

2015 First Half Australia Trading Behaviour Survey

Highlights from the Investment Trends 2015 First Half Australia Trading Behaviour Survey

Investment  Trends

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Highlighted Findings

Survey concluded: June 2015
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Thank you

Thank you again for taking part in our 2015 First Half Australia Trading Behaviour Survey.

Your responses, together with those of other investors, provide a valuable insight into the current state of the Australian investment landscape. The resulting research will help stockbrokers and other providers create products and services better suited to your needs.

The 2015 First Half Australia Trading Behaviour Reports provide a detailed portrait of Australia's sophisticated population of active share investors and CFD traders. Many key findings are highlighted in this extract, including some fascinating insights into the behaviour of your fellow investors.

I hope you find it interesting.

Yours sincerely,

Mark Johnston
Principal
Investment Trends
Suite 2102, Goldfields House
1 Alfred Street
SYDNEY NSW 2000
Australia

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About Investment Trends

Investment Trends is a specialist research organisation which provides new business insights and decision support information to many leading financial services organisations. We combine analytical rigour and strategic thinking with the most advanced market research and statistical techniques to help our clients gain competitive advantage.

Investment Trends is headed by Mark Johnston. Mark has been a leading industry analyst in the brokerage, CFD, FX and wealth management industry since 1999.

Investment Trends was started in Australia and is now a multi-national research organisation servicing clients in Australia, Asia, Europe and the US.

Our work is focused on helping clients answer three fundamental questions:

- 1. How does the market currently work?**
- 2. How is the market evolving?**
- 3. How do I improve business outcomes:**
 - Acquire more customers
 - Retain more existing customers
 - Increase revenue per customer
 - Prioritise technology and process investments

Investment Trends' clients include many of the leading banks, investment platform providers, online brokers, FX and CFD providers, as well as major industry regulators.

Methodology and scope

The 2015 First Half Australia Trading Behaviour Survey examines the trading behaviour of Australian online investors and traders. The report is based on a detailed online survey of Australian online investors concluded in June 2015.

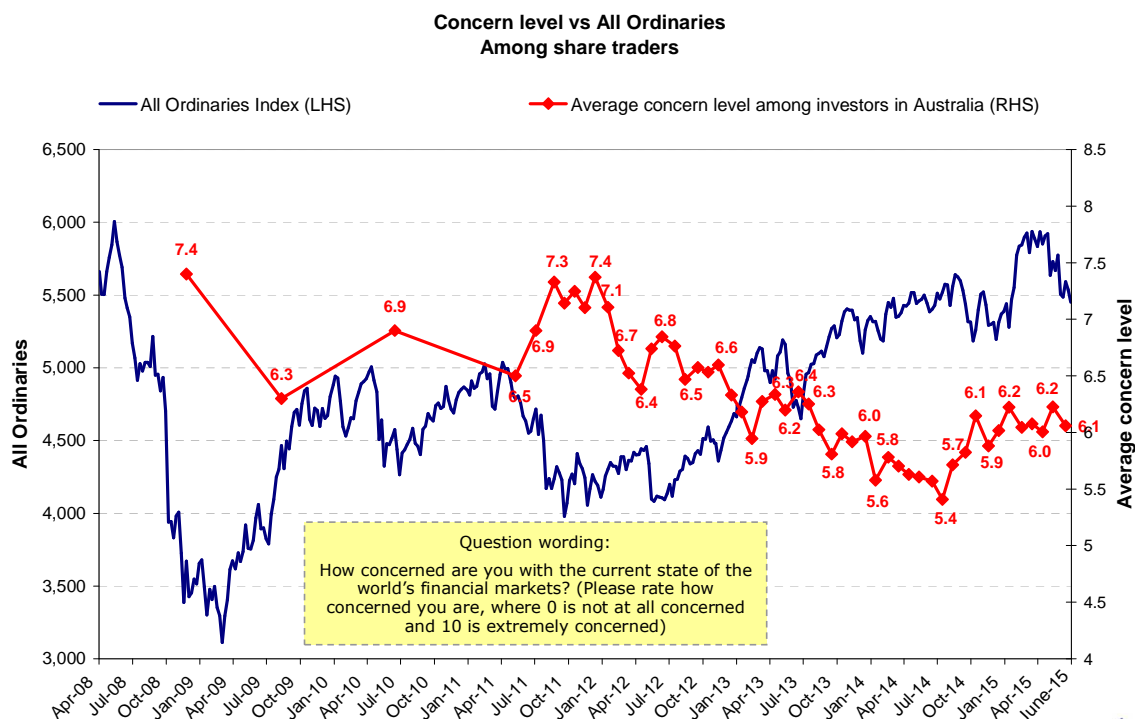
A total of 15,024 valid responses to the survey were received after data cleaning and de-duplication.

Investor concern levels

Investor concern levels remained steady during the first half of the year

Share investors' sentiment remained stable during the first half of 2015, despite the bull market run in Q1 and subsequent correction triggered by worries over China and Greece. The average concern level hovered between 6.0 and 6.2 (out of 10) during the six months to June 2015.

Investor concern levels have not been materially affected by the recent bull market and correction



Source: June 2015 Investor Intentions Index Report

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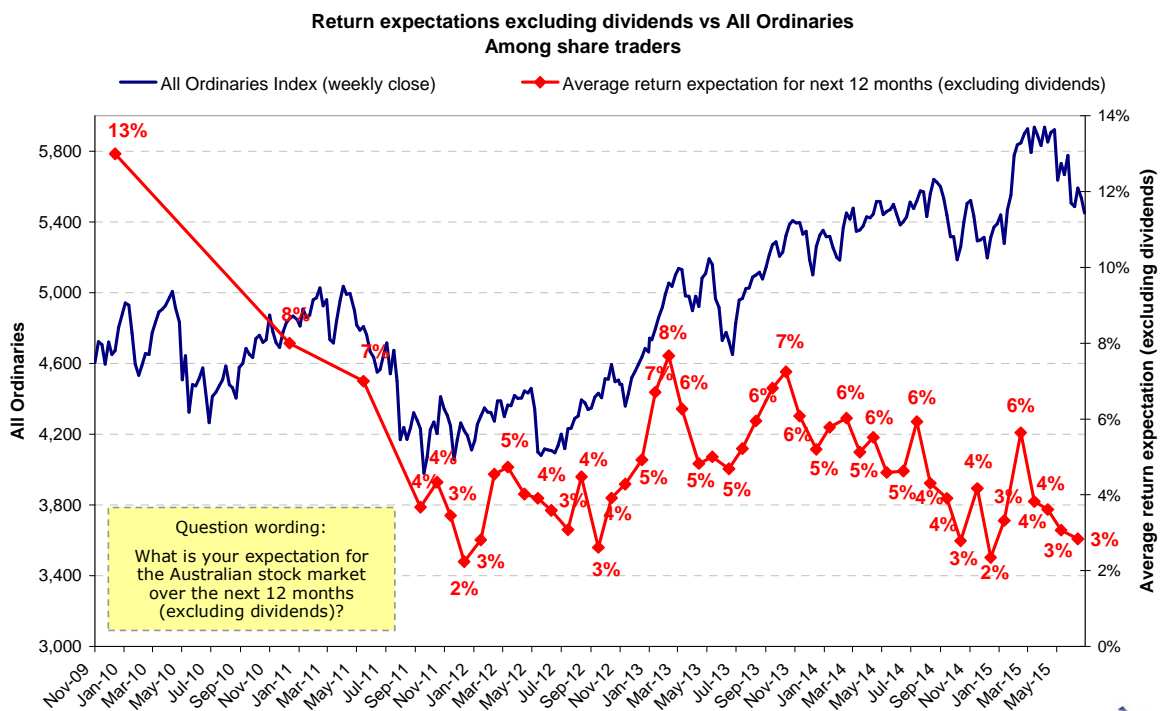
Capital gains expectations

In June 2015, Australian investors expected an annual return of 3% from the share market on average

In the first half of 2015, average return expectations (excluding dividends) on stocks were back to tracking actual market performance after being disconnected from the growth of the ALL ORDS index from mid 2013.

Whilst capital gains expectations reached 6% in February 2015, they were back to 3% at the time the survey was conducted.

Capital gains expectations are back to tracking market performance, but remain stubbornly low



Source: June 2015 Investor Intentions Index Report
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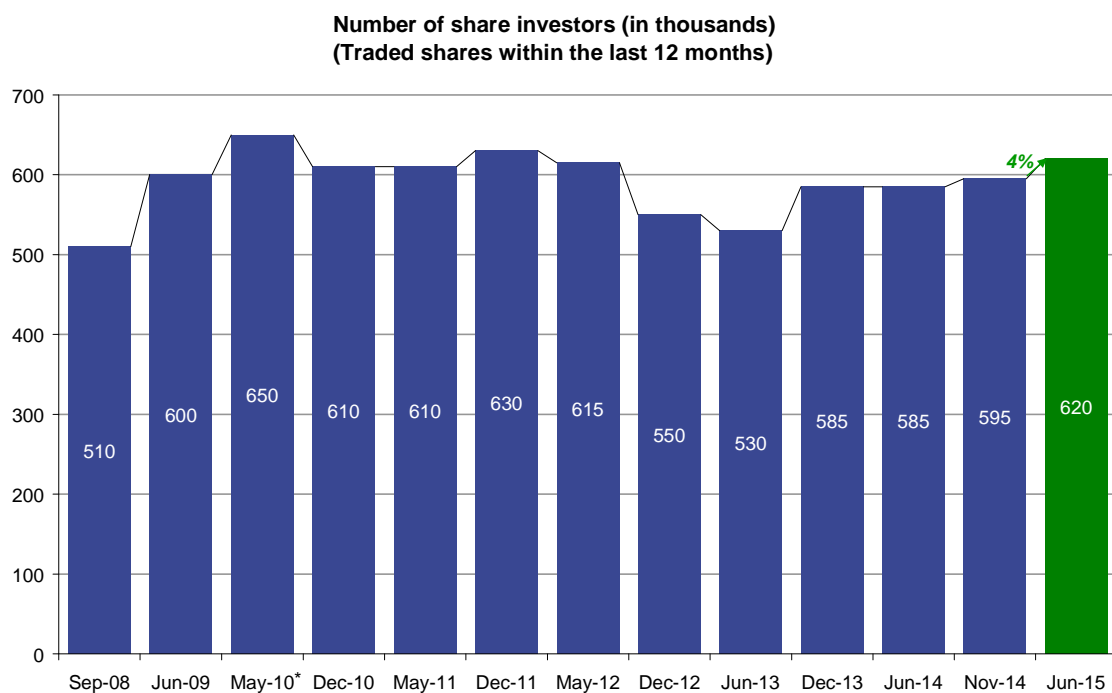
Online broking market size

Online share investor numbers grew from 595,000 in November 2014 to 620,000 in June 2015


The number of active share investors (those who placed at least one online trade through an Australian broker in the preceding 12 months) has tracked upwards since June 2013.

In the seven months to June 2015, the active investor population grew by 4% pts from 595,000 in November 2014 to 620,000 in June 2015.

The number of online investors increased by 4%, with 620,000 Australian investors placing at least one online share trade in the 12 months to June 2015



* Figures for 12 months to May 2010

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Reduced settlement cycle

Most traders say the reduced settlement cycle from T+3 to T+2 would not affect their trading

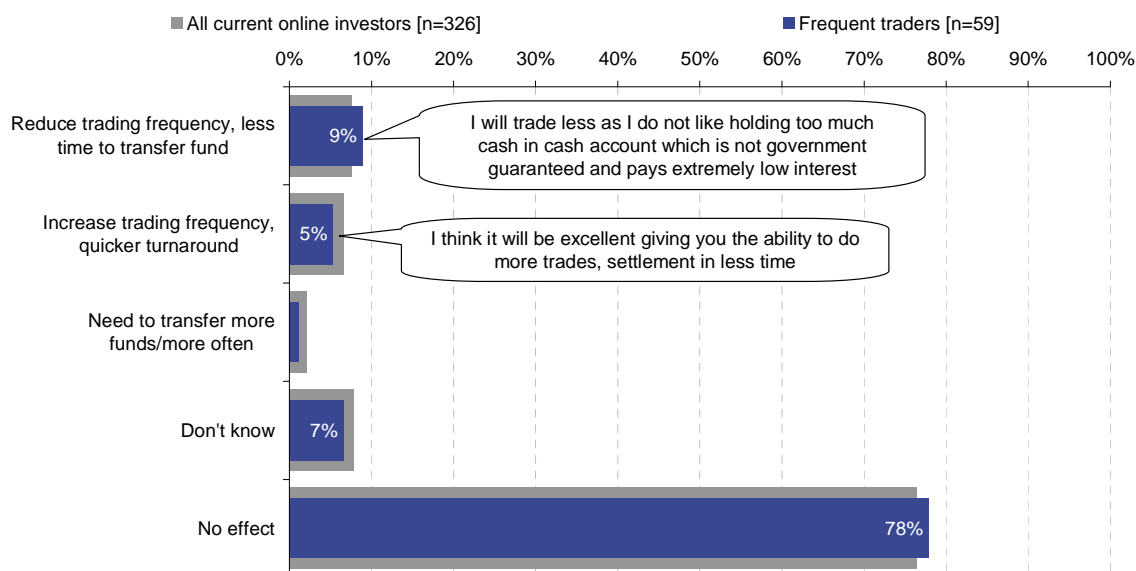
The majority (76%) of current online investors said the proposed reduced settlement cycle would not impact their level of trading at all.

9% of frequent traders would trade less often, while only 5% would increase their trading frequency further as a result of the change.

More than three out of four (76%) current online investors said the reduced settlement cycle from T+3 to T+2 would not affect their trading

Q126 How do you expect the proposed reduced settlement cycle from T+3 to T+2 will affect your level of trading? (Recoded from open-text responses)

Among those who selected their main broker due to availability of credit



Contacting potential brokers

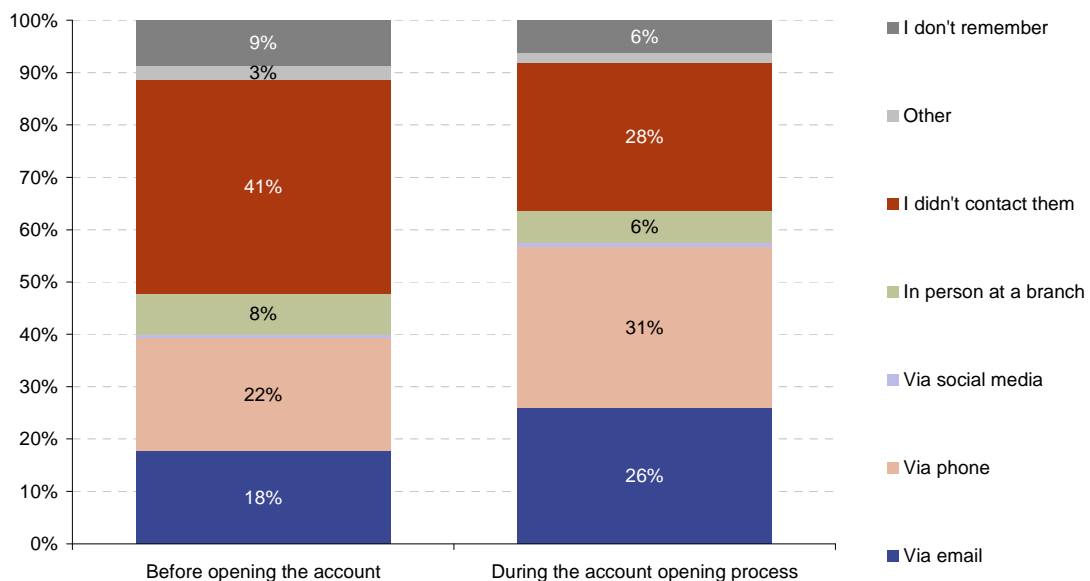
Investors are more likely to contact their next broker during account opening than before opening an account

Online traders who have used their current broker for less than 2 years are more likely to have made contact during account opening process rather than prior to making the decision to open an account. 48% of those traders contacted their broker before opening the account, while 64% of them did so during the account opening process.

Phone is the most popular method for online traders to contact their brokers. 22% of online broking clients contacted the broker they currently use via phone before opening account, whilst 31% of them made such contact via phone during the account opening process.

Online traders are more likely to contact their broker during the account opening process rather than before making the decision to open one

Q120 Did you contact [your main online broker] before opening your trading a/c, and if so, how? **Among those who have used their broker for less than 2 years [n=2305]**



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International shares

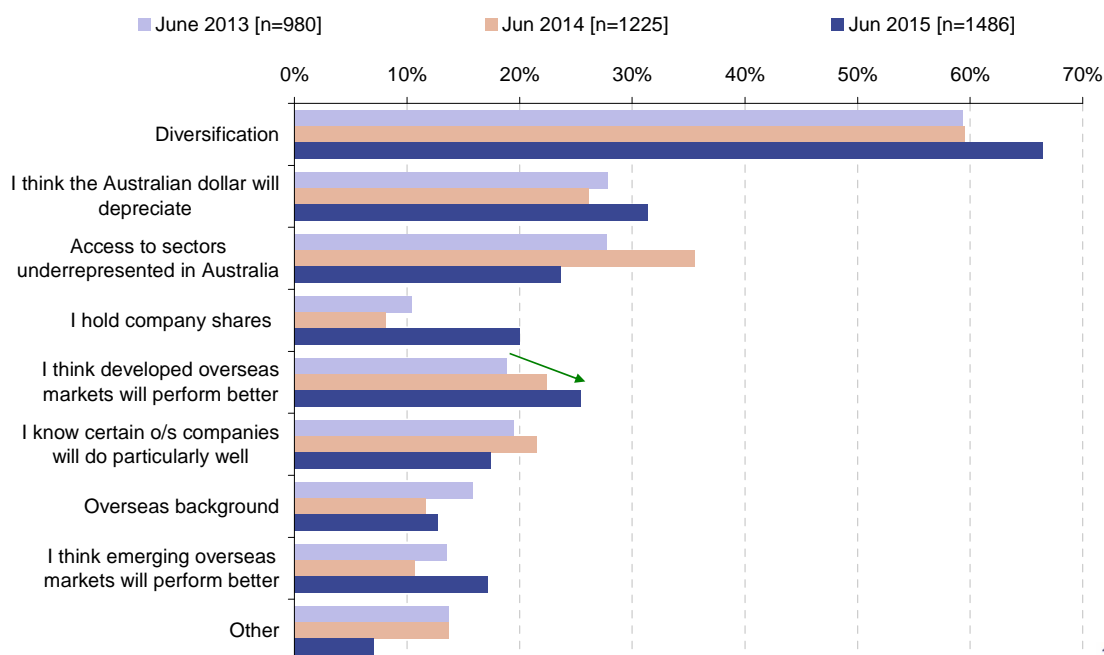
Diversification is the most common reason for trading international shares

Current online investors who hold international shares most often trade the asset class for diversification (66%, up 7% from 2014).

Compared to previous years, more online investors are trading international shares because they expect a better market performance from overseas markets (25%, up from 19% in 2013).

More online investors are trading international shares because they expect overseas markets to perform better

Q163 Why do you trade international shares? (Multiple responses permitted)
Among current online investors who hold international shares



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International exposure

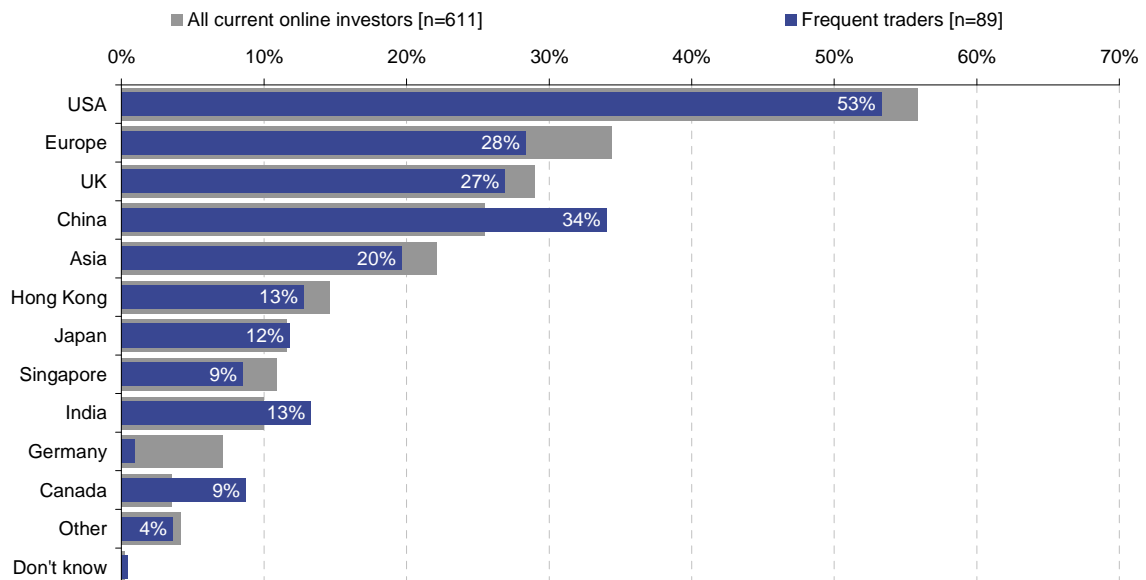
The US is the most desired market to gain international exposure for Australian online investors

Australian investors who want access to international shares most often point to the US (56%), Europe (35%) and the UK (29%) as being the most desired markets they would like exposure to.

Frequent traders are relatively more likely to ask for exposure to China (34%), India (13%) and Canada (9%), with China being their second most desired overseas market.

Those who asked for access to international shares indicated they would prefer exposure to the US, Europe and UK. Frequent traders were more likely to be interested in Chinese, Indian and Canadian stocks

Q137 Which specific overseas markets would you like to have access to?
(Recoded from open-text responses) **Among current online investors who would like access to overseas markets**



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Familiarity with investment instruments

More online investors are familiar with FX trading

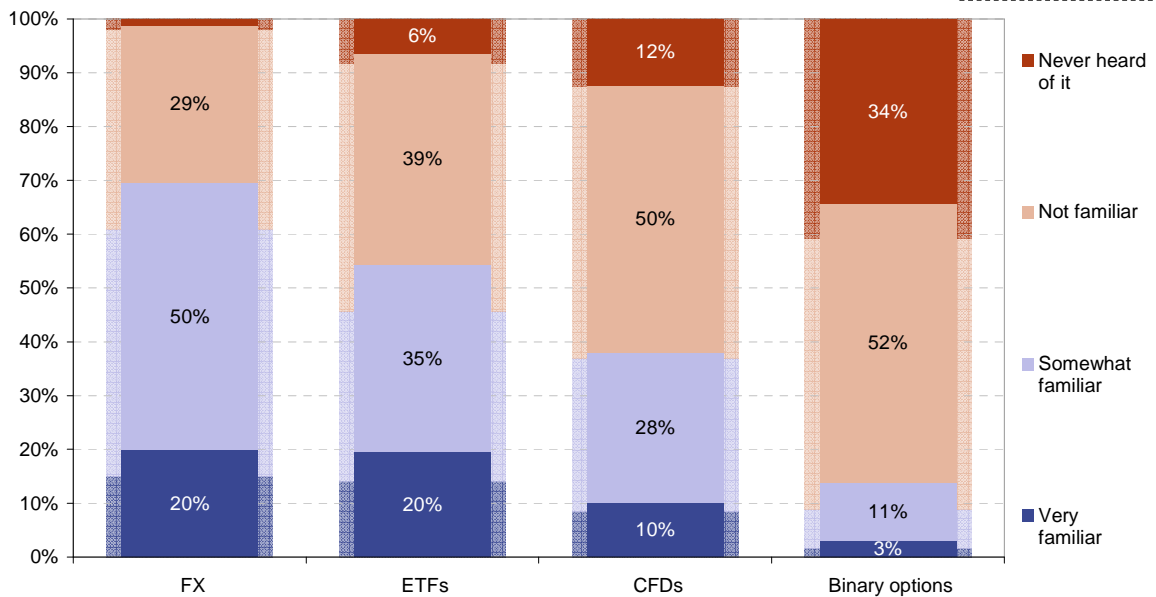
Post Swiss Franc crisis, 70% of online investors say they are familiar with FX trading (up from 61% in November 2014). 55% (up from 45%) are familiar with ETFs and 38% (up from 36%) are familiar with CFDs. Only 14% know about binary options (up from 9%).

A larger proportion of online investors report being familiar with FX (70%, up from 61% in November 2014). 38% are familiar with CFDs

Q3 How familiar would you say you are with the following instruments?

Among current online investors [Jun 2015: n=9968; Nov 2014: n=6527]

Background represents Nov 2014 results



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CFD market size

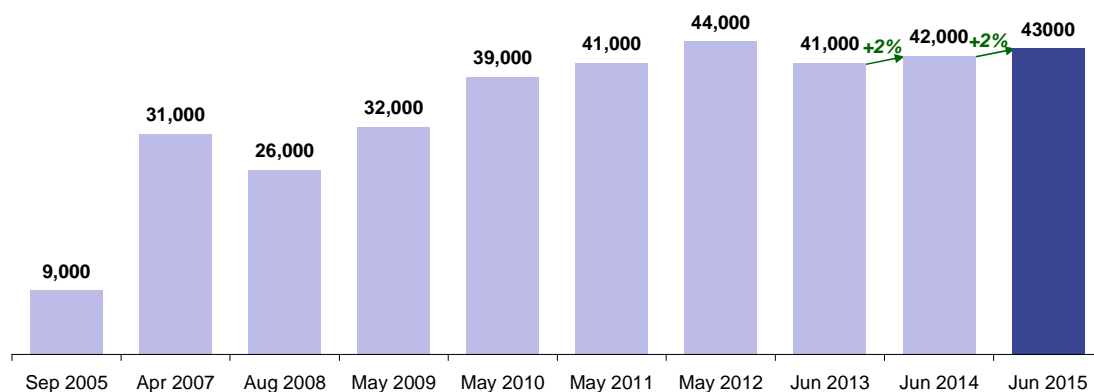
The Australian CFD market expanded by 2% pts in the last 12 months

As at June 2015, 43,000 people placed at least one CFD trade in the preceding 12 month period, up 2% pts year on year.

Spikes in volatility in the past year have sustained the growth for the second year running.

The number of active Australian CFD traders continued to increase slightly, edging closer to 2012 levels

Market sizing: Current traders (traded within last 12 months)



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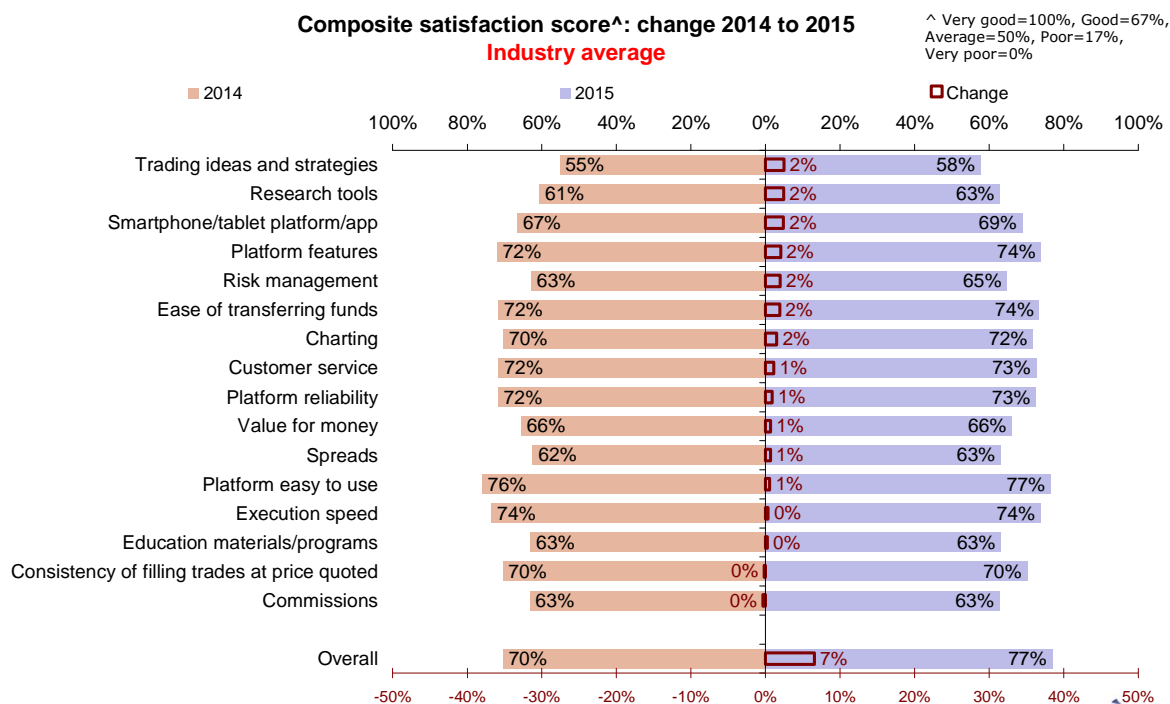
CFD trader satisfaction

CFD traders were more satisfied than a year ago

CFD traders reported being more satisfied with most service elements measured compared to a year ago. Their overall composite satisfaction score was 77%, up from 70% in 2014.

Trading ideas and strategies, research tools, smartphone/tablet platform/app, platform features, risk management, ease of transferring funds and charting increased the most in satisfaction ratings compared to 2014.

Industry-wide, CFD traders were more satisfied than a year ago with most service elements



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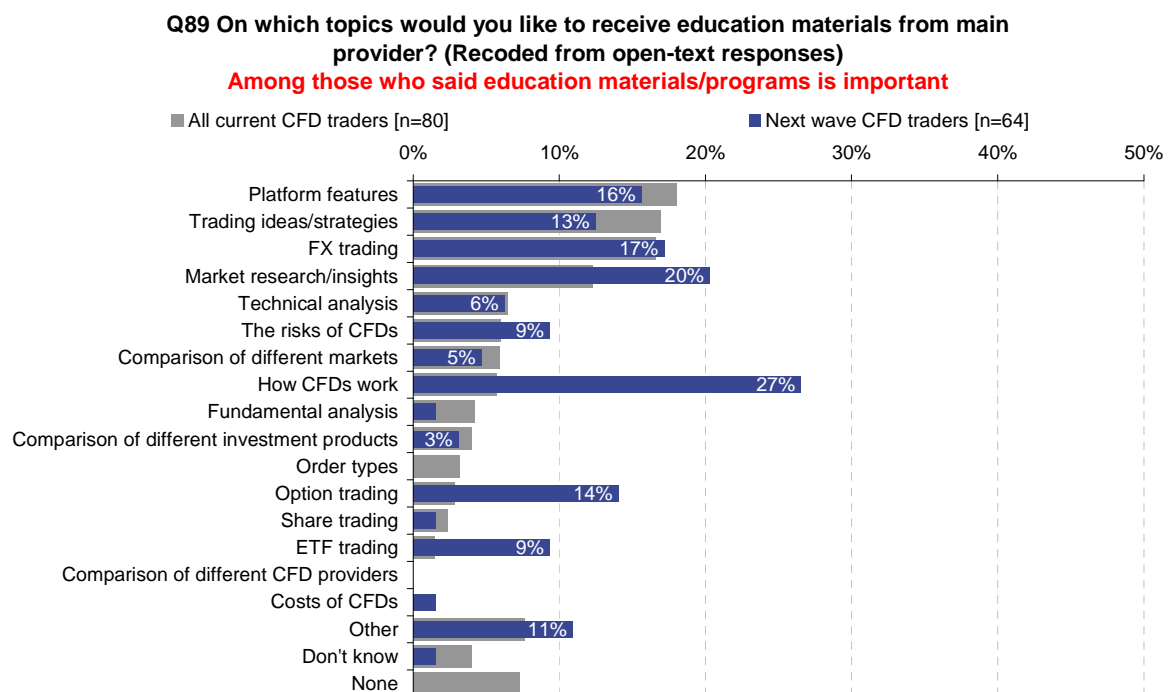
Education for CFD trading

Next wave CFD traders would like access to introductory information on how CFDs work

Current CFD traders who say education materials/programs is important when choosing a provider most often point to platform features (18%), trading ideas (17%) and FX trading (17%).

Next wave traders (those who intend to start trading CFDs within the next 12 months) are relatively more likely to look for basic information on how CFDs work (27%), market insights (20%) and option trading (14%).

Next wave CFD traders who said education materials are important would like more information on how CFDs work (27%) and market research/insights (20%)



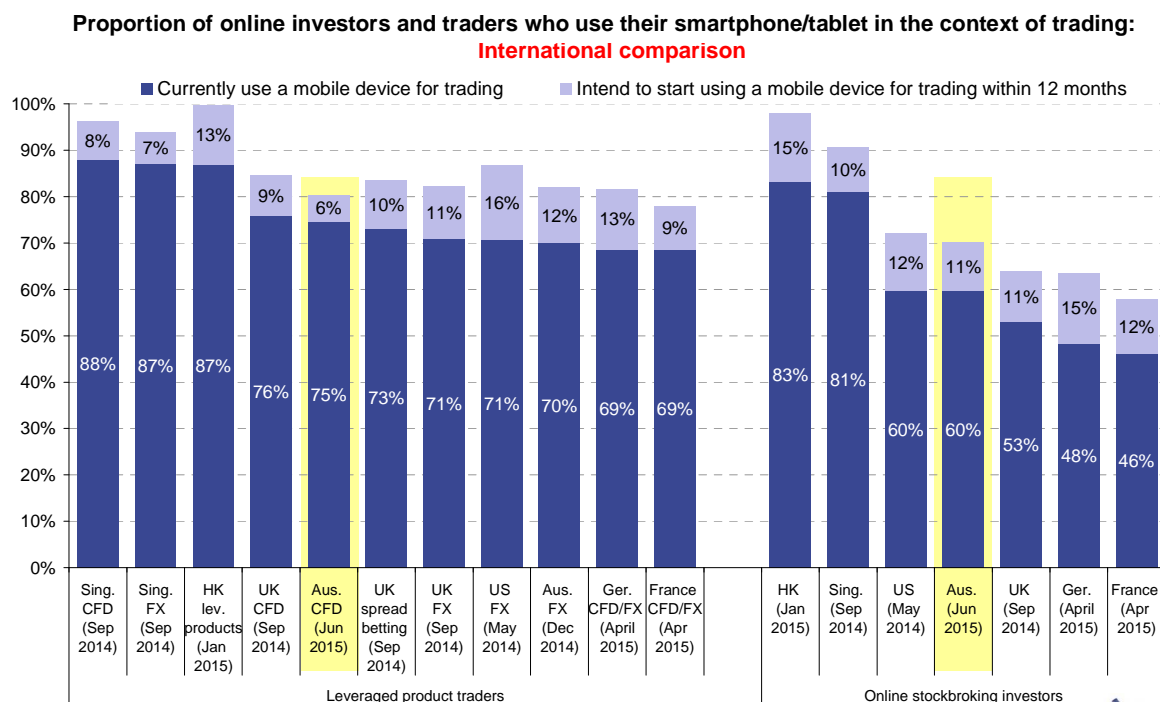
Smartphone usage

75% of Australian CFD traders use a mobile device for trading versus 60% among online share traders

Among seven key leveraged trading markets studied by Investment Trends, Singapore is the country with highest penetration of mobile devices (88%) among CFD/FX traders, while Hong Kong has the highest proportion of ‘mobile’ share investors (83%).

Australian investors have a moderate level of smartphone usage, with 75% of CFD traders using a mobile device in relation to their trading and 60% of online share investors doing so.

Australian investors and CFD traders had a moderate level of smartphone usage among the seven key leveraged trading markets studied by Investment Trends



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Investment Trends Pty Limited
ABN: 14 107 485 656
ACN: 107 485 656
Suite 2102, Goldfields House
1 Alfred Street
SYDNEY NSW 2000
Australia
Phone: +61 (0) 2 8248 8000
Fax: +61 (0) 2 8248 8088
E: sales@investmenttrends.com.au
www.investmenttrends.com.au

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