

StashAway Insights

2021

**How investors
reacted to
COVID-19**



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Produced by StashAway

Asia Wealth Platform Pte Ltd in 2021

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01 Introduction

01 | Introduction

A few words by our co-founder and CEO

2020 was challenging for many industries, and will go down in the books as one of the most volatile years in modern history for more reasons than we wish to count. Along with the rest of the world, we adapted to lockdown and moved to a remote work environment. As a tech company, we were fortunate to be equipped with the infrastructure to make this transition smoothly, enabling us to continue our work in empowering people to build wealth for the long term.

Of course, 2020 didn't come without its challenges in investing as well. Investors endured unprecedented market volatility and economic uncertainty, brought about by a global pandemic and other events, such as the US general election. These challenges only drove the StashAway Team to work harder to educate our clients on long-term financial planning and investing, especially in times of extreme market volatility.

That's why this year we wanted to reveal how COVID-19 and the 2020 market crash impacted investor behaviour, and how it made them change the way they think about their finances. This year's StashAway Insights shares our findings from Singapore and for the first time, Malaysia. It offers insights into questions, such as:

- Which investors were more likely to pause, or withdraw their investments during the market crash?
- How did the pandemic affect saving and investing rates?
- How confident do people feel about reaching their financial goals, such as their desire for early retirement?

We saw similar behavioural biases that we observed in the 2018 market correction. So why are we bringing it to light again? Because, as a fund manager founded on the core belief that people should feel truly empowered to build their own wealth, we are not only providing wealth management products and financial education courses, but also engaging with you, influential media, to promote stronger financial literacy and effective investment behaviours.

The fact that we saw similar issues in 2018 and 2020 highlight that there's a lot to do to bridge the knowledge gap within the public around long-term financial planning. We hope Insights 2021 will encourage more people to think about their finances, and start a conversation on effective saving and investing practices.



Michele Ferrario

Co-founder and CEO, StashAway

About this report

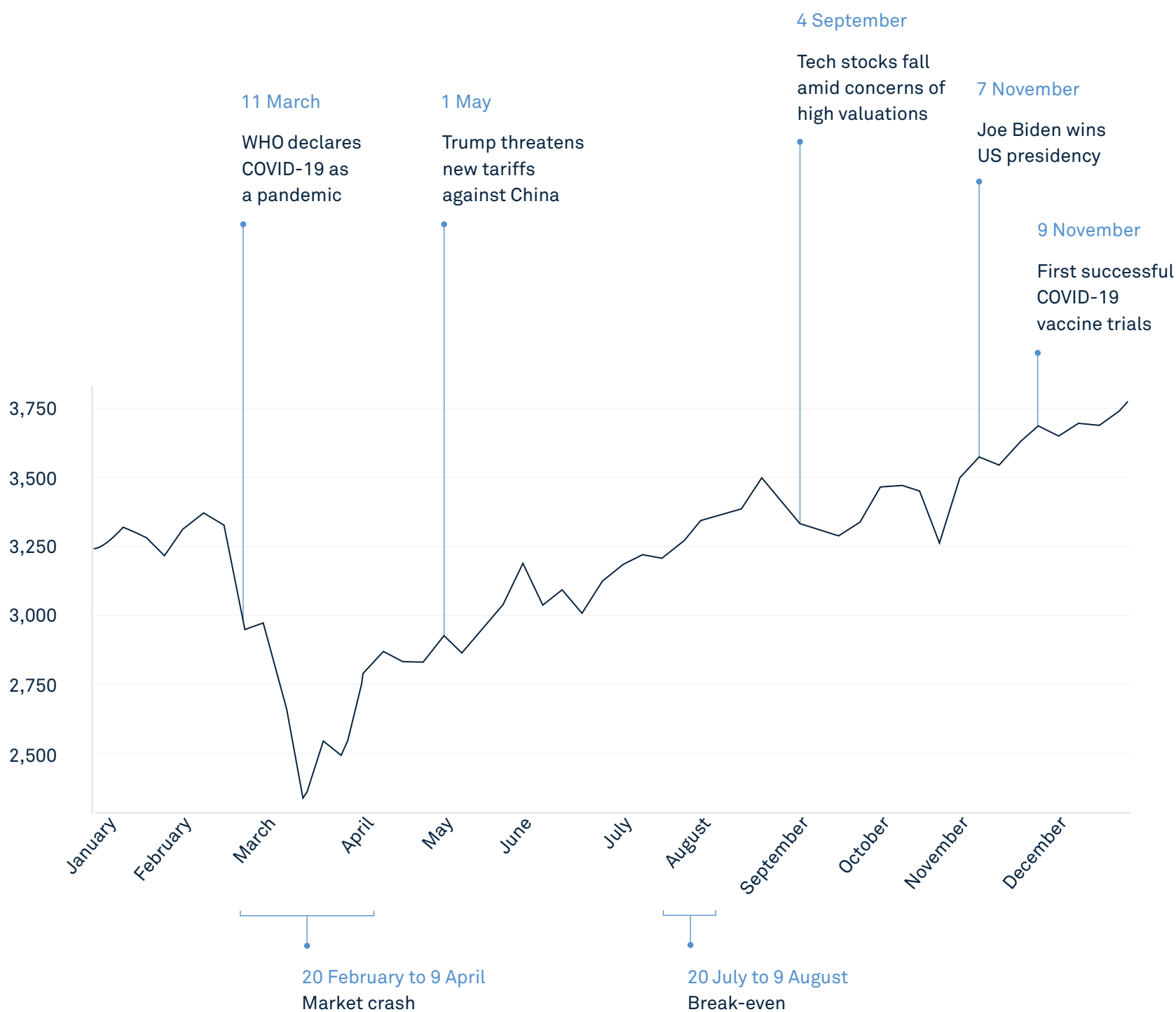
StashAway Insights 2021 looks into investor behaviour during the March 2020 market crash.

Our results are based on data from StashAway's client base that lives in Singapore and Malaysia.

**2020 was
a year of
market noise
and volatility**

The March 2020 market crash was the steepest drop since the 2008 Global Financial Crisis

Here's how the S&P500 performed in 2020



How investors reacted to the March 2020 market crash

02 | How investors reacted to the March 2020 market crash

Investors were **9%** more likely
to stop contributing to their regular
investment plans

Investors were **41%** more likely
to withdraw their funds from their
investment portfolios



02 | How investors reacted to the March 2020 market crash

Why investors reacted to the market crash

Investors reacted to the market crash because they wanted to prevent their investments from losing further value. That's why in a market crash, they're more likely to check their investments for gains and losses, and withdraw their funds when they think the value of their investments will drop.

Those who withdrew their funds during the March 2020 crash locked in their losses and missed out on the returns brought about by the recovery of the market. On the other hand, those that continued to invest during the crash ended up buying securities at their cheapest, and gained from the recovery of the market.

A note about this section:

The insights in this section are based on data from the period before the 2020 market crash (20 December 2019 to 9 February 2020) compared to during the crash.

02 | How investors reacted to the March 2020 market crash

Why does investor behaviour matter?

Investing regularly, such as monthly, enables a portfolio to withstand short-term volatility while maximising returns, as shown below:

Investing behaviour	Action taken during market crash	Action taken during break-even point	Average money-weighted return in SGD terms	Average money-weighted return in MYR terms
Impulsive investing	Withdrew funds	No action	-1.90%	-5.61%
Regular investing	Deposited funds	Deposited funds	12.85%	10.74%

*Returns are calculated on withdrawal dates or 6 months after the correction for customers who did not withdraw.

02 | How investors reacted to the March 2020 market crash

What influences an investor's behaviour?

Experienced and inexperienced investors are determined by whether or not they have had any investment experience, such as in trading securities, before investing with StashAway. Both older investors, and more experienced investors, are more likely to stick to their regular investment plans even during extremely volatile periods. In the face of a market crash, younger, and less experienced investors tend to be more loss-averse. In other words, they focus on the short-term losses they have incurred, instead of the long-term gains of the market, and the fact that a market drop presents an opportunity to buy securities when they're cheaper.

Investing experience

Inexperienced investors who have never traded securities are much more likely than experienced investors to pause their regular deposits in a market crash.



In Singapore, they are:

52% more likely
to stop depositing



In Malaysia, they are:

73% more likely
to stop depositing

Age

Compared to other age groups, investors under 30 are more likely to stop depositing into their investment portfolios during a market crash.

In Singapore, they are:

11% more likely to
stop depositing

In Malaysia, they are:

7% more likely to
stop depositing

47% more likely
to withdraw their funds

24% more likely
to withdraw their funds

**How COVID-19
changed
how people
think about
their finances**

03 | How COVID-19 changed how investors think about their finances

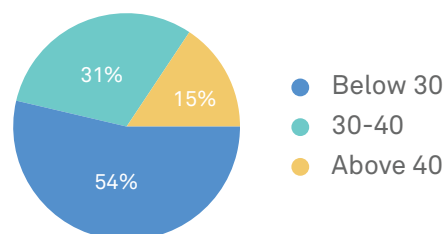
About this section

The insights in this chapter come from a survey of StashAway clients who attended StashAway Academy, our free personal finance course.

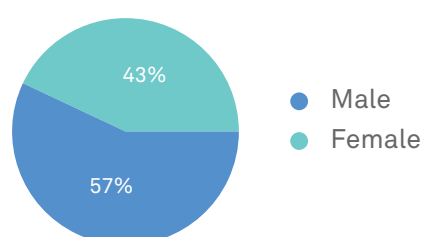
Below are the demographics of those who responded to the survey:

64% of our respondents are the main financial decision-maker in their household.

Age



Gender




*Percentages for age have been rounded to the nearest whole number.

03 | How COVID-19 changed how investors think about their finances

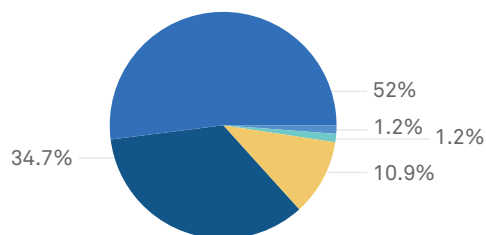
COVID-19 caused many people to reflect on their financial preparedness for short-term needs

People know that they need at least 6 months of expenses saved up for an emergency. Yet, despite knowing that they should have this amount, many don't have this much saved up.

Number of months people think their emergency fund should cover them for:

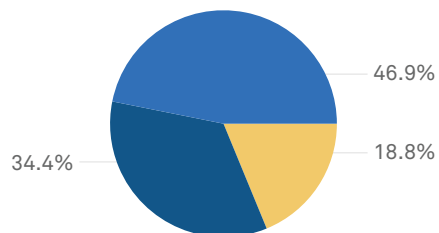
 In Singapore

52% of survey respondents think they should have more than 6 months of expenses in their emergency fund.



 In Malaysia

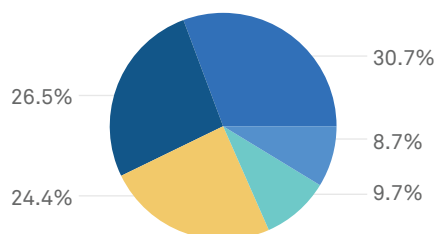
47% of survey respondents think they should have more than 6 months of expenses in their emergency fund.



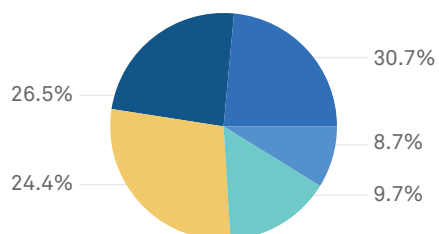
- 0 months of expenses
- Less than 1 month of expenses
- 1-3 months of expenses
- 3-6 months of expenses
- More than 6 months of expenses

Number of months their emergency fund actually covers them for:

Only **31%** of survey respondents actually have more than 6 months of expenses in their emergency fund.



Only **24%** of survey respondents actually have more than 6 months of expenses in their emergency fund.



- No emergency fund
- Less than 1 month of expenses
- 1-3 month of expenses
- 3-6 month of expenses
- More than 6 months of expenses

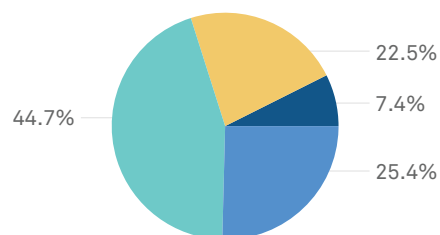
03 | How COVID-19 changed how investors think about their finances

People are now saving more.

Before COVID-19

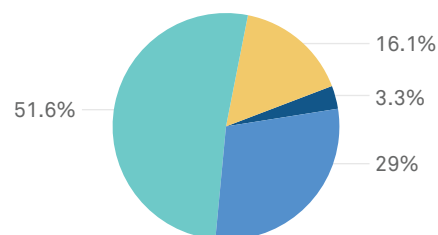
 In Singapore

Only **7%** of survey respondents were saving more than half of their income.



 In Malaysia

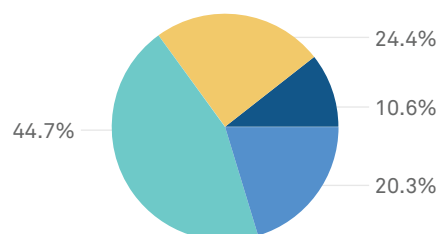
Only **3%** of survey respondents were saving more than half of their income.



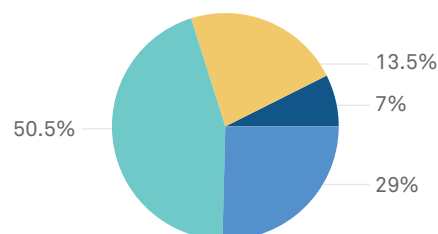
- Less than 10%
- 10%-30%
- 30%-50%
- More than 50%

After the pandemic started

11% of survey respondents are now saving more than half of their income.



7% of survey respondents are now saving more than half of their income.



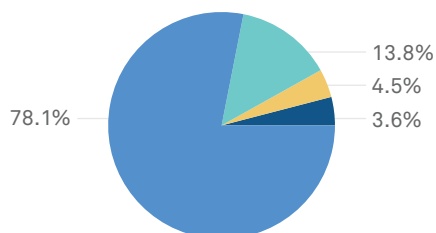
03 | How COVID-19 changed how investors think about their finances

They're also investing more.

Before COVID-19

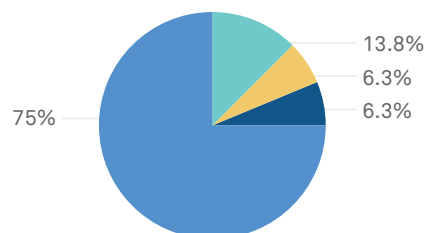
 In Singapore

14% of survey respondents invested 30-50% of their savings.



 In Malaysia

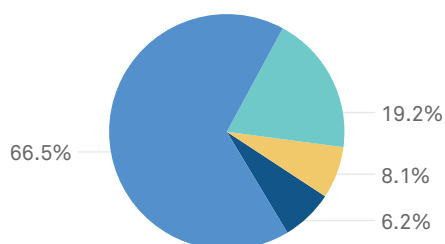
13% of survey respondents invested 30-50% of their savings.



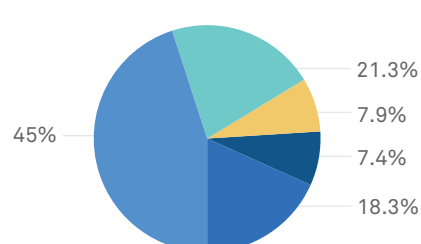
- Less than 30%
- 30%-50%
- 50%-70%
- More than 70%
- I have never invested

After the pandemic started

19% of survey respondents are now investing 30-50% of their savings.



21% of survey respondents are now investing 30-50% of their savings.



03 | How COVID-19 changed how investors think about their finances

Aspirations for early retirement

When it comes to retirement, the majority of people in Singapore and Malaysia want to retire between the ages of 50 and 65.

The majority of the respondents also think they're not prepared to reach their goals due to a lack of knowledge in financial planning, and insufficient savings and investments. Although COVID-19 has motivated many people to save and invest more, the majority still leave a large portion of their cash exposed to inflation.

If people in Singapore and Malaysia want to achieve their goal of early retirement, they should invest a larger portion of their savings to put their money to work against depreciation.

3 out of 4

survey respondents
want to retire between
the ages of 50 and 65.

85% of survey

respondents think
they're not financially
prepared for retirement.

The majority of the people
still only invest **30%** or
less of their savings, leaving
their cash exposed to inflation.

How we're
educating people
to improve their
financial habits

04 | How we're educating people to improve their financial habits

Our focus on financial education

As StashAway has grown, we've continued with our efforts to educate new and existing clients so they can take charge of building their long-term wealth. One of our goals is to educate people on how consistently investing savings can improve their long-term financial success, and how dollar cost-averaging often produces better returns than timing the market. Currently, 55% of our clients invest regularly.

StashAway not only provides the tools to save and invest, but also educates investors on long-term and effective financial habits by:

- encouraging systematic investing,
- emphasising diversification through our global fund selection,
- teaching how to manage risk rather than timing the market; and
- educating on how fees have a direct impact on returns.

In 2020, we educated more than 17,000 people on investing and reaching their financial goals, up from more than 6000 people in 2019.

04 | How we're educating people to improve their financial habits

StashAway Academy

StashAway Academy attendees are:

18% less likely to stop depositing and withdrawing during crashes

40% more likely to be regular investors

27% of attendees are less likely to be Impulsive Investors, who time the market and invest opportunistically

All webinars and seminars are free, open to anyone, non-commercial, and are accessible via live webinars, and on-demand in our app. We offer courses across beginner, intermediate and expert levels, and cover topics such as investing for beginners, retirement planning, investing in ETFs, financial planning, and StashAway's investment framework. StashAway Academy also conducts electives, such as Investing for Women, How to Start a Business that Lasts, and StashAway: An Inside Look.

StashAway Academy attendees are more likely to stick to their investment plans through market volatility.

About StashAway

StashAway is a digital wealth management platform that offers investment and cash management portfolios for both retail and accredited investors. Its technology delivers automated, personalised portfolio management for each client's individual portfolios. It offers global growth-oriented investment portfolios targeting different levels of risk, a yield-focused Income Portfolio, and StashAway Simple™, a straightforward cash management solution.

StashAway has attracted financial backers from around the world. Backers include: Eight Roads Ventures, the global investment firm backed by Fidelity and early investor in Alibaba; Square Peg, the largest venture capital fund in Australia; Asia Capital & Advisors, the private equity firm led by Francis Rozario and Aaron Razario; as well as Burda Principal Investments, the growth capital arm of German media and tech company Hubert Burda Media.

StashAway has a total paid-up capital of US\$36.6million. These funds have gone towards launching an income portfolio, a cash management portfolio, as well as new market entries in Malaysia and the MENA region. Since raising its Series C in July 2020, the company has launched StashAway Workplace, a corporate financial benefits solution, and launched its services in the MENA region, out of its Dubai office. The company also announced in January 2021 that they have more than US\$1billion in assets under management.

Headquartered in Singapore, StashAway operates in Malaysia and the Middle East and North Africa (MENA) region. StashAway holds fund management licenses from Singapore's MAS and Malaysia's SC, and an asset management license from the Dubai Financial Services Authority.

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