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MEDIA RELEASE

- FOR IMMEDIATE RELEASE –

Investors Less Fearsome, But Caution Still Rules

Australian investors have drawn the conclusion the worst is probably over for domestic equities, but they remain cautious about what might be on the horizon next.

The **Australian Investors' Sentiment Survey** for November, conducted by Australian Investors' Association (AIA) and FNArena, shows a mild improvement in overall confidence on the immediate outlook for equities.

This is predominantly the result of reduced concerns, not so much due to improved expectations.

Shorter-term sentiment has improved from three months ago, but then the September survey had generated the lowest result post November 2012, equal with the low result at the start of the calendar year.

At 17%, the number of shorter-term bulls remains well below numbers from the July and March surveys. It is only marginally better than the 16% from November last year.

Current Sentiment:

	<u>Nov-14</u>	<u>Jan</u>	<u>Mar</u>	<u>May</u>	<u>July</u>	<u>Sep</u>	<u>Nov-15</u>
Bullish	16%	14%	31.5%	15%	21.5%	14%	17%
Neutral	58%	61%	54.5%	64%	60%	51%	61%
Bearish	26%	25%	14%	21%	18.5%	33%	22%

A similar picture emerges when we look at sentiment towards equities on 6-12 months out horizon. The number of respondents with an outright bearish view has now fallen to its lowest level since September last year (both surveys at 22%), but the change has only added to more neutral views.

Markets Higher in 6-12 Months Time?

	<u>Nov-14</u>	<u>Jan</u>	<u>Mar</u>	<u>May</u>	<u>July</u>	<u>Sep</u>	<u>Nov-15</u>
Yes	40%	39%	40%	43%	47%	46%	44.5%
No	25%	25.5%	23.5%	25%	24%	24%	22%
Same	35%	35.5%	36.5%	32%	29%	30%	33.5%

Cautiously less fearsome investors have used share price volatility to put some extra cash in the market, but overall cash levels remain inside the 18-20% range that has remained prevalent since 2012.

The Australian Investors' Sentiment Survey has been conducted every two months since early 2011. Throughout this period the highest level of cash held was revealed at 26% in September 2011. The lowest level was recorded six months ago, at 17%, when respondents indicated more cash had been allocated towards property and fixed interest.

The November Survey suggests investors have since been selling some properties with the indicated portfolio allocation now at 16.5%. This is the lowest level recorded since May 2013 and noticeably lower than the 18% registered in July.

Average Investment Portfolio Allocations:

	<u>Nov-14</u>	<u>Jan</u>	<u>Mar</u>	<u>May</u>	<u>July</u>	<u>Sep</u>	<u>Nov-15</u>
Equities:	53.5%	53.5%	55%	54.5%	52.5%	51.5%	54.0%
Property:	17%	17%	17%	17%	18%	17.5%	16.5%
Fixed Income:	11%	11%	9%	10%	12.5%	11.5%	11.0%
Cash:	18.5%	18.5%	18.5%	18.5%	17%	19.5%	18.5%

Commentary provided by respondents varies between disappointment in the share market's performance this year and confidence that equities remain the place to be for the longer term. Gone are the complaints about political deadlock or shenanigans in Canberra.

One AIA member posted: "I am a long term investor. I believe that predicting the near term future in any detail is doomed to failure. I have diversified investments across Global markets and segments, I hope this will stand me in good stead over the longer term. I don't have any particular view of the next 6 months except that I believe Australia in general will be "crook" for some years to come and that "Global" investments will perform better in aggregate than Australian investments"

Another one offered: "I remain neutral because of the number of factors influencing the market at the moment. US interest rates, The Chinese economy, European rates, and terrorism"

One respondent at FNArena stated: "You need to know what companies you own and why you own them now. The equities market from now on will be rewarding companies able to grow earnings and produce sustainable dividends. It's time to be smarter with stock selection and have an open mind to changing from what has worked over the last 20 years, to what is likely to work in the next 20."

Another one declared: "I have been investing in the market for 40 years, and still think this country and the market have a bright future. I think the market will get back to 6000 in the next 12 months"

The FNArena/AIA Confidence Index improved from September, but remains well below levels recorded in July and in March. At 55%, the index remains above the neutral 50 mark and well above levels recorded pre-2013.

The index has been as high as 61.50% in January 2013 and as low as 40.5% in May 2012.

FNArena/AIA Investor Confidence Index

<u>Nov-14</u>	<u>Jan</u>	<u>Mar</u>	<u>May</u>	<u>July</u>	<u>Sep</u>	<u>Nov-15</u>
54%	55.5%	58%	55%	59%	53%	55%

The Investor Sentiment Survey asked members at Australian Investors' Association (AIA) and FNArena how they felt about the market and how they were invested. The Survey will be repeated in two months (January 2015).

210 respondents participated through AIA and 251 through FNArena.

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