



Investors want portability

Michael Hobbs

Research confirming most super fund options aren't matching their benchmarks or that investment managers have no more luck picking winners than what tossing a coin, yields reinforce consumer surveys that show burnt investors are losing confidence in their funds.

The first signs of consumer disaffection is a Newspoll survey last month that found one in five Australians have reduced their super contributions, changed investment options or switched to a new super fund in the past three months.

The Newspoll results follow other consumer research released this month that found four in ten active investors are questioning whether their investment managers have sufficient skill and that they might be better off investing directly.

According to *The Investor Communications and Retention Report* containing the results of a survey of 1,173 active investors interviewed during November, 42 per cent of managed fund investors report their trust in fund managers has been damaged and they would prefer to go direct. The research was conducted jointly by researcher Investment Trends and the End-game communications group.

If investors are already shaken, then they won't be impressed with yet more research from the Analytics group showing that investment managers only get one in two of their investment calls right, forcing them to rely on the pay-offs from winning decisions to make up for the losses.

"The alpha from good decisions is 10 per cent more than that lost from poorer ones," said Amanda Field, Analytics managing director.

The combined research results point to sharp increases in swapping activity between super funds and a dramatic rise in members moving towards self-managed super and managed accounts.

"This will be more pronounced if the negative returns persist through a number of reporting cycles," said Investment Trends' Mark Johnston.

The changing investor attitude echoes the major development fund administration group SuperPartners is doing regarding their ability to support more rapid switches between investment options, a move that should help



them close the gap industry funds have compared to retail platforms.

Reflecting the initiative, industry fund HOST-PLUS has just announced a cut in the five-day investment switching rule so members can choose to change investment strategies at the end of the month and have the changes occur the next day, said chief executive, David Elia.

But members eyeing self-managed strategies is worrying some administrators that trustees



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Page 2 of 2

might need to be sure their members are switching based on reasonable advice.

"[We] have done some research that found their clients are switching into self managed super so we make sure that people switching to an SMSF understand the advice they're getting is sensible," said Peter Beck, Pillar Administration chief executive.

The new market dynamic is accompanied by renewed activity in the managed accounts arena with Avanteos, Linear Financial and First Prudential Wealth Services all launching new products in the past few weeks.

Linear Financial's offering however illustrates that it's not just new products other funds have to worry about but significantly improved SMA technology. Managed accounts are now capable of handling international equities, fixed interest, property and cash, not just domestic equities.

A surge in switching among super fund members is expected to put extra focus on the roadblocks funds put up when members try to change funds. When the same resistance occurred in the mortgage sector, the government threatened to intervene, more leading the banking industry to work with the government to introduce a better mortgage account switching scheme. ■