

SM SFs Under Advice

Preliminary findings from our comparative analysis of the profile and trading behaviours of advised SMSF clients.

March 2023

In challenging trading conditions, new SMSF trading accounts are relying more on advice, are increasingly female and favour a distinct mix of asset classes, securities and sectors.

AUSIEX is pleased to share some preliminary findings from an upcoming refresh of our 2022 research paper *SM SFs Under Advice*, a comparative analysis of the profile, trading activity and holdings of advised SMSF clients.

Our analysis looks at the composition of total and new SMSF accounts across advised and self-directed (non-advised) segments for the period of the 2022 and 2021 calendar years. In addition, we examine the composition of advised SMSF account holdings (as at February 2023), examining some of the recent trading behaviours and shifts across asset classes, sectors and securities against a backdrop of higher inflation, rising interest rates, industry challenges and geopolitical uncertainty.

SM SF account numbers resilient

The year 2022 started in turmoil for investors. The dramatic end of a post-covid 'bull run' witnessed in the second half of 2021 was marked by a broad global sell off in growth stocks, particularly in technology sectors. Furthermore, the geopolitical and resulting supply chain shocks arising from the Russian invasion of Ukraine drove a significant rotation towards value, income and quality assets. The period thereafter has been characterised by general uncertainty and at times heightened volatility both domestically and internationally.

In this context, it appears SMSF accounts have been resilient in 2022. The total number of SMSFs across both advised and self-directed segments were level year on year. Advised SMSFs in 2022 comprised approximately 61.83% of all SMSF accounts with self-directed accounts representing 32.41% (no change from 2021).

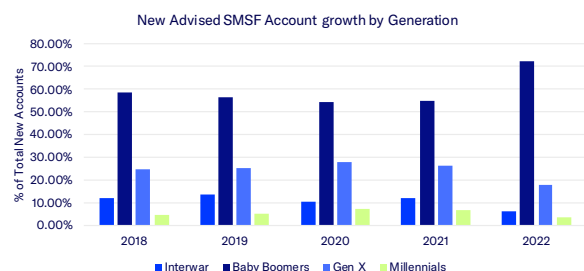
New accounts reverse slightly

AUSIEX data for new SMSF accounts created tells a different story, arguably more reflective of the challenging conditions. New SMSF accounts through organic acquisition only declined overall in 2022 from 2021 levels across all segments. This decline was driven largely by a significant 30%+ fall in new self-directed SMSF accounts, perhaps pointing to a return to more typical rates of new account creation following the enthusiasm for new SMSF accounts witnessed through the global pandemic. In contrast, advised SMSF accounts created in 2022 retreated to a lesser extent in the order of 9.2%, suggesting that demand for advised SMSFs remained relatively resilient.

Looking more closely at the factors driving the declines in advised SMSFs, of all generations, Baby Boomers (accounting for new advised accounts created) fell 6.56% in terms of new advised SMSF accounts, whilst Gen X accounts were down 7.27%. In a reversal of the spike seen in 2020 during the pandemic, it was advised Millennial SMSFs which reversed at a higher rate of 9.3% by comparison, though this paled in comparison with 30%+ fall for self-directed Millennial SMSF investors.

In terms of the breakdown of new advised SMSF accounts by generation, it was Baby Boomers returning to dominate new accounts, with the Gen X and Millennials falling as a proportion.

New advised SMSF account growth by generation



The proportion of new Advised SMSF accounts administered for Gen X and Millennials has fallen from 2020 highs (Source: AUSIEX February 2023).

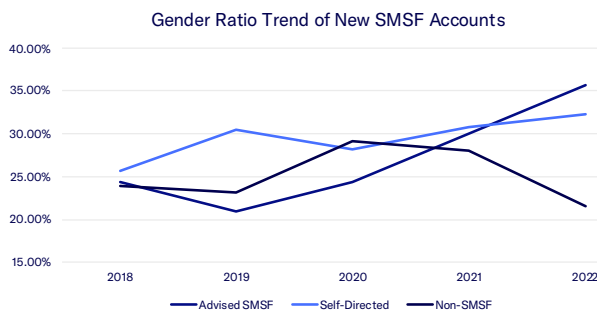
Gender ratio rise continues

Elsewhere, the longer-term trend of greater interest in SMSFs amongst females has continued.

Across all new SMSF accounts in 2022, the gender ratio (females to males) was 32.3% (i.e. 75.5% of total accounts were male, 24.4% female). By comparison, in 2021, the gender ratio was 28.47% (77.83% were male, 22.16% were female).

New advised SMSF accounts with a female primary account holder increased year on year from 23.07% of all new advised SMSFs to 26.3%; a greater percentage increase than that for self-directed SMSFs (23.57% to 24.72% in 2022). Across all segments, females now account for 21.38% of new SMSF accounts created (22.16% in 2021). Looking at generation and gender together, it was female Baby Boomer and Gen X cohorts which delivered the only year on year growth across all generation/gender groups, increasing 3% and 14% respectively.

Gender ratio trend of new SMSF accounts

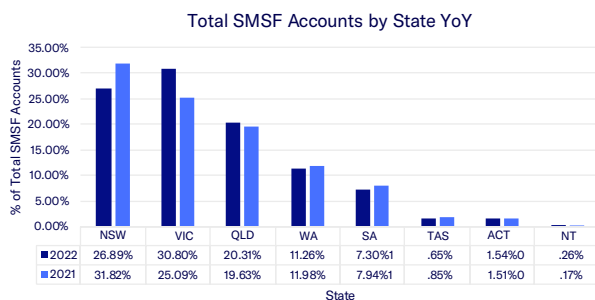


The gender ratio for new SMSF accounts has continued its longer-term growth trend in 2022 (Source: AUSIEX February 2023).

VIC overtakes NSW

Looking at new SMSF accounts created across all segments in 2022 in comparison with 2021, we saw Victoria overtook NSW as the leading state (by the proportion of total new accounts created), with Queensland the only state to record an increase.

Total SMSF accounts by state – year on year



NSW and all other states share of total SMSF accounts fell year on year whilst VIC gained in 2022 (Source: AUSIEX February 2023).

Similarly, it was Victoria which delivered the solitary growth story for new advised SMSF accounts, up 21.2% on 2021 in terms of the proportion of new advised accounts created. This was mirrored by a solid decline in NSW advised SMSFs (34.1% decline for new self-directed accounts) which were down 26.8%. All other states and territories (except for ACT) posted modest declines.

New SMSF accounts by state – year on year

	Advised		Self Directed		Non-SMSF	
	2022	2021	2022	2021	2022	2021
NSW	23.54%	29.40%	31.22%	32.93%	25.96%	29.11%
VIC	33.14%	24.81%	26.15%	26.32%	38.46%	35.36%
QLD	22.04%	21.21%	18.86%	17.40%	13.61%	14.11%
WA	8.35%	10.80%	16.32%	14.54%	11.69%	12.31%
SA	9.27%	10.18%	4.12%	4.96%	5.56%	5.08%
TS	1.50%	1.91%	2.22%	1.87%	2.64%	1.64%
ACT	2.09%	1.61%	0.63%	1.65%	1.53%	1.84%
NT	0.08%	0.08%	0.48%	0.33%	0.54%	0.57%

New Advised SMSF account growth was strongest in VIC through 2022 (Source: AUSIEX February 2023).

Trading insights

Trading conditions in 2022 were arguably the most challenging in recent times. The end of stimulatory moves by central banks and the start of a long climb of the official cash rate whilst security valuations appeared to remain elevated introduced a high level of uncertainty. In short, 2022 was a year to weather the storm and protect gains.

Accordingly, trading volumes were softer across all segments (SMSF and non-SMSF), fewer accounts traded, and traded value declined. The overall buy/sell ratio across all segments declined from 56.41% to 55.48% as overall enthusiasm waned and greater uncertainty took hold.

SMSF investors, compared with non-SMSF counterparts 'battered down the hatches', as trading volumes fell to a greater extent. The defensive, risk-off outlook appeared most keenly felt amongst advised non-SMSF accounts, with the annualised buy/sell ratio falling almost 7 percentage points lower than the prior year, whilst advised SMSFs appeared to maintain some buying activity (albeit cautiously) with their buy/sell ratio falling only 2 percentage points.

For advised SMSFs, approximately 12.6% fewer accounts traded overall year on year (compared with 16.2% decline for self-directed SMSFs) but the number of accounts selling fell year on year. The average trade size for 2022 (\$23,065) also fell around 8% year on year whilst average sell trade size increased, on both measures contrasting with self-directed SMSF accounts and advised non-SMSF accounts. The average number of trades per account over 2022 also fell, in contrast with advised non-SMSF accounts.

Looking at trading by generation for advised SMSFs, advised Millennials were the only cohort to increase their trading volume year on year, with much of the increase skewed towards the buy side, suggesting this generation (with the highest buy/sell ratio of all) may have seen past the challenging conditions to take the opportunity to buy into quality assets.

ETFs a focus of trading

Ordinary shares and ETFs made up almost 70% of traded value for advised SMSFs in 2022 (in line with 2021), with ETFs specifically being slightly more traded. In comparison, ETFs made up only 4.94% of traded value for self-directed SMSFs, a slight increase on the prior year. Elsewhere, there was a notable increase in hybrids trading amongst advised SMSFs from just over 3% in 2021 to 4.33% of total traded value, suggesting more interest in this asset class. Financials and materials sectors dominated traded value, with premium securities making up the top 10 traded securities. With respect to ETF trading, advised SMSF trading demonstrated a preference for fixed interest focussed ETFs and for accessing quality international equities, with falls in well-known technology stocks potentially attracting value hunters.

Top 10 traded securities by value - 2022

Advised SMSFs		Self-Directed SMSFs	
Security Code	Buy/Sell %	Security Code	Buy/Sell %
BHP	68.77%	BHP	63.84%
NAB	36.88%	WBC	63.18%
CBA	56.70%	FMG	55.78%
WBC	65.91%	CBA	54.23%
CSL	63.54%	MQG	64.84%
WOW	72.01%	PLS	59.88%
NCM	62.52%	ANZ	66.86%
MQG	74.00%	NAB	47.99%
IVV	64.20%	RIO	60.21%
MGOC	30.65%	WHC	52.85%

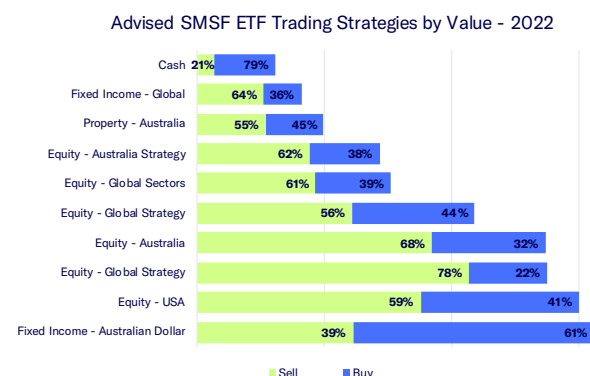
Leading financial services and materials stocks featured heavily for both SMSF segments (Source: AUSIEX February 2023).

Top 10 traded ETFs by value 2022

Advised SMSFs		Self-Directed SMSFs	
Security Code	Buy/Sell %	Security Code	Buy/Sell %
IVV	64.20%	VAS	82.06%
VAS	68.38%	GEAR	63.55%
VGS	73.84%	NDQ	66.38%
VGAD	86.85%	IVV	60.62%
VAP	60.70%	VGS	76.61%
QUAL	76.48%	IOZ	78.29%
IHVV	83.16%	STW	74.78%
VAF	43.83%	VHY	77.40%
IOO	51.57%	VTS	65.79%
STW	66.85%	OOO	58.74%

Both Advised and Self-Directed SMSFs traded a diverse range of domestic and internationally-focussed ETFs (Source: AUSIEX February 2023)

Advised SMSF ETF trading strategies by value - 2022



In terms of their ETF trading, advised SMSFs in 2022 were most interested in fixed income and international ETFs, whilst most bullish on cash, fixed income and global equity strategies (Source: AUSIEX February 2023).

Holdings insights

AUSIEX data from February 2023 shows SMSF accounts held approximately 30% of total holdings, of which over 50% was under an SMSF advisor. Portfolio balances for advised SMSFs were almost four times higher than non-SMSF accounts.

Diversification a hallmark

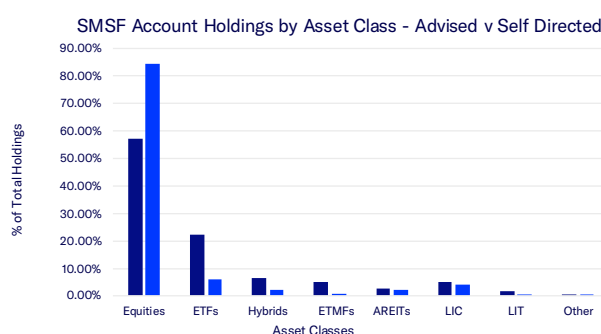
In terms of asset allocations, AUSIEX clients across all segments in February 2023 held just over 74% of their portfolios in equities and just over 15% in Exchange Traded Funds (ETFs). For SMSF clients overall, the allocation to equities was slightly lower at 72.95%. By contrast, advised SMSF accounts allocated only 59.95% to ordinary equities, whilst self-directed SMSF accounts allocated approximately 87.41% to ordinary equities.

The holdings data reflects a preference amongst advised SMSFs for ETF holdings, with 22.23% of advised SMSF portfolios allocated

to this class (up from 19.79% in 2020), compared with only 5.95% for self-directed SMSF portfolios (up from 5.78% in 2020). Outside of equities and ETFs, advised SMSFs also showed a greater preference for Exchange Traded Managed Funds (ETMFs), LICs, hybrids and AREITs in comparison to self-directed SMSF accounts. This diversification arguably put advised SMSF trustees in a better position to withstand volatile conditions through 2022.

Looking longer term from 2020 to 2022, for advised SMSF accounts the average allocation to ETFs increased from 19.79% to 22.29% (21.34% in 2021) whilst average allocations to ordinary equities decreased from 61.66% to 59.33%. Over the same period for self-directed SMSFs, allocations to ETFs had only increased from 5.78% to 5.95% and ordinary equities from 81.82% to 86.66%.

SMSF account holdings by asset class – advised v self-directed



Advised SMSFs are more diversified across asset classes in comparison with their self-directed counterparts (Source Data: AUSIEX February 2023).

Financials and materials dominate

The sector allocations of equities within advised SMSF portfolios also pointed towards a greater level of diversification. Financials and materials stocks made up almost 50% of portfolio holdings in line with all other portfolios, whilst advised SMSFs were overweight on healthcare and consumer staples in comparison to self-directed SMSF accounts and non-SMSF accounts (both advised and self-directed).

	Advised SMSF	Self-Directed	Advised (Non-SMSF)
Financials	33.72%	35.17%	33.76%
Materials	17.53%	22.43%	21.45%
Health Care	12.24%	7.64%	9.64%
Other	10.87%	10.36%	9.82%
Consumer Staple	8.23%	5.78%	6.65%
Energy	6.53%	6.77%	6.28%
Communication Service	4.19%	3.38%	2.90%
Consumer Discretionary	3.39%	3.27%	2.95%
Industrials	3.10%	2.17%	3.10%
Information Technology	2.59%	2.45%	2.89%
Utilities	0.58%	0.47%	0.48%
Real Estate	0.14%	0.12%	0.09%

In terms of equities sector allocations, advised SMSFs were overweight on healthcare and consumer staples in comparison with self-directed SMSFs (Source: AUSIEX February 2023). Note: Data based on AUSIEX sector allocations.

Security holdings

Holdings as at February 2023, like traded securities, were dominated by financials and materials stocks. When looking at the top 10 stocks by percentage of accounts holding them,

advised SMSF accounts showed more commonality with self-directed SMSFs in their holdings of specific securities.

Top 10 securities by accounts holding

Advised SMSFs		Self-Directed SMSFs	
Security Code	% of Accounts Holding	Security Code	% of Accounts Holding
WDS	44.30%	WBC	43.90%
BHP	42.20%	WDS	37.00%
WBC	41.20%	BHP	34.00%
NAB	39.80%	NAB	31.20%
CBA	39.50%	TLS	30.60%
ANZ	38.70%	ANZ	28.00%
TLS	36.20%	CBA	23.60%
WES	36.00%	WES	23.60%
CSL	29.70%	COL	18.30%
WOW	25.50%	WOW	18.00%

Advised SMSF portfolios showed more commonality in terms of their holdings of specific securities than self-directed SMSF accounts (Source: AUSIEX February 2023).

Top 10 held securities (Feb 2023)

Advised SMSFs		Self-Directed SMSFs	
Security	% of Total	Security	% of Total
CBA	5.11%	CBA	7.07%
BHP	4.30%	WBC	6.66%
CSL	3.97%	BHP	5.50%
NAB	3.43%	NAB	4.80%
WBC	2.88%	ANZ	3.77%
ANZ	2.60%	CSL	3.34%
WES	2.44%	MQG	2.82%
MQG	2.33%	WDS	2.80%
WDS	2.11%	TLS	2.75%
TLS	2.01%	WES	2.72%

Top 10 security holdings for advised and self-directed SMSFs (Source: AUSIEX February 2023).

Looking ahead

In what will likely be another challenging year of trading and investing for SMSF advisers and trustees, as largely expected, our preliminary findings into advised SMSF accounts paint a picture of resilience and the careful active management of advisers. As a result, advised trustees may well be better positioned than self-directed SMSF trustees to withstand the challenges 2023 will bring.

What is clear going forward however, is that whilst our data shows advised SMSF account numbers overall were stable, a shift may be taking place following the momentous spike in account acquisition during the pandemic. Potentially driven by 'time and effort', administrative and compliance factors as we exit pandemic conditions, self-directed SMSFs appear to have lost some of their appeal to build and protect wealth for retirement. Younger generations, following their enthusiasm during the global pandemic also appear to be showing signs of losing interest in the self-managed nest egg.

Nevertheless, in adversity there is often opportunity. Interest in advised SMSFs is resilient, and accordingly SMSF advisers may benefit by boosting efforts to lure current and would-be self-directed SMSF trustees, focusing on the practical (time saving) and potential risk/performance benefits of professional advice, as evidenced by our findings in relation to diversification, asset mix and strategies.

There may also be specific acquisition opportunities emerging. Growing enthusiasm for SMSFs amongst females, in particular those in the older generations, may represent acquisition opportunities, whilst from an asset allocation perspective, those SMSF advisers making lighter use of ETFs may stand to benefit from potential trading and administration efficiencies.

For your copy of the full research report SMSFs Under Advice for 2023, please contact your Business Development Manager or email salesteam@ausiex.com.au.

Award winning excellence

AUSIEX is proud to be recognised within the industry through awards such as the 2022 and 2021 Advisers' Choice Award for Australian Shares at the SMSF Service Provider Awards, as well as Platform Provider of the Year at the SMSF Adviser Awards. These achievements are only made possible through the continued support and close partnerships AUSIEX has with their clients.

Owned by multi-national trading technology powerhouse Nomura Research Institute (NRI), AUSIEX specialises in equities execution, clearing and settlement services for the wholesale market, and currently supports over 4600+ advisers.



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