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**MEDIA RELEASE
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Investors concerned about a 'false market'

Investors delivered their own mixed messages in response to a survey of investor sentiment conducted by the Australian Investors Association (AIA). Of the 500 respondents, 31% were bullish about the future, 15% bearish and 54% were neutral.

"The majority of investors are in the middle. They're positive about markets when they see 2011 earnings projections but negative when they read about the debt problems of the US and Europe," said Alison Harrington, President of the AIA.

"Many investors commented on the volatility of the markets, the uncertainty and the nervousness they feel," she added. "They intend to be cautious in how they approach this year."

Investors are less likely to trust the market signals they're used to analysing because of the level of government intervention in the economy across the world. Government bailouts are supporting the economy in many countries creating a 'false market'. They fear that the failure of one government to meet its debt obligations could trigger a severe correction.

"I'm not listening to biased comment or taking notice of what I see as government propaganda aimed solely at boosting our confidence in the local and other economies," notes one investor.

"There's a correction coming so I'm cashed up a bit. I'm also watching for any signs that tell me to cash up even more," adds another.

But there were many more respondents who were optimistic about the Australian market and Asian equities, but less so about the USA and European markets. One investor expected the All Ords to be around 5800 by the end of 2011.

Most respondents were neutral and reported that they were 'sitting tight'. But sitting tight seems to mean maintaining pre-existing asset allocation strategies rather than converting to cash or fixed income. Survey respondents revealed assets allocated 49% to equities, 19% to property, 12% to fixed income and 20% to cash.

Investors are heavily exposed to a market in which they express little optimism.

Respondents also expressed varied opinions on the prospects for Australian property.

"Property, particularly Australian property, will not drop and might plateau for a while. Demand is too high for it to drop," noted one Melbourne investor.

But another had a bleaker view, "Property is still largely overpriced in Australia – yields need to come up over 5%."

Many investors are concerned that people are no longer able to live within their means. This comment highlights the need for lifelong education in financial management for average Australians. The AIA offers regular workshops and discussions about investment and supports its members in becoming successful long term investors.

The Investor Sentiment Survey asked members how they felt about the market and how they were invested. It was conducted over three days in January 2011 and will be repeated in two months.

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