

# Earning Investors' Trust

How the Desire for Information, Innovation, and Influence is Shaping Client Relationships



Innovation



Influence



Information

# Today's Speakers

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**Kevin McPartland**  
Managing Director  
Market Structure &  
Technology,  
Greenwich Associates



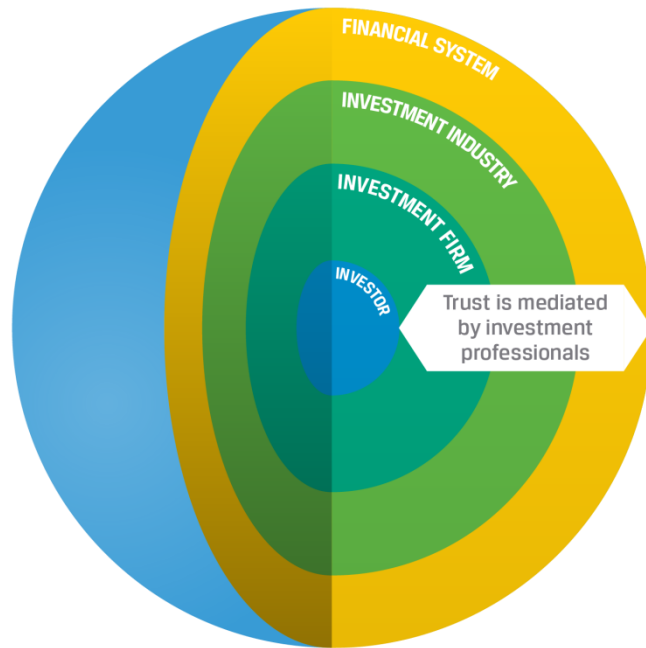
**Rebecca Fender, CFA**  
Senior Director, Future of  
Finance  
CFA Institute



**Dan Connell**  
Managing Director  
Market Structure &  
Technology,  
Greenwich Associates

# Agenda

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I. TRUST IN THE SYSTEM: **INFORMATION IS ESSENTIAL**



II. TRUST IN THE INDUSTRY: **INNOVATION AND TECHNOLOGY AS TRUST ENHANCERS**

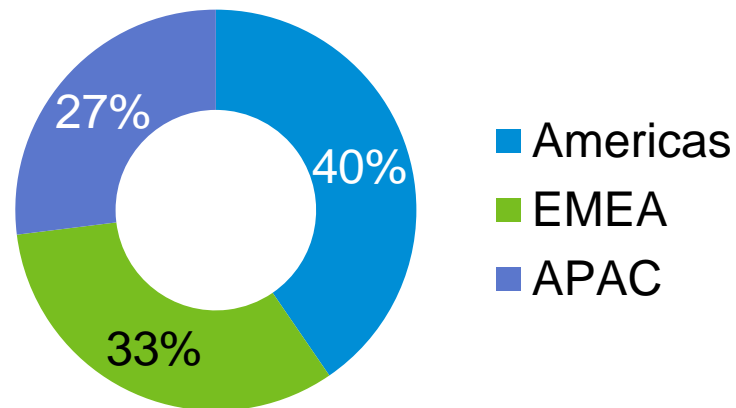


III. THE TRUST EQUATION: **CREDIBILITY AND PROFESSIONALISM**

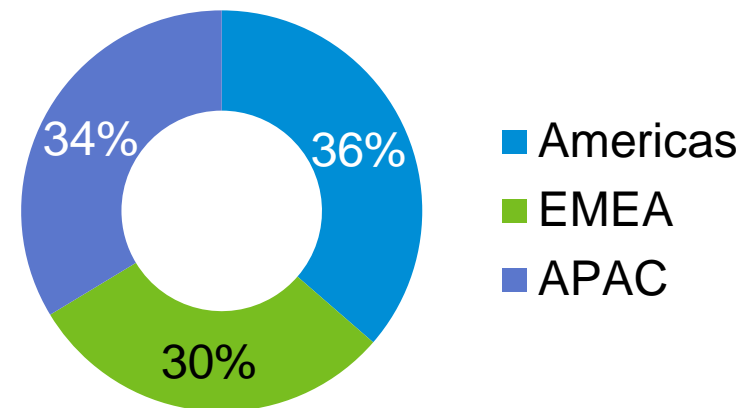
# Methodology

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## Retail Investors



## Institutional Investors



Online survey conducted by Greenwich Associates in October and November 2019. Interviews were conducted with 3,525 retail investors and 921 institutional investors.

Retail investors: 25 years or older, minimum assets US\$100,000.

Institutional investors: Minimum US\$50 million assets under management; pension funds, endowments and foundations, insurance companies and sovereign wealth funds.

Margin of error: retail investors +/- 1.8% and institutional investors +/- 2.0%.

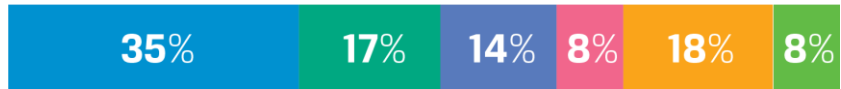
# Trust is the #1 Factor in Manager Selection for Retail Investors and Rivals Performance among Institutional Investors

## RETAIL INVESTORS

2020



2018



2016



## INSTITUTIONAL INVESTORS

2020



2018



2016



### MOST IMPORTANT ATTRIBUTE WHEN HIRING AN ASSET MANAGER

- Trusted to act in my best interest
- Ability to achieve high returns
- Commitment to ethical conduct

- Amount/structure of fees
- Recommended by someone I trust
- Compliance with industry best practices



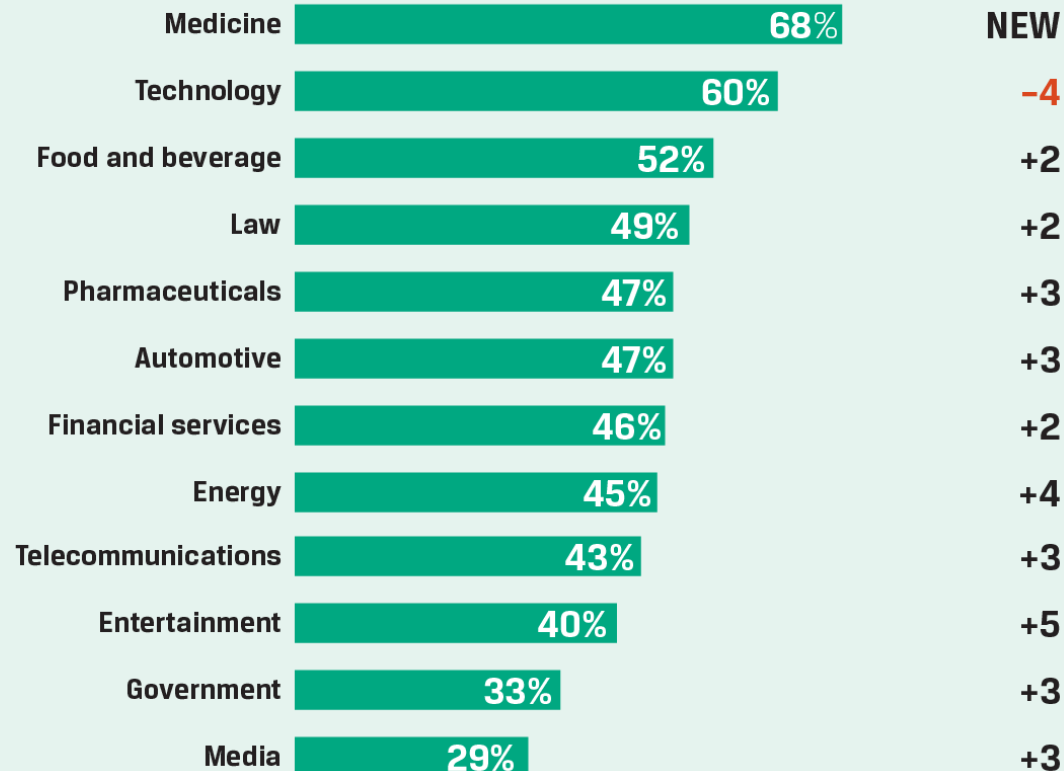
**Trust in the System:  
Information Is Essential for Trust**



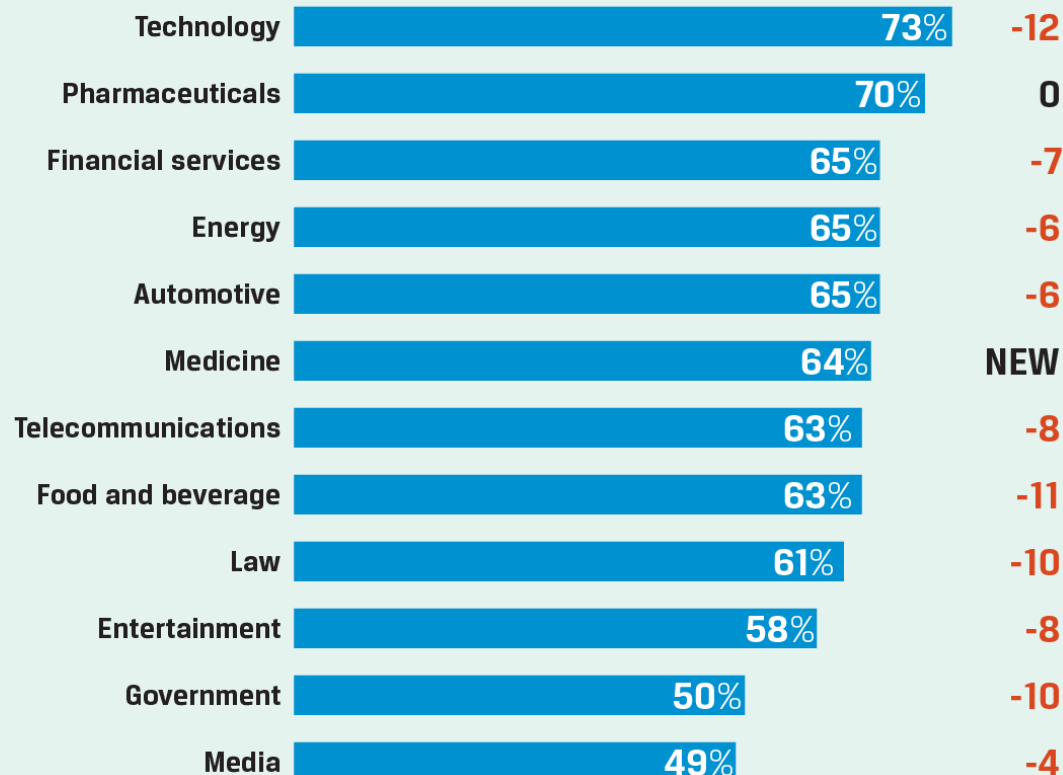
# Trust Levels by Industry

Retail investor trust increasing, institutional investor trust decreasing

## Retail Investor Trust in industries



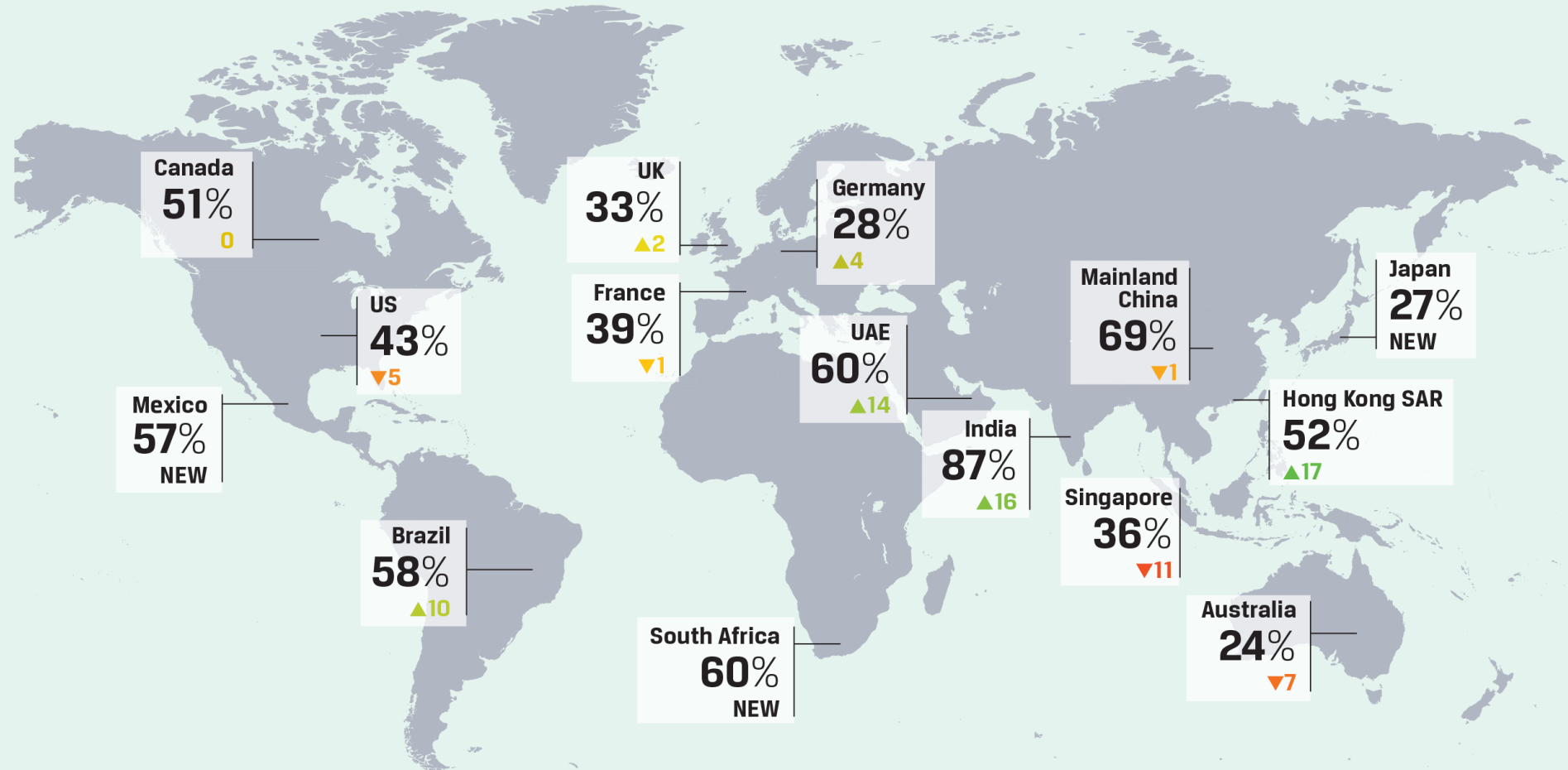
## Institutional Investor Trust in industries



# Retail Investor Trust Levels Vary Significantly by Market



RETAIL INVESTOR TRUST IN FINANCIAL SERVICES (BY MARKET)



Note: Color numbers represent the percentage point change from 2018 to 2020

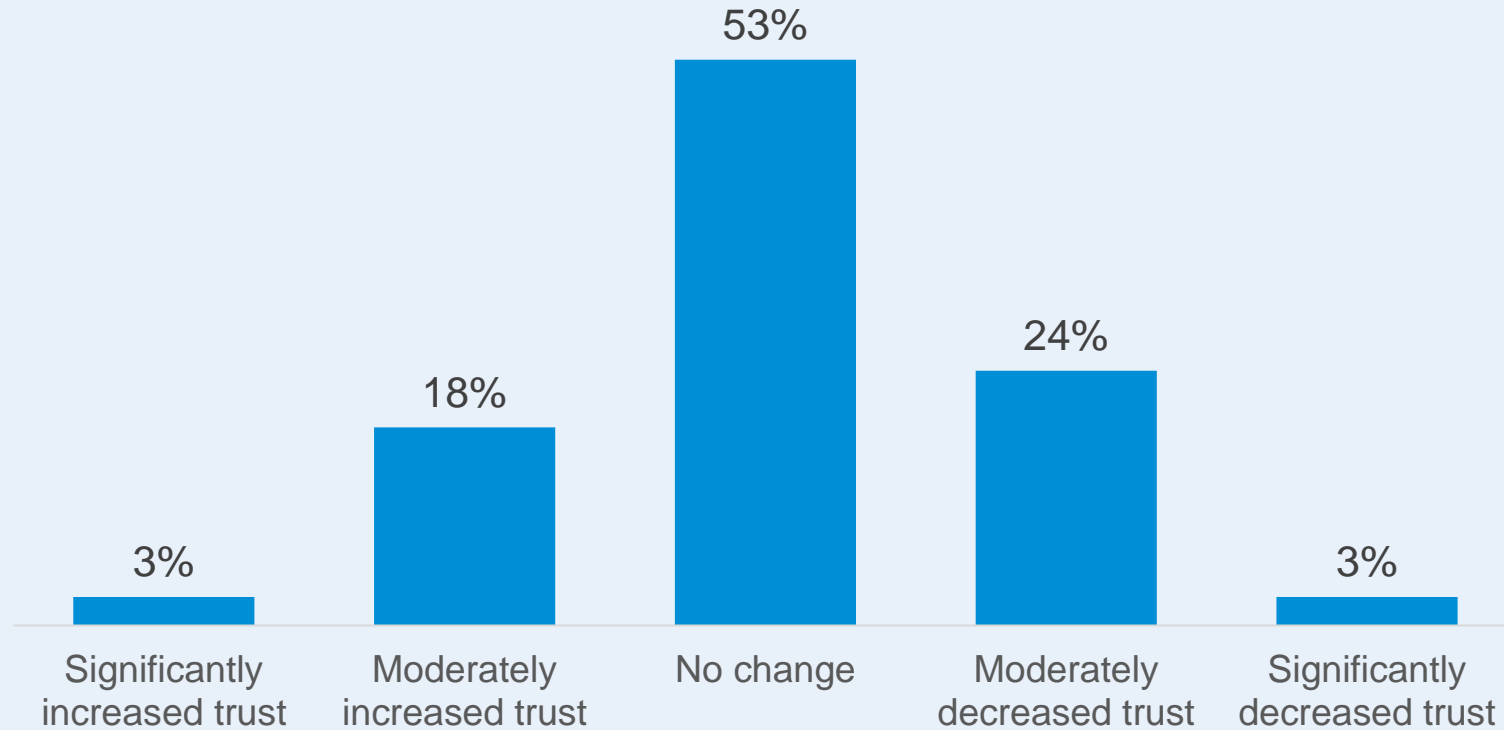




# Poll Question #1

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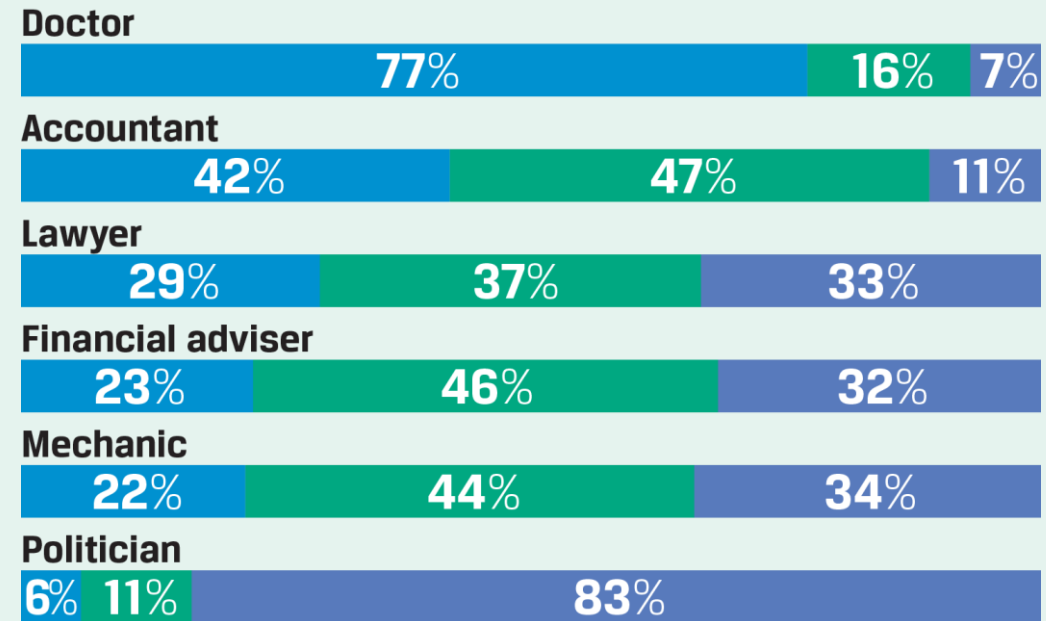
How has the response of the financial industry to the COVID-19 crisis impacted your level of trust in the industry?



# Trust in the People Behind the Professions

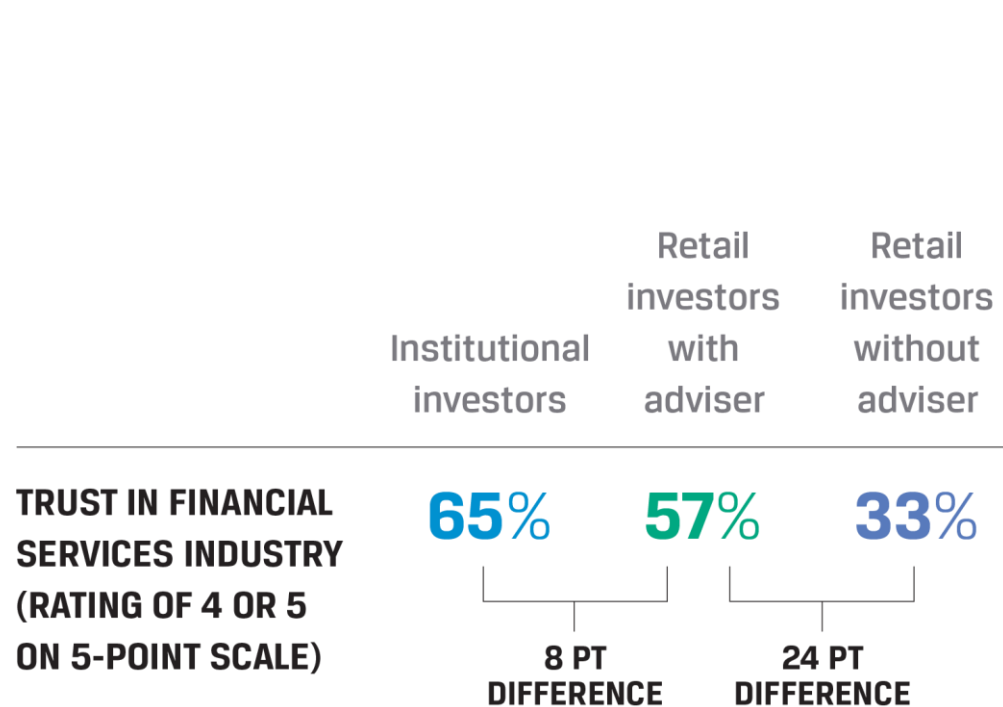
WHICH OF THE FOLLOWING TYPES OF PEOPLE DO YOU CONSIDER TO BE MORE TRUSTWORTHY? (RETAIL INVESTORS)

- High (ranked 1 or 2)
- Medium (ranked 3 or 4)
- Low (ranked 5 or 6)

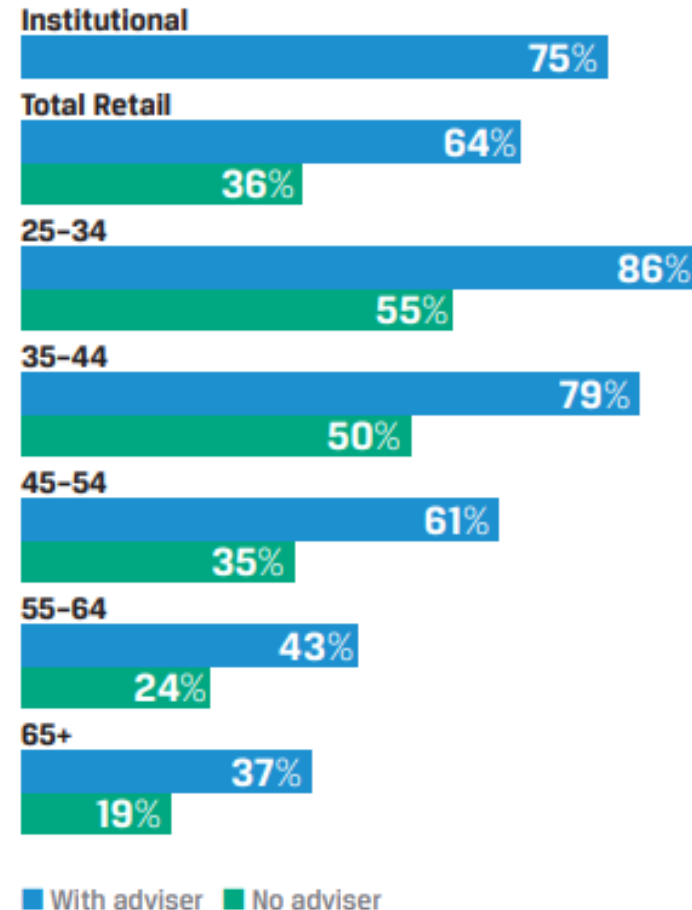




# Advisers Can Build Trust by Bridging the Information Gap



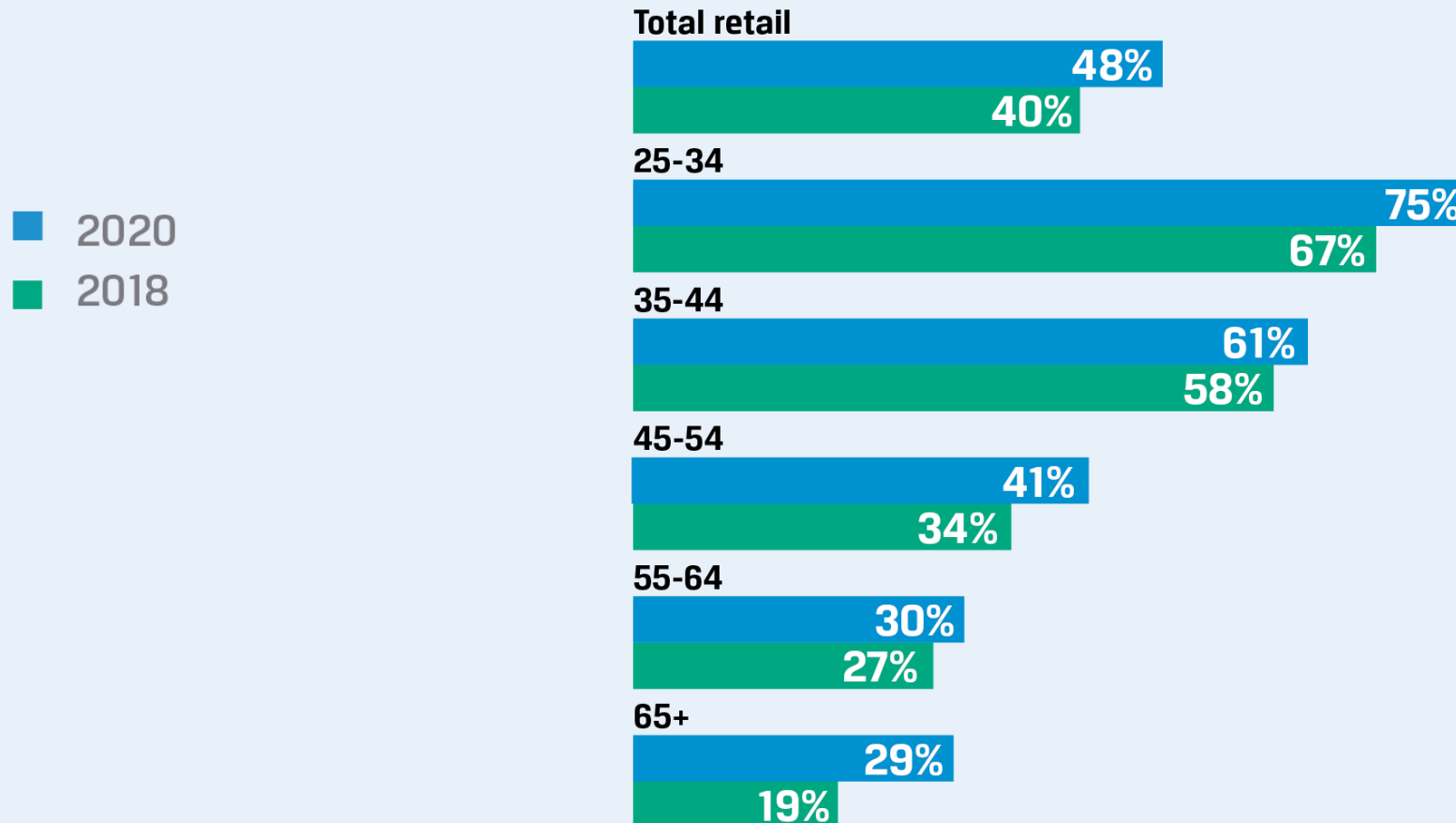
**INVESTOR INTEREST IN INVESTING IN NEW PRODUCTS (EARLY ADOPTERS), BY AGE**



# Retail Investors are Increasingly Willing to Pay More for Personalized Products or Services



## RETAIL INVESTORS WILLING TO PAY MORE FOR PERSONALIZED PRODUCTS OR SERVICES (BY AGE)





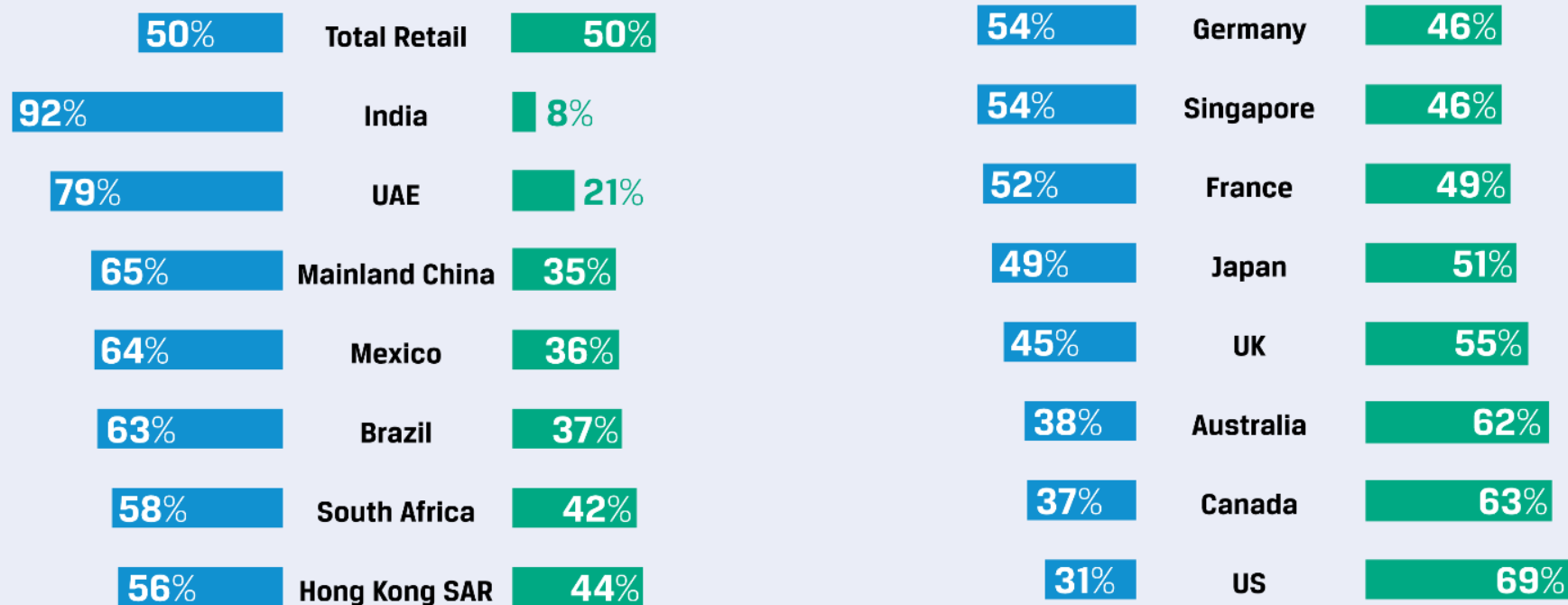
**Trust in the System:  
Innovation and Technology as  
Trust Enhancers**



# Desire for Technology by Market

**IN THREE YEARS, WHICH OF THE FOLLOWING DO YOU THINK WILL BE MORE IMPORTANT TO YOU?**

- Having access to the latest technology platforms and tools to execute my retail investment strategy
- Having a person to help navigate what is best for me and execute on my retail investment strategy



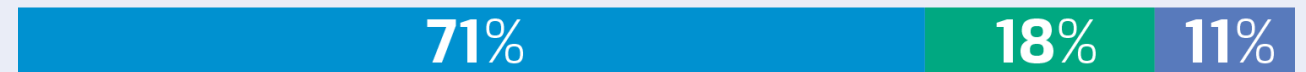


# AI + HI Gives the Best of Both

WOULD YOU INVEST IN A FUND THAT PRIMARILY USES ARTIFICIAL INTELLIGENCE TO SELECT INVESTMENT HOLDINGS?

■ Yes ■ No ■ Not sure

## Institutional



## Retail

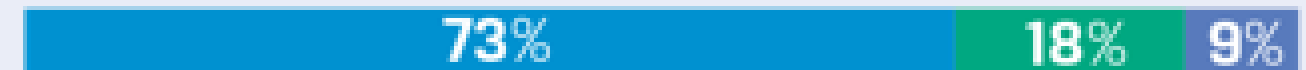


## AI

Institutional investors eager to employ artificial intelligence, retail investors not yet sure

RETAIL INVESTORS' PREFERRED SOURCE OF TRUSTED ADVICE (BY MARKET)

■ A human adviser ■ Both are equal ■ A robo-adviser



## HI

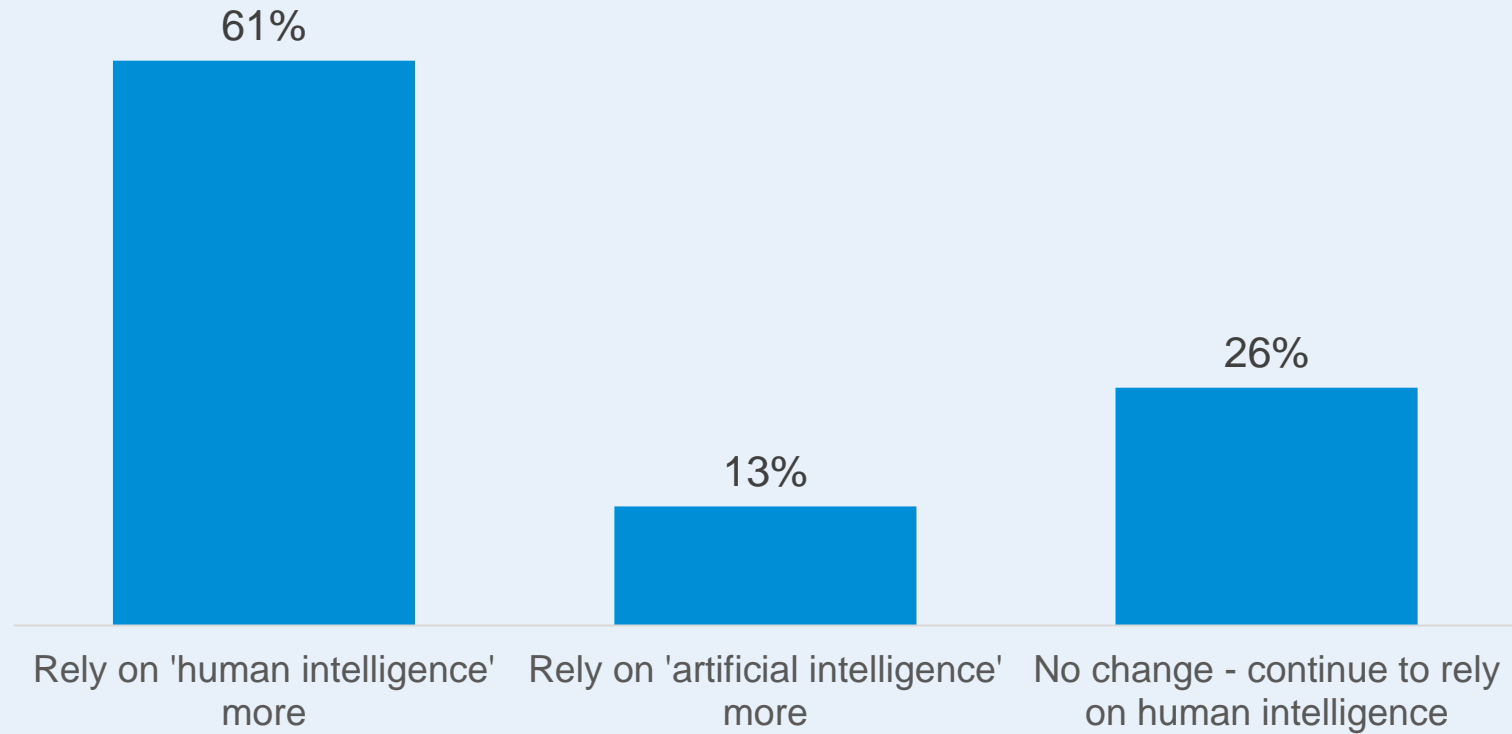
But advice is still the domain of human intelligence



## Poll Question #2

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Given the market turmoil over the last 60 days, do you feel your peers/clients will:







# Big Tech Seen as a Source of New Financial Products

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WOULD YOU BE MORE INTERESTED IN INVESTING IN A NEW PRODUCT THAT WAS CREATED BY ... ? (ASKED OF EARLY ADOPTER INSTITUTIONAL INVESTORS)

**52%**

A financial institution

**48%**

A large technology firm (e.g., Amazon, Google, Alibaba)



# The Trust Equation: Credibility and Professionalism



# The Trust Equation

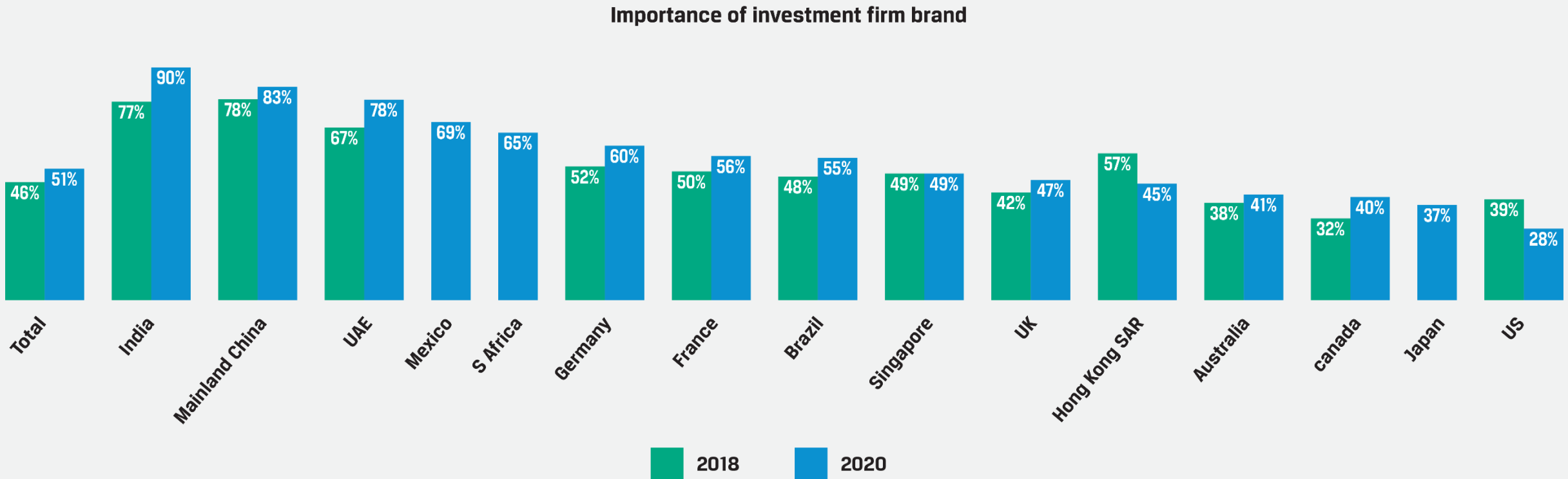




# Importance of Brand vs. People

## Brand becoming more important to retail investors in most markets

Question: When thinking about an investment firm to work with, which of the following is more important to you?  
Options: A brand I can trust, or People I can count on





# The Trust Equation: Credibility



## Credentials

Retail  
73%

Institutional  
73%

believe it is important for investment professionals to have credentials from respected industry organizations

## Track Record

Retail  
77%

Institutional  
74%

believe it is important that investment professionals generate returns similar to or better than a target benchmark

## Code of Conduct

Retail  
84%

Institutional  
93%

would trust their investment firm or adviser more if the firm adhered to a voluntary code of conduct



# The Trust Equation: Professionalism



## Competency

Retail  
82%

Institutional  
95%

trust their investment firm more if they require staff to do relevant continuing education each year

Retail  
66%

Institutional  
63%

expect staff doing relevant continuous professional development would be able to manage their portfolio better

## Values

Retail  
35%

Institutional  
25%

believe that their adviser/asset managers always puts clients' interests first

Retail  
59% (2018)  
↓ 53% (2020)

Institutional  
51% (2018)  
↓ 40% (2020)

say their asset manager or financial adviser is very transparent

# 8 Steps to Increasing Trust

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## Credibility

- 1 Maintain strong brand identity and follow through on brand promise
- 2 Employ professionals with credentials from respected industry organizations
- 3 Stay focused on building a long-term track record to demonstrate competence
- 4 Adopt a code of conduct to reinforce your firm's commitment to ethics

## Professionalism

- 5 Improve transparency and clarity regarding fees, security, and conflicts of interest
- 6 Use clear language to demonstrate that client interests come first
- 7 Showcase your ongoing professional development to improve investment knowledge
- 8 Demonstrate your dedication to the values that clients hold dear

**THANK YOU**

[trust.cfainstitute.org](http://trust.cfainstitute.org)