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Seventh annual responsible investing survey

Responsible investing's role in risk mitigation

In our seventh annual responsible investing survey, investors told us that they have become increasingly focused on risk mitigation, and are seeing the benefits of their responsible investments.

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OVERVIEW

It was a double whammy for many investors in 2022, as major stock and bond benchmarks succumbed to heightened volatility and steep price declines. In our seventh annual responsible investing (RI) survey, investors expressed their views on the role that responsible investing strategies can play to help diminish market risks.

This year's survey finds that investors believe integrating responsible investing principles into investment portfolios plays a significant role in mitigating market volatility. We continue to see an important role for advisors in educating their clients on the benefits of responsible investing, and working to integrate RI into broader investment objectives. Having a portfolio reflect an investor's values while also mitigating risk is a highlighted goal of many. Advisors are well-placed to help their clients realize that balance.

Our survey shows an increasing preference for customization and the desire for advisors to ensure portfolios reflect personal values. Respondents view RI as an increasingly integral part of an overall investment strategy, and one that remains important even in times of volatility.[1]

Key findings

Proportion of investors who agree with the following statements:

RI SHOULD ALWAYS BE INCORPORATED

76%
Factoring in RI risks and opportunities should always be part of the investment process

79%
RI is a framework that incorporates material factors not typically accounted for in traditional financial analysis

68%
RI is a strategy I can use to mitigate market risk in my portfolio

NEED TO SEE IMPACT

83%
Being able to see the specific societal or environmental benefits of my RI makes me want to allocate more[2]

65%
RI allocation is a decision I make using my own research

78%
It is important that the company managing my money is knowledgeable about RI

COMPANIES NEED TO BE MORE TRANSPARENT

75%
Investors in companies should use their ownership role to get companies to address RI risks and opportunities

57%
Shifting to an investment strategy that owns only companies with net-zero carbon emissions would be of interest

80%
Investors should view RI as a long-term strategy

Parsing the link between responsible investing and risk

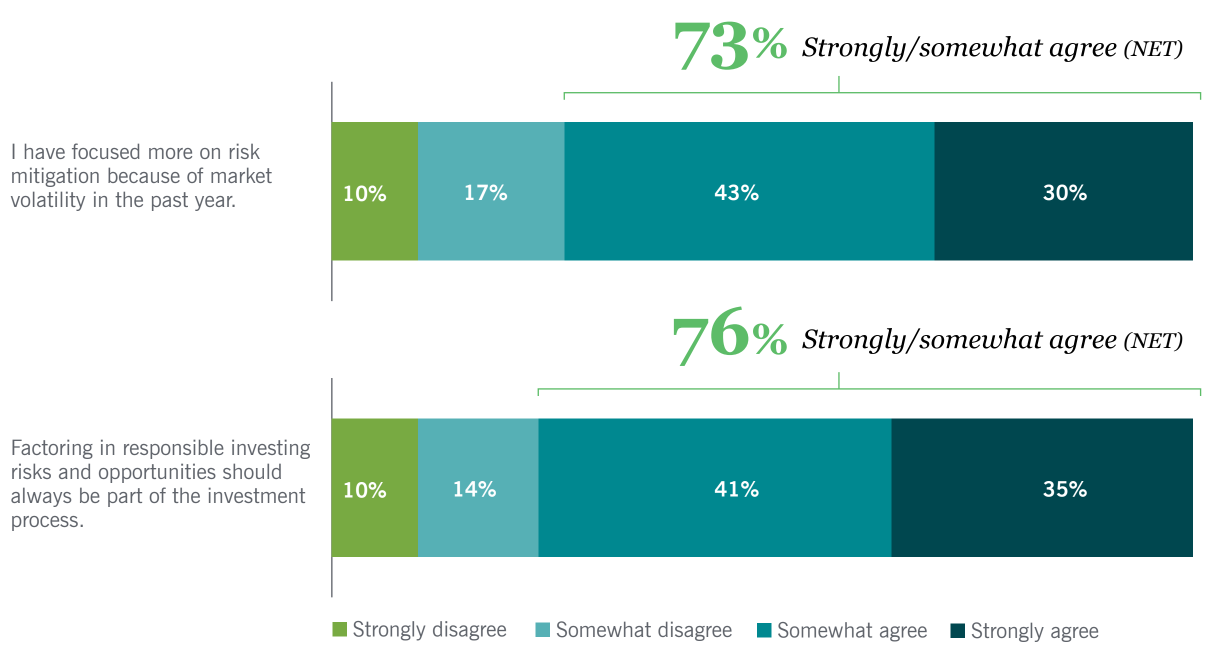
The last 12 months have been a tumultuous ride for financial markets, and attitudes from investors in our seventh annual responsible investing survey reflect that investors have felt the volatility sharply — fully 73% of investors increased their focus on risk mitigation because of market volatility from the prior year.

Despite the ups and downs, respondents were resolute in their desire to integrate responsible investing principles into their investments. Some 76% of investors said that responsible investing risks and opportunities should always be part of the investment process, even in times of higher market stress and volatility.

From a generational standpoint, our survey shows that Generation Z (born 1997-2012) and millennial (born 1981-96) investors are more likely than Generation X (born 1965-80) and baby boomer investors (born 1946-64) to agree that responsible investing should always be part of the investment process (92% vs. 68%, respectively). The finding could reflect that older cohorts of investors are nearer to retirement, and are potentially more concerned about a shorter timeframe in which to recover losses.

A generational divide on responsible investing could also reflect that values-based investing continues to be a more important consideration for younger cohorts of investors. We have consistently seen throughout our surveys that millennials and Gen Z investors consider their values to be more important when making investment decisions, and that they want to ensure that their portfolios better reflect their values.

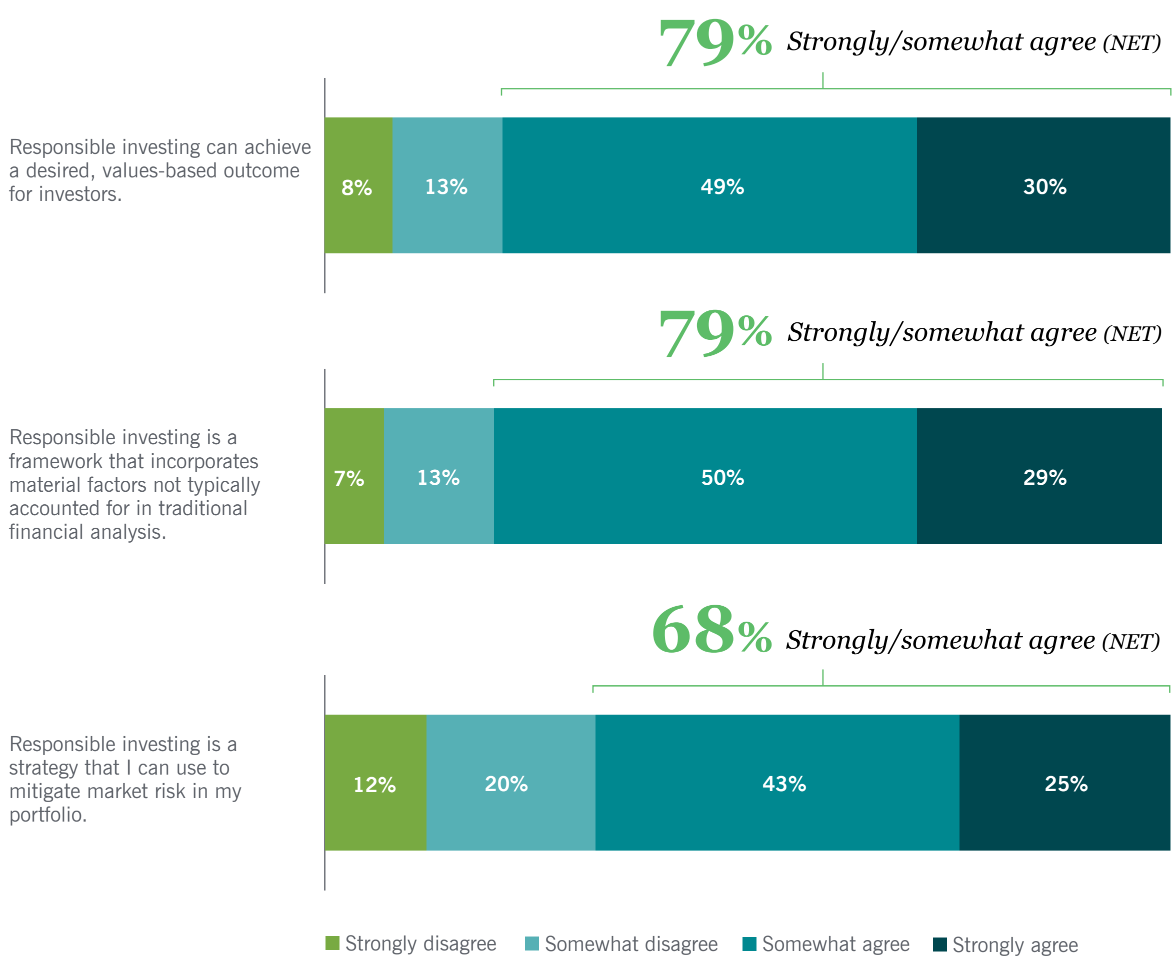
Investors are more focused on risk mitigation due to recent market volatility



In aggregate, however, more investors are linking responsible investing with risk mitigation. Two in three investors (68%) say that responsible investing is a strategy that can help mitigate market risk in their portfolio.

How investors view the relationship between responsible investing and risk is an area that we believe is ripe for further study. Splitting out precise types of risk, namely those more traditionally associated with financial analysis such as market risk, inflation risk, regulatory risk, etc., versus those that are more associated with RI, such as climate risk or governance risk of portfolio companies, would allow for more detailed analysis of the risks that are viewed as being mitigated by responsible investing.

Most investors recognize the purpose and advantages of responsible investing



Investors see the value that responsible investing can bring as a unique investment framework

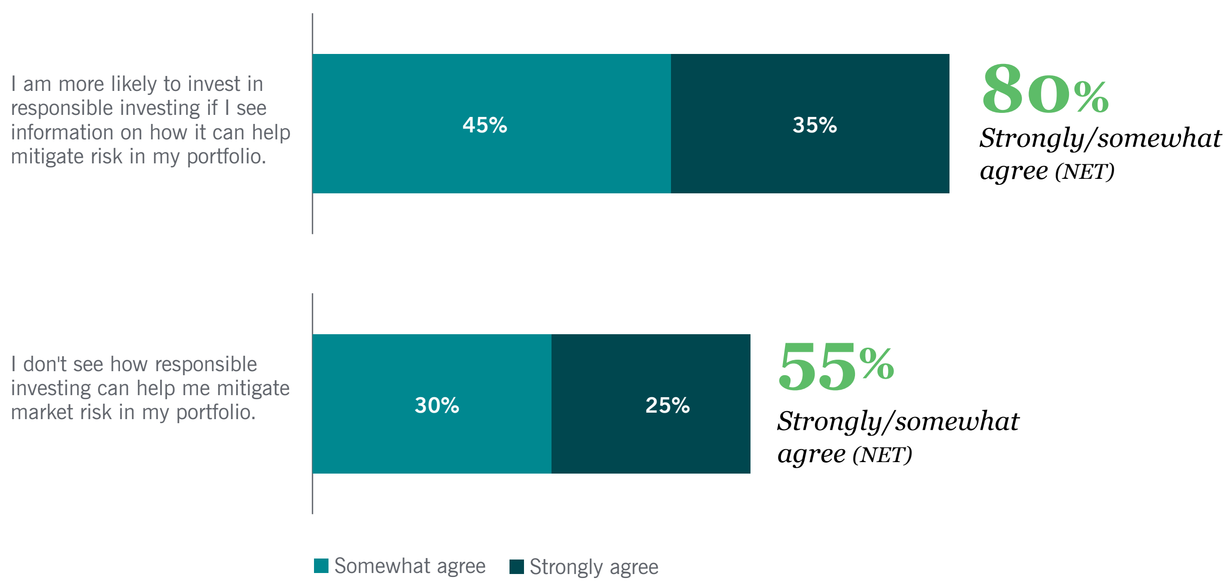
Nearly 80% of respondents view responsible investing as a framework that incorporates material factors not typically accounted for in traditional financial analysis, a result that shows that more people value diverse data in conducting financial analysis, and that responsible investing is a consideration when analyzing potential investments.

Based on the results, we believe there is room for additional education and conversations with advisors focused on highlighting more directly how and why responsible investing can minimize investment risks. While most investors (80%) agree they are more likely to invest in RI if they see information on how it can help mitigate risk in a portfolio, about 55% say they don't currently see how responsible investing can help mitigate risk.

When breaking out for some of the other types of risk, we see further evidence that investors rely on additional education and resources from their advisors. Most investors (87%) agree it's important for their advisor to help them understand how strong governance practices can help them avoid risk, including 42% who "strongly" agree. This is up from 81% in 2019, and stable from last year.

Two-thirds of investors (67%) also agree that responsible investing can mitigate the impact of business risks associated with climate change in their portfolios. We think there is potential to discuss climate risk mitigation in portfolios with investors, and bring this percentage up closer to the governance percentages.

Mitigating market risk seen as an important role for responsible investing

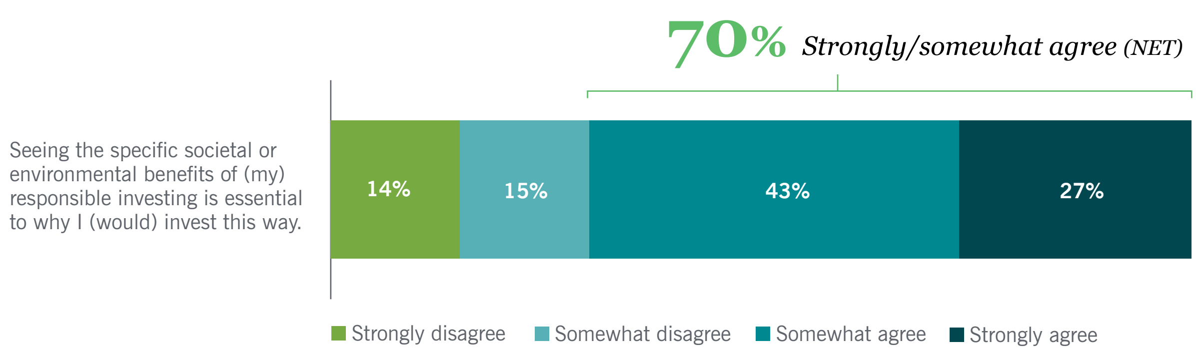


Seeing the impact would motivate more responsible investing practices

Investors say they want to see that responsible investing practices are having a desirable effect. Most investors (70%) agree that seeing the specific societal or environmental benefits of their responsible investing is essential to why they invest (or would invest) in such strategies.

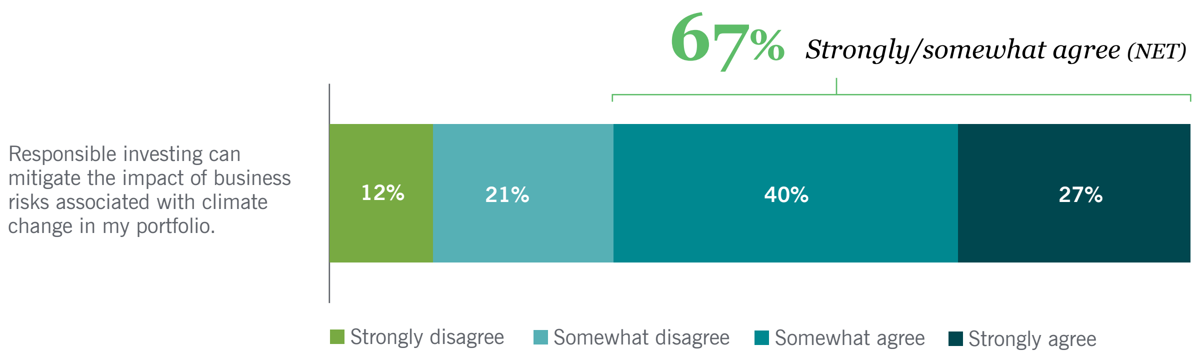
Advisors and investment managers need to do more to help investors see the societal and environmental benefits of investing: Some 60% of respondents say that it is hard for them to see specifics. The feedback loop of visible, tangible benefits of RI investment, and more investors being willing to invest in RI products should be a virtuous cycle. But advisors need to be the driving force to start that cycle.

Seeing the benefit would drive more engagement



Whether an investor owns an RI fund or not, the majority of investors believe that it's hard for them to see the specific benefits of RI, at 55% and 71%, respectively. There has been an increase in this number for investors who do not own RI funds, again highlighting that more work needs to be done to show the benefits.

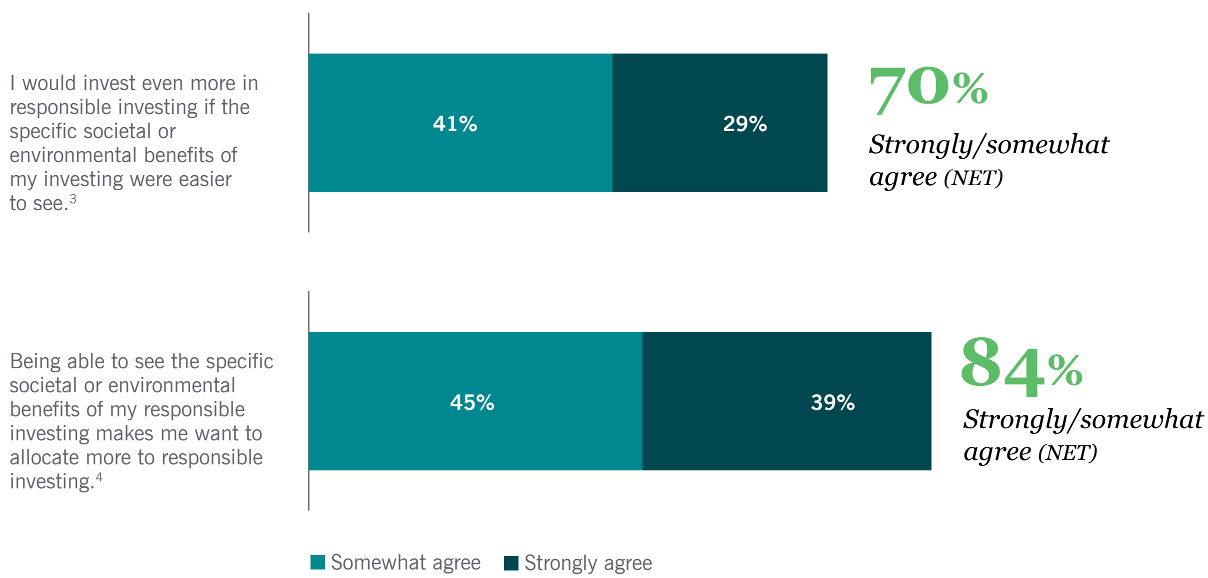
View of responsible investing's ability to reduce business risks of climate change



This is a critical disconnect. Fully 70% of investors who agree it is hard for them to see the specific societal or environmental benefits of RI would invest in responsible strategies if specific societal or environmental benefits were easier to see. Even among current practitioners of responsible investing strategies, 83% agree that additional proof points around societal or environmental benefits would make them want to allocate even more to such strategies.

Allocation impact of seeing societal or environmental benefits of responsible investing:

Among those who agree/disagree 4t's hard to see specific societal or environmental benefits of their responsible investing portfolio:



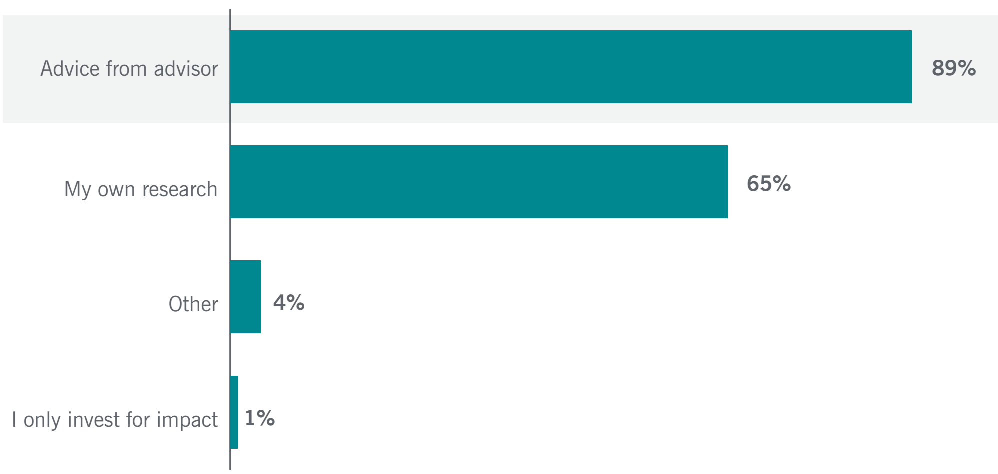
Investors also see that their advisors have a significant role to play in showing them the potential impact, with 63% agreeing that their financial advisor could do much more to help them see the specific societal or environmental benefits of their responsible investing. Those wanting more from their advisors includes 77% of those who currently invest in RI.

Advisors have the largest influence over their clients' responsible investing allocations

We continue to see that advisors hold a significant amount of influence over their clients' portfolios, with nearly 90% of investors saying that they would use advice from their advisor to determine their allocation to responsible investing.

Additionally, nearly two-thirds of investors use their own research to determine their responsible investing allocations.

How do investors decide their responsible investing allocation?



89%

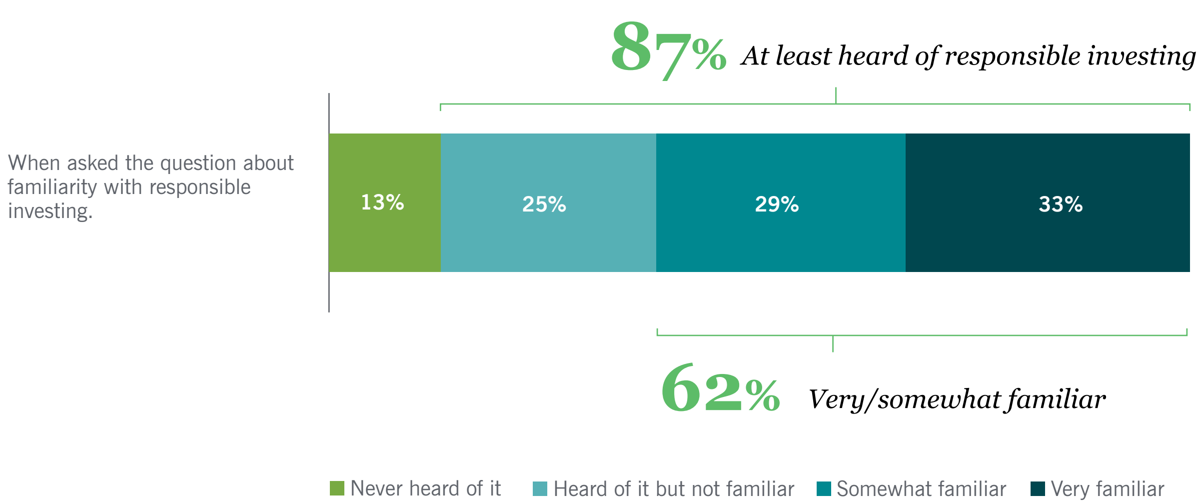
of investors used/would use advice from their advisors to decide on the current allocation of responsible investing in their portfolio.

Greater recognition for responsible investing

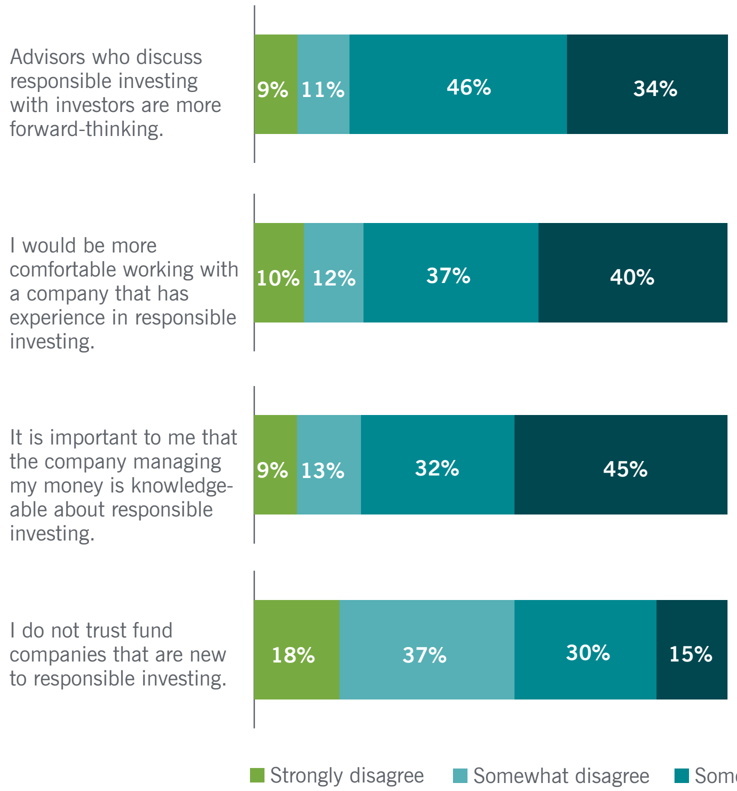
Overall recognition of responsible investing is deepening, and 87% of investors say they have heard of RI (up from 77% in 2021), while one-third of investors say that they are "very familiar" with responsible investing.

Respondents show positive attitudes toward advisors and investment companies that are more knowledgeable and communicative about RI. Some 78% of investors reply that they would be more comfortable working with a company that has experience in RI, and 80% say that advisors who discuss RI are more forward-thinking. Such results show that advisors and investment companies ought to lean in to presenting evidence of their RI experience, especially when it comes to the younger cohorts. For the above two data points, when splitting out the Gen Z and millennial respondents, the numbers are 91% and 96%, respectively. These numbers have remained consistently high year-over-year, showing that these impressions are relatively well-established in the minds of our respondents.

Familiarity with responsible investing



Generational differences in attitudes about responsible investing.



	Strongly/ somewhat agree (NET)	Gen Z & Millennials	Gen X & Boomers
Advisors who discuss responsible investing with investors are more forward-thinking.	80%	96%	71%
I would be more comfortable working with a company that has experience in responsible investing.	78%	91%	71%
It is important to me that the company managing my money is knowledgeable about responsible investing.	78%	93%	70%
I do not trust fund companies that are new to responsible investing.	45%	46%	45%

However, similar to last year's survey, we see that a sizable portion of investors have the perception that advisors are not sufficiently equipped to help investors see the benefits of their RI allocation. About two in five (41%) agree that their financial advisor doesn't have the tools, information or support to help them see the specific societal or environmental benefits of their responsible investments. Further, over half (52%) of those who currently own RI funds agree with this sentiment. This highlights that advisors may have more work to do when it comes to gathering the right tools and knowledge about RI in order to better communicate with their clients.

People are demanding more and more from their investment managers and advisors, and with more people doing their own research as well there is a risk that investors will forge ahead on their own if they don't believe that their advisors can meet their needs. The journey into seeing the benefits of RI and balancing personal beliefs alongside investment strategies is one that is best taken as a partnership, but advisors need to be gaining sufficient knowledge and giving themselves the right tools to do so.

We found this theme in last year's survey results, with many of our respondents indicating that they are more enthusiastic about responsible investing due to recent climate disasters. This growing concern around the climate has grown into broader awareness of social issues and governance issues at portfolio companies and our investors are showing a greater willingness to invest in ways that they feel can have an impact.

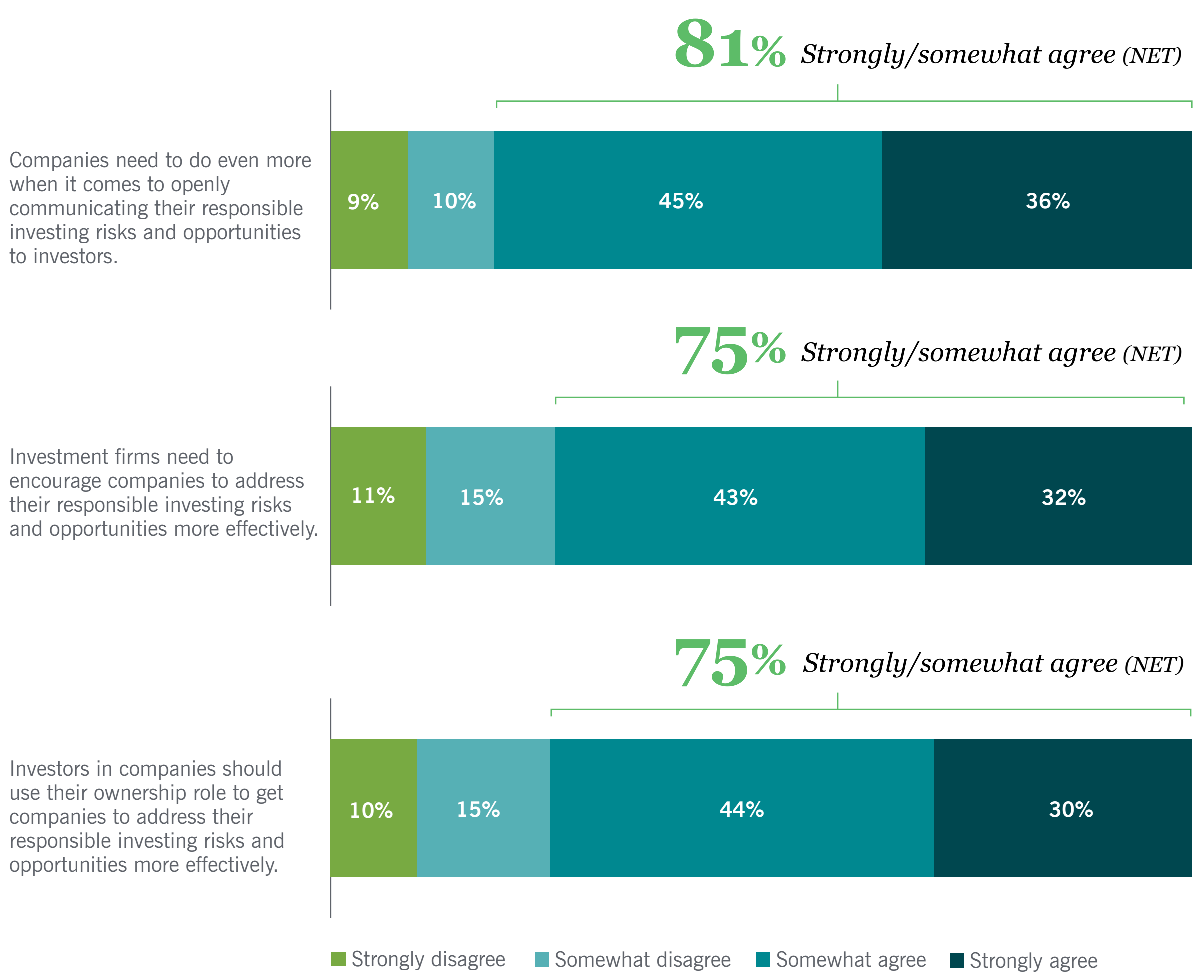
It is increasingly important that advisors have an awareness that their clients want to understand how they can use their personal values in their investment thesis, and how they can have an impact with their investments.

Investors want deeper knowledge about investments

As part of investors' ongoing desire to learn more about the impact of responsible investing, we are also seeing that our investors wish to know significantly more about companies in their portfolios.

81% of our investors say that companies need to do more to openly communicate RI risks and opportunities to investors, and 75% say that investors in companies should use their ownership role to get companies to address RI risks and opportunities. There is also a growing recognition of toward the role of investment managers, with 75% saying that money managers need to do more to encourage companies to address RI risks and opportunities. Taken together, these answers reflect that investors want to see more disclosure transparency and action to address potential risks.

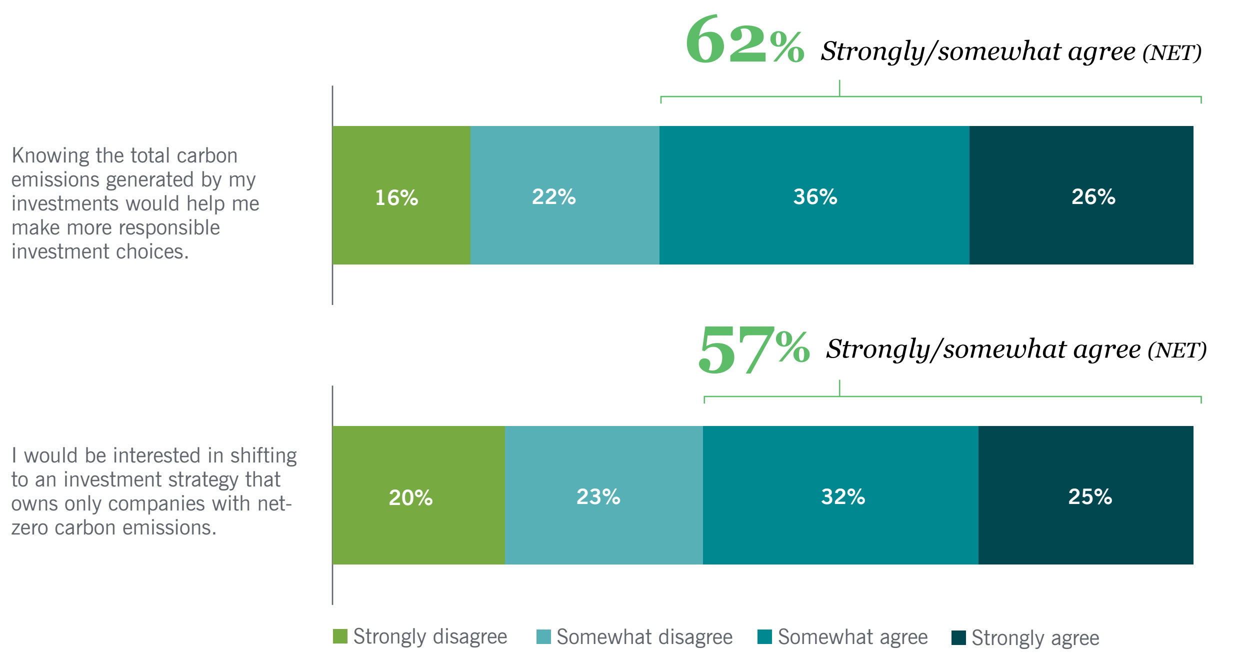
Investors want companies to engage on responsible investing



There is growing concern among investors about climate risks, specifically. 28% of our respondents say that their concerns over climate change have led to them changing how they invest. We've seen growing numbers of investors positively identifying with finding out what companies view as their RI risks and opportunities, and changing portfolios to reflect personal values.

Significantly, a majority of all investors show interest in shifting their investments to strategies that only invest in net-zero carbon companies. Across the generational divide, we also see that Gen Z and millennials are more likely than Gen X and baby boomers to be interested in shifting their investments to strategies that hold companies with net-zero carbon emissions (89% vs. 40%, respectively). Our survey showed that men are more likely than women to be interested in net-zero strategies (60% vs. 51%, respectively).

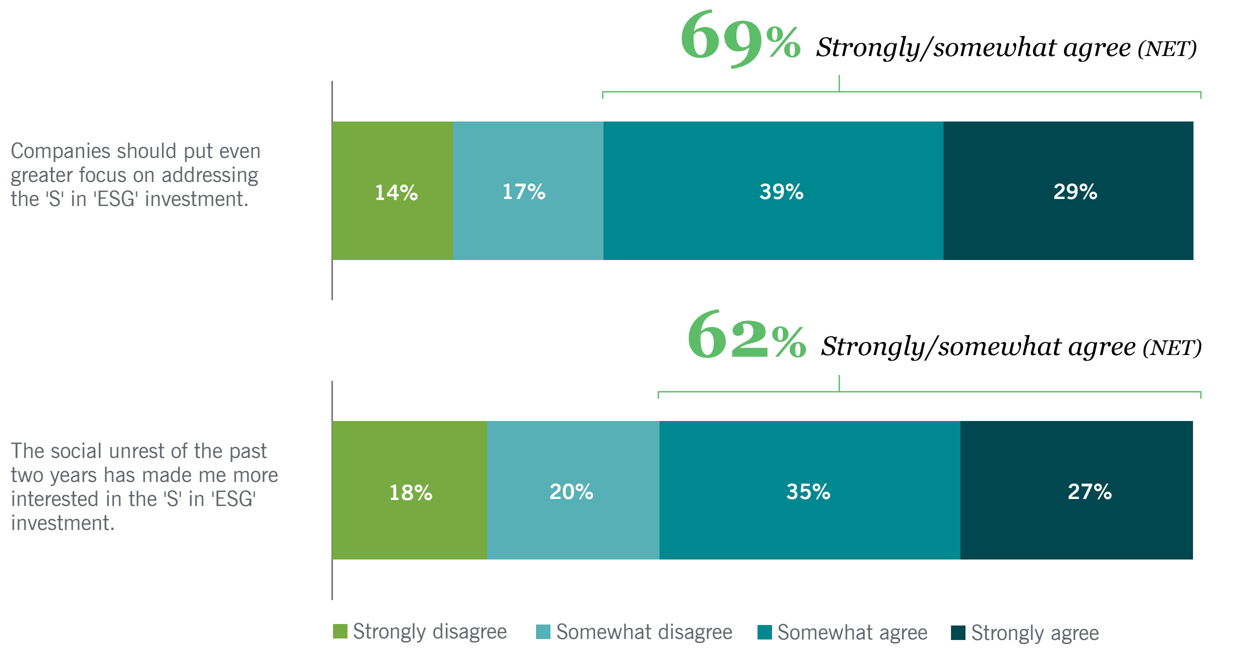
Interest in investments' carbon emissions



Transparency matters to investors. The majority of investors surveyed (73%) say they are more likely to invest in a company that openly communicates its plans for effective RI management to investors. Again, Gen Z and millennials are more likely than Gen X and boomers to agree with this statement (93% vs. 63%, respectively) and over half of Gen Z and millennial investors "strongly" agree (57%).

We're also seeing greater breadth in respondents' approaches to RI, not just including climate. 69% of our investors say that companies should put even greater focus on addressing the "S" in "ESG," which refers to environmental, social and governance investment considerations.

Investors' perceptions of the "social" in "ESG"



Nuveen has long emphasized its engagement priorities and makes clear its engagement decisions with our portfolio companies. Last year, for the first time, we released a complete catalogue of our proxy voting record with their rationales. This commitment to transparency can help investors see how we are engaging with portfolio companies and driving them toward our policies on responsible investing.

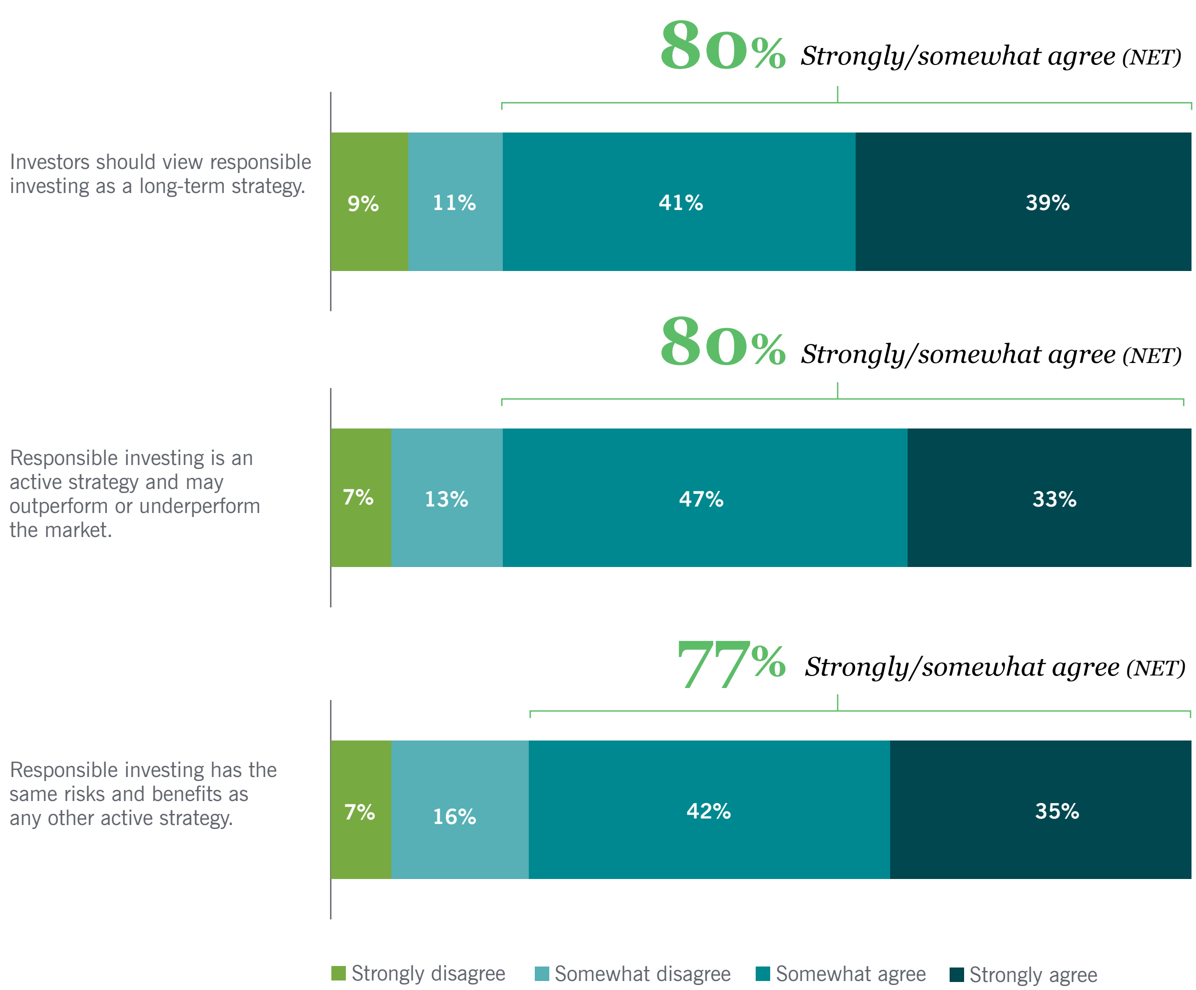
In our annual stewardship report we also further expand upon our approach to engagement and commitment to ESG, helping to align our approach to RI with the replies that we have had from our respondents, and to further our mission.[5]

The majority of investors liken responsible investing to other long-term investment strategies

Many of our investors would invest more in responsible investing if they could see specific benefits, but we also see growing numbers just viewing RI as an integral and more general investment strategy akin to many others.

We see this area as ripe for further education and growth as attitudes are changing toward RI and moving it into the mainstream of consideration. Four in five investors (80%) agree that they should view responsible investing as a long-term strategy and recognize that RI is an active strategy that may underperform or outperform the market (also 80%).

Responsible investing seen as long-term and mainstream

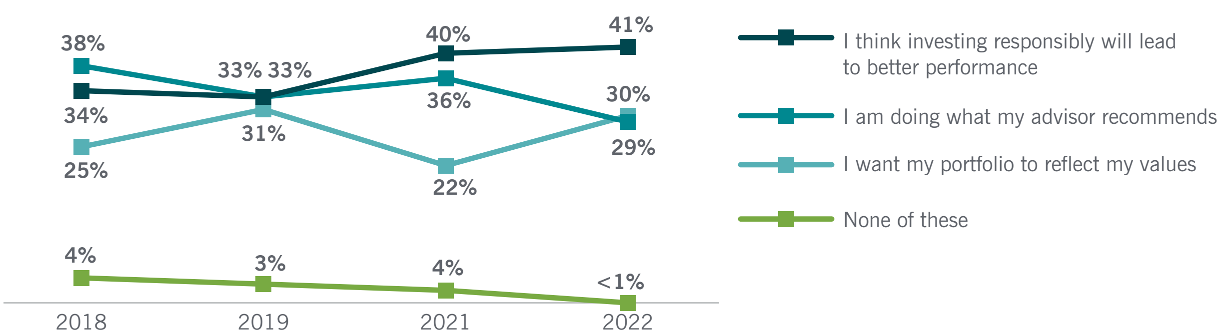


We also see that investors view the potential for enhanced performance from RI strategies as being a motivational factor for their investments. Nearly half of investors cite "better performance/proof of performance" (48%) as reasons they currently own or would own funds managed according to RI principles. We also see the strength of advisor influence in this question, with 42% saying that they own or would own RI based on an advisor's suggestions. We also see better risk management as being not far behind these two replies, at 38%. It is only after these more pragmatic responses that we get into the values-based sentiment, at 37%.

Reasons for owning responsible investing products (top six reasons cited)

When we slice this data to identify the primary approach for RI, again we see better performance as being the most cited reason, at 41%. What we have seen though is an increase in the people who want their portfolios to reflect their personal values, now up to 30% from 22% last year. This has gained ground from the number of people who are acting primarily on advisor recommendations, which for the first time has fallen into third place at 29% of investors. This goes to show the growth in personal sentiment as a driving factor for RI. This growth also highlights a potential growing disconnect between advisors and their clients, if people are more willing to strike their own path. Again, above we saw that investors have doubts about the ability of advisors to help them see the benefits of RI, while investors want to invest according to their personal values anyway.

Primary reason for responsible investing (current and former RI investors)



Interestingly, for this question we see little differentiation by generation. Gen Z, millennials, Gen X and boomers all respond alike with their ordering of primary preferences. Those responding that RI will lead to better performance is broadly supported at 41% each, aligning their portfolio with their values (30-31%), or doing what their advisor recommends (29%).

Conclusion: The benefits of partnership

2022 was a challenging year for investors, and our survey showed that heightened volatility prompted investors to place greater emphasis on minimizing market risks. Importantly, survey responses showed greater interest in responsible investing strategies and a desire to better understand the potential risk-mitigation opportunities that RI presents. Many others see RI as a means to align their investments with their personal values.

Individual research and enthusiasm have taken on a momentum of their own, independent of advisors, but our respondents consistently want more help from advisors to see the specific benefits of RI. The vast majority of investors still rely on their financial advisors for their investment advice, but they are increasingly doing their own research as well, and trying to make investment decisions blending their advisor recommendations and their own desire to have investments reflect personal values.

We consistently see this as a virtuous cycle, where investors' being able to see the benefits of RI would encourage them to do more of it.

Overall our respondents are increasingly integrating RI and their efforts to mitigate market risk, and they are continuing to see RI as a long-term integral part of their investment process. Advisors need to provide data to allow investors to see the benefits of RI, while supporting overall efforts to align portfolios and personal values.

For more information about responsible investing, visit us at nuveen.com.

Endnotes

1 Nuveen commissioned The Harris Poll to conduct an investor survey to further enhance the company's leadership position among investors, the media, customers, prospects, and the broader investment community. The investors survey was conducted online within the U.S. by The Harris Poll on behalf of Nuveen between 18 July 2022 and 1 August 2022 among 1,003 investors who met the following criteria: U.S. resident, age 21+, $100,000 in investable assets (excluding 401(k) or 403(b) accounts or real estate), primary or joint decision-maker for household financial decisions, and currently working with a financial advisor.

2 This is among investors who disagree it is hard for them to see the specific societal or environmental benefits of RI

3 AGREE: It's hard for me to see the specific societal or environmental benefits of my responsible investing n=560

4 DISAGREE: It's hard for me to see the specific societal or environmental benefits of my responsible investing n=443

5 For more information on these reports, please visit: https://www.nuveen.com

Survey methodology:

The Seventh Nuveen Responsible Investing survey was conducted online in the U.S. by The Harris Poll on behalf of Nuveen among 1003 adults aged 21 and over with at least $100K in investable assets (not including retirement or home), have a financial advisor and have full or shared responsibility for financial decision-making for their household. The survey was conducted 18th of July – 1st of August. Data are weighted where necessary by age, gender, race/ethnicity, region, education, marital status, household size, investable assets, household income, and propensity to be online to bring them in line with their actual proportions in the population. Respondents for this survey were selected from among those who have agreed to participate in our surveys. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within ±4.0 percentage points using a 95% confidence level. This credible interval will be wider among subsets of the surveyed population of interest. All sample surveys and polls, whether or not they use probability sampling, are subject to other multiple sources of error which are most often not possible to quantify or estimate, including, but not limited to coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments.

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