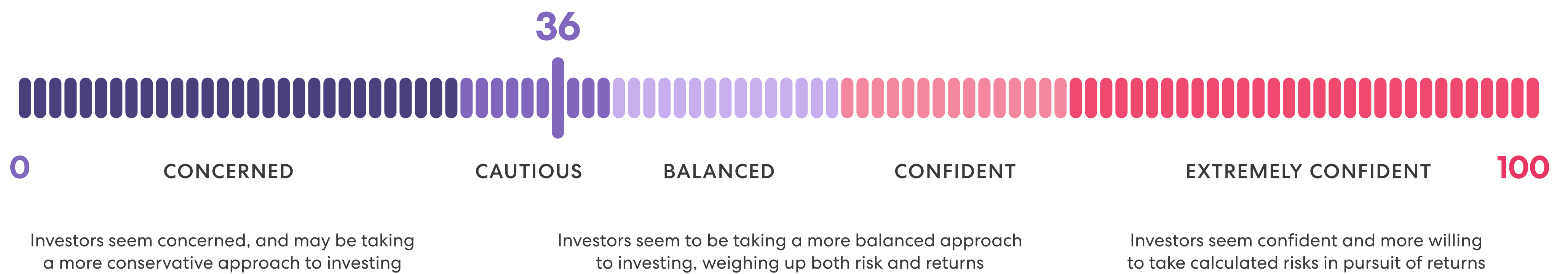


Sharesies Index

How confident are retail investors feeling in the current market?



SUMMARY

- The Sharesies Index indicated investor confidence over the past 3 months was relatively stable through most of the period but began to decline in September—likely influenced by a deterioration in US market performance and the lead up to the New Zealand general election.
- The Index finished September at 36 (Cautious), down 7 points from 43 (Balanced) at the end of Quarter 1 in June. The Index level remains much higher than earlier in 2023, when it fell to 21 (Concerned) in April.
- While there are indications of more caution among investors, many continued to act on investing decisions rather than hesitating. Q2 data showed that, July and August were Sharesies’ second and third-highest trading months ever, approaching the record levels we saw in November 2021.
- Indicators of reducing confidence towards the end of the quarter include an increase in investing in funds relative to individual companies and a reduction in selling activity.

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).

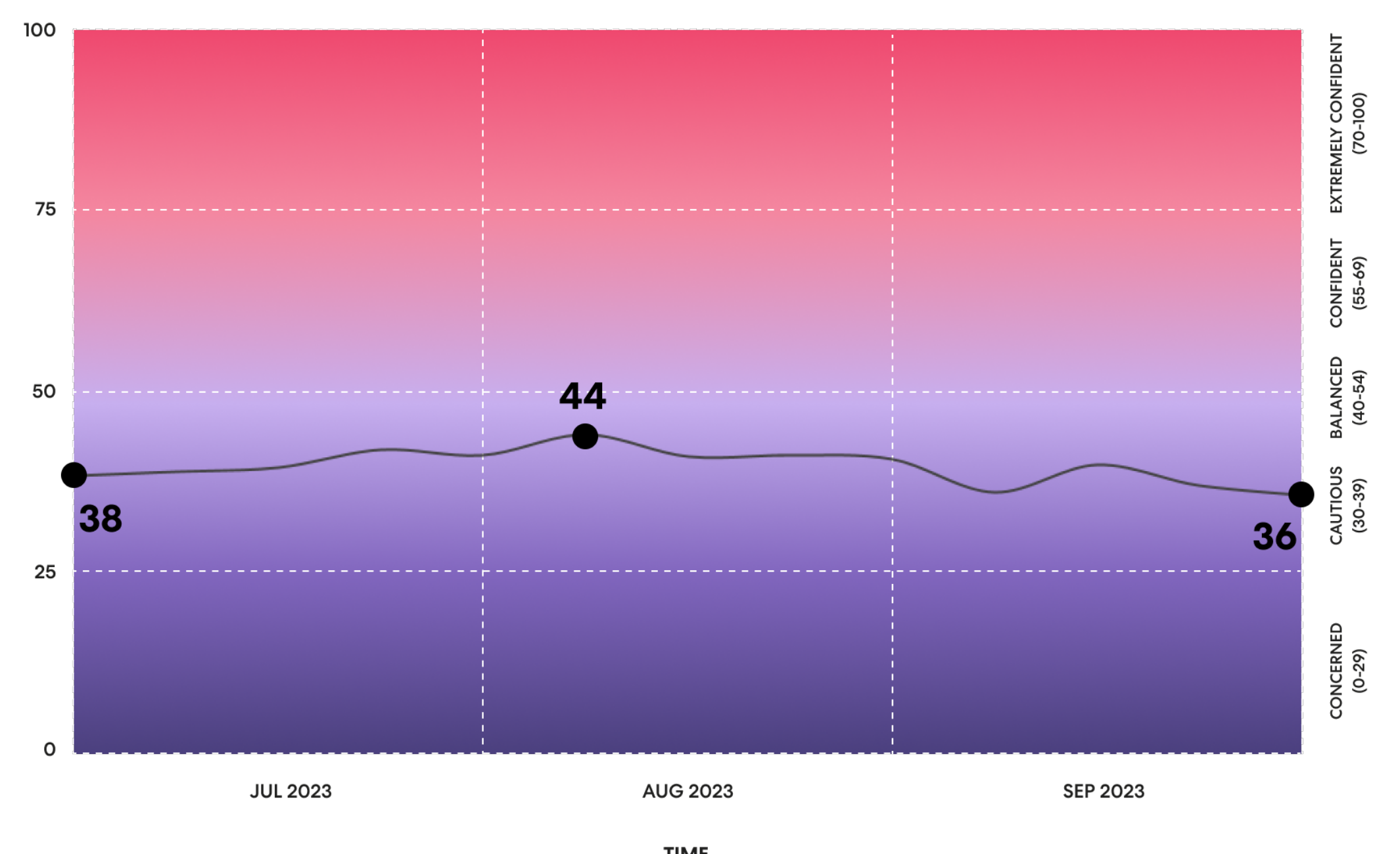
The Sharesies Index is updated and released every 3 months in line with the financial quarter.

QUARTERLY INDEX RESULTS

1 July - 30 September 2023

While in Quarter 1 (Apr-Jun) we saw the Sharesies Index climb 22 points to end the quarter at 43, Quarter 2 (Jul-Sep) was a period of relative stability—with the Index range of 38-44 points through July and August, before declining to end September at 36 points (Cautious).

We believe that the relative consistency in the Index through July and August has been supported by a somewhat more stable economic environment than we have seen in the recent past.



Economic indicators have proven to be more consistent and in some cases offered grounds for optimism. Ongoing stability in the official cash rate has given investors greater clarity about what may lie ahead. Whatsmore, the decline in house price values looks to be turning and buyers seem to be returning to the market. Recently released GDP figures have also been better than expected. And inflation, while still very high, appears to be slowing, including the rate of supermarket price hikes.

Improved performance in domestic and international markets was a feature of the period, with the S&P 500 reaching its highest levels since December 2021. Notably, the returns of the so-called “Magnificent 7” a collection of Seven mega-cap US based-companies - Apple, Microsoft, Amazon, Nvidia, Tesla, and Meta (Facebook), Alphabet (Google)—drove US markets up. These companies have been popular among Sharesies investors, with all except Alphabet featuring in the Sharesies Bundle (the top 50 most held investments on Sharesies).

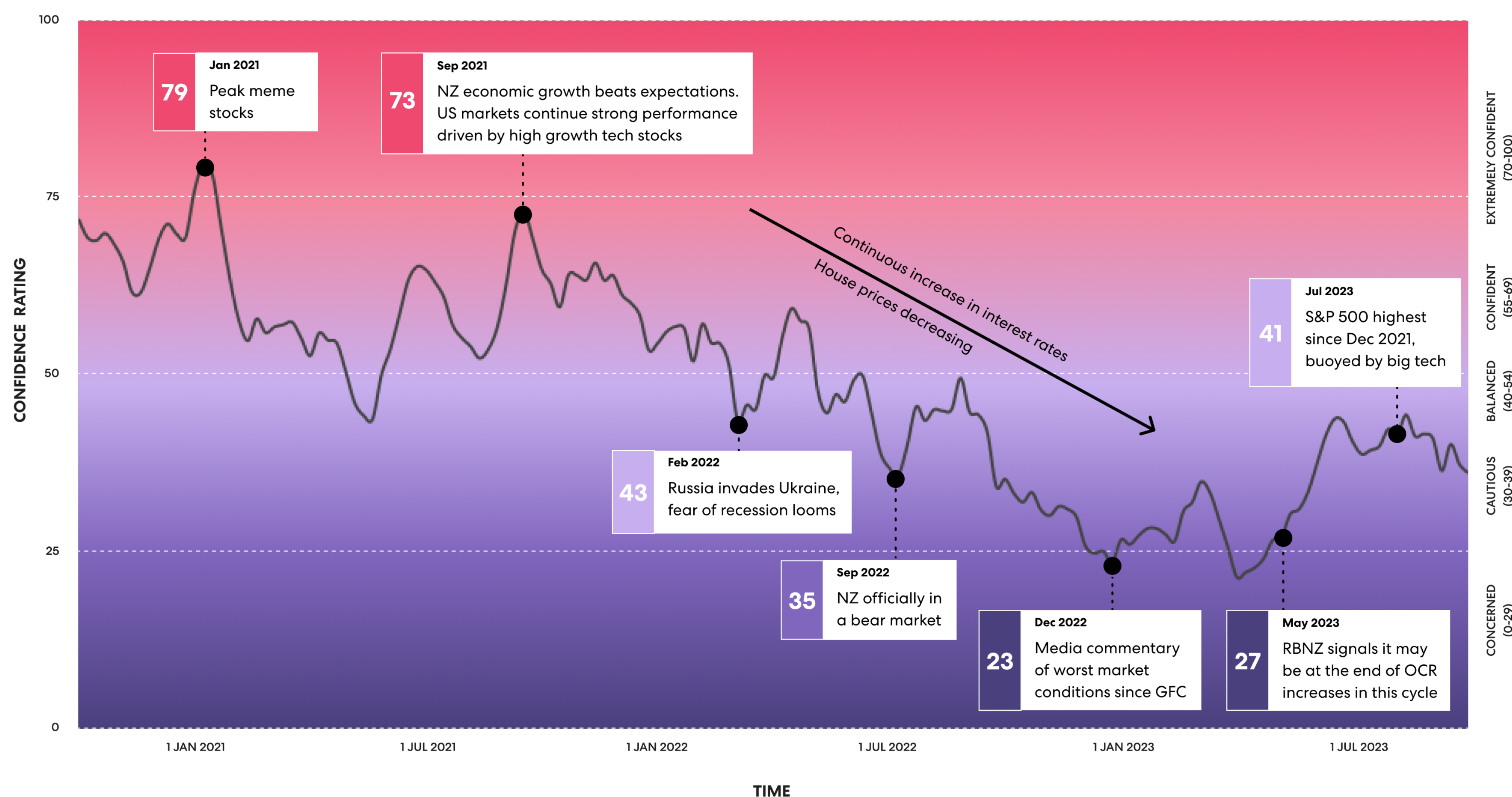
TSLA Tesla	APPL Apple Inc	MSFT Microsoft	NVDA Nvidia	AMZN Amazon	META Meta	GOOG Alphabet
RANKING 3	RANKING 6	RANKING 22	RANKING 27	RANKING 30	RANKING 36	RANKING 65
YTD RETURN 131%	YTD RETURN 37%	YTD RETURN 32%	YTD RETURN 204%	YTD RETURN 48%	YTD RETURN 141%	YTD RETURN 47%

*Year-to-date (YTD) return is from 1 Jan 2023 - 25 Sept 2023

Nevertheless, investors seem to remain aware that we are not out of the woods yet. Some downward pressure on confidence showed in September in particular. US and other markets have declined, consumer confidence is low as households are servicing higher mortgage rates and ongoing increases in the cost of living, with inflation remaining 2-3 times the Reserve Bank’s target. Recent employment data has indicated heightened nervousness about job security. In addition, as the New Zealand general election approaches, we expect more investors to sit on the sidelines until they know the election outcome.

3-YEAR SHARESIES INDEX

Zooming out from the quarter, the longer term view shows how far confidence has risen on the Index since April 2023, following a long period of declining confidence.

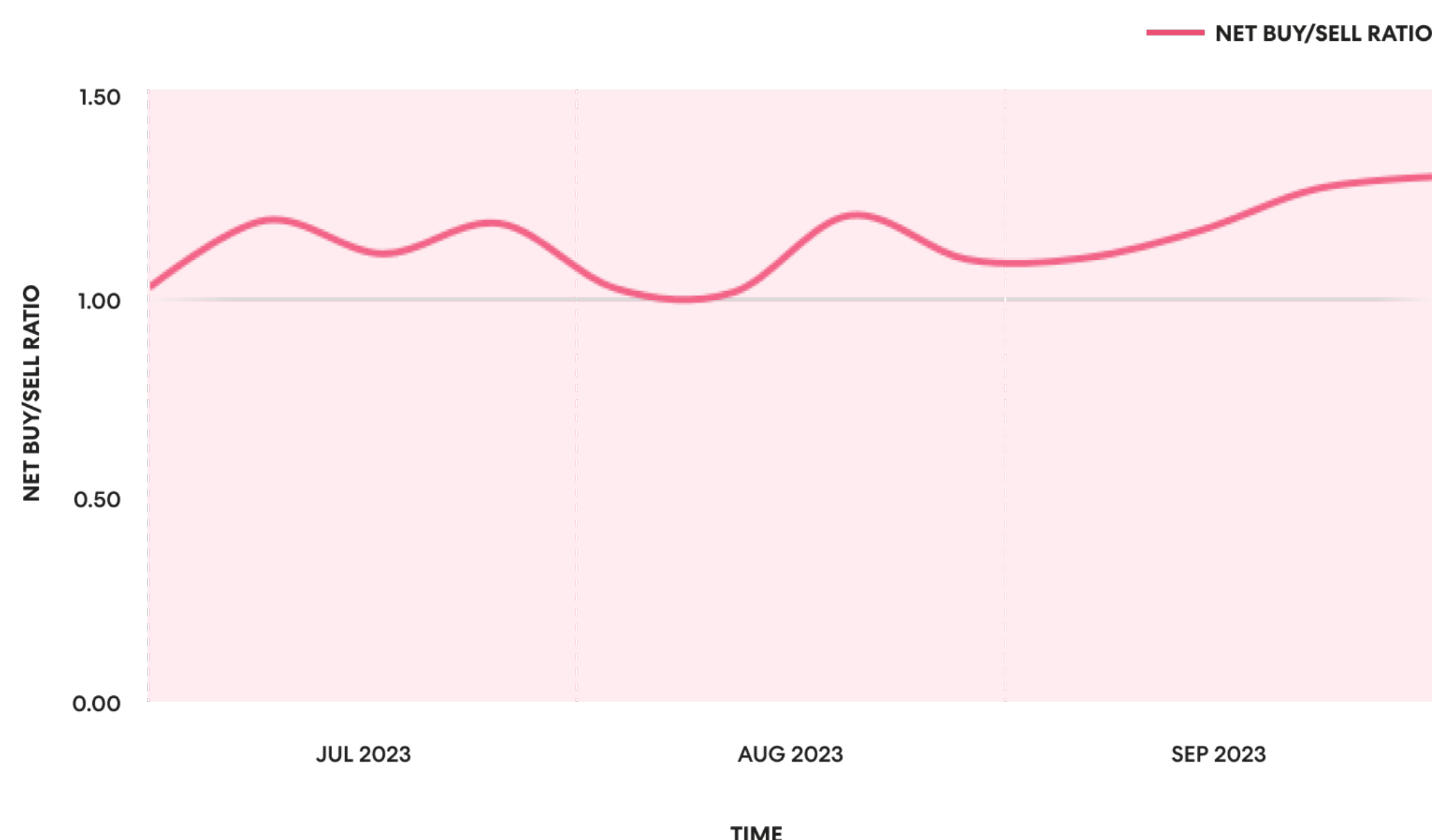


REGULAR INVESTING HABITS HAVE DRIVEN STRONGER RETURNS

On average, investors who followed a regular pattern of investing benefitted from portfolio returns 5-7 percentage points higher than investors taking a more ad hoc approach over the quarter. Specifically, this higher performing group of investors have followed a strategy known as ‘dollar cost averaging’, where they invest consistently and at regular intervals into the same set of investments. This strategy has also attracted better average portfolio returns over the history of the Sharesies Index, with the level of outperformance growing over time.

Key Indicators

What are the indicators that underpin the Sharesies Index?



NET BUY/SELL RATIO

July and August were Sharesies' second and third highest trading months respectively, beating our prior year to date high of June 2023 and approaching the all time record trading volumes of November 2021. This quarter the average net buy/sell ratio has trended upwards, finishing September with a high of 1.31, meaning investors are on average buying more than selling.

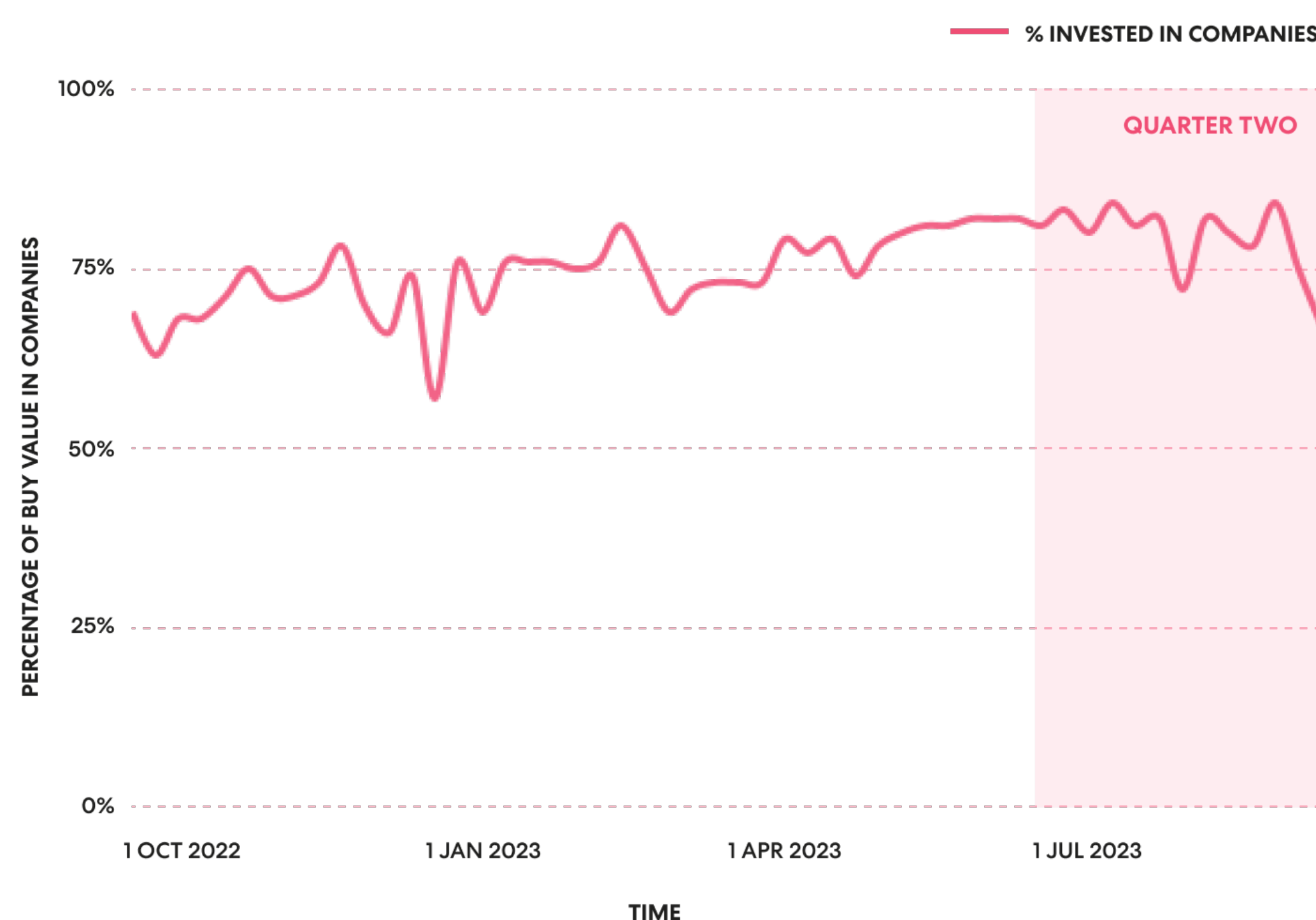
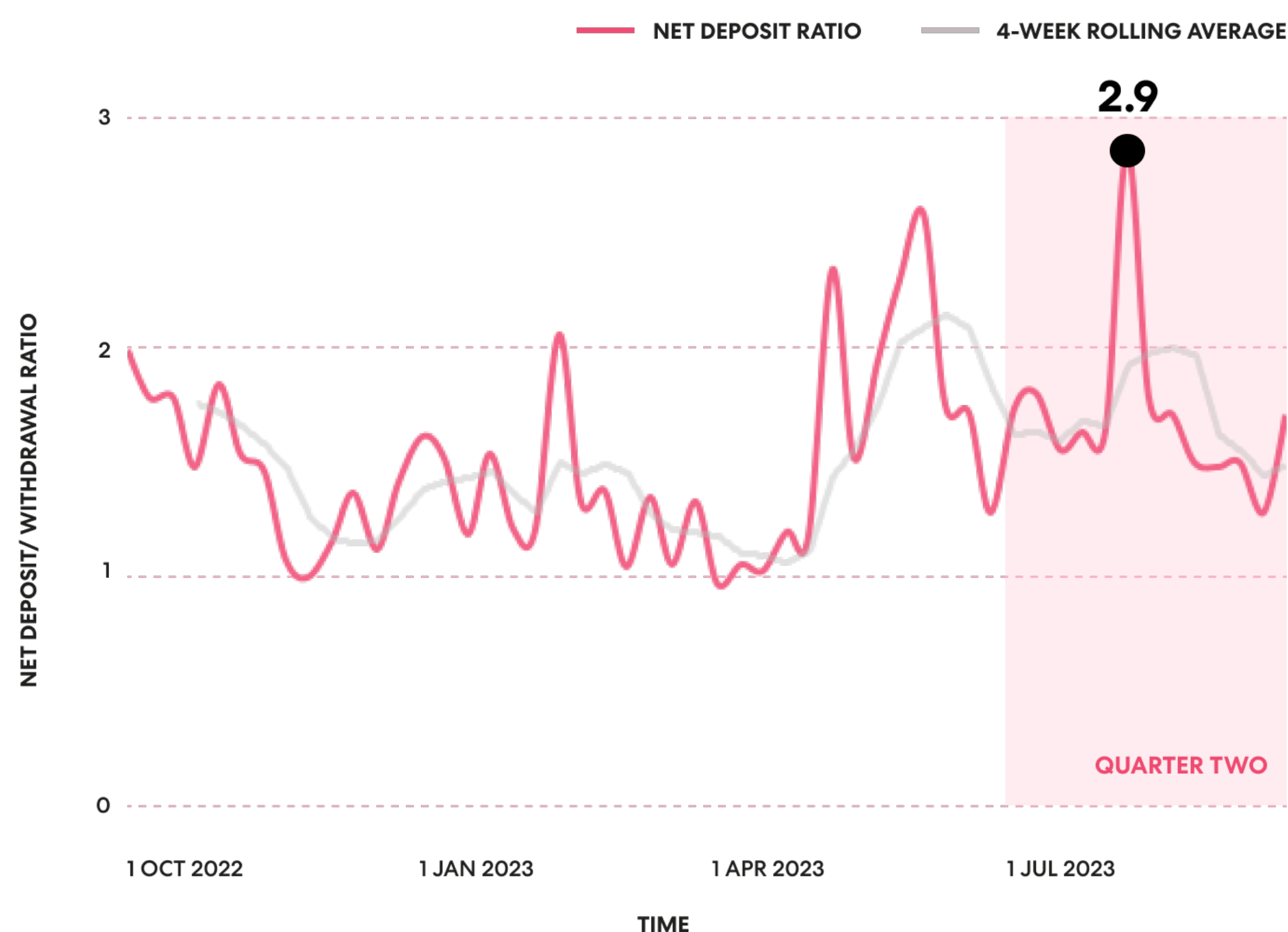
The Net Buy/Sell Ratio is the difference between the total buying and selling values on Sharesies. A Net Buy/Sell Ratio greater than 1 is when buying outstrips selling and generally is an indicator of confidence. Conversely, a Net Buy/Sell Ratio less than 1 may indicate more concern if coupled with other indicators such as withdrawals.

NET DEPOSIT RATIO

Net Deposit ratio has remained strong, with a peak of 2.9 the week of 7th August—so for every \$1 withdrawn we saw almost \$3 deposited. This coincided with the start of Money Month and a promotional Save rate that drove many investors to check out the Save offering. The quarter finished with an uptick too, with a ratio of 1.72.

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.

A certain level of withdrawal activity is healthy, as investors use their portfolios to help them achieve mid-term goals like buying a house, a car or putting money towards travel. But in aggregate, we expect to see a Net Deposit Ratio greater than 1 as our investors remain committed to building their portfolios over the long term.



PERCENTAGE INVESTED IN COMPANIES (PIC)

While over the past year we have seen a steady trend of the PIC increasing, this quarter we saw this flatten off and then start to decline, consistent with our understanding of more cautious behaviour. We closed the quarter at 67%, down from last quarter.

The PIC refers to the percentage of investing that goes into individual companies versus investment funds (managed funds and ETFs). 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 via funds.

Sharesies Bundle

TOP COMPANIES AND FUNDS

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 LIMITED
TESLA INC
APPLE INC
AUCKLAND INTERNATIONAL AIRPORT LIMITED
MAINFRIEGHT LTD

Top Funds

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

● COMPANY ● ETF ● MANAGED FUND

TOP MOVERS AND SHAKERS

Largely the top 50 remains the same as last quarter with minor shifts in popularity ranking. Infratil jumped 12 places up the ranking due in part to its capital raise this quarter to acquire One NZ. NVIDIA Corp continues to grow in popularity, moving from 33 to 27 in the ranking, and Spark also climbed 5 places.

A2 Milk, Cannasouth Ltd and Fisher & Paykel Healthcare all dropped slightly in their rankings as well as the SPDR S&P 500 ETF and GameStop Corp.

Top Movers

Instruments that moved up the ranking

INFRATIL LTD	▲ 12
NVIDIA CORP	▲ 6
SPARK NEW ZEALAND LTD	▲ 5

Top Shakers

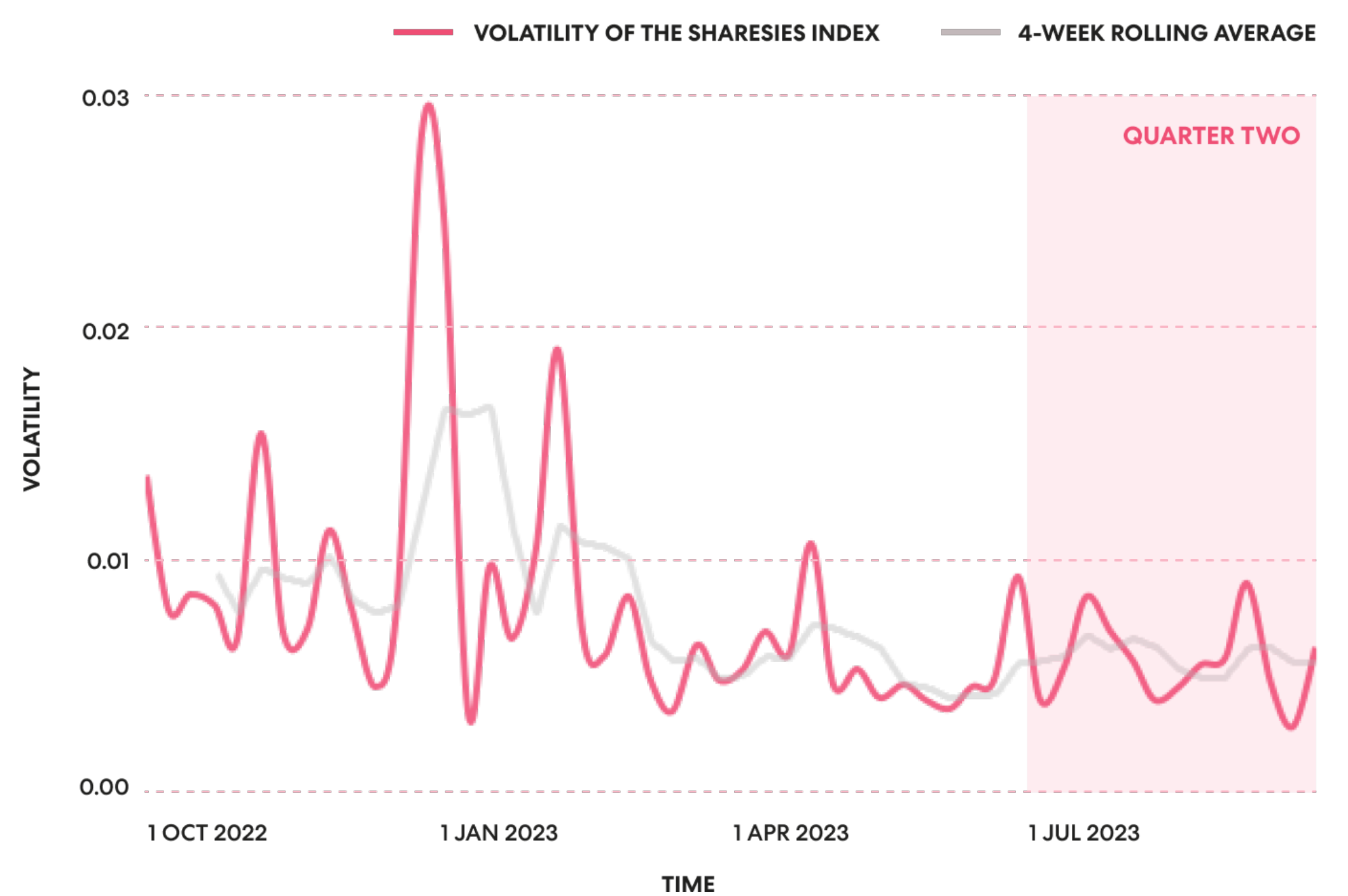
Instruments that moved down the ranking

A2 MILK COMPANY LTD	▼ 5
SPDR S&P 500 ETF TRUST	▼ 5
CANNASOUTH LTD	▼ 4
FISHER & PAYKEL HEALTHCARE	▼ 4
GAMESTOP CORP	▼ 4

VOLATILITY OF SHARESIES BUNDLE

The volatility of the Sharesies Bundle continues to be relatively smooth. This has contributed to the relative stability we've observed in the overall Sharesies Index.

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.