

2019 New Zealand Investor Confidence Survey



Foreword

Retail investors are essential to our economy, and their confidence is a vital test of the integrity of our capital markets. This is the first time Chartered Accountants Australia and New Zealand is undertaking this survey, with the help of the Center for Audit Quality in the United States, to capture the views of just over five hundred New Zealand retail investors.

As public trust in many institutions wavers, we believe it is essential to understand the views of retail investors in relation to the economy, capital markets and the information that publicly listed companies provide, including who they trust and what worries them.

The survey shows solid confidence in New Zealand capital markets and listed companies, but retail investors are nervous about the economy.

Investors are mostly confident in audited financial reporting by public companies and independent auditors are their most trusted group when it comes to investor protection and market integrity, followed closely by regulators, audit committees, and analysts.

Trust and confidence are hard won and easily shaken. Chartered Accountants ANZ believes more work is required by companies, directors and auditors to further strengthen trust among investors and the public and meet evolving expectations and needs.



Simon Grant FCA
Group Executive, Advocacy & Professional Standing

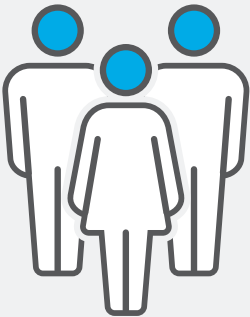


Amir Ghandar CA
Reporting & Assurance Leader

Our support of the profession extends to affiliations with international accounting organisations. We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues. We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

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Executive Summary



83% of investors

have a level of confidence in New Zealand publicly listed companies.

Reasons for this confidence: the performance of the economy and positive news around New Zealand companies.



90% of investors

have a level of confidence in the quality of audited financial information.

Reasons for this confidence: perceived reputational risk to companies if they get it wrong, auditors being well regulated and that auditors provide honest and independent third-party scrutiny.



Auditors are **ranked number 1**

as the most effective entities in advancing investor protection, followed by government regulators and oversight, financial analysts and audit committees.



85% of investors

have a level of confidence in New Zealand capital markets.

Reasons for this confidence: productivity and low unemployment.

Confidence in Publicly Listed New Zealand Companies

How much confidence would you say you have in investing in New Zealand companies that are publicly listed?

A little over eight in ten have at least some confidence in publicly listed New Zealand companies



What reasons do you have confidence in investing in publicly listed New Zealand companies?

Confidence in New Zealand listed companies is largely driven by strong performance of the economy



What reasons do you have little or no confidence in investing in publicly listed New Zealand companies?

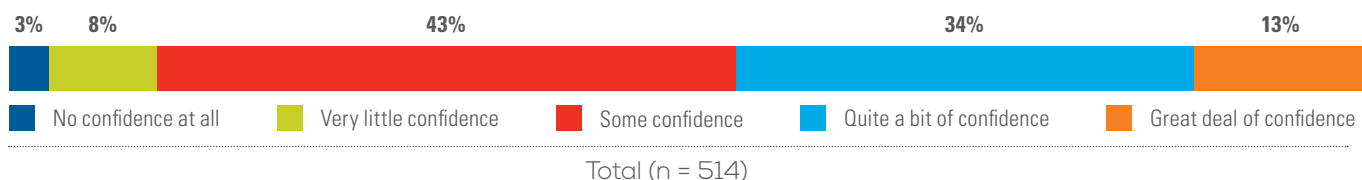
A leading reason for lack of confidence in publicly listed companies is a sense of inequity when it comes to receiving the benefits of their success



Confidence in Financial Reports by Publicly Listed New Zealand Companies

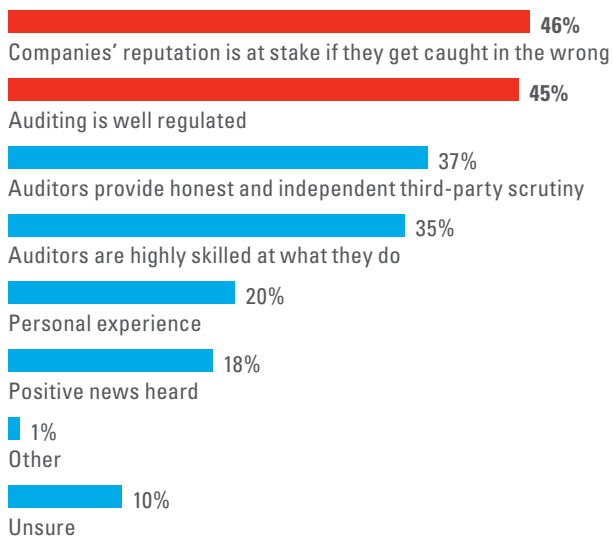
How much confidence do you personally have in audited financial information released by publicly listed New Zealand companies?

Almost nine in ten have at least some confidence in audited financial information



What reasons do you have confidence in audited financial information released by publicly listed New Zealand companies?

Investors feel fairly confident in auditor and company integrity when producing financial information



Those "confident" in financial reports by Publicly Listed New Zealand Companies (rated 1-3) n=462

What reasons do you have little or no confidence in audited financial information released by publicly listed New Zealand companies?

For investors lacking confidence, there are some concerns around regulation, integrity and full disclosure

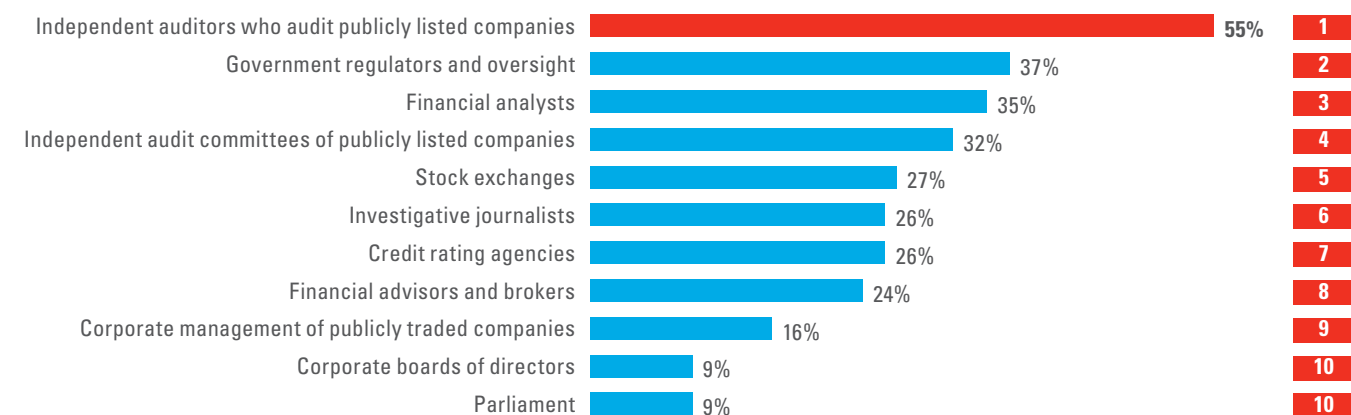


Those "not confident" in financial reports by Publicly Listed New Zealand Companies (rated 4-5) n=52*

*Caution: Low Base

There are several different players that have roles in helping to advance investor protection. Which of the following are you most confident are effective in their respective roles?

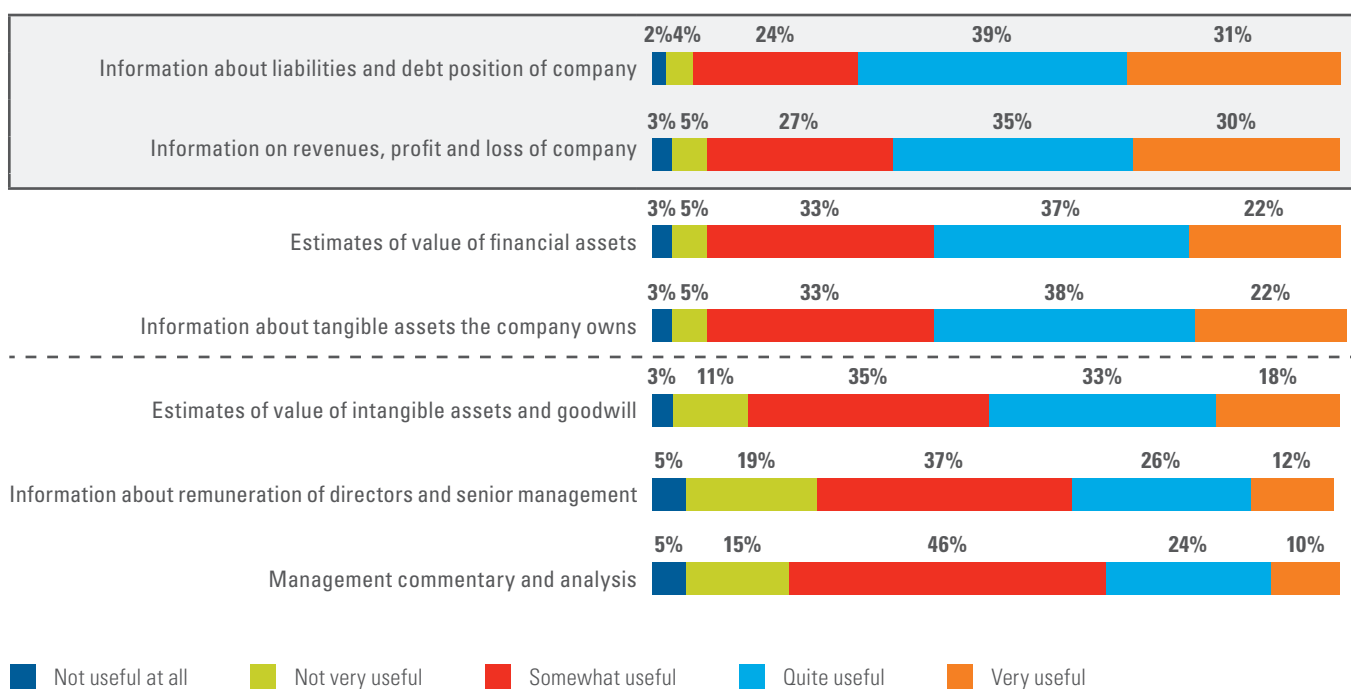
Independent auditors are viewed as being the most effective in their role supporting investor protection



Total (n=514)

To what extent do you find the following aspects of listed company annual reports useful in your investment decision making?

Investors find information about a company's financial performance, debt and the values of their financial and tangible assets are the most useful aspects of annual reports



Confidence in New Zealand Capital Markets

How much confidence would you say you have in New Zealand capital markets?

Almost nine in ten respondents have at least some confidence in New Zealand capital markets



What reasons do you have confidence in New Zealand capital markets?

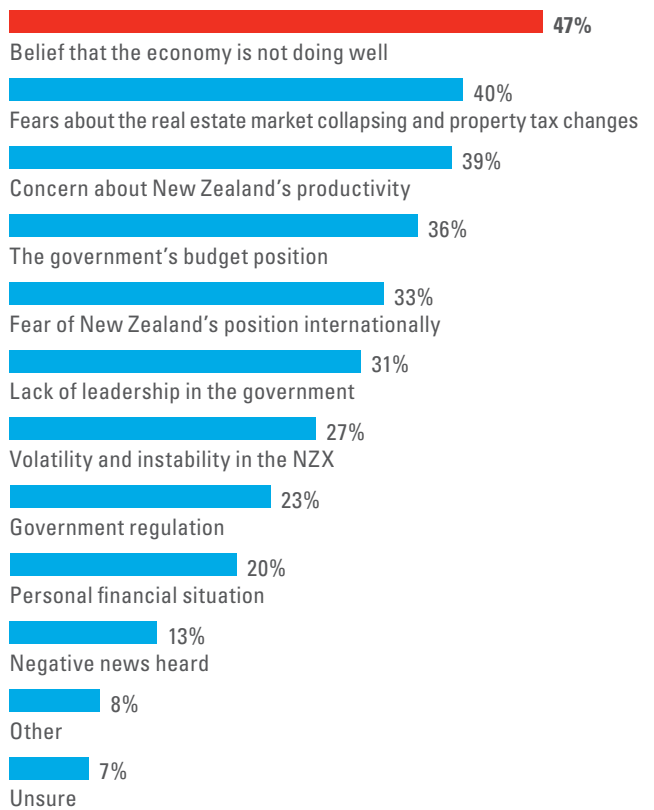
Investor confidence in the NZX is driven by the country's productivity



Those "confident" in New Zealand Capital Markets (rated 1-3) n=439

What reasons do you have little or no confidence in New Zealand capital markets?

However, amongst investors lacking confidence almost one in two point to a lacklustre economy

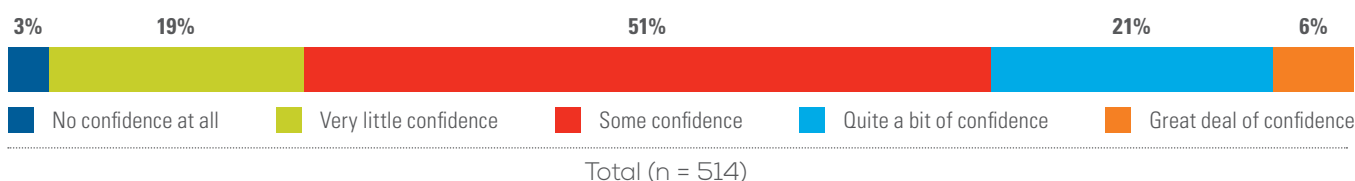


Those "not confident" in New Zealand Capital Markets (rated 4-5) n=75

Confidence in Capital Markets Outside of New Zealand

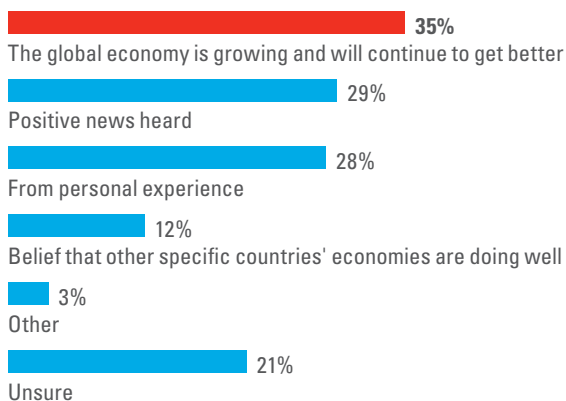
How much confidence would you say you have in capital markets outside of New Zealand?

Confidence in capital markets outside New Zealand is slightly lower than capital markets within New Zealand



What reasons do you have confidence in capital markets outside of New Zealand?

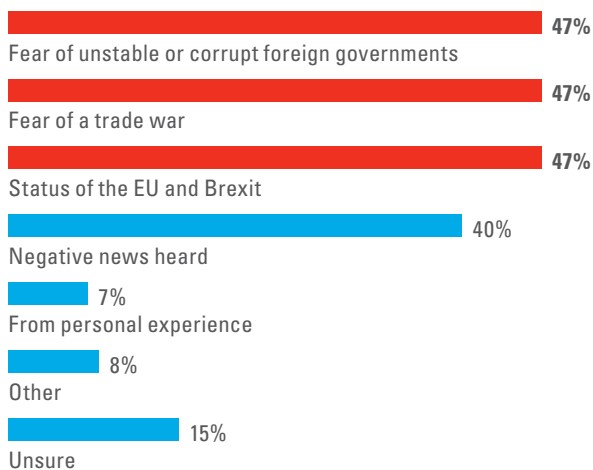
One third of investors with some confidence in overseas capital markets feel quite optimistic about the global economy's future



Those "confident" in Capital Markets outside New Zealand (rated 1-3) n=402

What reasons do you have little or no confidence in capital markets outside of New Zealand?

But investors lacking confidence in overseas capital markets are nervous about unstable foreign governments and the prospect of a trade war



Those "not confident" in Capital Markets outside New Zealand (rated 4-5) n=112

Appendix: Demographics and Investment Context

Those who have the most confidence in New Zealand capital markets tend to be male and older than fifty five

Demographic Breakdown: Confidence in New Zealand Capital Markets

	3%	12%	55%	23%	7%
Total investors (n=514)	3%	12%	55%	23%	7%
Male (n=233)	3%	10%	49%	29%	9%
Female (n=281)	2%	14%	60%	19%	6%
< 35 years (n=147)	3%	14%	48%	20%	14%
35-44 years (n=115)	5%	10%	50%	25%	10%
45-54 years (n=112)	1%	16%	63%	20%	1%
55+ years (n=140)	1%	9%	60%	27%	4%
Auckland (n=196)	3%	14%	51%	21%	11%
Rest of North Island (n=205)	2%	9%	60%	24%	5%
South Island (n=112)	4%	14%	54%	25%	4%

Those who have the most confidence in capital markets outside of New Zealand tend to be under forty five

Demographic Breakdown: Confidence in Capital Markets Outside of New Zealand

	3%	19%	51%	21%	6%
Total investors (n=514)	3%	19%	51%	21%	6%
Male (n=233)	2%	19%	48%	23%	8%
Female (n=281)	4%	18%	54%	20%	4%
< 35 years (n=147)	3%	12%	46%	27%	12%
35-44 years (n=115)	3%	17%	42%	31%	7%
45-54 years (n=112)	3%	24%	59%	14%	0%
55+ years (n=140)	4%	23%	59%	12%	2%
Auckland (n=196)	2%	15%	53%	23%	6%
Rest of North Island (n=205)	3%	21%	51%	19%	6%
South Island (n=112)	5%	19%	50%	21%	4%

Those with higher levels of confidence in New Zealand capital markets tend to be property investors and Labour voters

Lifestyle Breakdown: Confidence in New Zealand Capital Markets

	3%	12%	55%	23%	7%
Total investors (n=514)	3%	12%	55%	23%	7%
Super investors (n=392)	3%	13%	54%	22%	7%
Property investors (n=163)	2%	10%	50%	26%	11%
Portfolio investors (n=464)	2%	12%	55%	23%	8%
Labour voter (n=218)	1%	8%	55%	26%	10%
National voter (n=203)	3%	16%	54%	22%	5%
Finished secondary school (n=159)	3%	11%	53%	28%	6%
Completed bachelor degree (n=189)	3%	15%	54%	19%	10%
Post-grad/Professional qualification (n=149)	2%	10%	56%	25%	7%

Those who have the strongest confidence in capital markets outside New Zealand tend to be property investors or those with bachelor degrees

Lifestyle Breakdown: Confidence in Capital Markets Outside of New Zealand

	3%	19%	51%	21%	6%
Total investors (n=514)	3%	19%	51%	21%	6%
Super investors (n=392)	3%	19%	51%	22%	5%
Property investors (n=163)	2%	18%	50%	22%	8%
Portfolio investors (n=464)	3%	19%	51%	22%	5%
Labour voter (n=218)	2%	19%	53%	18%	8%
National voter (n=203)	3%	21%	51%	23%	2%
Finished secondary school (n=159)	5%	17%	55%	18%	6%
Completed bachelor degree (n=189)	2%	20%	45%	25%	8%
Post-grad/Professional qualification (n=149)	2%	18%	56%	20%	3%

■ No confidence at all
 ■ Very little confidence
 ■ Some confidence
 ■ Quite a bit of confidence
 ■ Great deal of confidence

Those who have the most confidence in publicly listed companies tend to be younger

Demographic Breakdown: Confidence in Publicly Listed New Zealand Companies

	No confidence at all	Very little confidence	Some confidence	Quite a bit of confidence	Great deal of confidence
Total investors (n=514)	4%	13%	50%	26%	7%
Male (n=233)	4%	14%	43%	30%	9%
Female (n=281)	4%	13%	56%	23%	5%
< 35 years (n=147)	2%	13%	41%	33%	12%
35-44 years (n=115)	8%	9%	41%	35%	8%
45-54 years (n=112)	3%	18%	58%	19%	3%
55+ years (n=140)	4%	14%	60%	19%	4%
Auckland (n=196)	4%	12%	49%	28%	7%
Rest of North Island (n=205)	4%	15%	50%	24%	7%
South Island (n=112)	4%	13%	50%	28%	5%

Labour voters have greater confidence in publicly listed New Zealand companies than those supporting National

Lifestyle Breakdown: Confidence in Publicly Listed New Zealand Companies

	No confidence at all	Very little confidence	Some confidence	Quite a bit of confidence	Great deal of confidence
Total investors (n=514)	4%	13%	50%	26%	7%
Super investors (n=392)	3%	15%	48%	27%	7%
Property investors (n=163)	6%	12%	43%	29%	10%
Portfolio investors (n=464)	4%	13%	49%	28%	7%
Labour voter (n=218)	1%	9%	50%	31%	8%
National voter (n=203)	3%	16%	54%	23%	4%
Finished secondary school (n=159)	4%	16%	48%	23%	9%
Completed bachelor degree (n=189)	4%	12%	50%	26%	8%
Post-grad/Professional qualification (n=149)	4%	13%	52%	28%	3%

Those who have the strongest confidence in audited financial information tend to be male, younger, or living in Auckland

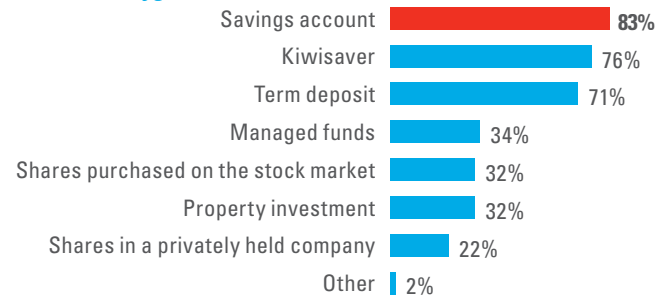
Demographic Breakdown: Confidence in Audited Financial Information of Publicly Listed New Zealand Companies

	No confidence at all	Very little confidence	Some confidence	Quite a bit of confidence	Great deal of confidence
Total investors (n=514)	3%	8%	43%	34%	13%
Male (n=233)	2%	8%	38%	35%	16%
Female (n=281)	3%	7%	47%	32%	11%
< 35 years (n=147)	2%	7%	37%	30%	23%
35-44 years (n=115)	4%	7%	35%	41%	13%
45-54 years (n=112)	3%	9%	49%	31%	8%
55+ years (n=140)	1%	7%	51%	34%	7%
Auckland (n=196)	3%	5%	42%	33%	17%
Rest of North Island (n=205)	2%	9%	44%	37%	8%
South Island (n=112)	2%	10%	43%	30%	15%

■ No confidence at all
 ■ Very little confidence
 ■ Some confidence
 ■ Quite a bit of confidence
 ■ Great deal of confidence

Managed funds and shares bought on the stockmarket tend to be held for a longer duration than the other investment types

Investment Type Incidence



Length of Time Investment Held

	< 1 year	1-3 years	4-5 years	6-10 years	>10 years	Unsure
Term deposit (n=363)	14%	29%	20%	14%	22%	1%
Shares - purchased on stock market (n=167)	7%	22%	19%	14%	38%	1%
Shares - privately held company (n=113)	5%	28%	21%	19%	25%	2%
Managed funds (n=177)	12%	18%	16%	19%	36%	0%

Managed funds tend to attract the highest investment values

Size of Investment Held

	< \$10k	\$10k-49,999	\$50k-99,999	\$100k-249,999	\$250k+
Term deposit (n=363)	4%	42%	24%	17%	12%
Shares - purchased on stock market (n=167)	23%	35%	18%	16%	7%
Shares - privately held company (n=113)	19%	33%	16%	17%	16%
Managed funds (n=177)	10%	29%	25%	21%	16%

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.

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About the survey

This is the first survey Chartered Accountants Australia and New Zealand (CA ANZ) has done to measure retail investor confidence in New Zealand. We commissioned Dynata to measure retail investor confidence in New Zealand capital markets, global capital markets, New Zealand public companies and audited financial statements.

CA ANZ is also grateful to the Center for Audit Quality for their support and assistance in developing this study.

A total of n=514 New Zealanders were interviewed. To ensure a robust sample across New Zealand, quotas were place on age, gender and region within New Zealand to ensure a representative view of the population.

Target respondents were adults aged 18+ that had a minimum of \$10,000.00 invested in Managed Funds, Shares in a Private Company, Shares Purchased on the Stock Market, or Term Deposit

Fieldwork was conducted for one week from Tuesday the 21st of May- Tuesday the 28th of May.

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