



Friends Provident International Investor Attitudes Report

Wave 6 – October 2011



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Introduction

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

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

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

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

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

As with previous waves of the research, online interviews were conducted in the same period for all three countries – 18 July to 28 July 2011 – to ensure that respondents were answering the questions under the same global financial environment.

The total sample size for wave 6 was 2774, to ensure the collection of robust data, representative of investor attitudes in each of the regions.

The breakdown for each region was:

- Hong Kong – 1001 interviews
- Singapore – 1004 interviews
- UAE – 769 interviews

The samples are nationally representative of each region.

*Numbers based on panel availability for each region.



Welcome

To wave 6 of Friends Provident International Investor Attitudes report.

The steady return to confidence in international markets, seen each quarter since the Friends Provident International Investor Attitudes report launched in June 2010, has stalled this wave. The Friends Investor Attitudes Index scores have dropped or stayed the same across each of our regions for the first time since research began.

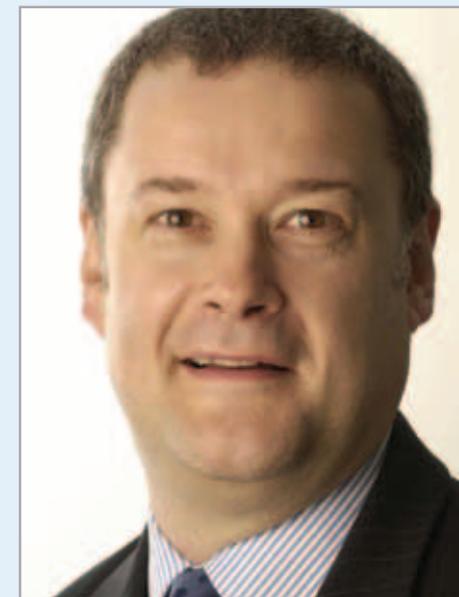
Research was conducted prior to the global markets turmoil created by the stock market plunge in August and US debt crisis, explaining the cautious attitude of investors this wave.

In Hong Kong, the static Index score masks a significant decrease in popularity of equities/shares and property. Gold, the perceived 'safe haven' in times of uncertainty has taken a strong lead as the preferred asset class. Hong Kong showed the lowest level of confidence in the current and future investment market since research began and over 50% of respondents believe that interest rates will rise in the next six months.

A decrease in confidence is more immediately visible in Singapore's index score, which has dropped for the first time by a considerable five percentage points. Mirroring Hong Kong, property and equities/ shares have seen the sharpest decline in popularity, although all asset classes have dropped in favour except collectibles, which has remained stable.

Despite a drop of one point in the Index score for UAE, for the first time, they have taken the lead over Hong Kong and Singapore. Gold and cash are again the most popular asset classes, with the popularity of all other classes decreasing slightly, with the exception of collectibles which has continued to rise steadily since October 2010.

I hope you find wave 6 of the Friends Provident International Investor Attitudes report interesting and would like to thank our regional managers for sharing their local knowledge in comments throughout the report.



Paul Tunnicliffe

Managing Director, International
Friends Provident International



Global reach, local insight

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



David Knights

General Manager, Hong Kong
Friends Provident International



Chris Gill

General Manager, South East Asia
Friends Provident International



Matthew Waterfield

General Manager, Middle East and Africa
Friends Provident International



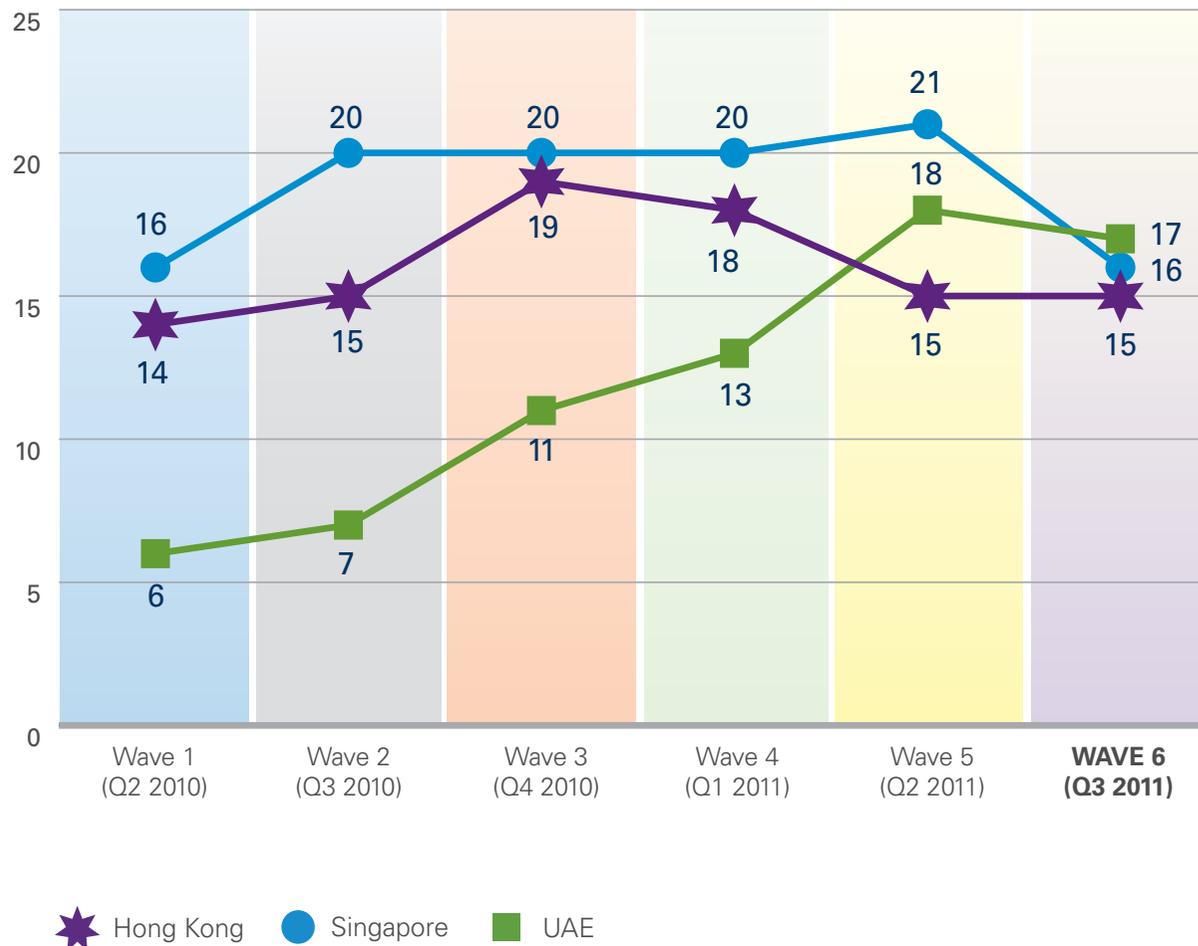
Friends Investor Attitudes Index

Key learning

Following the index decline seen in wave 4 and 5, the Hong Kong Investor Attitudes Index remained stable at 15 points this wave.

The Singapore Investor Attitudes Index fell by five points this wave. This is the first drop seen in the Singapore index since research began.

The UAE's index is now slightly higher than the indices for both Hong Kong and Singapore.



★ Hong Kong ● Singapore ■ UAE

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

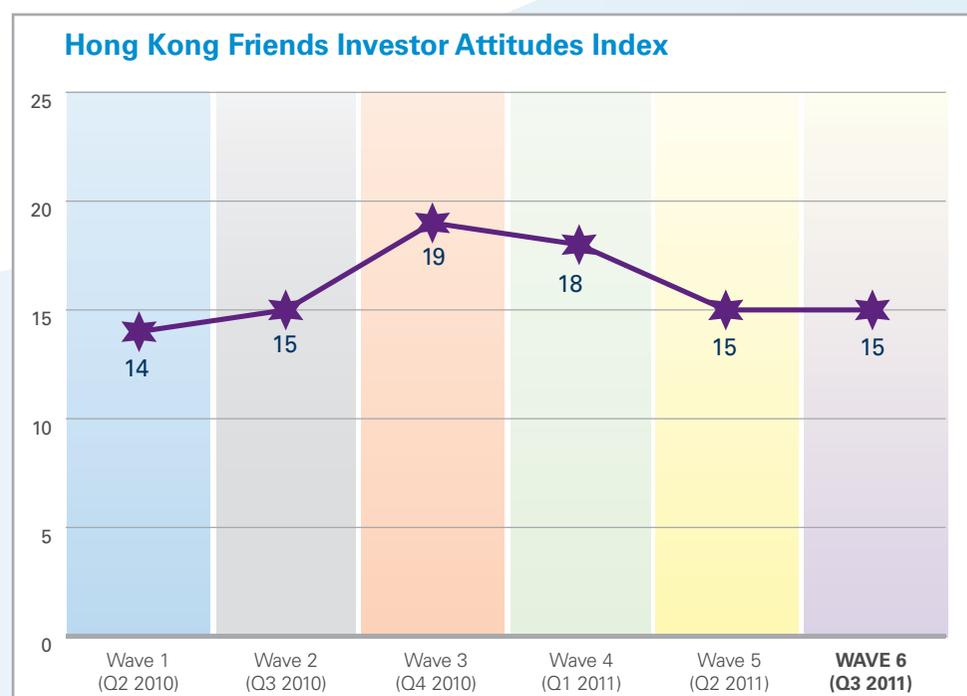
Hong Kong





Findings at a glance – Hong Kong

- The Friends Investors Attitudes index has remained stable this wave, however this masks some major shifts in favour towards individual asset classes, with equities/shares and property continuing their strong decline in favour, and gold by far the preferred option.
- This survey went to field shortly before August's global financial turmoil and shows the lowest level of confidence in the current and future investment market to date.
- Unsurprisingly, significantly more investors are opting to sit out due to uncertainty, while those who still choose to invest opt for a mixed term, balanced approach.
- Most respondents believe that a further rise in inflation would impact their standard of living, with one in three believing that the impact would be significant.
- Almost six respondents in ten are convinced that interest rates will rise in the next six months, which could partially explain why property is the least favoured investment category at the moment.



Asset class tracking

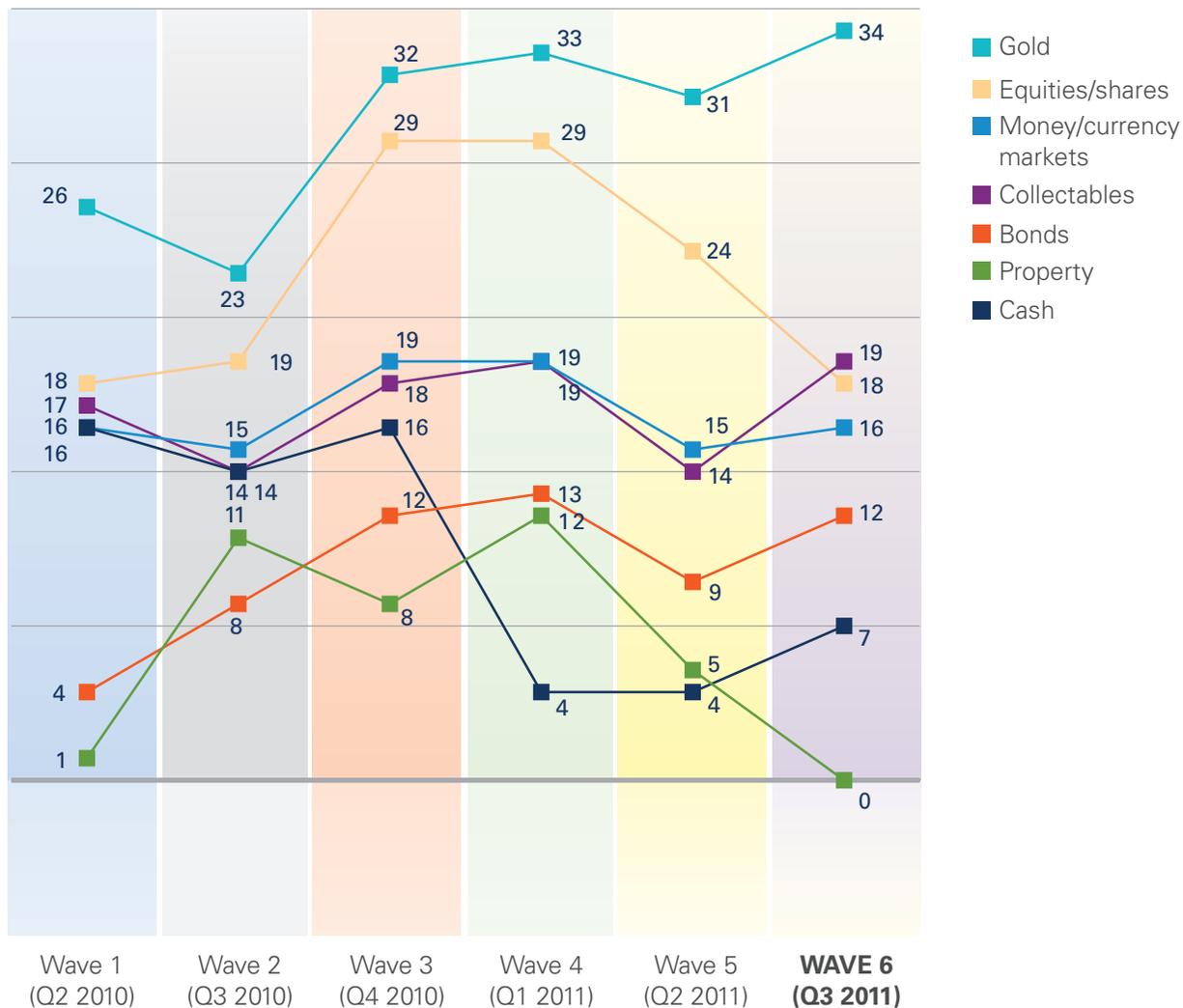
Key learning

The stability of the overall index belies some major shifts in favour across individual investment options.

Gold has pulled ahead to become the most preferred asset class by a considerable distance. Equities/shares and property have continued their decline in favour.

This reinforces the picture in wave 5 of investors moving towards the perceived “safe haven” of gold in times of economic uncertainty.

There has been a return to favour for collectables, which are level with equities/shares for the first time since Q2 2010.



Q1.

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

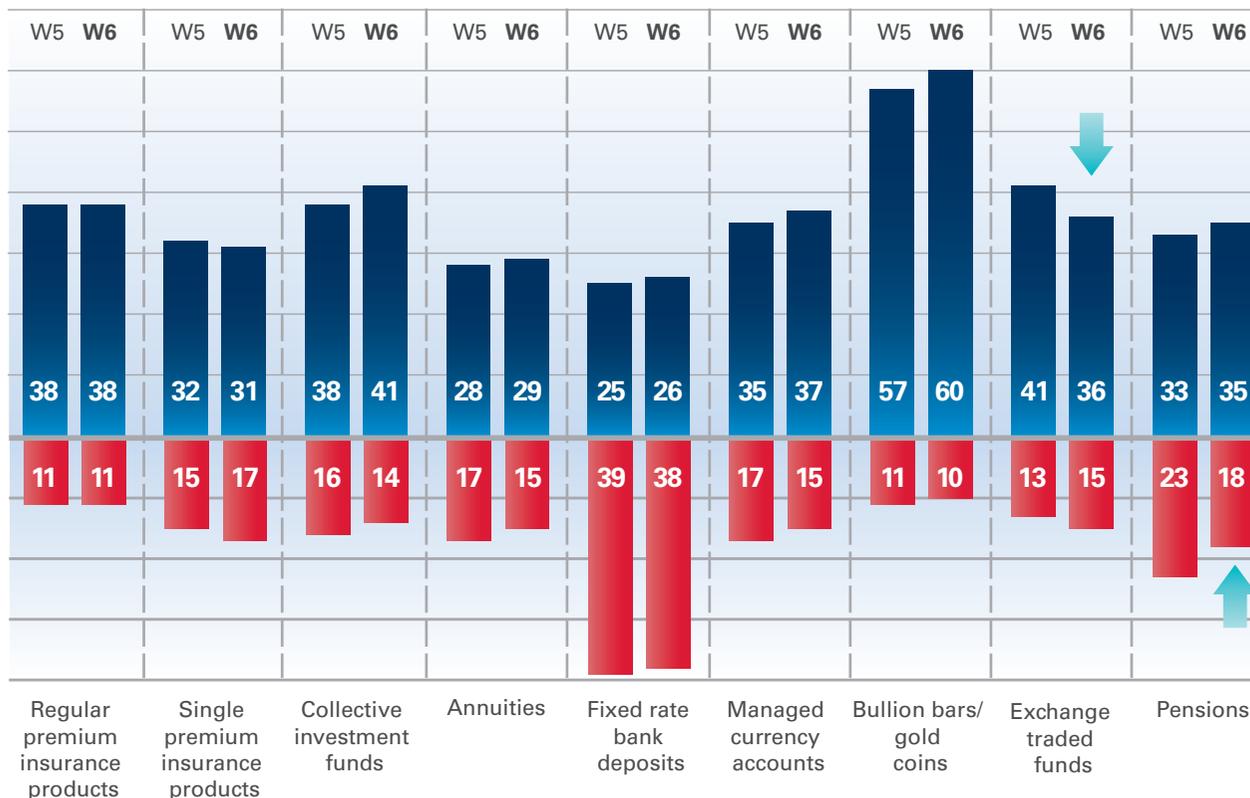
Investment instruments

Key learning

As in the previous wave, bullion bars/gold coins are the preferred investment instruments.

There has been little change in investor sentiment towards most categories. One key exception is exchange traded funds, now noticeably less popular.

Also, there has been a significant drop in negative sentiment towards pensions.



Indicates significant change from previous wave

■ Total Good/Very good

■ Total Bad/Very bad

These figures represent whole percentages

Q2.

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

Investment strategy

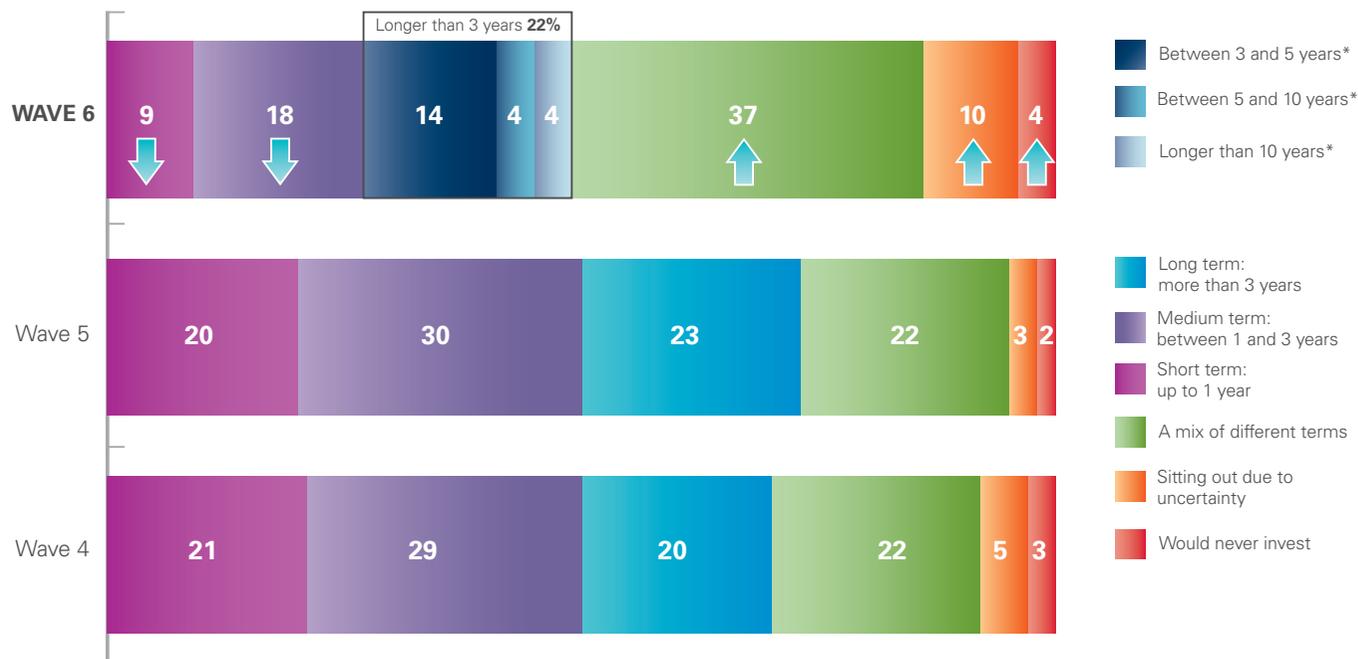
Key learning

There has been a significant increase in favour of a mix of different terms, with a proportionate decrease in favour towards short term strategies.

Noticeably more investors are also sitting out due to uncertainty.

“It is not surprising to see that Hong Kong investors are looking for a mix of different terms as uncertainty in the market continues.”

David Knights



Indicates a significant change from the previous wave

These figures represent whole percentages

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

Investment risk profile

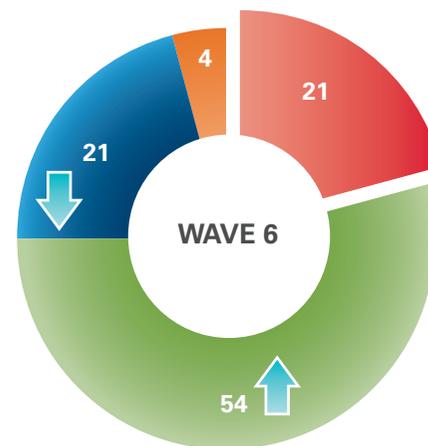
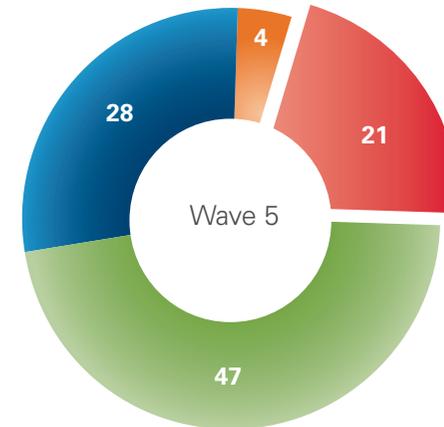
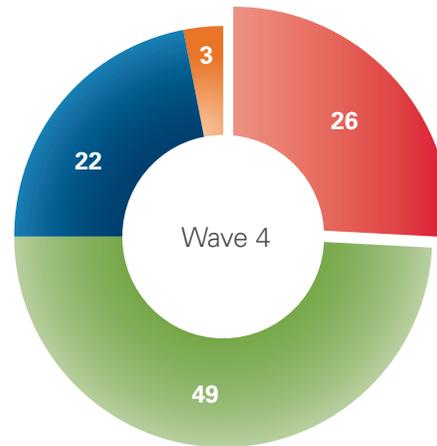
Key learning

A balanced approach has significantly increased in favour among Hong Kong investors.

This is matched by a significant decrease in favour towards a risk averse approach.

“The low market confidence coupled with the rising inflation rate have probably prompted investors to look for balanced ways of investing their money.”

David Knights



- Don't know
- Risk averse
- Balanced
- Risk taker

↕ Indicates a significant change from the previous wave

These figures represent whole percentages

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

Investment advice

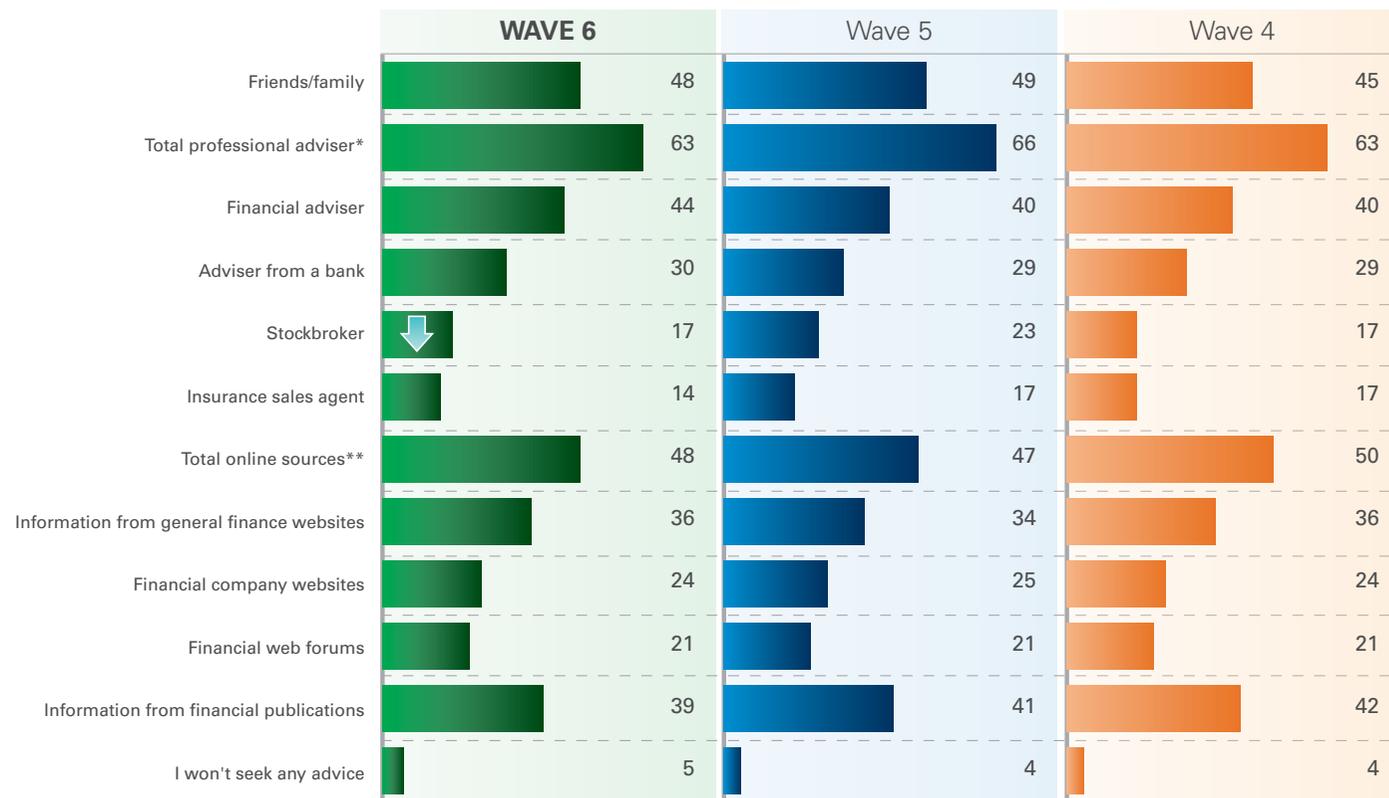
Key learning

Professional advisers as a whole remain the most popular source of investment advice.

The popularity of stockbrokers has now returned to the same level seen at wave 4.

“It is symptomatic of the uncertainty in today’s market that investors are seeking professional advice for further insight into future trends.”

David Knights



↑↓ Indicates a significant change from the previous wave

These figures represent whole percentages

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

* Respondents selecting one or more professional source

** Respondents selecting one or more online source

Investment outlook

Key learning

Confidence in the current investment market and its prospects over the next six months declined further this wave.



These figures represent whole percentages

↑↓ Indicates a significant change from the previous wave

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

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

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

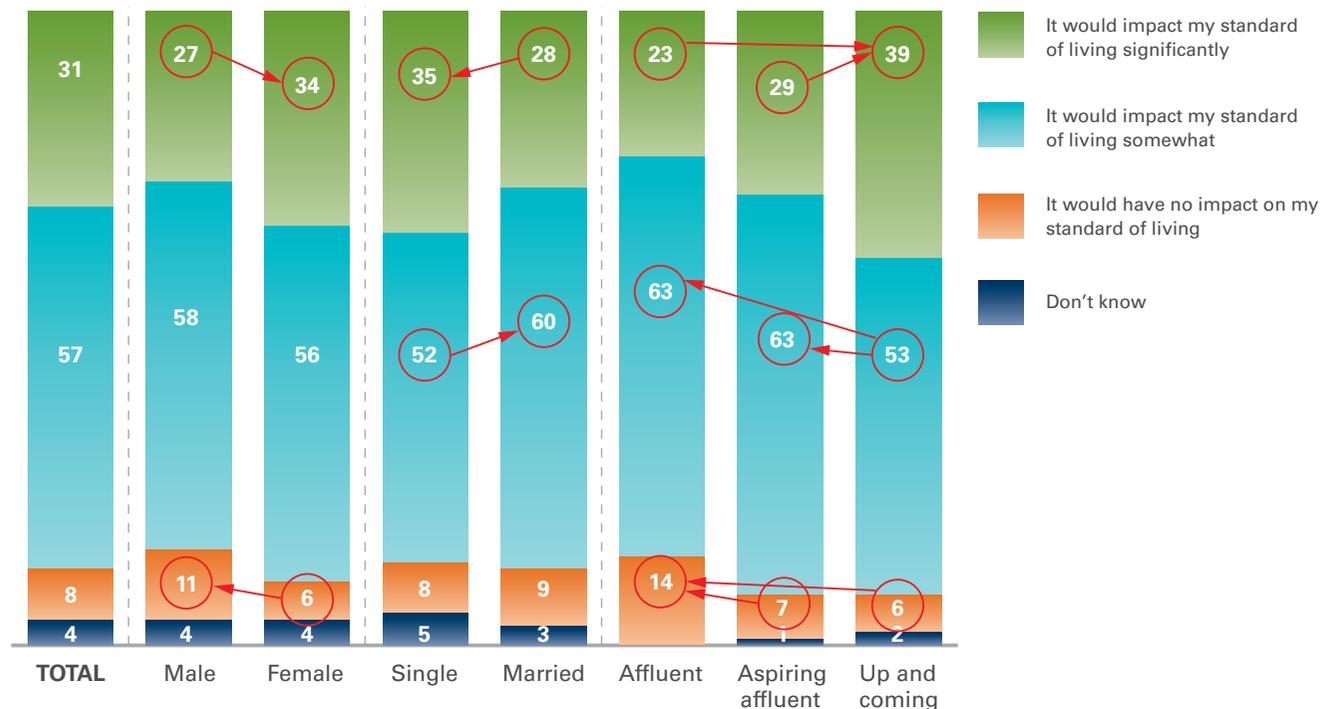
Impact of inflation rates on standard of living

Key learning

The majority of respondents believe that a continued rise in inflation would impact their standard of living to at least some extent.

Just under one respondent in three thinks that if inflation were to continue to rise at the same rate over the next six months their standard of living would be impacted significantly.

Female, single and up and coming respondents are significantly more concerned.



○ Indicates significant difference between categories

These figures represent whole percentages

Q8. Inflation rates have been rising recently. If inflation were to continue to rise at the same rate over the next six months, what impact would this have on your standard of living?
Base: All respondents.

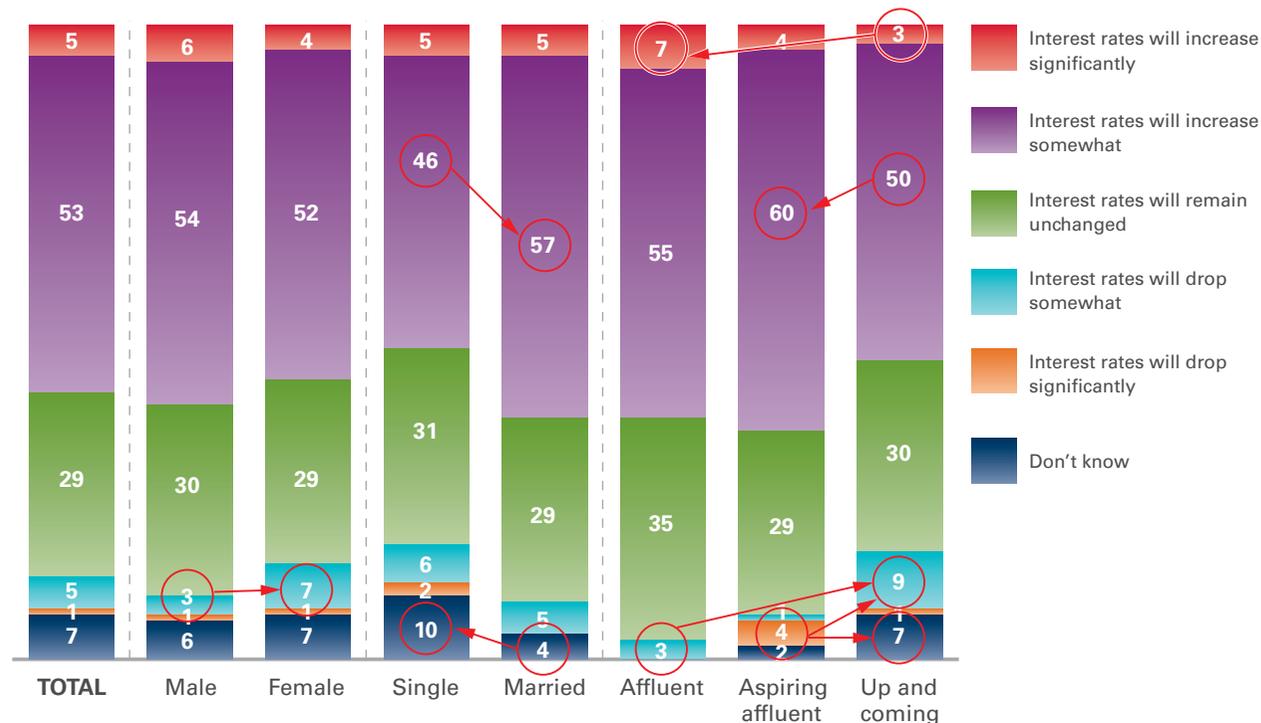
Six month forecast for interest rates

Key learning

Almost three out of five respondents think that interest rates will increase in the next six months.

This conviction may tie in with negative sentiment towards investing in property.

The belief in an imminent increase in interest rates is stronger among married and affluent respondents.



○ Indicates significant difference between categories

These figures represent whole percentages

Q9. In the next six months, what do you think will happen to interest rates?
Base: All respondents.



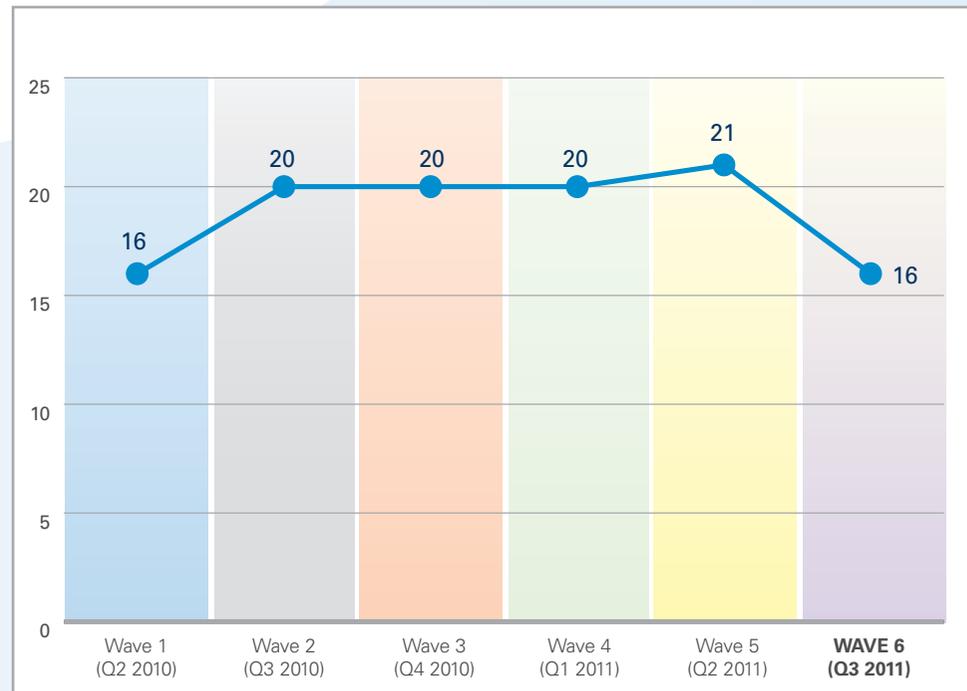
Singapore





Findings at a glance – Singapore

- The Friends Investors Attitudes Index in Singapore has decreased by five points, to a level last seen in wave 1. This decline is driven by substantial drops in favour in most asset categories, particularly property (down by 13 points) and equities/shares (down by ten points).
- Confidence in the current and future markets has dropped. This is further evidenced in the choice of strategy and investment term, with short-term investment strategies having dropped out of favour and significantly more investors deciding to sit out due to uncertainty.
- The average respondent states that around half of their monthly income is spent on general living costs. Respondents claim to save almost a third of their income in regular or single premium saving plans. The main priorities for saving are “for a rainy day” and retirement.



Asset class tracking

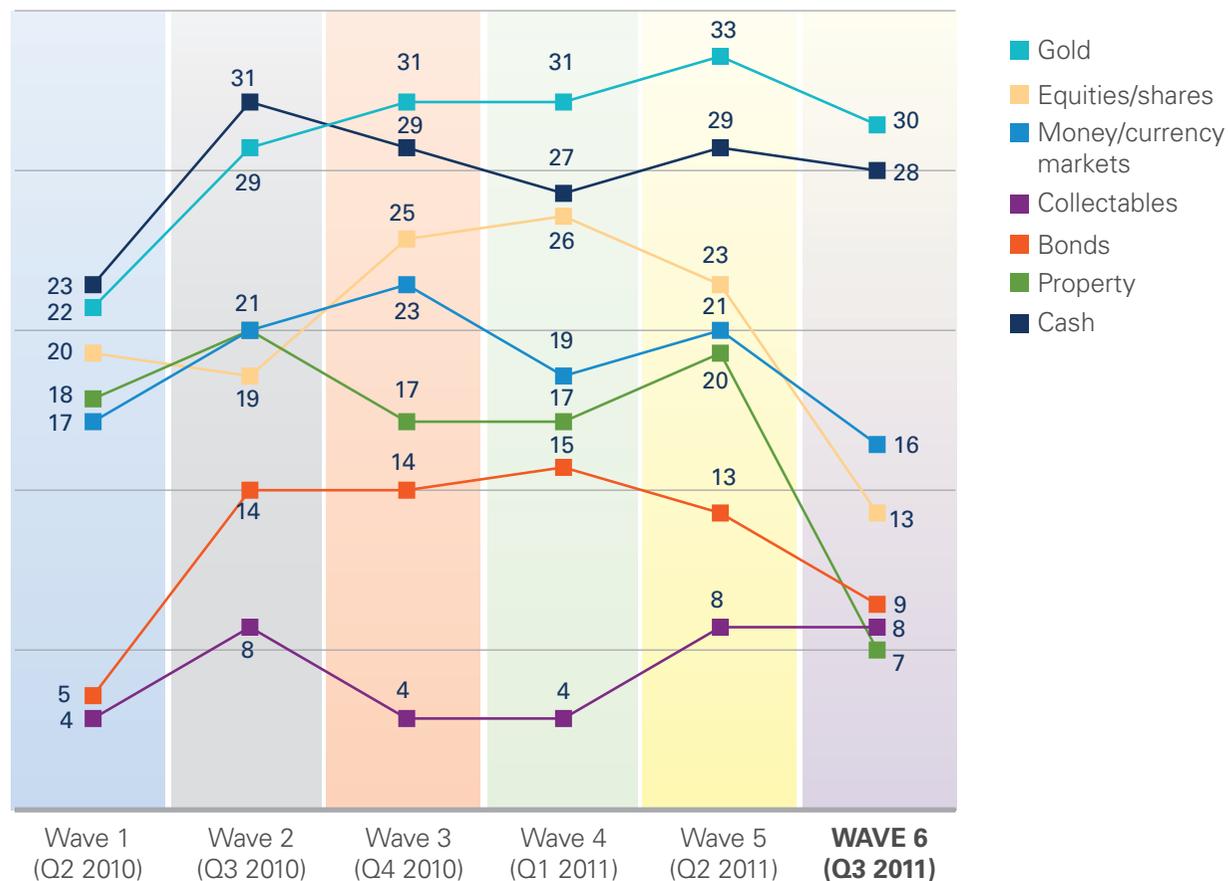
Key learning

The sharp decline in the overall index was driven by a decline in favour across most asset classes.

Property has plummeted in favour and is now the least popular category.

Equities/shares lost ten points this wave and are now at an all-time low.

Gold and cash remain the two most favoured asset classes, and both have remained relatively stable since the previous wave.



These figures represent whole percentages

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

Key learning

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

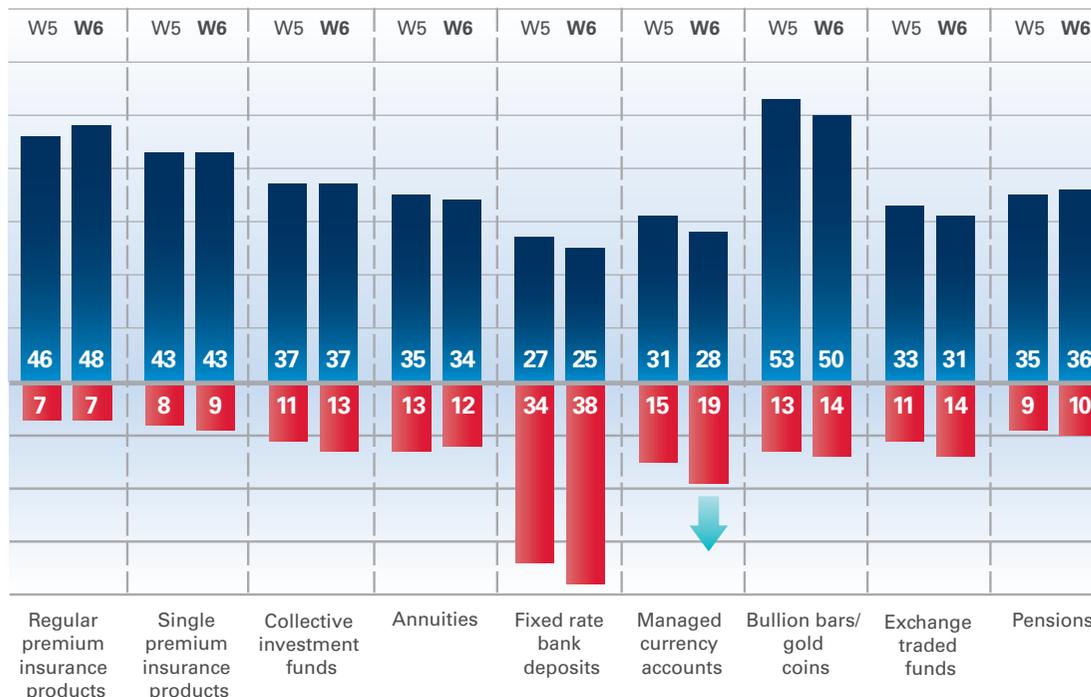
Sentiment towards most categories remained unaffected since wave 5 though negativity towards managed currency accounts has increased.

Fixed-rate bank deposits continue to be the least popular investment option.

“Reports have shown that insurance premiums enjoyed good growth between 2010 and 2011, and this is evident in the survey findings which showed that investors were still upbeat about investing in regular premium insurance products which allow investors to take advantage of dollar-cost-averaging, offering potential benefits to investment portfolios over the longer term irrespective of short-term volatility.”

Chris Gill

Investment instruments



Indicates significant change from previous wave

■ Total Good/Very good

■ Total Bad/Very bad

These figures represent whole percentages

Q2.

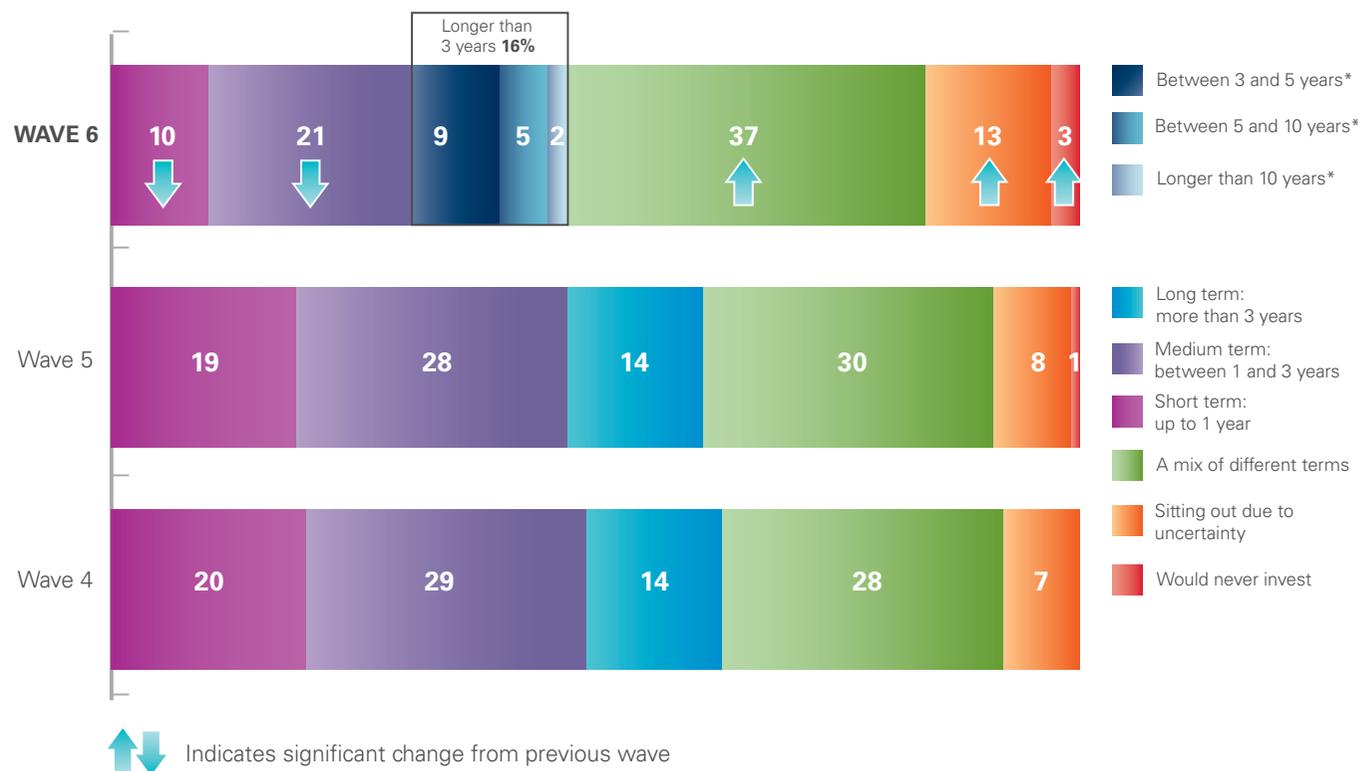
Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following products? Base: All (excluding Don't knows).

Investment strategy

Key learning

This wave sees a significant increase in respondents favouring a mix of terms.

There has been a corresponding drop in those favouring shorter term strategies as well as an increase in those sitting out due to uncertainty.



These figures represent whole percentages

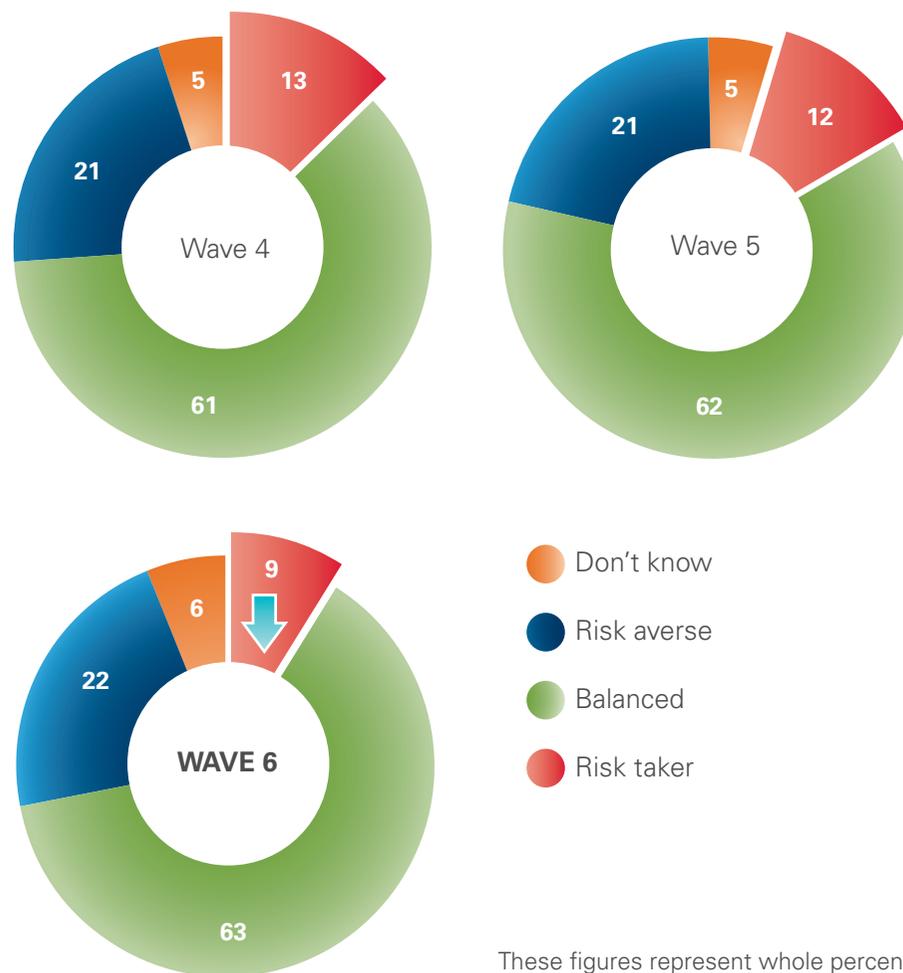
Q3. If you had the money to invest now, what type of investment would you make?
Base: All (excluding Don't knows).

Investment risk profile

Key learning

The preference for a balanced approach to investments remained stable this wave.

Significantly fewer investors showed preference for a risk taking strategy.



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

Key learning

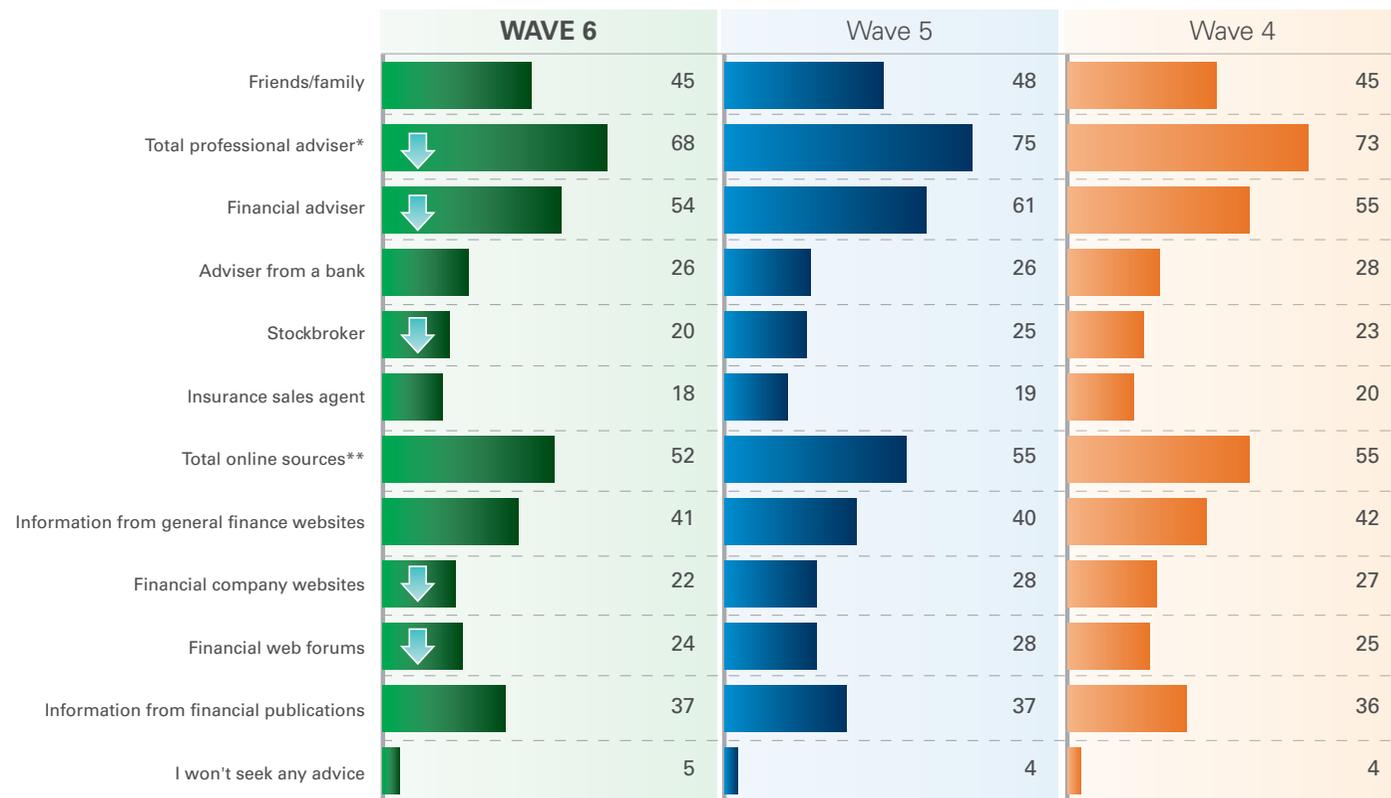
Significantly fewer respondents would turn to professional advisers this wave. In particular, financial advisers and stockbrokers have fallen in favour.

Financial company websites and web forums are also less popular this wave.

“Wave 6 found that 68% of respondents turned to professional advisers for investment advice, down from 75% in the previous wave. Overall, financial advisers still remain the preferred choice for investors to turn to when seeking investment advice.”

Chris Gill

Investment advice



Indicates a significant change from the previous wave

These figures represent whole percentages

Q5.

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

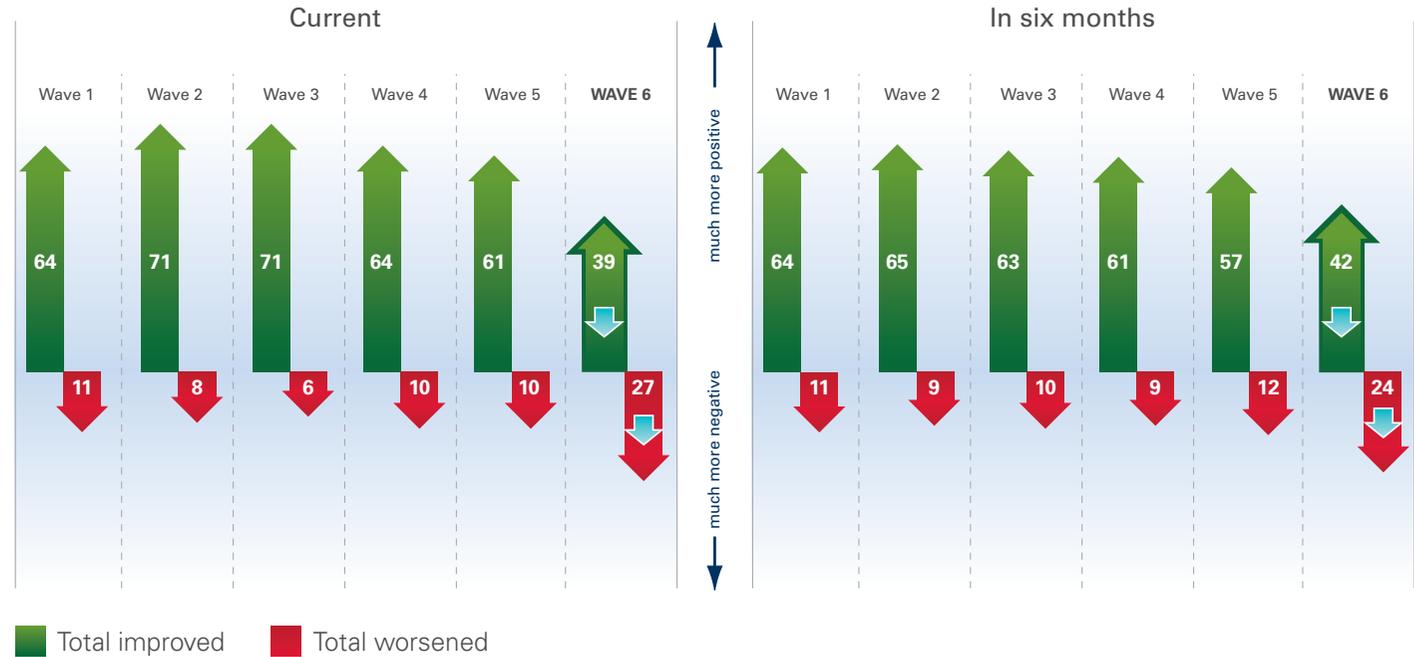
* Respondents selecting one or more professional source

** Respondents selecting one or more online source

Investment outlook

Key learning

Current and future sentiment is at record low level since research began. This lack of confidence in the market chimes with the risk averse approach which is increasingly in evidence this wave.



These figures represent whole percentages

↑↓ Indicates significant change from previous wave

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

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

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

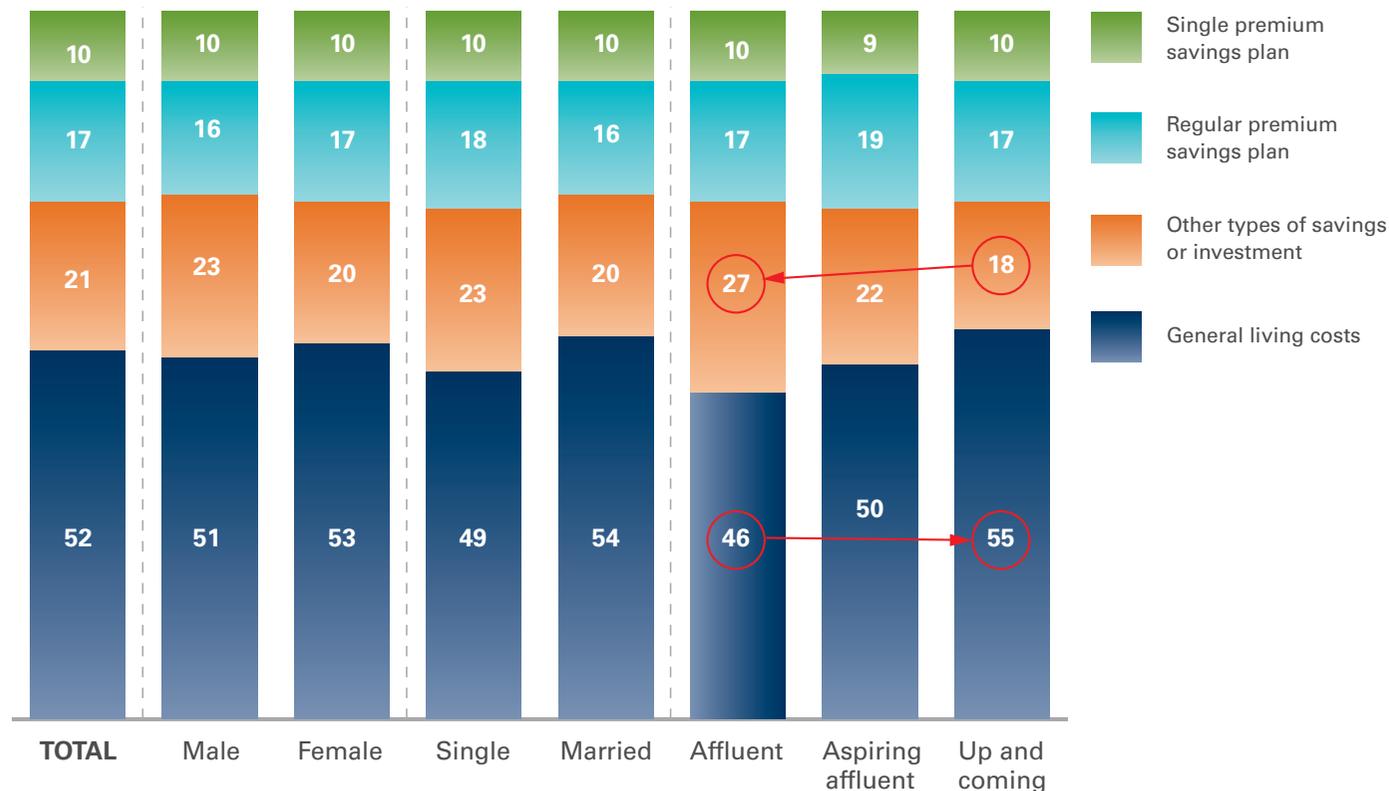
Key learning

The average investor spends around half of their monthly income on general living costs.

On average just over a quarter of income is saved into single or regular premium savings plans.

Unsurprisingly, affluent respondents are more likely to save or invest a bigger proportion of their income.

Monthly spending/saving habits



○ Indicates significant difference between categories

These figures represent whole percentages

Q8. What percentage of your regular monthly income do you spend or save into the following?
Base: All respondents.

Key learning

Saving for a rainy day and retirement are the most cited reasons for saving.

Trading/speculation and personal upgrade/education are at the bottom of the priority list.

Unsurprisingly, priorities differ according to personal circumstances – for example, married people are more likely to be saving for children's education.

“Even with lower investment appetites during wave 6, we are encouraged to see that investors are still keeping in touch with their financial advisors to discuss their investment needs. It is also good to note although for most retirement is still many years away, it is among their top priority for saving today.”

Chris Gill

Priorities for saving

	Average popularity	Demographic differences
For a rainy day	1st	Female and up and coming
Retirement	2nd	More important among married and affluent
Capital growth/wealth accumulation	3rd	Skewed towards single and affluent
Medical expenses	4th	Female and married
Children's education fund	5th	Married
Buy new property	6th	Single
To curb inflation	7th	Affluent
Setting up family	8th	Single and up and coming
Personal upgrade/education	9th	Single and up and coming
Trading/speculation	10th	Male and affluent

Q9. What are your priorities for saving?
Base: All respondents.

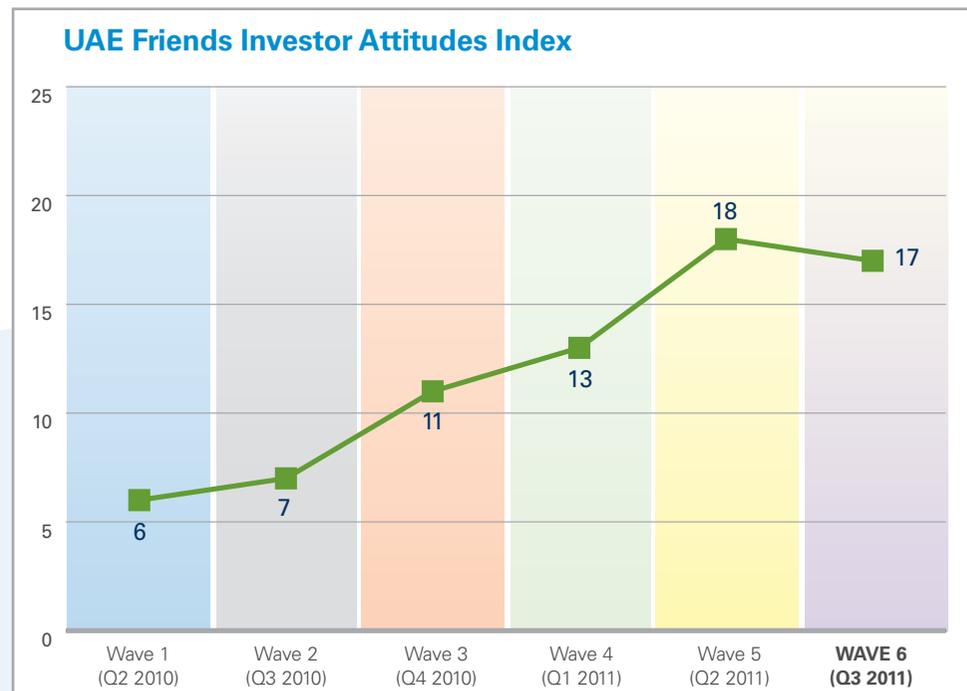
United Arab Emirates (UAE)





Findings at a glance – UAE

- Following strong index growth in wave 5, the Friends Investor Attitudes Index has stabilised, dropping by just one point.
- Gold and cash remain the favoured asset classes. There is little change in sentiment since wave 5 towards each asset class, although we can see a steady increase in favour of collectables since wave 2.
- Confidence in the current and future state of the market has dropped after the peak in wave 5, doubtless influenced by events in the wider global economy. Significantly more investors are adopting a balanced investment strategy.
- Awareness of the entitlement to an End of Service gratuity payment is high, with around half of all respondents fully aware of what they are entitled to.
- If the End of Service gratuity payment was received now, around half of the respondents would invest the entire payment and just under a third would invest some.



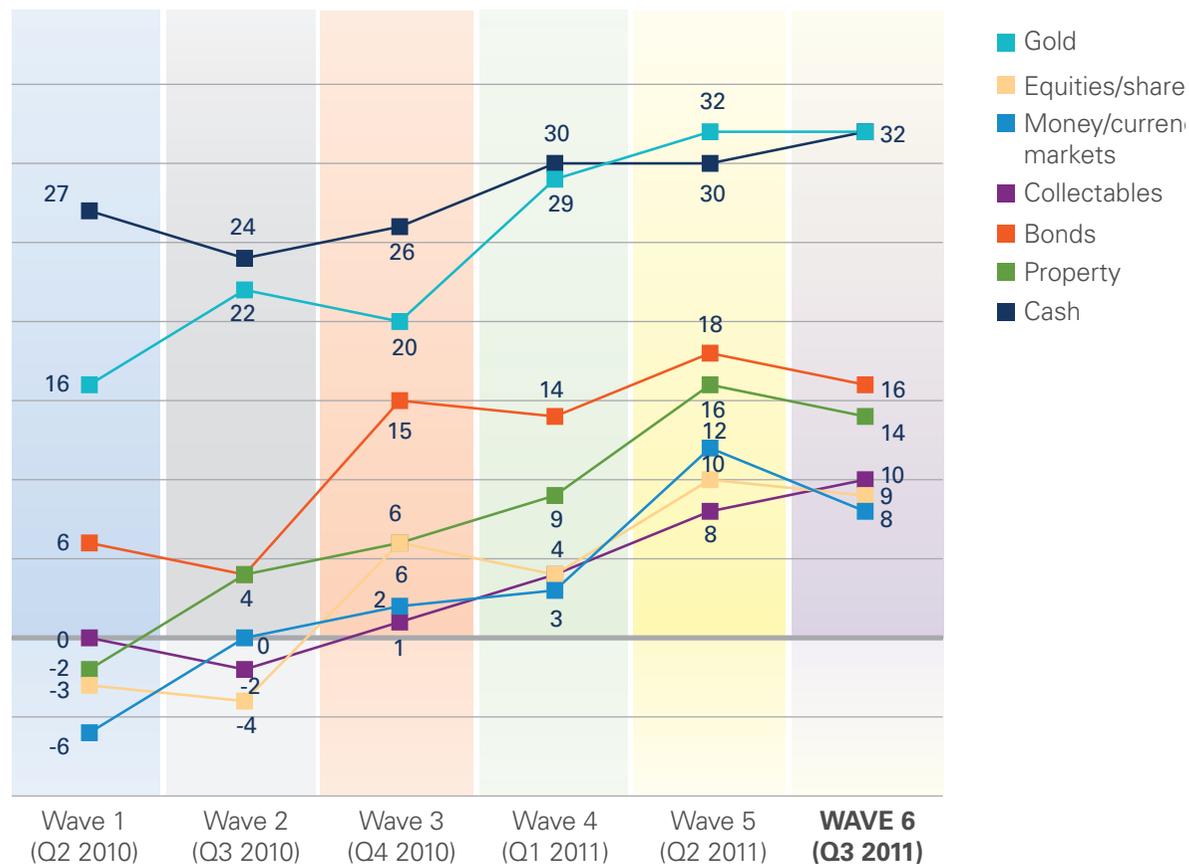
Asset class tracking

Key learning

Cash and gold are still the most popular asset classes for UAE investors. Cash is now level with gold, gaining two points since the last wave.

Almost all other asset classes have experienced small drops this wave.

Conversely, collectables have continued to see a steady increase since wave 2.



These figures represent whole percentages

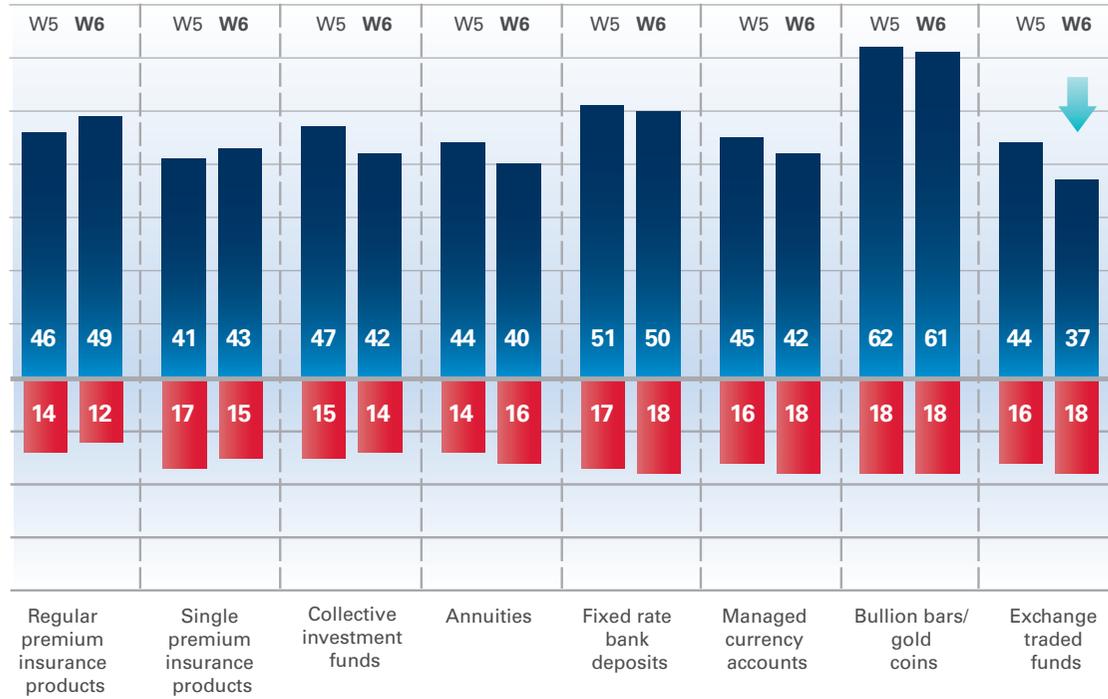
Q1. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following categories? Base: All (excluding Don't knows).

Investment instruments

Key learning

As in previous waves, bullion bars/gold coins remain the preferred investment instrument.

There have been no significant changes in the majority of investment options with the exception of exchange traded funds, where positive sentiment has significantly decreased since wave 5.



Indicates significant change from previous wave

■ Wave 5: Total Good/Very good

■ Wave 5: Total Bad/Very bad

These figures represent whole percentages

Q2.

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

Investment strategy

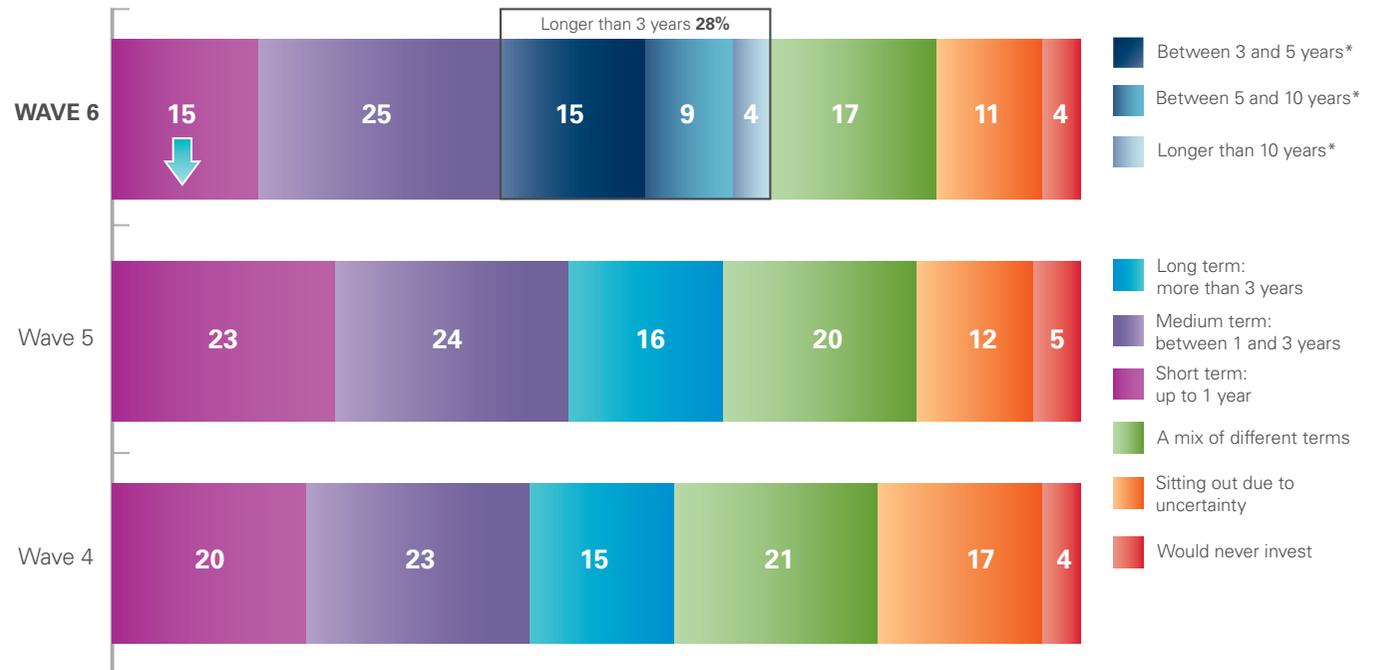
Key learning

Significantly more UAE investors are opting for a longer term investment strategy.

At the same time short term strategies have significantly decreased in favour.

“A significant reduction in the number of investors pursuing a short term investment strategy indicates that there is renewed confidence from UAE Investors in the medium and long term future of the country’s investment markets.”

Matthew Waterfield



Indicates a significant change from the previous wave

These figures represent whole percentages

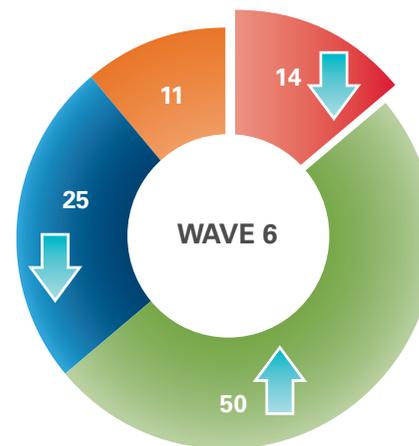
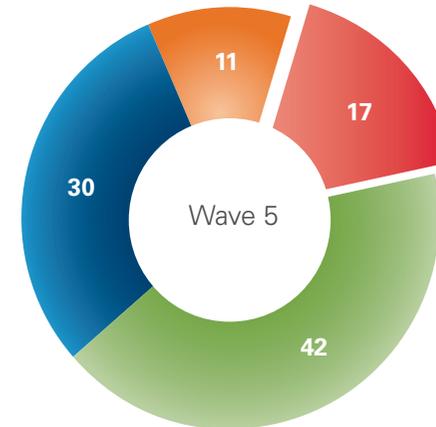
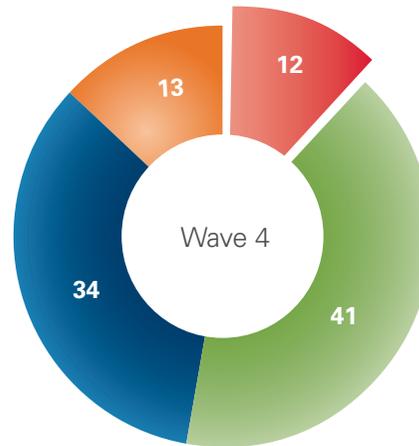
Q3. If you had the money to invest now, what type of investment would you make?
Base: All (excluding Don't knows).

Investment risk profile

Key learning

Although UAE investors are more confident than investors in the Hong Kong and Singapore markets, their choice of strategy may be influenced by an awareness of the instability of global markets.

Significantly more investors prefer a balanced approach – and both risk taking and risk averse strategies are significantly down in favour.



- Don't know
- Risk averse
- Balanced
- Risk taker

 Indicates a significant change from the previous wave

These figures represent whole percentages

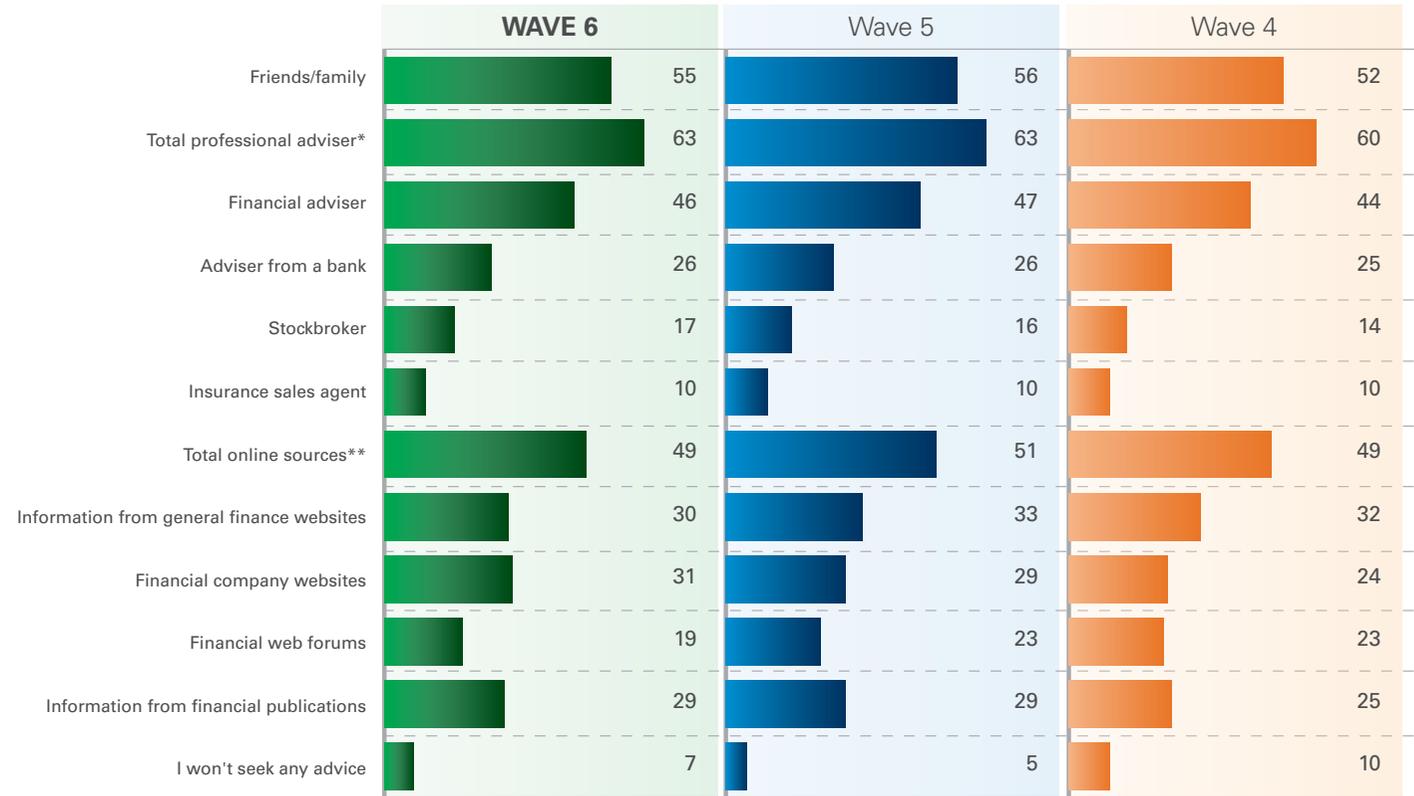
Q4. Which of the following is your preferred type of investment strategy?
Base: All, excluding those who said they would never invest their money in Q3.

Investment advice

Key learning

The choice of sources for investment advice in UAE has remained stable this wave.

Professional advisers remain the top source of information and/or advice that investors go to before making an investment decision.



Indicates a significant change from the previous wave

These figures represent whole percentages

Q5.

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

* Respondents selecting one or more professional source

** Respondents selecting one or more online source

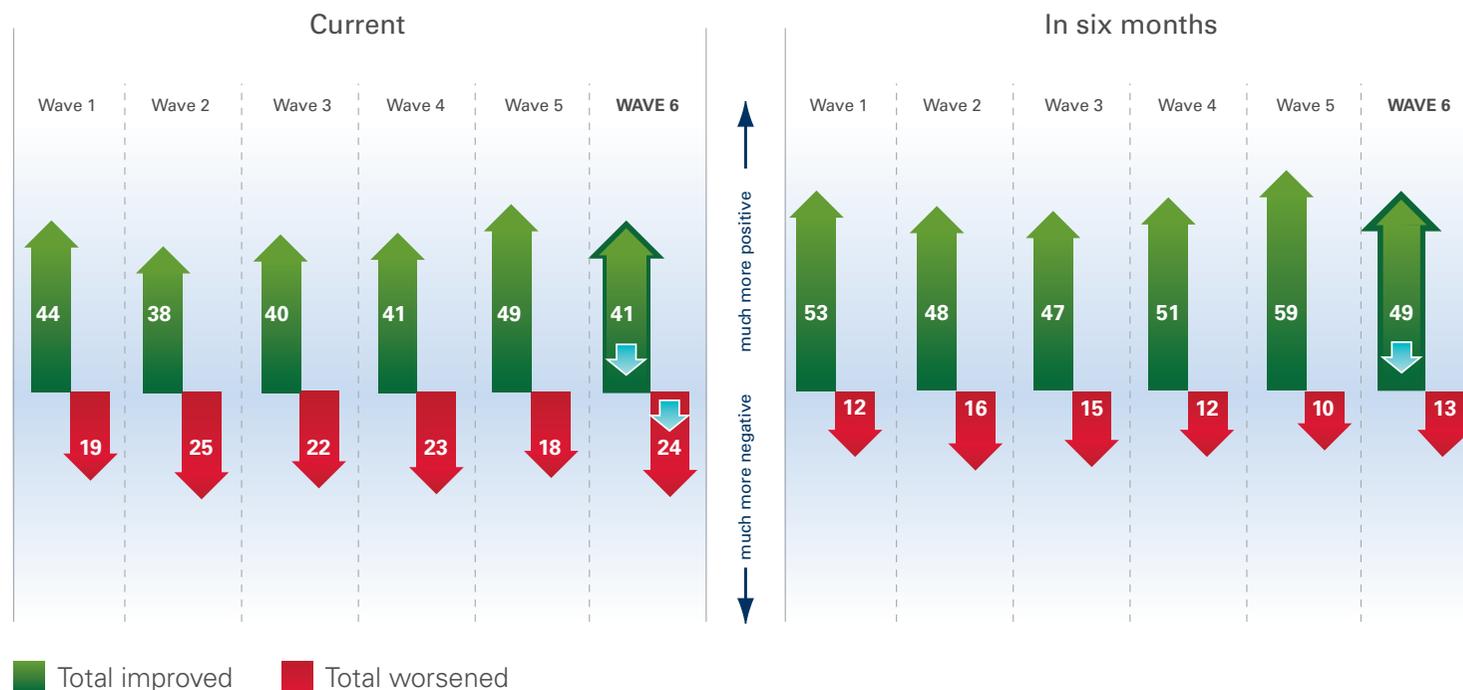
Investment outlook

Key learning

After the peak in wave 5, confidence in the current market and the market in six months time has declined significantly, returning to levels last seen in wave 4.

“It’s not really surprising that confidence in the current investment market – and the market in six months time – was shaken by the turmoil of the global markets, at the time the research was conducted. However, confidence in the markets for the medium to long term appears to be strengthening.” (see page 9)

Matthew Waterfield



These figures represent whole percentages

 Indicates a significant change from the previous wave

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

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

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

Awareness of End of Service gratuity payment

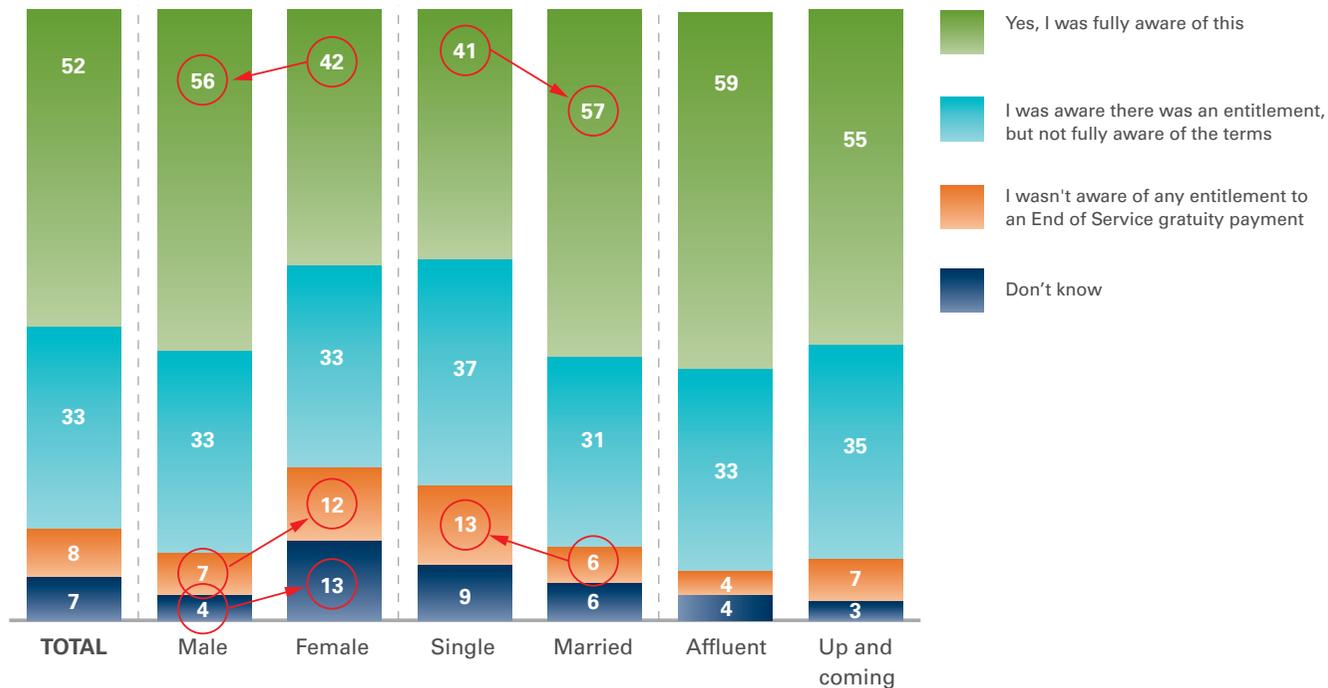
Key learning

The majority of respondents are aware that expatriate workers are entitled to an End of Service gratuity payment from their employer. Just over half are fully aware of the terms.

Males and married respondents are more likely to be fully aware of the entitlement.

“It is pleasing to see that more than half of the respondents are aware of their entitlement to an End of Service gratuity payment. At the same time it is quite worrying that 33% do not know how this entitlement is calculated – and perhaps even more concerning that almost a tenth of respondents were unaware of the existence of this benefit.”

Matthew Waterfield



○ Indicates significant difference between categories

These figures represent whole percentages

Q8.

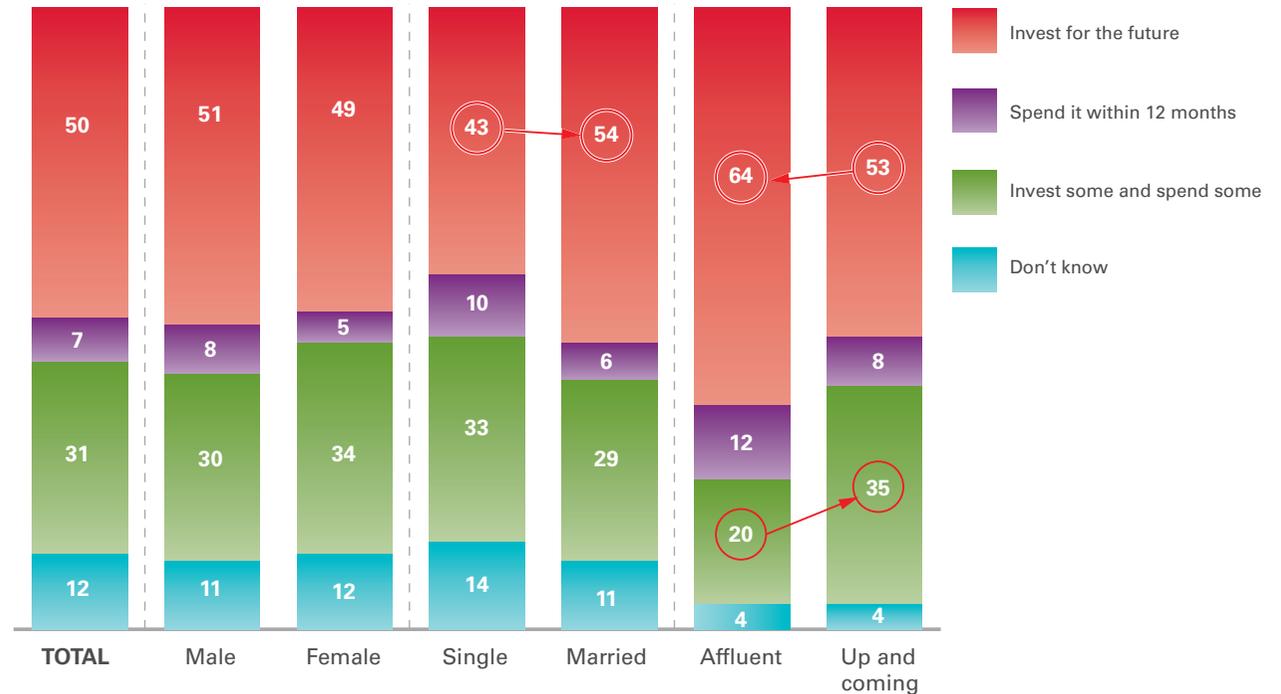
Were you aware that expatriate workers in the UAE are entitled to an End of Service gratuity payment from their employer?
Base: All respondents.

What would you do with an End of Service gratuity payment?

Key learning

Half of all respondents would invest an End of Service gratuity payment for the future, with just under a third investing part of it.

Married and affluent respondents are more likely to invest the entire payment.



○ Indicates significant difference between categories

These figures represent whole percentages

Q9. If you received an End of Service gratuity payment now, what would you do with the money?
Base: All respondents.



Overall demographic breakdown

Hong Kong

Annual Household Income (HKD)

Up to 163,000	15%
163,001 – 327,000	26%
327,001 – 654,000	33%
654,001 – 980,000	14%
More than 980,000	6%
Prefer not to answer	6%

Investable Assets (HKD)

None	5%
Less than 100,000	31%
100,001 – 499,999	22%
500,000 and above	33%
Prefer not to answer	9%

Singapore

Annual Household Income (SGD)

Up to 39,500	19%
39,501 – 79,000	32%
79,001 – 158,000	30%
More than 158,000	12%
Prefer not to answer	7%

Investable Assets (SGD)

None	5%
Less than 20,000	25%
20,001 – 79,999	25%
80,000 and above	30%
Prefer not to answer	15%

UAE

Annual Household Income (AED)

Up to 70,800	27%
70,801 – 176,400	26%
176,401 – 352,800	15%
More than 352,800	11%
Prefer not to answer	21%

Investable Assets (AED)

None	14%
Less than 200,000	37%
200,001 and above	20%
Prefer not to answer	29%

Age	Hong Kong	Singapore	UAE
18 to 24	12%	13%	10%
25 to 34	22%	24%	52%
35 to 44	24%	27%	21%
45 to 54	26%	23%	13%
55 to 64	16%	13%	4%
65 or older	–	–	–

Gender

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

Marital Status

Single	33%	34%	31%
Married	58%	60%	66%
Other	9%	5%	3%

Origin

Local	93%	87%	7%
Asia – Other	6%	11%	77%
Europe/Americas/Australia	1%	2%	4%
Africa	–	–	12%

Employment

Working	80%	81%	85%
Not working	4%	7%	2%
Retired	6%	1%	1%
Student	5%	5%	5%
Stay at home mum/dad	5%	6%	7%



Glossary

1 Affluent segments

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

The definitions for the segments are:

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

2 Significant

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

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

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



Contact us

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and as a foreign company (Registration No. 2013)

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