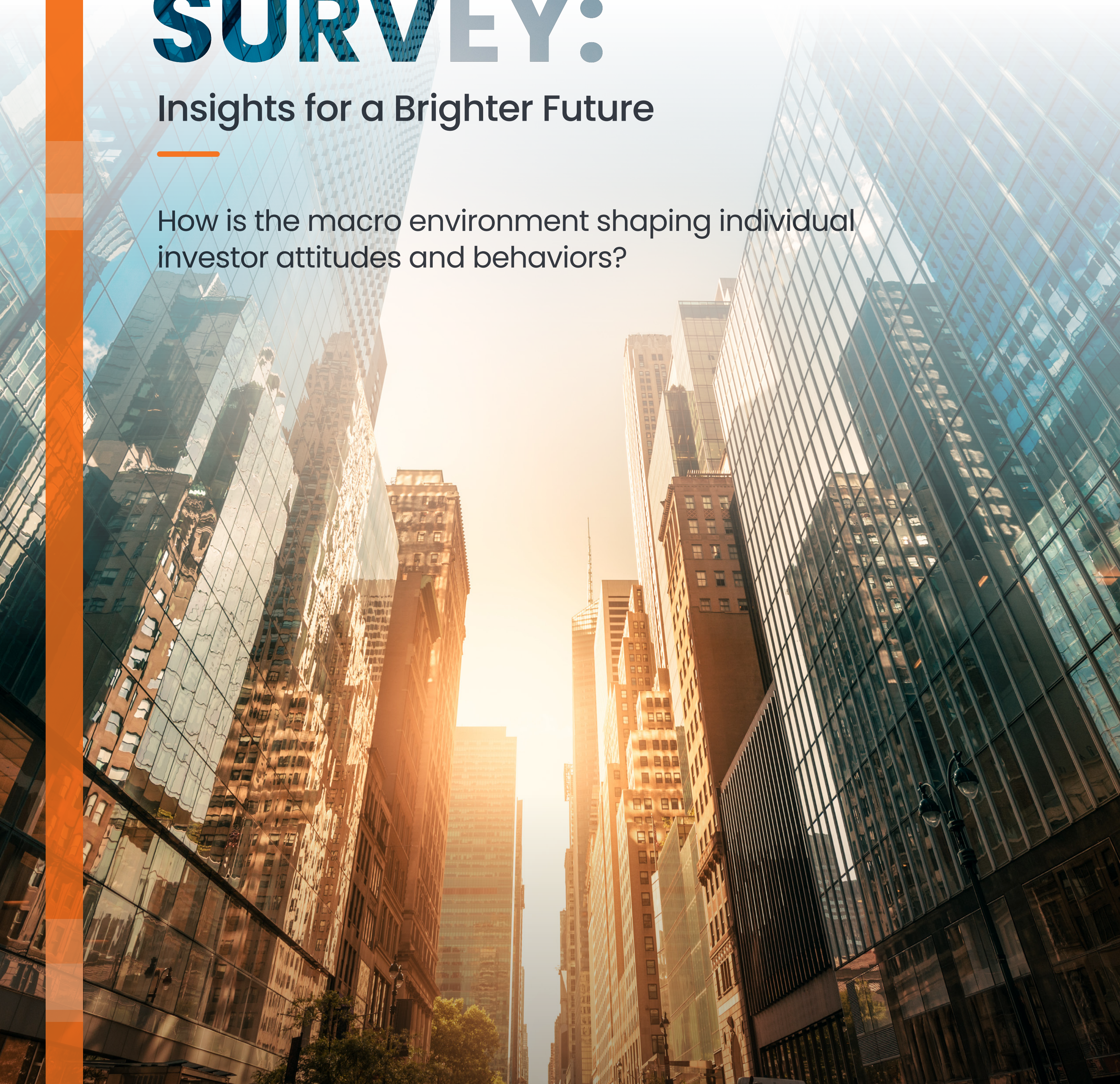
INVESTOR SURVEY:

Insights for a Brighter Future

How is the macro environment shaping individual investor attitudes and behaviors?



INSIGHTS FOR A BRIGHTER FUTURE

Executive summary

We surveyed **1,000 mass affluent and high-net-worth investors** to understand their mindset amid a challenging political climate, volatile market, and unsettled economic environment.[1]

On the eve of a potentially tumultuous election year, and against an uncertain interest rate and inflation backdrop, investors are naturally fearful. These fears run headlong into what seven out of 10 investors believe is an increasingly challenging market. In fact, we found that just as many investors feel anxious about their finances as feel confident in achieving their goals.

Although some results vary – often significantly – based on the respondent's age and level of net worth, certain themes cut across generational lines and wealth levels. Most investors yearn for financial education and desire a holistic understanding of their financial picture. Additionally, nearly two-thirds see a role for actively managed investments in their portfolios.

Those working with an advisor have relatively similar expectations about those relationships, and their generally high levels of satisfaction suggest that their expectations are being met. There are, however, some key points of differentiation between highly satisfied respondents and those who are just "somewhat" satisfied with their advisor.

Communication preferences differ significantly among generations. Not surprisingly, younger investors have relatively high levels of comfort with virtual engagement. This has widespread implications for advisors seeking to configure key processes and grow their client bases.

Although the results of our survey yield many actionable insights for advisors, perhaps the greatest takeaway is this:

In today's complex and dynamic world, advisors remain important and relevant. Despite the consistently brisk headwinds advisors have sailed against in recent years – including market volatility, the rise of the roboadvisor, fee compression, and a transition to virtual work – professional guidance remains a powerful antidote for many of the investor concerns and needs that surfaced in our study.

[1]The research was conducted by 8 Acre Perspective, an independent marketing research firm.

2023 INVESTOR SURVEY:
Demographic information

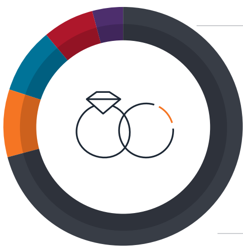
Gender

- Male 50%
- Female 50%
- Non-binary <1%

Ethnicity

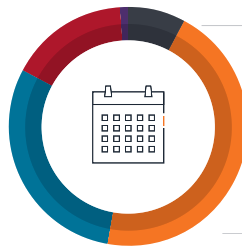
- White 90%
- Non-white 10%

Marital status



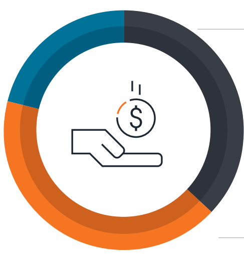
- Married 71%
- Never married 9%
- Divorced 9%
- Widowed 7%
- Not married, living with partner 4%

Generational groups



- Silent (78+) 8%
- Boomer (59-77) 45%
- Gen-X (43-58) 30%
- Millennial (27-42) 16%
- Gen-Z (25-26*) 1%

Household income



- Less than $100,000 37%
- $100,000 to $199,999 42%
- Greater than $200,000 21%

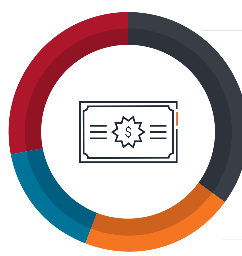
Employment status

- Employed 50%
- Not employed/ retired 50%

Financial decision maker

- Primary decision maker **73%**
- Shared decision maker **27%**

Investable assets



- $250,000 to $499,999 35%
- $500,000 to $999,999 21%
- $1,000,000 to $1,499,999 16%
- Greater than $1,500,000 28%

METHODOLOGY

Many of the findings from this report were generated using a series of logistic regression models (not included but available upon request). The advantage of this approach is the ability to identify the potential relationship between two variables of interest, while holding all other variables constant. While advisors should be cautioned against interpreting our results as causality, the findings can nonetheless offer valuable insights into investor attitudes and behavior. For purposes of this report, significant relationships are identified at p<0.10.

*As a requirement of our study, we only surveyed investors ages 25 and up.

A CHALLENGING TIME FOR INVESTORS

Election worries top financial concerns

TOP LINE RESULTS

U.S. investors have many concerns about the coming 12 months, but **uncertainty surrounding the 2024 presidential election stands out.**

KEY FINDINGS

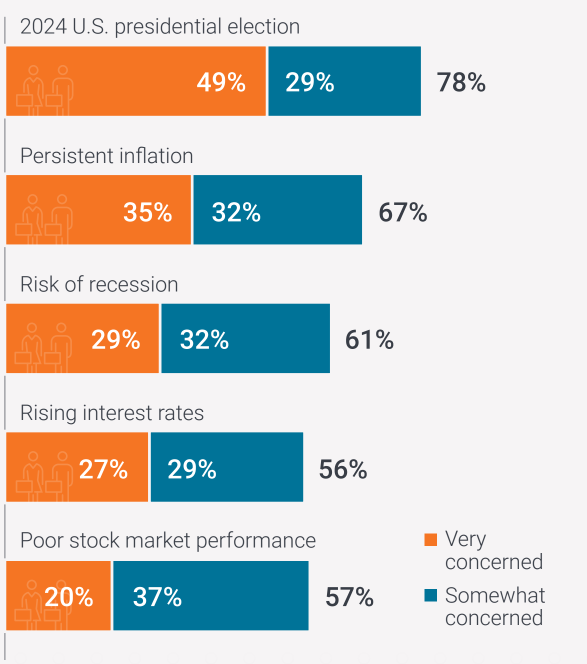
As it relates to our respondents' financial situations, our survey found that **almost half (49%) are very concerned about the 2024 U.S. presidential election,** a figure that meaningfully surpassed worries about inflation (35%), the possibility of recession (29%), and higher interest rates (27%).

Among those "very concerned" about the 2024 presidential election, one demographic distinction stands out: Older investors are more concerned than younger investors.

Perhaps unsurprisingly, those most pessimistic about the economy are also most worried about the election. "Pessimistic" respondents included: 1) those who think stocks are headed lower, 2) those who believe there has never been a more challenging time to invest, and 3) investors whose returns are not keeping up with cost-of-living increases.

It may be the case that investors' worries are connected to the belief that stock market performance is related to election-year uncertainty (see "The power of the presidency").

As it relates to your financial situation, **how concerned are you about the following over the next 12 months?**



Janus Henderson Investor Survey, as of September 2023.

ADVISOR IMPLICATIONS

Given the fraught environment surrounding elections, investors may be tempted to stay on the sidelines, hoping markets will settle once the outlook becomes clear.

In particular, advisors should be prepared for some older investors seeking to shift out of equities as we approach November 2024. Yet if these investors are in good health and in the early stages of retirement, they will need equities to outpace inflation.

Advisors have an opportunity to intercede by addressing clients' political concerns with historical data that helps put things in context and reminding clients that timing the market to avoid downturns often means missing out on sizable gains.

With respect to areas of concern such as inflation, interest rates, and market volatility, advisors can propose investment solutions designed to combat those headwinds. They can also reiterate to clients how their portfolios are built to help mitigate these challenges.

Interestingly, our study found evidence that those "very interested" in expanding their financial knowledge are more likely to be worried about the election and its economic implications than those expressing less interest. This provides an opening for advisors to address election worries in a way that elevates their clients' overall financial literacy.

INVESTOR SENTIMENT INSIGHT:

The power of the presidency?

Concerns about the 2024 presidential election proved **top of mind for investors who may believe that uncertainty leading up to elections will have a significant impact on stock market performance.** But is that true?

Looking at S&P 500® Index returns from 1937 through 2022, the **average annual return was 11.9%.** During **presidential election years, the average return was 9.9%,** while in nonelection years, the average return was 12.5%.

> **One wrinkle:** In election years when the same party retains power, the **market return has historically been 11.8%,** while in election years when the **presidency changes parties, the market has averaged a 7.8% gain.**

And as you can see in the tables below, whether a party holds or loses the presidency and whether the government is divided or unified has historically resulted in greater variance among returns.

Yet despite the fact that two figures appear as outliers – the historical stock market return of 7.8% in election years when the presidency changes parties and the 9.4% historical return when government is divided and a Republican holds the presidency – those returns are still accretive to results and don't provide a sound basis for retreating from equities.

Market returns during the presidential years

(1937 – 2022)

Considerable anxiety in advance of elections but little discernible impact on returns

	Average annual return of S&P 500
All years	11.9%
Presidential election years	9.9%
Non-election years	12.5%

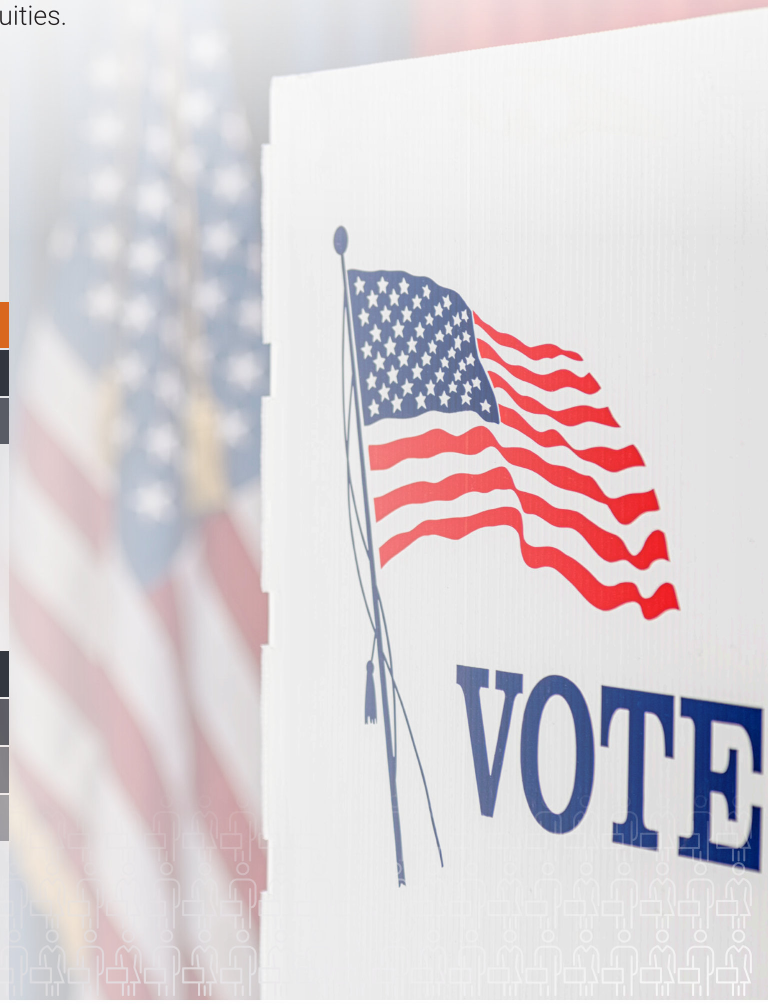
Market performance based on party control

(calendar year following elections)

A house divided seems to stand just fine

	Average annual return of S&P 500
Unified government (Democrat)	11.5%
Unified government (Republican)	16.1%
Divided government, Democratic President	15.9%
Divided government, Republican President	9.4%

Source: Janus Henderson Investors, as of September 2023. Notes: Unified government indicates that the party of the incumbent president also controls both houses of Congress. Divided government indicates that the party of the incumbent president does not control both houses of Congress.



SHIFTING TRENDS?

Rumors of active management's death are exaggerated

TOP LINE RESULTS

A significant majority of **investors want actively managed funds** as a meaningful component of their portfolio

KEY FINDINGS

Active management remains a strong preference for the majority of investors. Among respondents who own mutual funds or exchange-traded funds (ETFs), a significant percentage (37%) prefer an equal mix of active and passive managers, while 29% prefer mainly active managers, 17% prefer mainly passive managers, 12% have no preference, and 5% are unsure.

Respondents preferring a mainly active approach are more likely to have a formal financial plan and describe themselves as having high levels of financial knowledge. These investors are also optimistic about the markets, believing stocks will be higher 12 months from now. Lastly, perhaps it stands to reason that the preference for active managers is associated with having a financial advisor, while the focus on fees and Morningstar ratings is strongly associated with respondents favoring passive managers.

One of the more interesting findings is that the highest percentage of respondents prefer an equal mix of active and passive managers. These investors are likely to choose mutual funds and ETFs based on historical performance and screening tools.

Which one of the following **best describes your mindset about actively managed vs passive funds?**

Janus Henderson Investor Survey, as of September 2023.

ADVISOR IMPLICATIONS

Advisors demonstrate value and meet the expectations of their clients when they make data-driven decisions to recommend managers in accordance with their clients' return objectives, time horizon, and risk tolerance.

Once managers are selected, advisors can remind clients of their financial goals and the need to maintain a long-term perspective. This is important, as investors' penchant for chasing the next hot stock puts them at risk of buying high and selling low instead of enabling investment managers to deliver value across full market and economic cycles.

FINANCIAL EDUCATION CAN HELP

Investors are hungry for knowledge

TOP LINE RESULTS

Investors from across generations express an interest in upping their financial know-how, with **younger generations particularly interested in building on their knowledge.**

KEY FINDINGS

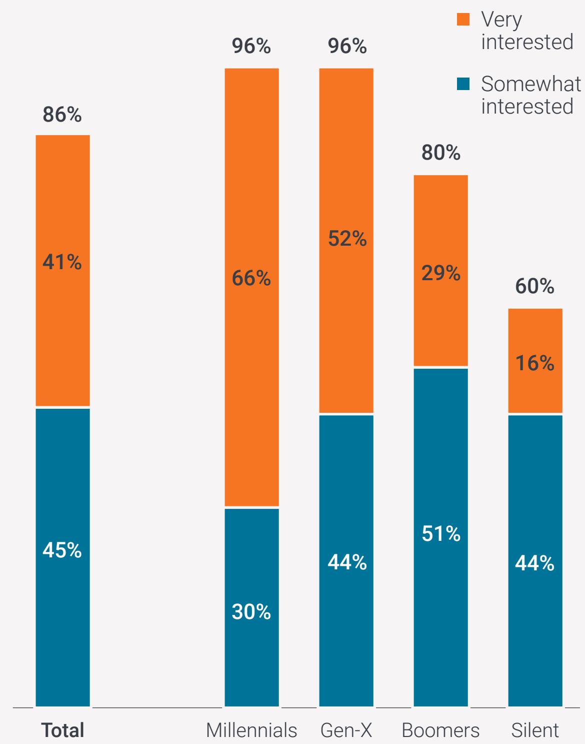
Investors are hungry for education. Overall, 41% of respondents are very interested in financial education, with another 45% somewhat interested.

Among younger investors, who collectively report higher levels of investing knowledge than older investors, a full 96% of both Millennials and Gen-Xers express meaningful interest in financial education.

The data also reveals another interesting nuance: Men are more likely than women to be open to, with 48% of men very interested in financial education compared to 34% of women. This runs counter to what we know about gender differences: According to a 2018 study by FINRA, women have traditionally registered lower self-assessed financial knowledge than men and have been more open to seeking educational opportunities.

Those individuals with the highest levels of self-assessed financial knowledge are most confident in meeting their financial goals, feel empowered by managing their finances, and are interested in learning even more.

How interested are you in **financial education and building your knowledge level of investments?**



Janus Henderson Investor Survey, as of September 2023.

ADVISOR IMPLICATIONS

On one hand, financial advisors should be prepared to provide ongoing educational opportunities to their most investment-savvy clients. On the other, clients who lack confidence in their own knowledge and abilities should be encouraged to pursue avenues to broaden and deepen their financial literacy.

Major life transitions and macroeconomic shifts have been found to be effective catalysts for investors to take positive financial actions, including seeking information and education.

There's also an opportunity for advisors to delve into what constitutes genuine "financial knowledge" and whether it's being confused with mere awareness.

Advisors have an opportunity to both expose and close this knowledge gap and to satisfy clients' appetite for financial learning. Importantly, the unexpected result regarding men's openness to learn points to a specific opportunity to engage with them as well as with younger investors.

ADVISOR VALUE ADD & HOLISTIC PLANNING

The advisor's mandate is expanding

TOP LINE RESULTS

Advisors can help provide emotional support and education to clients and act as a bulwark against actions that run counter to long-term financial objectives.

KEY FINDINGS

Among those with have a financial advisor, **65% are very satisfied with the quality of the relationship, and 33% are somewhat satisfied.**

Widows and those who never married are more likely than married respondents to be very satisfied with their advisor.

These findings provide support for the growing belief that the client-advisor relationship runs deeper than investment performance. Indeed, along with providing "peace of mind that I'm on track with my goals," the most important factor among very satisfied clients is the feeling that their advisor cares about them as a person.

Other findings indicate that advisors meaningfully increase client satisfaction when they provide a holistic view of a client's financial picture and a clear understanding of progress toward goals: 75% of investors with a formal financial plan are "very satisfied" with their advisor vs. 47% for those without any plan.

Which of the following **does your advisor currently provide to you?**

Janus Henderson Investor Survey, as of September 2023.

ADVISOR IMPLICATIONS

Providing written financial plans as a standard service offering (instead of a "value add" for high-net-worth (HNW) or high-potential relationships) is essential for addressing client concerns and delivering a satisfying client experience.

Advisors should also recognize the role they play in addressing the emotional needs and mitigating the emotional tendencies of their clients.

The latest DALBAR study shows that between 1993 and 2022, the average equity investor realized an average annual return of 6.81%, while the S&P 500 realized an average annual return of 9.65%. This gap is attributable to market timing or excessive trading, as emotional responses to market volatility or recent manager performance often result in the suboptimal behavior of buying high and selling low.

The probability of falling into these traps, however, appears to be lower for investors who receive professional advice.

COMFORT WITH REMOTE ADVISOR INTERACTIONS AND DIGITAL PROSPECTING

From in room to on Zoom: Getting engagement right

TOP LINE RESULTS

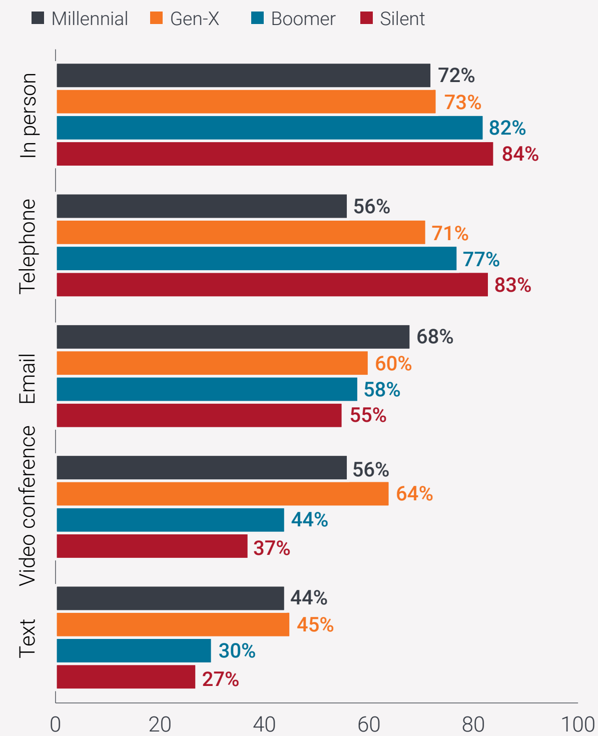
Growing comfort with remote engagement and improving technology have lowered the geographic barriers that once defined the advisor/client relationship.

KEY FINDINGS

Our survey found **no relationship between respondents' high levels of satisfaction and residing near their advisor (vs. out-of-state).** Nor is there any relationship between satisfaction and virtual vs. in-person engagement. Not surprisingly, Gen-X and Millennial investors have comparatively high levels of comfort engaging virtually compared to older investors.

Among those currently not using an advisor, younger investors lacking the financial knowledge and confidence to attain their goals are the most likely to hire an advisor. In fact, respondents who indicated that they have no idea what level of assets they will need in retirement appear very interested in shopping for professional advice.

In what ways **would you be comfortable interacting with a financial advisor?**



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ADVISOR IMPLICATIONS

Advisors who develop digital/virtual prospecting strategies that convey their value and inspire trust will be well positioned to take advantage of the growing openness of virtual engagement.

Additionally, advisors must re-imagine what constitutes a "network." To be sure, neighbors and fellow service organization members are still important, but advisors can increasingly tap friends, family members, fellow alums, and former colleagues as both potential clients and sources of referrals, regardless of where they live.

Establishing digital prospecting strategies and implementing technology infrastructure that allows advisors to deliver a seamless and frictionless experience for clients and prospects they may never meet in person will likely be pivotal for growth.

Established advisors who cater to the ultra-high-net-worth and HNW marketplace will need to reevaluate their practice if they are interested in pursuing younger prospects. Much has been written about the growing "HENRY" (high earner but not rich yet) opportunity, but team personnel, operational processes and procedures, and even mission statements must be reoriented to properly service this client segment.

The confidence game: The role of high conviction in investor attitudes and behavior

A key factor in investors forging strong bonds with advisors and achieving better investing outcomes is confidence. Feelings regarding financial confidence are multi-dimensional and express an individual's conviction in their ability to meet financial challenges and be successful. But how is that confidence built and expressed? **Here are some possible answers:**

- Perhaps unsurprisingly, investment assets are positively related to feeling confident about meeting future financial goals, even controlling for all other demographic variables. Additionally, respondents who feel they possess high levels of financial knowledge expressed higher levels of confidence. Lastly, having a financial advisor is positively related to feeling confident.
- Younger and married respondents are more likely to have allowed their emotions drive poor investment decisions compared to older and single respondents. Those with an advisor, however, are less likely to have made an emotional mistake compared to unadvised respondents.
- In both the financial confidence and emotional investing models, having an advisor is an important predictor. The support provided by financial advisors, both emotional and tactical, appears to have a tangible and positive impact on feelings of confidence. Also, prior research has found that higher levels of confidence are associated with clients not only being more likely to implement their advisor's recommendations, but also their willingness to stay the course during periods of market volatility.

Looking to take action on our findings?

Janus Henderson Investors' Specialist Consulting Group can help you address the challenges and take advantage of the opportunities uncovered in this year's Investor Survey.

Some of the resources offered through the experts in the group include:

- **Election concerns:** Client-facing presentations on market volatility and financial regrets to help put current events in perspective and steady nervous investors.
- **Striking the active/passive balance:** Our Portfolio Construction and Strategy team can support your efforts to build portfolios that meet client preferences while helping them pursue their most crucial objectives.
- **Building client confidence:** Insights on the advisor/client dynamic and forming a bond that inspires confidence in you and your clients.
- **Remote interactions:** Growth strategies built for a remote environment and tactics for attracting younger clients.

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CUSTOM STRATEGIC RESEARCH

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