Input to your Strategy for Adapting to Challenges

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Shares & managed funds favoured

Each month I invite the 24,000 people subscribing to the weekly Tony's View publication to give their thoughts regarding management of their personal wealth. The aim is primarily to track changes in asset preference shifts over time. But we can also gain interesting insights into the way people plan to purchase equities, types of property and equities sought, use of an advisor compared with using an app, active versus passive funds management, and country preference.

Because this survey asks about the coming 12 months and because it captures those who may have little active engagement with real estate markets, it will not show housing changes as quickly as in my other surveys. The **REINZ & Tony Alexander Real Estate Survey** for instance which I will release this week shows a dramatic change in the residential real estate market. This reflects the views of agents who concentrate on transactions as opposed to overall, long-term asset portfolio management.

The same comment applies to my **mortgages.co.nz & Tony Alexander Mortgage Advisors Survey**. It captures shifts right at the coalface where brokers sit between banks and loan applicants. It also is showing a rapid turning in the residential real estate market.

This Portfolio Investment Survey will not show changes so quickly. But it will give us insight into where investors stepping back from residential property may be directing their funds, and it will deliver insight across all markets relevant to one's management of all portfolio assets for retirement – rather than just the one asset.

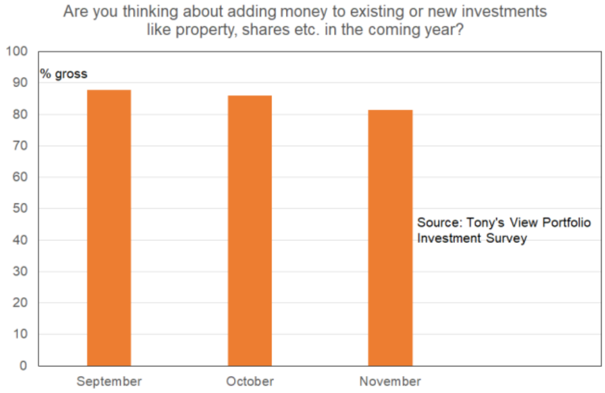
Relevance of the survey for many will grow as those who's wealth has soared on the back of the 39% jump in average house prices since March 2020 seek to diversify their retirement portfolios.

This month's survey shows that people retain strong intentions of adding to their investments in the coming year outside of residential property. The most favoured assets for portfolio additions are shares either directly or through managed funds and ETFs. Debt reduction is also well favoured and perhaps as interest rates rise, this area will increase in importance.

I am not a financial advisor, and nothing written here is intended as advice for any individual or group.

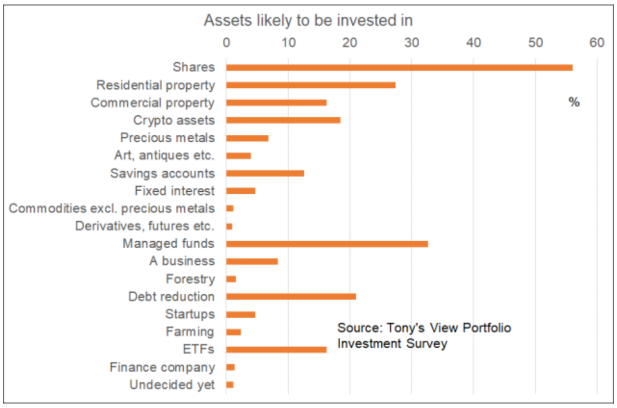
Are you thinking about adding money to existing or new investments like property, shares etc. in the coming year?

A gross 81% of this month's 1,518 respondents are thinking about adding to their investments in the coming year. This is a small decline from 86% last month and 88% two months ago. Declines for two months in a row are not enough to conclude that a downward trend is in place, especially for a new survey such as this. The more important take out is that people remain highly interested in adding to their investments.



If so, which assets are you likely to invest more in?

A gross 56% of respondents plan purchasing shares over the coming year. If we acknowledge the 33% intending to invest in managed funds and 16% targeting exchange traded funds (ETFs), we get a very high proportion of people planning to purchase more shares.

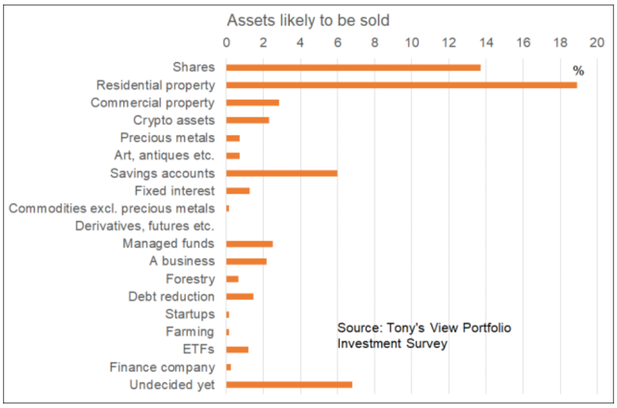


A gross 27% plan purchasing residential property (the same proportion as in my **Investor Insights Survey** undertaken with Crockers Property Management), 16% commercial property, and 18% crypto assets.

These proportions are all very similar to last month, and even for assets where changes have occurred such as Precious Metals down to 7% from 14%, we cannot yet say if this is anything other than normal volatility. As with all surveys, true value will accrue over time and for the moment we cannot say anything conclusive about trends.

Are there any assets which you think you will sell to free up some cash?

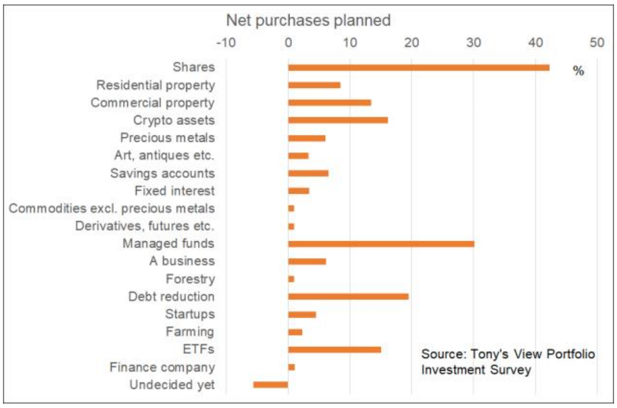
We also ask people which assets they might sell in the coming year. Doing this tells us that for some assets high levels of buying and selling are a normal feature. This applies particularly to shares, residential property, and crypto assets, but not managed funds.



We can offset buying plans against divestment plans to get net purchasing intentions for each of the assets covered and will do so for each month from now on.

For each asset we take the number of respondents intending to sell from the number intending to buy and present the result as a percentage of all respondents.

For instance, in this month's survey 850 people said they would buy more shares while 208 said they would sell some. The difference of 642 as a percentage of the 1,518 responses is 42% and this appears as the top horizontal bar in the following graph.



A net 42% of all our survey respondents plan purchasing more shares, a net 30% managed funds, and a net 15% ETFs. A net 16% plan investing in crypto assets, essentially the same as last month's 15%.

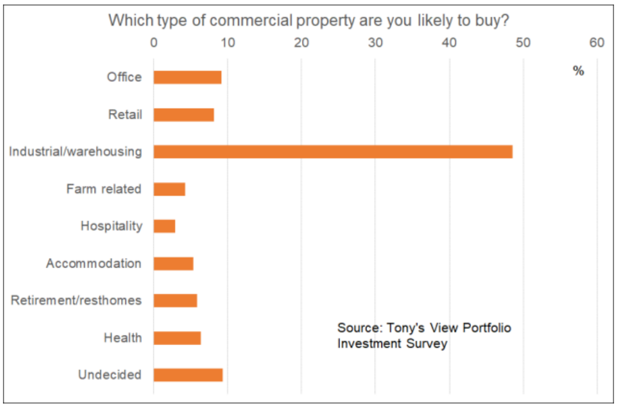
A net 19% of people plan reducing debt and when we add that to the net 7% planning to add to their savings accounts, we get a high 26% planning on improving their net debt position compared with 19% last month.

That is a sizeable move in the context of virtually all other measures not moving much at all in the past two months and it will be worth watching to see how this changes as interest rates rise.

Note that despite rising bond yields globally and worries about inflation and tightening monetary policies, a net 3% of people still plan raising investment in fixed interest securities.

If you are thinking about investing in commercial property, what type is it likely to be?

For the 16% of people looking to invest this coming year in commercial property, most (49%) will seek out an industrial or warehousing type property. Next most favoured and well back, is office accommodation for 9% of investors, then retail property for just 8%.

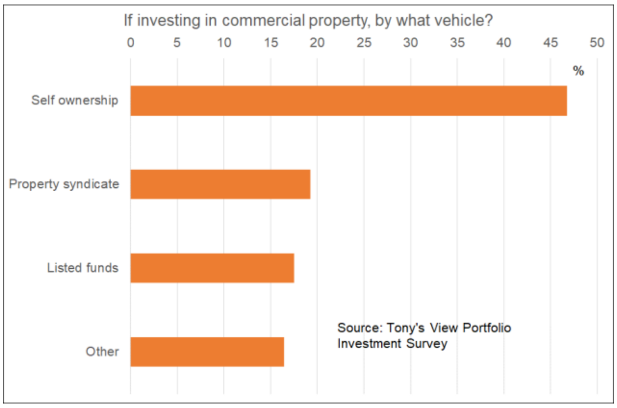


The high demand for industrial/warehousing property is likely to reflect the current strong growth in business need for extra storage space in a world of supply chain disruptions and increased online retailing. The low support for offices and retailing likely reflects the impact of lockdowns and social distancing desires.

It will be interesting to see when the preference cycle starts shifting back towards these asset types. In future survey results we can start plotting preferences for individual asset types through time.

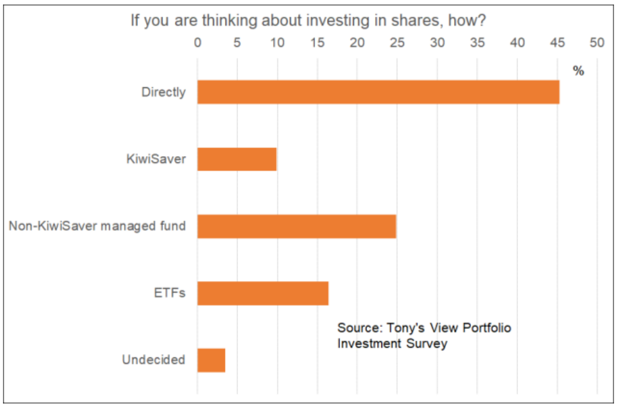
If investing in commercial property, by what vehicle?

The people responding in our monthly survey largely intend making a planned commercial property purchase directly.



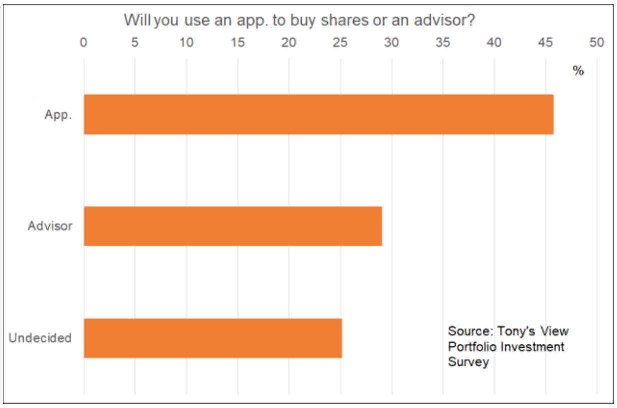
If you are thinking about investing in shares, how?

For the people looking at investing more in equities, 45% will do so directly, 10% via their KiwiSaver fund, 25% via a non-KiwiSaver fund, and 12% via exchange traded funds.



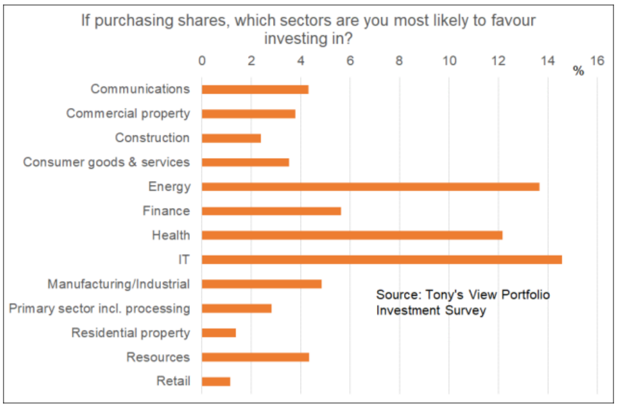
Will you use an app. to buy shares or an advisor?

46% of people buying shares themselves rather than through a fund intend using an app. This is up from 43% last month. 29% will go through an advisor and the rest are undecided.



If purchasing shares, which sectors are you most likely to favour investing in?

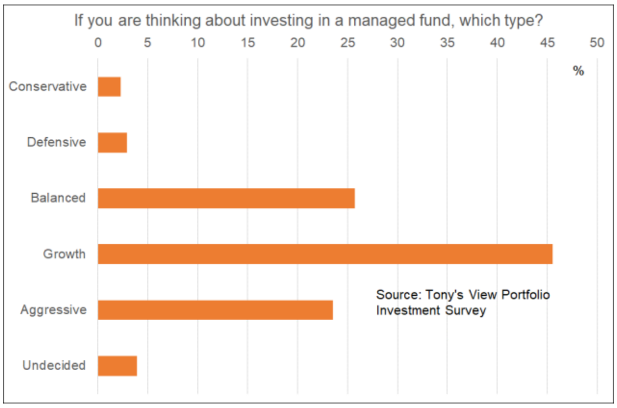
We present people with a range of sectors which they can invest in through listed stocks, plus they can make their own suggestion if their preference is not listed. The preferred sectors this month are virtually the same as last month, except for IT where 15% now favour the sector from 12% last month.



If you are thinking about investing in a managed fund, which type?

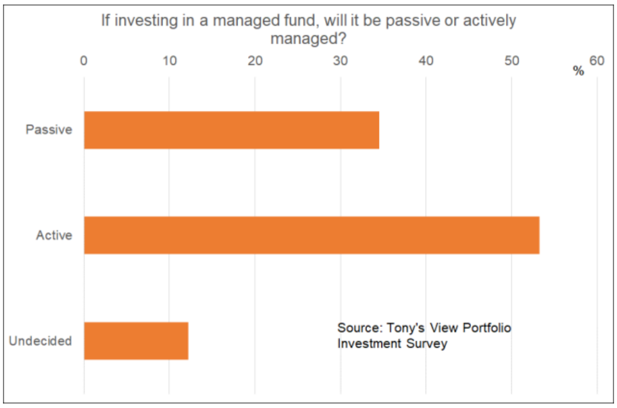
With this question we are hoping to capture shifts in the confidence people have regarding the economic outlook. In theory, if people are not altering their wealth management goals then we should not see changes. But history tells us that when shocks come along people can become highly risk averse, and when times are good, risk-loving behaviour can become dominant.

The results this month are exactly the same as last month with most people favouring managed funds which focus on growth. There is near equal support for balanced and aggressive funds.



If investing in a managed fund, will it be passive or actively managed?

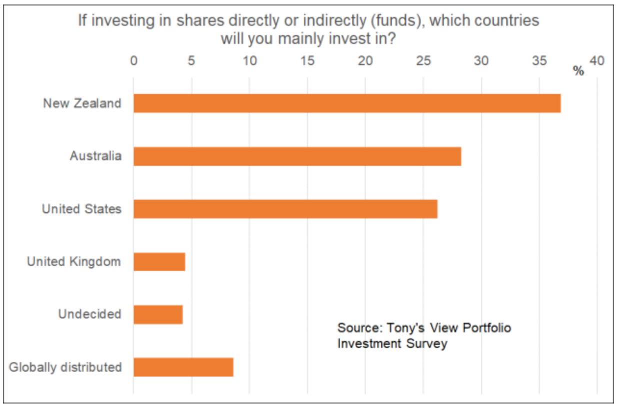
Similar to results for the previous question, we do not expect to see much change over time in people's preferences for active versus passive funds. In fact, changes here should be even less than for risk preferences. But we shall keep the question in the survey just in case something interesting happens.



If investing in shares directly or indirectly (funds), which countries will you mainly invest in?

The final question in our survey relates to where investors are intending to place their funds geographically.

There has been a slight lift from last month in the proportion of people who will target New Zealand – to 37% from 34%. For the other countries covered changes are minor.



Respondents to the survey were distributed by age as follows.

< 30 years	4.3%
30 – 50 years	33.6%
51 – 65 years	41.7%
Over 65 years	20.4%

What do your investment assets (including savings but excluding family home) add up to?

Less than $500k	23%
$500k - $2mn	34%
$2mn - $5mn	25%
Over $5mn	18%

My aim in producing this publication is to help the growing number of average Kiwis looking to build an asset base over time for their retirement. If you want to discuss any particular product, business, or asset class then you'll need to do that with a Financial Advisor.

Links to publications

Tony's View Spending Plans Survey

Spending Plans Survey

mortgages.co.nz & Tony Alexander Mortgage Advisors Survey

Tony's View Business Survey

Business Survey

Tony Alexander Regional Property Report

Tony's Thoughts Vlog

Valocity Valuer Survey

REINZ & Tony Alexander Real Estate Survey

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