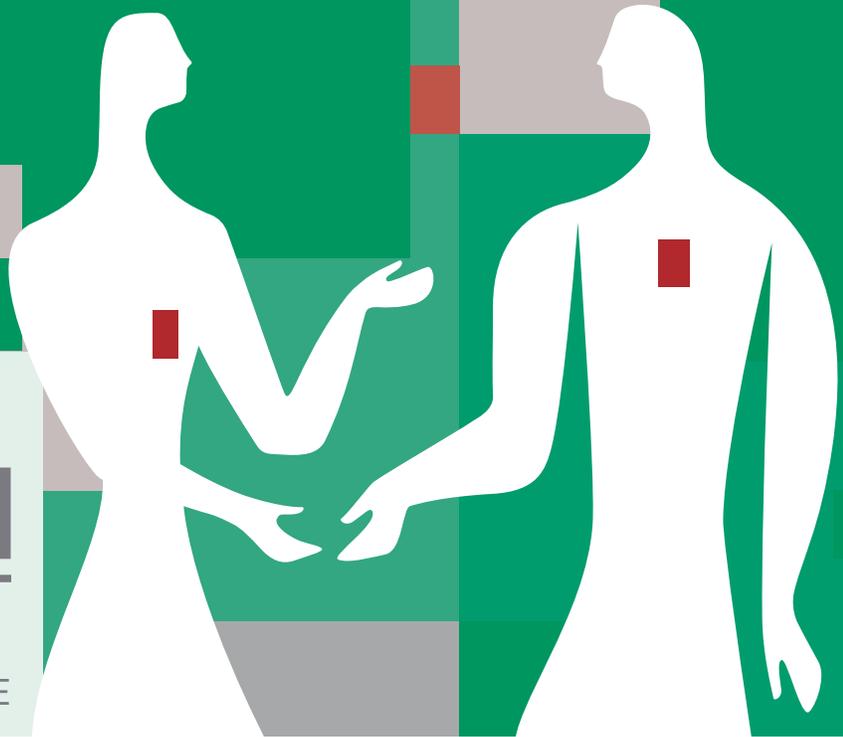


# THE NEXT GENERATION OF TRUST

Investor Trust in Financial Services in UAE



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 the United Arab Emirates compare to those globally.



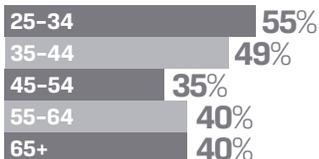
## Investors in the UAE Are Entrepreneurial and Confident

**46%**

*of investors in the UAE "completely trust or trust" the financial services sector, slightly higher than investors globally*

Investors in the UAE 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



Investors in the UAE are confident, with **47%** claiming they are very confident in their investment decision-making, compared with just **33%** of investors globally. However, many still prefer to invest with the help of a financial adviser.

Although the primary investment goals for global investors are retirement related, investors in the UAE have different reasons for investing. The number one investment goal for investors in the UAE is *Saving to start a business*, followed by *Saving for a large purchase*.

### PRIMARY INVESTMENT GOALS

#### Saving to start a business

**UAE 31%**

**GL 4%**

#### Saving for a large purchase

**UAE 21%**

**GL 11%**



## Many Sources of Investment Advice

The entrepreneurial nature of investors in the UAE means they value advice from many sources. Similar to global investors, **54%** of investors surveyed in the UAE have a financial adviser.

**54%**

*of investors surveyed in the UAE work with a financial adviser—the same percentage as investors globally*

Only **32%** of investors in the UAE, however, assume their advisers are trustworthy. That is compared to **29%** that said trust must be proven at least once to give the benefit of the doubt and the **37%** that expect advisers to earn and maintain trust continually.

This might have some investors in the UAE turning to other sources for advice. When asked about their primary source of investment information, most chose *Friends and family* over *My primary financial adviser*. This was a much greater reliance on friends and family than in any other market surveyed.

### MOST TRUSTED INVESTMENT ADVICE

#### Friends and family



#### My primary financial adviser



#### Online research



## Trust and the Client Life Cycle

### Trust continues to be an important factor throughout the client life cycle

In the five years we have been conducting this study, trust has consistently been the greatest determinant in selecting a financial adviser by an almost 2:1 margin over investment performance. This is not the case, however, in the UAE.

### MOST IMPORTANT ATTRIBUTE FOR INVESTORS IN THE UAE WHEN HIRING AN INVESTMENT FIRM

#### Ability to achieve high returns



#### Commitment to ethical conduct



#### Recommended by someone I trust



#### Trusted to act in my best interest



When selecting an adviser, global investors place more emphasis on personal trustworthiness and ethical conduct, while investors in the UAE are more concerned with returns.

### Why investors switch firms

Investors in the UAE are most likely to switch firms due to a data/confidentiality breach, while underperformance is most important globally.

### REASONS INVESTORS IN THE UAE LEAVE THEIR INVESTMENT FIRM

#### Data/Confidentiality breach



#### Lack of communication



#### Underperformance



#### Increase in fees



## Navigating Uncertainty

### Most investors in the UAE fear a financial crisis

Trust is tested in times of crisis, and advisers should be aware of whether their clients fear a crisis and market volatility.

### INVESTORS THAT EXPECT A FINANCIAL CRISIS IN THE NEXT THREE YEARS



Investors, however, believe that their investment firm is well prepared to handle a crisis:

**70%**

*of investors in the UAE believe their investment firm is "well or very well prepared" to handle the next crisis, compared with just 55% of investors globally*

### POSSIBLE SOURCES OF NEXT FINANCIAL CRISIS

#### National/Global politics



#### Terrorist attack



#### Governments defaulting on debt



#### A major cyberattack/hacking





## Technology Increases Trust

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



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

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 the UAE because investors place a much higher value on a firm's technology solutions than investors do globally. For investors in the UAE with a financial adviser, 65% say increased use of technology has made them trust their adviser more, while 69% say they are pleased with the amount of technology tools currently provided.

Consistent with their desire for technology in financial services, investors in the UAE are less skeptical about robo-advisers.

# 27%

of investors in the UAE "distrust or completely distrust" the robo-adviser industry, compared to 40% globally

# 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 for investment professionals to 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 his or her firm 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 continuing professional development

### VALUES



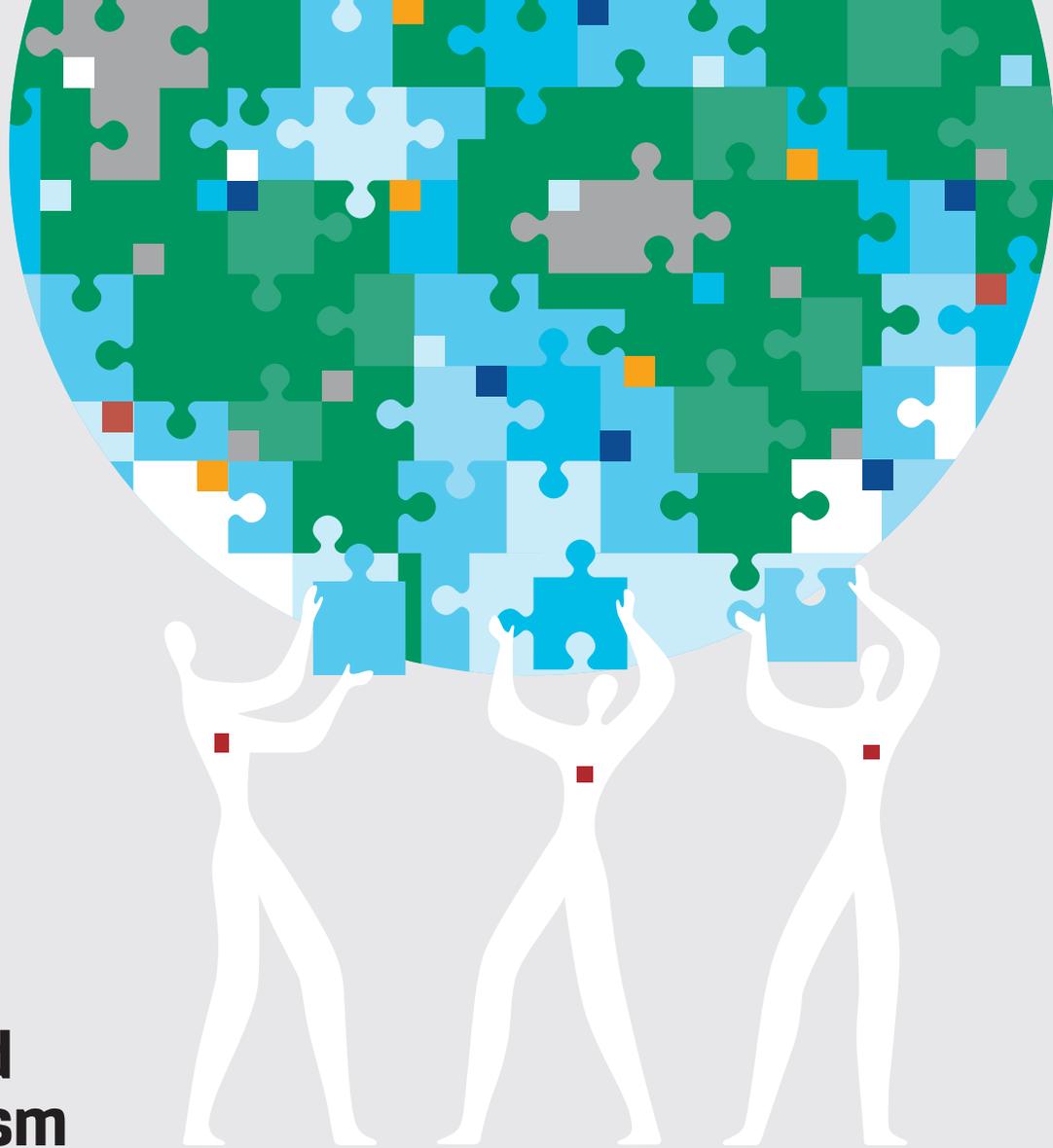
Investors that believe that their adviser always puts its clients' interests first

# 18%

of investors in the UAE say the top attribute in selecting an adviser is someone trusted to act in their best interest

# 19%

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



# 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 concerns 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](https://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 57 institutional investors in the United Arab Emirates. 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. This summary only includes views from retail investors.



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