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SMSFs snap up blue chip shares

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Self-managed super fund trustees are now placing blue chip shares on the top of their buying list after brushing off last year's market carnage, research shows.

With markets on an upward trajectory and investor sentiment turning towards the positive, nearly a third of 1,600 trustees surveyed in the latest AMP Capital/Invest Trends 2009 SMSF Investor Report said they would be more focused on buying undervalued assets on an opportunistic basis next year.

And high on the cards are blue chip shares, according to Mark Johnston, principal of Investment Trends.

"The majority of the [buying] action has been around blue chip shares... demands for other investments have been subdued lately as people retreat to what they know best," said Johnston.

Sales transactions in the middle of this year showed SMSF investors investing heavily in blue chip stocks, which made up 43 per cent of shares purchased. This is in contrast to 30 per cent two years ago, pre GFC.

Meanwhile small caps have received lower interest from investors, now sitting at 6 per cent versus 12 per cent two years ago.

Dividend yield and below or at value stock prices number among the reasons why SMSFs are favouring blue chips now.

And this trend is set to stay at least for the next year, said Johnston.

There will still be deep interest in blue chip shares, along with high yielding stocks, relatively steady investments in small caps and a weaker demand for resource stocks, he said.

Backing this upbeat sentiment are figures showing only 17 per cent of those surveyed were still expressing "extreme concern over recent market volatility".

This is a decline from 33 per cent in 2008.

"The shift in sentiment amongst SMSF investors will have been helped along by the more positive signs beginning to emerge in the economy and the fact that 40 per cent of self-managed superannuation funds say they posted a positive return in the twelve months to May, said Ben Harrop, head of retail distribution at AMP Capital Investors.

Ruth Liew

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