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MEDIA RELEASE - FOR IMMEDIATE RELEASE

Australian Investors concerned about an uncertain market.

Investors in Australia remain cautious about the outlook for the Australian share market. The inaugural **Australian Investor Sentiment Survey** for March, conducted via two separate surveys in the month, shows a myriad of concerns ranging from high oil prices on the back of political instability in North Africa and the Middle East, ongoing nuclear threat in Japan, sovereign debt problems in Europe, a potential shift in monetary policy in the US, as well as a perceived anti-business climate in Canberra cited as major areas of concerns that could impact on direction and performances of equities.

Responses to surveys by the Australian Investors Association (AIA) and by FNArena revealed an overwhelmingly cautious undertone, albeit with some discrepancies between the surveys. Of the 460 respondents at the Australian Investors Association (AIA), 21% indicated they were bullish about the market, 27% bearish and 52% were neutral. This represents a significant change from 31% bullish and 15% bearish a month ago. The 281 respondents at FNArena pretty much reversed the balance between bulls and bears with 26% indicating they remained bullish about the share market, against 20% bearish and 54% neutral.

Overall commentary accompanying these responses was overwhelmingly cautious, with numerous respondents indicating they are still looking to reduce exposure to the share market. Elevated Australian property prices were also cited as an area for concern.

The survey at FNArena contained an extra question about investor sentiment on a 6-12 month horizon. Here the bulls clearly dominated receiving 55% of all responses against 13% bearish and 32% neutral.

“The majority of investors remain in the middle. They’re less bullish than a month ago, less confident about 2011 earnings projections and increasingly 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 political instability in parts of the world, the natural disasters that have occurred, the uncertainty about debt levels in most of the developed world and the nervousness they feel as a result of all this,” she added. “They intend to remain cautious in how they approach markets for the rest of this year.”

FNArena editor Rudi Filapek-Vandyck believes the results of the March Survey are in line with subdued trading volumes on equity markets, both in Australia and overseas. He added feedback from retail stockbrokerages confirms there is no rush from investors to get back into Australian equities.

There’s a strong sense of wait and see. “I’m in a wait and see mode at the moment,” says John Waddington of Sydney, “I anticipate there could be something in the immediate future that could trigger a severe global financial meltdown."

"There are too many variables (GFC, Middle East conflicts, natural disasters) to be optimistic at the moment,' says another investor.

Noel Holt from Brisbane has a different take on things: "I think the market is likely to trade in a narrow range for some time to come, until the pain of the GFC is well and truly forgotten".

Keith Davy from Cowes, however, sees things in a more positive light. "Short term "noise" (North Africa and Japan) is currently causing volatility, and undue emphasis on risk. The European sovereign debt situation lurks in the background, but is not a major factor affecting fundamentals. The net result is that buying opportunities emerge, but stock picking must be selective both in actual stock and timing."

Peter Knight of Perth takes a much more pessimistic view, "This secular bear market has at least seven years to run. The global fiscal position of most western developed nations, plus the global western demographic ageing population problem, leads me to conclude that there is no other possibility."

Investment portfolios were remarkably similar across both surveys, with equities averaging 53% of portfolios, property 19%, fixed income 9% and cash 19%. These results are much the same as in the AIA survey in January, with a slight increase in the equities component.

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

"I invest in commercial property which gives a steady income and capital growth," says one investor. "Equities have returned me nothing over the past 3 years."

Another investor expresses concerns about property, "Australian property is just teetering on the edge of a cliff, finally catching up with the rest of the world and reality." Others agree. Reports one investor: "I am not comfortable with the proportion of my net worth allocated to property. I don't see the local property market as a bubble, but I do see it as above trend. I expect better returns from equities over the next 10 years (I expect only moderate returns from equities)."

"Just gone into cash," says another investor.

Jason Ruth from South Australia offers some advice for his peers: "It seems popular to consider property as long term and the share market as a short term investment. Long term investing in the right companies provides excellent capital gain and income through dividend growth. Short term market corrections should be viewed as opportunities."

The **Australian Investor Sentiment Survey** asked members how they felt about the market and how they were invested. The survey by the Australian Investors' Association was conducted over three days in March, while respondents at FNArena had about two days to participate. The Australian Investor Sentiment Survey will be repeated in two months.

The survey asked for the first time about the investor's current level of confidence in the stock market, on a scale from 0 (low) to 100 (high). This provided the first reading for the AIA Investor Confidence Index of 54.

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About the Australian Investors Association
The AIA is an independent, non-profit organisation aimed at helping its members become more successful long-term investors. More information can be found at www.investors.asn.au.

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