



The Multiport SMSF Investment Patterns Survey June 2012

To get a closer insight into where SMSF trustees invest, Multiport undertakes an analysis of our SMSF's investments each quarter to look at the up to date asset allocation and investment trends which have or may be emerging.

The survey covers around 1,900 funds, a sample of the SMSF's that we administer and the investments they held at 30 June 2012. Funds are administered on a daily basis which ensures that data is based on actual investments and is completely up to date. The assets of the funds' surveyed represent approximately \$1.4 billion.

Increase in Cash, decrease in Australian Equities and Fixed Interest

The June quarter saw cash holdings increase significantly by almost 4%, while Australian share exposure decreased by 3% and Fixed Interest exposure decreased by 1.8%.

The decrease in Australian Equities recorded exceeded the decrease in the All Ordinaries for the quarter, indicating a degree of withdrawal due to market volatility. The increase in cash holdings also resulted from an increased level of contributions made by members during the June quarter. It appears the increased cash holdings have not been invested in the share market due to volatility or longer term deposits due to falling interest rates.

The overall asset allocation break-up as at 30 June 2012 was:

Sector	30 June 2011 (%)	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)
Cash and short term deposits	22.8	24.7	26.7	22.9	26.8
Fixed Interest	12.3	14.1	11.5	12.3	10.5
Australian Shares	38.9	36.0	35.4	38.8	35.8
International Shares	8.7	7.9	7.7	7.6	7.6
Property	16.0	16.8	17.6	17.4	18.3
Other (Hedge funds, agricultural funds, and private geared and ungeared trusts)	1.2	0.5	1.1	1.0	1.0
Total	100	100	100	100	100

Source: Multiport Pty Ltd

Significant increase in Cash holdings

The overall allocation to Cash increased by nearly 3.9%. It has been fairly evenly split between short term deposits and “true” cash despite the official cash rate falling.

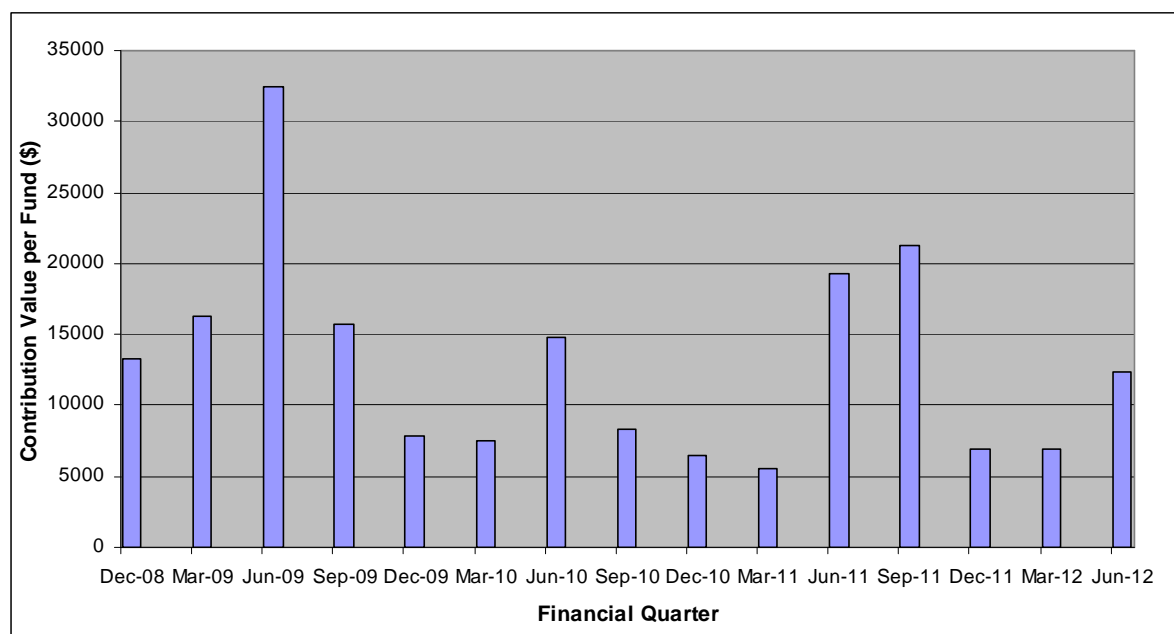
	30 June 2011 (%)	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)
Cash	15	16.7	15.6	13.8	15.2
Term Deposits	7.8	8	11.1	9.1	11.6
Total %	22.8	24.7	26.7	22.9	26.8

Source: Multiport Pty Ltd

The overall lift in can be put down to the usual end of financial year behaviour of aiming to ensure the contributions are received by 30 June, and then worrying about how to invest after 1 July.

Contributions, Benefit and Pension payments

The average contribution inflow for the quarter increased to \$12,350 compared to \$6,911 the previous quarter. This is in line with the trend shown during previous years where the bulk of contributions were generally made during the June quarter with some flowing over to the third quarter. In addition, the June quarter saw members over age 50 take advantage of their last opportunity to contribute up to \$50,000 in concessional contributions, with the \$25,000 concessional cap now applying to members of all ages.



Source: Multiport Pty Ltd

The average contribution for the 2012 FY was \$47,533, compared to \$40,700 for the 2011 FY and \$45,800 for the 2010 FY. This shows SMSF members were anxious to take advantage of the last higher concessional contribution cap and reversed the downwards trend.

Benefit and pension payments made by SMSF's were slightly higher than the average inflow of contributions, at around \$13,242 per fund for the quarter, slightly higher compared to the March quarter. The withdrawals appear to be mostly related to meeting minimum pension levels for the financial year, as well as withdraw and re-contribution strategies.

Fixed Interest

This quarter, Managed Funds showed a slight increase but Term Deposits dropped over 2%. This suggests that as the Term Deposits matured they were placed into cash and shorter duration Term Deposits due to questions about the direction in which interest rates were changing.

	30 June 2011 (%)	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)
Hybrids & Other direct holdings	6.8	7.9	7.6	6.2	6.4
Term Deposits > 1 year	3.1	3.7	1.6	3.7	1.5
Managed Funds	2.4	2.5	2.3	2.4	2.6
Total %	12.3	14.1	11.5	12.3	10.5

Source: Multiport Pty Ltd

The Managed Fund increase can be explained by the reduction in interest rates resulting in an increase in value assigned to longer term fixed interest securities which have coupon rates higher than then reduced cash rate.

Australian equities exposure decreases

Overall asset allocation in Direct Australian Equities decreased by 3% for the quarter, a slightly larger decrease compared to the overall quarterly decrease of the All Ordinaries. As the allocation decreased further than the All Ordinaries, this indicates there was a degree of profit taking as well as redemption due to market volatility.

	30 June 2011 (%)	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)
Direct Shares	32.5	30.0	30.0	34.2	31.7
Managed Fund	6.4	6.0	5.4	4.6	4.1
Total Australian Shares %	39.0	36.0	35.4	38.8	35.8

Source: Multiport Pty Ltd

Top 10 Australian Shares

The companies in the Top 10 remain largely unchanged compared to the previous quarter with a small shuffle in positions at the tail end. The Top 10 shares make up 17.5% of total SMSF assets held.

The most commonly held (\$ invested) shares at 30 June 2012 were:

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

Source: Multiport Pty Ltd

The Top 10 by Market Cap in the index are four banks, three miners, two retailers and a telco (just over 53% of the index).

International holdings

Exposure to International Equities remained stable for the quarter despite a slight decrease in the MSCI World Index due to volatility of the European markets. The steady holdings level of International equities appears to be a result of clients avoiding European markets and focusing on investments in Asia and other Emerging markets.

The split between managed funds and direct investment continues to show managed funds are the preferred method of investing in overseas markets due to the complication still present in investing overseas directly. The quarter does show a slight increase in the level of direct investments compared to the previous quarters.

We are still to see a significant take up of ETFs as a replacement for International Managed Funds with just over 3.7% of the overall international holdings being done via ETFs, compared to 4% for the March quarter.

	30 June 2011 (%)	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)
Direct Shares& ETFs	0.9	1.0	1.0	0.8	1.1
Managed Funds	7.8	6.9	6.7	6.8	6.5
Total %	8.7	7.9	7.7	7.6	7.6

Source: Multiport Pty Ltd

Exposure to Managed Funds

The survey has again reflected a continued decline in use of Managed Funds with a direct investment approach highly favoured. For the 12 month period, an 18% reduction in SMSF investments via Managed Funds can be identified. This indicates that traditional fund managers do not seem to be designing investment products that appeal to SMSF investors.

The major exception appears to be Cash & Fixed Interest and this is more likely to be attributable to the significant revaluation of the underlying securities in Fixed Interest Funds rather than additional investment into these Managed Funds.

The table below summarises the Managed Funds exposure as a percentage of total investments amongst the different categories.

	30 June 2011 (%)	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)
Cash & Fixed Interest	2.6	2.7	2.6	2.5	2.9
Australian Shares	6.4	5.7	5.4	4.6	4.1
International Shares	7.8	6.9	6.7	6.8	6.5
Property & Other	2.9	2.9	2.8	2.6	2.8
Total	19.8	18.2	17.5	16.5	16.3

Source: Multiport Pty Ltd

Property allocation

The asset allocation of both direct and indirect property has increased compared to previous quarters.

Direct Property allocation has slightly increased compared to the last quarter from 15.3% to 15.8%. Direct property allocation continues to be its highest level since December 2008. This reflects the ongoing acquisitions in this asset class and use of gearing strategies.

Out of the total number of properties held by the funds in the survey, 80% are residential and 20% are commercial properties.

Indirect property holdings also increased slightly for the quarter from 2.1% to 2.5%.

	30 June 2011 (%)	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)
Direct Property	14.5	15.4	15.4	15.3	15.8
Listed Property, Managed Funds & Syndicates	2.3	2.2	2.2	2.1	2.5
Total %	16.8	17.6	17.6	17.4	18.3

Source: Multiport Pty Ltd

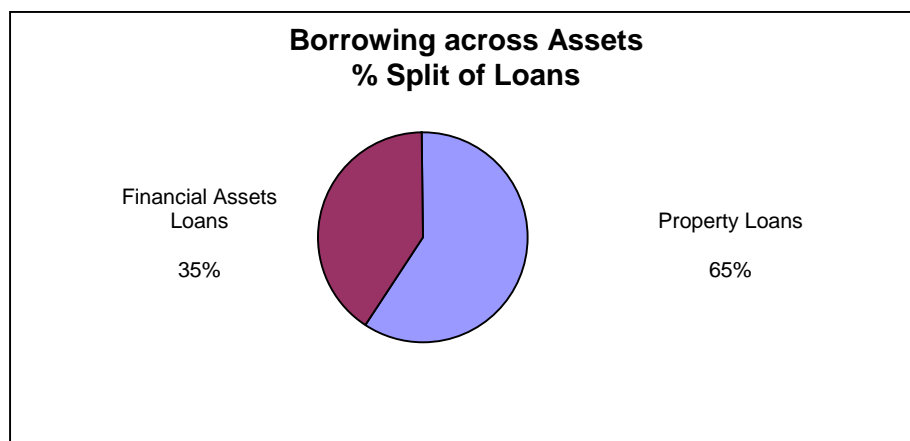
SMSF Trustees utilising limited recourse borrowing arrangements

Around 14.5% of the funds in the survey are currently utilising a borrowing arrangement. In terms of the number of loans 60.6% are in respect of financial assets and 39.4% in respect of property.

Only 23.5% of our total number of direct properties held have gearing.

The average property loan amount has fallen to \$272k from \$294k compared to \$96.5k from \$100k against financial assets. This can simply be a reflection of the nature of the loans being still relatively new so the principal element in repayments is still modest.

The graph below shows the split of borrowing arrangements across direct property and financial assets at 30 June 2012.



For any queries in relation to this Investment Pattern Survey please contact Philip La Greca on (02) 9230 0177 or Philip@multiport.com.au. Philip La Greca is the Technical Services Director of Multiport, a leading specialist SMSF and Managed Account administration company. The vast majority of Multiport administered SMSF's have a wide range of financial advisers providing investment advice to the trustees and this may make the analysis results different to the wider SMSF community.