

THE UNIVERSITY OF MELBOURNE

**AN ANALYSIS OF THE EQUITY  
INVESTMENTS OF AUSTRALIAN  
SUPERANNUATION FUNDS**

by

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## **1. Introduction**

The value of the assets held by Australian superannuation funds will grow in real terms during the next two decades and beyond. This growth will be primarily caused by the introduction of the Superannuation Guarantee Charge, introduced from 1 July 1992, which initially required employers to contribute at least 4% (or 3% for smaller employers) of most employees' wages or salary to a superannuation plan. The Government has also legislated that this minimum contribution rate will increase to 9% in 2002 for all employers. In addition, these required contributions vest with the employee and cannot be accessed until age 55 (or age 60 in the future). In other words, the objective is that the funds remain within the superannuation system until the person's retirement.

Employer sponsored superannuation has been chosen by the Government as an important savings vehicle within the economy and as the major method through which individuals will save for their retirement years. As a result, it is expected that the assets held by these funds will increase at a much faster rate than general economic growth (see FitzGerald and Harper [1992]) or the growth of the assets held by other financial institutions.

In view of the increasing importance of superannuation funds within both the economy and the capital markets, it is necessary that the investment policies of these funds and their implications are better understood by the Government, policy makers, commentators, market players and companies seeking capital. Within this overall desire for improved understanding, the objective of this paper is to present an analysis of the existing equity investment held by or on behalf of Australian superannuation funds.

Section 2 of the paper will provide some background to the superannuation industry and the funds' investments and will present the characteristics of a sample of funds and fund managers which forms the basis of the subsequent analysis. In Section 3, the equity investments will be analysed by both the size of the company (as measured by capitalization) and industry while Section 4 will investigate whether there exists different investment behaviour according to the type of investor. In Section 5, the importance of twenty financial institutions (most of whom are involved in superannuation funds management) as major shareholders will be analysed. Finally, Section 6 will sum up the findings in the paper.

## 2. The investments of Australia's superannuation industry

### 2.1 Background

Superannuation coverage amongst the Australian workforce has grown rapidly during the last twenty years. In 1974, only 32% of all employees were covered by superannuation. This rate gradually increased to 40% in 1983 and it remained at this level until 1987. 'Award superannuation', based on an employer contribution of 3% of wages, was then introduced and coverage increased to 72% of all employees in 1991 and 80% in 1992 [ABS, Cat No. 6334.0]. Following the introduction of the Superannuation Guarantee Charge in July 1992, virtually all employees earning more than \$450 per month now receive superannuation support from their employer. In addition, many employers will be forced to increase their current contribution rates in the future. The increases in contributions and coverage will clearly cause an increasing level of savings to be channelled through superannuation funds.

Table 1 shows the level and allocation of assets held by Australian superannuation and approved deposit funds during the four years to March 1992, during which an average growth rate of 15.7% per annum compound has occurred.

Table 1: The assets of Australia's superannuation and approved deposit funds

Asset class	March 1989	March 1991	March 1993
	% of funds	% of funds	% of funds
Australian equities	31.5	29.9	33.3
Fixed interest & loans	26.4	29.2	30.0
Property	17.1	15.9	9.7
Overseas	11.1	11.8	14.9
Liquids	13.9	13.3	12.0
Total assets	\$90.68 bill	\$129.61 bill	\$162.60 bill

Source: derived from ABS Cat No. 5656.0

An important question that must be considered is whether this rate of growth will be maintained in the future. Whilst it is impossible to accurately predict the size of the superannuation assets at the end of the century, the Allen Consulting Group (1990) has estimated that the assets held on behalf of Australian superannuation funds will be \$425 billion by the year 2000 which corresponds to an annual growth rate of 13.4% per annum. This is a more realistic forecast than the \$600 billion figure previously mentioned by the Government.

Based on the latest value of assets (March 1993), a 15% per annum growth rate arising from a combination of investment returns, preservation requirements and increasing contribution rates would result in assets equal to \$418 billion in January 2000, or if discounted at 4% per annum, a value in excess of \$320 billion in current dollars. This simplified, but reasonable, projection suggests that a doubling of the current value of

superannuation assets in less than seven years is feasible. But how significant is a doubling of the assets held by superannuation funds in terms of the economy and the capital markets?

In terms of the economy, the value of Gross Domestic Product (as measured by the income measure) grew by 4.2% per annum in the four years to June 1993. Hence, in terms of economic activity, the relative importance of the assets held by superannuation funds is increasing and this trend is likely to continue for the rest of the decade.

However, when one considers the financial markets, a slightly different picture emerges. In the four years to March 1993, the market capitalization of listed equities rose from \$219.2 billion to \$407.3 billion, or an average growth rate of 16.8% per annum compound. Hence, during the four year period, the ratio of superannuation fund assets to the share market capitalization fell slightly from 41.4% to 39.9%.

A similar result occurs if one considers the total assets held by life insurance and superannuation funds as shown by the Reserve Bank (December 1992). In June 1984, the value of these assets equalled 84.0% of the share market value, falling to 54.0% in June 1988 and then rising to 64.1% as at June 1992. However, the value of these assets, when expressed as a proportion of the share market capitalization, remains below the level of the early 1980's. Hence, while the assets of superannuation funds will play an increasingly important role in the Australian capital markets, these figures suggest that their growth, when expressed in terms of the value of the share market, is not as great as one may first imagine.

Table 1 also shows, in broad terms, the allocation of these funds between various types of investments. It should be noted that most of the overseas investments represent equities which means that, when added to the Australian equity investments, approximately 45% of these funds are invested in equity markets. In terms of international comparison, this proportion of fund investments in equities is higher than occurs in the United States, Canada or Japan but lower than in the United Kingdom. [Dailey and Turner (1992)]

Before proceeding, it is also worth noting that during the last four years, the only major asset allocation change that has occurred has been a decrease in the relative weighting of property (due to a combination of write-downs in value and some deliberate asset allocation away from property) and a gradual increase in the proportion of funds invested in overseas markets. The relative weightings of investments in Australian equity and fixed interest markets has remained remarkably stable.

## 2.2 The sample

As indicated earlier, the objective of this research is to analyse the equity investments held on behalf of Australia's superannuation funds. It was impossible to obtain detailed data of the Australian equity investments of all directly invested superannuation funds and/or the fund managers involved in the superannuation industry due to both administrative reasons and the reluctance of some managers to reveal, even on a confidential basis, the necessary details.

Despite these difficulties, details of Australian equity investments as at 31 December 1991 were obtained from 10 fund managers (including 7 life offices) and 9 directly invested superannuation funds (including both public and private sector funds). The investments in Australian equities from these managers and funds totalled \$20.79 billion as part of their total superannuation assets of \$60.88 billion.

Before analysing the data, it is necessary to assess whether this sample is representative of the industry as a whole or whether any bias is present. Table 2 shows the asset allocation of these funds compared to the industry as a whole, as represented by the corresponding ABS data as at the same date.

Table 2: A comparison of the asset allocation of the sample and the industry as at 31 December 1991

Asset class	Sample	Industry
	% of assets	% of assets
Australian equities	34.1	32.9
Fixed interest & loans	25.2	30.3
Property	18.9	12.8
Overseas	14.8	13.6
Liquids	7.0	10.3
Total assets	\$ 60.88 bill	\$147.97 bill

Although there are some differences in the asset allocation, the proportion of investments in Australian equities in the sample is very similar to that of the whole industry. In total, the sample represents direct Australian equity investments of \$20.8 billion whereas the total figure for the industry, after the removal of unit trusts, is slightly under \$40 billion as at 31 December 1991. Hence, although the sample does not include the whole industry, it represents more than half the equity investments from a wide range of institutional investors and, as such, the results are likely to be very indicative of the total picture.

### 3. An analysis of the equity investments by capitalization and industry

The above statistics showed that equity investments represents a very important component of the total investments of Australian superannuation funds. In view of the significant growth of these funds in the future, the selection of individual equity stocks by these institutional investors will have a very important role to play in the provision of capital to Australian companies and, in turn, the development of Australian industries. Therefore, to gain a full understanding of the economic and financial implications of these investments, the following questions should be asked:

- Where do superannuation funds invest their equity funds?
- Do they concentrate on the top 20 or top 50 companies in a disproportionate manner?
- Do they ignore the smaller companies?
- Are there favourite industries?
- Do all institutions and superannuation funds adopt the same equity investment policies?

The following analysis provides answers to each of these questions.

Table 3 sets out proportions of the equity investments from the sample in companies of varying size (as measured by the capitalized value on the Stock Exchange). Table 4 sets out the investments according to the industry classification of the listed company. In each case, the tables also show the corresponding proportions for the share market as a whole.

Table 3: The equity investments of superannuation funds by company capitalization as at 31 December 1991

Size of Company	Number of companies	% invested of the sample	% of the total market
>\$10 billion	1	12.2	11.4
\$5-10 billion	7	30.0	24.1
\$3-5 billion	9	24.6	17.5
\$1-3 billion	26	19.7	22.7
\$600-1000 million	13	5.0	5.4
\$300-600 million	26	3.8	5.9
\$100-300 million	81	3.6	7.5
< \$100 million	677	1.1	5.5
<b>TOTAL</b>	<b>840</b>	<b>100.0</b>	<b>100.0</b>
Value in \$ billion	-	20.8	191.2 <sup>1</sup>

Note 1. The figure for the total value of the market is less than the total capitalization of the market as foreign stocks, options and warrants have been excluded from the study as the primary purpose of the research is to investigate the current investments in listed Australian companies.

Table 4: The equity investments of superannuation funds by industry  
as at 31 December 1991

Industry	% invested of the sample	% of the total market
Banks and Finance	17.2	12.7
Diversified Resources	13.2	12.1
Other Metal	12.1	11.0
Building Materials	10.1	6.4
Diversified Industrials	9.9	11.1
Transport	6.8	3.6
Oil and Gas	3.5	4.1
Paper and Packaging	3.4	3.4
Retail	3.2	3.4
Media	2.8	3.1
Develop. & Contractors	2.8	2.8
Food and Household	2.6	3.3
Property Trusts	2.1	3.3
Gold	2.0	4.2
Alcohol & Tobacco	2.0	4.0
Engineering	1.5	1.5
Miscell. Industrials	1.2	2.3
Miscell. Services	1.1	1.8
Solid Fuels	0.7	1.1
Chemicals	0.7	1.1
Insurance	0.7	0.6
Investment and Financial	0.6	2.8
Entrepreneurial	0.0	0.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>
Value in \$ billion	20.8	191.2

The following results can be noted from Table 3:

- In respect of companies with capitalization in excess of \$5 billion, the superannuation funds invest two-thirds (66.8%) of their equity funds in these 17 companies whereas these stocks represent 52.8% of the total market. Hence these figures confirm the suggestion that these institutional investors concentrate their equity investments amongst the largest companies.
- By contrast, most listed companies have capitalization of less than \$100 million. In fact, these companies represent more than 80% of the listed companies but only 5.5% of the total market value. Table 3 shows clearly that these companies are under-represented in the equity portfolios of superannuation funds. However, this result is not surprising, given their low market value and the limited marketability of many of these stocks.
- Having considered the two extremes, it is also worth noting that stocks with capitalization between \$300 million and \$3 billion (i.e. the top 82 but excluding the top 17) are not ignored by the investors of superannuation funds. In fact, these companies represent 28.5% of their equity portfolios compared to a market percentage of 34.0%.

The general conclusion is that there is an over-representation of the top 100 stocks in the portfolios of superannuation funds when compared to the market as a whole. However, the difference is not as large as may be suspected due to the small total market value of the listed companies outside the top 100. The question remains as to whether the differences revealed are statistically significant.

This is a much more difficult problem than was initially expected. The fundamental problem is that we do not have any information on the variance for either the population (ie the share market as a whole) or for the sample. For instance, Table 3 shows us that the single largest company represents 11.3% of the capitalized value of the market as at 31 December 1991. However before we can test whether the corresponding figure in the sample (ie 12.2%) is significantly different from the population figure, information is required on the variance for the values in both population and the sample. This information cannot be obtained.

That is, we can only test this data for statistical significance if we have information about the variance. For example, if we knew that the largest company represented 11.3% of the market with an observed standard deviation of 0.1%, then the sample figure of 12.2% is beyond random variation and would therefore represent a significant result. On the other hand, if we knew that the standard deviation was 2%, a difference of 0.9% would be insignificant.

It could be suggested that the standard deviation for the percentage invested in each group of companies could be obtained by taking a series of observations at different dates. Three further problems arise. First, consecutive observations are likely to be very highly correlated with each other. Secondly, the calculated standard deviations will vary depending on the time period between each observation. Thirdly, the markets



change continually so that an observation of five years ago, may have been taken in a market that bears little resemblance to the current market.

A second major problem with this data is that the proportions for both the population and the sample must add up to 100%. That is, each individual percentage is not independent from the other percentages in the table. This is an example of the problem of analysing compositional data, which has been discussed by Aitchison (1986).

In brief, there is no statistical test available to analyse this data. This may be considered to be an unsatisfactory result. However, it also provides an example where many researchers may be inclined to use certain statistical tests on their data without first testing whether the data fits the underlying assumptions of the statistical test.

Hence, without the benefit of a statistical test, we are left to describe the data. The result is that we cannot claim, on the basis of statistical tests, that the total superannuation industry is over- or under-invested in particular stocks when compared to the market. Similarly, the industry cannot claim, in statistical terms, that their total equity investments are a fair representation of the market.

Table 4 shows the equity investments according to the classification by industry. These figures show a slight over-weighting (using a margin of +2%) in banks and finance, building materials and transport and a slight under-weighting (using a margin of -2%) in gold and alcohol and tobacco.

However, it is suggested that these differences are not significant and it can therefore be concluded that, as far as equity investment is concerned, superannuation funds do not have a favourite industry.

#### 4. An assessment of the investment strategies of superannuation funds

As mentioned earlier, this study received information from ten fund managers (with total equity investments of \$13.29 billion) and nine directly invested superannuation funds (with total equity investments of \$7.50 billion). As these two types of institutional investors have different characteristics, it could be suggested that their equity investments would have contrasting features. In particular, as fund managers are in direct competition with each other, their choice of stocks could be concentrated on the more marketable stocks (i.e. generally those with a higher capitalized value) whereas the directly invested funds may not be as concerned with short term investment performance and/or marketability and a different investment pattern could therefore emerge.

Table 5 sets out some statistics for the two types of investors, showing the average and market-weighted average for each type, together with the minimum and maximum proportions from each sub-sample.

Table 5: The equity investments for fund managers and directly invested funds

Capitalization	<i>Fund Managers</i>				<i>Directly invested funds</i>			
	<i>Weighted</i>	<i>Mean</i>	<i>Min.</i>	<i>Max.</i>	<i>Weighted</i>	<i>Mean</i>	<i>Min.</i>	<i>Max.</i>
	<i>Average</i>				<i>Average</i>			
	%	%	%	%	%	%	%	%
>\$10 bill	11.8	10.8	5.7	13.9	12.9	13.8	7.8	24.5
\$5-10 bill	29.2	29.0	23.0	42.4	31.5	31.2	24.5	40.0
\$3-5 bill	24.6	22.0	12.3	34.2	24.4	24.7	18.7	37.2
\$1-3 bill	19.6	21.9	8.5	32.0	19.8	19.9	13.3	26.1
\$0.6-1.0 bill	5.2	5.4	0.8	9.1	4.7	3.3	0.0	6.0
\$0.3-0.6 bill	3.9	4.2	0.0	9.0	3.5	2.9	0.0	7.9
\$0.1-0.3 bill	4.2	4.7	0.0	8.4	2.5	2.7	0.0	10.3
<\$0.1 bill	1.3	2.0	0.0	5.9	0.8	1.5	0.0	5.9

The first conclusion that can be drawn from these figures is that there appears to be no significant difference, on average, in the size of companies chosen for equity investments between the ten fund managers and the nine directly invested funds. The averages, weighted by market value, are very similar and therefore do not support an hypothesis that a different equity investment strategy is determined by the manager/fund characteristic.

However, this result does not imply that all fund managers or directly invested funds adopt the same strategy. The minima and maxima shown exhibit considerable variation and suggest some fundamental differences in the equity investment strategies of various institutional investors.

Further analysis shows that the proportion of an equity portfolio invested in stocks with capitalization of less than \$1 billion ranges from 1.0% to 29.5% for the fund managers and from 0.0% to 22.5% for the directly invested funds. Such differences clearly indicate that there exists considerable variation in the equity investment strategies adopted by the market participants. It is therefore reasonable to conclude that, even amongst major financial institutions, differing attitudes are taken towards the merits of investing in companies with smaller capitalization.

## 5. The importance of institutions as shareholders

The above sections have been concerned with analysing the equity investments of superannuation funds to permit an assessment of the likely effects of the growth of superannuation funds on the provision of capital to listed companies in Australia. However, a second effect of this growth will be the increasing importance of these institutions as shareholders and hence their potential impact on the management and/or control of these companies.

This section analyses the current importance of large financial institutions as major shareholders in listed companies so that the community, the market and policy-makers are better placed to assess the possible effects on the share holdings of companies due to the growth of superannuation funds.

The methodology adopted was to analyse the publicly available lists of the top 20 shareholders in each company and to check the frequency of occurrence of major financial institutions. Twenty major financial institutions were chosen representing nine life offices, six major banks and five fund managers (who are neither the major banks nor life offices). Table 6 sets out the frequency of these institutions in the top twenty shareholders for companies of varying size and their combined average ownership in each case.

Table 6: The importance of financial institutions as major shareholders

<i>Capitalization</i>	<i>Average frequency of occurrence (standard deviation is shown in parenthesis)</i>		<i>Average ownership by these 20 institutions in each company<sup>1</sup></i>
>\$10 bill	15.0		30.1%
\$5-10 bill	15.1	(1.2)	36.6%
\$3-5 bill	13.1	(0.8)	43.5%
\$1-3 bill	11.1	(3.6)	31.3%
\$0.6-1 bill	9.5	(3.5)	28.1%
\$0.3-0.6 bill	8.1	(3.3)	23.1%
\$0.1-0.3 bill	5.6	(2.8)	23.4%
<\$0.1 bill	1.6	(1.7)	.2

### Notes:

1. This average ownership only represents the nominated twenty institutions who are shown in top 20 shareholders. In many cases, some of these nominated institutions would be shareholders but would not have sufficient shares to rank in the top 20. In these cases, they have been excluded.

2. This figure has not been calculated.

Table 7 indicates the distribution of this share ownership by showing the average frequency for various levels of share holding. The large figure in the 0% column for the smaller companies highlights the fact that most, but not all, institutions do not invest in these companies.

Table 7: The average frequency of share ownership by company size

<i>Capitalization</i>	<i>Number of companies</i>	<i>0%</i>	<i>0-2.5%</i>	<i>2.5-5%</i>	<i>5-10%</i>	<i>&gt; 10%</i>	<i>Total</i>
> \$3 billion	17	5.71	8.88	3.12	1.71	0.59	20.0
\$1-3 billion	26	8.81	6.92	2.31	1.73	0.23	20.0
\$0.3-1 billion	39	11.44	5.67	1.59	1.00	0.31	20.0
\$0.1-0.3 billion	81	14.34	3.25	1.06	0.83	0.52	20.0

The statistics in Tables 6 and 7 reveal the following:

- As companies decrease in size, the number of major institutions represented in their top 20 shareholders also decreases. For instance, companies with capitalization in the range of \$5-10 billion have an average of 15.1 of their top 20 shareholders from the twenty nominated institutions. By contrast, companies with capitalization in the range of \$100-300 million have an average of 5.6 of their top 20 shareholders from these twenty institutions. This is not a surprising result, for as noted above, institutions have concentrated their investments, at least to some extent, in the larger companies. It should also be added, that as companies get smaller, it is increasingly common to have a significant number of shares held by related companies, individuals or families.
- Although the average number of institutions represented in the top 20 shareholders declines as companies decrease in size, their relative importance does not decline as sharply. For instance, while the 15 institutions in BHP's top 20 shareholders hold 30.1% of the stock, the 20 institutions hold, on average, at least 23.4% of the stock in respect of companies with capitalization between \$100 million and \$300 million. Clearly, these institutions remain important shareholders for these companies. Hence, most of the top 150 or so companies are owned, at least to some extent, by these twenty institutions. This ownership proportion, which is currently between 20% and 40% for most of these companies, is likely to rise if the Australian equity proportion of the assets of Australian superannuation funds remains at its current level.
- The standard deviations in Table 6 reveal considerable variation in the importance of institutional investors even amongst companies of similar size. For instance, in companies with capitalization in the \$3-5 billion range, the standard deviation is small (i.e. 0.8) indicating that almost all these companies have between ten and fifteen of these major institutions in their top 20 shareholders. On the other hand,

the higher standard deviation for the smaller companies indicates a much wider range of the importance of these institutions as shareholders.

- The figures in Table 7 highlight the distribution of the share holdings of these major institutional investors as the capitalization of companies decrease. For instance, in respect of the 17 largest Australian companies, an average of 5.71 of the 20 institutions are not major shareholders. However, with smaller companies, we note that, on average, 14.34 of the 20 institutions do not invest in these companies. It is clear, that as companies decrease in size, major institutions are less likely to be shareholders. Although the earlier statistics in respect of the superannuation funds could not be statistically tested, the frequencies underlying Table 7 can be tested using a  $\chi^2$  test. As may be expected from the figures, this produces a very significant test result, thereby confirming the hypothesis that larger financial institutions concentrate their investments in higher capitalized companies.

## 6. Conclusion

The current and future growth of superannuation funds as part of the Government's retirement incomes policy has placed the investment of these funds under greater scrutiny than ever before. The Senate Select Committee on Superannuation noted in its Third Report (1992) that:

"To the extent that it is possible that the growth of superannuation could lead to investment in blue chip equities at the expense of other equities, which are also needed if the economy is to experience balanced and dynamic growth, the Committee believes that trends in this domain should be monitored by the Government." (para 44)

Clearly such a statement expressed a general concern without being specific and without the assistance of hard data.

The recent FitzGerald (1993) Report in National Saving also made the important distinction between the level of savings and the quality of the ensuing investments. It commented:

"The efficiency, and not simply the quantity, of investment is also a key issue. ... Some investment in Australia in the late 1980's proved to be misdirected."

Hence, in terms of both the provision of retirement income and the provision of capital for Australian companies, it is critical that a better understanding of the actual investment policies in Australian equities adopted in respect of Australian superannuation funds be obtained. The objective of this research has been to increase this understanding and thereby to counter unhelpful and generalized statements that can be made in the absence of such data. Although this research has been limited to listed companies, and therefore does not cover the full range of Australian companies and their capital requirements, the following paragraphs sum up the findings.

1. The equity investments in respect of Australian superannuation funds exhibit some bias toward the top 20 stocks with about two thirds of the superannuation funds' equity portfolios concentrated in the 17 stocks with capitalization in excess of \$3 billion. However this concentration is not as strong as first appears as these stocks represent more than half the market by value.
2. Significant equity investments for Australian superannuation funds are made in stocks with capitalization exceeding \$100 million (i.e. the top 150 stocks). Most companies with capitalization below this figure do not attract much institutional support for a number of reasons including their lack of marketability, uncertain prospects, higher levels of risk and, in a number of cases, tightly held share holdings.
3. There was no clear difference in the pattern of equity holdings between fund managers and directly invested superannuation funds, even though the former group is competing directly in the market place. Of course, the directly invested funds are measured against their market competitors through regular performance surveys and this acts as an important form of indirect competition. On the other

hand, there was considerable variation in the investment policies between individual institutions with some institutions clearly concentrating in the top twenty or thirty stocks while others had a much more diversified portfolio.

4. The analysis of the top 20 shareholders showed the importance of twenty major institutions as shareholders in terms of both their frequency in the top 20 shareholder lists (particularly for the top 40 or 50 companies) and as owners, on average, of over one quarter of all the shares on issue for the largest 150 companies. The ensuing  $\chi^2$  test also confirmed the hypothesis that these large financial institutions are major shareholders to a much greater extent in larger companies than in those with smaller capitalization.
5. It may be suggested that there will be insufficient investment opportunities as the relative importance of superannuation funds grow. However, it was noted that the current assets of superannuation funds, although growing in terms of the economy, now represent a lower percentage of the total capitalized value of the Australian share market than in the early 1980's.

Financial institutions investing funds for Australian superannuation plans and the directly invested superannuation plans (from both the public and private sector) will continue to expand in relative importance within the Australian economy during the next two decades. As a result, their investment objectives and policies will have a critical role to play in the development of the Australian economy and the provision of capital. In addition, as their total share holding increases due to the growth of superannuation, the role of these institutions in the direction and management of the companies will become an increasingly important but, as yet, unresolved question.

Finally, it must be remembered that the investment objectives of superannuation funds must be set by the trustees who are required to act in the best interests of their members. This remains their fundamental objective. The provision of capital for Australian companies represents an important secondary consequence but it does not represent the trustees' fundamental concern. Hence, the desire of the Government to see superannuation as the provider of the necessary investment capital may be thwarted, at least to some extent, if trustees adopt a relatively conservative investment policy. Some influences that could cause this trend to occur include an ageing membership, an increased importance of member trustees, increased member choice of investments, greater vesting of employer contributions and therefore a decreased 'buffer' zone in some funds, increased awareness by the trustees of their responsibilities due to the new superannuation legislation, and the desire by many funds not to declare a negative rate of return. On the other hand, a number of industry funds are expanding their equity exposure as their investment base and reserves have become established.

Superannuation funds and their investment managers will remain critical players in the Australian equity markets. However, it must be stressed that each fund has its own individual characteristics and that there exist significant differences between the equity investment policies followed by different superannuation funds and/or institutions. Nevertheless, it is important that the impact of the growth of Australian superannuation on the Australian equity markets continues to be monitored and assessed in the years ahead.



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6	An Analysis of the Equity Investments of Australian Superannuation Funds	D M Knox	September 1993