

June 2020

Volatility Study 2020

**Institutional Investors
Key Findings**



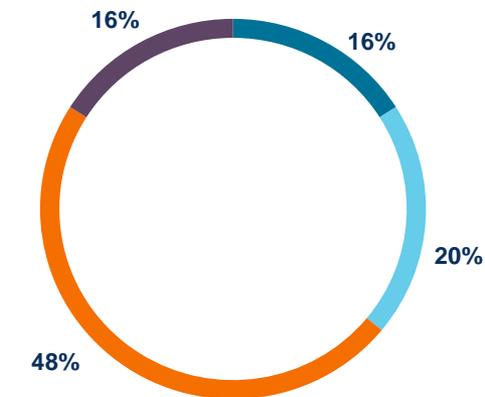
STATE STREET

2020 Volatility Study – Institutional Investors

About the Research

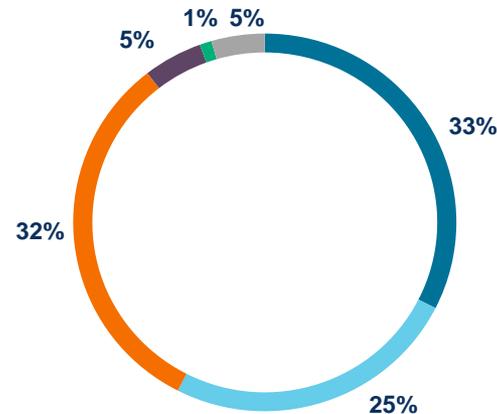
- We sponsored CoreData Research in fielding a global survey of 640 industry executives in April 2020
- Respondents span investment, analyst and advisor roles, representing institutional investors, financial advisors and gatekeepers
- This presentation explores the key findings among institutional investors (based on a total sample of 250 investors)

Respondents by Geography



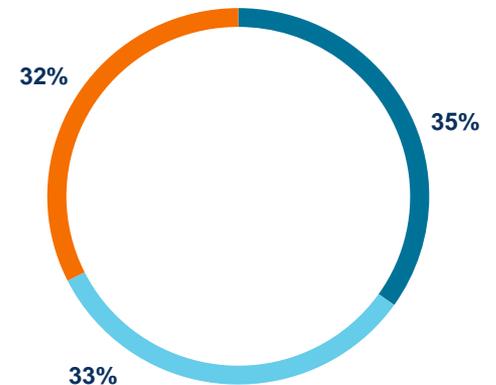
- APAC
- North America
- EMEA Excl. UK
- UK

Respondents by Institution Type



- Public pension plan
- Corporate pension plan
- Insurance company
- Sovereign wealth fund (SWF)
- Endowment
- Foundation

Respondents by Role



- Direct a team of analysts who evaluate and select investments for investment menu
- Part of a team that evaluates investments and investment managers and makes recommendations
- Make recommendations regarding which investments or investment managers should be included in investment menu

Note: Percentages may not sum to 100% due to rounding
 Percentages for Institutional Investors sample
 On a base of 200 after removing Others: 14%

Despite the unprecedented economic and market conditions, the majority of institutions are managing relatively well

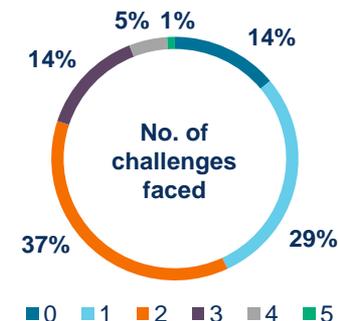
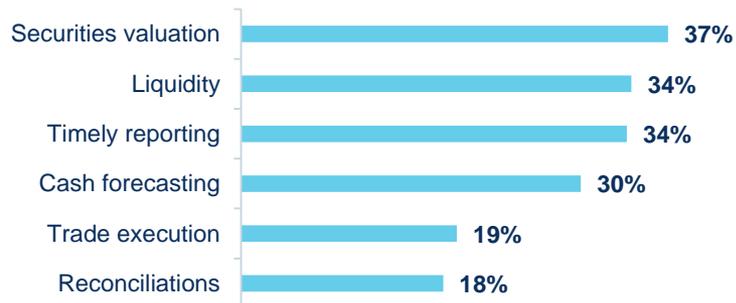
- About 3 in 10 firms say daily investment-related operations are likely to be disrupted by recent volatility, but most expect a minimal impact on their business more broadly.
- Two-thirds of institutions are facing just one or two challenges within their investment operations. Securities valuation was the most frequently cited challenge, followed closely by liquidity and timely reporting.

Probable organizational outcomes due to recent market volatility



Q3. Given the recent market volatility, how likely do you expect each of the following to happen within your organization? (Likely + Most likely)

Investment operations-related challenges experienced during the COVID-19 crisis

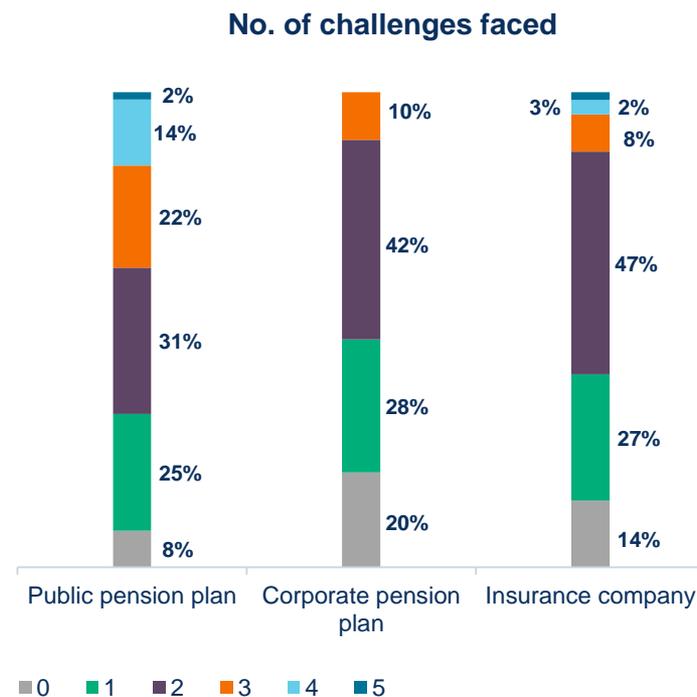
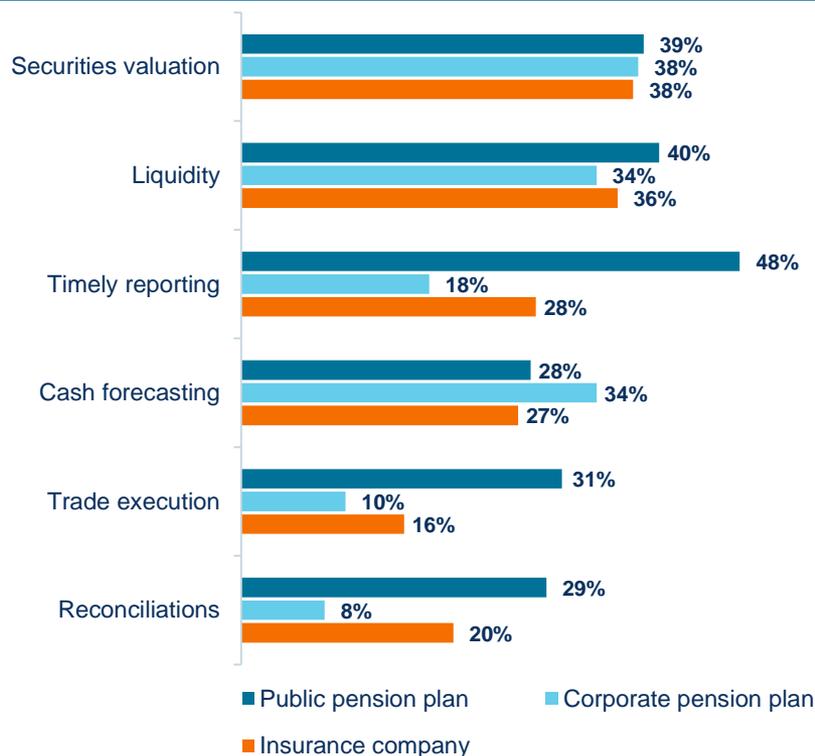


Q12. During the Covid-19 crisis, have you experienced challenges in any of the following areas? (Challenging plus Extremely challenging)

Crisis impact on investment ops is manageable for most corporate pensions and insurers, some public pensions struggle

- Liquidity and securities valuation are challenges for all institutions.
- More public pension plans are experiencing difficulty with timely reporting, trade execution and reconciliations. 38% say they have experienced challenges in three or more areas of their investment operations as funding deficits widen.

Investment operations challenges during the crisis by institution type



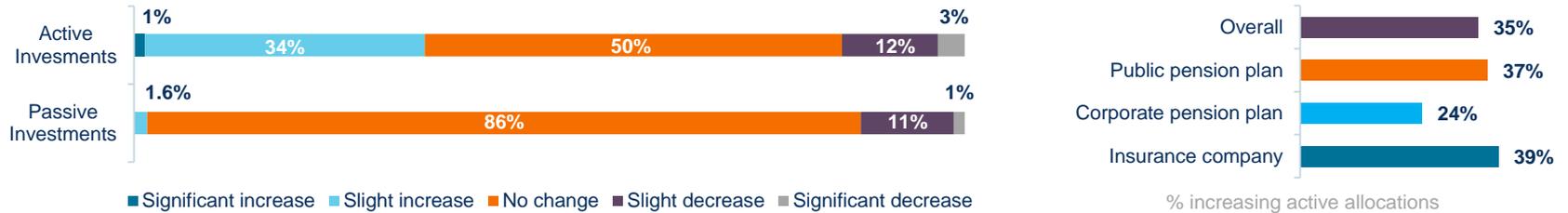
Q12. During the Covid-19 crisis, have you experienced challenges in any of the following areas? (Challenging plus Extremely challenging)

Sample: Overall: 250; Public pension plan: 65; Corporate pension plan: 50; Insurance Company: 64

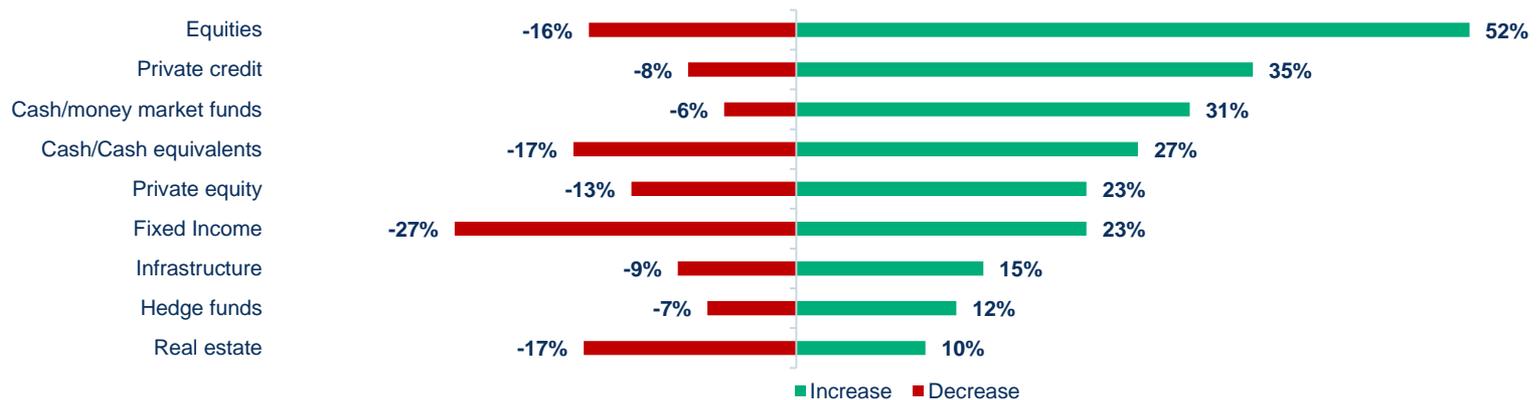
Institutions say they will increase active investments over the next three to six months to deal with persistent volatility

- The vast majority (86%) will make no changes to their passive allocations, while 35% are set to increase active allocations. Nearly 40% of insurance companies and public pension plans say they will increase active investments.
- In terms of asset class allocations, equities are set to get the biggest boost, followed by private credit. Fixed income and real estate are registering net decreases in investor appetite.

Expected active and passive allocation changes in the next three to six months



Expected allocation changes in the next three to six months by asset class



Q8. What investment allocation changes do you expect to make, if any, in the event of persistent volatility over the next 3-6 months?

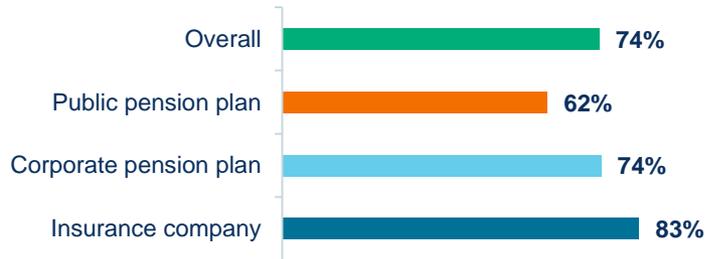
Sample: Overall: 249; Public pension plan: 65; Corporate pension plan: 50; Insurance Company: 64; SWF + Endowment + Foundation: 21

Investors are largely confident in their own asset manager’s ability to navigate the crisis, although many say that some asset managers are underestimating the impact

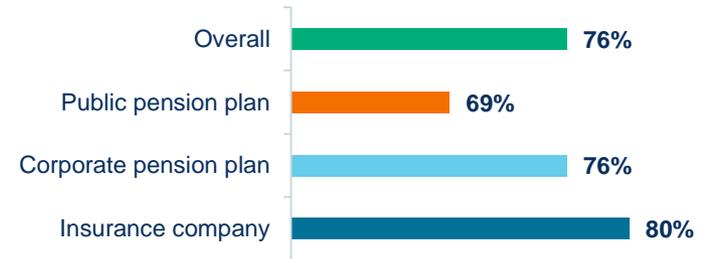
- Strong communication and crisis support by asset managers is resulting in investor confidence. Public pension plans are not as satisfied with their managers, as strains show amid widening funding gap.

Asset manager’s crisis support

My asset manager provided strong crisis communication & support



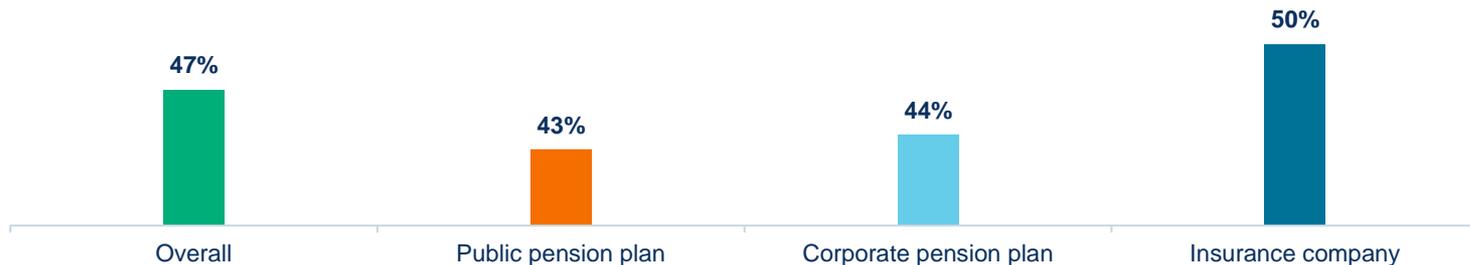
I am confident in my asset manager's ability to navigate this crisis



Q4. In view of the Covid-19 pandemic, how would you rate the communication, support & information you are receiving from your asset managers? (Strong plus Very Strong)

Q7. I am confident in my asset manager's ability to navigate this crisis (Agree plus Strongly Agree)

Agreement with: “Some asset managers are underestimating the impact and severity of this crisis”

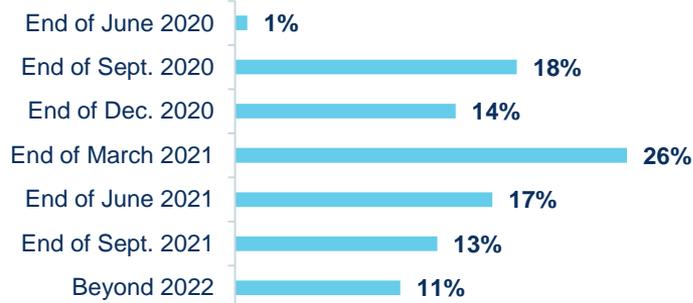


Q7. Some asset managers are underestimating the impact and severity of this crisis (Agree plus Strongly Agree)

Most investors anticipate a relatively swift bounce back in equity markets which, coupled with confidence in managers, is driving long-term optimism in reaching investment objectives

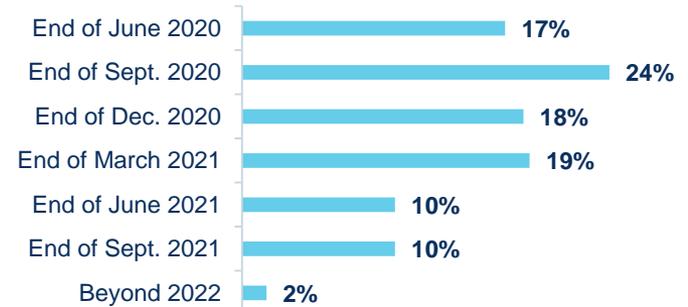
- Nearly two-thirds of investors expect to fail to reach short-term objectives, but that falls to 20% for the long term.
- Almost eight in ten believe that the equity market downturn in their region will end by March 2021, even though 41% say economic activity will not return to normal before Q3 2021.

Expectation for when economic activity to return to 'normality'



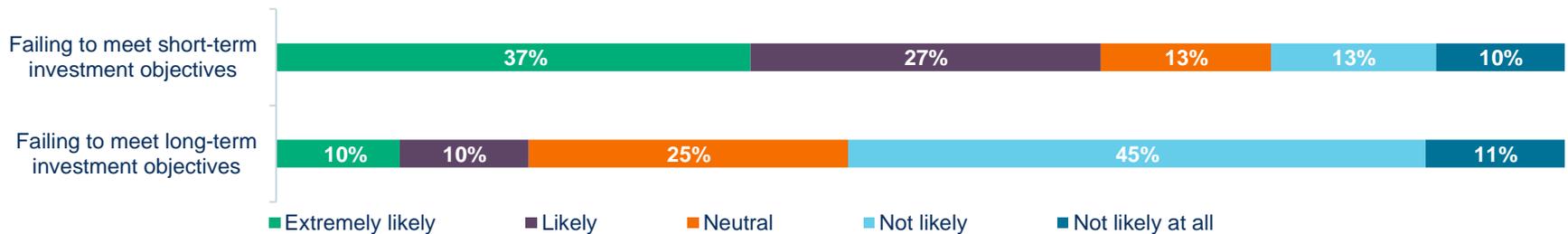
Q10. Approximately, when do you think economic activity will return to a sense of 'normality'?

Expectation for when the equity market downturn will end



Q11. When do you expect the current equity market downturn linked to COVID-19 to last in your region?

Likelihood of meeting short- and long-term investment objectives



Q3. Given the recent market volatility, how likely do you expect each of the following to happen within your organization?

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