

PRESS RELEASE**Volatile equity markets a warning signal for SMSF trustees**

Sydney, 22 October 2018: The recent share market volatility is a stark reminder to self-managed super fund (SMSF) trustees of the need to ensure their investment portfolios are diversified across a range of asset classes, says the specialist commercial property lender, the Thinktank Group.

Thinktank's Jonathan Street says the spike in US yields, which sparked the wave of selling, strongly suggests tighter monetary policy is now the order of the day in the US, and this will have ramifications for investors across the globe.

"In this investment environment, property offers a compelling story in terms of less volatility, as well as capital and income growth.

"In the 12 months to 30 June 2018, the total return for Australian direct real estate was 11.7 per cent, evenly split between capital growth and income return.

"Sub-dividing direct real estate into unlisted wholesale and retail funds and listed funds, the returns for this 12-month period were 12 per cent, 17.4 per cent and 9.7 per cent respectively. For equities, the return was 13.9 per cent, for infrastructure, 13.7 per cent, and 4 per cent for bonds."

Street says the returns from the different property sectors vary "quite widely".

"Office has risen from 12.8 per cent to 14.7 per cent while Retail has fallen to 8.4 per cent from 10.4 per cent, with the difference almost all in income that has headed in the opposite direction by 2 per cent, opening up a substantial gap of 6.3 per cent with Office. The average, however, of 11.7 per cent is just slightly down on 11.9 per cent six months earlier."

Street says the standout performer, however, has been Industrial, where total returns for all locations were 12.5%, up from 10.4% last year.

"It's a sector of the market that SMSFs can overlook, yet the outlook is positive with the ACCI - Westpac Survey of Industrial trends up in the September quarter to 66.5 from 64.1 in June, while the AiG PMI for September was up 2.3 points to 59, marking two years of uninterrupted expansion above 50.

"It's our view these industry trend numbers, alongside macro indicators spanning GDP, employment and inflation are positive indicators supporting the health of the industrial sector, and it's no surprise that Sydney and Melbourne are showing the strongest capital growth with total returns of 13.7 per cent and 12.8 per cent, respectively."

He concludes that after years of "loose" monetary policy, the likelihood of a new investment environment of higher interest rates should prompt SMSF trustees to recalibrate their investment bearings.

“It’s our opinion equity markets will remain volatile, and asset classes such as property, which historically have been less prone to market fluctuations, should play a larger role for trustees looking to balance capital security against growth and income.”

About Thinktank:



Thinktank is an originator, credit underwriter and trust manager of small ticket (sub \$3m) commercial mortgages targeting the SME market. Thinktank was founded in 2006 by experienced banking & financial services professionals in commercial property & SME lending.

Property types include retail, industrial, office, as well as other types of commercial property such as child care centres, student accommodation, and boarding houses.

Thinktank is Sydney based and privately owned with 14 private shareholders [until April 2018, when ASX: AFG acquired a 30% interest] .

All senior staff have greater than 25 years in their respective fields of financial services expertise, at the core of this experience is a deep knowledge of the market segment that Thinktank specialises in.

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