Media Release
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Advised investors reap benefits: Legg Mason Global Investment Survey 2018

Combining their own personal knowledge with professional advice gives investors a significant advantage – a key finding of the annual Legg Mason Global Investment Survey.

"Our latest research demonstrates the value of professional financial advice. For example, we found that advised investors enjoyed an average 1.5% p.a. higher return from income focussed portfolios driven by better portfolio construction and lower cash holdings," notes Andy Sowerby, Managing Director, Legg Mason Australia and New Zealand.

"Our survey shows that advised investors typically have more balanced portfolios with less exposure to cash and equities but greater holdings in fixed income and alternatives."

"Our research underscores the benefits of professional advice in helping investors to generate improved long-term returns and manage downside risks" says Mr Sowerby.

The 2018 Legg Mason survey was conducted between July and August across 17 markets worldwide and involved 16,810 investors including 1000 Australians.

The survey found that advised investors are more invested and have lower cash savings than DIY investors (25% versus 34%), lower equities allocations (23% versus 29%) and lower real estate (16% versus 21%) but higher allocations to fixed income (18% versus 10%), alternatives (11% versus 3%) and gold (6% versus 2%).

They also tend to use differentiated asset classes, including alternatives, and have a more global approach to investing. Their allocations are higher in investment trusts (47% versus 15%) and they have higher exposures to pensions (40% versus 28%) and direct property investments (37% versus 34%).

Mr Sowerby added: "Our research goes on to show that advised investors are more open to new ways of investing. In addition, they tend to have clear long-term goals due to having a financial plan that is allied to the personal risk profiling undertaken. This planning helps to ensure that advised investors stay invested through volatile periods rather than being jolted out of their investments due to short term market turbulence".

"Advised investors also put a higher emphasis on Environmental, Social and Governance (ESG) considerations. As a result, they are more than twice as likely to choose companies or funds according to ESG factors (50% versus 18% DIY investors). Just over three-quarters of advised investors said they would like to move money into funds that take ESG considerations into account when selecting securities.

"Investors working with advisers are also more confident in their approach, more sure of their investment knowledge and more excited. They see many opportunities and feel they have more choice through investment options given to them by the adviser.

"Where DIY investors mainly believe in domestic stocks as the best investment opportunities in the next 12 months, with international stocks second best, advised investors have a stronger belief in alternatives (twice as much as DIY investors) and fixed income."

Mr Sowerby says that advised investors typically outsource their asset allocation and have a longer-term investment approach. “Volatility is seen as a positive and advised investors agree that, if managed properly, return opportunities can be higher in more volatile market. This suggests to us that advised investors are benefiting from increased insights and education around market behaviour”.

Investors are most concerned about professional qualifications or experience and transparency around fees when looking for an adviser.

The survey found almost three-quarters (74%) of advised investors prefer simplified information in the form of a single cost rather than different fees broken down separately. The average fee they are willing to pay for an actively managed fund is 1.67% - higher than the average fee that DIY investors are willing to pay at 0.72%.

“Transparency on costs and fees is rightly becoming far greater than it has been in the past. While investors must fully consider the fees they pay, they also need to balance this with the value of the advice they receive, and the risk adjusted returns they are generating,” Mr Sowerby says.

For a full copy of the survey report, please visit: https://www.leggmason.com/global/campaigns/gis-2018.html

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About Legg Mason
Guided by a mission of ‘Investing to Improve Lives™, Legg Mason helps investors globally achieve better financial outcomes by expanding choice across investment strategies, vehicles and investor access through independent investment managers with diverse expertise in equity, fixed income, alternative and liquidity investments. Legg Mason’s assets under management are AUD$1 trillion as at 30 September 2018.

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Australia Facts:
• Legg Mason’s Australian business was established in 1954
• Assets Under Management (AUM) in Australia are AUD$55 billion as at 30 September 2018 (Source: Rainmaker Data. Consists of AUM managed in Australia for Australian and offshore investors and AUM managed offshore for Australian investors)
• Legg Mason Australia was awarded the Money Management/Lonsec Fund Manager of the Year in 2015, 2017 and 2018.

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