



Vanguard/Investment Trends March 2018 SMSF Reports Excerpts

Deep Insights Research

Survey concluded: March 2018
Report released: May 2018

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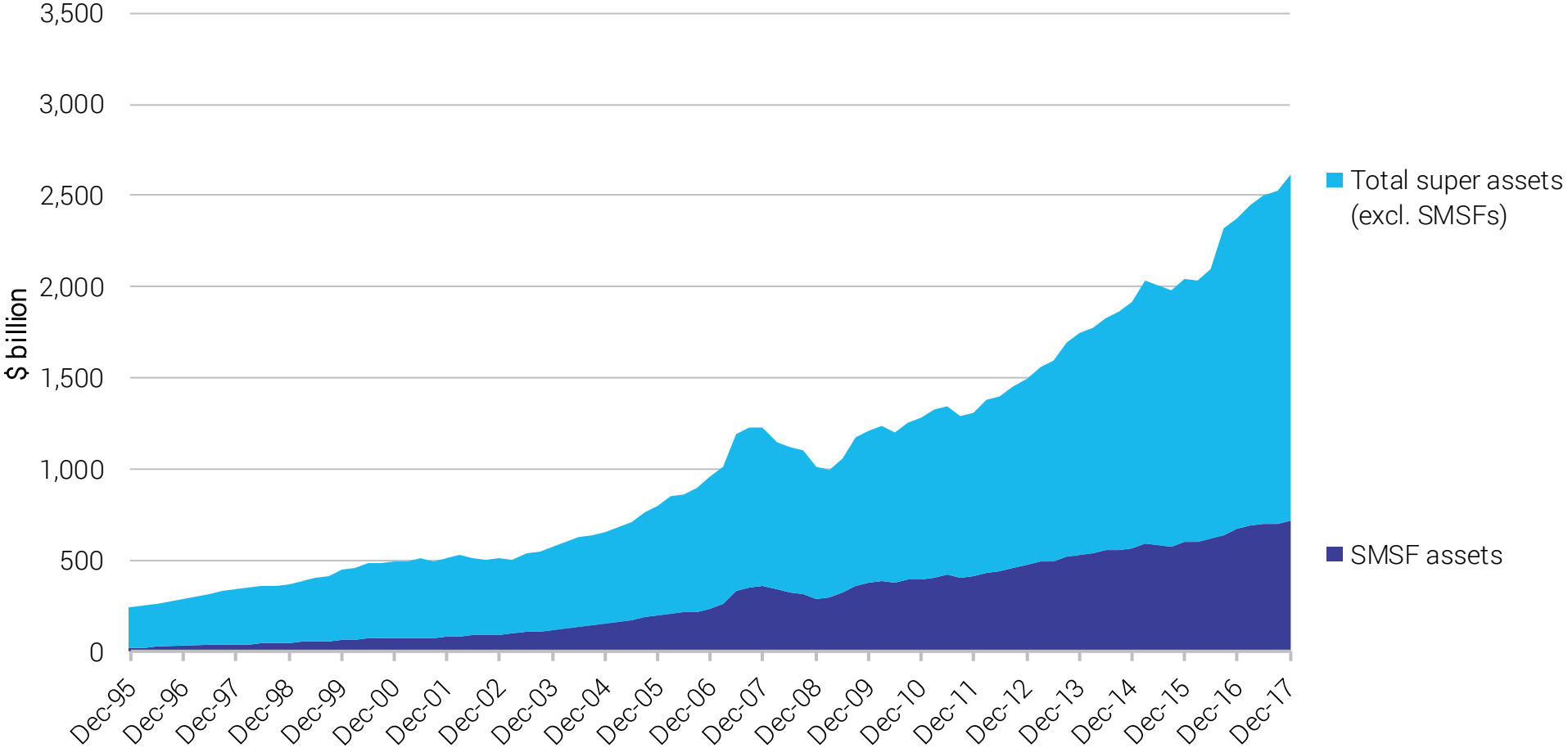
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An update on the SMSF market



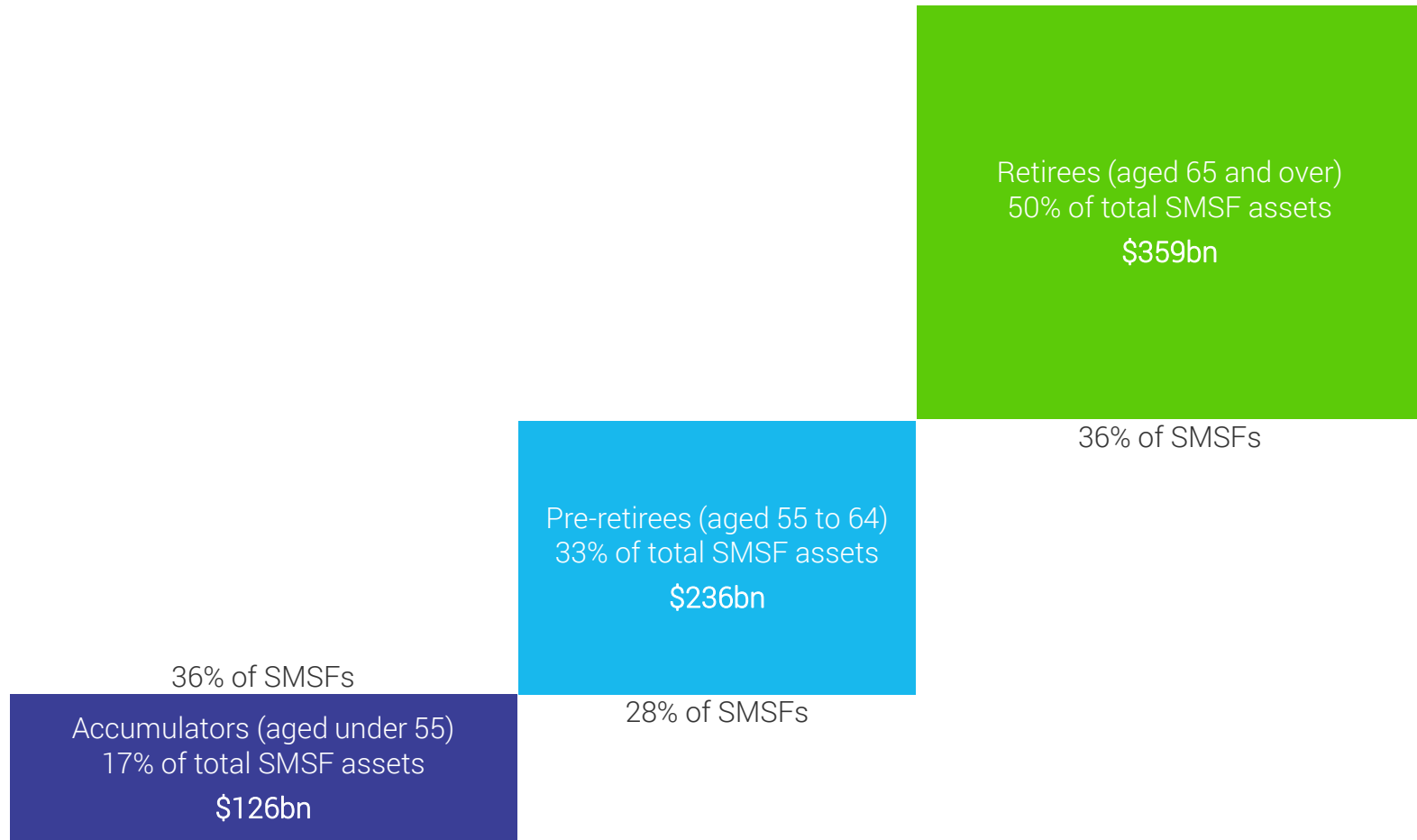
APRA data shows that total SMSF assets grew 8% (or \$50bn) to \$721bn in the year to December 2017

Super fund assets
(Source: APRA Quarterly Superannuation Performance Report)



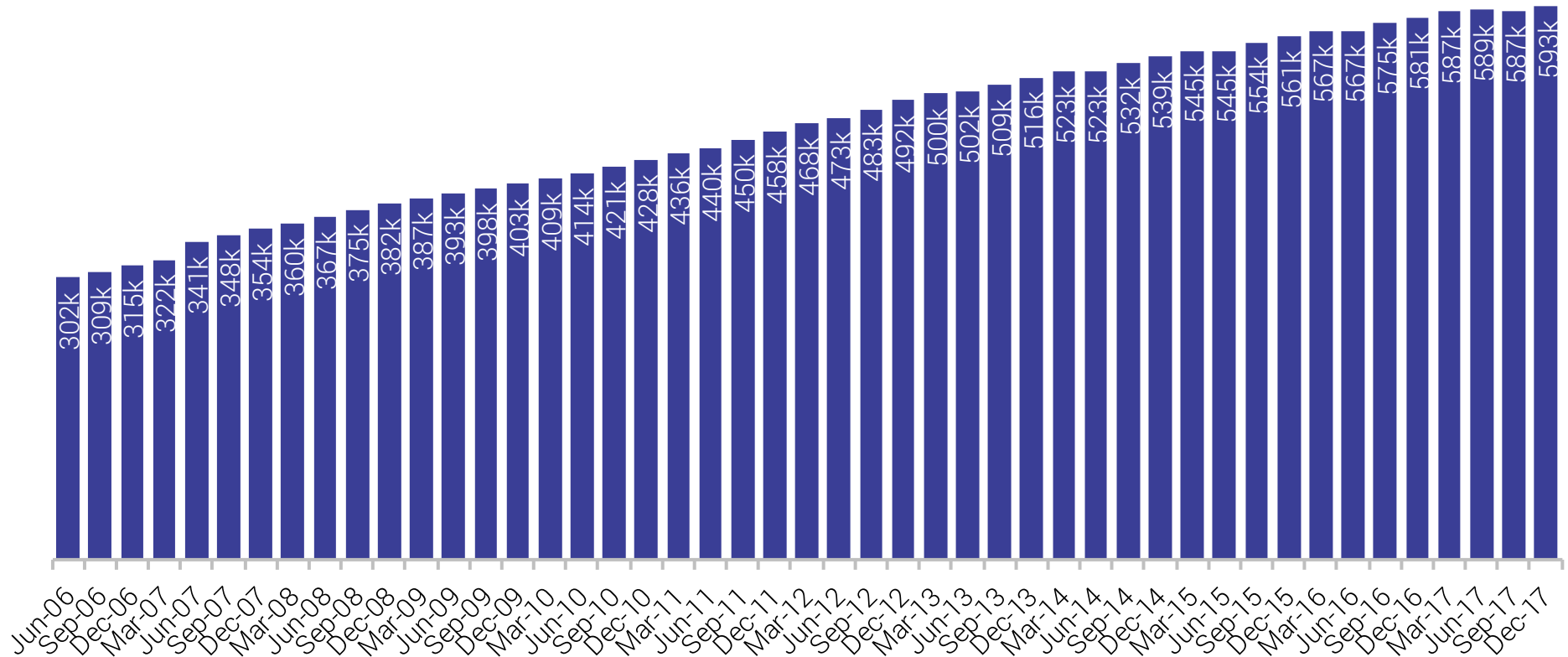
Retirees represent just over a third of SMSFs (36%), but collectively control half of total SMSF assets (\$359bn)

Proportion of total SMSF assets
By Lifestage



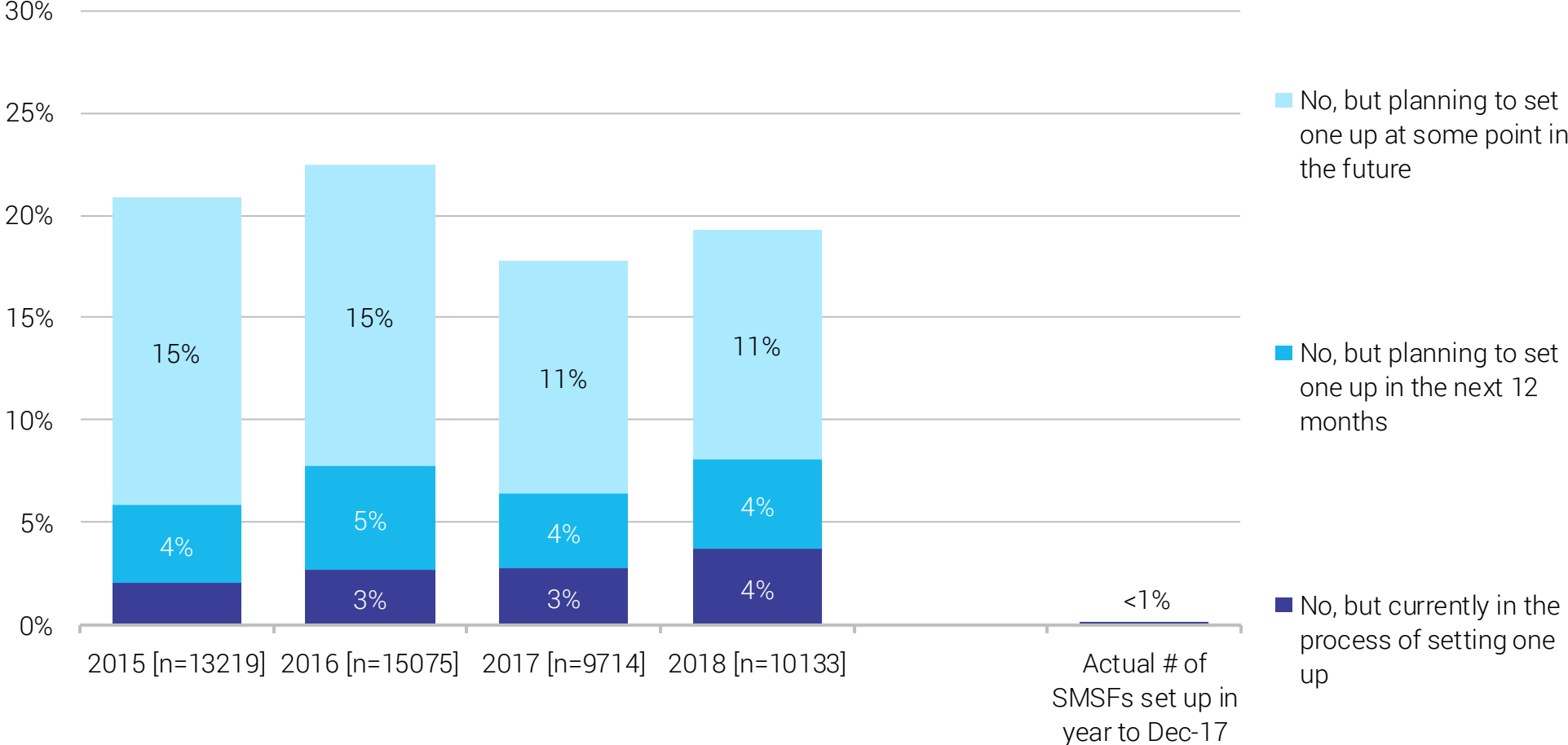
The number of SMSFs continues to grow. There are 593,000 SMSFs as of December 2017, up 2% in the last 12 months

Number of SMSFs
(Source: APRA Quarterly Superannuation Performance Report)



There remains a divergence between members' appetite to set up an SMSF, and the number of SMSFs established each year

Comparison of intention to set up an SMSF and the actual number of SMSFs set up
Among super fund members



Those interested in setting up an SMSF typically cite 1.9 reasons for intending to do so. Greater control over investments and word of mouth are the top reasons

Q33 Why are you planning to set up an SMSF? (Multiple responses permitted)
Among next wave & potential SMSFs



^New option added



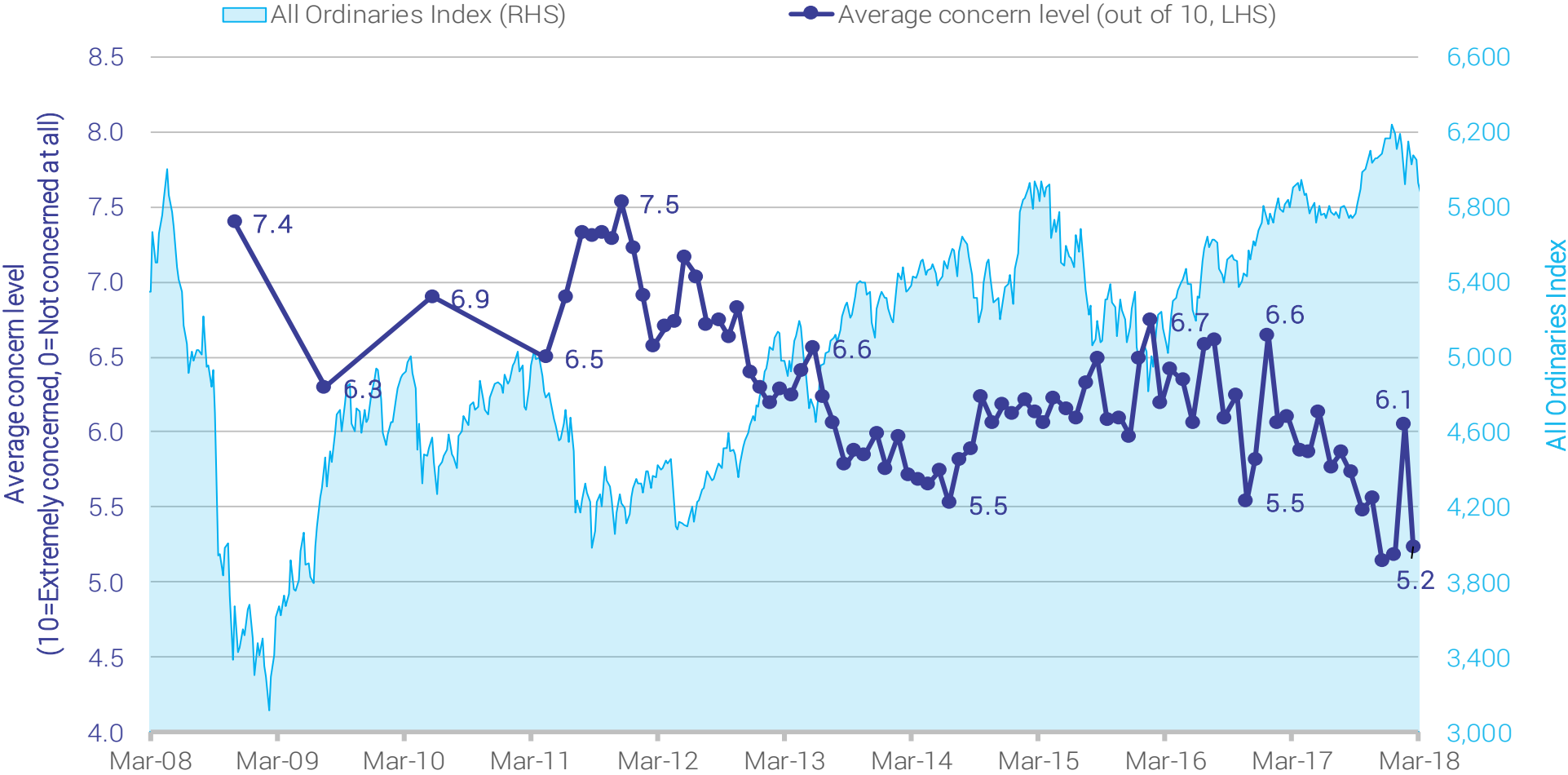
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SMSFs and their investments



Aside from a peak in February 2018, SMSFs' concern levels has largely been in decline throughout the last 12 months

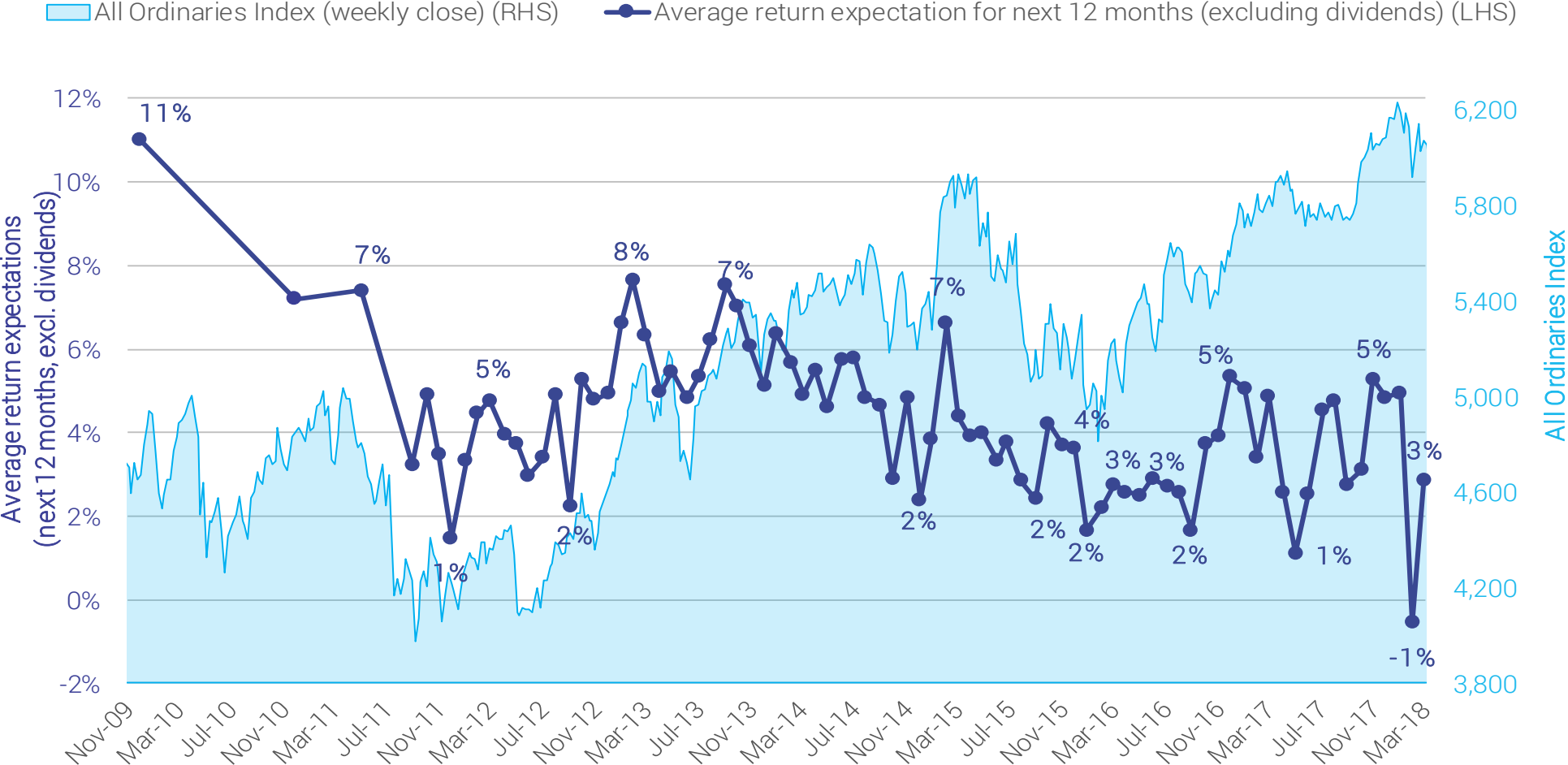
SMSFs' concern level with the situation in the financial markets vs All Ordinaries Index
Among SMSFs



Source: Investment Trends Investor Intentions Index

SMSFs' return expectations for the All Ordinaries Index was negative in February 2018 – the first time since 2010

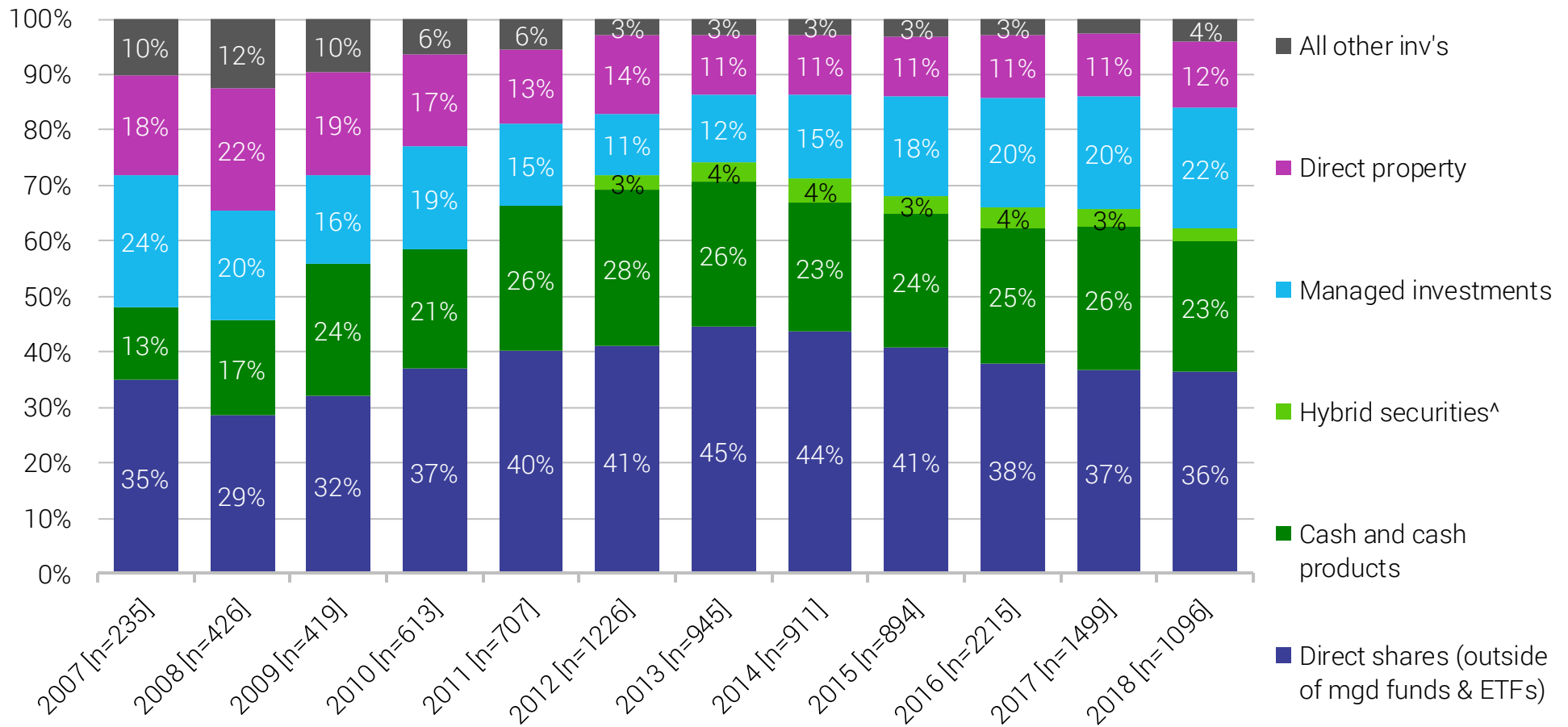
SMSFs' stock market expectations for the next 12 months (excluding dividends) vs All Ordinaries Index
Among SMSFs



Source: Investment Trends Investor Intentions Index

The established shift towards managed investments has continued largely at the expense of direct shares

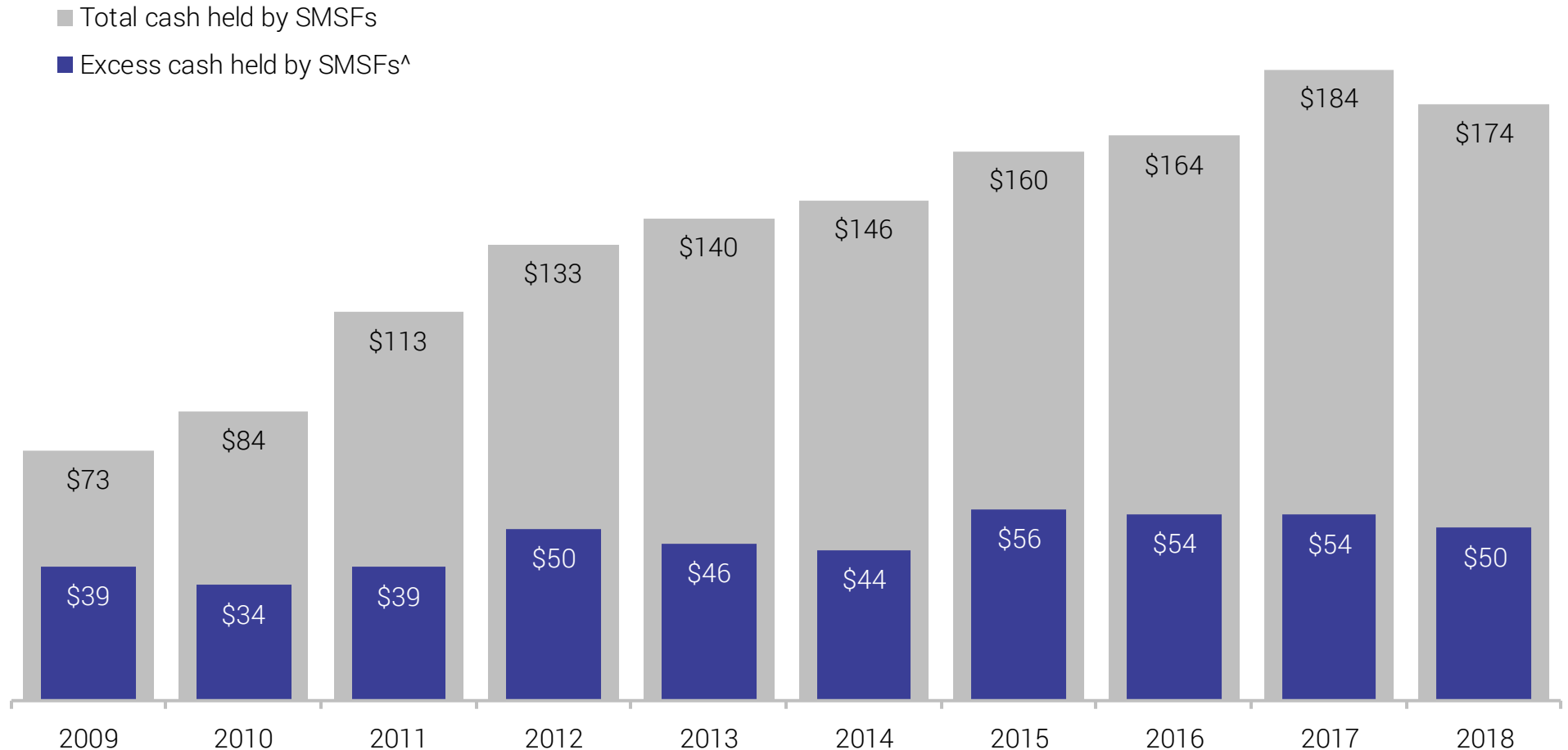
Q46 Roughly how much does your SMSF have invested in each type of asset?
Dollar weighted averages among SMSFs



^New option added

The amount of cash held by SMSFs has declined for the first time since 2009 (\$174bn, down from \$184bn). Of this, \$50bn is considered 'excess cash'

Level of cash held by SMSFs (\$bn)



^Excess cash refers to the level of the SMSF's funds that are currently in cash due to recent market volatility, that would normally have been invested in other investments/assets



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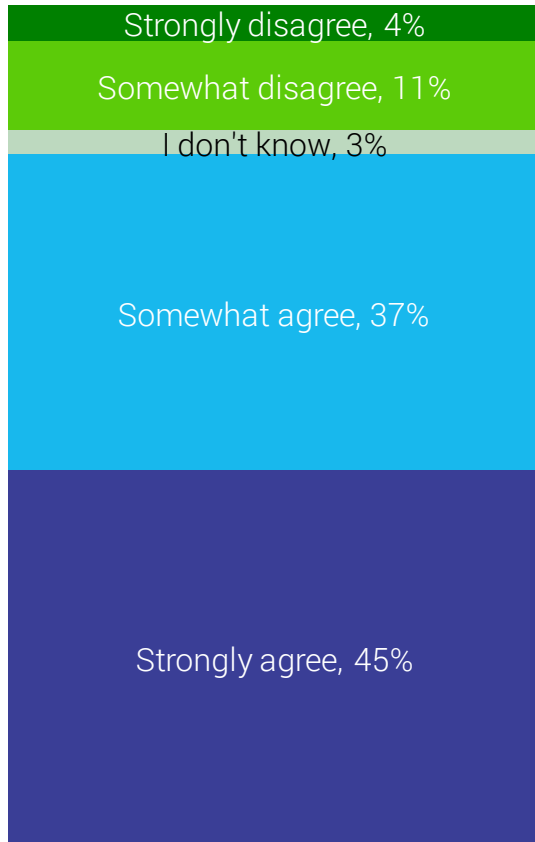


Attitudes to diversification



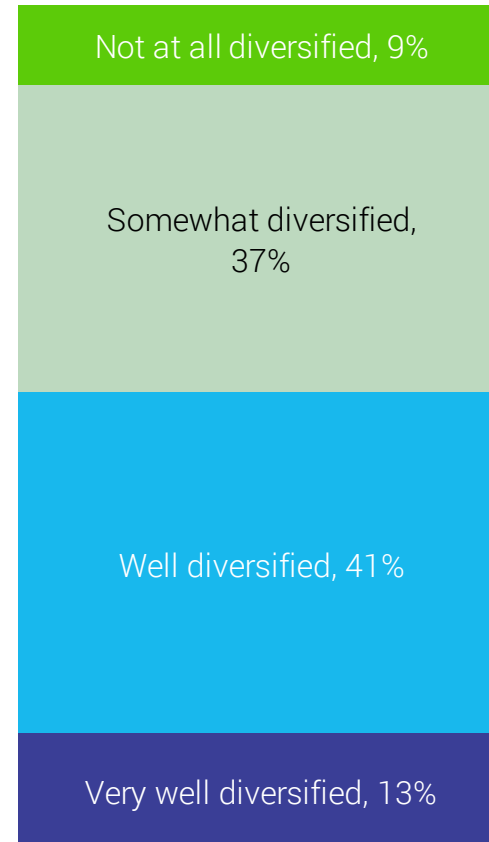
While SMSFs believe diversification is important (82% agree), in practice many do not achieve it

Q17 Do you agree or disagree with the following statement?
It is important for my SMSF to be well diversified across different investment types



All SMSFs [n=1312]

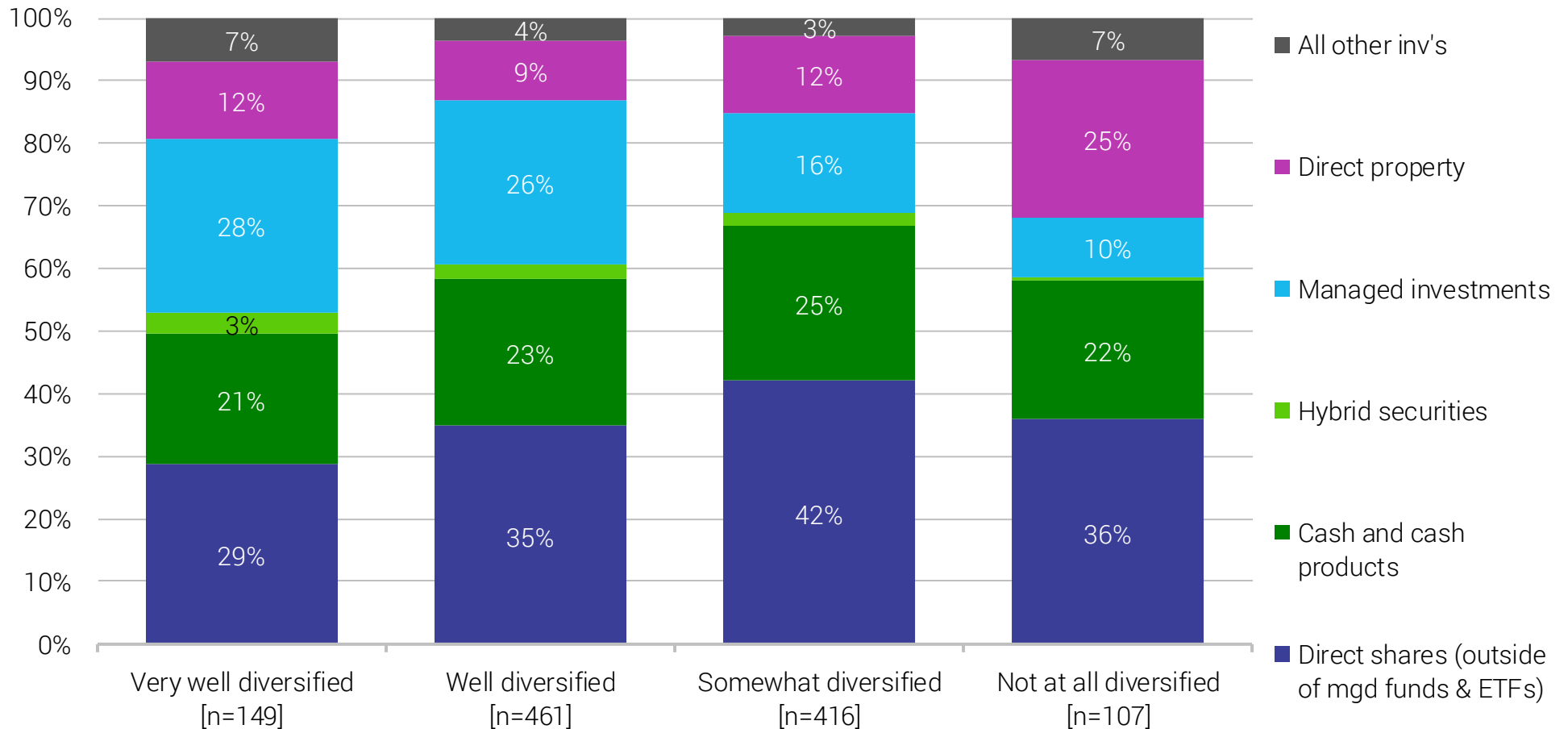
Q61 How well diversified is your SMSF currently?



All SMSFs [n=1138]

Those who consider their SMSF to be well diversified are more likely to be invested in managed investments, while those who consider their SMSF to be less diversified focus heavily on direct shares, cash and investment property

Q46 Roughly how much does your SMSF have invested in each type of asset?
By Q61 How well diversified is your SMSF currently? Dollar weighted averages among SMSFs





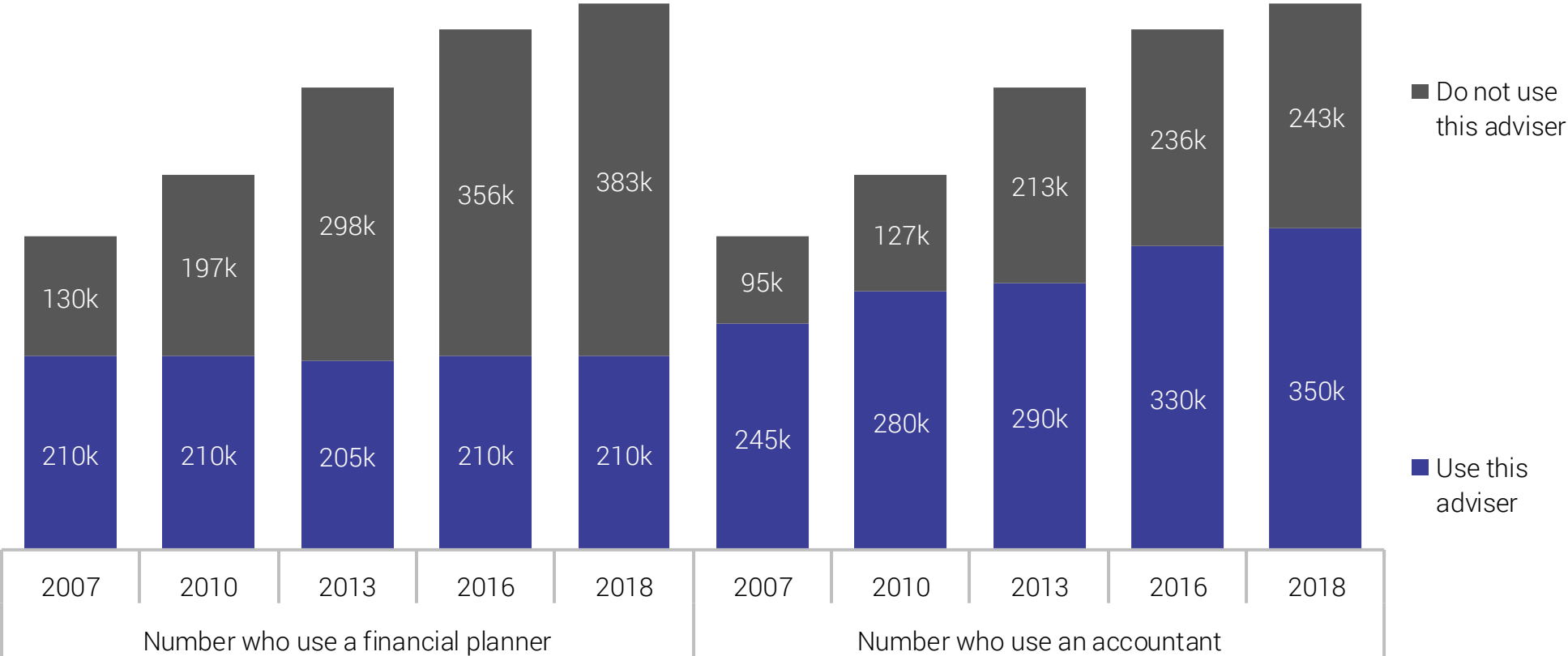
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SMSFs and advice



Planners and accountants have missed out on much of the SMSF growth in the last decade

Number of SMSFs using financial planners and accountants

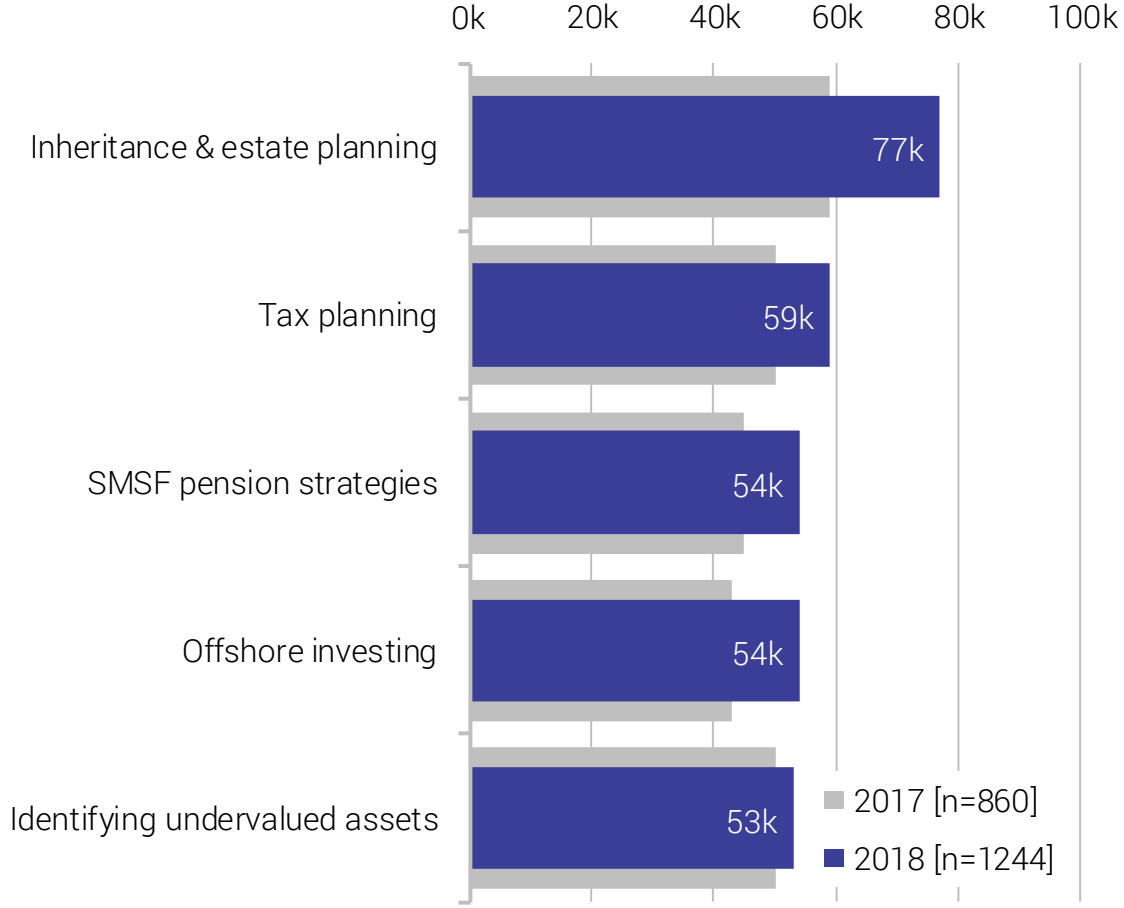


Opportunities exist for both planners and accountants to expand their SMSF footprint. The number of SMSFs with unmet advice needs remains at record levels and the breadth of their advice needs has widened

Number of SMSFs that have unmet advice needs



Q28 Are there any areas in regards to your SMSF in which you would like to be receiving financial advice, but currently aren't? (Multiple responses permitted) Among SMSFs with unmet advice needs



Summary of key themes

Nationwide, the number of SMSFs continues to rise, reaching almost 600,000 in December 2017

Investment selection remains one of the top difficulties of running an SMSF off the back of uncertain market conditions. This is driving a greater share of SMSF assets being invested in managed investments. SMSFs also collectively hold \$50bn on the sidelines due to uncertain market conditions

SMSFs realise the importance of a diversified investment portfolio, but many may not be achieving this in practice. Those who consider their fund to be well diversified typically have a much higher allocation to managed investments – almost three times as much as those who do not consider their fund to be diversified at all

Planners and accountants have missed out on much of the SMSF growth in the last decade, but there are opportunities for both to expand their SMSF footprint. The number of SMSFs with unmet advice needs remains at record levels, and the breadth of needs have widened over the last year

About Investment Trends

Investment Trends is a specialist financial services market research organisation providing business insights and decision support information to many of the world's leading financial services organisations. We combine analytical rigour and strategic thinking with the most advanced market research and statistical techniques to help our clients gain competitive advantage. As a company we aim to improve the lives of millions of investors by making the whole financial services industry better.

Our research coverage spans eight countries across Australia, Asia, Europe and the US.

Our clients include industry regulators, leading local and global banks, investment platforms, leverage trading providers, fund managers, superannuation and pension funds, product issuers and manufacturers and financial planning software providers.

Our work is focused on helping clients answer three fundamental questions:

1. How does the market currently work?
2. How is the market evolving?
3. How do I improve business outcomes:
 - Acquire more customers
 - Retain more existing customers
 - Increase revenue per customer
 - Prioritise technology and process investments



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