

The CommSec SMSF Trading Trends Report

September 2019



Report highlights

This report looks at some of the key share trading trends for SMSFs over the six-month period from 1 January to 30 June 2019, relative to the previous six months. All commentary and tables are based on CommSec data, unless otherwise stated.



Markets bounce back

The story of FY2018/19 was a tale of two halves, with global share markets down in the first half before rebounding strongly towards new highs. For SMSF investors, the focus of trading activity on the Australian sharemarket turned from buying to selling.



Pre-election jitters saw SMSFs reduce stock exposure

SMSFs reduced their exposure to banking and mining stocks amid pre-election uncertainties over dividend imputation credits. Meanwhile, concerns persist over the potential impacts of a property market slowdown.



The hunt for yield continues

As central banks pivot towards rate cuts, diversified, income-generating assets are increasingly in favour, with SMSFs increasing exposure to ETFs and LICs.



International trading declines as global tensions rise

Global share trading has declined as SMSFs retreat from China-based stocks amid ongoing US–China trade tensions.

Markets bounce back

The 2018/19 financial year saw a slowdown in the global economy, largely driven by the US–China trade conflict. While the US economy remained in good shape generally, Chinese authorities stimulated their economy to counter the effects of this slump.

Meanwhile, central banks have shifted their position on rate cuts to ward off a possible weakness in economic growth, as inflationary pressure remains low.

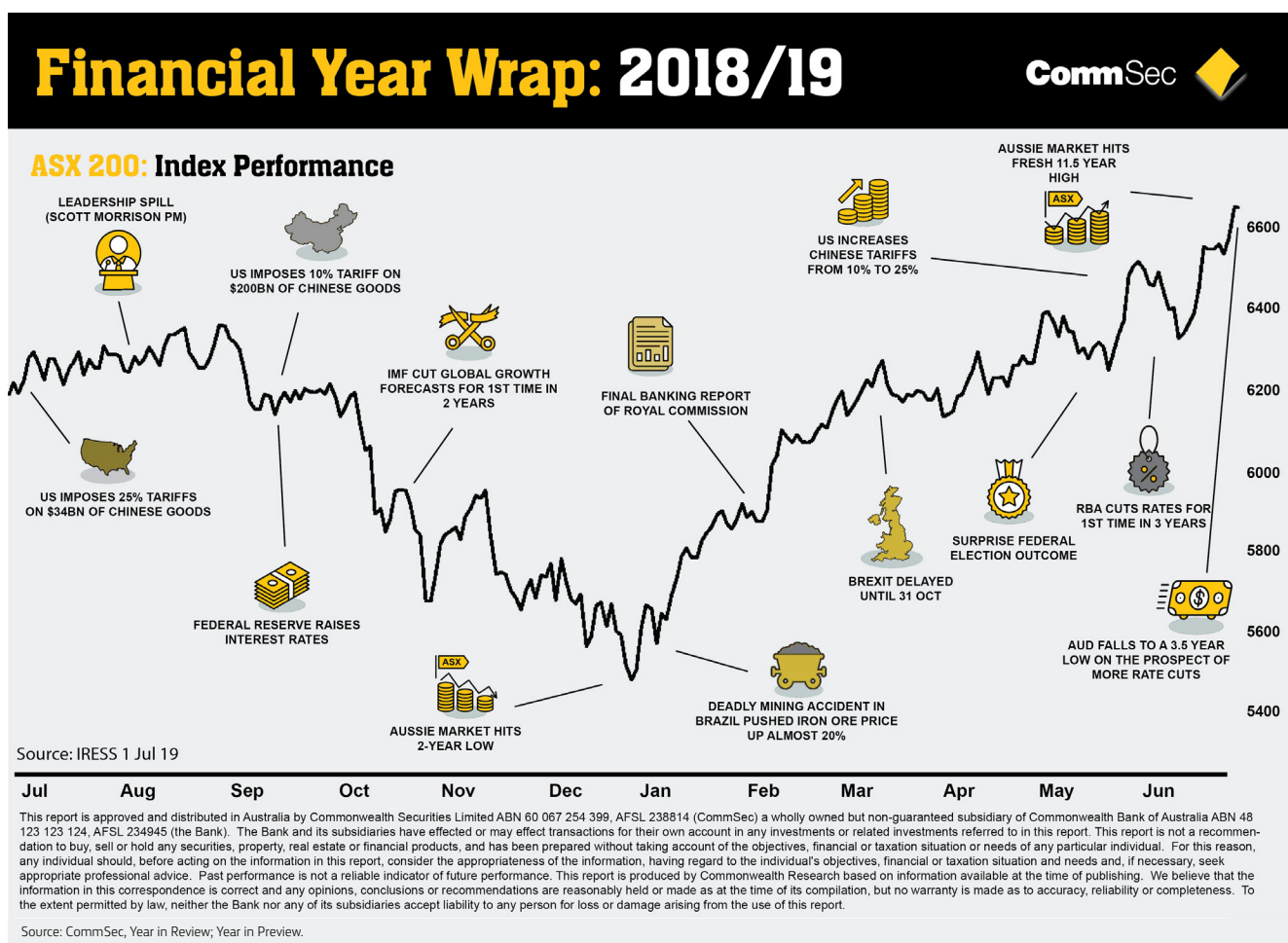
Back home, Australia's economy is currently growing at the slowest pace in 9½ years, after activity slackened in the lead-up to May's federal election. In an environment of low wage growth and low inflation, the RBA cash rate also fell to a record low.

But even with these challenges – and a subdued reporting season in the first half of FY2018/19 – it has been a positive year overall for the key global share markets. The second half of FY18/19 saw a sharp rebound, with markets approaching record highs:

- All Ordinaries was up 6.5% over 2018/2019
- S&P/ASX200 up 6.8%
- S&P 500 up 8.2%
- NASDAQ up 6.6%
- MSCI World Index (USD) up 4.2%.

These strong results suggest that investors are anticipating further rate cuts to stimulate economic growth. For SMSF investors, it has been a year of two halves, as the focus of trading activity on the Australian sharemarket turned from buying to selling, with investors reducing some stock exposures and seeking additional diversification.

For a comprehensive analysis of the 2018/19 financial year, see CommSec Chief Economist Craig James' [financial year wrap](#).



Pre-election jitters saw SMSFs reduce stock exposure

Unsurprisingly given this environment, SMSF investors remained cautious in the first half of 2019. SMSFs top 20 shares holdings by value were largely unchanged, with the average number of stocks held per SMSF slightly down from 12.2 to 12.0.

However, that doesn't mean that SMSFs were passively awaiting developments. Trading patterns suggest that some investors were tactically repositioning their portfolios, with a 15% upswing in the total value of SMSF trades in the first six months of 2019 and a slight tilt towards selling. Sells accounted for 53% of the total traded value over the six months, compared with an overall total of 51% of trades in FY2018/19.

A key factor in this shift appears to have been uncertainty over potential policy changes in the lead up to the federal election. The financials, telecommunications and materials sectors experienced the most net selling activity during the first half of 2019 in terms of overall traded value, with investors possibly concerned about the sustainability of dividends and imputation credits, as well as the impact of a slow housing market on bank profitability.

FY2018/19 proved to be a mixed year for the big four banks, along with major miners BHP, Rio and Fortescue (FMG). As trade values of these stocks rose in the first half of 2019, so did selling activity, reversing the buying trend of the previous six months.

Macquarie Group (MQG) remained popular among SMSFs, with its share price climbing to a peak in May 2019 – although by end June 2019 it has dropped closer to its value a year ago. Overall, financials continued to be the dominant sector in SMSF portfolios, representing almost half the value of all holdings, despite some selling of the big 4 banks in the first half of 2019.

There was also increased selling of SMSF favourites A2 Milk (A2M) and Telstra (TLS), with concerns over future earnings and dividends. Nervousness over the Chinese economy may have led some to wonder whether A2M could continue its impressive record of export growth. In the event, both stocks defied the doubters, with A2M reaching new record highs in April, while telecommunications was the year's best-performing sector on the ASX, recording overall gains of 42.6%.

Top 20 traded stocks by value				Changes in Traded Value – ASX20			
July – December 2018		January – June 2019		NON-SMSF		SMSF	
CBA	5.4%	CBA	5.7%	AMC	▼ 30.4%	WOW	▲ 87.6%
NAB	3.7%	WBC	4.0%	TLS	▼ 29.4%	SCG	▲ 72.6%
WBC	3.6%	NAB	3.8%	RIO	▲ 28.8%	GMG	▲ 70.4%
BHP	3.2%	BHP	3.7%	BXB	▼ 27.5%	WES	▲ 37.8%
CSL	3.0%	FMG	2.8%	IAG	▼ 26.7%	BHP	▲ 31.2%
TLS	2.7%	APT	2.6%	SCG	▼ 25.1%	WPL	▲ 31.1%
ANZ	2.4%	ANZ	2.2%	MQG	▲ 25.0%	WBC	▲ 27.8%
MQG	2.0%	MQG	2.1%	WOW	▲ 24.5%	CSL	▼ 25.4%
APT	1.9%	TLS	2.0%	BHP	▼ 15.5%	IAG	▼ 24.7%
RIO	1.8%	CSL	1.9%	WES	▲ 13.2%	MQG	▲ 22.3%
FMG	1.7%	RIO	1.9%	GMG	▲ 12.1%	RIO	▲ 20.8%
A2M	1.3%	A2M	1.2%	WPL	▲ 11.9%	NAB	▲ 20.4%
WPL	1.0%	WPL	1.2%	TCL	▼ 11.2%	CBA	▲ 20.3%
MGR	1.0%	WES	1.1%	CSL	▼ 11.1%	S32	▼ 18.3%
WES	0.9%	BOQ	0.9%	CBA	▼ 9.9%	BXB	▼ 15.7%
BAL	0.9%	WOW	0.9%	S32	▲ 8.3%	SUN	▲ 14.8%
AMP	0.9%	APX	0.7%	SUN	▲ 6.9%	TCL	▲ 14.7%
BOQ	0.8%	CGC	0.7%	ANZ	▼ 6.3%	TLS	▼ 13.3%
COH	0.7%	BAL	0.7%	WBC	▼ 4.1%	AMC	▼ 7.4%
NST	0.7%	COL	0.7%	NAB	▼ 1.5%	ANZ	▲ 6.1%

Top 20 shares held by SMSFs by value

2018 H2 (at 31 December 2018)		2019 H1 (at 30 June 2019)	
CBA	9.8%	CBA	9.3%
WBC	5.9%	WBC	5.9%
NAB	5.7%	NAB	5.6%
ANZ	4.8%	ANZ	4.7%
BHP	4.7%	BHP	4.7%
CSL	3.9%	TLS	4.2%
TLS	3.9%	CSL	4.0%
WES	2.2%	WES	2.2%
WOW	2.1%	MQG	2.2%
MQG	2.0%	WOW	1.9%
RIO	1.6%	RIO	1.8%
WPL	1.6%	WPL	1.6%
TCL	0.9%	TCL	1.0%
AFI	0.8%	AFI	0.8%
AGL	0.8%	SUN	0.7%
SUN	0.8%	STO	0.7%
COL	0.8%	COL	0.7%
ARG	0.7%	ARG	0.7%
RHC	0.7%	RHC	0.7%
STO	0.7%	SYD	0.7%

Sector performance FY2018/19

Sectors and size groupings

PERCENT CHANGE OVER 2018/19					
1	Telecom	42.6	15	Food & Staples Retailing	3.3
2	Consumer Durable & Apparel	40.8	16	Banks	2.7
3	Commercial Services	19.4	17	Utilities	0.1
4	Software & Services	17.8	18	MidCap50	0
5	Transportation	16.9	19	Small Ordinaries	-0.9
6	Materials	14.5	20	Diversified Financial	-3.1
7	Health Care Equipment & Services	11.4	21	Food, Beverages & Tobacco	-3.2
8	Pharmaceutical & BioTech	10.6	22	Consumer Services	-4.1
9	Real Estate	9.1	23	Media	-6.2
10	ASX50	9.0	24	Capital Goods	-8.5
11	Retailing	8.2	25	Energy	-9.1
12	ASX100	7.7	26	Auto & Components	-24.2
13	ASX200	6.8	27	Household & Personal Products	-39.9
14	Insurance	6.4	Source: iress, CommSec		

The hunt for yield continues

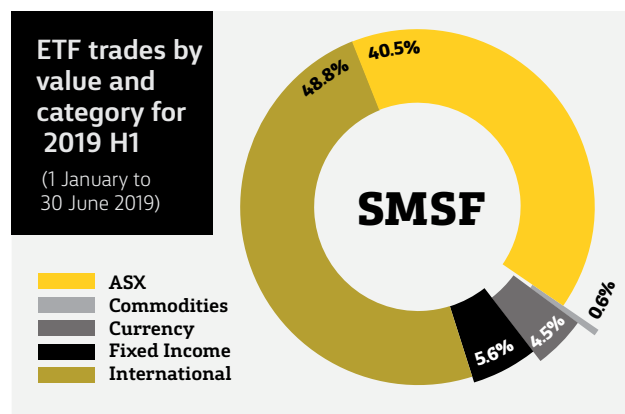
At the same time as many SMSFs reduced their holdings of individual stocks, investors also sought diversification to protect themselves from market volatility and secure sustainable yields for the longer term.

Exchange Traded Funds (ETFs) and Listed Investment Companies (LICs) continue to be seen as useful diversification vehicles for SMSFs, despite a drop in trading activity and value for ETFs during the first half of 2019. In FY2018/19, SMSFs were net buyers of ETFs and LICs by traded value, with buys accounting for 58% and 52% of total traded value respectively.

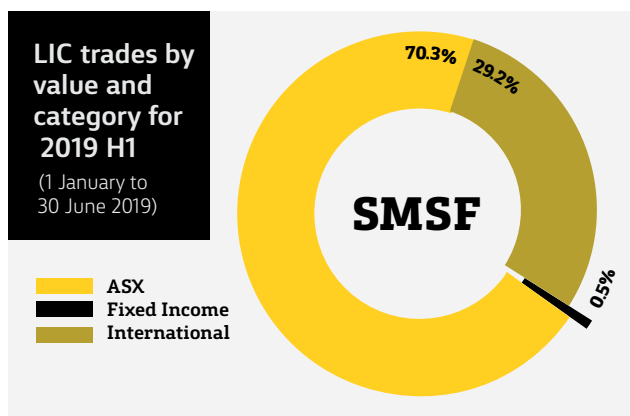
Global diversification continued to be an investment priority for SMSFs in the first half of 2019. International funds represented 48.8% of the traded value of ETFs, steady from 48.9% in the previous half year. There were also strong net buys for ETFs with US share exposure, especially those tracking the NASDAQ index (NDQ), along with funds offering global share exposure, such as the Vanguard MSCI Index International Shares ETF (VGS).

Among domestic equity ETFs, Vanguard Australian Shares (VAS) remained popular among SMSFs, while the SPDR S&P/ASX 200 Fund (STW) had more sells than buys. Interestingly in light of the current interest rate environment, SMSF investors also appeared

to be seeking yield by buying fixed income and high-yield funds like Vanguard's Australian Fixed Interest ETF (VAF), the Australian Government Bond Index ETF (VGB) and Australian Shares High Yield ETF (VHY).



Top 20 ETF traded by value for 2019 H1 – SMSF			Top 20 ETF holdings by value at end 2019 H1 – SMSF		
1	VANGUARD AUST SHARES	VAS	1	VANGUARD AUST SHARES	VAS
2	SPDR S&P/ASX 200	STW	2	SPDR S&P/ASX 200	STW
3	BETASHARES NASDAQ100	NDQ	3	iSHARES S&P 500 ETF	IVV
4	iSHARES S&P 500 ETF	IVV	4	VANGUARD US TOTAL MARKET	VTS
5	VANGUARD AUST HIGH YIELD	VHY	5	VANGUARD AUST HIGH YIELD	VHY
6	VANGUARD INTL SHARES	VGS	6	VANGUARD INTL SHARES	VGS
7	VANGUARD US TOTAL MARKET	VTS	7	iSHARES GLOBAL 100	IOO
8	BETASHARES US DOLLAR	USD	8	VANGUARD AUST PROP SEC	VAP
9	VANGUARD AUST PROP SEC	VAP	9	VANGUARD ALL-WORLD EX-US	VEU
10	VANGUARD AUST FI	VAF	10	BETASHARES NASDAQ100	NDQ
11	BETASHARES CASH	AAA	11	iSHARES S&P/ASX 200	IOZ
12	iSHARES GLOBAL 100	IOO	12	MAGELLAN GLOBAL EQUITIES	MGE
13	iSHARES S&P/ASX 200	IOZ	13	VANGUARD AUST FI	VAF
14	MAGELLAN GLOBAL EQUITIES	MGE	14	ETFS PHYSICAL GOLD	GOLD
15	VANGUARD ALL-WORLD EX-US	VEU	15	VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED)	VGAD
16	VANGUARD AUS GOV BOND	VGB	16	SPDR S&P/ASX 200 LISTED PROPERTY FUND	SLF
17	iSHARES MID-CAP	IJH	17	iSHARES GLOBAL HEALTHCARE	IXJ
18	iSHARES MSCI EMERGING MKT	IEM	18	iSHARES MSCI EMERGING MARKETS	IEM
19	iSHARES ASIA 50 ETF	IAA	19	iSHARES ASIA 50	IAA
20	VANECK GOLD MINERS	GDX	20	SPDR S&P/ASX 50	SFY



LICs remained popular among SMSFs, with a 6% increase in total traded value. For the half-year period, the total LIC buy value rose by 8%, while the total sell value was up 3%.

A boost in the traded value of international LICs saw this segment contributing 29% of the total LIC traded value. There also appeared to be growing appetite among SMSFs for diversification into domestic and global fixed income, reflected in healthy trading in MCP Master Income Units (MXT) and the NB Global Corporate Income Trust (NBI).

Top 20 LIC/LIT traded by value for 2019 H1 – SMSF			Top 20 LIC/LIT holdings by value at end 2019 H1 – SMSF		
1	AUSTRALIAN FOUNDAT. FPO	AFI	1	AUSTRALIAN FOUNDAT. FPO	AFI
2	WAM CAPITAL LIMITED FPO	WAM	2	ARGO INVESTMENTS FPO	ARG
3	MCP MASTER INCOME UNITS	MXT	3	WAM CAPITAL LIMITED FPO	WAM
4	ARGO INVESTMENTS FPO	ARG	4	MILTON CORPORATION FPO	MLT
5	MAGELLAN GLOB TRUST UNITS	MGG	5	MAGELLAN GLOB TRUST UNITS	MGG
6	MILTON CORPORATION FPO	MLT	6	MFF CAPITAL INV LTD FPO	MFF
7	WAM LEADERS LIMITED FPO	WLE	7	WAM LEADERS LIMITED FPO	WLE
8	L1 LONG SHORT FUND FPO	LSF	8	BKI INVESTMENT LTD FPO	BKI
9	NB GLOBAL CORPORATE INCOME TRUST	NBI	9	DJERRIWARRH FPO	DJW
10	MFF CAPITAL INV LTD FPO	MFF	10	WAM GLOBAL LIMITED FPO	WGB
11	DJERRIWARRH FPO	DJW	11	WAM RESEARCH LTD FPO	WAX
12	BKI INVESTMENT LTD FPO	BKI	12	DIVERSIFIED UNITED INVESTMENT LIMITED	DUI
13	CADENCE CAPITAL FPO	CDM	13	ARGO GLOBAL LISTED INFRASTRUCTURE LIMITED	ALI
14	WAM GLOBAL LIMITED FPO	WGB	14	PLATINUM ASIA LTD FPO	PAI
15	WAM RESEARCH LTD FPO	WAX	15	FUTURE GENERATION GLOBAL INVESTMENT COMPANY LIMITED	FGG
16	FORAGER AUST SHS FND UNITS	FOR	16	OPHIR HIGH CF UNITS	OPH
17	PERPETUAL EQUITY LTD FPO	PIC	17	PLATINUM CAPITAL LIMITED	PMC
18	OPHIR HIGH CF UNITS	OPH	18	FUTURE GENERATION INVESTMENT COMPANY LIMITED	FGX
19	AUSTRALIAN LEADERS FPO	ALF	19	MIRRABOOKA INVESTMENTS LIMITED	MIR
20	PLATINUM ASIA LTD FPO	PAI	20	CADENCE CAPITAL FPO	CDM

International trading declines as global tensions rise

Our last report noted that growth in direct international trades was slowing, and this trend continued in the first half of 2019, with a further drop of 13% in total traded value among SMSF investors. In contrast, non-SMSF investors lifted direct international trades by 3%.

Trading remained focused on US-based companies, particularly household name technology and financial stocks such as Apple (AAPL), Tesla (TSLA), Amazon (AMZN) and Google (Alphabet) (GOOGL/GOOG). Sydney-based tech firm Atlassian (TEAM), which is listed on the NASDAQ, made its first appearance in the top 20 international stocks by traded value, while several ETFs also made the list in the first half of 2019.

Asian-based stocks like Tencent (TCTZF), Taiwan Semiconductor Manufacturing (TSM) and Ali Baba (BABA), which featured in our last report, didn't make the top 20 in the first half of 2019. This may be due to nervousness around ongoing US–China trade tensions, as well as the US government's recent blacklisting of a number of Chinese technology companies due to national security concerns.

Top 20 international stocks by traded value for 2019 H1 – SMSF			Top 20 international stock holdings at end 2019 H1 – SMSF		
1	APPLE	AAPL	1	APPLE	AAPL
2	ALPHABET (BOTH)	GOOGL/GOOG	2	BERKSHIRE HATHAWAY B	BRK B
3	TESLA	TSLA	3	AMAZON	AMZN
4	AMAZON	AMZN	4	ALPHABET (BOTH)	GOOGL/GOOG
5	BANK OF AMERICA	BAC	5	MICROSOFT	MSFT
6	PROSHARES ULTRASHORT S&P500	SDS	6	FACEBOOK	FB
7	MICROSOFT	MSFT	7	WALT DISNEY COMPANY	DIS
8	FACEBOOK	FB	8	MASTERCARD	MA
9	BERKSHIRE HATHAWAY B	BRK B	9	BERKSHIRE HATHAWAY A	BRK A
10	ATLASSIAN	TEAM	10	VISA	V
11	WYNN	WYNN	11	ALI BABA	BABA
12	BOEING	BA	12	ZILLOW GROUP	Z
13	BERKSHIRE HATHAWAY A	BRK A	13	BANK OF AMERICA	BAC
14	PIMCO ENHANCED SHORT MATURITY ACTIVE ETF	MINT	14	TESLA	TSLA
15	TWENTY-FIRST CENTURY FOX	FOX	15	ATLASSIAN CORPORATION PLC	TEAM
16	NVIDIA	NVDA	16	PAYPAL	PYPL
17	HONEYWELL	HON	17	WELLS FARGO	WFC
18	PROSHARES ULTRAPRO SHORT QQQ	SQQQ	18	NVIDIA	NVDA
19	FERREXPO	FEEXF	19	NETFLIX	NFLX
20	VISA	V	20	HSBC HOLDINGS PLC	HBCYF

In summary

The 2018/19 financial year proved challenging for many investors, particularly the first six months. Amid political uncertainty at home and overseas, SMSF investors continued to monitor a subdued economic environment while exercising caution in their trading activities.

Tepid US–China relations and a slowdown in global economic growth are likely to stay front of mind for many investors, along with local concerns over the impact of interest rates on household spending and the property market. But despite the challenges, new investment opportunities arose as share markets bounced back in the first half of 2019 and the S&P/ASX 200 and S&P 500 both approached all-time highs (since achieved). Also, with Australia's federal election now behind us, concerns over domestic policy changes that could impact SMSFs appear to have dissipated.

While direct international trading remains focused on US markets, trade has continued to slow. At the same time, SMSFs are seeking diversification and income across different assets and regions through ETFs and LICs. In particular, SMSFs are using these vehicles to increase their exposure to fixed income securities.

Global political and economic events can't be foreseen, nor can their outcomes be predicted with any certainty. Therefore, the best defence against the unknown for any SMSF is to have a clearly defined and diversified long-term investment strategy.

Learn more about [reviewing your SMSF investment strategy](#).



About the research: The CommSec SMSF Trading Trends Report is an in-depth exploration of the online trading behaviour of SMSF investors, released every six months. SMSFs are a significant investor segment, representing 30% of all superannuation investments in Australia. This report is based on a detailed analysis of the trading behaviour of active CommSec clients between 1 January 2019 and 30 June 2019. The sample comprised a diverse cross-section of active share traders — defined as those who had traded at least once during the 12 months before the study period — including both SMSF and non-SMSF investors.

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