

Australia's Share Owners

An ASX study of share investors in 2004



ASX
AUSTRALIAN STOCK EXCHANGE

ASX Registered Office

Australian Stock Exchange
Exchange Centre
20 Bridge Street
Sydney
NSW 2000
Fax (02) 9227 0885

PO Box H224
Australia Square
Sydney NSW 1215

ASX Customer Service

131 279

ASX Website

www.asx.com.au

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Part One – Australia's Share Owners

Foreword

Investing in the share market is becoming more and more a part of life for average Australians, with 55% now owning shares in one form or another. This is the highest level of ownership ever recorded by ASX, and among the highest recorded levels in the world.

2004 was certainly an interesting time for the market. The benchmark index, the S&P/ASX 200, reached 4,000 points for the first time. There was also a large number of new listings and several new trading records in the equities, options and warrants markets. So perhaps it is no coincidence at such a time to see a record level of share ownership.

ASX has been researching and publishing information about Australian share owners for many years. This is our ninth study in a series dating back to 1991.

Retail investors are those who are investing their own wealth, either directly or via a managed fund or self-managed superannuation fund. They are an important segment of the overall Australian investment landscape, accounting for around 55% of all trades on ASX, and 22% of the value of trades.

These studies help provide ASX, and the financial markets as a whole, with a detailed understanding of retail investors – why they invest, how they invest and what they think about investing. We note with pleasure that investors believe our markets are well supervised and that they are satisfied with their broker. These factors are extremely important in ensuring that investors remain confident about share investing.

In this booklet, we present not only the aggregate results of the nationwide quantitative survey we conducted in November 2004, but also a number of "case studies", based on group discussions, that provide insights into particular types of shareholders. We acknowledge Millward Brown and arnold and bolingbroke, the market research companies we commissioned to conduct the study, for their professionalism and breadth of experience.

We would like to acknowledge the Finance Industry Development Account (FIDA) of the National Guarantee Fund, which has again funded this study. FIDA is an appropriate source of funding, given that this study ultimately serves the wider financial services industry by providing insight into retail investors.

We believe we have a detailed understanding of the retail investor – why they invest, how they invest and what they think about investing. We are also pleased to see that investors believe that our markets are well supervised and that they are satisfied with their broker. These factors are extremely important in ensuring that investors remain confident about share investing.

Finally we would like to thank all those who participated in the study. Without their involvement, we would not be able to provide this factual description of share ownership – an increasingly important part of the investment strategies of many Australians.



Colin R Scully
Deputy CEO, Group Executive – Markets
Australian Stock Exchange





Highlights

For more than a decade ASX has been undertaking regular studies into the ownership of shares among the Australian population. In its latest study, ASX is pleased to report that 2004 witnessed the highest penetration of share ownership in Australia since these studies began.

Some of the significant findings of the 2004 Study include:

- **55% of Australians now own shares.**

In 2004, 55% of the Australian adult population, or approximately eight million people, owned shares directly or indirectly (via a managed fund or self-managed superannuation fund). This was a significant increase from 51% in 2003 and 50% in 2002.

Of the population, 44%, or about 6.4 million, held shares directly, a significant increase from 39% in 2003 and 37% in 2002.

- **Men are still more likely than women to own shares, while ownership increased significantly among those aged 55 years and over.**

2004 witnessed an increase in direct share ownership among both men and women. One in two (50%) men and two in five (40%) women were direct investors in 2004.

Share ownership increased in all age brackets, with the 55 years and older group showing a significant increase from 48% in 2003 to 56% in 2004.

In the previous two years, 5% of direct investors were new to the share market. New investors were likely to be men (55%), aged less than 35 years (53%), tertiary educated (39%) and with a household income of \$70,000 to \$100,000 (31%).

- **Share ownership is increasingly being found among middle Australians – shares are no longer just the terrain of the high income earner and tertiary qualified.**

While the incidence of direct share ownership continues to increase with higher levels of education, household income and assets, healthy increases were reported across the board. 2004 saw significant inroads among those with a trade certificate (from 36% in 2003 to 45% in 2004) or degree (47% to 53%), and among those with household incomes of \$30,000-\$40,000 (28% to 39%) or \$40,000-\$50,000 (33% to 44%).

- **Those living in regional Australia are just as likely as residents of the major cities to hold shares directly.**

In 2004, direct share ownership was equally likely in regional and metropolitan Australia. Almost one in two metropolitan (44%) and regional (45%) dwellers were share owners, with the latter showing a significant increase from 37% in 2003.

All states across Australia enjoyed an increase in share ownership, especially Western Australia. One in two investors in Western Australian (48%) and New South Wales (46%) held shares directly, as did two in five of those in Victoria (43%), Queensland (42%) and South Australia (41%).

- **Investors are generally satisfied with their broker.**

57% of investors reported using a broker in 2004, with 61% of those using a full service/advice broker. 47% of investors used only one broker. Satisfaction with their main broker was high with 60% being very satisfied.

Popular means of acquiring direct investments in the past two years were via a full service/advice broker (22%), a float/prospectus (21%) or a discount/non-advice internet broker (16%).

- **Financial planners were more favourably viewed in 2004 as a source of information and advice and as a path to trade execution.**

Use of a financial planner to acquire direct investments grew from 9% in 2003 to 15% in 2004. Financial planners were also listed by 30% of investors as a source of information and advice about shares.

- **One in two investors monitors their shares on at least a weekly basis.**

Nearly half (46%) of investors reported monitoring their shares and investments at least weekly, with a further 19% doing so on a monthly basis. The types of information most often used for monitoring were company/annual reports (50%), delayed share prices (45%) and company news (40%). Sources most frequently cited for advice or information about shares in the last 12 months were newspapers (44%), family/friends (33%), and as stated above, financial planners (30%).

- **Investors' outlook for shares, and for the economy, was positive. Investors saw the share market as offering opportunities to all types of investors, and appeared to have faith in the Australian share market.**

Three in four (74%) investors agreed that in the prevailing economic environment there were many opportunities in the share market. The economy was seen as being healthy, despite the concern of rising interest rates. The perceived lacklustre performance of the property market was also reported as a factor that made shares more attractive.

87% of investors believed that the market offers opportunities to all investors, not just to big business and the wealthy. 77% of investors saw the Australian share market as well-regulated, suggesting an underlying level of confidence in the market.

- **A healthy proportion of direct investors indicated the likelihood of further participation in the marketplace.**

In 2004, 45% of direct investors indicated that they were likely to buy shares in the next 12 months, a decline from 50% in 2003.

Attitudes and Behaviour

While statistical analysis provides invaluable information about the Australian investing landscape, the qualitative research ("group discussions") conducted as part of this study offers further insights into the attitudes and behaviour of Australian investors.

Investors' attitudes to shares

Overall, investors reported positive attitudes towards shares and the share market.

Some investors appeared torn between wanting to get more involved in the share market, and feeling they lack the required time or knowledge. Some also believed they have sufficient exposure to shares via blue chip shares and managed funds.

For others, share trading brought a sense of enjoyment and satisfaction. They were confident about their trading decisions and believed they obtain better returns than the experts.

Overall, share owners saw themselves as investors and not as traders, and preferred to invest in companies that are socially and environmentally responsible. However, the belief that one has to be prepared to lose the money one puts into shares was still evident.

Despite fewer people believing one had to be cautious in the 2004 economic environment, and more people believing there were opportunities in the share market than in 2003, the sentiment appeared to be one of hold rather than trade.

Benefits and barriers

Both current and potential investors recognise the benefits of investing in shares, but also perceive some barriers to share investment.

The benefits mentioned included the potential for higher returns, liquidity, ease of access and flexibility in trading, as well as small entry costs.

Among the barriers were a lack of knowledge, and consequently confidence, resulting in a view of shares as a risky investment. This was coupled with a lack of time to learn about shares and to monitor investments. Negative experiences with shares in the past (either first hand or reported by others) were also mentioned.

When and how decisions are made

The process of deciding to make a share investment is frequently triggered by a tip from a friend, colleague or family member. This is often followed by some basic research into the stock, with the final decision made at least partly on 'gut feel'.

A key influence in being a share owner or share trader is the lifestage of the person. Those without family responsibilities, such as young people, and those with older families were attracted to shares because of the perceived opportunity for higher return. Those with family responsibilities and older retirees were more risk averse, concentrating either on blue chip shares or on other investment alternatives.

Investor case studies

The Australian Share Ownership Study allowed ASX to identify several different types of investors. Case studies of these investor segments are presented in the next section of this booklet. An understanding of the 'Confidants', 'Highly Receptives', 'Security

Conscious', 'Potentials' and 'Availables' offers new insights into the attitudes and behaviour of Australian retail investors.

Knowing the facts and figures about investors is just part of the story. Combining statistical analysis with qualitative research into the motivations and thinking that lie behind investor behaviour has enabled ASX over the years to identify several different types of investors.

Financial intermediaries such as brokers, advisers and financial planners will find this information invaluable in understanding and meeting the needs of different investor segments. An understanding of these investor types can help financial intermediaries tailor the services they offer and the approach they take to the various segments of the investing population.

The more effectively financial intermediaries can communicate with Australian investors, the better will be those investors' understanding of the Australian share market and the role played by shares in an investment portfolio.

The Confidants

The most assertive and active of these investors we describe as the 'Confident' investors. Confident investors are people who persevere to succeed, and look to shares to increase their wealth and provide them with financial freedom. They take their investments very seriously and adopt a disciplined and methodical approach to trading. Confidants tend to look for the best opportunities, rather than companies with which they have an emotional connection. They often combine advice from a broker or financial planner with their own research.

The Highly Receptives

Highly Receptive investors are busy people who look to achieve a lot in life. They hold a genuine interest in the share market, but feel unable to devote the time required to better manage their portfolios. Highly Receptives will generally look for a trusted adviser to help with their investment choices, yet will do some research and monitoring of their own.

The Security Conscious

Security Conscious investors have some exposure to shares, but generally know little about how the market works, or the true value of their portfolios. Often they have become involved in the market via a public float or demutualisation. Security Conscious investors are the most risk averse of investors, although their fear can often be traced back to a lack of knowledge about the market.

The Potentials and Availables

Although these groups are non-share owners, Potentials generally understand the value of shares in a balanced portfolio, but have had other priorities until now. Availables, on the other hand, do not know very much about shares and do not see how they relate to their investment goals. While Potentials want to start investing but are not sure where to begin, Availables are not interested in shares and are more concerned about risk than possible returns.

A later section of this survey presents case studies on each of these types of investor.

Retail Share Investors in Australia

Share Investors and ASX

ASX estimates that retail investors accounted for 55% of all equity trades by volume in 2004.

This estimate is derived by aggregating data from market participants – that is, brokers – according to whether their business is predominantly retail or institutional.

Over the past three years the level of retail activity has ranged from 45% to 55%. In buoyant market conditions, the number of equity

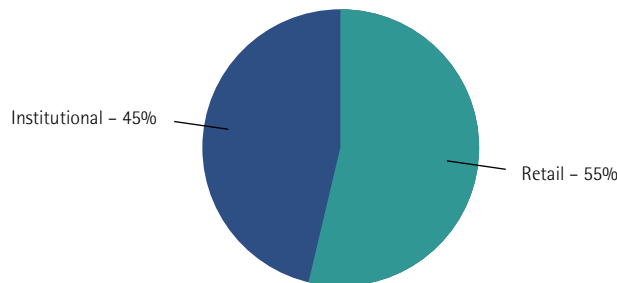
trades from retail investors tends to rise. This activity represents around 22% of the value of share trading. Institutional investors are responsible for fewer trades, but those trades are of significantly higher value.

In the options market, the 'Confident' retail investor remains very much a driver of activity. This is a reversal of the case a decade or so ago when most options business was institutional.

Retail Investors and ASX

Retail investors generate the majority of equity trades and account for less than a quarter of turnover of the equities market.

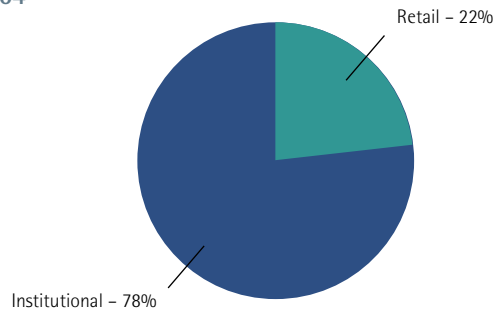
Share of Equity Turnover (Volume) 2004



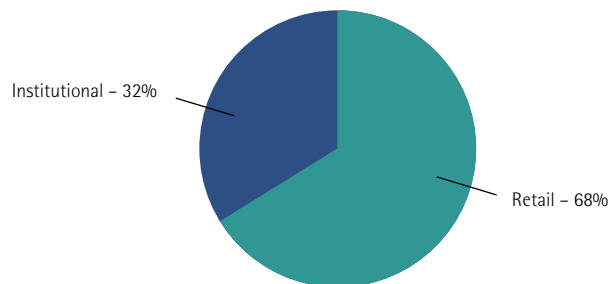
Largest Retail Brokers 2004

- ABN Amro Morgans
- Bell Potter Securities
- CommSec
- E*trade Australia Securities
- Goldman Sachs JB Were
- HSBC Stockbroking
- Macquarie Retail
- Smith Barney Citigroup
- Westpac Securities

Share of Equity Turnover (Value) 2004



Share of Options Contracts Traded 2004*

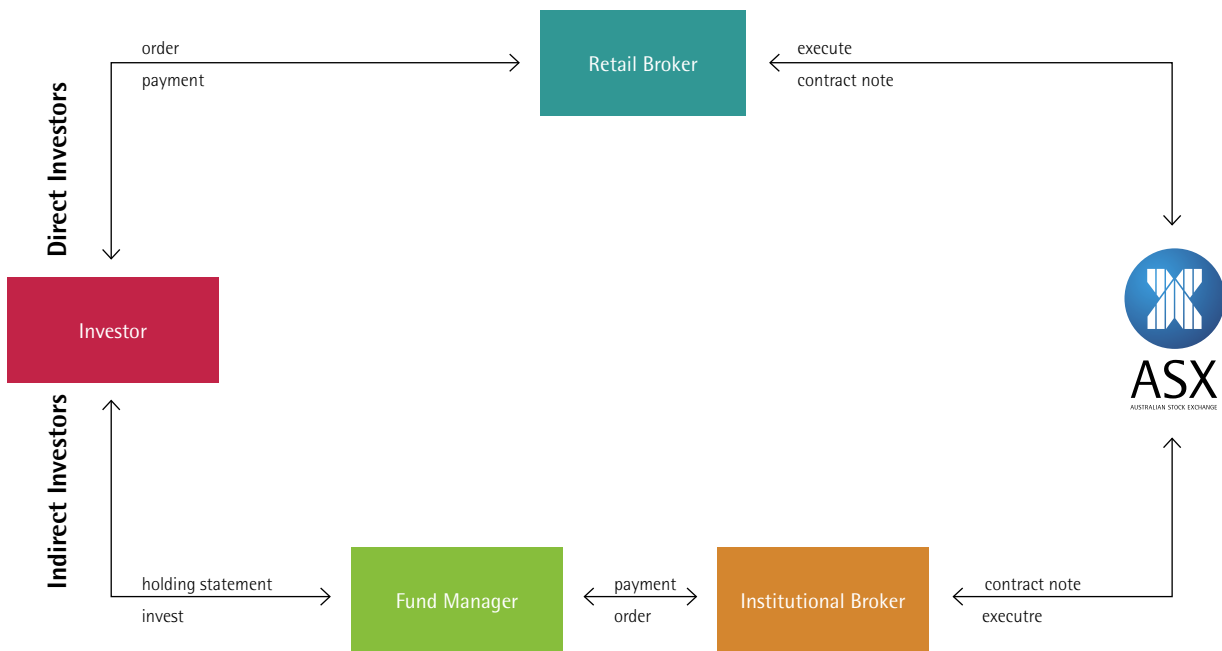


* excludes market makers

Investing on ASX

All investment on ASX occurs via a stockbroker. The growth of internet trading has helped to create immediacy of order execution, leading many to feel that they are transacting directly on the exchange. However, only brokers can place buy and sell orders on ASX. In this sense, it is the brokers who are the customers of ASX, while retail investors are the customers of those customers.

All investment on ASX occurs via a stockbroker



Part Two – The Nature of Share Investing

Why, When and How We Invest

The qualitative phase of the 2004 study provides deep insight into the thinking of Australian investors – and expresses those insights in the words the investors themselves used. In this section we report on the range of factors that attracted investors to the share market, and other factors that acted as barriers to investing in shares. We also gained an understanding of the decision making process – when and how decisions to invest are made.

Taken together, the quantitative and qualitative components of this study inform us about how an investor behaves, why he or she invests that way, and how investors express themselves in talking about shares.

Benefits and Barriers

The study told us much about what attracts people to the share market, and about what they see as barriers to investing in shares.

Benefits

While some people focus on the limitations, others are more inclined to see the advantages of share investments. The factors that attract people to shares include:

Returns

Performance is often cited as a key factor attracting investors to the share market. Many investors believe that shares have performed well in recent years, showing higher returns than other asset classes.

“Shares have been the best performers over a long period of time”

(male aged 25-30)

Liquidity and accessibility

Others view the liquid nature of shares as a benefit. Able to be sold quickly and in small portions if necessary, shares are seen as unlike other investments that have a long lead-time to settlement and which cannot be partially sold such as property.

“It is a lot easier than going out and buying a property”

(female aged 25-45)

Shares are seen as easily accessible, and involve low entry costs. They can be purchased with a small outlay and in small proportions over time.

Flexibility and diversification

Share trading is seen as more flexible than ever before, due largely to the role played by online brokers. Investors can trade shares from anywhere and at any time. It is also easy for investors to achieve diversification across sectors in the share market, and avoid 'putting all the eggs in one basket'.

“You can diversify more easily with much smaller sums of money, and if you need the money you can go on the market and sell them”

(female aged 25-45)

Excitement

Some investors are attracted to the excitement of the share market.

“It is exciting but nerve racking”

(female aged under 35)

Barriers

The barriers to investing in the share market include:

Lifestage

Lifestage has an undeniable influence upon whether people choose to invest in the share market. For those raising a family, paying off the mortgage on their home is the first priority, coupled with some 'everyday savings'. Only once they are comfortable with their debt levels are share investments considered.

“A home, super and savings are just fundamental things that happen when you earn a wage or two people earn a wage”

(male 25-45)

Knowledge, confidence and time

Other people simply lack the knowledge and confidence to be shareholders or to be more active in the share market. Some have a fear of failure, while others have concerns ranging from not knowing what to do, to being unsure who to trust.

Lack of knowledge is sometimes coupled with a lack of time to become more educated about direct investments, and to monitor and track a share portfolio. Those who are serious about share investing and trading have a passion that is not present among those who see only the limitations of shares.

“One of my barriers to dealing in shares is that I don't know of an easy entry point and I am just scared of the labour intensity already in a normal working life, with family, that means time constraints”

(male aged 40-45)

“I am thinking I have to get more into shares but... I don't have great confidence in my own ability and I don't have a lot of time either”

(female aged 25-45)

“I am fairly confident investing. I guess my real concern is that I don't have enough time to do the research on particular stocks, to find out what I should be investing in or what is going to make money for me”

(female aged 25-45)

Risk aversion and lack of control

The concept that shares are risky was still evident in 2004. Some investors referred to past instances of being 'burnt', either experienced at first hand, or observed in others. Examples of the dot.com crash and notable falls in blue chip stocks were often cited. As a result, such investors may prefer alternative forms of investment, such as property.

"I could get \$1 million worth of property because I can leverage off it... so I would stick to property because I have been burnt by the share market"

(male aged 40-45)

"I would stay with property... I wouldn't even bother with the share market as I don't have control"

(male aged 40-45)

"They are gambling in my opinion. They go up and down so fast and you have no control, that is what I don't like"

(male aged 40-45)

Intangibility

The lack of tangibility of shares is seen as another barrier, with people stating that they "can't see or touch" shares. This contrasts with property, which people feel they can "see" and place a value on.

Unfamiliarity

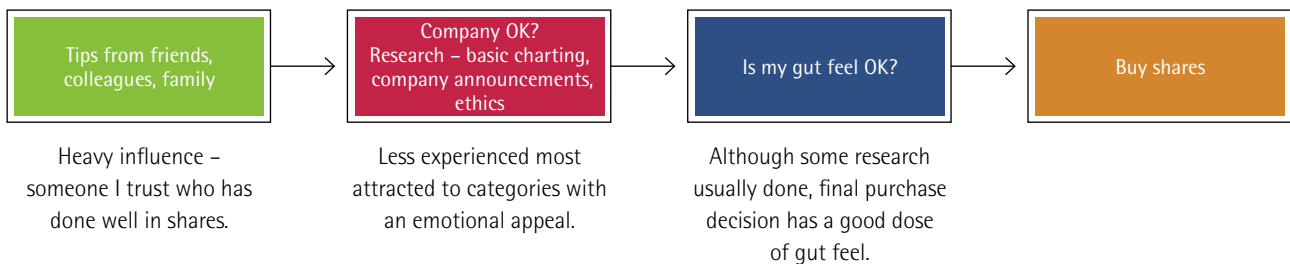
There is also a general lack of familiarity with shares, with many viewing them as outside the mainstream:

"My parents didn't have shares... only elite/rich people had them"

"Shares were very much the exception when I was growing up"

"Labor voters didn't have shares when I grew up!"

Share Decision Process



When and How Decisions are Made

The share trading decision making process is often triggered by 'tips' from family, friends or colleagues. Investors take more notice of 'tips' from those whom they hold in high esteem or regard as successful investors.

"I consult my father-in-law... regularly because he is an ex share market worker down in Melbourne and seems to me anything he buys does extremely well"

(male aged 25-45)

"I get lots of hints and a lot of tips from people at work who spend a lot more time than I do, so that is handy"

(male aged 25-45)

Some basic research may be undertaken to check out the soundness of the company. The more experienced may chart the past performance of the stock in question, while the novices may be attracted to particular sectors that have an emotional appeal or familiarity.

"I do research on [the website where I can find] excellent charting capabilities, and I look at the PE ratio mainly and recommendations from friends"

(male aged 25-45)

"I tend to go for big companies that are tangible and that I see in my life, so I will go for big brands that are Australian as well, so things I know and feel comfortable with, like the banks and Qantas"

(female aged 25-45)

The final step in the process is the 'gut test' – 'is my gut feel ok?', which ultimately determines if the shares are purchased.

"I think you have to figure out how the company is going to go in the future and to me that sort of comes down to gut feel"

(female aged 25-45)

"I think at the last minute it comes down to gut feel"

(female aged 25-45)

Lifestage

A key influence on any investment decision is the investor's lifestage.

Those just starting out, the young with no family responsibilities, are becoming more attracted to the share market. The reasons for this include the time horizon involved in share investing, the small amount needed to enter the market, and the perception in recent times that the property market is unattainable.

"I guess I have been wanting to get myself financially secure first. I like to think that any money you put into shares you have to be prepared to lose, and if you are going to put all of your money into shares it could all turn to custard"

(male aged 25-45)

Those with family responsibilities tend to take a risk-averse approach to investing, and lean more towards investments such as property and/or managed funds.

"A home and super and savings are just fundamental things that happen when you earn a wage, or two people earn a wage"

(male aged 25-45)

"Four years ago, I used to go the short term and muck around and see what would come back. But once the little girl was born I thought no, hang on, there has to be something for her when I am gone, so now I try to go for long term investments where the returns are not as high, but eventually deliver if you sit on it for long enough"

(male aged 30s)

Older families with reduced responsibilities and fewer demands on their income may consider the share market more seriously with a view to making good returns to help secure their financial future.

Those in their retirement years, with a more modest risk profile, appear to continue to have a proportion of their investment portfolio in shares, most likely in the more familiar companies such as the blue chip or Top 200 listed companies.

Lifestage

Young, no family/responsibilities

Direct shares potential –
property still ingrained for many but has become relatively unaffordable

Family/responsibilities

Other priorities, tend to be more risk averse, more likely to focus on property or managed funds

Older family/empty nesters

Direct shares potential –
spare money to invest, looking for good returns to make money for retirement

Retirees

More moderate risk profile. If have shares will look top 200/Blue Chip



Where do Investors go for Information and Advice?

As in previous years, the most frequently cited source of advice or information on shares in the past 12 months was newspapers (44%).

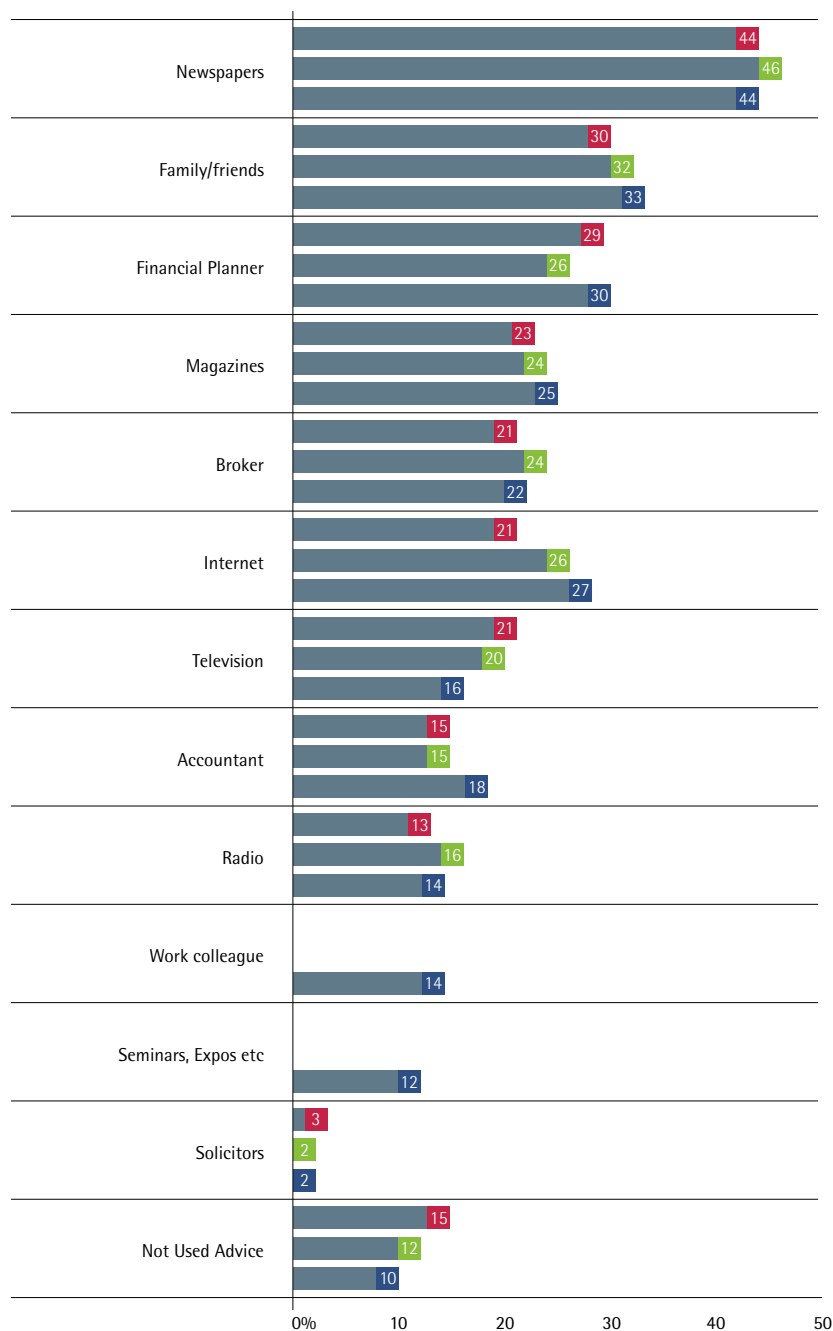
This was followed by family/friends (33%), financial planners (30% up from 26% in 2003) and the internet (27%).

22% mentioned a broker, and 18% an accountant, as a source.

It appears the trend of investors not using advice is declining, with 15% in 2002 not seeking advice dropping to 10% in 2004.

Source of Advice

Sources used in last 12 months to obtain advice/information about shares



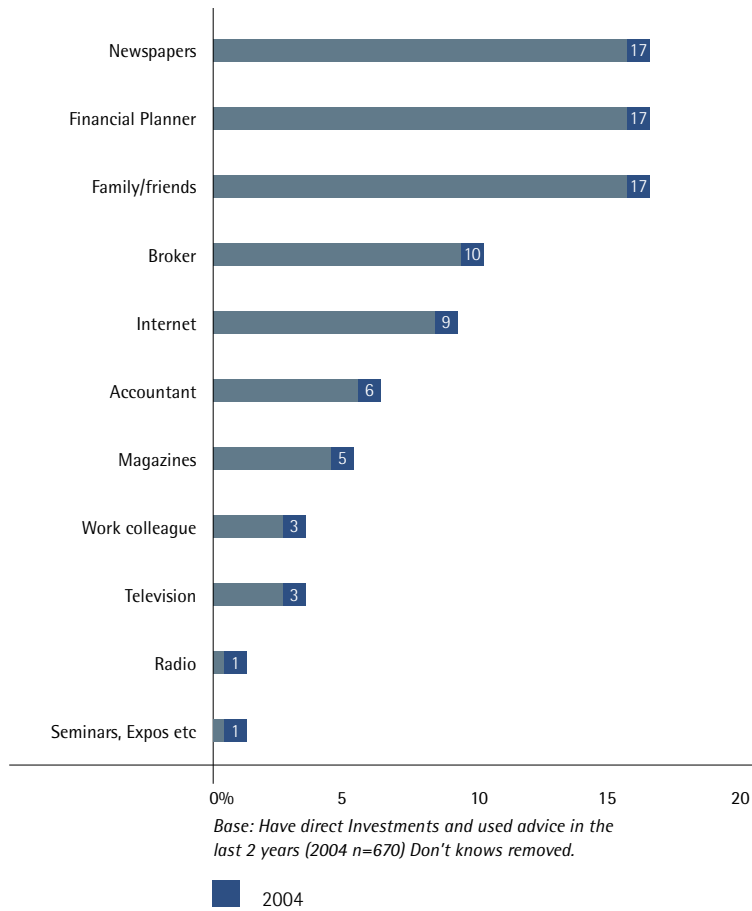
When asked the source that most influences their direct investment decisions, respondents cited their key sources as newspapers, financial planners and family/friends (each mentioned by 17%).

One in ten (10%) nominated their broker as the main influence.

Base: Have direct Investments 2002 (n=893), 2003 (n=948), 2004 (n=1067)

2002
2003
2004

Source that most influences their decision



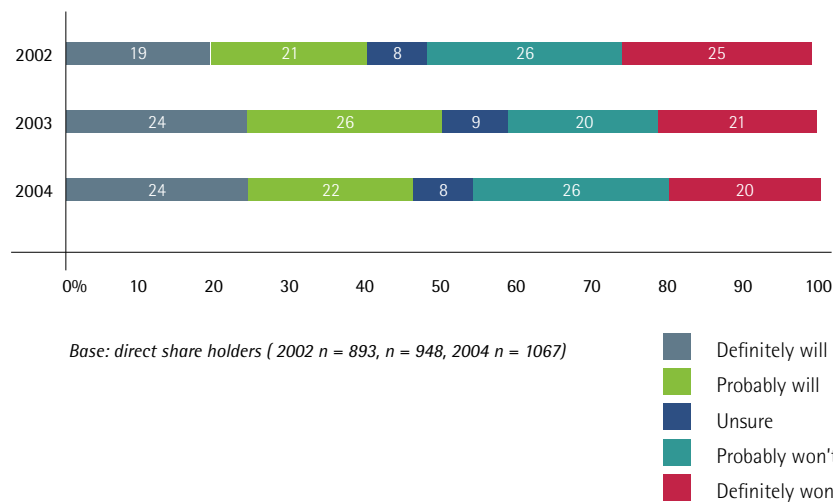
What's In Store?

While the proportion of direct investors who claimed they are likely to purchase shares in the next 12 months fell from 50% in 2003 to 46% in 2004, in terms of the number of investors the figure remained steady at around 2.9 million.

Conversely, those who are unlikely to be share purchasers in the next 12 months increased from 41% to 46%.

Future Intentions

Likelihood of buying shares in next 12 months



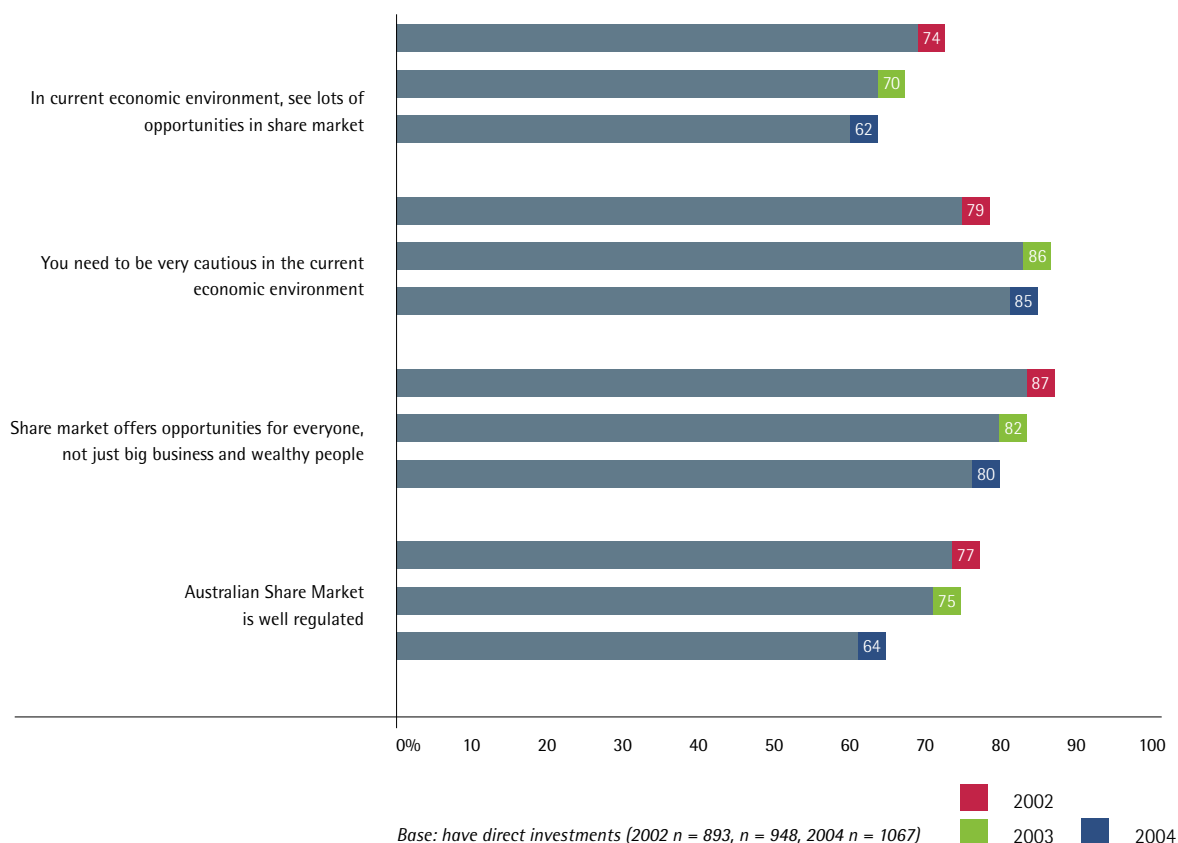
Investor Attitudes Towards the Market

The attitudes an investor holds about the market has a significant impact upon the likelihood of them investing in shares. How investors feel about the market is influenced by a number of factors:

- Market indices such as the S&P/ASX200 and the All Ordinaries
- Broader economic conditions
- Their own financial circumstances
- How much they know or understand about the market
- Whether they feel the share market has something to offer them
- Their lifestage.

Given that there was a significant rise in overall participation in the market, it seems likely that this can be attributed to a corresponding improvement in sentiment towards the market. Some of the most significant changes in attitude included:

- Three in four (74%) saw 'lots of opportunities' in the market in 2004, a year when the S&P/ASX 200 index closed at 4050.6. This was up from just 62% in 2002, when the index stood at 3007 points at year end.
- Despite strong economic conditions, investors still appeared to be cautious about investing. 79% agreed with the statement that 'You need to be very cautious in the current economic environment'. This was down, however, from 86% in 2003 and 85% in 2002, suggesting that the lingering fears from world events of early this century were beginning to wane.
- More and more investors also felt that the share market is relevant to their investment needs and not just those of 'big business'. This increased from 80% in 2000 to 87% in 2004.
- 77% believed that the Australian share market is well regulated, up from 64% in 2002.



Women and the Market

Women tended to be substantially less likely to own shares directly than men, with 40% owning shares compared with 50% of men. The differences did not stop there, with women appearing to be overall less engaged than men in the share market.

The characteristics of the Confident investor are also less evident in women. They are generally less inclined to enjoy their investments and the challenges the share market brings, and to know when to make trading decisions.

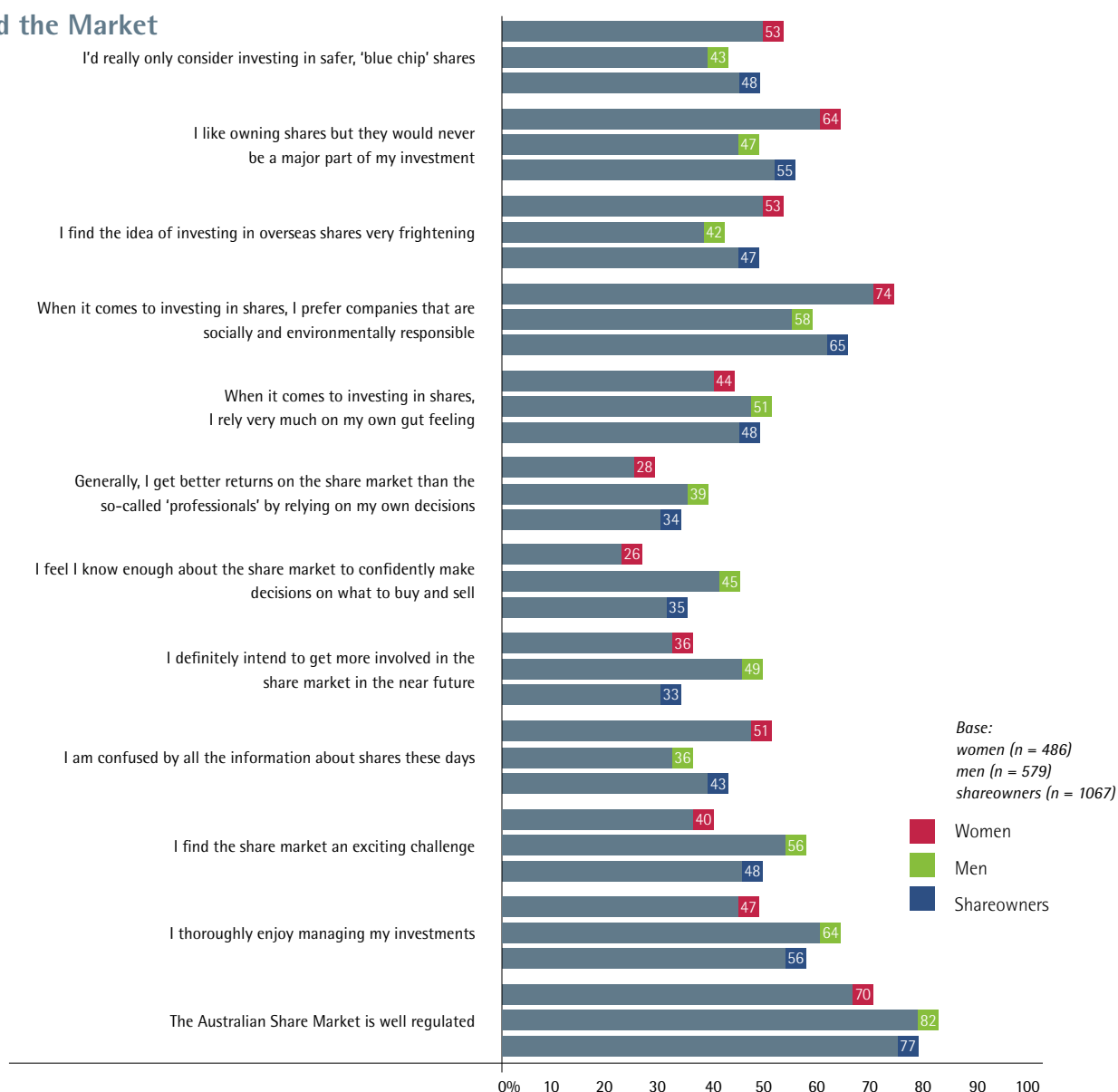
Other differences include:

- Women were more likely not to have used a broker in the preceding year (39% vs 48% for men).

- They were less likely to use newspapers (39% vs 49%) and the internet (22% vs 31%) as sources of information, yet there were no differences in who/what was cited as the key influence on their investing decisions.
- Women monitored their shares less frequently (37% do so at least weekly, compared to 52% of men), and were less inclined to use company news and financials, real time and historical share prices, and broker research.
- Women were less likely to purchase shares in the next 12 months (36% vs 53% of men).
- Women were more inclined to choose socially and environmentally responsible companies.

Trading and Investing	Women	Men
Average number of different companies in their portfolio	5	7
Average amount invested	\$33,700	\$47,000
Average number of trades per year	4	9
Average trading parcel size	\$9,850	\$11,900
% with direct portfolio valued less than \$2,500	17%	8%
% with direct portfolio valued more than \$100,000	17%	29%

Women and the Market



The New Entrants

In the past two years, 5% of direct investors entered the share market for the first time, compared to 4% in 2003 and 2% in 2002. This contributed to the highest level of share participation ever recorded by ASX.

Past surges in the number of retail investors in Australia have been triggered by such events as the major privatisations and demutualisations of the 1990s, and the technology sector boom of the late 1990s-early 2000.

The growth this time around cannot be attributed to any single event or condition. Instead, it appears to be a number of different factors that together have created a positive environment for share market investing:

- Perceived political stability in the wake of federal elections in both Australia and the US.
- Continuing sound macro-economic conditions with low inflation, a low interest rate environment and strong corporate profitability.
- Reports that the property market was starting to cool.
- Bullish market activity with a number of new trading records set, including the highest number of trades in a day (November 2004 was the most active month ever on ASX with more than two million trades, and 28 November 2004 was the then-busiest single day with almost 120,000 trades. This record has subsequently been broken a number of times.

So who are the new entrants to the market?

- A typical new entrant in 2004 was likely to be male (55%), aged under 35 years (53%), degree qualified (39%) with a household income of \$70,000 to \$100,000 (31%).
- Qualitative research revealed that these people entered the market because they see it as an investment necessity. While for some the goal of property acquisition is still ingrained, property is believed by others to be unattainable – at least relative to a share portfolio.

“I am young so I need to start, it is what people tell me about investments... I will invest in what I know, science and biotech – particularly those high risk but potential for high growth areas like biotech. There are no hard and fast rules, you invest in people and their network so you have to know them”

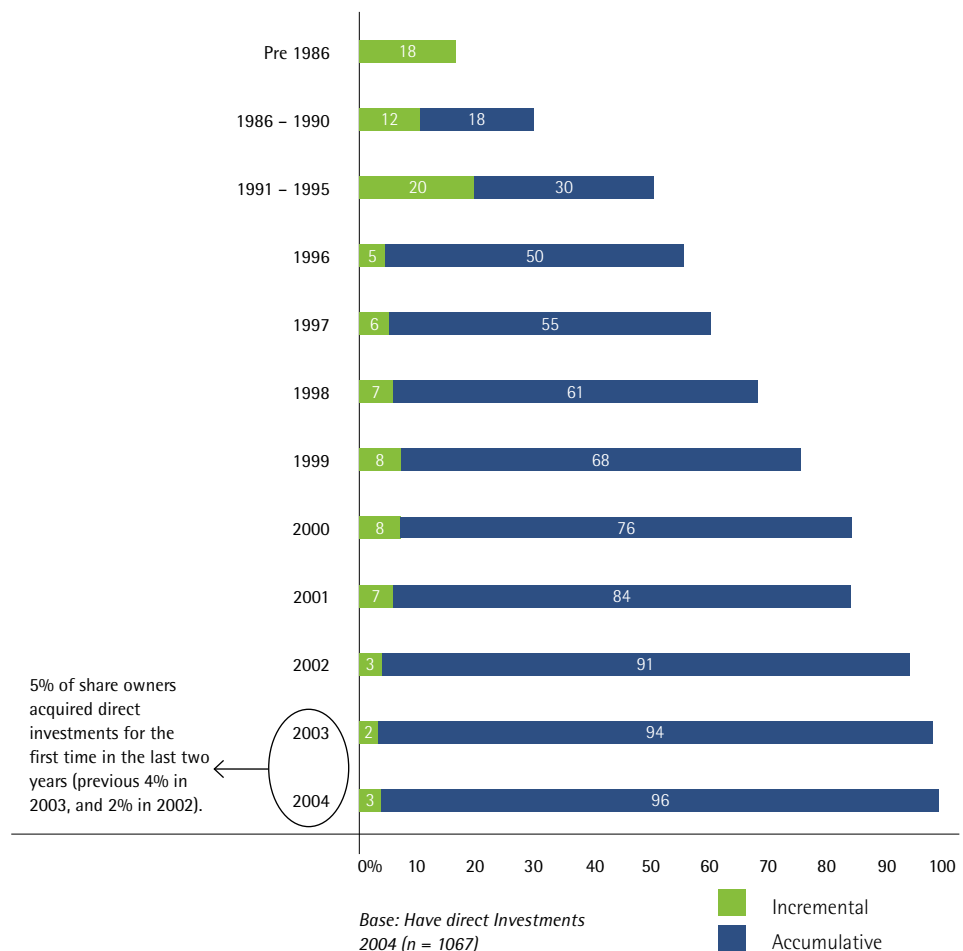
(male aged under 35)

“The property market is too expensive for me at the moment”

(male aged 25-30)

Direct Investment – When First Acquired

Have Direct Investments = 44%



Case Study – The Confidents

Peter, 38 years

IT Contractor;

Married, no children;

Assets: family home, investment property, shares

To achieve his financial goals, Peter has an investment plan that includes direct shares. He holds a portfolio of blue chip shares as well as shares in a number of small to medium sized companies where the risk is higher. He hopes through trading regularly to increase his return.

He has been in the share market for some time now, and invests with the aim of generating wealth to allow him to lead the life he wishes.

"I am trying to invest to attain wealth...there is always a role for shares in a diversified portfolio."

Peter takes on the responsibility of managing his portfolio himself. He may seek advice from a broker but will always cross check it with other sources. He seeks information from many sources (including the daily financial press and the business section of his daily broadsheet newspaper, e-newsletters, internet broking sites, company websites and occasionally specialist share magazines). He looks for evidence and facts to back up his decisions.

Peter admires successful people, with entrepreneurs such as Richard Branson or well known investors such as Warren Buffett high on his list. He is interested in learning from mentors, ideally in a small group forum. He is interested in taking his skills to the next level and learning about futures and options.

Who are they?

Confidents tend to be quite serious about shares, and measured in their approach. Investment is an interest for them, but doesn't necessarily involve excitement as such.

Confidents are independent in mind and spirit and are more likely to 'buck a trend' than follow it:

"When everyone is getting in you get out; and when everyone is getting out of the market, you get in"

Confidents are likely to be driven people who persevere to succeed, and are likely to be professional or self-employed. They admire people who have 'made it'.

Confidents view share trading as a commitment that requires dedication and discipline.

They tend to have a structured approach to their share dealings, if not a formal trading plan.

"I see it as a means to an end... people buy shares to generate wealth"

They may seek advice from a stockbroker or a financial planner, but always investigate further by checking against their own information sources and overall 'plan'. Where advisers are used, it is as an additional information source; they are not relied upon without validation.

Group Overview

Size and % of population	<ul style="list-style-type: none">- 1.75 million people.- 12% of population.
Demographic profile	<ul style="list-style-type: none">- Predominately male (71%).- Broad range of age groups – 42% aged under 45 and 43% aged 45-64.- Higher household incomes (58% over \$70k).
Investment/s held	<ul style="list-style-type: none">- 96% own shares.- Also own listed property trust (23%), listed interest rate securities (13%).- Also may trade derivatives (11%).
Behaviour	<ul style="list-style-type: none">- Invest in both large and small companies.- Average share portfolio 12 companies.- Only 23% had not bought or sold in past 12 months.- Average number of trades 21.- Average share parcel \$12,520.- Average value of direct investment \$62,000.- Very active in monitoring share investments with 45% doing so daily.
Information sources	<ul style="list-style-type: none">- Key source of advice from newspaper, internet, magazines and brokers.- Newspapers key influence.- Use wide range of information: company reports, news and financials; delayed, real time and historical share prices.
Future intentions	<ul style="list-style-type: none">- Greatest tendency to purchase share in the next 12 months with 53% saying they definitely will and 26% probably will.

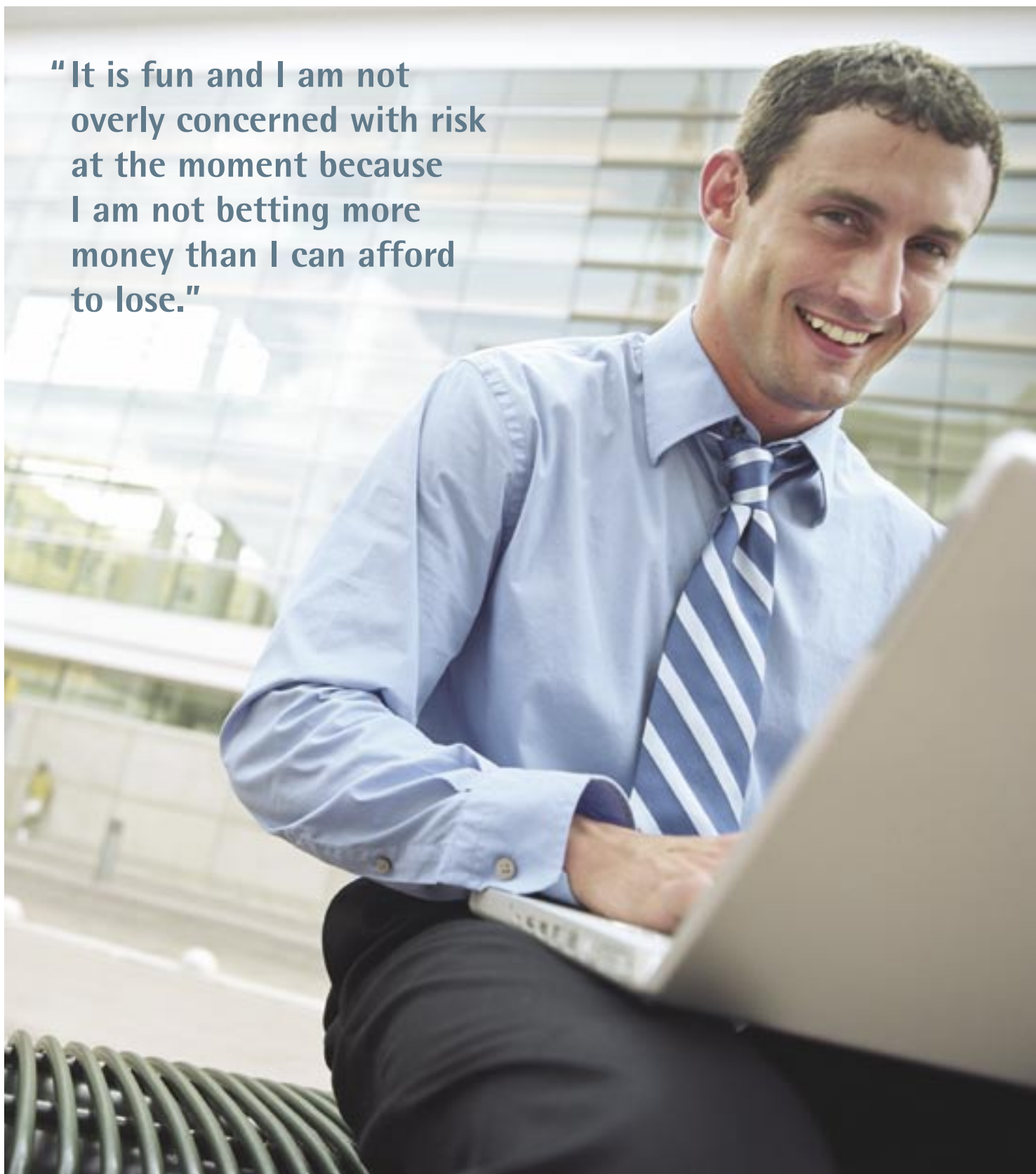
The Confidants

Peter, 38 years

IT Contractor; Married, no children.

Assets: family home, investment property, shares.

“It is fun and I am not overly concerned with risk at the moment because I am not betting more money than I can afford to lose.”



Case Study – The Highly Receptives

Robert, 41 years

Sales Manager;

Married, two children;

Assets: family home, shares

Robert is a busy man, working long hours and trying to spend any spare time with his family. He has paid off a reasonable amount of his home and is looking to buy an investment property.

Robert has been a direct share owner for five years, and believes share trading is a good way to make his money work harder to give him something to supplement his income.

While Robert has a certain level of knowledge about the share market, he would like to know more to increase his confidence about his decisions. Despite having good intentions, however, Robert just cannot find the time to make learning more about shares a priority.

“It’s largely due to time constraints but I really should learn more”

Robert therefore seeks ‘quick-gain’ methods of investing. So far he has tended to place his trust mainly in the hands of his stockbroker. He is also interested in tips from friends and colleagues that flag something interesting to investigate. Robert is also considering an online share-trading program that he has heard about from a colleague.

Limited time means Robert does not often seek out detailed share information. Robert refers mainly to mainstream media (newspapers, radio, TV) for information about shares, but has also looked at internet brokers and company websites.

“I usually get around to thinking about my shares and buying/selling at tax time”

Who are they?

Highly Receptives are busy people with active work, social and family lives. They often feel pressured to achieve all that they want to in life.

They have good intentions but find it hard to carry them through, which can lead to a feeling of frustration.

Highly Receptives want to be serious about their share investing, but have not quite got there yet, with knowledge and time required to learn about shares the major barriers. A trusted adviser is therefore appealing for Highly Receptives.

Group Overview

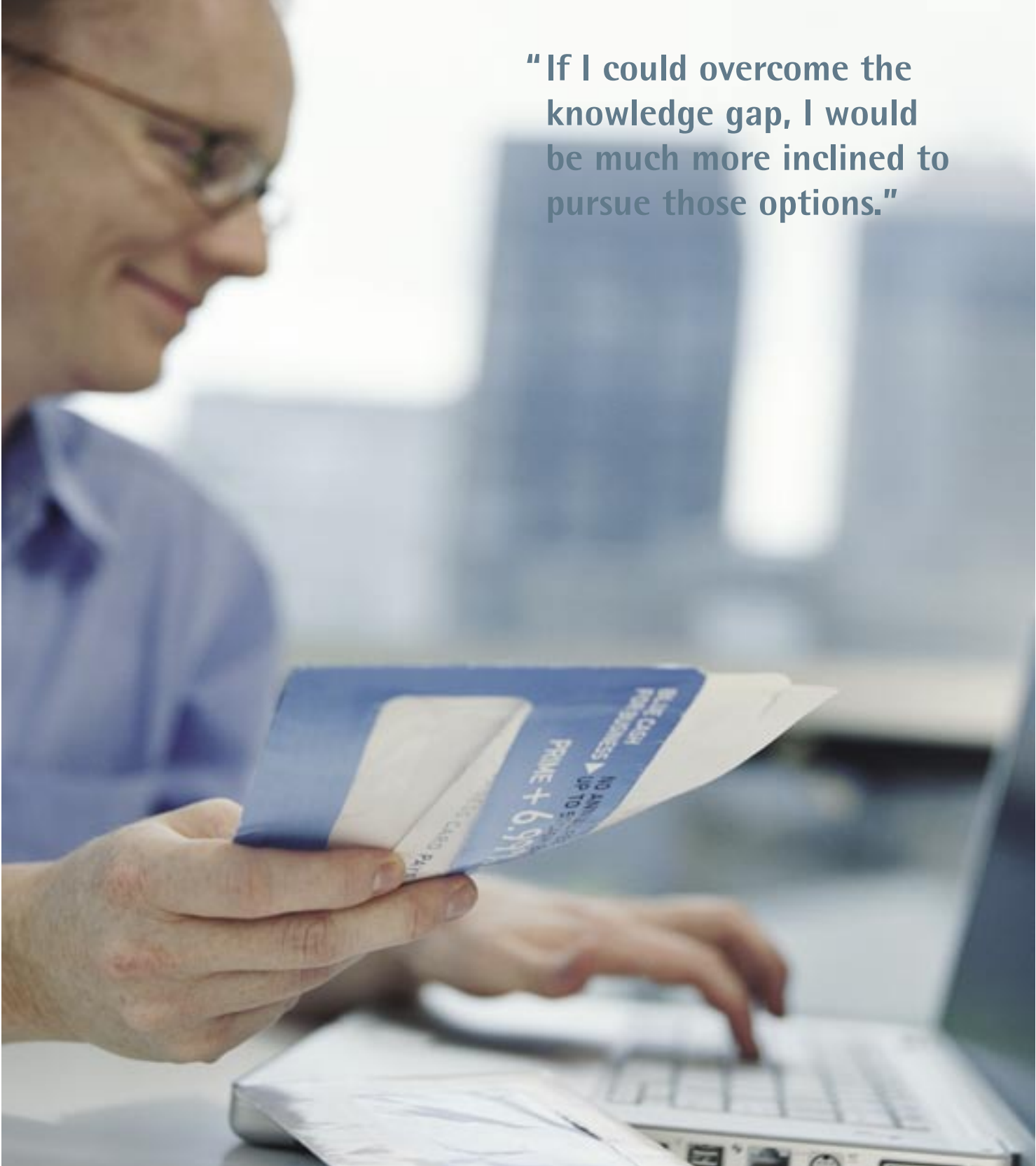
Size and % of population	<ul style="list-style-type: none">- 1.90 million people.- 13% of population.
Demographic profile	<ul style="list-style-type: none">- Typically male (57%).- Younger age group (57% under 45).- Higher household income (48% \$70k-\$200k).
Investment/s held	<ul style="list-style-type: none">- 95% own shares.
Behaviour	<ul style="list-style-type: none">- Invest in only large companies.- Average portfolio size 5 companies.- 51% had not bought or sold listed investments in past 12 months.- Average number of trades 3.- Average share parcel \$9,700.- Average value of direct investments \$34,000.- Two in five monitor shares at least weekly, using company reports and financials.
Information sources	<ul style="list-style-type: none">- Popular sources of share information/advice: newspapers, family/ friends, internet, financial planners, magazines and accountants.- Financial planners and family/friends are main influences.
Future intentions	<ul style="list-style-type: none">- One in two (55%) definitely/probably will buy shares in next 12 months, with 35% indicating otherwise.

The Highly Receptives

Robert, 41 years

Sales Manager; Married, 2 children.

Assets: family home, shares.

A man with glasses and a blue shirt is shown in profile, looking at a credit card. He is sitting at a desk with a laptop. The background is a blurred office setting with windows. The credit card is blue and white, with the text "BE THE CASH BUSINESS" and "PRIME + 6.99%" visible.

"If I could overcome the knowledge gap, I would be much more inclined to pursue those options."

Case Study – The Security Conscious

Deborah, 53 years

Primary School Teacher;

Separated, grown children living at home;

Assets: shares, family home

Deborah is a direct share owner who first got into shares via the Telstra float. She also has 'blue chip' shares in a major bank – the bank of which she is also a customer – and likes to feel she owns 'a piece' of companies with which she is familiar. Deborah would never invest in a company that was not well known. She is mainly concerned about making the right investment choices for her and her children's future.

Overall, Deborah feels quite overwhelmed about how the share market works and views it all as a 'bit of a gamble'.

“Never gamble what you can't afford to lose”

She hopes her shares will provide her with stability over the long term. However, Deborah does not really know what to do with her shares beyond holding on to them for the long term, which she has heard you should always do with shares.

“There is this perception there is something special or mysterious about effectively trading shares”

Deborah feels that she has enough shares for now, and does not intend to become more involved in shares in the near future. She does not seek detailed information about her shares. She looks at the share price in the newspaper at most once a week.

Who are they?

Security Conscious investors are typically 'Mum and Dad' investors. They have some exposure to shares (usually via public floats) but know little about shares overall or the true value they hold in an investment portfolio.

They have often been attracted to public floats because of:

- ease of access
- small outlay
- perceived stability (big, well-known, companies)
- a sense of feeling connected: owning a part of a well-known Australian company.

The Security Conscious are the most risk averse of the segments and manage risk via a conservative portfolio.

Group Overview

Size and % of population	- 1.46 million people. - 10% of population.
Demographic profile	- Typically female (58%). - Aged 45-64 (48%). - Range of household income from \$30k-\$100k (65%).
Investment/s held	- 89% own shares.
Behaviour	- Invest in well known large companies. - Average of 4 companies in share portfolio. - Rather inactive 69% not traded in past 12 months. - Average number of trades 2. - Average share parcel \$9,440. - Average value of direct investments \$28,000. - Less active in monitoring their portfolio (33% at least weekly and 39% less often than monthly).
Information sources	- Use newspapers, financial planners and family/friends. - Family/friends are key source of influence.
Future intentions	- 69% won't buy shares in next 12 months and 23% indicated that they will.

The Security Conscious

Deborah, 53 years

Primary School Teacher; Separated, grown children living at home.

Assets: shares, family home.



**"Never gamble
what you can't
afford to lose."**

The Potentials

Garry, 35 years

Engineer; Married, two children.

Assets: family home.



Case Study – The Potentials

Garry, 35 years

Engineer;

Married, two children;

Assets: family home

Garry has been focused on paying off his mortgage and providing for his young family while his wife has not been working. He does not own direct shares, but understands the value of shares in an investment portfolio. However, Garry says he is not sure where to start. He is seeking to gain knowledge to help him feel comfortable in managing risk, and hopes that once he 'gets started' he will be able to manage a portfolio confidently.

Garry is looking for someone or something to point him in the right direction. He wants first to understand the basic procedural aspects of share investing, such as how to buy and sell.

It is important that he feels information or advice is pitched at his level while he gets up to speed.

"If I ask a stupid question I don't want to be laughed at... knowledge and intelligence are different. You can be as intelligent as you want, but you may know nothing about the stock market"

Who are they?

Potentials understand the value of shares in a portfolio but have had other priorities up to now. They want to start investing but are not sure where to start or how to go about it. They are keen to gain knowledge which will make help them feel comfortable and assist them in managing their risks.

Overall they believe that once they have dedicated the time and effort to share investing they will be alright, they just need a hand in getting started.

Group Overview

Size and % of population	<ul style="list-style-type: none">- 1.46 million people.- 10% of population.
Demographic profile	<ul style="list-style-type: none">- Generally male (56%).- Age split between those aged under 35 (41%) and 35-54 years (38%).- Half (52%) household income of \$50,000 plus.
Investment/s held	<ul style="list-style-type: none">- 39% owned shares in the past.- 15% have managed funds.
Future intentions	<ul style="list-style-type: none">- Most likely to buy shares in the next 12 months (33%).



The Availables
 Michelle, 27 years
 Personal Assistant; Shares flat with girlfriend.
 Assets: savings.

Case Study – The Availables

Michelle, 27 years

Personal Assistant;
 Shares a flat with a girlfriend;
 Assets: Savings

Michelle does not currently own shares, and has never really thought about them. She does not think much about investment or know about the role of shares in a portfolio.

Michelle perceives that dedicated time and effort would be required to understand shares, and is not confident she would be capable of gaining this understanding. Overall she feels that shares are out of her league:

“Shares are for people who read the Financial Review... I read the Daily Telegraph”

Who are they?

Availables do not understand the role of shares in an investment portfolio. Consequently they feel overwhelmed by the concept of share investing, with many feeling that shares are simply out of their league.

Overall, they are less interested in share investing, lack the knowledge and understanding of the benefits of shares and perceive shares as being 'not for them.' They also worry about the potential risks associated with shares.

Group Overview

Size and % of population	- 2.19 million people. - 15% of population.
Demographic profile	- Very slight male skew (52%). - Predominately aged less than 35 years (57%). - Household income of \$50,000 plus (48%).
Investment/s held	- 25% have residential investment property.
Future intentions	- Only 14% likely to buy shares in the next 12 months (79% will not).

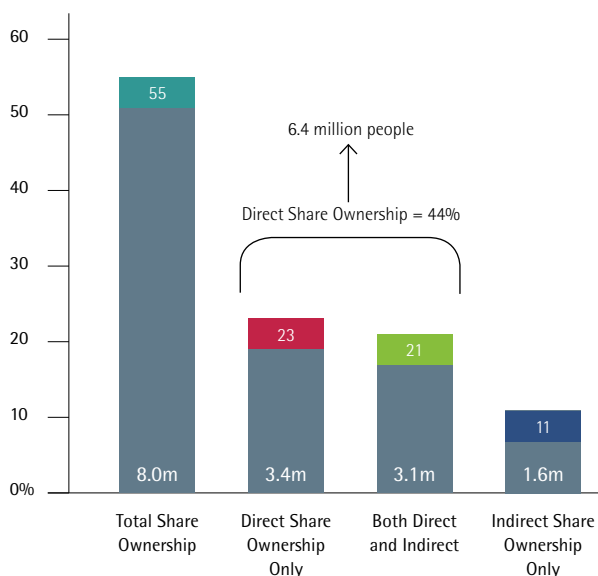
Part Three – Findings in Detail

Share Ownership in Australia

Overview

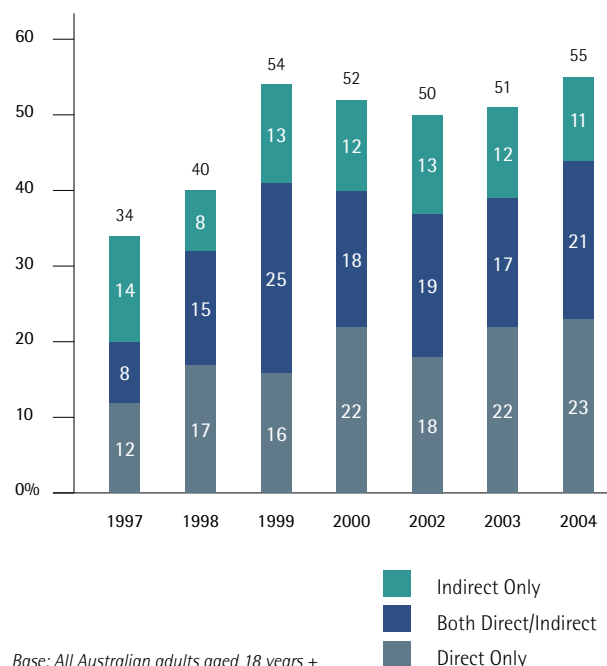
- In 2004, 55% of the Australian adult population or approximately 8 million people owned shares either directly or indirectly.
- This consisted of: 23% or 3.4 million who only own shares directly (ie shares listed in their names), 11% or 1.6 million who only hold shares indirectly (ie through a managed fund or self-managed superannuation fund) and 21% or 3.1 million who have both types of investments.
- In total, 44% of the population or 6.4 million people were direct share owners in 2004.
- 2004 witnessed the highest recorded incidence of total share ownership (55%) and direct share ownership (44%). The previous peak was in 1999 (at 54% and 41% respectively).
- Share ownership increased sharply from 1998 to 1999 and stabilised since the turn of the century.
- While share ownership in 2004 was slightly ahead of 1999 figures (the next highest incidence), what is apparent was the higher proportion of investors in 2004 having only direct investments (23% vs 16% in 1999), while in 1999 investors were more likely to have both direct and indirect holdings (25% vs 21% in 2004).
- From 2003 to 2004, total share ownership grew by around 8% or 584,000 people, while direct share ownership (direct only and both (direct and indirect)) increased by about 13% or 730,000. Those with only indirect shares decreased by around 146,000 people or 8%.
- Overall, from 1997 to 2004 total share ownership increased by approximately 3.3 million or 71%, and direct share ownership more than doubled (increasing by around 130% or 3.6 million people).

Total Share Ownership



Base: All Australian adults aged 18 years + (n=2402)

Trend of Australian Share Ownership



Base: All Australian adults aged 18 years +

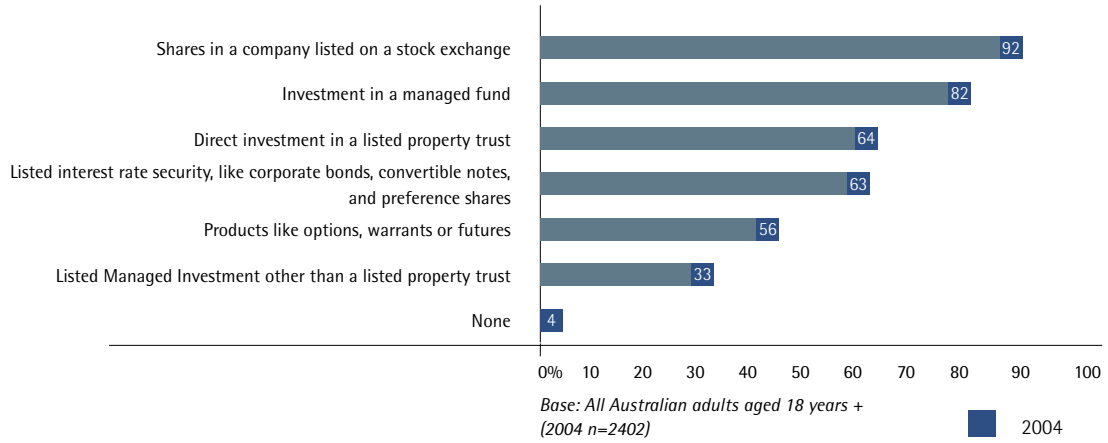
Total number of Australians investing in shares (000's)

	1997	1998	1999	2000	2002	2003	2004
Direct Only	1,645	2,277	2,184	3,133	2,628	3,212	3,358
Both	1,177	2,101	3,520	2,563	2,774	2,482	3,066
Indirect Only	1,811	1,148	1,852	1,709	1,898	1,752	1,606
Total	4,703	5,526	7,556	7,405	7,300	7,447	8,031

Awareness and Ownership of Investment Types

Virtually the entire adult population in Australia had heard of shares (92%), as well as managed funds (82%) in 2004.

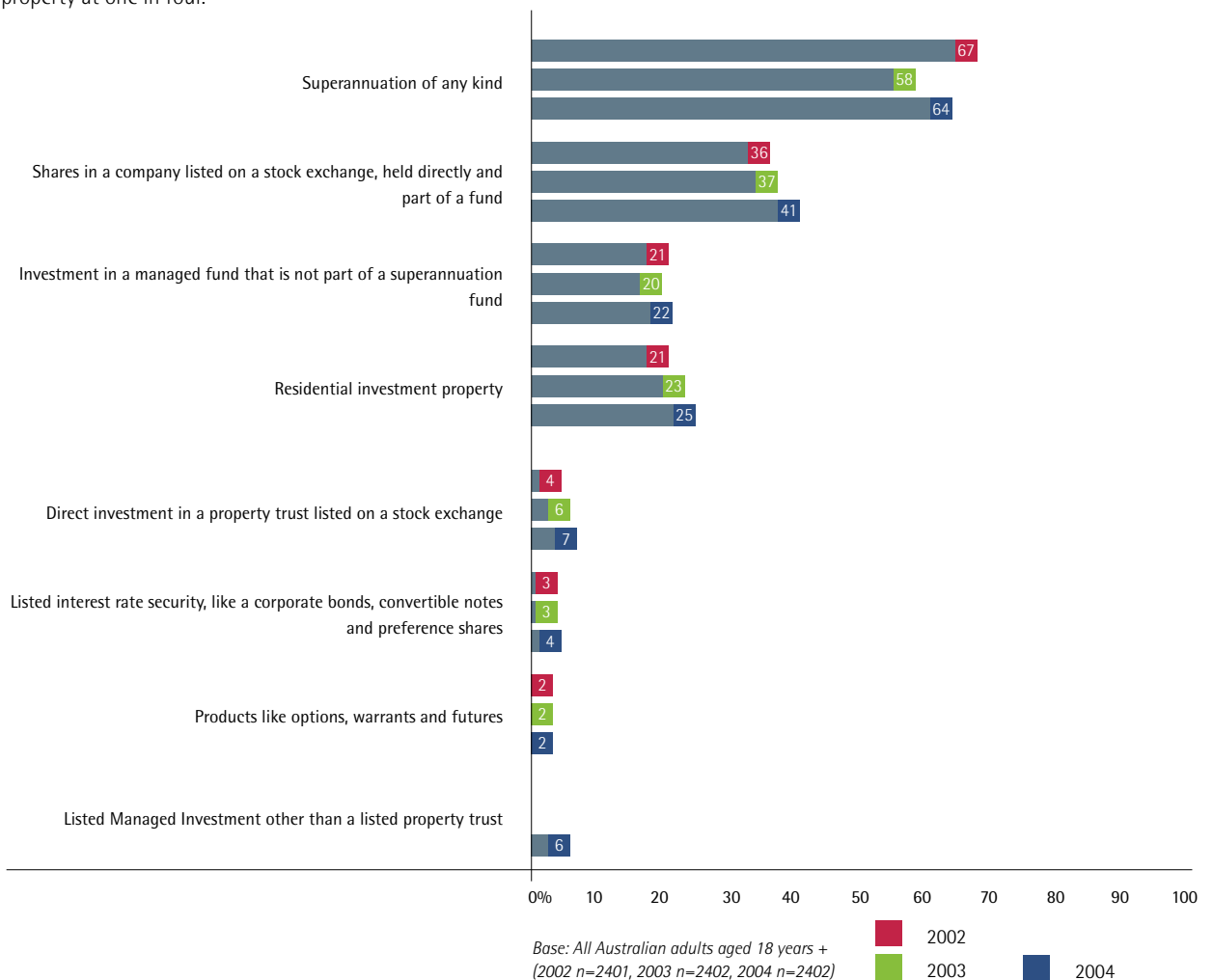
Awareness of Investments



Ownership of Investment Types

In terms of investment ownership, significant increases were seen for superannuation (from 58% in 2003 to 64% in 2004), as well as shares (from 37% to 41% respectively). Ownership of managed funds remained steady at one in five, as did that of residential investment property at one in four.

The incidence of listed investments (other than shares) such as listed property trusts, listed interest rate securities, options/futures/warrants and listed managed investments was still very low among the general population.



Direct and Indirect Share Ownership

Direct Share Ownership

For the purpose of this study, 'direct shares' and 'direct investments' are defined as:

- Shares in a company listed on a stock exchange, which are held directly and not as part of a fund, or
- A direct investment in a property trust or managed investment which is listed on a stock exchange, or
- Investments such as options, warrants or futures, or
- Listed Interest Rate Securities such as corporate bonds, convertible notes and preference shares.

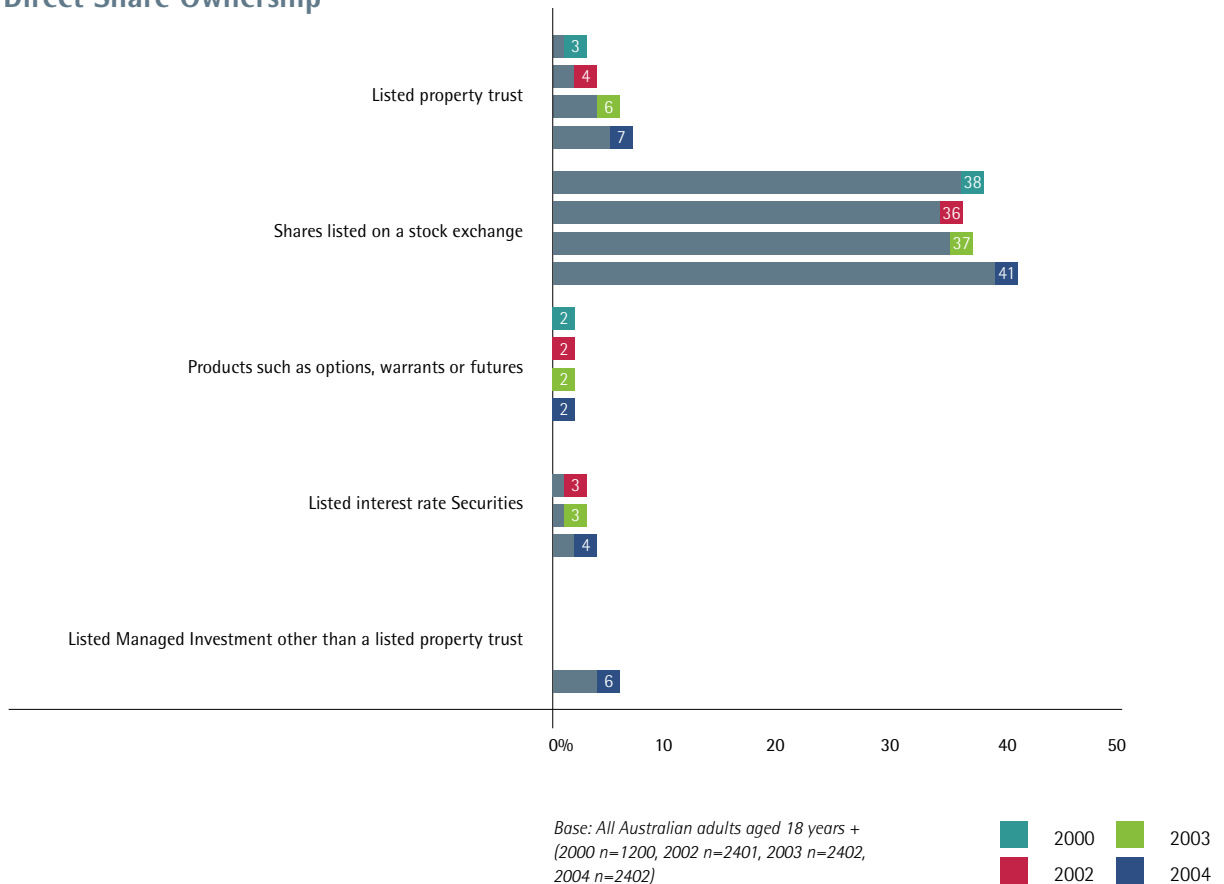
For the first time, all instruments listed and traded on the Australian Stock Exchange are captured by this definition.

As in previous years, shares listed on a stock exchange were the most widely held direct investment. In 2004, 41% of Australian adults owned shares listed on a stock exchange, up from 37% in 2003.

The number of people owning shares listed on an overseas exchange had also increased. In 2004, 14% of those with shares held shares listed on overseas exchanges, an increase from 10% and 7% in 2003 and 2002 respectively. In terms of the total population this represents penetrations of 6%, 4% and 3% in the years 2004, 2003 and 2002.

Penetration of ownership of products such as options, warrants and futures, as well as listed interest rate securities, has remained constant. Ownership of listed property trusts increased. Listed managed investments, included for the first time in 2004, had a penetration of 6%.

Type of Direct Share Ownership

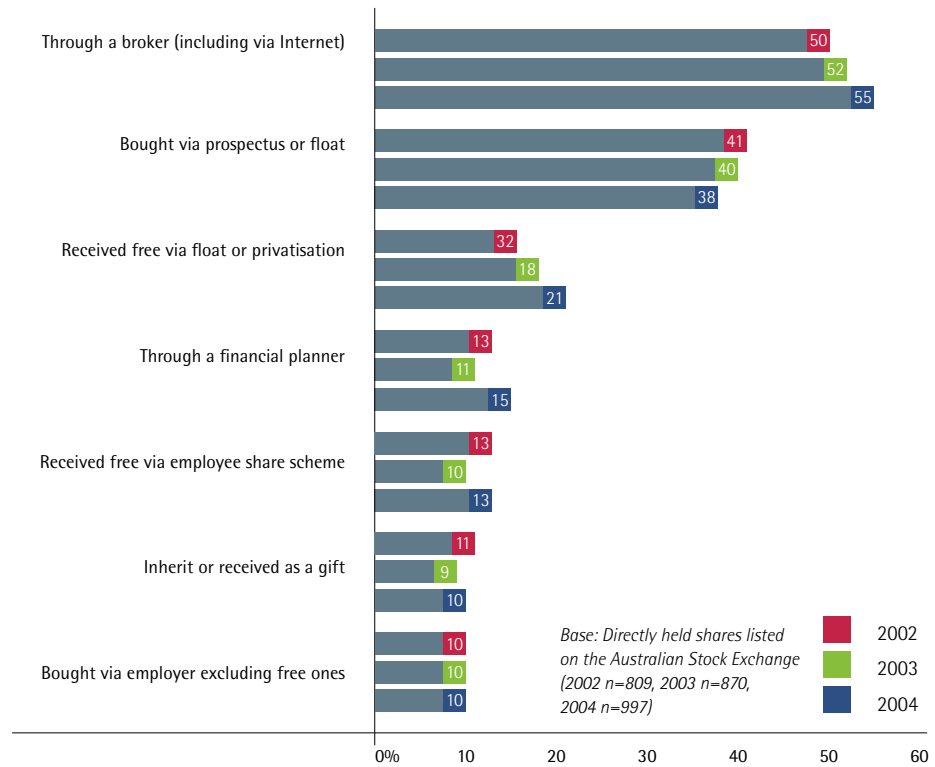


Acquisition of Shares

- One in two investors continued to make their initial share purchase through a broker, of which 51% was through a full service/non-advice broker, 34% a discount/non-advice internet broker and 15% a discount/non-advice non-internet broker.
- The next most popular method of initial acquisition was through a prospectus or float (38%).

- Shares received free via a float or privatisation decreased from 32% in 2002 to 21% in 2004 due to fewer privatisations during the period covered by the survey.
- There was significant growth of shares purchased through a financial planner, increasing from 11% in 2003 to 15% a year later.

Source of Direct Share Ownership

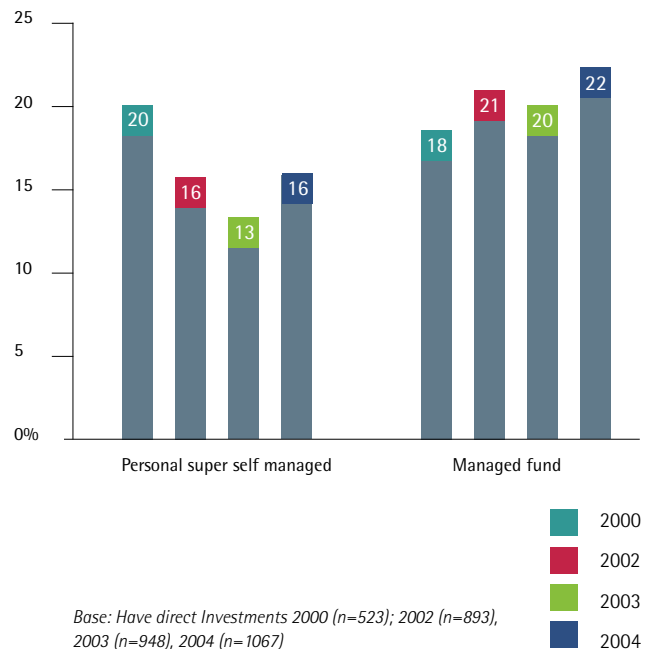


Indirect Share Ownership

An 'indirect investment' is defined as:

- An investment in a managed fund that is not part of a superannuation fund, or
- A personal superannuation fund that the investor has set up but that is managed by someone else, or
- A personal superannuation fund that the investor has set up and directly manages.
- The proportion of people claiming to have a self-managed superannuation fund appeared to have decreased from 2000 to 2003. This may reflect respondents now having a better understanding of what a self-managed superannuation fund is and hence no longer classifying themselves as having such a fund. 2004 saw 16% of the Australian population claiming to have a self-managed super fund, up from 13% in 2003.
- The proportion of people with an investment in a managed fund remained steady at around one in five.

Type of Indirect Share Ownership

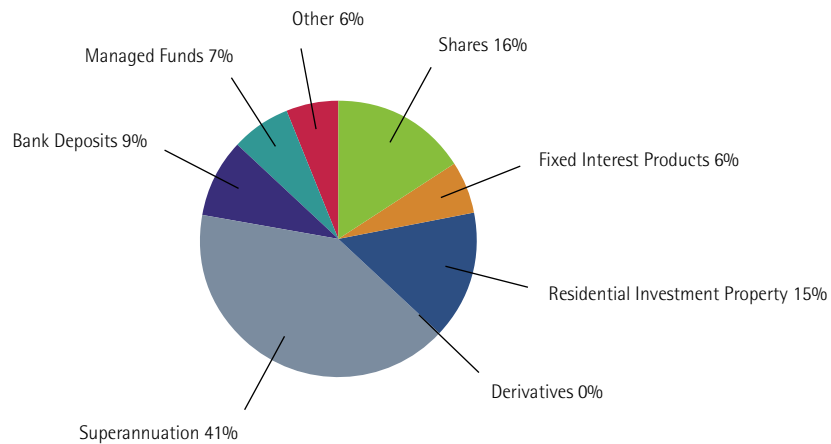


Portfolio Components

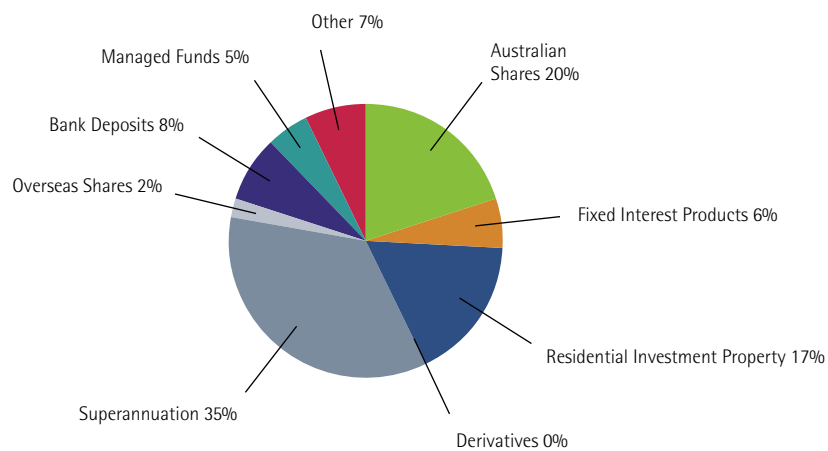
- Of those who had investments, the greatest proportion of funds invested was in superannuation, at a little over one third (36%).
- Next were residential investment property (18%) and Australian shares (17%).
- The remaining 20% consisted of investments such as bank deposits, fixed interest products, managed funds, overseas shares, derivatives (warrants, option, futures) plus others not specified.
- Overall, the allocation of funds to different asset classes has not changed significantly in the past three years.

Investment Portfolio

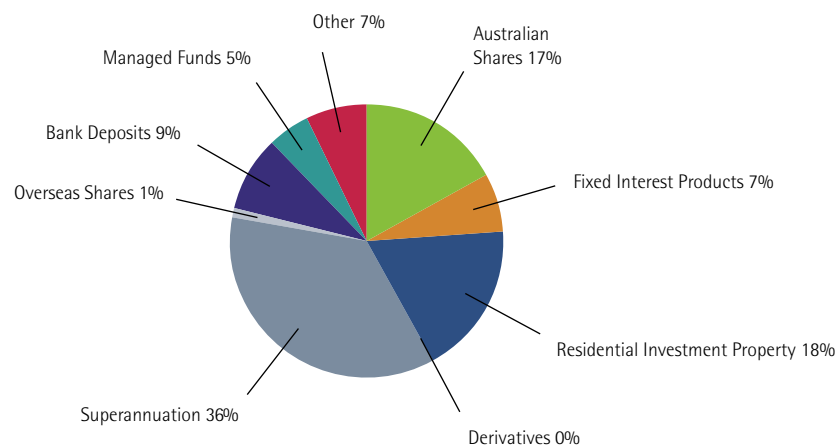
2002



2003



2004



Base: Have Direct or Indirect Investments
 2002 n=1615, 2003 n=1414, 2004 n=1693

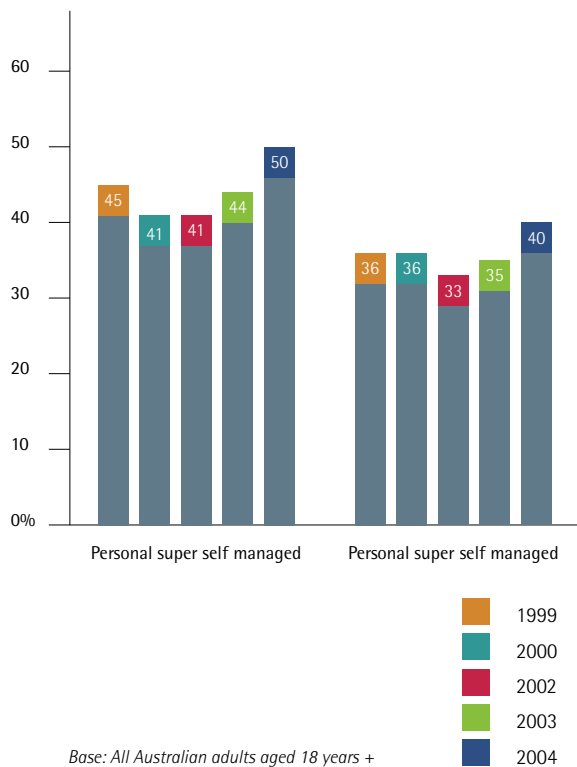
Demographic Profile

Gender

- In 2004, half the adult male population directly owned shares, an increase from 44% in 2003. The incidence of women owning direct investments also increased significantly, from 35% in 2003 to 40% a year later. Despite the increases, the trend continued in 2004 for men to be more inclined than women to be direct investors.

Direct Share Ownership – Gender

% owning shares directly

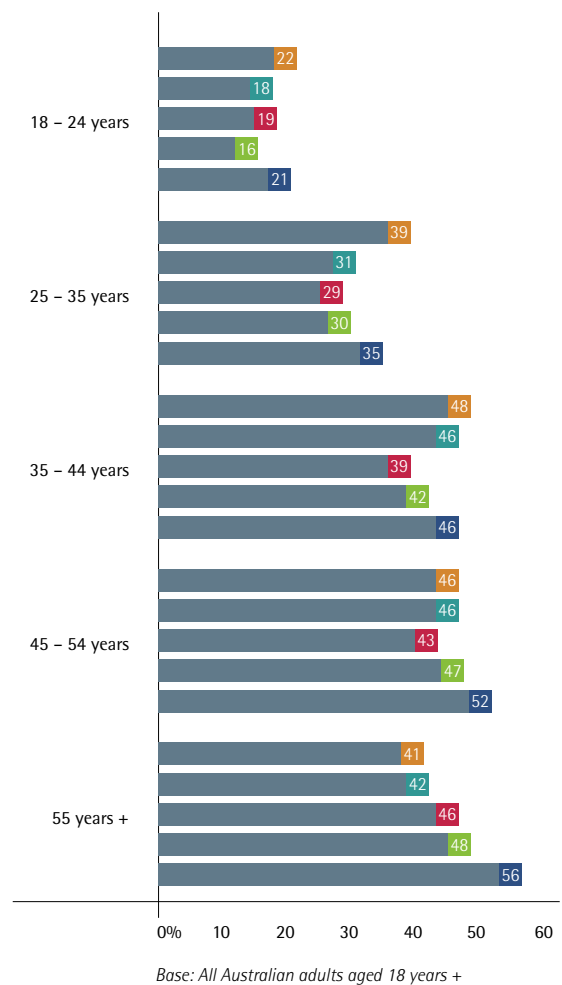


Age

- The incidence of direct share ownership increased across all age groups in 2004 compared to previous studies.
- By and large, share ownership appears directly correlated with age – the older one gets, the more likely one is to own shares.
- Significant increases were reported for those aged 55 years and older, with close to three in five (56%) owning shares directly in 2004, up from around one in two (48%) 12 months previously.
- Those aged 35 years or less continued to join the market in increasing numbers. One in five (21%) people aged 18 to 24 years, and a third (35%) of those aged 25 to 34 owned direct investments in 2004.
- The perceived attractiveness and affordability of the share market (especially compared to property investments) among younger people in particular may have resulted in people turning to shares as an investment.

Direct Share Ownership – Age

% owning shares directly

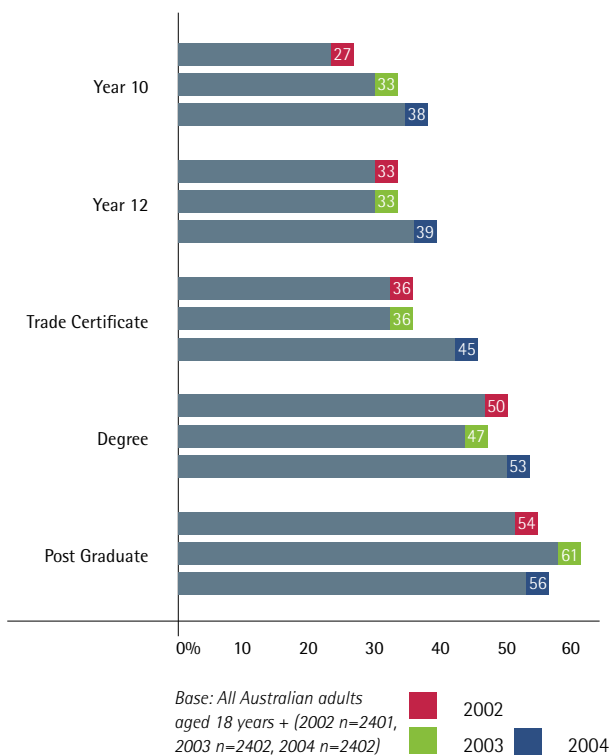


Education

- As in previous years, the incidence of direct share ownership appeared to rise as the level of education increased. In 2004, 56% of postgraduates owned shares directly compared to two in four of those with a Year 10 or Year 12 education level (38% and 39% respectively).
- However 2004 saw significant increases of direct investment ownership among people with a trade certificate and degree. In 2004, 45% of people with a trade certificate held shares – up from 36% in 2003, while 53% of graduates held shares, up from 47%.
- Modest increases were also seen among those with Year 10 and Year 12 education level only – increases from 33% in 2003 to 38% and 39% respectively in 2004.

Direct Share Ownership – Education

% owning shares directly

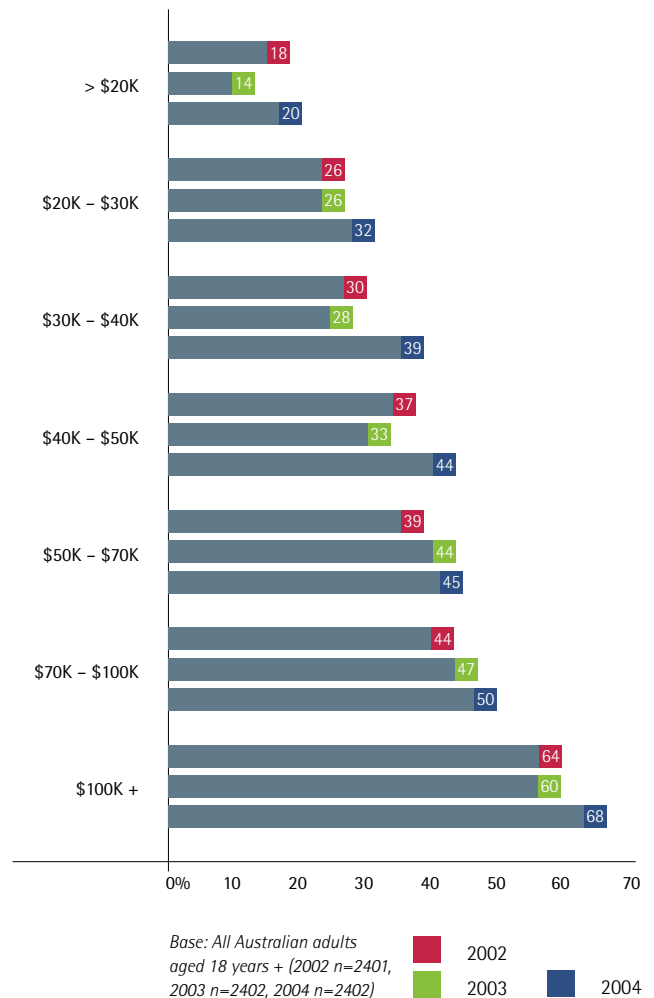


Household Income

- While ownership of direct investments rises with higher household income, 2004 saw direct ownership increases across all income brackets.
- Significant increases in direct investment ownership were seen among middle income Australians in 2004. Two in five people with household incomes in the \$30,000 to \$40,000 bracket (39%) and \$40,000 to \$50,000 bracket (44%) directly invested in the share market, an increase from around a third (28% and 33% respectively) the previous year.
- Healthy increases were also seen for those in the \$100,000 and over household income bracket. 68% of these people had direct investments – a significant increase from 60% in 2003.

Direct Share Ownership – Household Income

% owning shares directly

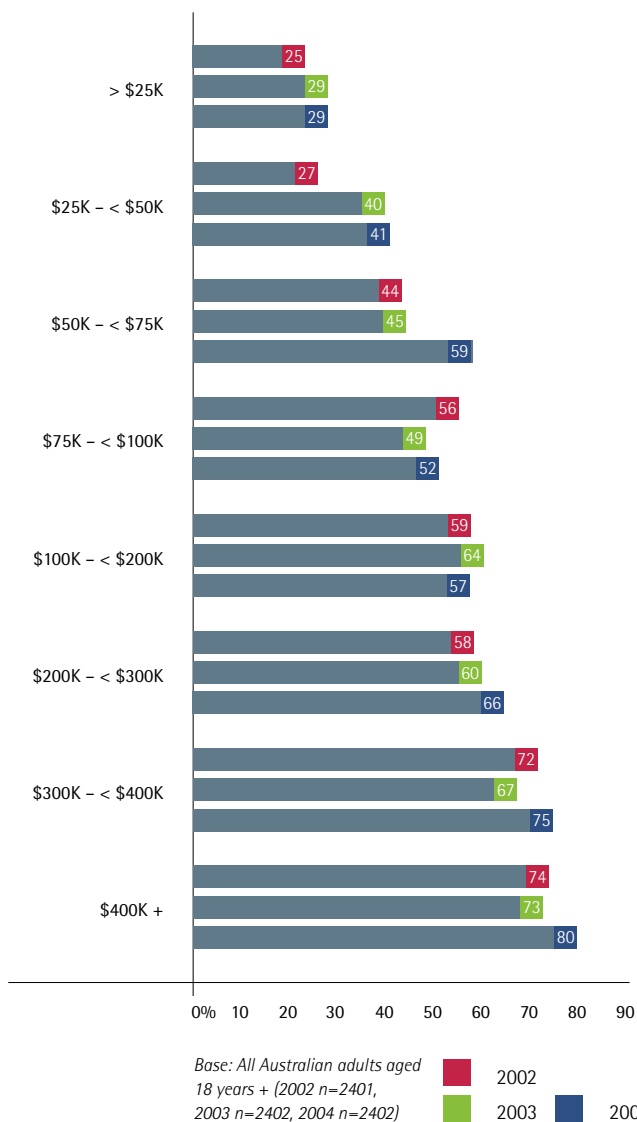


Household Assets

- The incidence of direct investment ownership overall increases as the value of household assets (excluding the family home) increases.
- In 2004, significant increases in ownership of direct investments were seen among those with household assets of \$50,000 to \$75,000 (from 45% in 2003 to 59% in 2004), and among those in the \$300,000 to \$400,000 (from 67% to 75%) and \$400,000 plus (from 73% to 80%) brackets.

Direct Share Ownership – Household Assets

% owning shares directly



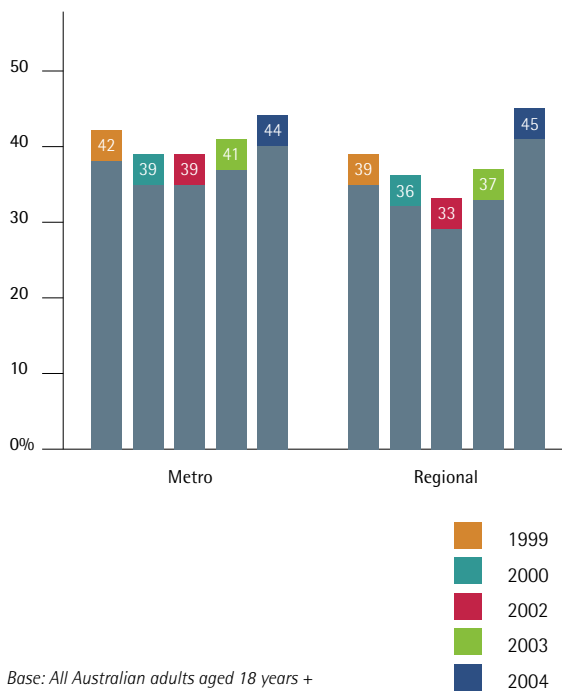
Geographic Profile

Region

- Regional dwellers enjoyed a significant increase in direct investment ownership in 2004. Almost one in two (45%) owned direct investments, up from 37% in 2003.
- Ownership of direct investments was just as likely to be found in regional Australia as it was among those in the main cities (ie metropolitan areas).

Direct Share Ownership – Region

% owning shares directly

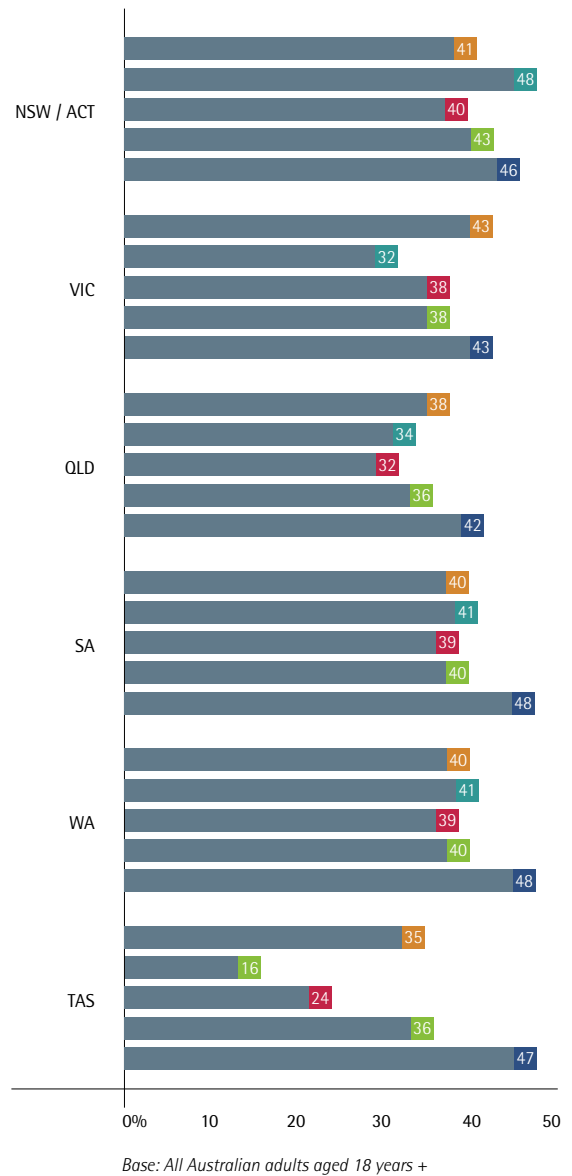


State

- Ownership of direct investments increased across all states with a healthy increase reported in Western Australia from 40% in 2003 to 48% in 2004. This could be attributed to a large proportion of new listings on the stock exchange being from Western Australia. Approximately 30% of new listings in 2004 were from Western Australia, and a further 30% from New South Wales.
- Close to half the adult population in New South Wales and Western Australia directly held investments listed on the stock exchange, while for the other states it was around two in five.

Direct Share Ownership – State Comparison

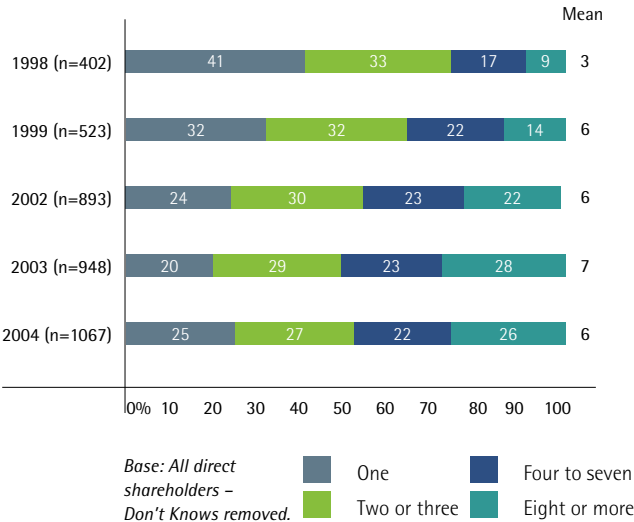
% owning shares directly



Number and Type of Stocks in Share Portfolios

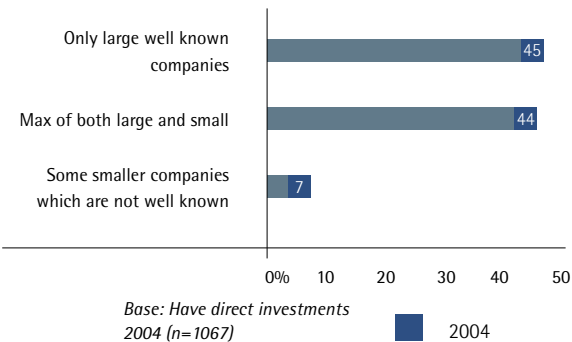
- The average number of companies held in a share portfolio fell from seven in 2003 to six in 2004, returning to figures reported in 2002 and 1999.
- The possible explanation for this fall, is the increase in the proportion of direct share owners with only one company in their share portfolio (from 20% in 2003 to 25% in 2004). It seems likely that these are the new entrants to the share market, whose entry with a small portfolio has reduced the national average portfolio size.
- In 1998, 74% of direct investors had shares in three or fewer companies; this fell to 52% in 2004, while those holding four or more stocks increased from 26% to 48%. Over time, the average share portfolio has broadened.

Number of Companies in Portfolio



- 45% of direct investors held shares only in well known 'blue chip' companies. Around two in five (44%) held shares in a mixture of large and small companies, while 7% only held shares in smaller less well known companies.

Size of Companies

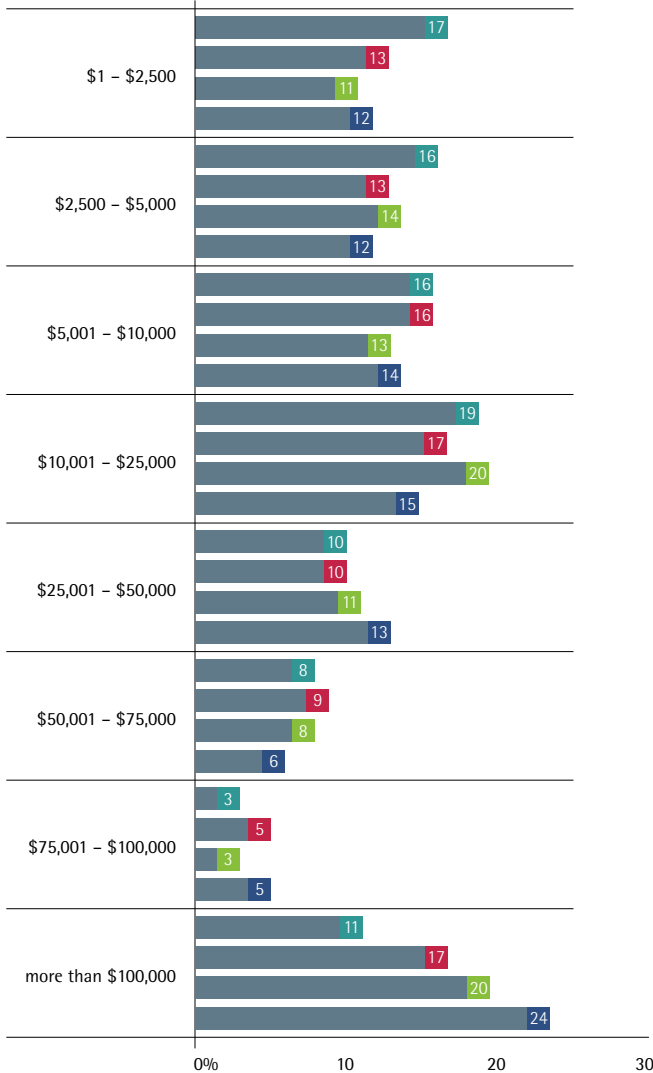


Value of Direct Investments

- The average value of direct investments, as reported by respondents, increased marginally from \$40,800 in 2003 to \$41,400 in 2004. This modest increase could possibly be attributed to new share owners who entered the market with smaller amounts.
- Amounts invested in the stock market appeared more evenly spread in 2004 than in 2000. In 2004, 52% had less than \$25,000 invested and 48% more than \$25,000, compared to 68% and 32% respectively in 2000. Part of this growth would be due to the increase in the value of existing holdings, as well as the expanding portfolio of investors generally.

Value of Direct Investments in Share Market

Amount of money invested in direct investments



Average \$ value directly invested

2004 – \$41,400 2002 – \$35,800 1999 – \$28,333
 2003 – \$40,800 2000 – \$29,000 1997 – \$28,652

Base: All Australian adults aged 18 years + (2000 n=312, 2002 n=688, 2003 n=642, 2004 n=827)

Investor Outlook

Overall, investor outlook for investments in general and shares in particular was positive. People were generally feeling confident about prevailing economic conditions and believed that it was a good time to consider shares.

There was a clear sense that shares had 'come good' in the previous 12 months or so. It was recognised that the share market goes through peaks and troughs, as do other investment classes. Property was seen to have had its day for now, with shares taking over as the stronger performer.

The strong Australian economy and good profits reported by companies were seen to have contributed to the favourable performance of shares. Shares were seen to be in a positive cycle and were expected to perform well for a 'couple of years'. At the time of the research there was some uncertainty about the impact of rising interest rates.

“It’s interesting how quick a turnaround we have seen. You only have to roll back two years and everyone’s superannuation funds were absolutely hammered and who would have put their money into the share market. Then in the last four to five months the share market is at an all time high”

(male aged 25-45)

“I personally think the property market has run its course, so over the last couple of years I have become much more interested in shares”

(female aged 25-45).

Investor Attitude Towards Investing in Shares

Overall, attitude towards investments remained consistent from the 2003 study to 2004.

53% of direct investors said they do not have the time needed to get more involved in the share market. While 44% are keen to find out more, 61% are happy to rely on the experts for now.

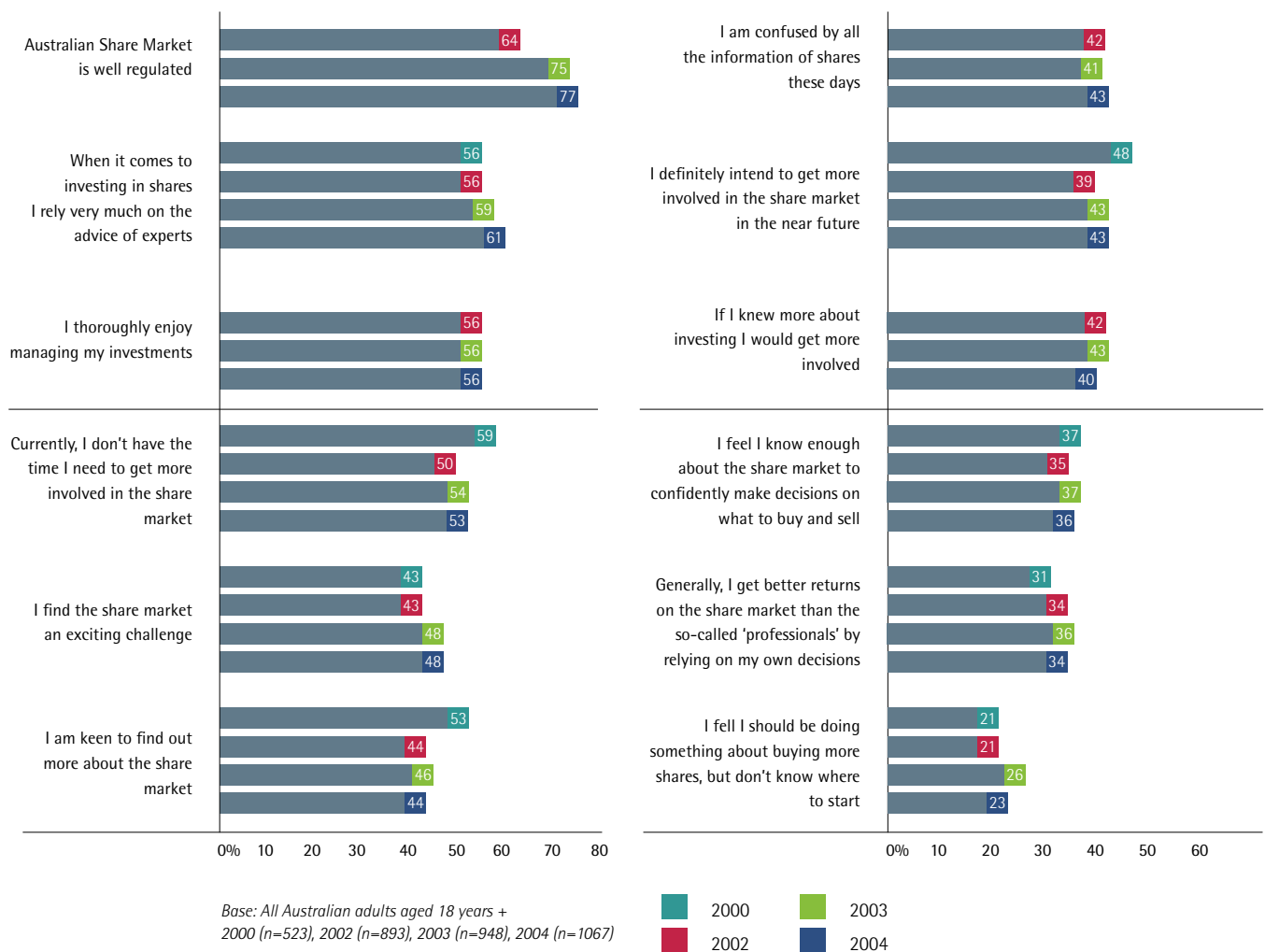
Others stated they get a sense of enjoyment from managing their investments (56%) and find the share market an exciting challenge (48%).

While the intentions of some direct investors (43%) to become more involved is positive, others felt they need to know more about investing before getting more involved (40%). 43% reported a sense of confusion, while 23% were unsure where to start.

Others appeared at the other end of the spectrum, feeling confident about their trading decisions (36%) and believing that they obtain better returns themselves than by relying on the professionals (34%).

Consistent Attitudes to Investments

Those who "agree" or "strongly agree"



Attitudes that strengthened in 2004 related to the view that the share market is for everyone and not just big businesses and the wealthy (from 80% in 2002 to 87% in 2004).

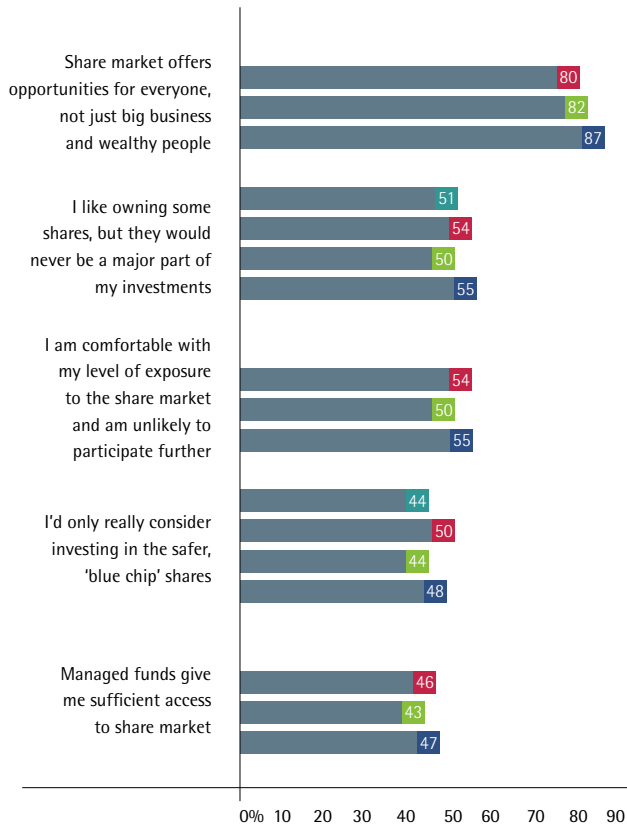
Direct investors continued to believe the Australian share market is well regulated (77%), which is fundamental to the operation of the share market.

55% of direct investors, however, reported that while they liked owning some shares, shares would never be a major part of their investment portfolio (up from 50% in 2003). 55% also said they were comfortable with their current share exposure and unlikely to participate further (up from 50% in 2003).

There was an increase in the percentage of direct investors who would only consider investing in blue chip shares and in those who said their managed funds provide sufficient exposure to the market.

Changing Attitudes to Investments

Those who "agree" or "strongly agree"



Base: Have direct Investments 2000 (n=523), 2002 (n=893), 2003 (n=948), 2004 (n=1067)

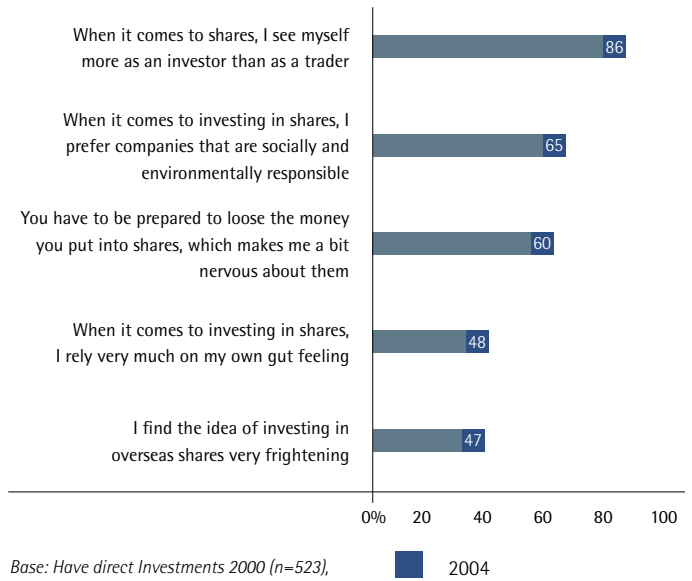
The qualitative stage of the study elicited some attitudes to investing which were included quantitatively for the first time in 2004.

Overwhelmingly, people saw themselves as investors not as traders (86%). Investors also preferred companies that are socially and environmentally responsible (65%) and held the belief that you have to be prepared to lose the money you put into shares (60%).

Half said they rely on their gut feeling when making trading decisions (48%), while 47% found the idea of investing overseas frightening.

New Attitudes to Investments

Those who "agree" or "strongly agree"



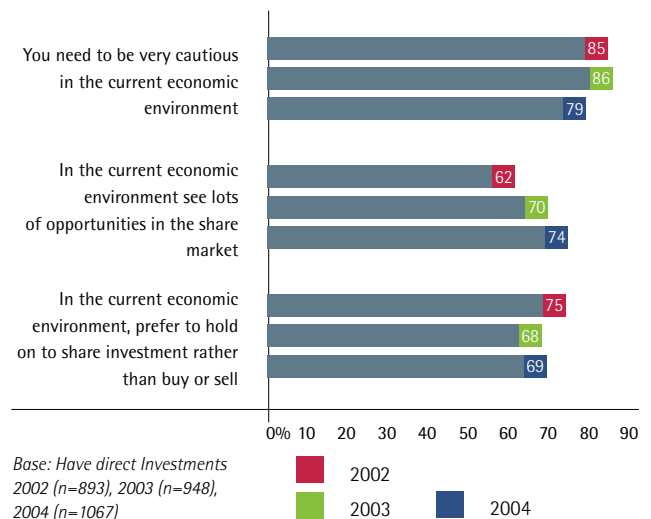
Base: Have direct Investments 2000 (n=523), 2002 (n=893), 2003 (n=948), 2004 (n=1067)

Sentiment towards share trading remained positive in 2004, fewer direct investors saw the need to be cautious (down from 86% in 2003 to 79% in 2004), and more saw opportunities in the share market (up from 62% in 2002 to 74% in 2004).

Despite this, 69% still preferred to hold on to their direct investments rather than trade.

Buying and Selling of Shares

Those who "agree" or "strongly agree"



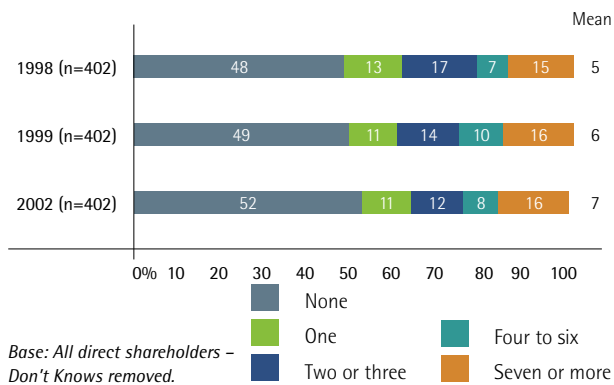
Base: Have direct Investments 2002 (n=893), 2003 (n=948), 2004 (n=1067)

Frequency of Trading

- The average number of trades (ie buying or selling of shares) continued to increase from 5 in 2002 to 6 in 2003 and up again to 7 in 2004.
- In interpreting the number of trades, it appears the increase in trading activity is attributable to a higher number of trades by the 'active' investor ie. those trading seven or more times per year.
- Over the past three years, half the direct investors have not been trading. A possible explanation may be the barriers towards share trading highlighted earlier in this report. Other factors could include the attitude of many investors that they already have sufficient exposure to the share market, and the belief that they lack the necessary knowledge to trade more actively.

Trading Activity

Number of times bought or sold direct investments in last 12 Months

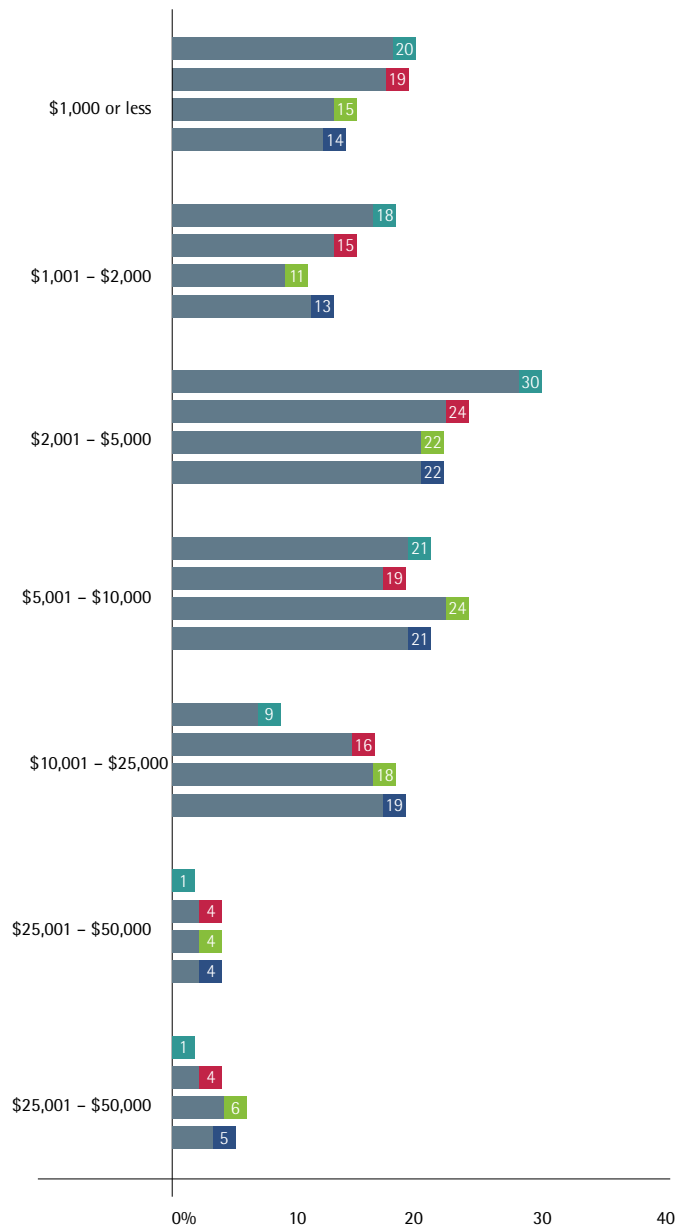


Value of Trades

- Among those who had traded in the past 12 months (48% of direct investors), the average dollar value of share parcels traded increased marginally by 5% from \$10,650 in 2003 to \$11,140 in 2004.
- Since 1999, there appears to have been a move away from trading smaller parcels (ie \$5,000 or less). In 2004, 49% traded parcels of \$5,001 to \$25,000 (30% in 1999) and 9% traded parcels over \$25,000 (2% in 1999).

Average Value of Trading Activity

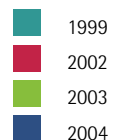
Average value of share parcels bought or sold in last 12 months



Average \$ value of trades

2004 - \$11,150
 2003 - \$10,650
 2002 - \$8,830
 1999 - \$5,700

Note: Don't know removed
 Base: All direct shareholders who have bought/sold shares in the past 12 months,
 (1999 n=273, 2002 n=363, 2003 n=466, 2004 n=498) 2004 (n=1067)

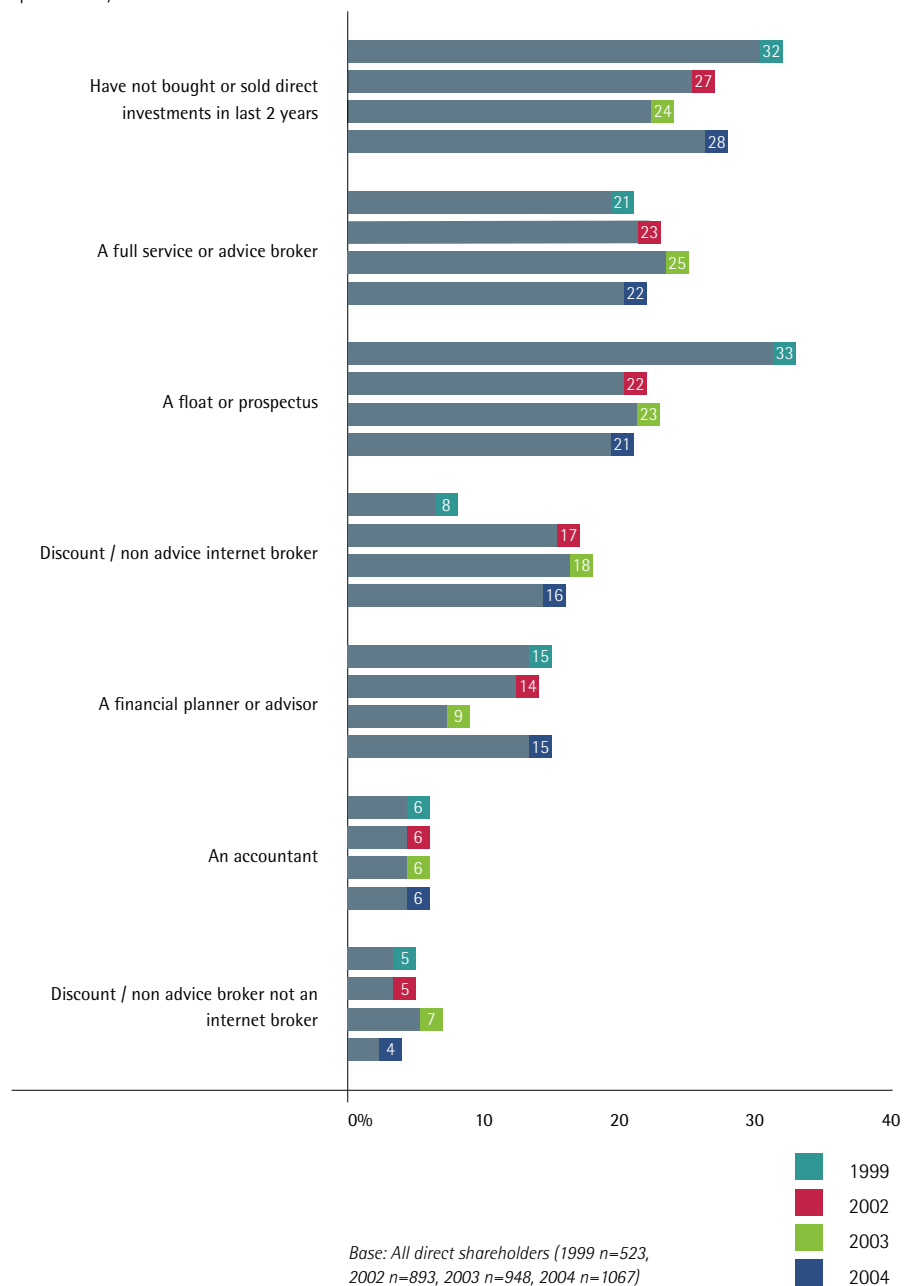


Trading Mediums

- Approximately three in ten (28%) direct investors had not traded in the last two years, up from a quarter (24%) 12 months previously.
- Main methods of acquiring direct investments in 2004 were via a full service or advice broker (22%), float or prospectus (21%), discount/non-advice internet broker (16%) and financial planner (15% up from 9% in 2003).

Direct Investments – How Acquired

How direct investments acquired in past two years

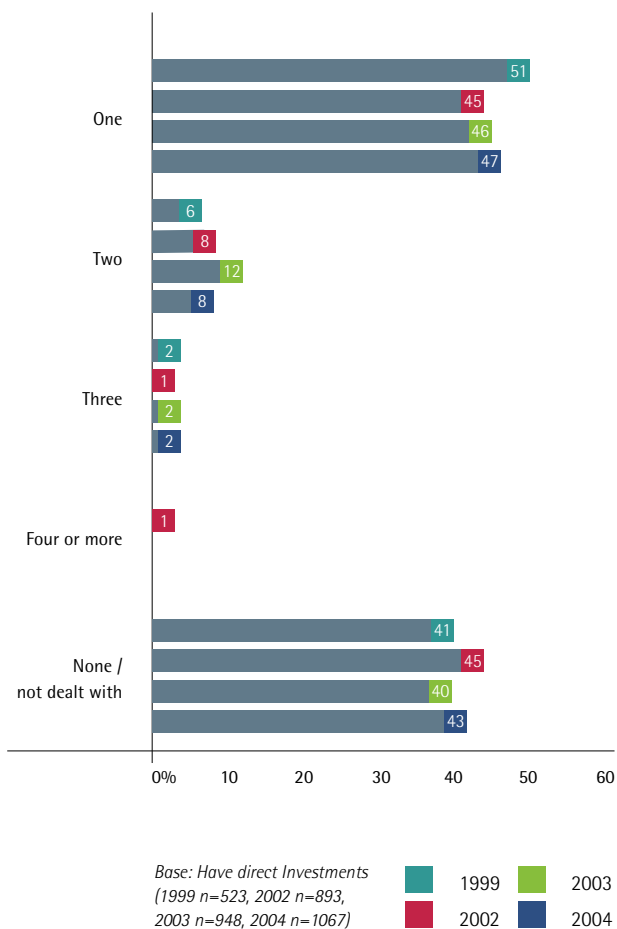


Number and Type of Brokers Used

- Consistent with the finding that around half the direct investors had not traded in the past year, 43% had no broker or did not deal with a broker in 2004.
- One in two direct investors (47%) had only one broker, with a further one in ten (8%) having two.

Brokers

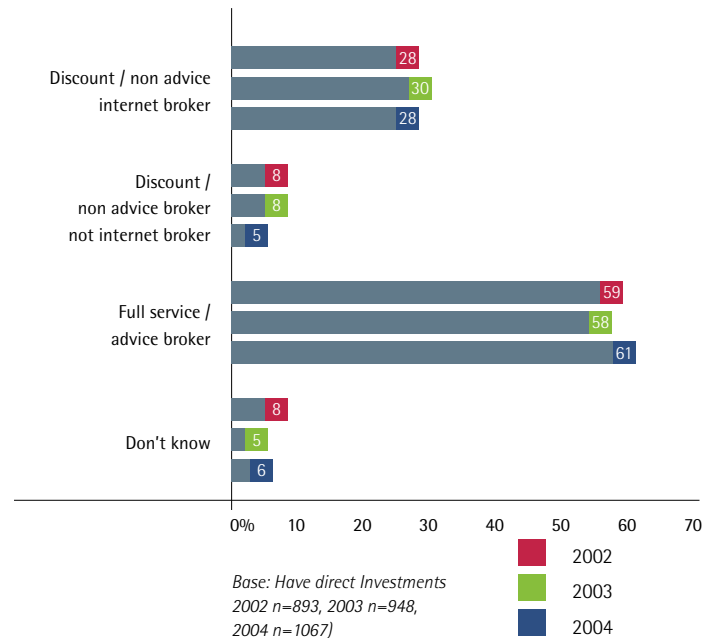
Number of brokers currently use



- As was the case in 2003, 61% of direct investors who had a broker regarded a full service/advice broker as their main type of broker.

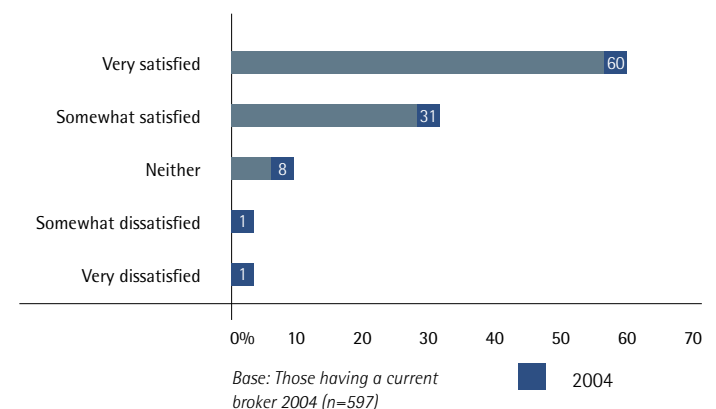
Type of Main Broker

Type of main broker currently use



- Direct investors with a broker were asked for the first time in 2004 to rate their satisfaction with their main broker. Three in five (60%) were very satisfied with their main broker in 2004, with a further third (31%) being somewhat satisfied. Only 2% reported dissatisfaction.

Satisfaction with Main Broker

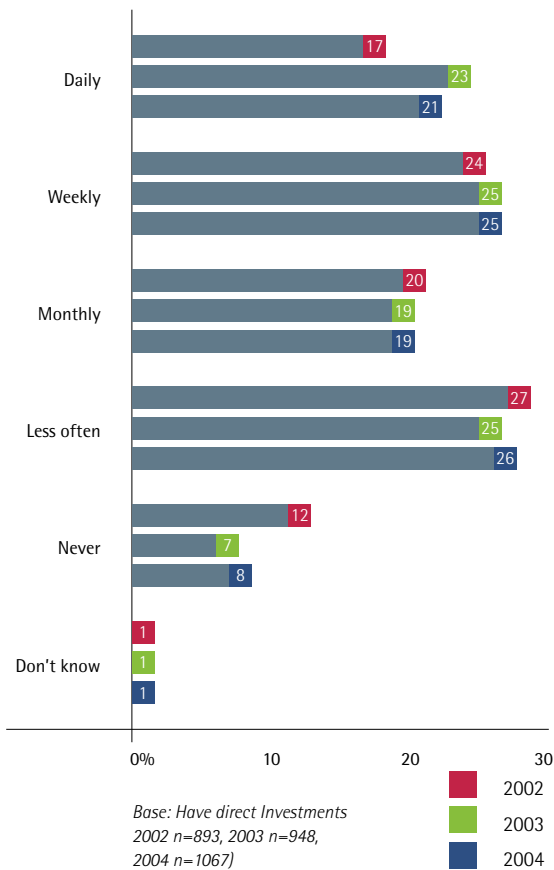


Monitoring Shares and Investments

- Findings in 2004 are similar to those in 2003.
- When it comes to the type of information sought to monitor shares and investments, the most frequently cited types were company/annual reports (50%), delayed share prices (45%) and company news (40%).
- Close to half the direct investors (46%) reported monitoring their shares and investments at least weekly.
- One in five (19%) monitored their portfolio on a monthly basis and a quarter (26%) less often than monthly.
- One in ten (8%) did not monitor their investments in 2004.

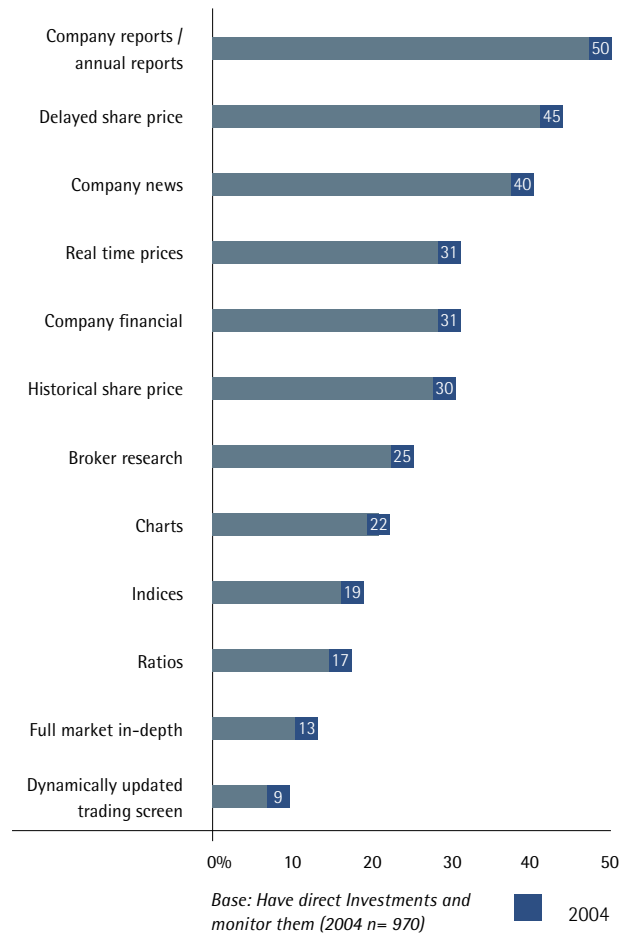
Frequency of Monitoring

Frequency of monitoring shares and investments



Monitoring Shares and Investments

Type of information used



International Comparisons

A regular feature of this publication is a comparison of share ownership internationally. Due to differences in methodology, sampling, timing and definitions of the studies that are available, absolute comparisons with Australian results cannot be made. This table shows the incidence of share ownership in the countries reported as well as the trend of such penetration over past years.

As in previous years, Australia in 2004 recorded one of the highest penetrations of share ownership among its population when compared to other nations.

International Comparison

	1998	1999	2000	2001	2002	2003	2004
Australia							
Direct	32%	41%	40%	N/a	37%	39%	44%
Direct / Indirect	40%	54%	52%		50%	51%	55%
USA							
Direct / Indirect	49%	48%	N/a	52%	50%	N/a	N/a
Canada							
Shares / Funds	N/a	N/a	49%	N/a	46%	N/a	49%
Switzerland							
Shares	N/a	N/a	32%	N/a	24%	N/a	20%
Shares / Funds			34%		25%		21%
Germany							
Shares	7%	8%	10%	9%	8%	8%	7%
Shares / Funds	11%	13%	19%	20%	18%	17%	16%
UK							
Stocks / Shares	24%	25%	25%	24%	22%	N/a	N/a
Hong Kong							
Shares	N/a	16%	22%	20%	20%	18%	24%
Korea							
Stocks	7%	9%	9%	8%	8%	8%	N/a
Sweden							
Shares	N/a	N/a	22%	22%	21%	23%	N/a
Finland							
Stocks	N/a	N/a	22%	26%	N/a	26%	N/a
Shares / Funds				40%		37%	
Netherlands							
Shares	21%	25%	28%	26 %	24%	20%	N/a

NB: Studies not directly comparable. USA, Finland and Netherlands studies based on households, other based on individuals.

Sources:

Australia	'2004 Australian Share Ownership Study', Australian Stock Exchange April 2005
USA	'Recent Changes in US Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances', US Federal Reserve Board, and 'Equity Ownership in America 2002', Investment Company Institute and the Securities Industry Association
Canada	'Canadian Share owners Study', Toronto Stock Exchange, July 2004
Switzerland	'Equity Ownership in Switzerland 2004', Swiss Banking Institute, University of Zurich
Germany	'Deutsches Aktieninstitut FactBook', Deutsches Aktieninstitut, August 2004
UK	'Private Share Ownership in Britain 2002', Proshare, September 2002
Hong Kong	'Retail Investor Survey 2004', Hong Kong Exchanges and Clearing Limited, January 2005
Korea	'2002 Share ownership in Korea' Korea Stock Exchange
Sweden	'Ownership of shares in companies quoted on Swedish Exchanges', Statistics Sweden, November 2002 & 2003
Finland	'Survey of household saving and investing patterns 1990-2003', Finnish Foundation for Share Promotion
Netherlands	Statistics Netherlands, Voorburg/Heerlen

About this Study

Background

This Study is the ninth such study of Australia's investors conducted by ASX since 1991. Its purpose is to look at the incidence of share ownership within Australia and at the same time profile current shareholders in terms of demographics, activity, trading behaviour and attitudes.

The 2004 Australian Share Ownership Study was made possible with the funding of the Financial Industry Development Account of the ASX National Guarantee Fund.

Approach

The study was conducted with the assistance of independent market research companies arnold + bolingbroke and Millward Brown Australia. arnold + bolingbroke undertook qualitative research consisting of a series of group discussions and in-depth interviews to better understand what makes today's investor tick.

Ten group discussions were conducted in September 2004 as follows:

Location	Category	Household income
Sydney	Men aged 45-65	\$30,000 to \$100,000
	Women aged 25-45	Over \$60,000
	Men aged 25-45	Over \$70,000
Wollongong	Men aged 25-45	\$30,000 to \$90,000
	Women aged 45-65	\$30,000 to \$7,000
	Women aged 25-45	\$30,000 to \$70,000
Brisbane	Men aged 25-45	Over \$60,000
	Men aged 25-45	Over \$70,000
	Women aged 25-45	\$30,000 to \$90,000

In addition, 25 indepth interviews were conducted in March 2005 among representatives of the five investor segments (the security conscious, highly receptives, confidents, potentials and availables) in Sydney, Wollongong, Brisbane, Gold Coast and Melbourne.

Millward Brown Australia completed the study with the standard quantitative telephone survey. This was undertaken in November 2004 among 2,402 randomly selected people aged 18 years and over from across all States (including the ACT), covering both metropolitan and non-metropolitan areas using the latest Telstra White Pages.

Strict stratified random sampling procedures were used, including random selection of households and of individuals in each household. To ensure the integrity of the sample, callbacks and appointments were employed to capture those who are frequently away from home. All interviewers were fully trained and all interviews complied with Interviewer Quality Control Australia.

As in the past, the data from the telephone survey was weighted to represent the Australian adult population in terms of age, gender and location as per Australian Bureau of Statistics figures. Since it is based on a sample of people and not the entire population, the data is subject to sampling error. Any analysis needs to take into account the likely variability of findings using the table below.

For a sample of 2,500 at a confidence level of 95%, sampling tolerance (variability) for survey results is as follows:

Percentage result	Sampling tolerance
near 5 or 95%	+ -1%
near 10 or 90%	+ -1%
near 15 or 85%	+ -1%
near 20 or 80%	+ -2%
near 30 or 70%	+ -2%
near 40 or 60%	+ -2%
near 50 or 50%	+ -2%

For example, the study found that 44% of the population hold shares directly. This figure is close to 40%, so in 95 cases out of 100 the result will fall between 42% and 46% (44% +/- 2%) and still be a valid and reliable statistic.

Due to rounding off, percentages may not add up to exactly 100%. Discrepancies may also arise where statistical findings are extrapolated to the Australian population, so these figures should be treated as indicative only.

What has Changed about this Study

To ensure validity and reliability of findings, the approach of the quantitative stage over recent years has been as consistent as possible in terms of methodology and sampling. At the same time, the questionnaire has been modified where necessary to reflect prevailing investment conditions and definitions.

In 1997, the definition of "indirect investment in shares" was expanded to include:

- Managed funds that invest wholly or partly in the share market (including managed equity trusts and balanced/diversified funds).
- Personal superannuation funds managed by a professional fund manager that invest wholly or partly in equities, and receives contributions only from an individual and not their company.
- Personal superannuation funds that have been established and are personally managed by the individual, and that invest wholly or partly in equities.

In 2002, the definition of 'direct share ownership' was expanded to include listed interest rate securities such as corporate bonds, convertible notes and preference shares, and again in 2004 to include listed management investments. The definition now captures all investment products listed on the Australian Stock Exchange.

Study Dates

Study Date	Interviewing Period	Sample Size	2000
1997	March	2,400	Telephone interviews
1998 update	December	1,200	Telephone interviews
1999	November	1,213	Telephone interviews
2000 update	November	1,200	Telephone interviews
2002	November	2,401	Telephone interviews
2003	November	2,402	Telephone interviews
2004	November	2,402	Telephone interviews

Definitions

Adults

All people in Australia aged 18 years and over.

Both (ie multiple ownership)

People who have invested directly in the share market, as well as indirectly via managed funds, or via a personal superannuation plan that invests in shares and is set up by the individual and managed either by a fund manager or personally by the individual.

Derivatives

Derivatives are defined as call or put options, warrants or futures.

Direct Investments

Any investment listed on the Australian Stock Exchange, ie shares, options, warrants, futures, interest rate securities, listed managed investments and listed property trusts.

Direct Share Owners

Owners of shares in companies listed on a stock exchange. Shares may be purchased via a broker or prospectus, received as an inheritance or gift, as part of a demutualisation or an employee share scheme. Also includes listed property trusts, derivatives and listed interest rate securities. (Used interchangeably with the term 'direct investors').

Incidence

This measurement refers to the penetration of share ownership in a defined group. For example, the incidence of direct share ownership among women was 40%. This means that 40 out of every 100 women invested directly in shares.

Indirect Share Owners

Holders of an indirect investment in either a managed fund or personal superannuation fund that invests wholly or partly in shares where, (a) the individual has set up but is managed by someone else, or (b) the individual has set up and directly manages.

Investor

An individual investing either directly or indirectly in the share market.

Listed Interest Rate Securities

An interest rate security is a security that pays a fixed or floating rate of return. The issuer usually promises to pay the investor a specified rate of interest per annum over the life of the security and to repay the principal at maturity.

Listed Managed Investments

Funds listed on ASX whereby fund managers hold, manage and trade a portfolio of assets on behalf of their investors.

Listed Property Trusts

Listed Property Trusts allow investors to purchase an interest in a professionally managed portfolio of commercial real estate. Property trust investors gain exposure to both the value of the real estate the trust owns, and regular rental income generated from the properties.

Metropolitan

Capital cities in each State.

Regional

All areas with the exception of capital cities in each State.

Total Share Ownership

The sum of adult Australians who own shares directly and/or indirectly.

For further information on ASX products and services, including on-line educational courses, please visit www.asx.com.au

