

11TH ANNUAL

Main Street Investor Survey



**CENTER
FOR AUDIT
QUALITY**

OCTOBER 2017

From the Executive Director

Since 2007, the Center for Audit Quality (CAQ) has commissioned an annual survey of US retail investors. Each year, our Main Street Investor Survey measures confidence in US capital markets, global capital markets, audited financial information, and investing in publicly traded companies.

Through a variety of market conditions over the years, the survey has revealed the solid trust that Americans place in the US capital markets system. This edition of the survey, our 11th, is no exception. Consider:

85%

of investors express confidence in US capital markets, an all-time high in our survey.

83%

of investors have confidence in investing in US publicly traded companies, also a record high.

78%

of investors say they are confident in audited financial information released by publicly held companies.

Investors also register exceptional degrees of confidence in the ability of external auditors, audit committees, and stock exchanges to fulfill their investor protection roles.

In addition to its core confidence measures, the survey also sheds light on investor views regarding factors that might affect their investment outlook. This year's survey confirms that retail investors are watching Washington closely. In fact, political actions taken by the White House or Congress are the top two factors that are most likely to affect their investment decisions in the next year, followed closely by a high-profile political issue: changes to US tax policy. Investors also continue to express particular concerns regarding risks to the US economy posed by the growing national debt, cyber-attacks on personal financial information or capital markets, and global political unrest.

The CAQ is pleased to provide these findings, which serve both to enhance our understanding of US capital markets and to highlight their remarkable nature.

Cynthia M. Fornelli

Cynthia M. Fornelli
Executive Director
Center for Audit Quality



Contents

| | |
|--|-----------|
| CONFIDENCE METRICS | 2 |
| ▶ US CAPITAL MARKETS | 2 |
| ▶ CAPITAL MARKETS OUTSIDE THE US | 4 |
| ▶ INVESTING IN US COMPANIES THAT ARE PUBLICLY TRADED | 6 |
| ▶ AUDITED FINANCIAL INFORMATION | 8 |
| ENTITIES LOOKING OUT FOR INVESTORS | 9 |
| INVESTMENT RISKS | 10 |
| ECONOMIC ISSUES AND EVENTS AFFECTING INVESTMENT DECISIONS | 11 |
| ASPECTS OF A COMPANY AFFECTING INVESTMENT DECISIONS | 12 |
| METHODOLOGY | 13 |
| ABOUT THE CENTER FOR AUDIT QUALITY | 13 |

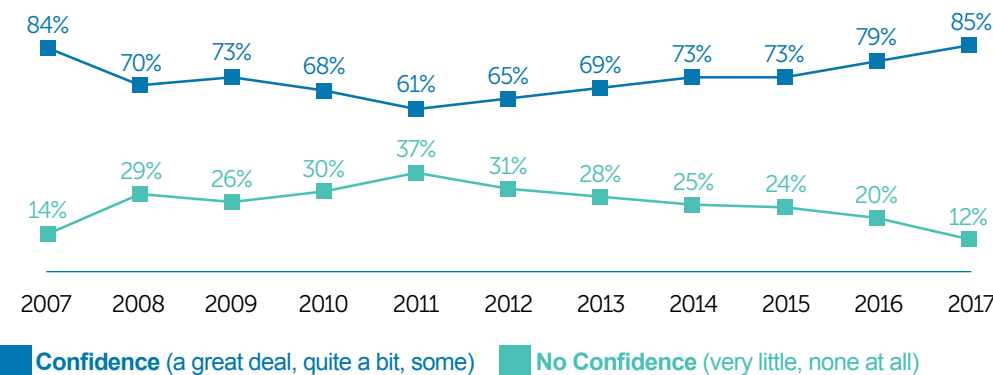
Confidence Metrics

US CAPITAL MARKETS

Confidence in US capital markets has surpassed 2007 levels, reaching an all-time high for the Main Street Investor Survey.

QUESTION

At the current time, how much confidence would you say you have in US capital markets?



85%

OF INVESTORS
EXPRESS
CONFIDENCE
IN US CAPITAL
MARKETS

Confidence Metrics

Belief in the capital market system, confidence in President Trump, and perceptions of an improving economy are the primary drivers of investor confidence.

QUESTION

You indicated you have at least some confidence in US capital markets. For what reasons do you have confidence in US capital markets? (*Open-ended question*)*

| RESPONSES | % |
|--|-----|
| Market is strong and in good shape/Believe in market system/Capitalism works | 20% |
| Confidence or trust in President Trump/Trump agenda/Trump administration/US government | 14% |
| Economy is growing or stable/Economy will continue to get better | 13% |
| Personal experience/Advice from reliable sources/Gut feeling | 10% |
| Past performance/Historical evidence that the US market always bounces back | 10% |
| Confident, but wary or worried about potential instability, corruption, or politics | 8% |
| Specific economic indicators are good (unemployment, inflation, consumer confidence) | 8% |
| Other | 9% |

Notes: Asked of those with at least some confidence in US capital markets. Percentages based on those asked the question. Data may add to more than 100% due to multiple responses. Don't know/Refused results not shown.

President Trump is also the top reason for lack of confidence in US capital markets.

QUESTION

You indicated you have little or no confidence in US capital markets. For what reasons do you have little or no confidence in US capital markets? (*Open-ended question*)*

| RESPONSES | % |
|--|-----|
| Lack of leadership/President Trump | 30% |
| Impression that economy is not doing well | 15% |
| Fluctuation/instability in US stock market | 10% |
| Personal experience/Gut feeling | 5% |
| Government interference/Policies/Too much government spending/Debt | 4% |
| Other | 6% |

Notes: Asked of those with little or no confidence in US capital markets. Percentages based on those asked the question. Data may add to more than 100% due to multiple responses. Don't know/Refused results not shown.

*Eight percent of this year's Main Street Investor Survey respondents referred specifically to President Trump.

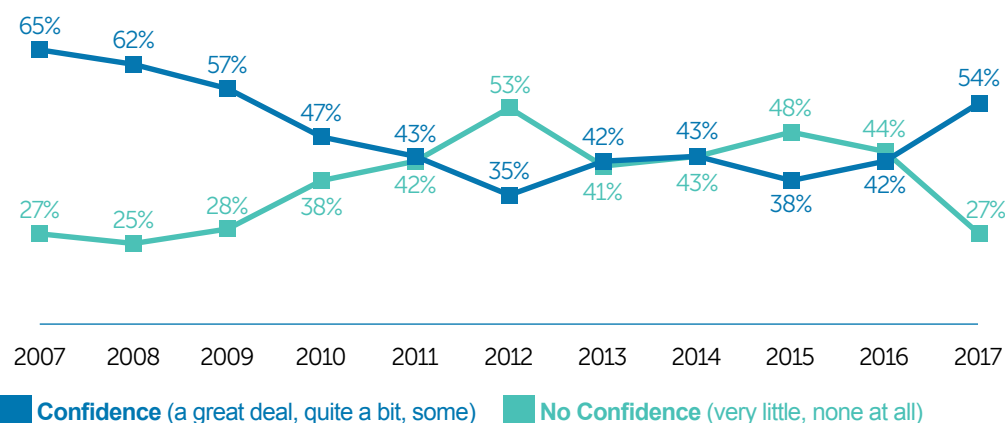
Confidence Metrics

CAPITAL MARKETS OUTSIDE THE US

Confidence in capital markets outside of the United States is increasing, but continues to trail significantly behind confidence in US capital markets.

QUESTION

At the current time, how much confidence would you say you have in capital markets outside of the United States?



54%

OF INVESTORS
HAVE
CONFIDENCE
IN CAPITAL
MARKETS
OUTSIDE THE US

Confidence Metrics

General positive impressions are top drivers of confidence in capital markets outside the United States.

QUESTION

You indicated that you have at least some confidence in capital markets outside of the United States. For what reasons do you have confidence in capital markets outside of the United States? (*Open-ended question*)

| RESPONSES | % |
|--|-----|
| Impression that they are doing well or better than the United States | 28% |
| Some or specific countries are doing well | 13% |
| Confident, but concerns about instability/Worried about overseas events/Brexit | 13% |
| US economic influence/Markets are all linked | 8% |
| Personal experience/Advice from reliable sources/Gut feeling | 8% |
| Other | 6% |

Notes: Asked of those with at least some confidence in capital markets outside the United States. Percentages based on those asked the question. Data may add to more than 100% due to multiple responses. Don't know/Refused results not shown.

Instability and turmoil in international markets contribute to lack of confidence in non-US markets.

QUESTION

You indicated that you have little or no confidence in capital markets outside of the United States. For what reasons do you have little or no confidence in capital markets outside of the United States? (*Open-ended question*)

| RESPONSES | % |
|--|-----|
| Unstable or corrupt governments/Political issues | 20% |
| Conflicts and turmoil/Terrorism/ISIS/North Korea | 18% |
| Don't know enough about markets overseas | 11% |
| Bad economic climate and management | 7% |
| Personal experience/Gut feeling | 5% |
| European economy/Brexit | 5% |
| US problems affecting other markets and vice versa | 5% |
| Other | 6% |

Notes: Asked of those with little or no confidence in capital markets outside the United States. Percentages based on those asked the question. Data may add to more than 100% due to multiple responses. Don't know/Refused results not shown.

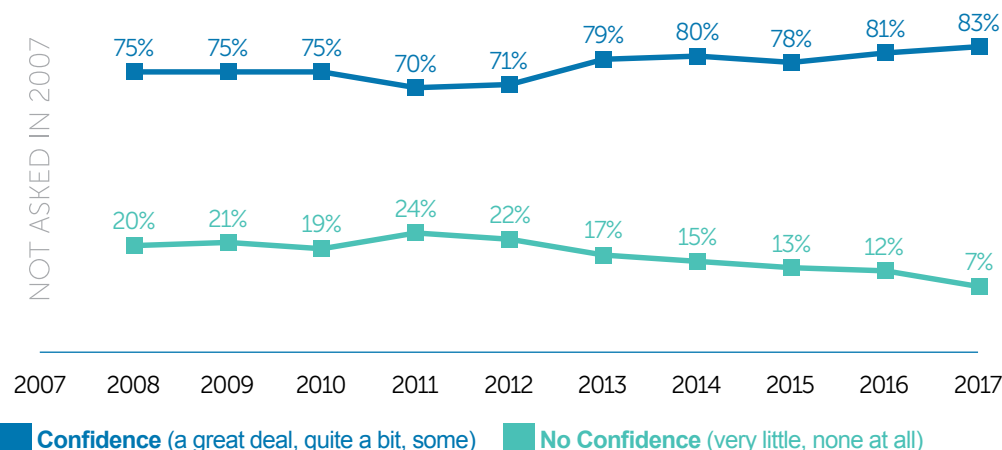
Confidence Metrics

INVESTING IN US COMPANIES THAT ARE PUBLICLY TRADED

Confidence investing in US public companies continues to rise at a steady pace, reaching an all-time high in the Main Street Investor Survey.

QUESTION

How much confidence would you say you have today investing in US companies that are publicly traded?



83%

OF INVESTORS
HAVE
CONFIDENCE
INVESTING IN
US PUBLICLY
TRADED
COMPANIES

Confidence Metrics

Confidence in the economy is most likely to drive confidence investing in US companies.

QUESTION

You indicated that you have at least some confidence in investing in US companies that are publicly traded. For what reasons do you have this confidence? (*Open-ended question*)

| RESPONSES | % |
|--|-----|
| Economy in general is good/Belief in US capital system | 30% |
| Positive statements about the companies (doing well, earnings going up/publicly traded, responsible, good, trust, or transparency) | 17% |
| Change in presidential leadership/Amount of regulation | 10% |
| Personal experience/Advice from reliable sources/Gut feeling | 9% |
| Historic performance of markets | 4% |
| Confident, but wary or worried about market volatility | 4% |
| Other | 6% |

Notes: Asked of those with at least some confidence in US publicly traded companies. Percentages based on those asked the question. Data may add to more than 100% due to multiple responses. Don't know/Refused results not shown.

Perception that the economy is not doing well is a top reason cited for lack of confidence in US companies that are publicly traded.

QUESTION

You indicated that you have little or no confidence in investing in US companies that are publicly traded? For what reasons do you have little or no confidence? (*Open-ended question*)

| RESPONSES | % |
|---|-----|
| Economy is not doing well/US companies exporting jobs overseas or headquarters no longer based in United States | 23% |
| Markets are rigged/Corporations are too profit driven | 13% |
| Leadership of the country/Specific mention of President Trump/Unstable political climate | 10% |
| Don't trust them/Sources say not to trust them | 9% |
| Personal experience/Gut feeling | 7% |
| Other | 9% |

Notes: Asked of those with little or no confidence investing in US companies that are publicly traded. Percentages based on those asked the question. Data may add to more than 100% due to multiple responses. Don't know/Refused results not shown.

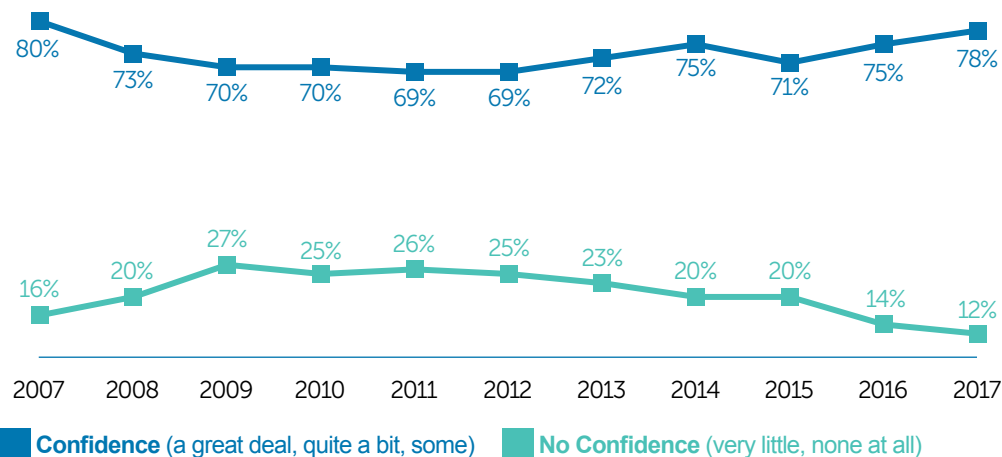
Confidence Metrics

AUDITED FINANCIAL INFORMATION

Strong confidence in audited financial information continues to grow.

QUESTION

All publicly traded companies in the United States are required to put out regular financial reports. Before they are published, certain information in these reports is required by law to be audited by an external public company audit firm. Based on what you know, how much confidence do you personally have in audited financial information released by publicly traded US companies?



78%

OF INVESTORS
EXPRESS
CONFIDENCE
IN AUDITED
FINANCIAL
REPORTS

Note: Don't know/Refused results not shown.

Entities Looking Out for Investors

Independent auditors continue to top the list of entities that investors say are effective in advancing investor protections.

QUESTION

There are a number of different players that have roles in helping to advance investor protection. How much confidence do you have that [INSERT] is/are effective in their respective roles?

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-----------------------|------|------|------|------|------|------|
| Independent auditors who audit publicly traded companies | 67% | 70% | 72% | 75% | 76% | 81% | 84% |
| Independent audit committees of publicly traded companies | 63% | 65% | 69% | 71% | 71% | 77% | 82% |
| Stock exchanges | 48% | 50% | 55% | 70% | 73% | 76% | 82% |
| Financial analysts | 60% | 63% | 65% | 68% | 68% | 76% | 80% |
| Financial advisors and brokers | 66% | 66% | 69% | 70% | 73% | 75% | 79% |
| Credit rating agencies | 49% | 54% | 57% | 64% | 67% | 76% | 71% |
| Corporate management of publicly traded companies | 51% | 48% | 52% | 54% | 62% | 68% | 69% |
| Investigative journalists | 58% | 60% | 62% | 58% | 59% | 68% | 65% |
| Corporate boards of directors | 47% | 46% | 49% | 49% | 59% | 61% | 63% |
| Government regulators and oversight | 39% | 39% | 50% | 50% | 49% | 54% | 58% |
| Congress | Not asked before 2014 | | | 24% | 23% | 34% | 32% |

84%

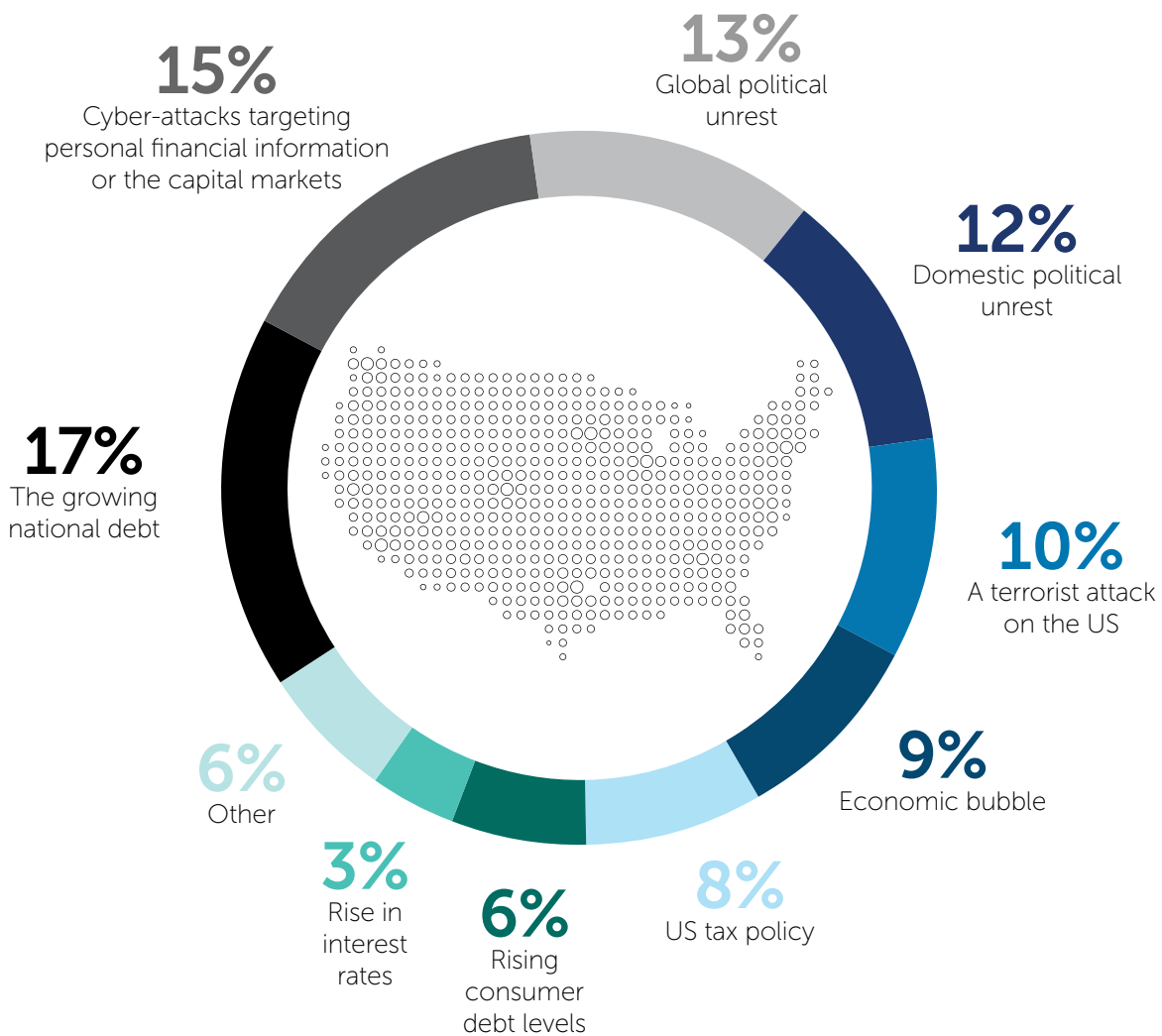
OF INVESTORS EXPRESS CONFIDENCE THAT EXTERNAL AUDITORS ARE EFFECTIVE IN ADVANCING INVESTOR PROTECTION

Investment Risks

Growing national debt and the threat of cyber-attacks are seen as the greatest risks to the US economy.

QUESTION

In your opinion, what poses the greatest risk to the US economy?



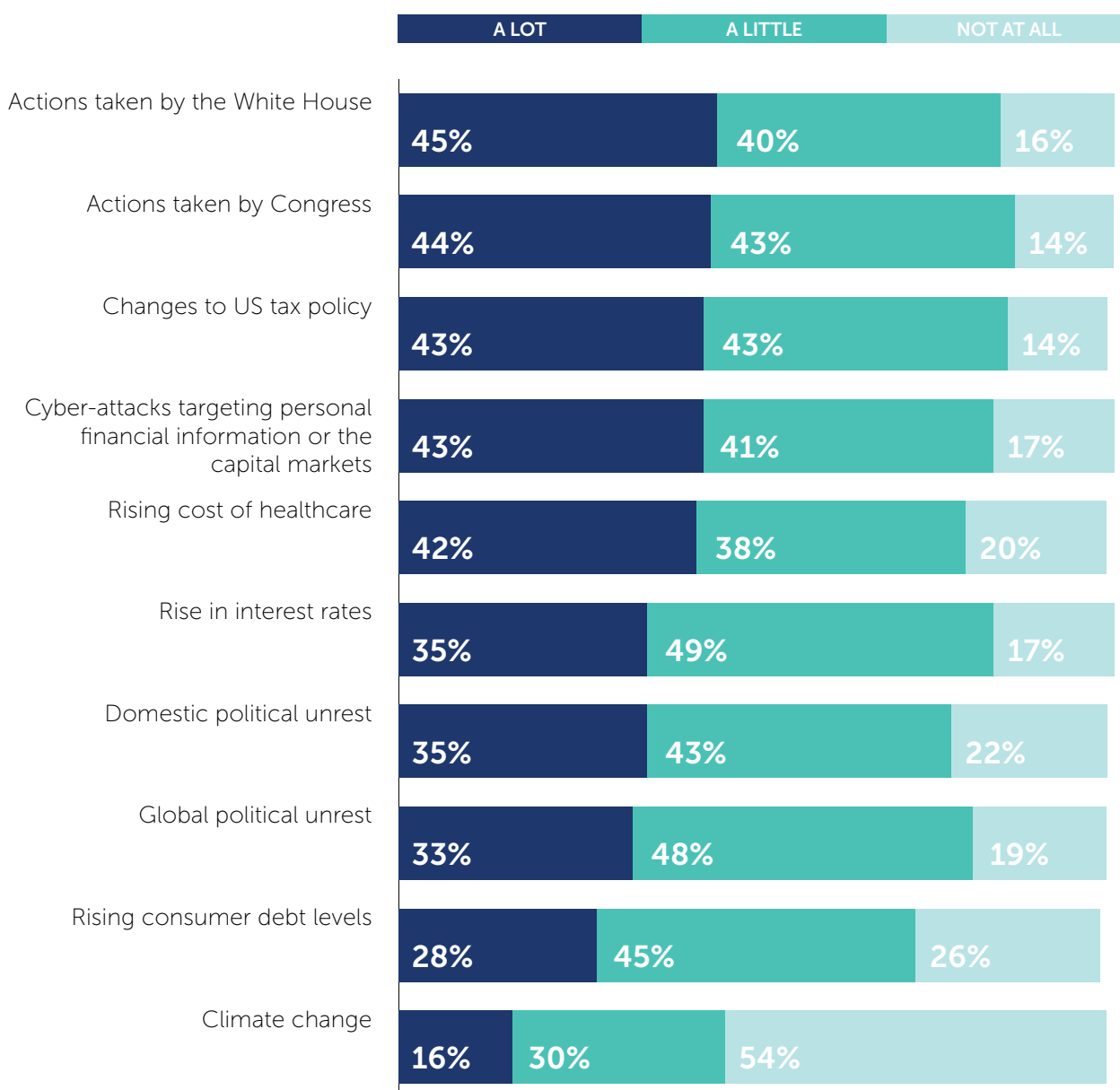
Note: Don't know/Refused results not shown.

Economic Issues and Events Affecting Investment Decisions

Actions by White House and Congress lead the list of issues and events that will affect investment decisions in the coming year.

QUESTION

I am interested in knowing whether these different economic issues and events may affect your investment decisions and behavior in the next year. For each of the following, please tell me whether this will impact your investment plans in the next year a lot, a little, or not at all.

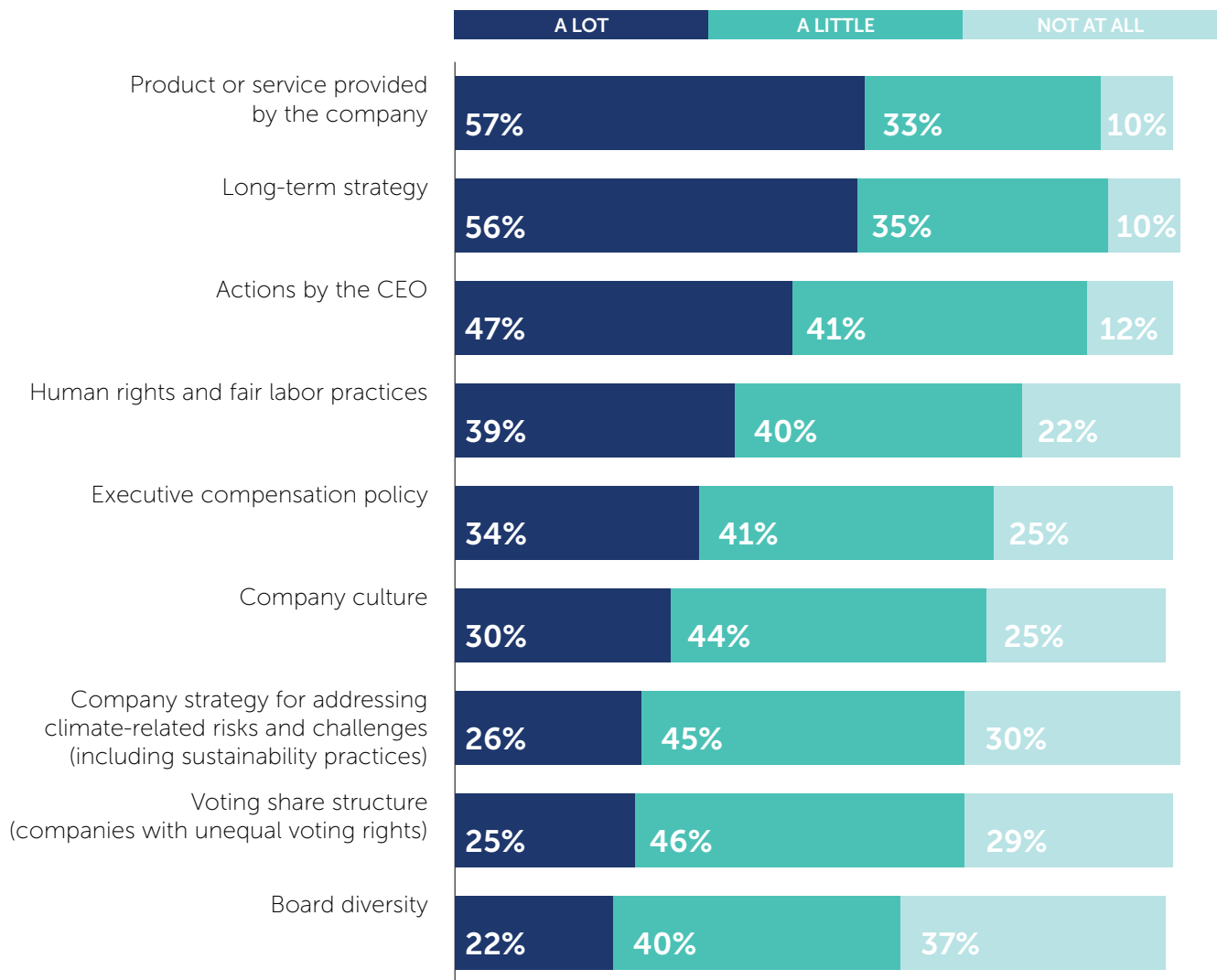


Aspects of a Company Affecting Investment Decisions

When making investment decisions, investors care most about a company's products or services, as well as its long-term strategy.

QUESTION

Apart from financial return on your investment, to what degree do the following aspects of a company affect your investment decisions and behavior when determining whether to invest in that company? For each of the following, please tell me whether they impact your decisions a lot, a little, or not at all.



Methodology

This survey of 1,001 investors was conducted from September 20–September 27, 2017. Prior to 2016, the Main Street Investor Survey was conducted via telephone using random digit dial landline and cell phone samples. Beginning with the 2016 survey, the survey was conducted via telephone and online. This difference in methodology may produce slight variations in the data that are not attributed to an actual change in perception, especially for open-ended questions.

With a sample of this size, one can say with 95% certainty that the results of the national survey have a margin of error of +/- 3.1 percentage points of what they would be if the entire population of investors had been polled.

In this survey, “investors” are defined as:

- ▶ Adults (18+)
- ▶ Individuals who are the primary decision-makers for handling their household’s savings and investments, or who share this role equally with another household member
- ▶ Individuals who live in households with \$10,000 or more in investments, including stocks, bonds, mutual funds, IRAs, 401(k) plans, and the like

This survey is a project of the CAQ and The Glover Park Group.

About the Center for Audit Quality

The CAQ is an autonomous public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high quality performance by public company auditors, convenes and collaborates with other stakeholders to advance the discussion of critical issues requiring action and intervention, and advocates policies and standards that promote public company auditors’ objectivity, effectiveness, and responsiveness to dynamic market conditions. The CAQ is based in Washington, DC and is affiliated with the American Institute of CPAs.



THECAQ.ORG

WE WELCOME YOUR FEEDBACK. Please send comments or questions to info@thecaq.org.