



STOCK MARKET INVESTORS REACT TO CREDIT CRUNCH

One in five stock market investors (21 per cent)¹ have moved some of their money into more cautious investments, such as cash or bonds over the past three months according to the *Investor Outlook report* from Lloyds TSB Wealth Management².

Nathan Moss, managing director, wealth management, Lloyds TSB said: “Investors have undoubtedly been rattled by the recent stock market turbulence, and the widely-reported ‘credit crunch’ has prompted many to review their investments. But, it’s important for investors to consider their own circumstances and avoid a knee-jerk reaction. By speaking to an expert and building a balanced portfolio, investors can ensure that their finances remain in good shape despite changing stock market conditions.”

Investor reaction over the past three months

Over a third (37 per cent) say that they have felt apprehensive about stock market investments over the past three months and nearly half (48 per cent) decided to review, or considered reviewing, their investments.

Of those who did make changes to their portfolio over the past three months, one in five (21 per cent) moved some of their money into more cautious investments such as cash or bonds, 17 per cent kept their stock market investments the same but invested more in other investments while nearly one in ten (9 per cent) decided to invest more money in equities to take advantage of any subsequent rises in share prices.

The main catalyst for investors making changes to their portfolio was concern about the market as a result of the media coverage of the ‘credit crunch’ cited by nearly a third of respondents (31 per cent). A quarter (24 per cent) acted on guidance from their financial adviser or bank.

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Nearly half (43 per cent) of those surveyed say that they considered their decision carefully and have no regrets about the changes they made to their portfolio despite not having seen any benefits yet. A third (30 per cent) say that they have already benefited from the changes they made and are pleased with the action they took. One in five (18 per cent) say that it's too early to know whether the action they decided to take was too hasty.

Prospects for the stock market over the coming year

Over a third (36 per cent) of all investors taking part in the research say that they feel apprehensive about stock market investments over the coming year while just over a quarter (26 per cent) say they feel confident.

Confidence in stock market investments is higher amongst investors who have a proper financial plan in place (31 per cent), and better still amongst those who sought the advice of a financial adviser before making changes to their investment portfolio (38 per cent). Only 22 per cent of investors who don't have a plan in place feel confident.

Of those that feel apprehensive, over a third (35 per cent) believe that the return from the FTSE in recent years hasn't been good and think the trend will continue. Nearly one in five (18 per cent) think that, in the long term, the stock market isn't going to outperform cash or bonds and 17 per cent believe that the risk associated with stock market investments means it isn't worth investing in.

Of those who feel confident about the prospects for the stock market over the coming year, nearly two thirds (64 per cent) believe that the stock market should be seen as a long-term investment and that short term fluctuations should be ignored. Over half (54 per cent) think that in the long-term, the stock market will outperform cash or bonds. Half (51 per cent) say that they have a mix of investment types so aren't

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relying solely on the stock market while 41 per cent believe that the stock market is resilient and that the current market turbulence is a temporary blip.

Well informed?

The majority (54 per cent) of investors surveyed say they feel well informed about the stock market activity over the past three months, with nearly three quarters (71 per cent) following newspaper stories about the credit crunch. Only 15 per cent of investors say they feel uninformed about the recent stock market turbulence.

Looking to the future

Despite over a third of investors surveyed feeling apprehensive about stock market investment over the coming year, overall, over half (56 per cent) of investors say they feel optimistic about their long-term financial prospects and only 12 per cent feel pessimistic.

Industry advice can improve an investor's outlook, with two thirds (66 per cent) of investors who have a comprehensive financial plan in place feeling optimistic about their long-term financial prospects, compared with 45 per cent amongst those who have not.

In addition, 75 per cent of investors who sought the advice of a financial adviser before making the recent changes to their investment portfolio feel optimistic about their long-term financial prospects.

Nathan added: "It is surprising that despite other periods of volatility in recent years and the availability of expert advice, more than a third of stock market investors (36 per cent) still don't have any kind of comprehensive, structured financial plan in place. By speaking to an expert, investors can have confidence that their needs will be met over the long term."

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Notes to editors:

- A copy of the report and graphs are available on request.
- For further information or comment from Nathan Moss please contact Eve Speight, 020 7356 2162.
- Photos, graphs, images available on request

¹ Those who reviewed, or considered reviewing, their investments.

² Research conducted by CanvassedOpinion from Experian amongst 1133 UK adults aged 18+, 820 of which currently hold or held stock market investments in the past 6 months. Of the 820 stock market investors surveyed for the report, the average amount individuals have invested is £51,380.