



CORE DATA



Investment & Financial Services Association Ltd

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**Quarterly Investor Sentiment  
Research Report**  
7<sup>th</sup> December 2009

**IFSA/CoreData  
Investor Sentiment Index**

For further information please call Project Managers: Craig Phillips, Head of Market Intelligence on 02 9376 9602, or Simon Disney, Media Manager IFSA on 02 8235 2520.

## Executive Summary

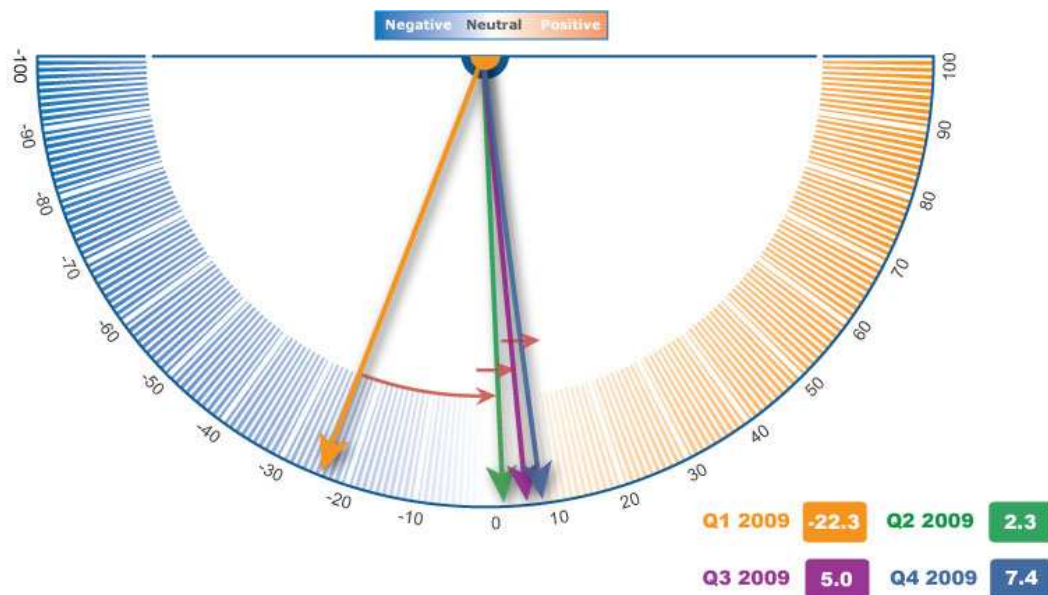
- Australian investor confidence continues to improve for the third quarter in succession and remains reassuringly in positive territory after beginning the year on a negative footing.
- The final IFSA CoreData Investor Sentiment Index for 2009 reveals investor confidence continues to build after pessimism prevailed throughout all four quarters of 2008 and into 2009.
- The index shows a small but steady increase in sentiment conditions in the fourth quarter of 2009 to +7.4, up from +5.0 in the third quarter.
- The Index, which stood at -22.3 at the beginning of 2009, has seen close to a 30 point turnaround within a year and is 5.2 points above where it was in Q2, when sentiment first turned positive since the global financial crisis.
- Satisfaction with existing investments increased slightly to 41.3% in Q4, up from 39.6% in Q3 and 28.9% in Q2.
- Investors are cautiously optimistic about the future strength of the Australian economy with corresponding optimism about their own financial security and the future outlook for business.
  - More than half of investors (56.4%) anticipate the growth of the Australian economy to speed up slightly over the next quarter – slightly less than in Q3 (57.8%). One quarter (26.5%) expect it to slow down (compared to 20% in Q3)
  - Some 55.1% of investors expect business conditions in Australia to improve over the next three months, up from 54.6% in Q3, while 18.6% expect conditions to worsen.
  - Most households are optimistic about their future financial position with almost half expecting their position to be better in the next 12 months and only 18.8% expecting it to be worse.
- The index moved from -12.5 to -14.2, indicating that while sentiment is positive and moving in the right direction, the aggregated consensus is to remain on the sidelines. It seems a collective modest level of overall confidence is not enough to drive decision making and new asset allocations. Naturally though there are pockets of activity among investors.
- The market is somewhat polarised, with almost a third of investors likely to invest new money in existing investments in the next three months, but more than half unlikely to invest.
- Two groups of investors have emerged – those that are saving and those that are just making ends meet or running into debt

## Key insights

### Investor sentiment positive for the third consecutive quarter:

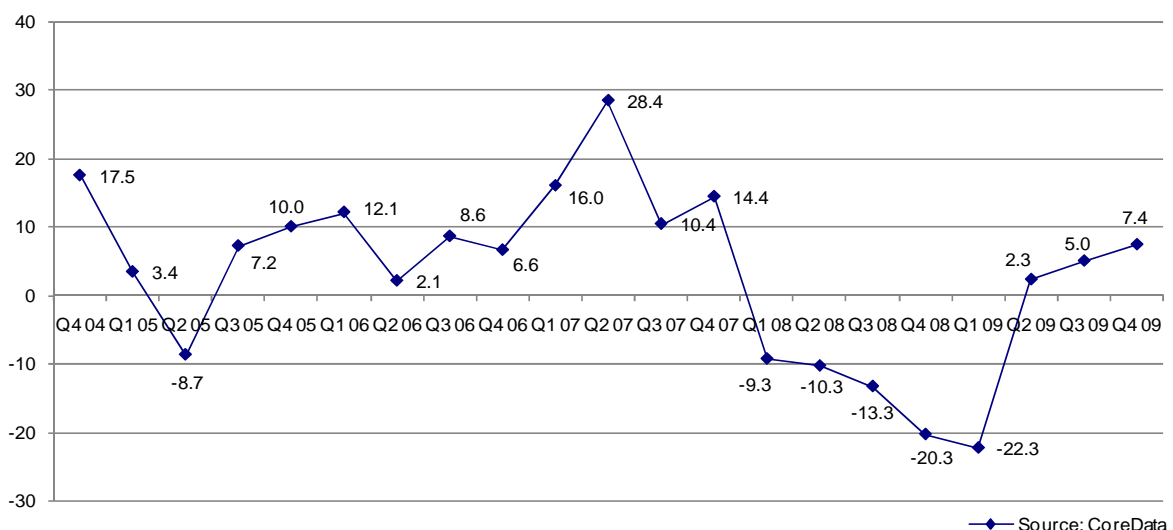
- Investor sentiment has finished the year in positive territory, increasing steadily in Q4 2009 to +7.4, up from +5.0 in the third quarter
- The index now sits just shy of 30 points ahead of where it was at the beginning of the year and 5.2 points ahead of where it sat in Q2, which was the first time sentiment turned positive since the global financial crisis
- The improvement in sentiment shows confidence is slowly continuing to move in the right direction however investors remain cautious given the turmoil experienced during the financial crisis

### IFSA-CoreData Investor Sentiment Index (ISI)

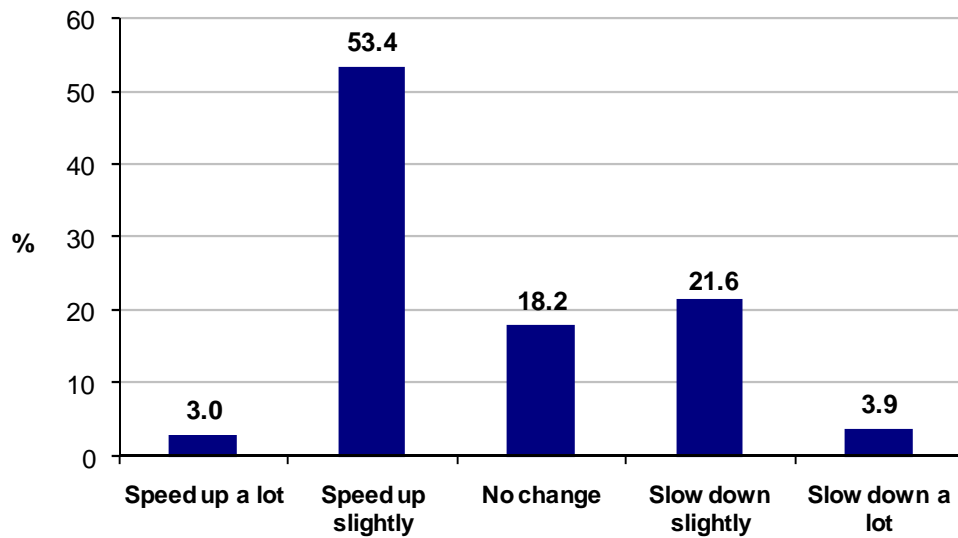


### Tracking Investor Sentiment Q4 2004 – Q4 2009

- Sentiment is now only 21 points adrift of its peak over the past five years. In the first quarter of 2009 it was 50.7 points adrift.



**Comparing the next quarter to this quarter, do you think the Australian economy will grow at a slower or faster rate?**

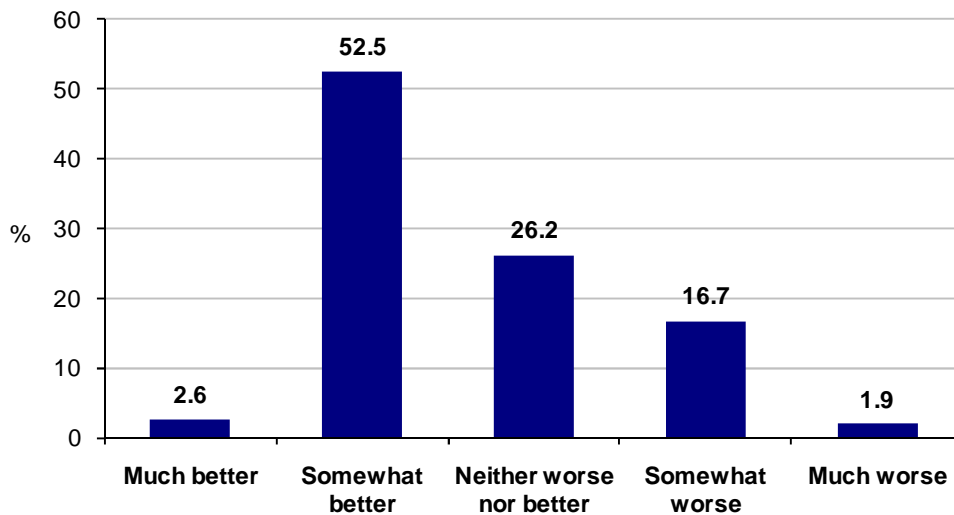


n = 850

**General economic and business outlook:**

- More than half of investors (56.4%) anticipate the growth of the Australian economy to speed up over the next quarter – slightly less than in Q3 (57.8%).

**Comparing the next quarter to this quarter, do you think business conditions in Australia will be better or worse?**



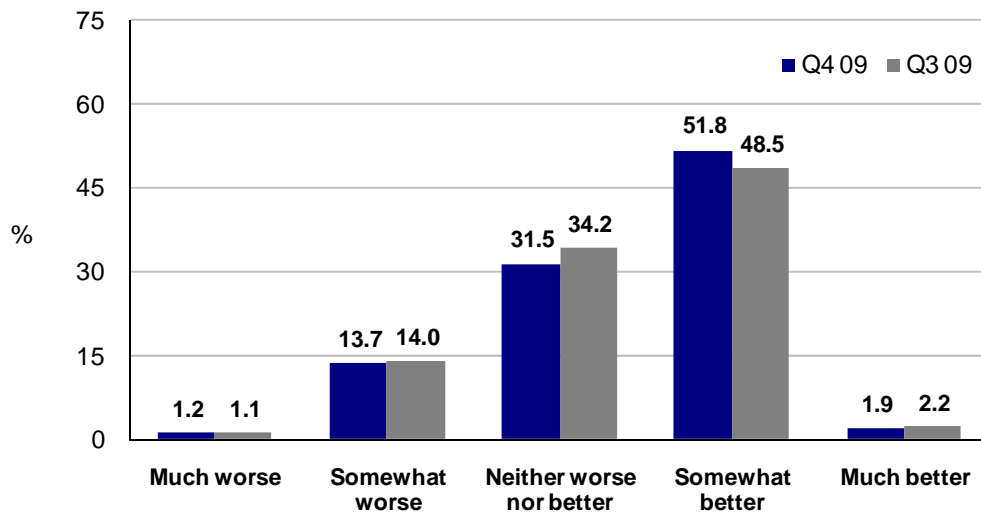
n = 836

- Some 55.1% of investors expect business conditions in Australia to be better in the next three months while 18.6% expect them to worsen.

## Slow and steady:

- There has been a continued steady increase in the number of investors that believe the market for investments will be better in the next three months (53.7% compared to 48.5% in Q3)
- While the quarter-on-quarter increase is small, this is a big jump from the 10.2% who believed this to be the case in Q1.

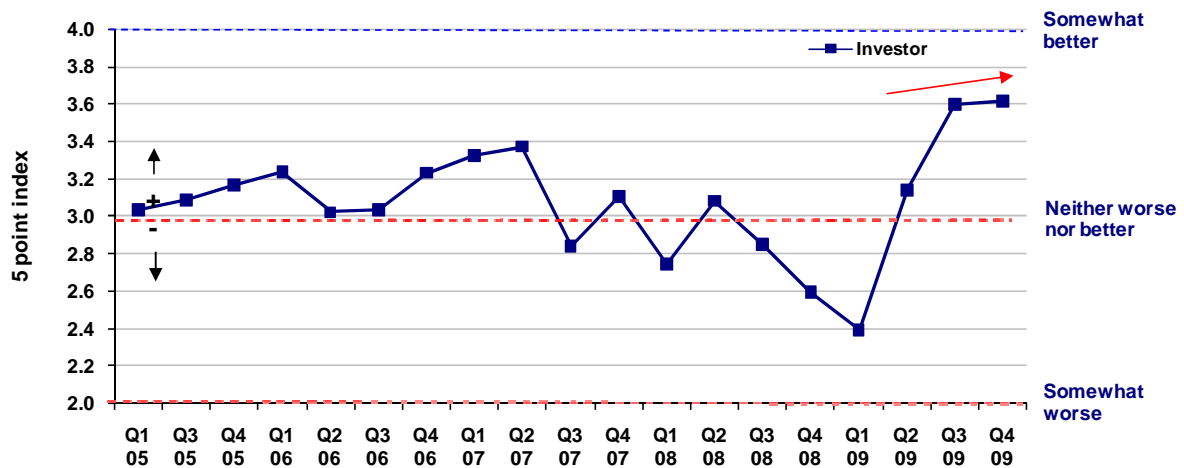
Do you think the market for investments will generally be better or worse in the next 3 months?



n = 782, Base: Respondents who have savings/investments

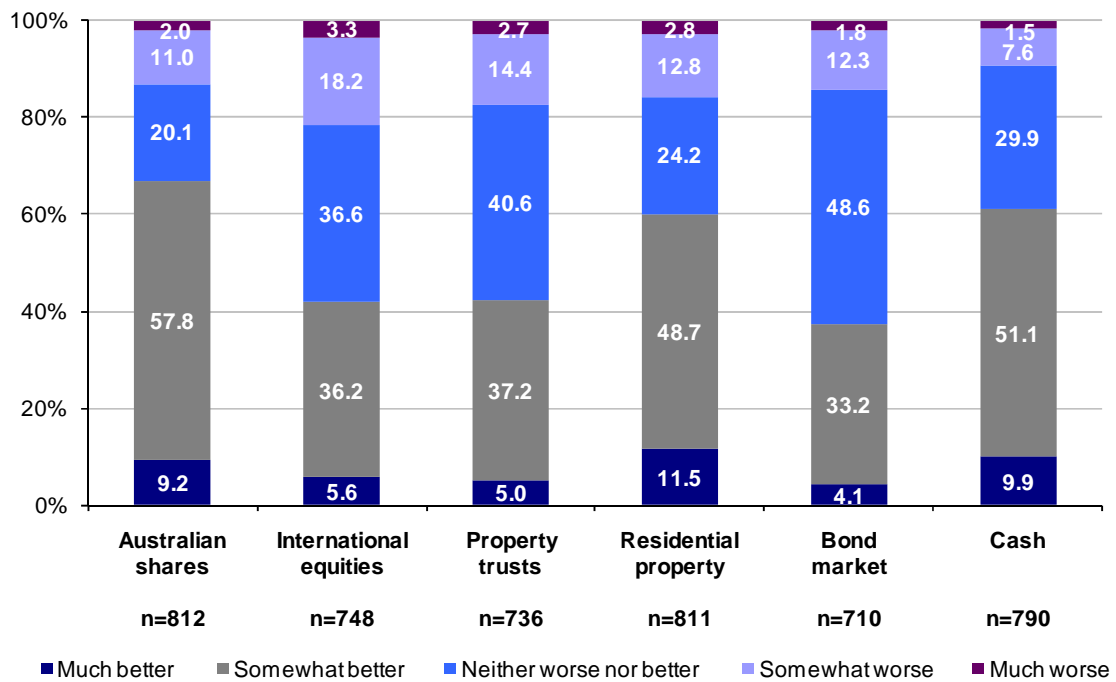
- The proportion of investors who believe the market will get worse reduced slightly this quarter to 14.9% from 15.1% in Q3. However this was only a minor change compared to the drop witnessed in Q3 when the proportion of investors who held this view halved from 29.5% in Q2 to 15.1% in Q3
- The 'slow and steady' improvement suggests investors remain cautiously optimistic about the sustainability of the economic recovery

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



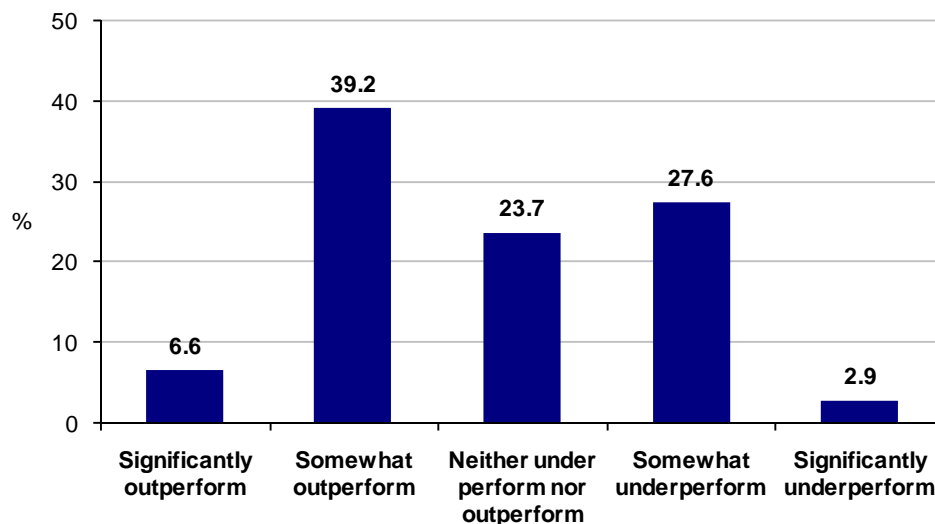
- Australian shares continue to shape broader market optimism with more than two thirds of respondents saying that they expect the ASX to perform better over the next quarter – a very slight increase on last quarter
- Cash is also expected to perform well, which bodes well for the banks that are pushing their term deposits, with more than 60% of respondents saying that cash will perform better
- Investors are most pessimistic about international shares, with one in five respondents saying this asset class would perform worse next quarter. However opinion was polarised with one in four saying international equities would perform better

**Comparing the next quarter to this quarter, how do you think the following asset classes will perform?**



- Two in five investors think the Australian share market will outperform residential property next quarter, while three in 10 say it will underperform

**Comparing the next quarter to this quarter, do you think the Australian share market will outperform residential property?**

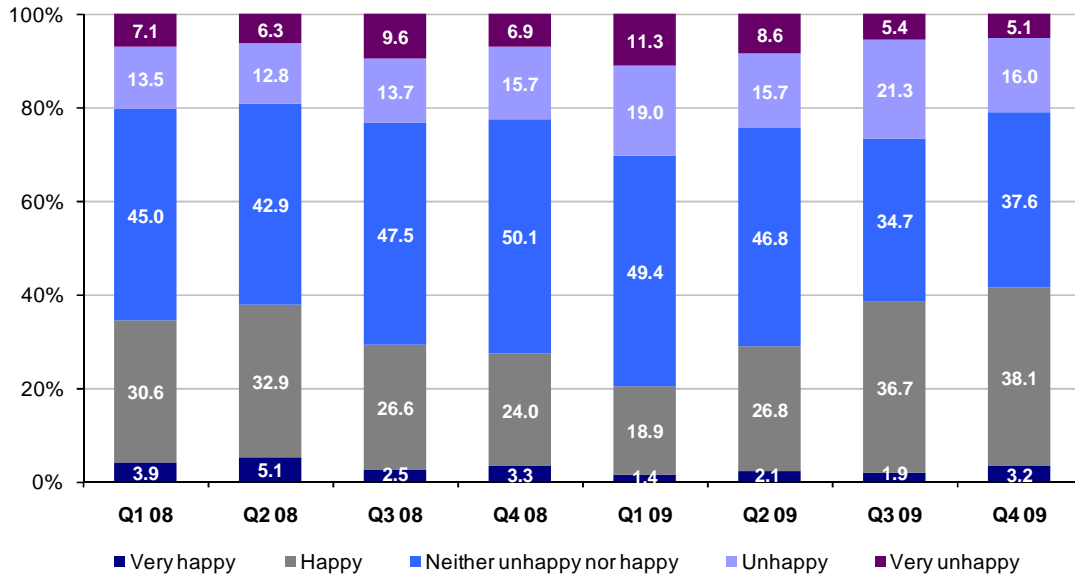


n = 758

## Investors slightly happier with investments:

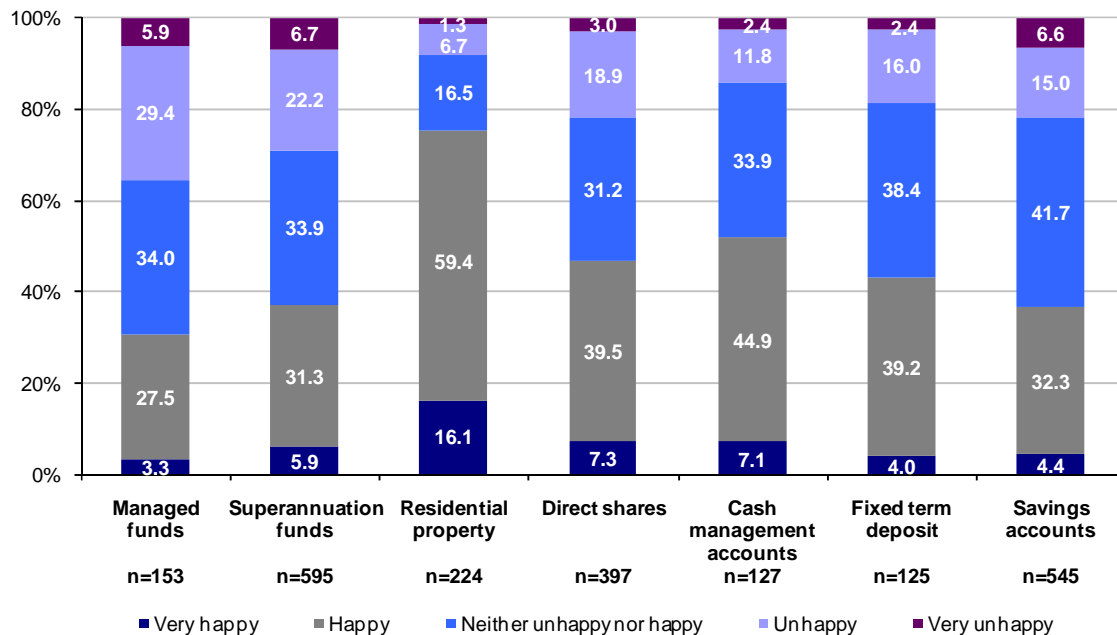
- More investors are happy with their investments in Q4 2009, 41.3% compared to 39.6% in Q3 and 28.9% in Q2.

To what extent are you happy with your current investments?



- The proportion of investors who are unhappy with their investments has also declined to 21.1% compared to 26.9% in Q3.

To what extent are you happy with your current investments?

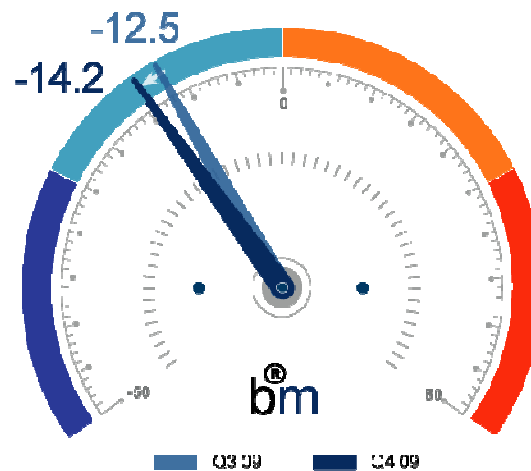


- Investors in residential property, cash management accounts, direct shares and fixed term deposits are happier than investors in managed funds, superannuation funds and savings accounts.

## Understanding trends in investor intentions:

- The investor intention index is a subset of the investor sentiment index and measures investors' future investment decisions.
- The investor intentions index 2009 improved slightly this quarter after slipping from positive territory in the third quarter.
- The index moved from -12.5 to -14.2, indicating that while sentiment is positive and moving in the right direction, the aggregated consensus is to remain on the sidelines. It seems a collective modest level of overall confidence is not enough to drive decision making and new asset allocations. Naturally though there are pockets of activity among investors.

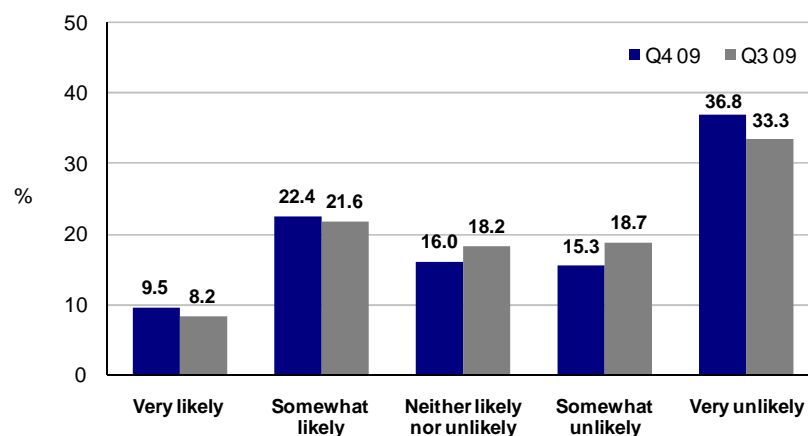
Investor Intention Index Q4 2009



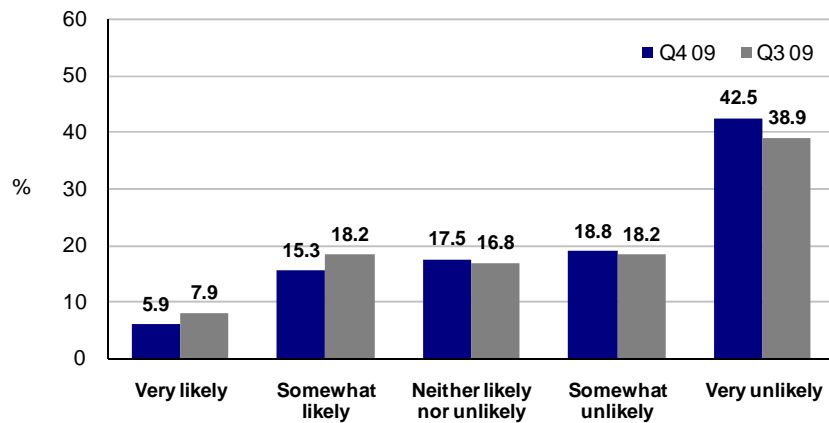
- The market is somewhat polarised, with almost a third of investors likely to invest new money in existing investments in the next three months, but more than half unlikely to invest.

In the next three months, do you intend to do any of the following?

Invest new money in existing investments

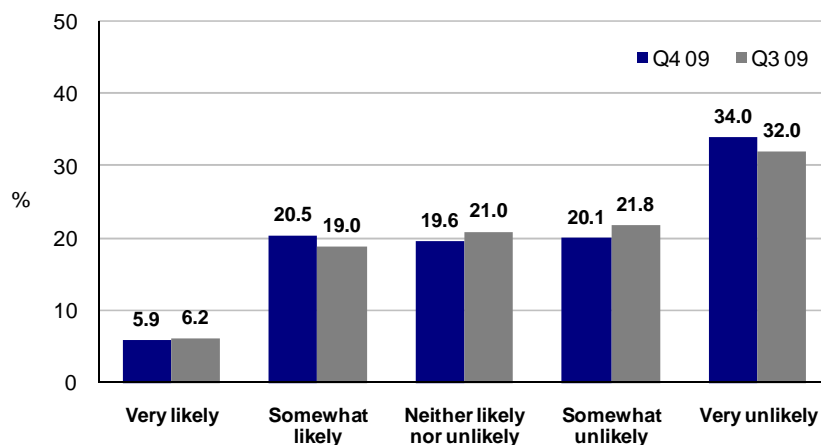


**Purchase a new investment product / Invest money directly in new equities**



- The proportion of investors that are unlikely to purchase a new investment product or invest money directly in new equities increased in Q4, to 61.3% from 57.1%
- The number of investors that are likely to do so reduced, to 21.2% from 26.1%
- The chart below shows there are two clear groups emerging; those that are comfortable and unlikely to withdraw money from existing investments (54.1%) and those that are likely to (30.4%).
- Quarter-on-quarter there was a slight increase in the proportion of people who are unlikely to withdraw money (up from 53.8%) but also an increase in the amount of people likely to (up from 25.2%).

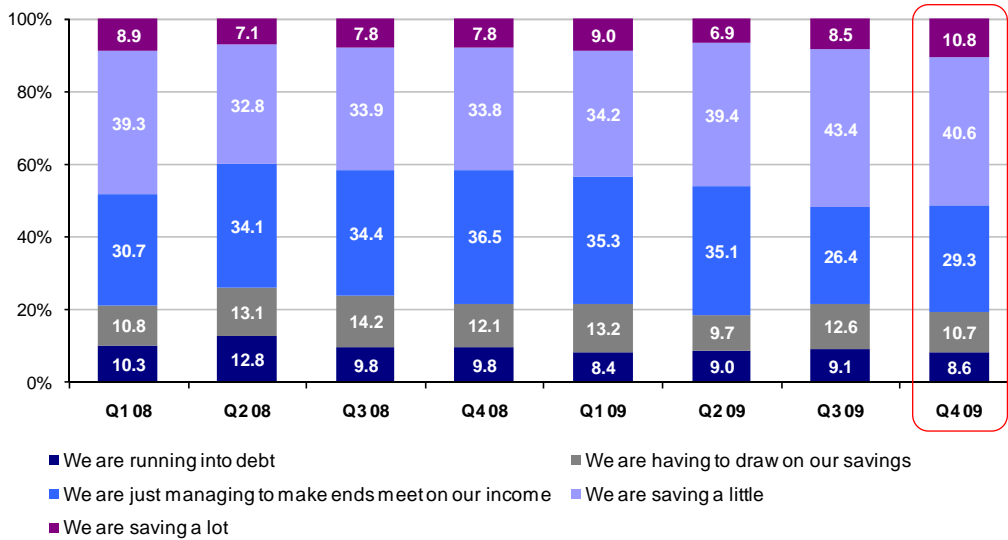
**Withdraw money from existing investments**



n = 782, Base: Respondents who have savings/investments

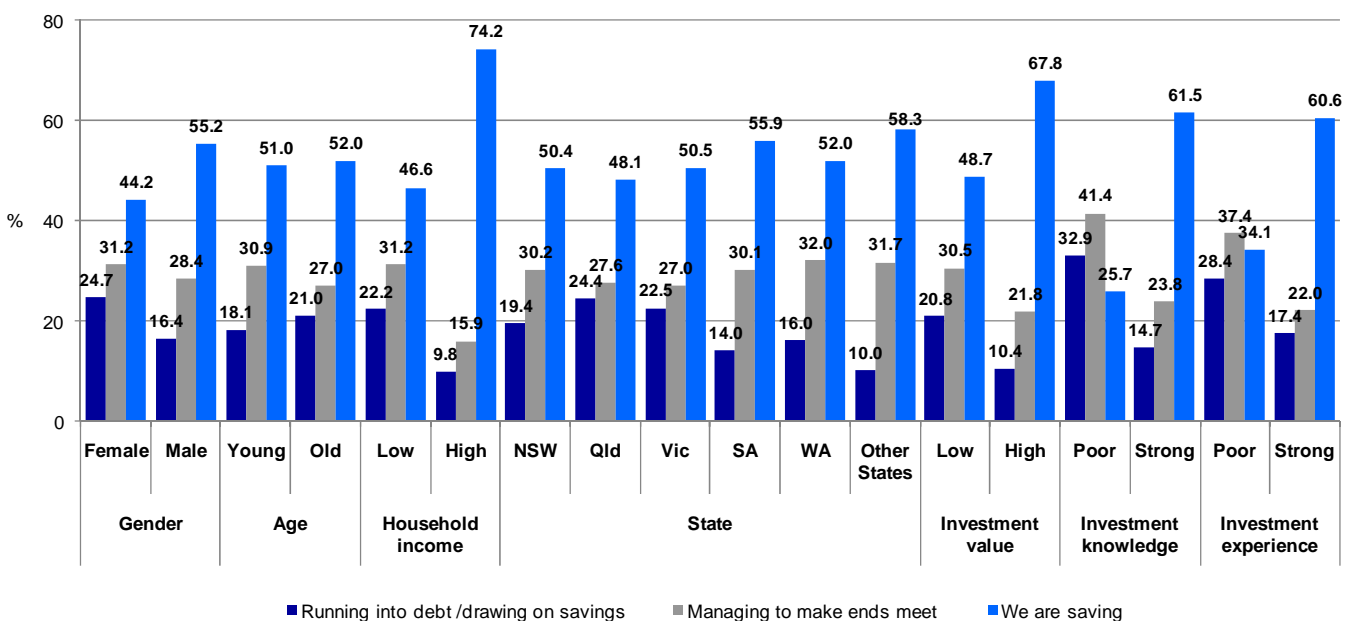
## Household Situation:

The statement that best describes the present financial situation of their household



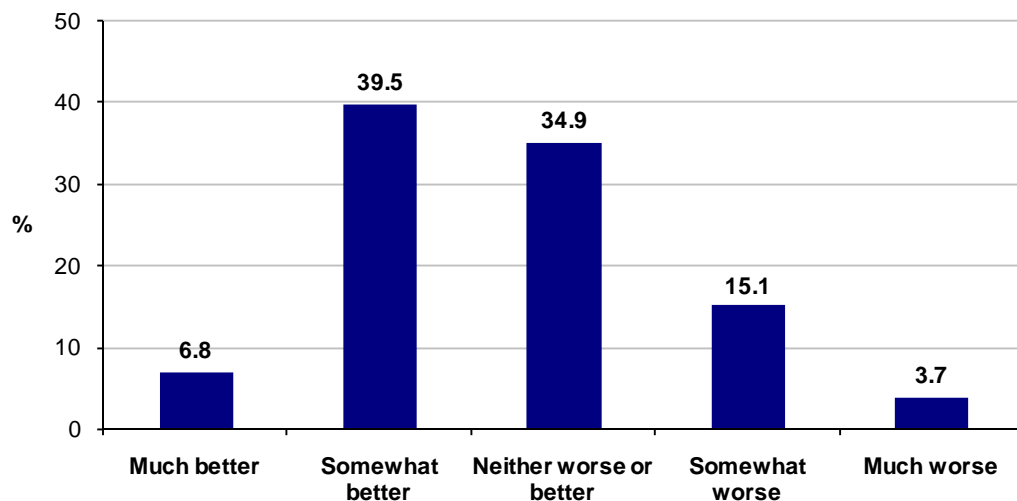
- The split in investor behaviour is also evident in the financial situation of households. The proportion of people who are saving a lot increased in Q4 to 10.8% from 8.5% in Q3.
- Two in five are saving a little – down slightly from Q3 – while 29.3% are just managing to make ends meet on their income.
- One in 10 respondents has had to draw on savings, while a further 8.6% are running into debt. This is slightly fewer than in Q3, when 12.6% were drawing on their savings and 9.1% were running into debt.

What best describes the present financial situation of your household?



- Not surprisingly, three quarters of those with a high household income are saving while a quarter of those with a low household income are running into debt/drawing on savings. Almost half of those with a low income, however, are saving.
- Men are more likely than women to be saving, possibly due to the salary gap, while a quarter of women are running into debt and almost a third are only managing to make ends meet.
- Only 16.4% of men are running into debt and nearly three in 10 say they are managing to make ends meet.

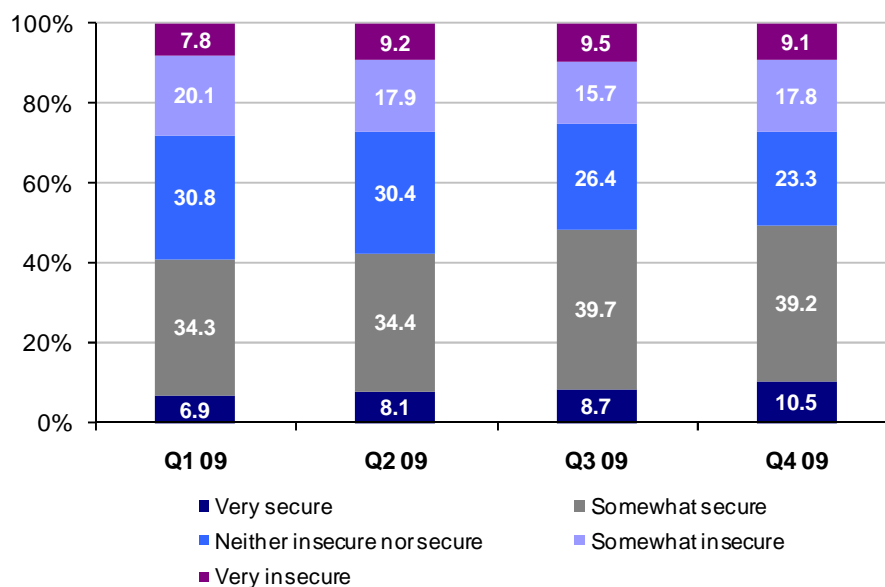
**How do you think the financial position of your household will change over the next 12 months? Will it get?**



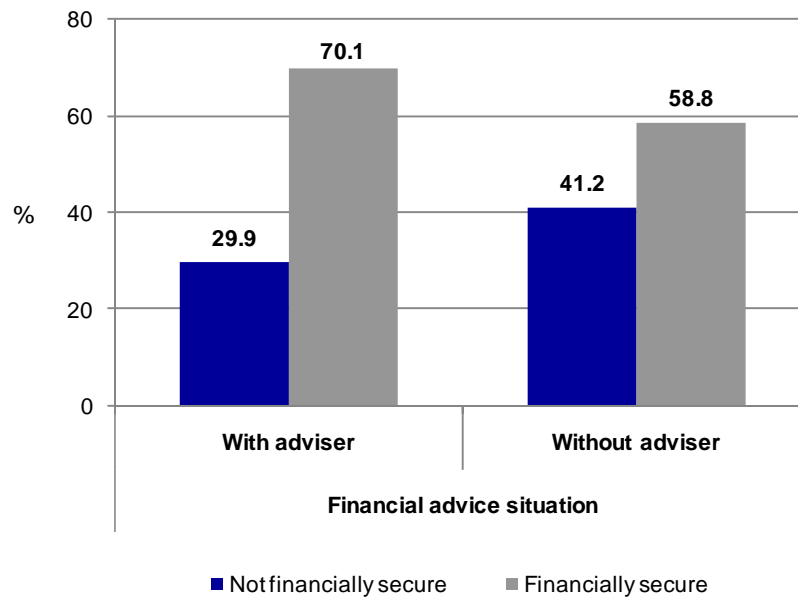
n = 840

- Most households are optimistic about their future financial position with almost half expecting their financial position to be better in the next 12 months and only 18.8% expecting it to be worse.
- More than a third (34.9) expect their position to be neither better or worse.
- There has been a marginal increase in the financial security of investors, with 49.7% feeling secure compared to 48.4% last quarter.

**How financially secure do you feel?**



**How financially secure do you feel in comparison to whether you are seeing a financial adviser?**



- Investors who use an adviser are more likely to feel financially secure.
- Seven in 10 of those with an adviser feel financially secure compared to 58.8% for those without an adviser
- Four in 10 of those without an adviser feel financially insecure, while only three in 10 of those with an adviser feel financially insecure

**Current Investments:**

- One in five males (or 21.6%) in the latest survey has a managed fund or unit trust. Direct shares are held by almost 55% of men while savings accounts are popular with males and females at 65.1%.

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

	Gender		Age		State					
	Female	Male	Young	Old	NSW	Qld	Vic	SA	WA	Other states
Managed funds / Unit trusts	11.6%	21.6%	15.5%	21.8%	17.3%	23.6%	17.2%	20.8%	7.9%	16.7%
Superannuation funds	61.4%	74.8%	68.8%	71.8%	68.5%	68.2%	75.5%	68.8%	68.4%	70.0%
Residential property (excluding family home)	21.1%	29.3%	24.9%	28.5%	24.6%	26.1%	29.4%	28.1%	22.4%	23.3%
Direct shares	32.3%	54.7%	43.1%	52.1%	49.6%	41.4%	49.0%	43.8%	48.7%	45.0%
Cash management accounts	9.6%	17.9%	12.0%	19.4%	15.3%	14.0%	18.6%	10.4%	15.8%	10.0%
Fixed term deposits / Debentures	11.6%	16.5%	8.2%	24.4%	16.1%	14.0%	13.7%	15.6%	10.5%	15.0%
Savings accounts	62.4%	65.1%	65.5%	62.1%	64.9%	66.9%	62.7%	62.5%	55.3%	71.7%

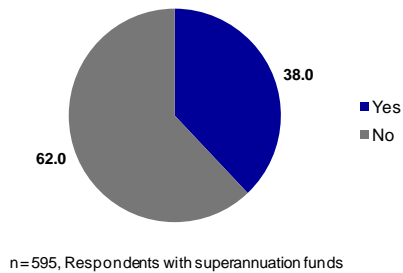
### Which of the following types of investment do you currently have?

	Household income		Investment value		Investment knowledge		Investment experience		Financial advice	
	Low	High	Low	High	Poor	Strong	Poor	Strong	With adviser	Without adviser
Managed funds / Unit trusts	15.4%	31.6%	14.0%	35.1%	6.1%	27.6%	6.8%	29.5%	30.9%	12.1%
Superannuation funds	67.9%	84.2%	70.2%	92.7%	52.4%	78.9%	56.6%	77.3%	83.2%	64.6%
Residential property (excluding family home)	21.3%	45.1%	15.8%	64.9%	9.5%	35.6%	10.0%	39.5%	30.9%	24.5%
Direct shares	43.8%	66.2%	41.1%	78.0%	17.7%	66.5%	16.3%	73.2%	53.5%	43.6%
Cash management accounts	14.9%	20.3%	10.9%	31.2%	2.0%	28.0%	3.2%	31.4%	21.1%	12.1%
Fixed term deposits / Debentures	13.8%	15.0%	10.1%	32.7%	8.8%	18.9%	9.0%	21.8%	19.9%	12.3%
Savings accounts	63.5%	69.2%	67.9%	74.6%	53.1%	66.9%	53.8%	67.7%	68.4%	62.2%

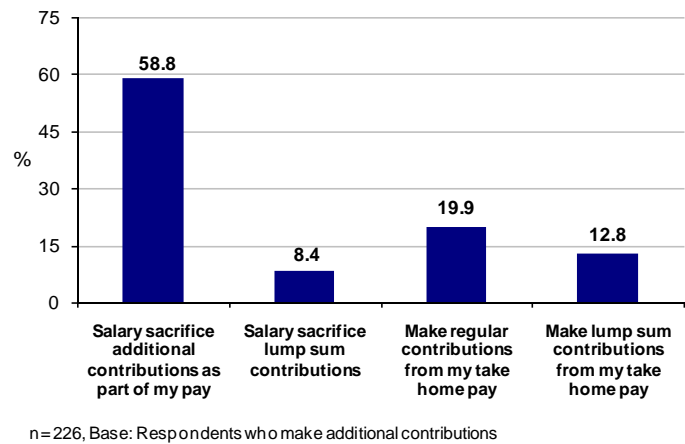
### Voluntary contributions to Super:

- 38% make additional contributions beyond the 9% superannuation guarantee, just 1% higher than in Q3. Most (58.8%) do so via salary sacrificing a proportion of their income into superannuation, while 19.9% make regular contributions from their take home pay – up from 17.1% last quarter. One in five (21.2%) make additional contributions by way of lump sum compared to 19.3% in Q3.

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

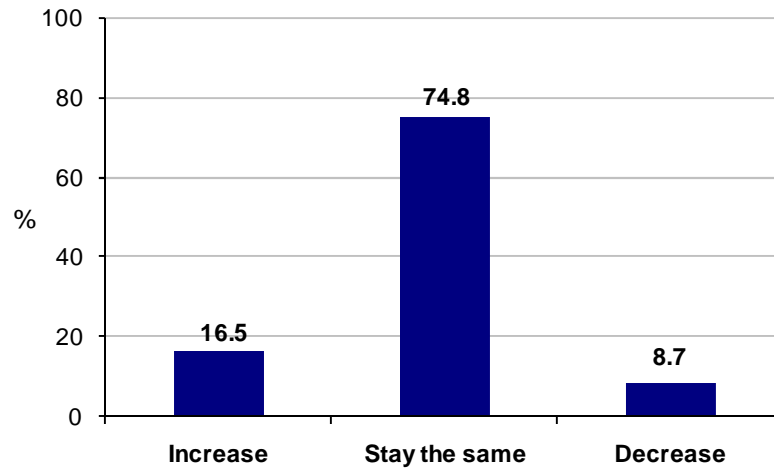


How do you make those additional contributions?



- 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 while 16.5% expect to increase their additional contributions.

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



n=595, Respondents with superannuation funds

## **Background to the survey:**

IFSA and CoreData have produced their final 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 850 participants in the Q4 2009 survey which was conducted between 14<sup>th</sup> November and 27<sup>th</sup> November 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	35.6
Male	64.4
Total	100.0

**Age Group**

	Percent
30 years old and below	13.3
31 - 40	22.4
41 - 50	24.4
51 - 60	21.4
61 years old and above	18.6
Total	100.0

**Area of residence**

	Percent
The capital city of my state / territory	71.2
A regional centre	22.1
A rural area	6.7
Total	100.0

**Household Income**

	Percent
Less than \$50,000	18.1
\$50,000 up to \$75,000	18.5
\$75,000 up to \$100,000	20.1
\$100,000 up to \$125,000	14.1
\$125,001 to \$150,000	11.6
\$150,001 to \$200,000	9.1
\$200,001 to \$250,000	3.8
\$250,001 to \$350,000	3.7
More than \$350,000	0.9
Total	100.0

**State of Residence**

	Percent
ACT	4.8
NSW	29.5
NT	0.7
Qld	18.7
SA	11.4
Tas	1.7
Vic	24.3
WA	9.0
Total	100.0

**Work Status**

	Percent
I am in full time work	60.0
I have retired from full time work	13.3
I am in part time work	12.6
I am in full time home duties	3.5
I am a full time student	1.3
I am not in work at present	4.8
Other	4.5
Total	100.0

**Investment Portfolio Size**

	Percent
Less than \$50,000	24.7
\$50,001 to \$150,000	19.6
\$150,001 to \$250,000	12.3
250,001 to \$350,000	17.3
\$350,001 to \$450,000	7.9
\$450,001 to \$550,000	7.0
\$550,001 to \$650,000	4.7
\$650,001 to \$750,000	3.2
\$750,001 to \$850,000	1.9
\$850,001 to \$1,000,000	0.6
More than \$1,000,000	0.8
Total	100.0

**For further information please call Project Managers: Craig Phillips, Head of Market Intelligence, CoreData, on 02 9376 9602 or Simon Disney, Media Manager IFSA on 02 8235 2520.**