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# THE GOLD STANDARD OF WEALTH MANAGEMENT: REDEFINING INVESTOR DATA NEEDS

# INTRODUCTION

**As the world looks towards recovering from the COVID-19 pandemic, the scars run deep from its humanitarian impact. For many individuals, families and communities, the financial impact has been both severe and regressive. Long-held plans have changed to reflect the new reality.**

The wealth management industry is not immune to these pressures, but for some firms the last 12 months have also been galvanizing. With market volatility eroding investor confidence, firms have been proactively supporting their self-directed and advisory clients with expertise, content and insights, helping them to make sense of fast-moving markets. They have witnessed higher client engagement and a clearer need for advice, especially as they explore the potential growth sectors of the future.

This report documents our research on over 1,000 investors, across both advisory and self-directed investment preferences. It highlights their areas of satisfaction with their providers, and areas of opportunity where current services have gaps or are deemed to be insufficient in this new COVID landscape. Investors see a significant need for greater value add from their service providers, with strong demand for webinars and written insights, all placed within the context of their current holdings. In short, Investors in different regions – whether self-directed or advisory clients – and across all ages want to receive content that can positively influence their investment decisions.

Providers must further work to ensure a complete and consistent omni channel experience for their customers, but they won't be successful without offering market leading data and analytics. To add substantive value, data must come from trusted sources and, crucially, help customers deal with complexity. Advanced analytics can be hugely valuable, if the customers are able to understand them and integrate them into their decision making process. The key deliverable for providers is a high signal/noise ratio so customers do not feel overwhelmed with too many data points to come to a decision.

Investors are evaluating sector potential with surprising consistency, irrespective of their investment strategy. There are new sectors and themes that they find exciting and want to explore, such as environmental, social and governance (ESG) investing. While standard pricing data remains key, alternative sources of data are increasingly providing a fully rounded context and we see a clear growth in demand for ESG indicators, news and social media analytics.

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**In the face of unprecedented change and uncertainty, the importance of trusted and accurate data has never been greater. Our research shows that investors across the board, whether self-directed or advisory clients, have a growing need for a more comprehensive data offering that spans traditional analysis and nontraditional alternative data. The industry will need to continue advancing in critical areas such as ESG to empower investors to make decisions with confidence.**



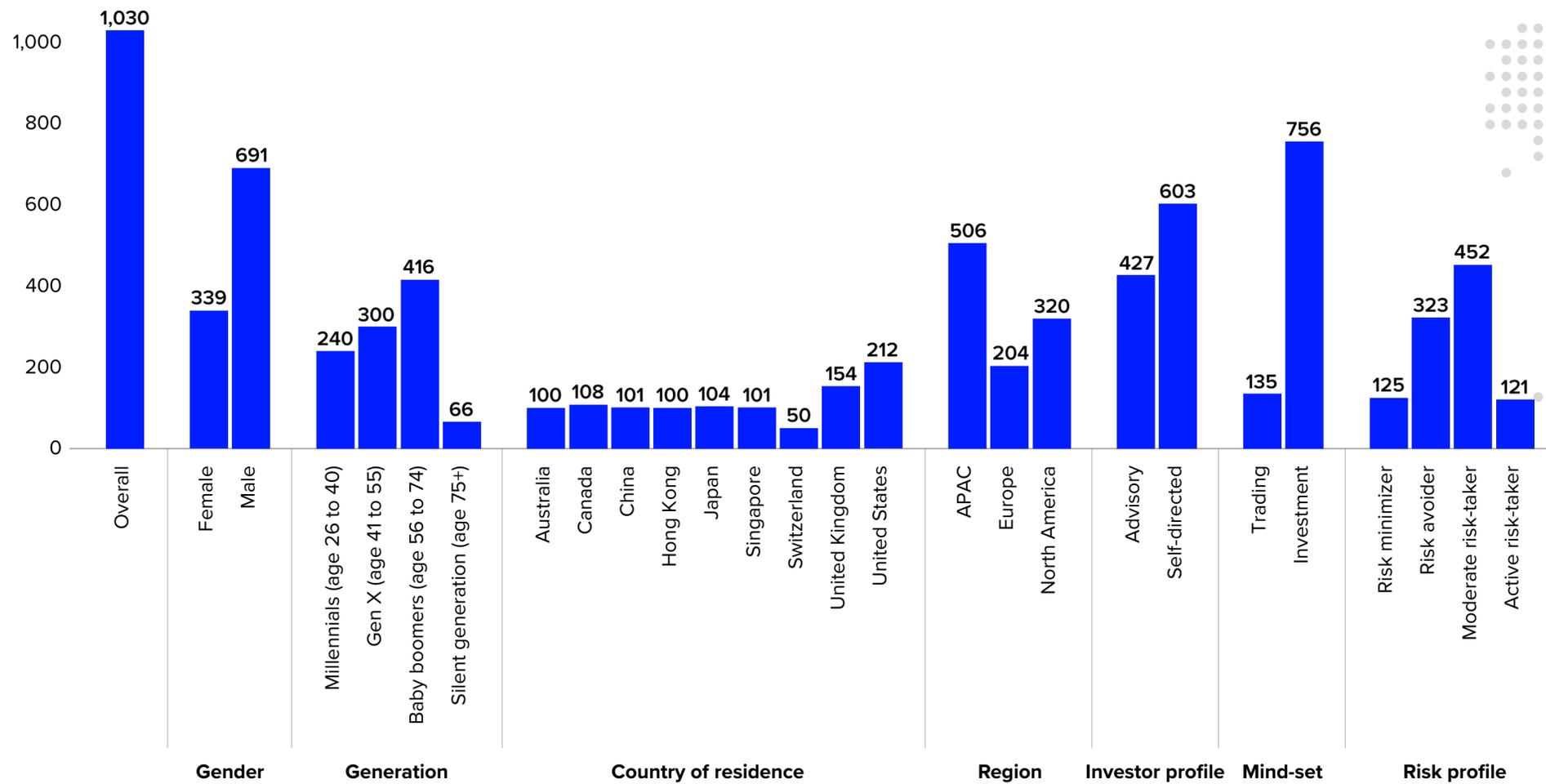
**Joe Mrak**

Global Head of Wealth Management,  
Refinitiv

# ABOUT THE RESEARCH

Redefining Investor Data Needs is based on research commissioned by Refinitiv that surveyed 1,030 self-directed and advised mass affluent investors in September 2020, located in nine global financial centers: Australia, Canada, China, Hong Kong, Japan, Singapore, Switzerland, the UK and U.S. Our study examines how investors' trading activities, data needs and digital expectations are likely to evolve in the future.

All survey participants were independently sourced and had to have their own investment portfolios of at least USD50,000 in investable assets (excluding their primary residence) to be eligible for the study.



Source: Refinitiv

# EXECUTIVE SUMMARY

Our research study finds that self-directed and advisory clients' needs are rapidly changing. In the future, they will need new data and digital capabilities to take advantage of promising investment opportunities and avoid potential risks.

**39%** of investors do not feel equipped with the data and content to make investment decisions

Wealth management firms should reassess the channels and formats of the content delivered to optimize insights for the current market environment.

**34%** globally are more interested in ESG investing than 6-12 months ago

Enthusiasm for ESG rises to 61% of millennial investors. But with greenwashing one possible hurdle, it is important they are empowered with high-quality data to screen out risky opportunities, benchmark companies and customize their impact goals, depending on level of interest.

**41%** of investors more interested in ESG say well governed companies perform better

With the increased focus on company governance made possible by ESG investing, wealth firms will need to empower investors with data that offers transparency, such as specific insights on management teams, shareholders and corporate social responsibility strategies.

**54%** agree news analytics would be a game changer when choosing future investments

There is already strong interest in alternative data to explore favored sector opportunities. The most innovative firms will introduce these non-traditional data sources, which give investors the edge by offering valuable additional context to help them make their investment choices.

**33%** do not find webinars to be useful

With virtual gatherings here for the foreseeable future, providers should question whether the content, user experience, expert commentary or data underpinning their webinars are falling short – or all of the above.

## DATA APPETITE GROWS

The surge in financial markets volatility experienced in 2020 had an important impact on portfolio activities and engagement. However, investors' increasing need for data could have the most profound impact and far-reaching consequences.

There can no doubt that trading has been affected by the pandemic. Nearly seven in 10 (69%) active traders (who self-categorize as seeking to generate short-term returns through rises and falls in the stock markets) say they are accustomed to placing trades at least weekly to achieve their investment objectives. Almost a third of them (30%) say they trade daily – most notably in Asia, where 36% of active traders habitually traded that regularly before the COVID pandemic.

In early 2021, the prolonged uncertainty in the financial markets is still having a lasting impact on investor behavior. With almost half of their portfolios tied up in equities, 59% of active investors have altered the frequency of their portfolio changes [Figure 1].

In fact, 44% of active millennial investors accelerated their trading frequency during the volatility in financial markets, compared to just 22% of older generations.

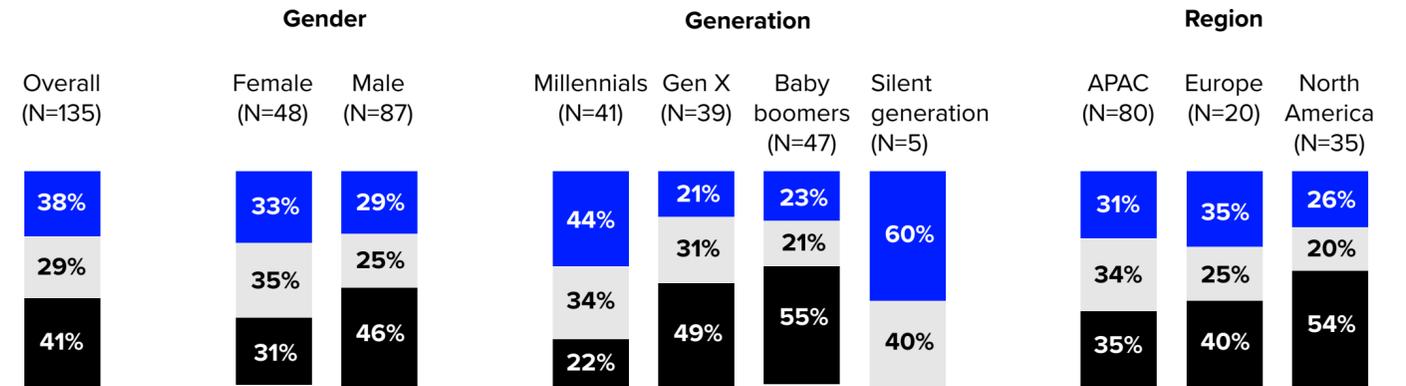
Volatile market conditions have even changed long-term investors' behavior. Most likely to be based in Europe, these investors are torn between the opportunities and downsides: 23% are now making portfolio changes more (and 20% less) frequently than before.

**44%** of active millennial investors accelerated their investing frequency during the volatility in financial markets, twice as much as older generations.

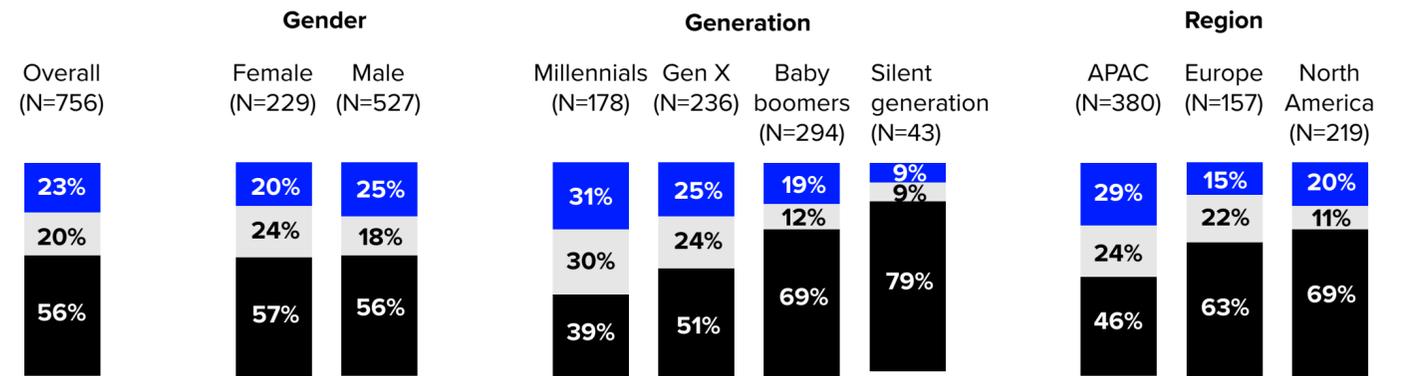
**Figure 1: How trading frequency changed during heightened volatility**

To what extent did your investment activities change over the past six months, during the volatility in global financial markets?

### Trading mind-set



### Investment mind-set



■ More frequently ■ Less frequently ■ No change

Source: Refinitiv

The rollercoaster ride of 2020 was exceptional. Wealth management providers need to address the gaps in content and data that difficult market conditions exposed and have created longer-term implications.

The optimal content mix in the new environment looks quite different from before and providers must adapt their approach to investors' changing needs. Our study shows that 39% of investors say they lack access to resources that could support their portfolio decision-making.

**39%** of global investors lack access to data and content that would help their investment decision-making

Tackling this stated lack of access to data and content is far from straightforward as there are generational and regional differences complicating the picture. For example, improving the availability of webinars would be most helpful for investors in Hong Kong, where 62% lack access to this kind of content. In contrast, in the UK and U.S., the top missing element is high-quality long-form investment insights **[Figure 2]**.

There is interest in better access to a range of multimedia content, including webinars, videos and podcasts, rather than predominantly written insights in different formats. To meet this demand, wealth management providers will need to integrate high-quality data into multimedia content that can inform a broad mix of delivery channels.

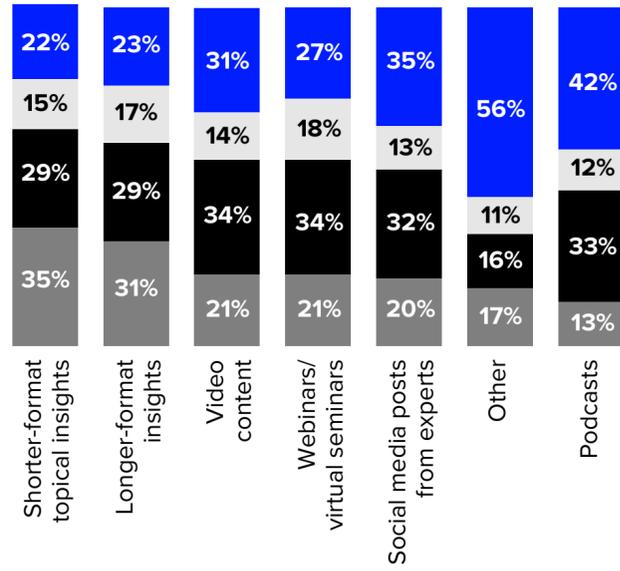
But access to data and content is only one part of the story. There is a worrying perception that many of the resources offered are not that helpful nor do investors rely on them to make portfolio decisions. Providers should therefore question why, for example, more than a third of those who are invited to webinars do not find them insightful – and what would improve their ratings going forward.



**Figure 2: Mass affluent investors need a better content mix to explore new ideas**

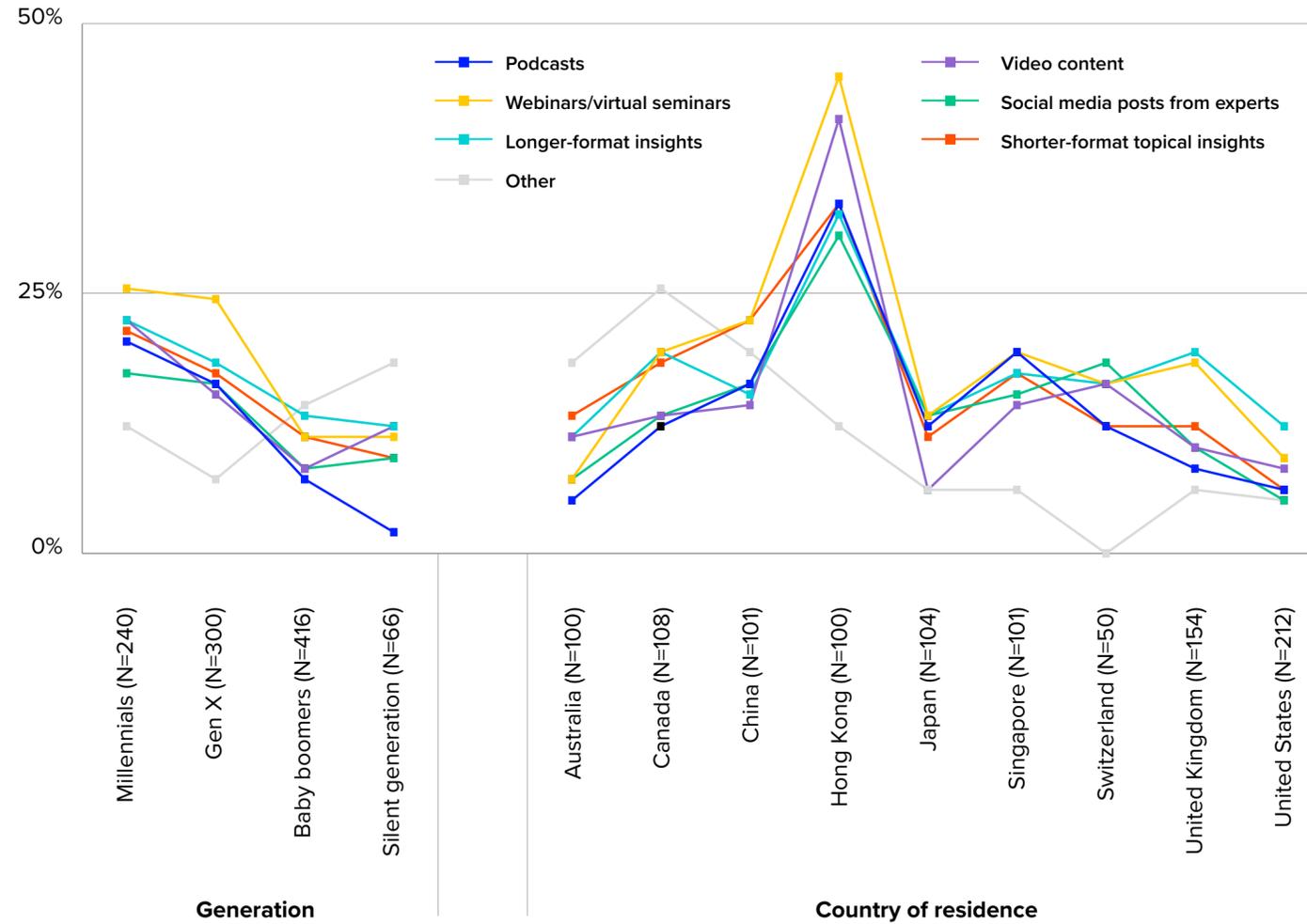
How useful to your investment decision making are the resources provided by your investment provider?

Usefulness of resources



■ Don't have access and don't need  
■ Don't have access but would like it  
■ Have access and don't use  
■ Have access and use

Don't have access but would like it



Source: Refinitiv

## ESG IS HERE TO STAY

There can be few better places to start improving data provision than ESG investing which has moved decisively up the agenda and where high-quality data is in short supply.

Investors are taking a much closer look at this theme after a year when many had their social consciences awakened by the humanitarian and economic impact of the pandemic, to say nothing of the renewed public policy focus on climate change, diversity & inclusion and human rights.

The magnitude of change is visible from more than a third of our mass affluent respondents agreeing that they are more interested in ESG investing than six to 12 months ago. Enthusiasm varies widely by market but is highest in China (77%), where investor demand and stricter regulation are driving an acceleration of ESG awareness and reporting, according to the World Economic Forum. ESG investing is also notably popular in Singapore (53%), Hong Kong (47%) and Switzerland (40%).

Millennial investors are leading the charge – 61% are more willing to invest in ESG now – while 41% of Generation-X investors, who are aged 41 to 55, favor ESG investing. Advisory clients are significantly more likely to have changed their minds on ESG investing: 46% are more interested compared to 26% of self-directed investors.

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**34%** of investors globally are more interested in ESG investing than 6 to 12 months ago

*compared to*

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**61%** of millennial investors 6 to 12 months ago

Wealth management providers need to respond to this rising interest in ESG and help source high-quality opportunities supported by trustworthy data. It will also be important for wealth providers to make this data visually approachable and easy to understand, given how new ESG data and analytics are to most investors. When providing ESG content, providers must be conscious of how investors source trusted information on this theme and adapt their approach accordingly. For instance, in Asia – where almost half of investors are more open to ESG investing than before the COVID crisis, 44% rely on digital media, specifically blogs and social networks.

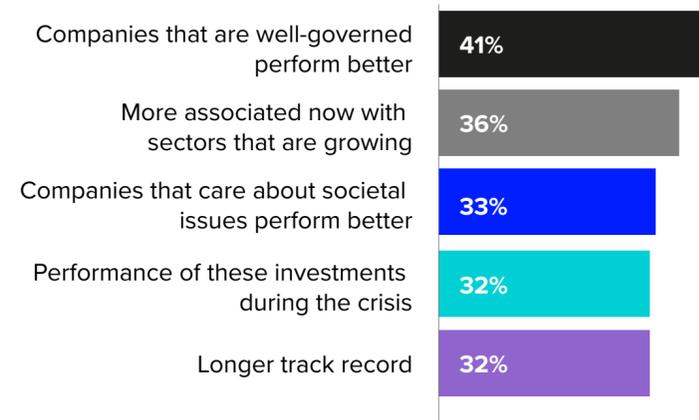


To make their content more useful, firms should integrate data that addresses the reasons why clients are changing their minds on ESG. A range of different motivations drives attitudinal change, but overall, it is the increased scrutiny of company governance made possible by ESG investing that has cut through to investors, especially in Europe [Figure 3].

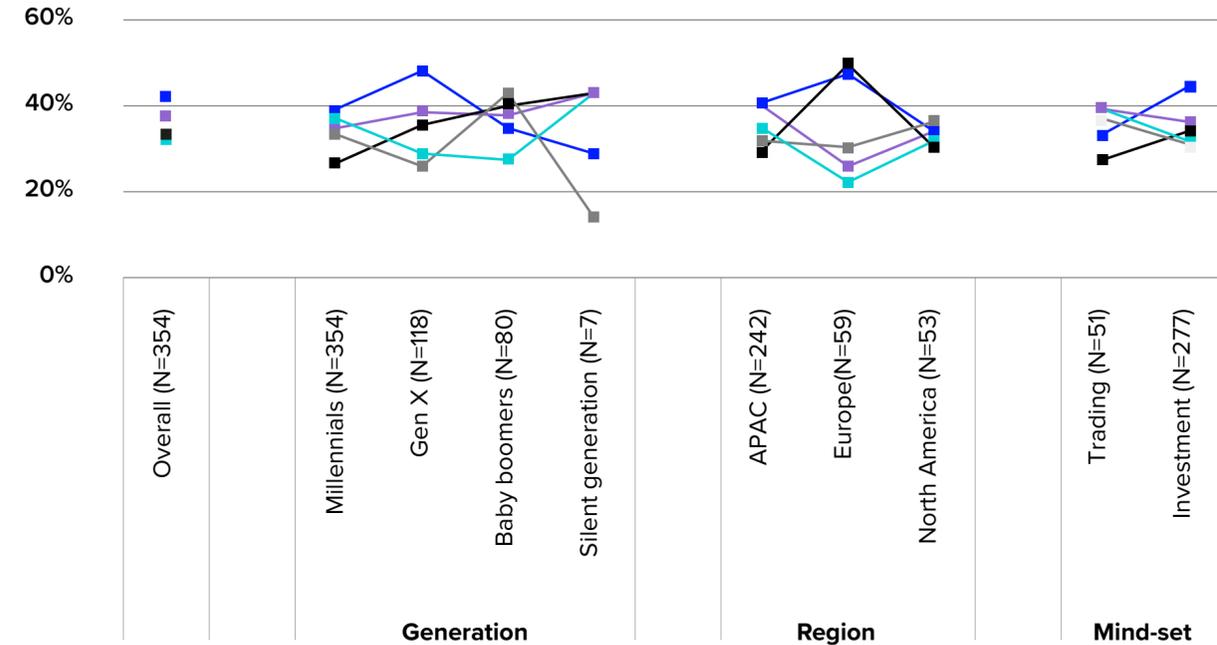
While client assumptions around track record have sometimes been an obstacle, ESG investment performance during the crisis has surprisingly even become a selling point, particularly in North America and among baby boomers (who are over 55 years old).

**Figure 3: ESG investments are becoming more attractive**

Which, if any, of the following factors do you think make these investments more attractive now?



Percentage of respondents who are more willing to invest on ESG



Source: Refinitiv



To maintain this momentum, and given governance is a priority, providers should empower investors with data that offers transparency in this area. For instance, company-specific insights on management teams, shareholders and corporate social responsibility (CSR) strategies would be a good first step. But if they want to impress investors, wealth management providers need to offer sufficient coverage so that investors can compare and benchmark companies.

As our findings show, there is a spectrum of investor interest in ESG, so the data must reflect this variety. Some clients are likely to have been passionate about ESG investments for decades and have waited for the industry to catch up with their investment preferences. Real-time data will be a must-have for them supported by tools that can generate new ideas.

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**41%** of investors more interested in ESG say well-governed companies perform better

ESG advocates will ultimately want to understand how their investments are performing against their chosen impact goals, so portfolio analytics should offer a high degree of customization.

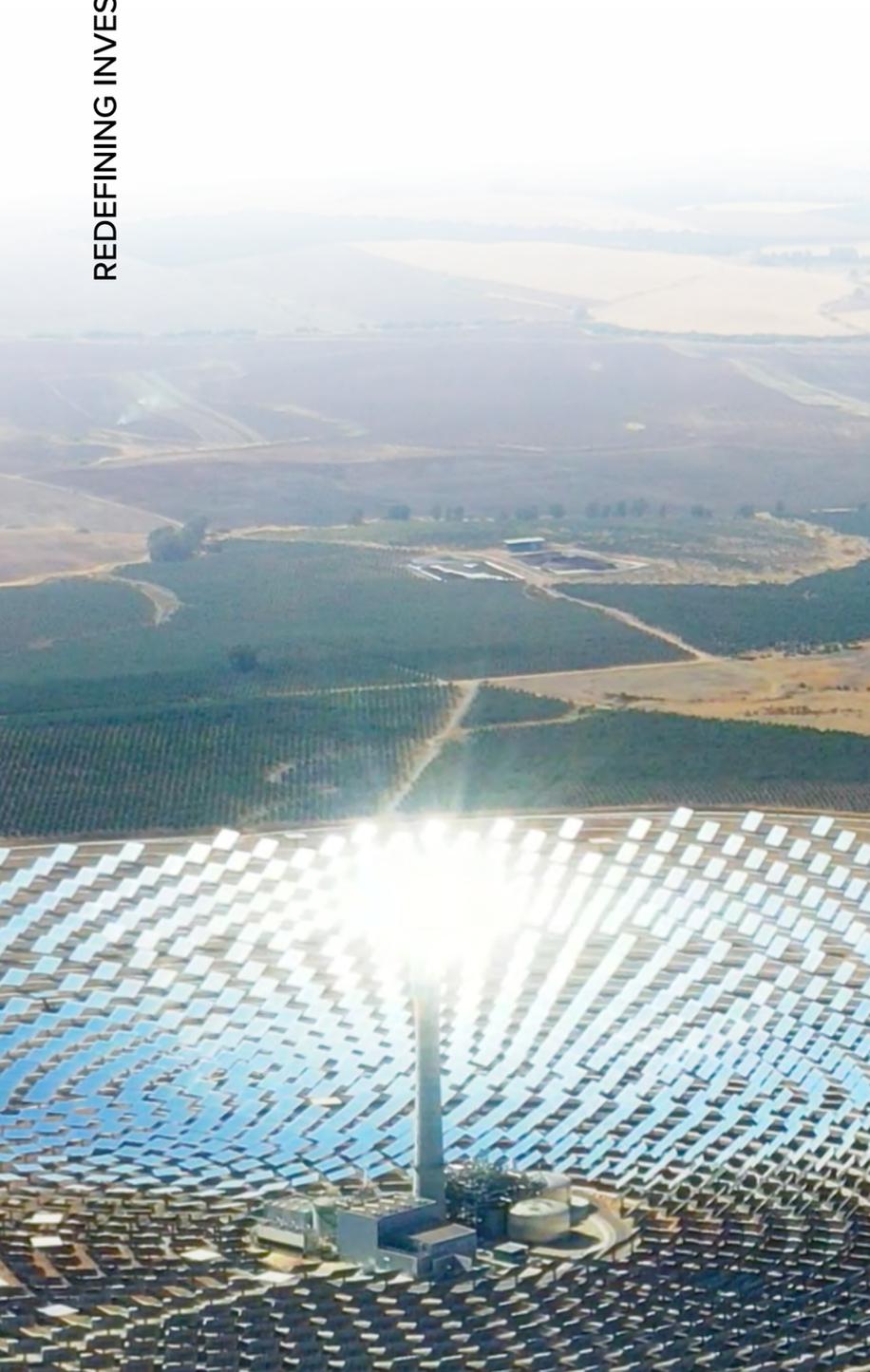
Conversely, for those more concerned with risk mitigation and the power of ESG to identify non-financial risks, ESG indicators could be helpful. The right tools could screen out potentially controversial companies from portfolio holdings before their public profiles become problematic.

In fact, access to this functionality could address a blind spot commonly identified by investors in their understanding of ESG, which is they aren't sure of the risk associated with these opportunities [Figure 4].

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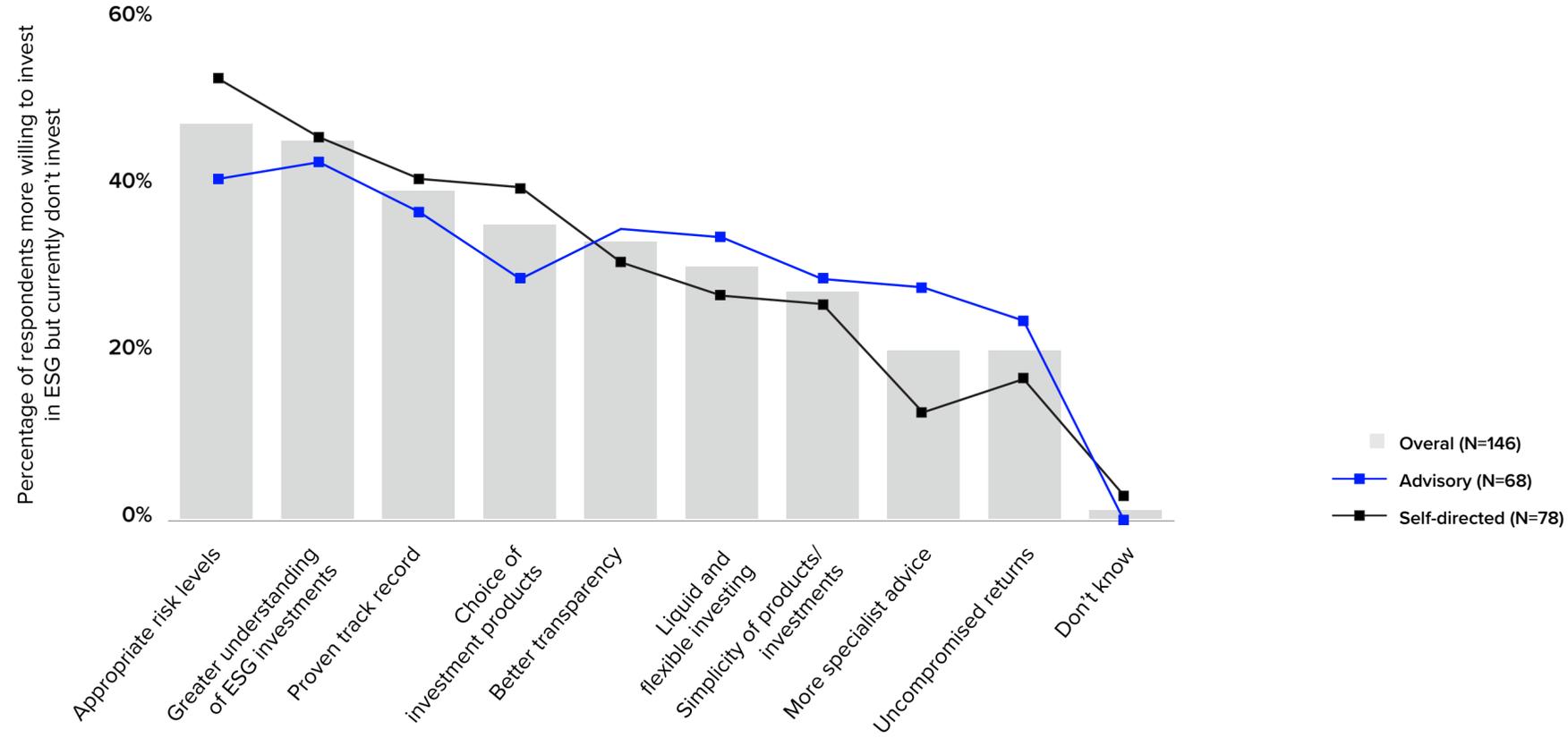
**Data to generate new ideas, tools to identify associated risks and portfolio analytics to understand performance will be key factors affecting ESG adoption.**





**Figure 4: Investors are looking to improve their ESG understanding, particularly on risk**

Which factors do you think will be most important to you when considering ESG investing?



Source: Refinitiv

Before it is possible for ESG investing to become a mainstream theme, it is worth addressing the concerns of ESG skeptics who say they are unlikely to select these investments.

Almost a quarter of our survey respondents (24%) cite greenwashing<sup>1</sup> as a barrier to getting involved. Although not the only factor dissuading them, it underlines the important extra role providers must play in being transparent about how ESG company ratings are constructed to build trust in product information.

<sup>1</sup> “Greenwashing” refers to the conveying of a false or misleading impression that a company’s products are environmentally friendly.

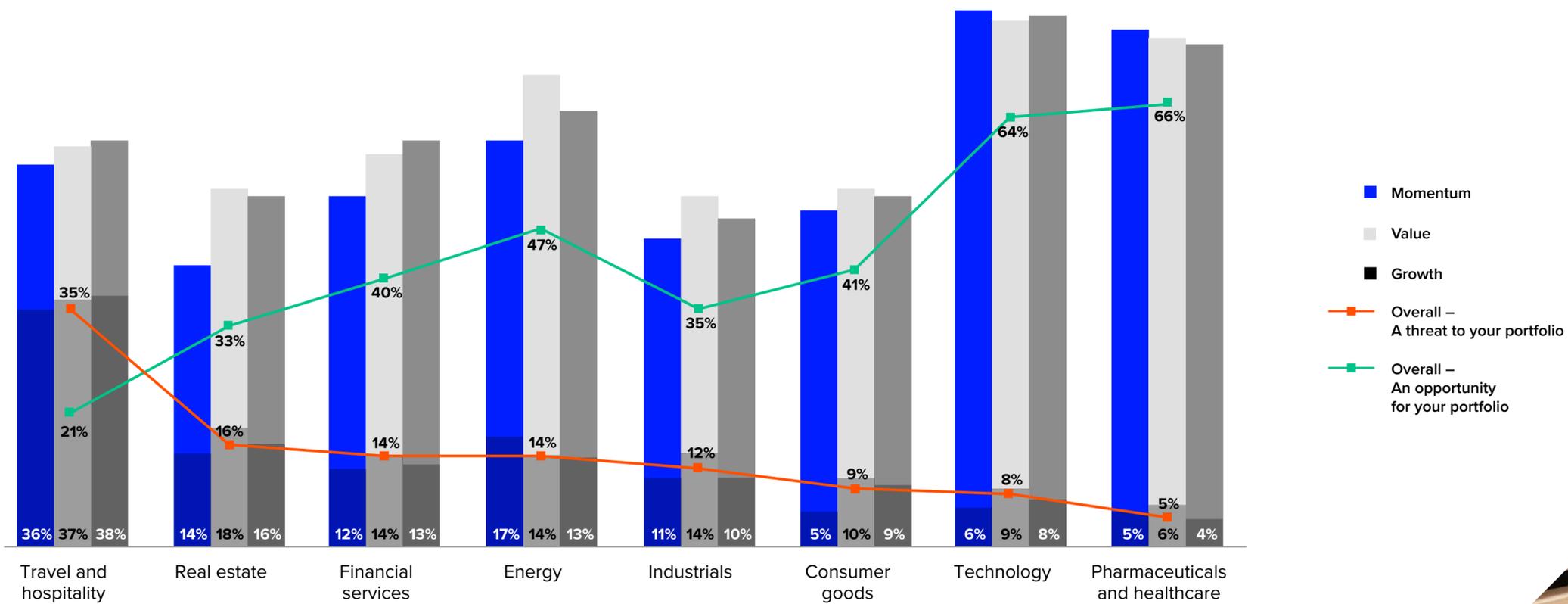
# THE RISE OF ALTERNATIVE DATA

As investors look forward to the next six to 12 months, there is universal agreement on where the sector opportunities will be found.

Approximately two-thirds (66%) are focused on pharmaceuticals and healthcare [Figure 5], as the development of new COVID-19 therapies and vaccines continues to attract significant funding. Not far behind is technology (64%), as remote working and virtual events seem set to stay. Meanwhile, travel and hospitality remain unloved and are struggling to bounce back from government-imposed travel restrictions and lockdowns.

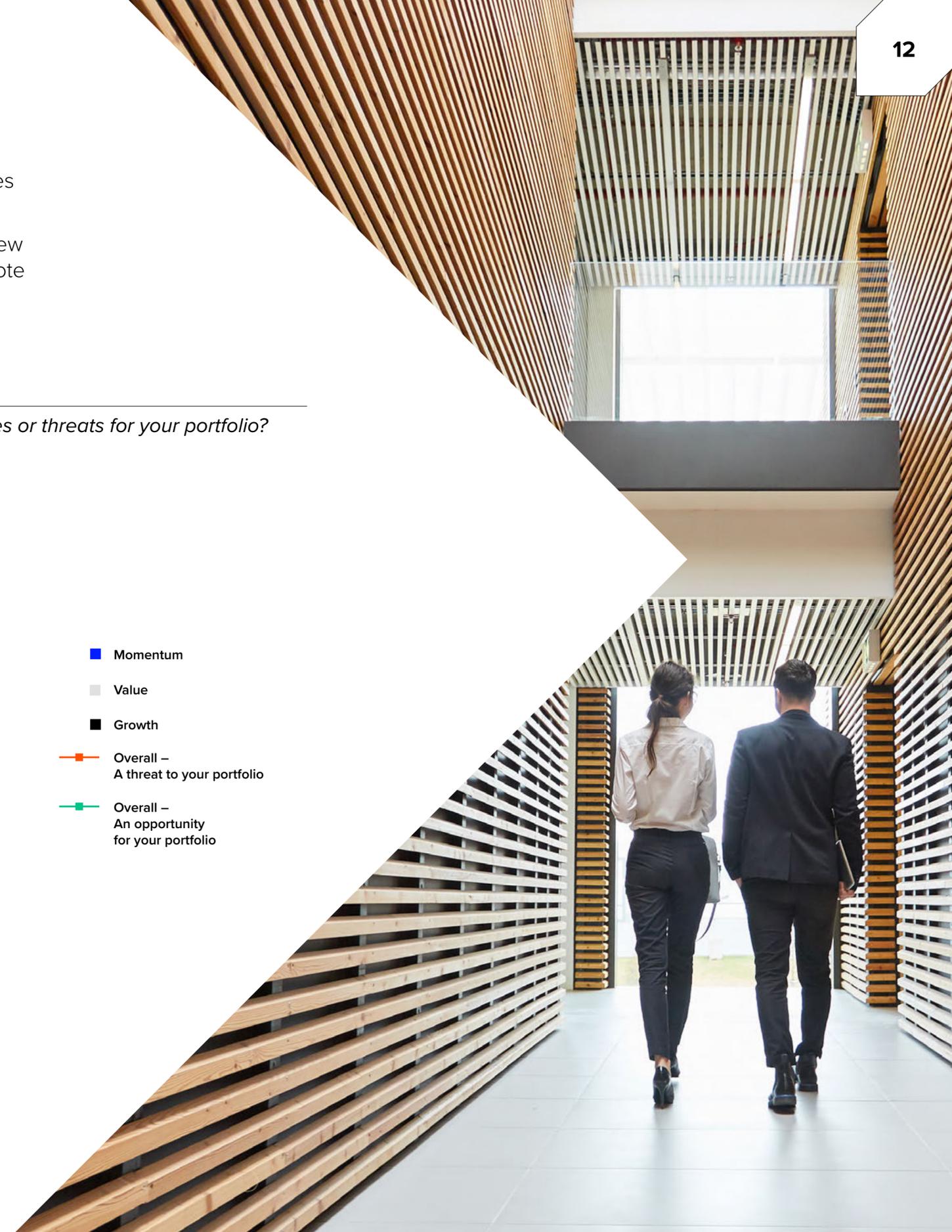
**Figure 5: There is global consensus on sector opportunities and threats**

*Looking ahead to the next six to 12 months, which of the following sectors do you feel represent the biggest opportunities or threats for your portfolio?*



Note: Darker shades in bar charts represent threats, lighter shades denote opportunities.

Source: Refinitiv

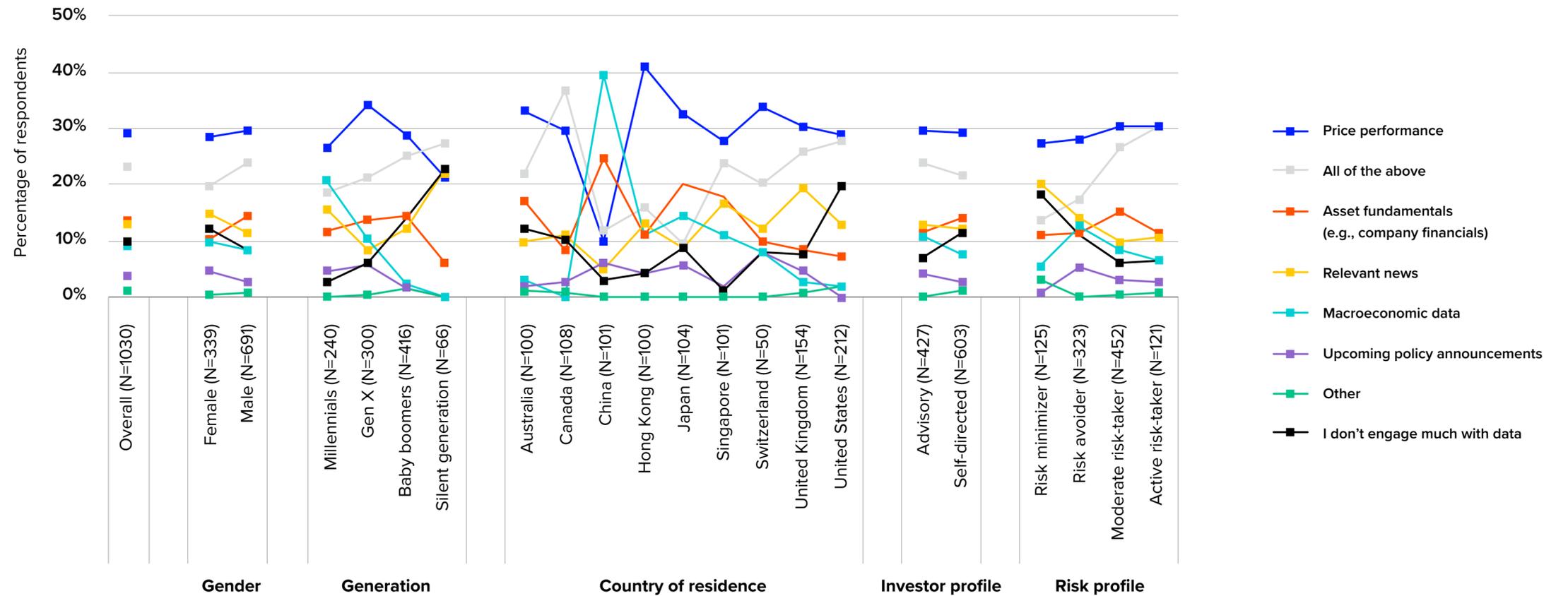


With such a high degree of uniformity, even among those who adhere to different investment strategies, investors we surveyed are eagerly scouring as many data sources as possible to get ahead.

Most are data-savvy. Our study indicates mass affluent investors are adept at navigating multiple sources of insight to manage their portfolios, engaging with price performance and macroeconomic data, asset fundamentals, news and policy announcements. The older the investor, the more likely they are to say they use multiple sources of data in their decision-making [Figure 6].

**Figure 6: Investors are data-savvy and comfortable navigating multiple sources**

*When reviewing your investment portfolio, which data do you typically engage with most?*



Source: Refinitiv

While vast volumes of data are continuously generated, it is analytics that make sense of the data that will be powerful – especially when only a few sectors are being scrutinized. Providers should think about what sources of data not widely available would help give investors the edge on emerging opportunities. Over half (54%) of mass-affluent investors agree that alternative data would be useful to their portfolio management [Figure 7].

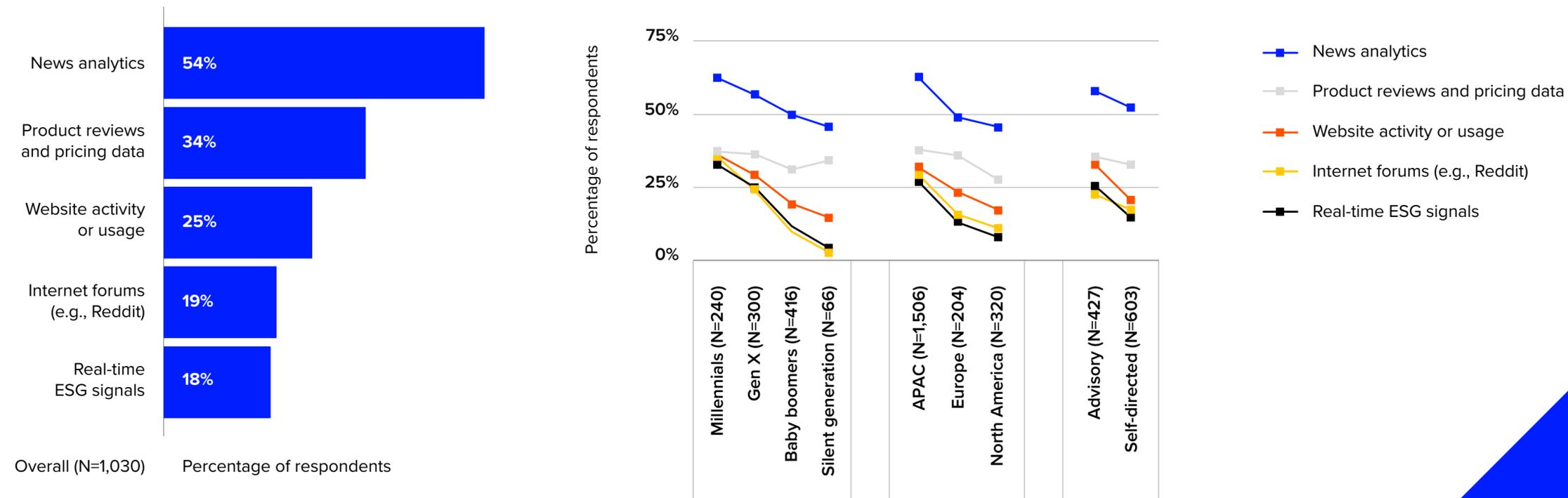
For investors, news analytics would be a game-changer, given the volume and frequency of news updates they receive and have to interpret. Every segment we surveyed believes news analytics should be the priority because it is not widely available today. News analytics can come in various forms but at its core it should assist investors in identifying actionable insight from news sources through the use of tagging and metadata. This allows highly relevant and timely content to be surfaced or provides additional analytics such as the measurement of sentiment and the forecasting of default risk. Given their focus on gaining more insightful context, news sentiment analysis could soon be a key factor for them.

## 54% of investors say news analytics would be a valued new source of information

Millennials and advisory clients are most enthusiastic about these enhancements, which gives wealth management firms opportunities to enhance client loyalty with these important customer segments. These groups are also quicker than others to spot advantages to using other non-traditional data, including pricing analytics, website activity, internet forums and ESG signals.

**Figure 7: Investors agree news analytics would be a valued new source of data**

*Are there any alternative sources of data (i.e., not commonly used today) that you would find useful as you make investment decisions?*



Source: Refinitiv

# CONCLUSION

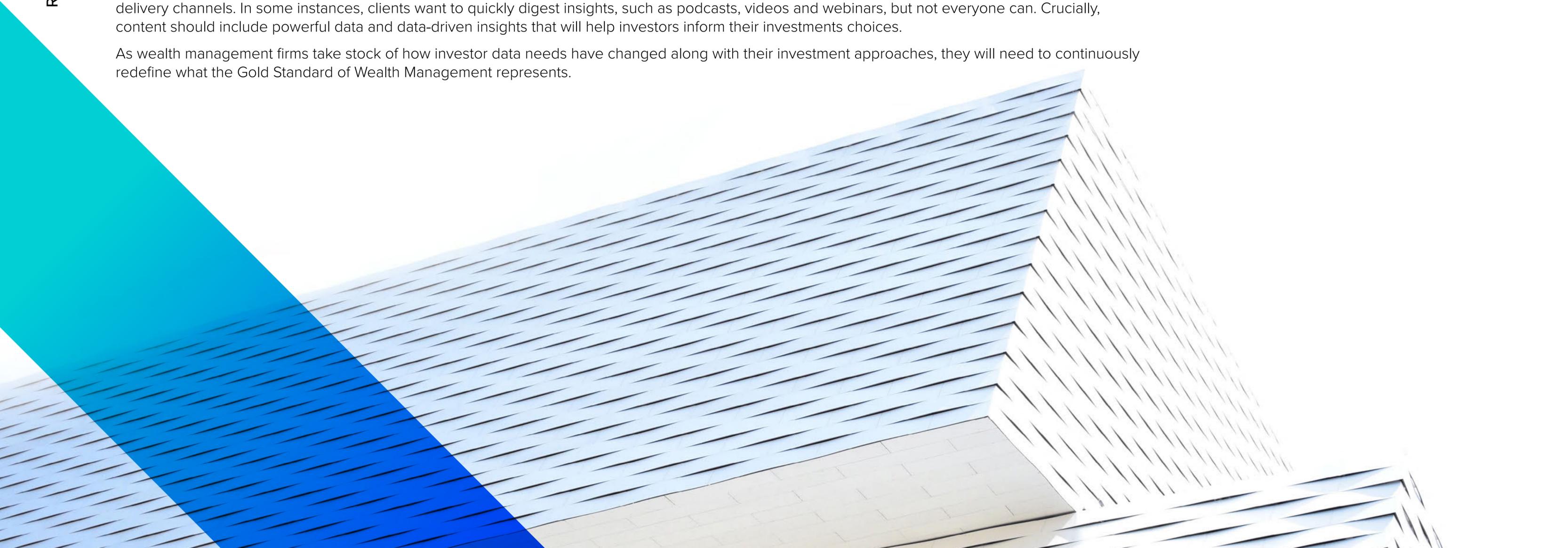
As vaccines to immunize populations against COVID-19 are being rolled out and optimism for a recovery is growing we still face significant challenges. The increased appetite and need for data during the pandemic are likely to have lasting consequences. Investors, especially millennials, have accelerated their trading activity, and while it is too soon to know whether this represents a permanent shift in behavior, their content needs are now radically different.

As they think about the next six to 12 months, investors are already anticipating a more diverse mix of data to understand the full picture. Alternative data offering insights into news and company updates will help investors understand the broader potential of the investments they are considering.

Although tempting, providers can't afford to adopt a wait-and-watch approach to serving investors. Investor interest in alternative data is not a passing fad: instead, it reflects the new ways that they are making portfolio decisions in a rapidly changing market environment. Faced with the predicament of how to navigate risk, while exploring themes such as ESG that are more appealing to them than before, these new sources of data will be central to their choices.

The wealth management industry should address the feedback of a large minority of investors who have realized that they require a range of content delivery channels. In some instances, clients want to quickly digest insights, such as podcasts, videos and webinars, but not everyone can. Crucially, content should include powerful data and data-driven insights that will help investors inform their investments choices.

As wealth management firms take stock of how investor data needs have changed along with their investment approaches, they will need to continuously redefine what the Gold Standard of Wealth Management represents.

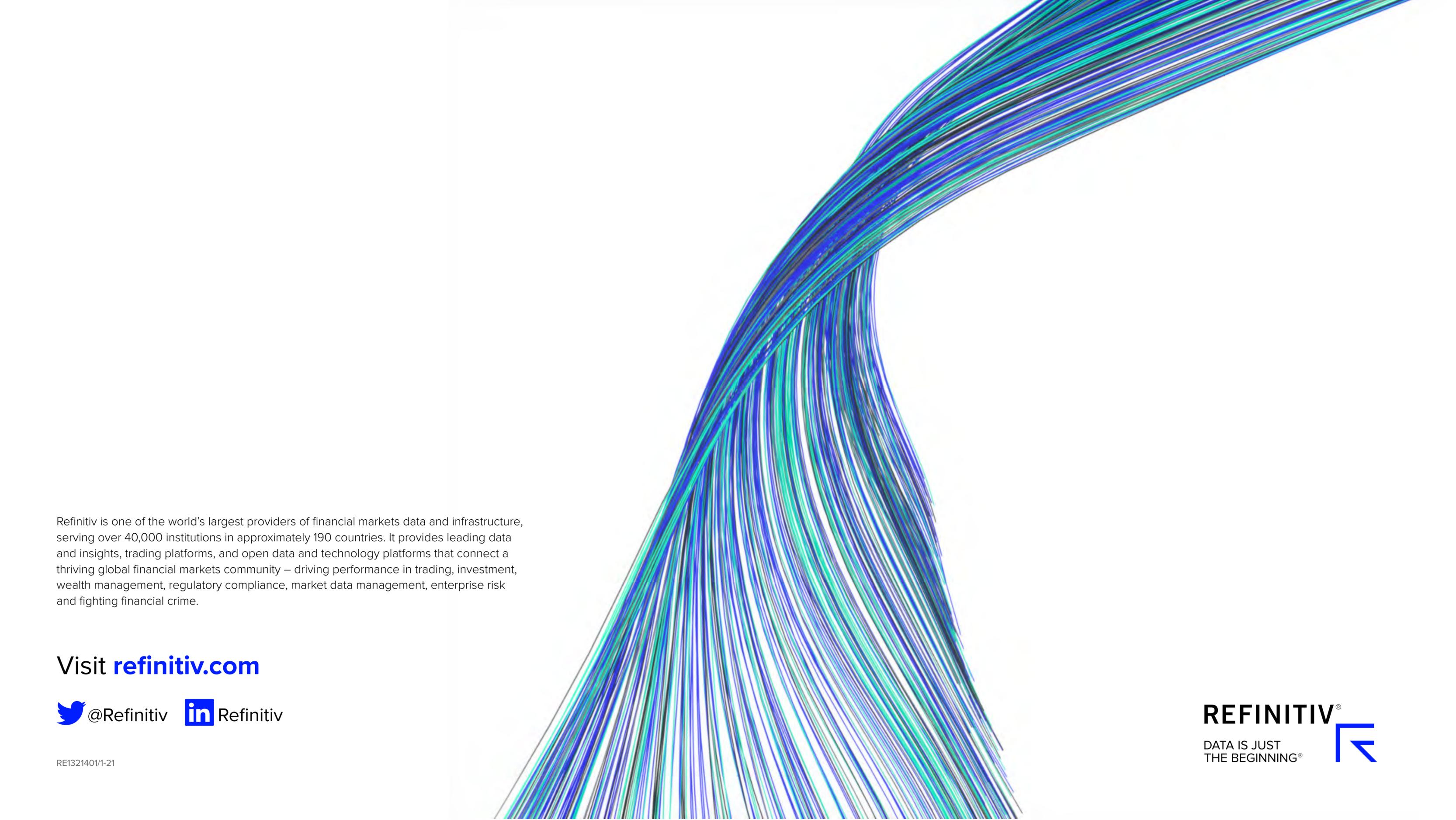


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Refinitiv has a rich history of servicing the Wealth Management industry, we have invested heavily in the business and are committed to bringing the most advanced solutions to the market. The ongoing industry transformation sees us working hand-in-hand with our clients to improve advisor workflow solutions and digital wealth experiences.

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