

Malaysia investors hold over half their assets in cash - the most in Asia

Investor Sentiment High in Malaysia and Trends Upward in Asia, Canada, United States - Despite positive sentiment, Malaysia investors hold back on investments

- Half of Malaysia investors think now is a good or very good time to invest
- Malaysia investors increase stock holdings more than three-fold in the last quarter
- A majority expect Bursa Malaysia's performance to improve in next 12 months
- Desire for guaranteed income and worry about making wrong decision holding back investors

KUALA LUMPUR – The latest Manulife Investor Sentiment Index in Asia (Manulife ISI), based on 3,500 interviews across seven Asia markets,¹ shows an upward trend in investor sentiment in Asia, tallying with similar findings in parallel Indexes for Manulife Canada and John Hancock, Manulife's U.S. division. Malaysia remains the second most optimistic country in Asia despite a modest decline since the last survey in March 2013.

Cash remains popular among Malaysia investors, who hold over half of their assets in cash, excluding their primary residence – the most of all Asia markets surveyed. Malaysia respondents also showed their preference for cash by giving this asset the highest sentiment index score of all asset classes.

Nevertheless, compared with the last survey in March 2013, respondents have rebalanced their cash with more stocks. This rebalancing was led by those aged 25-39, whose stock holdings as a proportion of assets rose from three percent to 11 per cent. Apart from this, though, Malaysian investors have not significantly increased their investments into other investment vehicles or asset classes such as property and unit trusts, despite the positive sentiment towards those asset classes.

“This increase of investments in stocks may have stemmed from the post-elections stock market rally. Despite this increase, stocks and equity still constitute a small and less-than-optimal percentage of Malaysia investors' overall investment portfolio.” said Mark O'Dell, Group Chief Executive Officer of Manulife Holdings Berhad.

A new aspect of the Malaysia survey indicates Malaysia investors are positive towards investing. Almost half said that now is either a good or very good time to invest, with only 15 percent saying it was either a bad or very bad time, the balance being neutral. Also, over half of Malaysian investors surveyed said they expect Bursa Malaysia's performance to improve in the next 12 months, the top reasons being that “the market is very stable” or “the employment situation is getting better”.

Despite this strong positive sentiment towards Bursa Malaysia's performance, overall investor sentiment towards stocks and equities is the lowest of all asset classes, unchanged from the last survey. The most positive sentiment towards stocks was among young investors (25-29 year olds), possibly due to a higher risk appetite.

“One reason investors are holding on to cash may be a lack of self-confidence in moving into other asset classes and/or the lack of investment knowledge. When asked what would influence them to move their cash to other asset types, well over half indicated they would only do so if the investment provided guaranteed income,” said Jason Chong, Chief Investment Officer of Manulife Asset Management Services Bhd. “Similarly, many investors cited concern over “making the wrong investment decision” as the number one reason for not investing”.

“The Manulife ISI findings indicate that Malaysia investors are optimistic about their economy but are holding onto too much cash, particularly given low rates of return. The fear of making the wrong investment decision is keeping many of them from exploring alternative options. This is where financial experts can play a role in educating, providing advice and managing portfolios, and Manulife’s financial advisors can offer that expertise,” added O’Dell.

Manulife Investor Sentiment Index - Key findings for Malaysia:

Investor sentiment

- Malaysia investors reported the second highest net sentiment toward investing among the 7 countries surveyed. Despite a four point drop to +48 since the last survey, Malaysia remains far more optimistic than the regional average, with the second highest index score behind only Indonesia. Hong Kong is the least optimistic and the only market with a negative sentiment score.

Attached to cash

- Overall, the single biggest asset holding for Asia investors is cash, amounting to an average of 52 per cent in Malaysia, the highest in the region. Malaysia investors’ proportion of cash for day-to-day and unexpected expenses is also the highest in the region – at 14 per cent above the regional average.
- Though the survey indicates Malaysia respondents are holding idle cash, nearly half of respondents said they do not hold enough cash. Only two per cent said their cash holdings were too big.

Good time to invest

- Almost half of Malaysian investors feel that now is either a good (36 percent) or very good (12 percent) time to invest. Only 15 percent feel it is either a bad or very bad time.
- 52 percent of Malaysia investors expect Bursa Malaysia’s performance to improve in the next 12 months, driven in part by a sense that “the market is very stable” (55 percent) and “the employment situation is getting better” (46 percent).

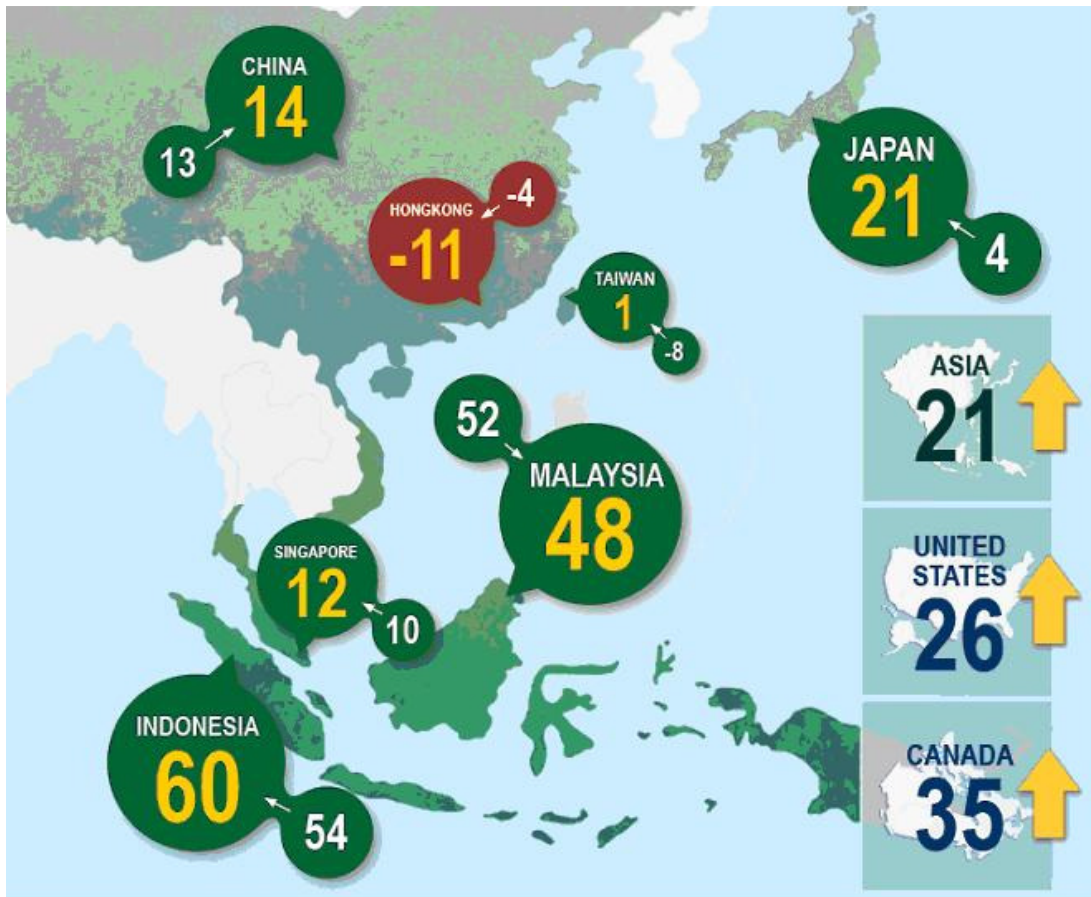
Stocks and equity

- Overall, allocation in stocks and equity increased significantly across all age groups since the first quarter, moving from an average of 3 per cent to 10 percent in the second quarter.
- However, there is an unrealistic expectation on the returns in equity: almost 53 percent of investors in Malaysia expect equity performance to go “up a lot” or “up a little” within the next 12 months, generating an average return of 26%, well above actual market returns on average over the period.

Lack of self-confidence holding investors back

- In most markets, including Malaysia, the primary reason for not targeting these goals through an alternative route was worrying about making the wrong investment decision (43 per cent).
- The second reason influencing Malaysia investors was the sense that bank deposits are safer than other options – also cited as the top reason by respondents in Japan and China.

Manulife Investor Sentiment Index in Asia, June 2013
Overall Sentiment Status and Trend



The Manulife Sentiment Index in Asia is calculated as a net score of the percentage of “Very good time” and “Good time” to invest, minus the percentage of “Bad time” and “Very bad time” to invest, cited for each asset class. The overall index for each market is calculated as an average of the index figures of all asset classes. The Asia index is the average of all seven market figures.

- End -

About the Manulife Investor Sentiment Index in Asia

Manulife’s Investor Sentiment Index (Manulife ISI) in Asia is a quarterly, proprietary survey measuring and tracking investors’ views across seven markets in the region on their attitudes towards key asset classes and investment vehicles.

Conducted in Hong Kong, China, Taiwan, Japan, Singapore, Malaysia and Indonesia, the research is based on 500 online interviews in every market, except in Malaysia and Indonesia where it is conducted face-to-face. Respondents are middle class to affluent investors, aged 25 years and above who are the primary decision maker of financial matters in the household and currently have investment products.

The Manulife ISI is a long-established research series in North America. Manulife ISI has been measuring investor sentiment in Canada for the past 13 years, and extended this to its John Hancock operation in the U.S. in 2011 and Asia earlier this year. The Asia research was conducted between mid-April 2013 and May 2013 by TNS, a leading global research firm. Details on the Manulife Canada and John Hancock Indexes can be found at www.manulife.com and www.johnhancock.com.

About Manulife Financial

Manulife Financial is a leading Canada-based financial services group with principal operations in Asia, Canada and the United States. Clients look to Manulife for strong, reliable, trustworthy and forward-thinking solutions for their most significant financial decisions. Our international network of employees, agents and distribution partners offers financial protection and wealth management products and services to millions of clients. We also provide asset management services to institutional customers. Funds under management by Manulife Financial and its subsidiaries were C\$555 billion (US\$547 billion) as at March 31, 2013. The Company operates as Manulife Financial in Canada and Asia and primarily as John Hancock in the United States.

Manulife Financial Corporation trades as 'MFC' on the TSX, NYSE and PSE, and under '945' on the SEHK. Manulife Financial can be found on the Internet at manulife.com.

About Manulife Asset Management

Manulife Asset Management is the global asset management arm of Manulife Financial. Manulife Asset Management provides comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. Manulife Asset Management also provides investment management services to affiliates' retail clients through product offerings of Manulife and John Hancock. This investment expertise extends across a broad range of asset classes including equity, fixed income and alternative investments such as real estate, timber, farmland, as well as asset allocation strategies. Manulife Asset Management has investment presence in the United States, Canada, the United Kingdom, Japan, Hong Kong, Singapore, Taiwan, Indonesia, Thailand, Vietnam, Malaysia and the Philippines. In addition, it has a joint venture asset management business in China, Manulife TEDA. It also has operations in Australia, New Zealand, Brazil and Uruguay. John Hancock Asset Management, Hancock Natural Resource Group and Declaration Management and Research are units of Manulife Asset Management. Manulife Asset Management was named Best Asian Bond House for 2011 by Asia Asset Management. As at 31 March 2013, assets under management were US\$248 billion. Additional information about Manulife Asset Management can be found at manulifeAM.com.