



## Research

### 2009 Fund Investment Behavior and SICE Industry Perception Survey

The shock from the financial crisis in 2009 gave a valuable investment lesson to all investors. In order to understand the changes in the public's investment behavior after the crisis, the SITCA commissioned Berkeley Opinion Research Ltd to conduct a survey on "Fund Investment behavior and SICE Industry perception", covering the age of 20 to 69 throughout 23 counties and cities in Taiwan. The survey used telephone book sampling and distributed according to regional population. After calling 1000 respondents, we found out that approximately 85% were not investing in funds, therefore we collected an additional 1000 respondents who have and are still investing funds to gain a deeper understanding of their investment behavior.

#### Fund product awareness should be enhanced

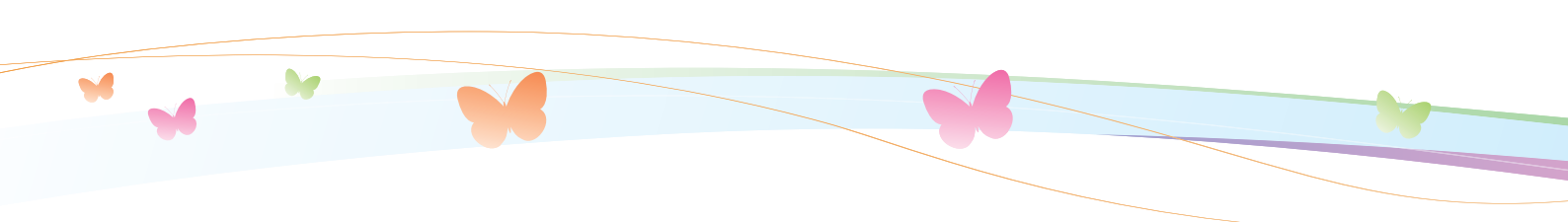
From the 1000 random samples between the ages 20 to 69 obtained, we have identified that approximately 85% of the surveyed are not investing in funds. The main reason is "no spare cash/no money(43.1%)", followed by "don't know much about funds/don't know how to invest(35.4%)", "risky(15.8%)", and "too much trouble to study funds(6.9%)". Moreover, with the 1000 samples who do invest in funds, where most (28.8%) indicated that their investment amount is "less than 10%", followed by 22.3% who indicated "11%~20%", and 16.9% who indicated "21%~30%". Overall, the ratio of the aver-

age investment in funds to the total is only about 28.98%. With around 70% fund investment value lower than the average, we can tell that the onshore fund market still has room for improvement no matter in breadth or depth. Therefore, we should enhance the public's awareness in funds' characteristics and promote the correct investment concept to increase their willingness to invest.

#### Regular saving is still the most prevalent method of investment

Among the 1000 respondents who are still investing in funds, 728 of them are practicing regular saving program (RSP). It is obvious that the RSP is still the most prevalent method of investing in funds, and among those who practice it, own an average of 3.97 funds, with an average holding of 4.1 years, monthly deductions around NTD13,004 which is 16% of their total household income (NTD81,289).

Further examining their investment behavior, about 44.1% feel that they have purchased "balanced" funds, followed by "aggressive" funds (33.1%), and comparatively less in "conservative" funds (22.2%). Reflecting on investment types, most invested in "equity funds(60.3%)", then "fixed-income funds(38.4%)", "fund-of-Funds(23.9%)", "balanced fund(14.9%)", and lastly "money market funds(13.4%)". In terms of investment regions, most investors invested "global(56.3%)", followed by "regional(54.9%)",



then “single-country(35.2%)”, and “sector(28.3%)”. Cross-analysis shows that as high as 30.9% of the conservative investors purchased “equity funds”, 23.2% invested in “single-country” and 23.8% invested in “sector” funds. This is evident of the gap in the understanding of the investors’ own risk tolerance and the risk of the fund invested.

### Half of the investors’ confidence battered by the financial crisis

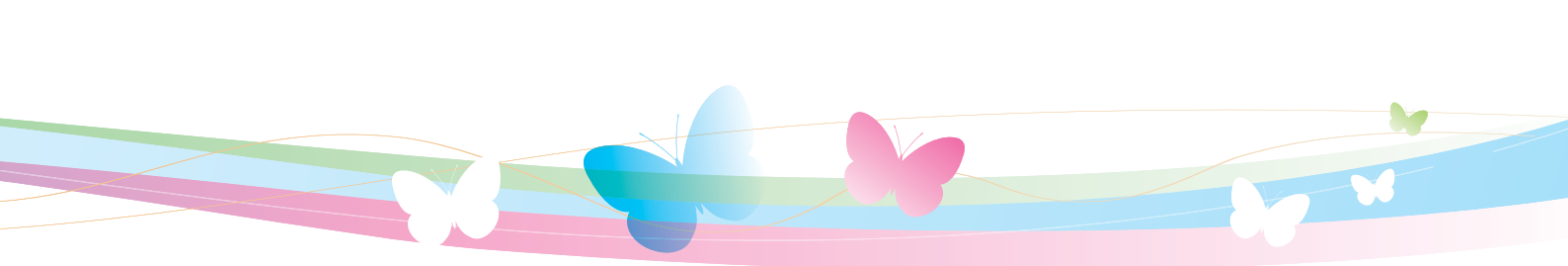
According to 728 of the investors practicing RSP pointed out that they would be likely to cease their RSP when they “have no money(42.9%)”, followed by “reaching expected stop-loss target(27.1%)”, then “investment market crash(15.9%)”, “bad fund performance(14.9%)”, “reaching expected stop-profit target(13%)”, and lastly “bad economy(9.2%)”. Statistics indicate that 25.1% of the investors will cease their RSP during a market crash and bad economy, and 27.1% of investors will do the same when fund performance reach their stop-loss target. Around 90% of the investors that do set stop-loss target has a loss-tolerance below 30%, therefore it is not hard to imagine the impact by the financial crisis on domestic investors and institutions when all funds reach -40%~-50% returns.

### Majority of investors experience inconvenience when investing

When investing, most investors felt it is “difficult to manage risk(20.2%)”, followed by “lack of investment information(16.3%)”, “high handling/management fees(11.7%)”, “lack of con-

fidence in the market(8.2%)”, “difficult to manage foreign exchange rate differences(6.3%)”, and “loss incurred(5.2%)”. Among them, the respondents in southern Taiwan, with an average of NTD60,000~NTD10,000 household income, have a higher proportion regarding the aforementioned inconveniences. As far as the most important service is concerned, the investors indicated that by “providing immediate market information(65%)”, “discount in charges(53%)”, “personal financial services (49.9%)”, “investment statements(43.4%)”, and lastly “regular fund review services(30.7%)” are significant issues.

Taking a step further to find out about the investors’ solution to the inconveniences they face, most indicated “research on the Internet(26.7%)”, followed by “banks or investment advisors(24.6%)”, “following magazines or financial programs on TV(14.5%)”, and lastly “asking friends and family(12.7%)”. As far as the investors’ favorite channel to obtain fund investment information is “email or Internet(64.7%)”, then followed by “mail(43.8%)”, with “personal telephone service(25.6%)” and “mobile message(13.5%)” in third and fourth place respectively. Overall speaking, the biggest hassle faced by most fund investors is the difficulty in managing risk and the lack of investment information, where the best perceived channel of information is the Internet. Therefore, our financial institutions are recommended to work towards providing a comprehensive Internet platform or email to



update the investors with the latest, immediate and broadest information and assist them to make prudent investment planning.

### Improvement in the image of research analysts

In the survey, we also asked the fund investors about their perceptions of investment programs and analysts on TV. According to the survey results, 28.4% of the investors watch investment programs on TV. Regarding the research analysts on TV, 26.2% of all investors responded that their perception of the analysts' professionalism are "excellent", "very good", and "good". Among them, female respondents in southern Taiwan are proportionally higher. When comparing the research analysts' image to a year before, 19.7% responded "better than before", 72.3% indicated "the same", and 8.1% felt "worse than before". Those investors who indicated "better than before" referred that the analysts are "trustworthy(44.4%)", followed by "better analysis(19.9%)", "opinions are profitable(17.9%)", "mandatory regulation requiring analysts to possess certification(13.9%)", and "sufficient professionalism(12.7%)".

Overall, the biggest skepticism by the people lies in the trust of the research analysts and the inability to understand the characteristics of the SICEs. Therefore, it is suggested that the analysts should actively obtain the license to augment their professionalism and integrity in order to attract more investors.

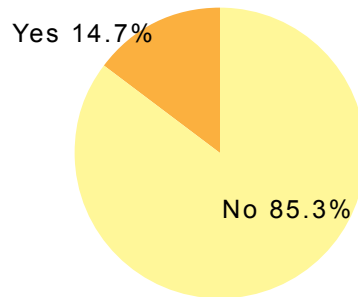
### Conclusion

According to the results of the survey, the 2009 financial crisis caused volatile short-term fluctuation in the investment returns and greatly affected domestic investors and the fund industry. In the future, financial institutions would have to consider about how to lower investment risk to avoid volatile investment returns that affect investor confidence. Contrary to lump sum investment, the risk-diversification characteristic of RSP will be the better investment method in dealing with the financial crisis and should be promoted to investors to increase their profitability.

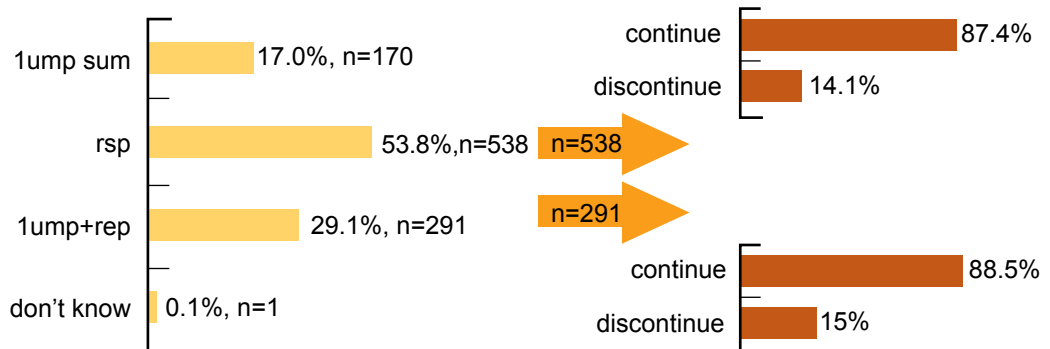


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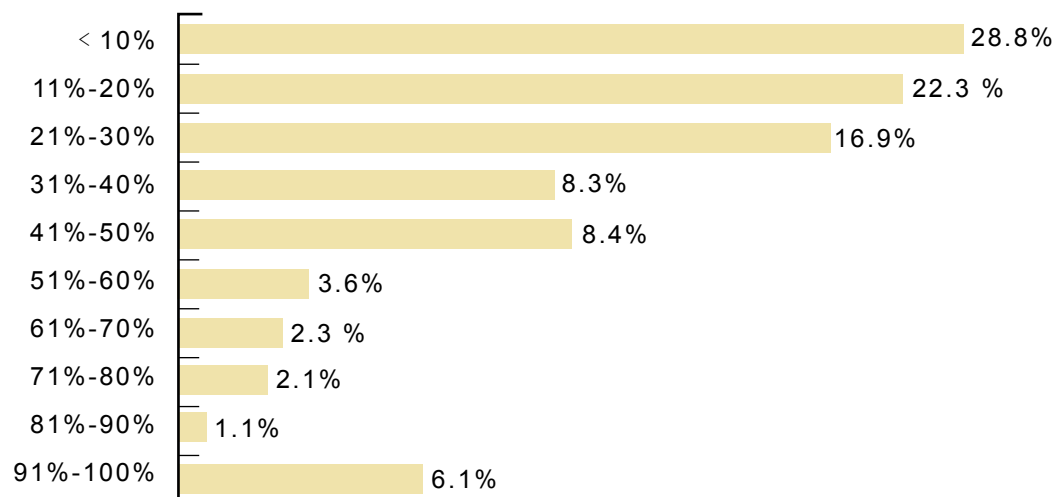
**Q1.** Below are the 1000 samples aged between 20 and 69  
Are you investing in any mutual funds or investment policies linked to funds?



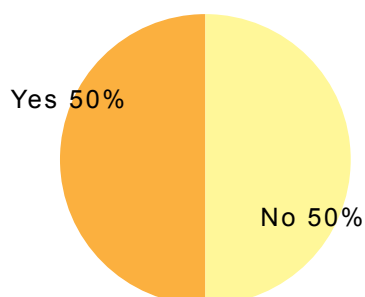
**Q2.** Below are the 1000 samples of investors who do invest in funds  
What are your investment methods?



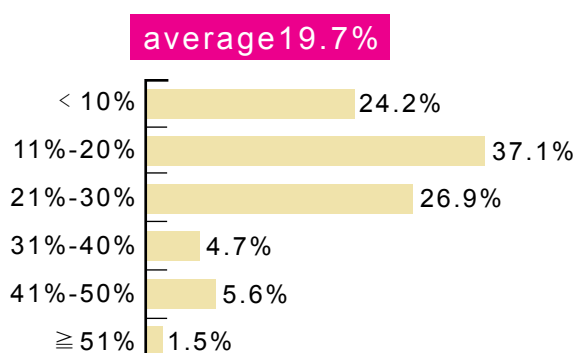
**Q3.** What is the ratio of your fund investments to your total investment amount?



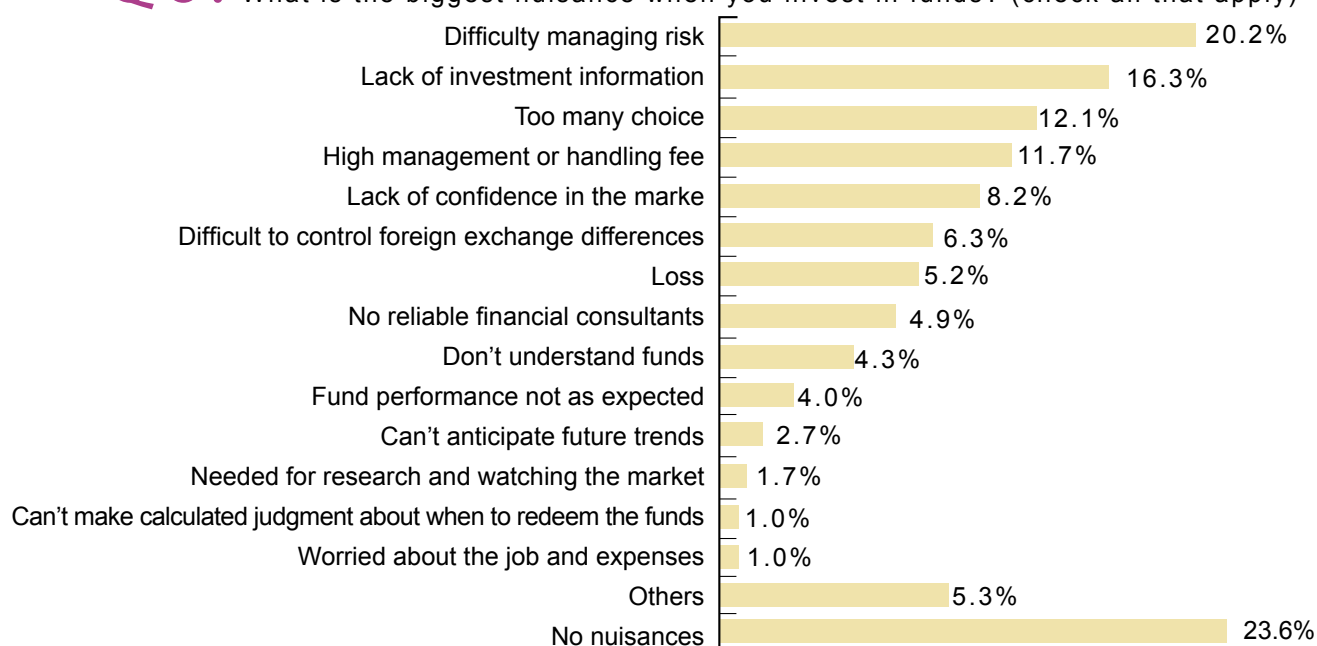
## Q4. Do you set a stop-loss target?



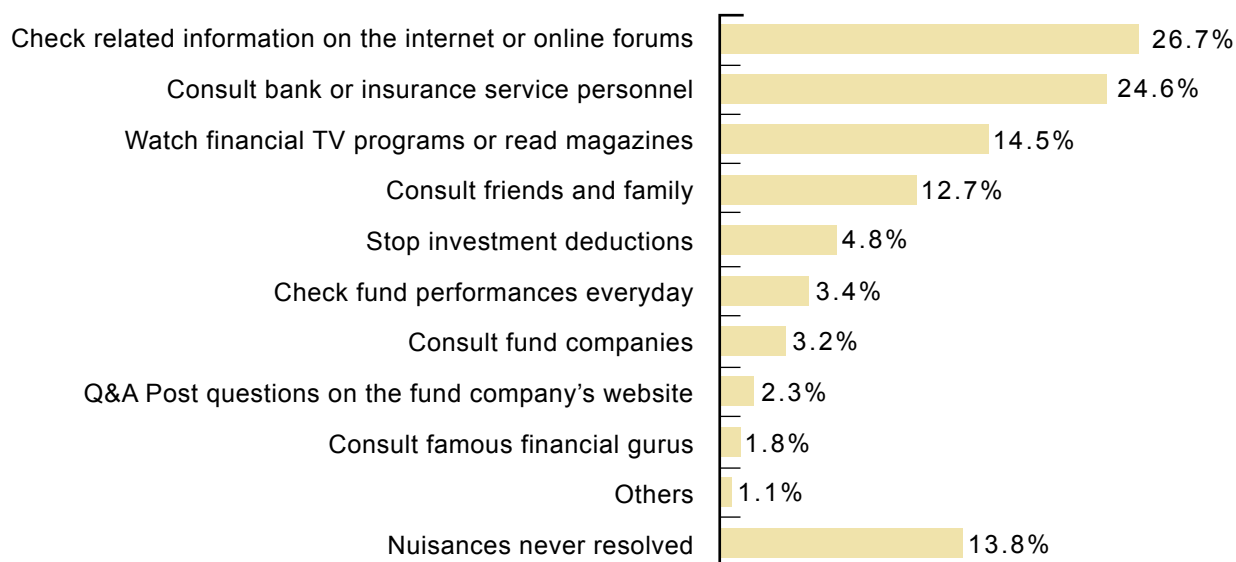
## Q5. What is your risk tolerance (in percentage)?



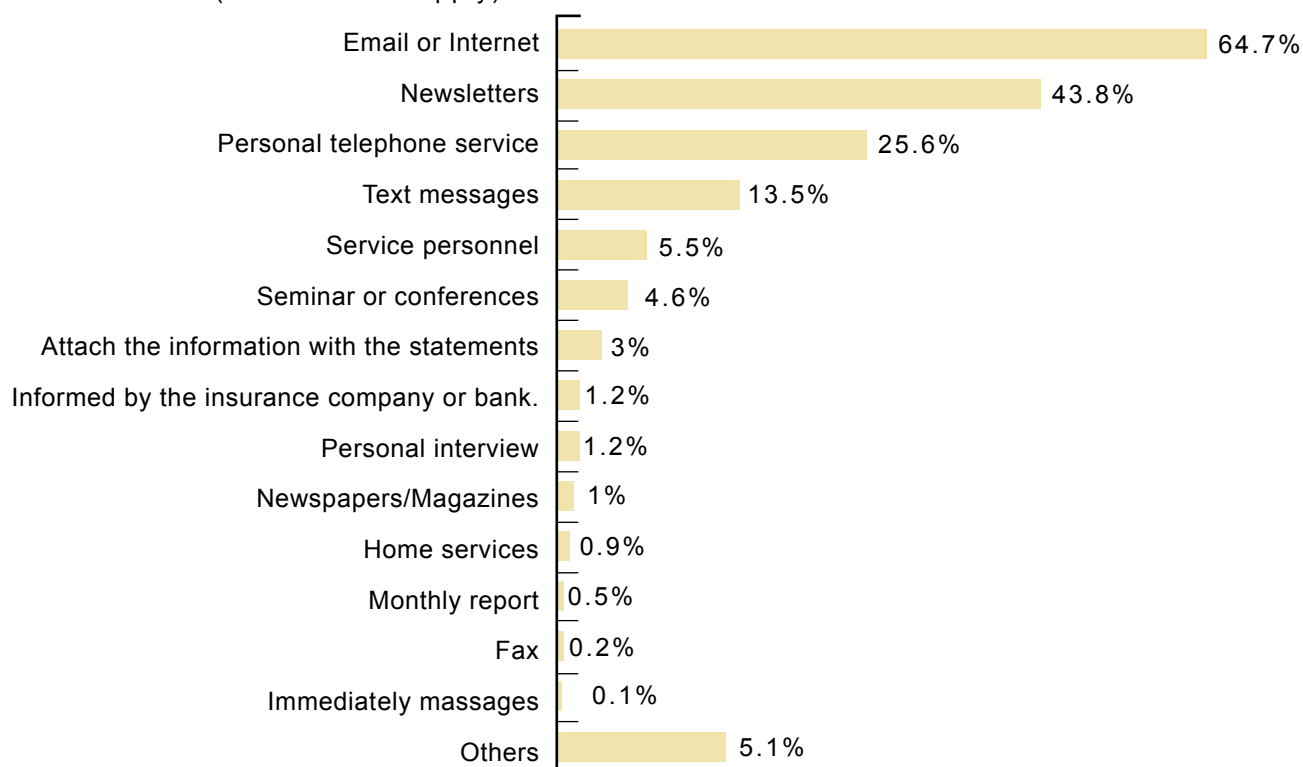
## Q6. What is the biggest nuisance when you invest in funds? (check all that apply)



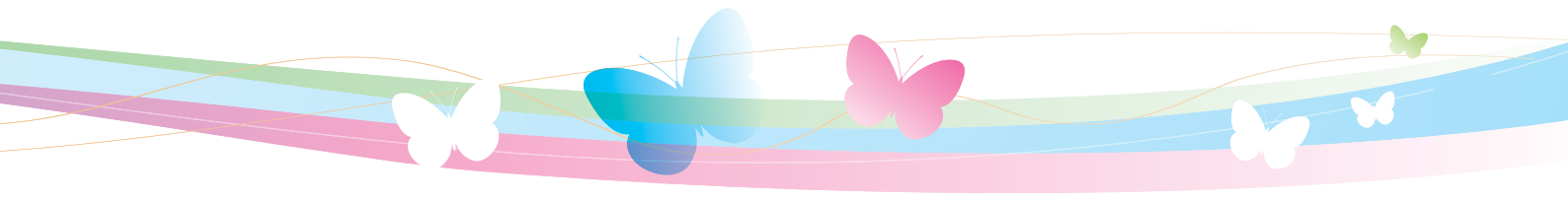
## Q7. How do you solve the nuisances when you invest in funds?(check all that apply)



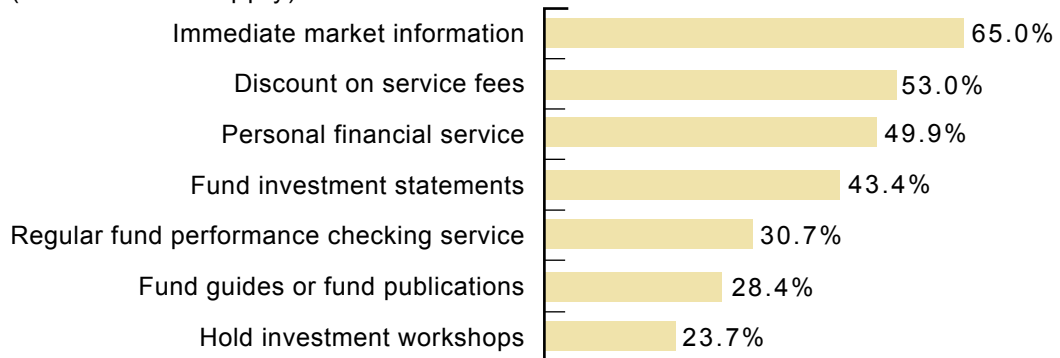
## Q8. How do you wish the fund companies to provide the information you need? (check all that apply)



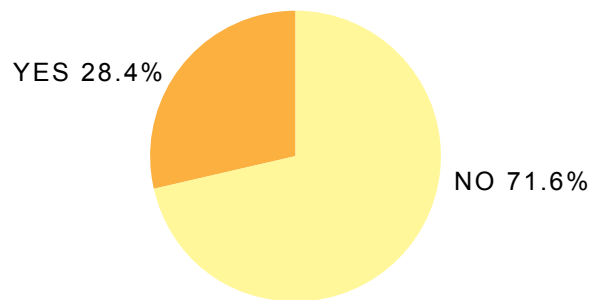




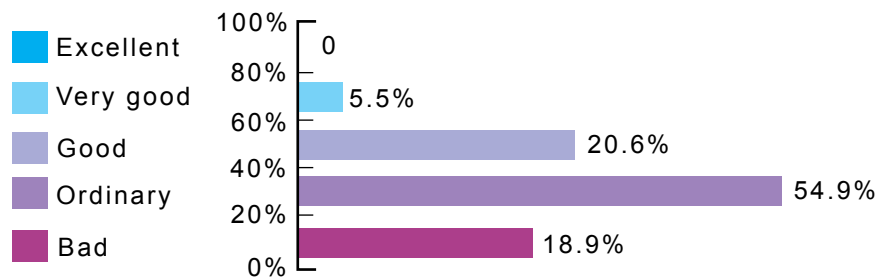
**Q9.** What kind of service would you like the fund company to provide you?  
(check all that apply)



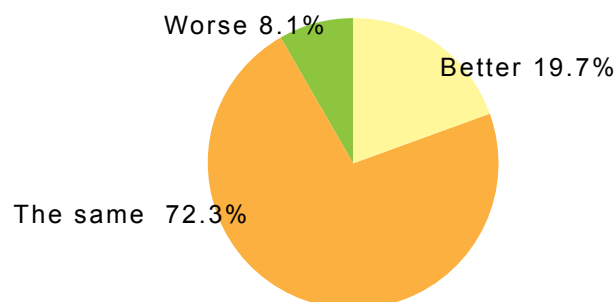
**Q10.** Do you watch shows hosted by securities analysts?



**Q11.** What are your comments on the professionalism of the securities analysts?



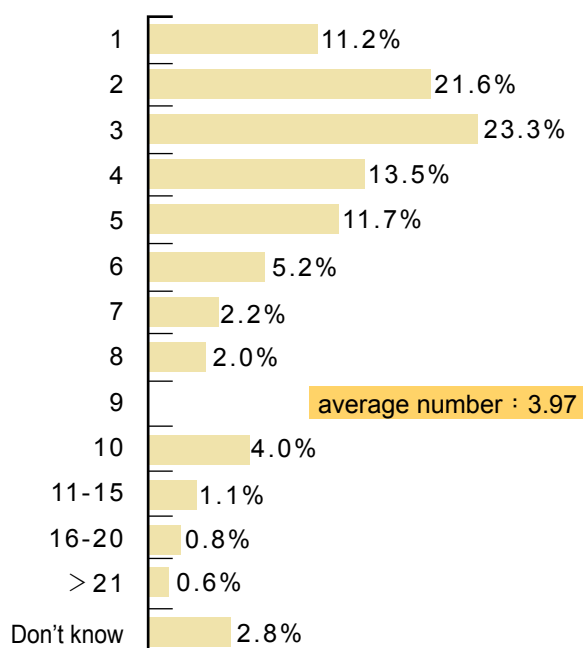
**Q12.** What are your impressions of the securities analysts compared to a year ago?



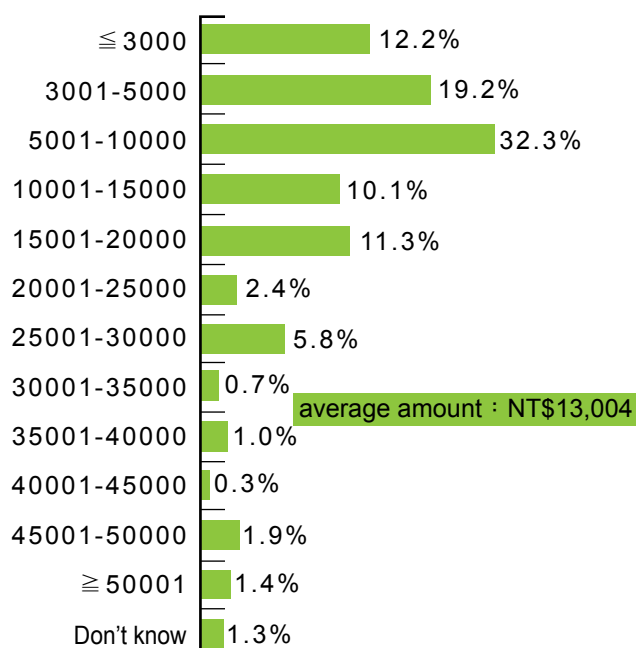
## Q13. Below are the investors who are investing using the RSP among the 1000 samples

How many funds do you invest in? How much are the total investment deduction?

### Holding Funds number

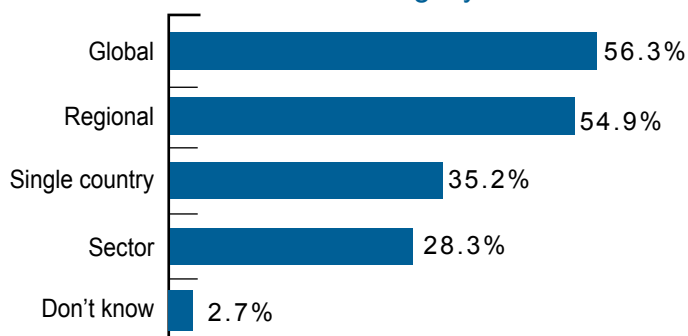


### Monthly Investment Amount

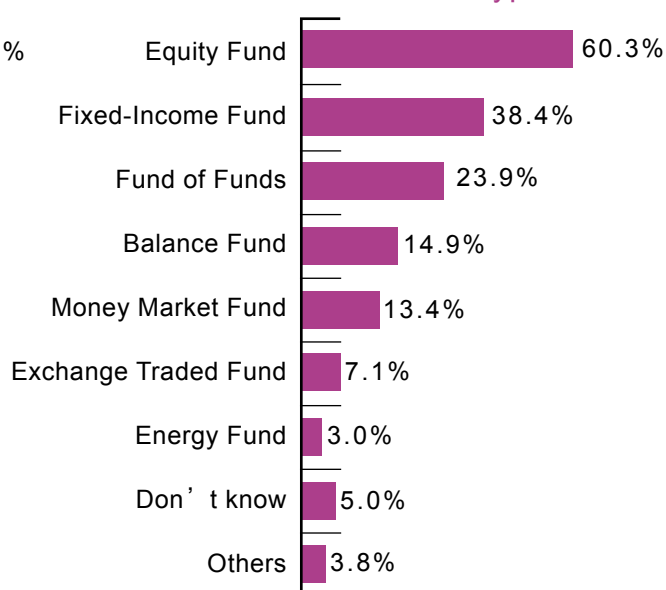


## Q14. What kind of fund do you invest in, and what region?(check all that apply)

### Investment Category

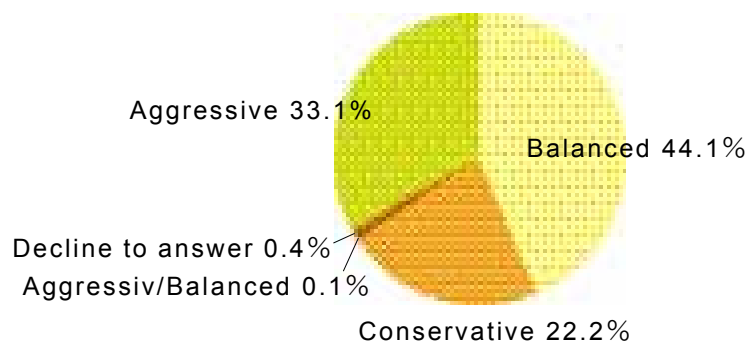


### Investment Type

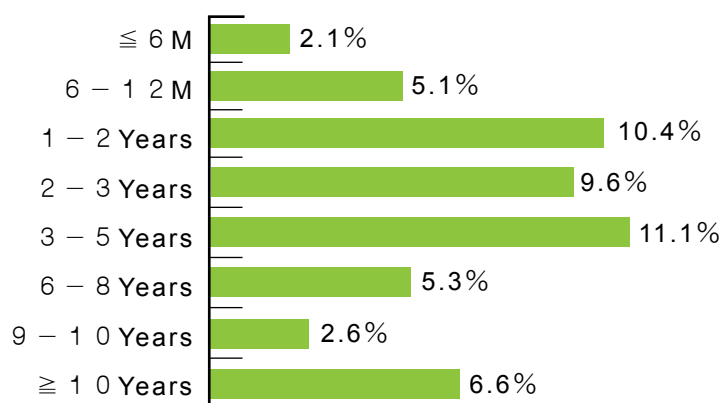




## Q15. What do you think your fund risk would be?



## Q16. How long would you consider redeeming your fund after you invest?



## Q17. Under which conditions would you stop the investment deductions? (check all that apply)

