



CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors & the Markets

FOR IMMEDIATE RELEASE

July 30, 2008

Contact: Jay Hyde

202-609-8057, or

Jeannie McPherson

202-609-8048

Investor Confidence in U.S. Capital Markets Declines Due To Energy Costs, Weak Dollar and Home Foreclosures

~~Yet three-quarters are confident investing in public companies, according to CAQ's 2nd Annual Investor Survey~~

Washington, D.C. – Although investors are less confident in the U.S. capital markets than they were a year ago, 70 percent or more continue to voice confidence in the markets and U.S. companies in general, as well as in audited financial statements, according to the Center for Audit Quality's (CAQ) second annual survey of investors.

Seventy percent of investors surveyed this month expressed confidence in the U.S. capital markets, down from 84 percent in July 2007. Last year's survey was conducted before clear public evidence of mortgage and credit market difficulties. Rising gas and oil prices, the weakness of the U.S. dollar and the home foreclosure crisis were cited by investors as the top three reasons for their reduced faith now. Respondents also have slightly less confidence in capital markets outside the United States (62 percent, down from 65 percent) than they did last year at this time.

Public confidence in audited financial statements remains high at 73 percent despite some weakening in response to market conditions. That's down from 80 percent a year ago. Three-quarters of those individuals who participated in the nationwide telephone survey also remain confident about investing in publicly-traded U.S. companies.

“These are trying times for investors,” said CAQ Executive Director Cindy Fornelli. “But regardless of economic changes and market fluctuations, individuals clearly want to know that the financial information about the companies they invest in is reliable – even if it is not always favorable. That's why the work of public company auditors is so important.”

www.TheCAQ.org

Affiliated with the American Institute of CPAs

Economic anxiety appears to have altered investing behavior for many Americans. More than half of investors (57 percent) reported that their investing behavior has changed in the last six months, with almost one in four of these individuals saying they have responded to circumstances by investing less. Further, a larger number now describe themselves as “inexperienced” investors, with a corresponding increase in reliance on a broker or money manager.

But the data also suggest that the changes in investing behavior are relatively modest. Only three percent have sold their investments – the same number that reported they are investing more money. Eleven percent say they have diversified their portfolios.

The survey also found that nearly half of investors (45 percent) read companies’ financial reports “very” or “somewhat” often, but that many find the reports hard to use. Respondents voiced strong support (72 percent) for the design of a more user-friendly way of accessing and reading financial reports.

The relevance of financial reporting was the dominant theme of the CAQ’s recently-concluded Public Dialogue Tour, according to Fornelli. “In 10 cities across the country, the public company auditing profession heard from a variety of stakeholders that modernizing the business reporting model – and doing so in a manner that puts investors’ needs first – should be our highest priority,” she explained. “That will be the primary focus of the Tour’s final report to be issued later this year.”

In addition to the design of more user-friendly financial reports, other proposals that U.S. investors say would give them a higher level of confidence are:

- Creating an institute for auditing firms to share experiences and develop best practices for fraud prevention and detection (67 percent);
- Allowing investors to access financial reports in a way that is customized to their specific interests and expertise (63 percent);
- Requiring enhanced levels of public disclosure that provide investors with more information when public companies change auditors (63 percent); and
- Creating a single, uniform, international set of accounting standards (62 percent).

The telephone survey of 1,000 investors was conducted between July 10 and July 20 by The Glover Park Group. The margin of error was +/-3 percent. The survey summary and the complete questionnaire are posted on the CAQ’s Web site, <http://thecaq.org/newsroom/pdfs/july2008investorsurvey.pdf>.

###

The Center for Audit Quality (CAQ) is an autonomous public policy organization serving investors, public company auditors and the capital markets. The CAQ’s mission is to foster confidence in the audit process and to aid investors and the markets by advancing constructive suggestions for change rooted in the profession’s core values of integrity,

www.TheCAQ.org
Affiliated with the American Institute of CPAs

objectivity, honesty and trust. Based in Washington, D.C., the CAQ is affiliated with the American Institute of Certified Public Accountants. For more information, visit www.thecaq.org.