



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 2,600 funds, a sample of the SMSFs SuperConcepts administers and the investments they held at 31 March 2018.



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 \$3.1 billion.

1 July 2017 super changes starting to bite

The impact of the 1 July 2017 super reforms is clearly showing with average contribution and benefit payment decreasing noticeably since 1 July 2017. In addition, the allocation of lump sum payments versus pension payments has increased, showing trustees are trying to manage their transfer balance cap effectively by allocating any benefit payments more than their minimum pension as lump sum payments which will be recorded as debits on their transfer balance account.

When taking into consideration the performance in the market, the allocation to most sectors remained static compared to the prior quarter with a slight reduction in allocation to the Australian & International equity markets.

The overall asset allocation break-up as at 31 March 2018 was:

Sector	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)	31 March 2018 (%)
Cash and short term deposits	18.0	19.8	18.6	17.3	17.2
Fixed Interest	12.7	12.0	12.6	12.1	12.5
Australian Shares	36.7	35.4	35.6	36.9	35.9
International Shares	12.9	13.1	13.9	14.2	14.2
Property	19.2	19.3	18.9	19.0	19.5
Other (Hedge funds, agricultural funds, private geared & ungeared trusts and collectables)	0.5	0.4	0.4	0.5	0.7
Total	100	100	100	100	100

Top 10 largest holdings

The table below summarises the 10 largest investments which represent 14% of the total SMSF assets held. The total number of investments of the funds covered in the survey is just under 7,780. Two of the top ten are pooled structures used for accessing international equities which have solidified their position as number 3 & 4 on the list helped in part by falls in the price of all the major banks.

The most commonly held (\$ invested) investments at 31 March 2018 were:

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

Cash level remains low

The level of cash decreased marginally from 17.3% to 17.2%. 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 this quarter cashflow received from investments has helped neutralised the negative cashflow of benefit payments vs contributions resulting in historically low levels of cash.

	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)	31 March 2018 (%)
Cash	12.7	14.5	13.3	12.0	12.0
Term Deposits < 1 year	5.3	5.3	5.3	5.3	5.3
Total %	18.0	19.8	18.6	17.3	17.2

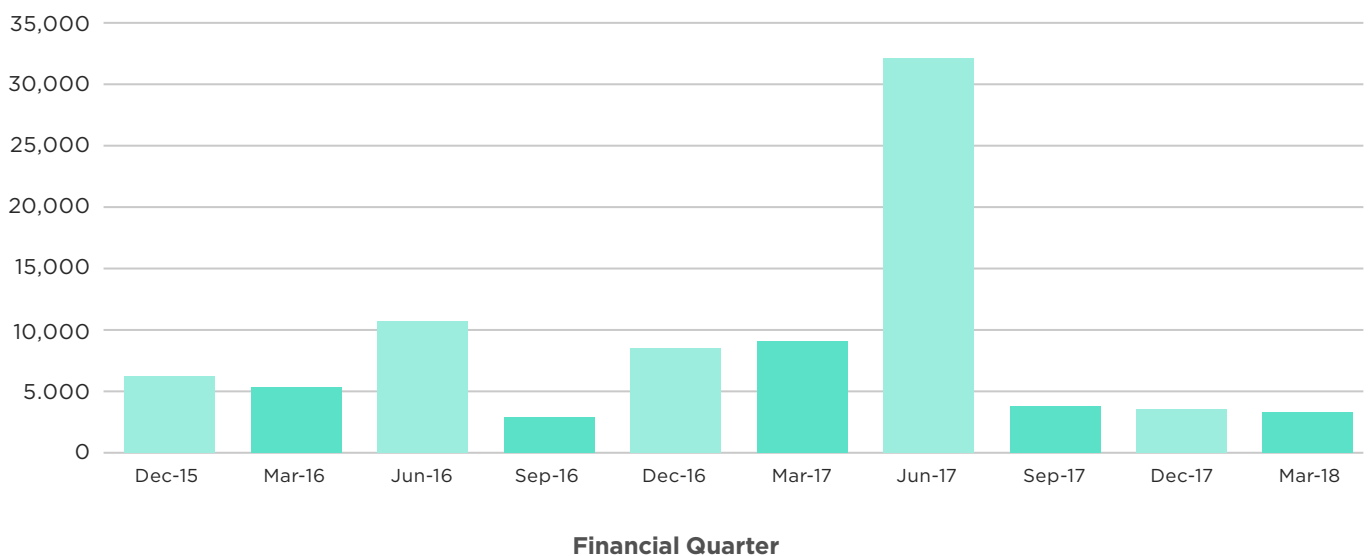
Contributions and Benefit payments showing impact of 1 July changes

The average contribution for the quarter continued the falling pattern and decreased from \$3,611 to \$3,498 per quarter.

The average non-concessional contribution was \$1,824 compared to \$1,852 for the December 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.

The reduction of contribution levels for the September, December and March quarter clearly show the impact of the 1 July 2017 changes on member contribution patterns.

Average Contributions level history



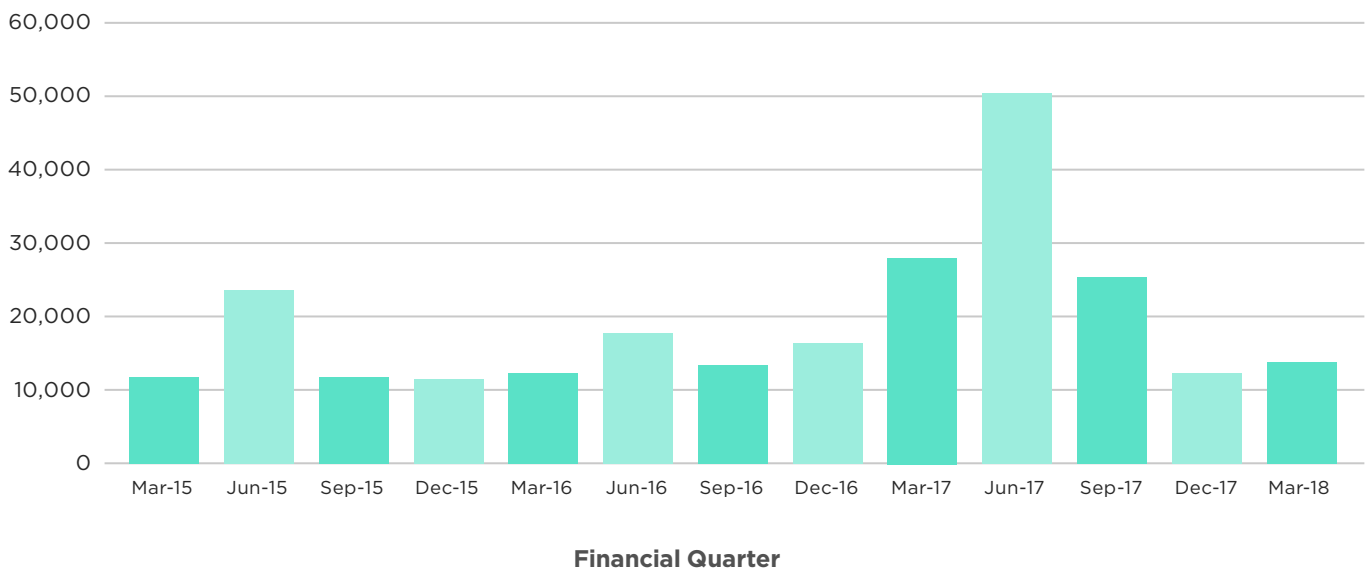
The average benefit payment was \$13,549, slightly up from \$12,218 for the December quarter.

From 1 July 2017 onwards, a transfer balance cap of \$1.6M on the capital value of tax free pension accounts applies. Members may hold their remaining balance in accumulation phase where earnings are taxed at 15% compared to 0% for pension balances. Due to the reduced pension balances, the level of pension payment has also reduced.

Interestingly, the split between lump sum withdrawals versus pension payments for the quarter was 19% versus 81%, whilst traditionally during prior quarters this split has generally been approximately 10% versus 90%.

This again shows the impact of the super reforms where members are likely to only draw the minimum pension payment and take any excess payments as lump sum payments. Lump sum payments taken from pension accounts will be recorded as debits on the members transfer balance account.

Average Benefit payment level history



Fixed Interest shows increase via managed fund allocation

The asset allocation to the fixed interest sector increased from 12.2% to 12.5%. This mainly comes from the increase in managed fund allocation from 4.3% to 4.6% whilst the term deposit allocation has reduced from 1.2% to 1%. This shows term deposits are not being rolled over due to lower interest rates currently available for investors.

	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)	31 March 2018 (%)
Hybrids & other direct holdings	7.0	6.7	6.6	6.7	6.9
Term Deposits > 1 year	1.3	0.8	1.0	1.2	1.0
Managed Funds	4.4	4.5	5.0	4.3	4.6
Total %	12.7	12.0	12.6	12.2	12.5

Exposure to Australian Equities shows slight decrease

The allocation to Australian Equities decreased from 36.9% to 35.9%.

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 decreased to 36.1%. This shows trustees have largely left their allocation unchanged.

	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)	31 March 2018 (%)
Direct Shares	31.3	30.4	30.3	31.2	29.6
ETF's	1.2	1.2	1.1	1.3	1.3
Managed Funds	4.2	3.8	4.1	4.4	5.0
Total Australian Shares %	36.7	35.4	35.5	36.9	35.9

Top 10 largest Australian listed securities

Out of the total SMSF assets held, the top 10 listed securities trustees invest in represent 12.2% 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 March 2018 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	Woodside Petroleum Limited

Exposure to International equities remains steady

Exposure to International Equities remained at 14.2%. When looking at performance in the different sectors and currency movements, the theoretical allocation should have increased to 14.7% if trustees had left their allocation unchanged for the quarter. This shows trustees have directed cashflow to other sectors.

	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)	31 March 2018 (%)
Direct Shares	2.2	2.4	2.3	2.5	2.4
ETF's	2.2	2.4	2.7	2.4	2.5
Managed Funds	8.5	8.3	8.9	9.3	9.3
Total %	12.9	13.1	13.9	14.2	14.2

Exposure to ETF's and International Managed Funds

The overall allocation to Managed Funds slightly increased from 19.6% to 20.3% for the quarter. The allocation to the Fixed Interest and Australian equity sector increased while the allocation to managed funds in the property & other sector showed a slight decrease.

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 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)	31 March 2018 (%)
Cash & Fixed Interest	4.5	4.6	5.2	4.5	4.8
Australian Equities	4.3	3.8	4.1	4.4	5.0
International Equities	8.5	8.3	8.9	9.3	9.3
Property & other	1.4	1.4	1.6	1.4	1.2
Total	18.7	18.1	19.8	19.6	20.3

Investment using ETFs represents 4.4% of all assets during the March quarter. ETF's are mostly used in the International Equity sector which represents 55.5% of all ETF investments.

Property Exposure remains steady

The asset allocation to the property sector increased from 19% to 19.5% for the quarter.

Even though the A-Reit performance in the sector was a negative 7.26% for the quarter, as 83% of the property allocation for SMSF's in the survey is represented by direct commercial or residential property, this A-Reit performance had little impact on the allocation.

In actual numbers, the approximately 2600 funds covered in the survey own a total of 966 residential or commercial properties. The split between commercial property and residential property was 43% versus 57%.

The average value per property was \$690k for commercial property and \$413k for residential property.

	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)	31 March 2018 (%)
Direct Property	15.6	15.9	14.2	13.9	16.2
Listed Property	1.6	1.6	1.9	1.7	1.6
Managed Funds	1.2	1.2	1.3	1.1	1.1
Other (Syndicates, Unlisted Trusts etc)	0.8	0.6	1.6	2.3	0.6
Total %	19.2	19.3	18.9	19.0	19.5

Limited recourse borrowing arrangements

Around 17.4% of the total number of funds in the survey are currently utilising a borrowing arrangement.

In percentage terms based on number of loans, 89% of borrowed monies relate to property, with financial asset loans representing 11% of the borrowed monies.

The average property loan amount was \$260k compared to \$78k for financial asset loans, so based on loan values, 96% of borrowed monies relates to property, with financial asset loans representing just 4% of the borrowed monies

At the end of the March quarter 41.8% of all direct property holders had a gearing arrangement in place, slightly up from 40.78% from the previous quarter. The table below shows the percentage of geared property for the year.

	31 March 2017 (%)	30 June 2017 (%)	30 Sept 2017 (%)	31 Dec 2017 (%)	31 March 2018 (%)
Direct Property holders utilising LRBA's	41.1	40.7	41.8	40.7	41.8

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Important information

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