BCG Investor Perspectives Series

Q1 2024

SURVEY CONDUCTED JANUARY 16–18, 2024

BCG Investor Perspectives Series | Q1 2024

BCG surveyed leading investors January 16–18, 2024, 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 25th investor pulse check since March 2020.

Source: BCG's investor pulse checks, March 2020 through January 2024; n = 150 for each survey, except for June 2023 (n = 151) and January 2024 (n = 153).

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

- About 75% of the participants in this survey overlap with the respondents in the previous survey, which was conducted October 10–13, 2023
- Across the three most recent surveys (June 5–8, 2023, October 10–13, 2023, and January 16–18, 2024), the overlap in respondents is 66%

About the respondents:

- They represent investment firms that have more than $5 trillion in combined assets under management
- Roughly 94% are portfolio managers and senior analysts who are responsible for 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 regarding 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 Q1 2024 pulse check (1/3)

January 16–18

Short-term investor sentiment remains bearish for 2024 but bullish for 2025 and 2026, reflecting an uncertain macro environment and geopolitical landscape.

- In the January 2024 survey, 37% of investors are bullish for 2024—similar to the share in October 2023, when 38% of investors were bullish for 2024
- For the next three years (through January 2027), 67% of investors are bullish, similar to the October 2023 result of 65% and the overall series average (62%)[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, 70% of investors (down from 77% in October 2023) highlighted interest rates and the Federal Reserve's policy, followed by geopolitical risks (49%, down from 53% in October 2023), consumer price inflation (41%, down from 45%), and cost and wage inflation (36%, up from 29%). The latter two data points—and a more than doubling in concern regarding supply chain and operating risks from 5% to 12%—point to investors expecting potential pressure on margins and returns going forward, as well as a less bright profit picture than record-high market indices might imply
- Most investors (84%) identify the Federal Reserve's interest rate policy enabling a soft economic landing as a top-three factor that is likely to drive equity market returns in 2024; the upcoming elections (in the US as well as globally) were also ranked as a top-three factor by 84% of investors

Over the medium term, investors expect inflation to remain elevated, but their concerns about an impending US recession appear to have moderated.

- Investors expect the inflation rate to continue to modestly decline (to 3.4% at year-end 2024 and to 3.1% for 2025 and 2026), but 70% of investors (up from 55% in October 2023) expect it to be above the Federal Reserve's 2% target beyond mid-2024, and 36% (up from 24% in October 2023) even expect the same after 2024
- While recession fears have eased since the October 2023 survey, they remain significant: 28% of investors still expect a recession during the first half of 2024 and 52% by year-end 2024; in the October 2023 survey, 52% anticipated a recession before the end of Q2 2024 and 72% by year-end 2024

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024; n = 153.
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.
[1]The average across 25 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 Q1 2024 pulse check (2/3)

January 16–18

TSR expectations for the S&P 500 remain relatively low, reflecting that many investors believe that the market already has the "bull case" priced in.

- Investors, on average, expect the S&P 500 to return 6.5% over the next three years (including dividends), slightly above the series low of 6% in October 2023, but it is only the third time across 25 pulse checks since March 2020 that investors expect less than 7% annual market returns
- In what may explain investors' short-term bearishness and modest return expectations, a higher share of investors believe that the market is too optimistic (vs. too pessimistic) regarding the Federal Reserve's policy's impact on the US economy's soft landing (45% think the market is too optimistic vs. 9% that think the market is too pessimistic), 2024 elections (29% vs. 10%), the wars in Ukraine and the Middle East (35% vs. 5%), and AI developments and regulation (46% vs. 12%)

Investors continue to prioritize long-term organic growth as the most important company-specific consideration for investment decisions and recommendations.

- When asked to rank their top three investment considerations, 52% of investors highlighted long-term organic growth (the same as the 52% result in October 2023)
- The next most common top-three investment considerations remain FCF generation (35%, similar to 36% in October 2023), return on capital (24%, similar to 22% in October 2023), medium-to-long-term margin upside (24%, similar to 21% in October 2023), and absolute valuation levels (22%, similar to 20% in October 2023)

Investors expect companies to deliver the best of both worlds by simultaneously investing for longer-term growth and fully delivering on near-term guidance and analyst consensus. As a result, corporate leaders need to determine the right tradeoffs for their companies and clearly share their rationale with investors to manage expectations.

- Eighty-four percent of investors (similar to the October 2023 result of 88% and the series average of 88%[1]) consider it important for companies to invest in key business capabilities, even at the expense of guiding to lower EPS or delivering below consensus
- At the same time, 84% of investors (near the all-time series high of 86% in October 2023 and significantly higher than the series average of 69%[1]) consider it important that healthy companies fully deliver on their current guidance and analyst consensus forecasts

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024; n = 153.
Note: FCF = free cash flow; EPS = earnings per share. 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 25 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 Q1 2024 pulse check (3/3)

January 16–18

- Similarly, 81% of investors (near the October 2023 result of 83%) are supportive of companies investing in innovation and go-to-market strategies even if that affects their margins short term, while 73% of investors (down from 79% in October 2023) 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
- While these findings appear contradictory, they are consistent with recent conversations BCG had with quality investors who highlighted that companies should not surprise investors with long-term investments that result in earnings misses; instead, investments should be funded through incremental cost reduction, and/or executives should make the case for temporarily muted earnings and margins to support more robust long-term value creation
- Investments for growth and top-line protection remain investors' number one priority, ranked as a top-three priority for financially healthy companies by 71% of investors (up from 68% in October 2023); at the same time, the share of investors that rate building financial resilience and managing cash flows as a top-three priority for financially healthy companies dropped to 49% (from 63% in October 2023), and 35% (near the October 2023 survey result of 37%) view preserving or expanding gross margins among their top three priorities

Investors continue to be wary of leverage in the current macroeconomic environment (especially given higher interest rates), but they remain open to supporting well-grounded and clearly articulated growth and M&A agendas.

- For companies with near-term debt maturities, 73% of investors now consider rollover risk and interest coverage ratios, rather than leverage ratios alone—that has been reinforced in conversations with many seasoned investors, suggesting that the interest coverage ratio is an important consideration for the first time in 15 years
- About 69% 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 44% 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 recent investors' comments that 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—65% of investors are supportive of companies making substantial or even transformative acquisitions (significantly 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, 75% 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, Q1 2024, January 16–18, 2024; n = 153.
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

January 16–18

Macroeconomic outlook

INVESTORS WERE ASKED ABOUT THEIR **INFLATION EXPECTATIONS**

36%

Investors that believe **inflation will remain above** the Federal Reserve's 2% target **into 2025**

Above the October 2023 survey result of 24%

3.4%

The expected **inflation rate for year-end 2024 (Q4 2024 vs. Q4 2023)**

3.1%

The expected **inflation rate for 2025 and 2026**

Below the October 2023 expected rate for 2024 and 2025 of 3.7%

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

52%

Investors that think the US is in a **recession** or will be **before the end of 2024**

Below the October 2023 survey result of 72%

Bull vs. bear sentiment

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

37%

Investors that are **bullish for the remainder of 2024**

Near the October 2023 survey result of 38%

67%

Investors that are **bullish for the next three years**[1, 2]

Near the October 2023 survey result of 65%

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

62%

Investors that are more bullish on the **economy**

Above the survey results of 35% in October 2023 and 58% in June 2023

59%

Investors that are more bullish on the **stock market**

Above the survey results of 37% in October 2023 and 53% in June 2023

Expected stock market low

S&P 500 market low	**4,397**
Implied potential **S&P decline**[1]	**8%**
Timing of low	End of Q2 2024

Stock market level in three years

S&P 500 level of…	**5,532**
…implies an **average annual TSR for the next three years**[2]	**6.5%**

Bullish | Neutral | Bearish

Source: BCG's investor pulse checks, October 2021 through January 2024; n = 150 for each survey, except for June 2023 (n = 151) and January 2024 (n = 153).
Note: TSR = total shareholder return.
[1]S&P 500 closed at 4,784 on January 12, 2024. [2]Through January 2027.

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

January 16–18

Most important macro factors[1]

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024; n = 153.
Note: ESG = environmental, social, and governance. Any apparent discrepancies in the change when compared with October 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.

Investors view the equity market as too optimistic regarding the interest rate policy and upcoming elections, both of which are expected to influence the market the most

January 16–18

Key geopolitical and macro factors influencing the US equity market[1]

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024; n = 153.
Note: BRICS = Brazil, Russia, India, China, and South Africa.
[1]Survey question: As you look ahead to 2024, which of the following factors do you believe will most influence the overall direction of the US equity market? [2]The market being too optimistic implies downside risk, whereas the market being too pessimistic implies upside opportunity.

In making investment decisions and recommendations, investors prioritize long-term growth, followed by FCF generation, return on capital, and margin potential

January 16–18

Most important company-specific factors for investment decisions or recommendations

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024; n = 153.
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 October 2023's survey results are due to rounding.

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

January 16–18

Should companies prioritize investments?

84% | Investors that believe it is important to prioritize **building business capabilities** (for example, digital and technology infrastructure), even if it means guiding to lower EPS or delivering below consensus

Similar to the series average and the October 2023 survey result of 88%, but below the series high of 95%[1]

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

84% | Investors that feel it is **important to deliver EPS** over the current fiscal year that **at least meets guidance and consensus**

Higher than the series average of 69%, but slightly lower than the October 2023 survey result of 86%, which as a series high[1]

Investors expect companies to deliver the best of both worlds by simultaneously investing for longer-term growth and fully delivering on near-term guidance and analyst consensus

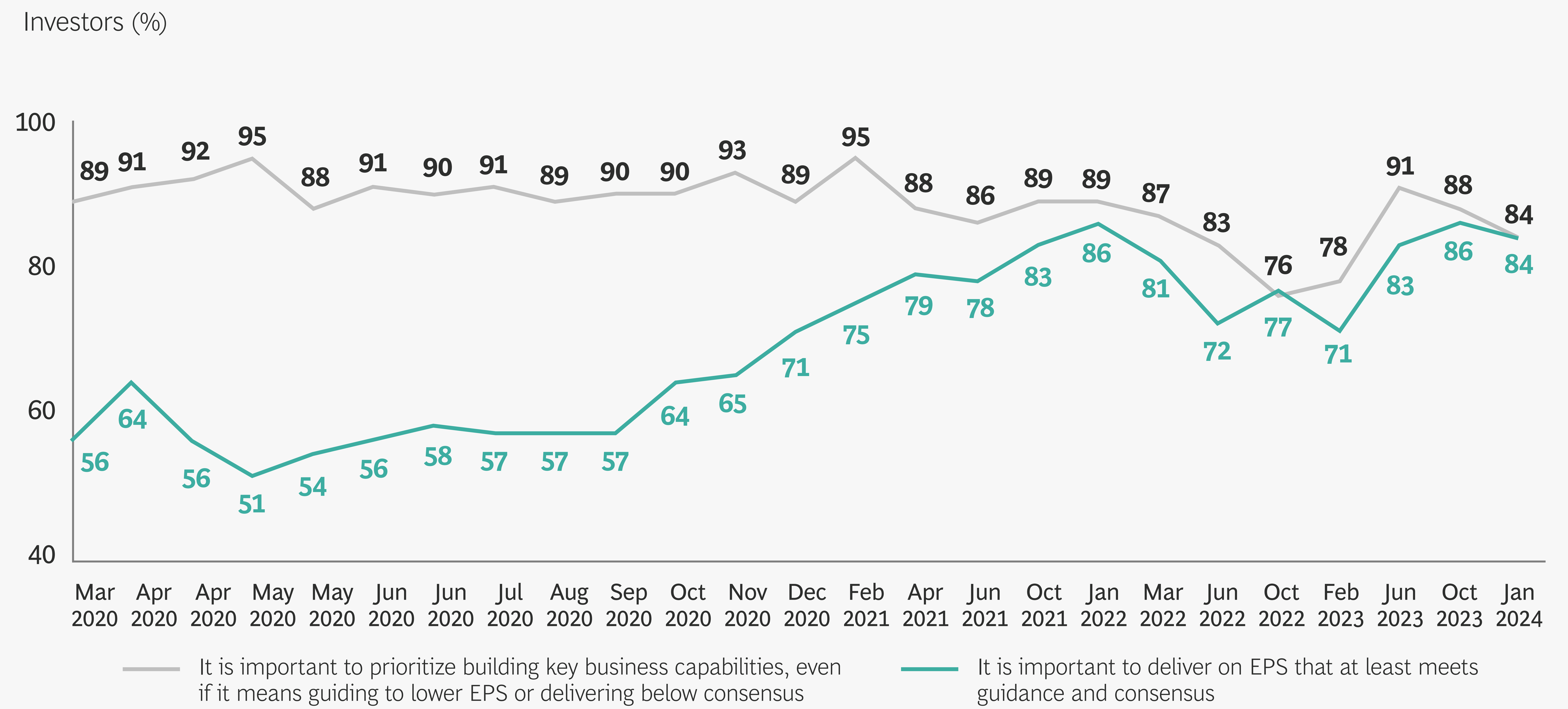
As a result, corporate leaders need to determine the right tradeoffs for their companies and clearly share their rationale with investors to manage expectations

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024; n = 153.
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 25 investor pulse checks.

Investors' expectations regarding long-term investments and delivering short-term EPS have changed significantly over the pulse check series

January 16–18

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 (such as EPS guidance or consensus)

Over the past several years, investors' views have evolved, and they now expect the best of both worlds from companies they invest in—delivering short-term performance and investing for long-term growth and value creation

Source: BCG's investor pulse checks, March 2020 through January 2024; n = 150 for each survey, except for June 2023 (n = 151) and January 2024 (n = 153).
Note: EPS = earnings per share.

Investors want companies to prioritize investing to grow, building financial resilience, and preserving and expanding gross margins

January 16–18

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

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024; n = 153.
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 and hunkering down by not reinvesting cost savings

January 16–18

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

81% | Investors that are supportive of companies **investing in innovation and go-to-market strategies, even if that affects margins short term**

Similar to the October 2023 result of 83%

73% | 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

Down moderately from October 2023 result of 79%

71% | Investors that believe that companies should **pursue significant profit improvement focused transformation programs** starting in 2024[1]

While these findings appear contradictory, they are consistent with recent conversations that BCG has had with quality investors who have highlighted that reinvestments should not result in earnings misses

Rather, companies should find alternative ways to fund these investments (for example, through cost reduction) and then manage investor expectations by articulating the financial benefits of reinvesting to achieve longer-term advantage and value creation

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024; n = 153.
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]Question was not asked in earlier investor pulse check surveys.

Support for divestitures is close to the series high, but investors also are open to acquisitions that do not compromise long-term balance sheet health

January 16–18

Should companies reshape their portfolios through divestitures or acquisitions, or both?

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

Close to the series low of 57% in June 2023, and below the series average of 66%[1]

78% | Investors that believe **exiting or divesting lines of businesses** should be considered to strengthen the overall company in the current market environment

Close to the series high of 83%, but slightly below the October 2023 survey result of 81%[1]

Do investors support tuck-in or even larger acquisitions in the current environment?

75% | 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

In line with the October 2023 survey result of 78%[2]

65% | 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]

Down significantly from the October 2023 survey result of 73%[2]

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024 n = 153.
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 25 investor pulse checks. [2]Question was not asked in earlier investor pulse surveys.

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

January 16–18

Should companies prioritize dividends?

74% | 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 47% and the October 2023 survey result of 71%[1, 2]

Should companies repurchase shares?

38% | Investors that think it is important to **aggressively repurchase shares** in today's market environment

Close to the series average of 39% and slightly lower than the October 2023 survey result of 41%[1, 2]

Source: BCG Investor Perspectives Series, Q1 2024, January 16–18, 2024; n = 153.
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 25 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 continue to consider rollover risk and interest coverage ratios, while reducing their exposure to highly leveraged companies

January 16–18

Investors' attitudes toward company debt

Source: BCG Investor Perspectives Series, Q1, 2024, January 16–18, 2024; n = 153.
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

January 16–18

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

25% | 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 46% and the October 2023 result of 29%[1]

29% | Investors that say companies should **double down on ESG initiatives that create advantage, deliver attractive returns, or reduce long-term risk,** or all three, 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 37% and the same as the October 2023 result of 29%[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, Q1 2024, January 16–18, 2024; n = 153.
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 25 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

January 16–18

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

While there have been significant shifts in asset allocation and increased ESG engagement, the results of this survey highlight that the commitments by investment industry leaders have not yet fully cascaded down the "rockface." (Click here for more on this topic.) 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 5% 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 6% of investors as a top-three investment consideration (all ESG dimensions ranked from 16th through 25th of 25 criteria)
- 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 recent investor interviews that BCG has conducted, 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 support of investments in key capabilities that create long-term advantage
- In certain industries (for example, oil and gas, utilities, chemicals, mining, air transportation, and automotive), ESG performance (especially decarbonization) is already central to investment theses and significantly impacts investment decision making
- Strengthening sustainability standards and ESG reporting requirements through organizations such as ISSB 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 January 2024; n = 150 for each survey, except for June 2023 (n = 151) and January 2024 (n = 153).
Note: ESG = environmental, social, and governance; ISSB = International Sustainability Standards Board. (For information on ISSB, visit https://www.ifrs.org/groups/international-sustainability-standards-board/.)

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

2020

What are your expectations for...	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.
Note: CY = calendar year; TSR = total shareholder return.
[1]The S&P 500 level that was used is the closing level prior to the opening of each survey (4,784 on January 12, 2024, 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)

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 13 #24	Jan 18 #25	Difference (Jan 18 vs Oct 13)
	2021				2022				2023			2024	
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	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 (–10% to –12%)	3,920 (–10%)	3,240 (–12%)	3,375 (–10%)	3,712 (–8%)	3,878 (–9%)	3,965 (–9%)	4,397 (–8%)	+1 pp
▪ 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	End of Q2 2024	No change
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%) ↓	5,532 (6.5%)	+0.5 pp
Bull vs. bear													
Investors that are bullish for:													
▪ Current CY	51%	50%	39%	41%	20%	22%	6%	5% ↓	22%	21%	19%	37%	+18 pp
▪ Next CY	41%	47%	45%	43%	43%	41%	29%	25% ↓	51%	51%	38%	59%	+21 pp
▪ Next three years	53%	52%	52%	45% ↓	60%	62%	59%	62%	73% ↑	69%	65%	67%	+2 pp
More bullish than one or three months ago: economy[2]	63%	73% ↑	55%	41%	33%	25%	14%	13% ↓	60%	58%	35%	62%	+27 pp
More bullish than one or three months ago: stock market[2]	59%	57%	40%	42%	25% ↓	29%	27%	28%	53%	53%	37%	59% ↑	+22 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 for June 2023 (n = 151) and January 2024 (n = 153).
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 was used is the closing level prior to the opening of each survey (4,784 on January 12, 2024, 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.
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			2024	
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 13 #24**	**Jan 18 #25**	**Difference (Jan 18 vs. Oct 13)**
Prioritize building key business capabilities	95% ↑	88%	86%	89%	89%	87%	83%	76% ↓	78%	91%	88%	84%	–3 pp
Actively pursue acquisitions	63%	71%	68%	71%	72% ↑	62%	69%	68%	68%	57% ↓	61%	61%	No change
Actively consider exiting or divesting lines of business	83% ↑	75%	77%	79%	75%	74%	78%	75%	75%	76%	81%	78%	–3 pp
Aggressively repurchase shares	35%	41%	36%	37%	43%	39%	47% ↑	44%	36%	37%	41%	38%	–3 pp
Maintain the dividend per share	47%	53%	47%	45%	51%	49%	54%	47%	66%	68%	71%	74% ↑	+3 pp
Consider significant equity issuance a reasonable move	55%	55%	63% ↑	61%	61%	61%	54%	55%	Not asked	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% ↑	84%	–2 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%	58%	–9 pp
Continue to fully pursue their ESG agenda and priorities[2]	50%	47%	55%	45%	43%	44%	41%	37%	37%	32%	29%	25% ↓	–4 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%	29% ↓	No change

↑ 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 for June 2023 (n = 151) and January 2024 (n = 153).
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			2024	
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 13 #24**	**Jan 18 #25**	**Difference (Jan 18 vs. Oct 13)**
Interest rates and US Federal Reserve policy[1]	67% ↓	82%	84%	91% ↑	87%	69%	75%	77%	70%	–7 pp
Consumer price inflation and sentiment	Not asked	Not asked	Not asked	Not asked	Not asked	42%	43%	45% ↑	41% ↓	–4 pp
Geopolitical risks[2]	21% ↓	46%	63% ↑	38%	39%	39%	39%	53%	49%	–4 pp
Cost and wage inflation[3]	Not asked	39%	43%	45%	62% ↑	37%	40%	29%	36%	+7 pp
Tightening of liquidity in capital markets[4]	Not asked	Not asked	Not asked	Not asked	Not asked	25% ↑	15%	16%	12% ↓	–4 pp
Stock market liquidity risk	7% ↑	4%	2% ↓	3%	4%	Not asked	Not asked	Not asked	Not asked	NA
Inflated asset valuation[5]	32% ↑	21%	13%	11%	8% ↓	22%	25%	21%	23%	+2 pp
Public-sector debt and spending	17%	12%	7%	4% ↓	8%	18%	15%	23% ↑	22%	–1 pp
Climate and other ESG-related risks[6]	17% ↑	7%	5%	7%	5%	12%	7%	4% ↓	5%	+1 pp
Supply chain and other operational risks[7]	37% ↑	19%	19%	19%	9%	11%	8%	5% ↓	12%	+7 pp
Private-sector credit and default risks	5%	2% ↓	6%	3%	3%	7%	3%	9%	12% ↑	+3 pp
Company-specific risks	24% ↑	7%	5%	6%	5% ↓	7%	6%	7%	9%	+2 pp
China growth (after COVID-19 reopening) lower than expected	Not asked	Not asked	Not asked	Not asked	Not asked	7%	18% ↑	7%	6% ↓	–1 pp
Macroeconomic risks	52%	24% ↓	38%	58%	61% ↑	Not asked	Not asked	Not asked	Not asked	NA
Pandemic- and COVID-19-related risks	19%	33% ↑	12%	12%	5% ↓	Not asked	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 for June 2023 (n = 151) and January 2024 (n = 153).
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)

		2021	2022				2023			2024	
Investors that ranked these criteria among the top three considerations for investment decisions or recommendations (%)		**Oct 31 #17**	**Jan 31 #18**	**Mar 22 #19**	**Jun 21 #20**	**Oct 11 #21**	**Feb 22 #22**	**Jun 8 #23**	**Oct 13 #24**	**Jan 18 #25**	**Difference (Jan 18 vs. Oct 13)**
Growth	Short-term growth momentum (for example, recovery from a recessionary environment)	Not asked	19%	16%	11% ↓	13%	14%	22% ↑	15%	17%	+2 pp
	Long-term organic-growth outlook (for example, an attractive industry)	55%	65%	61%	67% ↑	61%	50% ↓	53%	52%	52%	No change
	Potential for market share gains	29%	25%	28%	31%	32% ↑	18%	10% ↓	15%	10%	–5 pp
	M&A-driven growth opportunity	10%	6%	7%	9%	11% ↑	7%	1% ↓	4%	7%	+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%	14% ↑	+3 pp
	Medium- to long-term margin potential (for example, operating leverage)	Not asked	22%	20%	19%	15% ↓	19%	18%	21%	24% ↑	+3 pp
	Return on capital (for example, ROIC or ROA and ROE)	15% ↓	19%	29% ↑	21%	23%	19%	23%	22%	24%	+2 pp
Cash flow and capital allocation	FCF conversion, generation, and/or yield	29%	27%	29%	29%	31%	33%	26% ↓	36% ↑	35%	–1 pp
	Growth spending (such as M&A and capex)	Not asked	Not asked	Not asked	Not asked	Not asked	5% ↓	6%	8%	8% ↑	No change
	Dividend payout and yield[1]	7%	9%	7%	6%	9%	11% ↑	5%	11%	3% ↓	–8 pp
	Buyback approach	Not asked	Not asked	Not asked	Not asked	Not asked	5% ↑	1% ↓	1%	2%	+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 for June 2023 (n = 151) and January 2024 (n = 153).
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.
[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 31 #17	2022 Jan 31 #18	Mar 22 #19	Jun 21 #20	Oct 11 #21	2023 Feb 22 #22	Jun 8 #23	Oct 13 #24	2024 Jan 18 #25	Difference (Jan 18 vs Oct 13)
Risk and valuation levels	Attractive valuation level	34% ↑	31% ↓	32%	32%	32%	Not asked	Not asked	Not asked	Not asked	NA
	Absolute valuation level	Not asked	Not asked	Not asked	Not asked	Not asked	20%	16%	20% ↓	22% ↑	+2 pp
	Relative valuation (vs. peers or sector)	Not asked	Not asked	Not asked	Not asked	Not asked	10% ↓	17% ↑	11%	14%	+3 pp
	Healthy balance sheet	30%	29%	25%	34%	31%	18%	21%	21%	14% ↓	–7 pp
	Volatility of earnings	Not asked	Not asked	Not asked	Not asked	Not asked	3%	2%	5% ↑	3% ↓	–2 pp
	EPS consistency and meeting guidance	Not asked	Not asked	Not asked	Not asked	Not asked	3%	6% ↑	3% ↓	4%	+1 pp
	Macroeconomic risks	Not asked	Not asked	Not asked	Not asked	Not asked	5% ↓	9% ↑	9%	8%	–1 pp
	Regulatory environment and changes	Not asked	Not asked	Not asked	Not asked	Not asked	2%	2%	3% ↑	1% ↓	–2 pp
Nonfinancial	Business strategy and vision[1]	28%	16%	17%	15%	11% ↓	21%	25% ↑	17%	16%	–1 pp
	Portfolio strategy and (re)shaping or turnover	Not asked	Not asked	Not asked	Not asked	Not asked	5%	7% ↑	1% ↓	3%	+2 pp
	Management credibility and track record	Not asked	Not asked	Not asked	Not asked	Not asked	12%	14% ↑	7% ↓	8%	+1 pp
	Management incentives and stock ownership	Not asked	Not asked	Not asked	Not asked	Not asked	4% ↑	1%	2%	1% ↓	–1 pp
	Climate and sustainability[2]	Not asked	6%	6%	7%	7% ↑	3% ↓	4%	3%	6%	+3 pp
	Climate and carbon footprint	Not asked	5%	5%	4% ↓	6% ↑	Not asked	Not asked	Not asked	Not asked	NA
	Other material environmental factors	Not asked	1%	1%	3% ↑	1% ↓	Not asked	Not asked	Not asked	Not asked	NA
	Material social factors and stakeholder impact	Not asked	5% ↑	3%	3%	2%	1%	0% ↓	0%	1%	+1 pp
	Corporate governance[3]	5%	5%	5%	4%	5% ↑	3%	1% ↓	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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