Atchison

Superannuation Market Place

Quarterly Review to 30 June 2023

Identifying Opportunity™

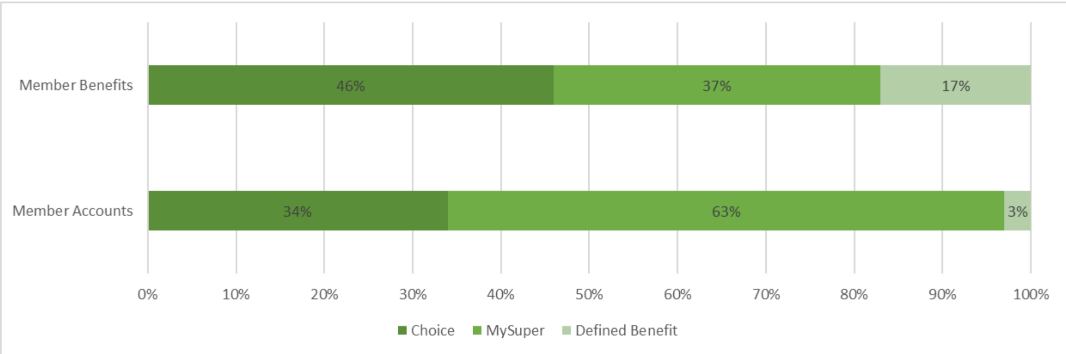
Special Feature: YFYS Performance Test for Choice Funds

In April 2023, The Australian Prudential Regulation Authority (APRA) published the most recent Choice Heatmap, providing insight into member outcomes in the superannuation product segment where investment options are actively chosen by consumers.

Choice Products

Choice products, constituting 46% (amounting to $859 billion as of June 30, 2020) of total APRA-regulated superannuation member benefits, are options that members actively opt to participate in. These products are usually characterized by greater complexity and diversity compared to default MySuper products. The distribution of member accounts and member benefits in APRA-regulated superannuation entities as at 30 June 2020.

Figure 1: Distribution of member accounts and member benefits as at 30 June 2020

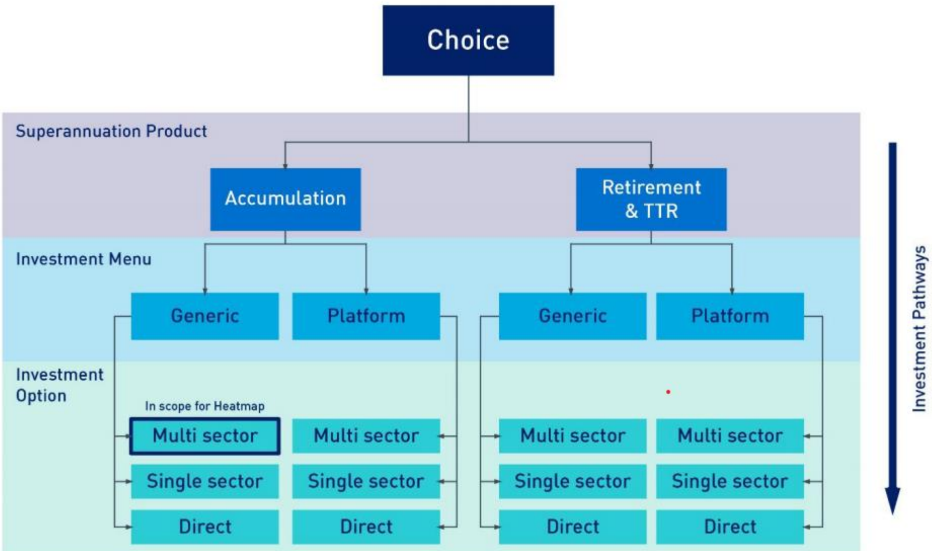


Source: APRA

Heatmap elements

As highlighted in Figure 2, APRA's area of focus for the heatmap covers the investments in multi-sector investment options (as reported in SRS 605.0 RSE Structure) through accumulation products under generic investment menus across 68 Registrable Superannuation Entities (RSEs), representing $292 billion of member benefits as at 30 June 2022 or 47% of the accumulation phase of the Choice sector.

Figure 2: Investment Pathway Structure



Source: APRA

The heatmap's expanded view metrics include:

- *investment return metrics over 3-year, 5-year, 8-year timeframes*
- *administration and total fees and costs metrics*
- *sustainability of member outcomes metrics*

Superannuation Market Place

Total Australian superannuation assets rose by 2.1% over the quarter to June 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 June quarter.

Table 1: Quarterly Equity Performance – 30 June 2023

Asset Class	Index	Quarterly Return (%)
Australian Equities	S&P/ASX 200 TR	1.0
International Equities	MSCI World Ex Australia (AUD)	7.6
International Equities (Hedged)	MSCI World Ex Australia (in local currency terms)	7.1
Australian Listed Property	S&P/ASX 200 A-REIT TR	3.4
International Listed Property	FTSE EPRA/NAREIT Developed Ex Australia (AUD)	0.9

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 June 2023

Type	Assets ($ Billion)	Assets (%)
APRA-Regulated		
Corporate	57.1	1.6%
Industry	1197.9	33.8%
Public Sector	505.8	14.3%
Retail	689.9	19.5%
Other	1.8	0.1%
Total APRA-Regulated	**2452.5**	**69.3%**
Self-managed super funds	**876.4**	**24.7%**
Other	**212.5**	**6.0%**
Total	**3541.4**	**100.0%**

Source: APRA, Atchison Consultants

Australian superannuation total assets have experienced growth for four consecutive quarters starting from June 2022. According to APRA, contributions into superannuation in the June 2023 quarter totalled $50.4 billion, which increased by 34.4% from $37.5 billion in March 2023 quarter and increased by 13.8% over the year compared to June 2022.

Based on Atchison Consultant's forecast model, over the coming 10 years, total super assets are expected to grow to $6.1 trillion in 2033.

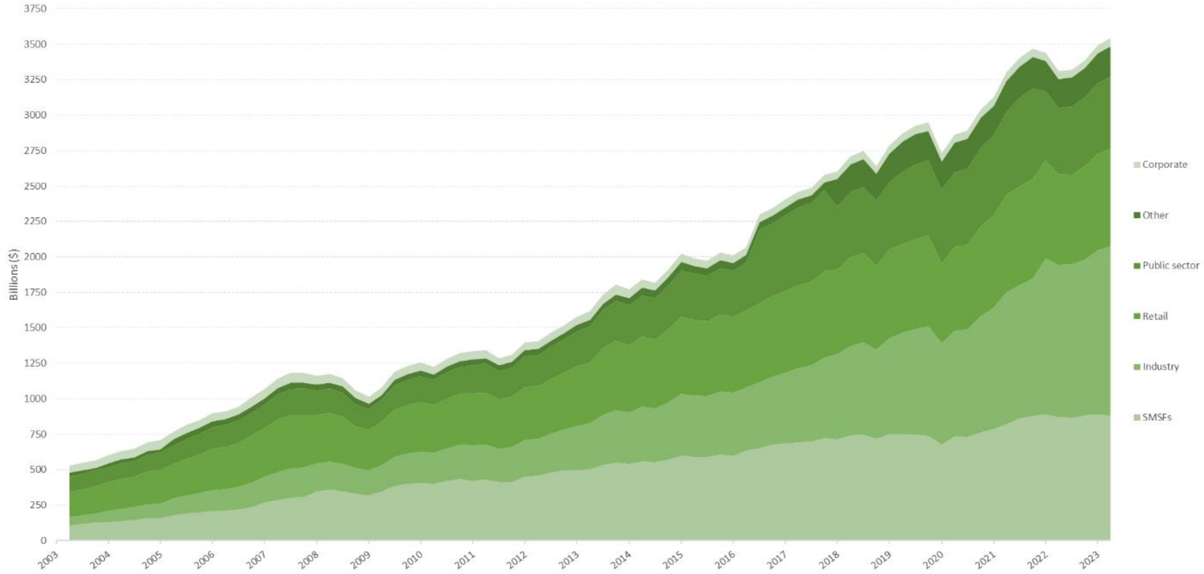
Superannuation Industry Sectors

In June 2023, Industry funds held the largest proportion of superannuation assets, accounting for 33.8% of total assets, and self-managed funds followed with 24.7% of total superannuation assets. Retail funds held the third-largest portion, representing 19.5%.

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

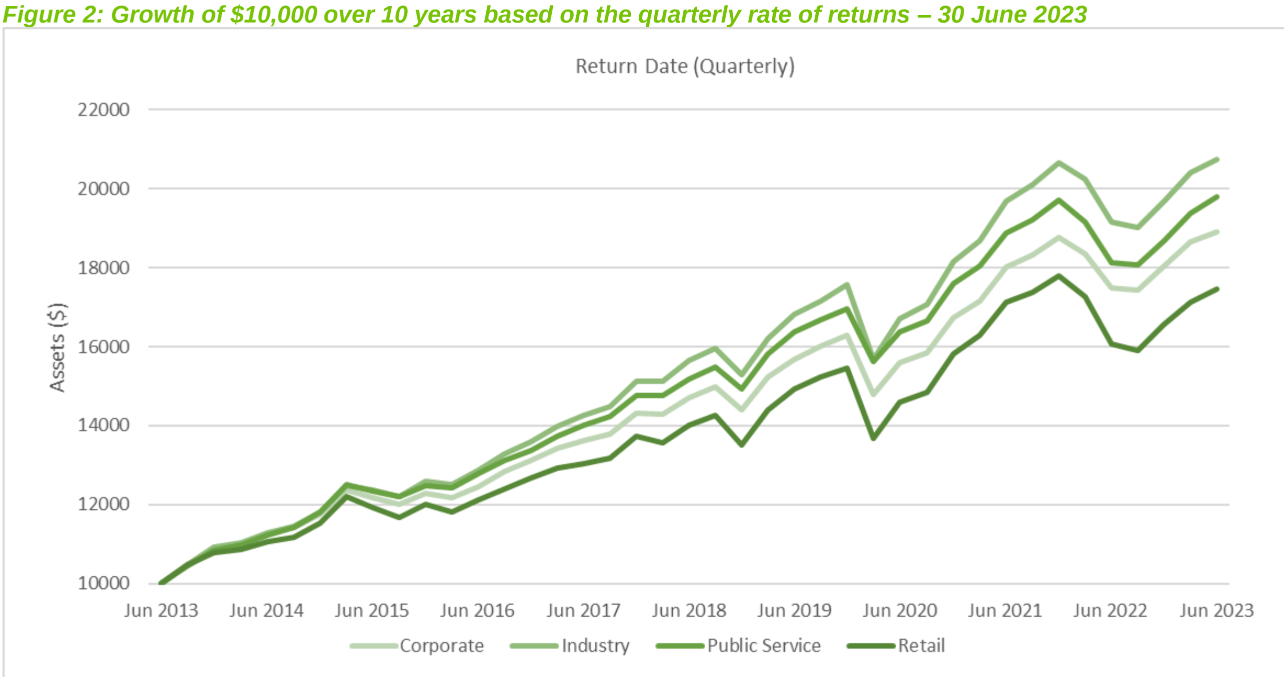
Figure 1 also provides a breakdown of the superannuation industry over time.

Figure 1: Superannuation Assets by Segment – 30 June 2023



Source: APRA, Atchison Consultants

Figure 2: Growth of $10,000 over 10 years based on the quarterly rate of returns – 30 June 2023



Source: APRA, Atchison Consultants

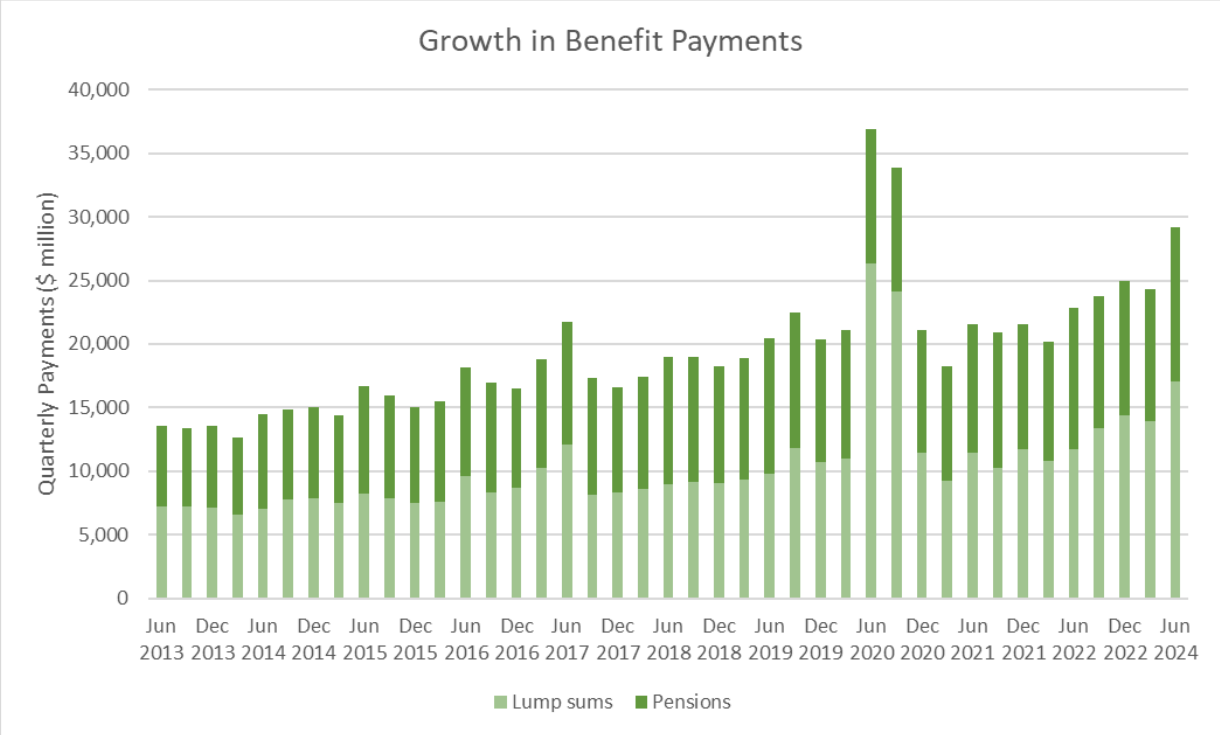
The rate of return across all superannuation fund categories rose in the June quarter, following robust performances in December 2022 and March 2023. Despite concerns over rising interest rates and the possibility of an economic recession, the rally in risk assets remains unabated. Figure 2 also shows 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 $50.4 billion in the June 2023 quarter, a 13.8% increase over the year compared to June 2021.

As shown in Figure 3, $29.1 billion was paid in benefit payments in the June quarter, representing a +19.9% increase over the quarter. Total benefit payments for the year ending June 2023 were $102.1 billion, rising by 19.6%.

Figure 3: Benefit payments – 30 June 2023



Source: APRA, Atchison Consultants

Asset Allocations

As shown in Table 3 below, superannuation entities reduced their allocation to Cash by -1.5%, while the significant increase in assets over the one-year period to 30 June 2023 was towards International Listed Equity of 1.3% and Fixed income of 0.9%.

Table 3: Average Asset Allocation – 30 June 2023

Type	June 2022 (%)	June 2023 (%)
Cash	**10.4%**	**8.9%**
Fixed income		
Australian fixed income	10.7%	11.3%
International fixed income	7.9%	8.1%
of which: currency hedged	73.0%	75.3%
Total fixed income	**18.6%**	**19.5%**
Equity		
Australian listed equity	21.5%	21.9%
International listed equity	25.7%	27.0%
of which: currency hedged	25.5%	26.1%
Unlisted equity	5.2%	4.9%
Total equity	**52.4%**	**53.8%**
Property		
Listed property	2.9%	2.6%
Unlisted property	5.6%	4.8%
Total property	**8.5%**	**7.4%**

Infrastructure		
Listed infrastructure	1.5%	1.5%
Australian unlisted infrastructure	3.4%	3.7%
International unlisted infrastructure	2.7%	3.0%
of which: currency hedged	75.0%	76.3%
Total infrastructure	**7.6%**	**8.2%**
Commodities	**0.1%**	**0.1%**
Other	**2.3%**	**2.1%**
of which: hedge funds	0.8%	0.7%
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 2023

Type	Corporate (%)	Industry (%)	Public Sector (%)	Retail (%)	MySuper (%)
Growth Assets					
Equity	46.8%	51.7%	54.7%	57.4%	52.7%
Property	9.3%	7.8%	8.1%	6.2%	7.5%
Infrastructure	5.6%	11.4%	7.2%	3.7%	10.2%
Other	2.9%	1.3%	3.0%	2.7%	7.8%
Total Growth Assets	**64.6%**	**72.2%**	**73.0%**	**70.0%**	**78.2%**
Defensive Assets					
Cash	7.8%	7.7%	8.6%	11.2%	3.4%
Fixed Income	27.5%	20.0%	18.3%	18.6%	18.4%
Commodities	0.2%	0.1%	0.0%	0.2%	0.1%
Total Defensive Assets	**35.5%**	**27.8%**	**26.9%**	**30.0%**	**21.9%**
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, 78.2%, while corporate funds represented the lowest allocation, 64.6%. In noting the above, Retail funds held the highest allocation to equities, closely followed by Public Sector funds and MySuper funds, representing 54.7% and 52.7% respectively of the allocation. The largest allocators to infrastructure assets were Industry with 11.4%.

Atchison

Atchison Consultants
Level 4, 125 Flinders Lane,
Melbourne Vic 3000

P: +61 (0) 3 9642 3835
enquiries@atchison.com.au
www.atchison.com.au

ABN: 58 097 703 047
AFSL Number: 230846

To obtain further information,
please contact:

Jake Jodlowski
Principal
P: +61 3 9642 3835
E: jake.jodlowski@atchison.com.au

Ye Peng
Analyst
P: +61 3 9642 3835
E: ye.peng@atchison.com.au