



**ATCHISON
CONSULTANTS**

SUPERANNUATION MARKET PLACE

Quarterly Review to 31 December 2020

March 2021

Special Feature: Global Pension Assets

Recent studies conducted by Willis Towers Watson into Global Pension Assets concluded that Australia has been one of the worlds most successful pension markets, with assets under management increasing on average 11.3% p.a. over 20 years to 2020 in USD terms. This figure represents fund returns and mandatory/voluntary contributions into the superannuation system.

The Global Pension Study covers 22 major pension markets, Australia, Brazil, Canada, Chile, China, Finland, Germany, Hong Kong, India, Italy, Japan, Malaysia, Mexico, Netherlands, South Africa, South Korea, Spain, Switzerland, UK and the US (the P22.) As at December 2020 the P22 had roughly US\$52,522 billion in pension assets, which accounts for roughly 80% of the GDP of these countries. As shown in the below table, pension assets as a percentage of a countries GDP concluded that The Netherlands had the highest assets/GDP ratio, representing 214%, with Canada coming in second with 192% followed by Australia at third, with 175%. It can also be seen that China had the lowest assets/GDP ratio, representing only 1.9% of GDP. In terms of total pension assets, the US clearly has the largest size, representing 62% of the total P22 assets, followed by the UK and Japan, with Australia coming in at number five.

Asset Size		
Country	Estimated Assets 2020 (USD billion)	Assets/GDP Ratio %
Australia	2,333	174.8
Brazil	195	14.3
Canada	3,080	192.5
Chile	243	99.2
China	285	1.9
Finland	279	104.3
France	166	6.5
Germany	548	14.5
Hong Kong	199	58.3
India	184	7.1
Ireland	197	49.4
Italy	231	12.5
Japan	3,613	73.6
Malaysia	279	83.0
Mexico	259	24.9
Netherlands	1,900	214.4
South Africa	223	78.8
South Korea	968	61.0
Spain	44	3.6
Switzerland	1,163	164.3
UK	3,564	135.1
US	32,567	156.5

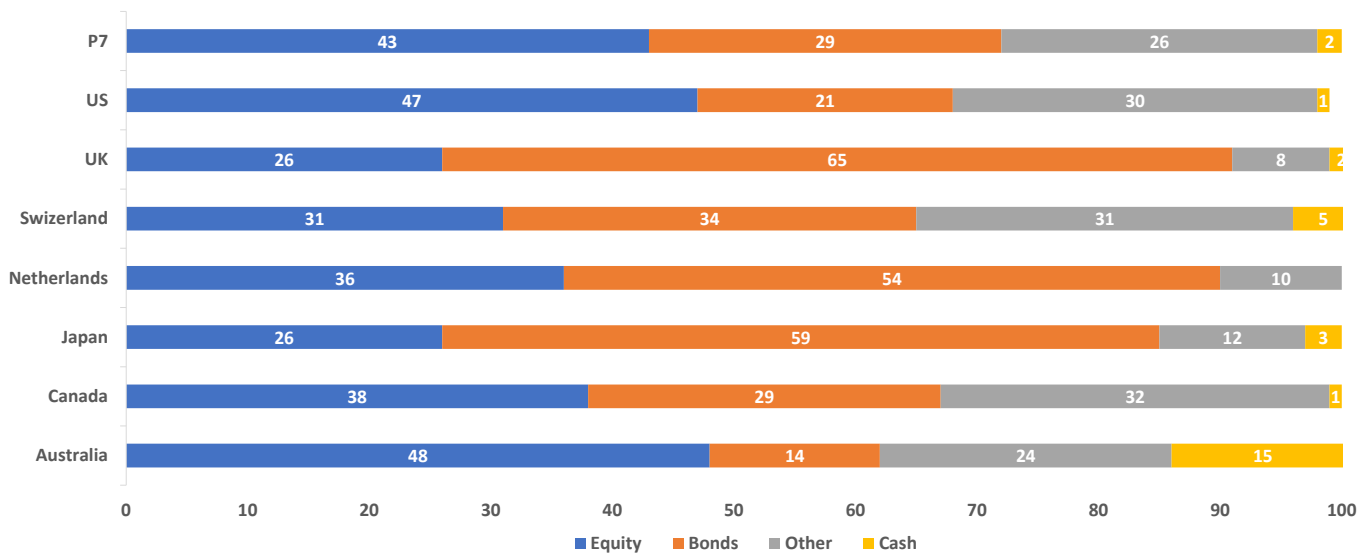
Source: Thinking Ahead Institute

In relation to asset allocation, when compared to the P7 pension markets, Australia, Canada, Japan, Netherlands, Switzerland, UK and the US, it can be seen, as per the below chart, that Australia and the US have

the highest allocation to equities, with Japan, Netherlands and the UK having the highest allocation to bonds. Another key point to note is that although Australia has the highest allocation to equities, Australia’s pension assets had by a material percentage, the highest allocation to cash, representing 15%, well above the P7 average of 2%, and well above the next country, Switzerland with an allocation of only 5%.

Another asset class for Australia’s strong performance is the alternative asset class, which now accounts for 24% of total assets. In line with the other P7 pension markets, the alternatives asset class has on average increased from just 7% to now sit on average at 26% of total assets, evidence of the historical strong returns the alternative asset class has been producing.

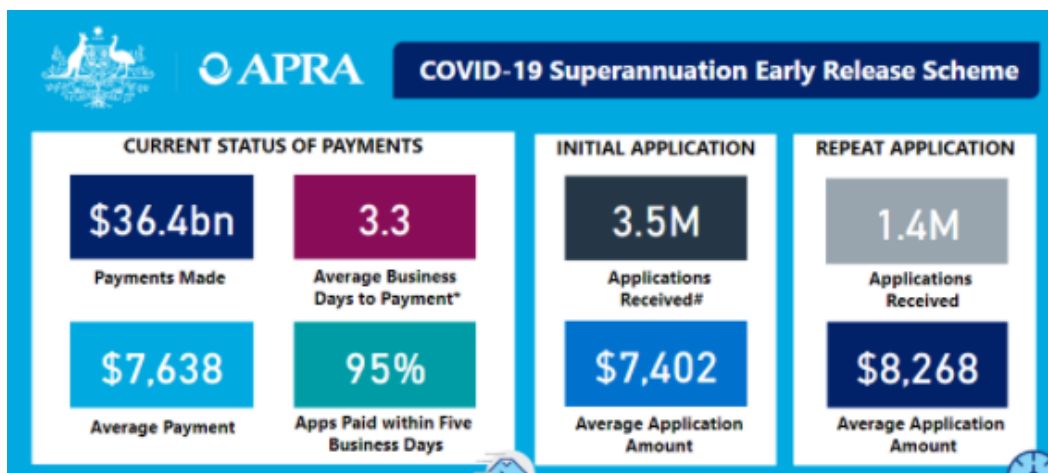
P7 Asset Allocation (%) 2020



Source: Thinking Ahead Institute

Early Release Superannuation Scheme Update

The early release super scheme covered the period between 20 April 2020 – 31 December 2020. The final release by APRA covered the period through to January 2021 to allow additional time for applications to be processed and complete payments.



Source: APRA

- \$36.4billion payments were made
- On average, super funds took 3.3 business days to make payments
- The average payment amount was \$7,638
- 95% of applications were paid within five business days
- 3.5 million initial application were received with the average application amount of \$7,402
- 1.4 million repeat applications were received with the average application amount of \$8,268

Superannuation Market Place

Total Australian superannuation assets increased by 5.4% over the quarter to December 2020 to approximately \$3.0 trillion (refer to Table 2). In terms of equity performance over the quarter, as shown in Table 1 below, all growth assets experienced strong returns.

Table 1: Quarterly Equity Performance – 31 December 2020

Asset Class	Index	Quarterly Return (%)
Australian Equities	S&P/ASX 200 TR	13.6
International Equities	MSCI World Ex Australia TR (AUD)	5.8
International Equities (Hedged)	MSCI World Ex Australia (hedged to AUD)	11.7
Australian Listed Property	S&P/ASX 200 A-REIT TR (AUD)	13.3
International Listed Property	FTSE EPRA/NAREIT Developed TR (AUD)	6.0

Source: S&P, MSCI, FTSE, FE

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

Table 2: Assets by Fund Type – 31 December 2020

Type	Assets (\$ Billion)	Assets (%)
APRA-Regulated		
Corporate	58.0	1.9
Industry	817.9	26.9
Public Sector	552.6	18.2
Retail	633.6	20.8
Other	1.9	0.1
Total APRA-Regulated	2064.0	67.8
Self-Managed Super Funds	764.2	25.1
Other	214.8	7.1
Total	3043.0	100.0

Source: APRA, Atchison Consultants

Australian superannuation total assets increased 2.2% over the one year period to December 2020. Early Release Superannuation Scheme payments significantly diminished over the December quarter, helping the

increase. According to APRA, contributions into superannuation increased over the December 2020 quarter by 6.5%, with contributions also increasing 1.8% compared to the December 2019 quarter.

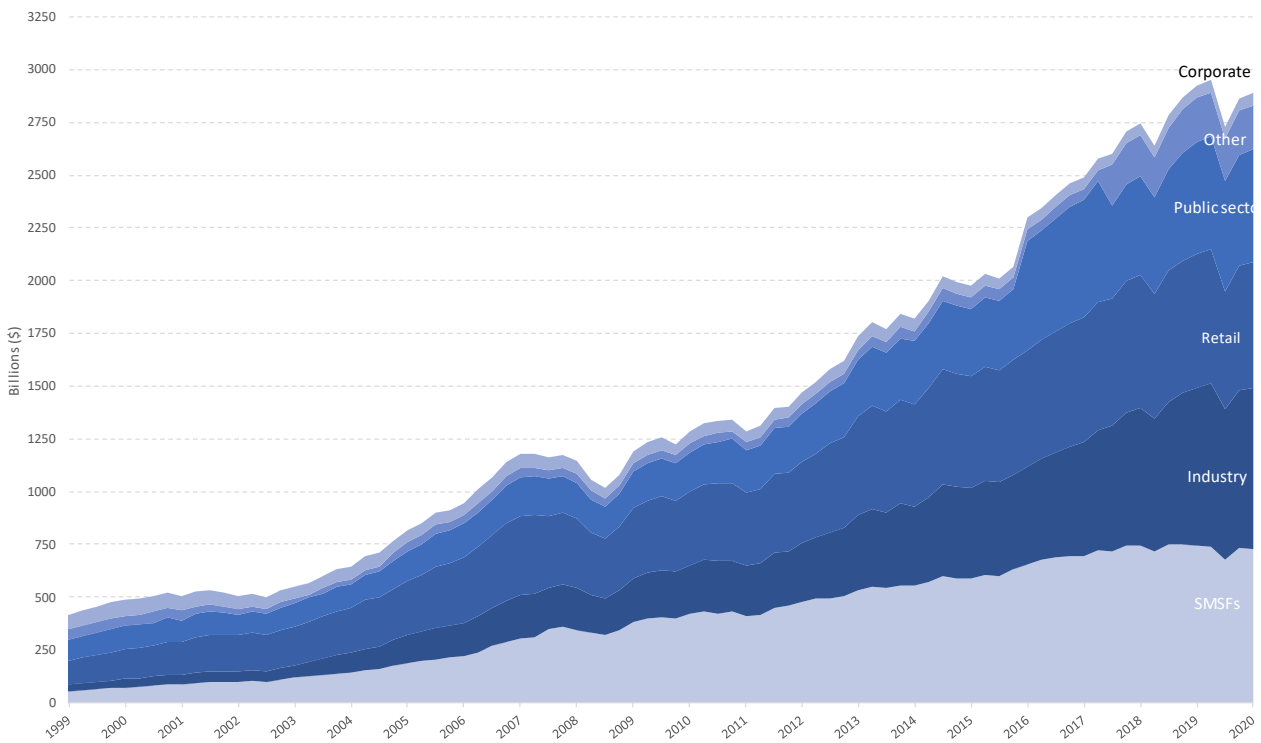
On a forecast basis, over the coming 10 years, total super assets are expected to grow to \$5.3 trillion in 2030.

Superannuation Industry Sectors

At December 2020, industry funds held the largest proportion of superannuation assets, accounting for 26.9% of total assets, self-managed funds closely followed with 25.1% of total superannuation assets. Retail funds held the third largest portion, representing 20.8%.

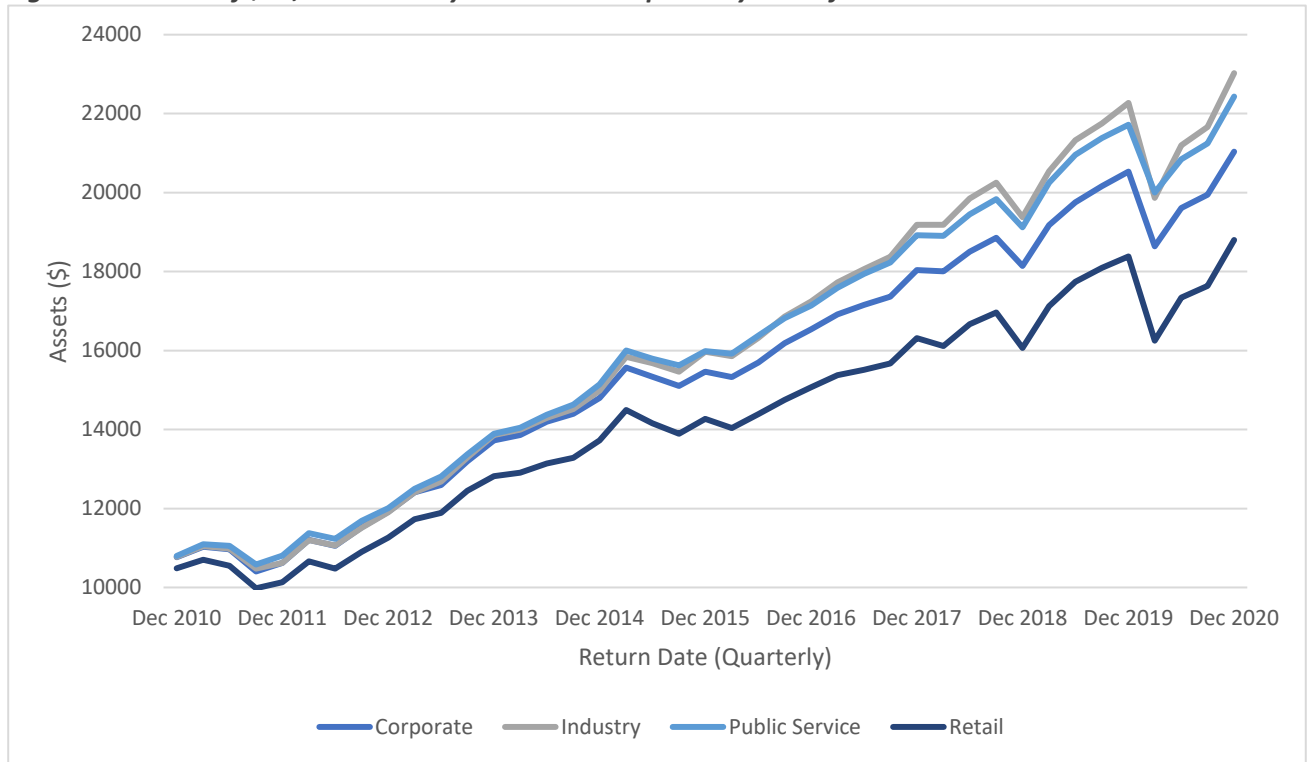
Superannuation assets by segment, were able to continue on from the September 2020 increase and once again increase total assets, as evident in the below Figure. Figure 1 also provides a breakdown of the superannuation industry over time.

Figure 1: Superannuation Assets by Segment – 31 December 2020



Source: APRA, Atchison Consultants

Figure 2: Growth of \$10,000 over 10 years based on quarterly rate of returns – 31 December 2020



Source: APRA, Atchison Consultants

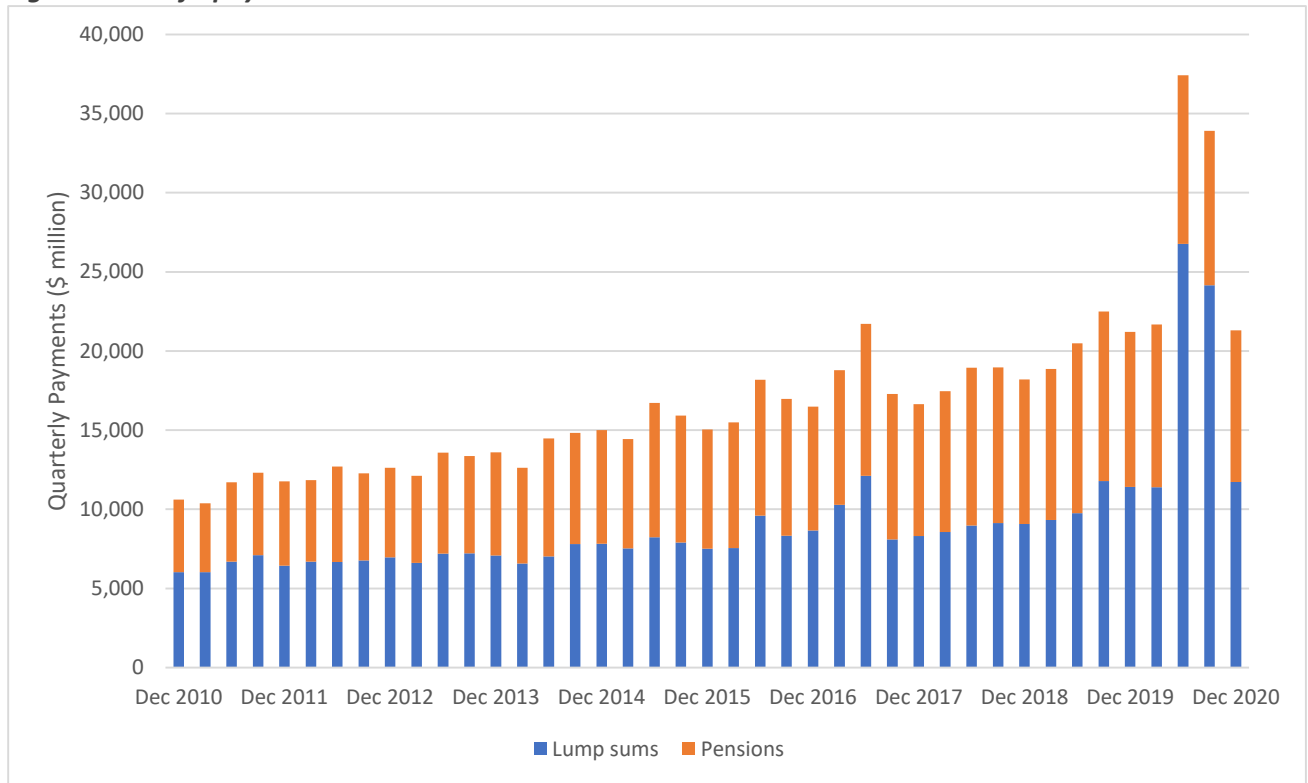
The performance of each fund type has stayed relatively similar over time, with members of all funds seeing strong growth in assets, with the exception over the March 2020 quarter due to the COVID – 19 pandemic, with performance declining significantly. Performance over the more recent December 2020 quarter as shown in Figure 2, continued on from the September 2020 rebound, recovering some of 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 \$29.5 billion in the December 2020 quarter, a 1.8% increase from the December 2019 quarter.

As shown in Figure 3, \$21.3 billion was paid in benefit payments in the December 2020 quarter, significantly lower than the two 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 December 2020 were \$114.3 billion.

Figure 3: Benefit payments – 31 December 2020



Source: APRA, Atchison Consultants

Asset Allocations

As shown in Table 3 below, superannuation entities reduced their value of International Fixed Income, Listed Property and Unlisted Property, by 1.1% ,0.3 and 0.3%% respectively, while the largest increases over the one year period to 31 December 2020 included Cash and International Listed Equity, with increases of 1.1% and 0.7% respectively.

Table 3: Average Asset Allocation – 31 December 2020

Type	Dec 2019 (%)	Dec 2020 (%)
Cash	9.5	10.6
Fixed Income		
Australian Fixed Income	12.2	11.8
International Fixed Income	9.2	8.1
<i>of which: currency Hedged</i>	55.9	60.3
Total Fixed income	21.3	19.8
Equity		
Australian Listed Equity	22.0	22.5
International Listed Equity	25.3	26.0
<i>of which: currency Hedged</i>	28.4	31.4
Unlisted Equity	4.1	4.1
Total Equity	51.4	52.7
Property		
Listed Property	3.1	2.8
Unlisted Property	5.4	5.1
Total Property	8.5	7.9
Infrastructure		
Listed Infrastructure	1.5	1.3
Australian Unlisted Infrastructure	2.7	2.7
International Unlisted Infrastructure	1.7	1.8
<i>of which: currency Hedged</i>	51.6	58.4
Total Infrastructure	5.9	5.8
Commodities	0.1	0.2
Other	3.2	2.9
<i>of which: Hedge funds</i>	1.5	1.1
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 December 2020

Type	Corporate (%)	Industry (%)	Public Sector (%)	Retail (%)	MySuper (%)
Growth Assets					
Equity	45.3	54.4	46.4	56.1	57.3
Property	9.2	8.6	8.5	6.4	8.7
Infrastructure	5.2	9.3	5.1	2.1	8.2
Other	1.7	1.5	3.9	4.0	2.5
Total Growth Assets	61.4	73.8	63.9	68.6	76.7
Defensive Assets					
Cash	7.6	8.4	12.5	12.1	4.9
Fixed Income	29.9	17.7	23.1	19.1	18.1
Commodities	1.1	0.0	0.5	0.2	0.2
Total Defensive Assets	38.6	26.1	36.1	31.4	23.2
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, 76.7% and 73.8% respectively, while corporate funds represented the lowest allocation, 61.4%. In noting the above, MySuper funds held the highest allocation to equities, closely followed by retail funds, representing 57.3% and 56.1% respectively of the allocation. The largest allocations to property and infrastructure assets were industry and MySuper funds.

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