

SuperGuard 360 SMSF performance indices, June 2018

Latest results from **Superguard 360** show the 12 month return for the SMSF sector as a whole, as represented by the **SG360 SMSF Reference Index**, to the end of June 2018 was around 9.7% before fees and tax. This compares with **SG360 Default Index** which returned 9.0%.

This was the second month in a row in which the Reference Index outperformed the Default Index. The Default Index is based on the returns from default MySuper products.

Over three years the returns of the reference index and the default index were similar. The Reference Indexed returned 7.4%pa compared with the Default Index return of 7.3%pa. Over five years the Default Index has a significant edge of 1.1%pa (8.8% pa versus 7.7% pa).

Implications

Three quarters of all SMSFs are small having assets less than \$1 million. These funds, according to official ATO figures, have much higher weightings to cash and lower weightings to equities than larger higher performing SMSFs which hold the majority of SMSF assets.

This means that the majority of SMSF members are in funds likely to achieve lower than ideal investment outcomes. To ensure their retirement savings last as long as they do, SMSF members should review the amount they pay in fees and benchmark their portfolio to ensure it is achieving the returns they are expecting. If they are achieving lower investment returns than the benchmark it is important they understand why.

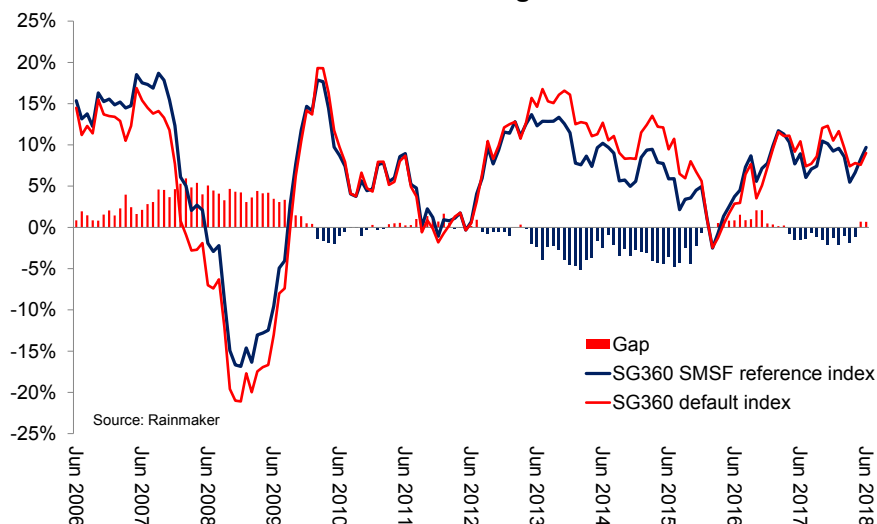
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	1 year	3 years pa	5 years pa	10 years pa
SG360 SMSF reference index	9.7%	7.4%	7.7%	5.8%
SG360 default index	9.0%	7.3%	8.8%	6.1%

Value of \$100,000 invested 10 years ago

		Increase	Gross change
SG360 SMSF reference index	\$159,705	\$59,705	60%
SG360 default index	\$167,489	\$67,489	67%

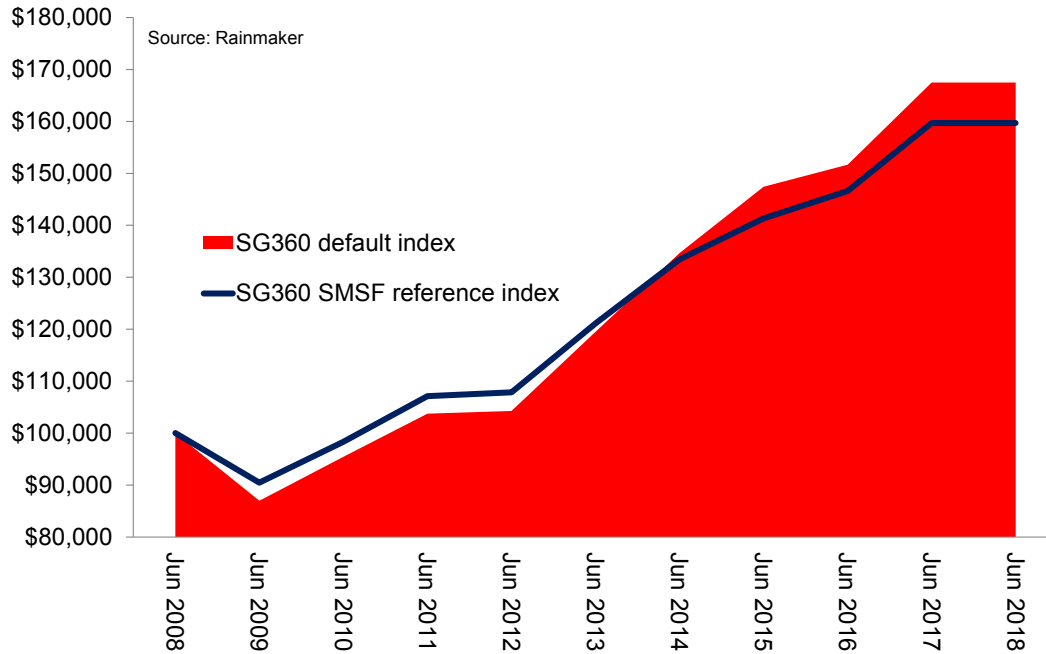
SG360 indices - rolling 12 months



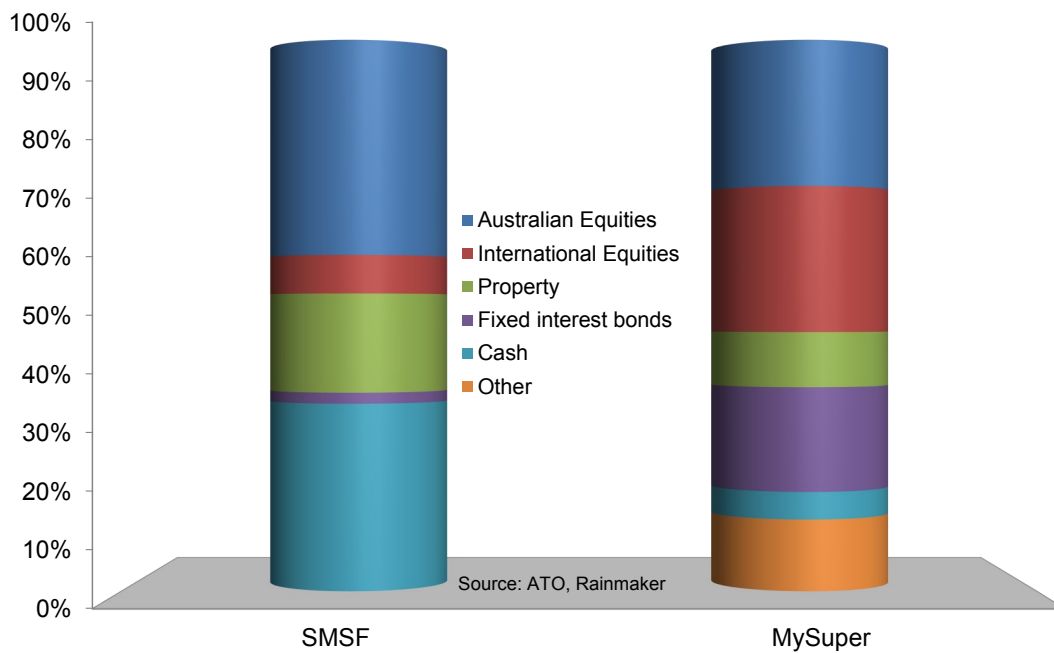
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June 2018 SMSF performance indices

Value of \$100,000 invested 10 years ago



Benchmark asset allocation



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June 2018 SMSF performance indices

General market commentary June 2018

June saw a sharp disparity in equity returns between the developed world and emerging markets. The MSCI World Index, which covers developed markets, returned 2.4% in Australian dollars while the MSCI Emerging Markets Index lost 1.8% in Australian dollar terms.

Australia's S&P/ASX 200 Index had one of the highest monthly returns in June with 3.3%.

Over 12 months the results between developed and emerging markets were more in line, with the developed markets returning 16.0%, Australia returning 13.0% and emerging markets returning 12.7%.

The main reason for the June disparity between the developed world and emerging markets was the escalating trade war between the US and China, which finally spilled over into the Chinese stockmarket, taking the China A Shares Index 11.6% lower. Over 12 months China A Shares have lost 9.3%.

It is worth commenting on the divergence of returns between the Resources and Industrials sectors of the Australian sharemarket. While the June returns were the same (3.3%), the 12 months returns were wildly different. Resource stocks are cyclical and in this case higher expected world growth helped Resources gain 40.7% over 12 months compared with Industrials returns 7.8%.

Australian listed property gained 2.2% off the back of a 2-month decline in longer term bond yields, taking its annual return to 13.0%

Bond investors also had a positive month. The Bloomberg Ausbond Composite Index returned 0.5% for the month and the Bloomberg Barclays Global Aggregate Index returned 0.2%. The annual returns were 3.1% and 1.9% respectively. The decline of the Australian dollar against the USD continued, losing 2.4% and ending at 74 US cents compared with 76 cents at the beginning of the month.

Financial market returns to May 2018

		1 month	1 year	3 years pa	5 years pa	10 years pa
Australian equities	S&P ASX 200	1.1%	9.6%	5.9%	8.8%	5.2%
	S&P ASX 200 Industrials	0.7%	5.0%	4.9%	9.5%	7.6%
	S&P ASX 200 Resources	2.6%	33.3%	10.2%	5.4%	-1.4%
	S&P ASX Small Ordinaries	3.7%	25.4%	11.6%	9.7%	1.3%
International equities	MSCI All Countries ex AU Local Currencies	1.4%	11.2%	8.1%	11.2%	6.9%
	MSCI All Countries ex AU in AUD	0.5%	10.4%	8.8%	15.6%	8.5%
US	S&P 500	2.4%	14.4%	11.0%	13.0%	9.1%
	S&P 500 in AUD	2.2%	12.5%	11.4%	18.5%	11.7%
Europe	FTSE Euro 100	-1.7%	1.4%	3.4%	9.1%	3.8%
Japan	MSCI Japan	-1.7%	12.9%	2.3%	10.2%	3.6%
China	FTSE China A Shares in USD	-0.6%	8.3%	-13.4%	7.0%	2.8%
EM	MSCI Emerging Markets in USD	-3.5%	14.4%	6.6%	4.9%	2.0%
	MSCI Emerging Markets in AUD	-3.7%	12.6%	7.0%	10.0%	4.3%
Aust Listed Property	S&P/ASX 200 A-REIT	3.1%	5.3%	7.4%	11.3%	4.5%
Global infrastructure	FTSE Developed Infrastructure Hedged	0.9%	2.6%	6.0%	8.3%	6.9%
Australian equities ESG	MSCI Australia ESG Leaders	0.3%	1.8%	3.4%	7.9%	6.4%
International equities ESG	MSCI ACWI SRI	0.5%	12.3%	11.3%	6.6%	3.3%
International fixed interest	Bloomberg Barclays Global Agg Hedged	0.4%	1.5%	3.4%	4.7%	6.9%
High yield in USD	iBoxx Liquid High Yield in USD	0.2%	1.8%	4.0%	4.1%	6.4%
Emerging market debt in USD	Barclays Emerging Markets Debt in USD	-0.7%	-0.6%	3.8%	3.6%	6.5%
Corporate investment grade	Barclays Global Corporate in USD	0.4%	0.3%	2.9%	3.3%	6.3%
Australian Fixed Interest	Bloomberg Ausbond Composite	0.7%	1.7%	2.9%	4.1%	6.1%
Cash	Bloomberg Ausbond Bank Bill	0.2%	1.8%	1.9%	2.2%	3.3%

Source: FactSet

About the SG360 performance indices for SMSF investors

SuperGuard 360 produces two performance indices useful for self managed superannuation fund (SMSF) investors, being trustee members of SMSFs:

SG360 SMSF reference index:	This index describes the post-fee investment return a SMSF trustee would receive in their account if they invested passively using the asset allocation represented by SMSF asset distribution published by the Australian Taxation Office.
SG360 default index	This index describes the post-fee post-tax investment return a SMSF investor would have achieved if they invested in the same way the typical Australian Prudential Regulation Authority (APRA) regulated MySuper product invests.

The generalized asset allocation used in each index is shown in the chart on page 2. Generally speaking SMSFs have a higher weighting to property than do MySuper options and a lower weighting to equities in general and international equities in particular. The index is reweighted at the beginning of each financial year to reflect changes in SMSF asset allocation.

Methodology

The SG360 SMSF Reference Index is derived by the following capital market indices:

- Australian shares S&P ASX 300 Accumulation Index
- International shares MSCI Global Shares AUD Index
- Property Financial Standard Direct Property Index
- Fixed interest Bloomberg AusBond Composite 0+Yrs Index
- Cash RBA Online Saving Account for \$10k Index
- Other Rainmaker Average Wholesale Balanced Index

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