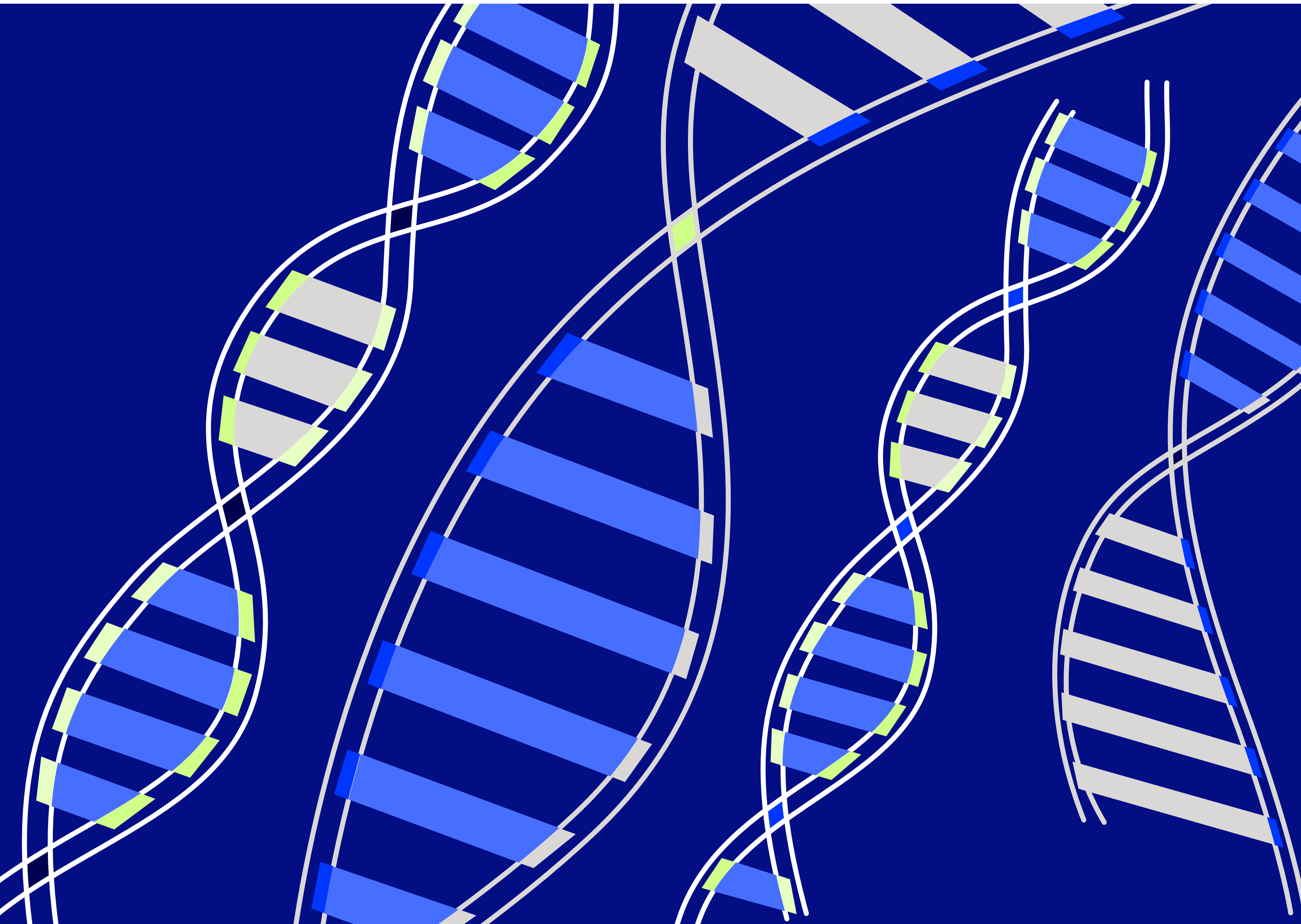
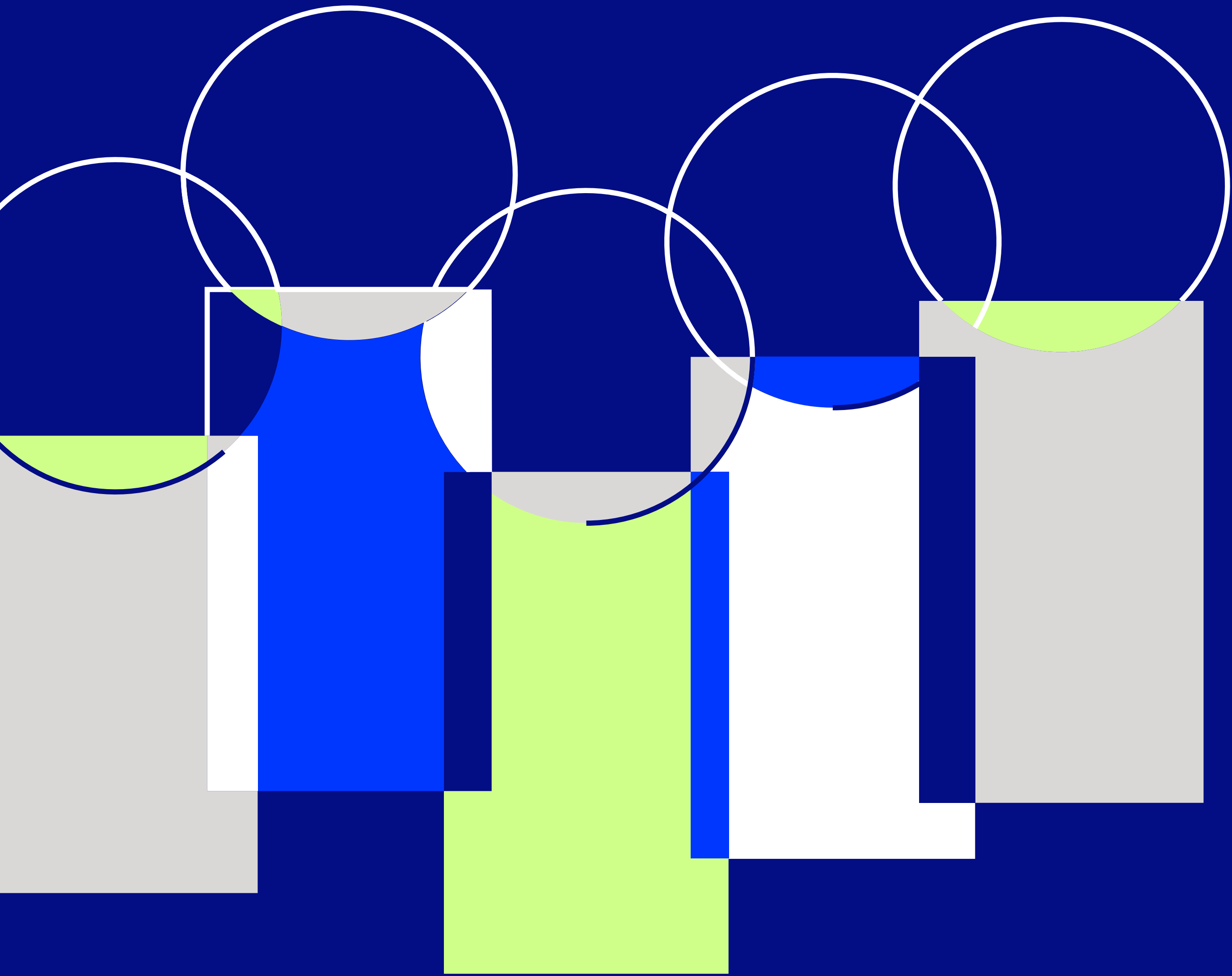
AUSIEX

SMSFs Under Advice

A comparative analysis of the recent profile and trading behaviours of advised SMSF clients.

April 2022





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Foreword and introduction

The face of SMSF investing in Australia is changing.

As we have explored in other recent papers, the pandemic lockdowns of 2020 and 2021 have provided Australians with the time and means to consider their financial security and future, driving an unprecedented increase in market participation and a growing awareness of the companies and products making up the investable landscape.

Consequently, we've witnessed a surge in new SMSF trading account openings over the pandemic period as Australians sought to take greater control over their post-pandemic financial future. This surge has left an altered landscape.

Our SMSF clients – advised and self-directed – are becoming younger, more female and more active. They are displaying greater urgency when it comes to the time it takes to place their first trades following the setup of their trading account. Advised SMSF accounts – to a greater degree than their non-advised counterparts – are also embracing new investment types (ETFs in particular) as means to grow and protect Australia's retirement nest eggs.

We've examined AUSIEX's data to explore the recent and longer-term trading behaviours of both advised and self-directed SMSF clients. The time period analysed covers the volatile early months of 2022 and the 2021 calendar year, with perhaps some of the most diverse trading conditions we have witnessed in a 12 month period.

As we enter the next quarter of the 2022 calendar year, it's an interesting time for our SMSF advisers and their customers. As the industry grapples with issues such as new NALI and NALE rules, the burgeoning cost of advice, and increased compliance requirements to name but a few, this year, being a Federal Election year, brings the potential for further changes to Superannuation itself. Now with likely rises in the cash rate and geo-political uncertainty, the need to be prepared to adapt seems abundantly clear.

As a an industry-recognised leader in the provision of trading solutions to Australia's SMSF sector, we're proud to serve this critical part of Australia's investment advisory ecosystem as they help drive the wealth of Australians through some of the most tumultuous conditions in recent memory.

I hope you find these insights useful.

Eric Blewitt
CEO, AUSIEX

About AUSIEX

With over 25 years of experience in the local market and the backing of a multinational trading technology powerhouse, AUSIEX combines deep expertise with trusted and reliable technology to deliver trading solutions for financial institutions, intermediaries, advisers and industry participants. Owned by Nomura Research Institute (NRI), AUSIEX specialises in equities execution, clearing and settlement services and equities administration for the wholesale market.

As one of Australia's leading providers of trading solutions, AUSIEX has used its scale, expertise and heritage to deliver value for advisers, brokers, many large institutions and tens of thousands of their clients by seamlessly connecting them to markets.

About NRI

Founded in 1965, Nomura Research Institute (NRI) is a trusted and innovative global powerhouse in technology and operations services.

NRI has a presence in every major financial centre worldwide. It is a world leader in innovative, cross-asset, multi-currency, front and back-end financial IT solutions for investment banks, asset managers, banks and insurance providers.

As a wholesale technology and operational services provider to the Japanese broking market, NRI serves over 80% of institutional brokers, 50% of retail brokers, and 80% of asset managers. Nearly every trade that happens in Japan touches NRI in some way, and this is an aspiration for AUSIEX in the Australian market.

NRI has more than 13,000 employees across 69 subsidiaries in 15 countries, with more than 50 offices globally including New York, London, Tokyo, Hong Kong, Singapore, and Sydney. NRI reports annual sales above $4.8 billion. NRI is rated "A" by S&P Global Ratings Japan.

Background

This paper analyses AUSIEX data on the profile and behaviours of AUSIEX SMSF accounts and clients across advised and self-directed segments in Australia between January 2021 and February 2022, with a particular focus on two time periods:

- **January 2022 and February 2022** (1 January to 16 February) – This early 'post-pandemic' period was characterized by a heightening of inflationary fears and increasing volatility, resulting in a significant market pull back during late January (particularly amongst growth stocks) and further volatility whilst geo-political uncertainty increased with the spectre of conflict in Ukraine.
- **January 2021 – December 2021** (1 January 2021 to 31 December 2021) – This 12 month period captured a diverse range of trading conditions, from pandemic trading characterised by general uncertainty, to an early recovery phase leading into a pronounced 'bull run' on the ASX 200 from April to July, to the Covid-induced lock down in Eastern Australian states and finally a levelling-off of the local market in the latter stages of 2021 which was largely induced by inflation fears and drove the market volatility which persisted into early 2022.

Our analysis compares the trading profiles and behaviours of the advised SMSF segment compared to self-directed SMSF account holders and all SMSF clients and within these periods, examining dimensions such as age and generation, gender ratio, sector and security classifications, individual securities and buy/sell ratios.

Methodology

AUSIEX analysed trading data relating to SMSF accounts from 1 January 2021 to 16 February 2022 across three key segments:

- **Advised** – Investing activity of SMSF accounts under advice and trading on the AUSIEX platform.
- **Self-directed** – Investing activity by SMSF accounts not under professional advice.
- **Advised (WRAP)** – Investing by advised SMSF clients via a WRAP platform

AUSIEX undertook this analysis in March 2022 and account information is accurate as of February 2022.

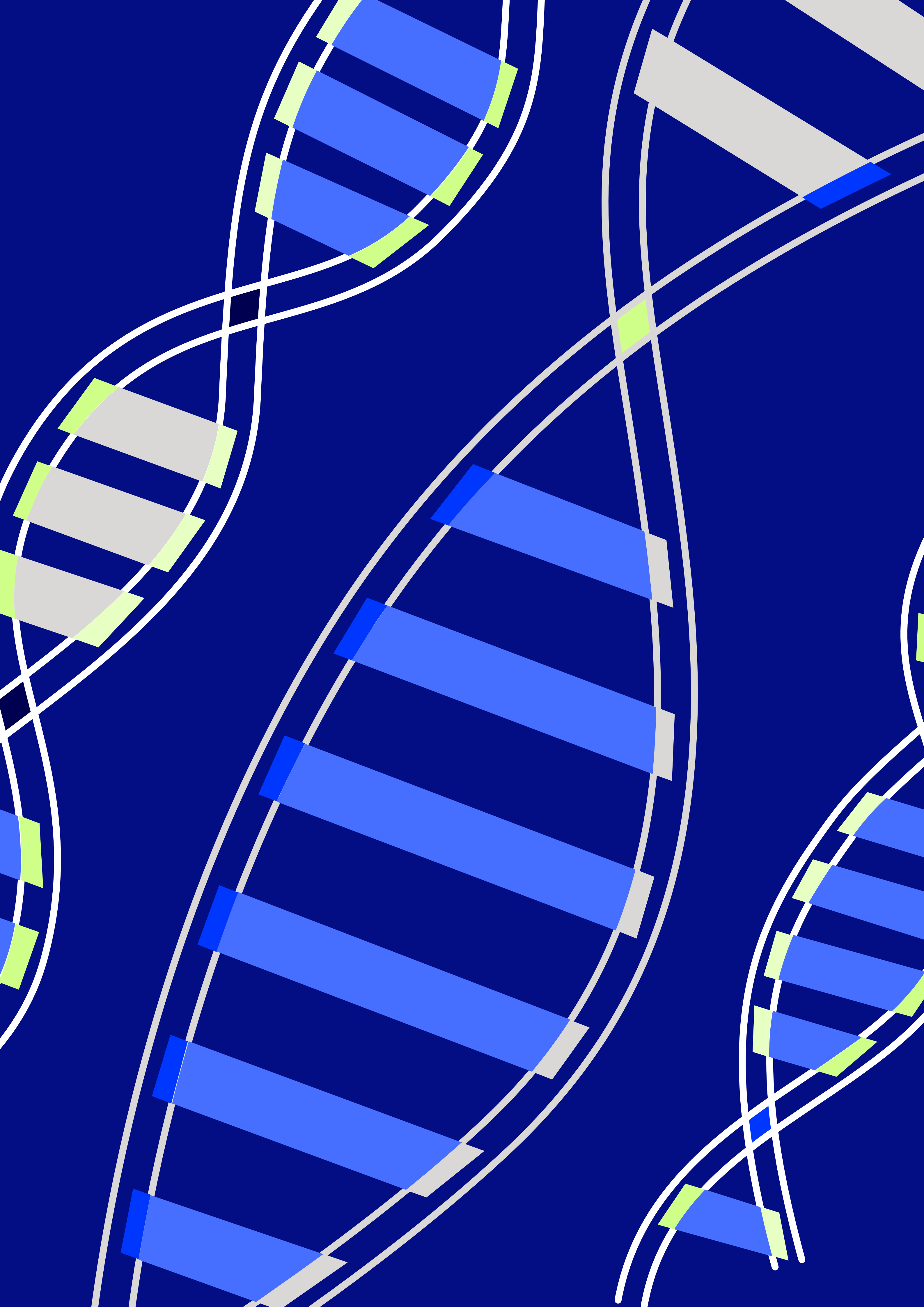
Key definitions

For ease of interpretation, clients are defined as primary account holders attached to the SMSF.

Accounts are defined as trading accounts. Where referenced in graphs and tables, 'direct' should be interpreted as 'self-directed'.

Definition of generations

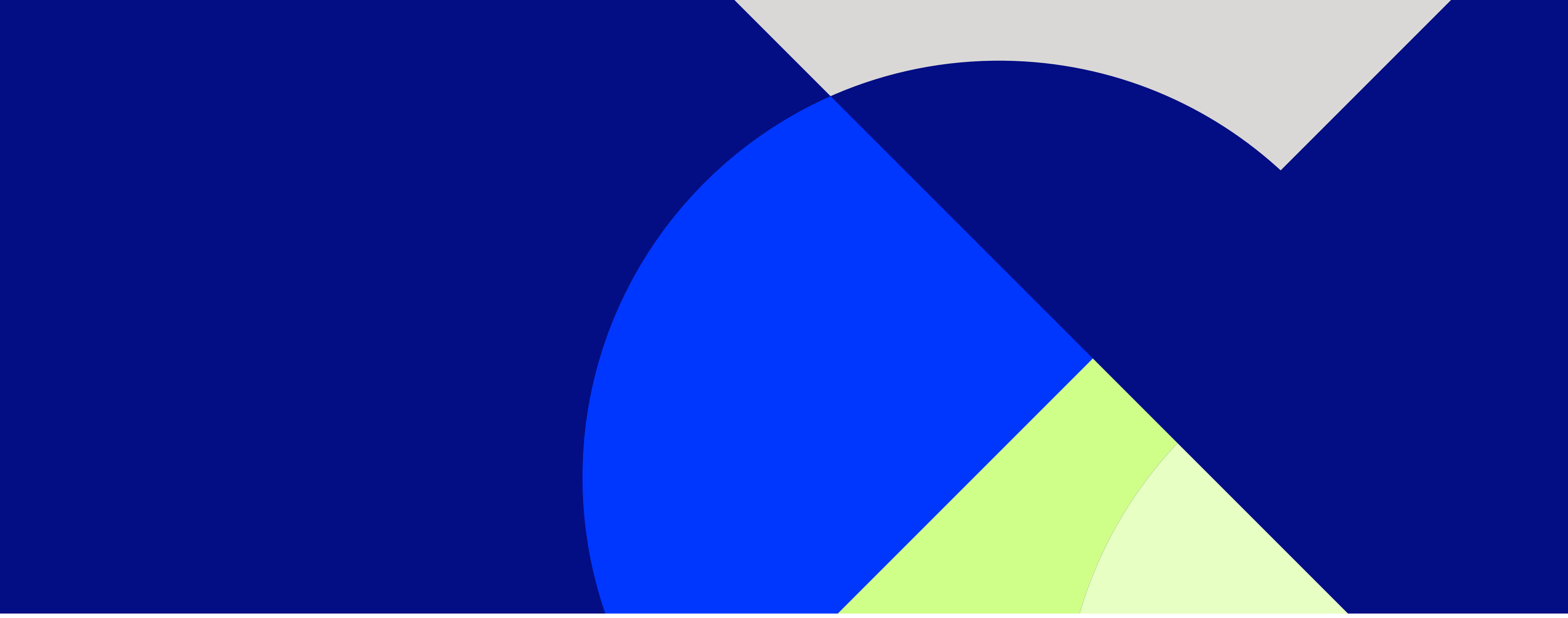
Generation	Year of birth
Generation Z	1997 – 2012
Millennials	1981 – 1996
Generation X	1965 – 1980
Boomers	1955 – 1964



Key findings

Advised SMSF clients have become younger, more female and more active, favouring a distinct mix of investment sectors and securities.

- The volume of new advised SMSF account openings has subsided since the end of 2021 (following seasonal patterns but likely enhanced by Omicron) to volumes seen in January the prior year. In contrast however, self-directed SMSF account openings have fallen further.
- Across advised and self-directed accounts, SMSF clients continue to get younger, driven in particular by new direct millennial and generation Z clients. Looking back over the past 10 years, advised SMSF clients have become younger with a 20% swing away from new clients being boomers to the other generations. generation X has seen the most growth in representation but the proportion of millennial advised SMSF clients has quadrupled since 2012. In 2022 the average age of an SMSF client is 59. In 2012 it was 67, equating to a drop of 8 years over the last decade.
- While the overall gender ratio for primary account holders of SMSFs is 80:20 in favour of male clients, moving from 1 in 4 clients to 1 in 3 since 2021, for advised SMSF accounts females account for almost 28% of new SMSF clients onboarded in 2022. Ten years ago this was only 18% – with a significant increase coming from 2021 onwards.
- In terms of the geographical location of new SMSF account openings, for the first time in five years Victoria accounted for the highest proportion of new SMSF accounts nationally, overtaking NSW which has seen its share decline consistently since 2018. However, NSW still accounts for the highest proportion of all SMSF clients, advised or self-directed.
- An advised SMSF account opened in 2021 took just 40 days to place its first trade, significantly faster than ten years ago where it took 194 days.
- SMSF investors overall were net buyers of stock in January to February 2022 where we had 14 buyers for every 10 sellers, suggesting on the whole that SMSFs 'bought the dip' following the January market pull back.
- Advised SMSFs are more bullish on A-REITs, Exchange Traded Products, Hybrids and Physical Commodities than self-directed (direct) SMSFs looking at buy and sell. Both advised and self-directed segments however were net sellers of hybrids, ETPs (exchange traded managed funds) and A-REITs.
- During January and February 2022, both advised and self-directed SMSFs were net sellers of hybrids and utilities, neutral on energy sector stocks, and net buyers of every other sector with strong buys in healthcare and property sectors. In 2021 however, advised SMSF clients were net sellers of energy, IT and telecommunications stocks.
- Advised SMSF clients favoured financial and materials stocks in early 2022. In 2021, advised SMSF clients were net sellers of consumer discretionary stocks whilst self-directed SMSF clients were net buyers, in the only significant difference in viewpoint on investment sectors.
- Advised SMSFs are more likely to buy Exchange Traded Funds compared to self-directed SMSF clients, with both segments showing willingness to trade some of the new-breed thematic offerings.
- On average, advised SMSF portfolios held more unique stocks than self-directed SMSF accounts, and 'single stock' portfolios were significantly less common than amongst self-directed SMSF portfolios.
- Whilst the top securities by trading volume are dominated by well-known names in the ASX200, SMSF investors also looked further afield into some specific technology plays.



Account origination

Advised SMSF accounts were overtaken by the surge in new self-directed SMSF accounts in the earlier stages of the pandemic but have since rebounded to again be the preferred account type for new SMSFs.

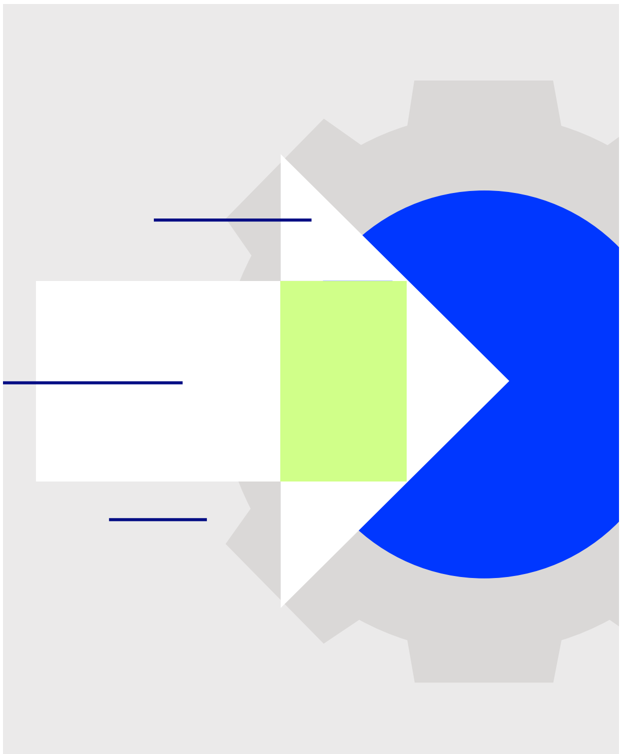
The past two years to February 16 2022 has seen significant changes from a new account origination perspective.

Around the start of the pandemic in March 2020, we witnessed a significant increase in self-directed SMSF accounts opened which saw it become the largest segment by new accounts for four consecutive months. This coincided with the introduction of Australian Government's pandemic response measures to provide for limited early release of superannuation funds and in our view reflected a greater desire for investors to take control of their nest egg over this turbulent period.

Since August 2020 however, this trend has reversed to see the advised SMSF segment once again become the dominant segment in terms of new account openings. We believe this may reflect that self-directed SMSF investors have reconsidered the ongoing administrative and regulatory requirements attached to DIY super funds and, with less time to devote to more active management as we emerge from pandemic conditions, the value of professional SMSF advisers is again becoming clearer.

More recently, over the past 14 months from January 2021 we've seen 5.1% growth in net new SMSF trading accounts. However, as we saw in early 2021, the first two months of 2022 has seen a decline in new SMSF accounts across both advised and self-directed segments.

Interestingly, the fall in new SMSF account openings has been more pronounced for the self-directed segment, perhaps suggesting that as we move into a 'post-pandemic' phase the drivers which led to a surge in self-directed SMSF accounts – among them 'free' time and a desire for direct control of funds - have abated significantly whilst administration and compliance burdens have remained.



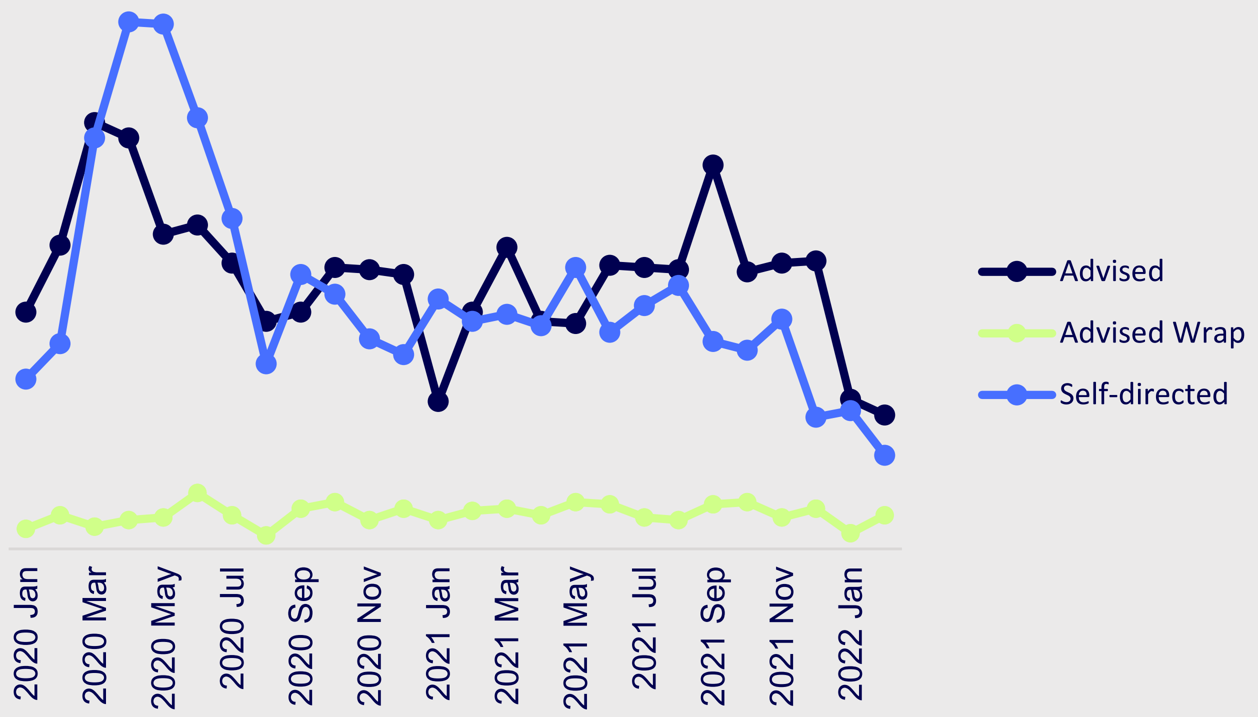


Figure 1: Monthly SMSF account openings by segment (2020 onwards). (Source: AUSIEX)

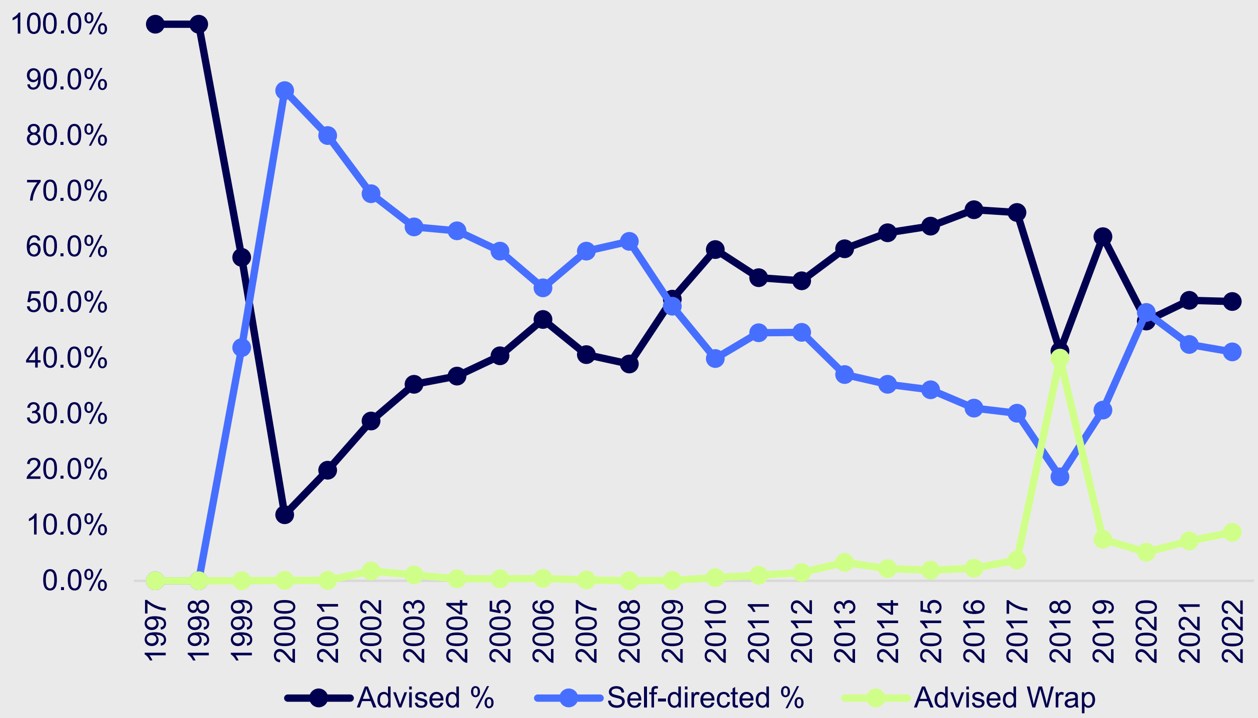


Figure 2: Accounts opened by segment over time. (Source: AUSIEX)

Age and demographics

Advised SMSF clients continue to be weighted towards older generations, but the growth is coming from generation next with the self-directed segment signaling the change.

SMSF clients remain heavily weighted to boomer and generation X – who also have higher average balances – with 77% of advised clients and 68% of self-directed clients. generation X is the next largest at 19.9% of advised clients and 26.35 of self-directed clients.

But the growth is coming from younger generations. Between 2012 and 2022 boomers' share of new advised account openings dropped from 84% to 62%. generation X's share rose from 14% to 32.5% and advised millennials' share rose fourfold from 1.2 % to 4.8% and was as high as 6% in 2021.

Younger generations account for about 5.5 % of the self-directed SMSF clients, more than double that for the advised SMSF clients, a fact which may partly be explained by the growing cost of advice. AUSIEX's first advised generation Z client account opened in 2020 and a large proportion of the 18–24-year old's who have an SMSF are self-directed (retail) clients, pointing to their desire to take control of their investing and confidence in their ability to navigate the markets, buoyed perhaps by improved general education levels which arguably have increased via greater participation in trading overall.

On the self-directed side millennials and generation Z client accounts are growing more quickly. Almost one in six new SMSF accounts opened since 2020 belongs to a millennial client while the generation Z share has risen from nothing in 2015 to almost 4% in 2022.

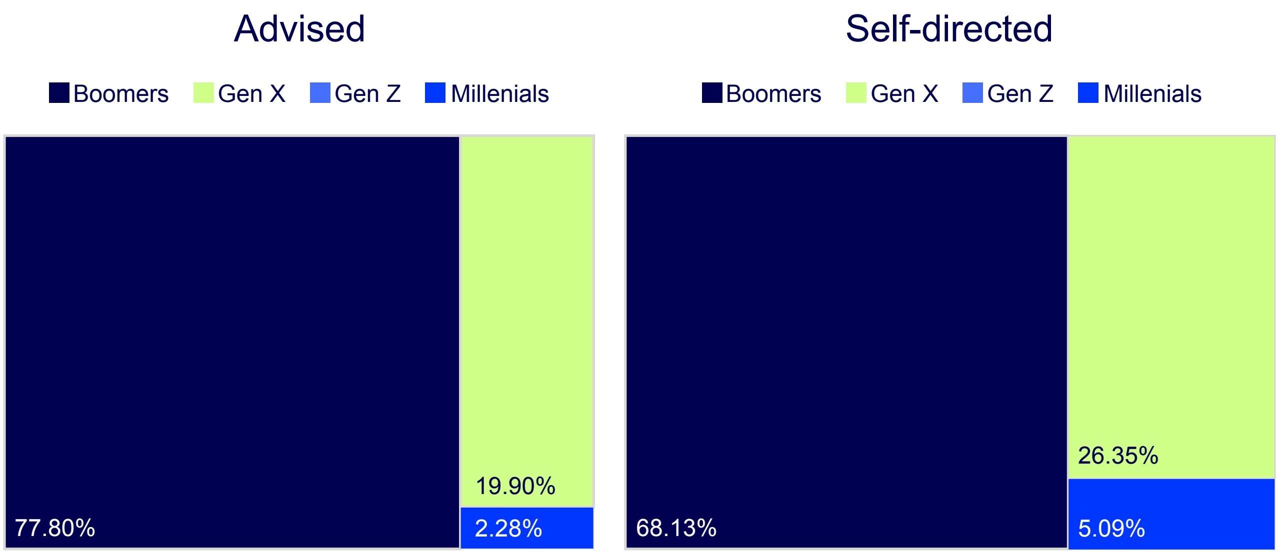


Figure 3: Percentage breakdown of total SMSF (February 2022) (Source: AUSIEX)

Men and women

New (and younger) female advised SMSF clients leading the growth

As at February 2022, females accounted for almost 28% of new advised SMSF clients. But this headline figure masks a significant upward trend over previous years. Back in 2021 only 18.5% of all new advised SMSF clients were female. This ebbed and flowed up to around 20% by 2019 after which point it has increased strongly year on year.

Despite this recent trend, across all SMSF clients the gender ratio among primary client holder is 79% in favour of men compared to 21% female. For the advised segment, just over 19% of total clients were female, whilst 25.37% of self-directed clients were female.

When we look at recent onboarding activity across both advised and self-directed combined - we can see that the historic '80:20' rule has come under pressure in the last 3 years as more and more female clients set up SMSF accounts.

Similarly, when we look at SMSF clients across different 5 year age cohorts, we can see that the female to male ratio reaches over 35% (35.6%) of total SMSF clients for the age group 23-27, with 18-22 and 28-32 year age groups also reaching above 30% of total SMSF clients.

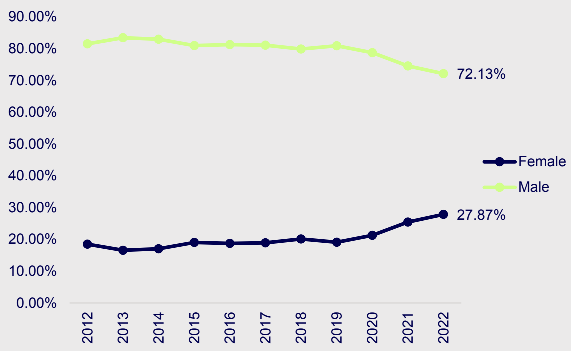


Figure 5: Female and male new client mix (Source: AUSIEX)

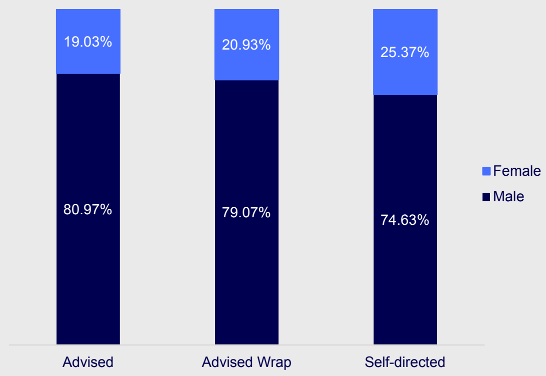


Figure 6: SMSF clients by gender by segment (Source: AUSIEX)

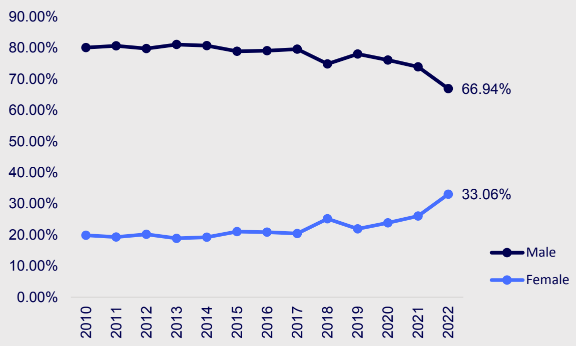


Figure 7: New SMSF clients by gender by year of onboarding (from 2010) (Source: AUSIEX)

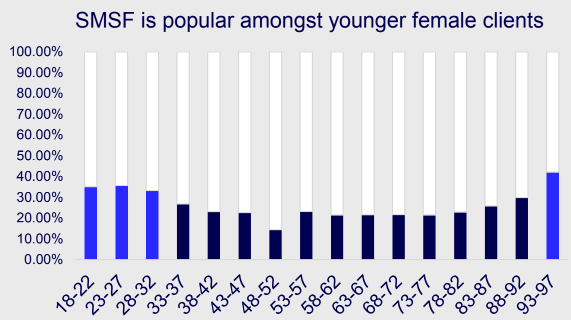


Figure 8: Percentage of female SMSF clients by age bands (5 years) (Source: AUSIEX)

Geography

NSW remains Australia's largest market by advised SMSF accounts, but there is broad-based growth outside NSW and Victoria is an epicenter.

Among advised clients New South Wales accounts for nearly one in three (31.4%) SMSF accounts, ahead of Victoria on 28.8%, Queensland at 18.3%, and Western Australia with 10.3%. Less than 20% of advised SMSF clients reside outside the eastern seaboard.

A comparison of advised and self-directed SMSF segments by state presents a different picture however, with the proportion of WA advised clients well below its 14.1% share of self-directed SMSF clients, whilst South Australia's share of advised is over-indexed, over 1.5% greater than its share of overall SMSF accounts, suggesting a latent opportunity for advisers targeting that region to source new clients which haven't yet considered an SMSF.

In terms of new SMSF account openings, the balance of power has shifted away from New South Wales in the past five years, spreading out in all directions, but particularly to Victoria. Since 2018, New South Wales' share of new account openings has slipped from 36% to 27%. Victoria's share has risen 3% to 30%, overtaking New South Wales. Western Australia's share is up from 9% to 14%, while South Australia and Queensland have also edged higher.

State	Advised	Self-directed	Total
NSW	31.43%	35.35%	32.93%
VIC	28.78%	25.96%	27.70%
QLD	18.26%	17.65%	18.03%
WA	10.34%	14.13%	11.79%
SA	8.57%	3.93%	6.79%
ACT	1.37%	1.19%	1.30%
TAS	1.00%	1.42%	1.16%
NT	0.27%	0.37%	0.30%

Figure 9: Percentage of SMSF Clients based on state they reside in as of Feb Month End (Source: AUSIEX)

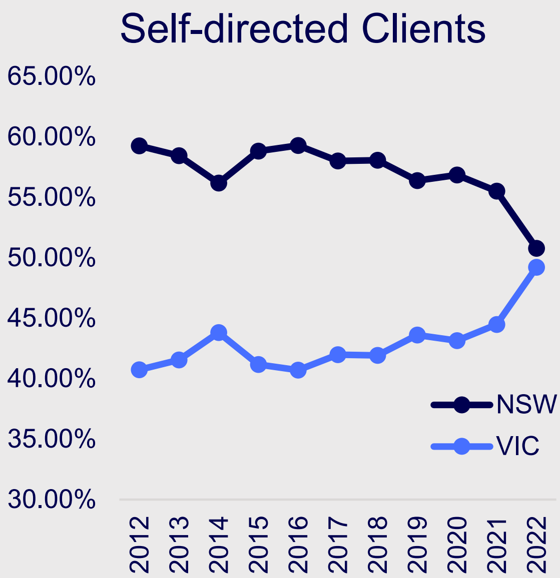
When we examine age groupings by state there is a high degree of uniformity in terms of the representation of the boomer generation, with between 62-69% of all SMSF clients falling into this age cohort for each state with the exception of the Northern Territory. That said, South Australia was found to have the lowest percentage of clients under 40 years of age (comprising millennials and generation Z) with 3.8%, a significant result (considering the volume of total SMSF accounts analysed) when compared with eastern seaboard states of New South Wales Victoria and Queensland with 4.96%, 4.38% and 5.78% respectively. South Australia (followed by Tasmania) also accounted for the highest percentage of boomer SMSF clients, suggesting local adviser may not be reacting as quickly as other states to the demographic shifts.

State	NSW	VIC	QLD	WA	SA	ACT	TAS	NT
Boomers	63.77%	64.96%	62.60%	65.70%	71.82%	68.42%	69.94%	55.83%
Gen X	31.28%	30.67%	31.53%	28.35%	24.35%	25.26%	25.68%	35.83%
Millenials	4.66%	4.03%	5.67%	5.61%	3.61%	5.79%	3.34%	7.50%
Gen Z	0.30%	0.35%	0.21%	0.35%	0.22%	0.53%	1.04%	0.83%

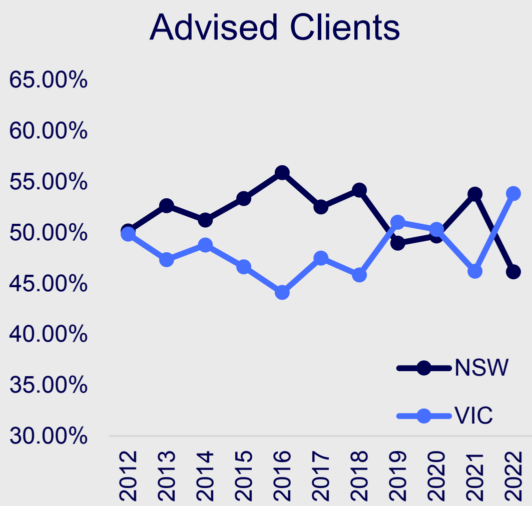
Figure 12: Percentage of SMSF clients by generation by state of residence (Source: AUSIEX)

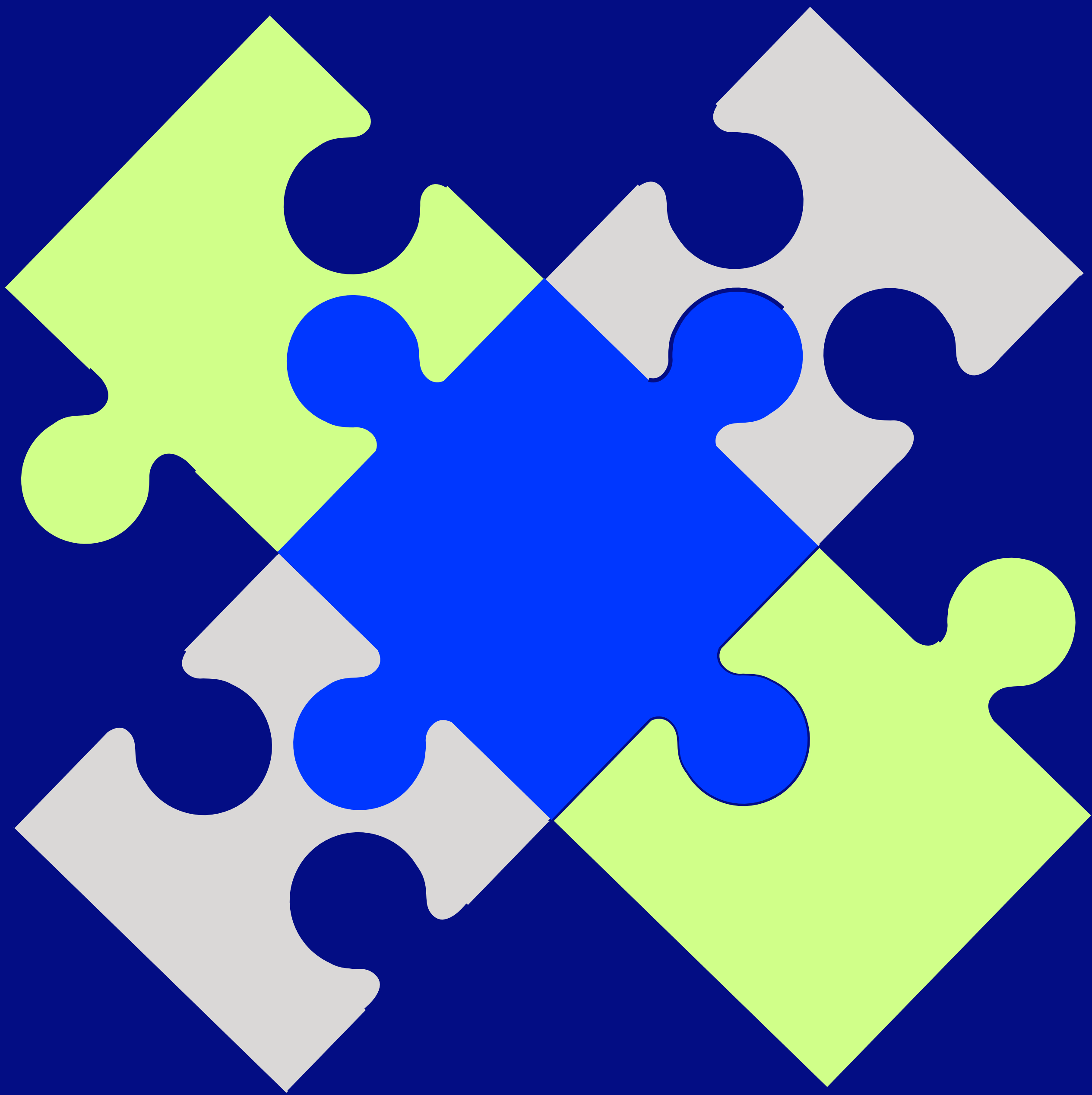
A tale of two states

NSW and VIC share a rivalry that transcends the wealth industry into almost every endeavour. We can see this play out in the speed at which VIC has caught up with NSW in terms of AUSIEX SMSF clients. Back in 2021, the share of both states was near identical before NSW became outright leader by share for six consecutive years. In 2019 and 2021 VIC the leading state for SMSF clients, a position it currently holds thus far in 2022. For self-directed SMSF clients, the gap between NSW and VIC has narrowed consistently from 2016 and both states currently have almost equal share in a two-state race.



Figures 10 (above) and 11 (below): Percentage breakdown of new SMSF clients by state (NSW and VIC only) (Source: AUSIEX)





Trading insights

SMSF accounts seized the opportunity to pick up value overall in January 2022 but younger generations kept clear.

According to the Washington Post[1] , January 2022 was a “nightmare for investors”. As fear of inflation and rising interest rates sent markets tumbling and the CBOE Volatility Index up 100% year to date[2], the S&P /ASX 200 index ended the month down 6.3%, the largest monthly retracement since the pandemic began. Tech stocks around the world were the worst affected in a broad market sell-off that left the S&P ASX 200 down 6.3% for the month, with investors rotating out of growth stocks towards value stocks. The rout extended into February as the inflation and rates case continued to build and was further fueled in late February by Russia’s invasion of Ukraine, which has become the dominant theme driving investment markets in recent times, albeit with markets somewhat stabilizing at the time of writing.

What preceded the January rout however was a twelve month period of some of the most diverse trading conditions witnessed in recent times, commencing with pandemic trading conditions then followed by a strong 2021 bull run as case numbers subsided in most states up until the resurgence of the virus and the Omicron variant culminating in more lockdowns in NSW particularly which led into a period of sideways movement which unsettled investors and drove increased volatility and interest in commodities and materials stocks.

In this section of this report we will look to 2021 for context as we examine some of the recent SMSF trading insights from the first few months of this year.

AUSIEX SMSF accounts were net buyers through the month of January with SMSF accounts averaging 57% buys and average trade size continuing to climb. Just two days (1 Jan and 20 Jan) ended with more sells than buys. Around 1 in 6 SMSF active accounts traded in January 2022, including a small cohort of 200 SMSF accounts that were opened in previous years but traded for the first time in January 2022.

January saw boomers and generation X lead the charge comprising some 95% of total trades with millennials and generation Y seemingly ‘gun shy’ as the tech stocks particularly popular amongst these demographics were heavily sold off.

As the market rout extended into February the ‘buy’ percentage jumped to more than 60%, peaking at 66.5% on 31 January, before returning to equilibrium by the second week of February.

The buy sell ratio over all SMSF accounts over that first six weeks of 2022 was 1.34:1, meaning that for every 10 seller SMSF accounts there were nearly 14 buyer accounts. Accounts placed an average of seven trades with an average daily trade size (ATS) of $24,000, up 7% on the average trade size across 2021 of $22,416 which was itself 18.6% higher than the non-SMSF ATS from the prior year. SMSF accounts placed an average of 7 trades during January and February 2022.

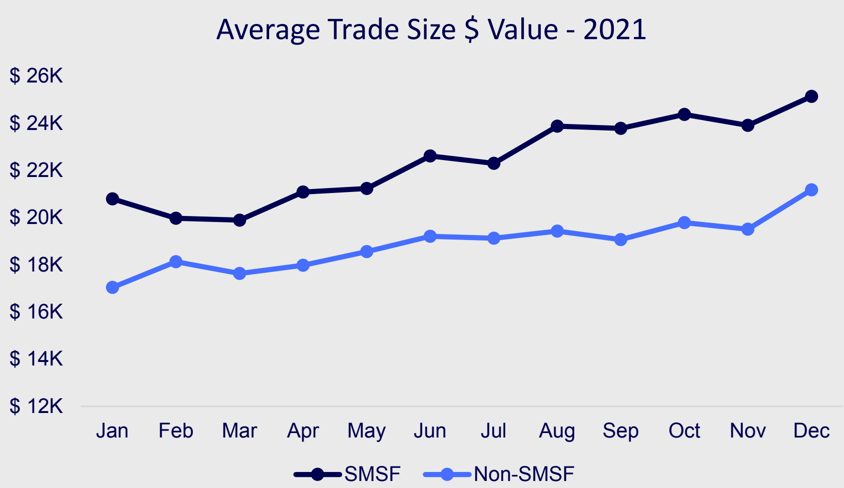


Figure 14: Average trade size monthly over 2021. (Source: AUSIEX)

An comparison of 2021 average daily trade sizes by segment reveals that the ATS for advised SMSF investors was $25,119, 11% higher than for self-directed SMSF investors.

[1] January has been brutal for stocks. Here’s why. - The Washington Post
[2] As above

Sectors

Finance and materials holding most SMSF investor interest

Australia is often described as a 'barbell' market – with heavyweight materials and financial services stocks dominating market capitalisation and trading values while other sectors are more evenly spaced in between. In 2021 those heavyweight sectors accounted for a little under half of trading by SMSFs via AUSIEX. They also created a 'tale of two halves' in 2021, with financials the most popular trade sector from February through to June, before being overtaken by materials from July as soaring commodity prices grabbed the headlines.

Through the first weeks of 2022 the dominance of those two sectors across all SMSF trading was even more pronounced as materials accounted for 29.65% of total trades and financials 21.95% for a total of 51.6%.

The sector where the buy trend was strongest, albeit not heavily traded, was Australian Real Estate Investment Trusts A-REITs at 74.77%, followed by Exchange Traded Product (which includes Active ETFs and Exchange Traded Managed Funds) at 72.3%, although their share of total trading activity is significantly lower. This may well reflect the optimistic 'post-pandemic' sentiment still in play despite current volatility as SMSF investors seemingly seek more active strategies and exposure to a recovery in commercial rents as we emerge from pandemic conditions and workers start to return to the office.

Sector / Segment	Buy %	Sell %	% of Total Trades
Materials	57.25%	42.75%	29.60%
Financials	59.74%	40.26%	21.95%
Healthcare	67.97%	32.03%	7.47%
Information Technology	57.17%	42.83%	7.21%
Consumer Discretionary	63.25%	36.75%	6.77%
Energy	51.47%	48.53%	6.05%
ETF	64.66%	35.34%	5.36%
Consumer Staples	65.54%	34.46%	3.89%
Real Estate	59.10%	40.90%	2.92%
Telecommunications	53.91%	46.09%	2.39%
Utilities	46.68%	53.32%	2.24%
Industrials	52.25%	47.75%	1.72%
ETP	72.26%	27.74%	1.02%
Hybrid	44.99%	55.01%	0.83%
Warrants	57.89%	42.11%	0.37%
AREIT	74.77%	25.23%	0.20%

Figure 15: Buy/Sell percentage and percentage of total trades across all SMSFs (2022). (Source: AUSIEX)

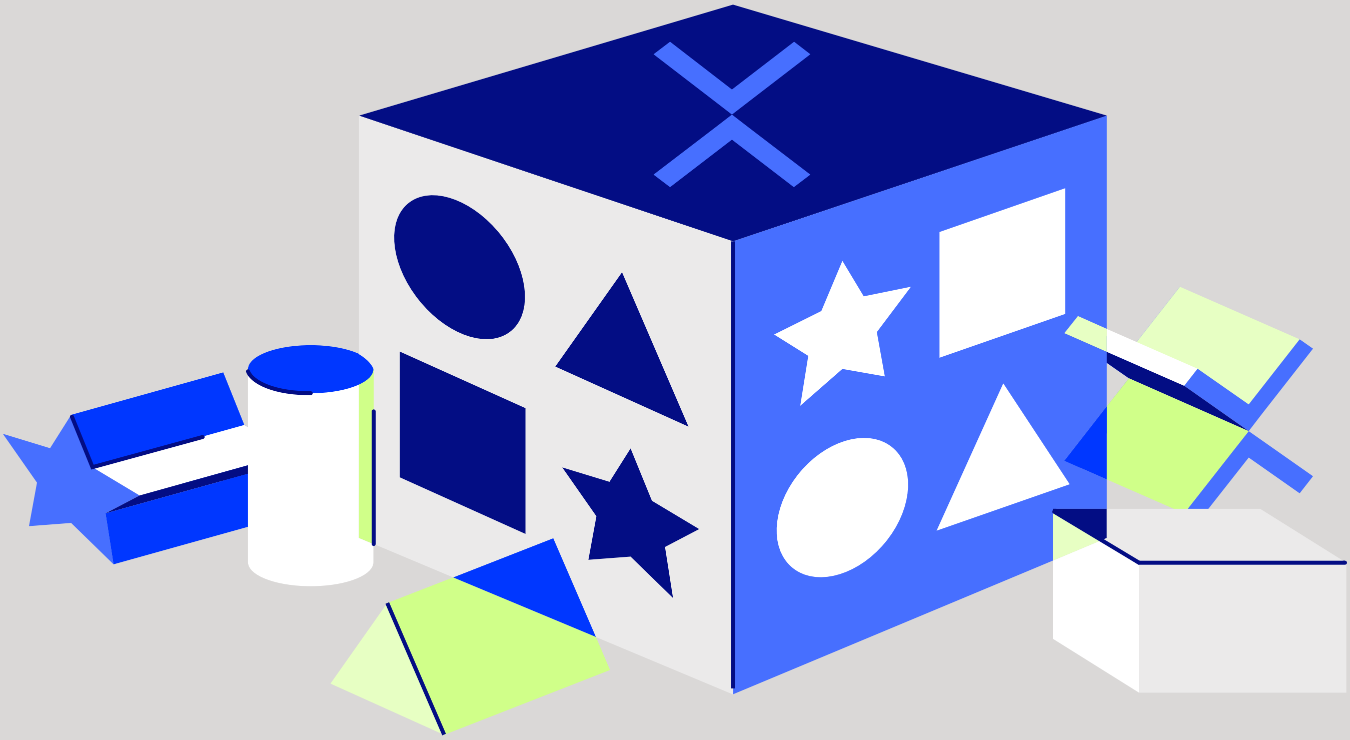
Advised SMSF clients show distinct sector preferences

What is perhaps a more illuminating finding from this analysis, it seems advised SMSF clients have quite distinct preferences over their self-directed SMSF counterparts.

Compared to self-directed clients, advised SMSF accounts over 2021 were at least 10% more bullish on A-REITs, Exchange Traded Products, Hybrids and exchange traded Physical Commodities. They are also more likely to buy Exchange Traded Funds compared to self-directed SMSF clients.

Sector / Segment	Advised			Self-directed		
	Buy	Sell	% of Total Trades	Buy	Sell	% of Total Trades
Materials	54.62%	45.38%	26.62%	52.33%	47.67%	31.00%
Financials	52.86%	47.14%	21.20%	50.34%	49.66%	16.98%
Information Technology	43.92%	56.08%	7.23%	47.51%	52.49%	7.93%
Consumer Discretionary	47.02%	52.98%	6.94%	52.28%	47.72%	7.53%
Health Care	50.04%	49.96%	6.94%	50.54%	49.46%	7.02%
Energy	44.32%	55.68%	5.80%	47.60%	52.40%	6.56%
Exchange Traded Funds	67.98%	32.02%	4.85%	62.56%	37.44%	2.12%
Industrials	53.33%	46.67%	4.64%	51.02%	48.98%	4.47%
Consumer Staples	57.02%	42.98%	4.09%	57.96%	42.04%	3.68%
Telecommunication Services	39.35%	60.65%	3.17%	41.02%	58.98%	3.17%
Real Estate	58.12%	41.88%	3.10%	52.93%	47.07%	2.37%
Utilities	50.52%	49.48%	2.26%	57.75%	42.25%	1.92%
Hybrids	49.07%	50.93%	1.16%	31.65%	68.35%	0.46%
Exchange Traded Products	76.35%	23.65%	1.04%	66.69%	33.31%	0.28%
Warrants (Calls)	47.43%	52.57%	0.36%	49.33%	50.67%	0.44%
AREIT	77.40%	22.60%	0.26%	62.08%	37.92%	0.27%
Physical Commodities	73.45%	26.55%	0.21%	64.08%	35.92%	0.15%

Figure 16: Buy/Sell percentage and percentage of total trades by segment (2021). (Source: AUSIEX)



Top buys and sells

Perennial favourites feature heavily but some new faces show an opportunistic streak

Both advised and self-directed SMSF client trading was indicative of some of the strong sector-level themes discussed above. Six stocks made both the top 12 Buys and top 12 Sells, among them BHP (ASX: BHP), Westpac Banking Corp (WBC), Fortescue Metals Group (ASX: FMG), Commonwealth Bank of Australia (ASX: CBA), Macquarie Group (ASX: MQG) and Novonix (ASX:NVX).

On the buy side, SMSF investors preferred a mix of stocks. Between the two Materials Stocks BHP (ASX: BHP) and Fortescue Mining Group ASX:FMG) we saw continued buying in BHP (61% vs 47%). Commonwealth Bank (ASX:CBA) and Macquarie bank (ASX:MQG) saw strong Buy rates with 68% Buys for Commonwealth (ASX:CBA) and 62% Buys for Macquarie (ASX:MQG) respectively. Biotech firm Novonix (ASX:NVX) was the 10th most popular traded stock on both sides but with a tip to the Buy Side with 58% Buys.

On the sell side, the strategy appeared to be a move away from Energy stocks, featuring 63% sells for Origin energy (ASX: ORG) and 61% for Woodside Petroleum (ASX: WPL), and a rotation of major bank holdings with 65% sells for National Australia Bank (ASX: NAB) and 53% for Australia and New Zealand Banking Group (ASX: ANZ).

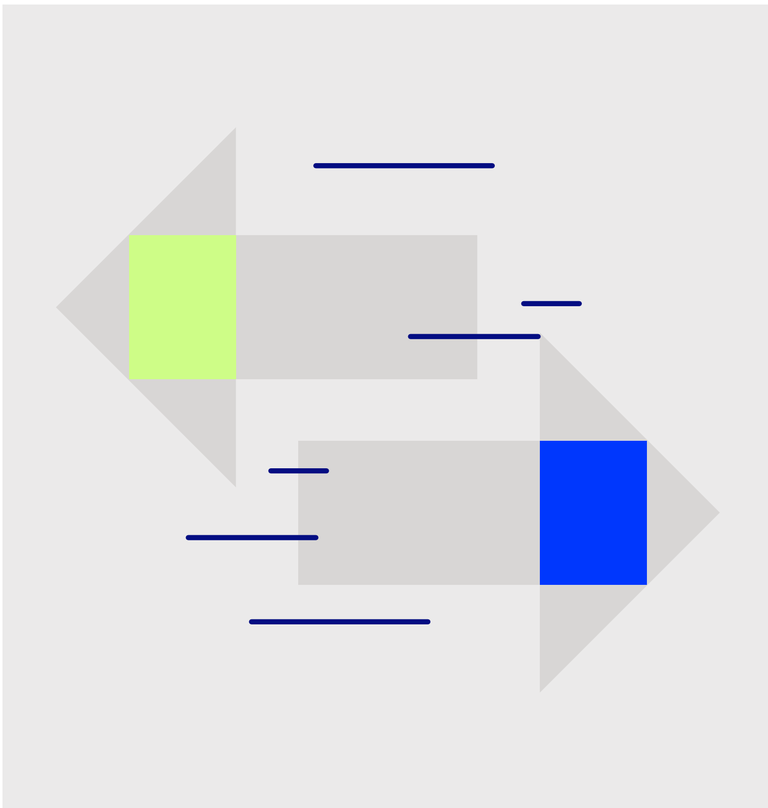
Top 12 Buys			Top 12 Sells		
Issuer	**Code**	**Rank**	**Issuer**	**Code**	**Rank**
BHP GROUP LIMITED	ASX:BHP	1	BHP GROUP LIMITED	ASX:BHP	1
WESTPAC BANKING CORPORATION	ASX:WBC	2	FORTESCUE METALS GROUP LTD	ASX:FMG	2
CSL LIMITED	ASX:CSL	3	WESTPAC BANKING CORPORATION	ASX:WBC	3
WESFARMERS LIMITED	ASX:WES	4	WOODSIDE PETROLEUM LTD	ASX:WPL	4
COMMONWEALTH BANK OF AUSTRALIA.	ASX:CBA	5	NATIONAL AUSTRALIA BANK LIMITED	ASX:NAB	5
WOOLWORTHS GROUP LIMITED	ASX:WOW	6	ORIGIN ENERGY LIMITED	ASX:ORG	6
MACQUARIE GROUP LIMITED	ASX:MQG	7	COMMONWEALTH BANK OF AUSTRALIA.	ASX:CBA	7
FORTESCUE METALS GROUP LTD	ASX:FMG	8	MACQUARIE GROUP LIMITED	ASX:MQG	8
MAGELLAN FINANCIAL GROUP LIMITED	ASX:MFG	9	TELSTRA CORPORATION LIMITED.	ASX:TLS	9
NOVONIX LIMITED	ASX:NVX	10	NOVONIX LIMITED	ASX:NVX	10
BRAINCHIP HOLDINGS LTD	ASX:BRN	11	ANZ GROUP	ASX:ANZ	11
PILBARA MINERALS LIMITED	ASX:PLS	12	RIO TINTO LIMITED	ASX:RIO	12

Figure 17: Top 12 traded securities (buy and sell side) by SMSF accounts. The blue-shaded securities do not appear in the top 12 for the opposite side. (Source: AUSIEX)

Portfolio holdings more diverse for advised SMSF investors

Our analysis of portfolio holdings by segment has shown that advised SMSF clients hold on average 15 unique stocks within the portfolio whilst self-directed SMSF clients hold 12 on average. Furthermore, only 5.2% of advised SMSF portfolios have a single stock holding compared with 12.1% of self-directed SMSF portfolios. advised SMSF holders are therefore in an arguably stronger position – via better diversification – to withstand downside risks than their self-directed SMSF counterparts.

The hallmarks of professional investment management by SMSF advisers appear to be clear in this data, supporting advisers seeking to distinguish their value propositions against alternatives.



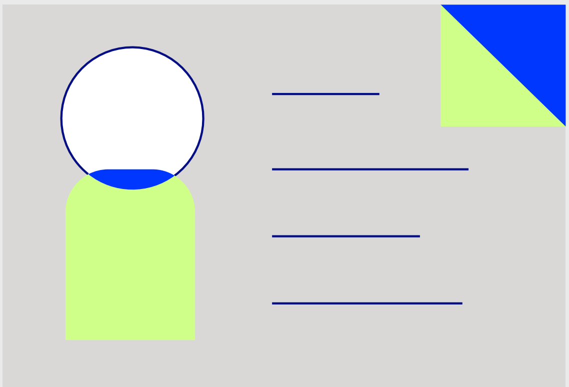
A ‘materials’ difference between male and female SMSF investors

The preference for the heavyweight sectors of financials and materials is shared by both male and female SMSF investors. But there are differences of degree. This year, female investors have tended to trade more materials and less financials. They have also traded less of all other sectors because of their materials play.

Almost one in three trades for female SMSF accounts in the first weeks of the year was in materials, compared to just over one in four for male SMSF accounts. They also favour four sectors over their male counterparts – utilities, industrials, ETPs (ETMFs) and warrants.

Indeed, male and female SMSF investors share 10 out of 12 top securities on the buy side – the only differences being female Investors favouring Zip Co (ASX: Z1P) and Pilbara Minerals (ASX: PLS) over BrainChip (ASX: BRN) and Woodside Petroleum (ASX:WPL) for male SMSF investors.

On the sell side they had fewer stocks in common – nine of the top 12 – and women were more likely to sell Novonix (ASX: NVX), Pilbara Minerals and Endeavour Drinks (ASX: EDV), versus Rio Tinto (ASX: RIO), Australia and New Zealand Banking Group (ASX: ANZ) and BrainChip (ASX:BRN) for male investors.



Looking further back, in 2021 male and female SMSF accounts showed a common passion for buying over selling of Real Estate Investment Trusts (A-REITs), ETPs and physical commodities.

Female SMSF clients tended to be net sellers of consumer discretionary; health care; industrials and utilities compared to male clients who were net buyers of these sectors. Male SMSF clients were net sellers of warrants (puts) compared to female clients who were net buyers.

They were equally likely to be strong buyers (60%-70% buy side) of ETFs and were net buyers of consumer staples, financials, materials and real estate (Non-A-REITs)

On the sell side, they were equally strong sellers of telecommunications stocks and net sellers of energy and information technology sectors.

Issuer Name	Code	Buy %	Sell %	Rank
BHP GROUP LIMITED	ASX:BHP	61%	39%	1
WESTPAC BANKING CORPORATION	ASX:WBC	70%	30%	2
CSL LIMITED	ASX:CSL	84%	16%	3
COMMONWEALTH BANK OF AUSTRALIA.	ASX:CBA	68%	32%	4
WESFARMERS LIMITED	ASX:WES	81%	19%	5
FORTESCUE METALS GROUP LTD	ASX:FMG	47%	53%	6
MACQUARIE GROUP LIMITED	ASX:MQG	62%	38%	7
WOODSIDE PETROLEUM LTD	ASX:WPL	39%	61%	8
WOOLWORTHS GROUP LIMITED	ASX:WOW	84%	16%	9
ORIGIN ENERGY LIMITED	ASX:ORG	37%	63%	10
NATIONAL AUSTRALIA BANK LIMITED	ASX:NAB	35%	65%	11
NOVONIX LIMITED	ASX:NVX	58%	42%	12
MAGELLAN FINANCIAL GROUP LIMITED	ASX:MFG	74%	26%	13
BRAINCHIP HOLDINGS LTD	ASX:BRN	63%	37%	14
TELSTRA CORPORATION LIMITED.	ASX:TLS	44%	56%	15
PILBARA MINERALS LIMITED	ASX:PLS	60%	40%	16
ANZ Group	ASX:ANZ	48%	52%	17
RIO TINTO LIMITED	ASX:RIO	50%	50%	18

Figure 18: Buy and sell ratios for top securities traded by SMSF accounts ranked by trading volume. (Source: AUSIEX)

Trading themes - ETFs

Advised SMSF clients taking to ETFs more strongly than self-directed SMSF clients.

ETFs are now firmly entrenched in the Australian market, and particularly so for advised SMSF clients. The sector offers investors affordable access to broad market exposures and continues to grow its appeal with a steady diet of new thematic and actively managed offerings.

Over 1 in 5 advised SMSF investors (21.8%) traded an ETF security during January to February 2022, compared to just 1 in 14 (7%) of self-directed SMSF clients. Clients that traded through an advised WRAP platform were even more engaged with 27.5% of their accounts trading an ETF in the same period. Looking at 2021 data, we saw almost 4 in 10 advised SMSFs trade ETFs (compared with 1 in 8 self-directed SMSF investors). The fall in the proportion of advised SMSF investors trading ETFs in the early part of this year compared with the full 2021 year may point to advisers being more active and focussed in their approach through the volatile early stages of 2022.

Analysing ETF trading by generation, the lion's share of ETF trading by SMSF clients is accounted for by boomers and generation X somewhat unsurprisingly. Reviewing the data by generation and gender however reveals that whilst there continues to be a strong skew towards males trading ETFs via their SMSF accounts, for the newest cohort – generation Z – the gender split is even, underscoring the broad appeal across genders of ETFs within younger demographics new to trading and SMSF investing in particular.

Thematic ETFs taking their place

The explosion in diversity of ETFs has resulted in some interesting additions to the top 10 ETFs traded by SMSF accounts looking at snapshots of October 2021 and February 2022. What is immediately apparent is the 'new order' of thematic ETFs taking their place amongst more traditional market-cap-weighted ETFs, among them overall industry favourites BetaShares Global Cybersecurity ETF (ASX:HACK) and ETFS Battery Tech & Lithium ETF (ASX:ACDC), and sustainability-themed BetaShares Global Sustainability Leaders' ETF (ASX:ETHI). The increasing popularity of these thematic ETFs amongst all ETFs (and occasionally featuring in the top stocks traded across all stocks (such as BetaShares Crypto Innovators ETF (ASX:CRYP) in November 2021[3]) we believe is reflective of investors' willingness to invest in particular areas of individual interest.

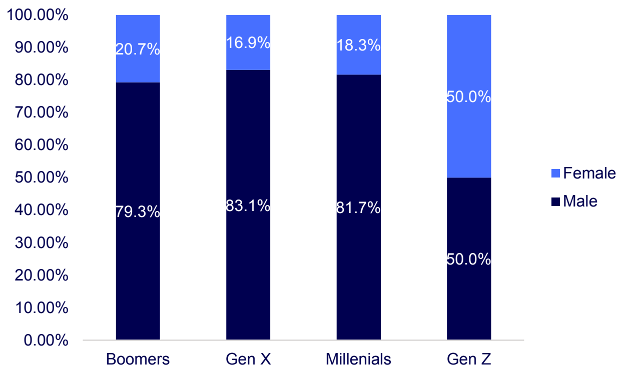


Figure 19: SMSF ETF trading by generation and gender January to February 2022 (Source: AUSIEX)

ASX Code	ETF	Position in October 2021	Position in February 2022	Movement
NDQ	BETASHARES NASDAQ 100 ETF	7	1	+6
VAP	VANGUARD AUSTRALIAN PROPERTY SECURITIES INDEX ETF	2	2	0
HACK	BETASHARES GLOBAL CYBERSECURITY ETF	21	3	+18
ACDC	ETFS BATTERY TECH & LITHIUM ETF	42	4	+38
VAF	VANGUARD AUSTRALIAN FIXED INTEREST INDEX ETF	12	5	+7
QUAL	VANECK MSCI INTERNATIONAL QUALITY ETF	15	6	+9
VGAD	VANGUARD MSCI INDX INTERNATIONAL SHRE (HEDGED) ETF	17	7	+10
ETHI	BETASHARES GLOBAL SUSTAINABILITY LEADERS ETF	27	8	+19
IFRA	VANECK FTSE GLOBAL INFRASTRUCTURE (HEDGED) ETF	33	9	+24
A200	BETASHARES AUSTRALIA 200 ETF	38	10	+28

Figure 20: Top 10 Traded ETF Securities by SMSF Investors – October 21 vs February 22 (Source: AUSIEX)

[3] Australia's first crypto-ETF makes historic debut - InvestorDaily

International leanings to most-favoured ETF strategies

When we examine the ETF strategies themselves we see strong buy-side interest amongst SMSF accounts across a high number of diverse strategies.

However, in terms of SMSF trading, in 2021 we saw a more focussed approach in action, with the top six ETF strategies (themes) by traded value accounting for between 75% and 80% of all ETF trades for the SMSF segment in 2021. A rotation from Australia-strategy ETFs into Global Strategy equity ETFs was clearly visible in the latter stages of 2021.

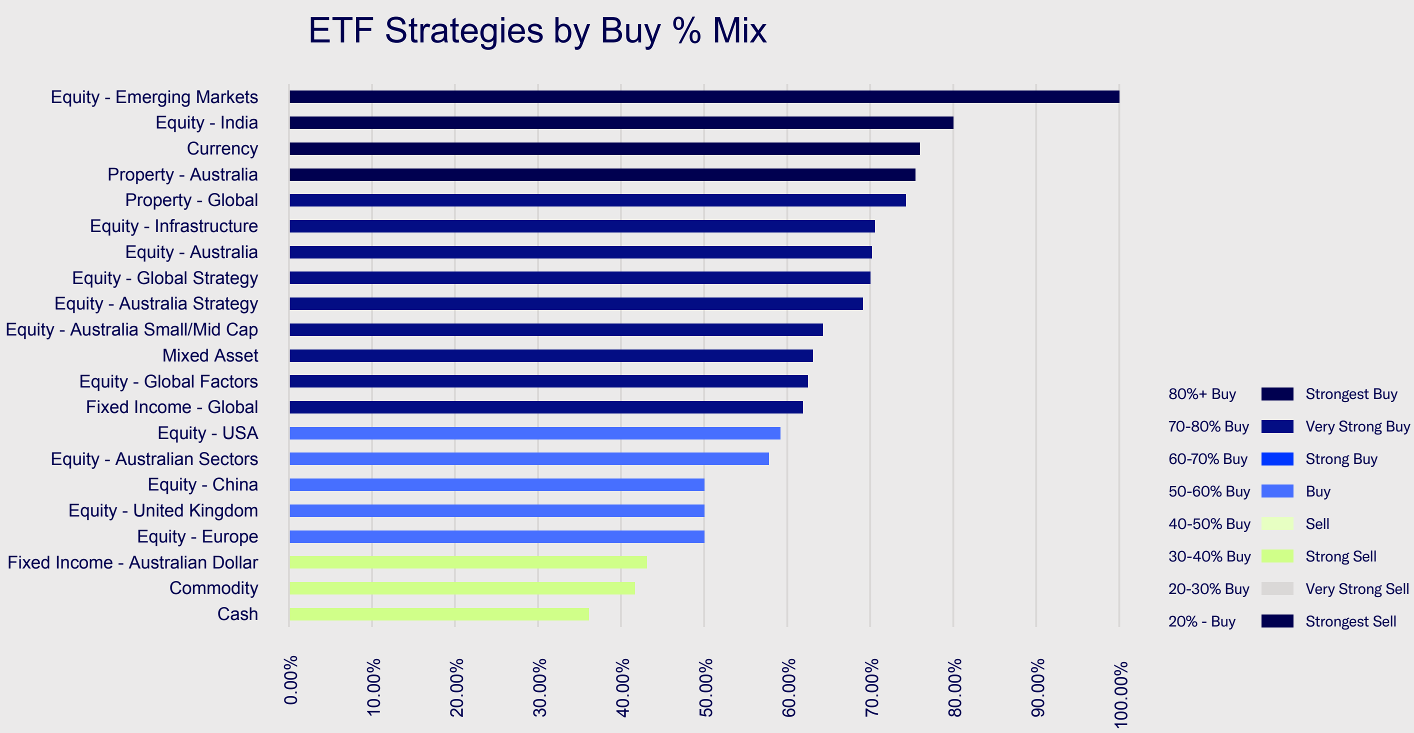


Figure 21: Buy ratios (percentage of trades) by ETF sector (SMSF accounts) (Source: AUSIEX)

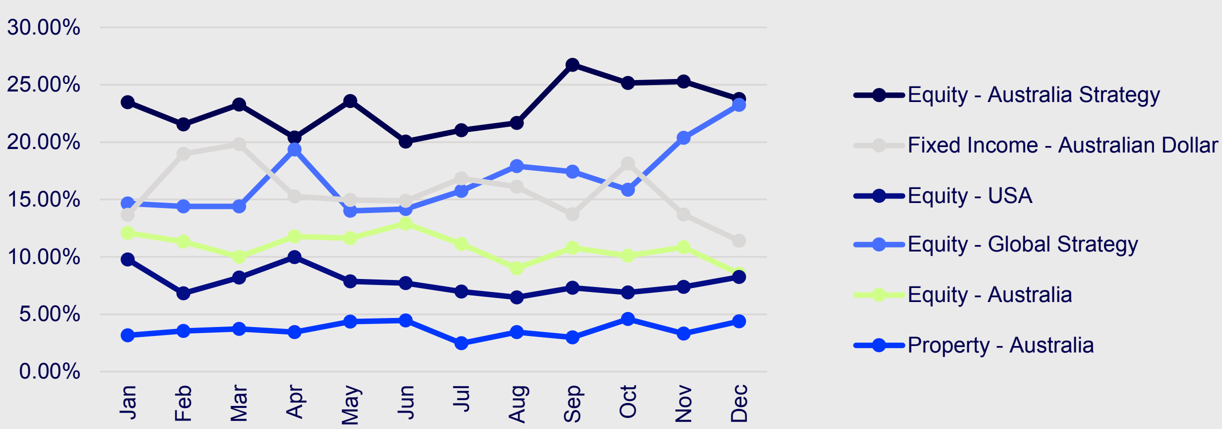
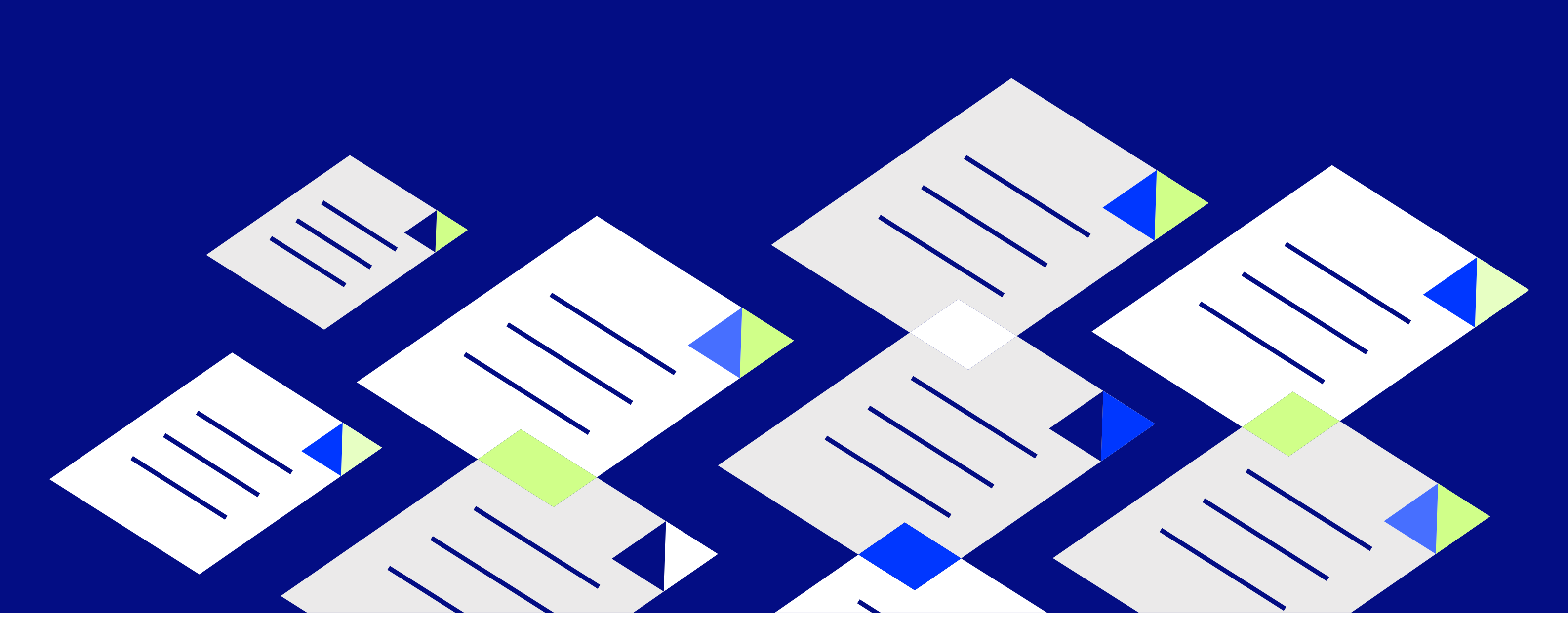


Figure 22: ETF Trading Strategy By % of Monthly Traded Value $ (SMSFs 2021) (Source: AUSIEX)



A way forward

The face of SMSF investors is changing and we believe the broad-based shifts evident in this analysis are likely here to stay. As such, our view is this presents interesting opportunities and challenges for SMSF advisers to evolve and adapt their advice businesses, but also to Trustees as they navigate potentially treacherous waters ahead.

We consider that the decreasing age profile of SMSF investors may require SMSF advice businesses to develop new or reposition (even redesign) existing product and service offerings in order to take advantage of this potential opportunity.

We also acknowledge the lower all-time activation rates of generation Z and millennials when compared with their older counterparts, and consider whether taking a more proactive approach to supporting investor education by SMSF advisers could lead to advisers deepening their engagement with younger clients, benefiting their practices. This opportunity takes on a sharper focus considering ASIC's recent warnings[4] to so-called 'finfluencers' which has the potential to drive clients back to more traditional channels for advice.

Similarly, whilst the significance of the rise of female self-directed SMSF investors overall in terms of the implications for service propositions is clear, given females comprise only 21% of the total self-directed SMSF investors – under-indexed against their advised SMSF counterparts – advisers may capture client growth by reaching across to female self-directed investors with targeted offerings.

We also consider if, for larger SMSF advice business, more is to be gained by looking for opportunities beyond mature eastern seaboard markets to tap relatively under-serviced advisory markets for client growth.

We see the significantly higher likelihood of trading and faster time to trade evident amongst SMSF clients relative to non-SMSF clients as being a potential opportunity for advisers to increase focus on (or commence) professional investment advice to strengthen client relationships and acquire new clients.

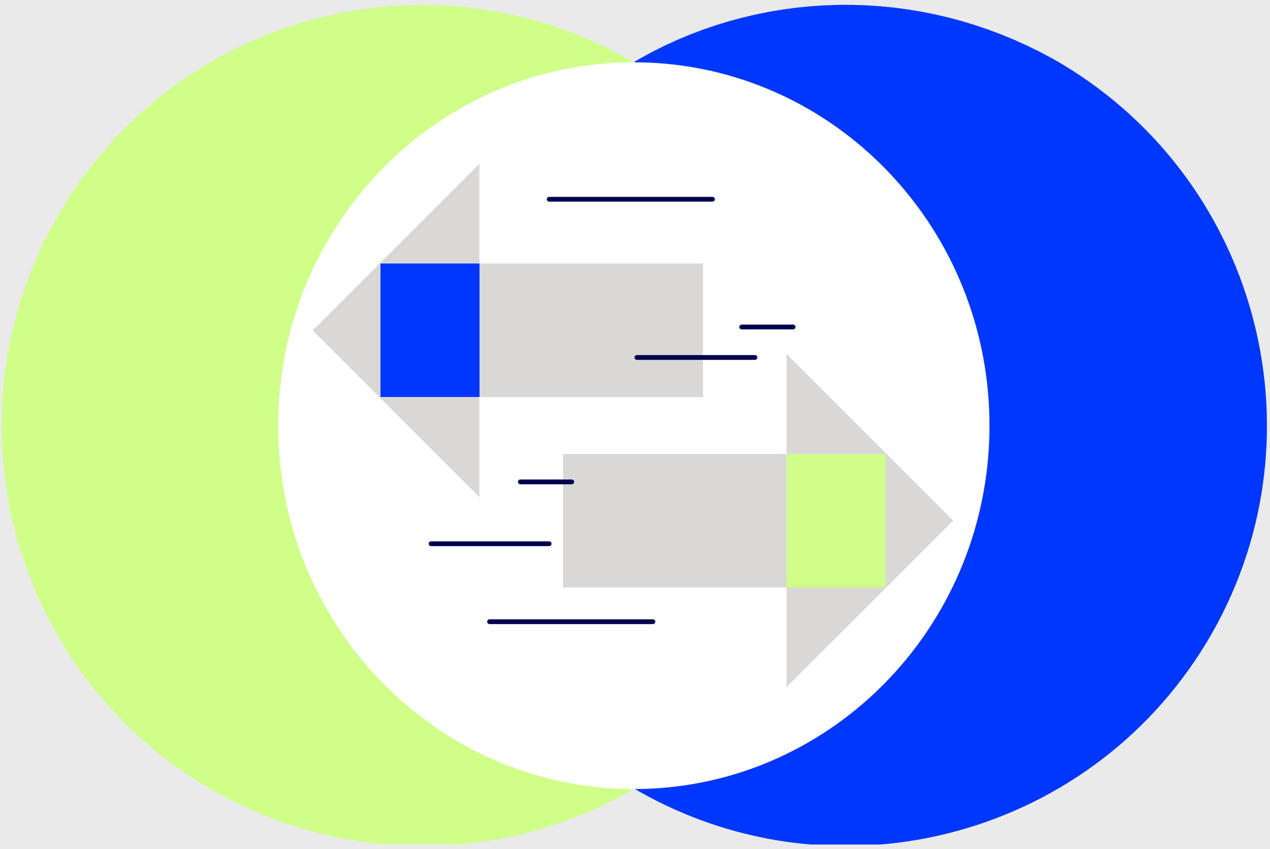
With the economy moving into a post-pandemic phase, the abundance of time available to manage SMSF accounts which drove surges in self-directed SMSF account creation may now diminish, whilst other drivers for the surge, namely greater control and transparency over investments, will likely still remain. We see the potential for these conditions to drive more self-directed SMSF clients to consider professional SMSF advisers for the ongoing investment and regulatory responsibilities which come with the DIY nest egg.

The top buys and sells over the early stages of 2022 and in the prior year suggest there is a willingness on behalf of SMSF clients to complement longer-term investing strategies with more opportunistic trading of the 'hot stocks' du jour such as Brainchip (ASX:BRN) and Novonix (ASX:NVX). Advisers must continue to remain 'active' and ready in their trading mindset to meet value-for-money expectations of SMSF investors.

[4] 22-054MR ASIC issues information for social media influencers and licensees | ASIC - Australian Securities and Investments Commission

The stronger preference for products such as ETFs and in particular thematic ETFs relative to self-directed SMSF clients should provide advisers food for thought when it comes to strategies for engaging new and existing clients around investments. We see a key implication being that advisers who are more willing to target education and service around products or investment themes which align with the interests of client groups – out of vanilla index funds and traditional ASX200 and towards alternative investments for arguments sake – will be better positioned to appeal to clients than those who do not.

A strong relative preference for ETFs by advised SMSF clients over their self-directed counterparts also suggests ETFs will continue to grow in importance to meet advised SMSF investor needs and expectations for more nuanced, targeted and opportunistic strategies, creating valuable opportunities for value creation and perception amongst clients.



AUSIEX fact sheet

What we do

At AUSIEX, we work across all segments of the wholesale market, specialising in equities execution, clearing and settlement services, and equities administration.

Essentially, we support intermediaries with products and services to help provide trading solutions to Australian investors. For the last 15 years, we have also worked with some of Australia's leading financial institutions, powering the Australian equity component of their offering.

Our knowledge and understanding of the market infrastructure and interconnectedness sets us apart – we have 25 years of experience in this area. We can help financial institutions, intermediaries, advisers and industry participants meet the changing needs of the self-directed investor by seamlessly connecting them to markets and delivering a first-class client proposition.

We can also leverage strong market infrastructure from NRI to supplement our capability in the market. Through NRI, we have a shareholder with a strong balance sheet and access to tech capability for development to help us deliver on our strategy.

Customer base

We currently service:

- Over 485,000 self-directed customers
- Five of Australia's top 10 wealth platforms
- Over 800 dealer groups
- Over 4,500 advisers

What we offer

- Standard and advanced trading solutions through our online trading platform
- Trade execution services
- Branded trading solutions
- Origination services
- Data and reporting services (data feeds, tax reporting, mailbox services, corporate actions, custodial and non-custodial reporting)
- Back-office services (client investments administration, tax parcel management, custodial and non-custodial equities administration).

Award winning excellence

AUSIEX is proud to be recognised within the industry through awards such as the 2021 Adviser's 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 we have with our clients.

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