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Media Release

Industry first FSC-UBS research uncovers drivers behind SMSF growth

The Financial Services Council (FSC), in partnership with UBS Global Asset Management, has commissioned an industry first research report to help understand the key drivers behind the phenomenal growth in SMSFs. The SMSF research, which forms part of a comprehensive report into the state of the financial services industry in Australia, also reveals opportunities available to investment firms to tap into this growth market.

Australia (with a population of just 23 million) is the fourth largest superannuation market in the world with assets held in superannuation funds of more than \$1.85 trillion. Over a third of this pool is now made up of SMSFs. The 30% growth of the SMSF sub sector from \$320 billion in 2009 to \$560 billion currently, makes it an integral component of this unique market and provides a significant opportunity for investment firms to service.

Bryce Doherty, Head of UBS Global Asset Management in Australia said, "Interestingly, while the majority of SMSF owners were satisfied by their decision to set up a SMSF, only 17% of SMSFs reported performance greater than the industry wide rate of return which would suggest that it is demand for flexibility rather than performance or service that acts as the key driver."

The report found that 38% of people setting up SMSFs did so by switching from industry super funds, 30% from retail super funds and 20% from government super funds.

Mr Doherty also said, "The research found that the asset allocation of SMSFs differs from APRA regulated funds as their portfolio largely comprises cash (35%) and Australian equities (23%) with almost no exposure to international assets or infrastructure.

"SMSF owners considering diversifying their portfolios cite international shares as the most common choice which represents a distinctive shift in interest from the more traditional holdings in cash and domestic equities. This provides a significant opportunity for fund managers to provide access to offshore investment opportunities in both equities and bonds.

"The research shows that SMSFs want control and transparency over their investments so how these products are offered through vehicles such as ETFs or other types of direct investments will be a key differentiator.

"We also see opportunities for fund managers to develop innovative products that offer better income streams, particularly as SMSF members move towards the pension phase."

The SMSF National Survey forms part of a comprehensive research report into the State of the Financial Services Industry that surveyed 600 SMSF holders nation-wide.

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About the Financial Services Council

The Financial Services Council (FSC) represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The Council has over 125 members who are responsible for investing more than \$2.3 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

UBS Global Asset Management

UBS Global Asset Management is a large-scale asset manager with diversified businesses across investment capabilities, regions and distribution channels. It offers investment capabilities and styles across all major traditional and alternative asset classes including equities, fixed income, currencies, hedge funds, real estate, infrastructure and private equity that can also be combined into multi-asset strategies.

Invested assets totalled AUD 776 billion at 30 September 2014*. The firm is a leading fund house in Europe, the largest mutual fund manager in Switzerland* and one of the largest fund of hedge funds and real estate investment managers in the world.

We have around 3,800 employees located in 24 countries. Our main offices are in Chicago, Frankfurt, Hartford, Hong Kong, London, New York, Paris, Singapore, Sydney, Tokyo and Zurich.

*Source: Morningstar/Swiss Fund Data Swiss Promoters report (as of 30 September 2014).