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INVESTING INSIGHTS

WITH TONY ALEXANDER Independent Economist

APRIL 2022

Sharesies

A steady hand in uncertain times

Thursday 28 April 2022

Each month I invite more than 27,000 people to give their thoughts on managing their personal wealth.

The aim is to track changes in asset preference shifts over time. But we can also gain interesting insights into the way people plan to purchase equities, types of property and equities sought, use of an advisor compared with using an app, active versus passive funds management, and country preference.

The key results from our April survey are:

- High uncertainty from many sources is not denting willingness to expand investment portfolios in the coming year.
- Rising interest rates are not driving increased efforts to pay down debt.
- There is some new interest in investing in office accommodation. But demand for retail property investments has eased.
- Interest in purchasing Australian shares continues to creep higher.

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

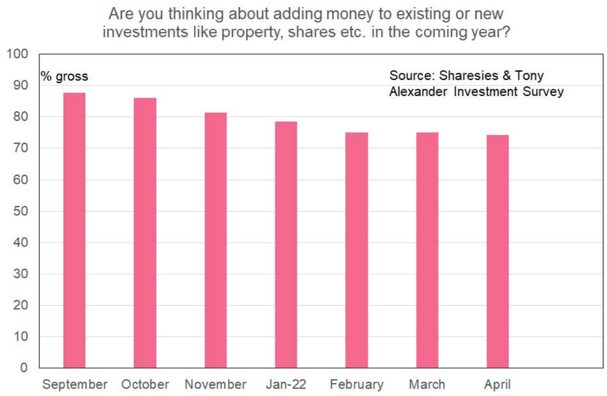
Are you thinking about adding money to existing or new investments like property, shares etc. in the coming year?

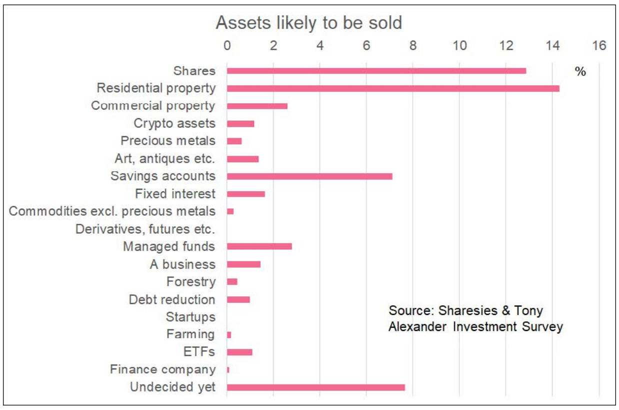
Investors face high levels of uncertainty for the economy and businesses in the near future due to a plethora of factors. These include the following:

- Russia's war against Ukraine
- covid-related lockdowns of businesses, ports, and cities in China
- soaring cost of living
- rising interest rates
- falling house prices
- failing property developments.

While you'd think this would encourage people to go into their shells, their intentions to add to their long-term investments, remain as strong as ever.

74% of our respondents have replied that they plan adding to their investments in the coming year. This is little changed from 75% in March and February. But the easing from 88% in September cannot be ignored, though it is quite small considering the long list of factors creating uncertainty, and which have caused weakness in some share prices.

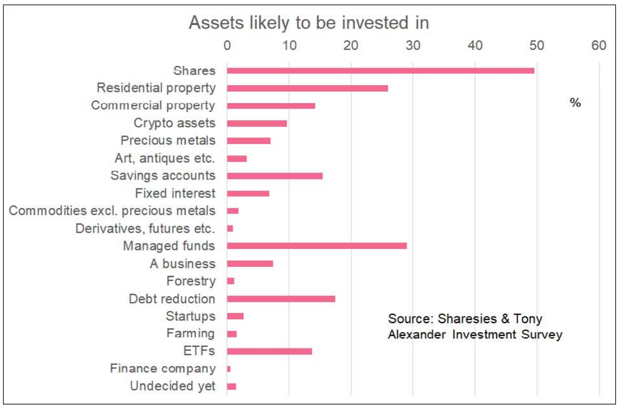




If so, which assets are you likely to invest more in?

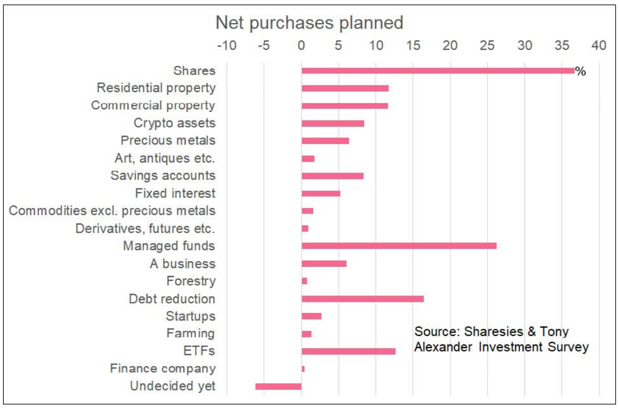
We ask people about the assets they plan to buy more of and those they plan to sell some of. The first graph covers the former, the second the latter.

Shares remain the number one choice, followed by managed funds (indirect share purchases largely), then residential property, and debt reduction.

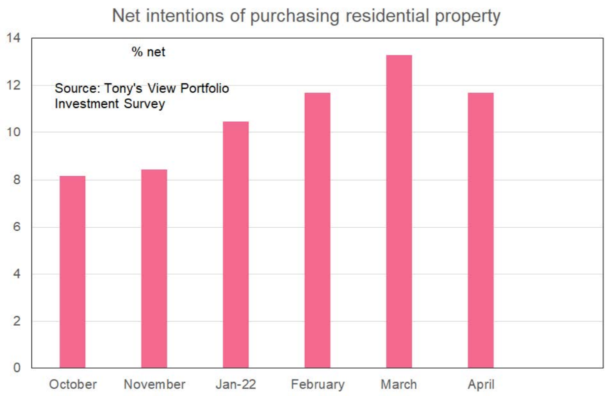


Of the assets people are most likely to sell, again shares rank highly (easy to trade), but a disproportionately high percentage of respondents say they intend selling residential property.

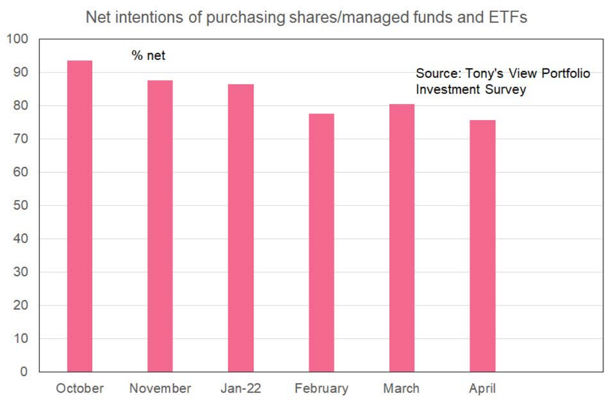
We can offset the two sets of responses against each other to create a measure of net buying intentions for each asset type. By doing this we see that buying shares in one way or another remains overwhelming the favoured action, followed by reduction of debt levels.



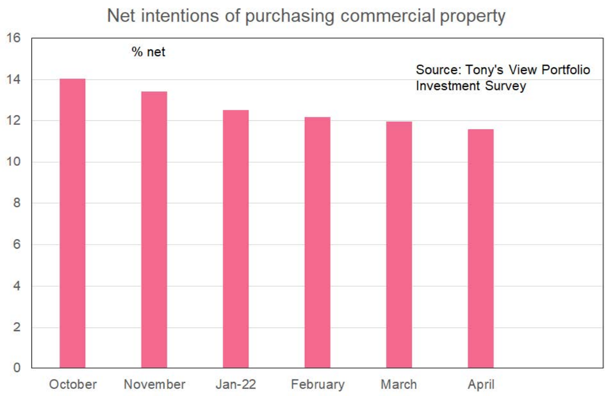
Looking at changes in net purchase intentions over time for particular assets, we see that a rising trend for residential property has just reversed. Perhaps more widespread discussion of falling house prices has had an impact, along with declining ability to deduct interest expenses against taxable income, soaring construction costs and delays, and rising interest rates.



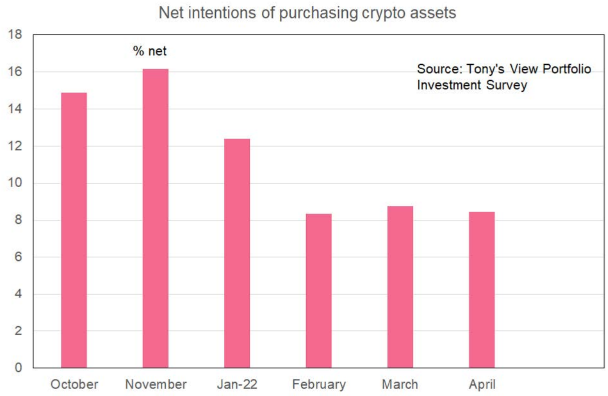
The intent to buy shares either directly or through some form of managed fund vehicle remains strong, with just a slight downward trend—perhaps a reflection of recent volatility in sharemarkets around the world.



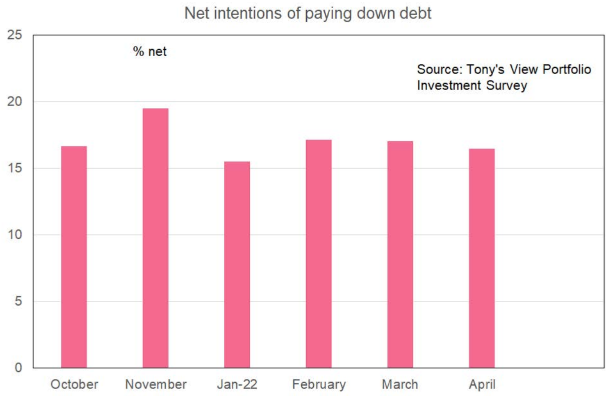
Net intentions of investing in commercial property are very slowly declining (more discussion to come).



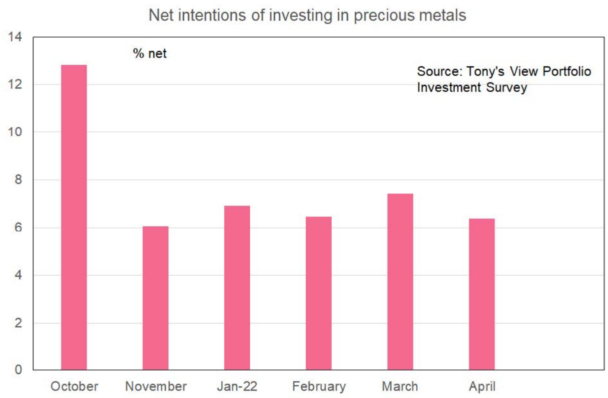
Plans for buying crypto assets have plateaued after declining in February.



Despite rising interest rates, intentions of repaying debt are not trending upward.

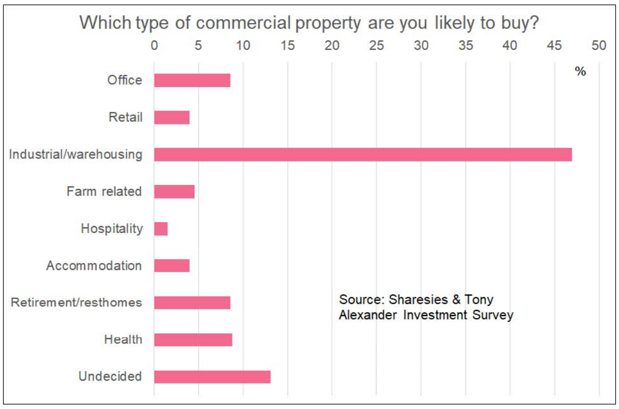


Intentions of investing in precious metals declined after our first survey, but have held steady since November.

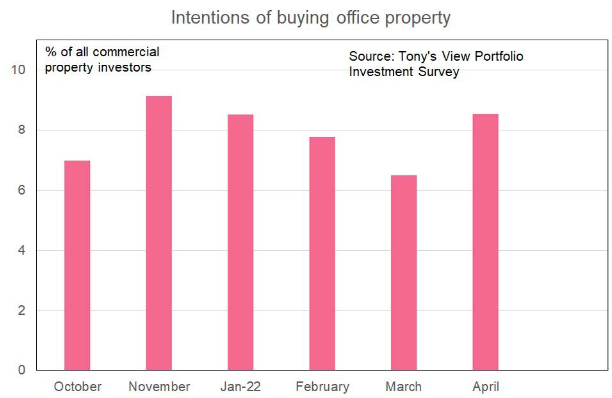


If you are thinking about investing in commercial property, what type is it likely to be?

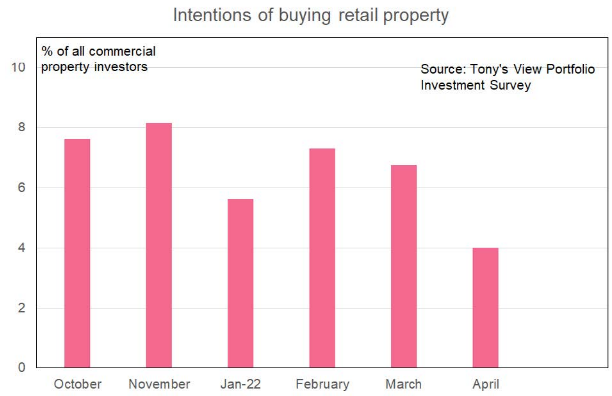
The intent to invest in industrial/warehousing property remains dominant over all other property classes.



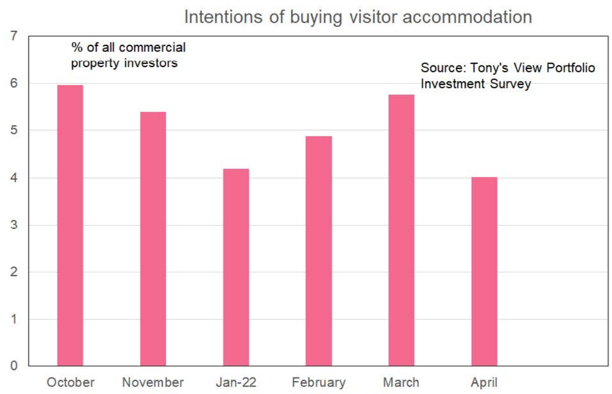
After three months of declines there has been a rise in demand for office accommodation investments. This likely reflects evidence of people returning to work in CBDs rather than staying at home because of the pandemic.



Perhaps reflecting weakness in retail spending anticipated as a result of a soaring cost of living and rising interest rates, investor interest in purchasing retail property has taken a step back this month.

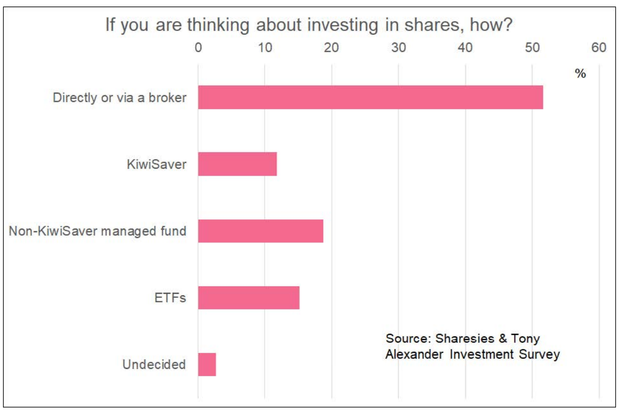


The rise in demand for visitor accommodation over the previous two months has however not continued this month. Clearly there remains hesitancy regarding forecasts for when and how many foreign visitors will make their way to New Zealand.

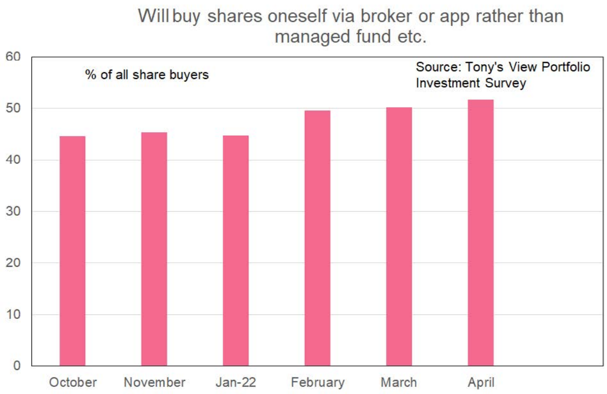


If you are thinking about investing in shares, how?

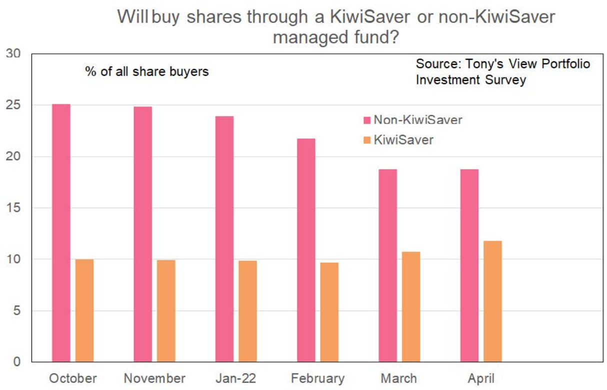
Investors continue to strongly favour purchasing their shares directly themselves or through a broker as opposed to a "scheme".



This preference for self-selection continues to trend upward. We now live in a world of readily available information which makes it easier to make our own choices.

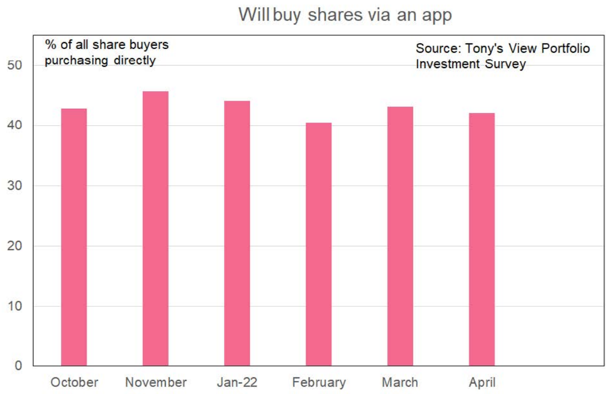


For those investors looking at buying shares through a managed fund there is a slight upward trend in intentions to do so through KiwiSaver and a slight downward trend for intentions to use other managed funds.

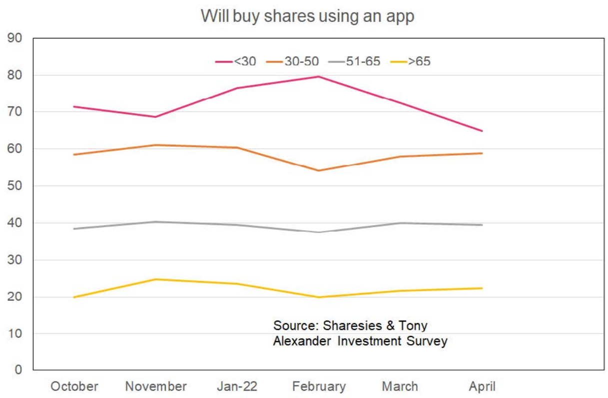


Will you use an app to buy shares or an advisor?

A continuing high 42% of respondents will look to buy shares directly, say they will use an app.

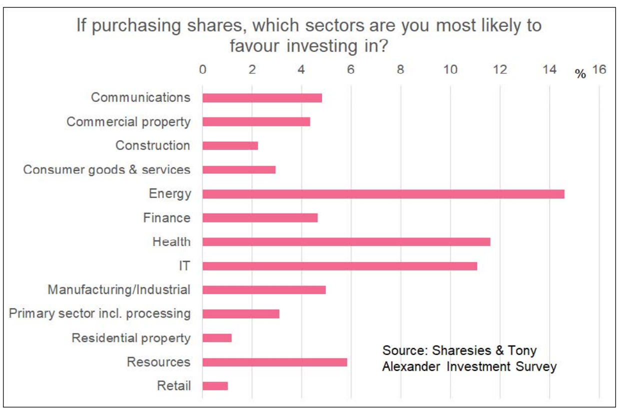


This next graph shows the proportion of people aged under 30 intending to use an app has eased slightly, while rising for the older age groups.



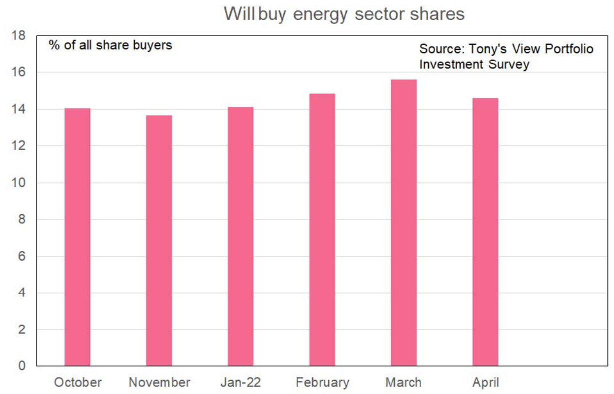
If purchasing shares, which sectors are you most likely to favour investing in?

With this question we are aiming to see change over time in the sectors which people may have a preference for. The energy, health, and tech sectors remain the most favoured.



WITH TONY ALEXANDER

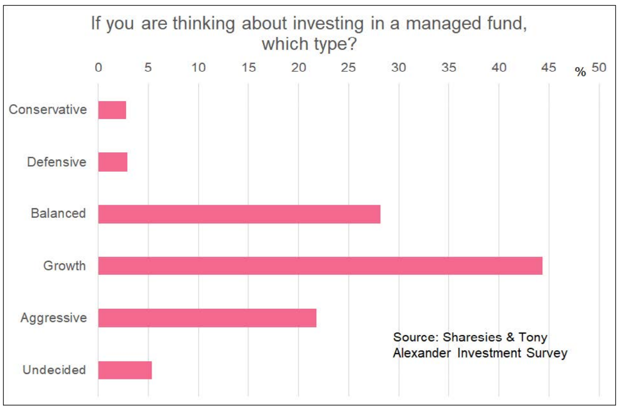
The upward trend in plans to buy energy sector shares has eased slightly this month.



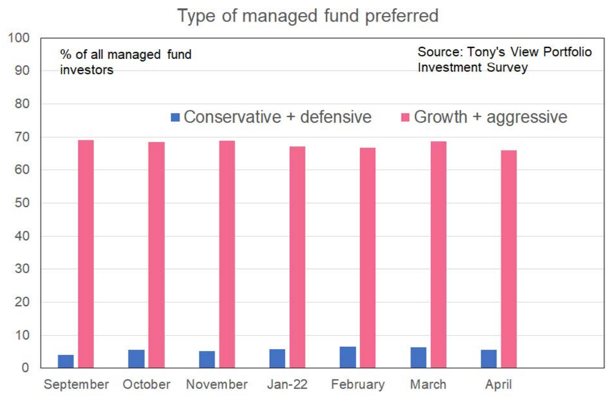
No other sectors are displaying any trend changes at the moment.

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

Most people who intend to boost investment in a managed fund, will target a growth-oriented portfolio.

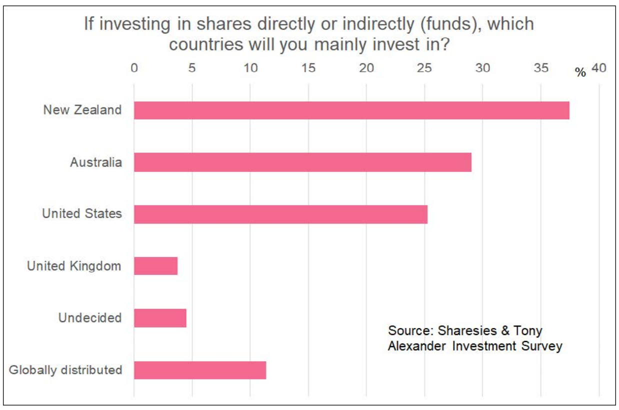


The preference for growth and aggressive funds remains as strong as ever despite market volatility. The ending of the March financial year and production of some disappointing results for some investors has not resulted in a shift in fund preference.

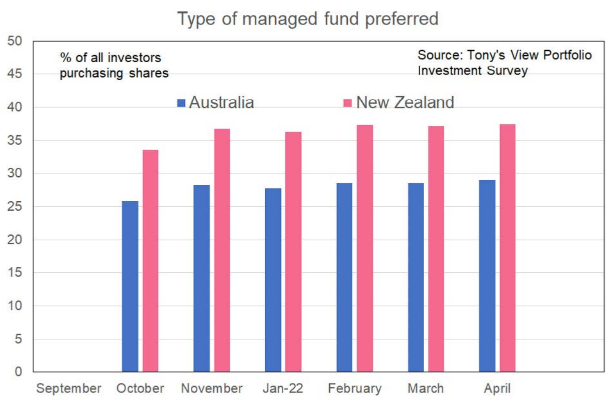


If investing in shares directly or indirectly (funds), which countries will you mainly invest in?

Most fund investors continue to favour New Zealand, Australia, and then the United States.



There remains a slight upward trend in preference for Australian shares.



Sharesies

Respondents to the survey make up the following age groups:

< 30 years	3.5%
30 – 50 years	32.6%
51 – 65 years	41.4%
Over 65 years	22.5%

A breakdown of investment assets for survey respondents (including savings but excluding family home) are as follows:

Less than $500k	25.3%
$500k - $2mn	32%
$2mn - $5mn	25.1%
Over $5mn	17.7%

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.