



# INVESTOR RESEARCH



# METHODOLOGY

The Investor Research involved surveying 600 institutional investors who have decision making power on making investments. At least 50% of respondents work at investment houses which have \$50 billion or more in AUM.

All fieldwork was undertaken in November 2022 over a period of 10 days.

## Breakdown of respondents by geography

US	250
UK	250
Europe	100



**How are investors gathering  
research and intelligence ahead  
of deploying capital?**






# Reliance on sell-side research is falling

Fund managers increasing investment into building an improving internal research models




More than 6 in 10 investors rely mainly or entirely on their own research over sell-side

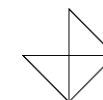
*To what extent do you rely on sell-side research versus your own internal company research when considering investing in companies/assets?*

	Global			
We rely entirely on our own proprietary research	22%	17%	28%	21%
We rely mainly on our own proprietary research	39%	41%	38%	35%
We rely on a broadly equal mix of our own research and sell-side research	19%	20%	17%	24%
We rely mainly on sell-side research	13%	13%	13%	11%
We rely entirely on sell-side research	6%	9%	3%	8%

72% of investors are increasing investment into building their own proprietary research capabilities

*To what extent are you investing in your own in-house proprietary research capabilities into companies/assets (e. g. , developing new analysis, models, research teams, technology etc)?*

	Global			
We are investing significantly more in developing our in-house research capabilities than we were 3 years ago	28%	26%	33%	18%
We are investing slightly more in developing our in-house research capabilities than we were 3 years ago	44%	37%	48%	54%
We are investing broadly the same in our in-house research capabilities than we were 3 years ago	19%	25%	12%	21%
We are investing slightly less in our in-house research capabilities than we were 3 years ago	7%	10%	7%	4%
We are investing significantly less in our in-house research capabilities than we were 3 years ago	2%	3%	0%	2%



# Skepticism around data reliability means fund managers rely on multiple information sources

In-sourced research from “raw data sources” generally seen as having higher reliability than from outsourced providers

*In general, how do you rate the robustness and reliability of the information, data and research provided by the following?*

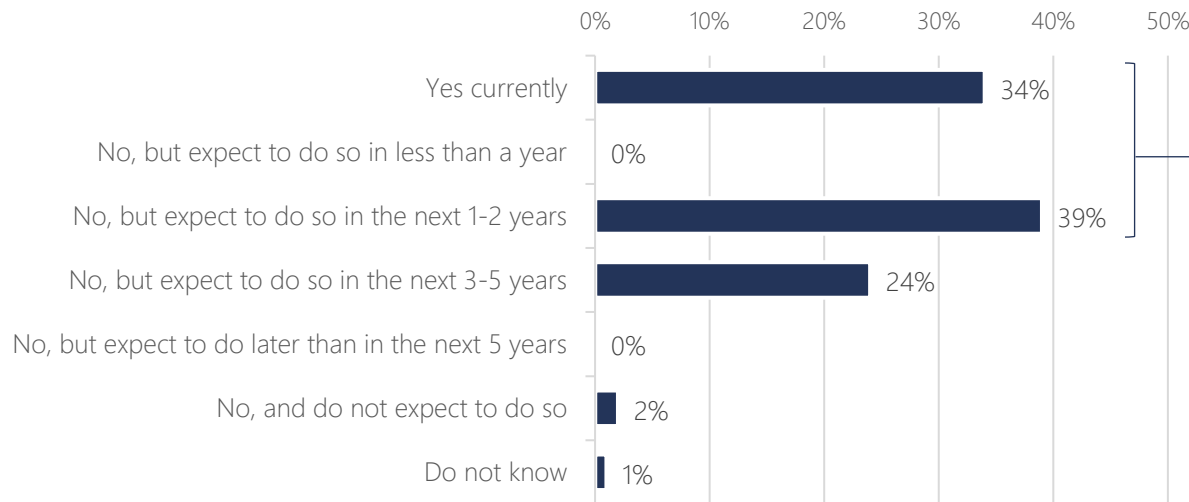
Data source	% Reliable (Net)	% Highly reliable
Data scraped by Big Data / AI, NLP algorithms	63%	30%
Research & ratings from ESG / sustainability ratings providers	64%	27%
Traditional media (newspapers and newswires)	62%	27%
Social media (LinkedIn, Twitter etc)	60%	25%
Research & ratings from credit ratings agencies	62%	24%
Information provided by companies outside of their financial reporting (e.g., Investor days, ESG reports)	61%	24%
Sell-side equity research	60%	24%



# Use of NLP and AI will be the norm for fund managers within 1-2 years

AI and NLP already used by more than one third of investors and adoption expected to soar within 24 months

*Do you currently use AI / Natural Language Processing in your investment analysis?*



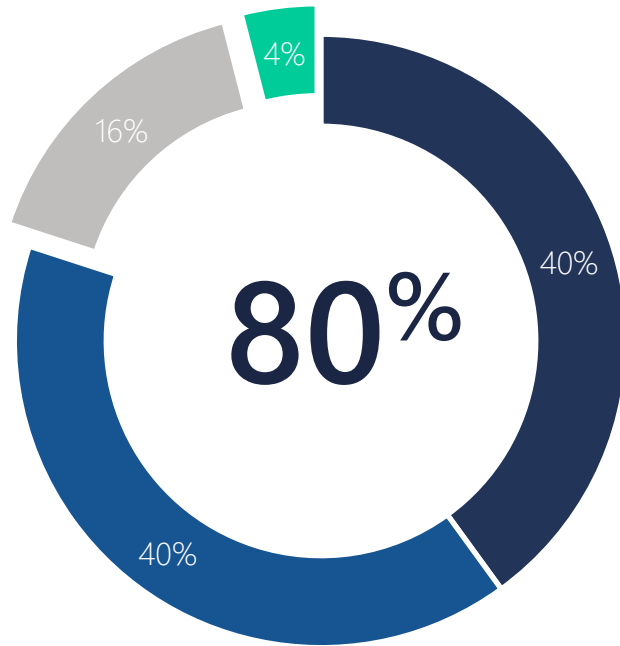
**73%**  
of investors will use NLP and AI in their analysis within the next 2 years



# Despite concerns over reliability, social media is a widely-used data source for investors

80% of fund managers often look at the social media output of a company and its management team when making investment decisions

*When considering investing in a company, which of the following statements, if any, best describes how you consider their social medial channels?*



- I often look at the social media output of a company and its management team and find it a very valuable insight into the qualities of a potential investment
- I often look at the social media output of a company and its management team and find it a slightly/occasionally useful insight into the qualities of a potential investment
- I rarely look at the social media output of a company and its management
- I never look at the social media output of a company or its management



**How well are companies  
communicating with investors  
about key valuation drivers?**





# Companies are failing to convince investors in some of the most important valuation drivers

ESG is a top factor for investors when considering a company's attractiveness, but isn't communicated as clearly as other issues

*How important or not important to the attractiveness of companies as investments are their management team's views on the following?  
When engaging with companies and their management teams, in general, how clearly or not clearly do you think they articulate the following?*

Issue	% say important to attractiveness of company (NET)	% say companies clearly articulate (NET)	Communication Gap (NET)	% say companies "very clearly" articulate	Communication Gap (best practice)
ESG strategy	76%	72%	-4	31%	45
Plans to mitigate impact of inflation on the business	76%	74%	-2	33%	43
Capex plans	73%	74%	+1	30%	43
Long term corporate strategy	72%	69%	-3	31%	41
Ability to attract and retain talent	72%	72%	0	32%	40
Tech/digitization strategy	71%	74%	+3	32%	39



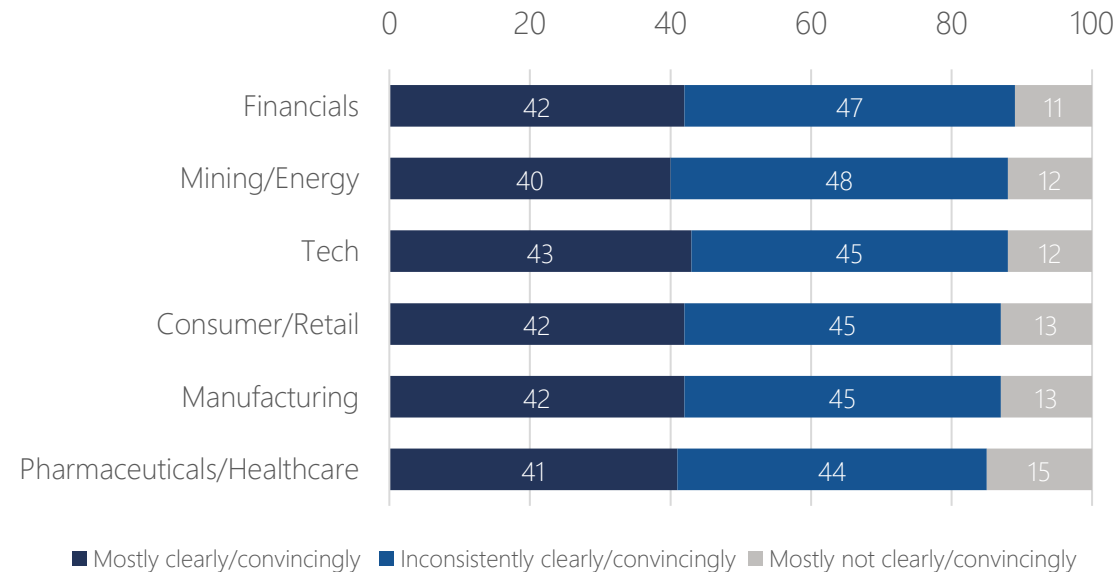
# Net Zero strategy is the problem child within the broader ESG family for companies

**72%**

of investors believe companies clearly articulate their overall ESG strategy...

(31% very clearly; 41% somewhat clearly)

*In which of the below sectors, if any, do you think companies and their management teams communicate clearly and convincingly about their net zero strategy?*



... but only

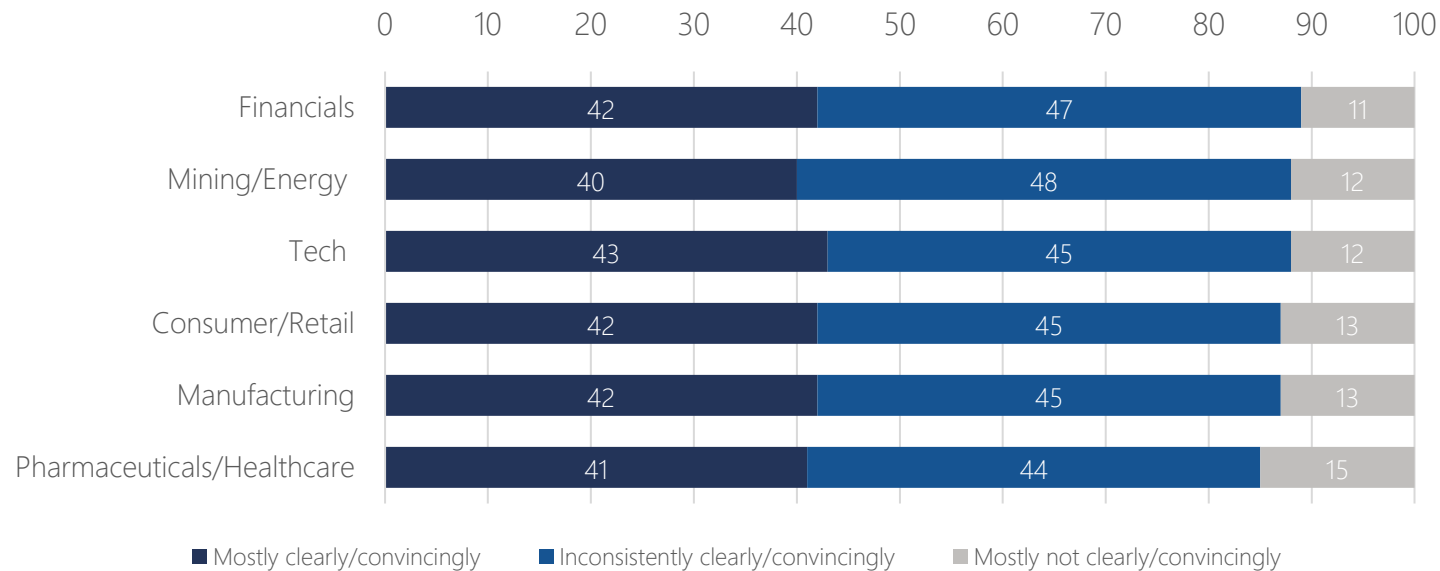
**42%**

of investors, on average, believe companies' Net Zero strategies are mostly communicated convincingly



# Investors see variability across sectors in management teams' abilities to communicate their plans

*In which of the below sectors, if any, do you think companies and their management teams communicate clearly and convincingly about their corporate strategy and their investment case?*



**58%**  
of investors, on average, believe management teams are inconsistent or unconvincing when communicating their strategy and investment case

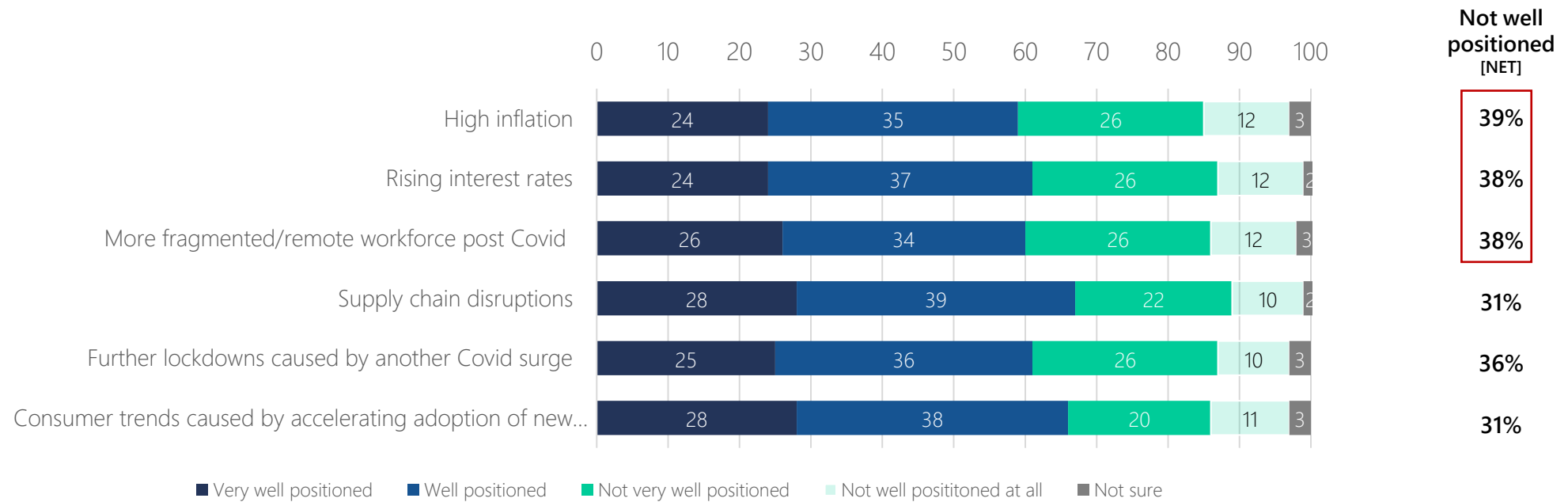


# Outlook for the year ahead



# Investors see inflation, rising interest rates & fragmented post-Covid workforce as biggest risks to companies

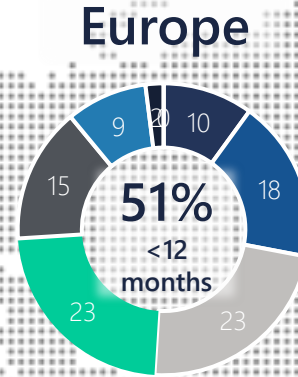
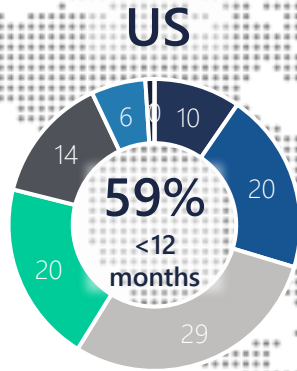
*In general, how well or not well positioned do you believe companies are to withstand the pressure placed on them by the following issues?*



# Majority of investors believe that recession will last less than a year

US expected to experience shorter recession than UK and Europe

*If the following regions enter a recession in 2023, how long do you expect the recession to last?*



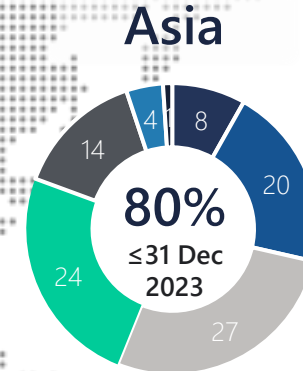
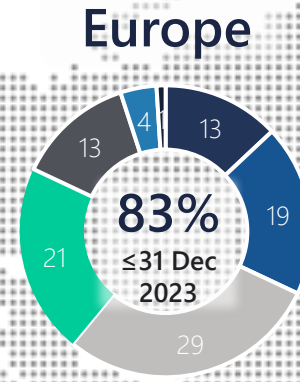
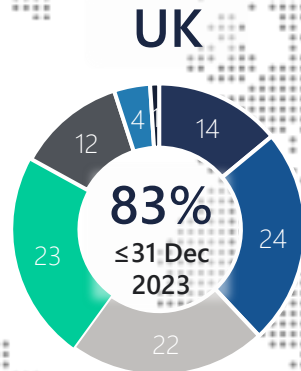
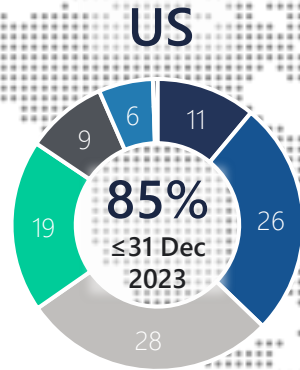
- Less than 3 months
- 3 - 6 months
- 7 - 12 months
- 13-18 months
- 19 months - 2 years
- More than 2 years
- I don't think there will be a recession
- Not sure



# High investor confidence in M&A rebound during 2023

Investors have most confidence in US and least confidence in Asia

*In the following regions, how long do you predict it will be before we see a return to buoyant M&A markets?*



■ January - March 2023   
 ■ April - June 2023   
 ■ July 2023 - September 2023   
 ■ October 2023 - December 2023   
 ■ During 2024   
 ■ During 2025   
 ■ 2026 or later

