



**ATCHISON
CONSULTANTS**

SUPERANNUATION MARKET PLACE

Quarterly Review to 31 March 2021

June 2021

Special Feature: Self-Managed Super Funds

Self-managed super funds (SMSFs) are Australian Taxation Office (ATO) regulated funds. Generally speaking, SMSFs are private superannuation funds. They are required to have four or fewer members, all members are trustees or directors of the trustee company, no trustee of the fund receives any remuneration for their services as trustee and no members are employees of other members.

Having an SMSF can provide greater control for some individuals, having full oversight into all aspects of your super, rather than relying on an industry or retail fund to manager your super. While this may sound appealing, managing super independently, it does involve experience, education, management, compliance and administration costs as well as a detailed oversight into the superannuation environment.

While professional super funds are regulated by APRA (Australian Prudential Authority), SMSFs are regulated by the ATO, meaning that regulatory oversight differs. For example, in the instance of investment theft or fraud, funds regulated by APRA can apply to the government for compensation which if funded via an industry levy, whereas SMSFs cannot, with the pursuit of compensation coming out of your own expense.

The table below shows the number of SMSFs that were established or wound up during each financial year between June 2015 to June 2019. It can be seen the total number of SMSFs has grown over each financial year, evidence of the popularity that SMSFs have.

Table: Population Table – Annual Data

Year ended	Establishments	Wind-ups	Net establishments	Total number of SMSFs	Total members of SMSFs
Jun-19	20,427	13,544	6,883	581,231	1,090,467
Jun-18	25,381	23,927	1,454	574,348	1,076,982
Jun-17	30,352	14,508	15,844	572,894	1,079,734
Jun-16	32,810	13,385	19,425	557,050	1,049,544
Jun-15	33,743	13,600	20,143	537,625	1,017,776

Source: ATO

The following table shows the proportion of SMSFs by numbers of members, it can be seen between the financial years 2014-2019 the percentage of members has stayed consistent, with the vast majority of SMSFs having two members.

Table: Proportion of SMSFs by number of members (%)

Number of members	2018-19	2017-18	2016-17	2015-16	2014-15
1	23.5	23.1	23.0	22.9	22.8
2	69.5	69.5	69.5	69.5	69.4
3	3.4	3.6	3.7	3.7	3.8
4	3.6	3.8	3.8	3.9	4.0
Total	100	100	100	100	100

Source: ATO

Another aspect of an SMSF are the diversification aspects available, not being restricted to a more conventional “balanced fund” asset allocation. As can be seen below, the table shows the distribution of assets held by SMSFs of different sizes, based on total fund assets. It can be seen that depending on a funds size the asset type greatly differs, for example, an SMSF balance between \$1 to \$50,000 has the majority of assets invested in cash and term deposits, representing 52.6%, whereas at the other end of the spectrum, an SMSF balance in excess of \$50million only has 14.6% invested in cash and term deposits, with the majority of assets invested in listed shares, representing 24.5%.

Table: Asset Distribution by Fund Size 2018-19 (%)

Asset Type	\$1 to \$50k	>\$50k to \$100k	>\$100k to \$200k	>\$200k to \$500k	>\$500k to \$1m	>\$1m to \$2m	>\$2m to \$5m	>\$5m to \$10m	>\$10m to \$20m	>\$20m to \$50m	>\$50m
Listed trusts	1.4	2.4	4.1	5.2	6.1	6.6	6.1	5.3	4.6	3.2	2.0
Unlisted trusts	2.2	5.0	7.0	7.0	7.9	9.9	12.0	14.0	16.1	19.0	16.6
Insurance policy	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Other managed investments	1.1	2.5	3.0	3.8	4.6	5.6	5.7	5.6	5.1	4.4	2.6
Cash and term deposits	52.6	45.4	42.3	28.9	23.6	22.9	20.4	17.7	15.4	13.7	14.6
Debt securities	0.2	0.2	0.4	0.6	1.0	1.4	1.8	2.0	2.0	1.7	0.8
Loans	1.5	2.8	2.1	0.8	0.5	0.5	0.6	0.8	1.0	2.4	2.4
Listed shares	22.4	22.6	22.7	22.7	25.1	29.0	30.5	31.1	30.2	22.9	24.5
Unlisted shares	2.3	2.5	2.1	1.0	0.7	0.6	0.9	1.4	2.0	3.9	2.8
Limited recourse borrowing arrangements	<0.1	0.2	1.1	14.5	14.2	5.9	3.2	3.1	3.8	6.5	10.3
Non-residential real property	0.8	1.7	2.9	5.2	6.3	8.1	10.0	10.5	10.8	12.1	15.7
Residential real property	1.0	2.2	3.3	5.7	6.3	5.7	4.7	3.6	2.9	1.9	1.1
Collectables and personal use assets	0.5	0.5	0.4	0.1	0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Other assets	11.3	8.9	6.3	3.2	2.4	2.5	2.5	2.6	3.1	4.1	3.8
Crypto-Currency	1.2	1.1	0.5	0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Overseas shares	0.8	1.0	0.9	0.7	0.7	0.8	1.1	1.6	2.2	2.5	2.1
Overseas non-residential real property	<0.1	0.1	0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	0.3	<0.1
Overseas residential real property	0.2	0.4	0.4	0.1	0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Overseas managed investments	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.5	0.2
Other overseas assets	0.3	0.5	0.5	0.3	0.2	0.3	0.3	0.4	0.6	0.8	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ATO

Superannuation Market Place

Total Australian superannuation assets increased by 3.1% over the quarter to March 2021 to approximately \$3.1 trillion (refer to Table 2). In terms of equity performance over the quarter, as shown in Table 1 below, all growth assets with the exception of Australian Listed Property experienced strong returns.

Table 1: Quarterly Equity Performance – 31 March 2021

Asset Class	Index	Quarterly Return (%)
Australian Equities	S&P/ASX 200 TR	4.3
International Equities	MSCI World Ex Australia TR (AUD)	6.3
International Equities (Hedged)	MSCI World Ex Australia (hedged to AUD)	6.2
Australian Listed Property	S&P/ASX 200 A-REIT TR (AUD)	-0.5
International Listed Property	FTSE EPRA/NAREIT Developed TR (AUD)	7.2

Source: S&P, MSCI, FTSE, FE

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

Table 2: Assets by Fund Type – 31 March 2021

Type	Assets (\$ Billion)	Assets (%)
APRA-Regulated		
Corporate	59.2	1.9
Industry	857.6	27.4
Public Sector	561.8	18.0
Retail	651.2	20.8
Other	1.8	0.1
Total APRA-Regulated	2131.6	68.2
Self-Managed Super Funds	787.1	25.2
Other	208.1	6.7
Total	3126.8	100.0

Source: APRA, Atchison Consultants

Australian superannuation total assets increased 13.9% over the one year period to March 2021. According to APRA, contributions into superannuation decreased over the March 2021 quarter by 0.3%, however contributions did increase by 2.5% compared to the March 2020 quarter.

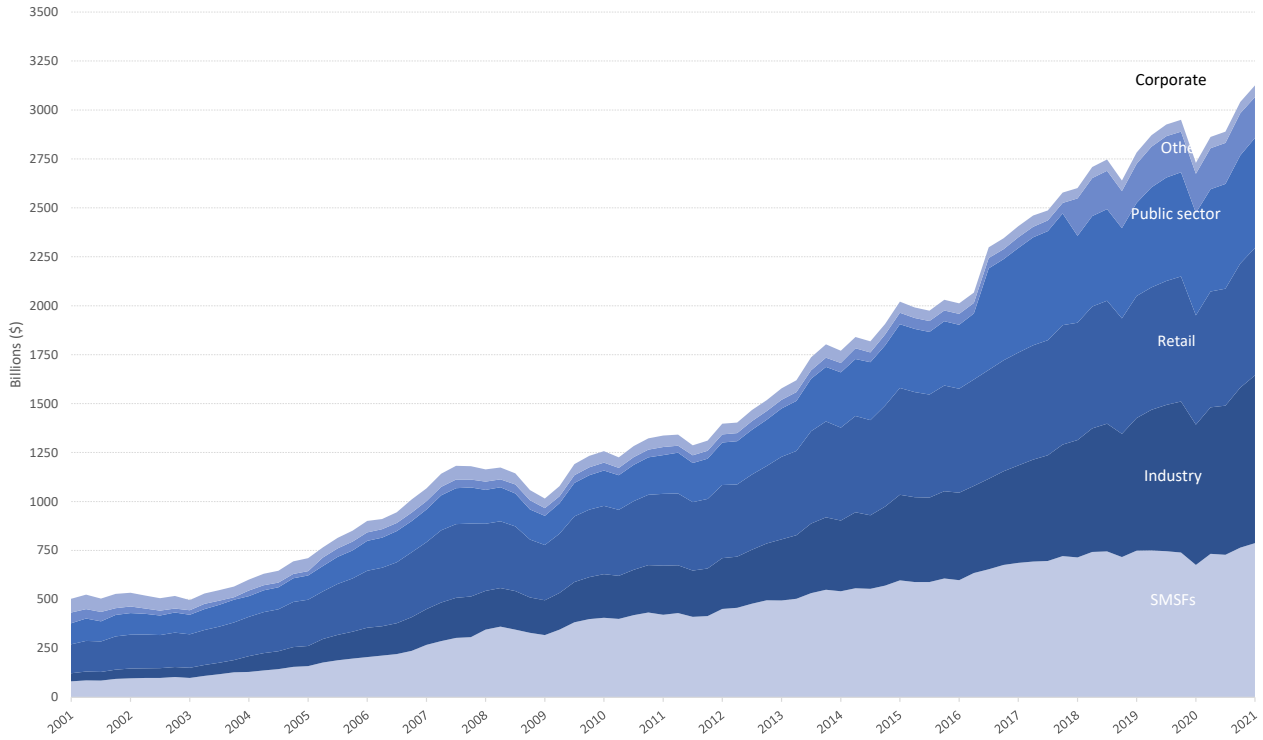
On a forecast basis, over the coming 10 years, total super assets are expected to grow to \$5.4 trillion in 2031.

Superannuation Industry Sectors

At March 2021, industry funds held the largest proportion of superannuation assets, accounting for 27.4% of total assets, self-managed funds closely followed with 25.2% of total superannuation assets. Retail funds held the third largest portion, representing 20.8%.

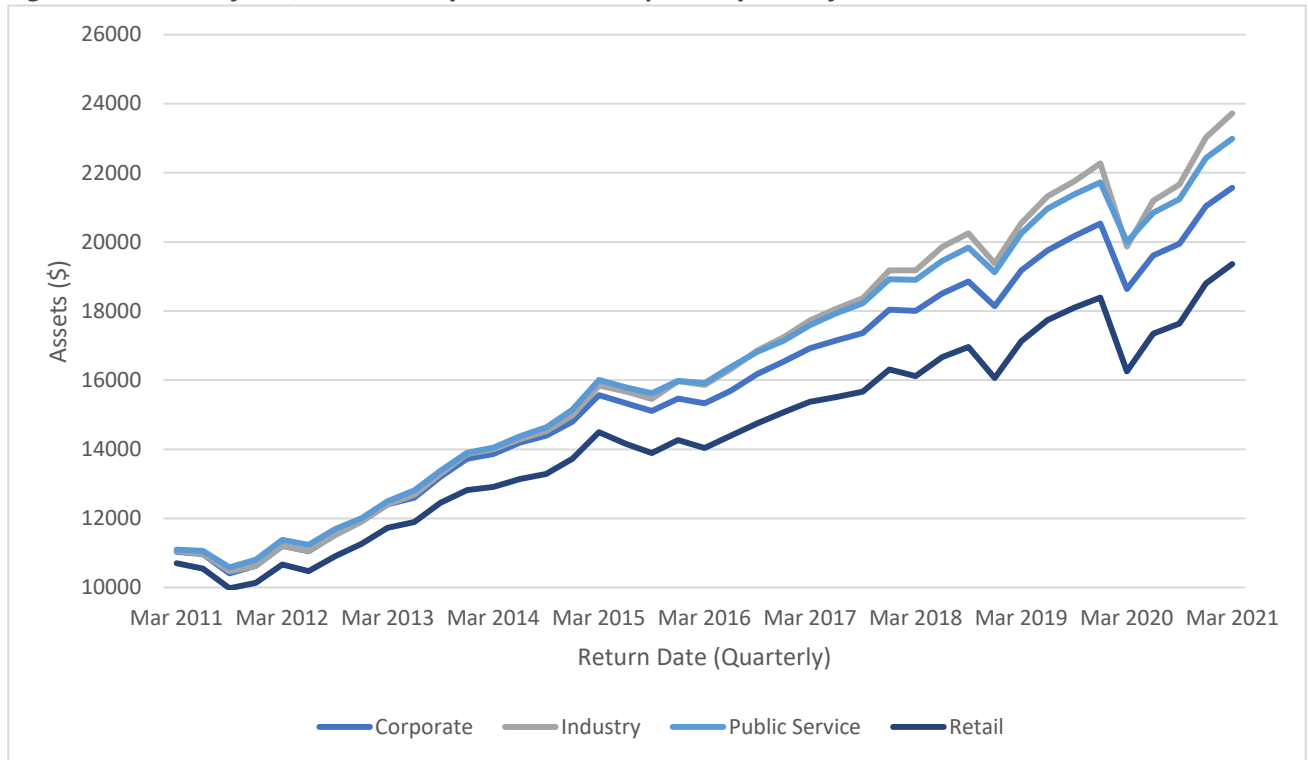
Superannuation assets by segment, were able to continue on from the December 2020 increase and once again increase total assets, as evident in the below Figure. Figure 1 also provides a breakdown of the superannuation industry over time.

Figure 1: Superannuation Assets by Segment – 31 March 2021



Source: APRA, Atchison Consultants

Figure 2: Growth of \$10,000 over 10 years based on quarterly rate of returns – 31 March 2021



Source: APRA, Atchison Consultants

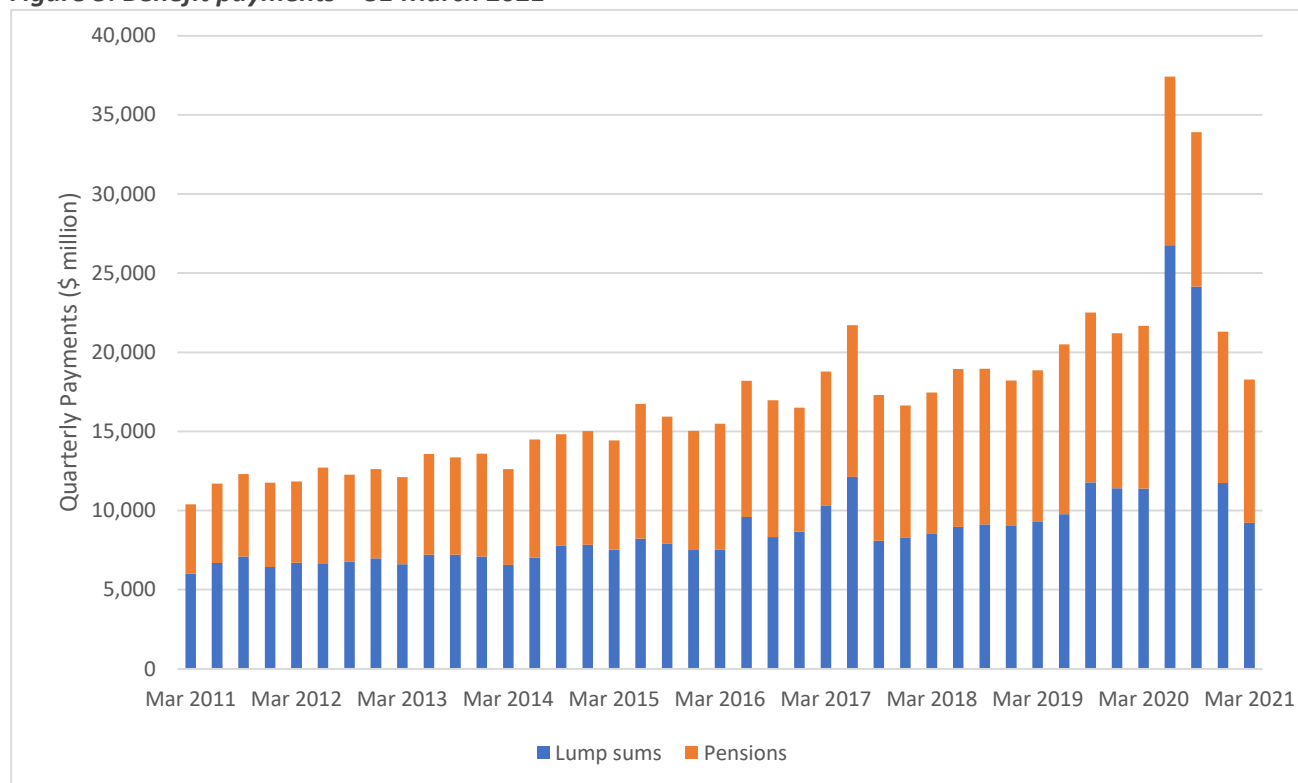
The performance of each fund type has stayed relatively similar over time, with members of all funds seeing strong growth in assets, with the exception over the March 2020 quarter due to the COVID – 19 pandemic, with performance declining significantly. Performance over the more recent March 2021 quarter as shown in Figure 2, continued on from the December 2020 rebound, recovering the losses experienced from the March 2020 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 \$29.2 billion in the March 2021 quarter, a 2.5% increase from the March 2020 quarter.

As shown in Figure 3, \$18.3 billion was paid in benefit payments in the March 2021 quarter, significantly lower than previous quarters which experienced historically high levels of lump sum payments due to the Early Release Super Scheme. Total benefit payments for the year ending March 2021 were \$110.9 billion.

Figure 3: Benefit payments – 31 March 2021



Source: APRA, Atchison Consultants

Asset Allocations

As shown in Table 3 below, superannuation entities reduced their value to Cash and Unlisted Property, by 3.4% and 1.0% respectively, while the largest increases over the one year period to 31 March 2021 included Australian and International Listed Equity, with increases of 4.1% and 2.7% respectively.

Table 3: Average Asset Allocation – 31 March 2021

Type	Mar 2020 (%)	Mar 2021 (%)
Cash	13.5	10.1
Fixed Income		
Australian Fixed Income	11.3	11.3
International Fixed Income	8.9	8.1
<i>of which: currency Hedged</i>	59.9	63.7
Total Fixed income	20.9	19.4
Equity		
Australian Listed Equity	18.7	22.8
International Listed Equity	24.2	26.9
<i>of which: currency Hedged</i>	27.3	30.1
Unlisted Equity	4.7	4.3
Total Equity	47.6	54.0
Property		
Listed Property	2.4	2.8
Unlisted Property	5.9	4.9
Total Property	8.3	7.8
Infrastructure		
Listed Infrastructure	1.3	1.3
Australian Unlisted Infrastructure	2.8	2.6
International Unlisted Infrastructure	1.9	1.9
<i>of which: currency Hedged</i>	53.2	57.3
Total Infrastructure	6.0	5.8
Commodities	0.1	0.2
Other	3.5	2.6
<i>of which: Hedge funds</i>	1.5	1.0
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 – 31 March 2021

Type	Corporate (%)	Industry (%)	Public Sector (%)	Retail (%)	MySuper (%)
Growth Assets					
Equity	47.7	55.1	48.0	56.1	54.2
Property	9.5	8.3	8.5	6.4	7.9
Infrastructure	5.0	9.1	5.1	2.1	7.8
Other	1.6	1.3	3.8	4.0	7.6
Total Growth Assets	63.8	73.8	65.4	68.6	77.5
Defensive Assets					
Cash	7.0	8.2	11.8	11.9	6.3
Fixed Income	28.2	17.9	22.4	19.3	16.0
Commodities	1.1	0.0	0.4	0.2	0.2
Total Defensive Assets	36.3	26.1	34.6	31.4	22.5
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, 77.5% and 73.8% respectively, while corporate funds represented the lowest allocation, 63.8%. In noting the above, retail funds held the highest allocation to equities, closely followed by industry funds, representing 56.1% and 55.1% respectively of the allocation. The largest allocations to property and infrastructure assets were industry and MySuper funds.

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