

Investor Sentiment 2006 Improving Financial Understanding & Creating Positive Messages for Investors

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- December 2006



Project background

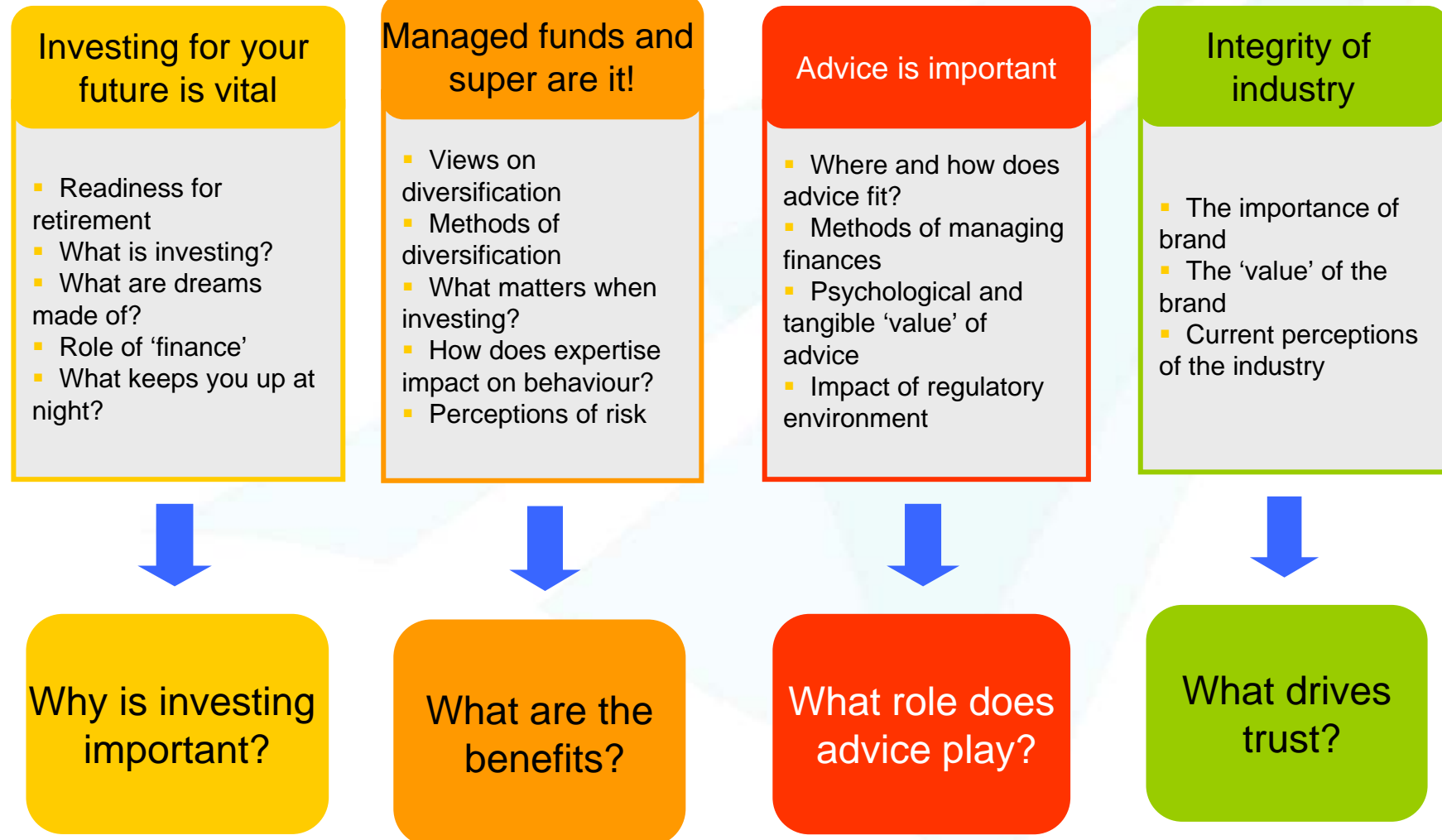
- A core objective for IFSA is to build consumer confidence in the industry and improve financial understanding
- Over time, IFSA has commissioned a range of consumer research studies that provide a view on attitudes towards investing
- These studies provide a sound platform for future learning about consumer attitudes and behaviour
- Further consumer research was required to deepen the industry understanding of the issues driving consumer attitudes and behaviour
- This presentation will illustrate practical and effective means of building on existing consumer knowledge and digging deeper to uncover the hidden drivers of behaviour

IFSA's brief

- Build on existing investor/consumer research, to benchmark consumer attitudes to managed funds and investing and identify means of growing interest in and usage of managed investment
- Identify some of the current barriers to investing, giving the industry a sense of what needs to change in order to appeal to consumers
- Identify groups in the investment population who require specific strategies for growing their interest in managed investments
- Defining marketing messages that will have most impact in generating a positive disposition towards managed investments and the industry

The research focus

What is covered?



Study objectives

- **Develop** robust, meaningful measures benchmarking industry performance in generating positive attitudes towards investing
- **Generate** insights that help create IFSA's key campaign messages and that are likely to spark media interest
- **Progress** industry understanding of the factors that lead to positive attitudes and behaviour in the investment community

Challenging existing assumptions

Uncovering hidden drivers

- Overt measurements of importance cannot reveal these relationships. Analysing overt importance against satisfaction is risky and may lead to erroneous outcomes

Study design



**n=1000 Online
interviews**

**Managed Funds
Investors
(\$10k plus)
n=484**

**Non Managed
Funds Investors
(\$10k plus)
n=261**

**Super Only
(\$25k plus)
n=197**

**Active Investors
n=806**

**Passive Investors
n=98**

Definition of investors

Throughout this presentation there are references to various groups of investors.

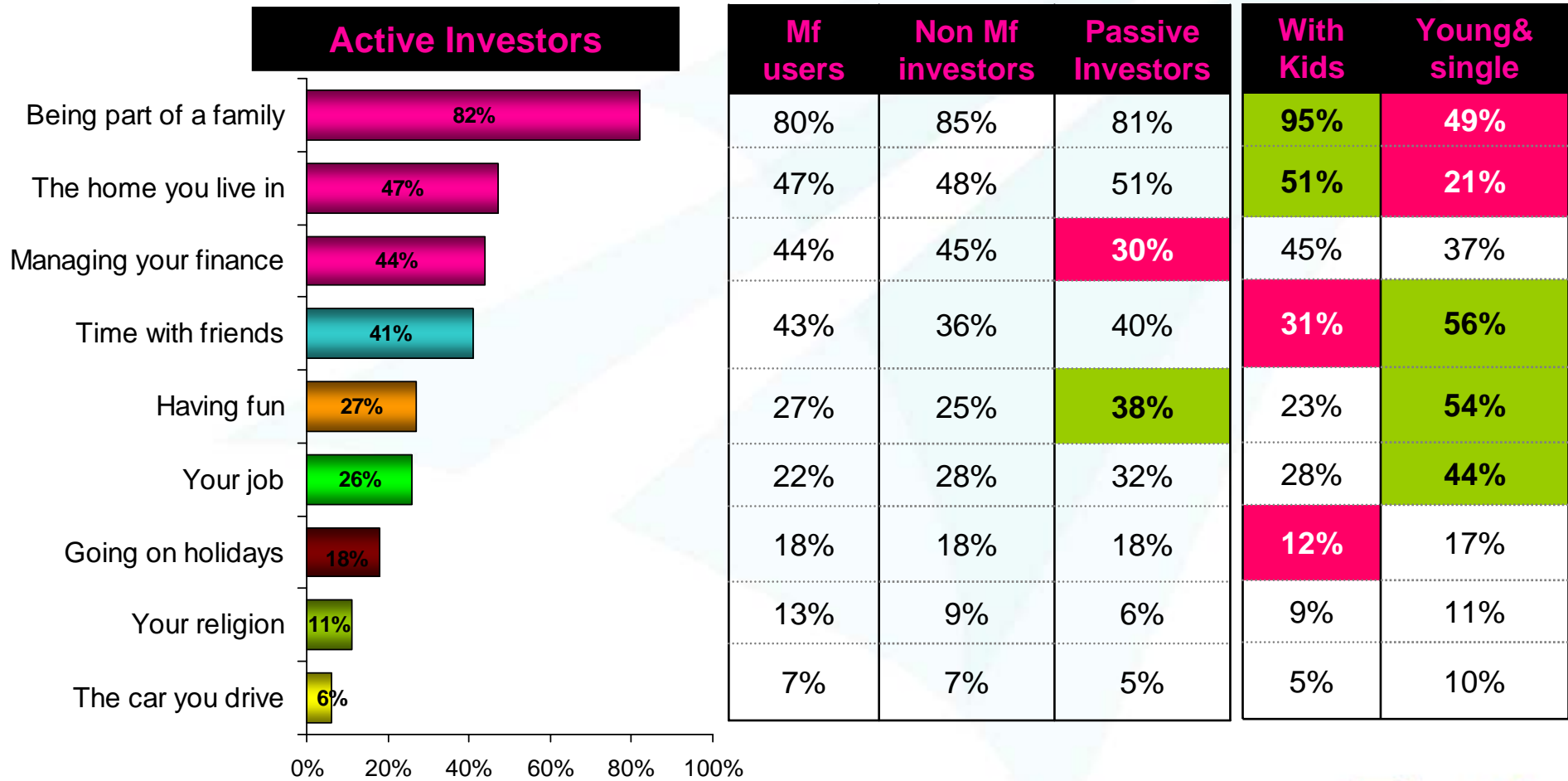
- **Active Investors** – Investors with \$10K+ in any investment plus those with Super Investments over \$25,000 and making additional contributions to their Super fund
 - **MF Users** - Investors with Managed Funds over the value of \$10,000
 - **Non MF Investors** – Investors with any investments over the value of \$10,000 excluding Managed Funds
 - **Passive Investors** – Super investments over \$25,000 and not making additional contribution to their Super fund
-
- **Successful Investors** – Active investors who agree that they felt/feel confident that they have/had saved enough to retire
 - **Non Successful Investors** – Active Investors who agree that they worry about outliving their retirement savings or that they hope to come into money so they have enough for retirement

AUSTRALIAN INVESTMENT LANDSCAPE



What is 'important' in people's lives?

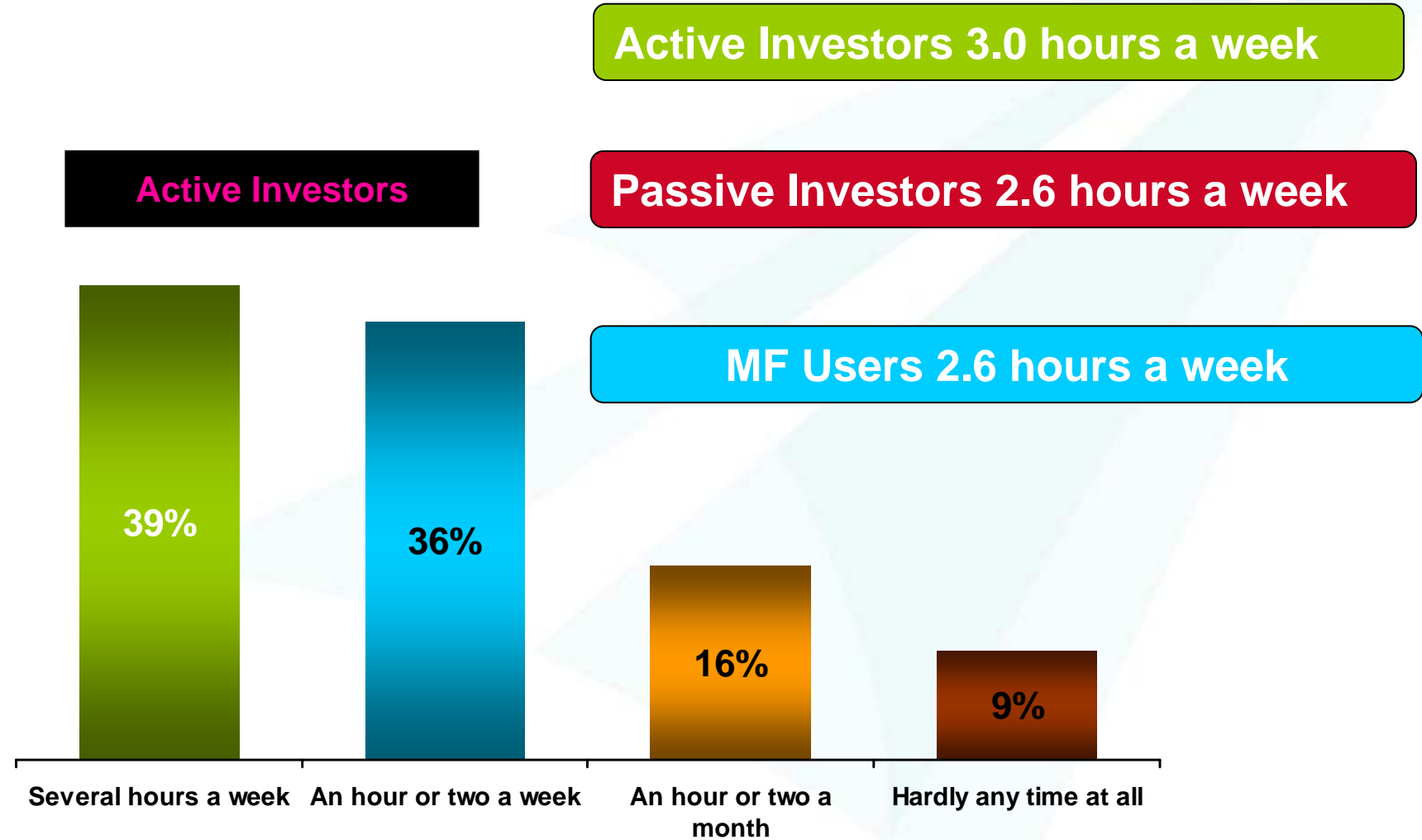
Finance plays a key role in people's lives but much of the focus is likely to be on making ends meet e.g budgeting. Young and single very concerned with having fun and time with friends. Families take life more seriously. How do we convince the passive that finance and fun are not poles apart?



BASE: Active investors n=806, MF users 484 ; Non MF Investors n= 261 Passive Investors n=98; With Kids n=315; Young&Single n=70



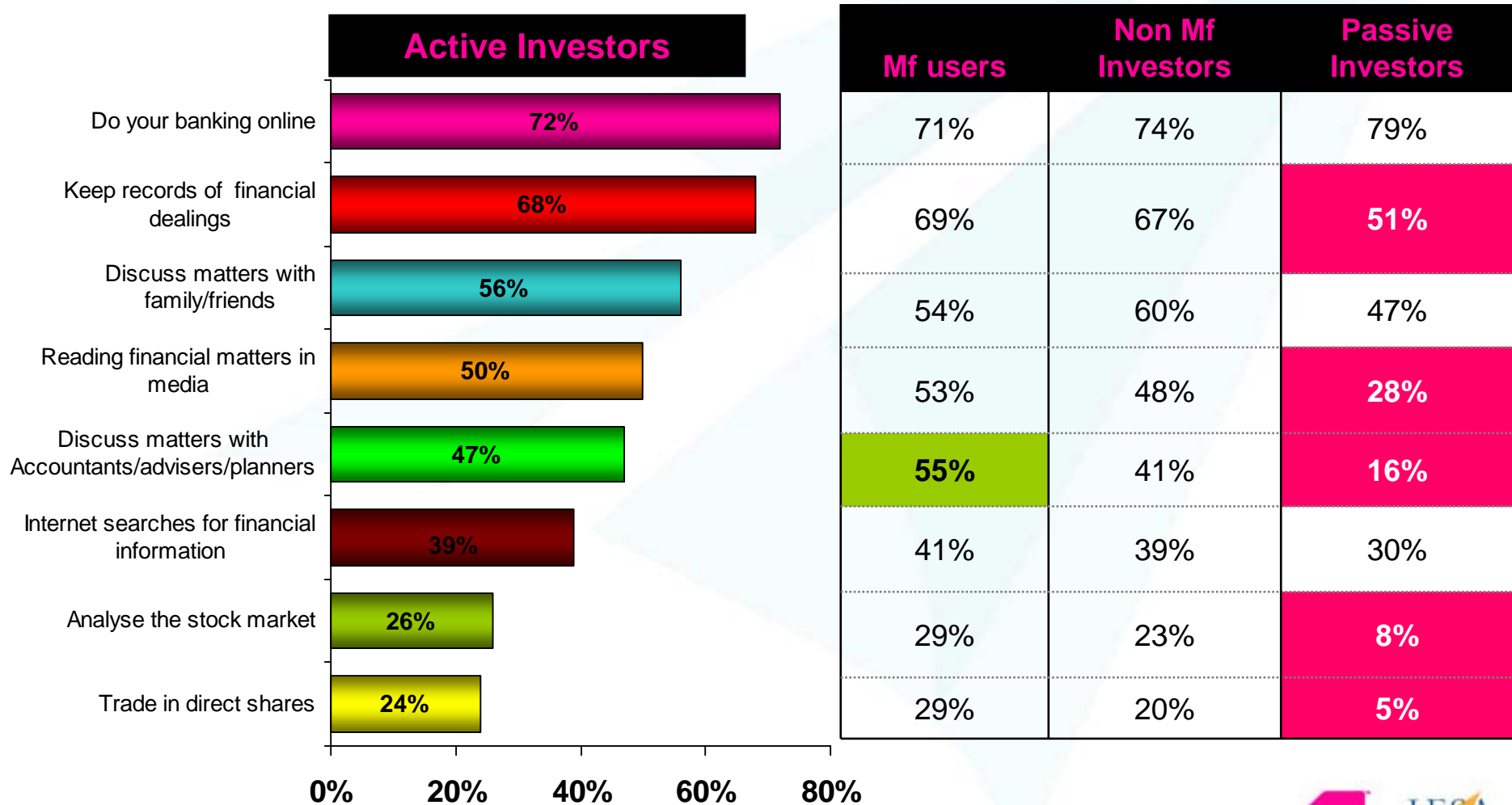
Time spent thinking about finances



Even the passive have finance on their mind. The trick is to direct their time to valuable activities

Significance of finance in day to day life

Level of activity is high among Active investors. High levels of online banking suggest the internet might be a medium to engage with Passive Investors.

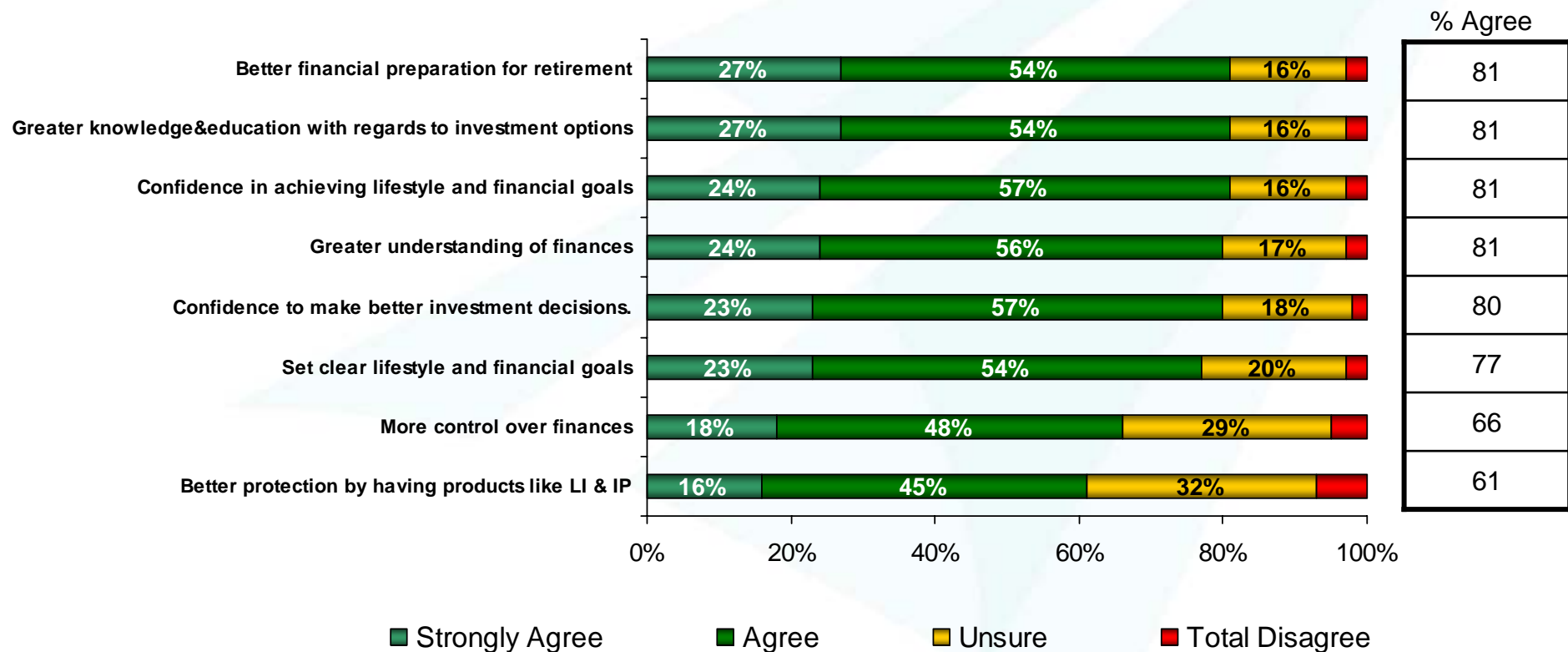


BASE: Active investors n=806, MF users 484 ; Non MF Investors n= 261 Passive Investors n=98



People with advisers feel in control

People with advisers show strong levels of agreement for having greater control over their future. Moreover, those with advisers demonstrate a high degree of confidence in all aspects of financial management



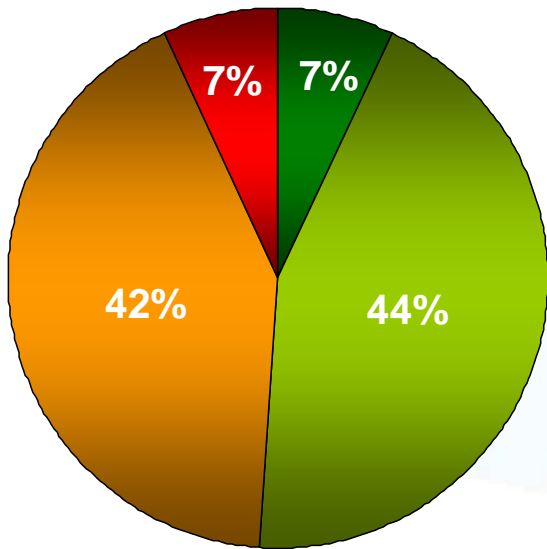
BASE: Total with Current advisers n =378. Total Agree = S/A + A, Unsure = DK+ neither/nor, Total Disagree = S/D+D



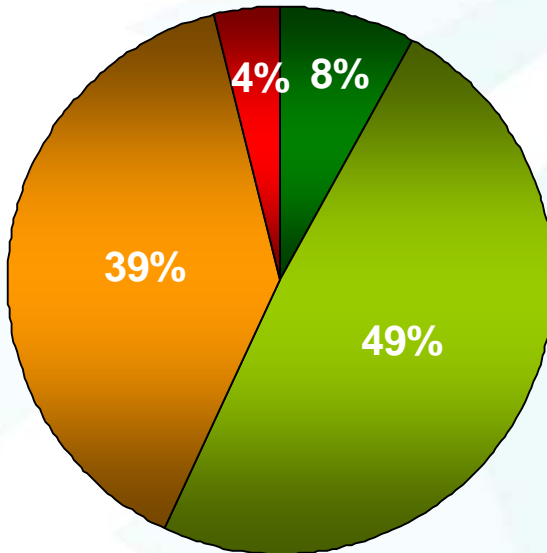
Knowledge about investments

Active Investors are more confident in their knowledge of investment. However, very few believe they know a lot revealing a need for ongoing education about investment

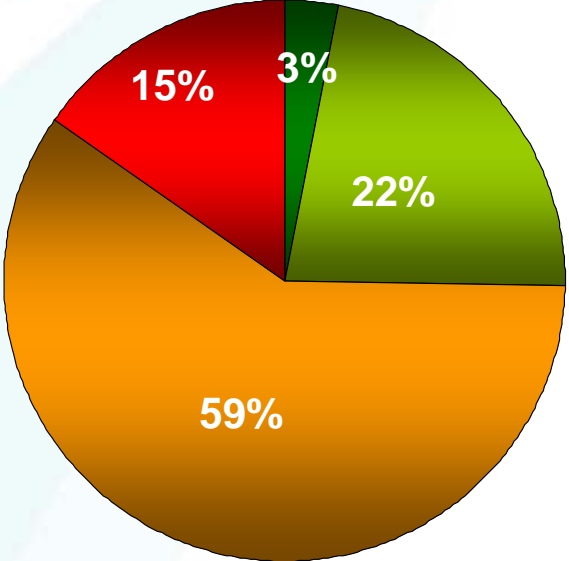
Total



Active Investors



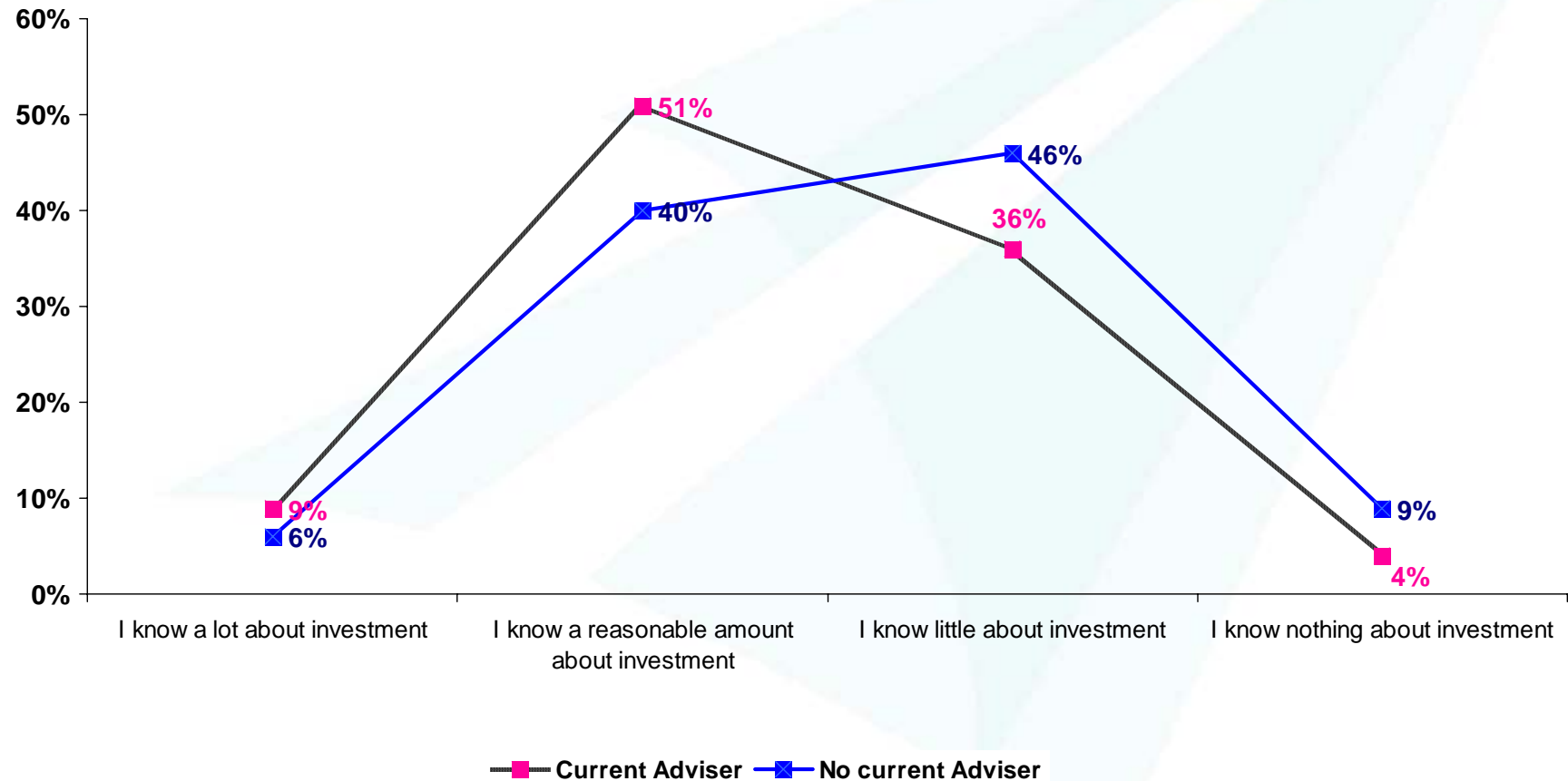
Passive Investors



- I know a lot about investment
- I know a reasonable amount about investment
- I know a little about investment
- I know nothing about investment

Knowledge about investments by advisers

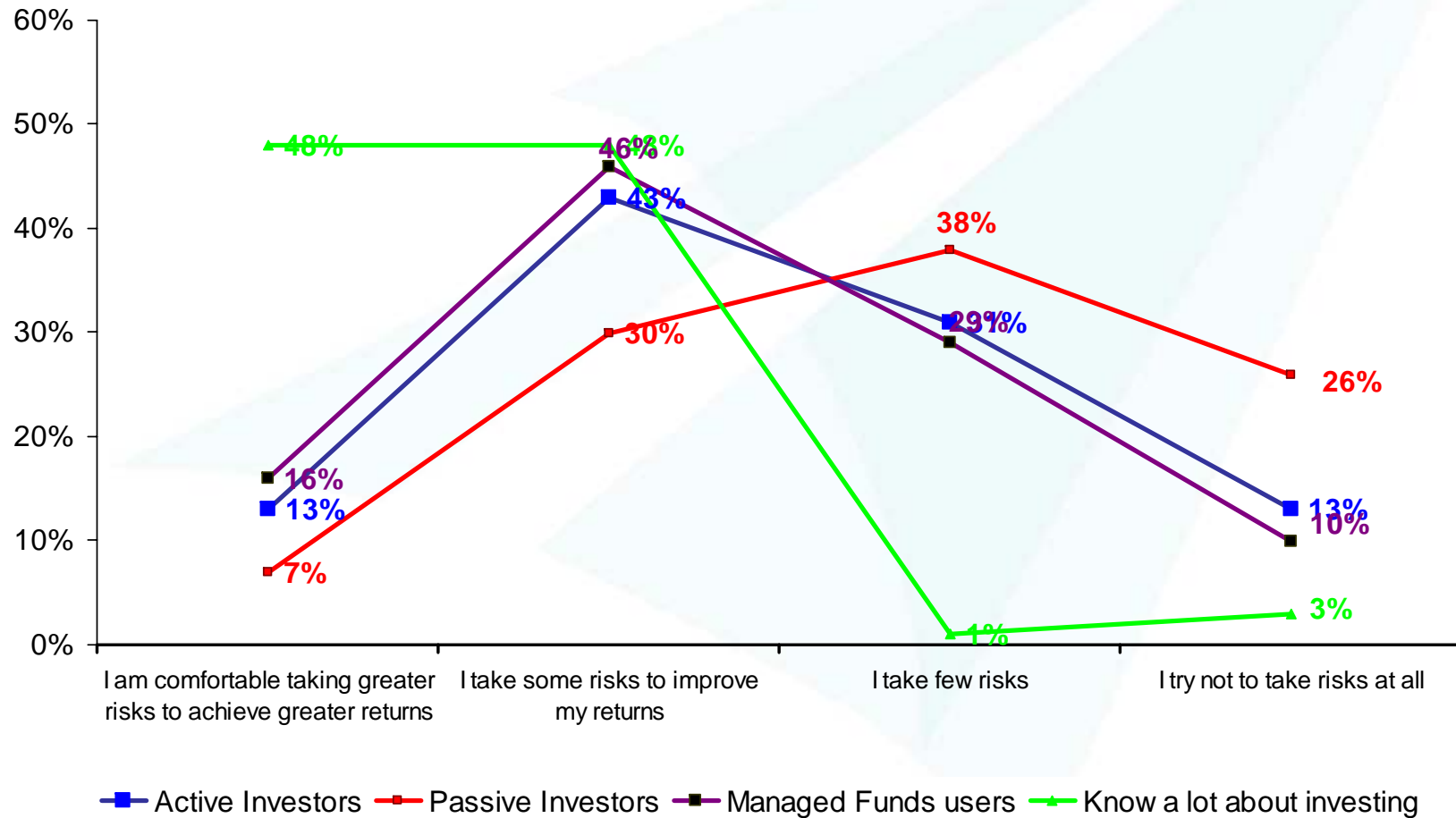
Having an adviser helps increase the knowledge level



BASE: Total with Current advisers n=400. Total without current Advisers n=600

Attitude to risk – amongst investors

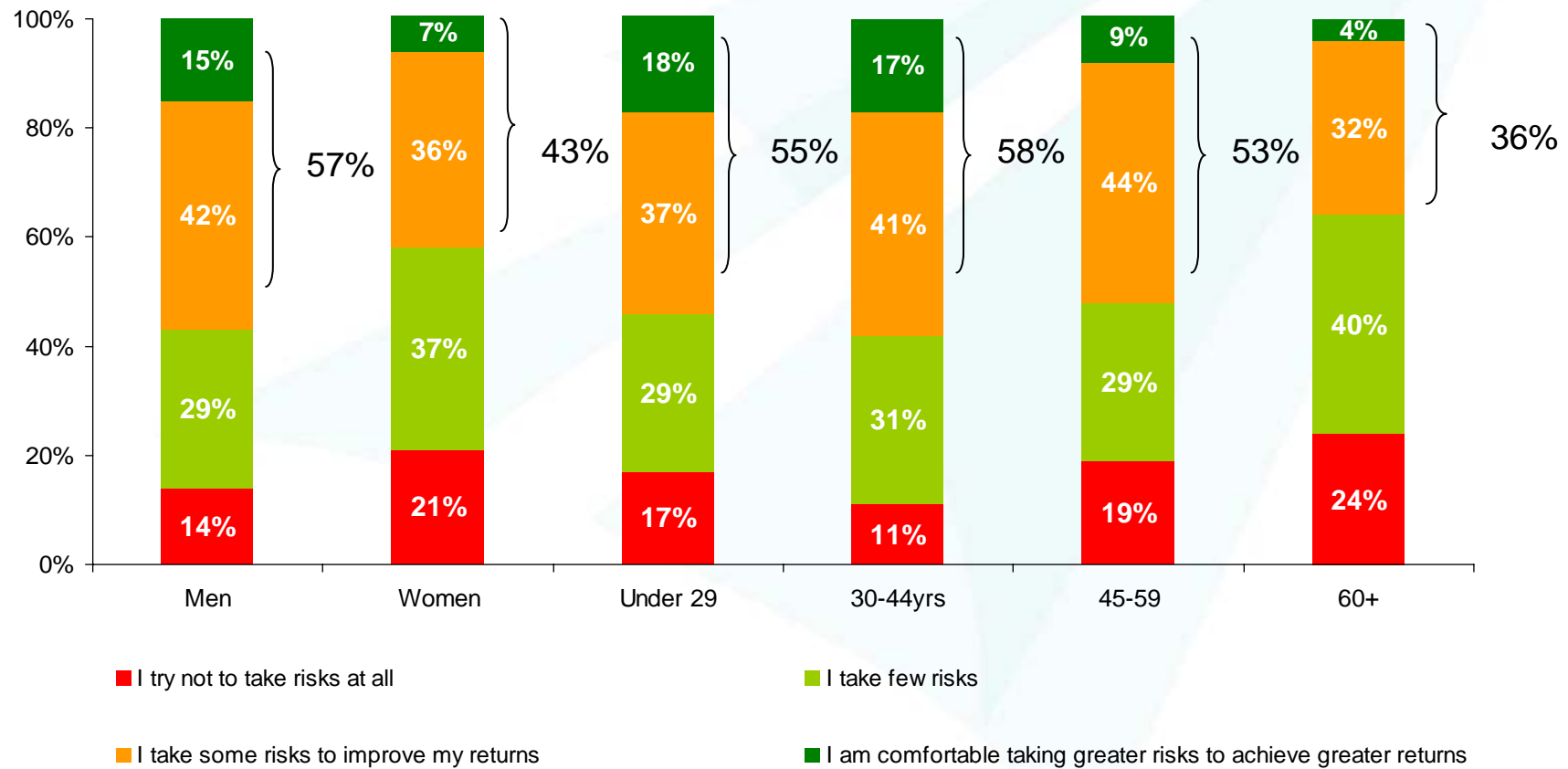
Managed funds investors display more risk taking behavior when approaching investments but this pales in comparison to those who feel they know a lot about investing – knowledge is key to providing confidence to take risks.



BASE: Active investors n= 806, Passive investors n= 98, Managed funds users n=484, Know a lot about investing n=71

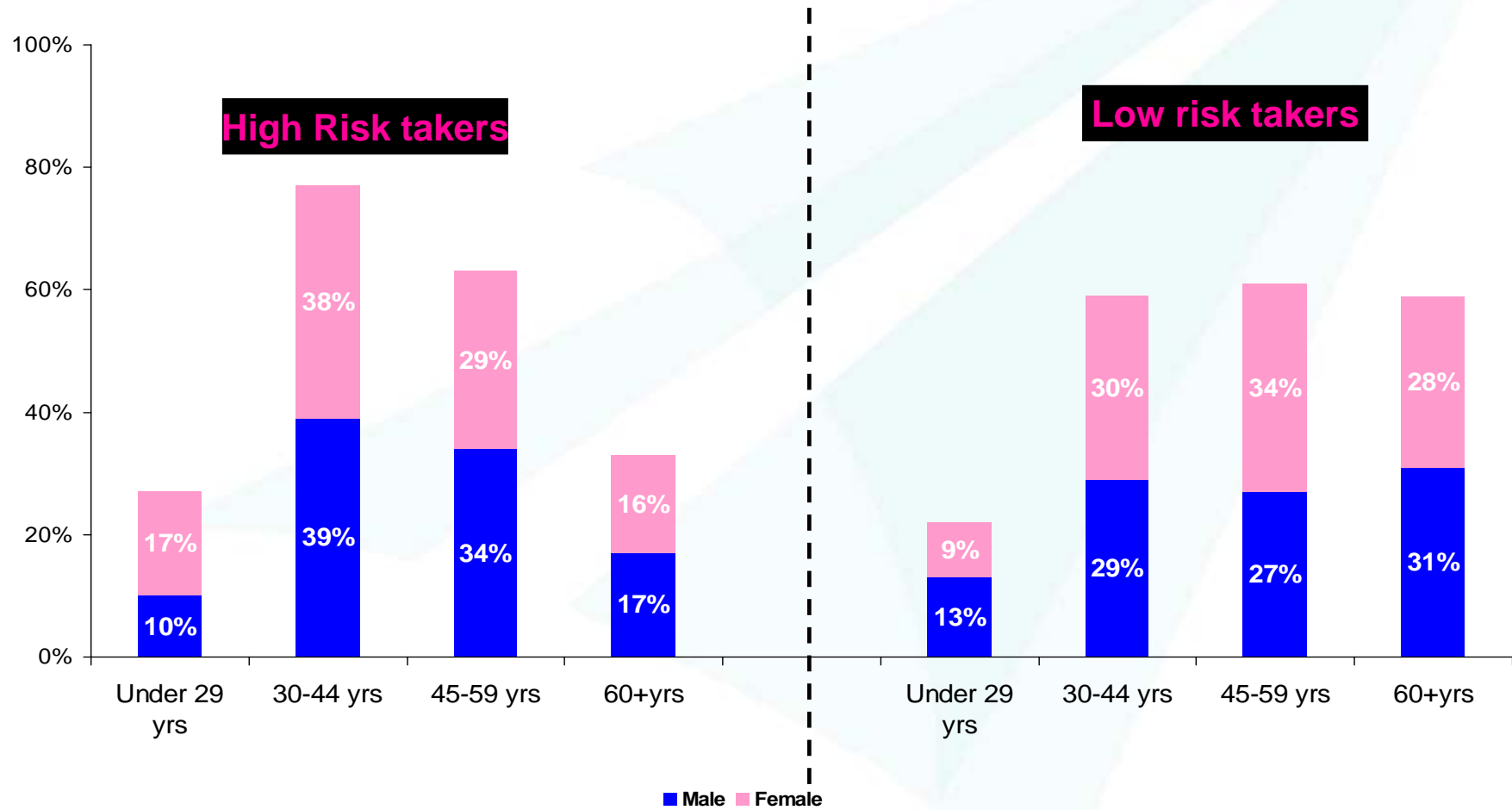
Profiles of risk takers

In general, men and those between 30-44 years of age display greater risk taking behaviour when it comes to investing



Base: Total Sample n=1000

Profiles of high risk vs low risk takers



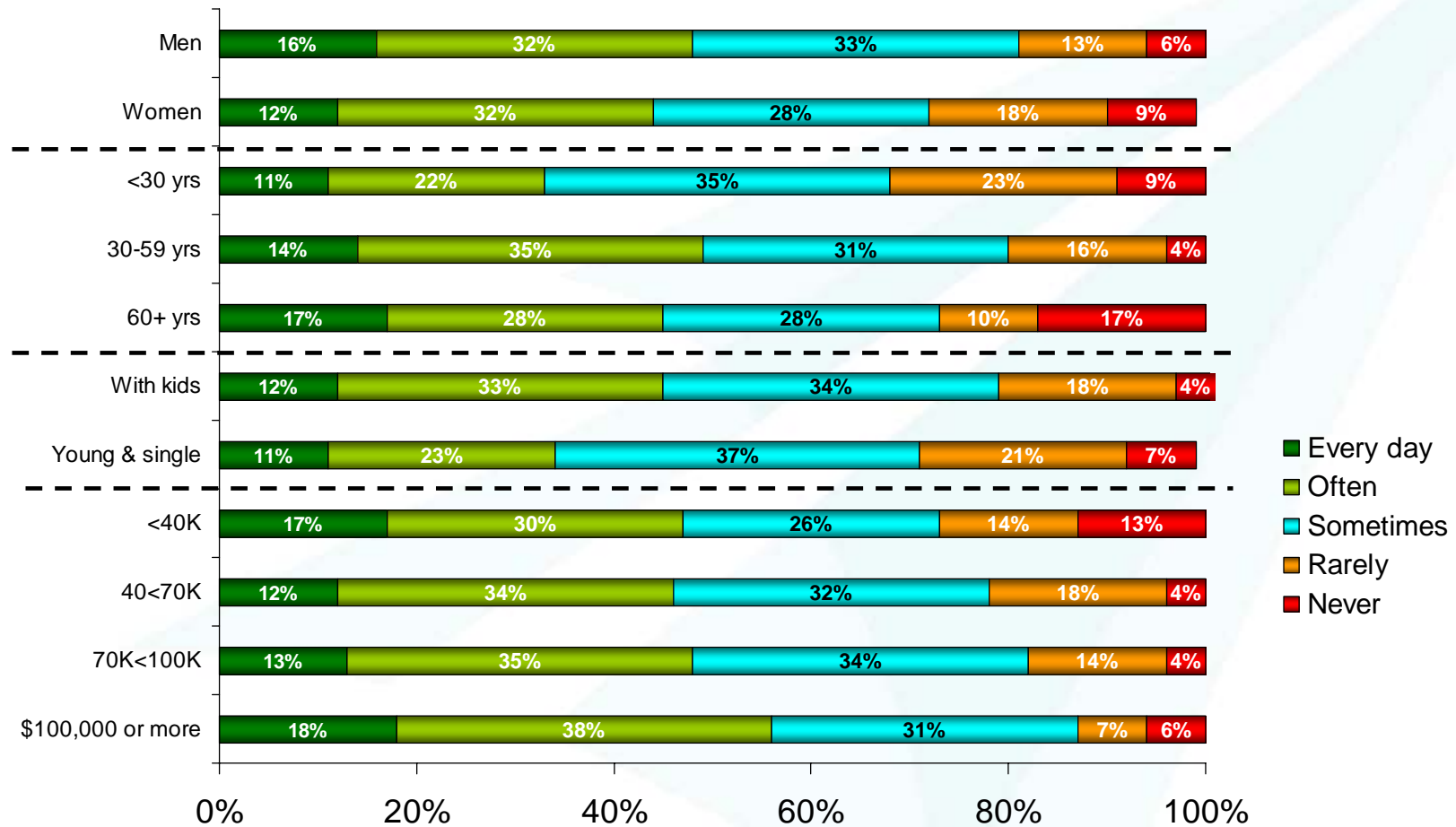
Base: Total Sample n=1000; High Risk Takers n=510; Low Risk Takers n=490



ATTITUDE TO INVESTMENT



How often do Australians think about retirement?



Focus needs to be educating younger people on the importance of planning for the future. It's men, those between 30 and 59, those with children and those earning more than \$100K who think about retirement the most.

BASE: Total Sample n=1000

Retirement - In their own words

“Enough money to be able to live without debt, to be able to go on holidays a couple of times a year and to have a big holiday every three years”

“Able to take holidays, provide for children, live without worry about money”

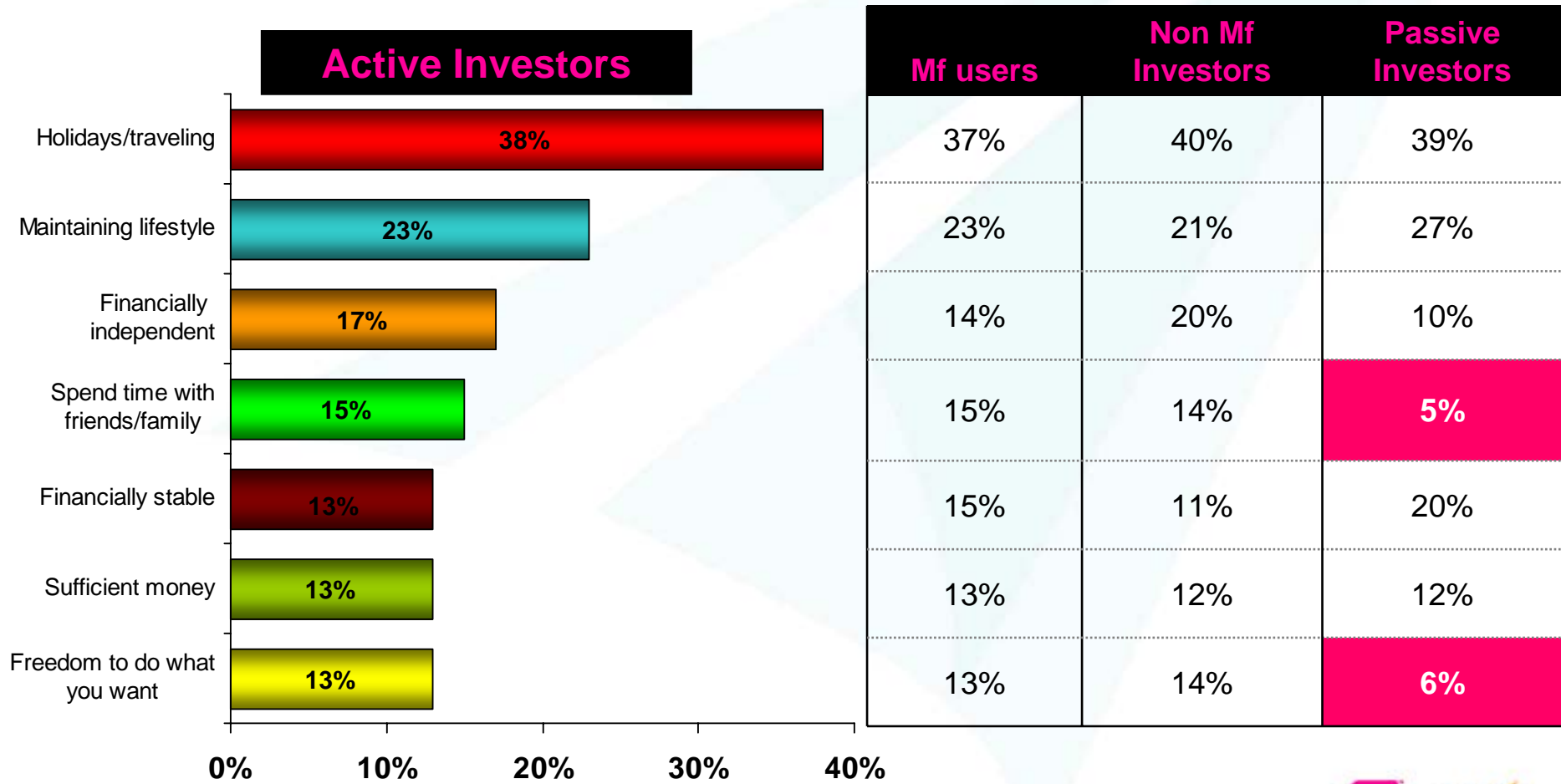


“House paid off, holidays, a boat and just having fun!”

“Being able to travel the world and enjoy my family and their children and indulge them”

What are your retirement dreams made of?

Holidays and traveling are at the top of the list for both Active and Passive Investors. Maintaining lifestyle is key for all but Passive Investors dream more of financial stability than they do of freedom or time with friends and family



BASE: All who think about retirement Active investors n=748, MF users 446 ; Non MF Investors n= 243 Passive Investors n=97



What do you dream of post retirement?

People under 30 don't think about retirement as much as older people. Finding ways to encourage them to start thinking about retirement from a young age is desirable –selling them on a dream might not be as easy as it would be for other age groups.

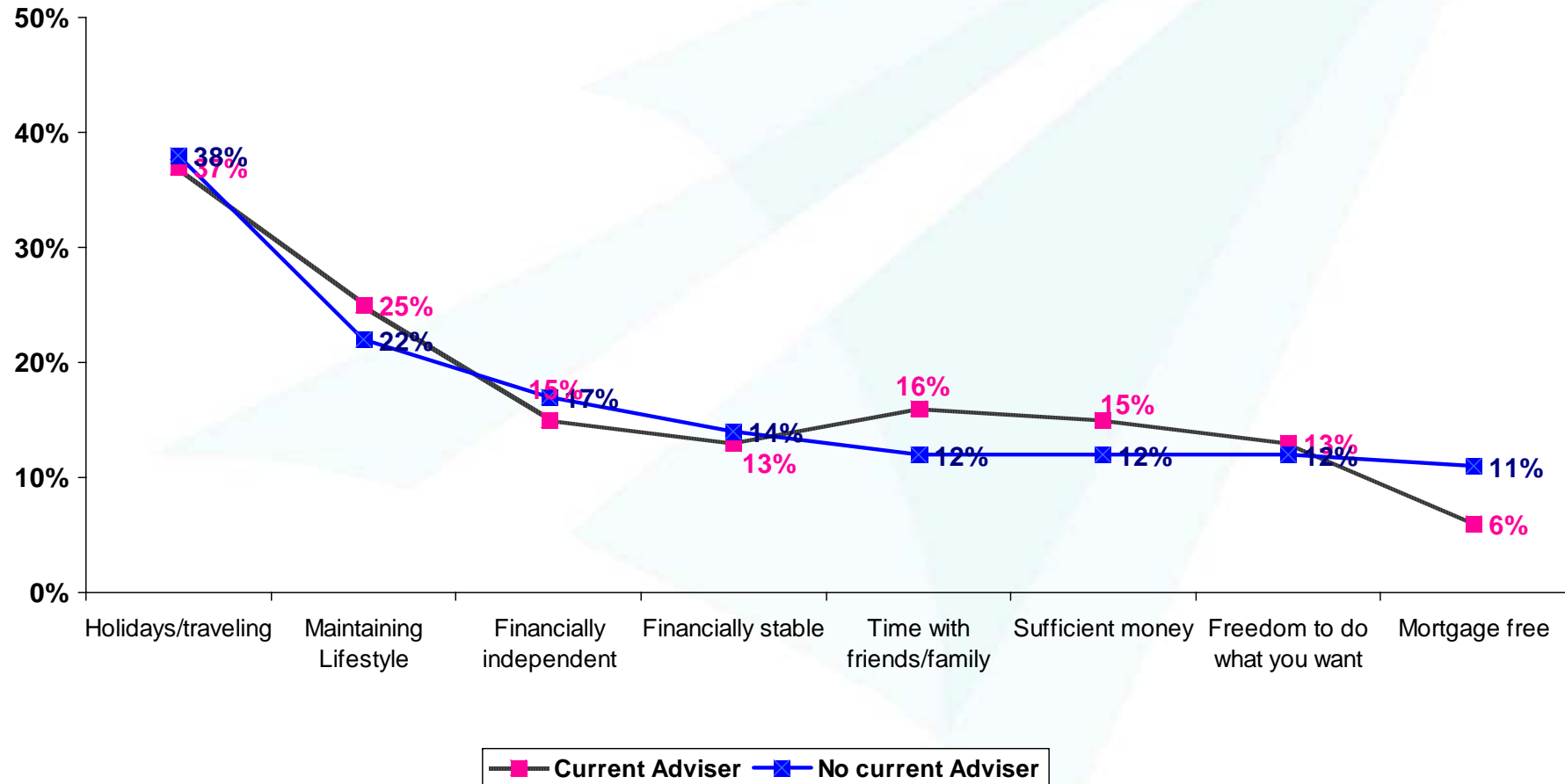
	Active Investors	Under 29 yrs	30-44 yrs	45-59 yrs	60+ yrs
Holidays/traveling	38%	24%	40%	42%	41%
Maintaining lifestyle	22%	13%	23%	24%	21%
Financially independent	16%	12%	15%	15%	13%
Freedom to do what you want	14%	16%	12%	13%	16%
Time with family & friends	13%	8%	9%	17%	11%
Sufficient money	13%	11%	10%	12%	16%
Financially stable	12%	11%	16%	15%	6%

BASE: Active Investors who have not retired n=611,

All People who have not retired by age: Under 29 n=115, 30-44 n=341, 45-59 n=252, 60+ n=63

What are your retirement dreams made of? (post retirement) By use of Adviser

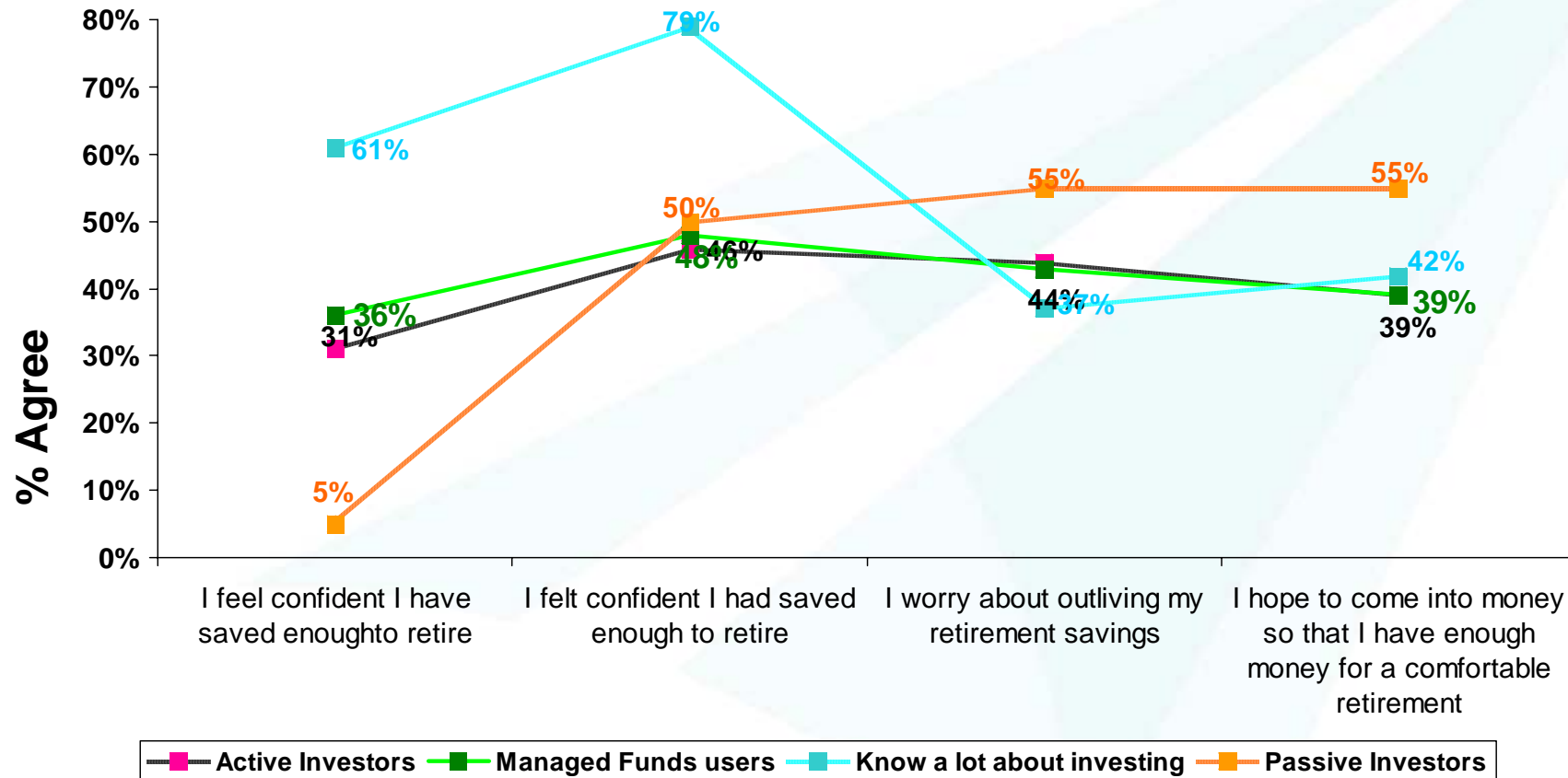
Having an adviser doesn't change your dreams significantly.



BASE: (Active + Passive investor with Advisers) With Adviser n=348; Without Adviser n=481



Confidence about comfort in retirement – agreement with statements



Passive Investors display very low levels of confidence for retirement – over half worry about outliving their retirement savings. Those who state they have high levels of knowledge are the most confident and the least worried about funding their retirement.

BASE: Active investors n=771, Managed funds users n=229, Know a lot about investing n=57, Passive investors n=94



Confidence about comfort in retirement – agreement with statements by Age groups

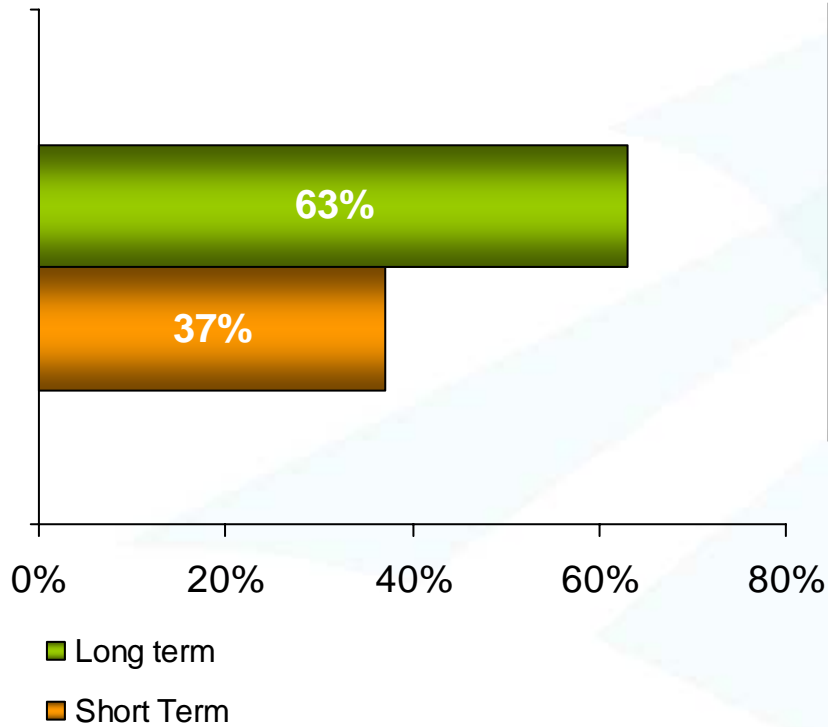
Concern about retirement continues throughout working life but the young are more likely to hope to come into money than other age groups. People between 30 and 44 are least confident they will have saved enough to retire

	Total Investors	Under 29 yrs	30-44 yrs	45-59 yrs	60+ yrs
I feel confident I have saved enough to retire	27%	31%	24%	30%	n/a
I felt confident I had saved enough to retire	46%	n/a	n/a	n/a	46%
I worry about outliving my retirement savings	45%	49%	47%	48%	36%
I hope to come into money so that I have enough money for retirement	41%	52%	48%	43%	24%

BASE: Total Investors (Active +Passive) n=904, Under 29 n=95, 30-44 n=317, 45-59 n=287, 60+ n=205

Do people invest with the short or long term in mind?

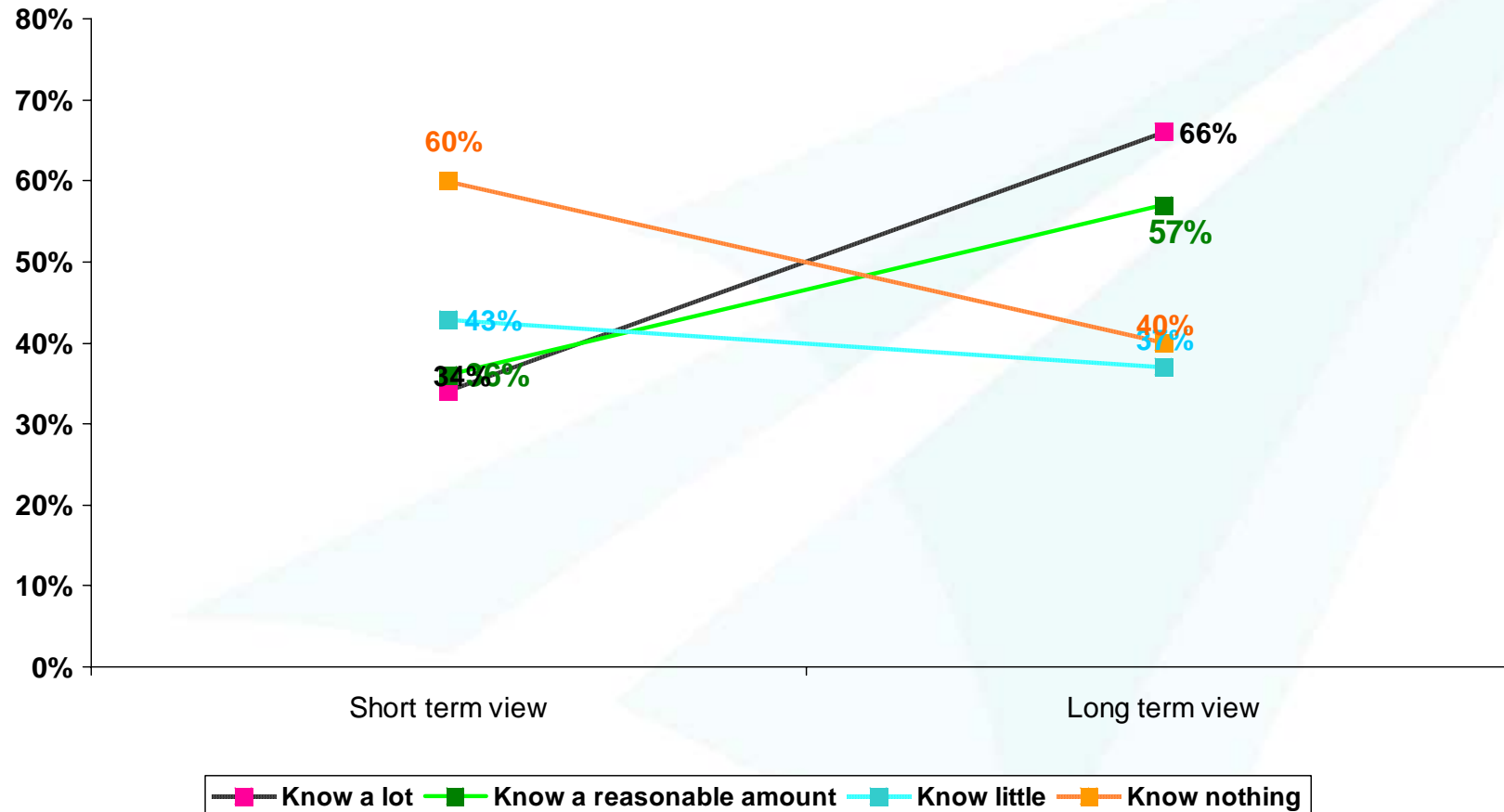
Active Investors



Mf users	Non Mf Investors	Passive Investors
69%	54%	53%
31%	46%	47%

Active Investors are much more likely to be thinking of the longer term when investing. Passive Investors need to understand the importance of taking a longer term view

Do knowledgeable investors take a short or long term view when investing?

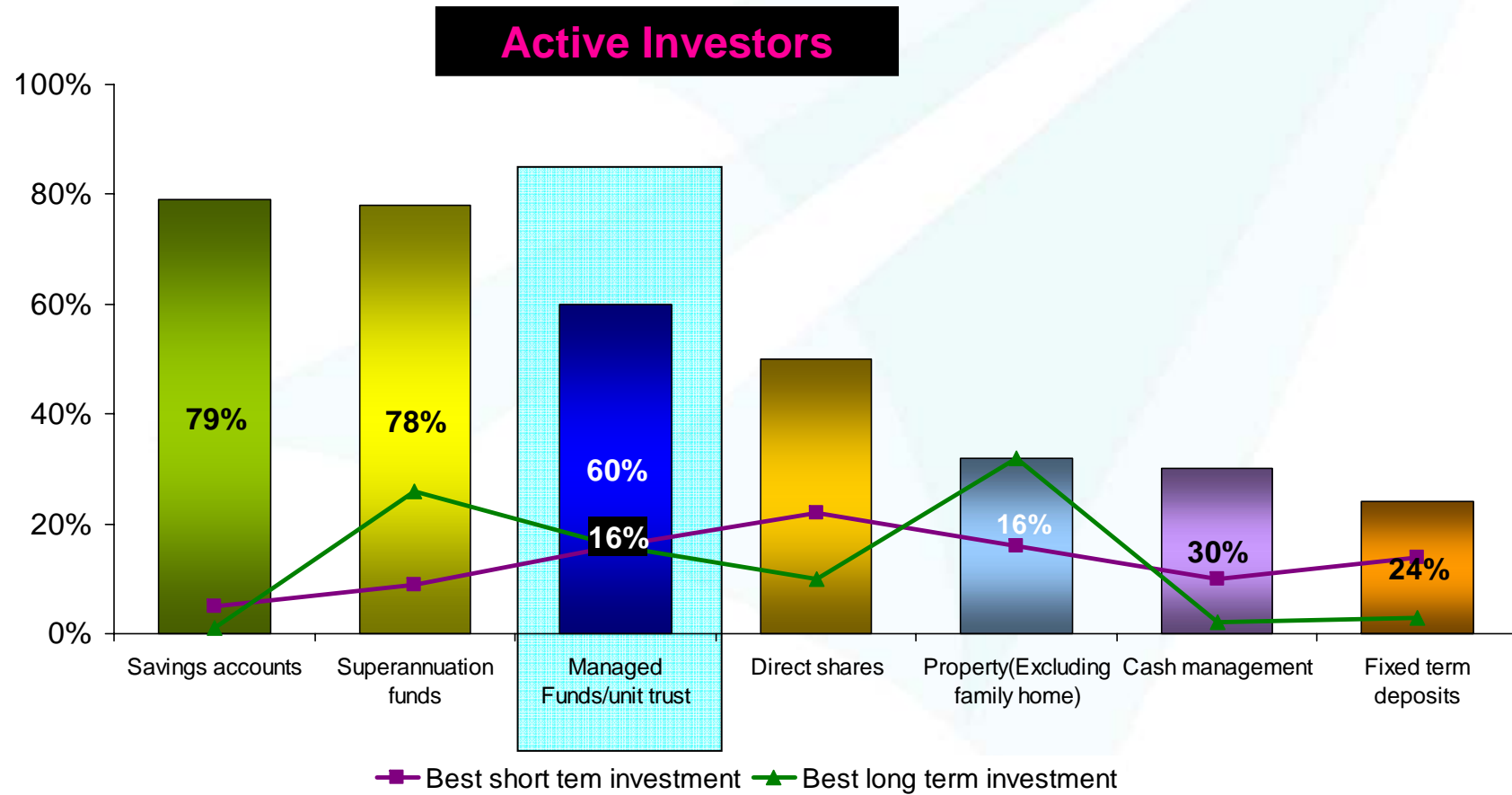


People who claim to be knowledgeable about investment are much more likely to take a long term view when investing

BASE: Know a lot about investing n=71, Know a reasonable amount n=439, Know a little n=418, Know nothing n=72

Best short & long term investments

Property is still considered the best long term investment among active investors – confusion over managed funds as 2nd best short term investment and 3rd best long term investment



BASE: Active Investors n=806

Investment type best suited for various objectives

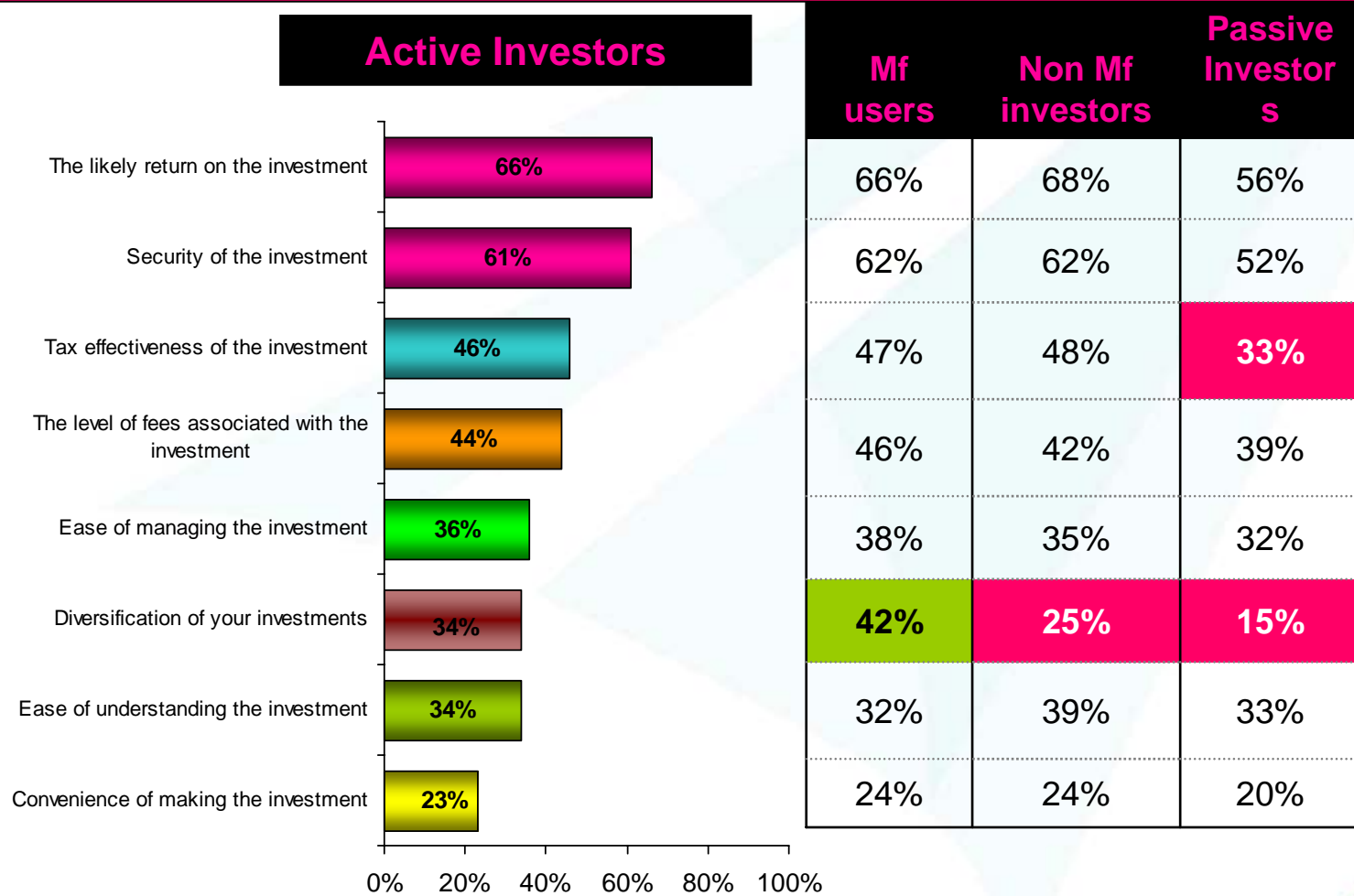
Active Investors

	Ranked Best	Ranked Second
Diversification of your investments	Managed Funds	Direct Shares
Ease of managing the investment	Savings Account	Cash Management accounts
The level of fees associated with the investment	Super Fund	Cash Management accounts
The likely return on the investment	Direct shares	Property
Ease of understanding the investment	Savings	Cash management accounts
Tax Effectiveness of the investment	Super Fund	Property
Security of the investment	Property	Super Funds
Convenience of making the investment	Savings	Cash Management accounts

Managed Funds ranked for diversification only – other benefits of managed funds don't appear to be seen. Need to improve understanding about the benefits of managed funds, highlight the similarities and differences with other investment vehicles

What's important when choosing between investment types?

Likely return and security of the investment are the top two factors when choosing between investment types. Passive and non managed fund investors consider diversification less important and passive investors are less concerned about tax.

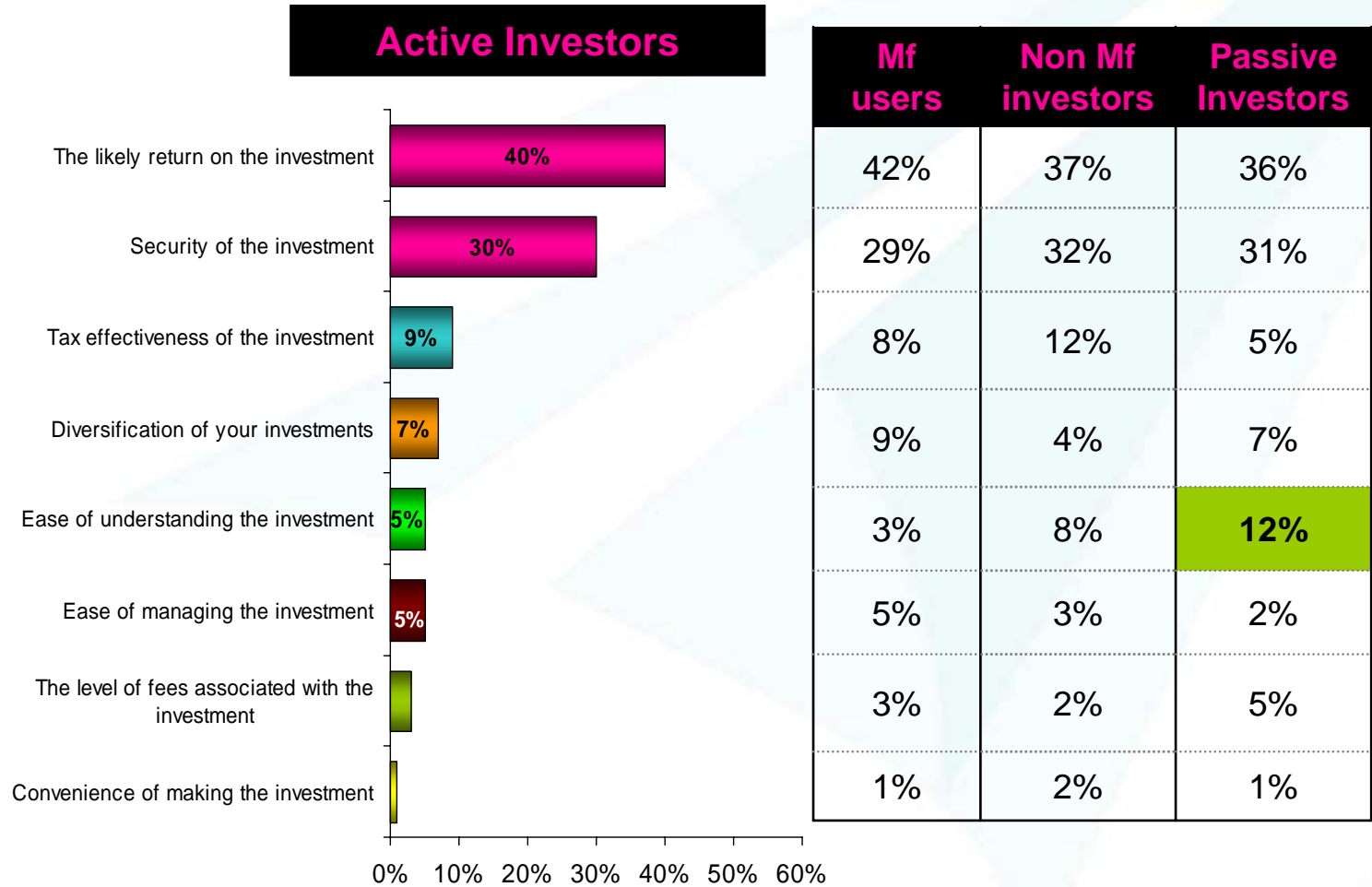


BASE: Active investors n=806, MF users 484 ; Non MF Investors n= 261 Passive Investors n=98



What is **most** important when choosing investment types?

Returns and security of the investment play a key part in the decision to invest in specific investments for all investors. Some Passive Investors recognise the importance of understanding the investment



BASE: Active investors n=806, MF users 484 ; Non MF Investors n= 261 Passive Investors n=98



Changing current investment behaviour - In their own words

“The only change would be that I would like more money in investment than I have, because I am still 12 years from pension age”

“Maybe spend some more time evaluating some prospects”



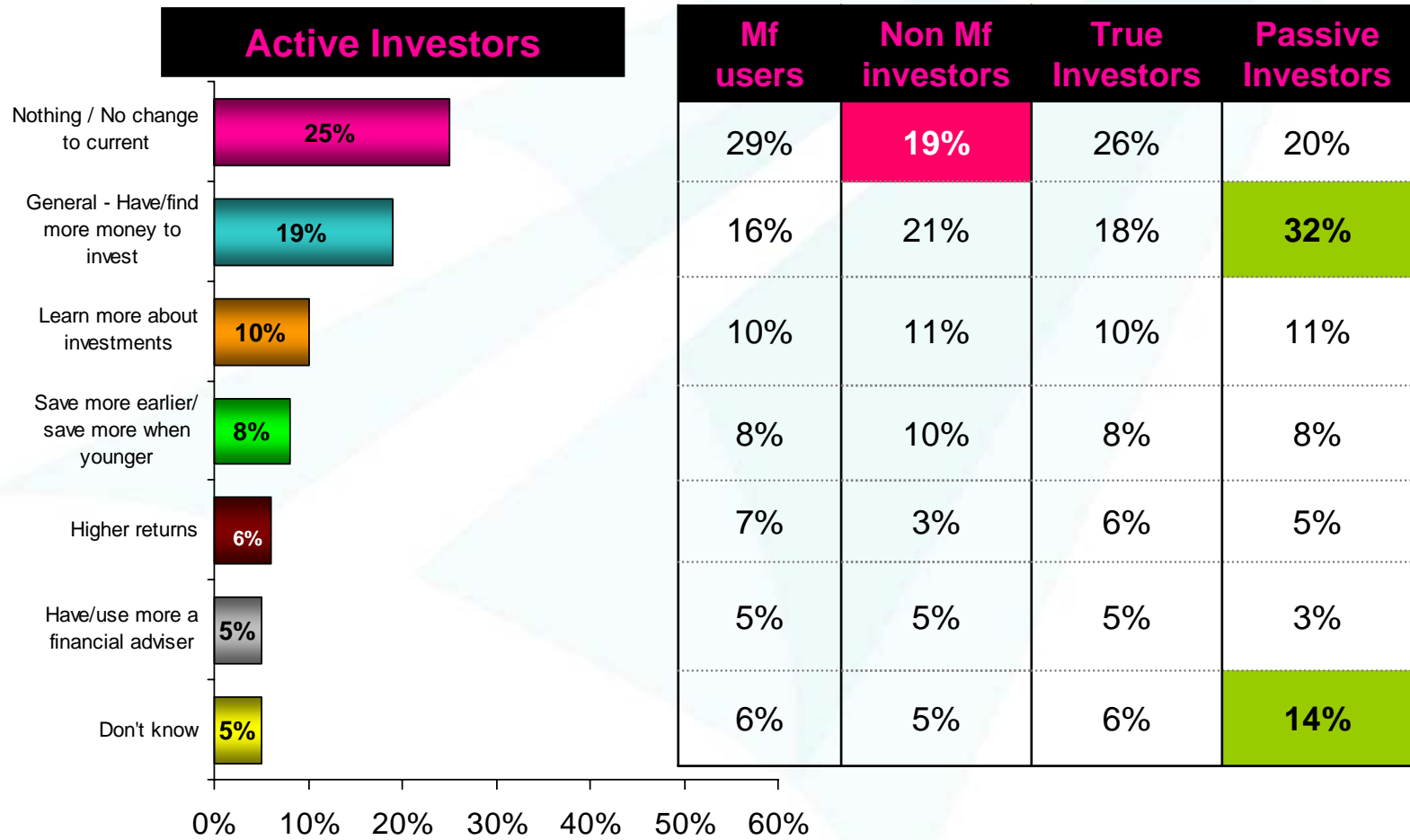
“Improve my understanding of available products and investment processes”

“Nothing, very happy with current investment”

“Find a way to make my money work more effectively for me whilst at the same time have it accessible for emergencies”

What would people change if they could?

People are generally happy and would make any changes – this is less so with non managed fund users and passive investors. Passive Investors are significantly more likely to want to have/find more money to invest.



BASE: Active investors n=806, MF users 484 ; Non MF Investors n= 261 Passive Investors n=98; True Investors n=745

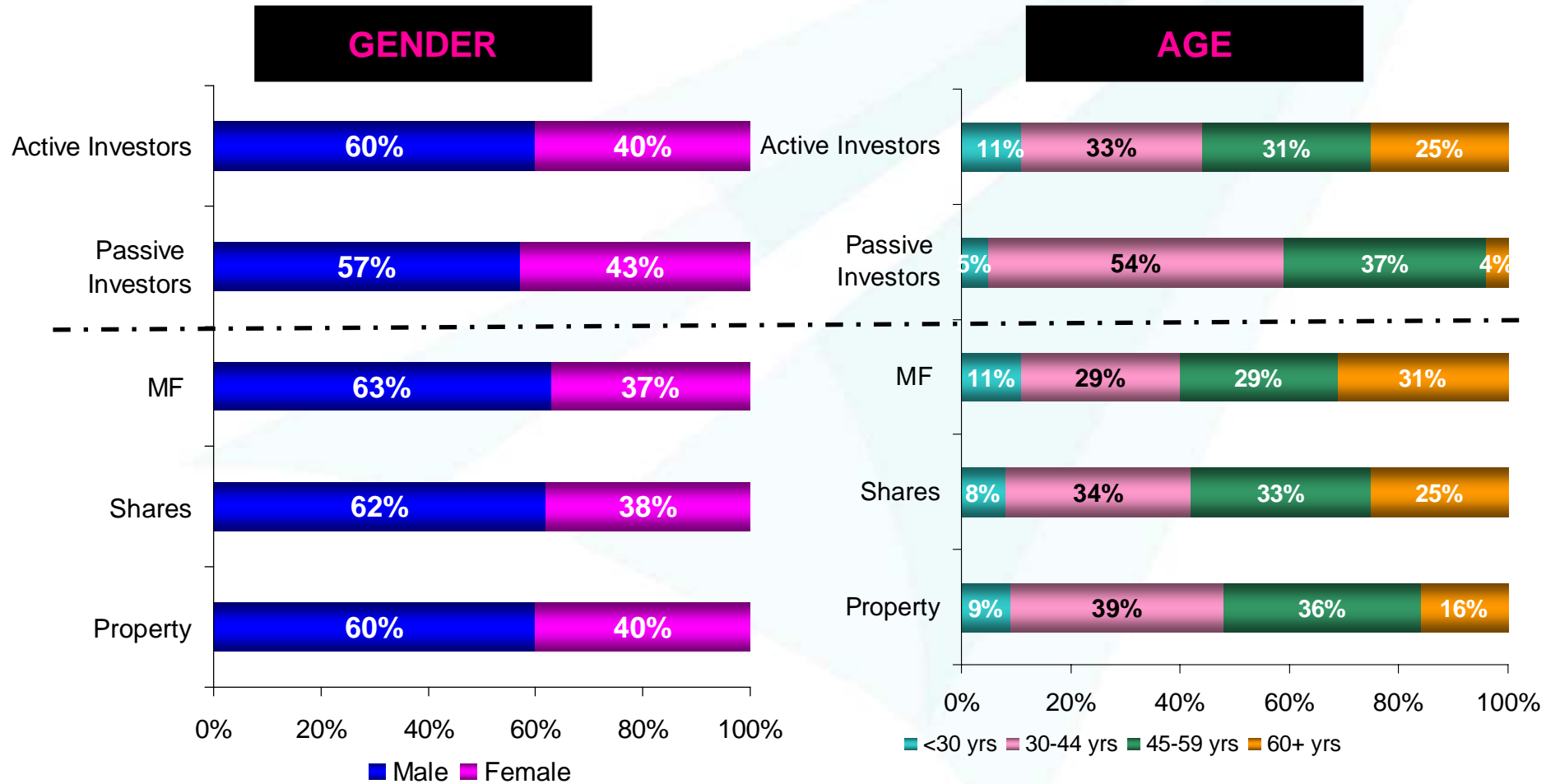


INVESTMENT BEHAVIOUR



Profiles of investors (by gender & age)

There are a large proportion of passive investors in the 30-44 age category. Almost a third of managed fund investors are over 60 years old.

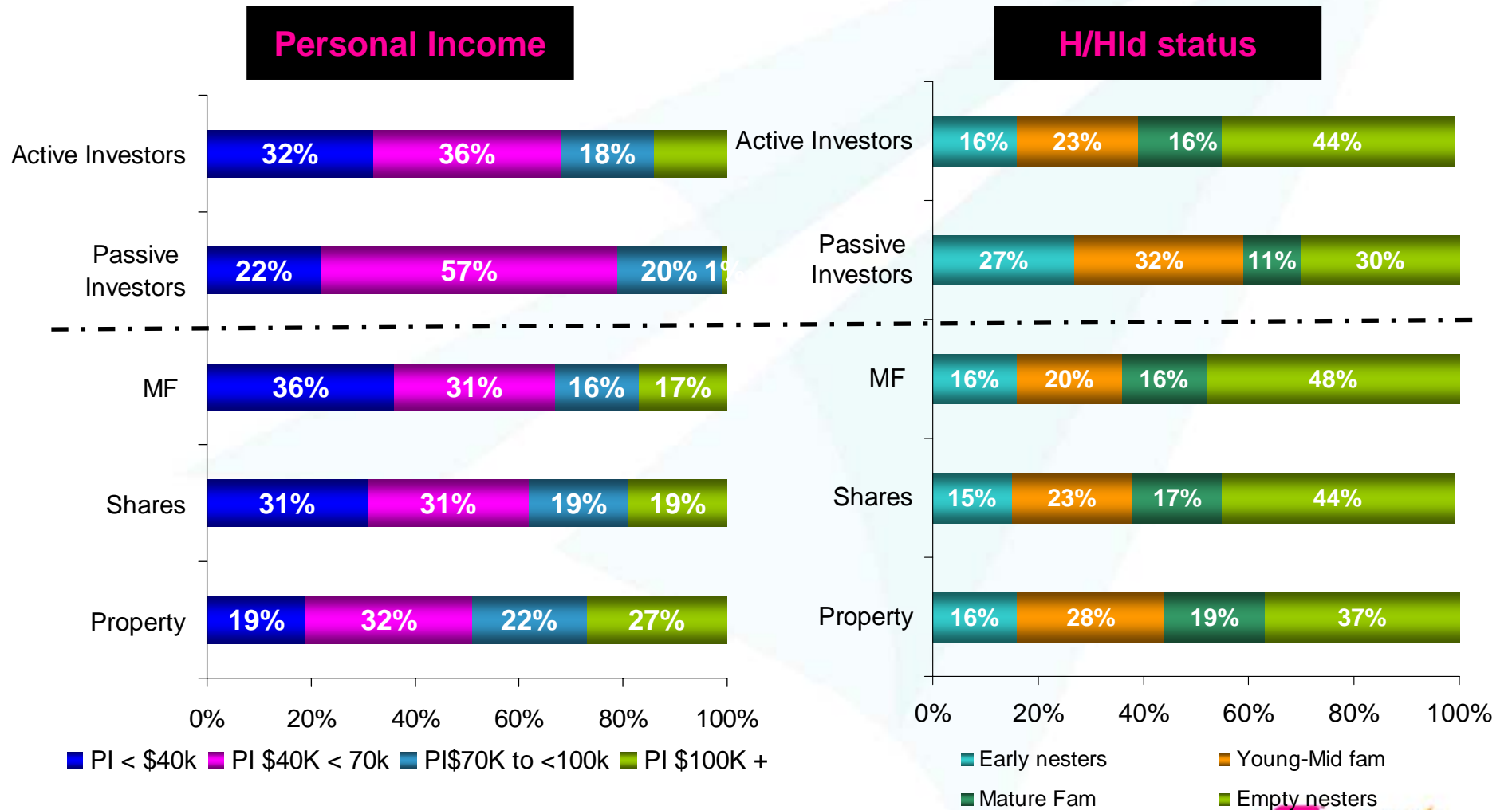


BASE: Active investors n=806, Passive investors n=98, MF users n=484, Shares users n=426, Property users n=260



Profiles of investors (income & household)

The more money you have the more likely you will want to do something with it

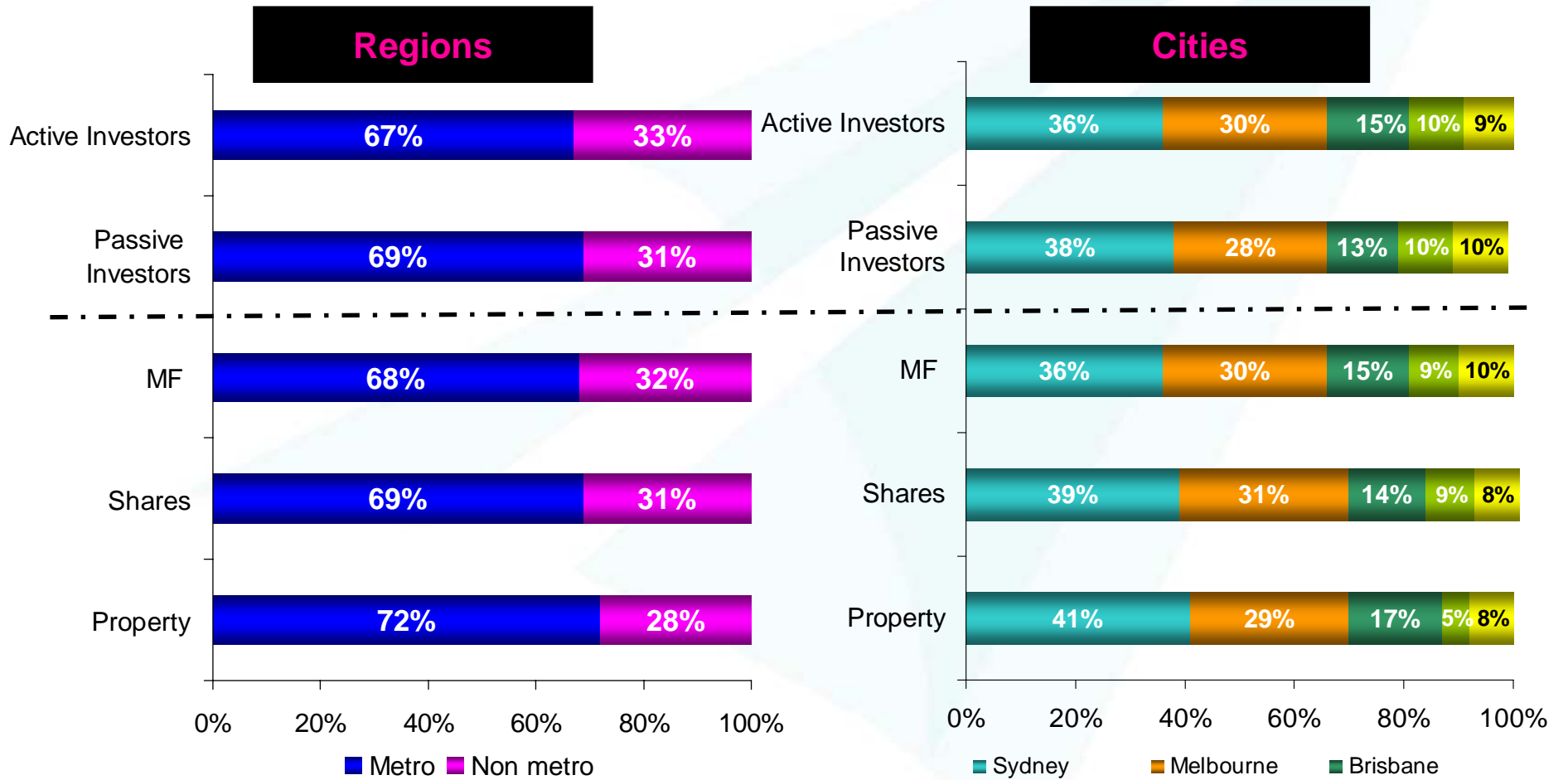


BASE: Active investors n=806, Passive investors n=98, MF users n=484, Shares users n=426, Property users n=260



Profiles of investors (by regions and cities)

The focus on property is stronger in Sydney but generally speaking investment activity is evenly distributed throughout the country



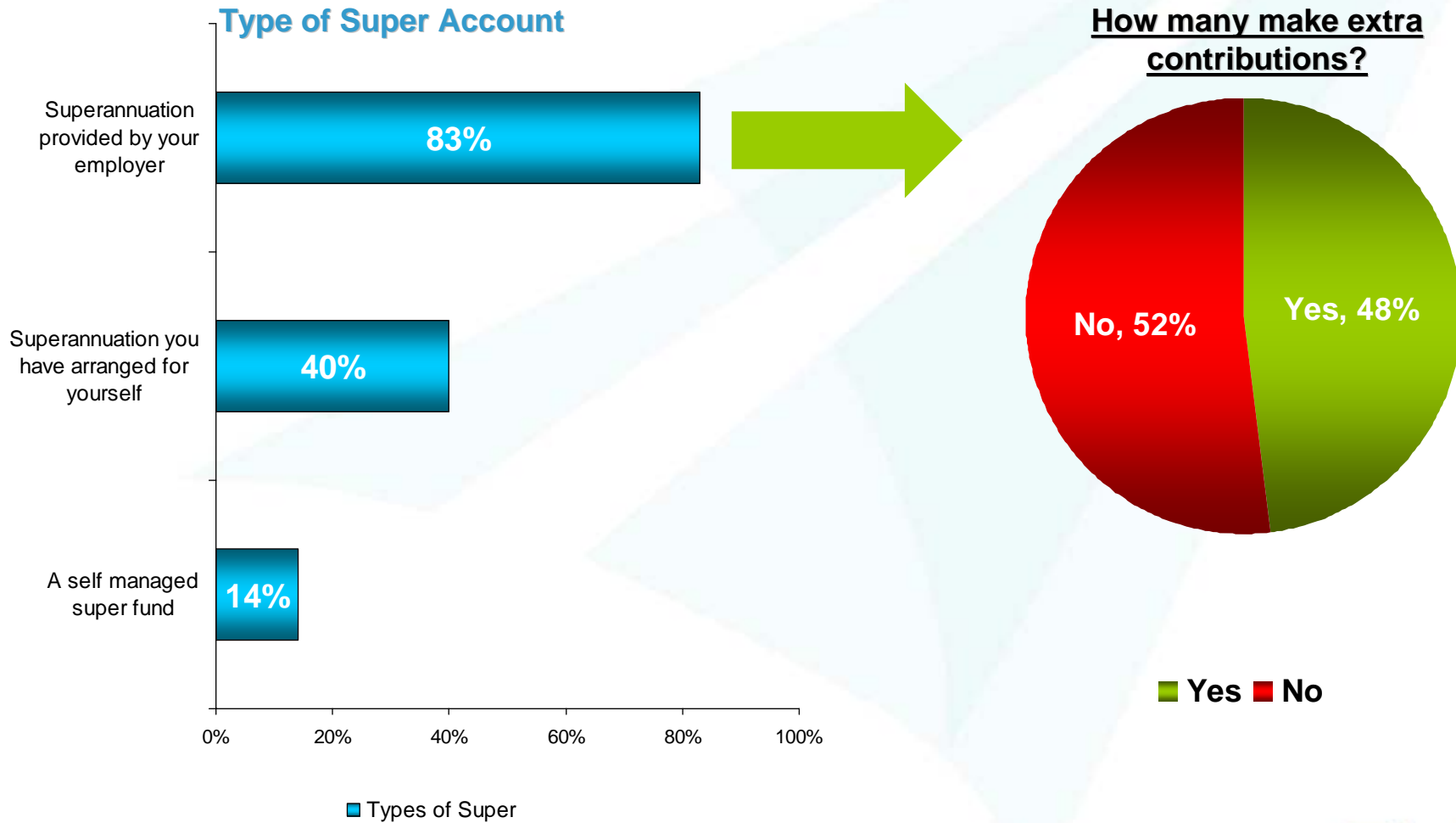
BASE: Active investors n=806, Passive investors n=98, MF users n=484, Shares users n=426, Property users n=260

BASE Cities: Active investors n=541, Passive investors n=68, MF users n=329, Shares users n=296, Property users n=186



Super types held by those employed and incidence of making additional contributions to employer super

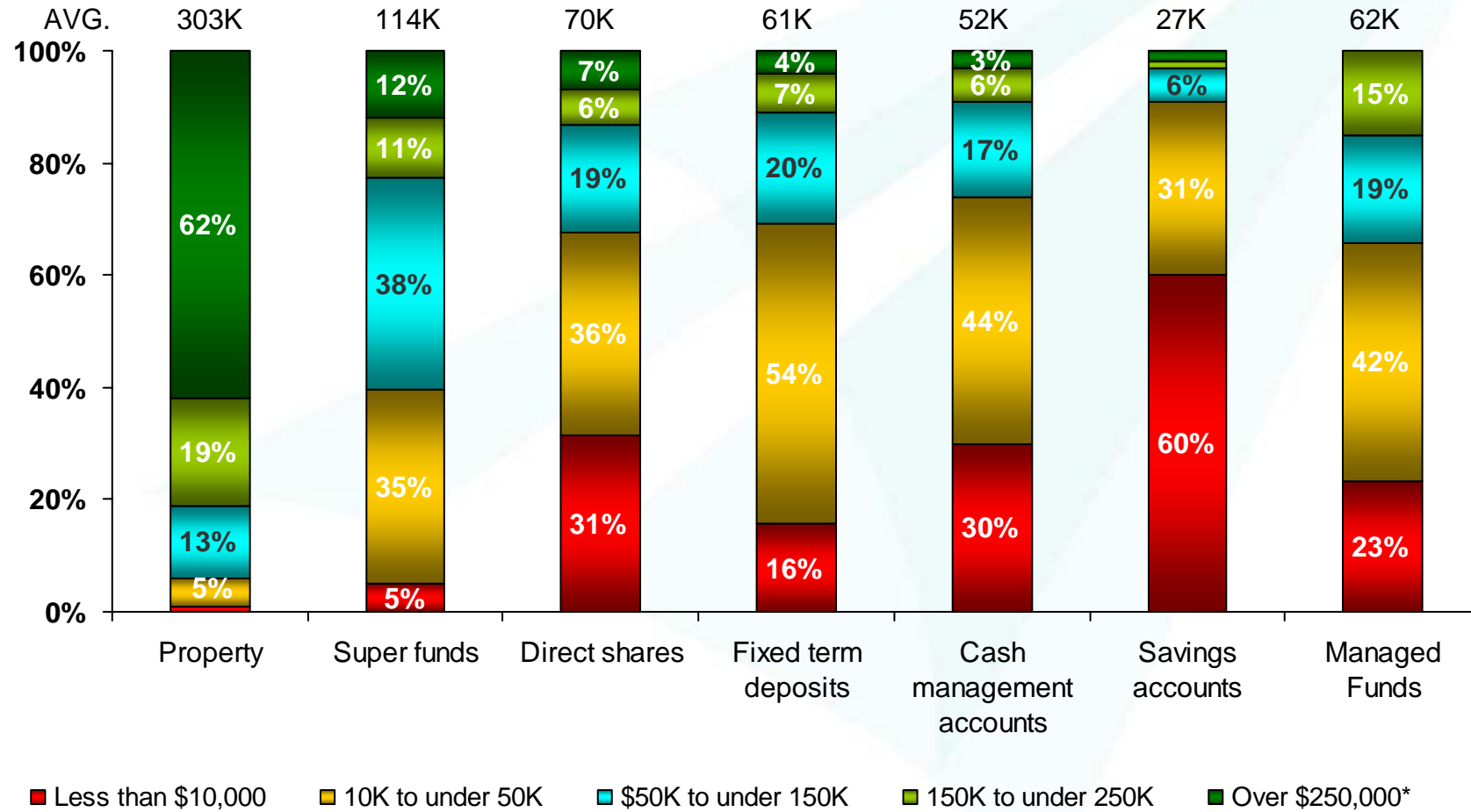
Many see the benefit of making additional contributions to their work super



BASE: Employed full or part-time n=583

Distribution of investment value by type of investment

Average investment in property is very high relative to other investments. Money in property, term deposits and savings is worth targeting for managed funds

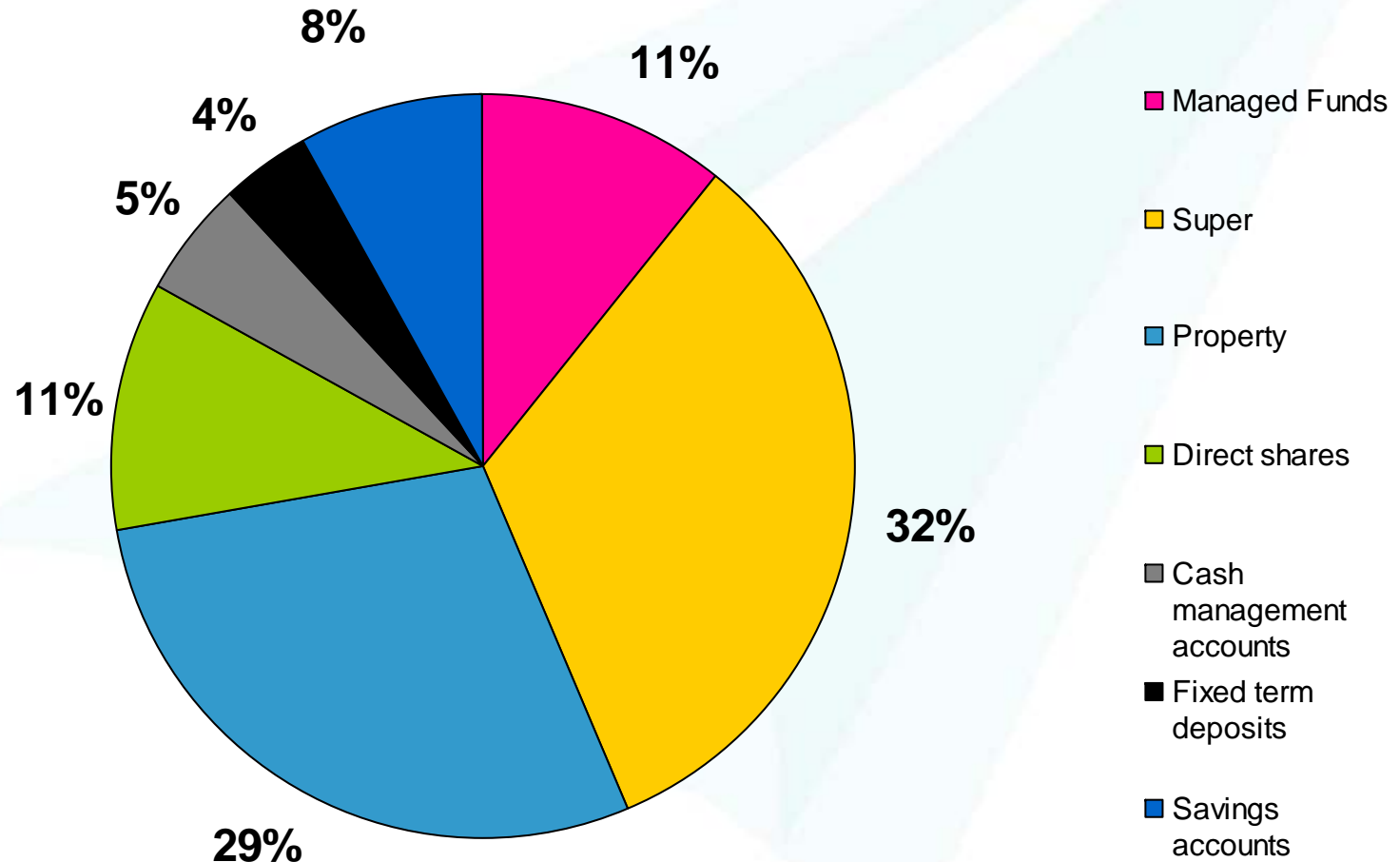


BASE: Property n=260, Super n=782, Shares n=426, Term Deposits n=199, CMA n=250, Savings n=778, Managed funds n=484



Estimate of relative value of investments

Large amount of funds in more passive investment types such as property and savings. This shows an opportunity for managed funds if people can be encouraged to diversify



TOTAL AVERAGE INVESTMENT:

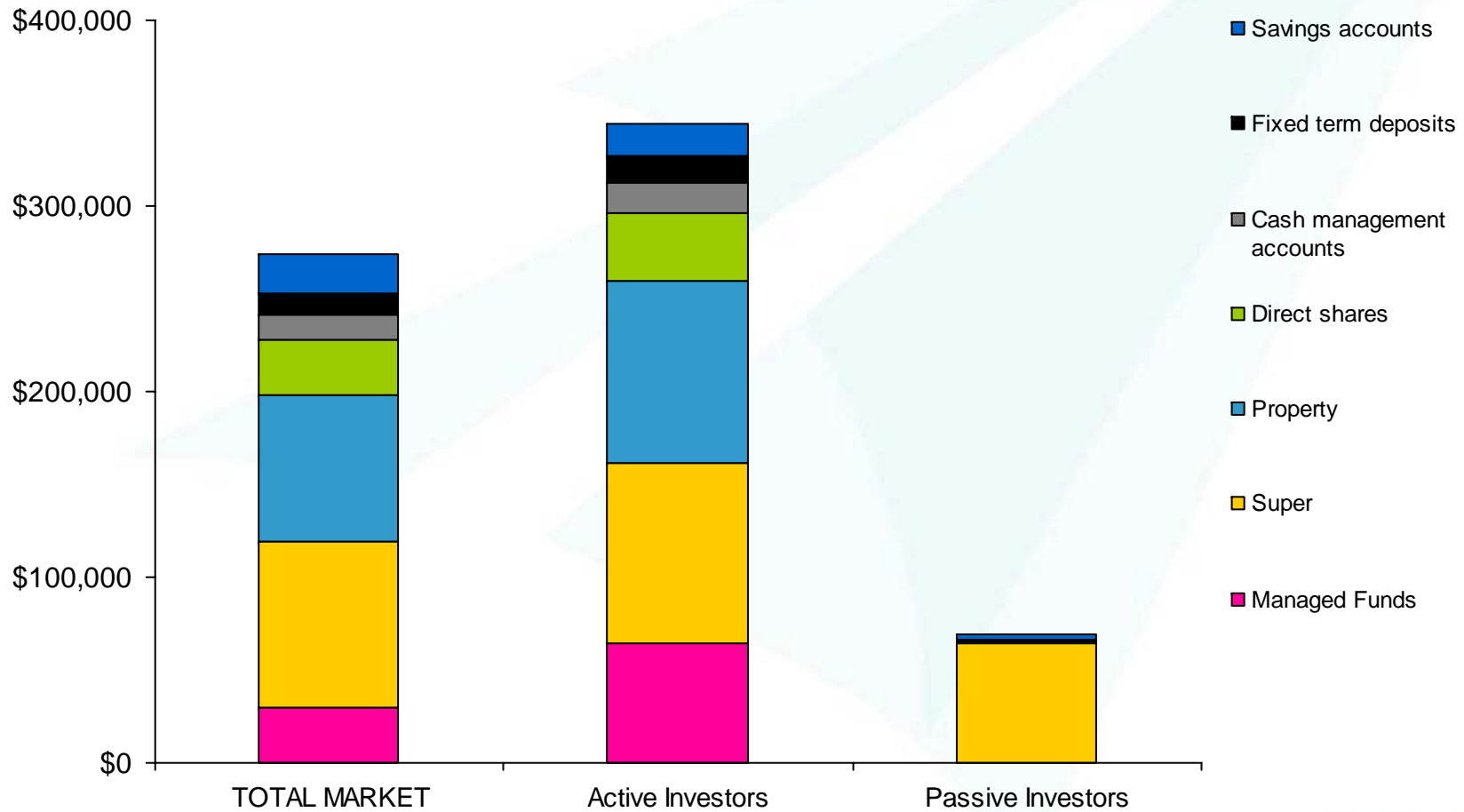
\$273,868

BASE: Total sample n=1000



Active & Passive investment profile - average investment

A lot of Active money not so active!



BASE: Total market n=1000, Active investors n=806, Passive investors n=98

Average investment by investment type

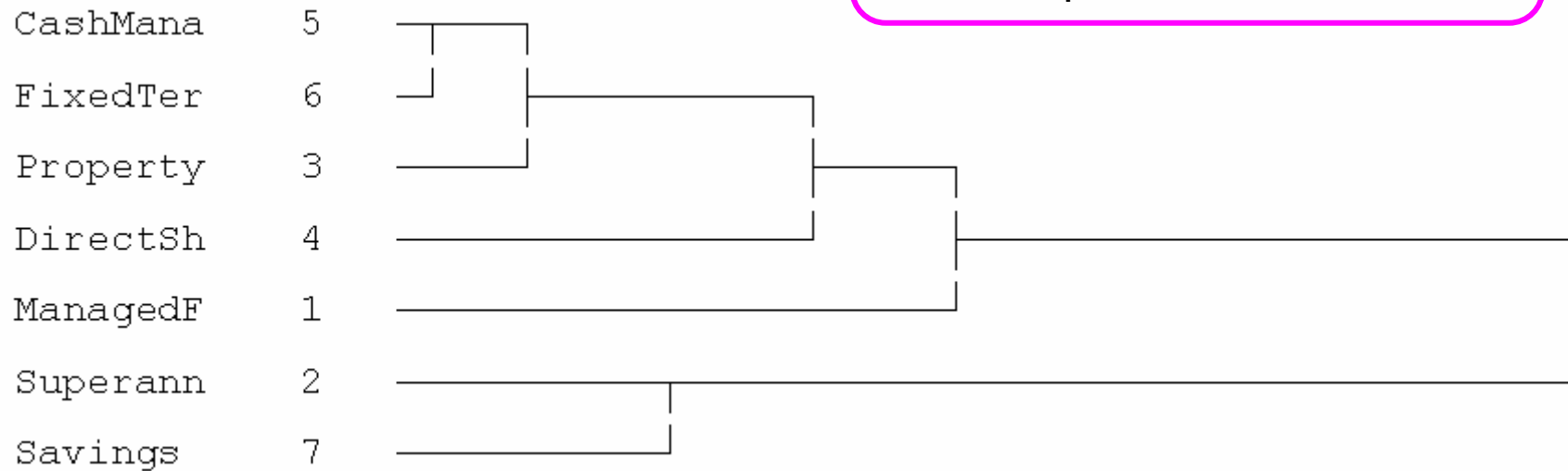
As expected property has the highest average investment amount followed by super funds. fixed term deposit and managed fund are similar.

Property	\$	302,731
Super	\$	114,405
Direct shares	\$	70,065
Managed Funds	\$	62,361
Fixed term deposits	\$	60,666
Cash management accounts	\$	51,880
Savings accounts	\$	26,504

BASE: Property n=260, Super n=782, Shares n=426, Term Deposits n=199, CMA n=250, Savings n=778, Managed funds n=484

Common combinations of investments held

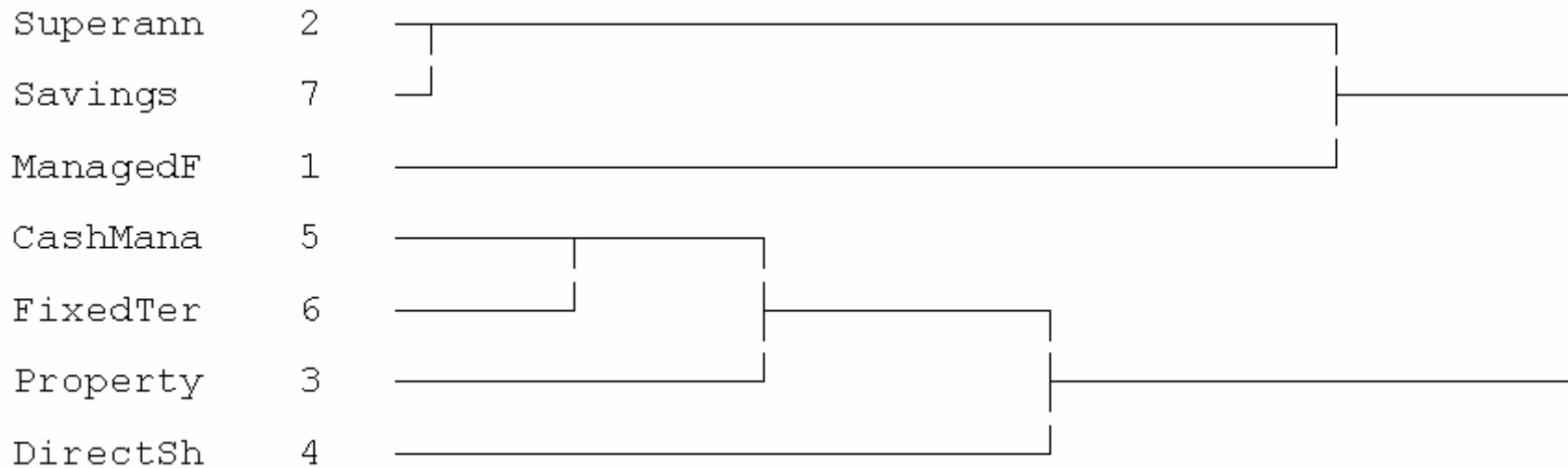
Total Sample



Superannuation and savings often quite removed from all other types of investment. Managed funds most closely linked with shares but profile suggests managed funds users fall into two camps-those who use them in combination with shares and those who use them in combination with super and savings

Common combinations of investments held Active Investors

The closer the lines the more common the combination of products held

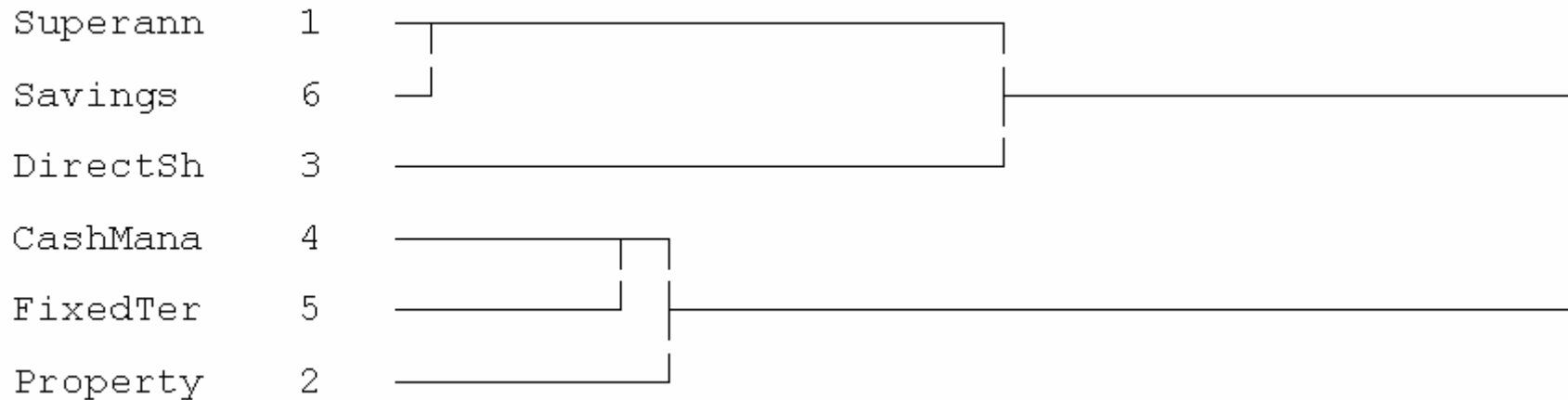


Active investors appear to also fall into two camps-those with savings and/or shares and those with other investments. Managed funds with their close behavioural link to savings and shares would seem an ideal vehicle for getting less involved investors to take investment more seriously

Common combinations of investments held

MF Users

The closer the lines the more common the combination of products held



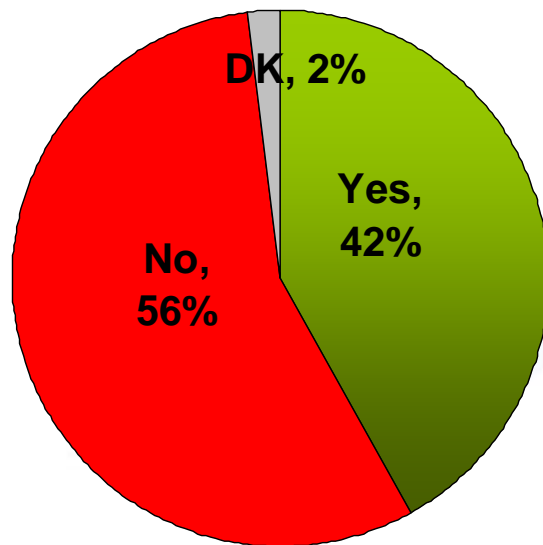
The profile of managed funds users further reinforces the prospect of managed funds providing a natural bridge for investors who want to do more than rely on super and savings alone. This implies Managed Funds can be positioned as the safe and easy way to more serious investment

Where do Advisers and Planners fit in

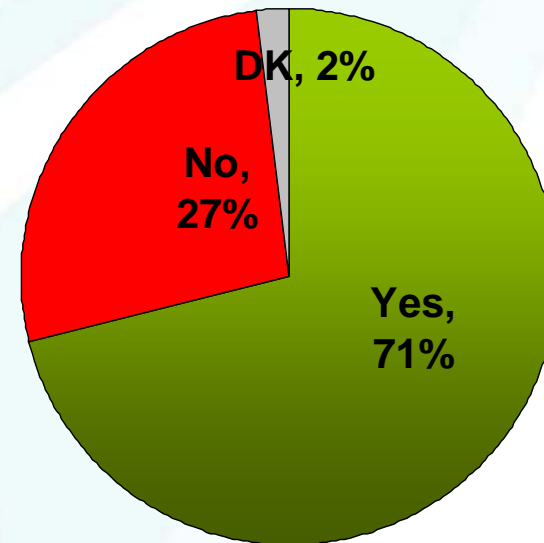


Usage of advisers (Investors)

Current Advisers



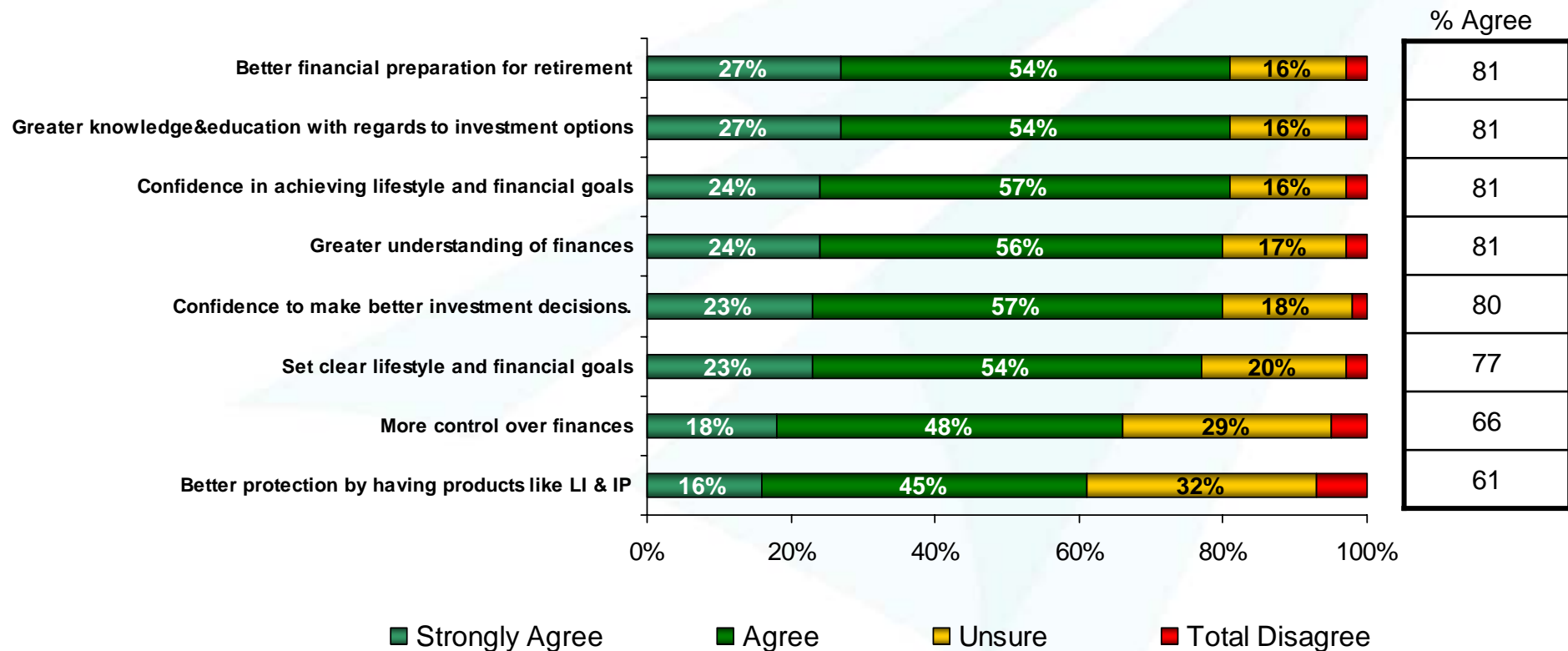
Ever used Advisers



With very high past usage of advisers, strategies to prolong use of advisers are needed. Note that 52% of those who say they know a lot about investment currently have an adviser suggesting they recognise the value and use it effectively

Attitudes to advice amongst those who currently have an adviser

People with planners show strong levels of agreement for having greater control over their future

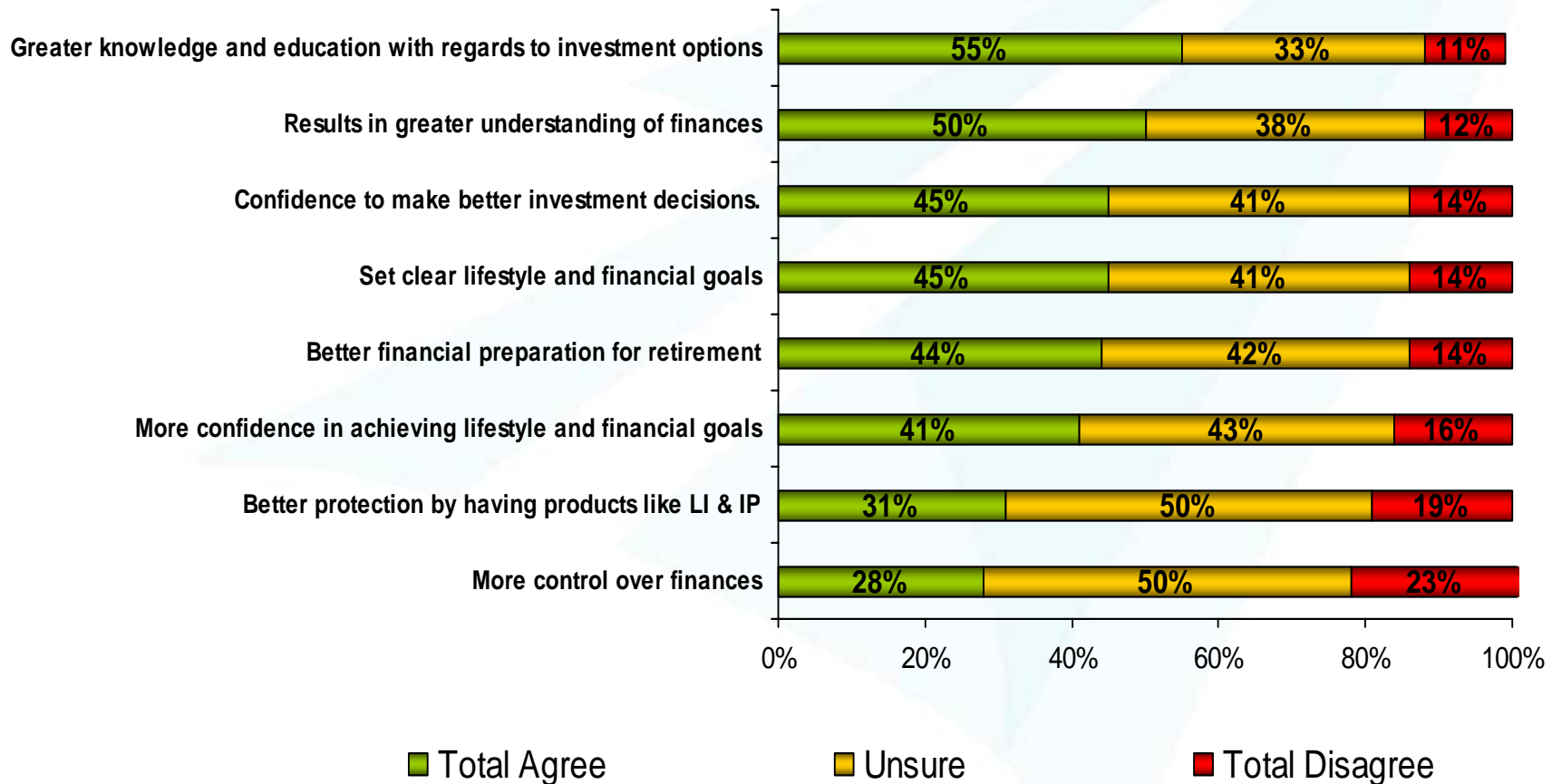


BASE: Total with Current advisers n =378. Total Agree = S/A + A, Unsure = DK+ neither/nor, Total Disagree = S/D+D



Attitudes to advice amongst those who currently don't have an adviser

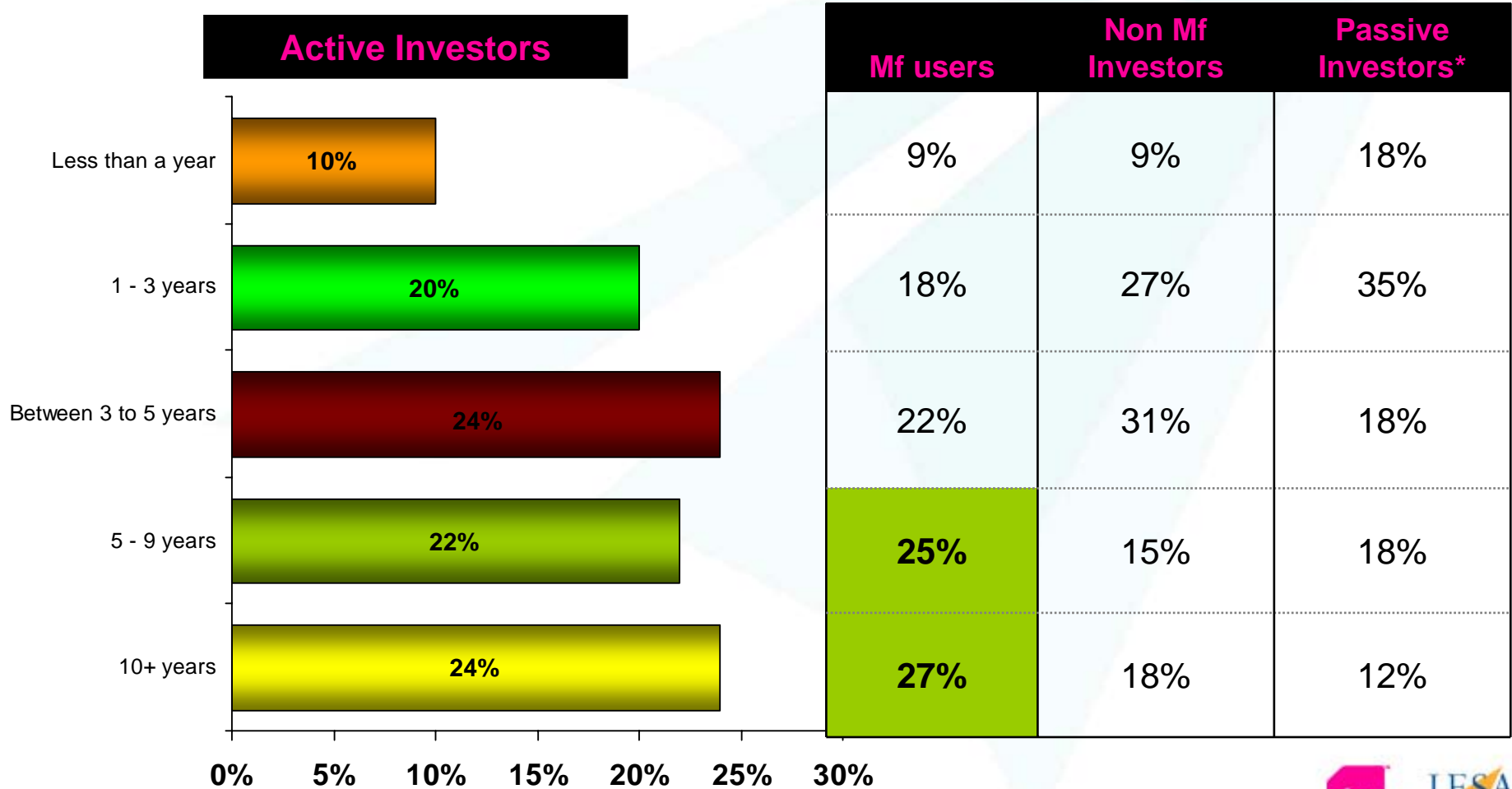
Those without an adviser are more unsure about the benefits than they are convinced that there are none – could do more to convince them of the benefits.



BASE: Total with No Current advisers n = 507. Total Agree = S/A + A, Unsure = DK+ neither/nor, Total Disagree = S/D+D

Tenure with current adviser

More than half managed funds users have had their adviser longer than 5 years which no doubt indicates the importance of advisers in generating use of managed funds

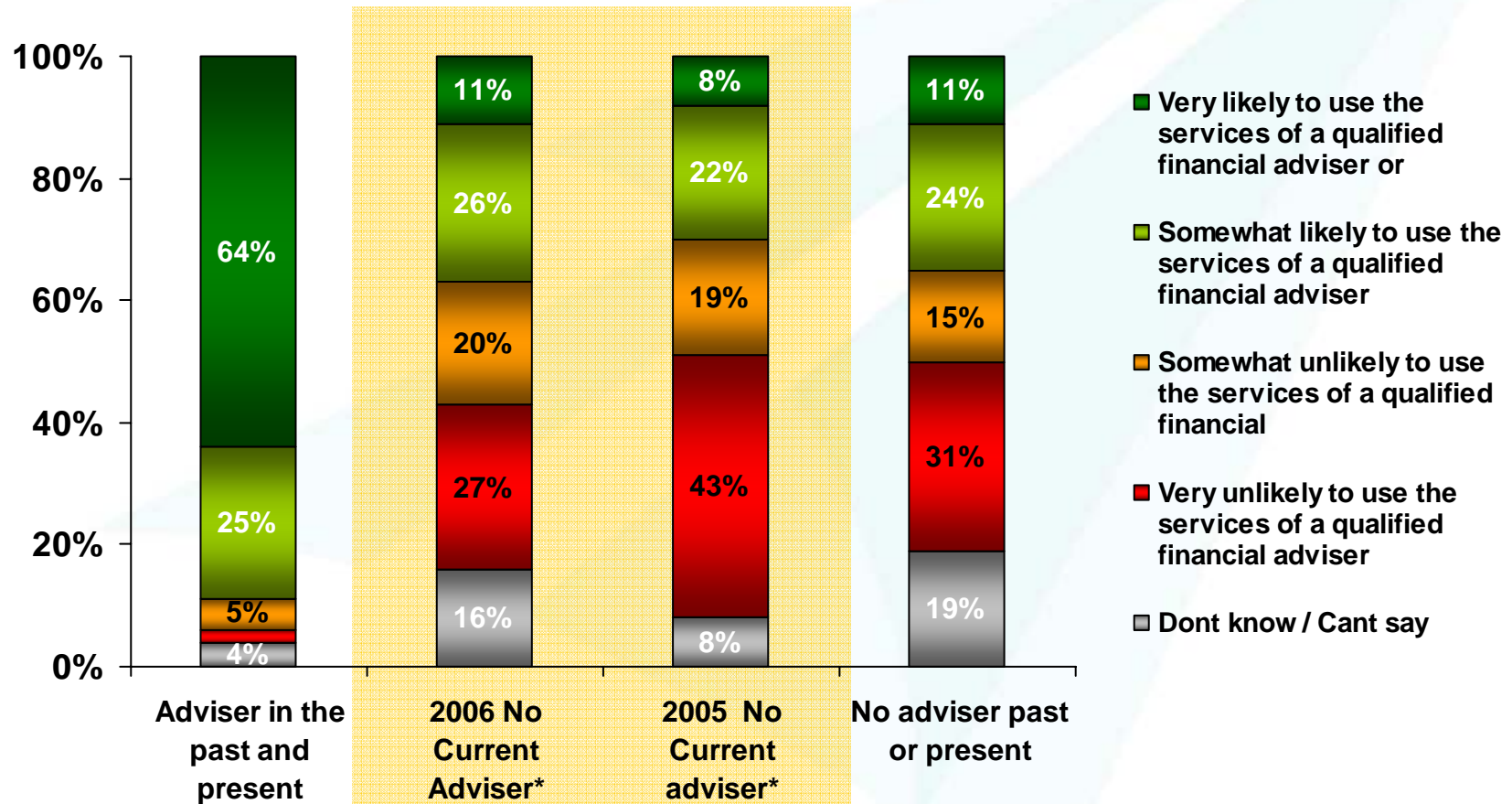


BASE: With Advisers : Active investors n=361, MF users 264 ; Non MF Investors n= 88 * Passive Investors n=17



Likelihood of using advisors in the future

Amongst those with no current adviser, likelihood to use an adviser in the future has increased over the past 12 months and rejection has significantly decreased



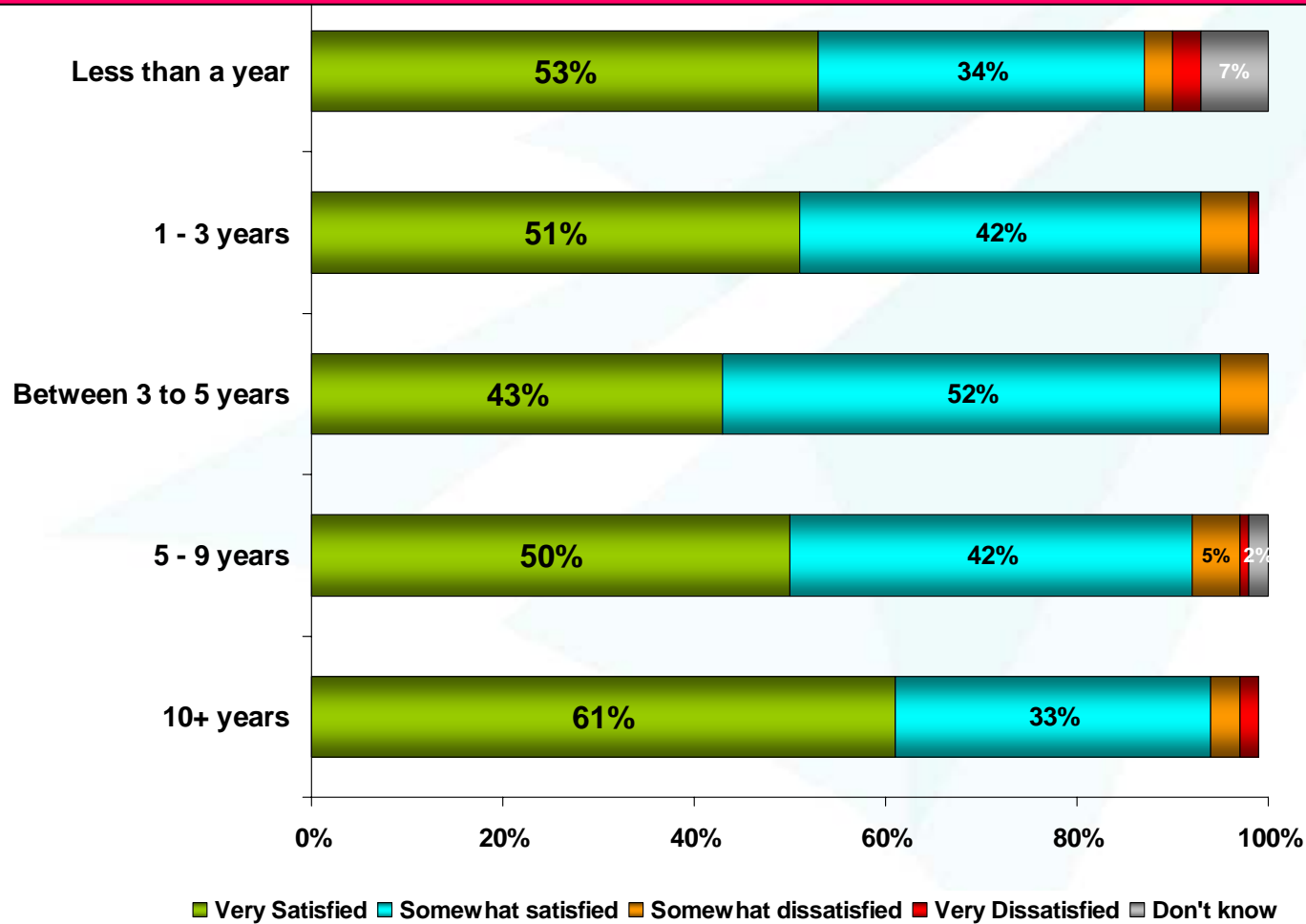
*Note: Study sample profile in 2005 different to 2006. However, No Current Adviser 2006 is based on the same definition as was used in 2005

BASE: Investors ; Advisor in past & present n=367; No Current adviser n=467 No adviser in past or present n=226; 2005 sample n=256



Relationship vs satisfaction amongst those with current adviser

Longer relationships results in greater satisfaction – no surprise as trust has been established. Satisfaction with advisers is very strong across the board

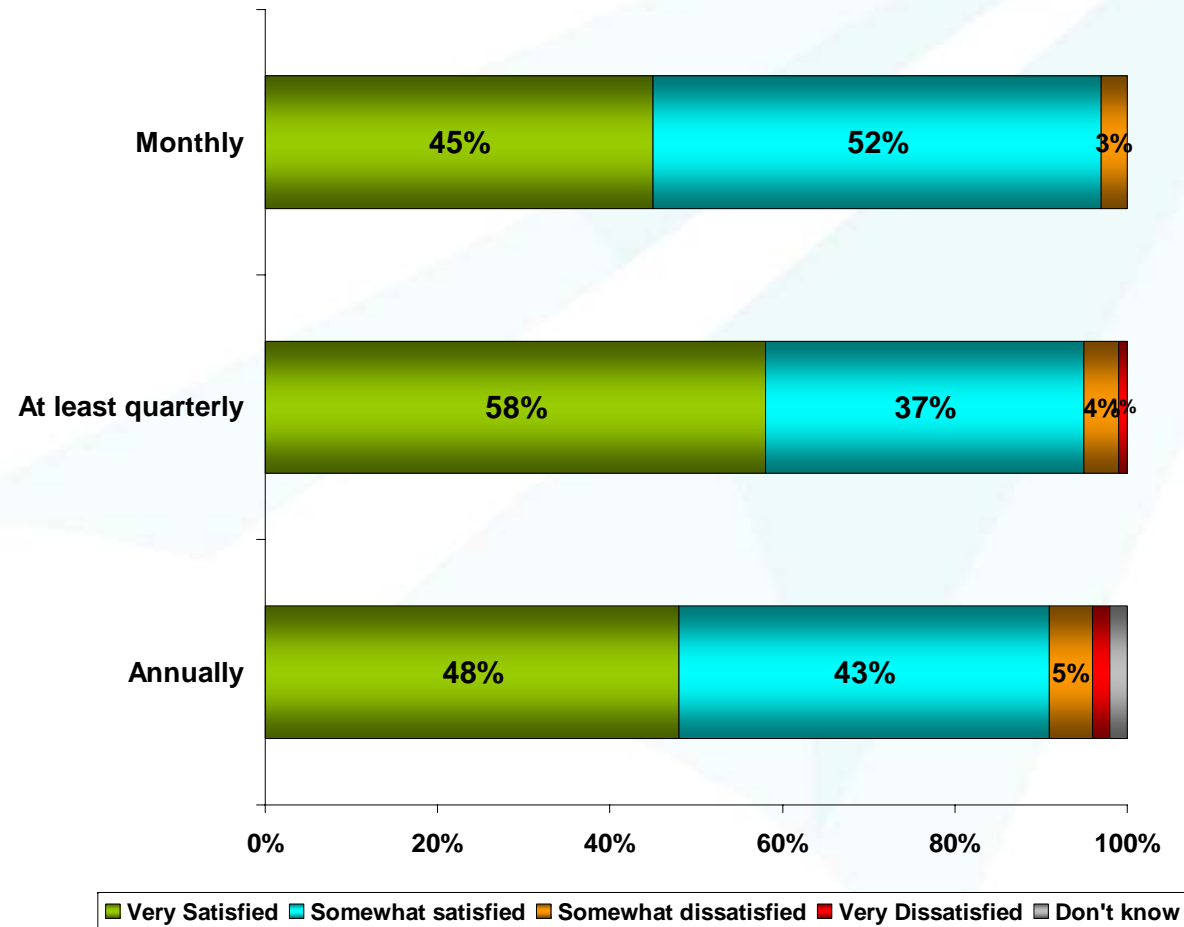


BASE: Active or Passive with current adviser n=378



Frequency of visit vs satisfaction with advisers - amongst Investors

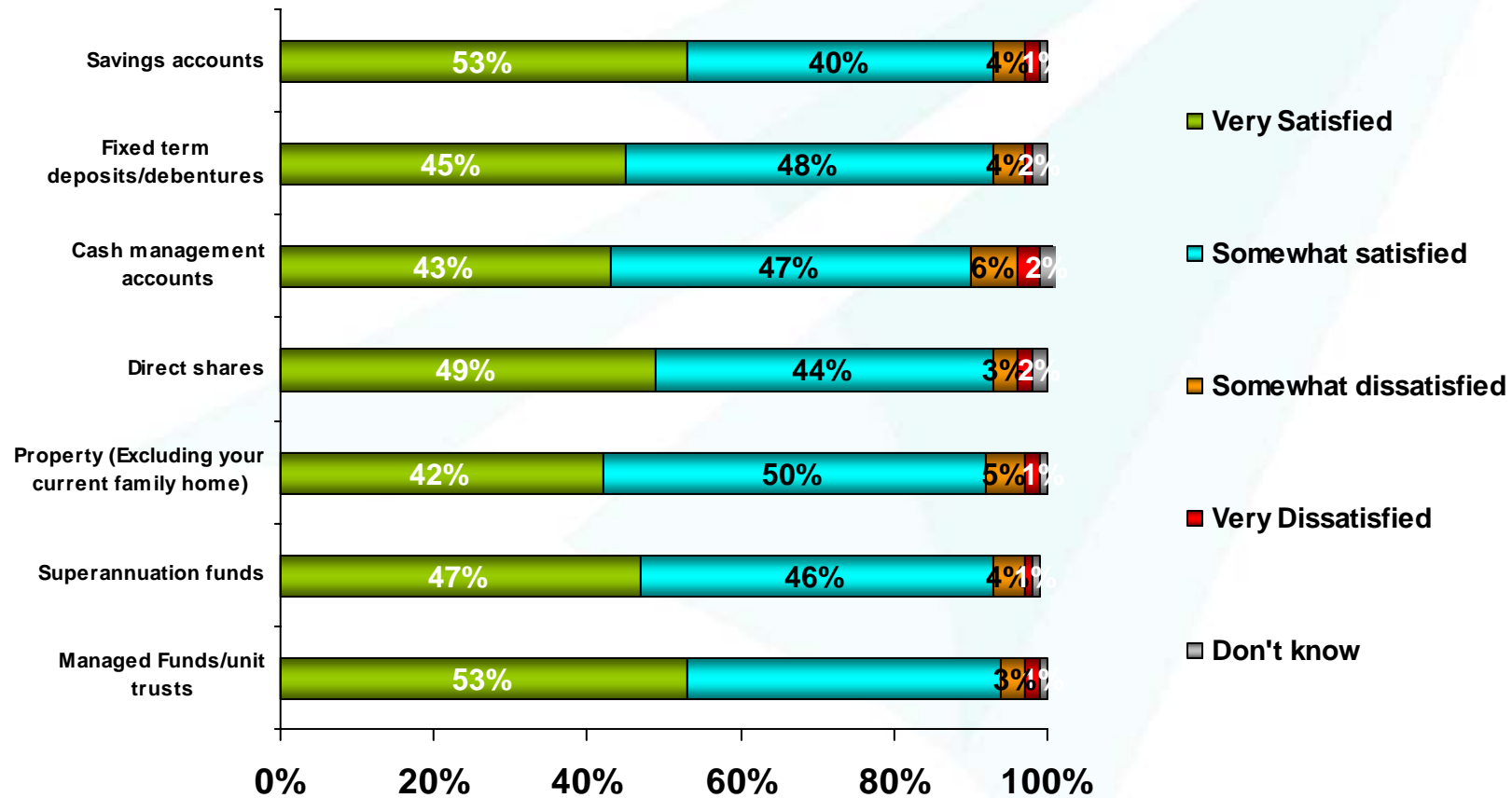
Quarterly visits generate greatest satisfaction. Reduction in satisfaction for those with monthly contact no doubt due to increased demands of those with frequent contact



BASE: (Active + Passive investor) With Adviser n=378

Satisfaction with adviser by type of investment

Not much variation within satisfaction and type of investment held by the individual. Very strong satisfaction amongst those using managed funds



BASE: (Active + Passive investors) With Adviser n=378

Reasons for satisfaction amongst those with current advisers

Reasons for Satisfaction	
Helpful advice /good guidance in investments	24%
No Idea/Don't know/Not sure/no comment	16%
Trust/faith in the advisers/respect the judgment/like a good friend	12%
Clear advise/easy to understand/accurate advise	11%
Recommendations resulted in good investments	11%
Easy access to the adviser/ongoing relationship	8%
Kept fully informed / good communication	5%
Portfolio/investments doing well	5%

Relationship aspects drive satisfaction as does ability of adviser to help investors understand their investment

Reasons for dissatisfaction amongst those with current advisers

Reasons for Dissatisfaction	Based on 21 responses
Fees / commission main focus	29% (6 comments)
No Idea/Don't know/Not sure/no comment	24% (5 comments)
Given bad advice	14% (3 comments)
Poor communication / follow up	14% (3 comments)
Performance falling short of expectations/scope of greater returns	10% (2 comments)

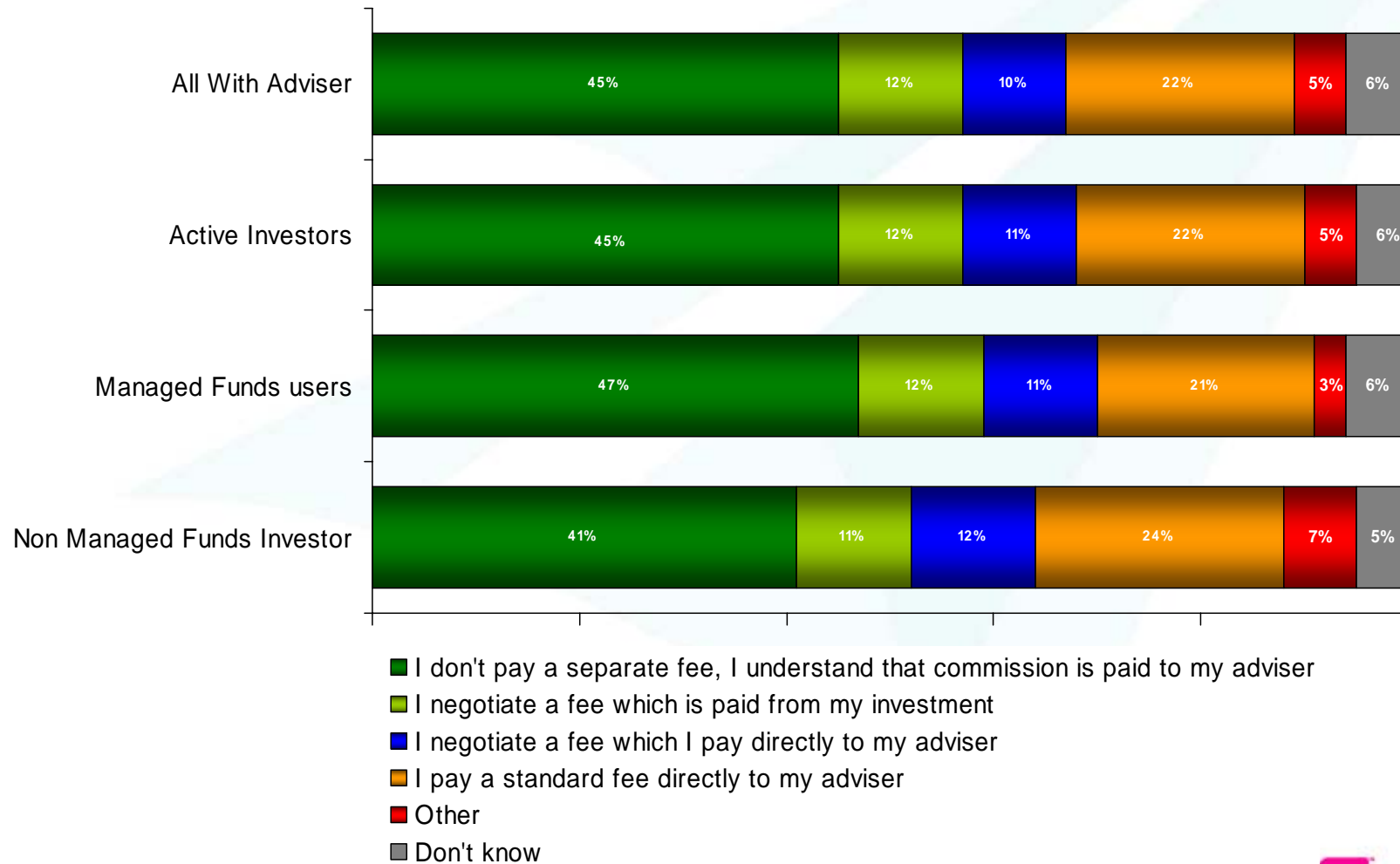
Worth noting that very few are dissatisfied and dissatisfaction is typically related to performance despite some evidence of poor service

*BASE: Investors with current t advisers that are/ dissatisfied (Very Dissatisfied + somewhat Dissatisfied) *n=21*

** Caution Small base size*

Method of payment for advice

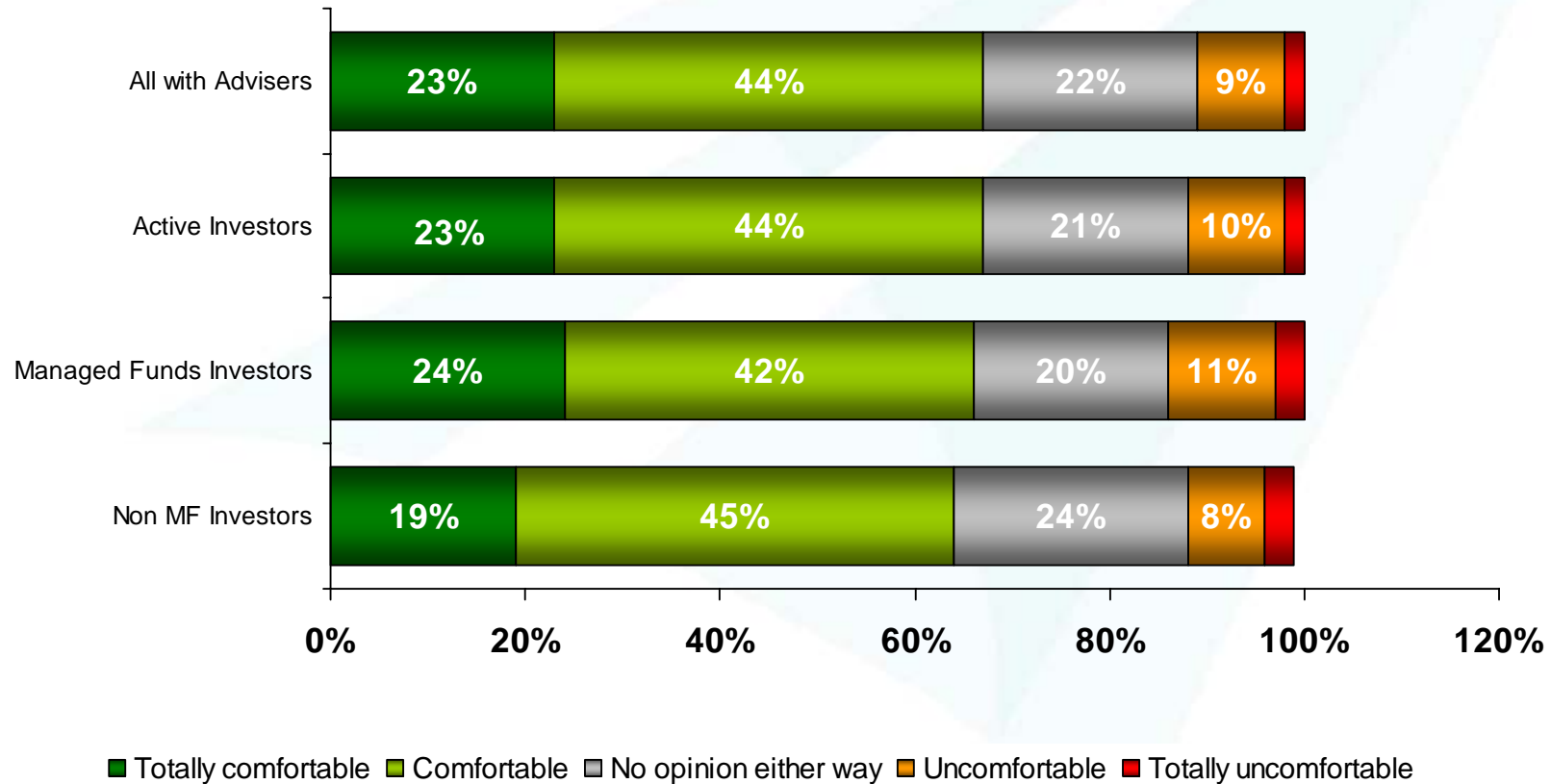
Method of payment doesn't appear to be dependent on investment type



BASE: All with adviser n=400, Active n=361, Managed Funds n=264, Non Managed Funds n=88

Comfort with fees charged by the adviser – amongst those with advisers

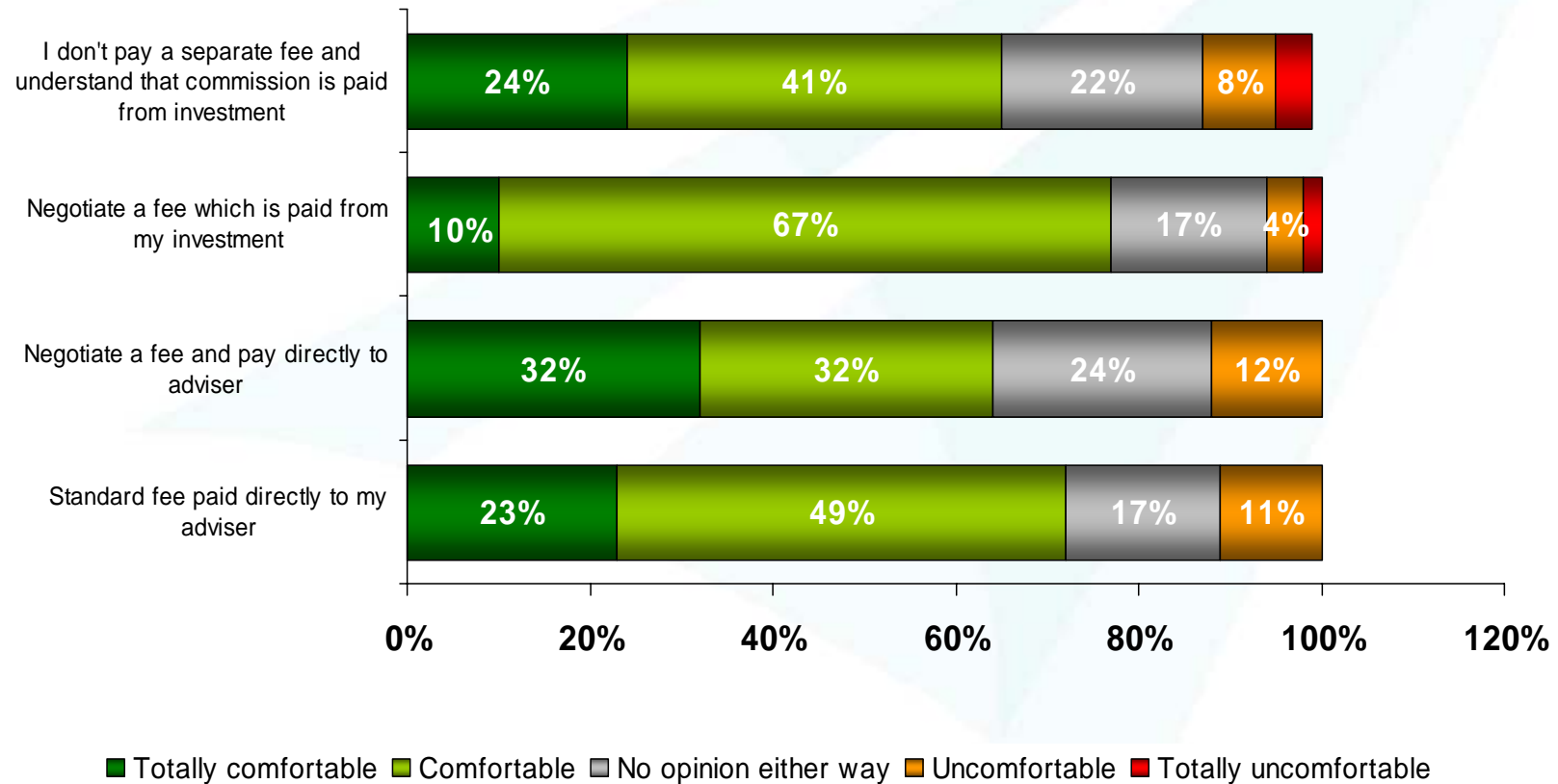
Levels of comfort with fees charged is high irrespective of investor type



BASE: All with adviser n=400, Active n=361, Managed Funds n=264, Non Managed Funds n=88

Comfort with fees charged by type of fee

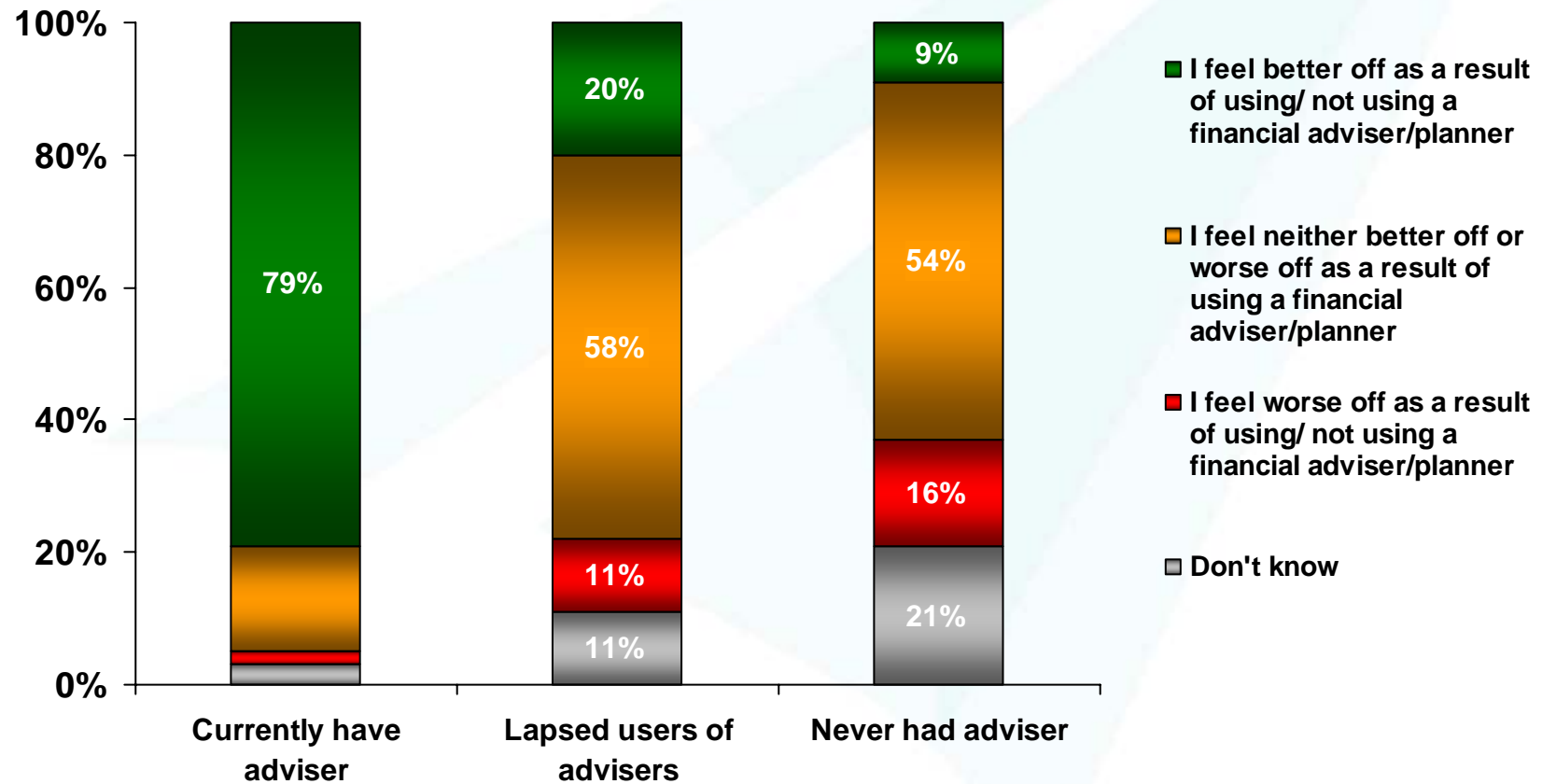
Stronger overall comfort with fees negotiated and paid from investment but much lower absolute comfort with this method. This would suggest the method appears fair on the surface but removes some control for the investor.



BASE: Commission paid from investment n=179, Negotiate and paid from investment n=48, Negotiate and paid to adviser n=41, Standard fee to adviser n=88

Perceived result of using an adviser

Investors with current advisers state they are much better off as a result of using an adviser. Lapsed users lean a little to the negative ie more likely to feel better off for not using an adviser whereas non-users a little more likely to feel worse off for not using an adviser. Many non-users are uncertain though suggesting they will be open to hearing the benefits

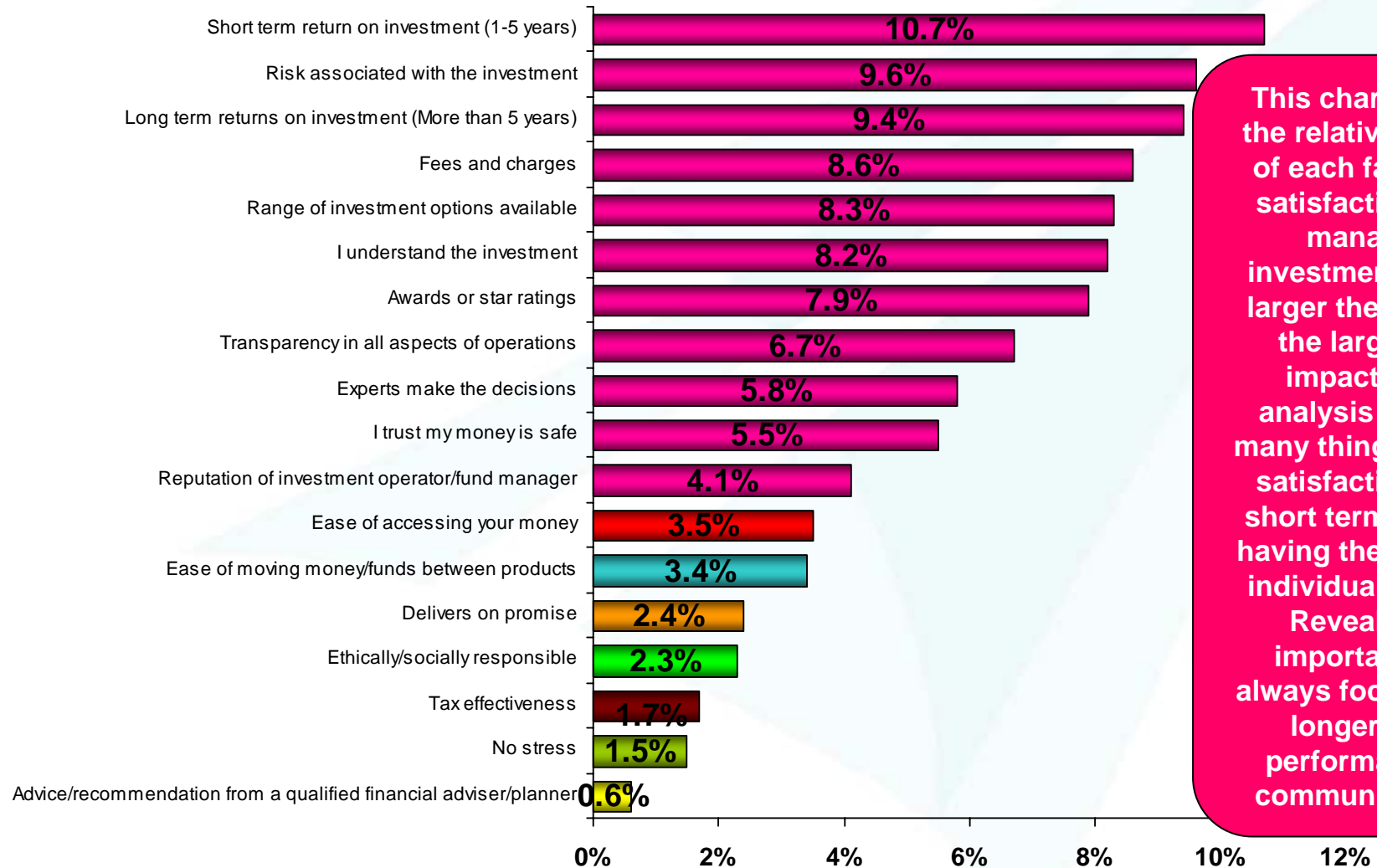


BASE: With Current Adviser n=378; Lapsed users of advisers n=273, Never had adviser n=226

WHAT DRIVES PEOPLE TO INVEST?



Overall drivers of managed investments statistically derived

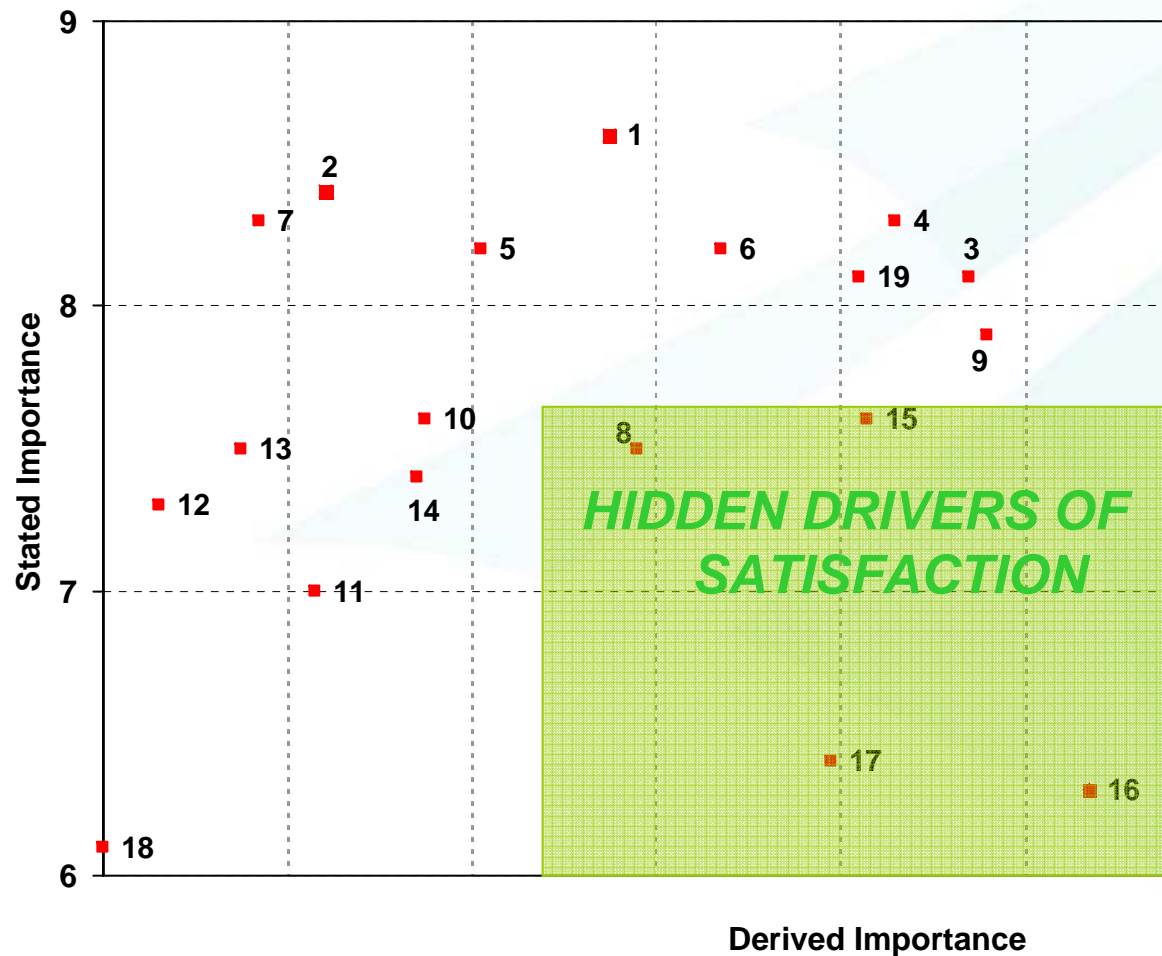


This chart shows the relative impact of each factor on satisfaction with managed investments. The larger the number the larger the impact. The analysis reveals many things impact satisfaction with short term returns having the greatest individual impact. Reveals the importance of always focusing on longer term performance in communications

(BASE: Those with MF and Super funds) n=923

What people say is important and what affects their satisfaction not always the same thing

Professionals (experts) making decisions and choice (range) are drivers that can be reinforced



1. I trust my money is safe
2. Delivers on promise
3. Long term returns on investment (more than 5 years)
4. Fees and charges
5. Reputation of investment operator / fund manager
6. Transparency in all aspects of operations
7. Risk associated with the investment
8. Experts make the decisions
9. Tax effectiveness
10. Ease of accessing your money
11. Ease of moving money / funds between products
12. No stress
13. Advice / recommendation from financial adviser / planner
14. Ethically / socially responsible
15. Range of product options available
16. Short-term return on investment (2-5 years)
17. Awards or star ratings
18. Level of minimum interest
19. I understand the investment

TOP 5 Stated Importance factors 2005-2006

2005

1. I trust my money is safe
2. Delivers on promise
3. Long term returns on investment (more than 5 years)
4. Fees and charges
5. Reputation of investment operator / fund manager

2006

1. I trust my money is safe
2. Delivers on promise
3. Fees and charges
4. Reputation of investment operator / fund manager
5. **Transparency in all aspects of operations**

The things people say are important haven't changed much at all

Comparing performance to 12 months ago

The market perceives significant improvements across the board

	Performance 2005	Performance 2006
1. I trust my money is safe	7	8.0
5. Reputation of investment operator / fund manager	7	7.8
12. No stress	6.9	7.6
15. Range of product options available	6.7	7.6
10. Ease of accessing your money	6.7	7.3
18. Level of minimum investment	6.7	7.2
11. Ease of moving money / funds between products	6.6	7.3
7. Risk associated with the investment	6.6	7.6
14. Ethically / socially responsible	6.5	7.3
9. Tax effectiveness	6.4	7.5
3. Long-term return on investment (more than 5 years)	6.4	7.6
8. Experts make the decision	6.4	7.2
6. Transparency in all aspects of operations	6.3	7.3
2. Delivers on promise	6.2	7.5
13. Advice / recommendation from financial adviser / planner	5.9	7.1
17. Awards or star ratings	5.7	6.9
16. Short -term return on investment (2-5 years)	5.5	7.0
4. Fees and charges	5	6.6
19. I understand the investment	-	7.5

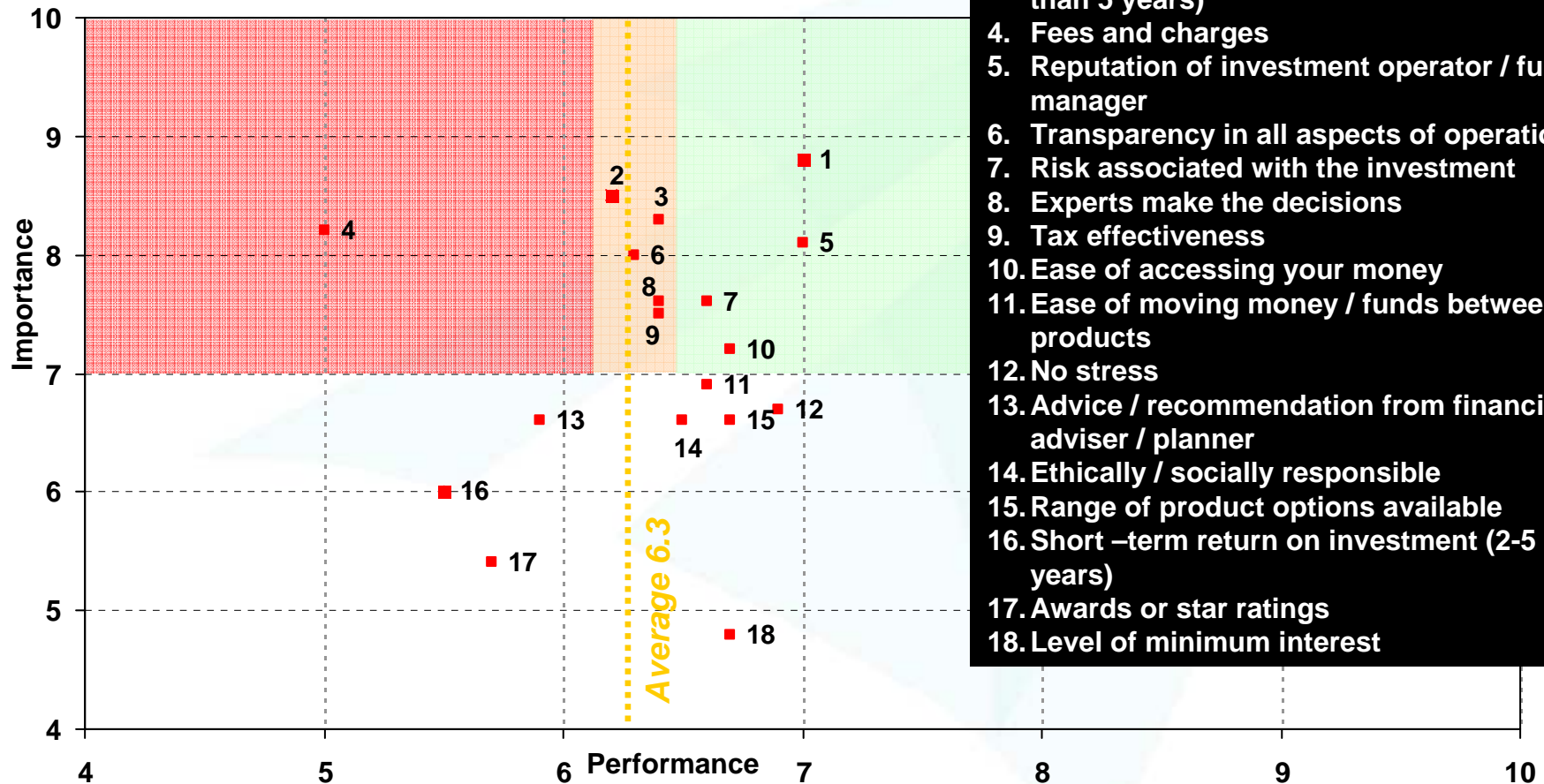
Comparing importance to 12 months ago

Many things have also increased in overt importance (green boxes indicate significant increase in average scores compared to 12 months ago)

	Importance 2005	Importance 2006
1. I trust my money is safe	8.8	8.7
2. Delivers on promise	8.5	8.4
3. Long-term return on investment (more than 5 years)	8.3	8.0
4. Fees and charges	8.2	8.3
5. Reputation of investment operator / fund manager	8.1	8.3
6. Transparency in all aspects of operations	8	8.2
7. Risk associated with the investment	7.6	8.0
8. Experts make the decision	7.6	7.4
9. Tax effectiveness	7.5	8.2
10. Ease of accessing your money	7.2	7.7
11. Ease of moving money / funds between products	6.9	7.4
12. No stress	6.7	7.8
13. Advice / recommendation from financial adviser / planner	6.6	7.3
14. Ethically / socially responsible	6.6	7.2
15. Range of product options available	6.6	7.5
16. Short -term return on investment (2-5 years)	6	6.5
17. Awards or star ratings	5.4	6.4
18. Level of minimum investment	4.8	6.2
19. I understand the investment	n/a	8.0

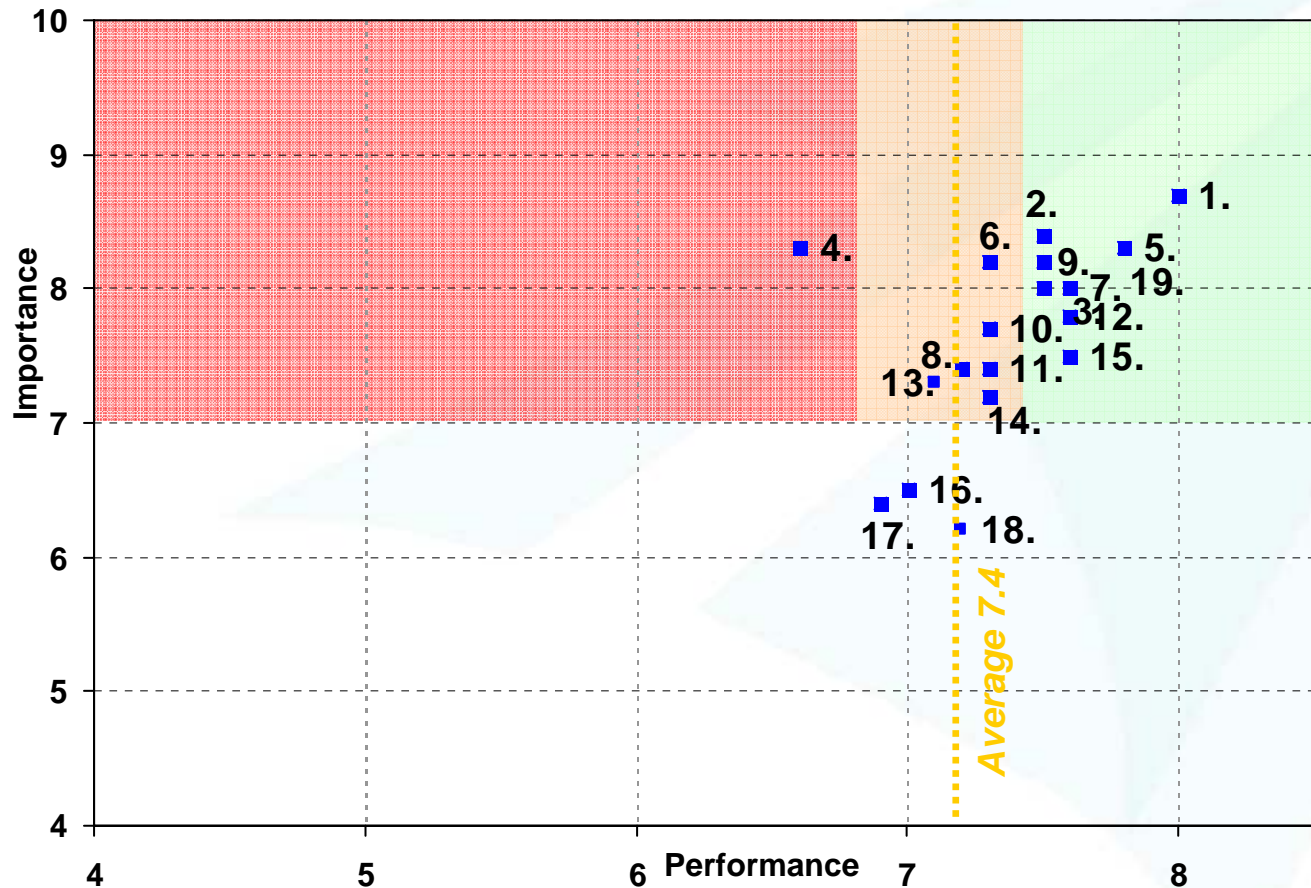
Investor Sample - Key Choice Factors

Importance vs. Performance in 2005



1. I trust my money is safe
2. Delivers on promise
3. Long term returns on investment (more than 5 years)
4. Fees and charges
5. Reputation of investment operator / fund manager
6. Transparency in all aspects of operations
7. Risk associated with the investment
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15. Range of product options available
16. Short –term return on investment (2-5 years)
17. Awards or star ratings
18. Level of minimum interest

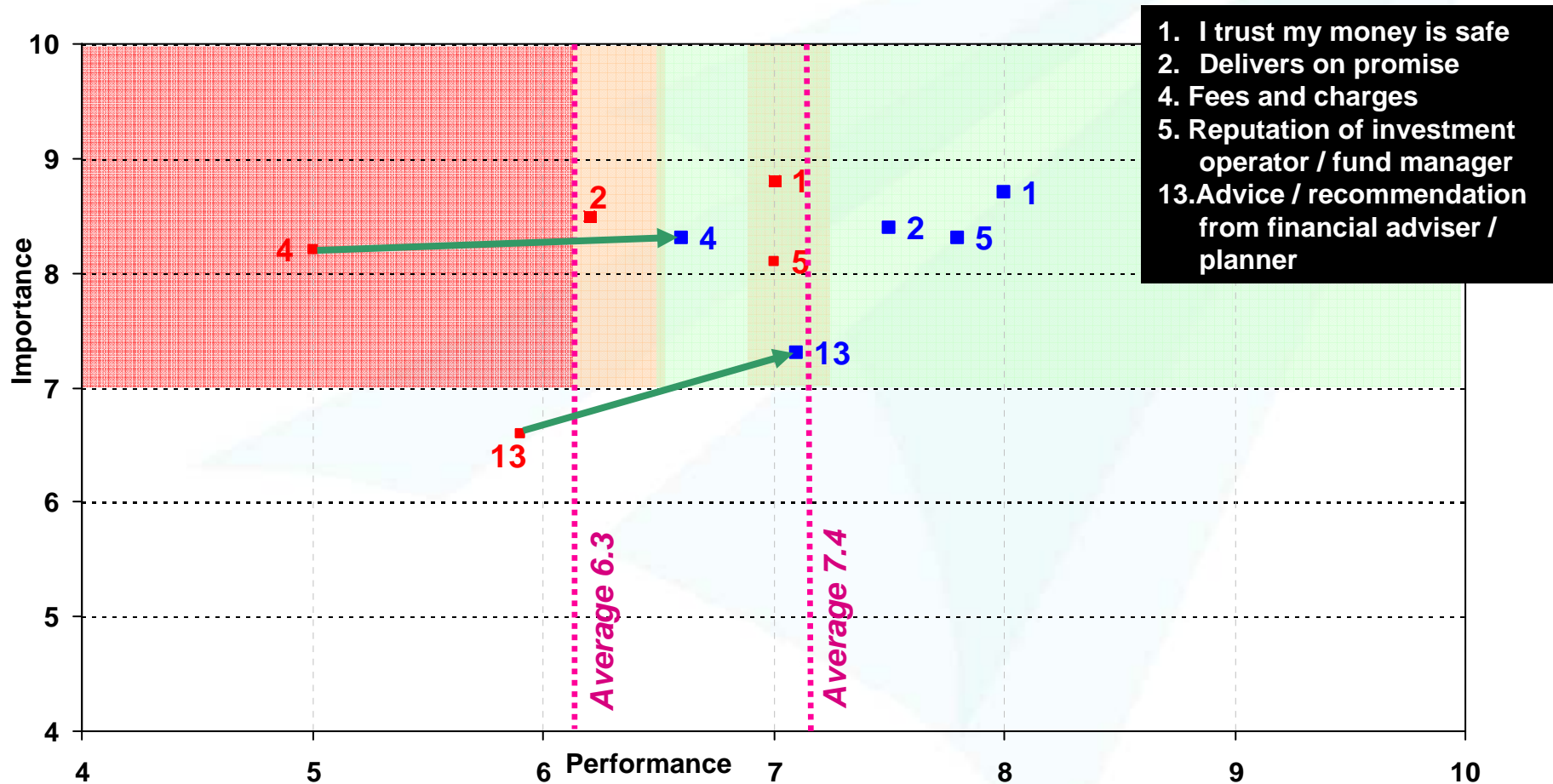
Investor Sample - Key Choice Factors Importance vs. Performance in 2006



1. I trust my money is safe
2. Delivers on promise
3. Long term returns on investment (more than 5 years)
4. Fees and charges
5. Reputation of investment operator / fund manager
6. Transparency in all aspects of operations
7. Risk associated with the investment
8. Experts make the decisions
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14. Ethically / socially responsible
15. Range of product options available
16. Short-term return on investment (2-5 years)
17. Awards or star ratings
18. Level of minimum interest
19. I Understand the investment

Performance shifts 2005-2006

Perceptions of industry performance have improved significantly, particularly in relation to advice



How are Managed Investments perceived?



Views on managed investments- spontaneous

Passive investors have very little understanding of what managed investments are. This represents a significant opportunity to educate

	Active Investors	Passive Investors	MF users
Someone/company who looks after money/invests money on your behalf	36%	33%	34%
Don't know/Not sure	20%	42%	17%
Portfolio of investments/Diversify your money in a range of investments	10%	8%	11%
Easy/convenient way to invest	10%	3%	12%
Secure way of investment/well maintained	7%	4%	7%
Investments containing property/shares/funds	6%	1%	7%
Tell them to call a financial adviser/planner/fund manager	5%	1%	6%
Wouldn't talk about it	4%	3%	4%
Long term Investments with better interest rates/better returns	4%	1%	6%

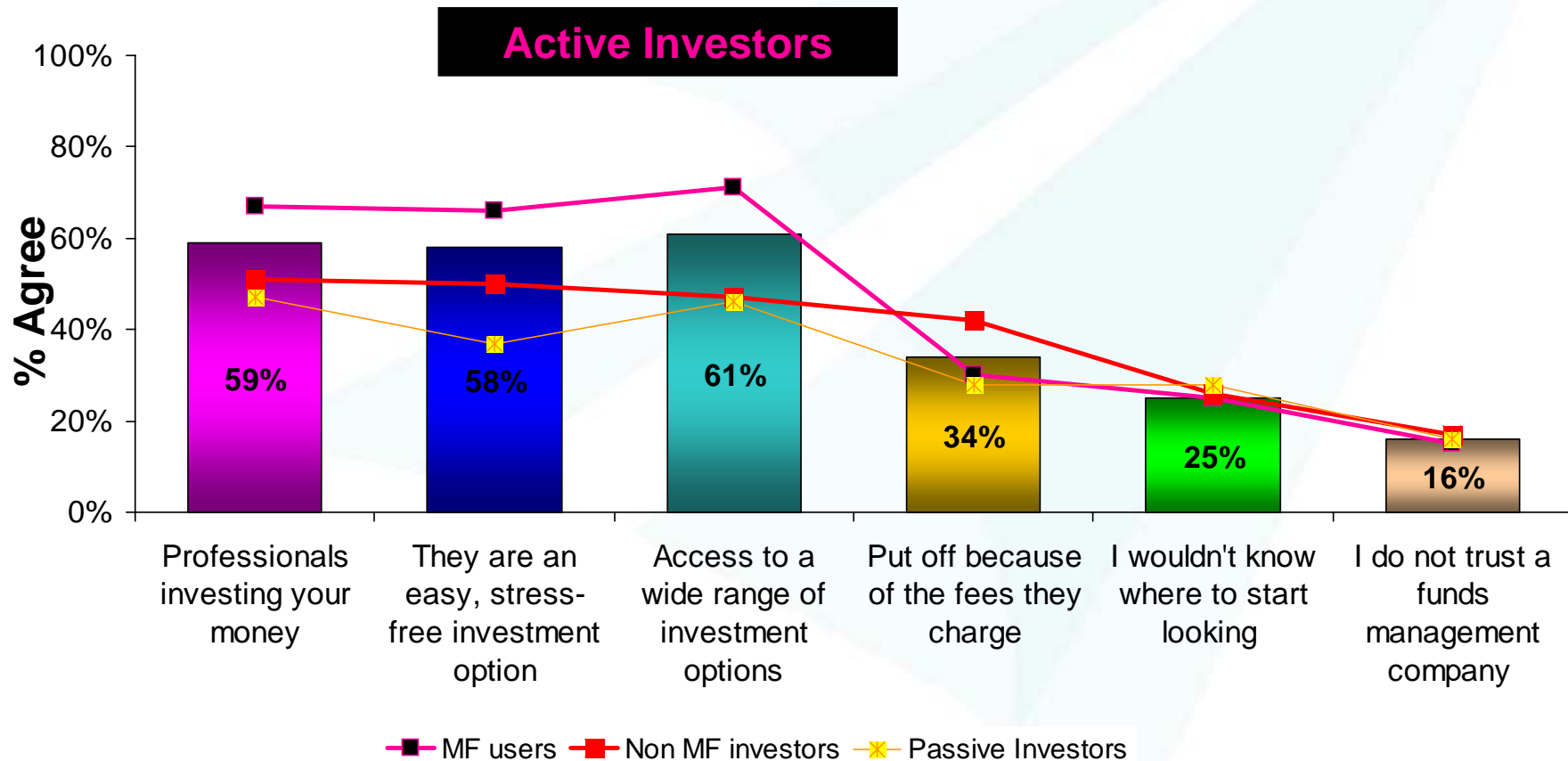
Benefits of managed investments over other investments spontaneous

	Active Investors	Passive Investors	MF users
More professional opinion/ professional who know what they are doing	31%	23%	34%
Less stress/less hassle/less research/less monitoring/more control	21%	11%	20%
High interest/greater or better returns	15%	13%	15%
No Idea/Don't know/Not sure	14%	34%	11%
More diversity/range of investments	13%	12%	16%
Safe investment/more secure/security	10%	7%	9%
No benefits	7%	4%	5%
Spreads the risk	5%	1%	6%

Passive far less likely to understand that managed investments are easy to manage and that involvement of professionals can give the investor an edge

Perception of managed investments among investors

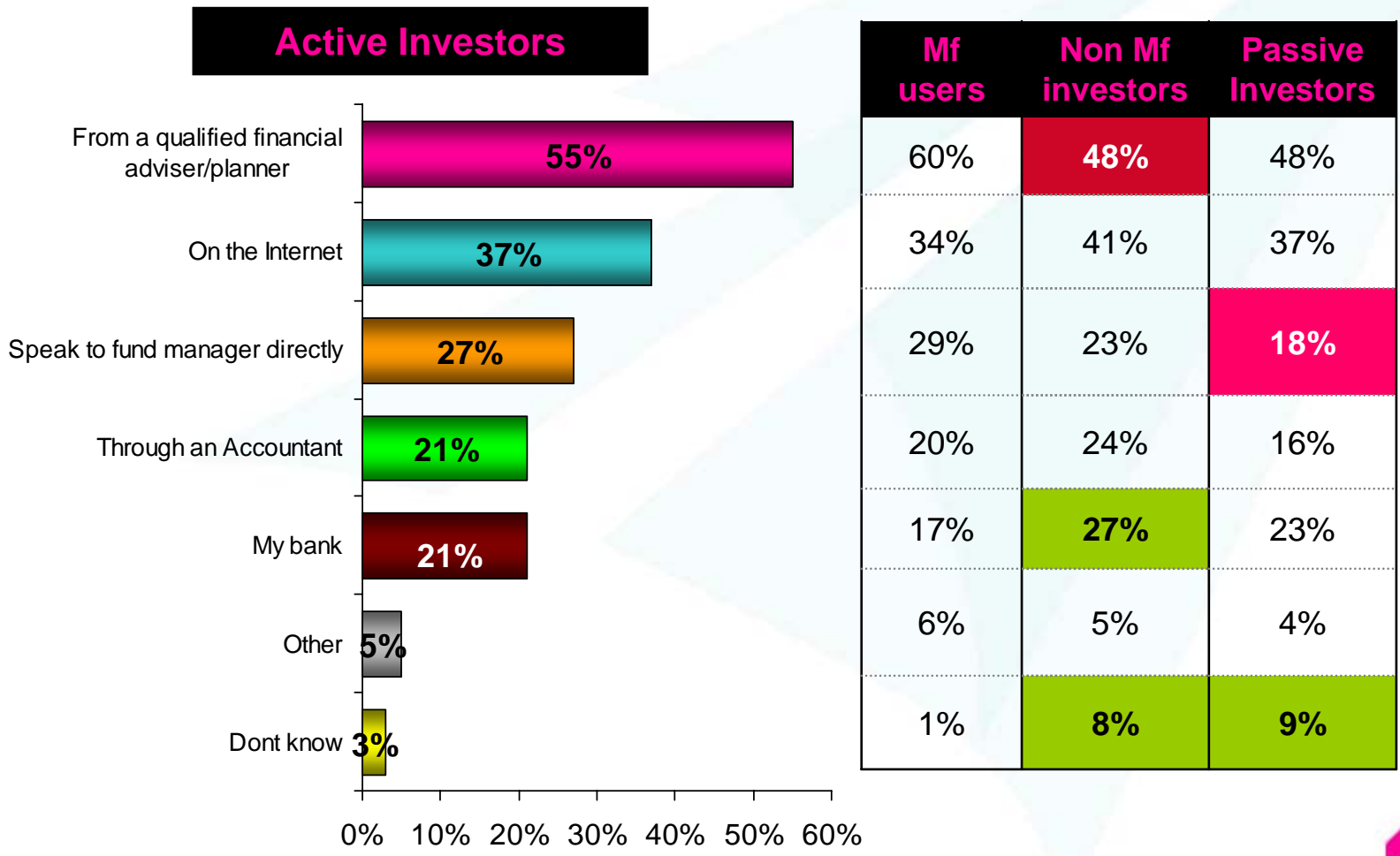
Once people have a managed fund they clearly see the benefits. It appears others need education about the benefits



BASE: (Agree=S/A + A) Active investors n=806, MF users 484 ; Non MF Investors n=261 Passive Investors n=98

Where do people prefer to look for information on Managed investments

Investors without managed funds are less willing to approach qualified professionals for information. Some are also unaware of where they can find information – key here is to make the information easily accessible



BASE: Active investors n=806, MF users 484 ; Non MF Investors n= 261 Passive Investors n=98; True Investors n=745



Improving industry profile



Which product and service providers do you trust the most?

High levels of trust in the financial services industry.

	Total Sample	Active Investors
Superannuation funds	46%	47%
Fund managers	35%	36%
Airlines	32%	33%
Financial planning companies	30%	31%
Breweries	26%	27%
Banks	24%	25%
Food manufacturers	23%	24%
Supermarket chains	22%	22%
Car manufacturers	21%	22%
Mining companies	20%	20%
Insurance companies	14%	15%
Telecommunications companies	10%	11%
Oil companies	10%	10%
Media companies	9%	10%
Real estate agents	8%	8%

BASE: Total Sample n=1000; Active Investors n=806 Most Trustworthy (7 to 10 scores) on a scale of 1 to 10 where 10 is most trustworthy and 1 is least.

Issues concerning investors

Global Issues 54%		
	Active Investors	Passive Investors
Global Economy/Share markets	15%	5%
Oil Prices	13%	11%
Terrorism/war	13%	9%
Risk / uncertainty about the future	5%	4%
U.S. economy/share markets	5%	2%
Australian/U.S. dollar exchange rate	2%	1%
U.S. interest rates	1%	2%
Domestic Issues 28%		
Australian interest rates	8%	12%
Australian economy	5%	2%
Federal or state politics	4%	3%
The residential property / housing market	3%	4%
Taxation Policies	2%	4%
Inflation	2%	1%
Australian share market	2%	1%
Residential property taxes	2%	3%

Global issues are the main focus of concern accounting for 54% of all issues concerning today's investors.

Domestic issues have increased in importance over the year.

A SYNTHESIS OF OUTCOMES FROM PASSIVE TO ACTIVE



Key Theme - Investors have confidence in the industry but are focusing on the short term.

- When looking at whether people invest with the long term or short term in mind and the regression analysis of what is really important to investors, it is clear that there's great emphasis placed on short term performance.
- This suggests that, while the industry should take credit for some of improvements in trust and confidence over the last year, the impact of recent performance of the market should not be overlooked.
- If the market experience a change in fortune it would have a significant impact on satisfaction, confidence and trust in the industry.

KEY RECOMMENDATION

- The industry should consider how it can better shape investor expectations, encouraging them to take a longer term view. This implies the long term profile of individual investments should be given greater prominence in reporting than short term performance.

Key Theme – Diversification is understood but not necessarily valued.

- Investors understand that diversification is the main benefit of managed funds but it is seen by few as being an important consideration when making a decision about how to invest.
- Other factors like returns, security, fees and tax are all seen as more important – all benefits which can be associated with managed funds but investors rarely make that link.

KEY RECOMMENDATION

- Good returns across all asset classes have provided a sense of security for investors.
- If wanting to promote managed funds as a good investment vehicle to those not currently invested in managed funds, any campaign will need to focus on either, or both of the following:
 - Focus on the other benefits of managed funds
 - Focus on improving people's appreciation of the value of diversification (can link this in with the need to take the long term view)

Key Theme - Confidence improves with knowledge

- Active investors have greater confidence than passive investors and much of that confidence is due to having a better understanding of their investments
- Investors who claim a lot of knowledge about investments are more likely to invest actively across a wide range of investments and much less likely to rely on super alone. Similarly, they have a better understanding and acceptance of risk and tend to take a longer term view with their investments
- Passive investors do recognise the importance of knowledge with most rating the importance of understanding their investments when making decisions extremely highly

KEY RECOMMENDATION

- A little bit of knowledge goes a long way. The industry should not under-estimate the importance of taking opportunities to educate wherever they present themselves. This can be as simple as reinforcing key messages in all communications e.g professionally managed, always think longer term, easy to access managed funds etc

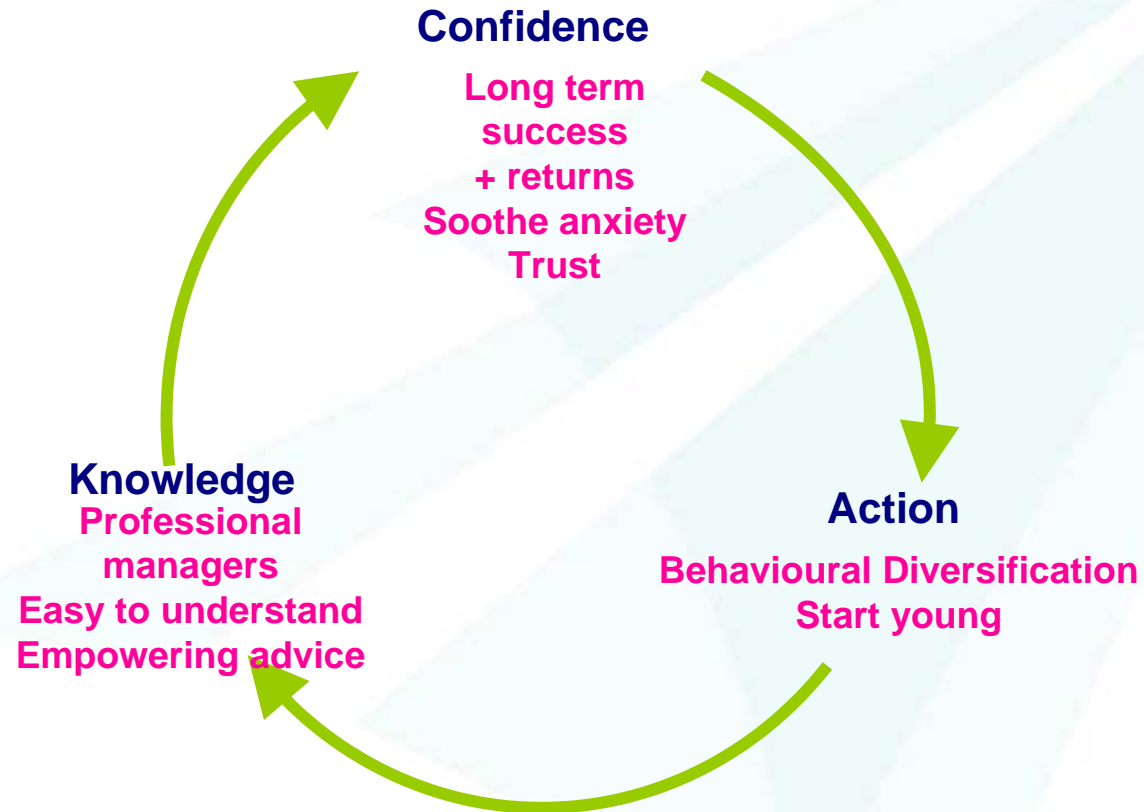
Key Theme - Confidence leads to action

- Active investors display great confidence and match this with more adventurous investment behaviour
- Their confidence is often driven by their access to an adviser whose role is much more than to simply transact on their behalf. The advice and guidance of a professional adviser leads to better understanding of investments and greater willingness to use investment types they might not use without that guidance
- There is evidence that managed funds usage is strongly linked to use of an adviser

KEY RECOMMENDATION

- The industry can assist advisers by ensuring quality communication of products and services are readily available
- All communications should be produced with the end consumer in mind thus ensuring a deeper understanding of their investments

The Virtuous Circle of Wealth Creation



Continuous reinforcement of each element of the circle will have a positive impact on each of the other elements



the sixth sense of business™