



Thank you

Thank you again for taking part in our 2016 Second Half Australia Trading Behaviour Survey. Your participation provides valuable insights into the attitudes and preferences of Australian investors, helping financial institutions create products and services better suited to your needs.

The 2016 Second Half Australia Trading Behaviour Survey provides a detailed portrait of Australia's sophisticated population of active share investors and FX 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
Executive Chairman and Founder

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Methodology & scope

The 2016 Second 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 November 2016.

A total of 13,409 valid responses to the survey were received after data cleaning and de-duplication.

About Investment Trends

Investment Trends is a specialist research organisation that 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 is an Australian company that has grown into a global research organisation servicing clients in Australia, Asia, Europe and the United States.

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 customer outcomes:
 - o Increase customer satisfaction
 - o Develop the products investors want
 - o Introduce tools and services necessary to enhance the customer experience
 - o Use technology to engage and support investors

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

Capital gains expectations

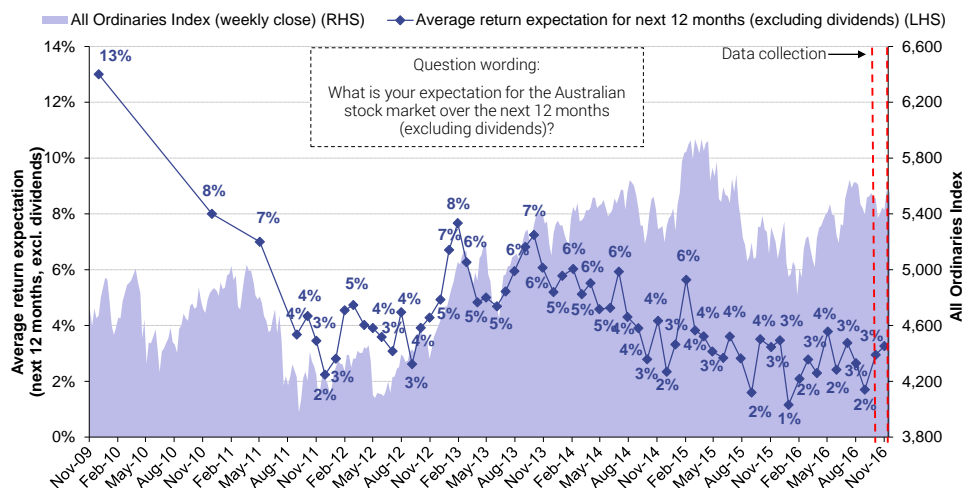
Capital gains expectations have recovered since the beginning of the past year

Since the first half of 2016, average return expectations (excluding dividends) on stocks have consistently trended down, but remain above the prevailing cash rate.

At the time this survey was conducted, investors' average return expectations for the forward-looking 12 month period stood at 3%.

Average capital gain expectations have been trending downwards since 2013, but remain much higher than the cash rate

**Average stock market expectations for the next 12 months (excluding dividends) vs All Ordinaries Index
Among Australian online share investors**



Source: 2016 Investor Intentions Index Report

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Areas of concern

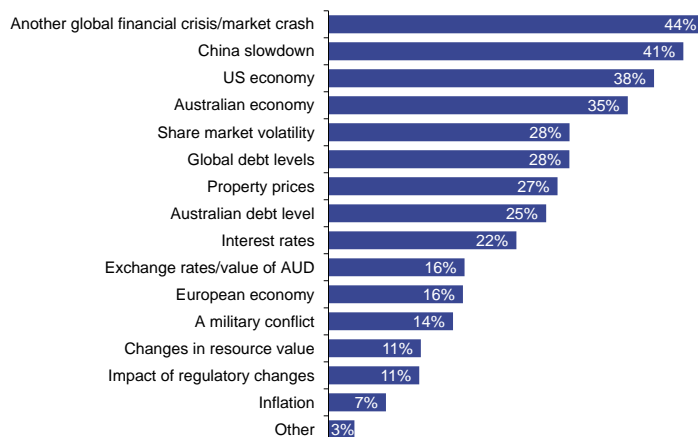
Another global financial crisis/market crash rates topmost among investors' concerns

Almost half (44%) of current online investors say another financial crisis is their topmost concern, followed by China slowing down (41%) and the US economy (38%).

Just over a third of online investors (35%) are concerned about the Australian economy.

An impending global market crash, China slowdown and the US economy are the top three concerns investors have

Q3 What are you most concerned about in relation to your investments? (Multiple responses permitted)
Among all current online investors [n=8169]



Market size

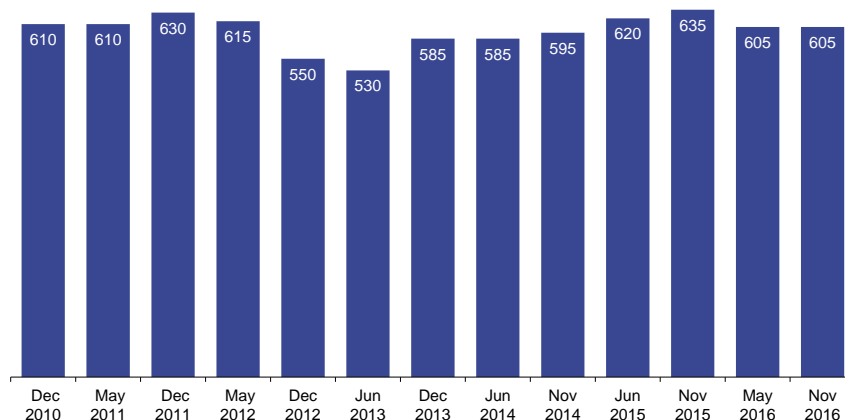
Retail participation remains steady

An estimated 605,000 Australian investors placed at least one online share trade in the 12 months to November 2016.

Australian online investor numbers have hovered within a bracket between 530k and 635k in recent years, and are still on par with post-GFC levels.

**Retail online share trading activity has largely remained steady since the GFC.
605,000 unique individuals traded shares online in the 12 months to November 2016**

Market dynamics (in thousands) May 2010 to Nov 2016



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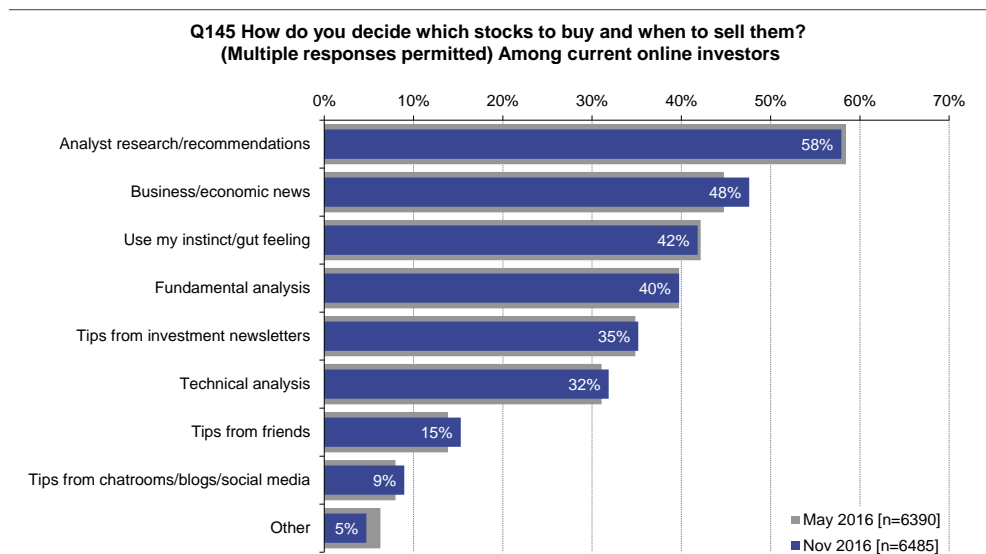
Investment decisions

Investors rely on analyst research to choose investments

Almost three out of five (58%) current online investors use analyst recommendations to make their investment decisions. Compared to six months ago, they are somewhat more likely to rely on business/economic news to decide on their trades (48% cite, up from 45% in May 2016).

Instinct and gut feel remain an important component of the decision making of Australian investors (42% cite, steady).

Online investors primarily use analyst research and business/economic news to make their investment decisions



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Education needs

Investors want to be educated on fundamental analysis, common mistakes and strategies

Four out of five online investors need more information and education about online investing. Consistent with how they make their investment decisions, they most often point to fundamental analysis as an education gap (37% cite).

Learning about common mistakes (33%) and investing strategies (33%) are tied second most common gaps, followed by share trading ideas (29%).

Fundamental analysis, common mistakes made by investors, and investing strategies are the top three areas investors would like more information about

Q183 What types of information would be very useful to you regarding online share investing? (Multiple responses permitted) Among all current online investors [n=5034]



Product use

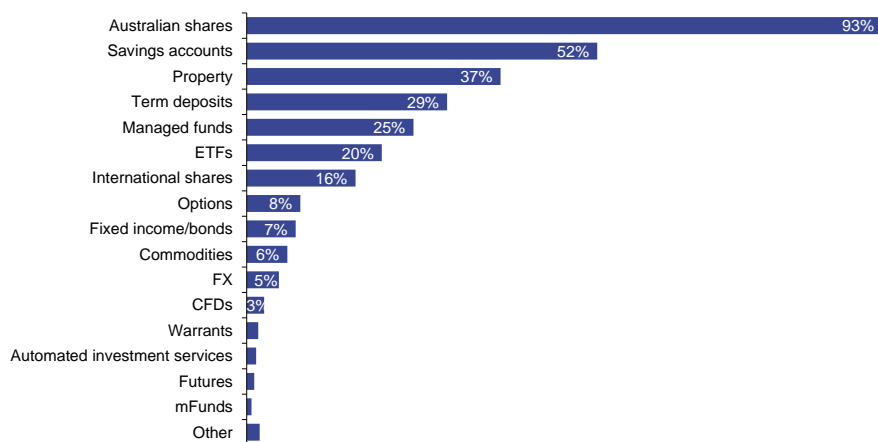
One in five online investors use ETFs

Nearly all Australian online investors invest in domestic stocks (93%). Aside from savings and other fixed-income type products, they also most often invest in property (37%), managed funds (25%) and ETFs (20%).

One in six (16%) of them hold international equities.

Apart from direct (cash) domestic stocks, Australian online investors most often use property (37%), managed funds (25%) and ETFs (20%)

Q80 Which of the following do you currently use for investment purposes? (Multiple responses permitted) Among all current online investors [n=8200]



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International shares

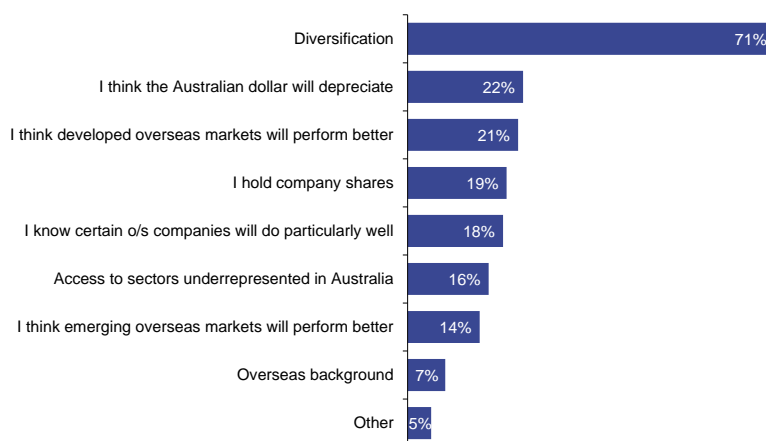
Risk diversification is the key driver for international share trading

An overwhelming majority (71%) of online investors holding international shares do so as a risk diversification strategy, making this by far the most cited reason for investing overseas.

Slightly more than one in five (22%) international share investors make a foreign currency trade with the view that the AUD will depreciate, while 21% have a bullish view of developed offshore markets.

Diversification is the chief reason why Australians invest offshore. A bearish outlook on the AUD is the second most common reason

Q87 Why do you trade international shares? (Multiple responses permitted)
Among current online investors who hold international shares [n=1741]



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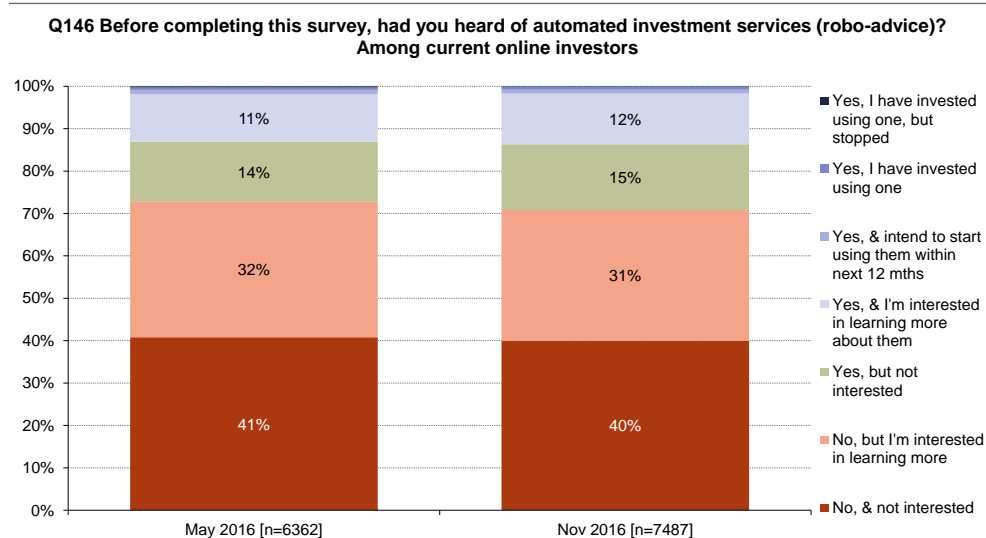
Automated investment services

Awareness of robo-advice is growing, but uptake remains low

A growing number of online investors are aware of robo-advice (29% cite, up from 27% in May 2016), but only 1% have invested using one.

There is however healthy interest in the product, with 31% of those unaware saying they would be interested in the concept.

Awareness of robo-advice is growing and there is healthy interest



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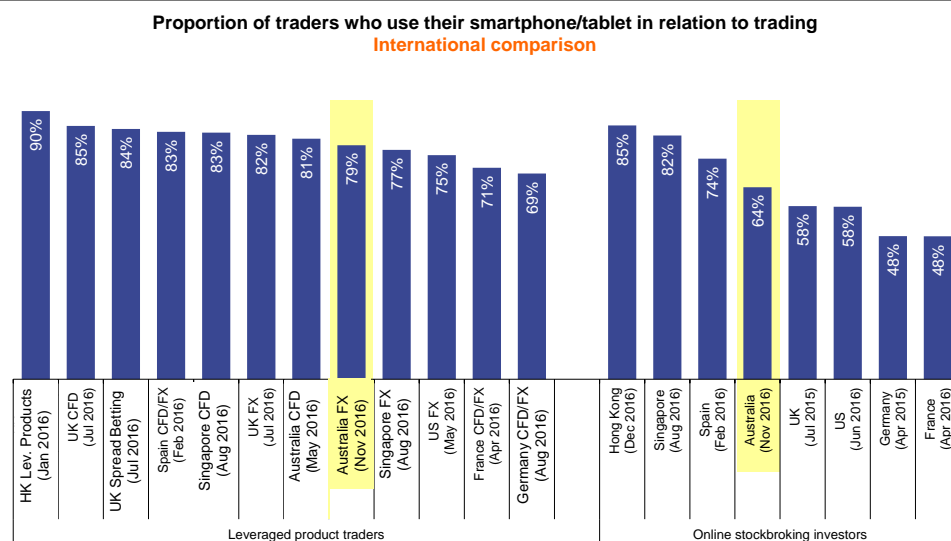
Smartphones/tablets

Australia ranks middle-of-the-pack on adoption

Among eight key markets studied by Investment Trends, Hong Kong is the country with highest penetration of mobile devices among leveraged product traders (90%) and online stockbroking investors (85%).

Australian investors have a moderate level of smartphone usage, with 79% of FX traders and 64% of online stockbroking investors using either a smartphone or a tablet in relation to their online trading.

Australia ranks middle of the pack on mobile usage in relation to online investing, among eight markets covered by Investment Trends



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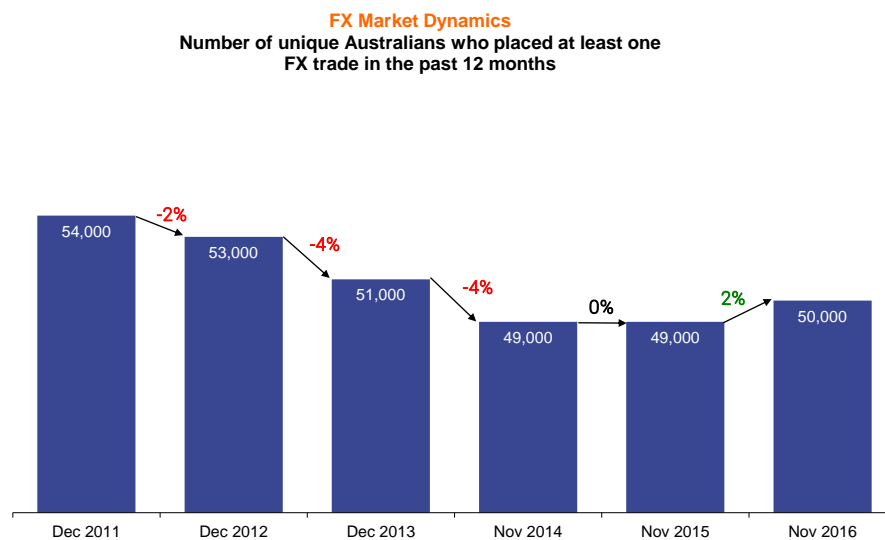
FX market dynamics

FX trader numbers grew by 2%

50,000 unique individuals placed at least one FX trade in the 12 month period to November 2016, up from 49,000 a year prior.

This is the first time growth was observed since the inception of this study in 2011.

Volatility finally stimulated the market, with the number of retail FX traders in Australia lifting for the first time since 2011



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Path to FX trading

Market volatility drives FX client inflows

High volatility on global equity markets often creates an environment conducive to leverage trading. More than one in four (27%) who started trading FX in the past 12 months (new traders) say increased market volatility prompted them to start.

Recommendations by a friend or relative is the second most common trigger to starting FX trading (23% cite), followed by attending a seminar (17%).

One in four new FX traders started trading due to recommendations from a friend or family member

Q18 What prompted you to start FX trading? (Multiple responses permitted)
Among new FX traders [n=454]



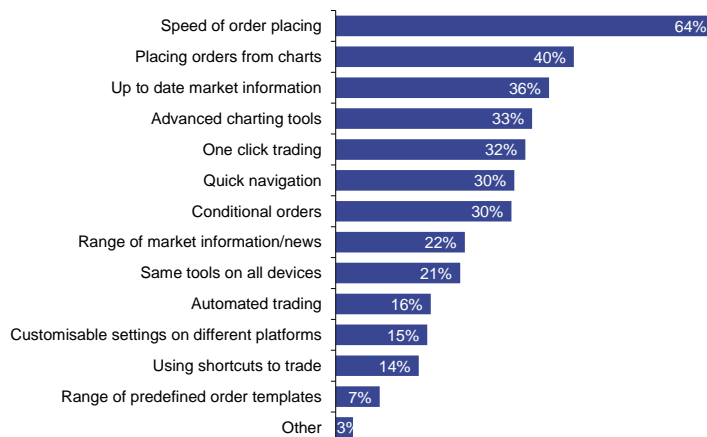
Platform functionality

Speed of order placement is the most important functionality FX traders want

Execution speed is paramount for FX traders. Nearly two thirds of them (64%) say speed of order placement is the most important platform functionality. This is followed by placing order from charts (40%), live market information (36%) and advanced charting tools (33%).

Speed of order placement is the most important platform functionality for FX traders

Q50 When it comes to FX trading which of the following functionalities are important to you?
(Multiple responses permitted) Among all current FX traders [n=1163]



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