

## Zenith Media Release

### Investment bonds and Scholarship funds on the rise, says Zenith

Wednesday November 2, 2016

Investment bonds have seen a resurgence of interest in recent times after operating below the radar for many years, according to Zenith Investment Partners latest 'Investment Bond Sector Review'. Dugald Higgins, Zenith Senior Analyst said "As at 31 March 2016, investment bonds as an industry held Funds Under Management (FUM) of \$7 billion. However, the industry continues to be split between active issuers of investment bonds (those being open to new investors) and those which are essentially in run-off mode, keeping the total invested figure relatively stable".

It is difficult to determine what proportion of funds that flow into the investment bond sector is a result of people seeking an alternative to superannuation. However, the sector should be well placed as a beneficiary of continued political unrest around the issue.

"The persistent threat of legislative changes to superannuation appears to be undermining the confidence of many users", said Higgins. "The government has reiterated that the main purpose of superannuation is to provide retirees with an income in retirement and is not intended as a vehicle for intergenerational wealth transfer. The reductions in contribution caps are formulated around those principles".

"This has many questioning the attractiveness of adding to superannuation should additional tightening of concessions and changes to the preservation age occur. There is also anecdotal evidence to suggest that voluntary contributions tend to decrease during periods when changes to the superannuation system are expected. We see these and other themes as being strongly supportive of growth in the sector going forward".

The report also states that Active investment bond issuers are driving the reinvigoration of the sector. These issuers continue to concentrate on repositioning their investment menus to offer more modern investment options and reflect changes in consumer demand.

Proactive issuers also continue to streamline usage of bonds for various purposes, further facilitating interest in these products.

The report also examines the uses of scholarship plans in comparison to alternative education funding strategies.

#### Summary of the Zenith 2016 Investment Bond Sector Review:

From an initial universe of 13 products:

- 2 were rated "Highly Recommended"
- 1 was rated "Recommended"
- 10 were "Not Rated"

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