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The new LICs on the block

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The array of new LICs coming to market will give do-it-yourself superannuants more reasons to walk away from cash and unlisted managed funds.

Five new Listed Investment Companies (LICs) have made their debuts on the Australian Stock Exchange since December last year (see table), with another two new LIC listings planned in the next month. There were 57 LICs listed on the ASX at the end of June this year.

With financial advisors drumming into DIY investors – who are heavily invested in shares in the big four banks and big brand-name unlisted managed funds – the need to diversify, these new LICs are squarely aimed at growing their shares of the SMSF market.

The soon-to-be-listed LICs backed by established funds management groups are unabashedly seeking to take advantage of the trend towards diversification.

Anton Tagliaferro's Investors Mutual will list QV Equities in August, the listed investment company that will invest in companies outside the ASX's top 20 companies.

The offering is a reflection of the professional advice industry's push for SMSFs to diversify their holdings away from the big banks, Telstra, Woolworths and BHP Billiton.

Meanwhile, the former boss of Hyperion Asset Management, renowned Australian small caps funds manager Dr Manny Pohl, will launch Barrack Street Limited, a new LIC targeting small and mid-cap listed Australian equities. Pohl recently started boutique Australian equities manager ECP Asset Management.

Cadence Capital is among the more established boutique LICs offering SMSFs an alternative to their existing mainstream holdings. Late last year, Cadence raised less $100 million via a private placement for its popular LIC long/short Australian strategy.

Recently listed LICs

Entity	Code	Listing date	Last share price ($)
Blue Sky Alternatives Access Fund	BAF	16/06/2014	1
PM Capital Asian Opportunities Fund	PAF	22/05/2014	0.94
Acorn Capital Investment Fund	ACQ	1/05/2014	0.87
PM Capital Global Opportunities Fund	PGF	12/12/2013	0.95
Sandon Capital Investments	SNC	23/12/2013	0.95

Source: ASX

Funds manager PM Capital was the most recent manager to take advantage of the trend for SMSFs to diversify into international equities. Since December last year, PM has launched two new funds - one global opportunities funds and a second Asian opportunities fund, based of the manager's existing global and Asian equities strategies.

The appeal of the LIC structure has always been the relative ease retail investors can buy and sell units in a professionally managed fund.

LICs are bought and sold on the ASX just like ordinary shares. Distinct from unlisted managed funds in which unit holders buy shares in the trust at the price calculated based on the value of the underlying portfolio, investors in LICs will buy or sell shares based on the price the market attributes to the listed entity at any given time.

The closed-end structure of LICs has its advantages for the long-term investment horizon of the fund because it means the manager won't need to liquidate positions if investors seek redemptions. LIC managers also say they are able to manage franking credits better through fund distributions.

Despite the structure's selling points to the DIY superannuants, LICs have still attracted only a small proportion of growing $500 billion-plus SMSF market.

SMSFs have invested around $18 billion in listed trusts, including exchange traded products at the end of June last year.

This compares to the larger $66.5 billion invested in unlisted managed investments and unlisted trusts, the $158 billion SMSFs invested in direct equities and $154 billion invested in cash, according to Australian Tax Office figures.

But the new wave of LICs are making a strong case to capture the money not only entering SMSFs but moving within the segment that makes up more a thirst of Australia's total retirement savings pool.