Cash is still king for advisers

6 July 2009 | by Liam Egan

Funds manager **Perennial Investment Partners** believes advisers remain reluctant to encourage their clients to invest outside of cash since it conducted research on investor and planner sentiment late last year.

Perennial head of retail funds Brian Thomas said advisers are "still pandering too much to their clients' investment fears despite the (equities) market having picked up this year".

The original research, conducted late last year by Investment Trends for Perennial, found many advisers were waiting for a clear catalyst of market or economic recovery before encouraging their clients to invest.

It found only 8 per cent of the advisers surveyed looked to their own advice as the catalyst to invest, while more than 60 per cent were looking for a clear catalyst of recovery.

"My main concern is that advisers could be depriving those investors comfortably sitting in cash of the potentially strong returns that characterise the early stage of a market recovery," Thomas said.

"The previous 10 Australian bull markets reveal that two-thirds of returns experienced in the first year after the market has bottomed typically come in the first six months."

Lonsec general manager of research Grant Kennaway said advisers were "looking for signs of a more sustainable economic recovery before they would commit themselves to the market".

"I don't think they're waiting for the markets to run too hard but they are looking for signposts of positive economic data – particularly out of the US – and to date these have been a bit mixed."

He said another key factor is that reporting season would occur through late July and August, and "people are waiting anxiously to see the type of profit results Australian companies generate".

Michael Hutton, partner at advice firm HLB Mann Judd, said its clients with high cash allocations were being advised to "cautiously increase" their allocation to shares.

"Where we have clients in cash over and above the allocation we think they should have, we are encouraging them to start feeding it back into the market.

"However, we're suggesting they drip feed it in rather than put it in a lump sum because of the nervousness that remains out there in the share market," he said.

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