2018 Global Investor Survey

Anxious optimism in a complex world

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Introduction

For the third year, we have set out to get insight into the thinking and strategic direction of chief executive officers (CEOs) around the world and how their views compare with the perceptions and expectations of investment professionals. We asked the two groups for their opinions on growth prospects in a disruptive environment, the effects of globalisation and the threats that companies face today. We also sought their views on managing and maintaining stakeholder trust and the challenges and opportunities presented by technology and automation.

Their responses, as in past years' surveys, unsurprisingly showed a variety of perspectives, along with many similarities. We hope these findings will help to improve the quality of engagement – and perhaps understanding – between companies and the investment community.

Note: Throughout this report we use the terms 'investment professionals' and 'investors' interchangeably to describe the respondents to our survey. This group of capital market participants includes portfolio managers, equity analysts, credit ratings agencies, governance and stewardship professionals, private equity investors and individual investors. They cover a range of industries and focus on the equity markets, fixed income markets or both.

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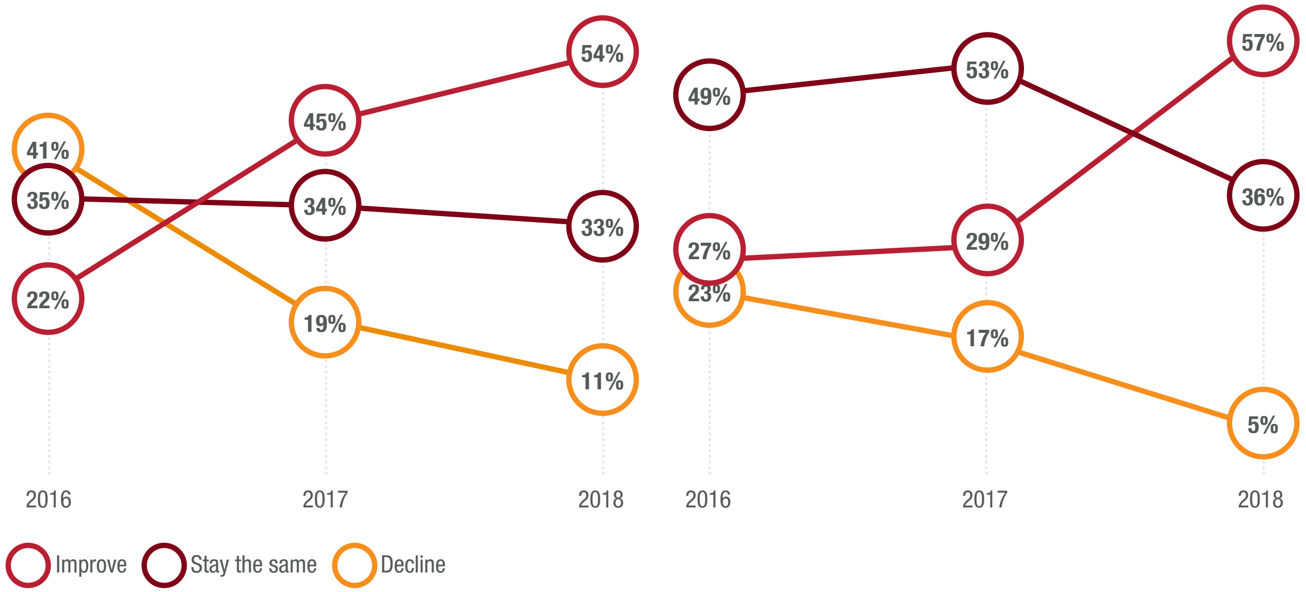
Global growth:
Great expectations

Investment professionals continue to show optimism in the global economy, at least over the next 12 months. And that growth translates into positive expectations for companies in the near term. However, investment professionals aren't so positive about the longer term, with their growth expectations for companies over the next three years declining from last year's survey.

Investors and CEOs are more confident about the global outlook than they were last year

Q Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?



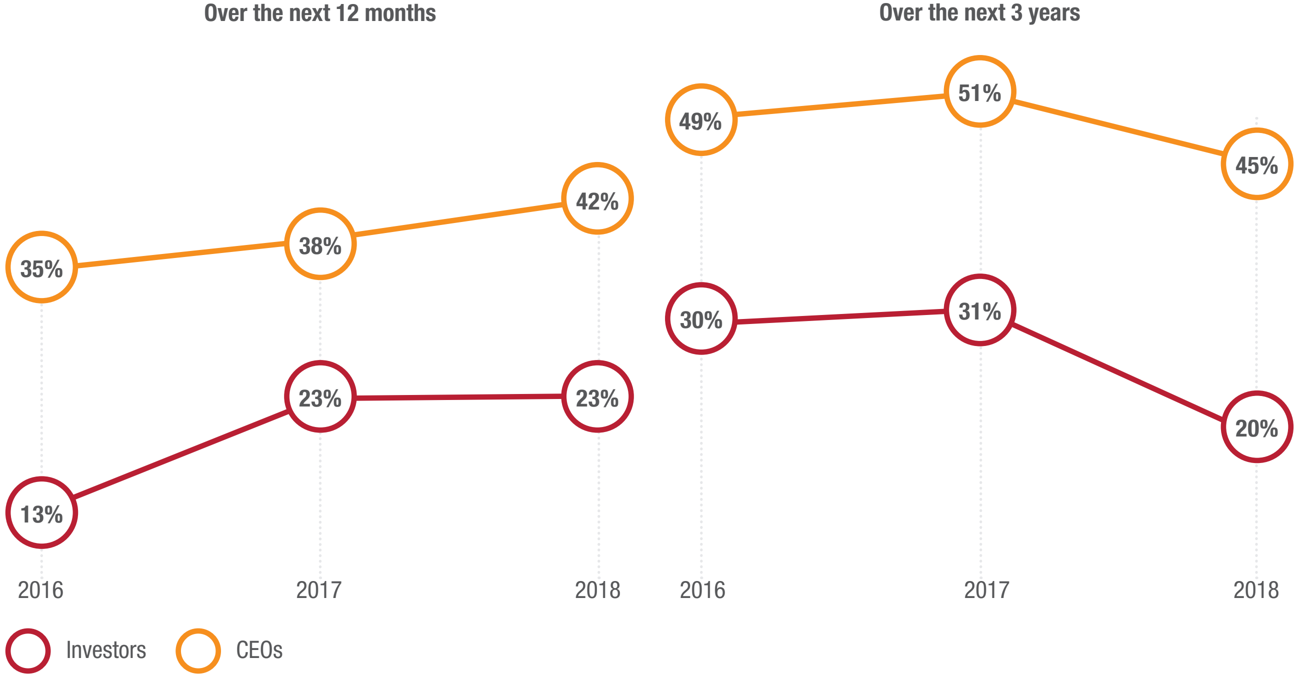
"The economy is improving. The biggest risk I see is a China slowdown."

Investment professional, US

Investors are less confident about growth than CEOs, and their confidence in the long term has declined since last year

Q How confident are you about the prospects for revenue growth for the companies you invest in or follow (for investors) or for your organisation (for CEOs) over the next 12 months and over the next three years?

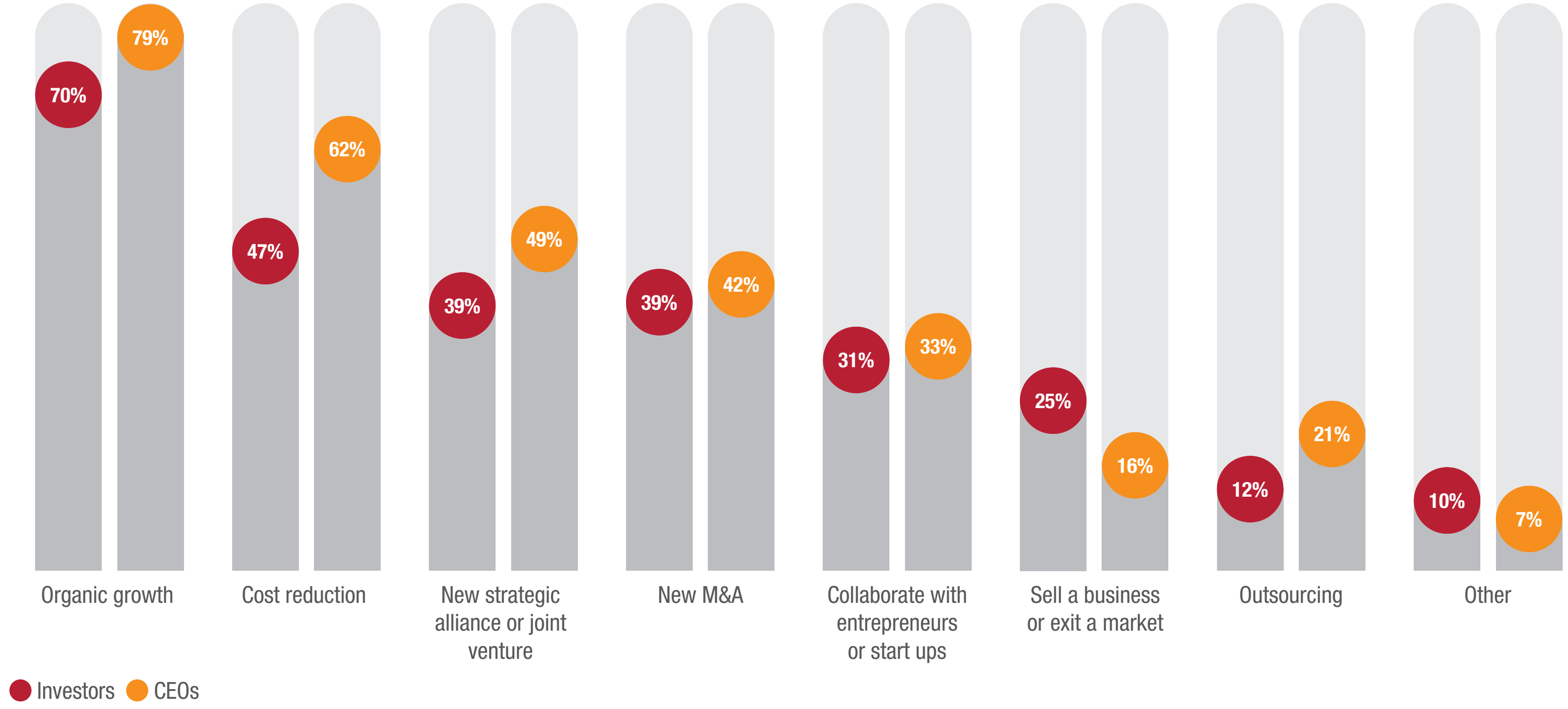
Chart shows percentage of respondents answering 'very confident'.



Investors and CEOs both prioritise organic growth

Q Which of the following activities, if any, do you think companies should be planning (for investors) or are you planning (for CEOs) in the next 12 months in order to drive corporate growth or profitability?

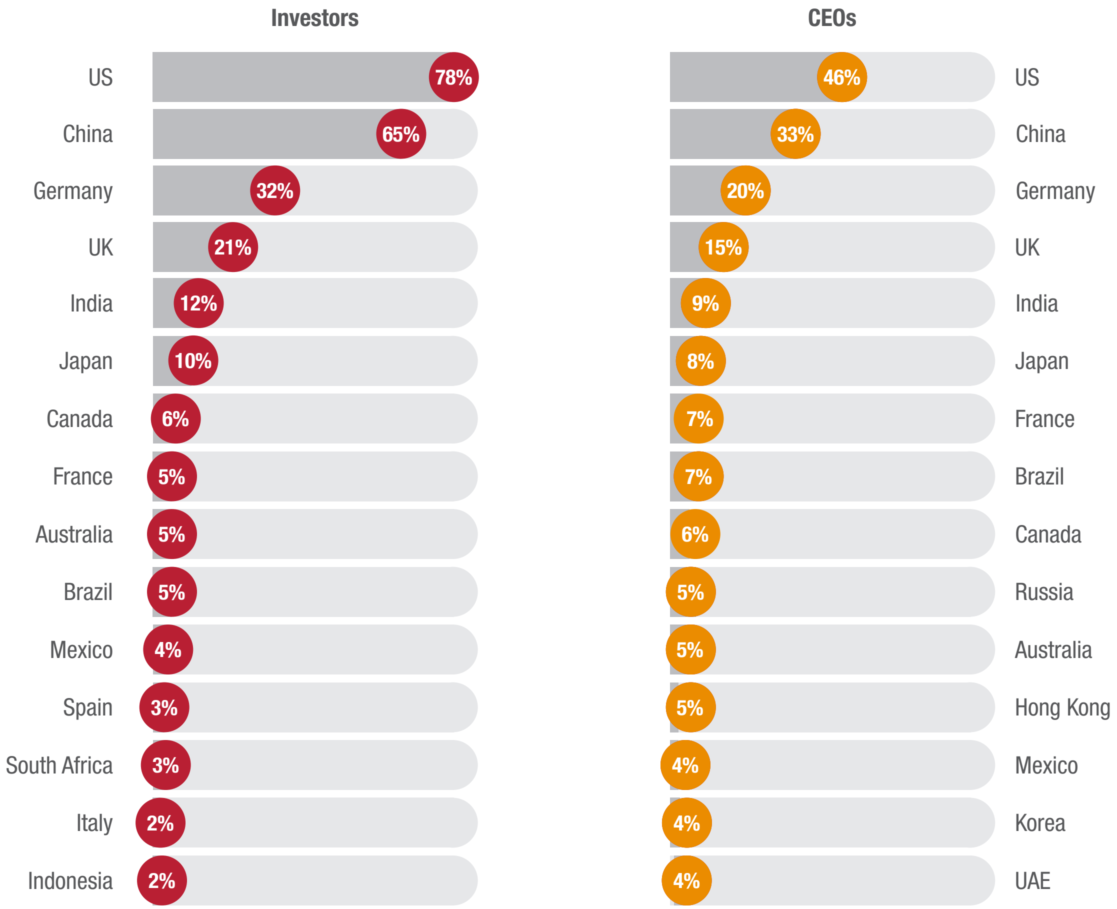
Investors who responded 'Other' mentioned technology and innovation as important for driving growth and profitability.



The US remains in the top spot for global investment, followed by China

Q Which three countries do you consider most important for the overall growth prospects for the companies you invest in or follow (for investors) or your organisation's growth prospects (for CEOs) over the next 12 months?

CEOs were asked not to select the country in which they are based.



Countries important for growth in 2017

Investors' top five countries are the same as last year

US
85%

China
62%

Germany
32%

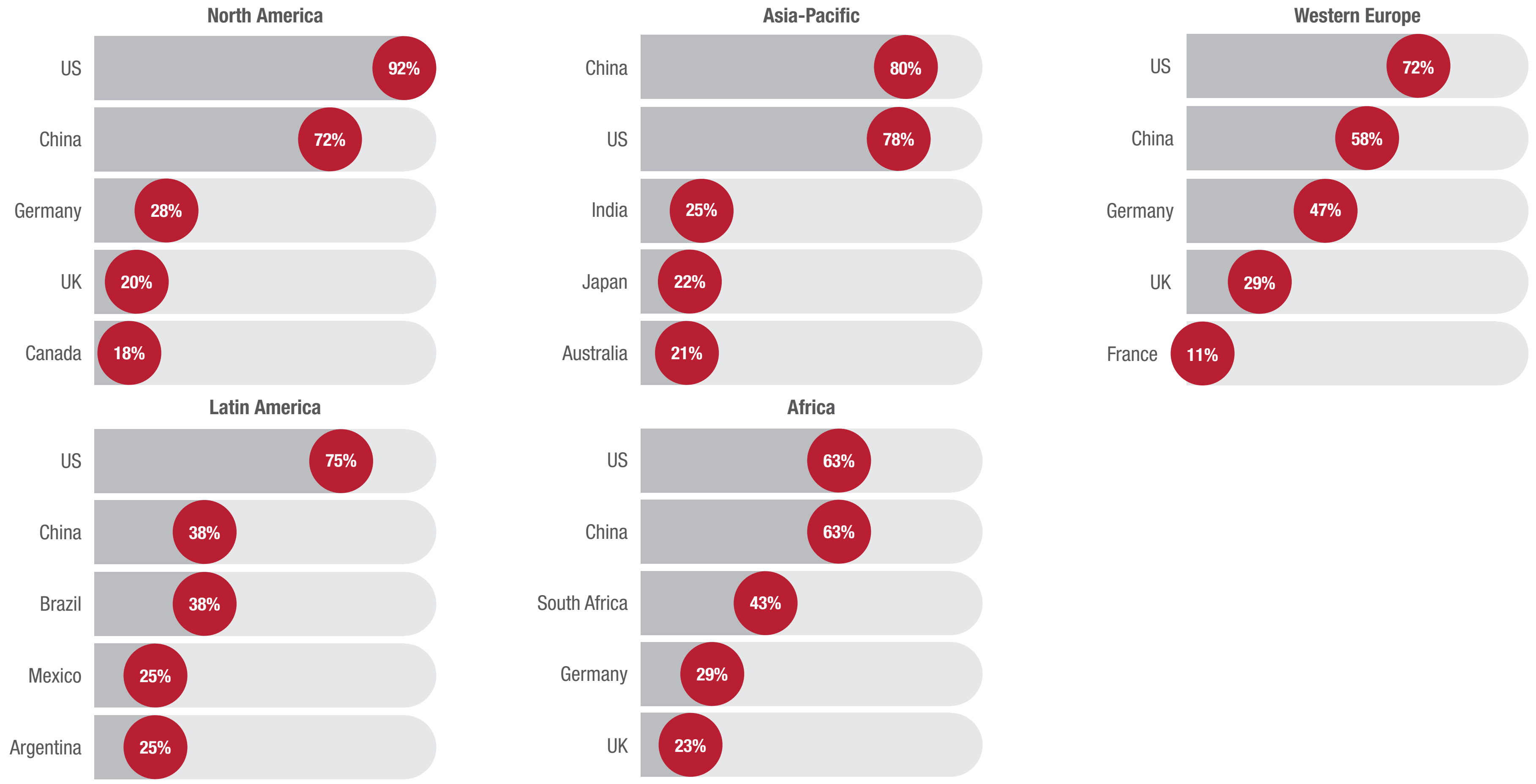
UK
32%

India
10%

Regardless of where investors are based, the US and China are top choices for global investment

Q Which three countries do you consider most important for the overall growth prospects for the companies you invest in or follow (for investors) or your organisation's growth prospects (for CEOs) over the next 12 months?

Ranking for respondents based in the region.



"I don't think Brexit will destabilise growth, but the next few years will be hard for the UK."

Investment professional, UK

02

Threats:

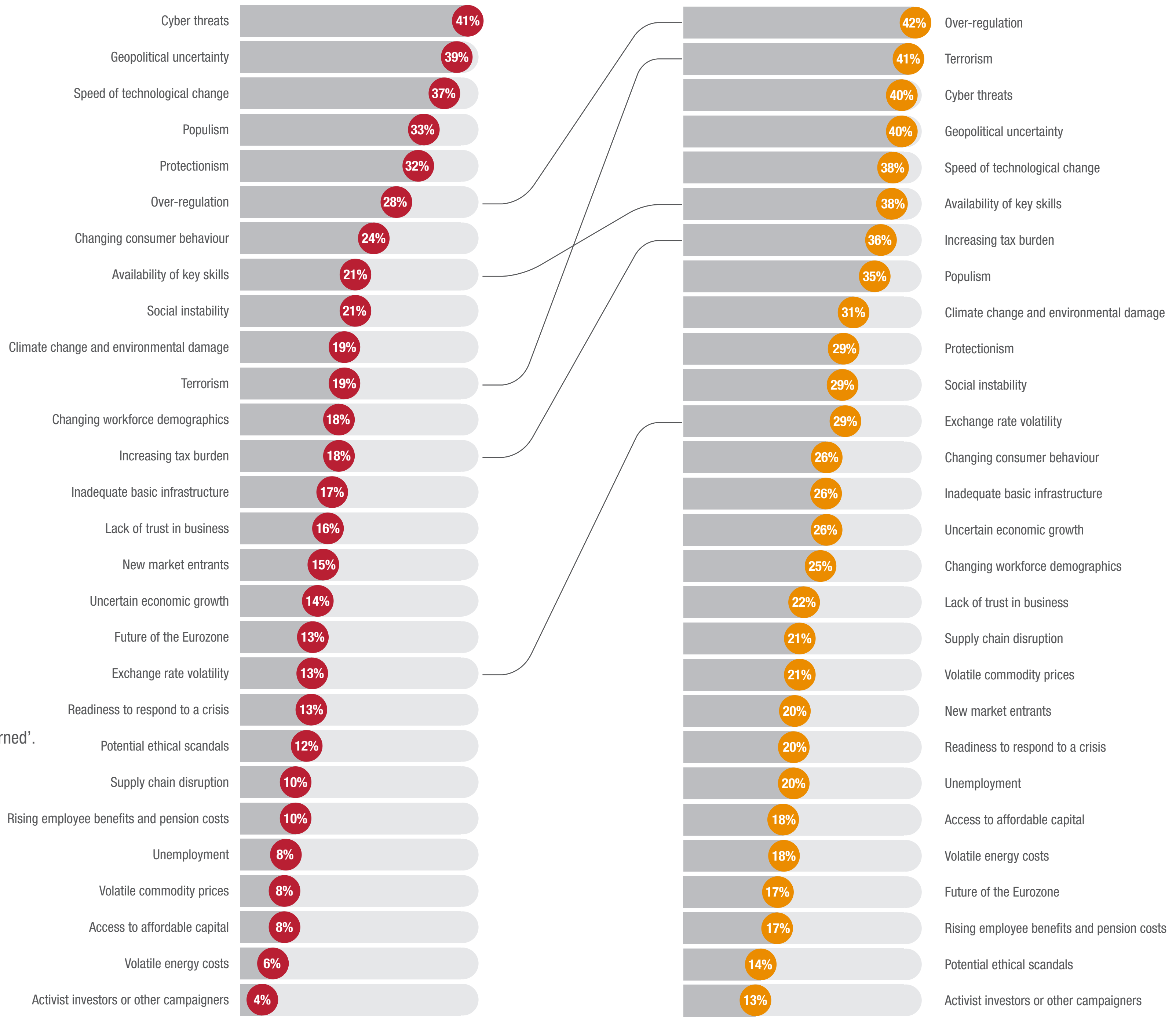
What CEOs worry about is not always the same for investment professionals

Technological advancements are in the news on a regular basis, so it is no surprise that investment professionals' and CEOs' concerns about the speed of technological change and cyber threats have increased from last year's survey. But investment professionals and CEOs differ quite significantly in their views of whether over-regulation, availability of key skills, terrorism and an increasing tax burden will affect company growth prospects; although these are keeping CEOs up at night, they don't seem to be as concerning to investment professionals.

CEOs are far more concerned about over-regulation, terrorism and taxes than investors are, but both are concerned about cyber threats and geopolitical uncertainty

Q How concerned are you, if at all, about the following potential business, economic, policy, social and environmental threats to company growth prospects (for investors) or to your organisation's growth prospects (for CEOs)?

Chart shows ranking of respondents answering 'extremely concerned'.



Investors CEOs

Concerns about threats in 2017

Investors' level of concern about some threats has changed since last year

Future of the eurozone

35%

Speed of technological change

21%

Exchange rate volatility

22%

03

Global vs local:

Navigating a fractured world

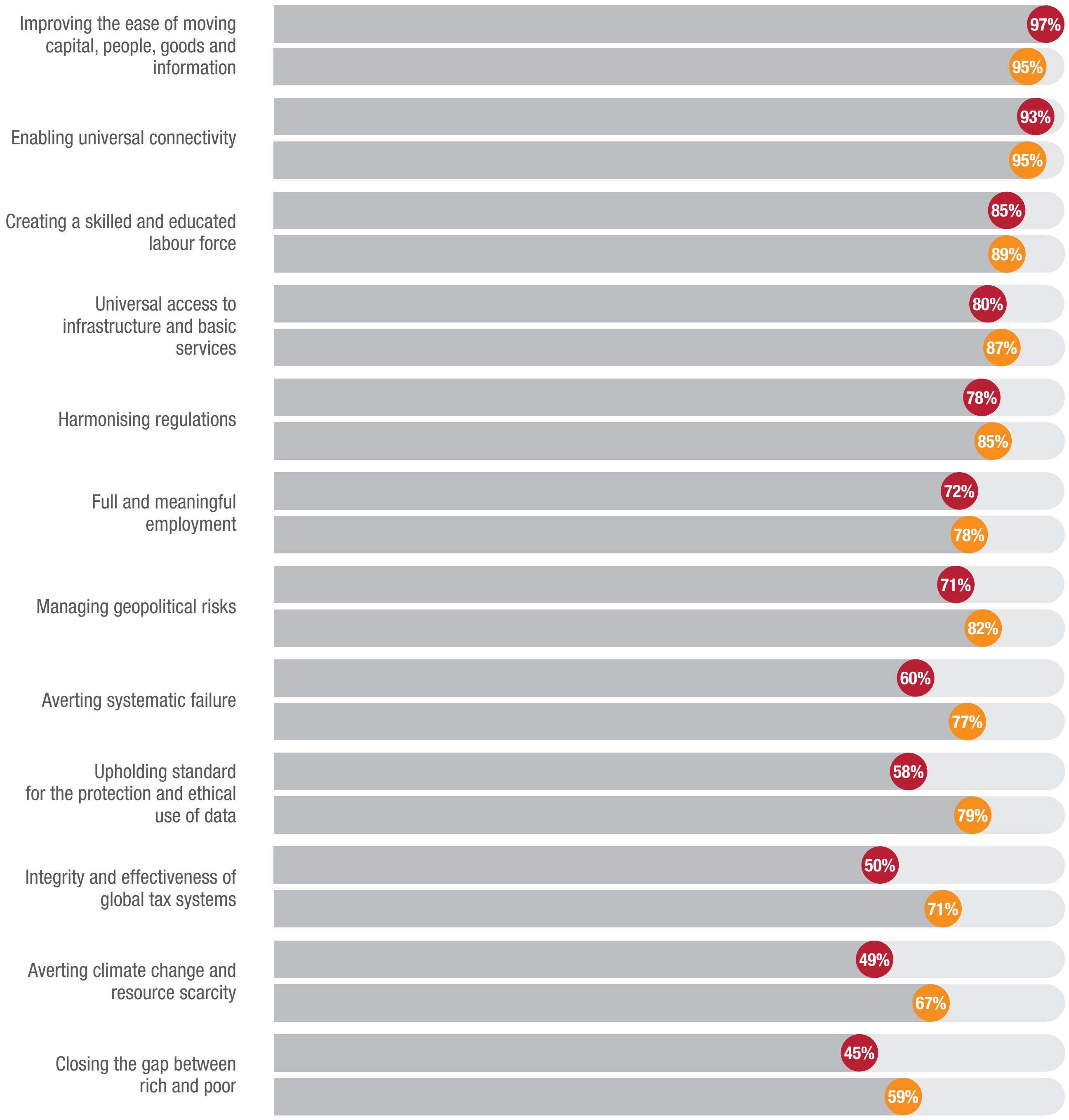
Investment professionals continue to think that globalisation has helped some aspects of doing business: the ease of moving capital, people, goods and information and enabling universal connectivity. But they don't think it has helped as much in others: averting climate change and resource scarcity and closing the gap between the rich and poor. This is unchanged from last year.

Investment professionals also think we live in a fractured world and don't expect that to change. Notable exceptions to that are that they think corporate integration will continue and that we are moving towards more open access to the internet. In many other areas, however, they think we are moving apart.

CEOs generally think globalisation has helped in more areas than investors do

Q To what extent has globalisation helped with the following areas?

Chart shows percentage of respondents answering 'to a large extent' or 'to some extent'.



Investors CEOs

Investors and CEOs think the world is becoming more fractured

Q Considering the following opposing political, economic and trade trends, please select the one you believe the world is moving more towards.

04

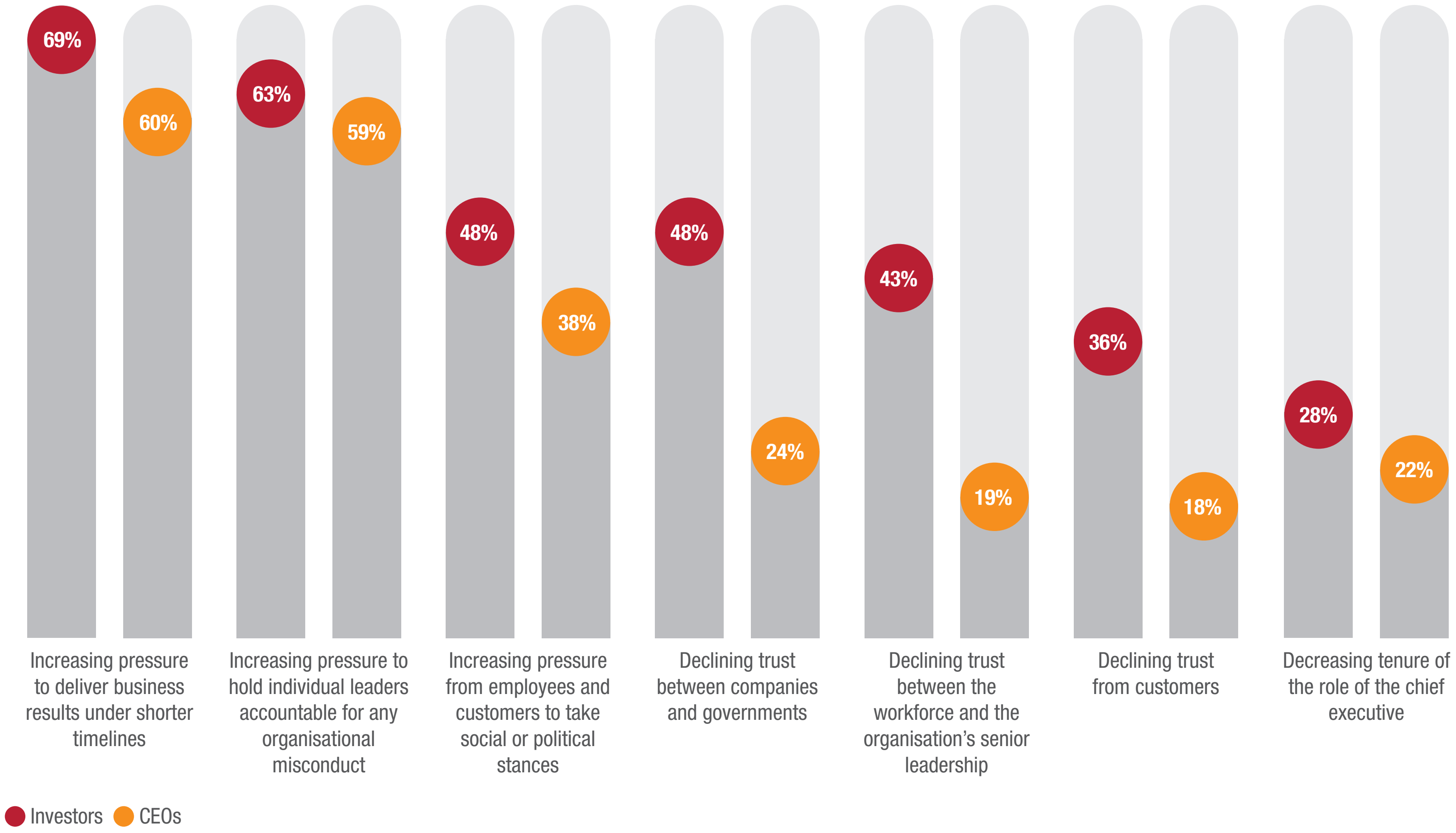
Challenges:
Living in an age of disruption

Investment professionals and CEOs both agree: the increasing pressure for companies to deliver results under shorter timelines is the biggest challenge that companies face today. But, in other areas, investment professionals think companies face a greater degree of challenge than CEOs say they experience, with the biggest difference being the perception of declining trust between companies and governments, their workforce and their customers. And while they both have concerns about the ability for companies to attract digital talent, investment professionals are less likely to think that it's the company's responsibility to retrain staff whose jobs become automated.

Investors and CEOs agree that the biggest challenge for companies is the pressure to focus on the short term but differ in their perceptions about declining trust

Q To what extent do you agree or disagree that the companies you invest in or follow (for investors) or that you (for CEOs) experience the following challenges?

Chart shows percentage of respondents answering 'agree' or 'strongly agree'.



"In a CEO, the person rather than the tenure affects the trustworthiness of a company."

Investment professional, South Africa

"The biggest lack of trust is when a company is underperforming and fails to tell us so."

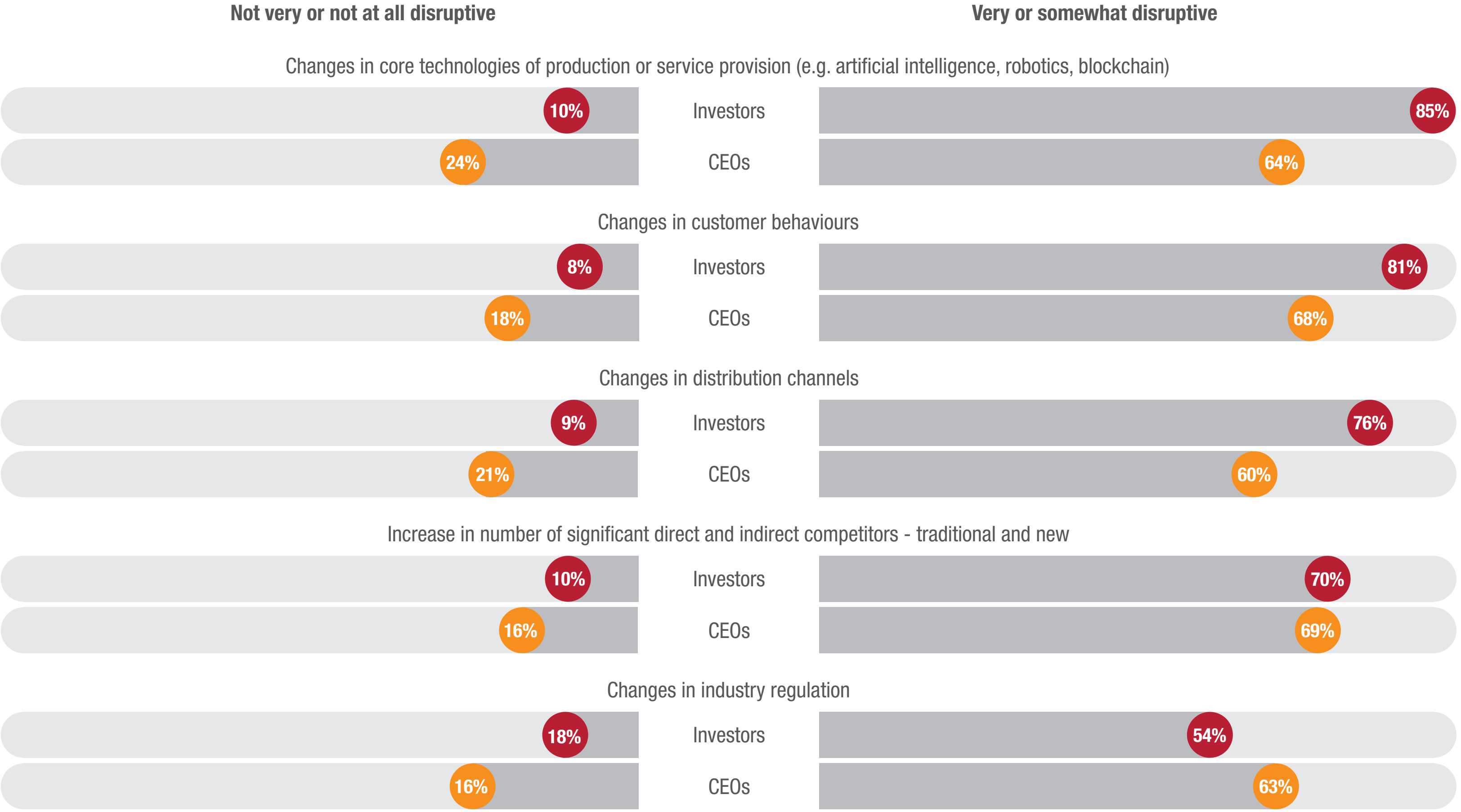
Investment professional, Sweden

"It seems that if there was a big trust problem, companies would be going out of business. They wouldn't get investments from people like us."

Investment professional, UK

Investors expect more disruption from technology, customer behaviours and distribution channels than CEOs do

Q It has been reported that the average lifespan of today's organisations is shrinking, largely due to increased disruption in the marketplace. How disruptive do you think the following trends will be for the companies you invest in or follow (for investors) or for your business (for CEOs) over the next five years?



"I see a big wave of revolution of business models. AI, an ageing population and changes in regulation are pushing businesses to change."

Investment professional, Japan

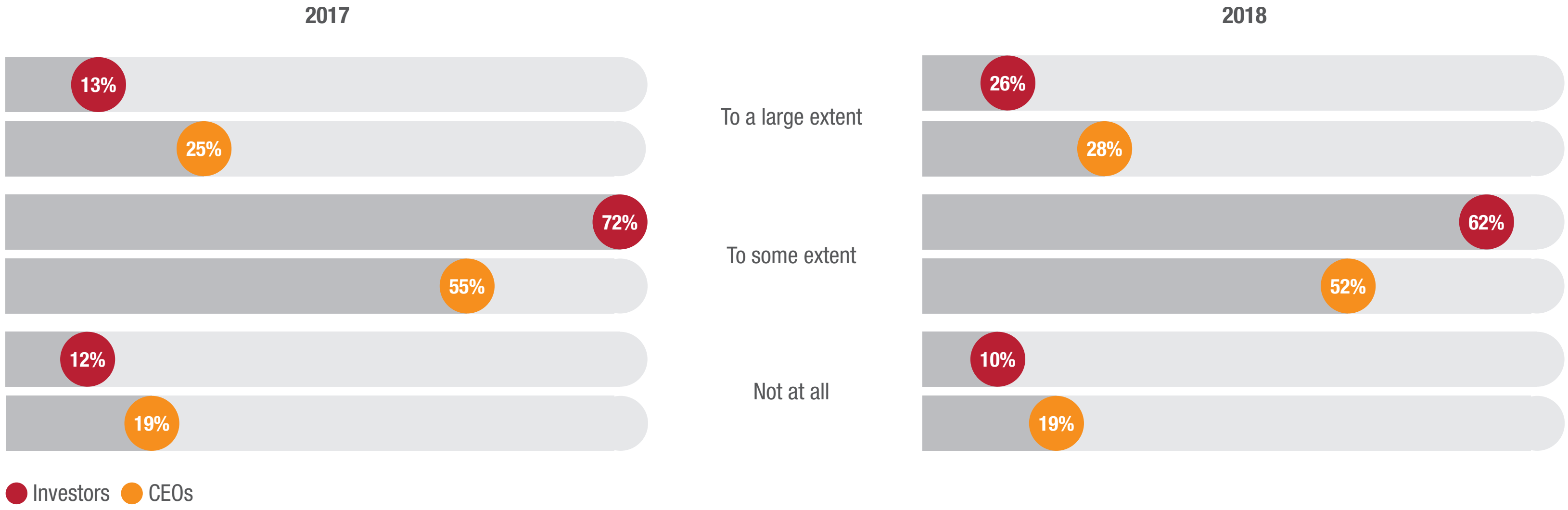
"I believe that, ultimately, all companies will be tech companies."

Investment professional, UK

More investors expect automation to decrease company headcount to a large extent compared to last year

Q To what extent do you think headcount in the companies you invest in or follow will decrease (for investors) or to what extent do you expect headcount at your organisation to decrease (for CEOs) as a result of automation and other technologies?

Responses for CEOs reflect those who expect a decrease in their company's headcount in the next 12 months.



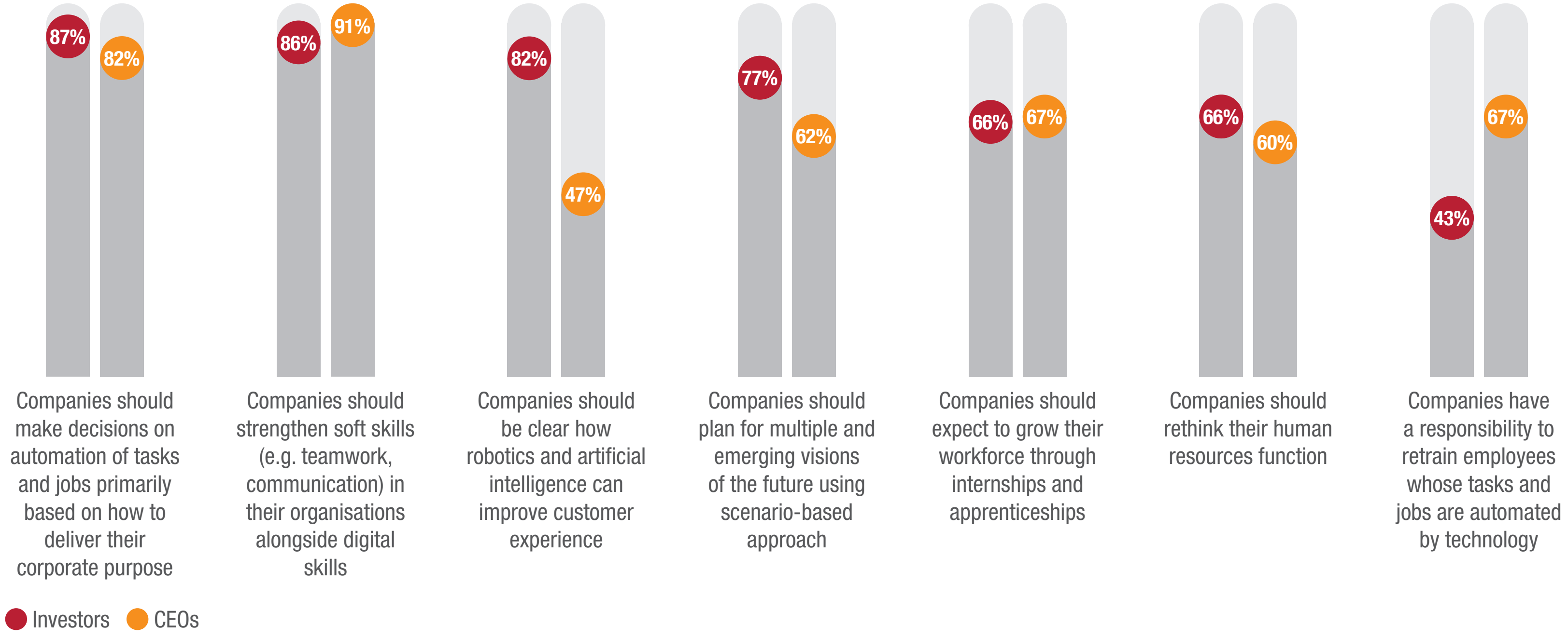
"Although technology is advancing rapidly, it does not mean everything will change. Human and machines will find a point where there is a balance of division of work. It does not mean that employment will disappear totally."

Investment professional, Japan

Investors think companies should be clear how technology can improve customer experience, but are less concerned about them retraining employees whose jobs are affected by technology

Q Thinking about what a company's people strategy may look like (for investors) or your people strategy (for CEOs) for the digital age, how strongly do you agree or disagree with the following statements?

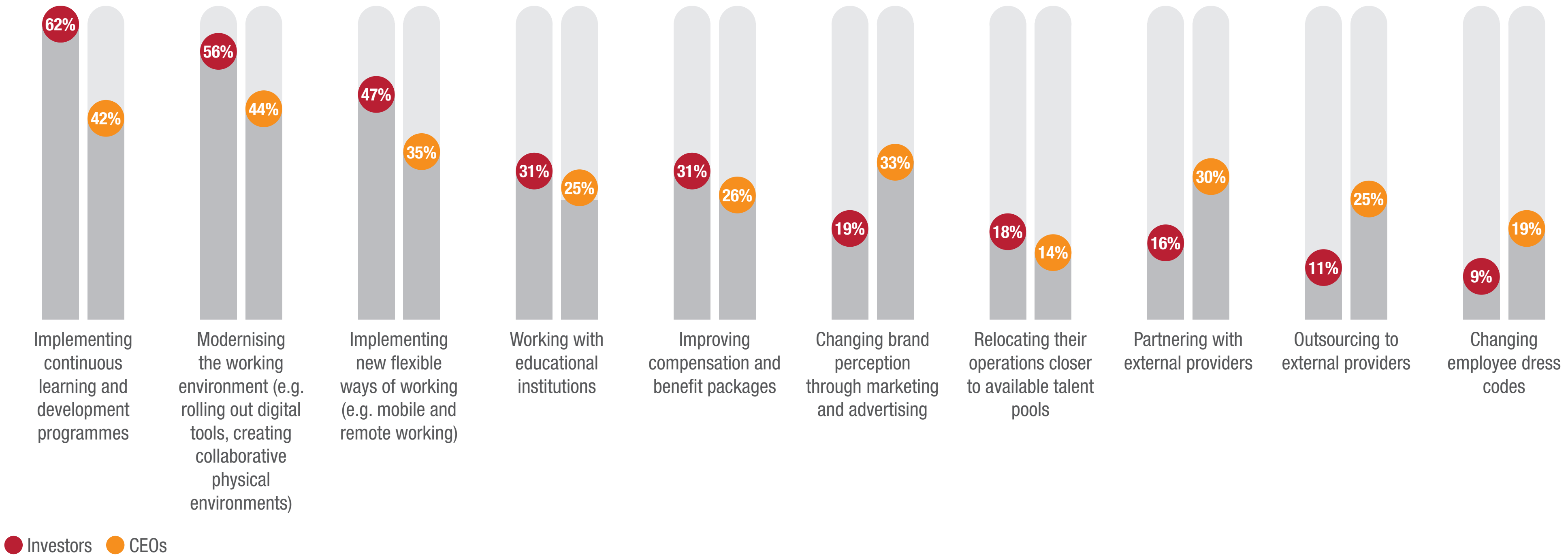
Chart shows percentage of respondents answering 'agree' or 'strongly agree'. Investors were asked what companies should do, whereas CEOs were asked what they are doing.



Investors think learning opportunities and a modern work environment are most important for attracting talent, whereas CEOs are using a wider variety of strategies

Q To what extent do you think the companies you invest in or follow should be using (for investors) or is your organisation using (for CEOs) the following strategies and tactics to attract or develop digital talent?

Chart shows percentage of respondents answering 'to a large extent'.



"Companies should employ the right people and empower them to be innovative and give them freedom. It boils down to a cultural thing where employees are encouraged to present their ideas. Flexibility is a big game changer and most companies are starting to embrace this."

Investment professional, South Africa

05

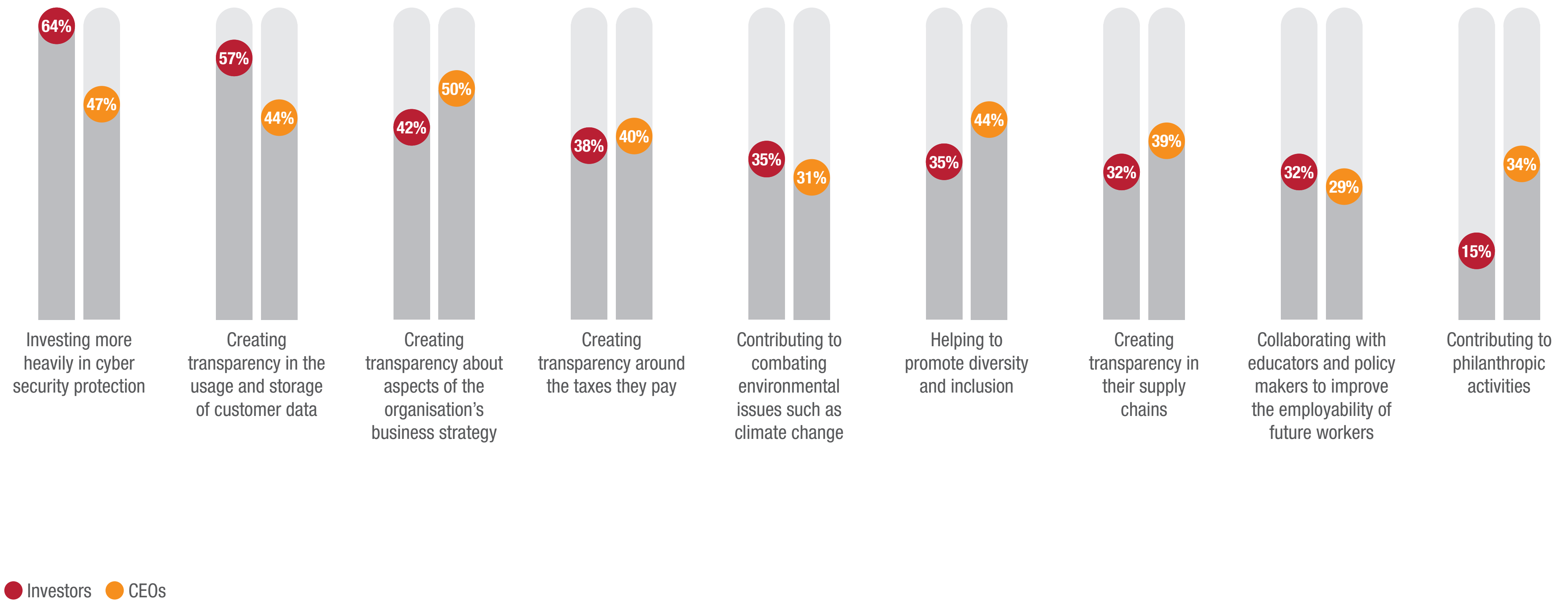
Trust:
It's all about the people

A company's ability to build and maintain trust with its stakeholders is important; some say it gives the company its licence to operate. Arguably, the two stakeholders a company cannot do without are its workforce and its customers, so having their trust is vital. To build trust with its workforce, investment professionals think a company needs to be transparent about pay and benefits, employees' contribution to the business and the company's values. They think trust with customers can be achieved by investing more in cyber security defences and being transparent about how they use and store customer data.

Investors think cyber security should be the top priority for building trust with customers, while CEOs employ a range of strategies

Q Beyond providing valuable products and services, to what extent do you think the companies you invest in or follow should be using (for investors) or is your organisation using (for CEOs) the following strategies and tactics to build trust with customers?

Chart shows percentage of respondents answering 'to a large extent'.



"One area where there is a trust deficit is in cyber. Admission comes far later than it should and this doesn't build trust with the public or stakeholders."

Investment professional, US

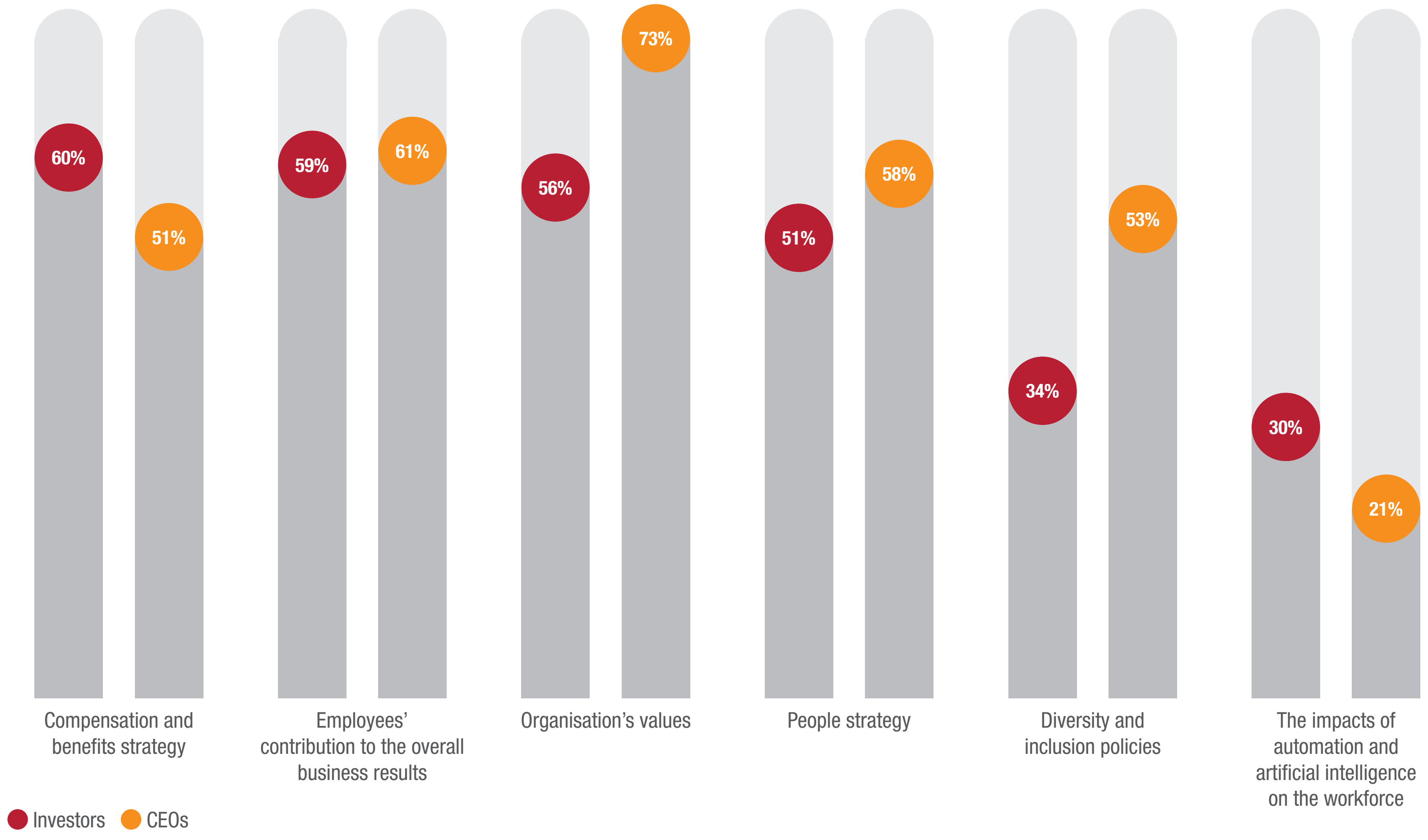
"Businesses are not sustainable if customers are not happy."

Investment professional, UK

Investors think trust with the workforce is built through pay, whereas CEOs prioritise the organisation's values

Q To what extent do you think the companies you invest in or follow could build trust with their workforce (for investors) or is your organisation building trust with its workforce (for CEOs) by creating transparency in the following areas?

Chart shows percentage of respondents answering 'to a large extent'.



06

A message from Richard Sexton, Vice Chairman, PwC International Limited

We hope you have found PwC's 2018 Global Investor Survey useful and insightful. Our research into the thinking and strategic direction of CEOs around the world and how their views compare with the perceptions and expectations of investment professionals has identified a number of areas in which the two parties could work to understand each other better. Although there are a number of similarities in view, this report highlights where companies have an opportunity to communicate their approaches to, for example, driving growth and profitability, dealing with disruption, maintaining trust, preventing cyber attacks and managing customer data. It also shows areas investment professionals may want to focus on in their engagement with companies.

I would like to thank all the individuals who took the time to answer our surveys and speak to our researchers. Without hearing their opinions, we would be unable to share these insights.

Survey methodology

PwC conducted an online survey in which we received responses from 663 investment professionals in 96 countries. We also conducted 19 in-depth interviews in six countries. The respondents to the online survey and the interviewees were spread across a range of industries, roles and specialisms. We compared these responses with those in PwC's 21st CEO Survey, which captured the views of 1,293 CEOs around the world.

Investment professionals answered our questions in relation to what they expect of the companies they invest in or follow, whereas CEOs responded in the context of what their own organisation is doing.

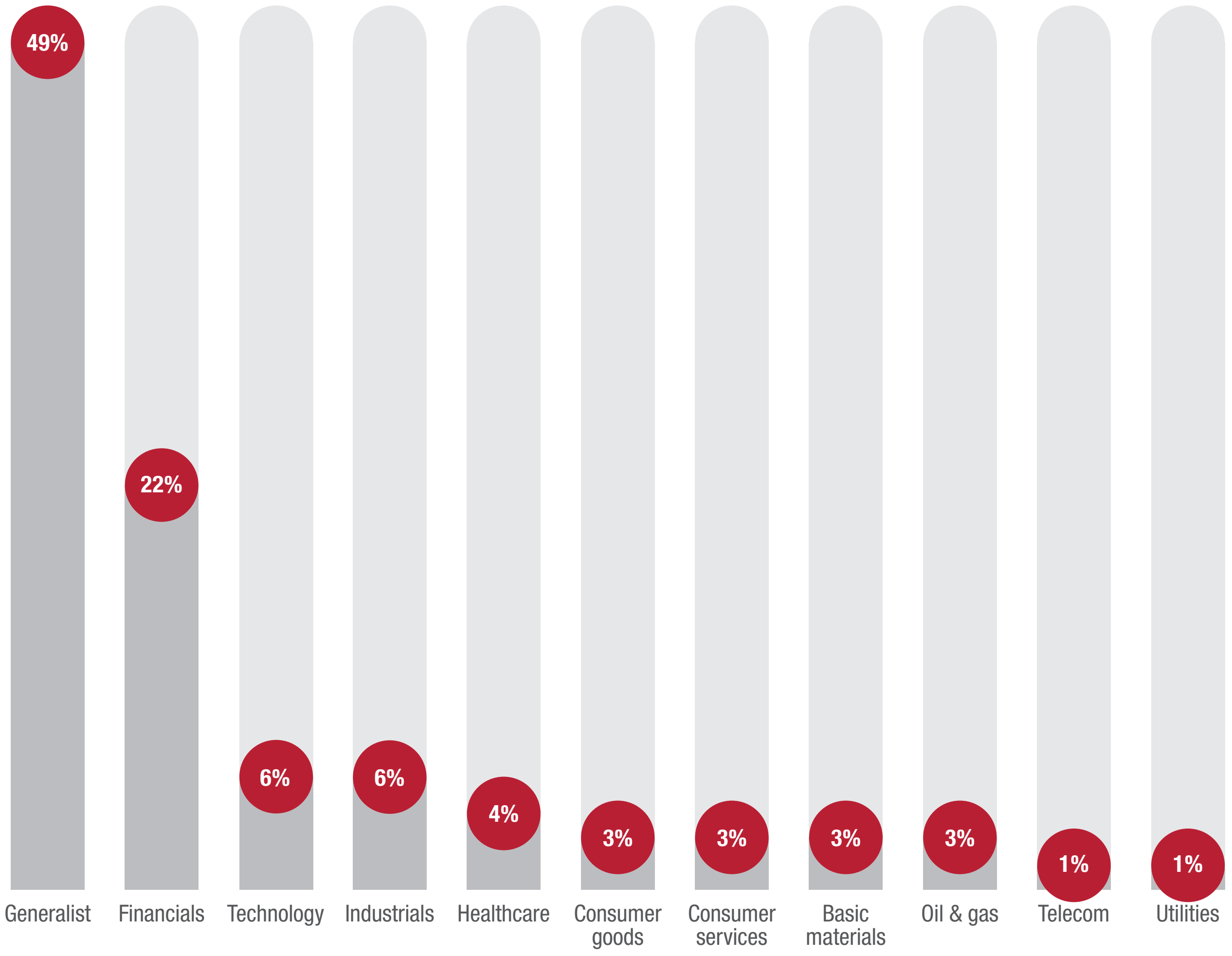
Notes:

- Not all figures add up to 100% as a result of rounding percentages and exclusion of 'neither/nor', 'don't know' and 'prefer not to say' responses.
- The base for figures for investors is 663 (all respondents) unless otherwise stated. The base for figures for CEOs is detailed in the CEO Survey.

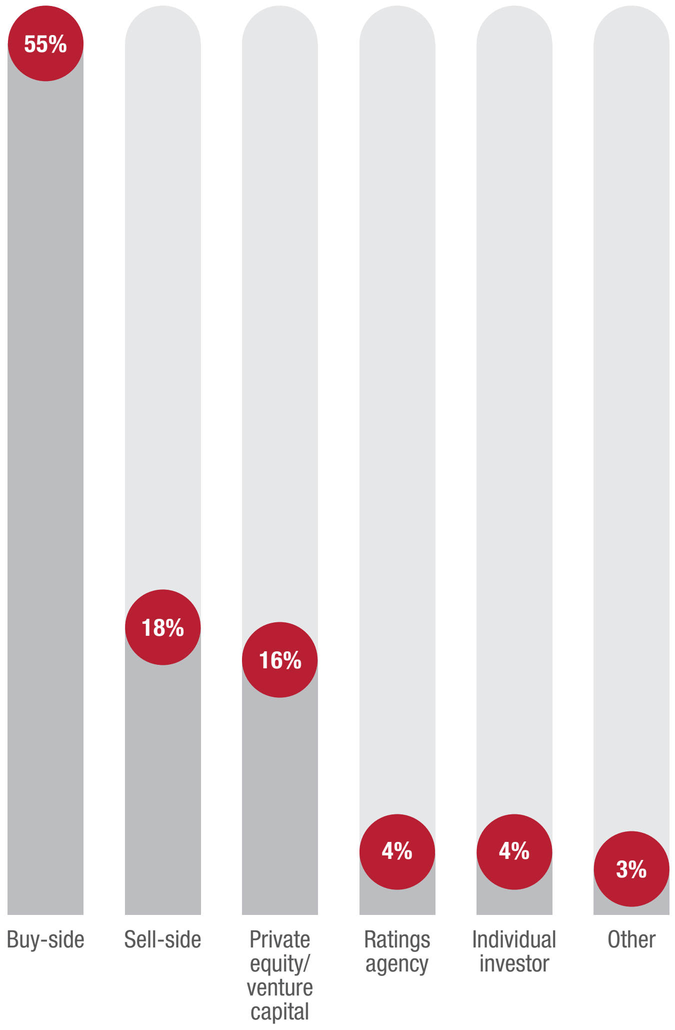
The online research was undertaken by PwC Research, our Network's global centre of excellence for primary research and evidence-based consulting services. The in-depth interviews were conducted by partners and staff of the PwC Member Firms in each respective country.

Number of survey respondents

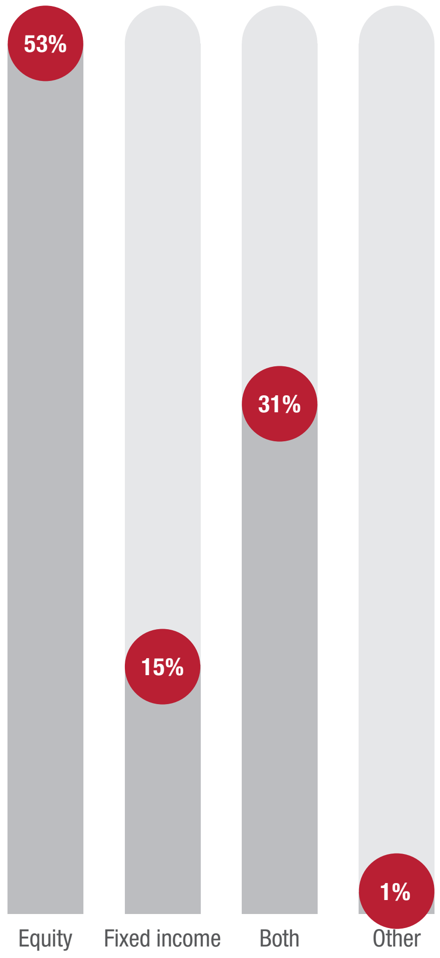
Industries covered



Role



Specialism



Acknowledgements and thanks

Programme coordination

Hilary Eastman, PwC UK
Ellie Newton, PwC UK
Christine van den Bos, PwC Netherlands

Interviewers

Christine van de Bos, PwC Netherlands
Hilary Eastman, PwC UK
Gregory Johnson, PwC US
Liandie Kies, PwC South Africa
Yoshiyuki Kure, PwC Japan
Michelle McKenna, PwC UK
Ryosuke Nakamura, PwC Japan
Ellie Newton, PwC UK
Lyndsay Taylor, PwC New Zealand
Takahiko Ueda, PwC Japan

Academic adviser

Erik Roelofsen, Endowed Professor,
Department of Accounting and Control,
Rotterdam School of Management,
Erasmus University Rotterdam

Research and survey management

PwC Research, Belfast, Northern Ireland

We'd like to thank the following PwC experts for their insights

PwC Germany
Guido Fladt

PwC Middle East
Valerie Jambart

PwC South Africa
Liandie Kies

PwC Switzerland
Ilona Steffen

PwC UK
Ryan Brason, Mike Davies, Richard Haig,
Peter Hogarth, Gurpreet Kaur,
Michelle McKenna, Marie Claire Tabone

PwC US
Spencer Herbst, Gregory Johnson,
Elizabeth Paul, Jeannine Teague

Contacts

Hilary Eastman
Head of Global Investor Engagement, PwC UK
+44 20 7804 1818
hilary.s.eastman@pwc.com

Mike Davies
Global Communications Director, PwC UK
+44 20 7804 2378
mike.davies@pwc.com

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