ISSN 2815-8105

INVESTING INSIGHTS

WITH TONY ALEXANDER Independent Economist

AUG 2022

Sharesies

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Less risk aversion

Wednesday 31 August 2022

Each month I invite more than 28,000 people to give their thoughts on managing their personal wealth. The primary aim is to track changes in asset preference over time. But we can also gain interesting insights into the way people plan to purchase shares, the types of shares sought, use of an advisor compared with using an app, active versus passive funds management and a preference for which countries to invest in.

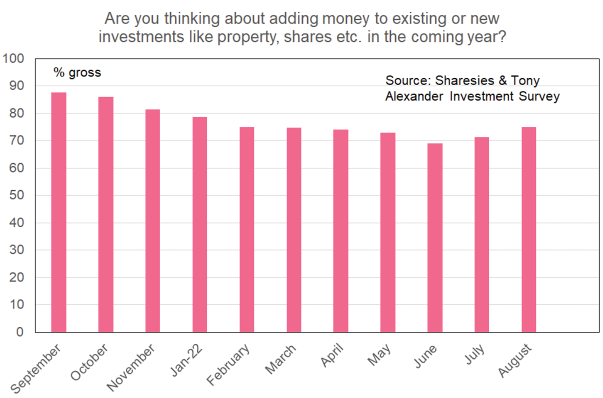
The key results from the August survey yielding 975 responses include:

- A firm rise in plans to add to portfolio assets.
- Interest in app-based share purchases has recovered to a seven-month high.
- Share investors are favouring growth and aggressive portfolios over more defensive positions.
- A notable increase in plans to invest in residential property compared to previous months.

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?

Our August survey shows that 75% of respondents are thinking about adding to their portfolios in the coming year. As illustrated in the graph opposite, this is the strongest result since March and up from a low of 69% in June.



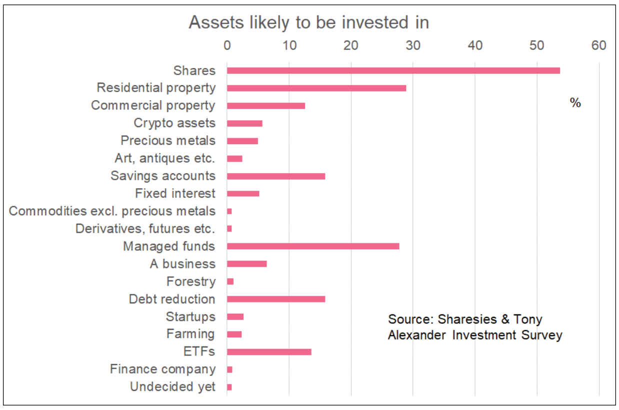
climbing as central banks accelerated their monetary tightening plans. This, combined with broader concerns about slowing world growth, weighed on share market sentiment.

These concerns remain. However, medium-to-long-term interest rates have eased globally on growing confidence that inflation—while still very high—will fall away quickly through 2023 and into 2024.

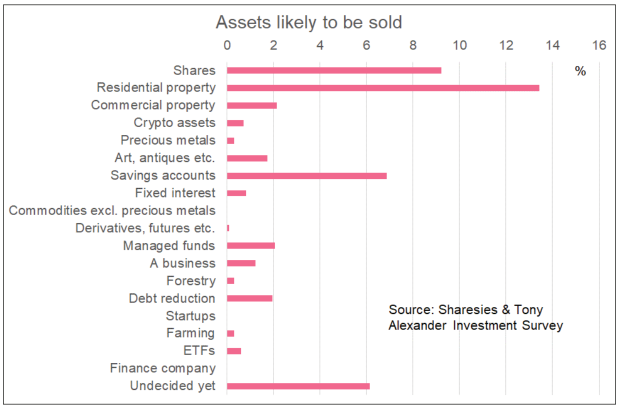
If so, which assets are you likely to invest more in?

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

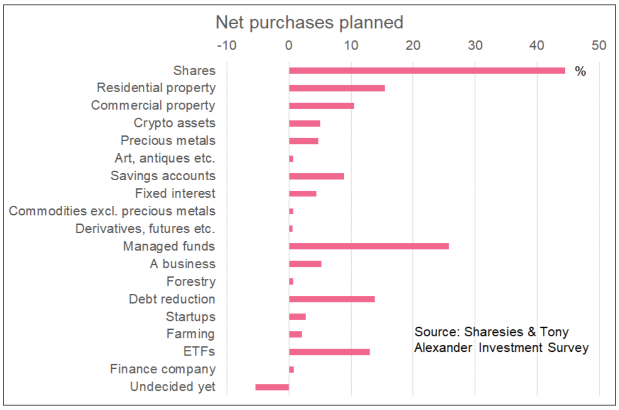
As usual, a notable proportion of respondents plan to buy shares and/or invest in managed funds and exchange-traded funds (ETFs).



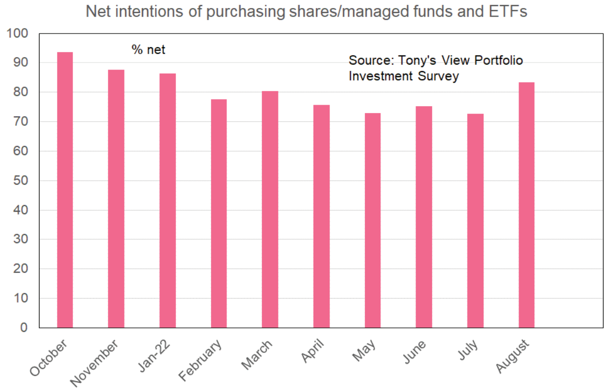
Respondents are more likely to sell residential property than shares over the coming year.



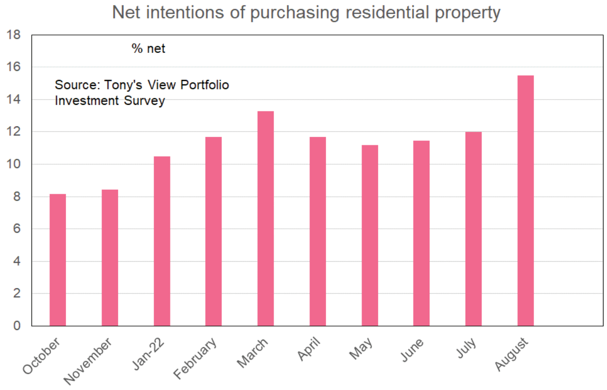
Combining the two sets of responses gives us net asset purchase plans, which we can track over time to see if there are any interesting changes or trends.



We have seen a firm rise in net plans to invest in shares, managed funds and/or ETFs.



And a marked jump in net plans to buy residential property.

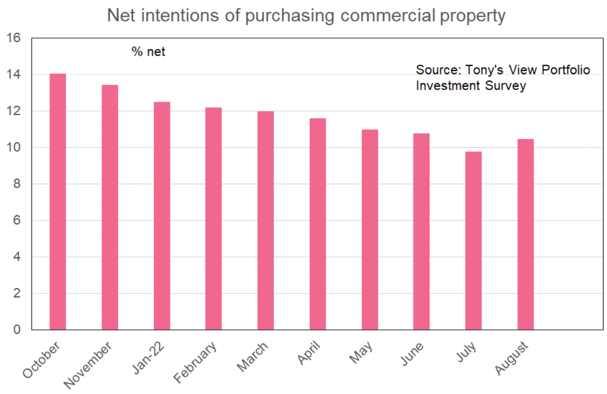


The gross proportion of this month's respondents who said they might buy residential investment property rose to 29%, up from 25% in July. Meanwhile, the proportion planning to sell has remained steady at 13%.

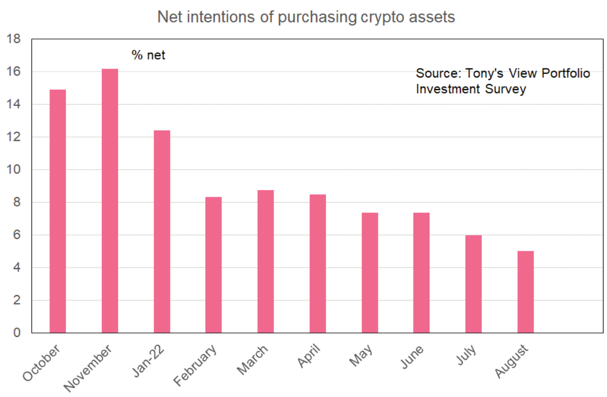
This apparent shift in sentiment could reflect the slight drop in fixed mortgage rates, signs of improved access to bank finance, recent house price falls, as well as a shift in political opinion polls (the opposition party has indicated, if elected, it would change some recently introduced housing-market policies, like the brightline test and the removal of interest expense deductibility).

Net plans to invest in commercial property have risen for the first time since this survey started.

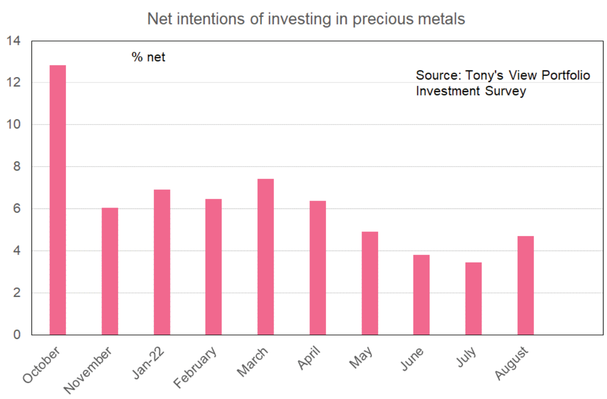
Sharesies



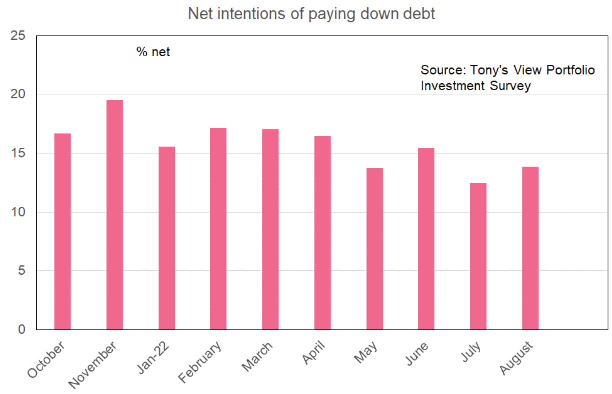
Net demand for crypto assets has continued to fall.



Net plans to invest in precious metals are up slightly on the previous couple of months.

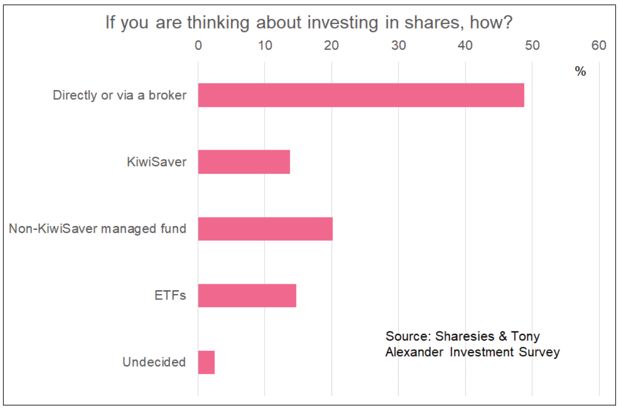


The proportion of respondents planning to repay debt is slightly higher than last month, although remains within the range that this measure has been moving in since early this year.

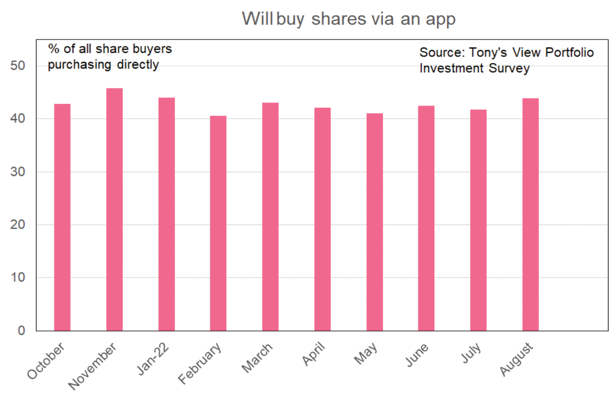


If you are thinking about investing in shares, how?

For those planning to invest in shares, most would do so directly or through a broker.

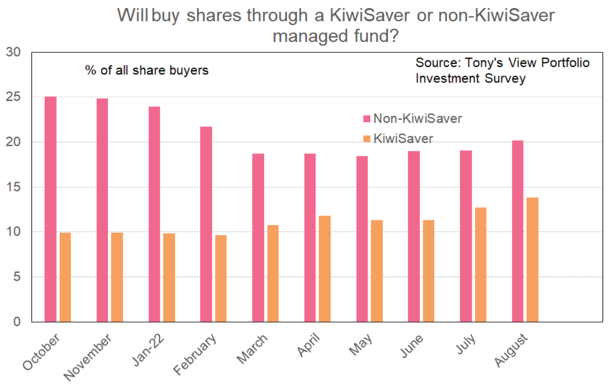


The proportion of respondents who would use an app to buy their shares has climbed to a seven-month high.



The proportion of respondents who intend to invest via KiwiSaver rather than through a non-KiwiSaver managed fund has climbed to 14%—its highest reading since the survey began last year.

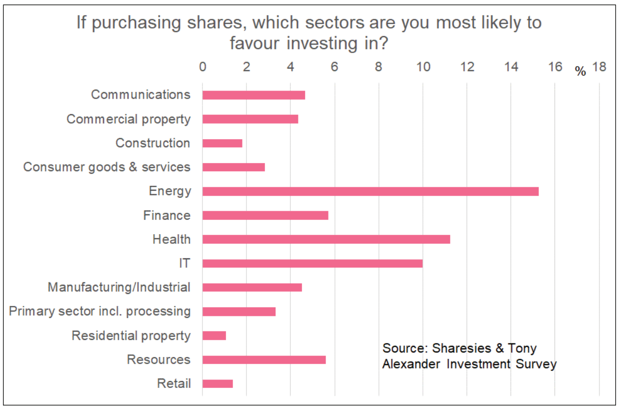
Interest in investing in non-KiwiSaver managed funds has also risen. This continues to be the favoured option of the two, but the gap is closing.



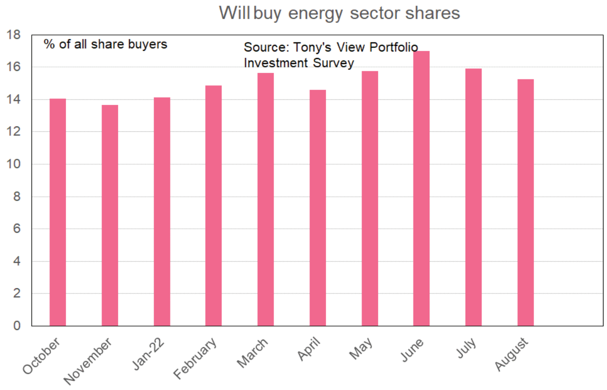
If purchasing shares, which sectors are you most likely to favour investing in?

With this question we are aiming to see change over time in the sectors which people prefer.

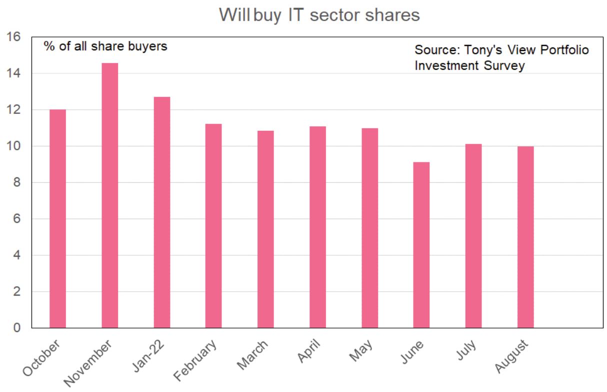
As ever, energy, health, and IT remain the most heavily-favoured sectors.



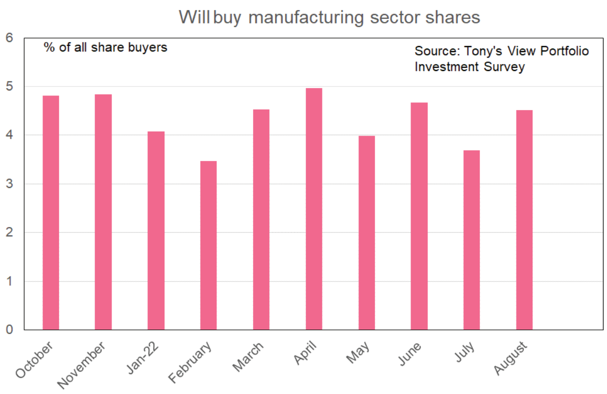
Interest in the energy sector continues to edge down, in line with falling oil prices.



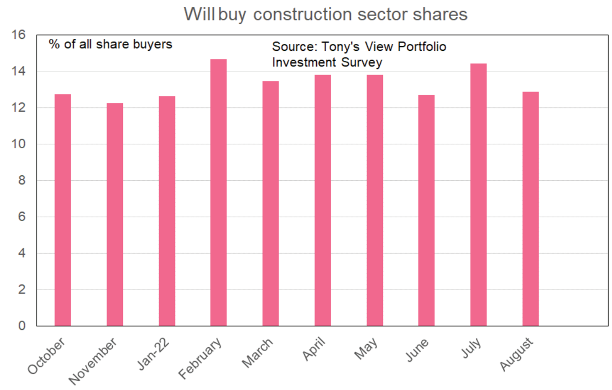
Demand for IT sector shares is unchanged.



Interest in the manufacturing sector continues to fluctuate within a relatively limited range. There does not appear to be the same talk locally of bringing manufacturing production back from offshore that is dominant in countries like the US.



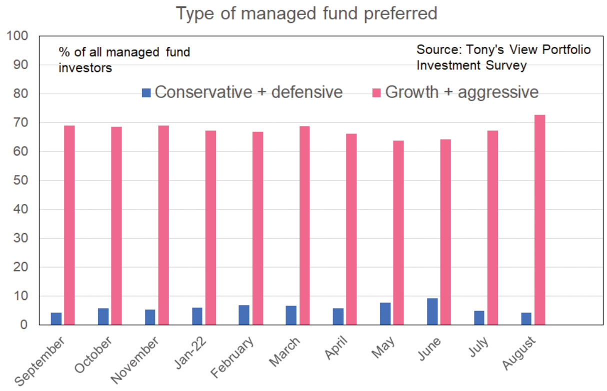
Interest in construction-sector shares eased this month. However, there is no convincing downward trend at this stage, despite increasing difficulties being reported by some building-related firms.

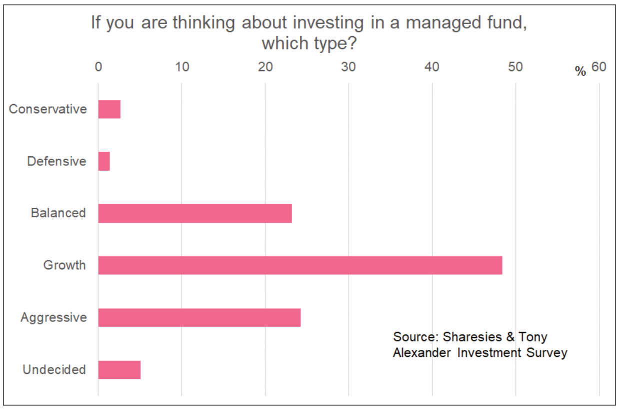


There is a notable lift in plans to buy shares exposed to the residential property investment sector.

If you are thinking about investing in a managed fund, which type?

There is a growing preference for growth or aggressively managed funds, while interest in defensively positioned funds has fallen further from June's high.

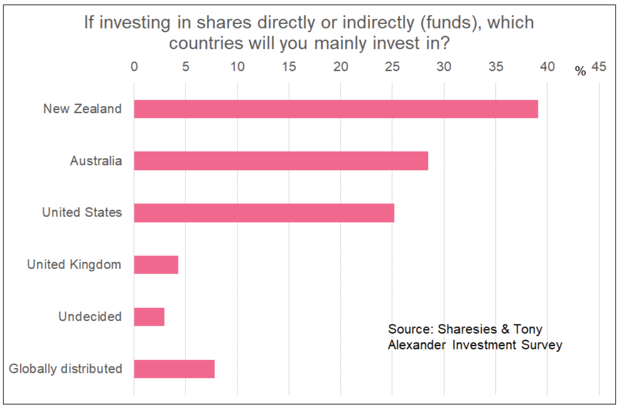




If investing in shares directly or indirectly (funds), which countries will you mainly invest in?

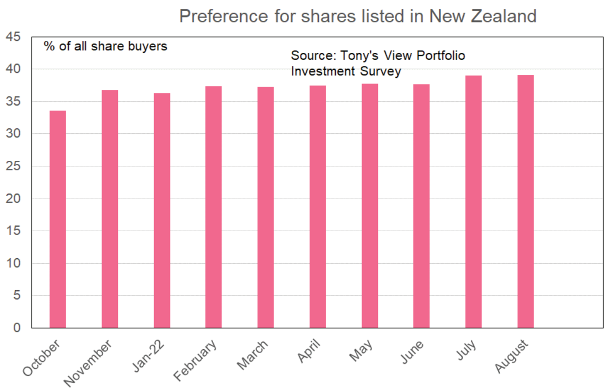
In case there should one day be a firm shift in the people's view of New Zealand's long-term prospects, we seek insights into share purchase preferences by country.

We Kiwis largely restrict ourselves to listed shares in New Zealand, Australia, and the United States.

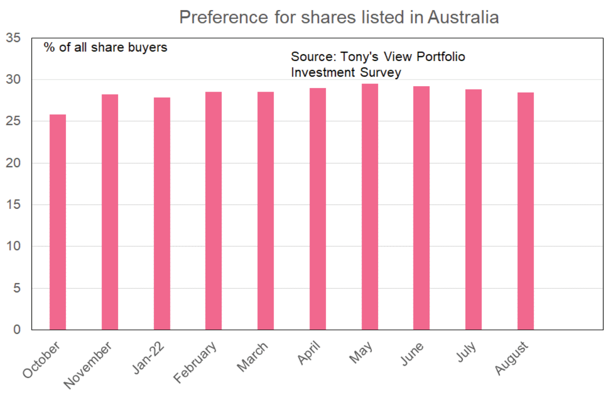


Sharesies

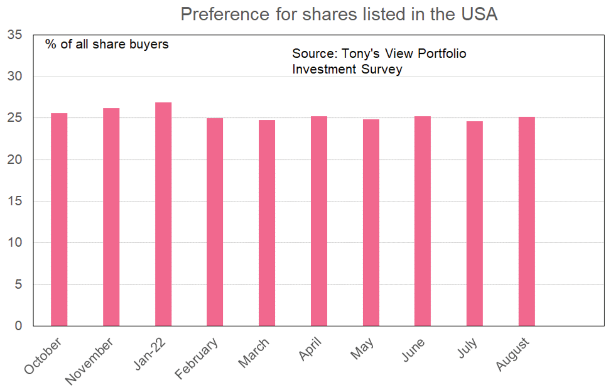
While the preference for New Zealand-listed shares has remained relatively steady this month, respondents continue to overwhelmingly favour local stocks.



There is a slight downward trend in the level of interest for Australian-listed shares.



The proportion of New Zealand-based investors who prefer US-listed shares has remained relatively stable over the last few months.



Respondents to the survey were distributed by age as follows.

< 30 years	4.4%
30 – 50 years	30.5%
51 – 65 years	42.6%
Over 65 years	22.6%

What do your investment assets (including savings but excluding family home) add up to?

Less than $500k	23%
$500k - $2mn	37%
$2mn - $5mn	23%
Over $5mn	18%

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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