



# Investor Confidence Index<sup>®</sup>

## FAQ

**Launched in September 2003, the State Street Investor Confidence Index<sup>®</sup> provides an objective, quantitative measure of the global risk tolerance of the world's most sophisticated investors. Regional components separately measure the risk appetites of these institutional investors in North America, Europe and the Asia-Pacific region.**

### **HOW DO YOU DEFINE INVESTOR CONFIDENCE?**

The State Street Investor Confidence Index<sup>®</sup> measures confidence directly and quantitatively by assessing the changes in investor holdings of equities, implementing a model developed by State Street Global Markets<sup>®</sup> research partnership, State Street Associates<sup>®</sup>.

The more of their portfolio that institutional investors are willing to devote to equities, the greater their risk appetite or confidence.

### **HOW DO YOU CATEGORIZE AND DEFINE THE NEW REGIONAL COMPONENTS OF THE INDEX?**

The North America, European and Asia-Pacific regional components refer to the domicile of the underlying institutional investor. North America accounts for US and Canadian institutional investors, Europe consists of institutional investors in continental Europe, the UK and Ireland, and Asia-Pacific includes Asia, Australia and New Zealand.

### **WHAT COUNTRIES ARE REPRESENTED IN EACH REGIONAL COMPONENT?**

We do not disclose this level of detail, but in total, the global index represents activity from institutional investors in more than 45 countries.

### **WHAT PERCENTAGE OF THE GLOBAL FIGURE DOES EACH REGION REPRESENT?**

It varies, as each region's investment activities differ from month to month. For example, North American investors in one particular month could potentially have substantially more investment activity than their

European or Asia-Pacific counterparts. Thus, they would account for a larger percentage of the total figure for the month.

#### **WHY DON'T THE COMPONENT REGIONS TOTAL THE GLOBAL FIGURE?**

There are two reasons for this. First, some investors who are included in the global index (such as South American and Middle Eastern investors) are not represented in the regional components. Second, the relative weights of the regional components are not equal, so we would not expect them to add up to the global index.

#### **WHAT HAVE BEEN SOME KEY MARKET HIGHLIGHTS YOU HAVE IDENTIFIED SINCE LAUNCHING THE STATE STREET INVESTOR CONFIDENCE INDEX®?**

The State Street Investor Confidence Index® is not intended to predict market events. Rather, it is a timely and quantitative tool indicating institutional investors' actual investment decisions and measuring their appetite for risk. It is an additional investment tool to help investors make better informed investment decisions.

#### **HOW DO YOU PROTECT CLIENT CONFIDENTIALITY?**

State Street has been safeguarding its clients' data for more than 200 years and is known as a trusted partner. The data that forms the basis of the index is aggregated to ensure client confidentiality.

#### **WHAT IS STATE STREET'S RELATIONSHIP TO STATE STREET ASSOCIATES®?**

Founded in 1999, State Street Associates® is a majority-owned subsidiary of State Street Corporation.

#### **THERE ARE SIMILAR MEASURES IN THE MARKETPLACE. WHAT MAKES THIS ONE DIFFERENT?**

The State Street Investor Confidence Index® measures the actual and changing levels of risk in investment portfolios. Other available measures are based on surveys of individuals or private investors and not actual investment decisions.

#### **HOW CURRENT IS THE INFORMATION FROM WHICH THE INDEX IS CALCULATED?**

The published index uses information collected at close of business the previous Tuesday, providing an extremely current snapshot of investor confidence levels.

#### **HOW DOES THE INDEX ACCOUNT FOR CHANGES IN ASSET ALLOCATIONS THAT RESULT FROM THE REBALANCING THAT GOES ON IN INDEX FUNDS OR FROM CHANGES DUE TO MARKET SWINGS?**

The methodology used to generate the State Street Investor Confidence Index® incorporates all relevant factors including the natural flow of portfolio allocations due to price shifts.

### **HAVE ANY CHANGES BEEN MADE TO STATE STREET'S INVESTOR CONFIDENCE INDEX® SINCE IT LAUNCHED IN 2003?**

In May 2009, the index was rebased to a new level. With the new benchmark, a reading above 100 means institutional investors are deploying more exposure to risky assets, while a reading below 100 implies that they are reducing their exposure to risky assets. This rebasing was done separately for the global index and the regional subindices. Coincident with the re-basing, the parameters of the underlying model were modified slightly to better reflect the full range of flow variation that is represented in the data across the 1995-2008 period. The impact of this change was minimal.

### **HOW HAVE THESE CHANGES IMPACTED THE WAY IN WHICH THE INDEX RESULTS ARE PRESENTED?**

The impact has been minimal. By comparing the prior Indices with their restated levels, the overall behaviour of the measures is the same — the only important change is that they are plotted against a new base level.

### **WHY WERE THE CHANGES MADE TO THE INDEX?**

Historically, the index was based off a level of 100 for the year 2000, so by resetting it, we are providing a better benchmark from which to measure investor risk appetite.

### **HOW FREQUENTLY WILL YOU RELEASE THIS INDEX BENCHMARK DATA?**

Starting on August 29, 2018 the index will be released at 10 a.m Eastern Time in the US, on the last Wednesday of each month. Prior to this date, the Index was released at 10 a.m. Eastern Time in the US, on the last Tuesday of each month.

### **WHAT KIND OF RESEARCH HAS STATE STREET AND STATE STREET ASSOCIATES® GENERATED FOR CLIENTS UNTIL NOW?**

State Street's Global Markets business has led the innovative development of unbiased research based upon actual investor behavior since 1995. We provide investment managers with preeminent research in global asset allocation and currency management. Online delivery of these services is also provided over State Street's IR3 platform, with information available at [www.statestreet.com](http://www.statestreet.com).

### **HOW CAN I GET MORE INFORMATION?**

Contact us at [www.statestreet.com](http://www.statestreet.com) by completing a 'Contact Us' inquiry form.

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