



**SECURITIES AND  
FUTURES COMMISSION**  
證券及期貨事務監察委員會

## **Retail Investor Survey 2003**

### **2003年散戶投資者調查**

Hong Kong  
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## 1. EXECUTIVE SUMMARY

In October and November 2003, the Securities and Futures Commission (SFC) engaged an independent research centre to conduct a survey to explore the investment behaviour of retail investors<sup>1</sup>, particularly on dealing in stocks and funds, as well as to find out what deterred non-investors<sup>2</sup> from investing, the factors that might prompt some of them (potential investors<sup>3</sup>) to invest in the coming 6 months and views on SFC's investor education work.

### **Retail participation in trading investment products**

- Over the past two years, 29.8% of Hong Kong adults had traded investment products. The most popular investment products were Hong Kong stocks, with a 23.8% retail participation rate. This was followed by funds (excluding MPF) (9.8%), derivatives traded on the Stock Exchange of Hong Kong ("SEHK") or the Hong Kong Futures Exchange ("HKFE") (2.3%), non-listed equity-linked instruments (1.6%), stocks traded in Mainland or other foreign markets (1.5%), bonds (1.3%), leveraged foreign exchange contracts (0.8%) and derivatives traded in Mainland or other foreign markets (0.4%).

### **Profile of retail, potential and non-investors**

- 52.2% of retail investors were male; 64.2% were aged 30-49; 32% were degree holders and their major occupations were clerks (16.7%), professionals (14.7%) and managers/administrators (13.1%).
- For potential investors, a larger proportion were male (58.4%); aged 18-29 (31.6%) and 40-49 (26.5%); had upper secondary education (36.6%) and worked as clerks (19%), service/shop sales workers (14%) and professionals (13%).
- Non-investors tended to be female (56.2%); aged 18-29 (26.8%) and 40-49 (24.3%); with upper secondary education (28.9%) and home-makers (20.3%).

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<sup>1</sup> Retail investors are defined as adults aged 18 or above who had traded investment products in the last 2 years. Investment products include stocks and derivatives (e.g. warrants, futures) traded in Hong Kong, Mainland or other foreign markets, funds (excluding MPF), bonds, leveraged foreign exchange contracts and non-listed equity-linked instruments.

<sup>2</sup> Non-investors are defined as adults aged 18 or above who had not traded any investment products in the last 2 years.

<sup>3</sup> Potential investors refer to non-investors who indicated that they would trade investment products in the coming 6 months.

## **Investment behaviour of stock investors<sup>4</sup>**

- Banks had taken a larger share of the stock dealing business. 52.7% of stock investors had used banks only, 30.7% through brokerages only and 16.2% had used both. 95.97% of stock investors had cash accounts only. Only 1 respondent (0.12%) had a margin account but no cash account and 3.91% had both cash and margin accounts.
- In selecting intermediaries, the size and financial soundness of an intermediary was the most influential factor. Strengthening internal control measures, financial backing and the firms' transparency of financial situation and operations were the three main areas identified by stock investors to enhance brokerages' competitiveness and investor confidence towards them.
- Apart from stock code and company name that stock investors were familiar with, most of them knew most about the company's nature of business (91%) and prospects (88.2%) before buying its stock. They deemed the company's financial position most important in making stock investment decisions. In deciding whether to subscribe for IPO shares, they mainly looked at the background and reputation of the newly listed company.
- When it comes to making buy-and-sell decisions of listed stocks, the majority, 82.5% of stock investors relied on their own analysis. Over half of them (53.4%) were turnover followers.
- 91% of stock investors had never voted, whether in person, by proxy or via their intermediaries at shareholder meetings. They had not voted because they believed that their minority votes could not affect the decisions of a listed company.
- 11.2% of stock investors had sometimes or always bought and sold a stock on the same day during the last 6 months. 66.8% had never conducted day trading during the last 6 months.

## **Investment behaviour of fund investors<sup>5</sup>**

- Amongst fund investors, particularly those female, aged 50 or above, or had secondary education or below, favoured guaranteed funds most.
- Most of the fund investors were driven by their own investment needs and recommendations by sales people to start their fund investments. Before buying a fund, most of the fund investors knew about the fund's investment objectives and fees directly charged to them. Over 90% of them deemed the

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<sup>4</sup> Stock investors refer to retail investors who had invested in stocks traded in Hong Kong, Mainland or other foreign markets in the last 2 years.

<sup>5</sup> Fund investors refer to retail investors who had traded funds (excluding MPF) in the last 2 years.

fees (management fee, fees directly charged to investors) and the fund's authorization status important in assessing the fund. When making decisions, 62.2% of them had read both the offering documents and marketing materials.

- Distribution agents served as the major channel in selling funds as 60.4% of fund investors bought funds directly from them. Although 36.3% of fund investors claimed that they only relied to “some extent” on advice from bank staff or investment advisers, they still expected the distribution agents to provide information about the fund's recent performance and the background and past performance of the fund house.

### **On-line trading**

- 16.3% of retail investors had traded investment products on-line in the last 2 years. Nearly all on-line investors were attracted by the convenience of on-line trading. Those who were resistant to on-line trading mainly perceived on-line trading as insecure.

### **Worries of non-investors and potential investors**

- 37% of non-investors had not invested in the last 2 years because of lack of investment knowledge. 3% of them (potential investors) would invest in the coming 6 months, particularly in Hong Kong stocks (86.1% of potential investors) and funds (excluding MPF) (24.8%), mainly because of market-driven (e.g. market sentiment turning good) or event-driven (e.g. saving for marriage, retirement, etc.) reasons.

### **Views on SFC's investor education work**

- Radio segments (42%), investor videos on buses (41.9%) and newspaper articles (41.9%) were the top three most remembered SFC's investor education programmes by retail and potential investors. In terms of usefulness, they liked radio segments (75.6%), documentary dramas on television (74.2%) and SFC's websites<sup>6</sup> (73.6%) most.
- Television was rated as the most preferred channel for receiving investor education messages, followed by newspapers and radio.
- “F.4 or above” was considered as the best time to begin investor education. “Adults when they start investing” was generally selected as the second choice.

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<sup>6</sup> Including SFC's corporate website and the SFC-operated Electronic Investor Resources Centre.

## 2. KEY FINDINGS

### 2.1 Retail Participation In Trading Investment Products

Over the past two years, 29.8% of Hong Kong adults had traded investment products<sup>7</sup>. The three most popular investment products were Hong Kong stocks, with a 23.8% retail participation rate, followed by funds (excluding MPF) (9.8%), derivatives (e.g. warrants, futures) traded on the Stock Exchange of Hong Kong (“SEHK”) or the Hong Kong Futures Exchange (“HKFE”) (2.3%). (See Table 1)

**Table 1: Retail Participation in Trading Investment Products**

<u>Investment products</u>	<u>Retail participation</u>
Stocks traded on the SEHK	23.8%
Funds (excluding MPF)	9.8%
Derivatives traded on the SEHK or the HKFE	2.3%
Non-listed equity-linked instruments	1.6%
Stocks traded in Mainland or other foreign markets	1.5%
Bonds	1.3%
Leveraged foreign exchange contracts	0.8%
Derivatives traded in Mainland or other foreign markets	0.4%
<i>Any of the above</i>	29.8%

*Base: All respondents*

### 2.2 Profile Of Retail, Potential And Non-Investors

As shown in Table 2, retail investors had the following characteristics:

- 52.2% were male;
- 64.2% were aged 30-49;
- 32% were degree holders;
- Their major occupations were clerks (16.7%), professionals (14.7%) and managers/administrators (13.1%).

For potential investors, a larger proportion were:

- male (58.4%);
- aged 18-29 (31.6%) and 40-49 (26.5%);
- upper secondary school graduates (36.6%);
- working as clerks (19%), service/shop sales workers (14%) and professionals (13%).

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<sup>7</sup> Investment products include stocks and derivatives (e.g. warrants, futures) traded in Hong Kong, Mainland or other foreign markets, funds (excluding MPF), bonds, leveraged foreign exchange contracts and non-listed equity-linked instruments.

Non-investors tended to be:

- female (56.2%);
- aged 18-29 (26.8%) and 40-49 (24.3%);
- with upper secondary education (28.9%);
- home-makers (20.3%).

**Table 2: Socio-economic Profile of Retail, Potential and Non-investors**

	<u>Retail investors</u> %	<u>Potential investors</u> %	<u>Non- investors*</u> %
<u>Sex</u>			
Male	52.2	58.4	43.8
Female	47.8	41.6	56.2
<u>Age</u>			
18-29	14.6	31.6	26.8
30-39	30.3	22.4	21.2
40-49	33.9	26.5	24.3
50-59	15.4	11.2	13.7
60 or above	5.8	8.2	14.0
<i>Median</i>	<i>45</i>	<i>35</i>	<i>45</i>
<u>Occupation</u>			
Managers/Administrators	13.1	8.0	2.1
Professionals	14.7	13.0	5.9
Associate professionals	9.3	10.0	5.5
Clerks	16.7	19.0	11.5
Service workers /Shop sales workers	8.4	14.0	11.0
Craft and related workers	3.9	5.0	4.6
Plant and machine operators and assemblers	3.1	5.0	4.8
Elementary occupations	3.1	1.0	6.1
Skilled agricultural, fishery workers	0.5	0.0	0.4
Business owners	2.5	5.0	1.2
Students	1.5	2.0	8.4
Retirees	6.5	7.0	10.1
Home-makers	13.5	9.0	20.3
Unemployed	3.0	2.0	8.0
Others	0.0	0.0	0.1
<u>Education level</u>			
No school/kindergarten	0.7	1.0	5.9
Primary	6.6	4.0	17.7
Lower secondary	11.6	10.9	19.3
Upper secondary	30.4	36.6	28.9
Matriculation #	8.2	6.9	6.8
Tertiary: Non-degree course	10.6	17.8	7.3
Tertiary: Degree course	32.0	22.8	14.0
<i>Note: * Non-investors exclude those who were classified as potential investors.</i>			
<i># Subsequent analyses have put "matriculation" into the "secondary education or below" group.</i>			
<i>Figures may not add up to 100% due to rounding.</i>			
<i>(Base: All answers excluding refusal cases)</i>			

**Table 2: Socio-economic Profile of Retail, Potential and Non-investors  
(Cont'd)**

	<u>Retail investors</u> %	<u>Potential investors</u> %	<u>Non- investors*</u> %
<u>Monthly personal income</u>			
\$1-999	0.0	0.0	0.2
\$1,000-1,999	0.1	0.0	0.5
\$2,000-3,999	0.6	1.3	2.7
\$4,000-5,999	1.9	1.3	9.7
\$6,000-7,999	4.0	8.9	13.5
\$8,000-9,999	6.7	19.0	16.8
\$10,000-14,999	22.3	27.8	26.4
\$15,000-19,999	14.7	12.7	10.3
\$20,000-24,999	14.8	11.4	8.1
\$25,000-39,999	18.0	7.6	7.0
\$40,000 or above	17.0	10.1	4.8
<i>Median (\$)</i>	<i>17,500</i>	<i>12,500</i>	<i>12,500</i>
<u>Monthly household income</u>			
\$2,000-3,999	0.1	0.0	2.6
\$4,000-5,999	0.2	1.3	5.9
\$6,000-7,999	1.0	2.6	6.5
\$8,000-9,999	2.4	3.9	7.9
\$10,000-14,999	9.1	10.5	21.4
\$15,000-19,999	10.0	7.9	11.8
\$20,000-24,999	12.9	10.5	14.8
\$25,000-29,999	6.8	9.2	5.8
\$30,000-39,999	16.0	21.1	9.9
\$40,000-59,999	20.9	19.7	7.7
\$60,000 or above	20.5	13.2	5.7
<i>Median (\$)</i>	<i>35,000</i>	<i>35,000</i>	<i>17,500</i>
<p><i>Note: * Non-investors exclude those who were classified as potential investors.            Figures may not add up to 100% due to rounding.            (Base: All answers excluding refusal cases)</i></p>			



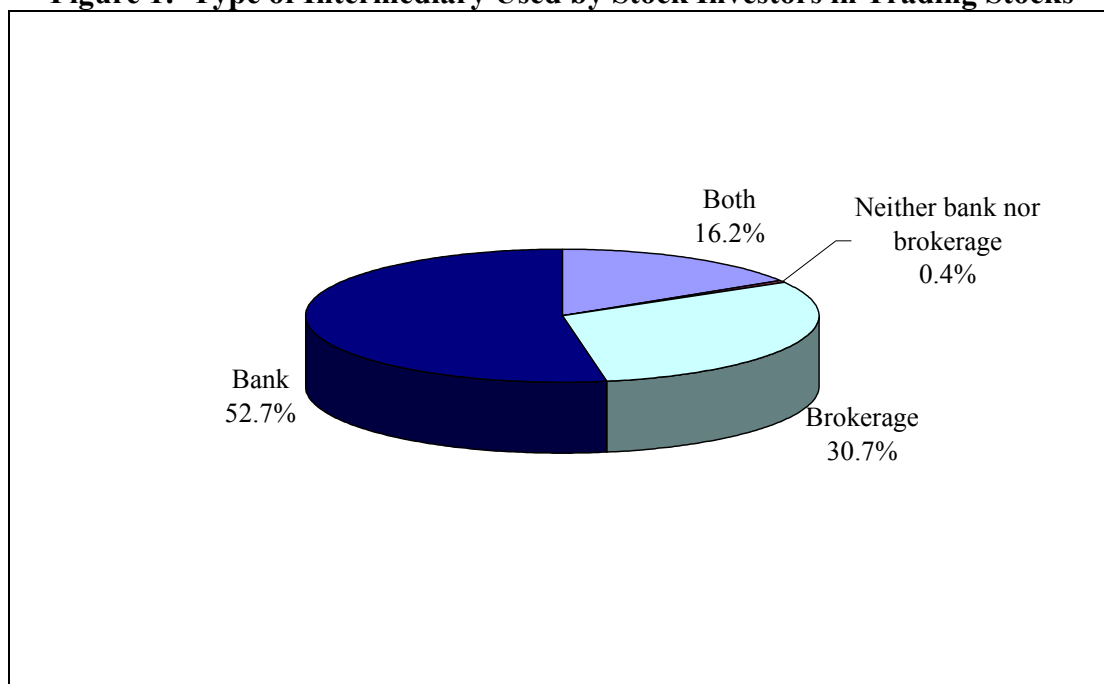
## 2.3 Investment Behaviour Of Stock Investors

Among 1,010 retail investors interviewed, 822 of them had invested in stocks traded in Hong Kong, Mainland or other foreign markets in the last 2 years (“stock investors”).

### Dealing Channels

52.7% of stock investors had traded stocks through banks only, 30.7% through brokerages only, 16.2% had used both, while 0.4% held shares (bought directly in initial public offerings) in their own names. (See Figure 1)

**Figure 1: Type of Intermediary Used by Stock Investors in Trading Stocks**



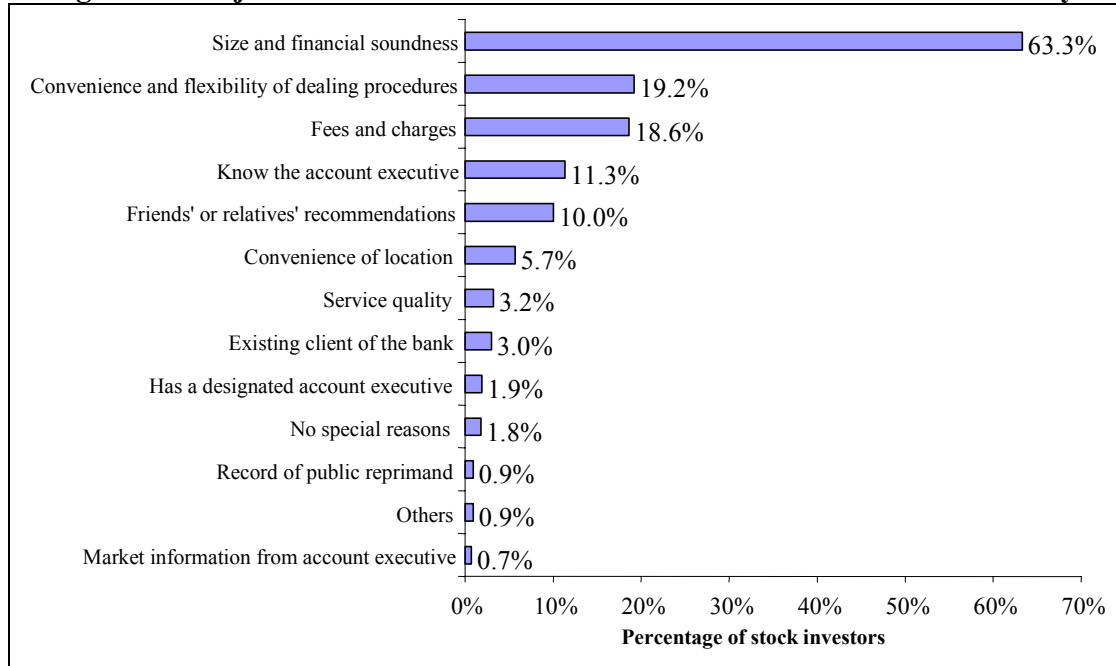
(Base: All stock investors)

62.7% of stock investors who had dealings with brokerages (i.e. trading via brokerages only or both brokerages and banks) had checked both the licence status of their brokerage and their account executive prior to trading. (Checked brokerage only: 13.2%, account executive only: 2.3%).

21.8% of brokerage clients had not checked the licence status mainly because the brokerage and/or the account executive were introduced by a friend or relative (40.5%) or the brokerage itself is well-known (34.5%). 17.9% of them had known the account executive already. 3.6% did not know they should have a licence.

In choosing an intermediary, 63.3% of stock investors responded that the size and financial soundness of the intermediary was the most influential factor, followed by convenience and flexibility of dealing procedures (19.2%) and fees and charges (18.6%). (See Figure 2)

**Figure 2: Major Factors that Influenced Investors' Choice of Intermediary**



*Note: Multiple answers allowed.  
(Base: All stock investors)*

### **Types of Stock Accounts**

Most of the stock investors (95.97%) had cash accounts only. Only 1 respondent (0.12%) had a margin account but no cash account and 3.91% had both.

When compared with those using cash accounts only, stock investors using both cash and margin accounts had the following characteristics:

- 65.6% were male (Cash only: 54.4%);
- 58.1% had tertiary education (Cash only: 41.5%);
- 21.9% traded through banks (Cash only: 54.3%).

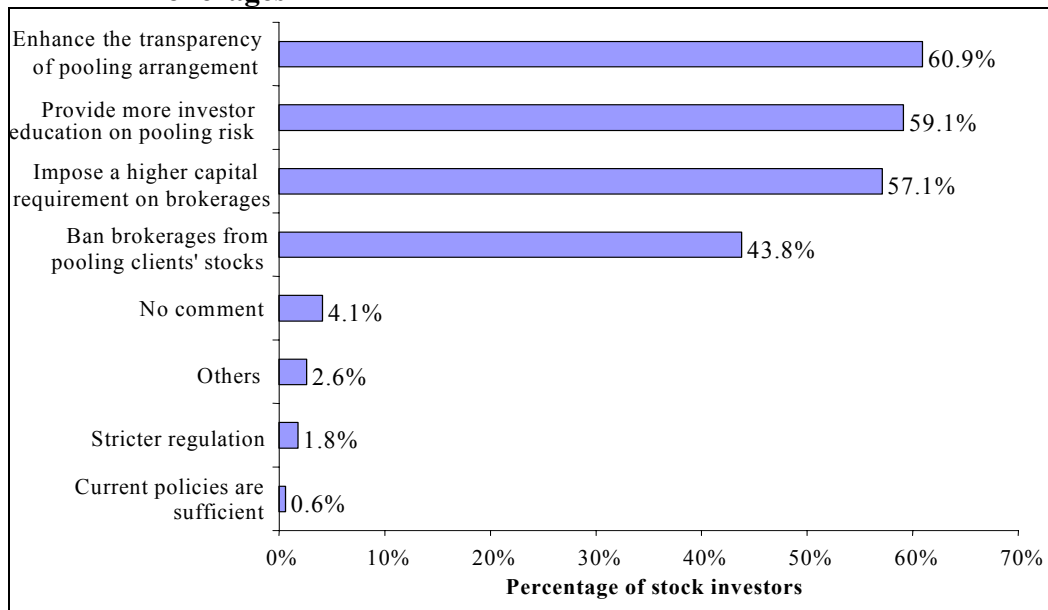
59.1% of stock investors were aware of the pooling risk<sup>8</sup> of margin accounts. 40.3% of them knew that a margin client is usually required to authorize his brokerage to re-pledge shares in his margin account to secure a brokerage's loan from its banks. Those who had traded on margin had higher awareness<sup>9</sup> of the pooling risk (Both: 78.1%, Cash only: 58.5%) and the authorization requirement (Both: 56.3%, Cash only: 39.7%).

<sup>8</sup> If the brokerage becomes insolvent, the bank may sell the stocks of margin clients, which have been pooled and re-pledged to it by the brokerage for bank borrowings, in order to discharge the brokerage's indebtedness. In such a case, a margin client may not be able to recover all the stocks in his margin account. This is commonly known as pooling risk.

<sup>9</sup> The respondent who had a margin account but no cash account knew the pooling risk and authorization requirement of margin accounts.

To reduce the pooling risk of margin accounts held at brokerages, 60.9% of stock investors supported the idea to enhance the transparency of the pooling arrangement in margin accounts, 59.1% of them agreed that more investor education on pooling risk can be effective. 57.1% advocated imposing a higher capital requirement on brokerages while 43.8% suggested banning brokerages from pooling clients' stocks. (See Figure 3)

**Figure 3: Approaches for Reducing Pooling Risk of Margin Accounts Held at Brokerages**

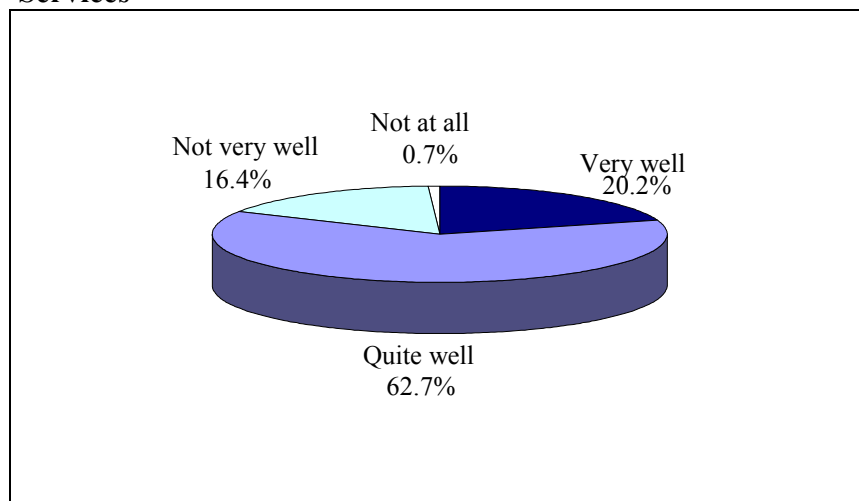


Note: Multiple answers allowed.  
 (Base: All stock investors)

**Understanding Fees and Charges**

Most stock investors (82.9%) understood very well or quite well the various types of fees and charges related to stock trading services. (See Figure 4)

**Figure 4: Understanding Various Types of Fees and Charges on Stock Trading Services**



(Base: All stock investors)

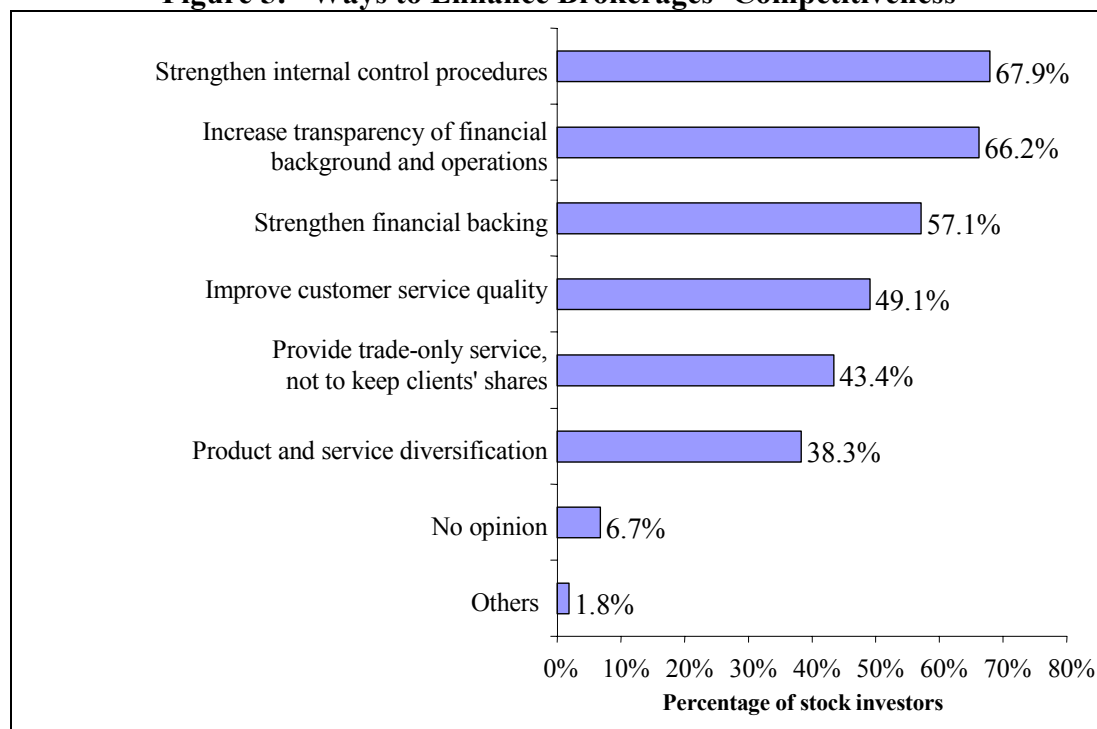
Those who had traded via both brokerages and banks seemed to show higher cost awareness. 91.7% of them claimed that they understood the fees and charges very well or quite well. (Banks only: 79%, Brokerages only: 85%).

Most of the stock investors (79%) indicated that the account executive or bank staff provided them with a schedule of fees and charges at the time of account opening. (Not provided: 18.8%, Don't remember: 2.2%)

### **Ways to Improve Brokerages' Competitiveness**

Stock investors considered that strengthening internal control procedures, increasing transparency of financial background and operations as well as strengthening financial backing were the top three ways that brokerages could enhance their competitiveness. (See Figure 5)

**Figure 5: Ways to Enhance Brokerages' Competitiveness**



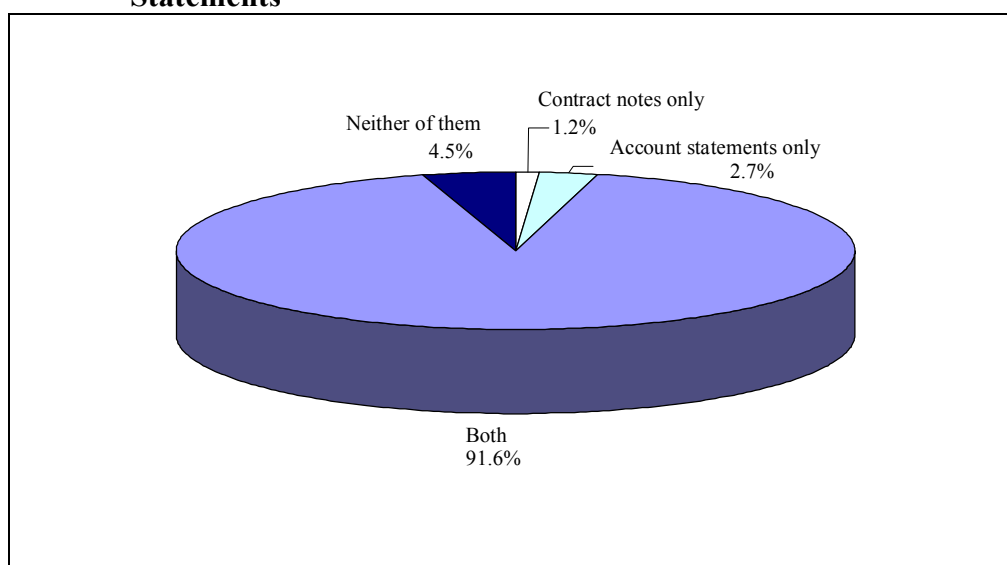
*Note: Multiple answers allowed.  
(Base : All stock investors)*

It is also noted that those stock investors who had dealings with brokerages, i.e. they had traded through brokerages only or used both brokerages and banks, were more supportive of the ideas of strengthening internal control (Brokerages only: 68.8%, Banks only: 64.9%, Both brokerages and banks: 76.7%) and increasing transparency of financial background and operations (Brokerages only: 68.8%, Banks only: 62.4%, Both banks and brokerages: 73.7%) to improve brokerages' competitiveness when compared with stock investors who had used banks only.

## Checking Transaction Documents

91.6% of stock investors checked both contract notes and account statements (See Figure 6). Among them, about two thirds (66%) received contract notes and account statements that were issued separately. 32% got a daily statement which combined a contract note and an account statement. 2% had no idea.

**Figure 6: Whether Stock Investors Checked Contract Notes and Account Statements**



*(Base: All stock investors who held accounts at intermediaries)*

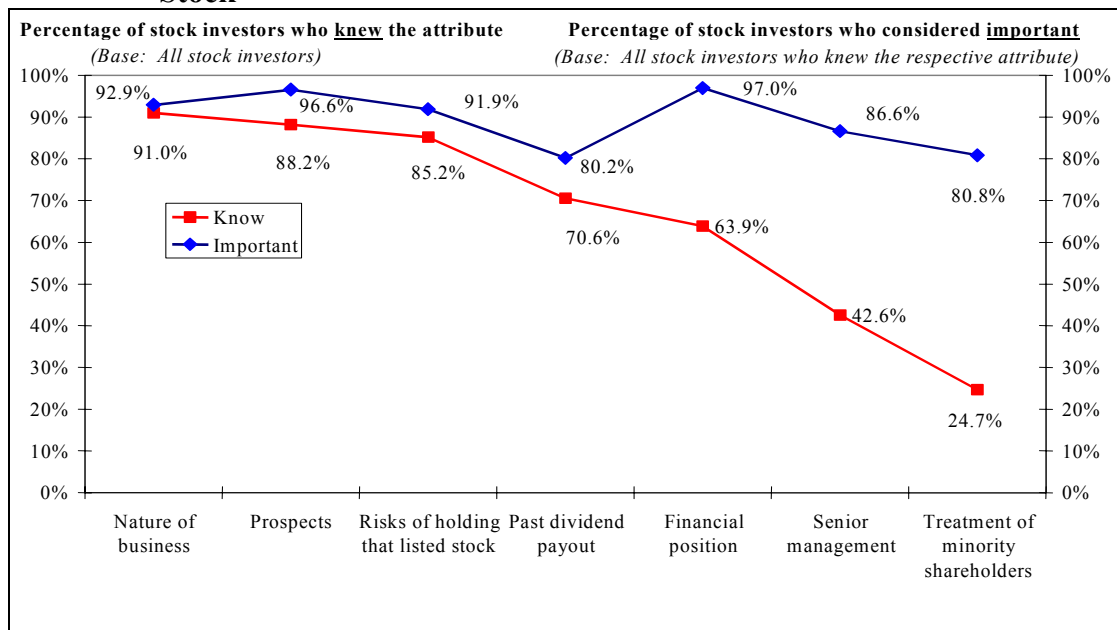
24.7% of stock investors who did not check both contract notes and account statements indicated that it was not necessary to do so because their investment amounts were small, they had confidence in the regulatory regime, or they had difficulties in understanding the information in the statements. 15.6% did not read the statements because they trusted their intermediaries. 14.3% considered checking either one would be enough.

## Understanding Stocks

Apart from stock code and company name that nearly all stock investors were familiar with, the company's nature of business (91%), prospects (88.2%) and risks of holding its stock (85.2%) were the three attributes that stock investors knew most about a listed company before buying its stock. They were less aware of the company's senior management (42.6%) and treatment of minority shareholders (24.7%). Interestingly, only 1.3% of stock investors admitted that before they bought a stock, they only knew the company name and stock code and had no idea about the company's fundamentals.

In terms of importance, financial position, prospects and nature of business of a listed company were the top three attributes in evaluating a stock. (See Figure 7)

**Figure 7: Understanding of a Listed Company's Attributes Before Buying Its Stock**

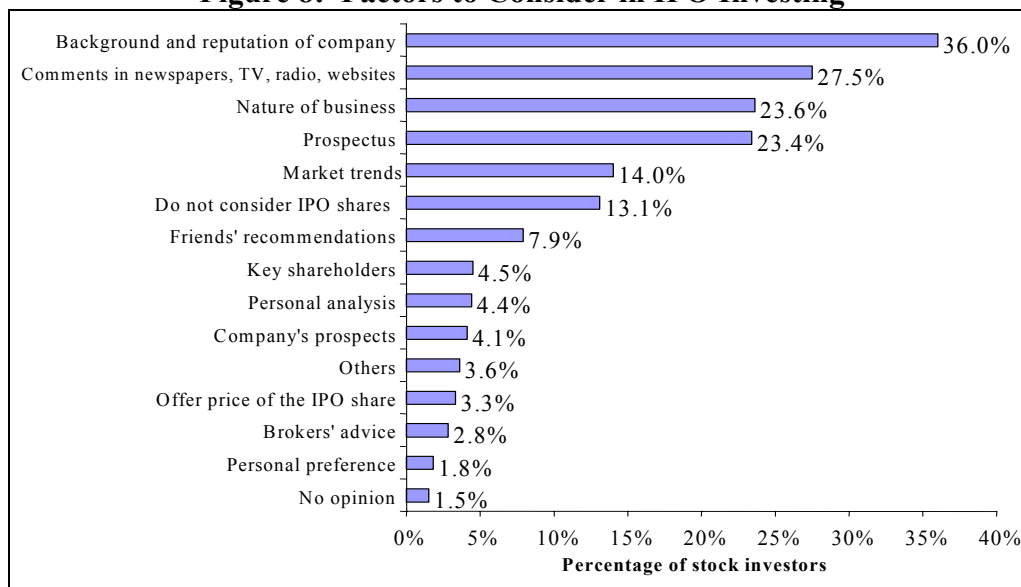


Note: 98.2% and 89.8% of stock investors knew the company name and stock code respectively. Multiple answers allowed.

### IPO Investing

In deciding whether to subscribe for IPO shares, stock investors were more inclined to consider the background and reputation of the newly listed company (36%) and made their investment decisions based on comments in the media and on financial information websites (27.5%). 23.6% of them also considered the company's nature of business. 23.4% would refer to the prospectus and even fewer (2.8%) would act according to the broker's advice. 13.1% of stock investors would not consider IPO shares at all. (See Figure 8)

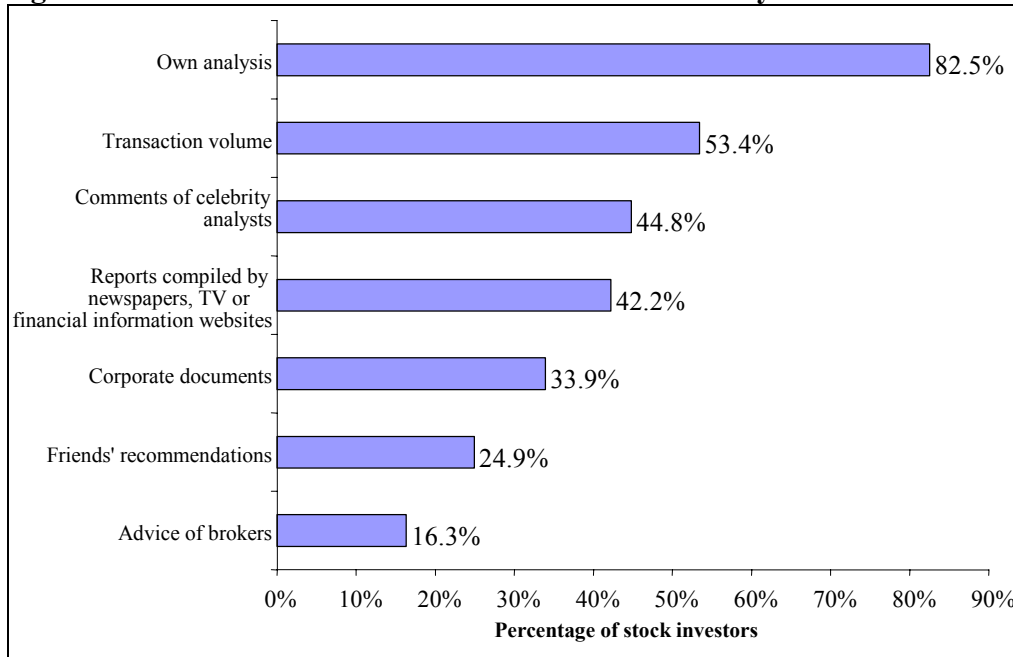
**Figure 8: Factors to Consider in IPO Investing**



Note: Multiple answers allowed.  
(Base: All stock investors)

82.5% of stock investors had relied on their own analysis in making buy-and-sell decisions for listed stocks, followed by transaction volume (53.4%) and celebrity analysts' comments (44.8%). 42.2% read analysis reports compiled by newspapers, televisions or financial information websites. 33.9% of stock investors referred to corporate documents such as annual reports and company circulars in making trading decisions. (See Figure 9)

**Figure 9: What Stocks Investors Relied On to Make Buy-and-Sell Decisions**

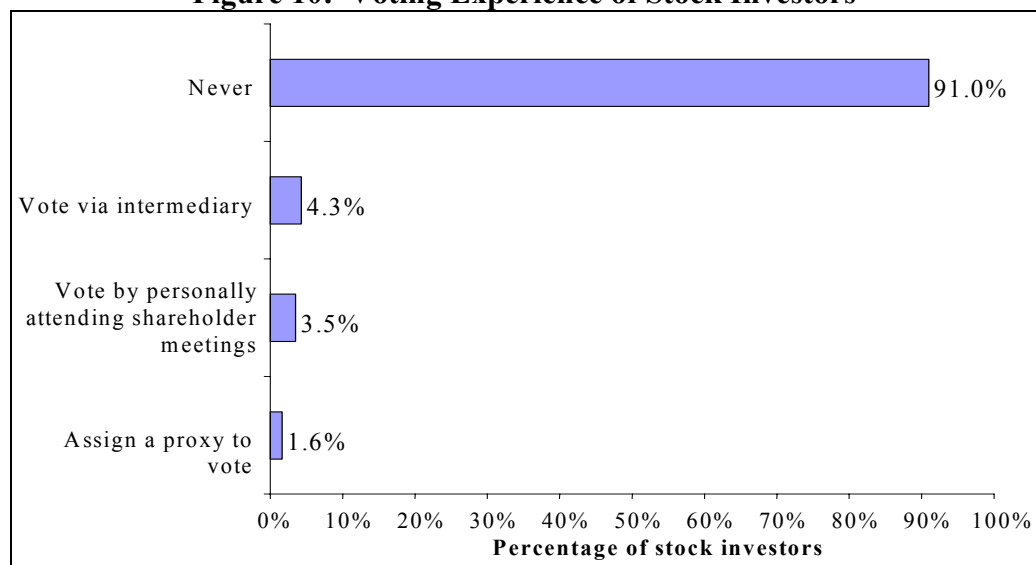


*Note: Multiple responses allowed.  
(Base : All stock investors)*

### **Voting Experience**

Most of the stock investors (91%) had never voted as shareholders. (See Figure 10)

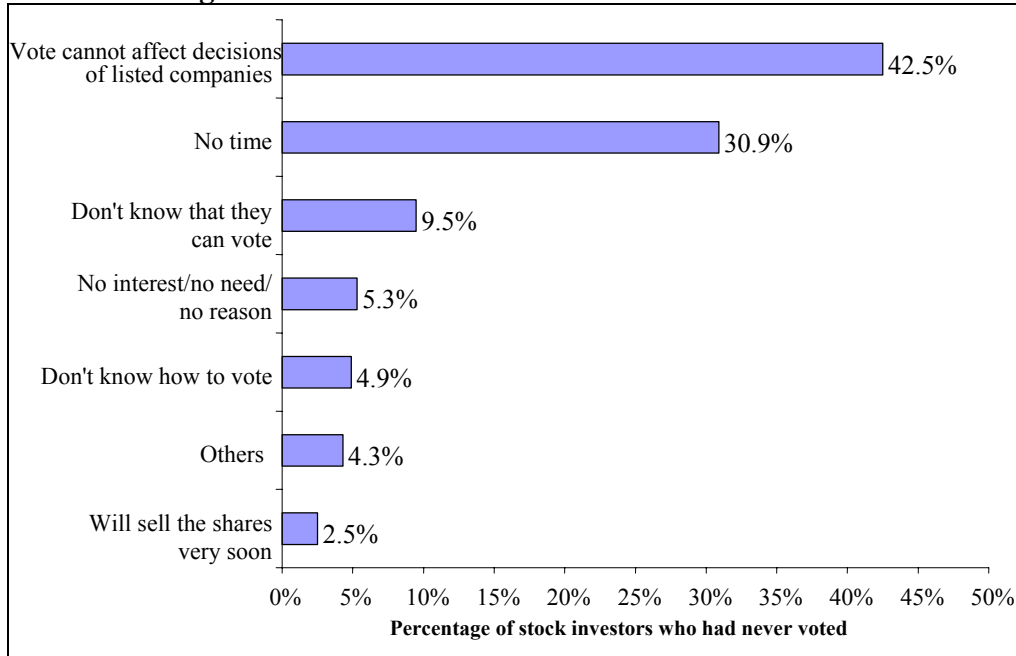
**Figure 10: Voting Experience of Stock Investors**



*(Base: All stock investors)*

The most common reason given by stock investors (42.5%) for not voting was that they did not think that they could influence the decisions of listed companies because they only held a small number of shares. Another major reason was that they did not have the time to vote (30.9%). (See Figure 11)

**Figure 11: Reasons for Stock Investors Not to Vote**

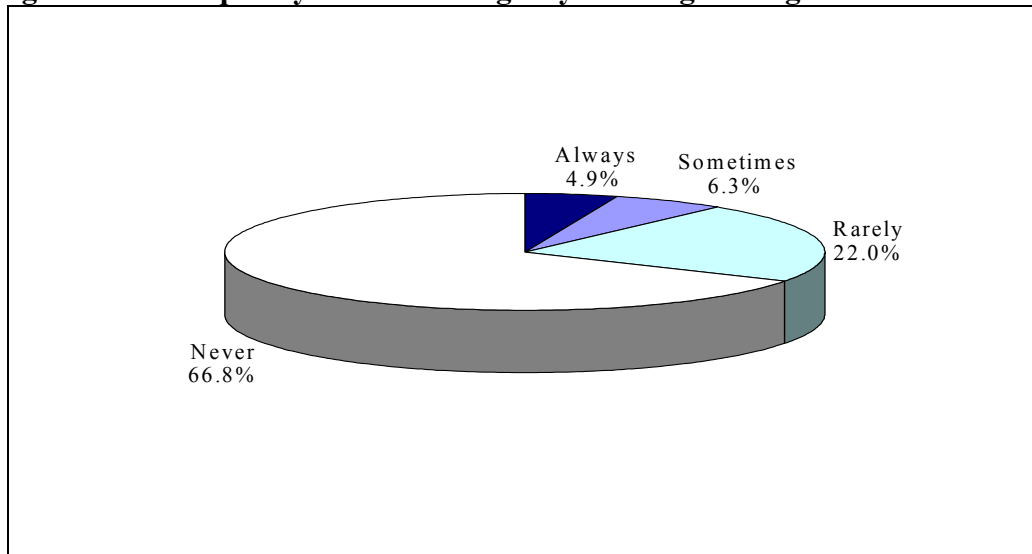


*Note: Multiple answers allowed.  
 (Base: All stock investors who had never voted)*

**Day Trading**

11.2% of stock investors had sometimes or always bought and sold a stock on the same day during the last 6 months. 66.8% had never conducted day trading during the last 6 months. (See Figure 12)

**Figure 12: Frequency of Conducting Day Trading During the Last 6 Months**



*(Base : All stock investors)*



## 2.4 Investment Behaviour Of Fund Investors

### Popularity of Different Types of Funds

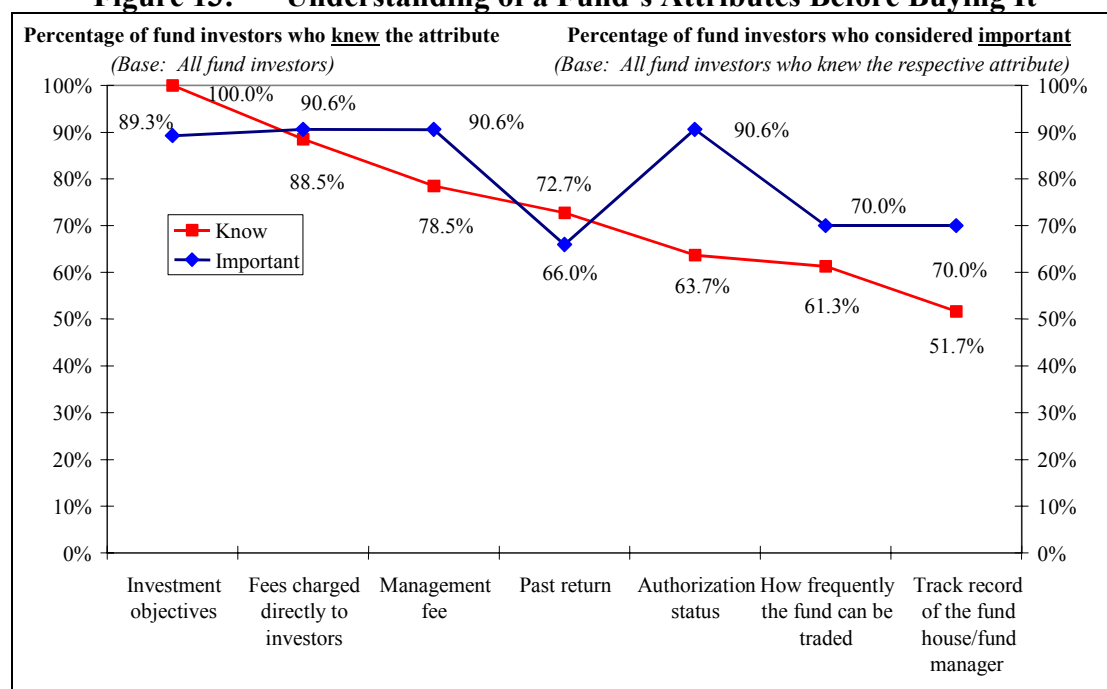
Among the 331 fund investors successfully interviewed in the survey, guaranteed funds were most popular. (Guaranteed funds: 54.4%, Equity funds: 43.2%, Balanced funds: 26.9%, Bond funds: 20.5%, Other funds such as warrant funds, futures funds and hedge funds, etc.: 10.3%). Guaranteed fund holders had distinctive characteristics when compared with holders of other types of funds:

- A higher proportion (59.4%) of them were female (Equity funds: 53.8%, Balanced funds: 42.7%, Bond funds: 55.9%).
- 55% of guaranteed fund holders had secondary education or below (Tertiary education: 45%). In contrast, over half of equity, balanced and bond fund holders had tertiary education (Equity funds: 63.6%, Balanced funds: 53.9%, Bond funds: 64.7%).
- More guaranteed fund investors (22.4%) were aged 50 or above (Equity funds: 17.4%, Balanced funds: 15.1%, Bond funds: 18.2%).

### Understanding Funds

Most of the fund investors knew about the fund's investment objectives (100%) and fees charged directly to investors (88.5%). Most of them considered fees charged directly to investors (90.6%), management fee (90.6%), authorization status (90.6%) and investment objectives (89.3%) important. (See Figure 13)

**Figure 13: Understanding of a Fund's Attributes Before Buying It**



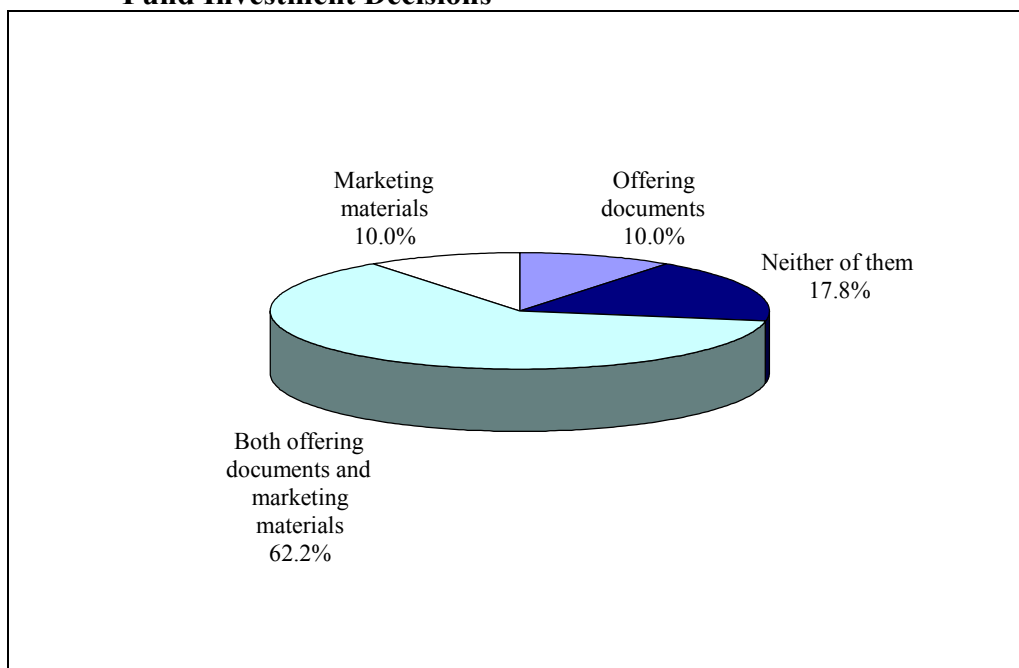
Note: Multiple answers allowed.

### **Factors Influencing Fund Investment Decisions**

One's investment needs and recommendations made by sales people were most influential in arousing investors' interests to buy funds. More than half of the fund investors (56.5%) bought funds because of recommendations from the sales staff of fund houses or distribution agents. 55.9% of them acted according to their own investment needs. (Friends' recommendations: 22.7%, Comments in newspapers or websites: 20.8%, Fund brochures: 13.3%, Fund advertisements: 10.6%)

When making investment decisions, 62.2% of fund investors had relied on both offering documents and marketing materials. (See Figure 14)

**Figure 14: Reliance on Offering Documents or Marketing Materials in Making Fund Investment Decisions**



*(Base: All fund investors)*

### **Dealing Channels**

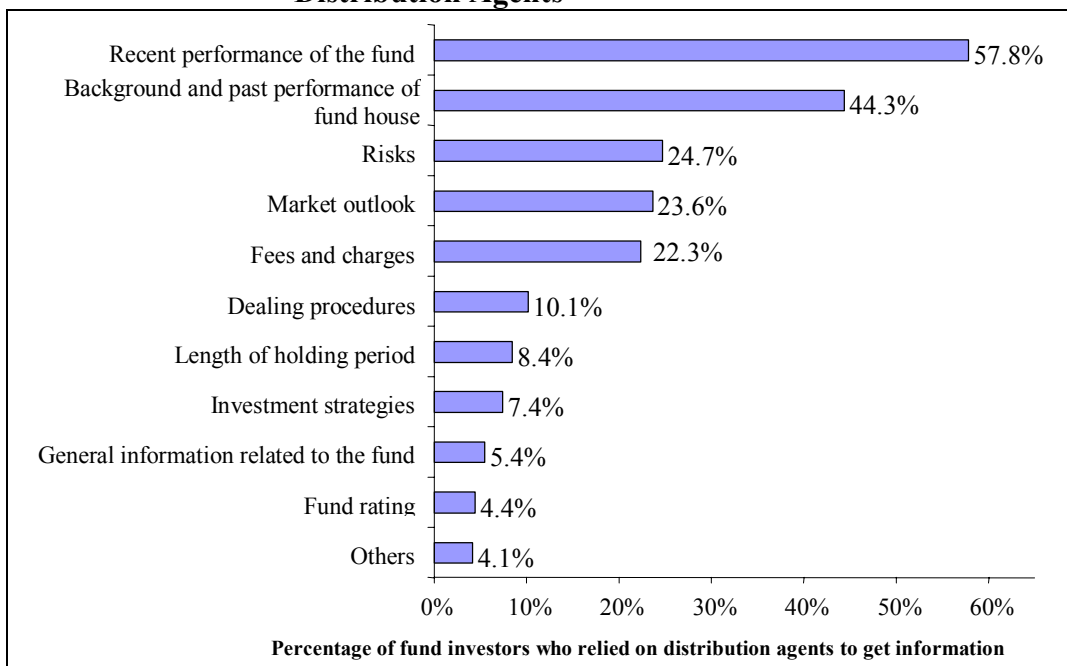
60.4% of fund investors usually bought funds directly from a distribution agent and 25.4% of them bought via a fund house. Only 5.1% of fund investors bought from both a fund house and a distribution agent. 0.9% of them had invested in funds via insurance companies. 8.2% could not recall. Compared with holders of other types of funds, guaranteed fund investors (63.9%) tended to deal more with distribution agents. (Equity funds: 57.3%; Balanced funds: 55.1%; Bond funds: 52.9%).

The largest portion, 36.3% of fund investors, claimed that they relied "to some extent" on advice from distribution agents, such as bank staff and investment advisers, in making their fund investment decisions. (A lot: 29.3%, A little: 23.9%, Not at all: 10.6%)

When compared with other types of funds, guaranteed fund investors showed the highest degree of reliance on advice from distribution agents in making investment decisions. 32.2% of them admitted that they relied “a lot” on agents’ advice. (Equity funds: 23.6%, Balanced funds: 21.7%, Bond funds: 20.6%)

More than half of the fund investors (57.8%) expected distribution agents to tell them the recent performance of the fund. 44.3% of them expected to learn the background and past performance of the fund house from distribution agents. Around a quarter of them expected distribution agents to give information about risks (24.7%), market outlook (23.6%) and fees and charges (22.3%) of the fund. (See Figure 15)

**Figure 15: What Fund Investors Expected to Learn From Distribution Agents**

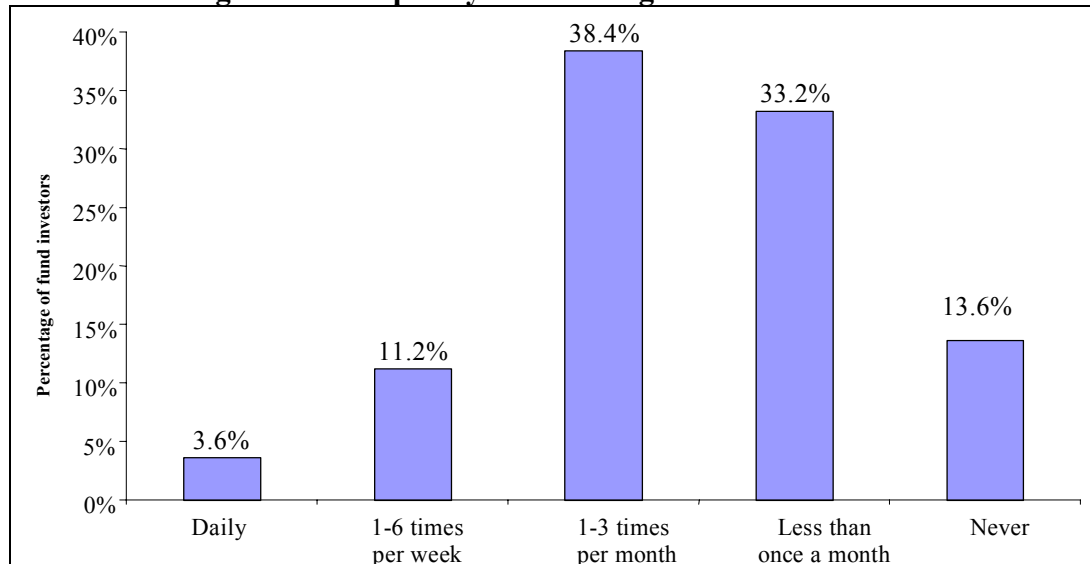


*Note: Multiple answers allowed.  
 (Base: All fund investors who relied on distribution agents to get information)*

## **Monitoring Fund Performance**

The fund investors either checked the fund's performance 1-3 times per month (38.4%) or less than once a month (33.2%). 13.6% of fund investors never checked the fund's performance. (See Figure 16)

**Figure 16: Frequency of Checking Fund Performance**



*(Base: All fund investors)*

In addition, most of the fund investors checked fund performance by referring to newspapers or market information websites (48.3%) and account statements sent by fund house or intermediary that sold the fund (45.5%). 28.3% used first-hand information from fund houses such as newsletters, annual reports and 1.7% checked with family members or friends.

## 2.5 On-Line Trading

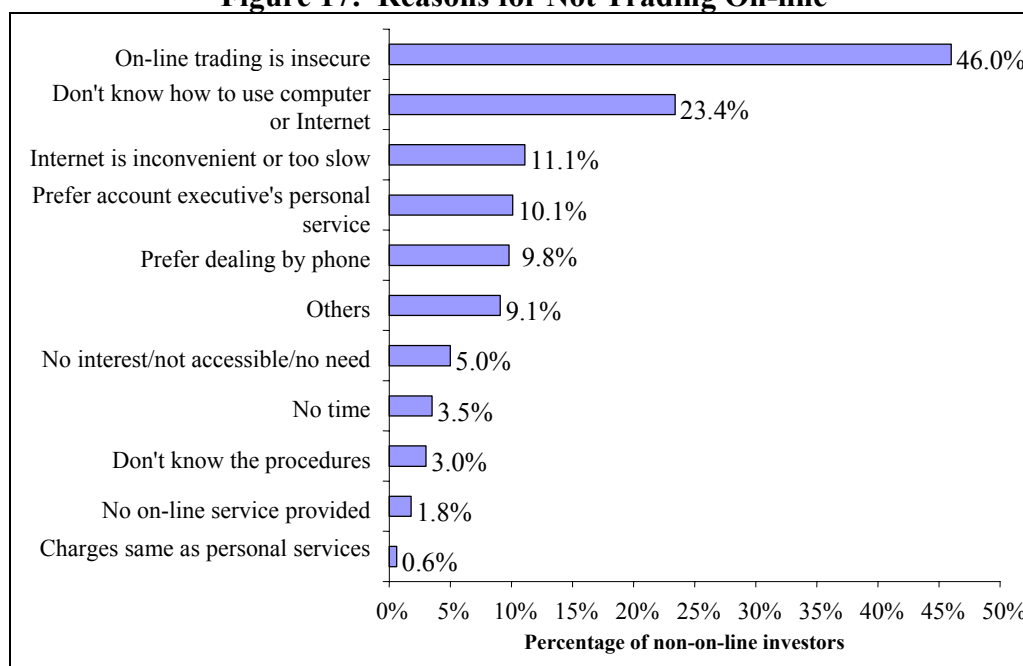
In the past 2 years, 16.3% of retail investors had traded investment products on-line<sup>10</sup>.

### Reasons Behind Users and Non-Users of On-Line Trading

Among those retail investors who had traded on-line in the last 2 years (“on-line investors”), nearly all (92.1%) indicated that trading on-line was more convenient, 20.6% favoured the lower commission rate, 15.2% found it easier to get market information via Internet. Only 3.6% used it for checking their account information.

Among the retail investors who had not traded on-line in the last 2 years (“Non-on-line investors”), about half (46%) considered on-line trading insecure, 23.4% did not know how to use computers or Internet and 11.1% found the Internet inconvenient or too slow. 10.1% preferred an account executive's personal service and less than 10% of them mentioned other reasons, such as charges same as personal services, no on-line service provided by their intermediaries, preferred dealing by phone, etc. (See Figure 17)

**Figure 17: Reasons for Not Trading On-line**



*Note: Multiple answers allowed.*

*(Base: All non-on-line investors)*

### Characteristics of On-Line Investors

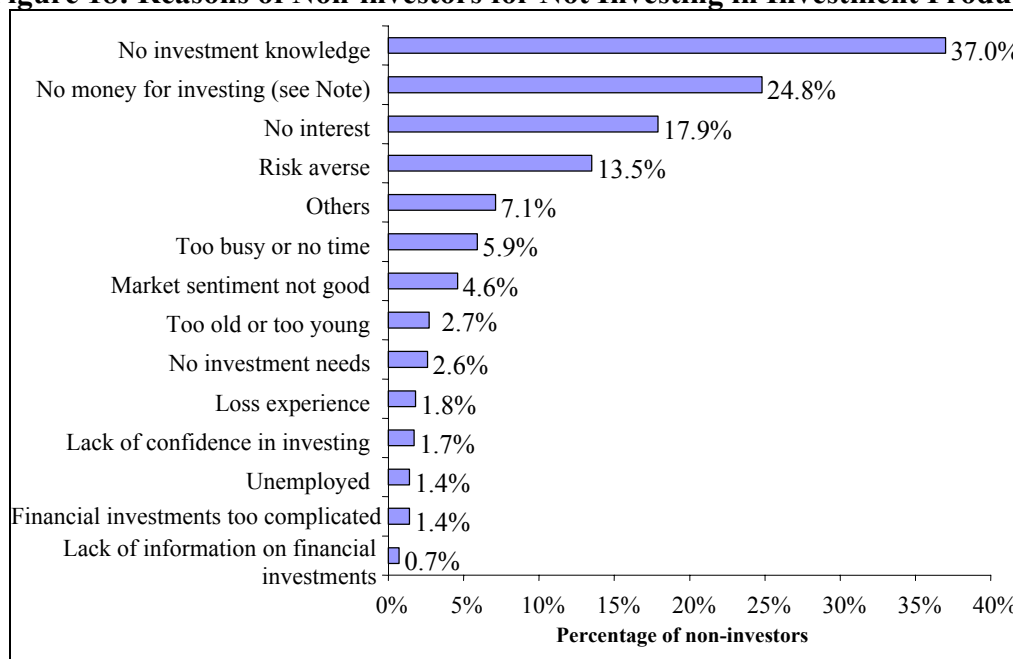
More than two thirds of on-line investors were male (69.7%). 68.1% of on-line investors had tertiary education. In addition, those who had traded investment products on-line in the last 2 years tended to be younger as 23.4% were aged 18-29 (Non-on-line: 13%).

<sup>10</sup> On-line trading does not include using e-banking services, e.g. pay bills, set up time deposits.

## 2.6 Worries Of Non-Investors And Potential Investors

Apart from financial constraints, no investment knowledge (37.0%), no interest (17.9%) and risk averse (13.5%) were the top three reasons quoted by those respondents who had not invested in any investment products during the last 2 years. (See Figure 18)

**Figure 18: Reasons of Non-investors for Not Investing in Investment Products**

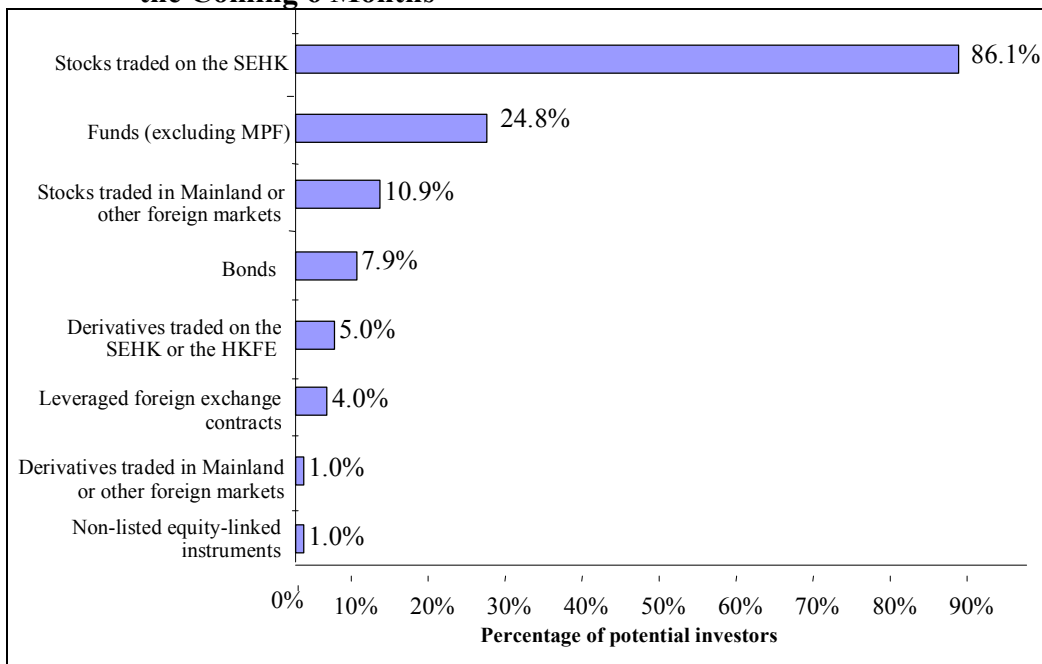


*Note: Although the question was “apart from financial constraints, why hadn’t you invested in the last 2 years?”, yet, 24.8% of non-investors still answered “no money for investing” as the reason for not investing.*

*(Base: All non-investors)*

Only 3% of non-investors planned to trade investment products in the coming 6 months and they were classified as “potential investors”. Most of the potential investors (86.1%) planned to invest in Hong Kong stocks. The second most popular investment products were funds (excluding MPF) (24.8%), followed by stocks traded in Mainland or other foreign markets (10.9%). (See Figure 19)

**Figure 19: Investment Products that Potential Investors Planned to Trade in the Coming 6 Months**



*Note: Multiple answers allowed.  
(Base: All potential investors)*

Potential investors who would like to buy Hong Kong stocks tended to be:

- male (63.2%) (Female: 36.8%);
- aged 30-49 (44.6%) (Aged 18-29: 22.8%, Aged 50 or above: 32.7%);
- with secondary education or below (59.7%) (Tertiary: 40.3%).

Among those who had indicated interest in funds (excluding MPF):

- 60% were female (Male: 40%);
- Two-fifths were aged 18-29 (Aged 30-49: 33.3%, Aged 50 or above: 26.7%);
- 52% had tertiary education (Secondary or below: 48%).

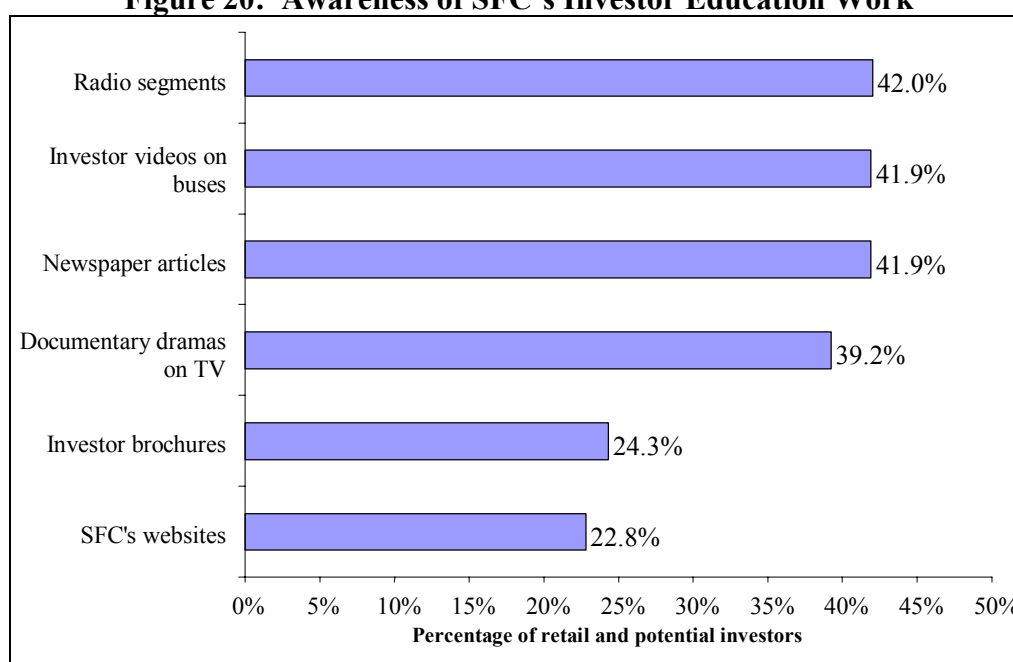
Those potential investors who had the intention to invest were basically driven by better market sentiment and their own investment needs. Nearly half (48.5%) of the potential investors cited market-driven reasons as the driving force, e.g. market sentiment turning good, returns of financial investments attractive. 43.6% would like to invest due to event-driven reasons, e.g. pay rise rendering more money available for investment, saving for marriage, child birth, retirement, etc. 9.9% would consider investing because of low deposit rates.

## 2.7 Views On SFC's Investor Education Work

### **Awareness and Perceived Usefulness of SFC's Investor Education Work**

Among the various investor education initiatives that the SFC had rolled out during the last 2 years, radio segments, investor videos on buses and newspaper articles were the top three investor education activities that respondents were aware of. Around 42% of retail and potential investors could remember these three programmes, followed by documentary dramas on television (39.2%), investor brochures (24.3%) and SFC's websites<sup>11</sup> (22.8%). (See Figure 20)

**Figure 20: Awareness of SFC's Investor Education Work**



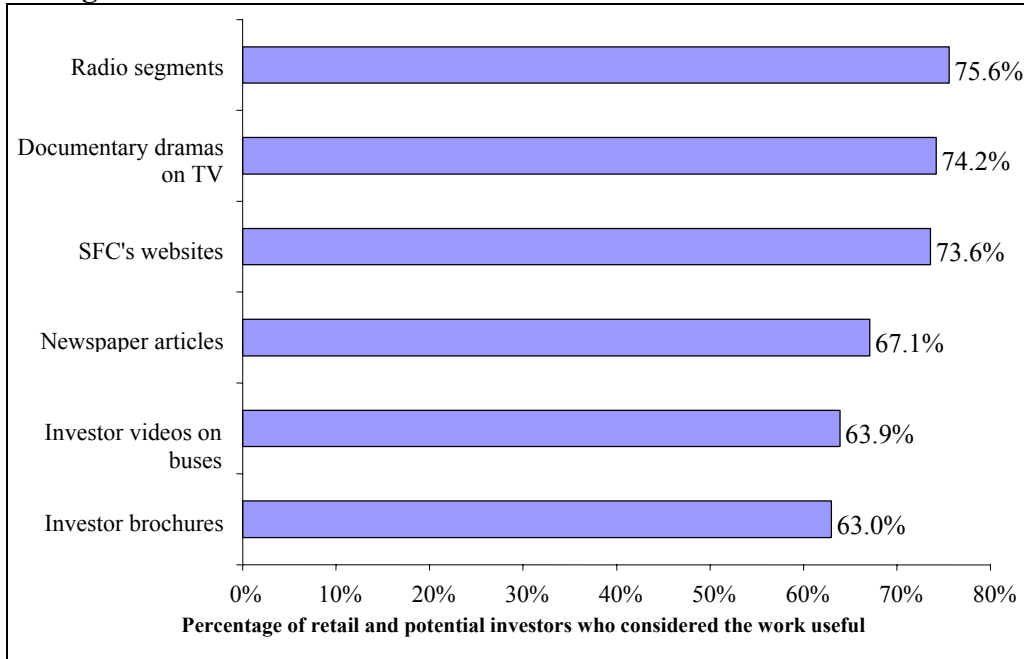
*(Base: All retail and potential investors)*

In terms of perceived usefulness, they had found radio segments (75.6%) and documentary dramas on television (74.2%) most useful. Although the awareness level of SFC's websites was relatively low when compared to other channels, on-line resources were rated third (73.6%) in terms of usefulness in conveying investor education messages, followed by newspaper articles (67.1%), investor videos on buses (63.9%) and investor brochures (63%). (See Figure 21)

<sup>11</sup> Including SFC's corporate website and the SFC-operated Electronic Investor Resources Centre.



**Figure 21: Perceived Usefulness of SFC’s Investor Education Work**

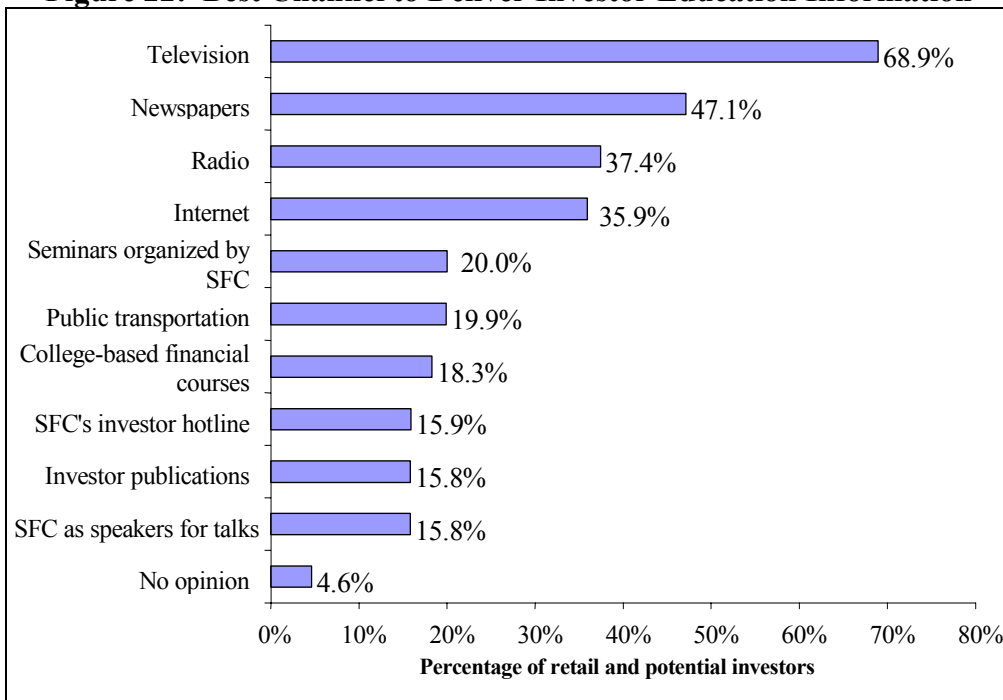


*(Base: All retail and potential investors who were aware of the respective investor education initiative)*

**Best Channel to Deliver Investor Education Information**

Overall speaking, 68.9% of respondents (including retail and potential investors) considered television as the best channel to deliver investor education information, followed by newspapers (47.1%) and radio (37.4%) (See Figure 22).

**Figure 22: Best Channel to Deliver Investor Education Information**

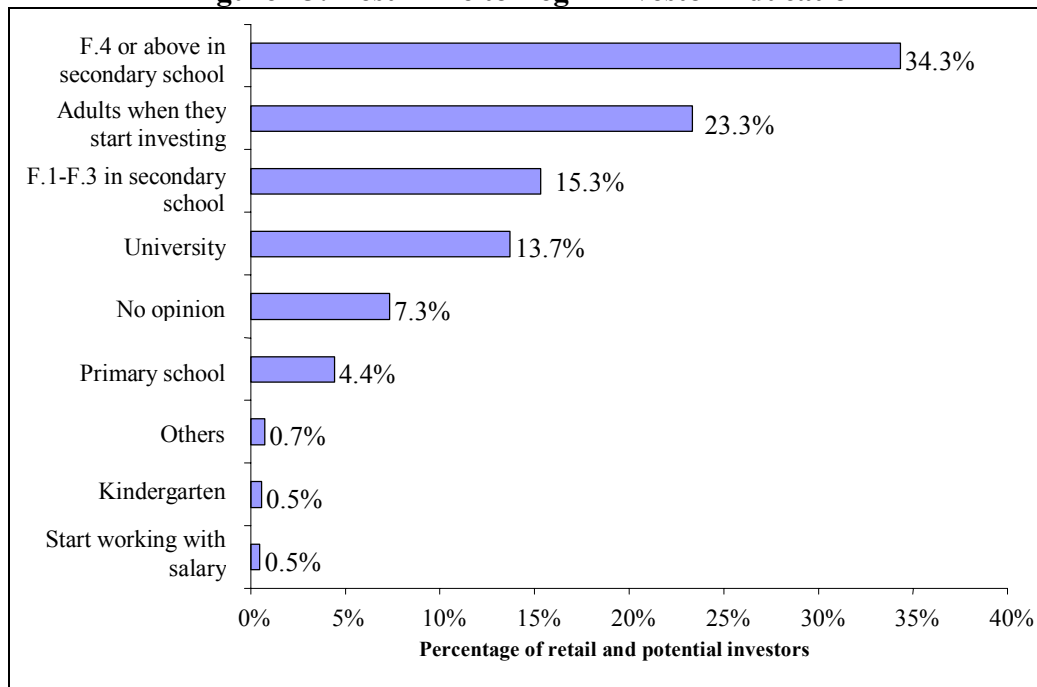


*Note: Multiple responses allowed.  
(Base: All retail and potential investors)*

### **Best Time to Begin Investor Education**

All respondents (including retail and potential investors) considered “F.4 or above in secondary school” (34.3%) as the best time to start investor education, followed by “adults when they start investing” (23.3%) and “F.1-F.3 in secondary school” (15.3%). (See Figure 23)

**Figure 23: Best Time to Begin Investor Education**



*(Base: All retail and potential investors)*

## **SURVEY DESIGN**

### **Target Respondents**

Definitions of the target respondent in this survey are as follows:

- *Respondents*: Hong Kong adults aged 18 or above.
- *Retail investors*: Respondents who had traded investment products during the last 2 years. Investment products include stocks and derivatives (e.g. warrants, futures) traded in Hong Kong, Mainland or other foreign markets, funds (excluding MPF), bonds, leveraged foreign exchange contracts and non-listed equity-linked instruments.
- *Non-investors*: Respondents who had not traded any investment products in the last 2 years.
- *Potential investors*: Non-investors who indicated that they would trade investment products in the coming 6 months.

### **Data Collection Method**

Survey data were collected through telephone interviews from 15 October to 17 November 2003. A structured questionnaire was used to collect information from the target respondents.

### **Sampling Method**

A random sample of 28,026 residential numbers was first used to interview all three categories of respondents. A second sample of 2,650 residential numbers was drawn to meet the target number of 1,000 retail investors.

The survey first successfully contacted 5,168 adults aged 18 or above to answer the screening question about their investment experience. 1,541 of them responded that they had invested in one or more investment products in the previous two years. 1,010 of them answered all the subsequent questions and were classified as retail investors.

Apart from the 1,010 retail investors, the survey had also successfully interviewed 3,354 non-investors, 101 of them indicated that they would invest in the coming 6 months, who were then defined as potential investors.