



Friends Provident International Investor Attitudes Report

Edition Three – November 2013





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About the survey

The survey has been conducted by Ignition House, a specialist financial services market research agency and SKOPOS, a multi-country market research consultancy, specialising in the digital space.

Online/Phone to web interviews were conducted in the same period for all three countries – 4–18 October 2013 – to ensure that respondents were answering the questions in a similar financial market environment.

The total sample size for Edition Three was just over 1,600 to ensure the collection of robust data.

The breakdown for each country was:

- **Hong Kong** – 512 interviews
- **Singapore** – 570 interviews
- **United Arab Emirates** – 525 interviews.

Identifying more wealthy respondents

The more wealthy respondents for each region have been identified based on their total investable assets (inclusive of all financial assets including cash, bonds, equities, pensions except for the CPF in Singapore – but excluding primary residences, collectables and consumer durables).

To be included in the survey, respondents must meet the following criteria:

| Region | Aspiring affluent | Affluents |
|-----------|-----------------------|---|
| Hong Kong | HKD 500,000 – 999,999 | Investable assets of HKD 1m |
| Singapore | SGD 80,000 – 199,999 | Investable assets of SGD 200,000 – 1m |
| UAE | N/A | Affluent expatriates with USD 4,000 per month disposable income or a lump sum of USD 100,000 (or equivalent) to invest. |

Please note, in some slides percentages may not add up to 100% due to rounding.



Reliance on advisers provides an opportunity for innovation



As I read my last commentary for inspiration for this edition, I find it hard to believe another six months have passed since the last edition – 2013 is almost over already.

I think the most interesting finding is about the people behind the report. In Hong Kong, 22 percent of male respondents aspire to spend their retirement looking after their grandchildren. The figure was just 13 percent of women – perhaps raising one generation was enough.

Positivity about the investment climate is broadly in line with the last edition, and the Friends Provident International Investor Attitudes Index now stands at 28 points for both Hong Kong and the UAE, and at 22 points for Singapore. Although the Hong Kong and Singapore indices have fallen over the last year, the results are still reasonably positive.

For this wave, splitting out residential and commercial property has provided some interesting results. Whilst property as a whole sees its second drop in positive sentiment, by five index points, commercial property is seen as a good long-term investment in all three regions; proving to be more popular in Hong Kong and the UAE than residential property.

'Reliance on financial advisers suggests that perhaps there are opportunities for them to innovate or create a niche offering... along the lines of retirement planning, investment opportunities that minimise currency risks..., or providing access to popular commercial property funds.'

Gold has dropped by a minimal amount, which is probably expected given its flat returns, but once again, this asset and equities/shares remain the most attractive asset classes.

On the topic of financial advice, the good news for financial advisers is that affluent investors tend to seek their professional advice. Whilst the number of respondents who rely totally on their financial adviser is very low, 11 percent in both Hong Kong and the UAE and just six percent

in Singapore, the majority of respondents in all three regions said that they 'rely a lot' on their financial adviser. This perhaps implies that they might do their own research alongside what they are recommended. Very few use their financial adviser as execution only; eight percent in the UAE, six percent in Singapore and just three percent in Hong Kong.

Education and retirement were the top savings priorities across all three regions.

This information, alongside the reliance on financial advisers, suggests that perhaps there are opportunities for them to innovate or create a niche offering. This could be along the lines of retirement planning, investment opportunities that minimise currency risks (since 40% of Singapore based respondents want to send their children abroad to study), or providing access to popular commercial property funds (the usual way to access commercial property as an asset class).

James Tan

Managing Director, Friends Provident International



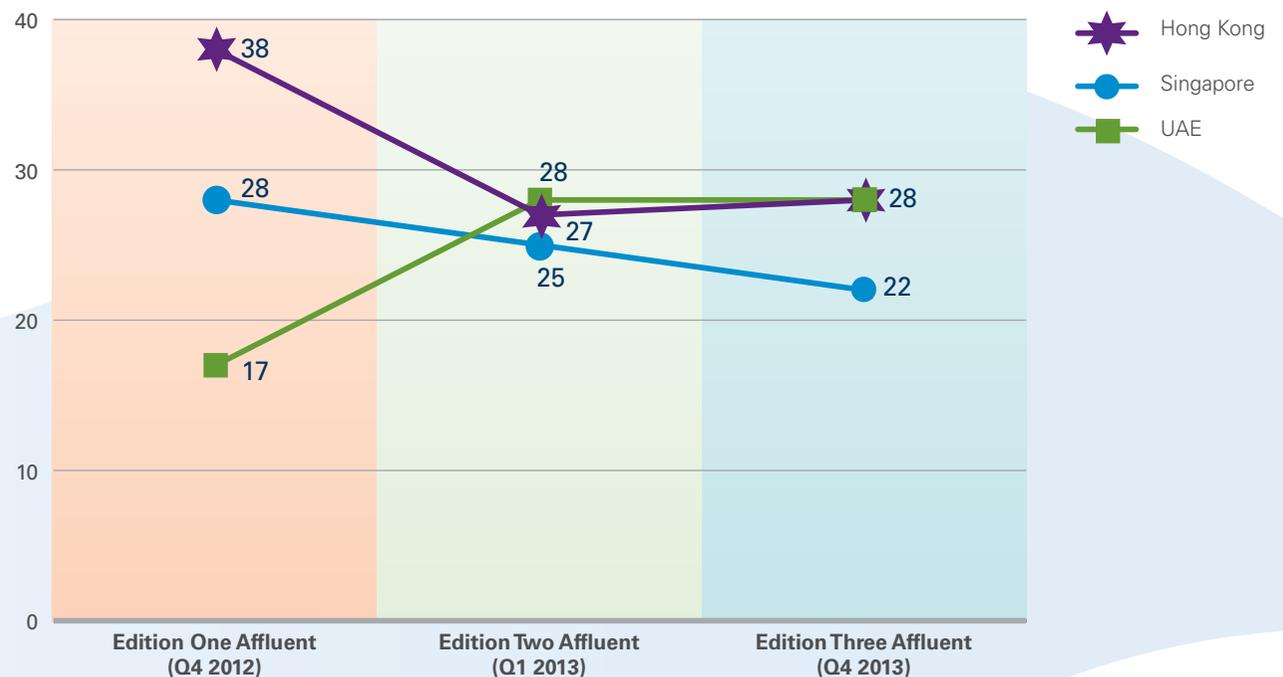
A look at the regions

Attitudes in the three regions continue to be broadly aligned

Investors' attitudes in all three regions have not changed significantly since the last edition of the Friends Provident International Investor Attitudes Report and, on balance, affluent respondents remain positive about the current investment climate.

Of the three regions, investors in Singapore are slightly less positive about the current investment climate than investors in Hong Kong or the UAE, and are slightly less positive now than they were in the last edition (April 2013).

Friends Investor Attitudes index



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 the total number of respondents (excluding Don't knows).



A look at asset classes

Across the three regions, respondents are most positive about gold and equities

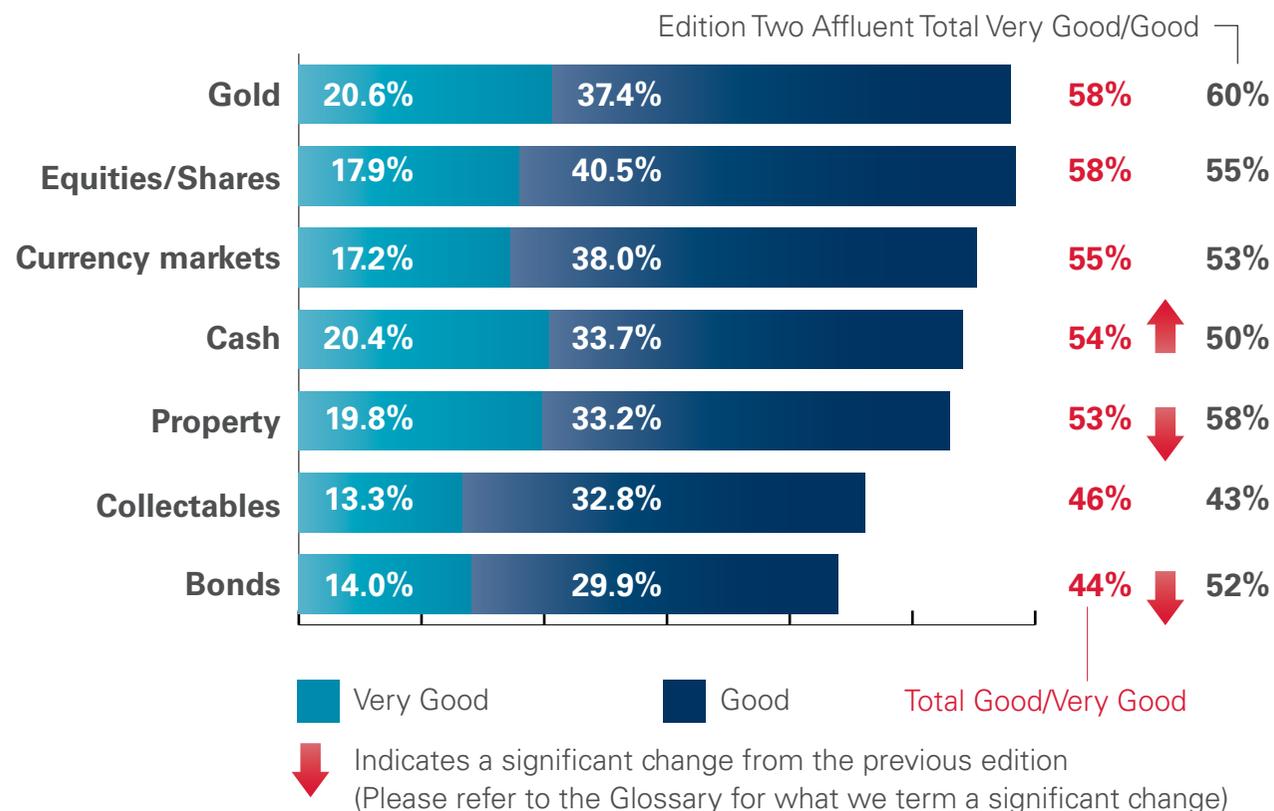
Gold has continued to hold its position as the most positive asset class, although investment sentiment has deteriorated slightly in both Hong Kong and Singapore. In contrast, attitudes to equities have continued to improve, bringing preference for this asset class in line with gold.

Affluent investors are now less confident about investing in bonds and property

Uncertainty about the current US fiscal situation would appear to have had an impact on respondents' confidence in US government bonds with just 36% of respondents saying now is a very good or good time to invest. In contrast, attitudes towards investment in corporate bonds and emerging market government bonds are more positive with 45% and 51% respectively saying now is a 'very good' or 'good' time to invest.

While on balance respondents across the three regions remain positive about property, investment sentiment has declined slightly in all three markets, and most notably in the UAE.

Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following categories?





A look at asset classes by region

Despite similar Investor Attitudes index scores, there is a divergence of opinion on individual asset classes across the regions

Although the overall index scores are broadly in line, there are some significant differences by region.

Large divergence of opinion about property

Despite a slight downtick in sentiment since the last edition, the UAE remains the most positive about investing in property, with just 12% thinking now is a bad time to invest and 63% thinking now is a good time.

In contrast, affluent respondents in Hong Kong and Singapore are less positive about the property market; around a fifth to a quarter (26% in Hong Kong and 18% in Singapore) saying the market is not currently attractive.

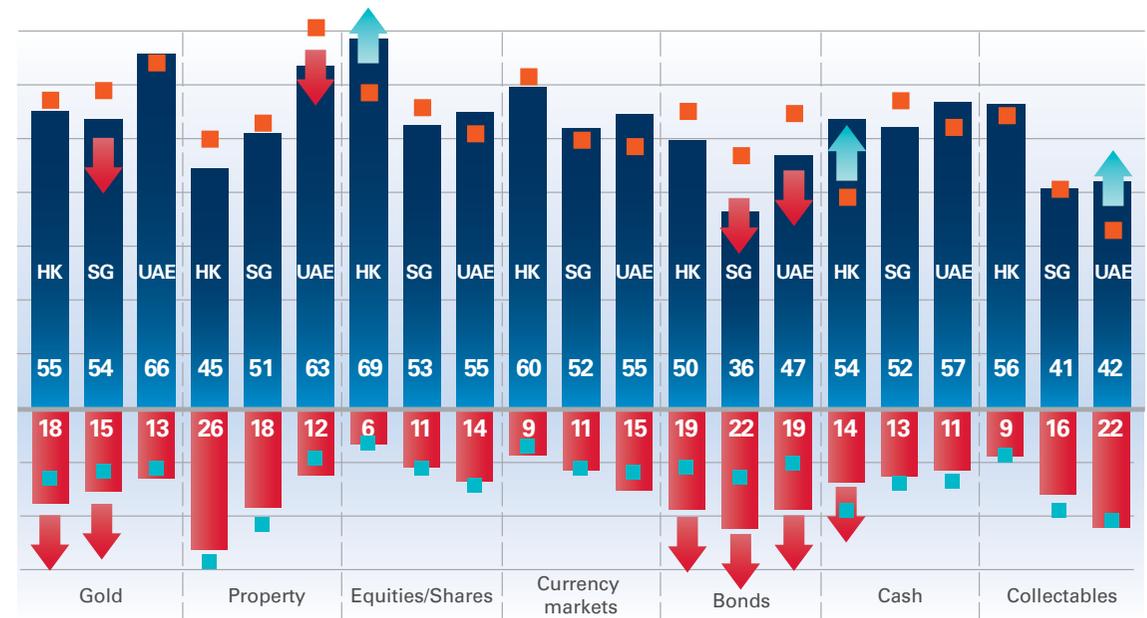
Hong Kong is the most positive about equities

There has been a significant uptick in sentiment towards equities in Hong Kong with 69% of respondents saying now is a good time to invest, versus 59% in the last edition. Furthermore, Hong Kong respondents are now notably more positive about equities than respondents in the other two regions.

Both Hong Kong and Singapore are less positive about gold

While respondents in the UAE have not changed their attitude towards investing in gold since the last edition, those in Hong Kong and Singapore have become significantly less positive. Consequently, the UAE is now by far the most positive towards gold of the three regions, with 66% of respondents saying now is a good or very good time to invest versus 55% in Hong Kong and 54% in Singapore.

Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following categories?



■ Edition Three: Total Bad/Very Bad ■ Edition Three: Total Good/Very Good
■ Edition Two: Total Good/Very Good ■ Edition Two: Total Bad/Very Bad

↑ ↓ Indicates significant change from previous wave

These figures represent whole percentages.



Key findings

Investor Attitudes in Hong Kong

- ❖ No significant change in the Investor Attitudes index score for Hong Kong
- ❖ No significant change in the investment outlook for the next six months
- ❖ Just under half of respondents think the global economic situation will get worse over the next six months
- ❖ The US and Japanese economies are causing some concern
- ❖ Respondents are now less positive about 'safe assets' such as gold and bonds
- ❖ Significant uptick in sentiment towards equities in Hong Kong
- ❖ Confidence in cash has increased significantly
- ❖ Less optimistic on property, especially residential property
- ❖ By far the most popular investment strategy is to take a balanced approach
- ❖ Significant difference in risk appetite by gender and affluence
- ❖ 65% report they feel financially secure
- ❖ 27% would seek advice from a financial adviser before making an investment decision
- ❖ Very few of those with an adviser rely totally on their advice
- ❖ Almost two thirds of respondents said that their retirement dream is to travel around the world
- ❖ Respondents have aspirations to have an active early retirement

Investor Attitudes in Singapore

- ❖ Small drop in the index score for Singapore
- ❖ No significant change in the investment outlook for the next six months
- ❖ Over a third of respondents think the global economic situation will get worse over the next six months
- ❖ The US and Japanese economies are causing some concern
- ❖ Outlook on the euro zone is positive and had not changed since the last edition
- ❖ Confidence in bonds has dropped significantly
- ❖ There has been a slight downtick in sentiment towards gold
- ❖ Confidence in cash, equities and property remains stable
- ❖ By far the most popular investment strategy is to take a balanced managed approach
- ❖ Only 45% feel financially secure
- ❖ 41% would seek advice from a financial adviser before making an investment decision
- ❖ Very few of those with a financial adviser said they rely totally on their advice
- ❖ Most affluent respondents will save significant sums for their child's university education
- ❖ Most expect their children to be educated in Singapore, but have a wide range of views on how much it will cost if they were to send their child to study abroad
- ❖ The majority expect children educated abroad to have a higher earning potential

Investor Attitudes in UAE

- ❖ No change in the index score for the UAE
- ❖ No significant change in the investment outlook for the next six months
- ❖ Four in ten think that the global economic situation will get much worse over the next six months
- ❖ The US economy is causing some concern, but most respondents are positive about Japan and the euro zone
- ❖ Gold and property remain the preferred asset classes
- ❖ Equities has the highest index score since the survey began
- ❖ Confidence falls for bonds
- ❖ Highest proportion of respondents across the three regions following a capital preservation strategy
- ❖ Just over half of affluent respondents feel financially secure
- ❖ Just 30% would seek advice from a financial adviser before making an investment decision
- ❖ Very few of those with an adviser rely totally on the advice given
- ❖ Just 6% of respondents would invest a windfall of AED 300,000 in their pension
- ❖ Around half non-resident Indian (NRI) respondents would have considered an alternative to sending money home if they had known the downside currency risk five years ago



Global reach, local insight

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



David Knights

General Manager, North Asia
Friends Provident International

'There has been a significant uptick in sentiment on equities, and respondents in Hong Kong are more positive in the other two regions.'



Chris Gill

General Manager, South East Asia
Friends Provident International

'The majority of respondents (with children) are aware of the need to start saving for their child's university education before their child's fifth birthday.'



Matthew Waterfield

General Manager, Middle East and Africa
Friends Provident International

'There are mixed views on the global investment outlook, and there does appear to be a good deal of uncertainty at the moment. This reinforces the importance of taking suitable investment advice with a view to building a balanced and diversified portfolio that can weather the short-term peaks and troughs of the global investment markets.'



Hong Kong





Findings at a glance – Hong Kong

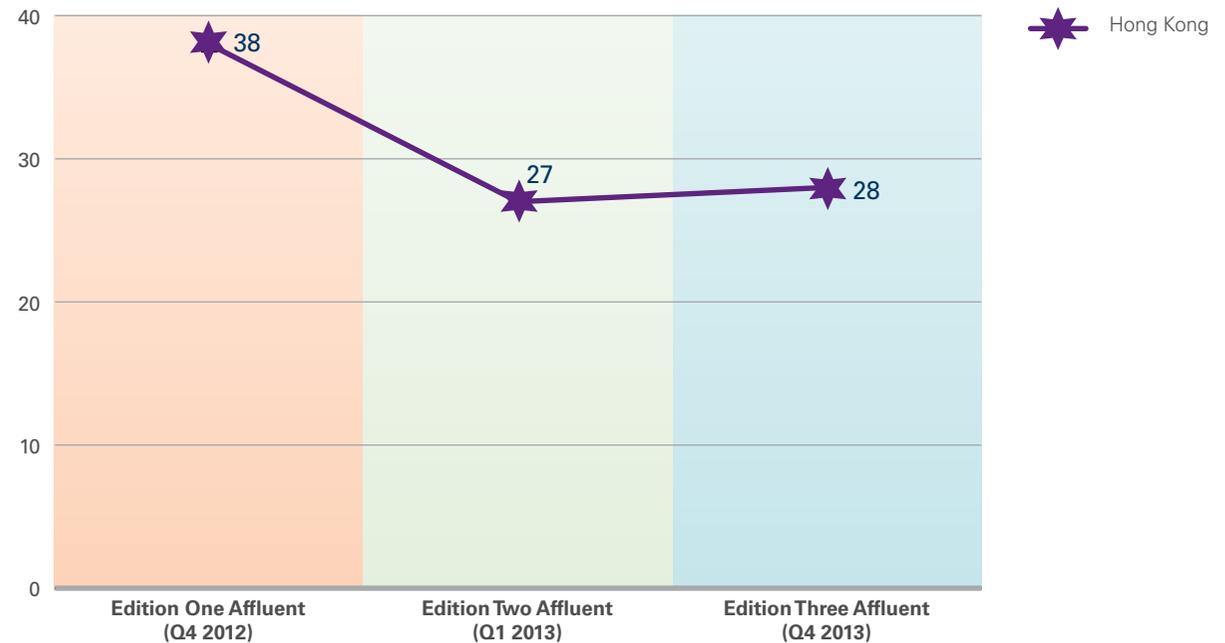
No significant change in the Friends Provident International Investor Attitudes index score for Hong Kong

Affluent respondents in Hong Kong remain positive about the investment climate and overall views are broadly the same as the last edition.

'In Hong Kong, affluent investors feel almost the same in terms of investment sentiment as they did in the last edition.'

David Knights

Hong Kong Friends Investor Attitudes index



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 the total number of respondents (excluding Don't knows).



Investment outlook

No significant change in the investment outlook for the next six months

Respondents remain broadly optimistic about the short-term investment outlook and there has been no significant change since the last edition – 58% say the investment climate will improve over the next six months, while 15% say it will worsen.

However, there has been a slight deterioration in respondents' outlook in comparison to Edition One conducted in Q4 last year.

'Investment outlook for the next six months remains broadly positive as it was earlier in the year.'

David Knights

Looking ahead over the next six months, how do you think the investment market will change?



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



Investment outlook

Just under half of Hong Kong respondents think the global economic situation will get worse over the next six months

There has been a significant increase in the proportion of respondents who think that the global economic situation will get worse over the next six months compared to the last Investor Attitudes research – just 34% in the last edition agreed or strongly agreed with this statement, compared to 45% in this edition.

The US and Japanese economies are causing some concern

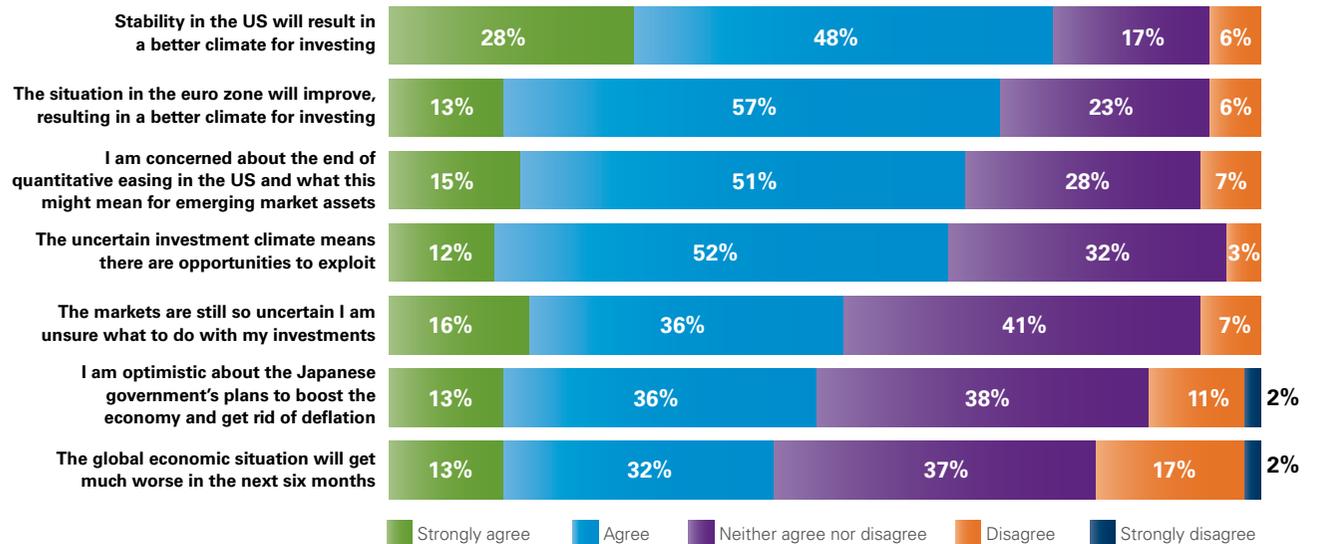
Just over three quarters of respondents agreed that fiscal stability in the US would have a positive influence on the investment climate (slightly down on the last edition), but two thirds expressed concern about what impact the end of quantitative easing will have on emerging market assets.

Affluent respondents are quite sceptical of efforts in Japan to boost their economy – just under half feel optimistic that these actions will bear fruit.

Uncertainty means there are opportunities to exploit – but how?

64% believe they can exploit this current uncertainty, but knowing exactly how to leverage this uncertainty is trickier, with just over half reporting they are finding it difficult to know what to do with their investments in the current climate. This has not changed significantly since the last edition.

To what extent do you agree or disagree with the following statements?



‘The global economic situation remains a concern for respondents. Just over half say they are uncertain what to do with their investments at this time. On the other hand, there is an increase in those thinking that the economic situation will worsen, from 34% to 45%.

‘Similar to the last edition, 64% of respondents think they can exploit current uncertainty. However, over half are still not clear where to invest due to the current climate.’



Asset class tracking

Respondents in Hong Kong are now less positive about 'safe' assets such as gold and bonds

While sentiment remains positive for all asset classes in Hong Kong, respondents are significantly less positive about gold and bonds compared to March's research.

Nevertheless, 55% of respondents still think now is a good or very good time to invest in gold and almost 70% of respondents think that gold will be a good long-term investment compared to 'safe' assets such as cash and US government bonds.

There is a more mixed picture on bonds. 41% think now is a good or very good time to invest in US government bonds, but 28% think now is a bad or very bad time. Emerging market bonds are faring slightly better, as 57% think it is a good or very good time to invest, compared to 15% who think it is a bad or very bad time. Corporate bonds again have a more positive picture, with 50% thinking now is a good or very good time to invest compared to 14% who think now is a bad or very bad time.

'We can see respondents are less positive about "safe assets" such as bonds and gold than in the last edition. When we look at different bond classes separately, 28% think it's a bad time to invest in US bonds, compared to only 15% who think it's a bad time to invest in EM Bonds.'

There has been a significant uptick in sentiment towards equities in Hong Kong

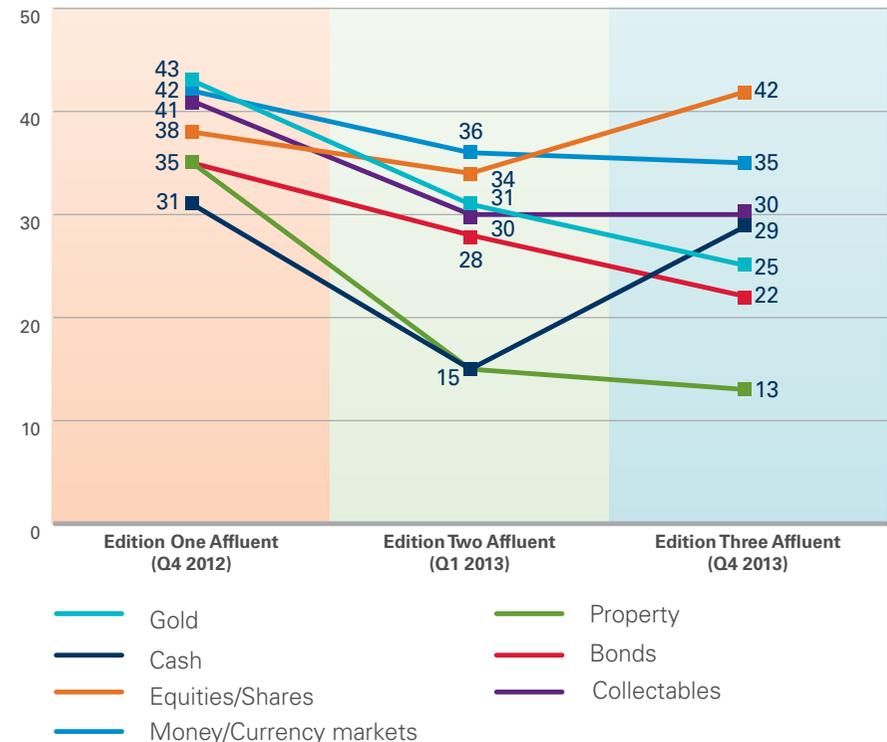
69% of respondents in Hong Kong say now is a good or very good time to invest, versus 59% in the last edition, while just 6% say now is a bad or very bad time to invest. Respondents in Hong Kong are the most positive about equities of the three regions. 67% of respondents in Hong Kong think that equities offer better investment opportunities than other asset classes.

Confidence in cash has increased significantly

Cash has seen the largest improvement in sentiment, increasing by 14 index points since the last edition. Looking at the underlying numbers in more detail, this increase means that attitudes in Hong Kong are now more aligned with the other regions.

Despite this positive outlook on cash, 59% of respondents are still willing to take a bit more risk with their investments, and just 52% prefer to be in cash or US government bonds due to uncertain times.

Asset class tracking – Hong Kong



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 the total number of respondents (excluding Don't knows).



Asset class tracking

‘There has been some improvement in sentiment on equities: 69% positive compared to 59% last edition and only 6% negative. The property sentiment has changed little from the last edition, and respondents are more positive about commercial property than residential property.’

David Knights

To what extent do you agree or disagree with the following statements?

Considering gold hasn't performed as well this year, it will continue to deliver good returns over the long term compared to other 'safe' assets such as cash and US government bonds?



Commercial property is a good long-term investment and will continue to go up



Residential property is a good long-term investment and will continue to go up



I am willing to take a bit more risk with my investments now as returns on the 'safer' assets, such as cash or US government bonds, are not giving me what I need



The markets are still so volatile, I prefer to be in 'safer' assets such as cash or US government bonds



I see better opportunities investing in equities/shares



I believe there is a higher investment return potential investing in Collectables (e.g. wine, vintage cars, stamps, antiques, art or jewellery)





Investment strategy

By far the most popular investment strategy is to take a balanced approach

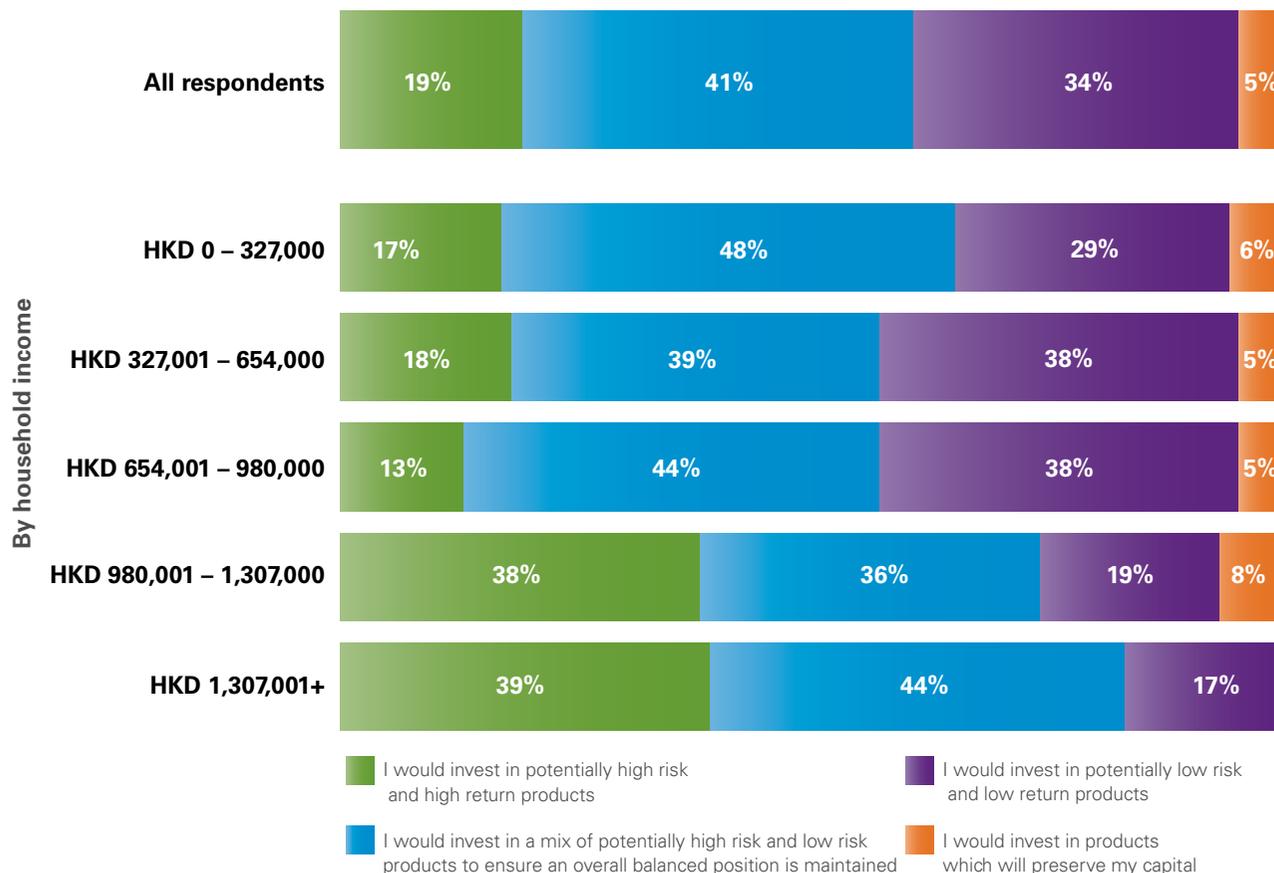
Hong Kong respondents prefer a balanced investment strategy, with 41% reporting this as their preferred option. 19% report they would take a high risk/high return approach versus 34% that would take a low risk/low return approach. There is again very limited interest in a capital protection strategy, with just 5% saying they would invest in products to preserve their initial capital.

However, there is a significant difference in risk appetite by gender and affluence

More affluent respondents have a much higher propensity to follow a high risk/high return strategy than a low risk/low return strategy.

Equally, men are significantly more likely to follow a high risk/high return strategy compared to women – 24% of male respondents versus just 14% of female respondents.

If you had money to invest now, which of the following would best describe your preferred investment strategy?



Note: The figures above exclude those who answered 'Don't know'.

Note: By Income figure excludes respondents who preferred not to divulge their household income.



Financial confidence

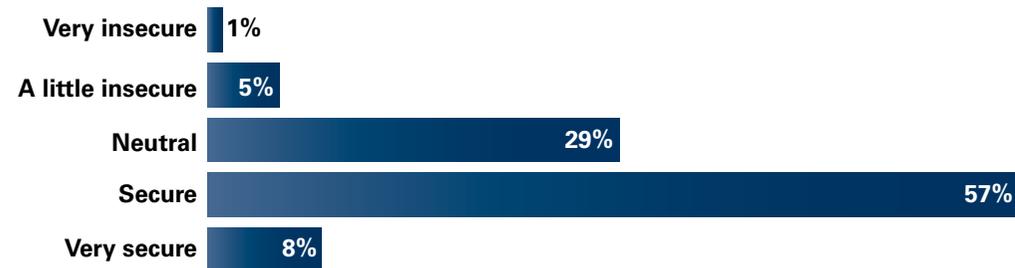
65% report they feel financially secure – significantly higher than the previous wave

The proportion reporting they feel financially secure has increased from 52% in the last edition to 65% in this edition. It is too early to say whether this is due to improving confidence in the global markets and the Hong Kong economy, but it is a promising indicator.

‘According to the research 65% of respondents feel financially secure compared to 52% in the previous edition.’

David Knights

How financially secure do you feel?





Financial advice

Very few of those with an adviser rely totally on their advice

Around nine out of ten would do some research themselves to make sure they are happy with what their adviser is suggesting.

Almost a quarter of the affluent respondents with an adviser have an idea of where they would like to invest and simply validate with their adviser. Women are more likely to do this than men, who are more likely to rely a lot on their adviser.

'It is obvious that respondents in Hong Kong are well informed about financial situations, but despite this, 63% of the respondents still rely a lot on their advisers.'

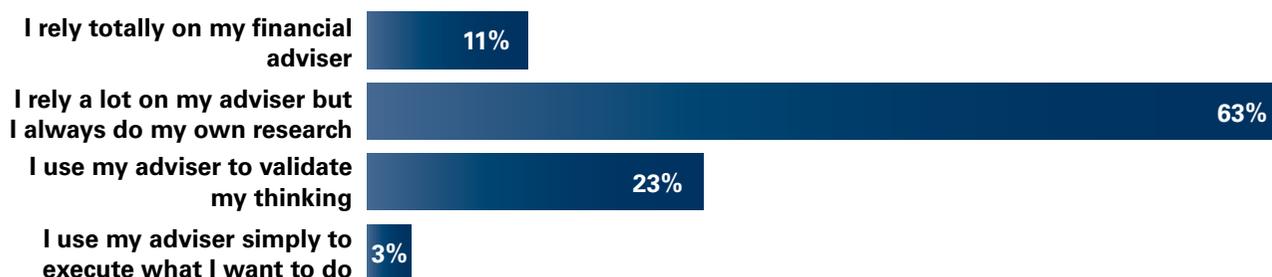
David Knights

Source of financial advice

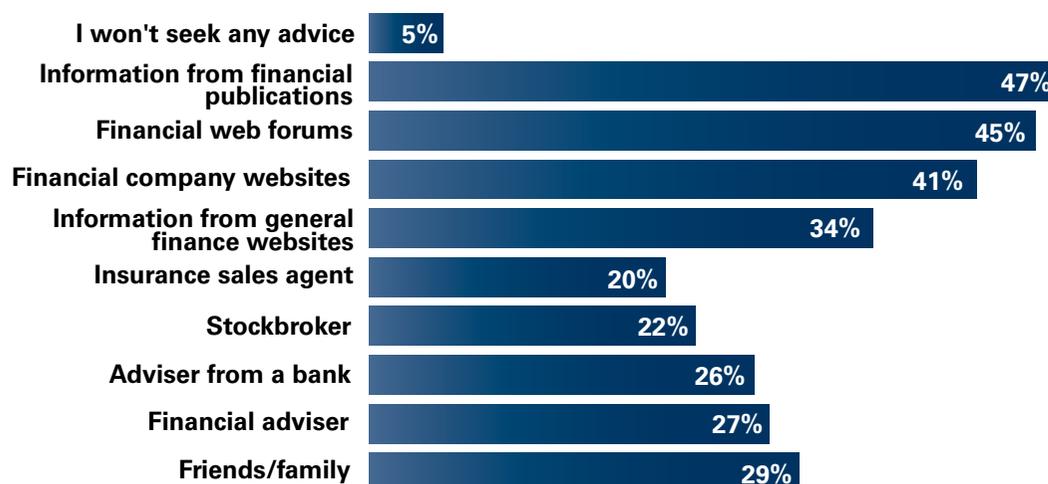
Just 27% would seek advice from a financial adviser before making an investment decision

The likelihood of seeking advice increases a little with age and higher levels of investible assets, but even at the top end, only a third of those with more than HKD 1 million in investible assets are looking for help from a financial adviser. Respondents are just as likely to seek help from their bank, and 45% report looking at financial forums for information.

To what extent do you agree or disagree with the following statements about how you go about financial planning?



Which of the following sources would you seek information and/or advice from before making an investment decision??

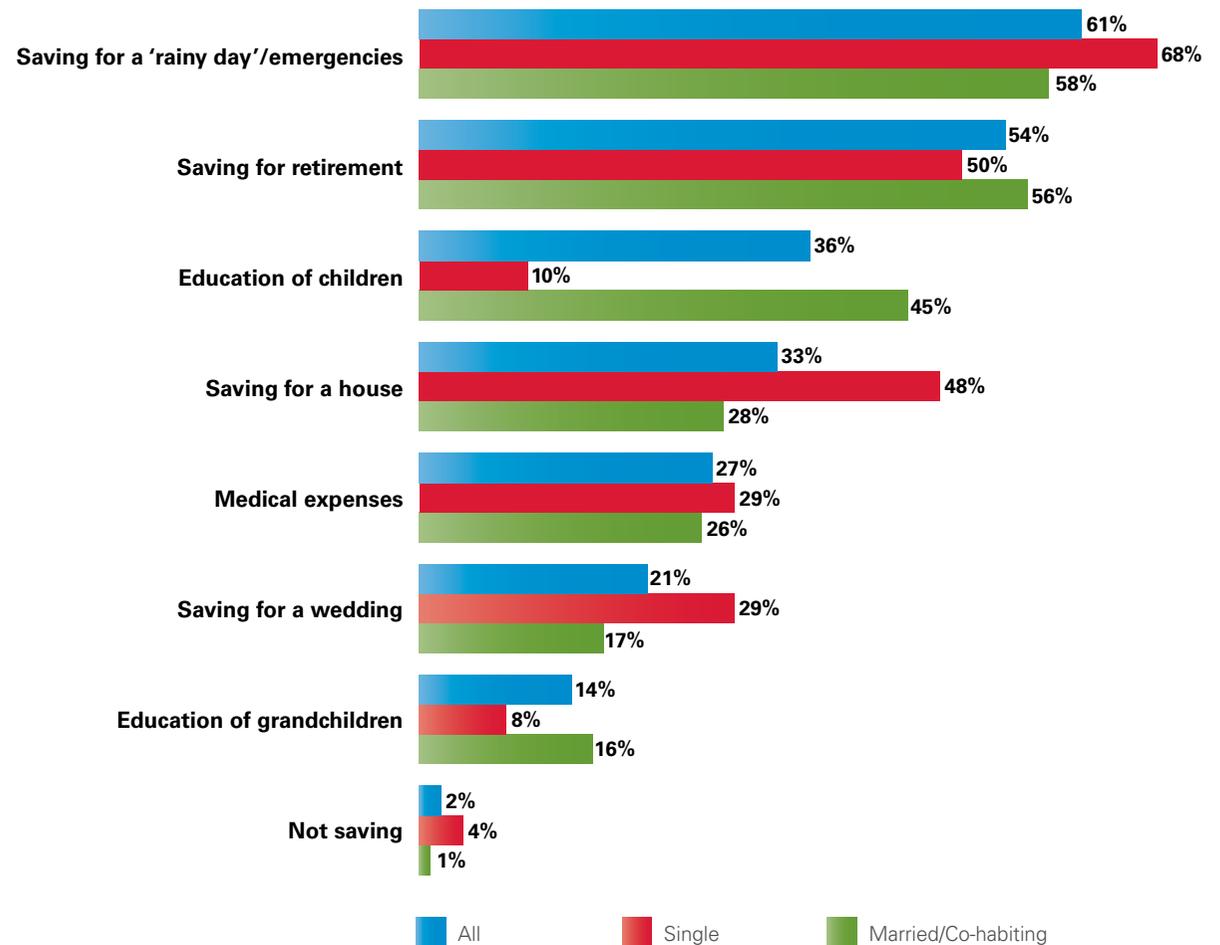




Savings priorities

Saving for a rainy day, saving for retirement and saving for education are the top three priorities – this has not changed since the last edition of this research

Can you please tell me, which of the following are you currently saving for?





Retirement dreams

Almost two thirds of respondents said that their retirement dream is to travel around the world

By far the most popular retirement dream is to be able to travel around the world (almost two thirds of respondents). This was equally popular amongst men and women.

Respondents have aspirations to have an active retirement

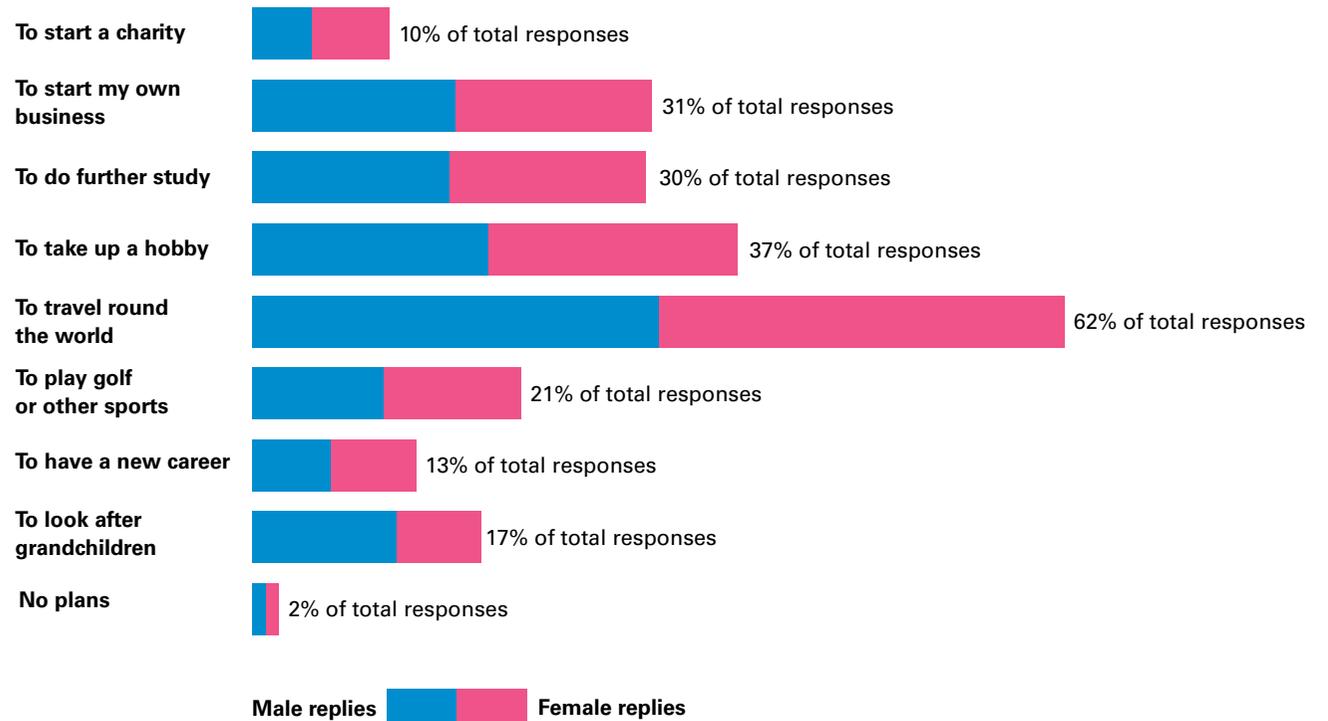
31% said they want to start their own business, 30% to undertake further study. Again, this is as much a dream for women as for men. In contrast, only 2% of respondents have no plan for their retirement dream.

One in ten has philanthropic aspirations and would like to start a charity.

Men said they are more likely to want to look after grandchildren than women

22% of men said that their retirement ‘dream’ is to take care of grandchildren, compared to 13% of women. Younger respondents are more likely to say this is a dream for their retirement – for example, 22% of 25 to 34 year olds said it is versus just 13% of 45 to 54 year olds.

Aspirations for retirement



‘Most of the respondents in Hong Kong want to retire in their 50s, and two thirds want to travel around the world, a dream shared by both men and women. Based on the research, many Hong Kong respondents aspire to have a very active retirement, by starting a business, for example.’



Retirement dreams

Most hope to start achieving these retirement dreams at 50

Very few think that is impossible for them to achieve their retirement dreams, and have hopes that they can start to realise these dreams in their 50s, with age 51–55 being the most popular choice.

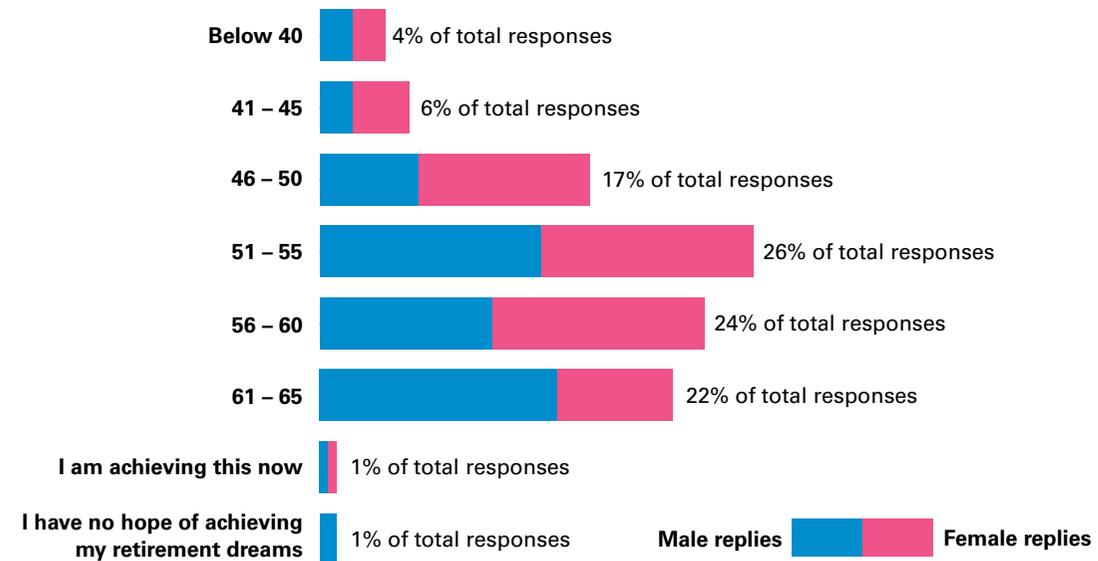
‘Over half of the respondents are putting away up to 20% of their income to achieve their retirement dreams. The biggest barriers for them to achieve their retirement dreams are external economic factors, and almost two fifths of respondents report that the cost of housing is a barrier to their retirement goals.’

David Knights

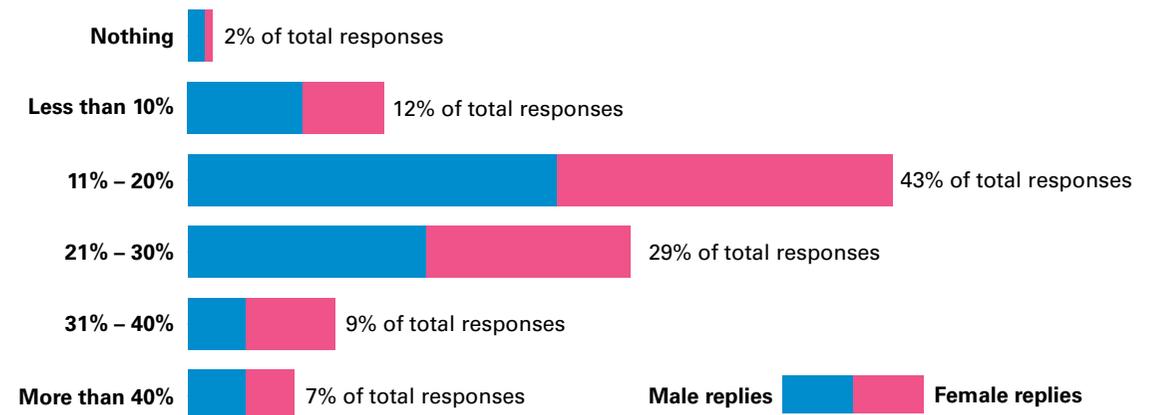
The vast majority are saving to be able to fulfil these dreams... but are they saving enough?

While just 2% said they were not putting anything aside for retirement, over half are putting away up to 20% of their income.

At what age would you like to start achieving these retirement dreams?



How much of your income are you putting aside each month to enable you to fulfil these retirement dreams?





Retirement dreams

The biggest barriers to achieving their dreams are external economic factors

We asked respondents what they consider to be the biggest barriers to achieving their retirement dreams. 34% report that the financial crisis has impacted on their investment returns, while 36% said that currency depreciation has taken its toll on their savings.

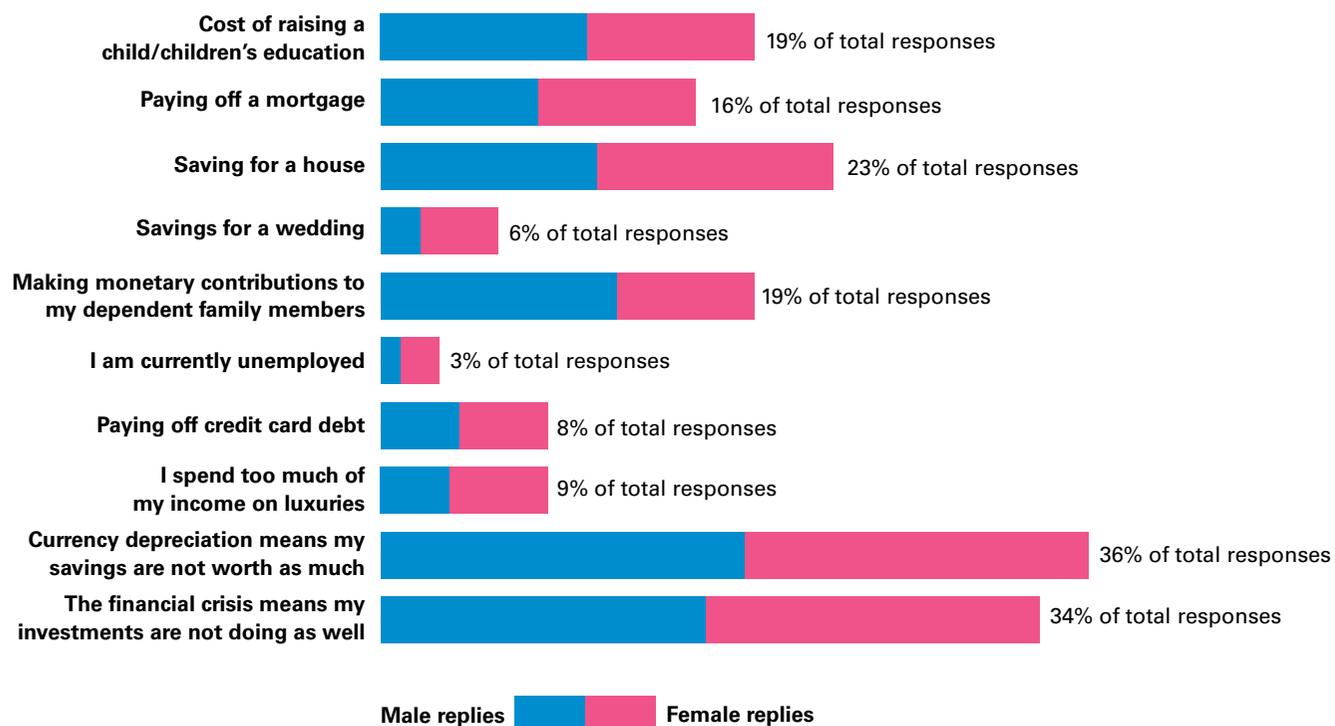
Cost of housing is having an impact on the ability to save for retirement

39% of respondents report that housing (either saving for a house or paying off a mortgage) is a barrier to achieving their retirement goals. This is a greater barrier for younger respondents.

Family commitments are reducing the amount people can set aside for their own retirement

Almost a fifth report that education or paying money to dependent relatives is a barrier to achieving their retirement dreams.

What are the biggest barriers to you achieving your retirement dreams?





Hong Kong demographic breakdown

| Age | Hong Kong |
|-------------|-----------|
| 18 to 24 | 2% |
| 25 to 34 | 30% |
| 35 to 44 | 41% |
| 45 to 54 | 23% |
| 55 to 64 | 4% |
| 65 or older | 0% |

Gender

| | |
|--------|-----|
| Male | 49% |
| Female | 51% |

Region

| | |
|------------------------------------|-----|
| Hong Kong Island | 30% |
| Kowloon | 36% |
| New Territories (including Marine) | 34% |

Place of birth

| | |
|---------------------------|-----|
| Hong Kong | 97% |
| Asia – Other | 3% |
| Europe/Americas/Australia | 0% |
| Africa | 0% |

Annual household income (HKD)

| | |
|----------------------|-----|
| Up to 163,000 | 1% |
| 163,001 – 327,000 | 8% |
| 327,001 – 654,000 | 44% |
| 654,001 – 980,000 | 31% |
| 980,001 – 1,307,000 | 11% |
| More than 1,307,001 | 4% |
| Prefer not to answer | 1% |

Investable assets (HKD)

| | |
|---------------------|-----|
| Less than 500,000 | 0% |
| 500,000 – 1,000,000 | 52% |
| More than 1,000,000 | 48% |

Marital status

| | |
|--------------------------------|-----|
| Single | 26% |
| Married/co-habiting | 73% |
| Divorced/widowed/ separated | 1% |



Singapore



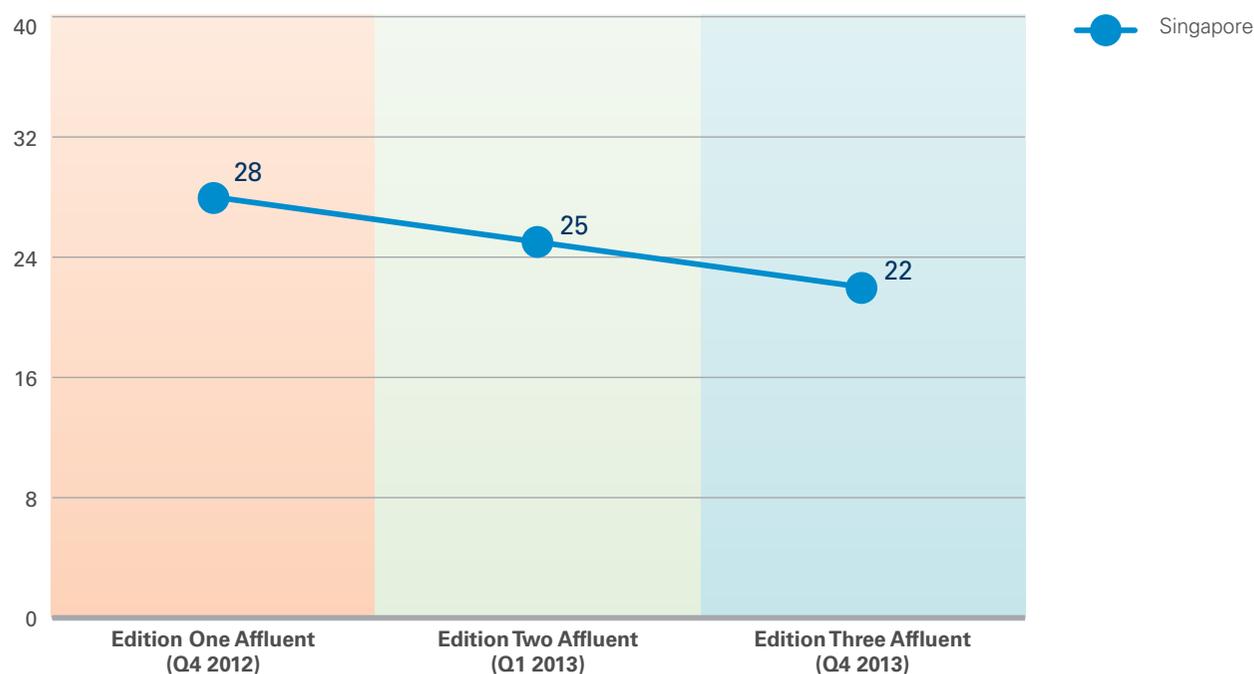
Findings at a glance – Singapore

Small drop in the index score for Singapore

While, on balance, affluent investors in Singapore remain positive about the current investment climate, there was a slight downward adjustment in Singapore as shown in this edition of the research of the Friends Provident International Investor Attitudes index.

Of the three regions covered in this report, affluent investors in Singapore feel less positive about the current investment climate than affluent investors in Hong Kong or the UAE.

Singapore Friends Investor Attitudes index



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Investment outlook

No significant change in the investment outlook for the next six months

Respondents remain broadly optimistic about the short-term investment outlook and there has been no significant change since the last edition of the research – 52% say the investment climate will improve over the next six months, while just 17% say it will worsen.

Looking ahead over the next six months, how do you think the investment market will change?



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



Investment outlook

Over a third of Singapore respondents think the global economic situation will get worse over the next six months

There has been a significant decrease in the number of respondents who think that the global economic situation will get worse over the next six months – 39% agreed or agreed strongly with this statement, compared to 45% in the last edition.

The US and Japanese economies are causing some concern

Just over three quarters of respondents agreed that fiscal stability in the US would have a positive influence on the investment climate, but almost two thirds expressed concern about what impact the end of quantitative easing will have on emerging market assets.

Affluent respondents are quite sceptical of efforts in Japan to boost its economy – only half report that they are optimistic these actions will bear fruit.

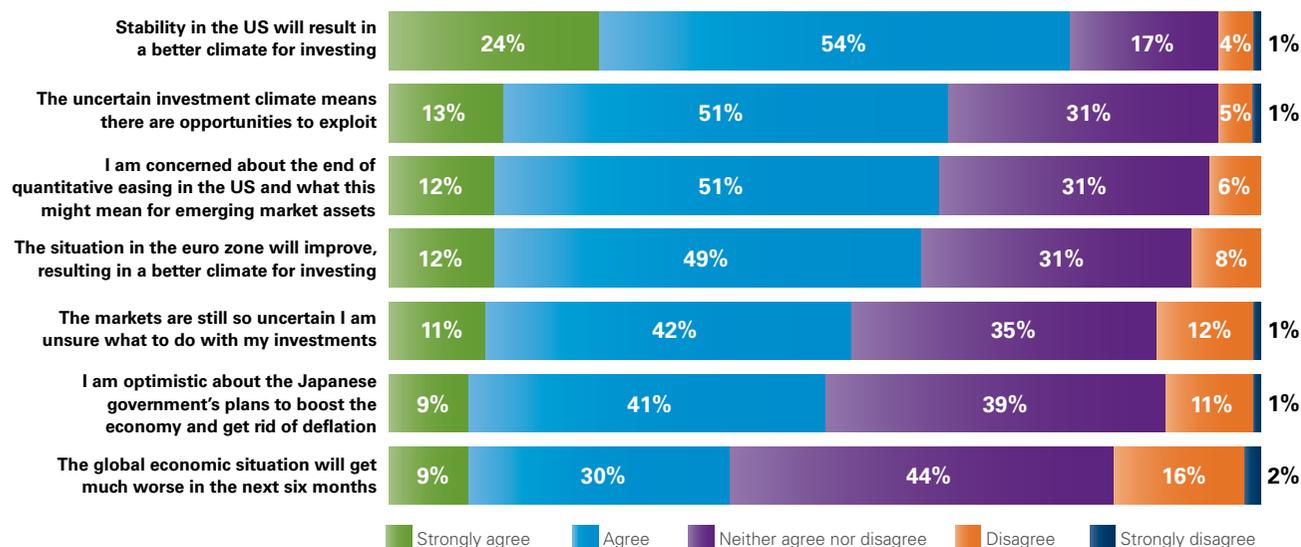
Outlook on the euro zone is positive and had not changed since the last edition

Most respondents agree that the situation in the euro zone will improve, leading to a better investment climate.

Uncertainty means there are opportunities to exploit – but how?

64% believe they can exploit this current uncertainty, but knowing exactly how to leverage this uncertainty is trickier, with just over half reporting they are finding it difficult to know what to do with their investments in the current climate. This has not changed significantly since the last edition.

To what extent do you agree or disagree with the following statements?





Asset class tracking

Confidence in bonds has dropped significantly

Confidence in bonds has dropped by 12 index points, and views are now only borderline positive. Looking at the numbers behind the index in more detail, 36% think now is a good or very good time to invest in bonds compared to 22% who think now is a bad or very bad time.

Uncertainty about the current US fiscal situation would appear to have had an impact on respondents' confidence in US government bonds, with just 27% of respondents saying now is a very good or good time to invest versus 38% who think it is a bad or very bad time. This contrasts with corporate bonds, where 37% think now is a good or very good time to invest compared to 14% who think now is a bad or very bad time. Emerging market bonds fare even better, with 45% thinking now is a good or very good time to invest compared to 14% who think now is a bad or very bad time.

There has been a slight downtick in sentiment towards gold in Singapore

While affluent investor sentiment remains positive towards gold, respondents are slightly less positive about this asset class now compared to the last edition conducted in March.

Nevertheless, 53% of respondents in Singapore still think now is a good or very good time to invest in gold and 67% of respondents think that gold will be a good long-term investment.

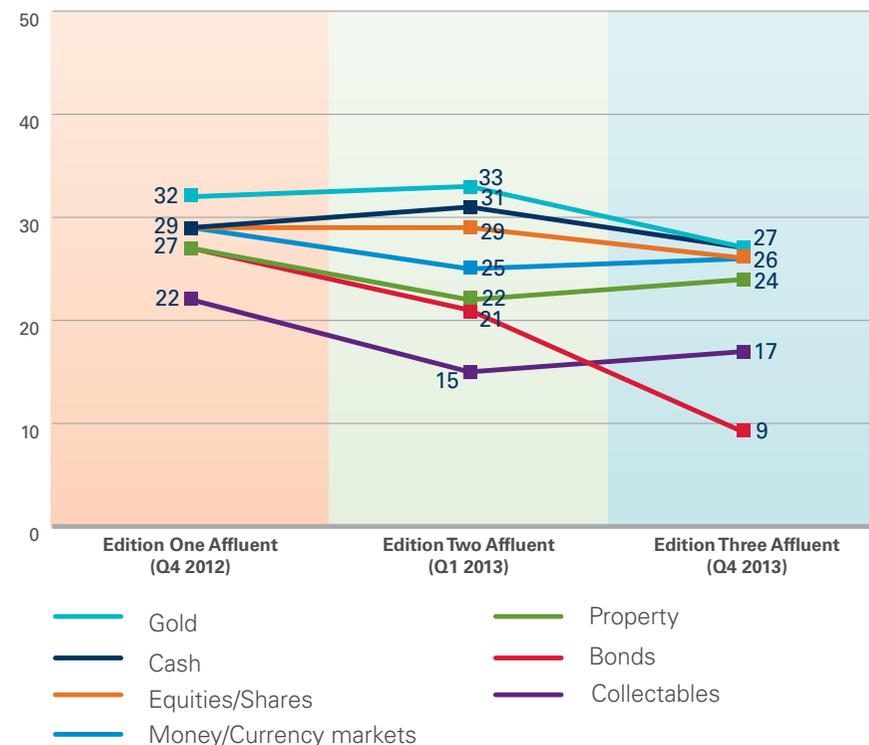
Confidence in cash, equities and property remains stable

Affluent investor sentiment in Singapore towards equities has not changed significantly since the last edition of the research; 52% think now is a good or very good time to invest compared to 11% who think that now is a bad or very bad time. This is in contrast to Hong Kong and the UAE, where we have seen a significant improvement in respondents' sentiment towards equities.

Affluent investor sentiment towards property has not changed significantly since the last edition of the research; 51% believe now is a good or very good time to invest compared to 18% who think that now is a bad or very bad time. This is not significantly different to the last edition of the research. Most respondents believe that property is a good long-term investment (67% think so for commercial property and 70% for retail property).

Despite the positive views on cash, just over half of respondents would be willing to take more risk.

Asset class tracking – Singapore

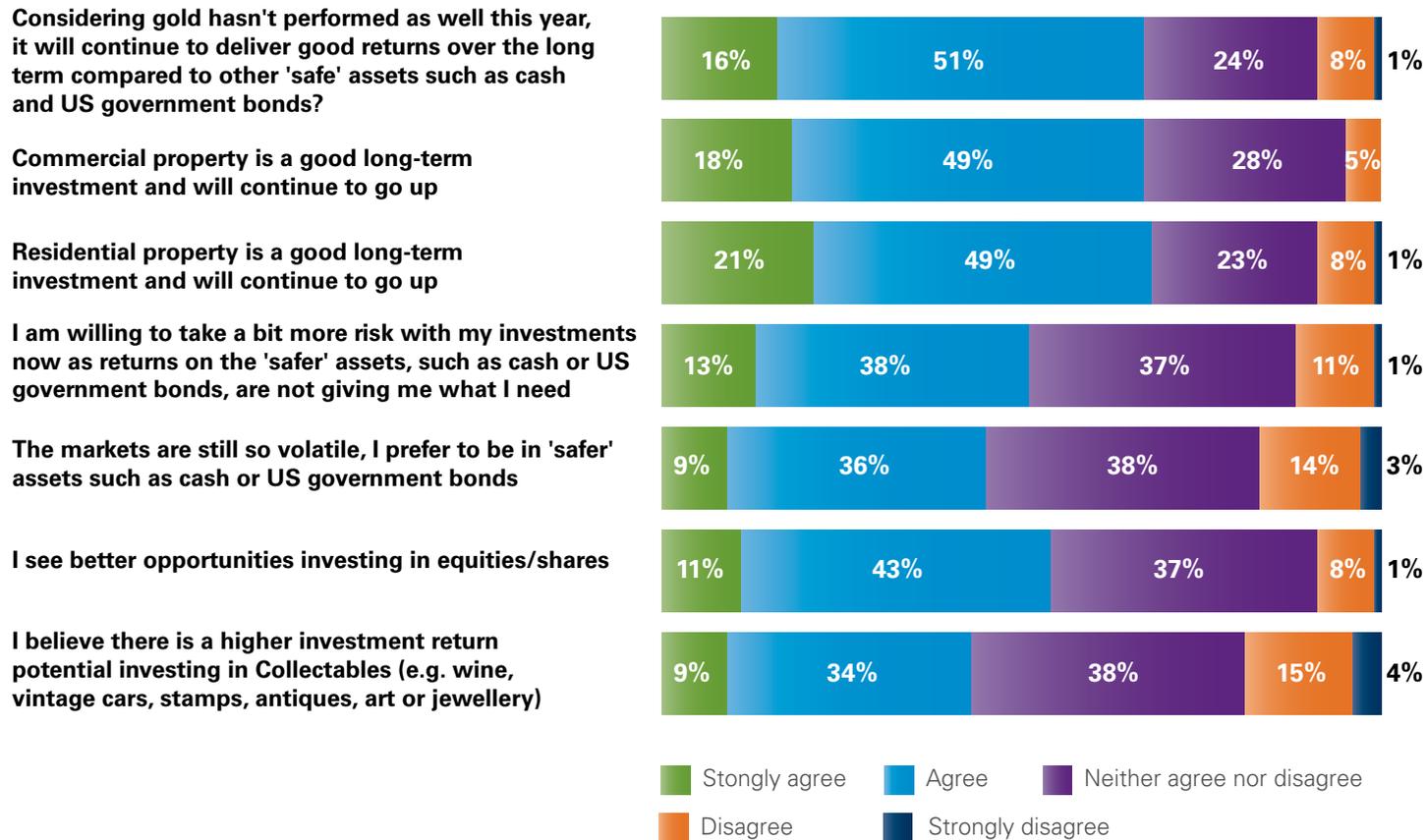


The index scores are calculated by first applying a balanced weighting to the rating figures, where 100 is most positive and -100 is least positive, then dividing the sum of these weighted figures by the total number of respondents (excluding Don't knows).



Asset class tracking

To what extent do you agree or disagree with the following statements?





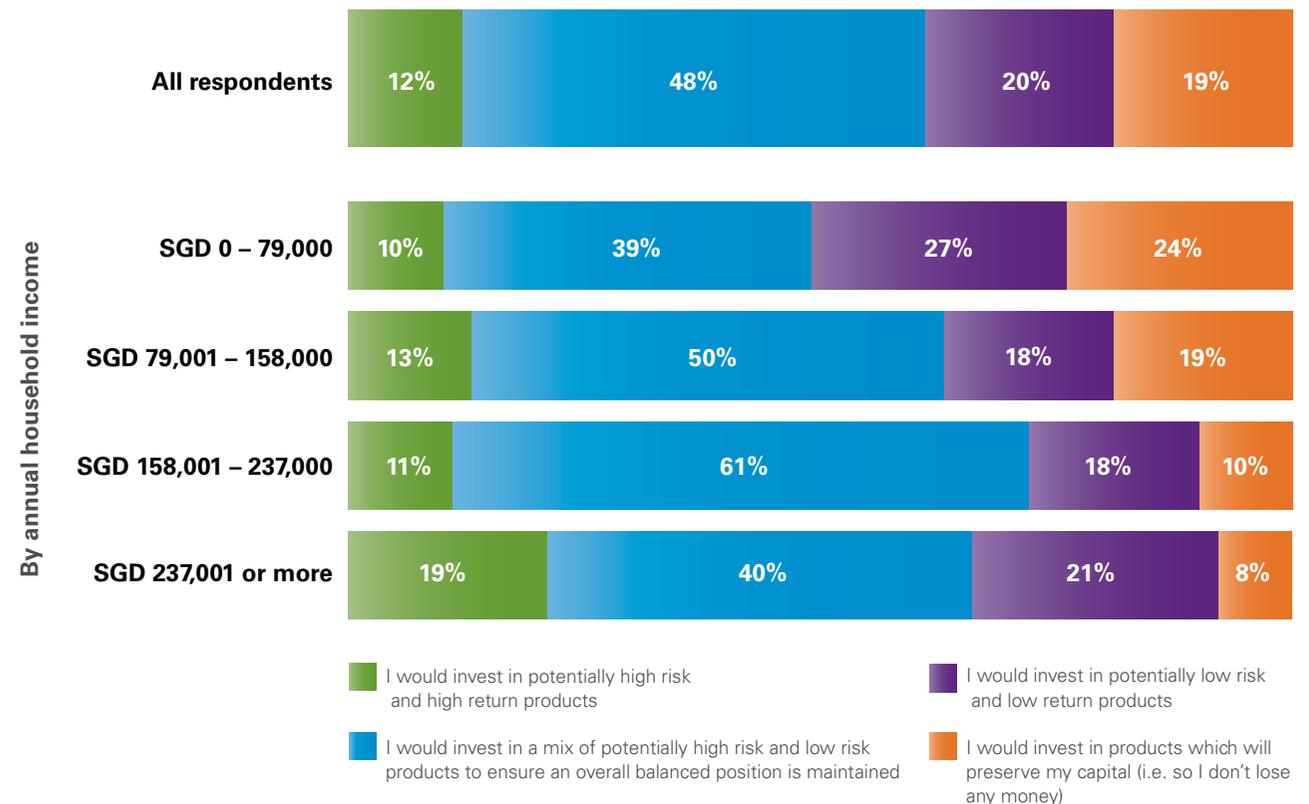
Investment strategy

By far the most popular investment strategy is to take a balanced managed approach

Respondents in Singapore prefer a balanced investment strategy, with 48% reporting this as their preferred option. 12% report they would take a high risk/high return approach versus 20% that would take a low risk/low return approach.

Overall, almost a fifth are looking at strategies to preserve their capital and, as you might expect, the less affluent are more likely to want to do this.

If you had money to invest now, which of the following would best describe your preferred investment strategy?



Note: The figures above exclude those who answered 'Don't know'.

Note: By Income figure excludes respondents who preferred not to divulge their household income.

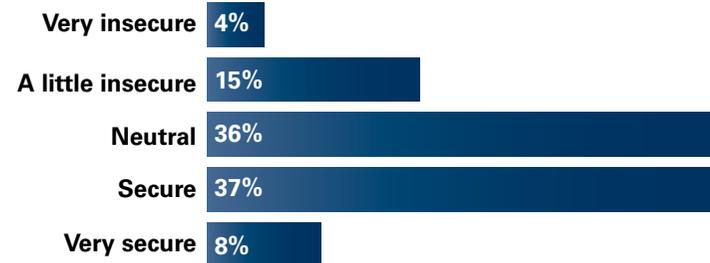


Financial confidence

Even amongst these affluent respondents, only 45% feel financially secure

The proportion reporting they feel financially secure or very secure has dropped from 53% in the last edition to 45% in this research. Male respondents feel more financially secure than female respondents.

How financially secure do you feel?



Financial advice

Very few of those with a financial adviser said they rely totally on their advice

Just 6% of those using a financial adviser would rely totally on their advice – the vast majority would undertake research to ensure they are happy with what their financial adviser is suggesting.

Almost 40% of affluent respondents have an idea of what they want to do with their investments, which they simply validate with their financial adviser to check it makes sense.

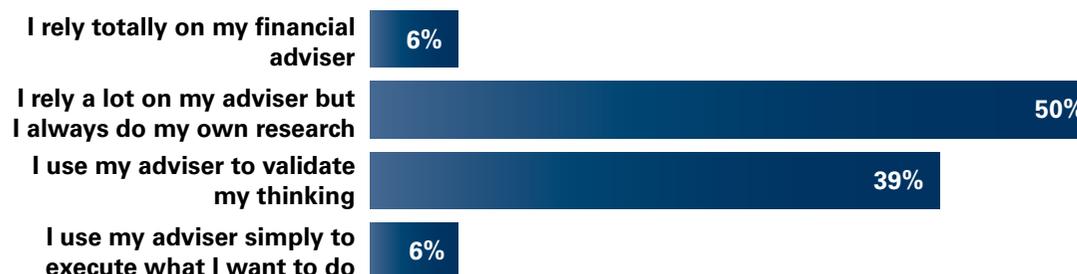
Source of financial advice

41% would seek advice from a financial adviser before making an investment decision

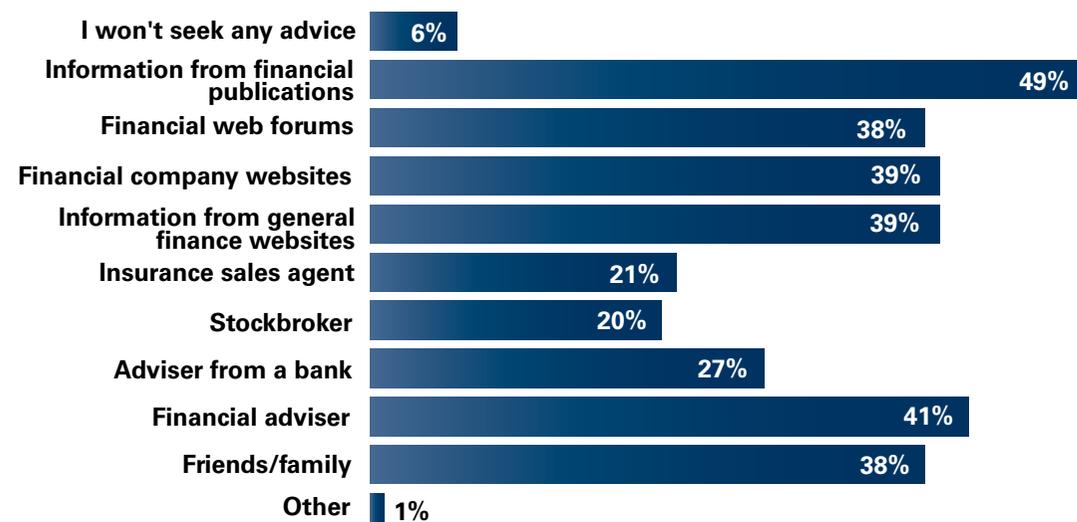
41% of respondents in Singapore would seek advice from a financial adviser compared to 27% in Hong Kong and 30% in the UAE. The likelihood of seeking advice increases with age.

Just 6% said they would not seek any advice at all.

To what extent do you agree or disagree with the following statements about how you go about financial planning?



Which of the following sources would you seek information and/or advice from before making an investment decision?

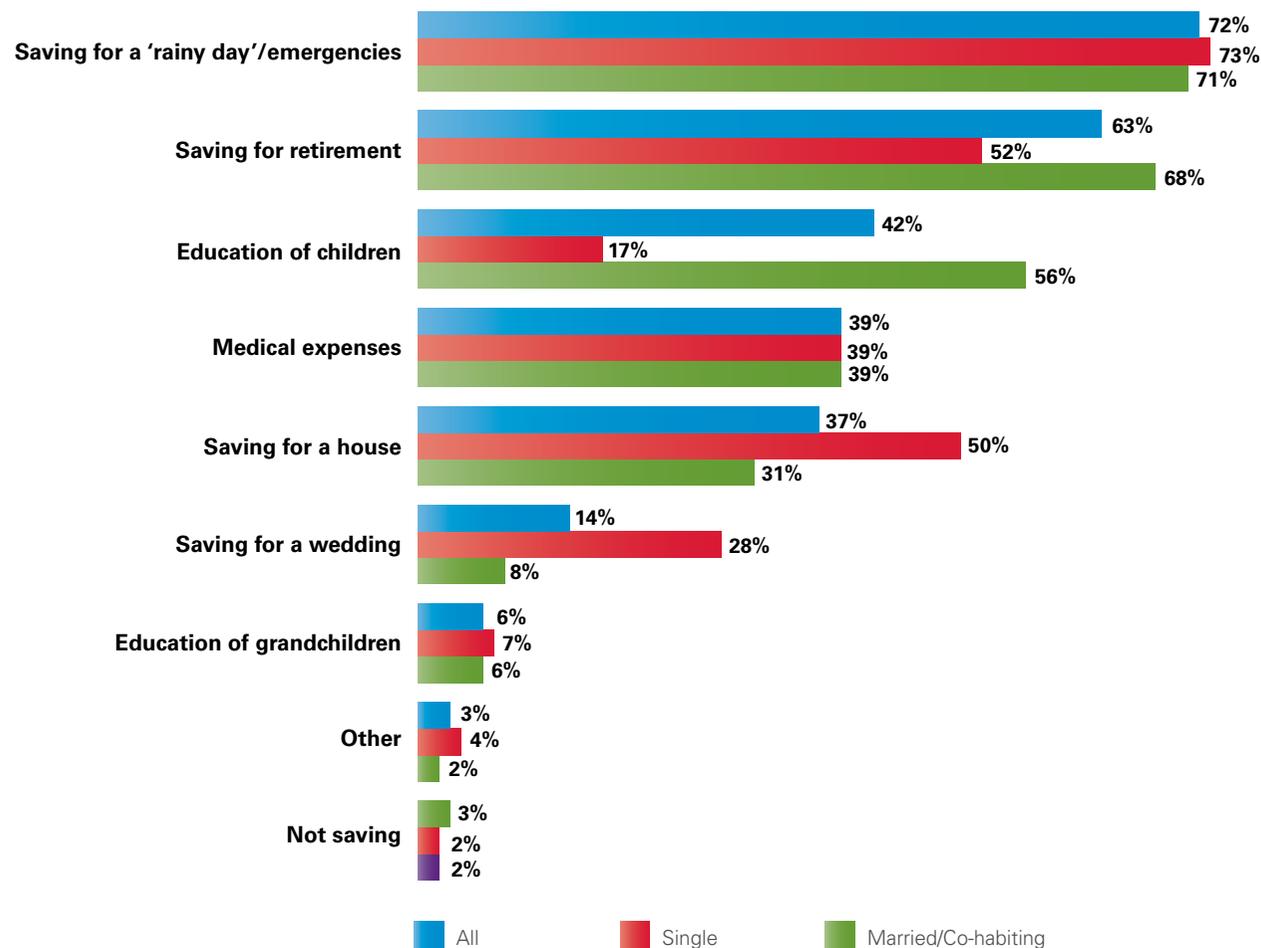




Saving priorities

Saving for a rainy day, saving for retirement and saving for education of children and grandchildren are the top three priorities, which have not changed over time

Can you please tell me, which of the following are you currently saving for?





Education

Most affluent respondents will save significant sums for a child's university education

57% of respondents are saving or plan to save for a child to go to university. This figure rises to 74% for married or co-habiting couples.

Of those who are saving or plan to save for a child to go to university, 25% are saving or planning to save more than SGD 1,000 per month to fund each child.

Almost 40% commence saving for their child's university costs on the birth of the child. At the other end of the spectrum, 7% wait until the child is at least 10-15 years old and 2% have never thought about it.

| Currently saving/planning to save for child/children to go to university | All respondents |
|--|-----------------|
| Yes | 57% |
| No | 43% |

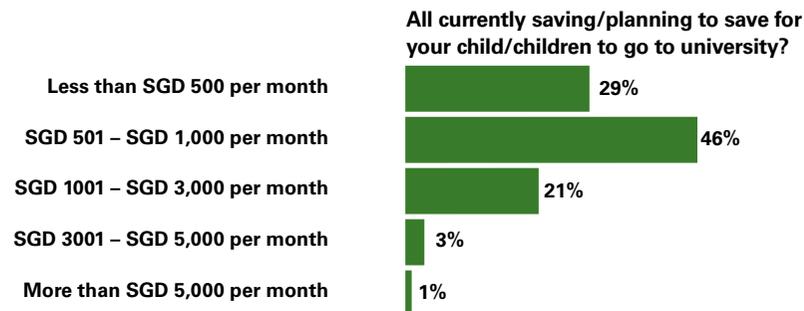
Over a third plan to help with the cost of post-graduate degrees

33% of the respondents plan to finance their child's master's degree; 12% for doctorates and 9% for an MBA, which are becoming ever more popular in competitive job markets.

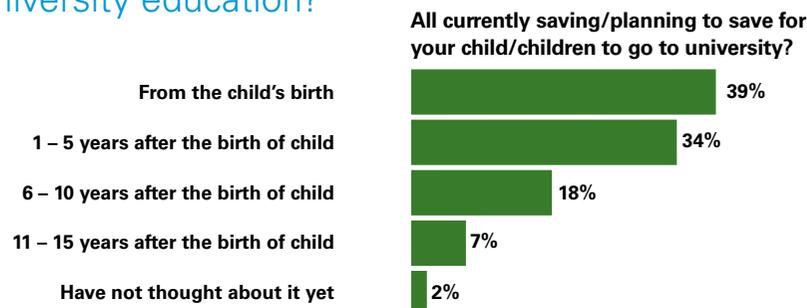
'It is encouraging to note that 98% of the respondents with children are aware of the need to save for their child's university education.'

Chris Gill

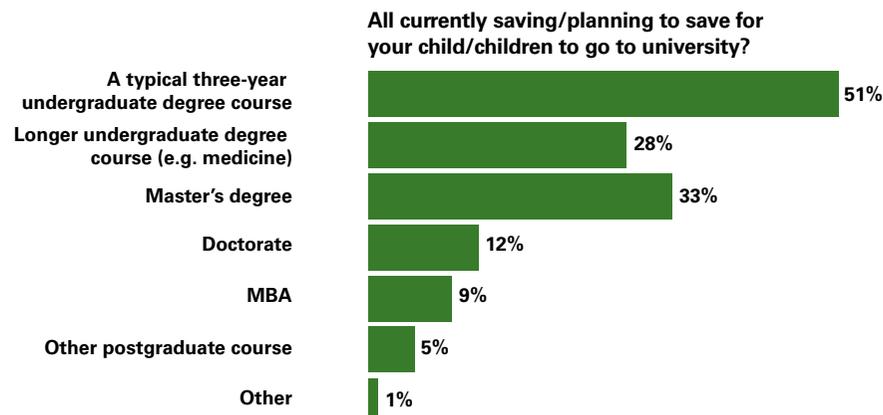
How much are you currently saving/planning to save for each of your children per month in preparation for him/her to go to university?



When did you/do you plan to start saving for each of your children's university education?



What are you planning to finance?





Education

Most expect their children to be educated in Singapore, but have a wide range of views on how much it will cost if they were to send their child to study abroad

The majority of respondents expect their children to attend university in Singapore, while 39% expect to send their child to study abroad. When asked about the total cost to fund an overseas undergraduate degree, this prompted a wide range of views varying from less than SGD 100,000 to more than SGD 250,000.

Most popular estimates of how much it would cost for a university education in Singapore were between SGD 50,000 and SGD 100,000.

‘The popularity of Singapore is unsurprising given that Singapore is an international city with world-class universities. Equally, pursuing a university degree is not only about attaining good grades, it is also about developing an individual to live independently, mix with and experience diverse cultures and gain different perspectives on life, hence the allure of an education overseas.’

Chris Gill

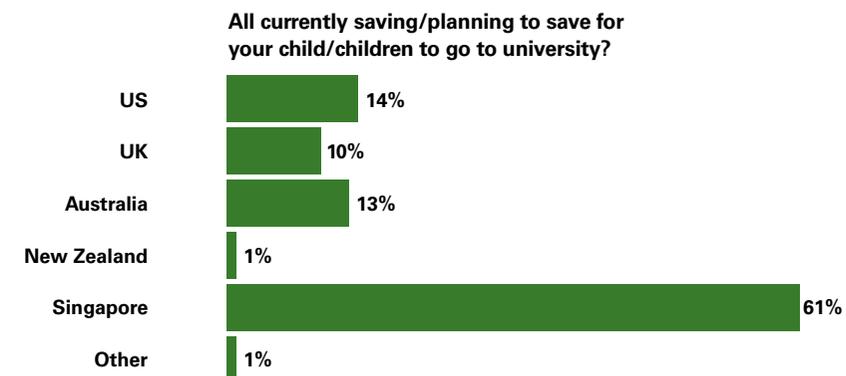
The US, UK and Australia are equally popular destinations for sending their child to study abroad.

Again when asked to estimate the costs involved, a wide range of responses was given.

Those planning to educate their child in the US had the most variation in their opinions of how much this would cost. The most common perception is that it will cost between SGD 180,000 and SGD 200,000, but equal numbers of respondents thought it would cost between SGD 150,000 and SGD 180,000 as those who thought it would cost over SGD 250,000.

Education costs in the UK and Australia were perceived to be slightly cheaper than in the US – the most common estimates are between SGD 120,000 and SGD 150,000 in the UK and SGD 150,000 and SGD 200,000 in Australia.

Where do you plan for your child to study for their undergraduate degree?





Education

The vast majority of respondents expect children educated abroad to have a higher earning potential

88% of respondents think that a child educated abroad would earn more than those completing their degree in Singapore. There are mixed views on how much of an uplift a foreign education will deliver, however, 79% expect an increase of more than 10%.

For those looking to educate their child abroad, three quarters are exposed to the risk of an adverse currency movement affecting the amount they have saved

46% report that they are saving in the currency of their income, 24% report they are saving in the currency of the country where the university is located, and 30% report a combination of both.

‘It is important to remember the actual funding required to support a child to attend university in 18 years’ time would be much higher than it is today, caused by the impact of inflation, which historically has been higher for education costs than normal consumer price inflation (CPI).

‘There are also many ancillary costs such as accommodation, books, subsistence etc., all of which can mount up.

‘For parents who are planning to send their child to study overseas, they will also need to factor in the additional costs of travel as well as currency exchange risk where the university fees are typically in a different currency to their current income.’

Chris Gill

Movements in the global currency markets were a key theme during the six months to the end of September. What is more, the US dollar, the value of which is hugely significant for people in Singapore who send their children to school or university in the US, came under a lot of pressure in the latter stages of the period following the Federal Reserve’s decision in September to keep its quantitative easing programme unchanged. The US dollar then lost even more value against other major currencies due to concerns over the country’s government budget and debt ceiling. The Singapore dollar increased against the US dollar as a result. This currency situation would have been favourable for holders of Singapore dollars since they would have been able to buy more US dollars for every Singapore dollar.

On the other hand, the Australian dollar, another important consideration for parents in Singapore who send their children to school or university in Australia, gained in value against the Singapore dollar during the six months. This situation would have been detrimental for holders of the Singapore dollar since they would have received fewer Australian dollars for every Singapore dollar.



Singapore demographic breakdown

Age

| | |
|-------------|-----|
| 18 to 24 | 6% |
| 25 to 34 | 33% |
| 35 to 44 | 36% |
| 45 to 54 | 18% |
| 55 to 64 | 5% |
| 65 or older | 2% |

Gender

| | |
|--------|-----|
| Male | 59% |
| Female | 41% |

Region

| | |
|------------|-----|
| Central | 25% |
| East | 25% |
| North | 13% |
| North East | 14% |
| West | 23% |

Place of birth

| | |
|---------------------------|-----|
| Local | 88% |
| Asia – Other | 10% |
| Europe/Americas/Australia | 1% |

Annual household income (SGD)

| | |
|----------------------|-----|
| Up to 39,500 | 4% |
| 39,501 – 79,000 | 23% |
| 79,001 – 158,000 | 48% |
| 158,001 – 237,000 | 16% |
| 237,001 – 316,000 | 5% |
| More than 316,001 | 2% |
| Prefer not to answer | 2% |

Investable assets (SGD)

| | |
|-------------------|-----|
| Less than 80,000 | 0% |
| 80,000 – 200,000 | 63% |
| More than 200,000 | 37% |

Marital status

| | |
|--------------------------------|-----|
| Single | 32% |
| Married/co-habiting | 65% |
| Divorced/widowed/ separated | 3% |

United Arab Emirates (UAE)



Findings at a glance – UAE

No change in the index score for the UAE

There has been no change in the Friends Provident International Investor Attitudes index for the UAE since the last edition of the research. On balance, respondents remain positive about the current investment climate.

Investment attitudes of affluent investors in the UAE are broadly aligned with the other two regions covered by this research.

UAE Friends Investor Attitudes index



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 the total number of respondents (excluding Don't knows).

Investment outlook

No significant change in the investment outlook for the next six months

Respondents remain optimistic about the short-term investment climate in the UAE, and there has been no significant change since the last edition of the research – 70% think the UAE investment climate will improve over the next six months, while just 8% think it will deteriorate.

Compared with six months ago, how do you view the state of the investment market?



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

Investment outlook

Four in ten agree that the global economic situation will get much worse over the next six months

There are mixed views on whether the global economic situation will improve or worsen over the next six months – 42% agreed with the statement that the global economic situation will get much worse over the next six months, 39% were unsure and 19% disagreed.

This shows a weakening in confidence since the last edition of the research, where just 26% of respondents agreed with the statement that the global economic situation will get much worse.

The US economy is causing some concern, but most respondents are positive about Japan and the euro zone

73% of respondents agreed that fiscal stability in the US would have a positive influence on the investment climate (the same as in the last edition of research), but 45% expressed concern about what impact the end of quantitative easing will have on emerging market assets.

Most (57%) think Japan’s efforts to boost its economy will pay off, and 58% think the situation in the euro zone will improve.

To what extent do you agree or disagree with the following statements?



Uncertainty means there are opportunities to exploit – but how?

57% believe they can exploit current uncertainty, but knowing exactly how to leverage this uncertainty is more challenging, with just over half reporting they are finding it difficult to know what to do with their investments in the current climate. This has not significantly changed since the last edition of the research.

‘There are mixed views on the global investment outlook, and there does appear to be a good deal of uncertainty at the moment. This reinforces the importance of taking suitable investment advice with a view to building a balanced and diversified portfolio that can weather the short-term peaks and troughs of the global investment markets.’

Matthew Waterfield

Asset class tracking

Gold and property remain the most positive asset classes

Across the different asset classes, UAE respondents remain most confident about gold. Sentiment has not changed since the last edition of this research – with 66% of respondents thinking now is a good or very good time to invest in gold, versus just 13% who say now is a bad or very bad time to invest in the precious metal. Almost 70% of respondents think gold will be a good long-term investment.

Despite a slight fall in confidence in property (six index points since the last edition of the research), it remains the second most positive asset class in the UAE, with 63% of respondents saying now is a good or very good time to invest and just fewer than 70% saying that commercial and residential property is a good long-term investment.

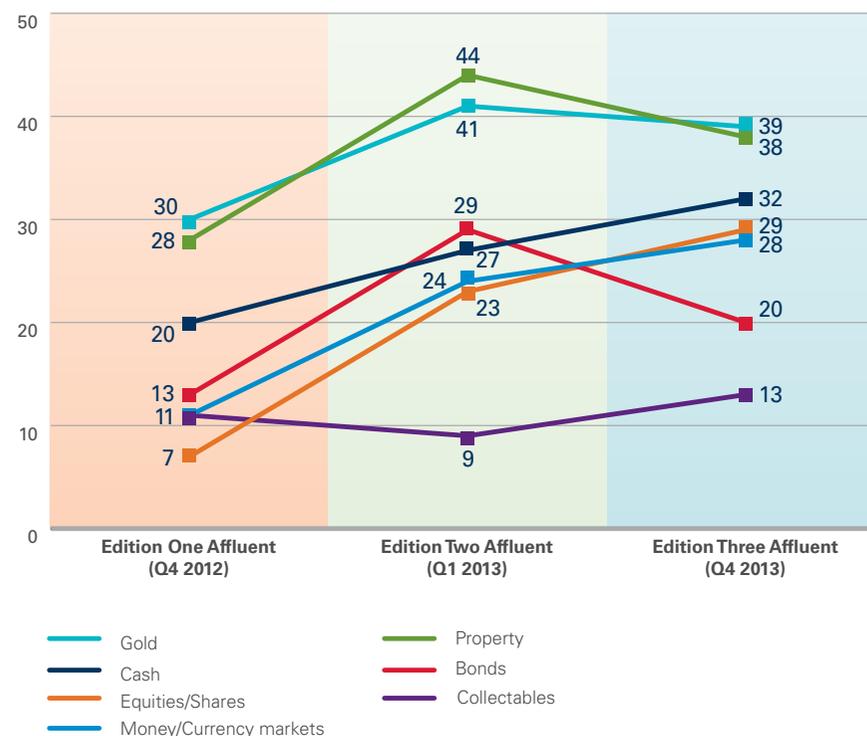
Equities has the highest index score since the affluent investors survey began

Confidence in equities continues to grow and 54% of respondents think now is a good or very good time to invest, versus just 13% who think now is a bad or very bad time. 51% of respondents also agreed that there are better opportunities for investing in equities than other asset classes.

Confidence falls for bonds

Bonds have seen the largest fall in the overall index score, down by nine index points. Looking at the numbers in more detail, 42% think now is a good or very good time to invest in US government bonds, but 27% think now is a bad or very bad time, which decreases the overall score for bonds. Emerging market bonds are faring slightly better – here, 51% think it is a good or very good time to invest, compared to 13% who think it is a bad or very bad time. Corporate bonds again present a slightly more positive picture, with 47% thinking it is a good or very good time compared to 16% who think now is a bad or very bad time.

Asset class tracking – UAE



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 the total number of respondents (excluding Don't knows).

Asset class tracking

'A consistent theme of the Friends Provident International Investor Attitudes research over the last few years has been the preference of UAE investors for gold, cash and property. It therefore comes as no surprise to see these asset classes topping the charts once again. What is encouraging is that over the last year there has been a marked increase in the number of respondents who view equities as a viable investment class, which would seem to suggest that people are at least starting to consider diversifying their investments.'

Matthew Waterfield

To what extent do you agree or disagree with the following statements?

Considering gold hasn't performed as well this year, it will continue to deliver good returns over the long term compared to other 'safe' assets such as cash and US government bonds?



Commercial property is a good long-term investment and will continue to go up



Residential property is a good long-term investment and will continue to go up



I am willing to take a bit more risk with my investments now as returns on the 'safer' assets, such as cash or US government bonds, are not giving me what I need



The markets are still so volatile, I prefer to be in 'safer' assets such as cash or US government bonds



I see better opportunities investing in equities/shares



I believe there is a higher investment return potential investing in Collectables (e.g. wine, vintage cars, stamps, antiques, art or jewellery)





Investment strategy

The UAE has the highest proportion of respondents following a capital preservation strategy

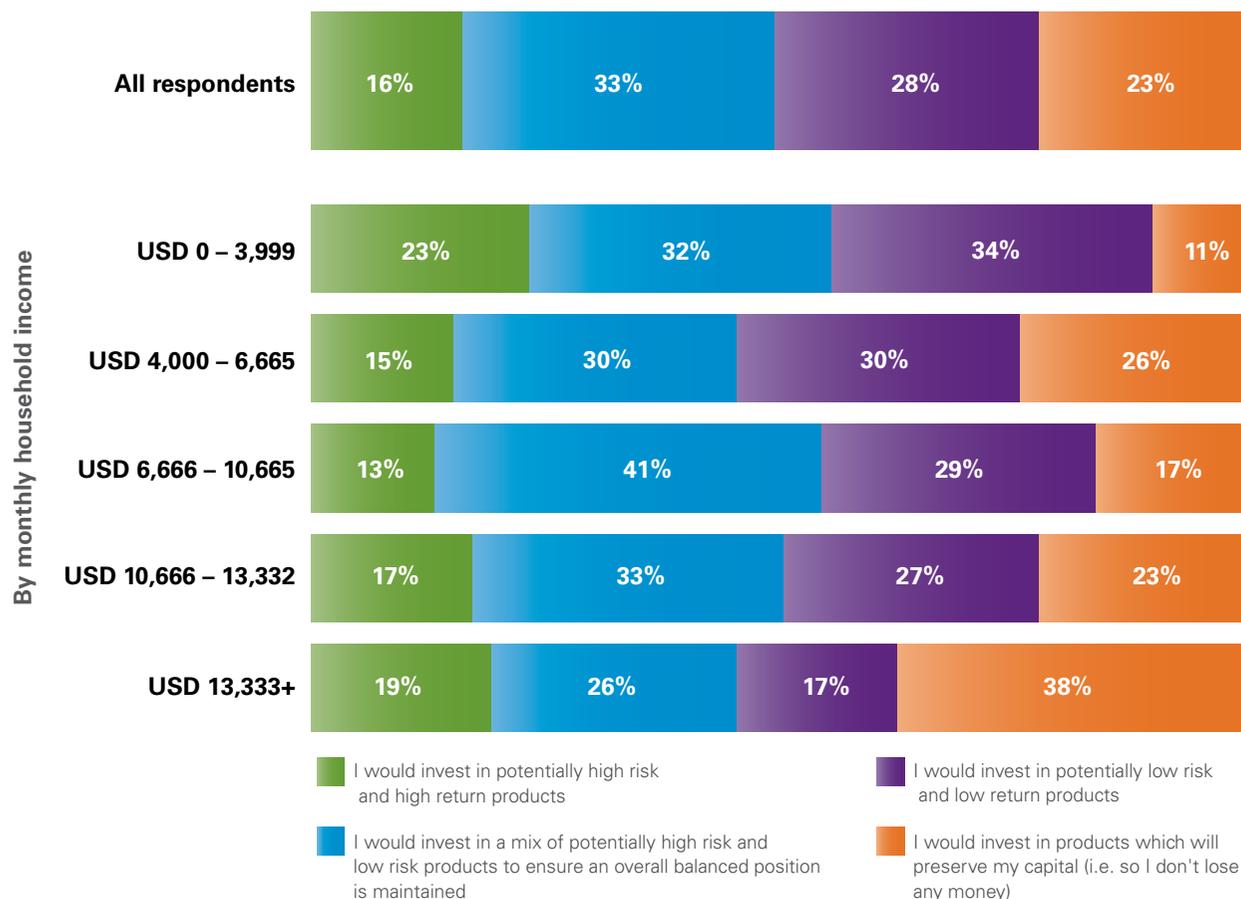
Overall, as in Hong Kong and Singapore, the most popular investment strategy is Balanced Managed. However, with 28% of respondents adopting a capital preservation strategy, the UAE has by far the highest proportion of the three regions adopting this approach. A further 28% of respondents say they would take a low risk approach and are willing to accept lower returns as a result.

‘Given the demographics of the survey respondents, it is not particularly surprising that UAE respondents overall are the most likely to follow a capital preservation strategy, when compared with their Hong Kong and Singapore counterparts. For example, the NRI community is well known for being willing to accept a lower return on their investments in return for capital guarantees. The problem with this approach is that inflation will have the effect of eroding capital over the years – meaning that investors will be able to buy less with their money in the future, compared with what it will buy them today. Again, it is important that investors adopt a balanced approach when structuring their investments, to ensure their risk and reward profiles are matched by the assets in which they choose to invest.

‘A financial adviser is best placed to help with building a portfolio suitable for the individual’s attitude to risk and investment time horizon. I would therefore suggest that all investors – regardless of investment experience – should seek suitable professional advice to ensure they are making the most of the opportunities available.’

Matthew Waterfield

If you had money to invest now, which of the following would best describe your preferred Investment Strategy?



Note: The figures above exclude those who answered ‘Don’t know.’

Note: ‘By monthly household income’ figure excludes respondents who preferred not to divulge their household income.

Financial confidence

Surprisingly, just over half of affluent respondents feel financially secure

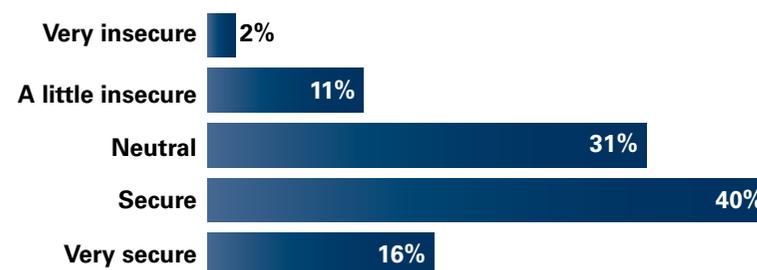
55% of affluent respondents in the UAE feel financially secure, and this has not changed significantly since the last edition of this research. Only 13% say they feel either a little insecure or very insecure.

There is no significant difference in the views of men and women, or by the type of investment strategy followed.

'It is good to see that just 13% of respondents overall feel financially insecure (and of that number only 2% feel very insecure). Interestingly, the perceived need for advice seems to increase with age. I always say that it's never too early to start making plans to secure your financial future and people should start saving – for whatever end goal they have in mind – sooner rather than later. A correctly structured investment plan could mean the overall costs associated with meeting investment objectives will be reduced over the longer term, and investors could potentially meet their goals sooner than they anticipated.'

Matthew Waterfield

How financially secure do you feel?



Financial advice

Very few of those with an adviser said they rely totally on their advice

Nine out of ten would do some research themselves to make sure they are happy with what their adviser is suggesting. 30% have an idea of where they would want to invest and simply validate these thoughts with their adviser.

Source of financial advice

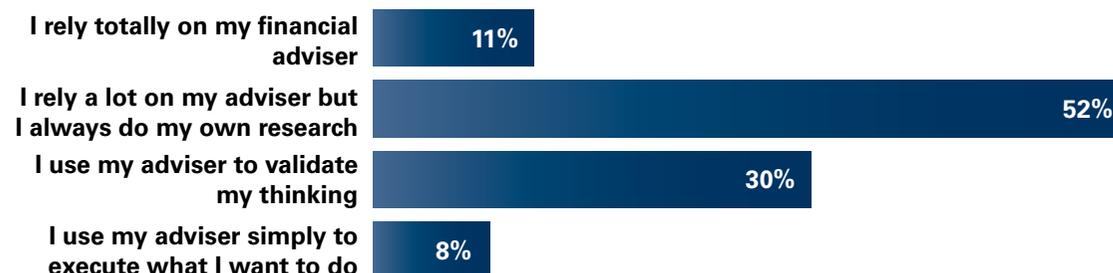
Just 30% of respondents would seek advice from a financial adviser before making an investment decision

30% of respondents in the UAE would seek advice from a financial adviser compared to 27% in Hong Kong and 41% in Singapore. The propensity to seek advice increases with age. Those following a balanced or capital preservation strategy are most likely to seek advice from a financial adviser.

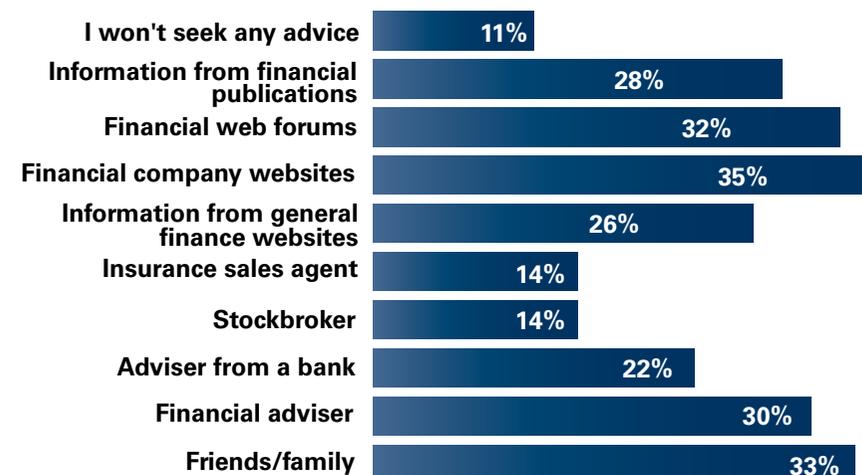
Compared with their counterparts in Hong Kong and Singapore, UAE respondents are less likely to seek advice from their bank (22% of respondents) or from a stockbroker (14% of respondents).

11% said they would not seek any advice.

To what extent do you agree or disagree with the following statements about how you go about financial planning?



Which of the following sources would you seek information and/or advice from before making an investment decision?

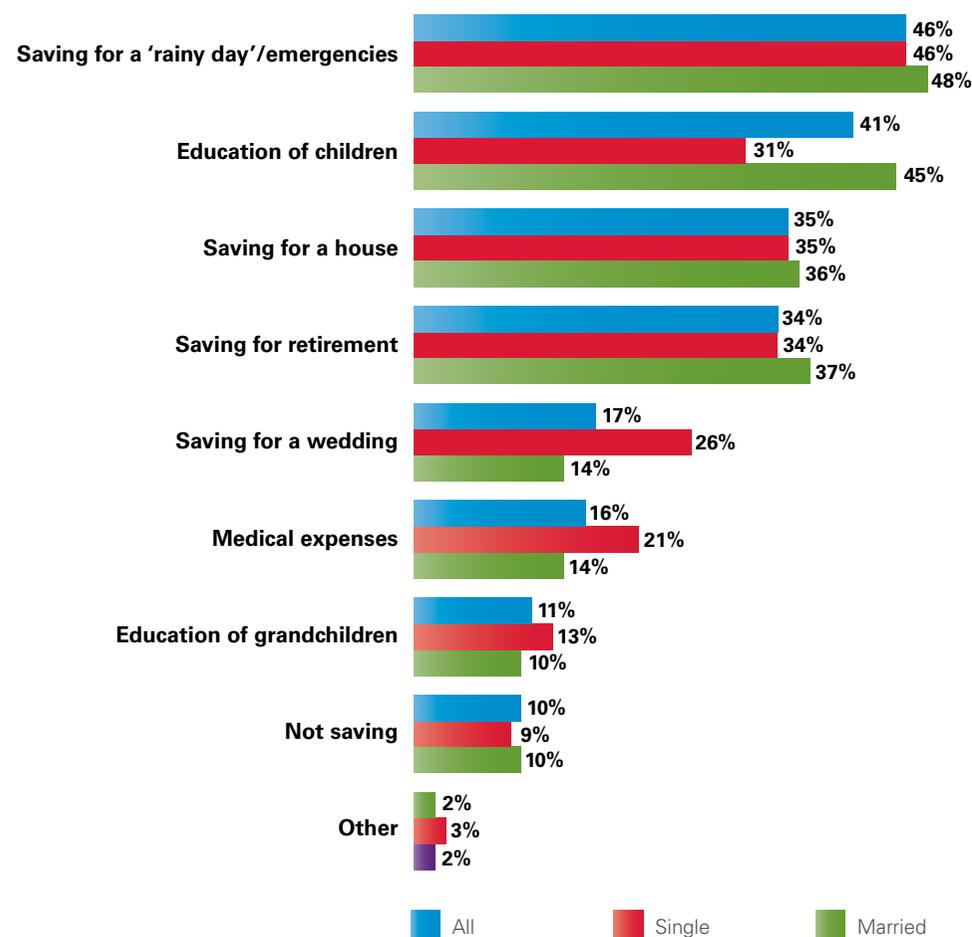


Saving priorities

Savings priorities are consistent over time

Saving for a rainy day, children’s education, saving to buy a house and saving for retirement are the top four priorities, which have not changed over time.

Can you please tell me, which of the following you are currently saving for?



Saving priorities

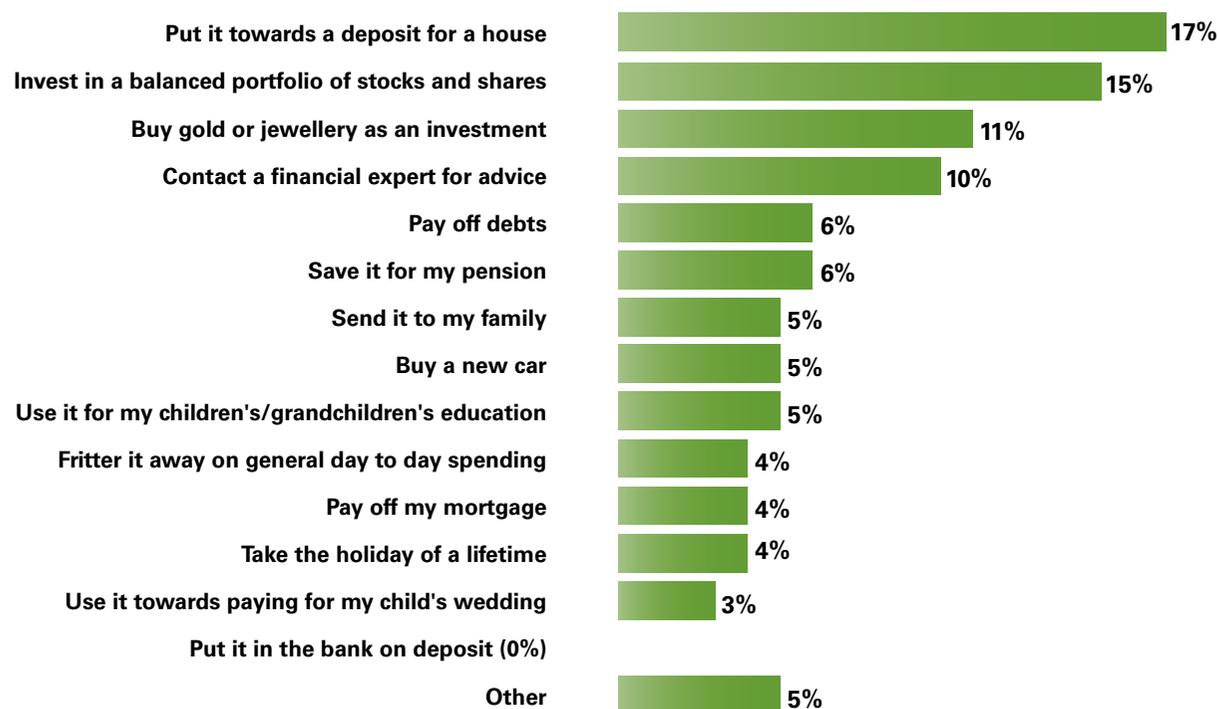
Just 6% of respondents would invest a windfall of AED 300,000 in their pension

If respondents were given a windfall of AED 300,000 tomorrow, there is a wide range of things they would choose to spend it on. The most popular choices were putting it towards a deposit on a house, investing in a balanced portfolio of stocks and shares and investing in gold or jewellery.

Just 6% said they would save it for their pension, although this figure does increase slightly for older respondents (10% for 45–64 year olds).

Despite uncertain times, only 10% would consult an expert on how to get the most from their windfall.

What would you do with windfall of AED 300,000?



Protection gap

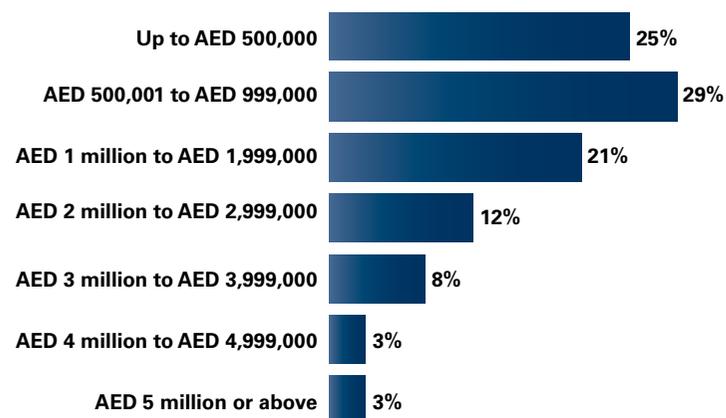
The research shows that 34% of respondents have a mortgage in the UAE

Of those who do, most have a balance of less than AED 2 million.

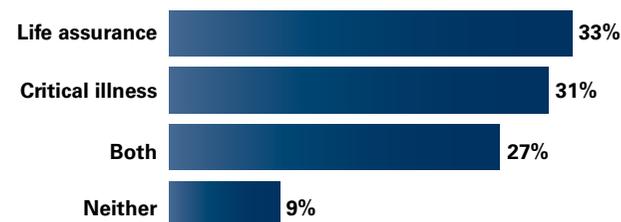
Most respondents have either life or critical illness cover in place and just 27% have both.

Worryingly, 9% of respondents with a mortgage have no cover in place at all.

How much is your current outstanding mortgage amount?



For those with a mortgage, do you have life or critical illness cover in place?



Currency risks

Around half non-resident Indian (NRI) respondents would have considered an alternative to sending money home if they had known the downside currency risk five years ago

85% of NRI respondents said they are sending money back home.

Most report that they are aware of the risks associated with having savings and investments exchanged into their home currency, but around a fifth say that they had not considered this.

Furthermore, had the NRI respondents been aware of the downside risk of remitting to their home country five years ago, almost half would still have done so.

23% would have definitely taken a different path, and a further 31% would have considered the alternatives.

UAE demographic breakdown

Age

| | |
|-------------|-----|
| 18 to 24 | 10% |
| 25 to 34 | 38% |
| 35 to 44 | 37% |
| 45 to 54 | 11% |
| 55 to 64 | 3% |
| 65 or older | 1% |

Gender

| | |
|--------|-----|
| Male | 74% |
| Female | 26% |

Region

| | |
|----------------|-----|
| Dubai | 57% |
| Abu Dhabi | 21% |
| Sharjah | 16% |
| Other Emirates | 7% |

Place of birth

| | |
|---------------------------|-----|
| India | 33% |
| Asia – Other | 30% |
| Europe/Americas/Australia | 12% |
| Africa | 7% |
| UAE | 18% |

Monthly household income (USD)

| | |
|----------------------|-----|
| Up to 2,655 | 4% |
| 2,666 – 3,999 | 5% |
| 4,000 – 5,332 | 18% |
| 5,333 – 6,665 | 19% |
| 6,666 – 7,999 | 14% |
| 8,000 – 10,665 | 15% |
| 10,666 – 13,332 | 13% |
| More than 13,333 | 9% |
| Prefer not to answer | 5% |

Investable assets (USD)

| | |
|-------------------|-----|
| Less than 100,000 | 31% |
| More than 100,000 | 60% |
| Don't know | 10% |

Marital status

| | |
|--------------------------------|-----|
| Single | 26% |
| Married | 66% |
| Divorced / widowed / separated | 7% |
| Other | 1% |



Glossary

Significant

Significant here does not mean important or meaningful, as it does in normal speech. Instead it means that there is a statistical belief that sentiment on the topic has either risen or fallen across the nation between the editions 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 edition to the next, then should you have interviewed the whole population in one edition, and then interviewed them again in the second edition, 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.

Rounding

Data points presented in the figures throughout the report have been rounded to the nearest whole percentage point. As a result total figures may not always sum to 100%.



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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Provider of life assurance and investment products.

Authorised by the Office of the Commissioner of Insurance to conduct long-term insurance business in Hong Kong.

Registered in the United Arab Emirates as an insurance company (Registration No. 76).

Registered with the Ministry of Economy as a foreign company (Registration No. 2013): Registration date 19 April 2007.

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