

International Share Ownership

(COMPARISON OF SHARE OWNERS)

KEY HIGHLIGHTS

Final
June 2003



Introduction

This paper summarises the key findings from international studies that report incidence of share ownership within their respective populations. Also included for most is a demographic profile of a typical share owner, and a brief description of their share behaviour.

In reading this report, please bear in mind that the results are NOT directly comparable because of different time periods in which the data was collected, different definitions, methodologies, sources, and different sample selections, sizes and treatment (ie weighting). Hence it looks at trends and patterns rather than absolute comparisons.

Summary

Over the past couple of years the incidences of share ownership amongst the populations has been rather static (either a slight growth or decline), except for Switzerland who reported a substantial decline. However for most countries, with the exception of Korea, share ownership has increased significantly from the late 1980's/early 1990s.

	80s	92-6	97	98	99	00	01	02
Australia - Direct Direct/Indirect	N/a	N/a	20% 34%	32% 40%	41% 54%	40% 52%	N/a	37% 50%
Hong Kong - Shares	N/a	92-9% 94-10%	16%	N/a	16%	21%	20%	20%
Korea - Stocks	N/a	95-5% 96-7%	6%	7%	9%	9%	8%	8%
New Zealand -Direct Direct/Indirect	N/a	N/a	N/a	N/a	N/a	30% 44%	N/a	N/a
Germany - Shares Shares/Funds	88-7%	92-6% 94-6% 96-6%	6% 9%	7% 11%	8% 13%	10% 19%	9% 20%	8% 18%
Switzerland – shares Shares/funds	N/a	N/a	N/a	N/a	N/a	32% 34%	N/a	24% 25%
Sweden - shares	N/a	N/a	N/a	N/a	N/a	22%	22%	21%
UK - Stocks/shares	N/a	N/a	28%	24%	25%	25%	24%	22%
Canada - Shares/Funds	83-13% 86-18% 89-23%	96-37%	N/a	N/a	N/a	49%	N/a	46%
USA – Direct/Indirect	83-19% 89-33%	92-37% 95-41%	N/a	49%	48%	N/a	52%	50%
NB: Studies not directly comparable. USA study based on households, others studies are based on individuals.								

Typical shareowners across countries studied appear to have the same characteristics, that being male in his 40's (at least) with a higher than average education and personal/household income. Education and income could be regarded as indicators for share ownership.

Over the last few years, size of share portfolios in terms of value has decreased but is showing signs of recovery with some countries reporting increases in 2002. This could be a sign of the recovery of the bear market, which has also been characterised with a decrease in trading activity.

Growth in online trading, especially among younger traders (under 40) is highlighted and is likely to continue in the future.

Another interesting finding is the reliance on media, family/friends and financial professionals for investment information and/or advice.

Findings

Hong Kong

Incidence

- 20% of Hong Kong's population in December 2002 were retail investors in either stocks (including shares, warrants & ETF) or derivatives traded on the Hong Kong Exchange (HK Ex). 20% were stock investors or holders and 3.5% derivative investors.
- As shown below the incidence of share investors has remained relatively static in 2001 and 2002, but has doubled since 1994.

Incidence and trends of share investors amongst adult population							
Year	1992	1994	1997	1999	2000	2001	2002
% owning shares	9%	10%	16%	16%	21%	20%	20%

Profile

- Typical retail stock investor was a 42 year old male (up from 37 in 2000) white collar worker with a high education level (upper-secondary and above) and high personal income. A typical derivative investor is a 37 year old white collar male with some tertiary education.

Behaviour

- In 2001 median stock portfolio was HK\$95,000 down 37% from \$HK150,000 in 1997, while the median deal size in 2001 was HK\$30,000 down 40% from \$HK50,000 in 1997.
- 27% of stock investors were online traders in 2002 up from 18% in 2001 and 7% in 2000. 30% of derivative investors traded derivatives online in 2002. Online traders tended to be younger and had a higher median of stocks traded (10 vs 6).
- Most stockowners (60%) held shares in 3 or less listed companies in 2001. The median at 3 was the same as that in 1997.
- In 2001, 33% of stock investors did not trade in the past 12 months compared to 23% in 2000. Median number of stock transactions was 2 in 2002, down from 3 in each year from 1999 to 2001 and 10 in 1997. Median number of derivative transactions in 2002 was 6.

Background

- Methodology: 2,007 randomly selected individuals interviewed by telephone in December 2001 (last in-depth study) and 2004 in December 2002.

- Source: ‘Omnibus Retail Investor Survey 2002 & Retail Investor Survey 2001’, Hong Kong Exchanges and Clearing Ltd, April 2003 & May 2002

Korea

Incidence

- In 2002, 8.3% of the total population invested in shares, either on KSE or KOSDAQ – a figure that has remained static since 2000. This incidence of shareownership has increased from 5.4% in 1995.

Incidence and trends of share holders amongst population								
Year	1995	1996	1997	1998	1999	2000	2001	2002
% investing in stocks	5.4%	6.5%	5.8%	7.2%	8.9%	8.5%	8.2%	8.3%

- On the KSE individual shareowners made up 35.5% of all shares held and 22.3% of market capitalization.
- On the KOSDAQ individual shareowners held 66.3% of all shares held, accounting for 47.8% of market value.

Background

- Source: ‘2002 Shareownership in Korea’, Korea Stock Exchange

New Zealand

Incidence

- In 2000, 44% of New Zealanders had some form of direct (holdings in NZSE listed shares, listed property trusts, shares on an overseas stock exchange and derivatives) or indirect (share investments in NZ and overseas via managed superannuation fund, managed funds or self managed superannuation fund) investment in shares.
- Most popular were direct investments in NZSE listed shares (21%) and managed superannuation funds with share investments (16%).
- Direct share ownership was 30%. Being the inaugural study trend data is not available.

Profile

- Typical share owner was male, aged over 35 years. Incidence of share ownership increased with higher household incomes and education levels.

Behaviour

- Average number of companies held in share portfolio was 4.
- Trading activity averaged at 0.7 with only 46% trading in the preceding year. The majority of trades conducted were under \$NZ10,000.

Background

- Methodology: nationally representative sample of 2,000 people aged 18 years plus conducted by phone during April to May 2000. Sample was weighed to reflect population at large.
- Source: '2000 Share Ownership Study', New Zealand Stock Exchange, June 2000

Germany

Incidence

- The table below shows the incidence of share holders in Germany from 1988 to 1st half 2002.

Incidence and trends of share holders amongst adult population (14 years plus)										
Year	1988	1992	1994	1996	1997	1998	1999	2000	2001	1H02
% of share holders	6.5%	6.4%	6.3%	6.0%	6.2%	7.1%	7.8%	9.7%	8.9%	7.8%
% of investment fundholders	N/a	N/a	N/a	N/a	3.6%	5.0%	7.4%	13.1%	15.2%	13.4%
% of share & invest fundholders	N/a	N/a	N/a	N/a	8.9%	10.7%	12.9%	18.5%	20.0%	17.9%

- Percentage of share holders peaked in 2000 at 9.7% with declines experienced in 2001 and 1st half 2002. However the 2nd half of 2002 reported an increase of 13% in retail investors holding stocks – the first increase since 2000. (The incidence in the population was not reported).
- Shareholder is one with employee and other shares, while an investment fund holders has shares funds and mixed investment funds.

Background

- Source: 'Deutsches Aktieninstitut FactBook', Deutsches Aktieninstitut November 2002 & 'Marks of Maturity', Financial Times, 17 January 2003. (Information taken from media release as report had to be purchased.)

Switzerland

Incidence

- Of respondents, 24.3% were direct owners of shares in 2002, compared to 31.9% in 2000, however still twice as large as that reported in 1995. When investors with pure equity funds units only are included to make up the definition of direct/indirect equity ownership the decline has been from 33.9% to 25.3%.
- Those who held investment funds fell from 37.8% to 32%.
- Derivatives are used by 2.3% in 2002 compared with 2.9% in 2000.

Profile

- Average age of an equity holder is 45 and is more likely to be males and tertiary qualified. Incidence of equity ownership increases with income.

Behaviour

- Equity portfolio is largely made up of blue chip shares. Average number of companies shares are held in is 6 with the median being 3.
- The press was cited as the main source of investment and business information at 75% (39% TV and 54% internet), down from 90%.
- Other sources of information sought were talking to an investment professional (48%), discussions with acquaintances/friends (44%), research reports/banks' investment recommendations (40%), annual reports and letters to shareholders/quarterly reports (37% for each).
- On average a median of 3 and a mean of 10.96 transactions were executed. While the median remained the same, the mean declined from 12.69 in 2000.
- 2002 also saw more inactive traders with 30% not trading compared to 25% in 2000.
- In 2000 16% of respondents used online trading facilities increasing to 25% in 2002.

Background

- Methodology: random sample of 2,000 persons aged between 18 and 74 who made financial decisions in the household interviewed by telephone in May/June 2002.
- Source: 'Equity Ownership in Switzerland 2002', Swiss Banking Institute, University of Zurich

Sweden

Incidence

- Incidence of shareownership amongst Swedish population has remained static since 2000 from 21.8% to 21.6% in 2001 and 21.4% in 2002.

Profile

- Males are more likely to own shares than females. Share Ownership is more common among those aged 55 to 64.

Behaviour

- The average value of portfolio has decreased by 16% from 2000 to 2001, and 23% from 2001 to 2002, as has the median by 12% and 33% over the corresponding time periods.

Background

- Methodology: Swedish individuals who are identifiable as holder of an account at VPC (the Securities Register Centre).
- Source: 'Ownership of Shares in Companies quoted on Swedish Exchanges', Statistics Sweden, June 2002 (Report predominately in Swedish)

UK

Incidence

- Share Ownership in the UK has remained static since December 1997 at 24%, with the latest reported figure (June 02) being 22%. This is a decline from 28% in June 1997, as shown below.

Incidence and trends of share holders amongst adult population (14 years plus)												
Year	Jan 97	Jun 97	Dec 97	Jun 98	Dec 98	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
% holding any stock & shares	20%	28%	24%	24%	23%	25%	25%	25%	24%	24%	22%	22%

Behaviour

- Initial exposure to share market in increasingly coming from employee share schemes (17% introduced to the share market this way), although demutualisation (26%) and privatisation (25%) continue to be the dominant introductions.

- Popular methods of acquiring shares in 2002 were from a demutualisation (61%), a company privatisation (52%), via a stock broker (41%) and via an employees share scheme (29%).
- 67% believed the underlying value of their portfolio had fallen in last year (compared to 35% in 2001).
- Median value of shares decreased 15% from 2000, however increased by 67% from 2001.
- Median number of companies held in 2002 was 3.07, up from 2.96 in 2001 and 3.03 in 2000.
- Trading activity (buying and selling) in 2002 was 3.2, down from 3.40 in 2001 and 5.19 in 2000.
- Typical amount of money last invested via a stock broker decreased by 13% from 2000 and increased by 10% from 2001 (median value).
- Most popular source of information used to help with buying and selling decisions were newspapers/magazines (56%) followed by friends/family (19%).

Background

- Methodology: 1,008 holders of shares interviewed by telephone in July to August 2002. Samples representative of shareholder population by gender, age and social grade.
- Source: 'Private Share Ownership in Britain in 2002', ProShare, September 2002

Canada

Incidence

- For the first time since tracking began 20 years ago, there was a decrease in share ownership in Canada. In 2002 46% of adult Canadians owned shares directly as stocks or within mutual funds. This is a decrease from 49% in 2000 but double that reported in 1989 at 23%, as shown below.

Incidence and trends of share investors amongst adult population						
Year	1983	1986	1989	1996	2000	2002
% with shares/funds	13%	18%	23%	37%	49%	46%

- Amongst share holders, ownership of mutual funds has not changed since 2000 (at 87%), although number of shareowners holding stock directly has increased (from 51% to 54%).

Profile

- Shareowners are more likely to be male (52%) aged 35 to 54 years (50%), with the average age increasing from 43 in 2000 to 46 in 2002. University graduates are more likely to be share owners (37%).

Behaviour

- Average stock portfolio values have increased slightly by 4% from \$CAN72,000 in 2000 to \$CAN75,000 in 2002.
- Average number of stocks held has remained static at 4.9 in 2000 to 5.2 in 2002. Fewer stock owners actively traded compared to 2 years ago, 64% in 2000 compared to 54% in 2002. Average trading activity has fallen from 17.4 to 14.6, while average dollar traded remained relatively similar at \$3,300 in 2000 and \$3,830 in 2002.
- Internet continues to grow as an information and transaction channel.
- Channels most likely to use to buy stock are full service brokers (42%) and discount broker (17%).
- Key sources of investment advice by share owners were bank/trust company (56%), family/friends (44%) and financial advisor (40%).
- Current market instability and fluctuation in share prices are viewed by share owners and non-share owners more as a threat than an opportunity causing them to be more conservative in relation to risk.
- Shareowners are more likely to maintain their investment levels in stocks (51%) than to increase them (38%).
- Of non-share owners 13% had previously owned stock.

Background

- Methodology: 2,500 shareowners and 500 non-shareowners aged 18 years plus were interviewed by telephone in April to June 2002.
- Source: 'Canadian Shareowners Study 2002', Toronto Stock Exchange, July 2002

USA

Incidence

- Albeit based on households, the percentage of households owning shares remained somewhat constant in recent years, where as growth during the 1980's was more substantial (ie from 1983 to 1989).
- In 2002, half US households held equities, up marginally from 48% in 1999.

- 51.9% of US families in 2001 owned stocks either directly or indirectly through their pension funds, an increase from 48.9% in 1998. 21.3% of families held stock directly (up from 19.2% in 1998) and 52.2% hold retirement accounts (up from 48.9%).*

Incidence and trends of share holders amongst US Households								
Year	1983	1989	1992	1995	1998*	1999	2001*	2002
% investing in direct/indirect stocks	19.0%	32.5%	36.6%	41.0%	48.9%	48.2%	51.9%	49.5%

* different data source

- When removing equities from an employer-sponsored retirement plans, 33.7% of households owned equities in 2002, a decline from 35.5% in 1999.
- In 2002, of US equity investors, 51.5% only hold stocks in mutual funds (up from 46.7% in 1999), 11% only individual stock (down 15% in 1999) and 37.5% hold both stock mutual funds and individual stocks (38.3% in 1999).
- A shareowner is one who owns stock directly through a mutual fund, in a self directed retirement saving account or through a defined contribution pension fund (ie where the pensioner does not control the allocation of assets in these plans).

Profile

- In 2002 ownership rates tend to be highest amongst families with higher incomes and families headed by a person aged 35 to 64.
- A typical equity investor in 2002 was 47 years, with a median household income of \$US62,500, median household assets of \$US100,000 (an increase from \$US85,000 in 1999) and is likely to have a college or postgraduate degree.

Behaviour

- Of equity owners, 66% initially bought stock mutual funds, 22% initially purchased individual stock and 12% made their investments in both in the same year.
- Equity owners held a median of 4 equity investments (individual stock or stock mutual funds), the same median owned in 1999.
- The median value of a household's equity assets was \$US50,000 in 2002 (same as in 1999) with the mean being \$US171,000 (up 2% from \$US167,100 in 1999).
- Looking at individual stock holdings, the median value decreased by 17% from \$US30,000 in 1999 to \$US25,000 in 2002, while mean value decreased by 4% from \$US152,000 to \$US145,800 over the same time period.
- Mean number of equity investments held increased from 7 in 1999 to 8 in 2002. That of individual stocks owned remained constant at 7.

- 40% of all equity investors bought or sold equities in 2001, down slightly from 42% in 1998. Average number of transaction conducted increased from 10 in 1998 to 11 in 2001 (median remained static at 4).
- More equity investors purchased their first equity investment inside employer-sponsored retirement plans in 2002 than in 1999.
- Most popular channels used to purchase individual stocks (outside employer plans) in 2002 were full service brokerage (47%) and direct from the company issuing the individual stock (32%, up from 23% in 1999). Those using discount brokerage available only online almost doubled from 9% to 17%.
- Use of the internet to conduct equity transactions (outside employer sponsored retirement plans) doubled from 15% in 1998 to 3% in 2001. Those using the internet tend to be younger (41 years) with a higher household income (\$US87,500) male with a college or postgraduate degree conducting a higher number of equity transactions than non-internet users (median of 7 vs 3).
- In 2002 58% of equity owners rely on professional advice from professional financial advisers when making equity purchase and sales decisions, a decline from 64% in 1999.

Background

- Sources:
 1. 'Recent Changes in US Family Finances – Evidence from the 1998 and 2001 Survey of Consumer Finances', Federal Reserve Bulletin January 2003, US Federal Reserve System.
 2. 'Shareownership 2000' (Based on Survey of Consumer Finance by the Federal Reserve System 1998 study, and reports from the Securities Industry Association), New York Stock Exchange
 3. 'Equity Ownership in America 2002', Investment Company Institute and the Securities Industry Association
- Methodology:
 1. Survey of Consumer Finance, a 2 part study comprising a random based sample and over-sample of wealthy families weighted to reflect total population. 4,449 families were interviewed in 2002 either in person or by telephone.
 2. Equity Ownership in America 2002, random probability sample conducted by telephone in January/February 2002 amongst 2,165 financial decision makers of households 18 years plus owing traded stock or stock mutual funds, insider or outside employer-sponsored retirement plans. Sample was augmented with an over-sample of high net worth equity investors. Data was then weighted to entire sample to represent US population.

Australia

Incidence

- In 2002, 50% of the Australian adult population owned direct (shares in a company listed on a stock exchange, listed property trust, derivatives or listed interest rate securities) or indirect (managed fund, personal superannuation fund set up by the individual and managed either by themselves or by someone else) shares.
- The 50% of share ownership consists of 18% who have only direct shares, 13% who have only indirect shares (through a managed fund or self arranged and/or managed superannuation) and 19% who have both direct and indirect shares.
- Those investing directly in the share market represent 37% of the population.
- While total share ownership in 2002 was marginally down from its peak in 1999 at 54% it is still higher than that of 1997 at 34%.

Incidence and trends of share holders amongst Australian population (18 years plus)					
Year	1997	1998	1999	2000	2002
% investing in sharemarket (direct & indirect)	34%	40%	54%	52%	50%
% investing directly in share market	20%	32%	41%	40%	37%

Profile

- Direct share owners are more likely to be male (41%) aged 45 years plus.
- Both direct and total share ownership increases with increases in education, household income and household assets.

Behaviour

- Amongst direct investors average share portfolio increased from 3 companies in 1999 to 6 in 2000 where it remained in 2002.
- The average dollar value directly invested in the share market remained constant from 1997 to 2000 at around \$AUS28,500, however increased by 25% to \$AUS36,000 in 2002.
- More direct investors are NOT trading (48% in 2002 compared to 37% in 1999), however, the average number of trades has increased from 2 in 1998 to 3 in 2002 after dipping to 1 in 2000.
- Average value of trades increased by 55% from \$AUS5,700 in 1999 to just under \$AUS9,000 in 2002.

- The popularity of trades occurring through the internet or internet broker grew from 8% in 1999 to 17% in 2002, while floats fell from 33% to 22%. Trading via a full service broker or advice broker remained relatively stable going from 21% to 23% over the same period of time.
- Newspapers were the most popular source of share information and advice used by 44% of direct investors in 2002. This medium along with financial planners was regarded as the main source by 22% of direct investors in both cases.
- Approximately 15% of the population intends to purchase shares in the next 12 months, while a further 7% of the population who do not currently own direct shares intend to enter the share market in the next 12 months.

Background

- Methodology: A stratified random sample of 2,401 Australian adults aged 18 years interviewed by telephone in November and December 2002. Data was weighted to reflect the population.
- Source: 2002 Australian Share Ownership Study – Australian Stock Exchange 2003