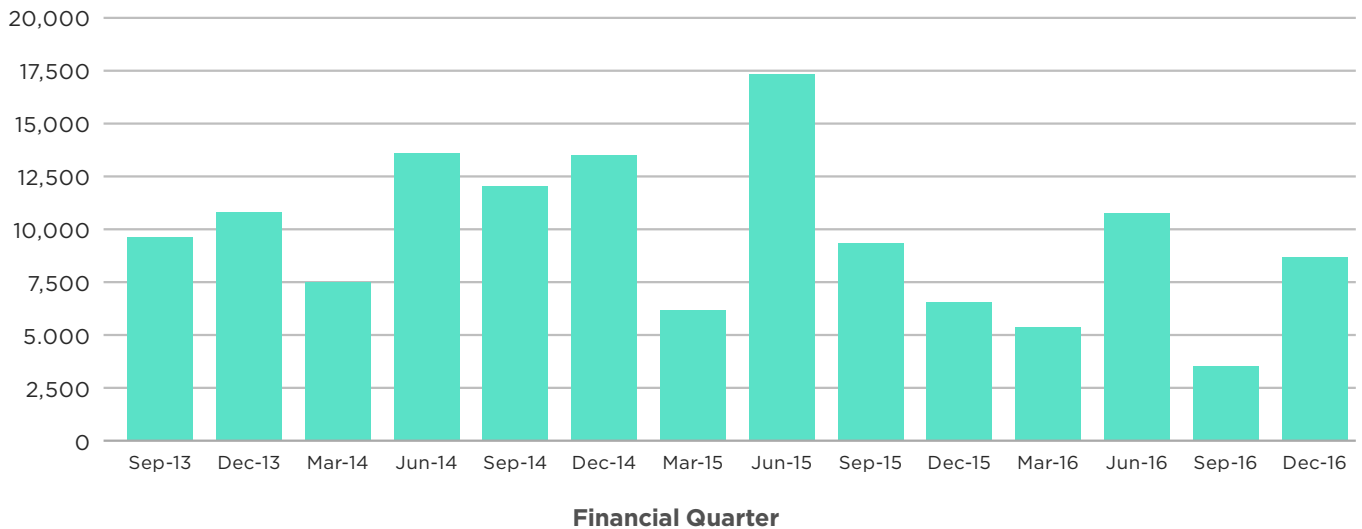
	31 Dec 2015 (%)	31 March 2016 (%)	30 June 2016 (%)	30 Sept 2016 (%)	31 Dec 2016 (%)
Cash	12.6	13.1	12.5	13.2	13.5
Term Deposits < 1 year	5.4	5.3	5.5	4.9	4.9
<b>Total %</b>	<b>18.0</b>	<b>18.4</b>	<b>18.0</b>	<b>18.1</b>	<b>18.4</b>

## Contributions, Benefit and Pension payments

The average contribution inflow per fund for the quarter increased significantly from \$3,040 to \$8,550 for the quarter. This shows the significant impact the previously announced budget changes have had on member contributions before the revision in mid-September 2016.

With the existing non-concessional contribution rules (\$180,000 per annum or \$540,000 on a 3 year bring forward basis regardless of their member balance) still applying for the remainder of this financial year, we expect a continued uplift in the level of non-concessional contributions prior to the end of the current financial year.

**Average Contributions level history**

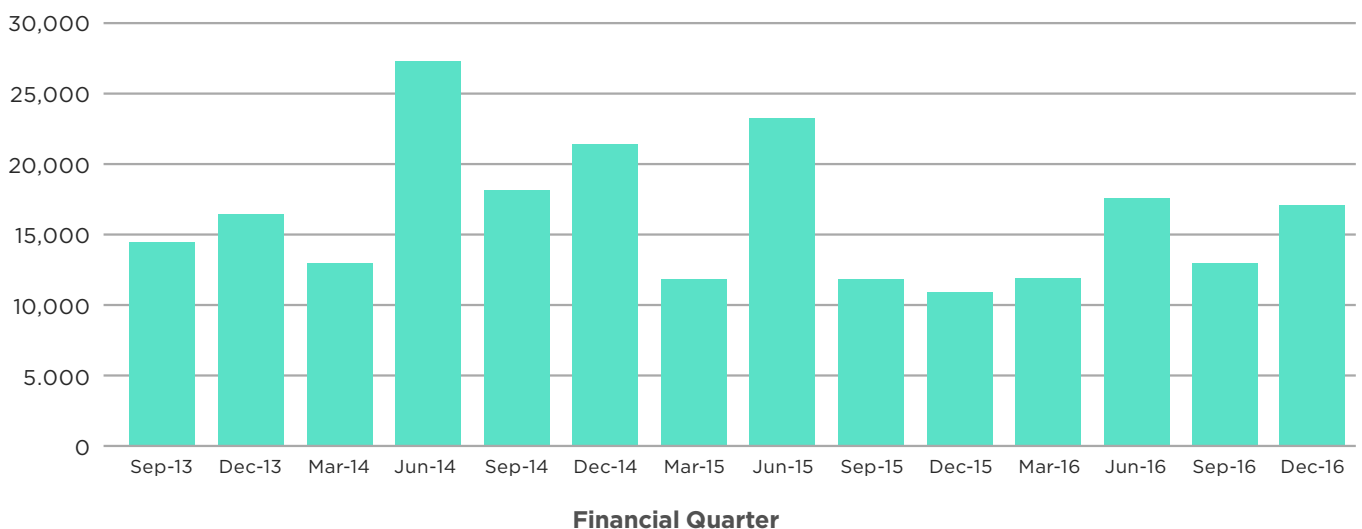


The average benefit and pension payments made per SMSF was \$16,260 compared to \$13,220 for the June quarter.

The increase is potentially linked to members reducing pension balances within the fund due to the new Centrelink asset test rules that apply from 1 January 2017. In addition, this can also be the result of trustees implementing withdraw and re-contribution strategies to take advantage of the current contribution caps.

During the December quarter 89.2% of benefit payments were pension payments and 10.8% lump sum payments, compared to 81.9% and 18.1% for the previous quarter.

**Average Benefit payment level history**



## Fixed Interest shows continued increase in Hybrids allocation

The asset allocation to the fixed interest sector decreased from 12.7% to 12.4%. The decrease mainly comes from the decreased allocation to managed funds from 4.2% to 3.8%.

	31 Dec 2015 (%)	31 March 2016 (%)	30 June 2016 (%)	30 Sept 2016 (%)	31 Dec 2016 (%)
Hybrids & other direct holdings	6.3	6.6	6.5	7.0	7.2
Term Deposits > 1 year	1.6	1.3	1.3	1.5	1.4
Managed Funds	4.4	4.4	4.4	4.2	3.8
<b>Total %</b>	<b>12.3</b>	<b>12.3</b>	<b>12.2</b>	<b>12.8</b>	<b>12.4</b>

## Australian Equity notionally increases

The allocation to Australian Equities increased from 35.3% to 36.0%.

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 been 36%. The increase for the quarter is therefore mostly in line with market performance.

	31 Dec 2015 (%)	31 March 2016 (%)	30 June 2016 (%)	30 Sept 2016 (%)	31 Dec 2016 (%)
Direct Shares	31.1	31.2	29.7	30.4	30.8
ETF's	1.0	0.9	1.1	1.1	1.4
Managed Funds	3.3	3.7	3.7	3.8	3.8
<b>Total Australian Shares %</b>	<b>35.4</b>	<b>35.8</b>	<b>34.5</b>	<b>35.3</b>	<b>36.0</b>

## Top 10 largest Australian listed securities

Out of the total SMSF assets held, the top 10 listed securities trustees invest in represent 14.3% of total investments.

During most of the 2015 calendar year, this figure was peaked around 20% with trustees investing almost \$1 of every \$5 in the S&P Top 10 shares.

The top 10 shares represent just less than 40% of all trustees Australian Equity holdings.

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

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

The Top 10 are the four major banks, a telco, two mining companies, two retailers, a pharmaceutical company and a resource company.

## Exposure to International Equities

Exposure to International Equities increased from 12.7% to 13.1%. When looking at performance in the different sectors, the theoretical allocation should have been 13.6% if trustees would have left their allocation unchanged for the quarter. This shortfall was due to an appreciating currency up until the US election.

	31 Dec 2015 (%)	31 March 2016 (%)	30 June 2016 (%)	30 Sept 2016 (%)	31 Dec 2016 (%)
Direct Shares	2.5	2.3	2.8	2.5	2.6
ETF's	2.3	2.4	2.2	2.1	2.2
Managed Funds	8.1	7.9	8.1	8.1	8.3
<b>Total %</b>	<b>12.9</b>	<b>12.6</b>	<b>13.1</b>	<b>12.7</b>	<b>13.1</b>

## Exposure to ETF's and International Managed Funds

The overall allocation to Managed Funds changed from 17.7% to 17.6% 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.

	31 Dec 2015 (%)	31 March 2016 (%)	30 June 2016 (%)	30 Sept 2016 (%)	31 Dec 2016 (%)
Cash & Fixed Interest	4.5	4.6	4.6	4.4	4.0
Australian Equities	3.3	3.7	3.8	3.8	3.8
International Equities	8.1	7.9	8.1	8.1	8.3
Property & other	1.7	1.7	1.7	1.4	1.5
<b>Total</b>	<b>17.6</b>	<b>17.8</b>	<b>18.2</b>	<b>17.7</b>	<b>17.6</b>

Investment through the use of ETFs represents 4% of all assets during the December quarter, up from 3.9% during the September quarter. The EFT allocation has continued to increase over the past few quarters. ETF's are mostly used in the International Equity sector, representing 16.7% of all International Equity holdings.

## Property exposure

The asset allocation to the property sector decreased from 20.6% to 19.6% for the quarter which is consistent with performance for the period. Direct property represents around 80% of the total property allocation, compared to 79% for the previous quarter.

In actual numbers, the approximately 2,800 funds covered in the survey own a total of 1,033 residential or commercial properties. The split between commercial property and residential property was 30% versus 70%.

The average value per property was \$699k for commercial property and \$402k for residential property.

	31 Dec 2015 (%)	31 March 2016 (%)	30 June 2016 (%)	30 Sept 2016 (%)	31 Dec 2016 (%)
Direct Property	16.5	16	15.7	16.3	15.8
Listed Property	1.9	2.2	2.1	1.9	1.6
Managed Funds	1.2	1.3	1.3	1.2	1.2
Other (Syndicates, Unlisted Trusts etc)	1.2	0.9	2.7	1.2	1.0
<b>Total %</b>	<b>20.8</b>	<b>20.4</b>	<b>21.7</b>	<b>20.6</b>	<b>19.6</b>

## Limited recourse borrowing arrangements

Around 18% of the total number of funds in the survey are currently utilising a borrowing arrangement.

In percentage terms based on number of loans, 81% of borrowed monies relate to property, with financial asset loans representing 19% of the borrowed monies. The split was 75% versus 25% respectively during the September quarter.

This shows a decrease in the amount of financial asset loans. This appears to be the result of trustees winding up some of the related party loans in relation to financial assets due to the introduction of the ATO safe harbour guidelines on related party loans which only applied to real property and listed assets.

The average property loan amount was \$280k compared to \$93k for financial asset loans, so based on loan values, 90% of borrowed monies relates to property, with financial asset loans representing 10% of the borrowed monies.

At the end of the December quarter 39.5% of all direct property holders had a gearing arrangement in place, up from 38% from the previous quarter. The table below shows the percentage of geared property for the year.

	31 Dec 2015 (%)	31 March 2016 (%)	30 June 2016 (%)	30 Sept 2016 (%)	31 Dec 2016 (%)
Direct Property holders utilising LRBAs	33.0	35.6	37.3	38.0	39.5

For any queries in relation to this Investment Pattern Survey please contact Philip La Greca on (02) 8055 0669 or email [Philip.LaGreca@SuperConcepts.com.au](mailto:Philip.LaGreca@SuperConcepts.com.au). Philip La Greca is the Executive Manager – SMSF Technical & Strategic Solutions. SuperConcepts is a leading specialist SMSF and Managed Account administration company. The vast majority of SuperConcepts administered SMSFs have a wide range of financial advisers providing investment advice to the trustees and this may make the analysis results different to the wider SMSF community.

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