BCG Investor Perspectives Series

Q4 2023

SURVEY CONDUCTED OCTOBER 10–13, 2023

BCG surveyed leading investors October 10-13, 2023, to understand their perspectives on the US economy, the US stock market, and the critical decisions and actions that senior executives and boards of directors are considering and making. This is BCG's 24th investor pulse check since the start of the pandemic. The initial pulse check was conducted March 20–22, 2020.

Source: BCG's investor pulse checks, March 2020 through October 2023; n = 150 for each survey, except June 2023, when n = 151.

BCG conducted this pulse check to help corporate executives and boards of directors understand investors' perspectives in this rapidly changing environment.

- About 81% of the participants in this survey overlap with the respondents in the previous survey, which was conducted June 5-8, 2023
- Across the three most recent surveys (February 13–22, 2023, June 5–8, 2023, and October 10–13, 2023), the overlap in respondents is 67%

About the respondents:

- They represent investment firms that have more than $5 trillion in combined assets under management
- Roughly 91% are portfolio managers and senior analysts who are responsible for making buy, sell, and hold decisions
- They cover a broad spectrum of investor types and investment styles, including deep value, income, growth at a reasonable price, and core growth; they also include some quantitative, technical, and special situation investors

The survey focused on two key topics:

1 Investors' views of and expectations for the US economy and stock market, and their views on key risks and opportunities in the current environment

2 Investors' perspectives on important decisions and priorities that corporate executives and boards of directors are considering and making

Because the market environment is evolving, especially with regard to macroeconomic conditions, some questions from prior surveys were not asked or were replaced with new ones in this edition.

The analysis shared in this document represents an aggregated view that is not segmented by investor type. It is important for corporate executives and boards of directors to keep in mind their current and target investor type while interpreting the results.

The results represent the views of surveyed investors only; to understand BCG's point of view on current topics, please visit bcg.com.

Key insights from Q4 2023 pulse check (1/3)

Oct 10–13

Short-term investor sentiment has become more bearish for 2024, but it remains bullish for 2025 and 2026, reflecting the increasingly uncertain macro environment and geopolitical landscape.

- In the October survey, substantially fewer investors (38%) are bullish for 2024, compared with 51% of investors in June 2023
- For the next three years (through October 2026), 65% of investors are bullish, which is in line with the 69% survey result in June 2023 and the overall series average (61%)[1]

The most important macroeconomic concerns remain the Federal Reserve's policy on interest rates, geopolitical risks, and consumer price inflation.

- When asked to rank their top three macroeconomic concerns, 77% of investors highlighted interest rates and the Federal Reserve's policy, followed by geopolitical risks (53%), consumer price inflation (45%), and cost and wage inflation (29%)
- Over time, investors expect the average inflation rate to modestly decline (from 4.2% at year-end 2023 to 3.7% for 2024 and 2025), and 55% of investors (compared with 45% in June 2023) also expect inflation to remain above the Federal Reserve's 2% target beyond 2024
- The three largest increases in investors' perceived macro risk since the June 2023 pulse check are geopolitical risk (ranked as a top-three risk by 14 pp more investors), public-sector debt and spending (7 pp more investors), and private-sector credit and default risks (6 pp more investors)
- While recession fears have declined, they remain significant—55% of investors still expect a recession before the end of Q2 2024 and 72% by year-end 2024; those shares of investors are lower than they were in June 2023, when 72% expected a recession before the end of Q2 2024 and 80% by year-end 2024

Stock market return expectations are at a new low, but investors acknowledge substantial differences across companies, sectors, and regions.

- Investors expect the S&P 500 to return 6%, on average, over the next three years (including dividends); that is a new series low (vs. 6.5% in October 2021 and 7% in June 2023) and would imply that the S&P 500 will remain below 5,000 through at least Q4 2026
- Many investors expect megacap tech stocks to be the key drivers of equity market returns (outpacing equal-weight index returns); 43% of investors rank this as a top-three capital market trend for the next three years
- In terms of regions, 35% of investors expect US equities to outperform their global benchmarks—more than twice the share of investors (15%) that expect the opposite

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: pp = percentage point. For additional BCG perspectives on resilience, visit https://www.bcg.com/en-ca/capabilities/business-resilience. For BCG's views on macroeconomic topics, visit https://www.bcg.com/en-ca/bcg-henderson-institute/center-for-macroeconomics.
[1]The average across 24 investor pulse checks was calculated using the percentage of investors that were bullish for the current calendar year at the time of each survey.

Key insights from Q4 2023 pulse check (2/3)

Oct 10–13

Investors continue to prioritize long-term organic growth as the most important company-specific consideration for their investment decisions and recommendations, followed by free cash flow generation, which now stands out relative to other secondary considerations.

- When asked to rank their top three investment considerations, 52% of investors highlighted long-term organic growth (near the 53% survey result in June 2023), and 36% chose FCF generation (up from 26% in June 2023)
- The next most common top-three investment considerations remain very similar to the June 2023 survey: return on capital (22%, similar to 23% in June), medium-to-long-term margin upside (21% vs. 22% in June), healthy balance sheets (constant at 21% vs. June), and absolute valuation levels (20%, up from 16% in June)

Investors expect companies to both invest for longer-term growth and fully deliver on near-term guidance and analyst consensus. While these expectations may appear to conflict at first, they highlight that investors want companies to deliver the best of both worlds. As a result, corporate leaders need to identify the right balance and convincingly guide investors expectations.

- Roughly 88% of investors consider it important for companies to invest in key business capabilities (even at the expense of delivering EPS), down from 91% in June 2023, but close to the series average of 89%;[1] at the same time, 86% of investors want healthy companies to deliver on guidance and consensus, which ties the all-time series high and is significantly higher than the series average of 67%[1]
- Similarly, 83% of investors are supportive of companies investing in innovation and go-to-market strategies even if that affects their margins short term, while 79% of investors support companies hunkering down—that is, focusing on reducing costs to strengthen near-term profitability and not reinvesting cost savings into medium- or longer-term growth
- Investments for growth and top-line protection remain investors' number one priority; despite that, the share of investors ranking them as a top-three priority for financially healthy companies is now 68% (down from 76% in June 2023), but it still is above the survey result of 63% in February 2023; at the same time, 63% of investors choose building financial resilience and managing cash flow as a top-three priority for financially healthy companies (similar to 62% in June 2023), and 37% highlight preserving or expanding gross margins (up slightly from 34% in June 2023)

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: FCF = free cash flow. For additional BCG perspectives on resilience, visit https://www.bcg.com/en-ca/capabilities/business-resilience. For BCG's views on macroeconomic topics, visit https://www.bcg.com/en-ca/bcg-henderson-institute/center-for-macroeconomics.
[1]The average across 24 investor pulse checks was calculated using the percentage of investors that were bullish for the current calendar year at the time of each survey.

Key insights from Q4 2023 pulse check (3/3)

Oct 10–13

In light of the current macroeconomic environment, especially given the higher interest rates, investors have become highly wary of leverage, but they remain open to supporting well-grounded, clearly articulated growth and M&A agendas.

- For companies with near-term debt maturities, 82% of investors now consider rollover risk and interest coverage ratios, rather than leverage ratios alone; in conversations, many seasoned investors suggested that it is the first time in 15 years that the interest coverage ratio is an important consideration
- About 73% of investors are actively avoiding or reducing exposure to companies carrying higher leverage (for example, above three times the net debt-to-EBITDA ratio), and 50% of investors are even doing so for companies carrying near-average leverage (for example, about two times the net debt-to-EBITDA ratio)—those results are consistent with investors' comments that the 1.5 times net debt to EBITDA is the new 2.5 times
- Surprisingly, and somewhat inconsistent with what BCG hears in investor conversations, the current survey indicates that many investors still are open to debt-funded M&A—73% of investors are supportive of companies making substantial or even transformative acquisitions (clearly above 20% of their own market cap) that have the potential to be strategic and competitive game changers for the company, as long as acquirers are financially healthy and the current environment does not pose a risk for their ability to reduce leverage within the next one to two years
- In contrast, 78% of investors are supportive of companies making focused tuck-in acquisitions (for example, well below 20% of their own market cap) that do not materially increase their leverage, which is very consistent with the typical investor commentary

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: For additional BCG perspectives on resilience, visit https://www.bcg.com/en-ca/capabilities/business-resilience. For BCG's views on macroeconomic topics, visit https://www.bcg.com/en-ca/bcg-henderson-institute/center-for-macroeconomics.

US investors' current perspectives on the US economy and stock market

Oct 10–13

Macroeconomic outlook

INVESTORS WERE ASKED ABOUT THEIR **INFLATION EXPECTATIONS**

93%
Investors that believe **inflation will remain elevated beyond 2023**
Above the June 2023 survey result of 78%

55%
Investors that believe **inflation will remain elevated beyond 2024**
Above the June 2023 survey result of 45%

4.2%
The expected **inflation rate for year-end 2023 (Q4 2023 vs. Q4 2022)**
Near the June 2023 survey result of 4.4%

3.7%
The expected **inflation rate for 2024 and 2025**
Same as the June 2023 survey result

INVESTORS WERE ASKED ABOUT THEIR VIEWS ON THE **US MACROECONOMIC OUTLOOK,** SPECIFICALLY RECESSION RISKS

23%
Investors that think the US is in a recession or will be **before the end of 2023**
Below the June 2023 survey result of 53%, the February 2023 result of 55%, and the October 2022 result of 91%

72%
Investors that think the US is in a recession or will be **before the end of 2024**
Below the June 2023 survey result of 80%

Bull vs. bear sentiment

INVESTORS WERE ASKED TO PLACE THEMSELVES ON THE **BULL-BEAR SPECTRUM** OVER DIFFERENT TIME PERIODS

19%
Investors that are **bullish for the remainder of 2023**
Below the June 2023 survey result of 21%

38%
Investors that are **bullish for 2024**
Below the June 2023 survey result of 51%

65%
Investors that are **bullish for the next three years**[1, 2]
Near the June 2023 survey result of 69%

INVESTORS WERE ASKED ABOUT THEIR **SENTIMENT TODAY, COMPARED WITH THREE MONTHS AGO**

35%
Investors that are more bullish on the **economy**
Below the June 2023 survey result of 58% and the February 2023 result of 60%, the highest since April 2021

37%
Investors that are more bullish on the **stock market**
Below the June 2023 and February 2023 survey results of 53%, the highest since April 2021

Expected stock market low

S&P 500 market low — **3,965**

Implied potential **S&P decline**[1] — **9%**

Timing of low — End of Q1 2024

Stock market level in three years

S&P 500 level of… — **4,948**

…implies an **average annual TSR for the next three years**[2] — **6%**

Bullish | Neutral | Bearish

Source: BCG's investor pulse checks, October 2021 through October 2023; n = 150 for each survey (n = 151 for June 2023).
Note: TSR = total shareholder return.
[1]S&P 500 closed at 4,358 on October 10, 2023. [2]Through October 2026.

Interest rates and Federal Reserve policy remain the number one macro risk factor for investors, followed by geopolitical risks and inflation

Oct 10–13

Most important macro factors[1]

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: ESG = environmental, social, and governance. Any apparent discrepancies in the change when compared with June 2023's survey results are due to rounding.
[1]Survey question: What are the most important risks for investors to consider in today's environment? Rank the top three. [2]Leading investment industry institutions and executives have voiced their strong and unwavering commitment to and focus on ESG and sustainable investing. However, most investors indicated that ESG is not currently a primary consideration in day-to-day investment decisions and recommendations.

Among the key drivers of equity returns, investors emphasize megacap tech stocks, the impact of inflation, and confidence in a strong US market performance

Oct 10–13

Macroeconomic and capital market trends that may most strongly affect equity returns over the next three years[1]

Investors that consider these factors to be among the top three trends (%)

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: IPO = initial public offering; ESG = environmental, social, and governance.
[1]Survey question: Which of the following macroeconomic and capital market trends do you expect to most strongly affect equity returns over the next three years?

In making investment decisions and recommendations, investors prioritize long-term growth, followed by FCF generation and business strategy

Oct 10–13

Most important company-specific factors for investment decisions or recommendations

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150..
Note: FCF = free cash flow; capex = capital expenditures; EPS = earnings per share. The ranking for climate and sustainability factors would likely be very different for sectors where environmental considerations are central to the investment thesis.
Any apparent discrepancies in the change when compared with June 2023's survey results are due to rounding.

Investors want financially healthy companies to continue investing in securing long-term advantage, while also delivering on short-term expectations

Oct 10–13

Should companies prioritize investments?

88% | Investors that believe it is important to prioritize **building business capabilities,** even at the expense of delivering EPS

Near the series average of 89%, and below the June 2023 survey result of 91%, but above the February 2023 survey result of 78%; the series high is 95%[1]

Is it important for companies to deliver on guidance and consensus forecasts?

86% | Investors that feel it is **important to deliver on EPS guidance and consensus**

Current series high, and higher than the June 2023 survey result of 83% and the February 2023 survey result of 71%[1]

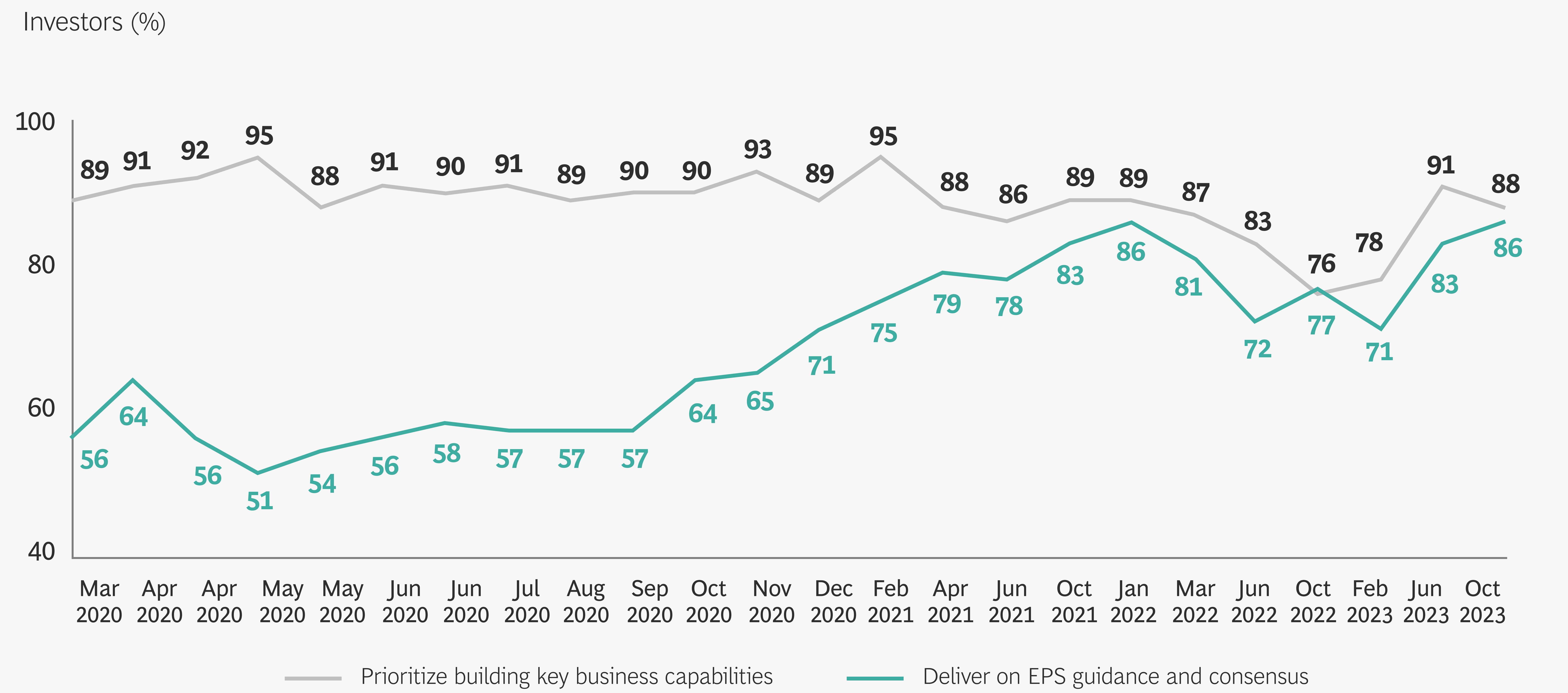
While investors have consistently supported investing in the business at the expense of EPS, they now also expect companies to fully deliver on guidance and consensus

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150..
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet. EPS = earnings per share.
[1]A series high, average, or low is a percentage that reflects a comparison across the 24 investor pulse checks.

Investors continue to prioritize long-term investments and short-term results

Oct 10–13

Investors' priorities for financially healthy companies



During the COVID-19 pandemic, investors gave corporate leaders wide latitude to focus on the long term and did not hold them accountable for delivering on short-term commitments

However, investors now want companies to deliver on guidance while they continue to support building capabilities

Source: BCG's investor pulse checks, March 2020 through October 2023; n = 150 for each survey, except June 2023, when n = 151.
Note: EPS = earning per share.

Investors want companies to prioritize growth, financial resilience, and gross margins

Oct 10–13

Most important actions for financially healthy companies to prioritize in the current macroeconomic environment[1]

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: SG&A = selling, general, and administrative; ZBB = zero-based budgeting.
[1]Survey question: What actions should financially healthy companies prioritize in the current environment? (Financially healthy companies are those that have relatively strong and resilient free cash flow and a healthy balance sheet.)

Investors are almost equally supportive of companies reinvesting profits for growth or hunkering down by not reinvesting cost savings

Oct 10–13

Do investors support companies that prioritize long-term investments or short-term performance?

83% | Investors that are supportive of companies **investing in innovation and go-to-market strategies, even if that affects margins short term**

79% | Investors that are supportive of companies focusing on **reducing costs to strengthen near-term profitability and hunkering down**—that is, not reinvesting cost savings into medium- and longer-term growth

While these results may appear contradictory at first, they reflect that investors want companies to deliver the best of both worlds; to address this, corporate leaders should highlight any tradeoffs and ask themselves whether they have a "license to invest" in the current environment

Investors are likely to support firms pursuing attractive investment opportunities, but they are also open to companies hunkering down if opportunities are not extremely compelling

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet.

Investors' support for divestitures has almost reached the series high, but investors also are supportive of acquisitions that do not compromise long-term balance sheet health

Oct 10–13

Should companies reshape their portfolio?

61% | Investors that believe **acquisitions should be actively pursued** to strengthen the business at current valuation levels

Near the series low of 58% in June 2023, and below the series average of 67%[1]

81% | Investors that believe **exiting or divesting lines of businesses** should be considered to strengthen the overall company in the current market environment

Near the series high of 83%, and above the June 2023 survey result of 76%[1]

Do investors support M&A transactions in the current environment?

78% | Investors that support companies making focused tuck-in acquisitions (for example, well below 20% of their market cap) that do not materially increase their leverage

73% | Investors that support companies making **substantial or even transformative acquisitions (clearly above 20% of their market cap)** that have the potential to be strategic and competitive game changers, even if they substantially increase short-term leverage (one to two years)[2]

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet.
[1]A series high, average, or low is a percentage that reflects a comparison across the 24 investor pulse checks. [2]The acquirer's financial health and its ability to reduce leverage are critical; otherwise, a more prudent approach would be preferable.

Investors' support for prioritizing dividends is at a series high, but support for aggressive share repurchases remains modest

Oct 10–13

Should companies prioritize dividends?

71% | Investors that think it is **important to pay dividends that are at least in line with historical levels**

A series high, above the series average of 45% and the June 2023 survey result of 68%[1, 2]

Should companies repurchase shares?

41% | Investors that think it is important to **aggressively repurchase shares** in today's market environment

Near the series average of 39% and the June 2023 survey result of 37%[1, 2]

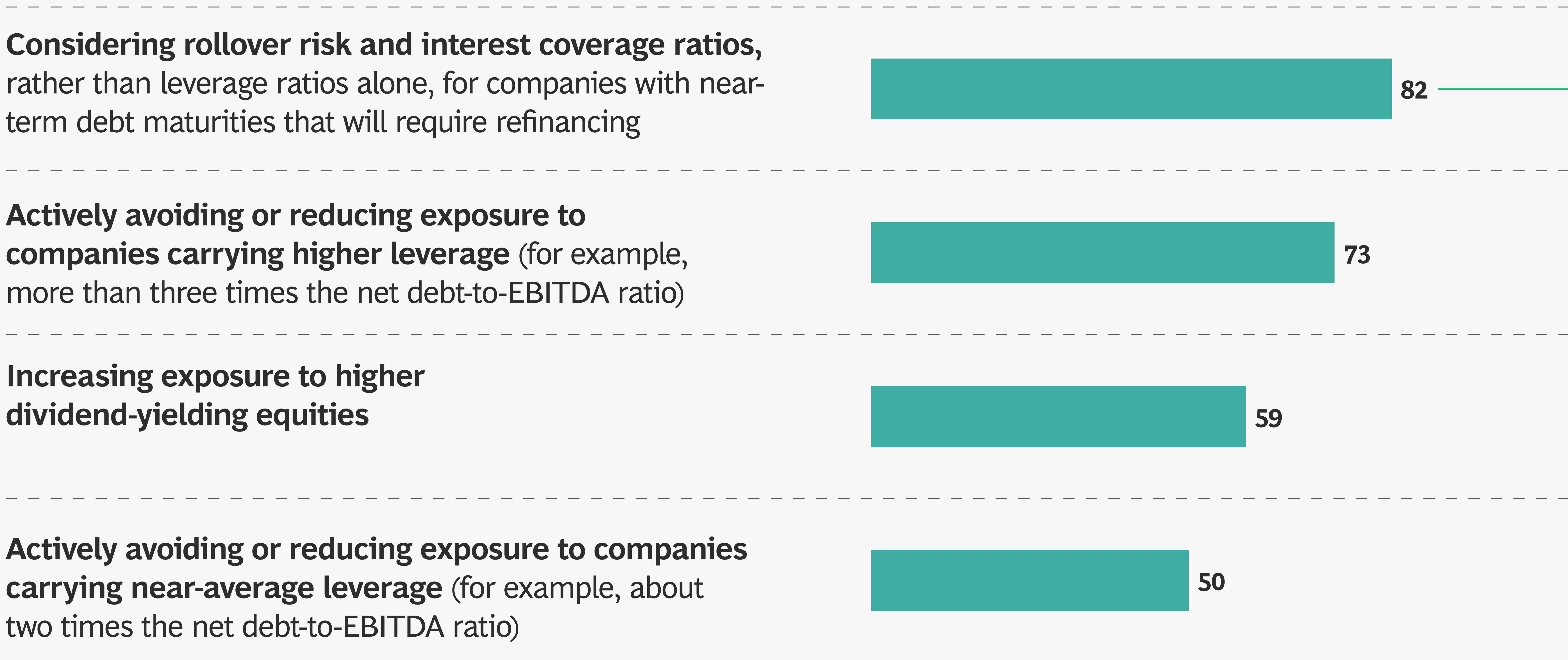
Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet.
[1]A series high, average, or low is a percentage that reflects a comparison across the 24 investor pulse checks. [2]In earlier editions of the investor perspectives series, participants were asked about the importance of paying dividends that are at least equal to those paid before the pandemic.

Investors are increasingly considering rollover risk and interest coverage, while reducing their exposure to highly leveraged companies

Oct 10–13

Investors' attitudes toward company debt[1]

Investors' that changed their perspectives and investment approaches regarding companies with debt (%)



Many seasoned investors suggest that it is the first time in more than 15 years that interest coverage is an important consideration

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet.

In the current environment, investors appear to be giving financially healthy companies more leeway to compromise on ESG agendas and targets

Oct 10–13

Should companies continue to pursue or double down on the ESG agenda?

29% | Investors that think it is important to **continue fully pursuing the ESG agenda and priorities,** even if it means guiding to lower EPS or delivering below consensus

A series low, below the series average of 47% and the June 2023 survey result of 32%[1]

29% | Investors that say companies should **double down on ESG initiatives that create advantage, deliver attractive returns or reduce long-term risk,** or both, even if it means guiding to lower EPS or delivering below consensus over the next 12 months

A series low, below the series average of 39% and the June 2023 survey result of 30%[1]

US investors' views regarding the importance of companies pursuing or even doubling down on their ESG agendas have weakened over time—and the percentage prioritizing ESG is now at a series low, highlighting a significant gap versus non-US investors that view ESG as a key agenda item (based on BCG's 2023 Global Investor Survey)[2]

Source: BCG Investor Perspectives Series, Q4 2023, October 10–13, 2023; n = 150.
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet. ESG = environmental, social, and governance; EPS = earnings per share. Leading investment industry institutions and executives have voiced their strong and unwavering commitment to and focus on ESG and sustainable investing. However, most of the investors BCG recently surveyed indicated that ESG is not currently a primary consideration in day-to-day investment decisions and recommendations.
[1]A series high, average, or low is a percentage that reflects a comparison across the 24 investor pulse checks. [2]A global survey of 540 investors indicated that 58% of investors in Europe want financially healthy companies to continue pursuing their ESG agenda, while 56% support them in doubling down on ESG-related efforts. In Asia-Pacific, the shares of investors are 67% and 62%, respectively.

A note on the importance of sustainable investing

Oct 10–13

Leading investment industry executives and institutions have highlighted their strong commitment to and focus on ESG and sustainable investing—ambitions that BCG is proud to support. (Click here for BCG's view on sustainable finance.)

The focus on and importance of ESG and sustainable investing have increased dramatically in recent years, and we expect that to continue and accelerate.

While there have been significant shifts in asset allocation and increased ESG engagement, the results of this survey highlight that this strong commitment has not yet fully cascaded down the "rockface." As a result, for many portfolio managers as well as buy-side and sell-side analysts, ESG is not yet a primary driver of day-to-day investment decisions and recommendations.

- Only 4% of investors ranked climate and other ESG-related risks among their top three concerns (ranking 12th among macro considerations)
- No individual ESG dimension was highlighted by more than 3% of investors as a top-three investment consideration (ESG dimensions ranked 19th through 25th)
- In the current market environment, facing inflation and recession concerns, investors appear to be less focused on companies' ESG agendas and targets
- These outcomes are consistent with the results of more than 100 investor interviews that BCG conducted over the past year, in which investors highlighted that ESG often is a secondary consideration or an explicit focus of investing

These findings present a very important opportunity to further integrate ESG and sustainability into day-to-day investment decision making.

- Most investors participating in BCG's investor pulse checks already are focused on the long term and have been highly consistent in their perspectives on maintaining ESG commitments throughout the COVID-19 crisis
- In select industries (for example, oil and gas, utilities, chemicals, mining, air transportation, and automotive), ESG performance and especially decarbonization already are central to the investment thesis and significantly impact investment decision making
- Strengthening sustainability standards and ESG reporting requirements through organizations such as SASB should catalyze investment firms to further embed ESG and sustainability in their investment processes

BCG strongly believes that the importance of ESG as part of day-to-day investment decisions will increase significantly in the years ahead and that investors will become an even more powerful force for change, while also achieving strong and sustainable returns.

Source: BCG's investor pulse checks, March 2020 through October 2023; n = 150 for each survey, except June 2023, when n = 151.
Note: ESG = environmental, social, and governance; SASB = Sustainability Accounting Standards Board. (For information on SASB, visit https://www.sasb.org.)

Comparison of BCG's investor pulse checks (1/7)

What are your expectations for...	2020 Mar 22 #1	Apr 5 #2	Apr 19 #3	May 3 #4	May 17 #5	Jun 7 #6	Jun 28 #7	Jul 19 #8	Aug 9 #9	Sep 19 #10	Oct 17 #11	Nov 14 #12	Dec 13 #13
Duration of COVID-19's impact on the US economy	Through Q3 2020	Through Q3 2020	Through Q4 2020	Through Q4 2020	Through Q4 2020	Through Q4 2020	Through Q1 2021	Through Q2 2021	Through Q2 2021	Through Q2 2021	End of Q2 or start of Q3 2021	Through Q2 2021	Through Q2 2021
Stock market decline:													
▪ S&P 500 level after the decline (the decline from the current level at the time of the survey)	2,062 (–14%)	2,158 (–14%)	2,393 (–15%)	2,382 (–16%) ↓	2,449 (–16%) ↓	2,676 (–14%)	2,664 (–14%)	2,765 (–14%)	2,935 (–12%)	2,962 (–12%)	3,108 (–11%)	3,153 (–9%)	3,288 (–10%)
▪ Timing of decline	End of May 2020	End of June (Q2) 2020	Early Q3 2020	End of Q3 2020	End of Q3 2020	End of Q3 2020	End of Q3 2020	End of Q4 2020	End of Q4 2020	End of Q4 2020	End of Q1 2021	End of Q1 2021	End of Q2 2021
Three-year S&P 500 level (implied TSR)[1]	3,075 (11%) ↑	3,165 (10%)	3,411 (9%)	3,591 (9%)	3,525 (9%)	3,717 (8%)	3,685 (8%)	3,727 (7%)	3,869 (7%)	3,938 (7.5%)	4,061 (7.5%)	4,153 (7.5%)	4,232 (7%)
Bull vs. bear													
Investors that are bullish for:													
▪ Current CY	55% ↑	53%	44%	46%	45%	41%	40%	35%	36%	45%	35%	38%	47%
▪ Next CY	63%	64%	67% ↑	64%	62%	55%	64%	57%	57%	65%	56%	55%	50%
▪ Next three years	65%	68%	69%	69%	64%	61%	61%	57%	60%	66%	63%	59%	57%
More bullish vs. last month/three months ago: economy[2]	Not asked	Not asked	34%	35%	30%	64%	35%	28%	43%	45%	39%	47%	60%
More bullish vs. last month/three months ago: stock market[2]	Not asked	Not asked	45%	40%	33%	53%	30%	31%	36%	34%	35%	49%	54%

↑ Series high ↓ Series low

Source: BCG's investor pulse checks; n = 150 for each survey, except June 2023, when n = 151.
Note: CY = calendar year; TSR = total shareholder return.
[1]The S&P 500 level that is used is the closing level prior to the opening of each survey (4,358 on October 10, 2023, for the current edition). TSR is derived through the CAGR of the S&P 500 level and the S&P-average dividend yield.
[2]Respondents were asked for their change in bullishness relative to the prior month until *COVID-19 Investor Pulse Check #16* (June 2021) and relative to three months prior since then.

Comparison of BCG's investor pulse checks (2/7)

	2021				2022				2023			
What are your expectations for...	**Feb 7 #14**	**Apr 30 #15**	**Jun 20 #16**	**Oct 31 #17**	**Jan 31 #18**	**Mar 22 #19**	**Jun 21 #20**	**Oct 11 #21**	**Feb 22 #22**	**Jun 8 #23**	**Oct 11 #24**	**Difference (Jun 8 vs Oct 11)**
Duration of COVID-19's impact on the US economy	Through Q4 2021	Through Q4 2021	Not asked	Not asked	End of Q2 2022	End of Q2 2022	Not asked	Not asked	Not asked	Not asked	Not asked	NA
Stock market decline:												
▪ S&P 500 level after the decline (the decline from the current level at the time of the survey)	3,468 (–10%)	3,828 (–9%)	3,812 (–9%)	4,140 (–10%)	3,875 (a decline of 10%–12%)	3,920 (a decline of 10%)	3,240 (a decline of 12%)	3,375 (a decline of 10%)	3,712 (a decline of 8%) ↑	3,878 (a decline of 9%)	3,965 (a decline of 9%)	No change
▪ Timing of decline	End of Q2 2021	End of Q3 2021	End of Q4 2021	End of Q2 2022	End of Q2 2022	End of Q3 2022	End of Q4 2022	End of Q4 2022	End of Q2 2023	End of Q4 2023	End of Q1 2024	+1 quarter
Three-year S&P 500 level (implied TSR)[1]	4,488 (7%)	4,840 (7%)	4,829 (7%)	5,273 (6.5%)	5,120 (7%–7.5%)	5,140 (7%)	4,460 (8.5%)	4,400 (8%)	4,692 (7%)	4,953 (7%)	4,948 (6%) ↓	–1 pp
Bull vs. bear												
Investors that are bullish for:												
▪ Current CY	51%	50%	39%	41%	20%	22%	6%	5%	22% ↓	21%	19%	–2 pp
▪ Next CY	41%	47%	45%	43%	43%	41%	29%	25%	51% ↓	51%	38%	–13 pp
▪ Next three years	53%	52%	52%	45%	60% ↓	62%	59%	62%	73%	69% ↑	65%	–4 pp
More bullish vs. last month/three months ago: economy[2]	63%	73%	55% ↑	41%	33%	25%	14%	13%	60% ↓	58%	35%	–23 pp
More bullish vs. last month/three months ago: stock market[2]	59%	57% ↑	40%	42%	25%	29% ↓	27%	28%	53%	53%	37%	–16 pp

↑ Series high ↓ Series low Significant decrease Moderate decrease No change Moderate increase Significant increase

Source: BCG's investor pulse checks; n = 150 for each survey, except June 2023, when n = 151.
Note: This slide spotlights key differences between investor pulse checks. Color coding is based on consideration of absolute and percentage change.
CY = calendar year; NA = not applicable; pp = percentage point; TSR = total shareholder return.
[1]The S&P 500 level that is used is the closing level prior to the opening of each survey (4,358 on October 10, 2023, for the current edition). TSR is derived through the CAGR of the S&P 500 level and the S&P-average dividend yield.
[2]Respondents were asked for their change in bullishness relative to the prior month until *COVID-19 Investor Pulse Check #16* (June 2021) and relative to three months prior since then.

Comparison of BCG's investor pulse checks (3/7)

Investors that agree with the following statements about financially healthy companies[1]

It is important for financially healthy companies to...[1]	2020												
	Mar 22 #1	Apr 5 #2	Apr 19 #3	May 3 #4	May 17 #5	Jun 7 #6	Jun 28 #7	Jul 19 #8	Aug 9 #9	Sept 19 #10	Oct 17 #11	Nov 14 #12	Dec 13 #13
Prioritize building key business capabilities	89%	91%	92%	95%	88%	91%	90%	91%	89%	90%	90%	93%	89%
Actively pursue acquisitions	58%	64%	65%	66%	70%	68%	68%	69%	71%	72%	65% ↑	63%	65%
Actively consider exiting or divesting lines of business	Not asked	Not asked	Not asked	Not asked	65%	64% ↓	75%	67%	73%	75%	73%	77%	71%
Aggressively repurchase shares	39%	44%	38%	36%	42%	43%	34% ↓	44%	37%	41%	43%	36%	36%
Maintain the dividend per share	41%	43%	35%	29% ↓	36%	43%	33%	36%	36%	37%	40%	45%	43%
Consider significant equity issuance a reasonable move	Not asked	48%	56%	55%	53%	53%	61%	59%	55%	37% ↓	56%	52%	61%
Deliver EPS that at least meets revised guidance or consensus	56%	64%	56%	51% ↓	54%	56%	58%	57%	57%	57%	64%	65%	71%
Expect an increase in activist activity and take proactive steps to mitigate risk	59%	66%	64%	70%	61%	65%	63%	66%	63%	57%	67%	67%	67%
Continue to fully pursue their ESG agenda and priorities[2]	Not asked	56%	46%	48%	45%	51%	48%	53%	51%	69%	45% ↑	48%	50%
Double down on ESG initiatives that create value and/or reduce risk longer term[2]	Not asked	Not asked	Not asked	Not asked	Not asked	Not asked	Not asked	Not asked	Not asked	Not asked	Not asked	Not asked	Not asked

↑ Series high ↓ Series low

Source: BCG's investor pulse checks; n = 150 for each survey, except June 2023, when n = 151.
Note: EPS = earnings per share; ESG = environmental, social, and governance.
[1]Financially healthy companies were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet. [2]Leading investment industry institutions and executives have voiced their strong and unwavering commitment to and focus on ESG and sustainable investing. However, most of the investors BCG recently surveyed indicated that ESG is not currently a primary consideration in day-to-day investment decisions and recommendations.

Comparison of BCG's investor pulse checks (4/7)

Investors that agree with the following statements about financially healthy companies[1]

	2021				2022				2023			
It is important for financially healthy companies to...[1]	**Feb 7 #14**	**Apr 30 #15**	**June 20 #16**	**Oct 31 #17**	**Jan 31 #18**	**Mar 22 #19**	**Jun 21 #20**	**Oct 11 #21**	**Feb 22 #22**	**Jun 8 #23**	**Oct 11 #24**	**Difference (Jun 8 vs. Oct 11)**
Prioritize building key business capabilities	95% ↑	88%	86%	89%	89%	87%	83%	76%	78% ↓	91%	88%	–3 pp
Actively pursue acquisitions	63%	71%	68%	71%	72%	62% ↑	69%	68%	68%	57% ↓	61%	+4 pp
Actively consider exiting or divesting lines of business	83% ↑	75%	77%	79%	75%	74%	78%	75%	75%	76%	81%	+5 pp
Aggressively repurchase shares	35%	41%	36%	37%	43%	39%	47%	44% ↑	36%	37%	41%	+4 pp
Maintain the dividend per share	47%	53%	47%	45%	51%	49%	54%	47%	66%	68%	71% ↑	+3 pp
Consider significant equity issuance a reasonable move	55%	55%	63% ↑	61%	61%	61%	54%	55%	Not asked	Not asked	Not asked	NA
Deliver EPS that at least meets revised guidance or consensus	75%	79%	78%	83%	86%	81%	72%	77%	71%	83%	86% ↑	+3 pp
Expect an increase in activist activity and take proactive steps to mitigate risk	68%	67%	69%	69%	73%	62% ↑	61%	57%	63% ↓	64%	67%	+3 pp
Continue to fully pursue their ESG agenda and priorities[2]	50%	47%	55%	45%	43%	44%	41%	37%	37%	32%	29% ↓	–3 pp
Double down on ESG initiatives that create value and/or reduce risk longer term[2]	Not asked	Not asked	49% ↑	45%	42%	41%	37%	35%	33%	30%	29% ↓	–1 pp

↑ Series high ↓ Series low   Much less important   Less important   Minimal or no change   More important   Much more important

Source: BCG's investor pulse checks; n = 150 for each survey, except June 2023, when n = 151.
Note: EPS = earnings per share; ESG = environmental, social, and governance; NA = not applicable.
[1]Financially healthy companies were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet. [2]Leading investment industry institutions and executives have voiced their strong and unwavering commitment to and focus on ESG and sustainable investing. However, most of the investors BCG recently surveyed indicated that ESG is not currently a primary consideration in day-to-day investment decisions and recommendations.

Comparison of BCG's investor pulse checks (5/7)

	2021	2022				2023			
Investors that ranked these criteria among the top three investment risk factors	**Oct 31 #17**	**Jan 31 #18**	**Mar 22 #19**	**Jun 21 #20**	**Oct 11 #21**	**Feb 22 #22**	**Jun 8 #23**	**Oct 11 #24**	**Difference (Jun 8 vs. Oct 11)**
Interest rates and US Federal Reserve Policy[1]	67% ↓	82%	84%	91% ↑	87%	69%	75%	77%	+2 pp
Consumer price inflation and sentiment	Not asked	Not asked	Not asked	Not asked	Not asked	42% ↓	43%	45% ↑	+2 pp
Geopolitical risks[2]	21% ↓	46%	63% ↑	38%	39%	39%	39%	53%	+14 pp
Cost and wage inflation[3]	Not asked	39%	43%	45%	62% ↑	37% ↓	40%	29%	–11 pp
Tightening of liquidity in capital markets[4]	Not asked	Not asked	Not asked	Not asked	Not asked	25% ↑	15% ↓	16%	+1 pp
Stock market liquidity risk	7% ↑	4%	2% ↓	3%	4%	Not asked	Not asked	Not asked	NA
Inflated asset valuation[5]	32% ↑	21%	13%	11%	8% ↓	22%	25%	21%	–4 pp
Public-sector debt and spending	17%	12%	7%	4% ↓	8%	18%	15%	23% ↑	+8pp
Climate and other ESG-related risks[6]	17% ↑	7%	5% ↓	7%	5%	12%	7%	4%	–3 pp
Supply chain and other operational risks[7]	37% ↑	19%	19%	19%	9%	11%	8%	5%	–3 pp
Private-sector credit and default risks	5%	2% ↓	6%	3%	3%	7%	3%	9% ↑	+6 pp
Company-specific risks	24% ↑	7%	5% ↓	6%	5% ↓	7%	6%	7%	+1 pp
China growth (after COVID-19 reopening) lower than expected	Not asked	Not asked	Not asked	Not asked	Not asked	7%	18% ↑	7% ↓	–11 pp
Macroeconomic risks	52%	24% ↓	38%	58%	61% ↑	Not asked	Not asked	Not asked	NA
Pandemic- and COVID-19-related risks	19%	33% ↑	12%	12%	5%	Not asked	Not asked	Not asked	NA

↑ Series high ↓ Series low Much higher risk Higher risk No change Lower risk Much lower risk

Source: BCG's investor pulse checks; n = 150 for each survey, except June 2023, when n = 151.
Note: The questions that pertain to this slide were added to the survey in October 2021. NA = not applicable.
[1]This factor was inflation and interest rate risk or inflation rates and US Federal Reserve policy in previous surveys. [2]For example, the war in Ukraine, trade wars, and areas with civil unrest. [3]This factor was wage inflation or pressure in previous surveys. [4]This factor was stock market liquidity risk in previous surveys. [5]This factor was asset price risks in recent surveys. [6]Leading investment industry institutions and executives have voiced their strong and unwavering commitment to and focus on ESG and sustainable investing. However, most of the investors BCG recently surveyed indicated that ESG is not currently a primary consideration in day-to-day investment decisions and recommendations. [7]This factor was supply chain risk in previous surveys.

Comparison of BCG's investor pulse checks (6/7)

Investors that ranked these criteria among the top three considerations for investment decisions or recommendations		2021 Oct 17 #17	2022 Jan 31 #18	Mar 22 #19	Jun 21 #20	Oct 11 #21	2023 Feb 22 #22	Jun 8 #23	Oct 11 #24	Difference (Jun 8 vs. Oct 11)
Growth	Short-term growth momentum (for example, recovery from a recessionary environment)	Not asked	19%	16%	11% ↓	13%	14%	22% ↑	15%	–7 pp
	Long-term organic-growth outlook (for example, an attractive industry)	55%	65%	61%	67% ↑	61%	50% ↓	53%	52%	–1 pp
	Potential for market share gains	29%	25%	28%	31%	32% ↑	18%	10% ↓	15%	+5 pp
	M&A-driven growth opportunity	10%	6%	7%	9%	11% ↑	7%	1% ↓	4%	+3 pp
Margins and returns	Short-term margin outlook (that is, the impact of pricing, inflation, and transformation impact)	13% ↑	7%	7%	5% ↓	9%	7%	11%	11%	No change
	Medium- to long-term margin potential (for example, operating leverage)	Not asked	22% ↑	20%	19%	15% ↓	19%	18%	21%	+3 pp
	Return on capital (for example, ROIC or ROA and ROE)	15% ↓	19%	29% ↑	21%	23%	19%	23%	22%	–1 pp
Cash flow and capital allocation	FCF conversion, generation, and/or yield	29%	27%	29%	29%	31%	33%	26% ↓	36% ↑	+10 pp
	Growth spending (such as M&A and capex)	Not asked	Not asked	Not asked	Not asked	Not asked	5% ↓	6%	8% ↑	+2 pp
	Dividend payout and yield[1]	7%	9%	7%	6%	9%	11% ↑	5% ↓	11%	+6 pp
	Buyback approach	Not asked	Not asked	Not asked	Not asked	Not asked	5% ↑	1%	1% ↓	–1 pp

↑ Series high ↓ Series low Much less important Less important No change More important Much more important

Source: BCG's investor pulse checks; n = 150 for each survey, except June 2023, when n = 151.
Note: Questions on this slide were added to the survey in October 2021. ROIC = return on invested capital; ROA = return on assets; ROE = return on equity; FCF = free cash flow; capex = capital expenditure.
[1]This factor was attractive cash returns in previous surveys.

Comparison of BCG's investor pulse checks (7/7)

Investors that ranked these criteria among the top three considerations for investment decisions or recommendations		2021 Oct 17 #17	2022 Jan 31 #18	2022 Mar 22 #19	2022 Jun 21 #20	2022 Oct 11 #21	2023 Feb 22 #22	2023 Jun 8 #23	2023 Oct 11 #24	Difference (Jun 8 vs Oct 11)
Risk and valuation levels	Attractive valuation level	34% ↑	31%	32%	32%	32%	Not asked	Not asked	Not asked	NA
	Absolute valuation level	Not asked	Not asked	Not asked	Not asked	Not asked	20%	16% ↓	20% ↑	+4 pp
	Relative valuation (vs. peers or sector)	Not asked	Not asked	Not asked	Not asked	Not asked	10% ↓	17% ↑	11%	–6 pp
	Healthy balance sheet	30%	29%	25%	34% ↑	31%	18% ↓	21%	21%	No change
	Volatility of earnings	Not asked	Not asked	Not asked	Not asked	Not asked	3%	2% ↓	5% ↑	+3 pp
	EPS consistency and meeting guidance	Not asked	Not asked	Not asked	Not asked	Not asked	3% ↓	6% ↑	3%	–3 pp
	Macroeconomic risks	Not asked	Not asked	Not asked	Not asked	Not asked	5% ↓	9% ↑	9%	No change
	Regulatory environment and changes	Not asked	Not asked	Not asked	Not asked	Not asked	2%	1% ↓	3% ↑	+2 pp
Nonfinancial	Business strategy and vision[1]	28% ↑	16%	17%	15%	11% ↓	21%	25%	17%	–8 pp
	Portfolio strategy and (re)shaping or turnover	Not asked	Not asked	Not asked	Not asked	Not asked	5%	7% ↑	1%	–6 pp
	Management credibility and track record	Not asked	Not asked	Not asked	Not asked	Not asked	12%	14% ↑	7%	–7 pp
	Management incentives and stock ownership	Not asked	Not asked	Not asked	Not asked	Not asked	4% ↑	1% ↓	2%	+1 pp
	Climate and sustainability[2]	Not asked	6%	6%	7% ↑	7%	3%	4%	3% ↓	–1 pp
	Climate and carbon footprint	Not asked	5% ↑	5%	4%	6%	Not asked	Not asked	Not asked	NA
	Other material environmental factors	Not asked	1%	1%	3% ↑	1%	Not asked	Not asked	Not asked	NA
	Material social factors and stakeholder impact	Not asked	5% ↑	3%	3%	2%	1%	0%	0% ↓	No change
	Corporate governance[3]	5% ↑	5%	5%	4%	5%	3%	1%	1% ↓	No change

↑ Series high ↓ Series low   Much less important   Less important   No change   More important   Much more important

Source: BCG's investor pulse checks; n = 150 for each survey, except June 2023, when n = 151.
Note: Questions on this slide were added to the survey in October 2021. NA = not applicable. EPS = earnings per share.
[1]This factor was a compelling strategy to win in previous surveys. [2]This factor was asked as climate and carbon footprint and other material environmental factors. [3]This factor was best-in-class governance policies in previous surveys. This includes corporate policies, board composition, and effectiveness.

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