The Multiport SMSF Investment Patterns Survey March 2015

Multiport undertakes a quarterly analysis of its SMSF client investments to get a closer insight into how SMSF trustees invest and to identify emerging investment trends.

The survey covers around 2250 funds, a sample of the SMSFs Multiport administers and the investments they held at 31 March 2015. Funds are administered on a daily basis which ensures data is based on actual investments and is completely up to date. The assets of the funds surveyed represent just under $2.6 billion.

Increase in exposure to International equities up due to a new inflow of funds, performance & exchange rates

The allocation of International Equities increased for the quarter as the fall of the Australian Dollar has resulted in the upward revaluation of overseas assets. Trustees have also invested new funds into the sector, mainly by reducing their exposure to Australian Equities.

The overall asset allocation break-up as at 31 March 2015 was:

Sector	31 March 2014 (%)	30 June 2014 (%)	30 Sept 2014 (%)	31 Dec 2014 (%)	31 March 2015 (%)
Cash and short term deposits	18.6	18.3	17.0	16.5	16.5
Fixed Interest	12.2	12.2	12.4	12.7	13.1
Australian Shares	39.6	39.3	41.8	41.6	38.6
International Shares	10.7	11.5	11.7	12.5	14.4
Property	17.8	17.8	16.3	16.1	17.0
Other (Hedge funds, agricultural funds, private geared & ungeared trusts and collectables)	0.9	1.1	0.8	0.6	0.4
Total	100	100	100	100	100

Source: Multiport Pty Ltd

Top 10 largest holdings

The table below summarises the 10 largest investments which represent almost 16.8% of the total SMSF assets held, down from 19% for the previous quarter. The total number of investments of the funds covered in the survey is just over 6750. Two of the top ten are pooled structures.

The most commonly held ($ invested) investments at 31 March 2015 were:

Ranking	Investment
1	Commonwealth Bank Ltd
2	Westpac Banking Corporation
3	ANZ Limited
4	Telstra Corporation Limited
5	BHP Billiton Limited
6	Magellan Global Fund
7	National Australia Bank Ltd
8	Platinum International Fund
9	Woolworths Ltd
10	Wesfarmers Limited

Cash holdings and short-term term deposits declining

The current level of 16.5% is the lowest level recorded since commencement of our quarterly surveys in the year 2007. Low interest rates continue to make cash less attractive as an investment so maturing term deposits are not being replaced with new term deposits.

Based on the overall changes in indices, the cash level should have been around 15.6% if Trustees would have left their overall asset allocation unchanged. This indicates a lift in the cash level, most likely due to the receipt of cash dividends during the quarter and proceeds from Australian equites sales.

	31 March 2014 (%)	30 June 2014 (%)	30 Sept 2014 (%)	31 Dec 2014 (%)	31 March 2015 (%)
Cash	12.2	12.2	11.7	11.6	11.7
Term Deposits < 1 year	6.4	6.1	5.3	4.9	4.8
Total %	18.6	18.3	17.0	16.5	16.5

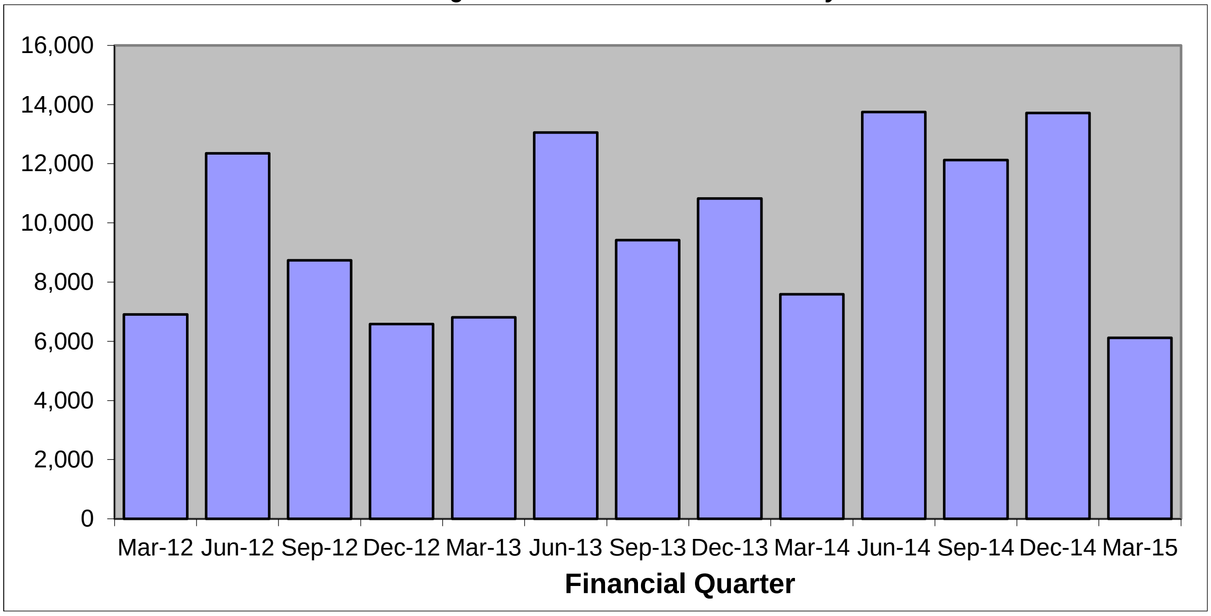
Source: Multiport Pty Ltd

Contributions, Benefit and Pension payments

The average contribution inflow per fund decreased significantly from $13,715 to $6,120 for the quarter. The March quarter is historically the lowest quarter in the financial year. The average contribution for the current March quarter of $6,120 is proportionally lower compared to the previous years, with $7,587 for March 2014 and $6,805 for March 2013.

Given changes to Super Guarantee rates and increased contributions caps, a higher average contribution level would have been expected for the current year compared to prior years. The lower average contribution level could indicate caution in response to possible changes around superannuation in the 2015 budget.

Average Contributions level history

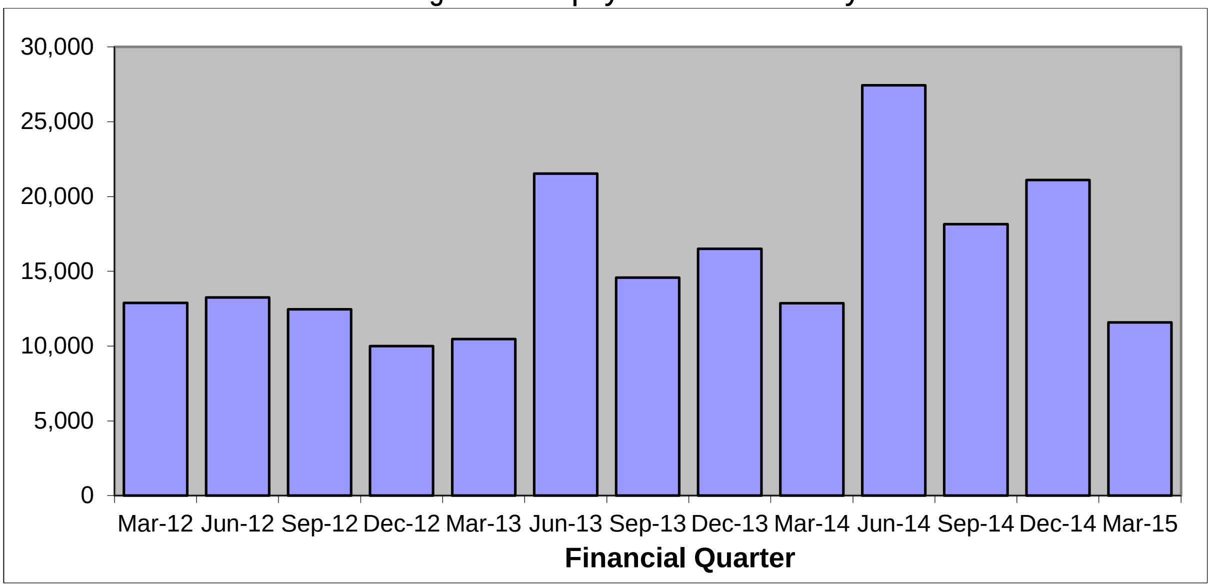


Source: Multiport Pty Ltd

The average benefit and pension payment amount made by SMSFs for the quarter decreased significantly to $11,588 compared to $21,105 for the previous quarter. Part of the higher level of benefit payments during the December quarter was likely a result of a number of clients restriking their pension accounts prior to 31 December due to the Centrelink assessment changes and drawing their pro-rated minimum pension amounts.

The average benefit payment for the current March quarter of $11,588 is proportionally lower compared to the previous years, with $12,860 for March 2014 and $10,464 for March 2013. During the March quarter 18% of benefit payments were lump sums and 82% were pension payments. This was in line with the September 2014 quarter while the December 2014 quarter was effected by a rise in lump sum benefits as a response to the 31 December social security changes.

Average Benefit payment level history



Source: Multiport Pty Ltd

Fixed Interest shows slight increase

The quarter showed a significant increase in managed funds and a decrease in longer maturity term deposits due to low interest rates offered on longer maturity term deposits.

	31 March 2014 (%)	30 June 2014 (%)	30 Sept 2014 (%)	31 Dec 2014 (%)	31 March 2015 (%)
Hybrids & Other direct holdings	6.5	6.3	6.8	6.6	6.9
Term Deposits > 1 year	2.0	2.0	2.0	2.2	1.4
Managed Funds	3.7	3.9	3.6	3.9	4.8
Total %	12.2	12.2	12.4	12.7	13.1

Source: Multiport Pty Ltd

Australian Equities show a significant reduction

During the quarter, the All Ordinaries increased by 8.8%. Based on performance of the various indices, the theoretical allocation should have been around 42.37%. Actual allocation to Australian Equities decreased to 38.6%. This demonstrates trustees taking profits from the Australian Equities sector and diverting the proceeds to other sectors.

	31 March 2014 (%)	30 June 2014 (%)	30 Sept 2014 (%)	31 Dec 2014 (%)	31 March 2015 (%)
Direct Shares	33.5	33.2	34.4	32.5	30.0
ETF's	1.6	1.5	1.3	1.6	1.8
Managed Fund	3.9	3.8	4.5	5.2	3.8
Total Australian Shares %	39.6	39.3	41.8	41.6	38.6

Source: Multiport Pty Ltd

Top 10 largest Australian listed securities

Out of the total SMSF assets held, the top 10 listed securities trustees invest in represent 16.7% of total investments compared to 18.3% for the previous quarter. Since the December 2014 quarter now also includes a listed ETF.

The most commonly held ($ invested) shares at 31 March 2015 were:

Ranking	Company	S & P Top 10 Constituents by Market Cap
1	Commonwealth Bank Ltd	Commonwealth Bank Ltd
2	Westpac Banking Corporation	Westpac Banking Corporation
3	ANZ Limited	ANZ Banking Group
4	Telstra Corporation Limited	National Australia Bank Ltd
5	BHP Billiton Limited	BHP Billiton Limited
6	National Australia Bank Ltd	Woolworths Ltd
7	Woolworths Ltd	Rio Tinto Limited
8	Wesfarmers Limited	Telstra Corporation Limited
9	Woodside Petroleum Limited	Macquarie Group
10	Vanguard Aust Shares Index ETF	Telstra Corporation

Source: Multiport Pty Ltd

The Top 10 by market cap in the index are four banks, two mining companies, a Telco, Logistics and Recourse company.

Exposure to International holdings increasing

Exposure to International Equities increased significantly from 12.5% to 14.4% of fund assets. When taking into consideration the increase in performance in the sector for the quarter, the allocation in percentage terms should have increased to 12.9% if trustees left their initial allocation unchanged. This shows trustees have increased exposure to sector, with the new inflow of funds mainly coming from the Australian Equity Sector.

The split between pooled and direct investment continues to show pooled structures (88.2%) are the preferred method of investing in overseas markets due to the complications still present in investing overseas directly.

The table below shows the break up between direct shares, ETF's and Managed Funds as part of the International Equity holdings.

	31 March 2013 (%)	30 June 2014 (%)	30 Sept 2014 (%)	31 Dec 2014 (%)	31 March 2015 (%)
Direct Shares	1.7	1.8	1.8	1.9	1.7
ETF's	1.8	1.9	1.9	2.1	2.8
Managed Funds	7.2	7.8	8.0	8.5	9.9
Total %	10.7	11.5	11.7	12.5	14.4

Source: Multiport Pty Ltd

Exposure to Managed Funds increasing

The allocation to Managed Funds went up significantly from 19.5% to 20.5% for the quarter.

The table below summarises the Managed Funds exposure as a percentage of total investments amongst the different asset categories, showing a decrease in the Australian Equity sector and an increase in managed fund exposure in the International equity sector.

	31 March 2014 (%)	30 June 2014 (%)	30 Sept 2014 (%)	31 Dec 2014 (%)	31 March 2015 (%)
Cash & Fixed Interest	3.8	4.0	3.8	4.1	5.0
Australian Equities	4.0	3.8	4.5	5.2	3.8
International Equities	7.2	7.8	8.0	8.5	10.0
Property & Other	1.8	1.8	1.6	1.7	1.7
Total	16.8	17.4	17.9	19.5	20.5

Source: Multiport Pty Ltd

Investment through the use of ETFs has also increased from 4.18% to 5.48% during the quarter.

Property allocation shows an increase

The asset allocation to Property increased from 16.1% to 17% mainly due to a number of clients exiting the survey with a relatively low allocation to the property sector.

Out of the total number of direct properties held by the funds in the survey, commercial property represented 22% of all property holdings and residential property accounted for 78% of property holdings. These figures have remained unchanged compared to the previous quarter.

The average value of each property was $417,295 for residential property and $668,509 for commercial property.

	31 March 2014 (%)	30 June 2014 (%)	30 Sept 2014 (%)	31 Dec 2014 (%)	31 March 2015 (%)
Direct Property	14.2	14.2	12.2	12.4	13.1
Listed Property	1.6	1.6	1.5	1.6	1.8
Managed Funds	1.2	1.2	1.1	1.2	1.3
Other (Syndicates, Unlisted Trusts etc)	0.8	0.8	0.7	0.9	0.8
Total %	17.8	17.8	16.3	16.1	17.0

Source: Multiport Pty Ltd

Increase in Limited recourse borrowing arrangements

Around 17.5% of the total number of funds in the survey are currently utilising a borrowing arrangement, compared to 16% during the previous quarter. This number was affected by the removal of a number of clients from the survey that had little exposure to direct property.

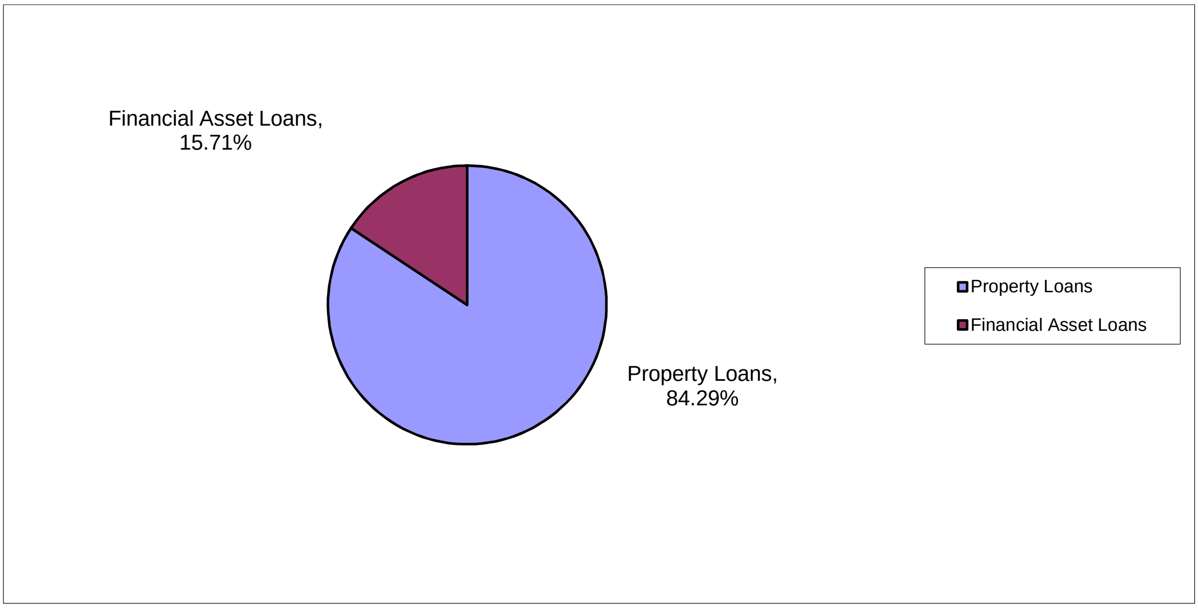
In percentage terms, 61% of all gearing arrangements relate to property, with financial asset loans representing 39% of the number of loans. As for the loan values, the average property loan amount was $273k compared to $81k for financial asset loans.

At the end of the March quarter 37% of all direct property holders had a gearing arrangement in place, up from 35.9% from the previous quarter. The table below shows the percentage of geared property for the year.

	31 March 2014 (%)	30 June 2014 (%)	30 Sept 2014 (%)	31 Dec 2014 (%)	31 March 2015 (%)
Direct Property holders utilising LRBA's	36.3	37.5	34.4	35.9	37.0

The graph below shows the split across direct property and financial assets of the value of total borrowings at 31 March 2015.

Borrowing across Assets



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