

THE NEXT GENERATION OF TRUST

In India, Investors are Confident and Trusting



Trust is essential in the world of finance, where well-functioning markets are necessary to create value, and in investment services, where experts work to safeguard and grow the financial wealth of their clients. In this, the third CFA Institute investor trust study, we look at the trends in investor trust and provide recommendations for investment practitioners on how to improve trust with clients. We find that the nature of trust is changing because of a new generation of investors and a new generation of investing tools. This report outlines how individual investors in India compare to those globally.



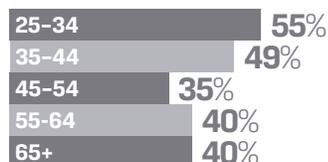
Indian Investors Are Trusting of Financial Services



Percentage of Indian investors that "completely trust or trust" the financial services sector

Investors in India tend to be younger than those in many other countries. This may partially explain higher trust levels, as younger investors globally are also more trusting of financial services.

TRUST IN FINANCIAL SERVICES BY AGE



Trust in the system may be due to Indian investors believing they have a fair opportunity to profit in the capital markets



Indian Investors Value Professional Advice

But they are split on how trust is given
67% of Indian investors are very confident of their investment decision making but still prefer to invest with the help of financial advisers.

70%

of Indian investors work with a financial adviser versus 54% of investors globally. However, 81% of those relationships were made in the last six years.



Trust and the Client Life Cycle

HOW INVESTORS DETERMINE TRUSTWORTHINESS

Assume they are trustworthy unless proven otherwise



Once trust is proven, the benefit of the doubt is given



Trust must be constantly earned and maintained over time



GREATEST INVESTOR CONCERNS

My financial adviser making recommendations that result in losses



A market crash impacting my retirement savings



Indian investors may also fear that advisers may not only be concerned with client outcomes; 45% of Indian investors believe that their advisers always put their interests first as compared with 35% of investors globally.

This might have some investors turning to other sources for advice other than their adviser.

MOST TRUSTED SOURCE OF INVESTMENT ADVICE

Primary adviser



Online research



Friends and family



Trust and ethics are important, but so are returns

Trust continues to be the most important factor throughout the client life cycle. In the five years we have been conducting this study, on a global basis trust has consistently been the greatest determinant in selecting a financial adviser by an almost 2:1 margin over investment performance. This is not necessarily true in India though.

MOST IMPORTANT ATTRIBUTE WHEN HIRING A FINANCIAL ADVISER

Trusted to act in my best interest



Ability to achieve high returns



Commitment to ethical conduct



Recommended by someone I trust



Trust can be conveyed through people and through a firm's reputation or brand. When thinking about an investment firm to work with, 77% of Indian investors would prefer *A brand I can trust* as opposed to *People I can count on*.

Technology is the number one reason Indian investors would leave an investment firm.

REASONS INDIAN INVESTORS WOULD LEAVE THEIR INVESTMENT FIRM

Data/Confidentiality breach



Underperformance



Lack of communication/responsiveness



Navigating Uncertainty

Most Indian investors fear a financial crisis

Trust is tested in times of crisis, and advisers should be aware of whether their clients fear crisis and market volatility. In fact, even in the face of past instability, India's retail investors fear an impending crisis—more than investors globally.

INVESTORS WHO EXPECT A FINANCIAL CRISIS IN THE NEXT THREE YEARS



But Indian investors cite some different reasons for why it may occur.

POSSIBLE SOURCES OF NEXT FINANCIAL CRISIS

National/Global politics



Governments defaulting on debt



Cryptocurrency bubble



A Major cyberattack/hacking



Those with advisers, however, also believe that their advisers are well prepared to handle a crisis.

83%

of Indian investors believe their advisers are "well or very well prepared" to handle the next crisis, compared with 55% of investors globally



Technology Increases Trust

Technology is a game changer for financial services firms, and the best firms differentiate themselves through effective use of technology.

Investors of every age are using technology more.



Percentage of investors that say in three years it will be more important to have technology tools to execute their own strategy rather than human advice



This is especially true among younger investors.

While this may seem to devalue the need for a human adviser, use of technology by investment firms increases trust.

Tech may have an even greater impact on trust in India since investors place a very high value on a firm's technology solutions compared to investors globally. For investors with a financial adviser, 74% say increased use of technology has made them trust their adviser more, while 83% say they are pleased with amount of technology tools currently provided.

Unlike most investors, Indian investors have mixed attitudes towards robo-advisers

Although 40% of investors globally distrust or completely distrust the robo-adviser industry, only 15% of Indian investors do. However, when asked if they were more likely to trust recommendations from a human or a robo-adviser, like most global investors, 72% of Indian investors preferred human advice.

THE BUILDING BLOCKS OF TRUST

The CFA Institute Trust Equation outlines the building blocks of trust. Trust is tied to value and together they are a function of credibility and professionalism.



Credibility, which provides confidence that the investment professional or organization is qualified to provide the required service, encompasses experience, reputation, and credentials, and is closely linked to brand. Trust in the industry requires that regulators and the public view it as bringing value to society.

CREDENTIALS



Investors that believe it is important that investment professionals have credentials from respected industry organizations

TRACK RECORD



Investors that believe it is important that investment professionals generate returns similar to or better than a target benchmark



Investors that believe it is important that fees reflect the value they get from the relationship

BRAND



Investors that prefer a "Brand I Can Trust" over "People I Can Count On"

VOLUNTARY CODE OF CONDUCT



Investors that would trust an adviser more if he or she adhered to a voluntary code of conduct

Professionalism is harder to quantify, but includes the trust-building elements of competency and values such as empathy, transparency, honesty, and alignment of interests.

COMPETENCY



Investors that would be more trusting of investment firms that promote ongoing professional development

VALUES



Investors that believe that their adviser always puts client interests first

31%

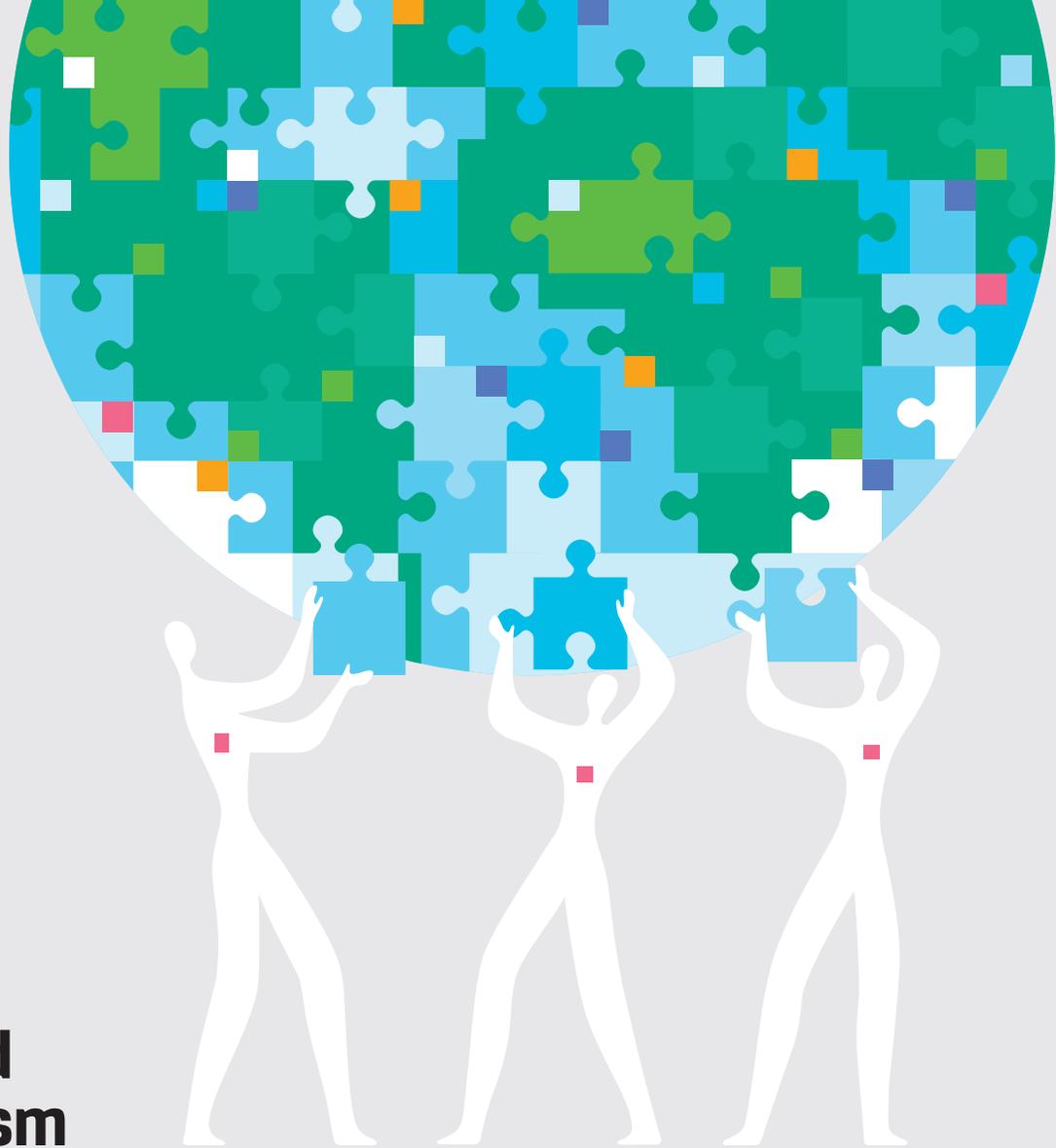
of Indian investors say the top attribute in selecting an adviser is putting the client first

17%

of Indian investors believe ethical conduct is the most important factor in choosing an adviser

83%

of Indian investors would trust their advisers more if they were a philanthropic partner for community efforts



8 Steps to Increasing Credibility and Professionalism

Credibility

- 1 Maintain strong brand identity and follow through on brand promises
- 2 Employ professionals with credentials from respected industry organizations
- 3 Stay focused on building a long-term track record to demonstrate competence and deliver value for money
- 4 Adopt a code of conduct to reinforce your firm's commitment to ethics

Professionalism

- 5 Improve transparency and clarity regarding fees, security, and conflicts of interest
- 6 Use clear language to demonstrate that client interests come first
- 7 Showcase your ongoing professional development to improve investment knowledge
- 8 Demonstrate your dedication to the values that clients hold dear

To learn more, visit nextgentrust.cfainstitute.org

METHODOLOGY In 2017, CFA Institute and Greenwich Associates conducted a global survey of 3,127 retail investors and 829 institutional investors, including 100 retail investors and 84 institutional investors from India. The study focused on retail investors who were 25 years or older with investible assets of at least US\$100,000 and institutional investors with at least US\$50 million in assets under management, from public and private pension funds, endowments and foundations, insurance companies, and sovereign wealth funds.



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