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Retail investor platforms research

27 July 2021

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Background and context.

The retail investor landscape is changing rapidly. New platforms, new products and new investors are entering the market, reshaping both traditional market dynamics and the typical profile of investors.

To help the FMA understand how it should support these new investors, it commissioned Colmar Brunton to research the investors.

THE OBJECTIVES OF THE RESEARCH WERE TO UNDERSTAND:

- The type and profile of investors in retail platforms.
- Their risks and behaviour within these platforms.
- The motivations and influences that brought them to where they are.

The research was conducted in two stages – an initial exploratory stage followed by a quantification.

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1. UNDERSTANDING

Online forum with new and established online platform investors
23 respondents

Interim report

2. QUANTIFYING

Online survey with online platform investors
1,994 respondents

3. REPORTING

Full report summarising the both stages

this document

Focus on:
What risks and **why**-
Motivations, influences, decision making and perceptions of risks

Focus on:
Who they are**,** and **what** they do-
Type, experience, knowledge frequency of platforms and risks

Focus on:
Who, what, and why and where the **biggest** risks are

First phase: Understanding.

We hosted a single day online forum ("Qualboard"), with a video pre task for respondents around telling their story about how they got into online investing. In the forum we posed questions (e.g. exploring motivations), tested their knowledge and answered polls. Respondents answered individually and also commented on others responses.

RESPONDENT TYPE	RESPONDENTS
New to online investing	10
Experienced / established online investors	6
Complex/risky online product users	7
Total	23

- We had a mix of genders, ages and incomes.
- We had a spread of investing experience and investment types and platforms.
- Respondents were recruited from recruitment agency contacts and university share clubs
- The forum took place on the 24- 25th April 2021.

Second phase: Quantifying.

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TARGET AUDIENCE

People who've used an online investing platform in the last six months

INTERVIEW DATES

22 June – 7 July 2021

METHOD

Members of Sharesies, InvestNow, Hatch, and the New Zealand Shareholders' Association were invited to complete an online survey – either by being emailed an invitation with a unique link to the survey (InvestNow, Hatch, and NZ Shareholders' Association) or by a Facebook post to a closed Facebook group (Sharesies' 'Our Share Group')

SAMPLE SIZE

In total 1,994 investors completed the survey:

Sharesies	1,072
InvestNow	446
Hatch	333
NZ Shareholders' Association	143

WEIGHTING

Results have been post-weighted by the number of members each platform and the Shareholders' Association have, so that the overall results are representative of the relative size of the memberships of the four organisations

Summary

THE INVESTMENT JOURNEY

- Three immediate factors are attracting people to online investment platforms:
  - Market conditions – low interest rates mean people are looking for non-traditional ways of making their money work for them. Additionally, for some, the unaffordability of housing means people are looking to use the money they were saving for a deposit in other ways.
  - Ease of access to the markets – online investment platforms make accessing the markets affordable, easy, and fun.
  - Sociability – people are talking to their friends and family who are making money and they want to join in.
- These three factors are the immediate factors driving uptake in online investment platforms, but underpinning this is a desire to build wealth (and learn at the same time).
- There is no single path that all investors follow. Some investors, as they become more experienced, start to look at different investment types (derivatives, cryptocurrencies). Other investors look to add to what they already have.
- Almost without exception, investors are positive about their investment journeys and the opportunities that online investment platforms have given them.

BEHAVIOURS

- “Day trading” is in the minority with just two per cent of investors buying and selling multiple times a week, and a further five per cent buying and selling at least weekly or fortnightly.
- The majority of investors are looking for long term gains over short term profits – there are some investors however, who are very focused on short term opportunities.
- Most investors want or intend to do the ‘right’ behaviours – e.g., diversify their portfolios, thoroughly research their investments, look to invest in companies with strong fundamentals. However …
- Some investors are strongly influenced by FOMO (fear of missing out) and this means they rush into some investments without much thought. For example, 31% of investors said they jumped into an investment in the last two years because they didn’t want to miss out, 27% said they invested based on a recommendation from someone they know without doing their own research.
- Some investors are also looking to take big risks to get a big reward (a ‘moon-shot’) – 14% said they’re okay risking a lot of money if there is a big reward.
- Emotions have a strong influence on peoples’ behaviour – from the FOMO described above to the visceral excitement investors said they felt when seeing their investments increase to the anxiety they experience when worrying about whether the value of their investments will fall.

Influences and types of investors.

INFLUENCES

Investors use an average of 4.7 sources of information when making decisions about investments. Most commonly these sources are online forums or communities, news/media reports, online investment platforms, finance websites, and their own research.

While people are using a range of sources, the conversation in the online forum suggests that the depth of analysis investors were doing using these sources was limited. Often they would be using the sources to confirm a hunch.

There seem to be a number of different heuristics at play when selecting an investment: familiarity with the company/product/sector, whether other people are getting into it, what experts are recommending, do the materials the company produces look good, and recent performance.

Relatively few investors are currently seeking advice from a professional financial adviser (6%).

INVESTOR TYPES

Investors differ attitudinally and behaviourally on two dimensions:

1. How their online investing was tied to their total wealth building strategy – is the online investing a significant part of their wealth building or is it a side activity?
2. Their approach to building wealth – do they try to time the market (maximising profits by buying and selling at the right time) or do they focus on time in the market (invest for the long term and look for gains based on the underlying strength of businesses and the economy)?

The interaction of these two dimensions means there are four broad types of online platform investors:

1. Planters (47%) – online investing is a significant part of their wealth strategy and they focus on time in the market. Tend towards ETFs and shares in strong companies. Their level of analysis before making a decision can be limited.
2. Speculators (20%) – online investing is a significant part of their wealth strategy and they focus on timing the market – to see short term gains. Speculators are younger and are more willing to risk what they have now, because they think if they have a significant loss they have time to make it up in the future. FOMO is a big driver for them.
3. Dabblers (19%) – online investing is a side activity and they focus on time in the market. Dabblers do a lot of research before making a decision, they take their time and are cautious.
4. Opportunists (19%) – online investing is a side activity and they focus on timing the market to get a short term profit. They are on the look-out for an opportunity – the opportunities they go for aren't always well researched, but they feel they can take risks because online investing is only a small part of their portfolio.

Investors and their journeys

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Comparing the demographic profile of investors to the general population (2018 census) shows that investors are more likely to be male, young, and have a higher than average income.

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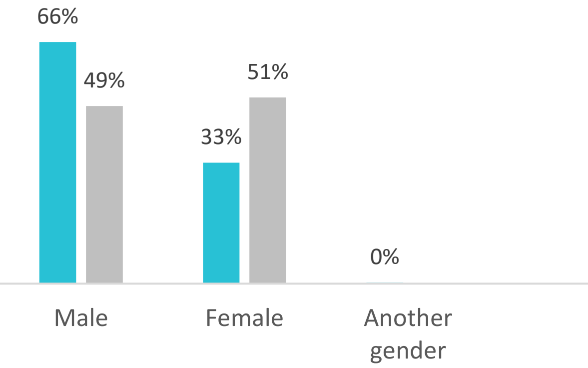
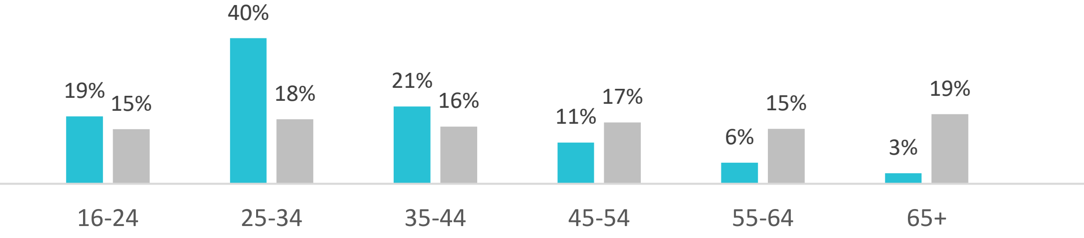
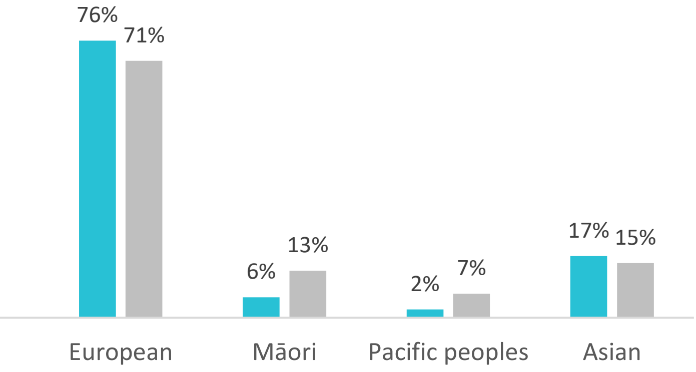
Gender



Age

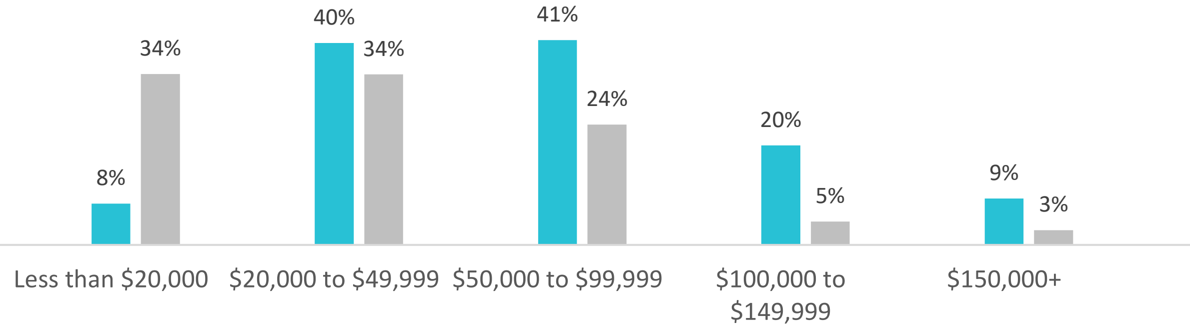


Ethnicity

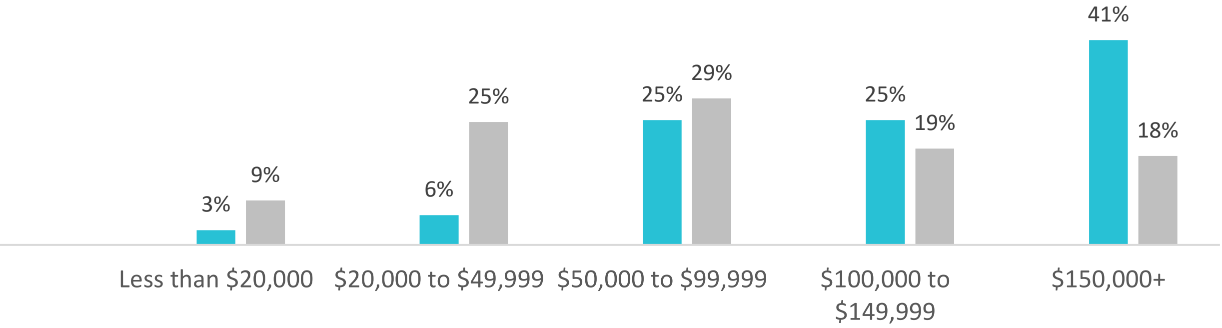


Investors
2018 census

Personal income



Household income



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Source: Survey H1. Are you … H2. Into which of the following age groups do you fall? H3. How would you best describe your ethnicity? H4. Which of the following best describes your personal annual income from all sources (before tax)? H5. Which of the following best describes your household annual income from all sources (before tax)?
Base: All respondents, n=1,994. 'Don't know'/'prefer not to say' were removed when calculating the percentages.

When investors are asked what got them started using online platforms, three themes come through strongly: (1) they provide an easy and affordable way to access the markets, (2) market conditions limiting what else they can do with money, and (3) hearing about it from other people.

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I recently started investing in Sharesies because it was popular and there a bonus incentive for joining.

Sharesies has really allowed me to get into the share market in a small way. It's great for small investors who don't have a lot of money to go through a stockbroker.

A colleague was using it so I thought I'd just start off with a little bit of $ to see how it was - it's almost like a fun bit of gambling.

I then tried my own journey when Sharesies was heavily advertised and that people around me are all using it.

A big turning point for me was definitely the realisation of how difficult it would be to own a house and be "debt free".

We're all just having a go and seeing what happens. It's all a bit of fun with a positive outcome at the end (hopefully!!).

Source: Online forum.

The three themes of: (1) affordability, (2) market conditions, and (3) sociability – also came through strongly in the survey. Underlying these immediate causes is a desire to grow wealth and to learn about investing.

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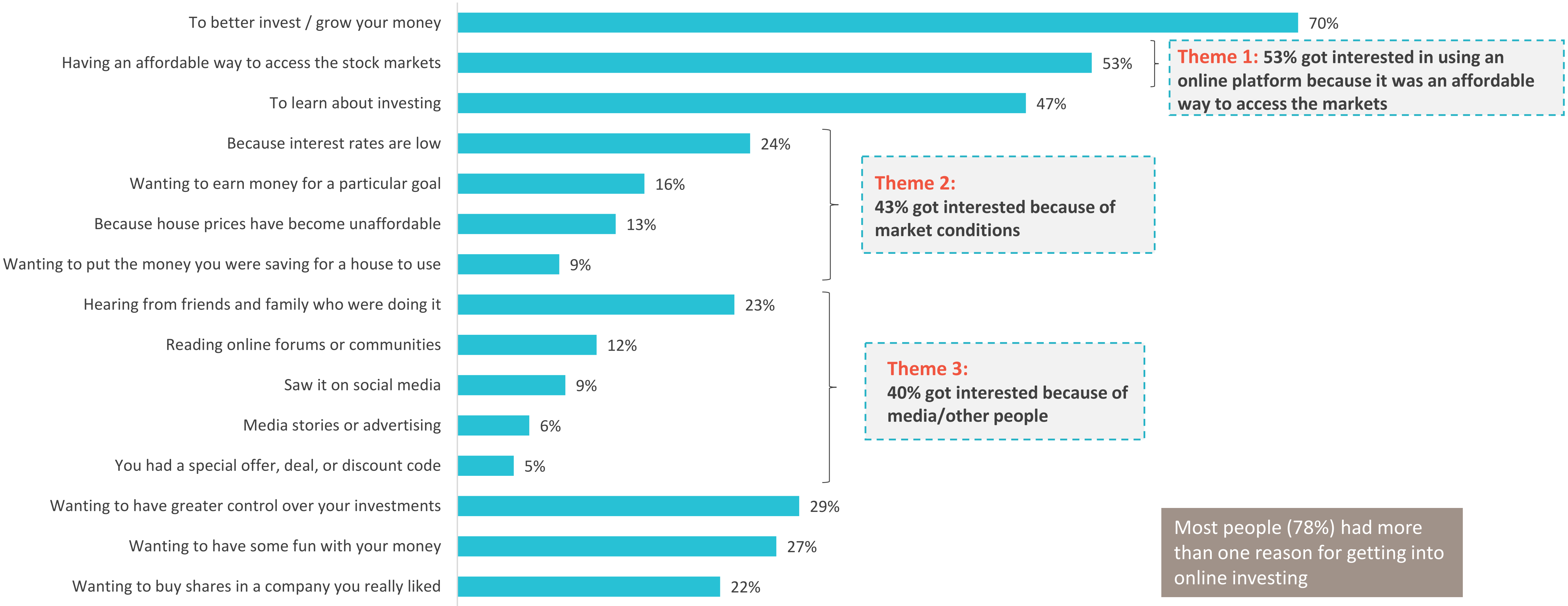
Reasons for first being interested in an online investment platform



Most people (78%) had more than one reason for getting into online investing

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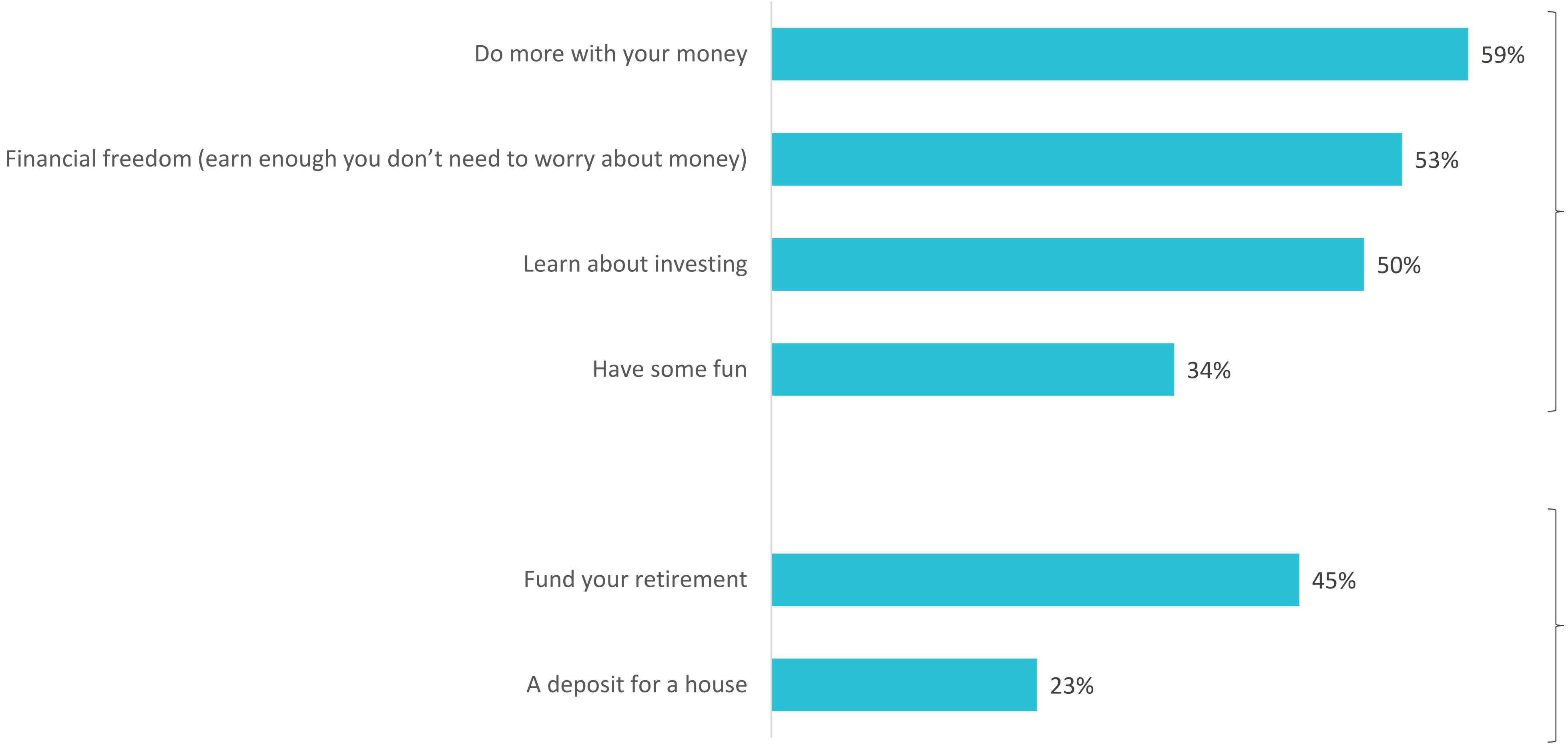
Source: Survey A2. What first got you interested in using an online platform? Note. Reasons mentioned by less than 2% of people are not shown.
Base: All respondents n=1,994.

Over half of all investors are investing with at least one specific goal in mind and nearly all investors have general goals.

Investment goals



93% **of investors are investing with at least one general goal in mind**

59% **of investors are investing with at least one specific goal in mind**

Source: Survey A6. What are you hoping to achieve from your investing? Note. Goals mentioned by less than 2% of people are not shown.
Base: All respondents n=1,994.

There is no single investing journey for investors.

- Based on the online forum, there seem to be four routes investors take:
  - Sticking with the original platform and investment type (e.g. ETFs)
  - Increasing investments into the original platform and type (e.g. increasing monthly investments)
  - Extending the product types within a platform (e.g. ETFs to stock picking)
  - Extending product types onto new platforms (e.g. crypto)
- Investors seem very motivated to learn (often through their experiences). Which route they take seems to be a combination of their confidence and their perception of risk.
- Many people do feel sore when their investments lose value. However, they turn this into a positive by reframing it as 'learning'.
- For some, this can make them turn away from 'high risk' investments, and become less risky over time.

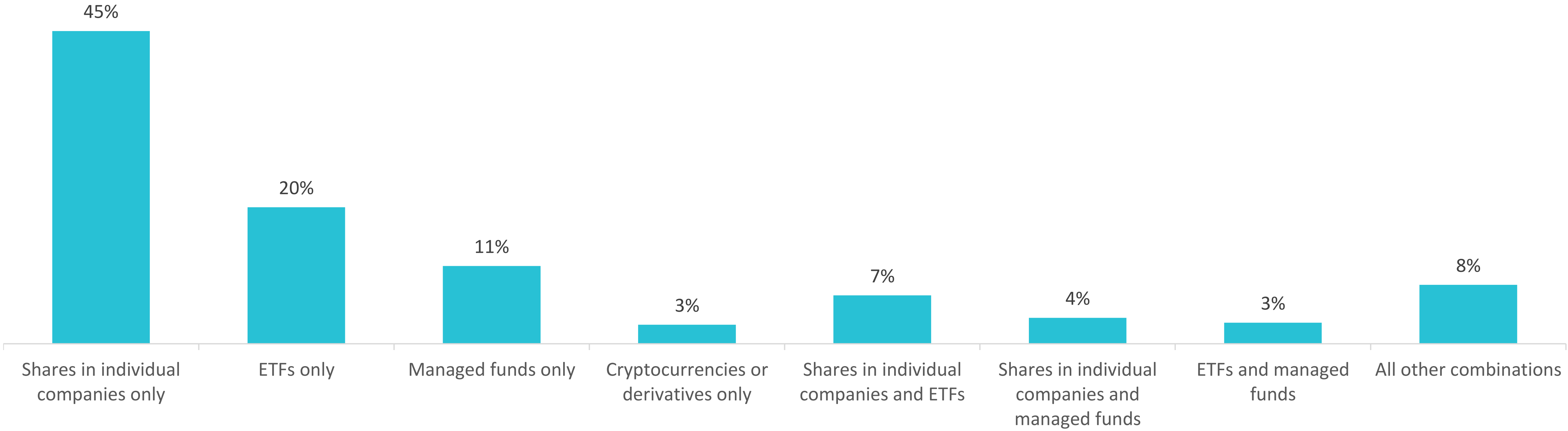
InvestNow - low fees, recommended by people we trust. I'm no longer interested in keeping tabs on my investments every day, so it seemed like the logical next step after graduating from the fun Sharesies interface.

Yes, early on it was about the excitement of what could happen - more of a risk. Now it's more calculated investment and I do more research into where I'm putting my money.

Just more aware of how I don't take many risks and I tend to keep it safe. Also, a little motivated to look into Crypto.

This slide and the next illustrate the differences in investment journeys between investors. This slide shows that there is no single first type of investment – most common is individual shares, but that is the first investment for less than half of all investors.

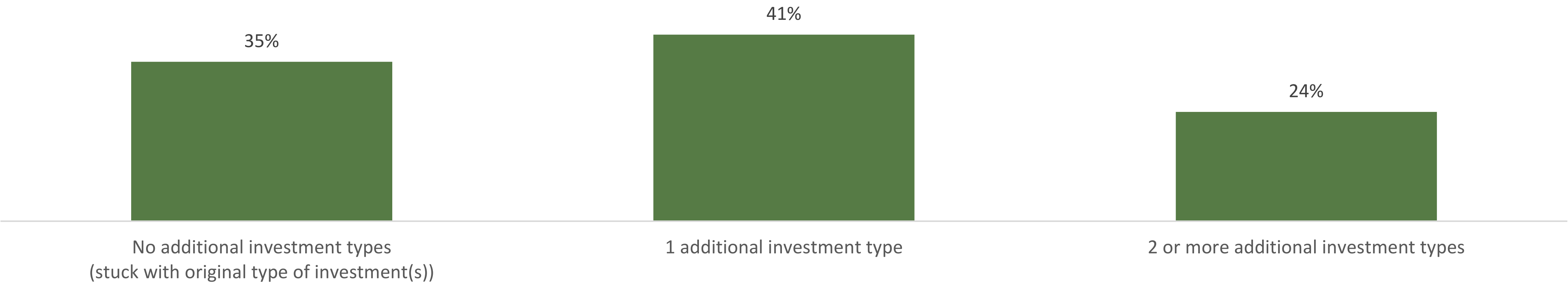
First investment using an online platform



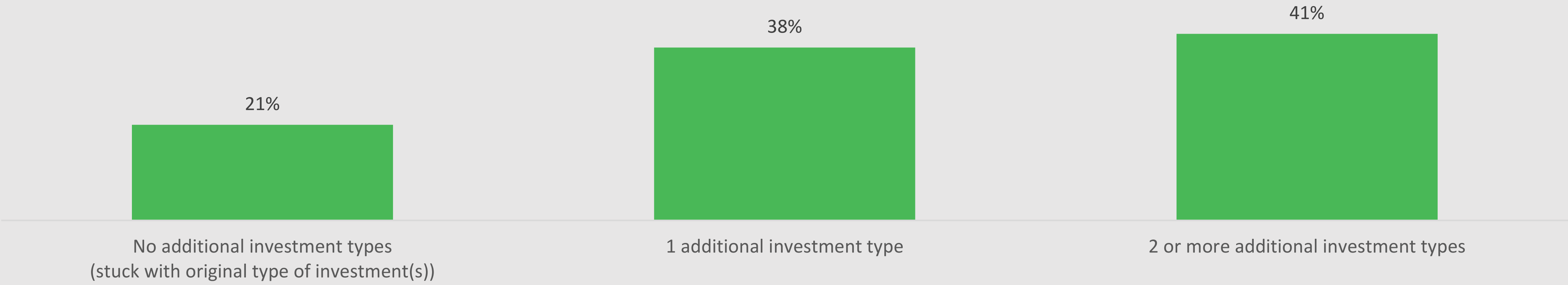
Source: Survey A3. And what was your **first** investment using an online investment platform?
Base: Initial investment n=1,994.

Investors' journeys are also very different by whether and how quickly they add additional investment types to their first investment – for example within the first year nearly a quarter of investors (24%) have add two or more different of investments, but a third (35%) have stuck to what they originally invested in.

Within the **first year** of investing, investors add …



In the **first one to two years** of investing, investors add …



Source: Survey A3. And what was your first investment using an online investment platform? A4. How long ago did you first invest via an online platform? A5. What other investments have you made using an online platform?
Base: Within first year (respondents who have been investing less than a year) n=513, one to two years (respondents who have been investing one to two years) n=814.

A third of investors are intending to change how much or what they invest in over the next 12 months.

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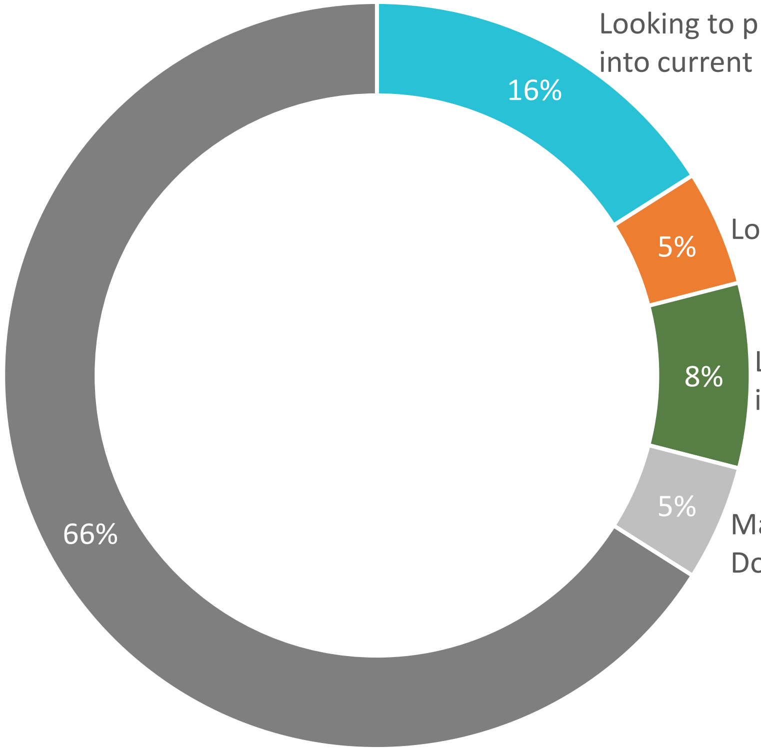
Intention to change investing behaviour in the next 12 months



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Source: F1. Are you intending to change what you invest in or the way you invest in the next 12 months? F2. what are you intending to change?
Base: All respondents n=1,994.

If investors follow through their intentions, the proportion of investors investing in cryptocurrencies could rise 6 percentage points (27.5% to 33.8%) and the proportion of investors investing in derivatives could rise 4 percentage points (4.5% to 8.5%).

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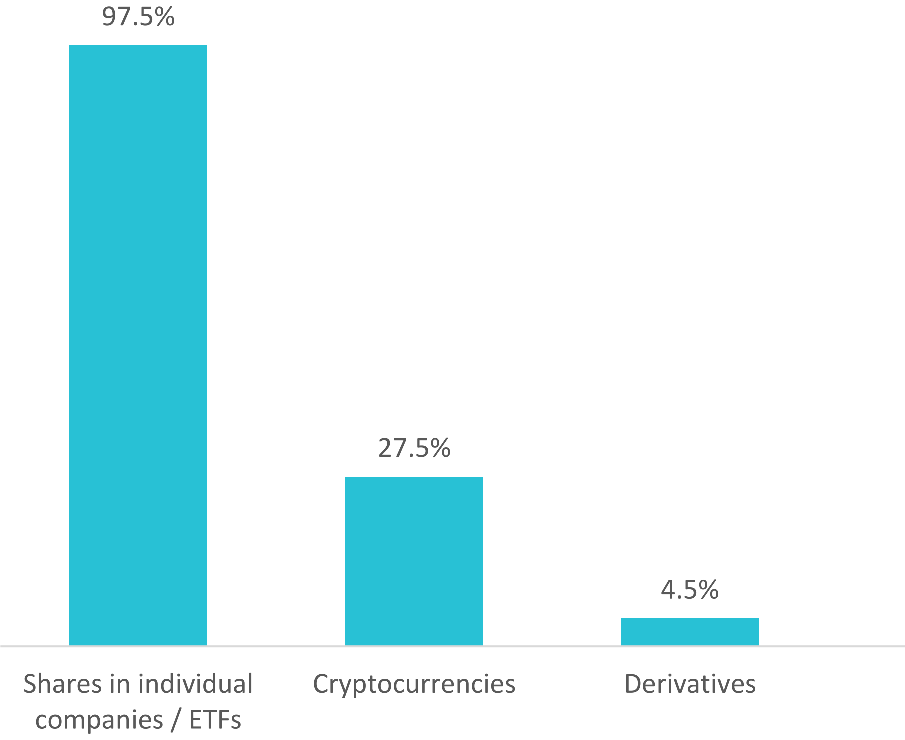
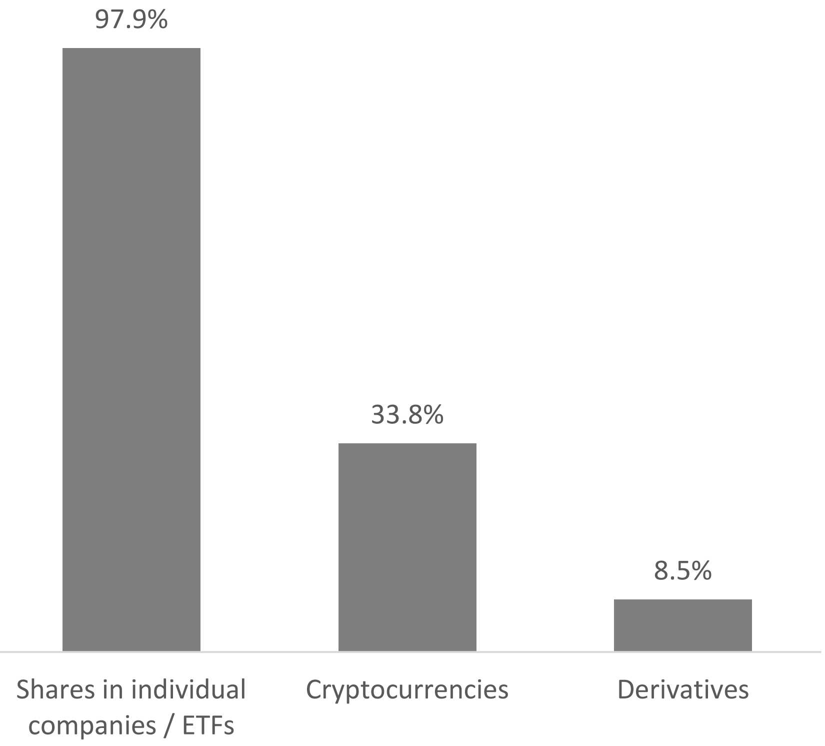
Investments currently held
(% of investors with each type of investment)



Investments likely to hold in 12 months time
(% of investors currently with each type of investment and % intending to start investing in each type of investment in the next 12 months)



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Source: Survey A3. And what was your **first** investment using an online investment platform? A4. How long ago did you **first** invest via an online platform? A5. What other investments have you made using an online platform? F1. Are you intending to change what you invest in or the way you invest in the next 12 months? F2. what are you intending to change?
Base: All respondents n=1,994.

Strategies and behaviour

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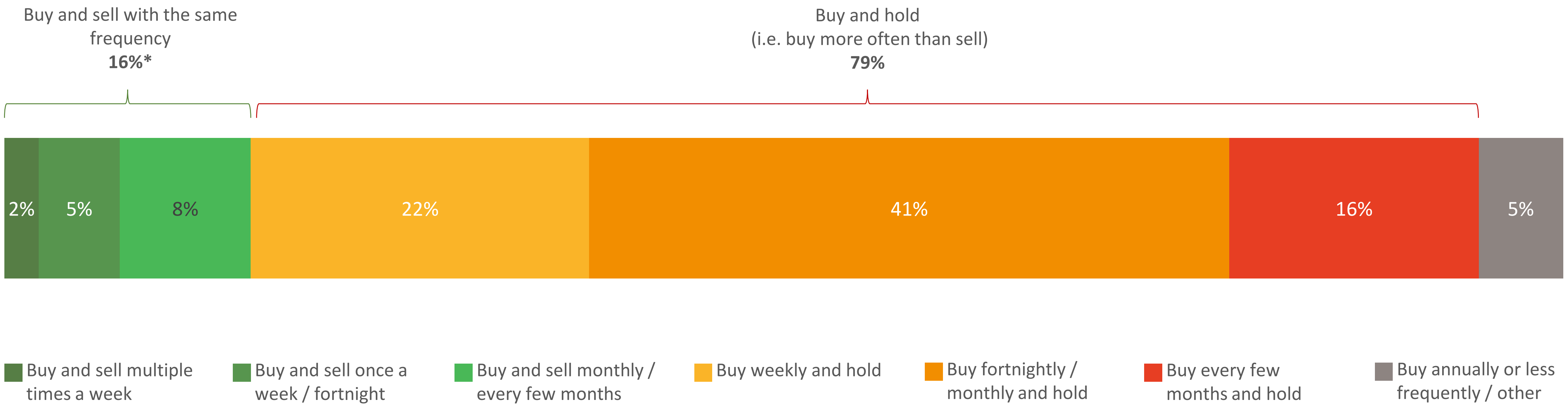
The majority of investors are adopting a buy and hold strategy.

Frequency of placing buy orders and sell orders



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*The total is greater than the sum of the component percentages due to rounding. Note: Respondents were asked how frequently they buy and sell a particular type of investment they currently have (shares and exchange traded funds or derivatives or cryptocurrency). The different types of investments were combined for this analysis. Source: C3. Still thinking just about [... derivatives / cryptocurrency / shares and exchange traded funds ...], how often do you place a buy order (i.e., add to your investments) using an online platform? C4. Still thinking just about [... derivatives / cryptocurrency / shares and exchange traded funds ...], how often do you place a sell order (i.e., sell some of your investments) using an online platform? Base: All respondents n=1,994.

Investors buying shares, ETFs, or cryptocurrencies are most likely to look at potential for long term growth when deciding what to invest in. Investors buying derivatives on the other hand, are most likely to focus on the short term potential when deciding.

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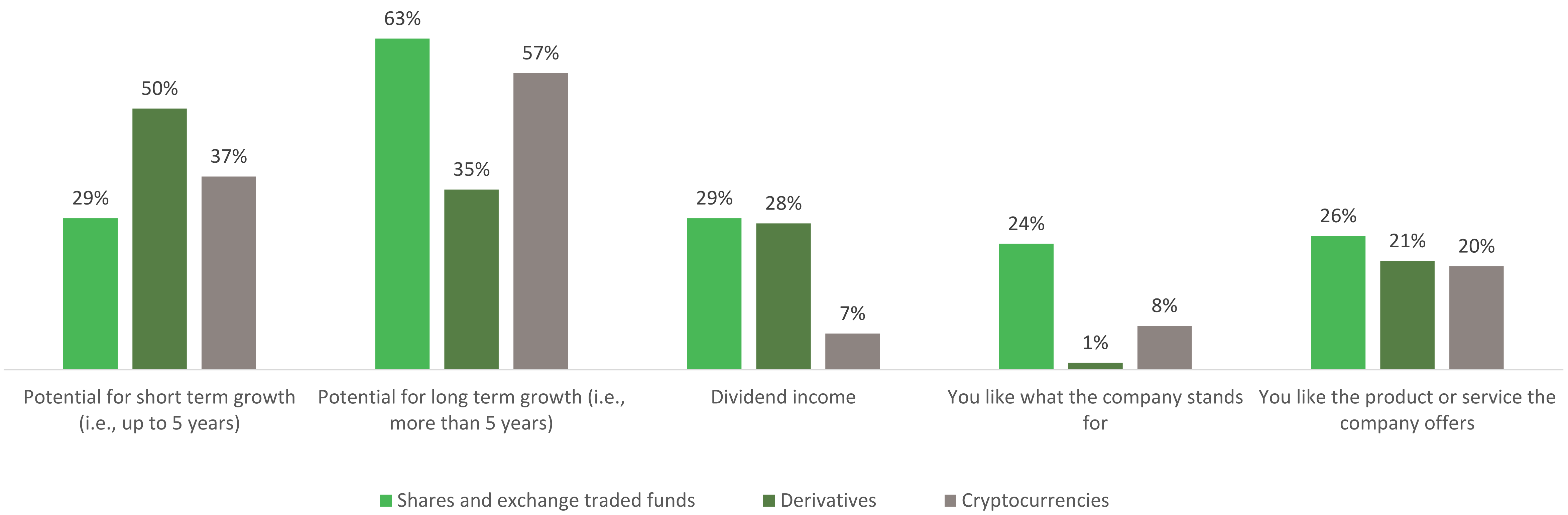
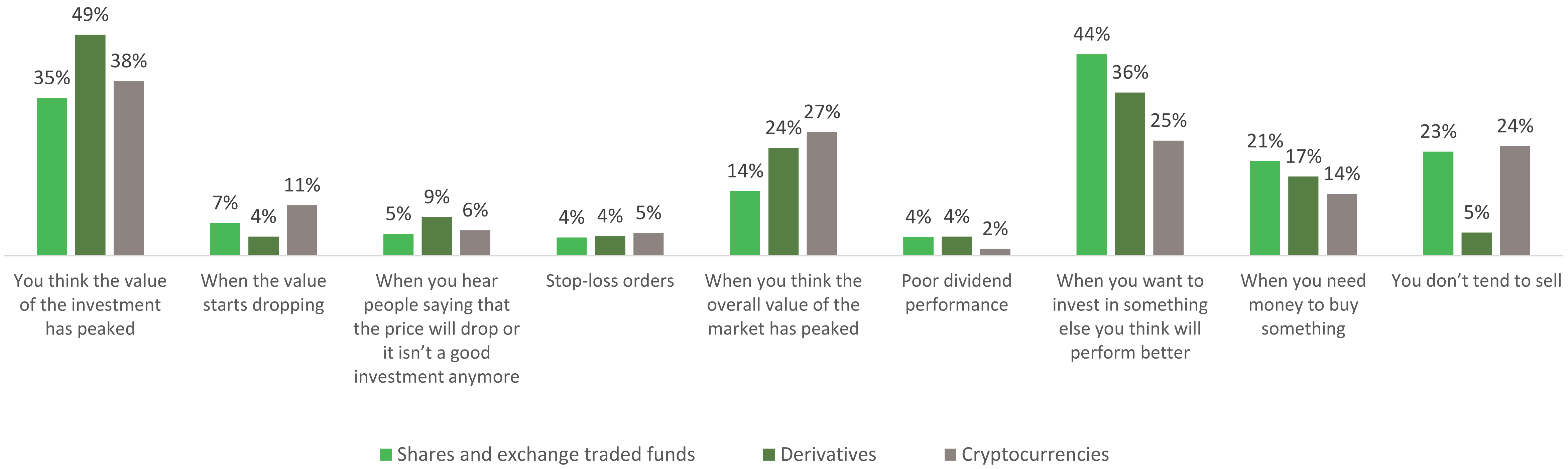
Motivators of purchase for each investment type



Source: Survey C1. Thinking only about [… derivatives / cryptocurrency / shares and exchange traded funds …] what do you mainly look for when deciding what to invest in?
Base: Respondents with shares and exchange traded funds n=1,640, with derivatives n=36, with cryptocurrency n=234.

Investors are most likely to sell when they think the value of an investment has peaked or when they see something else they think will perform better.

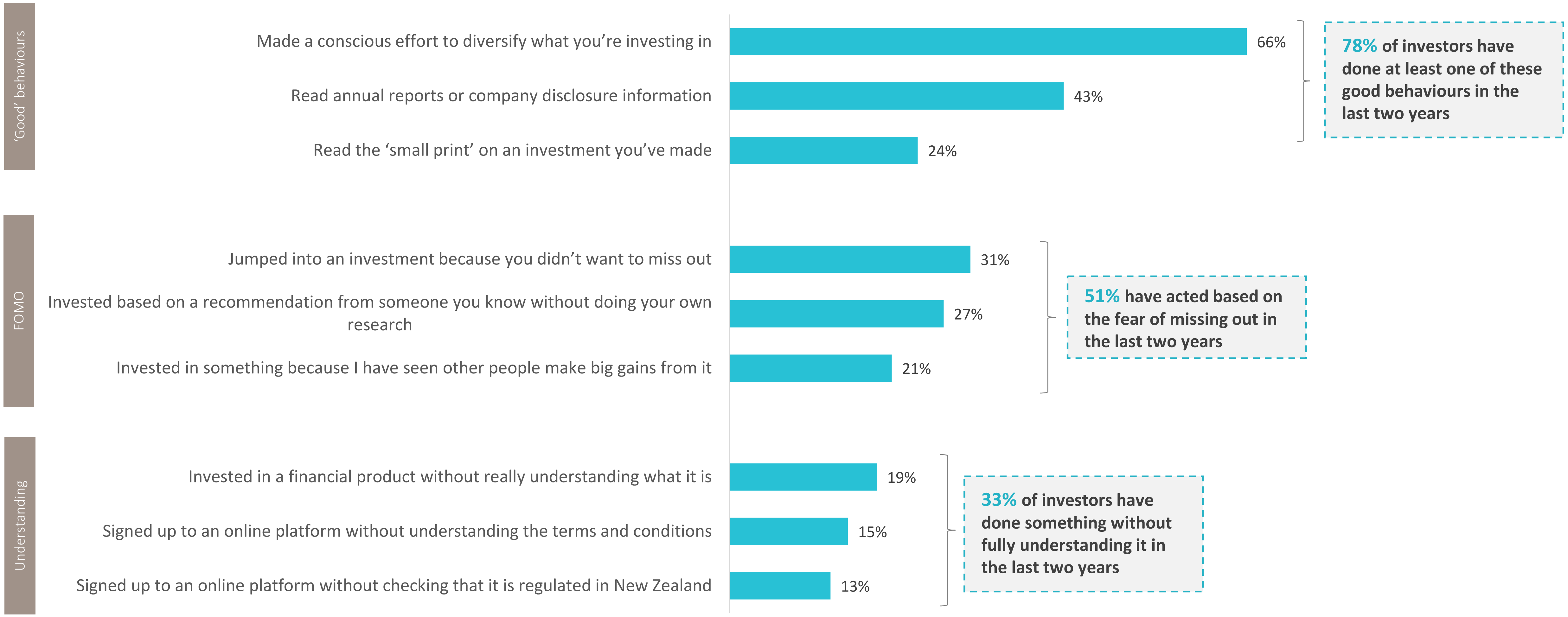
Motivators of sale for each investment type



Source: Survey C5. How do you decide when to sell [… derivatives / cryptocurrency / shares and exchange traded funds …] using an online platform?
Base: Respondents with shares and exchange traded funds n=1,640, with derivatives n=36, with cryptocurrency n=234.

Most investors are doing the right things – they're diversifying their portfolios and they're doing their research. However, some are jumping into investments because they have a fear of missing out and some are jumping in without fully understanding what it is they are committing to.

Investor behaviours in the last two years - % who've done each behaviour



Note: Respondents were asked how about their attitudes towards a particular type of investment they currently have (shares and exchange traded funds or derivatives or cryptocurrency). The different types of investments were combined for this analysis.
Source: Survey D2. Again thinking just about [… derivatives / cryptocurrency / shares and exchange traded funds …], in the last two years have you…
Base: All respondents n=1,994.

Some investors are using loss mitigation strategies to reduce their risk of large losses.

- In the survey, over a third of investors (37%) said they saw losses as part of investing. However, most in the online forum did not expect these to be major losses.
- Despite not expecting major losses, investors are employing a variety of 'strategies' detected to help people minimise the risk of losses.
  - Many people limited their risks by limiting the amount that they invested.
  - Others limited their risks by choosing 'safer' stocks, or 'playing the long game'.
  - Many diversified their investment portfolios, including product types (this was often allowed them the 'permission' to invest in high risk investments such as crypto).
  - Many bought into ETFs, or used dollar cost averaging.
  - Some dealt with the psychological impact of losing money via 'mental accounting' – viewing the money they put at stake as 'pocket money' or emphasising its origins from 'windfalls'.
  - A small number used stop-loss techniques.
- Overall, losses were seen to be a part of learning. In some cases, they did lead people to make different (more diversified or less risky) investment decisions.

I'm not too stressed about it, as I said before, I only invest what I can afford to lose. So any losses, although annoying, are not the end of the world.

I would just learn new trading systems and go again.

Lots of time to ride out losses, even if they are decades-long.

Typically, since my investments are well diversified, the risk of this happening is limited but hey, to be fair, we could never imagine WFH for over a year!

Source: Survey D2. Agreement with the statement 'Some of the investments you make will lose you money'. Base: all respondents n=1,994.
Source for remaining content: online forum.

Fear of missing out (FOMO) and moon-shots: The impact of emotion

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- Missing out on gains preoccupies some investors' thinking – nearly a third (31%) say they jumped into an investment in the last two years because they were worried about missing out (see page 23, entitled 'Most investors are doing the right things').
- Moon-shots are less common (14% of investors in the survey said they're okay with risking a lot of money if there is a big reward).
- For the most part, people consider themselves rational investors. But they also realise that (in life, as in investing) their emotions can sometimes get the better of them.
- Some of the newer investors in the online forum acknowledged they had been swayed by emotions (FOMO) in their investment choices (particularly crypto and GameStop) – and their actions had cost them money.
- More generally, particularly for those more engaged in their investing lifestyle, the role of emotion came to the fore through the visceral enjoyment of the ups (and downs) in a way that was less present for less engaged investors. In some cases, the feeling of the gain was as important, if not more so, that the monetary value of the gain itself.

"

I know how tempted I was to jump on the band wagon, as a lot of my friends did. But the end result just reiterated to me how I'm only here to play the long game, and these short sharp rises are synonymous with lottery winnings.

It's like creating a winning Lotto ticket for myself through consistent efforts on purpose.

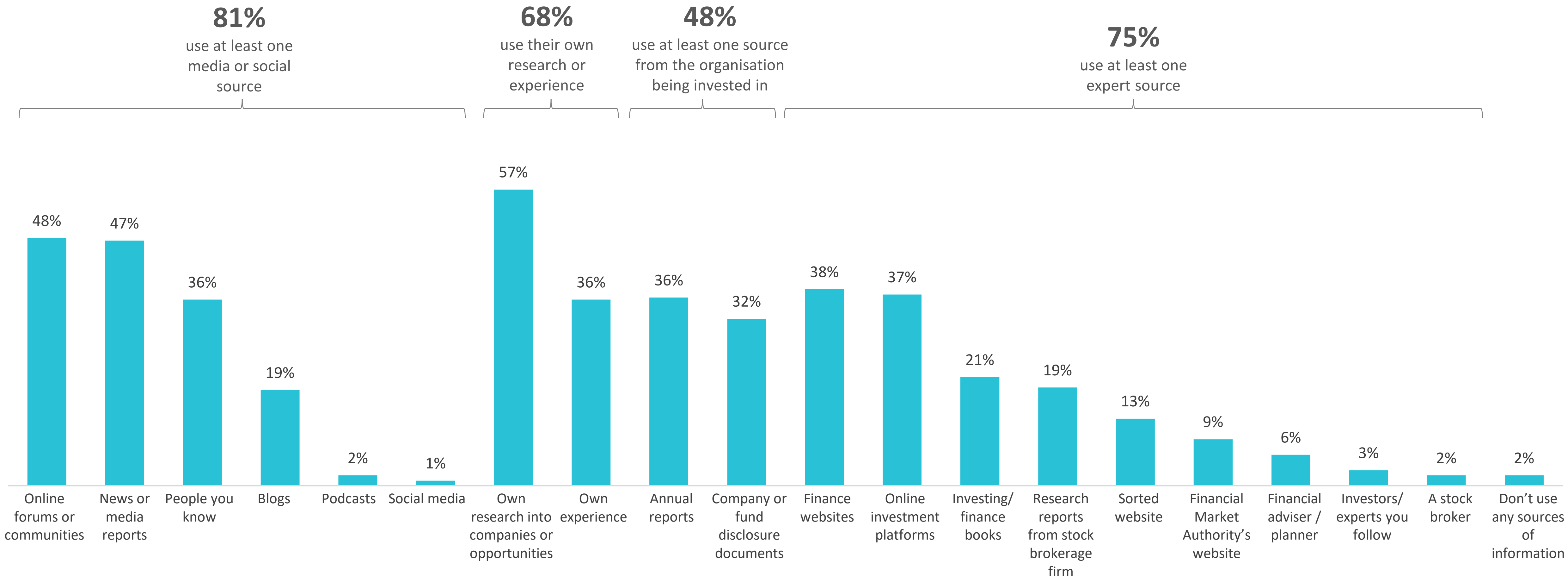
My emotions can get in the way and get me into trouble.

Source: Survey D2. Agreement done behaviour in last two years 'Jumped into an investment because you didn't want to miss out', D1. Agreement with the statement 'You're okay with risking a lot of money, if there is likely a big reward'. Base: all respondents n=1,994.
Source for remaining content: online forum.

Influences

On average investors are using 4.7 sources of information to make their decisions.

Information sources used when making investment decisions



Source: Survey E1. Which of these different information sources do you use when making investment decisions?
Base: All respondents n=1,994.

While investors are using a range of sources of information, the online forum suggested that often the analysis people were doing was not thorough

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- People seem to be using a number of different heuristics (rules of thumb) when selecting investment types:
  1. Familiarity (with the company/ product/ sector)
  2. Social endorsement (other people talking about it)
  3. Presentation (professional looking, detailed)
  4. Expert endorsement (respected people putting their money into it)
  5. Past returns (longer term performance)
- Many people, particularly those more recent to investing, were using ‘research’ to justify their instinct/gut feel.

“

If it's well-established and well-known it's usually safe.

If it's on the NZX, I am satisfied it must be legitimate. But anything unlisted could be dodgy, so that's where due diligence comes in.

I don’t [check myself], I trust platforms that friends have used and tested.

It is all in the details! If there is little to no information, steer clear!

Legit - You can see multiple mainstream investors talking AND putting their own money into it for long-term.

If the returns are too high, it's probably dodgy.

Four out of every ten investors trust themselves more than any other source of information.

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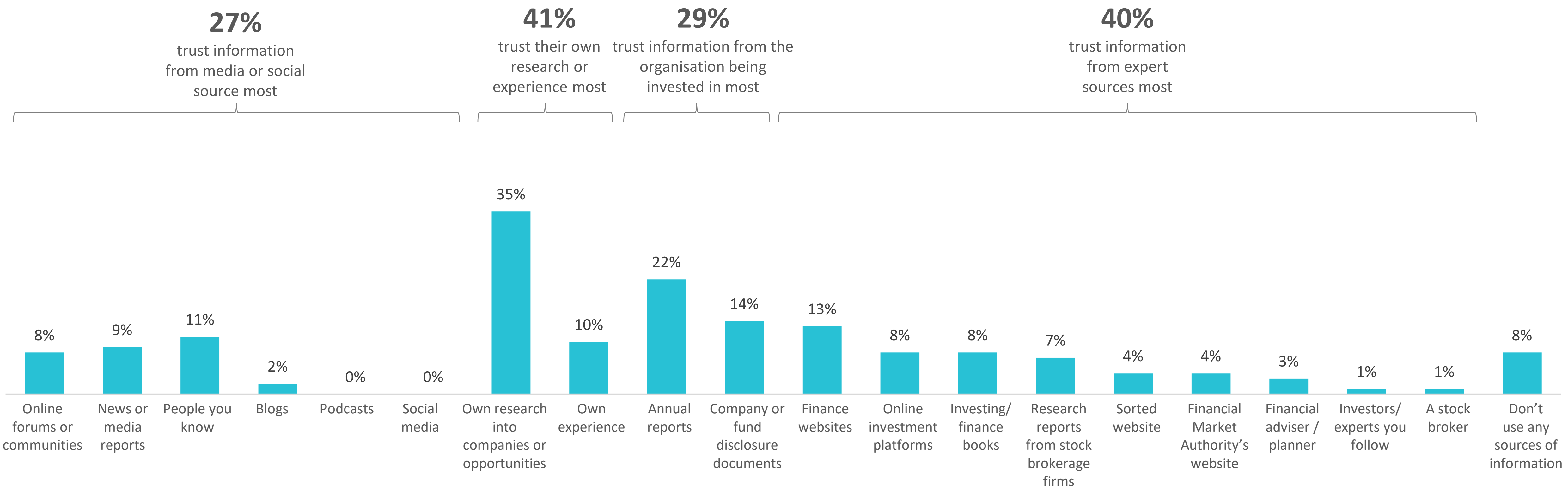
Most trusted sources of information



Investment portfolios

Shares in individual companies and exchange traded funds are the most popular investments.

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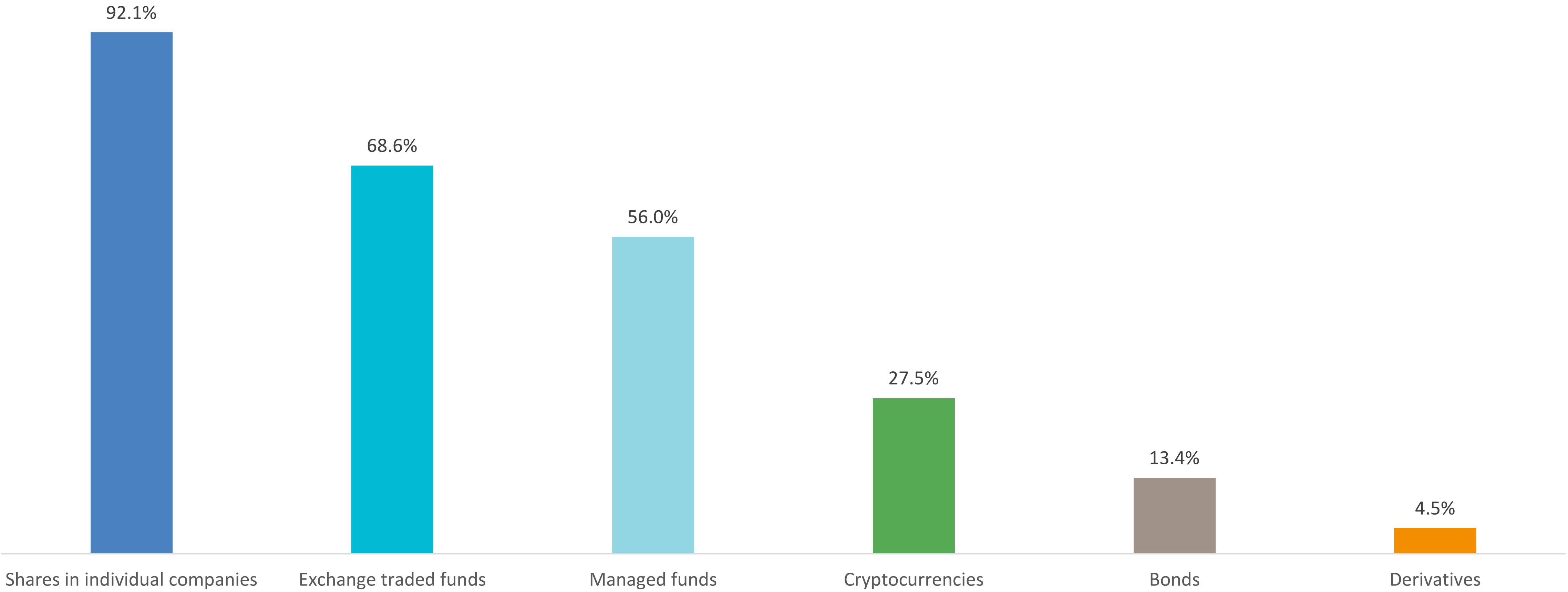
Types of investments made using an online investment platform



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Source: Survey A3. And what was your **first** investment using an online investment platform? A5. What other investments have you made using an online platform?
Base: Initial investment n=1,994, within first year (investors who have been investing less than a year) n=513, one to two years (investors who have been investing one to two years) n=814, three or more years (investors who have been investing three or more years) n=660.

Nearly half of all investors consider the investments they've made using a retail investment platform to be the main part of their investment portfolio (6 or 7).

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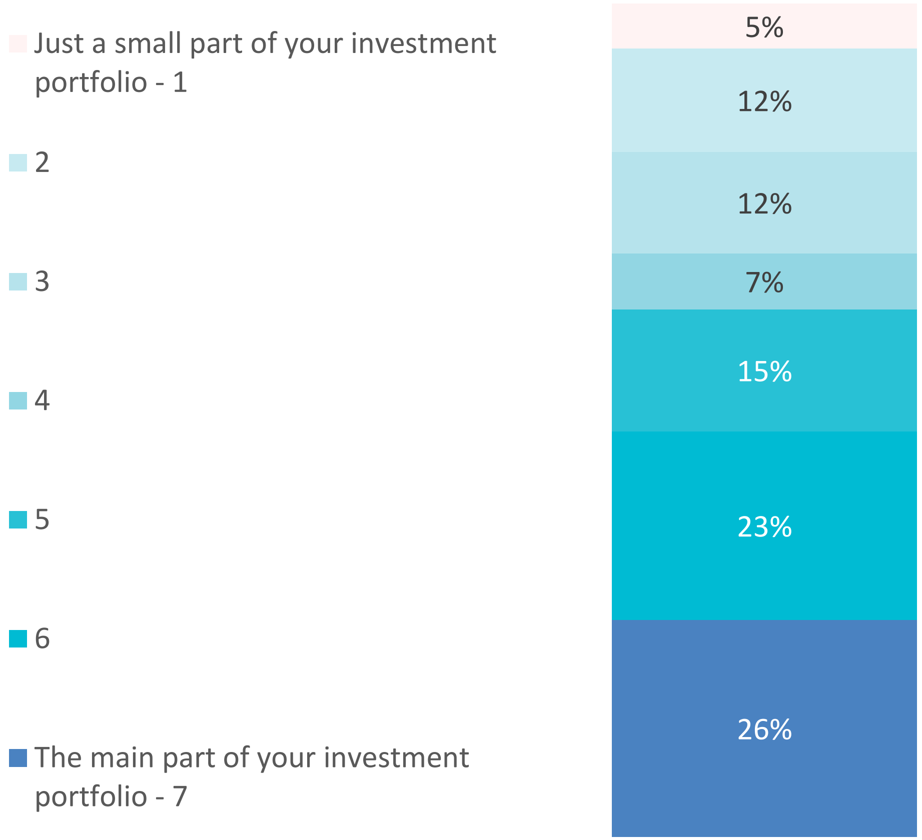
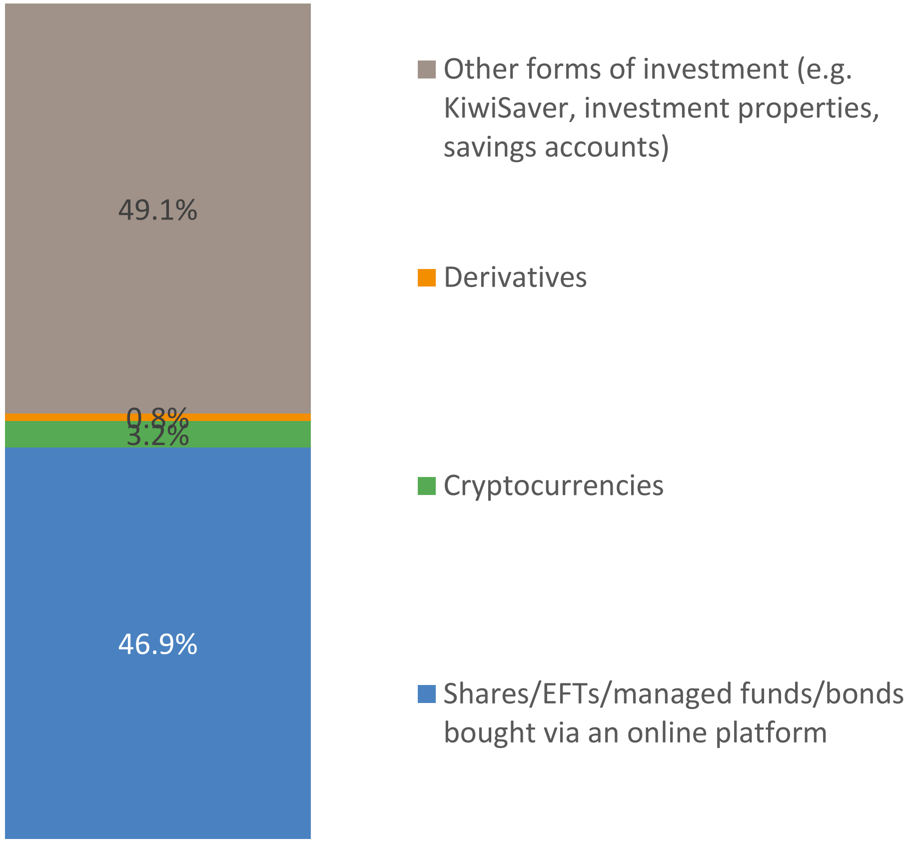
Size of investments made via an online platform versus rest of investments



Make-up of investment portfolio



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Source: Survey G1. Would you describe the investments you've made using [... online investment platforms mentioned in A1 ...] as ... G2. What percentage of your total investment portfolio is invested in ... Base: All respondents n=1,994, respondents who provided the percentage composition of their investments n=1,883.

Few investors have all their money in derivatives or cryptocurrencies.

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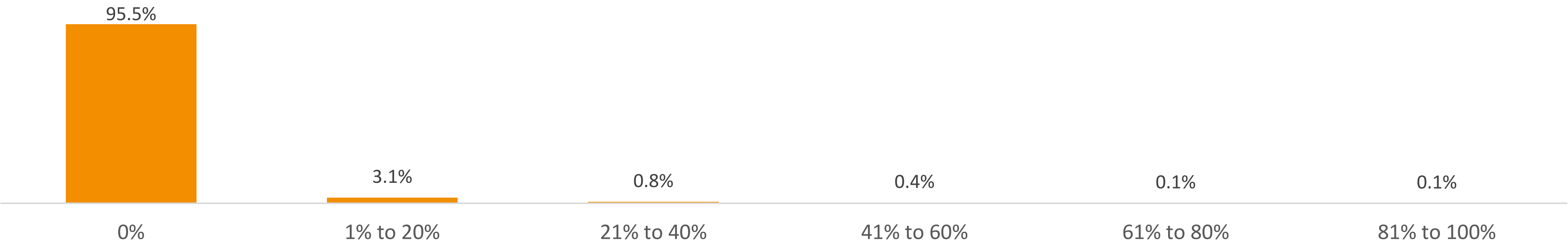
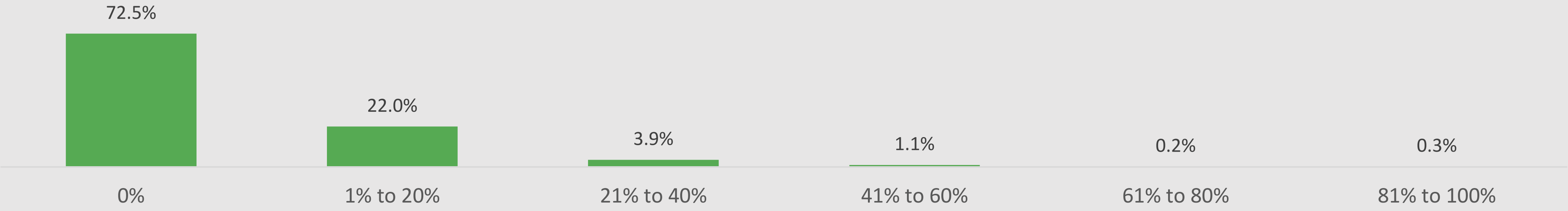
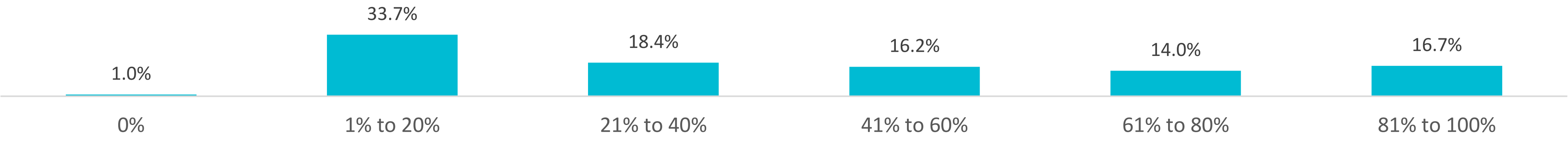
Proportion of derivatives in total investment portfolio



Proportion of cryptocurrencies in total investment portfolio



Proportion of shares/ETFs/managed funds/bonds bought via an online platform in total investment portfolio



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Please note that the percentage distributions for derivatives and cryptocurrencies have been calibrated so that they match the overall incidence of each investment type. The slight calibration was necessary because some respondents opted out of the portfolio distribution question.
G2. What percentage of your total investment portfolio is invested in …
Base: Respondents who provided the percentage composition of their investments n=1,883.

Investor types

Investors differ attitudinally on two dimensions – (1) how much of their wealth is tied to online platform investing as a wealth building strategy ...

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Some investors had almost all of their wealth used for investments, others only a small amount of 'pocket money'. The two types had quite markedly different underlying wealth strategies.

"My moon shot."

INVESTING AS A SIGNIFICANT WEALTH STRATEGY

For these people, investing is a central part of their current /future wealth. They tend to have a lower proportion of their wealth in savings.

For these people, investing is often a 'side' part of their wealth strategy. They often have significant other sources of wealth and see investing as a bonus or an extra.

INVESTING AS A 'SIDE' WEALTH ACTIVITY

"My pocket money."

Source: Online forum and survey.

… and (2) their approach: ‘time in’ vs ‘timing’ the market.

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Investors generally displayed one of two underlying beliefs into how investing could increase their wealth; either by ‘timing the market’ (buying low and selling high) or ‘time in the market’ (holding onto investments for long term growth and dividends).

TIMING THE MARKET

For these people, the market represents an opportunity to generate wealth by buying/selling at the right time.

They believe that gains can be made as a result of knowledge.

Their reference point is the market itself.

They monitor their investments frequently.

“It is possible with good research … to make more money.”

“Slow and steady wins the race.”

TIME IN THE MARKET

These people believe in investing for the long term.

They tend to believe that wealth can be made by accessing the underlying economic growth (of businesses and the economy).

Their reference point is savings returns, and are often motivated by ‘making their money work harder’.

They check their investments infrequently.

These two dimensions give us four broad market segments.

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INVESTING AS A SIGNIFICANT WEALTH STRATEGY

TIMING THE MARKET

TIME IN THE MARKET

Investor Profiles

SPECULATORS – 20% of investors

- Speculators see investing as 'having a go' and let their investments take them on an emotional journey. They believe that taking a risk is how you make money.
- They recognise they are sometimes taking a gamble, often relying on 'instinct' (but doing some research to justify their choice). They will often switch direction in their investing choices depending upon the success of their experience.

PLANTERS – 42% of investors

- Focused on growing their investments over the long term, Planters prefer the safety of diversified ETFs and well known companies or sectors they believe have a strong future.
- Often displaying a phlegmatic approach, they see investing as a replacement for saving – preferring to see their money work harder for themselves and for the economy over the long term.

OPPORTUNISTS –19% of investors

- Opportunists believe that knowledge and expertise will allow them to make significant investing gains. They look to the long term but adjust their investments and strategies frequently. They focus on building self knowledge.
- This group divides into two subgroups: those who have lengthy investment experience under their belt, and those who have only more recently started investing.

DABBLERS – 19% of investors

- Controlled and cautious, Dabblers dip into investments using only a small proportion of their overall wealth. They consider themselves good money managers, and are looking for better returns on their savings.
- Online platforms have opened up the stock market for them, and now they are becoming increasingly confident in making self-investment decisions.

INVESTING AS A 'SIDE' WEALTH ACTIVITY

PLANTERS (significant wealth strategy, time in market) are focused upon securing their long term future by making long term growth focused investment choices.

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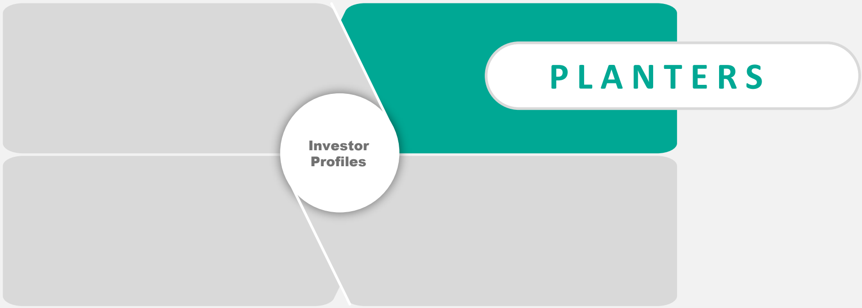


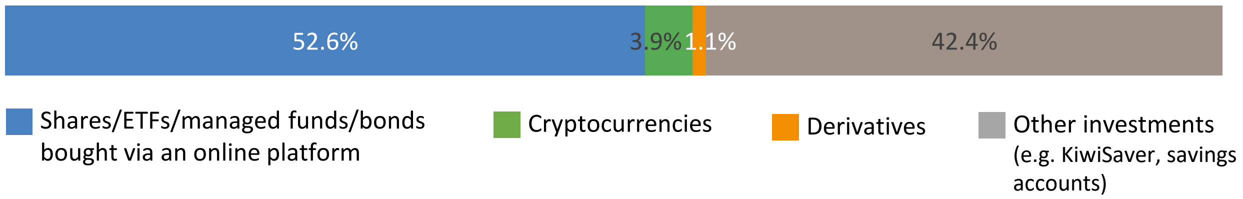
I guess it is financial freedom and to give my future a chance to live the life I want.

Initially I think it was a lot about the excitement of learning, and the ease of it, and now it's mostly just "this is for the future".

- Planters focus on investing in ETFs and shares in individual companies, to diversify risk.
- They look for long term growth projections, picking sectors or companies they believe have a strong future.
- They are not highly diligent in their approach, often using signals (e.g. listed on NZX, well known ETFs) to indicate quality.
- They do not consider themselves highly financially savvy, but are enjoying knowing more about investing and learning from experience.
- They are intrigued by cryptocurrencies and derivatives and have a little money in each – particularly cryptocurrencies. They are nervous of them though.

Their investment portfolio

75% consider investments made using an online investment platform to be the main part (6 or 7 on a 7 point scale) of their investment portfolio. Their portfolios are made up of:



PLANTERS (significant wealth strategy, long time in market) tend to 'grow' into investing over time

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THEIR INVESTING JOURNEY

- Planters seem to be brought into investing by friends and family, and pleasantly surprised by how easy it has now become. They are looking for better returns.

  "Sharesies made investing look astonishingly accessible….It finally clicked that I could be an investor if I wanted to!"

- They grow into investing, starting small and increasing amounts over time as they get more confident in their investments.

  "When I first started, I was quite nervous about the volatility of the market … I have grown more confident in regards to the long term growth that investing in diversified funds like ETFs can provide."

- Along the way they don't get too emotional about ups and downs, often considering getting started as the best moment of their journey. For them, bad moments are learning opportunities.

Terry's Story

Terry started his investment journey a few years ago when a group of his friends started a monthly investment club, each contributing $100 and choosing a new investment monthly.

Since joining this club, Terry decided to individually take part in some direct investing with Sharesies and Kernel. Terry uses Kernel for ETFs and Sharesies for a mixture of investments. He uses them to help save money and build up his personal finances. He enjoys that it enables him to learn more about financial products and how the share market works.

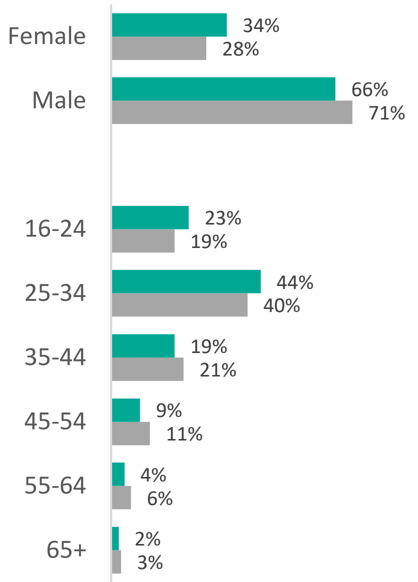
Terry believes that it is important to have a diverse financial portfolio and a part of that involves investing in shares. He is interested in long-term investments and isn't in it for quick money. He wants to use his investments to build up savings that will work for him in the long run. He tends to choose investment opportunities with a long-term perspective, choosing medium and high risk investments that will pay out over the long-term.

Source: Online forum.

‘Cautiously optimistic’ Planters do not feel that much can go wrong, barring a major economic turn down

DEMOGRAPHICS

Typically in their mid twenties/early thirties.

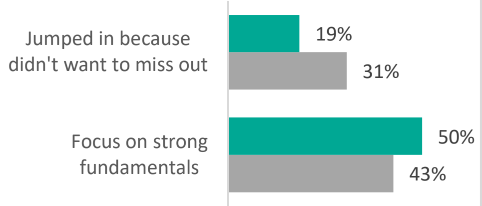


BEHAVIOURS

Savings and spare money are put into investments.

Often drip feed into managed funds, but will pick and chose between funds.

Cautious – unlikely to invest in something that they don’t understand.



INFLUENCES

Company reports and fund disclosures.

Financial freedom blogs (Happy Saver, Deep Dish, Mr Money Moustache, FIRE community).

Friends and family.

GAPS

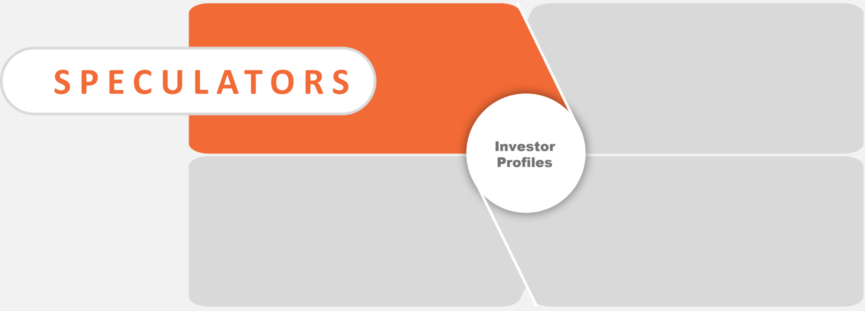
Believe they are minimising risk through long term approach and ETF investment and NZX listed companies.

‘Good impression’ approach to evaluating legitimacy.

Planters   All investors

Source: Online forum and survey.

<u>SPECULATORS</u> (significant wealth strategy, timing market) have a ‘give it a go’ attitude to investing, limiting their losses by limiting the proportion of their wealth invested.



- They have lower incomes and are younger than the other segments.
- Speculators enjoy the feeling that investing brings, particularly the upsides of seeing returns and the fruits of their investments. They are quite focused on ‘money’ and see investing as a way of making it.
- Because they are younger, they feel they have more freedom to ‘give it a go’
- Although they do some research, they do acknowledge that their investing behaviour is very driven by what they see and hear others doing – FOMO is a big issue for them.
- They have variable financial self knowledge and are generally not highly disciplined. They can be tempted to be frivolous and this makes them worry about their investments.

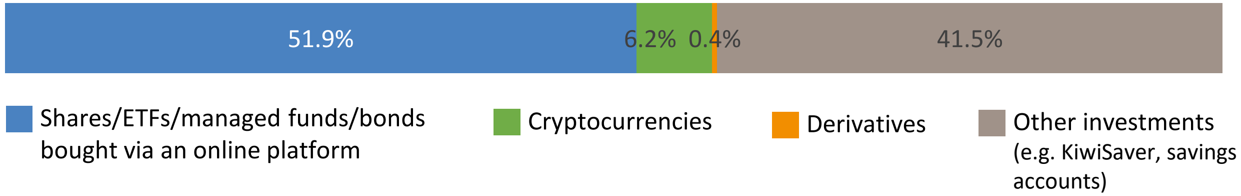
We’re all just having a go and seeing what happens. It’s all a bit of fun with a positive outcome at the end (hopefully!!)

Making money from what seems like doing nothing is a pretty exciting prospect.

I find that if I leave money only in savings then I am more liable to spend it. I also really enjoy seeing a return on my investments. It feels good to know that I'm not throwing money away.

Their investment portfolio

85% consider investments made using an online investment platform to be the main part (6 or 7 on a 7 point scale) of their investment portfolio. Their portfolios are made up of:



Source: Online forum and survey.

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THEIR INVESTING JOURNEY

- Their investing journey starts in different places – a suggestion from someone or something that piqued their interest.

  "A colleague was using it so I thought I'd just start off with a little bit of $ to see how it was - it's almost like a fun bit of gambling."

- Their journeys are often characterised by social interactions, friends or families sharing their experiences together.

  "If my mate Fred has told me about it, then do it! He's a total tin-arse and always comes out on top."

- This can sometimes get them into bad investment decisions.

  "I became wide-eyed and thought I'd take a risk and chuck some money in. It was all over the news and internet. It was a bit of a rash decision but some of my flatmates were doing the same so I thought, why not? "

- Their journeys are often characterised by trying quite a number of different platforms and having multiple changes in direction. Experiences determines their actions – some have got more conservative as a result of losses.

  "My best day would be getting on Contact Energy when they offered a fix price $1.70 I believe to capital raise. My worst day would be easily I got on GME (GameStop) when it had literally peaked and I lost half my money over night."

Luke's Story

Luke started investing at 19 while studying at university. He started on an ASB securities account using the spare money he had as a student.

After taking a break for a couple of years until he began working full-time, he opened up a Sharesies account. It was a social thing for him because all his friends were getting into it as well.

Luke began investing in well known companies with minimal research prior to investing. He made investment decisions purely off of pre-existing knowledge of the companies, which yielded mixed results over the next year.

He has started to feel that investing has become a gamble because it is now being governed by investors' behaviour rather than what the companies are doing. His opinion is coloured by investing in the likes of GameStop – which he got into too late and lost a sizeable chunk of money.

He is currently focused on slow and steady options – ETFs.

‘Instinctive’ Speculators tend to follow their gut, or the instincts of others, when making their investment choices.

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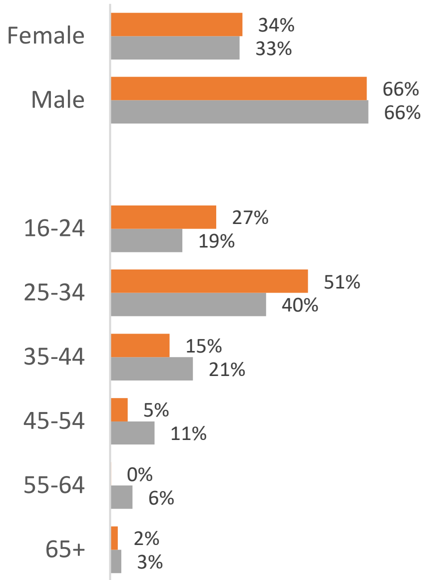
DEMOGRAPHICS

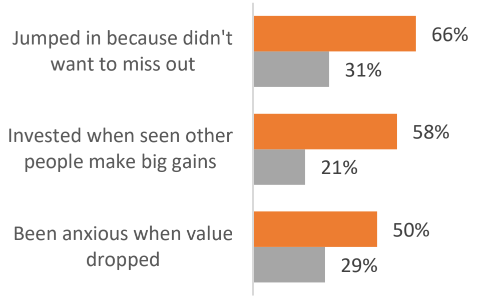
The youngest segment.



BEHAVIOURS

Do some of their own research, but will jump into things quickly without research because they don’t want to miss out on big wins. Very driven by others.

Don’t feel they need to understand something in order to invest in it.



INFLUENCES

Online forums and communities are their ‘go to’.

They do some of their own research and also use expert opinions – they don’t let this sway their ‘gut’ feel.

GAPS

Strongly influenced by emotion (FOMO) and a desire to get their moon-shot.

Not particularly motivated to increase their expertise.

Believe that financial advisers are not relevant to their level of investing.

Speculators All investors

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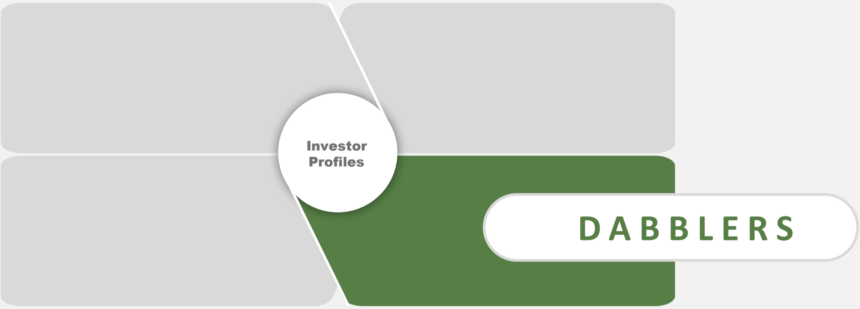
Source: Online forum and survey.

DABBLERS (side wealth strategy, long time in market) are naturally money worriers, but are beginning to enjoy the returns that investing can bring.



- Dabblers consider themselves themselves pretty financially capable, often describing themselves as ‘careful’ or ‘in control’ . They often believe they are too cautious.
- They have a strong debt focus in their financial mindset and enjoy paying down loans. They will not put their financial future at stake. Their KiwiSaver is a big focus for them.
- They recognise that investing is something that they are less capable with, and look to ‘safe’ platforms to start as they ‘muddle through’. They see these as an alternative to stockbrokers (which are more exclusive and expensive).
- They eschew any ‘gambling’ aspects of investing, though will do some stock picking (with a med-long term focus) on companies that they know.
- Realised investments are often used as lifestyle ‘top ups’ (cars, holidays etc)

“Previously one of the barriers when it comes to shares etc, is that it is just a whole other world / language / terms and a lot to learn with high risks if you don't understand what you are doing. It also seemed like something "for the rich" and I never really fit that category”

“The shares are my fun money investments for long term but not essential retirement savings.”

“Slow and steady wins the race.”

Their investment portfolio

None consider investments made using an online investment platform to be the main part (6 or 7 on a 7 point scale) of their investment portfolio. Their portfolios are made up of:

DABBLERS (side wealth strategy, long time in market) start small and remain quite limited in their investments so they can handle losses.

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THEIR INVESTING JOURNEY

Dabblers are sometimes 'accidental' share owners, having been allocated shares by their companies, others have know about investing in shares but previously the barriers to entry were too high. They are often motivated by better returns.

> *"Prior to that, investing in shares seemed complicated and had a high barrier to entry - i.e. getting a broker and having to start with large sums of money. There were very few resources available if you didn't have a mentor to help you start."*

Some have come through established platforms such as ASB securities.

> *"I tried ASB securities, as I saw it was an option for me as an ASB customer, and I have tried with some low cost shares and with money that I am ok with saying goodbye to."*

They do worry about losing their money, but since the have limited the proportion of their wealth they have invested, they are prepared to take this risk.

> *"I feared losing all the money I put in. To be honest, I still do. It is still a risk. When I put it in, I decided I accepted that risk. I still accept that risk."*

They don't seem to be currently tempted to increase their amount invested, or to diversify into riskier investments.

Carol's Story

Carol first began investing 20 years ago when she bought shares in BurgerFuel and then later in Genesis. More recently, she has started investing through Sharesies and invests any spare money she has at the end of every month.

Carol invests in high risk and global share funds because her other investments like KiwiSaver are all balanced or moderate risk, so this was an opportunity to have some fun. She doesn't mind if the investments fluctuate in the short term, so long as in the long-term they grow.

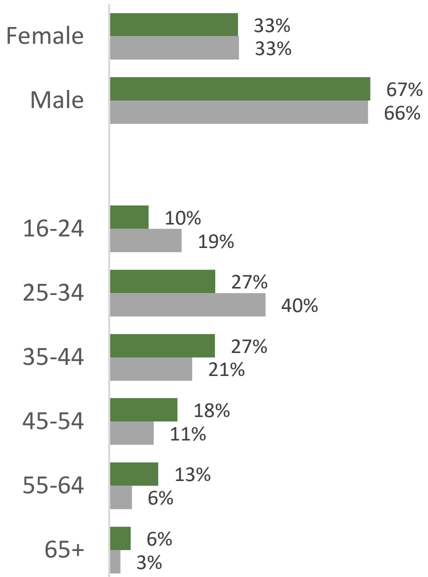
Carol intends to hold on to her investments until she either needs something big (like a new car) or she retires.

Since discovering Sharesies, Carol has also opened investment accounts for her grandchildren and puts money into these rather than buying gifts. Her intention is to build up some savings for her grandchildren, so when they're older they can use it for something important.

‘Careful and cautious’ Dabblers seem to do their research, and like investing in companies that they have checked out.

DEMOGRAPICS

The oldest segment.



BEHAVIOURS

Most likely of all to try to diversify their investments.

Behave with their eyes focused on the long term.

INFLUENCES

Use news stories as ideas for investing.

Use company websites and historical information to check out company background.

Some mention of finance websites (Morningstar Research).

Less use of online forums/blogs/social media than other segments.

GAPS

Believe that they are ‘over cautious’ in their approach and may be tempted to ‘be more daring’.

Very little knowledge of complex financial products (but they recognise this).

Dabblers All investors

Source: Online forum and survey.

OPPORTUNISTS (side wealth strategy, timing market) are looking to make money and willing to take a few risks along the way.

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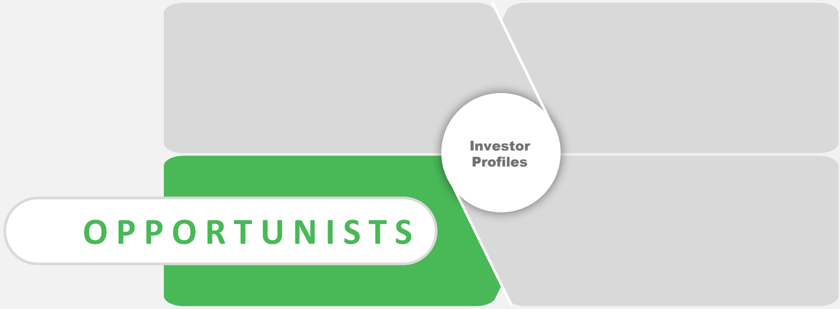

- There are two types of opportunists – new and experienced. Experienced opportunists have been investing for three years or more.
- They are looking for opportunities which will make them money – ideally in the short term, but they will also look long term.
- Their investments made using an online investment platform are only a small part of their overall portfolio – so they willing to take some risks (usually jumping into something quickly without checking it themselves) to get the gains. They often recognise (but are generally unperturbed) that a major loss might affect their current or future lifestyle.
- They use a variety of sources, but ultimately trust their 'gut'.

"My weaknesses will include my laziness to read and not recognising quick enough to get out of a bad investment, but I kind of tackle that by not putting too much to start with."

"I enjoy the challenge of investing at the right time and picking if I was right or not."

"I feel I could do better with more knowledge in investment strategies."

Their investment portfolio

None consider investments made using an online investment platform to be the main part (6 or 7 on a 7 point scale) of their investment portfolio. Their portfolios are made up of:

OPPORTUNISTS (side wealth strategy, timing market) have been introduced by other people and spurred on during the lockdown.

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THEIR INVESTING JOURNEY

- The newer Opportunists are often introduced to online platforms by other people, and are attracted to them as they see few other options to grow their wealth.

  "I then tried my own journey when Sharesies was heavily advertised and that people around me are all using it!"

- The lockdown was a catalyst for some.

  "My big decision was to start my personal investment on my own during the first lockdown and the market looked pretty scary then, but I decided to go for it anyway."

- The success of their investing during the lockdown has encouraged them. Some plan to increase their investment amounts.

  "I don't have a lot of money in there but I plan to have more money going to there in the future."

- The more experienced Opportunists wanted to financially independent early.

  I was really driven to find another kind of investment that would give me good returns because yeah the term deposits were really really low.

- Early successes spur them on.

  Just seeing that it is possible with good research and companies with good fundamentals to make more money

Izzy's Story

Izzy's investment journey began a couple of years ago – stemming from thinking that savings from her salary alone wouldn't be enough and a desire to put her money to work. She was inspired by her mum who built her wealth through investing.

After discovering Sharesies, Izzy decided to focus on investing directly into companies. This was around the same time as the first COVID lockdown here in New Zealand, when the market was looking scary. She put her money into large mainstream companies believing that these would recover best after lockdown. She also been focused on investing in tech ETFs as the sector was booming at the time.

For her the best part of investing is being proven right – that is seeing the value of her investments increase.

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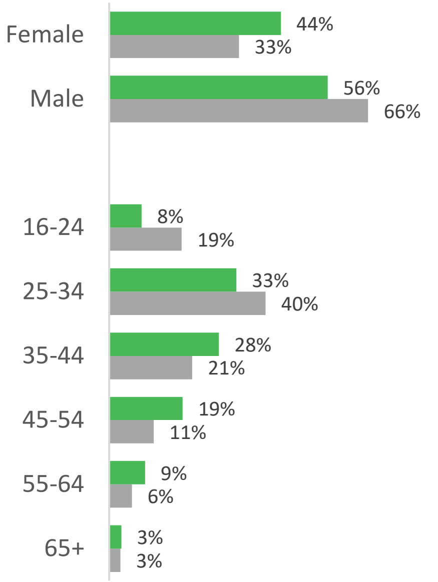
Source: Online forum.

They are strongly influenced by the opinions of others.

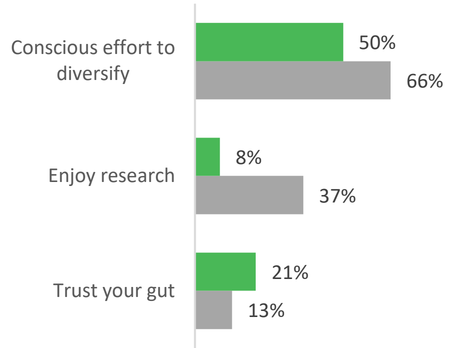
DEMOGRAPHICS

More likely to be middle-aged than the other segments.



BEHAVIOURS

Least likely to try to diversify their online platform portfolio – worry a little about potential losses but consider their online investing to just be a small part of their overall holdings. Act quickly when they spot an opportunity.



INFLUENCES

Friends and family's opinions about companies, online reviews.

Opinions of experts.

Simply Wall Street, Yahoo Finance, Smartshares Facebook pages.

GAPS

The recognise that sometimes they can make emotionally attached to investments.

Often don't seem to have a strategy in place.

Feel that they are missing out on the market as they are not clued in as much as others.

Opportunists All investors

Impact of online investment platforms on perceptions of investing

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Most investors had at least one negative thought about the markets or doubt in their ability to participate before they started using an online investment platform.

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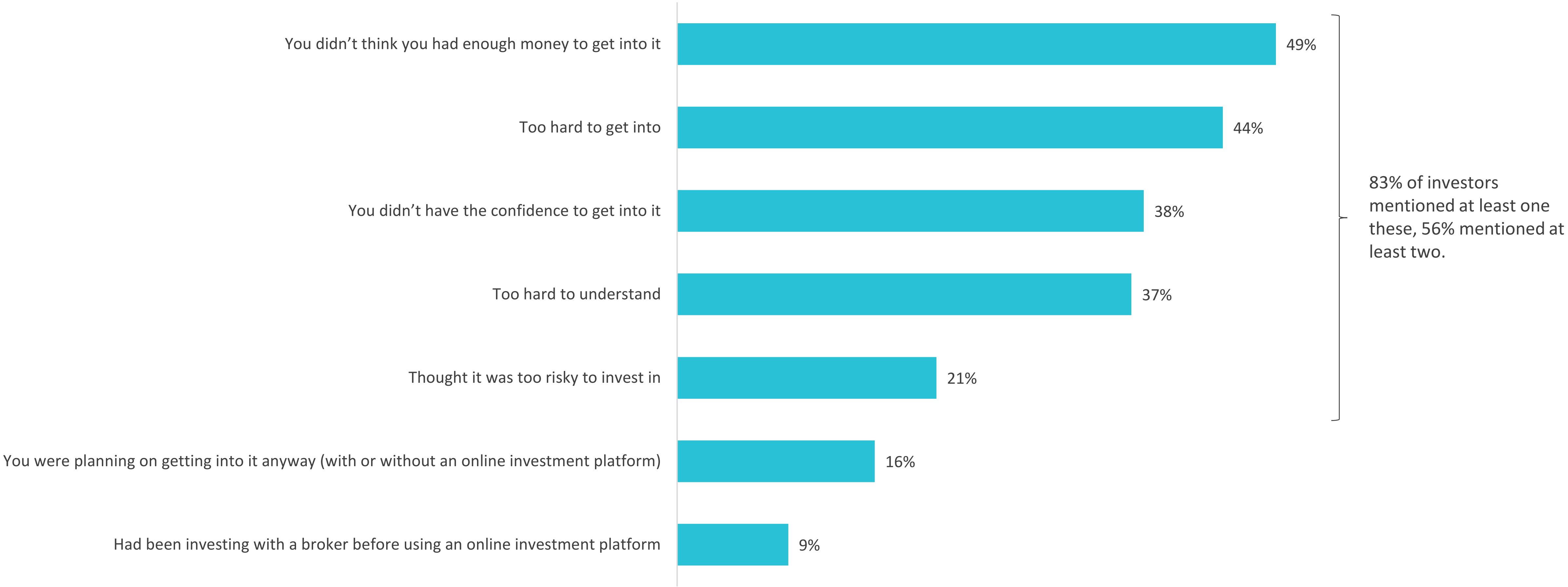
Attitudes towards investing and markets before using an online investment platform



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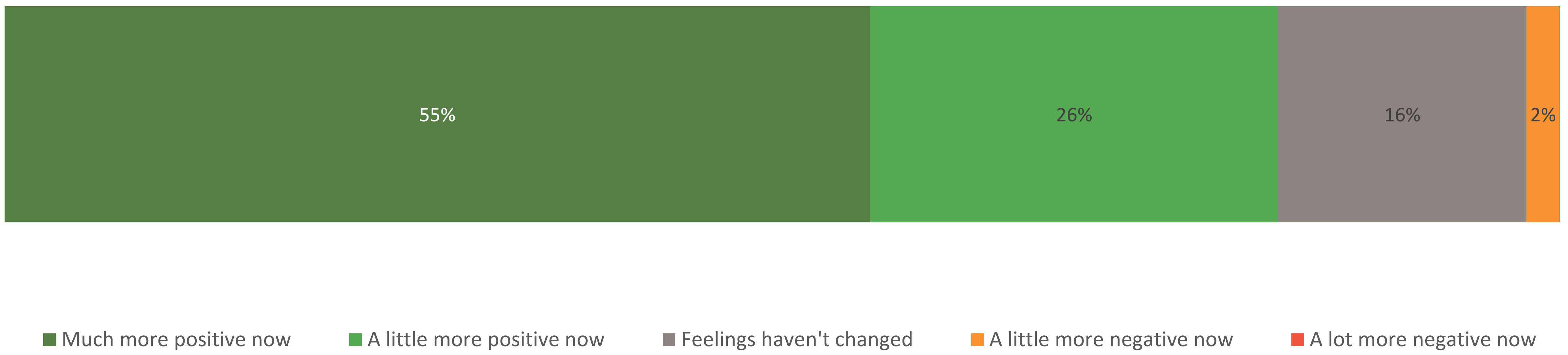
Source: Survey B1. Thinking back to before you started using an online investment platform, what did you think of the markets and investing back then?
Note. Items mentioned by less than 2% of people are not shown.
Base: All respondents n=1,994.

Eight out of every ten investors are now more positive about investing and the markets than they were before they started using an online investment platform.

Change in feelings towards investing and the markets since starting using an online investment platform



Source: Survey B2. Now that you're been investing for a while, how have your feelings towards the markets and investing changed?
Base: All respondents n=1,994.

The main reasons investors are more positive revolve around improve understanding of the markets, the ability to get good returns, and the ease of doing it.

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Better understanding of the markets now – 34%

I have better understanding, and more accepting that markets go down as well as up. And accept that to make money you have to take risk. I have also learned that experts don't actually know any more than me. Professionals have lost me a lot of money, and did not see the drops coming even advising me not to pull out when I asked to withdraw. Black swan events like COVID showed me I have as much clue as the next guy.

I understand more. Have made mistakes and have learnt.

Because I now have enough experience to know how it works, and find companies worth investing in.

Now able to distinguish between different options, able to read/understand NZX and company information, and performance has encouraged more investment.

I understand the markets better now and how they work and know where to find the research to do for shares I want to buy.

I feel like I know a lot more about how they work and where to put my money according to what kind of returns I can potentially see.

I understand more about investing and its great to make my money work for me.

Have made good returns – 16%

Platforms like Sharesies has made it affordable to start investing. This has built up to a reasonable size over time that I would not have saved otherwise. Now I'm much happier investing in individual companies after learning the ups and downs with small amounts of money that I could afford to lose.

… I also feel like I have a chance to get a leg up in life, even if its just getting a better return on my hard earned money. It's also exciting to see that there are ways of wealth creation that I hadn't previously considered.

How easy it can be and learning how to make good returns on my money.

Because my portfolio is up.

Positive results over time and have achieved some financial milestones.

Larger gains than initially thought.

Loving it real easy to use the Sharesies platform and have made good returns so far.

Source: Survey B3a. Why are you more positive about investing and the markets now?
Base: Respondents who are more positive about investing now n=1,552.

[Cont.] The main reasons investors are more positive revolve around improve understanding of the markets, the ability to get good returns, and the ease of doing it.

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Educated myself – 15%

Have to better study and understand myself before investing rather than relying on a company doing it.

I've become more financially literate and confident with my money in the process learning about investing.

I have learnt so much from the Hatch FB group and that gave me some confidence. I made good returns.

That if you do your homework on reading the background and other financial data and commentary, you can be as good as any fund managers. In fact I have mostly exceeded most of the fund managers!

It's so easy – 10%

It's not as hard as I thought. Sharesies make investing super easy. I've also learnt that over time your investment increase its value even if it looks like the value is going down currently.

Easy without brokers and other fees like that.

It's a lot easier now. And I know that I am investing through a reliable online platform.

More accessible – 9%

Companies like Hatch have made investing more affordable and accessible - my first investment was over a decade ago using ANZ's platform and it was expensive and hard. As a result of some pretty simple habits and the increased access to great investing options, I've growing a really healthy nest egg which has changed my life.

It made the share market more transparent and accessible. I wanted to invest a little, often, but felt going via a broker or bank needed more serious investment to be worth it. I'm glad I can iterate and learn while investing what I can afford.

More confidence – 9%

Confidence and more experience. More of my friends have started investing and we talk about it more, so it seems more accessible and less daunting.

I'm more confident in my ability to pick shares that will grow wealth, and that the long term trends upwards.

Following Facebook pages like the Sharesies investing club, I can see there are everyday Kiwis investing in all sorts of shares. It gives me confidence that I can do it too. I can see that some of them are really making their money work rather then what we are taught it school with a traditional savings account.

Source: Survey B3a. Why are you more positive about investing and the markets now?
Base: Respondents who are more positive about investing now n=1,552.

The 2% who are more negative now tend to cite concerns about market manipulation, an over-priced market, and not knowing enough as their reasons.

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Because I don't have time to become an expert and the risks are too many and too large for an amateur to manage.

Jaded as things seem more out of my control even with proper research and due diligence.

Knowledge gap and access to better tools for veteran/institutional investors makes it relatively hopeless of the average retail investor to invest comparatively to veteran/institutional investors.

Need to spend a lot of time I don't have in researching companies and working out which ones to invest in. Moved over to ETFs to try and negate these problems but they haven't been that successful either. I have some issues with the purchasing process, more than once ended up paying market more than the highest price of the day (NZX).

Markets are in a bubble. At all time high valuations across most asset classes.

Too expensive looks like a bubble.

Because markets are more connected. Investor sentiment can change virtually overnight which makes share investment less predictable than in the past.

Frothy bubble like territory in tech sector.

Hyperinflation and market crash.

Reddit, Sharesies, and Robinhood investors screw market prices. Constant QE artificially propping up markets. Cryptocurrency.

The absolute corruption that is on going and lETF unchecked on the US stock market is making me consider pulling out all investments and going to crypto.

Source: B3b. Why are you more negative about investing and the markets now?
Base: Respondents who are more negative about investing now n=43.

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