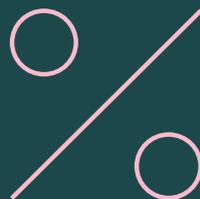


INVESTING INSIGHTS

WITH TONY ALEXANDER Independent
Economist



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Investors are not deterred

Wednesday 28 February 2024

Every three months I invite the over 30,000 people subscribing to the weekly Tony's View publication to give their thoughts regarding management of their personal wealth.

The aim is primarily to track changes in asset preference shifts over time. But we can also gain interesting insights into the way people plan to buy shares, the types of shares sought, other assets they're buying and selling, and the issues of most concern.

The key results from our latest survey, which yielded 811 responses, include the following:

- Despite worries about interest rates, inflation, and global geo-politics, an increasing proportion of investors plan to boost their holdings.
- Plans for purchasing investment property have continued to ease.
- Interest in holding crypto assets has improved.

I am not a financial advisor, and nothing written here is intended as advice for any individual or group.

Are you thinking about adding money to existing or new investments like property, shares etc. in the coming year?

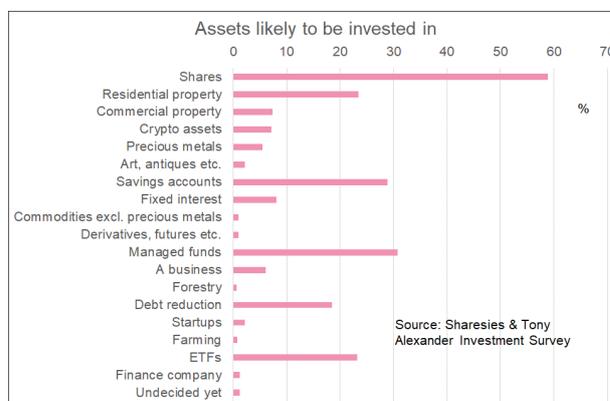
There's been an upward trend in the net proportion of people planning to add to their investment portfolios since this time last year. In this quarter's survey a net 78% of our 947 respondents have said they plan to add to their investments compared to a net 76% in the last quarter of 2023, and 73% a year ago.

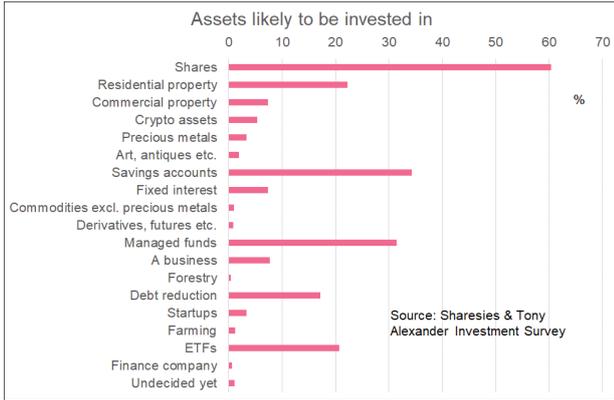


If so, which assets are you likely to invest more in?

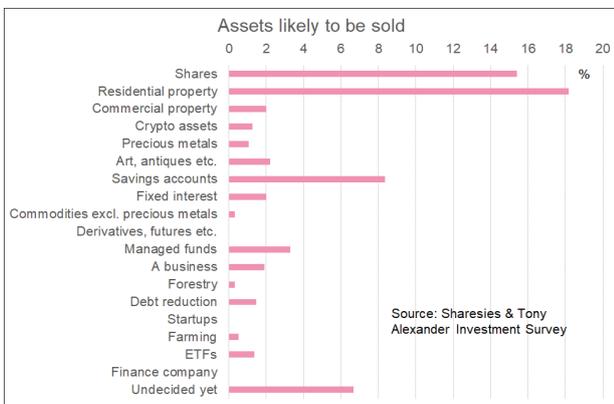
We ask people about the assets they plan to buy more of and sell some of. The first graph here covers the former, the second the latter.

Preferred investments are shares, managed funds and exchange-traded-funds (ETFs), along with residential property and savings accounts (meaning cash on hand but considered to be highly secure).



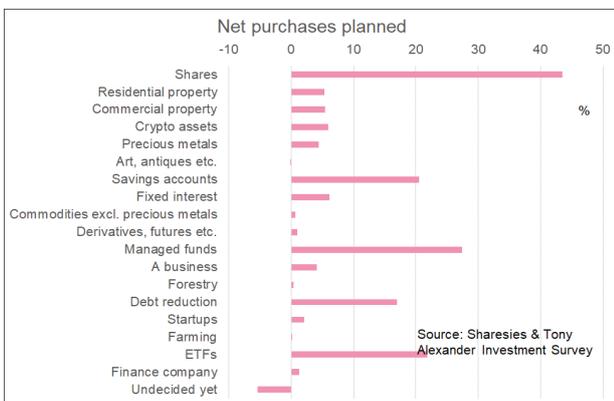


For those people thinking about selling some assets the top items are residential property and shares.



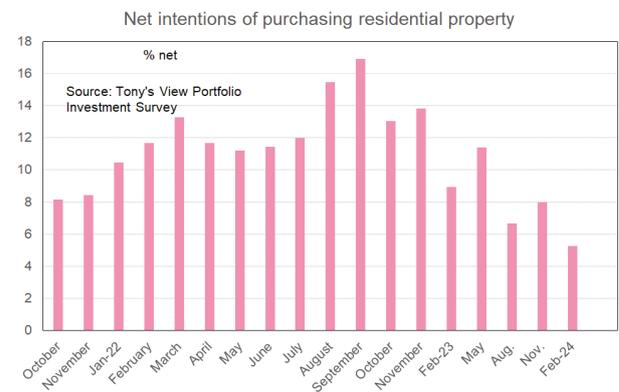
Putting the two measures together we can get a feel for where net demand may be headed and theoretically this may indicate price pressures for various assets.

Shares, managed funds and ETFs again rank highly which is unsurprising considering that historically this has been the way people build assets for retirement purposes.

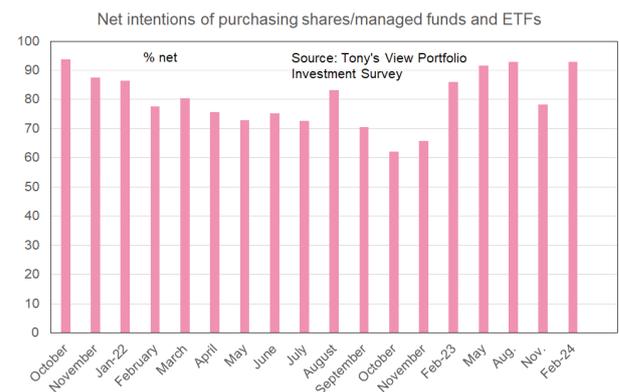


These next graphs show how net investment intentions have been trending for most of the assets we cover, starting with residential property.

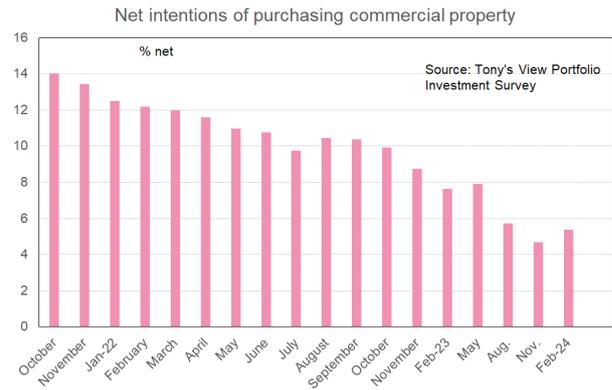
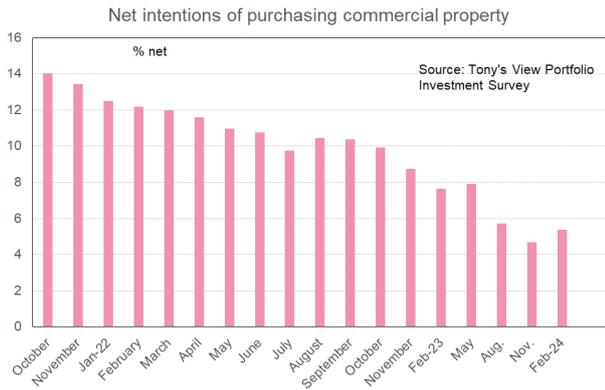
Despite the coming change to restore interest expense deductibility for property investors there has been a further decline in net intentions of purchasing housing assets. These now stand at the lowest level since our survey started and are consistent with feedback in other surveys indicating that for now the sellers of investment property appear to be at-large in greater numbers than the buyers.



There's been a recovery in net plans for purchasing shares either directly or via a managed fund or ETF. The proportion is the highest since October 2022.

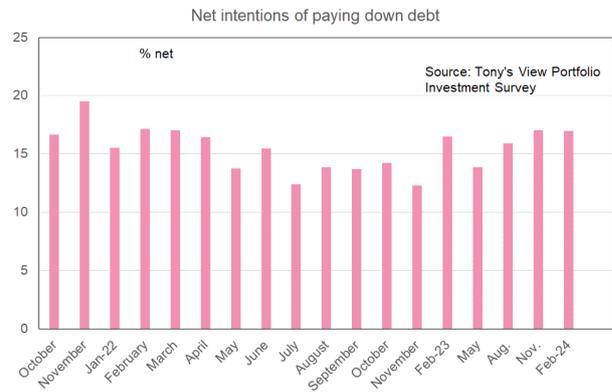
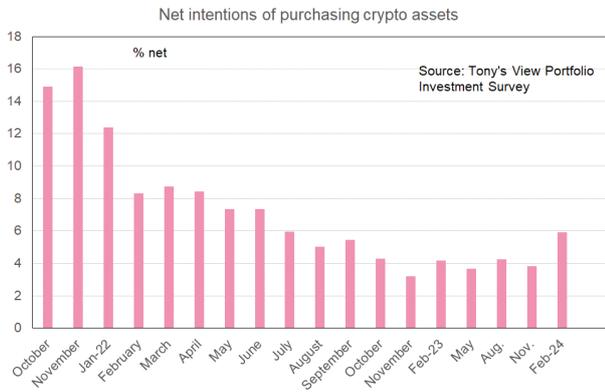


There's been a small recovery in net intentions to buy commercial property. But we have seen such recoveries in the past and the downward trend has prevailed each time. Therefore it would be best to wait for our next survey before concluding that the tide has turned upward on commercial property demand from investors.



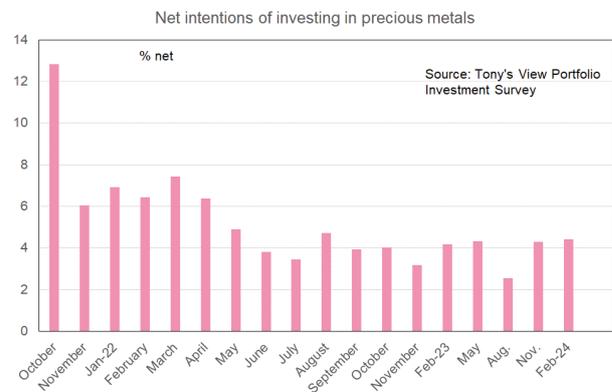
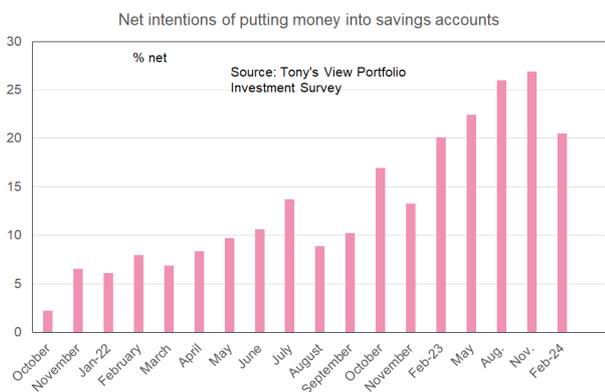
Of greater significance statistically speaking, may be the firm lift in net intentions of purchasing crypto assets. The recent strong rally in Bitcoin's price may account for this interest.

Plans for paying down debt have never really lifted for our cohort of investors – possibly because they have cash to invest rather than debt to pay off – excluding those who invest in property where use of debt is more the norm.



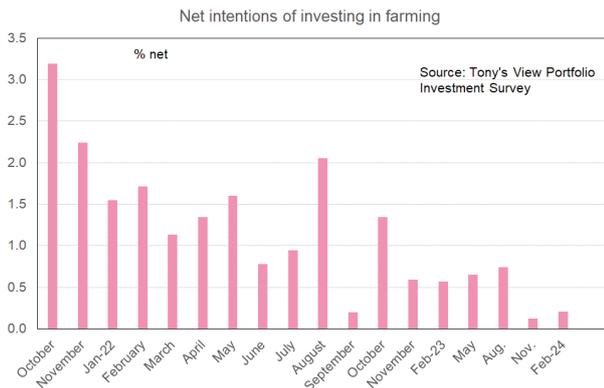
Plans for sitting money in a savings account have dipped slightly this quarter. Similar declines have occurred before and as mentioned above for commercial property, we should await two quarters in a row of the same movement before concluding that a solid shift has in fact occurred.

Nothing of interest around the preference for investing in precious metals has happened for a long time. The October 2022 result clearly presents as an outlier.

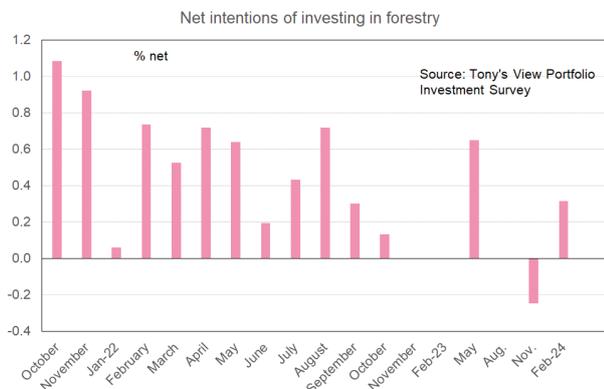


We haven't mentioned these two assets before because the net levels of investing intentions are so low – but will do this quarter because the net levels of investing intentions are in fact so low and have trended down!

Farming is an asset which is hard to get into and perhaps the image presented of the sector – floods, droughts, climate change issues etc. – actively dissuades people from seeking exposure.

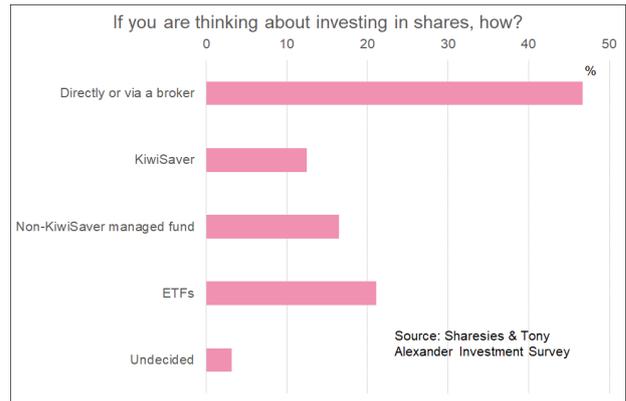


Interest in forestry investment is extremely weak.

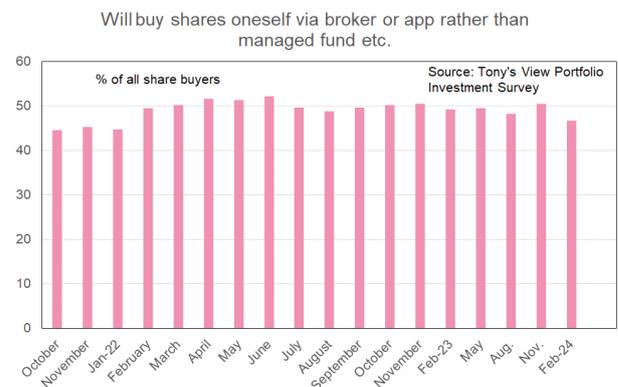


If you are thinking about investing in shares, how?

People still firmly prefer to buy shares directly or through a broker.



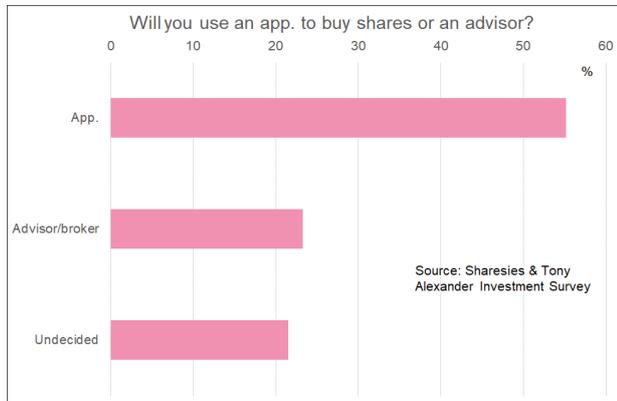
There is a small downward trend in the proportion of those looking to buy shares directly via a broker or using an app.



Apart from a lift over 2022 there is no trend change in the proportion of those looking to buy shares who will favour their KiwiSaver account to do so.



Will you use an app to buy shares or an advisor?

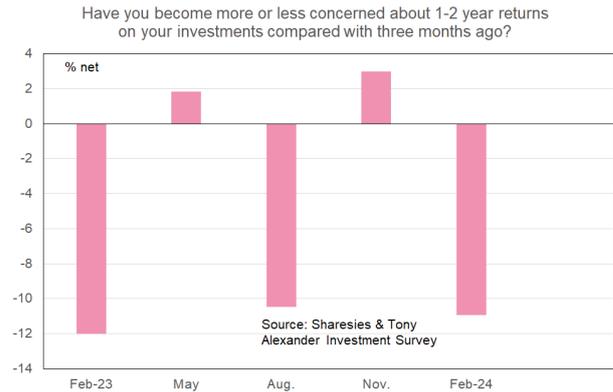


Buying shares through an app is much preferred over using a broker. In fact it's reached a record high.



Have you become more or less concerned about 1-2 year returns on your investments compared with three months ago?

Despite the continuing uncertain world environment there has been an easing in concern over short-term returns. A net 11% of our survey respondents have said they are not worried about these returns compared to a net 3% three months ago.



List the main things causing you concern (if any) for your investment returns in the next 1-2 years.

Top of the list of concerns is interest rates, followed by the global geo-political situation and inflation. Next is recent and future returns, asset prices falling, and uncertainty/volatility. As noted earlier, while uncertainty exists, an increasing net proportion of people are still planning to expand their investment portfolios. This is probably due to having a long-term focus.

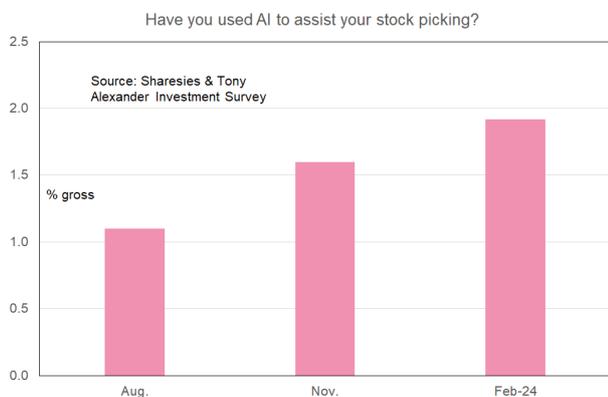


Top concerns are the same as last quarter as the graph below shows.



Have you used AI to assist your stock picking?

There is a small upward trend in people who say they have used Artificial Intelligence to help with their stock picking. But at 1.9% this is still very low.



Portfolio Structures

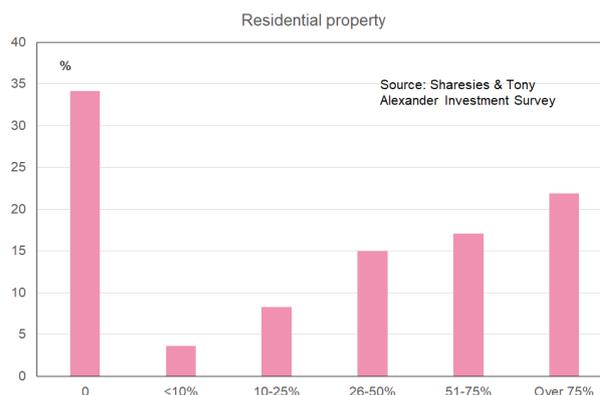
As a one-off this quarter we asked people to indicate how their asset portfolio is structured. Is it true that Kiwis only invest in property as some claim (usually when house prices are rising)?

People could select 0%, under 10%, 10-25%, 26-50%, 51-75% and over 75%. Some people made no choices for some assets like precious metals, so we have assumed their exposure is 0%.

Following is a set of graphs showing for the 849 people who answered this question the proportion of their portfolio in each asset makes up.

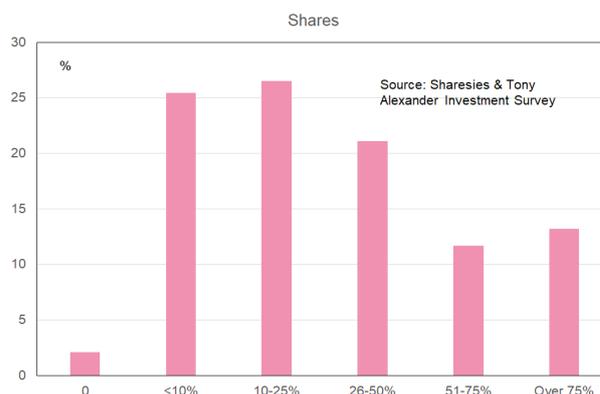
Residential property

One-third of our survey respondents report that they have no residential property in their portfolio, meaning two-thirds do. For 39% of respondents residential property makes up over half of their portfolio.



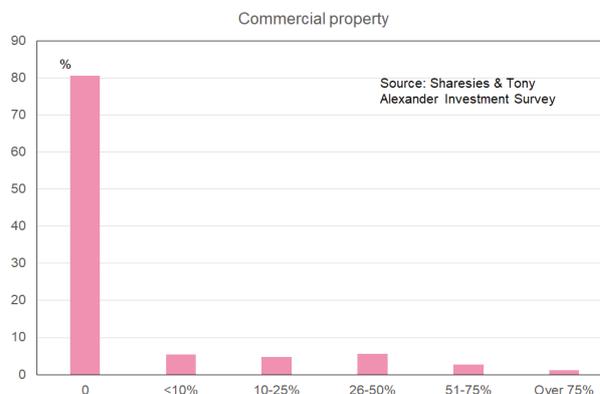
Shares

Just 2% of our respondents do not own shares. 25% say that shares account for over 50% of their portfolio and some 75% say that shares make up between 10% and 50% of their investment asset base.



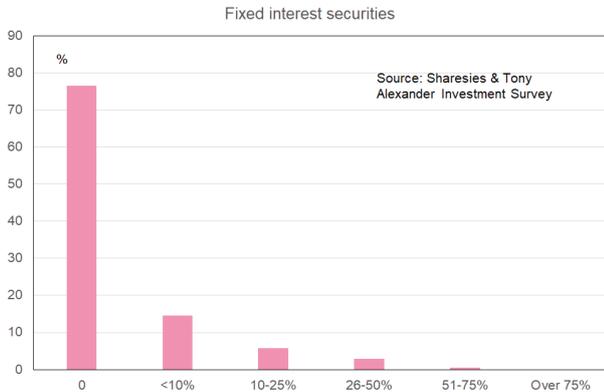
Commercial property

80% of people say that they have no commercial property in their portfolio. This seems to make sense given the lumpiness of the asset.



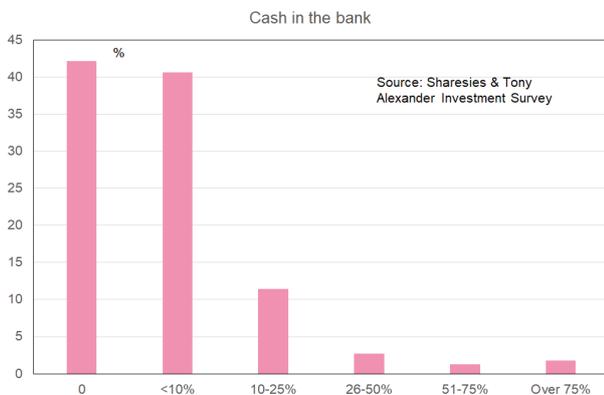
Fixed interest securities

Securities such as government bonds and finance company debentures are held by 24% of investors but only 3% say that over half their portfolio is in this generally conservative asset.



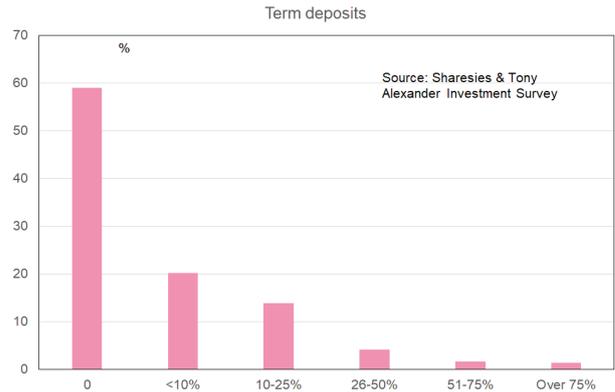
Cash on deposit

41% of people say that they have just under 10% of their portfolio in the form of cash in the bank ready for use. Only 6% say that this, generally low-yielding asset, accounts for more than 25% of their portfolio.



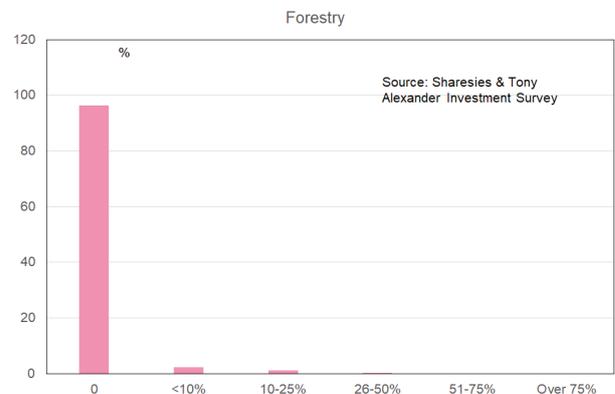
Term deposits

Close to 60% of our respondents have no term deposits, 20% say such deposits make up less than 10% of their asset base, and just 3% say they make up over 50% of their invested wealth.



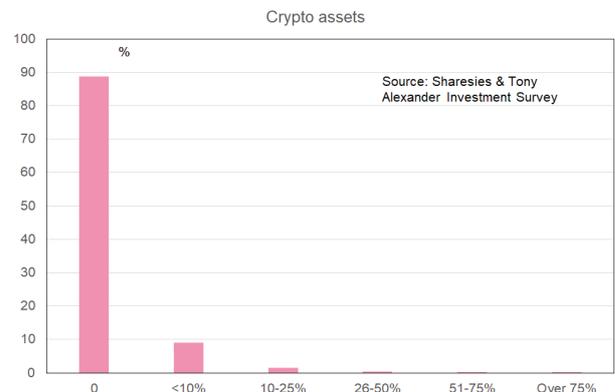
Forestry

Very few people invest in forestry with 96% of our respondents saying they have no forestry assets.



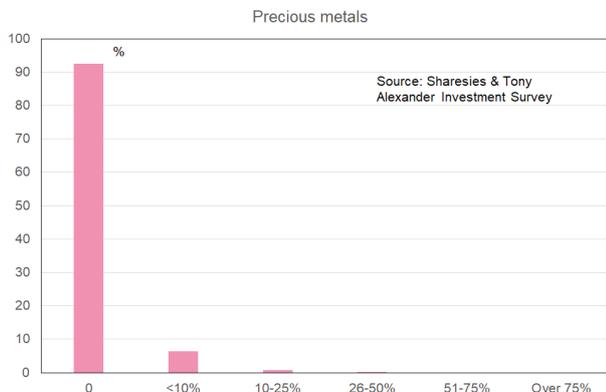
Crypto assets

89% of people say they hold no crypto assets (such as crypto currencies and non-fungible tokens) while 9% say they make up to 10% of their asset base.



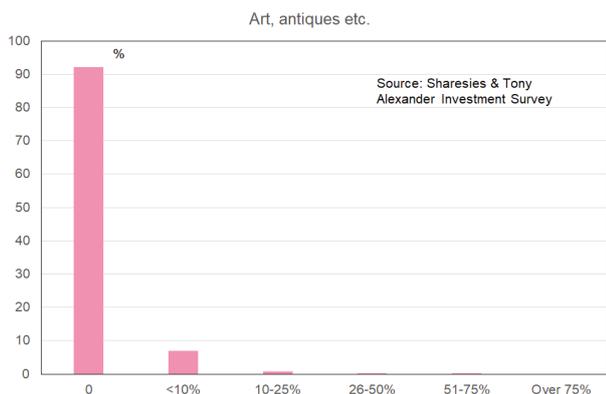
Precious metals

93% of people hold no precious metals and just 1% say such assets make up more than 10% of their portfolio.

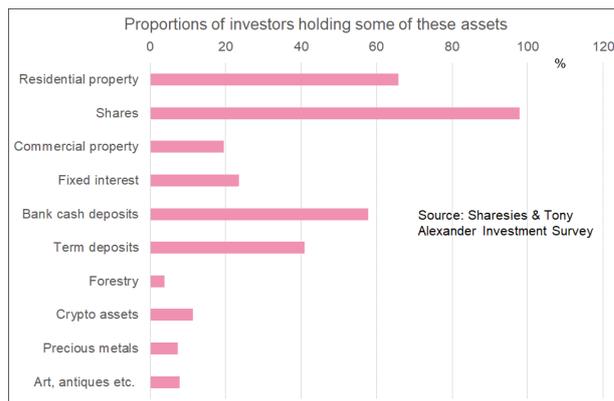


Art, antiques etc.

For these other perhaps more personally relevant or treasured assets only 1% of our respondents say they comprise more than 10% of their portfolio.



Another way to look at the data we have presented is to calculate the proportion of investors holding at least some of each asset type we cover. This graph shows that 66% of our respondents own some residential property but 98% own some shares and 58% have cash on hand in the bank. Only 7% own some precious metals and 4% on some forestry.



Respondents to the survey were distributed by age as follows.

< 30 years	2.9%
30 – 50 years	30.8%
51 – 65 years	41.7%
Over 65 years	24.6%

These are what the investment assets add up to of respondents (including savings but excluding family home).

Less than \$500k	29%
\$500k - \$2mn	37%
\$2mn - \$5mn	19%
Over \$5mn	15%

My aim in producing this publication is to help the growing number of average Kiwis looking to build an asset base over time for their retirement. If you want to discuss any particular product, business, or asset class then you'll need to do that with a Financial Advisor.

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