

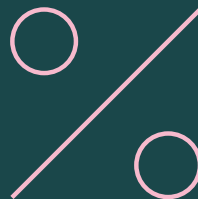
INVESTING INSIGHTS

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Sticking to a strategy

Wednesday 29 November 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.

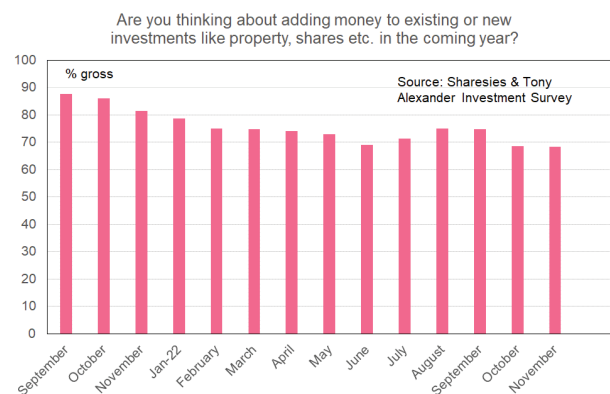
The key results from our latest survey which yielded 845 responses include the following.

- We have been running our monthly survey for a year and the results clearly show that Kiwis do not change their investment plans often in terms of the mix of assets, risk profile (growth vs defensive), preferred sectors, and preferred country.
- There is still an upward trend in plans to invest in residential investment property.
- Plans to invest in crypto assets have continued to decline.
- The biggest change this past year has been the growing preference for holding money in savings accounts.
- Almost every month this past year around 41% of respondents have said they would use an app to buy shares.

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?

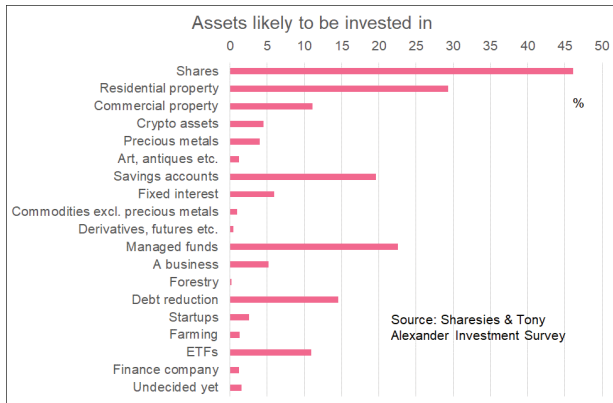
Despite expectations of further tightening of monetary policy, volatility in financial markets, and predictions of global and perhaps domestic recession, most respondents have firm plans to keep building their investment portfolios. While the proportion has softened from August and September (when 75% of investors planned to add to asset holdings), it remains steady at a still significant 68%.



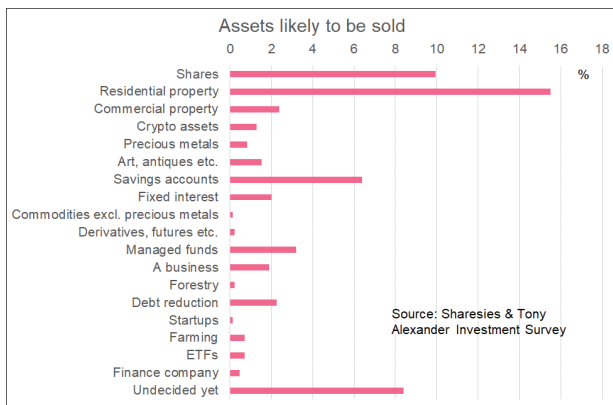
If so, which assets are you likely to invest more in?

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.

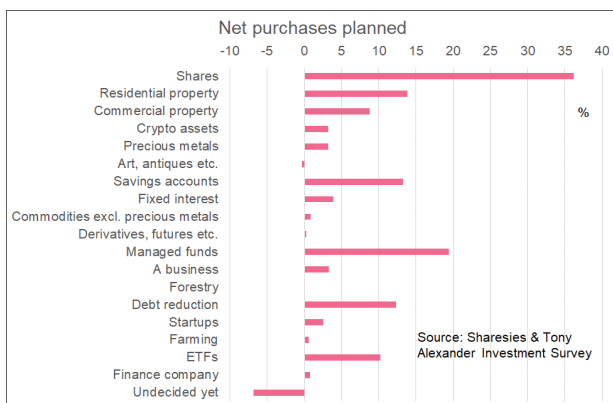
Kiwis like shares, residential property, managed funds and exchange traded funds.



We ask which assets investors are thinking of selling. Residential property has ranked highest in all our surveys this past year.

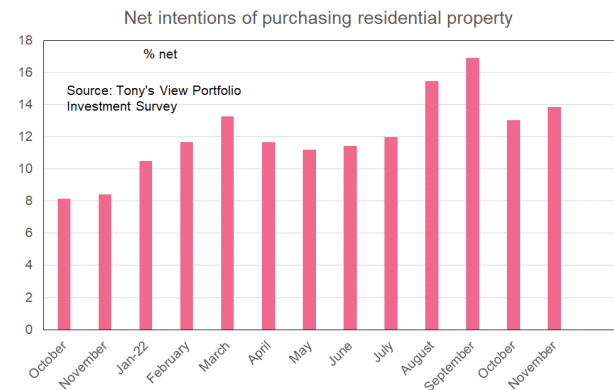


Combining the two sets of responses gives us net asset purchase plans, which we can track over time to see if there are any interesting changes or trends.

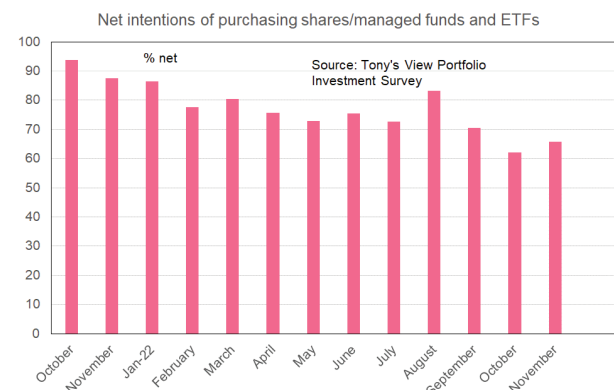


Net plans to purchase residential property have been trending up over the last year, despite rising interest rates. Investor interest did wane following the mid-October release of higher-than-expected

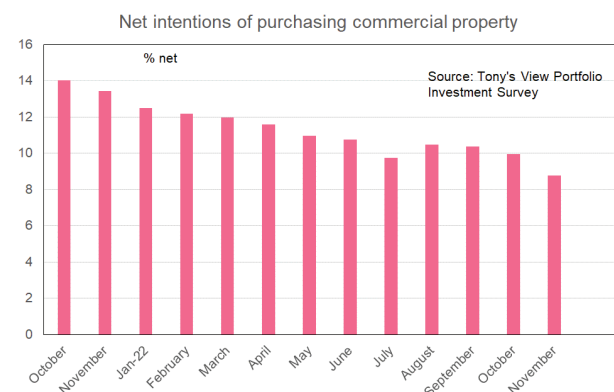
annual inflation of 7.2%. But there's been a small recovery this month, enough for us to say that the upward trend still looks to be in place.



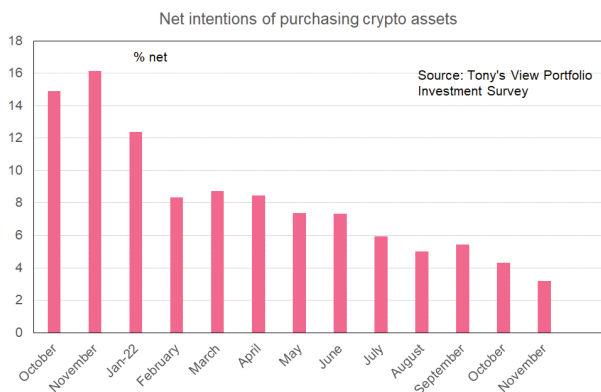
Plans to purchase shares, either directly or through managed funds or ETFs, had eased over the previous couple of months. However, net demand for shares looks to have recovered slightly this month.



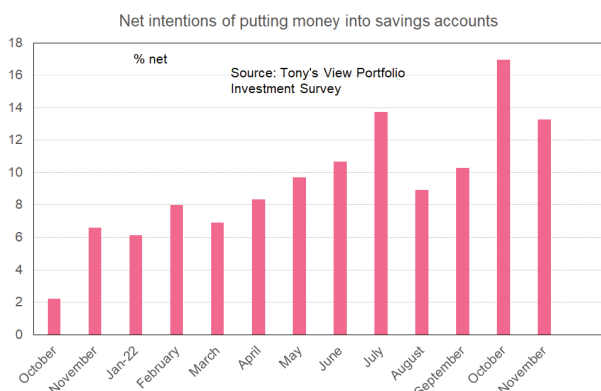
Interest in commercial property continues to ease.



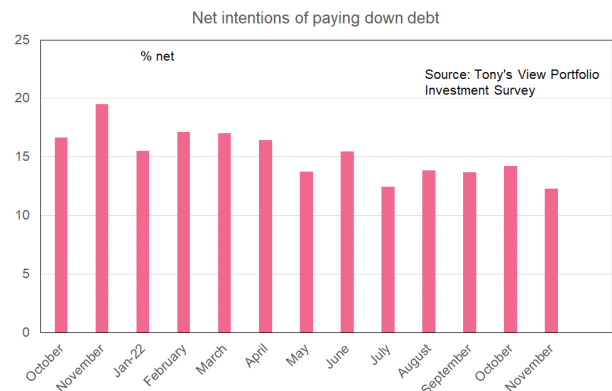
Net plans to buy crypto assets continue to drop. The collapse of crypto exchange FTX might have contributed to investor risk aversion. However, the monthly decline is in line with previous months so the immediate impact of the FTX debacle is probably relatively muted.



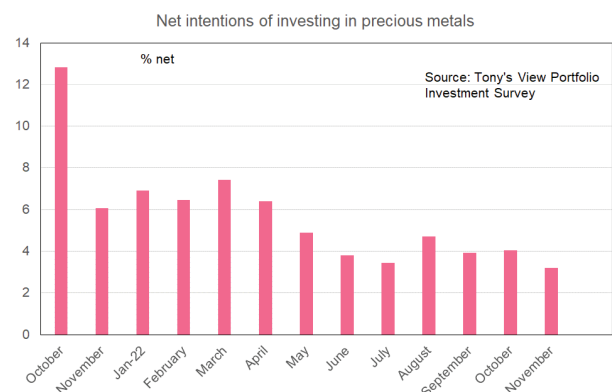
The trend for parking money in savings accounts continues to broadly track upwards. However, there has been a noticeable retracement from last month's unusually large jump, which might have been influenced by rising term deposit rates following higher-than-expected annual inflation.



Debt reduction plans have not changed measurably over recent months. This suggests that rising interest rates have not compelled people to accelerate their loan repayments.

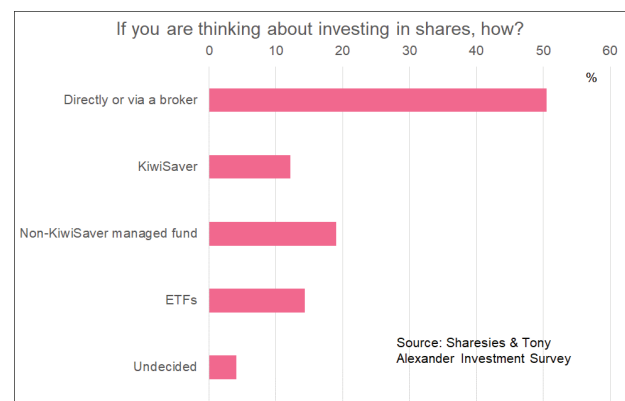


Previously, people have often opted to shift some of their assets into precious metals in uncertain times. However, this does not seem to be the case in the current environment, where there is no clear upward trend in such intentions.

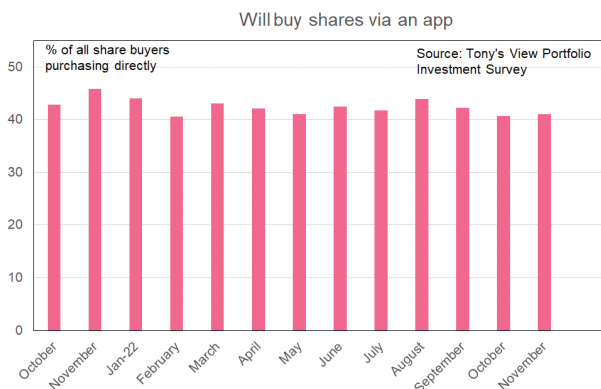


If you are thinking about investing in shares, how?

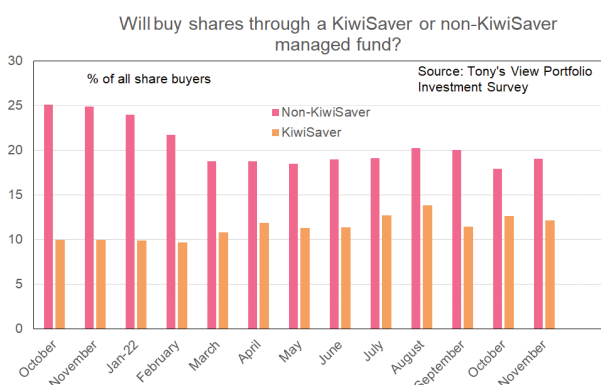
As ever, most respondents plan to buy shares either directly, or through a broker.



Intentions to buy shares through an app have remained very steady over the past year, at around 41%.



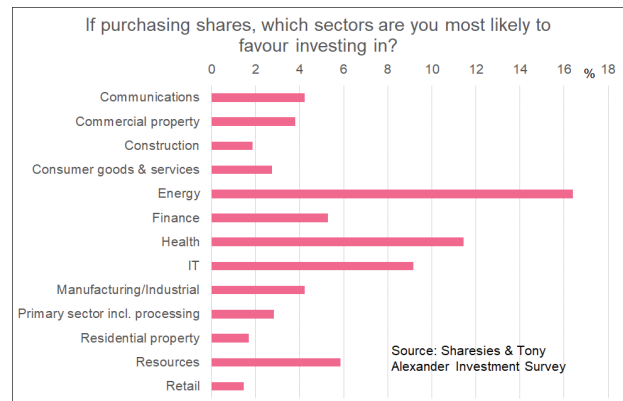
There has been no discernible shift in preference for KiwiSaver over non-KiwiSaver funds for those looking at increasing their share-holdings via a managed fund.



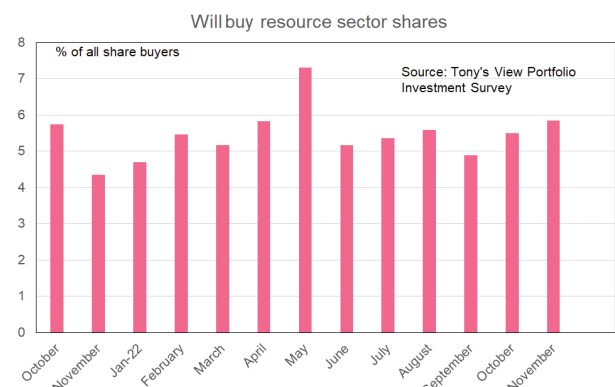
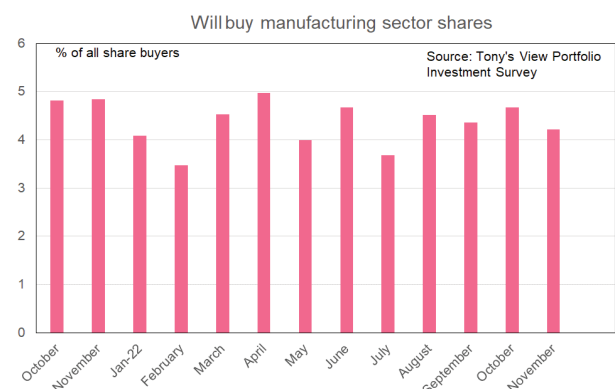
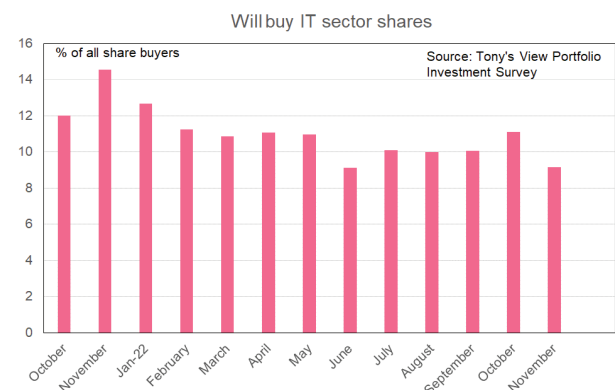
If purchasing shares, which sectors are you most likely to favour investing in?

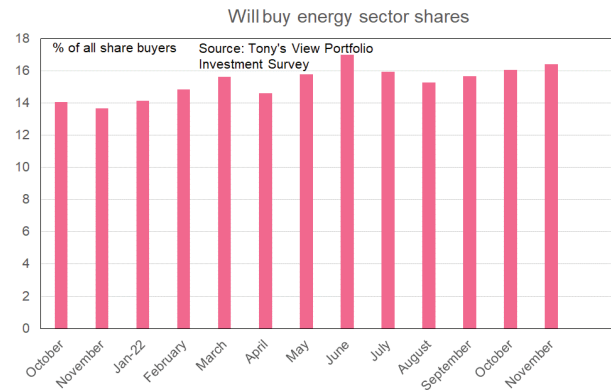
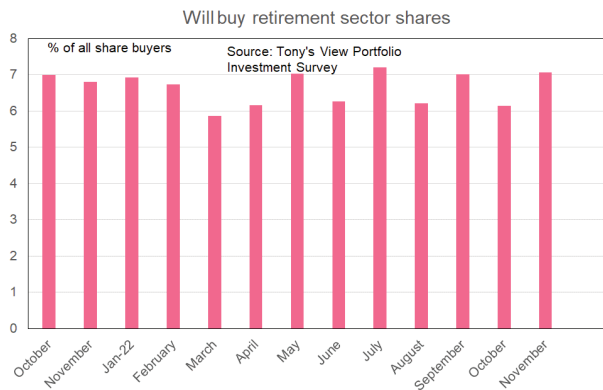
With this question we are aiming to see changes over time in the sectors people prefer to invest in. After a year we can safely say that investors' sectoral preferences change very little.

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

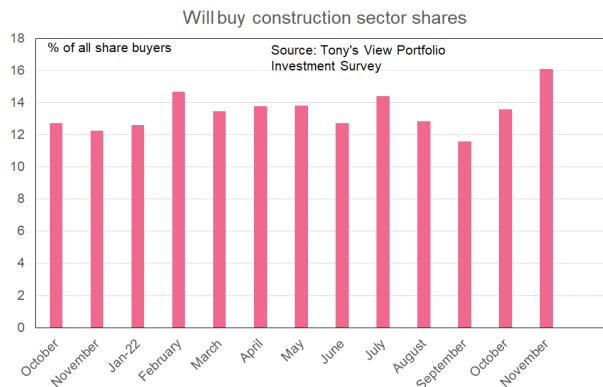


The below graphs show sector trends in more detail.



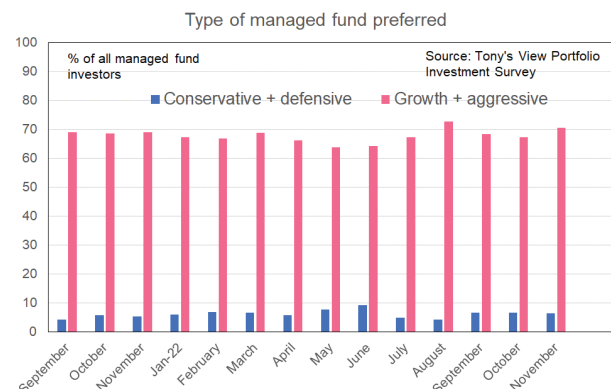


The jump in plans to buy construction sector shares is somewhat surprising given rising financing costs, expectations for declining house construction, and the rise in construction-related insolvencies.

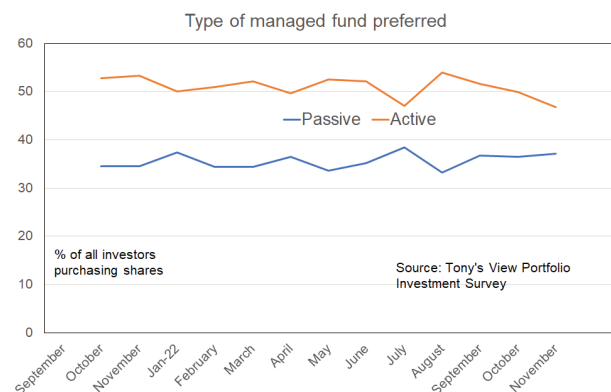


If you are thinking about investing in a managed fund, which type?

Sharemarkets can be highly volatile at times and we've certainly experienced this over the last few months. However, investors who are considering investing in a managed fund far prefer high growth or growth-oriented approaches—perhaps prepared to take more risk for potentially higher long-term returns than what might be achieved by a conservatively-positioned fund.



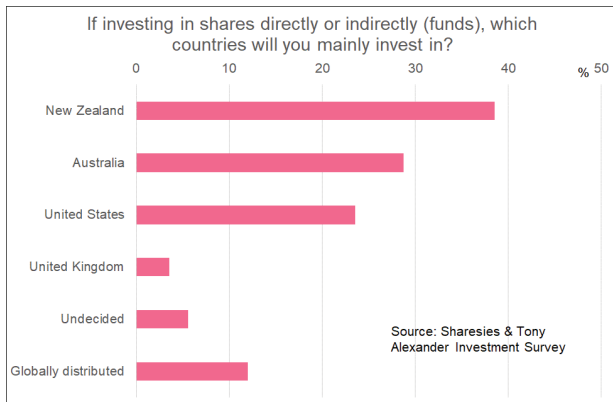
There is only a slight downward movement in preference for an actively managed rather than passive fund.



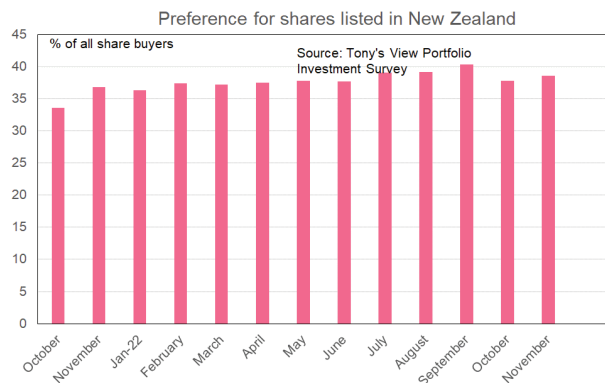
If investing in shares directly or indirectly (funds), which countries will you mainly invest in?

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

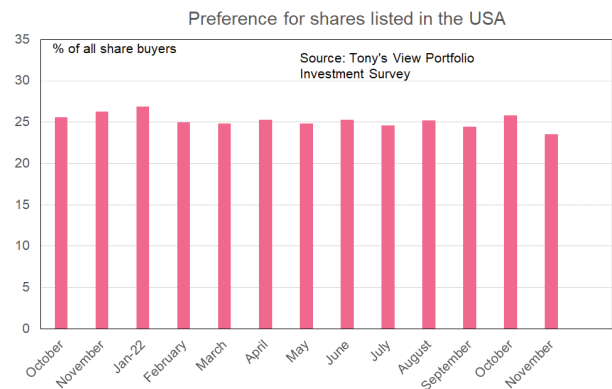
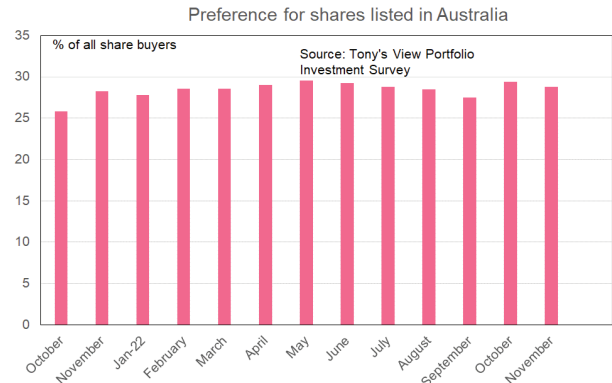
We Kiwis largely restrict ourselves to listed shares in New Zealand, Australia, and the United States.



There is no upward trend in preference for NZ shares.



There are no clear changes in preference for Australian or US shares either.



Respondents to the survey were distributed by age as follows.

< 30 years	2.8%
30 – 50 years	31.3%
51 – 65 years	42.6%
Over 65 years	23.3%

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

Less than \$500k	24%
\$500k - \$2mn	34%
\$2mn - \$5mn	25%
Over \$5mn	17%

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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