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Capital protected still providing opportunities

Spike in investor, adviser interest

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Greater education on the capabilities of capital-protected products is needed after an industry report found many investors are unaware the investment product could provide access to asset classes such as Australian equities.

Independent research house Investment Trends found 35 per cent of investors surveyed in its Capital Protected Products report said they would like to access Australian equities through capital-protected products but believed they were unable to.

The report found 24 per cent of investors believed they were unable to access international equities through capital-protected products, with 14 per cent believing they had no access to emerging markets and 14 per cent stating they had no chance to access property.

The report, commissioned by Macquarie Bank, also found out of those investors currently using capital-protected products, 43 per cent indicated the reason for their interest in the sector was based on a need for diversification.

"A lot of the time with these products, we talk about them giving you access to things that you otherwise cannot access," Macquarie Bank head of distribution Irene Deutsch said.

"But the fact of the matter is that most of the products in the marketplace have an exposure to Australian equities, so I just think it's something that just hasn't clicked in someone's mind or they haven't used it before to get that exposure - having said that, we still get a lot of our investments coming in that are investing in Australian equities."

The report also found investor confidence in seeking financial advice had steadily increased since 2008.

In 2008, only 13 per cent of investors used an adviser to advise them on investing with capital-protected products, with the number increasing by 3 per cent to 16 per cent in 2009 and jumping to 23 per cent in December last year.

The report found there were currently 4500 financial planners using capital-protected products for client investments, with 2000 planners considering using them.

It also found there were 50,000 Australian investors invested in the products and they had an average of \$150,000 invested in the products, a figure that accounted for 10 per cent of total funds invested in alternatives.

The report also found there was a pool of about 40,000 investors considering an investment in the products.

The survey was conducted between November 2010 and December 2010 and included responses from close to 8000 people.

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