



Investment and Financial
Services Association Limited

Attitudes of Australian Investors

Research for the Investment and Financial Services Association by

Crosby Textor

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Objectives

IFSA set out to assess the attitudes of Australian investors in relation to the managed funds industry – particularly managed investments and superannuation. The results of this research are to provide the basis of a benchmarking study, which, overtime will form the consumer sentiment index.

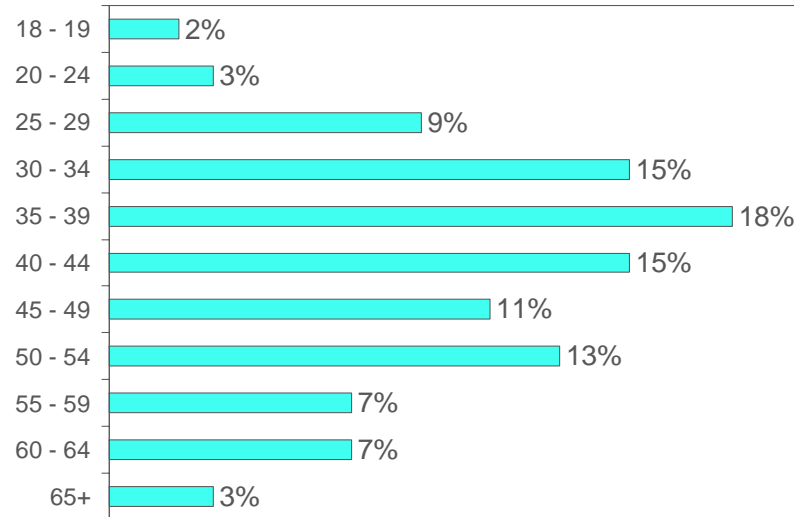


Research Methodology

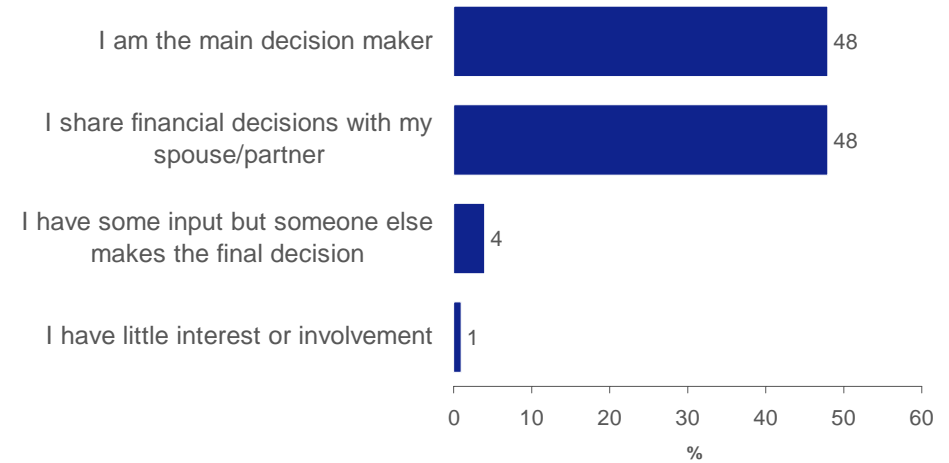
- The research program included qualitative and quantitative phases.
- The qualitative research was used to develop the quantitative research presented here.
- Qualitative:
 - 4 focus groups of 8-9 participants
 - Conducted on the 25th & 26th May 2004
 - Melbourne and Sydney respectively
 - Min. of 4 with managed fund investments of > \$25,000
 - Min. of 4 investors with super investments (self-managed, public, industry or other) of > \$25,000
- Quantitative:
 - 15 minute on-line survey
 - Conducted on 23-29 June 2004
 - Sample of n=600 investors with managed investments (superannuation and managed funds) of \$25 000 or more Australia-wide
 - Sample included n=400 respondents with managed fund investments of \$25,000 or more and n=200 respondents with superannuation fund managed investments (self-managed, public, industry or other) of \$25,000 or more

Age, Gender & Investment Profile

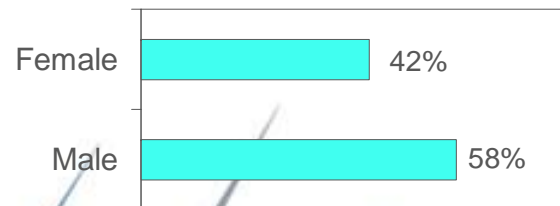
Age



Investment profile



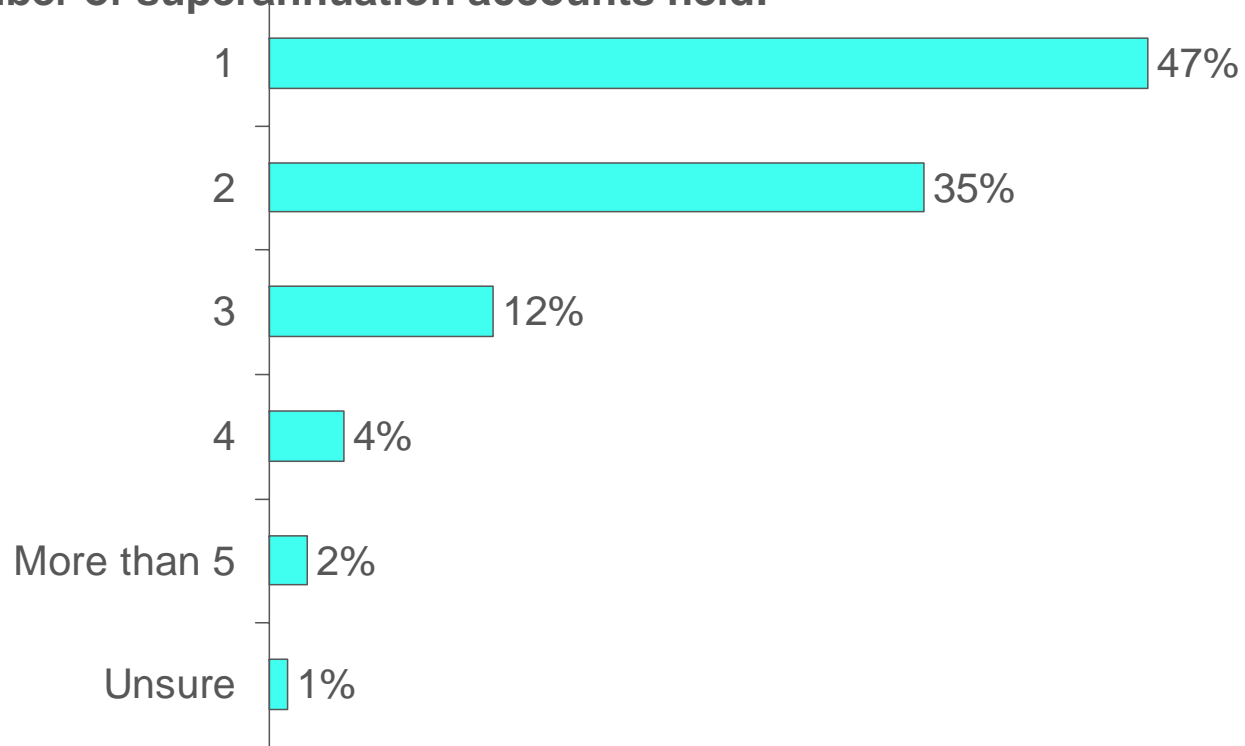
Gender



Base: All respondents (n=600)

Over half of respondents have 2+ super accounts

Number of superannuation accounts held:



Question: How many superannuation accounts do you have?

Base: All respondents with superannuation accounts over \$25,000 (n=496)



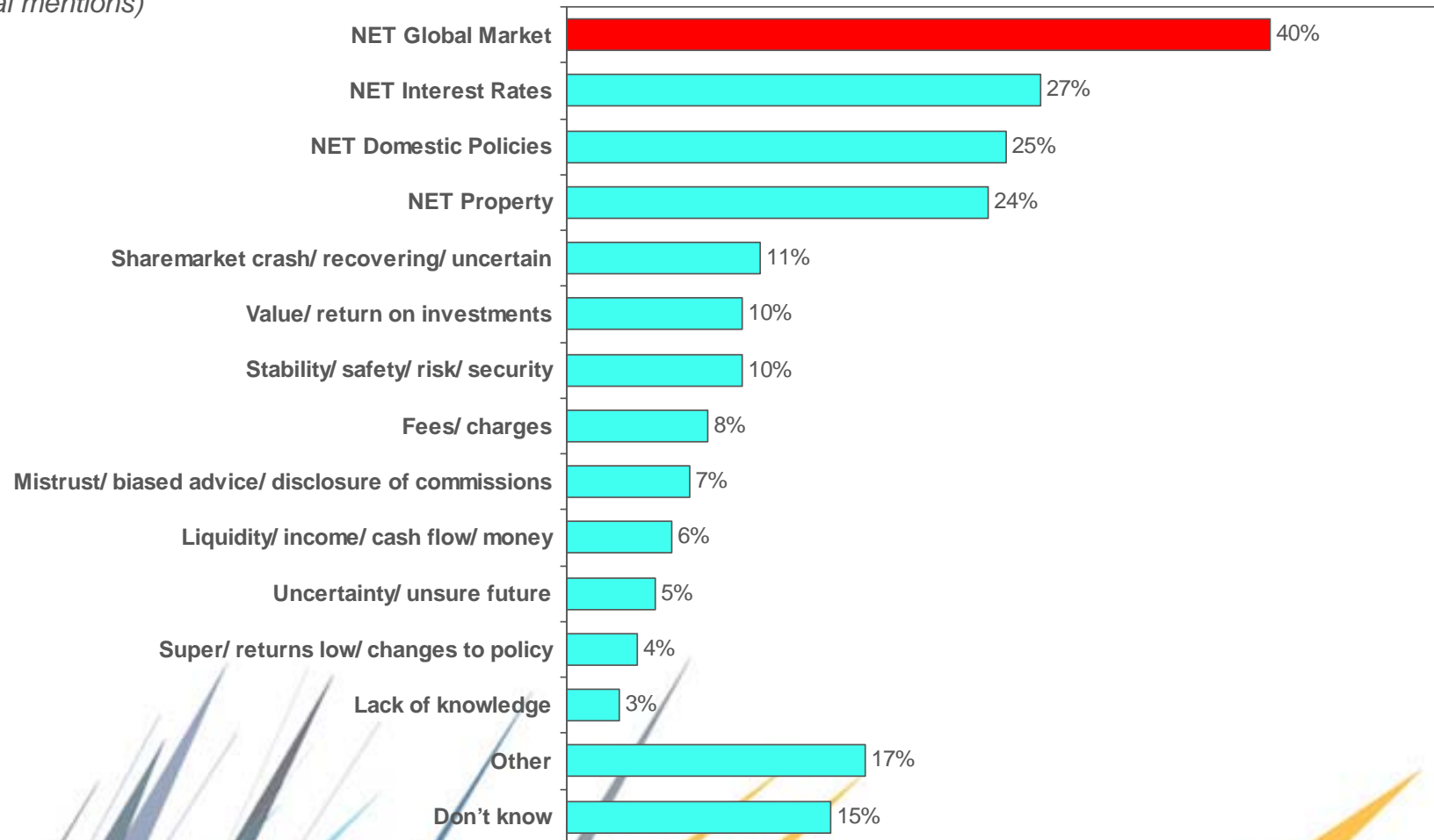
Research Findings: Overall Sentiment



The global market believed to be the most important issue facing the investment market

Top of mind, most important issues facing the investment market...

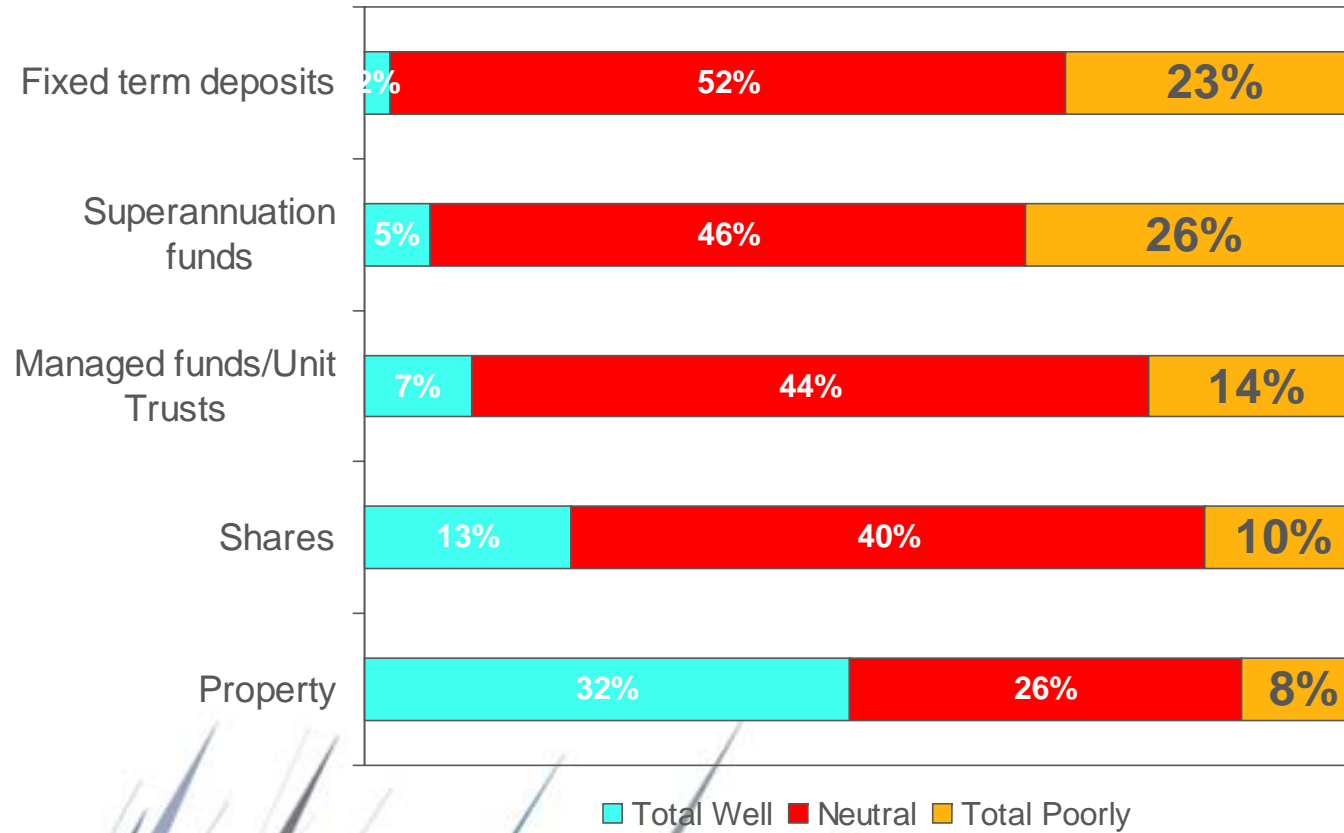
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Question: From your perspective, what are the top three issues currently facing the investment market that are affecting your investment decisions? [UNPROMPTED]

Base: All respondents (n=600)

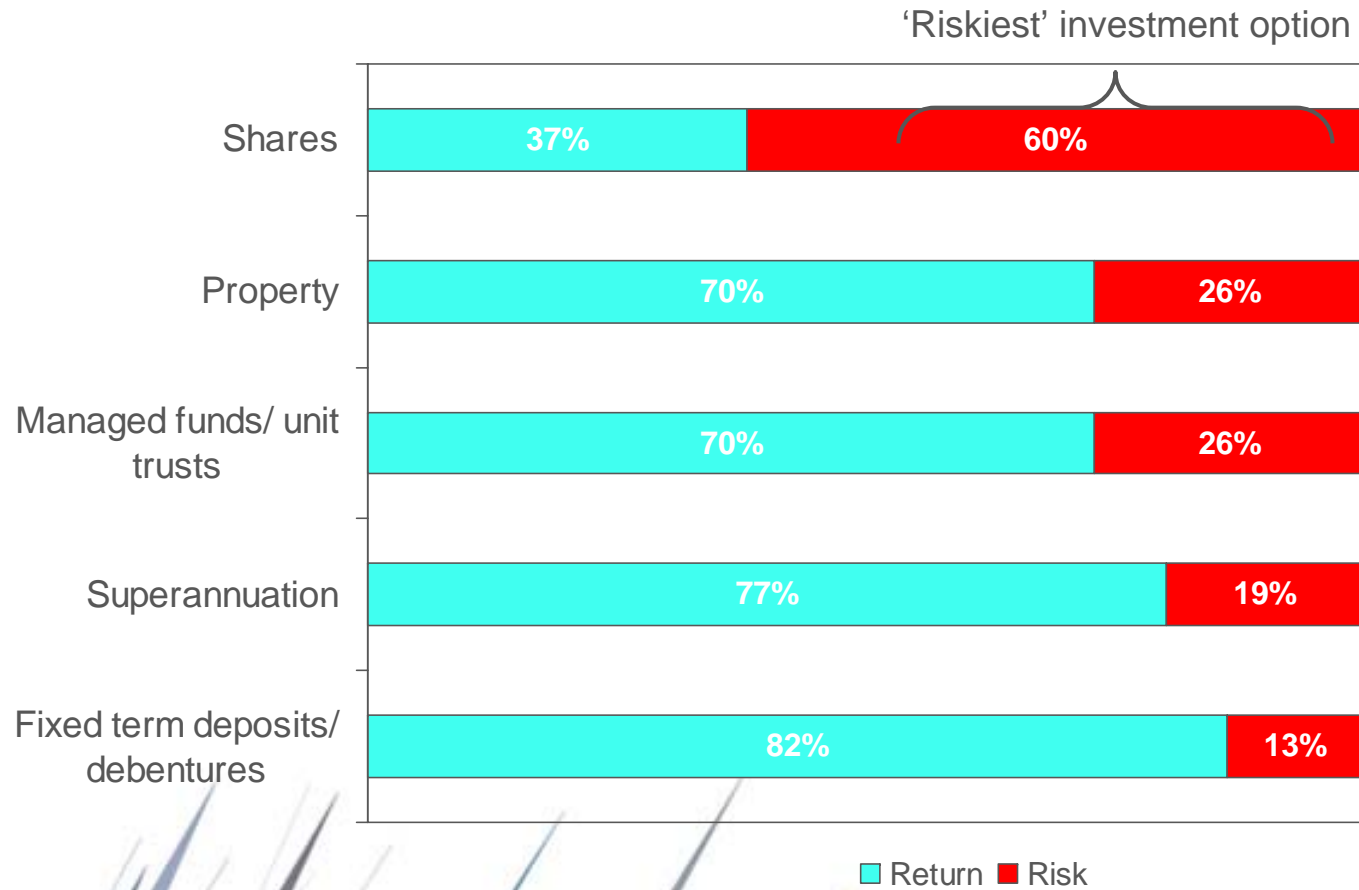
Uncertainty over investment performance over the last year



Question: Overall, how well would you say each of the following investment options has been performing over the last year? Please use a scale of 0-10 where 0= extremely poorly and 10= extremely well

Shares perceived as the 'riskiest' option

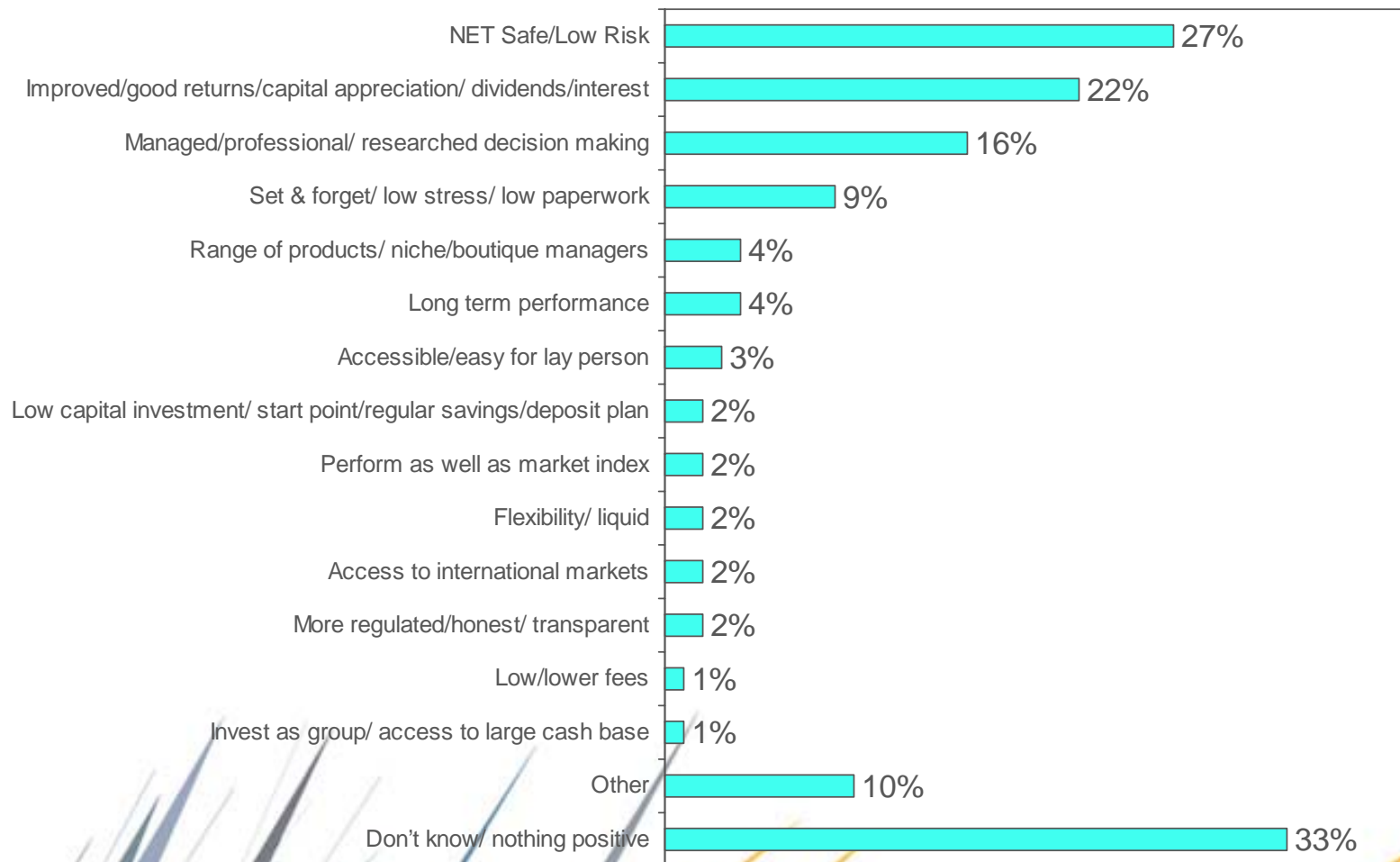
Risk vs Return



Question: Please now consider the following investment options and select whether return or the level of risk would most influence your decision whether or not to invest in each.

Base: All respondents (n=600)

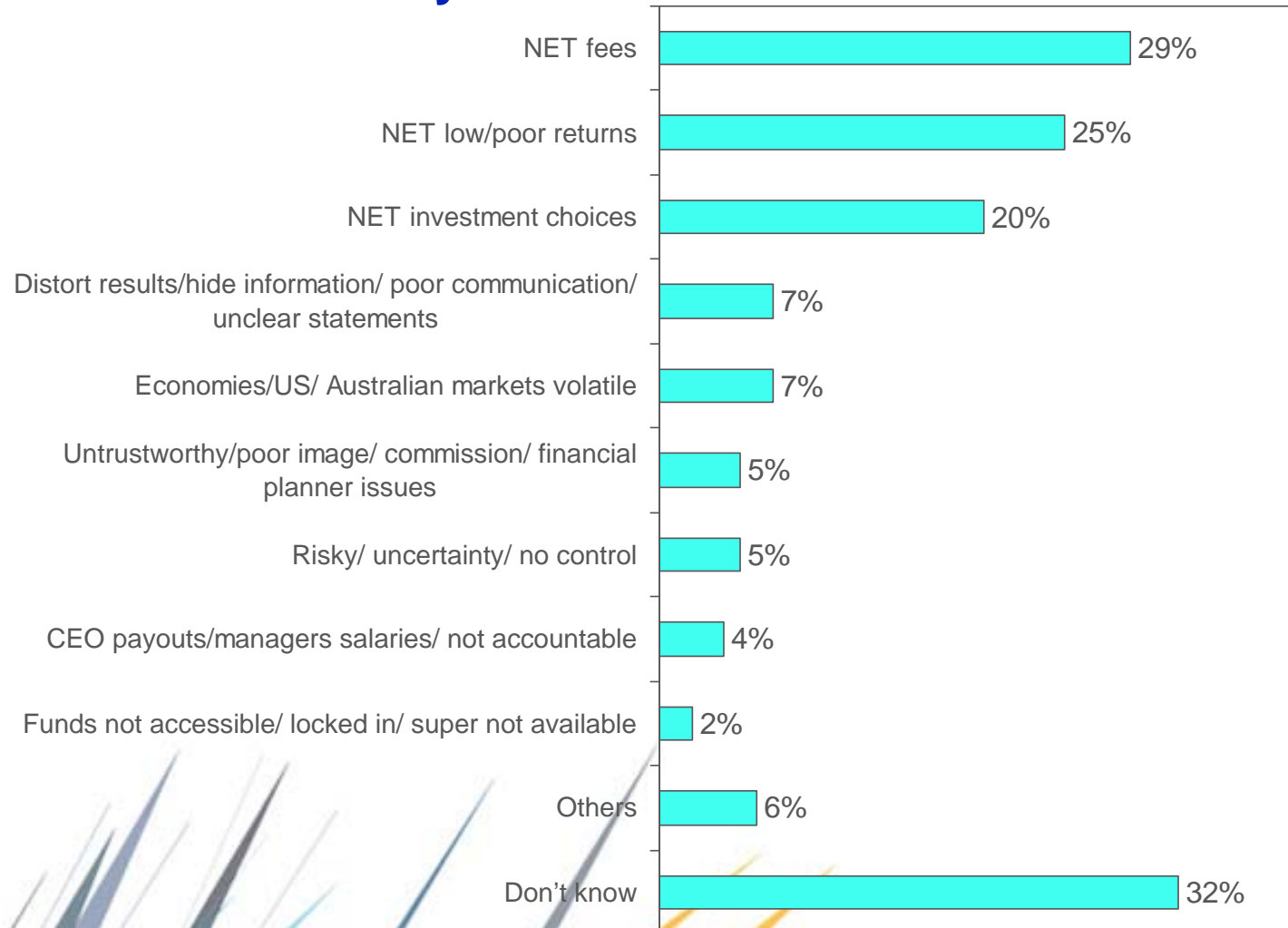
Managed investments a safe, low risk investment option



Question: Thinking now just about managed investments – both managed funds / unit trusts and superannuation funds, in what ways do you have a favourable impression of managed investments? Please identify your top two ways managed investments have been doing well. [UNPROMPTED]

Base: All respondents (n=600)

Of those who view managed investments unfavourably, fees and returns are key drivers



Question: On the flip side now, in what ways do you have a negative impression of managed investments – managed funds / unit trusts and superannuation funds? In other words, in what ways would you criticise them? Again, please identify your top two ways managed investments haven't been doing well. [UNPROMPTED]

Base: All respondents (n=600)

Overall Sentiment

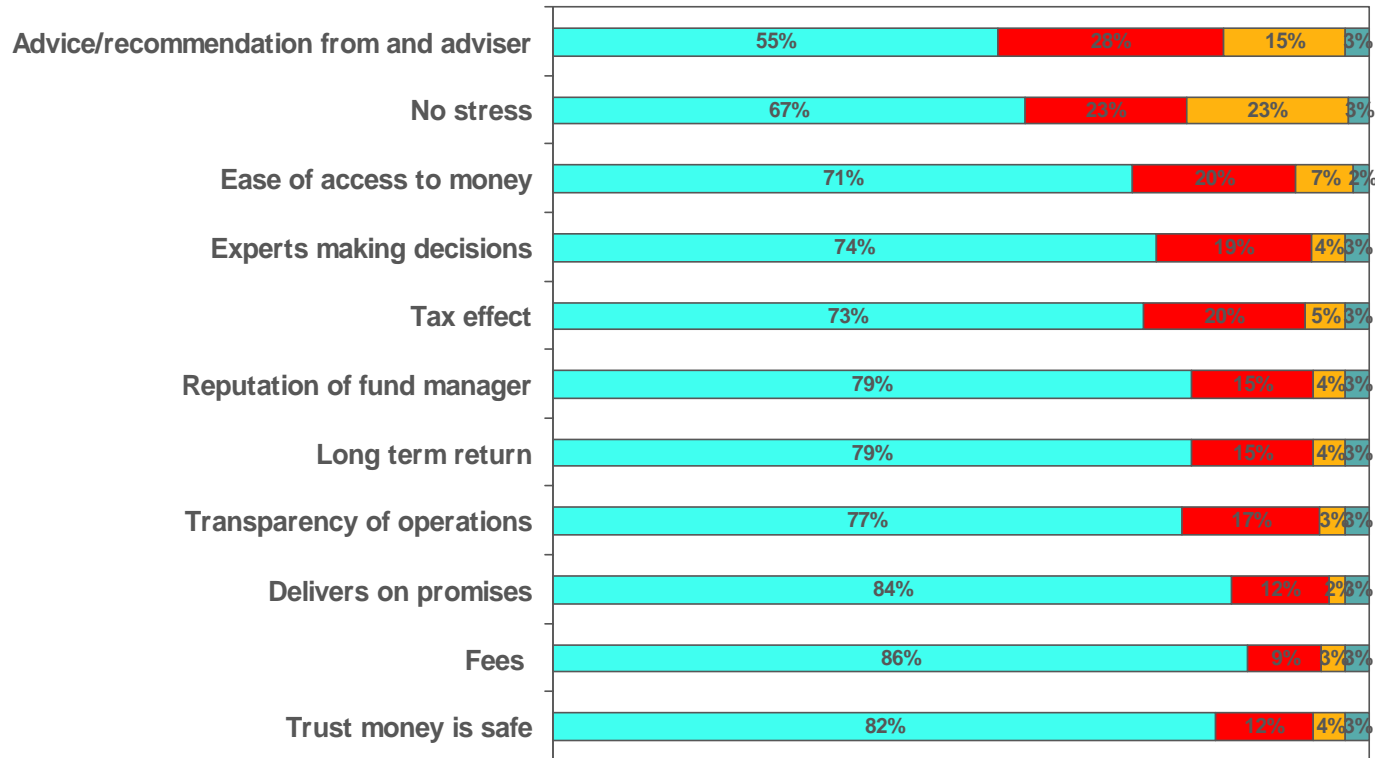
- Investors are watching the investment market, concerned by a number of factors which appear to be resulting in a cautious, low risk approach to investing.
- The global market was identified as the most important issues currently facing the investment market and affecting personal investment decisions. This was driven in particular by concerns about 'terrorism and war'
- Domestically, concerns centred around the current state of the investment market, the declining property market and recent low returns from managed investments.
- Despite these hesitations the qualitative research suggested investors appeared to expect that performance of managed investments and superannuation funds would improve. For many investors who favour a long term approach to investment, managed funds are seen as providing benefits of being long term, lower risk options.



Research Findings: Drivers of Sentiment



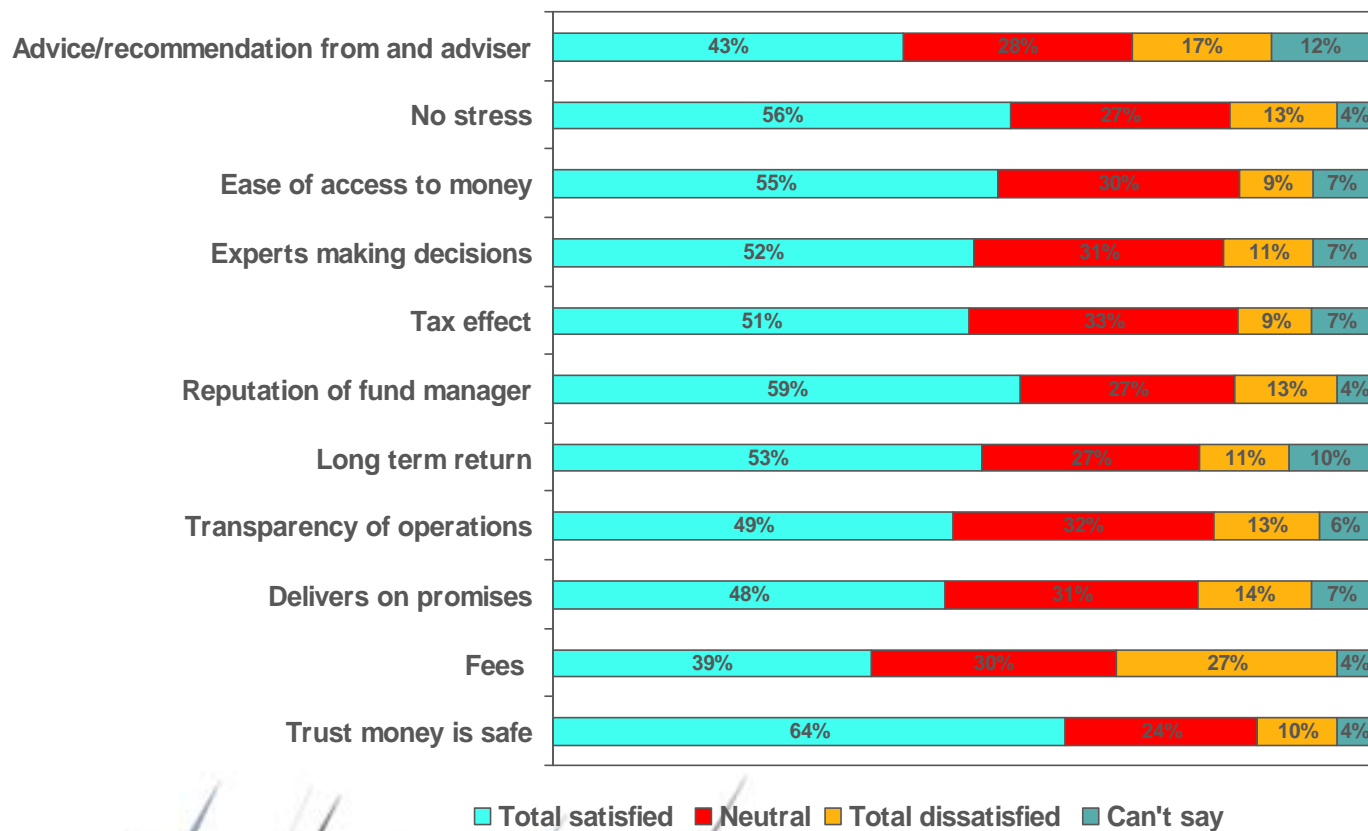
Importance in influencing levels of satisfaction with managed investments



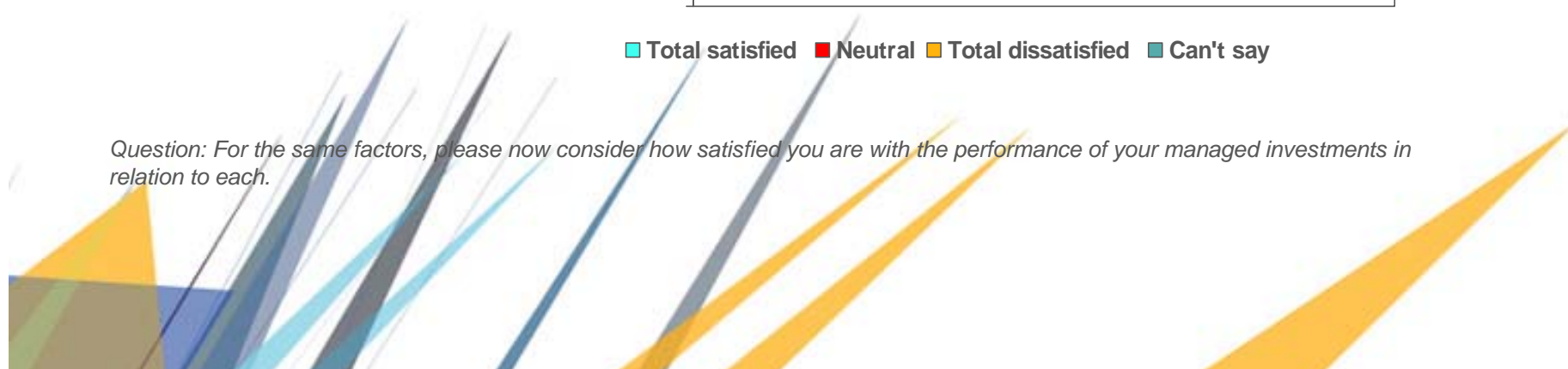
■ Total important
 ■ Neutral
 ■ Total not important
 ■ Can't say

Question: Now I'd like you to consider a number of factors which people have told us are important in influencing their level of satisfaction with their managed investments. Please consider each and whether they are critically important to how satisfied you are with your managed investments.

Performance of the factors influencing levels of satisfaction with managed investments



Question: For the same factors, please now consider how satisfied you are with the performance of your managed investments in relation to each.



Drivers of sentiment

- Key areas of importance to investors that they are generally satisfied with:
 - ◆ Trust my money is safe
 - ◆ Reputation of the investment operator / fund manager
 - ◆ Long-term return on investment
 - ◆ Ease of accessing money
 - ◆ Tax effectiveness
 - ◆ No stress
 - ◆ Experts making the decisions

- Key areas investors would like to see continued improvement in:
 - ◆ Fees and charges
 - ◆ Delivering on promises
 - ◆ Transparency in all aspects of operations
 - ◆ The role of advice.

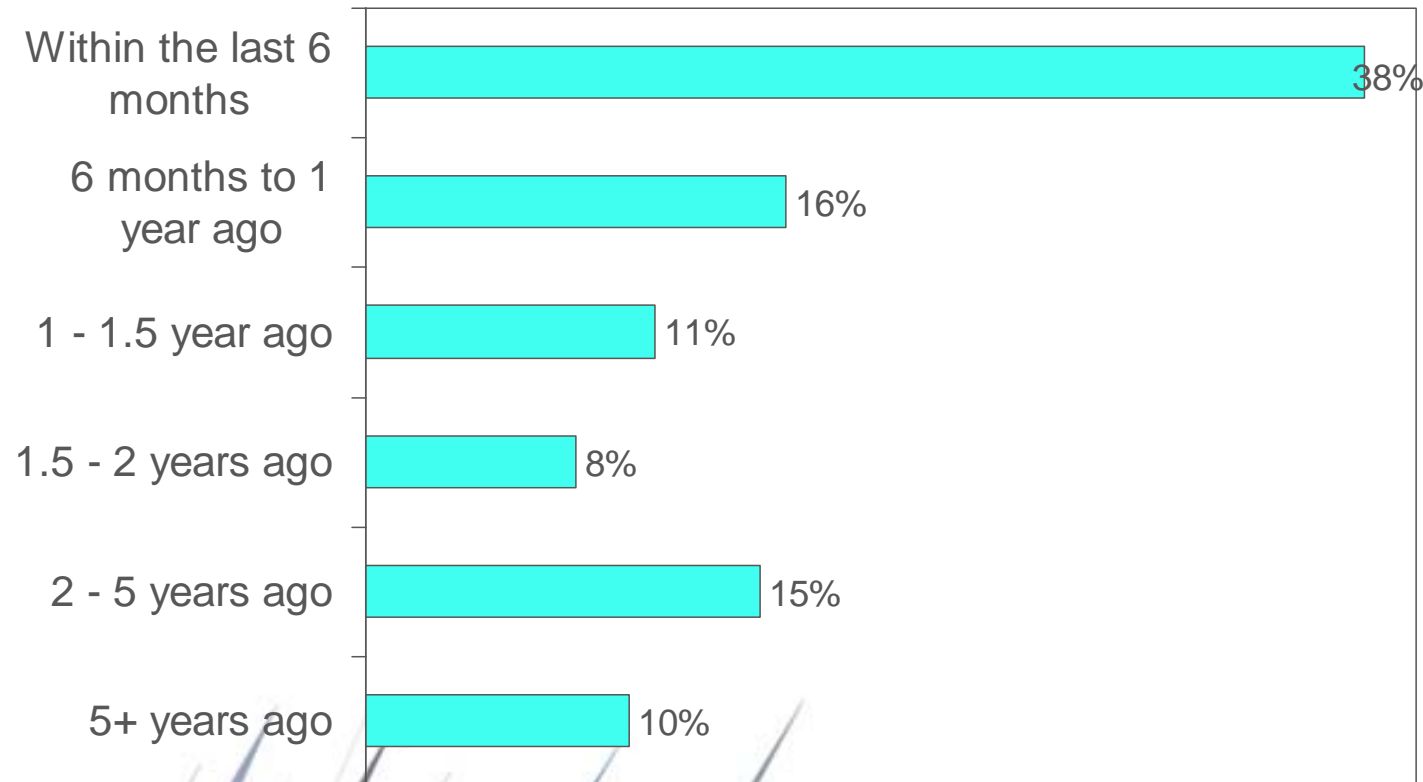


Research Findings: Financial Advisers



The majority of investors have sought financial advice

80% of respondents have sought advice from a qualified financial adviser and over half (54%) have seen a financial adviser within the last year:



Question: Have you ever sought advice from a qualified financial adviser?

Base: All respondents (n=600)

Question: When was the last time you sought advice from a financial adviser?

Base: All respondents who have ever sought advice from a qualified financial adviser (n=482)

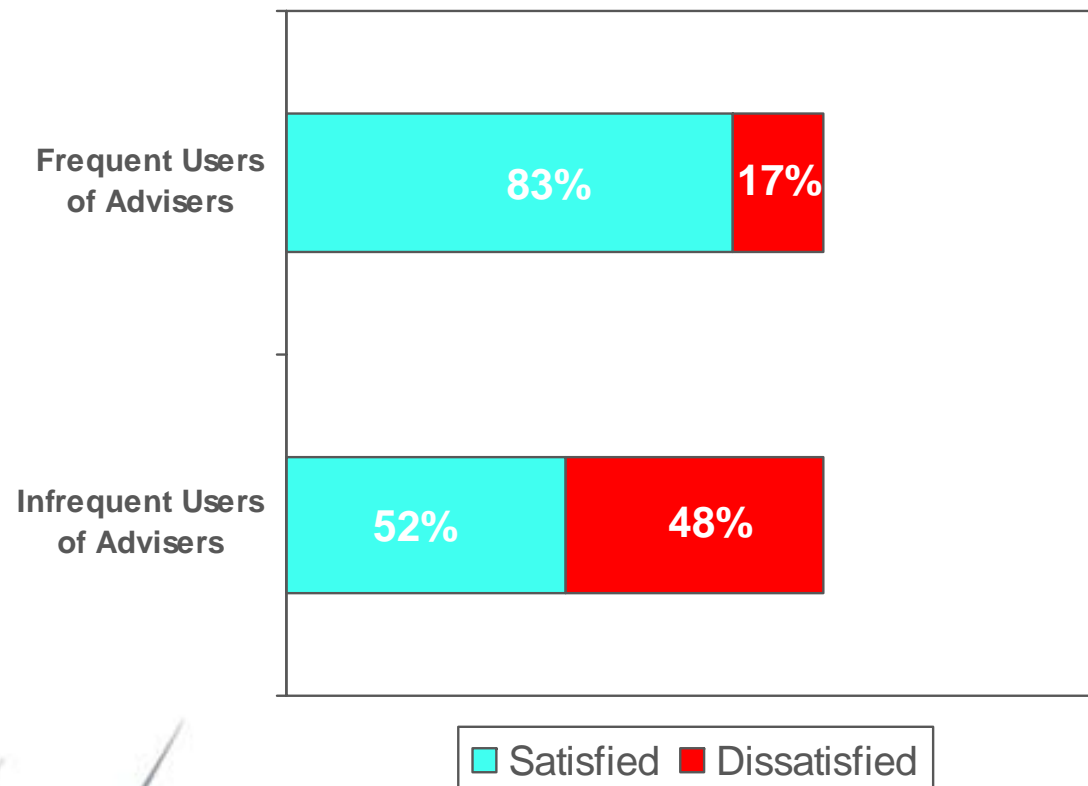
Those who use financial advisers frequently are more satisfied

54% of investors frequently seek advice from a qualified financial adviser:

At least every 6 months: 25%
 At least once a year: 24%
 At least every 18 months: 5%

42% of investors infrequently seek advice from a qualified financial adviser:

At least every 2 years: 10%
 At least every 2-5 years: 13%
 Less than every 5 years: 19%



Question: Generally, how often would you say you seek advice from a qualified financial adviser?

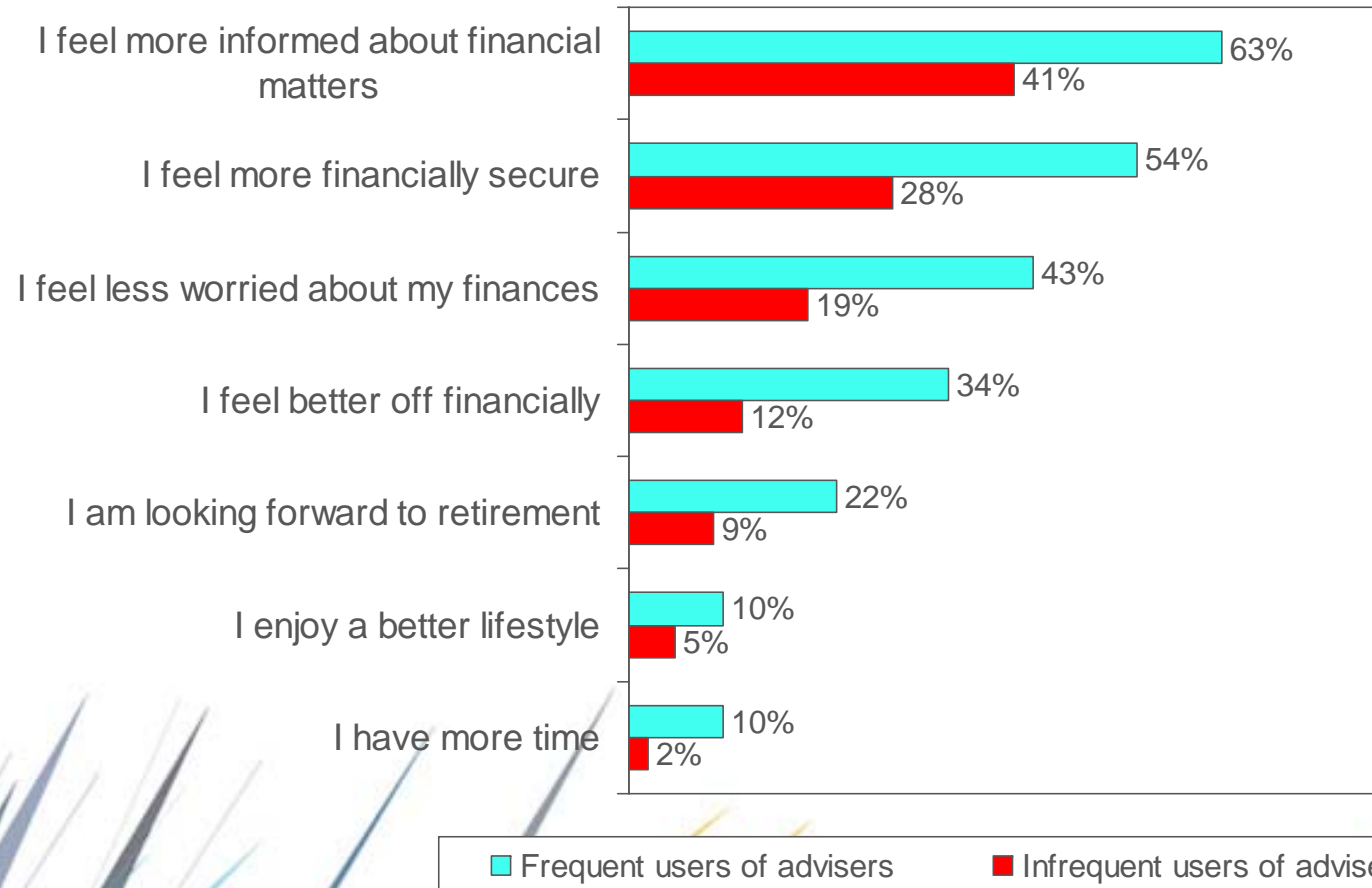
Question: Regardless of what you think about financial advisers in general, how satisfied would you say you've been with your personal experience with financial advisers?

Base: All respondents who have ever sought advice from a qualified financial adviser (n=482)

Financial advisers – adding value to the lives of investors



Investors feel more informed and financially secure due to their experience with financial advisers...



Question: *In what ways do you feel your financial adviser has added value to your life?*

Base: All respondents who have ever sought advice from a qualified financial adviser and have been satisfied (very satisfied + somewhat satisfied) with their experience (n=348)

Advice – the key to satisfaction

- Just over half the respondents said that advice or a recommendation from others is important in influencing their satisfaction with their managed investments.
- 80% of respondents have sought advice in the past, just under three quarters of which were satisfied with the advice they received. Those who seek advice frequently are significantly more likely to be satisfied with their experience of advice than those who sought advice infrequently.
- Fees, performance and value through advice are all linked. Those who were happy with their short term and long term performance of their fund were far more likely to state they were satisfied with the fees. Likewise, those that believed advice to be important, who had sought advice and use an adviser regularly, were all significantly more satisfied with the fees and charges.
- Of those who were satisfied with the advice they received, almost 90% could state one or more ways in which their financial adviser adds value to their life.

