



Friends Provident International Investor Attitudes Report

Wave 1 – June 2010





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Introduction

Welcome to Wave 1 of Friends Provident International's (FPI) Investor Attitudes report.

The report aims to provide a detailed insight into current investor attitudes, and highlight the key findings of in-depth interviews conducted on our behalf in our principal markets – Hong Kong, Singapore and the United Arab Emirates (UAE).

The FPI Investor Attitudes report is a regular quarterly publication and includes a detailed study of attitudes in each of the regions, towards current investment market conditions, investment strategy, investment time horizon and attitude to risk.

In addition, the report identifies the investment instrument respondents are most likely to choose, and how they view the future for investing in their region.

Our intention is to build an index that over time becomes a reliable indicator of investor attitudes. This will in turn enable us to identify market trends and ultimately help us to build the products our customers need, allied to the investment funds that give them exposure to the asset classes they feel most comfortable with.

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

Online Interviews were conducted in the same period for all three countries – 26 April to 4 May 2010 – to ensure that respondents were answering the questions in a similar financial market environment.

The total sample size for Wave 1 was in excess of 2,750, to ensure the collection of robust data, representative of investor attitudes in each of the regions.

The breakdown for each country was:

- Hong Kong – 1000 interviews
- Singapore – 1000 interviews
- UAE – 758 interviews.

The samples are nationally representative for each country.

Findings at a glance

- Investment sentiment is most positive in Singapore, followed by Hong Kong. UAE has mixed sentiment about investing in current market conditions.
- Investors in Singapore are most bullish about the investment market. UAE is the least optimistic of the three but expects the market to pick up.
- Most investors are still cautious when it comes to making investment decisions with the majority opting for a low risk or balanced risk investment strategy.
- Lower risk instruments such as endowment policies, government bonds and annuities are investors' top product choices.



Executive summary

It is evident from Wave 1 of the report that most investors are still cautious when it comes to making investment decisions and the more tangible safer investment options are top of mind for investors. The majority of respondents are opting for a low-risk or balanced-risk strategy with endowment policies and government bonds currently proving the most popular investment vehicles.

Perhaps understandably in the current climate, gold and cash are the most favoured asset classes, followed by equities and property. Bonds are the least desirable asset class, with only one third of respondents agreeing that they are a suitable investment at this time.

As far as investment instruments are concerned, government bonds along with endowment policies – or regular savings plans – are preferred as low-risk investments. Unsurprisingly corporate bonds are the least preferred – perhaps demonstrating that the financial losses suffered by Lehman bond investors in Hong Kong and Singapore are still at the forefront of people's minds when it comes to investing in such instruments.

Interestingly, in terms of investing for the future, all three regions selected endowments as their top choice of investment vehicle. The UAE had the highest proportion of respondents who felt that now is a good time to invest in this type of instrument.

Investors based in Hong Kong and Singapore have similar investment strategies with nearly half of those surveyed preferring short to medium-term investments. The UAE has the broadest mix of investment strategies with 20% of respondents saying they are investing for the short-term, only 12% investing for the long-term and 22% – more than double the response for Hong Kong and Singapore – either 'sitting out due to uncertainty' or 'would never invest'.

As far as investment risk profiles are concerned, Hong Kong has the highest proportion of 'risk takers'. Investors in Singapore and the UAE have similar attitudes to risk with more than one third of respondents in each region preferring low-risk, low-return investment vehicles.

Friends and family, together with financial advisers, are the top two sources to whom investors turn for financial advice. Friends and family scored a particularly high percentage (57%) in the UAE. Investors in Hong Kong in general are more involved personally in their investments and are more likely to turn to financial publications and websites, while investors in Singapore prefer to consult bank advisers and stockbrokers.

The report clearly shows that investor attitude is most positive in Singapore where investors are bullish about the investment market. Hong Kong investors are the next most positive. There is mixed sentiment in the UAE about investing in the current economic conditions, and investors there are the least optimistic of the regions surveyed.

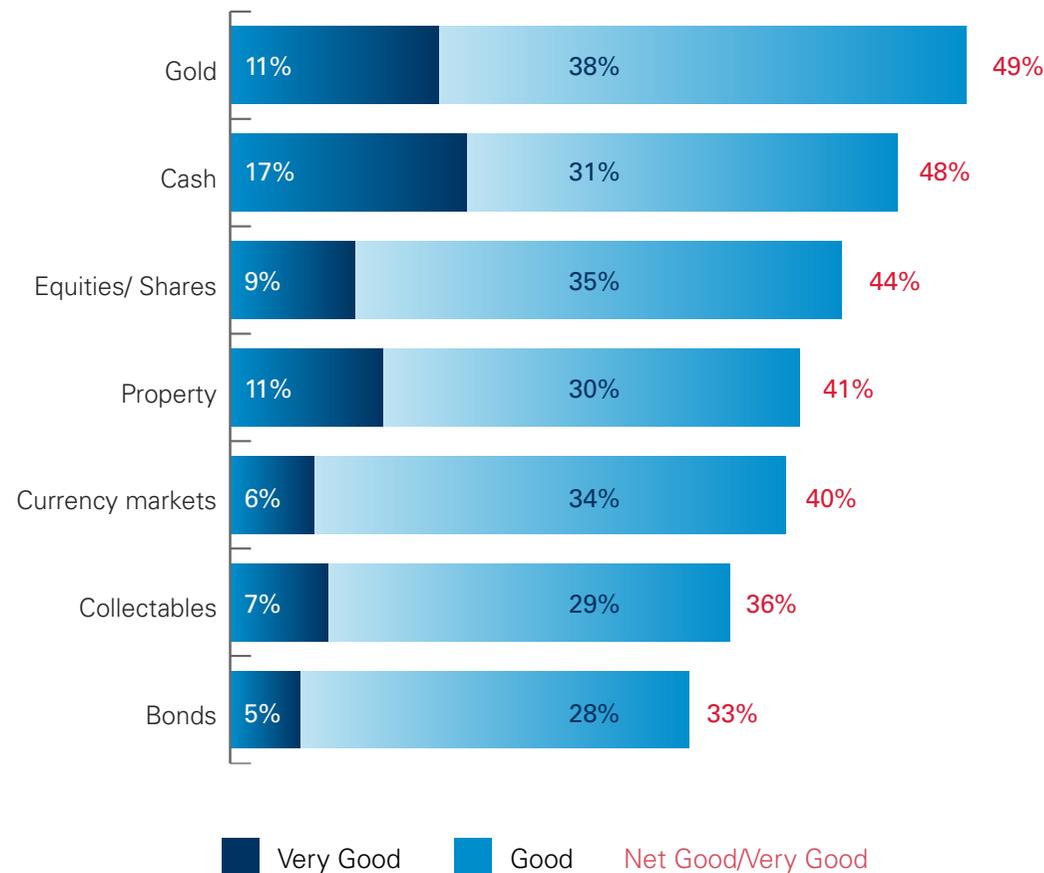


Overall investment attitudes for Hong Kong, Singapore and UAE

Key learning

Gold, followed by **cash** and **equities**, are the top three asset classes that respondents felt were the more suitable to invest in.

Bonds are the least popular asset class, with only a third agreeing that it is a good time to invest.



Q1. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following categories? Base: All (excluding DKs).



Friends Investor Attitudes Index

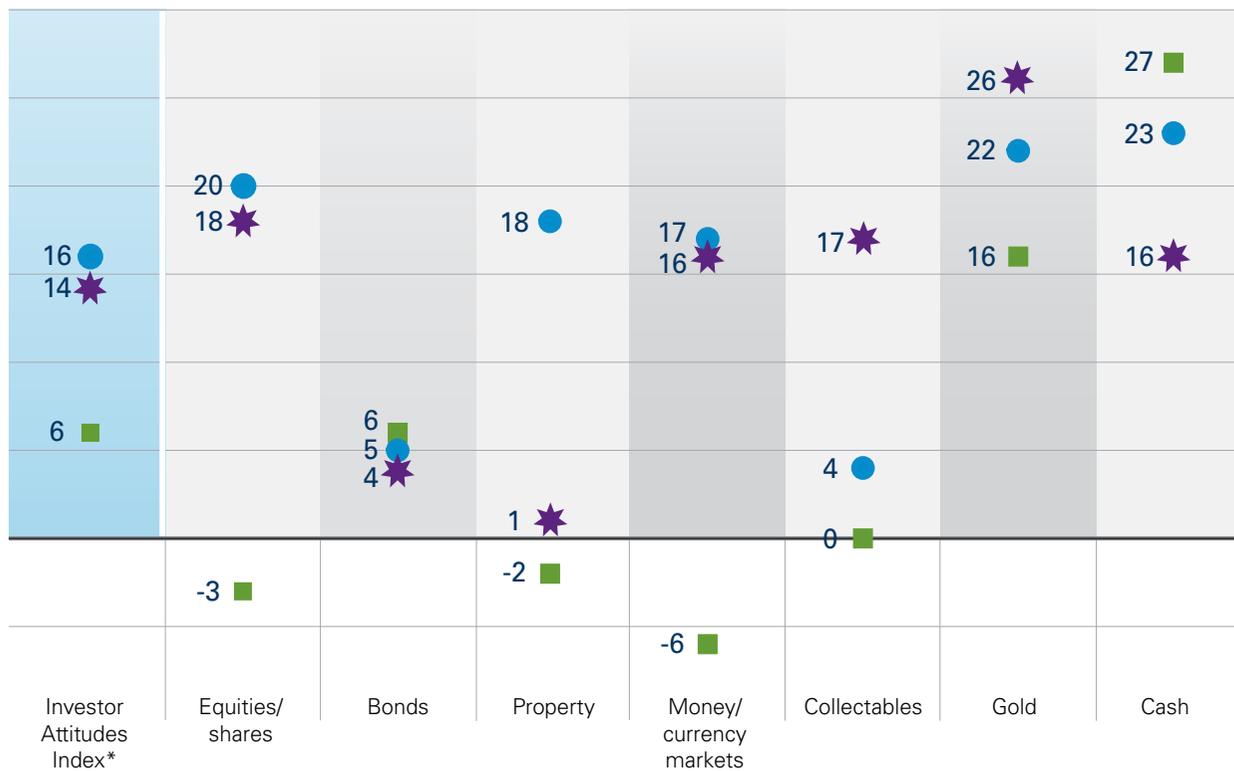
Key learning

Singapore is most positive about investing at the current time, followed by Hong Kong.

Gold and **cash** are favourable in all regions.

Attitudes in Hong Kong and Singapore are similar, except Singapore is more positive towards property and Hong Kong is more positive towards collectables.

UAE is more sceptical about investing in current market conditions and prefers to put their money in **safe haven assets** (bonds and cash).



★ Hong Kong

● Singapore

■ UAE

*The Friends Investor Attitudes Index is an average of all index scores for all categories. The index scores are calculated by first applying a balanced weighting to the rating figures, where 100 is most positive and -100 is least positive, then dividing the sum of these weighted figures by total number of respondents (excluding DKs).

Q1. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following categories? Base: All (excluding DKs).



Investment attitudes

Key learning



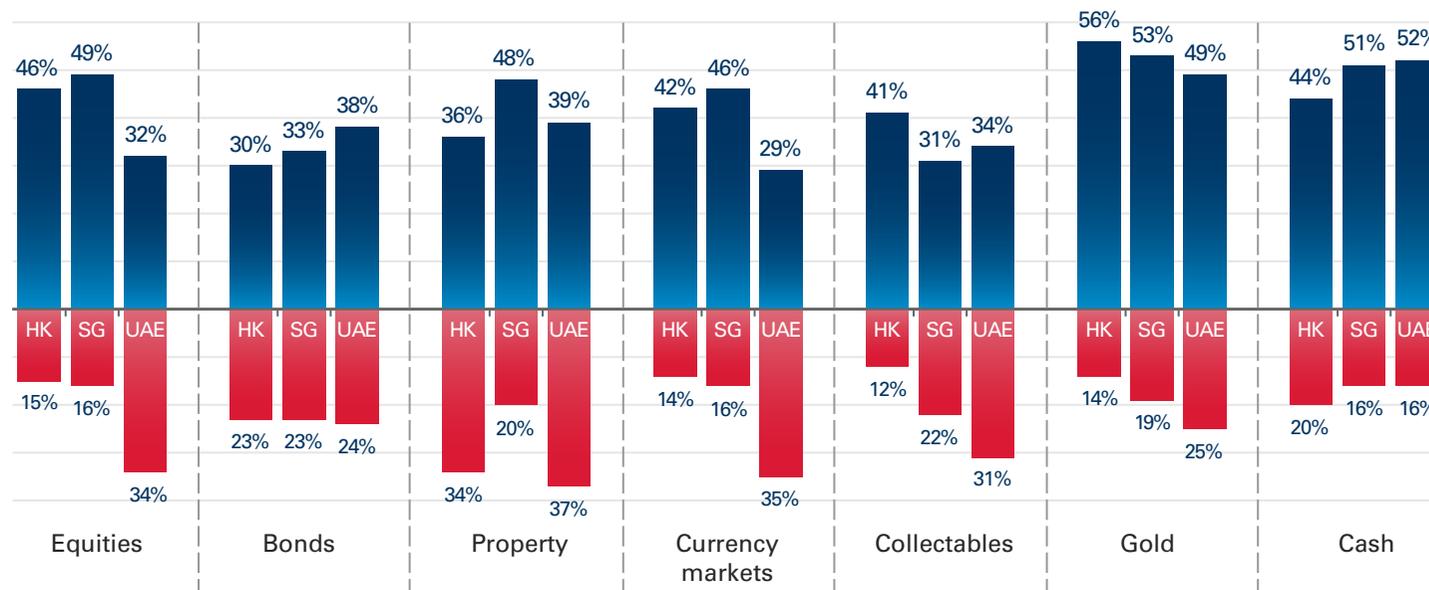
Thinks it is the **best time to hold gold** though nearly half think it is a good time to invest in equities.



Feels that **most asset classes are worth investing in** now except for bonds and collectables. Gold is the top favourite, followed by cash.



Least keen on volatile instruments such as equities and currency markets, preferring to invest in cash, gold and bonds for now.



■ Net Good/Very Good ■ Net Bad/Very Bad

Q1. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following categories? Base: All (excluding DKs).



Preferred investment instruments for Hong Kong, Singapore and UAE

Key learning

Lower risk instruments such as **endowment policies (savings plans)** and **government bonds** are preferred.

Corporate bonds are the least preferred. Perhaps the financial loss suffered by Lehman bond investors in Hong Kong and Singapore is still at the forefront of people's minds?



Q2. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following products? Base: All (excluding DKs).

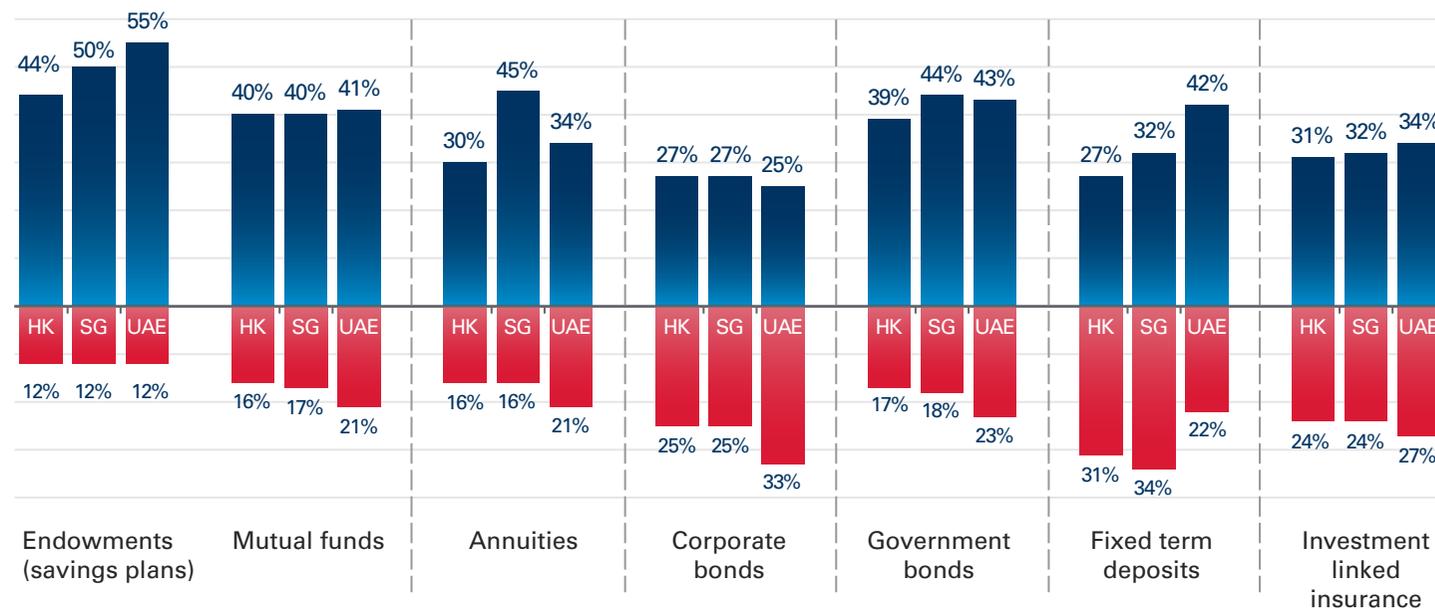


Investment instruments

Key learning

All three regions selected **endowments (savings plans) as their top choice of investment instrument** in the current climate, reflecting their attitude towards saving for the future.

Of the three, **UAE has the highest proportion** who felt that it is a good time to invest in endowments (savings plans).



■ Net Good/Very Good ■ Net Bad/Very Bad

Q2. Do you think now is a very good, good, neither good nor bad, bad or very bad time to invest in the following products? Base: All (excluding DKs).

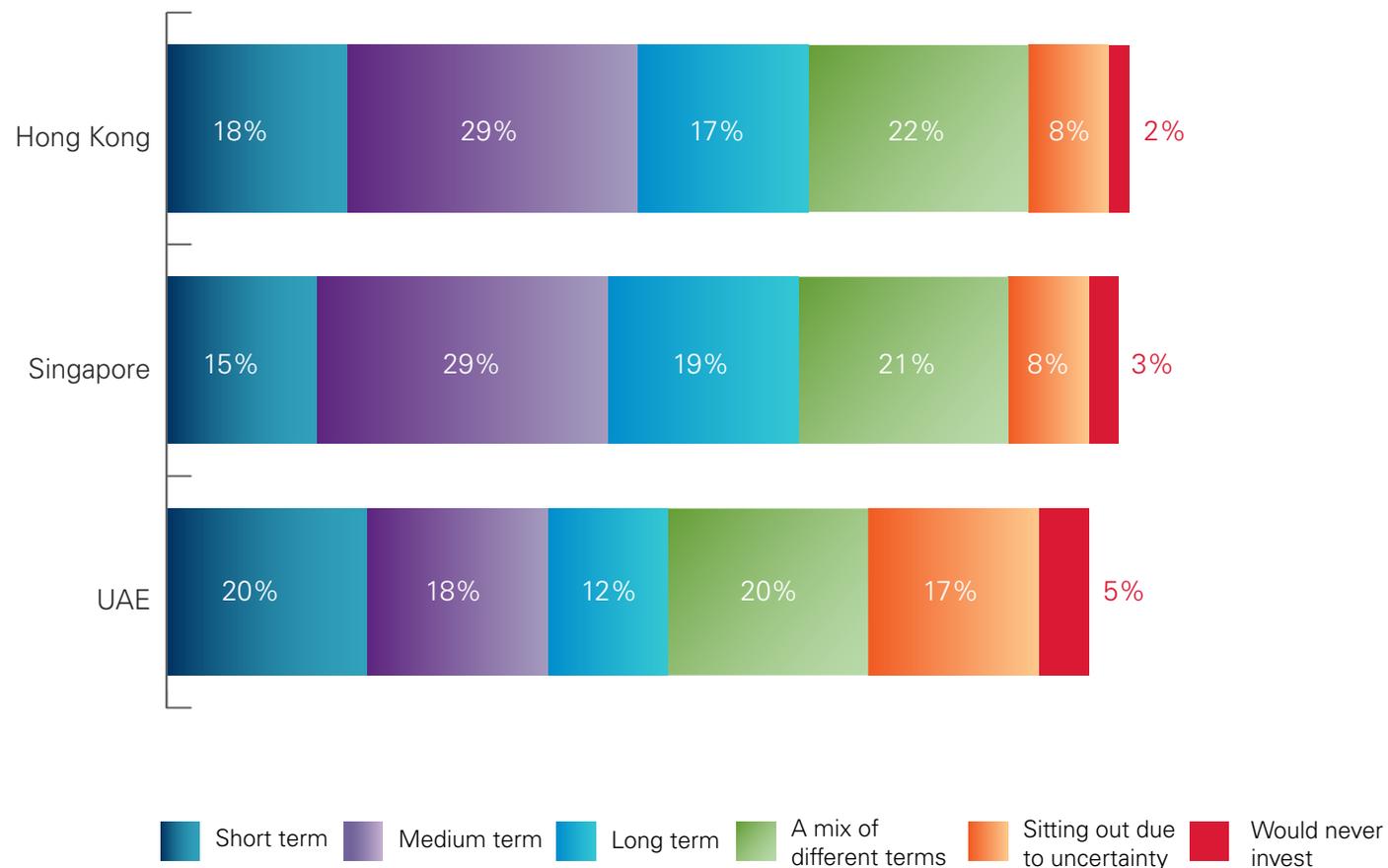


Investment strategy

Key learning

Singapore and Hong Kong have similar investment strategies, with nearly half preferring short to mid-term investments.

Nearly a fifth surveyed in UAE said that they are **not investing due to the uncertainty in the markets** and are least likely to make long-term investments.



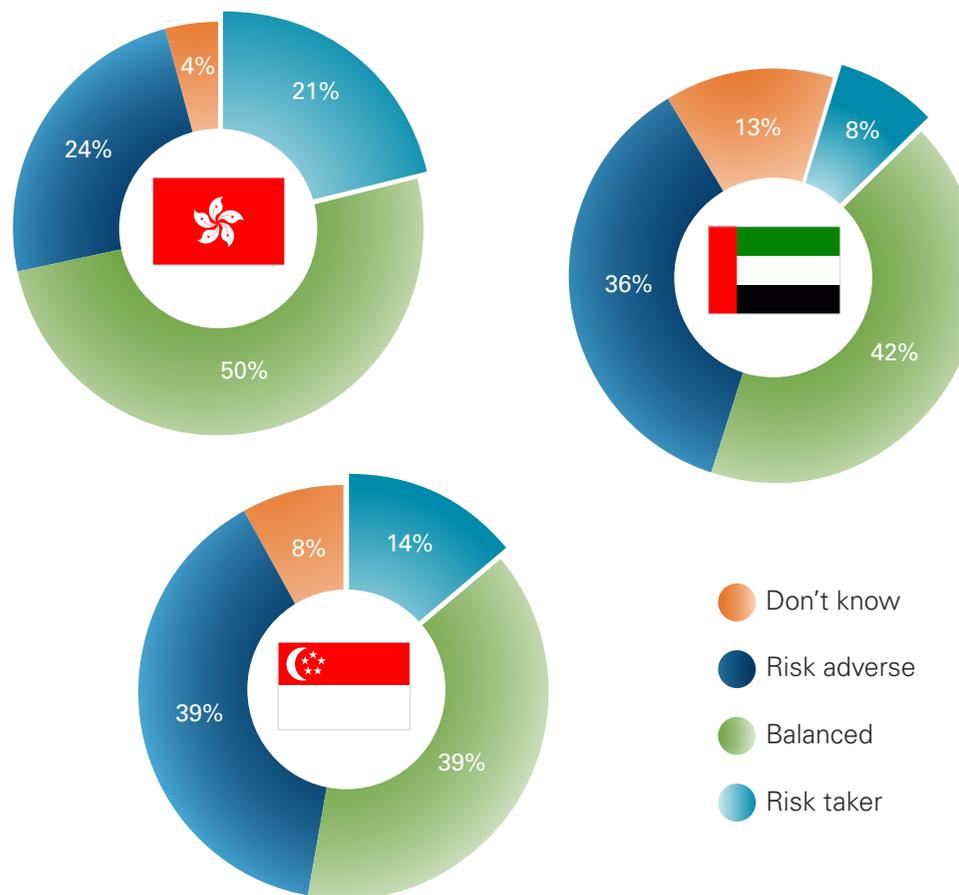
Q3. If you had money to invest now, what type of investment would you make?
 Base: All respondents (DKs not shown).

Investment risk profile

Key learning

Risk takers are the exception rather than the norm in all three countries. Of the three, **Hong Kong** has the highest proportion of **risk takers**.

UAE and Singapore have similar splits across the different risk profiles. More than a third of respondents prefer to invest in low-risk, low-return products.



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

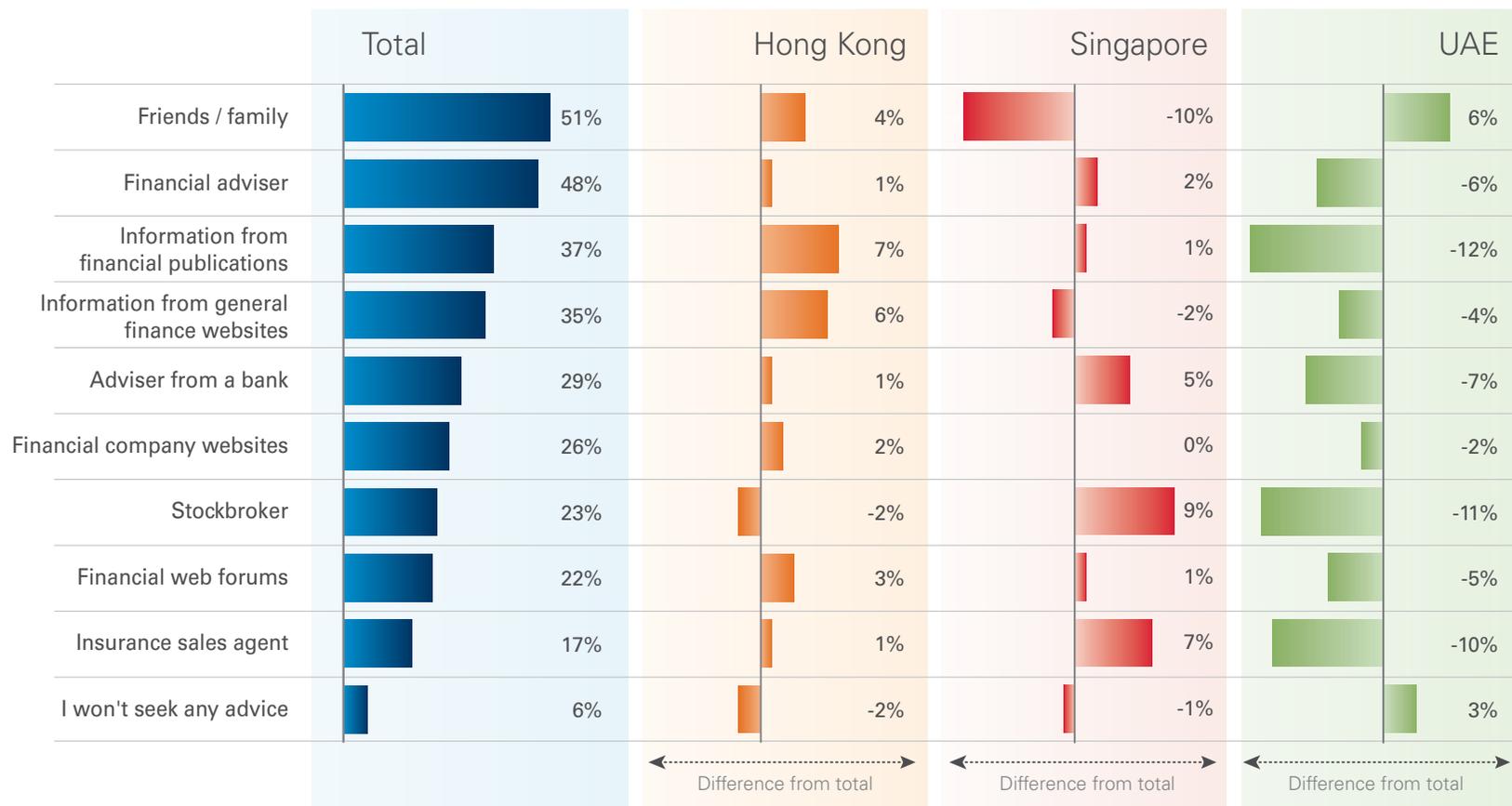


Investment advice

Key learning

Friends/family and **financial advisers** are the top two sources that investors go to for investment advice.

Investors in Hong Kong turn to **financial websites and publications** while those in Singapore prefer to rely on **bank advisers and stockbrokers**.



Q5.

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



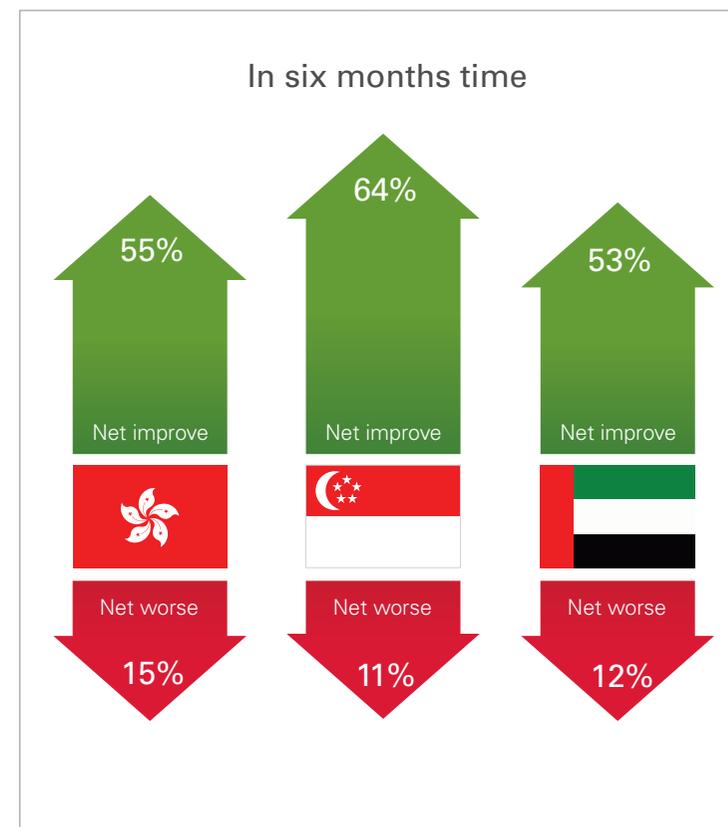
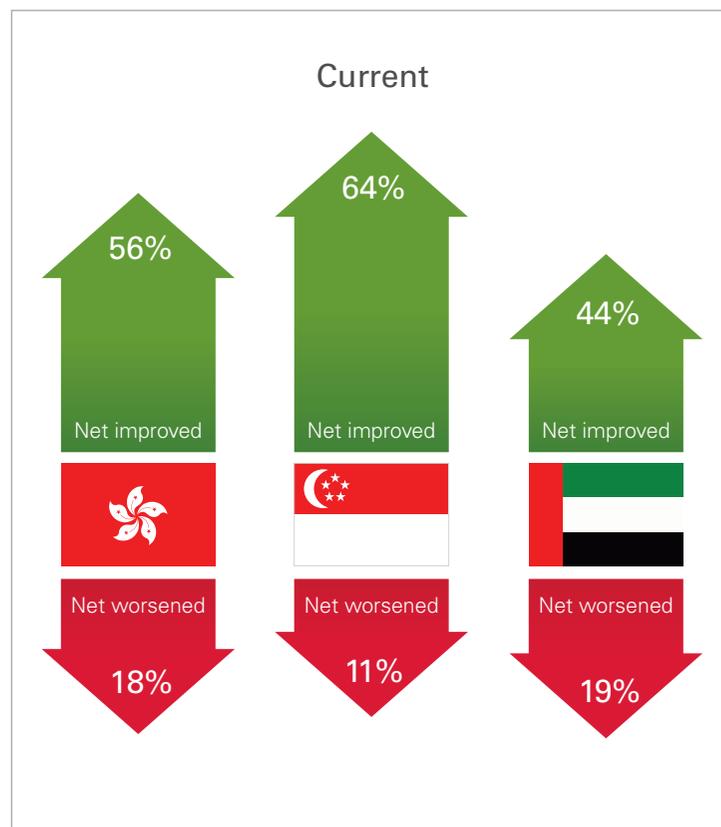
Investment outlook

Key learning

Of the three, **Singapore residents are most bullish about the investment market.**

Nearly two thirds agreed that the market is better than before and will continue to improve over the next six months.

UAE respondents are least optimistic overall, but they are hopeful the next six months will see more market improvement, compared to that seen over the previous six months.



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

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

 Hong Kong



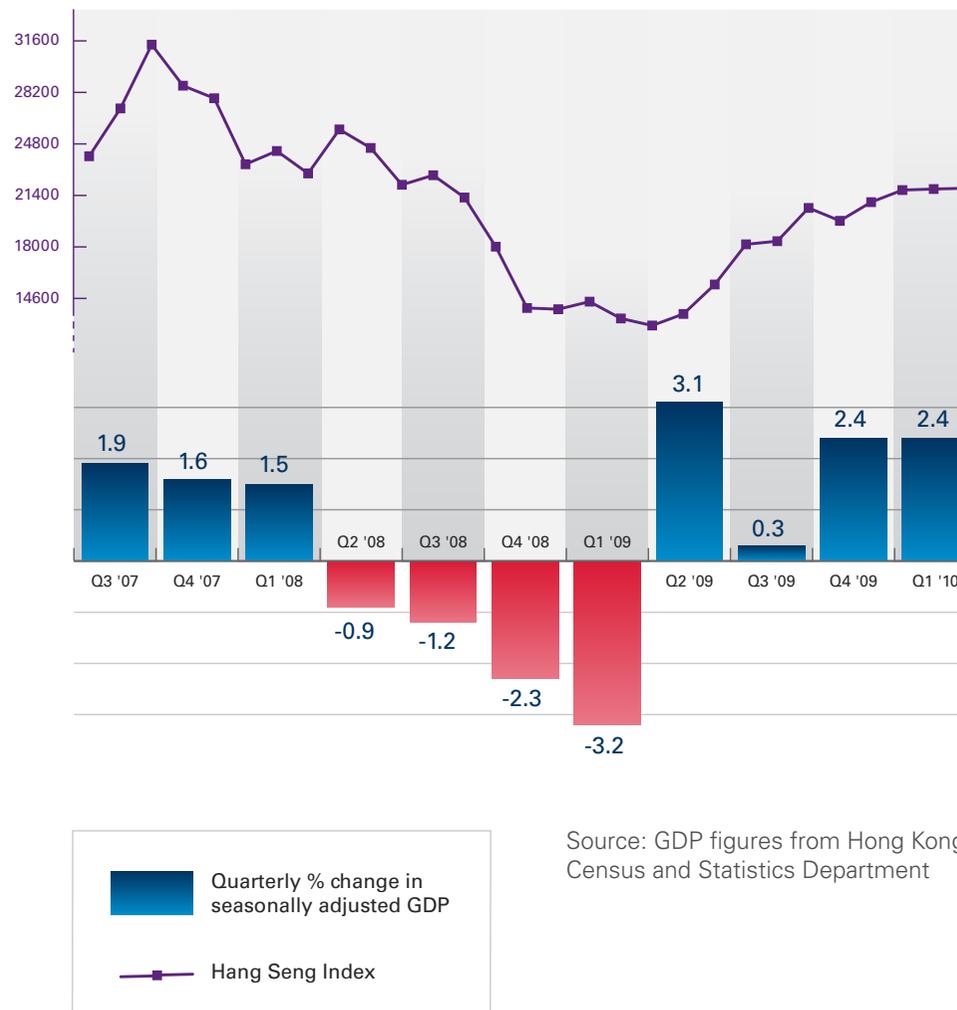
A look at the market

Key learning

Hong Kong weathered the storm well in 2007 and Q1 2008 but took an abrupt turn in Q3 and Q4 2008, following the decline of Lehman Brothers. The Hang Seng Index closed 2008 at 14,387, plunging 48% from 2007.

However, fuelled by the growth in Mainland China, Hong Kong's GDP picked up in Q2 2009 and has had positive growth since.

During the week when the fieldwork was conducted, the Hang Seng Index saw a slight correction of 4%, amidst the rising concerns around **the financial woes in Greece, falling homes sales in Hong Kong and the possibility of a property bubble in Hong Kong and China.**



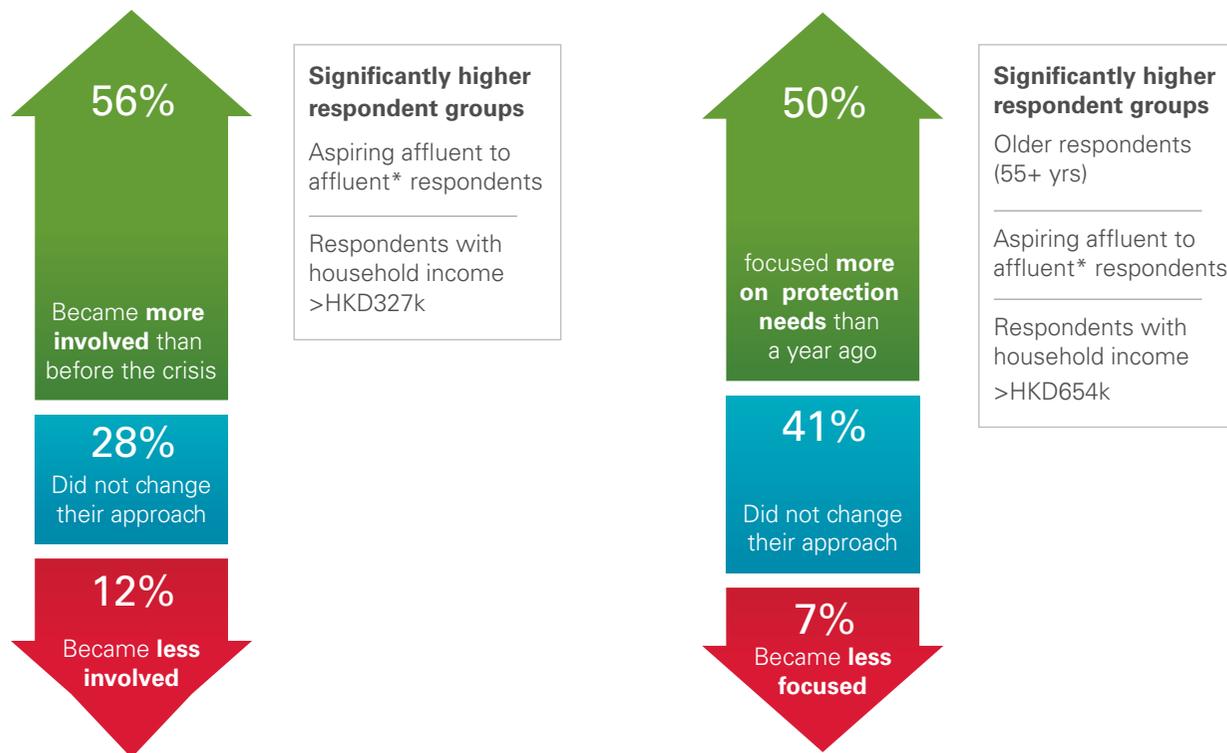
Source: GDP figures from Hong Kong Census and Statistics Department

Involvement in managing personal finance

Key learning

More than half of the respondents said that they are **more involved in managing their personal finances** since the crisis, especially among those with more than HKD100k worth of investable assets (65%).

Protection needs became more important** over the last year, with 50% who said they focused more on protection needs now, especially among the wealthier and older segments.



*Aspiring affluent is defined as having investable assets from HKD100k to HKD499k. Affluent refers to having investable assets worth HKD500k and above.

**Protection needs refers to life insurance, term life insurance, critical illness cover, medical cover etc.

Q1. How has the recent financial crisis changed your attitude towards managing your finances?
Base: All Hong Kong respondents.

Q2. Compared to a year ago, have you changed your attitude about your protection needs?
Base: All Hong Kong respondents.

These questions were only asked of Hong Kong respondents.



The different segments

Affluent

(HKD500k)

Where do they invest in the current climate?

Equities is the top choice (57%) and they are more likely than the rest to go for bonds (36%)

Pensions is the preferred investment instrument

More likely than the rest to invest in **mutual funds, government bonds and equity linked funds**

What is their investment strategy?

Prefer **mid to long-term** investment

Half said they would choose a **balanced approach towards** investing

Not as likely to turn to friends/family for investment advice (47%) as the other segments, **preferring financial advisers** instead

Who are they?

Skew towards **males** (58%)

Tend to be **older and married** – majority (61%) are **45+ yrs old** and 74% are married

More likely to live in Hong Kong Island (26%) than the other two segments

More involved in personal finance now (65%)

Aspiring affluent

(HKD100k – HKD499k)

Where do they invest in the current climate?

Gold is the top choice (56%)

Similar to affluent – prefers pensions (47%)

Little faith when it comes to investing in **bonds or equity linked funds** in current market

What is their investment strategy?

Mid to long-term investment

More than half said they would choose a **balanced approach** towards investing

Rely on **friends and family** (60%) for investment advice

Who are they?

Skew towards **females** (57%)

Majority are in their **late 20s to early 40s** and more than half (60%) are **married**.

Most optimistic of the three on future market outlook – 63% think the market will improve in the next 6 months

More involved in personal finance now (65%)

Up and coming

(up to HKD100k)

Where do they invest in the current climate?

Gold is the top choice (56%)

Endowments is the favourite instrument

Little faith in current market hence less likely to invest in other products

What is their investment strategy?

Prefer **short to mid-term** investments

25% **prefer high risk investments** to reap high returns, higher than the other two segments

Go to **friends and family** for investment advice (61%)

Who are they?

Majority are **single** and tend to be young – in their early 20s to 30s

Majority **live in New Territories** (59%) and **Kowloon** (30%)

Affluent is defined as having investable assets worth HKD500k and above

Aspiring affluent is defined as having investable assets from HKD100k to HKD499k

Up and coming is defined as having investable assets up to HKD100k



Hong Kong demographic breakdown

Age	Hong Kong
18 to 24	12%
25 to 34	22%
35 to 44	24%
45 to 54	26%
55 to 64	16%
65 or older	–

Gender

Male	49%
Female	51%

Marital Status

Single	34%
Married	56%
Civil partnership / cohabiting	4%
Widowed / separated / divorced	5%

Origin

Local	96%
Asia – Other	2%
Europe / Americas / Australia	2%
Africa	–

Employment

Working	81%
Not working	5%
Retired	4%
Student	5%
Stay at home mum / dad	6%

Annual Household Income (HKD)

Up to 163,000	18%
163,001 – 327,000	27%
327,001 – 654,000	31%
654,001 – 980,000	12%
More than 980,000	8%
Prefer not to answer	5%

Investable Assets (HKD)

None	5%
Less than 100,000	31%
100,001 – 499,999	23%
500,000 and above	34%
Prefer not to answer	7%



Singapore



A look at the market

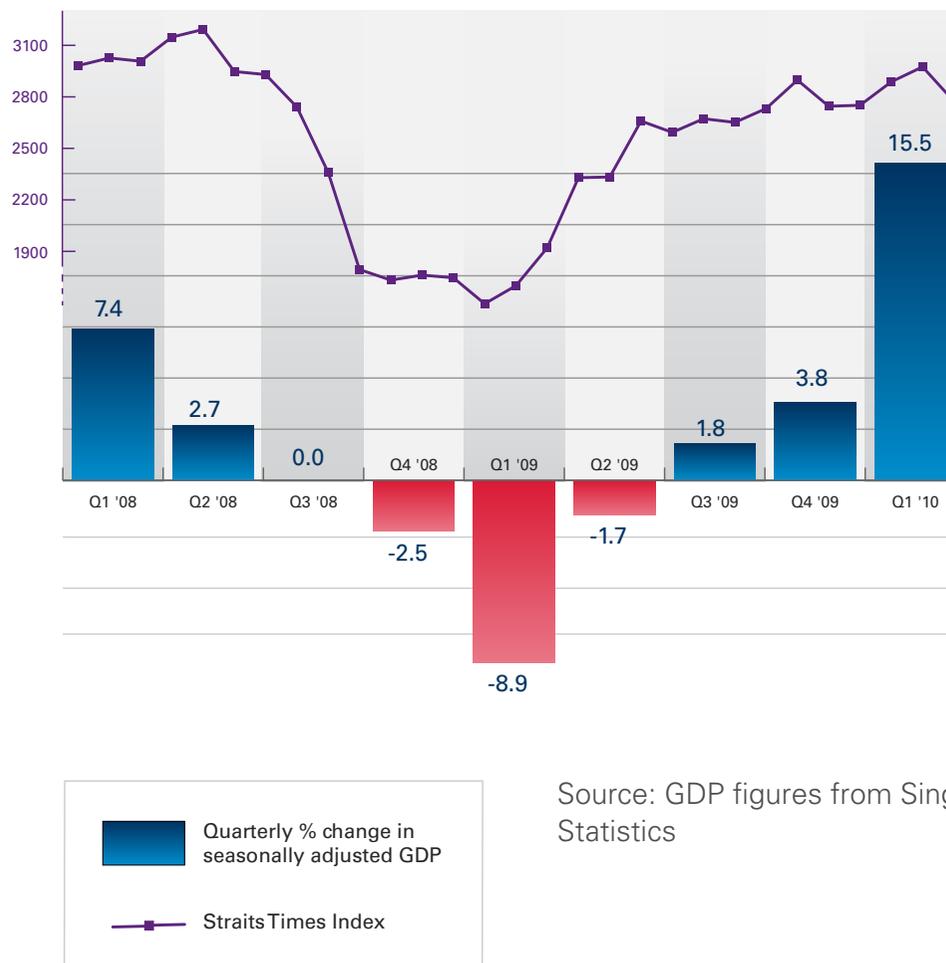
Key learning

Similar to Hong Kong, Singapore held up well in the first half of 2008 but declined sharply in the second half, following the meltdown of US investment banks. The STI (Straits Times Index) closed below 1800 in December 2008, a 49% decline from December 2007.

Singapore's economy bounced back in the second half of 2009 as US and European economies stabilised and Asian economies such as China and South Korea surged.

Even though there was some concern around **Greece's budget deficit**, the STI remained **relatively stable** during the fieldwork period.

The opening of two integrated resorts, which brought positive news on the economic front, and a positive May Day message from the Prime Minister may have overshadowed the negative news from Europe.



Source: GDP figures from Singapore Statistics

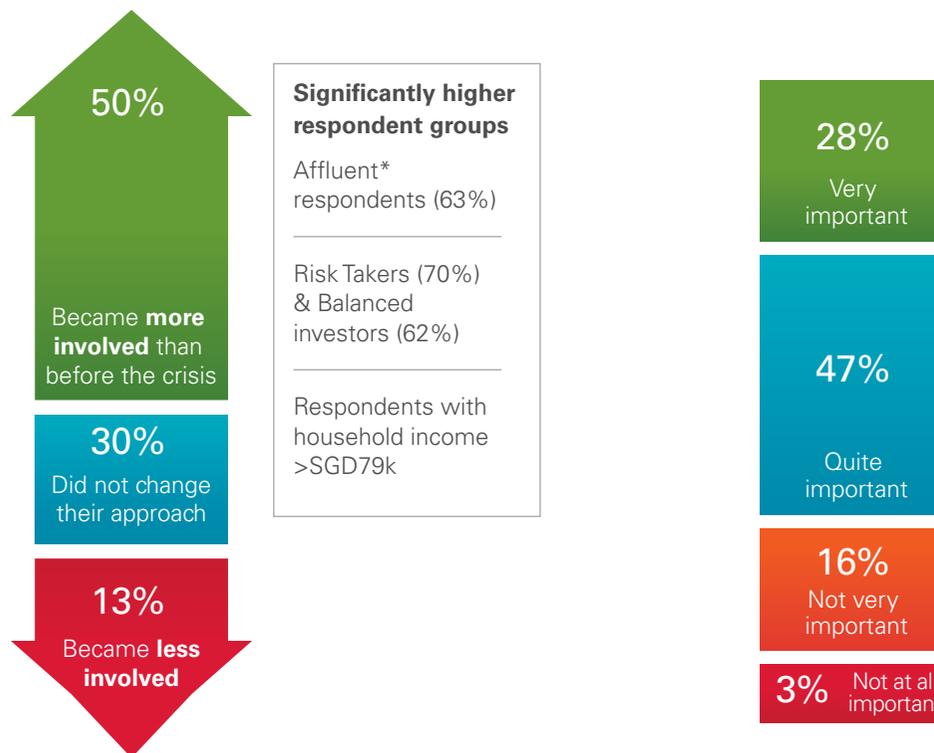
Involvement in managing personal finance

Key learning

Half of the respondents said that they are **more involved in managing their personal finances** since the crisis, which is significantly lower than Hong Kong (56%).

Affluent respondents and investors who participate in risky investments are more likely to become more involved in managing their personal finance since the crisis.

The majority of investors in Singapore felt that it is important to use socially responsible investments.



***Affluent** is defined as having investable assets worth SGD80k and above.

Aspiring affluent is defined as having investable assets from SGD20k to SGD79k.

Up and coming is defined as having investable assets up to SGD19k.

Q1. How has the recent financial crisis changed your attitude towards managing your finances? Base: All Singapore respondents.

Q2. How important is it to use socially responsible/ethically screened investments? Base: All Singapore respondents.

These questions were only asked of Singapore respondents.

The different segments

Affluent

(>SGD80k)

Where do they invest in the current climate?

Equities and **gold** are the top choices (both 59%) and they are more likely than the rest to invest in property (53%) in the current climate

Endowments are the preferred investment instruments, that said, they are more likely than the rest to invest in **mutual funds** and **government bonds**

What is their investment strategy?

Prefer **mid to long-term** investment

Skewed towards taking a **balanced approach** when it comes to investing

Turn to **financial advisers** for investment advice (54%) or **source information from financial publications**

Who are they?

Skew towards **males** (62%)

Tend to be **older and married** – around half are above 45 yrs old and 67% of them are married

More involved in personal finance now (63%)

Optimistic about market outlook – more than two-thirds think that the market has improved from six months ago and will continue to improve

Affluent is defined as having investable assets worth SGD80k and above

Aspiring affluent is defined as having investable assets from SGD20k to SGD79k

Up and coming is defined as having investable assets up to SGD19k

Aspiring affluent

(SGD20k – SGD79k)

Where do they invest in the current climate?

Top choice of investment instrument is similar to affluent's – **endowments** (51%)

Think it is a good time to invest in **gold** (52%) and **equities** (52%)

Annuities is the other product they prefer to invest in the current climate

What is their investment strategy?

Mid to long-term investment

Not a risk taker – **prefer low-risk investment** or having a balanced approach.

Rely on **financial advisers (46%)** for investment advice

Who are they?

Slight skew towards **males** (54%)

Majority are in their **mid 20s to mid 40s** and more than half (55%) are **married**

Upbeat about the future market outlook – 68% think the market will improve in the next six months

Up and coming

(up to SGD19k)

Where do they invest in the current climate?

Go for **gold** (48%), followed by cash (46%)

Endowments (52%) are the preferred investment instrument to invest in the current climate, followed by **annuities**

What is their investment strategy?

Prefers **short to mid-term, low-risk** investments

Apart from financial advisers, they go to **friends and family** for investment advice (50%)

Who are they?

Skew toward **females** (57%)

Tend to be **young** – more than half are below 35 yrs old – and **single**

Singapore demographic breakdown

Age	Singapore
18 to 24	13%
25 to 34	24%
35 to 44	27%
45 to 54	23%
55 to 64	13%
65 or older	–

Gender

Male	50%
Female	50%

Marital Status

Single	34%
Married	54%
Civil partnership / cohabiting	7%
Widowed / separated / divorced	4%

Origin

Local	86%
Asia – Other	6%
Europe / Americas / Australia	8%
Africa	1%

Employment

Working	78%
Not working	10%
Retired	3%
Student	5%
Stay at home mum / dad	4%

Annual Household Income (SGD)

Up to 39,500	21%
39,501 – 79,000	27%
79,001 – 158,000	29%
More than 158,000	13%
Prefer not to answer	9%

Investable Assets (SGD)

None	5%
Less than 20,000	24%
20,001 – 79,999	27%
80,000 and above	31%
Prefer not to answer	12%



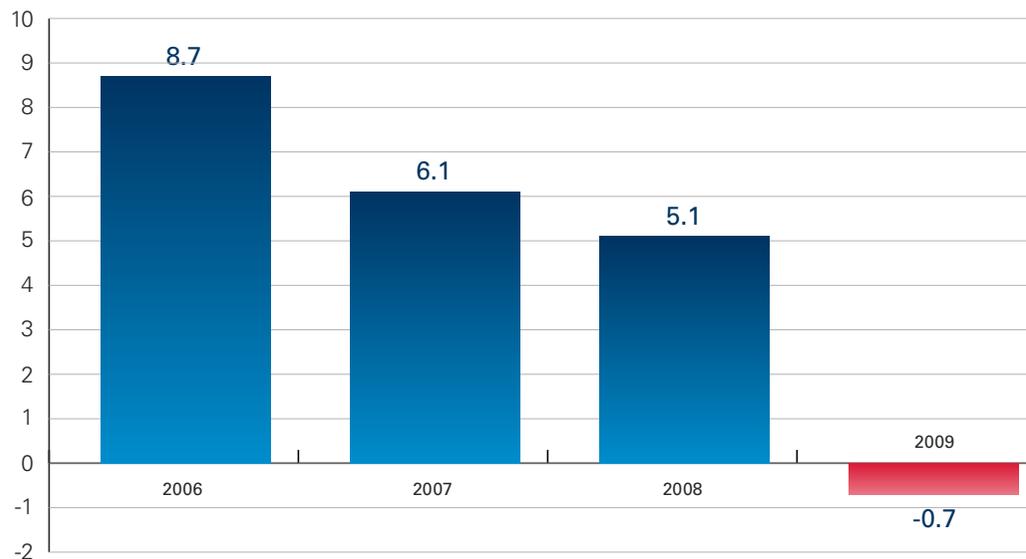
A look at the market

Key learning

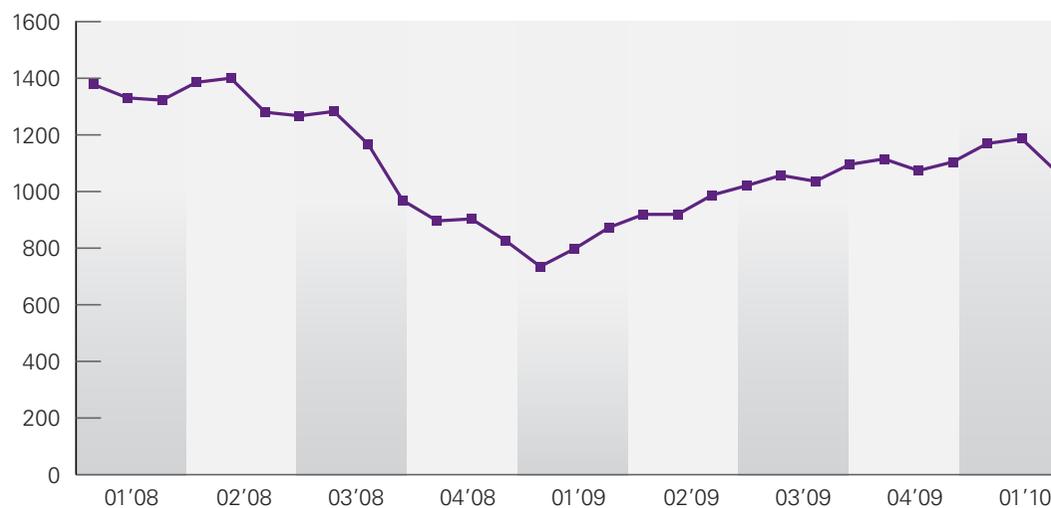
Dubai was hit hard during the financial crisis in late 2008 and its **recovery has been sluggish**. Investors in the region appear to have lost confidence in the markets, and prefer to hold safe haven investments such as gold and cash.

The UAE is expected to emerge from recession, driven by **strong growth** in Abu Dhabi.

The Central Bank continues to **strengthen confidence** in the domestic financial market and has created a USD19 billion liquidity facility.



Source: GDP figures for UAE from International Monetary Fund (IMF). Quarterly information is not available.



S&P 500

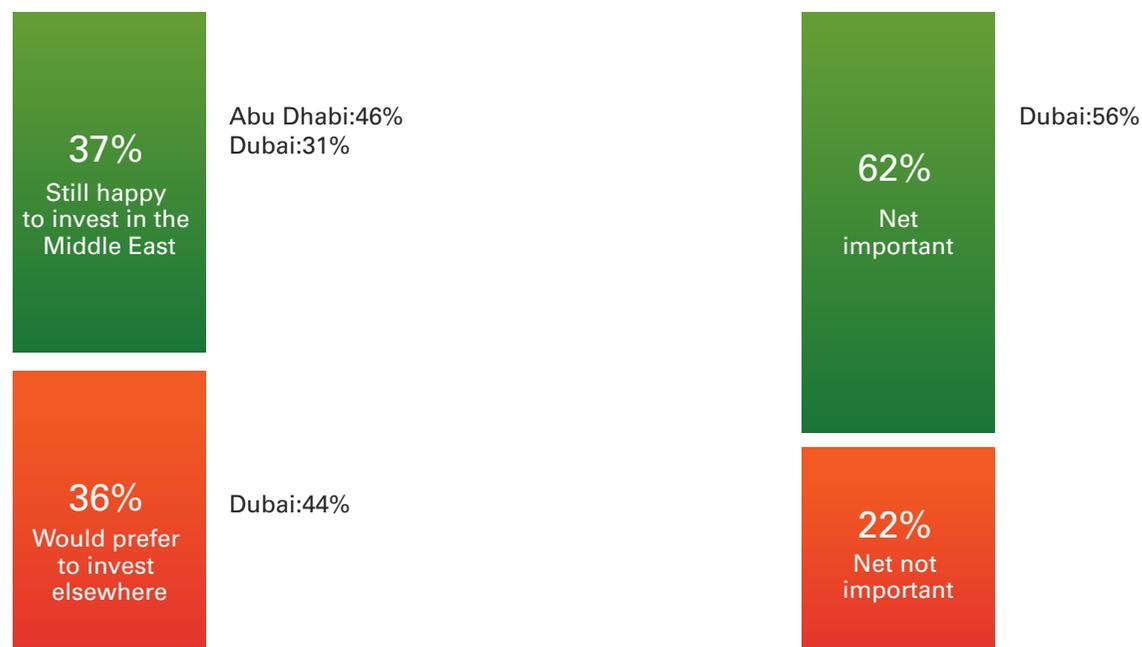
Looking at UAE

Key learning

When asked whether UAE residents are **still happy to invest in the region**, only a **little more than a third said 'yes'**.

Those residing in **Abu Dhabi have the most faith in their own economy**, with nearly half (46%) saying that they are still happy to invest in the region. Dubai residents, on the other hand, are less likely to invest locally (31%).

The majority of those surveyed in UAE felt that it is important to use **ethically screened investments**, although this is a lower proportion when compared to Singapore. (75%).



Q1. Following the international financial crisis, are you still happy to invest in the Middle East or would you prefer to look elsewhere?
Base: All UAE respondents.

Q2. How important is it to you to use ethically screened investments, such as Sharia'h compliant, 'green' products etc? Base: All UAE respondents.

The affluent segment

Affluent

(>AED200k)

Where do they invest in the current climate?

Cash is the preferred asset class to hold in the current climate, followed by **equities**. 50% think that it is a **good time to invest in equities**, significantly higher than the overall UAE proportion (32%)

Prefer to invest in **endowments** and **personal pensions** and are more likely than the rest to invest in **mutual funds**

What is their investment strategy?

More likely to go for **mid to long-term** investments

Half said they would choose a **balanced approach towards** investing but there is a small proportion (14%) who prefer high-risk, high return products

Rely on **friends/family** and **financial advisers** for investment advice

Who are they?

Majority are **males** (77%)

Tend to be **in mid 20s to early 40s** – 79% are 44 yrs and below

3 in 4 are **married** (76%)

More than half reside in Dubai (57%)

Prefer to **invest outside of Middle East**

More optimistic about the economy than the rest in UAE. More than half believed the economy has improved from six months ago and 61% think it will improve further in the future.

*Please note that for UAE, 50% of total respondents were either unwilling to reveal the sum of their investable assets, or claim to have no investable assets.

UAE demographic breakdown

Age	UAE
18 to 24	17%
25 to 34	41%
35 to 44	27%
45 to 54	11%
55 to 64	4%
65 or older	–

Gender

Male	73%
Female	27%

Marital Status

Single	34%
Married	64%
Widowed / separated / divorced	2%

Origin

Local	14%
Asia – Other	68%
Europe / Americas / Australia	6%
Africa	12%

Employment

Working	83%
Not working	5%
Retired	–
Student	7%
Stay at home mum / dad	5%

Annual Household Income (AED)

Up to 70,800	24%
70,812 – 176,400	26%
176,415 – 352,800	20%
352,812 and above	11%
Prefer not to answer	19%

Investable Assets (AED)

None	12%
Less than 200,000	34%
200,001 and above	15%
Prefer not to answer	38%



Overall demographic breakdown

Hong Kong

Annual Household Income (HKD)

Up to 163,000	18%
163,001 – 327,000	27%
327,001 – 654,000	31%
654,001 – 980,000	12%
More than 980,000	8%
Prefer not to answer	5%

Investable Assets (HKD)

None	5%
Less than 100,000	31%
100,001 – 499,999	23%
500,000 and above	34%
Prefer not to answer	7%

Singapore

Annual Household Income (SGD)

Up to 39,500	21%
39,501 – 79,000	27%
79,001 – 158,000	29%
More than 158,000	13%
Prefer not to answer	9%

Investable Assets (SGD)

None	5%
Less than 20,000	24%
20,001 – 79,999	27%
80,000 and above	31%
Prefer not to answer	12%

UAE

Annual Household Income (AED)

Up to 70,800	24%
70,812 – 176,400	26%
176,412 – 352,800	20%
352,812 and above	11%
Prefer not to answer	19%

Investable Assets (AED)

None	12%
Less than 200,000	34%
200,001 and above	15%
Prefer not to answer	38%

Age	Hong Kong	Singapore	UAE
18 to 24	12%	13%	17%
25 to 34	22%	24%	41%
35 to 44	24%	27%	27%
45 to 54	26%	23%	11%
55 to 64	16%	13%	4%
65 or older	-	-	-

Gender

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

Marital Status

Single	34%	34%	34%
Married	56%	54%	64%
Civil partnership / cohabiting	4%	7%	-
Widowed / separated / divorced	2%	4%	2%

Origin

Local	96%	86%	14%
Asia – Other	2%	6%	68%
Europe / Americas / Australia	2%	8%	6%
Africa	-	1%	12%

Employment

Working	81%	78%	83%
Not working	5%	10%	5%
Retired	4%	3%	-
Student	5%	5%	7%
Stay at home mum / dad	6%	4%	5%



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.

For further information on what Friends Provident International can offer please visit our website **www.fpinternational.com**



Friends Provident International Limited

Registered & Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA

Telephone: +44(0) 1624 821212 Fax: +44(0) 1624 824405

Website: www.fpinternational.com

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

Registered in Singapore No. F06835G

Authorised by the Monetary Authority of Singapore to conduct life insurance business in Singapore

