INVESTING INSIGHTS

WITH TONY ALEXANDER Independent Economist

JANUARY 2022

Sharesies

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Market disturbances mildly alter wealth management plans

Thursday 3 February 2022

Each month I invite more than 25,000 people 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 equities, the types of property and equities sought, using an advisor compared with using an app, active versus passive funds management, and which countries people prefer to invest in.

January's survey shows that people retain strong intentions of adding to their investments in the coming year outside of residential property. The most favoured assets for portfolio additions are shares either directly or through managed funds and exchange-traded funds (ETFs). Debt reduction is also well favoured and perhaps as interest rates rise, this area will increase in importance.

There might be a slight shift in demand for crypto assets underway.

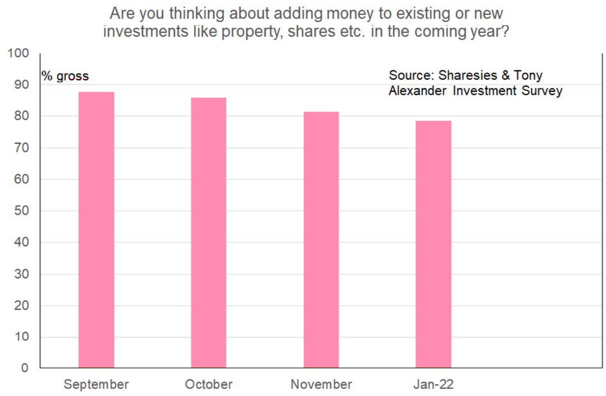
I am not a financial advisor, and nothing written here is intended as advice for any individual or group.

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

A gross 79% of close to 1,700 respondents in this month's survey have said that they intend adding to their investments over the coming year. This is a slight decline from 81% in November and 88% in our first survey undertaken in September. The proportion has declined in each of the past three surveys so we can conclude there is an easing trend underway.

This is likely to reflect factors such as:

- the pullback in residential property purchase intentions
- expectations of rising interest rates which produce losses on fixed interest securities
- anticipation of money printing around the world ending and which resulted in hundreds of billions of dollars being placed in various assets
- the decline in global share prices since the start of 2022 amid signs of rising inflation and expectations for a tightening of monetary policy internationally.

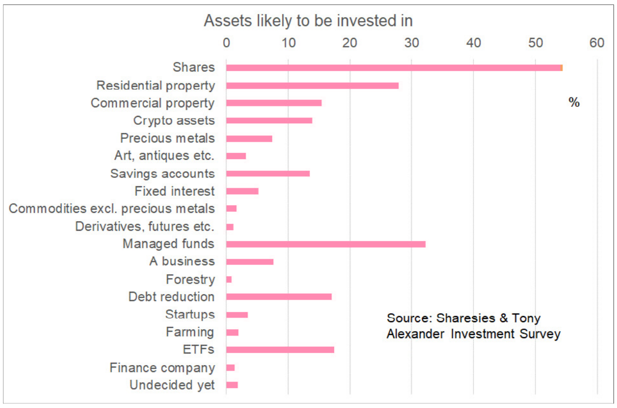


If so, which assets are you likely to invest more in?

Over the past three surveys, there has been little change in the proportion of investors saying they will boost holdings of particular assets. But for some asset types, there might be an easing trend.

A gross 54% of investors intend to buy more shares, little changed from 56% in the last two surveys. A gross 17% favour exchange-traded funds (ETFs) from 16% in November and 17% in October. However, a gross 32% favour managed funds versus 33% two months ago and 37% in October. 14% favour crypto assets from 18% two months ago and 17% in October.

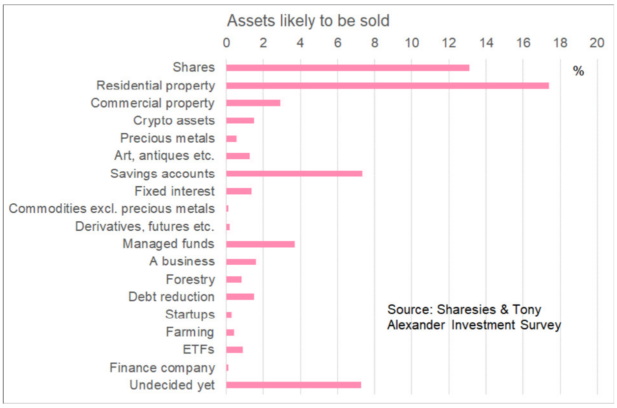
In the coming months, we will produce some graphs showing trends for selected asset types.



A gross 28% plan to purchase residential property, which is unchanged from the previous two surveys.

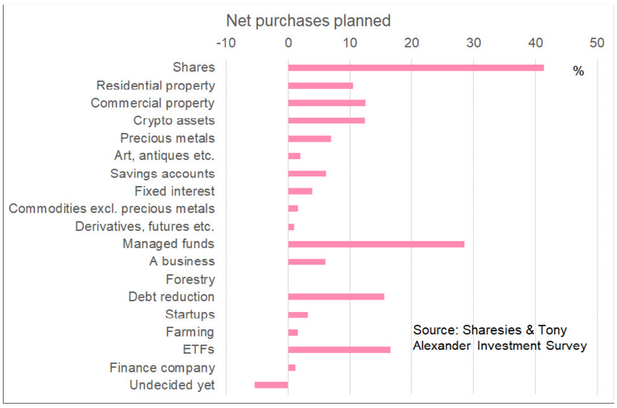
Are there any assets that you think you will sell to free up some cash?

We also ask people which assets they might sell in the coming year. Doing this tells us for which assets a high level of buying and selling is normal. This applies particularly to shares, residential property, and crypto assets, but not managed funds.



We can offset buying plans against divestment plans to get net purchasing intentions for each of the assets covered and will do so month on month.

For each asset we take the number of respondents intending to sell, from the number intending to buy, and present the result as a percentage of all respondents. Over time these calculations will show the best insights into pricing pressures for different asset types. For the moment we can say that there is a very small downward trend in net intentions to invest in managed funds, crypto assets, and start-up businesses. But there is a small rise in targeting of ETFs and savings accounts. Yet offsetting the rise in savings accounts, is a small decline in the net proportion of investors planning to reduce debt to 16%, from 19% in November.



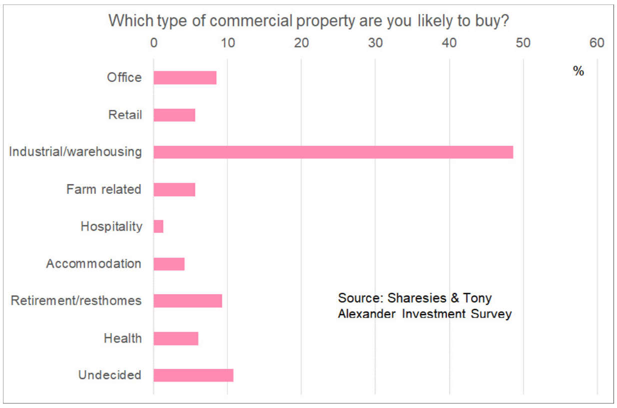
The absence of a rise in plans to reduce debt is consistent with results from my monthly survey of just residential property investors. It reveals little gain overall, if any, in the proportion of investors planning to accelerate their repayment of principal on their debt. And shows no obvious trend towards investors becoming net sellers of residential property even though anecdotes of such happening are quite strong.

[Crockers Tony Alexander Investing Insights January 2022]

In line with this, the Investing Insights January survey results show net residential property purchase intentions in fact rose to 10% this month, from 8% in both November and October.

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

For the 15% of people looking to invest this coming year in commercial property, most (49%) will seek out an industrial or warehousing type property. The next most favoured and well back, is office accommodation at 9% of investors, alongside 9% who will also look for retirement/rest homes. The latter is a growing sector as the population ages, and it is notable that advertising of such facilities looks to have increased in recent times along with construction of new premises according to data from Statistics New Zealand.

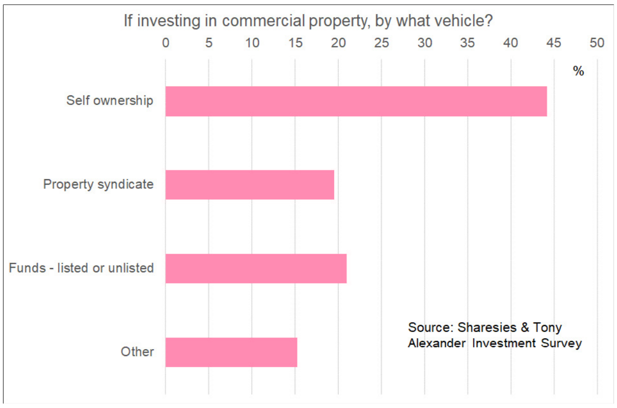


Over the three months during which we have asked about commercial property types, there are as yet no clear trends. Globally, demand for industrial/logistics investments has been high for some time as businesses have moved to hold greater stocks of materials, and consumers have shifted towards more shopping online.

We know from the past few decades that there can be some large shifts in returns and preferences for different classes of commercial property assets. It will be interesting to see where the next shift will occur. When it does it will possibly be in the context of a changed world as we move away from a pandemic environment. But note also that the sector is one in which sometimes excess construction can occur and generates capital value changes unrelated to tenant demand.

If investing in commercial property, by what vehicle?

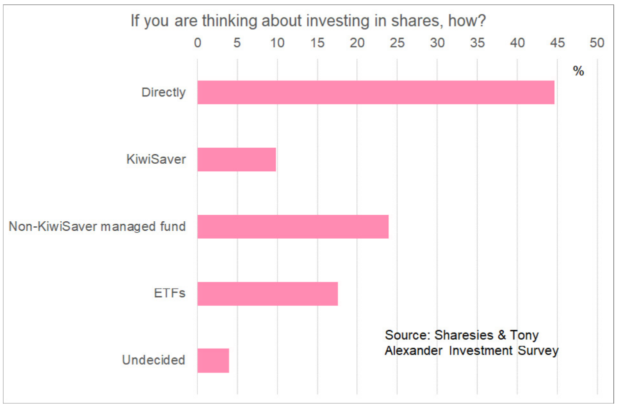
Commercial property investment is often talked about as something more and more investors will shift towards as barriers are placed in the way of earning strong returns on residential property. Our survey shows that for those investors looking at increasing their commercial property exposure, 44% intend doing so through their own property purchase. This is down slightly from 47% in November and 52% in October.



This easing of self-ownership could reflect the strong demand for commercial property over the past two years, which in turn, has reduced availability at a price level accessible to many investors. Additionally, there are still challenges and changes underway resulting from the pandemic which inject an extra element of uncertainty to returns over the generally long period those buying property intend to hold their asset.

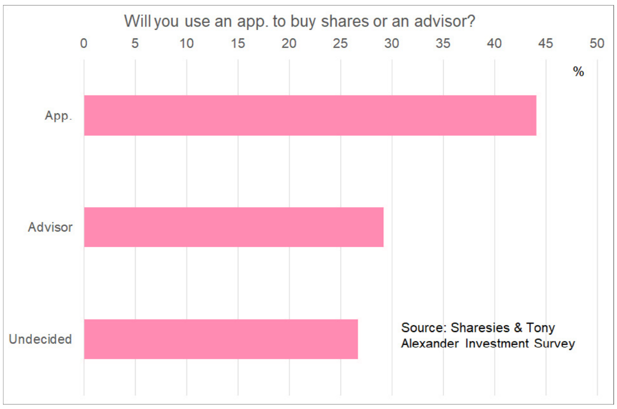
If you are thinking about investing in shares, how?

For three months in a row, exactly 45% of investors say they will make their planned share purchases themselves rather than through a broker or fund manager. Other methods have also shown virtually no change.



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

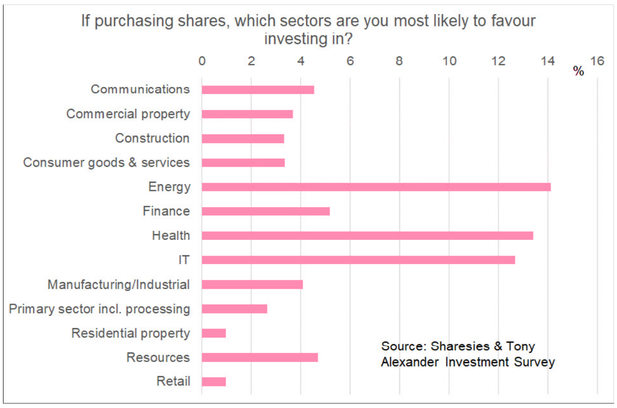
44% of people buying shares themselves rather than through a fund intend using an app. This is virtually unchanged from proportions over the previous two surveys.



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

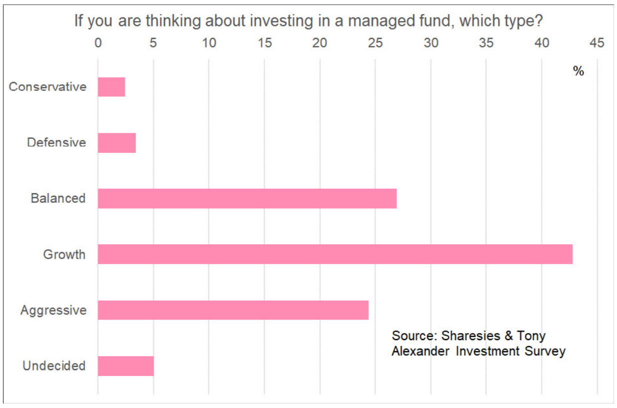
We present people with a range of sectors which they can invest in through listed stocks. As yet, no trends are showing up regarding the sectors. Unchanged for the past two months is a gross 14% of investors favouring the energy sector, 13% health and 13% IT – all virtually unchanged from the past two months.

This will likely change as the economic cycle advances, and we go through the post-pandemic period (hopefully shortly).



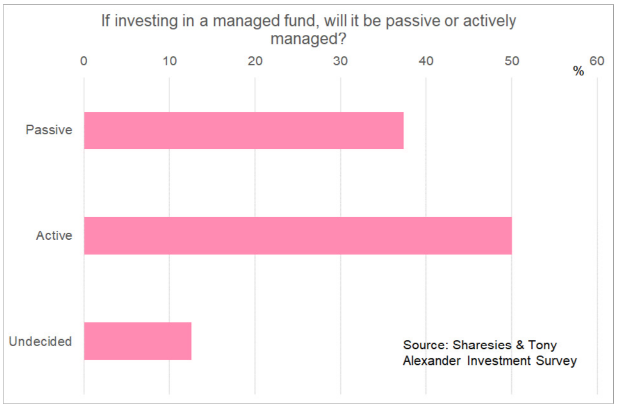
If you are thinking about investing in a managed fund, which type?

Despite recent cutbacks in forecasts for growth in the world economy this year, disturbances from Omicron, and rising expectations for increasing interest rates, people thankfully retain their long-term focus for investments through managed funds. 43% favour Growth funds, little changed from 46% in November and 45% in October. 24% favour Aggressive funds, unchanged from the previous two surveys.



If investing in a managed fund, will it be passive or actively managed?

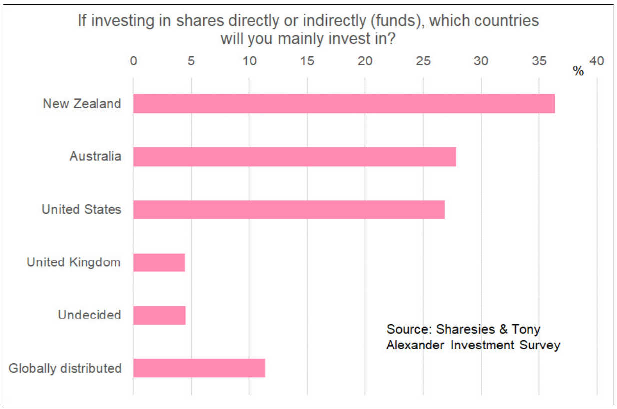
50% of investors in managed funds are in favour of their money being actively managed – little changed from 53% in each of the two previous surveys.



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

The final question in our survey relates to where investors are intending to place their funds geographically.

Over the three months in which we have asked this question, there is no clear change in the broadly-defined part of the world where people intend placing their share investments. This remains: 36% in favour of New Zealand, 28% Australia, 27% the United States, 4% the UK, and 11% the world in general.



Respondents to the survey were distributed by age as follows.

< 30 years	3.1%
30 – 50 years	33.4%
51 – 65 years	39.7%
Over 65 years	23.8%

Respondent investment assets, including savings but excluding family home:

Less than $500k	25%
$500k - $2mn	33%
$2mn - $5mn	25%
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.

Additional information on the NZ economy is available from www.tonyalexander.nz