

# Class SMSF Benchmark Report

December 2016



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# Introduction

**Welcome to the December Class SMSF Benchmark Report. Class Super is now used by over 1,000 accounting, financial planning and specialist administration businesses to administer over 125,000 SMSFs, 21.7% of the estimated 589,000 SMSFs<sup>1</sup> in Australia as at 31 December 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 de-identified data extracted from across the Class Super customer businesses.\* 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.

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<sup>1</sup> Class estimate based on historic growth trend.  
\* To view the methodology used, please click [here](#).

# Benchmark 1/2

## The Key Stats

58



Median number of SMSFs per business

1,046



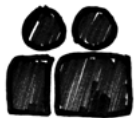
Number of Class customer businesses

122



Average number of SMSFs per business

1.9



Average number of members per fund

\$161bn



Total value of assets administered on Class Super across 127,806 SMSFs

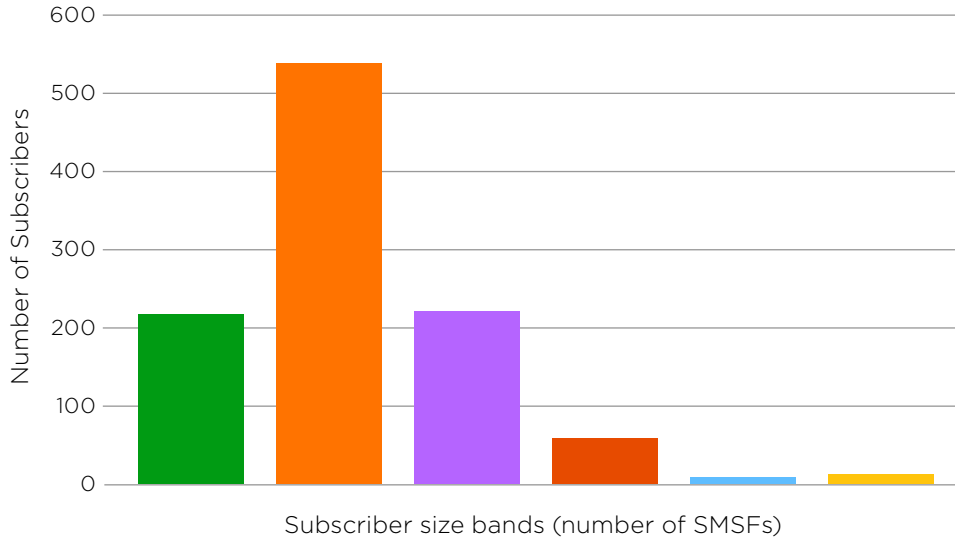
\$1.26m



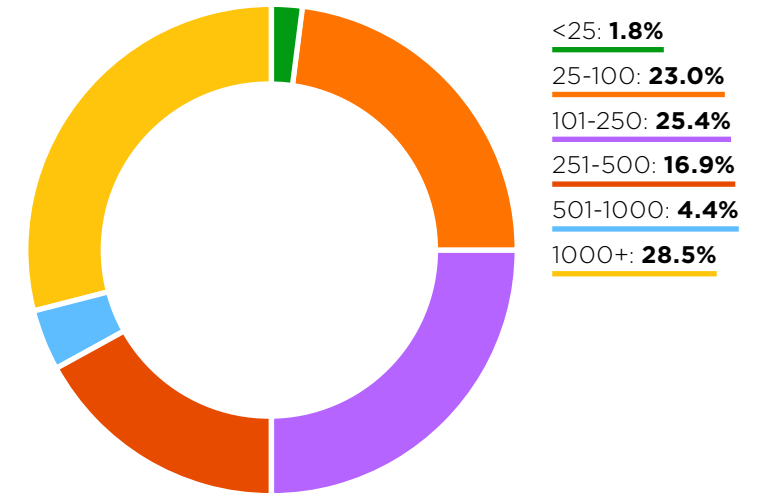
Average SMSF balance \$664,000  
Average member balance

# Benchmark 2/2

### Distribution of Class Subscribers by Size



### Class SMSFs by Subscriber Size



Size	# Subscribers	% Subscribers	# SMSFs	% SMSFs	Avg SMSFs	Administrator Type
<25	209	20.0%	2,341	1.8%	11	General Accounting Practice
25-100	538	51.4%	29,442	23.0%	55	Small SMSF Practice
101-250	215	20.6%	32,393	25.4%	151	Medium SMSF Practice
251-500	61	5.8%	21,633	16.9%	355	Large SMSF Practice
501-1000	9	0.9%	5,578	4.4%	620	Emerging Administrator
1000+	14	1.3%	36,419	28.5%	2,601	Major Administrator

# SMSFs No Threat to Homebuyers

## But direct property assets dominate in SMSFs that own them.

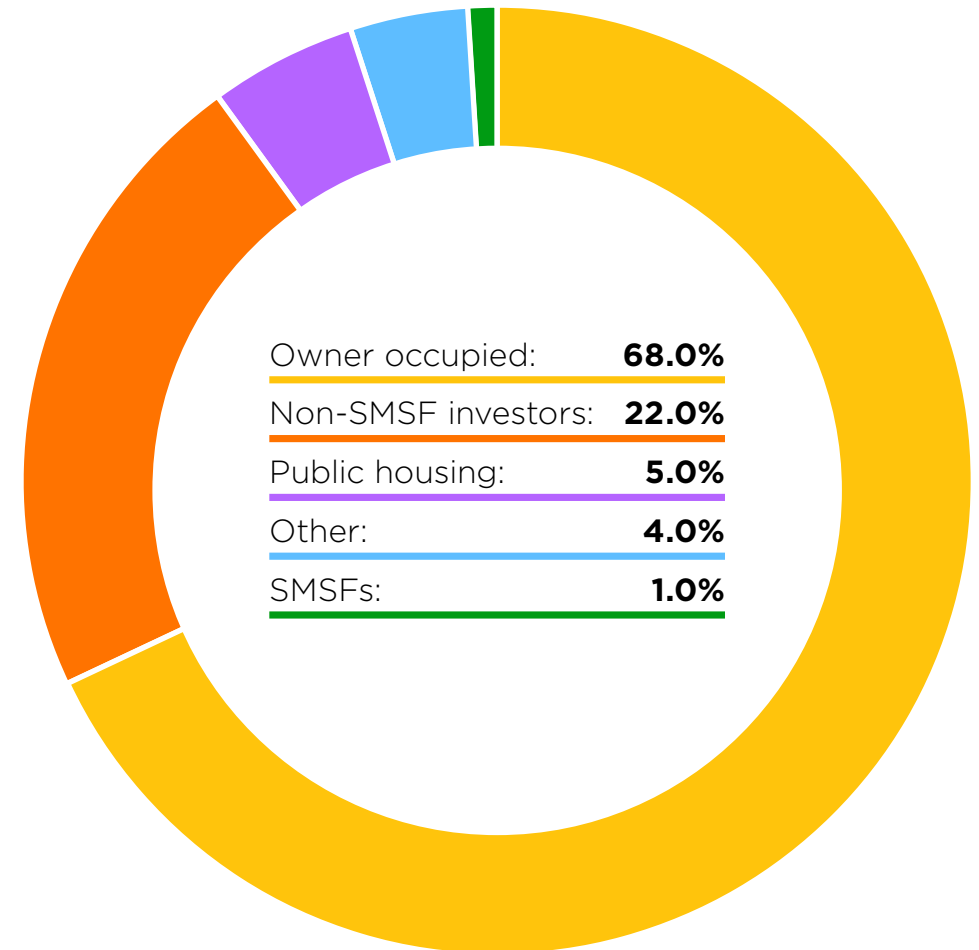
There has been considerable commentary in the Australian markets and media about the influence of SMSFs in the property boom of the past few years.

The suggestion from some is that SMSFs have been diving into property in preference to an uncertain share market and low returns on cash, with claims that SMSFs are a significant driver of the rise in residential property prices.

Our data does not support the notion that SMSFs are in a position to have a significant influence on the residential market. Extrapolating data from Class SMSFs, the value of residential property in all SMSFs (both direct and indirect holdings) represents less than 1% or about \$64 billion of the \$6.7 trillion<sup>1</sup> residential property market. Other investors, at 22% of the market, are much more likely to be having an impact on prices.

This is not as surprising as it may seem. There are a number of reasons why holding an investment property outside an SMSF is more attractive to investors, including more favourable negative gearing tax breaks outside super and the ban on SMSFs using equity in one property as collateral for another.

## Residential property ownership\*



<sup>1</sup> Source: CoreLogic, Quarterly Review - The Australian Residential Property Market and Economy, December 2016 (value as at end of October 2016)

\* Measured by number of dwellings; SMSF residential holdings have been treated as having a similar profile to the overall Australian residential property market. Source (for ownership data other than SMSF holdings): RBA, Submission to the Inquiry into Home Ownership, June 2015

# SMSFs No Threat to Homebuyers

## How exposed are property SMSFs to a market downturn?

Other commentators have expressed concern about the exposure SMSFs have to property as a proportion to their total assets, particularly if there is a sharp downturn in property markets and/or if interest rates rise.

The reality is that most SMSFs (72.9%) do not directly own a property, as shown in the chart opposite. Their property exposure is from REITs and other indirect investments and appears more in line with the 9%<sup>1</sup> property exposure of APRA funds at about 7% on a look-through basis.

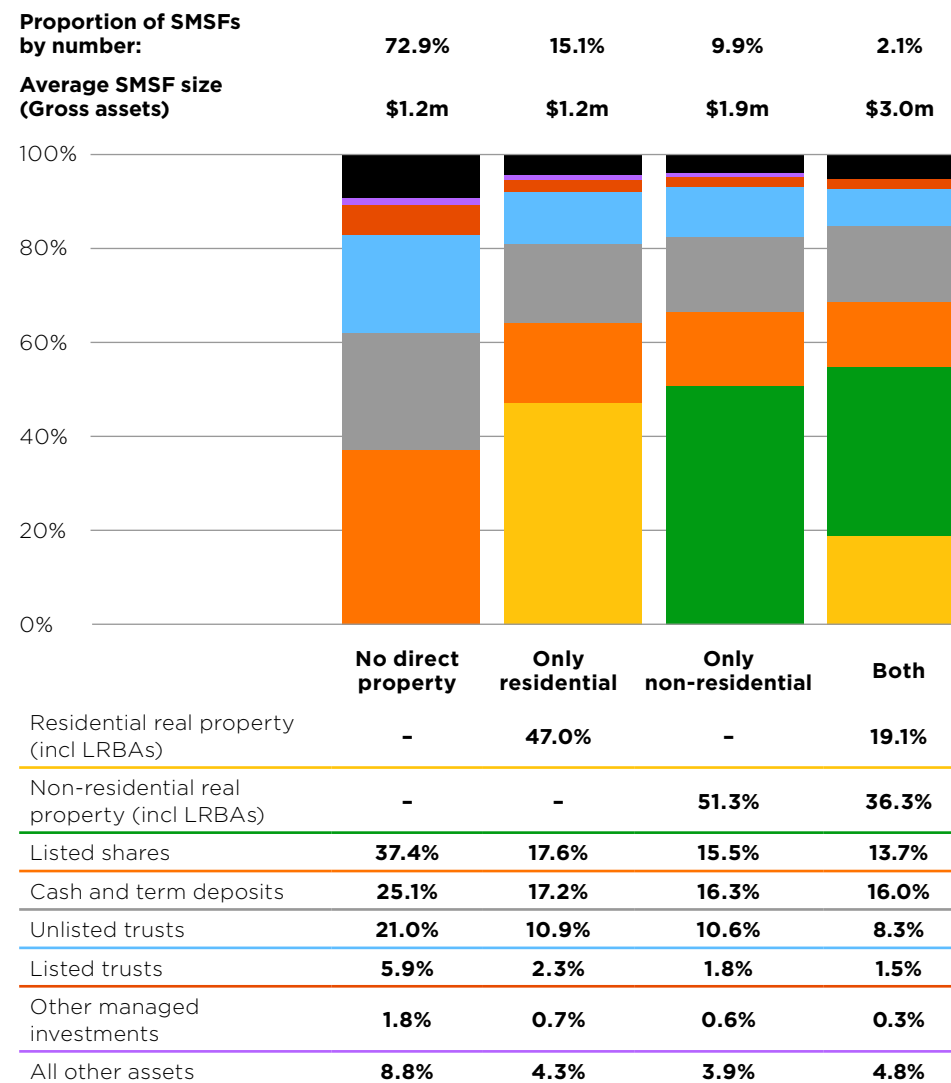
However, property exposure in the 27.1% of SMSFs that do hold direct property is substantial. About half of the assets in these funds are direct property, whether they hold just residential property, commercial (non-residential) property or a mix of both. Their allocation to assets outside property, such as shares and cash, is much less than for SMSFs without direct property.

The largest group of SMSFs that hold direct property is invested in residential (15.1%), but this figure is a proportion of SMSF numbers. Measured by the value of assets, SMSFs have more assets in commercial property (see p8 for details). The difference reflects that commercial properties tend to be of higher value.

This difference is also seen in the average size of these SMSFs. The average size of SMSFs with just residential property is \$1.2m, compared to \$1.9m for SMSFs with only commercial property and \$3m for SMSFs that have both.

It is important to note that the scale of the direct property exposure of SMSFs is not necessarily an indicator of lack of diversity, as you would need to consider what other assets the members of these funds have outside superannuation.

## SMSFs with direct property have half their assets in this class

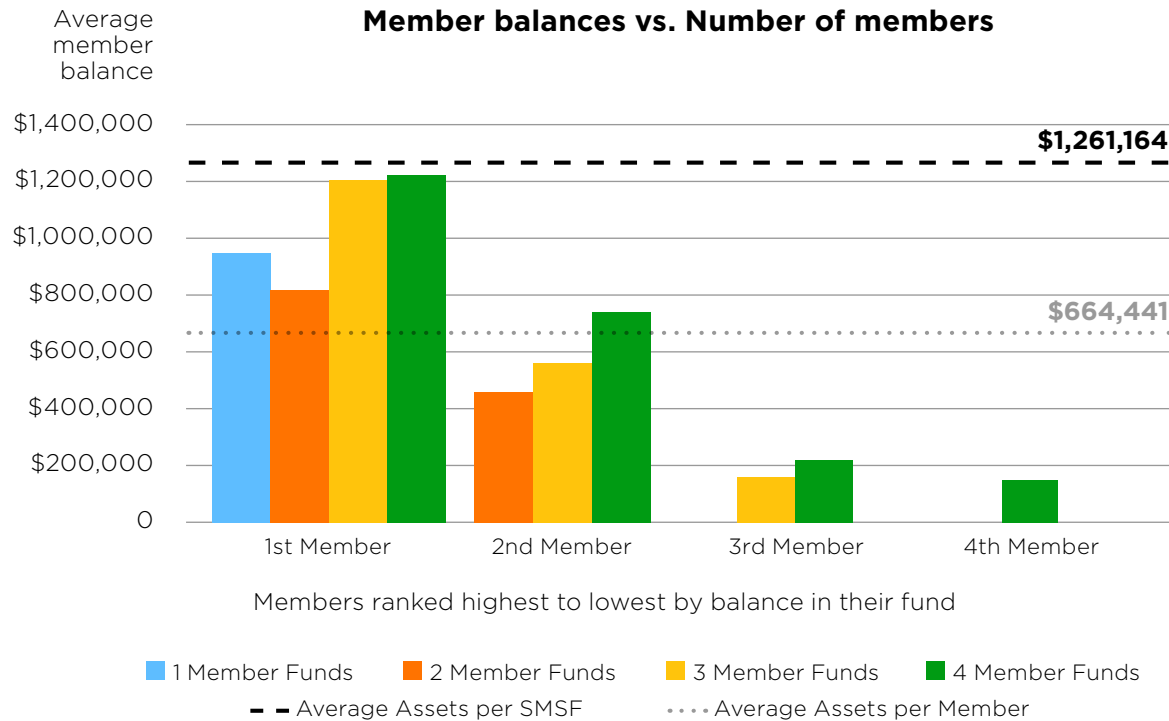


<sup>1</sup> Source: APRA, Statistics - Quarterly Superannuation Performance, September 2016

# Member Data

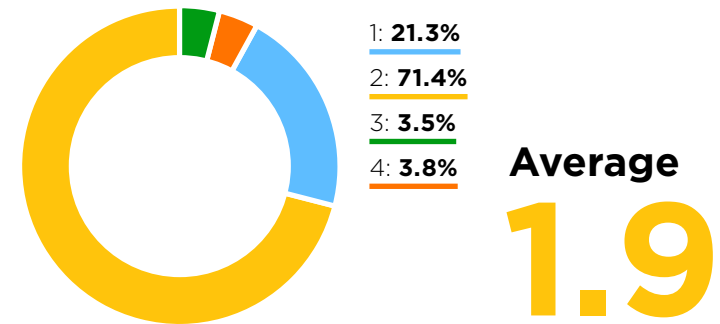
Averages can hide a lot of variability in underlying data. As shown in this member balance graph, thinking about SMSFs in terms of average member balances is not recommended because the split of assets between members is quite often skewed – for a typical two-member fund the balance of the first member is likely to be twice that of the second member.

## Average balances



## Membership sizes

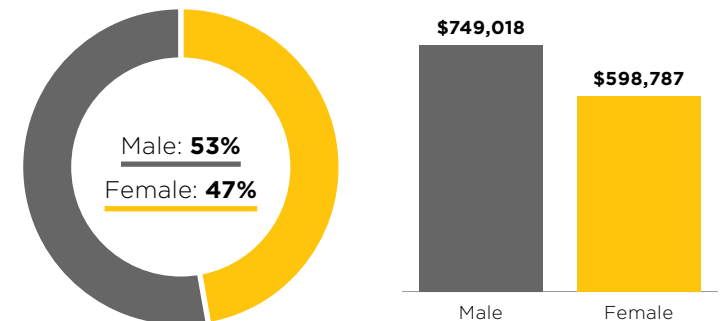
### Number of members in SMSFs



**Average assets per member**  
\$664,441

**Average assets per SMSF**  
\$1,261,164

### Gender demographics and balances across member base



# Investment Data

Included below are further details on the:

- distribution of SMSFs by total asset value;
- asset classes invested in by quarter; and
- top 20 holdings for ETFs, Australian Shares, International Shares and Managed Funds.

## SMSF Asset Allocation

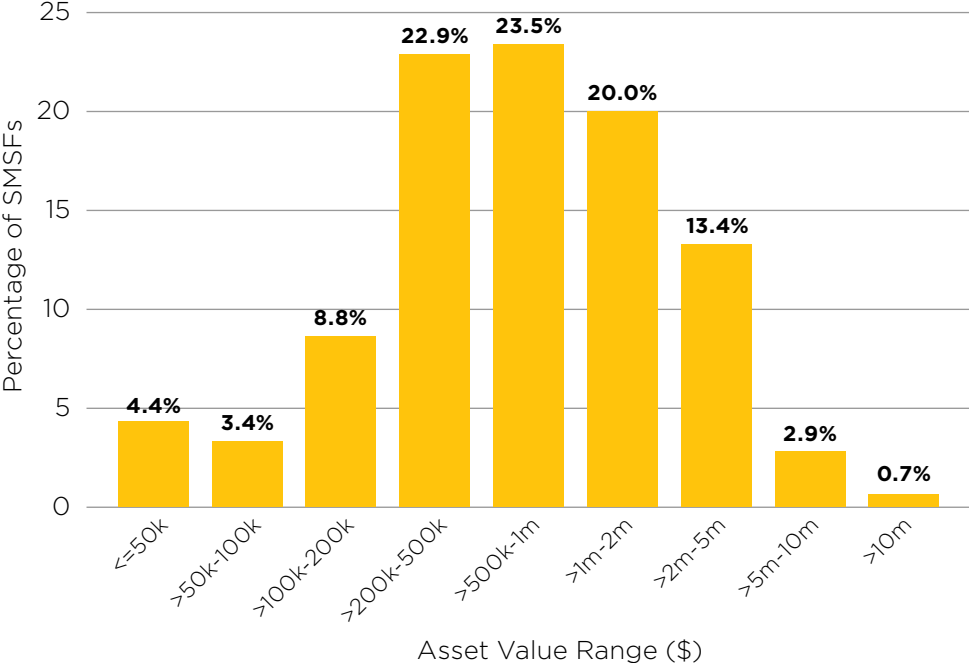
31 December 2016



Listed shares: **30.0%**  
 Cash and term deposits: **22.2%**  
 Unlisted trusts: **17.4%**  
 Non-residential real property: **8.3%**  
 All other assets: **7.1%**  
 Residential real property: **6.4%**  
 Listed trusts: **4.6%**  
 Limited recourse borrowing arrangements: **2.6%**  
 Other managed investments: **1.4%**

## SMSFs by Asset Value

Distribution of SMSFs by total assets





# Investment Data

## Top 20 Investment Holdings

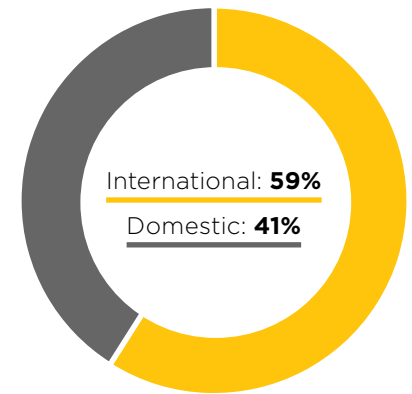
### ETFs

31 December 2016

Rank	Security Code	Description	Int'l/ Domestic	% of Funds with ETFs that hold this Security	% of total SMSF ETF investments <sup>1</sup>
1	IVV	Ishares S&P 500 ETF - Chess Depository Interests 1:1 Ishs&P500	I	22.2%	11.0%
2	IOO	Ishares Global 100 ETF - Chess Depository Interests 1:1 Ishglb100	I	15.6%	5.7%
3	STW	SPDR S&P/ASX 200 Fund - Exchange Traded Fund Units Fully Paid	D	14.7%	8.2%
4	VEU	Vanguard All-World Ex-Us Shares Index ETF - Chess Depository Interests 1:1	I	14.2%	3.9%
5	VTS	Vanguard Us Total Market Shares Index ETF - Chess Depository Interests 1:1	I	13.9%	5.6%
6	VAP	Vanguard Australian Property Securities Index ETF - Exchange Traded Fund Units Fully Paid	D	13.1%	3.5%
7	SLF	SPDR S&P/ASX 200 Listed Property Fund - Exchange Traded Fund Units Fully Paid	I	11.7%	3.4%
8	MGE	Magellan Global Equities Fund (Managed Fund) - Trading Managed Fund Units Fully Paid	I	10.6%	3.9%
9	IEU	Ishares Europe ETF - Chess Depository Interests 1:1 Isheu350	I	9.1%	2.2%
10	VAS	Vanguard Australian Shares Index ETF - Exchange Traded Fund Units Fully Paid	D	8.9%	6.4%
11	IEM	Ishares MSCI Emerging Markets ETF - Chess Depository Interests 1:1 Ishmsciem	I	8.4%	1.6%
12	VHY	Vanguard Australian Shares High Yield ETF - Exchange Traded Fund Units Fully Paid	D	8.1%	3.5%
13	IXJ	Ishares Global Healthcare ETF - Chess Depository Interests 1:1 Ishhealth	I	7.5%	1.9%
14	VAF	Vanguard Australian Fixed Interest Index ETF - Exchange Traded Fund Units Fully Paid	D	6.2%	2.9%
15	IAA	Ishares Asia 50 ETF - Chess Depository Interests 1:1 Ihasia	I	6.0%	1.2%
16	AAA	Betashares Australian High Interest Cash ETF - Exchange Traded Fund Units Fully Paid	D	5.9%	2.4%
17	YMAX	Betashares Aus Top20 Equity Yield Max Fund (Mg Fd) - Trading Managed Fund Units Fully Paid	D	4.7%	1.5%
18	IVE	Ishares MSCI Eafe ETF - Chess Depository Interests 1:1 Isheafe	I	4.4%	1.2%
19	SFY	SPDR S&P/ASX 50 Fund - Exchange Traded Fund Units Fully Paid	D	4.1%	2.0%
20	USD	Betashares U.S. Dollar ETF - Exchange Traded Fund Units Fully Paid	I	4.0%	2.0%
<b>Total</b>					<b>74.0%</b>

<sup>1</sup>Percentage each security makes up of the total SMSF ETF investments e.g. IVV is 11.0% of the total SMSF investments in ETFs.

## Top 20 ETFs



The top 20 Investment Holdings make up

**74%**

of total SMSF  
ETF Investments

# Investment Data

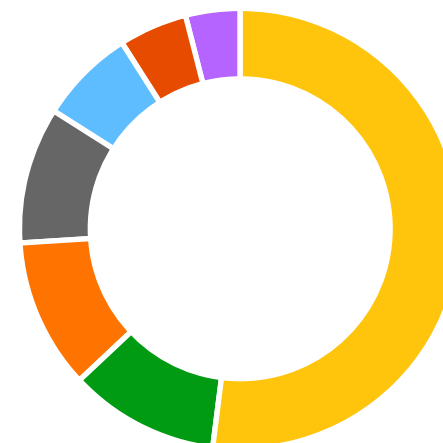
## Managed Funds

31 December 2016

Rank	Security Code	Description	% of Funds with Managed Funds that hold this security	% of total SMSF Managed Fund investments <sup>1</sup>
1	PLA0002AU	Platinum International Fund	25.7%	4.3%
2	MGE0001AU	Magellan Global Fund	24.5%	4.5%
3	PLA0004AU	Platinum Asia Fund	10.8%	1.7%
4	MAQ0482AU	Winton Global Alpha Fund	8.2%	1.0%
5	FID0008AU	Fidelity Australian Equities Fund	7.9%	1.5%
6	ETL0032AU	Aberdeen Emerging Opportunities Fund	6.8%	0.6%
7	MIA0001AU	MFS Global Equity Trust	6.2%	1.1%
8	GSF0002AU	Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Fund	6.2%	0.9%
9	MAQ0277AU	Macquarie Income Opportunities Fund	6.1%	1.0%
10	SCH0028AU	Schroder Fixed Income Fund - Wholesale Class	6.1%	1.0%
11	MAQ0410AU	Walter Scott Global Equity Fund	5.8%	1.1%
12	MAQ0404AU	IFP Global Franchise Fund	5.5%	0.9%
13	VAN0004AU	Vanguard W'sale Australian Property Securities Index Fund	5.4%	0.7%
14	ETL0018AU	PIMCO Global Bond Fund - Wholesale Class	5.3%	0.7%
15	IOF0145AU	Henderson Tactical Income Fund	4.9%	0.9%
16	TGP0034AU	RARE Infrastructure Value Fund - Unhedged	4.8%	0.5%
17	TGP0008AU	RARE Infrastructure Value Fund - Hedged	4.7%	0.5%
18	CSA0038AU	Bentham Wholesale Global Income Fund	4.6%	0.5%
19	APN0008AU	APN AREIT Fund	4.6%	0.6%
20	HOW0052AU	Kapstream Wholesale Absolute Return Income Fund	4.3%	0.8%
<b>Total (Percentage that the top 20 make up of total SMSF investments in Managed Funds)</b>				<b>24.8%</b>

<sup>1</sup>Percentage each security makes up of the total SMSF Managed Fund investments e.g. PLA0002AU is 4.3% of the total SMSF investments in Managed Funds.

## Managed Funds look-through for Top 20



International Equities: **55.7%**

Cash: **10.7%**

Australian Fixed Interest: **9.9%**

International Fixed Interest: **7.9%**

Australian Equities: **6.8%**

Listed Property: **5.1%**

Other: **3.9%**

# Investment Data

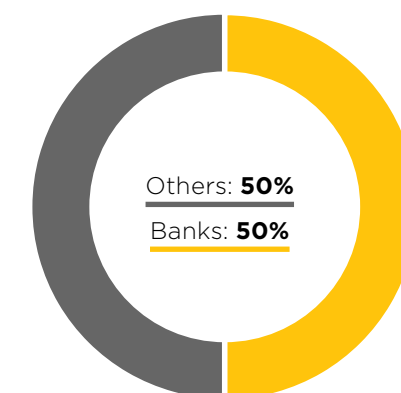
## Domestic Shares

31 December 2016

Rank	Security Code	Description	% of Funds with Domestic Shares that hold this security	% of total SMSF Domestic Share investments <sup>1</sup>
1	TLS	Telstra Corporation Limited.	52.9%	5.0%
2	BHP	BHP Billiton Limited	49.5%	4.1%
3	WBC	Westpac Banking Corporation	49.0%	6.7%
4	ANZ	Australia And New Zealand Banking Group Limited	46.6%	5.5%
5	NAB	National Australia Bank Limited	45.4%	5.4%
6	CBA	Commonwealth Bank Of Australia	44.6%	8.0%
7	WES	Wesfarmers Limited	37.9%	3.1%
8	WOW	Woolworths Limited	32.8%	1.9%
9	S32	South32 Limited	30.2%	0.4%
10	WPL	Woodside Petroleum Limited	30.0%	1.7%
11	CSL	CSL Limited	20.1%	2.2%
12	RIO	Rio Tinto Limited	19.9%	1.4%
13	QBE	QBE Insurance Group Limited	18.6%	0.8%
14	CYB	Cybg PLC - Cdi 1:1 Foreign Exempt Lse	17.2%	0.1%
15	AMP	AMP Limited	15.4%	0.6%
16	MPL	Medibank Private Limited	15.3%	0.5%
17	TCL	Transurban Group - Ordinary Shares/Units Fully Paid Triple Stapled	15.1%	1.0%
18	ORG	Origin Energy Limited	14.9%	0.6%
19	STO	Santos Limited	14.6%	0.4%
20	MQG	Macquarie Group Limited	14.3%	1.4%
<b>Total</b>				<b>50.8%</b>

<sup>1</sup>Percentage each security makes up of the total SMSF Domestic Share investments e.g. TLS is 5.0% of the total SMSF investments in Domestic Shares.

## Major Banks' proportion of the Top 20 Domestic Shares



The top 20 domestic shares make up

**51%**

of total SMSF domestic shares investment

# Investment Data

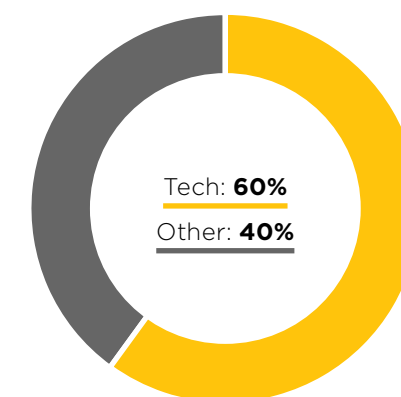
## International Shares

31 December 2016

Rank	Security Code	Description	% of Funds with Int'l Shares that hold this security	% of total SMSF Int'l Share investments <sup>1</sup>
1	AAPL	Apple Inc	10.4%	4.1%
2	GOOG	Google Inc - Class A Shares	6.1%	2.5%
3	MSFT	Microsoft Corp	5.0%	1.3%
4	GOOGL	Google Inc - Class C Shares	4.8%	1.2%
5	V	Visa Inc	4.4%	0.8%
6	IGAS	IGas Energy PLC	3.8%	0.0%
7	LLOY	Lloyds Banking Group PLC	3.8%	0.6%
8	JNJ	Johnson & Johnson	3.6%	1.3%
9	EBAY	eBay Inc	3.5%	0.4%
10	WFC	Wells Fargo & Co	3.4%	0.8%
11	FOX	Twenty-First Century Fox, Inc. - Class B Voting Common Stock-Cdi	3.2%	0.8%
12	PYPL	PayPal Holdings Inc	3.0%	0.5%
13	BRK/B	Berkshire Hathaway Inc	2.9%	1.3%
14	C	Citigroup Inc	2.9%	0.7%
15	ORCL	Oracle Corp	2.9%	0.4%
16	PFE	Pfizer Inc	2.8%	0.5%
17	AMZN	Amazon.com Inc	2.6%	0.6%
18	MA	MasterCard Inc	2.6%	0.4%
19	INTC	Intel Corp	2.6%	0.4%
20	GE	General Electric Co	2.5%	0.5%
<b>Total</b>				<b>19.0%</b>

<sup>1</sup>Percentage each security makes up of the total SMSF International Share investments e.g. AAPL is 4.1% of the total SMSF investments in International Shares.

Tech companies' proportion of the Top 20 International Shares



The top 20 Int'l shares make up

**19%**

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 125,000 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)

