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RESEARCH PAPER

WHAT DO UK INVESTORS THINK, FEEL AND DO?



By Louise Ahuja, Financial Services Sector Correspondent

In our first research paper, we look at how different generations of investors differ in terms of their preferences when it comes to how and why they invest and how they want to engage with the companies they invest in.

We've undertaken a detailed examination of the behaviours, preferences, and challenges faced by UK retail investors. It's important these are understood by both companies, who want to connect with future generations of retail investors, and by individuals looking to invest and secure their financial futures.

At FinGlitz, our mission is to connect the next generation of investors with companies, to improve levels of financial literacy and encourage more active engagement between the parties.

The result? That investors will be able to make better informed investment decisions and companies will have a more engaged group of retail investors, more likely to invest for the long-term.

It's estimated there are as many as 30 million individual investors in the UK, and our study delivers key insights into the composition of UK retail investors' portfolios and attitudes, particularly the views of the newest generation of investors, Gen Z.

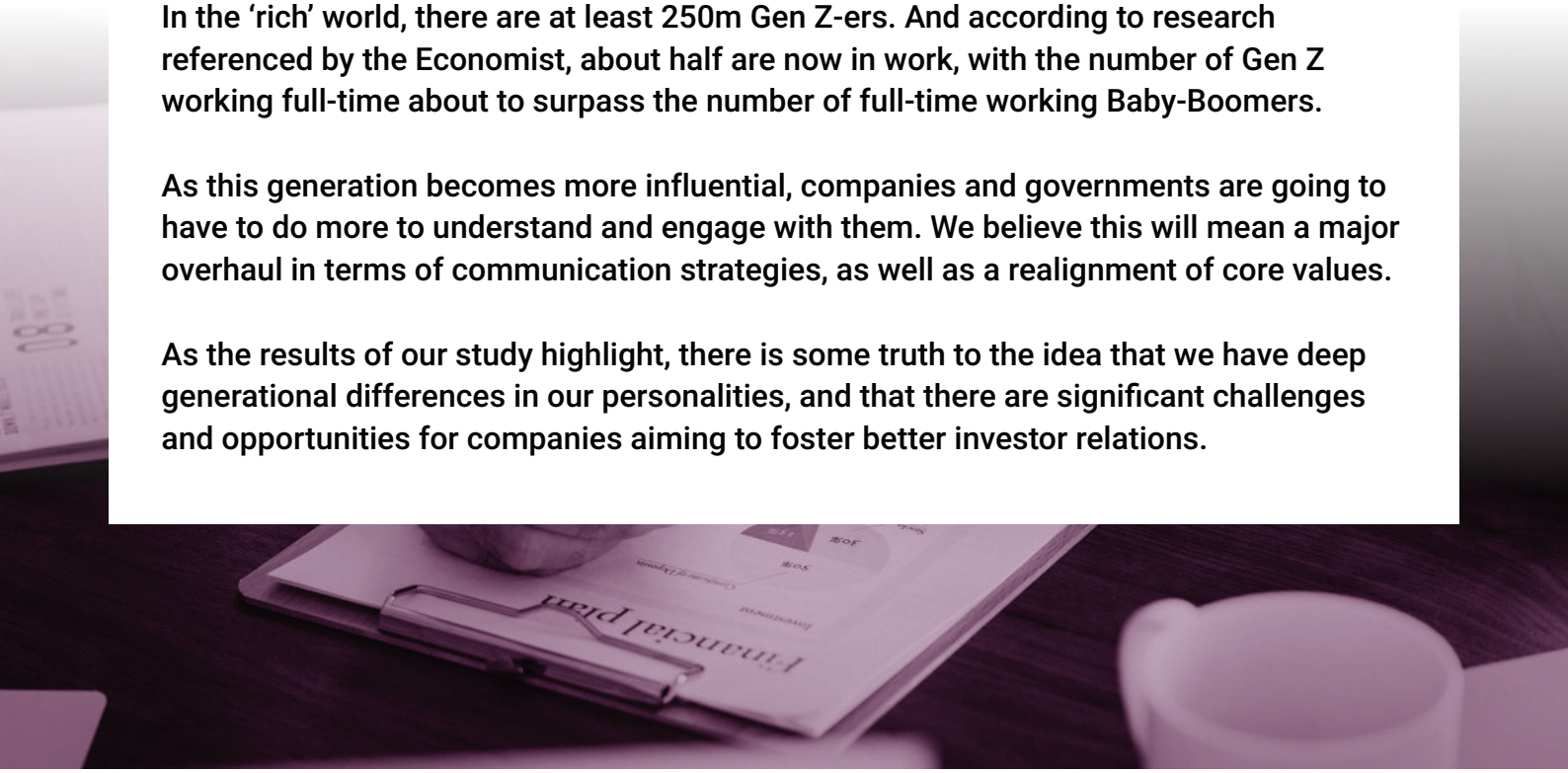
So, why do we need to support the financial education of Gen Z and foster greater engagement between young investors and companies?

According to a recent article in the Economist, Gen Z (born between 1997 and 2012) is unprecedentedly rich. Richer than both Millennials and Baby-Boomers were at this stage of their lives.

In the 'rich' world, there are at least 250m Gen Z-ers. And according to research referenced by the Economist, about half are now in work, with the number of Gen Z working full-time about to surpass the number of full-time working Baby-Boomers.

As this generation becomes more influential, companies and governments are going to have to do more to understand and engage with them. We believe this will mean a major overhaul in terms of communication strategies, as well as a realignment of core values.

As the results of our study highlight, there is some truth to the idea that we have deep generational differences in our personalities, and that there are significant challenges and opportunities for companies aiming to foster better investor relations.



Who did we survey, what did they say?

We surveyed 1,000 UK retail investors, with the majority (69%) having equity investments, an average of 19 equity investments per portfolio.

The first generational difference we discovered is that whilst young investors have fewer equity investments compared to most older groups, a higher proportion of their portfolio is invested directly in individual equities (42%), compared to all direct investment in individual equities accounts, which is 36% of the average portfolio.

This might suggest a preference for a more hands-on approach, and potentially higher risk investment strategies, compared to older investors. The study also found that older generations tend to favour diversified funds, with younger investors (18-34 years old) more heavily invested in direct equities.

Notably, Gen Z investors are more likely to have started investing within the last year, compared to other age groups, indicating a trend towards earlier financial engagement.



Investor Involvement in AGMs

Our research reveals a low level of engagement in corporate governance, which we at FinGlitz would love to see changed.

Let's start with AGMs. An Annual General Meeting (AGM) is a yearly gathering of a company's interested shareholders. At an AGM, directors of the company report on the financial performance and strategy to the shareholders, who have the right to ask questions.

The meeting enables shareholders to vote on current issues, such as appointments to the company's board of directors, executive compensation, dividend payments, and the selection of auditors.

In the UK, AGMs are particularly relevant to retail investors. These meetings provide a platform for individual investors to exercise their shareholder rights, ask questions directly to the board, and influence decisions by voting on key matters. This level of engagement is an important aspect of corporate governance, offering transparency and a direct voice in the company's future.

Moreover, AGMs can impact the value of an investor's holdings, as decisions made during these meetings can affect the company's strategy and financial health.

For example, approval of a new business strategy might lead to higher profitability and, consequently, higher stock prices.

Conversely, decisions that might be viewed negatively by shareholders can lead to stock price declines. Thus, attending AGMs gives retail investors a chance to directly influence their investments and stay informed about the company's management and performance.

Despite the importance of a company AGM, our research found that over half of investors (55%) have never attended an AGM in person, though online participation is slightly higher with 52% having attended at least one digitally. Although, Gen Z might be about to change all this.

The main barriers to attending AGMs include investors being satisfied with leaving decisions to the board (30%) and scheduling conflicts with work and personal life (26%).

And it seems that companies' communications with their shareholders about AGMs also needs to be significantly improved, with 13% of investors saying they have never been invited to an AGM and 15% having no idea what they should contribute to an AGM.

In addition, one in five investors (22%) feel their holdings are too small to make a difference, rising to 31% of the Baby Boomer generation, indicating that companies need to do much more to make retail investors feel important.

Get ready for Gen Z investors to be much more active in AGMs

Gen Z investors have a different outlook on corporate governance and AGMs, with only 17% saying they are happy to leave decisions to the board, compared to 30% of investors across all ages. They're also less likely to say they have personal life clashes with the AGM (17%).

However, the big concern is that companies need to make AGM participation more accessible and relevant to younger shareholders. 14% of Gen Z investors are unsure of the role of an AGM and its impact on their investment, and nearly one in five say they've not been invited to the AGM of the companies they are invested in (20%) or know when they are happening (18%).

When asked 'Which, if any, of the following are barriers to attending company AGMs?'

		Generation			
	Total	Gen Z (18 to 26)	Millennial (27 to 42)	Gen X (43 to 58)	Baby Boomer (59 to 68)
I am happy to leave company decisions to the board	30%	17%	31%	28%	33%
The timing of the meetings clash with my work / personal life	26%	17%	27%	27%	26%
I don't think my holdings are large enough for it matter	22%	11%	15%	24%	31%
They take too long	21%	20%	23%	26%	19%
I don't have much of an opinion	17%	14%	18%	18%	14%
I wouldn't know how to contribute to an AGM	15%	9%	21%	16%	5%
I've never been invited to one	13%	20%	19%	9%	4%
I don't know when the AGMs are happening	11%	18%	16%	8%	5%
I don't know what they are	7%	14%	11%	3%	1%
N/A there are no barriers	12%	27%	10%	10%	12%

Investment Priorities and Information Sources

The FinGlitz Human Impact Index highlights several key conclusions and points of interest regarding the priorities and preferences of retail investors, particularly among different generations.

The emphasis on high returns (by 38% of investors) and a thorough knowledge of the company or sector (31% of retail investors) as primary investment drivers indicates a financially driven, yet informed approach amongst retail investors.

This suggests retail investors are not just passive income seekers but are actively engaged and make informed decisions based on substantial research.

However, the notable demand for transparency (25%) and sustainability points to an evolving landscape where financial goals are balanced with ethical considerations.

This trend is particularly pronounced amongst Millennial investors, who show greater preference for companies with sustainable products/services and responsible ESG practices.

It's Millennials who are currently leading the drive in wanting companies to do better

When asked 'When deciding on which companies to invest in, what is most important to you?' the table below highlights the answers by generation.

Millennial investors are particularly focused on better corporate governance and sustainability. They have higher expectations for corporate communication, sustainability, and diversity, compared to the overall investor average. This generational shift could influence broader market practices as companies adjust to attract and retain this demographic.



- **24%** of Millennial investors want companies to openly communicate with investors (compared to 19% of all investors)
- **26%** want companies to provide sustainable products and services (compared to 20% on average)
- **20%** want evidence of responsible practices related to ESG (compared to 14% on average)
- **15%** want a clear transition plan to becoming a sustainable company (compared to 11% on average)
- And **17%** want a diverse board of directors (compared to only 9% of investors on average)

		Generation			
	Total	Gen Z (18 to 26)	Millennial (27 to 42)	Gen X (43 to 58)	Baby Boomer (59 to 68)
High returns	38%	28%	37%	42%	39%
Knowledge of the company / sector	31%	30%	27%	37%	27%
The type of industry	26%	18%	26%	29%	24%
Transparency	25%	11%	26%	28%	27%
Companies I have heard of	25%	27%	22%	28%	20%
Sustainable products/ services	20%	25%	26%	19%	10%
Market volatility	19%	13%	22%	19%	19%
Open communication with investors	19%	13%	24%	18%	15%
Companies that have products or services I use	15%	20%	18%	15%	9%
Evidence of responsible practices related to ESG	14%	8%	20%	13%	9%
A clear transition plan to becoming a sustainable company	11%	11%	15%	13%	4%
A diverse board of directors	9%	14%	17%	8%	1%

What sources of information are retail investors using?

The results around the sources of information used by UK retail investors to make investment decisions provides valuable insights into their behaviours and preferences.

This information is crucial in helping companies aiming to attract and engage with investors effectively, highlighting the diverse and multifaceted nature of investment decision-making processes among different generations.

There is a preference for independent and direct sources. The reliance on independent research providers (33%) and annual reports (29%) indicates that UK retail investors place a high value on unbiased, comprehensive information and direct communications from companies.

This suggests a diligent and analytical approach to investment, where decisions are grounded in thorough, vetted information.

Investor bulletin boards, journalist stock recommendations, and advice from other investors, family, and friends also play significant roles. These sources account for 20% to 24% of the information used, suggesting that peers' opinions and less formal sources of information are integral to investors' decision-making processes.

It also shows a community-oriented aspect to investing, where shared experiences and tips are valued.

The equal reliance on social media and company presentations (both at 14%) indicates that newer platforms are as influential as traditional corporate communications.



This underscores the importance for companies to maintain a robust online presence and to leverage social media effectively to reach potential investors.

The varying preferences among different generations imply that companies need to tailor their communication strategies. For instance, younger investors might be more inclined towards dynamic and accessible formats like social media or interactive online platforms, while older generations might prefer more traditional sources such as annual reports or formal presentations.

As part of our work to engage companies and help them to engage better with young investors, we'll be reinforcing that they should not only focus on traditional methods like annual reports but also enhance their presence on digital platforms, including social media, to reach a broader audience.

Given the high regard for independent research and direct company data, companies should also strive to provide clear, comprehensive, and accessible information about their operations and financial health.

Active participation in investor bulletin boards and forums can help companies directly interact with current and potential investors, address concerns, and promote their narratives.

Companies should also consider the influence of journalists and peer recommendations, considering partnerships or collaborations with respected figures in the investment community to boost their credibility and visibility.



When asked ‘What sources of information, if any, do you use to inform your investment decisions?’

		Generation			
	Total	Gen Z (18 to 26)	Millennial (27 to 42)	Gen X (43 to 58)	Baby Boomer (59 to 68)
Independent research providers	33%	30%	32%	33%	30%
Annual reports	29%	22%	37%	27%	29%
Investor bulletin boards	24%	23%	28%	30%	14%
Journalist stock recommendations	20%	18%	24%	17%	16%
Other investor recommendations	19%	11%	26%	20%	17%
Institutional research providers	19%	16%	26%	20%	14%
Friends/family	17%	23%	15%	19%	15%
Regulatory News Announcements	15%	11%	16%	16%	15%
Social media commentary	14%	5%	27%	13%	2%
Company presentations	14%	19%	17%	15%	8%
Investor associations	8%	9%	10%	11%	4%
Investor influencers/social media influencers	5%	6%	7%	5%	2%
Other (please specify)	3%	0%	1%	3%	7%
N/A I don’t use any sources of information to inform my investment decisions	19%	16%	8%	19%	30%

What do you want to see from the businesses you invest in when it comes to how they communicate with you?

The findings from our research reveals interesting insights into expectations regarding engagement and representation.

There's a clear demand for clarity and simplicity, with 42% of investors demanding clear and jargon-free communication.

This highlights a need for transparency and ease of understanding in investor communications, ensuring that financial information and company updates are accessible to all investors, regardless of their financial literacy levels.

40% of investors prefer digital or online interactions, meaning there's a clear shift towards more modern, technology-driven forms of communication. This preference for digital mediums suggests that investors value the convenience and immediacy that digital platforms provide.

A notable percentage of investors (25% and 19%) appreciate transparency and open communication. This underscores the importance of honesty and forthrightness in how companies report their activities and results. Openness should be a core part of the corporate communication strategy, possibly enhanced by regular webinars and Q&A sessions with senior executives.

Companies will also need to consider investing in robust digital platforms for disseminating information and engaging with investors. These could include new, more user-friendly websites, investor portals, and mobile apps.

Nearly a quarter of all investors, and an even larger percentage of Millennials (35%), want more opportunities to express their views on company decisions that matter to them. This suggests investors are seeking more participatory roles, possibly through platforms that allow for interactive feedback and dialogue.

Companies need to create more channels for investors to voice their opinions, such as through advisory boards, online forums, or special sessions during AGMs.

Millennials show a strong preference for personalised content (35%) and more accessible communication methods (32%). These trends highlight the importance of tailored communication strategies that address individual investor needs and preferences.

The rise in demand for a more diverse range of spokespeople (17% of all investors) reflects a broader societal shift towards inclusivity. Investors are increasingly looking for representation that mirrors the demographic diversity of the broader community.

Companies need to broaden the range of spokespeople within the company to include diverse voices. This not only enhances the company's image but also ensures that different investor groups feel represented.

Overall, these insights suggest that UK retail investors are looking for a blend of traditional investment values—such as transparency and simplicity—with modern preferences for digital interaction and social participation. Companies and journalists that adapt to these expectations can significantly enhance their engagement and trust with investors.

When asked 'What do you want to see from the businesses you invest in when it comes to how they communicate with you?'

		Generation			
	Total	Gen Z (18 to 26)	Millennial (27 to 42)	Gen X (43 to 58)	Baby Boomer (59 to 68)
Simple terminology	42%	36%	39%	42%	45%
Digital / online communications	40%	30%	38%	51%	39%
More personalised content	27%	27%	35%	27%	13%
More accessible ways of communicating	26%	30%	32%	27%	12%
More opportunity to share my voice on things I care about	23%	29%	36%	18%	7%
Diverse spokespeople	17%	21%	26%	15%	4%



Implications for Better Investor Relations

As we embark on our journey to empower the next generation of investors, we recognise the pivotal role of education, accessibility, and inclusivity in shaping the financial landscape for future generations. Together, let's pave the way for a financially literate and empowered Gen Z cohort, driving positive change in the UK markets and beyond.

As part of The Engagement Appeal, FinGlitz believes that a more inclusive approach, using new technologies and embracing digital platforms, can provide huge benefits for both investors and the companies they invest in.

Widening companies' engagement strategies, to place more importance on individual investors, who are increasingly Gen Z and Millennial, will enable investors to make more informed decisions, as well as future-proofing the pipeline of individual investors.

Join us in championing financial literacy for all, one step at a time.

FinGlitz and The Engagement Appeal aim to bridge generational gaps in financial and investment education, advancing public engagement in markets through collaborative efforts and the development of digital tools for improved company-investor communication.

We're working on behalf of individual investors, calling on companies to:



Enhance Digital Engagement: Companies should prioritise digital platforms for both dissemination of information and for hosting AGMs to cater to the growing preference for online engagement.

This includes using clear, jargon-free language to increase accessibility and understanding. Companies should consider providing resources that demystify investment processes and explaining shareholder rights and benefits in straightforward language.

- **Increase Transparency and Openness:** As our research highlights, a sizable proportion of the next generation of investors are looking for greater openness from the companies they invest in.

  Regular updates that are straightforward and informative can help build trust and loyalty. Transparency is not only about financials but also about how sustainability and ESG practices can align investor values with company operations.

- **Facilitate Greater Involvement:** Companies should explore ways to make participation in annual general meetings (AGMs) more appealing and feasible for young investors.

This needs to start with getting the basics right, ensuring investors know when and how to participate in AGMs. It should also include scheduling meetings outside of typical working hours, offering virtual participation options, and ensuring that young investors feel their contributions are valued. Encouraging smaller investors by demonstrating how their contributions can make an impact will be important for increasing engagement.



Educate Investors: Our research is clear that providing educational resources about the importance of AGMs and the impact of individual contributions will empower more retail investors to participate.

There is a clear need for financial education targeted at young adults to help them overcome barriers to investing. Companies can collaborate with educational institutions or utilise their own platforms to provide investment education that covers basic financial concepts, investment strategies, and the benefits of long-term investing. Companies need to make available simple explanations of shareholder rights, the AGM process, and how investors can influence company policy.



Leverage Varied Communication Channels: Utilising a mix of communication methods, including social media, webinars, and interactive platforms alongside traditional channels like annual reports can help cater to different investor preferences and increase overall engagement.

Adapting communication styles to suit the preferences of younger investors can also help to improve engagement. This includes using clear, concise language and exploring new forms of digital media to disseminate information, such as podcasts, webinars, and interactive tools.

Promoting Ethical and Responsible Investing: With a growing interest in socially responsible and ethical investment options amongst young people, companies should highlight their commitments to sustainability and ethical practices.

Transparency about these efforts will help attract Gen Z investors who prefer to invest in companies that reflect their values. By addressing these areas, companies can not only enhance their relationships with young investors but also tap into a demographic that's likely to gain significant financial influence in the coming years. This strategic focus on Gen Z will help firms build a loyal investor base, which will grow as these investors mature, but it will also give young investors' confidence to make good long-term investment decisions.

In a world where financial literacy remains a pressing issue, especially for younger generations, empowering Gen Z to take control of their finances is not just a necessity but an imperative.

By adopting more proactive and inclusive communication strategies, companies can not only improve their investor relations but also increase investor satisfaction and attract a broader investor base. The insights from the Human Impact Index highlight the changing dynamics and growing expectations of retail investors in the UK.

BY THE ENGAGEMENT APPEAL

The Human Impact Index was conducted by Opinium Research in November 2023 among a sample of 1,000 UK retail investors and sample of 2,000 UK adults, nationally representative of the UK population. The research, conducted via online surveys, provides a detailed examination of the behaviours, preferences, and challenges faced by these groups.

