

# Atchison

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## Superannuation Market Place

Quarterly Review to 31 March 2023

Identifying  
Opportunity™



## Special Feature:

### Superannuation Data Transformation Project

Superannuation funds and their Trustees are required, under the Financial Sector (Collection of Data) Act 2001, and its reporting standards to provide data to APRA. The process to date has been an onerous burden on Trustees and their respective administrators.

APRA's Superannuation Data Transformation (SDT) project aims to bring about positive changes in the superannuation industry by ensuring better data management practices, fostering transparency, and ultimately benefiting superannuation fund members. The objective is to enhance the compatibility and consistency of reported data by replacing data collection via Excel-based manual process to a more efficient automated scalable solution to improve the depth, breadth, and quality of its superannuation data collection.

The table below shows the time phase for planned consultation and implementation.

#### SDT Reporting Collections Phase

Phase	Consultation	Implementation
<b>Phase 1</b>		
Minor Amendments	2023	2023
<b>Phase 2</b>		
RSE Licensee and RSE Profile/ Investment	2023-2024	2024-2025
RSE Licensee Operations/Governance/Non-Financial Risk/ Financial Data	2023-2024	2024-2025
Membership/Insurance/Defined Benefits	2024	2024-2025
Disclosure/Retirement Income Strategy	2024-2025	2025

Source: APRA

The SDT Strategic Forum (SDTSF) has been established to contribute to the understanding and resolution of strategic issues arising throughout the implementation of the SDT project. The second SDTSF was held on 14 February 2023 and provided an update on recent activities under the project and APRA connect, a new data collection solution for reporting entities to lodge entity information and data with APRA.

Nine updated reporting standards have been determined in Phase 1, relative to:

- Enhance the consistency and standardization of asset allocation reporting by implementing updates and improvements to classifications, definitions, and instructions.
- Streamline reporting requirements for specific investment option types within the industry to reduce the frequency of reporting.
- Extend the reporting deadline for certain reporting items and minimize the frequency of reporting updates related to products, fees and costs, and default insurance disclosures.
- Promote uniformity and comparability in expense reporting by aligning definitions with other reporting and disclosure obligations outlined in the Annual Member Meeting (AMM) notice.
- Implement a materiality threshold for identifying small payees.

APRA will commence formal consultation on RSE Licensee and RSE Profile/ Investment in November 2023.

## Superannuation Market Place

Total Australian superannuation assets rise by 3.2% over the quarter to March 2023 to approximately \$3.5 trillion (refer to equity performance over the quarter, as shown in Table 1 below), all assets experienced positive returns in the March quarter.

**Table 1: Quarterly Equity Performance – 31 March 2023**

Asset Class	Index	Quarterly Return (%)
Australian Equities	S&P/ASX 200 TR	3.5
International Equities	MSCI World Ex Australia (AUD)	9.2
International Equities (Hedged)	MSCI World Ex Australia (in local currency terms)	7.1
Australian Listed Property	S&P/ASX 200 A-REIT TR	0.5
International Listed Property	FTSE EPRA/NAREIT Developed Ex Australia (AUD)	2.2

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 – 31 March 2023**

Type	Assets (\$ Billion)	Assets (%)
<b>APRA-Regulated</b>		
Corporate	56.9	1.6%
Industry	1156.8	33.1%
Public Sector	497.2	14.2%
Retail	680.0	19.5%
Other	1.8	0.1%
<b>Total APRA-Regulated</b>	<b>2392.7</b>	<b>68.5%</b>
<b>Self-managed super funds</b>	<b>889.5</b>	<b>25.5%</b>
<b>Other</b>	<b>211.4</b>	<b>6.1%</b>
<b>Total</b>	<b>3493.6</b>	<b>100.0%</b>

Source: APRA, Atchison Consultants

Australian superannuation total assets have rebounded and reached the same level as they were at the end of December 2021. According to APRA, contributions into superannuation in the March 2023 quarter totalled \$37.5 billion, which decreased by -3.0% from \$38.7 billion in March 2022 quarter and increased by 11.3% over the year compared to March 2022.

Based on Atchison Consultant's forecast model, over the coming 10 years, total super assets are expected to grow to \$4.5 trillion in 2033.

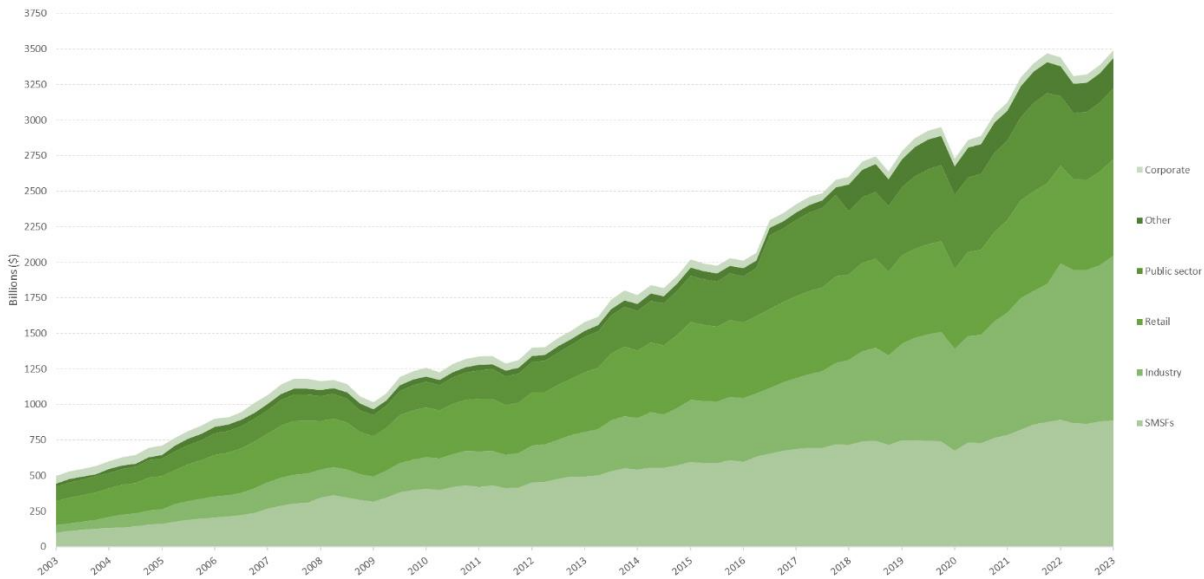
## Superannuation Industry Sectors

In March 2023, Industry funds held the largest proportion of superannuation assets, accounting for 33.1% of total assets, and self-managed funds followed with 25.5% of total superannuation assets. Retail funds held the third-largest portion, representing 19.5%.

Most superannuation assets showed upward trends over the March 2023 quarter, as evident in Figure 1.

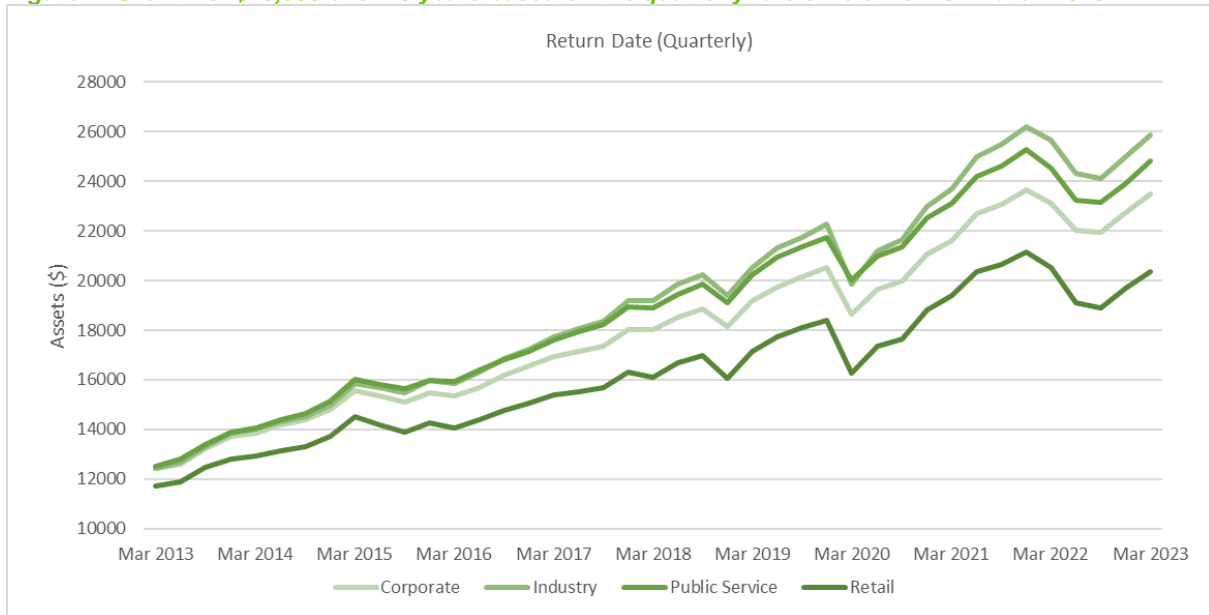
Figure 1 also provides a breakdown of the superannuation industry over time.

**Figure 1: Superannuation Assets by Segment – 31 March 2023**



Source: APRA, Atchison Consultants

**Figure 2: Growth of \$10,000 over 10 years based on the quarterly rate of returns – 31 March 2023**



Source: APRA, Atchison Consultants

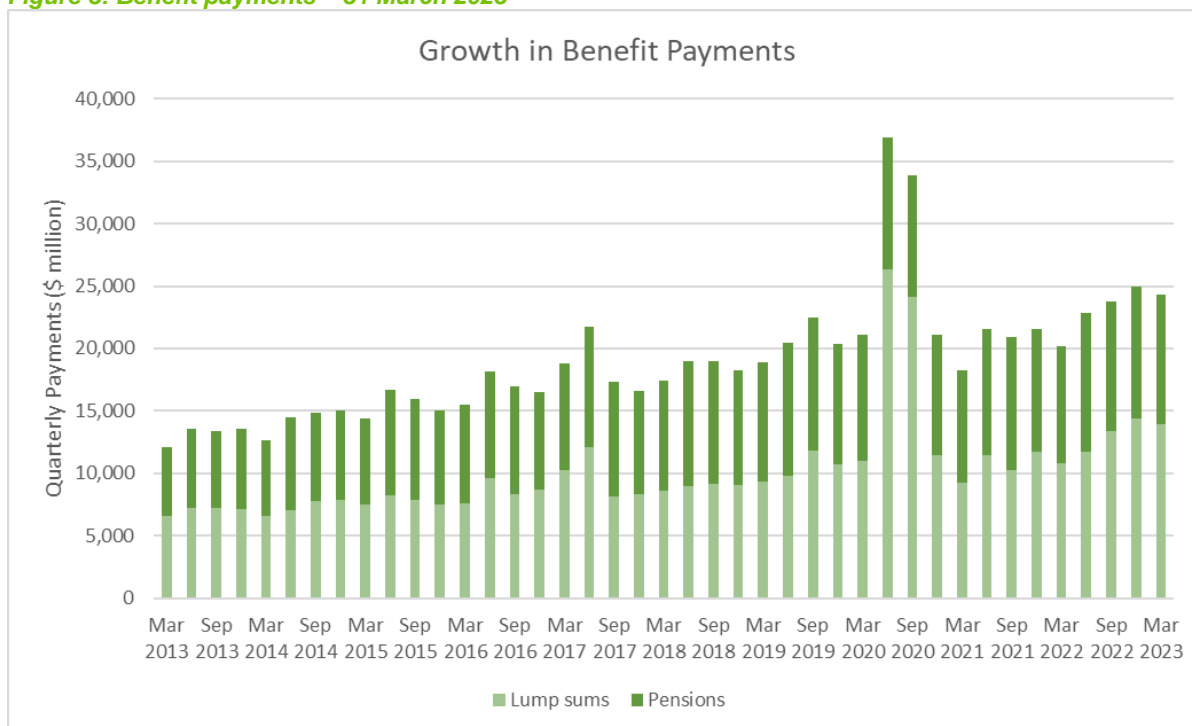
The performance of all superannuation fund categories rose more than 3% in the March quarter and have recovered from their decline over the June and September quarters of 2022. Despite the challenges the developed equity market faced in 2022, it demonstrated commendable performance during the most recent two quarters. 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 \$37.5 billion in the March 2023 quarter, an 11.3% increase over the year compared to March 2021.

As shown in Figure 3, \$24.3 billion was paid in benefit payments in the March quarter, representing a -2.7% decrease over the quarter. Total benefit payments for the year ending March 2023 were \$95.8 billion, rising by 13.8%.

**Figure 3: Benefit payments – 31 March 2023**



Source: APRA, Atchison Consultants

## Asset Allocations

As shown in Table 3 below, superannuation entities reduced their allocation to Listed Equity by -1.7%, while the significant increase in assets over the one-year period to 31 March 2023 was towards Infrastructure of 1.4% and Fixed income of 1.1%.

**Table 3: Average Asset Allocation – 31 March 2023**

Type	March 2022 (%)	March 2023 (%)
<b>Cash</b>	<b>9.1%</b>	<b>9.3%</b>
<b>Fixed income</b>		
Australian fixed income	10.0%	11.2%
International fixed income	7.9%	7.8%
<i>of which: currency hedged</i>	70.5%	75.5%
<b>Total fixed income</b>	<b>17.9%</b>	<b>19.0%</b>
<b>Equity</b>		
Australian listed equity	23.7%	22.3%
International listed equity	27.0%	26.7%
<i>of which: currency hedged</i>	27.4%	26.1%
Unlisted equity	4.8%	4.9%
<b>Total equity</b>	<b>55.5%</b>	<b>53.9%</b>
<b>Property</b>		
Listed property	3.4%	2.4%
Unlisted property	5.1%	5.0%
<b>Total property</b>	<b>8.5%</b>	<b>7.5%</b>
<b>Infrastructure</b>		
Listed infrastructure	1.2%	1.5%

Australian unlisted infrastructure	3.1%	3.6%
International unlisted infrastructure	2.2%	2.9%
<i>of which: currency hedged</i>	71.9%	75.9%
<b>Total infrastructure</b>	<b>6.6%</b>	<b>8.0%</b>
<b>Commodities</b>	<b>0.1%</b>	<b>0.1%</b>
<b>Other</b>	<b>2.3%</b>	<b>2.1%</b>
<i>of which: hedge funds</i>	0.8%	0.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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 2023**

Type	Corporate (%)	Industry (%)	Public Sector (%)	Retail (%)	MySuper (%)
<b>Growth Assets</b>					
Equity	45.9%	51.5%	54.5%	58.1%	52.9%
Property	9.4%	8.2%	8.3%	5.7%	8.0%
Infrastructure	5.4%	11.3%	7.0%	3.3%	10.0%
Other	3.1%	1.4%	2.8%	2.8%	7.8%
<b>Total Growth Assets</b>	<b>63.8%</b>	<b>72.4%</b>	<b>72.6%</b>	<b>69.9%</b>	<b>78.6%</b>
<b>Defensive Assets</b>					
Cash	8.3%	8.1%	9.6%	11.3%	3.0%
Fixed Income	27.2%	19.4%	17.7%	18.6%	18.4%
Commodities	0.6%	0.1%	0.0%	0.2%	0.1%
<b>Total Defensive Assets</b>	<b>36.2%</b>	<b>27.6%</b>	<b>27.4%</b>	<b>30.1%</b>	<b>21.4%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

MySuper funds represented the highest allocations to growth assets, relative to the other sectors, 78.6%, while corporate funds represented the lowest allocation, 63.8%. In noting the above, Retail funds held the highest allocation to equities, closely followed by Public Sector funds and MySuper funds, representing 54.5% and 52.9% respectively of the allocation. The largest allocators to infrastructure assets were Industry with 11.3%.

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