

**Pathway to Long-Term Value:  
Survey Results - December 2017**



THE INVESTOR FORUM

**Enhancing Value through collective engagement**

# The Investor Forum

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- We are an independent not-for-profit organisation, comprising investment professionals with an average of over 20 years experience
- We draw on this experience to facilitate Member-driven collective engagements with UK companies within a secure environment
- We listen to Member concerns, develop a deep understanding of the underlying causes and work with investors and boards to address issues in a constructive manner



*The Forum is uniquely positioned to work with investors, companies and key stakeholders to help facilitate a better dialogue and contribute to long-term investment returns*



# Our Members

Aberdeen

**Allianz**  
Global Investors

**ARTEMIS**  
The Profit Hunter

**AVIVA**  
INVESTORS

**AVI INVESTMENT MANAGERS**

**BAILLIE GIFFORD**

**BLACKROCK**

**BMO**  
BMO Global Asset Management

**BP Investment Management**

**CAPITAL GROUP**

**Cevian Capital**

**COLUMBIA THREADNEEDLE INVESTMENTS**

**EVENLODE**  
INVESTMENTS FOR LIFE

**Fidelity INTERNATIONAL**

**generation**

**HERMES**  
INVESTMENT MANAGEMENT

**HSBC**  
Global Asset Management

**Invesco Perpetual**

**Investec**  
Asset Management

**Janus Henderson INVESTORS**

**J.P.Morgan**  
Asset Management

**JUPITER**

**Legal & General**  
INVESTMENT MANAGEMENT

**M&G**  
INVESTMENTS

**OP**  
Oldfield Partners

**OLDMUTUAL**  
GLOBAL INVESTORS

**Pyrford**

**RPMI RAILPEN**

**Rothschild**

**Schroders**

**Standard Life Investments**

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INVEST WITH CONFIDENCE

**UBS** Global Asset Management

**USS**  
INVESTMENT MANAGEMENT LIMITED

**W**  
welcome

## Associate Member

**EY**

## Legal Panel

**Davis Polk** MACFARLANES

**Skadden**



THE INVESTOR FORUM

# BankingFutures Pathway to Long-Term value

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- The BankingFutures dialogue (convened by Meteos and Leaders' Quest in 2014) created an opportunity for a group of the industry's leaders to work together to identify tangible steps to contribute to a banking industry that can deliver value for all its stakeholders
- The Pathway to Long-Term Value recommendations (published in July 2017) represent a series of tangible steps that bank and investment leaders can take to focus discussions on the issues that really matter to understand value

- **Key Findings:**

A key conclusion was that banks, investors and other stakeholders need to:

- identify and understand the drivers of long-term value
- determine what non-financial information to communicate, and when
- address the absence of comprehensive and comparable non-financial data from banks

- **Recommendation:**

- Investors signal to bank management (and report to their own stakeholders) their interest in understanding the range of value drivers that will impact long-term value
- The Investor Forum to survey investors and provide survey results by the end of 2017



# About this survey

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- **Objectives**

- To signal to bank management (and their own stakeholders) investor interest in understanding the range of value drivers that will impact long-term value
- To assess the need for, and quality of, non-financial information

- **Survey focus**

- Drivers of long-term value
- Sources of information
- Quality of information
- Investor feedback
- Conclusions



# About this survey

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- **The Investor Forum surveyed 200 individuals in November 2017**
- **The results are based on 49 responses (circa 25%) with a balanced distribution between investment disciplines:**
  - 41% of respondents worked in ESG teams
  - 41% were Equity Analysts or Portfolio managers
  - 13% were Financial sector specialists
  - 5% were Fixed Income investors
- **There was a good cross section by size of institution:**
  - 52% have assets of less than \$100bn
  - 35% have assets of \$100bn to \$1trn
  - 13% have assets of more than \$1trn



# Survey participants: About the investors & their clients

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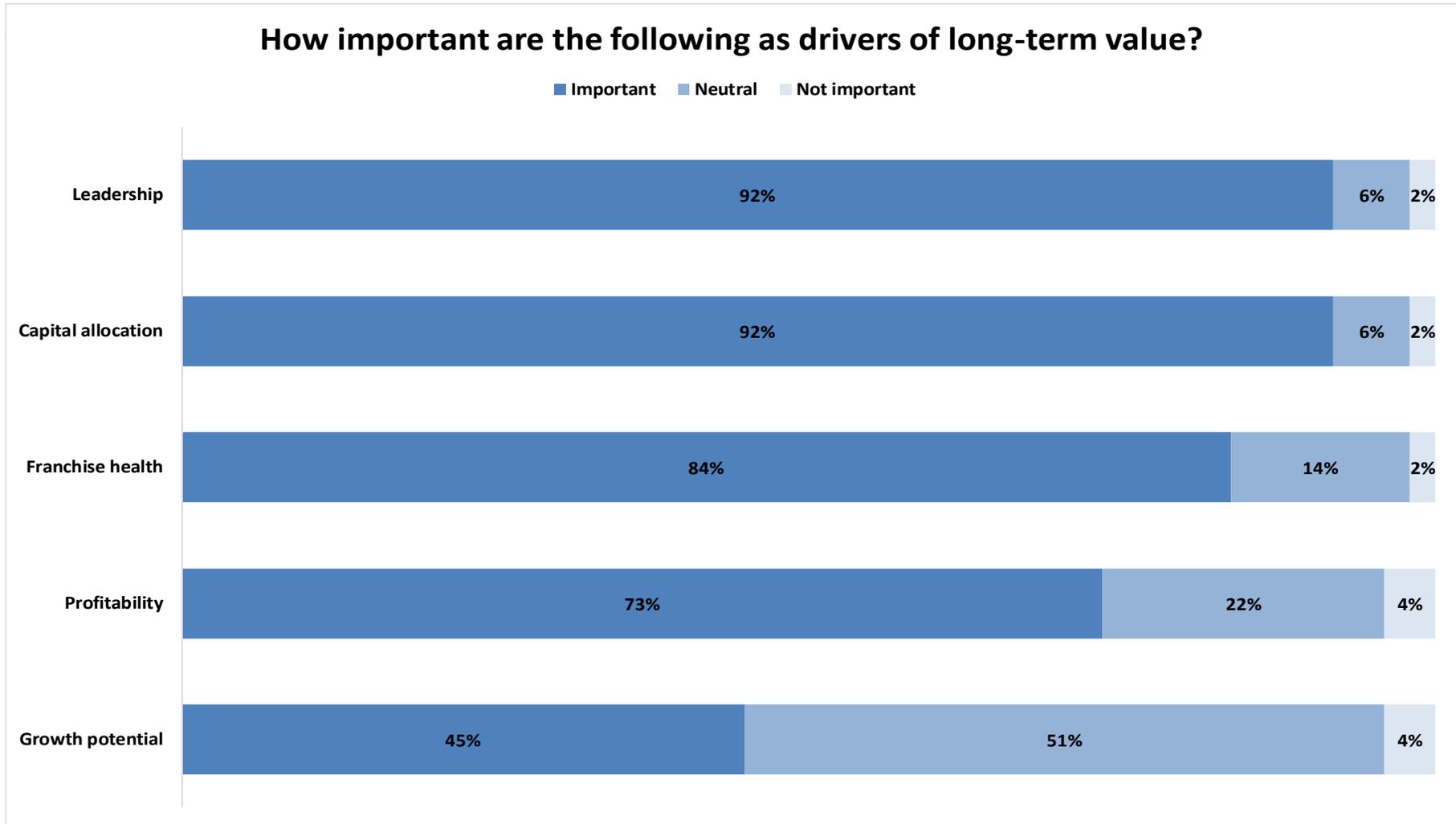
- **Average holding periods varied significantly:**
  - 24% less than 3 years
  - 32% 3 to 5 years
  - 44% 5 years or more
- **81% believe their funds have clear objectives describing the investment approach**
- **73% believe that clients ask them to focus on long-term returns**
- **58% say that clients ask them to focus on ESG factors**

## **BUT**

- **60% say clients evaluate investment results each quarter**
- **Only 29% believe there is clear alignment between Asset Owner and Asset Manager timeframes**



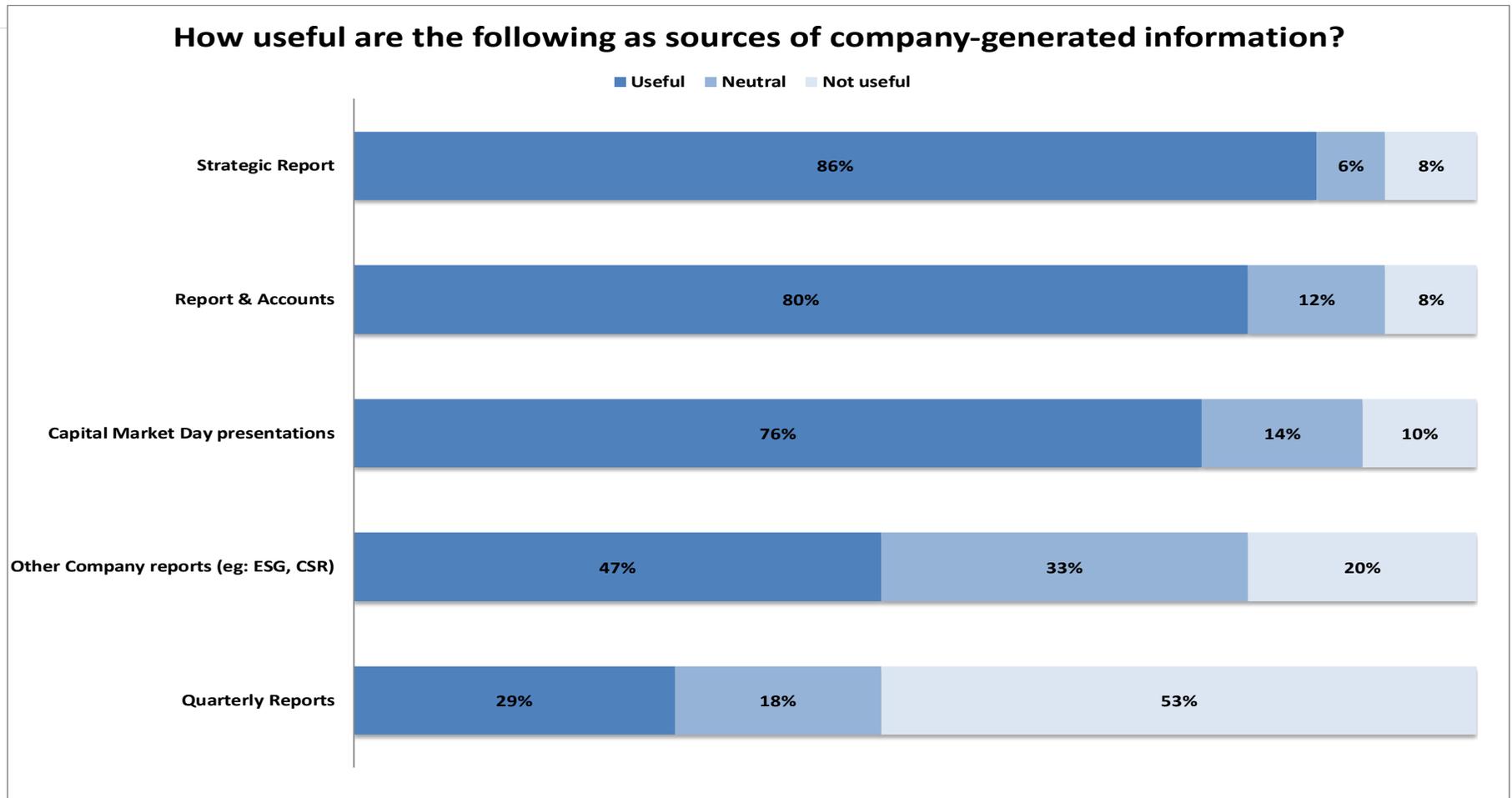
# Survey focus: Drivers of long-term value



*Leadership and Capital Allocation outweigh profitability and growth*



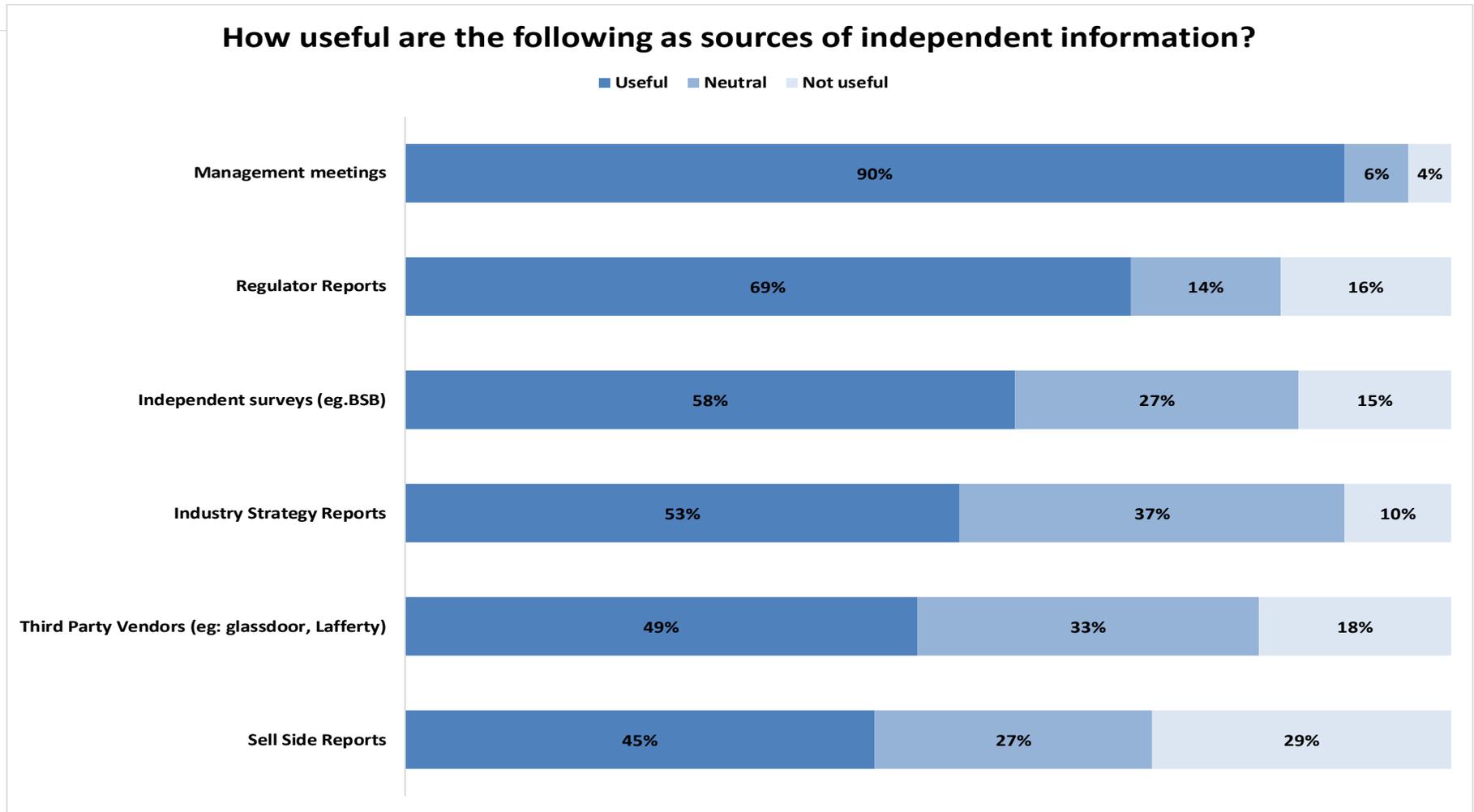
# Survey focus: Sources of information (1)



***BUT ... While the Strategic Report is the most useful source of information, only 51% believe it to be the natural starting place to evaluate franchise health when asked.***



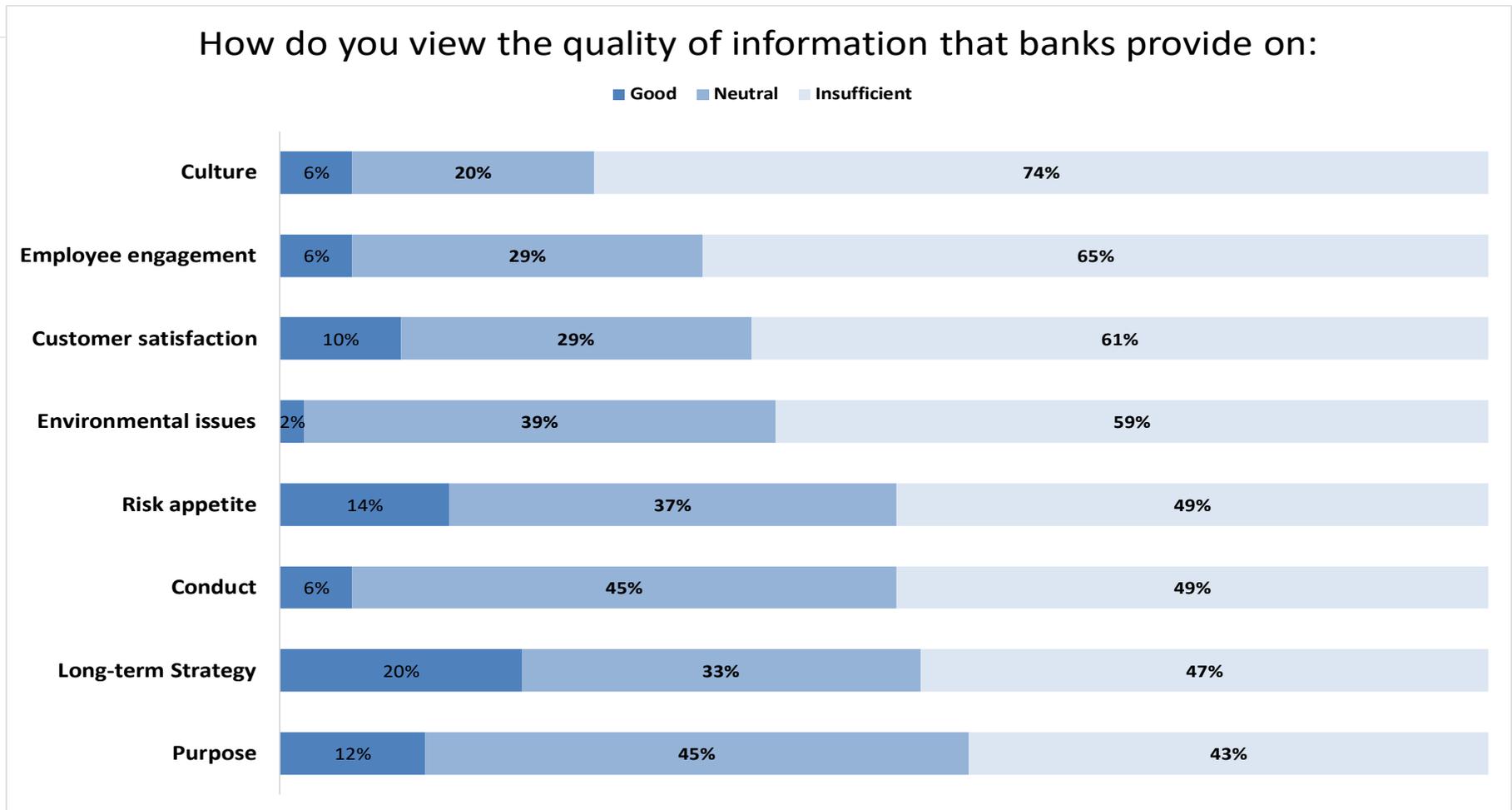
# Survey focus: Sources of information (2)



*When asked only 63% believe that independently verifiable non-financial information is more valuable than company-generated data*



# Survey focus: Quality of information



***Given the need to improve the quality of information, when asked only 37% believe that a “race to the top” by Banks will be the most effective way to achieve an improvement***



# Investor feedback: Shifting the debate

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## Focus on long-term value:

- 82% of investors agreed that a 2 page summary of long-term value drivers would be valuable in all investor updates
- 71% felt too much time is spent analysing a narrow range of short-term financial metrics
- 67% believe that banks should reduce the emphasis on Quarterly reporting
- Only 29% believe there is clear alignment between Asset Owner and Asset Manager timeframes



# Conclusions

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- **There is a clear focus on long-term value:**
  - 73% of respondents say that clients ask them to focus on long-term returns
  - The most important drivers of long-term value are Leadership and Capital allocation
- **Non-financial information provides essential insights to help assess long-term value:**
  - 91% of respondents think non-financial perspectives are valuable or very valuable
- **There is a great deal to do to improve the quality of non-financial information:**
  - 27% believe non-financial information is as reliable as financial information
  - 37% believe that a “race to the top” by Banks is the most effective way to enhance the quality of non-financial information
  - 63% believe that independently verifiable non-financial information is more valuable than company-generated data
- **There is appetite for focused communication on long-term value:**
  - 82% agree that a 2 page summary of long-term value drivers would be valuable
  - Only 51% believe the strategic report is the natural starting place to evaluate franchise health



# Investor signals to Banks

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- A strong signal from investors that non-financial information is very important to understand long-term value
- An important challenge for Banks regarding the quality and consistency of that information
- A clear message that banks should reduce the emphasis on Quarterly reporting
- An appetite to focus communication on long-term value drivers through a 2 page summary



# Next steps..

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- Present survey results at the UK Finance Banking Futures Strategic Partner stakeholder event (December 4<sup>th</sup>)
- Publish Survey Results (December 2017) and share with Banks
- Evaluate UK Finance Taskforce feedback:
  - support continuing initiatives by UK Finance
  - identify action points
  - agree a timescale for actions (eg reporting on 2018 results in 2019)



# Contact details

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