



Friends Provident International Investor Attitudes Report

Wave 5 – July 2011



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Introduction

The Friends Provident International Investor Attitudes report provides an insight into current investor attitudes, based on surveys conducted on our behalf in our principal markets – Hong Kong, Singapore and United Arab Emirates (UAE).

The Friends Provident Investor Attitudes report is a quarterly publication that provides a detailed study of attitudes in each of the regions towards current investment market conditions, investment strategy, investment time horizon and attitudes to risk.

The research is designed to identify market trends and monitor people's views about the investment climate both now and in the future. This includes the investment instrument respondents are most likely to choose in the current investment climate and how they view the future for investing in their region.

Friends Provident International (FPI) uses the research to build the Friends Investor Attitudes Index, a reliable indicator of investor attitudes and sentiment. This in turn helps us identify market trends and continue to develop products to meet our customers' needs.

This survey has been conducted by ICM Research, part of the Creston group of companies and members of the Worldwide Independent Network of Market Research. ICM Research has over 20 years' experience conducting and coordinating regional and global surveys.

As with previous waves of the research, online interviews were conducted in the same period for all three countries – 25 April to 6 May 2011 – to ensure that respondents were answering the questions under the same global financial environment.

The total sample size for wave 5 was 2,766, to ensure the collection of robust data, representative of investor attitudes in each of the regions.

The breakdown for each region was:

- Hong Kong – 1001 interviews
- Singapore – 1001 interviews
- UAE – 764 interviews

The samples are nationally representative of each region.

*Numbers based on panel availability for each region.



Welcome

to wave 5 of the Friends Provident International Investor Attitudes report.

Since we launched the report in June 2010, we have seen a steady return of confidence to international markets each quarter. This improvement has been reflected in the Friends Investor Attitudes Index scores.

The modest global recovery is reflected strongly in the United Arab Emirates (UAE) Index, which has trebled from just six points at launch to its current level of 18 points. Following the financial uncertainty of the last few years, we are seeing a growing sense of optimism among UAE Investors and a strong vote of confidence in their local investment market.

Turning to Singapore, the Index for this region has achieved a new peak of 21 points since launch. The Index remains strong and stable, and has risen steadily since June 2010. These findings are in line with the positive news from the region; the government has reported good economic growth which makes Singapore an attractive market for both foreign and local investment.

This optimism has not extended to Hong Kong this wave. Despite healthy GDP growth reported in quarter one 2011 and low unemployment in the country, the Index for this region has dropped for the second time. Investor confidence in markets over the next six months has declined and more investors are choosing medium-term, risk-averse strategies.

I hope you find wave 5 of the Friends Investor Attitudes report interesting and would like to thank all our regional managers for sharing their local knowledge in comments throughout the report.

Rocco Sepe

Managing Director International
Friends Life





Global reach, local insight

Throughout the Friends Provident International Investor Attitudes report, Friends Provident International regional managers have been invited to use their local insight to comment on findings.



David Knights

General Manager, Hong Kong
Friends Provident International



Chris Gill

General Manager, South East Asia
Friends Provident International



Matthew Waterfield

General Manager, Middle East and Africa
Friends Provident International



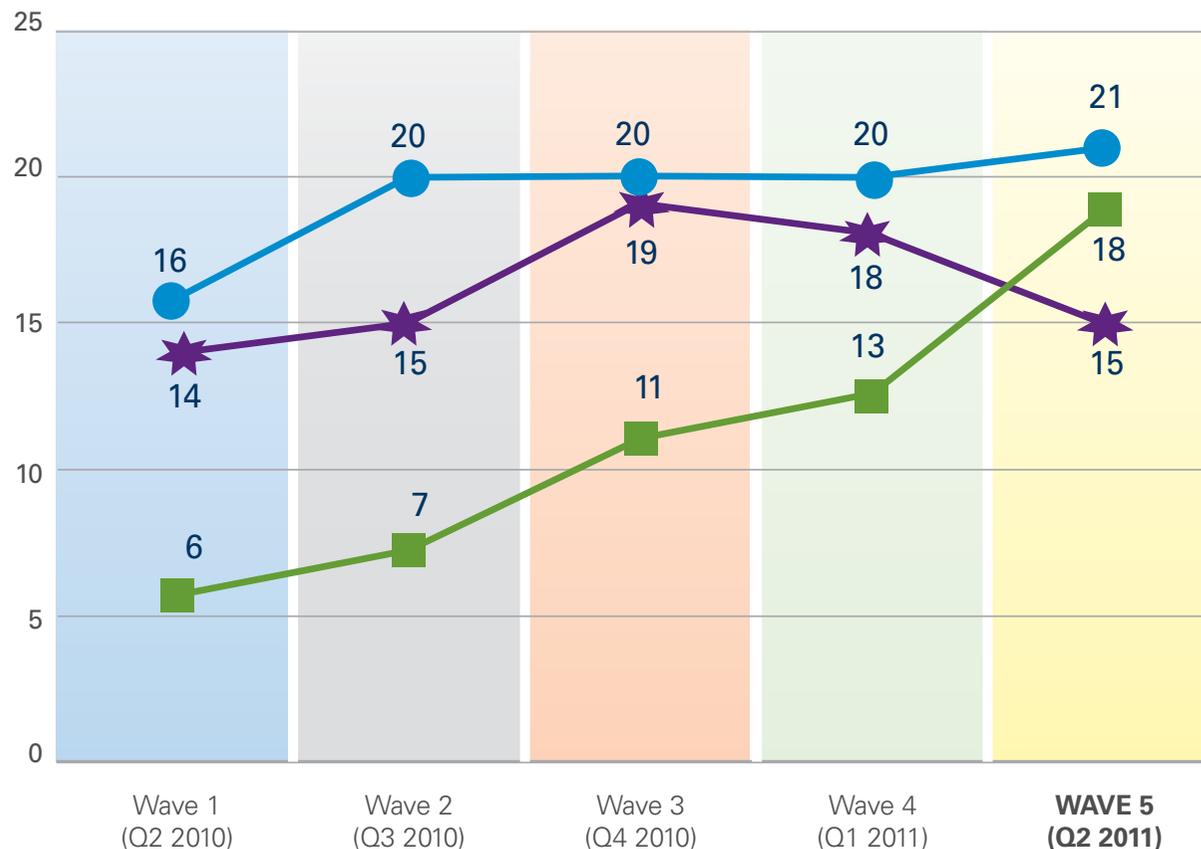
Friends Investor Attitudes Index

Key learning

Sentiment in Hong Kong has experienced a second consecutive drop. The Index has dropped back to 15 points, a level last seen in wave 2.

The Singapore Investor Attitudes Index continues to reflect the ongoing stability in the region. Its score of 21 points is a new peak since the report was launched in April 2010.

A fourth consecutive rise has seen the UAE Index score treble from six to 18 points. A gain of five points on the previous wave is the biggest rise to date.



★ Hong Kong ● Singapore ■ UAE

These figures represent whole percentages

The Friends Investor Attitudes Index is an average of all index scores for all categories. The index scores are calculated by first applying a balanced weighting to the rating figures, where 100 is most positive and -100 is least positive, then dividing the sum of these weighted figures by total number of respondents (excluding Don't knows).

Hong Kong





Findings at a glance – Hong Kong

- The Friends Investors Attitudes index has dropped for a second consecutive wave, to 15 points, driven by a decline in favour towards most investment categories, particularly property and collectables.
- This is mirrored by a low level of confidence in the current investment market and significantly decreased confidence in the future state of the market.
- A significantly increased proportion of investors are adopting a risk-averse strategy. This is backed up by the fact that gold is the favourite asset class. However the research also shows a strong appeal for equities/shares as the second most popular choice.
- On balance, recent events in Japan have had a negative impact on views of the Japanese investment market, but over three quarters of respondents state that their view of the Asian market as a whole is more positive or has remained unchanged.

Findings at a glance from wave 4 (April 2011)

Investor sentiment in Hong Kong is broadly stable, though its Index score has fallen slightly from 19 points in wave 3 to 18 points in this wave. This small drop appears to result from a steep fall in the popularity of cash. The other asset classes have remained fairly stable as reflected in the stability of the Hang Seng Index. Gold and equities/shares remain the favoured asset classes.

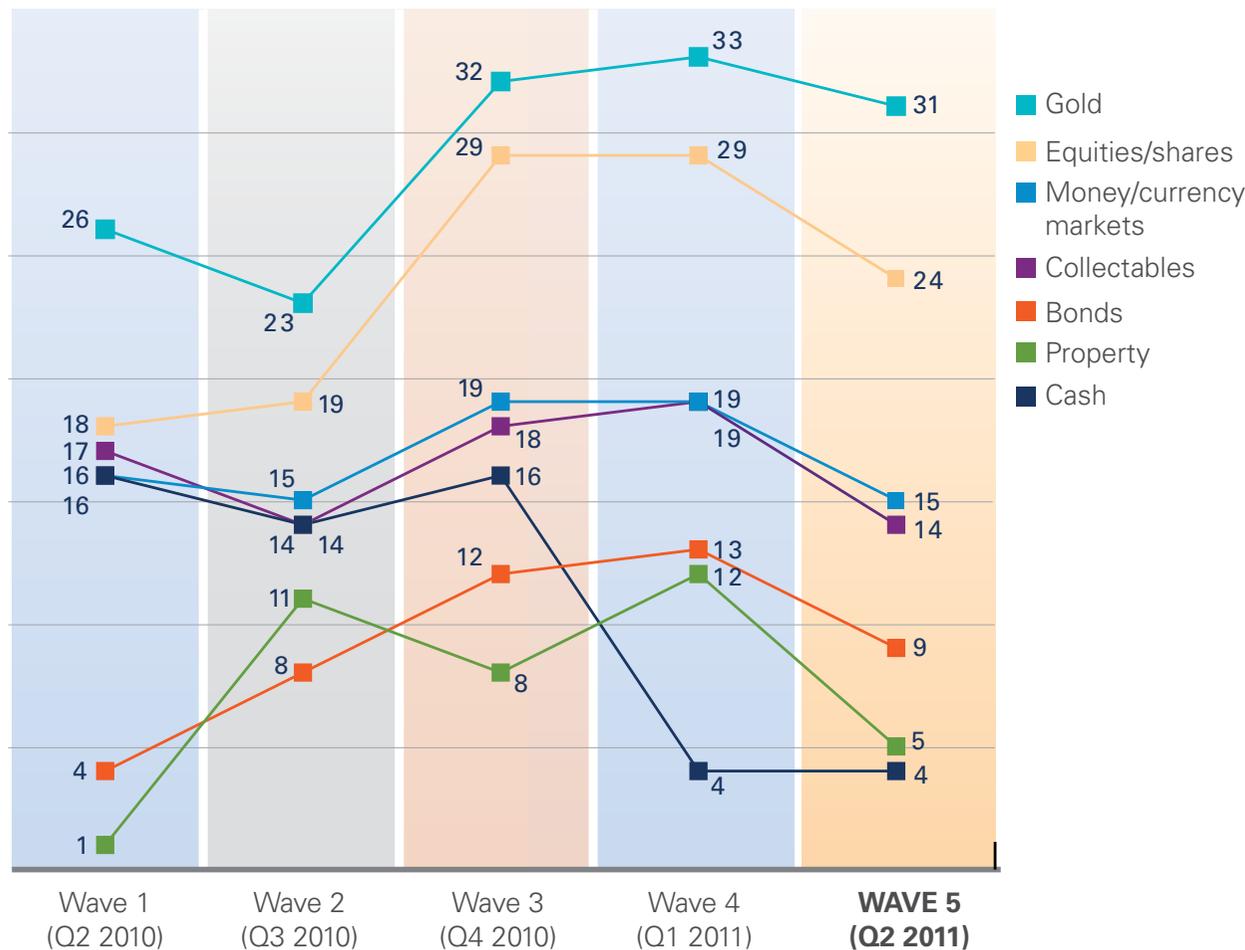
Asset class tracking

Key learning

Positive sentiment dropped across most asset classes this wave, including bonds, collectables and money/currency markets. Property saw its popularity more than halve, from 12 to five points.

Gold and equities/shares remain the favoured asset classes, although both have declined in popularity, two and five points respectively.

After a dramatic decline in wave 4, there has been no recovery seen for cash, which remains the least favoured asset class.



These figures represent whole percentages

Q1. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following categories? Base: All (excluding Don't knows).

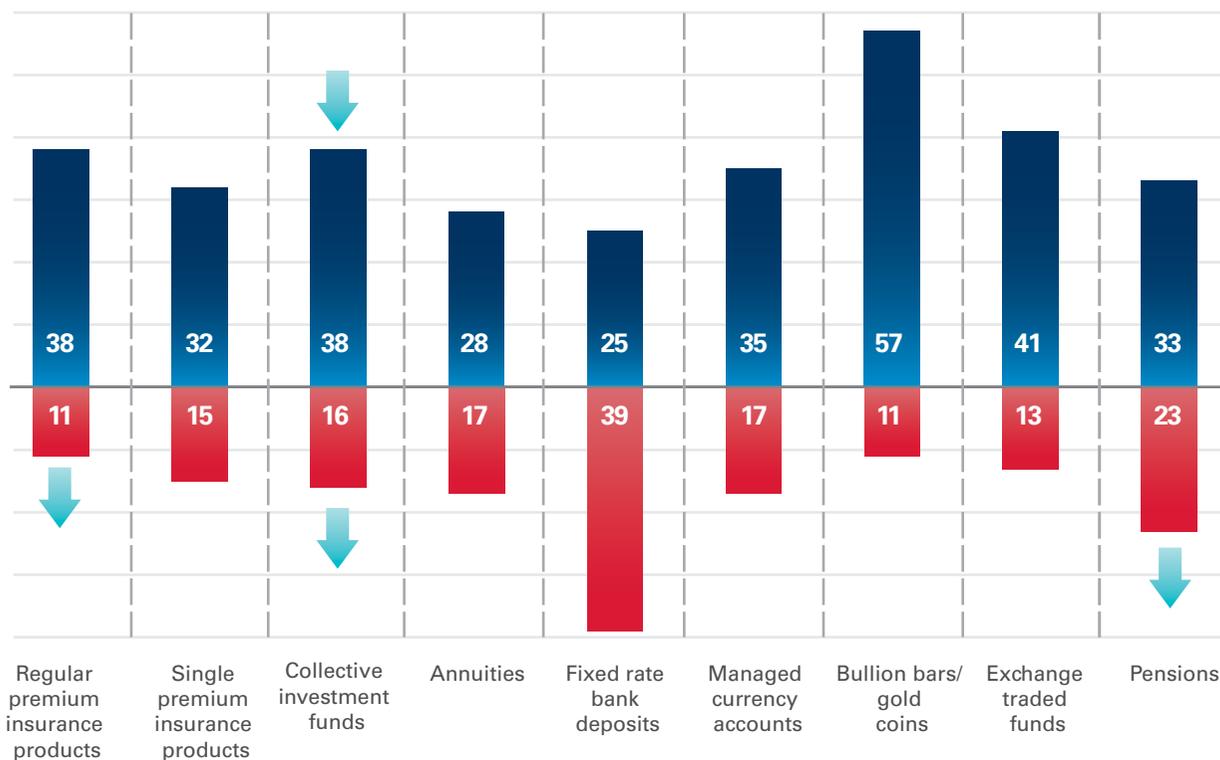
Investment instruments

Key learning

Bullion bars/gold coins are the preferred investment product.

This wave, more investors feel that now is a bad time to invest in regular premium insurance products, collective investment funds and pensions.

Fixed rate bank deposits are by far the least popular instrument among Hong Kong investors.



Indicates significant change from previous wave

■ Wave 5: Total Good/Very good

■ Wave 5: Total Bad/Very bad

These figures represent whole percentages

Q2.

Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following products? Base: All (excluding Don't knows).

Investment strategy

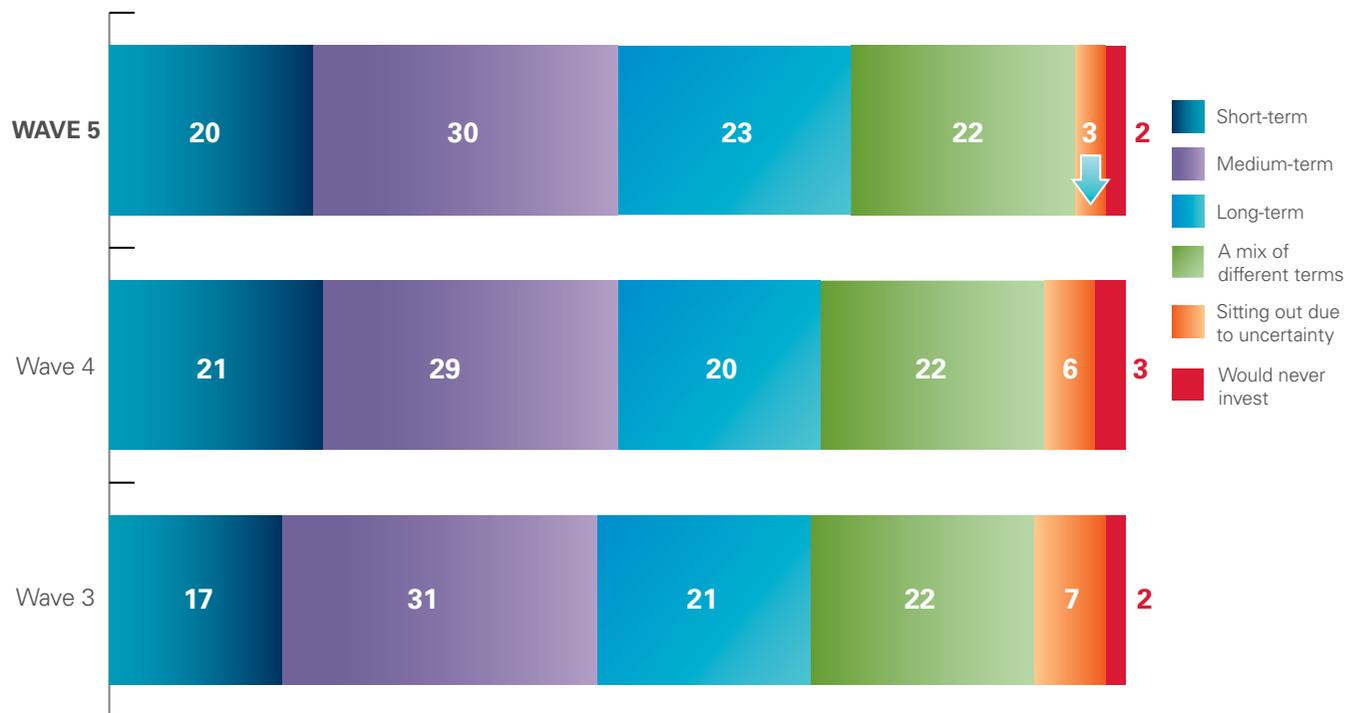
Key learning

Hong Kong investors continue to favour medium-term investments.

There is a three percentage point rise in the popularity of long-term investments in this wave, with noticeably fewer investors sitting out due to uncertainty.

“Hong Kong investors are looking to take a more long-term strategy as confidence over the outlook for the next 6 months weakens.”

David Knights



Indicates a significant change from the previous wave

These figures represent whole percentages

Q3.

If you had the money to invest now, what type of investment would you make?

Base: All (excluding Don't knows).

Definitions:

Short-term up to a year

Medium-term 1 to 3 years

Long-term more than 3 years

Investment risk profile

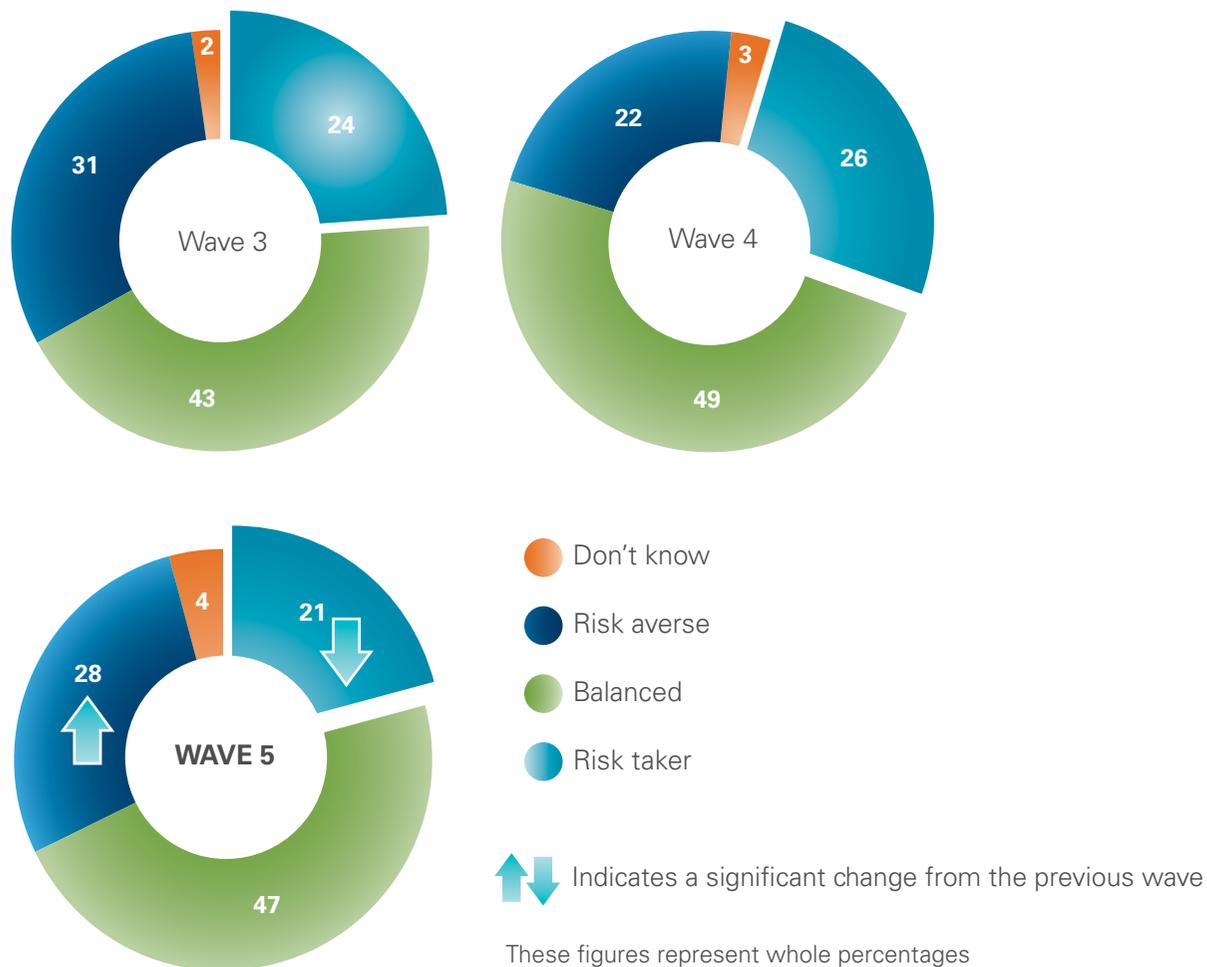
Key learning

Significantly more Hong Kong investors are opting for a risk averse strategy than in wave 4.

Despite a slight drop, nearly half of respondents still prefer a balanced approach.

“These findings correspond with an increasing doubt that investment markets will improve and the decline in the overall Index score.”

David Knights



Q4. Which of the following is your preferred type of investment strategy?
 Base: All, excluding those who said they would never invest their money in Q3.

Investment advice

Key learning

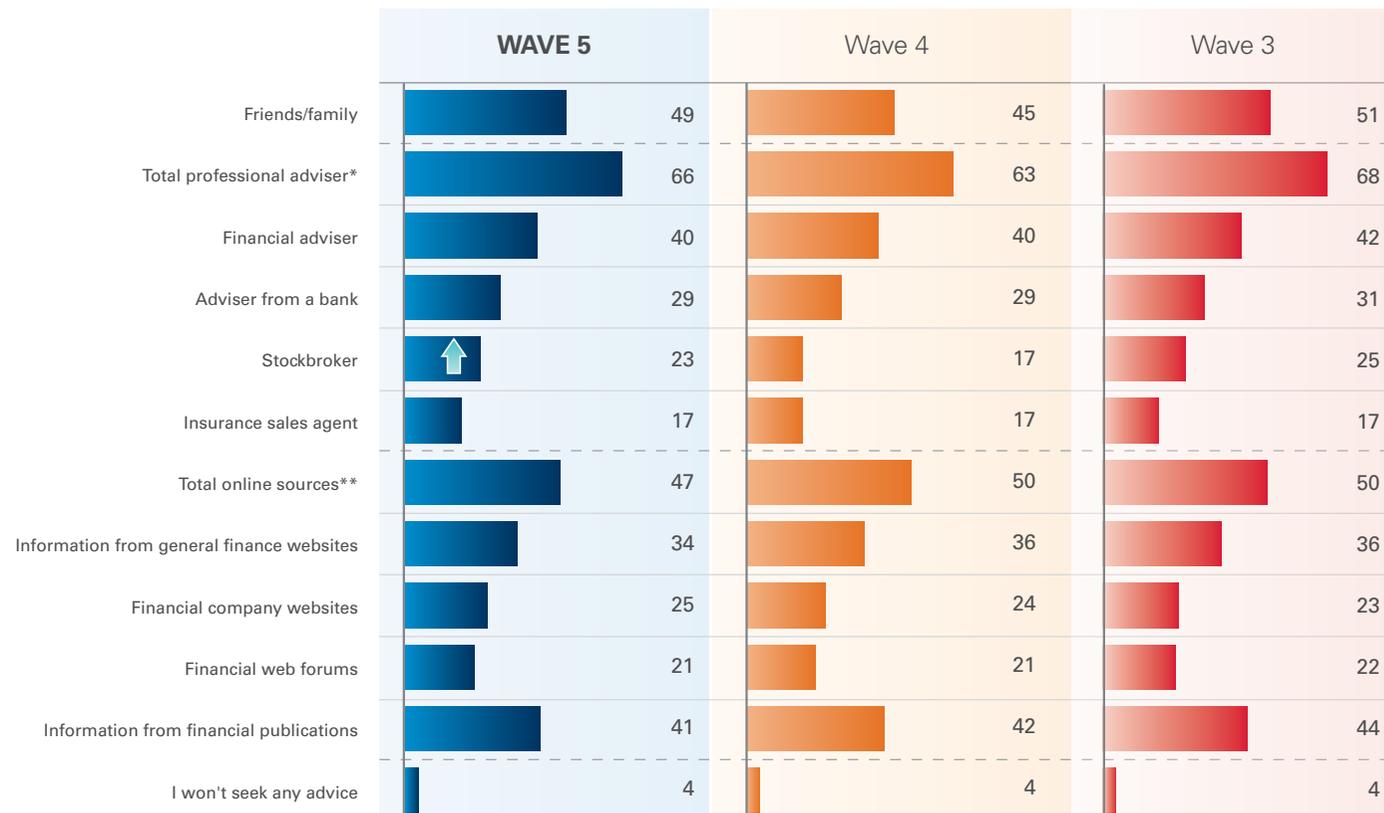
The sources of information and advice remain broadly similar to wave 4.

Professional advisers remain the most popular source of information, with a slight increase this wave.

Significantly more investors would turn to stockbrokers for advice now.

“It is encouraging to see that there are more respondents turning to professional advisers for their opinion on wealth management advice, although the most significant increase is in those looking for advice from stockbrokers. We continue to recommend investors talk to their independent financial adviser and develop a tailor-made investment solution that meets their needs and risk appetite.”

David Knights



Indicates a significant change from the previous wave

These figures represent whole percentages

Q5.

Which of the following sources would you seek information and/or advice from before making an investment decision? Base: All, excluding those who said they would never invest their money in answer to Q3.

* Respondents selecting one or more professional source

** Respondents selecting one or more online source

Investment outlook

Key learning

Confidence in the current investment market has remained at a relatively low level this wave.

Confidence in market prospects over the next six months continues to decline, with sentiment at its lowest level since the report began.



These figures represent whole percentages



Indicates a significant change from the previous wave



Total improved



Total worsened

The figures above exclude those who answered 'Don't know' and 'about the same'.

Q6. Compared with six months ago, how do you currently view the state of the investment market?
Base: All respondents.

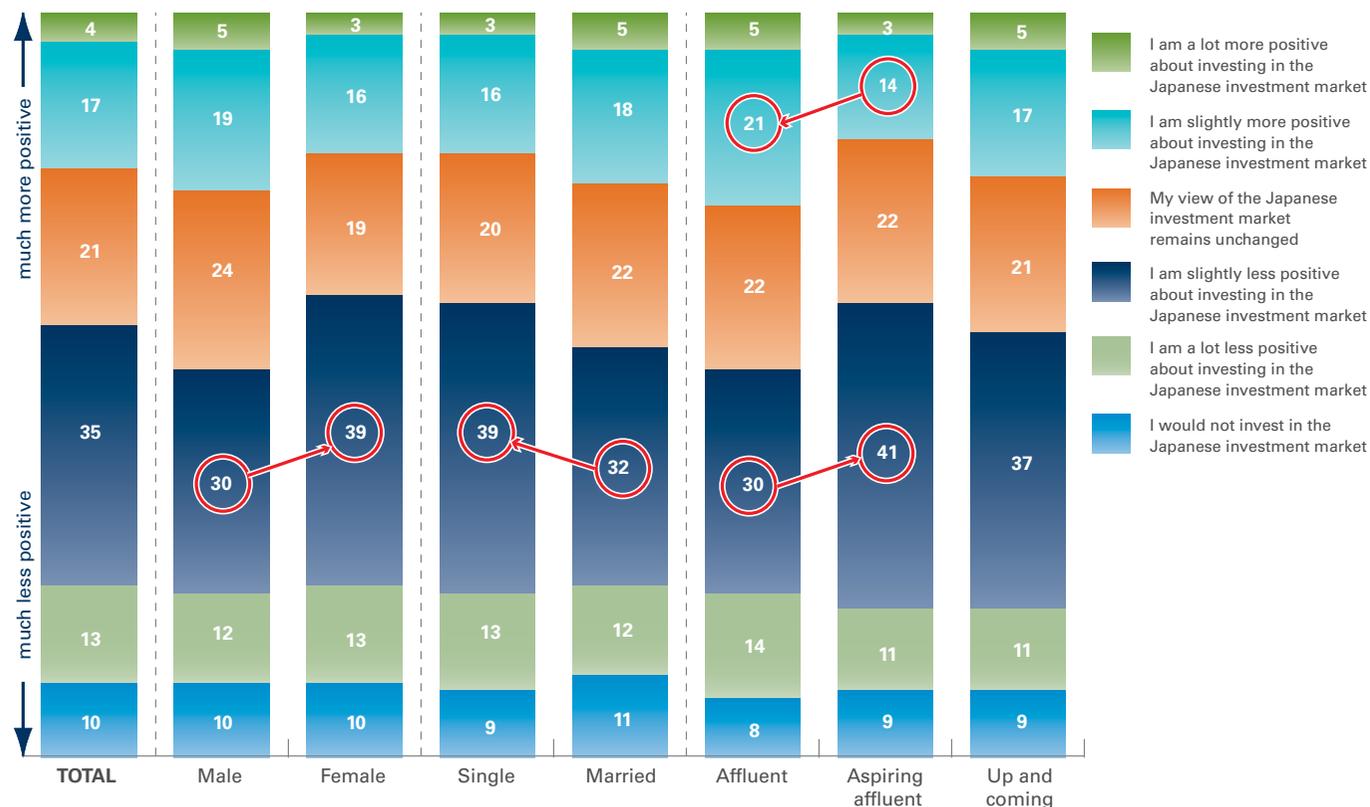
Q7. And looking ahead over the next six months, do you think the investment markets will improve/get worse substantially, a little, or stay the same?
Base: All respondents.

Japanese investment market

Key learning

Almost half of all respondents are less positive about the Japanese investment market in light of recent events. Only one in five is more positive.

Females and single respondents are significantly more negative. Similarly, aspiring affluent investors show greater concern than affluent investors.



○ Indicates significant difference between categories

These figures represent whole percentages

Q8. How has the recent – and ongoing – situation in Japan affected your view of the Japanese investment market?
Base: All respondents.

Asian investment market

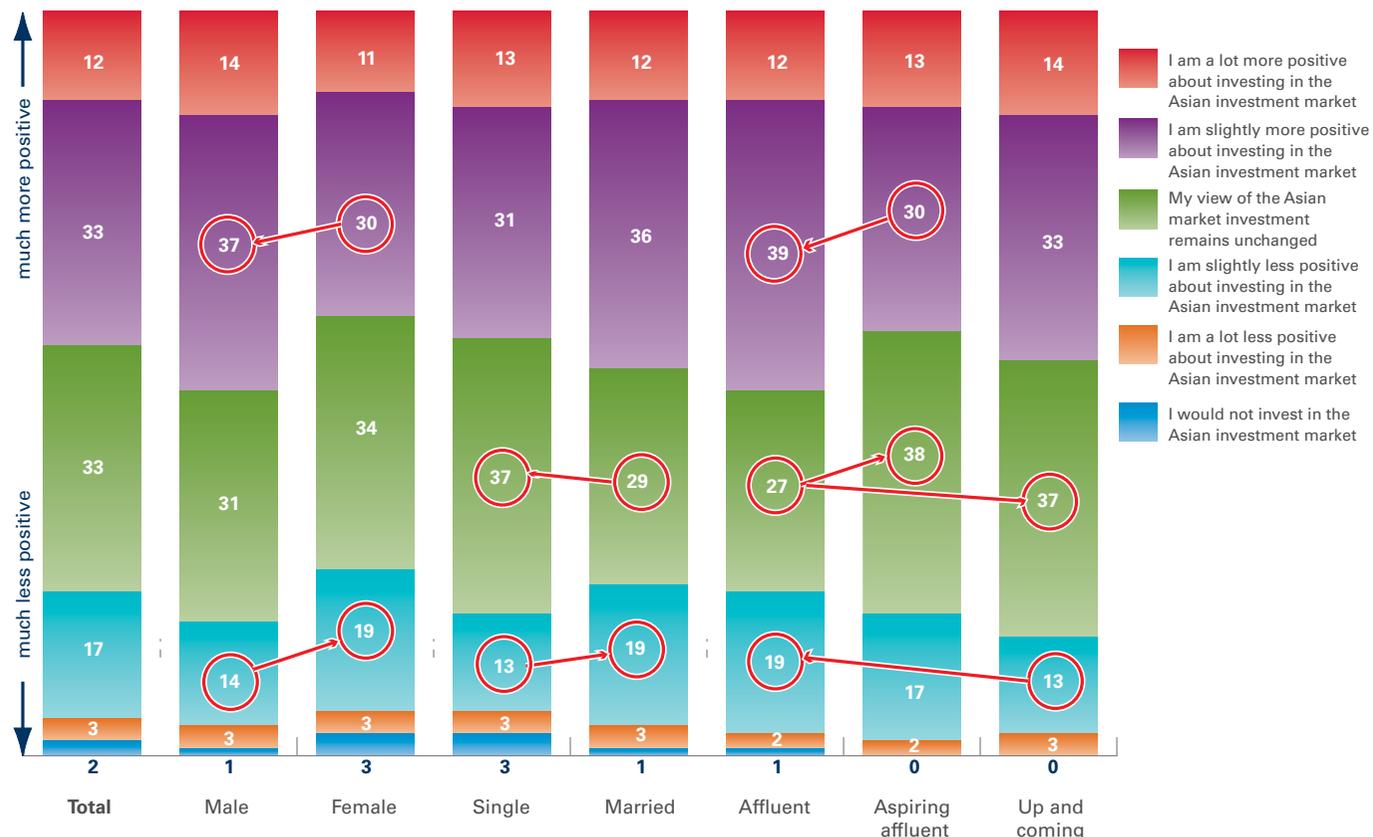
Key learning

Over three quarters of respondents do not feel that the situation in Japan has had a negative impact on their view of the Asian market as a whole.

Males are more positive than females.

Single people are less likely than married to have changed their view.

Affluent respondents are more positive than aspiring affluent.



○ Indicates significant difference between categories

These figures represent whole percentages

Q9. How has the recent – and ongoing – situation in Japan affected your view of the Asian investment market?
Base: All respondents.



Singapore





Findings at a glance

- The Friends Investor Attitudes Index in Singapore has been very stable since wave 2, rising one point this wave.
- However, there are some interesting shifts in preference behind this: equities/shares are dropping in favour, as are bonds. Meanwhile gold, cash and collectables have increased in popularity.
- Most investors hold some kind of protection product, particularly life insurance and critical illness cover, although affluent investors are much more likely to be covered than up and coming investors. The latter are also much less likely to buy cover from a financial adviser.
- On average, two in five respondents have bought a protection product from a financial adviser.

Findings at a glance from wave 4 (Q1 2011)

Investor sentiment in Singapore is mirroring its stock market trends, with its Index score of 20 unchanged since wave 2. A declined willingness to invest in money/currency markets has been offset by investors indicating an increased preference for equities/shares and bonds.

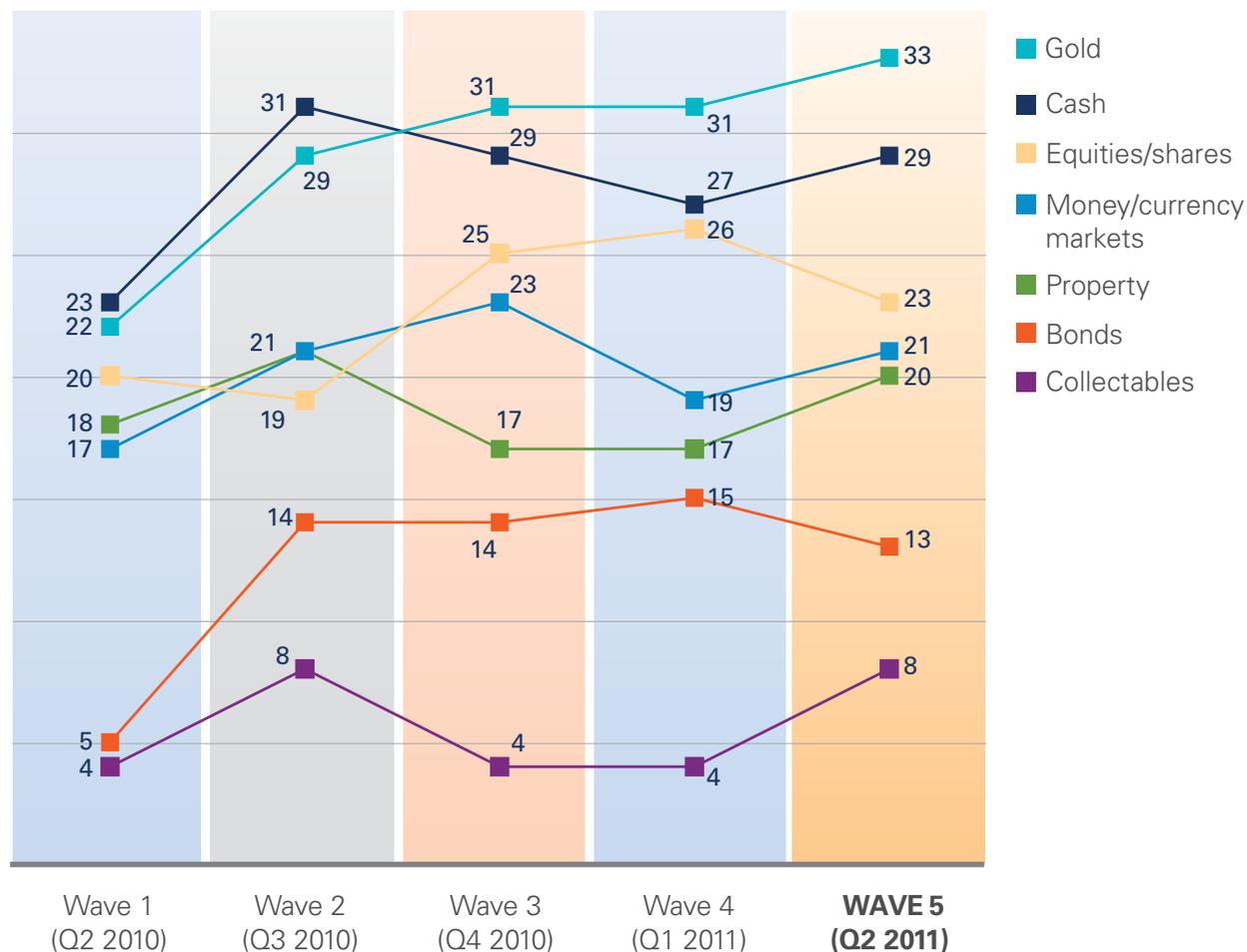
Asset class tracking

Key learning

The stability of the overall index masks some fluctuation in individual categories – in particular, equities/shares and bonds appear to be declining in popularity.

Gold and cash have extended their lead as the two most favoured asset classes. Gold in particular has maintained a steady rise since wave 1.

Collectables have returned to the popularity seen in October 2010 but remain the least favoured asset class.



These figures represent whole percentages

Q1. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following categories? Base: All (excluding Don't knows).

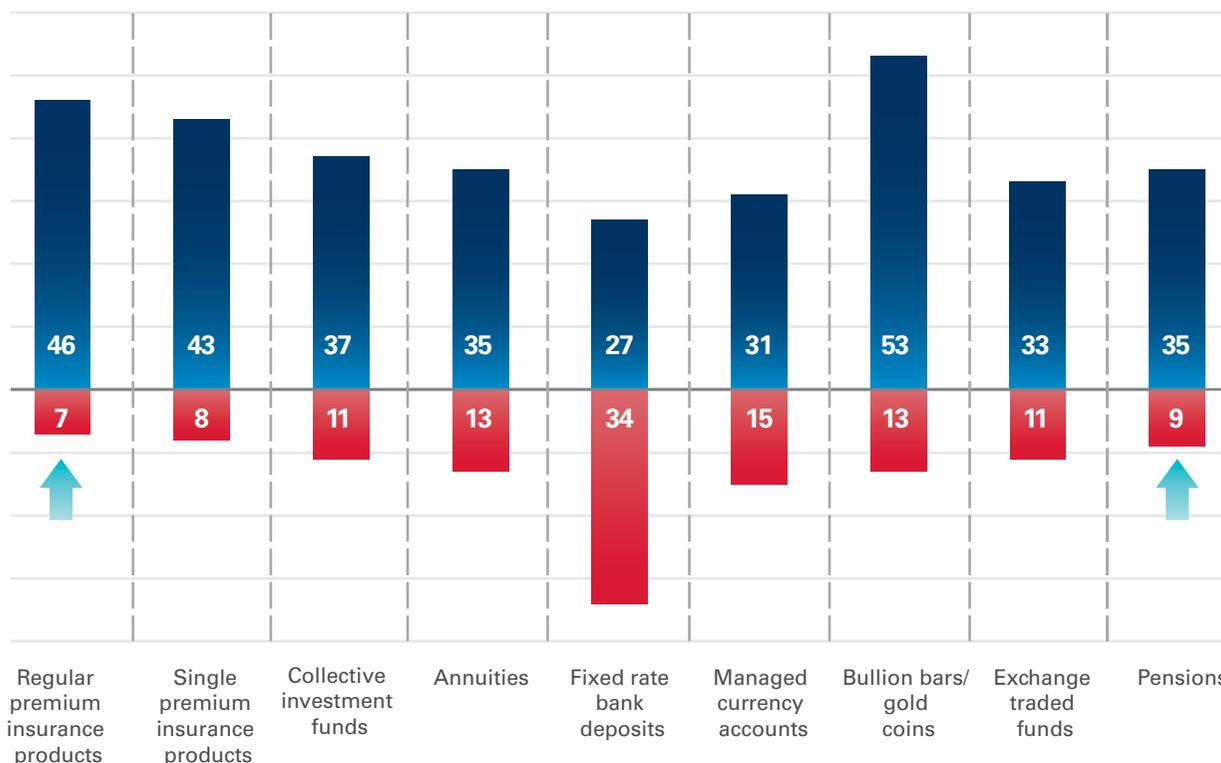
Investment instruments

Key learning

Bullion bars/gold coins are the most favoured investment instruments.

Negative sentiment towards regular premium insurance products and pensions has decreased.

Fixed rate bank deposits are currently much less popular among investors.



Indicates significant change from previous wave



Wave 5: Total Good/Very good



Wave 5: Total Bad/Very bad

These figures represent whole percentages

Q2.

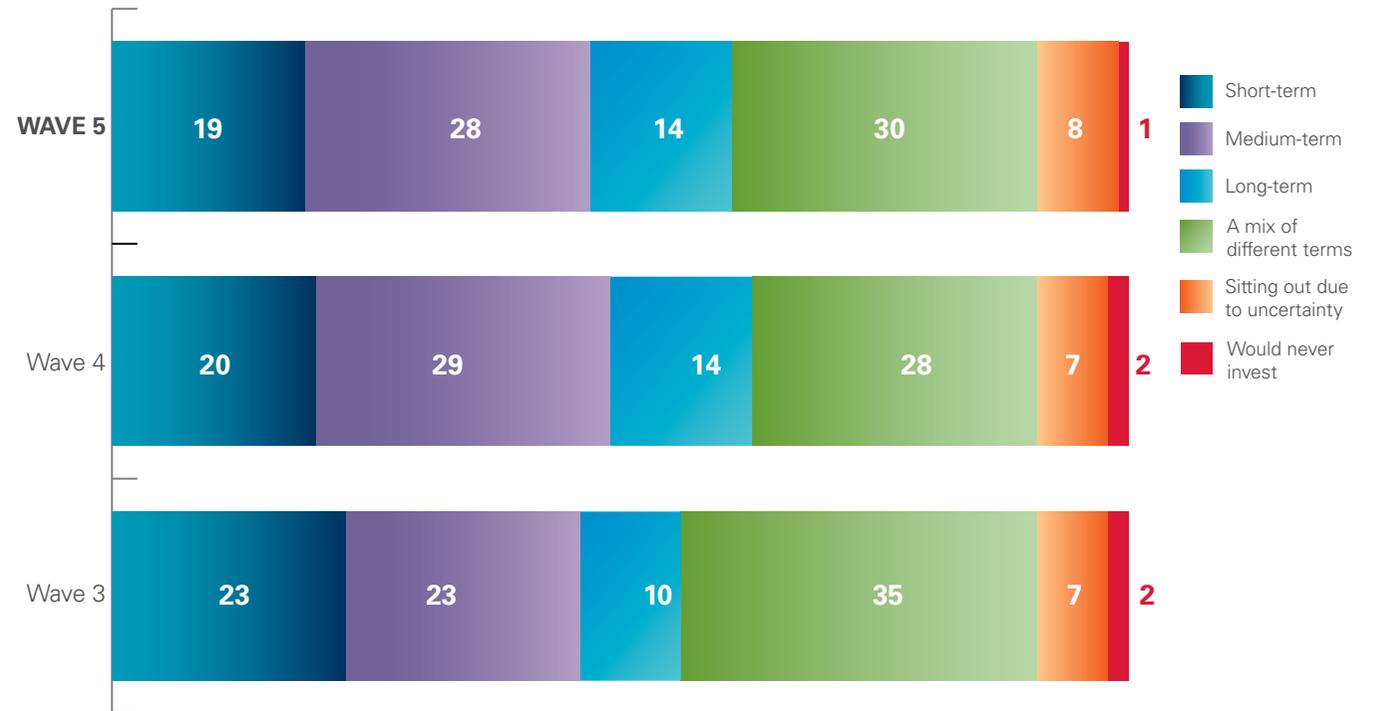
Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following products? Base: All (excluding Don't knows).

Investment strategy

Key learning

As in wave 4 there is no strong consensus on investment strategy.

Investors are as likely to choose medium-term investments as they are to pick a mix of terms.



These figures represent whole percentages

Definitions:

- Short-term up to a year
- Medium-term 1 to 3 years
- Long-term more than 3 years

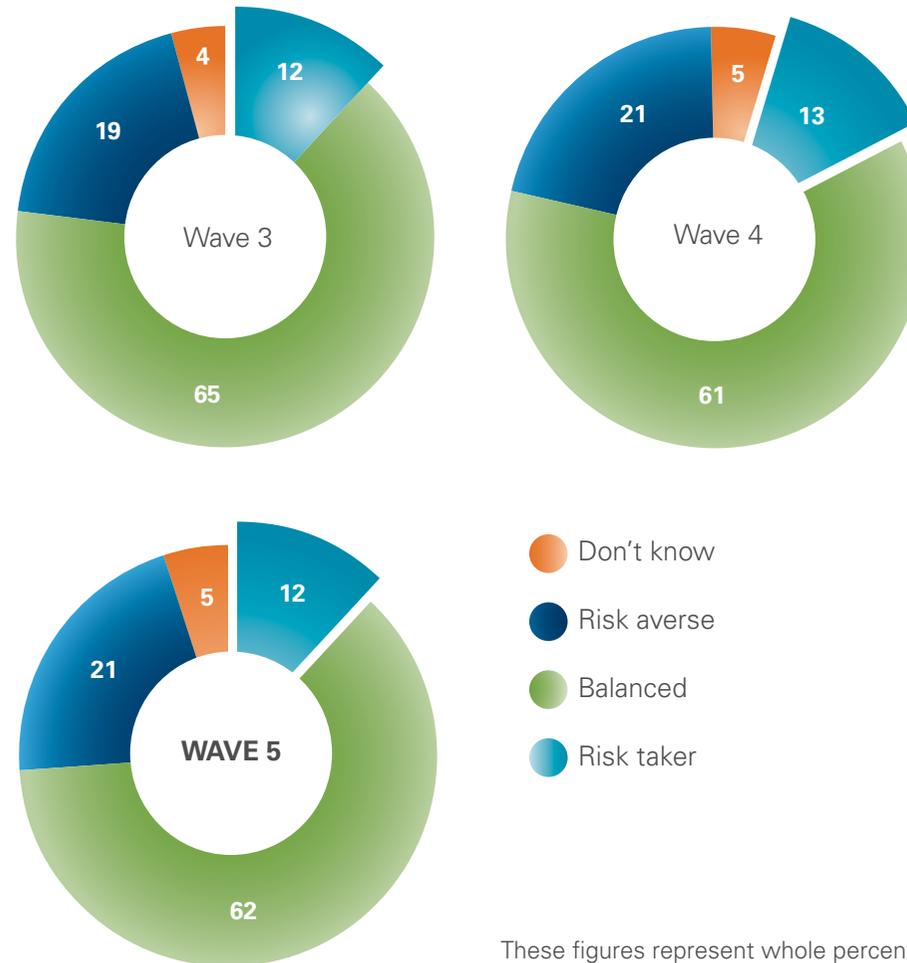
Q3. If you had the money to invest now, what type of investment would you make?
Base: All (excluding Don't knows).

Investment risk profile

Key learning

The vast majority of investors prefer a balanced approach to risk. This preference has not changed significantly for the last three waves.

This supports index findings since the launch of the report of the stable and confident sentiment in Singapore.



Q4. Which of the following is your preferred type of investment strategy?
 Base: All, excluding those who said they would never invest their money in Q3.

Key learning

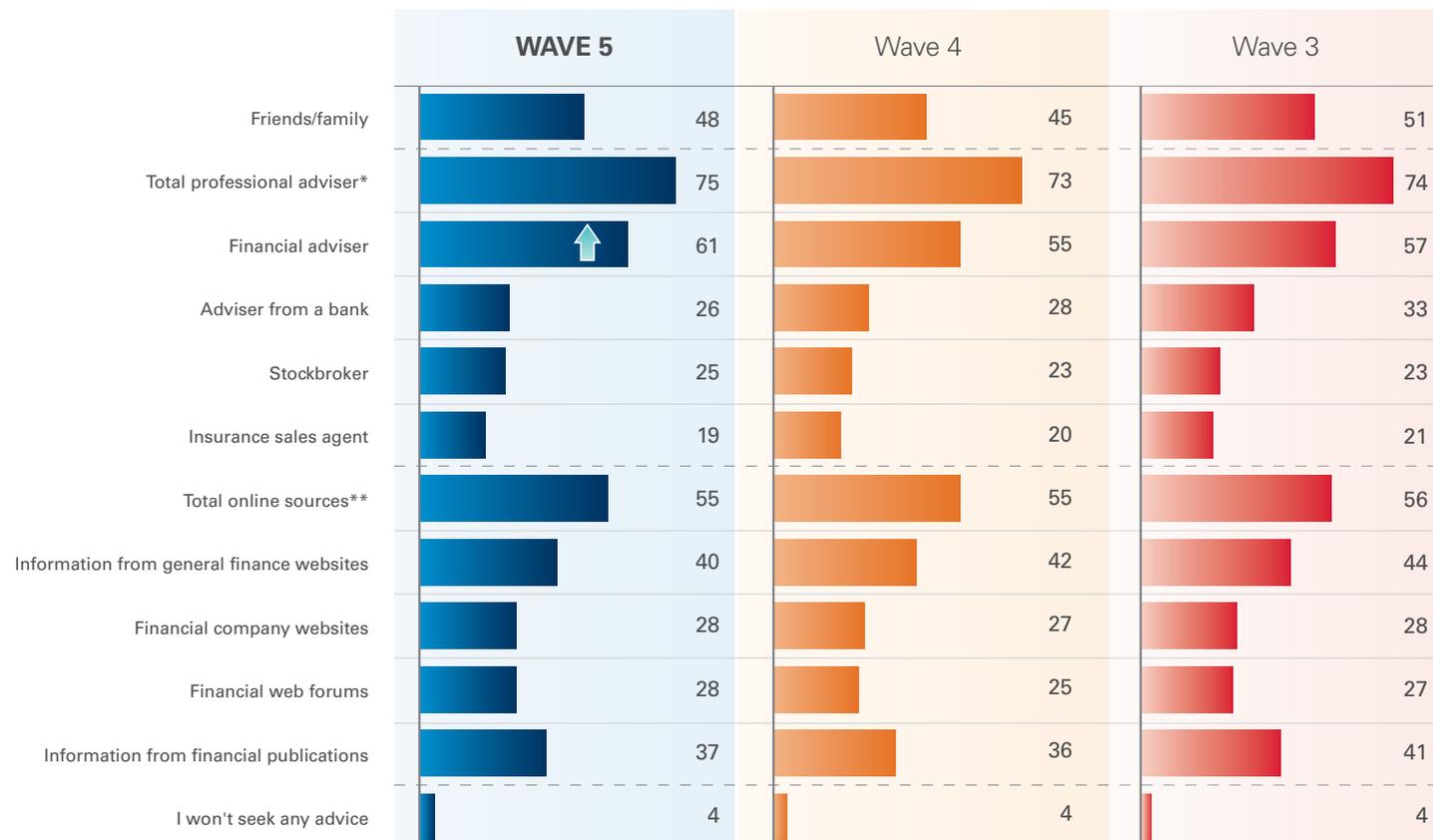
Significantly more investors would turn to financial advisers this wave.

Other sources of information and advice remain broadly similar to previous waves.

“Investors now have a wider range of avenues when seeking investment advice. It is encouraging to note that 61% of investors today choose to speak to a financial adviser prior to making a decision, compared to 50% a year ago. Wherever they choose to go for advice, it is important that investors review their portfolio on a regular basis. This is particularly important if they experience changes in their life, such as getting married, starting a family or buying a property.”

Chris Gill

Investment advice



Indicates a significant change from the previous wave

These figures represent whole percentages

Q5.

Which of the following sources would you seek information and/or advice from before making an investment decision? Base: All, excluding those who said they would never invest their money in answer to Q3.

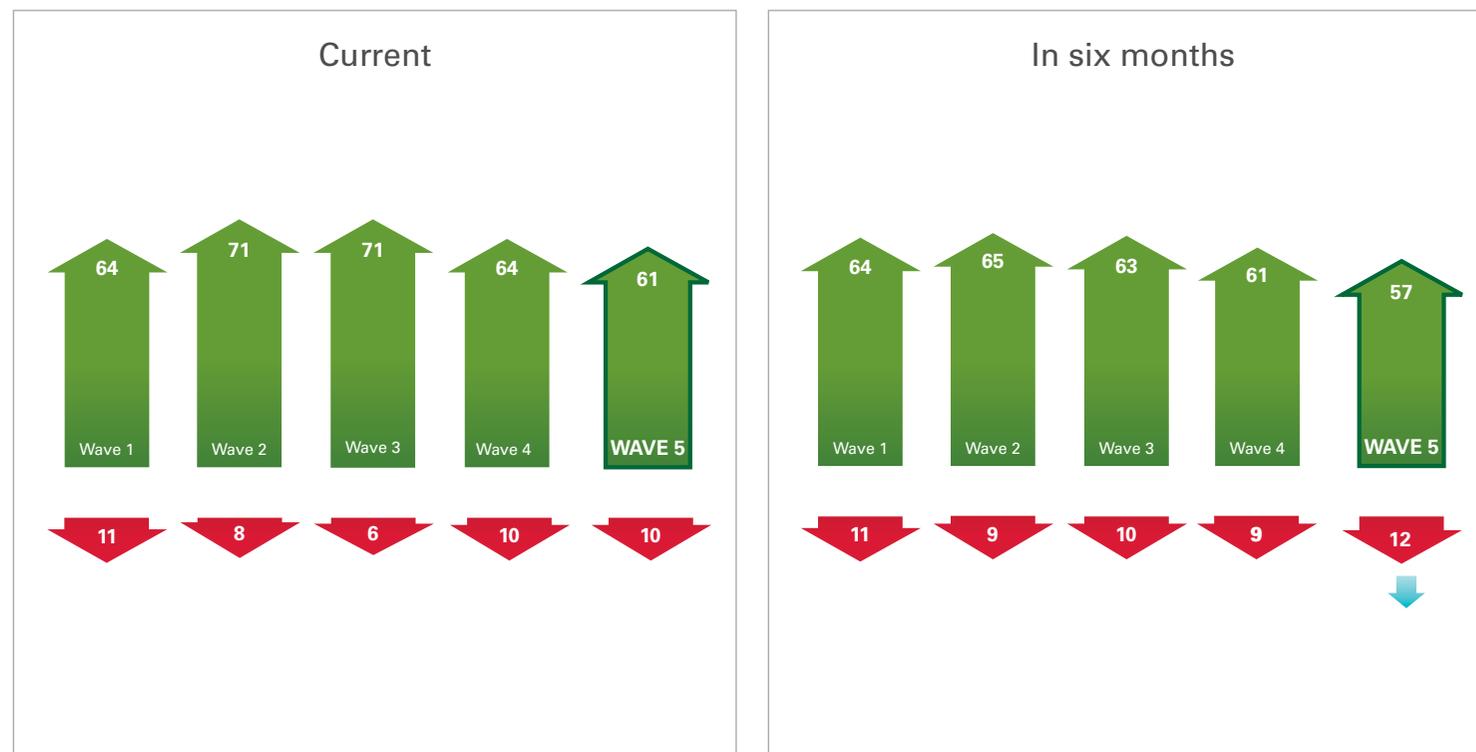
* Respondents selecting one or more professional source

** Respondents selecting one or more online source

Investment outlook

Key learning

Current and future sentiment has remained stable since wave 4. Just under two-thirds believe that the investment market has improved and a similar proportion think it will continue to improve.



These figures represent whole percentages



Indicates significant change from previous wave



Total improved



Total worsened

The figures above exclude those who answered 'Don't know' and 'about the same'.

Q6. Compared with six months ago, how do you currently view the state of the investment market?
Base: All respondents.

Q7. And looking ahead over the next six months, do you think the investment markets will improve/get worse substantially, a little, or stay the same?
Base: All respondents.

Key learning

Most investors hold life insurance and critical illness cover.

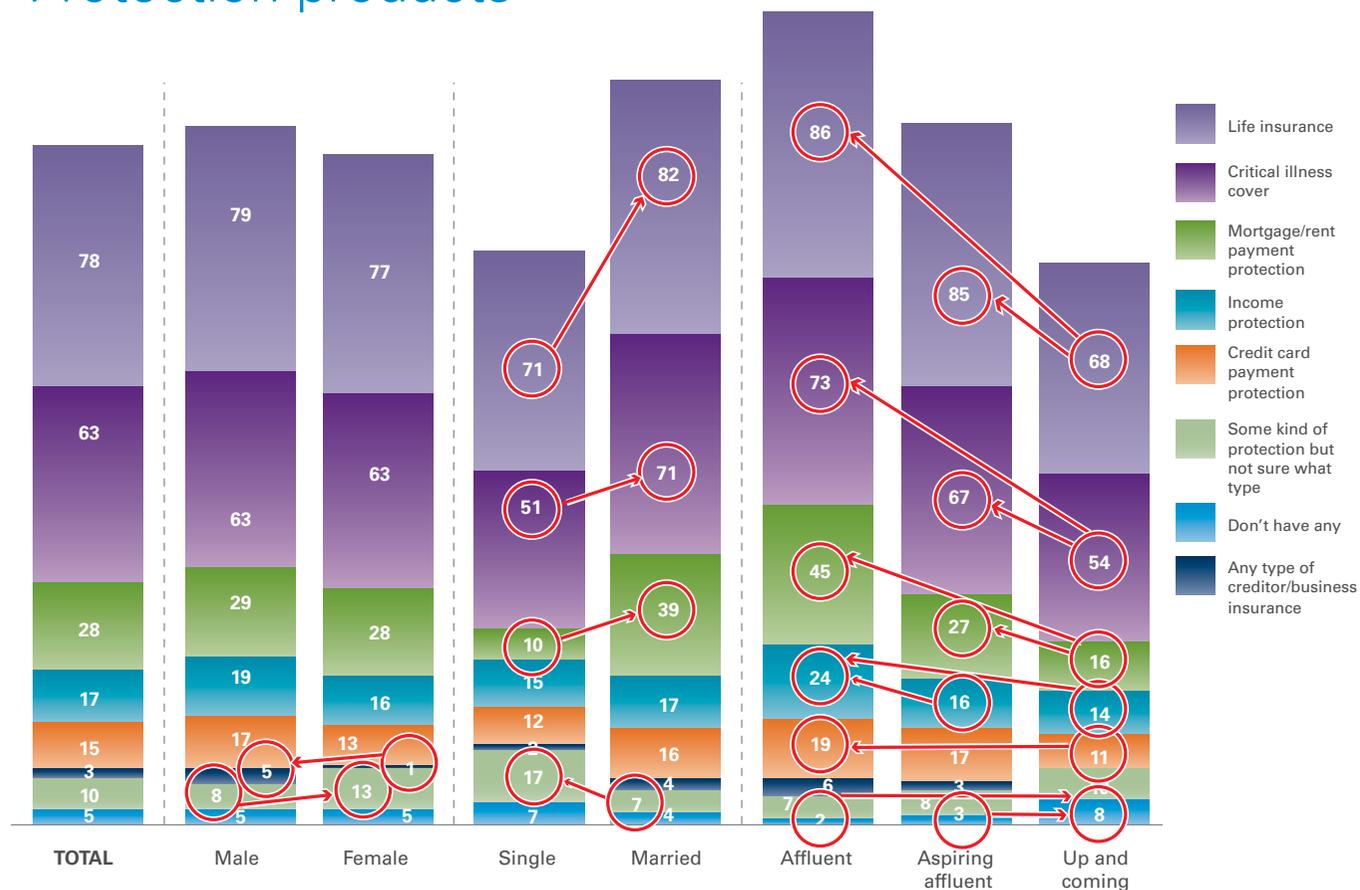
Married people are more likely to hold protection products, particularly life insurance, critical illness cover and mortgage/rent payment protection.

Unsurprisingly, affluent respondents are more likely to hold a range of protection products.

“It’s not surprising to see that married people are more likely to have some type of protection insurance. Marriage often brings the desire to protect loved ones from any unforeseen problems with their health or finances. While the results show that people have made some provision, we don’t know if this is sufficient. I urge people to check that their level of protection is sufficient and to seek help from a professional adviser.”

Chris Gill

Protection products



○ Indicates significant difference between categories

These figures represent whole percentages

Q8. Which, if any, of the following protection products do you have? Please select all that apply. Base: All respondents.

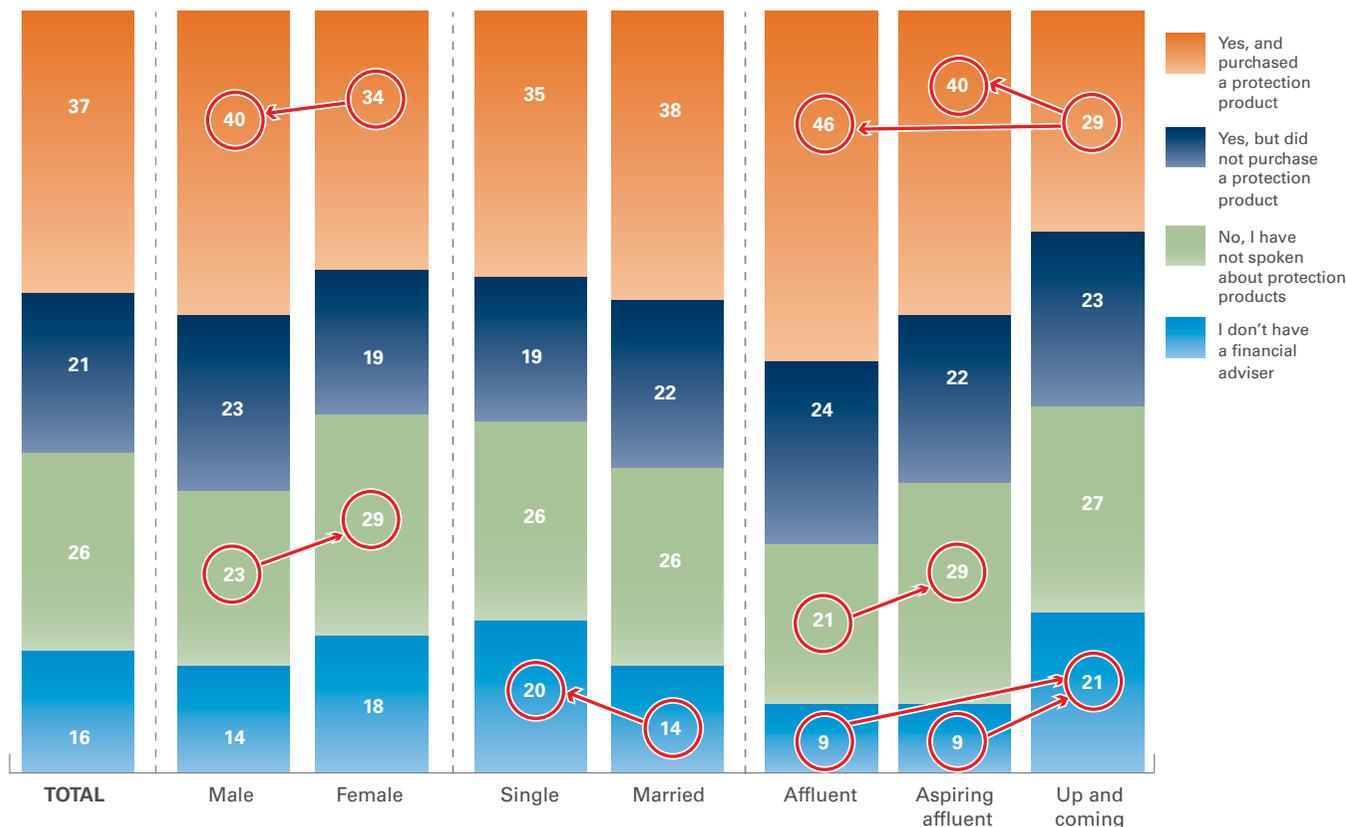
Key learning

Nearly two respondents in five have spoken to an adviser about protection products and purchased a product.

Men are more likely than women to have sought advice and purchased a protection product.

Those who are unmarried, and those with less investable assets, are less likely to have spoken to a financial adviser.

Advice on protection products



○ Indicates significant difference between categories

These figures represent whole percentages

Q9. Have you spoken to a financial adviser about protection products?
Base: All respondents.

United Arab Emirates (UAE)





Findings at a glance

- This wave we have seen a further increase in optimism amongst UAE investors, with the Friends Investor Attitudes Index soaring 5 points to 18 points. This has been driven by a more positive approach towards investing in most asset classes.
- Equities/shares show the strongest gain in favour but gold and cash are still the top preferences.
- Confidence in the current and future state of the market has increased significantly, and noticeably more investors are adopting a risk-taking investment strategy.
- The ongoing situation in some Middle East and North African countries has made one third of respondents more positive about investing in UAE.
- Interestingly, 40% of respondents have never reviewed their finances with a professional adviser. Females and single respondents are the least likely to have sought advice.

Findings at a glance from wave 4

(April 2011)

The findings show continued growth in optimism among investors in UAE. Its Friends Investor Attitudes Index has more than doubled over the last year, with three consecutive rises taking its score from six points in wave 1 to 13 points in this wave. This improvement has been helped by an increasing willingness to invest in gold.

Asset class tracking

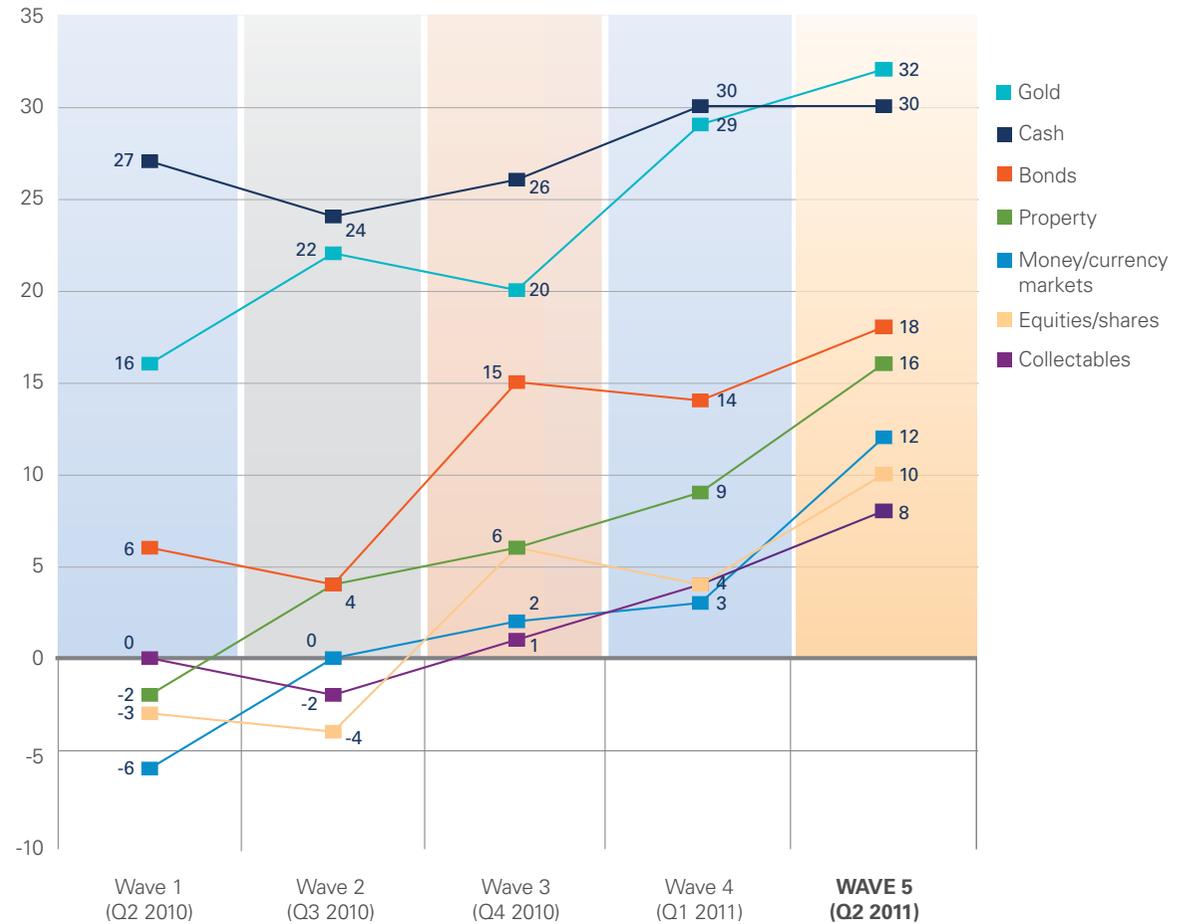
Key learning

Cash and gold remain by far the most popular asset classes for UAE investors.

Apart from cash, which has remained stable at 30 points, sentiment towards all other asset classes has risen this wave. Money/currency markets and property have risen nine and seven points respectively.

“The fact that sentiment towards all asset classes has improved is proof that confidence in the local investment market is growing.”

Matthew Waterfield



These figures represent whole percentages

Q1. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following categories? Base: All (excluding Don't knows).

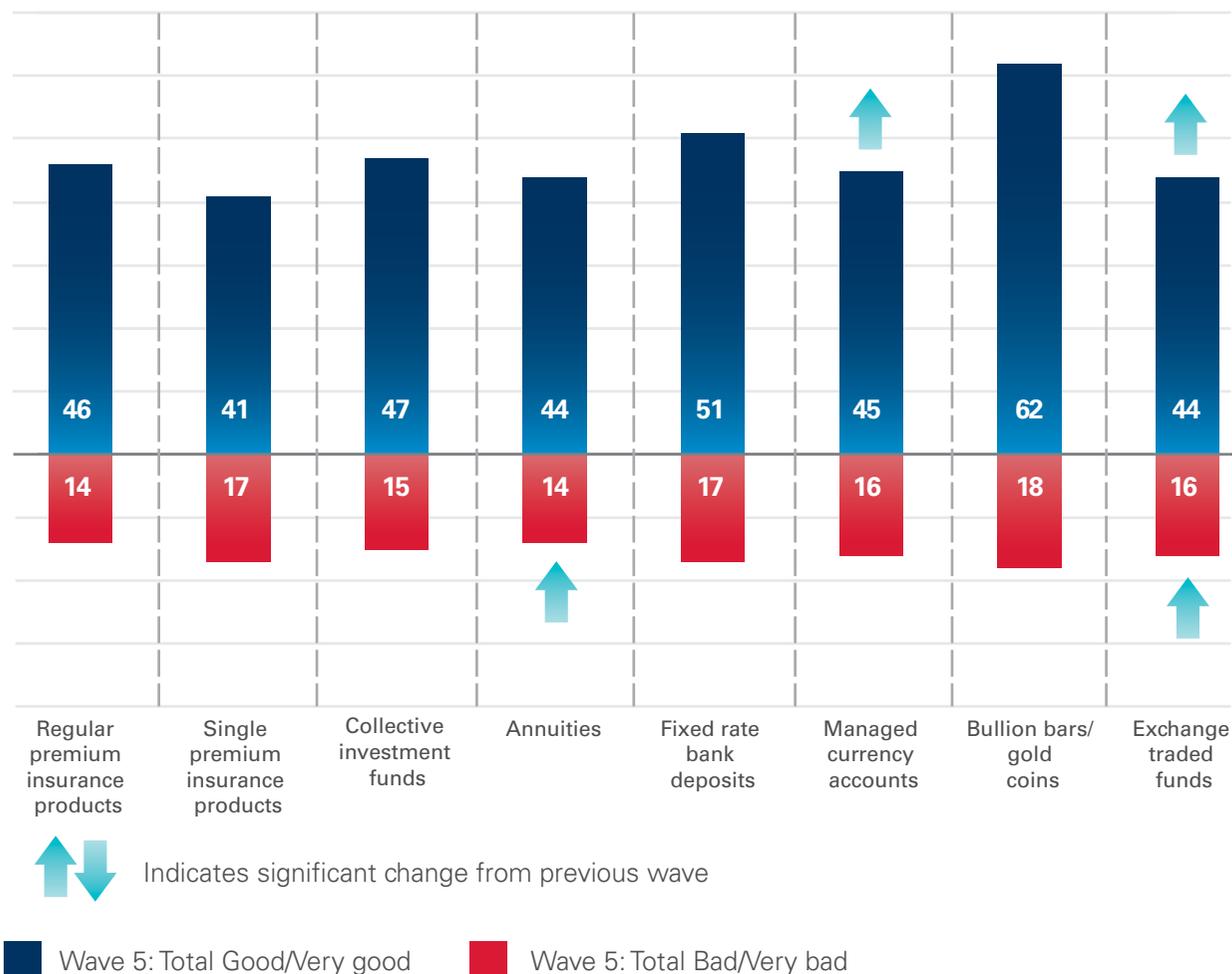
Investment instruments

Key learning

Bullion bars/gold coins is the preferred investment instrument category.

Sentiment towards a number of other instruments shows significant improvement.

Less people think now is a bad time to invest in annuities and exchange traded funds during this wave.



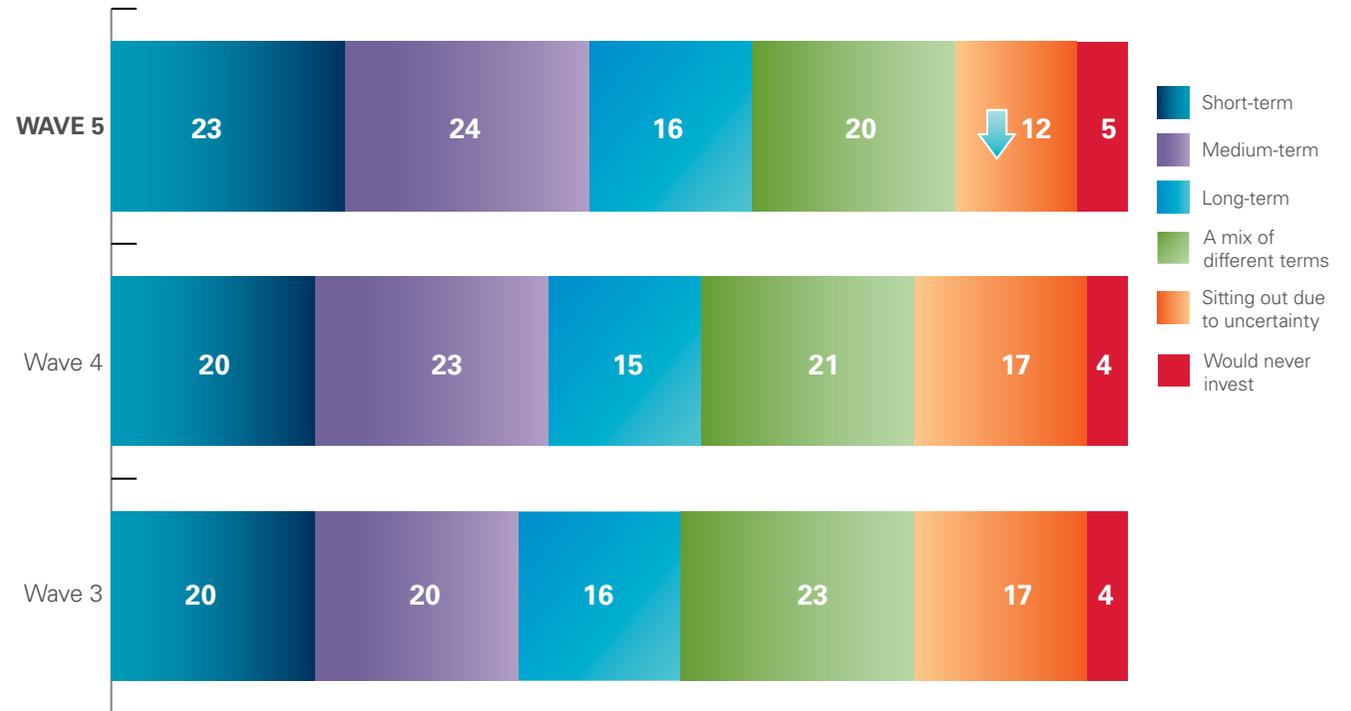
These figures represent whole percentages

Q2. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following products? Base: All (excluding Don't knows).

Investment strategy

Key learning

As in previous waves there is no strong consensus on investment strategy. However, significantly fewer investors are sitting out due to uncertainty than in wave 4.



Indicates a significant change from the previous wave

These figures represent whole percentages

Definitions:

- Short-term up to a year
- Medium-term 1 to 3 years
- Long-term more than 3 years

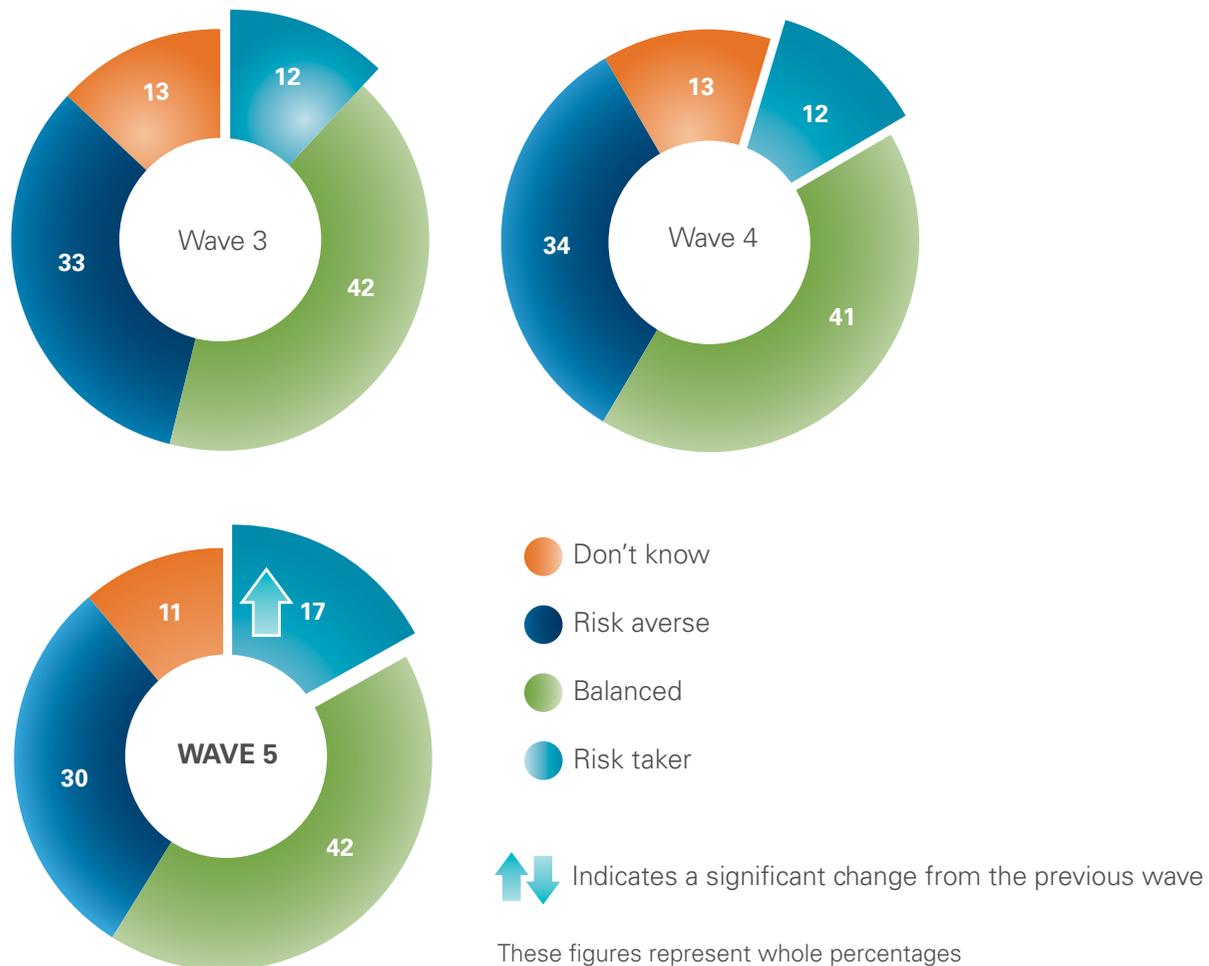
Q3. If you had the money to invest now, what type of investment would you make?
Base: All (excluding Don't knows).

Investment risk profile

Key learning

Significantly more UAE investors are now willing to adopt a risk-taking strategy than in previous waves.

However, a balanced strategy is still the most popular choice, followed by a risk-averse approach.



Q4. Which of the following is your preferred type of investment strategy?
 Base: All, excluding those who said they would never invest their money in Q3.

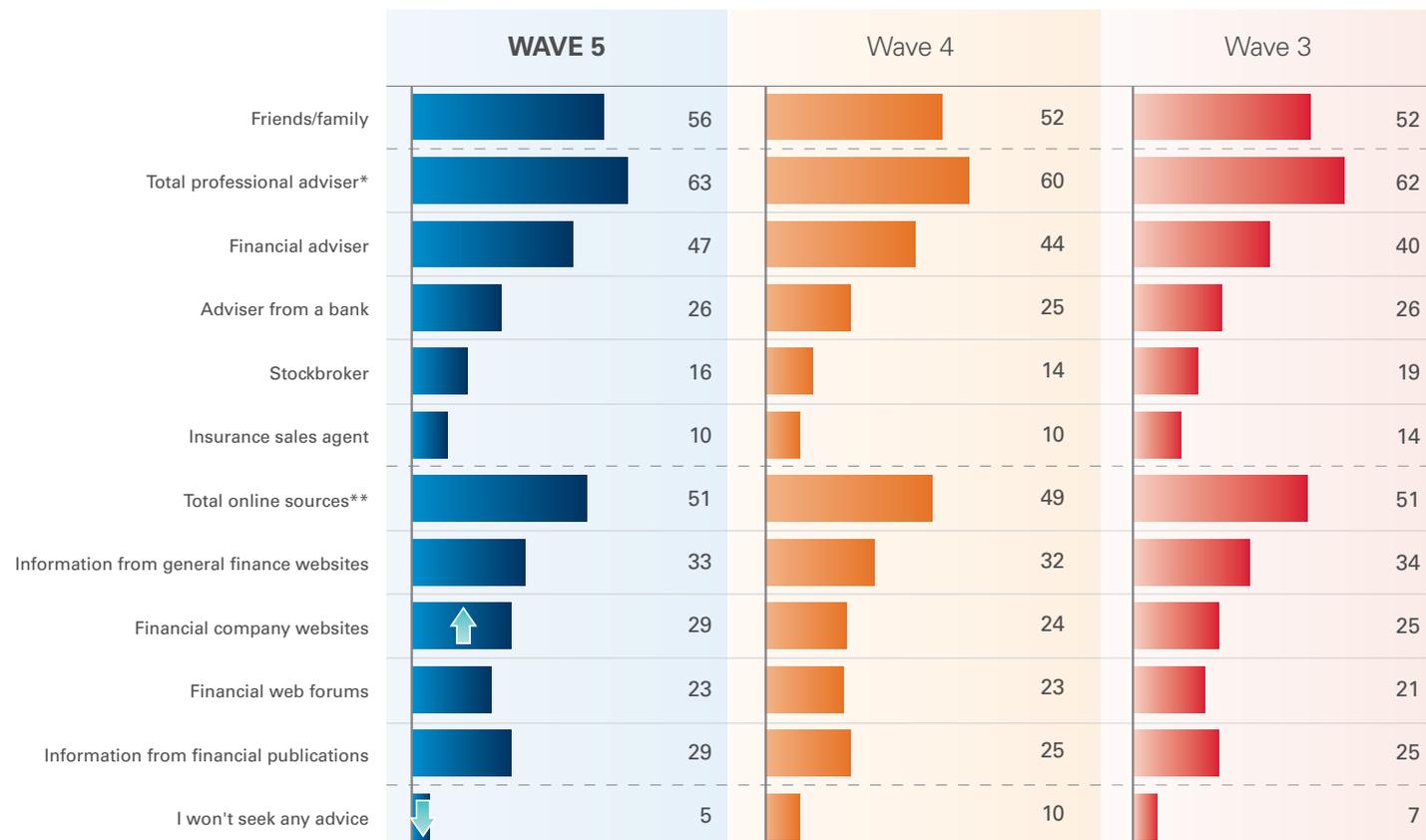
Investment advice

Key learning

Professional advisers remain the top source of information and/or advice in UAE, followed by friends/family.

Online sources remain a popular choice, with significantly more investors stating they would seek information from financial company websites than in wave 4.

There has been a notable decline in the proportion of respondents who say they would not seek any advice.



↑↓ Indicates a significant change from the previous wave

These figures represent whole percentages

* Respondents selecting one or more professional source
 ** Respondents selecting one or more online source

Q5. Which of the following sources would you seek information and/or advice from before making an investment decision? Base: All, excluding those who said they would never invest their money in answer to Q3.

Investment outlook

Key learning

Confidence in the current investment market has significantly increased amongst UAE investors.

Confidence in future markets has also risen.



These figures represent whole percentages

 Indicates a significant change from the previous wave

 Total improved  Total worsened

The figures above exclude those who answered 'Don't know' and 'about the same'.

Q6. Compared with six months ago, how do you currently view the state of the investment market?
Base: All respondents.

Q7. And looking ahead over the next six months, do you think the investment markets will improve/get worse substantially, a little, or stay the same?
Base: All respondents.

Current political situation: impact on UAE investment market

Key learning

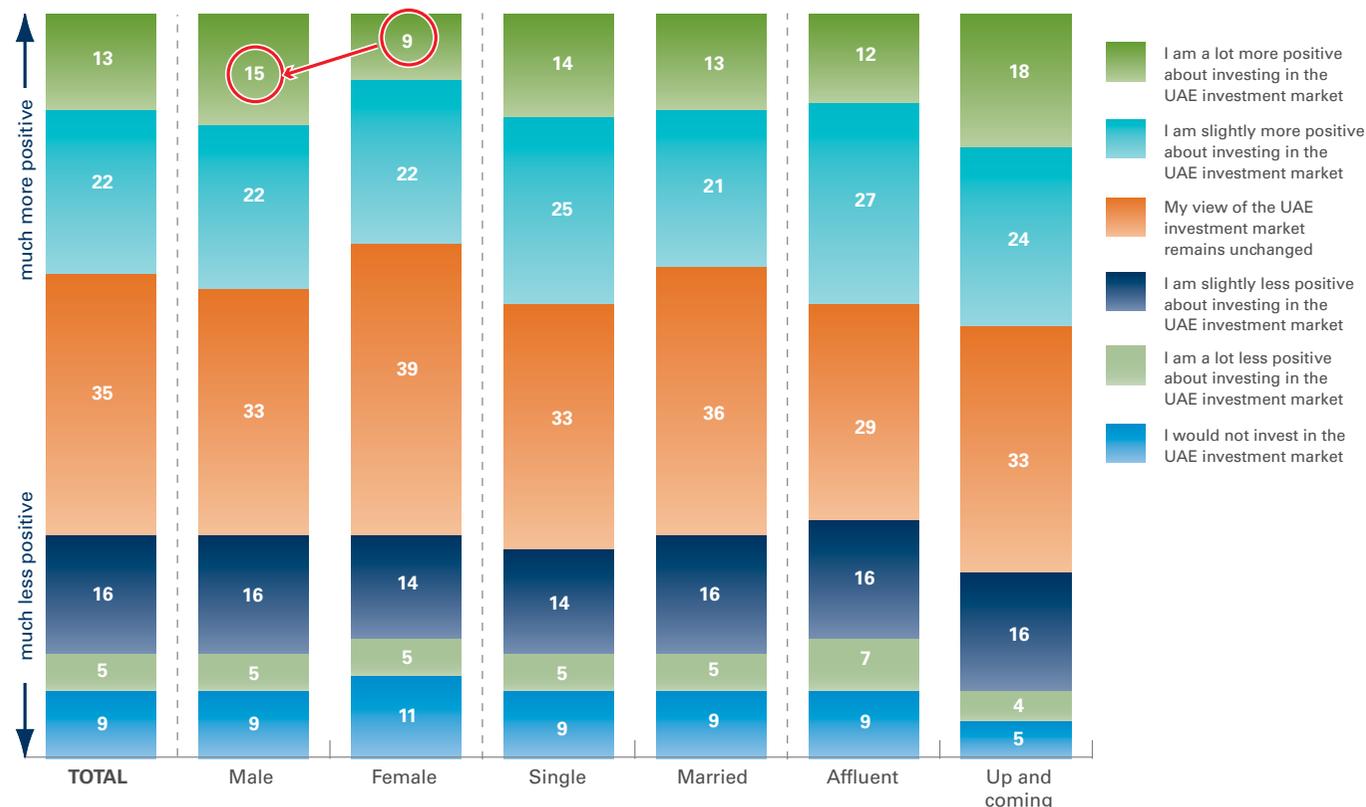
On average, one in three respondents are more positive about the UAE investment market in light of the current civil and political unrest in other countries in the region.

Just over a third state that their view is unchanged.

Males are likely to be a lot more positive towards investing in the UAE market.

“It is good to see such positivity towards the UAE investment market. The fact that the UAE is seen pretty much as a ‘safe haven’ in the region speaks volumes for the stability of the country.”

Matthew Waterfield



○ Indicates significant difference between categories

These figures represent whole percentages

Q8. How has recent – and ongoing – political and civil unrest in the Middle East and North Africa affected your view of UAE investment market?
Base: All respondents.

Professional advice

Key learning

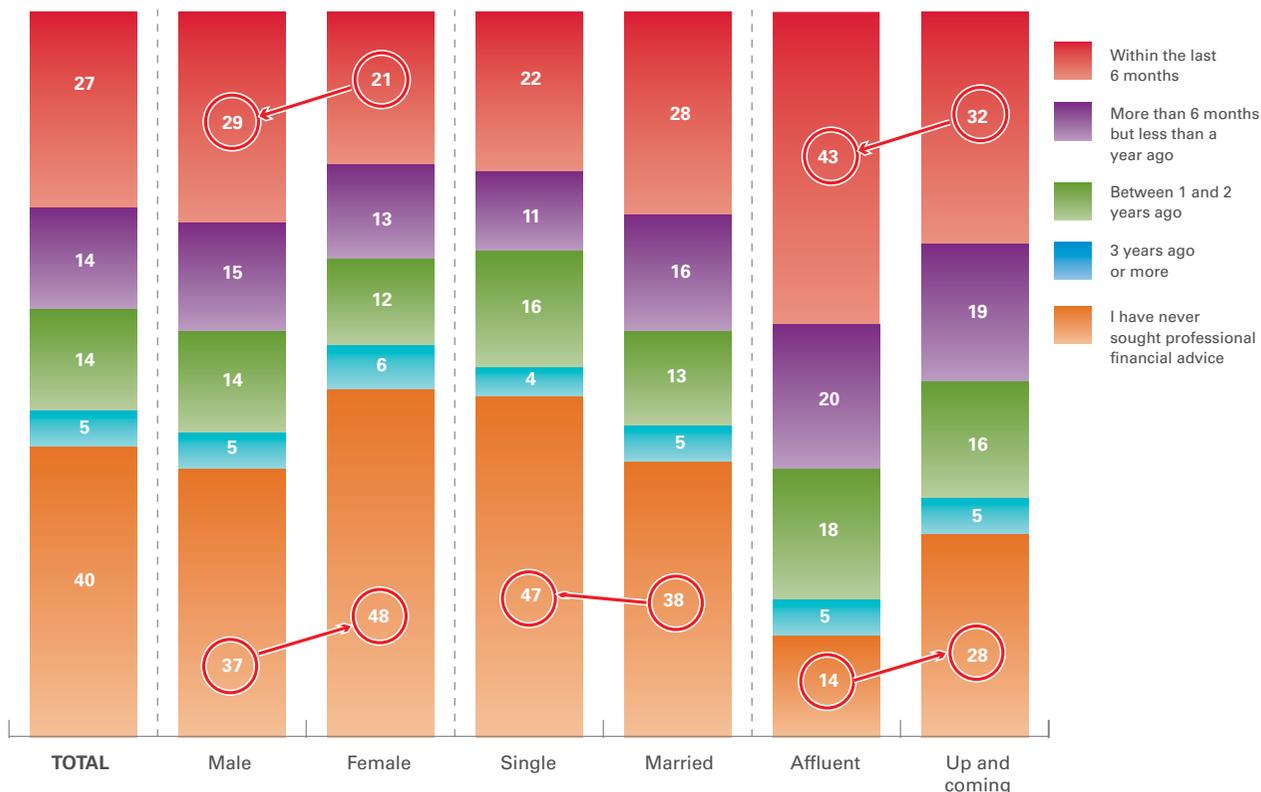
On average, two in five respondents have never reviewed their finances with a professional adviser.

Of those who have, nearly half did so within the last six months.

Affluent respondents and males are more likely groups to have sought professional advice in the last six months.

“Whilst we have seen that more investors are turning to professional advisers this wave, it is surprising to see that on average, 40% of respondents have never sought financial advice. I would urge anyone considering investing at any time to take appropriate advice, to ensure they choose suitable investments.”

Matthew Waterfield



○ Indicates significant difference between categories

These figures represent whole percentages

Q9. When did you last review your finances with a stockbroker, your bank or another professional adviser?
Base: All respondents.



Overall demographic breakdown

Hong Kong

Annual Household Income (HKD)

Up to 163,000	15%
163,001 – 327,000	21%
327,001 – 654,000	32%
654,001 – 980,000	20%
More than 980,000	6%
Prefer not to answer	6%

Investable Assets (HKD)

None	5%
Less than 100,000	27%
100,001 – 499,999	20%
500,000 and above	40%
Prefer not to answer	8%

Singapore

Annual Household Income (SGD)

Up to 39,500	22%
39,501 – 79,000	29%
79,001 – 158,000	30%
More than 158,000	12%
Prefer not to answer	7%

Investable Assets (SGD)

None	5%
Less than 20,000	24%
20,001 – 79,999	23%
80,000 and above	32%
Prefer not to answer	16%

UAE

Annual Household Income (AED)

Up to 70,800	27%
70,801 – 176,400	29%
176,401 – 352,800	16%
More than 352,800	11%
Prefer not to answer	17%

Investable Assets (AED)

None	17%
Less than 200,000	32%
200,001 and above	20%
Prefer not to answer	31%

Age	Hong Kong	Singapore	UAE
18 to 24	12%	13%	13%
25 to 34	22%	24%	47%
35 to 44	24%	27%	26%
45 to 54	26%	23%	9%
55 to 64	16%	13%	5%
65 or older	–	–	–

Gender

Male	49%	50%	73%
Female	51%	50%	27%

Marital Status

Single	33%	34%	32%
Married	58%	61%	65%
Other	9%	5%	3%

Origin

Local	93%	87%	8%
Asia – Other	6%	11%	75%
Europe/Americas/Australia	1%	2%	6%
Africa	–	–	11%

Employment

Working	80%	81%	79%
Not working	4%	7%	7%
Retired	6%	1%	1%
Student	5%	5%	6%
Stay at home mum/dad	5%	6%	7%



Glossary

1 Affluent segments

Investors for each region are classified into different affluent segments: *Affluent*, *Aspiring affluent* and *Up and coming*, based on their total investable assets (inclusive of all financial assets including cash, bonds, equities/shares, pensions etc but excluding primary residences, collectables and consumer durables).

The definitions for the segments are:

- **Affluent** – Investors with total investable assets more than HKD 500,000 or SGD 80,000 or AED 200,000.
- **Aspiring Affluent** – Investors with total investable assets more than HKD 100,000 and up to HKD 499,999, or more than SGD 20,000 and up to SGD 79,999.
- **Up and Coming** – Investors with total investable assets up to HKD 100,000 or SGD 20,000 or AED 200,000.

2 Significant

Significant means that there is a statistical belief that sentiment on the topic has either risen or fallen across the nation between the waves of interviewing.

A significant change from one number to another is a change that is unlikely to have occurred by chance or as a consequence of sampling. It means that, should the data show a significant rise from one wave to the next, then should you have interviewed the whole population in one wave, and then interviewed them again in the second wave, there is statistical belief that a rise in sentiment on the topic in hand would be seen.

In this document, and generally within market research, all statistical significances are down to a 5% margin of error, meaning that we are 95% confident these changes are reflective of real attitude shifts in the population.



Contact us

At Friends Provident International, we pride ourselves on being a global company. We operate across the world, in markets that are fast-growing and include both expatriates and local customers.

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