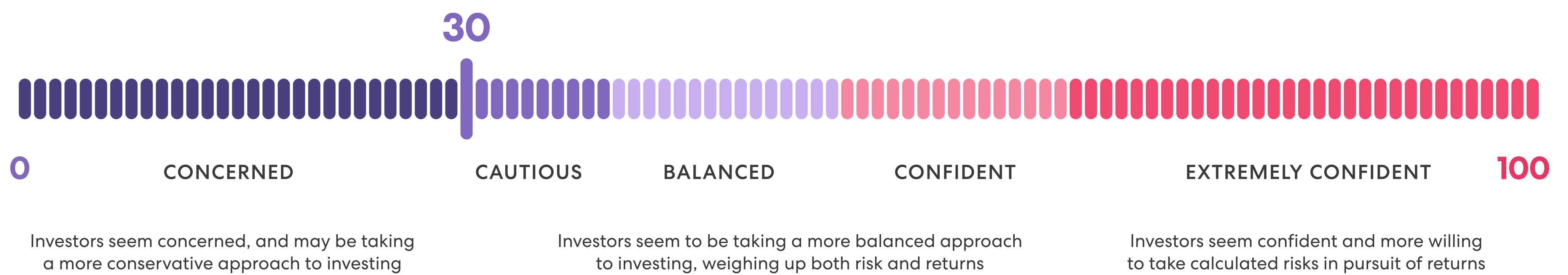


Sharesies Index

How confident are retail investors feeling in the current market?



SUMMARY

- Sharesies experienced record December trading volumes, likely buoyed by a US market rally after the Federal Reserve signalled interest rate cuts for 2024. Overall, retail investor sentiment in Q3 2023 hovered between 'cautious' and 'concerned'. As we head into 2024 confidence remains stable.
- Sharesies usually sees a drop in confidence in the lead-up to the holiday season, but confidence remained steady over this period.
- There was an increase in sell trades, particularly in US-listed big-tech companies like NVIDIA, Apple and Meta, as some investors took profits.
- Even so, buying dominated over selling in the quarter. The Net Buy/Sell Ratio was 1.24, outpacing the previous two quarters.
- At the same time, the Net Deposit Ratio strengthened. This was due to investor deposits outweighing a slight uptick in withdrawals in the lead-up to Christmas. For every \$1 withdrawn, more than \$2 was deposited, indicating that investors are sticking to their long-term aspirations, despite financial pressures associated with the holiday season.

WHAT IS THE SHARESIES INDEX?

We developed the Sharesies Index to gauge how retail investors may be feeling about investing and their wealth, to indicate where the mood is trending.

We aggregate anonymised data from across Sharesies to produce the Sharesies Index and rank aggregated investor confidence on a scale from 0 (concerned) to 100 (extremely confident).

With over half a million investors on Sharesies, we have one of the largest datasets in Aotearoa from which to gather retail investor insights.

Key inputs to the Sharesies Index include the ratios of buying and selling, deposits and withdrawals, investing in companies versus funds, and the volatility of the 'Sharesies Bundle' (the 50 most owned investments on Sharesies).

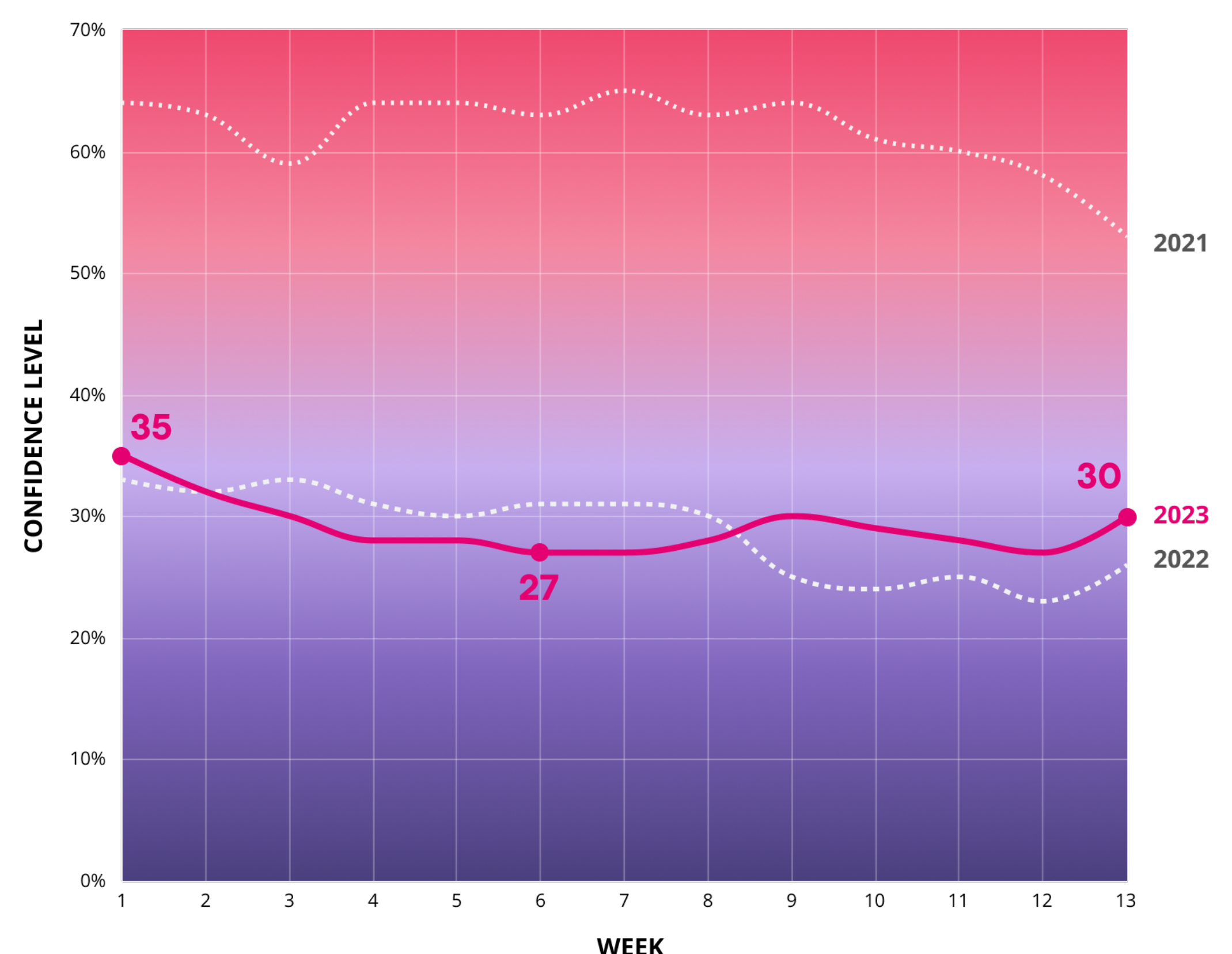
The Sharesies Index is updated and released every three months in line with the financial quarter.

QUARTERLY INDEX RESULTS

October 2023–December 2023

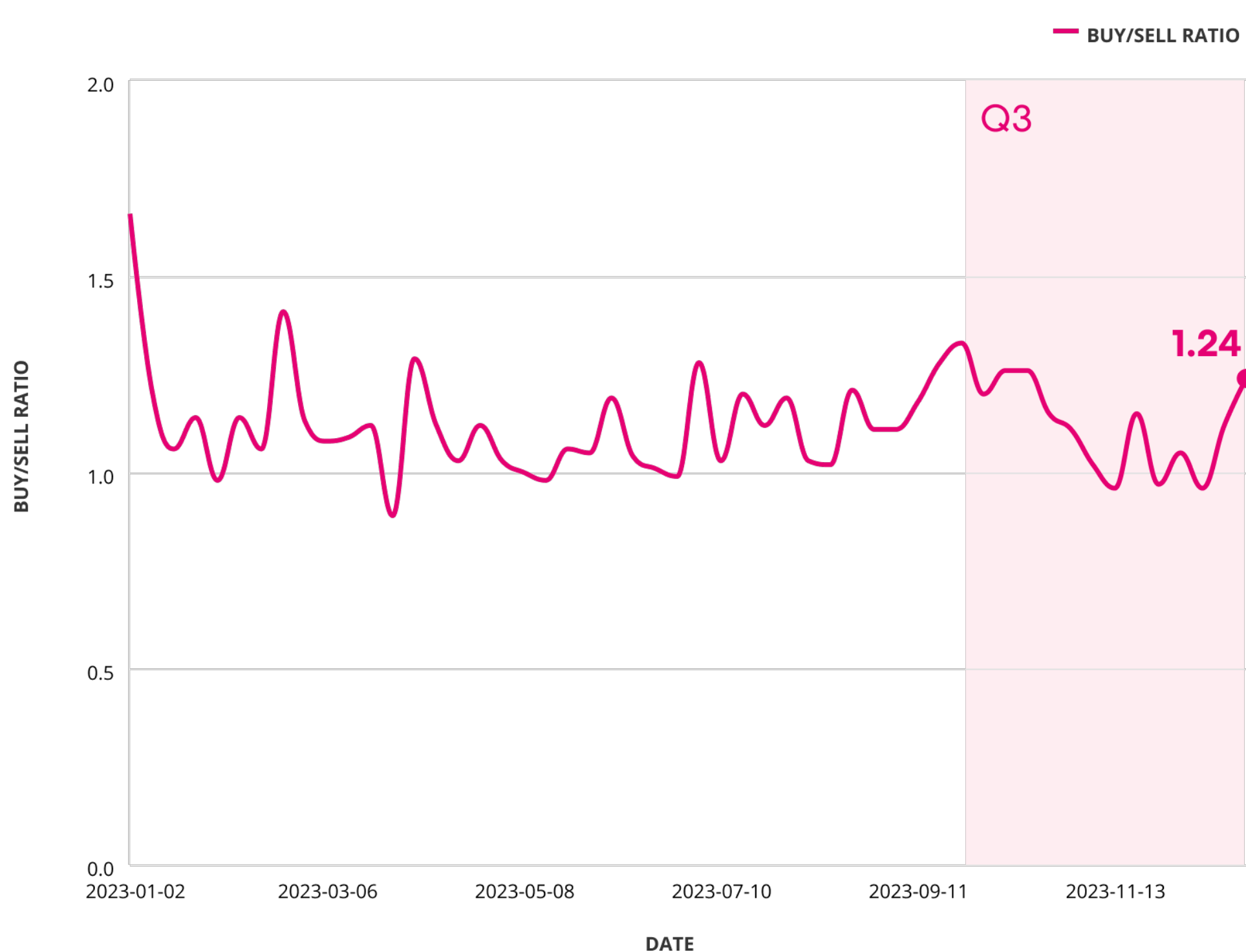
In Quarter 3 (Oct-Dec 2023), retail investor sentiment held relatively steady between 'cautious' and 'concerned' levels, ebbing from an initial 35 points (cautious) to a more apprehensive 27 points (concerned) mid-quarter, then reverting to 30 points (cautious) at the end of the quarter.

This stability was in contrast to Q3 confidence in the previous two years when Sharesies saw steep drops in confidence during November and December as investors felt less well-off and had to meet extra holiday season expenses. Sharesies recorded the highest December trading volumes in its six-year history, likely driven by the US Federal Reserve's announcement that it anticipates interest rate cuts in 2024, which in turn sparked a US market rally, especially in big tech stocks.



Key Indicators

What are the indicators that underpin the Sharesies Index?



NET BUY/SELL RATIO

The Net Buy/Sell Ratio for October - December averaged 1.39, up on 1.15 and 1.07 from the previous two quarters. The performance of US markets has a significant impact on this metric, as approximately 70% of trades executed and 31% of portfolio holdings were in the US.

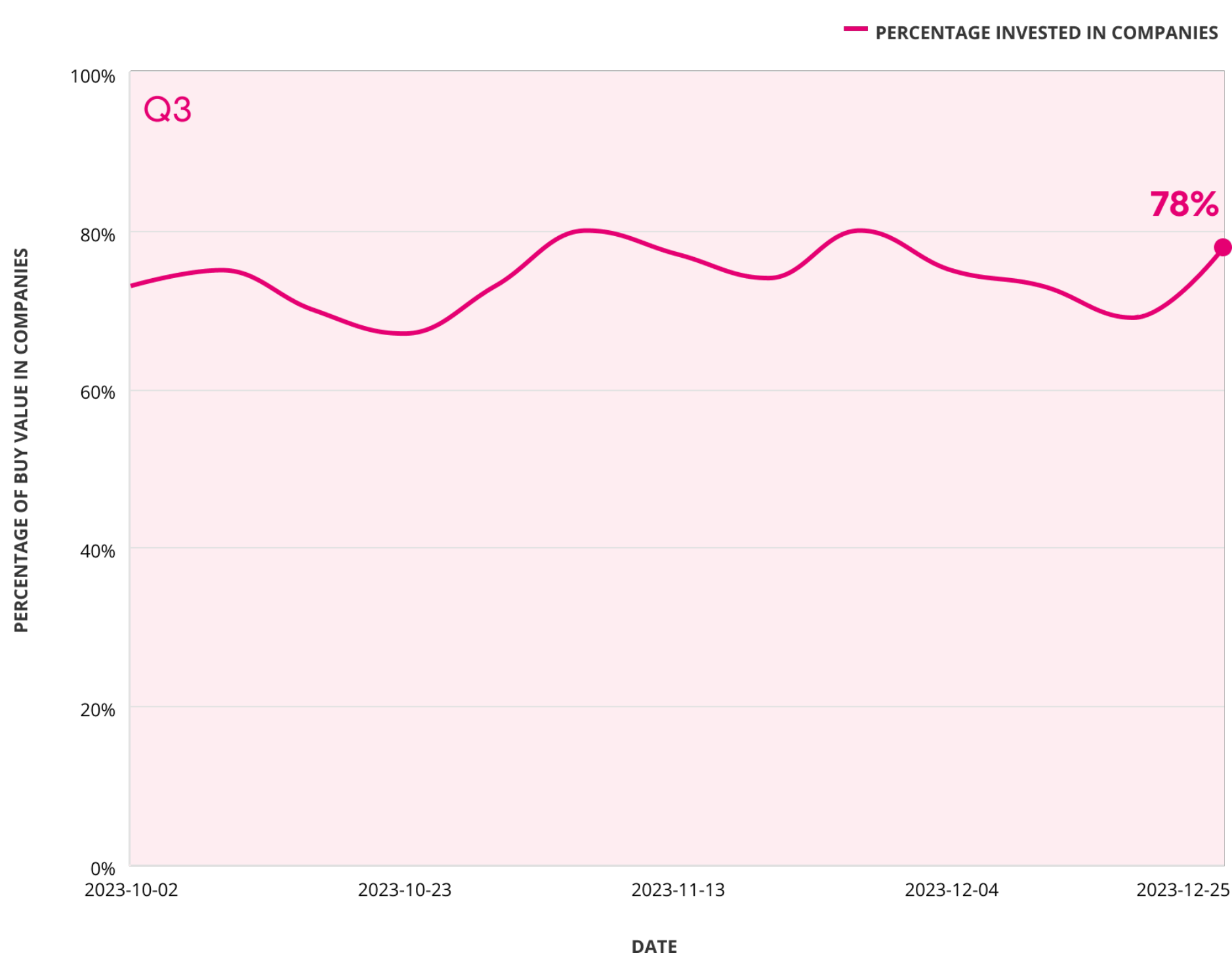
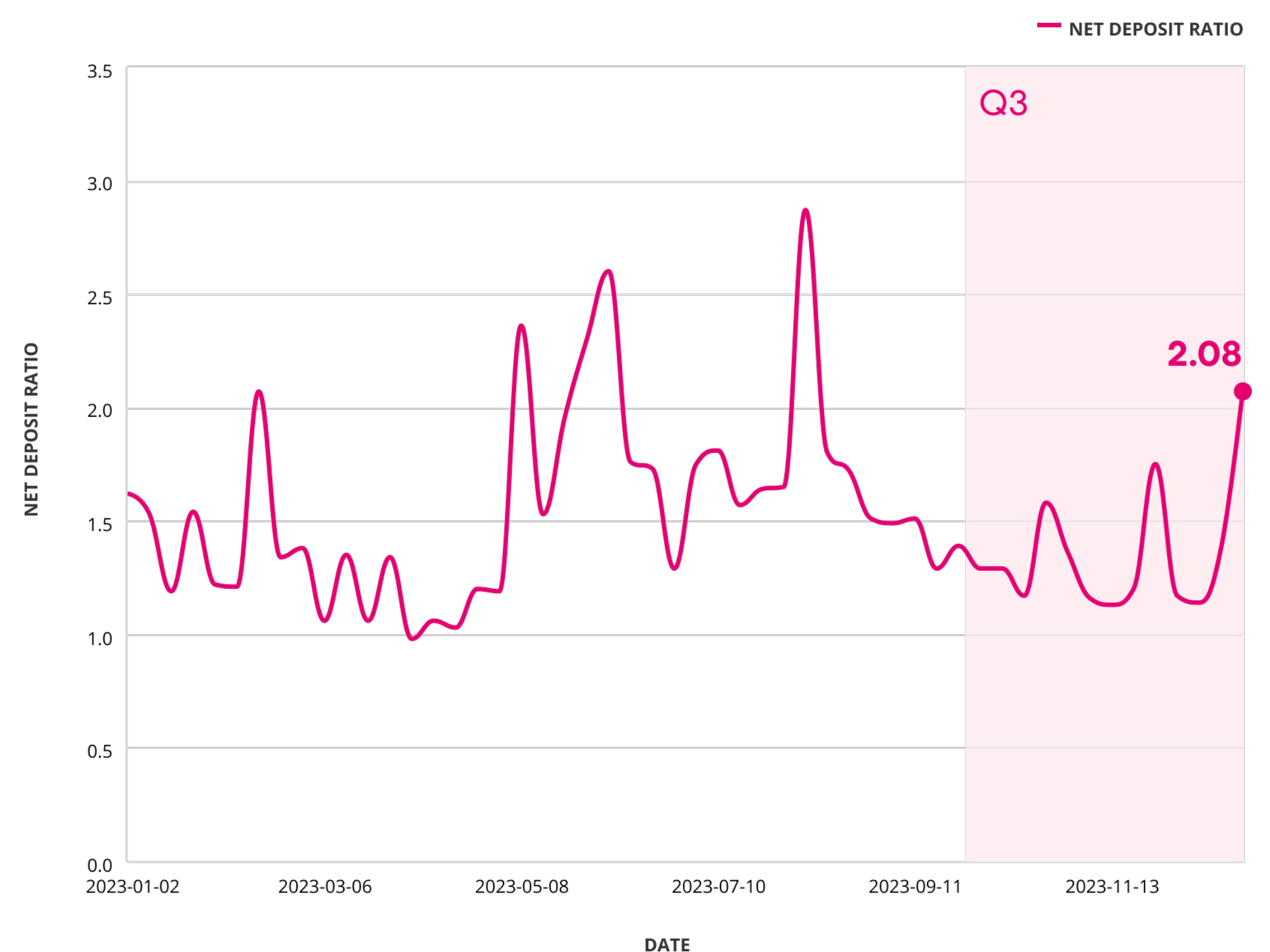
Notably, there was a trend towards net selling in high-profile US stocks such as NVIDIA, Apple Inc, Meta Platform Inc, and Palantir Technologies, with some investors opting to realise profits following the market's rebound. This behaviour was outpaced by strong buying overall, resulting in a robust Net Buy/Sell Ratio which ended at 1.24 for the quarter. This indicates investors generally buying more than they are selling.

The Net Buy/Sell Ratio is the difference between the total buying and selling values on Sharesies. A Net Buy/Sell Ratio greater than one is when buying outstrips selling and generally is an indicator of confidence. Conversely, a Net Buy/Sell Ratio of less than one may indicate more concern if coupled with other indicators such as withdrawals.

NET DEPOSIT RATIO

The Net Deposit ratio climbed slightly to 2.08 and remained fairly stable throughout the quarter. Withdrawals rose a little in December before retreating back, which is to be expected in the lead up to Christmas and the holiday period.

The Net Deposit Ratio measures the flow of funds into and out of Sharesies for our Invest and Save products. It is the difference between the total amount deposited and the total amount withdrawn. Historically, a higher Net Deposit Ratio has indicated higher levels of investor confidence.



PERCENTAGE INVESTED IN COMPANIES (PIC)

The Percentage Invested in Companies (PIC) stayed largely within the 70-80% range and overall, trended upwards for the quarter. While activity didn't reach the high 80s which are often associated with a bullish market, traction remained solid and mirrored what we've seen throughout the year. The quarter ended with trades favouring companies over funds, with 78% of all trades in individual companies.

The PIC refers to the percentage of investing that goes into individual companies versus investment funds (managed funds and exchange-traded funds). A higher PIC may indicate higher confidence, with investors prepared to take a risk on their company picks, whereas, in periods of lower confidence, investors tend to seek more diversification using funds.

Sharesies Bundle

The Sharesies Bundle looks at the 50 most owned instruments on Sharesies. We look at the percentage that each instrument represents within our investors portfolios to produce an aggregated percentage and ranking for the Bundle across all Sharesies investors. This approach lets us identify the investments that have the most widespread popularity across our Sharesies investor community.

The Bundle is updated each quarter to reflect the current top 50 most owned investments, as some instruments grow and others fall in relative popularity.

TOP COMPANIES

AIR NEW ZEALAND LTD
TESLA INC
APPLE INC
AUCKLAND INTERNATIONAL AIRPORT LTD
MAINFREIGHT LTD

TOP FUNDS

SMARTSHARES US 500 FUND ETF
PATHFINDER GLOBAL RESPONSIBILITY FUND
SMARTSHARES NZ TOP 50 FUND ETF
VANGUARD 500 INDEX FUND ETF
PATHFINDER GLOBAL WATER FUND

TOP MOVERS Instruments that moved up the ranking

Tourism Holdings climbed 12 spots to rank 46th in the Sharesies Bundle after the company returned to profitability and resumed dividend payments. Vanguard Australian Shares Index ETF climbed seven places, proving particularly popular among Australian investors on the Sharesies platform.

Fonterra climbed six places in the quarter following its dividend payout announced in September and potentially signalled greater optimism towards the co-operative after the change of government.

TOURISM HOLDINGS LTD	▲ 12
VANGUARD AUSTRALIAN SHARES INDEX ETF	▲ 7
FONTERRA SHAREHOLDERS' FUND	▲ 6
MICROSOFT CORP	▲ 4

TOP SHAKERS Instruments that moved down the ranking

Smartpay Holding Ltd (NZSE:SPY) fell five places over the quarter. The company delivered strong earnings growth in 2023 and some investors, who bought in at an average price of \$0.85, took the opportunity to sell at closing prices ranging \$1.26-\$1.65.

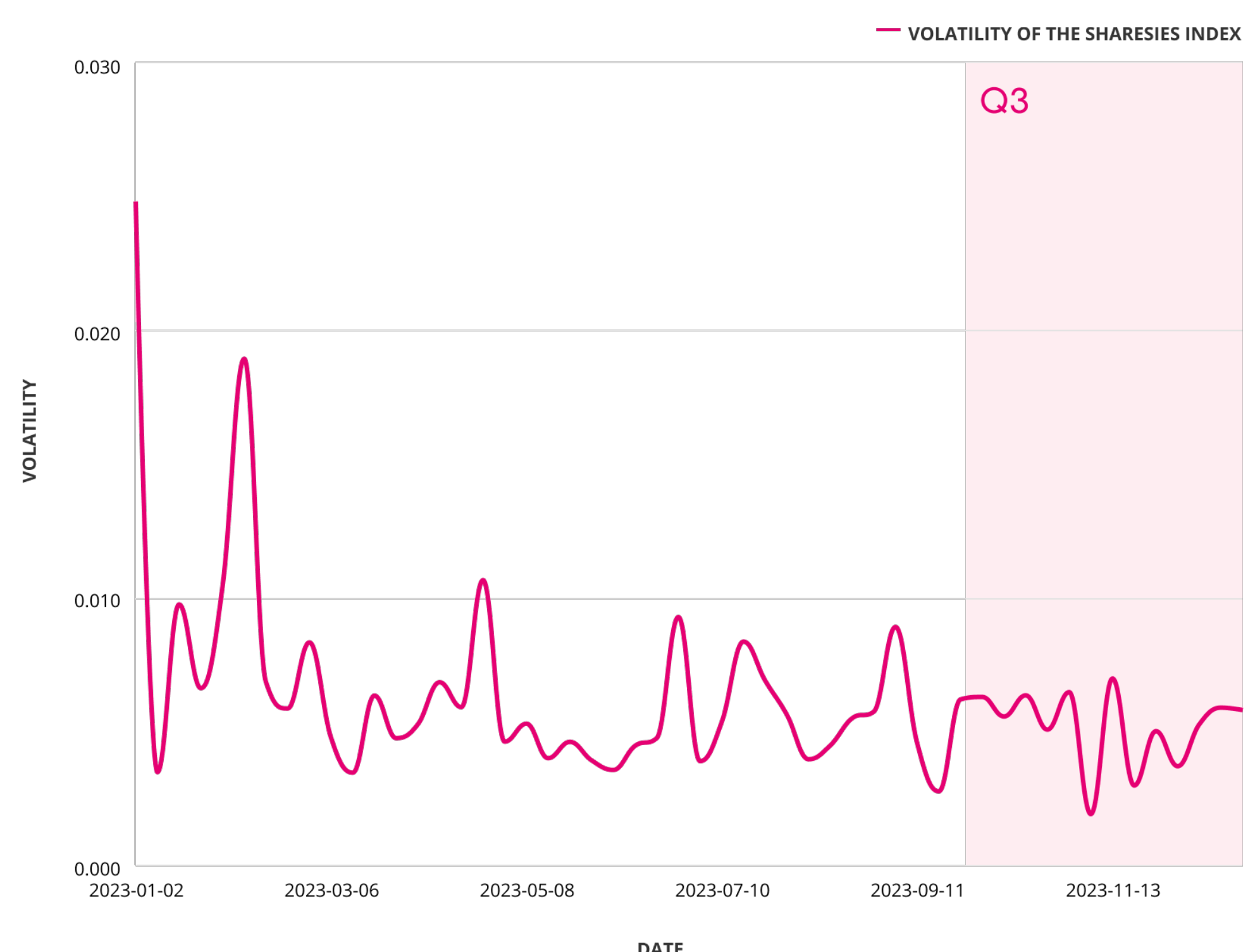
Similarly, Meta Platforms Inc, which had a 194.1% return for 2023, was a net-sell during the period and dropped three places in the ranking.

SMARTPAY HOLDINGS LTD	▼ 5
META PLATFORMS INC	▼ 3
CONTACT ENERGY LTD	▼ 3
RYMAN HEALTHCARE LTD	▼ 3
SPDR S&P 500 ETF TRUST	▼ 3

VOLATILITY OF SHARESIES BUNDLE

The volatility measure of the Sharesies Index remains relatively stable.

The volatility of the Sharesies Bundle measures the degree of fluctuation in price for each instrument in the Bundle which is then weighted and aggregated into the volatility score. When volatility is high, it means there is higher exposure to the risk of rapid price changes. Big fluctuations in instrument price can create feelings of uncertainty when observing large movements in portfolio value and dramatic changes in prices when making buying decisions.



Methodology & Data

The Sharesies Index is a proprietary index which uses highly aggregated and anonymised data from activity we see across over half a million investors that have joined Sharesies. Sharesies is a wealth development platform with the purpose of creating financial empowerment for everyone.

To build the Sharesies Index, we've selected a basket of indicators which we believe are correlated with investor confidence. We aggregate the indicators into a single metric using Principal Components Analysis (PCA). PCA is a statistical method which is commonly used to reduce the dimensionality of datasets. The Sharesies Index is based on the first principal component, which explains the majority of the movement in the underlying indicators. By using PCA, we hope to simplify the interpretation of complex data and create a more meaningful index that is designed to gauge how people may be feeling about investing.

The Index doesn't look into individuals' portfolio data, it does not involve surveying investors and it does not disclose any data that could identify individual investors.

DATA SOURCES

Data is from both New Zealand and Australia across Sharesies' Invest and Save products. We do not include depositing or trading data from our KiwiSaver product in the Sharesies Index.

Net Buy/Sell Ratio

This is the difference between total buying and selling values on a weekly basis and includes trading activity across ASX, NZX and the US exchanges we provide access to (NYSE, NASDAQ and CBOE). While buying and selling volumes may go up and down over time we are interested in the difference between aggregated buying and selling values because the ratio isn't unduly influenced by growth in investor numbers or portfolio values.

Net Deposit Ratio

The Net Deposit Ratio shows the difference between total deposits and total withdrawals from the Sharesies Wallet, which services both the Invest and Save products. We've included Save as we believe this may be an indication of investors' disposable income and, propensity to invest for the future so it will help us understand investors' wealth beyond retail investing.

Percentage Invested in Companies (PIC)

The Percentage Invested in Companies uses trading data from ASX, NZX and the US exchanges and looks across companies, ETFs and managed funds. This is a highly aggregated proxy that we believe indicates changes in the overall risk appetite of investors who use Sharesies.

Volatility of Sharesies Bundle

For the Sharesies Bundle, we determine the top most held investments by considering the percentage of ownership across all investments for all our investors. To ensure a fair representation, we apply a weighted average that values each investor equally in the aggregate score, regardless of the investor's portfolio value. This means that even if a particular investor has a smaller portfolio, their investment choices will have equal impact on the overall rankings of investments.

The volatility of the Sharesies Bundle is calculated using a weighted average for the volatility of each instrument in the Bundle, which is then rolled up into a single metric. Again, the weighting is based on the same logic used to determine the instruments in the Sharesies Bundle. This is not the same as the volatility for a portfolio where an investor owns the whole Sharesies Bundle as it does not consider the impact of diversification on volatility.

DISCLAIMER

The information in the Sharesies Index is made available to you on an "as is" basis and the reporting methodology may change from time to time — you're responsible for checking the accuracy of any information that you use. The Sharesies Index contains general aggregated information only — we don't provide any financial advice or recommendations. Investing involves risk, and past performance isn't always going to be an accurate predictor of future performance. The information in the Sharesies Index is based on the data we have available to us, at the date it was extracted. None of the information from the Sharesies Index is investment, financial, legal or tax advice, and we aren't liable for your use of the information in that way, or for any inaccuracy, error, or incompleteness of any information. You should consider seeking independent legal, financial, taxation or other advice when considering whether an investment is appropriate for your particular objectives, financial situation, or needs.

Sharesies Limited is a registered Financial Service Provider (FSP550746) and an accredited participant on the New Zealand Stock Exchange (NZX).

LEARN MORE

If you have any questions or would like to learn more about how you can use the Sharesies Index, please reach out to us at media@sharesies.co.nz.