

CHILE: Investor Behaviour and Client Perspective in Communication

IIFA Conference
Stockholm

AAFM Chile
September 2011

Chilean Investor Profile



Low risk tolerance:

- *Conservative* -> investments

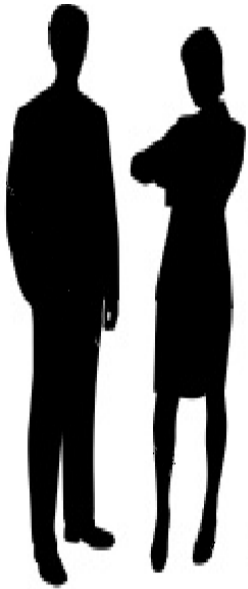
Positive trend on willingness to assume risk

- *Increase of investors in equity and balanced funds*

Blind confidence on portfolio managers?

- *Don't get into the pros and cons of alternatives, prefer the advice? someone else to decide for them (friend, friend of a friend, agent, etc...)*

Why this Profile?



Knows little about the capital market

-Less about financial evaluations.

Information provided is not understood

-Willingness to understand is low;

- Prefers to set accountability on advisors.

Frightening news (media) and recent /current events

Very insecure about and low trust on capital/ financial market

-Consequence of all the above points.

The forever ongoing paternalistic approach/relationship client-market

Too much information provided

-Not simple; What of all disclosed is important; How to use it.

Media helps miss-inform

Communication focus: what has the industry done?

2005-2006

Set mind: Mutual Fund as a Savings Alternative

Simple

Flexible

Many alternatives

Liquid

Diversified
portfolios

Access to foreign
markets

Communication focus: what has the industry done?

Since 2007

**Inform and educate:
to take advantage of the
characteristics**

Basic information to evaluate different funds

Provide tools for valid comparisons

Emphasize on profile assessment

**Certification programs
for sales force**

Eliminate perverse incentives

Prioritize information

What is most important



But clearly still not there

Biases that would be affecting investment decisions

- **Overconfidence set on agent and regulator**
 - Investors don't want to evaluate / decide
 - Prefer a paternalistic regulator
- **Little clarity regarding importance of profile**

Do not want to be accountable

Lack/ Low Credibility - Capital Market in general



**Investor's outdated
decisions have a
negative impact on
portfolio management**

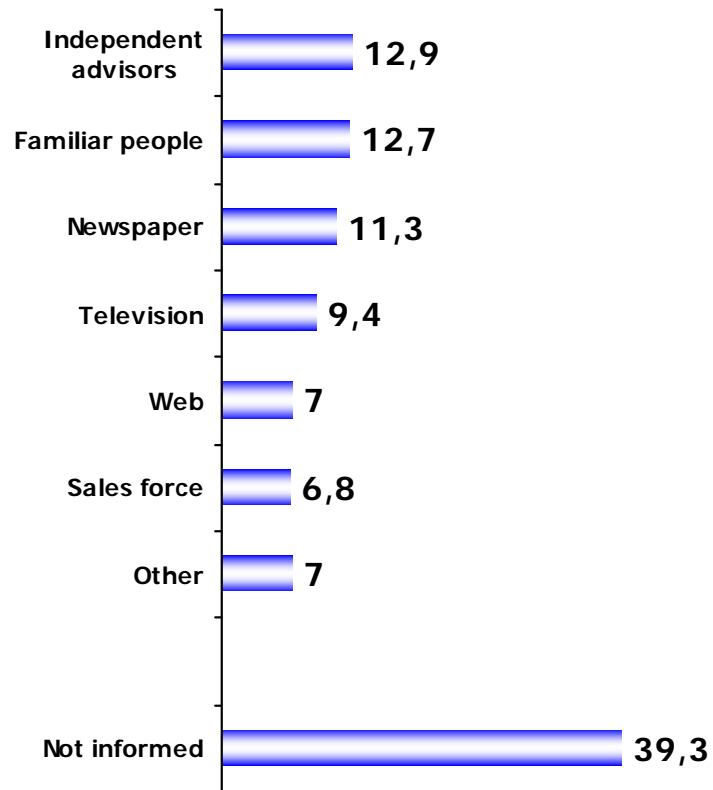
Our Region...

- Market risk or mutual fund risk?
 - market volatility originated by mutual funds !



“The value of an investment and its volatility is fundamentally determined by portfolio management ...not by market factors.”

Who are investors listening to ?

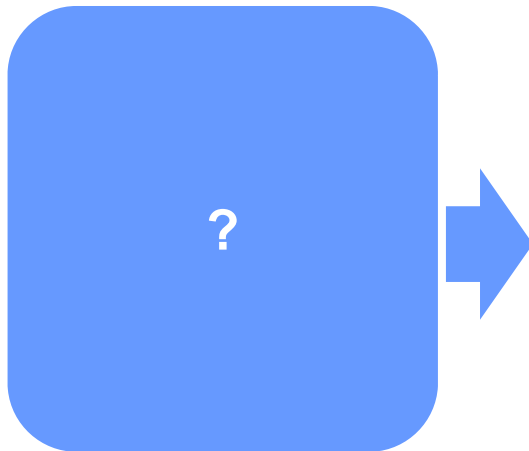


-No one

-Friends

- Independent advisors

Communication focus



- Information: how much is enough?
- Basic disclosure required for potential client to ask for more?
- What is to be done to end with a paternalistic approach towards the investor?
 - » What and how we deliver
 - » What and how much do clients do to look for information

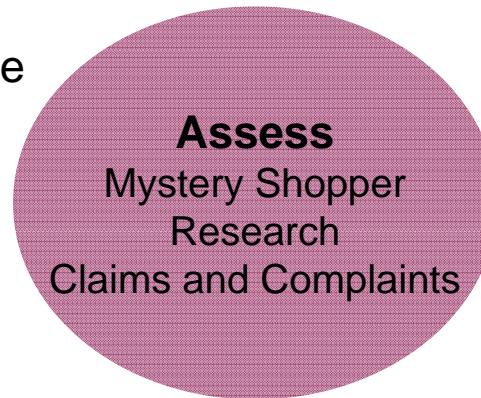
Building confidence/reliability/trust/ credibility

Disclose and have available

- Basic and important information
- Clear and simple format
- Tools to evaluate and compare

Educate

- Investor
- Investment Agents:
 - Certification programs
- Media



Open architecture

- Accountability

Conclusion

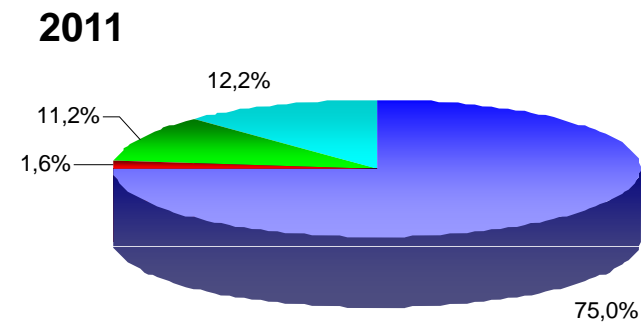
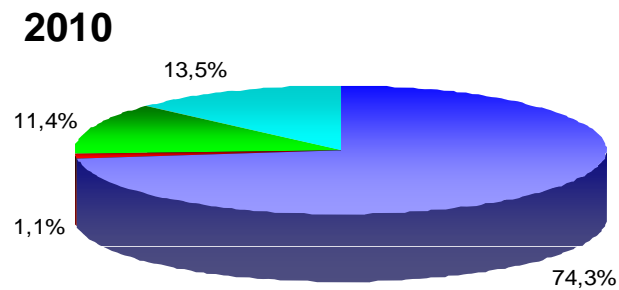
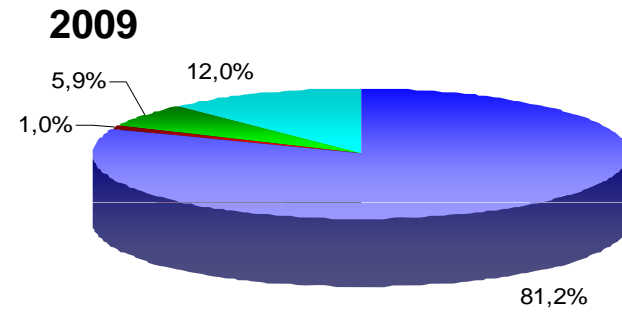
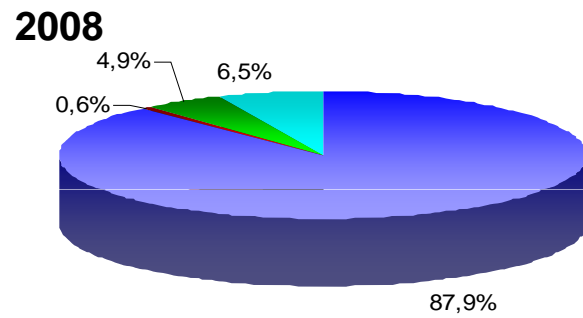
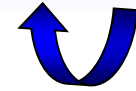
- The industry has to foster:
 - Investor's education
 - Confidence on professional advisers
 - Not blind → but as a valid source of information
 - Transparent and opportune
 - Accountability of a decision is not transferred
- Investors have to decide
 - Need access to and understanding of information
 - Investment drivers

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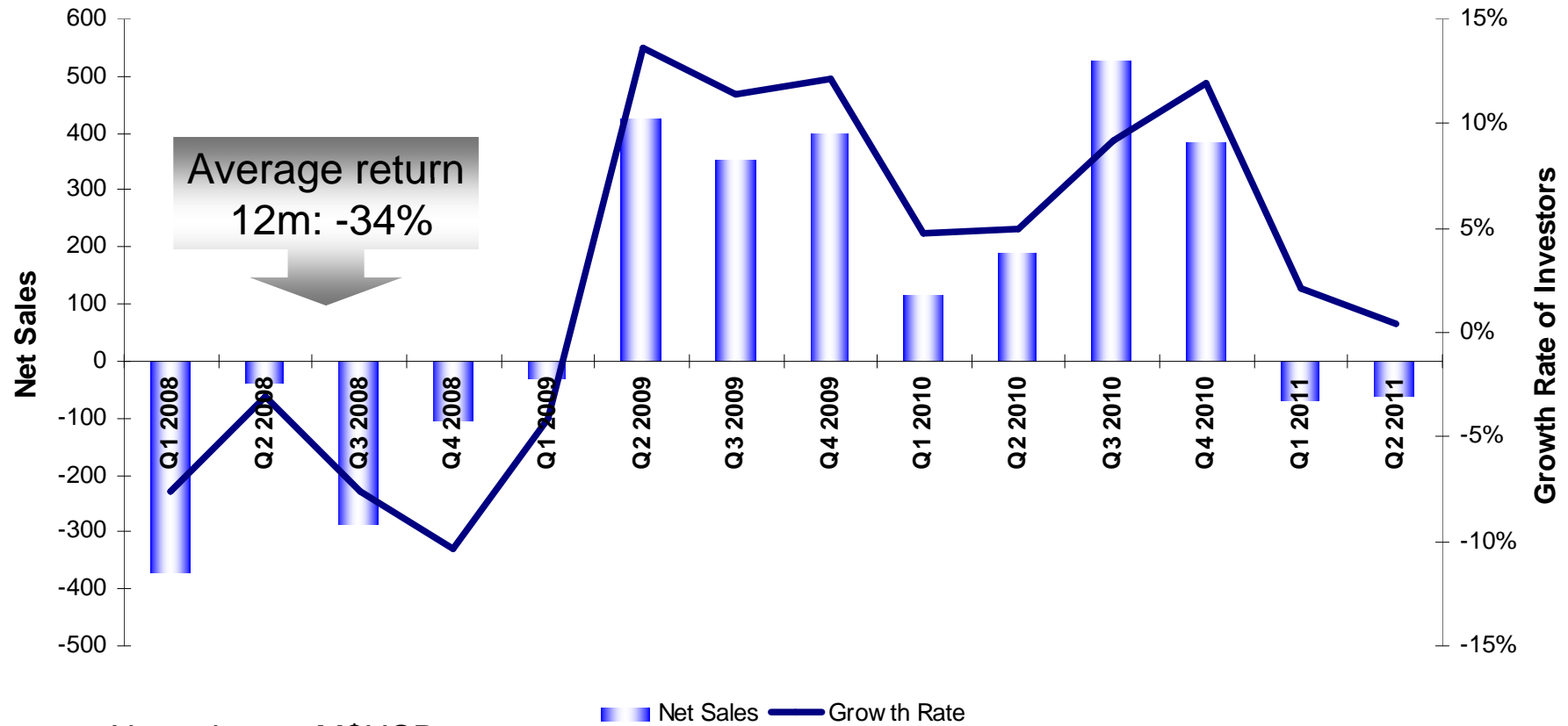
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Investments

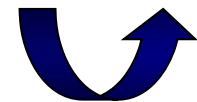


■ Local Debt ■ Foreign Debt ■ Local Equity ■ Foreign Equity

Equity Funds Trend



Net sales on M\$USD



OUTDATED investors?

- When a taxi driver tells you that he just purchased a certain mutual fund...

➡ might be time to withdraw

- Once information is at that niche its because the cycle will start or has started to revert

