

# The Australian

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## Managed funds out of favour: savings

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**WE may be seeing the beginnings of a fundamental shift in the way the pool of savings in Australia is managed.**

A survey from Investment Trends last week showed that financial planners are drastically reducing their use of managed funds as their clients demand more direct access to investment markets by buying the assets directly or putting money into index products such as exchange traded funds.

But the bigger market for managed funds is the nation's \$1.3 trillion in superannuation savings. Self-managed super funds have already shown they prefer to invest directly, devoting only a minor proportion of their wealth to managed funds. Big super funds are still an enormous market for managed funds, but change is coming there, too.

Funds are increasingly leveraging their huge asset pools to buy investments (such as property) directly. Super funds are also under increasing pressure to perform better, with returns on many balanced funds during the past 10 years looking pedestrian in comparison with returns on cash.

That pressure is likely to increase if the government follows through on its plans to make switching funds much easier than the byzantine process in place at present.

The MySuper default fund will also make an apples-with-apples comparison of super fund investment performance easier.

Fund managers who fail to outperform the index (and that's most of them) may find dwindling demand for their services.

Managers will have to become more active in their investment strategy and take on more risk to try to differentiate themselves.

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