Q2 2023

FINIMIZE MODERN INVESTOR PULSE

Retail investors take their foot off the gas

29 March 2023

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Introduction

Retail investors are often characterized as meme-stock fanatics who hang out exclusively on Reddit's Wall Street Bets forum. That's far from the truth: we know they're intelligent, curious, and action-orientated global young professionals who earn disposable income. To serve this aspirational, powered-up community, industries must understand them first – and that's where we come in.

Our Modern Investor Pulse spotlights 1,700 retail investors from our million-strong global community, and the results demonstrate how retail investors feel about markets, how much they plan to invest, and what they're betting on in the coming months. The results of this survey should be the basis of firms' engagement with modern retail investors this quarter and beyond.

Happy reading,

Max Rofagha
CEO & Founder

Pulse Highlights

After record high inflows to the stock market in February, **58% plan to take less risk** over the next three months

64% are planning to invest between $5k-$50k into the markets in the next 12 months

68% think the global stock market will be higher a year from now

Only 5% have invested in meme stocks in the last three months

Only 25% plan to invest in Tesla, favoring Apple instead

59% plan to invest in AI stocks, but **64% have no plans to use AI for investing**

Retail investor trends in Q2 2023

After a wild 2022, the early months of 2023 saw investor optimism shoot up partly thanks to China's reopening and the US economy's unexpected resilience. And retail investors went all in, pouring over $1.5 billion daily into the market throughout February.

But recently the temperature's changed: in the wake of both Signature Bank and Silicon Valley Bank collapsing and Credit Suisse's emergency merger with rival UBS, both retail and institutional investors are now taking a more guarded approach. In fact, the combination of instability in the financial markets and uncertainty around interest rates is forcing the retail investor to be cautious in the short term

Our Modern Investor Pulse puts the spotlight on over 1,700 retail investors from our one-million-strong global community – a group of forward-thinking, affluent, young investors who are eager to stay ahead of the financial curve. The report uncovers key retail investor trends: how they're feeling about markets, how much they're planning to invest, and what they're betting on in the coming months.

Key figures from the Modern Investor Pulse

68% think the global stock market will be stronger in a year's time.

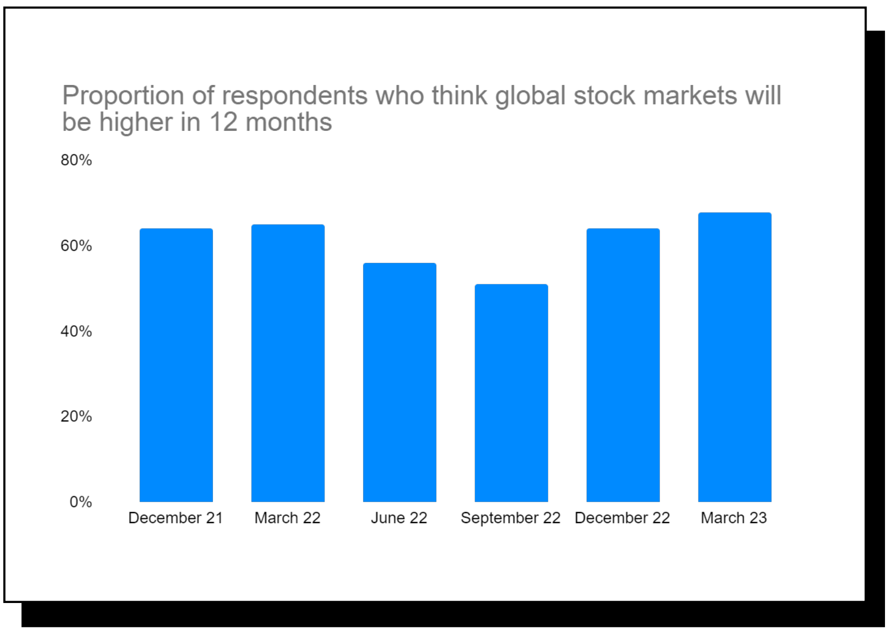
58% plan to take less risk over the next three months.

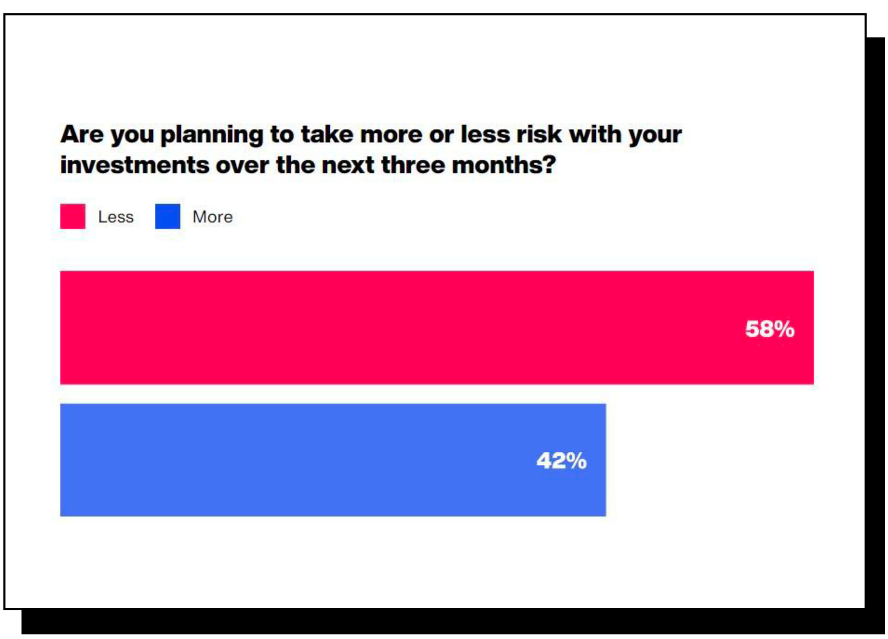
64% plan to invest between $5,000 and $50,000 over the next 12 months.

72% plan to invest in ETFs in the next six months.

Optimistic in the long term but cautious in the short term

Investor optimism reached the highest levels we've seen since the survey began in 2021, with 68% of respondents betting the stock market will be higher a year from now.





But that bullish sentiment hasn't clouded their judgment, and retail investors are treading carefully this quarter – turning to less risky, short-term products until the current uncertainty blows over.

In fact, more than half (58%) of investors plan to take less risk over the next three months, and 64% of them say they're going to invest between \$5,000 and \$50,000 of their current cash over the next year.

Of those, 84% plan to invest in stocks, up from 73% in the previous quarter, while 58% say they're going to invest in ETFs – broadly in line with the previous quarter's 61%.

There has been a recent rally in the stock market, but the future is still uncertain. Less risky products like cash, bonds and money market funds are finally offering attractive returns. However, retail investors are aware that inflation remains stubbornly high, so long-term they're keen to build up their position in the stock market.

Carl Hazeley, VP Content, Finimize

Deep dive: Which retail investors are holding onto cash

Looking more closely at modern retail investors' cash holdings shows an interesting pattern. Around a third of survey respondents are holding onto between $10,000 and $50,000 worth of cash they plan to invest in the next 12 months, with little variation between age groups spanning 25 to 59. As expected, older groups between 50-69 tended to have larger cash piles of between $50,000 to $100,000 and $100,000+. However, younger groups demonstrated they're more affluent than they're often given credit for: 89% of 25-34 year-olds, for instance, had more than $1,000 in cash they plan to invest over the next 12 months.

The likely reason for this is clear: low-risk investments like bonds, money market funds – and even cash in savings accounts – are offering attractive returns for the first time in years.

Further Modern Investor Pulse data showed that over 40% of 24 to 69-year-olds said they're not changing their investing behavior at all in the current environment. That stands to reason as older investors in particular will have experienced multiple economic cycles and downturns, and may have realized that a long time strategy can help ride the short-term turbulence, as long as they're well diversified.

Retail investors are also aware that inflation remains stubbornly high, so they're keen to build up their position in the stock market and are looking for signals that it's a smart time to do so. After all, retail investors continue to have confidence in the stock market over the long term.

Meme stocks are out...

Meme stocks are so last year, with only 5% of investors having dabbled in them over the past three months.

Even last quarter, only 15% had ever invested in a meme stock.

Here's why: taking risk off the table - fewer speculative single stock bets and focusing on long-term fundamentals... That's partly why:

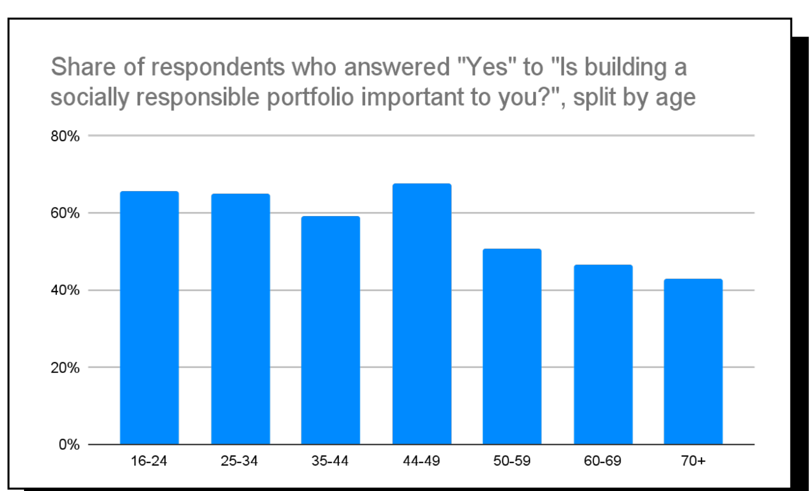
Their sights are set on Big Tech instead: our community seems to be betting that AI will drive tech titans' ability to innovate rather than exposing them to disruption from upstarts.

... And ethical investing is in

Socially conscious investing isn't going anywhere either, with 60% of respondents saying ethical and sustainable considerations are important to them.

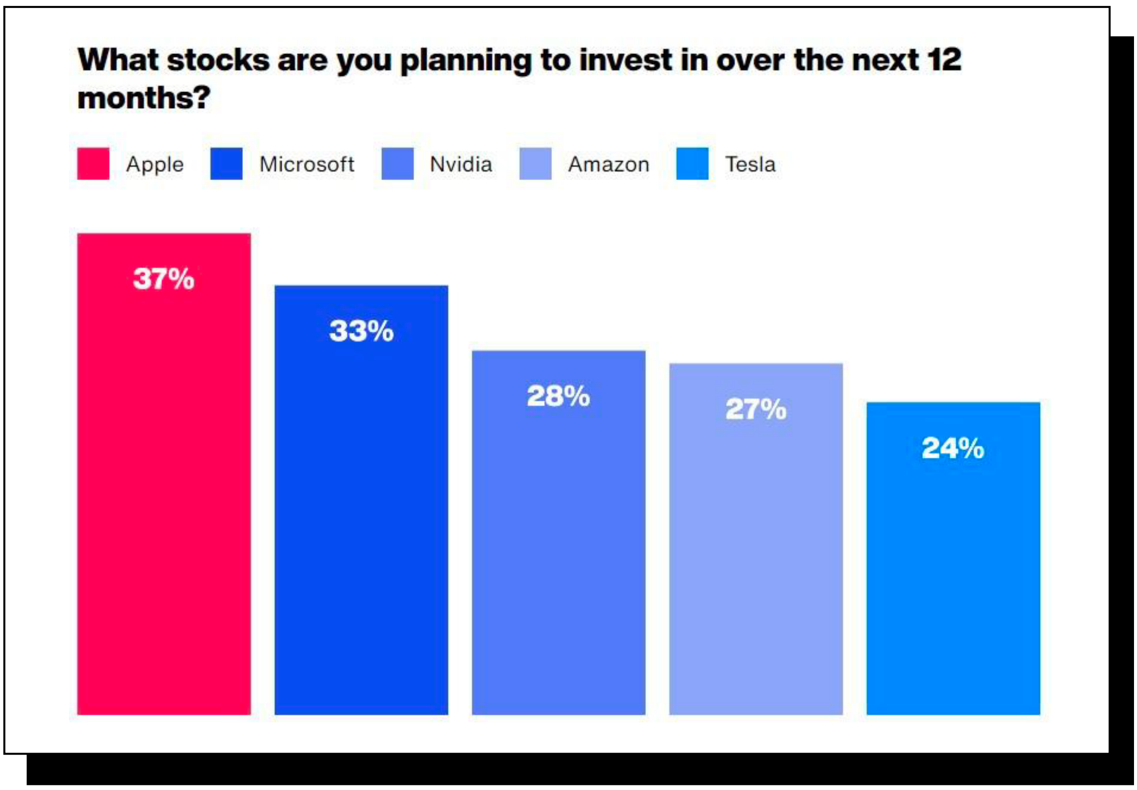
And despite skepticism surrounding the term "ESG" due to greenwashing, investors do still care: 52% actively research a company's values when making investment decisions – and company culture (43%), environmental impact (39%), and human rights violations (32%) aren't far behind.

Socially responsible investing matters to the majority of investors



Apple heats up as Tesla cools

Tesla stock has been incredibly popular among the retail community in the last few months, but Apple pipped it to the post this time around: more than a third (37%) of investors plan to invest in the stock in the next 12 months, followed closely by Microsoft (33%), Nvidia (28%) and Amazon (27%). For poor spurned Tesla, the figure's only 24%.



After a brief period when Tesla's stock price looked to be offering decent value, the shares seem to be back in the realm of expensive, and retail investors have stepped back.

Paul Allison, senior analyst, Finimize

AI investment tools: proceeding with caution

Only 36% of investors said they'd use AI tools to make investment decisions over the next six months. On that point, Carl Hazeley commented,

"As helpful as investors think ChatGPT is, it's still in its infancy and unable to tell you whether you should buy or not – and that means they're cautious about using it to make decisions."

Analysis earlier this year by Finimize analyst Reda Farran found that ChatGPT could help investors more effectively analyze a stock if you ask the right questions – but that it does have some limitations.

Nevertheless, the underlying AI megatrend is exciting for retail investors. Technology companies that are at the forefront of AI, including Microsoft and Nvidia have been among investors' favored bets in the first quarter.

To me, it's a game-changer – and we've only seen the beginning. For people who can do original thinking, AI will be a huge boost and will force them to bring even higher value.

Stephane Renevier, Senior Analyst, Finimize

The rise of ETFs

71% of respondents plan to invest in exchange-traded funds (ETFs) in the next six months.

And that's no wonder: the world of asset management is exploding with ETFs and funds designed for retail investors – and with nearly half of all funds and ETFs launching in the past decade, the total number available has hit 10,000.

Broad market trackers are the top ETF picks: 57% of ETF investors are currently putting their money into these popular trackers, compared to sector-focused ETFs (28%) and thematic ETFs (24%).

And according to our community, Vanguard reigns supreme as the platform of choice, with 60% of retail investors saying they'd happily invest their cash with them. iShares comes in a strong second place at 44%, and Fidelity takes third place at 29%.

Deep dive: Who prefers which ETFs

It seems the rising popularity of ETFs is capturing the attention of a younger generation of investors: 70% of those aged 25-34 and 61% of those aged 35-44 are planning to invest in ETFs this year, compared to only 39% of those aged 60-69 and 48% of those aged 50-59.

What's more, understanding retail investors' level of experience in markets offers clues about which ETF provider they're opting for. Our data suggests that newer investors may be attracted to price-competitive offerings, whereas more experienced investors add a higher weight to other factors.

	I started this year	1 - 2 years	3 -4 years	5 - 10 years	10+ years
iShares	32%	43%	50%	50%	40%
Vanguard	43%	63%	68%	66%	55%
Fidelity	20%	26%	22%	28%	38%
WisdomTree	3%	5%	4%	4%	3%
VanEck	7%	3%	4%	5%	3%

The evolution of the female investor

Confidence can be a barrier for some women who haven't begun their investing journeys, but the attitudes and behaviors of those who do invest are pretty similar to their male counterparts: women are just as optimistic about the economy, for example, and are equally inclined to invest in both stocks and ETFs.

And our experience suggests women seek more information before diving into investment decisions, displaying rational, calculated approaches – while some men might fancy themselves experts in emerging technology after skimming a few tweets.

That might be why women seem less interested in hyped-up opportunities: they're 6% less likely to predict a bitcoin surge in the next year, 4% less prone to invest in AI, and 9% less likely to bet on Tesla. Sustainability is also a priority for women, who are 15% more likely to factor it into their investments.

Interestingly, younger women seem more inclined to invest than their older counterparts. The reason for that needs further investigation: it could suggest that younger women benefit from better access to technology, information, and workforce representation. Alternatively, it might reflect the downside of starting families and the impact on women's career trajectories. Either way, there's a lot to unpack here in the future, so watch this space.

Sophisticated retail investors are the new normal

Retail investors are evolving, becoming more sophisticated and self-directed. The pandemic saw them actively handpick stocks for their portfolios, and now they're embracing ETFs to diversify and stabilize their investments. This new normal sees retail investors turning to broad market tracker funds for safety, rather than giving in to market pressures. As interest rates rise, less risky options like savings rates and money market funds are gaining traction among individual investors, expanding their self-managed financial toolkit.

Retail investors are taking their foot off the gas right now. The combination of instability in the financial markets and uncertainty around interest rates is forcing the retail investor to be cautious in the short term. The confidence they have in the stock market over the long-term is a positive, though — retail investors clearly understand that a long time horizon can help weather short term turbulence, as long as they're well diversified."

Max Rofagha, CEO & Founder, Finimize

About the Modern Investor Pulse

The Modern Investor Pulse is a quarterly survey of retail investors who are part of the Finimize community. You can access previous surveys here.

Data for Q2/2023 collected in March, 2023
Number of respondents: 1,700+

What is Finimize?

A financial information platform that financial institutions engage with modern investors and empowers retail investors with bite-size insights by world-class analysts.

Why is Finimize different?

With over one million subscribers to the newsletter and mobile app, Finimize is one of the largest retail investor communities in the world. 70,000+ attend its member-organized events each year and thousands of premium subscribers discuss investing in their private group chats.

Alongside its direct-to-consumer offering, Finimize has partnered with over 250 fintechs and financial institutions to support their efforts to engage with and capture modern retail investors.

Why is it needed?

The retail investor community is set to account for 61% of global AUM by 2030. Some of the biggest global asset management firms in the world are firmly setting their sights on the market, with plans to release investment vehicles that specifically target retail investors. Finimize's ability to communicate to this audience through high-quality, bite-sized information that's jargon-free, is closing the information gap for DIY investors and a massive draw for institutions looking for ways to engage and retain their retail investor clients.

Contact

For any questions, or comments, to dive deeper into the data – and to find out more about how to use this analysis to improve your relationship with retail investors, contact business@finimize.com.