



December Quarter 1995
MANAGED FUNDS, AUSTRALIA

Catalogue Number 5655.0

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**MANAGED FUNDS, AUSTRALIA
DECEMBER QUARTER 1995**

**W. McLennan
Australian Statistician**

AUSTRALIAN BUREAU OF STATISTICS

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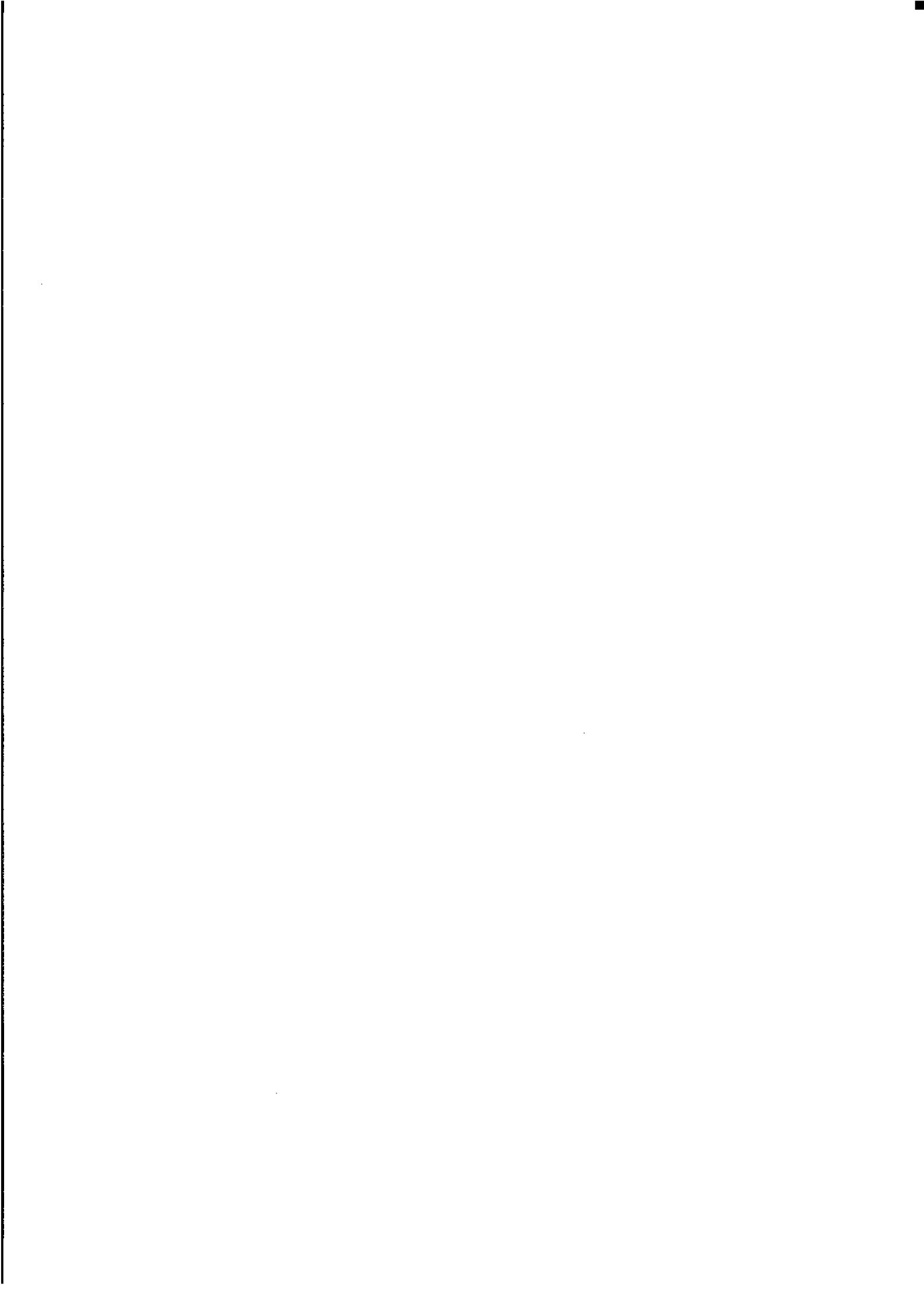
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INQUIRIES

- *for further information about statistics in this publication and the availability of related unpublished statistics, contact Wendy Raedt on Canberra (06) 252 7118 or any ABS State office.*
 - *for information about other ABS statistics and services, please contact Information Services on Canberra (06) 252 6627 or any ABS State office.*
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CHANGED METHODOLOGY FOR MEASURING ASSETS OF SUPERANNUATION FUNDS

This issue introduces a changed methodology for measuring assets of superannuation funds which has resulted in a significant improvement in the estimates of these assets. This is reflected in revisions to the statistics presented in Table 4 and these revisions significantly increase the estimates for the assets of superannuation funds on both a consolidated and unconsolidated basis.

The new methodology is based on the results produced from a new quarterly Survey of Superannuation Funds conducted jointly by the Insurance and Superannuation Commission (ISC) and ABS, combined with estimates for superannuation funds not currently surveyed. The Survey of Superannuation Funds is a joint initiative between the ABS and the ISC and has been designed to obtain more comprehensive statistics on the superannuation industry. The survey has an increased coverage of those superannuation funds which undertake significant investment activity on their own behalf i.e. directly invest into markets. The superannuation funds not surveyed currently are mainly those small self-managed funds with less than five members.

The results of the the new ISC/ABS survey were first published in the September 1995 issue of the *Insurance and Superannuation Commission Bulletin*. Consultation with users indicated that the significant break in series between the estimates derived from the new methodology and previously published data for superannuation funds would cause considerable difficulty. The break in series would also provide significant difficulties in compiling the ABS publication *Australian National Accounts: Financial Accounts* (5232.0). As a result, ABS has prepared estimates to bridge the break in series and these estimates are included in aggregates published in this publication.

The total assets series in Table 4 (assets of superannuation funds held outside life offices) can be disaggregated into two broad components as shown in the following Table A.

(1) *Assets invested through fund managers*. Estimates for this component are compiled from data supplied by fund managers in the ABS Survey of Balance Sheet Information. There have been no significant revisions to these data for back periods in this publication. The estimates are presented in the first column of Table A.

(2) *Assets directly invested by superannuation funds*. Estimates for this component are compiled from several sources:

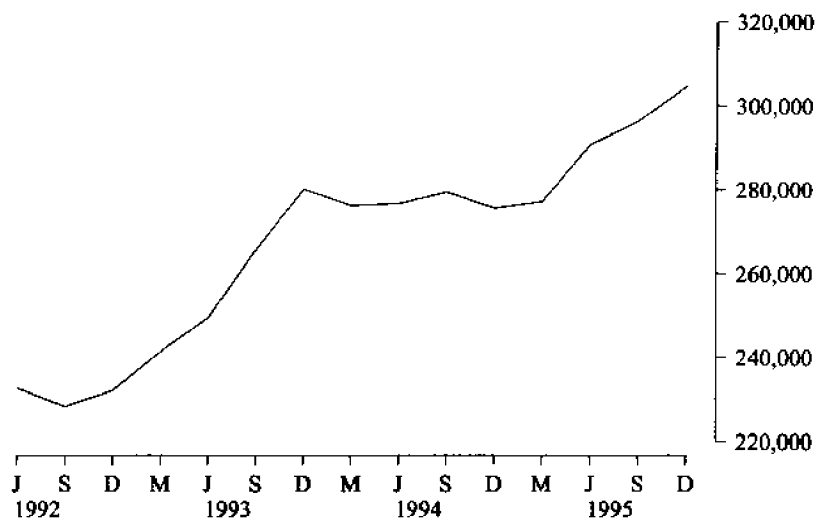
- *survey responses* by 121 large superannuation funds included in the ABS Survey of Balance

Sheet Information up to and including the June 1995 quarter. The data are presented in the second column of Table A, for quarters up to and including the June 1995 quarter;

- *survey responses* by the 1,081 superannuation funds in the new ISC/ABS Survey of Superannuation Funds from the June 1995 quarter. The data are presented in the second column of Table A, for the September 1995 and December 1995 quarters;
- *estimates of coverage deficiencies* of the old survey compared with the new. For the June 1995 quarter the overlap of funds surveyed in both the new ISC/ABS Survey of Superannuation Funds and the ABS Survey of Balance Sheet Information provided data for the detailed analysis of the effects of the improved coverage of the new survey. The results of this analysis and analysis of statistics compiled from the annual returns supplied to the ISC by superannuation funds provided the basis for the estimates included in this publication and summarised in the third column of Table A. It should be noted that for the June 1995 quarter, the observed contribution of the funds not covered in the ABS survey is \$5,307 million.
- *estimates for funds out of scope* of either the ABS survey or the new ISC/ABS survey. The ISC published, in the September 1995 *ISC Bulletin*, estimates of the directly invested assets of superannuation funds not covered in the ISC/ABS survey, for the June and September 1995 quarters. These estimates covered both the large number of very small superannuation funds (less than 5 members) and the funds with more than 5 members but having less than the threshold of \$10 million in assets or 500 members for inclusion in the ISC/ABS survey. These estimates were based on data supplied in annual returns and other Superannuation Industry (Supervision) Act compliance documents filed with the ISC. Dissection of total assets by asset classes were also prepared by the ISC but not published. ABS has developed a back series for funds outside the scope of the two surveys by using the ISC estimates as a benchmark, and has also extrapolated the series forward to provide preliminary December estimates. This series is shown in the fourth column of Table A. The ISC plans to refine the preliminary December 1995 quarter estimates when detailed survey results and SIS Act compliance documents filed in the December 1995 quarter are analysed.

MAIN FEATURES

MANAGED FUNDS - TOTAL CONSOLIDATED ASSETS AT END OF QUARTER (\$ million)



The market value of consolidated assets of managed funds in Australia at 31 December 1995 was \$304,734 million, an increase of \$8,306 million (2.8%) on the revised 30 September 1995 figure of \$296,428 million, and an increase of \$29,185 million (10.6%) on the revised 31 December 1994 figure of \$275,549 million.

The largest increases in consolidated assets of managed funds in the December 1995 quarter compared with the previous quarter occurred in Superannuation and Approved Deposit Funds, up \$5,033 million (4.0%), and Statutory Funds of Life Insurance Offices, up \$1,945 million (1.7%). The only decrease was recorded by Friendly Societies, down \$76 million (0.9%).

The largest movements by asset type during the December 1995 quarter occurred in equities & units in trusts, up \$4,249 million (5.1%), short term securities, up \$1,041 million (3.2%), cash and deposits, up \$970 million (4.4%), and overseas assets, up \$966 million (2.3%). The continued strengthening of domestic and international equity markets contributed to these movements.

The value of managed funds' assets invested through Professional Fund Managers was \$249,361 million at the end of December 1995, representing 81.8% of all the consolidated assets of managed funds.

NOTES ON CONSOLIDATION

The statistics in this publication relating to the assets of managed funds are presented in two ways; *Part One* contains statistics on the consolidated assets of managed funds, *Part Two* contains individual tables for each type of managed fund on an unconsolidated basis.

The two presentations are included to allow users of the statistics to distinguish between a measure of the total amounts invested with managed funds (*Part One*) and the amounts invested with the individual types of managed funds (*Part Two*). *Part Two* also contains a more detailed asset category dissection.

Method of Consolidation

To arrive at a figure for the total consolidated assets of managed funds in Australia it is necessary to eliminate the cross-investment between the various types of funds. For example, investments by superannuation funds in public unit trusts are excluded from the assets of superannuation funds in a consolidated presentation. It is not possible however to apportion cross-investment at the level of detail presented in *Part Two*.

The following table presents the unconsolidated, cross-invested and consolidated assets of managed funds by type of fund as at 31 December 1995.

ASSETS OF MANAGED FUNDS IN AUSTRALIA,
BY TYPE OF FUND — 31 December 1995
(\$ million)

Type of Fund	Assets		
	Total	Cross-invested	Consolidated
Statutory Funds of Life Insurance Offices	124,005	8,891	115,114
Superannuation and Approved Deposit Funds	143,927	13,000	130,927
Public Unit Trusts	43,793	4,041	39,752
Friendly Societies	8,187	36	8,151
Common Funds	4,394	89	4,305
Cash Management Trusts	6,484	—	6,484
Total	330,790	26,056	304,734

TABLE A: COMPONENTS OF ASSETS OF SUPERANNUATION FUNDS HELD OUTSIDE LIFE OFFICES
(\$ million)

Quarter	Assets invested through fund managers (1)	Assets directly invested			Total assets(b) (5)
		Survey result(a) (2)	Under coverage estimate (3)	Out-of-scope estimate (4)	
1992 —					
June	54,571	30,354	733	11,074	96,732
September	53,817	29,455	852	11,408	95,532
December	55,698	30,113	1,035	11,758	98,604
1993 —					
March	58,429	30,826	1,265	12,122	102,642
June	61,521	32,154	1,589	12,504	107,768
September	66,822	33,924	2,004	13,291	116,041
December	70,862	35,357	2,499	14,130	122,848
1994 —					
March	69,905	34,186	2,871	15,027	121,989
June	69,171	33,664	3,379	15,984	122,198
September	70,167	33,954	3,808	16,386	124,315
December	70,230	32,912	4,029	16,884	124,055
1995 —					
March	70,450	33,510	4,579	17,474	126,013
June	75,292	35,715	5,307	18,157	134,471
September	77,927	42,489	n.a.	18,272	138,688
December	81,745	43,682	n.a.	18,500	143,927

(a) To June 1995 quarter, ABS Survey of Balance Sheet Information. From September 1995 quarter, joint ISC/ABS Survey of Superannuation Funds. (b) As published in Table 4 of this publication.

Quality of Estimates

The quality of the estimates for quarters prior to the June 1995 quarter is dependent on the quality of the benchmark data and assumptions about allocating aggregates to time periods between benchmarks and to asset classes not enumerated in benchmarks.

The benchmarks used are, in the main, statistics compiled from annual compliance returns lodged with the ISC. There are timing, scope and classification differences between the annual benchmarks and the series being estimated. These differences are significant and obscured the coverage deficiencies in previously published ABS data. The following comparison of ABS and ISC superannuation estimates illustrate this point.

TOTAL ASSETS OF SUPERANNUATION FUNDS (\$ million)

	ABS (a)	ISC (b)
As at June —		
1992	155,396	135,038
1993	170,390	149,082

(a) Source: ABS publication *Assets of Superannuation Funds* (5655.0). (b) Source: ISC Annual Superannuation Bulletin

The understatement of the ISC estimates, compared to the ABS estimates, is explained by a number of factors, including: non-reporting by some public sector funds; optional use of 'notional balances' by some superannuation funds; balance date effects; non-reporting by funds which did not have regulated tax concessions; and the fact that life office annuities were not sold through the ISC regulated superannuation funds and hence did not get reported in the annual compliance returns.

The allocation of the *undercoverage estimate* over time (\$5,307 million observed at June 1995, \$733 million estimated at June 1992) is based on press reports and discussion with users about the effects of SIS legislation, the emergence of 'do-it-yourself' funds, increased competition and decreasing average returns in the funds management industry. In addition, the estimation methodology has taken into account the fact that it was ABS practice to conduct annual reviews of the coverage of superannuation funds in the ABS Survey of Balance Sheet Information by analysing annual data from the ISC compliance database. Work on developing the new ISC/ABS survey subsumed the annual coverage review based on 1993-94 ISC compliance data. The anecdotal evidence and lack of coverage maintenance action for 1993-94 has lead ABS to assume that the coverage deficiency in the Survey of Balance Sheet Information is more serious in 1993-94 and 1994-95 than in earlier periods.

The size and composition of the *out-of-scope estimate* is subject to further investigation. In particular, a significant component of the estimate is cash and deposits with banks and other depository intermediaries. This component is not visible in deposit liability data reported to the ABS and Reserve Bank by these intermediaries. Discussion with a number of banks has indicated that accounts of superannuation funds may be misclassified in the data reported by banks in the Survey of Balance Sheet Information, but whether the extent of the misclassification matches the bank deposits component of the out-of-scope estimate requires investigation.

OTHER CHANGES IN THIS ISSUE

The treatment of accounts receivable from general government by a number of large public sector employee funds has been changed in this issue to be consistent with the treatment of these claims in the ABS publication *Australian National Accounts: Financial Accounts* (5232.0). Commencing from this issue, these claims are excluded from the assets of superannuation funds for all periods covered by the statistics in this publication. The amounts omitted are footnoted in Table 4.

Under accounting conventions used in government accounting such claims are not recognised. As the

inclusion of such claims in one part of the national accounts and their omission in another would induce significant discrepancies, it has been necessary to adopt a consistent treatment whereby they are excluded both from the claims receivable by asset holders and the claims payable by liability holders. ABS plans to change to an accrual basis for government financial statistics as governments change the basis of their own accounting over the next few years. While this will ultimately involve including these claims on both the asset and liability side of sector balance sheets, there are no firm dates at this stage for the changeover.

PART ONE: ASSETS OF MANAGED FUNDS — CONSOLIDATED BASIS

CONSOLIDATED ASSETS OF MANAGED FUNDS, BY TYPE OF FUND
Percentage change for the quarter ended December 1995

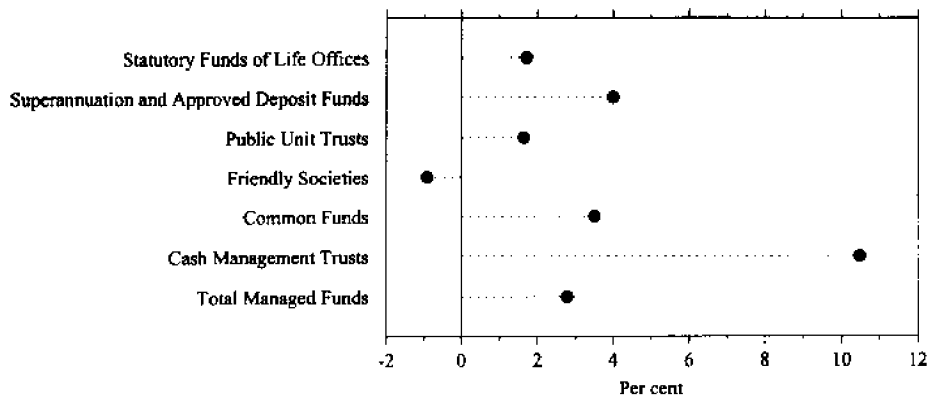


TABLE 1. CONSOLIDATED ASSETS OF MANAGED FUNDS BY TYPE OF FUND
(\$ million)

	1992		1993		1993-94		1994-95		1995-96			
	June	June	June	June	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Statutory Funds of Life Insurance Offices(a)	99,627	103,794	109,988	108,233	109,549	107,221	107,286	110,839	113,169	115,114		
Superannuation and Approved Deposit Funds	90,963	100,552	113,950	114,038	116,128	115,459	116,529	124,314	125,894	130,927		
Public Unit Trusts	23,589	26,291	32,901	34,689	35,504	35,208	35,581	37,565	39,112	39,752		
Friendly Societies	8,963	9,171	9,047	8,996	8,777	8,446	8,524	8,512	8,227	8,151		
Common Funds	4,319	4,474	4,737	4,785	3,905	3,817	3,823	4,064	4,159	4,305		
Cash Management Trusts	5,344	5,316	5,590	5,915	5,623	5,398	5,329	5,625	5,868	6,484		
Total	232,805	249,598	276,213	276,656	279,486	275,549	277,072	290,918	296,428	304,734		

(a) Figures include superannuation funds held in the statutory funds of life insurance offices.

CONSOLIDATED ASSETS OF MANAGED FUNDS, BY TYPE OF ASSET
Percentage change for the quarter ended December 1995

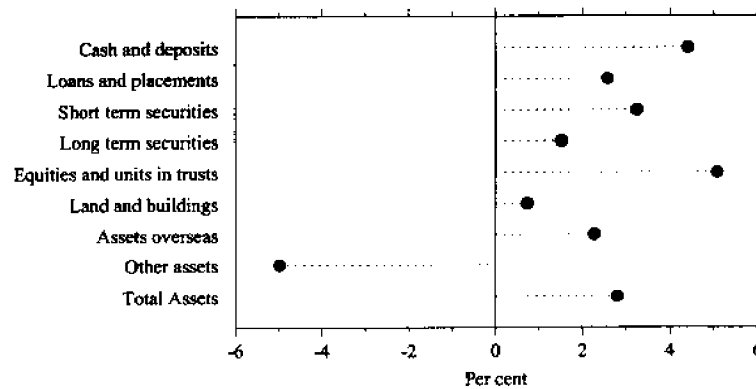


TABLE 2. CONSOLIDATED ASSETS OF MANAGED FUNDS BY TYPE OF ASSET
(\$ million)

	1992		1993		1993-94		1994-95		1995-96			
	June	June	June	June	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Cash and deposits(a)	18,678	17,369	16,898	22,100	20,336	20,050	20,491	21,841	22,001	22,971		
Loans and placements	11,512	15,965	14,513	14,601	15,029	15,802	15,319	15,418	16,462	16,883		
Short term securities(a)	27,651	28,772	28,350	29,122	29,719	31,270	28,256	30,387	32,222	33,263		
Long term securities	46,787	52,093	56,370	53,469	54,172	51,982	53,526	55,231	54,202	55,022		
Equities and units in trusts	59,256	63,420	78,062	76,327	79,302	76,514	75,713	79,630	83,885	88,134		
Land and buildings	32,579	29,673	30,592	33,294	33,622	35,186	36,791	36,287	36,529	36,794		
Overseas assets	25,874	35,576	44,627	41,168	40,565	38,975	40,511	43,813	42,706	43,672		
Other assets	6,469	6,728	6,801	6,571	6,740	5,770	6,465	8,312	8,419	8,000		
Total	232,805	249,598	276,213	276,656	279,486	275,549	277,072	290,918	296,428	304,734		

(a) Includes bank certificates of deposit held by Public Unit Trusts.

PART TWO: ASSETS OF MANAGED FUNDS — UNCONSOLIDATED BASIS

Statutory Funds of Life Insurance Offices.

Statutory Funds of Life Insurance Offices have been set up under Commonwealth Government legislation and are analogous to trust funds. The legislation requires that the assets of any statutory fund must be kept separate and distinct from the assets of other statutory funds and any other assets of the company. All income received must be

paid into and become an asset of the appropriate statutory fund and these assets are only available to meet the liabilities and expenses of that fund.

The information presented in the table below was compiled using data from the ABS Survey of Balance Sheet Information and represents total coverage of Life Insurance Office Statutory Funds.

STATUTORY FUNDS OF LIFE INSURANCE OFFICES
Percentage change in selected assets for the quarter ended December 1995

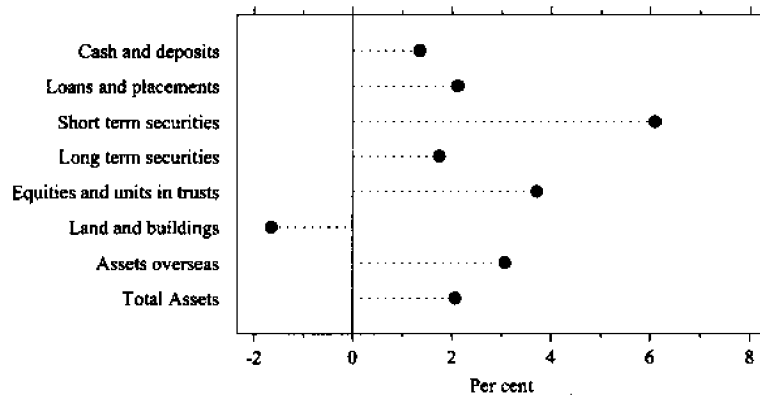


TABLE 3. ASSETS OF THE STATUTORY FUNDS OF LIFE INSURANCE OFFICES(a)
(\$ million)

	1992	1993	1993-94		1994-95			1995-96		
	June	June	March	June	Sept.	Dec.	March	June	Sept.	Dec.
ASSETS IN AUSTRALIA										
<i>Financial assets —</i>										
Cash and deposits										
Banks	1,953	1,909	1,995	2,649	2,590	2,276	2,563	2,895	2,797	2,864
Other deposit taking institutions	2,237	2,472	1,988	2,414	2,659	2,543	2,560	1,941	2,498	2,503
Loans and placements	6,625	6,587	5,422	5,320	5,525	6,177	5,616	5,809	6,524	6,662
<i>Short term securities</i>										
Bills of exchange	4,633	4,987	4,987	5,615	5,493	5,732	5,182	4,507	5,352	5,866
Bank certificates of deposit	2,275	2,340	1,589	1,473	1,711	2,068	2,059	2,767	3,273	3,257
Other short term securities	3,430	3,095	2,521	2,745	2,980	3,241	2,497	2,503	2,667	2,857
<i>Long term securities</i>										
Commonwealth government bonds	2,565	5,323	8,194	8,258	8,722	8,241	8,631	8,791	8,974	9,354
State and local government securities	11,558	12,335	14,098	13,281	12,212	12,162	12,966	13,125	13,233	13,238
Other long term securities	8,149	7,569	6,128	6,339	6,857	6,351	5,528	6,528	6,362	6,478
<i>Equities and units in trusts</i>										
Private trading corporations shares	23,832	22,725	26,406	25,308	26,645	25,434	24,340	25,194	25,894	26,534
Financial sector shares	4,046	4,424	5,840	5,500	5,030	5,297	5,804	5,989	6,505	6,792
Units in trusts	3,273	3,877	5,174	6,200	5,928	6,000	6,979	7,487	8,063	8,641
Other assets	2,021	2,033	2,234	2,132	1,821	1,711	2,143	2,216	2,102	1,865
<i>Non-financial assets —</i>										
Land and buildings	11,835	9,761	8,464	9,126	9,203	9,384	9,673	9,486	9,028	8,879
Other	1,905	1,751	1,497	1,328	1,808	1,404	1,610	2,169	2,399	1,919
Total assets in Australia	90,337	91,188	96,537	97,688	99,184	98,021	98,151	101,407	105,671	107,709
ASSETS OVERSEAS	12,787	16,730	18,824	16,986	16,559	15,454	16,370	17,113	15,811	16,296
Total assets	103,124	107,918	115,361	114,674	115,743	113,475	114,521	118,520	121,482	124,005

(a) Includes superannuation funds that are invested and administered by life insurance offices.

Superannuation Funds and Approved Deposit Funds

Superannuation Funds are indefinitely continuing funds maintained for the provision of benefits for either members of the fund, or the dependants of members in the event of retirement or death of the member. Approved Deposit Funds are established under the *Occupational Superannuation Act 1987* and are maintained solely for receiving, on deposit, amounts that are deemed by section 27D of the Tax Act as eligible termination payments.

The information presented in the table below is compiled using data from the ABS Survey of Balance Sheet Information (to March 1995) and preliminary results from a new joint ABS/Insurance and Superannuation Commission Survey of Superannuation Funds (from June 1995). The surveys include both public and private sector superannuation funds that either directly invest on their own behalf, or use fund managers on a fee for service basis. (See note on page 2 of this publication relating to major revisions to the statistics in Table 4.)

SUPERANNUATION AND APPROVED DEPOSIT FUNDS
Percentage change in selected assets for the quarter ended December 1995

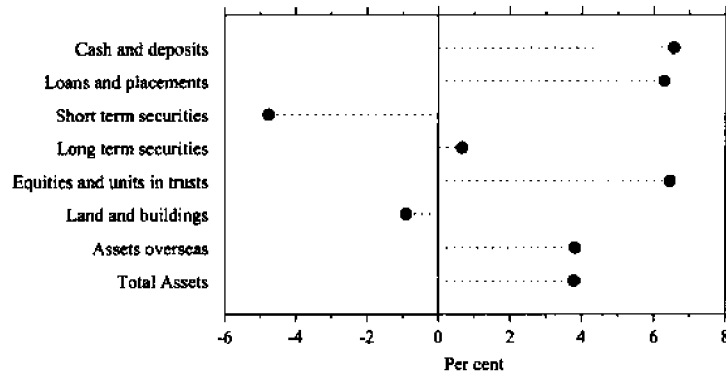


TABLE 4. ASSETS OF SUPERANNUATION FUNDS AND APPROVED DEPOSIT FUNDS(a)(b)
(\$ million)

	1992		1993		1993-94		1994-95			1995-96		
	June	June	June	June	March	June	Sept.	Dec.	March	June	Sept.	Dec.
ASSETS IN AUSTRALIA												
<i>Financial assets —</i>												
<i>Cash and deposits</i>												
Banks	5,190	5,662	6,269	8,070	7,911	7,937	8,423	8,902	8,741	9,659		
Other deposit taking institutions	4,981	3,381	3,571	3,686	4,143	3,948	4,189	4,171	4,603	4,563		
Loans and placements	6,011	6,322	5,768	5,764	5,653	5,755	5,945	5,972	6,316	6,714		
<i>Short term securities</i>												
Bills of exchange	2,776	3,814	3,816	4,196	4,249	4,937	4,214	4,884	4,147	3,811		
Bank certificates of deposit	1,884	2,085	3,263	3,468	3,162	3,274	2,533	3,205	3,516	3,380		
Other short term securities	1,679	1,369	1,562	1,144	1,265	1,725	1,238	1,216	1,198	1,247		
<i>Long term securities</i>												
Commonwealth government bonds	7,152	8,989	8,636	9,719	10,035	9,581	11,842	12,671	12,043	12,374		
State and local government securities	7,836	9,357	9,943	8,413	8,709	8,827	7,904	7,857	7,483	7,287		
Other long term securities	5,473	3,958	3,211	3,048	2,483	2,349	2,255	2,637	2,556	2,566		
<i>Equities and units in trusts</i>												
Private trading corporations shares	22,753	25,488	31,311	31,207	32,859	31,411	30,270	33,538	35,230	38,188		
Financial sector shares	4,286	4,889	6,095	6,031	5,989	5,807	6,452	5,797	6,245	6,622		
Units in trusts	5,085	6,525	7,300	7,319	7,404	7,926	8,820	9,417	12,072	12,200		
Other assets	465	808	584	392	596	410	445	1,350	1,390	1,391		
<i>Non-financial assets —</i>												
Land and buildings	10,543	9,962	10,767	11,327	11,498	12,132	12,752	12,185	12,503	12,391		
Other	328	269	290	342	465	234	312	369	474	594		
Total assets in Australia	86,442	92,878	102,386	104,126	106,421	106,253	107,594	114,170	118,517	122,986		
ASSETS OVERSEAS	10,290	14,890	19,603	18,072	17,894	17,802	18,419	20,301	20,171	20,942		
Total assets	96,732	107,768	121,989	122,198	124,315	124,055	126,013	134,471	138,688	143,927		

(a) Excludes superannuation funds that are invested and administered by life insurance offices. (b) The statistics in this table do not include those accounts receivable from Commonwealth and State Governments reported by certain public sector superannuation funds. (Refer to section in this publication titled 'Other changes in this issue'.) Approximately \$3,138 million of such assets were reported at 31 December 1995.

Public Unit Trusts

A public unit trust is defined as an arrangement, governed by a trust deed between a management company and a trustee, which is open to the public for the purchase of units in the trust. Unit Trusts invest the pooled funds of unit holders to yield returns in the form of income and/or capital gain. Unit holders can dispose of their units within a relatively short period of time.

The information in the table below is compiled from data collected by the ABS in the quarterly Public Unit Trusts Survey.

Excluded from the table below are:

- Trusts which are exempted from providing redemption facilities under Section 1069(3) of the

Corporations Act (e.g. most film and agriculture trusts),

- Cash Management Trusts (see Table 8),
- Trusts which have not sought or do not intend to seek funds from the general public in Australia and therefore have not registered a prospectus with the Australian Securities Commission, and
- Some small trusts which are insignificant in statistical terms.

Further information is available through subscription to a special data service.

PUBLIC UNIT TRUSTS
Percentage change in selected assets for the quarter ended December 1995

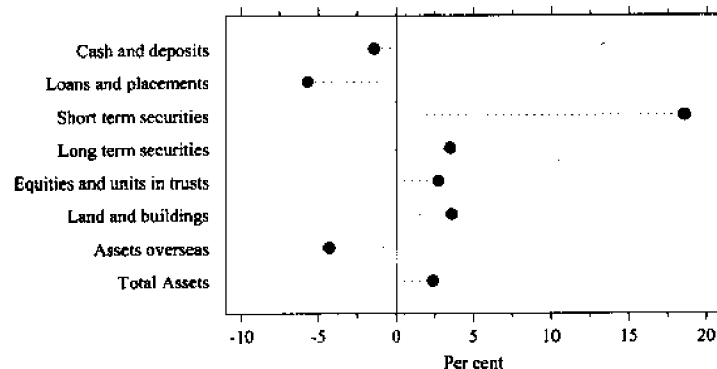


TABLE 5. ASSETS OF PUBLIC UNIT TRUSTS
(\$ million)

	1992	1993	1993-94		1994-95			1995-96		
	June	June	March	June	Sept.	Dec.	March	June	Sept.	Dec.
ASSETS IN AUSTRALIA										
<i>Financial assets —</i>										
Cash and deposits										
Banks(a)	1,260	1,200	1,088	1,345	1,053	992	739	1,030	1,117	1,079
Other deposit taking institutions	1,317	1,270	943	750	754	903	595	584	811	822
Loans and placements	1,113	1,446	1,605	1,784	1,945	1,911	1,899	1,825	1,822	1,718
Short term securities										
Bills of exchange	828	844	1,564	1,628	1,429	1,204	1,193	1,572	1,396	1,839
Bank certificates of deposit(a)	—	—	—	—	—	—	—	—	—	—
Other short term securities	513	260	289	318	414	416	381	338	380	268
Long term securities										
Commonwealth government bonds										
State and local government securities	1,209	1,666	1,739	1,672	1,462	1,296	1,319	1,307	1,228	1,271
Other long term securities										
Equities and units in trusts										
Private trading corporations shares	3,589	4,819	6,915	6,902	8,135	7,976	8,264	8,499	9,342	9,320
Financial sector shares										
Units in trusts	1,747	1,861	3,073	3,143	3,278	2,985	2,708	3,538	3,502	3,876
Other assets	454	446	571	694	605	616	555	731	639	761
<i>Non-financial assets —</i>										
Land and buildings	9,725	9,530	10,951	12,389	12,493	13,234	13,926	14,165	14,550	15,077
Other	1,086	1,113	1,225	1,246	1,253	1,123	1,107	1,231	1,264	1,329
Total assets in Australia	22,840	24,457	29,963	31,872	32,821	32,655	32,686	34,821	36,051	37,359
ASSETS OVERSEAS	2,758	3,949	6,200	6,110	6,112	5,719	5,722	6,399	6,724	6,434
Total assets	25,599	28,406	36,163	37,982	38,933	38,374	38,408	41,220	42,776	43,793

(a) Bank certificates of deposit are included with 'Cash and deposits' at banks.

Friendly Societies

Friendly societies are organisations registered as such under the appropriate State legislation. All assets of friendly societies, with the exception of the assets of separately operated and controlled Health Insurance Funds, are included in the table below.

The information in the table below is compiled from data supplied to the ABS by 25 of the largest friendly societies

as part of the Survey of Balance Sheet Information and approximates 95 per cent of the total assets of friendly societies as at June 1992.

Further information is available through subscription to a special data service.

FRIENDLY SOCIETIES
Percentage change in selected assets for the quarter ended December 1995

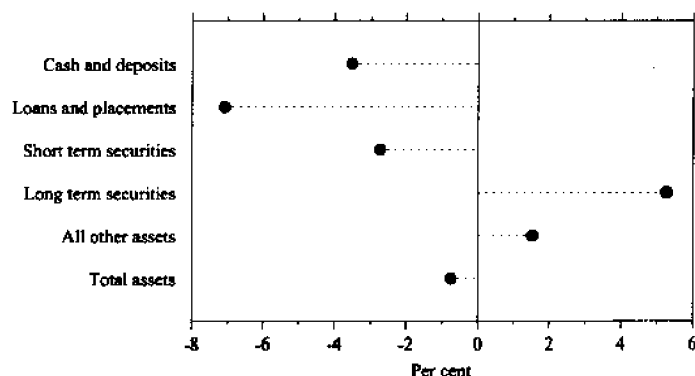


TABLE 6. ASSETS OF FRIENDLY SOCIETIES
(\$ million)

	1992	1993	1993-94		1994-95			1995-96		
	June	June	March	June	Sept.	Dec.	March	June	Sept.	Dec.
ASSETS IN AUSTRALIA										
<i>Financial assets —</i>										
Cash and deposits										
Banks	1,224	1,029	678	2,218	906	828	898	1,775	995	969
Other deposit taking institutions	713	607	641	587	472	595	607	653	537	509
Loans and placements	858	647	614	614	609	605	588	535	550	511
Short term securities										
Bills of exchange	1,772	2,188	1,268	919	1,158	1,325	1,296	1,452	1,487	1,697
Bank certificates of deposit	570	614	284	847	1,075	917	1,039	996	1,250	1,246
Other short term securities	572	686	608	503	528	554	619	306	637	339
Long term securities										
Commonwealth government bonds	502	635	1,414	585	876	538	471	461	482	695
State and local government securities	1,089	1,118	1,824	1,077	1,443	1,464	1,479	664	816	751
Other long term securities	1,042	933	833	751	1,070	913	778	944	836	800
Equities and units in trusts										
Private trading corporations shares	67	70	161	100	95	75	82	103	122	120
Financial sector shares	28	30	30	30	32	38	38	37	35	38
Units in trusts	23	10	10	11	9	10	9	7	7	28
Other assets	123	107	346	230	113	187	207	163	70	61
<i>Non-financial assets —</i>										
Land and buildings	333	315	305	349	334	342	349	365	361	360
Other	72	193	43	188	68	66	73	70	65	63
Total assets in Australia	8,988	9,182	9,059	9,009	8,788	8,457	8,533	8,531	8,250	8,187
ASSETS OVERSEAS										
Total assets	8,988	9,182	9,059	9,009	8,788	8,457	8,533	8,531	8,250	8,187

Common Funds

Common funds are operated by Trustee Companies under the relevant State Trustee Companies Act. They permit trustee companies to combine depositors' funds and other funds held in trust in an investment pool, and invest the funds in specific types of securities and/or assets. Common funds have the same investment strategy and economic functions as cash management trusts and public unit trusts. However they do not operate in the same manner, in that they do not issue units, nor do they necessarily issue prospectuses.

The table below is compiled using data supplied from all 14 trustee companies operating in Australia as part of the ABS Survey of Balance Sheet Information. At the end of June 1995, trustee companies were managing 85 common funds throughout Australia.

Further information is available through subscription to a special data service.

COMMON FUNDS
Percentage change in selected assets for the quarter ended December 1995

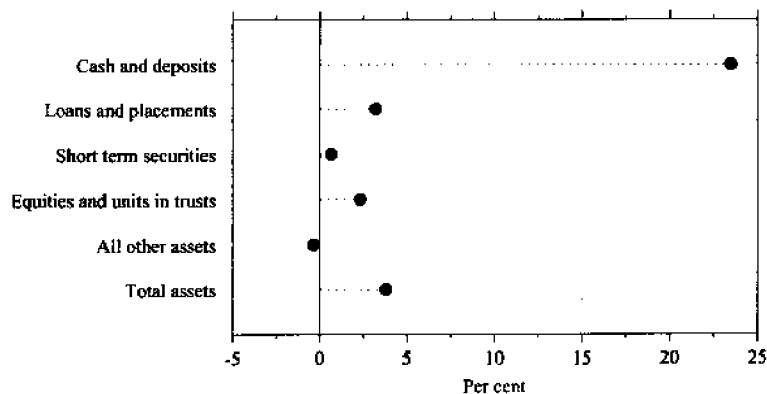


TABLE 7. ASSETS OF COMMON FUNDS
(\$ million)

	1992		1993		1993-94		1994-95			1995-96		
	June	June	June	June	March	June	Sept.	Dec.	March	June	Sept.	Dec.
ASSETS IN AUSTRALIA												
<i>Financial assets —</i>												
Cash and deposits												
Banks	332	345	237	308	235	271	244	298	320	382		
Other deposit taking institutions	195	207	184	194	169	231	142	132	106	144		
Loans and placements	872	950	1,031	1,089	1,127	1,139	1,177	1,170	1,126	1,162		
Short term securities												
Bills of exchange	1,655	1,389	1,390	1,367	1,332	1,190	1,201	1,304	1,359	1,401		
Bank certificates of deposit	186	184	149	162	188	172	193	226	275	292		
Other short term securities	240	244	221	202	128	119	156	204	239	192		
Long term securities												
Commonwealth government bonds	—	17	13	13	23	18	19	23	29	34		
State and local government securities	4	28	72	75	64	62	68	74	61	58		
Other long term securities	45	74	77	71	70	103	105	107	72	69		
Equities and units in trusts												
Private trading corporations shares	465	708	941	905	268	262	251	254	266	261		
Financial sector shares	190	267	363	345	249	214	212	219	246	259		
Units in trusts	5	47	42	50	61	63	68	68	48	53		
Other assets	2	1	—	—	—	—	—	—	—	—		
<i>Non-financial assets —</i>												
Land and buildings	143	105	105	103	94	94	91	86	87	87		
Other	—	—	—	—	—	—	—	—	—	—		
Total assets in Australia	4,334	4,566	4,825	4,884	4,008	3,938	3,927	4,165	4,234	4,394		
ASSETS OVERSEAS	39	7	—	—	—	—	—	—	—	—		
Total assets	4,373	4,573	4,825	4,884	4,008	3,938	3,927	4,165	4,234	4,394		

Cash Management Trusts

A cash management trust is a unit trust which is governed by a trust deed, is open to the general public and which generally confines its investments (as authorised by the trust deed) to financial securities available through the short term money market. Cash management trusts issue units in the trust that are redeemable by the unit holder on demand.

The information in the table below is compiled from data supplied to the ABS in the monthly Cash Management Trusts Survey. Currently there are 20 trusts in this survey.

Further information is available through subscription to a special data service.

CASH MANAGEMENT TRUSTS
Percentage change in selected assets for the quarter ended December 1995

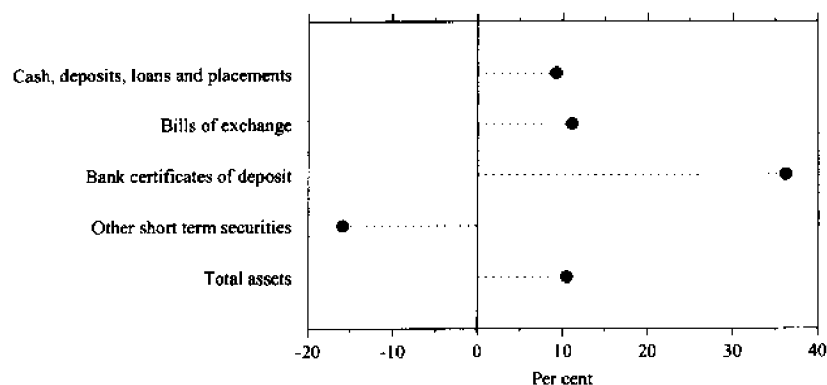


TABLE 8. ASSETS OF CASH MANAGEMENT TRUSTS
(\$ million)

	1992	1993	1993-94		1994-95			1995-96		
	June	June	March	June	Sept.	Dec.	March	June	Sept.	Dec.
ASSETS IN AUSTRALIA										
<i>Financial assets —</i>										
Cash and deposits										
Banks	240	268	361	1,026	550	622	507	452	565	595
Other deposit taking institutions	256	263	116	134	136	67	99	93	73	132
Loans and placements	35	14	75	32	172	216	94	119	140	124
<i>Short term securities</i>										
Bills of exchange	2,198	2,318	2,173	1,809	2,147	2,053	2,156	2,891	2,628	2,919
Bank certificates of deposit	1,007	1,170	1,667	1,484	1,292	1,100	1,107	884	1,187	1,617
Other short term securities	1,433	1,185	999	1,242	1,168	1,243	1,192	1,132	1,231	1,035
<i>Long term securities</i>										
Commonwealth government bonds	—	—	—	2	2	—	30	40	20	—
State and local government securities	72	n.p.	187	163	144	47	16	2	6	47
Other long term securities	91	n.p.	1	2	—	30	115	—	1	—
<i>Equities and units in trusts</i>										
Private trading corporations shares	—	—	—	—	—	—	—	—	—	—
Financial sector shares	—	—	—	—	—	—	—	—	—	—
Units in trusts	—	—	—	—	—	—	—	—	—	—
Other assets	13	7	11	19	11	19	13	13	16	17
<i>Non-financial assets —</i>										
Land and buildings	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
Total assets in Australia	5,344	5,316	5,590	5,915	5,623	5,398	5,329	5,625	5,868	6,484
ASSETS OVERSEAS										
Total assets	5,344	5,316	5,590	5,915	5,623	5,398	5,329	5,625	5,868	6,484

PART THREE: PROFESSIONAL FUND MANAGERS

Professional Fund Managers

A considerable proportion of the assets of managed funds in Australia (particularly the statutory funds of life insurance offices and superannuation funds) is invested through *Professional Fund Managers*. The amount the various types of managed and other funds have invested through professional fund managers is shown in the table below.

Professional fund managers act as investment managers and often as administrators for smaller funds, and as agents for other financial entities, on a fee for service basis. Whilst they accept individual portfolios for management they typically manage pooled funds, providing a sophisticated level of service, including matching return and risk, on behalf of their clients. Professional fund managers are generally life insurance offices, subsidiaries of banks, merchant banks, or organisations related to these types of institutions. They

can either be separately constituted legal entities or form a segment of a particular financial institution.

The funds professional fund managers invest remain the asset of their clients and are not brought to account on the balance sheet of the professional fund manager. The ultimate responsibility for the investment remains with the client. For example, if a superannuation fund had all or part of its assets invested through professional fund managers, the trustees of the superannuation fund remain responsible for the investments, not the professional fund manager.

The information presented in the table below is compiled using data from the ABS Survey of Balance Sheet Information and includes all significant professional fund managers operating within Australia. The information has been shown separately for amounts managed by professional fund managers on behalf of managed funds and on behalf of other funds.

PROFESSIONAL FUND MANAGERS—SOURCE OF FUNDS UNDER MANAGEMENT
Percentage change for the quarter ended December 1995

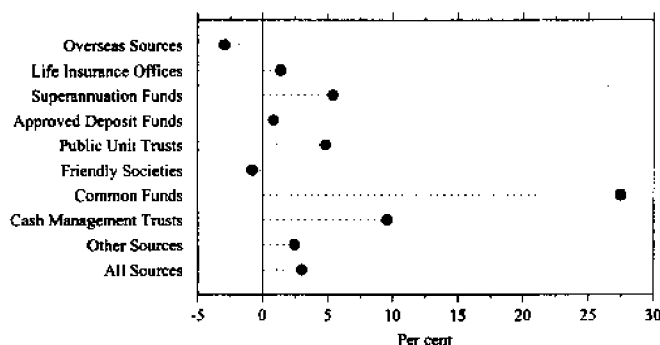


TABLE 9. PROFESSIONAL FUND MANAGERS — SOURCE OF FUNDS
(\$ million)

	1992	1993	1993-94		1994-95			1995-96		
	June	June	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Funds from Overseas Sources	1,858	2,439	4,240	4,443	5,272	4,552	5,206	6,458	7,498	7,279
Funds from Australian Sources										
Managed Funds										
Life Insurance Offices	98,129	106,476	113,976	113,067	111,629	110,002	110,934	115,193	119,451	121,108
Superannuation Funds	45,409	51,935	60,286	60,015	61,178	61,782	62,124	66,732	69,436	73,182
Approved Deposit Funds	9,183	9,607	9,640	9,180	9,012	8,462	8,340	8,575	8,506	8,577
Public Unit Trusts	17,786	20,368	26,482	26,602	26,722	26,529	27,928	30,032	31,280	32,787
Friendly Societies	6,822	6,959	6,354	6,280	6,565	6,154	6,124	6,249	6,270	6,220
Common Funds	288	305	355	354	374	509	1,916	1,937	1,958	2,496
Cash Management Trusts	4,069	4,048	4,332	4,638	4,387	4,292	4,167	4,326	4,555	4,991
Total Managed Funds	181,686	199,698	221,425	220,136	219,867	217,730	221,533	233,044	241,456	249,361
Other Sources										
Government	2,621	3,366	4,099	4,230	4,157	3,868	3,933	4,212	4,312	4,603
Charities	206	314	355	347	343	332	444	562	598	623
Other Trusts	1,099	783	1,199	1,684	1,859	1,637	1,788	1,974	2,165	2,932
General Insurance	8,586	10,504	12,712	12,439	12,137	12,086	11,927	12,407	12,715	13,474
Other sources	7,942	11,071	11,466	10,863	9,994	9,799	10,203	10,329	11,382	10,299
Total Other Sources	20,454	26,038	29,831	29,563	28,490	27,722	28,295	29,484	31,172	31,931
TOTAL	203,998	228,175	255,496	254,142	253,629	250,004	255,034	268,986	280,126	288,571

EXPLANATORY NOTES

Introduction

The statistics presented in this publication on managed funds in Australia have been compiled from the quarterly Survey of Balance Sheet Information conducted by the ABS and from selected data compiled from a new survey on superannuation funds conducted jointly by the ABS and the Insurance and Superannuation Commission.

Scope and coverage

2. The scope of the statistics presented in this publication relates to the assets of all managed funds operating in Australia. The term *Managed Funds* has been used to denote any fund whereby the monies of a number of investors are pooled together for the purpose of investing in a particular type or mix of assets, with a view to receiving an on-going return. However, funds of a speculative nature that do not offer redemption facilities (e.g. agriculture and film trusts) and funds not established for investment purposes (e.g. health funds and general insurance funds) are excluded. The types of managed funds covered by the statistics in this publication are:

- Statutory Funds of Life Insurance Offices,
- Superannuation Funds and Approved Deposit Funds,
- Public Unit Trusts,
- Friendly Societies,
- Common Funds, and
- Cash Management Trusts.

3. Statistics in this publication relating to the *Statutory Funds of Life Insurance Offices* are derived from the ABS Survey of Balance Sheet Information. This survey receives returns from 29 of the 51 registered life insurance offices operating in Australia, representing approximately 98 per cent of the total assets of statutory funds. Data have been extrapolated to provide 100 per cent coverage.

4. For *Superannuation Funds and Approved Deposit Funds* (ADFs) the information in this publication is derived from:

- Superannuation funds and ADFs that directly invest their assets on their own behalf, and
- Fund managers who invest the monies on behalf of superannuation funds and ADFs.

5. Up to and including the March quarter 1995, data on superannuation funds and ADFs that directly invest their assets on their own behalf was collected by the ABS Survey of Balance Sheet Information. From the June quarter 1995 the information on these superannuation funds is being obtained from a new survey run jointly by the ABS and the Insurance and Superannuation Commission. The statistics also include estimates, provided by the Insurance and Superannuation

Commission, for superannuation funds not currently surveyed.

6. For all other types of managed funds all registered organisations are covered by the ABS Survey of Balance Sheet Information, except the following;

- **Public Unit Trusts:** Information is obtained from data supplied in the quarterly ABS Public Unit Trusts Survey. Trusts which are exempted under Section 1069(3) of the Corporation Act from providing redemption facilities (e.g. film and agriculture trusts), trusts which do not seek funds from the general public, and some small trusts, are all excluded from managed funds statistics.
- **Cash Management Trusts:** Information is obtained from data supplied in the monthly ABS Cash Management Trusts Survey.

7. While friendly societies are covered by the Survey of Balance Sheet Information, data are only collected from the 25 largest friendly societies. This provides coverage of approximately 95 per cent of the total assets of friendly societies.

Basis of valuation

8. Respondents to the quarterly ABS Survey of Balance Sheet Information are requested to report assets at their market value.

Assets in Australia/Overseas

9. Assets in Australia include land and buildings located in Australia and financial claims on residents; assets overseas include land and buildings located overseas and financial claims on non-residents. A resident is any person, corporation or other entity ordinarily domiciled in Australia, except foreign embassies, consulates and military establishments located in Australia, which are classified as non-resident. Non-residents also include any persons, corporations or other entities ordinarily domiciled overseas. Entities located in Australia which are owned by non-residents are classified as resident of Australia (e.g. a branch or subsidiary of an overseas company). Overseas branches or subsidiaries of Australian companies are non-resident.

Financial instruments

10. The classification of financial instruments in this publication follows that contained in the ABS publication *Australian National Accounts, Financial Accounts* (5232.0). Definitions of the various types of instrument are given below.

Cash and deposits

11. *Cash* covers notes and coin on hand. *Deposits* are credit account balances with *deposit-taking institutions* as defined by the Reserve Bank. These are Banks and Cash Management Trusts and all corporations registered under the *Financial Corporations Act* except for Intra-group Financiers and Retailers. Bonds, debentures, notes and

transferable certificates of deposit issued by deposit-taking institutions are classified as *long term assets* and negotiable certificates of deposit issued by banks as *Bank certificates of deposit*.

Loans and placements

12. *Loans* are intermediated borrowings which are not evidenced by the issue of debt securities. An example of this would be money borrowed from a Life Office with a mortgage over property as collateral.

13. *Placements* are account balances with entities not regarded as deposit-taking institutions (see paragraph 10). Examples of these are account balances of funds with State governments' central borrowing authorities.

Short term securities

14. Debt securities are divided into short term and long term using *original* term to maturity as the classificatory criterion. Short term securities are those with an original term to maturity of one year or less. Issuers of promissory notes and bills of exchange do negotiate rollover facilities which allow them to use these instruments as sources of floating-rate long term funds. However, in these statistics the existence of rollover facilities does not convert what are legally short term instruments into long term ones.

15. There are four types of short term securities shown in this publication: bills of exchange, promissory notes, Treasury notes and bank certificates of deposit. All of these are issued at a discount to face value and are traded on well-established secondary markets with bills of exchange and certificates of deposit being the most actively traded. Professional traders call these short term instruments *money market securities*. Treasury notes are inscribed stock but the others are bearer securities, that is the owner of the assets is not registered with the issuer but physically holds the documents. Bearer securities are payable to the holder on maturity and transferable by delivery. Ownership of inscribed stock is recorded in a register and a non-transferable certificate of ownership is issued but the owner of the asset does not physically hold the documents.

16. *Bills of exchange*. A bill of exchange is an unconditional order drawn (issued) by one party, sent to another party for acceptance and made out to, or to the order of, a third party, or to bearer. It is a negotiable instrument with an original term to maturity of 180 days or less. Although merchant banks were the promoters of the bill market in Australia, today almost all bills are bank accepted. Acceptance of a bill obliges the acceptor to pay the face value of the bill to the holder upon maturity.

17. *Promissory notes*. A promissory note is a written promise to pay a specified sum of money to the bearer at an agreed date. It is usually issued for terms ranging from 30 to 180 days and is sold to an investor at a simple discount to the face value. A promissory note is different to a bill of exchange in that it is not 'accepted' by a bank and is not endorsed by the parties which sell it in the market place.

18. *Treasury notes*. These are inscribed instruments issued by the Commonwealth Government with original maturity terms of five, thirteen or twenty-six weeks. Treasury notes are included in these statistics as *other short term assets*.

19. *Bank certificates of deposit*. A certificate of deposit is similar to a promissory note except that the drawer is a bank. Most bank-issued certificates of deposit with an original term to maturity of one year or less are *negotiable* certificates of deposit or NCD's. *Transferable* certificates of deposit with an original term to maturity greater than one year are included in *long term assets*.

Long term securities

20. A long term security is a document which represents the issuer's pledge to pay the holder, on a date which, at the time of issue, is more than one year in the future, the sum of money shown on the face of the document. Until that future date the issuer usually promises to pay coupon interest to the holder quarterly or half-yearly at a rate which is fixed at the time the security is issued. These securities are therefore known as *fixed interest securities* in the professional market.

21. The following types of securities make up the category called 'long term securities' in this publication.

- Treasury Bonds and Australian Savings Bonds. These are issued to corporations and the general public by the Commonwealth Government.
- Various series of inscribed stock which are issued by State government owned borrowing authorities and enterprises. These are known as *state and local general government (or semi-government) securities by professional traders*.
- Debentures, transferable certificates of deposit and unsecured notes, which are collectively called *corporate securities* or *medium term notes* by brokers.
- Asset-backed bonds, such as mortgage backed securities.
- Convertible notes, prior to conversion.

22. The first two of these are published separately in this publication. The last three types are combined together as *other long term securities*.

Equities and units in trusts

23. This category comprises shares traded on an organised stock exchange, shares in unlisted companies, convertible notes after conversion, preference shares and units issued by both listed and unlisted unit trusts. Trust units are included in this classification because they have important characteristics of equities, such as entitlement to a share of the profits and of (on liquidation) the residual assets of the trust.

Other financial assets

24. This covers any other financial claims on residents that do not fit into the foregoing categories, such as trade credit, interest accruals and other derivative (but not synthetic) financial products. Synthetic financial products combine a primary financial instrument with a derivative financial instrument and are classified to the category appropriate to the primary instrument used.

Non-financial assets

25. Non-financial assets comprise all those assets which are not financial in nature: i.e. physical assets. For the purposes of these statistics they are broken down into only two categories; land and buildings, and other types of non-financial asset.

26. *Land and buildings* refers to land and buildings held and the value of units in unitised buildings. New acquisitions are reported at acquisition cost and existing assets are reported at the latest available market valuation.

27. *Other non-financial assets* refers to all assets not classified elsewhere except for overseas assets (see below).

Assets overseas

28. Assets overseas include physical assets located overseas and financial claims on non-residents. See paragraph 8 for definition.

Revisions and Changes to Content

29. Revisions to previously published statistics are included in this publication. (See special note on Page 2 of this publication relating to major revisions to the statistics in certain tables.)

30. The split of total assets into superannuation funds and approved deposit funds is no longer available due to the introduction of the joint ABS/Insurance and Superannuation Commission Survey of Superannuation. The introduction of the new Superannuation Industry (Supervision) legislation has made the distinction between the two fund types obsolete.

Related publications

31. Users may also wish to refer to the following ABS publications of related data which are available on request:

Australian National Accounts, Financial Accounts (5232.0) — issued quarterly

Symbols and other usages

- nil, or rounded to zero
- n.a. not applicable
- n.p. not available for publication but included in totals where applicable, unless otherwise indicated

32. Discrepancies may occur between sums of the component items and totals due to rounding.

W. McLennan
Australian Statistician

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