



Investment & Financial Services Association Ltd

Quarterly Investor Sentiment Research Report

9th September 2009

IFSA/CoreData Investor Sentiment Index

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Executive Summary

- Investor confidence has cemented itself in positive territory in Q3 after creeping back into the black in Q2 for the first time since the financial crisis began in late 2007.
- The Index, which stood at -22.3 in the first quarter of 2009, rose to +2.3 in the second quarter of the year and now stands at +5.0 in Q3¹.
- One key measure of the index relates to satisfaction levels with existing investments, which rose in light of the strong recent performance of the Australian share market. Satisfaction with existing investments increased from 7.8 in Q2 to 13.6 in Q3. (The scale is calculated by a weighted subtraction of positive responses from negative responses).
- Another core measure of the investor confidence index is the outlook for investments over the coming three months, this rose from -10.7 to 11.9 between Q2 and Q3.
- Financial security levels also continue to creep up this year – increasing throughout the year from +6.3 in Q1, to +7.1 in Q2, and now +11.2 in Q3.
- Investors appear more confident about the future strength of the Australian economy with corresponding optimism about their own financial security and the future outlook for business.
 - 57.8% felt that the economy would now start to speed up. 20.0% said they felt the economy would slow down over the next quarter:
 - Men are more optimistic about economic growth than women
 - Those with high household incomes more optimistic than low household incomes
 - Queenslanders are more optimistic than those in other states
 - Those with high investment balances more optimistic than low balances
 - Those with strong investment knowledge and experience are more optimistic than low knowledge and experience.
 - 54.6% of people saying that they expected business conditions to improve next quarter.
 - 61.0% of investors say they expect their financial situation to be the same or somewhat better in twelve months.
- Relatively low interest rates appear to have eased household budgets, with 51.9% of investors saying they're saving more than they were last year. The highest savings rate since the beginning of 2008.
- The optimistic outlook for investment markets has been most obvious for Australian Shares - with two thirds of respondents saying that they expect the ASX to perform better over the next quarter – the highest number since the survey began.

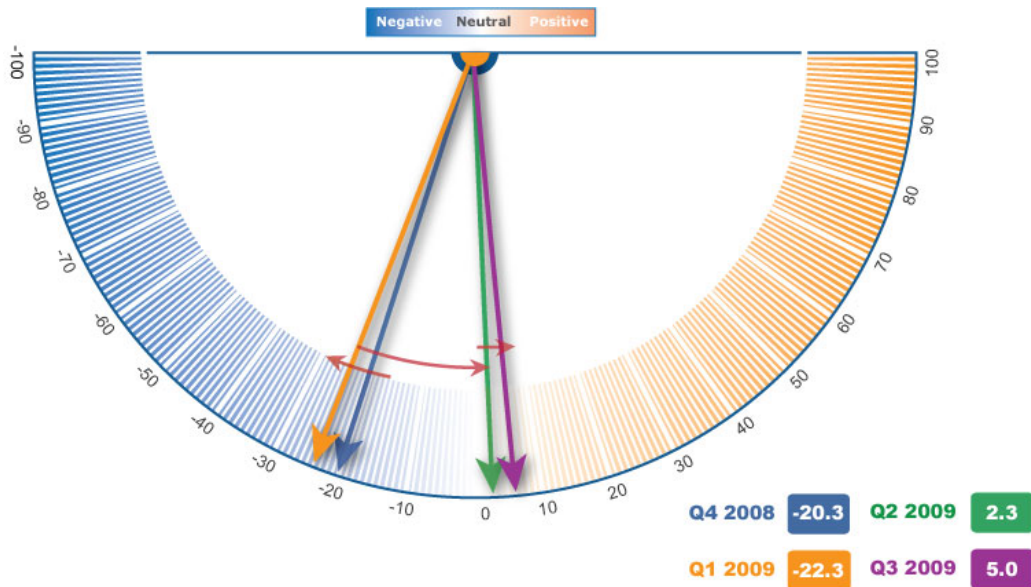
¹ A score of 0 would mean investors were neutral about the market. (A score of +100 is extremely positive, where as a score of -100 is extremely negative).

Key insights

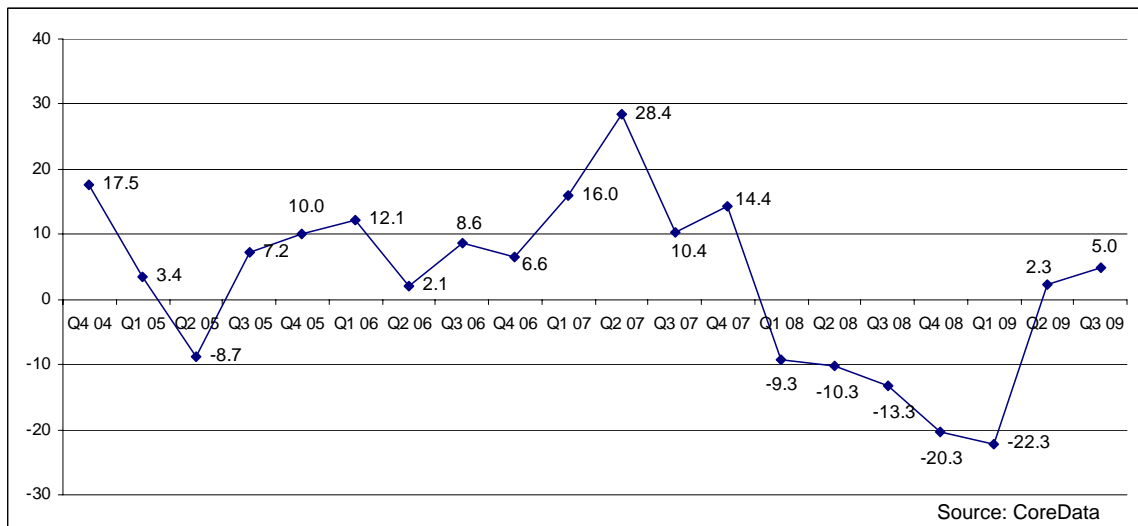
Investor sentiment has returned to positive territory for the first time since the global financial crisis began:

- Investor sentiment in Q3 2009 remains positive, with a mild but positive increase to 5.0, up from 2.3 and almost 30 points ahead of where it sat six months ago.
- The modest improvement in sentiment is positive news but outlines that investors remain only tentatively upbeat as the economy moves from a post-financial crisis into a new growth phase.

IFSA-CoreData Investor Sentiment Index (ISI)



Tracking Investor Sentiment Q4 2004 – Q3 2009

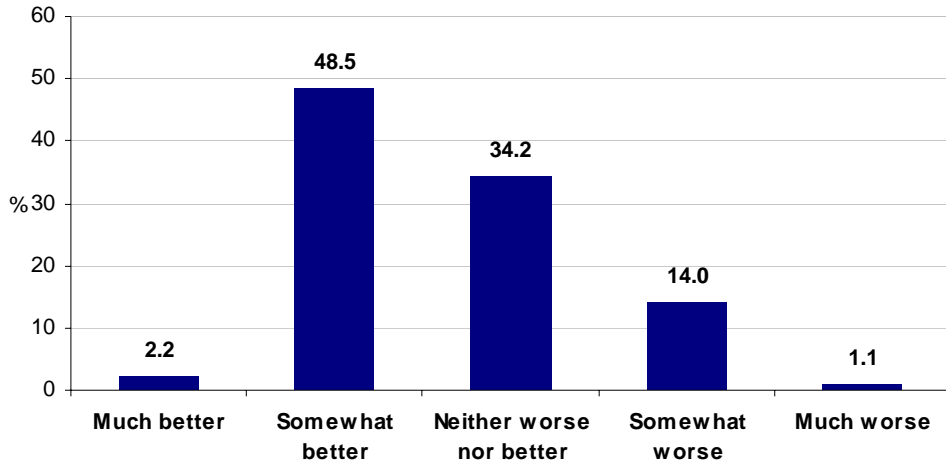


- Sentiment is now only 23.4 points adrift of its peak over the past five years. In the first quarter of 2009 it was 50.7 points adrift.

Investor confidence is returning:

- Confidence in the market improved further this quarter with more than half of investors (50.7%) thinking that it will be somewhat better or much better in the next 3 months. This is up on the one in three (34.1%) who thought likewise in Q2 and a vast increase on the fact only 10.2% believed this to be the case in Q1.
- The proportion of investors who believe the market will get worse in the following three months has halved, falling to 15.1% in Q3 from 29.5% in Q2.

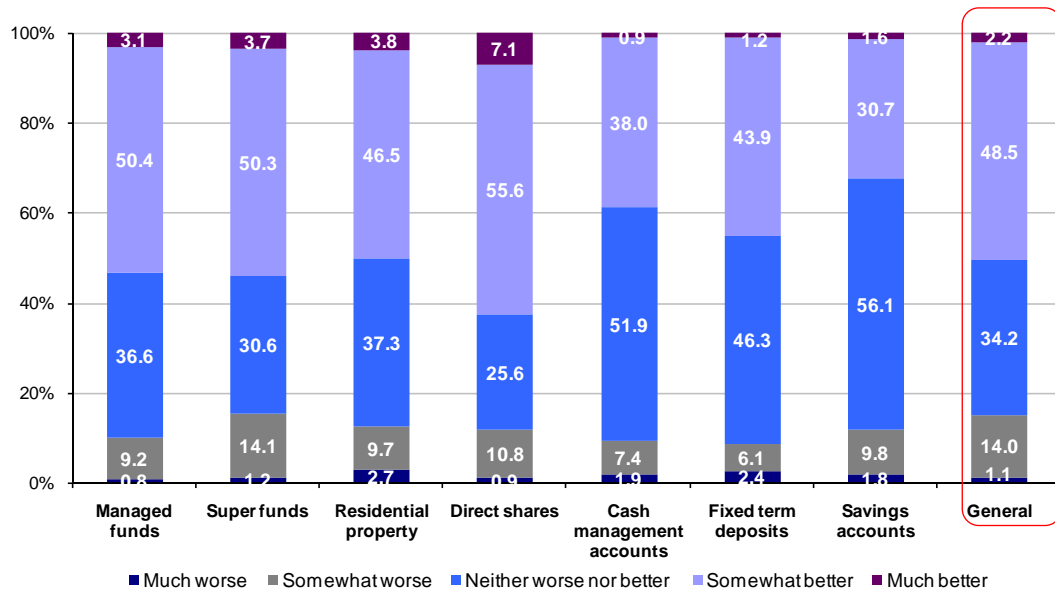
Do you think the market for investments will generally be better or worse in the next 3 months?



n = 643, Base: Respondents who have savings/investments of over \$10,000

- Investors are anticipating that investments via direct shares (62.7%), super funds (54.0%) and managed funds (53.5%) will benefit the greatest from better markets.

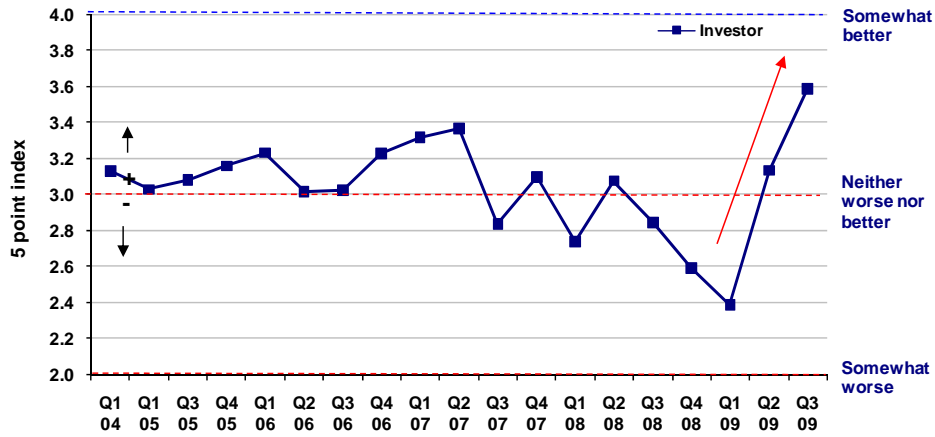
Whether they think the market for investments generally will be better or worse for investors in the next 3 months?



n = 643 Base: Respondents who have savings/investments

- The optimistic outlook for investment markets has been most obvious for Australian Shares - with two thirds of respondents saying that they expect the ASX to perform better over the next quarter – the highest number since the survey began.

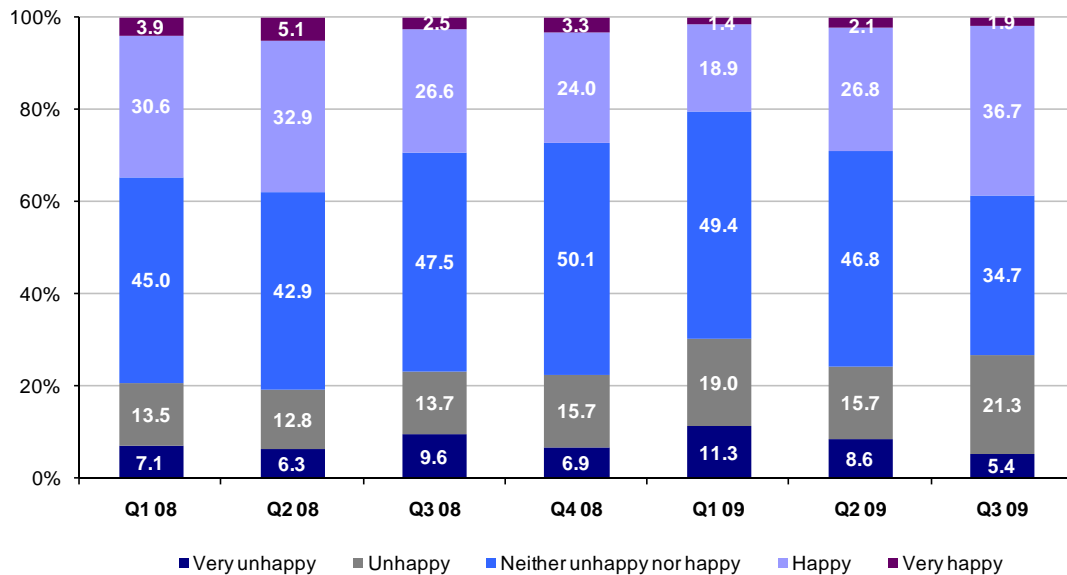
Comparing the next quarter to this quarter, how do you think that Australian Shares will perform



Investors are happier with their investments:

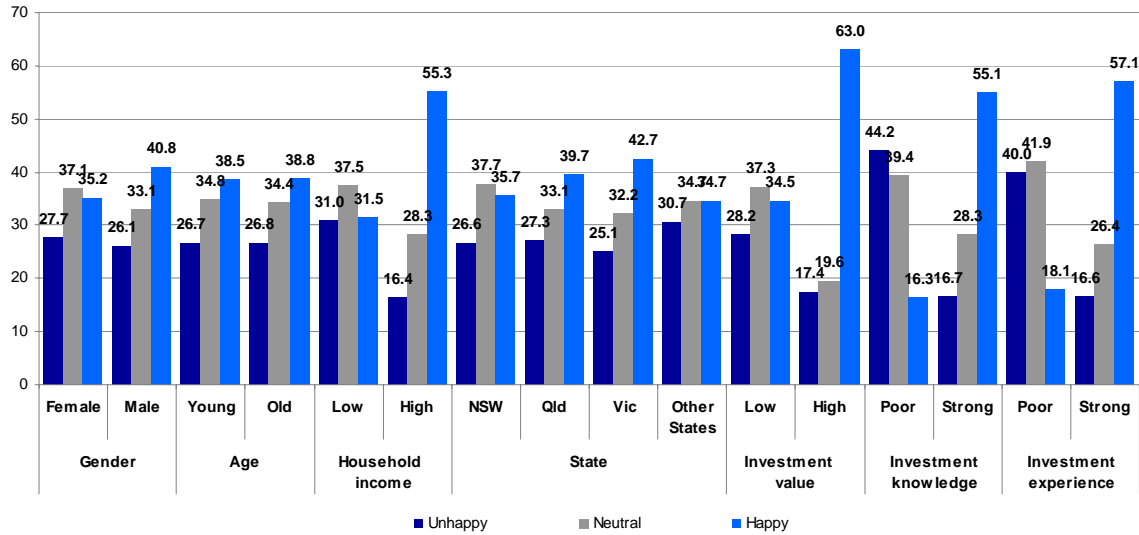
- More investors are happy with their investments in Q3 2009, 39.6% compared to 28.9 in Q2.

To what extent are you happy with your current investments?



- Investors with higher household incomes, more money to invest and strong knowledge or experience are much more likely to be happy. Those that say they have poor investment knowledge and poor investment experience are notably less satisfied with their current investments.

To what extent are you happy with your current investments?



- While general levels of happiness with current investments has improved, levels of happiness are significantly higher for residential property, direct shares and fixed term deposits, with lower levels of happiness evident for managed funds and superannuation.

Understanding trends in investor intentions:

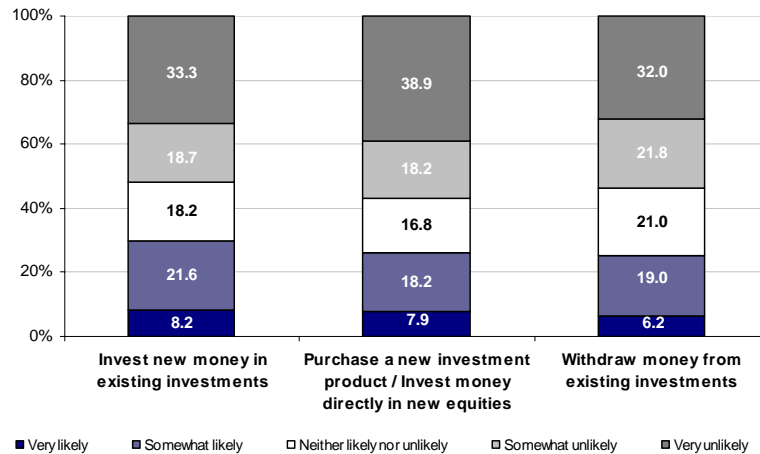
- The investor intention index is a subset of the investor sentiment index and aim to measure investors' intention to invest in the future.
- The investor intentions index in Q3 2009 slipped from positive territory in the previous quarter.
- Industry analysis shows that fund flows were strong in the June quarter. This bears out the positive results experienced in the last survey and suggests that many of those that expressed an intention to invest last quarter may already have done so.

Investor Intention Index Q3 2009



- Despite the reduction in the Investor Intention Index, there remains a significant minority of investors positively inclined to invest over the next three months. Around a third (29.8%) of respondents are looking to top up existing investments while one in four (26.2%) are very likely or likely to purchase a new product or invest in new equity products.

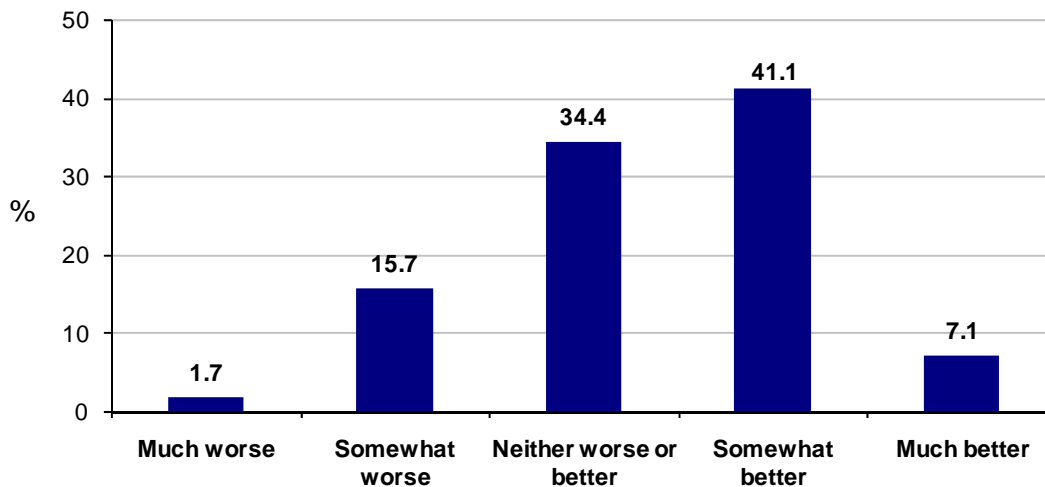
Intended investment activity within the next 3 months



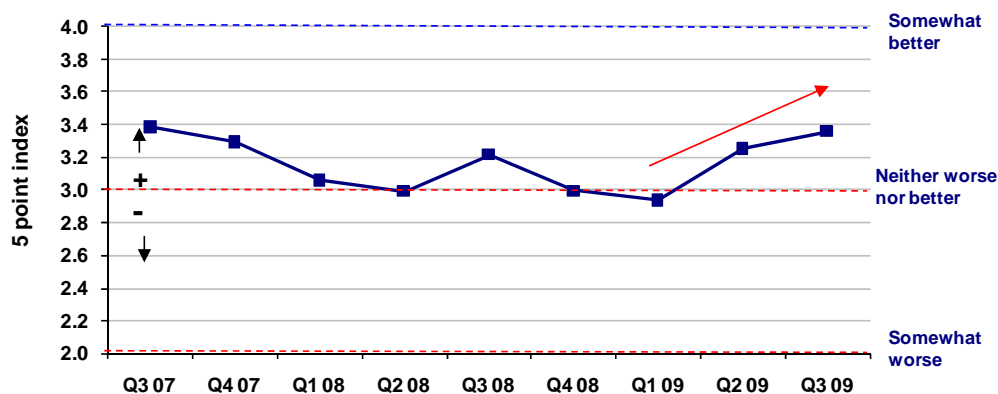
Household Situation:

- Almost two thirds (61.0%) of investors say they expect their financial situation to be the same or better in twelve months.

How do you think the financial position of your household will change over the next 12 months -will it get...

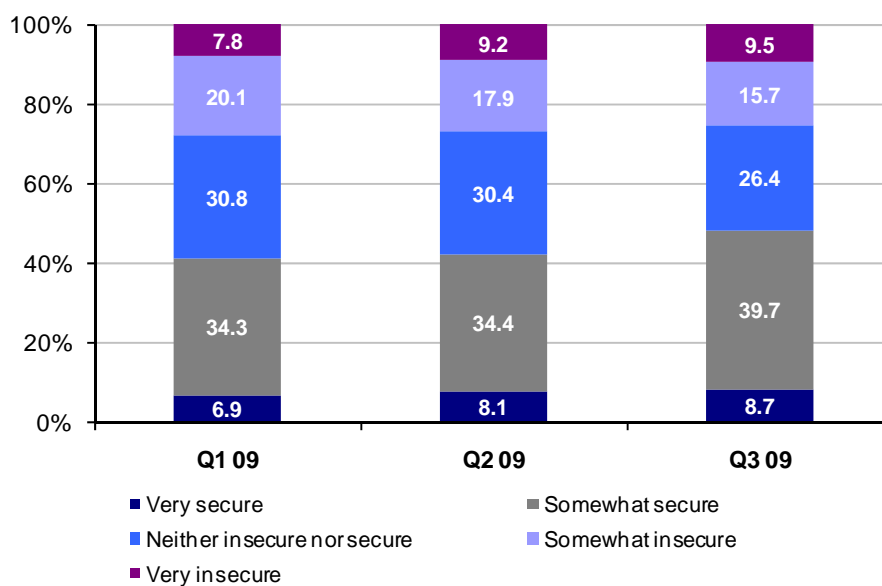


- This represents continued optimism about the future financial outlook for households.



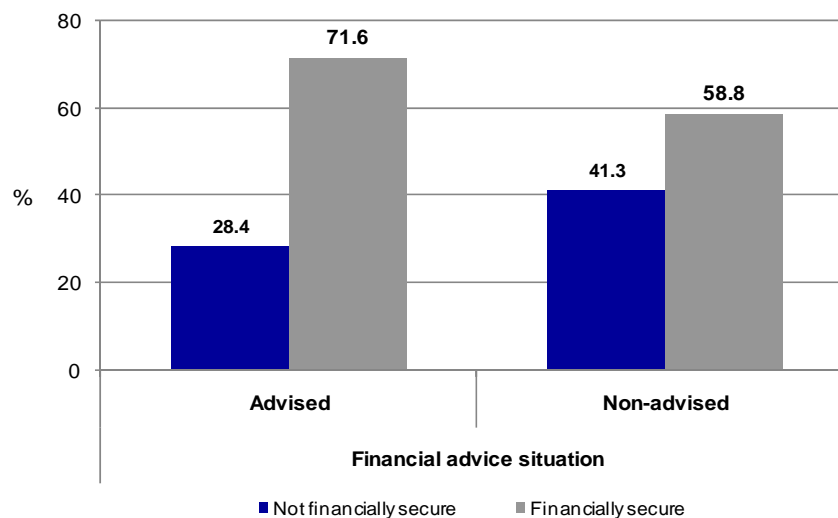
- Investors are also more likely to say that they currently feel financially secure, compared to last quarter, with 48.4% saying they feel financially secure compared to 42.5% last quarter.
- Men were more likely to feel secure than women, as were those with higher household incomes and more money invested.
- The top three reasons given for feeling secure were:
 - I and/or my partner have a secure job and steady income – 63.9%
 - I and/or my partner have investments – 40.7%
 - I and/or my partner have no major debts – 39.5%
- The top three reasons given for not feeling secure were:
 - I and/or my partner do not earn enough money – 49.6%
 - I am and/or my partners is still paying off debts – 44.3%
 - I and/or my partner do not have enough assets – 40.1%

How financially secure do you feel?



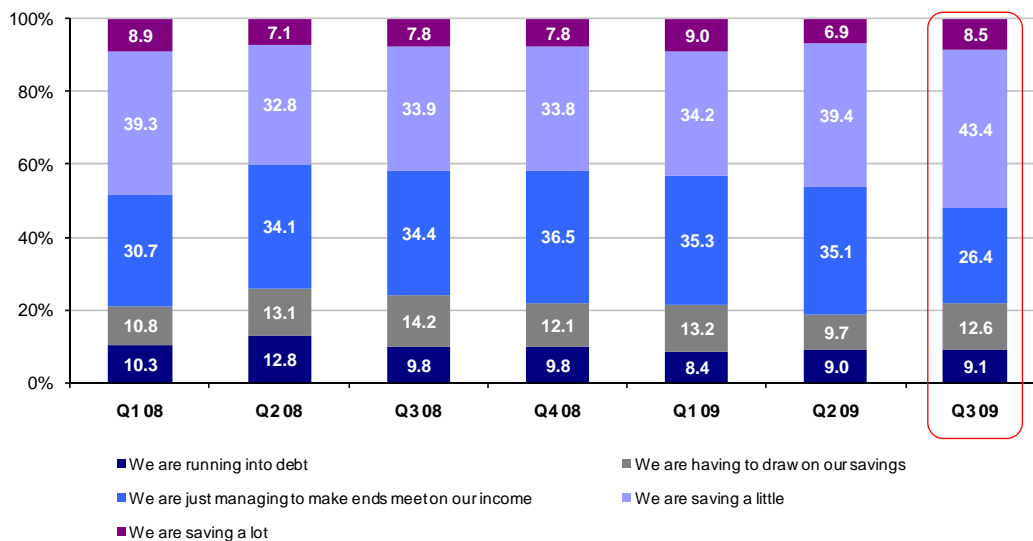
- Almost three quarters of those who use a financial adviser feel financially secure. This could be due to advisers managing investor's expectations and keeping them informed and aware.

How financially secure do you feel by whether you have a financial adviser?



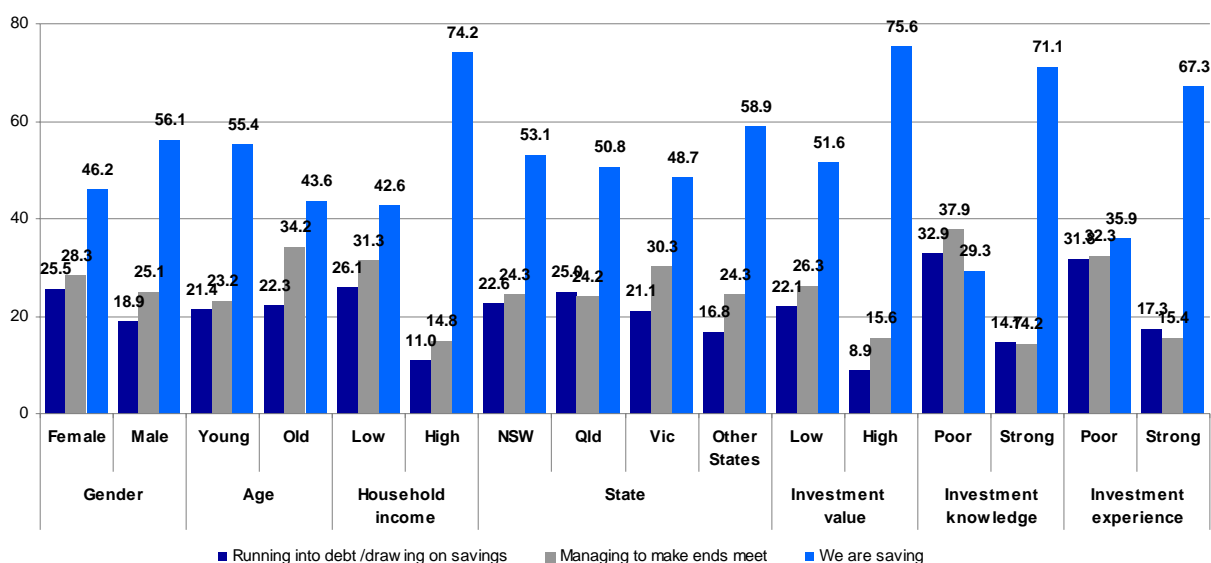
As outlined above, security is closely linked to wealth and debt. Relatively low interest rates appear to have eased household budgets, with 51.9% of investors saying they're saving more than they were last year. The highest savings rate since the beginning of 2008.

The statement that best describes your present financial situation:



- A quarter (or 25.5%) of women are running into debt, as are a third of those that say they have poor investment knowledge and experience.
- Nearly two thirds (or 67.3%) of those with strong investment experience are saving.
- There is a strong correlation between having a good level of investment knowledge and experience leading with strength of one's financial situation.

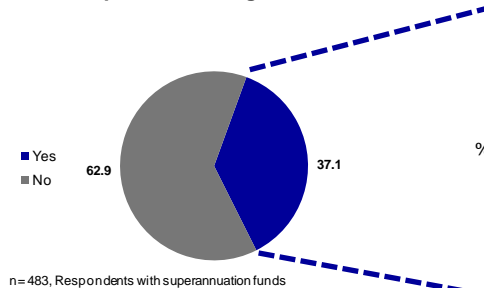
What best describes the present financial situation of your household?



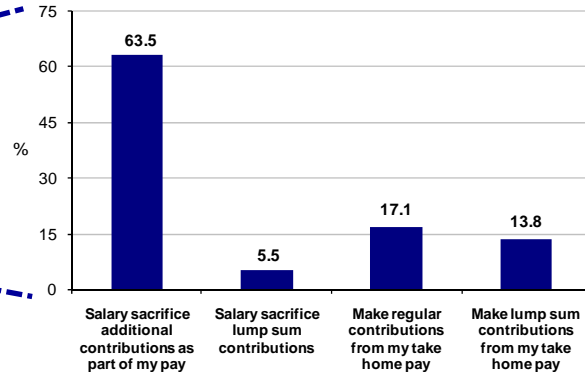
Voluntary contributions to Super:

- 37.1% make additional contributions beyond the mandatory superannuation guarantee. The majority do so by regularly salary sacrificing a proportion of their income into superannuation, 17.1% make regular contributions from their take home pay. Only 19.3% make additional contributions by way of lump sum.

Focusing specifically on superannuation do you make additional contributions beyond the 9% superannuation guarantee?

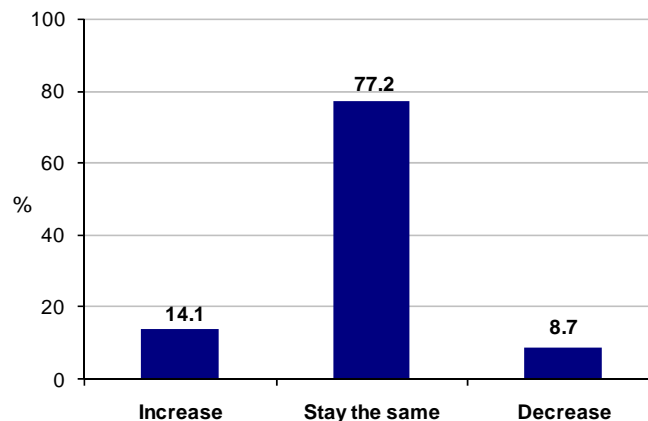


How often do you make those additional contributions?



- Of those that make additional contributions to their superannuation three quarters expect to keep the level of their contributions the same over the next year.

Over the next 12 months I expect my level of additional contributions to super to:



Current Investments:

- Almost one in four males (or 23.8%) in the latest survey has a managed fund or unit trust. Residential property (other than the family home) is also a popular investment, along with direct shares, which are held by almost 55% of men.

Which of the following types of investment do you currently have?

	Gender		Age		Household income		State			
	Female	Male	Young	Old	Low	High	NSW	Qld	Vic	Other states
Managed funds / Unit trusts	11.2%	23.8%	18.6%	18.1%	13.6%	32.3%	19.0%	19.4%	16.1%	21.3%
Superannuation funds	63.1%	72.8%	69.3%	67.2%	63.9%	81.3%	65.1%	70.5%	73.9%	63.9%
Residential property (excluding family home)	22.0%	29.4%	24.2%	31.4%	20.3%	41.9%	25.9%	27.9%	27.8%	22.2%
Direct shares	33.9%	54.9%	45.3%	48.0%	35.2%	72.3%	48.3%	44.2%	44.3%	47.2%
Cash management accounts	8.8%	20.1%	14.2%	18.1%	11.0%	24.5%	12.5%	23.3%	13.5%	15.7%
Fixed term deposits / Debentures	9.2%	13.5%	8.0%	20.6%	12.5%	10.3%	10.8%	9.3%	14.8%	10.2%
Savings accounts	63.4%	64.2%	65.3%	60.3%	64.1%	65.8%	67.2%	65.9%	59.1%	64.8%

Background to the survey:

IFSA and CoreData have produced their third quarterly investor sentiment index research report for 2009. CoreData has been conducting this research on a quarterly basis since December 2004.

The investor sentiment index is a key measure of investor sentiment for the financial services industry, with the ability to provide a comparative sentiment gauge over concurrent quarterly time periods.

The investor confidence index is derived from collating several layers of sentiment from respondents.

The purpose of this research is to produce an up to date, accurate assessment of investor sentiment on a range of issues.

The IFSA-CoreData Investor Sentiment Index (IFSA-CoreData ISI):

The IFSA/CoreData ISI is a key measure of investor sentiment for the industry, with the ability to be compared to the previous quarters' results and future results. CoreData has had continuity in its methodology since Q4 2004, and the ISI has been able to track sentiment for the past five years.

The IFSA/Coredata ISI is calculated by weighting responses to the following questions (please note the weightings are in brackets).

1. Do you think the market for investments will be better or worse for investors in the next 3 months? (30)
2. How financially secure do you feel? (10)
3. To what extent are you Happy with your current investments? (30)
4. How likely are you to take out a new investment product in the next 3 months? (15)
5. How likely are you to invest more in an existing investment product within the next 3 months? (15)

Methodology:

CoreData conducts a quarterly online survey among of a range of investors. There were 703 respondents to Q3 2009 survey which was conducted from 19th to 27th August 2009

The sample was taken from CoreData-brandmangement's proprietary database of investors, and the results calibrated to the ABS population data.

The demographic split of investors is as follows:

Gender

	Percent
Female	42.0
Male	58.0
Total	100.0

Age Group

	Percent
30 years old and below	14.8
31 - 40	30.4
41 - 50	28.4
51 - 60	17.2
61 years old and above	9.1
Total	100.0

Area of residence

	Percent
The capital city of my state / territory	75.1
A regional centre	18.5
A rural area	6.4
Total	100.0

Household Income

	Percent
Less than \$50,000	14.7
\$50,000 up to \$75,000	15.2
\$75,000 up to \$100,000	15.5
\$100,000 up to \$125,000	16.0
\$125,001 to \$150,000	13.4
\$150,001 to \$200,000	15.2
\$200,001 to \$250,000	5.5
\$250,001 to \$350,000	2.8
More than \$350,000	1.6
Total	100.0

State of Residence

	Percent
ACT	1.7
NSW	33.2
NT	0.4
Qld	18.5
SA	6.2
Tas	1.7
Vic	32.9
WA	5.4
Total	100.0

Work Status

	Percent
I am in full time work	61.0
I have retired from full time work	9.1
I am in part time work	14.4
I am in full time home duties	5.0
I am a full time student	0.9
I am not in work at present	4.4
Other	5.3
Total	100.0

Investment Portfolio Size

	Percent
Less than \$50,000	29.8
\$50,001 to \$150,000	21.0
\$150,001 to \$250,000	10.0
\$250,001 to \$350,000	11.7
\$350,001 to \$450,000	10.0
\$450,001 to \$550,000	6.5
\$550,001 to \$650,000	4.2
\$650,001 to \$750,000	1.9
\$750,001 to \$850,000	1.9
\$850,001 to \$1,000,000	0.8
More than \$1,000,000	2.3
Total	100.0

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