

# State Street Brexometer: Gauging Investor Sentiment on the Brexit Impact

State Street Institutional Survey  
November 2018 (Q4 2018)



**STATE STREET**

# Methodology

- State Street commissioned PollRight\* to conduct a survey of professional investors on their sentiment apropos Brexit.
- Respondents comprised institutional and alternative investors such as hedge funds, real estate and private equity\*\*. In total, 103 individuals participated.
- The research was conducted between 30 October and 8 November 2018.
- This is ninth quarterly instalment of a study that was first conducted in Q4 2016.

\*PollRight is a market research agency specialising in business-to-business research.

\*\* Countries covered by survey included UK, US, Europe, Central & South America, Middle East, Asia, Africa and Oceania.

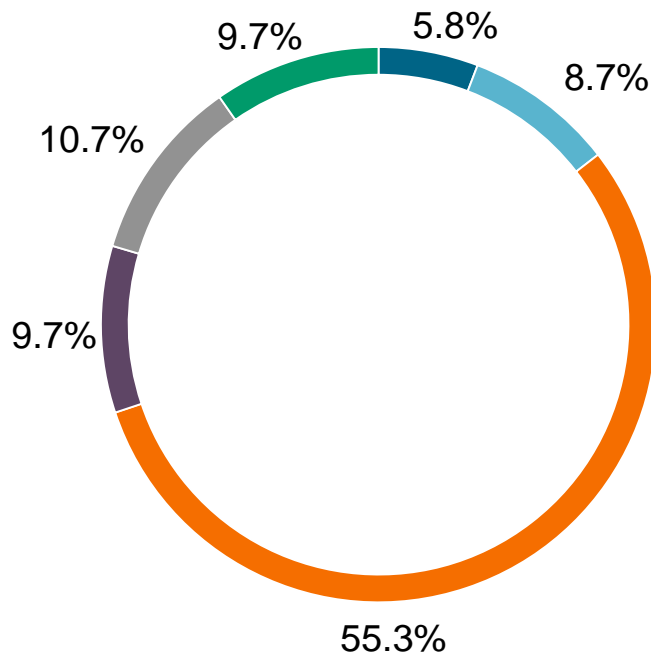
# Summary of Findings

- After appetite for increased holdings of UK assets rose to record levels in Q3, Q4 brought a slightly more muted response from investors, with those intending to increase their holdings falling to 14.6%. This is still the second highest score since Q3 2017.
- The proportion of investors looking to decrease their holdings of UK assets also rose slightly, from 19.8% in Q3 to 20.4% in Q4.
- Positive outlook for the medium-term global economic remains strong at 38% - a slight fall from 43% in Q3. However, the number of those holding a negative outlook doubled, from 15% to 30%. This is the highest negative reading since the study began – and is more than 7% higher than the previous record (set in Q2 2018 at 23%).
- Q4 saw the number of investors anticipating Brexit having an impact on their business operating model fall slightly, from 83% to 80%. The proportion of those expecting it to have a significant impact fell more sharply, from 26% in Q3 to 18%.
- The investment services that investors envisage their business needing greater support with following Brexit continue to be regulatory reporting support (28%), fund restructuring (20%) and transition management (14%). The proportion of investors stating that they would not need any support rose sharply in Q4, from 28% to 39%.

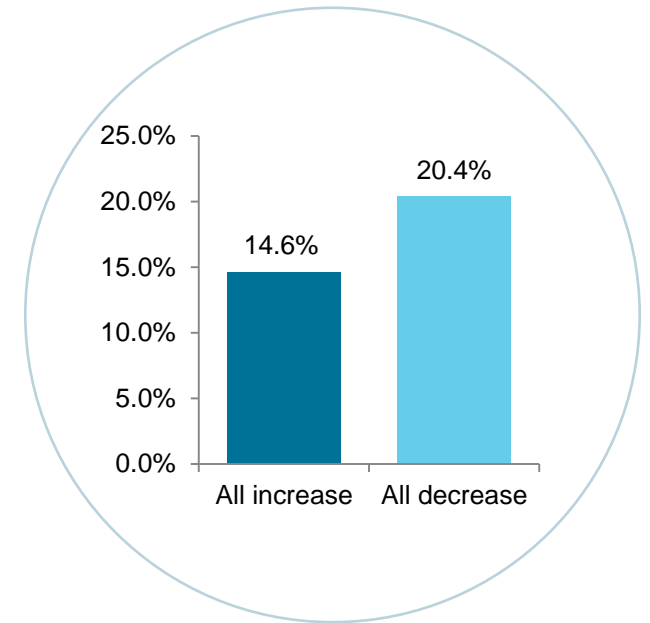
# Summary of Findings

- After a sharp dip in Q3, which saw figures fall to a record low of 24%, the number of investors who expect to increase their level of investment risk over the coming three to five years increased to 28%. The number anticipating a decrease in risk appetite rose too, however, to 43% - the highest proportion since the survey began.
- Ireland overtook Luxembourg as the most attractive location for managers looking to expand their cross-border fund businesses – despite a fall of nearly 9% in mentions. It topped the list with 45%, followed by Luxembourg (38%) and Germany (24%). The UK rose to fourth in the rankings with 22% - up from 10% in Q3.
- Over the last quarter there has been a slight increase in the number of investors expecting to utilise cross-border fund locations, with 38% saying they will do so in the coming three to five years. This is up slightly from 37% in Q3. The proportion of those expecting to use them less remained constant at 2%.

# Q1. How does your company intend to change its holdings of UK assets (equities, bonds or alternatives) in the next six months?

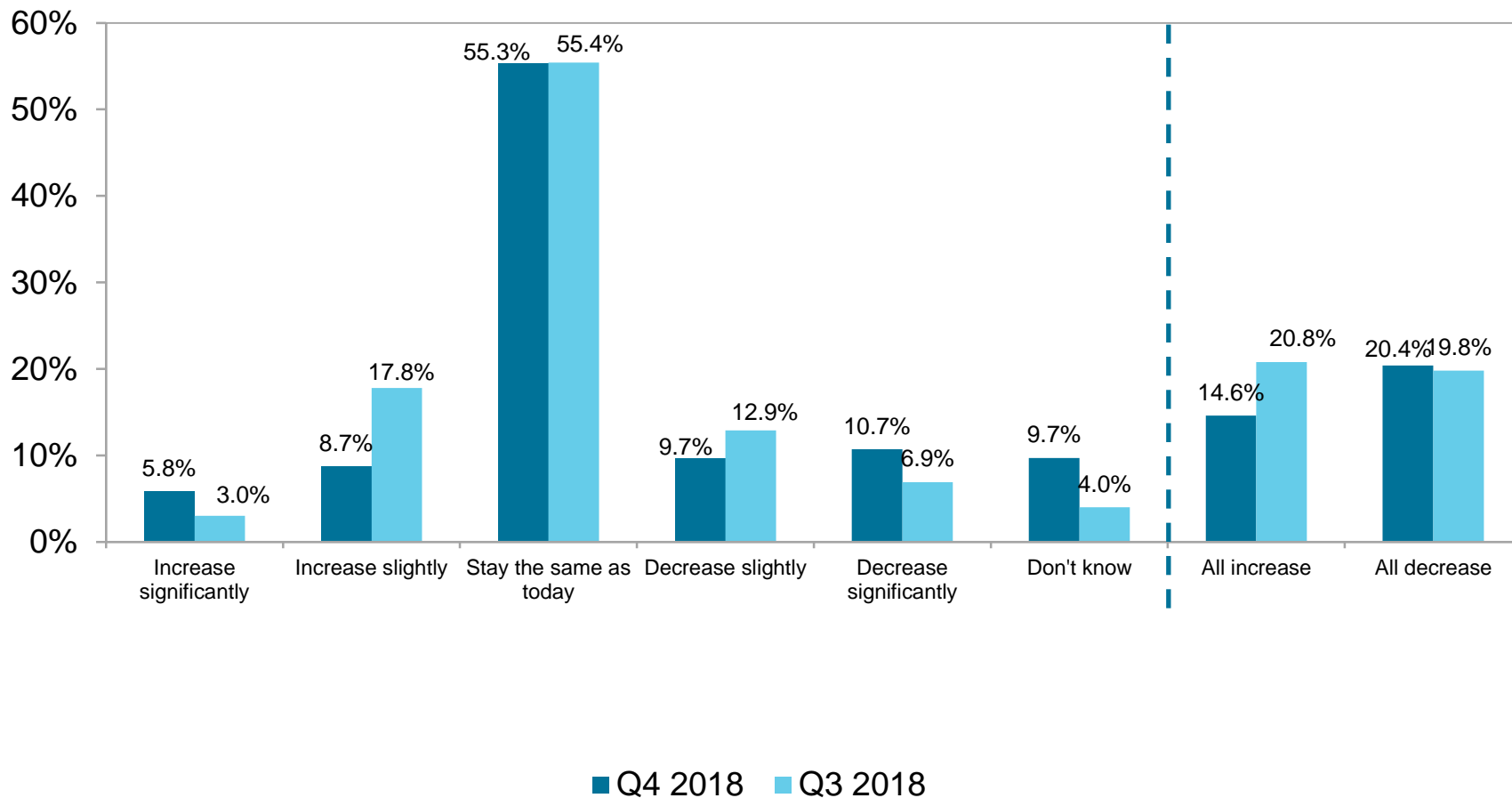


- Increase significantly
- Increase slightly
- Stay the same as today
- Decrease slightly
- Decrease significantly
- Don't know

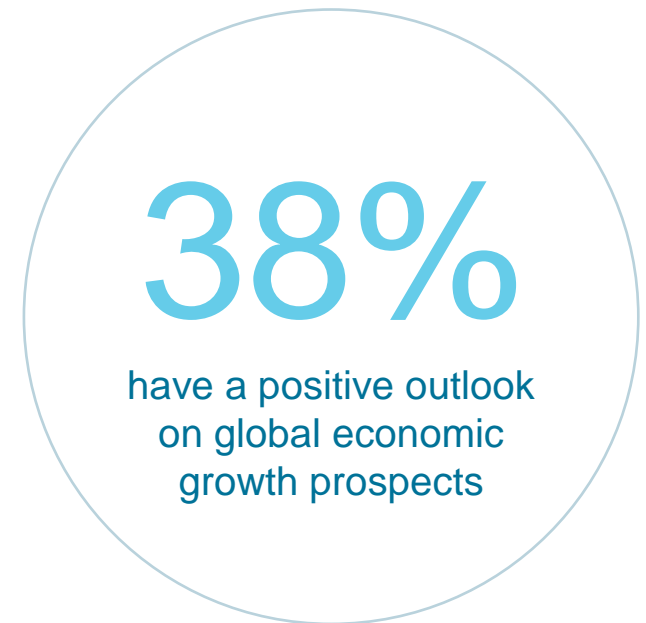
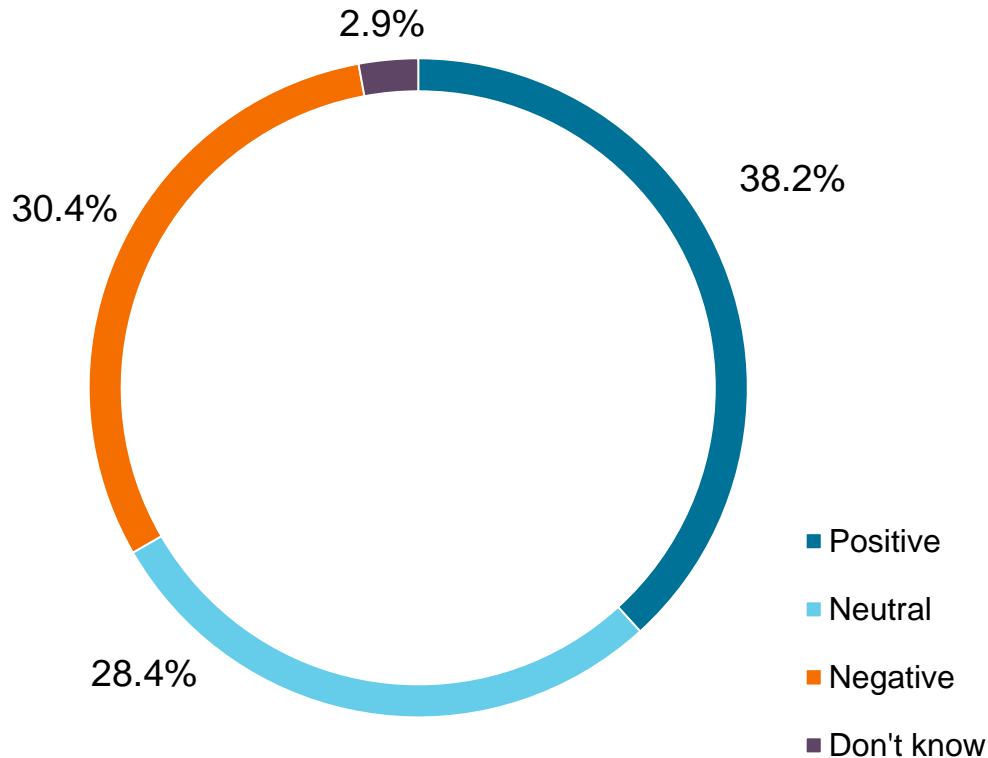


Slides 5 – 16 are the results of a survey commissioned by State Street

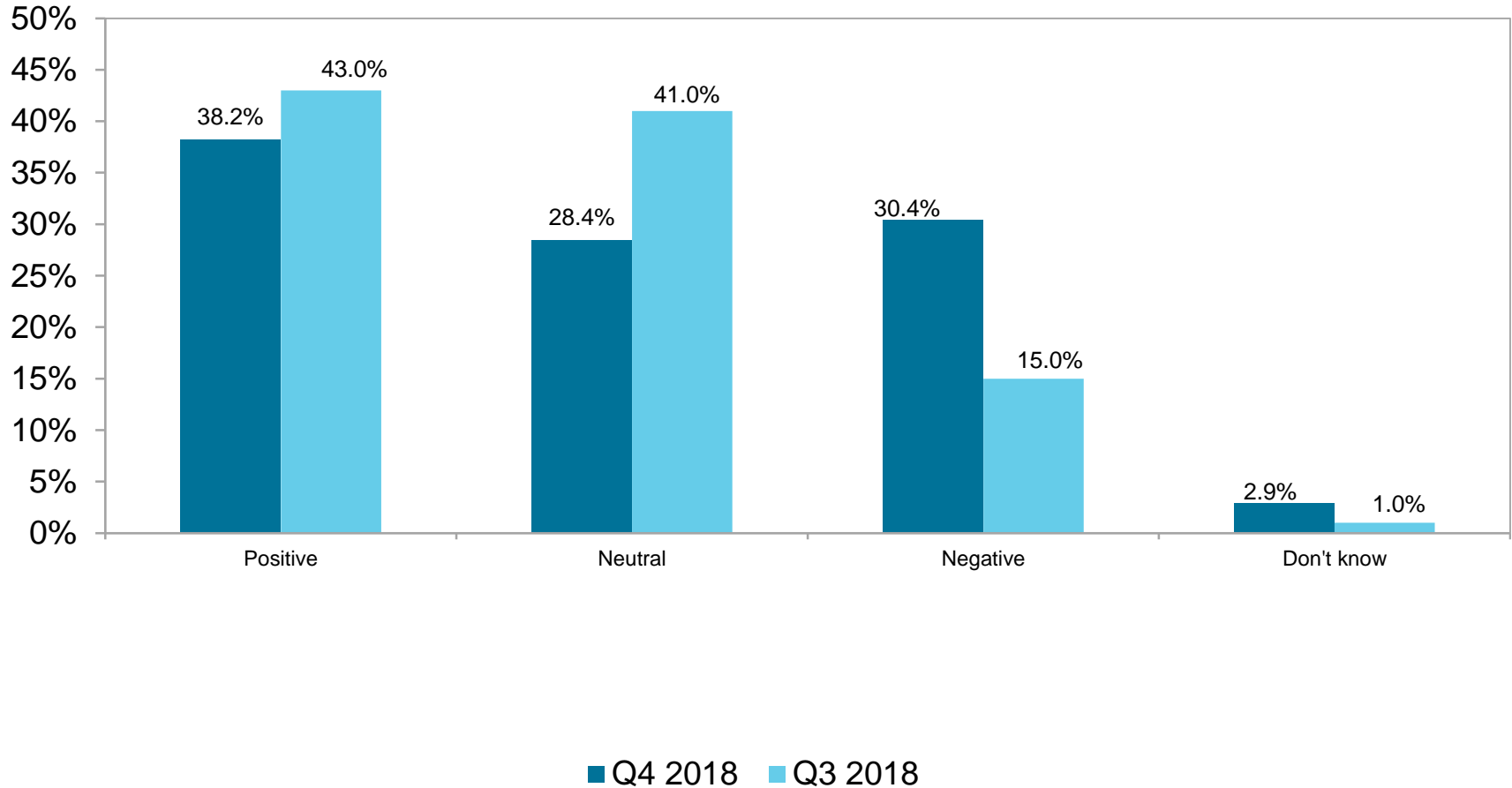
# Q1. How does your company intend to change its holdings of UK assets (equites, bonds or alternatives) in the next six months?



## Q2. What are your expectations of medium-term (three to five years) prospects for global economic growth?

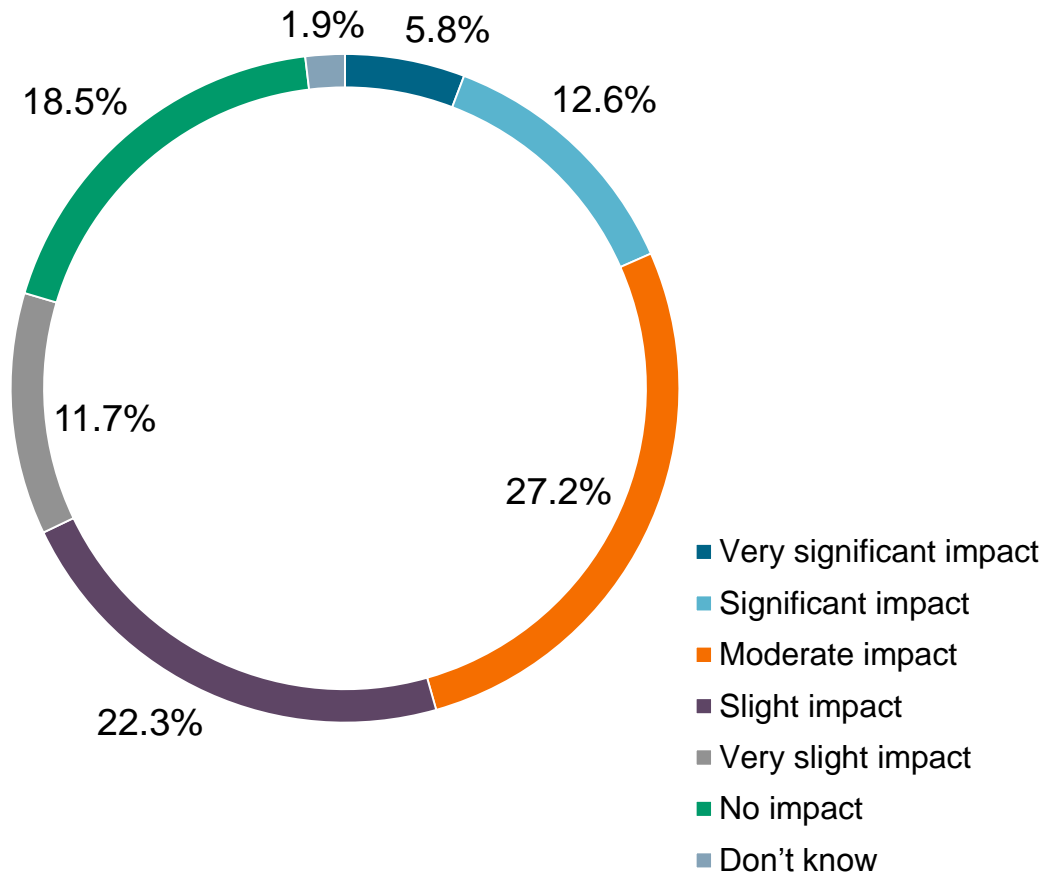


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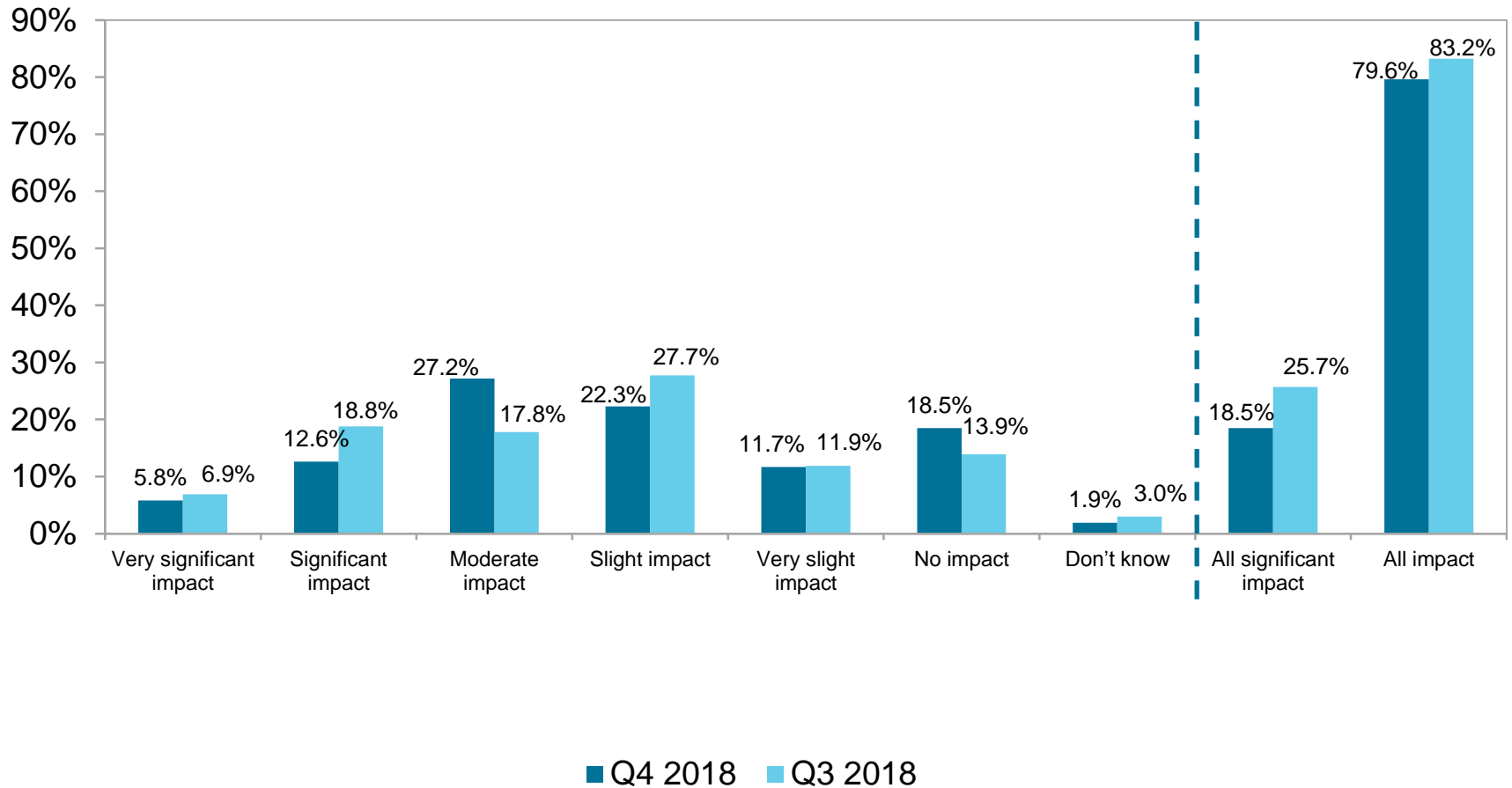


# Q3. What level of impact do you anticipate Brexit having on your business operating model?

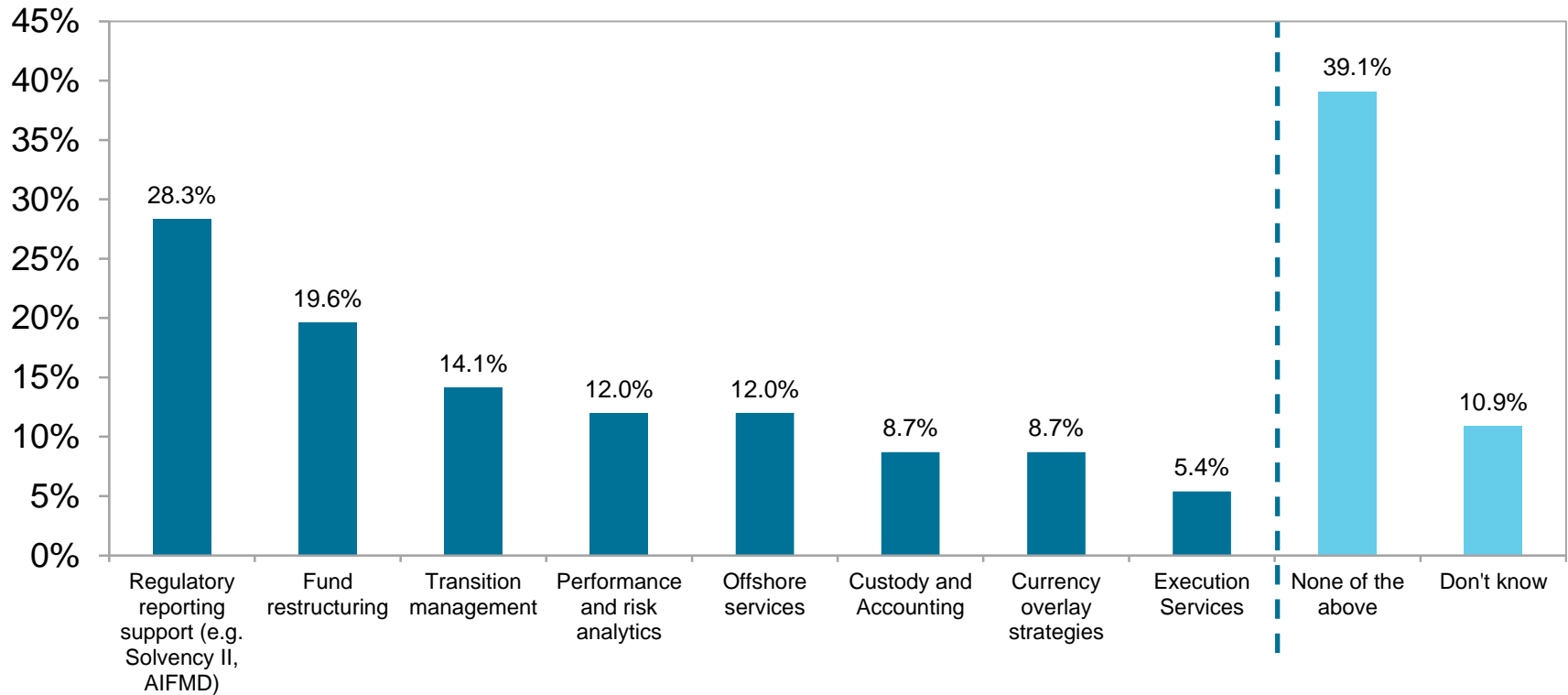


**80%**  
anticipating Brexit  
to have an impact on  
their business  
operating model

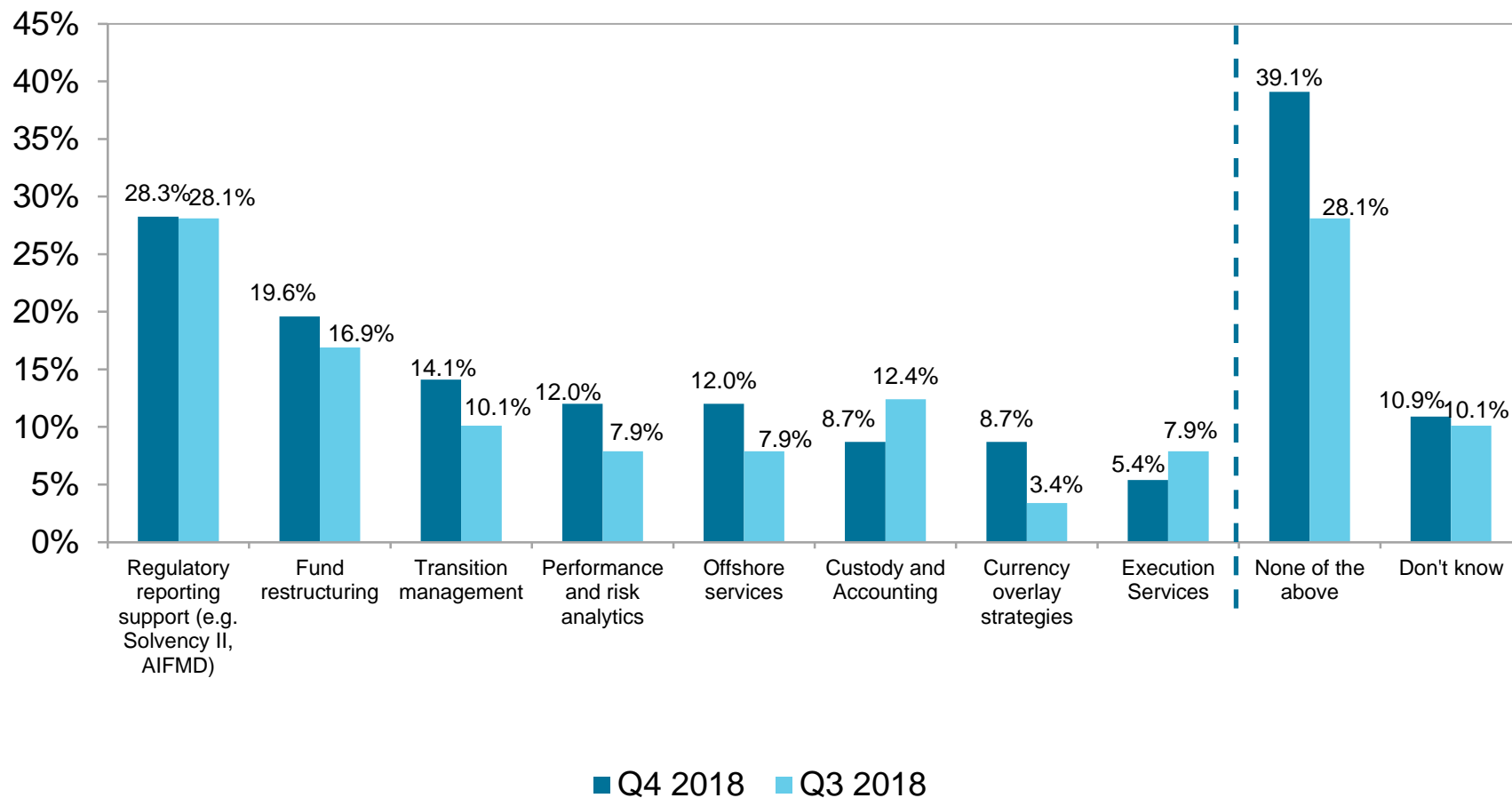
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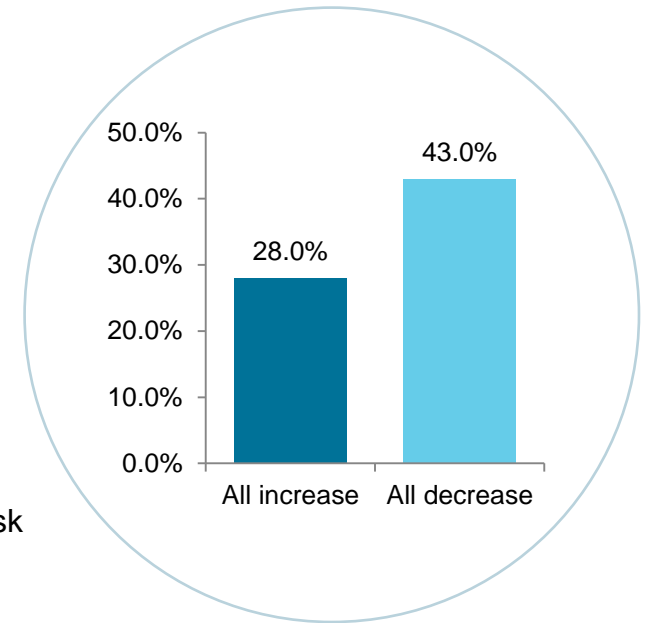
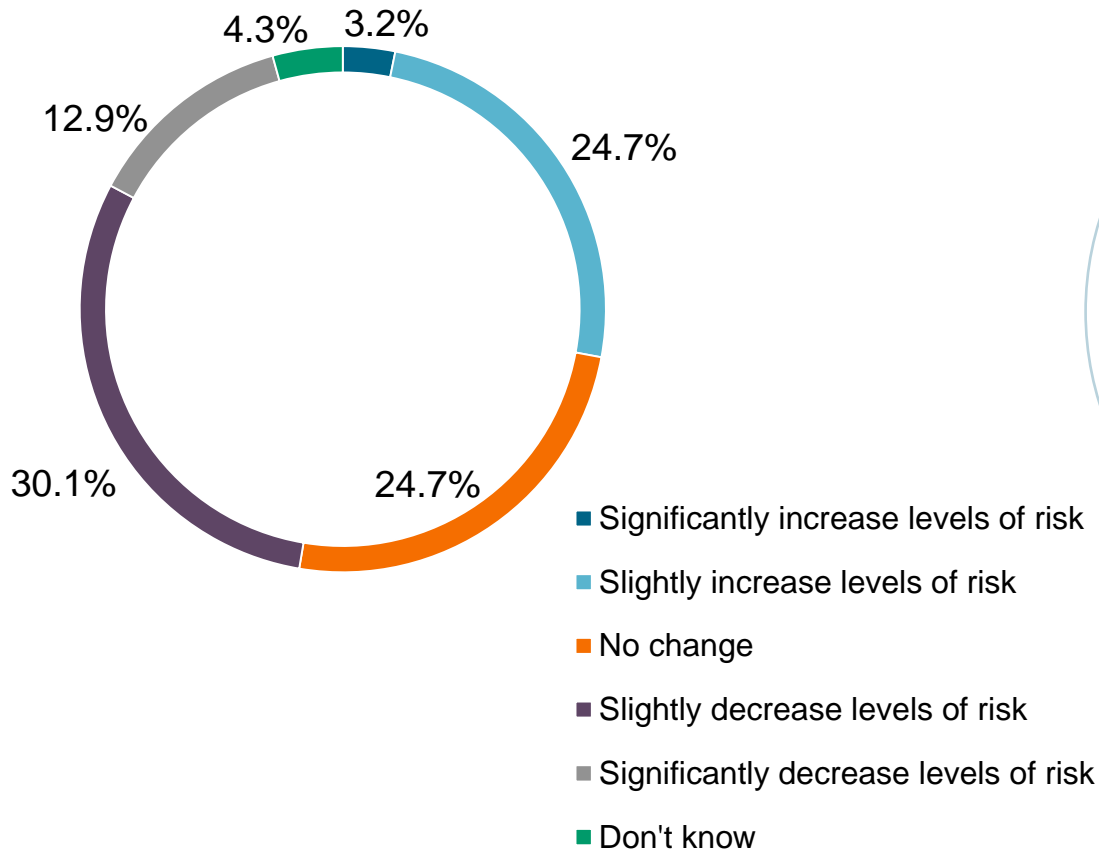
# Q4. Which investment services do you envisage your business will need greater support with following Brexit?



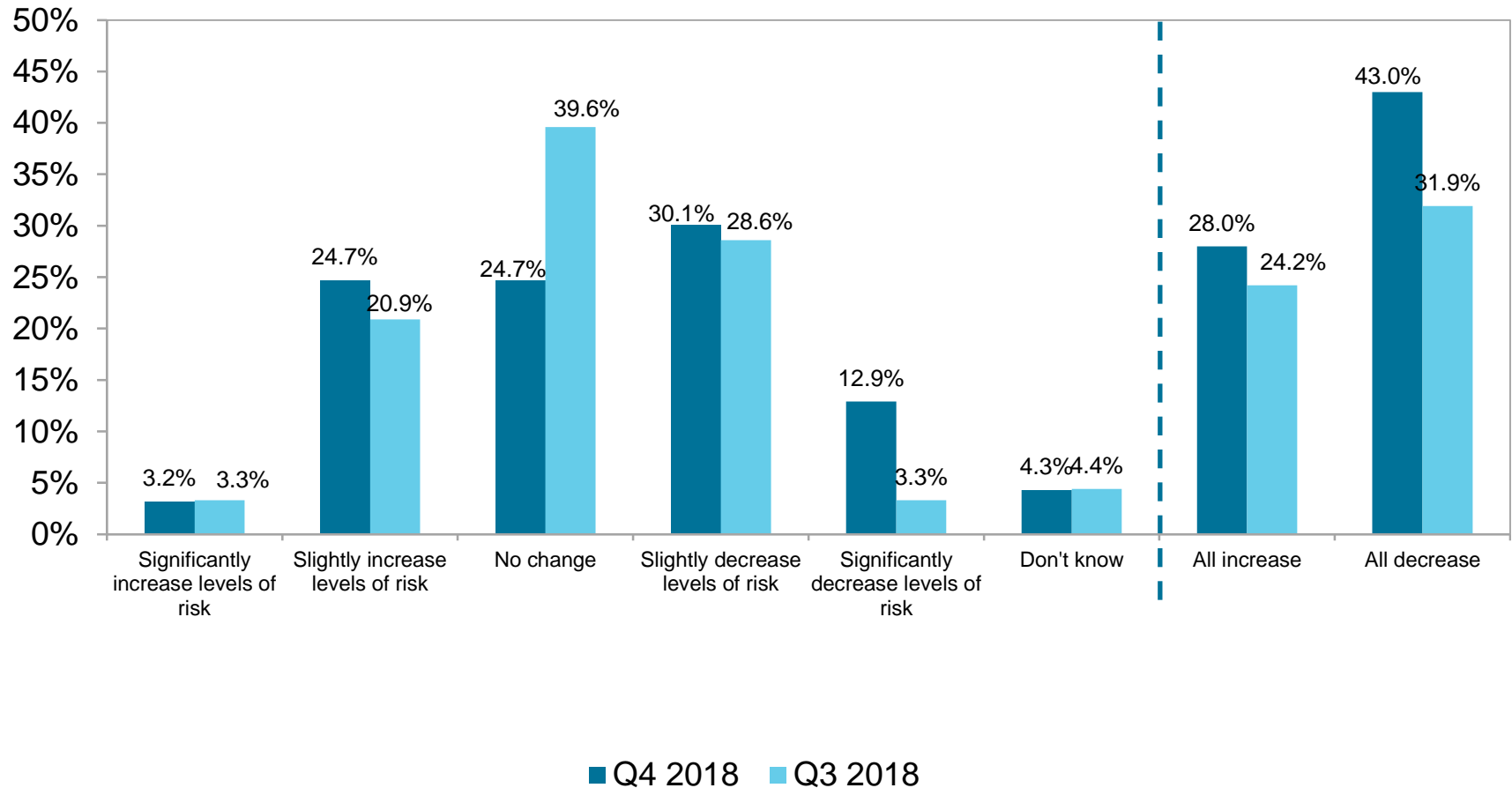
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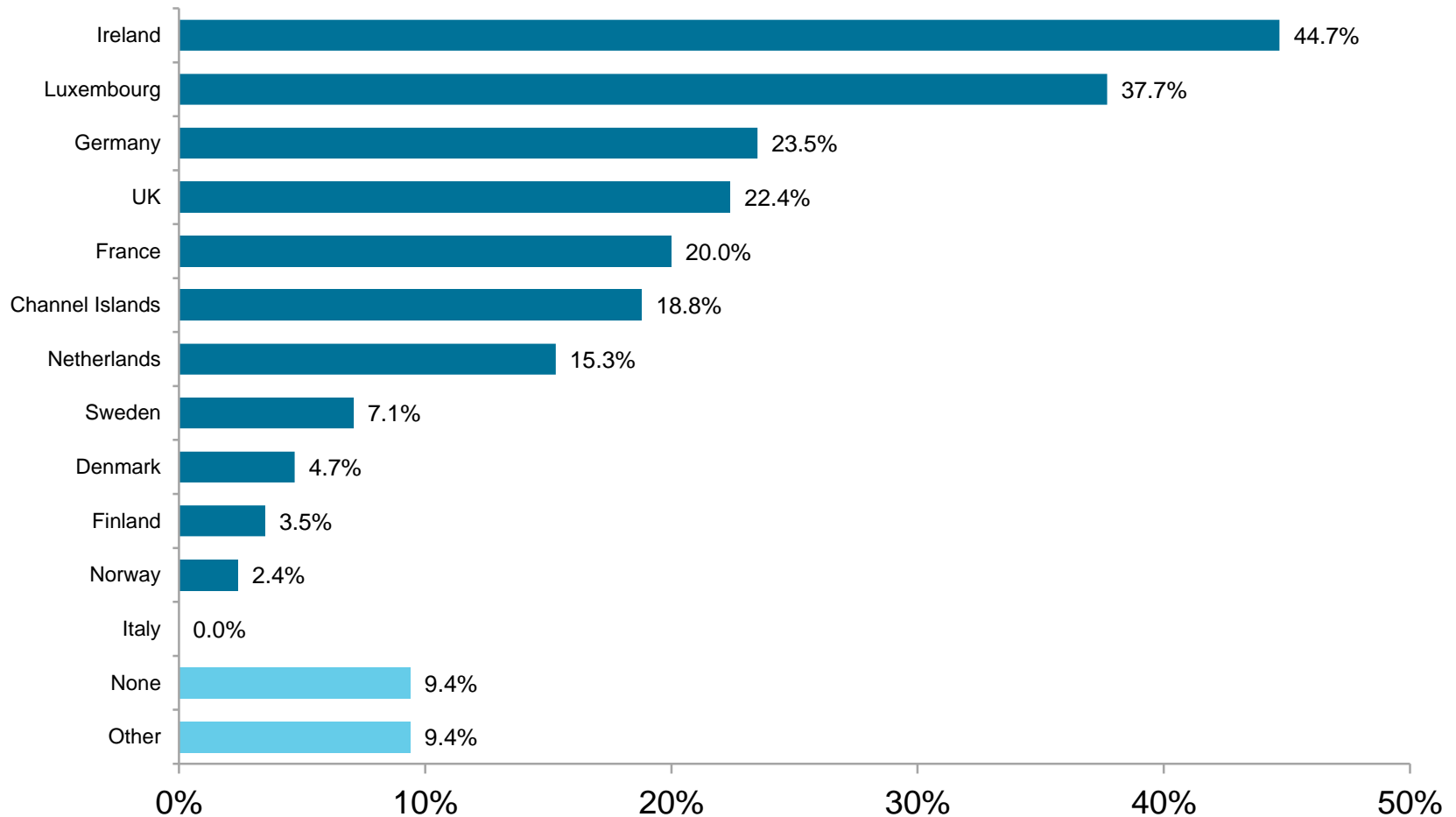
# Q5. Over the next three to five years, how will asset owners change their level of investment risk?



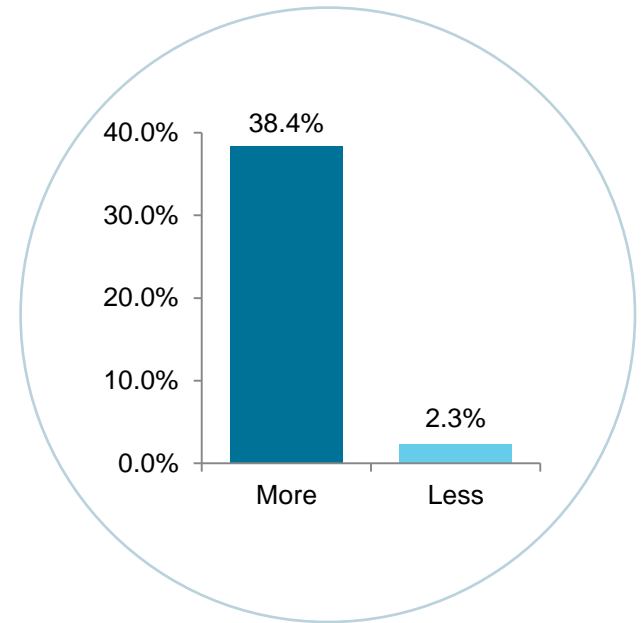
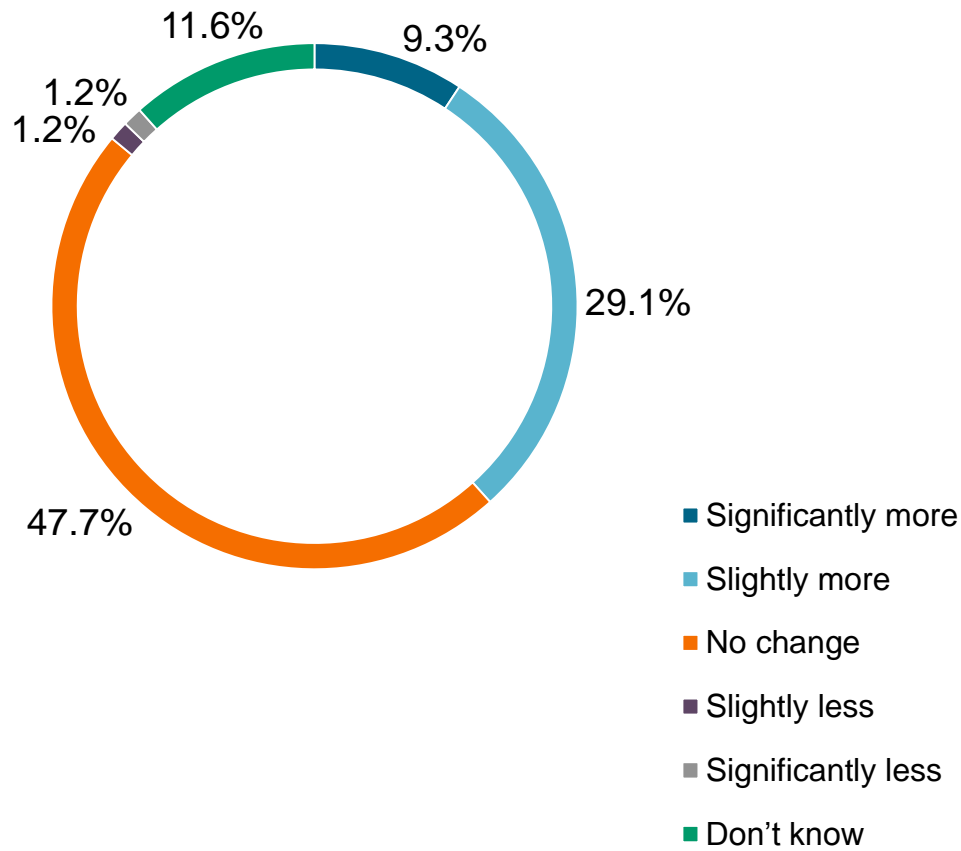
# Q5. Over the next three to five years, how will asset owners change their level of investment risk?



# Q6. What fund locations do you see as the most attractive for managers looking to expand their cross-border fund business?



# Q7. Over the next three to five years, to what extent will your company utilise cross-border fund locations, such as Ireland and Luxembourg?





# Disclaimer

Marketing Communication

## Important Information:

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