



**ATCHISON
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SUPERANNUATION MARKET PLACE

Quarterly Review to 30 June 2020

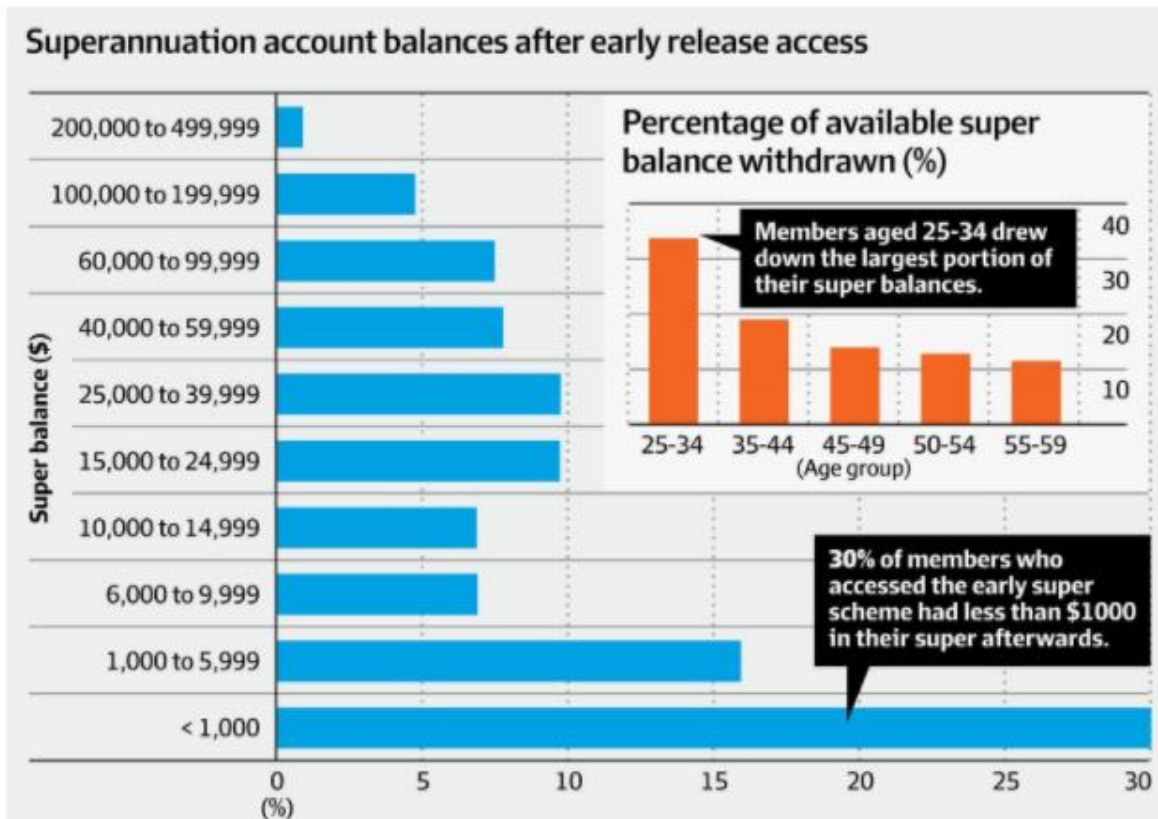
September 2020

Special Feature: The Impact of the Early Release Superannuation Scheme

The long term impact to individuals superannuation accounts due to the COVID -19 pandemic will not be known for many years to come. Building a nest egg for retirement is a compulsory requirement for working Australians, foregoing money now for the future is designed to help Australians become self-sufficient in retirement. The impact of removing superannuation savings now, and potentially forgoing 5 to 7 per cent annual compound returns over the long term may have material impacts to a member’s final balance in retirement.

Recent data released comprising the early super release shows that people aged between 25 to 34 drew down the largest portion of their super balances, drawing almost 35%, followed by people aged between 35-44, drawing almost 20% of their total super balance. There are many reasons why individuals have had to dip into their super balances, ranging from insufficient support, not being eligible for Jobkeeper or not being eligible for Jobseeker. A quote from Eva Scheerlinck, chief executive of the Australian Institute of Superannuation Trustees (AIST) in the Australian Financial Review made mention to the shortfalls “The early release scheme, unfortunately, forced many people to choose between poverty now or poverty in retirement”.

As shown below, it can be seen that approximately 30% of individuals who have accessed their super account early have less than \$1,000 left in their account. Followed by just over 15% of early access individuals who now only have between \$1,000 to \$5,999. In summary, the data shows that the majority of early access to super has come from younger individuals and individuals with lower super balances.

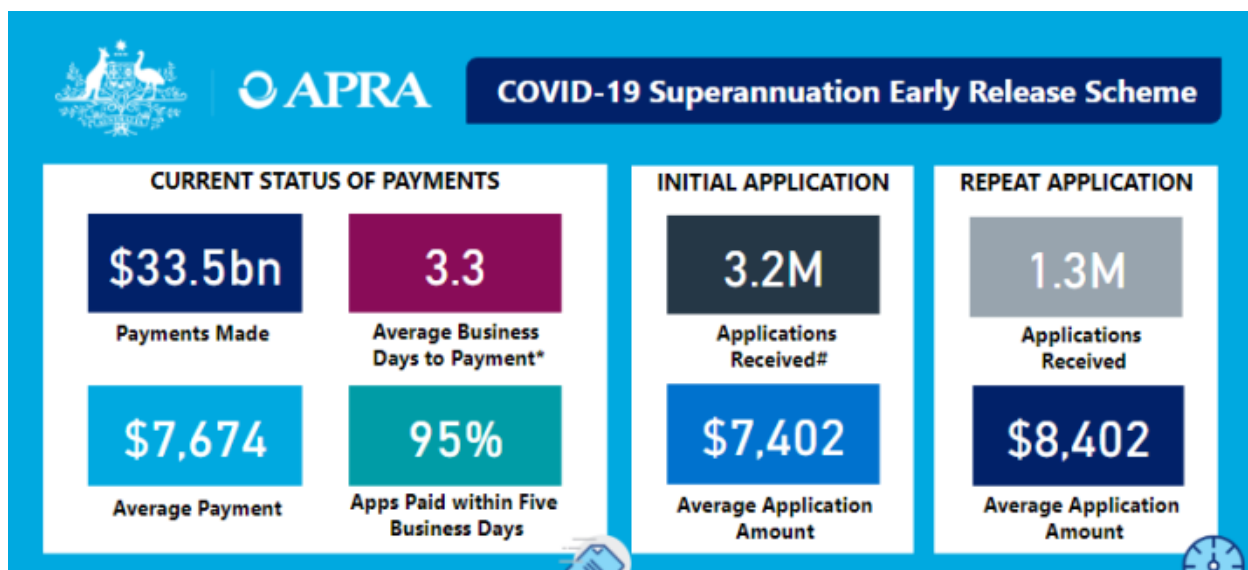


Source: AIST Member Fund Data. Australian Financial Review

While there are arguments to both sides of the coin, accessing super now or in the future, it's important that the pros and cons of the decision are considered; accessing early super money now, foregoing compounded growth for the future nest egg, paying down debt now as opposed to having debt grow is indeed a short term decision that may have long term implications that individuals are currently faced with due to the once in a generation pandemic.

Early Release Superannuation Scheme Update

Latest data released by APRA of the early release super scheme from inception to 20 September 2020 as per the dashboard below shows the current status of the scheme:



Source: APRA

- \$33.5billion payments have been made
- On average, super funds are taking 3.3 business days to make payments
- The average payment amount is \$7,674
- 95% of applications have been paid within five business days
- 3.2 million initial application have been received with the average application amount of \$7,402
- 1.3 million repeat applications have been received with the average application amount of \$8,402

Superannuation Market Place

Total Australian superannuation assets increased by 4.8% over the quarter to June 2020 to approximately \$2.9 trillion (refer to Table 2). The increase can be attributed to the rebound from the sell off experienced in the March 2020 quarter as a result of COVID-19, the rebound was particularly strong for growth assets. The strong turnaround in growth assets can be seen in Table 1 below.

Table 1: Quarterly Equity Performance – 30 June 2020

Asset Class	Index	Quarterly Return (%)
Australian Equities	S&P/ASX 200 TR	16.5
International Equities	MSCI World Ex Australia TR (AUD)	6.1
International Equities (Hedged)	MSCI World Ex Australia (hedged to AUD)	17.8
Australian Listed Property	S&P/ASX 200 A-REIT TR (AUD)	19.9
International Listed Property	FTSE EPRA/NAREIT Developed TR (AUD)	4.5

Source: S&P, MSCI, FTSE, FE

The composition, in terms of fund types, is as follows:

Table 2: Assets by Fund Type – 30 June 2020

Type	Assets (\$ Billion)	Assets (%)
APRA-Regulated		
Corporate	57.1	2.0
Industry	747.9	26.1
Public Sector	523.1	18.3
Retail	591.4	20.6
Other	2.1	0.1
Total APRA-Regulated	1921.60	67.1
Self-Managed Super Funds	733.1	25.6
Other	209.3	7.3
Total	2864.0	100.0

Source: APRA, Atchison Consultants

Australian superannuation total assets decreased 0.6% over the one year period to June 2020, significant falls over the March 2020 quarter due to COVID-19 and the Early Release Superannuation Scheme that commenced on 20 April contributed to the decrease. According to APRA, contributions into superannuation increased over the June 2020 quarter by 17.0%, despite the Early Release Superannuation Scheme, with total contributions decreasing 1.4% compared to the June 2019 quarter.

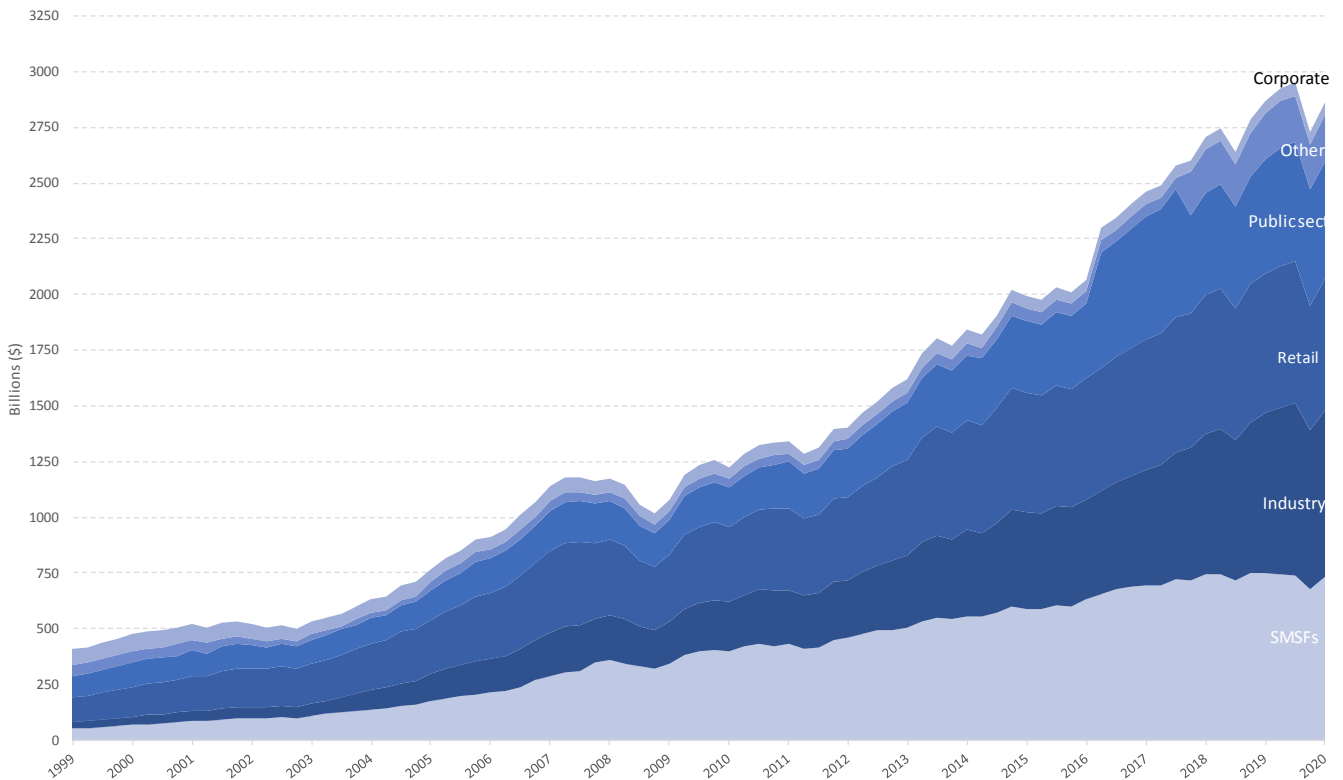
On a forecast basis, over the coming 10 years, total super assets are expected to grow to \$4.9 trillion in 2030.

Superannuation Industry Sectors

At June 2020, industry funds held the largest proportion of superannuation assets, accounting for 26.1% of total assets, self-managed funds closely followed with 25.6% of total superannuation assets. Retail funds held the third largest portion, representing 20.6%.

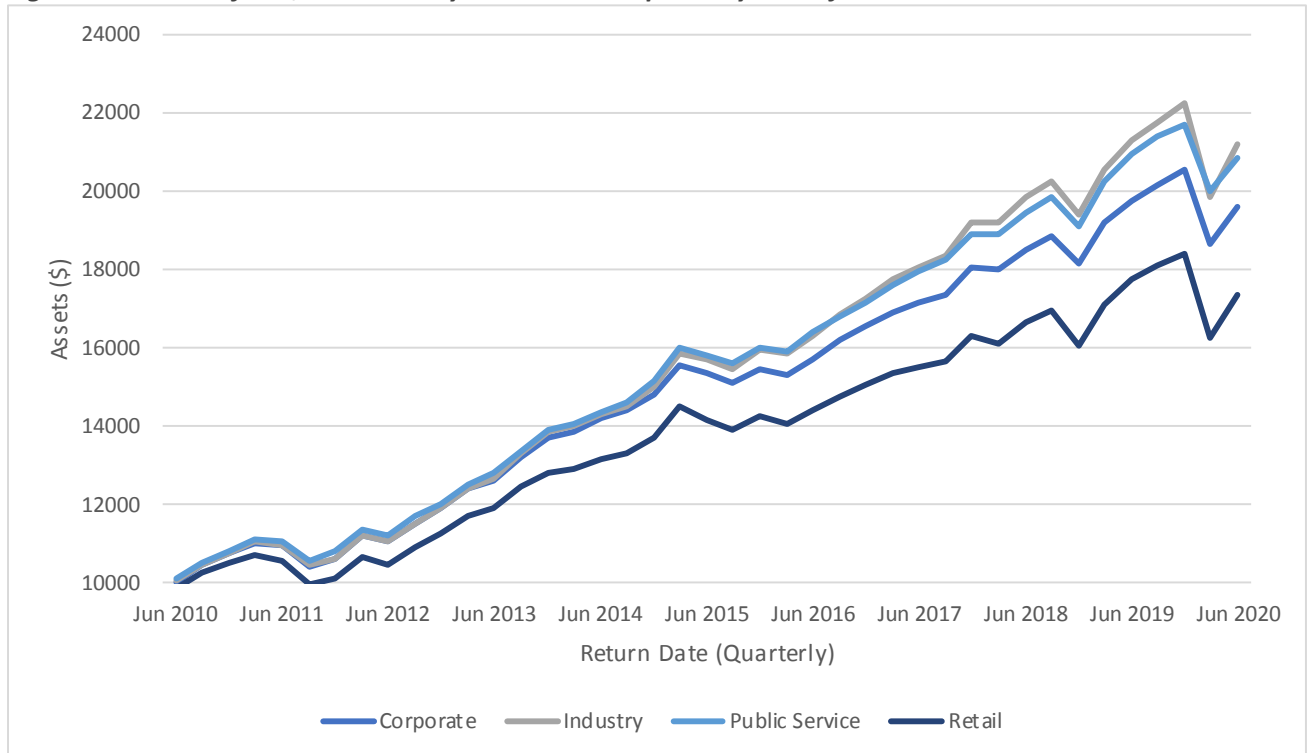
Superannuation assets were able to buck the March 2020 downward trend and increase total assets, with all sector total assets increasing over the June 2020 quarter, as evident in the below Figure. Figure 1 also provides a breakdown of the superannuation industry over time.

Figure 1: Superannuation Assets by Segment – 30 June 2020



Source: APRA, Atchison Consultants

Figure 2: Growth of \$10,000 over 10 years based on quarterly rate of returns – 30 June 2020



Source: APRA, Atchison Consultants

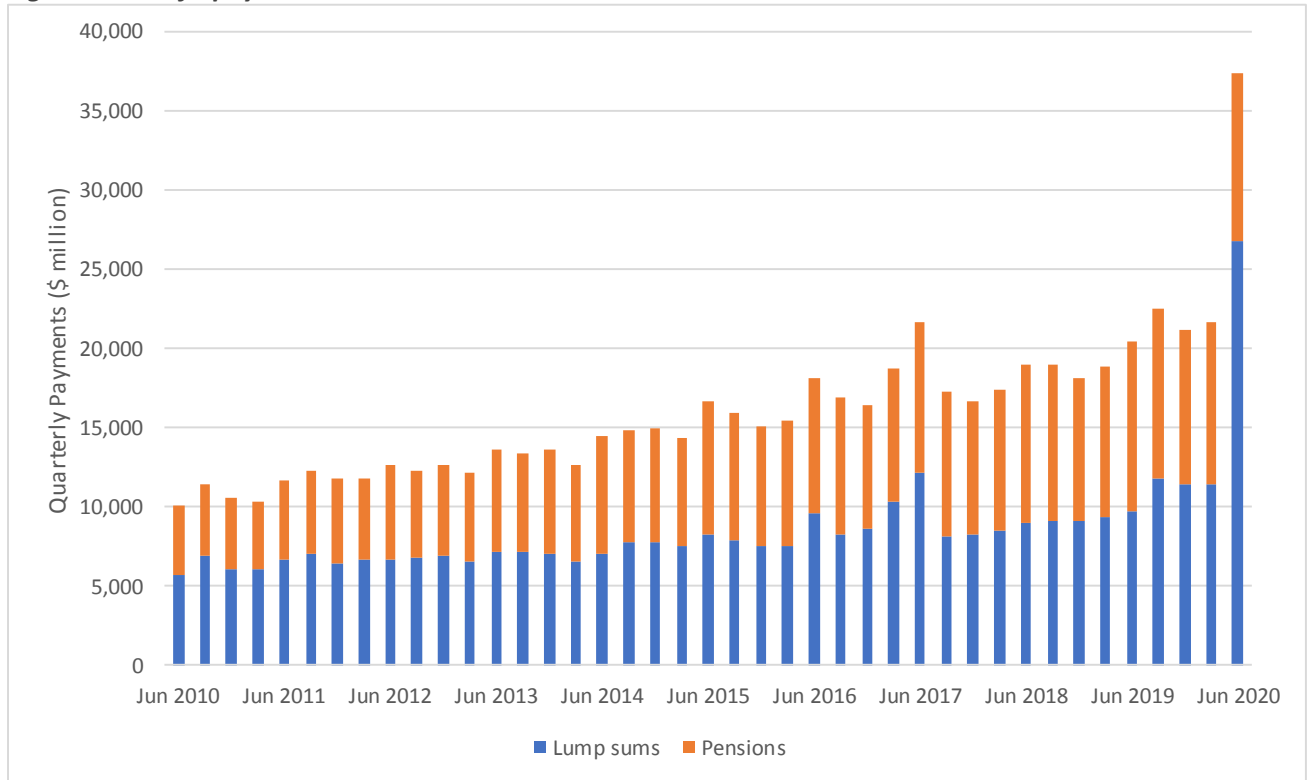
The performance of each fund type has stayed relatively similar over time, with members of all funds seeing strong growth in assets, with the exception over the March 2020 quarter due to the COVID – 19 pandemic, with performance declining significantly. Performance over the more recent June 2020 quarter as can be seen in Figure 2, rebounded back strongly however, recovering some of the losses experienced from the previous quarter. The Figure also shows the rate of return over the last 10 years, where industry and public sector funds have produced stronger returns over the 10 year period relative to retail and corporate funds. This reflects member sentiment but also the difficulty retail funds have faced over the last 10 years in gaining and returning to members when competing against not for profit funds.

Asset Flows

Contributions to APRA regulated superannuation (excluding self-managed funds) amounted to \$33.6 billion in the June 2020 quarter, a 1.4% decrease from the June 2019 quarter.

As shown in Figure 3, \$37.4 billion was paid in benefit payments in the June 2020 quarter, an increase of 82.6% from the June 2019 quarter, reflecting the impact of the COVID related early release program. Total benefit payments for the year ending June 2020 were \$102.8 billion.

Figure 3: Benefit payments – 30 June 2020



Source: APRA, Atchison Consultants

Asset Allocations

As shown in Table 3 below, superannuation entities reduced their exposure to Australian fixed income and Australian listed equity, by 1.1% and 1.3% respectively, while the largest increases over the one year period to 30 June 2020 included Cash and Total infrastructure, with increases of 3.7% and 0.4% respectively.

Table 3: Average Asset Allocation – 30 June 2020

Type	June 2019 (%)	June 2020 (%)
Cash	9.9	13.6
Fixed Income		
Australian Fixed Income	12.7	11.6
International Fixed Income	8.9	8.4
<i>of which: currency Hedged</i>	58.6	60.9
Total Fixed income	21.6	20.0
Equity		
Australian Listed Equity	22.3	21.0
International Listed Equity	24.4	24.1
<i>of which: currency Hedged</i>	30.9	28.2
Unlisted Equity	4.1	4.1
Total Equity	50.8	49.2
Property		
Listed Property	3.1	2.6
Unlisted Property	5.4	5.5
Total Property	8.5	8.2
Infrastructure		
Listed Infrastructure	1.5	1.4
Australian Unlisted Infrastructure	2.6	2.7
International Unlisted Infrastructure	1.6	1.8
<i>of which: currency Hedged</i>	61.8	53.0
Total Infrastructure	5.6	6.0
Commodities	0.1	0.1
Other	3.5	3.0
<i>of which: Hedge funds</i>	1.7	1.2
Total	100.0	100.0

Source: APRA, Atchison Consultants

Table 4 shows the weighted asset allocation for not-for-profit funds (industry and government superannuation funds), retail funds and mySuper funds.

Table 4: Superannuation Fund Asset Allocation – 30 June 2020

Type	Corporate (%)	Industry (%)	Public Sector (%)	Retail (%)	MySuper (%)
Growth Assets					
Equity	42.0	49.2	44.6	53.4	53.7
Property	9.7	9.2	8.8	6.3	9.4
Infrastructure	4.9	9.5	5.4	2.1	8.4
Other	1.8	1.5	3.9	4.1	2.6
Total Growth Assets	58.4	69.4	62.7	65.9	74.1
Defensive Assets					
Cash	9.3	13.4	15.0	13.2	7.5
Fixed Income	31.0	17.1	22.1	20.8	18.3
Commodities	1.3	0.0	0.2	0.1	0.1
Total Defensive Assets	41.6	30.5	37.3	34.1	25.9
Total	100	100	100	100	100

Source: APRA, Atchison Consultants

MySuper and industry funds represented the highest allocations to growth assets, relative to the other sectors, 74.1% and 69.4% respectively, while corporate funds represented the lowest allocation, 58.4%. In noting the above, MySuper funds held the highest allocation to equities, closely followed by retail funds, representing 53.7% and 53.4% respectively of the allocation. The largest allocations to property and infrastructure assets were industry and MySuper funds.

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