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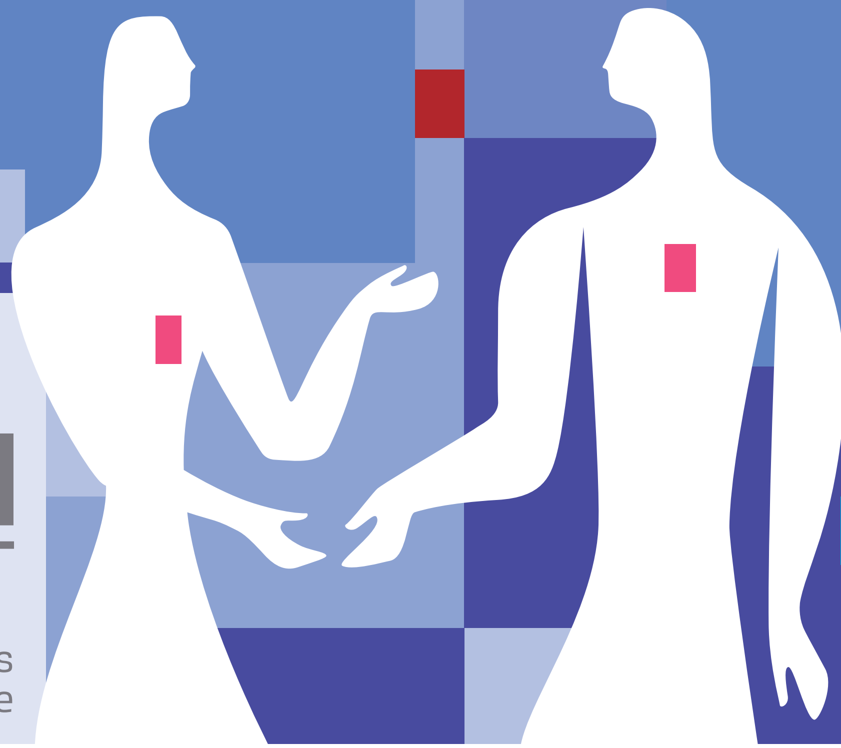
Future of Finance

THE NEXT GENERATION OF TRUST

Investor Trust in Financial Services in Singapore



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 Singapore compare to those globally.

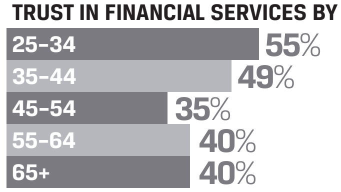
Singapore Investors Have Slightly Higher Trust in Financial Services but Doubts Remain

47%

of investors in Singapore "completely trust or trust" the financial services sector

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

TRUST IN FINANCIAL SERVICES BY AGE



Singapore investors are skeptical about market fairness though. Only **54%** believe they have a fair opportunity to profit in capital markets, compared to **69%** globally. No other market was more pessimistic.

Investors in Singapore Value Professional Advice

Only **18%** of investors in Singapore are very confident in their ability to make good investment decisions, which may indicate why many prefer to invest with the help of financial advisers.

61%

of investors from Singapore work with a financial adviser, compared with 54% of investors globally

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Trust Must Be Constantly Earned in Singapore

INVESTORS SURVEYED THAT SAID TRUST MUST BE EARNED AND MAINTAINED OVER TIME

SINGAPORE	52%
GLOBAL	46%

Singapore investors are not likely to assume someone is trustworthy, and only investors in Brazil were more likely to say that trust must be actively maintained.

This need to monitor their financial adviser is reflected in the top investment concerns of Singapore investors.

PRIMARY INVESTMENT CONCERNS

My financial adviser making recommendations that result in losses	50%
Hiring an unscrupulous financial adviser	43%
A market crash impacting my retirement savings	43%
Paying high fees	41%

This might indicate why many Singapore investors turn to other sources for advice. When asked about their primary source of investment information, financial advisers just barely edged out *Online research* and *Friends and family*.

MOST TRUSTED INVESTMENT ADVICE

My primary financial adviser	SINGAPORE	31%
	GLOBAL	38%
Online research	SINGAPORE	29%
	GLOBAL	19%
Friends and family	SG	22%
	GL	16%

Investors in Singapore rate financial advisers poorly in terms of transparency overall, with only **26%** saying they are very transparent versus **59%** of global investors.

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. The margin is slightly narrower in Singapore however.

MOST IMPORTANT ATTRIBUTE FOR INVESTORS FROM SINGAPORE WHEN HIRING AN INVESTMENT FIRM

Trusted to act in my best interest	37%
Ability to achieve high returns	22%
Recommended by someone I trust	14%
Commitment to ethical conduct	13%

Why investors switch firms

For investors in Singapore, the top reason they would switch firms is due to a lack of communication, though performance is a close second.

REASONS INVESTORS FROM SINGAPORE LEAVE THEIR INVESTMENT FIRM

Lack of communication	59%
Underperformance	56%
Data/Confidentiality breach	36%
Increase in fees	34%

Given the importance of communication, it is notable that only **49%** of investors in Singapore said their adviser is very accessible for questions or concerns, versus **75%** globally.

Navigating Uncertainty

Many investors in Singapore 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. Singapore's retail investors are more fearful of an impending crisis now than in 2016, when just **31%** worried about a crisis.

INVESTORS WHO EXPECT A FINANCIAL CRISIS IN THE NEXT THREE YEARS

SINGAPORE	42%
GLOBAL	38%

Many investors in Singapore are also skeptical about their investment firm's ability to handle a crisis:

41%

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

POSSIBLE SOURCES OF NEXT FINANCIAL CRISIS

National/Global politics	53%
Cryptocurrency bubble	34%
Terrorist attack	28%
Governments defaulting on debt	16%
Tech stock bubble	21%

Singapore investors are the most likely globally to fear a crisis caused by a cryptocurrency bubble—only **12%** of investors globally cite this concern.

Technology Increases Trust

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

SINGAPORE 57%
GLOBAL 48%

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 can increase trust. Tech may have an even greater impact on trust in markets where investors place a much higher value on a firm's technology solutions than investors do globally. For investors in Singapore with a financial adviser, **39%** say increased use of technology has made them trust their adviser more, while **52%** say it has had no impact. In addition, **63%** say they are pleased with amount of technology tools currently provided.

Consistent with their strong interest in technology solutions, Singapore investors are less skeptical about robo-advisers than investors globally.

19%

of investors in Singapore "distrust or completely distrust" the robo-adviser industry, as 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

SINGAPORE 66%
GLOBAL 73%

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

TRACK RECORD

SINGAPORE 71%
GLOBAL 78%

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

SINGAPORE 72%
GLOBAL 74%

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

BRAND

SINGAPORE 49%
GLOBAL 46%

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

VOLUNTARY CODE OF CONDUCT

SINGAPORE 56%
GLOBAL 64%

Investors who 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

SINGAPORE 74%
GLOBAL 79%

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

VALUES

SG 10%
GLOBAL 35%

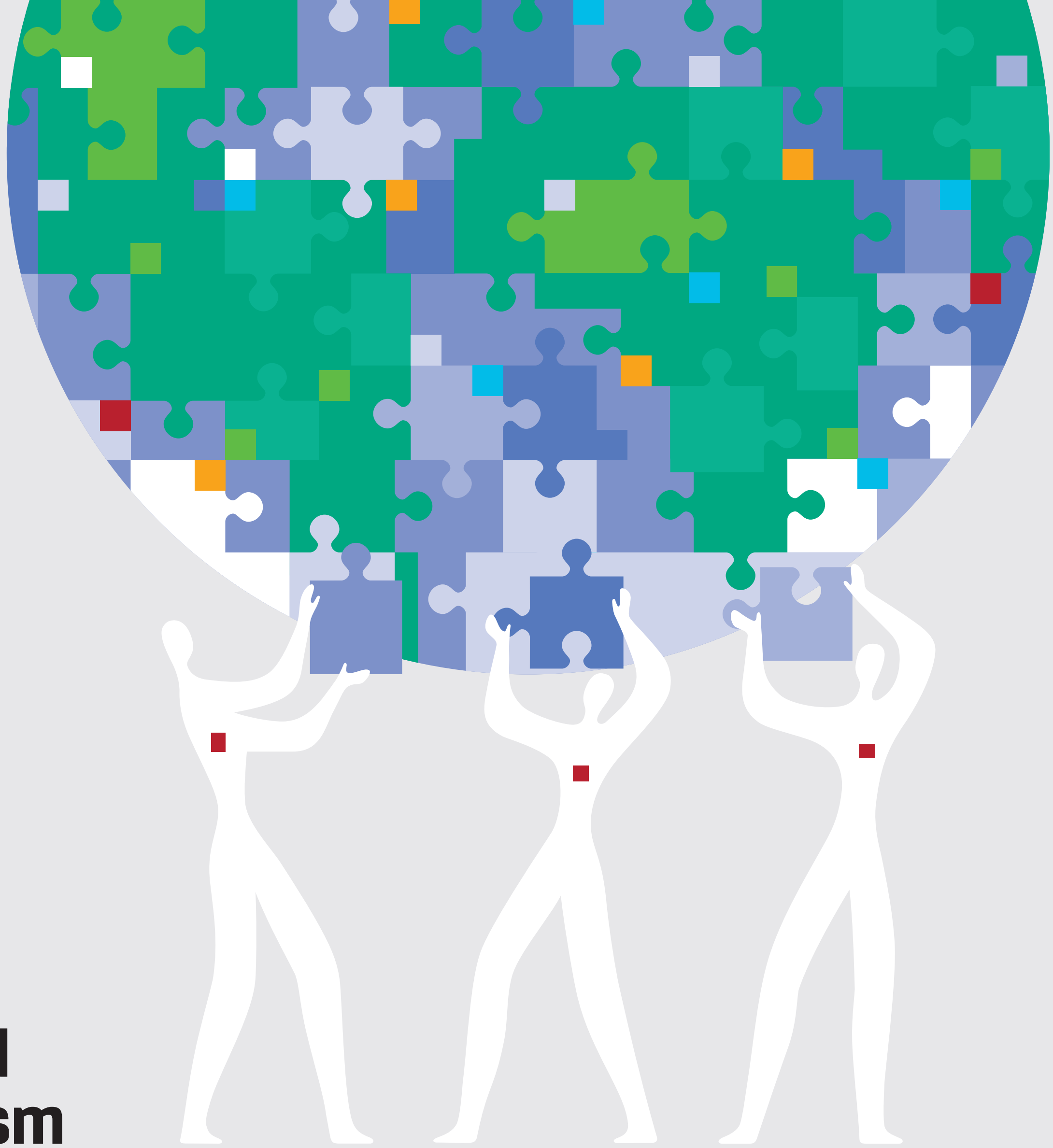
*Investors that believe that their adviser always puts its clients' interests first. The only market where this was lower was in Hong Kong **(7%)**.*

37%

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

13%

of Singapore investors 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**

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 25 institutional investors from Singapore. 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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