

Australia Capital Market and Mega Trend

Capital Market/Superannuation Industry Overview:

- ASX has an average daily turnover of **A\$4.685 billion** and a market capitalisation of around A\$1.6 **trillion**, making it one of the world's top 15 listed exchange groups. An estimated 9.5 million Australians, now own Australian shares.
- The Australian Bond Exchange (ABE) is Australia's pre-eminent marketplace for investing in fixed income securities. ABE offers better income, with less fees using the reliable and stable returns of corporate bonds for retiring and retired clients dissatisfied with risky or low returning investments. The Australian corporate bond market has grown by more than 40% since 2010, currently reaching **over A\$1 trillion** of Australian corporate bonds outstanding.
- Superannuation assets totalled **A\$3.3 trillion** at the end of the June 2021 quarter. This was a **14.7 per cent increase** in the value of total superannuation assets for the year ending June 2021 due to strong investment performance and positive contributions growth.
- As at March 2021, SMSF assets accounted for 25.2% of total superannuation assets. SMSF assets are expected to grow at an annualised 3.3% over the five years through 2021-22, to A\$874.1 billion. SMSF statistics: 1.1 million members with A\$822bn in super.

Mega Trends in Australia

- Demand for Financial Advices: The demand for advice has doubled in the last five years, with 2.6 million non-advised Australians now saying they intend to seek help from a financial planner in the next two years according to researcher Investment Trends, up from 1.3 million in 2015. Nearly two million Australians use a financial planner or adviser – worth AUD\$703b.
- ETFs have become incredibly popular investments for both active and passive investors alike. Millennials (younger generation) are now the largest buyers of ETFs in Australia;
- A shift in financial power to the Millennial generation. These people born between 1980 – 1995 will be the recipients of a \$3.5 trillion wealth transfer from the 'Baby Boomers'. By 2030, Millennials are expected to earn two out of every three dollars in Australia

- Modern Portfolio Theory (“MPT”) says that it is not enough to look at the expected risk and return of one particular stock market; rather, by investing in more than one market, an investor can reap the benefits of diversification and maximum long-term ROI.
- Merger/Acquisition activities continued in Australia and the creation of mega Super funds: based on 30 June 2020 data, 76% of AUM and 77% of super member accounts will be managed by top 12 funds/providers.



Diagram: Market Position of Super Providers

- Trends of development for investment products and services: more international global assets (institution investors) will invest directly into the China A share market. Active International fund managers, have taken positions aimed at capitalizing on sectors (such as Electric Vehicles, Renewal Energy, Healthcare, IT, etc.) that are likely to benefit from China’s policy priorities. For example, Magellan Global Fund (Ticker: MGOC) has increased its fund investment in China to around 8% by September 2021.

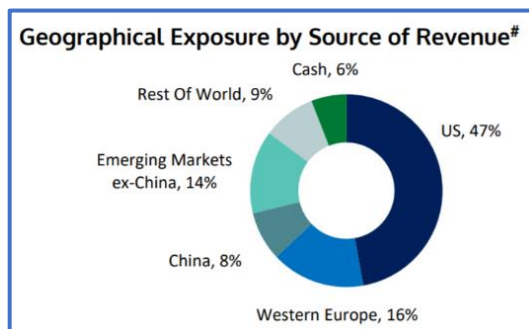


Diagram: Magellan Global Fund investment allocation (September 2021)