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## MEDIA RELEASE

- FOR IMMEDIATE RELEASE –

### **Cash Holdings Of Australian Investors At Two-Year Low, Equities Up**

Cash holdings of Australian investors have continued to decline, dropping to the lowest level since the inception of the **Australian Investor Sentiment Survey** from the Australian Investors' Association (AIA) and FNARENA in January 2011. At the same time, equities holdings have increased with the latest results matching the survey high point from March 2011.

Yet while increased equities holdings could be interpreted as being indicative of improving share market sentiment, the **March 2013 survey** shows nearer-term sentiment levels have actually come off with sentiment shifting to a more neutral footing on a six month horizon.

Only 35% of survey respondents indicated they were currently bullish equities versus 45% in January. 51% are presently neutral compared to 49% in January, while 14% now count themselves as bearish opposed to 6% in the prior survey.

Many respondents talked of the need for a cautious approach towards investing in the stock market until global sovereign debt issues are resolved. Quite a few also indicated they do not expect a meaningful bull market in Australia without political change in Canberra.

#### **Current Sentiment:**

	<u>March 13</u>	<u>January-13</u>	<u>November-12</u>	<u>March-12</u>
<b>Bullish</b>	35%	45%	14%	16%
<b>Neutral</b>	51%	49%	56%	62%
<b>Bearish</b>	14%	6%	30%	22%

While a degree of scepticism remains, comments in general are guardedly optimistic.

*"Funds pouring into the stock market from domestic investors for income and the same for overseas investors are not fully considering the risks for that return. Overseas the markets are still volatile and problems that caused the GFC remain,"* said one anonymous investor.

Survey respondent Keith from Victoria said *"My attitude to the market remains cautious with pending debt problems in both US and Europe still capable of delivering negative leads as does the extended election campaign. Underlying Australian business performance remains reasonably strong and stock selection remains the key to successful trading of this market."*

One participant summed up the current situation as *"between neutral and bearish now and between neutral and bullish 6 - 12 months out"*.

This view corresponds exactly with the latest data from the survey, which show that while shorter term sentiment may be softening, the longer term view remains positive. When asked if markets will be higher in 6-12 months, 57% said “yes”, which is the same level as in January and up significantly from November 2012 and from last March’s levels.

### Markets Higher in 6-12 Months Time?

	<u>March 13</u>	<u>January-13</u>	<u>November-12</u>	<u>March-12</u>
<b>Yes</b>	57%	57%	43%	53%
<b>No</b>	25%	27	34%	25%
<b>Same</b>	18%	16%	23%	23%

An anonymous respondent offered “Long term bullish on Australian equities as they have high yields, but am short term bearish on USA equities. Waiting to buy more Australian equities during a USA correction, but has been a long wait. Equities are a much better long term investment than investment property (is illiquid, time consuming, high fees, maintenance, etc), but you need to buy equities when it hurts, otherwise you're probably overpaying.”

There is a definite indication of investors becoming less risk averse, with funds being moved out of cash and fixed interest into equities.

The average proportion of an investment portfolio allocated to cash holdings has fallen to 18%, marking the nadir of the survey. Correspondingly, equity holdings are now at 53%, matching March 2011 levels. Property and Fixed Income holdings are similar to January levels, which are lower than the two-year trend.

It is important to note that equities markets and by extension share portfolios have steadily increased in value for the past nine months, which means the percentage of equities holdings in a portfolio would increase regardless of whether more capital is allocated.

### Average Investment Portfolio Allocations:

	<u>March 13</u>	<u>January-13</u>	<u>November-12</u>	<u>March-12</u>
<b>Equities:</b>	<b>53%</b>	50%	45%	47%
<b>Property:</b>	<b>17%</b>	18%	20%	18%
<b>Fixed Income:</b>	<b>12%</b>	12%	14%	13%
<b>Cash:</b>	<b>18%</b>	20%	21%	22%

The decrease in shorter-term optimism compared to the shift of cash into equities and the maintenance of longer term confidence have combined to cause very little change to the FN Arena/AIA Investor Confidence Index, which shows overall sentiment is little changed.

## **FNArena/AIA Investor Confidence Index**

<b><u>March 13</u></b>	<b><u>January-13</u></b>	<b><u>November-12</u></b>	<b><u>September-12</u></b>	<b><u>March-12</u></b>
60.7%	61.4%	51.2%	52.3%	52.6%

The Investor Sentiment Survey asked members at AIA and FNArena how they felt about the market and how they were invested. The Survey will be repeated in two months (May 2013). 359 respondents participated through the AIA and 270 through FNArena.

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