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Downturn to spur resurgence in direct investing

Australian investors are more likely to go it alone and invest directly in a rebounding share market following a decline of trust in the funds management industry, according to research by financial services agencies Endgame Communications and Investment Trends.

The report identifies a significant trend towards more hands-on investing in the wake of the volatility.

Investment Trends principal Mark Johnston said perhaps the most worrying figure for the industry is the fact that 42 per cent of managed fund investors at least somewhat agree that their trust in fund managers has been damaged and they would prefer to invest directly going forward.

“We believe another significant surge in SMSF [self-managed super fund] establishment is likely to occur over the coming years, which would be consistent with the last bear market.”

Three in 10 investors were conducting their own investment research, stating their own Internet research had the most significant influence on their investment decisions, with daily newspapers being the second most significant influence.

Johnston said just a third of these clients said their planner was currently having the most influence on their investment decisions; many added “their own online research and the media are persuasive factors”.

Meanwhile, family and friends continued to influence 74 per cent of investors during the financial crisis.

The research shows a strong link between investor satisfaction with communication received from their fund manager and the propensity to switch funds, with investors less likely to abandon their provider if they are satisfied with the information they are receiving about their investment.

One in four investors using managed funds intended to switch or were considering switching all or part of their managed funds investments while almost one in five investors were considering switching super providers.

However, despite the deep concerns about the current climate, the vast majority of respondents recognise the importance of taking a long-term view, with 75 per cent of investors holding on to their investments during the crisis.

Johnston said there are also encouraging signs that investors are considering heading back into the market.

“Many are now on the hunt for bargains, with 52 per cent of SMSF investors planning to buy undervalued assets.

“Balancing this, there has been a large increase in the number of investors choosing to wait on the sidelines, with 42 per cent of SMSFs refusing to invest new money until the volatility subsides.”

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