

FROM TRUST TO LOYALTY: A GLOBAL SURVEY OF WHAT INVESTORS WANT

29 September 2016

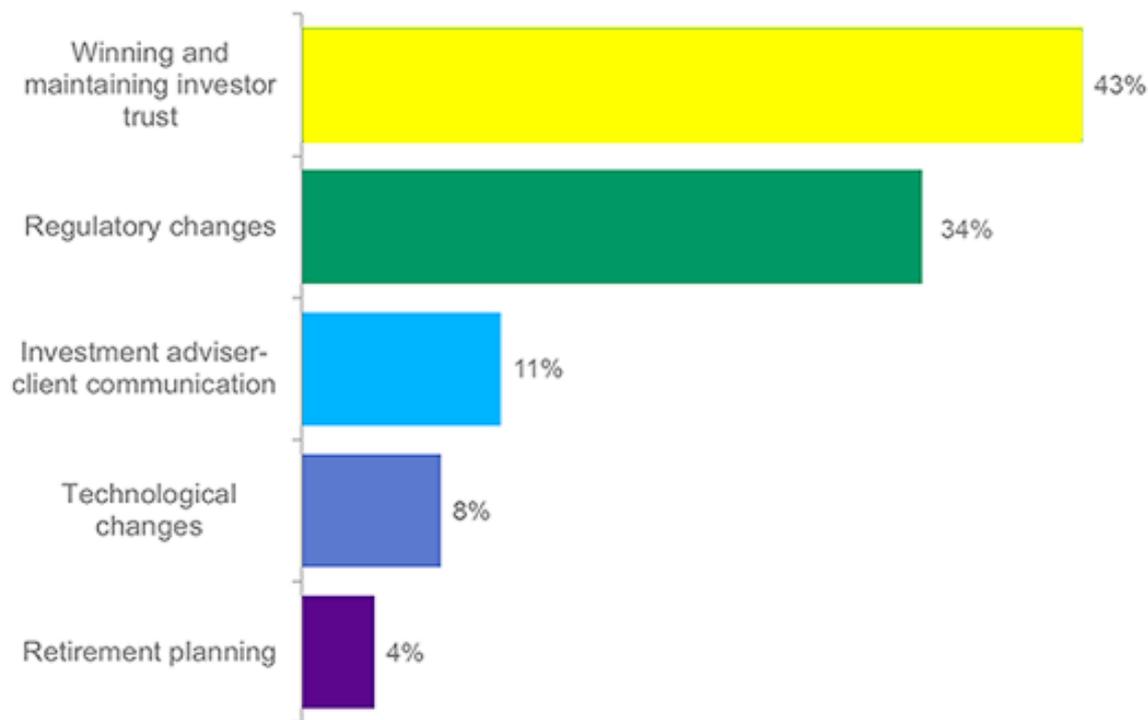
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ONE OF THE BIGGEST CHALLENGES FOR PRIVATE WEALTH

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Which among the following is the biggest hurdle for private wealth advisers?



Source: 521 respondents to the CFA Institute Newsbrief poll

For further analysis see [Trust Deficit: Overcoming Wealth Management Hurdles](#) by Shreenivas Kunte, CFA

OVERVIEW

- ✓ **The First Time** the CFA Institute worked with Edelman Trust Barometer group, to investigate trust within the investment community. Surveying retail investors and institutional investors around the world, we examined how much they trust different branches of finance.
- ✓ **This Time** CFA Institute looked deeper at what investors want from their investment advisers and what actions will help investment advisers build loyalty with investors.

METHODOLOGY

Who?



- **Retail Investors** – 25+ years old and have investible assets of at least \$100,000
- **Institutional Investors** – 25+ years old and responsible for institution's investible assets of \$10 million or more

How many?



- **N=3312 Retail Investors** – 502 US, 501 Canada, 500 UK, 251 France, 251 Germany, 500 Australia, 100 China, 331 Hong Kong, 125 Singapore, 251 India
- **N=502 Institutional Investors** – 172 US, 49 Canada, 173 UK, 41 Australia, 23 Hong Kong, 44 Singapore

How?



15-minute online survey

When?



Data collection occurred
October 19th – November 11th, 2015

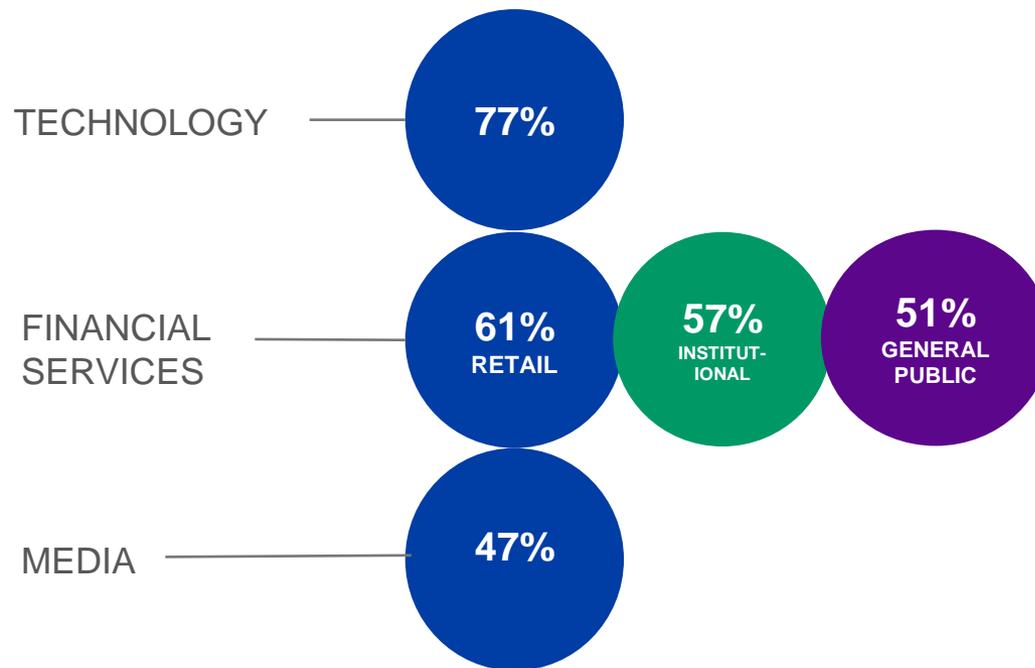
Note: Margin of Error for Total Retail Investors: $\pm 1.7\%$; Margin of Error for Total Institutional Investors: $\pm 4.5\%$

KEY INSIGHTS

1. Trust Levels Are Low
2. Trust Impacts the Entire Life Cycle of a Client Relationship
3. The Huge Gap: What Investors Want vs What Firms Deliver
4. Transparency Is Key to Loyalty: When and How
5. The Bottom Line Value (and Potential) of Trust

INVESTORS LACK TRUST IN FINANCIAL SERVICES

How much do you trust businesses in these industries to do what's right?

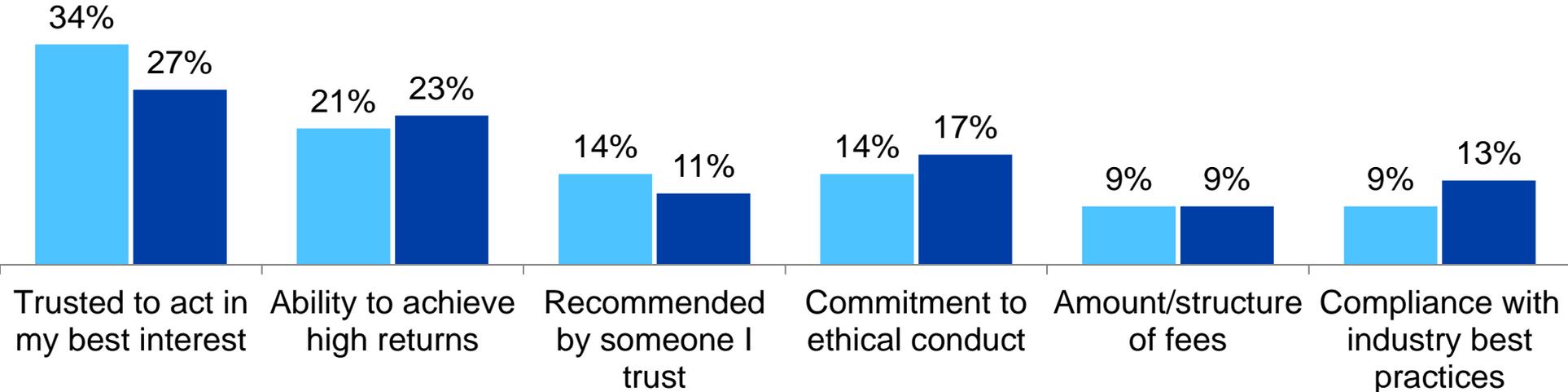


Source: CFA Institute Trust to Loyalty Survey 2016

TRUST MATTERS WHEN HIRING AN INVESTMENT MANAGER

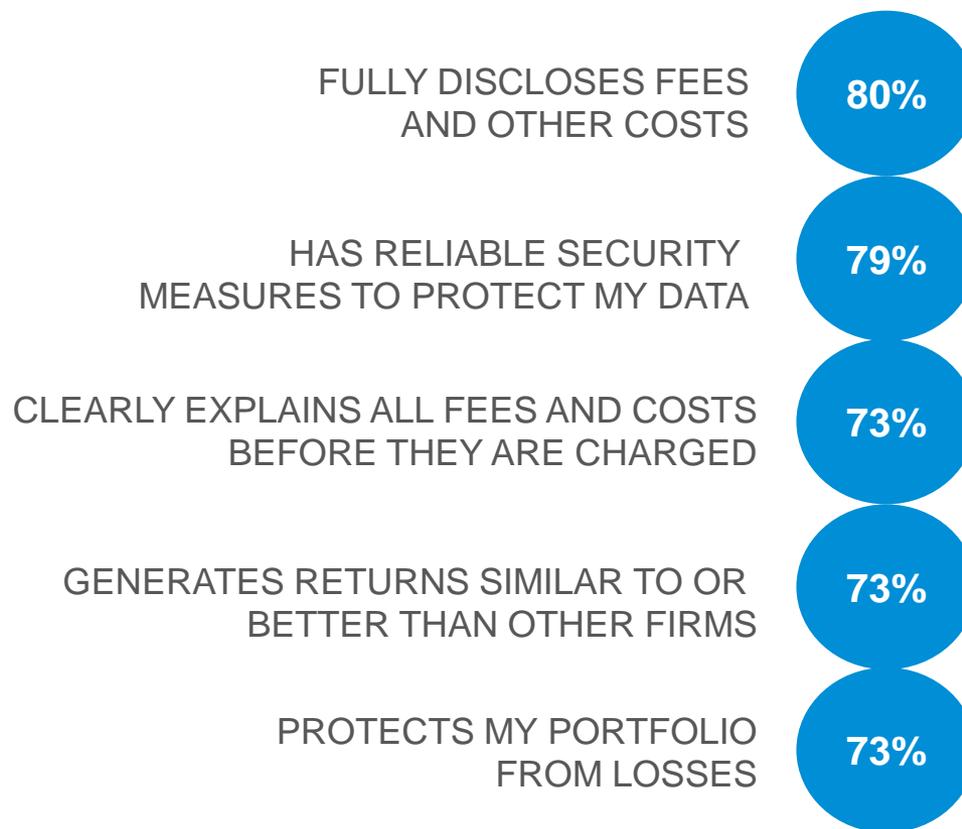
Which of the following is most important when making a decision to hire an asset or investment manager?

■ Retail Investors ■ Institutional Investors



Source: CFA Institute Trust to Loyalty Survey 2016

TRUST TO LOYALTY: WHAT REALLY MATTERS TO RETAIL INVESTORS

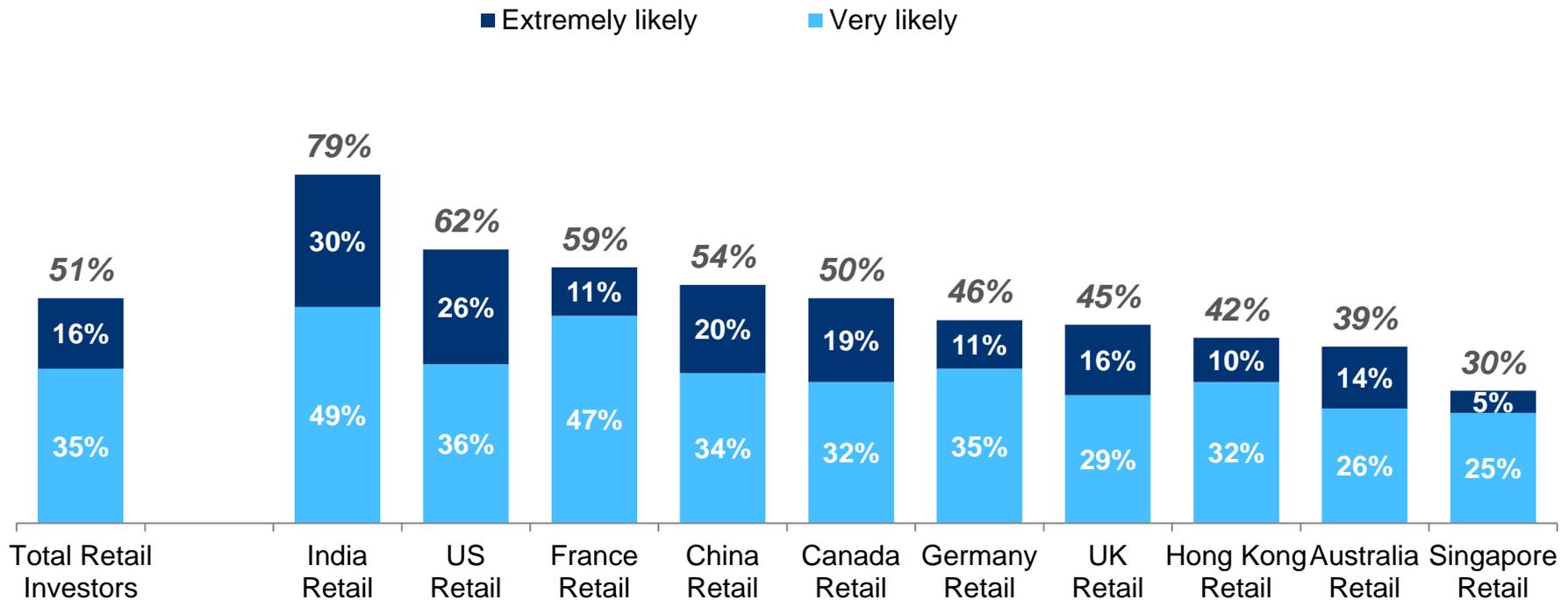


Source: CFA Institute Trust to Loyalty Survey 2016

LOYALTY: HALF WOULD RECOMMEND THEIR CURRENT FIRM

But few say “extremely” likely

*How likely are you to recommend an Investment Firm you work with to others?
[Retail Investors; % “extremely/very likely”]*

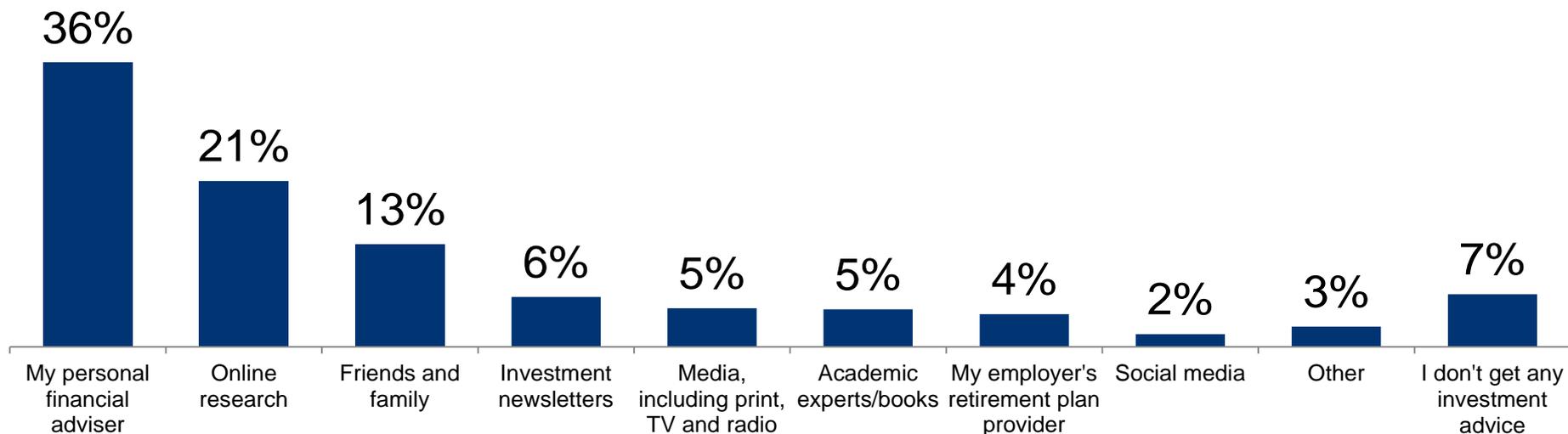


Source: CFA Institute Trust to Loyalty Survey 2016

WHO DO RETAIL INVESTORS TRUST FOR INFORMATION?

- Globally, retail investors are most likely to cite a personal financial adviser as their most trusted source for investment advice; online research is also a key source

Who do you trust most to give you investment advice?



MAJOR GAPS BETWEEN WHAT IS IMPORTANT TO INVESTORS AND SATISFACTION LEVELS

*How important are attributes in the following categories vs. how well are investment firms delivering on these attributes?
[Retail Investors]*

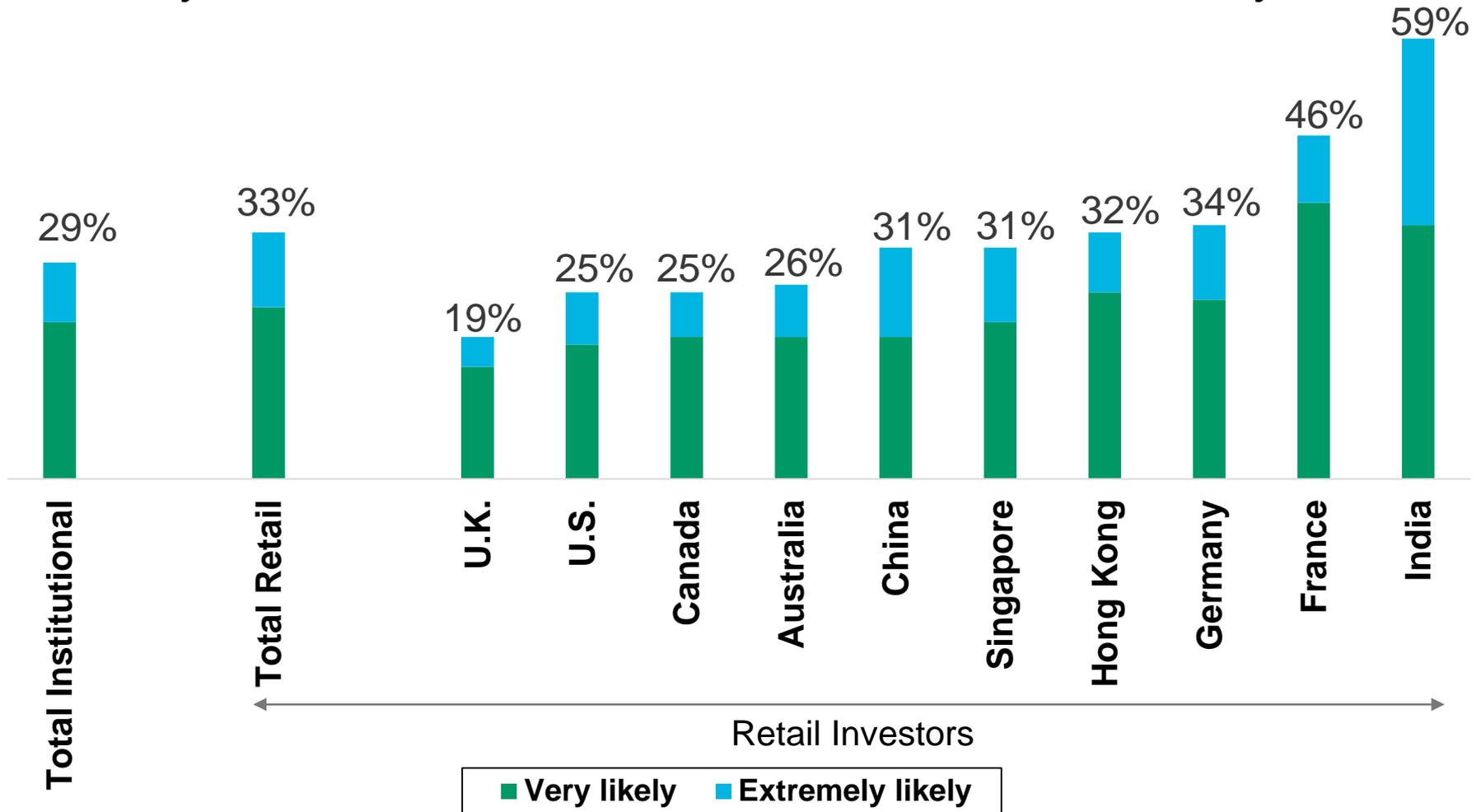
Largest Gaps

Clearly explains all fees and costs before they are charged	-31 pts
Protects my portfolio from losses	-31 pts
Fully discloses fees and other costs	-30 pts
Generates returns similar to or better than a target benchmark	-29 pts
Charges fees that reflect the value I get from the relationship	-29 pts
Is forthright about disclosing and managing conflicts of interests	-28 pts
Generates returns similar to or better than other firms (in comparable products)	-28 pts

Source: CFA Institute Trust to Loyalty Survey 2016

LOYALTY AT RISK: ABOUT A THIRD OF INVESTORS EXPECT A FINANCIAL CRISIS IN THE NEXT 3 YEARS

How likely it is that there will be another financial crisis within the next 3 years?

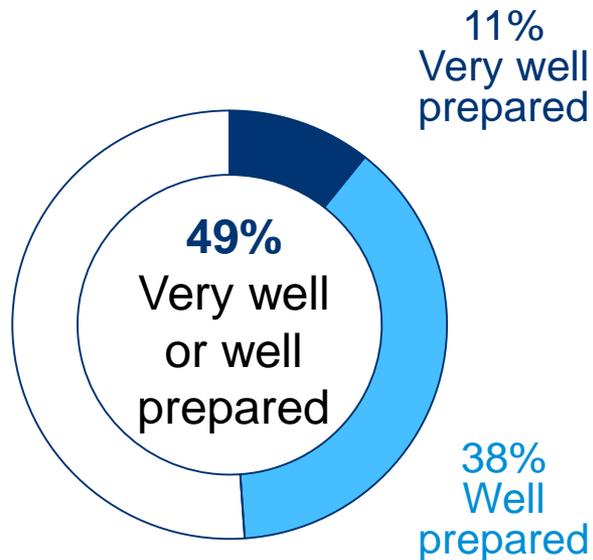


Source: CFA Institute Trust to Loyalty Survey 2016

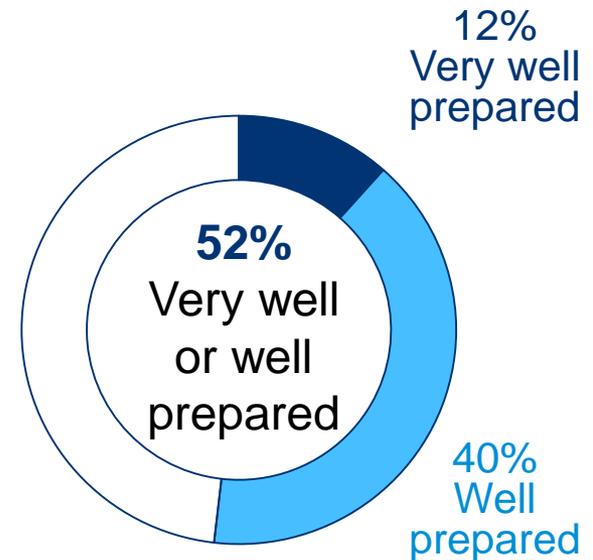
ONLY HALF OF INVESTORS SURVEYED THINK THEIR INVESTMENT FIRMS ARE WELL PREPARED FOR A CRISIS

How prepared do you think your investment firm(s) are to manage your portfolio through a financial crisis?

Total Institutional Investors



Total Retail Investors



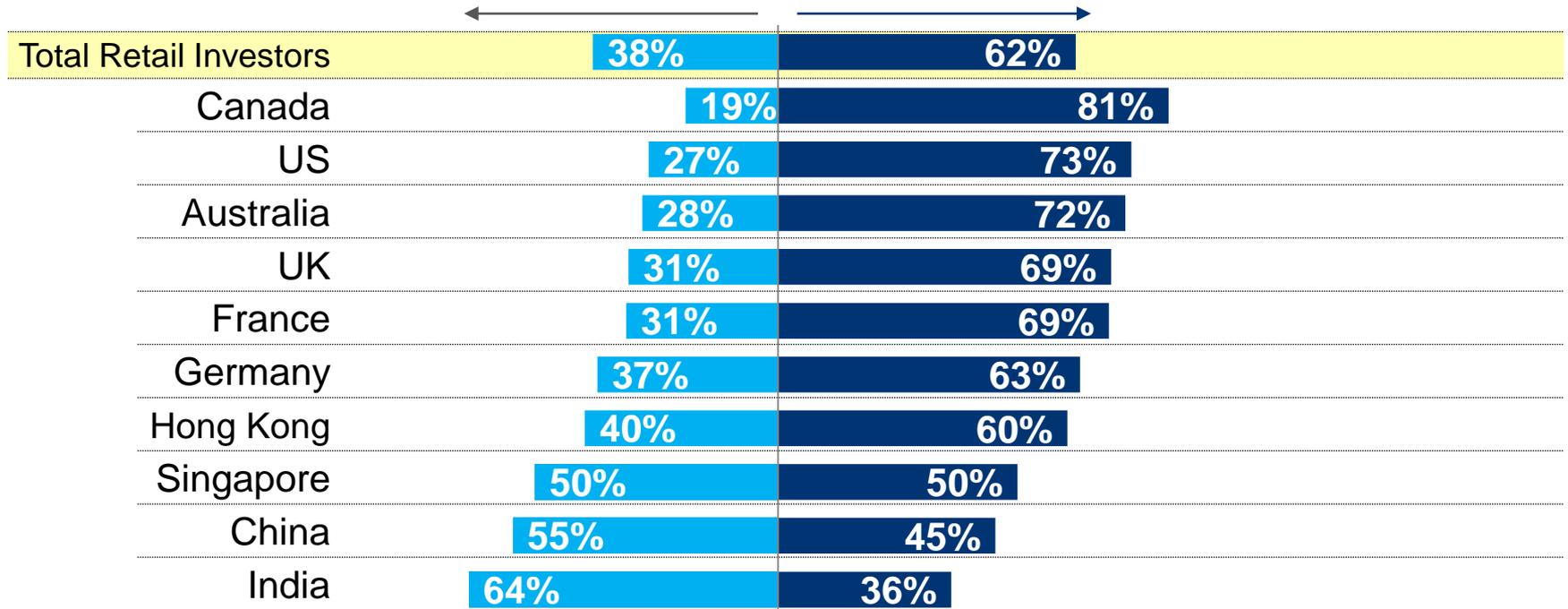
Source: CFA Institute Trust to Loyalty Survey 2016

THE ROLE OF HUMAN GUIDANCE VERSUS TECHNOLOGY

***In 3 years' time, which of the following do you think will be more important to you?
[Retail Investors]***

Having access to the latest technology platforms and tools to execute my investment strategy

Having a person to help navigate what is best for me and execute on my investment strategy



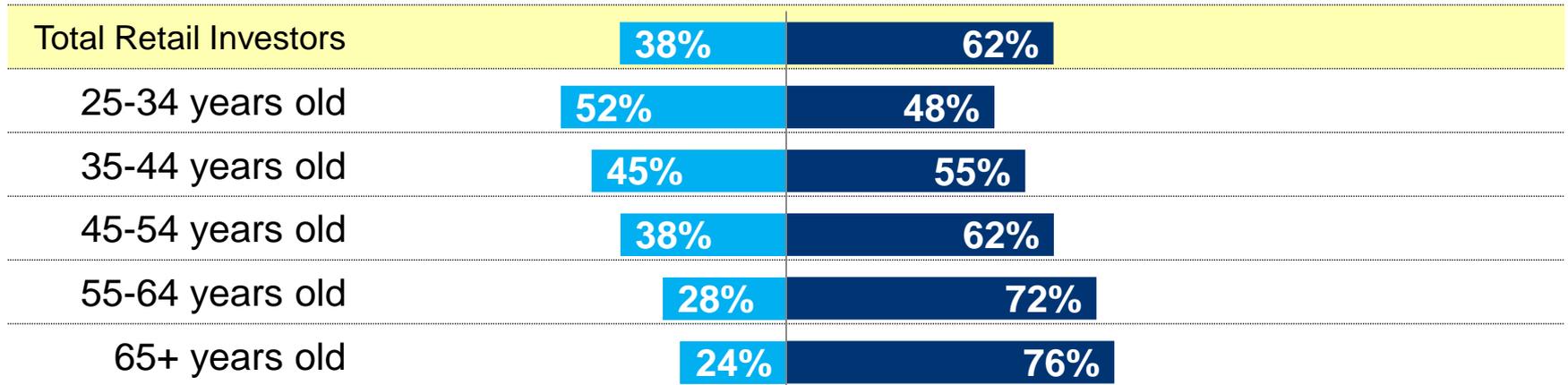
Source: CFA Institute Trust to Loyalty Survey 2016

THE YOUNGER THE INVESTOR, THE MORE THEY WANT TECHNOLOGY VERSUS HUMAN GUIDANCE

*In 3 years' time, which of the following do you think will be more important to you?
[Retail Investors]*

Having access to the latest technology platforms and tools to execute my investment strategy

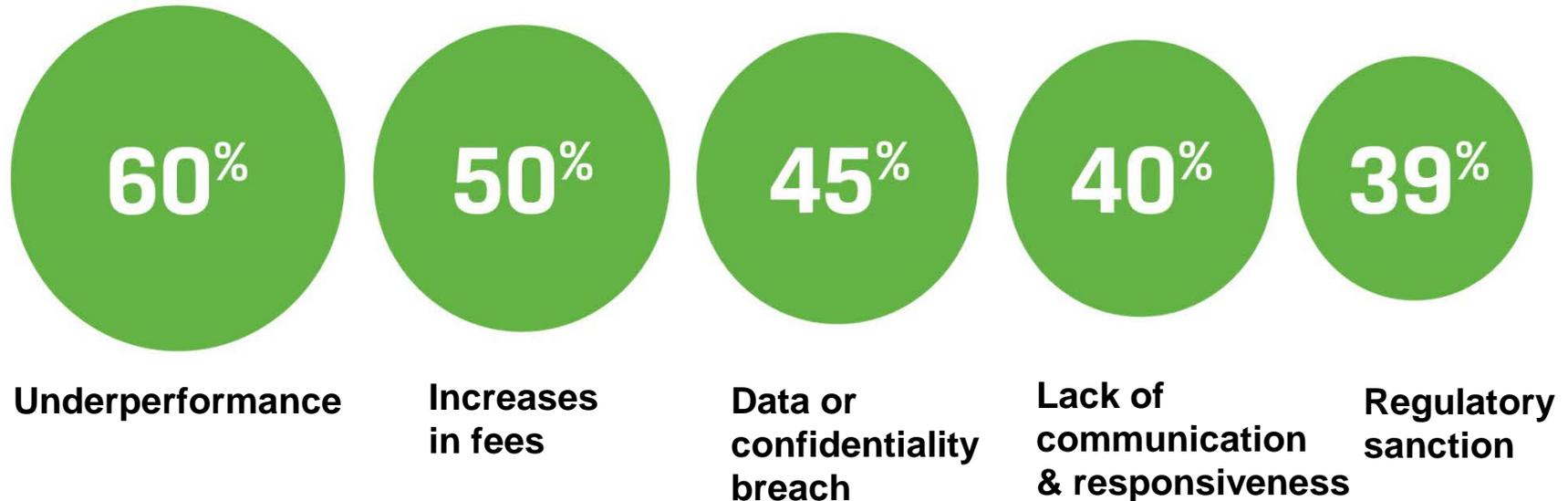
Having a person to help navigate what is best for me and execute on my investment strategy



Source: CFA Institute Trust to Loyalty Survey 2016

TOP FIVE REASONS CLIENTS LEAVE

INSTITUTIONAL

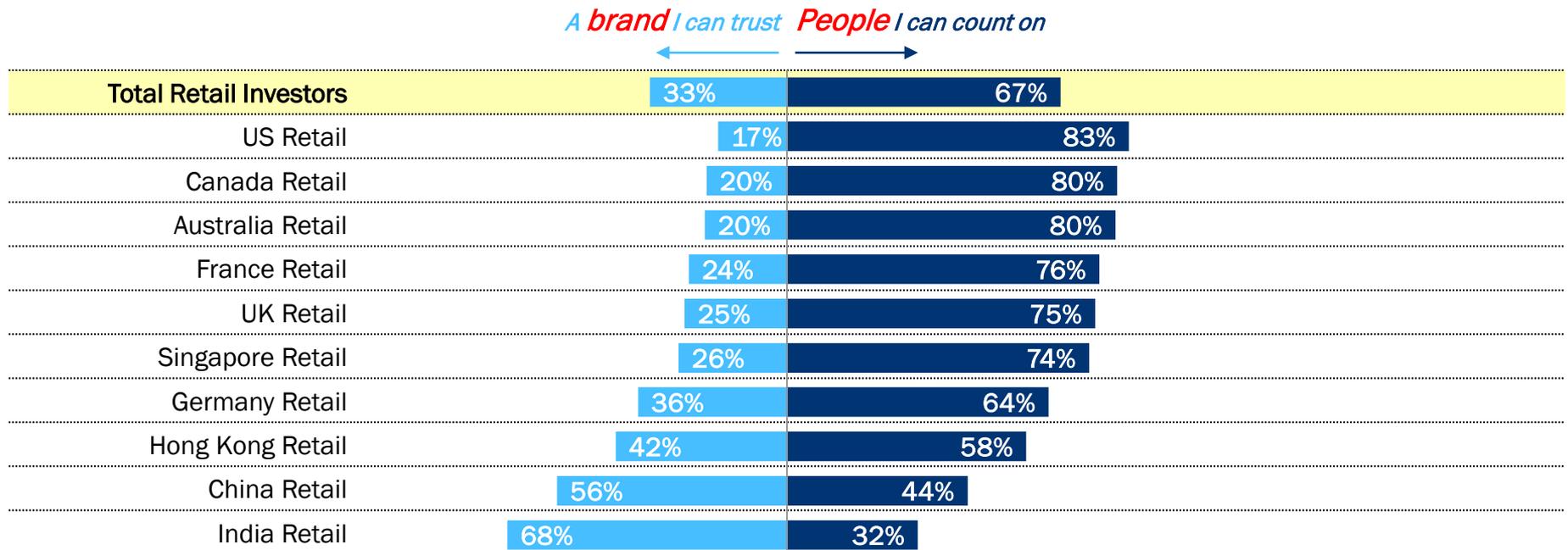


Source: CFA Institute Trust to Loyalty Survey 2016

RETAIL INVESTORS VALUE PEOPLE OVER BRAND

- By a 2-to-1 margin, retail investors say that people are more important than brand
- China and India are exceptions where brand is viewed as more important than people

Which of the following is more important to you when partnering with an Investment Firm?
[Retail Investors]



Base: Total Retail Investors – Total Retail (n=3312), US Retail (n=502), Canada Retail (n=501), UK Retail (n=500), France Retail (n=251), Germany Retail (n=251), Australia Retail (n=500), China Retail (n=100), Hong Kong Retail (n=331), Singapore Retail (n=125), India Retail (n=251)

Q34: When thinking about an Investment Firm to partner with, which of the following is more important to you? Select one.

WHAT WOULD INVESTORS PAY MORE FOR?

Personalization, client service, and investment professionals with credentials are opportunities for differentiation

Retail Investors	Institutional Investors
Understands my unique tax and estate planning position	Acts as a partner in problem solving; goes beyond a specific mandate to lend insight on our investment concerns
Communicates with me regularly, in down markets as well as up markets	Communicates proactively about market dynamics and their effect on my portfolio
Employs investment professionals with credentials from respected industry organizations	Employs investment professionals with credentials from respected industry organizations

Source: CFA Institute Trust to Loyalty Survey 2016