



The Australian Share Ownership Study

Providing the latest research on share ownership and the attitudes, knowledge and behaviour of retail investors in relation to shares and investing in Australia.



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Introduction



Welcome to the *Australian Share Ownership Study*, conducted between September and November 2014. It is the latest in a series of reports on share ownership that ASX has been producing since 1986. ASX is pleased to provide a comprehensive insight into the behaviours, attitudes and knowledge of retail sharemarket investors in Australia.

This Study is produced by ASX with the assistance of the Finance Industry Development Account of the National Guarantee Fund.

ASX also acknowledges Creative Catalyst Insights and Q&A Market Research who were commissioned in 2014 to conduct the Study for ASX. Their detailed understanding of the factors influencing the retail market is reflected in this Study. ASX is especially grateful to the 6,409 adult Australians who gave their time to participate in the 2014 Study and share their thoughts, attitudes and behaviours. They are invaluable to ASX in identifying the needs and priorities of investors.

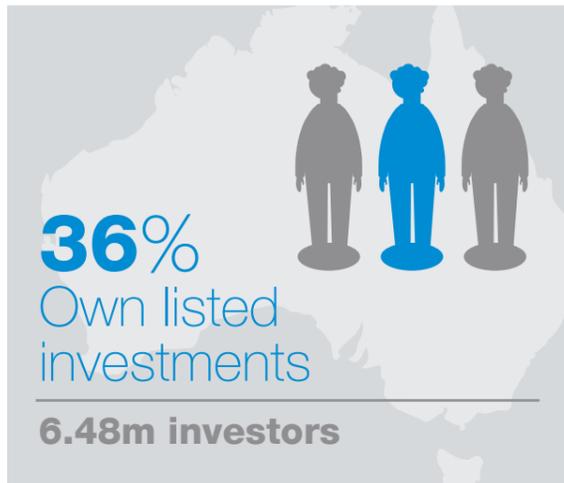
As technology and the investor marketplace have both changed, it became necessary to update the Study's methodology. The changes are explained in detail in the 'About this Study' section. In this report, we draw comparisons with previous years' findings where appropriate. We caution however against comparing the 2014 data to data provided in earlier reports because changes may be attributable to changes in question wording or survey method.

Most data in the Share Ownership Study relates to the quantitative phase of research. Selected insights from our qualitative research have also been included where beneficial to enrich the quantitative results.

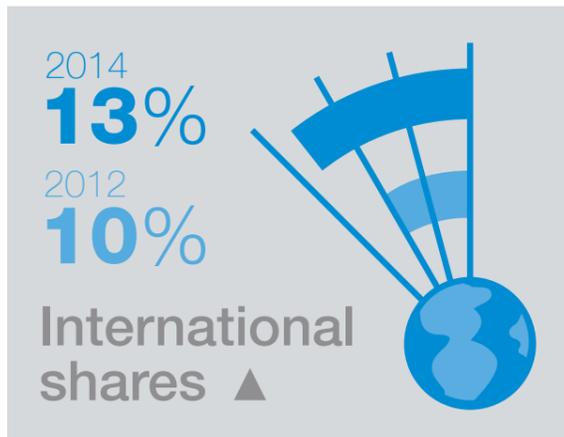
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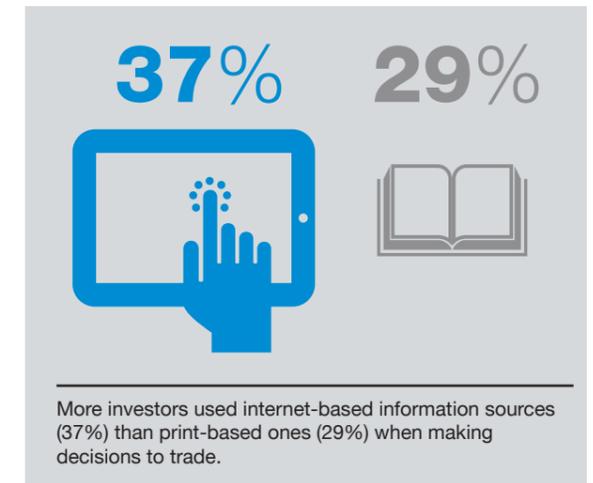
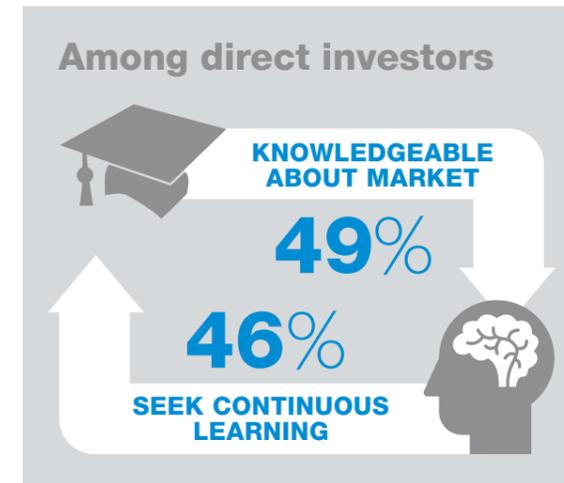
Top 10 Findings



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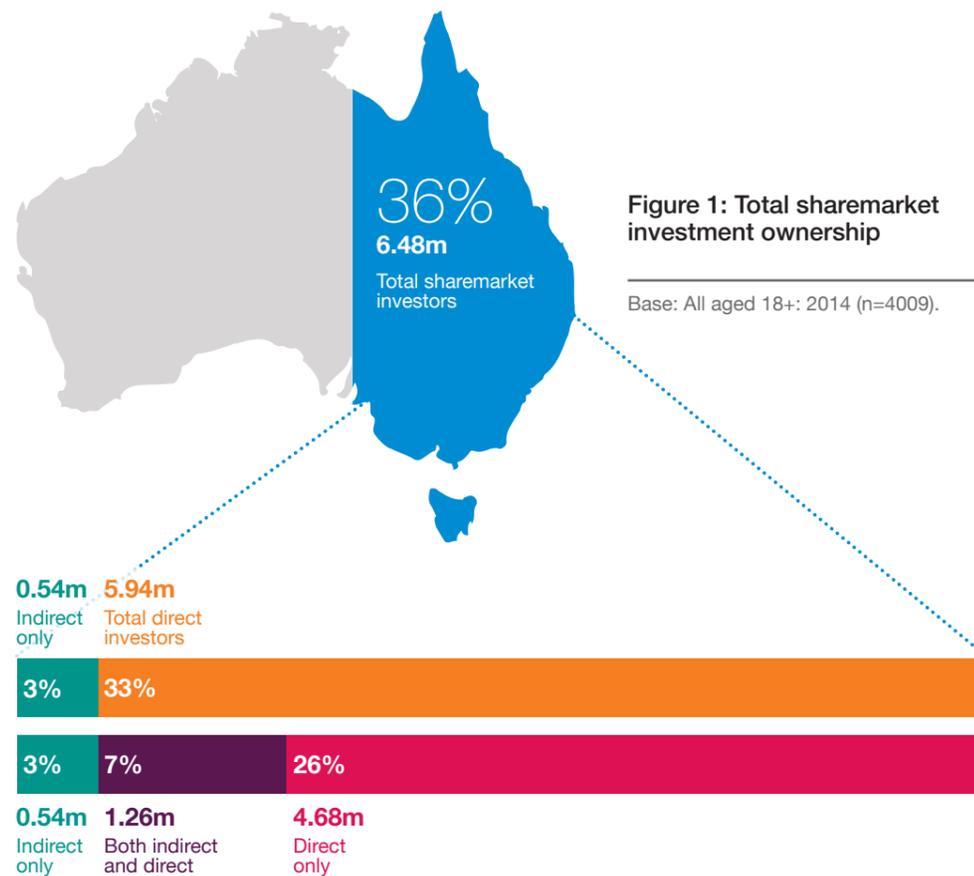


Key Findings

Total share investment ownership in Australia

In 2014, 36% of the adult Australian population owned investments listed on the sharemarket.

This equates to 6.48 million Australians owning investments either directly or indirectly.



Share ownership can be direct or indirect. The term 'total share investment ownership' refers to both direct and indirect investing. These and other key terms are summarised below.

Figure 2: A guide to key terms

<p>Share ownership</p> <p>Investors holding either or both shares or other listed investments directly on a securities exchange or indirectly via an unlisted managed fund. These investments can be held either in a personal capacity, via a self-managed superannuation fund (SMSF) or through a company structure.</p>	<p>Total Direct Investors</p> <p>The sum of Direct Only Investors and Both Direct and Indirect Investors.</p>
<p>Total sharemarket ownership</p> <p>The sum of adult Australians who own shares and other listed investments directly and/or indirectly.</p>	<p>Total Indirect Investors</p> <p>The sum of Indirect Only Investors and Both Direct and Indirect Investors.</p>
<p>Direct Only Investor</p> <p>Only holds shares and/or listed investments directly in their own name through a private portfolio, SMSF or company structure.</p>	<p>Non-Investor</p> <p>Does not currently invest or has never invested in shares and/or other listed investments. This group includes lapsed investors.</p>
<p>Indirect Only Investor</p> <p>Owns shares and/or listed investments through unlisted managed funds outside of superannuation funds.</p>	<p>Non-Direct Investors</p> <p>The sum of Indirect Only Investors and Non-Investors.</p>
<p>Both Direct and Indirect Investor</p> <p>An investor that holds a combination of direct shares and/or listed investments and indirect unlisted managed funds.</p>	<p>Other listed investments</p> <p>Any non-share investment products listed on an exchange, such as derivatives (futures and options), investment trusts, exchange-traded products, hybrid securities and bonds.</p>

Note that the Share Ownership Study does not seek to measure share ownership through superannuation, other than SMSFs.

The proportion of adult Australians owning listed investments fell from 38% in 2012

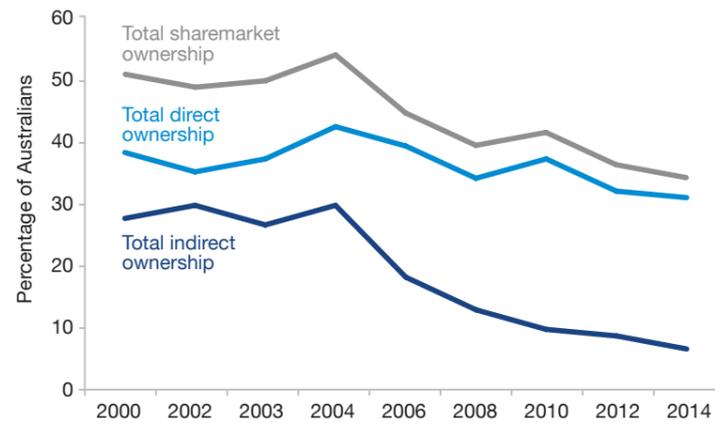
Total sharemarket investment declined from 38% in 2012 to 36% in 2014. As Figure 3 shows, this is a continuation of a trend, as total participation in the sharemarket by retail investors has been in decline for the last 10 years.

Indirect investing has fallen faster than direct investing

Referring again to Figure 3, indirect ownership has fallen faster than direct ownership over the last decade. Total indirect ownership dropped from 32% in 2004 to 10% in 2014. In contrast, in 2004, 44% of Australians invested directly compared with 33% in 2014.

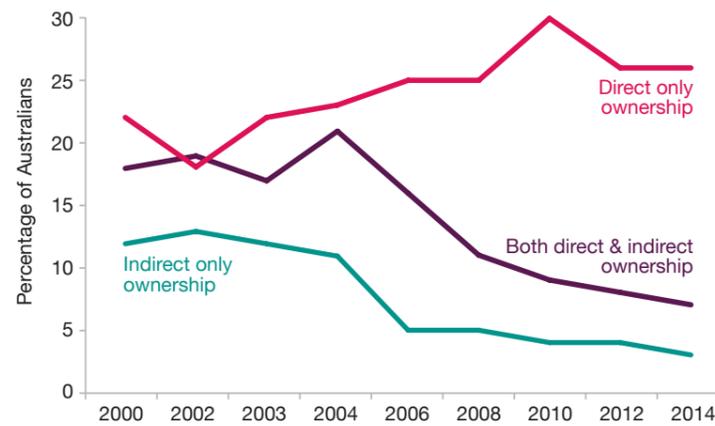
Taking into account population growth, this means that there were 5.98 million direct investors in 2012 and 5.94 million in 2014. Total indirect participation fell from 2.11 million investors to 1.80 million over the same period.

Figure 3: The proportion of Australians investing in the sharemarket



Base: All respondents. 2000 (n=1200); 2002 (n=2401); 2003 (n=2402); 2004 (n=2402); 2006 (n=2405); 2008 (n=2400); 2010 (n=2400); 2012 (n=2000); 2014 (n=4009).

Figure 4: Breakdown of Direct and Indirect share ownership trends



Base: All respondents. 2000 (n=1200); 2002 (n=2401); 2003 (n=2402); 2004 (n=2402); 2006 (n=2405); 2008 (n=2400); 2010 (n=2400); 2012 (n=2000); 2014 (n=4009).

Direct investing continues to be favoured over indirect investing

A further breakdown of direct and indirect ownership shows trends in the performance of each type of investing style.

Figure 4 shows, overall, the proportion of Australians investing directly only was stable at 26% for both 2012 and 2014, an increase from 22% in 2000. In contrast, there was a decline in

the proportion of investors who only had indirect investments and in the proportion who had both.

Taking into account population growth, this shift in investment style means that more Australians are holding direct shares only rather than both direct and indirect – rising from 3.47 million in 2006 (pre-GFC) to 4.68 million in 2014, as shown in Figure 5.

Figure 5: The total number of Australians investing in the sharemarket (millions)

	2000	2002	2003	2004	2006	2008	2010	2012	2014
Direct only	3.13	2.63	3.21	3.36	3.47	4.10	5.04	4.57	4.68
Both	2.57	2.77	2.49	3.06	2.53	1.80	1.51	1.41	1.26
Indirect only	1.71	1.90	1.75	1.61	1.26	0.82	0.67	0.70	0.54
Total	7.41	7.30	7.45	8.03	7.26	6.72	7.22	6.68	6.48
ABS population estimates 18+					16.40	16.80	17.60	18.00	

Base: All aged 18+ years: 2000 (n=1200); 2002 (n=2401); 2003 (n=2402); 2004 (n=2402); 2006 (n=2405); 2008 (n=2400); 2010 (n=2400); 2012 (n=2000); 2014 (n=4009); rounded to 2 decimal places.

More Australians are holding direct shares only rather than both direct and indirect.



A desire for control has driven direct-only investing

In 2014 there were 540,000 Australians who only invested indirectly, i.e. in unlisted managed funds. The qualitative research revealed that many retail investors knew very little about managed funds. Conceptually, managed funds also lacked appeal to investors who wanted to learn about and be involved in their own investing. Thus, the trend towards direct investing is consistent with investors expressing their desire for more control over their portfolios.

As managed funds lost the visibility they once had in the marketplace, younger investors became less aware that these funds offered them a relatively affordable entry point to investing. The age profile of investors shows that 30% of investors who only held indirect investments in 2014 were under 35. Clearly, some younger people may be using managed funds as their entry point into the sharemarket, but this strategy is less common than it could be.

Direct only investors expressed a disinclination to use managed funds to diversify, partly through lack of knowledge and partly because some older investors continued to associate managed funds with losses incurred during the GFC. It was also notable that many investors typically saw little need to diversify beyond ensuring they owned shares in a mix of industry sectors, and also held cash, property and/or bonds.

Figure 6: Age profile of sharemarket investors

	Direct only	Both direct and indirect	Indirect only
Base n =	1035	281	139
Under 35	20%	25%	30%
35-44	18%	22%	11%
45-64	40%	39%	30%
65 plus	22%	14%	29%
100%	100%	100%	100%

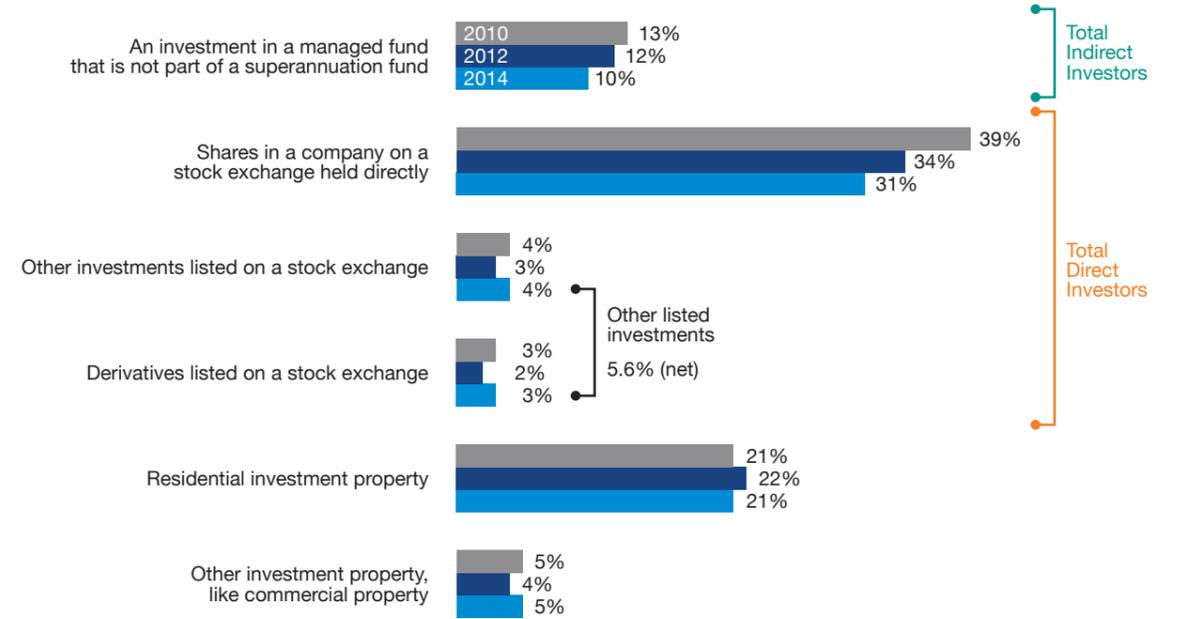
Managed funds give investors the opportunity to diversify their portfolios, but as the data has shown, only a relatively small proportion of investors used this strategy in 2014. The qualitative research showed that it was only the most knowledgeable investors who considered using managed funds as a strategy to diversify their portfolio. The survey also showed that investors who invested both directly and indirectly had larger share portfolios than those who invested directly only. It is possible therefore that increased portfolio size has been a trigger to investors considering the need to diversify.

Use of listed investments other than shares increased in 2014

The discussion so far has talked about 'direct' investing, referring to both share investing and investing in listed securities. The report now focuses on differences between these two forms of investing. As Figure 7 shows, 2014 saw an interesting development in that the incidence of direct share investing fell from 34% to 31%, while investing in other listed securities such as A-REITs, ETFs, options and warrants rose slightly.

Figure 7: Ownership of investments

All structures (held personally, via an SMSF or company structure)

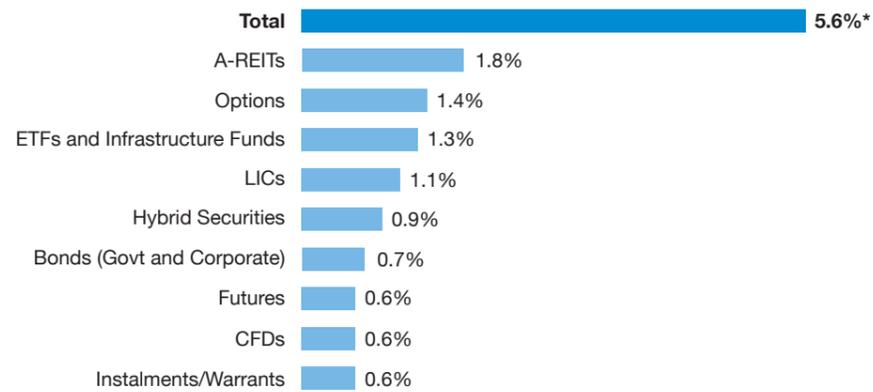


Base: All aged 18 +: 2008 (n=2400); 2010 (n=2400); 2012 (n=2000); 2014 (n=4009).
 Note: Other listed investments is the total of all investments excluding shares.
 As some investors hold both types of investments, as seen above, the net holding is 5.6%.

Overall, in net figures, use of other listed investments rose from 4% in 2012 to 5.6% in 2014. Figure 8 shows that the most popular other listed investments in incidence terms are A-REITs - 1.8% of Australian adults held these in 2014.

Options and Exchange Traded Products (ETPs - ETFs, infrastructure funds) were also popular, with 1.3% of Australians having an investment in ETPs during this period.

Figure 8: Ownership of other listed investments



Base: All respondents 2014 (n=4009).
 Note: The defined list of 'other listed investments' was updated in 2014. Not all numbers are comparable with 2012 data as a result. See Definitions for more information.
 *Total 5.6% refer to Figure 7 for definition.

More Australians invested in international shares

Although the overall incidence of share investing has declined slightly, there is an increase in investing in international shares. In 2014, 13% of all Australian share investors held shares in an overseas exchange, compared with 10% in 2012 and 2010. The incidence of investing overseas peaked at 19% in the bull market of 2006 but has also been as low as 7% in 2002.

Figure 9: Ownership of shares on an overseas stock exchange

	Of those owning shares	Of population
2002	7%	3%
2003	10%	4%
2004	14%	6%
2006	19%	7%
2008	18%	6%
2010	10%	4%
2012	10%	4%
2014	13%	5%

Base: All aged 18+ years: 2002 (n=2401); 2003 (n=2402); 2004 (n=2402); 2006 (n=2405); 2008 (n=2400); 2010 (n=2400); 2012: (n=2000); 2014 (n=4009).

Self-managed superannuation funds (SMSFs) and company structures use a broader mix of listed investments.

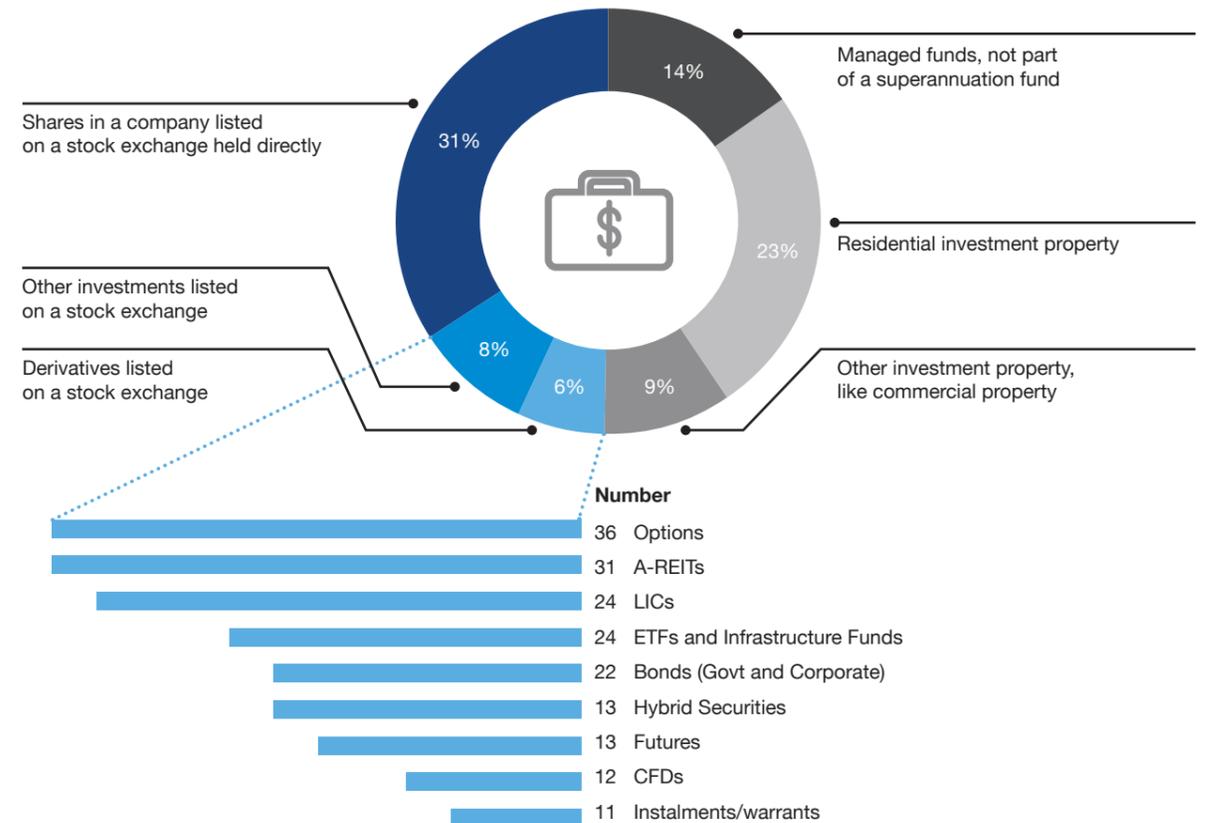
The Share Ownership Study examines the ownership of shares and other listed investments held personally, in SMSFs and in company structures. Most retail investors invested personally rather than through an SMSF or company structure.

Nevertheless, it is interesting to note that these investment vehicles are increasing in popularity

and it will be worthwhile monitoring this trend, particularly whether investing through an SMSF or a company structure affects investment strategy. The indications are that these investors may diversify into other listed investments and international shares more so than personal investors.

Specifically, use of other listed investments, particularly options, A-REITs, listed investment companies (LICs) and ETPs, were strong in SMSFs in 2014. Managed funds were less popular than in previous years among SMSF owners.

Figure 10: SMSF investment ownership mix

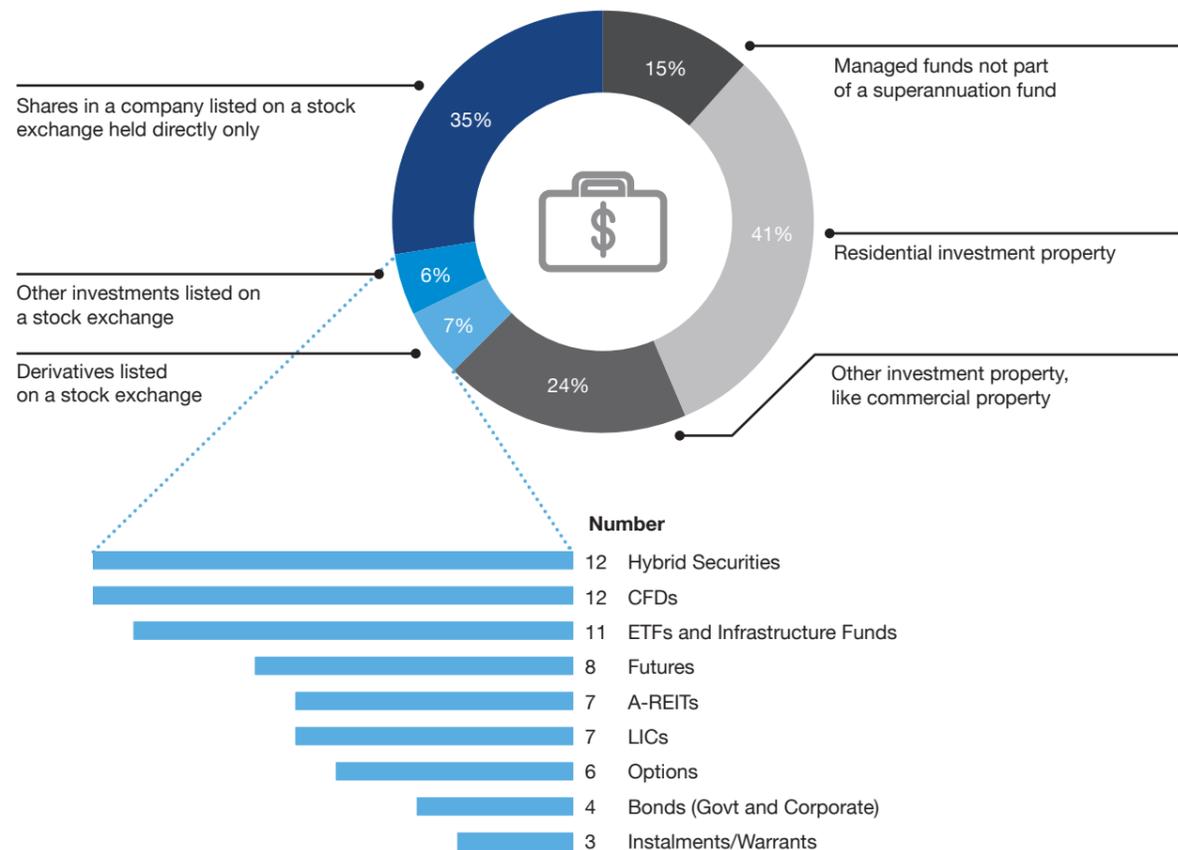


Base: 2014 SMSF (n=502). Percentages do not total 100% as some investors hold multiple investment products.
 Base: 2014 SMSF derivatives/other listed investments (n=63).
 Caution small base. Figures in numbers.

Who owns shares and listed investments?

The number of investors with company structures was small (n=29), so caution should be exercised when interpreting the results. Nevertheless it is interesting to see relatively strong interest in listed securities.

Figure 11: Company structure investment ownership mix

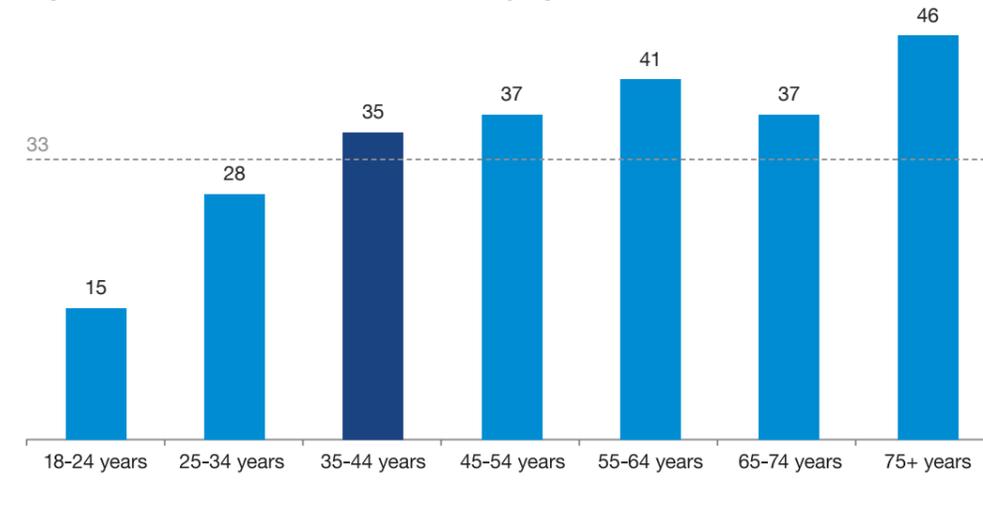


Base: 2014 Company structure (n=226). Percentages do not total 100% as some investors hold multiple investment products.
 Base: 2014 Company derivatives/other listed investments (n=29).
 Caution: small base size. Figures in numbers.

Investors typically entered the market in their late twenties or thirties.

Among direct share investors, the age at which investing normalises is around 35 years. Of all 35 to 44 year olds, 35% directly owned shares and other listed investments in 2014. This is a significant jump from the 28% of 25-34 year olds who are direct owners.

Figure 12: Incidence of share ownership by age (%)



Base: All direct sharemarket owners 2014 (n=1316).
 33% = overall incidence of direct sharemarket ownership (shares and other listed investments).

Clearly, new investors are entering the market in their twenties and thirties. The survey also revealed a segment of young keen non-investors who expressed interest in entering the market but who are not yet ready to start their investment journey. They will be discussed later.

Figure 13: Incidence of share ownership by gender (%)



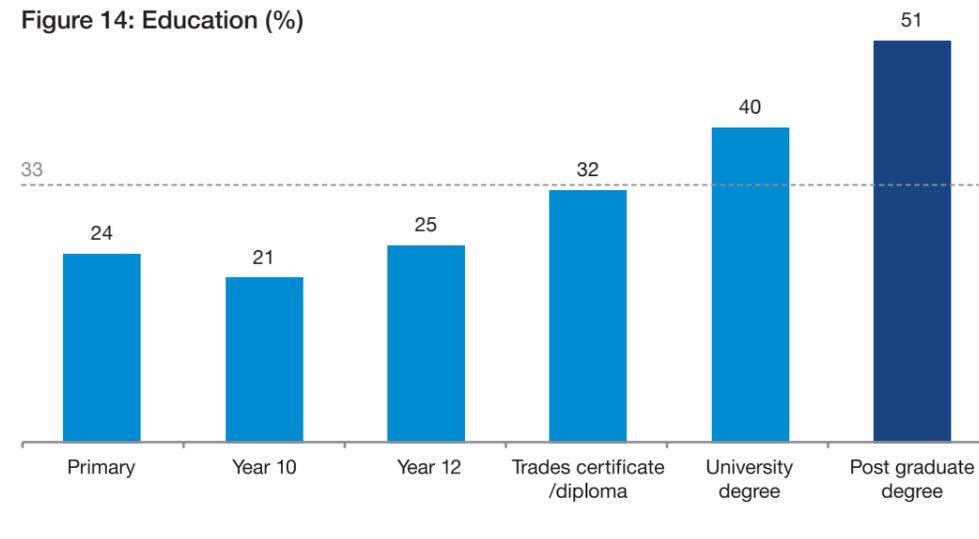
As in previous years, men are more likely to invest than women. Of all adult Australian males, 38% are direct share owners. Similarly, of all adult Australian females, 27% are direct share owners.

Among the 33% total direct share owners, 57% are male and 43% female.

Post-school education increased the likelihood of investing

The incidence of owning shares and other listed investments increases with level of education, especially post-school education, peaking to a high 51% of post-graduates who invested directly in 2014.

Figure 14: Education (%)

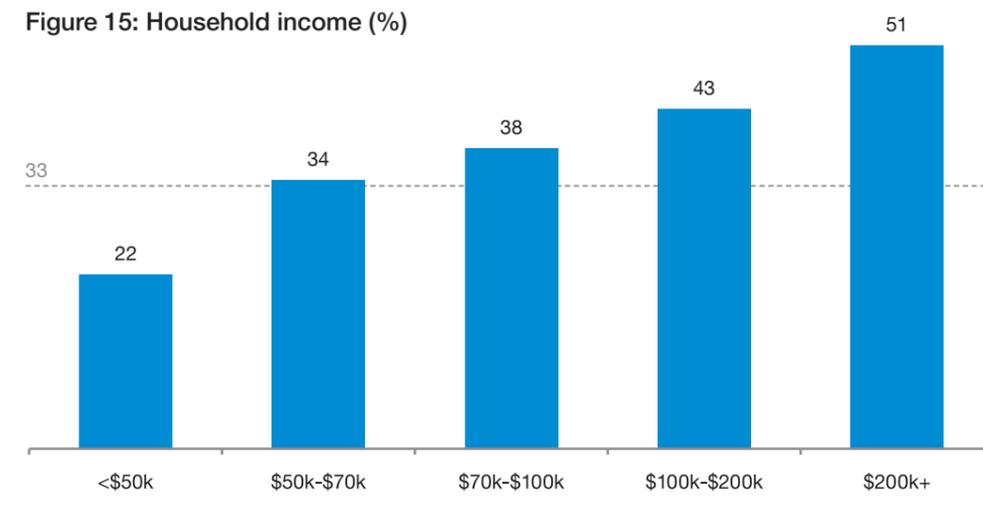


Base: All direct sharemarket owners 2014 (n=1316).
33% = overall incidence of direct sharemarket ownership (shares and other listed investments).

Income appears to be correlated with education, though it is not necessary to be wealthy to invest

About a third (34%) of investors earning between \$50,000 and \$70,000 owned shares or other listed investments directly in 2014, with the incidence increasing as income rose.

Figure 15: Household income (%)



Base: All direct sharemarket owners 2014 (n=1316).
33% = overall incidence of direct sharemarket ownership (shares and other listed investments).

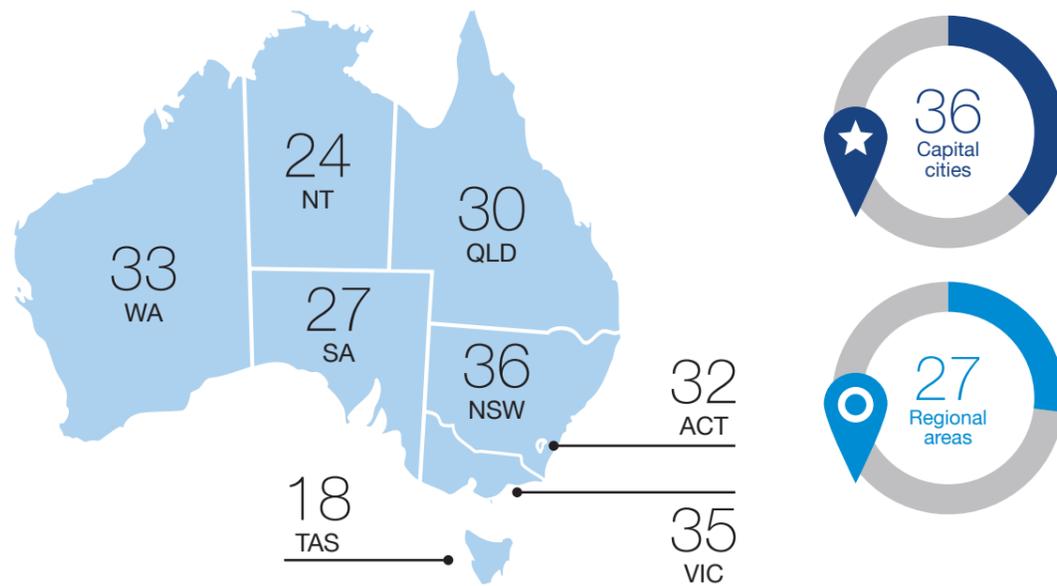
The incidence of owning shares and other listed investments increases with level of education.

What is the outlook for 2015?

Direct investing was more likely to be found in capital cities

Among people living in capital cities, 36% were direct share owners in 2014, compared with 27% of the population of regional areas. There were also differences between the states and territories, with NSW showing the highest level of share ownership.

Figure 16: Incidence of share ownership by location (%)



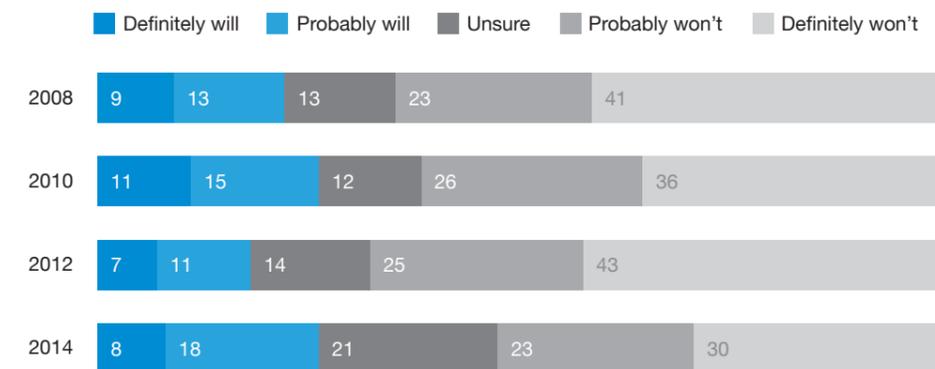
Base: All direct sharemarket owners 2014 (n=1316).
33% = overall incidence of direct sharemarket ownership (shares and other listed investments).

Many retail investors are optimistic about the next 12 months, expecting to stay in the market.

Investors and non-investors were asked how likely they were to buy shares or other listed investments in the next 12 months. Overall 26% stated that they definitely will (8%) or probably will (18%) buy shares or other listed investments in the next 12 months.

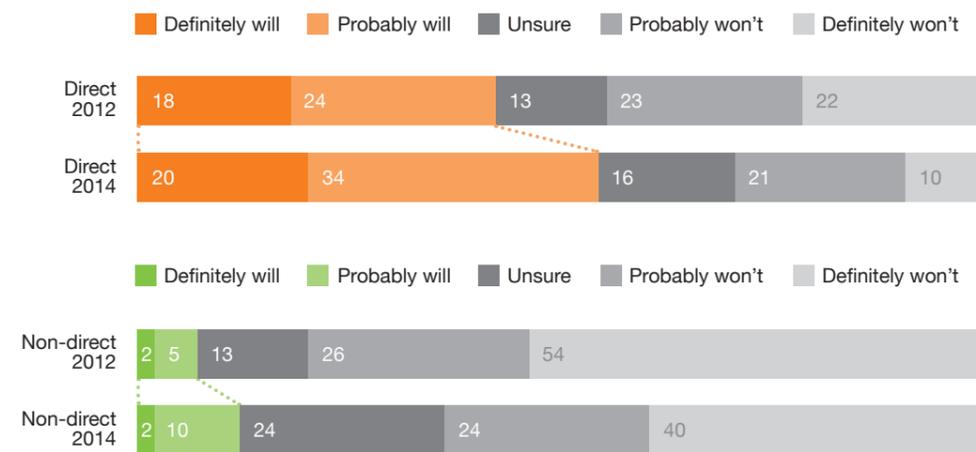
Figure 17: Likelihood of buying shares in the next 12 months

Total sample: year-on-year comparisons (%)



Base: 2008 (n=2400); 2010 (n=2400); 2012 (n=2000); 2014 (n=4009).

Figure 18: Likelihood of buying shares in next 12 months - Direct vs Non-Direct (%)



Base: Direct sharemarket investors (n=1316); Non-direct (n=2693).

Amongst direct investors, the likelihood of buying shares in the next 12 months was 54%. Among non-direct investors it was 12%. While the latter was a relatively small proportion it nevertheless represents approximately 1.45 million people who are considering entering the market.

Direct investors were generally optimistic about the sharemarket. Consistent with this finding, Figure 19 shows that direct investors either considered that the survey period was 'a good time to buy' (24%) or 'a good time to hold' (34%).

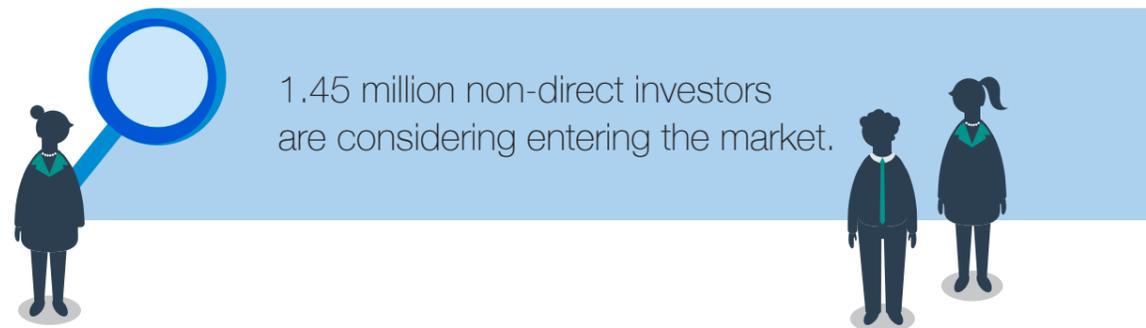
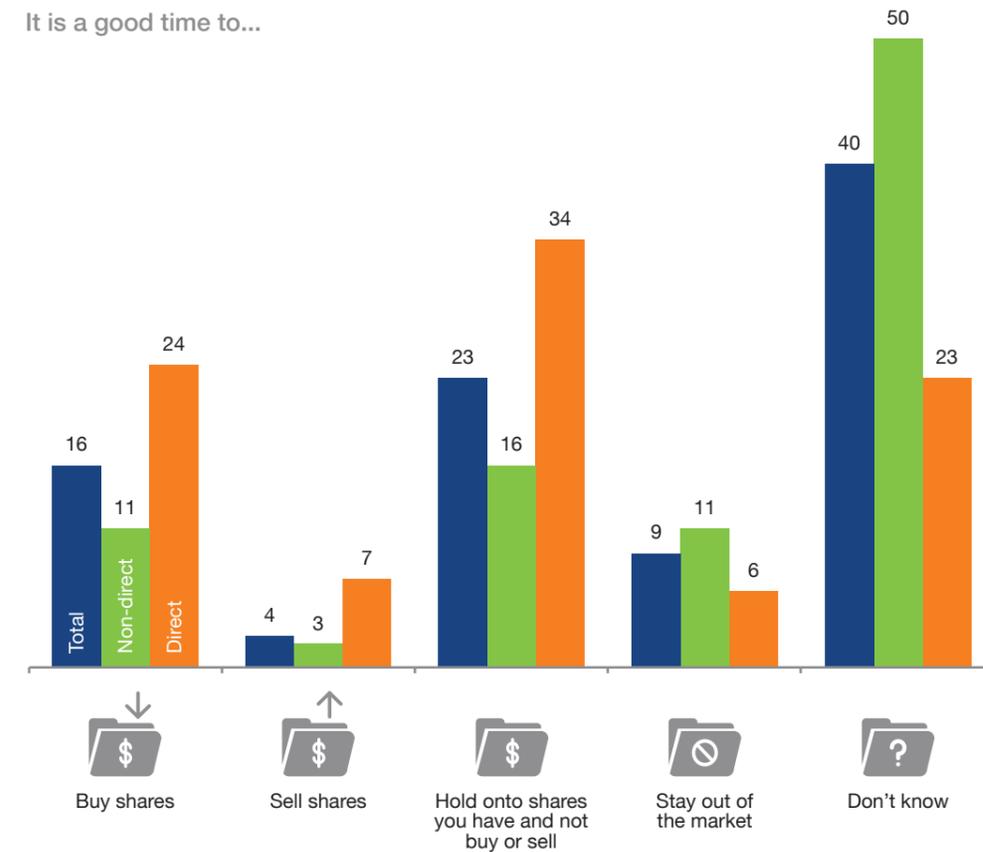


Figure 19: Current climate for sharemarket (%)

It is a good time to...

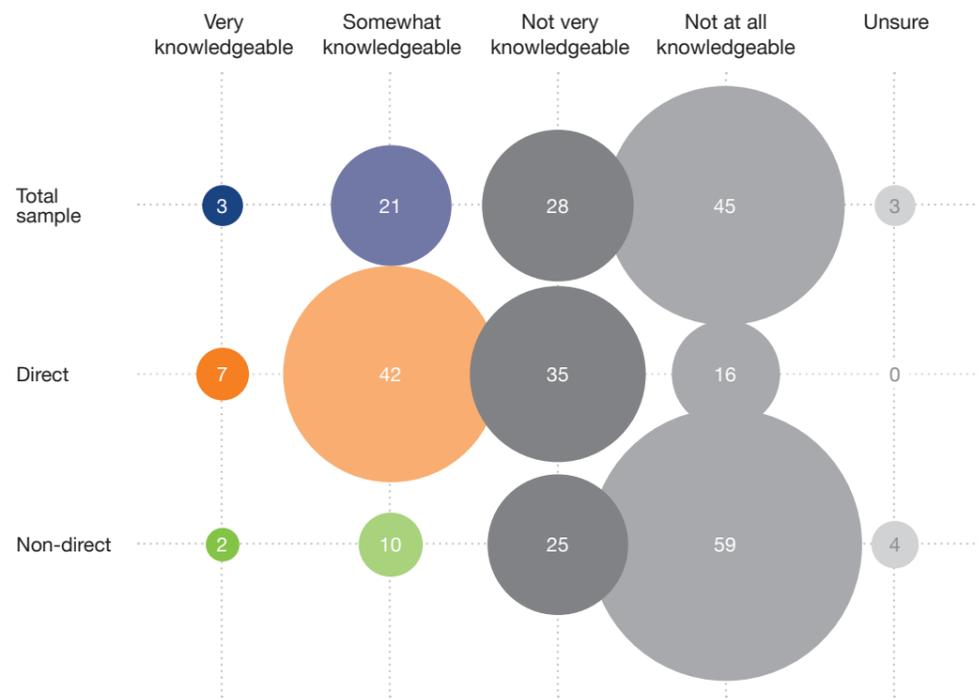


Module 1 Base: 2014 (n=1756) excludes all in sample who says they will never own shares. All direct sharemarket investors (n=634). All non-direct investors (n=1122).

While year-on-year comparisons are not advisable as the online methodology significantly increases the 'don't know' response, the trend is still a more bullish sentiment than in 2012.

Investors felt they did not know enough about the sharemarket

Figure 20: Claimed level of sharemarket knowledge (%)



Base: 2014 (n=4009), Direct owners (n=1316), Non-direct (n=2693).

The survey measured self-assessed knowledge of investing in the sharemarket of both investors and non-investors. Of the total sample, most Australians claimed to be not very or not at all knowledgeable in 2014. The data from 2012 was very similar on this measure.

Claimed knowledge was stronger among direct investors than non-direct investors. About half of direct investors thought themselves to be either very knowledgeable (7%) or somewhat knowledgeable (42%) about share investing.

Figure 21: Knowledge differences between direct and indirect investors

	Direct only	Both direct and indirect	Indirect only
Base n =	1035	281	139
Very knowledgeable	6%	11%	3%
Somewhat knowledgeable	39%	55%	32%
Not very knowledgeable	37%	25%	34%
Not at all knowledgeable	18%	8%	31%
Unsure	0%	1%	0%

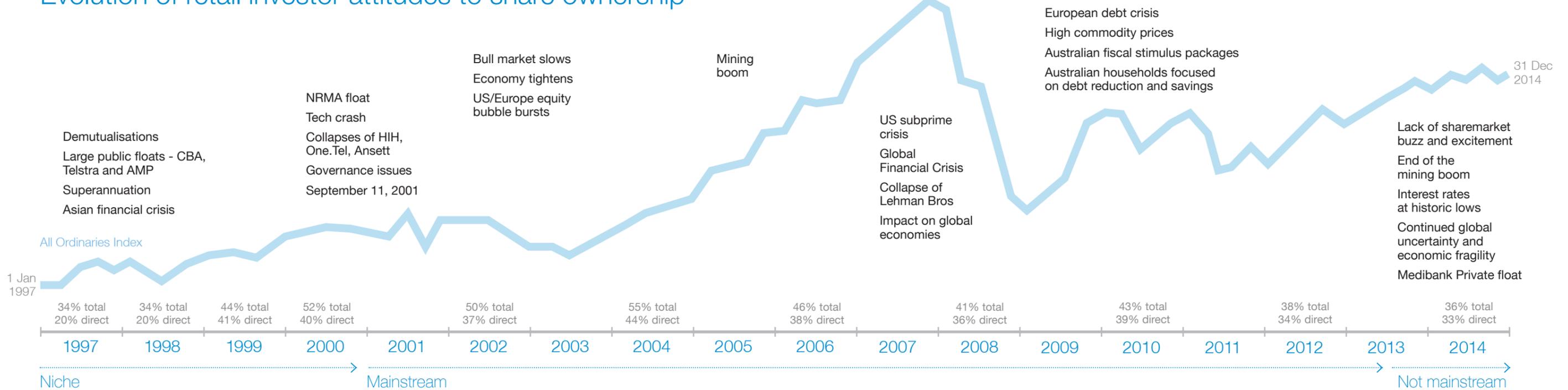
Figure 21 compares self-assessed knowledge among direct only investors, who formed the bulk of the market, with the much smaller proportions of investors in indirect only and investors who held both direct and indirect investments. Investors who held both had significantly higher self-assessed knowledge than direct only and indirect only investors.

In contrast, those who only had indirect investments assessed their own knowledge as low, with 31% stating that they were 'not at all knowledgeable'.

Investors who held both direct and indirect investments had significantly higher self-assessed knowledge.



Evolution of retail investor attitudes to share ownership



<p>Exclusive Mysterious</p> 	<p>Exciting Fashionable</p> 	<p>Mainstream Logical</p> 	<p>Nervous for all investments</p> 	<p>Frozen by bear market – Reality check</p> 	<p>Sober – Adapting slowly</p> 	<p>Those in the market – Getting on with it</p> 
<p>Have-a-go mindset Some personal responsibility and interest in finance/investment Perception only for the wealthy</p>	<p>More legitimate/necessary investment More accessible Excitement to get involved Personal responsibility not a strong discriminator</p>	<p>Become more mainstream Direct accessibility via online Not all roses, cyclical nature apparent Personal responsibility returns as a strong discriminator</p>	<p>Interest and hands-on involvement and knowledge key attitude drivers Personal responsibility becoming more mainstream Connection of shares to super more apparent</p>	<p>Reality bites with world recession and unemployment The world is complicated and interconnectedness baffling Anger at experts and losses More determined self-reliance Other listed investments remain niche – now more perplexing in a confused world</p>	<p>The rules have changed Adapting to shorter cycles No longer frozen, fragmenting strategies to manage change More considered investments More research and self-reliance</p>	<p>Specialised activity by those in the know Not exclusive, but not top of mind Functional, long-haul Disciplined, purposeful</p>

How do Australians feel about investing?

The mood among the direct sharemarket investment community is disciplined and long-term.

The Share Ownership Study measures attitudes towards investing in the sharemarket among investors who held direct investments. Figure 22 shows the proportions of direct investors who strongly agreed with each statement about investing.

As can be seen, direct investors have accepted that this is not a time for quick wins. The most widely-held beliefs about share investing were the need for a long-term outlook (55%) and a disciplined approach (53%). Supporting this was a claimed need for continuous learning (46%).

The difference in survey method in 2014 makes direct comparison of 2014 results to previous years inadvisable, however directionally the trends are similar.

Figure 22: Overall attitudes – direct investors

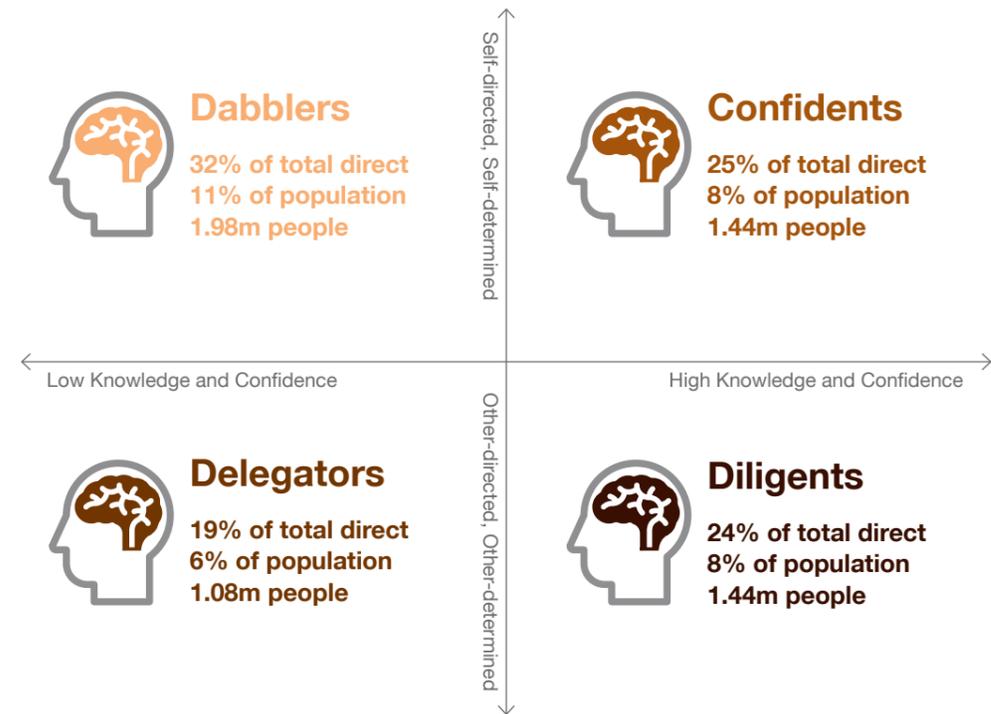
- 55% – Can only succeed if invested for the long-term
- 53% – I have a fairly disciplined approach to the sharemarket
- 50% – Like owning shares - but will never be a major part of my investments
- 46% – Like the continuous learning - understanding the sharemarket
- 45% – I am keen to find out more about sharemarket
- 44% – Becoming more self-reliant in how I make my investment decisions
- 43% – When it comes to investing in shares, I rely on the advice of experts
- 43% – I thoroughly enjoy managing my investments
- 43% – Only really consider safer blue chip shares
- 43% – I understand how the sharemarket works
- 42% – Take into account quality of corporate governance when investing
- 41% – I find the sharemarket an exciting challenge
- 37% – I am confused by all the information on shares these days
- 37% – Prefer companies that are ethically, socially and environmentally responsible
- 35% – When it comes to investing in shares, I rely on my own gut feeling
- 34% – Know enough about the sharemarket to confidently make buy/sell decisions
- 32% – To succeed is a matter of luck, 'being in the right place at the right time'
- 29% – You can never get wealthy just by owning shares
- 27% – Generally get better returns than professionals by relying on own decisions

Base: 2014 All direct sharemarket investors (n=1316).

Attitudes vary among direct investors. As in previous years, responses to these attitude statements have been used to break direct investors into four distinct segments based on knowledge of and

engagement with the investing process. We have termed them Dabblers, Delegators, Confidants and Diligents. The relative size of each segment is shown below.

Figure 23: Segmentation of direct share investors



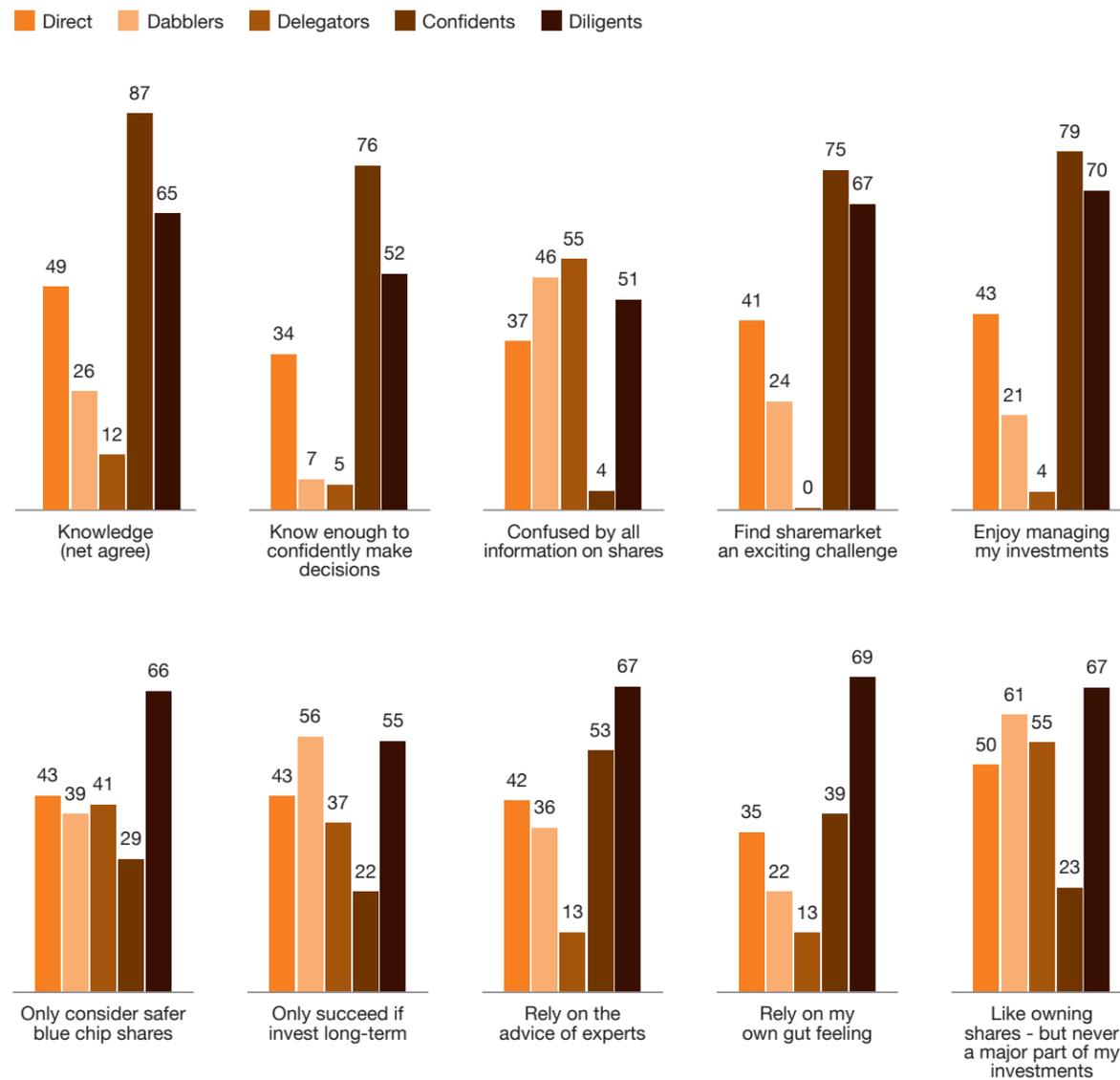
Base: All direct investors, 2014 (n=1249, less exclusions, i.e. those who gave inconsistent responses to questions).

The two dimensions that do the most to differentiate between these segments are knowledge/confidence and the psychological dimension of self-direction which refers to how motivated people are by the views of others, i.e., Dabblers are positioned as low in knowledge and confidence but also 'self-directed' in that they tend to look to themselves

rather than to outside sources for the motivation to act. In contrast, Diligents are higher in self-assessed knowledge and confidence, but are also 'other-directed', in that they take the views of others (advisers, media sources, and people they know) into account when they invest.

A selection of these attitude statements highlights the key differences between the segments. Figure 24 shows the attitudinal statements which most differentiated the segments and the proportions of each segment agreeing with each statement.

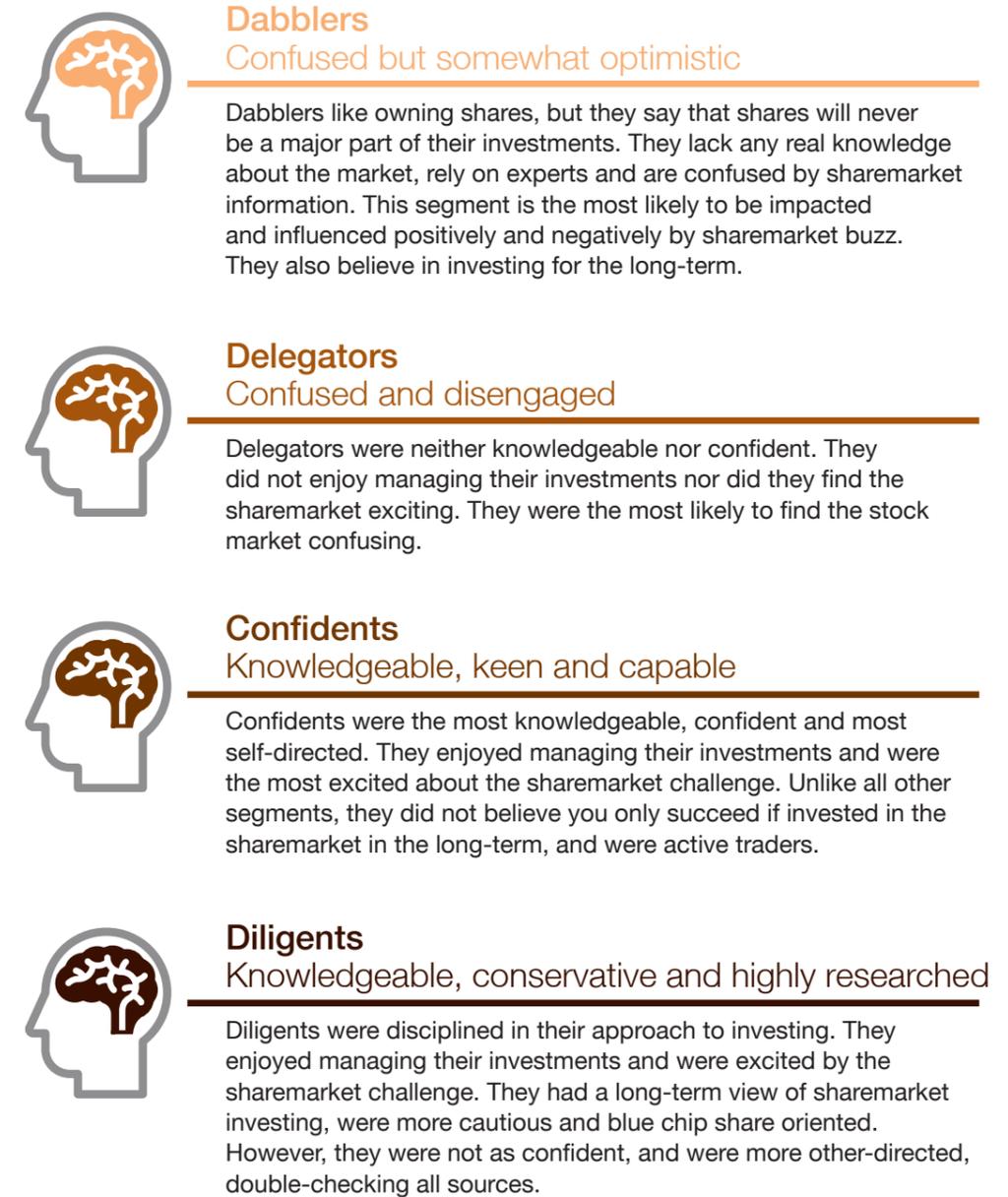
Figure 24: Key differentiating attitude statements – direct investors (%)



Base: 2014 All direct share investors (n=1249, less excluded, i.e. those who gave inconsistent responses to questions); Dabblers (n=396), Delegates (n=235), Confidents (n=320), Diligents (n=298).

The attitudinal characteristics of each segment are captured below:

Figure 25: Segment summaries – direct investors



How actively do retail investors trade?

Over half of direct investors traded in the previous two years.

In 2014, 55% of direct investors reported buying or selling shares or other listed investments during the previous two years, which is comparable to the trading levels the survey has seen in the past.

Direct investors reported trades over the 12 months to November 2014 with an average value of \$11,836, and the average value invested \$112,522.

Figure 26: Trading behaviours and value of investments of direct investors

	Total Direct
Base 2014 n=	1316
Bought/sold shares last 2 years	55%
In the past 12 months, number of times:	
Bought shares	9
Sold shares	9
Bought other listed investments	5
Sold other listed investments	3
Average total number of trades	26
Average value of trades	\$11,836
Average value invested in shares (all ownership structures)	\$112,522

32

Confidents' trading frequency was more than double that of both Dabblers and Diligents.



The Confident segment was the most active – 82% had traded in the last 12 months, and had both bought and sold. The average value of their investment was the highest of all four segments at \$178,444. Confidents' trading frequency was more than double that of both Dabblers and Diligents. The segments traded roughly the same average amount, around \$11,000.

Figure 27: Trading behaviours and value of investments of direct investing segments

	Direct	Dabblers	Confidents	Delegators	Diligents
Base 2014 n=	1316	397	320	235	299
Bought/sold shares last 2 years	55%	42%	82%	24%	68%
In the past 12 months, number of times:					
Bought/sold shares	18	11	27	*	12
Bought/sold other listed investments	8	4	10	*	9
Average total number of trades	26	15	37	*	21
Average value of trades	\$11,836	\$11,850	\$11,206	*	\$11,136
Average value invested in shares (all structures)	\$112,522	\$74,182	\$178,444	\$103,507	\$96,027

33

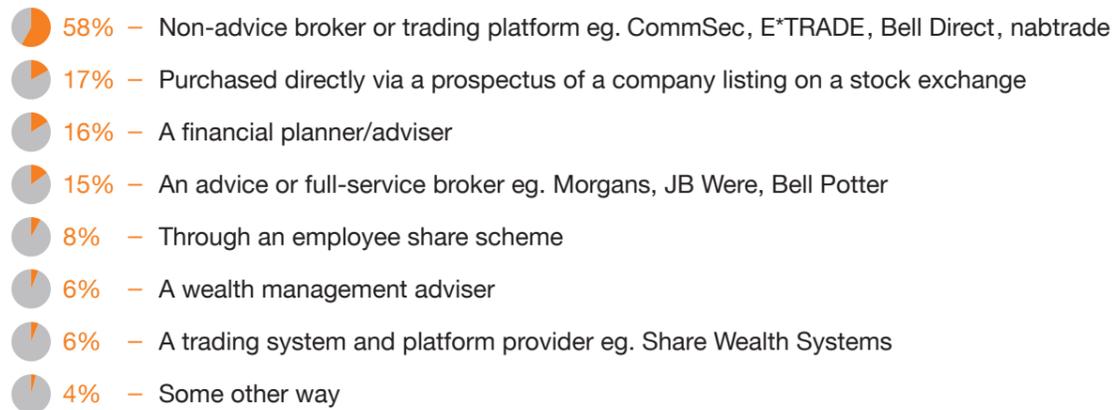
* Note that as only 24% of Delegators traded either shares or other listed investments in the past 2 years, bases are too small to comment with confidence on the trading measures of this segment. The relatively low trading pattern of Delegators reflects their attitude of long-term investing in blue chip shares.

How did retail investors trade?

More investors traded online than through a broker or adviser of any type.

Among the 55% of retail investors who traded, 58% did so via a non-advice broker or trading platform such as CommSec, E*Trade, Bell Direct, nabtrade or CMC Markets, reflecting the growing desire for self-direction and control over investments. Interestingly, 31% (net) traded through an adviser of some description – financial planner (16%), full-service broker (15%) or a wealth management adviser (6%), indicating there is clearly still a role for advisers.

Figure 28: How direct sharemarket investors traded



Base: Those who have bought/sold shares or listed investments in last 2 years (n=721).

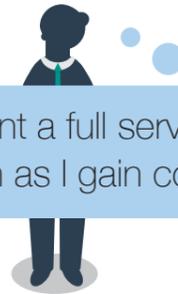
Confidents were the most likely to trade online (77%). Diligents used the greatest mix of methods; they are the segment most likely to have traded through a full-service broker or a financial planner.

Diligents are the segment most likely to have traded through a full-service broker or a financial planner.



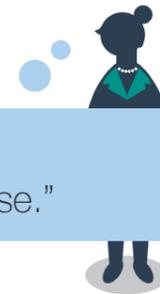
A continued need for advice – but not ‘one size fits all’

The qualitative research highlighted the breadth of opinions investors have regarding brokers and advisers. For some, brokers are how they learn:



“I want a full service broker to help me learn at the start, then as I gain confidence I would get an online broker.”

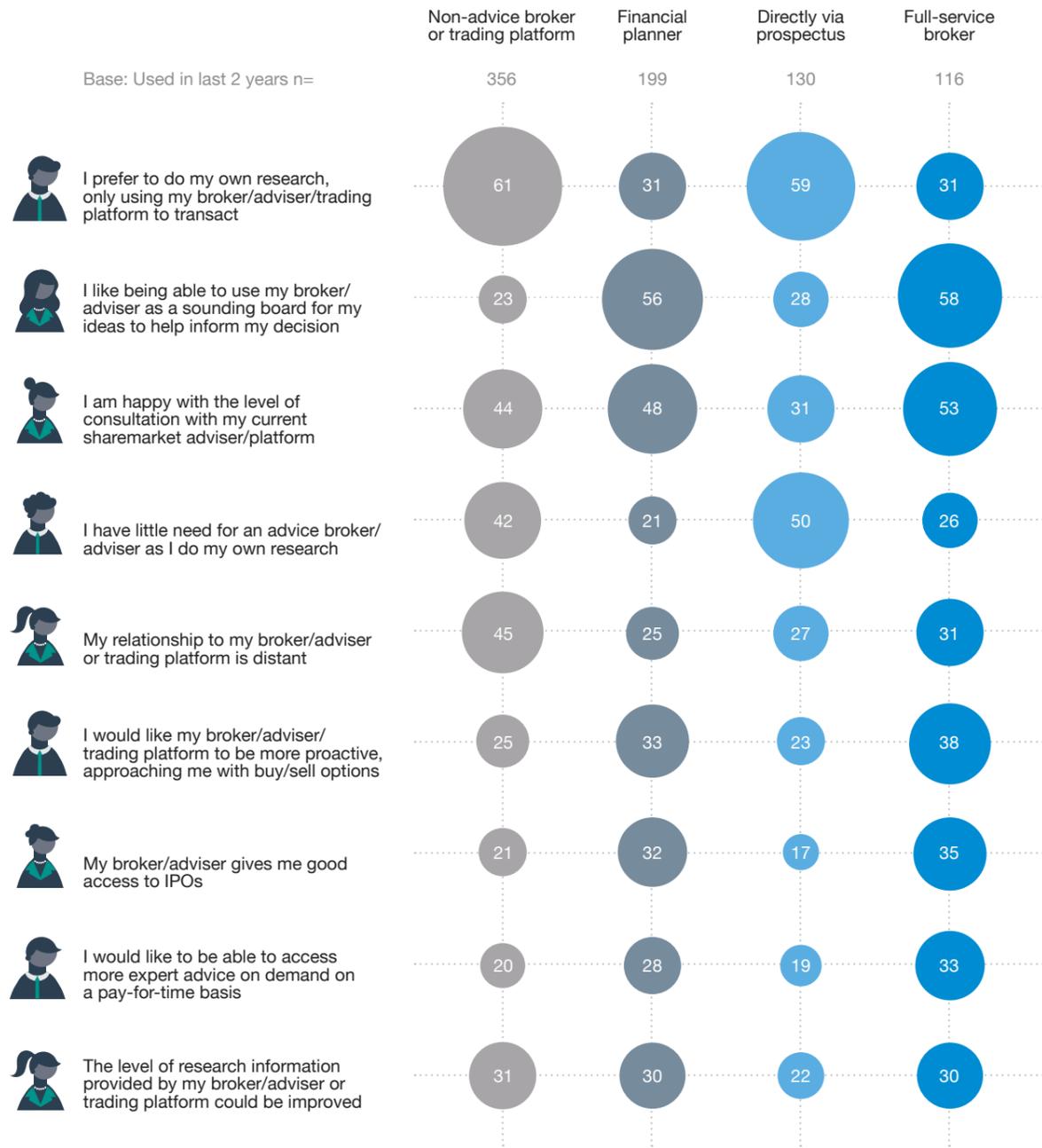
For others, the situation is the opposite:



“To start with I want to do it myself to learn, and as it grows enlist the help of someone else.”

In reality, the survey shows that most direct investors’ need for advice is more complex and nuanced than this. Figure 29 compares the main resources used for trading on key attributes developed from the qualitative research which explored this issue in detail.

Figure 29: Investors' perception of broker service (%)



Almost 60% of full service brokers' clients liked being able to use their broker as a sounding board to help inform their decisions.



"They have all the analysis so your accessibility to that information is because you have that broker relationship."

Some also said that full service brokers were able to "simplify" this information and help investors know how to start.



"You wouldn't know where to begin. It's huge. There is so much. It's a maze."

However, when surveyed, only 53% of full service brokers' clients were happy with the level of consultation their brokers provided, a surprisingly low figure given the nature of the service they provide. Some 31% described their full service broker as 'distant', while 38% would like these brokers to be more proactive, and 30% said that the level of research these brokers provided could be improved.

61% of users of online brokers preferred to do their own research and 44% claimed to be happy with the level of consultation that online brokers offer. Both numbers suggest that a number of clients of online brokers had some need for advice and consultation and did not simply want to use online broking services to transact.



Where do investors go for advice and information about investing?

Direct investors who had not used a broker or adviser in the last two years provided a range of reasons for non-use. Just under half (48%) believed that brokers were too expensive, while 40% considered themselves be too small an investor to warrant the broker's full attention.

While some of these reasons reflect the kind of self-reliance that has driven the use of online platforms in recent years, these results also highlight some concerns that some investors have had about the value that brokers and advisers add.

Figure 30: Why not use a broker or adviser?

- 48% – I think they are too expensive
- 40% – I believe I am too small to warrant their full attention
- 39% – Have no need for additional advice, just want a trading platform
- 38% – I prefer to be in direct control of my trades
- 37% – I am not sure what value they add beyond doing a transaction on my behalf
- 34% – I prefer to rely on my own research
- 33% – I do not think they are independent enough in their buy/sell recommendations
- 17% – I have not yet explored the cost/benefit trade
- 17% – I find them a bit intimidating for a retail investor like myself
- 12% – Not sure what is available
- 11% – I have alternative access to relevant sharemarket information

Base: Those direct share investors who did not use a broker/adviser to trade: (n=261).

Some investors are concerned about and unsure of the value that brokers and advisers add.

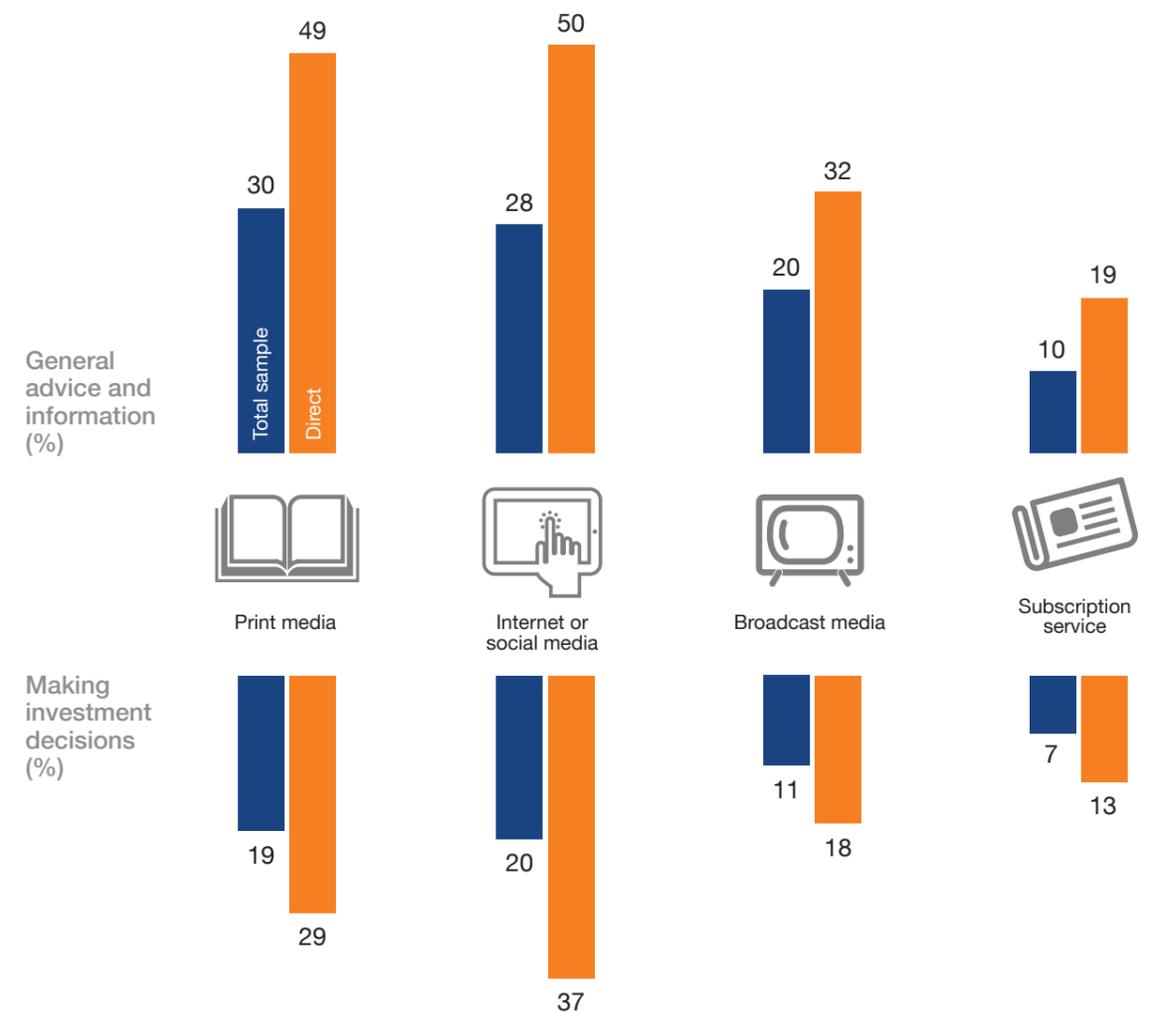


Print media and websites, including social media, are equally popular for general financial information but more investors use the internet than printed sources for help in making trading decisions.

To explore sources of information used by investors, the survey asked about sources consulted in the last two years when looking for general financial or market information to keep up-to-date, and when making a buy, sell or hold decision on a company or any other listed investments.

Half of all direct investors read print media (49%) or used websites including social media (50%) for general information in the last two years.

Figure 31: Sources of information



Base: Information sources used in last two years for a) general information and b) specific decision-making; Module 2 Only; Total sample = 2009; Total direct (n=681).

How investors get started in the sharemarket

Investors take a highly fragmented approach to seeking information.



For specific decision-making, websites including social media were the most likely source to be used. 37% of direct investors used the internet when making a buy, sell or hold decision on a company or any other investments in the sharemarket, with print media the second most popular (29%).

The list of sites included the ASX website (the most popular in these terms), trading platform websites, social media sites such as Facebook and YouTube as well as investment forums.

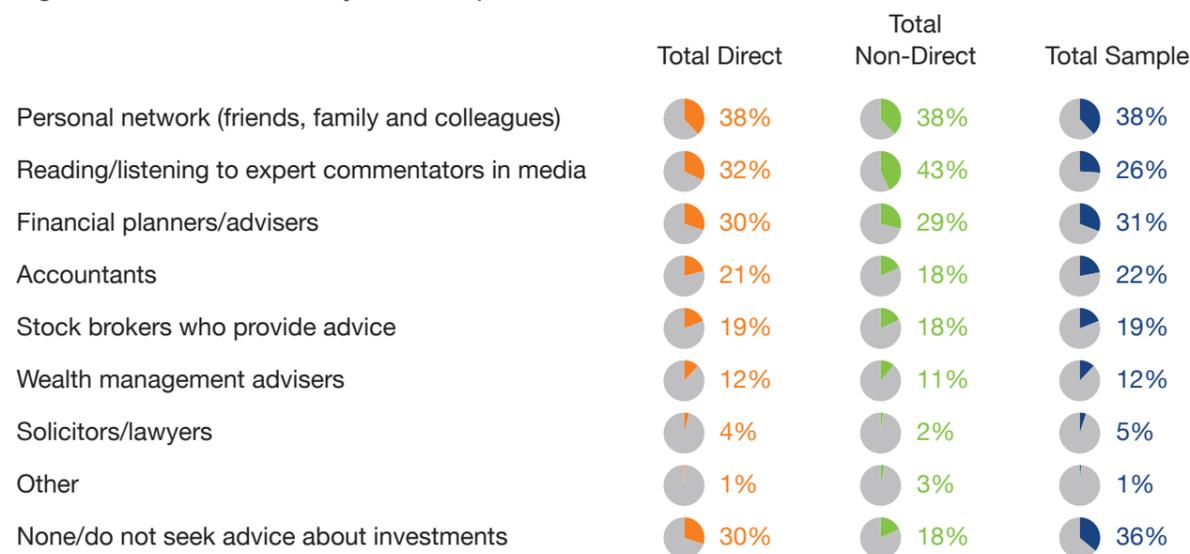
On average, investors used 7.2 sources of information for general information and 6.0 for specific decision-making. Among Diligents, these figures rise to 9.3 and 9.9 respectively.

Investors learn from people they know and from expert commentators

Gaining information on investing was not just a matter of reading websites however. Investors also learn from other investors. The survey asked 'When you want advice about investments, whose advice do you find useful?'. Figure 32 summarises the responses. The most commonly cited source in the total sample was friends, family and colleagues (38%).

Direct investors may listen to expert commentators in the media (32%). This was highest among the Confident segment (57%).

Figure 32: Whose advice do you find helpful?

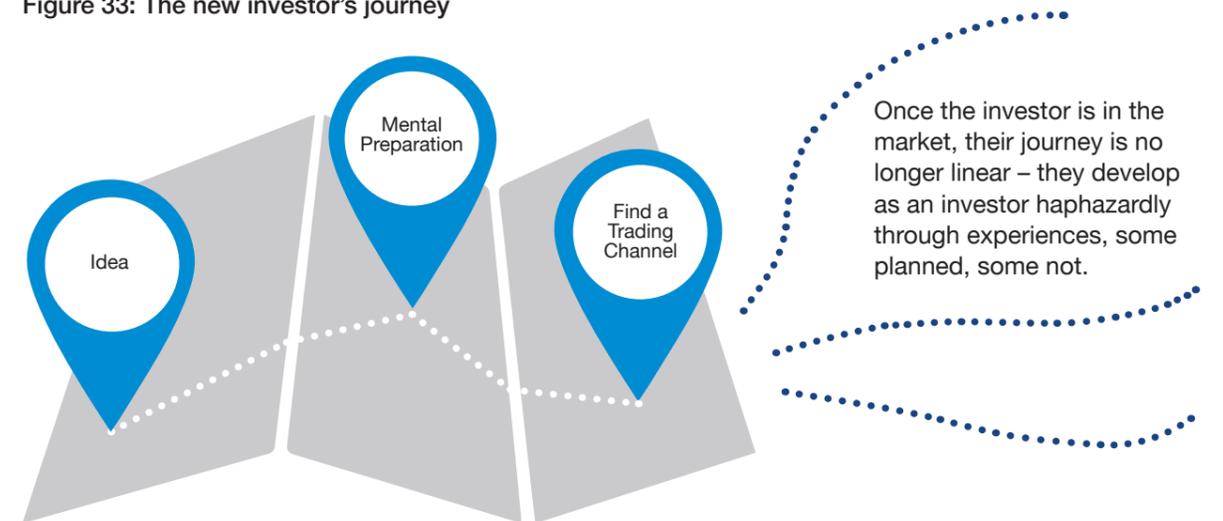


Potential investors seek information about share investing, but can become overwhelmed by it.

While two-thirds of the population are not currently invested in shares and other listed investments, many are keen to become involved. The question is: what will encourage them to start?

The qualitative research showed that potential investors follow a journey towards investing. This is a relatively linear process which might take some time from the initial idea, because potential investors may take several years in a stage of mental preparation before finally deciding how they will trade.

Figure 33: The new investor's journey



Some new investors learnt about investing through commerce courses at school or university, or participating in the ASX Sharemarket Games. These courses were the source of the idea to invest. Others learnt about investing from friends, family and colleagues. Regardless of the source of the idea, few acted immediately as they felt the need to educate themselves further. Some potential investors became so overwhelmed during this knowledge search that they were unable to make the decision to actually invest.



"I got involved through my mentor at work – I ended up using his broker and still do."



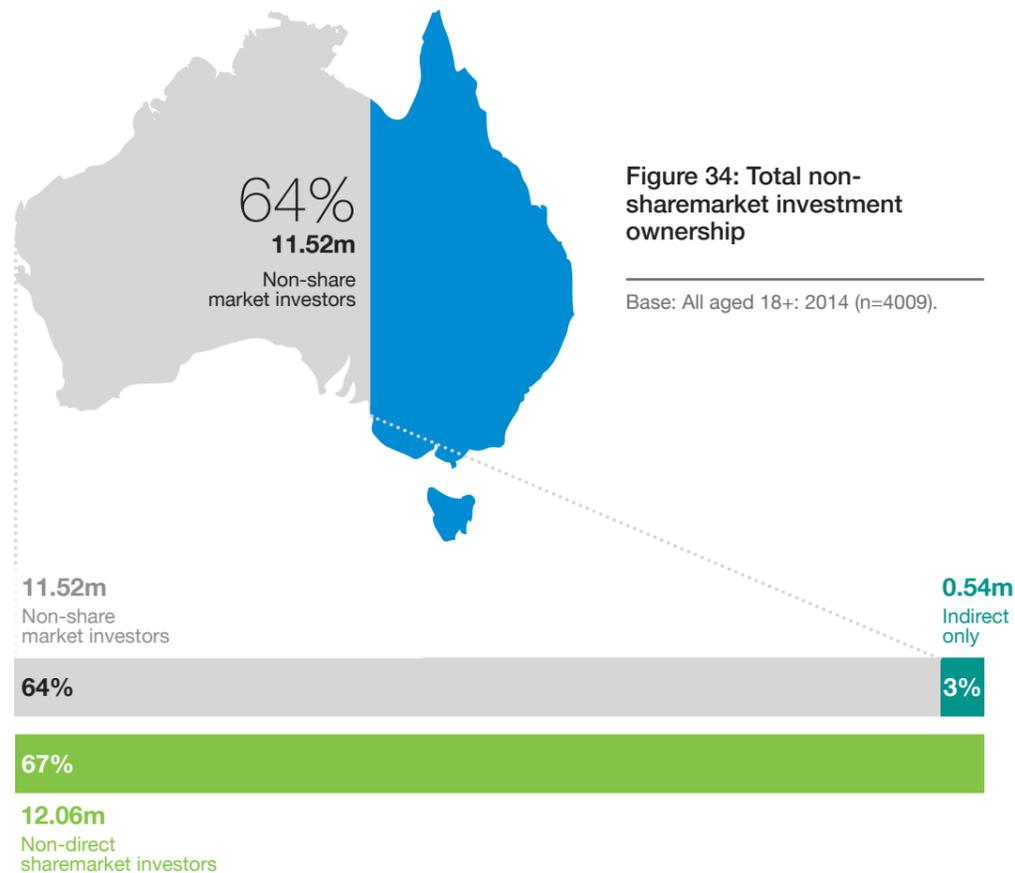
"I got involved through my father, who still trades regularly, and has a SMSF. We use the same broker."



What do potential investors think about investing?

Potential investors need an expert to guide them as they enter the sharemarket.

Figure 1 on page 8 showed the split between investors and non-investors. The discussion now turns to non-direct investors, that is non-investors plus those who only invest indirectly through managed funds, represented in Figure 34, who comprise 67% of the Australian adult population. In the quantitative survey, non-direct investors were asked how they think and feel about investing.



As Figure 35 shows, over half (56%) of the surveyed potential investors expected to need an expert to guide or advise them before they entered the sharemarket, as they were 'confused' (50%) by all the information around them. The perception that 'you need to have a lot of money' is also a significant barrier to getting started.

Figure 35: Overall attitudes – non-direct investors

- 56% – If I were to invest in shares, would rely on advice of experts
- 50% – I am confused by all the information on shares these days
- 43% – Need a lot of money to make it worthwhile to invest in sharemarket
- 37% – Can only succeed in sharemarket if invested for the long-term
- 33% – I'd only really consider investing in safer, blue chip shares
- 30% – Like to own shares - but never major part of my investments
- 28% – If knew more about investing in shares would get more involved
- 28% – To succeed is a matter of luck, 'being in the right place at the right time'
- 26% – I think the sharemarket would be an exciting challenge
- 22% – You can never get wealthy just by owning shares
- 22% – I am keen to find out more about the sharemarket
- 21% – Feel I should do something, don't know where to start
- 20% – Becoming more self-reliant in how I make investment decisions
- 19% – When it comes to investments, I rely on my own gut feeling
- 16% – I thoroughly enjoy managing my investments
- 14% – I understand how the sharemarket works
- 10% – Feel I know enough to confidently make buy/sell decisions

Base 2014: All non-direct share investors (n=2693).

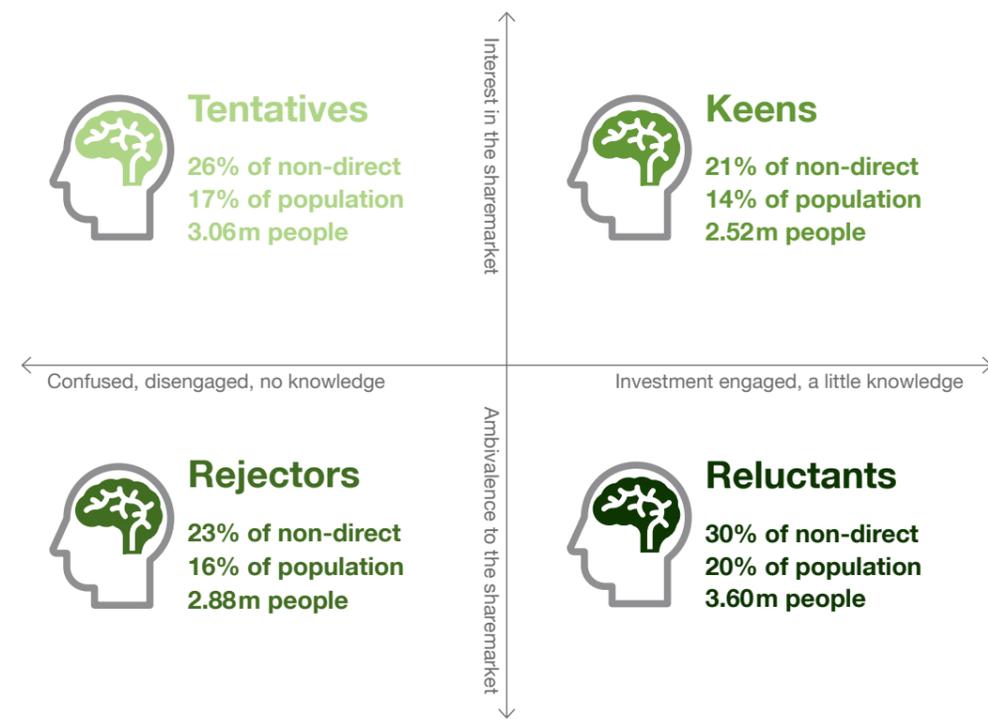
43% on non-direct investors thought that a lot of money is needed to invest in the sharemarket.



Again, responses to these attitude statements have been used to create four segments of non-direct investors. The core differentiating dimensions for non-direct investors relate to investment

engagement and knowledge, and relative interest in sharemarket investing. The segments are Tentatives, Rejectors, Keens and Reluctants.

Figure 36: Segmentation of non-direct share investors



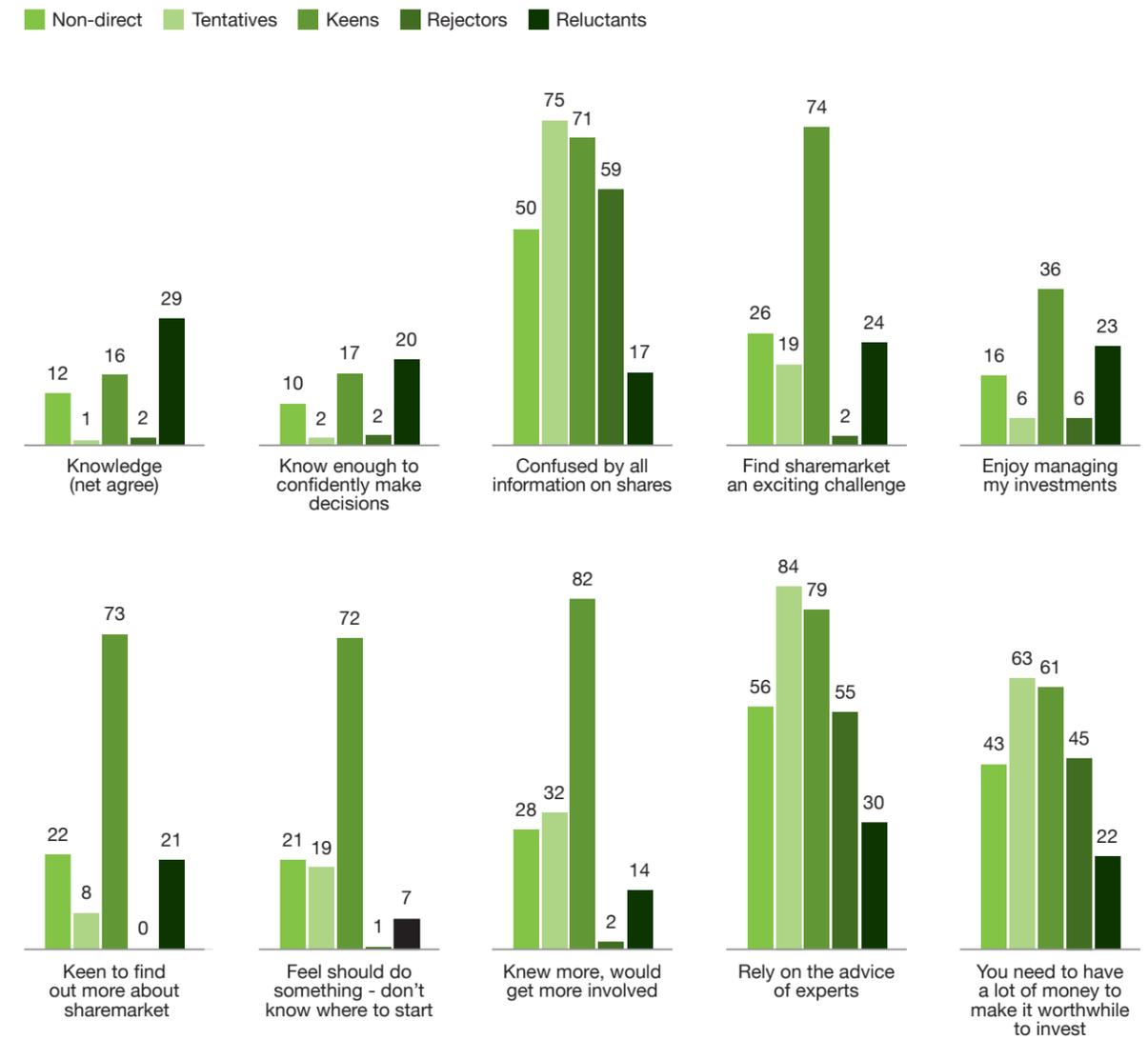
Base: 2014 non-direct investors (n=2507, less excluded, i.e. those who gave inconsistent responses to questions); Tentatives (n=657), Keen (n=524), Rejectors (n=585), Reluctants (n=741).

The two differentiating dimensions in this case are knowledge (and its inverse, confusion) and interest in the concept of share investing, e.g. the 'Keen'

segment, 21% of all non-direct investors, expressed interest in the concepts and had a little knowledge of how to go about it.

Figure 37 shows the attitudinal statements which most differentiated the segments and the proportions of each segment agreeing with each statement.

Figure 37: Overall attitudes – non-direct investors (%)



Base: 2014 All non-direct share investors (n=2693); Tentatives (n=657), Keens (n=524), Rejectors (n=584), Reluctants (n=741).

The attitudes of the Keen segment, comprising 2.52 million people, demonstrate the opportunity that exists to bring new investors to the market, given the right support.

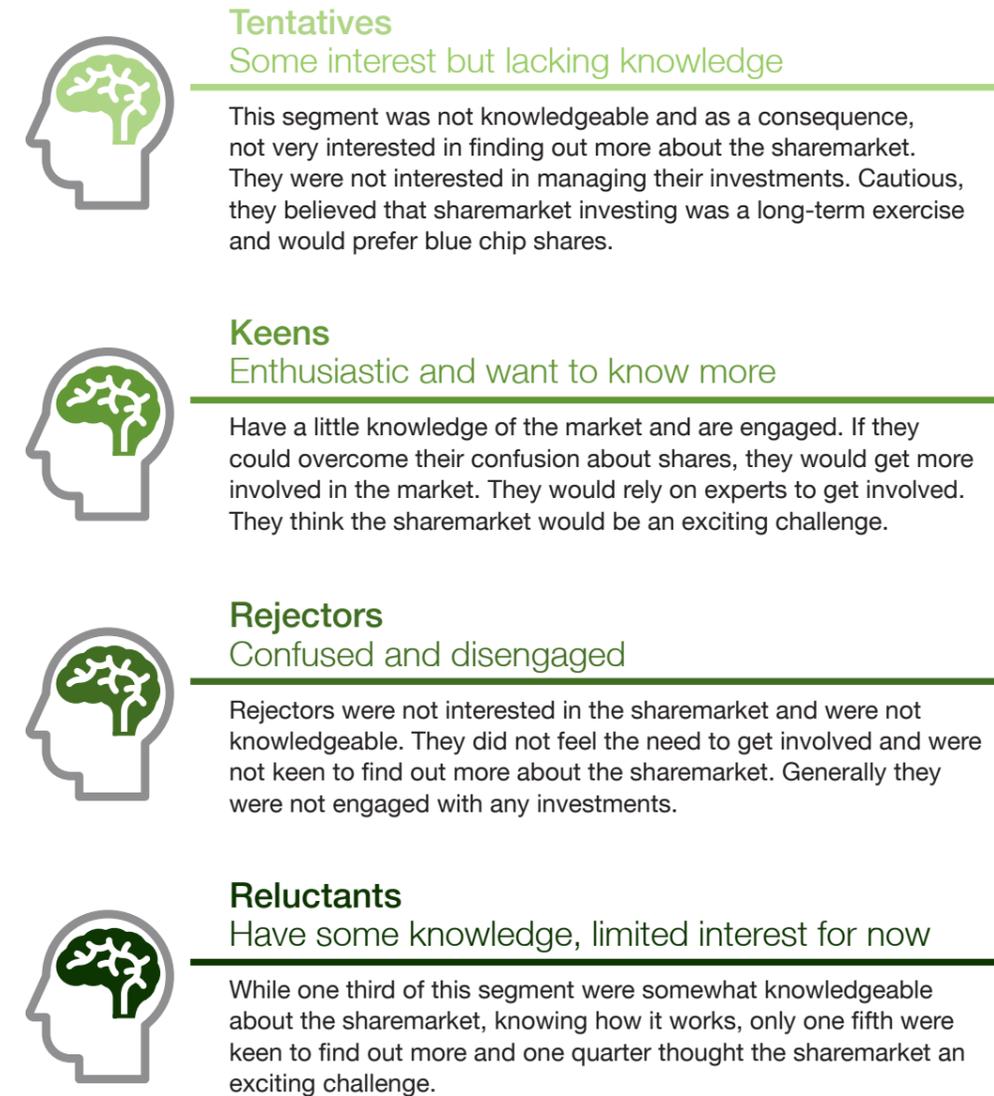


The highest level of agreement was to statements about confusion, reliance on expert advice and the perception that a lot of money is needed to be in the market. This speaks to the role that brokers and advisers can play in educating investors, getting them started and partnering with them on their journey. It is also worth noting that one traditional entry path for new investors, managed funds, is less visible than in previous years and has potential to be revitalised as an introduction to investing.

The attitudes of the Keen segment (21% or 2.52 million people) demonstrate the opportunity that exists to bring new investors to the market, given the right support. They expressed an eagerness to learn and wanted to be involved in the market but they also acknowledged that they needed support and valued the role of advice. Demographically Keens were young, with 55% under the age of 35, and 50% were female. In general, younger non-investors preferred to consult people they know, as well as expert advisers. They seemed to want mentoring.

The segments of non-direct investors are characterised in the following way:

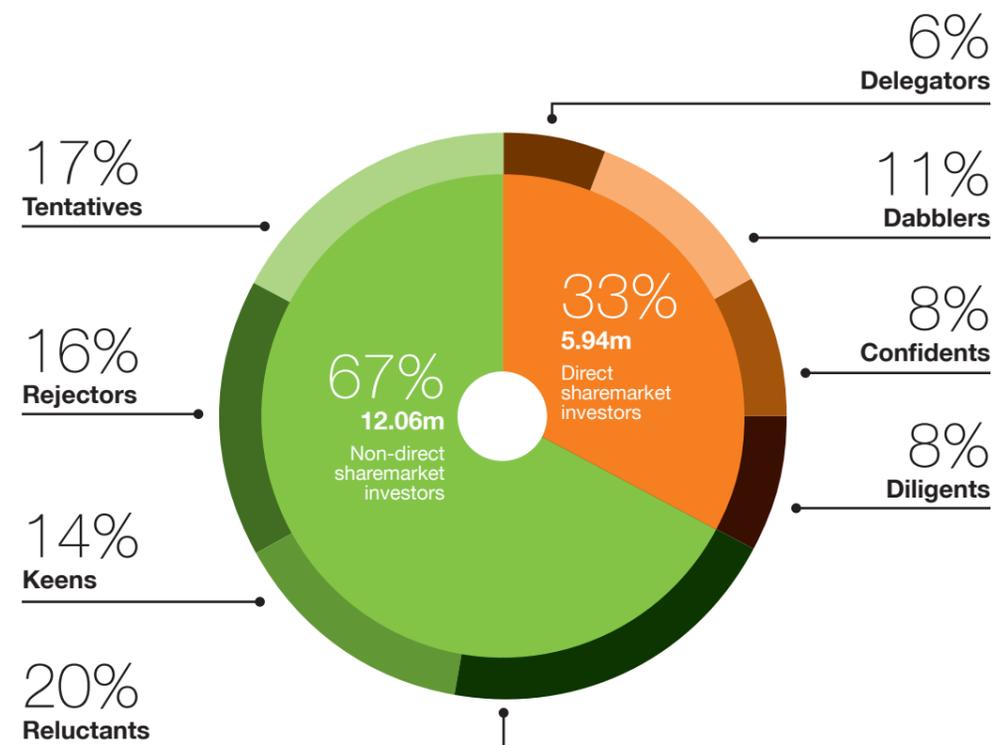
Figure 38: Segment summaries – non-direct investors





As an overall comparison of investors across the entire population, Figure 39 shows the relative size of the segments of non-direct investors and direct investors.

Figure 39: How the retail market segments in Australia



ASX has completed an international comparison of share ownership as part of the *Australian Share Ownership Study*.

The best available figures have been used. However, it should be noted that the 2014 Study does not provide an absolute comparison, due to differences in methodology, sampling, timing and definitions with the available international studies.

The incidence of share ownership in Australia remains high by international standards.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia direct	44		41		36		39		34		33
Australia direct/indirect	55		46		41		43		38		36
Hong Kong direct	25	29		36		35		36			36
Korea	8	7	7	9	10	10	10	11	10	10	
Germany shares	7	7	7	6	6	6	6	6	7	7	6
Germany shares/funds	16	17	16	16	14	14	13	13	15	14	13
Sweden shares	22	21	20	19	18	17	17	16	15	14	14
UK stocks/funds	22	21	20	20	18	18		17	17	15	
USA direct stocks	21			18			15			14	
New Zealand direct	23	23	26	28		22	22	23	23	26	26

Note: Studies are not directly comparable. USA and UK data are based on households, not individuals.

Hong Kong *Retail Investor Survey 2014*, Hong Kong Exchanges and Clearing, April 2015
 Korea *Shareholdings Investing population*, Korea Exchange, 2014
 Germany *Zahl der Aktienbesitzer (alle Aktieninvestments) in Deutschland*, 2014, Deutsches Aktieninstitut e.V.
 Sweden *Shareholders statistics*, Statistics Sweden, December 2014
 UK *Family Resources Survey 2012/13*, UK Department for Work and Pensions, Table 2.7, July 2014
 USA *Survey of Consumer Finance, 2013 SCF Chartbook*, Federal Reserve, page 291. September 2014
 New Zealand *Ownership survey: A healthier environment for NZ capital markets*, Goldman Sachs Equity Research, 16 January 2015

About this Study



Background

The Australian Share Ownership Study has become a benchmark for profiling share owners in Australia. ASX undertook its first share ownership study of the Australian population in 1986. The Study continues to provide valuable information to a variety of stakeholders and to ASX.

The overall aims of the 2014 Study were to:

- Track the incidence of share ownership among the Australian population and the factors driving this;
- Profile share owners and non-share owners demographically, attitudinally and behaviourally; and
- Update/revisit the current share investor segments.

This Study was made possible with the funding of the Financial Industry Development Account of the National Guarantee Fund.

Approach

ASX commenced the 2014 Study with a qualitative research phase to ensure it was aware of the main implications of current economic, environmental and market changes, and emerging issues for share owner behaviour prior to finalising the questionnaire for the quantitative phase. The qualitative research process was used to validate the wording, language and attitudinal dimensions used in the Study.

Key issues explored in the qualitative phase included:

- Market dynamics – are they changing?
- Key drivers of market behaviour;
- Share investment journeys, triggers and barriers to entry; and
- The nature of advice in sharemarket investing and share broker relationships and experiences.

The qualitative phase resulted in some fine-tuning of the Study to ensure it would measure the mindset of the 2014 Australian population appropriately.

Assisting ASX with the qualitative research study was Creative Catalyst Insights (CCI), which has worked with ASX on previous Australian Share Ownership Studies.

ASX commissioned Creative Catalyst Insights and Q&A Market Research (fieldwork specialist) to conduct the quantitative study. In the 2014 Study, the data collection methodology was migrated from a CATI (computer assisted telephone interviewing) survey to an online survey methodology. This change was precipitated by a combination of declining landline usage, long surveys being untenable on mobiles, and an online format suiting current lifestyles. The online methodology makes reaching a sizeable, robust sample more cost-effective and facilitates a split sample modular approach to the questionnaire, making questionnaire length reasonable for participants.

To ensure that a representative online sample was achieved, the 2014 Study included a short CATI Control survey on key incidence measures (comparable to 2012 and previous surveys). The demographic outcome of the CATI sample was used to post-weight the online sample to make it as representative as a CATI sample, had that methodology been retained. To manage questionnaire length, a split sample modular approach was used in the online survey:



CATI Control survey (n=2,400)

27 October –
17 November 2014



Online survey (n=4,009)

4 – 25 November 2014

Standard measures (incidence, attitudinal segmentation and demographic measures) (n=4,009)

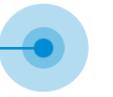
Module 1 (n=2,000)
Module 2 (n=2,009)

Answering questions online and answering them over the phone are different experiences. For this reason, in this report comparisons against previous years has been restricted only to the data where confidence in comparability was justified.

As this Study was based on a sample of people and not the entire population (i.e. census) the data was weighted to reflect the known Australian adult population by gender, age and state as per the latest Australian Bureau of Statistics information.

Being derived from a sample, and consistent with all sample-based research, the data is also subject to sampling error. Any analysis of this Study should therefore take into account the likely variability of findings using the table overleaf.





Margin of error

The margin of error for any survey based on a random sample depends on both the size of the sample and the observed proportion. The table below contains the margins of error (at a 95% confidence interval) for different sample sizes and for observed proportions that range from 10% to 90%. For example, the margin of error for a survey of 4000, where the observed proportion is 50% is $\pm 1.60\%$. This means the true proportion is between 48.4% and 51.6%.

For example, the Study found that 33% of the adult population holds shares directly. In 95 cases out of 100 it will fall between 31.6% and 34.4% (33% +/- 1.4%) and still be a valid and reliable finding.

Sample size		Observed proportion				
		10% or 90%	20% or 80%	30% or 70%	40% or 60%	50%
100	±	5.90%	7.80%	9.00%	9.60%	9.80%
200	±	4.20%	5.60%	6.40%	6.80%	6.90%
300	±	3.40%	4.60%	5.20%	5.60%	5.70%
400	±	2.90%	3.90%	4.50%	4.80%	4.90%
500	±	2.60%	3.50%	4.00%	4.30%	4.40%
700	±	2.20%	3.00%	3.40%	3.60%	3.70%
1000	±	1.90%	2.50%	2.80%	3.00%	3.10%
1500	±	1.50%	2.00%	2.30%	2.50%	2.50%
2000	±	1.30%	1.80%	2.00%	2.20%	2.20%
2500	±	1.20%	1.60%	1.80%	2.00%	2.00%
3000	±	1.10%	1.40%	1.60%	1.80%	1.80%
3500	±	1.00%	1.30%	1.50%	1.60%	1.70%
4000	±	0.90%	1.20%	1.40%	1.50%	1.60%

Australian Real Estate Investment Trusts (A-REITs)

A-REITs use the pooled capital of many investors to purchase and manage property assets. They can specialise in particular types of property like offices, industrial buildings, hotels, retail shopping centres or include a combination of property types. Formerly known as Listed Property Trusts (LPTs).

Bonds

Type of debt security. They are effectively an IOU between a borrower or the issuer of the bond, usually a government or company, and the investor. Investors receive interest payments at certain intervals and also have their principal returned on a stated future date.

Contracts for difference (CFDs)

Leveraged instruments that enable investors to gain exposure to shares, indices, commodities and currencies. Traders can take positions on both rising and falling markets. ASX CFDs are no longer available.

Direct investments

Any investment listed on the ASX, such as shares, options, warrants, futures, ETFs, hybrid securities, bonds, listed investment companies, or A-REITs.

Direct owner

An investor who owns shares or other investments listed on a securities exchange. Investments can be held personally, through an SMSF or via a company structure. The term is used interchangeably with the term 'direct investors' in this report.

Exchange traded funds (ETFs)

Type of managed fund which can be traded on ASX. They hold a portfolio of securities, which may include Australian or international shares, fixed income, commodities, property trusts, or a combination of asset classes. They can provide a diversified portfolio in the one transaction through a single security.

Futures

Contracts to buy or sell a particular asset (or cash equivalent) on a specified future date. The most popular in Australia are the S&P/ASX 200 or ASX SPI 200® Index Futures contract.

Hybrid securities

Hybrid securities blend some of the features of debt (fixed interest) and equity (shares). They make interest payments until a certain date. Some hybrids convert into shares after a period of time.

Indirect share owner

An investor in an unlisted managed fund that is not part of a superannuation fund. The investment can be held personally, via a SMSF or via a company structure.

Infrastructure funds

Infrastructure funds invest in public infrastructure assets.

Listed investment companies (LICs)

LICs provide exposure to a diversified portfolio of investments on behalf of their investors. These investments may include Australian shares, international shares, private equity and specialist sectors, such as resources.

Options

Contracts between two parties, giving the buyer the right – but not an obligation – to buy or sell an underlying security at a predetermined price at a particular time in the future.

Total sharemarket ownership

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

Warrants

Instalment warrants let you buy an investment over a period of time. You make a part payment on the shares and pay the balance in one or more payments over time. You get all the benefits of owning the shares from day one, such as receiving full dividends. Used for investing.

Ordinary warrants are issued by a bank or other financial institution and are traded on ASX. They are similar to an option. They give you the right to buy an asset such as a share at a set price until a date in the future. Used for speculation.



