Financial Standard
www.financialstandard.com.au

New home for $58 billion

Tuesday, 10 February 2009 1:10pm

A new breed of capital protected products could be the next home for the estimated $58 billion of funds under advice (FUA) built up when advisers rushed to cash products last year.

New research released today titled *Macquarie/Investment Trends Alternative Investments: Planner Repor*t gave an insight on where planners and their clients intend to invest their money, currently sitting in cash products, to take advantage of the market upturn.

Among the research highlights were that more than a third of planners intend to invest in shares directly over the next 12 months. This contrasts with only seven per cent decreasing their investments in direct equities.

The report also found that 87 per cent of planners intend to invest new client money into at least one alternative investment in the next 12 months, with $17.1 billion expected to be invested in alternatives over the next year.

In the wake of the unprecedented market slump last year, the research noted that 59 per cent of planners intend to use structured products, particularly capital products, in the year ahead.

Capital protected products, which provides investors with a guarantee that they won't lose their capital in exchange for a fee, are going to be in high demand, said Kurt Jeston, Division Director in Macquarie Securities Group.

Jeston said that following on adviser feedback, Macquarie intends to launch a range of capital protected products in the next few months. Unlike existing products, their new range will be more flexible.

For example, the products can be accessed sooner, either after one year or two years, without investors paying a penalty. Existing capital protected products tend to have a lock in period of four years or more.

Jeston added that investors can also choose what level of capital protection they want. "Some might want 100 per cent while others might only want to pay fees for 80 per cent capital protection."

In short, the firm plans to develop products that will allow planners to take advantage of the market recovery without taking on the market risk just in case sharemarkets take a turn for the worse before they get better.

The report is a result of a comprehensive survey of more than 650 planners conducted in November last year.

Michelle Baltazar
