

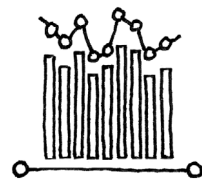
March 2018
SMSF Benchmark Report

SMSFs continue to fuel ETF growth



Feature

SMSFs hold more than half of all ETF assets



Benchmark Data

A profile of SMSFs and their members



Investment Insights

A detailed picture of how SMSFs invest



SMSFs hold more than half of all ETF assets

In the March 2016 SMSF Benchmark Report, we examined the popularity of ETFs amongst SMSFs. Two years on, the benefits ETFs offer in terms of access to international shares and liquidity continue to resonate well with SMSFs.

Exponential growth

As at March 2018, approximately one third of ETF investors were SMSFs and this SMSF investment equated to over 50% of total ETF asset value. Over the last 5 years, total assets invested by SMSFs quadrupled from \$4.2 billion to \$19.6 billion, the percentage of SMSFs using ETFs has more than doubled from 7.9% to 18.9%, and the investment in ETFs (as a percentage of all SMSF assets) has tripled from 0.8% to 2.5%.

Over the last 5 years

2x

The percentage of SMSFs using ETFs has more than doubled from 7.9% to 18.9% of funds

3x

As a percentage of all SMSF assets the investment in ETFs has more than tripled from 0.8% to 2.5%

4x

Total assets invested in ETFs by SMSFs has increased over 4 times from an estimated \$4.2bn to \$19.6bn



1/3

One third of all ETF investors are SMSFs, but they hold over 50% of ETF assets

Benchmark Report Feature

Growth drivers

The BetaShares/Investment Trends ETF Report noted that ETFs are increasingly popular with SMSFs and other investors, with the key drivers for investing being diversification, cost-effectiveness and access to overseas markets.

SMSFs tend to hold larger amounts than other investors with the average SMSF ETF investor holding approximately \$170,000, compared to other ETF investors who hold an average of approximately \$70,000¹.

Top ETF investments

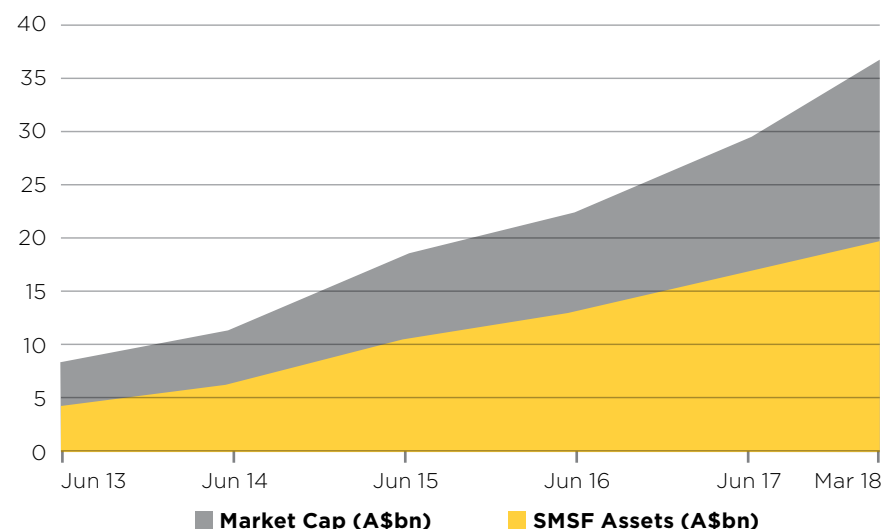
SMSFs most commonly use ETFs to gain exposure to international equities and as a passive investment in Australian shares. Emerging markets and Australian listed property are also relatively popular. As at March 2018, international ETFs make up 54% of the top 20, and the top 3 positions are held by international holdings. (see pg 11)

"The industry gives SMSFs the ability to create entire cost-effective portfolios using ETFs. SMSF investment strategies are being supported through the inclusion of hybrid ETFs, income-oriented products and fixed income ETFs, which are helping drive SMSF adoption."

- Ilan Israelstam, co-founder of BetaShares.

1. Investment Trends September 2017 ETF Report combined with Class Data.

Australian ETF Market Cap vs Estimated SMSF ETF Assets



Effective Date	SMSFs with ETFs	Avg ETFs per SMSF*	% of assets in ETFs*	% of all SMSF assets	Total ETF assets held in SMSFs (\$bn)
30/6/2011	6.9%	2.23	7.9%	0.6%	2.4
30/6/2012	7.3%	1.92	7.0%	0.6%	2.5
30/6/2013	8.8%	2.06	7.9%	0.8%	4.2
30/6/2014	10.9%	2.26	8.7%	1.2%	6.4
30/6/2015	14.2%	2.57	10.2%	1.8%	10.4
30/6/2016	15.6%	2.77	9.9%	1.9%	13.1
30/9/2016	16.2%	2.80	9.8%	1.9%	14.0
31/12/2016	16.5%	2.90	10.2%	2.0%	15.3
31/3/2017	16.8%	2.95	10.2%	2.1%	16.1
30/6/2017	17.5%	3.05	10.4%	2.2%	17.0
30/9/2017	18.0%	3.13	10.7%	2.3%	17.9
31/12/2017	18.4%	3.23	11.0%	2.4%	19.7
31/3/2018	18.9%	3.26	10.9%	2.5%	19.6

* For SMSFs holding ETFs

Benchmark Data

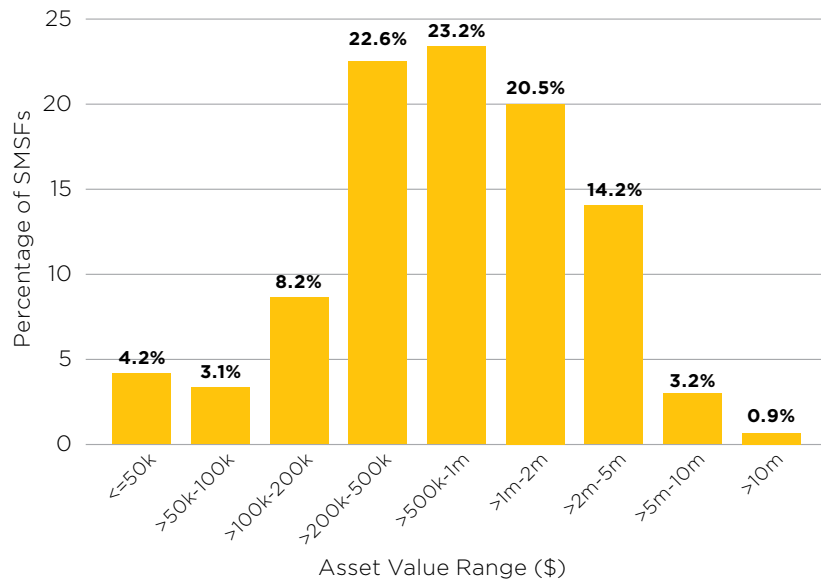
Key Statistics at 31 March 2018

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.

SMSFs by size

Distribution of SMSFs by total asset value



58

 **median number of SMSFs per business**


1.9

 **average number of members per fund**

1,311

 **number of Class customer businesses**

\$213bn

 **total value of net assets administered on Class Super across 158,938 SMSFs**

121

 **average number of SMSFs per business**

\$1.3m

 **average SMSF balance with an average member balance of \$706,000**

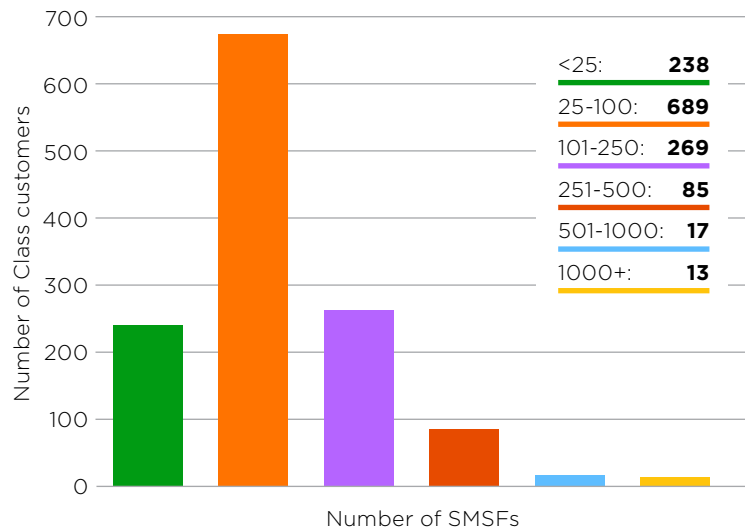
Benchmark Data

SMSF Administrator Statistics at 31 March 2018

While small firms – less than 25 SMSFs – are still a significant subscriber category on Class, a typical small SMSF practice for Class has between 25-100 funds. The SMSF industry is consolidating and we would expect that percentage to decrease over time. This trend among Class clients will also be driven by the higher growth rates of businesses on Class.

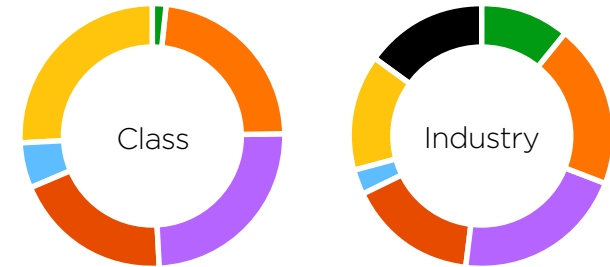
A typical Small SMSF Practice using Class for more than one year grows on average at 14.9% per annum, compared to an industry growth rate of 3.8% (over the 5 years to December 2017).

Class customers by size



% of SMSFs by administrator size

No. of SMSFs	Class	Industry
<25	1.7%	11%
25-100	23.3%	20%
101-250	25.4%	21%
251-500	18.5%	16%
501-1000	6.9%	3%
1000+	24.2%	14%
DIY	0%	15%



No. of SMSFs	No. of Class customers	% of Class customers	No. of SMSFs	% of SMSFs	Average SMSFs	Administrator Type
<25	238	18.2%	2,696	1.7%	11	General Accounting Practice
25-100	689	52.6%	37,038	23.3%	54	Small SMSF Practice
101-250	269	20.5%	40,374	25.4%	150	Medium SMSF Practice
251-500	85	6.5%	29,426	18.5%	346	Large SMSF Practice
501-1000	17	1.3%	10,978	6.9%	646	Emerging Administrator
1000+	13	1.0%	38,426	24.2%	2,956	Major Administrator

Benchmark Data

Membership Sizes at 31 March 2018

There remains a big difference between the average balance of members in two member funds, with the first member having almost double the assets of the second. However, we would expect that disparity to reduce now that the super reforms have placed tighter restrictions around member contributions and balances. As a group, men currently have 35% more assets than women and their average balance is 23% higher.

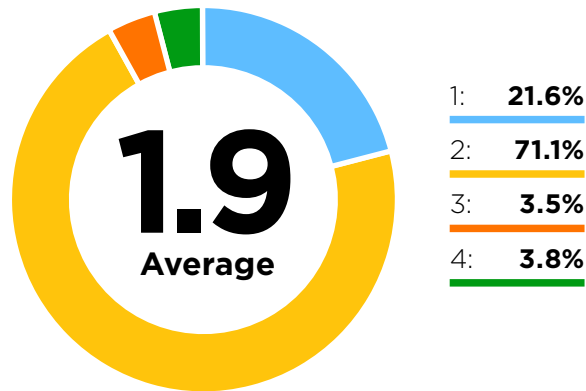
Average assets per member

\$706,079

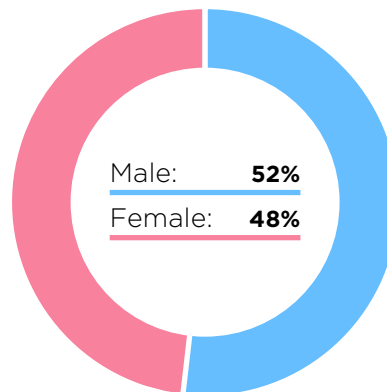
Average assets per SMSF

\$1,338,738

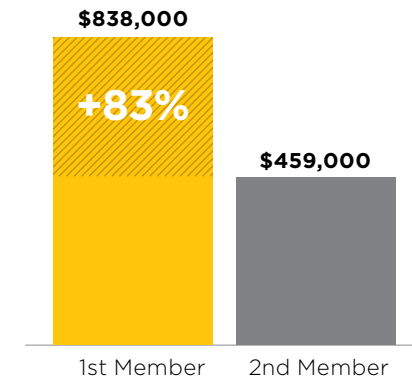
Number of members in SMSFs



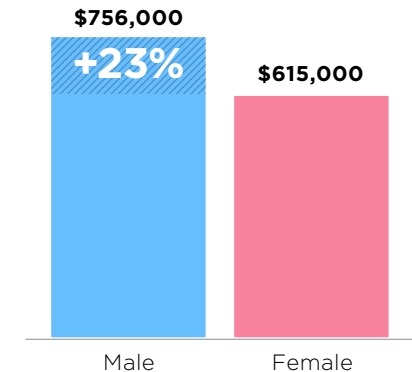
SMSF members by gender



Average member balances in two member funds



Average member balance by gender



Benchmark Data

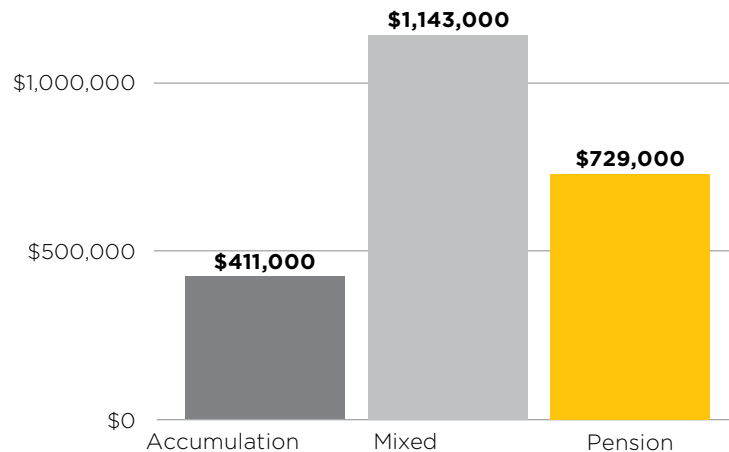
Accumulation and Pension Statistics at 31 March 2018

While mixed phase SMSFs are not the largest SMSF member segment, they do hold significantly more in net assets per member than those in either accumulation or pension phase#. Note: as of 1 July 2017 funds with pension members with over \$1.6M will be in this segment.

Mixed SMSFs include funds where all members are in pension phase but some fund assets are held outside of pensions, as well as funds with a mix of accumulation members and pension members. Mixed funds may only have one member if that member has both accumulation and pension balances.

Accumulation SMSFs are defined as those which only have accumulation members. Pension SMSFs are purely pensions with no assets in accumulation.

Average net assets per member phase



SMSFs by member phase



Accumulation	50.6%
Mixed	31.4%
Pension	18.0%

Metrics	Accumulation	Mixed	Pension
% of net assets	30%	54%	16%
% of members	51%	33%	16%
Average number of members per SMSF	1.90	2.02	1.67
Average net assets per SMSF	\$781,000	\$2,306,000	\$1,215,000*
SMSFs by member type	51%	31%	18%
Average age of members	52	65	72
Average net assets per member	\$411,000	\$1,143,000	\$729,000*

* Rounded to nearest \$'000

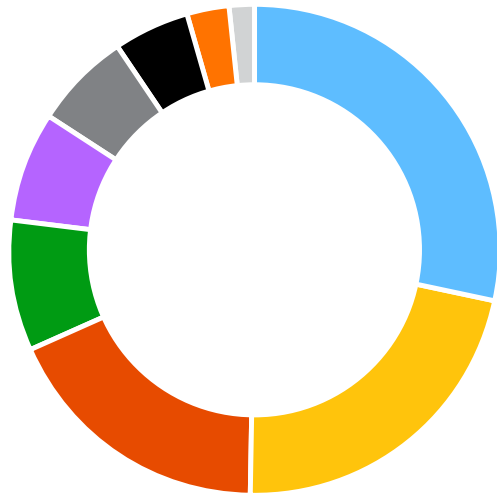
We use "pension" to refer to "retirement phase income streams" & as of 1 July 2017 this excludes all transfer to retirement income streams.

Investment Insights

Asset Allocation at 31 March 2018

For consistency, the asset allocation chart below uses the same asset categories as the ATO. However, these are unsatisfactory for obtaining a true picture of what SMSFs are investing in. Listed trusts, for example, is a broad category that includes ETFs and REITs, while unlisted trusts are mostly unlisted managed funds. In the following pages we dig deeper into SMSF investments.

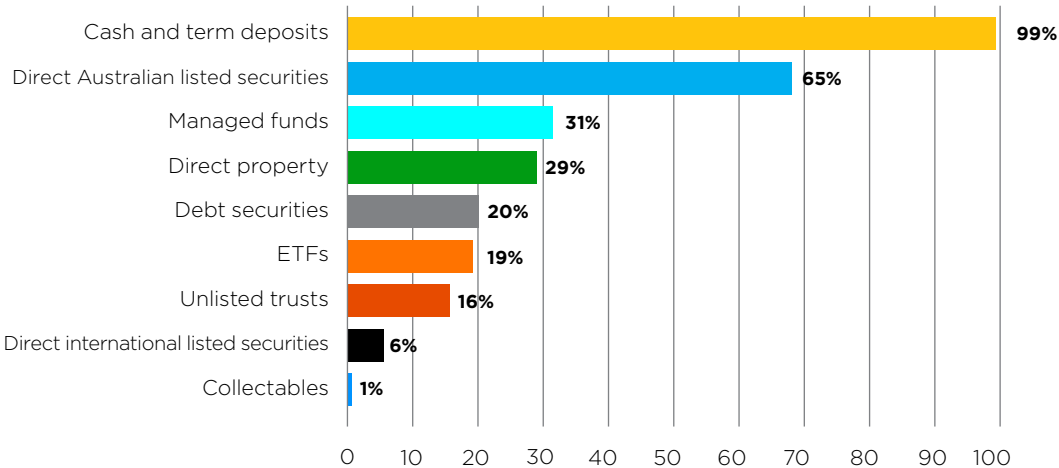
SMSF Asset Allocation 31 March 2018



Listed shares:	27.8%
Cash and term deposits:	21.3%
Unlisted trusts:	18.5%
Non-residential real property:	9.3%
All other assets:	7.3%
Residential real property:	6.3%
Listed trusts:	4.7%
Limited recourse borrowing arrangements:	3.3%
Other managed investments:	1.4%

What are SMSFs investing in?

% of SMSFs holding each asset type



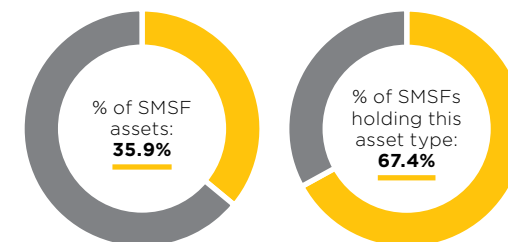
Investment Insights

Domestic Listed Securities at 31 March 2018

Direct investment by SMSFs in domestic listed securities is highly concentrated in the largest 20 domestic shares, especially the banks, with the latter making up 48% of the top 20 investment holdings.

The domestic listed securities asset class comprises:

Shares	78.3%
Debt and hybrid securities	8.5%
ETFs	6.8%
Stapled securities	5.6%
Other listed trusts	0.8%



Top 20 Investment Holdings

Rank	Security Code	Description	% of Funds with Domestic Listed Securities that hold this security	% of total SMSF Domestic Listed Securities investments*
1	TLS	Telstra Corporation Limited	49.3%	3.0%
2	WBC	Westpac Banking Corporation	47.2%	5.7%
3	BHP	BHP Billiton Limited	45.7%	4.4%
4	NAB	National Australia Bank Limited	44.1%	5.1%
5	ANZ	Australia And New Zealand Banking Group Limited	43.7%	4.6%
6	CBA	Commonwealth Bank Of Australia	43.6%	6.8%
7	WES	Wesfarmers Limited	34.7%	2.8%
8	WPL	Woodside Petroleum Limited	28.4%	1.5%
9	WOW	Woolworths Group Limited	27.7%	1.7%
10	S32	South32 Limited	20.6%	0.3%
11	CSL	CSL Limited	20.5%	3.2%
12	RIO	Rio Tinto Limited	19.1%	1.5%
13	TCL	Transurban Group - Ordinary Shares/Units Fully Paid Triple Stapled	16.0%	1.1%
14	QBE	QBE Insurance Group Limited	16.0%	0.5%
15	MQG	Macquarie Group Limited	15.9%	1.7%
16	CYB	Cybg PLC - Cdi 1:1 Foreign Exempt Lse	15.7%	0.1%
17	AMP	AMP Limited	13.7%	0.5%
18	SYD	Sydney Airport - Fully Paid Stapled Securities Us Prohibited	13.3%	0.7%
19	ORG	Origin Energy Limited	12.3%	0.7%
20	MPL	Medibank Private Limited	12.3%	0.4%
Total (Percentage that the top 20 make up of total SMSF investments in Domestic Listed Securities)			46.4%	

* Percentage each security makes up of the total SMSF Domestic Listed Securities e.g. TLS is 3.0% of the total SMSF investments in Domestic Listed Securities.

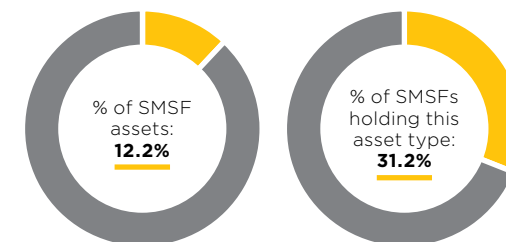
Investment Insights

Managed Funds at 31 March 2018

Some claim that SMSFs are underinvested in international assets compared to APRA funds. However, they often fail to take into account indirect investment by SMSFs. The figures below show that SMSFs are using managed funds to get much of their international asset exposure rather than investing directly.

Asset exposure of the top 20 most popular managed funds

International Equities	61.1%
Australian Equities	8.6%
Cash	8.5%
International Fixed Interest	8.2%
Australian Fixed Interest	7.6%
Other	3.7%
Listed Property	2.3%



Top 20 Investment Holdings

Rank	Security Code	Description	% of Funds with Managed Funds that hold this security	% of total SMSF Managed Fund investments*
1	MGE0001AU	Magellan Global Fund	24.2%	4.0%
2	PLA0002AU	Platinum International Fund	21.7%	3.9%
3	PLA0004AU	Platinum Asia Fund	9.8%	1.7%
4	MAQ0482AU	Winton Global Alpha Fund	7.8%	0.8%
5	FID0008AU	Fidelity Australian Equities Fund	7.3%	1.3%
6	MIA0001AU	MFS Global Equity Trust	6.6%	1.0%
7	MAQ0277AU	Macquarie Income Opportunities Fund	6.4%	1.0%
8	ETL0032AU	Aberdeen Emerging Opportunities Fund	6.2%	0.6%
9	HOW0052AU	Kapstream Absolute Return Income Fund	5.8%	1.0%
10	GSF0002AU	Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Fund	5.6%	0.7%
11	MAQ0410AU	Walter Scott Global Equity Fund	5.6%	1.0%
12	ETL0018AU	PIMCO Global Bond Fund - Wholesale Class	5.5%	0.7%
13	VAN0004AU	Vanguard Australian Property Securities Index Fund	5.4%	0.5%
14	VAN0003AU	Vanguard W'sale International Shares Index Fund	5.3%	1.1%
15	IOF0145AU	Janus Henderson Tactical Income Fund	5.3%	0.8%
16	TGPO034AU	RARE Infrastructure Value Fund - Unhedged	5.0%	0.4%
17	MAQ0404AU	IFP Global Franchise Fund	4.7%	0.7%
18	CSA0038AU	Bentham Global Income Fund	4.6%	0.5%
19	IOF0045AU	★ Antipodes Global Fund - Class P	4.5%	0.7%
20	BFL0004AU	Bennelong ex-20 Australian Equities Fund	4.5%	0.7%
Total (Percentage that the top 20 make up of total SMSF investments in Managed Funds)				23.1%

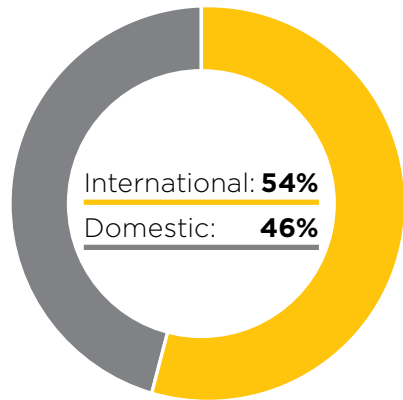
* Percentage each security makes up of the total SMSF Managed Fund investments e.g. MGE0001AU is 4.0% of the total SMSF investments in Managed Funds

★ New to top 20 this quarter

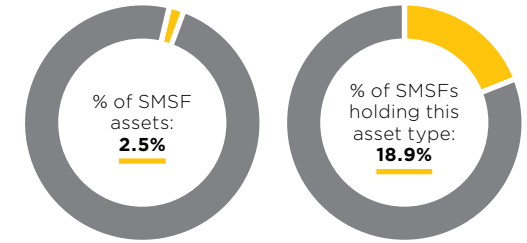
Investment Insights

Exchange-Traded Funds at 31 March 2018

SMSFs mostly use ETFs to get exposure to developed market equities and as a passive investment in Australian shares. Emerging markets and Australian listed property are also relatively popular.



International ETFs make up 54% of the Top 20 ETF Investment Holdings.



Top 20 Investment Holdings

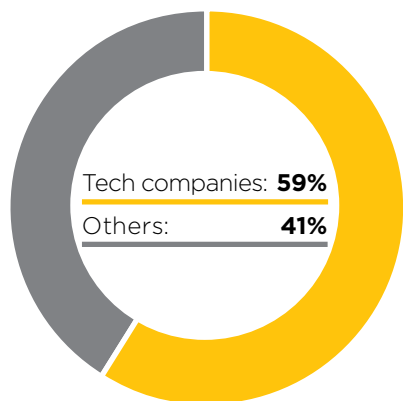
Rank	Security Code	Description	Intl/ Domestic	% of Funds with ETFs that hold this Security	% of total SMSF ETF investments*
1	IVV	Ishares S&P 500 ETF - Chess Depository Interests 1:1 Ishs&P500	I	20.2%	8.4%
2	VEU	Vanguard All-World Ex-Us Shares Index ETF - Chess Depository Interests 1:1	I	13.9%	4.0%
3	IOO	Ishares Global 100 ETF - Chess Depository Interests 1:1 IshgIb100	I	13.8%	4.9%
4	VAP	Vanguard Australian Property Securities Index ETF - Exchange Traded Fund Units Fully Paid	D	13.1%	3.2%
5	VTS	Vanguard Us Total Market Shares Index ETF - Chess Depository Interests 1:1	I	12.7%	4.8%
6	MGE	Magellan Global Equities Fund (Managed Fund) - Trading Managed Fund Units Fully Paid	I	12.5%	4.4%
7	STW	SPDR S&P/ASX 200 Fund - Exchange Traded Fund Units Fully Paid	D	12.2%	6.4%
8	SLF	SPDR S&P/ASX 200 Listed Property Fund - Exchange Traded Fund Units Fully Paid	D	10.2%	2.2%
9	VAS	Vanguard Australian Shares Index ETF - Exchange Traded Fund Units Fully Paid	D	9.4%	6.8%
10	IEU	Ishares Europe ETF - Chess Depository Interests 1:1 Isheu350	I	9.1%	2.2%
11	VHY	Vanguard Australian Shares High Yield ETF - Exchange Traded Fund Units Fully Paid	D	7.9%	3.1%
12	IEM	Ishares MSCI Emerging Markets ETF - Chess Depository Interests 1:1 Ishmsciem	I	7.3%	1.4%
13	AAA	Betashares Australian High Interest Cash ETF - Exchange Traded Fund Units Fully Paid	D	7.2%	2.9%
14	VAF	Vanguard Australian Fixed Interest Index ETF - Exchange Traded Fund Units Fully Paid	D	6.5%	2.4%
15	IXJ	Ishares Global Healthcare ETF - Chess Depository Interests 1:1 Ishhealth	I	6.3%	1.4%
16	IAA	Ishares Asia 50 ETF - Chess Depository Interests 1:1 Ishasia	I	6.1%	1.5%
17	VGS	Vanguard MSCI Index International Shares ETF - Exchange Traded Fund Units Fully Paid	I	5.9%	2.4%
18	SFY	SPDR S&P/ASX 50 Fund - Exchange Traded Fund Units Fully Paid	D	4.8%	1.8%
19	DJRE	SPDR Dow Jones Global Real Estate Fund - Exchange Traded Fund Units Fully Paid	I	4.3%	0.6%
20	YMAX	Betashares Aus Top20 Equity Yield Max Fund (Mg Fd) - Trading Managed Fund Units Fully Paid	D	4.2%	1.3%
Total (Percentage that the top 20 make up of total SMSF investments in Exchange-Traded Funds)					65.9%

* Percentage each security makes up of the total SMSF ETF investments e.g. IVV is 8.4% of the total SMSF investments in ETFs.

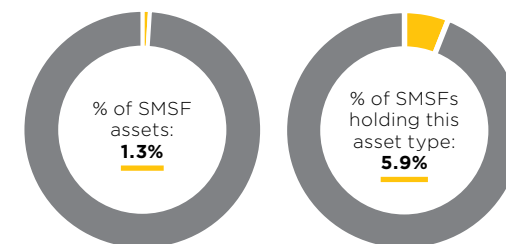
Investment Insights

Direct International Shares at 31 March 2018

Technology stocks are the most popular for SMSFs investing directly in international shares, with tech stocks making up 59% of the top 20 investment in international shares.



Tech companies make up 59% of the Top 20 international share holdings.



Top 20 Investment Holdings

Rank	Security Code	Exchange	Description	% of Funds with Int'l Shares that hold this security	% of total SMSF Int'l Share investments*
1	GOOG(L)#	NASDAQ	Alphabet Inc - Class C (A) Shares combined	15.5%	3.1%
2	AAPL	NASDAQ	Apple Inc	13.5%	4.8%
3	FB	NASDAQ	Facebook Inc	8.2%	1.1%
4	MSFT	NASDAQ	Microsoft Corp	8.2%	1.5%
5	AMZN	NASDAQ	Amazon.com Inc	7.6%	1.9%
6	V	NYSE	Visa Inc	6.4%	1.0%
7	PYPL	NASDAQ	PayPal Holdings Inc	6.2%	0.8%
8	MA	NYSE	MasterCard Inc	4.9%	0.7%
9	GE	NYSE	General Electric Co	4.7%	0.3%
10	JNJ	NYSE	Johnson & Johnson	4.7%	0.8%
11	BRK.A/B*	NYSE	Berkshire Hathaway Inc. Classes A & B combined	4.6%	4.4%
12	C	NYSE	Citigroup Inc	4.2%	0.5%
13	ORCL	NYSE	Oracle Corp	4.2%	0.3%
14	LLOY	LON	Lloyds Banking Group PLC	4.1%	0.8%
15	BABA	NYSE	Alibaba Grp Shs Sponsored American Deposit Share Repr 1 Sh	4.1%	0.6%
16	WFC	NYSE	Wells Fargo & Co	3.8%	0.6%
17	IGAS	LON	IGas Energy PLC	3.5%	<0.1%
18	EBAY	NASDAQ	eBay Inc	3.5%	0.3%
19	DIS	NYSE	Walt Disney Company	3.3%	0.3%
20	BAC	NYSE	★ Bank of America Corp	3.3%	0.6%
Total (Percentage that the top 20 make up of total SMSF investments in Direct International Shares)				24.3%	

*Percentage each security makes up of the total SMSF International Share investments e.g. GOOG(L) is 3.1% of the total SMSF investments in International Shares

GOOG/GOOGL and BRK.A/BRK.B combined into single entries ★ New to top 20 this quarter

About

The Class SMSF Benchmark Report

Class Super is used by over 1,300 accounting, financial planning and specialist administration businesses to administer over 150,000 SMSFs, representing over 26% of the estimated 598,000 SMSFs in Australia as at 31 March 2018.

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The *Class SMSF Benchmark Report* is compiled using 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, up to date view across a significant portion of the SMSF sector.

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 planners 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 150,000 funds.

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

The underlying figures for the charts and tables used in this report are available by emailing **media@class.com.au**

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

