MEDIA MONITORS

Sun Herald
Sunday 7/12/2008
Page: 6
Section: Investor
Region: Sydney Circulation: 478,890
Type: Capital City Daily
Size: 152.09 sq.cms.
Published: ------S

Brief: TRENDS

One out of two isn't bad for fund managers

THERE'S nothing like a GFC (global financial crisis) to put a bit of pressure on the people that invest your money for a living. The latest lot to come under scrutiny are fund managers. A new survey found they only get about half their decisions right. Or, put less politely, they get almost half their decisions wrong.

Even the good ones only have a 51 per cent hit rate, according to US company Inalytics, which measures whether the companies chosen by fund managers outperform.

Inalytics surveyed 215 global fund managers, including some based in Australia. On the positive side, it found that when fund managers get it right, they get it very right. This is measured by the win-loss ratio, which compares the amount generated from good decisions with the amount lost from poor decisions.

For the same sample of fund managers the average win-loss ratio was 102 per cent.

So their good decisions performed so well they compensated for their poor decisions.

But it is numbers like these, and the plummeting markets, that have people thinking they could be better off investing themselves rather than paying someone a lot of money to get it right half the time.

This is reflected in a survey of Australia-based investors by Investment Trends, which found investors are losing faith in fund managers. More than 40 per cent of investors in managed funds believe they would be better off doing it themselves.

Maybe they would but if the professionals are finding it difficult to add value in a volatile market then the chances are that individual investors will as well.

So while it probably is a good time to be investing directly, with stocks so cheap, don't completely desert your fund manager unless they are charging you higher-than-average fees for a less-than-average performance.

PENNY PRYOR

Sunday Age
Sunday 7/12/2008
Page: 6
Section: Investor
Region: Melbourne Circulation: 225,700
Type: Capital City Daily
Size: 116.90 sq.cms.
Published: ------S

Brief: TRENDS

One out of two isn't bad for fund managers

PENNY PRYOR

THERE'S nothing like a GFC (global financial crisis) to put a bit of pressure on the people that invest your money for a living. The latest lot to come under scrutiny are fund managers. A new survey found they only get about half their decisions right. Or, put less politely, they get almost half their decisions wrong.

Even the good ones only have a 51 per cent hit rate, according to US company Inalytics, which measures whether the companies chosen by fund managers outperform.

Inalytics surveyed 215 global fund managers, including some based in Australia. On the positive side, it found that when fund managers get it right, they get it very right. This is measured by the win-loss ratio, which compares the amount generated from good decisions with the amount lost from poor decisions.

For the same sample of fund managers the average win-loss ratio was 102 per cent.

So their good decisions performed so well

they compensated for their poor decisions.

But it is numbers like these, and the plummeting markets, that have people thinking they could be better off investing themselves rather than paying someone a lot of money to get it right half the time.

This is reflected in a survey of Australia-based investors by Investment Trends, which found investors are losing faith in fund managers. More than 40 per cent of investors in managed funds believe they would be better off doing it themselves.

Maybe they would but if the professionals are finding it difficult to add value in a volatile market then the chances are that individual investors will as well.

So while it probably is a good time to be investing directly, with stocks so cheap, don't completely desert your fund manager unless they are charging you higher-than-average fees for a less-than-average performance.

Sydney Morning Herald
Saturday 6/12/2008
Page: 48
Section: Business News
Region: Sydney Circulation: 347,299
Type: Capital City Daily
Size: 955.49 sq.cms.
Published: MTWTFS-

Don't care about us? OK, we're leaving

As the global financial crisis tightens its grip on investors around the globe, a fascinating picture is beginning to emerge of how we are responding.

Rather than turning to the financial institutions, super funds and investment experts, it seems a growing number of us have lost faith in the "system" and plan to go it alone in future, turning instead to friends and family, the internet or (shock, horror!) the media for information, ideas and guidance.

This reflects what might be a failure on the part of fund managers, super funds and advisers to keep us properly informed about what is going on, the reasons for it and the best path to take out of this mess.

The financial services industry generally has failed to engage with its customers in a way that gives customers confidence in its ability to handle the current situation. Also, too many fund managers and super funds have simply gone to ground – and that attitude has clearly permeated the consciousness of investors.

The response from investors seems to be: they don't care about us, so why should we care about them? Customer loyalty is being destroyed – albeit withsome notable exceptions.

Research by endgame communications and Investment Trends, released last week, shows that more than half of us rate our concern over the financial crisis as an eight, nine or 10, on a scale where one is "not at all concerned" and 10 is "extremely concerned" (and about one-third of us rate our concern as a nine or 10).

Our trusted institutions have failed to address this level of concern and, as a result, the research finds a growing number of us are more prepared than ever to go it alone – and when it comes to retirement savings, in particular, that could mean a stampede to setting up self-managed super funds (SMSFs).

But it is also likely to lead to a higher level of switching by members between super funds (retail, industry and corporate funds). Given where the research says we are mainly looking for information, not every decision to switch may be as well-advised as it should be.

The research finds that a lack of communication and clarity is endemic, so the grass is not necessarily greener. You cannot be certain that a new fund's communications and information flow will be any better than your existing fund's.

Sally Wells, the managing director of endgame, says that while investors are desperate for information, too many fund managers and super funds are failing to address this need, either by missing the mark with what they are providing or by pulling down the shutters and all but vanishing from the market.

"What we're seeing is [fund managers] are focused on keeping investors as 'sticky' as possible," Wells says.

"In doing that, we noticed that there was a lot of stuff going out, but into a black hole."

Wells says there is also a wide diversity in the messages being communicated, ranging from a don't-mention-the-war-type of approach to complete suites of tools and information to inform and assist investors.

Wells says that, as a result, there is "a very strong relationship between the extent to which investors feel they are being kept informed by the provider, and their switching intention". The worse or less comprehensive the communication, the higher the likelihood that an investor will walk.

However, Wells says one of the first things a fund manager does when times are tough is to slash the marketing budget. But cutting the marketing team is not the answer. The

Sydney Morning Herald
Saturday 6/12/2008
Page: 48
Section: Business News
Region: Sydney Circulation: 347,299
Type: Capital City Daily
Size: 955.49 sq.cms.
Published: MTWTFS-

answer is to improve the quality and frequency of communications with investors.

Wells says that good communication should be easily accessible to investors; available across a wide range of channels, including emails and newsletters; centralised (and therefore consistent); and it should convey clearly what the fund manager or super fund are doing, right now, to help investors through the minefield.

Communication needs to be candid. We are not afraid to be told what is going on. The endgame/Investment Trends research suggests that we would actually react positively to it, if more funds and managers had the gumption to do it.

The principal of Investment Trends, Mark Johnston, says the aim of the research was "to get a feel for what investors are up to [and] how they are reacting to the crisis". The research was conducted at the end of November, right in the thick of the turmoil.

It identified one group in particular who are clearly more concerned about this financial crisis than most: investors who are close to retirement, who have significant sums invested but who have relatively low incomes and who therefore have a limited ability to recover from recent losses.

Johnston says the research also found that most of us are nevertheless sticking to our guns. Despite a high level of concern, and the fact that 40 per cent of respondents say the crisis has had "a significant effect" on the value of their investments, the majority have not (yet) sold a lot of assets.

Furthermore, about equal numbers (about 35 per cent) say they won't make any more investments "until things settle down" as say they are already buying shares that they think are undervalued.

"People are polarising: they are either keeping to the sidelines or they are more likely to be engaged in buying assets that they believe to be undervalued," Johnston says.

Reassuringly, perhaps, about 40 per cent say their long-term plans are not affected by the current crisis. Even so, when plans are being formulated, fund managers, super funds and financial planners are largely being bypassed in favour of the internet and daily newspapers.

Opinions of the media's reporting of events is mixed: 33 per cent say reporting is "somewhat" exaggerated and 6 per cent say it is "greatly" exaggerated; 38 per cent say it is "somewhat" accurate and 3 per cent say it is "very" accurate.

But even so, more people turn to the papers than turn to financial planners for information. And, more worryingly still for financial planners, Johnston says, is that even among those investors who already use the services of a planner, only 30 per cent consider the planner to be the primary source of information and advice on what to do.

The news is no better – in fact, it is arguably worse – for fund managers: Johnston says that 42 per cent of investors in managed funds "agree with the statement that 'I no longer trust fund managers'".

On top of that, 60 per cent of us would switch funds without first consulting the fund manager or super fund in question. In other words, a large number of existing investors have lost faith and the first inkling that fund managers and super funds will have of this dissatisfaction will be when investors either switch funds or withdraw money.

Not all of the fund managers are performing equally poorly.

The Investment Trends research identified Vanguard Investments, Commonwealth/Colonial First State, BT/Westpac and Platinum Asset Management as doing an exemplary job of keeping investors informed and on top of changing developments.

A substantial number of investors believe the current crisis has been caused by the greed of people who work in financial markets. Eighty per cent think the crisis is being driven by fear, not by fundamentals.

Wells says investors' preferred method of communication is regular updates, supplemented by bulletins as and when warranted by developments. But the information must be timely, it must be accurate and it must not sugarcoat the real situation.

Exactly what message needs to be conveyed, and how, depends on what type of investor is being targeted (see box: "What kind of investor are you?").

Customer loyalty is being destroyed by the failure of finance professionals to keep us informed, writes **Simon Hoyle**.

MEDIA MONITORS


Investing
Don't care about us? OK, we're leaving
Puff, the tragic dragon, lurks behind every new hedge fund
Executive reach, the best.

Sydney Morning Herald
Saturday 6/12/2008
Page: 48
Section: Business News
Region: Sydney Circulation: 347,299
Type: Capital City Daily
Size: 955.49 sq.cms.
Published: MTWTFS-

What kind of investor are you?

DO YOU agree or disagree with the following statements?
1. It is important to stick to your investment strategy, stay calm and think long term.
2. This current environment is just another downturn that will inevitably rebound.
3. Recent market falls are largely driven by fear and lack of trust, not underlying value.
4. Governments around the world are taking extraordinary measures to address the crisis.
5. The foundations of the Australian economy are sound and will help buffer Australian investors.
6. The greed of people who work in financial markets is to blame for the current financial crisis.
7. I no longer trust fund managers and will invest directly in the future.

▶**Optimist**
Agree: This current environment is just another downturn that will inevitably rebound.
Agree: It is important to stick to your investment strategy, stay calm and think long term.

▶**Pragmatist**
Agree: Recent market falls are largely driven by fear and lack of trust, not underlying value.
Disagree: It is important to stick to your investment strategy, stay calm and think long term.

▶**Pessimist**
Disagree: Governments around the world are taking extraordinary measures to address the crisis.
Disagree: This current environment is just another downturn that will inevitably rebound.

▶**Realist**
Disagree: I no longer trust fund managers and will invest directly in the future.
Disagree: The greed of people who work in financial markets is to blame for the current financial crisis.
Agree: Governments around the world are taking extraordinary measures to address the crisis.
Disagree: Recent market falls are largely driven by fear and lack of trust, not underlying value.

▶**Blamer**
Agree: I no longer trust fund managers and will invest directly in the future.
Agree: The greed of people who work in financial markets is to blame for the current financial crisis.
Agree: The foundations of the Australian economy are sound and will help buffer Australian investors.

▶**Doomsayer**
Disagree: The foundations of the Australian economy are sound and will help buffer Australian investors.
Source: Investment Trends