



COREDATA



Investment & Financial Services Association Ltd

Quarterly Investor Sentiment Research Report

March 2009

Introducing the IFSA/CoreData Investor Sentiment Index

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Executive Summary

- For the first time, investor sentiment in Australia has been tracked over four years. IFSA has partnered with CoreData to produce Australia's first Investor Sentiment Index. CoreData have been carrying out this research since December 2004.
- The Index takes into account investors' expectations regarding the performance of the investment market, their perception of the current financial situation and their future investment intentions.
- Investor Sentiment is at its lowest point since the end of 2004. The Index fell from +14.4 at the end of 2007 into negative territory in early 2008. The Index has been moving further into the negative since then and currently stands at -22.3.
- However, this is not the first time that the index has fallen into negative territory. In the June 2005 quarter, Investor Sentiment hit -8.7, corresponding with the uncertainty in the market at that time. This was due to a
- Most investors remain pessimistic about the short term outlook for the economy, but while they feel the situation may get worse before it gets better, they feel confident they will be able to ride out the storm. Some investors are actively considering topping up their investments by taking advantage of the low asset prices.
- While investor sentiment is low and many anticipate a worsening of the economic conditions in the short term, the fact that most investors feel confident that they'll ride it out means that many investors still feel financially secure at the beginning of 2009.
- Almost half those surveyed said that their household financial situation is worse than last year. While stark, this marks an improvement on previous quarters which may be a result of the reduction in interest rates, petrol prices and the Government's stimulus packages; as well as an indication that for many households this has been a protracted period of unease extending beyond a year now.
- Since June 2008, there has been a minor reduction from 1 in 4 to 1 in 5 investors saying that they are going into debt or draw in savings to make ends meet.
- Investors are more negative in their expectation about financial position of their household over the next twelve months, than they ever have been since the survey started.
- Low levels of investor sentiment have led most investors to say that the outlook for residential property, bonds and cash are better than for other equity based assets.

Key insights

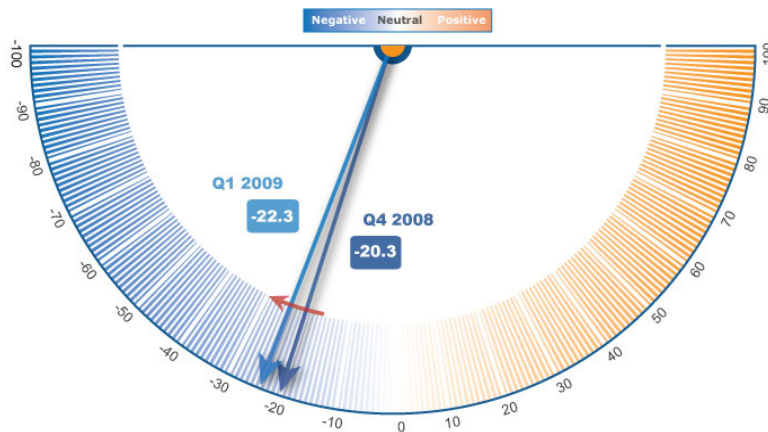
Investor Sentiment Index at lowest point:

For the first time, investor sentiment in Australia has been tracked over a number of years.

The Investor Sentiment Index takes into account investors' expectations regarding the performance of the investment market, their perception of the current financial situation and their future investment intentions.

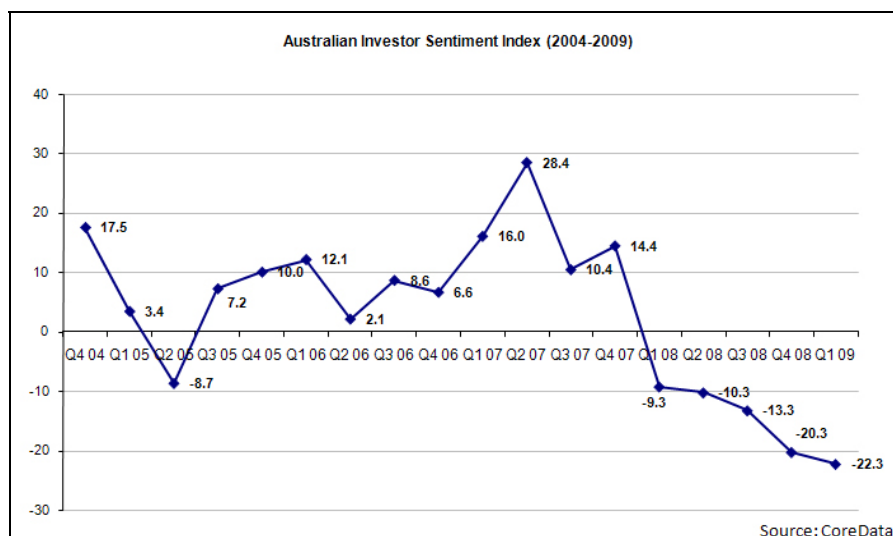
- A score of 0 would mean investors were neutral about the market. A score of +100 is extremely positive, where as a score of -100 is extremely negative.
- Investor Sentiment in the first quarter of 2009 was -22.3, a further 2 point reduction on the last quarter of 2008.

IFSA-CoreData Investor Sentiment Index (ISI)



- Investor Sentiment is at its lowest point since the end of 2004. The Index fell from +14.4 at the end of 2007 into negative territory in early 2008. The Index has been moving further into the negative every quarter since then.
- However, this is not the first time that the index has fallen into negative territory. In the June 2005 quarter, Investor Sentiment hit -8.7, corresponding with the market uncertainty of Q2 2005.

Tracking Investor Sentiment Q4 2004 – Q1 2009

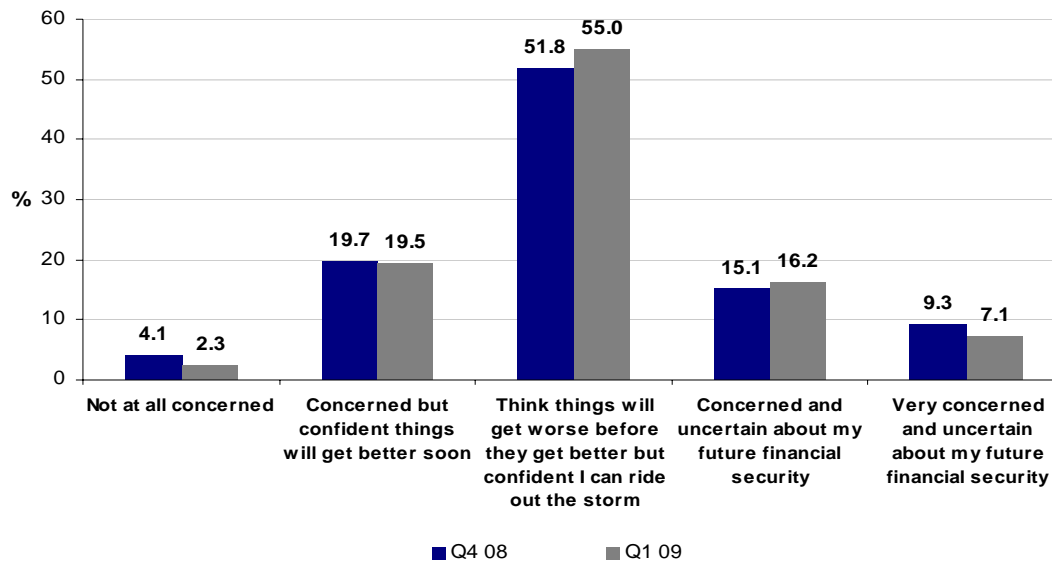


Source: CoreData

Concerned but remaining confident:

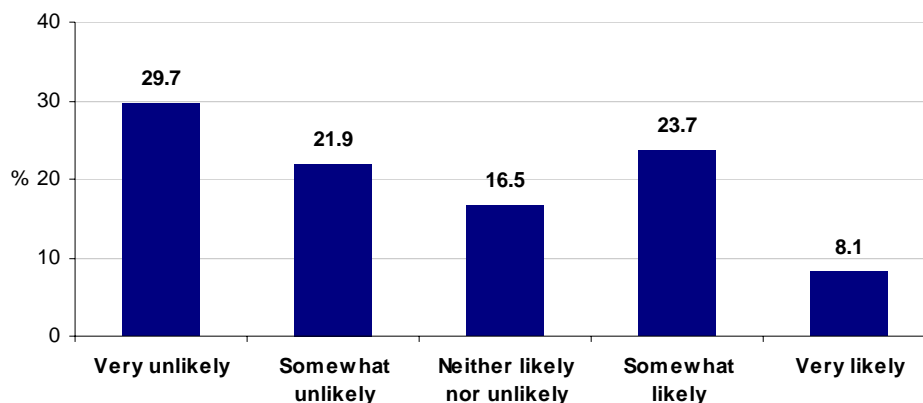
Although investors are concerned the situation may get worse before it gets better just over three quarters (76.8%) of investors say they feel confident they can ride out the storm or that things will get better soon.

How concerned they are about current conditions in the Australian and International financial markets



- In addition, some investors are actively considering topping up their investments, taking advantage of the low asset prices.
- Almost a third (31.8%) of investors are either somewhat likely or very likely to invest more with an existing investment product over the next quarter. This percentage increases among those with higher incomes or less financial commitments:
 - 38.3% of those living alone
 - 40.0% of those aged 31-40years
 - 46.7% of those that they say they have strong investment knowledge
 - 46.7% of those with a household income of more than \$100,000
- This compares to over half (51.6) who say they are unlikely to invest any more into existing products over the next quarter.

How likely they are to invest more in an existing investment product within the next 3 months

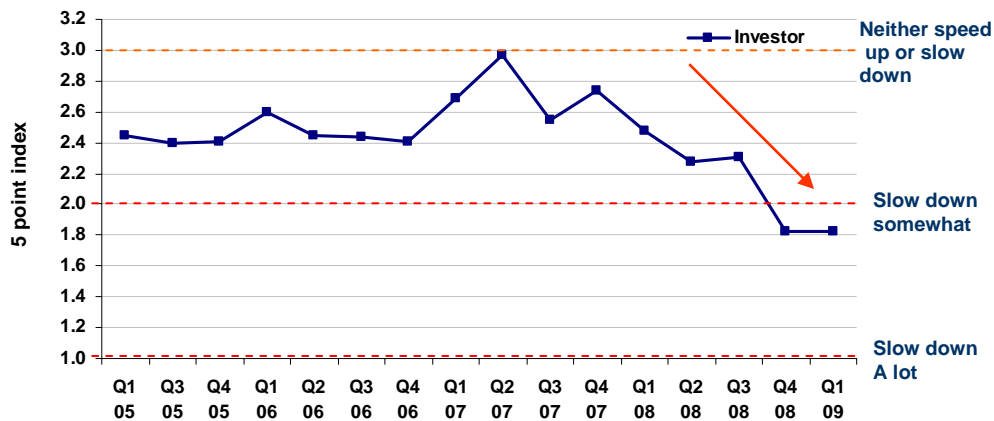


Expectations about the economy:

Expectations about future economic growth remain low as investors start to consider the impact of the Global Financial Crisis on the real economy.

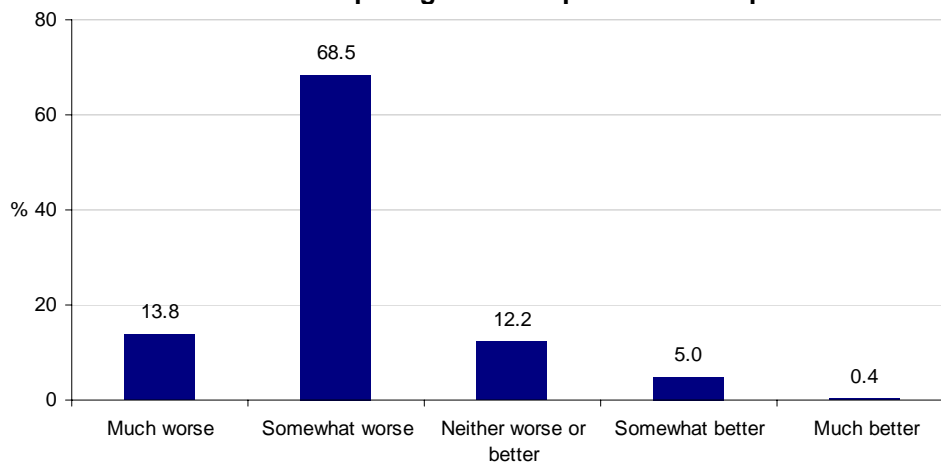
- Almost 9 out of 10 investors believe the economy will continue to slow over the next quarter, the same number as was the case in November 2008.
- Confidence in the near term growth in the economy is at its lowest point since the question was first asked in 2005.

Do you think the Australian economy will grow at a slower or faster rate (comparing next quarter to this quarter)?



- Most think that business conditions will also continue to worsen over the quarter, with only 1 in 20 believing that business conditions may improve between now and June.

Whether they think business conditions in Australia will be better or worse – comparing the next quarter to this quarter

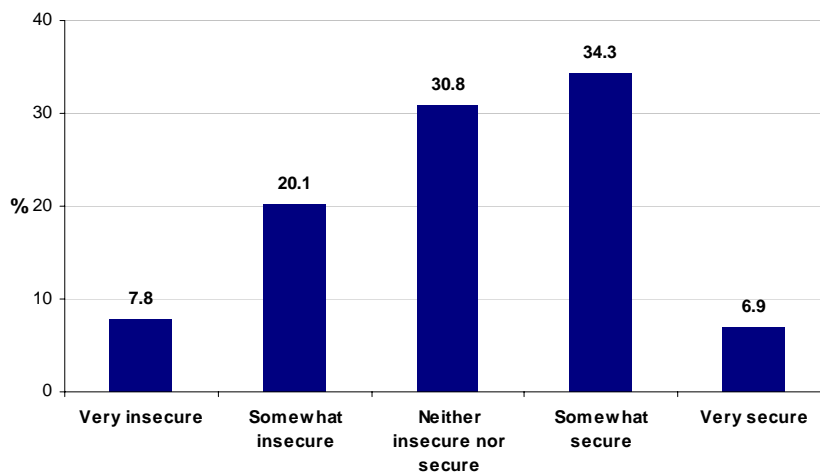


Perceptions of personal financial security:

While investor sentiment is low and many anticipate a worsening of economic conditions in the short term, the fact that most investors feel confident is also reflected in the fact that many investors feel financially secure.

- In total 41.2% of investors say that they still feel financially secure, with 27.9% saying they feel insecure.
- The extent to which investors feel financially secure or insecure depends on job security, knowledge, income and (life stage/age).
 - 66.1% or two thirds of those that say they have a secure job or a steady income feel financially secure.
 - 52.1% of those that say they have strong investment knowledge say they feel financially secure, compared to 38.9% of those that say they have poor investment knowledge that feel financially insecure.
 - 55.8% of those that have a household income of less than \$50,000 say they feel financially insecure, whereas the 51% of those that earn in excess of \$100,000 say they feel financially secure.

How financially secure do respondents feel?

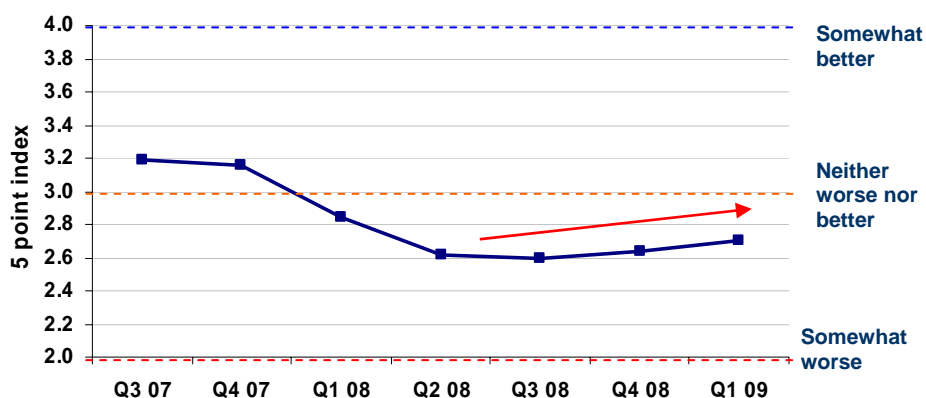


The financial situation in households – now and in the next year:

Almost half those surveyed said that their financial situation is worse than last year. While stark, this marks an improvement on previous quarters which may be a result of the reduction in interest rates, petrol prices and the Government’s stimulus packages; as well as an indication that for many households this has been a protracted period of pain extending beyond a year now.

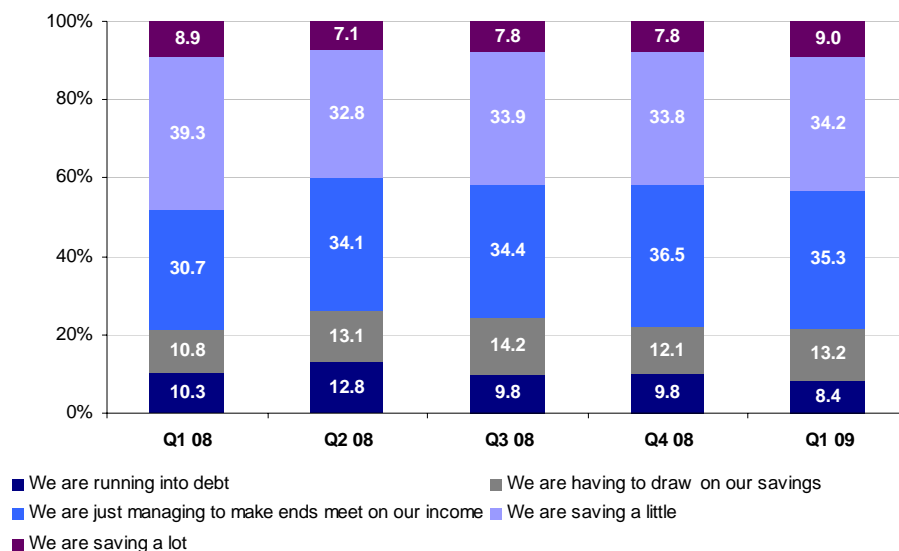
- Almost half (47.4%) said that their present financial situation was either somewhat or much worse compared to what it was 12 months ago. Those that were more likely to say this were:
 - 60.4% of investors aged 51-60 years old.
 - 65.1% of investors with a household income of less than \$50,000.

How the present financial situation of your household compares with what it was 12 months ago



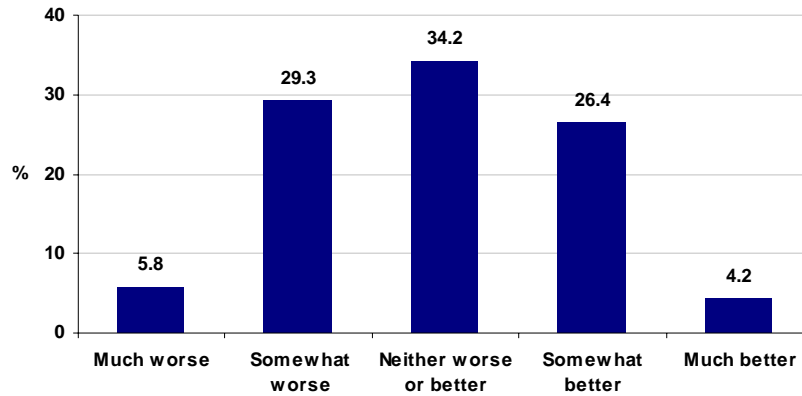
- There has been a reduction in the number of investors saying they are going into debt or draw in savings to make ends meet.
- In June 2008, one in 4 investors said they were either going into debt or drawing on savings, this compares to one in 5 in the first quarter of 2009.
- While 8.4% of the total investors questioned said they were running into debt in the first quarter of 2009, the percentages were higher in the following areas:
 - 13% of investors living in WA and 15.2% of investors living in SA say they are running into debt.
 - 12.8% of investors with children under the age of 14 years say they are running into debt.
 - 17.8% of investors with a household income of less than \$50,000 say they are running into debt.
- As the strain has lifted slightly on household budgets in the last twelve months, the number of investors saying they are saving has increased. A total of 43.2% of investors said they are saving either a little or a lot in the first quarter of 2009. This contrasts to 55.6% of investors aged 21-30 say they are currently saving their money.

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



- Investors are more negative in their expectation about financial position of their household over the next twelve months, than they have been since the survey started.
 - A total of 35.1% of investors think their household financial situation will worsen in the next twelve months. This is significantly higher for those with a household income of less than \$50,000 with half expecting their financial situation will worsen.
 - 30.6% of investors are more optimistic saying that they think their household financial position will improve over the coming year. The optimism is much greater among those living in NSW (40.6%) and those in their twenties (41.2%).

How they think the financial position of their household will change over the next 12 months

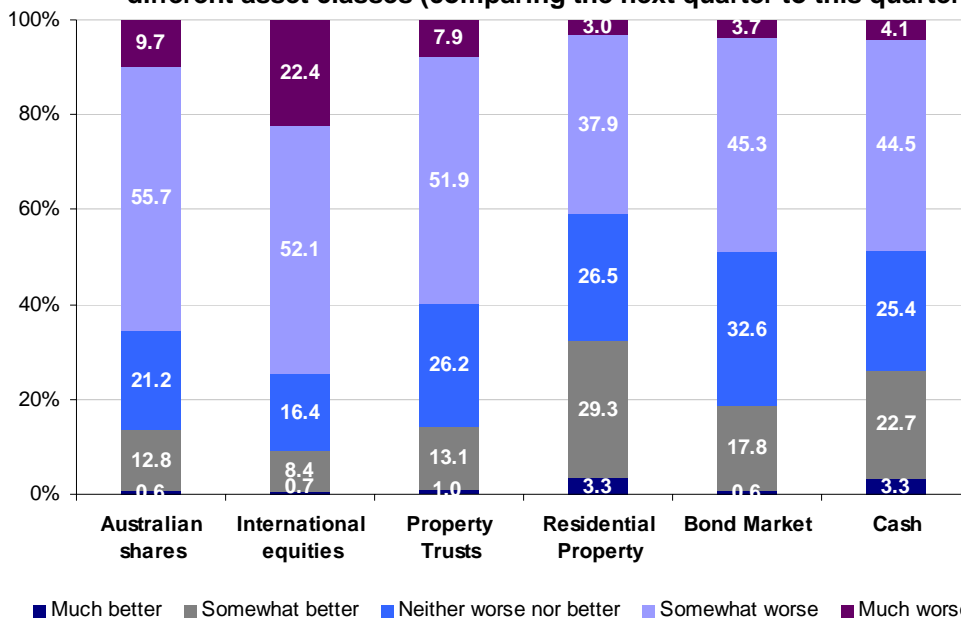


Perceptions about asset classes and their performance:

Low levels of investor sentiment have led most investors to say that the short term outlook for residential property, bonds and cash are better than for other equity based assets.

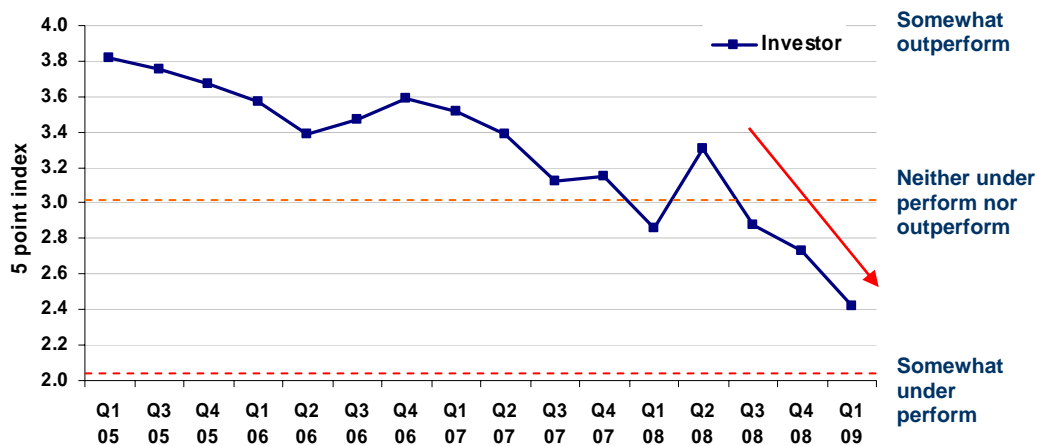
- A total of 32.6% of investors think the market for residential property will be better next quarter, compared to 26.0% for cash and 18.4% for bonds, 14.0% for property trusts, 13.4% for Australian equities and 9.1% for international shares.

Whether they think the market will be better or worse for investors across different asset classes (comparing the next quarter to this quarter)



- For the third quarter in a row, investors believe that Australian equities will perform worse next quarter.
 - A total of 65.4% of investors think that Australian equities will be worse, while 13.1% believe they will perform better next quarter
 - 2008 was the first time in four years that investors felt that Australian equities would somewhat under perform the residential property

Whether they think the Australian share market will outperform residential property (comparing the next quarter to this quarter)



What investors are saying?

"We're being more conservative with how money is spent in the event that my partner loses his job. We're selling our house and moving into the investment property to consolidate our mortgage and reduce risk." (36 years, Qld)

"We buy food in bulk and cook in bulk to save money on food bill & energy costs. Freeze foods for lunches & dinners. I don't buy lunch anymore - I'm saving over \$120 a week in not buying lunches "(35 years, Vic)

"At this stage the only impact we have felt has been from an uncertainty point of view, with an increasing number of retrenchments and general business decline." (52 years, NSW)

"As we live on a fixed income, we're slightly better off as the mortgage and petrol have both become more affordable." (32 years, Vic)

"Things are better for us because of the lower interest rates and lower fuel prices which offset higher grocery prices." (39 years, NSW)

Background to the survey:

IFSA and CoreData have joined to produce quarterly data on investor sentiment. This report reviews investor sentiment towards the economy, their financial security, household budgeting and various asset classes.

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

Introducing 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. Because CoreData has had continuity in the questions since Q4 2004, the ISI has been able to track sentiment since then.

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 720 respondents to Q1 2009 survey which was conducted between 26th February and 3rd March.

The sample was taken from the Brandmangement list of investors in the ABC1 demographic, and the results calibrated to the ABS population data.

The demographic split of investors is as follows:

Gender	
	Percent
Female	45.0
Male	55.0
Total	100.0

Age Group	
	Percent
20 years old and below	0.7
21 - 30	20.2
31 - 40	23.2
41 - 50	23.5
51 - 60	23.4
61 years old and above	8.9
Total	100.0

Area of residence	
	Percent
The capital city of my state / territory	69.1
A regional centre	22.5
A rural area	8.4
Total	100.0

Household Income	
	Percent
Less than \$50,000	15.9
\$50,000 up to \$75,000	21.2
\$75,000 up to \$100,000	20.4
\$100,000 up to \$125,000	14.0
\$125,001 to \$150,000	11.5
\$150,001 to \$200,000	10.2
\$200,001 to \$250,000	4.0
\$250,001 to \$350,000	1.5
More than \$350,000	1.3
Total	100.0

State of Residence	
	Percent
ACT	3.4
NSW	17.7
NT	1.0
Qld	21.1
SA	15.2
Tas	3.5
Vic	34.2
WA	3.8
Total	100.0

Work Status	
	Percent
I am in full time work	66.2
I have retired from full time work	7.4
I am in part time work	10.2
I am in full time home duties	4.3
I am a full time student	2.2
I am not in work at present	4.6
Other	5.1
Total	100.0

Investment Portfolio Size	
	Percent
Less than \$50,000	39.1
\$50,001 to \$150,000	22.9
\$150,001 to \$250,000	7.8
\$250,001 to \$350,000	7.1
\$350,001 to \$450,000	4.9
\$450,001 to \$550,000	2.7
\$550,001 to \$650,000	3.6
\$650,001 to \$750,000	2.0
\$750,001 to \$850,000	1.6
\$850,001 to \$1,000,000	3.3
More than \$1,000,000	5.1
Total	100.0

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