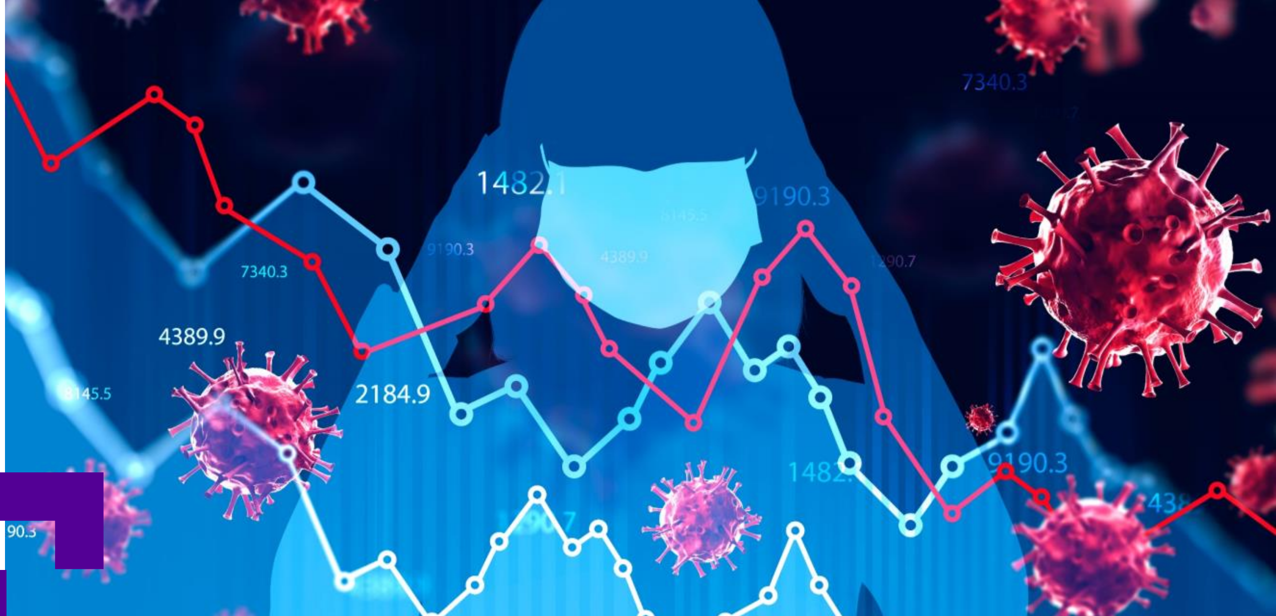


escalent

VOLUME 7 | APRIL 22, 2020

Financial Services COVID-19 Market Research Perspectives

Ongoing coverage of COVID-19's impacts

With the COVID-19 pandemic as a backdrop, there is a big disconnect between the consistently higher confidence among advisors and the decreasing confidence among affluent investors. Advisors and asset managers should consider proactively sharing more perspective and guidance now to try and close that gap.

In this volume, we reveal some of the latest Cogent Syndicated data from the second wave of both the Cogent Beat™ Advisor and Cogent Beat™ Investor surveys. These data support this need to be communicating with investors who need to feel more confident and like they are taking action.

COMPLIMENTARY WEBINAR

Advising Investors In Challenging Circumstances

DATE: Thursday, April 23, 2020

TIME: 2-3 PM EST

REGISTER: Email cogent@escalent.co

We've got you covered.

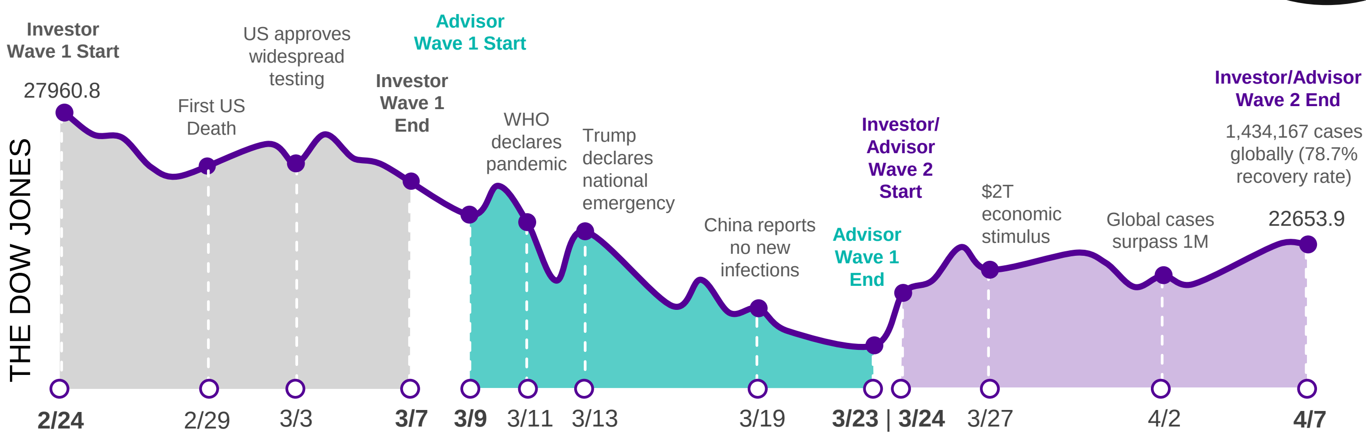
What to do:

1. **Attend Complimentary Webinars**
2. **Read and Subscribe to Cogent's Market Pulse Offering**
3. **Share More Perspective and Guidance Now**

Investors In Challenging Circumstances

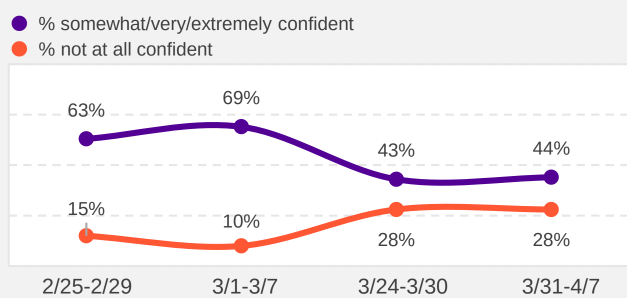
"Reality is setting in with investors as concerns about infectious disease and ensuing panic, recession, cost of living/having enough money and employment (or unemployment) are up significantly. More than two-thirds of investors say these concerns will impact their investment decisions going forward. How that impact manifests itself still remains to be seen. Overall, investors are skeptical of the outlook for the US economy and uncertain about what opportunities the current situation presents, shining a spotlight on a chance for the industry to provide much needed perspective and guidance."

– Linda York, SVP, Financial Services, Cogent Syndicated



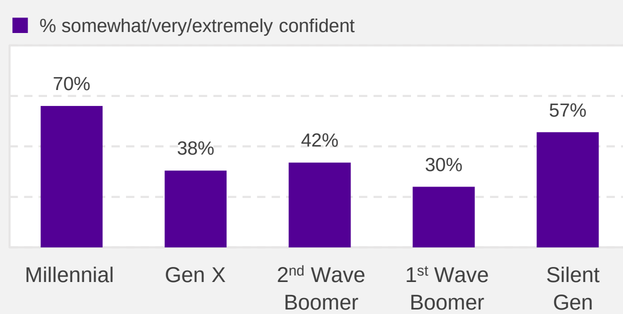
Significant decrease in investor confidence

In comparison to late February (pre-pandemic), we see a significant decrease in investors' confidence in the overall stability of the global economy—a sharp contrast to financial advisors whose confidence levels are stronger and more stable. Correspondingly, there is a significant increase in the percent of investors who are "not at all confident."



Yet not all investors feel the same way

70% of affluent Millennial investors continue to feel at least somewhat confident in the stability of the global economy—significantly higher than their older counterparts.



escalent

Investors In Challenging Circumstances (cont.)

Biggest Fear

52%

More than half of investors now rank **infectious disease** as their #1 fear with respect to their investments and overall financial health.

Strongly Impacting Investing Decisions

36%

In a sign of things to come, significantly more investors now say the COVID-19 pandemic will have a **strong impact on their personal investing decisions** compared with their sentiment pre-pandemic (18% in February).

Especially Among Millennials

78%

Affluent Millennial (78%) and Gen X (65%) investors are more likely to say the pandemic will have a strong impact on their investment decisions compared with Boomers (50-55%) and Silent Generation (55%) investors.

Specific Impacts

Most commonly, specific impacts cited include:

- Losing money
- **Becoming more conservative**
- Gravitating toward low-risk investments
- Limiting additional investing—at least in the short term
- **Speaking with your financial advisor**

27%
More Conservative
(Total)

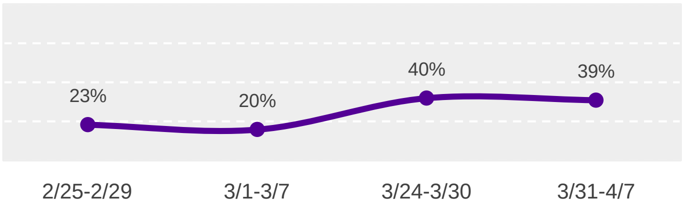
Over one-quarter of affluent investors say they've become more conservative in their risk tolerance and just 10% say they've become less conservative.

29%
Less Conservative
(Millennial)

We see generational differences: 29% of affluent Millennials are now less conservative—significantly higher than older generations—while 28% of affluent Millennial investors have become more conservative.

The COVID-19 pandemic has certainly spurred investors to reach out to their financial advisors. In fact, the percent of affluent investors who spoke with their advisor in March nearly doubled from the percentage that did so in late-February. This indicates that investors want more perspective and guidance.

% spoken with your financial advisor

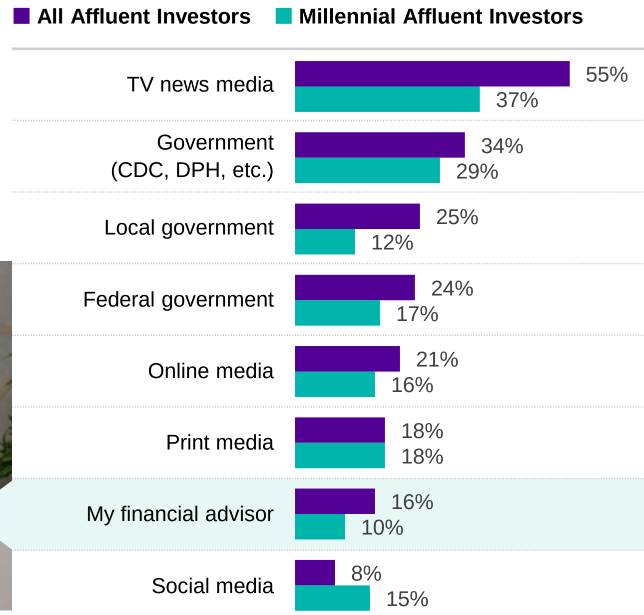


Investors In Challenging Circumstances (cont.)

The financial services industry could be providing investors with much more perspective and guidance

More than half of affluent investors turn to TV news media for insights or guidance regarding the COVID-19 outbreak. In contrast, just 8% are relying on social media. But again, we see differences with Millennials. Just 37% of affluent Millennial investors seek information from TV news media and 15% rely on social media sources—nearly double the proportion of affluent investors overall.

Ranking the main sources of information for insights or guidance regarding the coronavirus pandemic:



Cogent Beat™ Investor Methodology

- Online survey
- Rep sample: 1,152 in Wave 1, and 1,226 in Wave 2 among affluent investors (age 18+ with $100k+ in investable assets)
- Field period: 2/24-3/7 Wave 1, 3/24-4/7 Wave 2

In Case You Missed It

Cogent Syndicated published its US Institutional Investor Brandscape report that identifies key trends in investment strategy, asset manager selection, usage and loyalty.

Cogent Syndicated: Keeping a pulse on critical market trends

We began tracking the impact of COVID-19 pre-pandemic…and we're not stopping. Our ongoing data collection through Cogent Beat enables you to gauge the metrics that matter most at a cadence that's right for you.

Our new Market Pulse offering provides exclusive subscriber access to COVID-19 data, monthly scorecards tracking brand metrics, custom data cuts and the ability to add proprietary questions and attributes to our ongoing fielding.

Interested in learning more? Email cogent@escalent.co

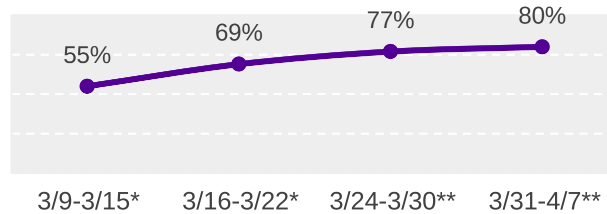
Advisors In Challenging Circumstances

The impact of COVID-19 on client portfolios is even greater than what advisors anticipated.

Strongly Impacting Clients' Investments

80% of advisors now report that COVID-19 has had a strong or very strong impact on their clients' investments, up from 55% the week of March 9th.

Strong Impact on Client Portfolios



* Anticipated impact ** Perceived Actual Impact

Advisor Actions Taken as a Result of COVID-19

Been contacted by clients directly in regards to COVID-19:
The proportion of advisors saying they've been contacted by their clients has increased from Week 1 as more advised affluent investors also report contacting their advisor.

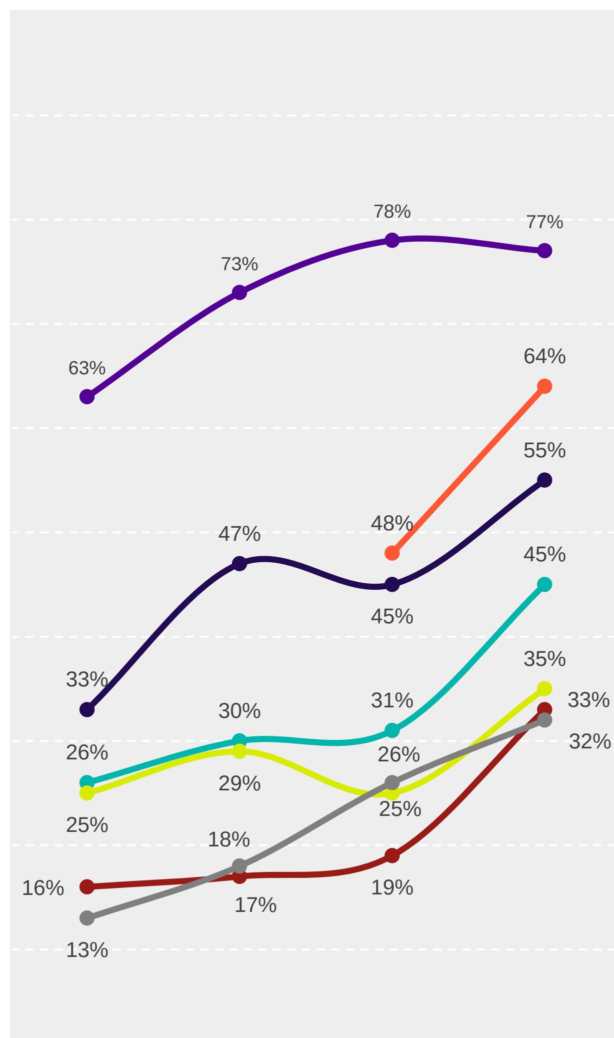
Shared educational resources with clients:
Indicating an opportunity for asset managers, nearly two-thirds of advisors report sharing educational resources with clients, up from just under half just one week before.

Made changes to clients' existing allocations:
The proportion of advisors making changes to clients' existing allocations increased from 33% in Week 1 to 55% in Week 4 of surveying.

Recommended changes in clients' allocations for future investments:
The proportion of advisors recommending changes in clients' allocations for future investments has increased from 26% in Week 1 to 45% in Week 4 of surveying as advisors identify risks and opportunities.

Reduced equity exposure
Increased equity exposure
Initially, advisors were more likely to reduce than increase equity exposure, but recently advisors have been increasing their equity exposure as well, indicating there are some winners.

Reduced exposure to international funds/emerging markets:
Changes to allocations also include reducing exposure to international markets, with the proportion of advisors reducing their international exposure doubling from Week 1 to Week 4 as the virus spreads worldwide.



Advisors In Challenging Circumstances (cont.)

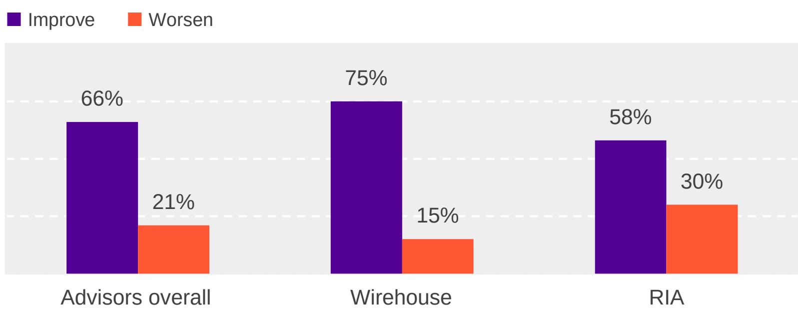
Yet Advisors Remain Confident

Despite the hit to client portfolios, advisors remain confident and are hopeful that the US economy will rebound quickly.

71% of advisors are at least somewhat confident in the stability of the global economy, with advisors' level of confidence **holding steady over the past four weeks.**

66% Two-thirds of advisors think the US economic outlook will improve in the second half of this year, with just 21% predicting conditions will worsen.

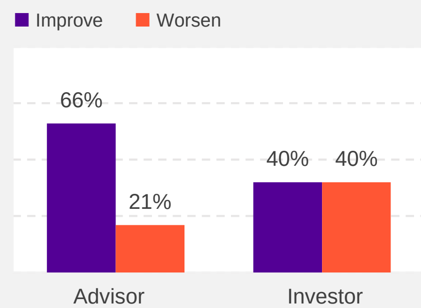
RIAs express much greater pessimism compared with their peers in the wirehouse channel.



Advisors Are Much More Confident Than Investors

When asked to project the outlook for the US economy in the second half of 2020, 40% of affluent investors believe conditions will improve, yet an equal percentage (40%) believe things will get worse. This is in sharp contrast to the 66% of advisors who are expecting conditions to improve in the second half of the year.

Advisors should share this perspective and guidance to help their investors feel more confident.



Cogent Beat™ Advisor Methodology

- Online survey
- Rep sample: 768 in Wave 1, and 585 in Wave 2 among financial advisors across all channels and AUM levels
- Field period: 3/9-3/22 Wave 1, 3/24-4/7 Wave 2

Cogent Beat continuously tracks sentiment and behaviors of financial advisors and affluent investors.

Have additional questions? Escalent can add a proprietary module within the survey for you. Talk to us.

"In this time of unprecedented change, the value of this data to inform business decisions has never been higher. Cogent Syndicated will keep a pulse on these critical market trends and track brand health for the leading investment providers in the weeks and months ahead. Firms that take the time now to assess how they are meeting these challenges will be best positioned to thrive."

– Meredith Lloyd Rice, VP, Financial Services, Cogent Syndicated

Other Actions In Challenging Circumstances

Q&A with Mike Berinato

Vice President, Financial Services

Q: As someone immersed in researching the financial services industry, what is your perspective on the actions people are taking now during these challenging circumstances?

A: What we see happening is a little like the toilet paper phenomenon in a sense. You didn't need that toilet paper—you weren't going to run out—but you needed to feel like you were doing something. This environment brings people's finances to the forefront as they are a bit desperate to feel a sense of control right now with their finances. That may take the form of calling their advisor, or it may be adding some more self-directed element to their investments.

Q: What are some of the actions you see investors taking right now?

A: Nearly twice as many investors spoke with their advisor in March. Fidelity is showing upticks in engagement and is hiring to support that. So investors are monitoring their finances more closely. Their advisors should be talking to them proactively to help them feel like they have taken action, even if that means choosing to stay the course. Many investors will decide it's time to sit tight. But some will want to do more. Charles Schwab is reporting a tremendous number of accounts being opened. Vanguard had major fund inflows in the first quarter, but we also see movement into cash.

Q: And what are some of the actions you see advisors taking?

A: Some portfolios are adjusting—we see more than 4 in 10 advisors making some sort of change. But advisors are saying that, while some investors should trim their exposures, others should sit tight. Well-established brands, like certain American Funds and the SPDR S&P 500, are looking like more reliable ports in a storm for moves that advisors do choose to make as they try to figure out how to stem, if not make up, their losses a bit faster. The most common action is, simply, client communication. Emotional and behavioral management cannot be underestimated.

Q: What actions are asset managers taking beyond the portfolio?

A: While not on the front lines themselves, asset managers are certainly committing significant resources to help in the fight against and recovery from COVID-19. Every day there are new reports of donations of money or goods to healthcare or relief organizations, as well as new Impact Funds being established for small businesses, philanthropic organizations, and others to get loans. It's almost to the point where, if you're not taking action, you are the odd man out.

In Case You Missed It

cogent syndicated

CASE STUDY

[Ready for Lift-Off: Attributing Brand Lift to Advertising]

JAVELIN

WEBINAR

[Securing the FI Contact Center]

IMPACT NOTE

[Paycheck Protection Program: Urgent Lender Challenge/Opportunity]

We've got you covered!

Our financial service research experts are committed to bringing you the data and insights you need to more effectively run your business. Let's continue our strategic partnership to keep research moving forward in a time when the financial services sector needs it more than ever.

Meet just a few of our financial service research experts:

Talk to us.

Linda York
Senior Vice President
Financial Services
P: 617.715.7617
E: LINDA.YORK@ESCALENT.CO

Meredith Lloyd Rice
Vice President
Financial Services
P: 617.715.7630
E: MEREDITH.RICE@ESCALENT.CO

About Escalent

Escalent is a top human behavior and analytics firm specializing in industries facing disruption and business transformation. As catalysts of progress for more than 40 years, we tell stories that transform data and insight into a profound understanding of what drives human beings. And we help businesses turn those drivers into actions that build brands, enhance customer experiences and inspire product innovation.

Visit escalent.co to see how we are helping shape the brands that are reshaping the world.