

MEDIA RELEASE

Half of QLD's wealthiest want more investment advice

Australia's wealthiest investors: new report gives the who, the what - and the 'where now'

Sydney, 20 May 2010: With market volatility again taking hold of the global financial scene, the release of the inaugural Investment Trends / Centric Wealth High Net Worth Investor Report provides some timely insights into the investment habits of Australia's 300,000 millionaires.

The online survey of over 1,600 HNW individuals (those with portfolios valued over \$1 million) was conducted between November 2009 and January 2010. Extracts from the resulting report were released at a co-hosted Investment Trends / Centric Wealth event today. Principal of Investment Trends, Mark Johnston, unveiled a range of findings that provide insight into the changing mood and behaviour of investors following the GFC.

The report comes at a time when the future shape of the industry in general, and advice in particular, remains the subject of intense scrutiny and speculation ahead of the 2012 Future of Financial Advice (FFA) reforms.

Centric Wealth's CEO, John McMurdo, who presented the advice-related aspects of the report, said that its findings presented a clear vision of the way ahead for the wealth management industry and highlight the need for it to hasten its steps toward gaining recognition as a true profession.

"There is a clear preference among these educated investors for receiving quality advice from expert advisers who are independent professionals, and not institutionally aligned. Clients have a clear and fundamental expectation of integrity, impartiality and that their needs will come first," said McMurdo, who has welcomed the Government's proposed FFA changes and, in particular, the elevation of the adviser client relationship to fiduciary status."

Queensland findings

The state-specific report findings show that HNW investors in Queensland make use of notably more advisers (1.8 adviser types) than the other states – New South Wales / Australian Capital Territory (1.4) and Victoria (1.5). They also have maintained their primary adviser relationship for a longer period – eight years, on average – in contrast to the other states' average of seven years.

When it comes to customer satisfaction, QLD HNW investors are most impressed with: an adviser's accessibility, ability to explain concepts, and technical knowledge. Relative to HNW investors from other states, they are more satisfied with an adviser's ability to explain concepts and value for money.

Almost half of QLD HNW investors state they desire additional advice beyond what they are already receiving and, on average, investors tend to be interested in three additional areas – though these areas vary. Among the most common additional advice areas are: borrowing within super, ETFs, hedging currency risk and super choice.

When asked for the top three things that they expected in a financial adviser, answers included:

- Honesty
- Expertise
- Integrity

- Detailed knowledge of investment products
- Good communication
- Experience

Relative to HNW investors from other states, Queenslanders are more likely to expect value for money, experience, good communication, good investment and track record.

Australia-wide findings

The Australia-wide research findings show that high net worth (HNW) investors (those with portfolios valued over \$1 million) are feeling more adventurous than during the GFC, with only 14% saying they are still accumulating cash while waiting for volatility to recede, versus 40% in December 2008. Half (52%) say they are buying undervalued assets on an opportunistic basis, compared to 42% in 2008. Some are also more focused on diversifying their portfolio than they were before (10%) and 11% plan to sell defensive investments to focus on higher growth opportunities, versus 8% moving in the opposite direction.

Speaking at today's event, Mr Johnston said: "A similar survey in 2008 has given us valid points of comparison between trends at the height of the GFC and those that were evident once the recovery was well established. The events of the GFC also gave rise to some additional questions that we hadn't asked previously. These related both to investors' intentions to invest in complex products; and their plans in relation to growth or higher risk assets."

The report states that, while around half, or 53%, of those surveyed held some form of alternative investment, these formed a relatively small part of their total portfolios, averaging at around 6% of all HNW investors assets overall (that is, 12% among the half who used them).

"We were interested in gauging investor attitudes toward specific products that were implicated in some of the more dramatic crashes and downturns," said Mr Johnston. "Those definitely out of favour post GFC include agribusiness and mortgage trusts. However, demand for alternatives more broadly is returning, with HNW investors saying they would be comfortable allocating a maximum of 12% of their portfolios to non mainstream assets at this juncture, up from a ceiling of 10% during the GFC."

Some of the areas that look set for growth include:

- exchange traded funds (ETFs): 8% of all HNW investors are currently evaluating an investment here
- commodities funds (7%)
- and even contracts for difference (CFDs) (7%)

The research also explored HNW investors' attitudes to their advisers, how and from whom they receive advice, and what they expect from their adviser relationship.

"Monitoring trends in this way offers valuable insights into investor behavior, what the industry in general can expect and how advisers can be more prepared to meet HNW client needs, in terms of both product knowledge and the level of service they provide," said Mr Johnston.

It also provided geographical breakdowns that show some interesting differences – and similarities – between investors from different states.

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ABOUT INVESTMENT TRENDS

Investment Trends is the leading specialist market research organisation in the Australian retail investment industry. We provide new insights and decision support information to over 100 leading financial services businesses in four countries. We combine analytical rigour and strategic thinking with the most advanced research and statistical techniques to help our clients gain competitive advantage.

Investment Trends' clients include regulators, all of the top five Australian banks, top ten investment platform providers, top six online brokers, as well leading margin lenders, dealer groups, financial planning software providers and other risk and investment product providers.

ABOUT CENTRIC WEALTH

[Centric Wealth](#) is Australia's leading high-end wealth advisory group, focusing on the financial needs of clients in Sydney, Melbourne, Brisbane and Canberra.

It has approximately \$5 billion in assets under advice (AUA) with a network of advisers across financial planning, risk insurance, corporate benefit services, lending, accounting and business advisory, general insurance and family office services. The firm also has services in administration, private capital and private investment solutions.

The group has one of the highest AUA per adviser, but with one of the lowest number of clients per adviser in the Australian financial planning industry.

The name Centric Wealth embodies the firm's core value of having clients' interests as a central focus.