Institutional Investor Trust
Report Methodology

N= 500 Institutional Investors

Online quantitative study among
U.S. n=100
U.K. n=100
Canada n=100
Japan n=100
Germany n=100

Fielded from 9 September to 22 October 2018

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### A diverse global sample

#### Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 24</td>
<td>5%</td>
</tr>
<tr>
<td>25-34</td>
<td>15%</td>
</tr>
<tr>
<td>35-44</td>
<td>41%</td>
</tr>
<tr>
<td>45-54</td>
<td>33%</td>
</tr>
<tr>
<td>55-64</td>
<td>5%</td>
</tr>
<tr>
<td>65+</td>
<td>1%</td>
</tr>
</tbody>
</table>

#### Gender

- Male: 70% (70% Male)
- Female: 30% (30% Female)

#### Respondents’ job titles

- Portfolio managers: 39%
- Chief investment officers: 29%
- Financial analysts: 26%
- Directors of research: 4%
- ESG Analyst: 1%

#### Primary Investment Style

- Growth: 41%
- Value: 14%
- Hedge: 13%
- Industry-specific: 10%
- Quantitative/Index: 7%
- Activist: 6%
- GARP: 6%
- N/A: 3%

#### Organization’s Assets Under Management

- Less than $500 million: 11%
- $500 million - less than $1 billion: 26%
- $1 billion - less than $10 billion USD: 42%
- $10 billion - less than $50 billion USD: 16%
- $50 billion USD or more: 4%

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Source: 2018 Edelman Institutional Investor Trust Global Survey

S1. What is your approximate age?
S7. In your current job, approximately how much are your institution’s investable assets?
S8. Which of the following best describes your position or level within your company or organization?
D2. What is the primary investment style for the funds you manage on behalf of your organization?
D4. What is your gender?
Bracing for Brexit and the death of a bull

Institutional Investor Trust Report 2018
Investors optimistic, but warning signs emerging

Percentage who feel positive about the current and future investing environment:

Source: 2018 Edelman Institutional Investor Trust Survey
Q1: Looking back at the economic and political climate over the past 12 months, how would you describe the current investing environment as compared to the previous year?
Q2: Looking ahead at the next 12 months, what is your outlook on where the investing environment is heading, considering the economic and political climate?
The bull market is nearing an end

Investors who believe the bull market will come to an end in

<table>
<thead>
<tr>
<th>Country</th>
<th>Next 1-6 months</th>
<th>7-12 months</th>
<th>12-24 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>18%</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>UK</td>
<td>8%</td>
<td>33%</td>
<td>41%</td>
</tr>
<tr>
<td>US</td>
<td>18%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Canada</td>
<td>25%</td>
<td>28%</td>
<td>30%</td>
</tr>
<tr>
<td>Japan</td>
<td>23%</td>
<td>31%</td>
<td>34%</td>
</tr>
<tr>
<td>Germany</td>
<td>14%</td>
<td>36%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: 2018 Edelman Institutional Investor Trust Survey
Q3: I believe the bull market will come to an end in:
Political risks are affecting investment strategies

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage who agree</th>
</tr>
</thead>
</table>
| The current political climate is influencing investment strategy | UK: 95%  
Japan: 89%  
Global: 88%  
US: 87%  
UK: 76% |
| International trade risks are impacting strategy             | UK: 95%  
Japan: 91%  
Global: 91%  
US: 90%  
UK: 78% |

Edelman Institutional Investor Trust Report
Q18. Below is a list of statements about the current political and business climate in which publicly traded companies operate. Please indicate the extent to which you agree or disagree with the following statements. - Top 2 - Agree Summary.
Companies are seen as unprepared for political risks

Investors believe that most companies do not fully acknowledge the new risks to their business from the current political climate

[Percentage who agree]

- Canada: 83%
- Global: 85%
- US: 87%
- Japan: 90%
- Germany: 91%
- UK: 74%
Brexit is a key preoccupation

Investment decisions are greatly influenced by Brexit risks

82% of UK investors believe Brexit has impacted investment decisions over the last 12 months.

86% of UK investors believe these risks will continue to impact investment decisions for the next 12 months.

Investors believe uncertainty around the Brexit outcome is making investment decisions tougher.
Investment criteria are evolving
Trust in a company is the most important factor for UK investors

- My trust in the company: 93%
- Reputation of the company within the company’s industry: 92%
- Access to management: 91%
- Current valuation vs. peer companies: 93%
- Ethical standards: 91%
Investors are looking for better guidance

**Long-term financial outlook**
Investors who believe providing long-term guidance on financial performance impacts trust:

- 96% Believe it impacts trust
- 66% Believe it has a great deal of impact on trust

**...and operational data points**
Investors who believe providing operational metrics as part of guidance in addition to financial metrics impacts trust:

- 95% Believe it impacts trust
- 63% Believe it has a great deal of impact on trust

90% of UK investors would like to see more use of qualitative, forward-looking disclosures when evaluating a current or prospective investment.

Source: 2018 Edelman Institutional Investor Trust Survey Q6. How much does each of the following disclosure practices impact your trust of a company that you are/may consider investing in or recommend? For each one, please indicate the level of impact using a 9-point scale where 1 means “no impact on trust” and 9 means “a great deal of impact on trust.” - Top 2 Summary Q16. Please indicate the extent to which you agree or disagree with the following statements. - Top 2 - Agree Summary
Investors globally are looking for companies to engage on corporate governance

Percentage of respondents who are actively engaging the investment community on corporate governance matters:

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>68%</td>
</tr>
<tr>
<td>Germany</td>
<td>72%</td>
</tr>
<tr>
<td>US</td>
<td>65%</td>
</tr>
<tr>
<td>Canada</td>
<td>58%</td>
</tr>
<tr>
<td>UK</td>
<td>37%</td>
</tr>
<tr>
<td>Global</td>
<td>60%</td>
</tr>
</tbody>
</table>

UK investors are more focused on issues of shareholder democracy:

1. Aligning executive compensation with investor interest
2. Providing equal voting rights to shareholders
3. Executive and Board stock ownership
4. Diversity within a company’s Board of Directors and executive team / frequently refreshing the Board of Directors
5. Aligning executive compensation with industry peers
6. Proxy access (Investors having access to a company’s proxy documents)

Source: 2018 Edelman Institutional Investor Trust Survey Q8. How much does each of the following corporate governance practices impact your trust of a company that you are/may consider investing in or recommend? For each one, please indicate the level of impact using a 9-point scale where 1 means "no impact on trust" and 9 means "a great deal of impact on trust." - Top 2 Summary
Investors value culture and conduct

Maintaining a healthy corporate culture impacts trust
[Percentage who agree]:

Enforcing a corporate code of conduct should apply at all levels of the company
[Percentage who agree]:

Edelman Institutional Investor Trust Report
Q7. How much does each of the following corporate behavioural practices impact your trust of a company that you are/may consider investing in or recommend? For each one, please indicate the level of impact using a 9-point scale where 1 means “no impact on trust” and 9 means “a great deal of impact on trust.” - Top 2 Summary
Investors look beyond the balance sheet

Institutional Investor Trust Report 2018
Business globally is expected to lead

2018 Global Trust Barometer

64% of global investors say that CEOs should take the lead on change rather than waiting for government to impose it.

2018 Global Edelman Earned Brand Report

64% Belief-driven buyers: +13pts YOY Change from 2017

2018 Institutional Investor Trust Report

98% of global investors think public companies have an urgent obligation to address one or more societal issues to ensure the global business environment remains healthy and robust.

0% of UK investors believe public companies should be silent on societal issues.

Top 5 global Issues

1: CYBERSECURITY

2. Income inequality
3. Workplace diversity
4. National security
5. Immigration
Investors are becoming more attentive to environmental risks

Percentage who agree:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Global</th>
<th>UK</th>
<th>US</th>
<th>Canada</th>
<th>Germany</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;My firm has changed its voting and/or engagement policy to be more attentive to ESG risks&quot;</td>
<td>89%</td>
<td>75%</td>
<td>90%</td>
<td>91%</td>
<td>95%</td>
<td>93%</td>
</tr>
<tr>
<td>&quot;Change has taken place in the last year&quot;</td>
<td>63%</td>
<td>60%</td>
<td>66%</td>
<td>65%</td>
<td>59%</td>
<td>63%</td>
</tr>
</tbody>
</table>

**UK investors are integrating ESG into investment strategies**

- **Statement**
  - 85% of investors believe long-term value hinges on both financial performance and ESG
  - 79% say impact and socially responsible investing are part of my firm’s investment strategy
  - 40% of investors changed voting/engagement policy to be more attentive to ESG over a year ago

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Edelman Institutional Investor Trust Report
Q12: Please indicate the extent to which you disagree or agree with the following statements regarding ESG/impact and socially responsible investing. Top 2 Agree Summary
Q12a: You mentioned that your company has changed its voting/engagement policy to be more attentive to ESG risks. When did this change take place?
Longer-term investors seek out sustainable investments

“My firm believes
long-term value hinges on both financial performance and ESG features”

[Percentage who agree]  
<table>
<thead>
<tr>
<th>Country</th>
<th>% Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>97%</td>
</tr>
<tr>
<td>Japan</td>
<td>96%</td>
</tr>
<tr>
<td>Canada</td>
<td>94%</td>
</tr>
<tr>
<td>US</td>
<td>94%</td>
</tr>
<tr>
<td>Global</td>
<td>93%</td>
</tr>
<tr>
<td>UK</td>
<td>85%</td>
</tr>
</tbody>
</table>

“My firm would consider
investing with a lower rate of return if [the investment] included sustainable or impact investing considerations”

[Percentage who agree]  
<table>
<thead>
<tr>
<th>Country</th>
<th>% Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>95%</td>
</tr>
<tr>
<td>Japan</td>
<td>94%</td>
</tr>
<tr>
<td>Canada</td>
<td>91%</td>
</tr>
<tr>
<td>Global</td>
<td>87%</td>
</tr>
<tr>
<td>US</td>
<td>84%</td>
</tr>
<tr>
<td>UK</td>
<td>73%</td>
</tr>
</tbody>
</table>

Source: 2018 Edelman Institutional Investor Trust Survey Q12. Please indicate the extent to which you disagree or agree with the following statements regarding ESG/impact and socially responsible investing. Agree Summary.
Global investors place greater emphasis on environmental factors in addition to social and governance practices

Percentage who agree each is very important:

- Germany: 73% Environmental, 69% Social, 67% Governance
- Japan: 65% Environmental, 69% Social, 74% Governance
- Canada: 59% Environmental, 72% Social, 50% Governance
- Global: 58% Environmental, 64% Social, 58% Governance
- US: 58% Environmental, 65% Social, 59% Governance
- UK: 37% Environmental, 44% Social, 40% Governance

Edelman Institutional Investor Trust Report
Q12b. Please select how important each of the following elements is when it comes to ESG investing. For each one, please indicate how important it is using a 9-point scale where 1 means “not at all important” and 9 means “most important”. - Top 2 Summary.
Activism goes mainstream

Institutional Investor Trust Report 2018
Activism is emerging as part of the investment approach

Investors are becoming more interested in taking an activist approach to investing

[Percentage who agree]

Investors will support a reputable activist if they believe change is necessary at a company

[Percentage who agree]

UK Market Context

Statement

21 out of the 40 reported campaigns in Europe were for UK companies (1)

UK companies are increasingly a target, with 36 campaigns reported so far this year (vs 36 in total in 2017) (1)

46% of public activist demands of UK based companies at not satisfied (2)

Edelman Institutional Investor Trust Report
Q11. Please indicate the extent to which you disagree or agree with the following statements regarding investor influence and shareholder activism. – Top 2 Agree Summary.
1. Activist Insight, Data as of November 18, 2018.
Companies are seen as unprepared for activist campaigns

Investors believe most companies are not prepared to handle activist campaigns

[Percentage who agree]

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>83%</td>
</tr>
<tr>
<td>Global</td>
<td>87%</td>
</tr>
<tr>
<td>Germany</td>
<td>89%</td>
</tr>
<tr>
<td>Canada</td>
<td>90%</td>
</tr>
<tr>
<td>Japan</td>
<td>91%</td>
</tr>
</tbody>
</table>
A new framework for telling the investment story

Institutional Investor Trust Report 2018
Management does not control the company’s narrative

Percentage who believe following source of information is credible:

<table>
<thead>
<tr>
<th>Source of Information</th>
<th>Credibility Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A business/financial academic or expert on that company’s industry or issues</td>
<td>73%</td>
</tr>
<tr>
<td>Independent Lead Director of a company</td>
<td>71%</td>
</tr>
<tr>
<td>A regulatory agency (e.g., FTC, SEC) representative</td>
<td>70%</td>
</tr>
<tr>
<td>A credit rating agency analyst</td>
<td>66%</td>
</tr>
<tr>
<td>A member of the company’s Board of Directors</td>
<td>62%</td>
</tr>
<tr>
<td>A technical expert within the company (e.g., engineer, scientist)</td>
<td>62%</td>
</tr>
<tr>
<td>A proxy advisor analyst (e.g., ISS, Glass Lewis, Egan Jones)</td>
<td>60%</td>
</tr>
<tr>
<td>The company CFO</td>
<td>59%</td>
</tr>
<tr>
<td>The company CEO</td>
<td>58%</td>
</tr>
<tr>
<td>The Investor Relations Officer of a company</td>
<td>53%</td>
</tr>
<tr>
<td>An activist investor</td>
<td>47%</td>
</tr>
<tr>
<td>A sell-side analyst</td>
<td>44%</td>
</tr>
</tbody>
</table>

Spokespeople:

- **Internal**
- **External**
UK investors are more trusting of the Board than executives

CEO: 58%
Rank a CEO as a credible source of information when forming an opinion of a company

CFO: 59%
Rank a CFO as a credible source of information when forming an opinion of a company

71%
Senior Independent Directors
are ranked #2 as a credible source of information when forming an opinion of a company (vs rank 3 globally)

MIFID II reshaping the IR landscape

44% of UK investors say sell-side analysts are the least credible source of information when evaluating a company

Source: 2018 Edelman Institutional Investor Trust Survey – UK data
Q13. Below is a list of people. In general, when forming an opinion of a company, if you heard information about a company from each person, how credible would the information be—not credible at all, somewhat credible, very credible, or extremely credible? - Top 2 Summary.
Investors must trust the Board of Directors

It is important trust a company’s Board of Directors before making or recommending an investment:

[Percentage who agree]

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>98%</td>
</tr>
<tr>
<td>Germany</td>
<td>95%</td>
</tr>
<tr>
<td>Global</td>
<td>94%</td>
</tr>
<tr>
<td>US</td>
<td>94%</td>
</tr>
<tr>
<td>Canada</td>
<td>93%</td>
</tr>
<tr>
<td>UK</td>
<td>89%</td>
</tr>
</tbody>
</table>

An engaged & effective Board of Directors is important when considering a company to invest in

[Percentage who agree]

95%  

58%

Very important  

Important

Source: 2018 Edelman Institutional Investor Trust Survey
Q5: Please indicate the extent to which you agree or disagree with the following statements - Top 2 - Agree Summary
Q4: How important are each of the following when considering a company to invest in (or to recommend doing so)? For each one, please indicate how important it is using a 9-point scale where 1 means “not at all important” and 9 means “most important”. - Top 2 Summary
# Trust is most the important factor in investment decisions globally

## Percentage who find each company attribute most important when making investing decisions

<table>
<thead>
<tr>
<th>Company Attribute</th>
<th>Percentage of Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation of the company within the company's industry</td>
<td>96%</td>
</tr>
<tr>
<td>My trust in the company</td>
<td>95%</td>
</tr>
<tr>
<td>Current valuation versus peer companies</td>
<td>95%</td>
</tr>
<tr>
<td>Providing forward-looking financial guidance</td>
<td>95%</td>
</tr>
<tr>
<td>Stock performance</td>
<td>95%</td>
</tr>
<tr>
<td>An engaged and effective Board of Directors</td>
<td>95%</td>
</tr>
<tr>
<td>Ethical standards</td>
<td>94%</td>
</tr>
<tr>
<td>Access to management</td>
<td>94%</td>
</tr>
<tr>
<td>Appropriate executive compensation</td>
<td>94%</td>
</tr>
<tr>
<td>Ability to meet financial guidance</td>
<td>94%</td>
</tr>
<tr>
<td>Historical financial performance</td>
<td>93%</td>
</tr>
<tr>
<td>ESG (environmental, social, governance) risk management</td>
<td>93%</td>
</tr>
<tr>
<td>Board of Directors' composition</td>
<td>93%</td>
</tr>
<tr>
<td>Product R&amp;D/Innovation</td>
<td>93%</td>
</tr>
<tr>
<td>My alignment with a company's capital allocation strategy</td>
<td>93%</td>
</tr>
<tr>
<td>CSR (corporate social responsibility) initiatives</td>
<td>93%</td>
</tr>
<tr>
<td>Access to the Board of Directors</td>
<td>92%</td>
</tr>
<tr>
<td>Political risk</td>
<td>91%</td>
</tr>
</tbody>
</table>

Source: 2018 Edelman Institutional Investor Trust Survey  Q4: How important are each of the following when considering a company to invest in (or to recommend doing so)? For each one, please indicate how important it is using a 9-point scale where 1 means “not at all important” and 9 means “most important”. - Top 2, Top 4 Summary

## UK Market Context

**Statement**

The CIO / fund manager’s own trust in a company is the most important factor when considering an investment (ranked #1 by 93% of UK investors)
The way most companies share information for IR purposes is outdated

[Percentage who agree]

When evaluating a current or prospective investment, I would like to see more visual ways of sharing information

[Percentage who agree]
Today’s investors rely on digital channels

Percentage who agree with the following statements:

When evaluating a current or prospective investment, I consult the company or executive’s social media channels

I read/follow information published on a company’s digital and social media channels, website, and/or corporate blogs

Q16. Please indicate to what extent you agree or disagree with the following statements. - Top 2 Agree Summary

Q15. Below is a list of digital and social platforms. In general, in your role, which do you use on a weekly basis to inform your investment decisions?
For more information

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