

The Multiport SMSF Investment Patterns Survey December 2015

Multiport 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 2850 funds, a sample of the SMSFs Multiport administers and the investments they held at 31 December 2015. 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 billion.

Exposure to S&P Top 10 shares decreasing as trustees choose international equities over Australian equities

Traditionally trustees invested almost \$1 of every \$5 in the S&P Top 10 shares, with almost 20% of fund assets invested in the Top 10, this percentage has reduced to under 14.5% of total fund assets during the quarter.

International equity allocation has increased, specifically via an increase in the international managed fund sector.

The overall asset allocation break-up as at 31 December 2015 was:

Sector	31 Dec 2014 (%)	31 March 2015 (%)	30 June 2015 (%)	30 Sept 2015 (%)	31 Dec 2015 (%)
Cash and short term deposits	16.5	16.5	17.0	18.7	18.0
Fixed Interest	12.7	13.1	12.9	12.0	12.3
Australian Shares	41.6	38.6	37.1	36.4	35.4
International Shares	12.5	14.4	14.1	12.0	12.9
Property	16.1	17.0	18.3	20.4	20.8
Other (Hedge funds, agricultural funds, private geared & ungeared trusts and collectables)	0.6	0.4	0.6	0.5	0.6
Total	100	100	100	100	100

Source: Multiport Pty Ltd

Top 10 largest holdings

The table below summarises the 10 largest investments which represent almost 16.8% of the total SMSF assets held. The total number of investments of the funds covered in the survey is just over 8,500. Two of the top ten are pooled structures used for accessing international equities.

The most commonly held (\$ invested) investments at 31 December 2015 were:

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

Cash holdings decreased

The level of cash decreased from 18.7% to 18% with monies being shifted mostly into the international equity sector but also the fixed interest sector.

During the September quarter the level of cash increased significantly from 17% to 18.7% of all assets. Prior to this, the level of cash continued to show a downward trend and was 16.5% at the end of the March and December 2015 quarter.

The significant increase during the September quarter was the result of cash distributions being received post 30 June from managed funds. The two largest managed funds (part of the top 10 largest fund assets) both paid their cash distributions post 30 June at rates of nearly 10%. Subsequently during the December quarter some of this cash was re-invested specifically in the international equity and fixed interest sectors.

	31 Dec 2014 (%)	31 March 2015 (%)	30 June 2015 (%)	30 Sept 2015 (%)	31 Dec 2015 (%)
Cash	11.6	11.7	12.3	13.1	12.6
Term Deposits < 1 year	4.9	4.8	4.7	5.6	5.4
Total %	16.5	16.5	17	18.7	18.0

Source: Multiport Pty Ltd

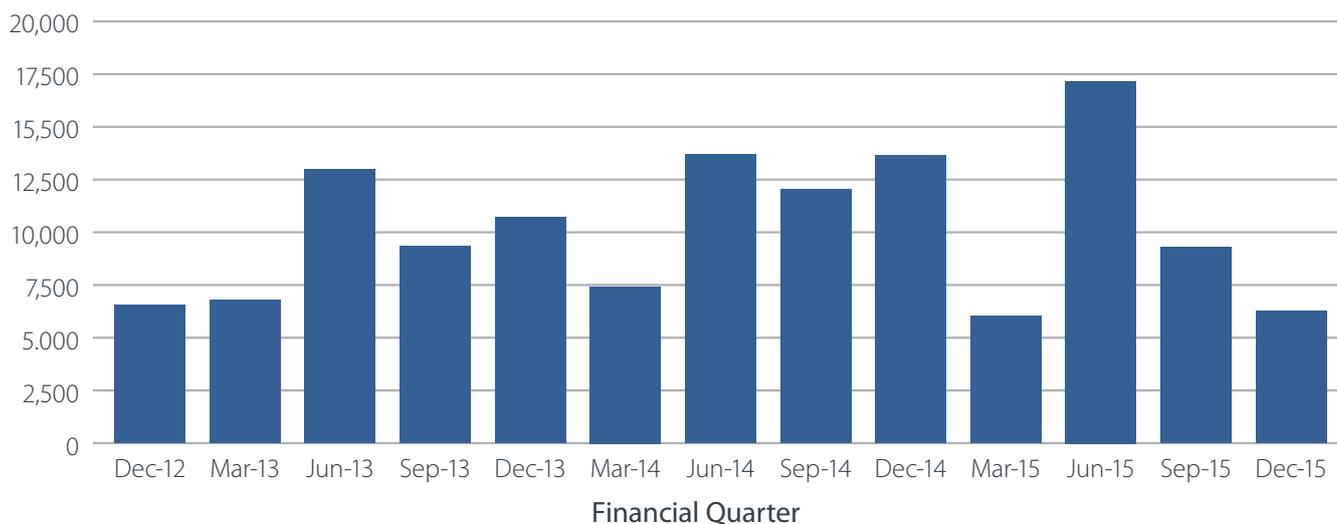
Contributions, Benefit and Pension payments

The average contribution inflow per fund for the quarter decreased from \$9,380 to \$6,393. This is a significant reduction and almost at half the level of the contributions received during the December 2014 quarter.

The average concessional contribution was slightly higher at \$2,278 compared to \$2,198 for the September quarter. The decline in contributions was therefore the result of a decrease in non-concessional contributions. We expect that this is mainly due to a change in timing as opposed to a reduction for the financial year.

Also the higher level in the December 2014 quarter was likely the result of trustees making last minute contributions before to commence new pensions prior to 31 December 2014 after which the social security treatment of new pensions became less favourable.

Average Contributions level history



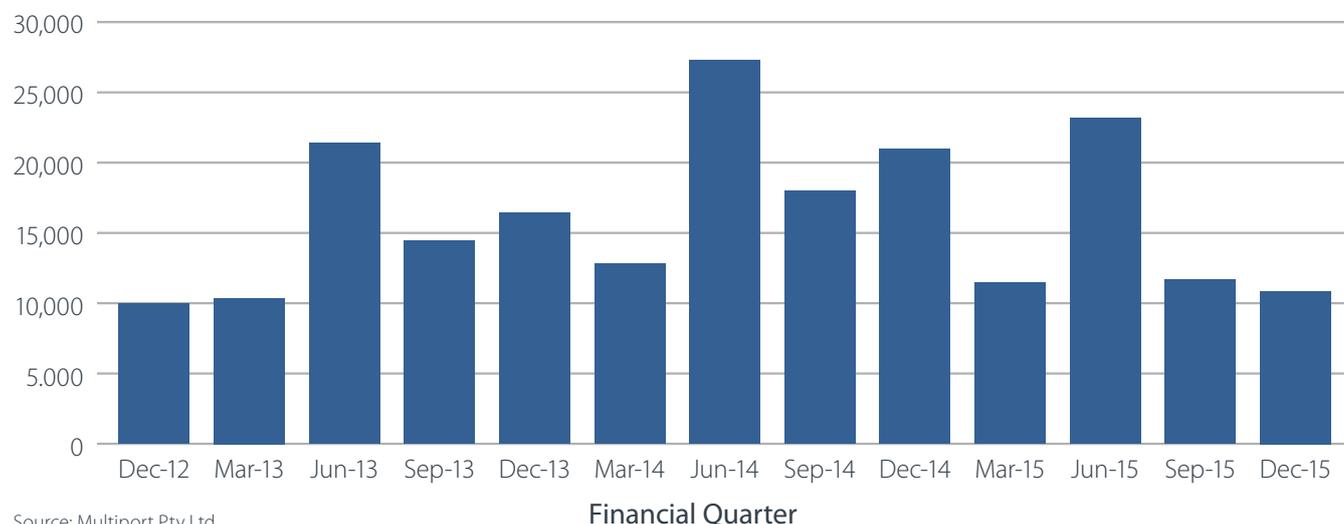
Source: Multiport Pty Ltd

Benefit and pension payments made by SMSFs were at \$10,818 compared to \$11,716 for the September quarter. This is also significantly lower compared to the December 2014 quarter.

Again the increase in pension withdrawals during the December 2014 quarter was likely linked to trustees restructuring pensions prior to the change in social security treatment of pensions commenced after 31 December 2014.

During the December quarter 79.7% of benefit payments were pension payments and 20.3% lump sum payments, compared to 83.2% and 16.8% for the previous quarter.

Average Benefit payment level history



Source: Multiport Pty Ltd

Fixed Interest increase

The asset allocation to the fixed interest sector increased from 12% to 12.3%. The increase is mainly the result of cash flowing into the fixed interest sector, specifically into hybrids securities.

	31 Dec 2014 (%)	31 March 2015 (%)	30 June 2015 (%)	30 Sept 2015 (%)	31 Dec 2015 (%)
Hybrids & Other direct holdings	6.6	6.9	6.2	5.8	6.3
Term Deposits > 1 year	2.2	1.4	1.6	1.8	1.6
Managed Funds	3.9	4.8	5.1	4.4	4.4
Total %	12.7	13.1	12.9	12.0	12.3

Source: Multiport Pty Ltd

Australian Equity allocation decreasing

Based on performance in the sectors, the theoretical allocation should have increased to around 37.2%, instead the allocation to Australian Equities decreased further for another consecutive quarter to 35.4%.

Trustees have mainly shifted funds previously invested the Australian equity to the International equity sector.

This result is also impacted by the reduction in exposure to the ASX top 20 which performed poorly compared with the overall equity market for the period.

	31 Dec 2014 (%)	31 March 2015 (%)	30 June 2015 (%)	30 Sept 2015 (%)	31 Dec 2015 (%)
Direct Shares	32.5	30.0	32.4	32.2	31.1
ETF's	1.6	1.8	1.1	0.9	1.0
Managed Funds	5.2	3.8	3.6	3.3	3.3
Total Australian Shares %	41.6	38.6	37.1	36.4	35.4

Source: Multiport Pty Ltd

Top 10 largest Australian listed securities

Out of the total SMSF assets held, the top 10 listed securities trustees invest in represent 14.4% of total investments.

During most of the 2015 calendar year, this figure was generally around 20% with trustees investing almost \$1 of every \$5 in the S&P Top 10 shares. The top 10 shares now represent just less than 41% of all trustees Australian Equity holdings.

It appears that Trustees are gradually moving away from the S&P Top 10 shares in search of capital growth and yield.

The most commonly held (\$ invested) shares at 31 December 2015 were:

Ranking	Company	S & P Top 10 Constituents by Market Cap
1	Commonwealth Bank Ltd	Commonwealth Bank Ltd
2	Westpac Banking Corporation	Westpac Banking Corporation
3	Telstra Corporation Limited	ANZ Limited
4	ANZ Limited	National Australia Bank Ltd
5	National Australia Bank Ltd	Telstra Corporation Limited
6	Wesfarmers Limited	BHP Billiton Limited
7	BHP Billiton Limited	CSL Limited
8	Woolworths Ltd	Wesfarmers Limited
9	CSL Limited	Woolworths Ltd
10	Transurban Group	Macquarie Group

Source: Multiport Pty Ltd

The ASX Top 10 by market cap in the index are the four major banks, one mining company, two retailers, a pharmaceuticals company, a telco and a financial services provider.

Exposure to International holdings increasing

Exposure to International Equities increased from 12% to 12.9%. When looking at performance in the different sectors, the theoretical allocation should have instead reduced to 11.8% if trustees would have left their allocation unchanged. The new funds flowing into the sector have mainly come from the Australian equity sector.

Exposure to International Equities decreased significantly from 14.1% to 12% during the prior quarter. A large portion of International holdings consist of managed funds, with two international managed funds included in the top 10 of largest fund assets. This decrease in value during the September quarter was mainly due to managed funds distributing income in cash post 30 June rather than re-investment and their unit prices dropping to the ex-distribution price.

	31 Dec 2014 (%)	31 March 2015 (%)	30 June 2015 (%)	30 Sept 2015 (%)	31 Dec 2015 (%)
Direct Shares	1.9	1.7	2.1	1.3	1.1
ETF's	2.1	2.8	2.6	2.2	2.4
Managed Funds	8.5	9.9	9.4	8.5	9.4
Total %	12.5	14.4	14.1	12.0	12.9

Source: Multiport Pty Ltd

Exposure to ETF's and International Managed Funds increasing

The overall allocation to Managed Funds increased from 18.1% to 19% for the quarter.

The table summarises the exposure as a percentage of total investments amongst the different asset categories, showing an increase specifically in the international equity section. The increase is mainly the result of the re-investment of international managed fund distributions after the reduction during the previous quarter as a result of issuing their 30 June cash distributions.

	31 Dec 2014 (%)	31 March 2015 (%)	30 June 2015 (%)	30 Sept 2015 (%)	31 Dec 2015 (%)
Cash & Fixed Interest	4.1	5.0	5.3	4.6	4.5
Australian Equities	5.2	3.8	3.6	3.3	3.3
International Equities	8.5	10.0	9.4	8.5	9.5
Property & Other	1.7	1.7	1.8	1.7	1.7
Total	19.5	20.5	20.1	18.1	19.0

Source: Multiport Pty Ltd

Investment through the use of ETFs increased significantly to 5% of all assets compared to 3.6% of all assets during the September quarter. ETFs are mostly used in the International Equity sector, representing 26.7% of all International Equity holdings compared to 18.6% of all International Equity holdings for the September quarter.

Direct Property allocation increasing

The asset allocation to the property sector slightly increased from 20.4% to 20.8% for the quarter.

The survey shows a significant increase in direct property holdings during the past couple of quarters. Part of the increase is due to new acquisitions and also as a result of trustees completing revaluations of the 30 June value of their property in preparation of completing the annual financial statements.

The significant increase in the September quarter for a large part was due to the addition of an extra 450 funds to the survey data where almost 50% have direct property exposure.

Direct property represents around 81% of the total property allocation, which is identical to the previous quarter.

In actual numbers, the approximately 2850 funds covered in the survey own a total of 1036 residential or commercial properties. The split between commercial property and residential property was 28% versus 72%.

The average value per property was \$715,000 for commercial property and \$410,000 for residential property.

	31 Dec 2014 (%)	31 March 2015 (%)	30 June 2015 (%)	30 Sept 2015 (%)	31 Dec 2015 (%)
Direct Property	12.4	13.1	14.6	16.5	16.5
Listed Property	1.6	1.8	1.7	1.7	1.9
Managed Funds	1.2	1.3	1.3	1.2	1.2
Other (Syndicates, Unlisted Trusts etc)	0.9	0.8	0.7	1.0	1.2
Total %	16.1	17.0	18.3	20.4	20.8

Source: Multiport Pty Ltd

Limited recourse borrowing arrangements

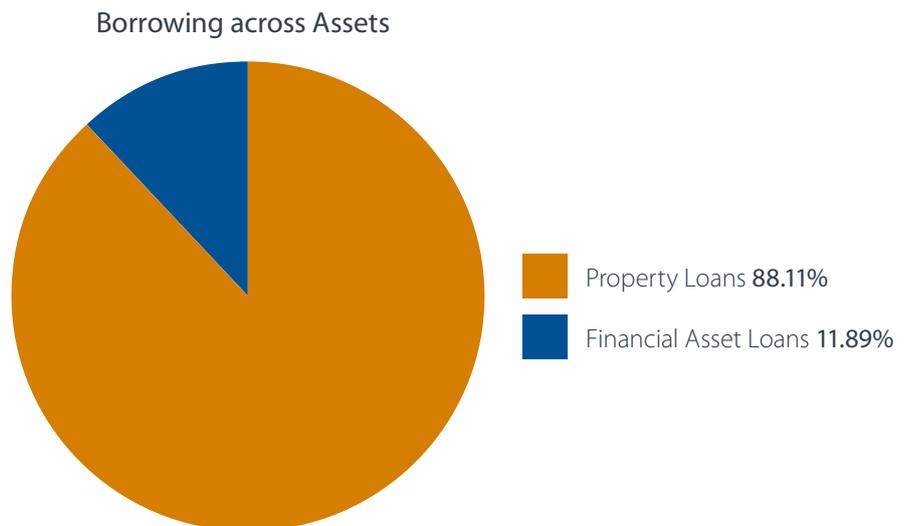
Around 17.5% of the total number of funds in the survey are currently utilising a borrowing arrangement, compared to 16.5% during the previous quarter.

In percentage terms, 88% of the number of loans relate to property, with financial asset loans representing 22% of the number of loans. As for the loan values, the average property loan amount was \$298k compared to \$88k for financial asset loans.

At the end of the December quarter 33% of all direct property holders had a gearing arrangement in place, up from 30% from the previous quarter. The table below shows the percentage of geared property for the year. This decrease in the geared property percentage in the September quarter and for the annual decrease was mainly the result of about 450 existing funds being added to the data. These funds held a relatively high portion of direct property mostly without borrowings, with the demographics being mainly older trustees.

	31 Dec 2014 (%)	31 March 2015 (%)	30 June 2015 (%)	30 Sept 2015 (%)	31 Dec 2015 (%)
Direct Property holders utilising LRBA's	35.9	37.0	38.8	29.8	33.0

The graph below shows the split across direct property and financial assets of the value of total borrowings at 31 December 2015.



For any queries in relation to this Investment Pattern Survey please contact Philip La Greca on (02) 9257 5326 or Philip@multiport.com.au. Philip La Greca is National Manager – SMSF Technical Solutions.

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