

HAVE WE REBUILT TRUST IN THE INVESTMENT MANAGEMENT INDUSTRY?

Paul Smith, CFA, President and CEO, CFA Institute.



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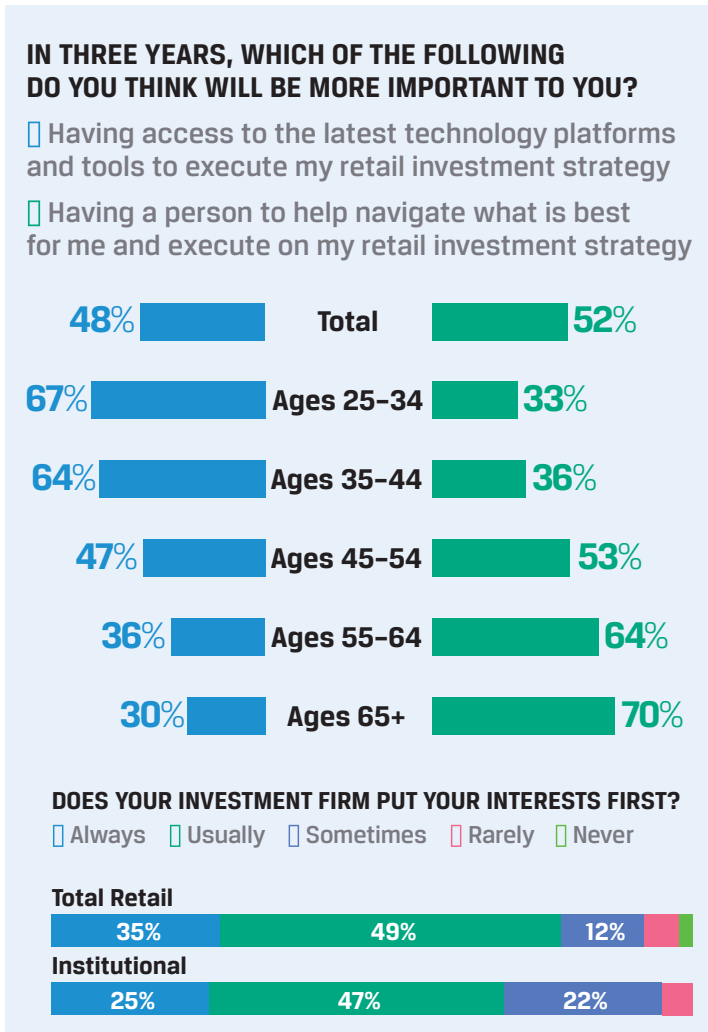
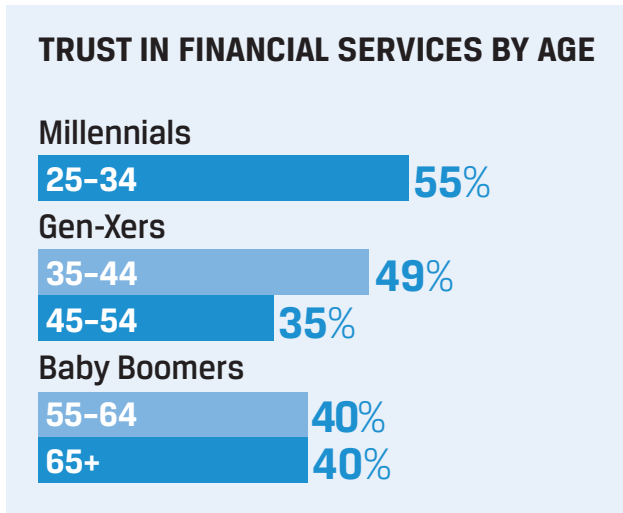
Ten years after the Global Financial Crisis, many of us are looking back, assessing what transpired and wondering what has truly changed. Lasting damage occurred on many fronts, not the least of which was a serious erosion of trust in the financial services industry.

However, there are some green shoots, which we discovered through our latest piece of global research, *The Next Generation of Investor Trust**: trust is on the rise around the globe. We attribute this increase in trust to rising levels of professionalism in our industry. Raising trust remains an ongoing challenge, but a commitment to professionalism and regularly acting in clients' best interests represents a proven pathway to higher trust levels.

The privilege that we as investment professionals have to look after other people's money brings great responsibility. A low level of financial literacy amongst the broader population means asymmetry of skills and information, which could bring about huge temptation. In these circumstances trust is key to successful sustainable relationships.

Our business is changing, sometimes in ways uncomfortable for us to think deeply about. You see more investors turning to passive strategies and automated systems. New technologies challenge the way we traditionally provide services – and earn our fees. However, increased trust cannot be achieved solely via more sophisticated technological offerings, yet technology can be an important component for raising trust. Many investors said they rely on humans for advice but see technology as a complementary tool. Smart use of technology indeed increases trust when combined with a human touch.

*The survey sampled a total of 3,127 retail investors and 829 institutional investors between November and December 2017.



Brand is increasingly seen as a proxy for trust. Dominant brands hold a clear advantage with mindshare, but respondents said personal relationships trump brand. And about three-quarters of retail investors and institutional investors say it is important that the firm they work with employs investment professionals with credentials from respected industry organisations.

Trust remains the singular fundamental factor facing the industry around the world. Trust, much like reputation, takes years to build but can be destroyed in an instant. With higher trust comes higher expectations, and the industry continues to fall short of delivering on what investors want. In short, the industry will continue to struggle with a trust deficit until it can consistently prove value to clients by demonstrating professionalism and providing solutions, not simply pushing products.

Trust is not merely what persuades an investor to listen to us or to buy what we sell. We need to help clients understand whom they should trust and why. At the highest level, trust stands as critical capital. As an industry, we strive to compile trust equity, but the task remains far from complete.

Our findings provide a roadmap for how the investment management industry can increase its credibility and address investor concerns. Trust hinges on professionalism. Advisers need to demonstrate a strong commitment to ethics, expertise, and transparency to win over their clients – and create real value for the fees they charge. If only one third of investors think their adviser puts their interests first, we have much work to do. The challenge to our industry remains to do all we can to earn clients' trust – and to retain it.

Maintain strong brand identity and follow through on brand promises

Brand is becoming a more important method of establishing credibility, and is increasingly becoming a proxy for trust.

THE IMPORTANCE OF BRAND TO INVESTORS



Demonstrate your dedication to the values that clients hold dear

Given the importance that investors place on aligning interests, it is concerning that approximately **ONE-THIRD** of retail investors and **ONE-FOURTH** of institutional investors think their investment adviser or firm consistently puts their interest first.



THE TRUST EQUATION

