



Investor experience of IPOs February 2014



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Executive summary



Executive summary

A number of high profile companies and state-owned enterprises (SOEs) have listed on the share market in recent months. The New Zealand Stock Exchange (NZX) and the Financial Markets Authority (FMA) want to explore and understand investors' and potential investors' experience of IPOs to inform their work in raising investor awareness and confidence in New Zealand's financial markets.

Specifically, this research aims to:

Explore attitudes towards investing in New Zealand's financial markets

Understand the experience of investing in New Zealand's financial markets

Understand the impact of offer documentation on investment decisions

Additionally, this research aims to provide profiling information on New Zealand investors

In order to explore these areas an online survey of 303 New Zealanders who invested in or seriously considered investing in a recent IPO was conducted to provide an overview of the IPO experience. A further 12 qualitative interviews were undertaken in order to explore the IPO experience in further detail, with particular attention paid to reactions to the offer documents issued during the IPO process.

Attitudes towards investing in New Zealand's financial markets

There is a high degree of confidence in New Zealand's financial markets among those who took part in the online survey. Those who invested in a recent IPO have greater confidence in the markets than those who considered, but rejected, investing in a recent IPO.

There is considerable interest in the markets among those surveyed. While those who considered a recent IPO are less likely than those who invested to be very interested in the markets their overall level interest is similar to the investor group.

The qualitative research identified two key dimensions that differentiate potential investors and investors:

- Their attitude to investment, i.e. risk taker versus risk averse
- Their approach to investment, i.e. being hands-on versus being hands-off

From these two interacting dimensions, four types of investors emerge:



• **Leader** (risk taker and hands-on)



• **Cruiser** (risk taker and hands-off)



• **Planner** (risk averse and hands-on)



• **Follower** (risk averse and hands-off)

Each type of investor identified by the qualitative research presents different attitudes and behaviour towards investing, especially when it comes to IPOs, which are generally perceived as a more risky form of investment than term deposits or property investments.



- **Leaders** look for and take challenging financial opportunities which help them to grow their assets and increase their quality of life.



- **Cruisers** have a 'win some, lose some' approach to investing and see any return on investments as a bonus; any loss is accepted as a possible outcome of the 'risk' they take.



- **Planners** seek to grow their assets consistently and safely, they leave nothing to chance and view planning as the key to ensuring positive returns on investments.



- **Followers** want to grow their money/assets but rely on others to tell them what to invest in and they have a preference for 'tried and true' investment options.

Experience of investing in New Zealand's financial markets

The online survey found that IPO experience was a positive one for those who invested, with six-in-ten being satisfied with their investment. More than one-in-ten who invested in a recent IPO went on to buy additional shares in the company or companies they invested in.

Most of those surveyed would be open to investing in a future IPO, with those who actually invested being more likely to take up a similar opportunity in future.

The survey found that the majority of those who looked into a recent IPO felt they made an informed investment decision. Survey participants also felt that they understood the offer process. While in both cases scores are higher among those who did ultimately invest than those who did not both groups give high ratings on these aspects of the IPO experience.

The positive views of online survey participants are supported by findings from the qualitative interviews, which found that people found the process of investing in an IPO easy and simple.



Impact of offer documents on investment decisions

Among the survey participants the offer documents are seen as a key source of information when looking into a share offer, but so too are media reports and websites, particularly company websites.

As offer documents are such an important source of information it is perhaps unsurprising that most investors/potential investors surveyed say they at least looked at the documents before making their investment decision. However, few read the documents thoroughly – most dipped into them rather than read them cover to cover and it's probable that some merely opened them to satisfy registration process requirements.

The survey found that while the offer documents are broadly viewed as easy to understand few who reviewed an offer document describe it as *very* easy to understand. Among those who ultimately decided not to invest almost no-one thought the documents were straightforward.

Most people surveyed who reviewed an offer document said it was easy to find key information in the document, but few thought it was *very* easy to locate key points. In addition, a quarter said they couldn't easily find key information.

During the qualitative interviews we found that people find the documents daunting, due to their size and their technical content. Potential investors and investors want to have access to a user-friendly summary (e.g. plain English, no more than 20 pages, key areas of concern only).

What we did
and why



Background and research objectives

In recent years, a number of high profile companies and state-owned enterprises (SOEs) have listed on the share market. A few additional IPOs are in the pipeline and NZX and FMA are keen to encourage further capital raising and investor participation in IPO offerings in 2014 and onwards. With the expected growth in IPOs, the New Zealand Stock Exchange (NZX) and the Financial Markets Authority (FMA) want to explore investors' and potential investors' experience of investing in these share offers.

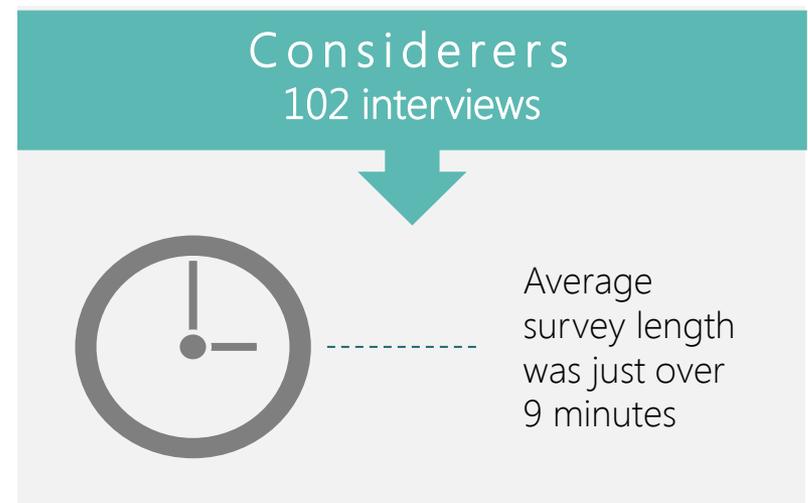
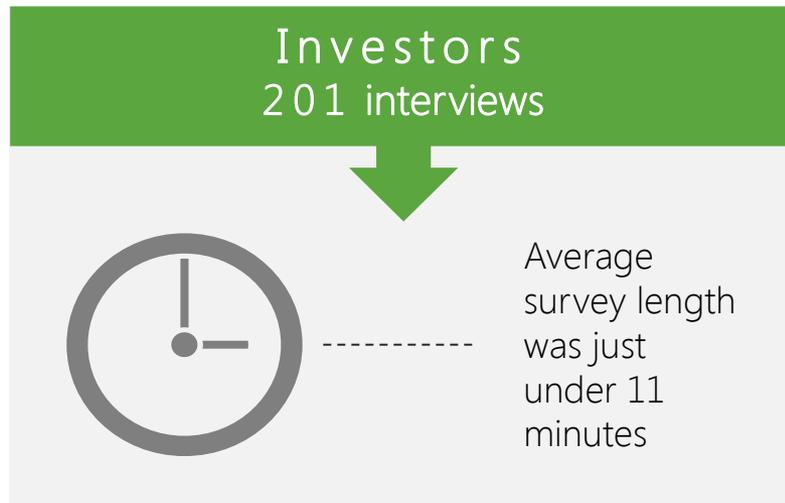
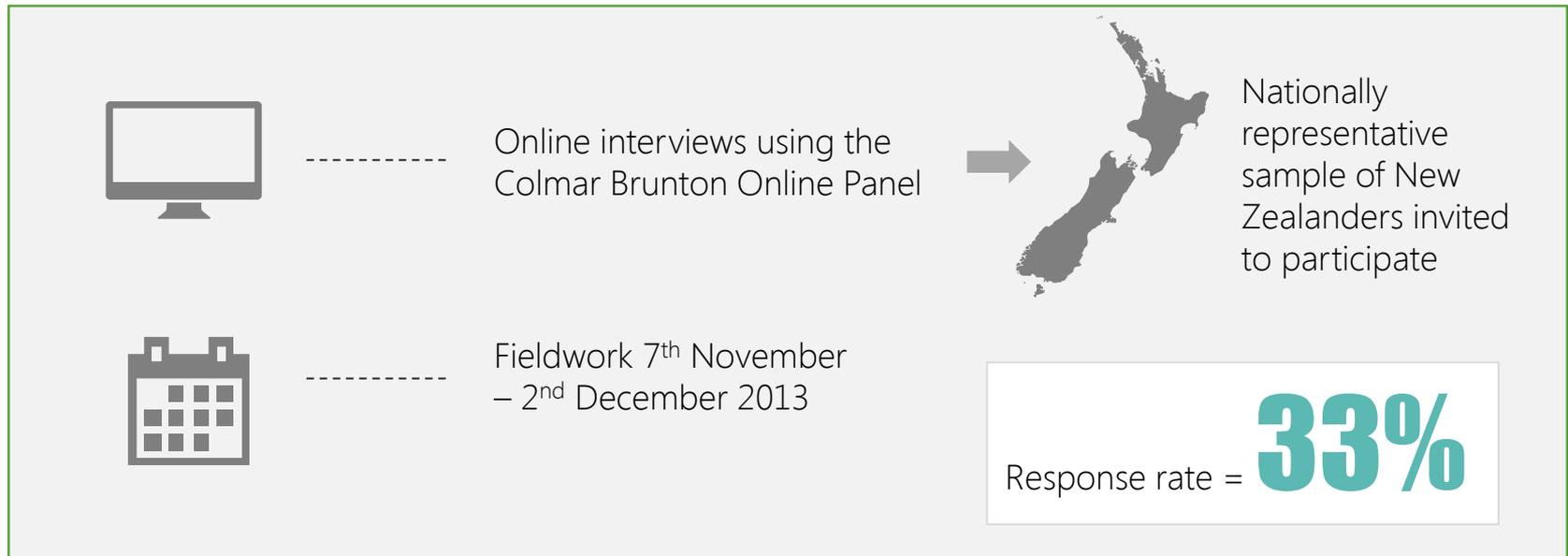
Specifically, this research aims to:

Explore attitudes towards investing in New Zealand's financial markets

Understand the experience of investing in New Zealand's financial markets

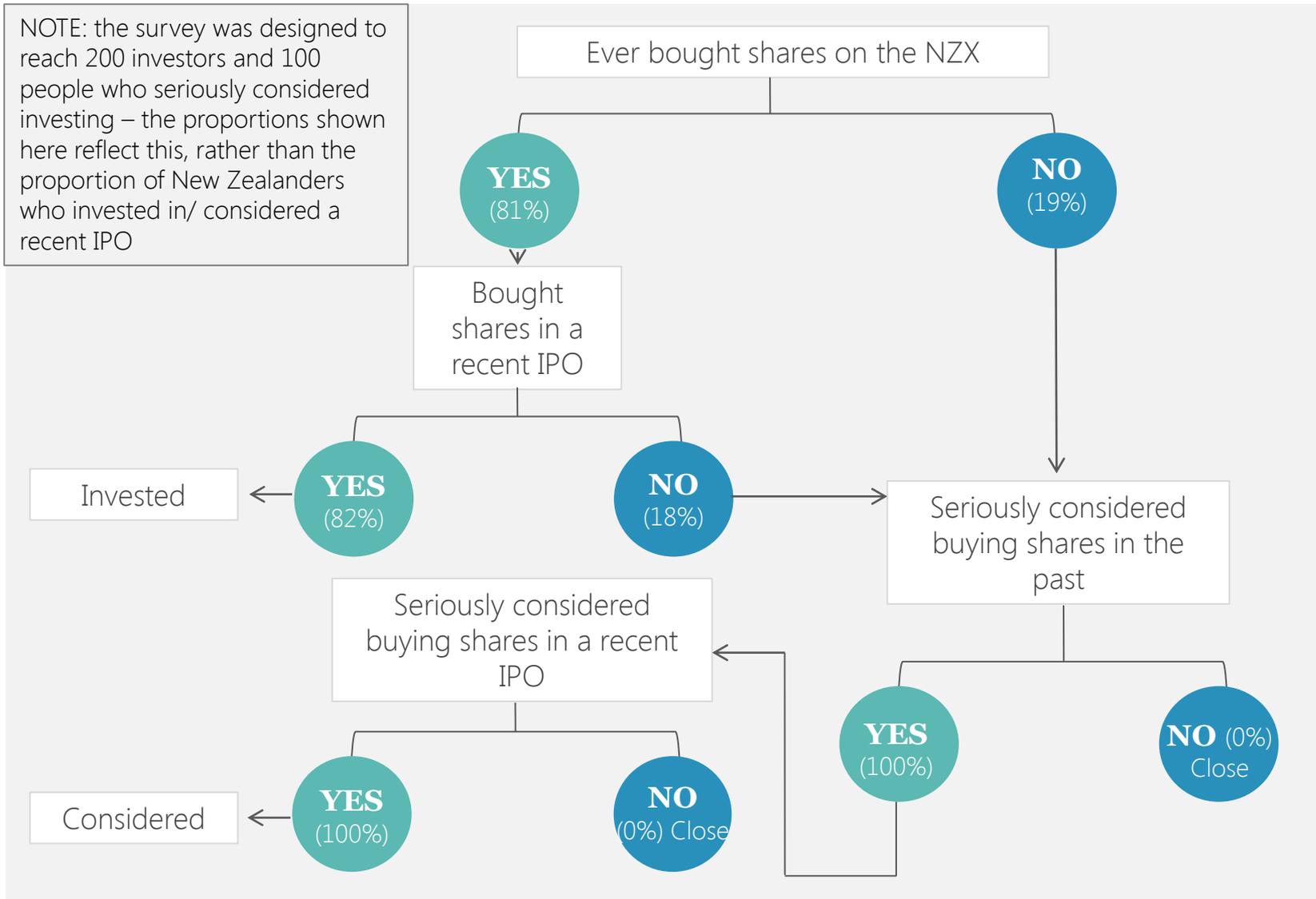
Understand the impact of offer documentation on investment decisions

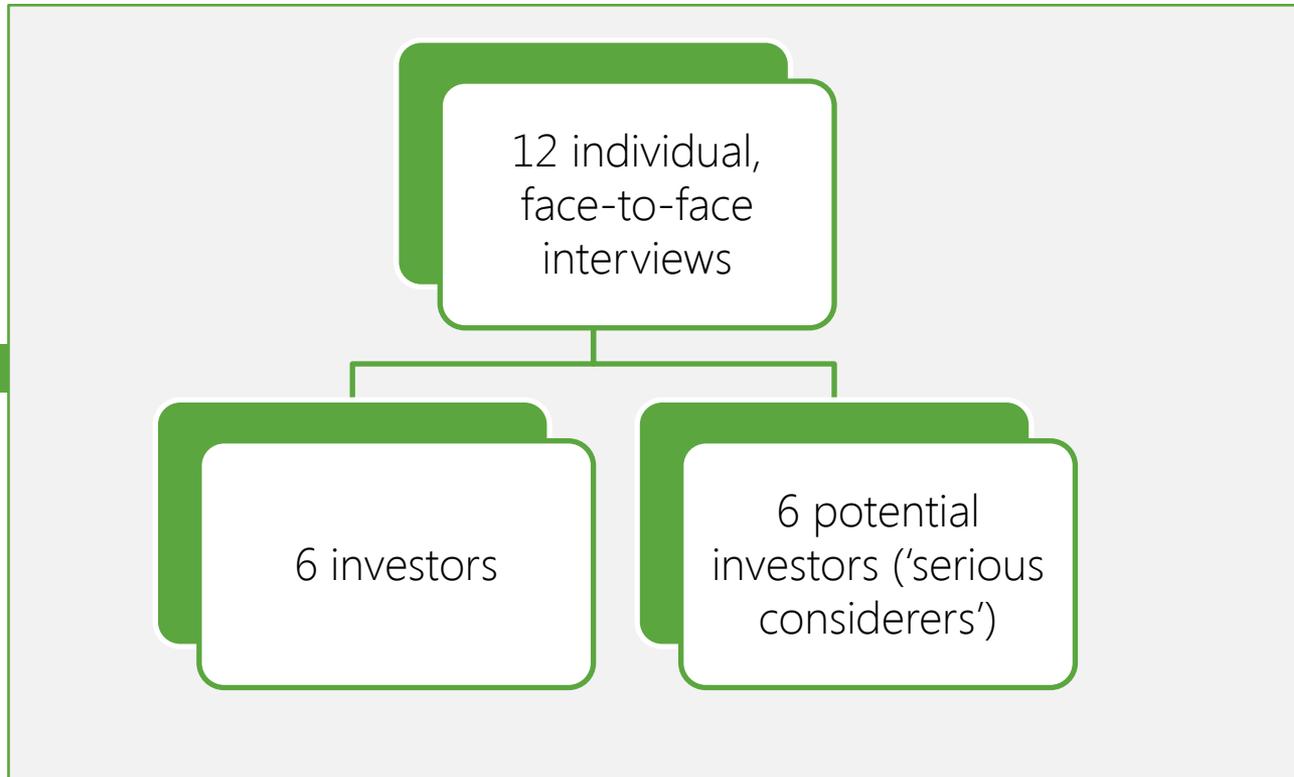
Additionally, this research aims to provide profiling information on New Zealand investors



Overview of quantitative screening process

NOTE: the survey was designed to reach 200 investors and 100 people who seriously considered investing – the proportions shown here reflect this, rather than the proportion of New Zealanders who invested in/ considered a recent IPO





Respondents represented a variety of gender, ages, ethnicities. Three interviews were conducted in Auckland, three in Christchurch and six in Wellington. The fieldwork took place in November 2013.

Reading results from the online survey

- The findings from the online survey generally refer to ‘%’ of those who invested or considered investing in a recent IPO. A footnote on each relevant slide identifies the evidence source as ‘online survey’.
- Please note that no weighting was applied to the survey results.
- All stated differences between subgroups are statistically significant at the 95% confidence level or greater.
- The margin of error for a result will vary depending on the variable being examined and the size of the subgroup in question. The maximum margin of error for each category of survey respondents is as follows:
 - All who invested in or considered a recent IPO +/- 5.6%
 - All who invested in a recent IPO +/- 6.9%
 - All who considered investing in a recent IPO +/- 9.8%
- These calculations assume a simple random sample and a 50/50 split for a binary question – for example, ‘yes’ or ‘no’.
- Please note that sometimes results will not add to 100%. There are two possible reasons for this. For questions where a single response is required, results can vary by 1% due to rounding. Questions where multiple responses are allowed can add to considerably more than 100% as more than one comment can be made per person.
- When two sub-categories are netted together (for example, summing the ‘% fairly satisfied’ and the ‘% very satisfied’ on a satisfaction question, to form an overall proportion of respondents who are ‘satisfied’), the sum of the two sub-categories can be 1% higher or 1% lower than the whole number percentages of the two sub-categories added together. This is due to rounding and the nett score is more accurate than summing the percentages of the two categories together.

Reading results from the qualitative interviews

- The qualitative research was designed to provide a depth of information into the IPO experience, exploring the attitudes and behaviours of investors/potential investors in more detail than would be possible in an online survey. Findings from the qualitative research provide context to the online survey, as well as providing additional insight into attitudes towards investing in an IPO and responses to IPO offer documents.
- While both the qualitative interviews and the online survey cover similar ground, the different techniques employed in each type of research mean that topics are approached in quite different ways. For example, as part of the qualitative research those who engaged with an IPO were asked to look at the offer documents relevant to the IPO(s) they looked into and/or invested in. This enabled us to explore views of the offer documents in more detail than would be possible during an online survey. It is worth bearing this in mind when comparing the responses to the qualitative interviews with those from the online survey as the questions were asked under different circumstances.



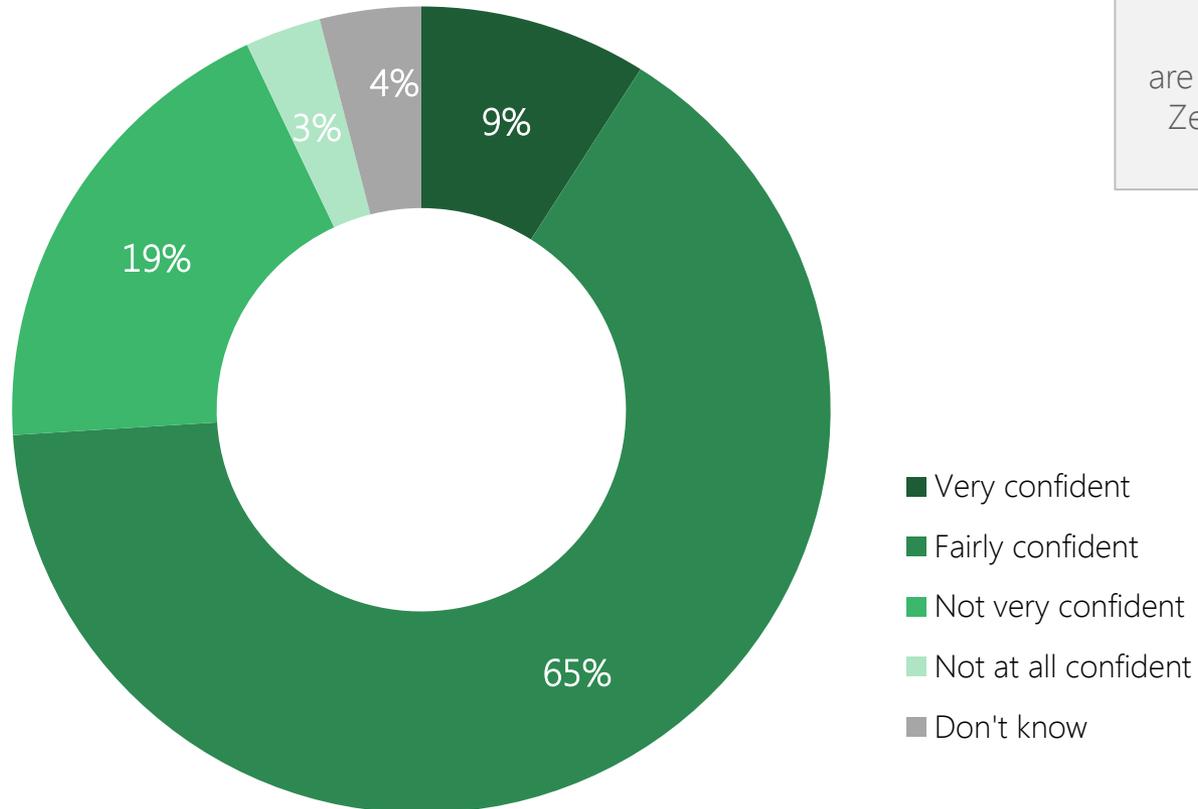
Findings from the online survey



Attitudes
towards the
financial
markets



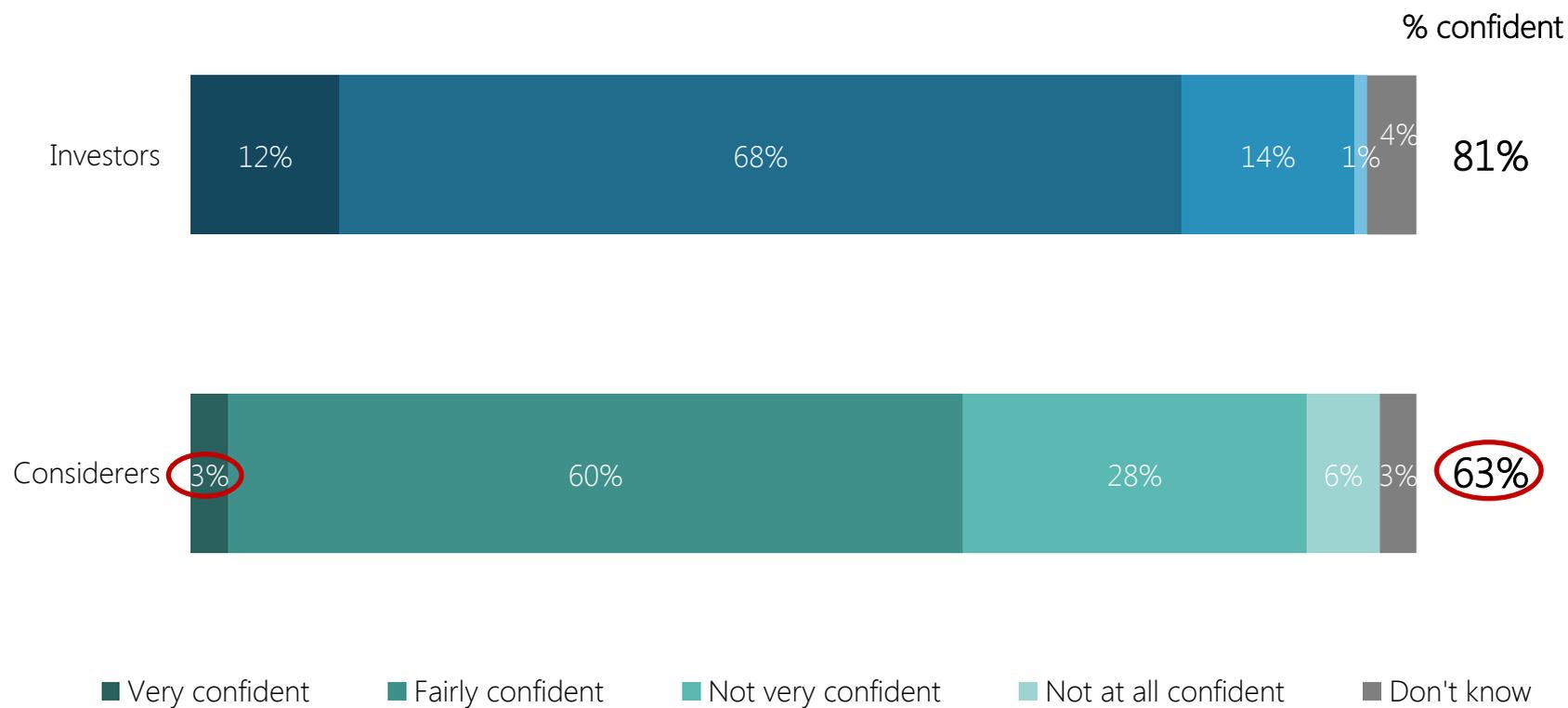
High degree of confidence in New Zealand's financial markets



75%
are confident in New Zealand's financial markets

Source: Online survey, Q16 – How much confidence do you have in New Zealand's financial markets?
Base: All (n=303)

Confidence is higher among those who invested in a recent IPO

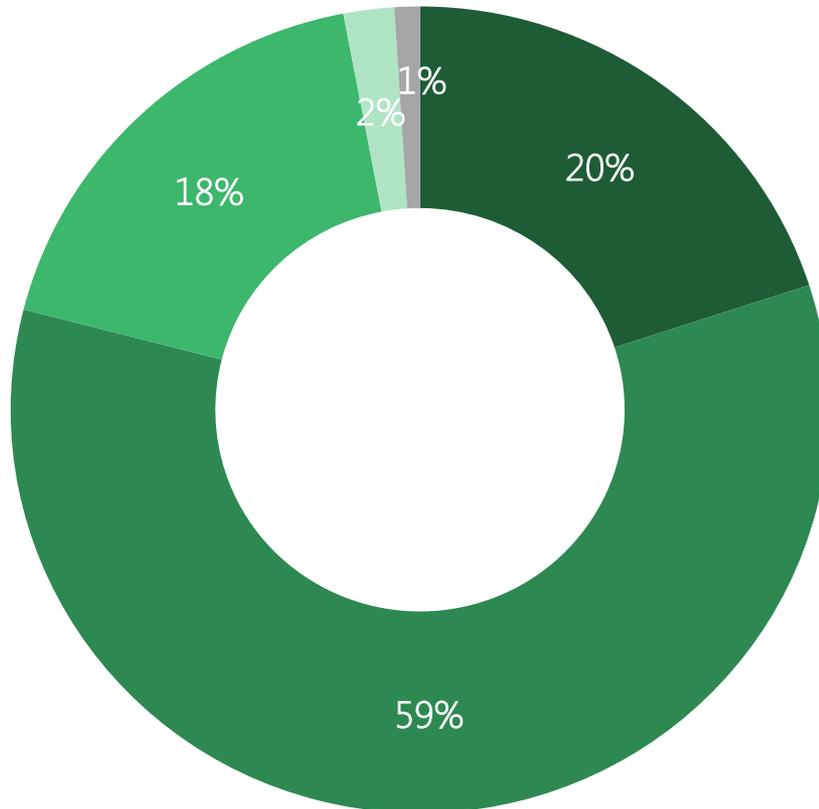


Source: Online survey, Q16 – How much confidence do you have in New Zealand's financial markets? Are you...?

Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

○ ○ Significantly higher/lower than those who invested

Interest in our financial markets is also high, with eight-in-ten of those who engaged with a recent IPO having some degree of interest

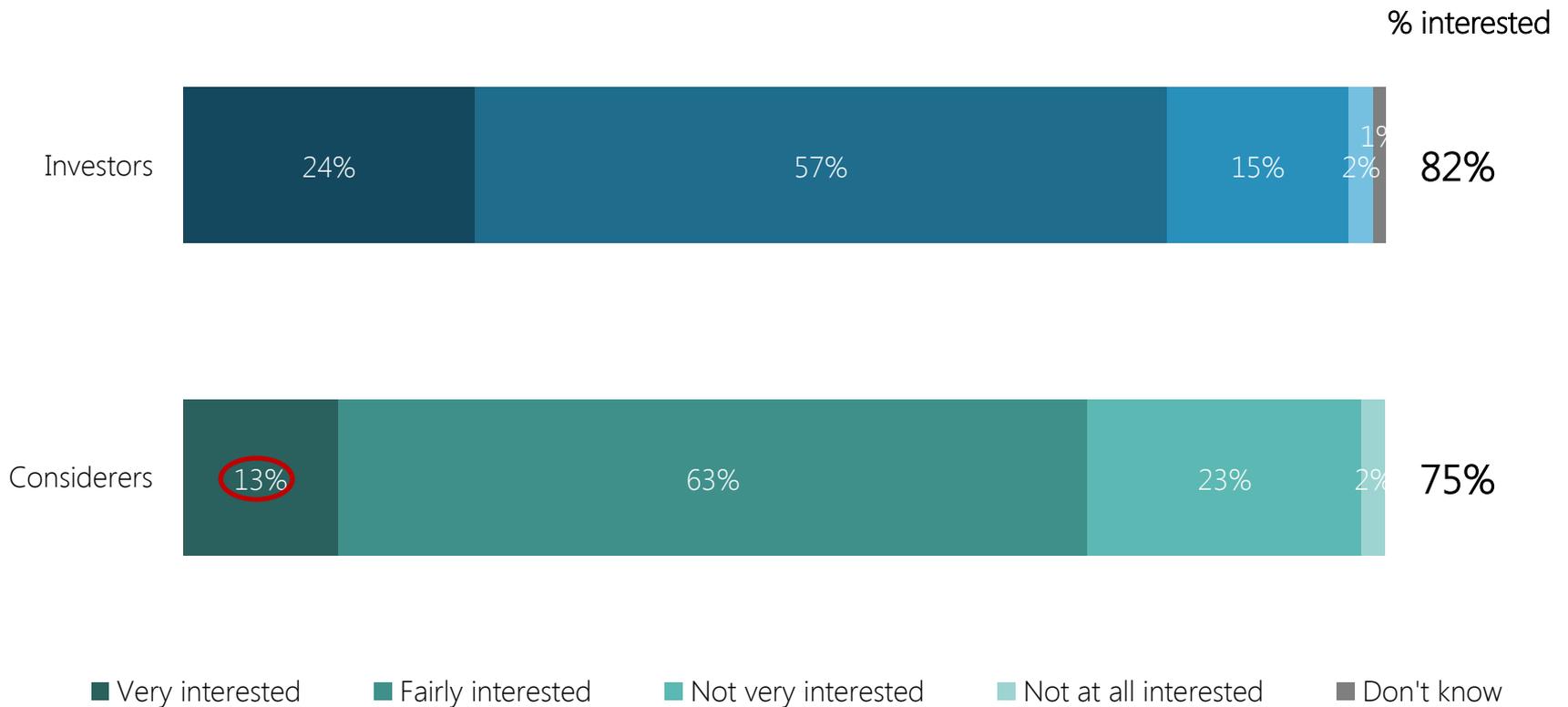


80%
are interested in New Zealand's financial markets

- Very interested
- Fairly interested
- Not very interested
- Not at all interested
- Don't know

Source: Online survey, Q17 – Overall, how interested are you in New Zealand's financial markets?
Base: All (n=303)

There is no difference in the overall level of interest among IPO investors and those who considered investing, but those who considered investing are less likely to be 'very interested' in the markets



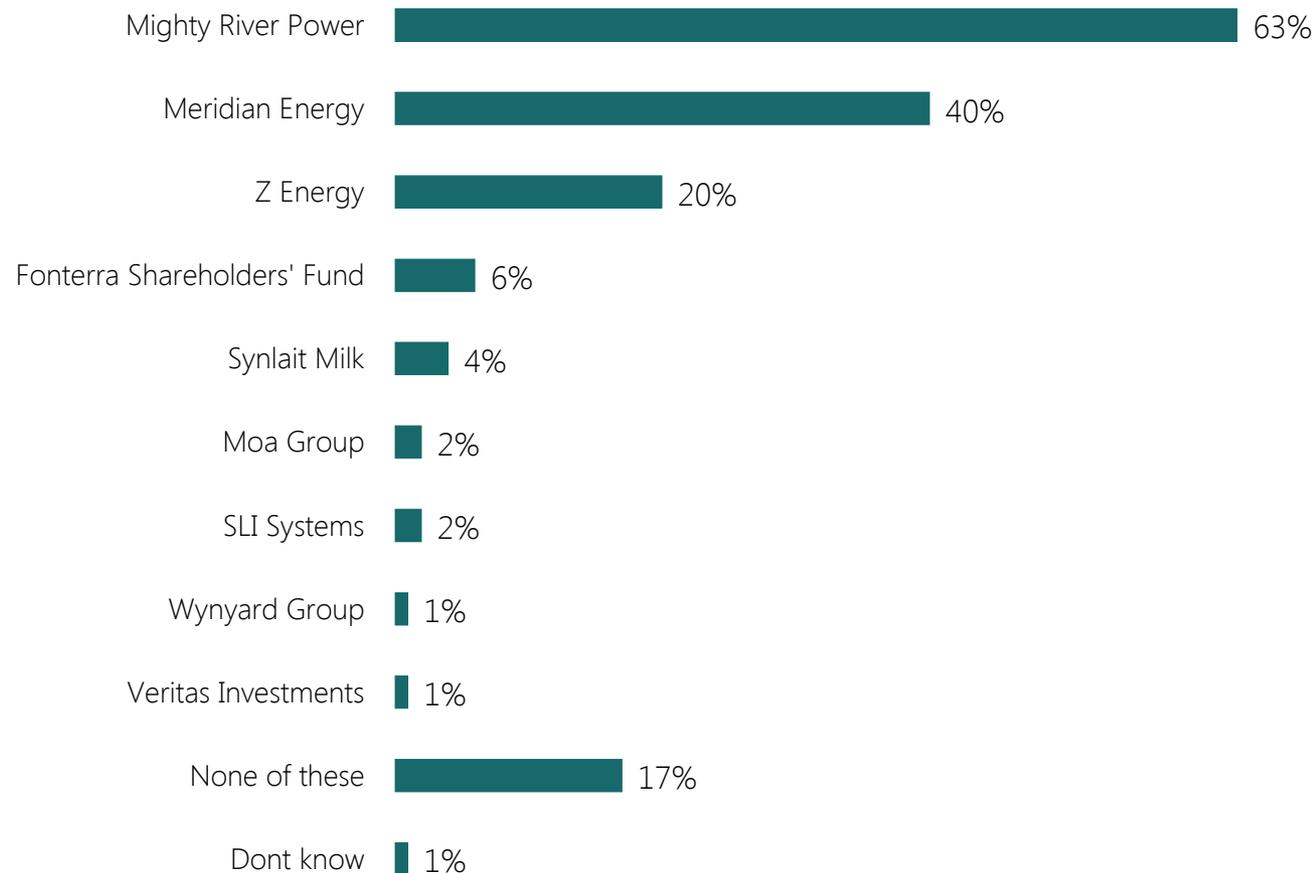
Source: Online survey, Q17 – Overall, how interested are you in New Zealand’s financial markets?
 Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

○ ○ Significantly higher/lower than those who invested

Investing in an IPO



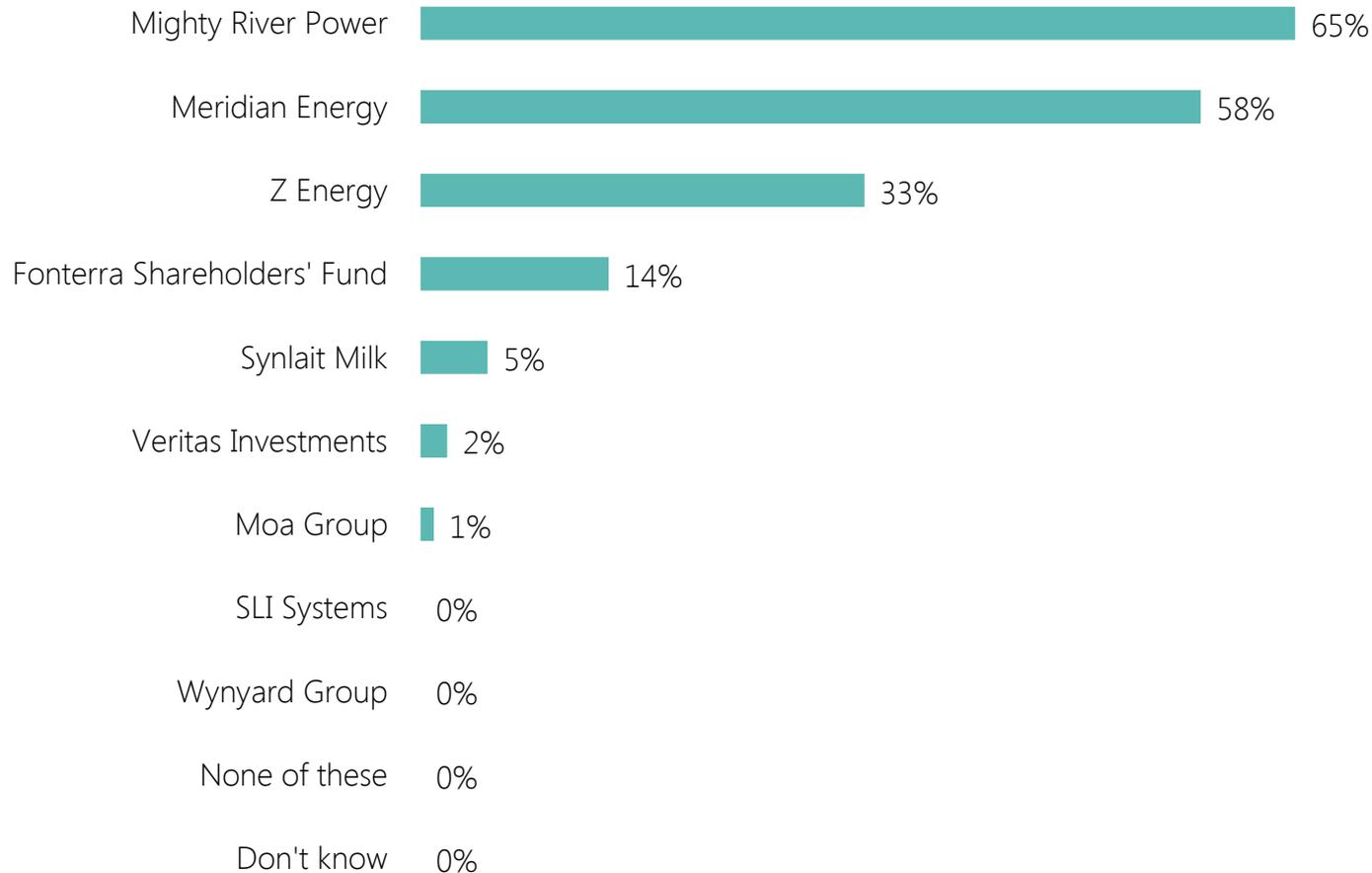
The attention focused on the SOE IPOs is reflected in the shares bought by IPO investors



Source: Online survey, QS1b – In the last 18 months did you buy shares in any of the following companies during their initial offer periods, when they first listed on the New Zealand stock exchange? Again, please exclude any shares bought through a managed fund where purchases are made on behalf of groups of investors.

Base: All who have bought shares in a company listed on the New Zealand stock exchange (n=246)

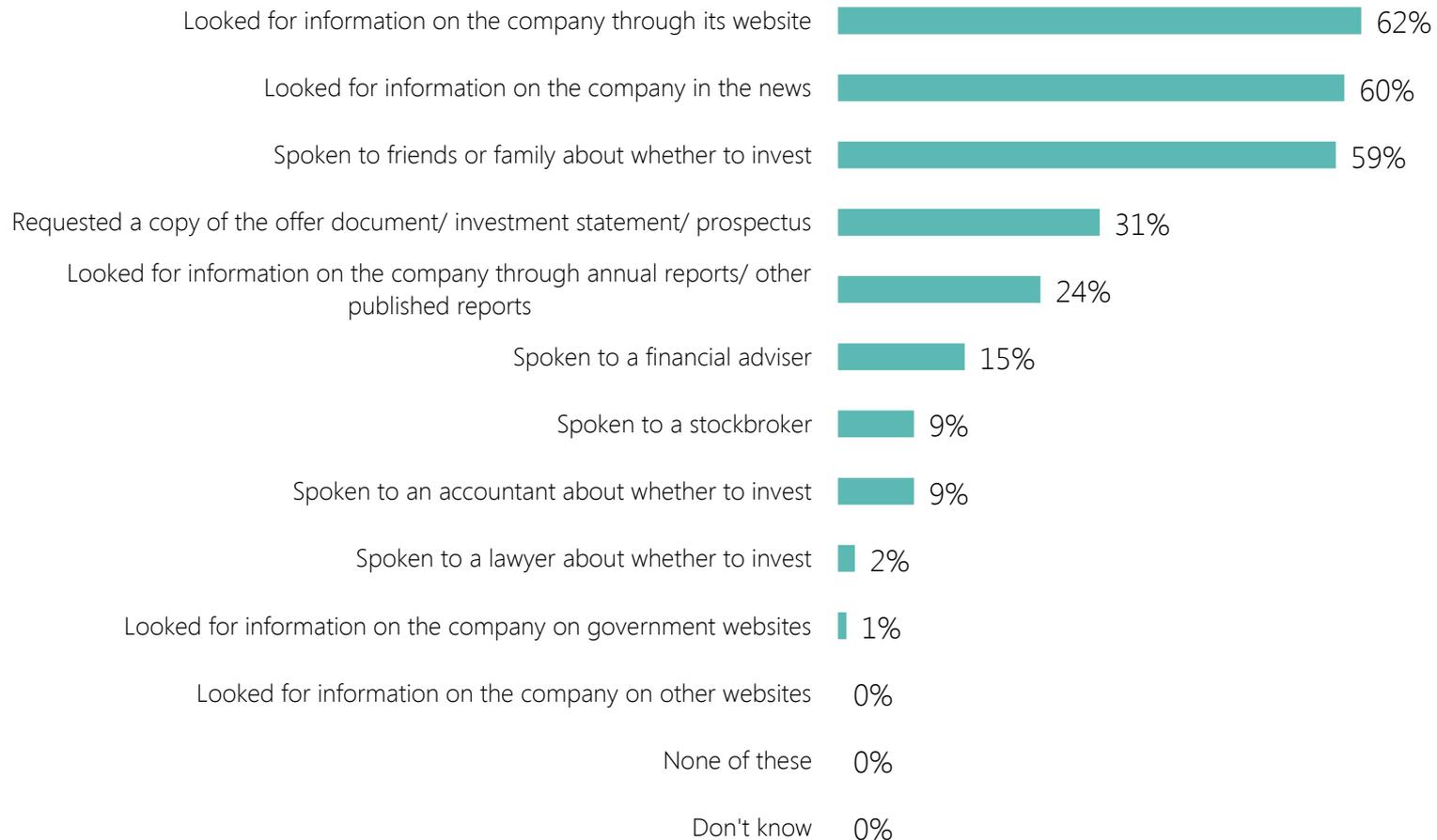
Shares in SOEs are also the most likely IPOs to have been seriously considered



Source: Online survey, QS2b – In the last 18 months did you seriously consider buying shares in any of the following companies during their initial offer periods, when they first listed on the New Zealand stock exchange? Please exclude any shares bought through a managed fund where purchases are made on behalf of groups of investors.

Base: All who have not bought shares in a recent IPO (n=102)

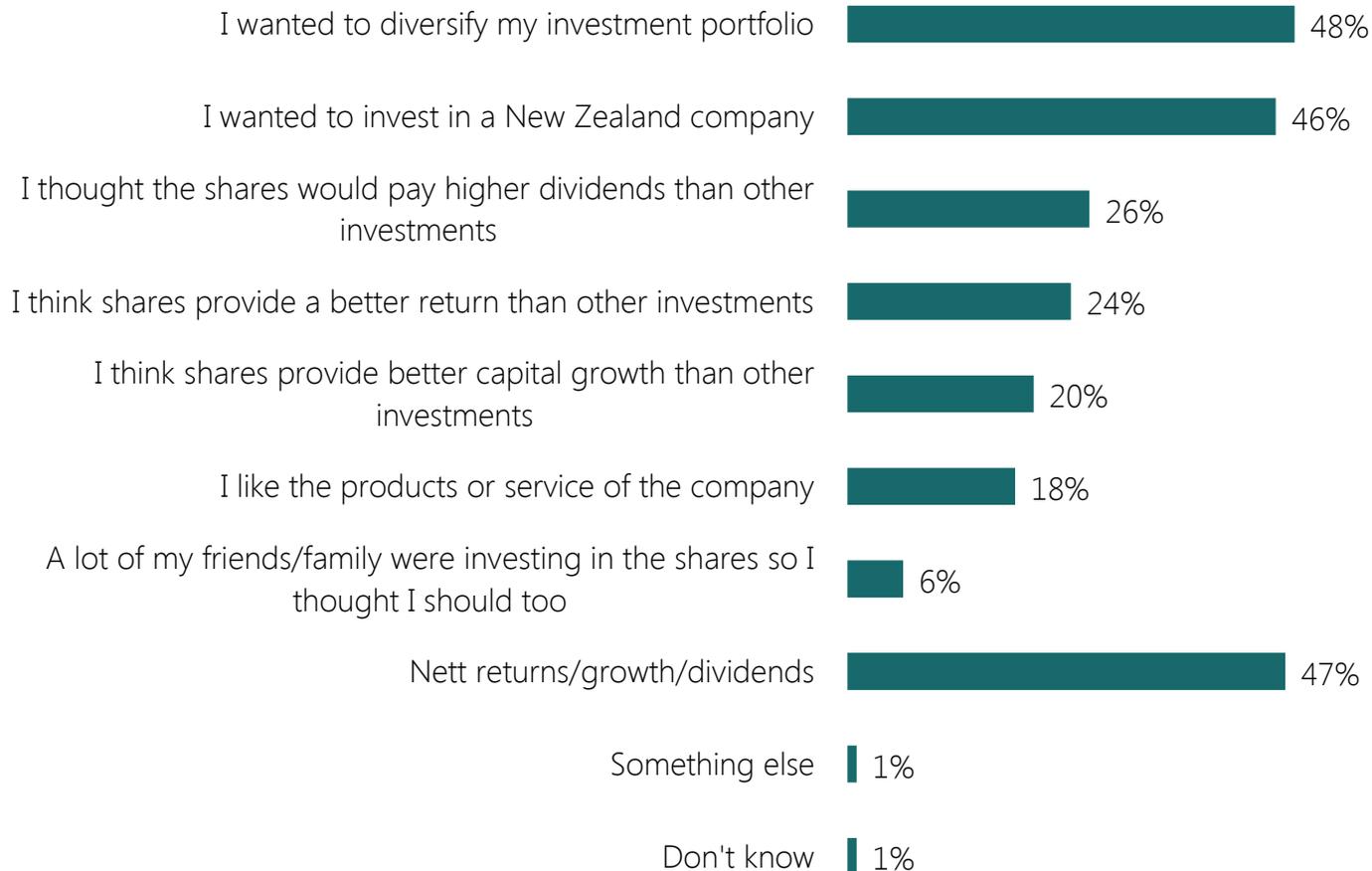
What do we mean by ‘seriously considered’? – all those who considered investing must have done at least one of the following things



Source: Online survey, QS2c – Since October 2012 which, if any, of the following have you done when considering whether to buy shares in a company when it first listed on the New Zealand stock exchange?

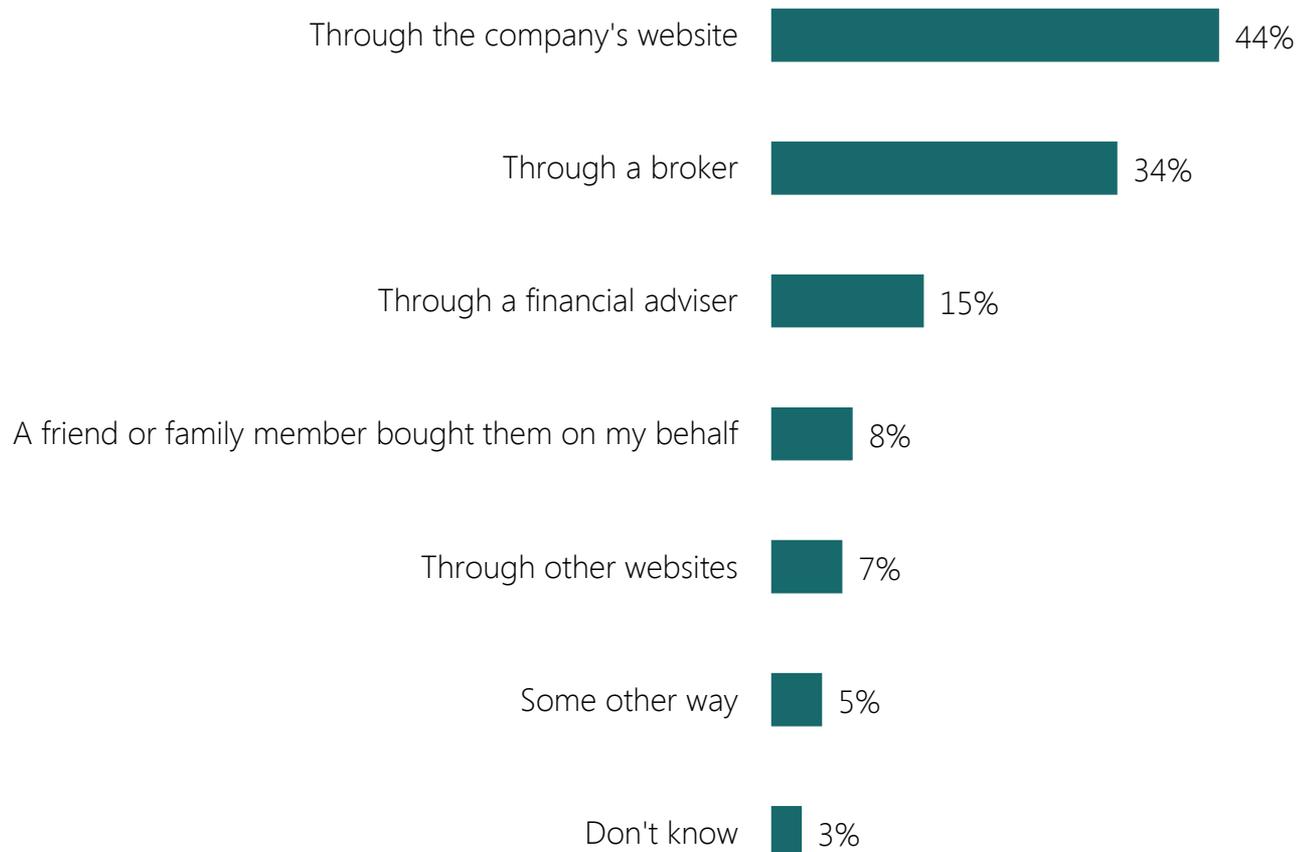
Base: All who considered investing (n=102)

Portfolio diversification is the main reason for choosing an IPO investment, followed closely by the opportunity for good returns and a desire to invest in a local company



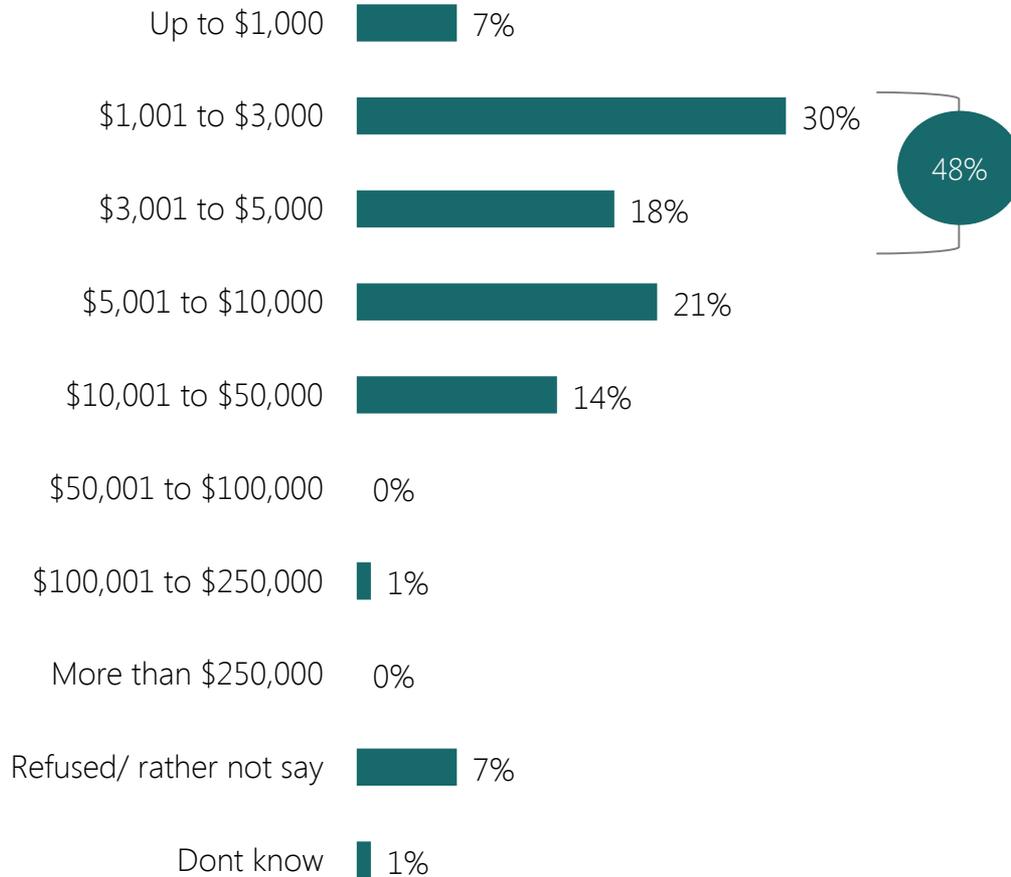
Source: Online survey, Q10 – Which of the following best describes why you choose to invest in shares rather than doing something else with the money?
Base: All who invested in a recent IPO (n=201)

Company websites are the main channel investors used to buy their IPO shares



Source: Online survey, Q11a – How did you buy your shares?
Base: All who invested in a recent IPO (n=201)

Most who invested in a recent IPO bought between \$1,000 and \$5,000 worth of shares



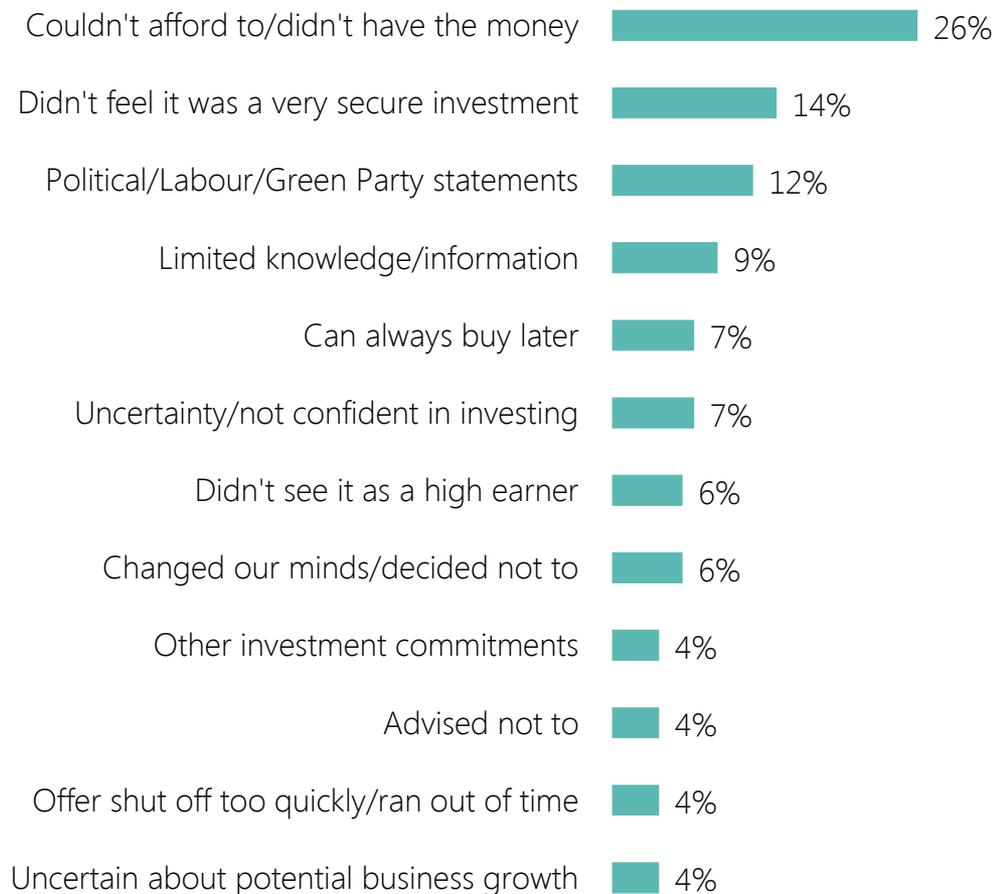
Source: Online survey, Q11b – Approximately how much did you invest during the initial offer period?
Base: All who invested in a recent IPO (n=201)

Overall, the potential returns offered by the investment and its perceived safety are the main reasons people chose their specific investment



Source: Online survey, Q8a – What were the main reasons you chose to invest in this company/these companies?
Base: All who invested in a recent IPO (n=201)

A lack of funds is the main barrier to investing – but the security of the investment and political factors also play a role in decision making



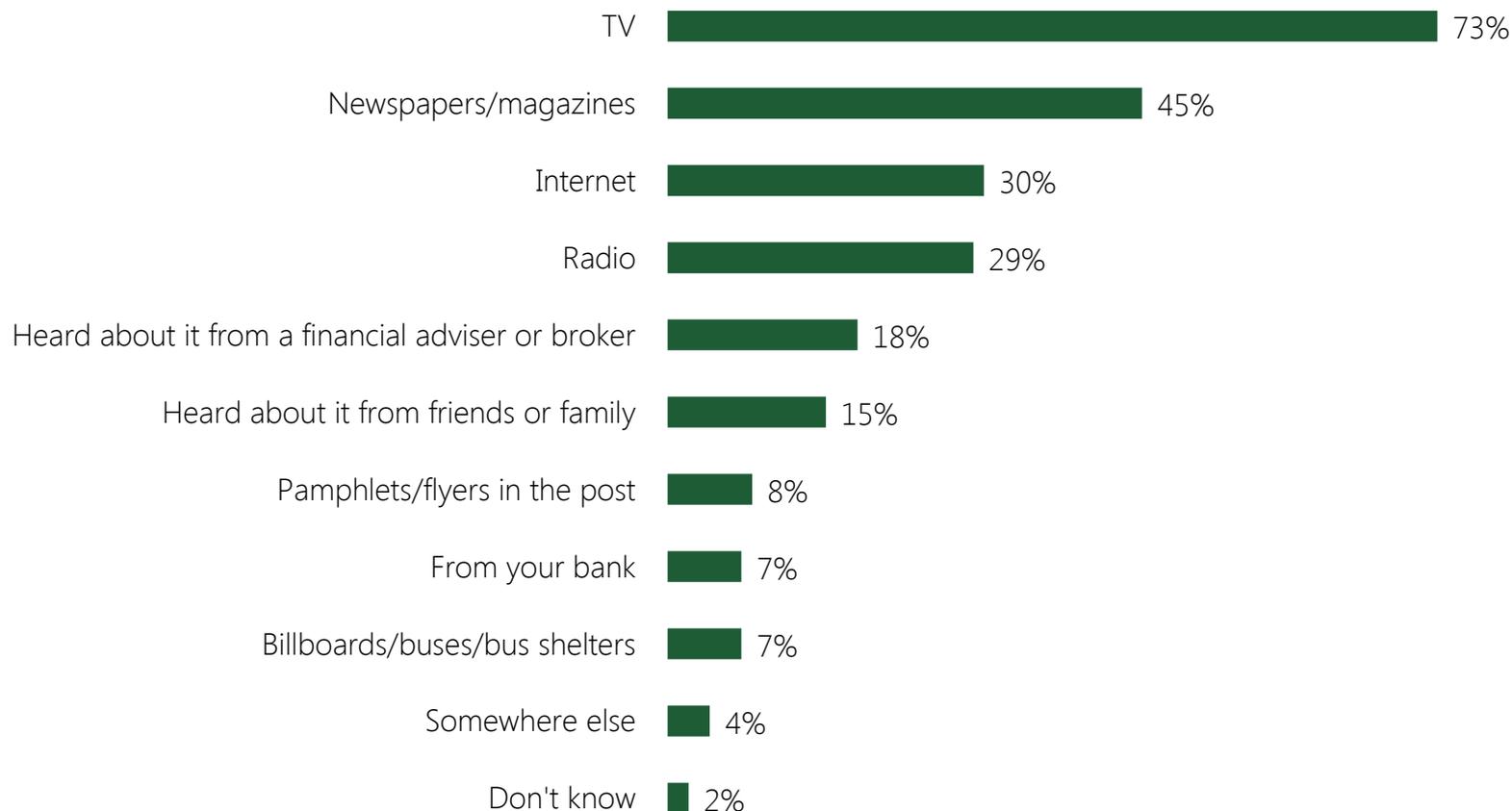
Mentions above 4% shown

Source: Online survey, Q8b – What were the main reasons you chose not to invest in this company/these companies?
Base: All who considered investing (n=102)

Sources of
information for
IPOs



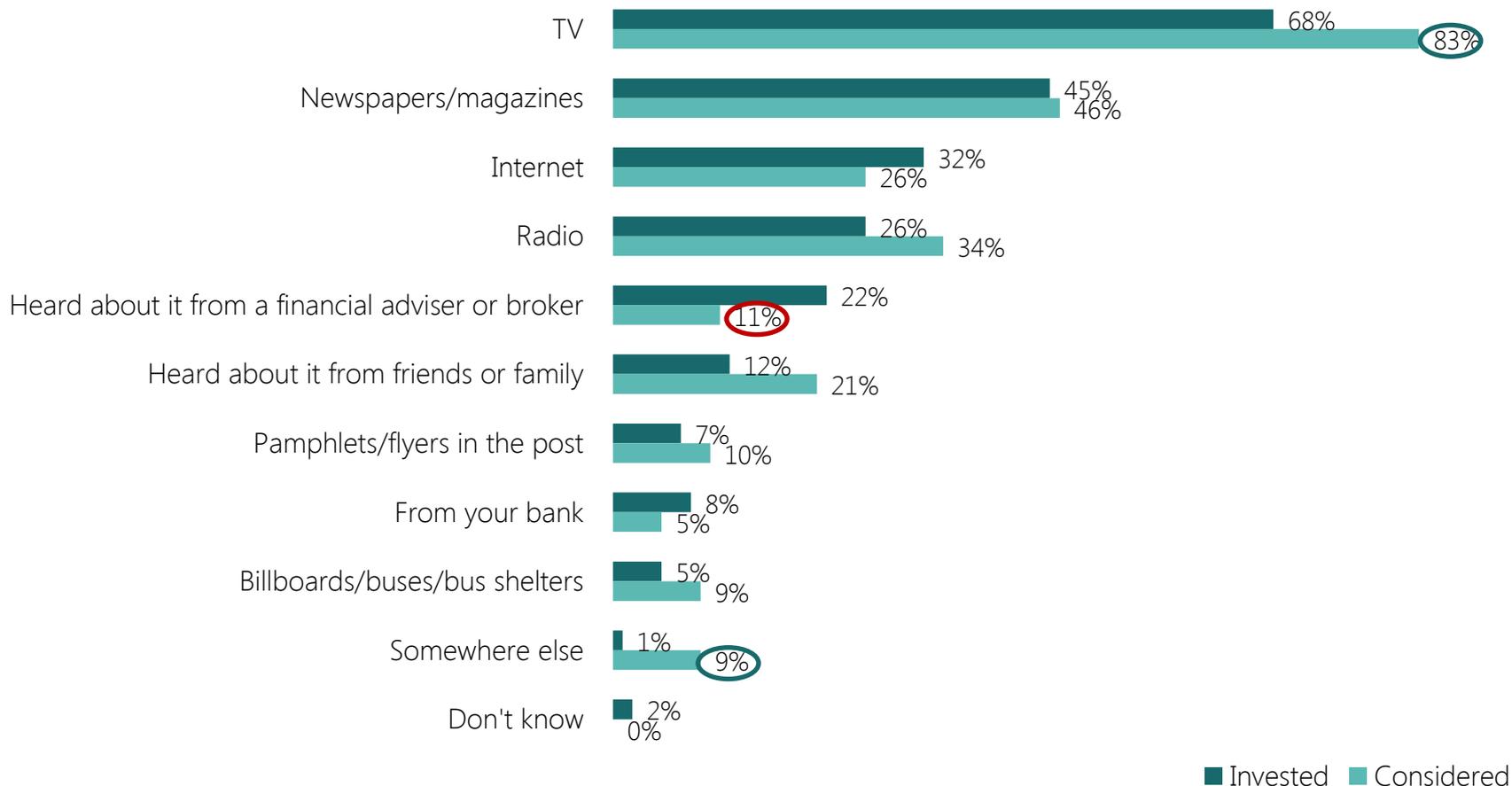
TV is the main way people first heard about recent IPOs



Source: Online survey, Q1a – Thinking back to when you first heard about the upcoming share offer, where did you first hear about the share offer you [invested/considered investing] in?

Base: All (n=303)

TV is the main source of initial information for both groups – but it is more widely used by those who decided not to proceed with the investment



Source: Online survey, Q1a – Thinking back to when you first heard about the upcoming share offer, where did you first hear about the share offer you [invested/considered investing] in?

Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

○ ○ Significantly higher/lower than those who invested

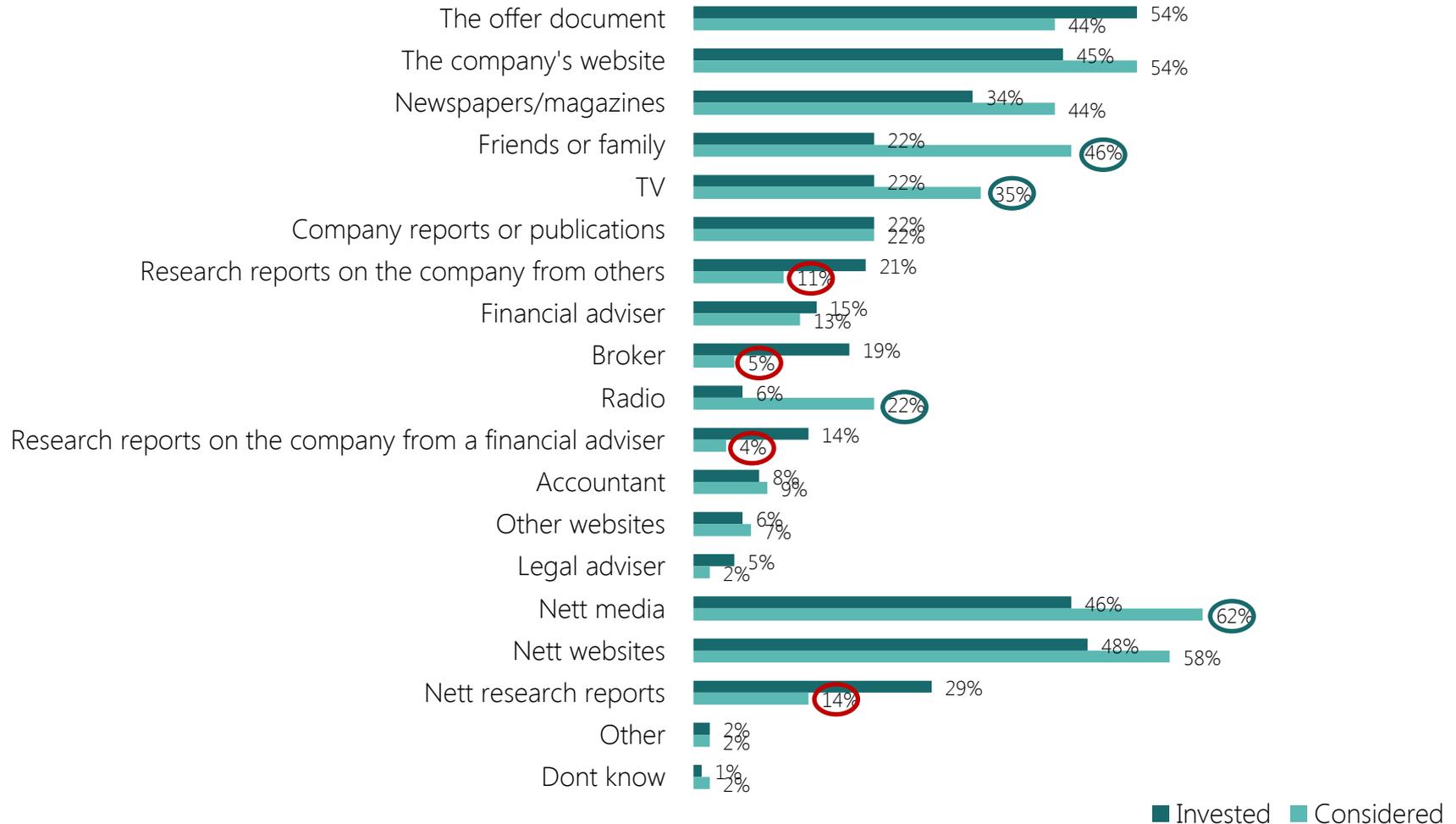
The top three information sources are the offer document, media and websites – these three are used equally by those looking into IPOs



Source: Online survey. Q1b – Thinking about when you decided to look into the share offer, what sources of information did you use to find out more about each of the offers you [invested/considered investing] in?

Base: All (n=303)

Those who decided not to invest are more likely to have used informal channels to look into the IPO, and are less likely to have looked at research reports or to have spoken to a broker

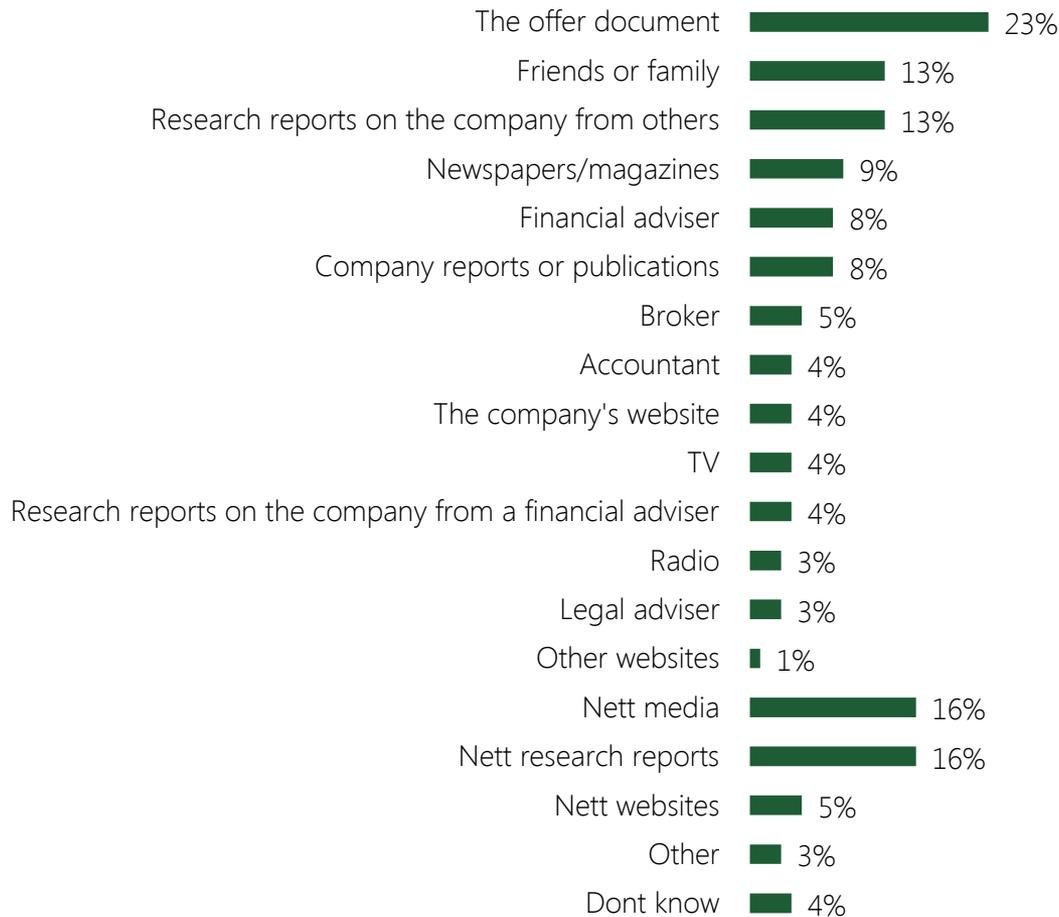


Source: Online survey, Q1b – Thinking about when you decided to look into the share offer, what sources of information did you use to find out more about each of the offers you [invested/considered investing] in?

Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

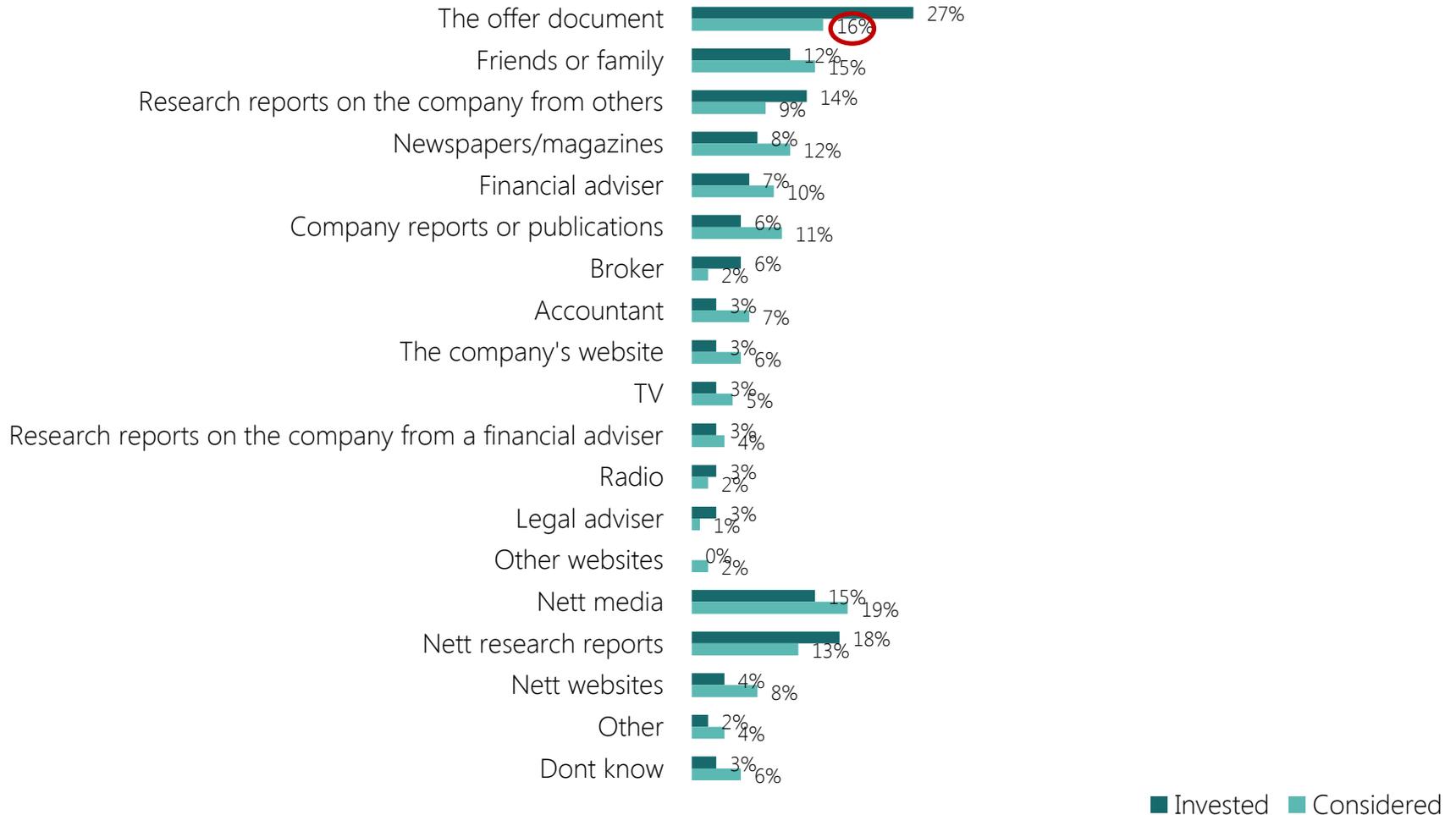
Legend: Blue circle = Significantly higher than those who invested; Red circle = Significantly lower than those who invested

The offer document is the most influential source of information – but media coverage, research reports and the views of family and friends also play a big part in the investment decision



Source: Online survey, Q1c – What was the most important source of information when making your decision whether or not to invest?
 Base: All (n=303)

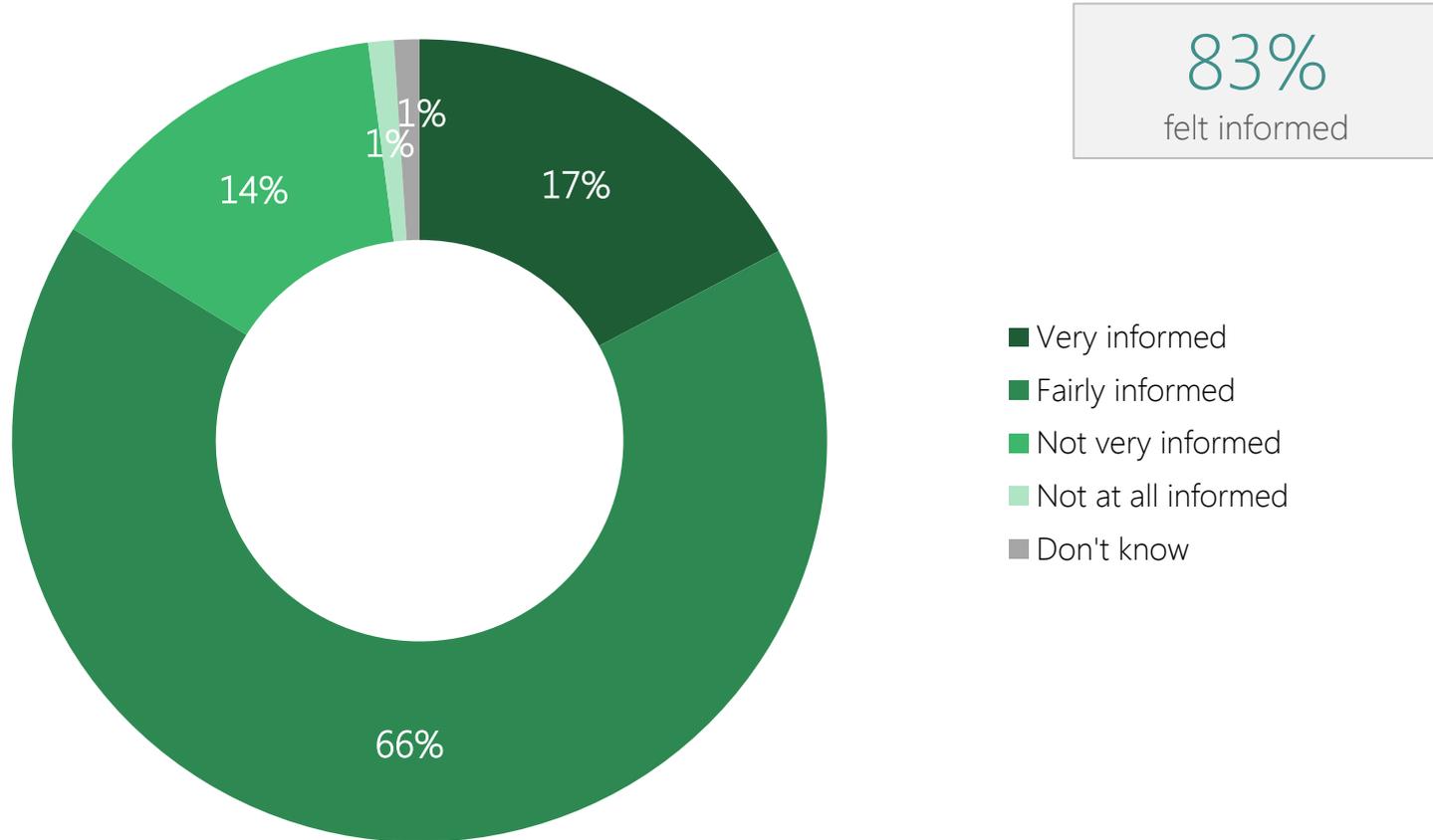
The offer document is less likely to be cited as an important source of information by those who decided not to invest



Source: Online survey, Q1c – What was the most important source of information when making your decision whether or not to invest?
 Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

○ ○ Significantly higher/lower than those who invested

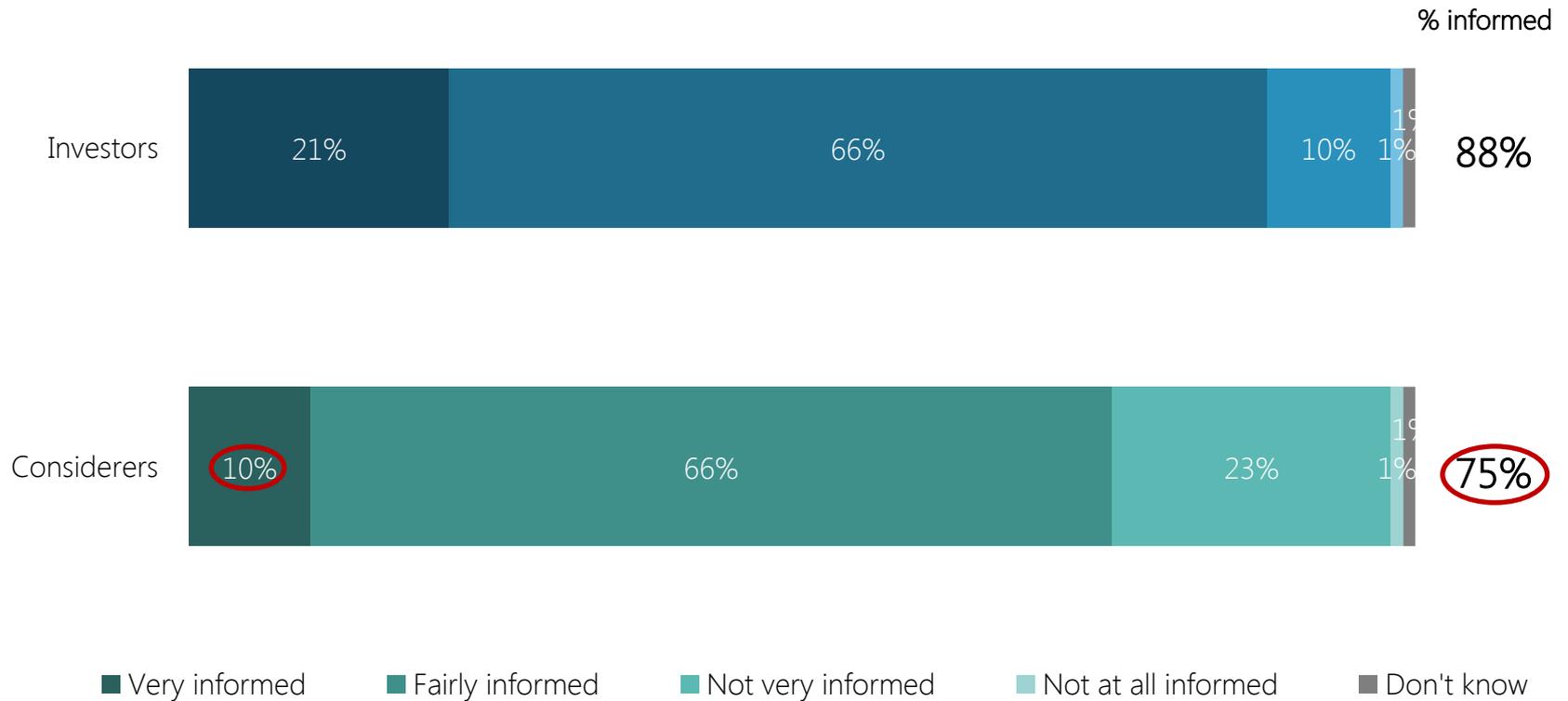
Considering all the information they received from all sources, most felt well informed before making their investment decision



Source: Online survey, Q6a – Thinking about the information from all the sources you looked at before making your investment decision, how well informed did you feel you were when you made the decision whether or not to invest?

Base: All (n=303)

People who chose not to invest are less likely to have felt informed before making their decision

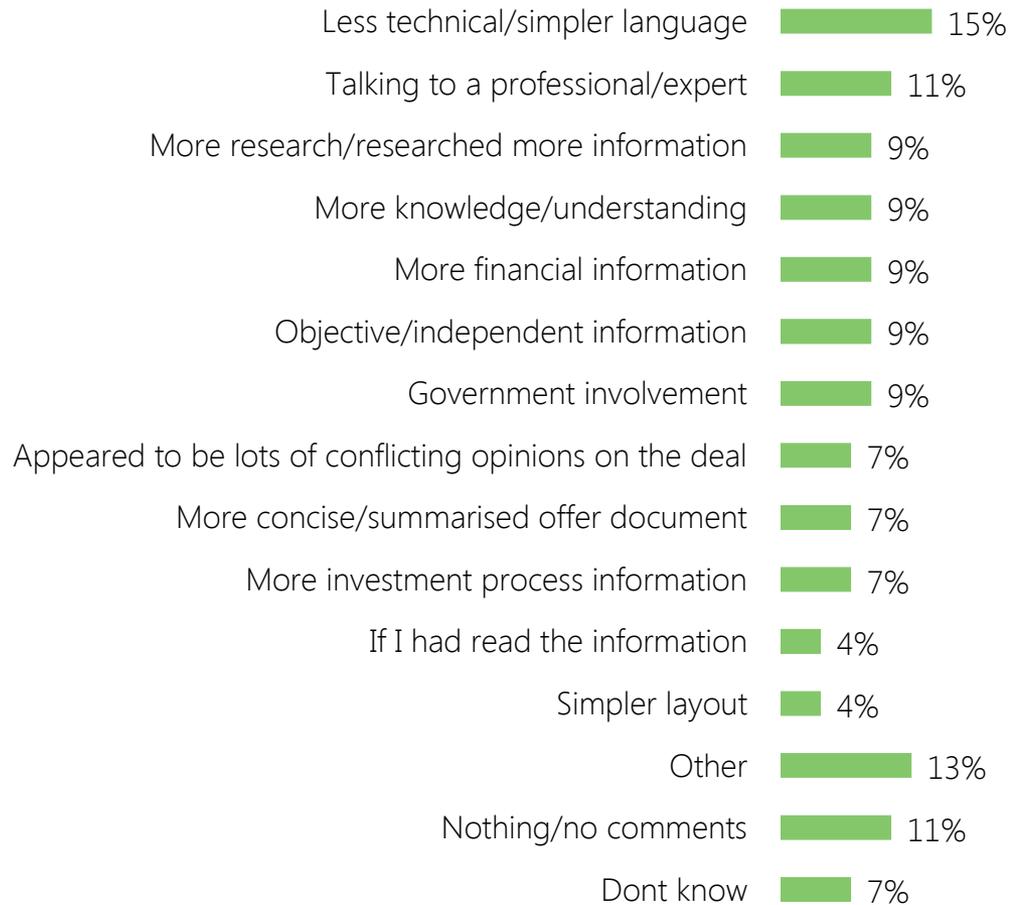


Source: Online survey, Q6a – Thinking about the information from all the sources you looked at before making your investment decision, how well informed did you feel you were when you made the decision whether or not to invest?

Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

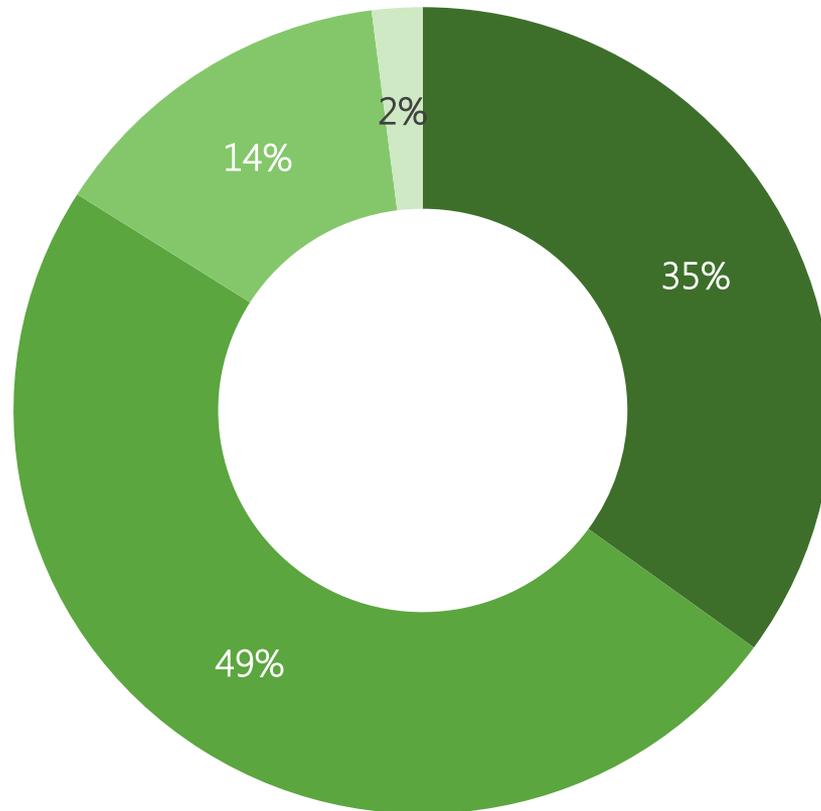
○ ○ Significantly higher/lower than those who invested

Those who did not feel informed are most likely to say that they would have felt better informed if the language used to discuss the IPO had been easier to understand



Source: Online survey, Q6b – What, if anything, would have made you feel more informed before making your decision whether or not to invest?
Base: All who did not feel informed (n=46)

Overall, most who looked into an IPO felt they understood the offer process, with a third feeling they understood it to a great extent



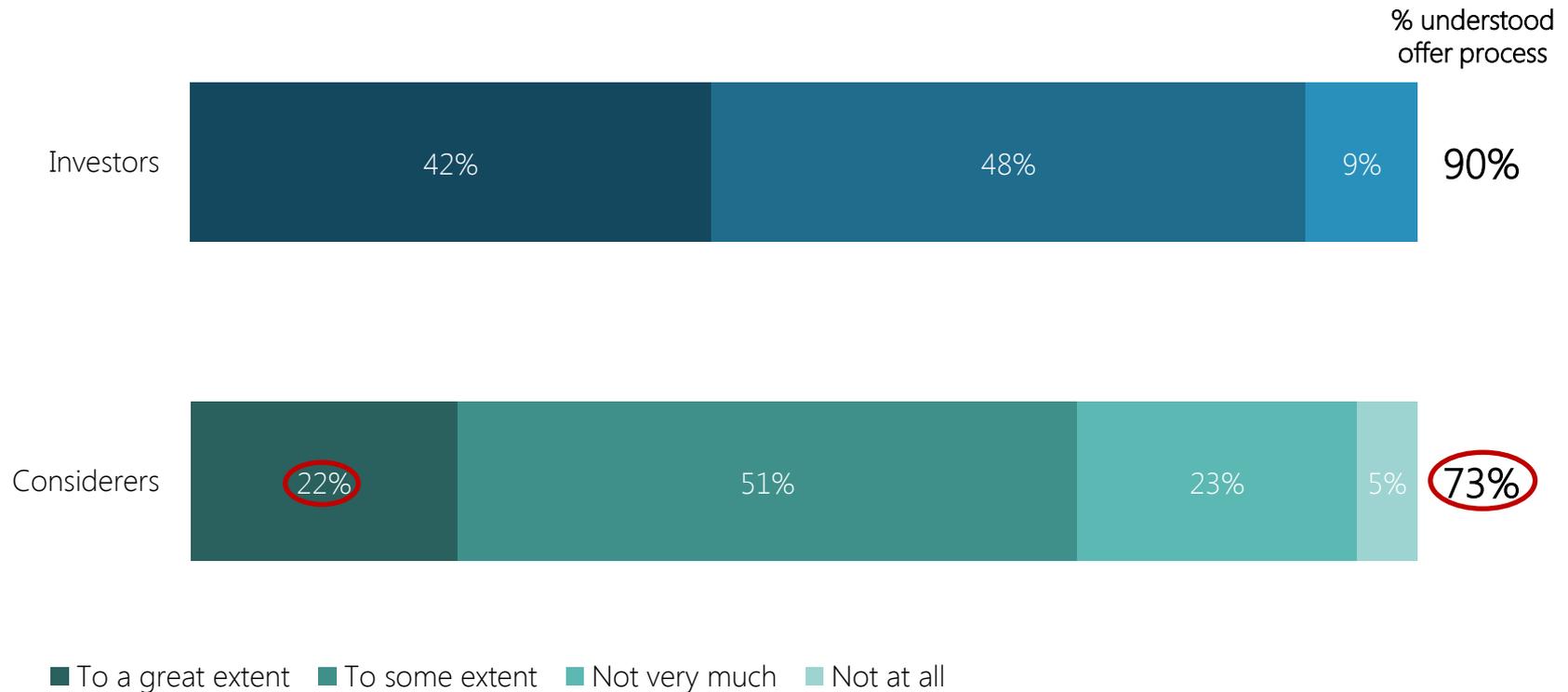
84%
felt they understood
the offer process

- To a great extent
- To some extent
- Not very much
- Not at all

Source: Online survey, Q7 – And overall, to what extent do you feel you understood the share offer process (from the offer being made, to the share price being struck/announced, to the shares being listed on the stock market).

Base: All (n=303)

However, those who decided not to invest are less likely to have understood the offer process



Source: Online survey, Q7 – And overall, to what extent do you feel you understood the share offer process (from the offer being made, to the share price being struck/announced, to the shares being listed on the stock market). Would you say you understood the offer process...?

Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

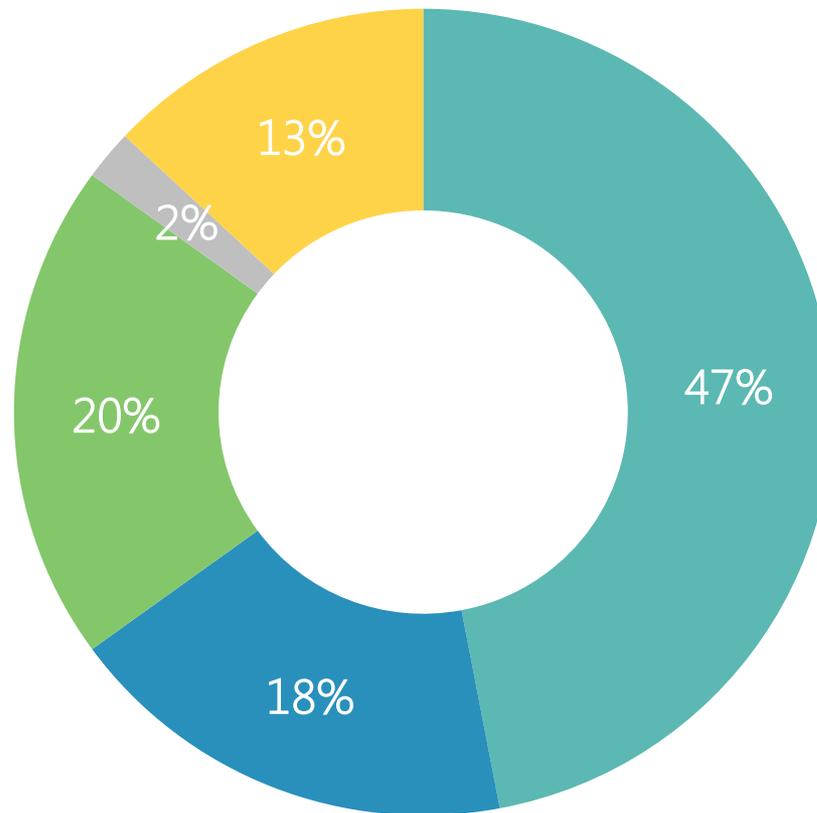
○ ○ Significantly higher/lower than those who invested

Offer documents



Those who looked into an IPO are more likely to review offer documents online than in hard copy – but one in eight people who considered an IPO didn't look at an offer document

NOTE: It was a requirement of some IPOs that the offer document be reviewed online, which is likely to have inflated the online figure and the overall proportion of people who reported reviewing offer documents



85%

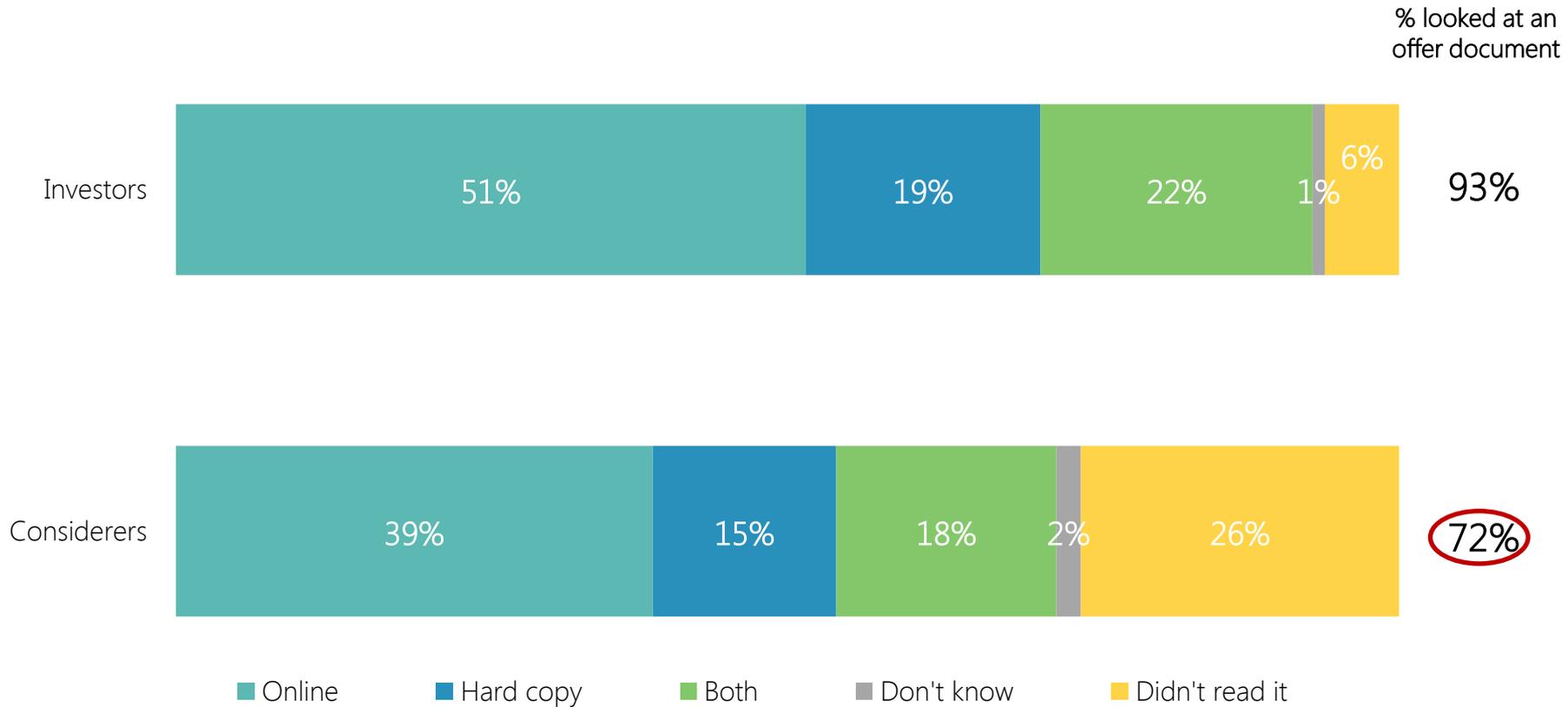
looked at an offer document

- Read it online
- Read it in hard copy
- Read it online and in hard copy
- Don't know
- Didn't read it

Source: Online survey, Q2 – Thinking now about the offer document, which includes a prospectus and an investment statement for the company you [invested/considered investing] in, did you read the offer document online, in hard copy or both?

Base: All (n=303)

Those who ultimately decided not to invest are less likely to have looked at an offer document

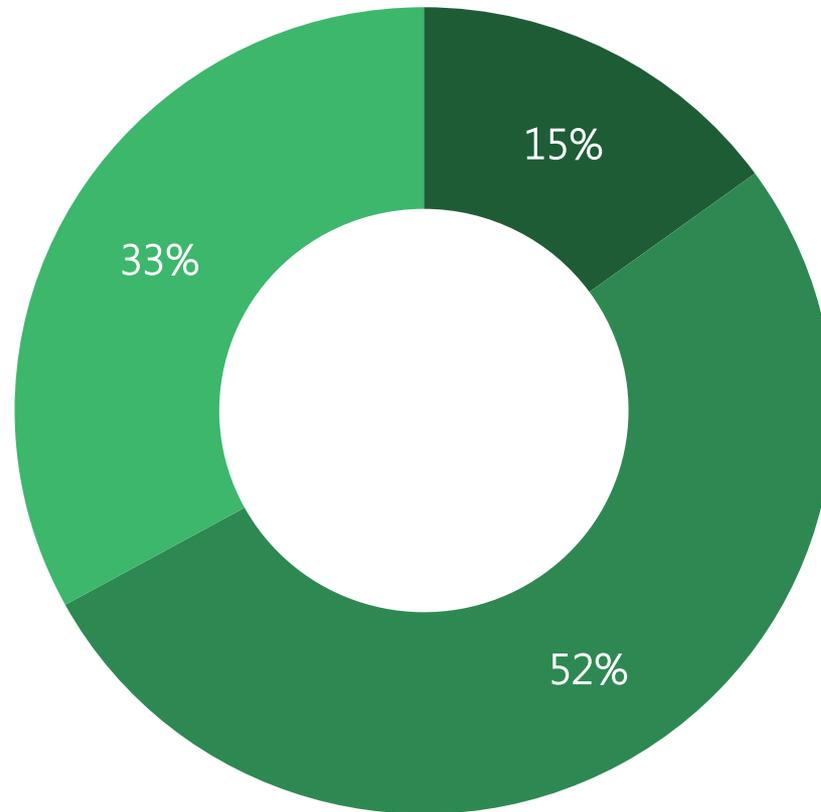


Source: Online survey, Q2 – Thinking now about the offer document, which includes a prospectus and an investment statement for the company you [invested/considered investing] in, did you read the offer document online, in hard copy or both?

Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

  Significantly higher/lower than those who invested

Of those who reviewed an offer document few people read the whole thing – for most it was dipped into rather than thoroughly read

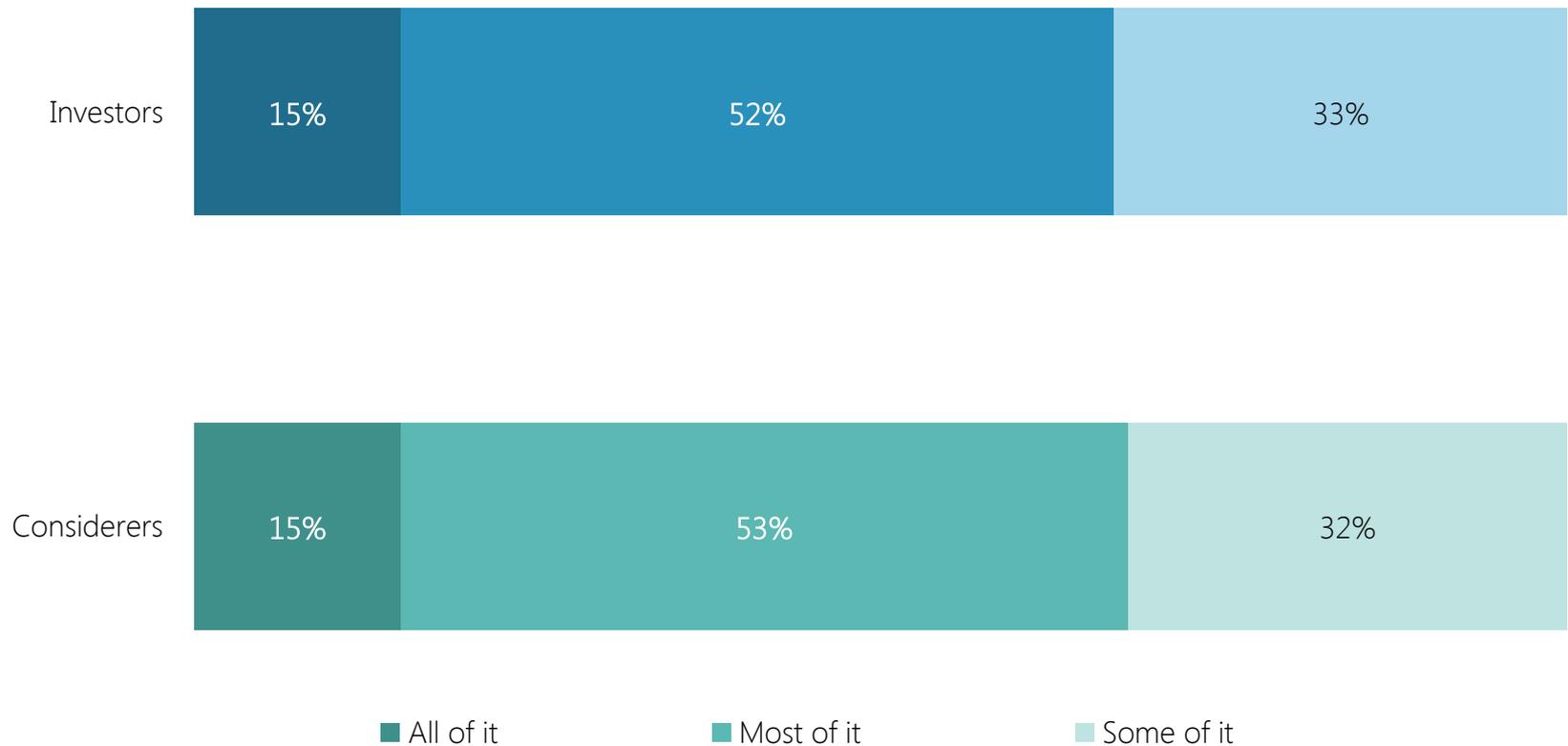


85%
read the offer document in part rather than cover to cover

- All of it
- Most of it
- Some of it

Source: Online survey, Q3 – How much of the offer document did you read?
Base: All who looked at the offer document (n=259)

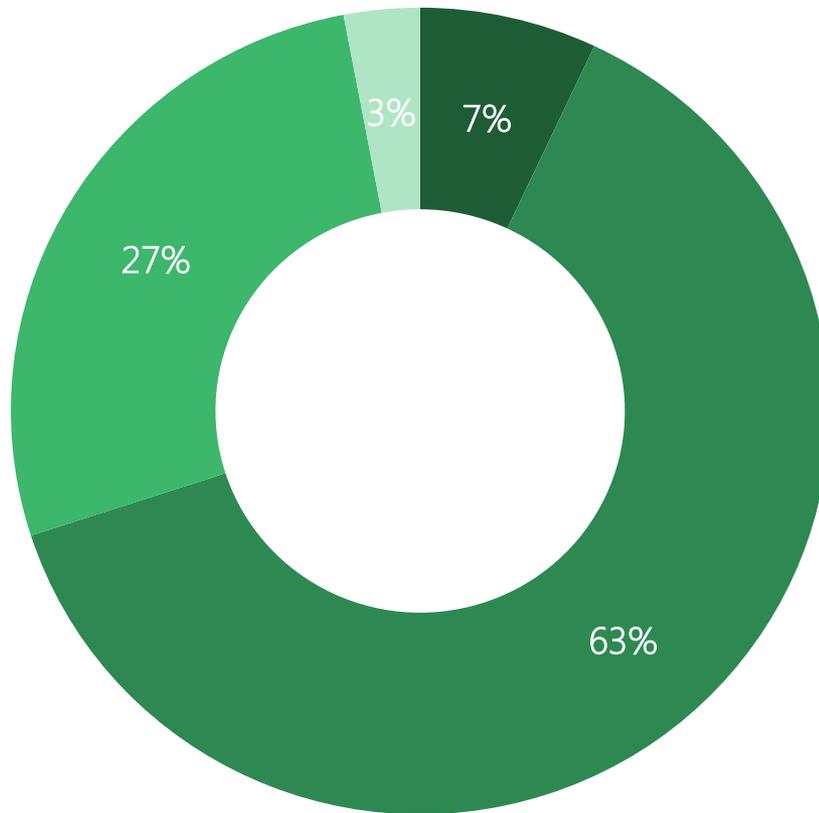
Both investors and those who considered investing are more likely to have read part of the document rather than reviewing it in its entirety



Source: Online survey, Q3 – How much of the offer document did you read?

Base: All who looked at the offer document and invested in a recent IPO (n=186) or considered investing (n=73)

Most who looked at an offer document say it was easy to understand – but few describe it as ‘very easy’ to understand



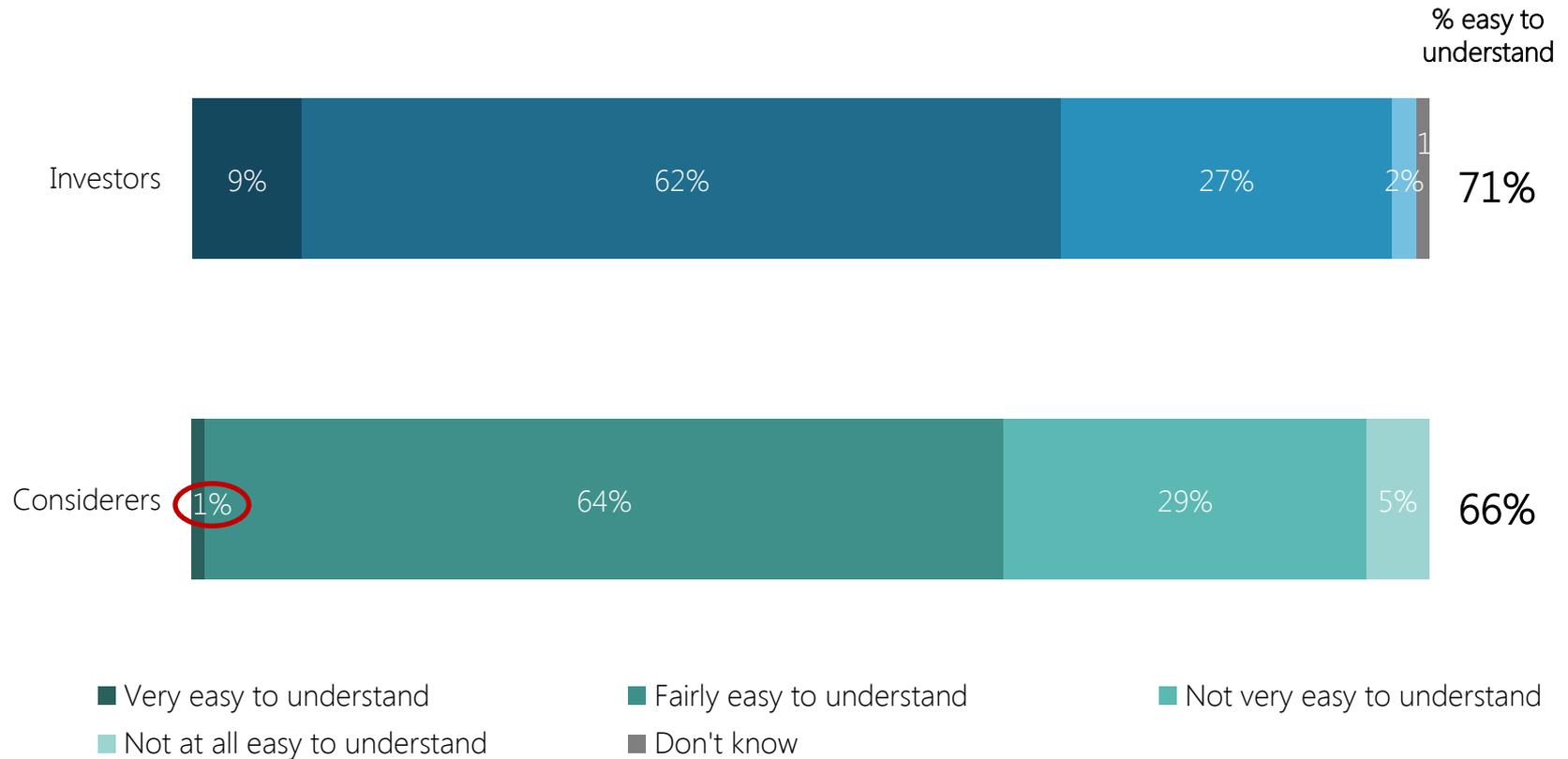
69%

of those who looked at an offer document felt it was easy to understand

- Very easy to understand
- Fairly easy to understand
- Not very easy to understand
- Not at all easy to understand

Source: Online survey, Q4 – How would you describe how easy it was to understand the offer document?
Base: All who looked at the offer document (n=259)

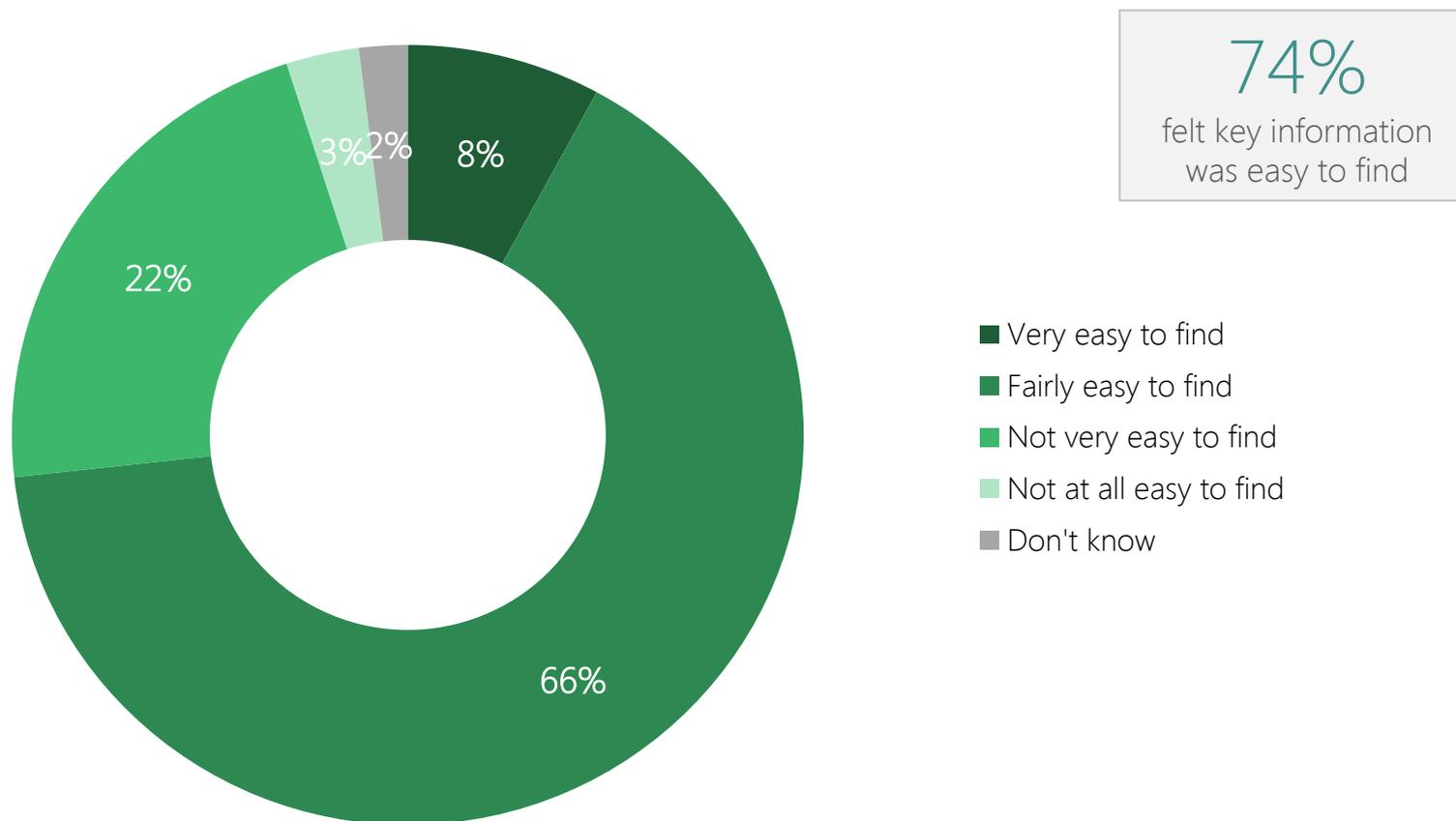
The level of understanding is similar overall, but those who decided not to invest are much less likely to say the offer document was 'very easy' to understand



Source: Online survey, Q4 – How would you describe how easy it was to understand the offer document?
 Base: All who looked at the offer document and invested in a recent IPO (n=186) or considered investing (n=73)

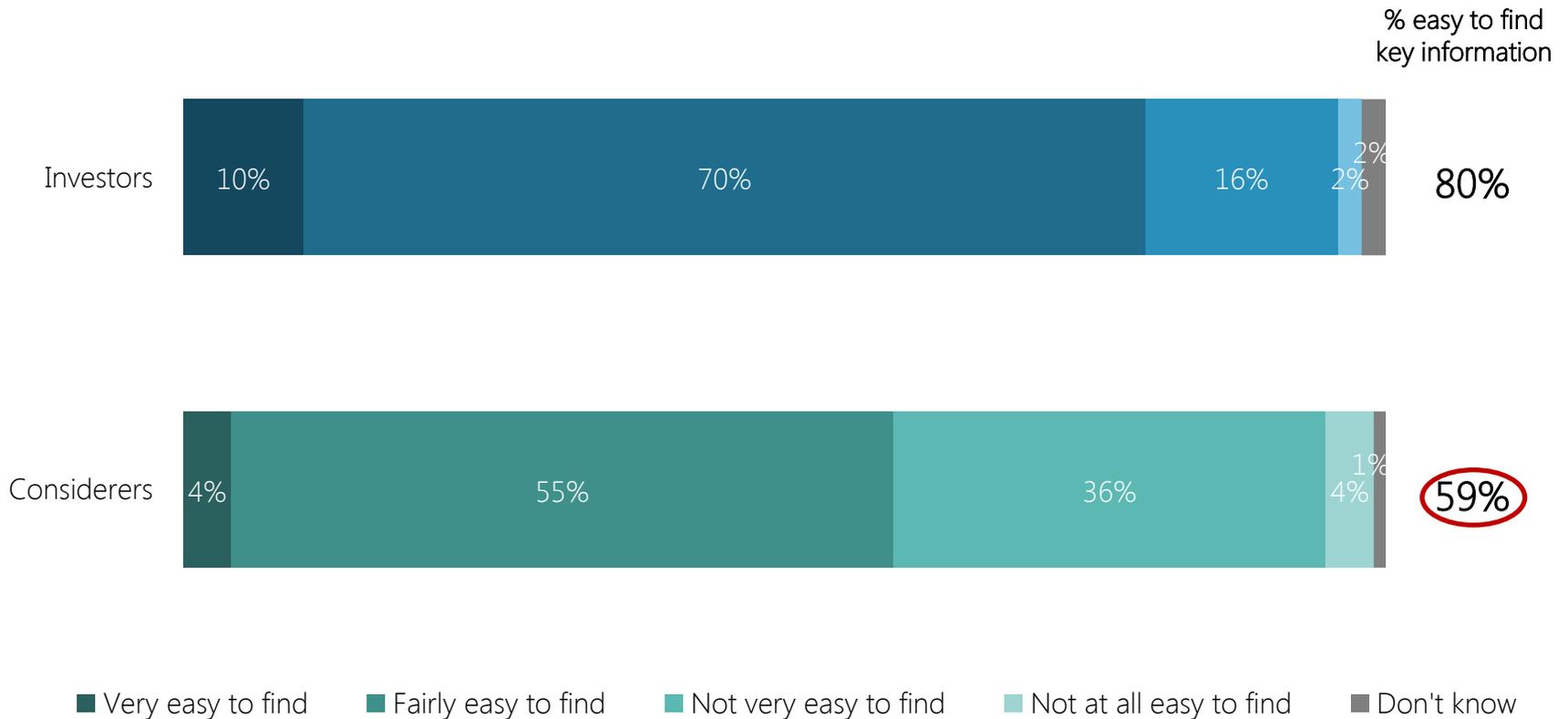
○ ○ Significantly higher/lower than those who invested

While most of those who looked at an offer document thought it was easy enough to find key information few thought it was 'very easy' – and 24% didn't think key information was easy to find



Source: Online survey, Q5 – How would you describe how easy it was to find key information in the offer document?
Base: All who looked at the offer document (n=259)

Those who reviewed an offer document but decided not to invest are much less likely to say it was easy to find key information in the offer document



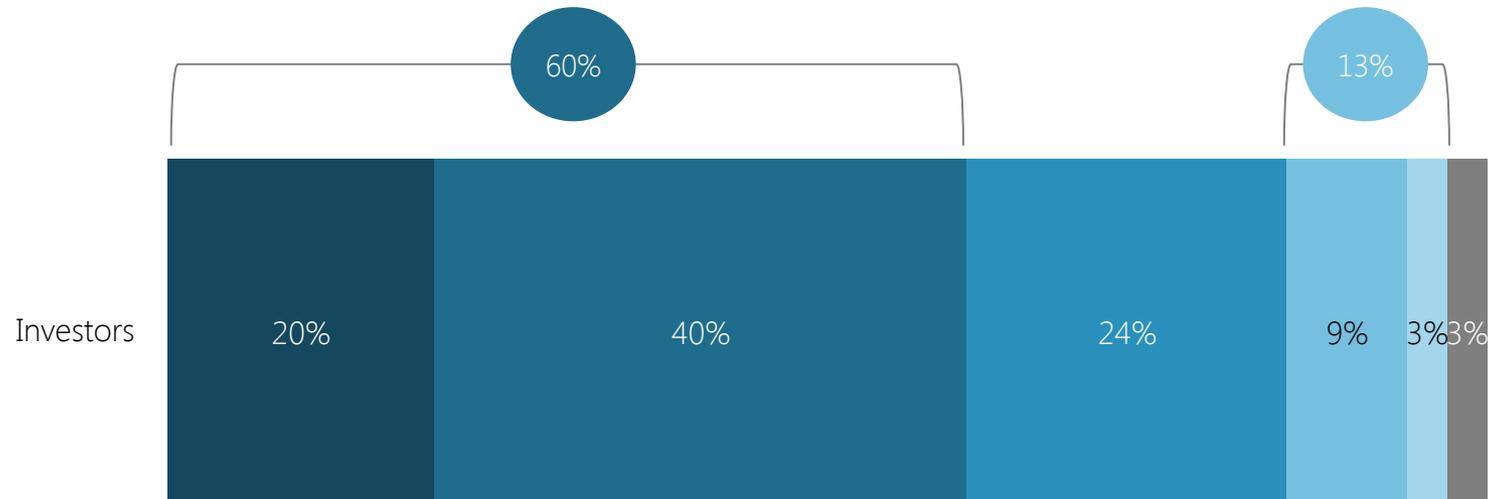
Source: Online survey, Q5 – How would you describe how easy it was to find key information in the offer document?
 Base: All who looked at the offer document and invested in a recent IPO (n=186) or considered investing (n=73)

59% Significantly higher/lower than those who invested

Responses to
the IPO
experience



Six in ten investors are satisfied with their IPO investment

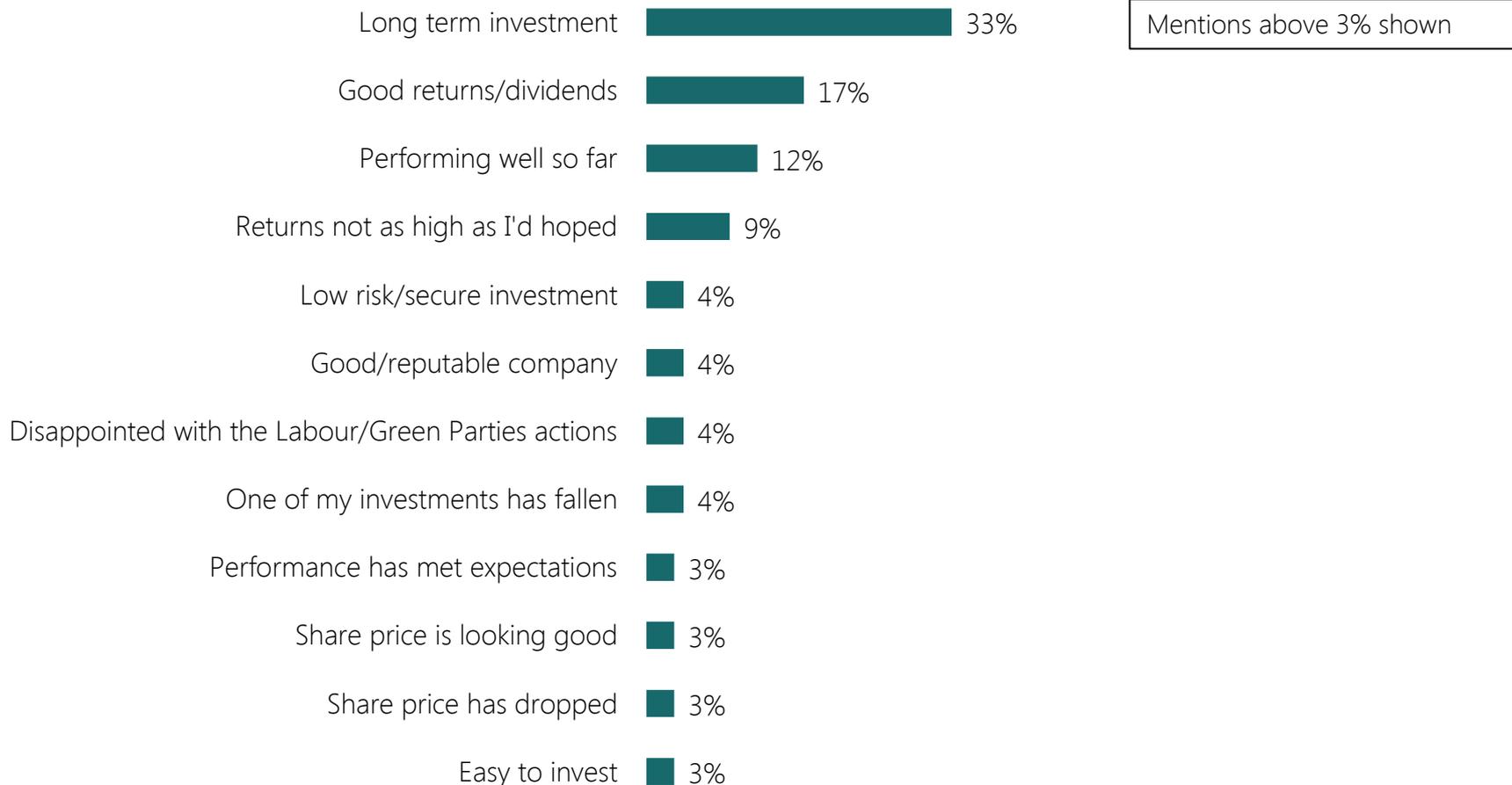


■ Very satisfied ■ Fairly satisfied ■ Neither satisfied nor dissatisfied ■ Fairly dissatisfied ■ Very dissatisfied ■ Don't know

Source: Online survey, Q12 – Which of the following statements best describes how you feel about the shares you purchased in this company/these companies?

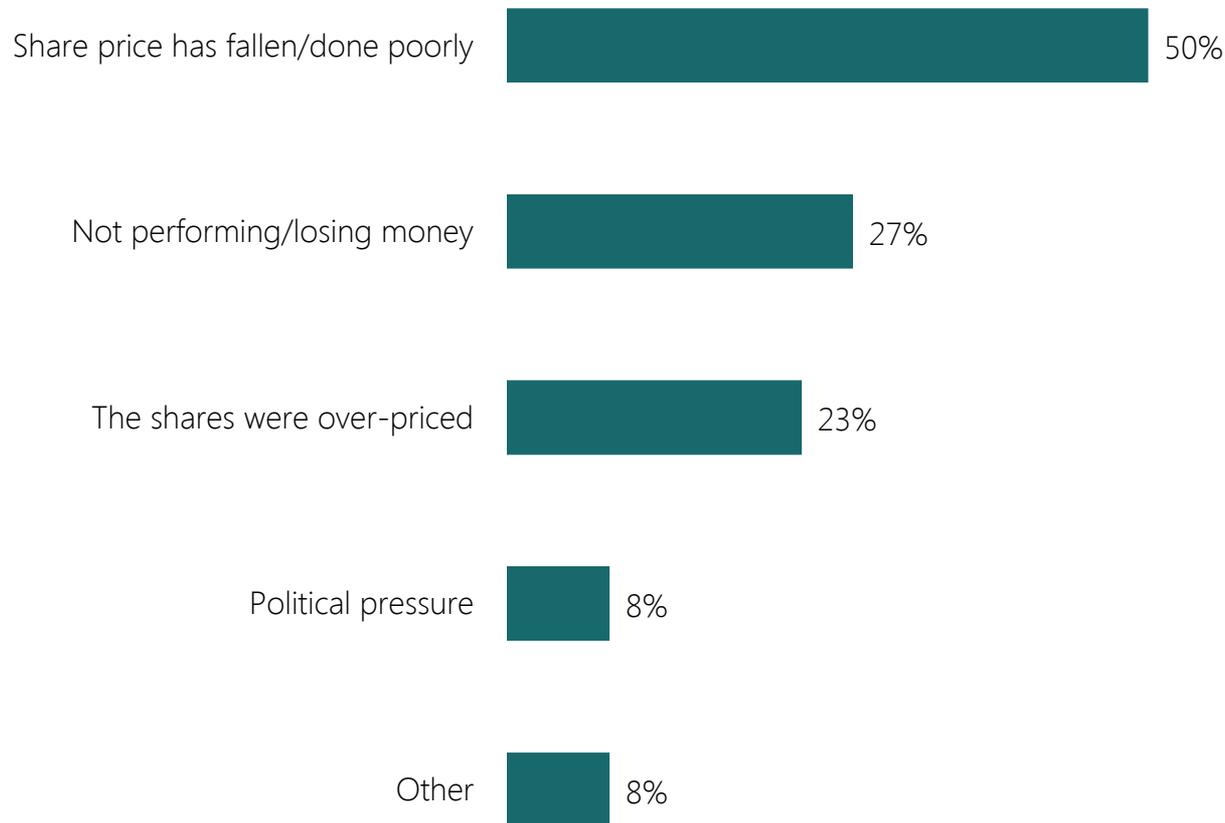
Base: All who invested in a recent IPO (n=201)

The main reason investors are satisfied is that they see their IPO share purchase as a long term investment. Satisfaction with returns so far is another common theme



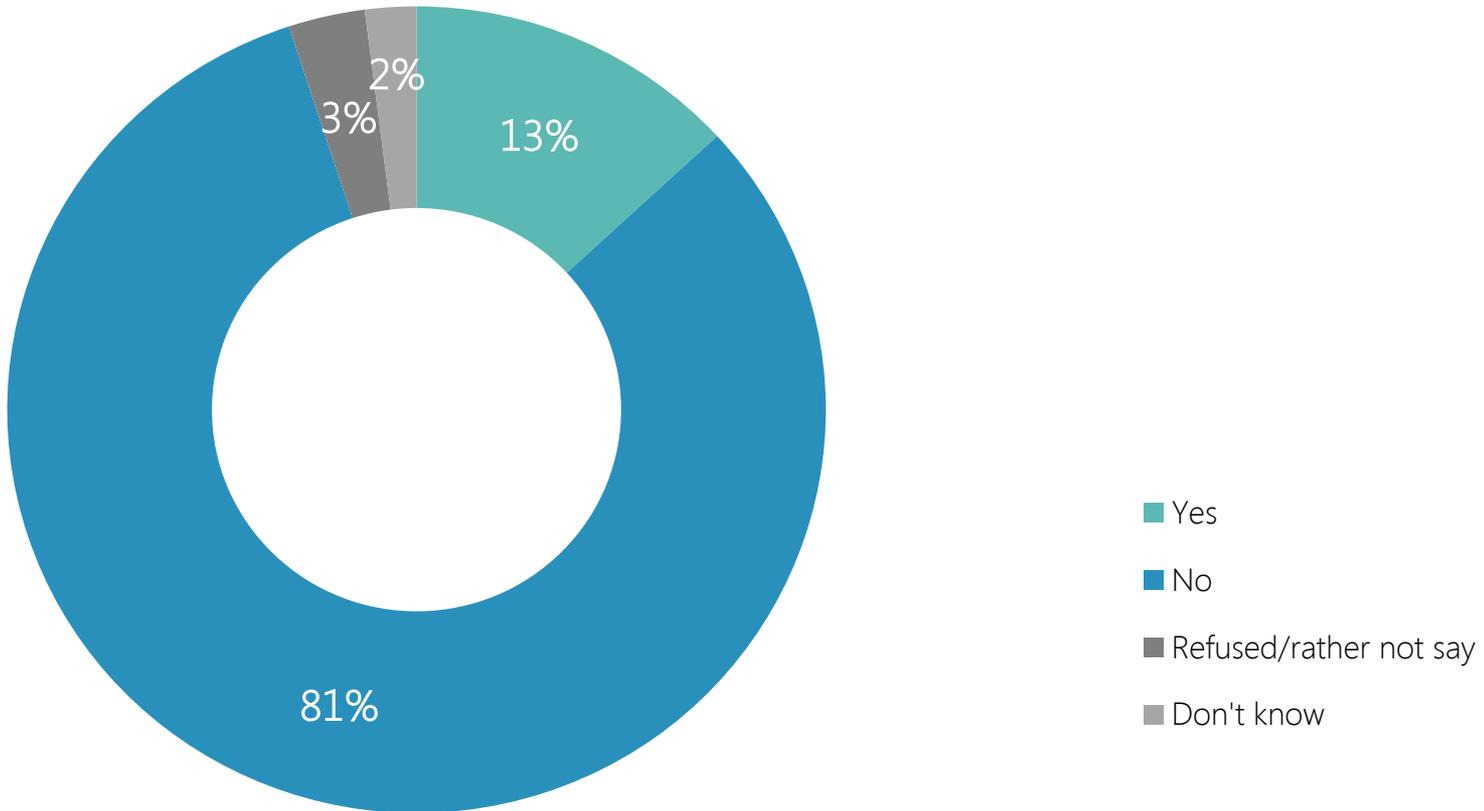
Source: Online survey, Q13a – You said you were [very/fairly] satisfied with your investment. Why do you say that?
Base: All who invested in a recent IPO and are satisfied with their investment (n=121)

A disappointing share price is the main reason for dissatisfaction



Source: Online survey, Q13b – You said you were [very/fairly] dissatisfied with your investment. Why do you say that?
Base: All who invested in a recent IPO and are dissatisfied with their investment (n=26)

One in eight investors have gone on to buy additional shares in the companies they invested in during an IPO

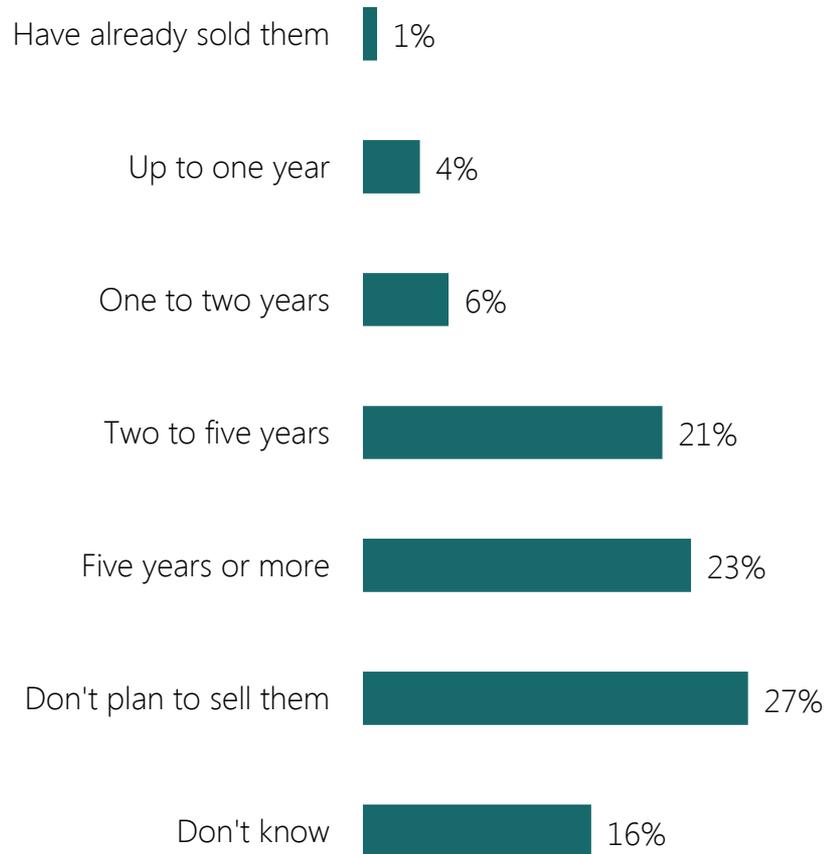


Source: Online survey, Q11c – Have you bought any additional shares after the initial offer period [for each of the companies you invested in]?

Base: All who invested in a recent IPO (n=201)

○ ○ Significantly higher/lower than those who invested

For most, their investment is for the long term – a quarter intend keeping their shares for five years or more, and a similar proportion don't intend to sell them



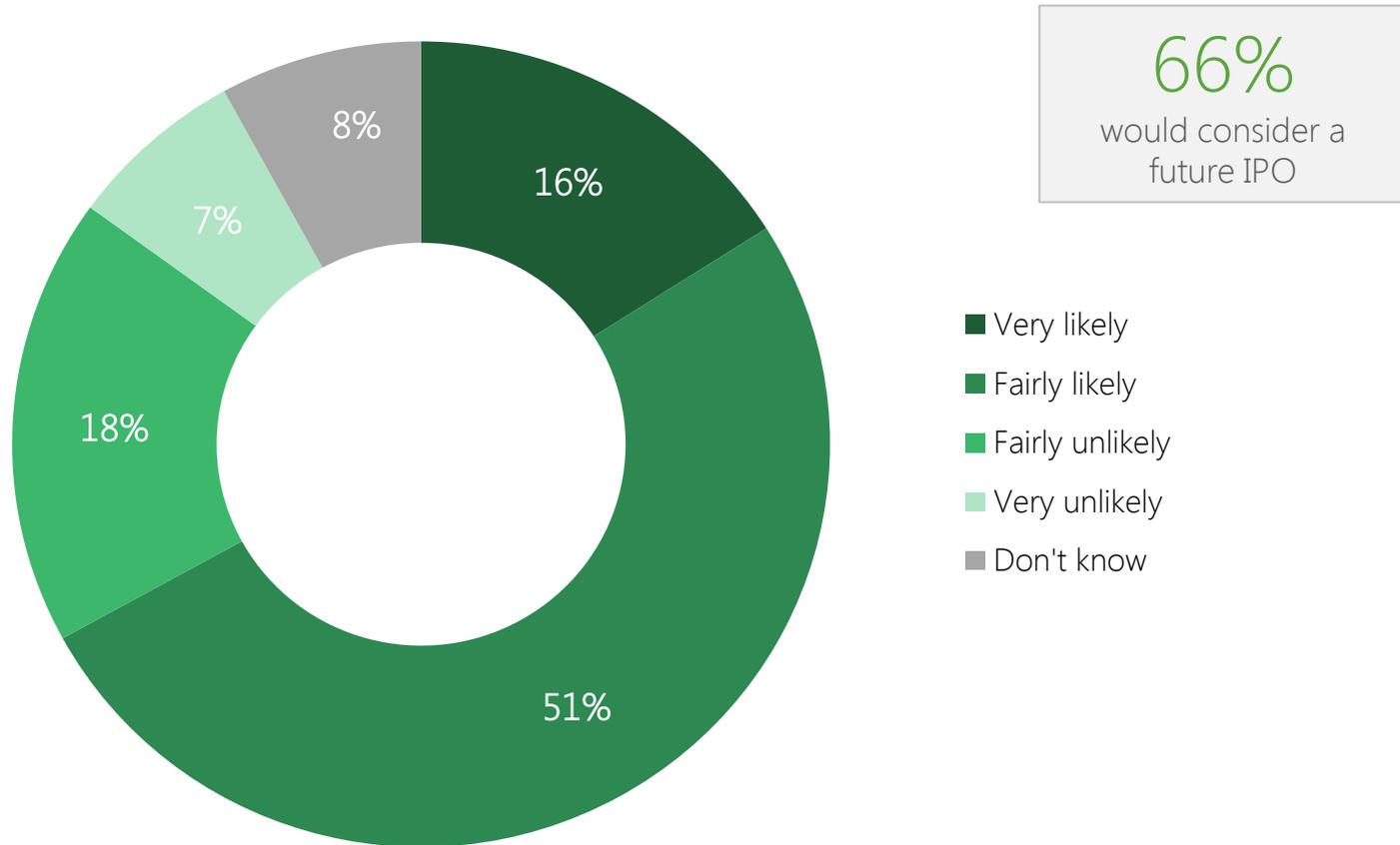
Source: Online survey, Q14 – How long do you plan to keep the shares you purchased in [this company/these companies]?
Base: All who invested in a recent IPO (n=201)

Vast majority who invested would have used the money they spent on shares in an IPO to fund another type of investment – only one in ten would have spent it



Source: Online survey, Q9 – If you hadn't bought these shares, what do you think you would have done with the money you invested?
Base: All who invested in a recent IPO (n=201)

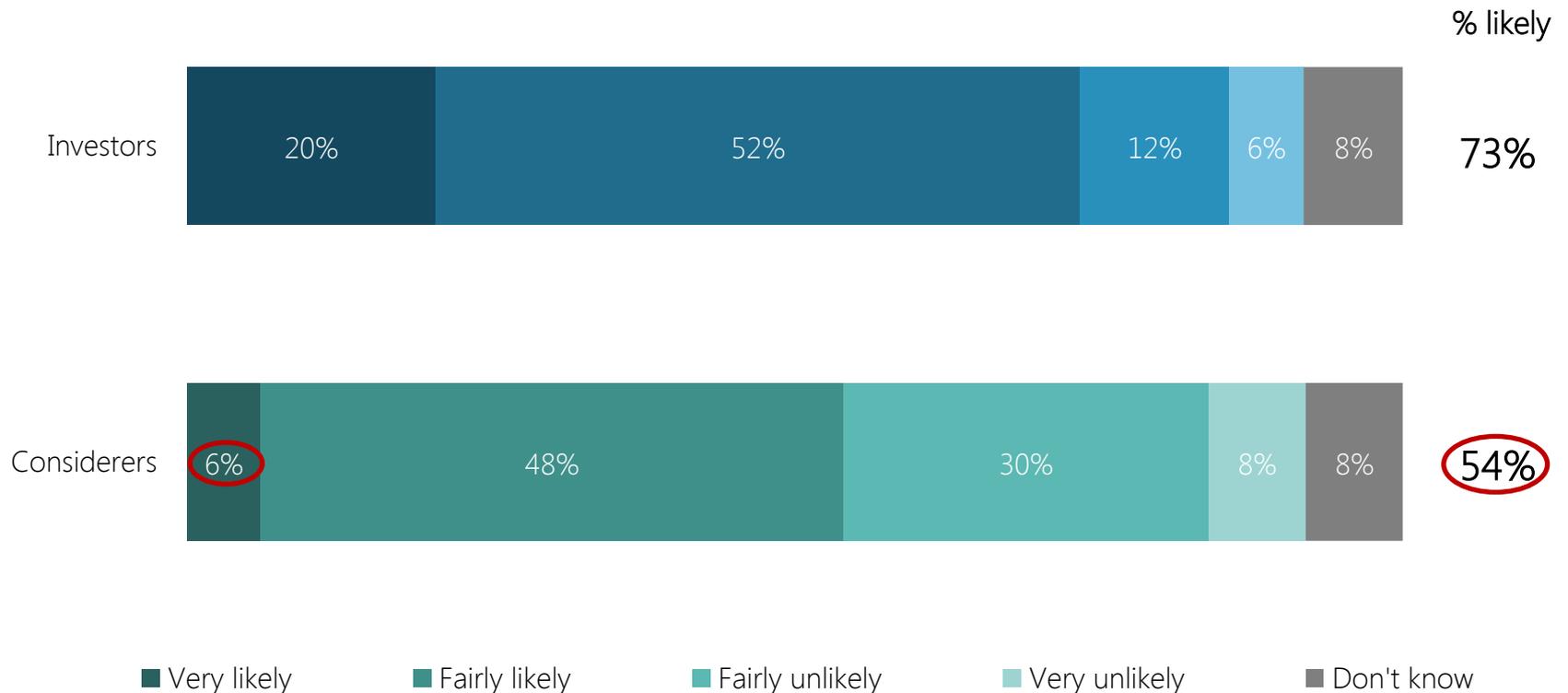
Most would consider a future IPO – but a quarter (25%) would not



Source: Online survey, Q15 – How likely are you to consider investing in another company during an initial offer period? Please exclude any shares you might buy through a managed fund where purchases are made on behalf of groups of investors (i.e. KiwiSaver, other group schemes where you do not personally choose which shares to buy)?

Base: All (n=303)

Those who decided against investing in a recent IPO are less likely to consider future IPOs



Source: Online survey, Q15 – How likely are you to consider investing in another company during an initial offer period? Please exclude any shares you might buy through a managed fund where purchases are made on behalf of groups of investors (i.e. KiwiSaver, other group schemes where you do not personally choose which shares to buy)?

Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

○ ○ Significantly higher/lower than those who invested

Summary of
findings from
the online
survey



Attitudes towards investing in New Zealand's markets

- Confidence in New Zealand's financial markets is high - three quarters (75%) of those who considered or invested in a recent IPO have confidence in our financial markets. Those who invested in a recent IPO are more confident in the markets than those who did not (81% cf. 63%). Interest in the markets is high among those who engaged with a recent IPO, with the majority (80%) expressing an interest in New Zealand's financial markets.

Investor experience of IPOs

- Those who decided to invest in a recent IPO did so for three key reasons: out of a desire to diversify their portfolio (48%), the potential returns/growth/dividends from the investment (47%) and wanting to invest in a New Zealand company (46%).
- Nearly half (44%) of investors bought their IPO shares through a company website. Brokers are the next most frequently used channel to buy shares (34%).
- Investors are most likely to put between \$1,000 and \$5,000 into an IPO (48% invested this amount).
- Among those who chose not to proceed with the investment the main barrier to investing was a lack of funds (26%), but the perceived security of the investment (14%) and political considerations (12%) also played a role in rejecting an IPO investment.
- Three quarters (73%) of those who engaged with a recent IPO first heard about the offer on TV. While TV is the main source of initial information about an offer the main media channel used to find out more about an IPO is print – 38% say they used newspapers/magazines to source more information, cf. 27% for TV. Overall, the top three sources of information to find out more about an IPO are offer documents, media outlets and websites (51% each).
- The large majority (83%) of those who looked into a recent IPO felt well informed before making their investment decision. However, those who decided not to invest are less likely to feel this way (75% cf. 88% of those who invested). Among those who did not feel well informed the main suggestion for making people feel more informed is to make the language used to discuss IPOs easier to understand (15%).
- There was a good understanding of the offer process for recent IPOs – 84% say they understood the process for the offer or offers they invested in, with 35% saying they understood the offer process to a great extent. However, those who decided not to invest are less likely to say they understood the process (73% cf. 90% of those who invested).

Offer documents

- As outlined above, offer documents are a key source of information in the decision whether or not to invest in an IPO. The large majority (85%) of those who engaged with a recent IPO looked at the relevant offer document. Offer documents were most likely to be accessed online (possibly to satisfy the registration/purchase requirements of some IPOs), with nearly half (47%) of those who engaged with an IPO accessing offer documents in this way. Those who decided not to proceed with the investment are less likely to have looked at an offer document (72% cf. 93% of those who invested). Overall, one in eight (13%) of those looking into an IPO did not review the offer document.
- Those who did look at an offer document are much more likely to have dipped in and out of the document rather than read it cover to cover (85% read it in part cf. 15% who read the whole thing). The majority (69%) of those who looked at an offer document said it was easy to understand, but only a few (7%) thought it was very easy to understand offer documents.
- Key information was seen as easy to find by three quarters (74%) of those who looked at an offer document, but just 8% thought information was very easy to find, and 24% could not locate key information easily. Those who decided not to invest are less likely to say they were able to find key information with ease (59% cf. 80% of those who invested).

Responses to the IPO investment experience

- Six-in-ten (60%) investors are satisfied with their IPO investment and a sizeable proportion (13%) have gone on to buy additional shares in the company/companies they invested in during an IPO.
- Most see their investment as a long-term commitment, with a quarter (23%) planning to keep their shares for five years or more and the same proportion (27%) have no plans to part with their shares.
- Overall, two thirds (66%) of those who considered or invested in a recent IPO would consider a future IPO, with those who invested this time around being more likely than those who did not to invest in a subsequent IPO (73% cf. 54%).



Findings from the qualitative interviews



Understanding
motivations and
attitudes to
investing



Two **key similarities** when considering an investment

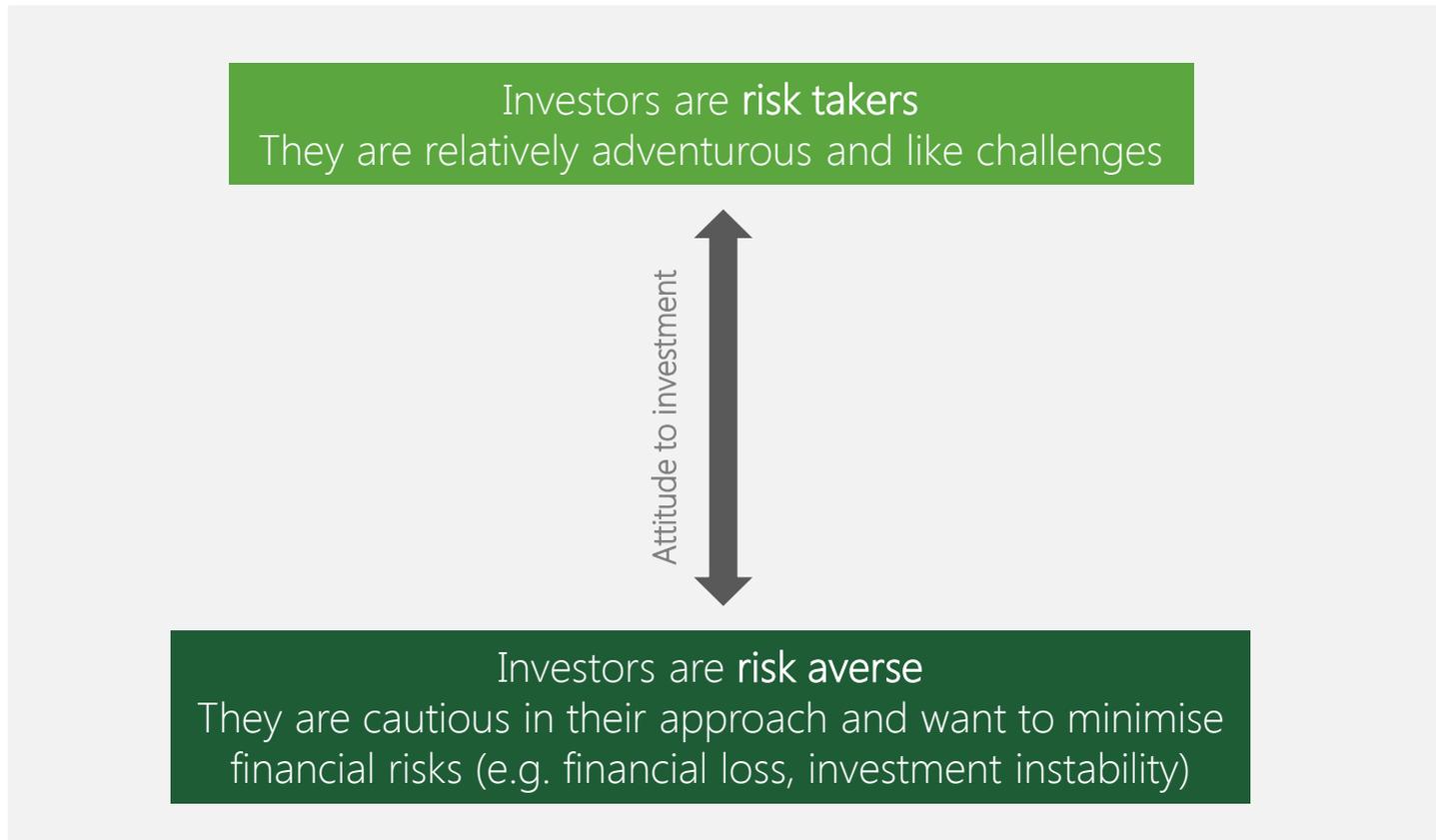


All want to make the right investment decisions to ensure a good lifestyle for themselves and their family, as well as ensure they have enough money to meet their future needs.

All are also conscious that 'putting all their eggs in one basket' can be a dangerous financial strategy if something goes wrong. Therefore, they aim to diversify their investment portfolio (e.g. property, term deposit, savings) and consider shares a viable means to do this.

Investors/potential investors also differentiate themselves along **two dimensions** when thinking about investing

The first dimension that separates different types of investors is their **attitude to risk**. It relates to the level of risk that investors are comfortable with when making financial investments.



Investors/potential investors also differentiate themselves along **two dimensions** when thinking about investing, *continued*

The second dimension that separates different types of investors is their **personal involvement in the investment**. It relates to investors' level of involvement when they make decisions to invest and manage their investments.

Investors are **hands-on** in their approach to investing

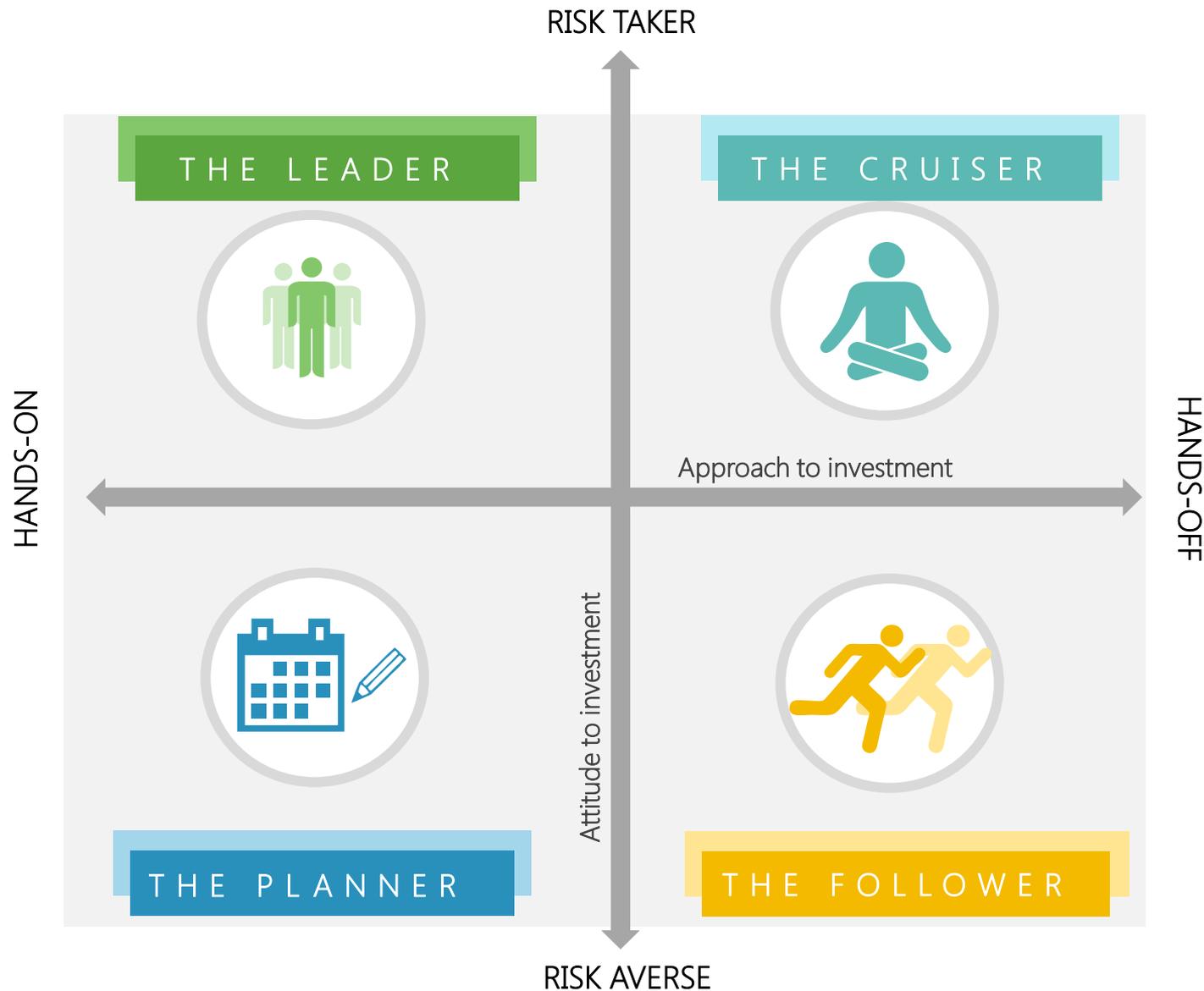
They want to make the decision to invest themselves and to manage their financial investments. They are proactive and relatively confident in making decisions and managing their investments

Approach to investment

Investors are **hands-off** in their approach to investing

They heavily rely on others, or even delegate, the responsibility of making investment decisions and managing their investments

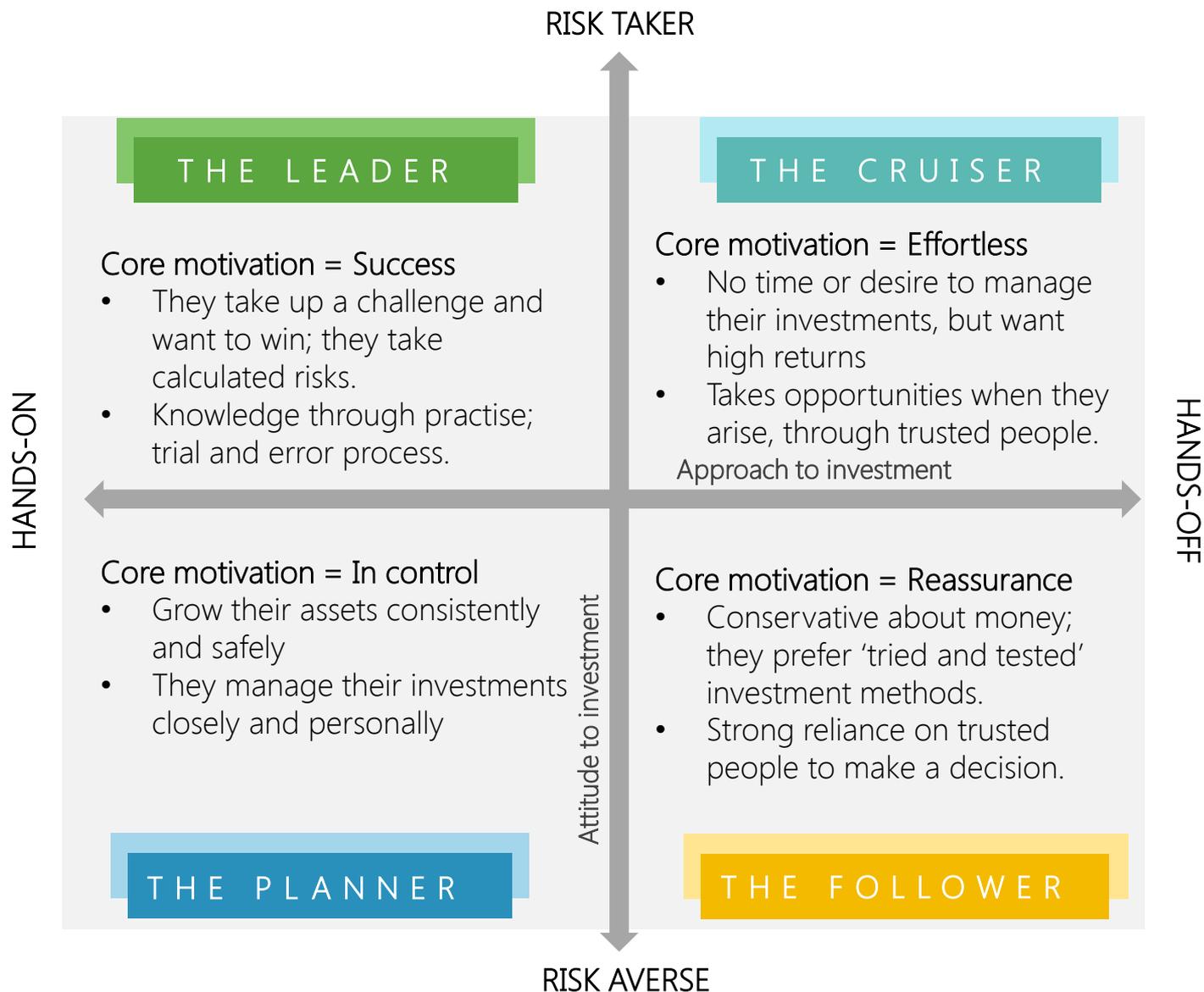
Investors/potential investors can fit anywhere along these two dimensions, and the interaction of the two dimensions defines their investment motivations



Investors in one segment of the model may move to another segment over time, if they alter some of their attitudes and behaviour towards financial investments.

For example, an investor who is risk averse and hands-off (a follower) may gain more knowledge and confidence over time, thus becoming a risk averse investor who is hands-on (a planner).

A segmentation of potential investors and investors shows different attitudes and behaviour toward financial investments



A full description of each segment is provided in the appendix to this report. Each description includes:

- A pen portrait conveying the essence of each segment
- A description of each segment's philosophy and attitudes towards investing
- A description of each segment's investment behaviour
- Each segment's information needs and channel preferences

Broader context
influencing the
IPO investment
experience



The **political context** plays a role in investors' decision-making process

For some, the political climate is key in deciding if investing in an IPO is 'the right thing to do'. For others, it has a lesser influence – they think about it, but do not necessarily act on it.

The current climate of asset sales polarises people and is discussed as a concern for many.

- For example, one potential investor explains that he is unlikely to invest in an SOE because these assets "already belong to New Zealand and I don't want to pay twice for them [through taxes and then shares]", while another is worried about foreign ownership of New Zealand assets.

“

"I have shares in Mighty River Power and Air New Zealand. It's a patriotic thing. I have a piece of New Zealand." (Leader, investor)

The upcoming General Election has many investors thinking about the next government and what it will do regarding current and future asset sales.

- Many understand there is no certainty to their investment. For some this makes the IPOs a greater risk than anticipated and they prefer not to invest.
- Some have strong political views about political parties and distrust the current National coalition, therefore they are unwilling to invest in an IPO launched by the current government.

The **economic environment** also influences investors' decisions

The Global Financial Crisis (GFC) has had an impact on many investors' financial situation (e.g. less disposable income, more thoughtful money management). However, some investors demonstrate more carefree investment strategies than others despite the GFC.

The recent collapse of several finance companies has raised many investors' awareness that bad financial decisions can result in large losses.



“

“Look at the finance companies that have gone under. I’m not confident at all about them... I put money into property and the bank, but not in finance companies.” (Planner, potential investor)

Investing in an IPO



With the exception of the recent SOE IPOs, awareness of IPOs is generally limited

IPOs for State-Owned Enterprises (e.g. Mighty River Power and Meridian) have been widely advertised through the media, thus raising people's awareness about these new offers.

Many potential investors and investors recall seeing television advertising and news coverage, as well as reading articles in the newspaper (online and hard copy).

By comparison, other IPOs (e.g. SLI Systems, Synlait Milk) have experienced relatively less coverage and therefore reduced awareness among potential investors.

Some potential investors have never heard of these organisations.

Many mention that they would not know where to go to find out about these IPOs.

The Labour-Green agreement during the Meridian offering helped to raise awareness of SOE IPOs, but...

This agreement also had an impact on many potential investors and investors, such as:

- Confusion about the Meridian IPO process (e.g. Does this agreement alter the process and outcome? If so, how?)
- Uncertainty about the viability of the Meridian IPO (e.g. Is the share price going to be affected?)
- Doubts about the agreement's impact on future IPOs related to SOEs (e.g. How is the agreement going to affect future asset sales?)

As a result, some potential investors preferred not to invest in an SOE IPO.

“

“I’m not investing in government shares. It’s a shambolic process. The government has overvalued Meridian. And John Key isn’t standing by the referendum.” (Planner, share potential investor)



Different motivations and barriers to investing in IPOs



Leaders are always on the lookout for opportunities and are not restricted to a specific time, date or season to buy or sell an investment.

MOTIVATIONS

- Coming across a good opportunity (potential for a high return) and taking it
- Having some spare cash to invest – even if it means breaking a small investment to access the funds
- Discussing an investment option with someone trusted and knowledgeable
- Wanting to emulate investors they see as successful/role models (e.g. copy their investment strategy)

BARRIERS

- Coming across a new type of investment *and* not understanding enough about it
- Not having enough available funds to invest
- A trusted and knowledgeable source provides negative perceptions about the investment (e.g. money raised through the IPO aimed to be used to pay debt rather than invest in research)



Leaders are optimistic and confident – they are ready to 'give it a go'. They need access to information and expert advice to turn an investment opportunity into an actual investment.

Different motivations and barriers to investing in IPOs, *continued*



Cruisers 'stumble upon' investment opportunities rather than actively look for them.

MOTIVATIONS

- Investment process is done on their behalf – Cruisers only need to say 'yes' or sign
- No subsequent involvement (e.g. administration) required to manage the investment
- Only a limited financial outlay is required to invest
- Positive perceptions and feedback from others about the investment
- Having some money available
- Hearing about an investment opportunity that can be completed with minimal consideration

BARRIERS

- Investment process involving time and effort on their part (complicated requirements)
- No reminder (e.g. friend or automated) to complete the investment process
- Too busy socially and professionally to have time to invest/manage money
- Not having friends, family or colleagues on hand to discuss/explain a new investment opportunity



Cruisers have greater opportunities to invest in IPOs if they are widely advertised, as Cruisers are likely to discuss them with others and therefore make up their mind rapidly and jump at the opportunity.

Different motivations and barriers to investing in IPOs, *continued*



Followers need a 'push' from trusted and respected others in order to invest.

MOTIVATIONS

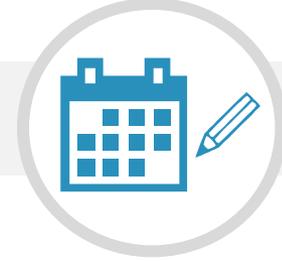
- Receive a positive appraisal about (and thus confidence in) an investment
- Have some spare money available to invest, not tied into another investment/savings
- See that a lot of investors have gone for the same investment ('herd effect')
- Investment process is straightforward and provides step by step guidance

BARRIERS

- Complex investments, and not understanding the characteristics of an investment
- Not being able to discuss an investment with someone trusted
- Inherent lack of self-confidence in their investment knowledge and ability
- Investments need to meet criteria of guaranteed growth and no/limited risks – few meet these criteria to be considered
- Receiving conflicting opinions about an investment



Followers need to hear (e.g. through the media and advertising) information about the IPOs' risks and safety measures to feel comfortable enough to invest. Followers seek reassuring messages about the IPOs.



Planners are considered investors who take their time to analyse an investment.

MOTIVATIONS

- Opportunity to make money
- Time and ability to collect sufficient facts and data about an investment
- Positive analysis of the investment's viability and progress over time
- Belief they understand the investment well enough and know 'what they are getting themselves into'
- Have money available to invest without needing to break another investment

BARRIERS

- Unable to access enough information about the investment
- Information gathered about the investment is vague and/or incomplete
- Limited spare money available to invest
- Have been 'burned' by a similar investment in the past



Planners research investment opportunities and do not let biased messages (e.g. company offering the IPO and the media) 'fool' them. They are likely to consider investing if they can access a variety of reports and opinions about the IPOs, which will help them make their decision.

Once they have decided to invest in an IPO, investors complete a straightforward application process

Investors who purchased shares in a recent SOE IPO (e.g. Meridian) explained that the whole process was simple and well explained:

- They went online to the required website to register their interest
- They applied for a number of shares/specified amount of money
- They received confirmation of becoming an investor and their share titles

Some investors, particularly the less experienced and knowledgeable ones (e.g. Followers and Cruisers) were initially anxious about the process (e.g. how hard will it be?). However, they were positive about the process.

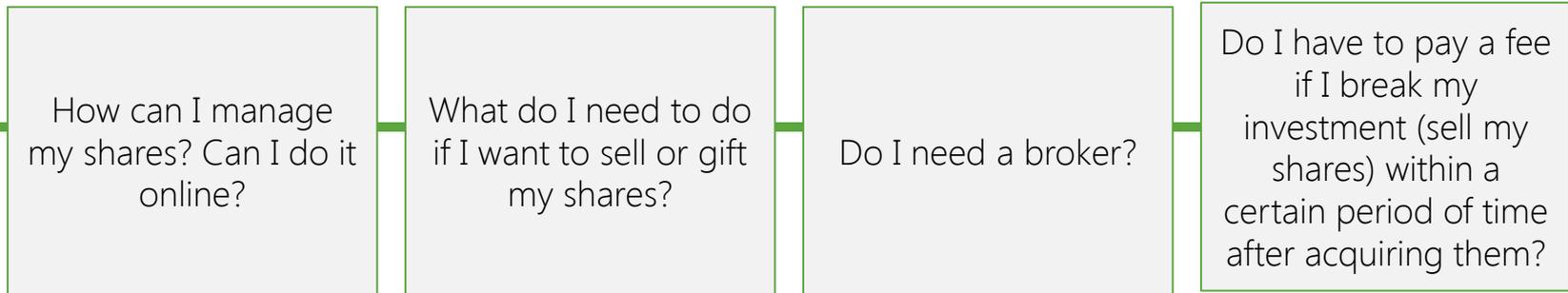
They felt the process had been tailored to meet their needs and limited investment knowledge and experience (e.g. questions easy to answer).

The Meridian offer (compared with the Mighty River Power one) provided more clarity and reassurance through the Book Build by knowing that the price was set.

“ I was glad they changed the way that they priced the offer to say that you will pay this and this and that’s what you will pay regardless of the book build. So, I understand why they do a book build for their wholesale customers. It’s a nice way of optioning. But I think it’s unfair to retail investors in terms of you have very little certainty. So, I think they handled the MRP one poorly compared to with Meridian... just because the way they did the pricing. You were given a range and with Meridian it was pretty much a set price. You knew you were going to pay \$1.50 into instalments pretty much... Just gives you more confidence.” (Leader, investor)

The IPO process is easier than anticipated, but...

...Some investors wonder what happens next, and what the procedure would be:



Many investors would like to gain an understanding of their options once they have made their initial purchase.



An easy step-by-step guide for subsequent investment strategies needs to be made available to investors, especially those who are less experienced in dealing with shares.

Offer documents



First impressions are relatively negative

The recent SOE IPO offer documents are **intimidating** and therefore hardly looked at.

Hardly any of the potential investors and investors interviewed during the qualitative research recalled accessing the offer documents (hard copy or online):

Some did not know that such documents existed

Others could not remember where they could find this detailed information

When provided with a hard copy of some examples (e.g. Meridian, Mighty River Power), all potential investors and investors feel daunted by the size of the documents and many express the following immediate thoughts:

Who are the documents for? (e.g. "mum and dad investors" vs. corporate investors)

Why are they so long? (e.g. legal requirement vs. information necessary to make a decision)

Where is the information I want? (e.g. in a summary vs. throughout the documents)



Currently the offer documents are not compelling to potential investors and investors. They need to be concise with targeted information to entice people to read them thoroughly.

First impressions are relatively negative, *continued*

“*The average person would be blown away [by the offer documents]. It's aimed at mum and dad, but it's gobbledegook.*” (Planner, potential investor)

“*It's a professional pitch, but targeting the average Kiwi mum and dad. It's a tad complex and confusing.*” (Leader, investor)

“*The risk must be bigger with Meridian, because of the size of the document [compared with Mighty River Power's].*” (Planner, potential investor)



The content of the documents is too complex

Many potential investors and investors explain that a large proportion of the content is unintelligible for them:

The table of contents generally helps to navigate the documents, but is not detailed enough for readers to find what they want immediately. A few find the table of contents difficult to understand and are unsure which section would contain the information they want.

Key information is lost among what they believe is irrelevant information; there is generally too much information in the documents for investors' needs.

The use of jargon, acronyms and technical terms makes understanding of the information difficult; the lack of a glossary hinders comprehension.

The tables showing numerical information are too difficult to interpret for "mum and dad investors".



A summary document written in plain English, and referring to the actual offer documents, will help readers to gain key information about the IPO while also giving them the opportunity to find out more about it if they want to investigate further.

The content of the documents is too complex, *continued*

“It’s overwhelming. The key points need to be bullet points. Make it digestible.” (Cruiser, investor)

“It [ideal document] would be around 20 pages, a ‘bare bones’ summary. Keep the FAQ section, and the section on risks. Summarise the section on accounting. Put the glossary at the beginning. It would have the pay-offs, what’s in it for me? Where’s the money going? Where is it invested in?”

“It [offer documents] seems like a lot... So much to cover their ass. It’s daunting. I have to read all this if I’m a serious investor... It’s hard to understand, probably on purpose because it’s easy to cover yourself. There are so many terms you have to look for, lots of graphs. I don’t know how to interpret them.” (Follower, potential investor)



The design and layout provoke mixed emotions

Many find the cover pictures a “good selling point”, as the pictures try to represent the sector of activity and/or the organisation and/or the service the organisation provides.

A few find some of the pictures do not relate to the organisation or service, and are therefore irrelevant.

The use of different colours for different sections is useful to help readers to find their way in the document; and so is the large number introducing a new section (e.g. Mighty River Power).

The offer documents that do not use much colour differentiation are more difficult to navigate.

Clear, large headings and short paragraphs are preferred – they enable readers to know where they are in the document.

Some offer documents contain long paragraphs not clearly delineated, which makes it difficult for some readers to find the information they want and understand it.



A consistent use of clear visual signals (e.g. colours, font size, spacing) is compelling to readers, as it helps them find the information they want more quickly.

Potential investors and investors want the offer documents to be practical and user-friendly

The following document would meet their immediate needs to gain valuable information about the IPO:

A short document (maximum 20 pages), both a summary of information and a reference for those wanting to look at the actual offer documents (e.g. “click here for more information”)

Providing key information in the following areas:

- What are the benefits to me? And the risks?
- How can I apply?
- What are the returns? And the forecasts?
- How can I keep an eye on the investment?
- How can I get the money out of my investment?
- What are the five key reasons why this investment will earn targeted returns?
- Some other information that some investors want is: is the investment guaranteed? How is the money raised going to be used? What is the company's growth strategy? Who makes up the Board, and what is their experience?

Written in plain English, and containing a glossary if some technical terms are unavoidable

- Bullet points and basic tables/diagrams (e.g. infographics)
- Clear and simple layout using colours, spacing, and font sizes
- Accessible online (e.g. organisation's website, through Google search)



Creating a shorter offer document would enable a greater number of people to read it and consider investing in an IPO.

Summary of
findings from
the qualitative
interviews



Two key dimensions differentiate potential investors and investors:

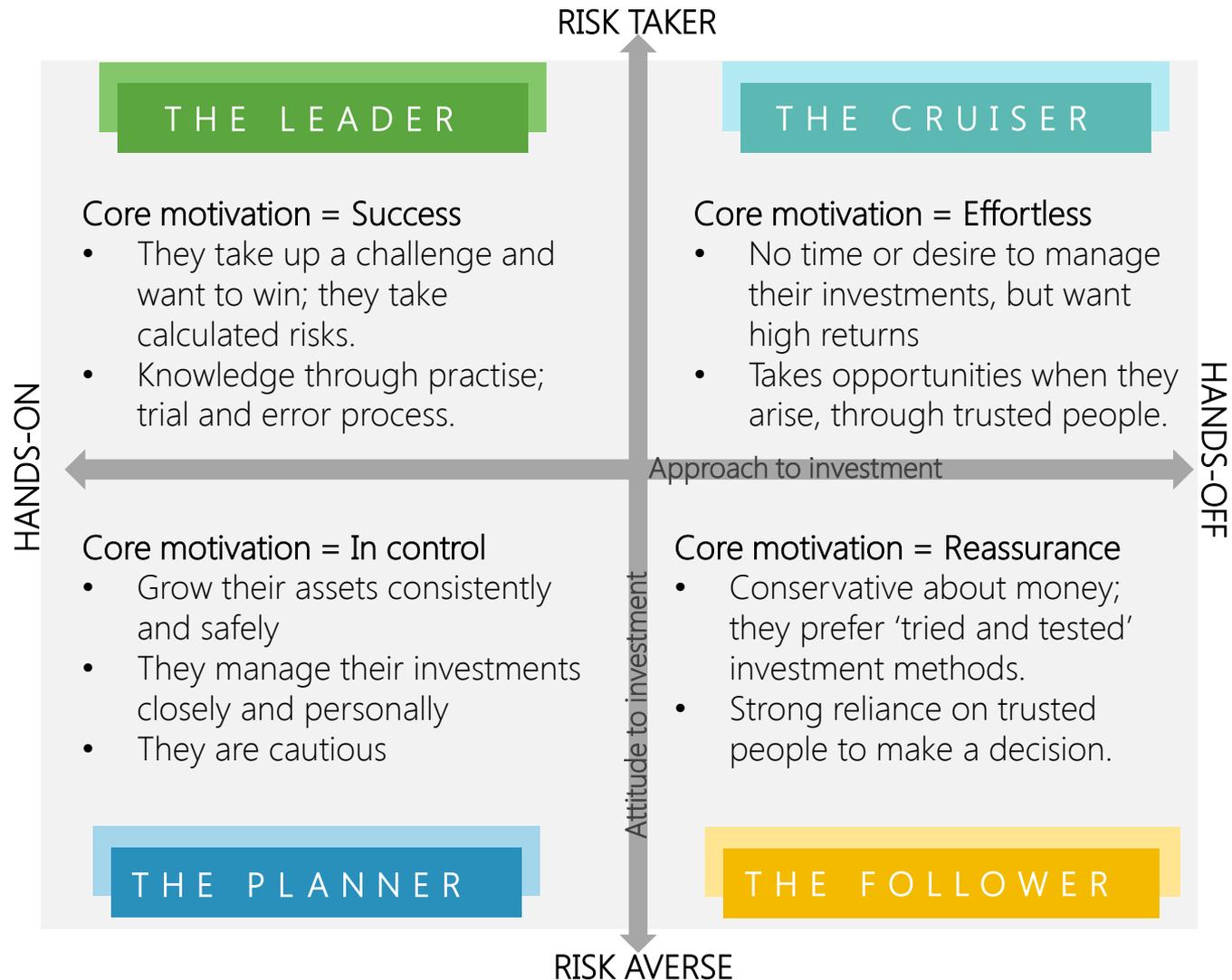
- Their attitude to investment, i.e. risk taker versus risk averse
- Their approach to investment, i.e. being hands-on versus being hands-off

From these two interacting dimensions, four types of potential investors and investors emerge:

- Leader (risk taker and hands-on)
- Cruiser (risk taker and hands-off)
- Follower (risk averse and hands-off)
- Planner (risk averse and hands-on)

Each type of investor presents different attitudes and behaviour towards investing, especially when it comes to IPOs, which are generally perceived as a more risky form of investment than term deposits or property investments.

A segmentation of potential investors and investors shows different attitudes and behaviour toward financial investments



Broadly, the SOE IPO investor experience has been shaped by New Zealand's political and economic environment.

Politically, the Government's asset sales has generated much debate amongst New Zealanders. Their views about asset sales shape their decision about whether to invest in one of the SOE IPOs. Also, the Labour Green proposal for electricity market regulation (which they propose to enact should they be elected this year) created some uncertainty about the appeal of IPOs for the SOE electricity companies.

The economic environment has seen the GFC and the collapse of financial companies. While the impact of these two key events is starting to fade in the minds of investors, a few are still cautious about where they invest and how much they have available to invest as a result.

More specifically, investors consider their experience of the process of investing in one of the recent IPOs as easy and simple. Less experienced investors feel the process was simpler than they had anticipated.

The straightforward aspects of the IPO process are:

- Those who undertook the registration process for the SOE IPOs feel it was easy to complete.
- Perceptions, especially among the less experienced investors, that the process had been tailored for them (e.g. step-by-step approach).

The impact of the offer documentation on investment decisions

Investors who took part in the qualitative research feel that the SOE IPO offer documentation played a limited role in whether they decided to invest in the IPO.

- Most did not recall the documentation
- After we showed investors and potential investors the offer documents, they generally feel overwhelmed by the amount and complexity of the information.

To more effectively assist investors with an investment decision, offer documents need to be:

- Shorter and more concise
- Provide key information
- Written in plain English with any technical terms clearly explained.

Appendix:
Attitudinal
segmentation from
the qualitative
interviews



“

“I know what I’m
doing”

The Leader

Core motivation
= Success





THE LEADER

Ben is in his early thirties and has a young family. He recently bought his first home and spends most of his salary on mortgage payments. He earns a good income and ensures that his family's needs are met. He wants to be able to afford a very comfortable lifestyle and knows he will get there sooner rather than later.

Ben believes that to make more money he needs to invest. He generally spends part of the evening on his home computer checking out the NZX to see which companies are doing well. He bought shares in a variety of organisations and over time managed to increase his investment, but this has been a steep learning curve, during which he also lost some money.

He knows that he still has many more years to earn and make money, therefore he is not worried when he loses some through taking a calculated risk that didn't pay off. He is ambitious, competitive and confident in his financial skills. He enjoys the challenge of investing in volatile products (e.g. shares, foreign currencies) which requires quick-thinking, and he loves being rewarded for his cunning.

Leaders' philosophy toward investing



Take up a challenge and win it: Leaders actively look for and take challenging financial opportunities which help them to grow their assets and better their quality of life.



“*I want to try things. Try to make money.*” (Leader, investor)

“*I understand the value of money, so for me managing my money is something I do. I don't mind taking risk. I have taken some risk in the share market at times, some of it's not paid off, some of it's paid off really well. So, it's swings and roundabouts there. But it's not the sort of thing where I will invest money and then complain that I didn't understand the risk.*” (Leader, investor)

“*I want to try things... I'm trying to make money. Take 'foreign exchange', it's like educated gambling. It's a business opportunity.*” (Leader, investor)

Leaders' attitudes



Leaders believe they are able to make the right investment decisions and recoup any potential losses – they are not afraid of buying shares and consider IPOs a good opportunity to invest.

They take calculated risks – this is seen as necessary to gain substantial returns and they enjoy dealing with more 'risky financial products', such as shares and currency. The volatility of these products adds to the thrill of taking risks.

They enjoy the challenge of investing in New Zealand's financial markets, which they find similar to gambling: players do their best to win, but sometimes they lose. They accept the possibility of losing.

Leaders are confident in their ability to understand and 'beat the [investment] system' to make money quickly. For instance, they are quick to grasp the share purchase and sale process.

They are interested in a variety of investment options (e.g. products, companies, short-term or long-term investments), but prefer those that are challenging and offer greater financial rewards (e.g. shares).



"It was scary when I started trading on the forex. I didn't know the [online] platform well enough and got stung a couple of times. But it's exciting too. I jump on a trade, and two clicks away I come out with \$200-\$300. It can be the other way too." (Leader, investor)

Leaders' behaviour



Leaders keep on top of their portfolio to maximise profitable investments and returns – they monitor their investments regularly, especially those in the New Zealand financial markets (e.g. currencies, shares). They are open to IPOs, which provide a new income stream.

They want to know more about investment options and are open to knowledgeable advice and tips when they come across them, especially if they are unfamiliar with a type of investment. The IPO process is relatively well guided and Leaders grasp it quickly.

Leaders learn by doing rather than reading about investments – practical experience is best. They invest directly, for instance they decide to invest in an IPO and will look after the process and account management themselves.

“I work from home, so I can look at it [forex] during the day too. I've got the app. I can do it on my phone. I get trade alerts.” (Leader, investor)

Leaders' information needs



Channels

Online channel preferred: computer/laptop, tablet, smartphone. This channel is easily accessible, convenient, flexible, and suits these investors' lifestyle. For example, they can check markets frequently, where they want.

Word of mouth: knowledgeable acquaintances/colleagues, seminars about investing, informal group of investors. This channel is used to discuss options and strategies and find out more about investments.

Hard copy documents: flyers/brochures. This is a basic introduction to a financial product to arouse investors' interest in a new investment.

Content

Initially they need basic information but quickly need more technical information as their knowledge increases.

They want to understand the mechanisms of the New Zealand financial markets, the different types of investments, how investments work.

They need some technical information, but with minimal jargon.

The layout and formatting needs to be clear, simple, using colours for quick information search, with headings and short paragraphs.



Leaders are proactive in their information search and need to be able to access a variety of information, from basic to technical, through a variety of channels.

“

“I win some,
I lose some”

The Cruiser

Core motivation
= Effortless





THE CRUISER

Jenny is in her mid-forties and single. She enjoys her life and loves her career and her solid network of friends. Over the years, she has been able to buy a house, now freehold, and also save some of her income in a term deposit. However, she also wants to enjoy her money and has bought some artwork now decorating her home.

Although she thinks she manages her money well, she likes to 'let loose' from time to time when she feels there's a good financial opportunity, i.e. what she considers a high return for not much effort. She talks to her friends about her ideas, and if they are enthusiastic like her, she goes ahead and invests. She trusts her friends, and if they convince her not to invest, she will follow their advice – they know better than her when it comes to financial investments. For her, this kind of knowledge is "a life job", and she does not have the time or energy to dedicate to this type of learning.

Recently, she heard about the Meridian offer and thought it would be an easy way to make money. She discussed it with her friends and bought a few shares. The process was easy, she did everything online and it took a few minutes. Now, she can sit back and see what her shares are doing (as long as her friends remind her to check her account). She generally does not have the time or energy to manage her investments and easily forgets to do so, but she's keen to see her investments grow.

Cruisers' philosophy toward investing



Meeting their day-to-day needs and having fun in life is more important to Cruisers than thinking about and managing their finances and investments.

Investing in financial markets is a good option, but managing these investments is complicated and time-consuming and is better left to experts. Any return on investment is a bonus, any loss is accepted as a possible outcome.

“

“I’m a ‘binge manager’. I do something with my shares every couple of years.” (Cruiser, investor)



Cruisers' attitudes



Cruisers are relatively relaxed about an investment's progress and outcome. They understand that managing shares requires more regular commitment than managing a term deposit, but they lack motivation to do it, and tend not to spend time and effort managing their investments.

They are optimistic that even if a financial investment loses money, they will be able to recoup their loss in future – they have a longer term view of finance and investments. IPOs appeal to them because of their potential for high return.

Financial market investments are only one option among others to build a nest egg (e.g. rental property, savings, term deposits).

“*“My house is my biggest investment, but there wasn't any decision to have it this way. I needed somewhere to live. It's an 'accidental investment.'” (Cruiser, investor)*

“*“KiwiSaver. I want to get it. Set it up then forget about it.” (Cruiser, investor)*

Cruisers' behaviour



Cruisers have no time or desire to research investment options and check investment progress, especially investments in the New Zealand financial markets which they feel require consistent and careful monitoring. Cruisers just 'let it happen'.

They rely strongly on close friends' and family's opinion regarding investment options. They tend to copy what others do and rely on others to help make up their own mind. Regardless of the type of investment Cruisers consider, they follow the same thinking process to make up their mind about an investment (whether it be a rental property, shares or term deposit).

Cruisers act 'impulsively' from what they hear and see. Their focus is elsewhere (e.g. career, friends, personal life). If an IPO is widely advertised (i.e. they hear about it), they will consider it as an investment option.

“

"I heard about it [IPO for Mighty River Power] then I forgot. It's a life job! I'm lazy. I'm not looking into it. I don't have a massive drive to do it. I save daily pennies rather than long term." (Cruiser, investor)

“

"I need to get my act together, find the time to do it. I need to be bothered to do it... if it's straightforward. For example, if somebody comes to work, then it's easy, it's just there." (Cruiser, investor)



Cruisers' information needs

Channels

Online and smartphone/tablet are preferred: they are quick, convenient, and enable Cruisers to find as little or as much information as possible at a click of a button, and to check investment progress/information without intruding into other activities.

Otherwise they have limited use of other channels (e.g. hard copy, media) – they lack interest and time to research information through these channels.

Content

Cruisers require basic information and explanation on financial markets' concepts – infographics are a good way of showing information at a quick glance.

They want as much plain English as possible. Technical terms need to be defined simply in a short glossary.



Cruisers require basic information 'handed out to them' (e.g. brochure at work or online advertisement). Their interest is limited, therefore the information needs to cover only key points.

“

Tell me what's
best”

The Follower

Core motivation
= Reassurance





THE FOLLOWER

Robert is in his late fifties and lives with his wife Lisa. Their three children left home years ago. Robert wants to retire at 60 to enjoy a longer retirement. Throughout his life, he has worked hard and saved whatever he could, which amounts to a lifestyle without many frills. However, he is content with his and his wife's financial achievements.

From as far back as he can remember, he has always been cautious with money and believes that a safe investment approach earns more return in the long term than a risky investment. That is why he has always preferred saving his money in a term deposit and a savings account rather than investing in New Zealand's financial markets.

However, when he heard about the Mighty River Power share offer, he did not know what to think. It seemed like a good idea, given the number of his friends and colleagues who talked about registering their intention. On the other hand, he knows that share prices are unreliable and can leave you with a financial loss. In the end, he talked about it with his best friend who convinced him to go ahead with the investment. Robert went online to register his interest and later purchased the minimum amount of shares allowable.

Followers' philosophy toward investing



They want to grow their money/assets but rely on 'tried and true' methods they understand and trust (e.g. savings account and term deposit).

Generally conservative about their money (e.g. think about what they need to purchase before acting on it).

They rely on others to tell them about good investment opportunities.

“

My philosophy is to keep my head above water. What I like is a low risk investment, easy to understand and with good returns.” (Follower, share potential investor)

“

I'm cautious, I don't take risks. I was interested in the Air New Zealand [IPO] but it's too expensive and I need a broker. It was highly publicised and it caught my eye. It would be nice to have New Zealand-based shares. But I'm clueless. I've talked to my parents about it [investment opportunity].” (Follower, share potential investor)

Followers' attitudes



They lack confidence and knowledge about investment products and options. They rely on others to educate and reassure them about the viability of an investment option. They are out of their depth with riskier investment options (e.g. shares).

Followers are very cautious about investing money in financial products that do not guarantee a return – this becomes even more important to them as they grow older, as there is less time available to rebuild a nest egg lost to a failed investment.

“

“I’m interested in what they [IPOs/companies] have to offer, but not in the day-to-day management.”



“

“Term deposits are a family thing. I ask Dad for advice. How much I should invest? For how long?” (Follower, share potential investor)

Followers' behaviour



Followers heard about new IPOs (e.g. Mighty River Power and Meridian) through the media – they discuss these with their spouse, friends, family to decide if this type of investment may be a good financial opportunity.

Followers may read some basic information on the IPO, as long as the information 'comes to them'.

Generally, Followers are reluctant to purchase shares, especially from new or not well known companies, as there is no track record to show the company does well.

“*You can't pull out [from term deposits], but you get better returns than shares. And it's easier to manage.*” (Follower, potential investor)

“*They [Air New Zealand] have good service. I always fly with them. They have a good international standing, it's a solid company. They have a good public image. I'm interested [to invest in them], but I need a stockbroker.*”



Followers' information needs

Channels

Word of mouth (e.g. spouse, friends, family) is key: they have informal discussions to evaluate the viability of an investment option.

Online (e.g. company's website and search engine) and hard copies (e.g. newspaper articles) are used for limited research purposes. They tend to come across information about an IPO rather than purposefully research it.

Content

They prefer plain English to jargon, as well as concise, simple and clear documents.

They want the following to be explained: investment risks, benefits to the investors and the company, strategic reasons why the company is listing on the stock exchange.



Followers want to access basic information – they want the more complex information to be explained to them. Information needs to be made available through professional, reliable channels (e.g. company's website rather than through a blog).

“

“I don't take any chances”

The Planner

Core motivation
= In control





THE PLANNER

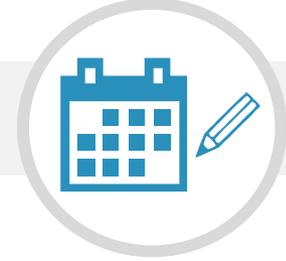
Stacey is in her early fifties and lives with her second husband in a small townhouse. She works part-time as office administrator and receptionist in a family business. During her spare time, she reads about real estate and looks at houses in her region.

Five years ago, Stacey came across a real estate investment opportunity which she believed would help them to grow their retirement nest egg. She investigated it for some time (e.g. talked to a few real estate agents and the people living nearby, and looked at the QV website) before 'making the jump'.

She bought the piece of land and its associated property on plan, which was built soon after the purchase. The location of the land and high specifications of the building have increased the investment value significantly. Stacey is now thinking of selling this investment to liquidate her capital, which she wants to invest elsewhere.

Recently, she heard about the Fonterra offer. She did her homework and researched the company and dairy industry. She read the annual report to get an idea of the company's performance. She felt reassured that she would benefit financially from becoming a shareholder. She bought only a few shares to 'test the water' and since then has been monitoring her portfolio weekly. She is confident that she has made the right decision and wants to invest more. However, she is also ready to sell the shares if it means getting a good return. For the time being, she is satisfied with the way her investment is tracking.

Planners' philosophy toward investing



To grow their assets consistently and safely to be able to afford a variety of life experiences today and in the future. They leave nothing to chance – planning is the key to ensuring positive returns on investment.

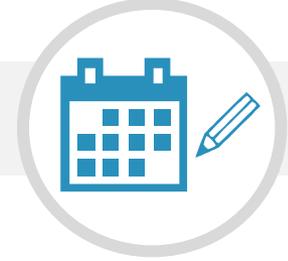
Money management is cautious and proactive. It is about making the right decisions to grow their assets and not jeopardise their financial future.

“

“I read the National Business Review, I went to the Meridian website, I listen to what the politicians say.. I typed general queries on Google. Basically I get different viewpoints on it.” (Planner, share potential investor)



Planners' attitudes



Planners take a cautious approach to investments – they prioritise financial stability over large returns.

They want to make the right investment decision from the start (they dislike a process of trial and error).

Knowledge is power – they want to know as much as possible about investment options.

“

“I could have made more money [by investing in shares], but could I afford to lose?” (Planner, share potential investor)



Planners' behaviour



They do not want to lose money in a poor investment, therefore they spend time and effort researching and understanding investment options. They need facts and data to make a decision.

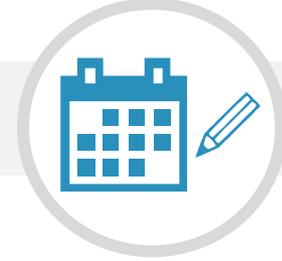
Once they have invested, they do everything they can to ensure their investments produce positive returns (e.g. checking their portfolio, keep learning about their investment).

“I go to *‘interest.co.nz’*. I listen to the radio and then I read the reports from the Reserve Bank every six weeks.” (Planner, share potential investor)

“I’ve looked at shares. I talked to people who have invested in shares. I also worked with people who have [invested in shares]. But it’s like gambling. My life savings can go!” (Planner, share potential investor)

“My money is in a good bank [Kiwibank]. It has a rating of AA+. It’s safe. If anything happens, I can get my money out without penalties, as long as I give them 30 days’ notice.” (Planner, share potential investor)

Planners' information needs



Channels

Online (e.g. company's website, newspapers, analysts' reviews, blogs, search engine) is key. It is an important source of knowledge and information about the IPO and the company.

Hard copies (e.g. newspapers, magazines, brochures, publications from the Reserve Bank) are also important: they read the articles related to an IPO, even if the information is limited.

Word of mouth (e.g. experts, spouse, friends, family) is another channel: informal and formal discussions about an IPO to be able to make up one's mind.

Content

Planners want to understand the functioning of an IPO and look for information about what an IPO is, what the process is (from buying the shares to earning money), what the risks and benefits are.

Initially, information needs to be simple and easy to understand. With more knowledge about financial investments, more technical information becomes relevant and useable.

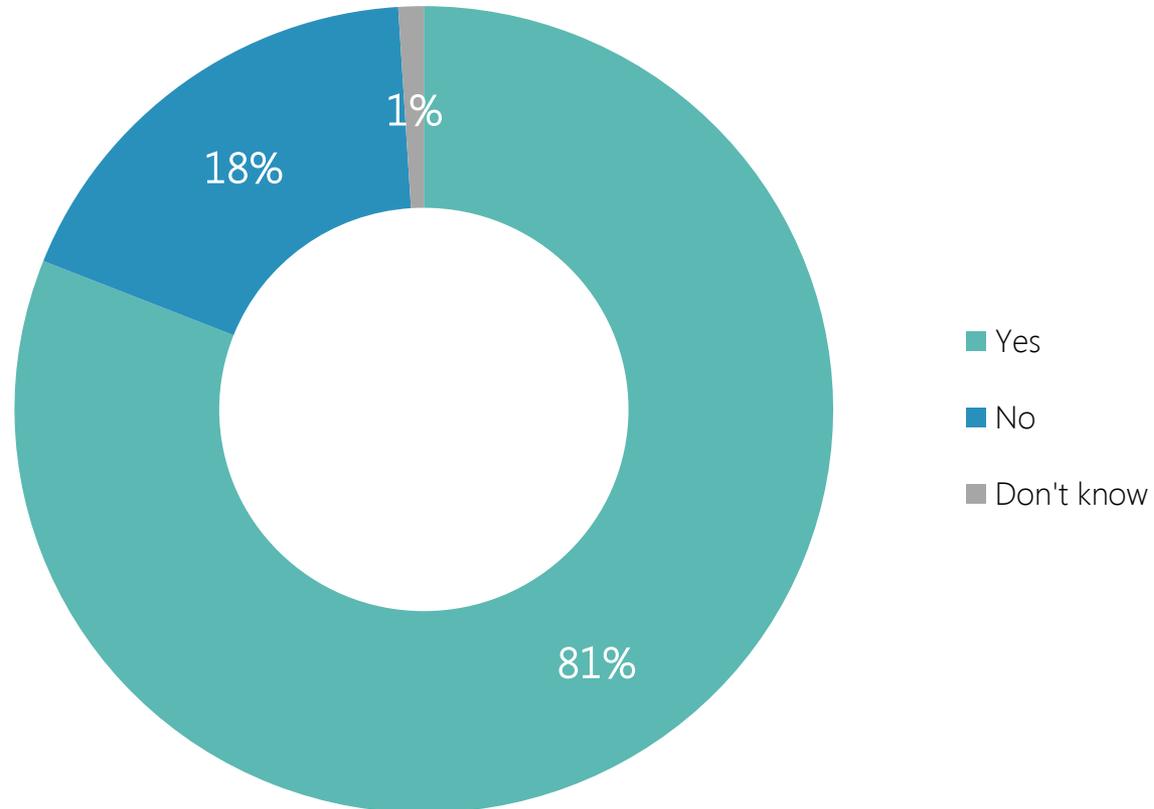


Planner will look for information using a variety of channels (i.e. 'fact finders'). Their search can be made easier by, for instance, linking relevant websites

Appendix:
Demographic
profiles from the
online survey



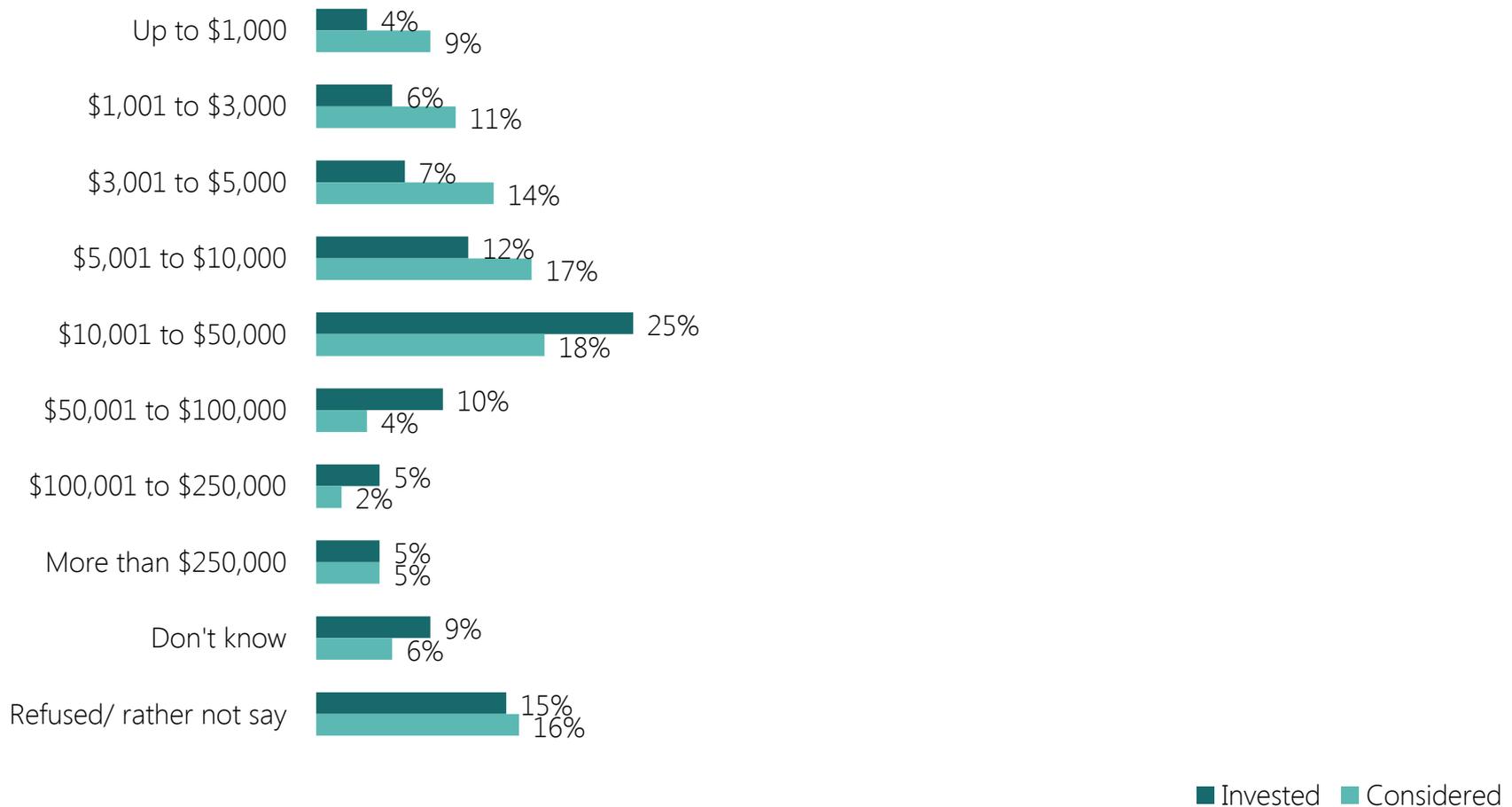
Vast majority of those surveyed own shares



Source: Online survey, QS1a - Have you ever bought shares in a company listed on the New Zealand stock exchange? Please exclude any shares bought through a managed fund where purchases are made on behalf of groups of investors.

Base: All (n=303)

Those who bought shares in a recent IPO *tend to* have to more money to invest, but the differences are not significant

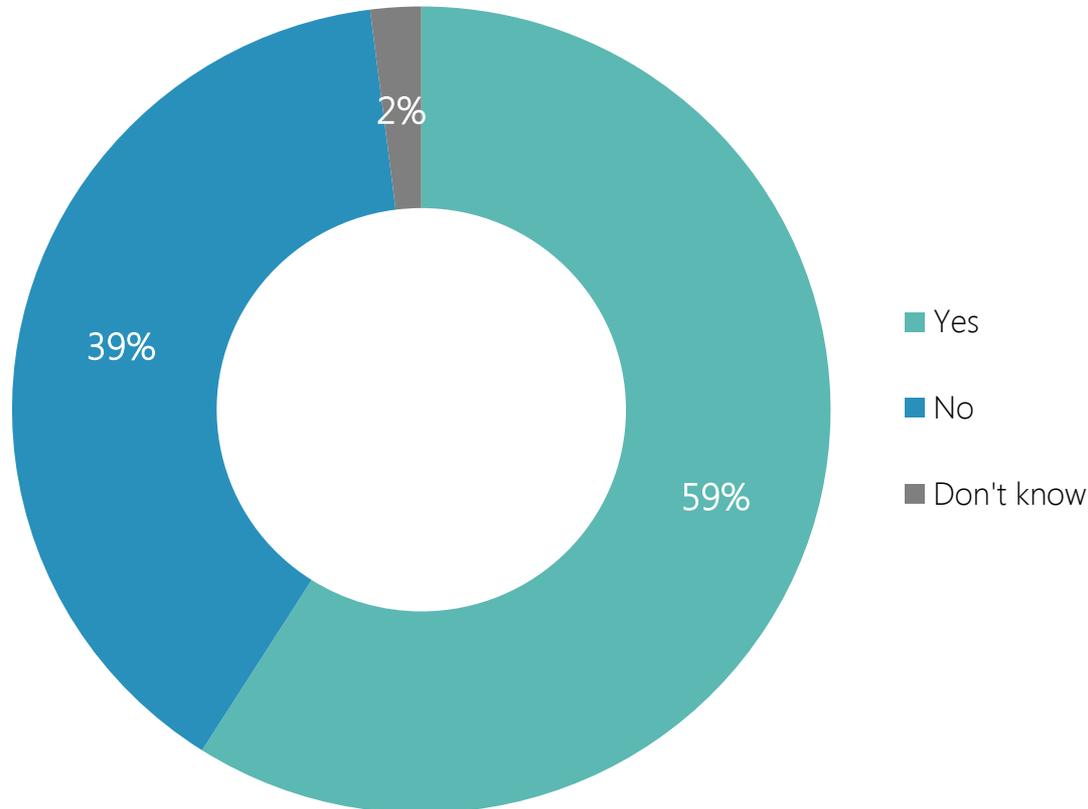


Source: Online survey, D9 – Which of the following best represents the amount of money you have available for investment purposes (i.e. that is easily accessed rather than committed to an existing investment such as property or a term deposit)?

Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

○ ○ Significantly higher/lower than those who invested

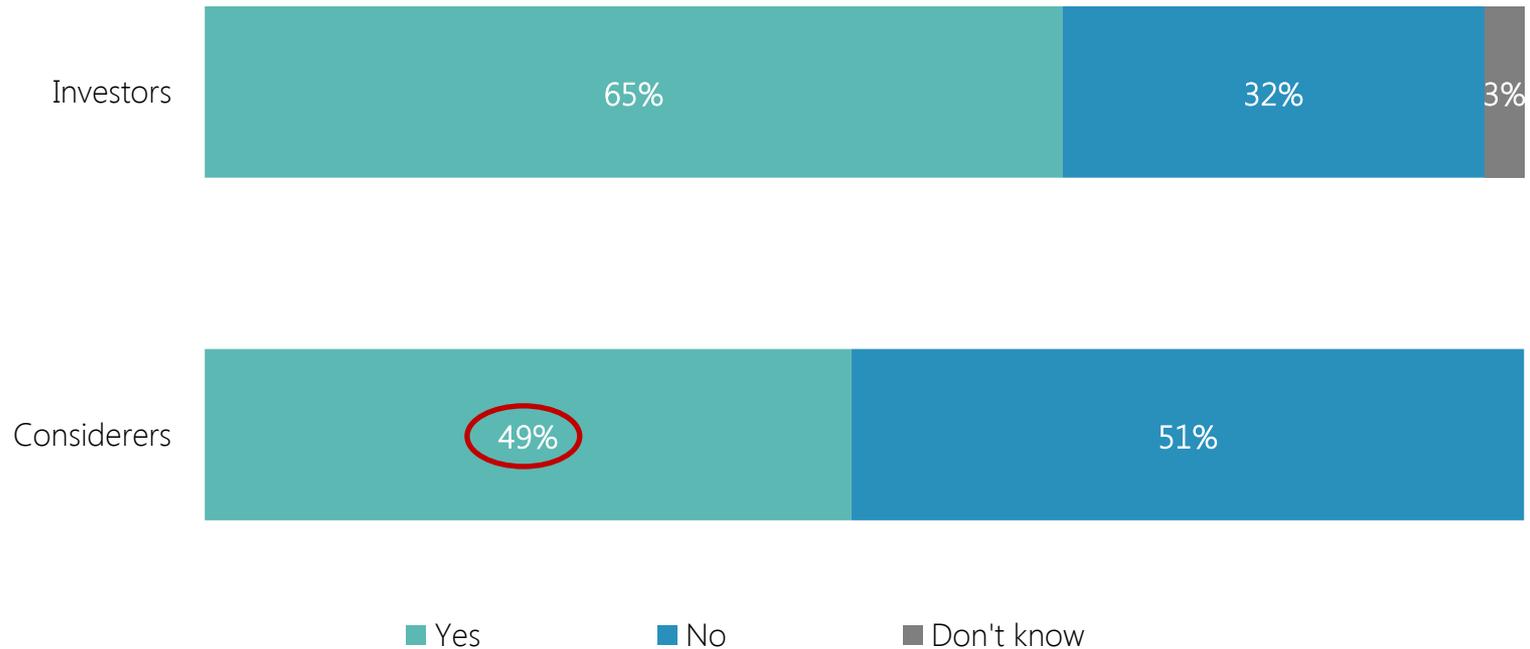
Most have personally invested in shares other than recent IPOs



Source: Online survey, Q18 – Have you invested in shares of other companies other than the ones we've discussed so far? Please exclude any shares you might have through a managed fund where purchases are made on behalf of groups of investors (i.e. KiwiSaver, other groups schemes where you do not personally choose which shares to buy)?

Base: All (n=303)

Those who considered buying in a recent IPO are less likely than those who did invest to have other share holdings

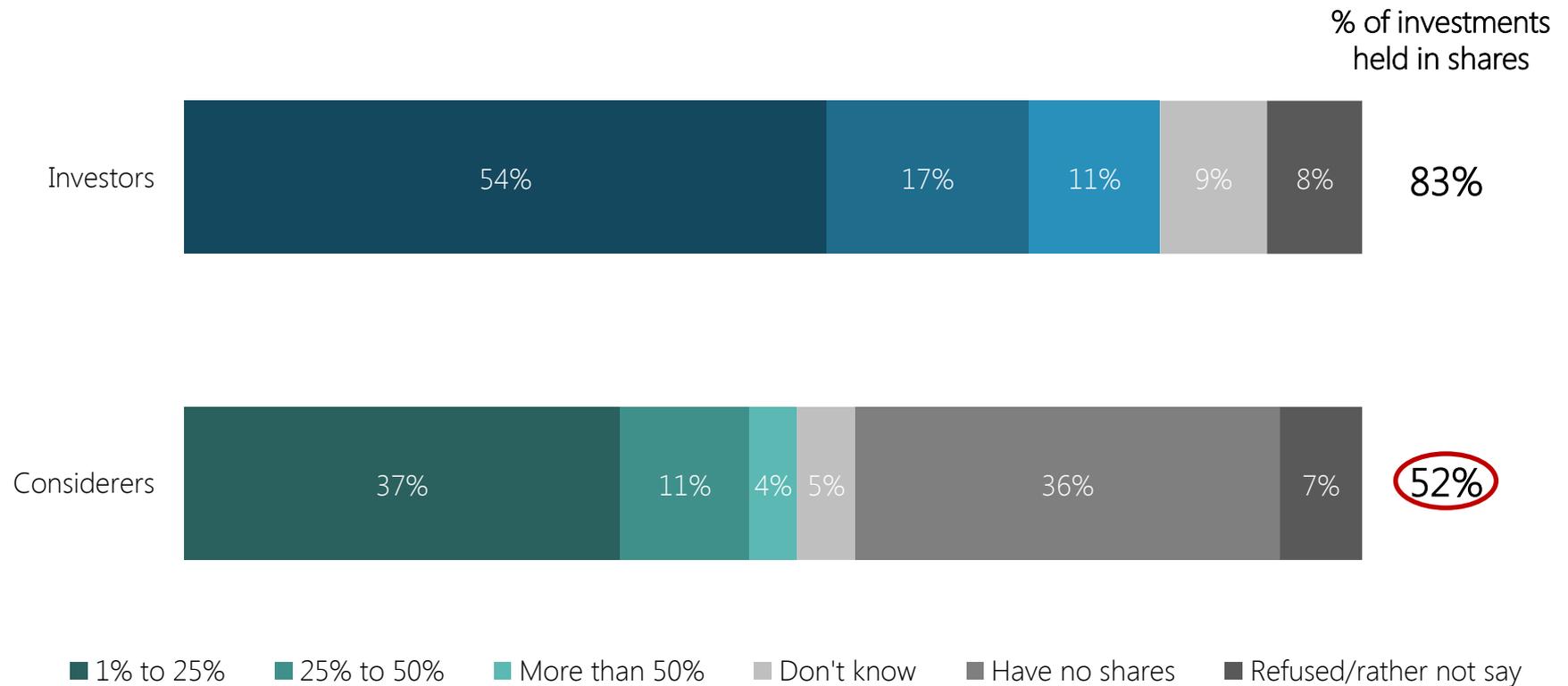


Source: Online survey, Q18 – Have you invested in shares of other companies other than the ones we've discussed so far? Please exclude any shares you might have through a managed fund where purchases are made on behalf of groups of investors (i.e. KiwiSaver, other groups schemes where you do not personally choose which shares to buy)?

Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

○ ○ Significantly higher/lower than those who invested

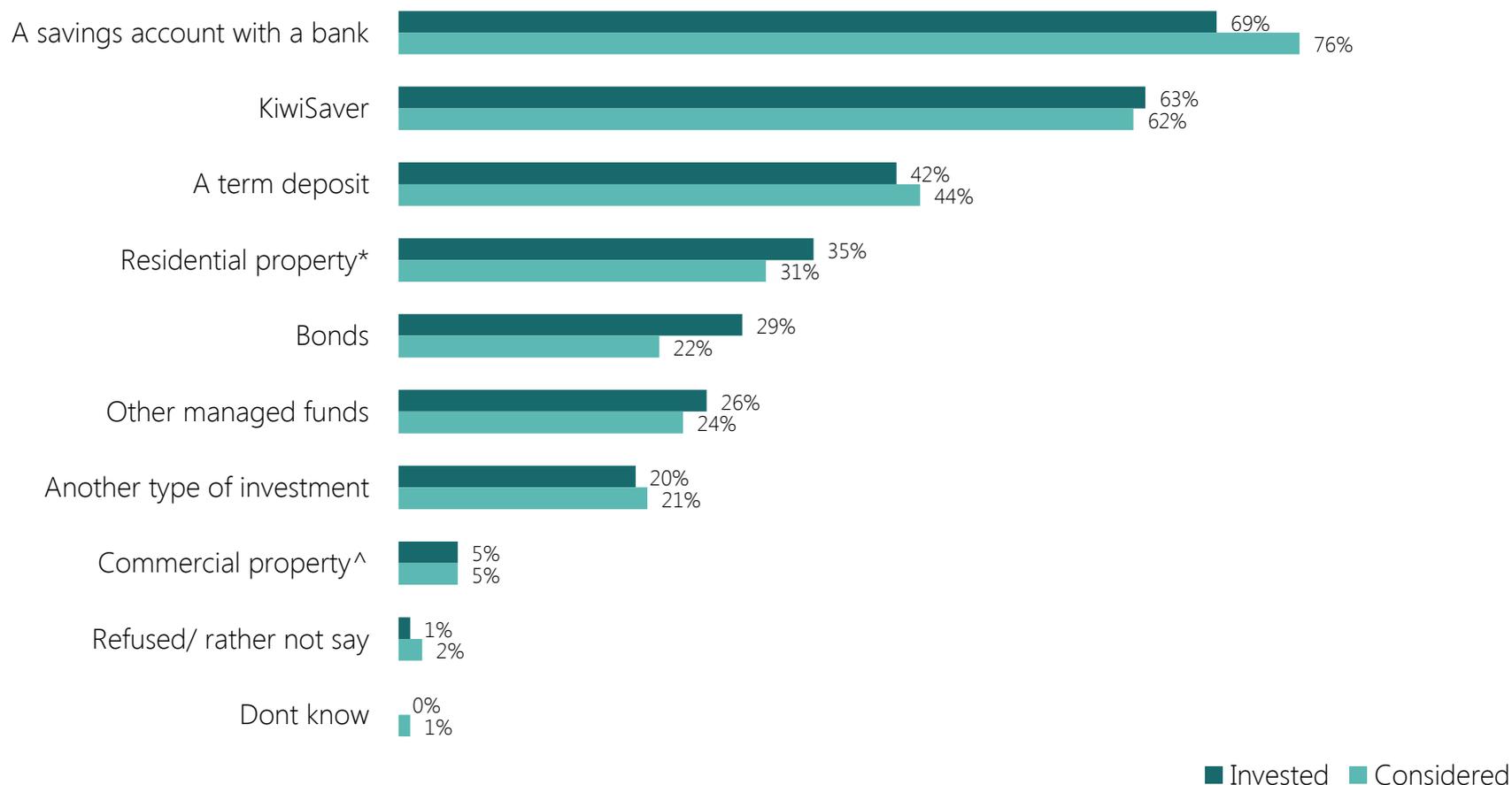
A much larger proportion of investments are held in shares by those who invested in a recent IPO



Source: Online survey, D10 – Which of the following best represents the proportion of your investments which are held in shares?
 Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

○ ○ Significantly higher/lower than those who invested

Savings accounts and KiwiSaver are common among both groups, and there are no differences in the likelihood of holding a particular type of investment



Source: Online survey, Q19 – Which, if any, of these other types of investments do you have?
 Base: All who invested in a recent IPO (n=201), all who considered investing (n=102)

* Excluding own home
 ^ Excluding own business

○ ○ Significantly higher/lower than those who invested

Demographics

	All (n=303)	Investors (n=201)	Considerers (n=102)
GENDER			
Male	56%	60%	49%
Female	44%	40%	51%
AGE GROUP			
Under 30 years	10%	8%	13%
30 to 39 years	20%	21%	20%
40 to 49 years	23%	22%	25%
50 to 59 years	18%	19%	18%
60 years or older	27%	29%	25%
Refused/rather not say	1%	1%	-
ETHNICITY			
European/Pākehā	79%	77%	83%
Māori	3%	2%	5%
Pasifika	1%	2%	-
Asian	9%	12%	3%
Other	10%	9%	12%
Refused/rather not say	1%	1%	1%

Demographics

	All (n=303)	Investors (n=201)	Considerers (n=102)
REGION			
Auckland	37%	38%	34%
Wellington	11%	10%	11%
Other North Island	30%	29%	31%
Christchurch	10%	12%	7%
Dunedin	3%	2%	4%
Other South Island	10%	8%	13%
HOME OWNERSHIP			
Own and live in own home	82%	86%	74%
Rent	13%	10%	20%
Other	5%	4%	7%

Demographics

	All (n=303)	Investors (n=201)	Considerers (n=102)
HOUSEHOLD COMPOSITION			
Young single, living alone	1%	1%	-
Group flatting	4%	5%	2%
Young couple, no kids	11%	9%	16%
Single parent	3%	3%	1%
Household with pre-school children only	8%	8%	8%
Household with school aged children only	10%	8%	12%
Household with all children aged 15 or more	13%	14%	12%
Household with children of mixed ages	8%	6%	10%
Older couple, no children at home	33%	35%	28%
Older single, living alone	6%	6%	7%
None of these	4%	3%	5%

Demographics

	All (n=303)	Investors (n=201)	Considerers (n=102)
EDUCATION			
Primary or basic secondary	7%	7%	7%
Secondary school qualification	20%	20%	22%
Tertiary qualification	71%	71%	72%
Refused/rather not say	1%	1%	-
HOUSEHOLD INCOME			
Up to \$20,000	*%	-	1%
\$20,001 to \$50,000	6%	5%	8%
\$50,001 to \$100,00	21%	20%	23%
\$100,001 to \$150,00	23%	21%	27%
Over \$150,000	17%	17%	16%
Don't know	4%	5%	-
Refused/rather not say	12%	12%	11%

NOTE: *% is a figure between 0 and 0.4%



FOR FURTHER INFORMATION PLEASE CONTACT:

Colmar Brunton, a Millward Brown Company
Level 9, Legal House, 101 Lambton Quay, Wellington
PO Box 3622, Wellington 6140
Phone (04) 913 3000 | Fax (04) 913 3001
www.colmarbrunton.co.nz





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- b. Marketing research proposals, discussion papers and quotations, unless these have been paid for by the client, remain the property of the Researcher.
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- a. Refuse permission for their name to be quoted in connection with the published findings
- b. Publish the appropriate details of the project
- c. Correct any misleading aspects of the published presentation of the findings

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