

SuperGuard 360 SMSF performance indices, May 2018

SMSFs have out-performed the MySuper segment for the first time in almost two years. Driving the out-performance is the higher weighting of SMSFs to Australian equities and lower exposure to the underperforming fixed interest bond markets.

This is key result from the **Superguard 360** performance indices for May 2018 that show the 12 month return for the SMSF sector as a whole, as represented by the **SG360 SMSF Reference Index** was around 8.2% before fees and tax.

This compares with **SG360 Default Index** which returned 7.6% meaning the average SMSF outperformed the average MySuper default investment strategy by 0.6 percentage points in the past 12 months.

Over three years the rolling returns of the reference index and the default index were the same at 6.1% pa, but over five years the MySuper-based default index had a significant 1.3%pa edge.

Implications

It's obviously far too early to speculate if the SMSF performance differential will continue but it does illustrate that, if capital markets correct in reaction to global trade war fears and rising interest rates, we could see the capital preservation strengths of SMSFs return to the fore.

This is because, while SMSFs as a group are routinely out-performed in growth markets by other fund segments, when the market turns down the more conservative asset profile of SMSFs may mean they are less likely to experience the same volatility as the MySuper segment.

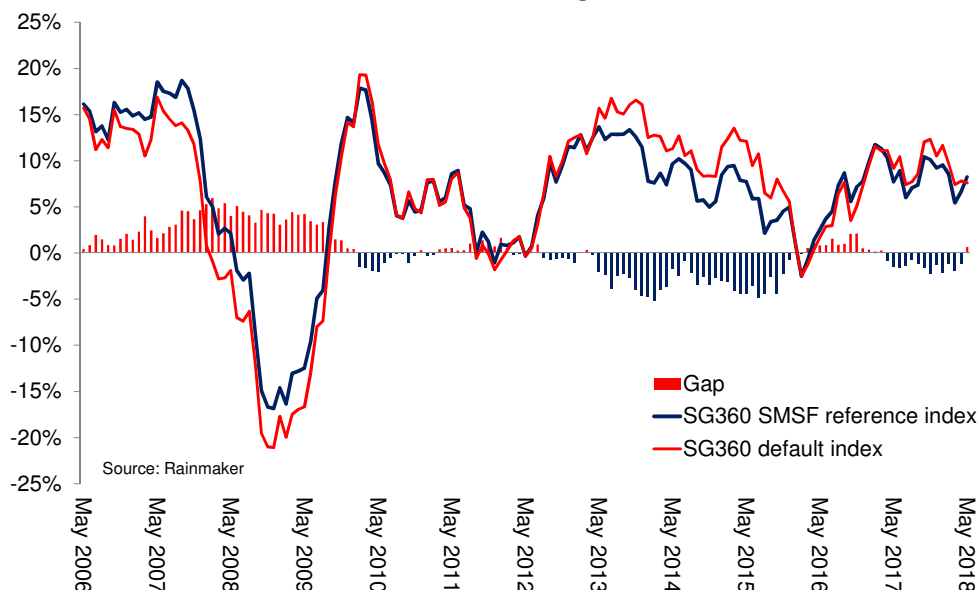
SG360 SMSF performance indices, May 2018

	1 year	3 years pa	5 years pa	10 years pa
SG360 SMSF reference index	8.2%	6.1%	7.1%	5.3%
SG360 default index	7.6%	6.1%	8.4%	5.6%

Value of \$100,000 invested 10 years ago

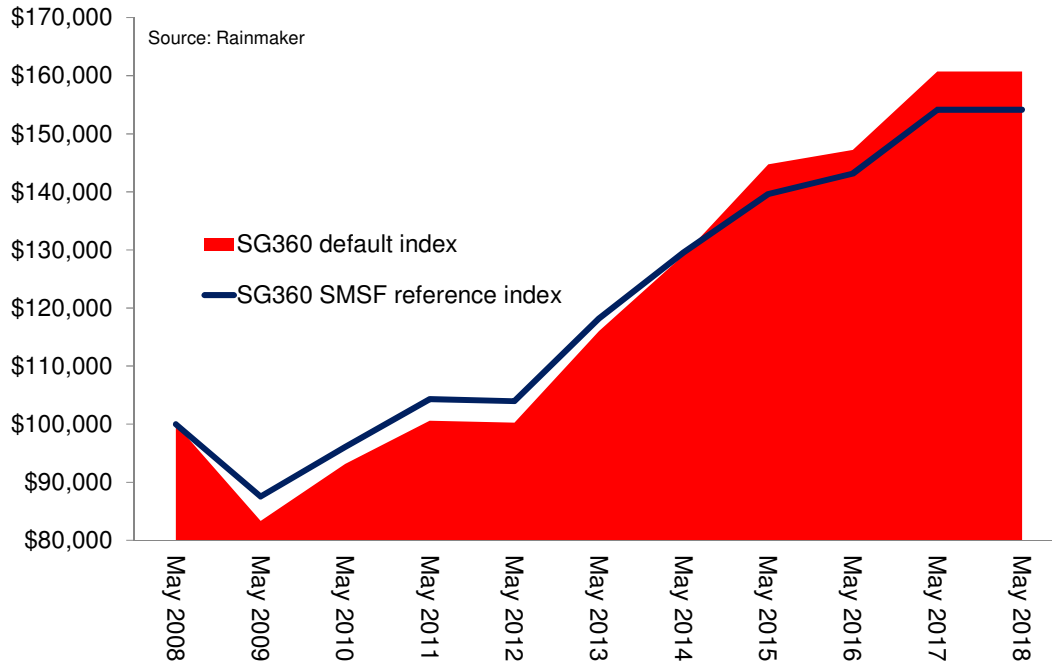
		Increase	Gross change
SG360 SMSF reference index	\$154,155	\$54,155	54%
SG360 default index	\$160,715	\$60,715	61%

SG360 indices - rolling 12 months

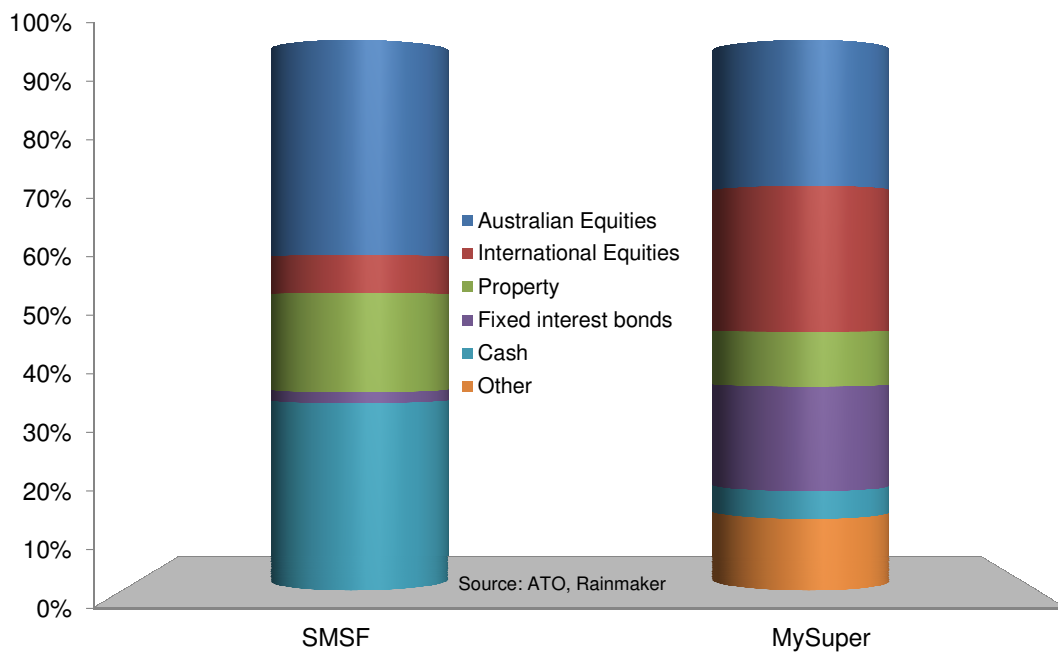




Value of \$100,000 invested 10 years ago



Benchmark asset allocation





General market commentary

US equity prices rallied in May as fears of trade wars, higher inflation and interest rates receded, allowing investors to focus on continued positive news about economic growth and improving earnings.

The S&P500 Index rose 2.4% in US dollar terms and 2.2% in Australian dollar terms. Over 12 months it returned 14.4% in US dollar terms and 12.5% in AUD terms.

Globally, however, emerging market and non-US developed market equity prices fell, in part due to a strengthening dollar, continued questions about European growth and geopolitical concerns that led to capital outflows.

European stocks fell by 1.7% during the month taking their annual returns to 1.4%. Japanese and Chinese stocks lost during the month but the annual returns were strong, rising 12.9% and 8.3% respectively.

As investors sought safety from the risk of Italy abandoning the European Union, US Treasury bond yields, which had been rising, fell sharply during the month allowing the Bloomberg Barclay's Aggregate bond index to generate positive returns of 0.4%. Yields on the Bloomberg Ausbond Index fell even more, resulting in a positive capital return of 0.7%.

Investors also pulled assets from emerging market equities, leading them 3.7% lower in May. The reasons for the decline in emerging market equity values had as much to do with US interest rates and the US dollar's value as emerging market fundamentals.

Australian equities made moderate gains of 1.1% in May with annual returns of 9.6%. Among the sub sectors the small cap stocks outperformed achieving a rise of 3.7% over the month and 25.4% over the year. The small cap stock was closely followed by A-REITs that returned 3.1% for the month, which accounted for the majority of its annual return of 5.3%.

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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