

Atchison



Superannuation Market Place

Quarterly Review to 30 September 2022



Identifying
Opportunity™

Special Feature:

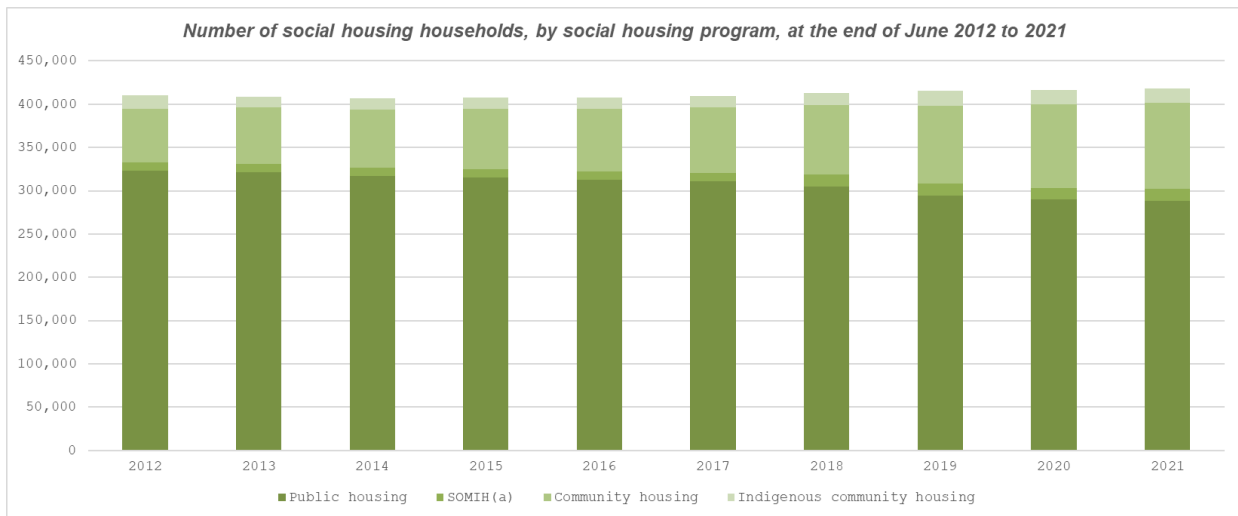
Investment in Social Housing

The Australian federal government has met with the superannuation industry encouraging investment in social and affordable housing to tackle the supply shortage.

Social housing in Australia

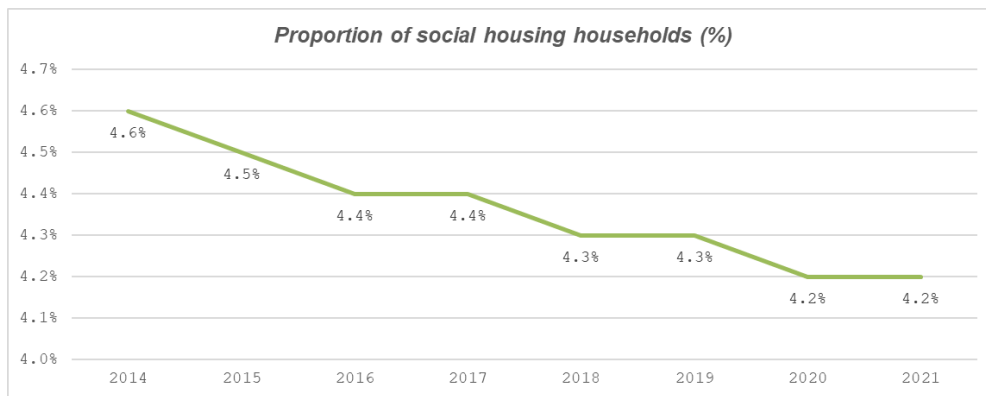
As released by the Australian Institute of Health and Welfare (AIHW) in 2022, the social housing program includes four sectors, and their respective number of households within 10 years are shown in the figure below:

- Public housing
- State-owned and managed Indigenous housing (SOMIH)
- Community housing
- Indigenous community housing



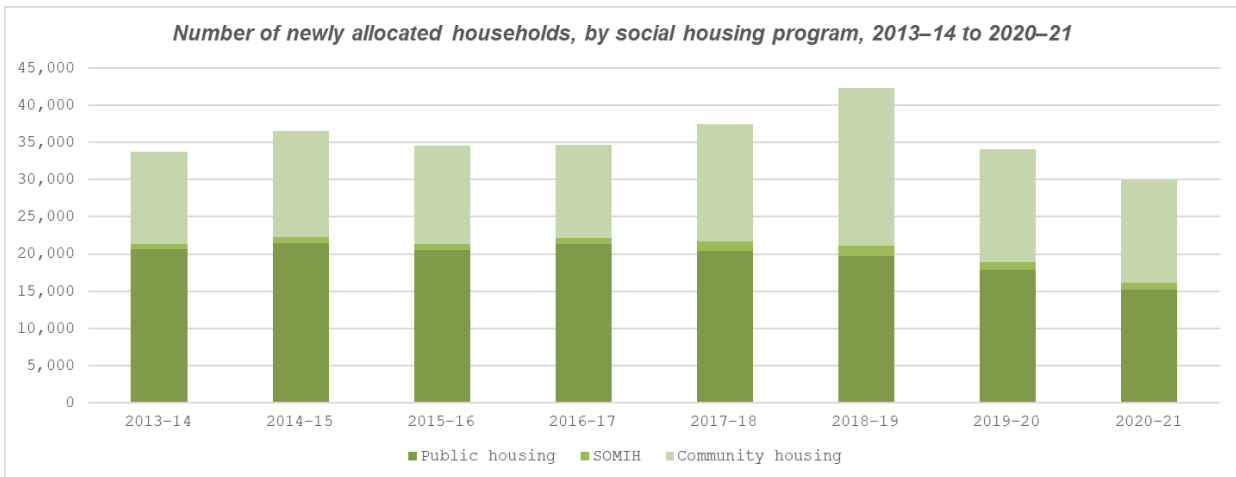
Source: AIHW 2022

The proportion of social housing households has declined from 4.6% in 2014 to 4.2% in 2021 (AIHW, 2022).



Source: AIHW 2022

As displayed in the figure below, the number of newly allocated households reduces continuously in the last three financial years (at the end of June 2021).



Source: AIHW 2022

Obstacles and opportunities in social housing investment

From super funds' perspective, social housing is considered to be a steady investment option:

- *The government can collaborate with the superannuation industry in various aspects*
- *Regarding ESG (Environmental, Social and Governance) issues, Investment in social housing is a reliable way to achieve beneficial social impacts, especially in specialist housing.*
- *The income streams generated from the social housing investments are ultimately paid by governments and are inflation-linked, making this investment option less vulnerable to economic shifts.*

However, super funds are wary of the investment risk along with limited investment return, meaning that further support, such as improving compensation and return expectations will be required from the government to boost the likelihood of investment.

Superannuation Market Place

Total Australian superannuation assets fell by 0.5% over the quarter to September 2022 to approximately \$3.3 trillion (refer to equity performance over the quarter, as shown in Table 1 below, both Australian and international listed property experienced negative returns).

Table 1: Quarterly Equity Performance – 30 September 2022

Asset Class	Index	Quarterly Return (%)
Australian Equities	S&P/ASX 200 TR	0.4
International Equities	MSCI World Ex Australia (AUD)	0.5
International Equities (Hedged)	MSCI World Ex Australia (in local currency terms)	0.5
Australian Listed Property	S&P/ASX 200 A-REIT TR	-6.7
International Listed Property	FTSE EPRA/NAREIT Developed Ex Australia (AUD)	-8.5

Source: S&P, MSCI, FTSE, FE

The composition of the Australian superannuation pool, in terms of fund types, is as follows:

Table 2: Assets by Fund Type – 30 September 2022

Type	Assets (\$ Billion)	Assets (%)
APRA-Regulated		
Corporate	56.4	1.7%
Industry	1081.3	32.5%
Public Sector	480.4	14.5%
Retail	632.6	19.0%
Other	1.9	0.1%
Total APRA-Regulated	2252.6	67.8%
Self-managed super funds	865.2	26.0%
Other	204.5	6.2%
Total	3322.3	100.0%

Source: APRA, Atchison Consultants

Australian superannuation total assets decreased by 3.2% over the one-year period to September 2022. According to APRA, contributions into superannuation in the September 2022 quarter totalled \$38.6 billion, which decreased by -13.3% from 44.5 billion in June 2022 quarter and increased by 12.0% over the year compared to the September 2021.

On a forecast basis, over the coming 10 years, total super assets are expected to grow to \$4.1 trillion in 2031.

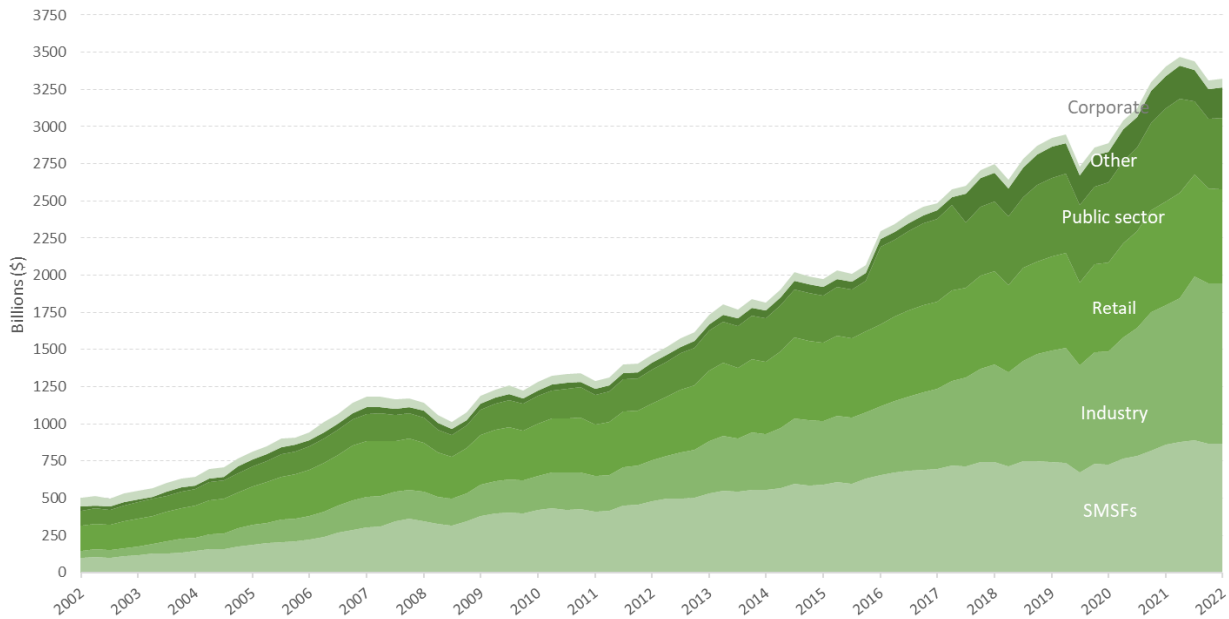
Superannuation Industry Sectors

In September 2022, Industry funds held the largest proportion of superannuation assets, accounting for 32.5% of total assets, and self-managed funds followed with 26.0% of total superannuation assets. Retail funds held the third-largest portion, representing 19.0%.

Most superannuation assets showed upward trends over the September 2022 quarter except for Retail and SMSFs, as evident in Figure 1.

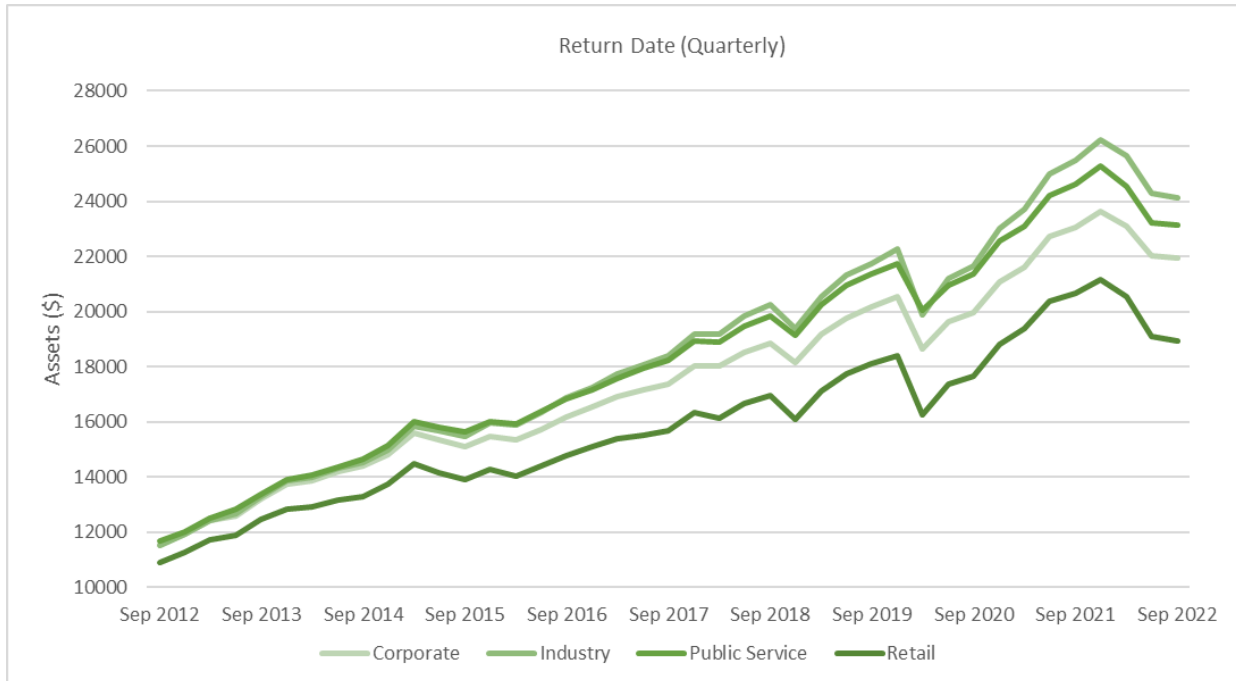
Figure 1 also provides a breakdown of the superannuation industry over time.

Figure 1: Superannuation Assets by Segment – 30 September 2022



Source: APRA, Atchison Consultants

Figure 2: Growth of \$10,000 over 10 years based on the quarterly rate of returns – 30 September 2022



Source: APRA, Atchison Consultants

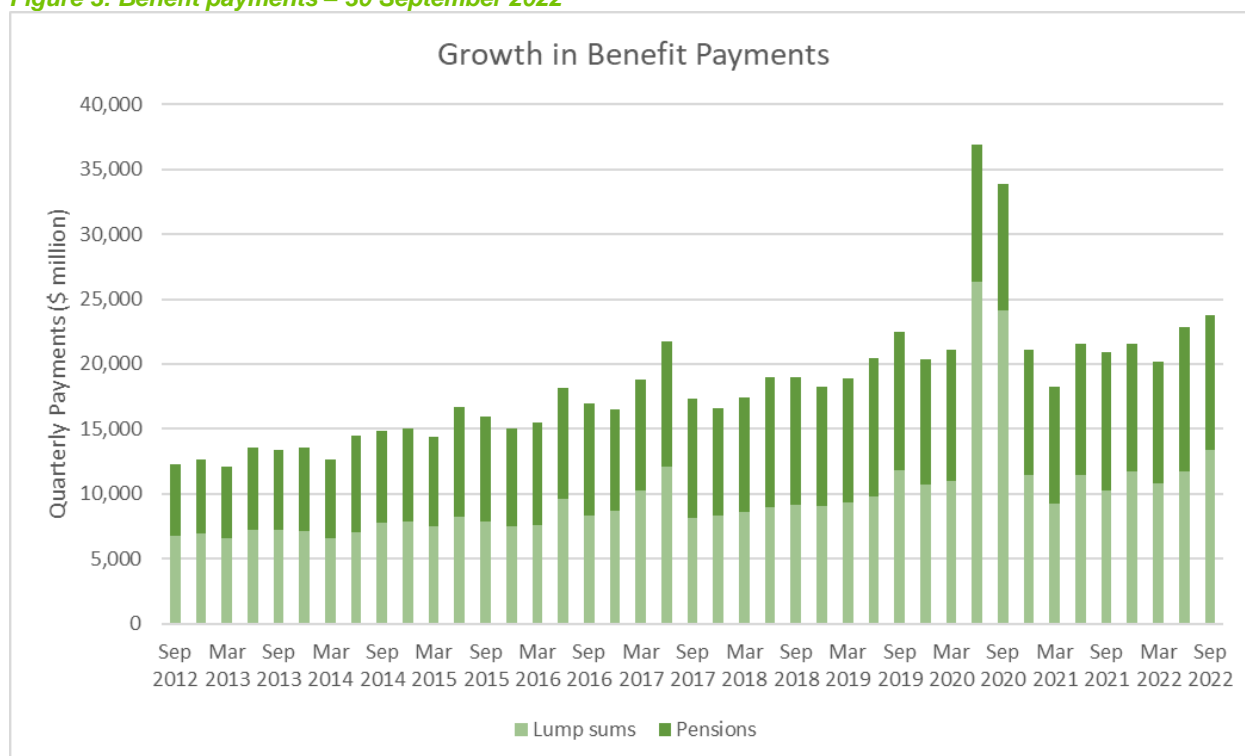
The performance of each superannuation fund type has declined for three consecutive quarters but with gentle decreasing rate in the September quarter, attributed to the volatile global financial market conditions emanating from Ukraine/Russian conflict, COVID-related supply chain issues. A similar downtrend can be found in 2020 due to the COVID – 19 pandemics. Figure 2 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 \$38.6 billion in the September 2022 quarter, a 12.0% increase over the year compared to September 2021.

As shown in Figure 3, \$23.7 billion was paid in benefit payments in the September quarter, representing a 4.0% increase over the quarter. Total benefit payments for the year ending September 2022 were \$88.2 billion, rising by 7.8%.

Figure 3: Benefit payments – 30 September 2022



Source: APRA, Atchison Consultants

Asset Allocations

As shown in Table 3 below, superannuation entities reduced their allocation to Listed Equity by 3.7%, while the largest increase in assets over the one-year period to 30 September 2022 was towards Infrastructure, up 1.8%.

Table 3: Average Asset Allocation – 30 September 2022

Type	September 2021 (%)	September 2022 (%)
Cash	10.2%	10.1%
Fixed income		
Australian fixed income	10.0%	10.9%
International fixed income	7.8%	8.1%
<i>of which: currency hedged</i>	70.0%	75.0%
Total fixed income	17.8%	19.0%
Equity		
Australian listed equity	22.8%	21.7%
International listed equity	28.0%	25.4%
<i>of which: currency hedged</i>	28.4%	24.9%
Unlisted equity	4.5%	5.3%
Total equity	55.4%	52.4%

Property		
Listed property	3.2%	2.7%
Unlisted property	4.8%	5.6%
Total property	8.1%	8.3%
Infrastructure		
Listed infrastructure	1.3%	1.4%
Australian unlisted infrastructure	2.6%	3.5%
International unlisted infrastructure	2.1%	2.9%
<i>of which: currency hedged</i>	70.5%	75.8%
Total infrastructure	6.0%	7.8%
Commodities	0.2%	0.1%
Other	2.5%	2.2%
<i>of which: hedge funds</i>	0.9%	0.8%
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 September 2022

Type	Corporate (%)	Industry (%)	Public Sector (%)	Retail (%)	MySuper (%)
Growth Assets					
Equity	44.6%	50.4%	53.3%	55.9%	52.1%
Property	9.7%	9.0%	9.2%	6.5%	8.9%
Infrastructure	6.1%	11.3%	6.4%	3.1%	10.1%
Other	3.3%	1.4%	3.3%	2.7%	7.8%
Total Growth Assets	63.7%	72.1%	72.2%	68.2%	78.9%
Defensive Assets					
Cash	9.5%	8.7%	9.8%	12.4%	3.4%
Fixed Income	26.1%	19.0%	17.9%	19.1%	17.6%
Commodities	0.7%	0.1%	0.0%	0.2%	0.1%
Total Defensive Assets	36.3%	27.8%	27.7%	31.7%	21.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

MySuper funds represented the highest allocations to growth assets, relative to the other sectors, 78.9%, while corporate funds represented the lowest allocation, 63.7%. In noting the above, Retail funds held the highest allocation to equities, closely followed by Public Sector funds and MySuper funds, representing 53.3% and 52.1% respectively of the allocation. The largest allocators to infrastructure assets were Industry and MySuper funds.

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