



中華民國證券投資信託暨顧問商業同業公會
SECURITIES INVESTMENT TRUST & CONSULTING ASSOCIATION OF THE R.O.C.

SITCA

Investment Behavior and Investor Return – the Taiwan industry association perspective

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Research Perspectives on Investor Behavior in Taiwan

- **the Aggregate Investor Reluctant to Realize Losses**
- **investors are about twice as likely to sell a stock if they are holding that stock for a gain rather than a loss**
- **84% of all Taiwanese investors sell winners at a faster rate than losers**
- **Individuals, corporations, and dealers are reluctant to realise losses, while mutual funds and foreigners are not**

Resource: Barber, B.M., Lee, Yi-Tsung, Liu, Yu-Jane and Odean, T., 'Is the Aggregate Investor Reluctant to Realise Losses? Evidence from Taiwan', European Financial Management, Vol. 13, No. 3, 2007, 423-447

Research Perspectives on Investor Behavior in Taiwan

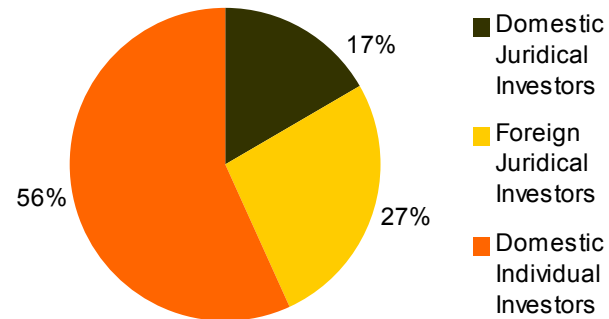
– the First or Last Place Matters

- investors reward short-term performance winners via more purchases and punish losers via fewer purchases
- investors punish winners that they already hold via more redemptions as forgive losers they already hold via lower redemptions
- the net flow difference between winners and losers are sustained for one year
- investors value short-term performance more than long-term performance
- the best performance funds receive more attention than winner deciles

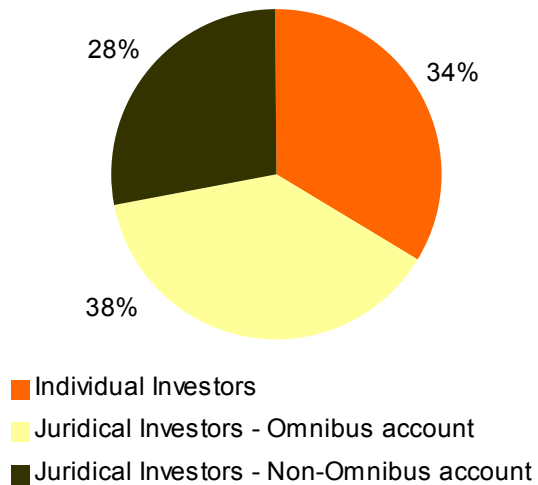
Resource: Fu, Ying-Fen and Liu Hai-Ching, 'Does the First or Last Place Matter? – Evidence From the Investors' Behavior in Taiwan'

Investors Structure in Taiwan

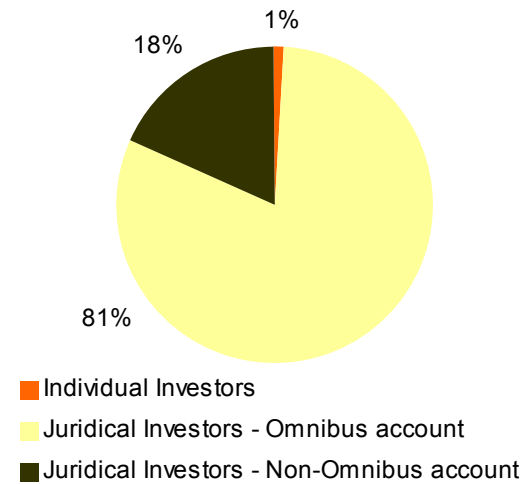
Investors Structure in terms of Trading Value on TWSE Market



Investors Structure of Onshore Funds

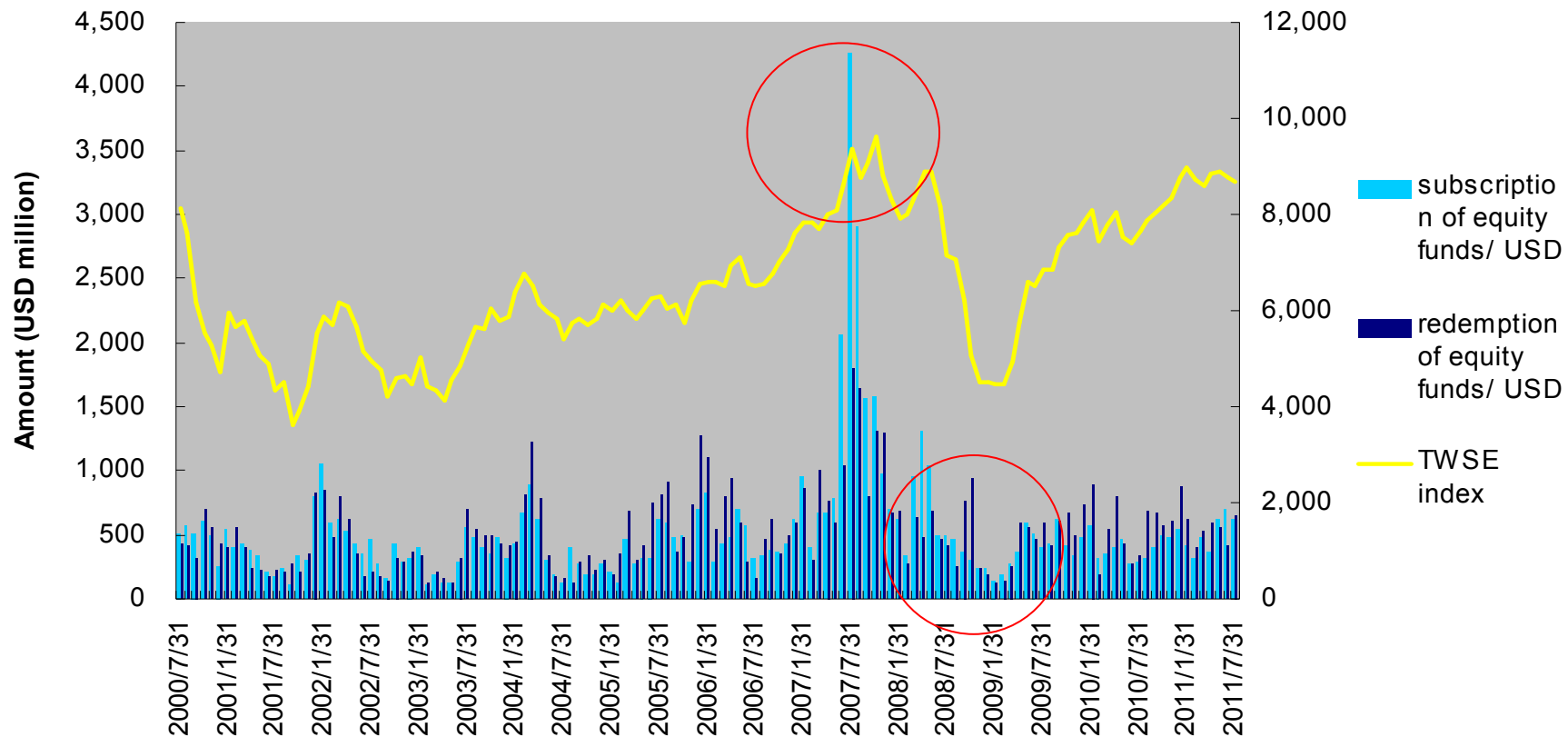


Investors Structure of Offshore Fund



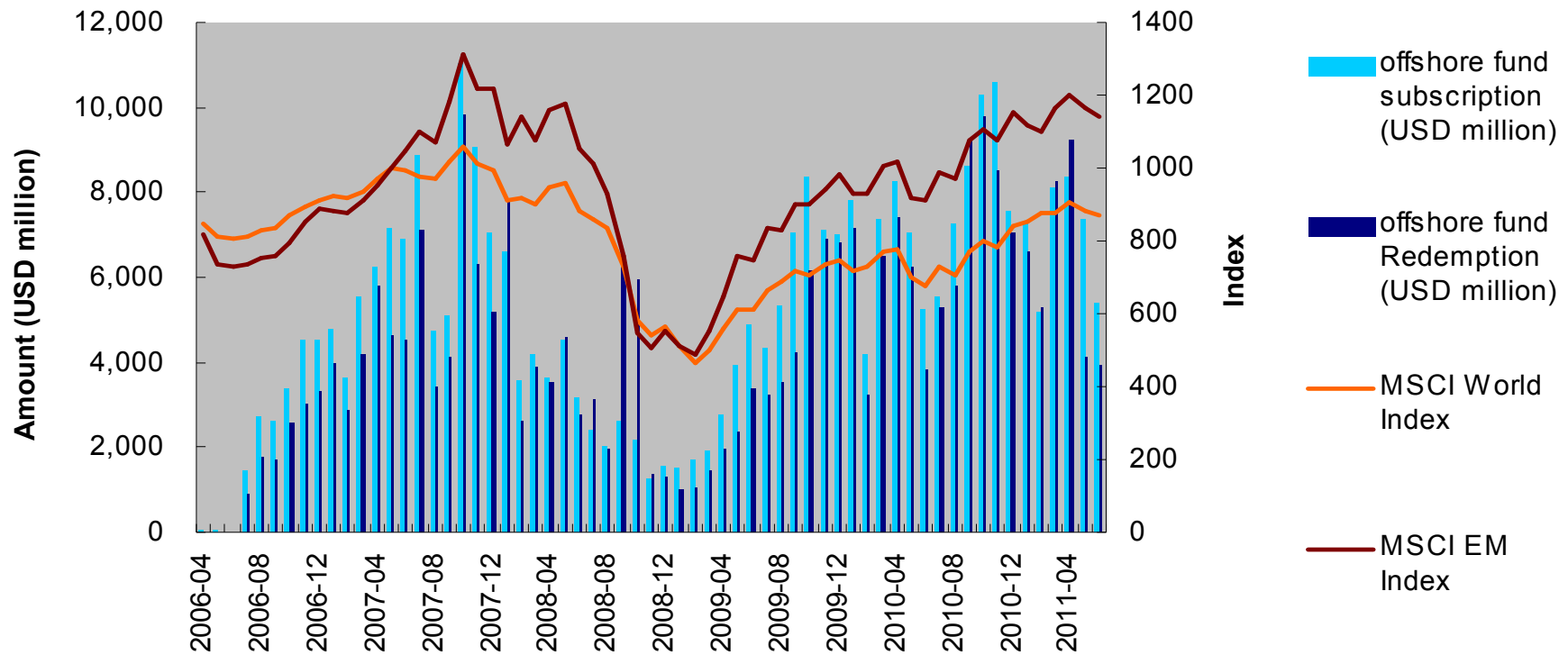
Fund flow observation based on industry statistic

- Investors tend to subscribe funds after market upturns, redeem during market downturns



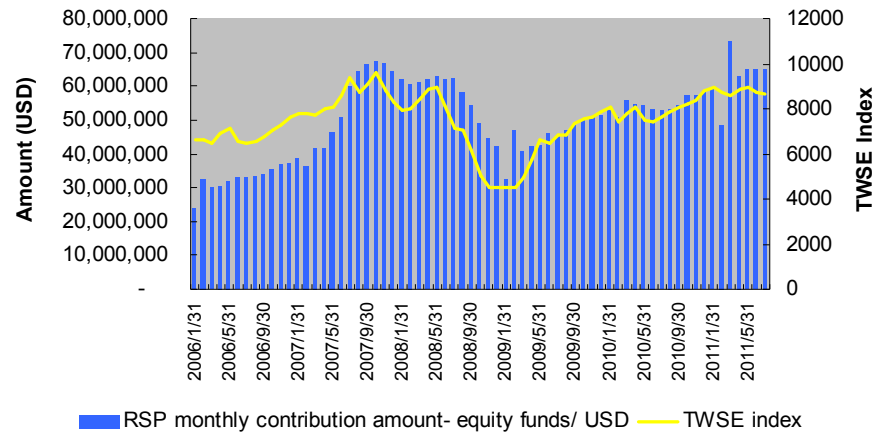
Fund flow observation based on industry statistic

(Comparison between offshore equity fund flow and MSCI world index)

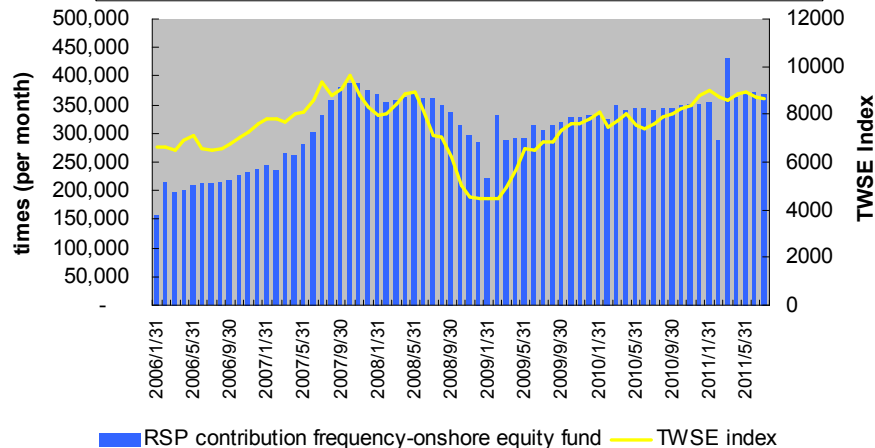


Fund flow observation based on industry statistic

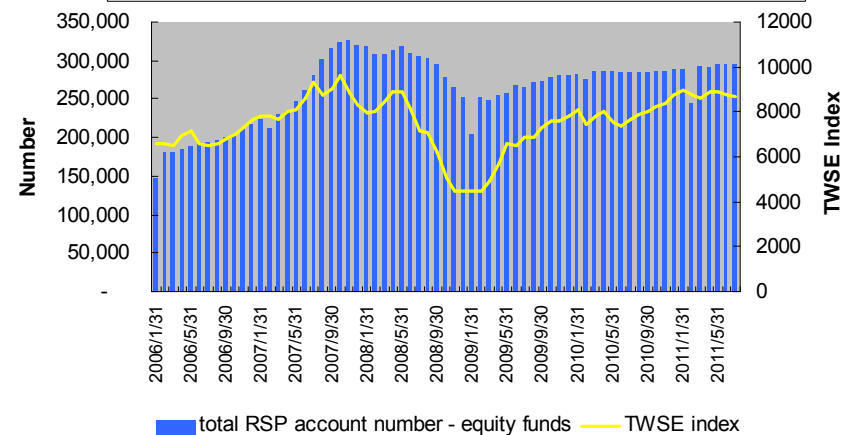
Comparison between trends of RSP monthly contribution amount (onshore equity fund) & Taiwan stock market



Comparison between trends of RSP contribution frequency (onshore equity fund) & Taiwan stock market

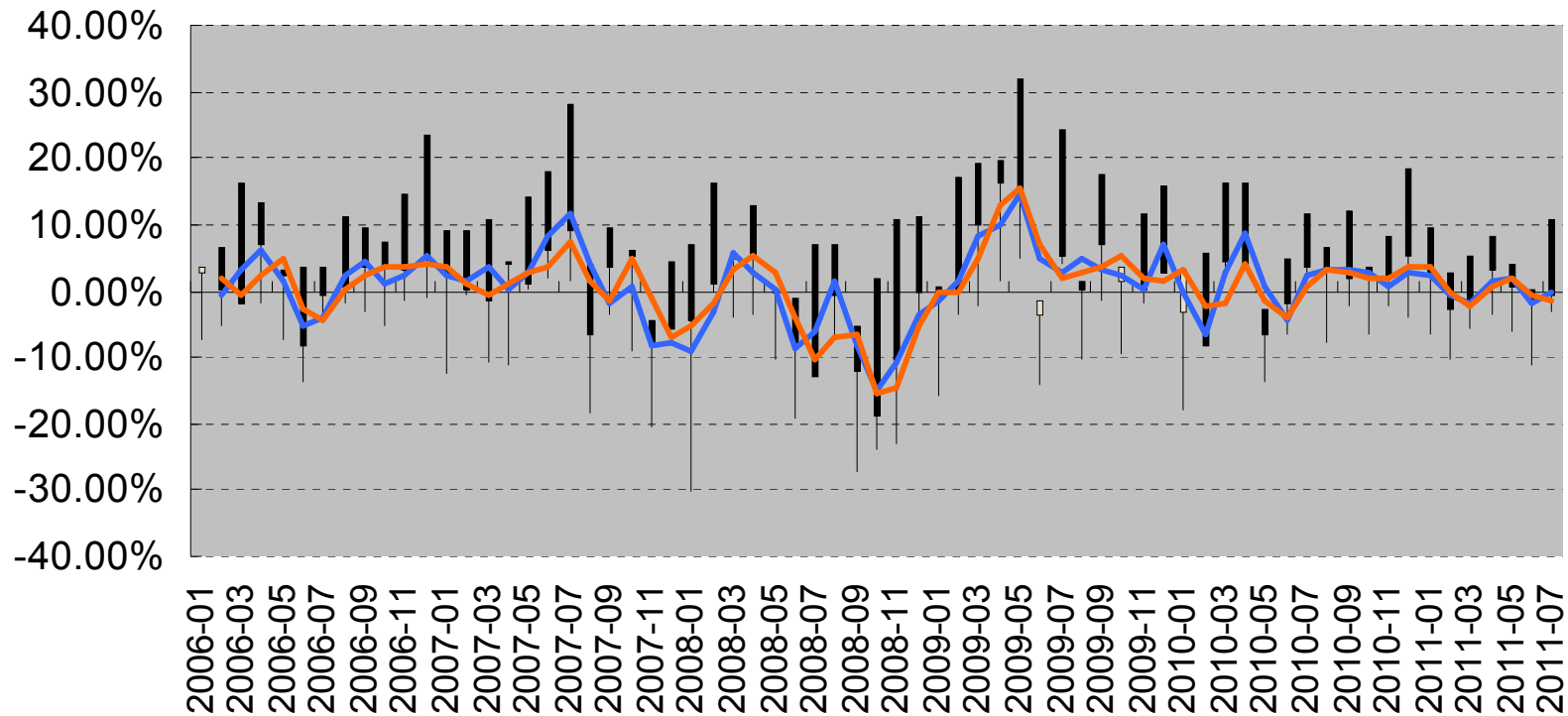


Comparison between trends of RSP account number (onshore equity fund) & Taiwan stock market



Fund flow observation based on industry statistic

Comparison of monthly return between onshore equity fund & TWSE



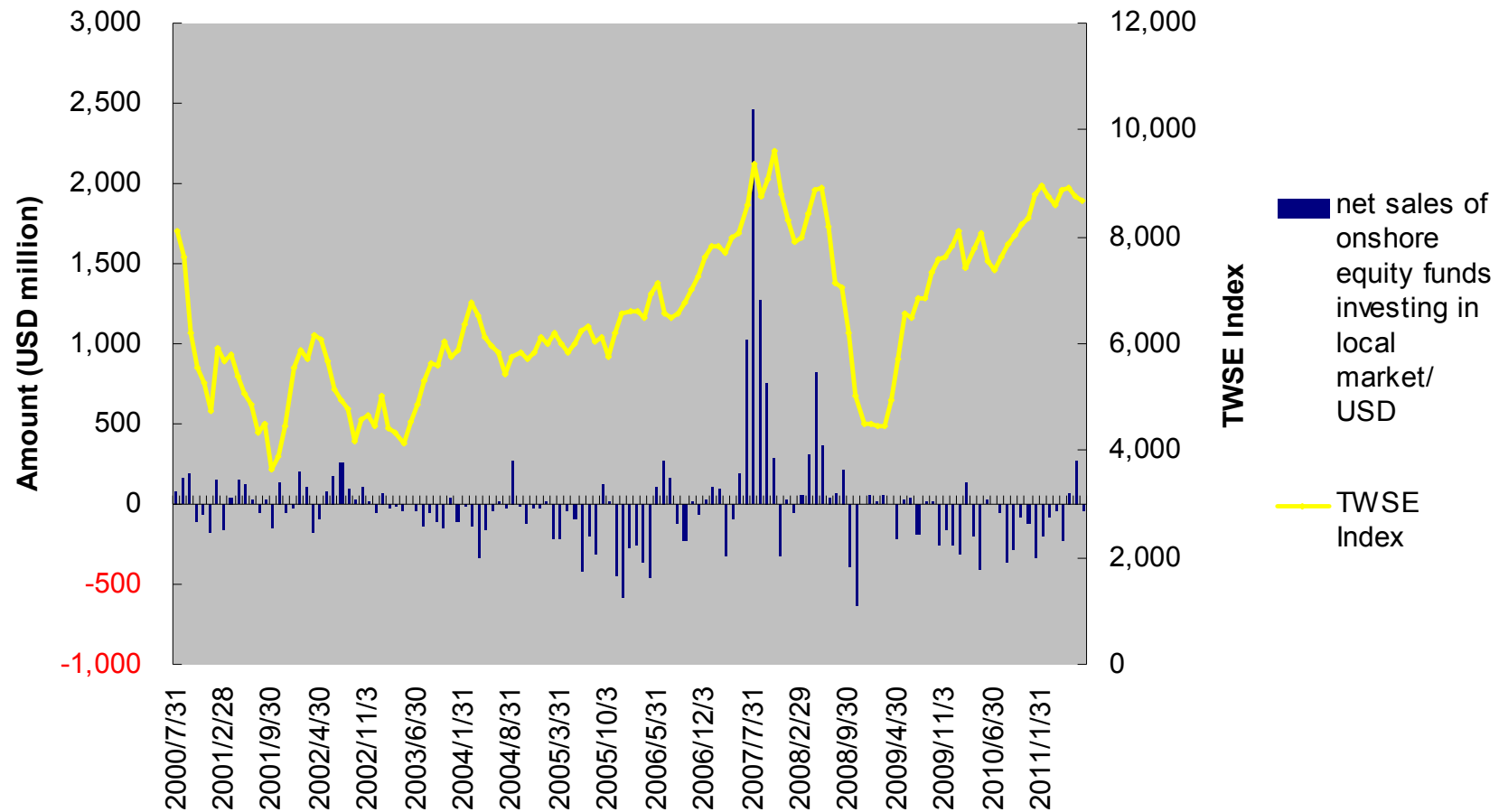
— 移動平均 週期: 2 (onshore equity fund monthly return) — 移動平均 週期: 2 (TWSE retrun)

Fund flow observation based on industry statistic

- Changes in investor's appetite after financial crisis in 2008**
 - Investors seem less interested in onshore equity funds**
 - AUM of Offshore funds rebounded and has been more than doubled since the end of 2008**

Fund flow observation based on industry statistic

(Comparison between net sales of onshore equity funds and TWSE Index)



What can fund industry do to improve the investor behavior

- **Provide investor education**
- **Provide adequate fund information to investors**
- **SITCA continues promoting Regular Savings Plan (RSP)**
 - RSP method helps retail investors become “disciplined” and achieve long-term financial goals
 - RSP brings fund with stable long-term inflow
- **SITCA continues to propose establishing “member-choice” pension plan**
 - Help investors make investment decision from long term perspective and minimize the negative influence of unsound behavior on accumulating long-term return.