

Investing for good

An examination of customer attitudes and behaviours to responsible investing



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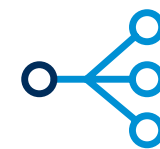
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Introduction

Defining responsible investing concepts

Introduction

Doing well while doing good

One of the biggest changes in the past five to ten years is that Australians have recognised the role they play in influencing the environment, the community and the greater world around them through their actions – including how they express their opinions, beliefs and intentions through the way they invest.

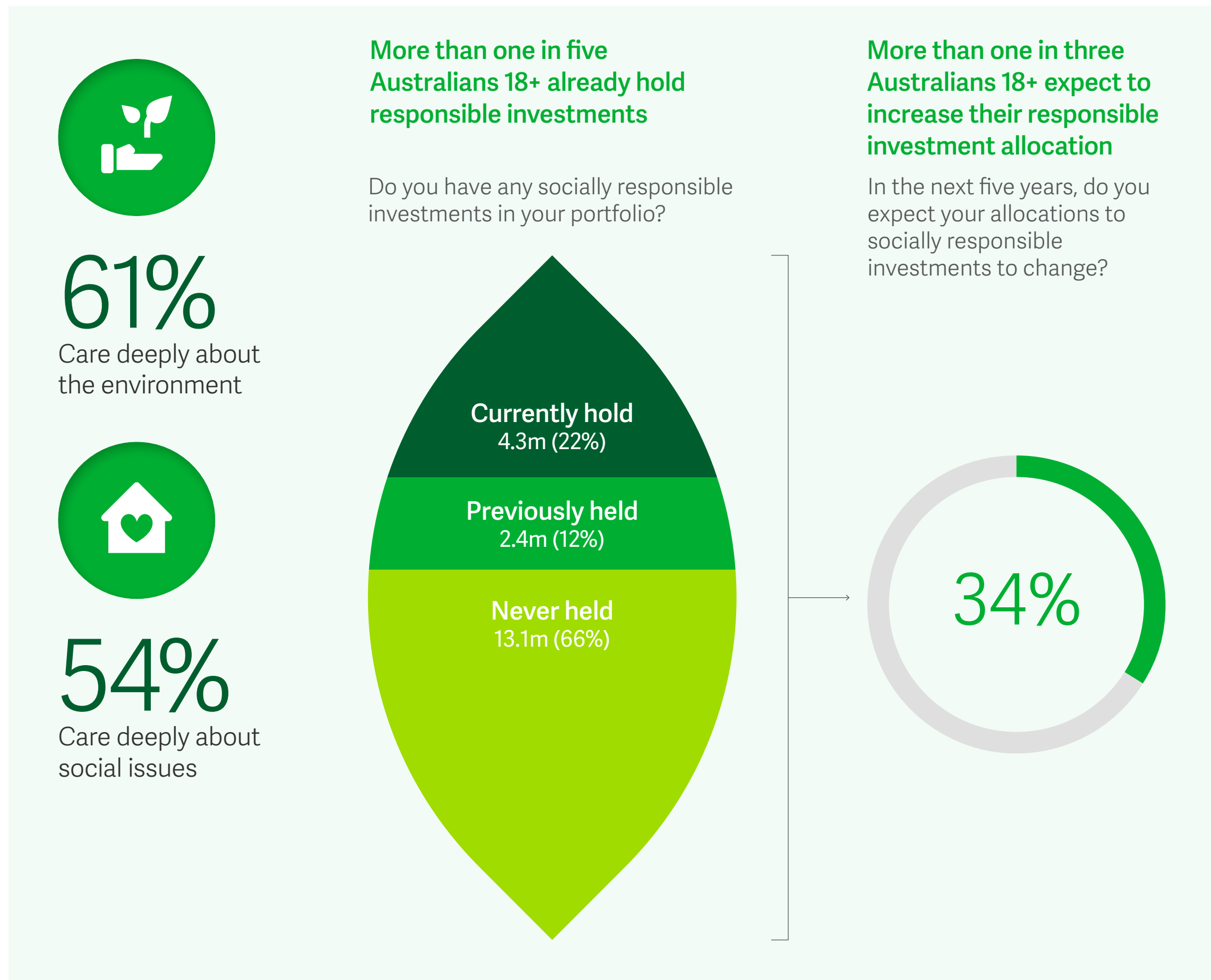
This means that responsible investing (RI)– encompassing environmental, social, humanitarian, community and governance issues – is increasingly top of mind as investors seek to maximise the impact of their investments.

Today three in five (61%) Australians 18 years or older say “they care deeply about environmental issues” with more than half (54%) indicating they “care deeply about social issues” too.

As approaches to investment selection and portfolio construction evolve to accommodate a growing demand for responsible investing, it is now easier than ever to invest with a clear social purpose in mind, and not suffer a performance penalty. Investing with the aim of doing good is no longer seen as delivering poorer long-term investment results.

In fact, there’s a growing body of evidence that responsible investing can lead to better long-term investment results, because it is an approach to allocating capital which tends to seek out and favour companies that have more sustainable business models, practices and products or services.

Today around one in five (22%) of the 19.8 million Australians 18+ hold responsible investments in their investment portfolios, representing approximately 4.3m people. This figure is set to increase, with more than one in three (34%) expecting to increase their allocation to responsible investing in the next five years.



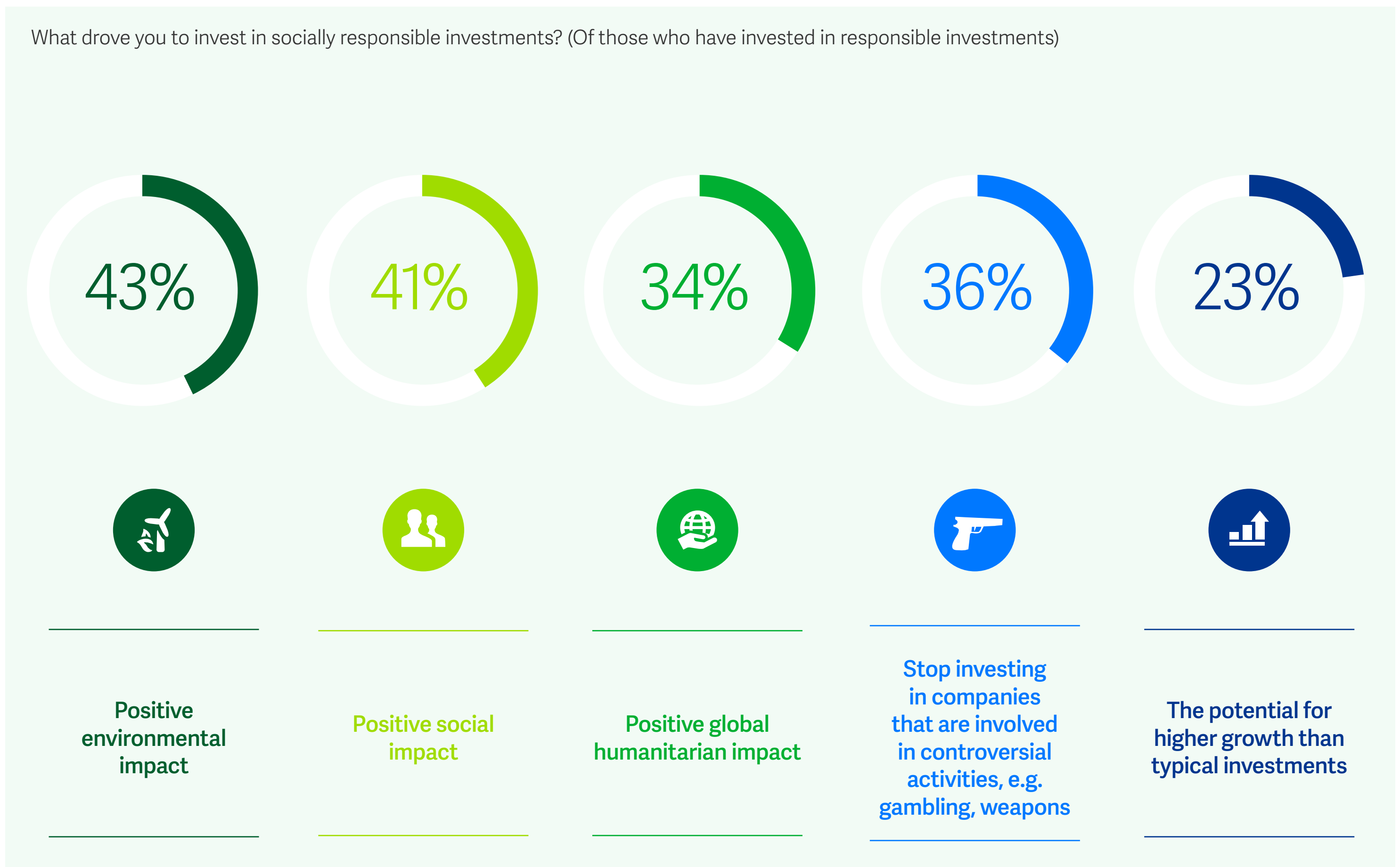
Introduction

Doing well while doing good

Investors who currently engage in responsible investing do so as they want to support companies and investments that have an active, positive impact, or to avoid those that have an adverse impact.

Motivations among those that have invested responsibly include the positive potential environmental (43%), social (41%) and humanitarian impacts (34%). Other popular motivations include a desire to stop investing in companies that are involved in controversial activities such as gambling and weapons (36%).

The remainder who do not hold responsible investments, including two-thirds who never have, represents a significant potential for financial advice firms who should keep these drivers of adoption front of mind when discussing these investment choices.



Introduction

The adviser's opportunity to educate

There are clearly identifiable and growing groups of individuals who are strongly attracted to the concept of responsible investing, who are worth focusing on.

However, responsible investing clearly isn't for everyone and, as this report highlights, there are groups of individuals who are against it. Yet the barriers to investing responsibly are often illusory and are often due to lack of client (and perhaps adviser) education, with more than seven in 10 (71%) investors rating their understanding of responsible investing as average or non-existent. This suggests that there is a clear opportunity for financial advisers to step into that 'knowledge vacuum' to address misconceptions and misapprehensions.

With education, they're likely to find a relatively receptive audience: around two-thirds (66%) of investors would definitely or possibly consider investing in responsible investments for numerous reasons.

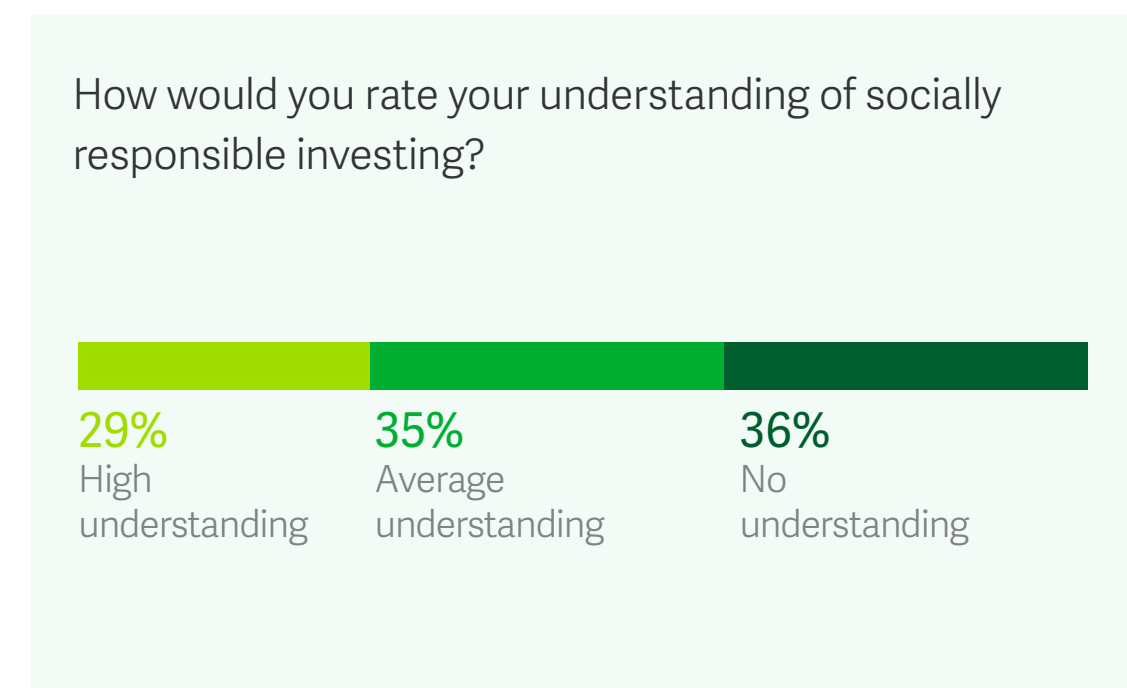
Understanding an individual's preferences and what drives them to invest responsibly will position advisers well to help educate them on the appropriate investments. When we look closer at the drivers behind responsible investing behaviour, there appears to be two main ones:

1. A desire for positive impact – Not surprising the main driver for many is the impact the investment will have to the environment or society. One-quarter would definitely consider investing responsibly if the investment made a quantifiable difference to the environment (23%) or to society (22%).

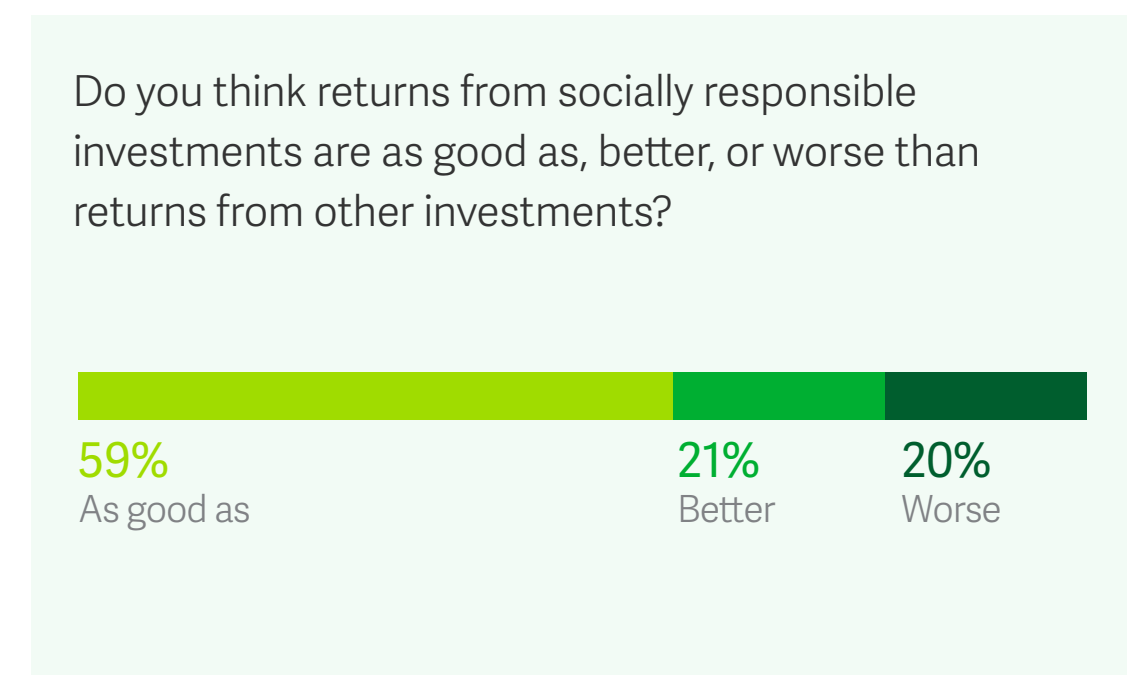
2. For financial benefit – For even the sceptics, this driver will be most relevant. Fortunately, they may not need much convincing, as almost six in 10 (59%) of Australians 18+ believe responsible investing can lead to returns that are as good as other investments, with a further two in 10 (21%) perceiving them to lead to better returns. Further, one-third (35%) would definitely consider investing responsibly if they could be convinced that the returns were better than other investments, whilst two in 10 (21%) would definitely consider them if they didn't have to sacrifice returns.

The real challenge for advisers (and the industry as a whole) is to clearly demonstrate and quantify the positive impact and the financial benefits.

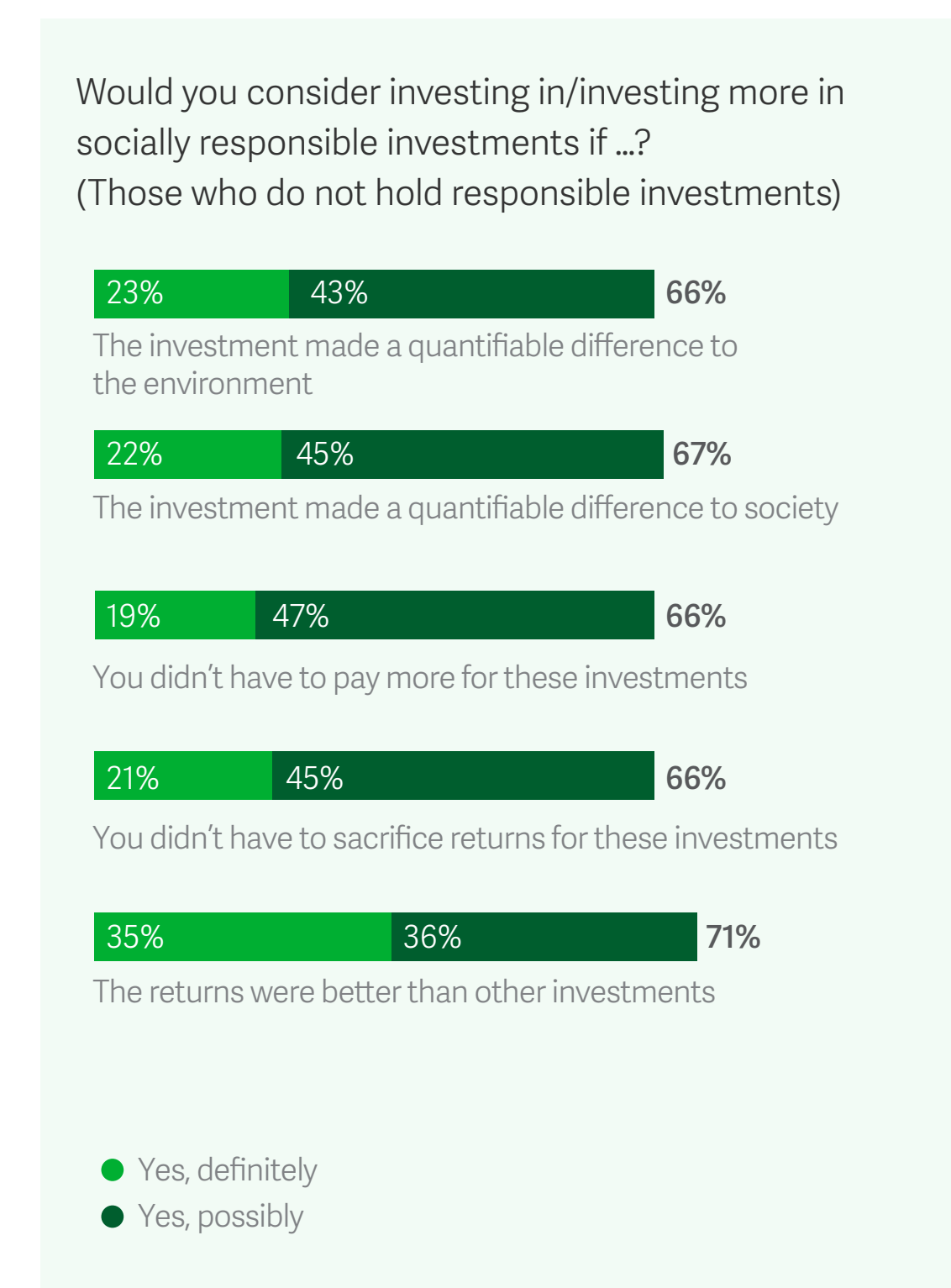
The majority of Australians 18+ have average or no understanding of responsible investing



Yet the perception of responsible investing is still that it can deliver the same if not better returns



If the financial benefits of responsible investing were clearer, more Australians 18+ would consider investing in them



Introduction

The role of research in education

Increasingly, deep responsible investing and environment, social or governance (ESG) insights are insights being produced by research houses and by investment managers themselves to help arm and educate advisers and investors.

For example, at Netwealth, we have introduced ESG research and ratings on managed funds using the following Morningstar data sets:

1. The “Morningstar Sustainability Rating” which compares ESG risk across various managed funds within the same Morningstar Global Category.
2. A “Low Carbon Designation” to identify low-carbon funds across the global universe. The designation is an indicator that the companies held in a portfolio are in general alignment with the transition to a low-carbon economy.

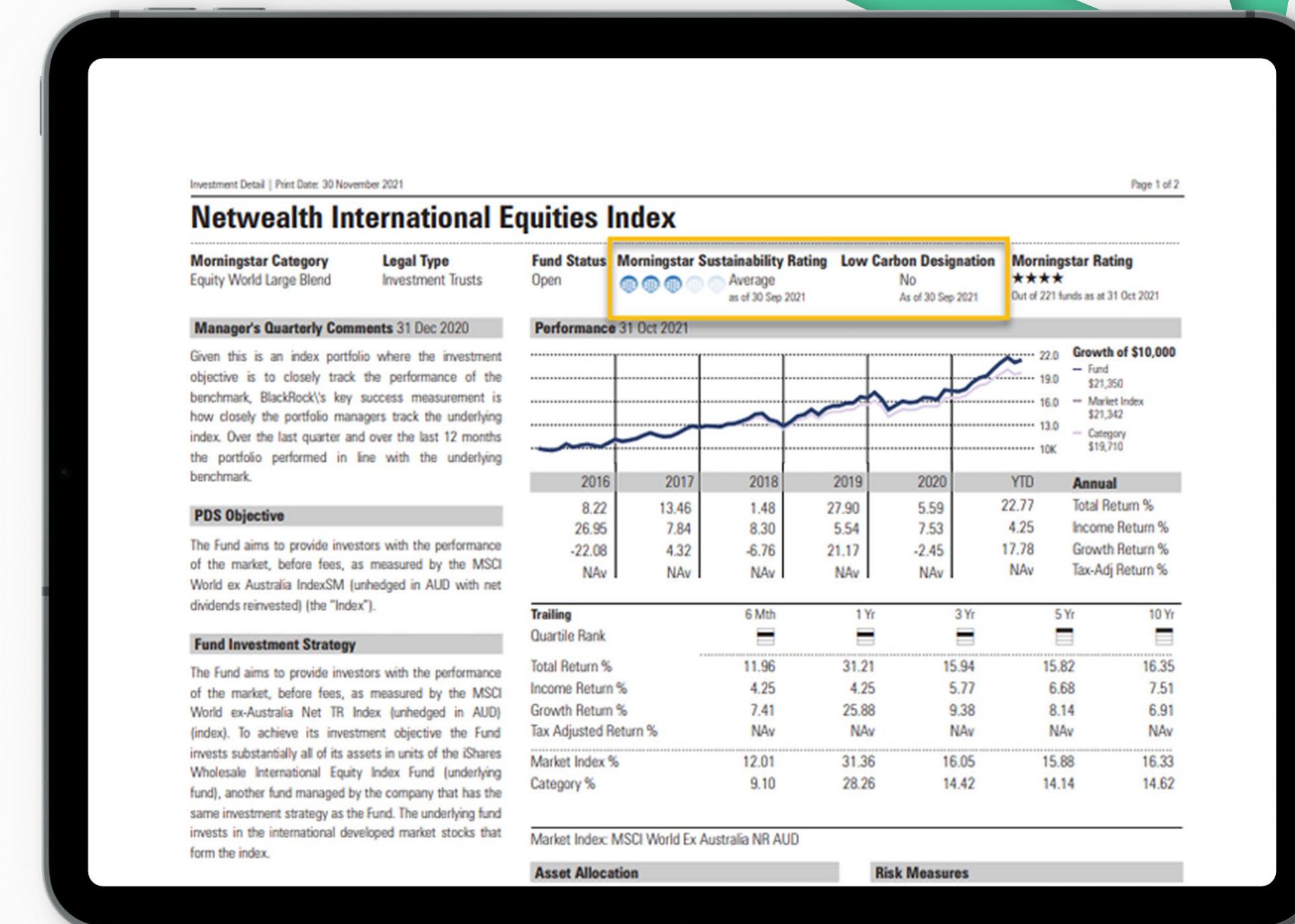
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However, it goes without saying that ESG credentials do not (and should not) replace strong financial fundamentals as criteria for selection. Rather, such considerations should run alongside financial considerations in assessing companies for inclusion in a portfolio.

Beware ‘greenwashing’!

Responsible investing is a trend that investment managers are understandably keen to capitalise on, and companies are keen to attract investors’ capital and to attract consumers to their products and services. ‘Greenwashing’ describes the marketing or positioning of a company or investment or their goods and services as having strong ESG credentials when those credentials don’t exist or are overstated.

Both ASIC and the International Sustainability Standards Board have published guidelines for issuers when promoting or offering sustainability-related products.



Introduction

Defining responsible investing

It is important to note that responsible investment (RI) is more than just environment, social or governance (ESG) investment considerations.

When considering responsible investing, you could look to define the investments universe into a few categories – each of which has a differing impact and also different financial returns.



1. Negative screening

This involves eliminating specific companies or even entire industries, based on an assessment of the ESG credentials of each company and/or industry. It's sometimes described as an 'avoidance' strategy.

Today, 36% of Advisable Australians who have responsible investments, have done so to stop investing in companies that are involved in controversial activities (e.g. gambling or weapons).



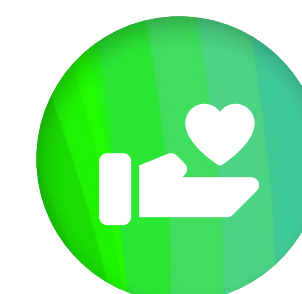
3. Impact investing

This involves investing with a very clear and specific environment or social purpose in mind, whilst still earning market rate financial returns. For example, an entity may issue bonds to raise funds for a specific purpose (such as building low-cost housing or investing in renewable energy). An investor can see very clearly, and very directly, what positive impact their investment is having.



2. Positive screening

This involves pursuing sustainable opportunities that are focused, that drive capital to sectors and the spaces that the environment and climate desires them to go, and actively selecting companies and investments that meet determined ESG criteria, such as gender or racial equality. It goes beyond just avoiding companies that don't stack up on ESG metrics.



4. Concessionary returns investing

These are investments which have submarket rate, risk adjusted financial returns. An example is buying a property and providing it rent free to a not-for-profit to use as their office or putting solar panels on roofs for a sub-market return.

Introduction

Defining responsible investing

The spectrum of responsible investments

	Traditional Finance-only	ESG and Negative Screening	Sustainable Positive Screening	Impact Investing	Concessionary returns investing	Philanthropy
	Delivers competitive returns					
		Mitigates environmental, social and governance (ESG) risks				
			Pursues environmental, social and governance (ESG) opportunities			
				Focused on measurable high-impact solutions		
Focus	Limited or no regard for the social and environmental consequences of an investment	Negatively screen out investments with poor practices in order to protect value	Pursue sustainable opportunities - focus on investing only in sectors that have progressive ESG practices that may enhance value	Address societal and environmental challenges while generating market rate financial returns for investors	Address societal challenges that require a below-market financial return for investors	Address societal challenges that do not generate a financial return for investors
Target Sectors	No filters	Eliminating certain investments from a portfolio - tobacco, gambling, weapons, mining	Renewables, waste reduction, gender and racial equality	Environment and climate health, education, sustainable development	Support for innovation, proof of concept, catalytic capital	Catalytic capital, social change, political change, environmental protection
Investment Examples	Oil & Gas listed equities	ESG aware fund or portfolio	Green buildings Renewable energy infrastructure	Impact bonds Private equity Housing	Buying property and providing rent free to a not-for-profit	ClimateWorks Australia WWF

Source: Making an impact: The breakdown of impact investing and why you don't need to sacrifice returns Sep 2021, Affirmative Investment Management, Kilara Capital, and Conscious Investment Management

Introduction

Examples of responsible investing

Advisers play a significant role in helping clients allocate capital both efficiently and, increasingly, in a socially responsible way, first by educating themselves about these investment options via managers and experts, then making a judgement call and passing on their views and knowledge to clients.

Below are just two of many examples that advice firms will need to examine and educate themselves on.

Multi-asset managers

There are multi-asset managers that offer balanced, growth and a high growth multi-asset, multi-manager portfolios that embed both sustainability and ESG across each major asset class, being equities, real assets, such as property and infrastructure, and fixed income. As multi-asset funds they typically diversify across asset classes in order to maximise our risk adjusted returns. However, this approach also provides them the opportunity to invest positively across a broader range of responsible themes, such as: healthcare companies, water utilities that treat and manage water systems, renewable energy utilities such as wind and solar farms, plus social housing and aged care.

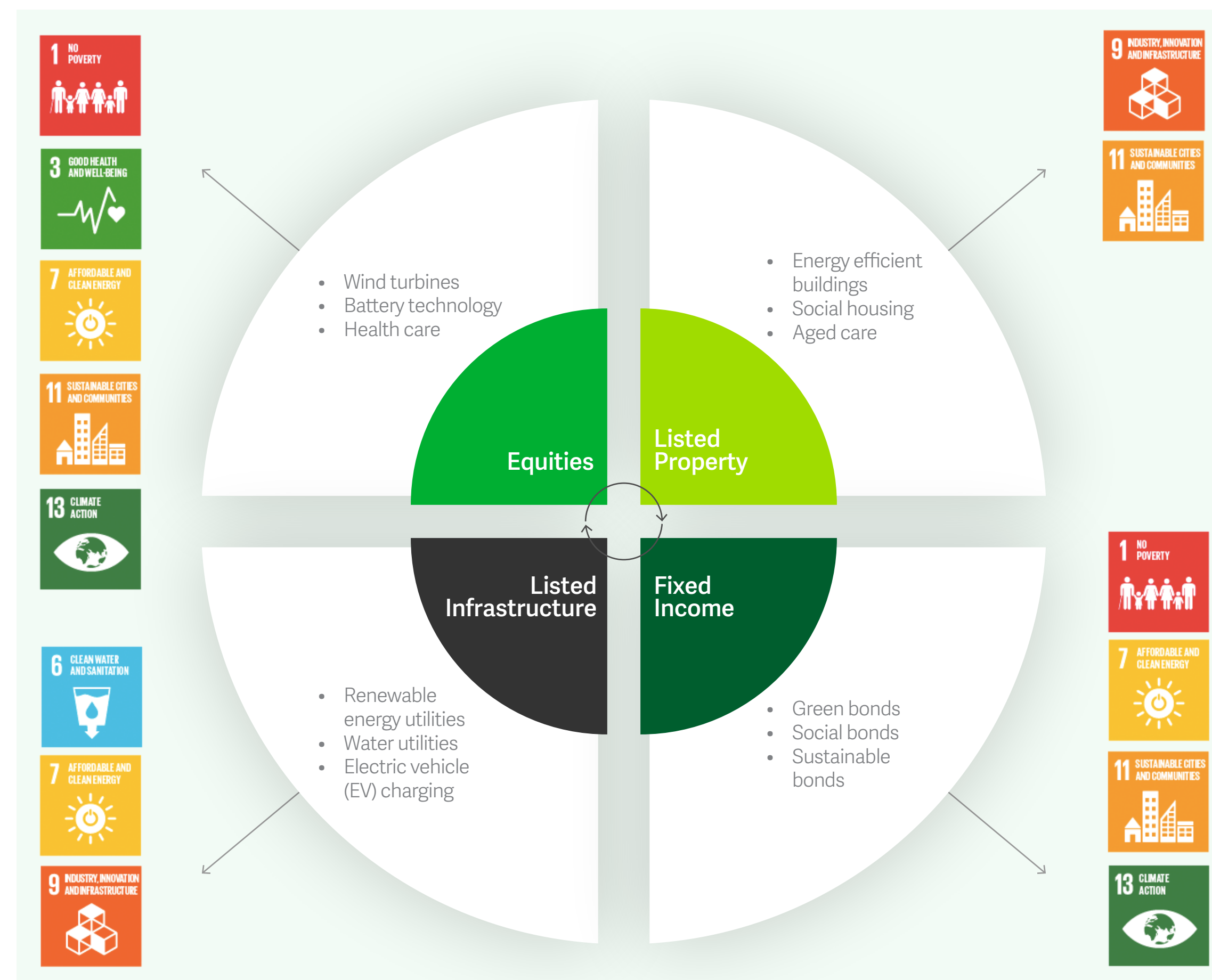
Bonds

A green bond refers to a bond that raises finance for climate related solutions, whilst a social bond raises finance for initiatives that improve social outcomes for the community.

These bonds pay interest just like any bond, but importantly, the money that is borrowed is to only be used for predetermined projects. For example, a green bond could be used for a wind farm, solar park, hydroelectricity project, low carbon building or low carbon transport. Whilst a social bond would support projects such as social housing, gender equality or underprivileged education.

Of note, other than green bonds and social bonds (which have a specific use of finance) there is a growing area of finance to the road to net zero, which is transition finance. These are general purpose bonds financing a companies' transition to net zero.

Example multi-asset, multi-manager portfolio



Introduction

The 'Advisable Australian responsible investment segments'

The foundation of this report is understanding investor behaviour, so we set out to understand the behaviours and drivers for responsible investing (RI) in Australia. We wanted to understand the differences between those likely to invest, and those unlikely to invest.

To do this we've examined the behaviours, attitudes and drivers behind the responsible investment activities of Advisable Australians and developed a segmentation model based off these.

As a result, we've segmented the Australian population 18+ into four groups to create the 'Advisable Australian responsible investment (RI) segments':

1. Believers
2. Pragmatists
3. Doubters
4. Sceptics

For the remainder of this report, we examine each of these segments in more detail, including what they look like, how they think about responsible investing, and how financial advisers can have constructive advice discussions with them.

Believers

These are people who believe in socially responsible investing, and support ESG principles and what RI stands for. They want their investments to make a difference. However, just because they believe the most doesn't automatically mean they invest the most in RI, which could be due to reasons such as not having the capital and being less wealthy due to typically being younger.

Believers are the next most likely to have RI investments with a third currently having them (32%) and just under one in six (13%) having held them previously. All (100%) are definitely looking to grow their responsible investment portfolio.

32%

Currently invest in RI

100%

Would definitely consider investing in RI

27%

Population 18+ (5.3m people)*



Pragmatists

This is the group who are most likely already invested in socially responsible assets, but they do it out of pragmatism, as a way to diversify or an opportunity for smart investments that could produce high returns. Their attitudes to the environment or responsible investing are somewhere in the middle, yet they invest. They typically have a high understanding of this type of investing.

Half (49%) of this segment currently hold responsible investments, and a further third (33%) have previously held them, with a large proportion definitely (43%) or possibly (57%) consider starting to invest, or to invest more in RI.

49%

Currently invest in RI

43%

Would definitely consider investing in RI

17%

Population 18+ (2.4m people)*



Doubters

These individuals do not typically invest in responsible investments (only 13% do). They are not against it, as such, but they are also not strongly for it. They are in the middle, and usually either doubt or do not have a strong opinion about it either way. This is a group who advisers may need convince to consider responsible investing, as more than a third would definitely consider them (37%) and the remaining two thirds (63%) would possibly consider them. This can be done first by educating them about RI as they generally have a lower-than-average understanding of it.

13%

Currently invest in RI

37%

Would definitely consider investing in RI

36%

Population 18+ (7.1m people)*



Sceptics

These are people who do not really understand responsible investing and nor do they wish to. Sceptics would not invest responsibly even if it was financially beneficial and are highly unlikely to be convinced otherwise, no matter the strategy or approach adopted by the adviser.

We suggest advisers pay less attention to responsible investing strategies for this group.

0%

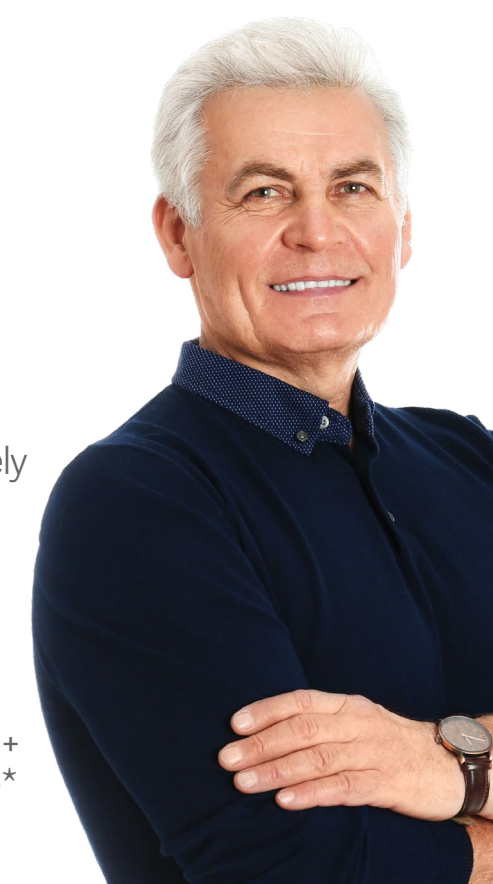
Currently invest in RI

0%

Would definitely consider investing in RI

20%

Population 18+ (4.0m people)*



Part A

Understanding the Responsible Investment segments



Part A: Understanding the Advisable Australian RI segments

Demographic profile

The RI segments are clearly different when we look through the profiling lens of age, gender, education and wealth.

Believers are the youngest with an average age of 46, with only 30% being Boomers or older – over four in 10 (44%) are Gen Y or younger. They are more likely to be female (61% of them). They have high household incomes (avg. of \$149,000 with 28% earning over \$150,000) and most likely have higher levels of education (56% have a degree or post-grad degree).

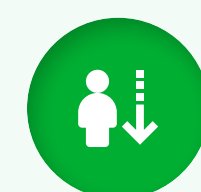
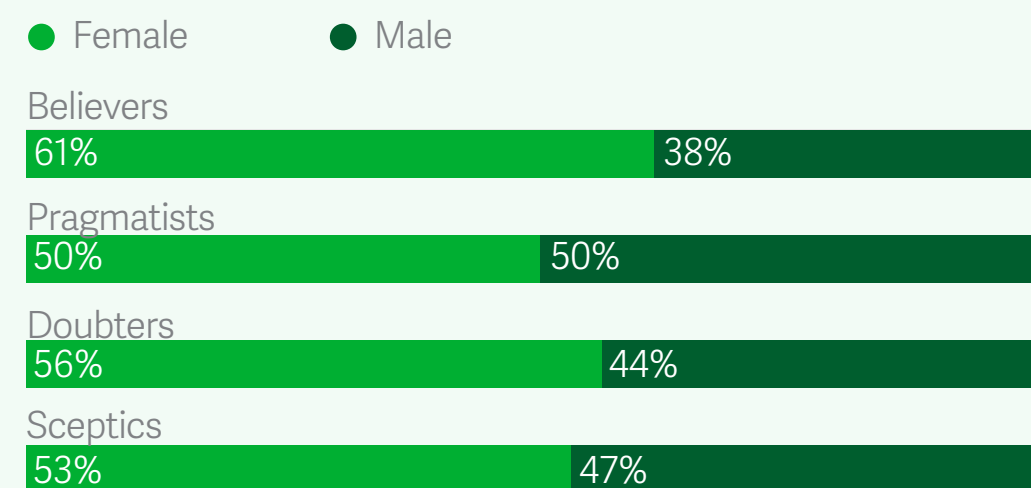
Pragmatists are on average 51 years, with almost half (49%) being Baby Boomers or older. They have the largest household investment portfolios (\$537,000) the second highest incomes (avg. of \$116,000 with 26% earning over \$150,000), are highly educated (56% have a degree or post-grad degree) and more likely to be in management positions or higher (40% of them).

Doubters are a similar age to Pragmatists, with an average age of 51. They tend to be less educated than Pragmatists or Believers. Their household income is similar to Pragmatists, but have much lower investments.

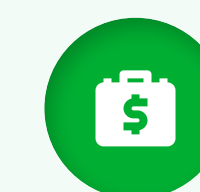
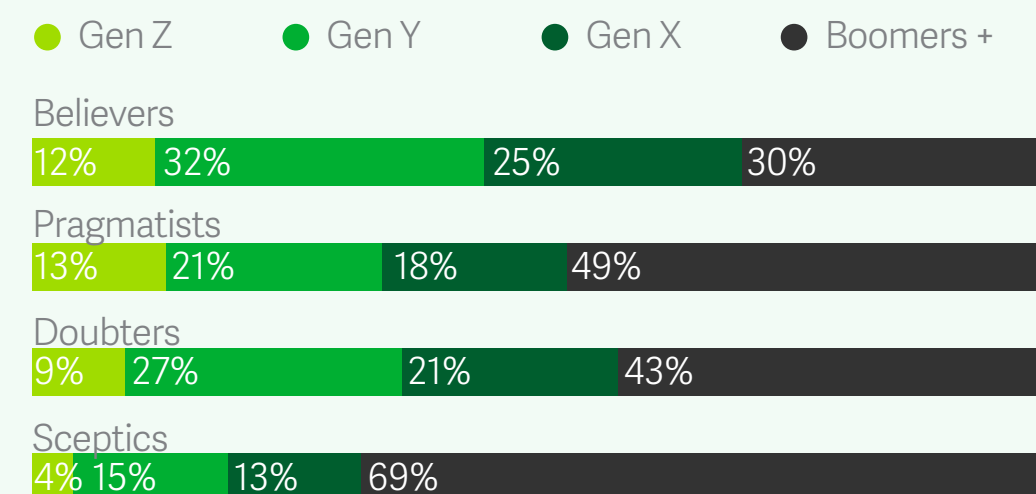
Sceptics are the oldest of the segments with an average age of 59, with seven in 10 (69%) being Boomers or older. As a result, Sceptics are more likely to be retired (52% of them), to be divorced and to be on lower incomes. They are more likely to live in regional areas (49% of them).



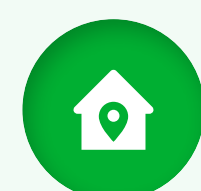
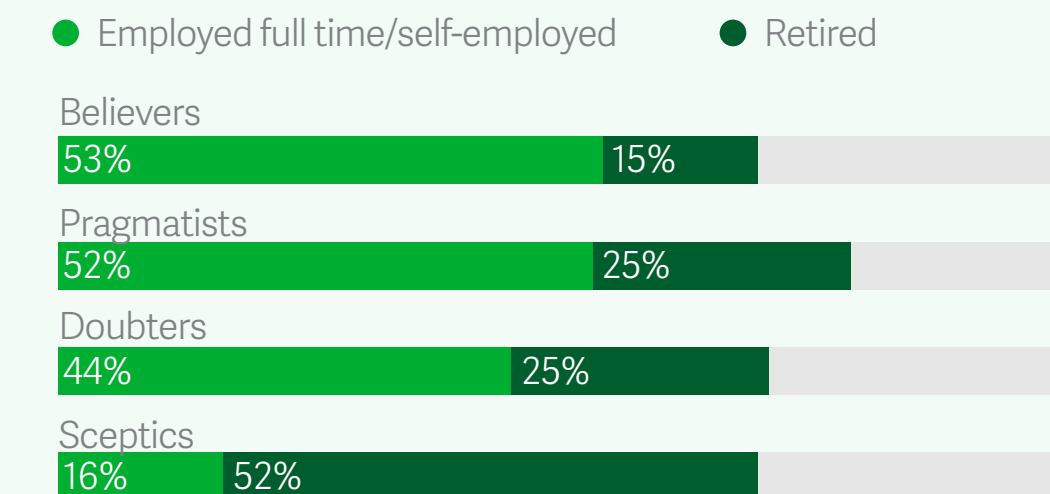
Believers are more likely than the other groups to be female.



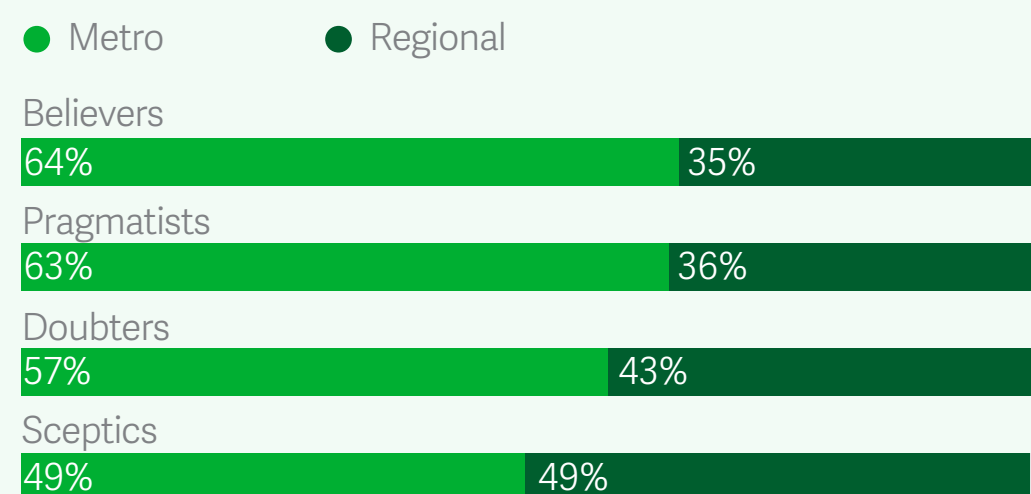
Believers are the youngest aged group - only 30% are Boomers or older.



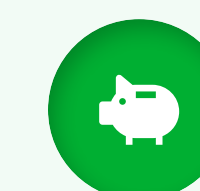
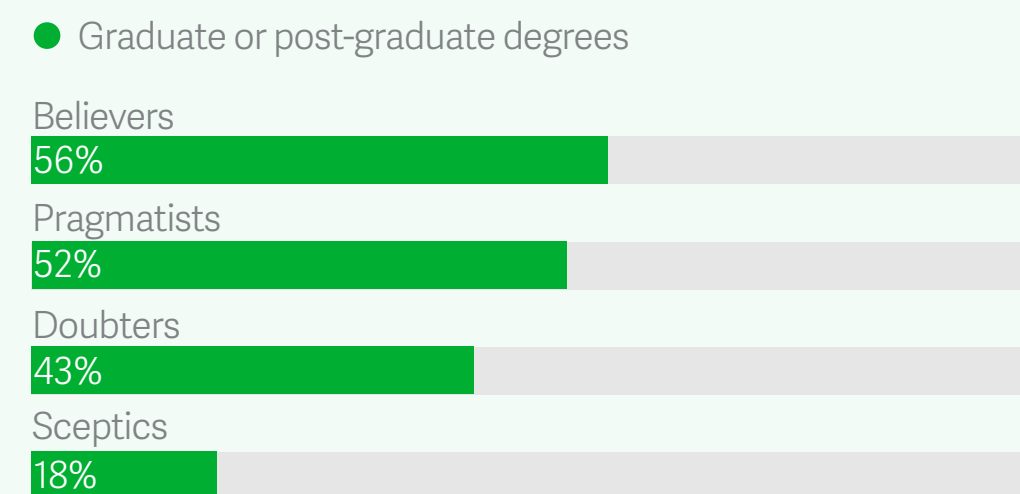
Believers and Pragmatists are the most employed, whilst Believers have lowest levels of retirement.



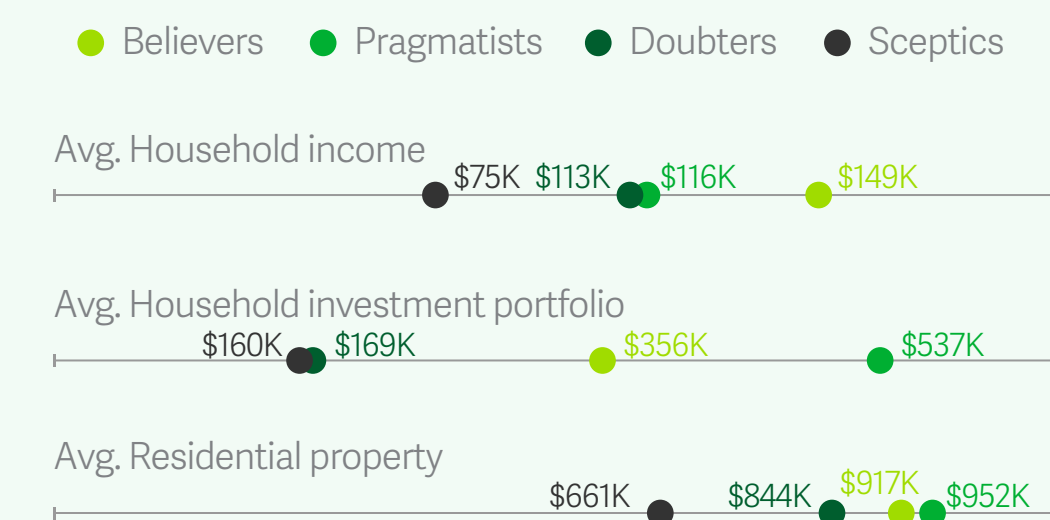
Believers and Pragmatists are more likely to be metropolitan based.



Believers and Pragmatists are more likely to have higher levels of education.



Believers have the highest household income, while Pragmatists have the highest total household wealth.



Part A: Understanding the Advisable Australian RI segments

Believers

More than four in five (83%) RI Believers care deeply about environmental issues, and a further three in four (76%) say they deeply care about social issues.

As a result, RI Believers are already pre-disposed to making responsible investments, with two-thirds (61%) planning to increase responsible investing in the next five years. Half (50%) would even be willing to sacrifice returns or pay more for responsible investments (a hypothetical trade-off that may not even be necessary as RI financial performance continues to improve and evolve). Almost two-thirds (63%) say that they actively seek responsible investments.

Yet, for all their positivity and willingness to invest their money in responsible investing, only one-in-three (32%) have invested responsibly.

This could be because only half (49%) rate their understanding of responsible investing as high.

Even though not all clearly understand responsible investing, almost all (92%) of them believe that returns from responsible investments are as good as or better than returns from other investments.

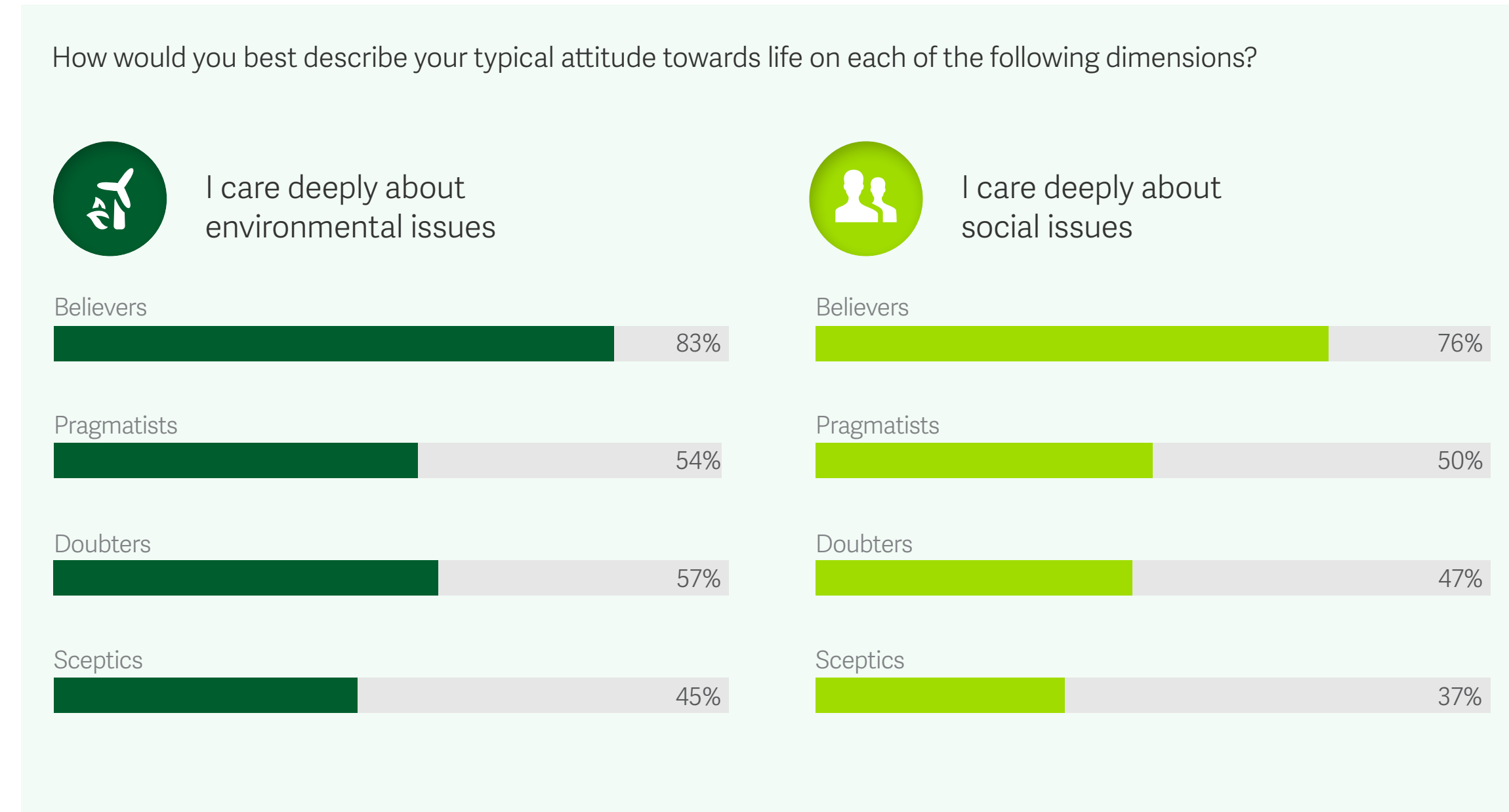
Their risk appetite could also be holding them back. Almost half of RI Believers (43%) describe themselves as either a very conservative investor who avoids any exposure to risky assets or a conservative investor looking for guaranteed returns with minimal exposure to risky assets. A further one in three (33%) categorise themselves as moderate investors who are looking for stable and reliable returns without much risk.

An outcome of this is that more than half (55%) of RI Believers want to invest in more commonly known and available investments, and today RI is clearly the opposite - new and novel.

For advisers the challenge is to help Believers reach their goals of doing 'good' with their investments, and education should be the cornerstone of this.

It will be important to demonstrate the real impact and benefits of the investing and illustrate the credentials of the fund managers and organisations they are investing in – many of whom are not new, with solid track records.

Believers care more about the environment and social issues than the other segments



Part A: Understanding the Advisable Australian RI segments

Believers

What are Believers looking for in their responsible investing portfolio?

Of those Believers that need convincing and don't hold responsible investments, they are looking for the investment to:

- make a quantifiable difference to the environment and/or to society (85% would consider responsible investing if it achieved this).
- have a similar price to current investment options (79% would consider).
- deliver similar returns to current investment options (85%), or for some deliver better returns (98% would consider).

Of those Believers who have invested responsibly, the reason they made them is more nuanced than just doing good for the environment or society, it was to:

- have a positive social impact (55% of them).
- have a positive environmental impact (55%).
- have a positive global humanitarian impact (47%).
- stop investing in companies that are involved in controversial activities, e.g. gambling, weapons (48%).
- have investments in line with their personal values and beliefs (56%).

Less important drivers for Believers with responsible investments are such things as:

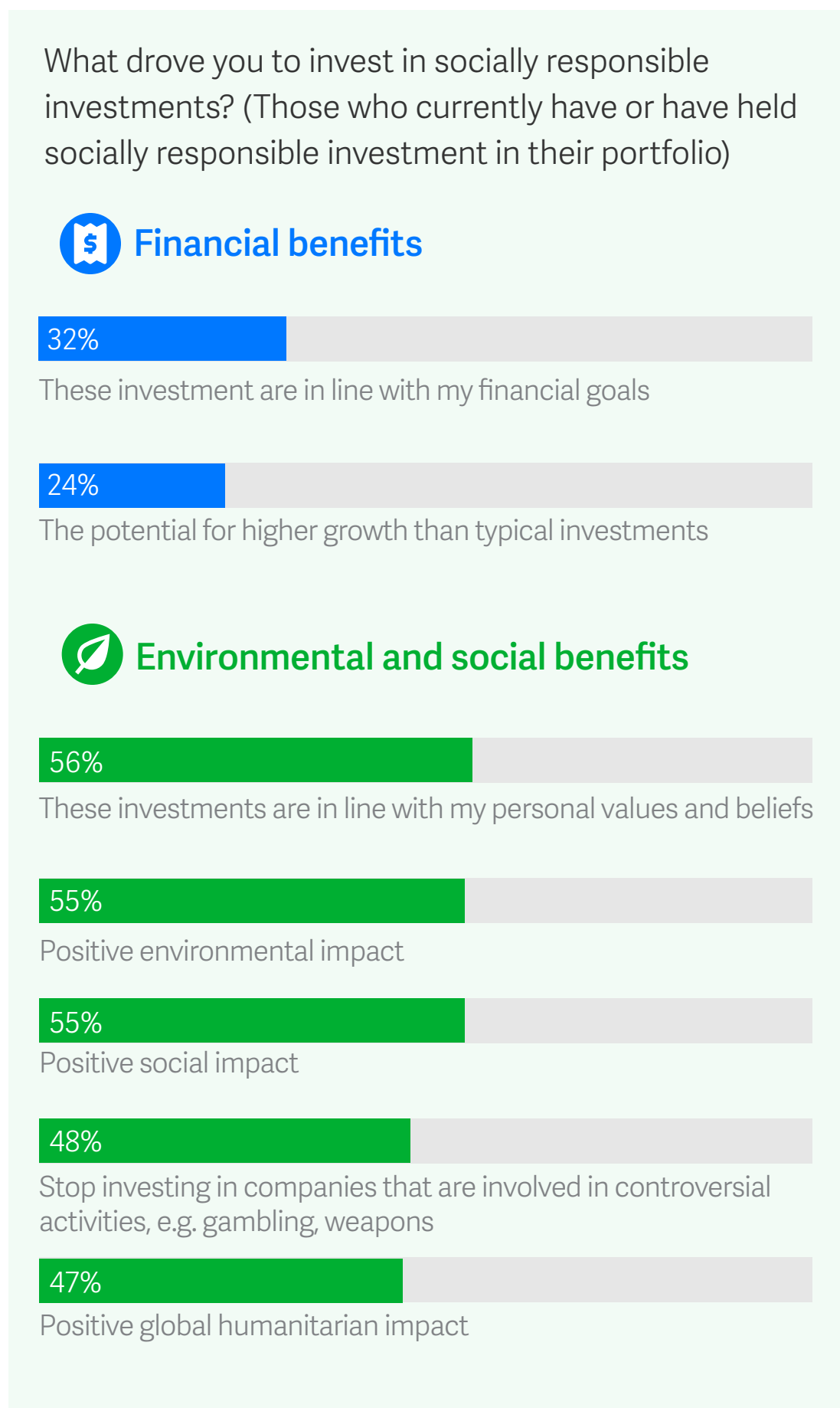
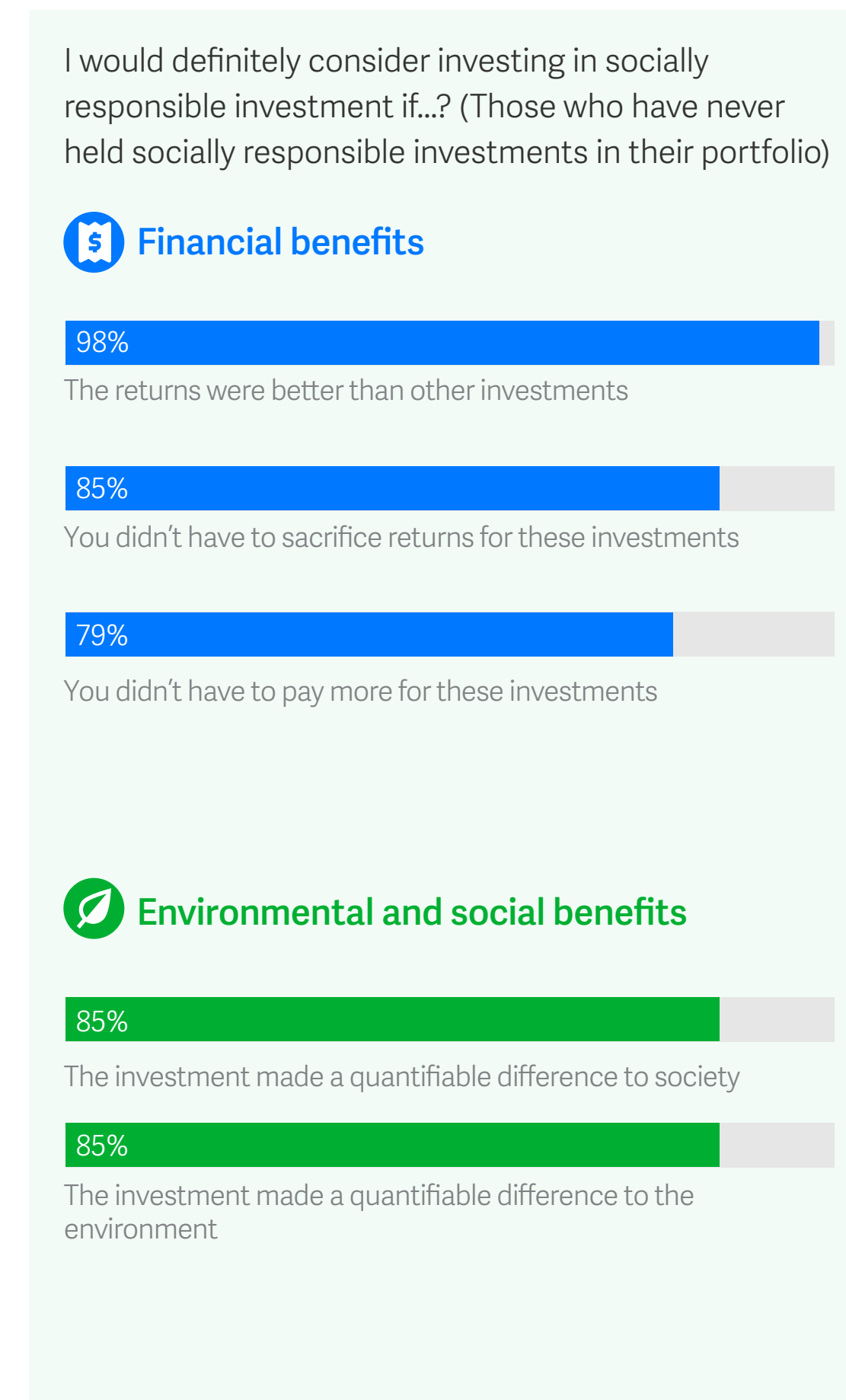
- having investments in line with my financial goals (32%)
- the potential for higher growth than typical investments (24%)
- familiarity with/knowledge about these investments (24%).

So when constructing a responsible portfolio for Believers, it is important to remember that this group is even more interested in 'doing good' than they are with making money at all costs.

Believers will be interested in investments that are creating quantifiable positive impacts on the environment and society, factors that Believers are willing to pay for. For this group ESG and negative screening investments probably will not cut it, they will be looking more to Sustainable Positive Screening and Impact investing options, and perhaps even Concessionary Returns Investing.

Believers considering responsible investments are equally looking for environmental/social benefits and financial benefits.

Once Believers have invested in responsible investments they emphasise the social good over the financial benefits.



Part A: Understanding the Advisable Australian RI segments

Pragmatists

RI Pragmatists are firmly interested in financial results and are entirely unmoved by the possibility of their investments making a quantifiable difference to the environment or to society, but recognise that responsible investments can deliver on their growth objectives.

Although half of Pragmatists do care deeply about environmental issues (54%) and social issues (50%), when asked whether responsible investment is an important consideration they are neutral – not for or against (93%). Similarly, they are not inclined to actively seek responsible investing (only 4% do) nor are willing to sacrifice returns for them (only 5% are).

With that said, they are the most likely group to responsibly invest, with half (49%) saying that it is part of their current portfolio, and four in 10 (40%) saying they are likely to increase their responsible holdings.

Pragmatists have the highest Financial Capability, assessed through Netwealth’s Financial Capability Framework, in that they have more confidence in their financial abilities, and a better understanding of financial topics.

As such, they are more educated on the topic of responsible investing than average, with only one in 10 (12%) saying they have no understanding of responsible investing, whilst four in 10 (39%) say they have a high understanding. With this is a perception that responsible investing can deliver as good or better returns compared to other investments (25% think it can deliver better returns, 52% think as good).

So while it is less necessary to teach them on the topic broadly, special care will need to be taken to steer the conversation towards the potential financial upsides available to them.

In order to best meet the preferences of Pragmatists, focus will need to be held on financial performance alone. While this does not immediately sound like responsible investing, care can be taken to avoid firms engaging in controversial or otherwise socially destructive activities. As Pragmatists are usually focused on profits above all else, this still represents an improvement over what they might otherwise be investing in.

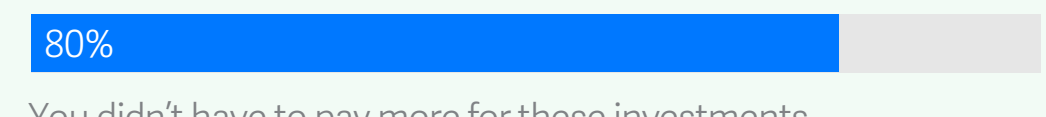
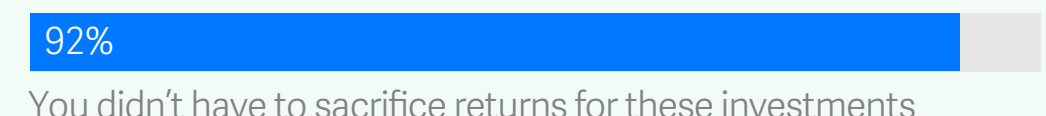
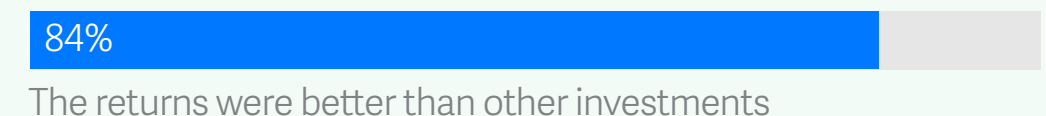
A key topic for conversations with Pragmatists will be the tailwinds that may increase capital flows towards responsible investing in turn driving future returns. Tailwinds include increasing consumer demand, improved government incentives and an increasing acceptance that ESG favourable organisations can drive better returns.

Pragmatists who are considering responsible investments are looking for financial benefits only

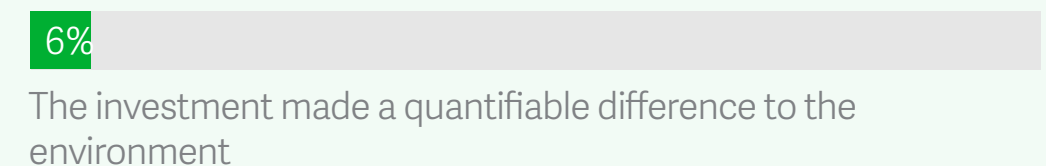
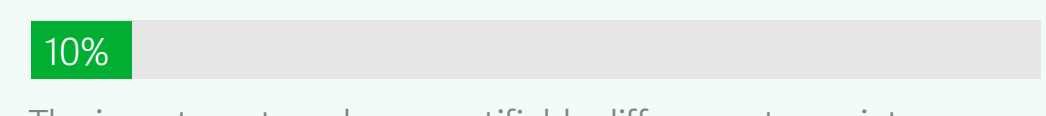
Once a Pragmatist has invested in RI, social and environmental good becomes equally, if not more, important

I would definitely consider investing in socially responsible investment if...? (Those who have never held socially responsible investments in their portfolio)

Financial benefits

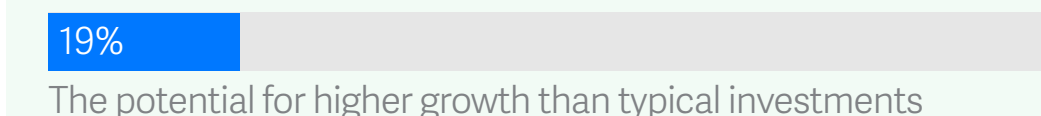
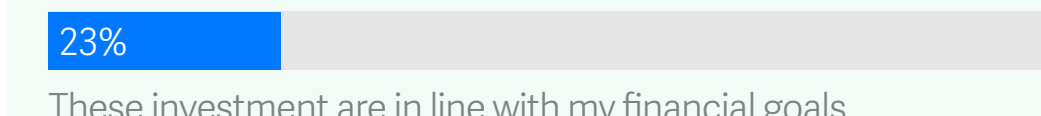


Environmental and social benefits

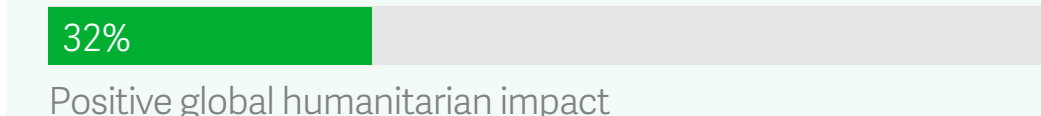
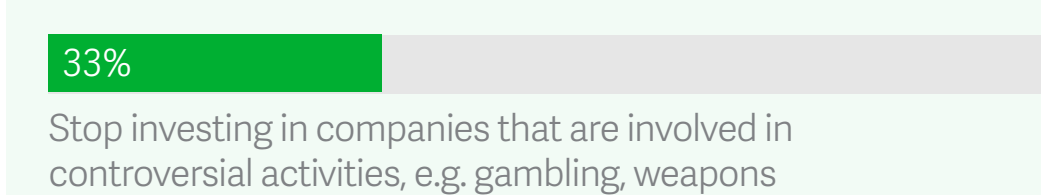
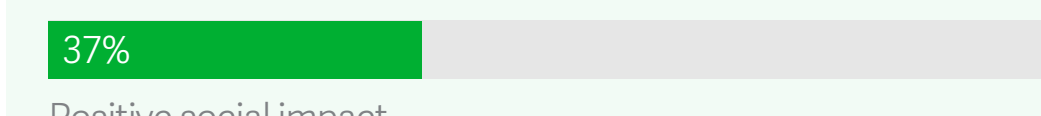
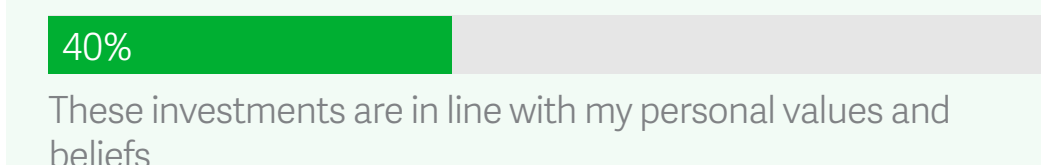


What drove you to invest in socially responsible investments? (Those who currently have or have held socially responsible investment in their portfolio)

Financial benefits



Environmental and social benefits



Part A: Understanding the Advisable Australian RI segments

Doubters

RI Doubters are more, well, doubtful. While they will not outright dismiss the potential of responsible investing, they are more sceptical and will require more hand holding to come to the table.

Just over half (57%) of Doubters stated that they care deeply about environmental issues, while only a half (47%) echoed this sentiment when considering social issues.

As a result, they are only mildly attracted by the possibility of responsible investing, with only one in three (29%) Doubters expecting their investment to increase in the next 5 years, on top of the small percent that hold responsible investments today (13% of them). Further, eight in 10 say responsible investing does not enter their investment consideration (80%), and only invest responsibly when it is convenient (84%).

Like Believers, this may have something to do with their understanding of responsible investing, with a large proportion identifying themselves as having a low understanding of the investment class (41%), and comparatively fewer have a high understanding (21%).

Despite this, they have not entirely dismissed the potential upsides of responsible investing with almost four in five (78%) Doubters agreeing that the returns are as good as or better than other investments.

This is an important point, as most Doubters will possibly or definitely consider investing responsibly if they do not have to sacrifice returns (91%). A further nine in 10 say they would possibly consider responsible investing if it made a quantifiable difference to society (92%) or to the environment (87%).

These factors combined mean that advisers should take special care to gently introduce Doubters to responsible investing. It will be necessary to educate them on the topic broadly, and to also provide real-world examples of investments that are performing as well as or better than the benchmark while operating in a socially responsible manner.

Environmental and social benefits alone will not be enough to convince Doubters to invest, so onus will fall upon strong financials to make the case for responsible investing to these clients.

Portfolios should be constructed to ensure financial performance and credentials are priorities, which are well supported by research. To achieve this, a negative screening approach from well-credentialed fund managers that have supported research might be a good place to start.



Part A: Understanding the Advisable Australian RI segments

Sceptics

RI Sceptics are the least concerned about the environment and society in general, which translates to negligible responsible investing behaviour.

Less than half (45%) categorise themselves as deeply concerned about environmental issues, and even less (37%) feel the same about social issues. As a result, none hold responsible investments in their portfolio, and only 14% say they would consider it.

Sceptics have relatively low Financial Capability, indicating lower levels of financial literacy and less confidence and engagement with investments. These factors provide an explanation for why two-thirds (66%) claim they have no understanding of responsible investing.

For this reason, we suggest advice firms steer clear from responsible investing topics when advising to this segment.



Part A: Understanding the Advisable Australian RI segments

Identifying the segments in your client base

Using Netwealth’s Responsible Investment client survey tool you will be able to identify the RI segment that each of your individual client belongs to.

To determine which segment your client falls into, we suggest surveying them using the Netwealth’s RI Client Survey Tool.

Instructions for use:

Ask each question in the left-most Questions column one by one to the respondent, then read them the three possible answers in the Answers column.

Based on their answer, select the corresponding cell(s) in the running tally columns. For example, if a respondent answers “Neutral (4-6) to the first question, check the corresponding “1” cell on the right. If there are more than one corresponding cells for an answer (e.g. D & S), check all corresponding cells in the running tally.

After asking all questions, tally each column in the Total section. The segment with the highest number is the likely segment that the client falls into.

[Download Now](#)

Netwealth Responsible Investing Segmentation Questionnaire

You can work out broadly whether an existing or prospective client is more likely an Responsible Investor (RI) Believer, Doubter, Sceptic or Pragmatist by asking 10 simple questions. How they responds to each of these questions will reveal insights into their attitudes towards responsible investing. This segmentation model is only a guide and does not provide a definitive profile of the individual in question; however, you can use it as a starting point to work out an their likely attitudes towards responsible investing and to begin to frame a conversation about it.

Instructions:

- Questions are in the left most column. Ask each question one by one to the respondent, then read them the three answers in the answers column.
- Based upon their answer, enter the value one (1) in the Running Tally columns. For example, if a respondent answers "Neutral (4 - 6) to the first question, add the value one (1) to the corresponding "P" cell on the right. If there are more than one corresponding cells for an answer (e.g. D + S in Question 1), add the value one (1) to each corresponding cells in the Running Tally.
- After asking all questions, tally each column in the Total section. The segment with the highest number is the likely segment of the respondent.

Questions	Answers			Running Tally			
				Believer (B)	Doubter (D)	Sceptic (S)	Pragmatist (P)
On a scale from 0-10, with 0 being no understanding at all and 10 being extremely high understanding, how would you rate your understanding of socially responsible investing?	Not little understanding (0 - 3) D + S	Neutral (4 - 6) P	Good/high understanding (7 - 10) B	1			
Do you think returns from socially responsible investments are as good as, better or worse than returns from other investments?	As good as -	Better P	Worse S				
Do you have any socially responsible investments in your portfolio?	Yes, in my current portfolio P	No, but previously held in my portfolio P	No, never held in my portfolio B + D + S	1	1		1
Would you consider investing in/investing more in socially responsible investments if...?							
... You didn't have to pay more for these investments	Yes, definitely B	Yes, possibly D + P	No S	1			
... you didn't have to sacrifice returns for these investments	Yes, definitely B	Yes, possibly D + P	No S	1			
...the returns were better than other investments	Yes, definitely B + P	Yes, possibly D + I	No S	1			1
...the investment made a quantifiable difference to the environment	Yes, definitely B	Yes, possibly D	No S + P		1		
...the investment made a quantifiable difference to society	Yes, definitely B	Yes, possibly D	No S + P		1		
In the next five years, do you expect your allocations to socially responsible investments to change?	Yes, it will increase B + P	Yes, it will decrease S	No, it will stay the same D + P	1			1
<small>(Only ask if currently have SRI investments in portfolio)</small>							
Which of these statements most closely describes your typical attitude to socially responsible investing?	I actively seek socially responsible investments B	I'm neutral S + P	I only invest in socially responsibly investments when it's convenient D			1	
Total				6	4	1	2
Segment				Believer (B)	Doubter (D)	Sceptic (S)	Pragmatist (P)

Part A: Understanding the Advisable Australian RI segments

Data tables

On a scale from 0-10, with 0 being no understanding at all and 10 extremely high understanding, how would you rate your understanding of socially responsible investing?

	Believers	Pragmatists	Doubters	Sceptics
Low understanding (0-3)	21%	12%	41%	66%
Neutral (4-6)	30%	49%	38%	24%
High understanding (7-10)	49%	39%	21%	10%

I am willing to sacrifice returns/pay more vs. I am not willing to sacrifice/ pay more for socially responsible investments?

	Believers	Pragmatists	Doubters	Sceptics
Willing to pay more	50%	5%	1%	0%
Neutral	29%	85%	0%	0%
Not willing to pay more	21%	11%	99%	100%

Do you think returns from socially responsible investments are as good as, better or worse than returns from other investments?

	Believers	Pragmatists	Doubters	Sceptics
Better	25%	11%	29%	18%
As good as	52%	57%	63%	60%
Worse	23%	32%	8%	22%

In the next five years, do you expect your allocations to socially responsible investments to change?

	Believers	Pragmatists	Doubters	Sceptics
Yes, it will increase	61%	40%	29%	4%
Yes, it will decrease	6%	13%	8%	4%
No, it will stay the same	33%	47%	63%	92%

I actively seek socially responsible investments vs. I only invest in socially responsible investments when it's convenient.

	Believers	Pragmatists	Doubters	Sceptics
Actively seek	63%	2%	7%	0%
Neutral	17%	93%	10%	100%
Convenient	20%	5%	84%	0%

Would you consider investing in/investing more in socially responsible investments if ...?

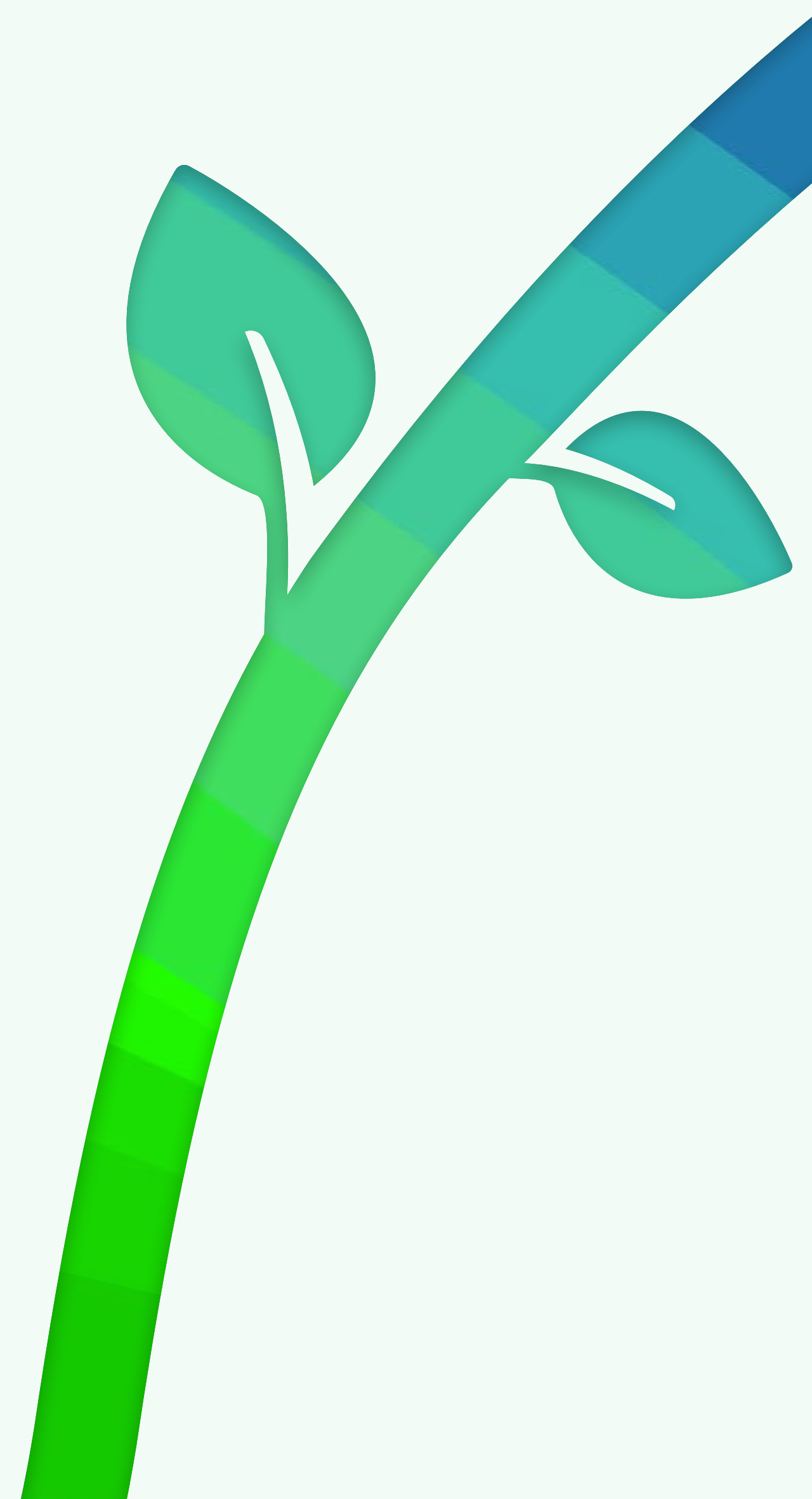
	Believers	Pragmatists	Doubters	Sceptics
The investment made a quantifiable difference to the environment				
Yes, definitely	85%	0%	9%	0%
Yes, possibly	14%	10%	87%	6%
No	1%	90%	3%	94%

	Believers	Pragmatists	Doubters	Sceptics
You didn't have to sacrifice returns for these investments				
Yes, definitely	85%	8%	5%	0%
Yes, possibly	15%	86%	86%	0%
No	0%	6%	9%	100%

	Believers	Pragmatists	Doubters	Sceptics
The investment made a quantifiable difference to society				
Yes, definitely	85%	0%	7%	0%
Yes, possibly	14%	6%	92%	4%
No	1%	94%	1%	96%

Part B

Marketing to the Responsible Investment segments



Part B: Marketing to the Advisable Australian RI segments

Attracting responsible investors

Brand Affinity is a measure of how someone prefers to identify with a brand or business. It investigates their attitudes, loyalty, and what's important when evaluating a business.

Brand Affinity gives us an insight into an individual's personal attitudes and preferences, and how they anchor trust and value in a product or service, such as financial advice. Understanding the Brand Affinity of your client can thus help you better market and attract a certain client segment.

The four Brand Affinity groups Netwealth identified in our [Advisable Australian report](#) are:

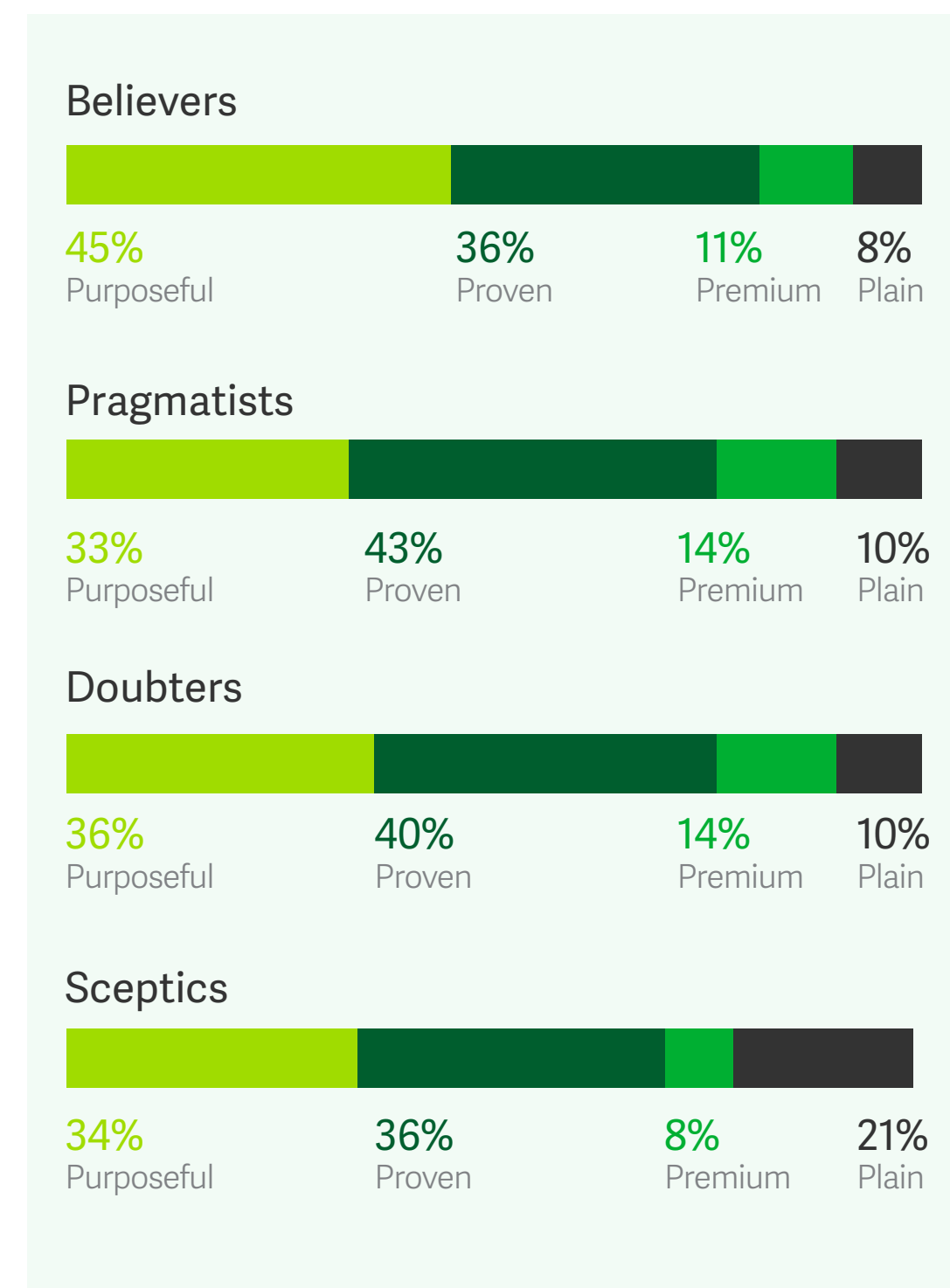
- **Premium:** Those who look for and admire well-known premium brands that are feature-rich and with top digital capabilities.
- **Proven:** Those looking for well-known brands with a history or heritage, and for a business that looks to educate and collaborate with its customers. Digital is not usually a focus.

- **Purposeful:** Those looking for a business that has a social or environmental purpose and takes a stand.
- **Plain:** Those looking for a no-frills brand with a low complexity service and limited digital offering.

There are considerable differences between each of the Advisable Australian RI segments when looking at the type of brands they favour and the attributes that they look for in a business.

Believers are most likely to be wanting to work with a Purposeful business (45% of them), whilst Pragmatists and Doubters are most likely to want to work with a Proven business (43% and 40% respectively), although for both a Purposeful business is important.

Brand affinity



Part B: Marketing to the Advisable Australian RI segments

Believers

RI Believers are most likely to be attracted to businesses and brands that are Purposeful (45% of them identify with this type of business).

Purposeful brands are those where the business has a social or environmental purpose and is known to take a stand against issues that contravene this objective. Attributes that make up a purposeful business can include as being seen as authentic, socially and community minded, and environmentally minded, all factors that Believers say would make them admire a business (36%, 30% and 30% respectively).

Almost half of believers (47%) say they will choose a company based on their environment, social or community stance.

In order for advice firms to attract Believers as customers, they should consider taking a social and environmental stance themselves, whether taking an active role in the community or contributing positively to the environment.

Secondly, messaging will need to lead with their ESG and responsible investing bona fides.

Being a smaller firm is no obstacle to attracting this segment, and can work in the favour of the business as almost half of Believers (44%) prefer lesser-known brands.

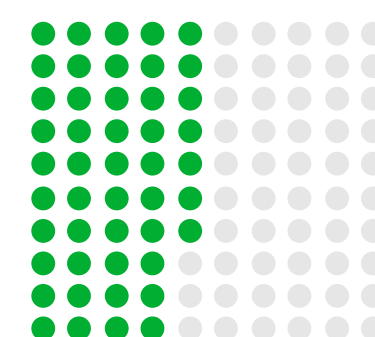
Many Believers (46%) also prefer a no-frills service, so care should be taken to focus on only the essentials while also keeping the focus on responsible investing when attracting this group.

Engaging Believers does come with the caveat that they are the least loyal to one brand of all RI segments, preferring to remain open to different brands (49%).

Clothing company **Patagonia** is a good example of a Purposeful brand. It is one of the largest global clothing companies, yet its brand purpose is to “make the world a better place”.

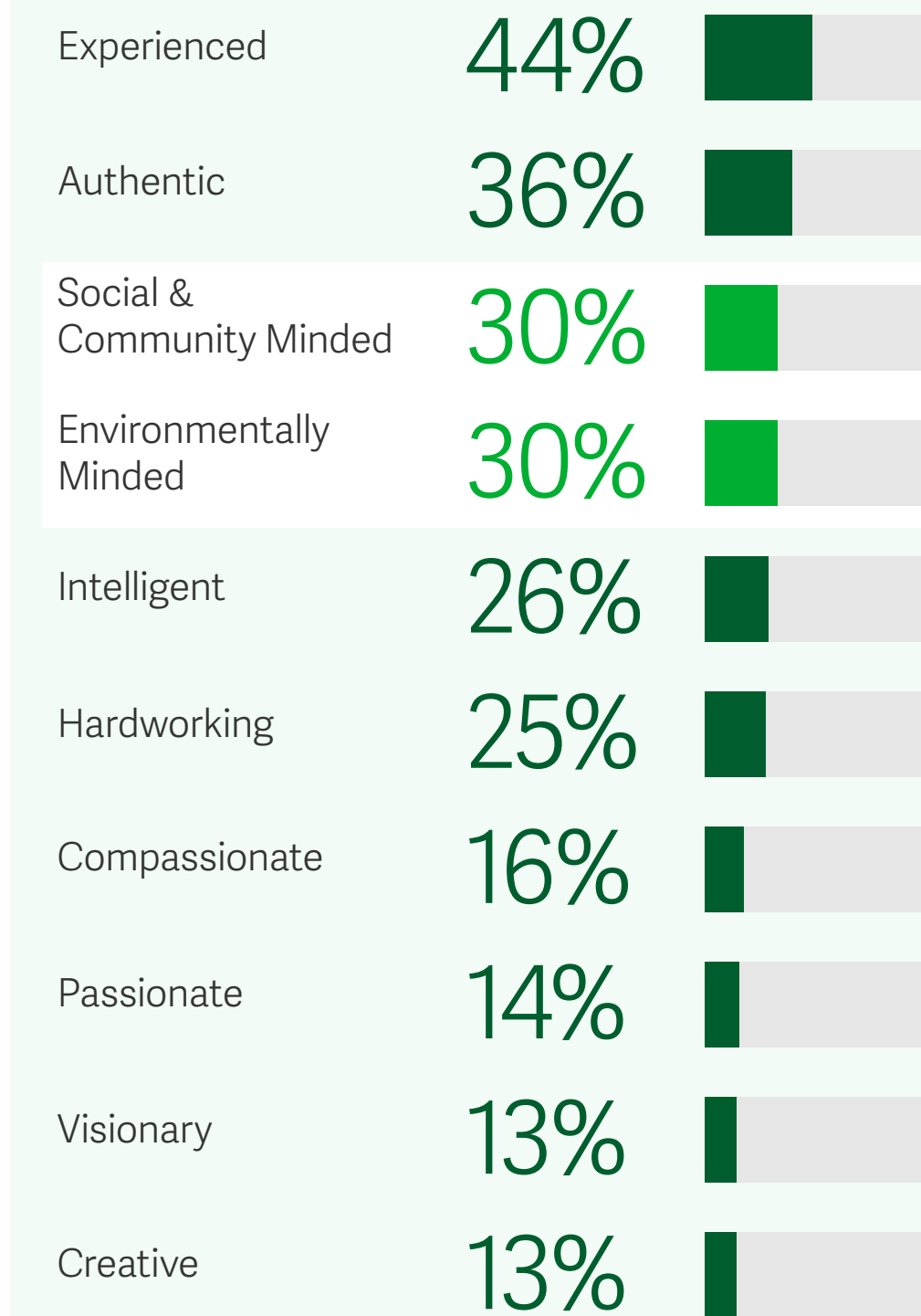
Patagonia’s products are largely made from recyclables, and it donates large sums to environmental causes, as well as playing a role in global environmental education.

47%



Almost half of Believers say they will choose a company based on their environment, social or community stance.

Which of the following attributes of a brand or firm would make you admire them? (Believers only)



Part B: Marketing to the Advisable Australian RI segments

Pragmatists

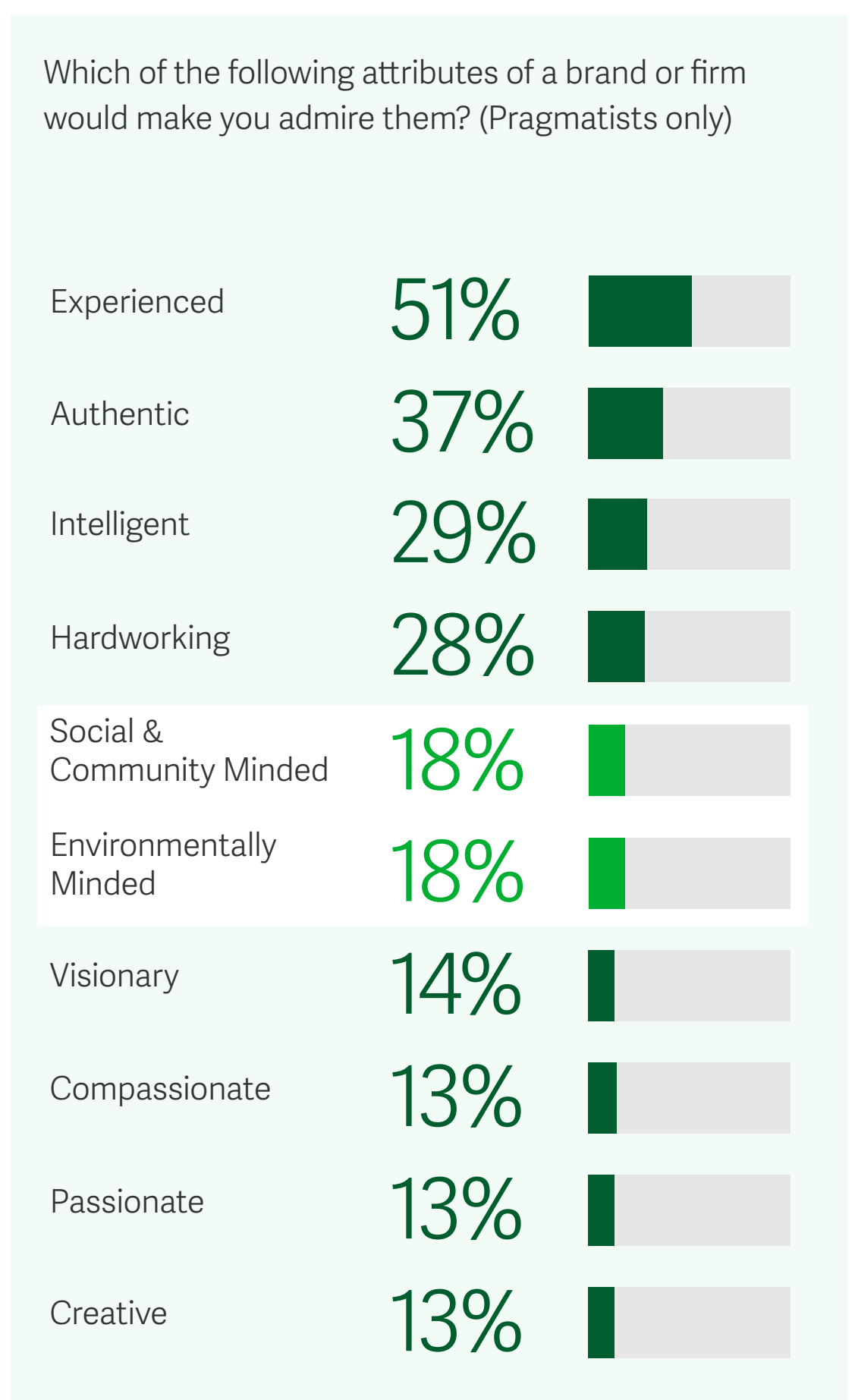
When choosing businesses that they identify with, RI Pragmatists are the most likely to choose those that are Proven (43% identify with this type of business).

Although many of this group already have a track record as a responsible investor, Purposeful businesses resonate less as Pragmatists favour a Proven business with a history. The leading attribute that makes this group admire a brand is intrinsically related to this, as Pragmatists favour those they perceive as experienced (51% of them).

Possibly a function of their pragmatic nature, this segment has no strong preference either towards lesser- or well-known brands, and the same is true regarding luxury and no-frills products and services. They do not have an overwhelming preference for or against a business's digital experience, nor do they prefer a business because of their stance on environmental or social issues.

To best appeal to Pragmatists so to attract them to an advice business, messaging should point to your investment expertise.

A watch out is that demonstrating experience and expertise is often challenging. It is hard to tell someone you are experienced, so you will need to show them instead. You will need evidence of your experience whether that be case studies (video or written), testimonials and third-party endorsements or awards.



Part B: Marketing to the Advisable Australian RI segments

Doubters

Perhaps in part due to their inherent scepticism, RI Doubters most identify with businesses that are Proven (40% identify with this type of business).

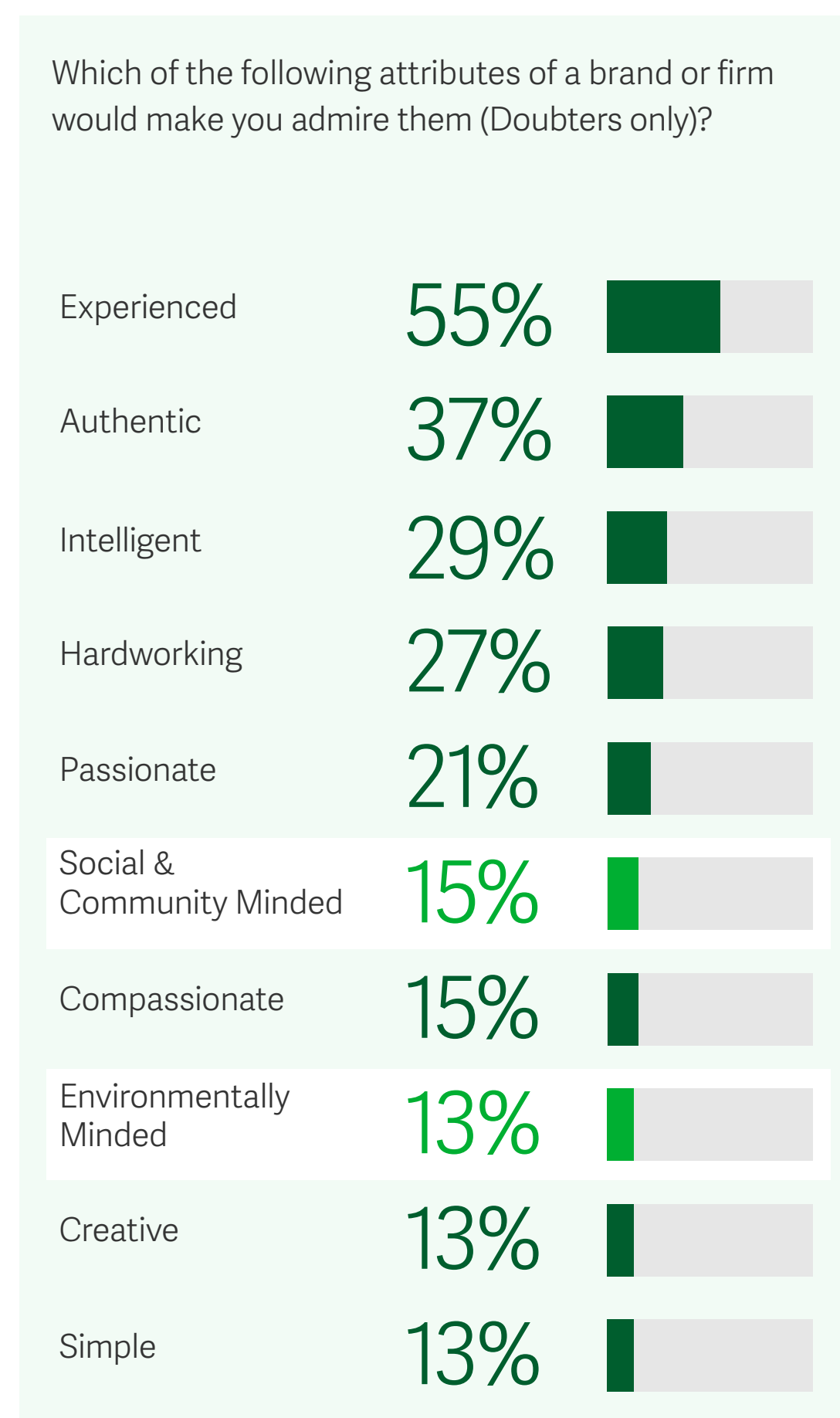
These firms are those that are well-known and that have a history or heritage, and have the ability to educate and collaborate.

Like Pragmatists, the key aspect of proven firms that especially appeals to Doubters is whether the firm is experienced (55% of them). Other factors that appeal to Doubters include authenticity and intelligence (37% and 29%).

Doubters have no key preference regarding how well-known a brand is, split relatively evenly between their preference or indifference to both lesser-known and well-known brands. Many prefer a no-frills product or service (38%), though just as many are neutral (39%) while one in five lean towards preferring a luxury offering (22%). The digital experience is less of a focus for this group, as only one in five (20%) rate this factor as being important.

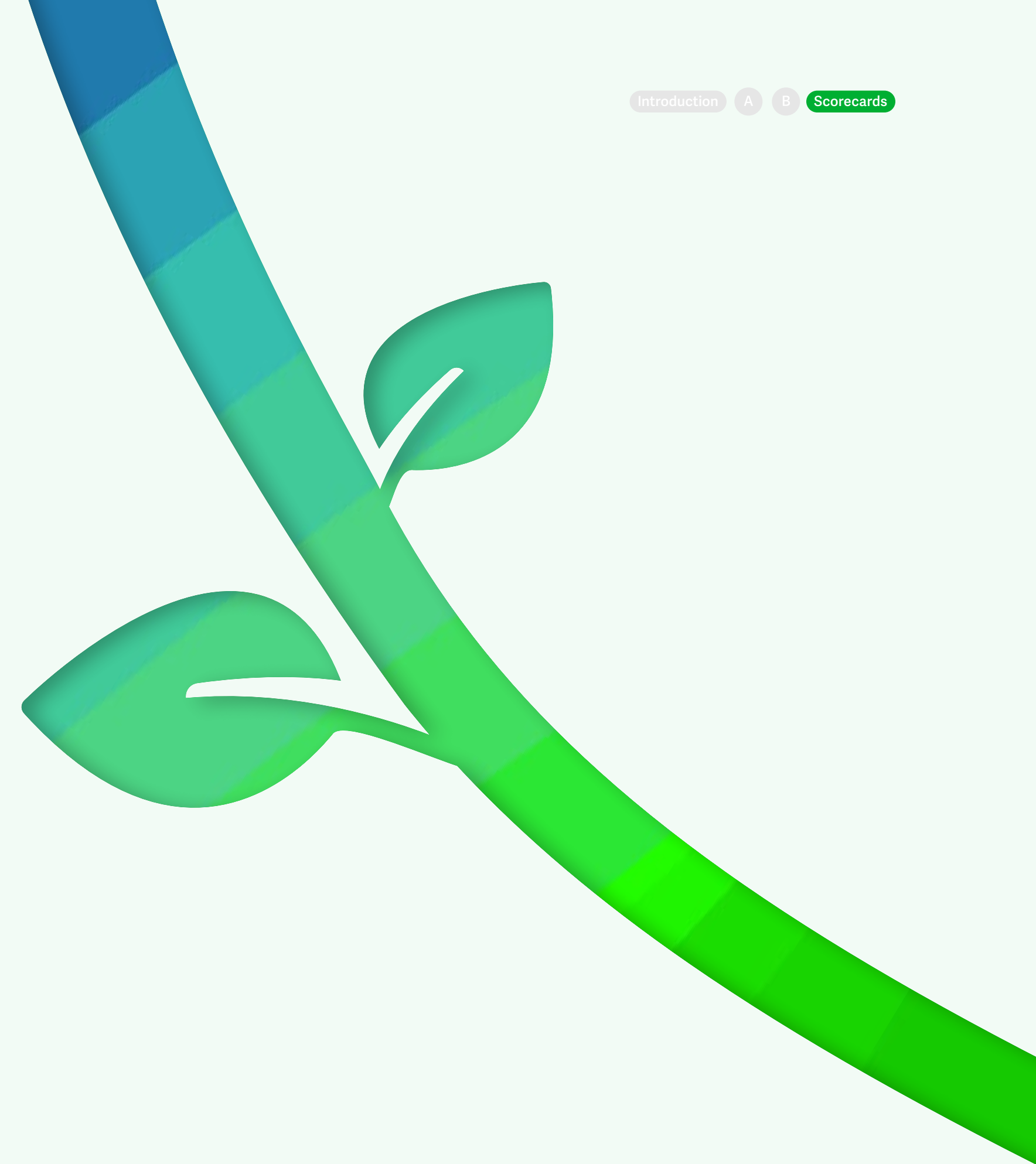
For an advice firm to attract Doubters to their business, it is important to keep in mind the key characteristics of this segment. Businesses with a proven history should highlight the firm's experience, as this is a key aspect that Doubters respect. They will not be wowed by flashiness or luxury, nor through too much of a focus on newer aspects of advice businesses like the digital offering.

As this group is already doubting of RI in general, it is important not to place too much of an initial focus on responsible investing as this is not likely to resonate well with this segment. Instead, they are better reached through gently introducing RI while placing a larger focus on the financials.



Part C

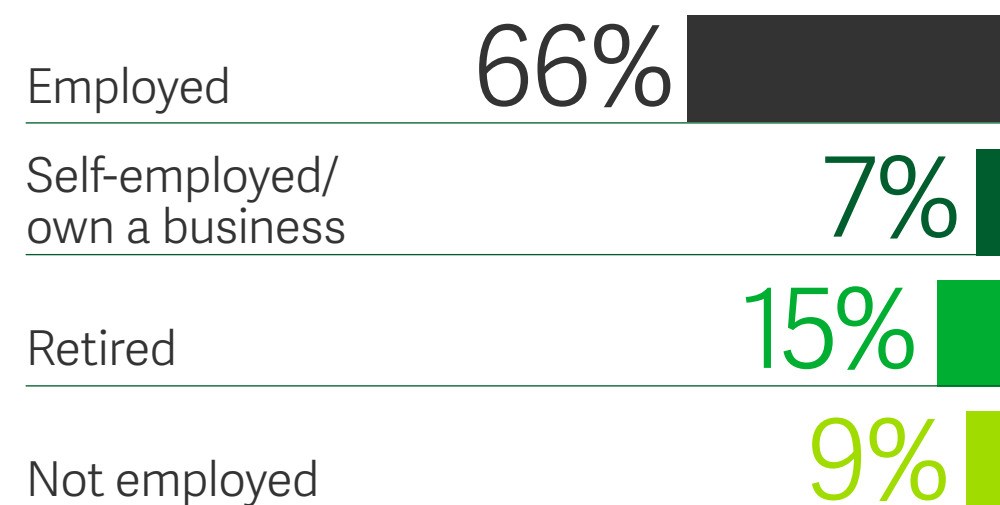
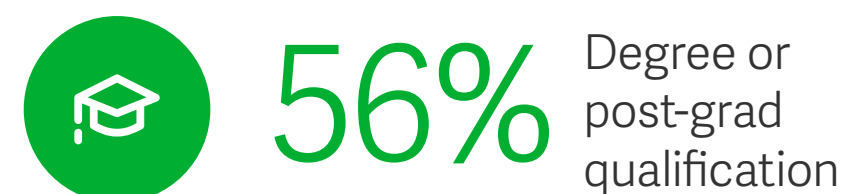
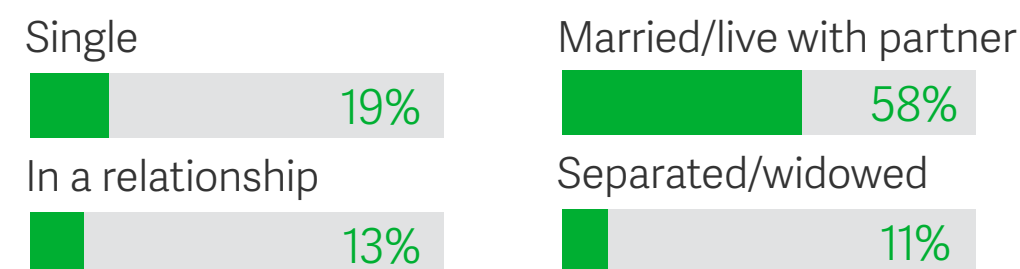
Segment Scorecards



Advisable Australian RI segment scorecard

Believers

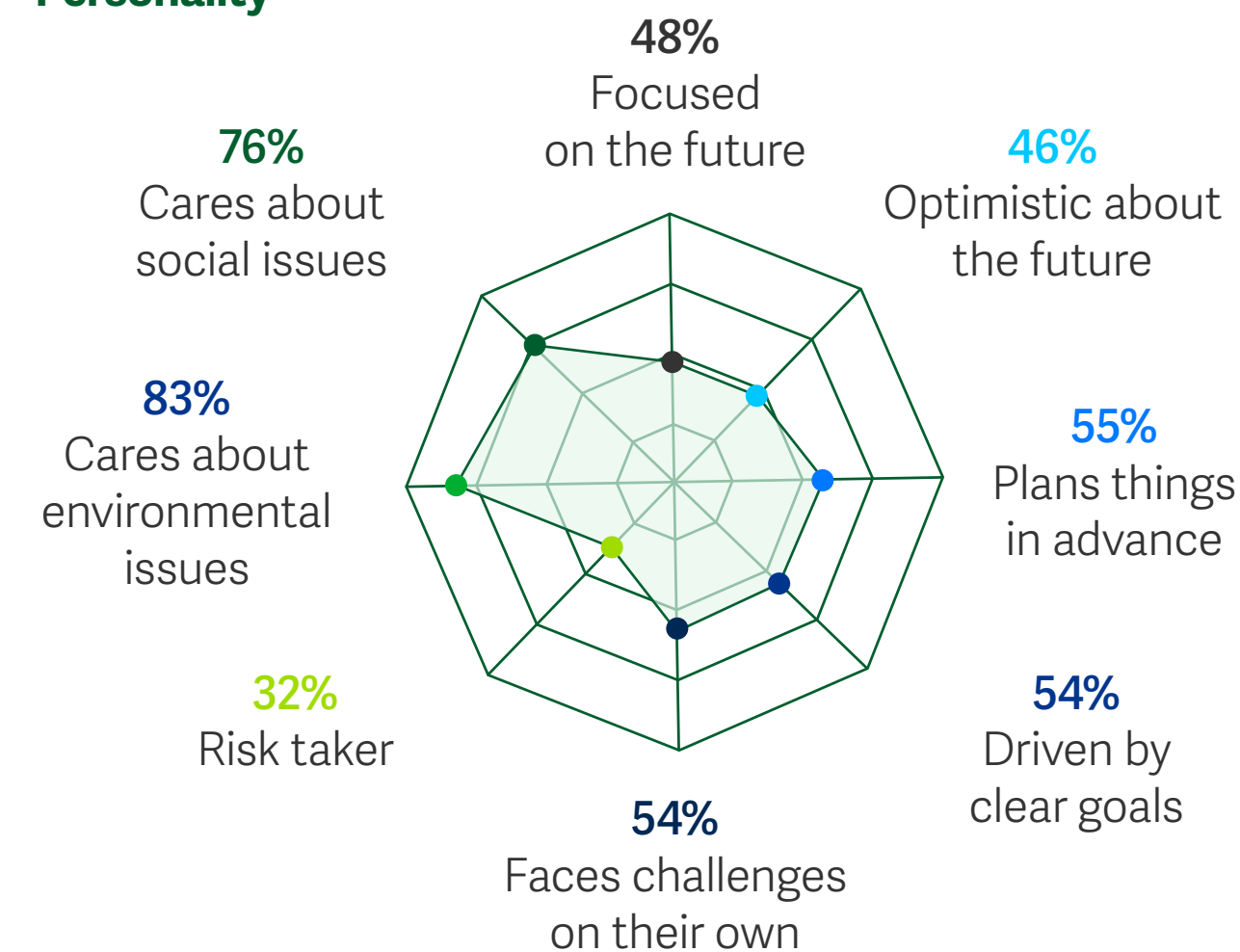
Demographics



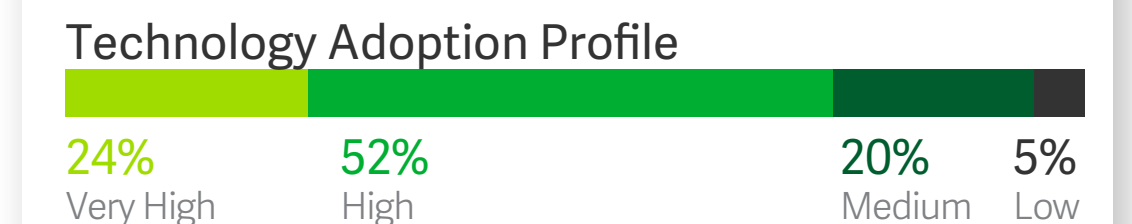
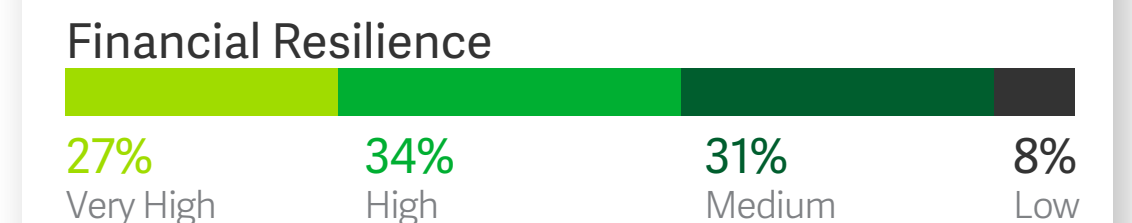
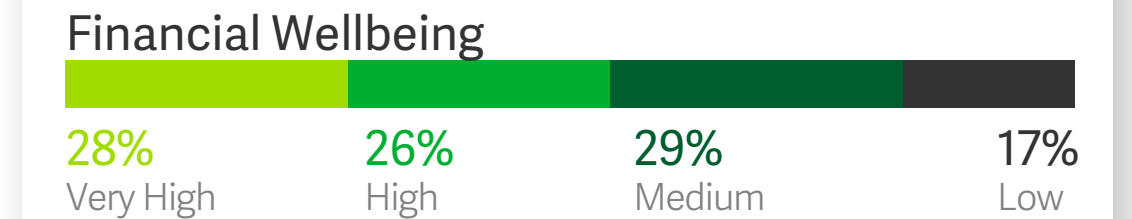
Wealth



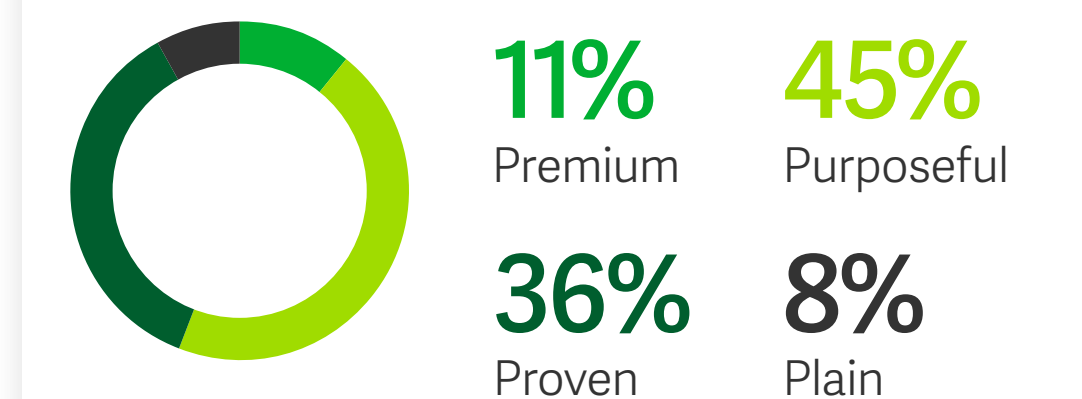
Personality



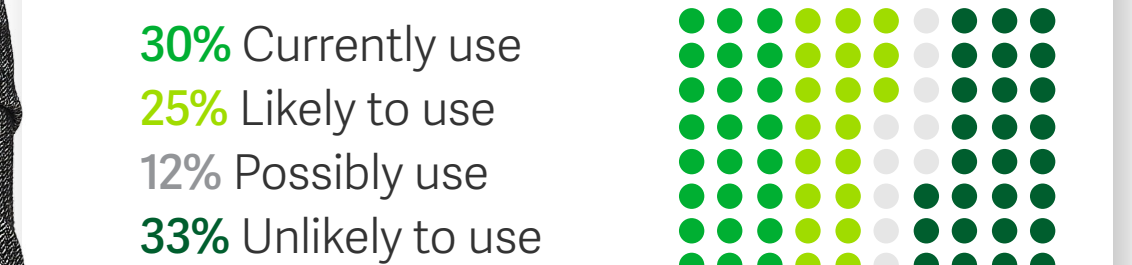
6 Dimensions Framework



Brand Affinity



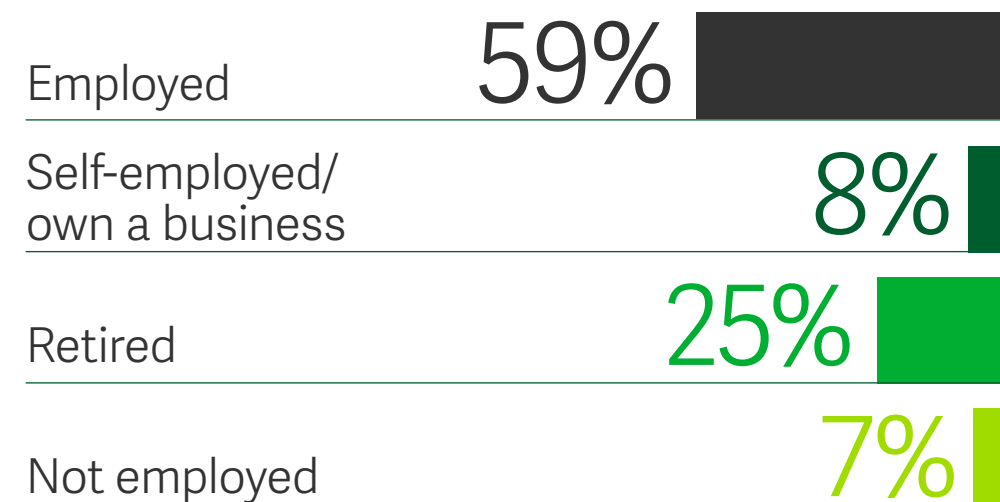
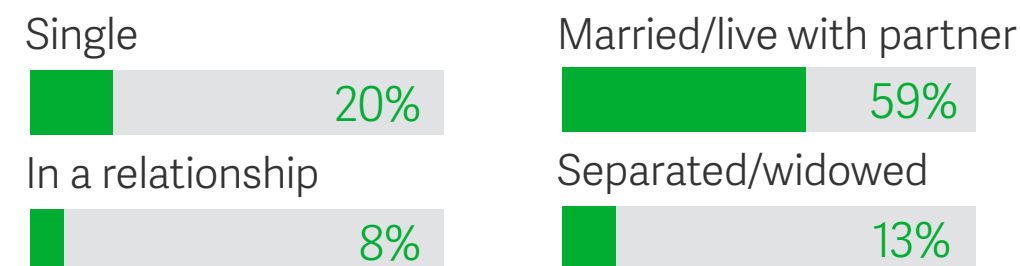
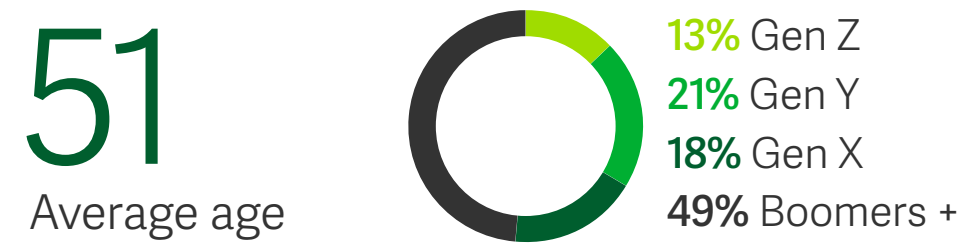
Advice Propensity



Advisable Australian RI segment scorecard

Pragmatists

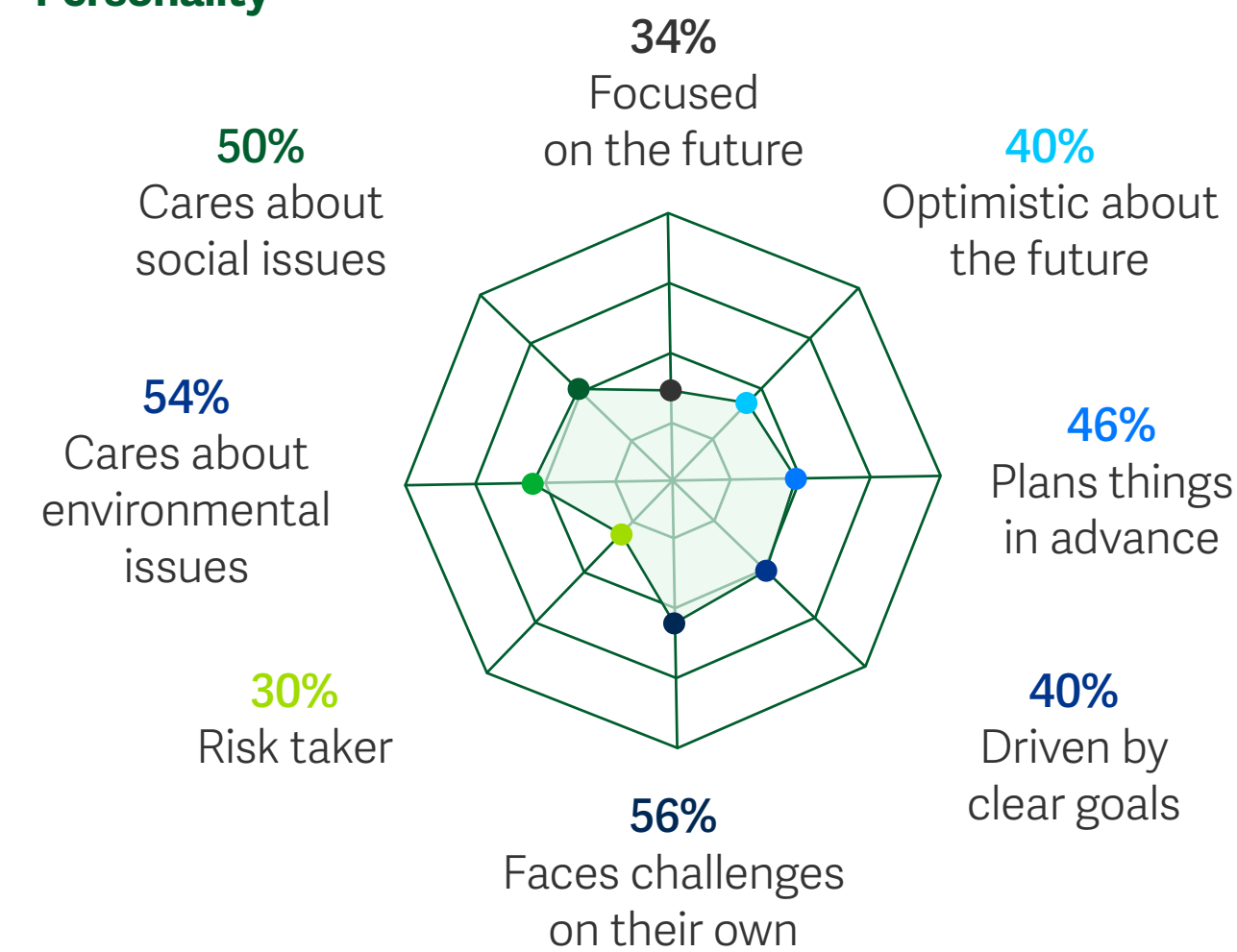
Demographics



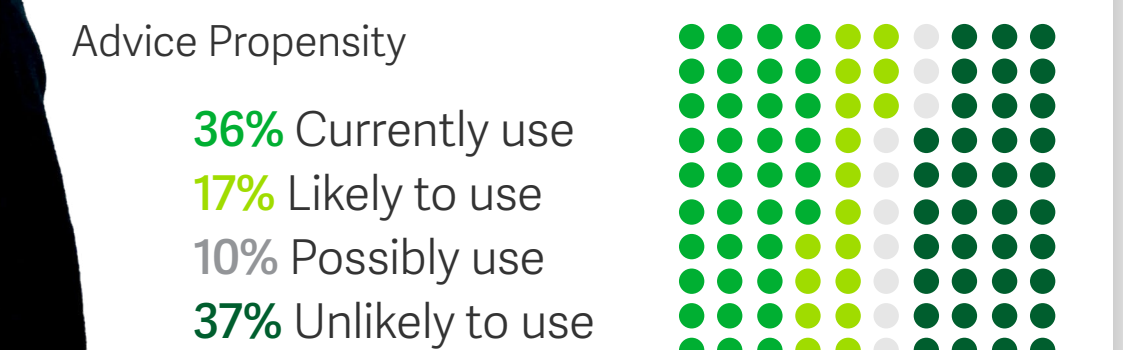
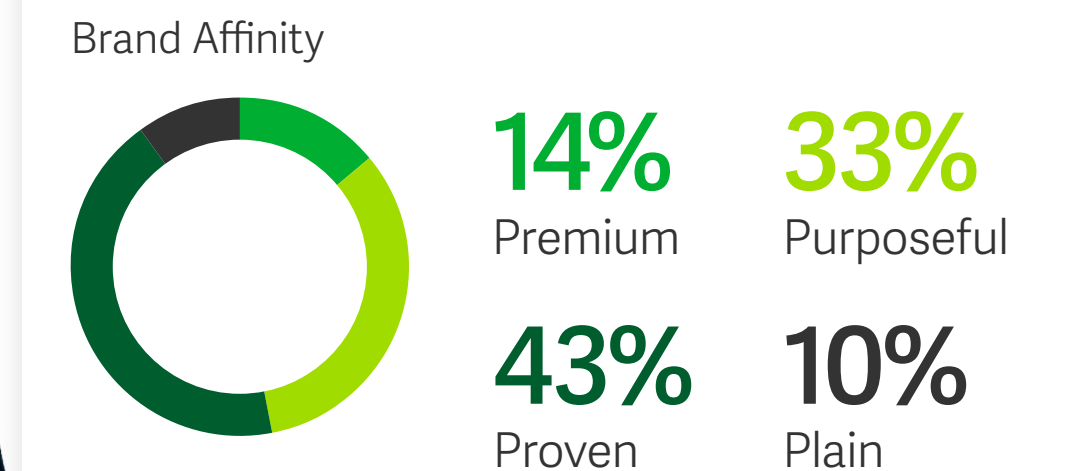
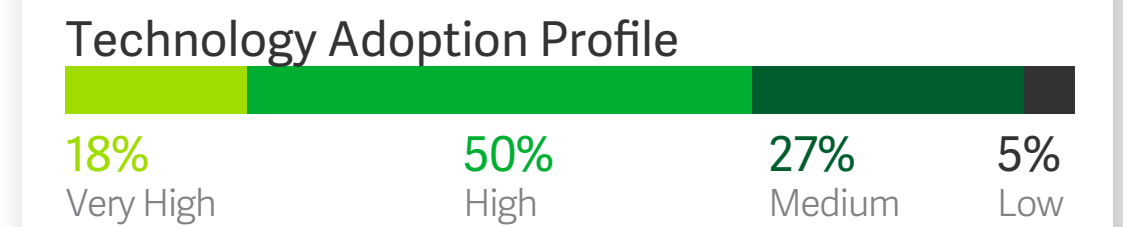
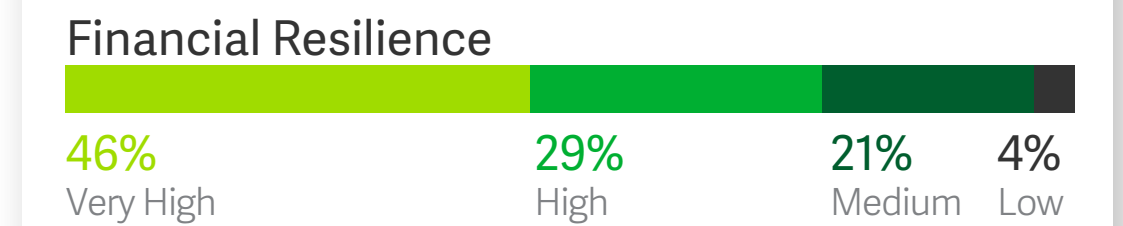
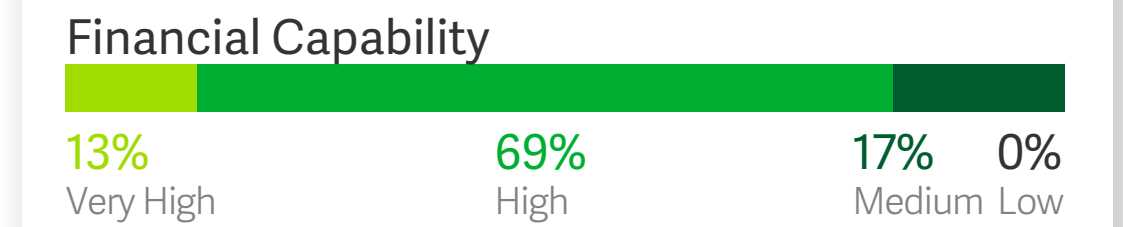
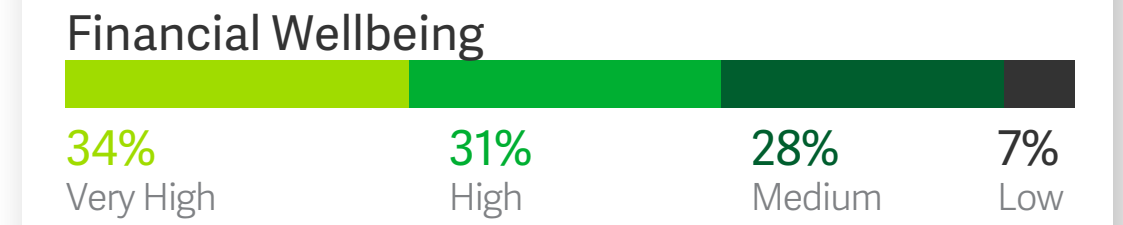
Wealth



Personality



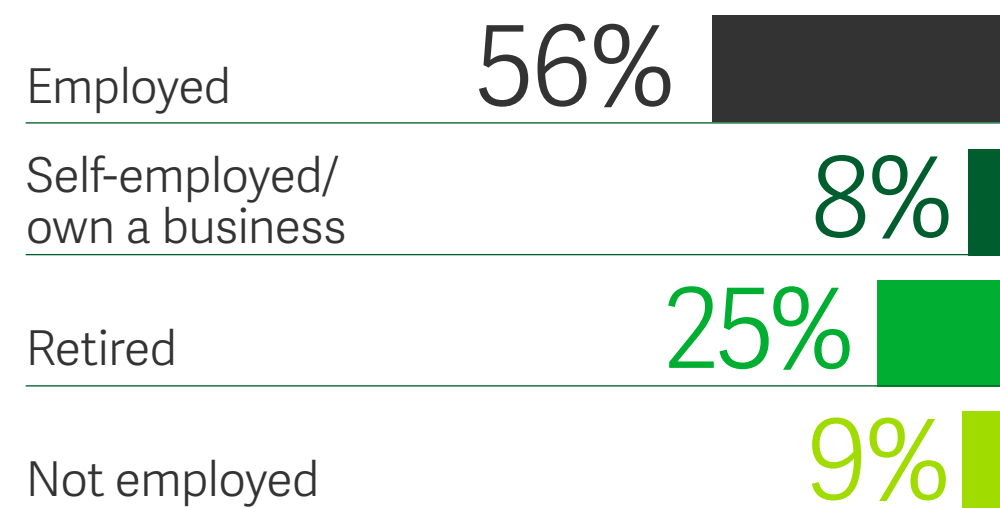
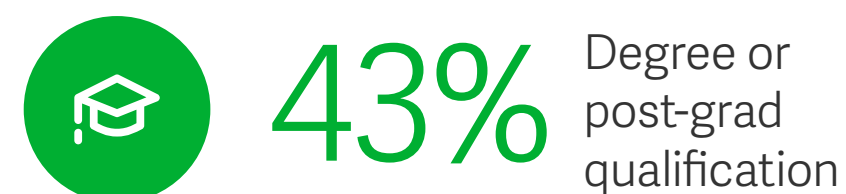
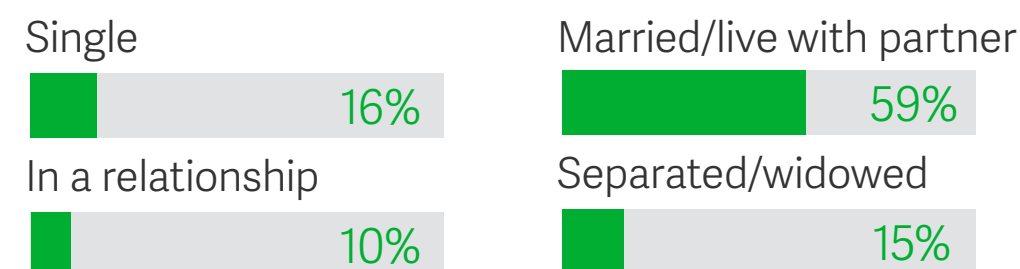
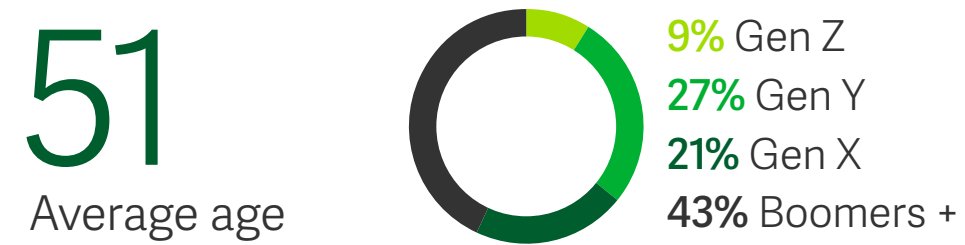
6 Dimensions Framework



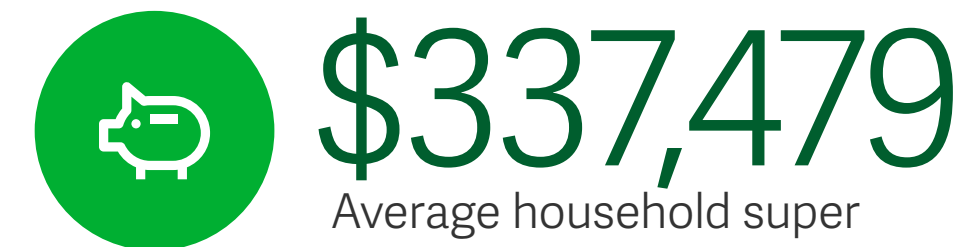
Advisable Australian RI segment scorecard

Doubters

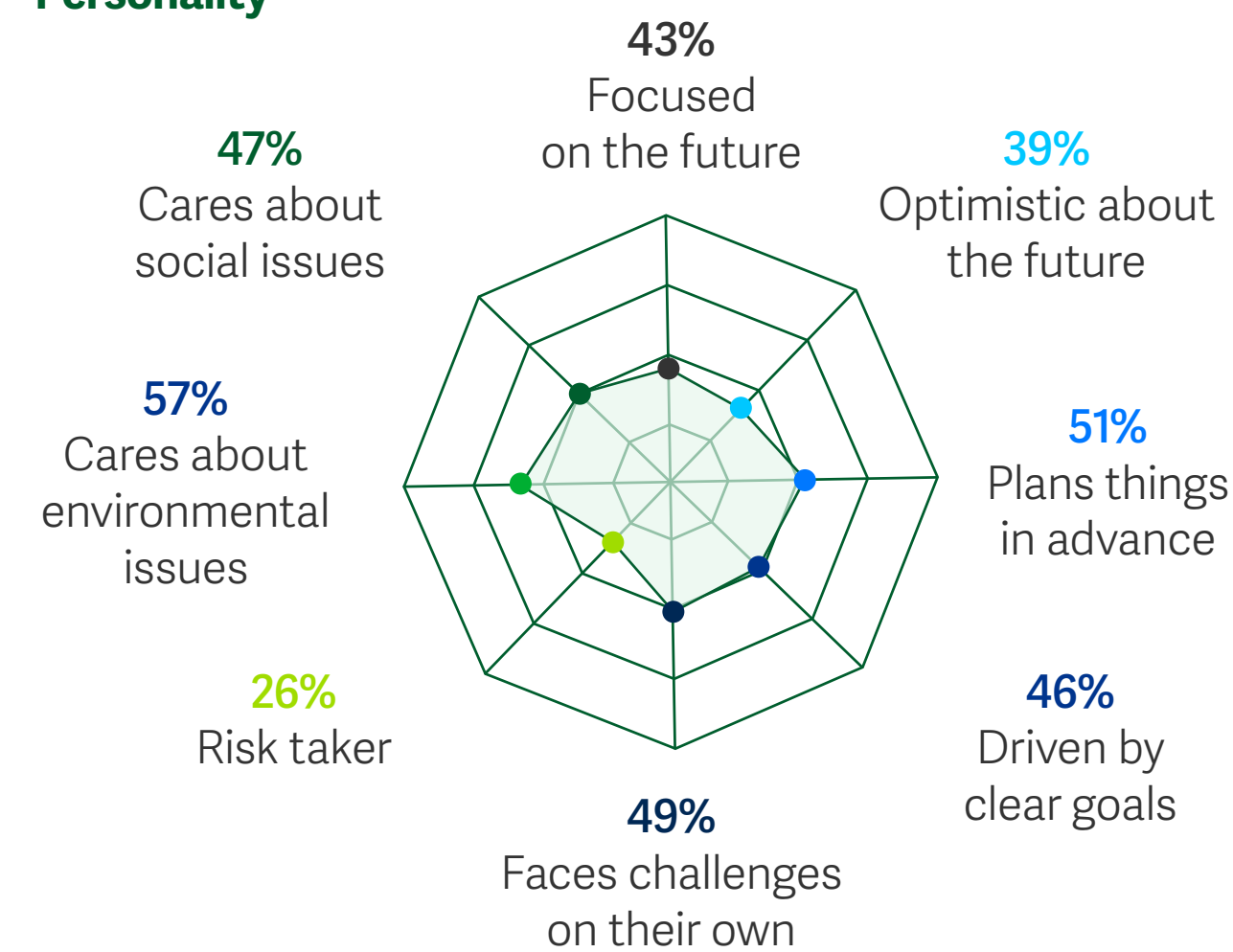
Demographics



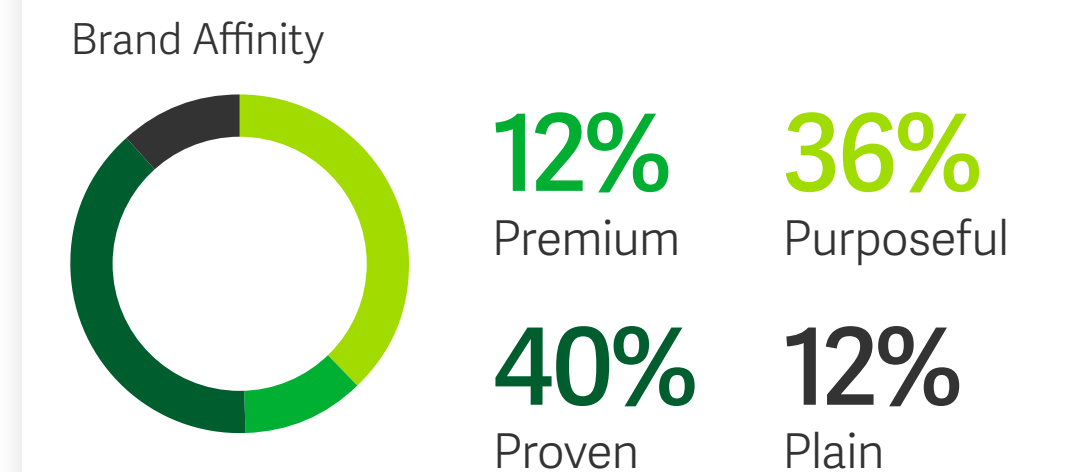
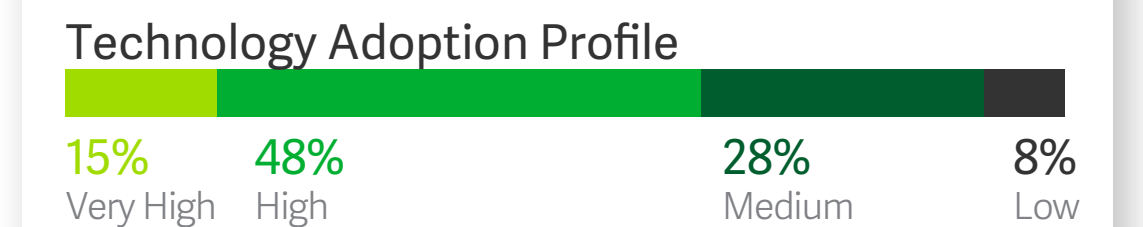
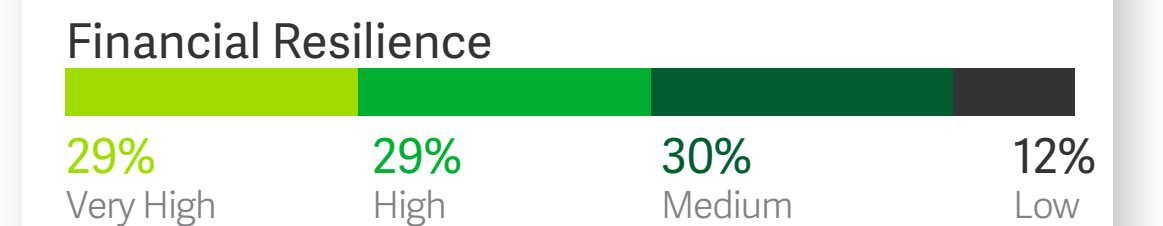
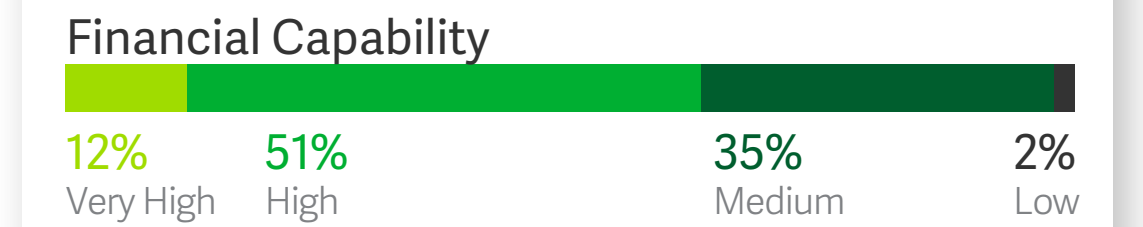
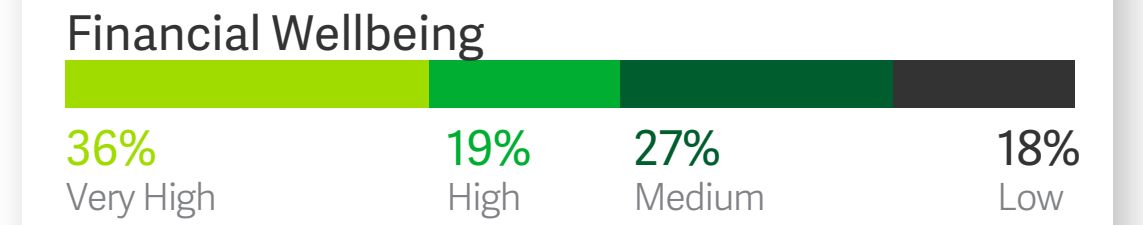
Wealth



Personality



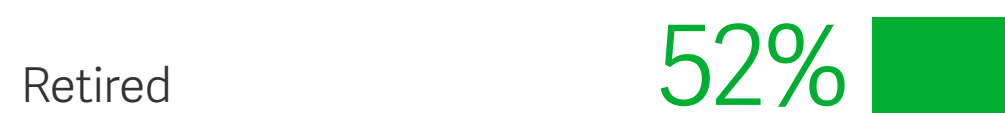
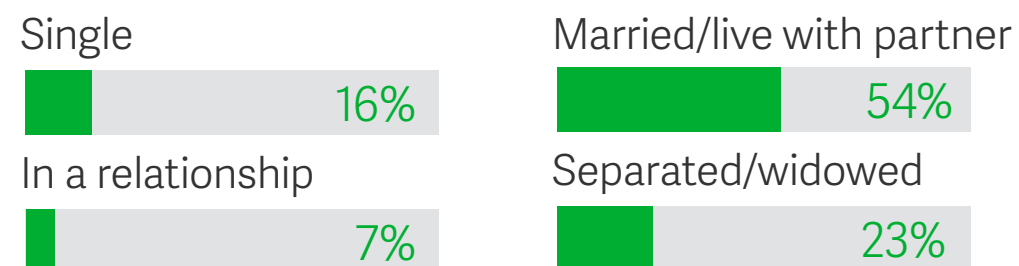
6 Dimensions Framework



Advisable Australian RI segment scorecard

Sceptics

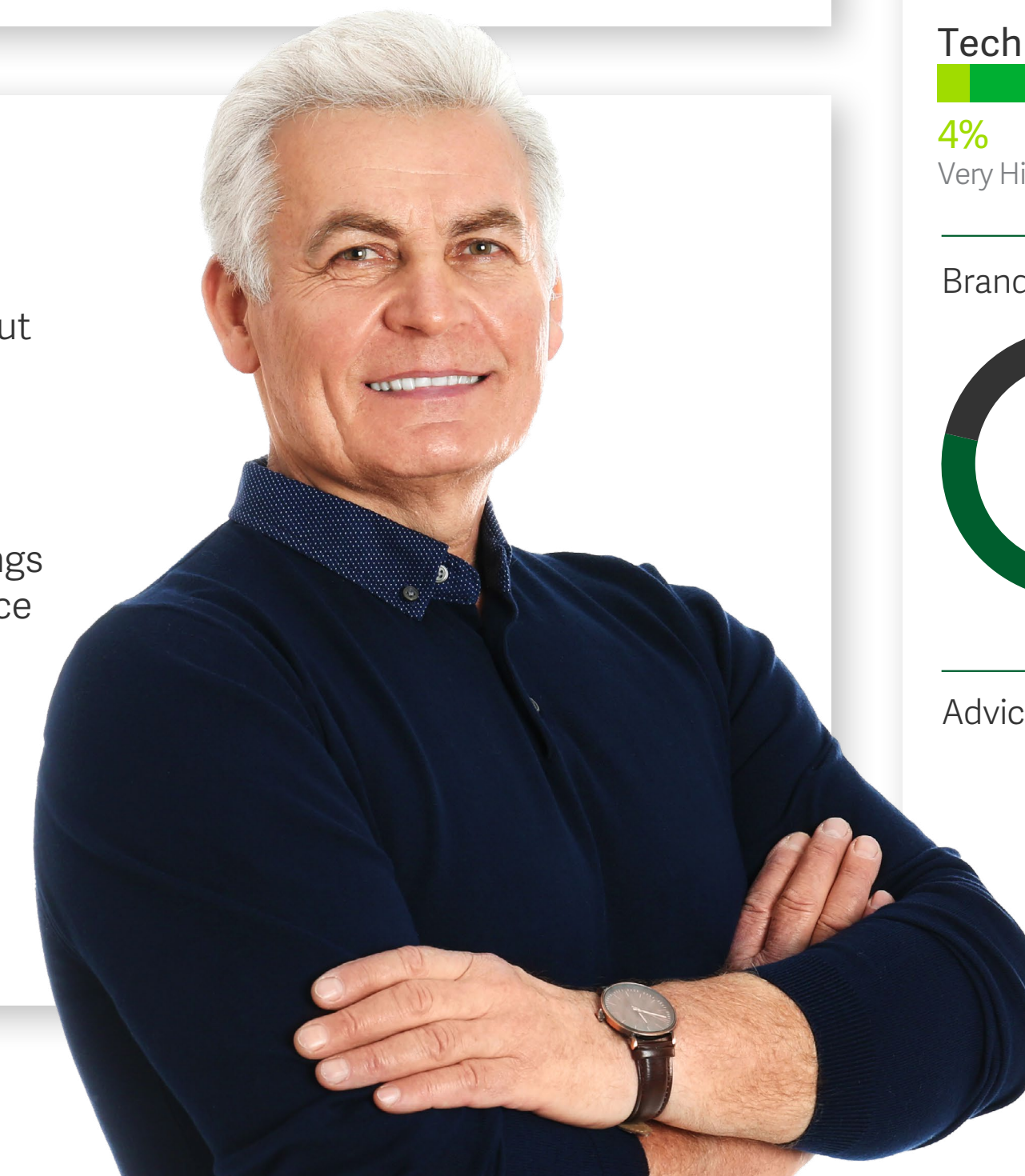
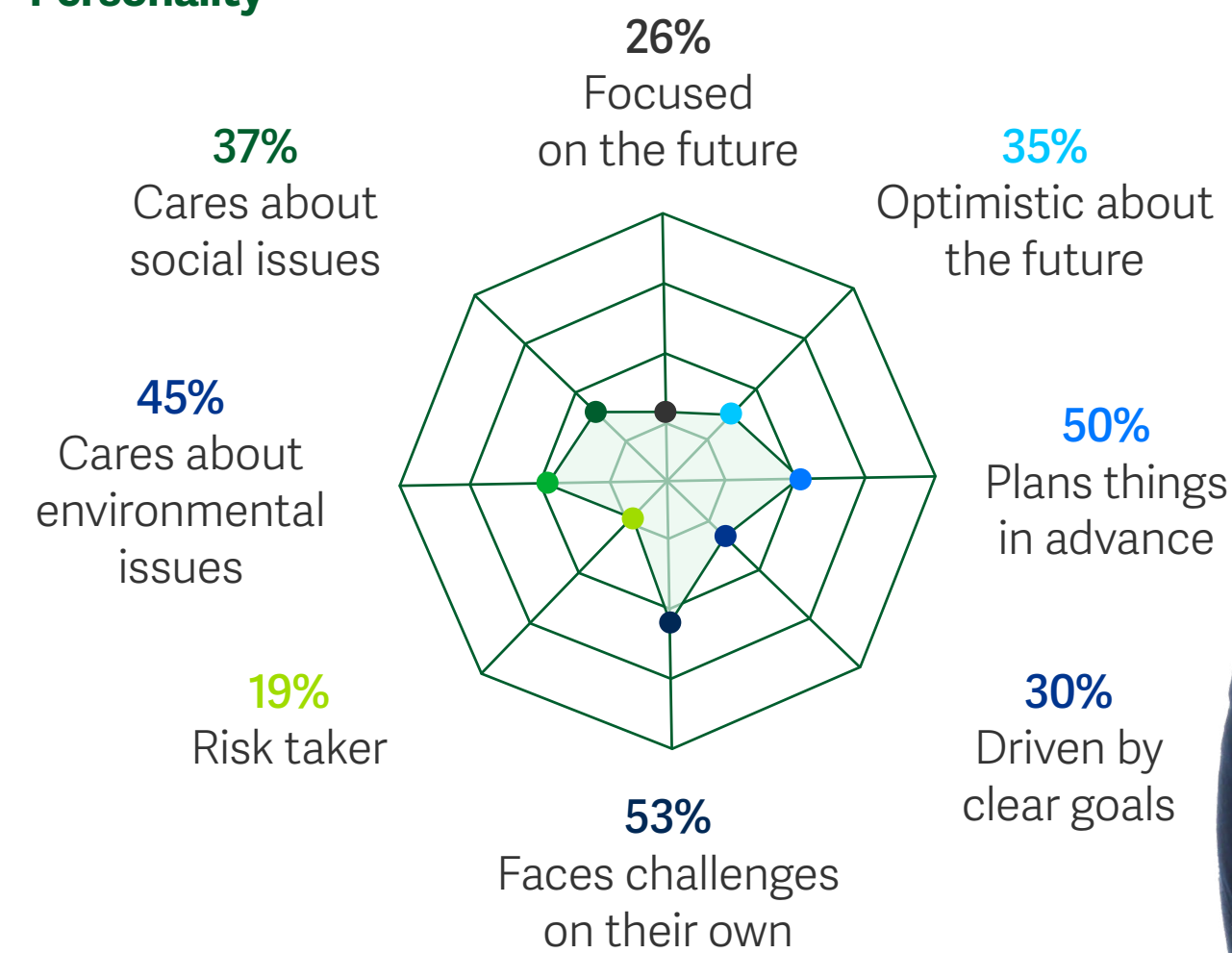
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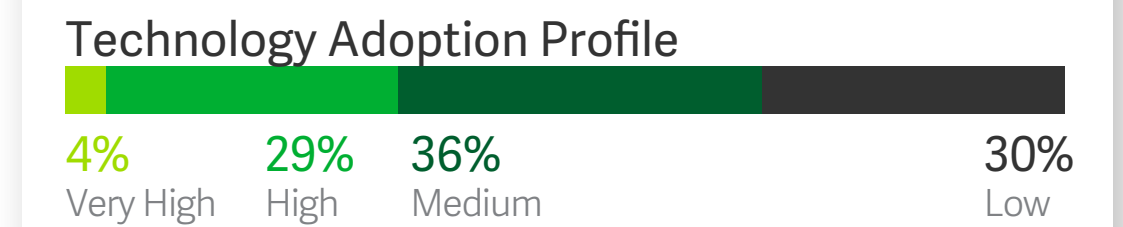
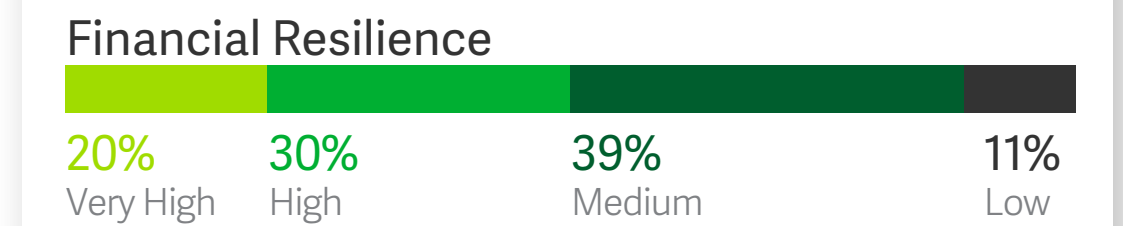
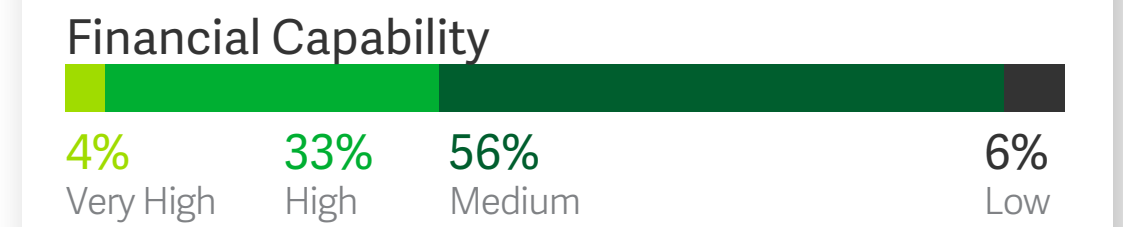
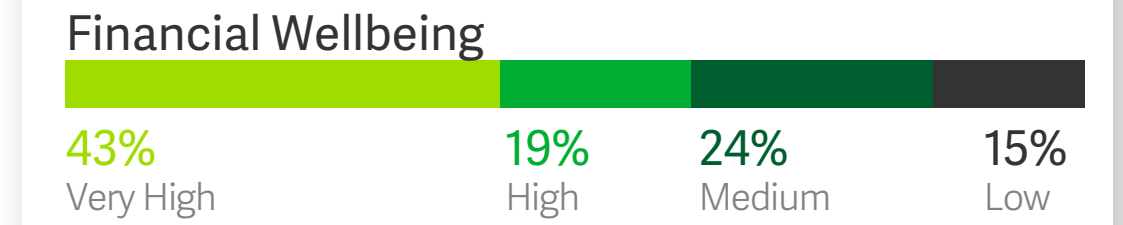
Wealth



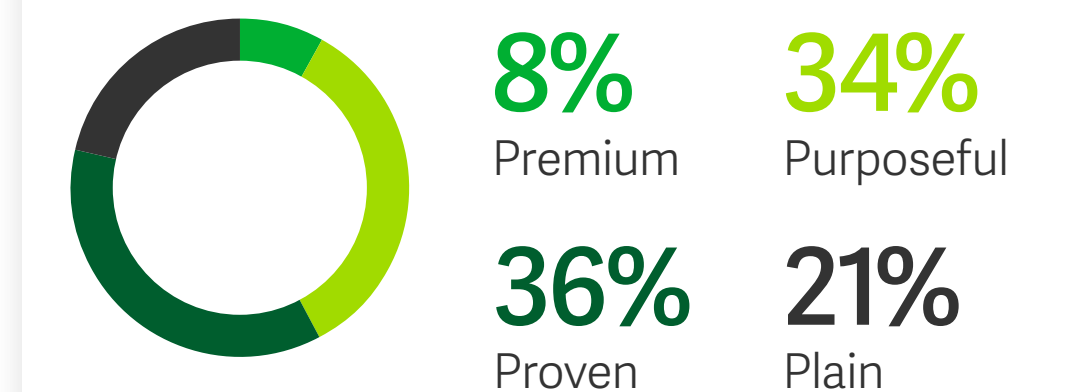
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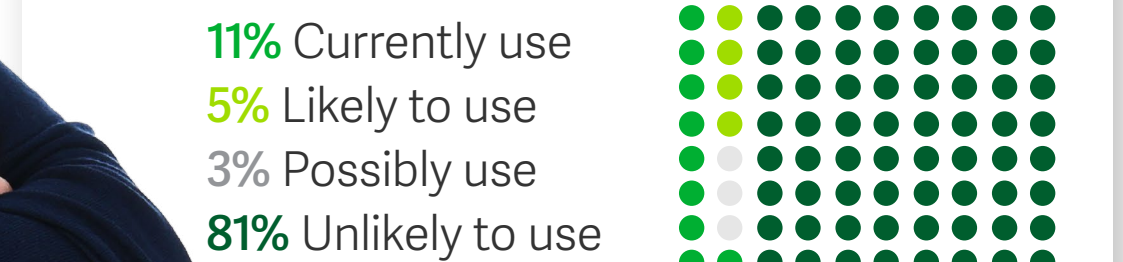
6 Dimensions Framework



Brand Affinity



Advice Propensity



Appendix

Methodology

The Advisable Australian 2022 Survey, surveyed Australians 18 and over. The survey was in field from October 28 to November 23, 2021, and received 1,616 valid responses, consisting of 403 who are currently advised from a financial planner, 426 who would consider advice from a financial planner and 787 unadvised and not considering a financial planner. This report is based from the outcomes of this survey.

Advisable Australian RI segment formation

The methodology for deriving the four Responsible Investment segments was developed using a cluster analysis. The analysis identified four clear and distinct segments that were referred to throughout this report. The cluster analysis incorporated the following questions:

- How would you rate your understanding of socially responsible investing?
- Do you think returns from socially responsible investments are as good as, better or worse than returns from other investments?
- Do you have any socially responsible investments in your portfolio?
- What factors would make you consider investing in/investing more in socially responsible investments?
- Which of these statements most closely describes your typical attitude to socially responsible investing?

Speak to Netwealth

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