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Fixed income gains pace among SMSFs

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Planners are noticing an upward shift in SMSF investor sentiment towards fixed income investments, as attractive yields and increasing interest rates draw investor interest, new research shows.

According to the latest Multiport SMSF Investment Trends Survey, investments in fixed-interest instruments, such as term deposits of 12 months or more, debentures and listed hybrid securities have grown from 7.8 per cent to 8.5 per cent in the last quarter.

This is the first time fixed income investments have surged since December 2008, noted the survey based on 1,200 self managed super funds (SMSF).

Exposure to fixed-income managed funds remained unchanged at 3 per cent from the previous quarter.

"This move may reflect more attractive income yields with increasing interest rates and hybrids which reset yields periodically," noted the report.

Meanwhile, investors were still maintaining their increase in share allocations at the end of March.

SMSF trustees boosted their asset allocation to equities from 32 per cent at the end of December 2008 to 42 per cent at the end of last year.

"Part of this increase is no doubt attributable to market performance but has been maintained in 2010," according to the report.

Cash and deposits, which had been significantly built up from 2008 to June 2009, have continued to decrease in the first quarter of this year.

The average contribution flow for the nine months to 31 March has been a healthy \$23,000 per fund, noted the survey.

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