

SuperGuard 360 SMSF performance indices, February 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 February 2018 was around 8.5% before fees and tax. This compares with **SG360 Default Index** which returned 9.6%.

As a result the average SMSF underperformed the average default investment strategy by 1.1% over the past 12 months. The default index is based on the returns from default MySuper products.

Lower performance by SMSFs is the result of lower asset class weightings to growth assets especially international equities. Underperformance of international equities versus Australian equities in February helped to close the gap, but the 12 month return of international equities was around 6 percentage points higher than Australian equities.

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.

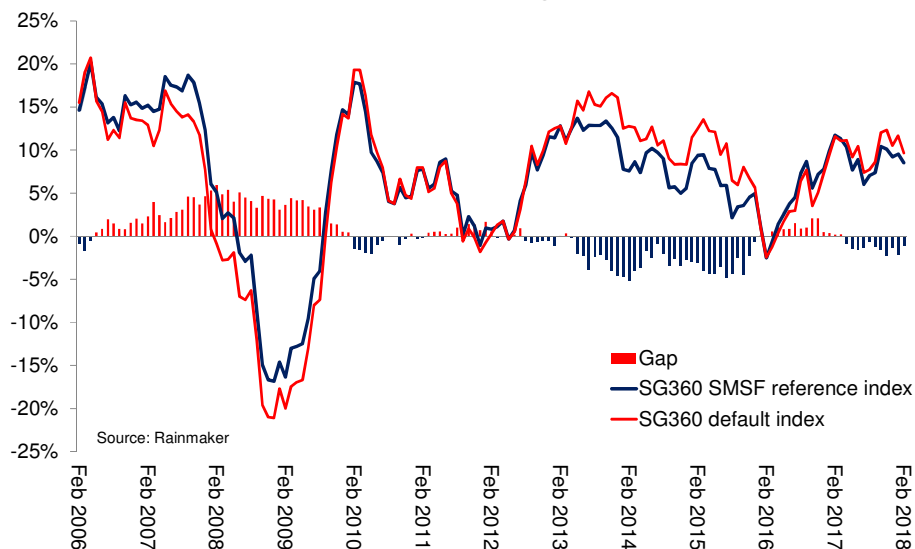
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	1 year	3 years pa	5 years pa	10 years pa
SG360 SMSF reference index	8.5%	5.7%	6.8%	5.3%
SG360 default index	9.6%	6.0%	8.6%	5.6%

Value of \$100,000 invested 10 years ago

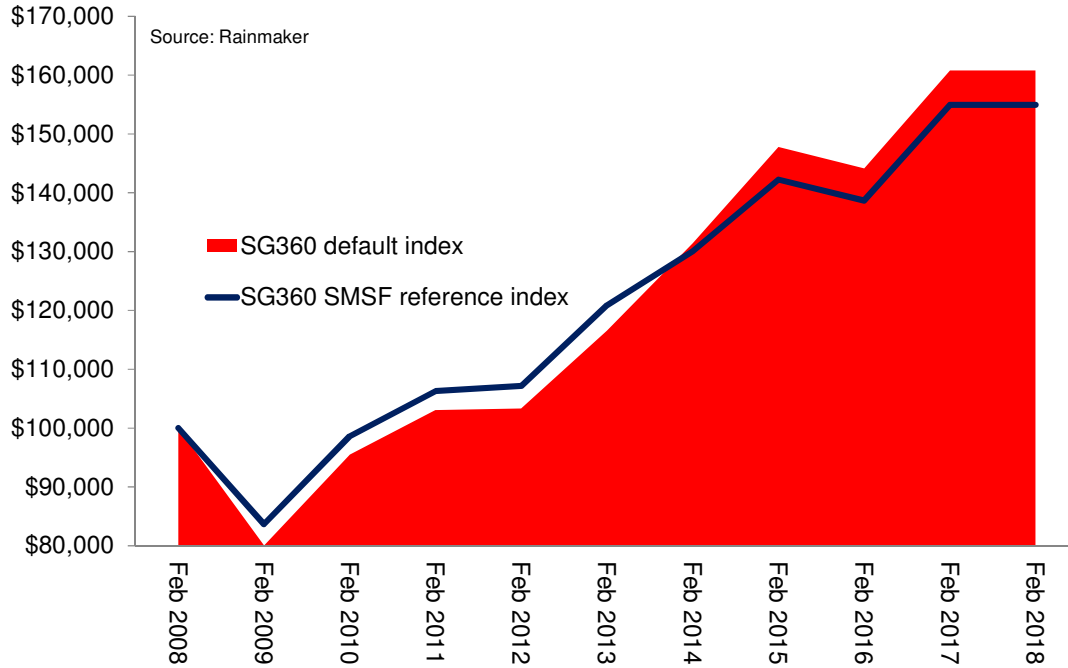
	Increase	Gross change
SG360 SMSF reference index	\$154,928	55%
SG360 default index	\$160,796	61%

SG360 indices - rolling 12 months

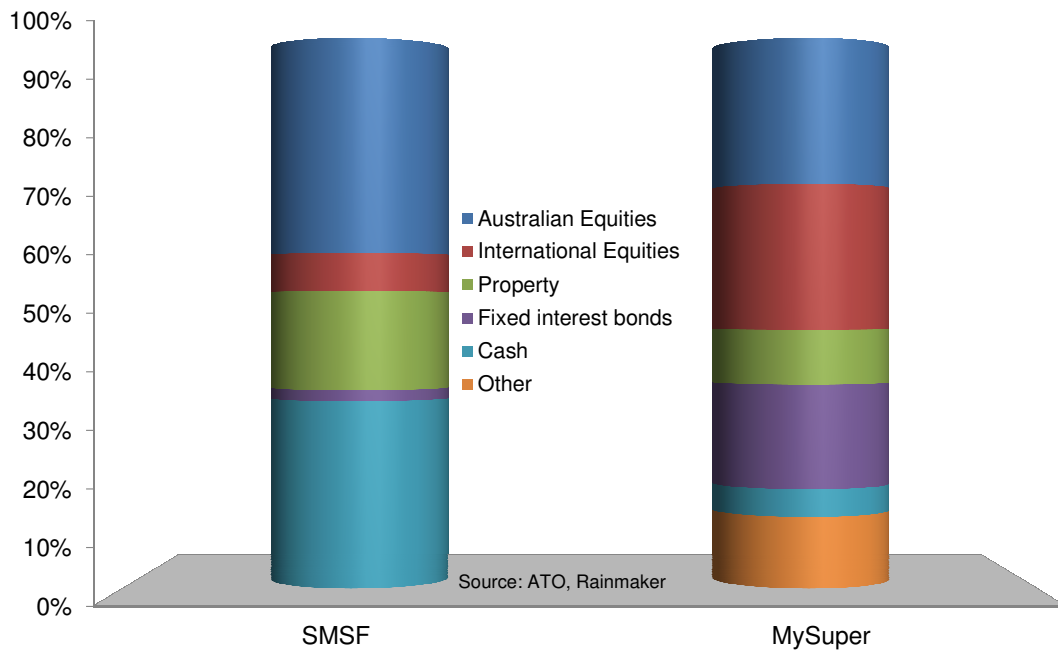




Value of \$100,000 invested 10 years ago



Benchmark asset allocation



General market commentary

Threats of trade wars brought a volatile start to 2018. February saw a dramatic decline in most global equities markets with the exception of Australian. China A Shares fell nearly 6%, although remained positive over the 12 months with a return of 9.2%.

The major developed markets all saw large falls with the US S&P500 Accumulation Index posting a negative 3.7% in US dollar terms. The FTSE Euro 100 fell 4% and MSCI Japan fell 3.7%. Meanwhile, the S&P/ASX 200 had a positive monthly return of 0.4%, buoyed by Industrials which rose 0.6%.

One year returns remain significantly positive for all equities markets. The MSCI All Countries Index returned 14.3% in local currencies and 16.6% in Australian dollars.

The Australian listed property market, as measured by the S&P/ASX 200 A-REIT Accumulation Index, returned -3.3% in February. The annual return was -0.2%.

Australian fixed interest gained 0.3% outperforming international fixed interest which generated -0.2% returns in February. This reflects the higher credit quality of the Australian index.

The Australian dollar weakened against the US dollar, finishing the month at 77.62 US cents, compared to 80.55 US cents at the end of January.

Financial market returns to February 2018

		1 month	1 year pa	3 years pa	5 years pa	10 years pa
Australian equities	S&P ASX 200	0.4%	10.1%	5.1%	8.0%	5.4%
	S&P ASX 200 Industrials	0.6%	7.3%	4.6%	9.6%	7.6%
	S&P ASX 200 Resources	-0.7%	24.1%	6.9%	1.8%	-1.3%
	S&P ASX Small Ordinaries	0.0%	20.8%	10.8%	6.2%	1.1%
International equities	MSCI All Countries ex AU Local Currencies	-3.6%	14.3%	8.5%	12.6%	7.4%
	MSCI All Countries ex AU in AUD	-0.4%	16.6%	9.1%	17.9%	8.7%
US	S&P 500	-3.7%	17.1%	11.1%	14.7%	9.7%
	S&P 500 in AUD	0.1%	15.5%	11.3%	21.2%	11.8%
Europe	FTSE Euro 100	-4.0%	9.8%	3.5%	10.3%	4.1%
	MSCI Japan	-3.7%	16.5%	6.0%	14.0%	4.4%
China	FTSE China A Shares in USD	-5.8%	9.2%	1.7%	8.8%	0.9%
EM	MSCI Emerging Markets in USD	-4.6%	31.0%	9.4%	5.4%	3.0%
	MSCI Emerging Markets in AUD	-0.9%	29.2%	9.5%	11.3%	4.9%
Aust Listed Property	S&P/ASX 200 A-REIT	-3.3%	-0.2%	4.6%	10.0%	3.3%
Global infrastructure	FTSE Developed Infrastructure Hedged	-4.9%	4.0%	3.8%	8.1%	7.2%
Australian equities ESG	MSCI Australia ESG Leaders	-0.4%	3.6%	2.9%	7.6%	6.9%
International equities ESG	MSCI ACWI SRI	-3.2%	16.0%	10.9%	6.4%	3.1%
International fixed interest	Bloomberg Barclays Global Agg Hedged	-0.2%	2.1%	3.2%	4.6%	6.8%
High yield in USD	iBoxx Liquid High Yield in USD	-0.9%	3.1%	4.0%	4.4%	6.8%
Emerging market debt in USD	Barclays Emerging Markets Debt in USD	-1.4%	3.5%	5.2%	3.7%	6.8%
Corporate investment grade	Barclays Global Corporate in USD	-1.7%	2.9%	2.6%	3.4%	6.3%
Australian Fixed Interest	Bloomberg Barclays Australia Breakeven	0.3%	2.5%	2.1%	4.3%	6.6%
Cash	3 Months Bank Accepted Bills	0.1%	1.7%	2.0%	2.2%	3.4%

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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