



Why you need the world in your SMSF

By Ted Richards
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Looking beyond Australia

Self-managed super fund (SMSF) trustees are generally aware of the benefits of diversification, but many trustees still focus their investment portfolios in just two assets: Australian shares and Australian property.

To an extent, this is understandable. Australian shares and property have been the beneficiary of an economy that hasn't been in recession in 27 years, and these two assets have performed well on the back of Australia's world record period of sustained growth.

Furthermore, it's what a lot of SMSF trustees know. They invest in Australian bricks and mortar and companies they know and use such as banks and supermarkets. Investing internationally isn't always easy, either.

However, too much "home bias" in your portfolio can have serious ramifications when the Australian economy pulls back or when usually stable businesses in Australia such as banks and supermarkets experience significant disruption (which we're possibly seeing right now).

More importantly, home bias can leave you underexposed to other asset classes driving global economic growth, such as emerging markets. In the 12 months to the end of February 2018, the two best performing asset classes within Six Park's portfolios were emerging markets (up 22.4%) and international markets (up 16.7%). Australian equities (ASX200) produced a respectable 9.8% but this was still well under these two other asset classes.

So how can SMSF trustees get exposure to these asset classes?

Many SMSF trustees are starting to use automated investment services (or robo-advisors) to diversify their investments at low cost via quality [exchange-traded funds](#). Robo-advisors typically conduct a risk assessment online to determine how your funds should be invested according to your own appetite and capacity for risk. A statement of advice (SOA) is formulated with an internationally diversified portfolio covering a range of asset classes, some of which may be new to trustees. These assets have different strengths and weaknesses that tend to balance each other out at different points in market cycles.



GRAPHIC: Six Park invests across seven asset classes

Robo-advisors will then trade you into the market according to your risk profile and rebalance when required. A robo-advisor such as Six Park should have an [experienced Investment Advisory Committee](#) to oversee your investments.

Australia makes up less than 3% of the world's investable opportunities, and robo-advice is an accessible and transparent way for SMSF trustees to access the remaining 97%. Here is an example of the level of diversification inside one of Six Park's globally diversified investment portfolios.



Map: Countries represented within Six Park's Balanced Growth portfolio (2017)

In the 12 months finishing February 2018, Six Park's balanced growth portfolio returned 9.1%. This figure takes into account February's market correction and, importantly, is after Six Park's fees are deducted. Naturally we can't guarantee returns like this but that's why we invest all our clients in defensive assets such as bonds and infrastructure as well as growth assets such as shares.

Many of Six Park's clients use robo-advice to provide and manage their core investment portfolio while continuing to invest in other assets that fit within their overall strategy. We know that many SMSF trustees enjoy the process of actively buying and selling Australian property or equities, and this can complement your overall strategy. This could be seen as a "core and satellite" approach, with Six Park making up the 'core' and the 'satellites' made up of other investments.



Diagram: Six Park portfolio as part of a 'core and satellite' strategy for SMSF trustees

So why should you consider robo-advice as part of your investment strategy?

Robo-advice can offer clients the following:

- A professional [internationally diversified portfolio](#) tailored to your own risk profile
- Exposure to up to [seven asset classes](#) that may be underrepresented in your portfolio
- [Automated rebalancing](#) when assets drift from your targeted asset allocation
- [Low fees](#) – for example, fees on a \$200,000 portfolio are 0.4%, or \$800 a year, which includes all trades, rebalancing, and oversight from our Investment Advisory Committee
- The option to choose for dividends to be paid in cash or reinvested into your portfolio
- Accounts in your own name with your own trading account and HIN, with the ability to increase or decrease the size of investment portfolio at any time.
- Peace of mind that even though you may have a [‘set and forget’](#) mindset towards your investments, they will continue to be overseen with an expert human overlay.

If you would like to find out more, try our [free online risk assessment](#) or phone 1300 851 779 to learn how Six Park can fit within your SMSF.

About the author

Ted Richards is Six Park's Director of Business Development. A former AFL premiership player with the Sydney Swans, Ted earned accolades not only for his football skill but his leadership, toughness and sportsmanship. He was a board member of the AFL Players Association from 2012-16. Ted has a Bachelor of Commerce and a Masters of Applied Finance and has previously worked for Citigroup and Airlie Funds Management.

About Six Park

Six Park was founded in June 2014 by former JP Morgan Australia chairman Brian Watson and Pat Garrett, who is the company's CEO. Pat and Brian started building a better solution for Australian investors after they decided they could no longer ignore a major problem in Australia's investment management industry – namely, that it was difficult, confusing, expensive and frustrating for most Australian investors to get professional, low-cost investment advice.

Six Park is a team of eight experts, as well as a world-class Investment Advisory Committee, with more than 100 years of experience in investment management and financial services at organisations of the quality of JP Morgan and the Australian Government's Future Fund. The service combines innovative technology and sophisticated investment theory, and is totally transparent about its offering and fees, with the required legal authorisation to provide these services.

Six Park launched in April 2016 and has grown significantly from its initial early-adopter client base. Each client has a portfolio of high-quality ASX-listed Exchange Traded Funds (ETFs) developed to match their personal risk profile and investment horizon. The business has raised several rounds of private capital to build and launch its service, and has a strong pipeline of future product enhancements.