Friends Provident International Investor Attitudes Report

Edition Two – April 2013

FRIENDS PROVIDENT INTERNATIONAL

Contents

Truths about human nature, not just investments, revealed in latest survey

A CEO's view – John Van Der Wielen shares his thoughts on the latest findings

"..intriguing themes pointing towards the fundamental worries we all face; whether we feel financially secure, or if we have enough savings set aside for our retirement."

Fascinating trends are emerging from this latest edition of the Investor Attitudes Report that reveals just as much about fundamental human nature as the investment sentiments of affluent investors across our three key markets in Hong Kong, Singapore and UAE.

In the previous survey, I particularly enjoyed one nugget from Singapore that showed women were willing to take greater risks with their investments than men. Given the upward hikes in many markets and asset classes, it does indicate that – perhaps – women are better investors than men after all.

This time around, there's no similar risk discrepancy on the gender front, but I did note an intriguing generational gap amongst Singaporeans when it comes to collectables like art, wine and vintage cars, with young people far more optimistic about their value than their parents and grandparents.

We're very careful with Investor Attitudes to avoid making comments that anyone could interpret as offering direct investment advice but that doesn't mean we can't offer our own insights into people's thoughts, when they think about investing. I am a big believer in dripping into markets and maintaining a percentage of investments in cash at all times. When investing in any asset class, a less risky strategy can be to run the money into this class over a period of time, in increments, to reduce exposure to downside volatility.

I'd remind readers of the criteria applied by the Sage of Omaha, Warren Buffett, when he's considering an investment: "A business with terrific economics can be a bad investment if the price paid is excessive." It's a wonderful and very timely reminder to be clear about your own investment plans no matter what your preferred asset class, be it equities, gold or property.

In this report, we found a wide divergence of views on what qualifies as a good investment across the three regions surveyed. And yet, there are some intriguing themes pointing towards the fundamental worries we all face, such as whether we feel financially secure, or if we have enough savings set aside for our retirement.

A common answer is filtering back – in all three regions, around half feel financially insecure and in two of our three regions – Hong Kong and UAE – our respondents fear they haven't saved enough for their retirement.

What's most striking about these concerns around financial insecurity is that while we might anticipate such findings across a broad social mix, our survey specifically targets affluent and wealthy households, those who should have the least to fear.

No matter how financially savvy we feel, my opinion is that two of the best strategies to weather against these turbulent times is quality professional advice and a well diversified investment portfolio.

Of course, as human beings, there's always going to be some seemingly contradictory findings – Singaporeans feel best prepared for their retirement and yet, they are the most pessimistic about the future.

In spite of concerns around their personal situation, there's a very upbeat mood in all three regions, with very substantial majorities expressing positive sentiments about the coming six months. As an investor, I'd urge you to reflect on another piece of wisdom from Warren Buffett who points out that it's "far better to buy a wonderful business at a fair price than to buy a fair business at a wonderful price." The same simple truth holds firm whether you have billions of dollars to invest, or a modest sum to put away for a rainy day.

John Van Der Wielen
Chief Executive Officer

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 – 25 February to 8 March 2013 – to ensure that respondents were answering the questions in a similar financial market environment.

The total sample size for edition two was just over 1500 to ensure the collection of robust data.

The breakdown for each country was:

- **Hong Kong** – 504 interviews
- **Singapore** – 556 interviews
- **UAE** – 502 interviews.

A further 18 telephone depth interviews were conducted to add richness to edition two's research findings. Interviews were conducted with a random selection of survey respondents between the 25 March and 4 April and lasted for about 15 minutes.

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 to 100% due to rounding.

Setting the Scene – A look at the global markets

There's no denying that we are experiencing one of the toughest and most extraordinary times in the history of the world's financial markets.

We only have to look at the events that were unfolding across the global equity markets at the time our Investor Attitudes survey was carried out to see evidence of this. The Dow Jones Industrial Average index, one of the leading benchmarks in the US, reached its highest level ever on 5 March, surpassing the record high it touched in 2007 before the onset of the financial crisis a year later.

Optimism in the US economy and relatively cheap stock valuations played their part in bringing about this rally. In particular, the US housing market, which is regarded as the engine of the US economy and major influence on the world economy, has continued to display signs of strength over the past six months.

But at the same time, there were also a number of serious issues clouding the investment landscape. The eurozone debt crisis was again starting to cause ripples as Italian voters went to the polls to re-elect a new prime minister. Many market observers feared that an anti-austerity party would be elected, threatening to undo the hard work put into restoring the country's finances by the previous prime minister in improving the country's finances. In the end, no single political party won a clear majority and Italy faced the likelihood of a second election. Simultaneously, a sharp fall in government and household spending continued to take its toll on the peripheral eurozone economies, such as Greece and Spain.

Across the Atlantic, the deadline for the second stage of the so-called US 'fiscal cliff' was approaching fast. After a nail-biting first round of negotiations regarding tax rises at the end of December, US politicians once again made the world wait with bated breath in late February as they discussed the government's budget. In the end, a deal involving $85 billion worth of government spending cuts was agreed. This development coincided with growing concerns over the property market in China and questions over the potential measures that the Chinese government might take to prevent the country's economy from overheating.

Despite these uncertainties, equities and corporate bonds have outperformed 'safe haven' US government bonds over the past six months. The performance of emerging market equities did tail off, however, in the first quarter of this year. Some investors have been less keen to take large positions in Asian and Latin American equities in recent months due to worries over the impact of countries' strong currencies on company earnings, rising inflation and government intervention in the corporate sector.

The ability of western governments to keep their generous monetary stimulus programmes in place also explains the significant divergence in performance between developed and developing market equities in the first three months of this year.

Interest rates remain at record lows in the US, for example, and the Federal Reserve has vowed to keep its quantitative easing programme in place until unemployment falls below 6.5%.

Meanwhile, in the eurozone, where interest rates are also at a record low, Mario Draghi, head of the European Central Bank, said that he would do everything in his power to save the euro from collapse and launched an unrestricted bank bond-purchase programme.

In the same vein, new Japanese prime minister Shinzo Abe has promised to finally free the country from 20 years of deflation. He has also shown that he is serious about reducing the value of the currency for the sake of the country's exporters, by pumping trillions of yen into the domestic economy. Investors in the Japanese stockmarket have responded positively to this aggressive stance, and as a result, Japanese equities rank among the best performers in US dollar terms over the past six months.

This does not mean to say that emerging market governments have been resting on their laurels. The government of Asia's second largest economy, India, unveiled a number of extensive economic reforms in September as a way to boost activity.

Continued on next page

Setting the Scene – A look at the global markets – continued

Contrary to speculation, the proposals, which included the opening up of India's retail and aviation sectors to foreign investment, were given the go-ahead by the government's coalition partners.

In the second half of 2012, China unveiled a £94 billion infrastructure package to provide financial support for the building of roads and railways to encourage growth from within the domestic economy, rather than relying on exports to the West. The Chinese central bank's ability to extend any economic stimulus appears to be hampered for the time being by inflation. While we cannot say what whether inflation will creep up further in the short term, one thing we can be certain of is that the Chinese government will do all it can to ensure that the huge economic success of the past 10 years is not harmed in any way. It goes without saying that the government will be equally keen to make sure that the country's enormous consumer spending potential is fully unlocked and therefore able to compensate for the slowdown in economic activity in the West.

Think global, act local? The perfect correlation between the perceived outlook in respondents' countries and globally.

"Respondents' global outlook is more influenced by their perception of the local investment market than they believe."

Since we re-launched in November, attitudes have clearly changed amongst investors, although it feels like only yesterday.

There has been a general drop in property (down 4%) and gold (down 5%) as asset classes overall; the differences being most visible between UAE and Hong Kong. In Hong Kong, property was down by 20 index points and gold down 12; in UAE property was up by 16 points and gold up by 11 and in Singapore, property was down by 5 index points and gold up by 1. Despite these decreases, gold and property still remain the preferred asset classes.

The outlook for the future also varies greatly between the three geographic areas. 56% of respondents in both Hong Kong and Singapore and 76% in UAE feel positive about the general investment climate over the next six months. In Hong Kong, those who believe the investment climate will worsen grew by 12%, whilst in the UAE this group reduced by 2%. Singapore has the highest proportion of individuals who think that the global situation will worsen over the next six months; 45% believed this would be the case, compared to 34% in Hong Kong and just and 26% in UAE. Investors within UAE continue to feel positive about the general investment climate, as well as the global and local economic situation over the next six months. This would suggest that respondents' global outlook is more influenced by their perception of the local investment market than they believe.

2013 marks another important milestone for our operations in Asia as Friends Provident International celebrates 25 years in the region. We will continue to grow within this core area, through both increased resource and new product development. We have a clear commitment to the Middle East region, where we will further invest in both infrastructure and people. Naturally, as well as proving an interesting tool, our International Investor Attitudes Report also provides us with unparalleled insight into how we can better serve both our IFA and ultimate investor client base.

James Tan

General Manager, Asia & Middle East

A look at the regions

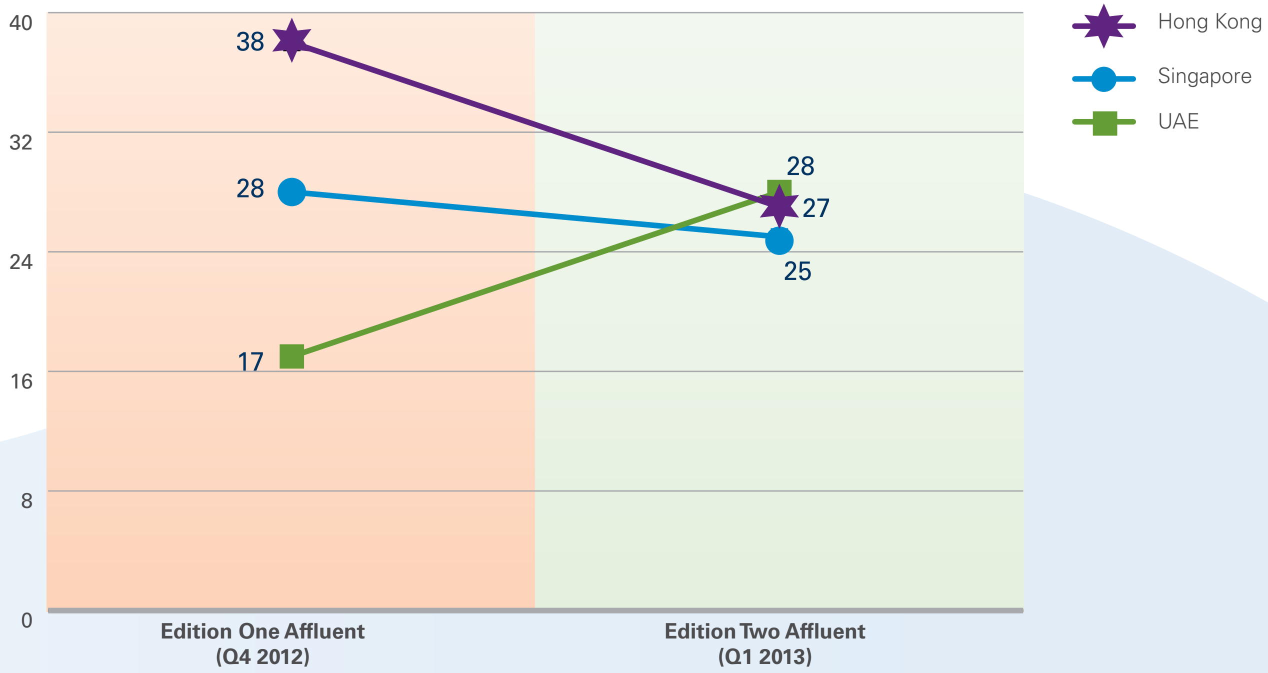
A fall in confidence in Hong Kong and an upswing in confidence in UAE have brought attitudes in the three regions broadly into line.

Despite the fall in investor confidence in Hong Kong, all three regions have a positive index score, suggesting affluent respondents are generally upbeat about the current investment climate.

Attitudes in UAE have improved significantly since the last edition, and UAE is now the most positive region of the three.

Attitudes in Singapore have changed little since the last edition and, on balance, affluent respondents remain positive about the current investment climate.

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 again most positive about gold and property

However, respondents are significantly less positive about these asset classes than in the previous edition.

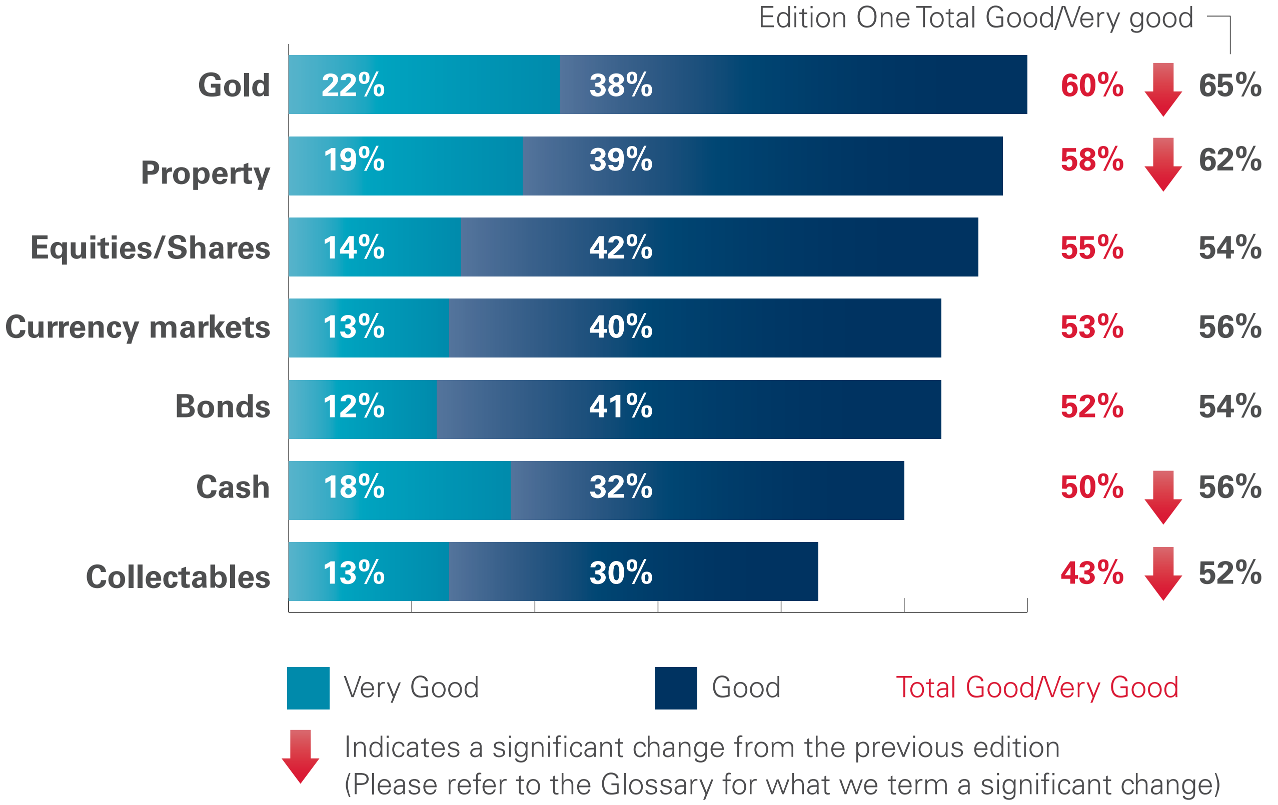
No change in respondents' outlook on equities, bonds and currency markets.

On balance, respondents remain positive about equities, currency markets and bonds, and respondents' views have not changed significantly since the last edition.

"February's minutes from the Federal Reserve, and a more positive global growth outlook, have placed the gold price under pressure. Yet despite these recent developments, we believe the long-term fundamentals supporting gold remain intact. As the results of the recent election in Italy have shown, the eurozone is far from stable, additionally we believe US monetary conditions will remain accommodative for a long while yet – supporting gold. Gold miners have suffered from the falling gold price, and have underperformed the commodity over the past three years. We believe that the current valuation anomaly in gold equities is very extreme and presents investors with a significant opportunity for gold exposure."

Bradley George, Head of Commodities, Investec Asset Managers

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 Friends Investor Attitudes index scores, there is a divergence of opinion across the regions.

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

Biggest divergence of opinion about property

UAE is now the most positive about investing in property, with just 9% thinking now is a bad time to invest and 71% thinking now is a good time – this is a significant uptick in sentiment since the last edition.

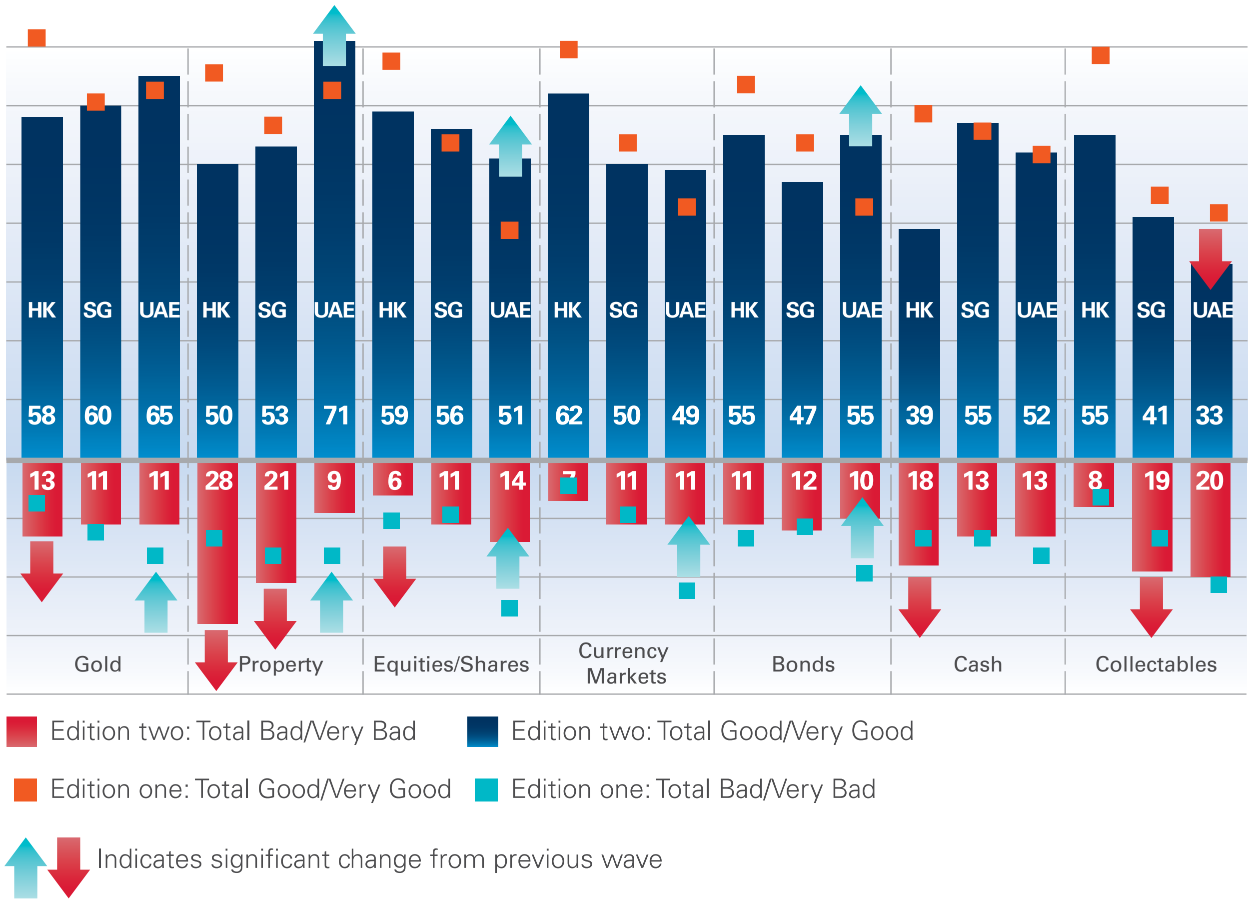
In contrast, affluent respondents in Hong Kong and Singapore are less positive about the property market, with over a fifth (21% for Singapore and 28% for Hong Kong) saying the market is not attractive at the moment.

Hong Kong has different views on cash and collectables

Despite a drop in sentiment, Hong Kong still remains more positive about collectables than the other two regions, which have more mixed views on this niche asset class.

In contrast, a fall in sentiment towards cash means Hong Kong is now the least confident of the three regions about this asset class.

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



These figures represent whole percentages

Key Findings

Investor Attitudes in Hong Kong

- Hong Kong index scores are significantly lower than the previous edition – but respondents remain positive.
- Hong Kong respondents are less positive about the investment market today than in the last edition.
- Respondents are slightly more cautious about the next six months.
- Hong Kong respondents are still uncertain about the global investment climate, but, almost two thirds think this uncertainty means that there are opportunities to exploit.
- Respondents in Hong Kong are less positive overall on asset classes, but views on collectables remains the most positive of all three regions. The biggest fall is for property.
- By far the most popular investment strategy is to take a balanced approach.
- Hong Kong respondents adopt a range of strategies when considering the length of investment term.
- In Hong Kong, the most popular diversification strategy is by asset class.
- Even amongst these affluent respondents, only 52% feel financially secure.
- Nearly two thirds of affluent respondents do not think they are saving enough for retirement.
- More than 40% relied on guesswork to say how much they need to have saved for retirement.

Investor Attitudes in Singapore

- No significant change in the positive index score for Singapore.
- Respondents think investment markets are on a broadly positive trajectory.
- Respondents continue to be positive about the next six months.
- Respondents in Singapore can see the potential for exploiting market opportunities, but are unsure how to do it.
- Respondents in Singapore have positive views on all asset classes and are the most positive about gold, cash and equities.
- Property is holding up relatively well despite government actions.
- The most popular investment strategy in Singapore is a balanced managed approach.
- Respondents in Singapore adopt a range of strategies when considering the length of investment term.
- Diversification by asset class is more popular than by geographic region.
- Even amongst these affluent respondents, only 53% feel financially secure.
- 57% of respondents think they are saving enough for retirement.
- Almost a quarter relied on guesswork to say how much they need to have saved for retirement.

Investor Attitudes in UAE

- Respondents in UAE are much more positive than in the previous edition.
- Respondents think investment markets are on a positive trajectory and continue to be positive about the next six months.
- Respondents in UAE can see the potential for exploiting market opportunities, but are unsure how to.
- Significant increase in confidence in all asset classes, apart from collectables.
- UAE has the highest proportion of respondents following a capital preservation strategy.
- UAE respondents adopt a range of strategies when considering the length of investment term.
- Respondents diversify their investments by asset class rather than by geographic region.
- Surprisingly, only 53% of affluent respondents feel financially secure.
- UAE respondents are the least confident about making investment decisions without financial advice.
- Most respondents think their savings will be insufficient to fund their retirement goals.
- Overall, UAE respondents are unclear as to how much they need to save for their retirement.
- More than a third rely on guesswork to determine how much they need to have saved for retirement.

Global reach, local insight

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

David Knights

General Manager, North Asia
Friends Provident International

"On balance, Hong Kong respondents remain positive about the investment climate."

Chris Gill

General Manager, South East Asia
Friends Provident International

"Respondents in Singapore can see light at the end of the tunnel in the US but have more mixed views about the eurozone."

Matthew Waterfield

General Manager, Middle East and Africa
Friends Provident International

"It's good to see most investors are adopting a balanced, diversified approach to investing."

Hong Kong

Findings at a glance – Hong Kong

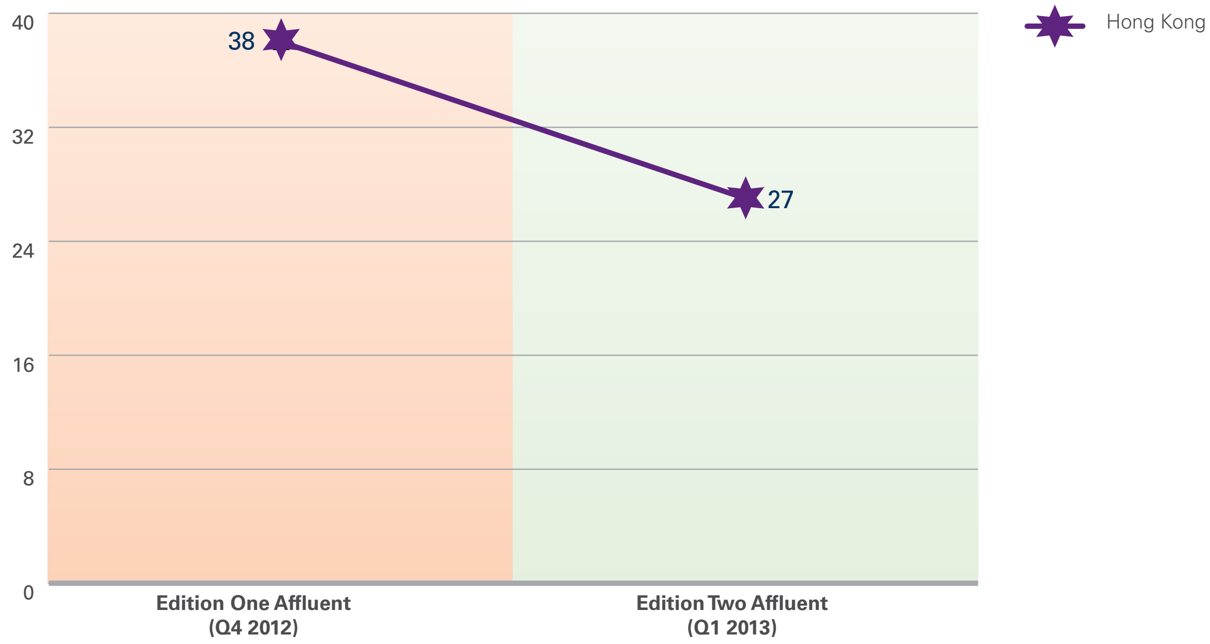
Hong Kong index scores are significantly lower than the previous edition – but respondents remain positive.

Affluent respondents in Hong Kong remain positive about the investment climate, but the index score has dropped significantly since the last edition.

"The decline in the Hong Kong Friends Investor Attitude index comes immediately on the heels of a challenging year for the city's economy. Activity in the property market has slowed down. There was also a stark warning in November last year about the possibility of a recession in Hong Kong if the economic situation among its major trade partners did not improve. The Hong Kong economy relies heavily on trade with the rest of the world."

David Knights

Hong Kong Friends Investor Attitudes index



The Friends Investor Attitudes index is an average of all index scores for all categories.

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Investment Outlook

Hong Kong respondents are less positive about the investment market today than in the last edition.

On balance, Hong Kong respondents remain positive about the investment climate – 54% say today's investment market has improved compared with six months ago, but 19% say it has deteriorated.

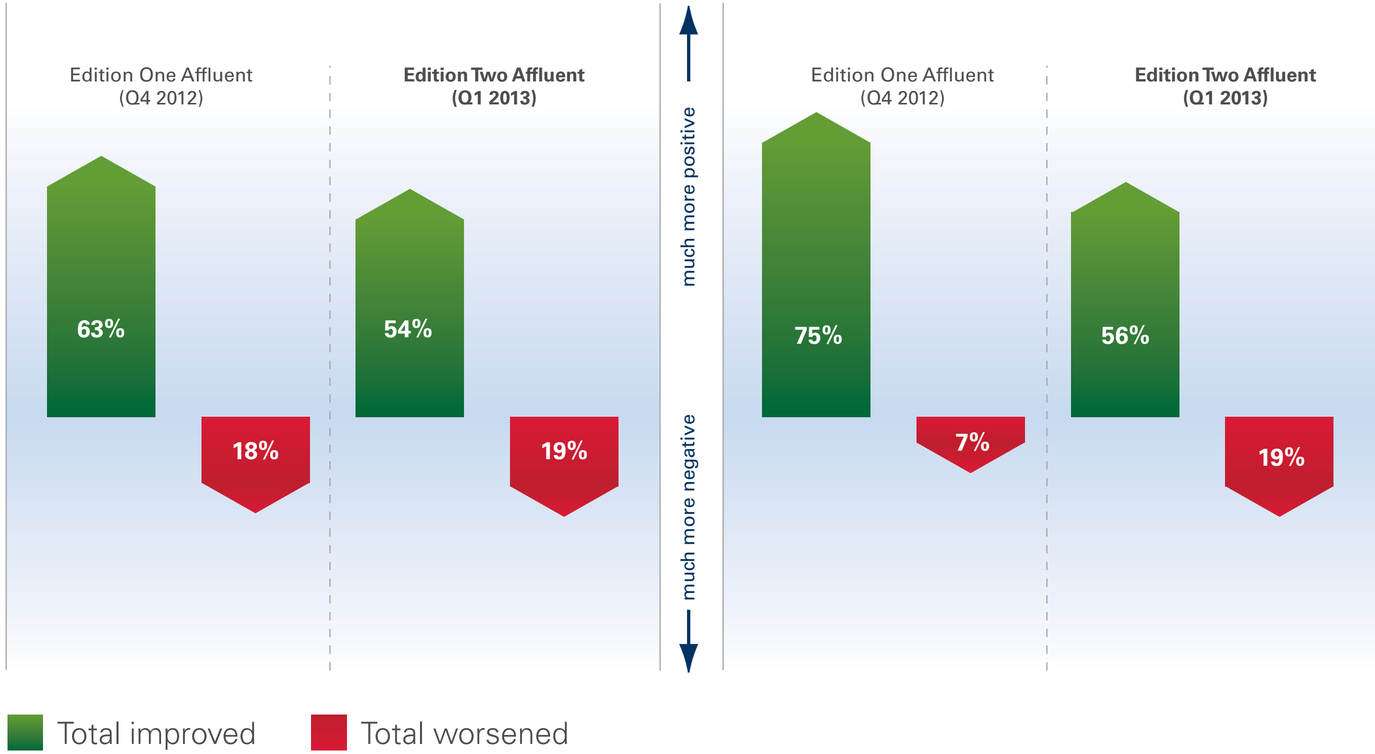
This is a slightly less optimistic assessment in comparison to the last research edition conducted in October 2012.

Respondents are slightly more cautious about the next six months.

Although respondents in Hong Kong remain positive about the investment climate over the next six months, again we can see a slight deterioration in sentiment since the last edition.

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

And looking ahead over the next six months?



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

The survey data for edition one was collected in October 2012.

Investment Outlook

Hong Kong respondents are still uncertain about the global investment climate.

While most Hong Kong respondents think that the situation in the eurozone will improve, and that stability in the US will result in a better climate for investing, significant uncertainty remains. Indeed, a third believe that the global economic situation will get much worse in the next six months.

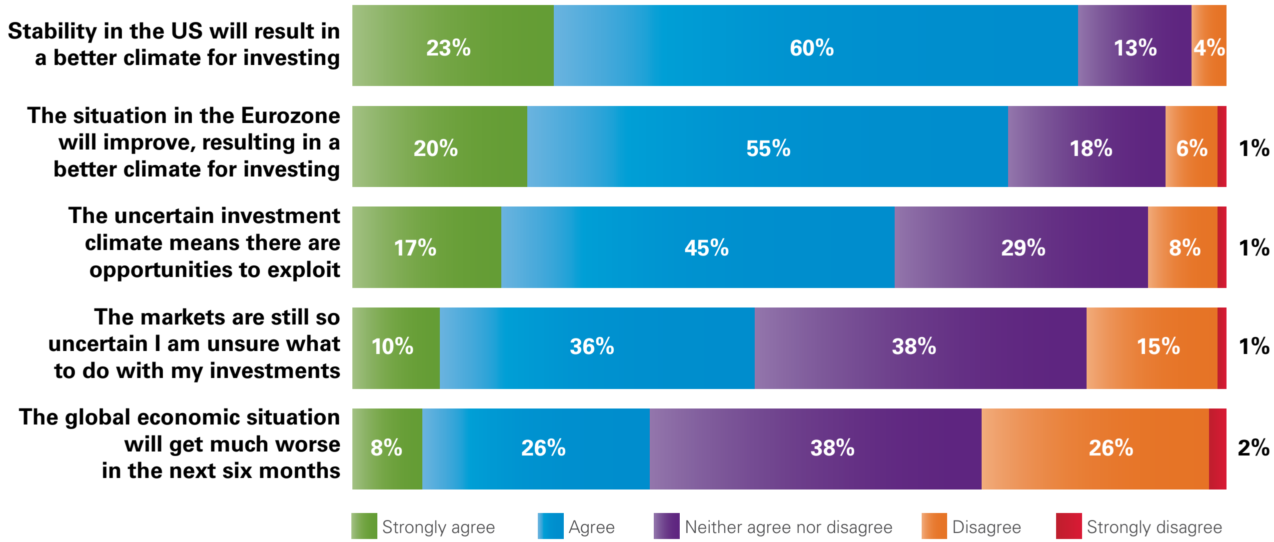
But, almost two thirds think this uncertainty means that there are opportunities to exploit.

62% believe they can exploit this current uncertainty, but exactly how to leverage this uncertainty is more tricky, with just under half reporting they are finding it difficult to know what to do with their investments in the current climate.

"The economy is not that clear at the moment and I'm not sure how the European situation will work out and there will be some changes in China in the future."

Female respondent, single, aged 25-34

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



Asset Class Tracking

Respondents in Hong Kong are less positive overall, but views on collectables remains the most positive of all three regions.

Sentiment for all asset classes remains positive, but is lower across the board compared to the previous edition. Hong Kong respondents are still the most positive about collectables across the three regions.

Views on equities and currency markets have held up the best.

Respondents are now most positive about currency markets and equities – where sentiment has held up more than other asset classes.

Biggest fall for property.

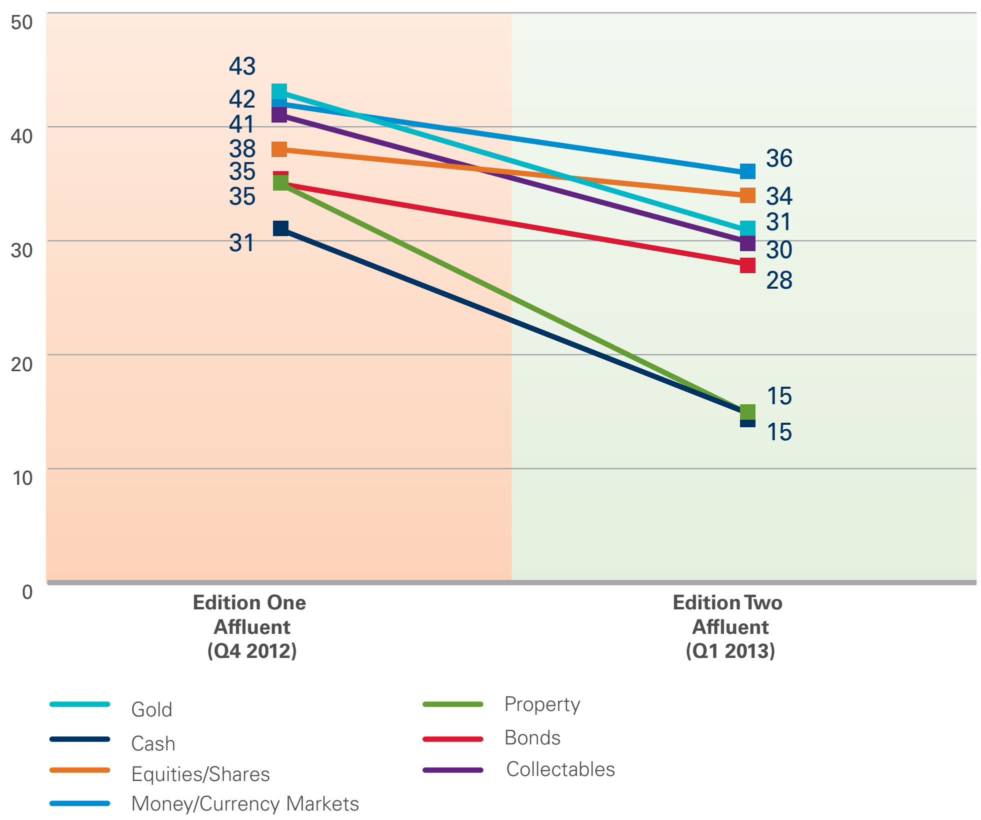
Property fell by 20 index points, which suggests measures by the Hong Kong government to cool the property market appear to be having an effect on sentiment.

Looking at the data underpinning the index calculation (see Page 10), 50% of respondents in Hong Kong now think it is a good/very good time to invest in property, compared to 66% in the last edition. Furthermore, 28% now think it is a bad/very bad time to invest, compared to 13% in the last edition.

"Safe haven government bonds look very expensive at current valuations, although they are unlikely to sell-off substantially in the short term due to central bank bond buying programmes. Long term, however, they look very poor value."

Andrew Cole, Investment Director, Global Multi Asset Group, Baring Asset Management

Friends Investor Attitudes index – 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

Insights from six interviews.

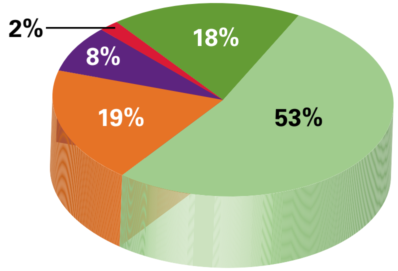
- Respondents had mixed views on gold – the more knowledgeable investors think the market has peaked, but the rest think prices are still increasing.
- Property is seen as a good long term investment – but perhaps because the market is already overheated right now and there are better opportunities abroad.
- There is a preference for less risky assets due to uncertainty, but bonds can be seen as a risky asset class as some respondents interpret this to mean investment bonds.

"Gold and cash and bonds, namely 'safe haven' assets, appear to have retained their appeal and this possibly reflects an ongoing degree of uncertainty over both the domestic and the global economy, especially following recent events in the eurozone."

David Knights

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

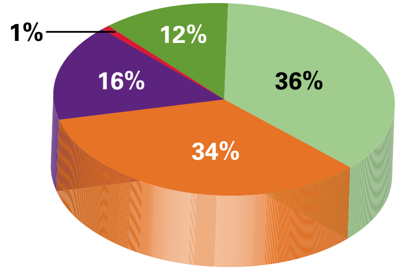
Gold will continue to deliver good returns compared to other "safe" assets such as cash and bonds



"The gold market has peaked and now we are starting to see prices come down"
Male respondent, married, aged 55-64.

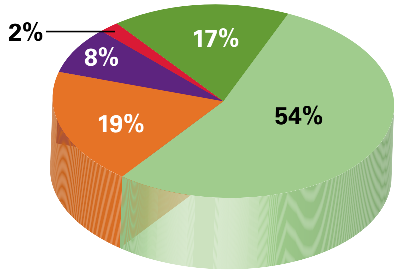
"I don't think the prices will drop"
Female respondent, single, aged 25-34

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



"Bonds are OK if you want to lock your money up for a long time"
Female respondent, single, aged 25-34.

Property is a good long term investment and will continue to go up



"I think now it is a good time to invest in property in Europe and the US"
Male respondent, married, aged 55-64.

"I don't think prices in Hong Kong will fall – they will carry on gong up"
Female respondent, single, aged 25-34.

Strongly agree
Agree
Neither agree or disagree
Disagree
Strongly disagree

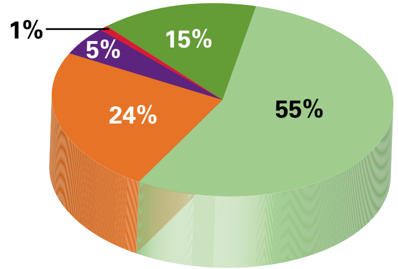
Asset Class Tracking

Insights from six interviews.

- Equities in Australia and Asia are of more interest than the eurozone and the US as respondents feel they are more in touch with these markets and that their economies are more stable than those in Europe.
- Question mark about whether there will be a downturn in China.
- Concerns about the eurozone are generally hindering their propensity to take risk, but there are examples of respondents who are willing to take risks – one respondent is conducting short term currency speculation.

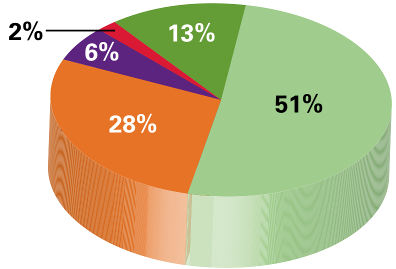
To what extent do you agree or disagree with the following statements?

I see better opportunities investing in equities/shares



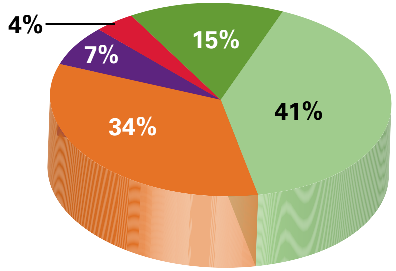
"I see Asia as a good opportunity. Their economies are doing better than in other places."
Male respondent, married, aged 55-64.

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



"I am doing some currency trading by phone. I buy when it's a reasonable exchange rate and then sell when it gets raised."
Male respondent, single, aged 35-44.

I believe there is a higher investment return potential investing in Collectables



"It is actually not a good time because the economy is in a shaky position so it can affect everything."
Male respondent, married, aged 55-64.

Strongly agree
Agree
Neither agree or disagree
Disagree
Strongly disagree

Investment Strategy

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

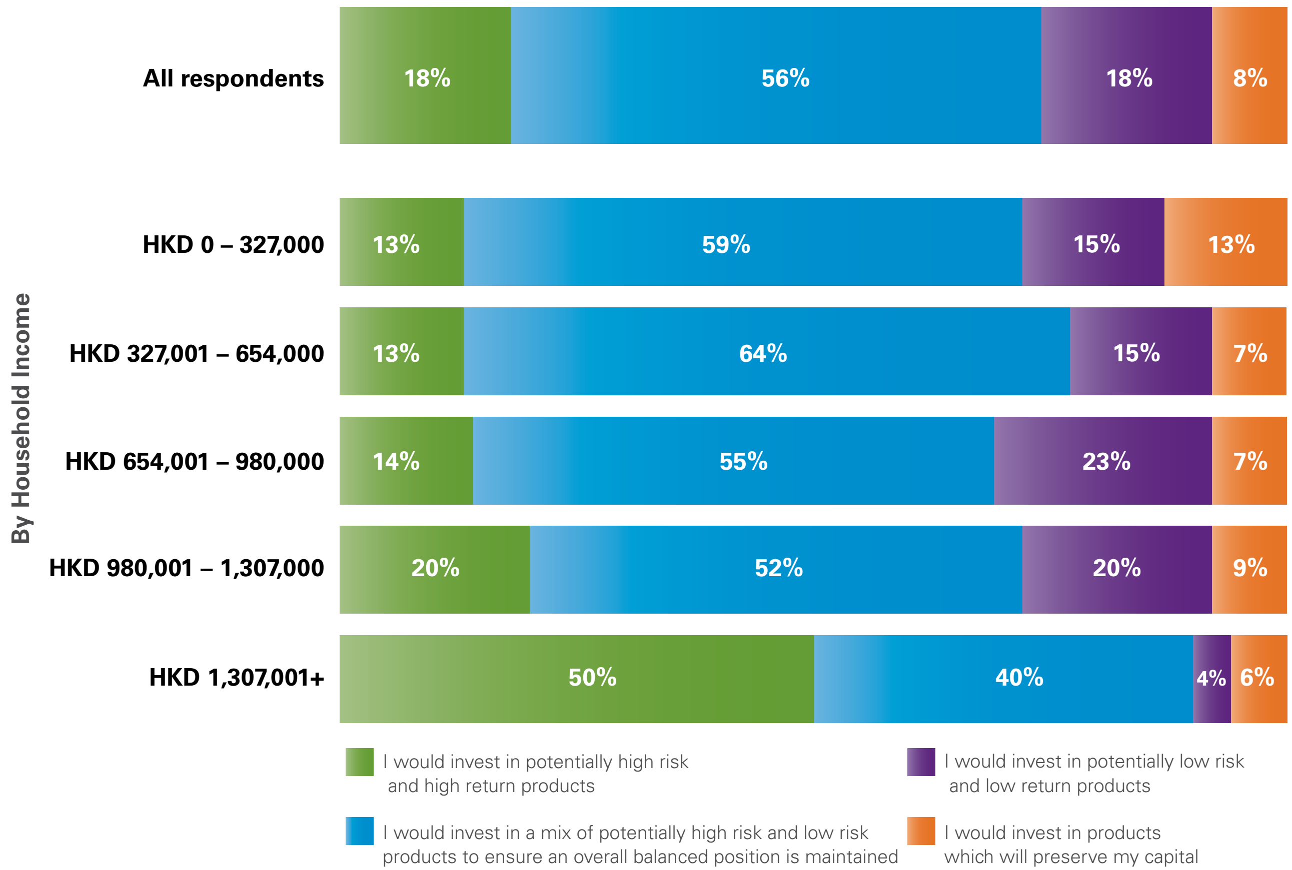
Overall, 56% of Hong Kong respondents prefer a balanced investment strategy.

Roughly equal proportions take a low risk and high risk approach, except for the most affluent respondents where there is a much higher propensity to follow a high risk/high return strategy.

Across all respondents, only 8% follow a capital protection strategy and 13% of the least affluent do this.

> "My investments are not so much risk free, but they are less risky than other people's"
>
> Male respondent, married aged 55-64

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

Investment Strategy

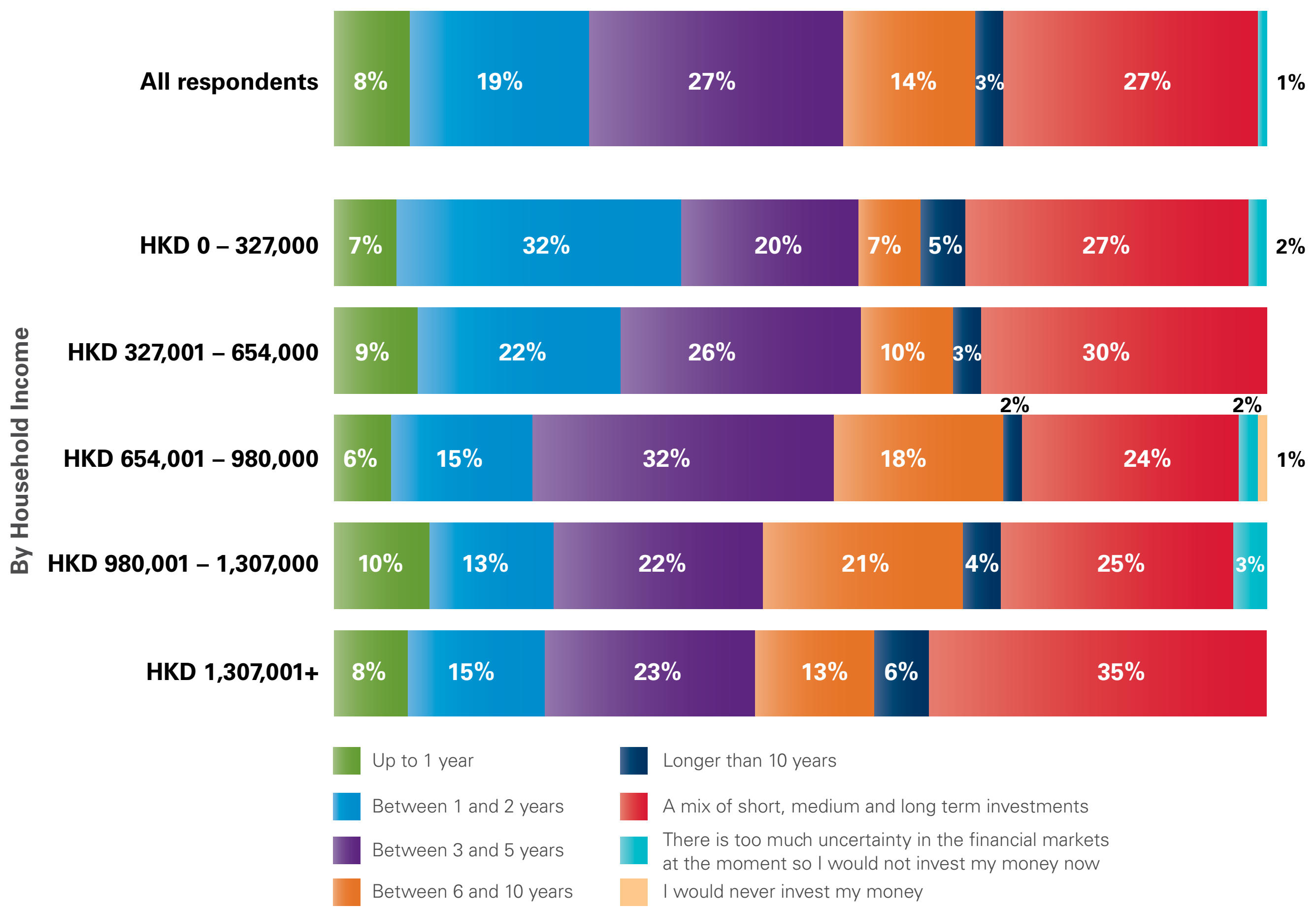
Hong Kong respondents adopt a range of strategies when considering the length of investment term.

Most popular responses are to have a diversified portfolio with the most affluent the most likely to do this – or to tie money up for three to five years.

Only 27% would not want to tie their money up for more than two years. The least affluent are the most likely to prefer shorter time horizons.

> "Right now I've just invested in property and mutual funds. I chose them because I see them as relatively low risk. For property, I am looking to invest for twenty years, and for mutual funds I will continue for the next ten years also."
>
> Male respondent, single, aged 25-34.

Again, if you had the money to invest now, which of the following best describes the length of investment term you would make?



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

Investment Strategy

The most popular diversification strategy is by asset class.

Just over half report following an asset class diversification strategy only – and the least affluent are the most likely to take this approach.

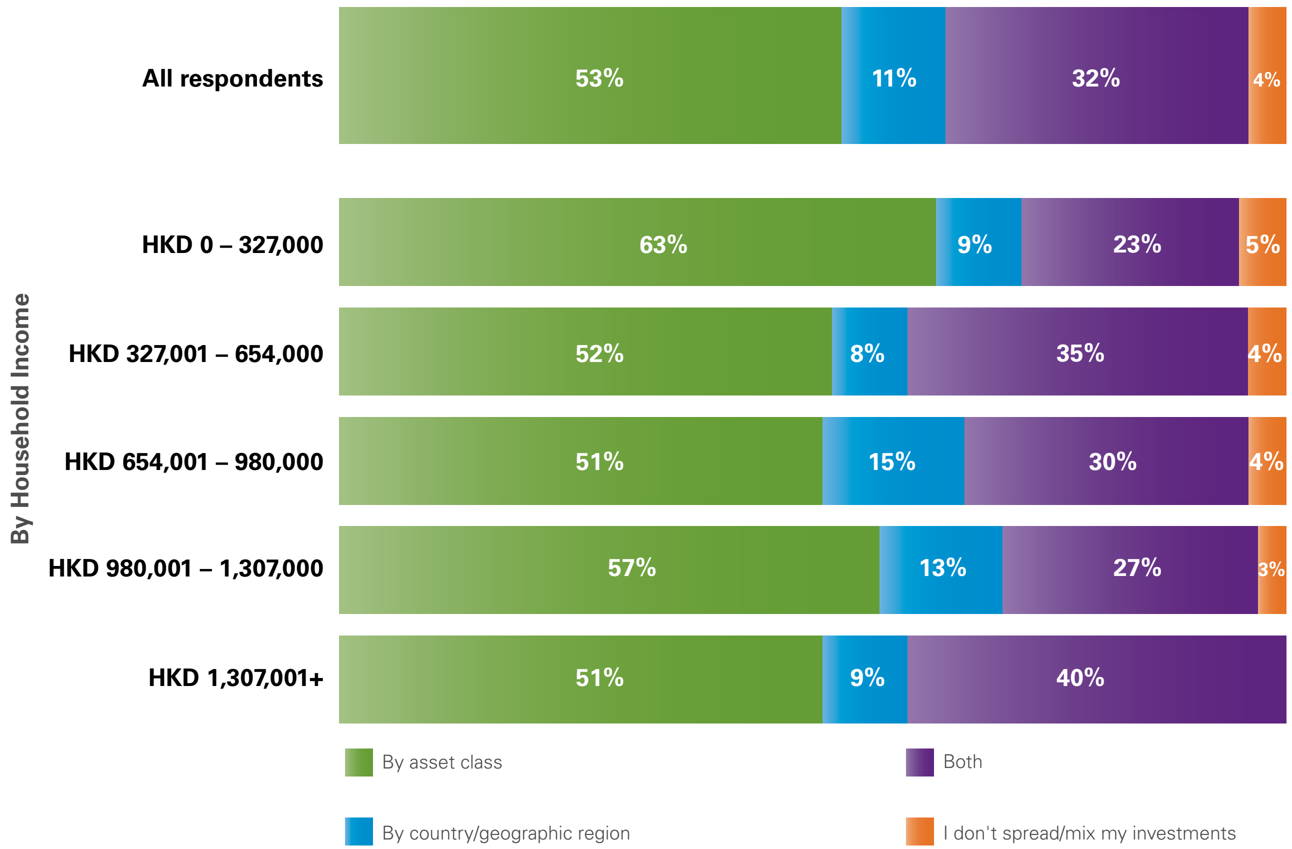
The most affluent group are more likely to spread risk by a combination of asset class and geographic region.

Worryingly, small numbers in all but the most affluent groups report not following any diversification strategy at all.

"While diversification by asset class is a sensible approach and highlights the level of sophistication among Hong Kong investors, diversification by geographic region has also been proven to reduce portfolio risk and enhance long-term return potential. In the words of Sir John Templeton: 'To avoid having all your eggs in the wrong basket at the wrong time, every investor should diversify.'"

David Knights

Thinking about your savings and investments, how do you diversify your portfolio?



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

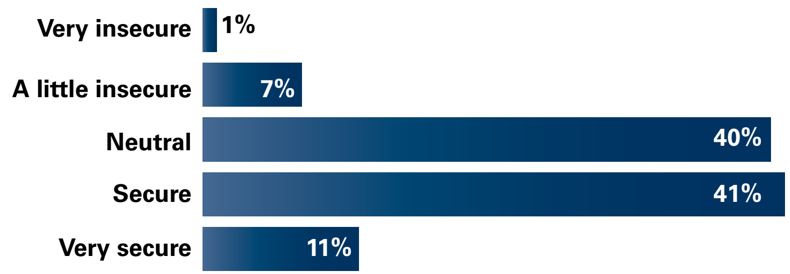
Financial Confidence

Even amongst these affluent respondents, only 52% feel financially secure.

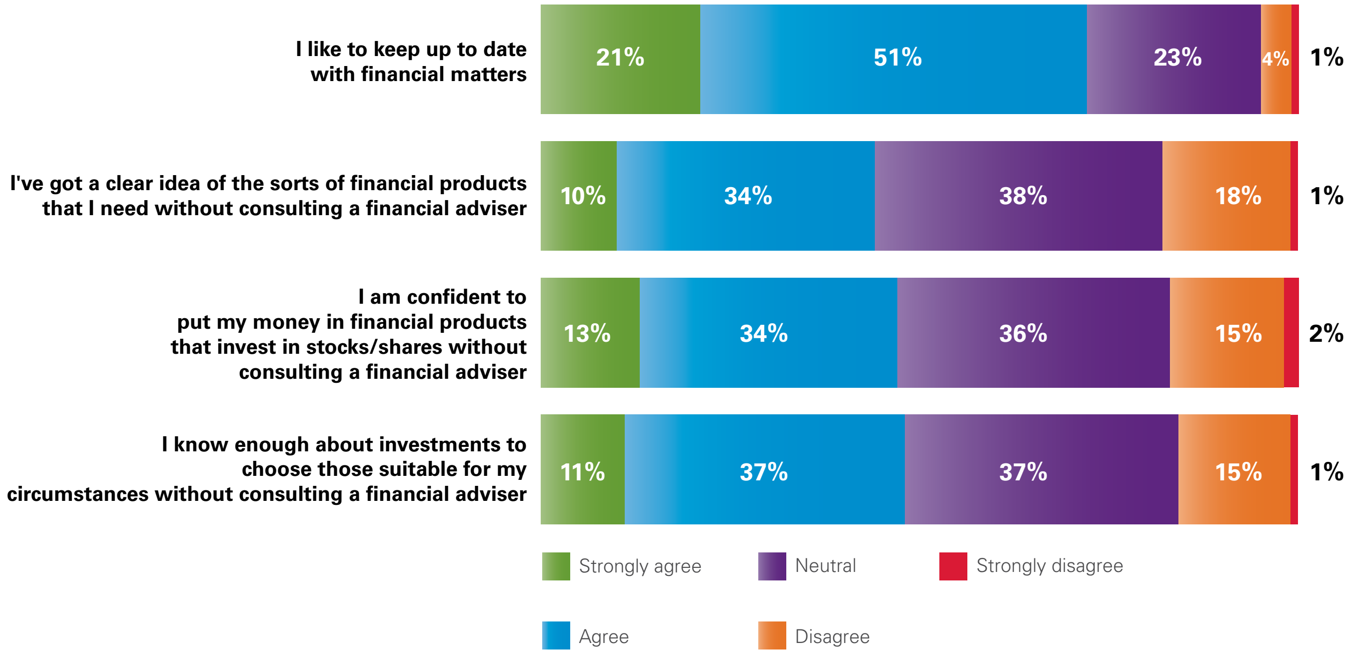
The percentage of respondents in each region who say they feel financially secure is almost identical (53% in both UAE and Singapore, and 52% in Hong Kong).

With good financial knowledge, more than 40% of respondents said that they have a clear idea of the sorts of financial products that they need without consulting a financial adviser.

How financially secure do you feel?



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



Saving Priorities

Single people are experiencing lots of expenses which is impacting their feelings on financial security.

"I am secure in terms of my job but I am not secure in terms of investments right now because I have so many things that I have to pay for, like my wedding and some loans to pay back, but hopefully the financial markets will improve."

Male respondent, single, aged 25-34.

People want to own their own home – but are worried how they can afford it.

"I am worried about not getting a property in Hong Kong – because the prices are very high"

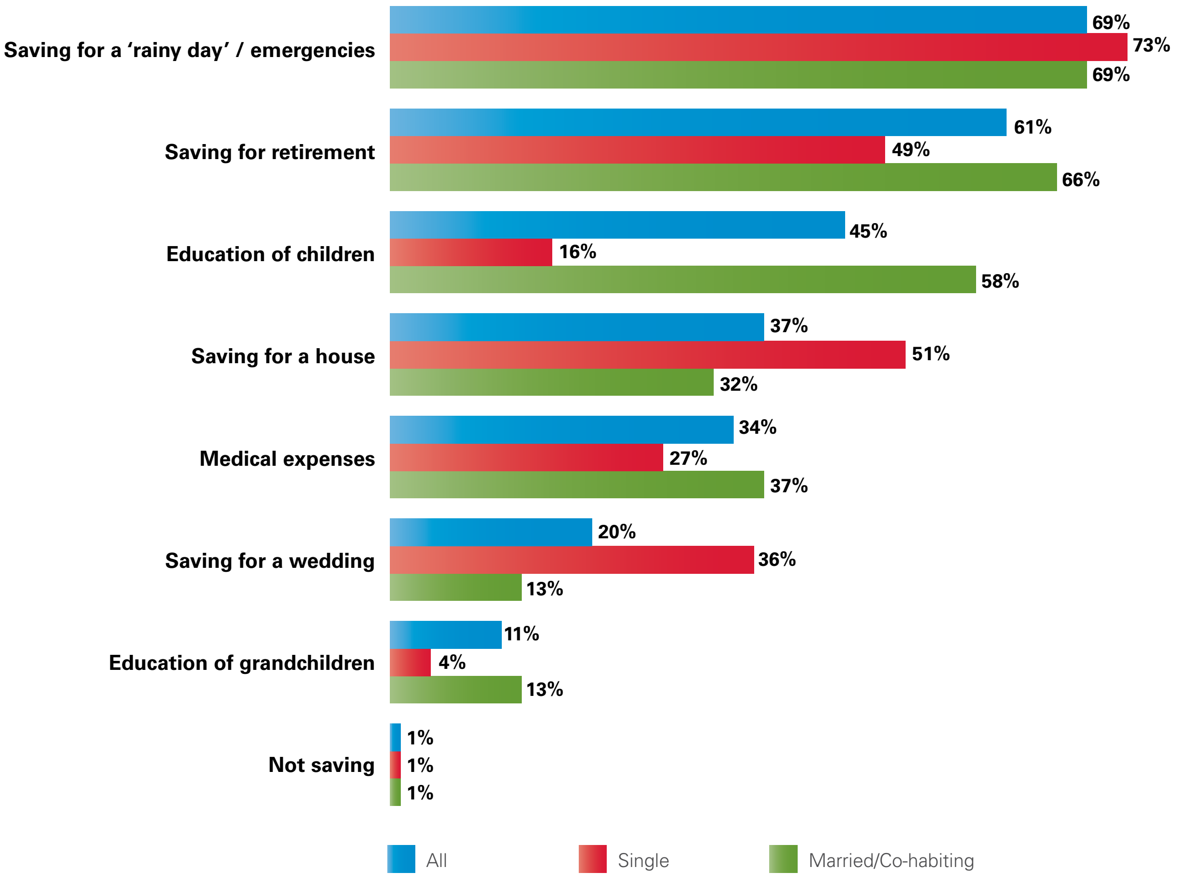
Female respondent single, aged 25-34.

Awareness that the MPF will not deliver enough saving for retirement so there is a need for additional savings.

"The MPF part is not going to do me any good in the future – it will be a very small part of my money. I have other savings with the bank. I think I'll need at least $1m HK dollars but I'm not sure at the moment with the inflation rate and economic situation and I'm not sure about the figure I can save. That's just something I've worked out myself looking at current spending and taking out the luxuries to have a more standard lifestyle."

Male respondent, married, aged 55-54

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



Note: Segment 'Divorced/Widowed/Separated' not shown separately on the figure due to insufficient segment sample size.

Retirement Savings Gap

Nearly two thirds of affluent respondents do not think they are saving enough for retirement.

Even amongst this affluent group, 59% said that they are not saving enough for retirement and a further 4% did not know.

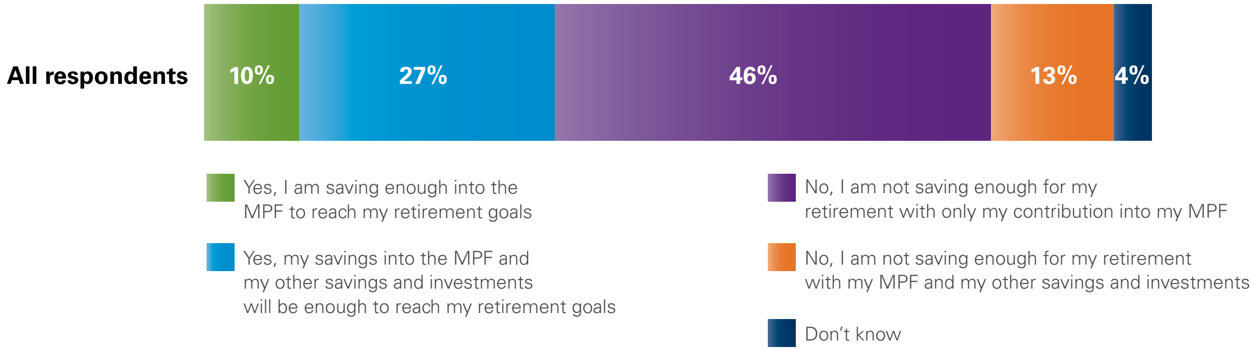
Significant increases in savings required to fill the gap.

Of those not saving enough, almost all felt that an increase in savings of at least 20% was needed to bridge their personal 'savings gap', with 60% thinking that an increase of 41% or more would be necessary.

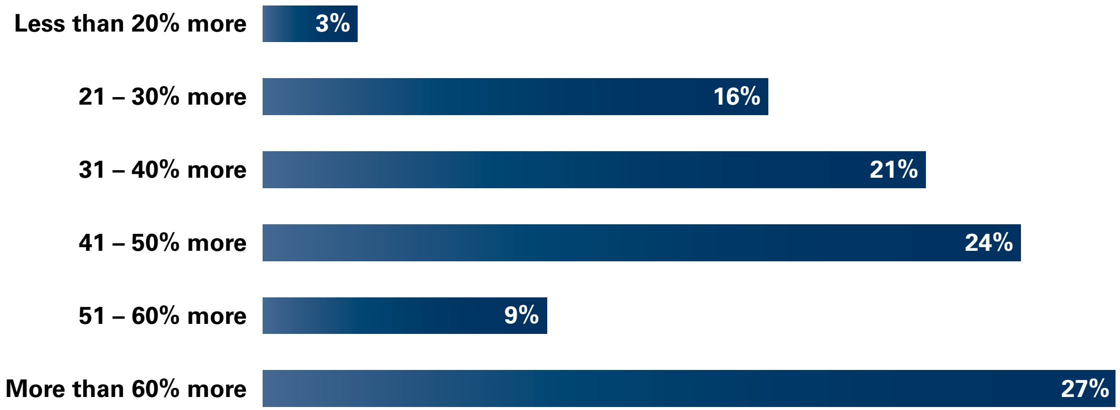
"Based on our research finding, nearly two thirds of affluent respondents do not think they have enough savings for retirement. Almost all of them felt they need to have at least 20% more savings to fill the existing gap. That means insurance saving products still have room to grow in the Hong Kong market."

David Knights

In 2000, the Hong Kong government launched the Mandatory Provident Fund Schemes (MPF). Do you think the amount you are saving in the MPF will be enough to reach your retirement goals?



(If no) How much more do you think you will need to save to fill the gap?



Retirement Savings Gap

Overall, Hong Kong respondents are unclear as to how much they need to save for their retirement.

Hong Kong affluent investors gave a range of opinions – the most popular is HKD 5-10 million.

More than 40% relied on guesswork to say how much they need to have saved for retirement.

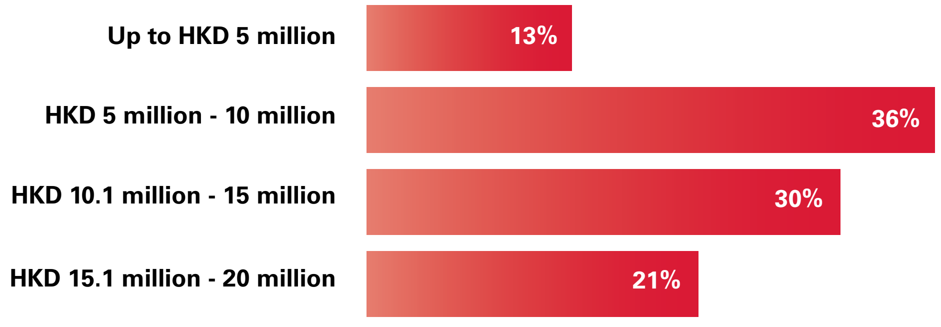
A worryingly high number of affluent respondents have no real idea how much they need for retirement.

Very few, just 6%, report working with a financial adviser to come up with a realistic figure to aim for.

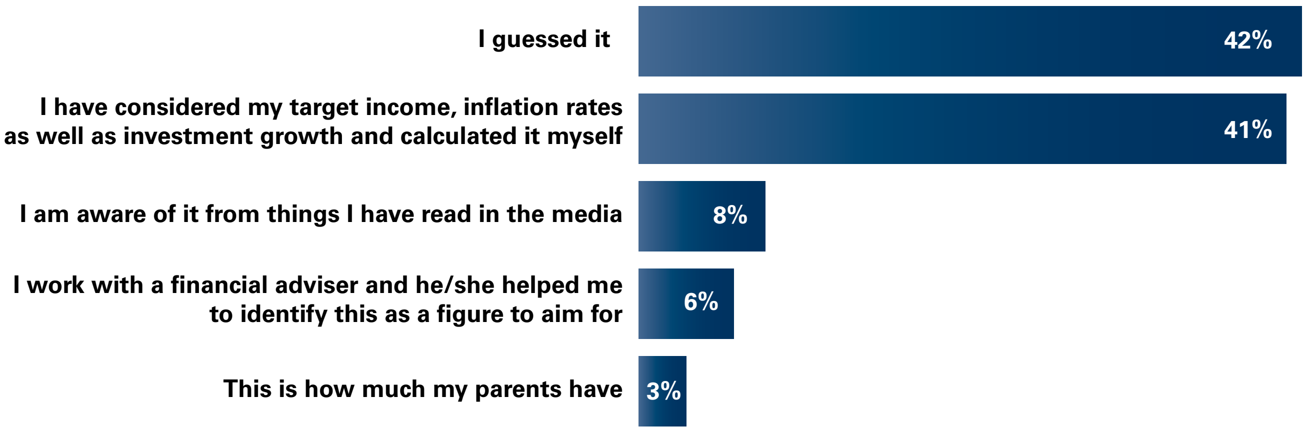
"It is quite surprising that most of the respondents know they need to save more for their retirement. However, they didn't know how to calculate the actual saving amount as 42% of them said they were relying on guesswork alone. I would highly recommend they seek professional advice from their Independent Financial Advisers to analyse whether they have enough savings for their retirement."

David Knights

In total, how much do you think you need to have saved for your retirement (assuming you retire at 65)?



And how did you calculate this amount?



Hong Kong demographic breakdown

Age	Hong Kong
18 to 24	3%
25 to 34	27%
35 to 44	37%
45 to 54	29%
55 to 64	3%
65 or older	1%
Gender	
Male	56%
Female	44%
Region	
Hong Kong Island	33%
Kowloon	37%
New Territories (including Marine)	30%
Origin	
Local	97%
Asia – Other	2%
Europe/Americas/Australia	0%
Africa	0%

Annual Household Income (HKD)

Up to 163,000	2%
163,001 – 327,000	7%
327,001 – 654,000	33%
654,001 – 980,000	34%
980,001 – 1,307,000	13%
More than 1,307,001	19%
Prefer not to answer	11%

Investable Assets (HKD)

Less than 500,000	0%
500,000 – 1,000,000	50%
More than 1,000,000	50%

Marital Status

Single	29%
Married / Cohabiting	69%
Divorced / Widowed / Seperated	2%

Singapore

Findings at a glance – Singapore

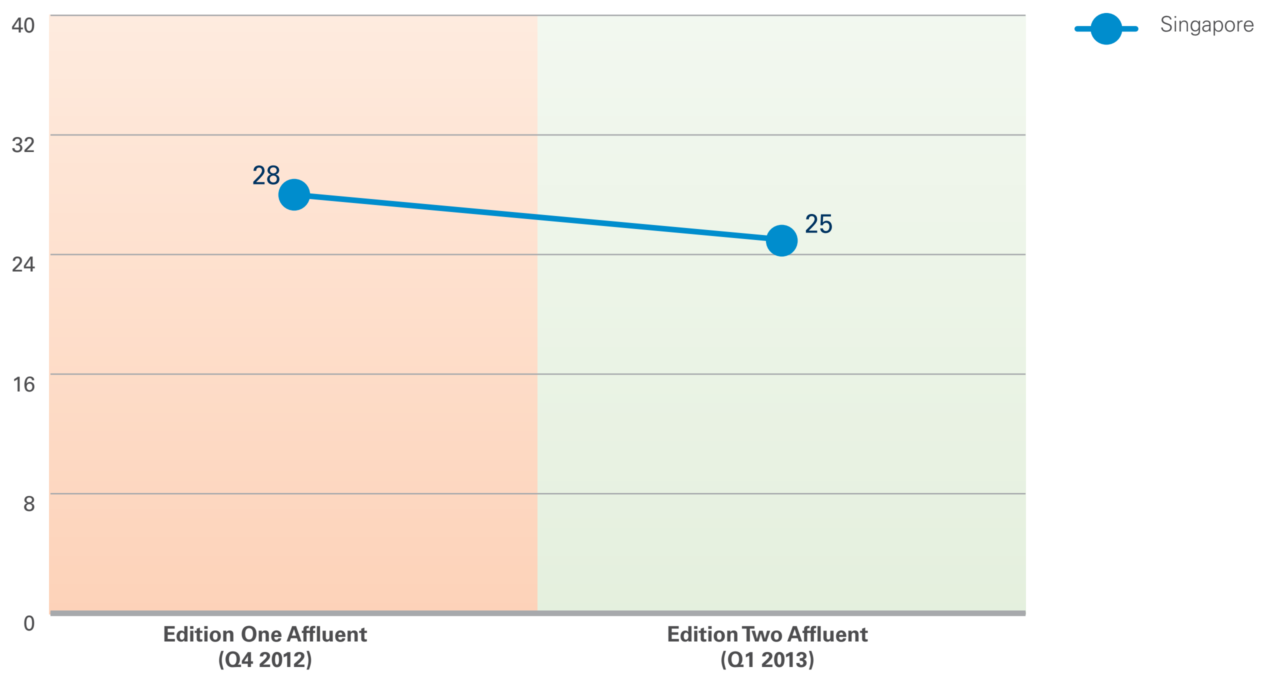
No significant change in the positive index score for Singapore.

The overall index score in Singapore remains positive, and is not significantly different to the last edition.

"Despite the eurozone government debt crisis, investor sentiment in Singapore appears to have been supported by the commitment of the Federal Reserve to its quantitative easing programme and ultra-low interest rates. The US economy is also recovering well, while the Chinese economy is no longer expected to suffer a 'hard landing.'"

Chris Gill

Singapore 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

Respondents think investment markets are on a broadly positive trajectory.

Half of respondents in the last edition thought that the markets would improve, and a little more in this edition, 59%, confirmed this was their perception of what had happened.

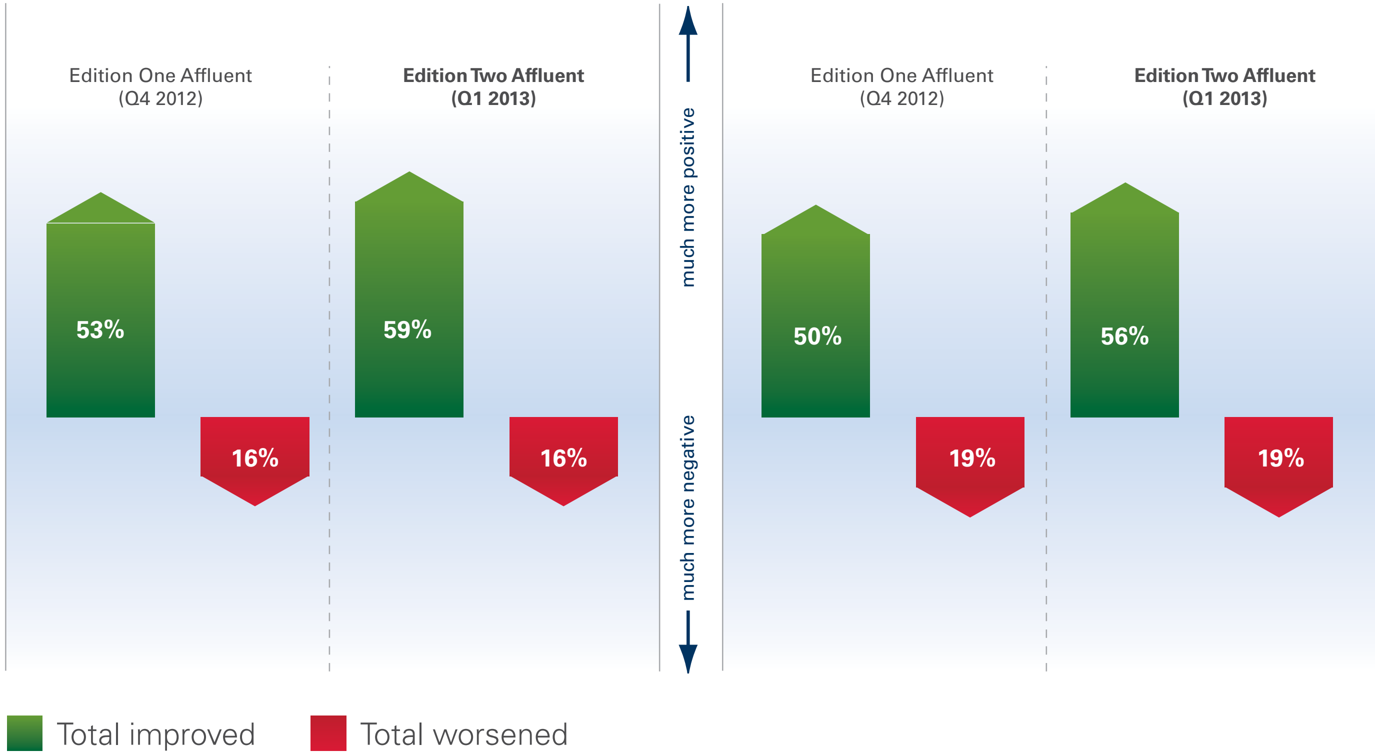
Respondents continue to be positive about the next six months.

On balance, respondents in Singapore continue to see investment markets on an improving trajectory, with no significant differences between the two editions.

> "Global markets are the best they have been for the last 5 years - but it might be a false dawn."
>
> Male respondent, married, aged 35-44.

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

And looking ahead over the next six months?



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

The survey data for edition one was collected in October 2012.

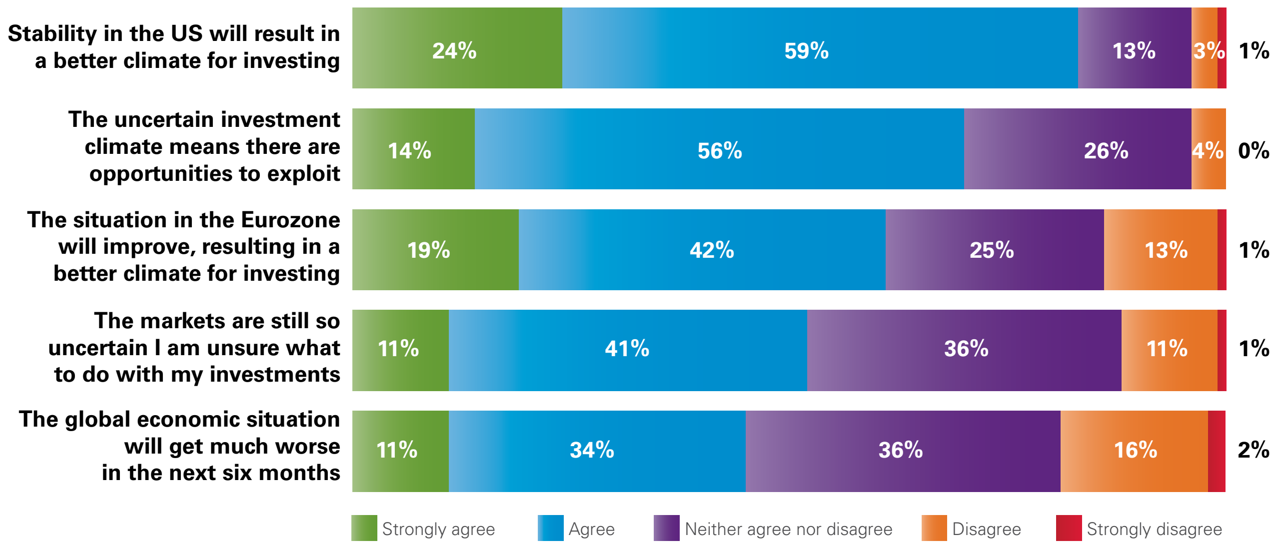
Investment Outlook

Respondents in Singapore can see the potential for exploiting market opportunities, but are unsure how to do it.

Respondents in Singapore can see light at the end of the tunnel in the US, but have more mixed views about the eurozone.

Singapore also has the highest number of respondents who think that uncertainty can result in opportunities – 70%, compared to 62% in Hong Kong and 61% in UAE – but significant numbers are unsure what to do with their investments to leverage this.

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



"Signs of improvement in the US economy, especially the housing market, are key here. The can-do attitude of central banks to step in and provide stimulus where necessary is also important at a time when problems in the eurozone remain unresolved. This relates back to the comment from Mario Draghi, head of the European Central Bank, that he would 'do whatever it takes' to save the euro."

Chris Gill

Asset Class Tracking

Respondents in Singapore have positive views on all asset classes.

Sentiment in Singapore is not materially different to the last edition. Respondents continue to have a positive view on all asset classes tested.

Respondents are the most positive about gold, cash and equities.

Respondents have very similar views about these asset classes compared to the last edition.

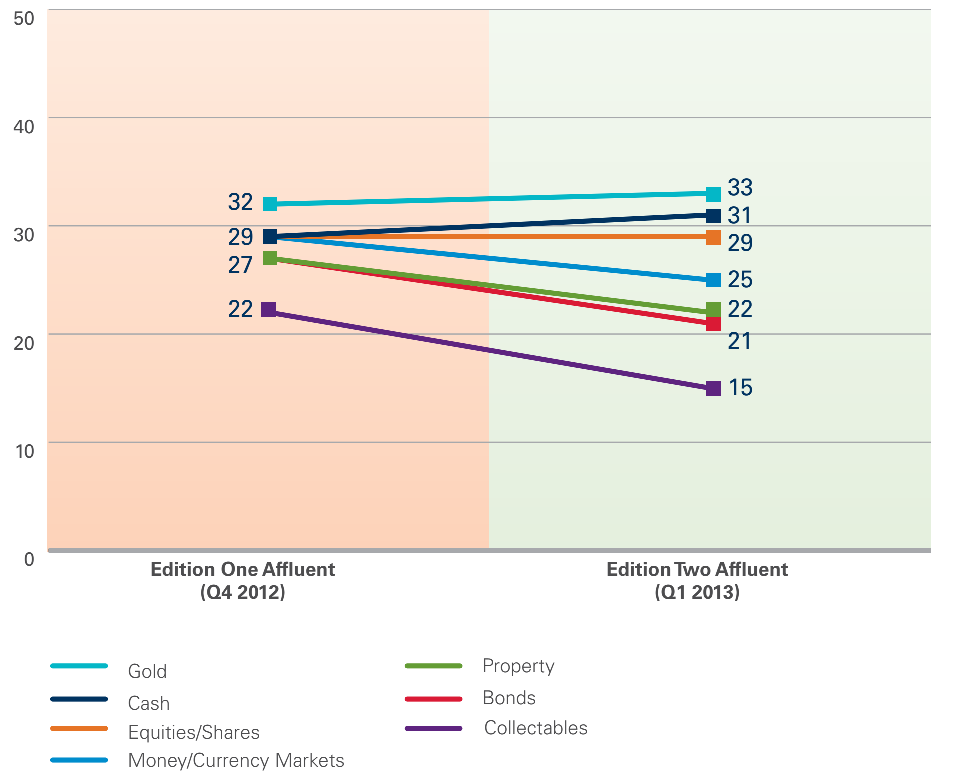
Property is holding up relatively well despite government actions.

Property has dropped by five index points possibly due to the cooling measures introduced by the Government in January 2013.

However, respondents still perceive that property is a good long-term investment.

> "There is value to exploit in shares. We need to get through this current phase but S.E. Asia looks good to me – places like Malaysia, Thailand. Not the US or the eurozone, and not the BRICs , they have had their day."
>
> Male respondent, married, aged 35-44

Friends Investor Attitudes index – 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

Insights from six interviews.

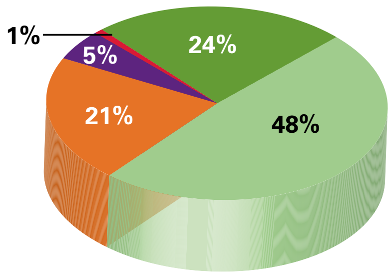
- Gold seems like an attractive asset class based on historic price increases – but three of the six respondents report that prices are starting to fall.
- Lack of knowledge in the more risky assets is putting people off investing.
- Property prices are high and are expected to rise even further in the future.

"Gold and cash and bonds, namely 'safe haven' assets, appear to have retained their appeal and this possibly reflects an ongoing degree of uncertainty over both the domestic and the global economy, especially following recent events in the eurozone."

Chris Gill

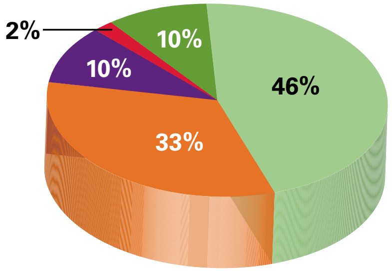
To what extent do you agree or disagree with the following statements?

Gold will continue to deliver good returns compared to other "safe" assets such as cash and bonds



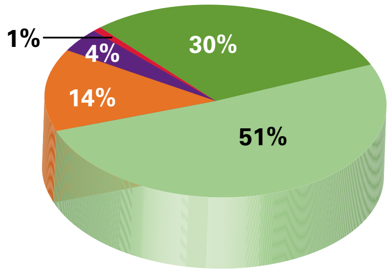
"Gold ,yes, that is very good now because I see now the prices compared to a couple of years ago and it is at a big level and it is not really going down just a little variation maybe 1 or 2% but it seems a fairly stable market."
Male respondent, married, 65 or older

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



"I don't have a very good knowledge about bonds and so at the moment I don't feel confident that it is that safe to do that."
Male respondent, married 45-54

Property is a good long term investment and will continue to go up



"We put off buying a house three years ago when we thought markets were at their peak – and they just carried on going up! I am not sure the cooling measures will have much impact in the long run."
Female respondent, married, aged 35-44

Strongly agree
Agree
Neither agree or disagree
Disagree
Strongly disagree

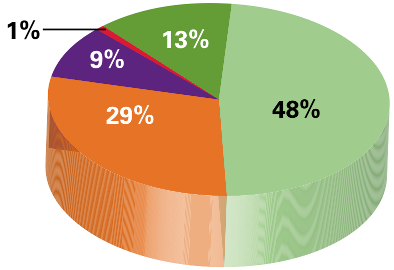
Asset Class Tracking

Insights from six interviews.

- People lack knowledge and therefore confidence to invest in equities, even though there may be opportunities.
- The perception that riskier asset classes will require them to devote more time to monitoring performance is putting people off.
- Collectables is an attractive asset class and there is a perception that they can be a "safe hedge" against market turbulence but, again, people lack the knowledge or confidence to be able to make the investment decisions without advice.

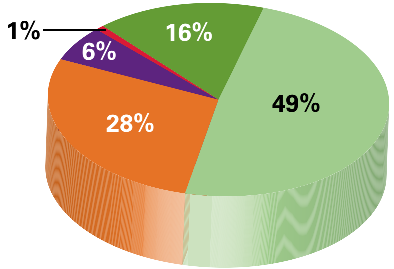
To what extent do you agree or disagree with the following statements?

I see a better opportunities investing in equities/shares



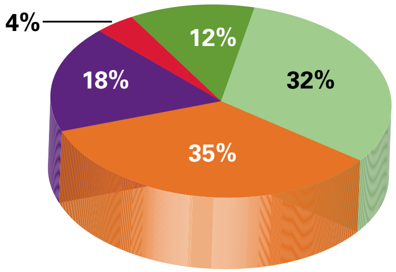
"Shares, no, because I don't have the time to monitor them"
Male respondent, married, 65 or older

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



"Bonds are at a peak – you have negative real interest rates and once QE is finished, they are done for"
Male respondent, married, aged 35-44

I believe there is a higher investment return potential investing in Collectables



"I feel it is a stable market"
Male respondent, married 45-54

"I am interested, but you need to know what you are doing or you need to be able to afford a good adviser and have enough money to make it worthwhile"
Female respondent, married, aged 35-44

Strongly agree | Agree | Neither agree or disagree | Disagree | Strongly disagree

Investment Strategy

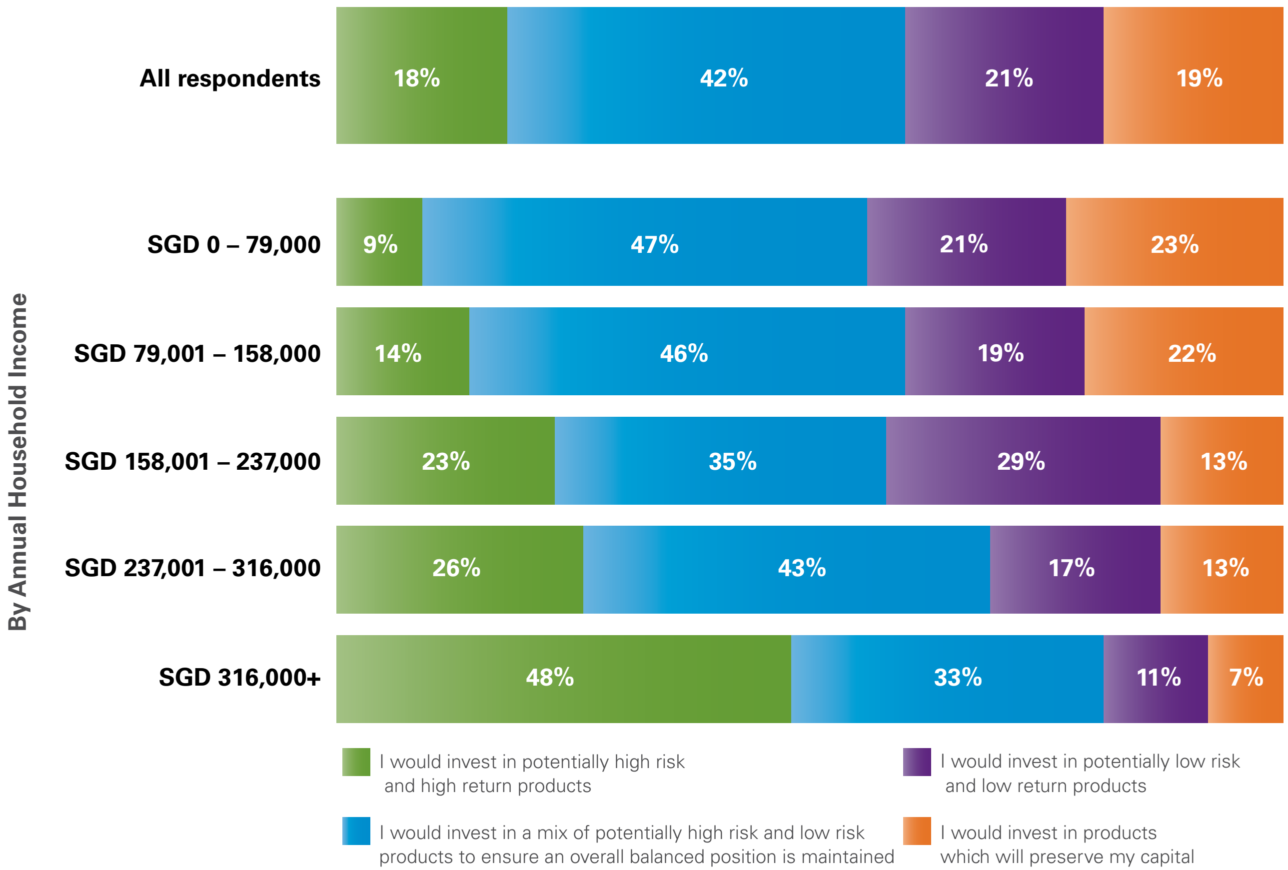
The most popular investment strategy in Singapore is a balanced managed approach.

Although, overall, the most popular approach is balanced managed, as you would expect there is a correlation between levels of affluence and the propensity to take more risk.

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

> "I have chosen to have a balanced strategy as you need some high risk and some capital protection, especially in these uncertain times."
>
> Male respondent, married aged 35-44

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

Investment Strategy

Respondents in Singapore adopt a range of strategies when considering the length of investment term.

The most popular time horizon is 3-5 years, and this does not vary significantly by levels of income.

Almost a third would not want to tie their savings up for more than two years. Again, this picture is very similar across income levels.

More prefer to invest for shorter time horizons than to have a diversified portfolio.

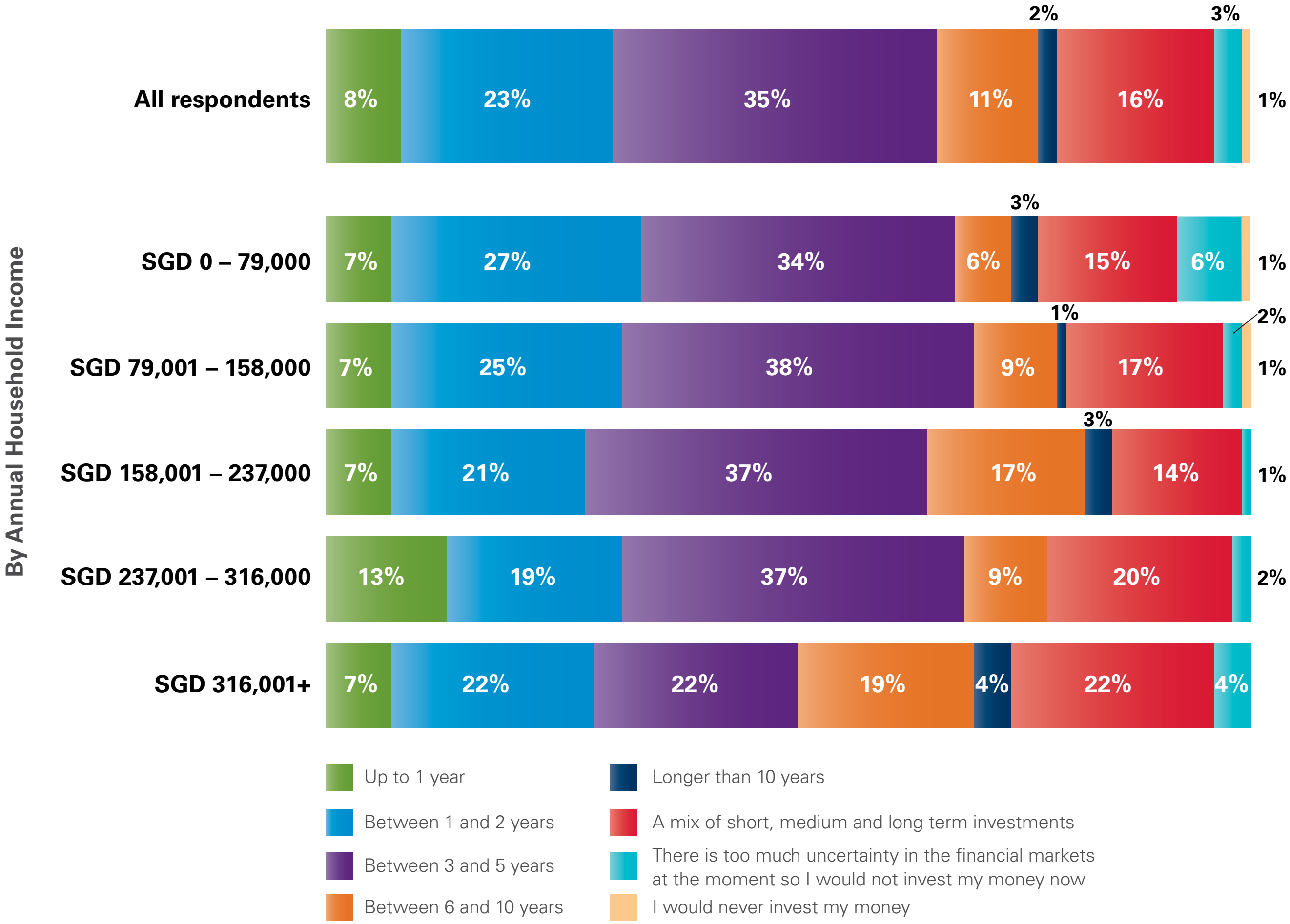
"I invest more for the long term as I am investing in property."

Male respondent, married, aged 45-54.

"I am investing in cash for less than three months, but I look at 5 years for my other investments. I think this is how long it will take for the situation in Europe to sort itself out, so I don't want to lock myself in for longer than that."

Male respondent, married, aged 35-44.

Again, if you had the money to invest now, which of the following best describes the length of investment term you would make?



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

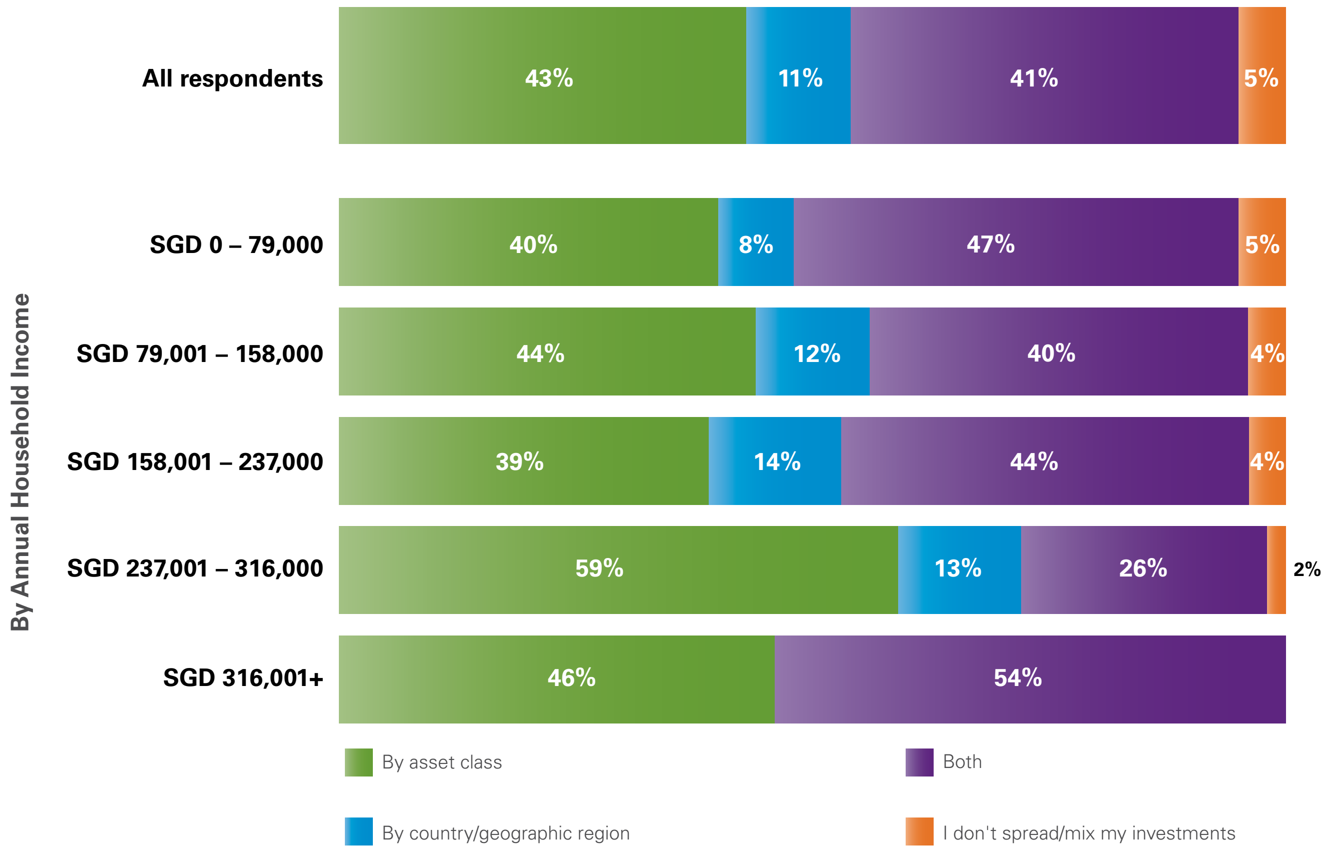
Note: By Income figure excludes respondents who preferred not to divulge their household income

Investment Strategy

Diversification by asset class is more popular than by geographic region.

95% of the respondents diversify their portfolio either by asset class, or by geographic region or by both.

Thinking about your savings and investments, how do you diversify your portfolio?



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 53% feel financially secure.

The level of financial security increases with levels of affluence, and by financial savviness.

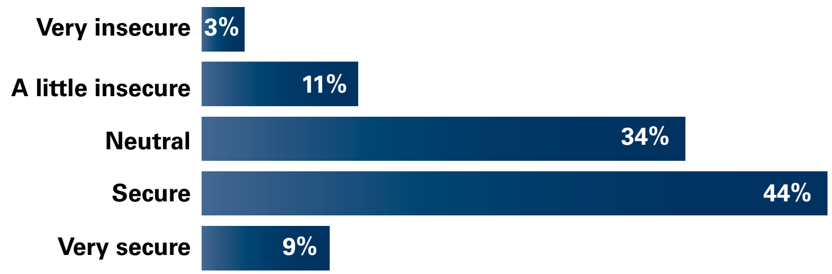
Singapore respondents are reasonably confident to make their own decisions.

Most respondents reported taking an interest in financial matters.

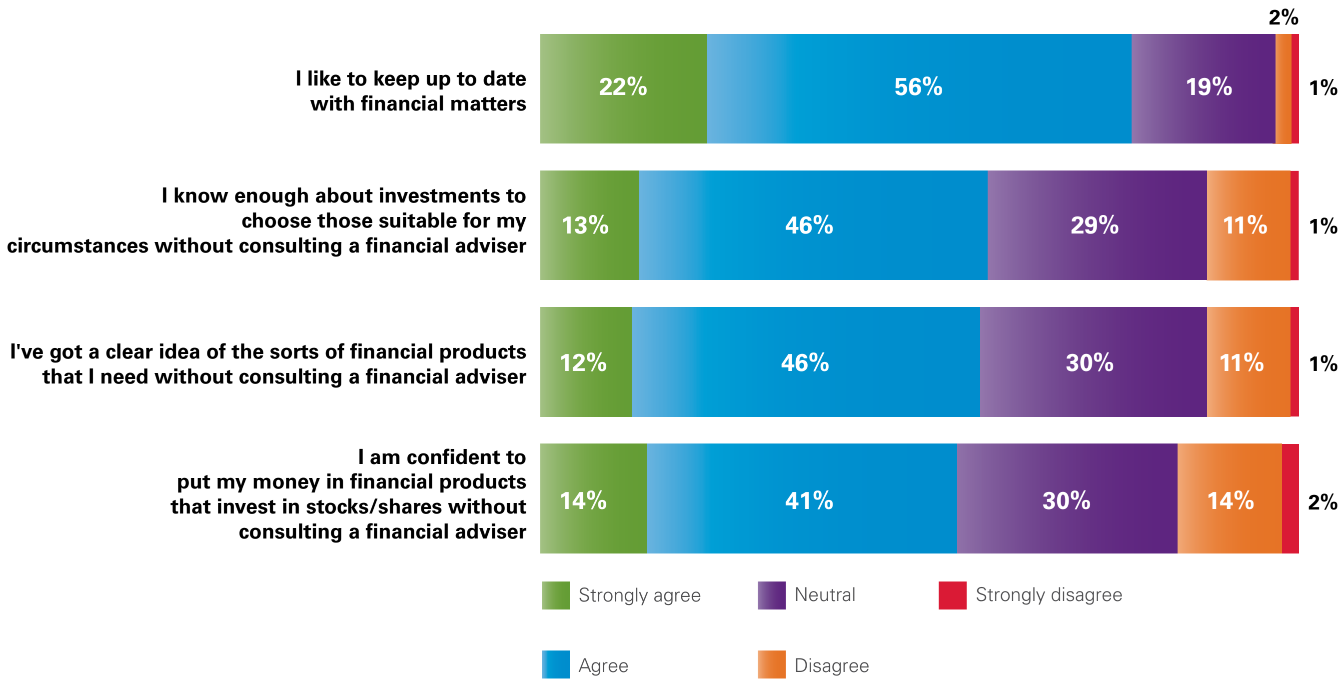
"I'm secure in my job I would say, but my investments are secure as well. I consult my financial counsellor and we talk about risks all the time".

Male respondent, married, aged 45-54

How financially secure do you feel?



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



Saving Priorities

High levels of awareness of the importance to save for retirement – but current expenses are making it difficult to put away enough.

"There is not much to save. Spending is almost equal to what you earn here, so no extra for much savings".

Male respondent, married aged 45-54.

Respondents who work with a financial adviser have more realistic retirement savings targets to aim for.

"Through the financial counsellor, I looked at the income I will need, how much I can put aside from my job and the sort of returns I can get on my investments as just a rough estimate".

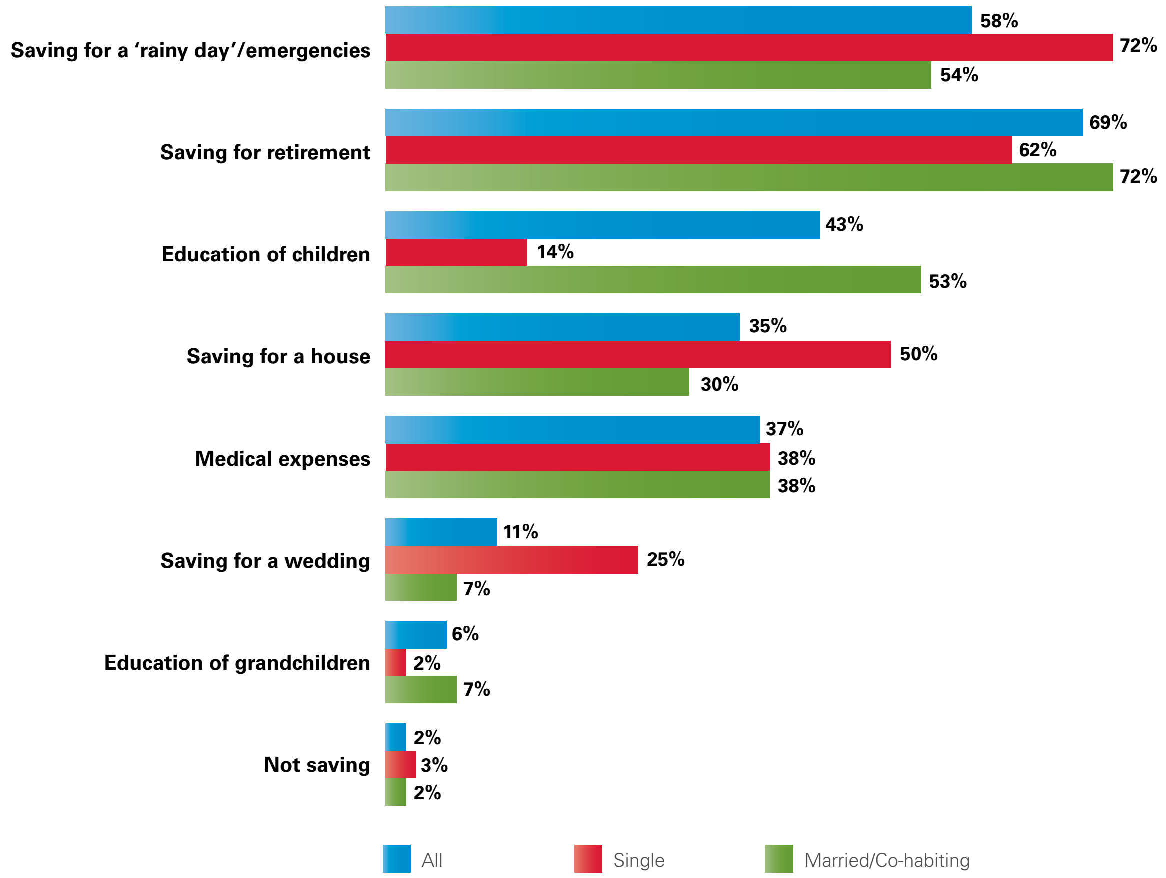
Male respondent, married, aged 45-54.

Education is a large drain on resources.

"It costs us more to educate the two girls than we pay on our rent".

Female respondent, married, aged 35-44.

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



Retirement Savings Gap

Over half of respondents think they are saving enough for retirement.

Even amongst this affluent group, 40% said that they are not saving enough for retirement – and a further 3% could not say.

Significant increases in savings required to fill the gap.

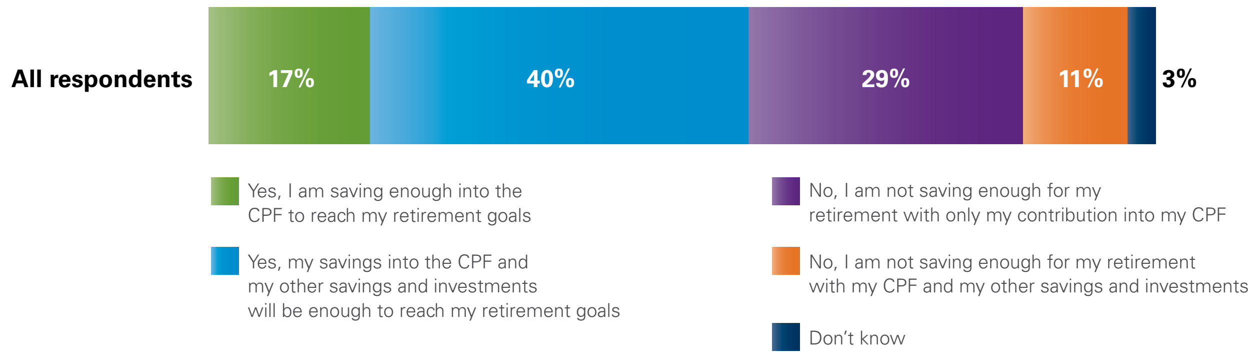
Of those not saving enough, 30-40% is the most popular estimate of their personal 'savings gap', but almost a fifth felt they need to increase savings by more than 60%.

Just 4% felt that increasing savings by less than 20% would be sufficient to bridge their personal 'savings gap'.

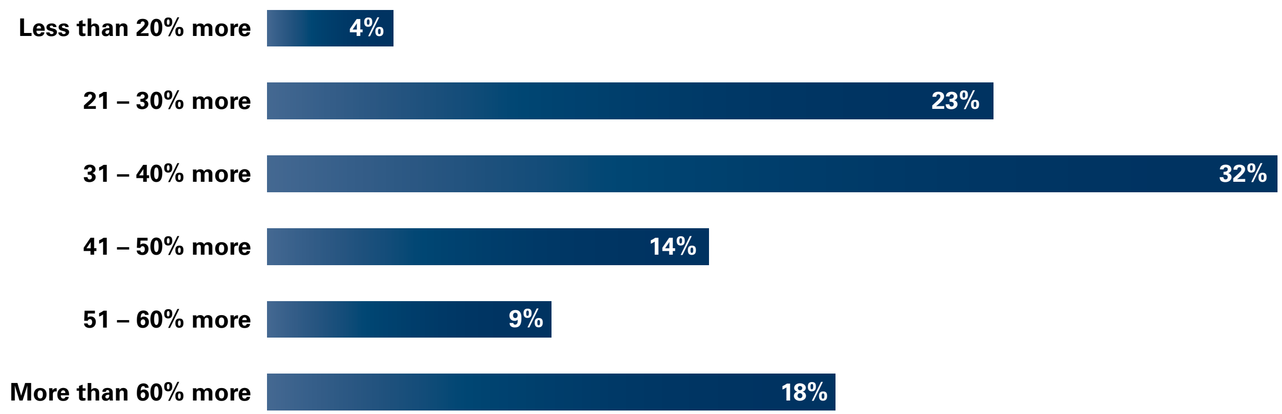
"Even amongst affluent investors there are still 40% who are not saving sufficiently to meet their retirement goals, suggesting that lack of saving towards retirement is a challenge facing all. For those not saving enough it is good to see more than 95% believe they need to save more than 20% of their current levels, the key is to act on this as any delay to starting retirement planning could require either a greater amount to be saved or additional risk to be taken in order to achieve the same goal by the intended retirment age. We would therefore encourage all to review their retirement plans as soon as possible."

Chris Gill

Now thinking about saving for retirement, do you think the amount you are saving into your CPF will be enough to reach your retirement goals?



(If no) How much more do you think you will need to save to fill the gap?



Retirement Savings Gap

Overall, respondents in Singapore are unclear as to how much they need to save for their retirement.

Affluent investors gave a range of opinions – the most popular is between SGD 800,000 to 1.6 million.

Almost a quarter relied on guesswork to say how much they need to have saved for retirement.

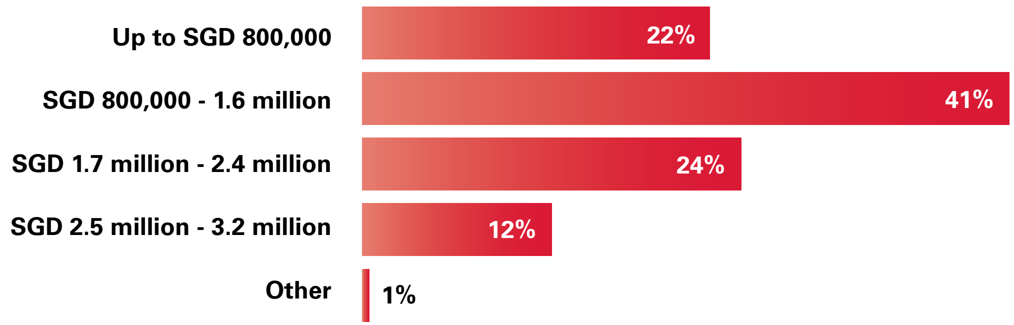
A worryingly high number of affluent respondents have no real idea how much they need for retirement.

Very few, just 8%, report working with a financial adviser to come up with a realistic figure to aim for.

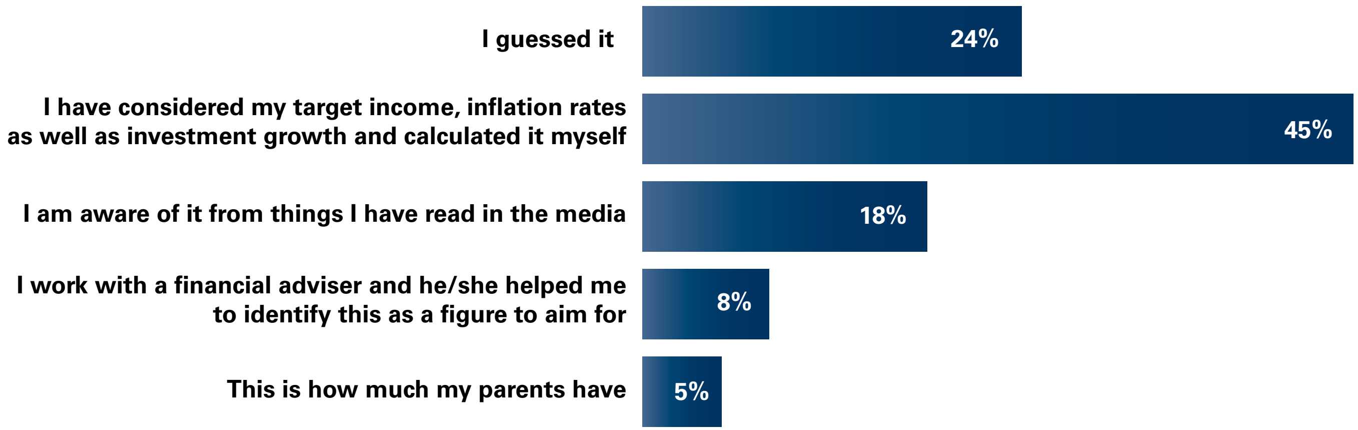
With a vast array of variables including inflation, potential asset returns, individual risk appetite, macroeconomic issues etc we would encourage even the most savvy investors to seek professional advice. As can be seen from the results, retirement is the number one priority for respondents and is likely to be one of the most significant financial commitments any individual will face hence a second opinion is advisable.

Chris Gill

In total, how much do you think you need to have saved for your retirement (assuming you retire at 65)?



And how did you calculate this amount?



Singapore demographic breakdown

Age	
18 to 24	3%
25 to 34	24%
35 to 44	39%
45 to 54	26%
55 to 64	8%
65 or older	1%
Gender	
Male	60%
Female	40%
Region	
Central	24%
East	23%
North	19%
North East	15%
West	18%
Origin	
Local	84%
Asia – Other	14%
Europe/Americas/Australia	2%
Africa	0%

Annual Household Income (SGD)	
Up to 39,500	4%
39,501 – 79,000	16%
79,001 – 158,000	37%
158,001 – 237,000	25%
237,001 – 316,000	10%
More than 316,001	5%
Prefer not to answer	3%

Investable Assets (SGD)	
Less than 80,000	0%
80,000 – 200,000	51%
More than 200,000	49%

Marital Status	
Single	25%
Married / Cohabiting	72%
Divorced / Widowed / Seperated	3%

United Arab Emirates (UAE)

Findings at a glance – UAE

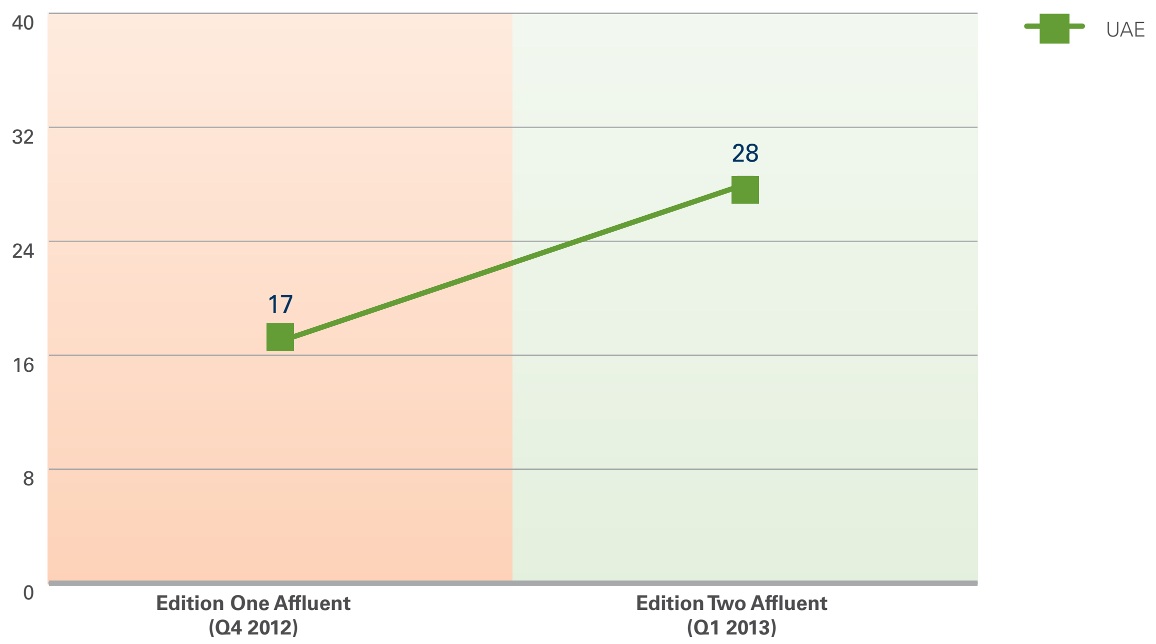
Respondents in UAE are more positive than in the previous edition.

A significant upswing in confidence in UAE has seen the Friends Investor Attitudes for the country exceed both Hong Kong and Singapore in this edition.

"It is good to see that the Friends Investor Attitudes index for UAE has eclipsed the indices for both Hong Kong and Singapore. This reinforces the generally positive consumer sentiment that has been reported in the country as of late, and signifies a return of confidence to the local investment markets."

Matthew Waterfield

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

Respondents think investment markets are on a positive trajectory.

Two thirds of respondents in the last edition thought that the markets would improve, and 76% of respondents in this edition confirmed this was their perception of what has happened.

Respondents are slightly more positive about the next six months.

On balance, UAE respondents see improvements in UAE investment markets on an improving trajectory, with an increase in the number taking a positive outlook. There is no significant difference between the two most recent editions in the percentage that feel that markets will get worse over the next six months.

"People are obviously more confident in the long term future of the market here, and it is good to see that the UAE respondents' positive outlook in the last edition of the FPI Investor Attitudes research has been realised. Let's hope this finding is repeated in future surveys."

Matthew Waterfield

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

And looking ahead over the next six months?

The figures above exclude those who answered 'Don't know' and 'about the same'.
The survey data for edition one was collected in October 2012.

"The next six months, in my opinion, the investment market should look better because I think European problem could somewhat settle down and there will be buoyancy all over the world."

Male respondent , married , aged 45-54

Investment Outlook

Respondents in UAE can see the potential for exploiting market opportunities, but are unsure how to go about it.

Respondents feel positive about the future for investing in the US, but have mixed views about the eurozone.

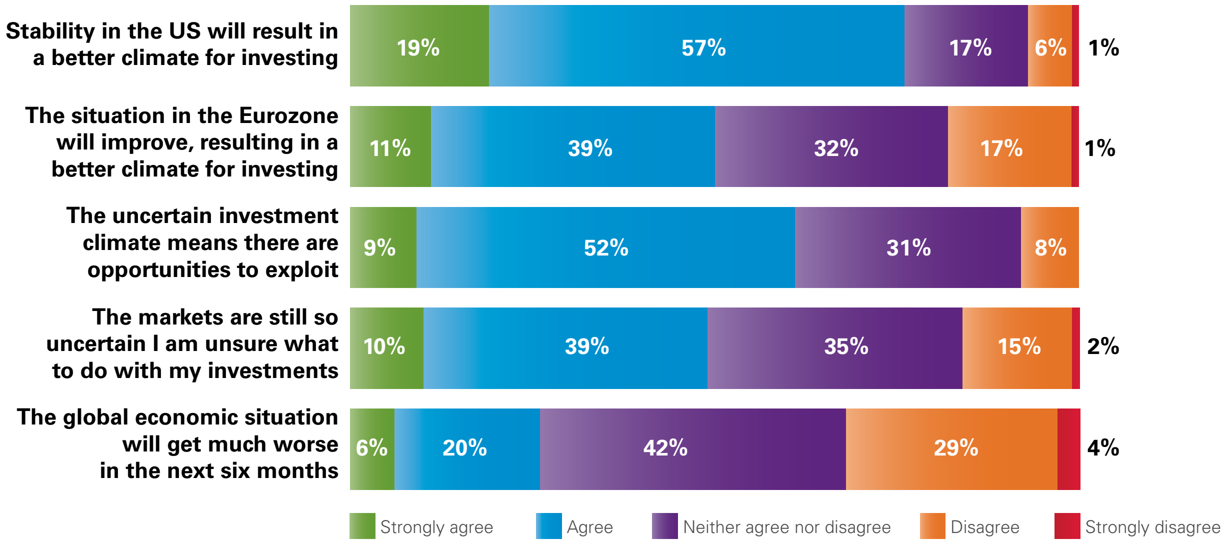
Of the three regions, UAE is the most positive about the global situation – just 26% think it will get worse, compared to 45% in Singapore and 34% in Hong Kong.

61% of respondents can see potential investment opportunities, but a significant number are unsure how to structure their investments to exploit them.

"It is interesting to see that respondents are very positive about investing in the current market, but at the same time it's rather disconcerting that they do not know how to make the most of the opportunities available. This illustrates the importance of seeking independent financial advice and the need to build a suitably balanced and diversified investment portfolio."

Matthew Waterfield

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



"In Europe, we are talking about Cyprus now and Portugal and Spain. I think it is best to wait for the next six months."

Male respondent, married aged 45-54

Asset Class Tracking

Significant increase in confidence in all asset classes, apart from collectables.

Respondents in UAE are now more positive about the mainstream investment climate than in the previous edition.

The biggest upswing in confidence can be seen in property, equities and bonds (an increase of 16 index points for each).

Confidence continues to grow for gold and property.

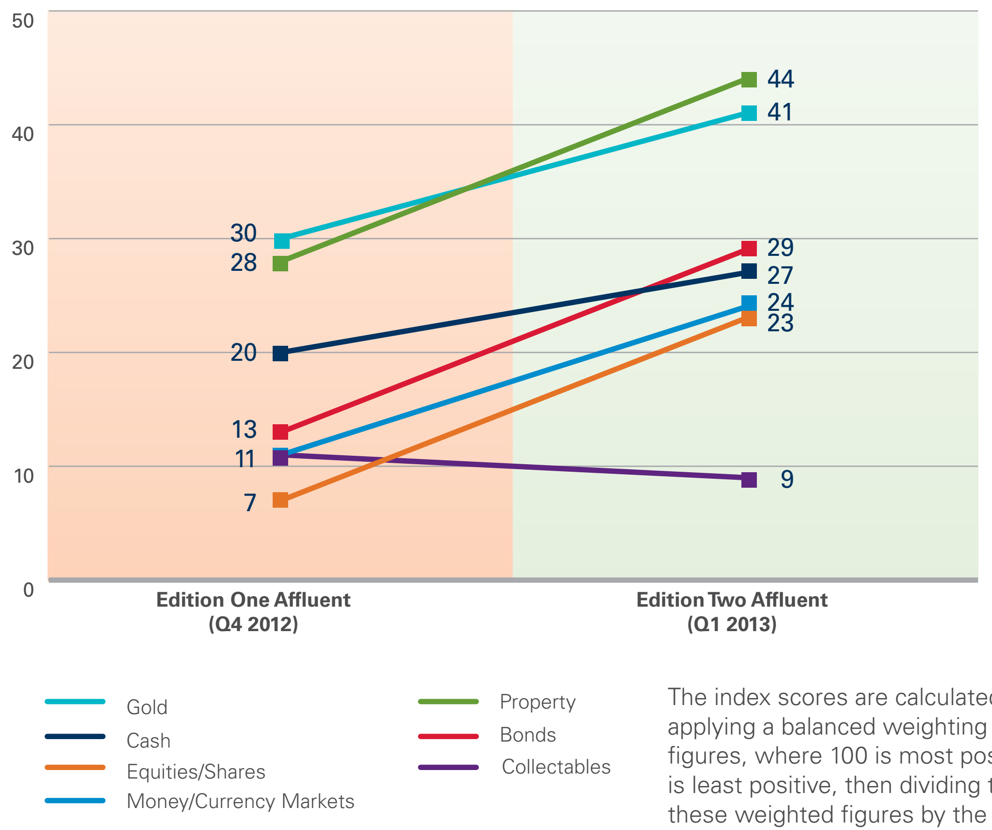
Respondents are now most positive about currency markets and equities, where sentiment has held up more than other asset classes.

Property and gold were the most positive asset classes in the previous edition, and confidence in both these asset classes continues to grow.

Looking more closely at the data underpinning the index calculation (see Page 10), more respondents now think it is a 'very good time' to invest in both these asset classes.

The proportion saying it is 'a very good time' to invest in gold is up to 28% and property 27%, compared with 15% and 13% respectively in the previous edition.

Friends Investor Attitudes index – 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).

"Whilst gold and property remain the most popular asset classes by some distance, it is good to see such positive sentiment towards almost all other asset classes. The large increase in the preference for equities is a sure sign that investors have more confidence in the market, and are willing to take at least some risk to secure a good return on their investment. Having said that, I must reiterate the importance of taking appropriate financial advice, and building a balanced and diversified portfolio."

Matthew Waterfield

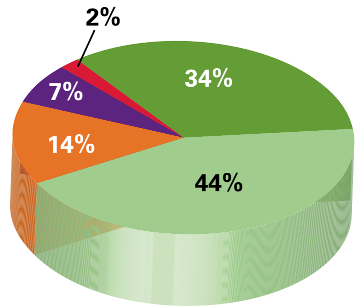
Asset Class Tracking

Insights from six interviews.

- When thinking about property, the Non Resident Indian respondents (who account for at least 39% of all respondents) are thinking about property in their home country, as well as UAE. Property typically means either land or residential property.
- Property in home country is seen as both a short term investment (three to five years) and for retirement.
- Gold is a preferred asset class as it is something relatively easy to understand, its value can be easily monitored and it is a physical, tangible asset.

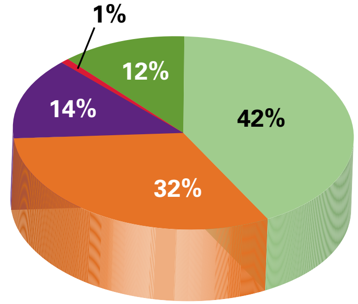
To what extent do you agree or disagree with the following statements?

Gold will continue to deliver good returns compared to other "safe" assets such as cash and bonds



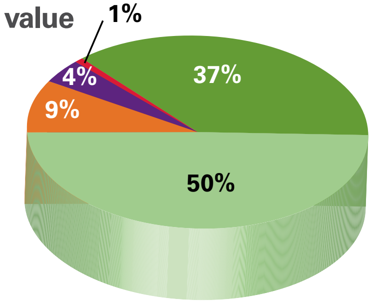
"Gold yes definitely, because where I am I don't know about European or western countries and how they are looking , so it is easier to deal with gold investment and there is still a huge benefit to investing in gold."
Female respondent, married, aged 45 – 54.

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



"It is safe to invest in cash because I don't take much risk and so I am just putting it in the bank."
Male respondent, married, aged 45 – 54.

Property is a good long term investment and will continue to go up in value



"If you consider in our country (India), there is a shortage of land and those that have it don't want to sell it ,so there is a very good market for land."
Male respondent, married, aged 54 – 54.

- Strongly agree
- Agree
- Neither agree or disagree
- Disagree
- Strongly disagree

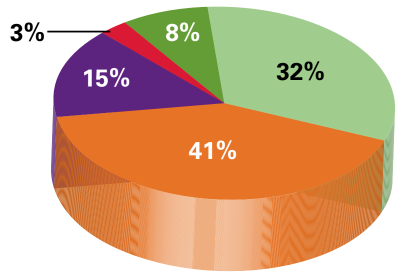
Asset Class Tracking

Insights from six interviews.

- Lack of knowledge and time to monitor performance is preventing respondents from investing in equities.
- Perception that help from a financial adviser will be needed to leverage opportunities.
- Biggest opportunities in equity markets are seen in India, China, Asia and US.
- Cash is preferred to bonds, and there is some confusion about bonds versus investment bonds.

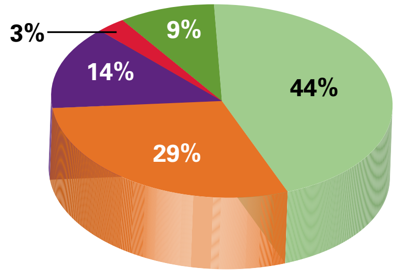
To what extent do you agree or disagree with the following statements?

I see better opportunities investing in equities/shares



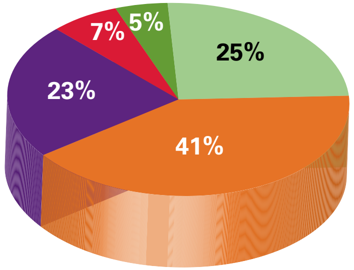
"Shares are always fluctuating and you can't be certain how they are going. One thing you must be certain is that you must have a financial adviser for shares."
Male respondent, married, aged 35 – 44.

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

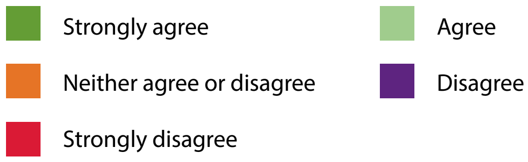


"If I put it in shares then I have to see if it is going down or going up and I don't have time to look at or take the risk."
Male respondent, married, aged 45 – 54.

I believe there is a higher investment return potential investing in Collectables



"I do not have any personal interest in that one as it depends on your age and expertise."
Male respondent, married, aged 45 – 54.



Investment Strategy

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 36% of respondents adopting a capital preservation strategy, the UAE has by far the highest proportion of the three regions taking this approach. There is very little difference in strategy between affluence levels.

"Well, with the current state of the economy I don't want to take any more risk, I just earn my money and save it for a short period. I am near retirement. I'll keep my money as a bank deposit only."

Female respondent, married, aged 45-54

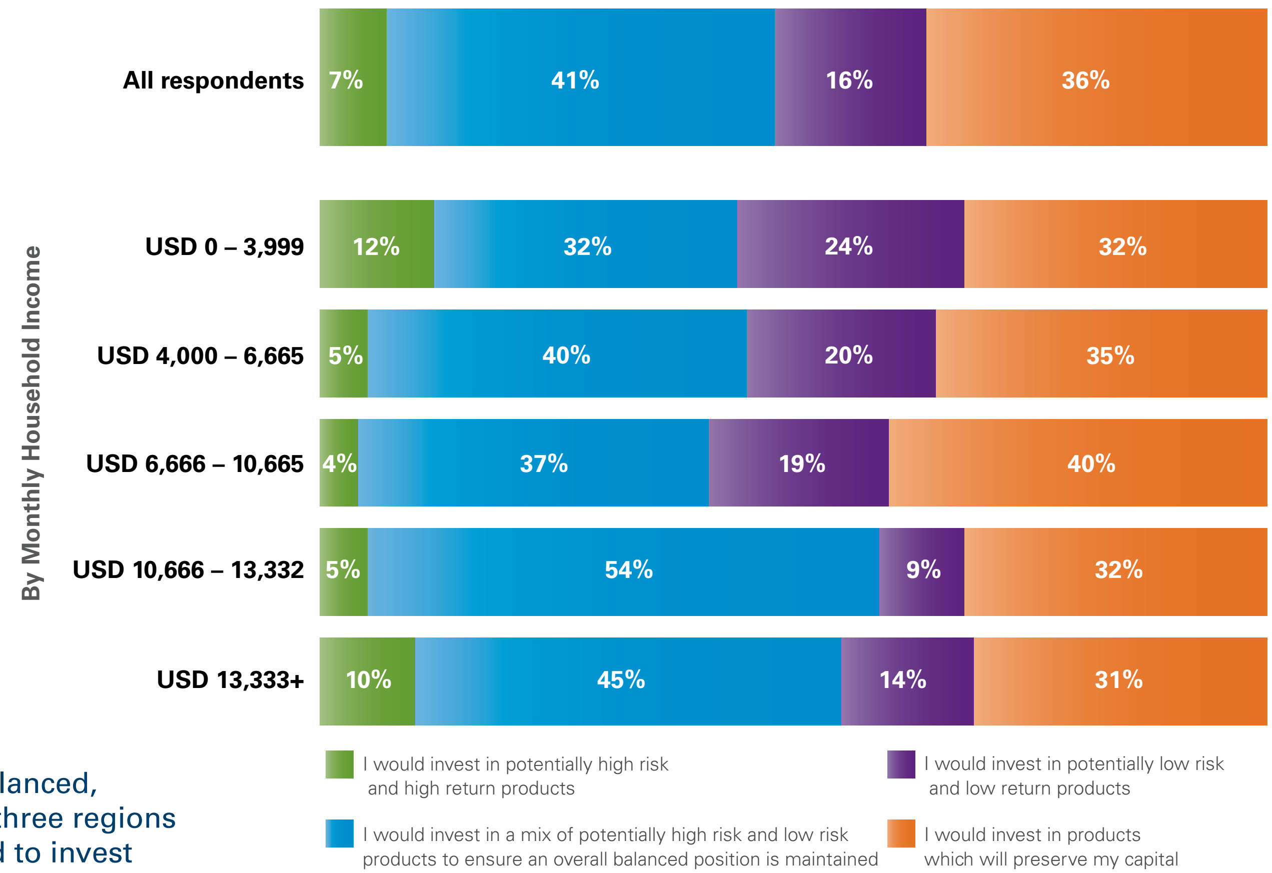
"I don't take any risks – if it's not safe then I won't do it."

Male respondent, married, aged 45-54

"It's good to see that most investors are adopting a balanced, diversified approach to investing. Interestingly, of the three regions surveyed, UAE respondents appear to be least inclined to invest in more 'risky' assets, instead preferring to invest in products designed to preserve their capital. This is possibly due to the fact that the people surveyed in the UAE are expatriates, and therefore do not have the safety net available to locals in the other regions, such as support from the family should their investments fail."

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 Income figure excludes respondents who preferred not to divulge their household income

Investment Strategy

UAE respondents adopt a range of strategies when considering the length of investment term.

Just over a third choose a very short time horizon and would not want to tie their money up for more than two years. The least well off are the most likely to take this view.

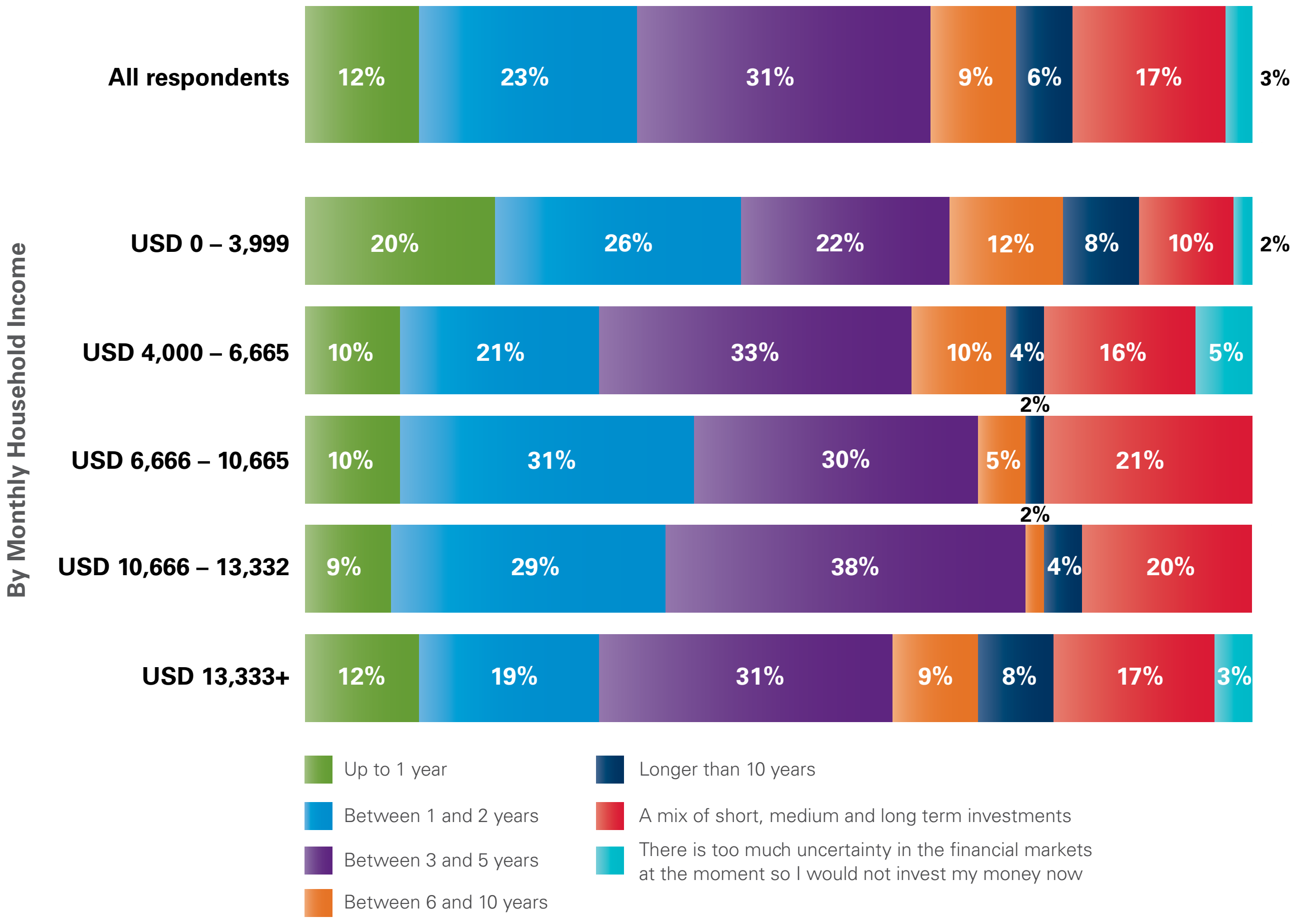
"I took some money from my deposit account and this investment was only for three years, so I put it in"

Male respondent, married, aged 45-54

"I have got some invested in land in India that is worth around $150,000. All the savings I have, I have put into assets that I think are going up – assets like land and real estate. I am looking long term, 6-7 years, and in that time there should be a 60-70% increase in the value."

Male respondent, married, aged 45-54

Again, if you had the money to invest now, which of the following best describes the length of investment term you would choose?



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

Investment Strategy

Respondents diversify their investments by asset class rather than by geographic region.

Very few respondents in the UAE diversify their investments by country or geographic region alone.

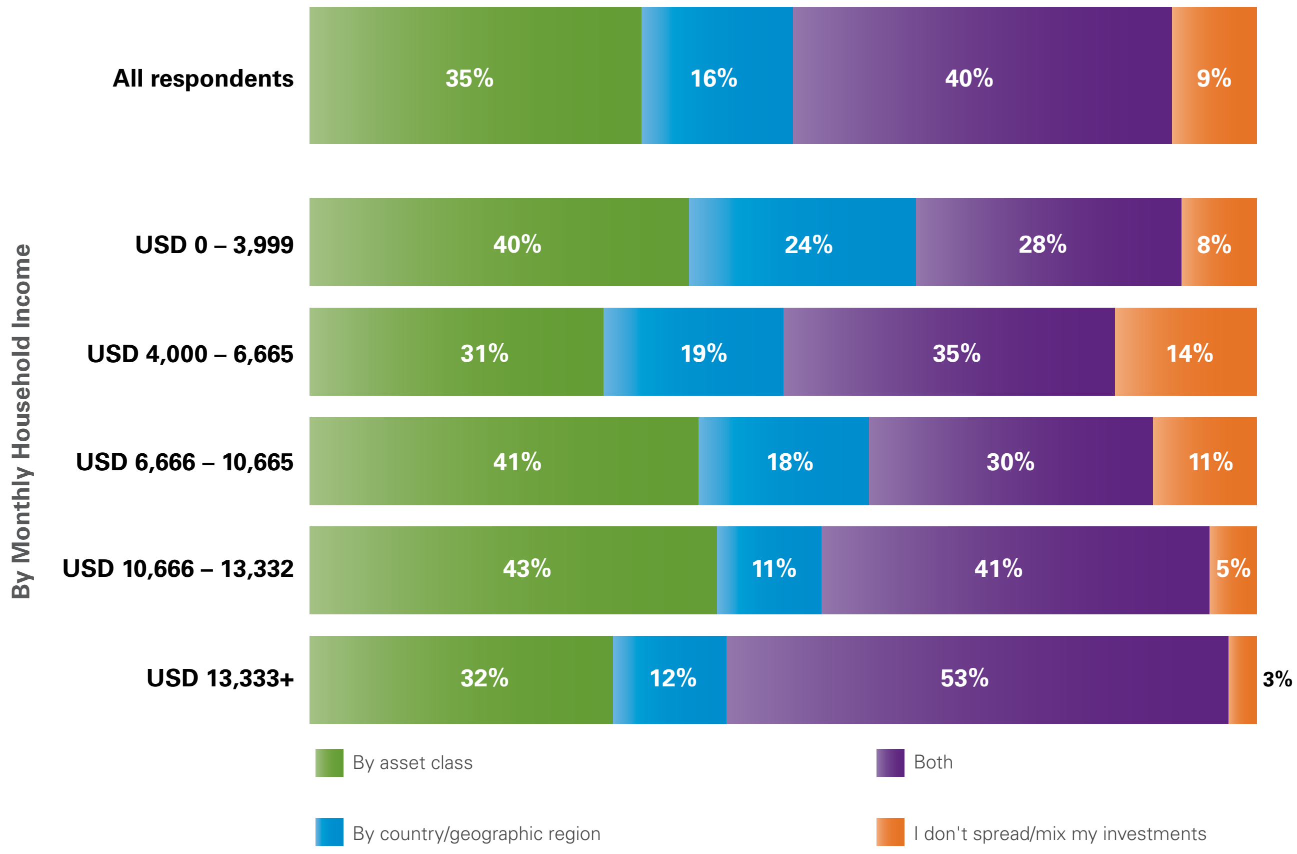
If geographic diversification is taking place, it is typically done in combination with asset class diversification.

Small percentages across all income bands say they are not following any diversification strategy.

"It's good that a large proportion of respondents are diversifying their investments by a combination of factors, and that their portfolios are not based on a single asset class or region – especially the more affluent respondents surveyed. This shows a level of investor maturity and I would encourage all investors to adopt this approach."

Mathew Waterfield

Thinking about your savings and investments, how do you diversify your portfolio?



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

Surprisingly, only 53% of affluent respondents feel financially secure.

The percentage of respondents in each region who say they feel financially secure is almost identical (53% in both UAE and Singapore, and 52% in Hong Kong).

UAE respondents are the least confident about making investment decisions without financial advice.

Most respondents take an interest in financial matters.

However, when it comes to actually making a decision, UAE has the highest proportion of respondents who say they are definitely not confident to invest without the help of an adviser – 33% compared to 16% in both Hong Kong and Singapore.

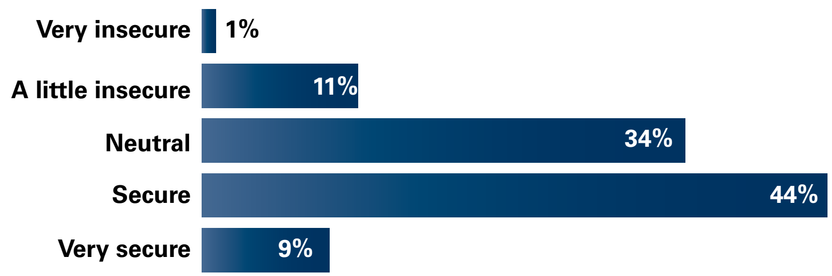
"We have some land which is appreciating in value and some money in the banks so we are not taking any risks so I feel safe"

Male respondent, married, aged 45-54

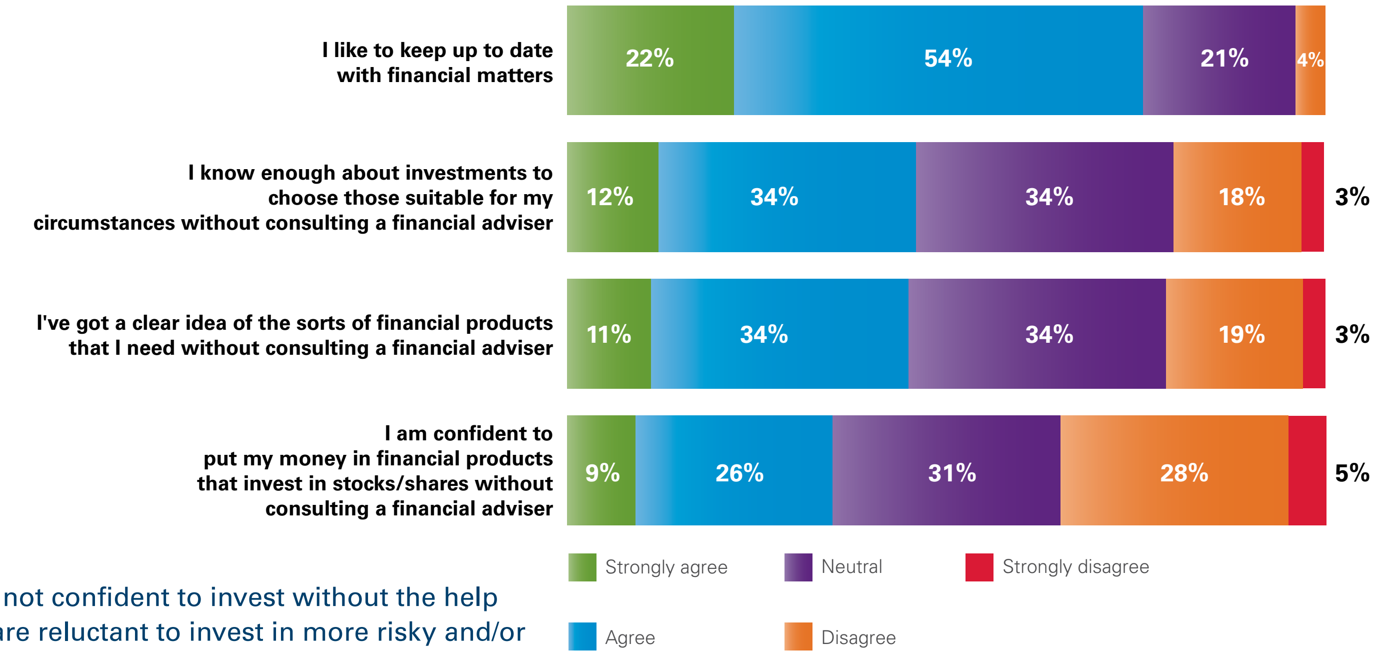
"The fact that a third of UAE respondents say they are not confident to invest without the help of a financial adviser may explain why UAE investors are reluctant to invest in more risky and/or sophisticated products than their counterparts in Hong Kong and Singapore, instead preferring low-risk or zero-risk investment vehicles. I would encourage people to seek independent financial advice to ensure their money is made to work harder for them, and to ensure they are up to date with the range of opportunities available for them to construct a balanced portfolio."

Matthew Waterfield

How financially secure do you feel?



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



Saving Priorities

Saving for retirement tends to be with banks, or in the form of property investments. Some will rely on their children if times get tough.

"For retirement, the savings I have in my bank, that is my effort, and if I need it I can get money from the selling of my land. When I leave my company I will get some money as well, and I will have some income from my land. By then my children will be educated so hopefully they will have jobs and they will help us."

Male respondent, married, aged 45-54.

Property – especially in India – is seen as a "safe" investment with the potential for very high returns.

"The two things that are low risk at the moment are land or you can invest in gold. For land, I invest in India – the UAE is not a safe model to invest in land – but in India because the population has been growing there is a scarcity of land so demand is high. I have invested in only highly populated areas"

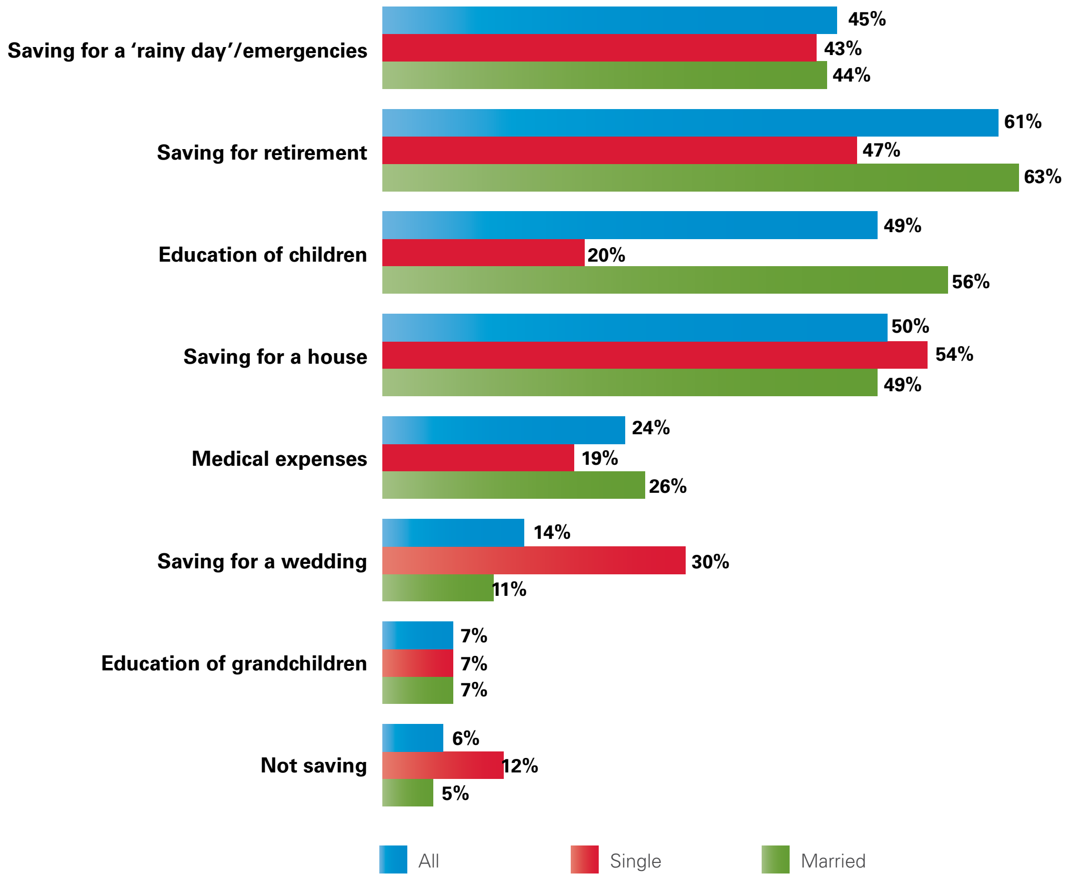
Female respondent single, aged 25-34.

Education of children is very important – but costs are increasing. Some evidence that loans are being taken to fund education.

"I'm having to save more and more because prices are going up to provide a good education. We just put it into a bank account"

Male respondent, married, aged 45-54

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



Retirement Savings Gap

Most respondents think their savings will be insufficient to fund their retirement goals.

Even amongst this affluent group, 49% said that they are not saving enough – and a further 11% could not say.

Significant increases in savings required to fill the gap.

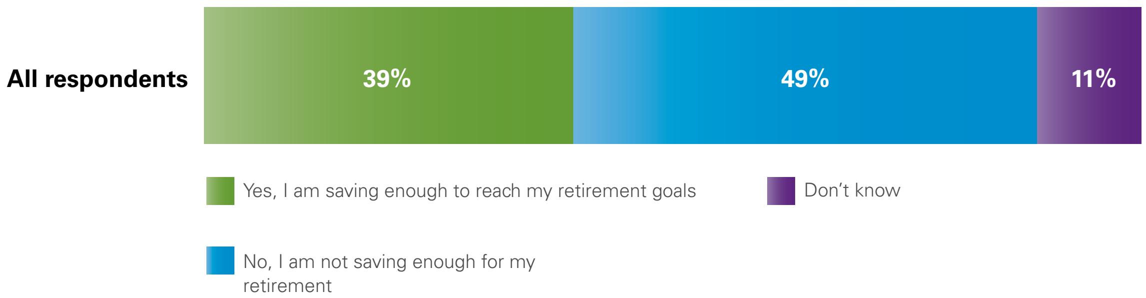
Of those who said they were not saving enough, most felt that by increasing savings by between 20-40% would be enough to bridge their personal 'savings gap'.

Just 8% of respondents said they had worked with a financial adviser to determine a realistic figure to aim for.

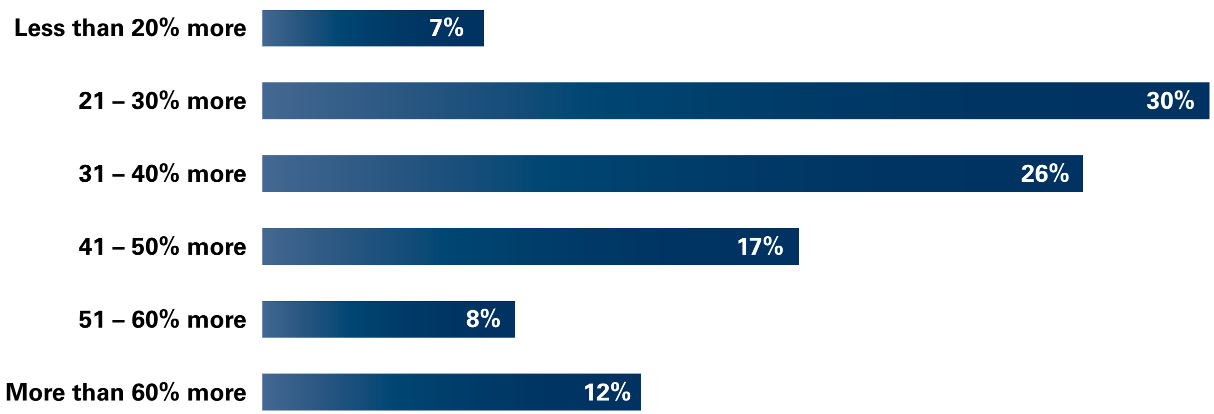
"The fact that almost half of the respondents say they are not saving enough for their retirement is quite disturbing. Furthermore, the research shows that currently only 8% of respondents have spoken with a financial adviser to discuss their retirement plans, which is very worrying. Securing quality financial advice is the best way to prepare for a comfortable retirement."

Matthew Waterfield

Now thinking about saving for retirement, do you think the amount you are saving will be enough to reach your retirement goals?



(If no) How much more do you think you will need to save to fill the gap?



Retirement Savings Gap

Overall, UAE respondents are unclear as to how much they need to save for their retirement.

Affluent respondents gave a range of opinions – the most popular answer was 'up to AED 2.4million'.

More than a third rely on guesswork to determine how much they need to have saved for retirement.

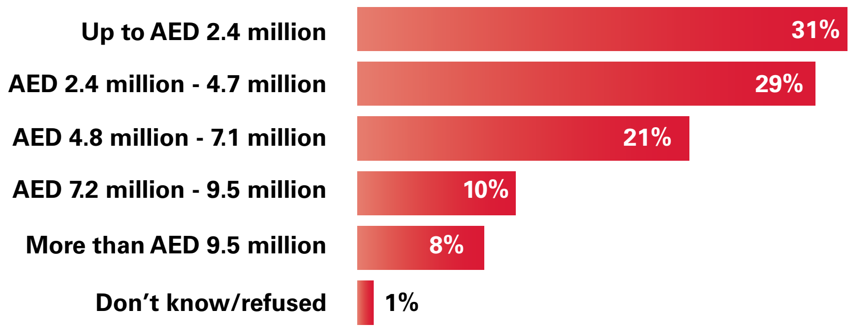
Worryingly, a high number of affluent respondents have no real idea how much they need for retirement.

Compared with their counterparts in Hong Kong and Singapore, UAE respondents have the smallest disparity between what they are saving for retirement and what they think they need to save.

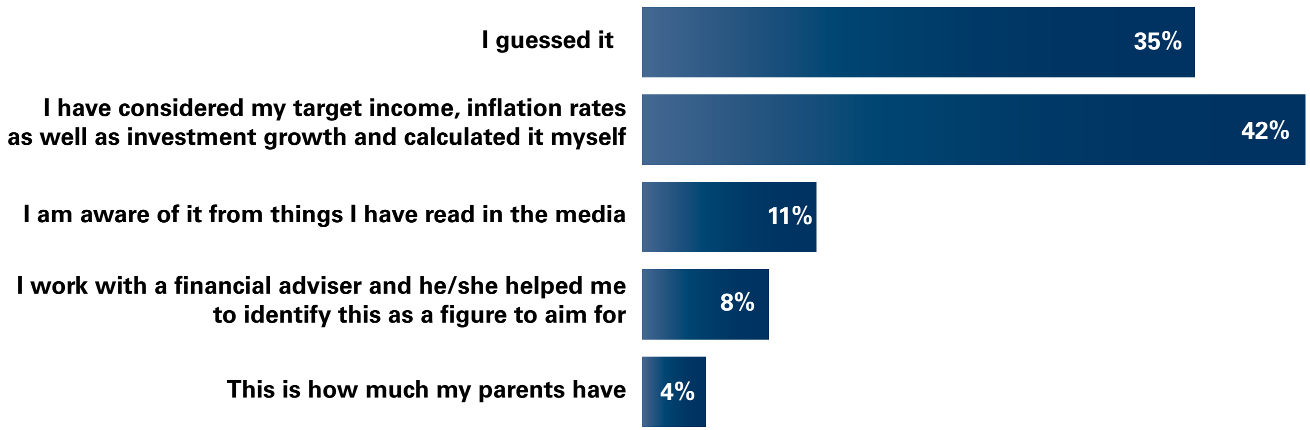
"In cosmopolitan UAE where the respondents are all expatriates from many different countries, it is almost impossible to say how much is required for a comfortable retirement when people leave the UAE and for the most part return to their country of origin. However, it is highly unlikely that the end of service benefit employees receive on retirement will be enough to maintain their standard of living when they finish working. It is never too early to start planning for a comfortable retirement and I would urge anyone who feels they should either – start saving or indeed should be saving more – to seek independent financial advice, sooner rather than later."

Matthew Waterfield

In total, how much do you think you need to have saved for your retirement (assuming you retire at 65)?



And how did you calculate this amount?



Protection Gap

Roughly a fifth of UAE respondents have no life cover – and just over a quarter have no critical illness cover.

Even amongst this affluent group, there is a significant number without any life or critical illness cover.

Understandably, single people are less likely to have either life or critical illness cover than those who are married.

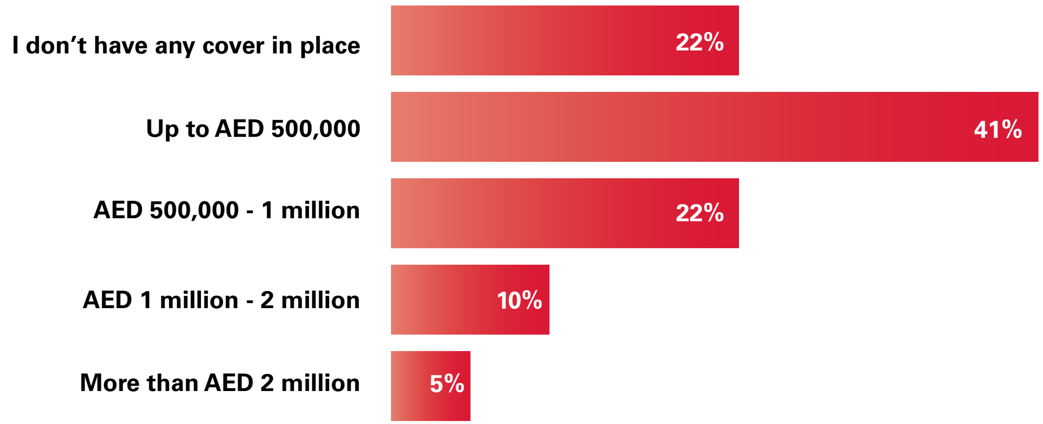
Women are less likely to have critical illness cover than men.

Of those respondents with a protection plan, most had cover of AED 500,000 or less.

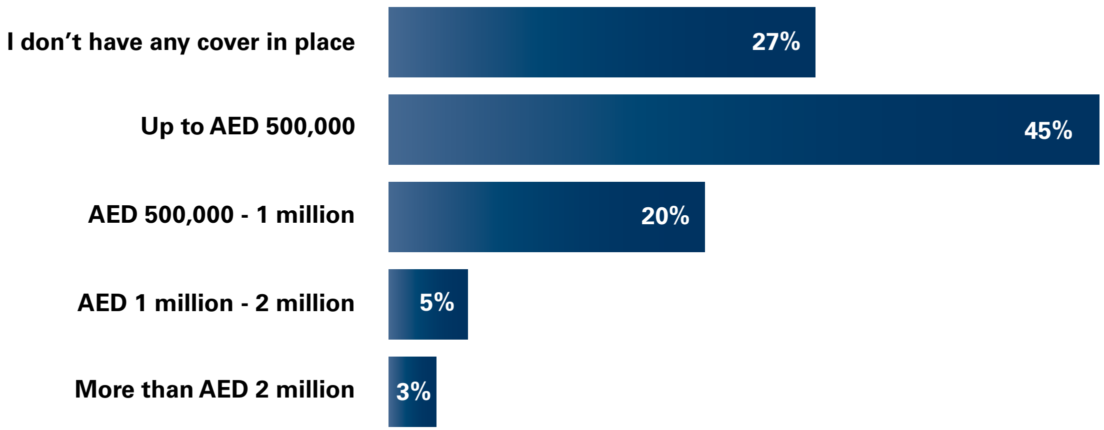
"It is good to see that the majority of respondents have life insurance and/or cover against critical illness in place. However, there are still more than a fifth of respondents that have no life cover, and more than a quarter without cover against a critical illness. As an expatriate it is vital to have cover in place should the unthinkable happen, as help from the state is unlikely to be forthcoming. Again, I would strongly recommend that anyone without any life or critical illness cover – or with only a small amount of cover in place – approach an adviser for help with arranging a suitable level of cover to protect both themselves and their families."

Matthew Waterfield

How much life insurance cover do you have in place (organised by either your or your employer)?



How much critical illness cover do you have in place (organised by either your or your employer)?



UAE demographic breakdown

Age	
18 to 24	2%
25 to 34	33%
35 to 44	37%
45 to 54	17%
55 to 64	11%
65 or older	0%
Gender	
Male	72%
Female	28%
Region	
Dubai	61%
Abu Dhabi	26%
Sharjah	11%
Other Emirates	3%
Origin	
Non Resident Indian	39%
Asia – Other	21%
Europe/Americas/Australia	22%
Africa	8%
UAE – Non Resident	10%

Monthly Household Income (USD)	
Up to 2,655	3%
2,666 – 3,999	7%
4,000 – 5,332	16%
5,333 – 6,665	11%
6,666 – 7,999	8%
8,000 – 10,665	11%
10,666 – 13,332	11%
More than 13,333	21%
Prefer not to answer	12%

Investable Assets (USD)	
Less than 100,000	27%
More than 100,000	68%
Don’t know	4%

Marital Status	
Single	18%
Married	79%
Divorced / Widowed / Seperated	4%

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 be 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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Incorporated company limited by shares
Registered in the Isle of Man No. 11494
Authorised by the Isle of Man Insurance & Pensions Authority
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)
and as a foreign company (Registration No. 2013)
Authorised by the United Arab Emirates Insurance Authority to conduct life insurance and savings business

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