



Communicating with Investors

A Presentation for PAICR

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Topics for Today

- Where do investors go to find trusted information?
 - Which experts do you believe?
 - Role of social media and search strategies
 - Trusted websites and media

- Communicating with investors: the challenge
 - Literacy, numeracy and decision-making
 - Understanding of investment-related matters
 - The gap between understanding and action

- How you can communicate better with investors



Where do investors go to find trusted information?

Research material courtesy of the Investor Education Fund



Trusted Sources – Typical Quotes

Over 35

“I find the world of finance overwhelming. I don't have a lot of passion or interest in it, but I know it is a necessary thing. If I want to invest my money I basically rely on my advisor who I have been dealing with a long time. I trust her. I sit down with her, she explains everything to me. I trust her and her advice.” (Retail Investor Focus Groups, Investor Advisory Panel, OSC, March 2011)

“I rely on family and friends. That's where I go. I never even thought of going to the net because it's too complicated. I would think anything financial would be too complicated. I need to talk to someone” (Focus Group 35+, Preparing for Retirement Group, Investor Education Fund, Sept 2010)

Under 35

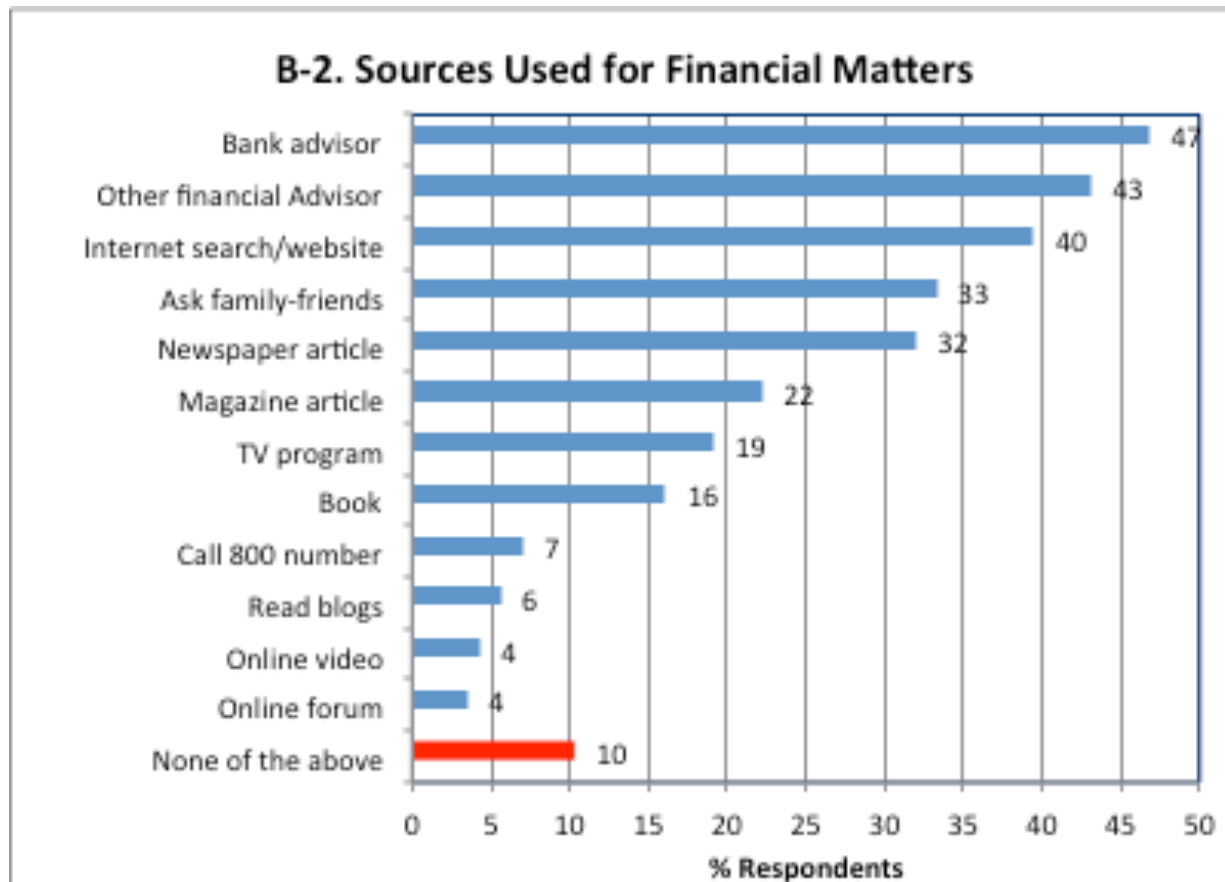
I Did a lot of internet searching. I find sometimes its easier to gather information this way prior to going to bank and other institutions. (Online Focus Group Age 20 – 34, Investor Education Fund, July 2010.)

Online... (Also) by going to discussion forums, message boards, chat rooms, learning from others' experiences, and reading about what other people had done, the specifics/details why. (Online Focus Group Age 20 – 34, Investor Education Fund, July 2010.)

I do it almost 100% online. I just don't trust people in banks and places like that, telling me what is best for me. They don't know me or my situation so I stick with what I research on. Then I bring it to whoever I need to and see if they have any better ideas. (Online Focus Group Age 20 – 34, Investor Education Fund, July 2010.)

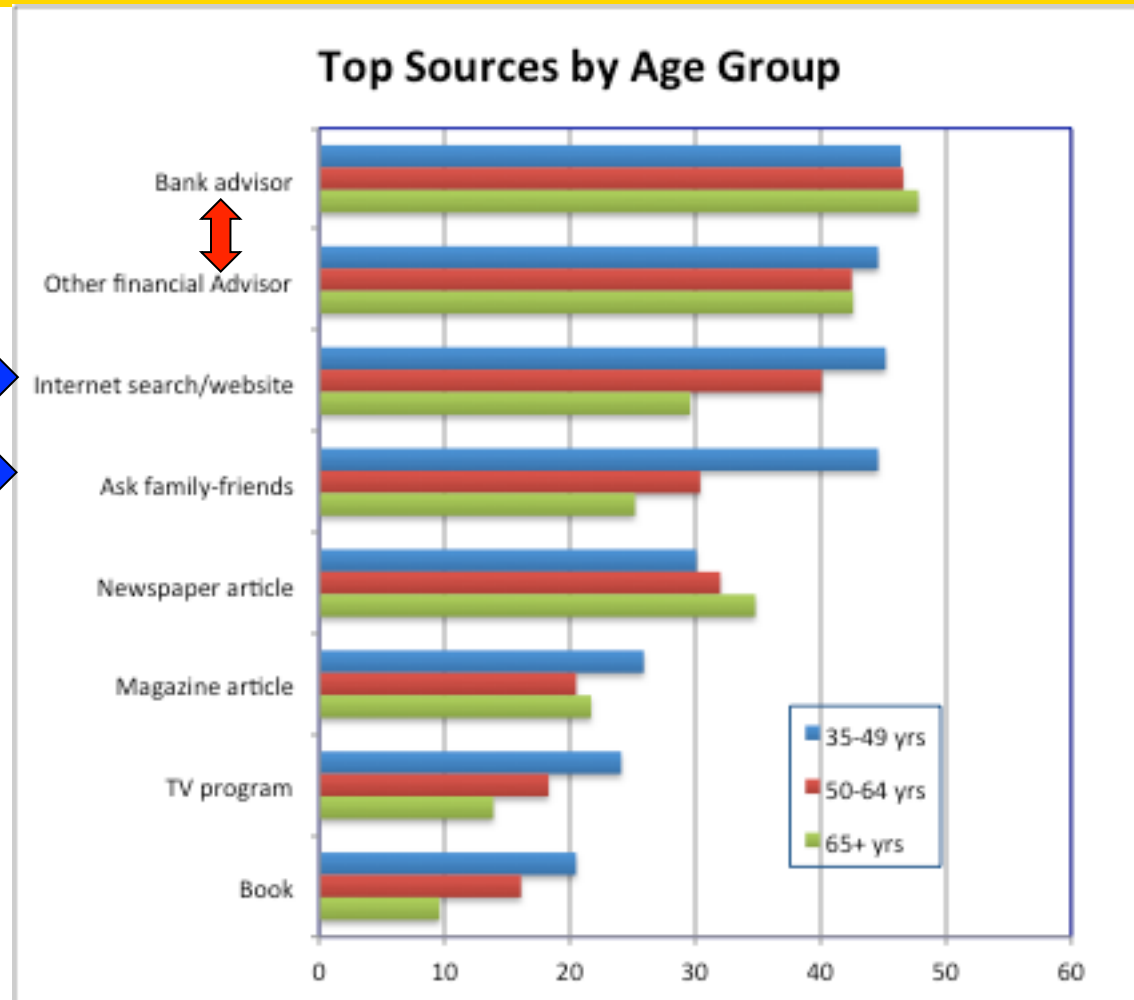


Older (~35+)



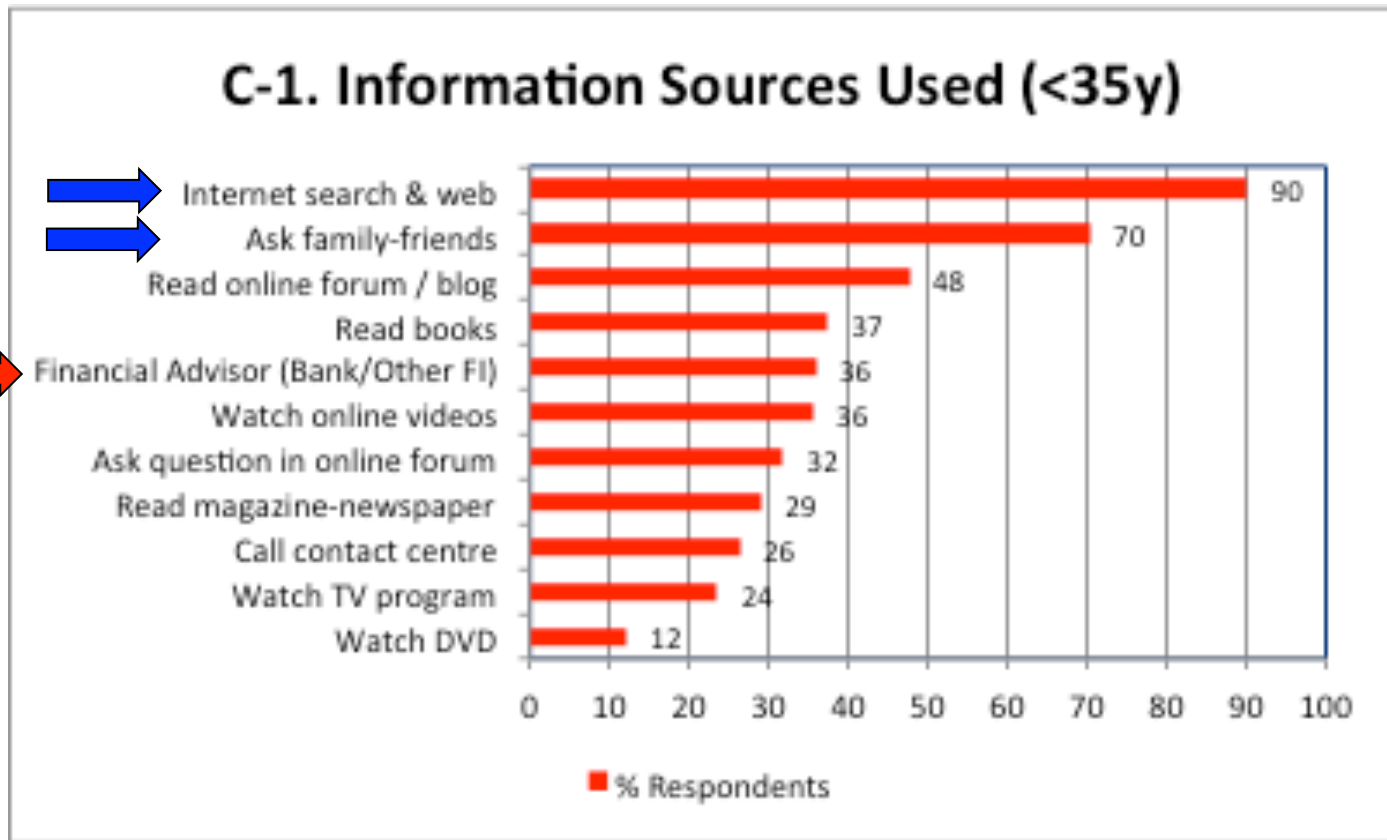


35-49 is a Transition Group



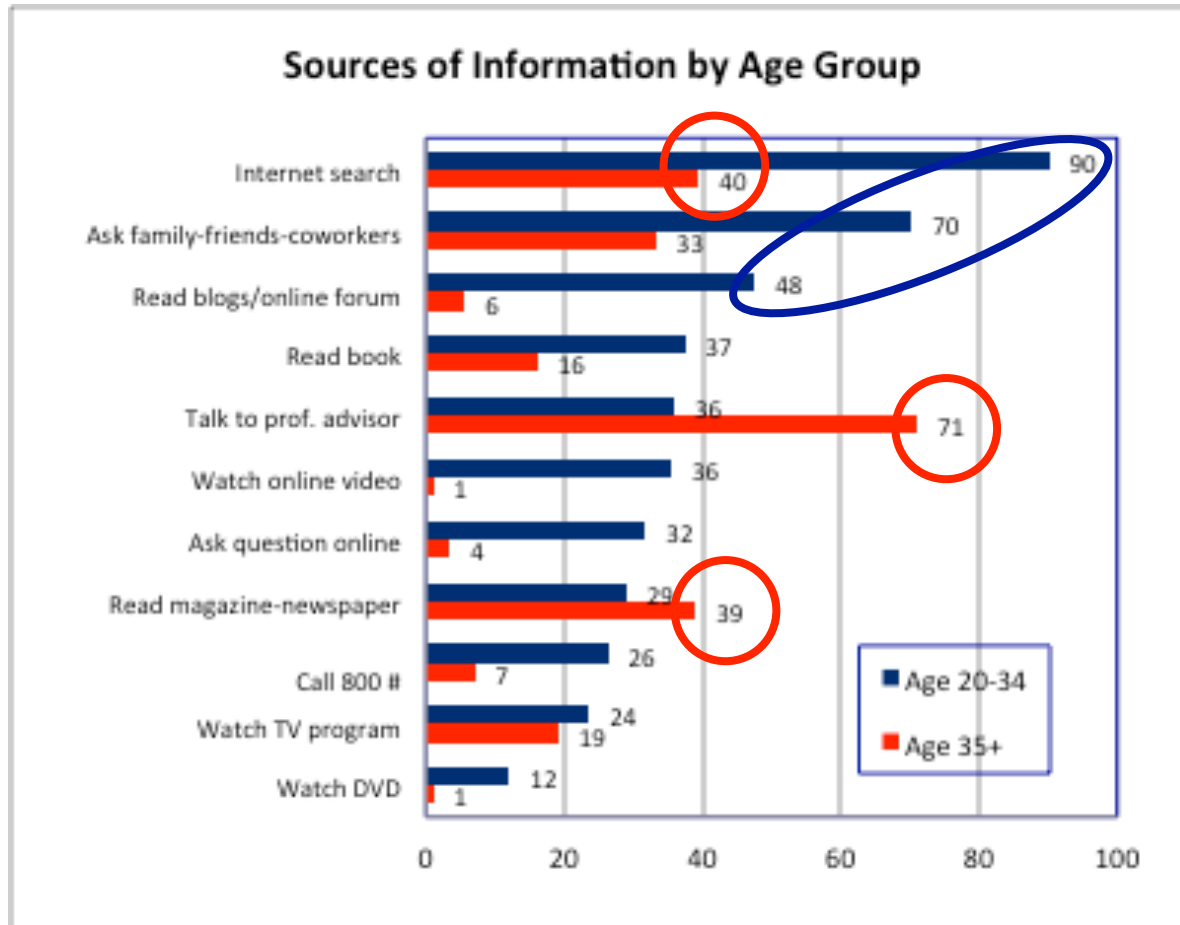


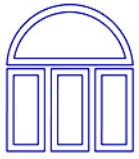
Under 35 is Radically Different





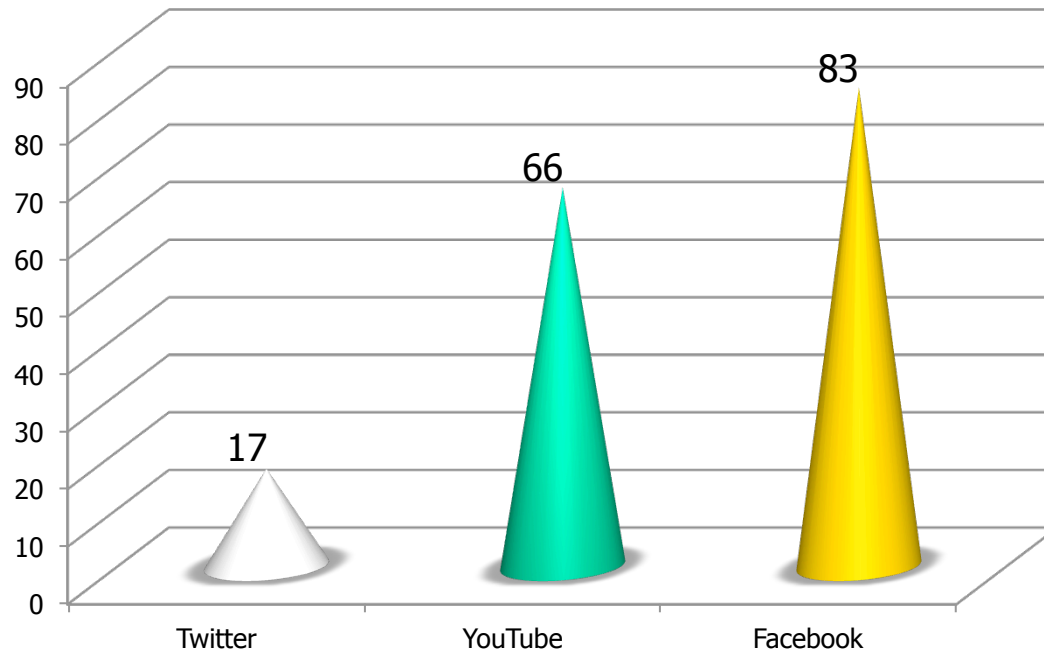
Difference Shows When Joined





Active Use of Social Media (20-34)

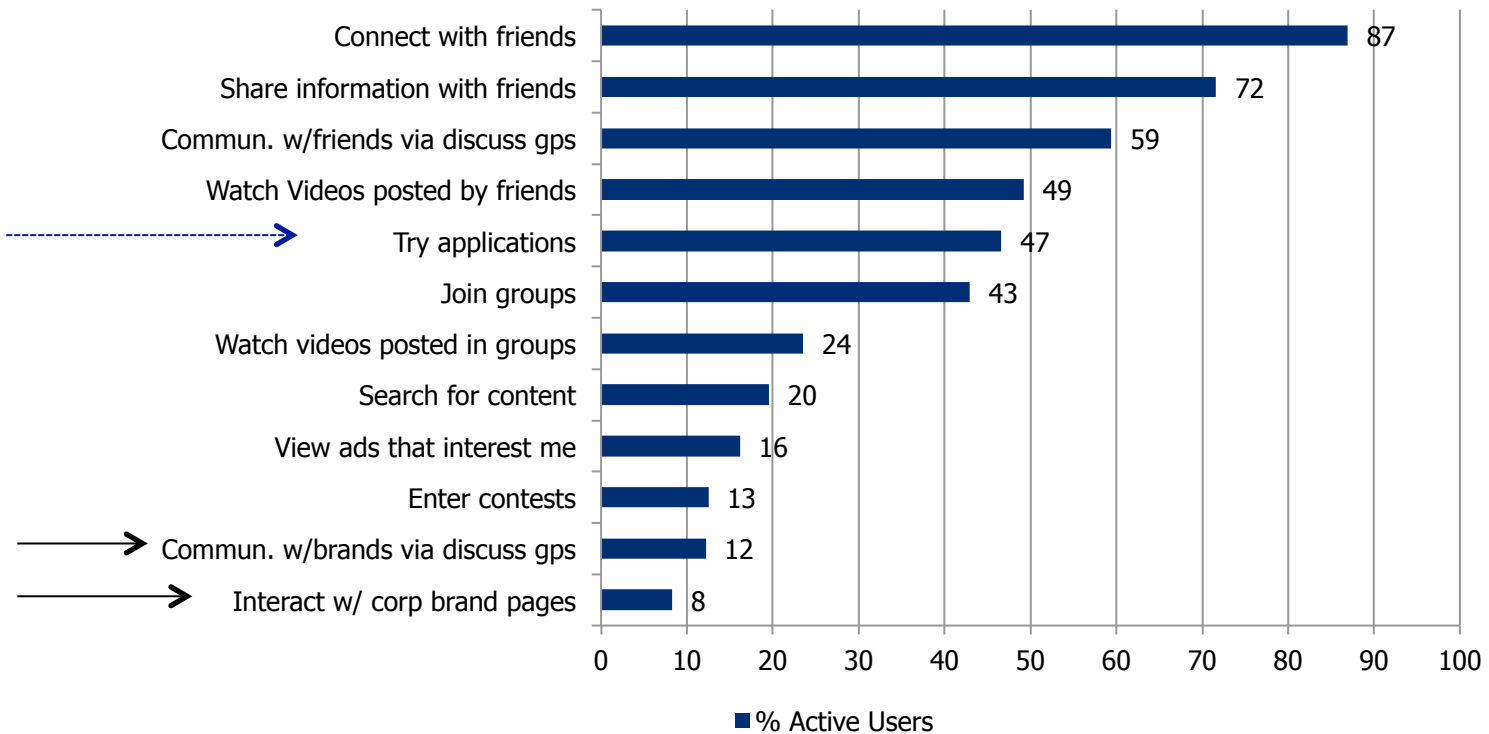
Use of Social Media (QIV'09)





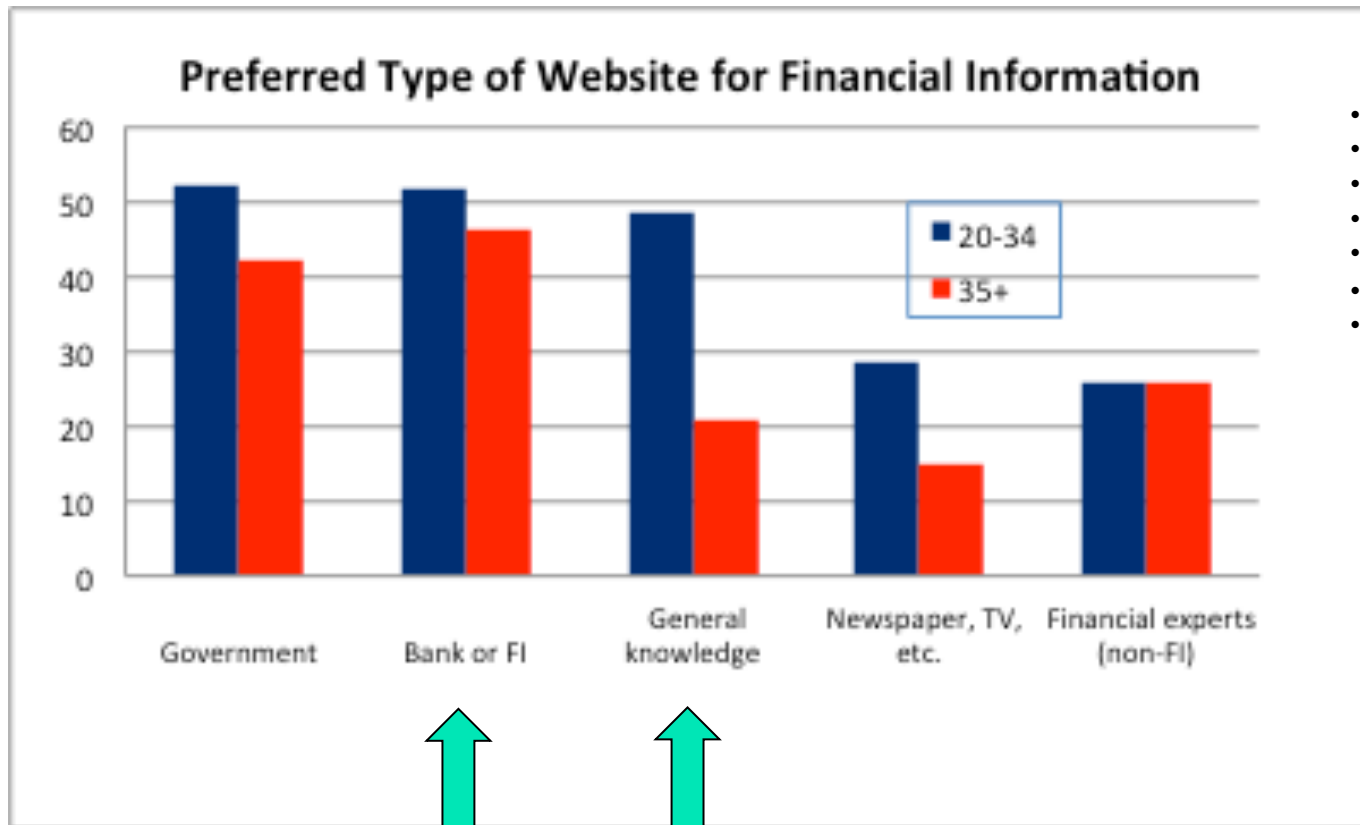
Use of Facebook Functions

C-4. Use of Facebook Functions (Active Users)





What type of websites appeal?

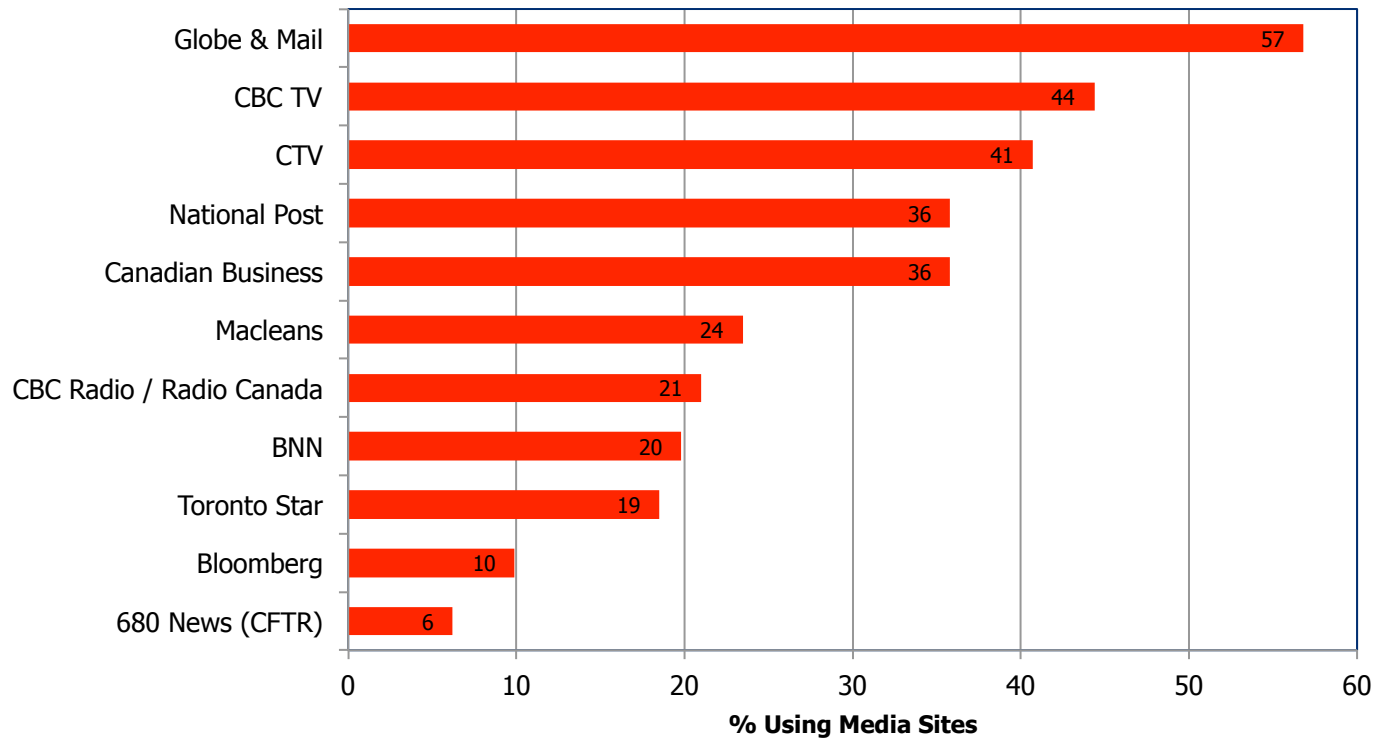


- Wikipedia
- Google
- Yahoo
- globeinvestor
- Bloomberg
- BNN
- www.qc.ca



... And for the Older Folks

C-6. Top Media Sites





Simplified Conclusions

- Under-35's are skeptics. They are more peer-oriented seeking out the views of like-minded people both online and off. They trust the motives of peers over advisors. They compare a wider range of sources and infer 'the truth' by finding the common ground. They don't stop until they find the common ground. Not finding common ground can delay a decision
- Over-35 trust experts. They talk to advisors and read articles by experts in newspapers, magazines and books. Even though everyone we interviewed uses the internet, it is not a primary vehicle for information-seeking. Once they find "an answer" they can live with, they generally stop looking for information.
- **What does this mean for your communications?**



Communicating with Investors: The Challenge

Source: OSC, "Cost and Performance Disclosure, 2010. Unless otherwise stated.



As Investors See It

“It seems to be too overwhelming. Too many companies and too much information to be able to make a good decision and because my time is very limited, I have not yet had enough time to dedicate to getting this done” (Online Focus Group Age 20 – 34, Investor Education Fund, July 2010.)

“It is an education decision and you try to research whatever you are looking for and then the timeframe comes to an end, you have to make a decision and then you base your decision on what you have read so far. (Focus Group Age 35+, Retired Group, Investor Education Fund, Sept 2010)

“So you’re looking at one (account reporting statement) and well what does this mean? What does that mean? It would be really nice if you looked at the same thing and it would be in the same column so you could compare apples to apples.” (Focus Groups, Account Reporting Practices, Ontario Securities Commission, Sept 2011)

“I should have a level of savvy. I have my MBA. I have taken financial courses. It just doesn’t turn my crank. I just shut down when I get into it.” (Focus Group 35+, Preparing for Retirement Group, Investor Education Fund, Sept 2010)

“We learned that it is harder than I thought to make a decision on which company to go with when starting an RESP. We still have not decided because we have not figured out (not enough time yet) to decide which company is best.” (Online Focus Group Age 20 – 34, Investor Education Fund, July 2010.)



What are they thinking?



Can we trust him?

How much will that cost?

Should we pay down debt?

Is that really safe?

Will Tom keep his job?



Jack made money with him.

That means no new car.

We could lose money.

Sounds complicated.

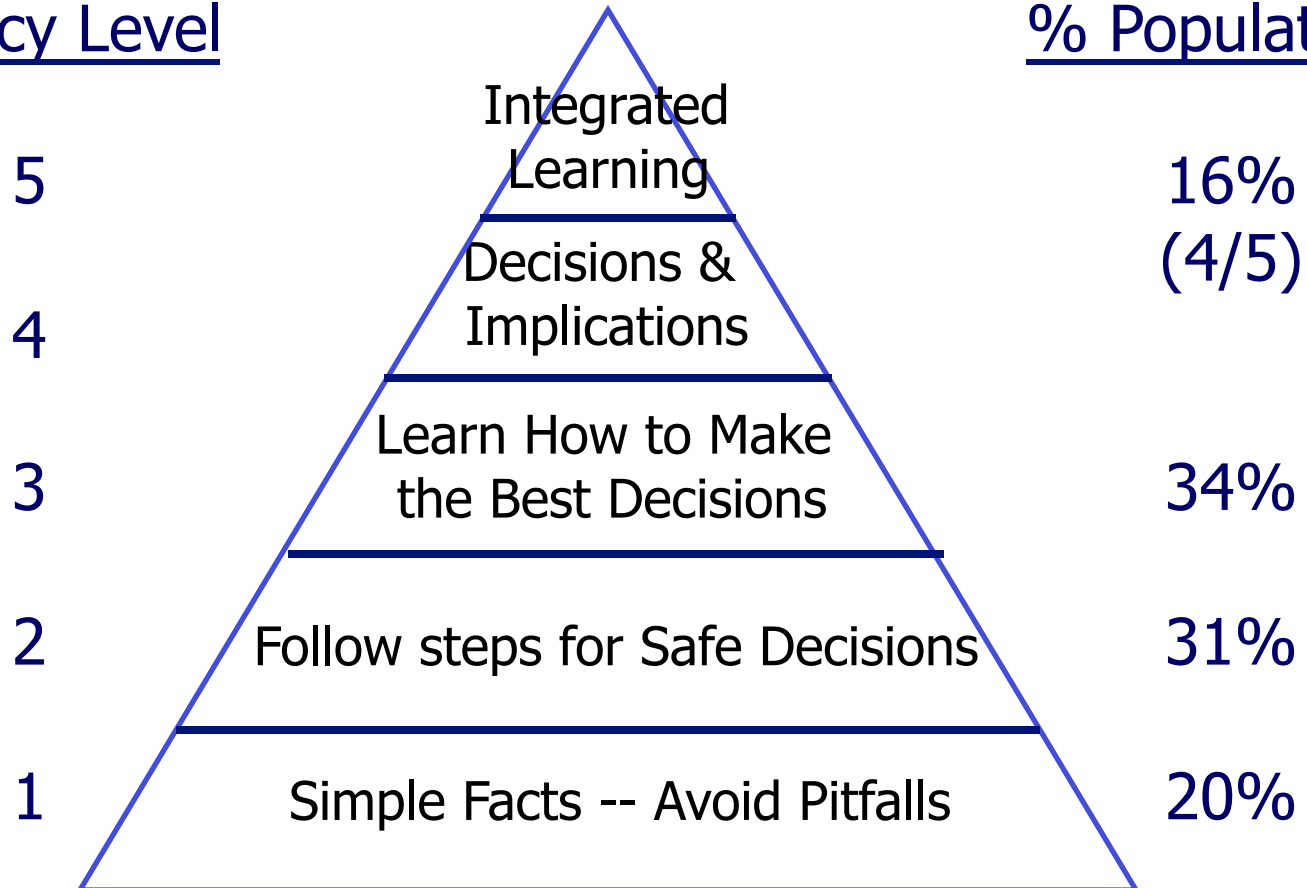


What People Can Learn

[Brondesbury Pyramid]

Literacy Level

% Population*





What Does This Mean to You

1. Half of the population can't do trade-offs like risk versus return!
2. At lower literacy levels (1-2), language should be geared to Grade 6 reading level – Above Grade 8
3. Assume 15-30 seconds to grab attention and then a 2-3 minute attention span.
 - If you are good, you get more.
 - If it isn't up front and obvious, it isn't there
4. Numeracy is a barrier – Numbers scare people
5. Eschew obfuscation!



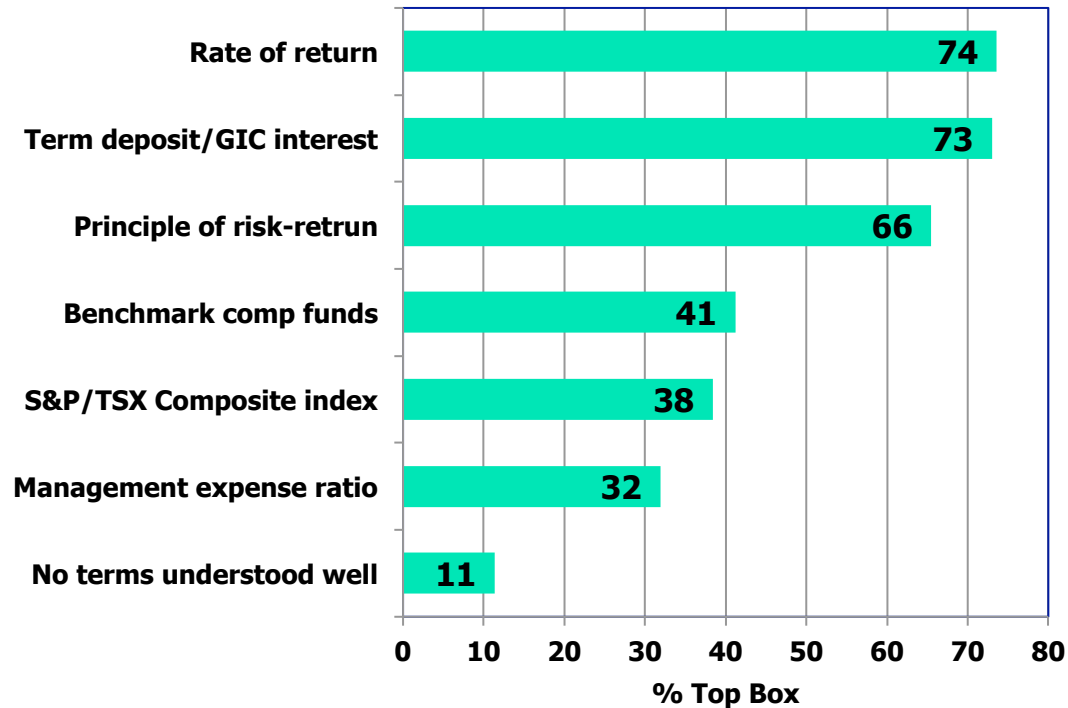
Application Lags Knowledge

- When asked how well they understood the principle of “risk-return”, some 4 out of 6 of investors said they understood it well or very well. When given an example that required the application of the principle (without it being named), 1 out of 6 successfully applied it.
- 9 out of 10 know that the longer you borrow money, the more it costs in terms of the interest you pay. When given an example that applied that principle to mortgage amortization, only 55% got the question right.
- Research suggests behaviour lags application and knowledge.
- *“If everyone was rational, we wouldn’t have marketing departments.”*



Do Investors Understand Common Terms?

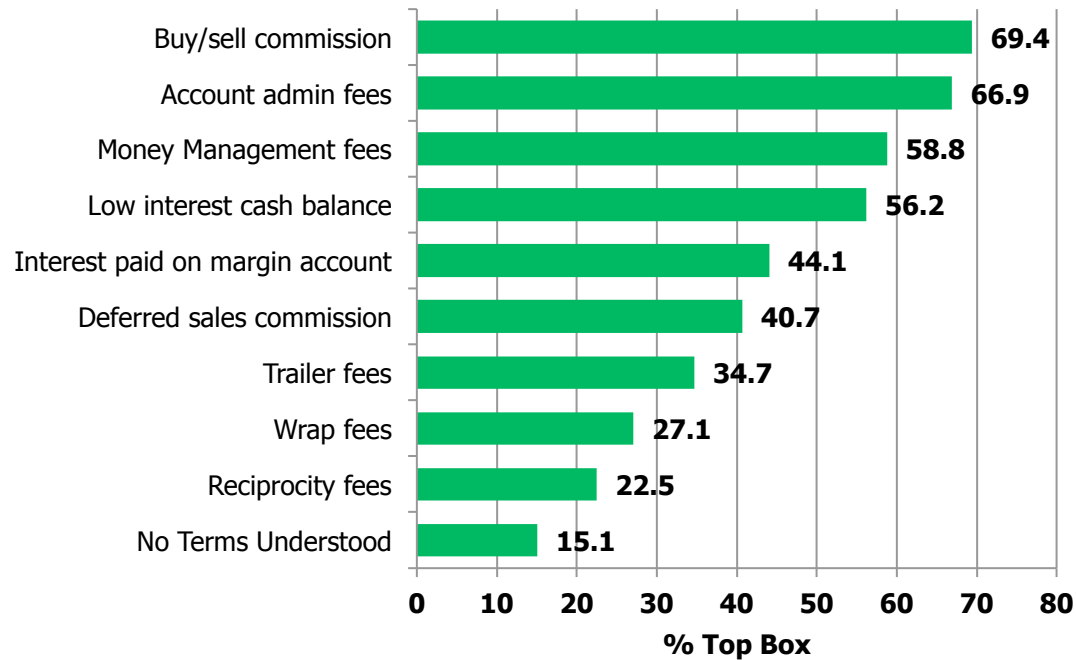
Exhibit 2.1a Understanding of Common Terms - Overall





Understanding Cost Terminology

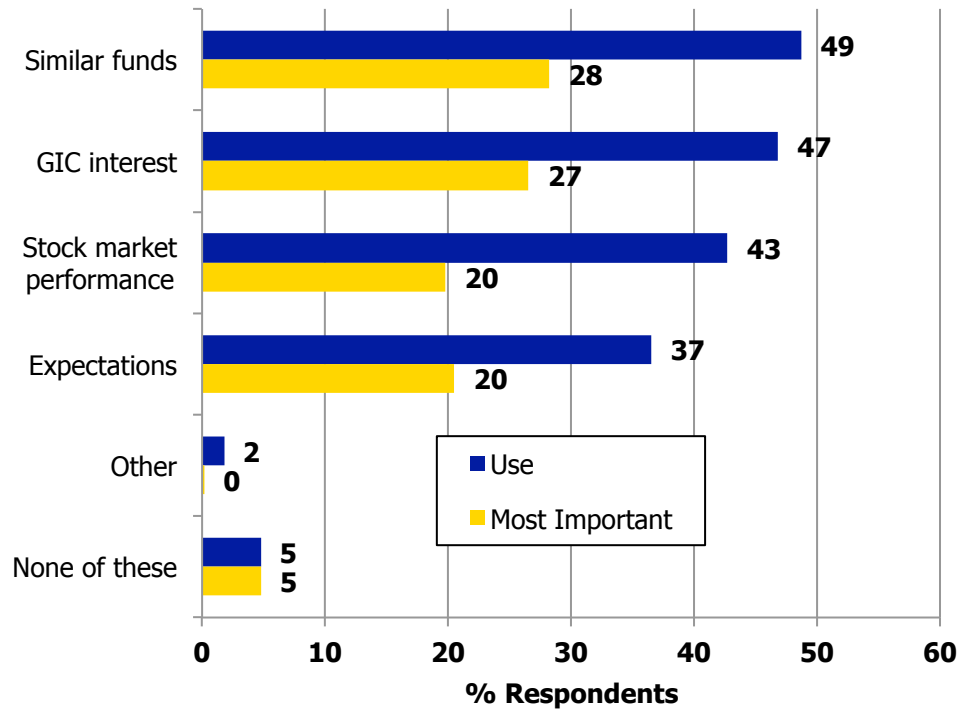
Exhibit 3.1a Understanding of Common Terms - Overall





Judging Fund Performance

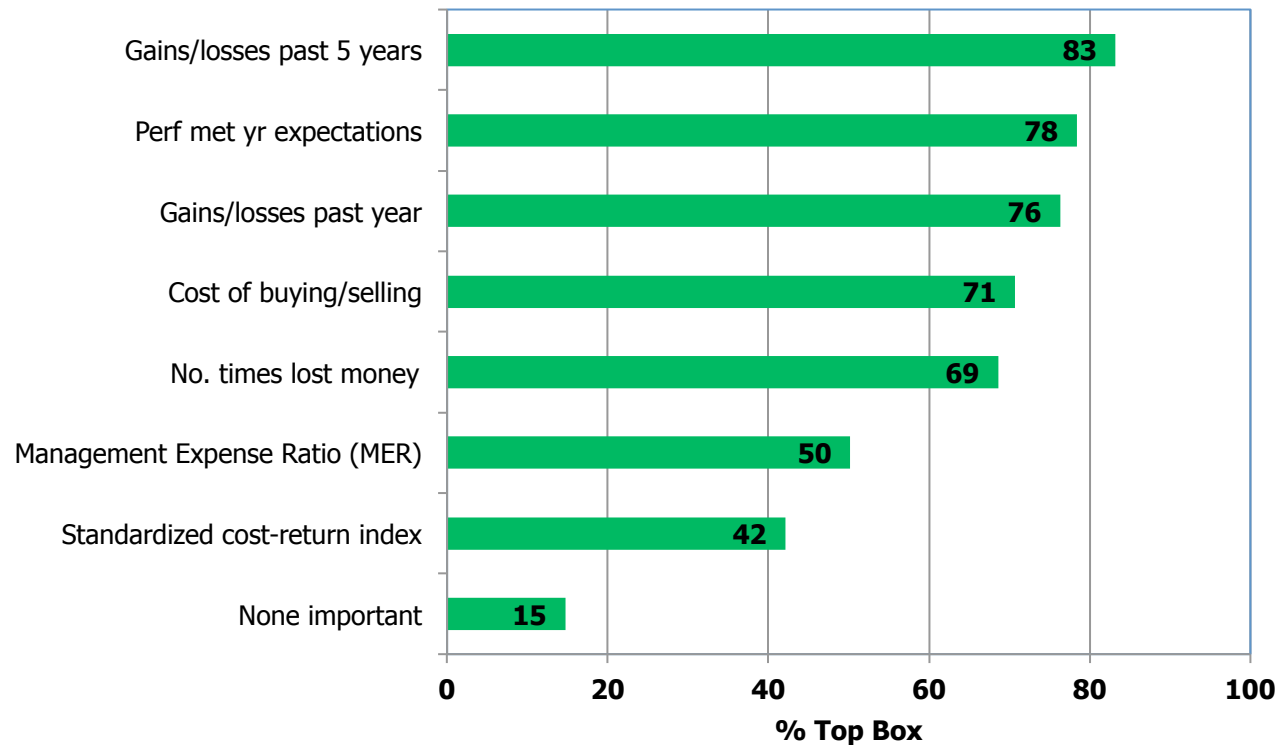
Exhibit 2.2a Judging Fund Performance





Information Guiding Buying

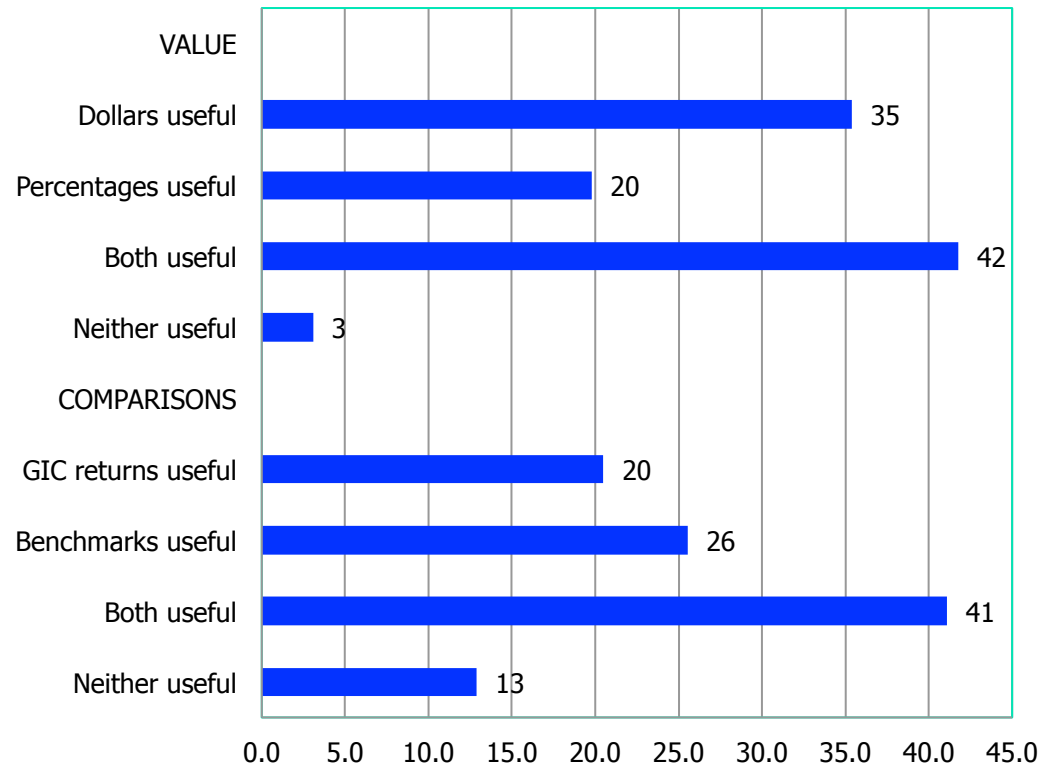
2.5 Information Guiding Fund Purchases





Fund Reporting Preferences

4.1 Fund Performance Report Preferences





How Can You Communicate Better with Retail Investors



What Investors Say

Make information simple, basic. And if you want to know more you can. I like to see it in a visual way, something engaging. Start by a simple plan – and if people want to know more they can. (Set to Retire Participant, Focus Group, Investor Education Fund, Sept 2010)

You have to hook people in first. Otherwise this info is pointless if you don't hook them in. (Set to Retire Participant, Focus Group, Investor Education Fund, Sept 2010)

I like the idea of a link that you could get more information about something. That would certainly be helpful. (Focus Groups, Account Reporting Practices, OSC, Sept 2011)

In terms of performance if you're looking at it for making a decision as to whether you should continue to invest in, make a purchase or whatever, there's so many different ways of looking at it. There are so many different philosophies it's hard to have something that's standardized that would give you an idea. (Focus Groups, Account Reporting, OSC, Sept 2011)



A Real Conversation

- Q: When you looked at the mutual fund prospectus, was there anything you wanted to know that you couldn't find?
- A: Yes, I wanted to know how much I would get.
- Q: Did you see anything labeled "Rate of Return" or "Return on Investment"?
- A: Yes, but I didn't know what that was.



Plain Language

- **Avoid complicated words and sentences.**
 - Keep language at Grade 6-8 level
 - Active voice
 - Simple declarative sentences
 - If you use jargon, explain it so your kid can understand it
- **Repeat main message 2-3 ways in different spots**
- **Test your communications with real investors**
 - Do they get the main messages?
 - What makes them nervous or uncomfortable?
 - What else do they want to know?



Organize for Understanding

- Multiple methods: Visual - Text – Number
 - Dollars over percentages, e.g., “If you had \$10,000 at the start of the year, we delivered \$453 on your investment.
 - Then show the same thing in graphic form
- **State your main message. Make it stand out.**
- Multiple channels: Web & Print + Others
 - Gear media to demographic profile of investors
- Consistent messaging with repetition (3x)
- Never assume people can infer your meaning... Spell it out for them



Assume they don't want to read it

- **Main message at a glance** – Obvious even to those who don't read the material
- Get attention up-front with key message in a highlighted format. Save the 'legalese' and institutional stuff for the back.
- Break information into **2-3 minute bundles** with "hooks" to the next parcel
- If online, find a way to **make content interactive**.
 - Return Calculator. Enter an amount of money and a date. We'll tell you how much...
 - Take our risk profile quiz and we will recommend other funds



THANK YOU

The Brondesbury Group

www.brondesbury.com