

Schroders

Global Investor Study

Investor behaviour:
do people have control of
their personal finances?



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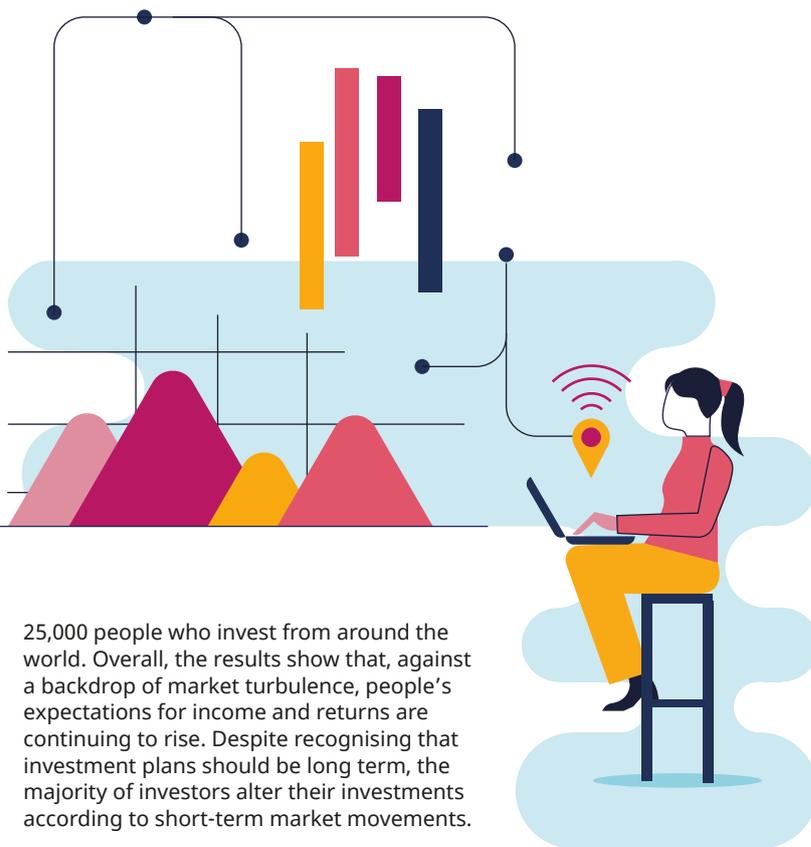
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Overview

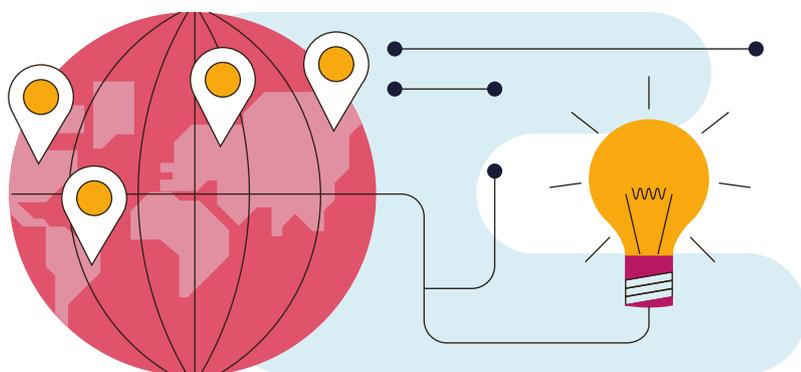


Understanding personal behaviours and motivations when investing is important to help make the right decisions. People who invest are faced with countless decisions about which investments to choose, each with unique risks and potential rewards attached.

The Global Investor Survey 2019 explores the behaviours and attitudes of more than

25,000 people who invest from around the world. Overall, the results show that, against a backdrop of market turbulence, people's expectations for income and returns are continuing to rise. Despite recognising that investment plans should be long term, the majority of investors alter their investments according to short-term market movements.

About the research



In April 2019, Schroders commissioned an independent online survey of over 25,000 people who invest from 32 countries around the globe. The countries included Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the UK and the US. This research defines "people" as those who will be investing at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years.

Note: Figures in this document may not add up to 100 per cent due to rounding.

Our findings in a nutshell

People lack confidence in exactly how much money they have invested/saved, and where it is.

Only 44% of people are very confident with how much money they have with various financial providers, and this reduces sharply for those with less self-purported investment knowledge.

People are not satisfied with the performance of their investment(s).

Over half (51%) have not achieved what they wanted with their investments over the past five years, and most attribute their own action or inaction as the main cause of this failure.

Globally, there's a clear need to be more patient with investments.

The average holding period before changing or cashing in an investment is 2.6 years, which is just over half the five-year term experts generally recommend to stay invested for.

People have unrealistically high annual return (i.e. income and capital growth) expectations.

Investors expect on average a very high 10.7% return per year over the next five years, while one in six expect at least a staggering 20% annual return on their total investment portfolio.

In times of market uncertainty, people make immediate changes to their risk profile.

In the final three months of 2018, when the MSCI World index of global equities fell sharply, only 18% of people kept their investments the same, and a further 9% made changes to their portfolio but kept the risk profile the same.

There's an expectation from people that investments will produce close to the income that they want.

Income expectations for the next 12 months are very high on average (10.3%), which is just under what people want to receive (10.7%).

There is a general home bias for investments, and people are split over the benefit of investing in emerging markets.

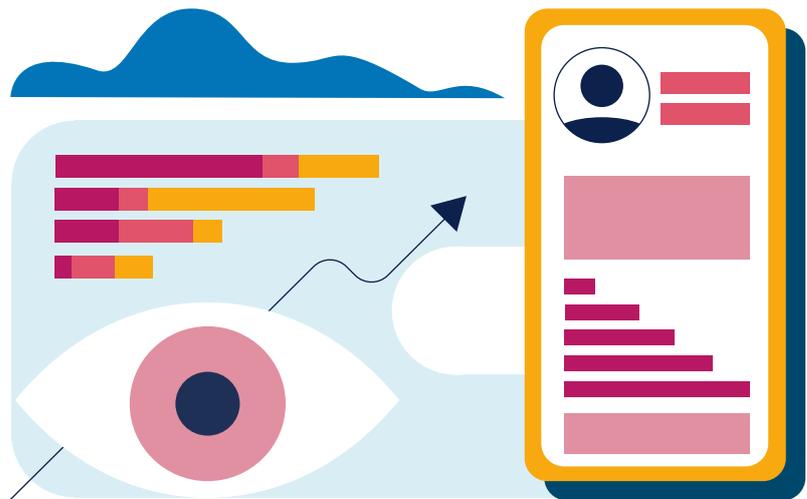
31% of people prefer the majority of their portfolio in funds that invest in their home country, whilst a further 34% prefer investing in countries familiar to them. Only 31% of people globally feel emerging markets could be beneficial to their portfolio, and almost a quarter (24%) think it is too risky to do so.



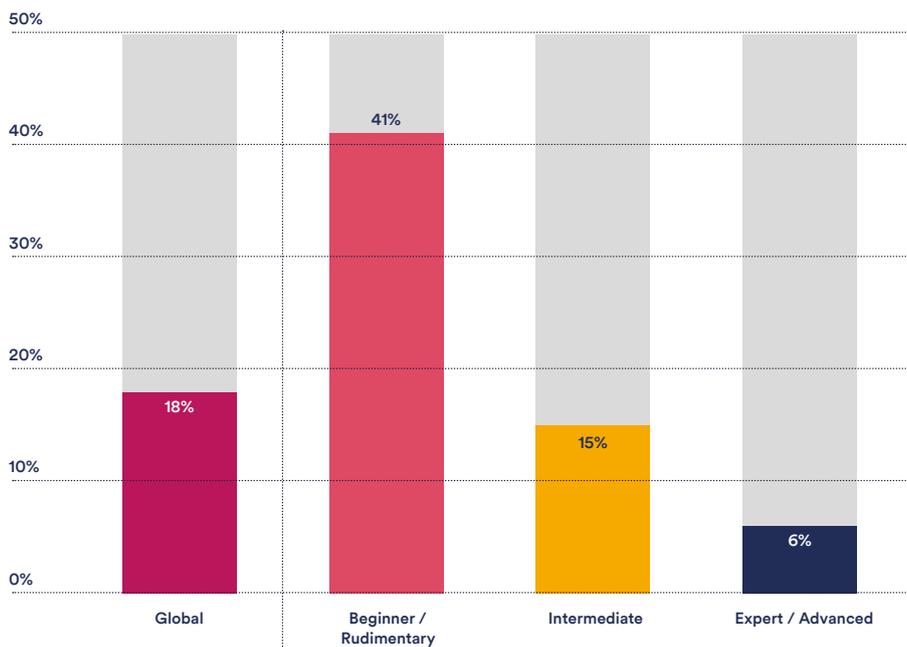
People seek visibility on their investments

Globally, the results indicate a need for increased confidence in people's control over their investments. Nearly a fifth (18%) of people only have a rough idea of how much money they have with various financial providers. This rises to 41% of those who identify themselves as having only a beginner or rudimentary level of investment knowledge.

The least confident region is Asia, with a quarter (25%) of respondents in this continent feeling very confident in the amount of money they have across providers. Drilling down to specific countries, Japan is the most likely to show a lack of confidence in the knowledge of how much money they have (47%). India sits at the other end of the scale, with an overwhelming 95% of people with a good idea of how much money they have.



People that are not confident / only fairly confident of how much money they have with various financial providers



It's no surprise that people are generally uncertain, with them holding an average number of 5.8 investment products, across 3.3 providers. This number rises with level of perceived knowledge, to 6.6 products across 3.7 providers for people who identify as expert, or advanced, investors.

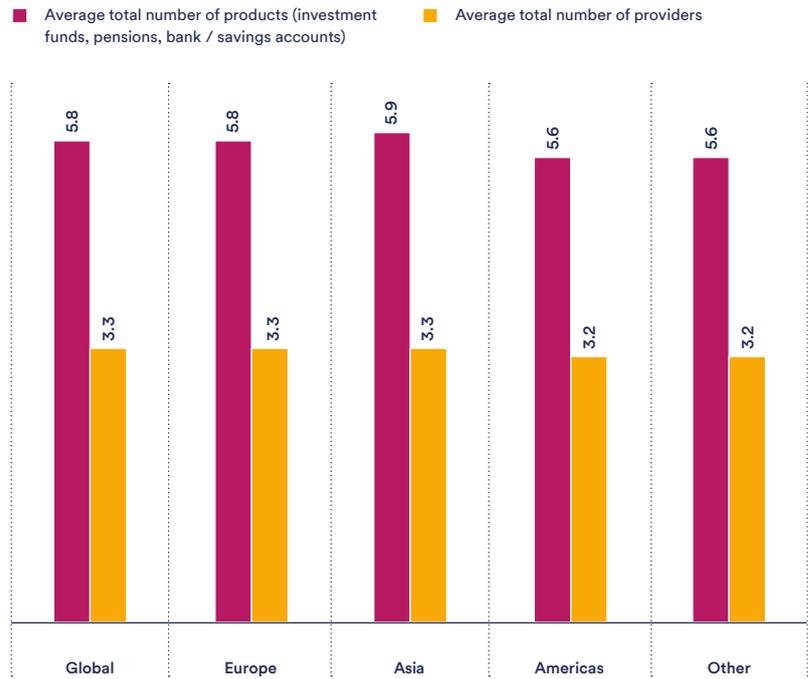
41%

of beginner / rudimentary investors are not confident, or only fairly confident on the amount of money they have

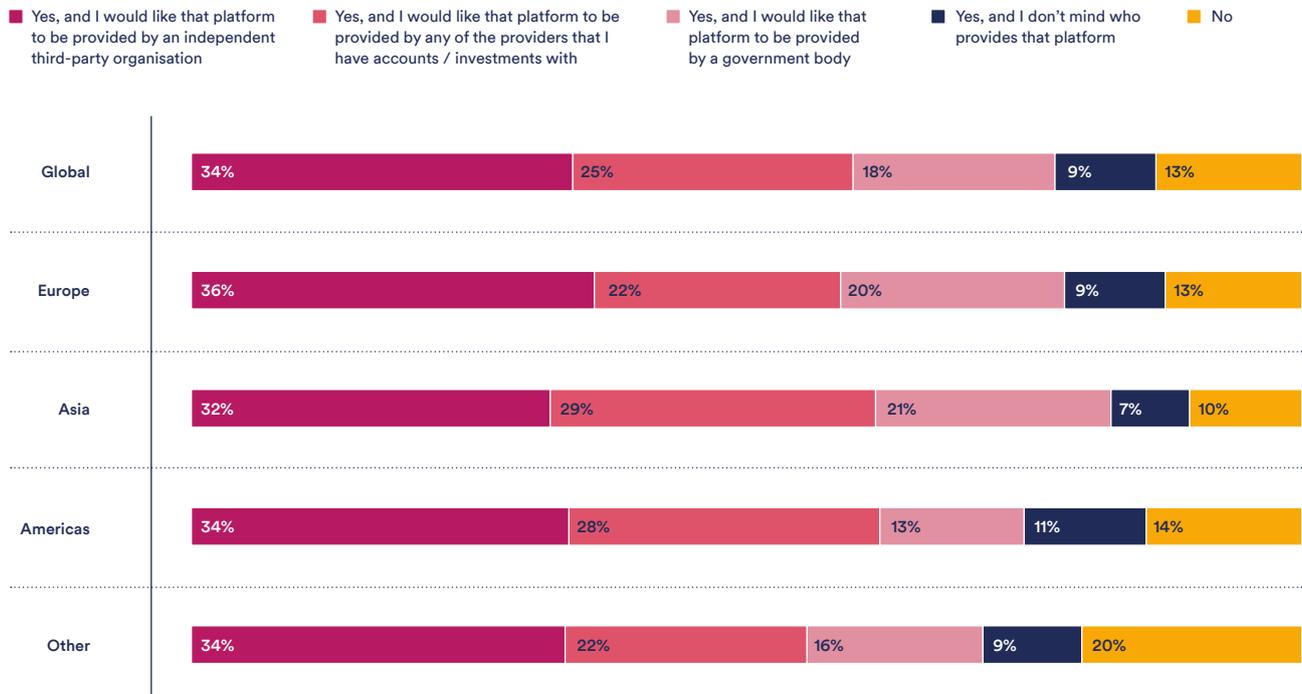
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Respondents from Japan are the most likely to show a lack of confidence in the knowledge of how much money they have

People seek more visibility and control over their finances, with 87% of respondents across the world keen to be able to view, check and make changes to all their investments on one consolidated platform, such as a website or an app. Interestingly, people are most likely to want this provided by an independent, third-party organisation (34%).

How many different products / providers do people think they have?

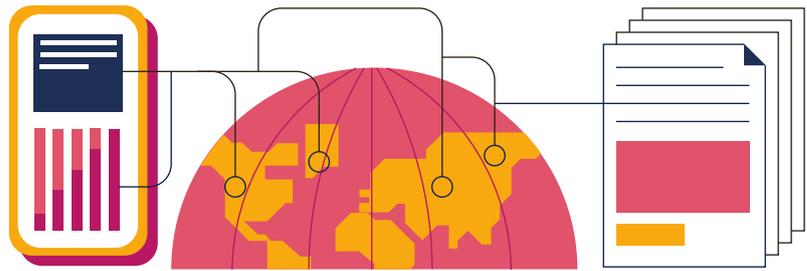


Would you like to be able to view, check and make changes to all your bank accounts, savings, investments and pensions on one consolidated platform?



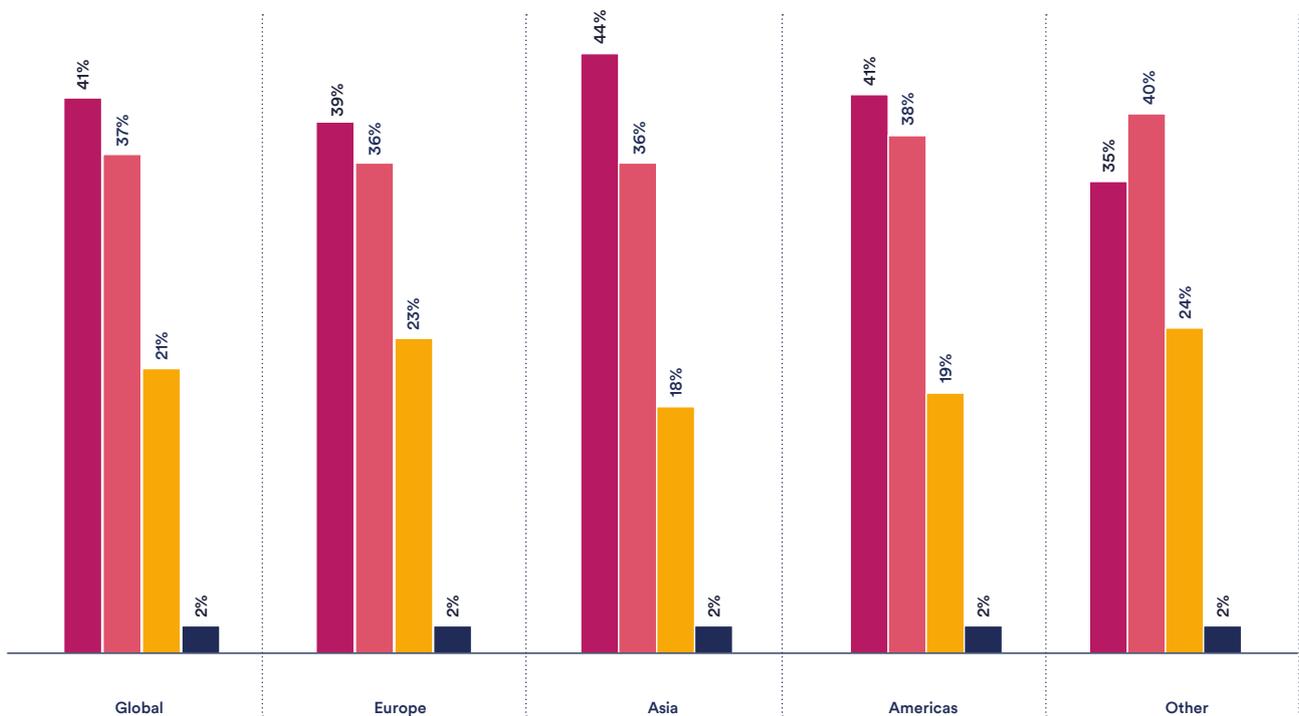
Overactive investors around the world

Looking at how regularly people interact with their money; despite a general lack of confidence in exactly how much they have, people are engaging frequently. Over three quarters (77%) of people check their investments at least monthly, rising to 80% in Asia.



On average, how frequently do you check the value of your investments?

■ Weekly, or more frequently
 ■ At least monthly, but less than weekly
 ■ At least yearly, but less than monthly
 ■ Less than every year



“ Over three quarters of people check their investments at least monthly

On occasion it appears that people are too active, possibly at risk of making knee-jerk reactions that aren't fully informed. The average holding period for investments is 2.6 years, which is well under the generally recommended five years. Nearly half (41%) of people stay invested for less than a year suggesting a lack of patience.

This differs around the world; at a regional level those in the Americas are more patient with their investments (2.7 years on average). However, it is people from Japan that are most patient, getting close to the industry recommendation (five years) with an average of 4.5 years, followed by the USA (4.2 years) and Canada (4.1 years). Those in Argentina move the quickest, holding for an average of only 1.3 years, followed by Mexico and Poland (both 1.5 years).

44%

of people from Asia check their investments at least once a week

41%

of people stay invested for less than a year

Excluding any pensions or property investments, on average, once you have put money into an investment product, how long do you stay invested?

Country	Time invested (years)
Japan	4.5
USA	4.2
Canada	4.1
Germany	3.1
Denmark	3.1
UK	2.9
France	2.9
Netherlands	2.8
Austria	2.8
South Africa	2.8
Switzerland	2.7
Singapore	2.7
Australia	2.7
Belgium	2.6
Taiwan	2.6
Sweden	2.5
Portugal	2.3
Italy	2.2
Hong Kong	2.1
Indonesia	2.1
Russia	2
India	2
Spain	1.9
Thailand	1.9
Brazil	1.9
China	1.8
Chile	1.8
South Korea	1.7
UAE	1.6
Poland	1.5
Mexico	1.5
Argentina	1.3

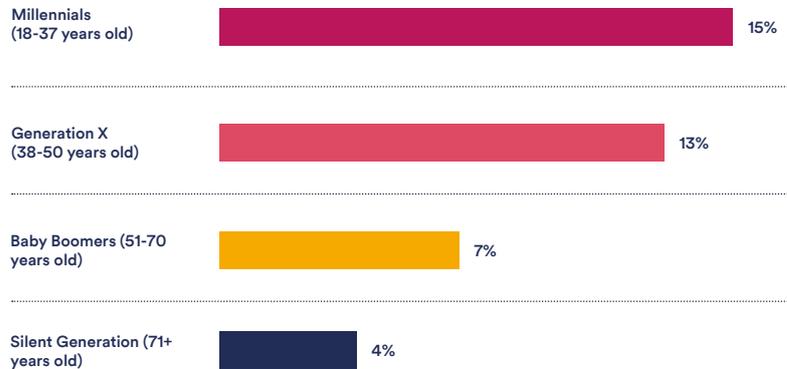
Millennials appear to be less patient than older generations, moving investments elsewhere or cashing in less than every two years (1.9 years). This is noticeably more frequent than Generation X (2.7 years), Baby boomers (3.7 years) and the silent generation (4 years).

Millennials are also more likely to make reactive decisions in the face of volatility, with 15% of people of this age group agreeing they are likely to do this in times of instability. This again is negatively correlated to their age group, with only 4% of the silent generation feeling they will behave this way.

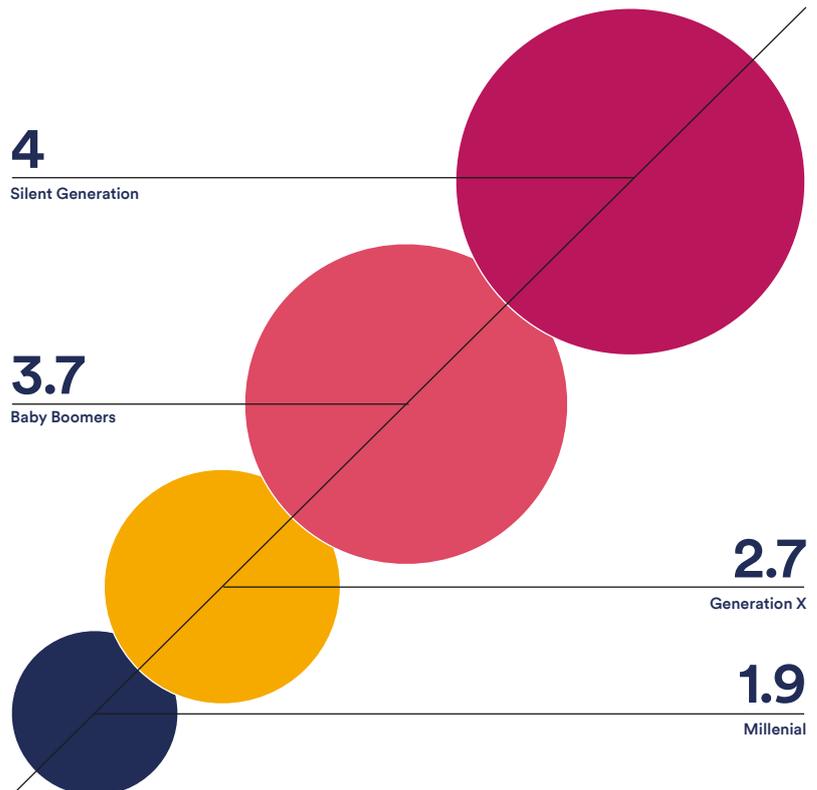
“ Millennials are more likely to make knee-jerk reactions in the face of volatility



Percentage of people who make quicker, potentially less considered, changes to their portfolio when the political situation in their region is unsettled or when stockmarkets are volatile



Excluding any pensions or property investments, on average, once you have put money into an investment product, how long do you stay invested (in years)?



Knee-jerk reactions to market volatility

Whilst millennials are more inclined to make quicker, less considered changes to their portfolio in times of volatility, one in eight people across all age groups (13%) still feel this way.

The end of 2018 was turbulent for the markets. In the final three months of the year, the MSCI World index of global equities fell sharply amid concerns for the global economy. The ways in which market uncertainties impact people's financial behaviour helps reveal how people plan to use their disposable income.

In direct response to this period of market volatility, most people made changes to their risk profile (70%). Of these, 37% moved some

of their portfolio into lower risk investments, and 35% moved some of their portfolio into higher risk investments. One in five people (21%) moved some of their portfolio into cash, suggesting that they were nervous of any kind of investment. *

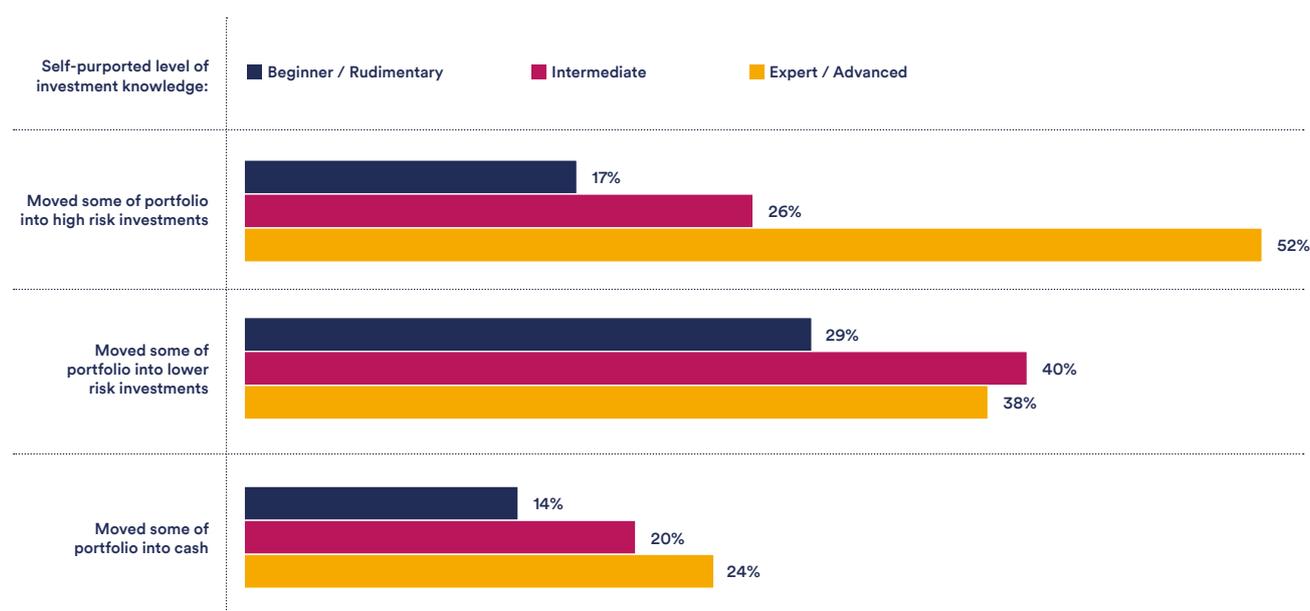
Looking at the differences across investment knowledge groups, expert / advanced investors were more likely to make changes to their risk profile compared to other knowledge levels. Just over half of those who identify themselves as expert/advanced investors (52%) even moved some of their portfolio into high risk investment, showing they are more confident about taking advantage of situations.

52%

of expert / advanced investors moved some of their portfolio into high risk investments in the face of market volatility

*Respondents could choose more than one of these action in response to market volatility

What changes did you make to your investment portfolio in direct response to a period of market volatility?



Unrealistic expectations cause discontent

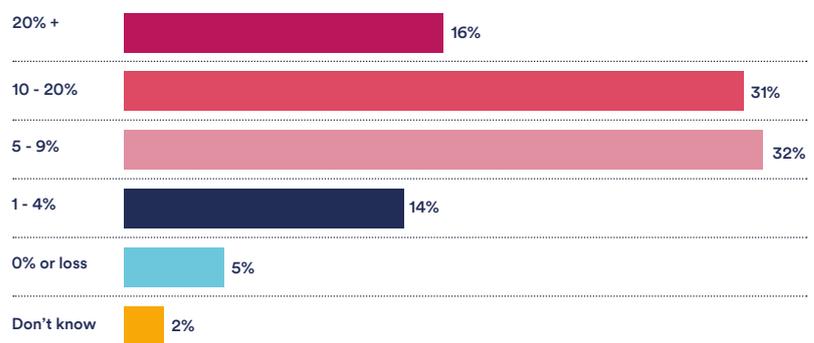
Despite the limited confidence in exactly how much they have in their portfolio, people still have high expectations for the total rate of return on their investment portfolio (income and capital growth). The global average expectation is a very high annual return of 10.7% over the next five years. As many as 16% anticipate an ambitious annual return of at least 20% on their total investment portfolio.

Geographically, those in the Americas had the highest expectations (12.4%), compared to a slightly more realistic 9% in Europe.

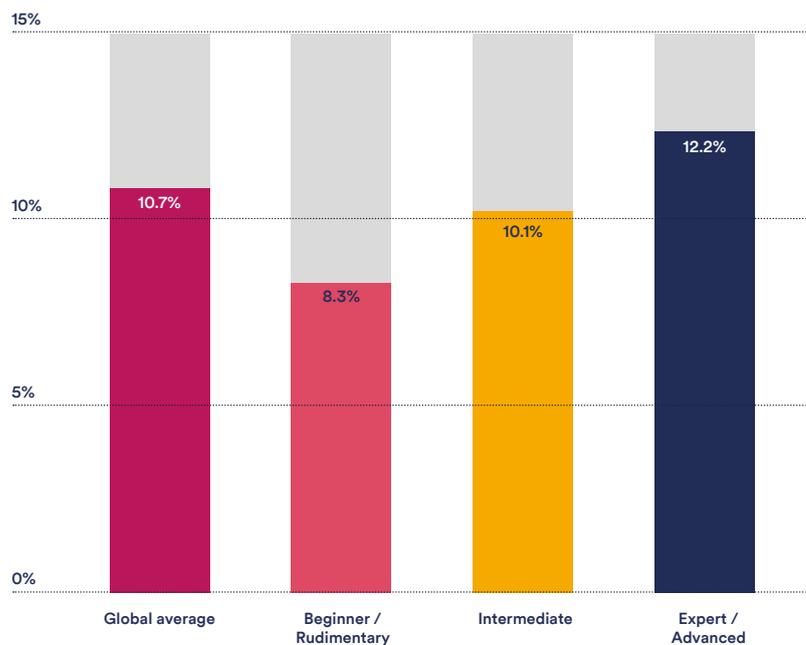
Surprisingly, when looking at self-purported investment knowledge, expectations for investments rise for those with more knowledge. This suggests that inflated return expectations are not only due to a lack of experience.



Thinking about your total investment portfolio over the next five years, what annual total (%) return (i.e. income and capital growth) do you expect to make, on average each year?



Thinking about their total investment portfolio over the next five years, what annual total (%) return (income and capital growth) do people expect to make, on average each year?



**“
Inflated return
expectations are
not only due to a lack
of experience**

Income expectations equally as high

And when people were asked what annual income they would like to receive from investments - it was only slightly higher than the amount they expect to receive (10.7% vs 10.3%). This slight difference between desired and expected income was identified across generations, although younger generations had both higher wants and expectations for their income from investments.



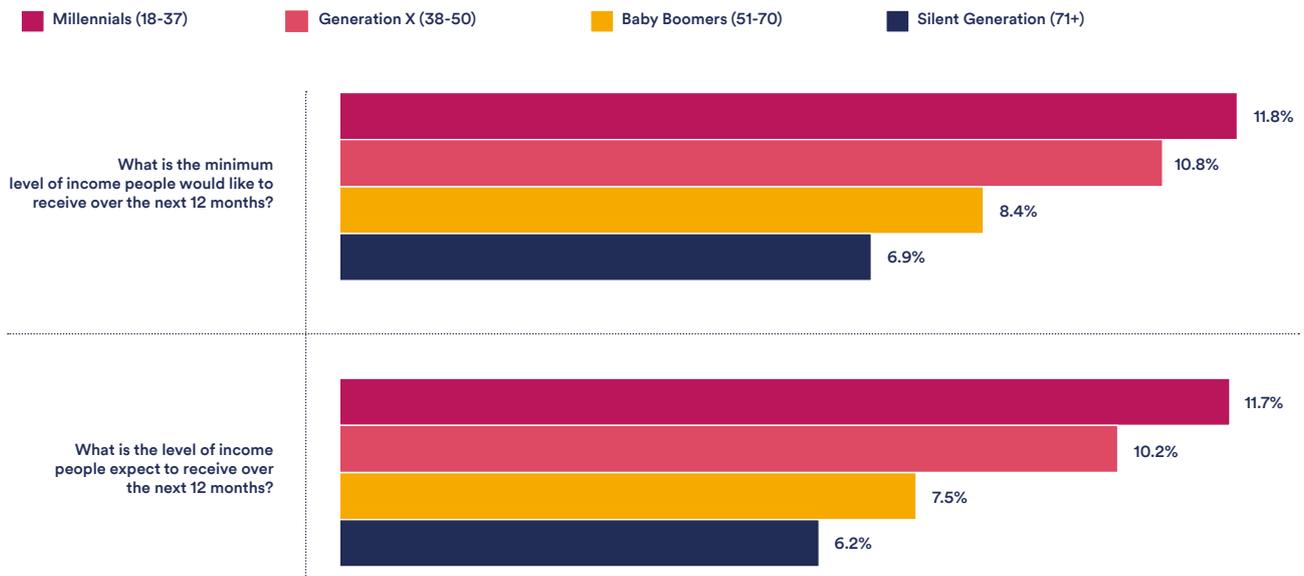
10.7%

is the minimum level of income people would like to receive from their investments

10.3%

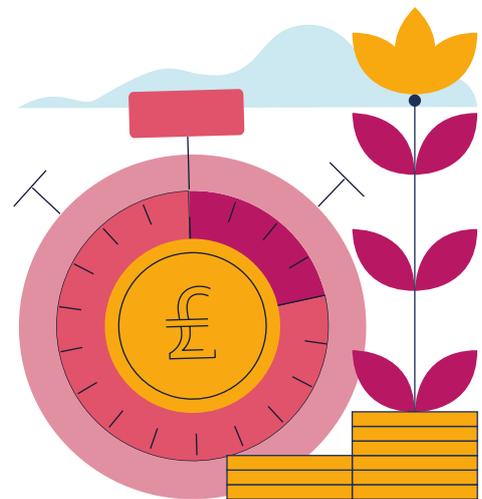
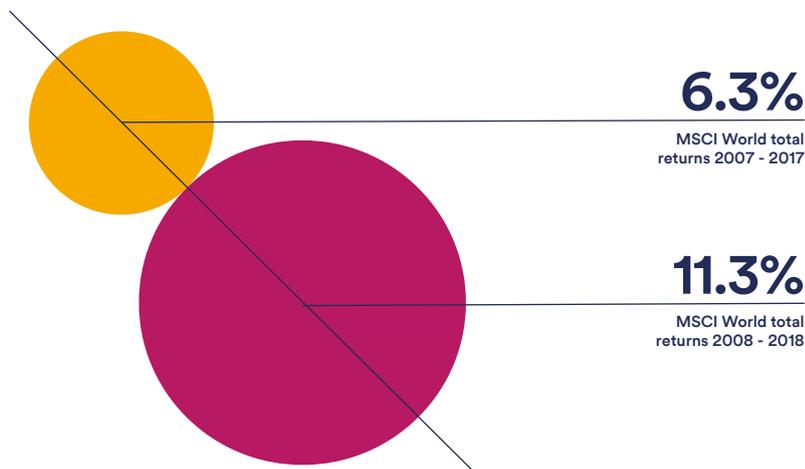
is the minimum level of income people would expect to receive from their investments

**Thinking about the income from investments,
(excluding cash savings & properties)**



Strong returns of past decade (2008–2018) lead to complacent investment attitudes

Average yearly return



Thinking about their total investment portfolio over the next five years, the annual total return (i.e. income and capital growth) people expect to make, each year



Current investment attitudes may have been led by financial markets recovering from one of the biggest stock market crashes in history. Looking across average yearly returns from the MSCI World index, the difference in the yearly returns across two ten-year periods, only one year apart, is significant.

Past performance is not a guide to future performance

This stark difference in returns demonstrates that the post-crash market led to a decade of strong returns. This could be one of the reasons for such inflated returns expectations, as investors become complacent about the outlook, expecting this trend to continue. People are now expecting a 10.7% total return annually, up from 9.9% last year.

Schroders previously explored the outlook for the next decade and believe that a combination of factors will set the scene for a slowing global economy. Events like an ageing population, low inflation and poor productivity rates all indicate that the next ten years will not match the returns of the previous ten years.

People blame themselves for investment performance

This potentially unrealistic expectation is clearly a bone of contention for people, with over half (51%) of respondents believing they have not achieved what they wanted with their investments over the past five years.

The performance of investment funds was the top reason that people felt they had failed to achieve what they wanted from their investments (11%). However, almost all the other high-ranking reasons related to people

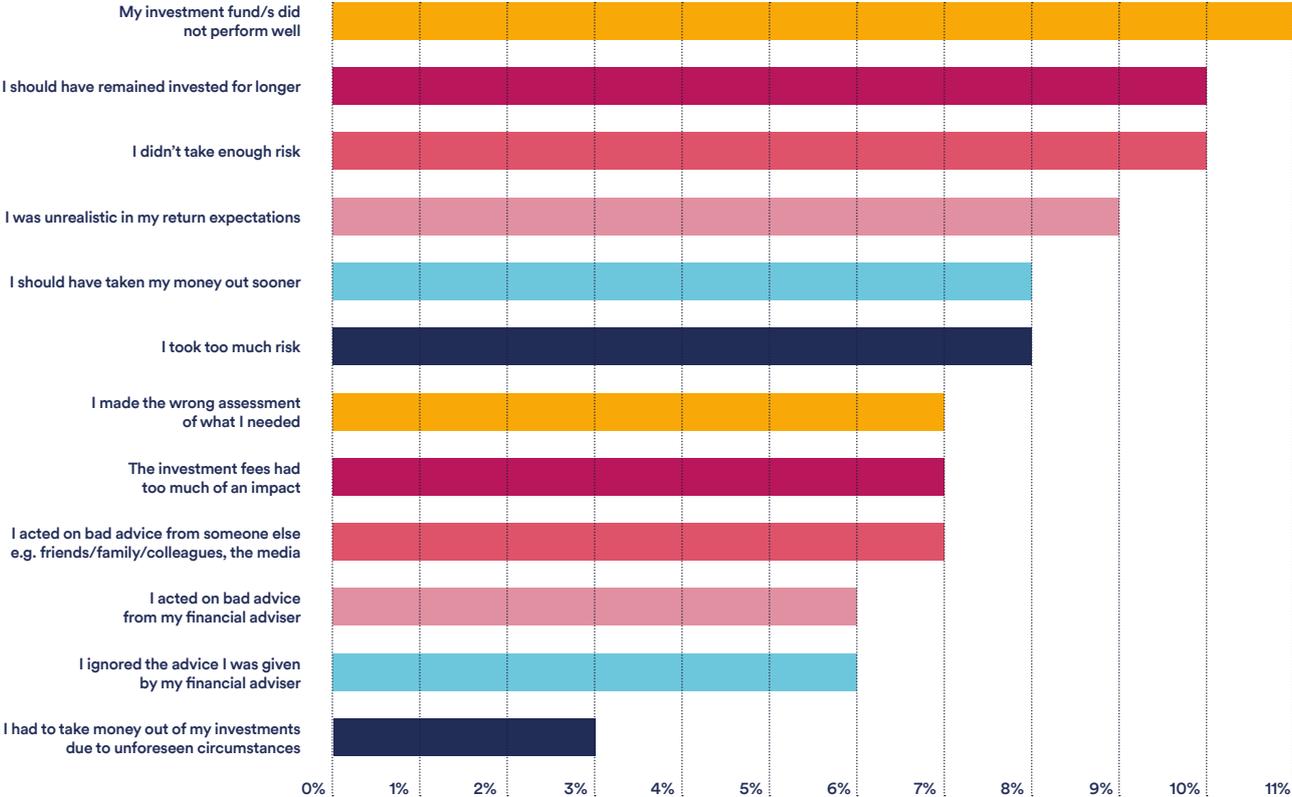
blaming their own actions, or inactions. These would be anything, from the length of time invested to the level of risk taken and whether advice was taken from an adviser or peer.

51%



of people have not achieved what they wanted with their investments over the past five years

Why have people not achieved what they wanted to with their investments over the past five years?



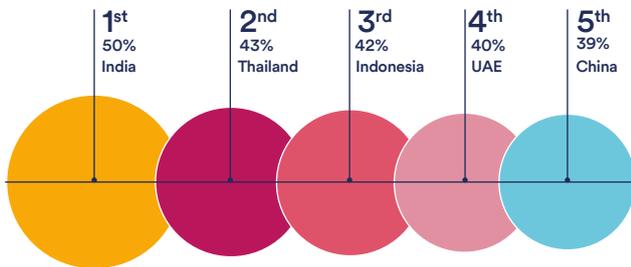
Domestic bias in investing

Some investment managers believe that emerging markets are well positioned as a good source of potential long-term returns. Despite that, people appeared to lack interest in investing in emerging markets, with only 31% of people feeling it could be beneficial to their portfolio, and almost a quarter (24%) thinking it is altogether too risky.

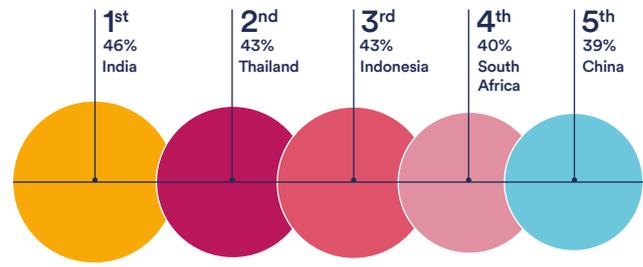
A number of countries that are emerging markets demonstrated a leaning towards investing in their home country, and they were also the most likely to consider emerging markets as beneficial to their portfolio.

“
A number of countries that are emerging markets demonstrated a leaning towards investing in their home country

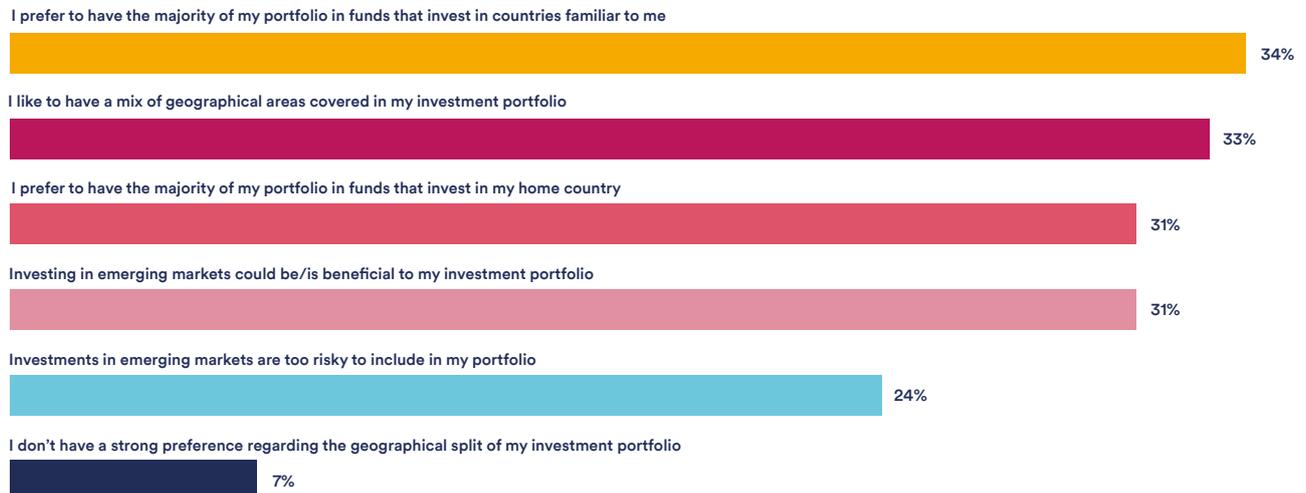
Top countries, by percentage of respondents that prefer most of their portfolio in funds that invest in their home country:

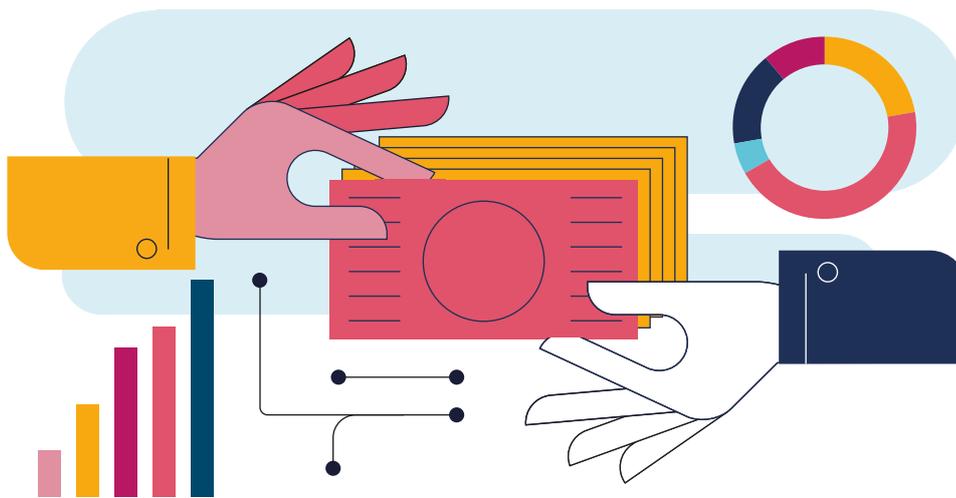


Top countries, by percentage of respondents that believe investing in emerging markets could be/are beneficial to their investment portfolio:



Which of the following statements do people, globally, agree with most about their investment portfolio?





36%

of respondents in Asia believe that investing in emerging markets could be/is beneficial to their investment portfolio

Continent	Country	Percentage of respondents that prefer to have the majority of their portfolio in funds that invest in countries familiar to them	Percentage of respondents that prefer to have the majority of their portfolio in funds that invest in their home country
Europe	Austria	30%	27%
	Belgium	28%	25%
	Denmark	31%	26%
	France	30%	30%
	Germany	31%	25%
	Italy	30%	24%
	Netherlands	30%	29%
	Poland	36%	27%
	Portugal	30%	28%
	Russia	35%	35%
	Spain	33%	27%
	Sweden	29%	26%
	Switzerland	29%	29%
	UK	29%	26%
Asia	China	47%	39%
	Hong Kong	35%	20%
	India	46%	50%
	Indonesia	42%	42%
	Japan	25%	21%
	Singapore	37%	32%
	South Korea	37%	32%
	Taiwan	37%	16%
	Thailand	43%	43%
Americas	Argentina	37%	27%
	Brazil	37%	36%
	Canada	31%	33%
	Chile	35%	31%
	Mexico	39%	30%
	USA	28%	37%
Others	Australia	34%	34%
	South Africa	43%	32%
	UAE	39%	40%

Investment interests differ by age

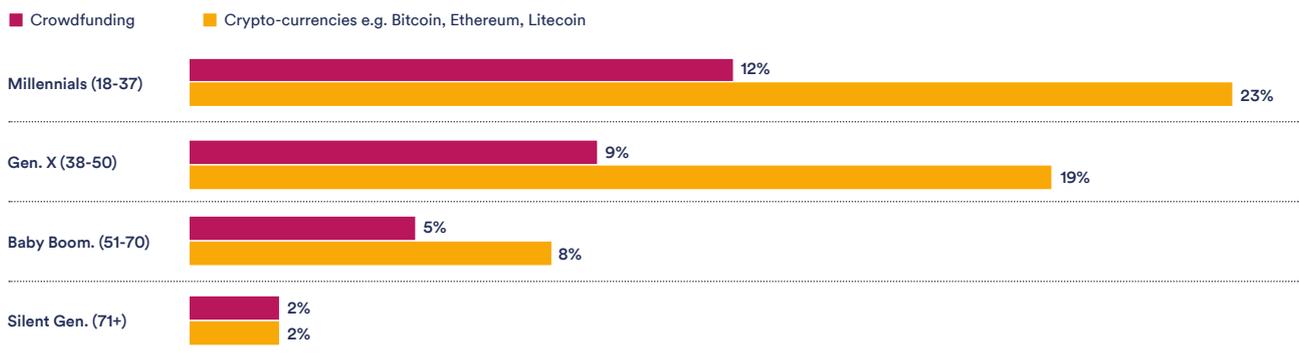
When looking at the type of investments people held, there is a clear correlation between age and interest in slightly more unique investment types. Millennials were much more likely to have money invested in cryptocurrencies and crowdfunding (23% and 12% respectively). This interest in these newer, and riskier, investments is reduced with the older age groups.

Unsurprisingly, some of their attitudes towards risk reflect this, with millennials being the most likely to believe the greatest risk to them is not taking enough risk to achieve their investment objectives (53%). This trend also reduces with age, to 24% of those aged 71 and over.

53%

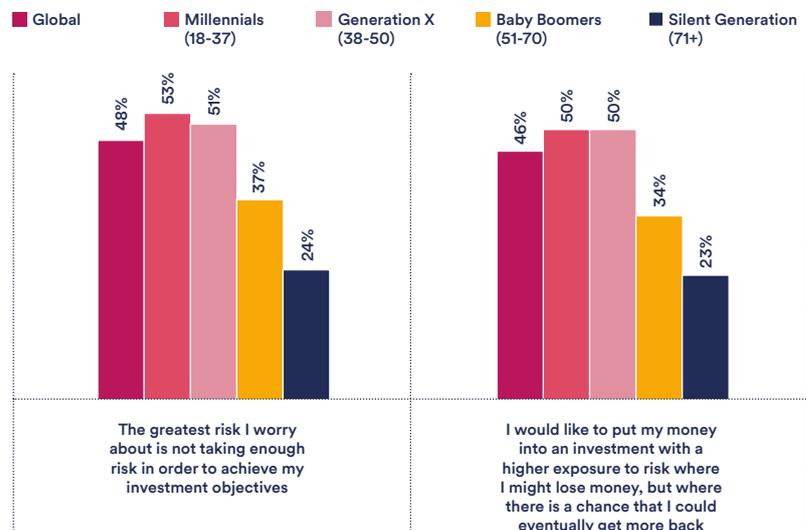
of millennials believe that the greatest risk they worry about is not taking enough risk in order to achieve their investment objectives

Which of the following types of investments, do people currently have money invested in?



“
There is a clear correlation between age and interest in slightly more unique investment types

Importance of sources of information when making decisions about investments for retirement



Are you in control of your finances?

Whether it's your pension, or your savings accounts, you want to feel fully in control of your personal finances. But your behavioural biases could be impacting the decisions you make about your investments.

Schroders forecasts that the next decade is set to deliver returns that don't match the expectations of investors. People around the world identified a lack of information as one of the biggest barriers facing their investment control. Addressing this information gap could be the key to seizing control of your finances, and ensuring you are handling your investments in the best way.

Schroders commissioned Research Plus Ltd to conduct an independent online survey of 25,743 investors in 32 countries throughout the world, with fieldwork held between 4th April – 7th May 2019. This research defines 'investors' as people who will be investing at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years; these individuals represent the views of investors in each country included in the survey. Retired investors were boosted in each country, where it was feasible.

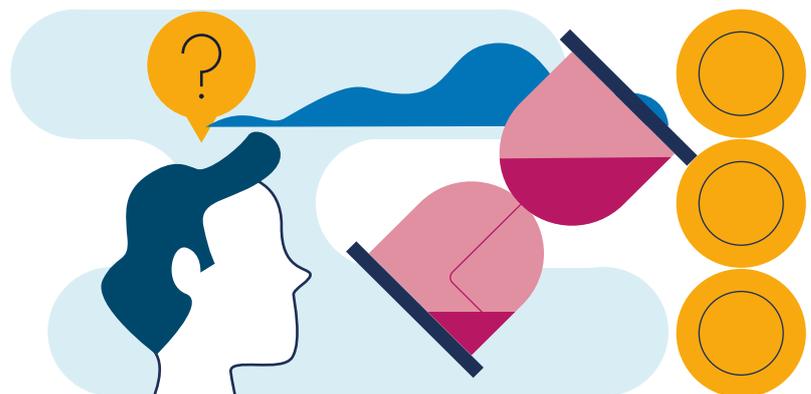
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