

THE CAQ'S 10TH ANNUAL
Main Street
Investor Survey



A decade of **Investor
Confidence**



CENTER
FOR AUDIT
QUALITY

SEPTEMBER 2016

FROM THE EXECUTIVE DIRECTOR

Since 2007, the Center for Audit Quality (CAQ) has commissioned an annual survey of U.S. investors as part of its efforts to enhance understanding of and confidence in capital markets. Each year, the Main Street Investor Survey measures retail investor confidence in U.S. capital markets, global capital markets, and audited financial information, as well as confidence in investing in publicly traded companies.

Spanning periods of both relative prosperity and extreme market turmoil, the survey has queried thousands of individuals, producing a myriad of data points and insights over the past decade. Yet stepping back from the details, a bigger picture becomes very clear: the strength and resilience of U.S. investors and the robust confidence they place in our capital markets system.

For our 10th edition, the strength of Main Street investor confidence is apparent across the major measures that the CAQ has tracked since 2007. Consider:

- 79% of investors express confidence in U.S. capital markets.
- 81% of investors have confidence in investing in U.S. publicly traded companies, an all-time high in our survey.
- Three-quarters of investors say they are confident in audited financial information released by publicly held companies.
- Investors appreciate the key players in the financial system, showing high degrees of confidence in external auditors, independent audit committees, and stock exchanges.

Investors aren't just confident—they are paying attention. In addition to core confidence measures, our survey also sheds light on investors' concerns and views regarding what might affect their investment outlook. The U.S. presidential election, just weeks away as of this publication's release, clearly looms large; 57% of investors indicate the next U.S. president will affect their financial decisions "a lot." Survey respondents also register significant concerns regarding levels of federal debt, global political unrest, and cyber-attacks on the financial markets.

Over the past decade, the CAQ has been pleased to provide findings such as these, which can benefit the private sector, policymakers, and the broader public. The CAQ looks forward to delivering many more insights into the next decade and beyond.



Cynthia M. Fornelli
Executive Director
Center for Audit Quality



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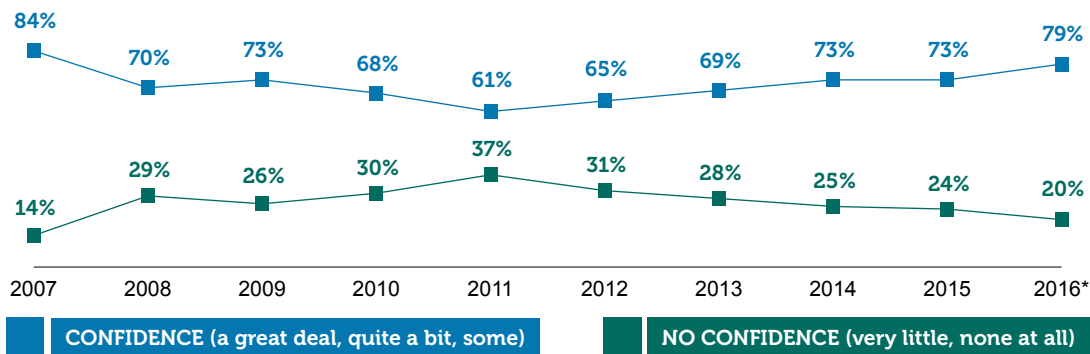
CONFIDENCE METRICS

U.S. Capital Markets

Confidence in U.S. capital markets remains high.

QUESTION

At the current time, how much confidence would you say you have in U.S. capital markets? Would you say you have a great deal of confidence, quite a bit of confidence, some confidence, very little confidence, or no confidence at all?



Takeaway

79% of investors express confidence in U.S. capital markets

*Don't know/No response: 1%

Belief in the capital market system, personal market experience, and past market performance are top drivers of confidence in U.S. capital markets.

QUESTION

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

Responses	2016
Market is strong and in good shape/Believe in market system/Capitalism works	16%
Based on personal experience with market/Personal investments are doing well	15%
Past performance/Historical evidence that the U.S. market always bounces back	14%
Nothing specific/Gut feeling	13%
Economy is improving/Recession is over/There is stability	13%
Confident, but worried about potential instability/Corruption/Politics/Upcoming election	7%
Specific economic indicators are good (unemployment, inflation, consumer confidence)	6%
Confidence/Trust in U.S. and government/President/Upcoming election	6%
U.S. is doing better than the rest of the world	5%
Advice/Information from reliable sources	3%
Belief that the private sector will do well	2%
Other	2%

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

CONFIDENCE METRICS

Impression that the economy is not doing well and “lack of leadership” are top reasons for lack of confidence in U.S. markets.

QUESTION

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

Responses	2016
Impression that economy is not doing well	21%
Lack of leadership/President/Upcoming election	19%
Government interference/Policies	17%
Fluctuation/Instability in U.S. stock market	9%
Based on personal experience with market/Personal investments are not doing well	9%
Nothing specific/Gut feeling	9%
Corporate greed/Growing gap between rich and poor	8%
Too much government spending/Debt	3%
Other	7%

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

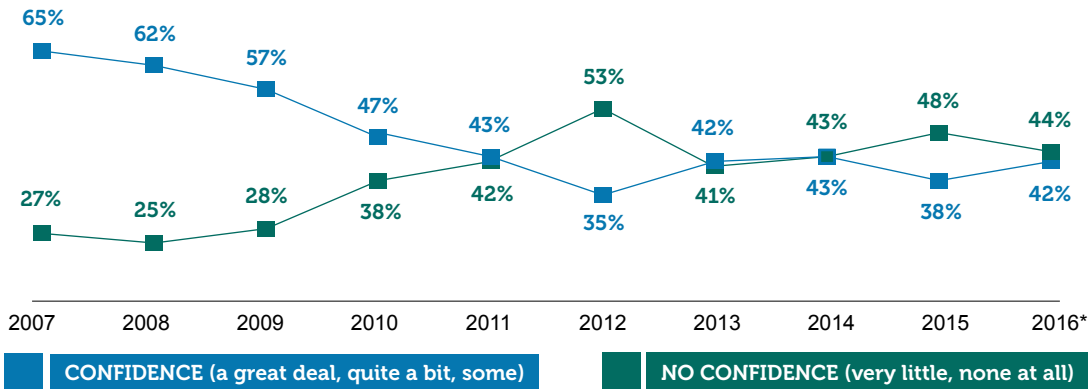
CONFIDENCE METRICS

Capital Markets Outside the U.S.

Confidence in capital markets outside of the United States increases.

QUESTION

At the current time, how much confidence would you say you have in capital markets outside of the United States? Would you say you have a great deal of confidence, quite a bit of confidence, some confidence, very little confidence, or no confidence at all?



Takeaway

42% of investors have confidence in capital markets outside the U.S.

*Don't know/No response: 14%

General 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	2016
Nothing specific/Gut feeling	18%
Impression that they are doing well/Better than the United States	16%
U.S. economic influence/They are all linked	13%
Some/Specific countries are doing well	13%
Confident, but wary/Worried about overseas events/Brexit	12%
Historic record and stability/They always bounce back	9%
Advice/Information from reliable source	5%
Personal experience with foreign markets/Investments are doing well	5%
Other	9%

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

CONFIDENCE METRICS

Gut feelings and “lack of stability” are top reasons for lack of confidence in capital markets outside the United States.

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	2016
Nothing specific/Gut feeling not to trust them	14%
Lack of stability/Too volatile	13%
Bad economic climate and management	12%
Conflicts and turmoil/Terrorism/ISIS	11%
European economy/Brexit	10%
Unstable/Corrupt governments/Political issues	8%
Don't know enough about markets overseas	8%
U.S. problems affecting other markets and vice versa	7%
Don't pay attention to markets overseas/Not invested	5%
Bad personal experience/Prefer to stay in domestic market	2%
Debt crisis	2%
Problems with Chinese economy	1%
Other	11%

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



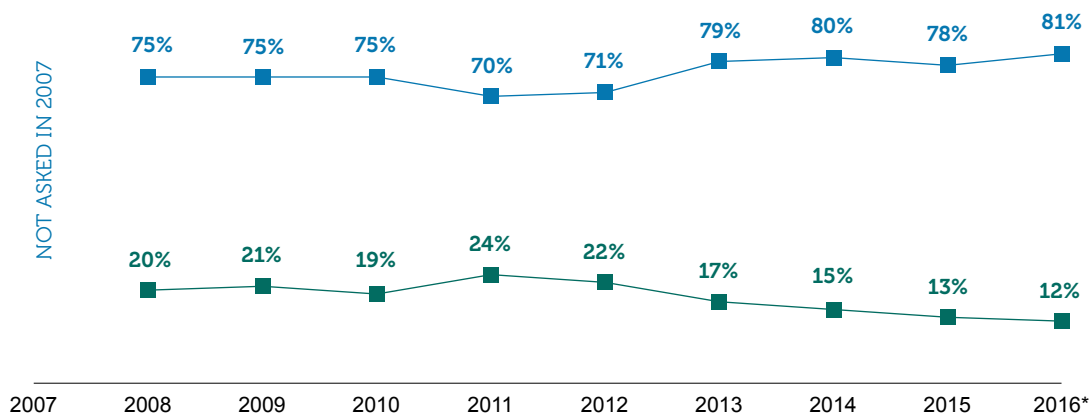
CONFIDENCE METRICS

Investing in U.S. Companies That Are Publicly Traded

Confidence in investing in U.S. public companies remains consistent and high.

QUESTION

How much confidence would you say you have today investing in U.S. companies that are publicly traded? Would you say you have a great deal of confidence, quite a bit of confidence, some confidence, very little confidence, or no confidence at all?



Takeaway

81% of investors have confidence investing in U.S. publicly traded companies

CONFIDENCE (a great deal, quite a bit, some)

NO CONFIDENCE (very little, none at all)

*Don't know/No response: 7%

A positive impression of U.S. companies is the top reason for confidence in investing in publicly held companies.

QUESTION

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

Responses	2016
Positive statements about the companies (publicly traded/responsible/good)	21%
Personal experience/Positive returns/Personal advice	18%
Economy in general is good/Belief in U.S. capital system	18%
Nothing specific/Gut feeling	18%
Historic performance of markets	10%
Confident but wary/worried about market volatility/Concern about upcoming election	6%
Government involvement/Regulation or lack thereof/Upcoming change in Presidential leadership	5%
Other	3%

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

CONFIDENCE METRICS

The sense that the economy is not doing well and “rigged system” are top reasons for lack of confidence in U.S. companies that are publicly traded.

QUESTION

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

Responses	2016
Economy is not doing well/U.S. companies exporting jobs overseas or headquarters no longer based in U.S.	34%
Rigged/Lack of leadership/Corporate greed	16%
Nothing specific/Gut feeling	14%
Personal experience/Not personally invested	10%
Don't trust them/Sources say not to trust them	10%
Country leadership/Upcoming election	9%
Other	6%

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

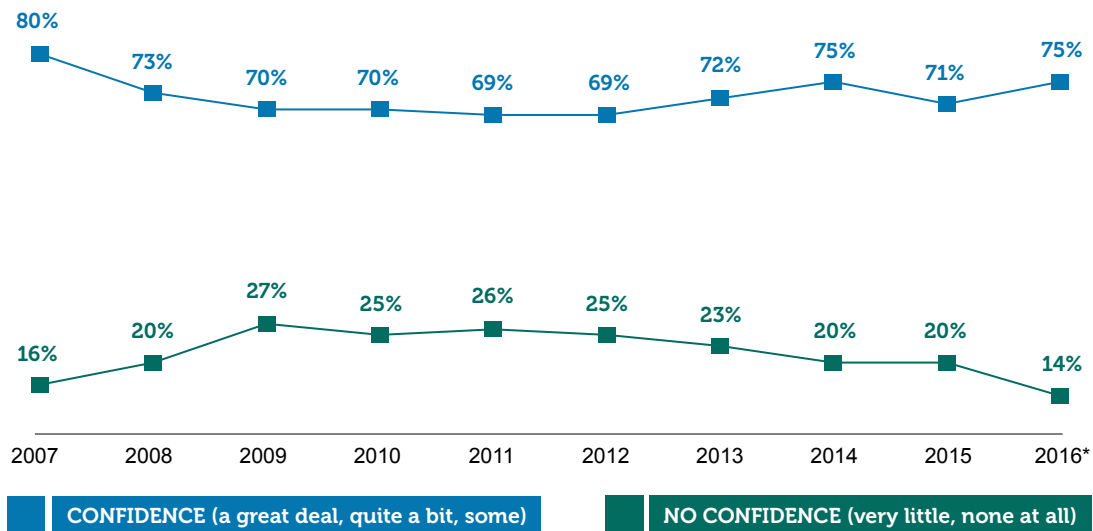
CONFIDENCE METRICS

Audited Financial Information

Confidence in audited financial information remains strong and has increased slightly.

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 U.S. companies? Would you say you have a great deal of confidence, quite a bit of confidence, some confidence, very little confidence, or no confidence at all?



Takeaway

75% of investors express confidence in audited U.S. financial reports

*Don't know/No response: 11%

ENTITIES LOOKING OUT FOR INVESTORS

Independent auditors continue to top the list of entities that respondents say are effective in looking out for investors.

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

Takeaway

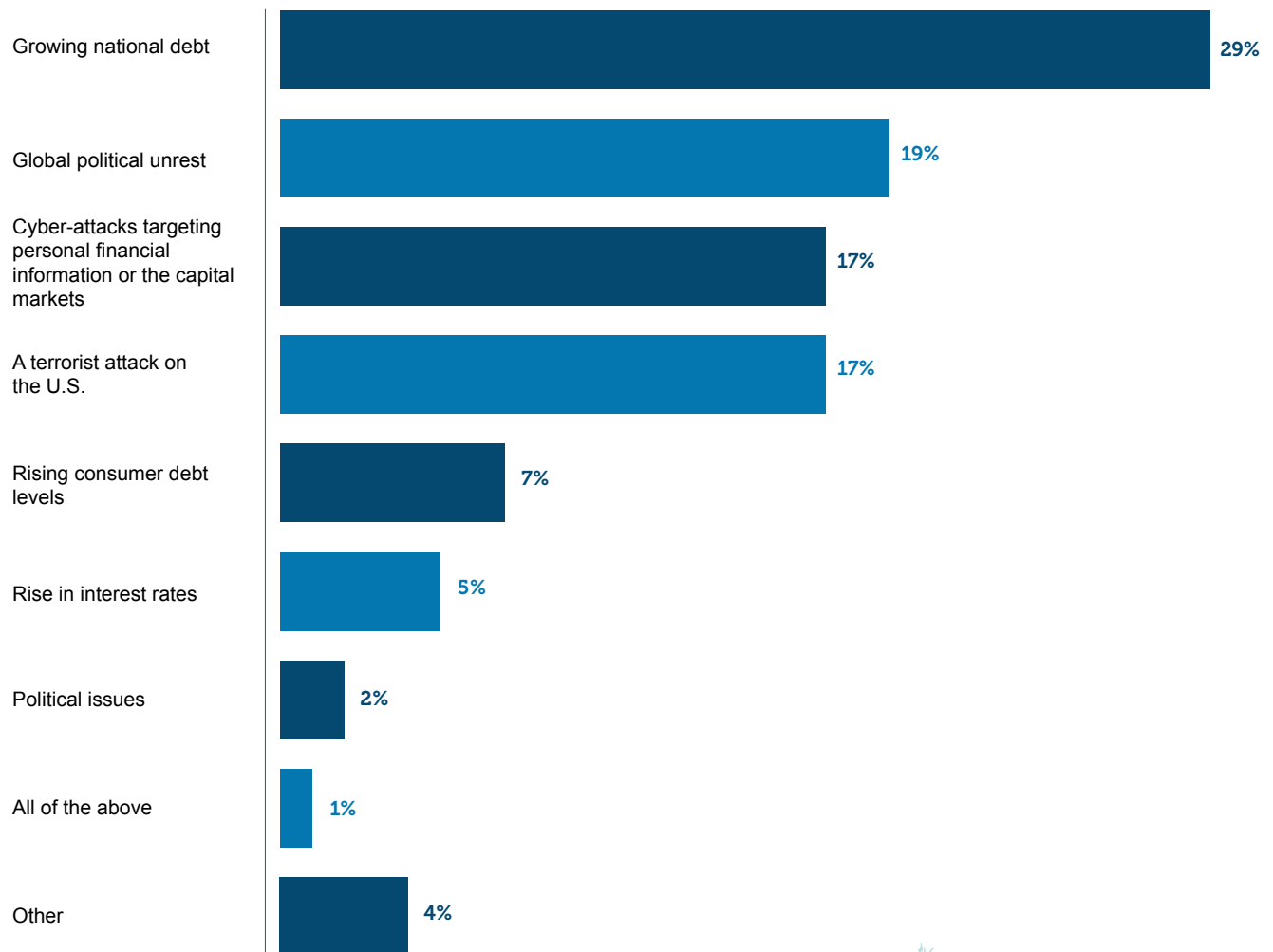
81% of investors express confidence in independent public company auditors

INVESTMENT RISKS IN THE NEXT FOUR YEARS

Investors say that the growing national debt is the greatest risk to the U.S. economy.

QUESTION

In your opinion, what provides the greatest risk to the U.S. economy in the next four years?



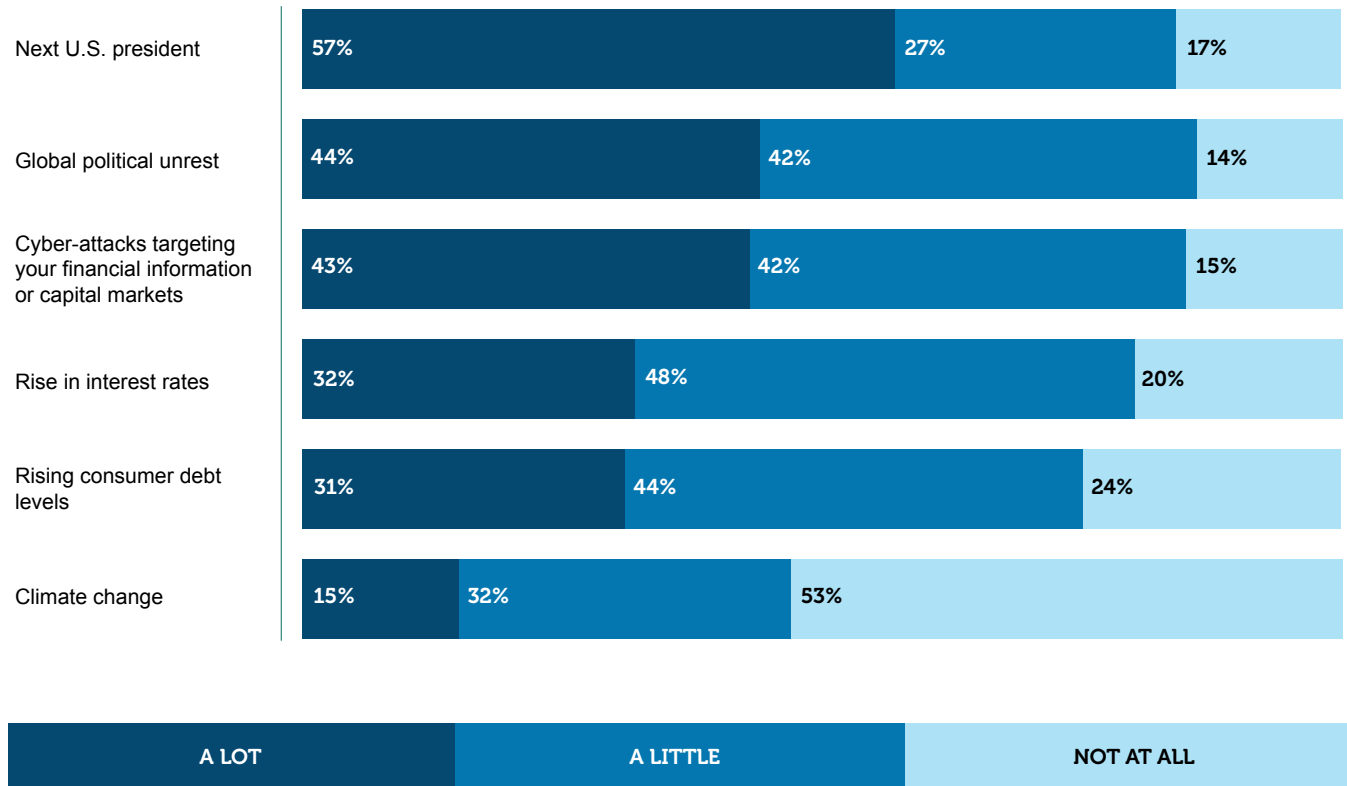
Notes: Don't know/Refused results not shown.

ECONOMIC ISSUES AND EVENTS AFFECTING INVESTMENT DECISIONS

Over half of investors indicate that the next U.S. president will affect their investment decisions and behavior “a lot.”

QUESTION

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.



METHODOLOGY

This survey of 1,004 investors was conducted from August 8–August 19, 2016. 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 edition, the survey was conducted via telephone and online polling. This difference in methodology may produce slight variations in the data that are not attributed to an actual change in perception, especially for the open-ended questions.

With a sample of this size, one can say with 95% certainty that the results 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

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

ABOUT THE CENTER FOR AUDIT QUALITY

The Center for Audit Quality (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.

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I N V E S T O R C O N F I D E N C E

