**Understanding self-managed super fund performance**

**New research released**

New research released by the University of Adelaide provides tangible evidence of the benefits of investment diversification.

In its report, titled “[Understanding self-managed super fund performance](https://smsfconnect.com/research-understanding-self-managed-super-fund-performance)” and using data from over 318,000 SMSFs between 1 July 2017 and 30 June 2019, the University of Adelaide explored the relationship between the investment performance of self-managed super funds (SMSFs) and their level of diversification across multiple asset classes. The asset classes that were considered included:

* Cash and term deposits
* Listed Australian equities
* Listed international equities
* Listed trusts
* Unlisted trusts
* Limited recourse borrowing arrangements
* Other assets

The research study found on aggregate, SMSFs with more diversified asset allocations achieved higher returns. The performance benefits of adding a second, third or fourth asset class are strong and consistent across the 2017-19 period. Each incremental increase in asset classes (up to 4) is associated with an improvement in median investment returns of between 1% to 3%. Diversification beyond 4 asset classes (up to 7) also improves aggregate SMSF performance, but at reduced marginal rates.

These results are consistent with standard finance theory. Higher levels of diversification are correlated with improved levels of investment performance.

The research also found SMSFs generate greater variation in investment returns relative to larger funds. There is a higher tendency for SMSF investors to outperform as well as a higher tendency to underperform relative to larger funds. This underlies the importance of professional advice and a sound investment strategy.

Finally, the research found SMSFs with net assets of more than $200,000, that are not heavily concentrated in cash and term deposits, on average, outperformed APRA regulated funds in 2 out of 3 years between 2017 and 2019.

**How can we help?**

If you require any assistance with your SMSF or would like to discuss the University of Adelaide research findings in more detail, please feel free to give me a call. Alternatively, you can refer to the SMSF Association’s trustee education platform, [SMSF Connect.](https://smsfconnect.com/)