

AMF HOUSEHOLD SAVINGS NEWSLETTER

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EDITORIAL

Are savers coming back to equities?

In 2017 for the first time since the financial crisis AMF noted a slight rise in shareholding rates (see Letter 24 published in July 2017). Is saver behaviour changing in response to the low returns offered by guaranteed investments and the good performance now found on the equities market?

To complete our monitoring of saver behaviour, AMF is launching an annual saving and investment barometer. This new tool allows regular monitoring of changing attitudes to, and opinions on, financial investment.

The first barometer shows that many French people find equity investment interesting.

When asked about their investment preferences, over one-third said they were prepared to accept some risk in the hope of better returns.

At the same time, 28% said they were interested in the stock market and 44% believe that equity investment is the best in the long term. 56% think investing in equities is a good idea if you want to diversify their portfolio.

The savers most inclined to invest in equities (3 out of 10) are also more expert, optimistic and involved than the average French man or woman. 40% expect to invest in them in the next 12 months (vs 18% for France as a whole).

The number of investors could therefore rise significantly over the next few years.

To ensure savers' investments remain firmly in line with their needs, AMF will monitor the quality of advice provided and ensure balanced information is given on the risks and benefits of long-term equity investment. ■

FOCUS

The comparative past performance of three types of investment:

“Livret A” (French favourite saving account), French Treasury bonds (coupon reinvested) and French equities listed on the CAC 40 (dividend reinvested).

Performance over 30 years

Sliding interest rates pushed bond performance to exceptionally high levels over the period. Between 1987 and 2017 a one-off 10-year investment would have produced an average real annualised return (net of inflation) of 5.7% for bonds, 5.6% for equities and 1.3% for livret A. Current very low interest rates mean that Treasury bond performance will not however be replicated in the years to come.

Impact of charges and taxes

In order to come closer to the actual returns obtained by savers, the study took the impact of charges and taxes into account. Over the same period, and again over 10-year investment horizons, we found that the average annualised real return (net of inflation, charges and taxes) was 3.3% for bonds, 2.7% for equities (and again 1.3% for livret A).

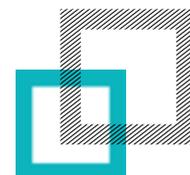
Mixed portfolio performance

Again, over a 10-year investment horizon, the average annualised real return (net of inflation, charges and taxes) on a one-off investment split equally between equities and bonds was 3.6% a year. This was achieved by selling outperforming securities each year and replacing them with underperforming securities to maintain the initial allocation.

The study shows that annual portfolio rebalancing over this period generated better performance than no rebalancing - whether in the case of one-off or of regular investment. ■

[For a comparison of the performance of the different investment strategies, see our study.](#)

The French and equity investment



The initial results of the first barometer¹ confirm that while most savers prefer guaranteed investments, 3 out of 10 say they are likely to invest in equities.

The chequered reputation of equity investment

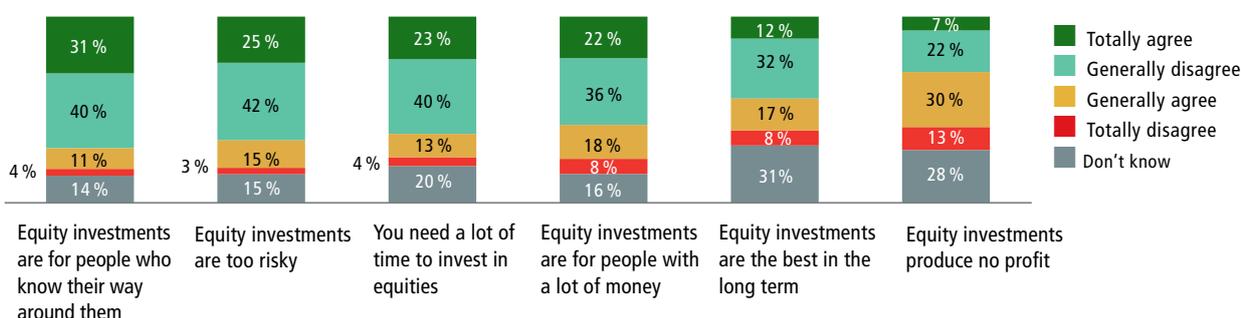
Most French people do not see the stock market as being for the man in the street: equities are considered too risky (67%) and reserved for those who have enough time (63%), money (58%) and knowledge (71%).

Most of the people who agree with these statements are 50-64 years old or women. And they are generally concerned about their economic and financial futures.

However, the statement that 'You can't make a profit on the stock market' is rejected by a majority of the French. Indeed, 44% believe that equities make the best long-term investments, and this number includes a majority of savers with financial assets worth more than 30,000 euro. Among those with (direct or via fund) equity investments, 65% share the same view.

Three out of 10 French people were unable to express an opinion on the statement about the long-term return on equities

The following statements are about equity investment. In each case state whether you totally or generally agree or totally or generally disagree with the statement



Source: AMF saving and investment barometer, January 2018

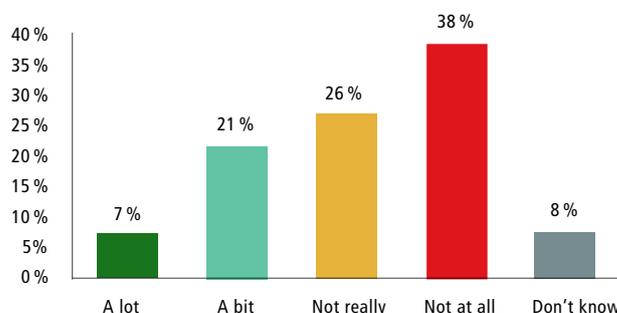
Three out of 10 French people say they are interested in the stock market

Despite the sometimes-negative images given of the stock market, quite a lot of the French would be prepared to invest in equities. 28% said they were interested in the stock market.

This is particularly true (47%) in the case of those with over 50,000 euro in financial assets and people at senior professional level (executives, liberal professions, 37%).

It is also the case for people who are confident about their personal financial positions (43%).

Are you interested in equity investment?

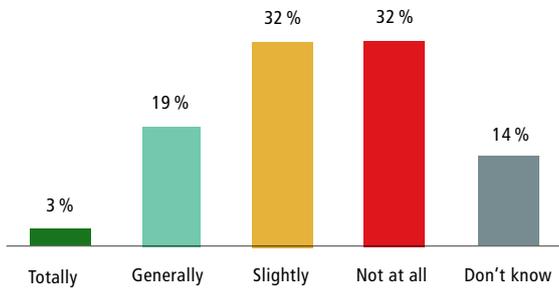


Source: AMF saving and investment barometer, January 2018

[1. For more results, see the complete report of the AMF barometer.](#)

At the same time, although a majority of French (64%) replied that they have 'little' or 'no' confidence in equity investments, 22% replied the opposite.

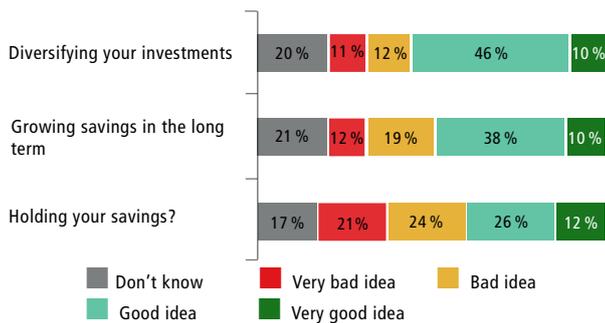
In general, would you say you trust equity investment (made directly or via a fund)?



Source: AMF saving and investment barometer, January 2018

In addition, 48% of the French believe that equity investment can be a good long-term saving idea. And 46% think it is a good way of diversifying the portfolio.

Do you think equities are a very good, quite good, quite bad or very bad idea for?



Source: AMF saving and investment barometer, January 2018

Almost one-third of the French say they are confident about their economic and financial positions

When asked about their economic and financial positions, 30% of the French declared they were confident about the year to come. These respondents were mainly the most financially comfortable and young people.

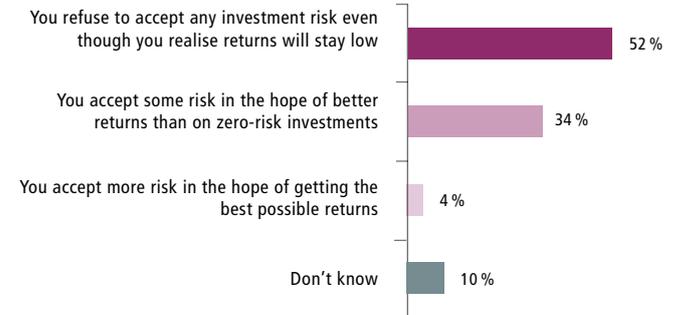
But this is not the whole picture, since one-third of the population (24%) has a rather gloomy outlook that carries with it a reluctance to put money in investments that are not guaranteed.

1 in 3 French people are prepared to accept some risk

The attitude to the risk of losing your capital is well known: most savers prefer the certainty of being able to recover their investment to the possibility of good returns.

The survey confirms this: while half the French opt for guaranteed capital, at least 1 in 3 is prepared to accept some investment risk.

Coming to your own savings and investments, which profile describes you best?



Source: AMF saving and investment barometer, January 2018

A choice of words

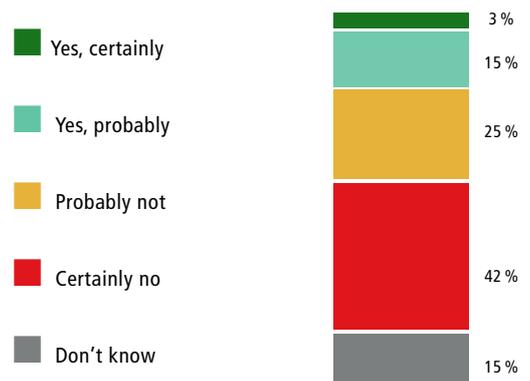
When asked to think in terms of protecting capital instead of in terms of risk, more people are inclined to accept the possibility of loss. In this case, just 1 in 3 French respondents ruled out all risk of not being able to preserve their entire capital.

18% of French could consider investing in equities in 2018

They are mainly men in the higher socio-professional categories who are aged between 35 and 49 and have financial assets worth over 50,000 euro.

Of those who declared themselves very confident about their financial positions, 44% are considering investing and 14% will 'certainly' invest.

Over the next 12 months do you think you might invest in equities?



Source: AMF saving and investment barometer, January 2018



FURTHER INFORMATION

Saving aims: preparing for unforeseen circumstances and for retirement

Saving meets two main types of concern:

- being prepared for unexpected expense (8 out of 10 French) and for ageing, health problems, the risk of losing your independence (7 out of 10);
- preparing for retirement (7 out of 10).

Preparing for retirement is a major concern of French people with relatively large financial assets (at least 50,000 euro). ■

One-third of French say they save regularly

49% of the French save from time to time and 34% do so regularly.

This applies to 52% of the French who are considering investing in equities and to 50% of those who are confident about their economic and financial futures. ■

Half of all employees save for retirement

48% of working people declare that they save for retirement, of whom 16% on a regular basis. 26% of those who save regularly for retirement are aged between 50 and 64. Such savers also often hold life insurance policies (33% of regular savers for retirement) and employee savings plans (29%). ■

A majority of French say they are comfortable with investment

Many French feel comfortable in discussions with bank advisors (73%) and just over 1 in 2 say they are comfortable reading information on investments (55%) or deciding whether to follow investment advice (52%).

However, fewer than 1 in 2 (42%) French people feel comfortable about assessing investment risk (52%). ■

43% believe they know their way round

At the same time, a minority of French people believe they know their way round investment (43%). Those who do are mainly men (52%) in the higher socio-professional categories who have financial assets worth over 50,000 euro. They are also usually people who are 'confident' about their personal financial position.

KIID

Only 4% of respondents said they had already used a KIID (key investor information document).

86% have never used one and 10% could not answer the question.

A KIID is a document given to savers who invest through a fund.

9% of the financial investors in equities, bonds, funds, who accounted for 17% of our sample, said they had already used a KIID. ■

The French prefer guaranteed investments

It comes as no surprise to find that when the French were asked how they would invest 10 000 euro, they preferred savings accounts, euro-denominated life insurance and homebuyer savings plans. These types of investment were chosen mainly because of the easy access to funds and security that they offer.

17% of the French mentioned financial investment (equities, funds, etc.). Their main selection criterion was potential for return. These respondents often had over 50,000 euro in financial assets (33%) or were concerned about having sufficient capital when they retired (20%). ■



Barometer methodology

The AMF Barometer is an annual survey of how the French save: their aims, preferences, perceptions of the potential return on different types of investment and the associated risk. Appetite for investment in the stock market is also measured.

The sample questioned (1200) is representative of the French population over 18 and of its sex, age, socio-professional category, region and financial assets.

The following questions were covered:

- Appetite for saving and general French attitudes to saving;
- Investment products image;
- Perceived independence, sources of information and of advice;
- Selection criteria;
- Risk preferences;
- Image of the stock market and interest in equity investment.

The first round of the Barometer took place 12-24 October 2017. Answers were collected via the internet. ■