



The Multiport SMSF Investment Patterns Survey September 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 September 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 \$1.5 billion.

Is perception overriding reality?

Asset allocation remains steady for the quarter but is lagging the actual performance of the markets. During the quarter, the All Ordinaries increased by approximately 6.5%, the MSCI index increased just over 5% and the A-Reit index increased by 5.6%. Despite these increases, asset allocation did not move upwards in line with the indices but remained steady, indicating trustees are still looking at past performance as a indicator for future performance.

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

Sector	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)	30 Sept 2012 (%)
Cash and short term deposits	24.7	26.7	22.9	26.8	26.6
Fixed Interest	14.1	11.5	12.3	10.5	10.6
Australian Shares	36.0	35.4	38.8	35.8	35.9
International Shares	7.9	7.7	7.6	7.6	7.7
Property	16.8	17.6	17.4	18.3	18.1
Other (Hedge funds, agricultural funds, private geared & ungeared trusts and collectables)	0.5	1.1	1.0	1.0	1.1
Total	100	100	100	100	100

Source: Multiport Pty Ltd

Cash holdings remain steady with a decline in short term deposits

The overall allocation to Cash decreased by 0.2% but mainly due to a reduction in the use of short term deposits. Even though the overall allocation of cash decreased marginally, cash remained popular and exceeded the expected level based on the change in indices amongst the different asset classes for the quarter and the drop in contribution inflow for the quarter.

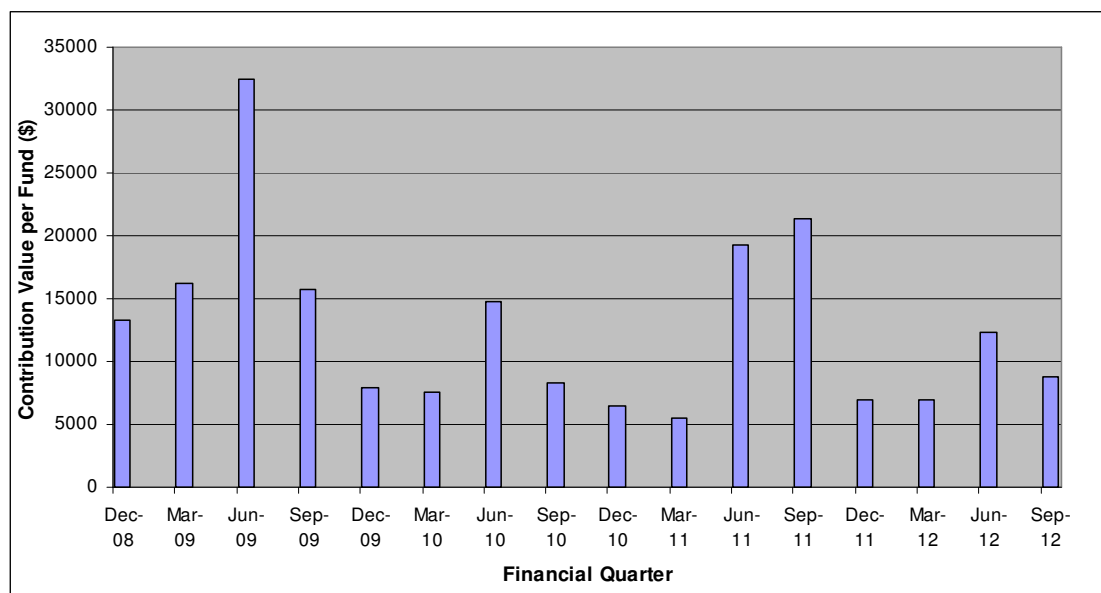
The 12 month period shows an increase in the use of term deposits suggesting trustees use cash as an active investment via the use of shorter term deposits to bolster yield.

	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)	30 Sept 2012 (%)
Cash	16.7	15.6	13.8	15.2	15.5
Term Deposits < 1 year	8	11.1	9.1	11.6	11.1
Total %	24.7	26.7	22.9	26.8	26.6

Source: Multiport Pty Ltd

Contributions, Benefit and Pension payments

The average contribution inflow for the quarter decreased to \$8,731 compared to \$12,350 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 reduced \$25,000 concessional cap now applying to members of all ages.



Source: Multiport Pty Ltd

Benefit and pension payments made by SMSF's were again higher than the average inflow of contributions, at around \$12,460 per fund for the quarter, slightly lower compared to the June quarter. The June quarter traditionally has a higher average of benefit payments as

some members prefer to withdraw the required minimum pension amount at the end of the financial year.

During the September quarter 80% of benefit payments were pension payments and 20% lump sum payments, which is in line with previous quarters.

Fixed Interest

The September quarter showed a slight decline in fixed interest exposure via term deposits and managed funds but an increase in hybrids and other direct holdings. This increase was mainly the result of capital raisings via subordinated notes issued by the banks.

The 12 month period shows a significant decline in Fixed Interest holdings of almost 25%, due to a cut in interest rates for the period.

	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)	30 Sept 2012 (%)
Hybrids & Other direct holdings	7.9	7.6	6.2	6.4	6.7
Term Deposits > 1 year	3.7	1.6	3.7	1.5	1.4
Managed Funds	2.5	2.3	2.4	2.6	2.5
Total %	14.1	11.5	12.3	10.5	10.6

Source: Multiport Pty Ltd

Australian equities exposure below expectations

Overall asset allocation in Direct Australian Equities increased by only 0.1% which resulted in a level below the expected 37% based on the overall quarterly increase of the All Ordinaries. The actual allocation did not increase in line with the All Ordinaries, indicating trustees remain cautious in making further investments in the share market, as well as a degree of profit taking.

	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)	30 Sept 2012 (%)
Direct Shares	30.0	30.0	34.2	31.7	31.8
Managed Fund	6.0	5.4	4.6	4.1	4.1
Total Australian Shares %	36.0	35.4	38.8	35.8	35.9

Source: Multiport Pty Ltd

Top 10 Australian Shares

The companies in the Top 10 remain largely unchanged compared to the previous quarter with the previous largest holding dropping down the list as the only company in our top ten to have a major decline in the share price for the period. The Top 10 shares make up 17.2% of total SMSF assets held and nearly 48% of all the Australian Equity allocation.

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

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

Source: Multiport Pty Ltd

The Top 10 by Market Cap in the index are four banks, two miners, two retailers, one healthcare business and a telco.

International holdings

Exposure to International Equities remained stable for the quarter with only a 0.1% increase despite a larger increase in the MSCI World Index. The steady level of International equities appears to be due to the strengthening of the Australian dollar over that period putting a dampener on the offshore performance.

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.

We have seen further take up of ETFs, with just over 5% of the overall international holdings being done via ETFs, compared to 3.7% for the June quarter.

	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)	30 Sept 2012 (%)
Direct Shares & ETFs	1.0	1.0	0.8	1.1	1.1
Managed Funds	6.9	6.7	6.8	6.5	6.6
Total %	7.9	7.7	7.6	7.6	7.7

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. This indicates that traditional fund managers do not seem to be designing investment products that appeal to SMSF investors. The major exception remains International Equities where the majority of investments are done via managed funds. The use of ETFs while increasing is still not significant and represents less than 1% of total assets split between fairly evenly between domestic and international equities.

Investment via Managed Funds in the Australian and International Equities category shows a slight increase for the quarter however this appears to be the result of market performance in these sectors as opposed to additional investments.

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

	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)	30 Sept 2012 (%)
Cash & Fixed Interest	2.7	2.6	2.5	2.9	2.7
Australian Shares	5.7	5.4	4.6	4.1	4.2
International Shares	6.9	6.7	6.8	6.5	6.6
Property & Other	2.9	2.8	2.6	2.8	2.5
Total	18.2	17.5	16.5	16.3	16

Source: Multiport Pty Ltd

Collectables and Personal use items

The new regulations on collectable items and personal use assets have been in force for over a year, with a transitional period applying for SMSFs that held collectable items prior to 1 July 2011, we therefore decided to look at the impact of the new rules on this asset class.

Even though collectables represent 0.05% of the overall SMSF asset allocation, the asset class showed a considerable increase over the last few quarters. Even with a small pool of assets it would appear that the new rules have not deterred trustees to invest in this asset class. Numerically the number of collectables has increased by 22% and based on value by 20%. This is probably down to the uncertainty surrounding other asset classes, with some clients still looking for an alternative to cash.

There seemed to be no movement amongst existing collectables held prior to the rule changes, suggesting those trustees are either confident they will be able to meet the new rules, or have not yet addressed the new requirements that will apply after 30 June 2016!

Property allocation

The asset allocation of direct property increased slightly, while the allocation to indirect property has decreased compared to the previous quarter.

In terms of volume, the number of direct properties held by clients increased quite substantially during the quarter, with a total of 451 properties being held at 30 June and a total of 496 properties held at 30 September. Out of the total number of properties held by the funds in the survey, 80% are residential and 20% are commercial properties, which is consistent with the previous quarter.

Direct property is represented by real property directly held within the SMSF, but also includes real property held by SMSF's via a related unit trust. Direct SMSF ownership represents 80% of all direct property holdings, while ownership by SMSF's via a related unit trust represents 20% of direct property holdings.

	30 Sept 2011 (%)	31 Dec 2011 (%)	31 March 2012 (%)	30 June 2012 (%)	30 Sept 2012 (%)
Direct Property	15.4	15.4	15.3	15.8	15.9
Listed Property, Managed Funds & Syndicates	2.2	2.2	2.1	2.5	2.2
Total %	17.6	17.6	17.4	18.3	18.1

Source: Multiport Pty Ltd

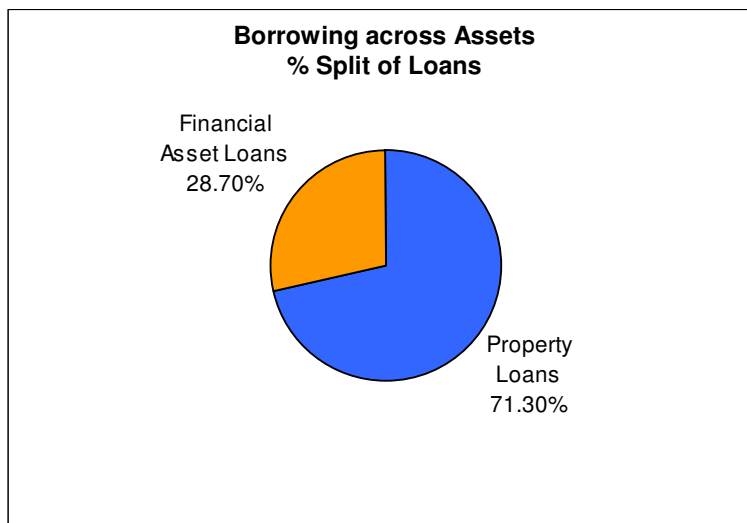
SMSF Trustees utilising limited recourse borrowing arrangements

Around 14.5% of funds in the survey are currently utilising a borrowing arrangement. In terms of the number of loans, 57% are in respect of financial assets and 43% in respect of property.

As for the loan values, the average property loan amount has slightly increased to \$274k for the quarter compared to \$272k for the previous quarter. The average loan amount for financial asset loans decreased significantly to \$83k for the quarter compared to \$96k for the previous quarter.

In relation to property loans, only 24% of our total numbers of direct properties held have a gearing arrangement in place.

The graph below shows the split across direct property and financial assets of the value of total borrowings at 30 September 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 Head of Technical Services. Multiport is 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.