

Class SMSF Benchmark Report

June 2016



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Introduction

Welcome to the June 2016 Class SMSF Benchmark Report. Class Super is now used by over 950 accounting, financial planning and specialist administration businesses to administer over 110,000 SMSFs, 19.2% of the 577,236 SMSFs¹ in Australia as at 30 June 2016.

Class believes it is important for our customers and other participants in the industry to have access to timely benchmark data and key metrics about their industry, their peers and the SMSFs they service. Much of the data available from other sources is estimated, based on small non-representative samples or is collated many months after the fact.

The *Class SMSF Benchmark Report* is compiled using a selection of de-identified data extracted from across the Class Super user base*. Class Super supplies data to its customers via transaction and market data feeds which include daily balances from a wide range of banks, brokers and wrap and other platform providers – the richness and timeliness of this data provides a unique ability to provide an up to date view across a significant portion of the SMSF sector.

¹ APRA Quarterly Superannuation Performance 30 June 2016

* To view the methodology used, please click [here](#).

Benchmark 1/2

The Key Stats

55



Median number of SMSFs per business

958



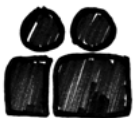
Number of Class SMSF customer businesses

115



Average number of SMSFs per business

1.9



Average number of members per fund

\$132_b



Total value of assets administered on Class Super across 110,614 SMSFs

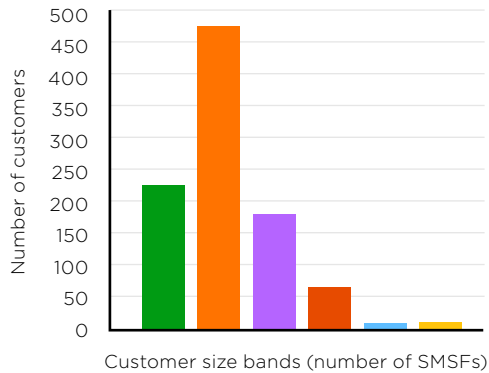
\$1.2_m



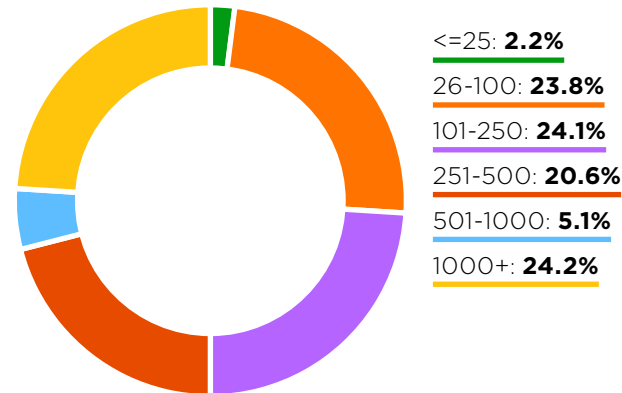
Average SMSF balance \$630,000
Average member balance

Benchmark 2/2

Distribution of Class Customers by Size



Class SMSFs by Customer Size



What separates a SMSF Practice from a specialist SMSF Administrator?

The benchmark data shows an interesting “chasm” in the Class customers servicing 501-1000 SMSFs; why are there so few providers in this range?

Anecdotally, this is the range where a partner-led SMSF practice needs to transition into a specialist administration business with the senior management, sales and marketing, processes and systems to deal with 500+ clients.

Emerging Administrators who successfully “cross the chasm” can expect to go on to become Major Administrators servicing thousands of SMSFs.

Size	# Firms	% Firms	# SMSFs	% SMSFs	Avg SMSFs	Class Customer Type
<=25	224	23.4%	2,465	2.2%	11	Small Practice
26-100	474	49.5%	26,373	23.8%	56	“Typical” Practice
101-250	176	18.4%	26,639	24.1%	151	Large Practice
251-500	66	6.9%	22,820	20.6%	346	XL Practice
501-1000	8	0.8%	5,598	5.1%	700	Emerging Administrator
1000+	10	1.0%	26,719	24.2%	2,672	Major Administrator

The SMSF Transit Lounge

Recent industry commentary has suggested that self managed super funds with smaller balances are not cost effective, citing that based on ATO data, funds with balances of \$50,000 or less have lost 15 per cent over 7 years to June 2014.

In response, the SMSF Association published an article[#] which highlighted that the ATO statistics on SMSF performance, especially for lower balance funds, could be misleading. Specific points included:

- Lower balance funds tend to capture newly established funds that can have significant set-up and advice expenses in their formative years.
- Setup and advice costs distort the average return on assets for these funds as well as their operating expense ratios in comparison to APRA-regulated funds.
- A significant proportion of SMSFs are in drawdown phase (much higher than APRA regulated funds).

Checking the data

To apply some hard data to the discussions, Class conducted an analysis on funds with balances of less than \$50k. Based on Class data, the population of these lower balance funds is indeed largely made up of funds

that are new and growing, or shrinking and exiting.

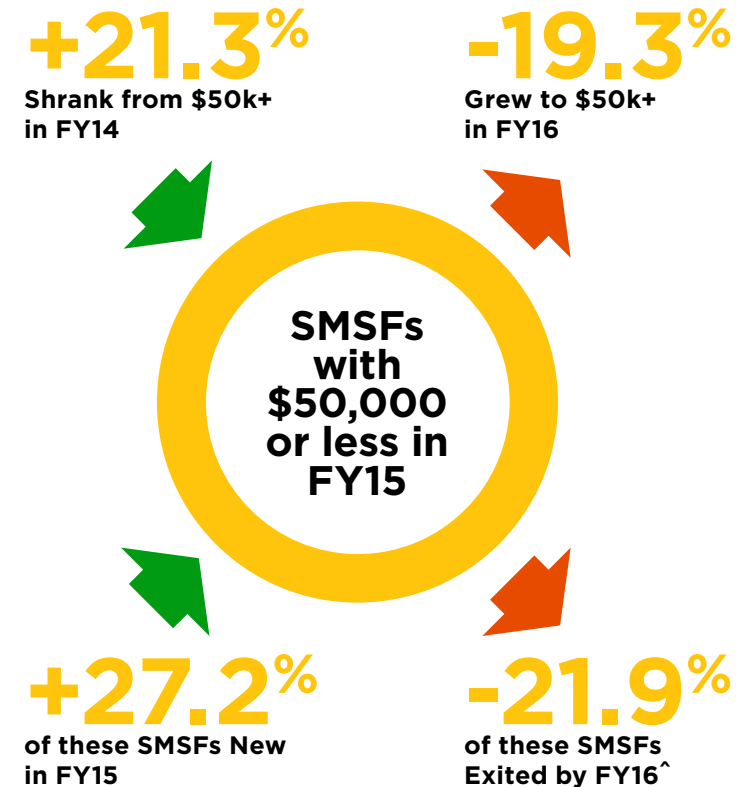
In FY15 about 50% of funds in the <\$50k bracket were either newly established in the year, or entered the <\$50k bracket due to drawdowns or rollovers during the year. In FY16 a similarly large number of these funds either grew their balances to greater than \$50k or were wound-down due to benefit payments or rollovers.

Conclusion - arrivals and departures

As the SMSF Association points out “The sustainability of SMSFs with lower balances depends on many factors including plans and capacity for future contributions, asset allocations, member preferences and needs, etc.”

Class’ findings verify and quantify what many in the industry suspected i.e. that the dynamics of funds with balances of less than \$50k are similar to that of an airport transit lounge, with constant arrivals and departures. On average these funds come and go from the <\$50k bracket in about 2 years*.

Given the high turnover in this bracket, it is incorrect to assume that funds with low balances are sitting around for many years paying ongoing high fees.



Source: smsfassociation.com: 'SMSF Association response to articles critical of SMSFs', 14 June 2016

* The “new and shrinking funds” percentage for FY15 was 27.2% + 21.3% = 48.5%. The average time in this bracket is calculated as 100/48.5 = 2.06 years. We also checked the “new and shrinking” percentage for FY16 and it is in line with FY15 at 52.5%.

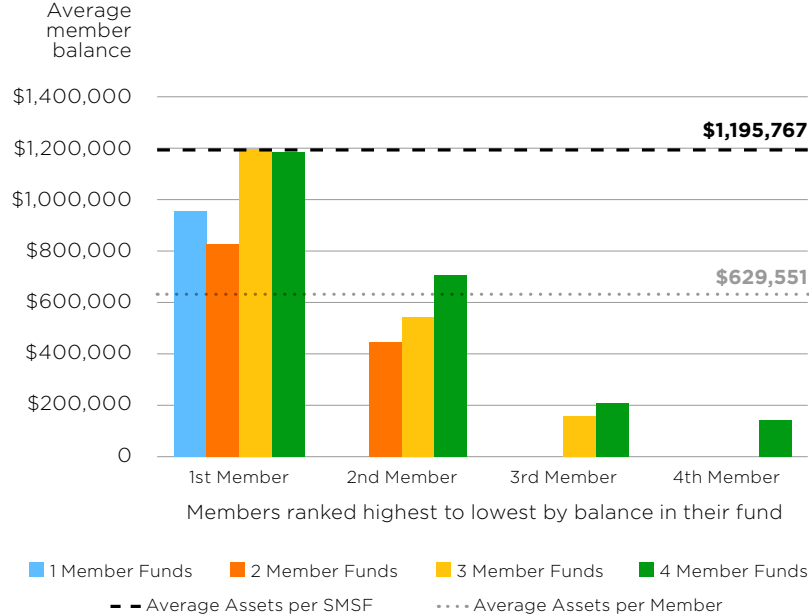
^ Class suspects that the percentage of exiting funds is likely to be understated due to our rapid subscriber growth. New subscribers tend not to load funds that are being wound-down and hence they will not be reflected in our analysis.

Investment Data

Averages can hide a lot of variability in underlying data. As shown in this member balance graph, thinking about SMSFs in terms of average member balances, is not recommended because the split of assets between members are quite often skewed – for a typical two-member fund the balance of the first member is likely to be twice that of the second member. Given recent superannuation policy changes it might be appropriate for the industry to think about strategies to address this imbalance.

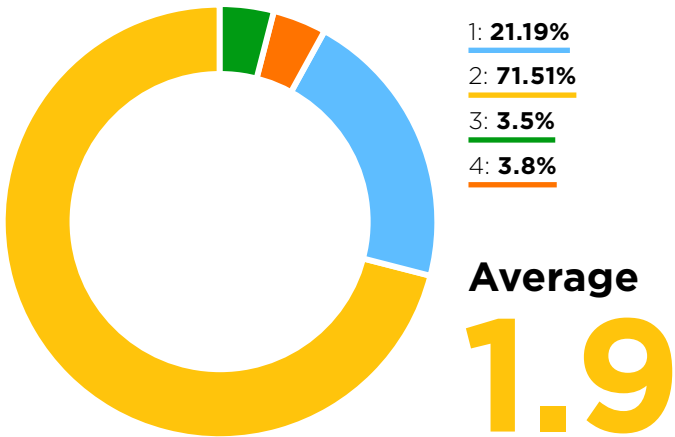
Average balances

Member balances vs. Number of members

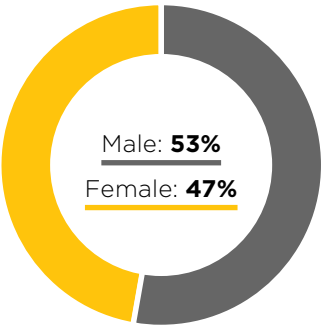


Membership sizes

Number of members in SMSFs



Gender split across all funds is



Average age of members

57.8

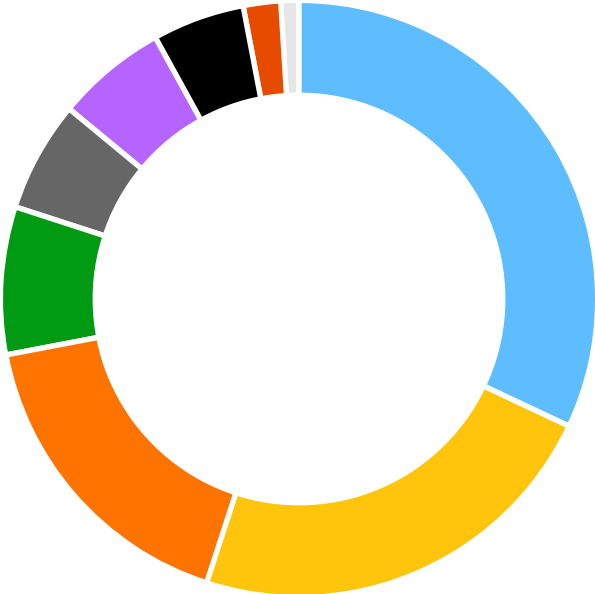
Investment Data

The following pages provide further details on the:

- Asset classes invested.
- Distribution of SMSFs by total asset value.
- Top 20 holdings for ETFs, Australian Shares, International Shares and Managed Funds.

SMSF Asset Allocation

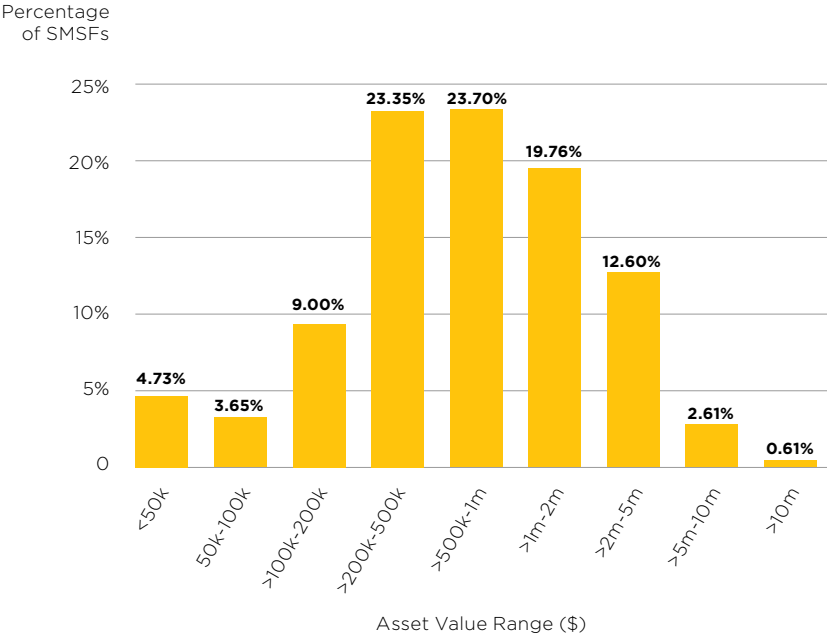
30 June 2016



- Listed shares: **31.1%**
- Cash and term deposits: **23.0%**
- Unlisted trusts: **17.6%**
- Non-residential real property: **8.5%**
- Residential real property: **6.3%**
- All other assets: **5.0%**
- Listed trusts: **4.7%**
- Limited recourse borrowing arrangements: **2.5%**
- Other managed investments: **1.3%**

Fund size range

SMSFs by Asset Value



Investment Data

Top 20 Investment Holdings

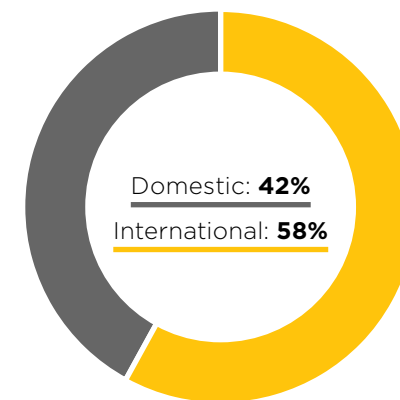
ETFs

30 June 2016

Rank	Security Code	Description	Foreign/ Domestic	% of Funds with ETFs that hold this Security	% of total SMSF ETF investments ¹
1	IVV	Ishares S&P 500 ETF - Chess Depository Interests 1:1 Ishs&P500	F	23.9%	12.4%
2	IOO	Ishares Global 100 ETF - Chess Depository Interests 1:1 Ishglb100	F	16.6%	6.0%
3	STW	SPDR S&P/ASX 200 Fund - Exchange Traded Fund Units Fully Paid	D	15.5%	8.5%
4	VTS	Vanguard Us Total Market Shares Index ETF - Chess Depository Interests 1:1	F	14.7%	5.1%
5	VEU	Vanguard All-World Ex-Us Shares Index ETF - Chess Depository Interests 1:1	F	14.2%	3.7%
6	SLF	SPDR S&P/ASX 200 Listed Property Fund - Exchange Traded Fund Units Fully Paid	F	12.6%	4.2%
7	VAP	Vanguard Australian Property Securities Index ETF - Exchange Traded Fund Units Fully Paid	D	12.2%	3.9%
8	IEU	Ishares Europe ETF - Chess Depository Interests 1:1 Isheu350	F	9.8%	2.4%
9	IEM	Ishares MSCI Emerging Markets ETF - Chess Depository Interests 1:1 Ishmsciem	F	9.3%	1.8%
10	VAS	Vanguard Australian Shares Index ETF - Exchange Traded Fund Units Fully Paid	D	8.6%	6.6%
11	VHY	Vanguard Australian Shares High Yield ETF - Exchange Traded Fund Units Fully Paid	D	8.5%	3.7%
12	MGE	Magellan Global Equities Fund (Managed Fund) - Trading Managed Fund Units Fully Paid	D	7.9%	3.0%
13	IXJ	Ishares Global Healthcare ETF - Chess Depository Interests 1:1 Ishhealth	F	7.5%	2.2%
14	IAA	Ishares Asia 50 ETF - Chess Depository Interests 1:1 Ishasia	F	6.4%	1.4%
15	AAA	Betashares Australian High Interest Cash ETF - Exchange Traded Fund Units Fully Paid	D	5.3%	2.6%
16	VAF	Vanguard Australian Fixed Interest Index ETF - Exchange Traded Fund Units Fully Paid	D	5.0%	2.9%
17	YMAX	Betashares Aus Top20 Equity Yield Max Fund (Mg Fd) - Trading Managed Fund Units Fully Paid	D	4.9%	1.6%
18	IVE	Ishares MSCI Eafe ETF - Chess Depository Interests 1:1 Ishaeafe	F	4.7%	1.3%
19	SFY	SPDR S&P/ASX 50 Fund - Exchange Traded Fund Units Fully Paid	F	4.6%	2.4%
20	USD	Betashares U.S. Dollar ETF - Exchange Traded Fund Units Fully Paid	F	4.0%	2.3%
Total					78.0%

¹Percentage each security makes up of the total value of SMSF ETF investments e.g. IVV is 12.4% of the total value of SMSF investments in ETFs

Top 20 ETFs



The top 20
ETFs make up
78%
of total SMSF
ETF investment

Investment Data

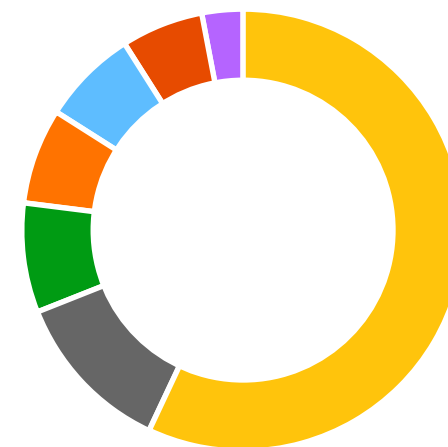
Managed Funds

30 June 2016

Rank	Security Code	Description	% of Funds with Managed Funds that hold this security	% of total SMSF Managed Fund investments ¹
1	PLA0002AU	Platinum International Fund	26.6%	4.6%
2	MGE0001AU	Magellan Global Fund	23.8%	4.4%
3	PLA0004AU	Platinum Asia Fund	11.5%	1.9%
4	FID0008AU	Fidelity Australian Equities Fund	8.0%	1.5%
5	MAQ0482AU	Winton Global Alpha Fund	7.4%	0.9%
6	ETL0032AU	Aberdeen Emerging Opportunities Fund	7.2%	0.8%
7	MAQ0277AU	Macquarie Income Opportunities Fund	6.4%	1.2%
8	SCH0028AU	Schroder Fixed Income Fund - Wholesale Class	6.2%	1.2%
9	MIA0001AU	MFS Global Equity Trust	6.1%	1.1%
10	GSF0002AU	Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Fund	5.9%	0.9%
11	MAQ0404AU	IFP Global Franchise Fund	5.8%	1.0%
12	MAQ0410AU	Walter Scott Global Equity Fund	5.5%	1.1%
13	VAN0004AU	Vanguard W'sale Australian Property Securities Index Fund	5.2%	0.8%
14	ETL0018AU	PIMCO Global Bond Fund - Wholesale Class	5.2%	0.8%
15	TGP0008AU	RARE Infrastructure Value Fund - Hedged	5.0%	0.5%
16	IOF0145AU	Henderson Tactical Income Fund	4.9%	0.9%
17	APN0008AU	APN AREIT Fund	4.7%	0.7%
18	CSA0038AU	Bentham Wholesale Global Income Fund	4.6%	0.5%
19	TGP0034AU	RARE Infrastructure Value Fund - Unhedged	4.5%	0.5%
20	PLA0100AU	Platinum International Brands Fund	4.4%	0.7%
Total (% that the top 20 makeup of total SMSF investments in Managed Funds)				26.0%

¹Percentage each security makes up of the total value of SMSF Managed Fund investments e.g. PLA0002AU is 4.6% of the total value of SMSF investments in Managed Funds.

Managed Funds look-through for Top 20



International Equities: **57%**

Cash: **12%**

Australian Fixed Interest: **8%**

International Fixed Interest: **7%**

Australian Equities: **7%**

Listed Property: **6%**

Other: **3%**

Direct Property: **0%**

Mortgages: **0%**

Foreign Cash: **0%**

Investment Data

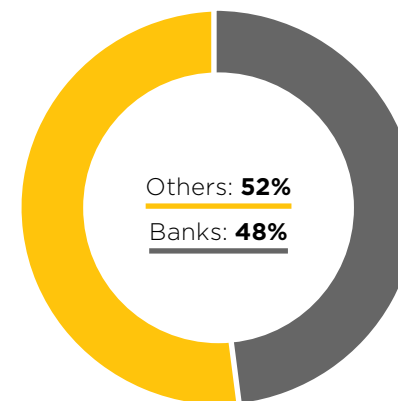
Domestic Shares

30 June 2016

Rank	Security Code	Description	% of Funds with Domestic Shares that hold this security	% of total SMSF Domestic Share investments ¹
1	TLS	Telstra Corporation Limited.	55.4%	5.9%
2	BHP	BHP Billiton Limited	53.7%	3.4%
3	WBC	Westpac Banking Corporation	52.0%	6.5%
4	ANZ	Australia And New Zealand Banking Group Limited	50.1%	4.8%
5	NAB	National Australia Bank Limited	47.8%	4.8%
6	CBA	Commonwealth Bank Of Australia.	46.5%	7.7%
7	WES	Wesfarmers Limited	40.2%	3.3%
8	S32	South32 Limited	37.7%	0.3%
9	WOW	Woolworths Limited	35.6%	1.8%
10	WPL	Woodside Petroleum Limited	31.8%	1.6%
11	RIO	Rio Tinto Limited	21.7%	1.2%
12	CSL	CSL Limited	19.5%	2.7%
13	QBE	QBE Insurance Group Limited	19.3%	0.7%
14	MPL	Medibank Private Limited	16.7%	0.6%
15	AMP	AMP Limited	16.4%	0.7%
16	ORG	Origin Energy Limited	16.0%	0.5%
17	STO	Santos Limited	15.0%	0.5%
18	TCL	Transurban Group - Ordinary Shares/Units Fully Paid Triple Staped	13.7%	1.2%
19	MQG	Macquarie Group Limited	13.6%	1.2%
20	SUN	Suncorp Group Limited	12.3%	0.8%
Total				50.2%

¹Percentage each security makes up of the total value of SMSF Domestic Share investments e.g. TLS is 5.9% of the total value of SMSF investments in Domestic Shares.

Bank's proportion of the Top 20 Domestic Shares



The top 20 domestic shares make up

50.2%
of total SMSF domestic shares investment

Investment Data

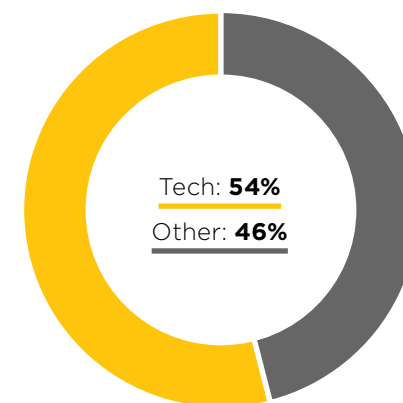
International Shares

30 June 2016

Rank	Security Code	Description	% of Funds with Int'l Shares that hold this security	% of total SMSF Int'l Share investments ¹
1	AAPL	Apple Inc	9.0%	3.2%
2	GOOG	Google Inc - Class A Shares	5.2%	2.6%
3	MSFT	Microsoft Corp	5.1%	1.1%
4	GOOGL	Google Inc - Class C Shares	5.0%	1.3%
5	EBAY	Ebay Inc	4.4%	0.5%
6	V	Visa Inc.	4.2%	0.8%
7	LLOY	Lloyds Banking Group PLC	4.1%	0.6%
8	IGAS	IGas Energy PLC	3.8%	0.1%
9	FOX	Twenty-First Century Fox, Inc. - Class B Voting Common Stock-Cdi	3.7%	0.8%
10	WFC	Wells Fargo & Co	3.4%	0.7%
11	JNJ	Johnson & Johnson	3.4%	1.5%
12	C	Citigroup Inc	3.0%	0.5%
13	BRK/B	Berkshire Hathaway Inc	3.0%	1.2%
14	ORCL	Oracle Corp	2.8%	0.4%
15	PFE	Pfizer Inc	2.8%	0.5%
16	INTC	Intel Corp	2.6%	0.4%
17	GE	General Electric Co	2.5%	0.5%
18	GILD	Gilead Sciences Inc	2.4%	0.4%
19	MA	MasterCard Inc	2.3%	0.4%
20	BIP	Brookfield Infrastructure Partners LP	2.3%	0.2%
Total				17.7%

¹Percentage each security makes up of the total value of SMSF International Share investments e.g. AAPL is 3.2% of the total value of SMSF investments in International Shares.

Tech companies proportion of the Top 20 International Shares



The top 20 Int'l shares make up **17.7%** of total SMSF Int'l Share investment

About Class

At Class, we've been developing and delivering cloud software solutions for the Australian wealth accounting market since 2009.

Our mission is to deliver innovative administration solutions that automate manual workloads, driving high levels of processing efficiency and scalability.

Class software enables accountants, administrators and advisers to increase profitability, fuel business growth and deliver better client service.

Class Super is the leading cloud SMSF administration software, used to quickly and efficiently administer over 110,000 funds.

Class Portfolio is a powerful solution for accounting, administration and reporting of other investment portfolios.

Contact

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The underlying figures for the charts and tables used in this report are available by emailing [**media@class.com.au**](mailto:media@class.com.au)

