



# BCG Investor Perspectives Series

Q1 2023

SURVEY CONDUCTED FEBRUARY 13–22, 2023



# BCG Investor Perspectives Series | Q1 2023

**BCG surveyed leading investors February 13–22, 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 22nd investor pulse check since the start of the COVID-19 pandemic. The initial pulse check was conducted March 20–22, 2020.**

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

- About 93% of the participants in this survey overlap with the respondents in the previous survey, which was conducted October 7–11, 2022
- Across the three most recent surveys (June 17–21, 2022, October 7–11, 2022, and February 13–22, 2023), the overlap in respondents is 87%

## About the respondents:

- They represent investment firms that have more than \$5 trillion in combined assets under management
- Roughly 96% 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](https://www.bcg.com).

# Key insights from Q1 2023 pulse check (1/2)

February 13–22

**This pulse check, conducted February 13–22, 2023, indicates investors' overall sentiment is significantly more positive than it was in the prior one in October 2022, when investors' bullishness was at its weakest point for the series.**

- For the current year, bullishness has increased, but it remains at relatively low levels, with 22% of investors bullish versus 5% in October 2022 (the series low) and versus the series average of 37%<sup>1, 2</sup>
- For the next three years, 73% are bullish (an all-time series high) versus 62% in October 2022 and versus the series average of 61%<sup>1</sup>

**For 2023, investors remain concerned about elevated inflation and a potential recession. For 2024 and 2025, while inflation expectations stay elevated, investors are optimistic about growth in the US economy.**

- Investors expect inflation to stay high through 2023, with a 4.5% median expectation for year-end; about 55% of investors believe that the US will experience a recession before the end of 2023, significantly less than 91% of investors in October 2022
- For 2024 and 2025, investors expect inflation to stay above the Federal Reserve's target level (3.6% median), and they anticipate a median real growth rate of 2.7% for the US economy

**Inflation, the Federal Reserve's policy on interest rates, and geopolitical risks continue to be the most important macroeconomic concerns.**

- When asked about their top three concerns related to the macro economy, 79% of investors listed inflation, 69% listed interest rates and the Federal Reserve's policy, and 39% pointed to geopolitical risk
- Concerns related to other factors—such as tightening of liquidity, asset price risk, and the public sector's debt spending—have increased

**In the middle term, nearly 80% of investors view moderate to high growth (2.7% median real GDP growth) and elevated inflation (3.6% median) as the most likely macroeconomic scenario in the US for 2024 and 2025.**

Source: BCG Investor Perspectives Series, Q1 2023, February 13–22, 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://bcghendersoninstitute.com/macro/>.

<sup>1</sup>The term current year referred to 2023 in this survey and to the remainder of 2022 in the October survey. <sup>2</sup>The average across 22 investor pulse checks was calculated using the percentage of investors that were bullish for the current calendar year at the time of each survey.

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# Key insights from Q1 2023 pulse check (2/2)

February 13–22

## **Investors' capital allocation and investing practices reflect a more conservative approach due to the inflationary and recessionary environment.**

- More than 70% of investors are holding more cash, investing more in companies with structural tailwinds, and benefiting from the current environment
- Similarly, investors identified using higher discount rates, taking more conservative approaches to valuation, and focusing on value rather than growth as the top three changes in their investment practices
- Almost 60% of investors expect the shift in market preference from growth to value investing to last beyond 2023 but not more than three years; only 19% anticipate a reversion in less than a year

## **Investors report long-term organic growth and free cash flow generation or yield as the two most important factors they consider in making investment decisions or recommendations.**

- Half of the investors surveyed ranked organic growth as a top-three factor, and 33% chose free cash flow generation or yield

## **Investors' focus on the short term has increased, and their patience has decreased.**

- More investors (71%) want companies to deliver on guidance and consensus, compared with the series average of 67%<sup>1</sup>
- Fewer investors (78%) consider it important to invest in business capabilities, compared with the series average of 89%<sup>1</sup>

## **In the current macroeconomic environment, investors want companies to protect their top line and build financial and cash flow resilience.**

- A majority of investors (63%) ranked growth and protecting the top line as a top-three priority, and 55% chose building financial cash flow resilience
- Supply chain resilience, preserving gross margin, and SG&A efficiency were ranked as the top three priorities by 33%, 32%, and 28% of investors, respectively

## **Investors remain supportive of financially healthy companies actively reshaping their portfolio.**

- Many investors (68%) support acquisitions, similar to the series average of 67%<sup>1</sup>
- A significant percentage (75%) support exiting or divesting lines of business, similar to the series average of 74%<sup>1</sup>

## **While two-thirds of investors believe that financially healthy companies should continue to pay dividends at historical levels, their support for aggressive share repurchases has declined to 36% from 44% in October 2022.**

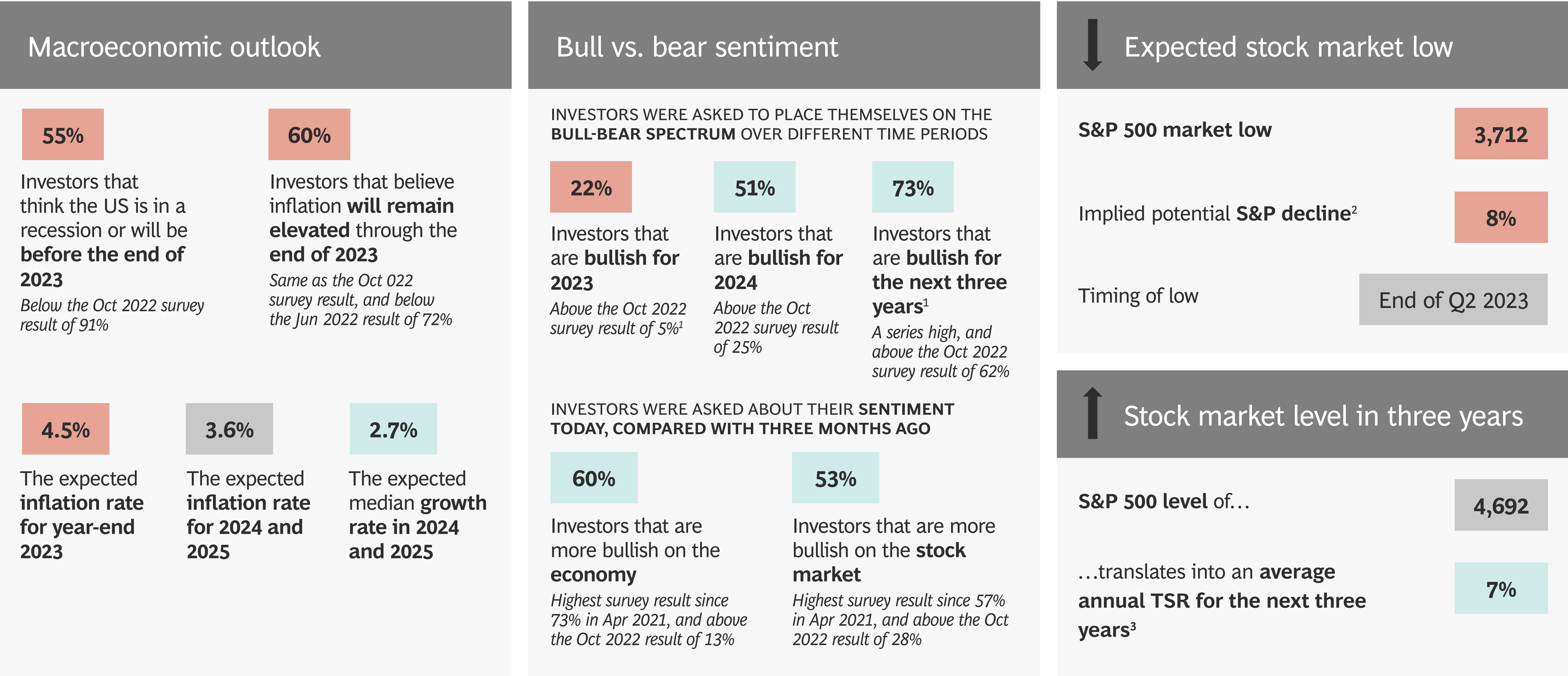
Source: BCG Investor Perspectives Series, Q1 2023, February 13–22, 2023; n = 150.

Note: SG&A = selling, general, and administrative expenses. 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://bcghendersoninstitute.com/macro/>.

<sup>1</sup>The average across 22 investor pulse checks was calculated using the percentage of investors that were bullish for the current calendar year at the time of each survey.

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

February 13–22



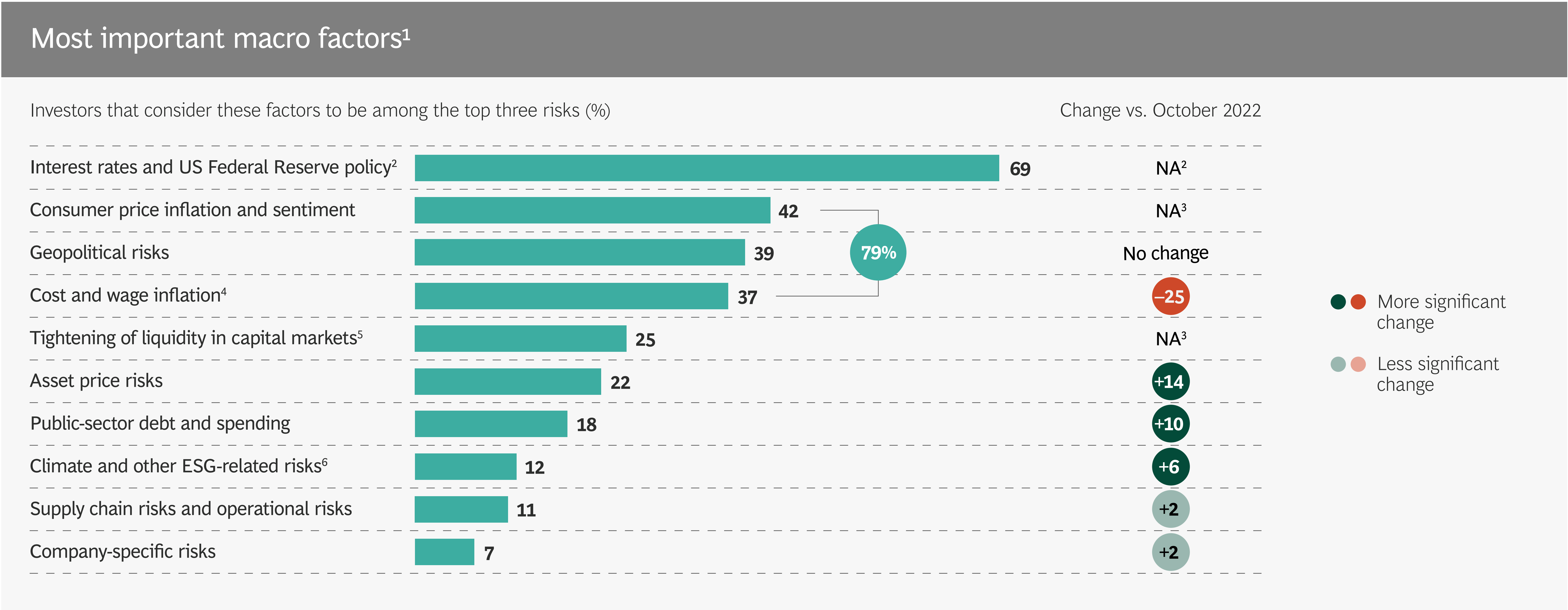
Bullish Neutral Bearish

Source: BCG's investor pulse checks, October 31, 2021, through February 22, 2023; n = 150 for each survey.  
Note: TSR = total shareholder return.  
<sup>1</sup>Investors were asked about their bullishness for the current year, which referred to 2023 in this survey and to the remainder of 2022 in the October survey. <sup>2</sup>S&P 500 closed at 4,082 on February 9, 2023. <sup>3</sup>Through October 2026.



# When asked which macro risk factors are the most important, investors pointed to inflation, Federal Reserve policy, and geopolitical risks

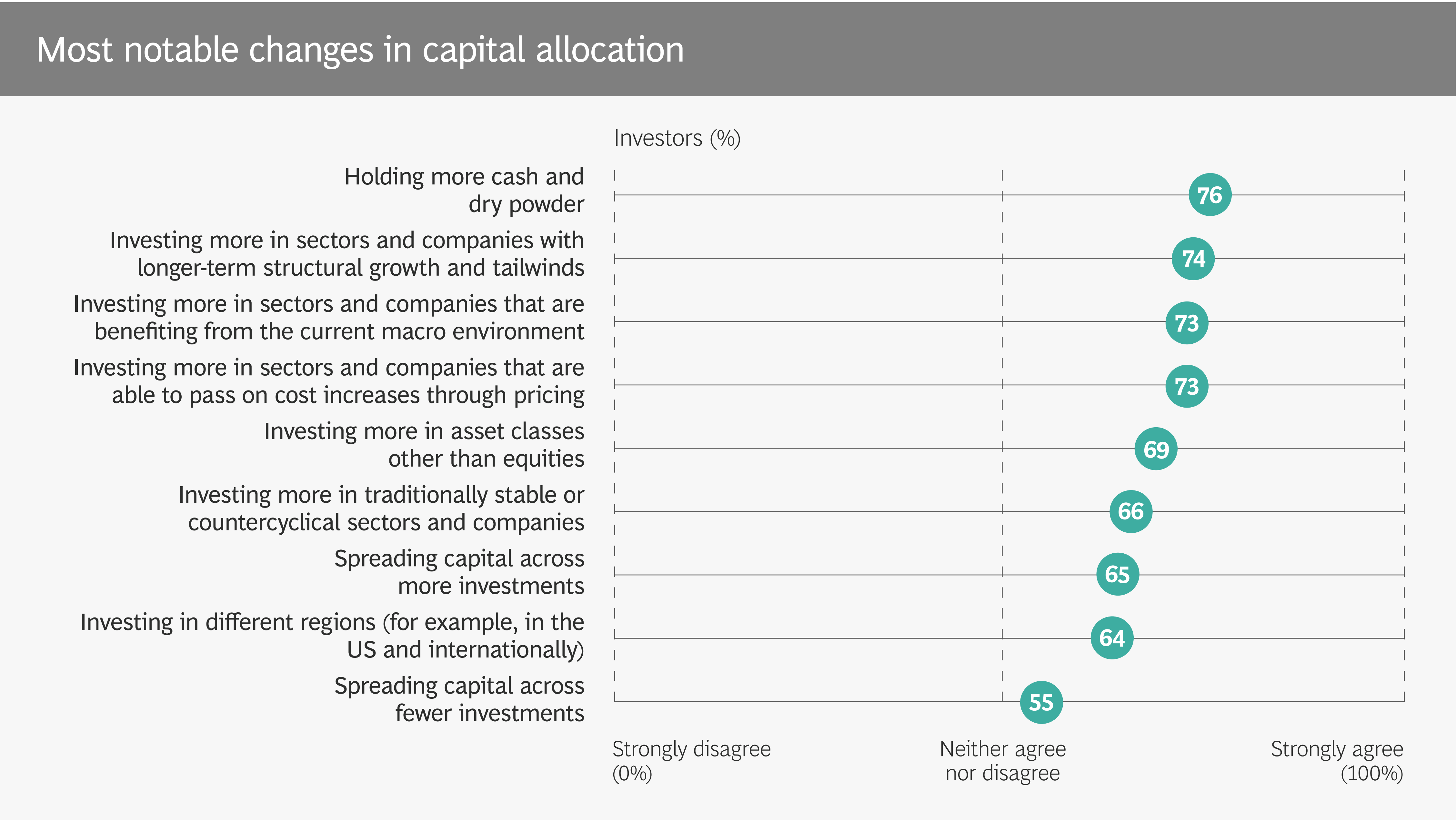
February 13–22



Source: BCG Investor Perspectives Series, Q1 2023, February 22, 2023; n = 150.  
Note: NA = not applicable; ESG = environmental, social, and governance. Any apparent discrepancies in the change when compared with October 2022's survey results are due to rounding.  
<sup>1</sup>Survey question: What are the most important risks for investors to consider in today's environment? Rank the top three. <sup>2</sup>This factor was inflation and interest rate risk in previous surveys. <sup>3</sup>This is a new factor; it was not included on previous surveys. <sup>4</sup>This factor was wage inflation or pressure in previous surveys. <sup>5</sup>A similar factor was asked in the previous survey (specifically, stock market liquidity risks such as a Reddit stock incident). <sup>6</sup>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' capital allocation has become more conservative due to the inflationary and recessionary environment

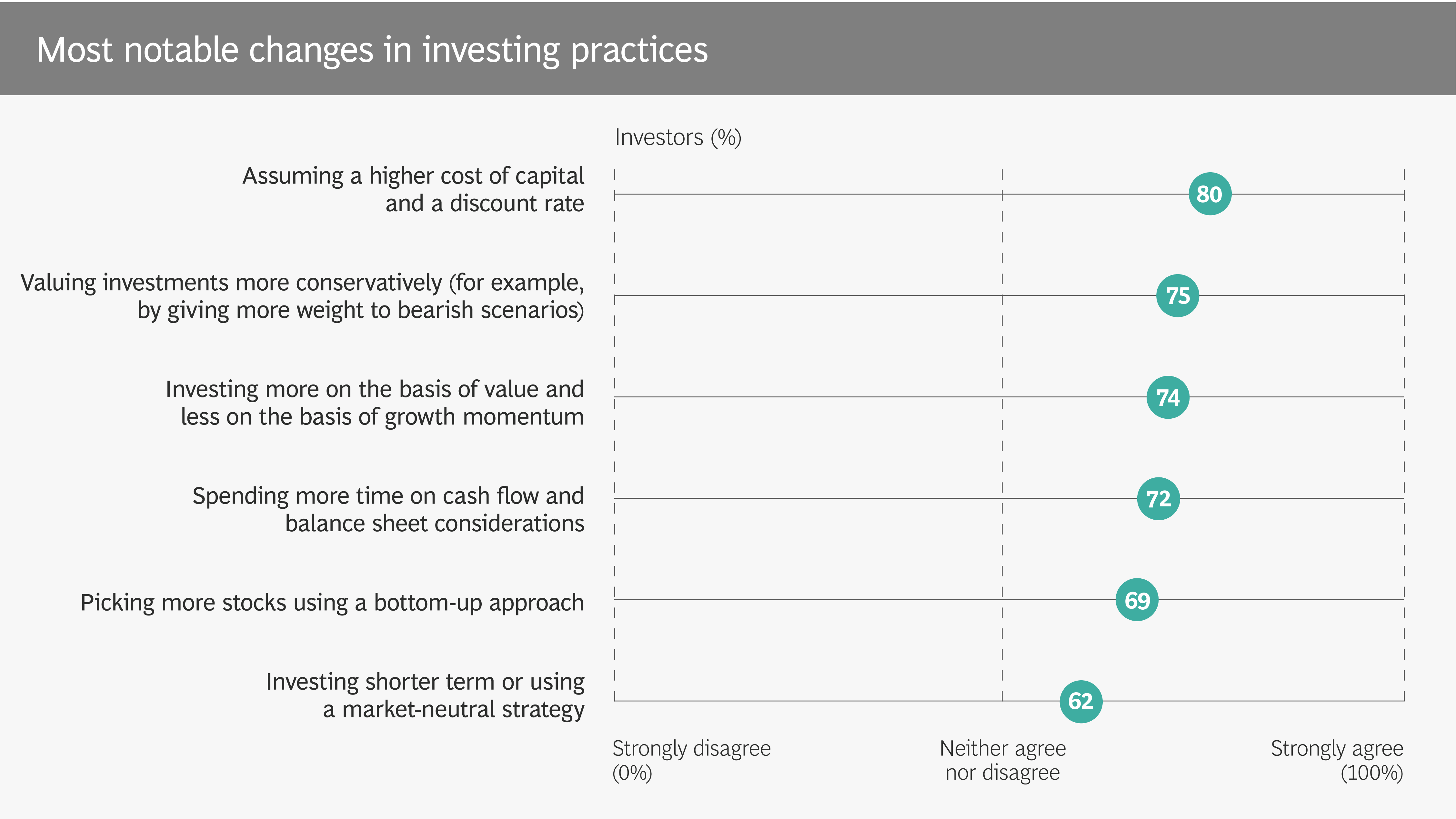
February 13–22



Source: BCG Investor Perspectives Series, Q1 2023, February 22, 2023; n = 150.  
¹Survey question: How have your capital allocation and investing practices or recommendations changed since the beginning of the inflationary and recessionary environment?

# Investors' investment practices also reflect conservatism due to the inflationary and recessionary environment

February 13–22

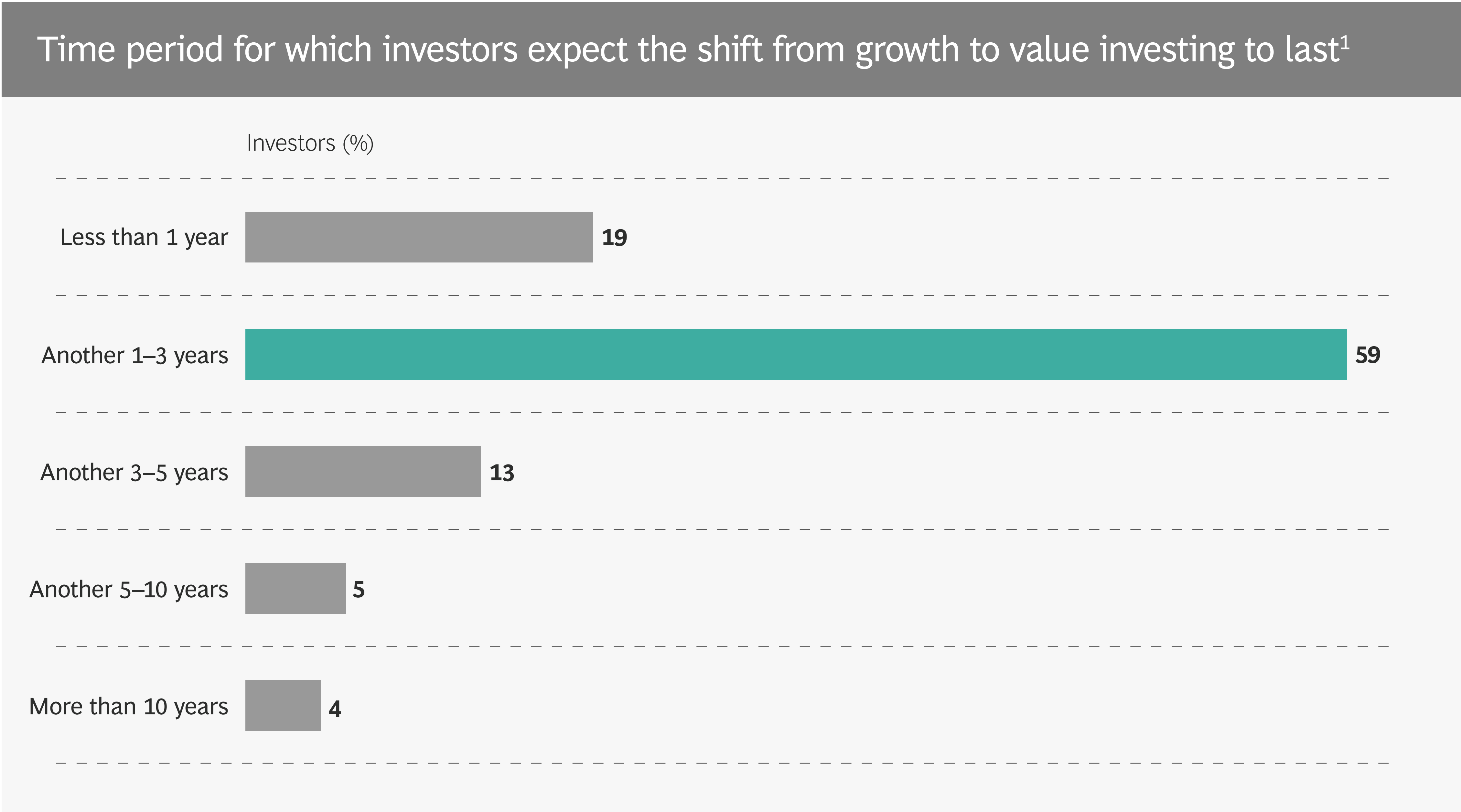


Source: BCG Investor Perspectives Series, Q1 2023, February 22, 2023; n = 150.  
¹Survey question: How have your capital allocation and investing practices or recommendations changed since the beginning of the inflationary and recessionary environment?



# About 60% of investors expect the shift from growth to value investing to continue for the next one to three years—only 19% expect a reversion in less than a year

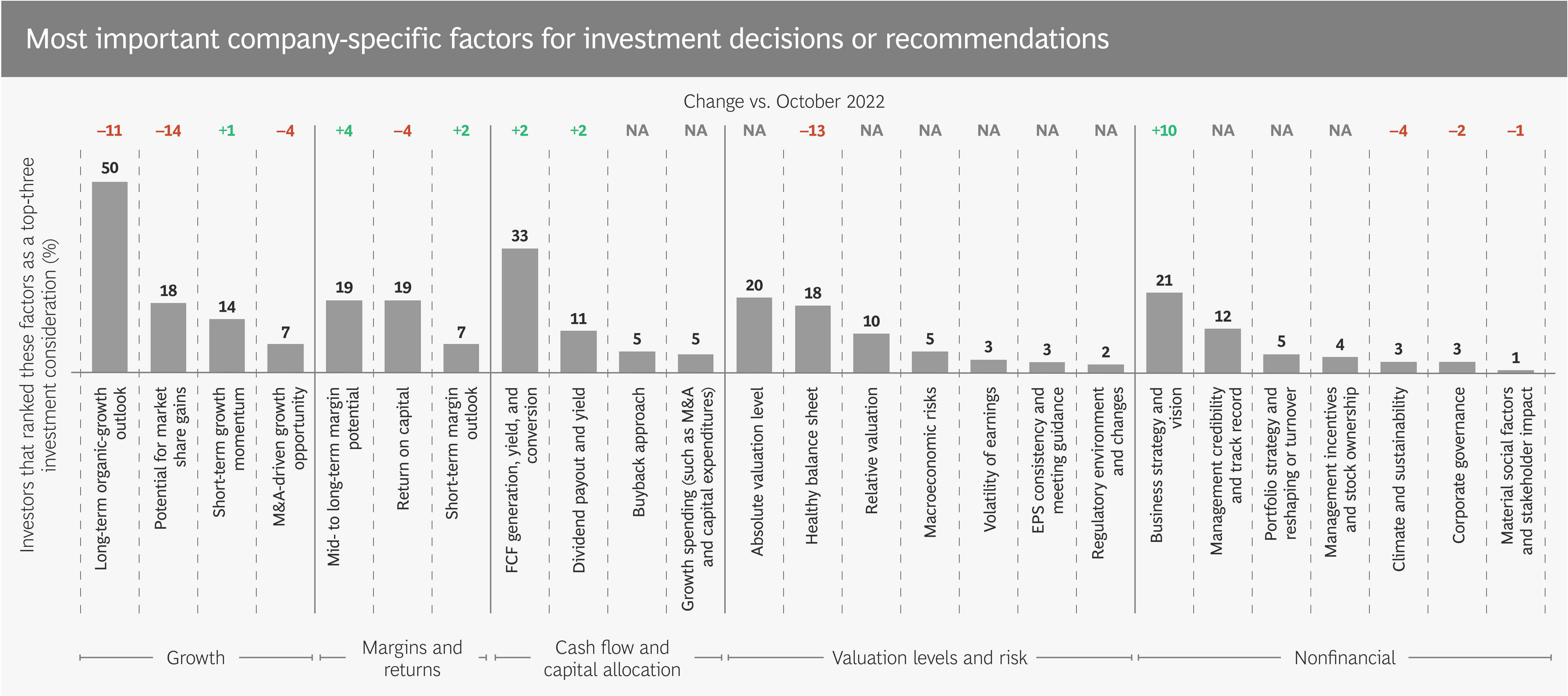
February 13–22



Source: BCG Investor Perspectives Series, Q1 2023, February 22, 2023; n = 150.  
<sup>1</sup>Survey question: How long do you expect the recent shift from growth to value-focused investing to last?

# Investors are most focused on long-term organic growth and FCF generation, while the importance of business strategy and vision increased

February 13–22



Source: BCG Investor Perspectives Series, Q1 2023, February 22, 2023; n = 150.  
Note: FCF = free cash flow; NA = not applicable; EPS = earnings per share. The ranking for environmental, social, and governance (ESG) 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 2022's survey results are due to rounding.

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# Investors want financially healthy companies to continue to build long-term advantage, while also delivering on guidance

February 13–22

Should companies prioritize building capabilities?

78% | Investors that believe it is important to **prioritize building business capabilities**, even at the expense of delivering EPS

Below the series average of 89%, but higher than the October 2022 survey result of 76%, a series low<sup>1</sup>

Is it important for companies to deliver on guidance?

71% | Investors that feel it is **important to deliver on EPS guidance and consensus**

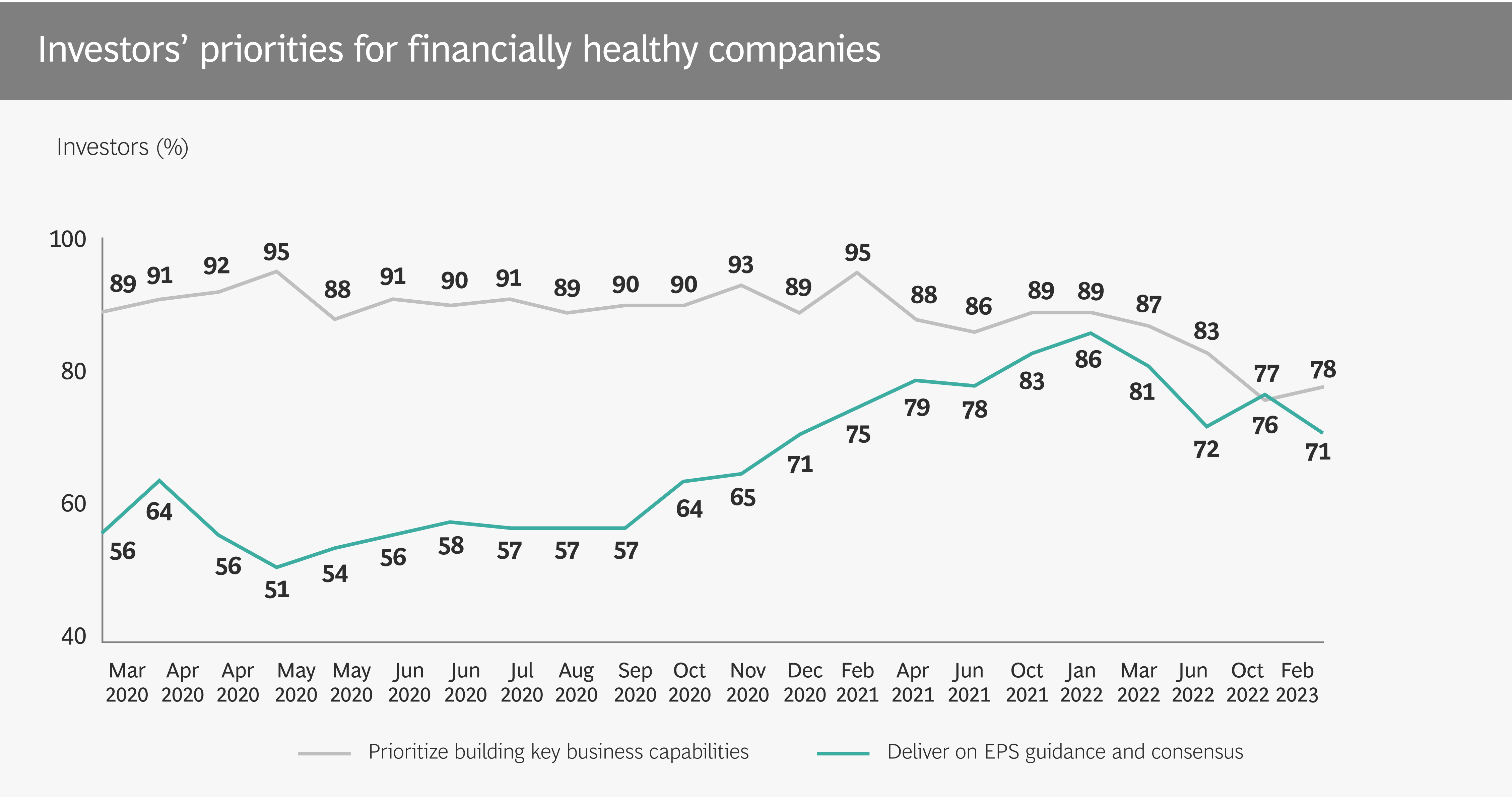
Above the series average of 67%, but lower than the October 2022 survey result of 77%; the series high is 86%<sup>1</sup>

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, Q1 2023, February 22, 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.  
<sup>1</sup>A series high, average, or low is a percentage that reflects a comparison across the 22 investor pulse checks.

# Investors' focus on the short term has increased, and their patience has decreased

February 13–22



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 22, 2020, through February 22, 2023; n = 150 for each survey.

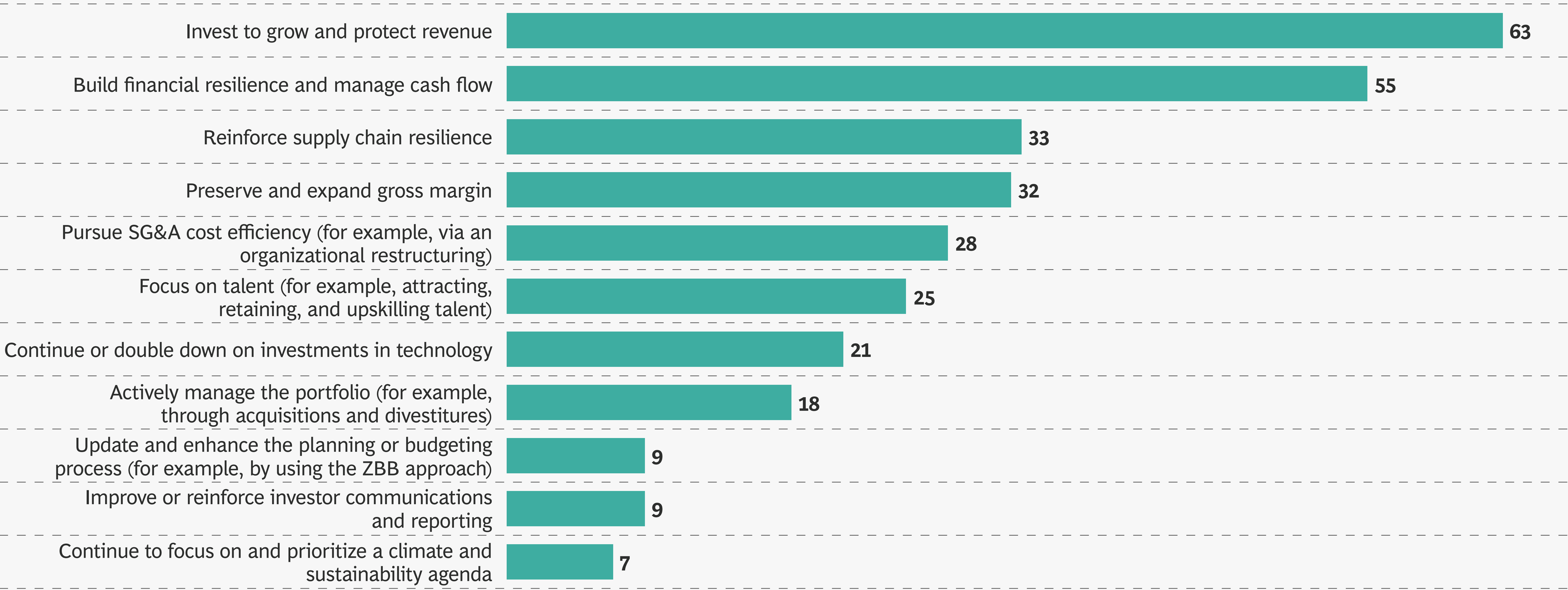


# Investors want companies to protect revenue and ensure financial resilience by managing cash flow

February 13–22

## Most important factors to prioritize for financially healthy companies in the current macroeconomic environment<sup>1</sup>

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



Source: BCG Investor Perspectives Series, Q1 2023, February 22, 2023; n = 150.

Note: SG&A = selling, general, and administrative expenses; ZBB = zero-based budgeting.

<sup>1</sup>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 want companies to reshape their business portfolios and proactively mitigate activism risks

February 13–22



Source: BCG Investor Perspectives Series, Q1 2023, February 22, 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.  
<sup>1</sup>A series high, average, or low is a percentage that reflects a comparison across the 22 investor pulse checks.



# Sixty-six percent of investors want companies to prioritize paying dividends—a view in line with past results—but support for aggressively repurchasing shares has declined

February 13–22



Source: BCG Investor Perspectives Series, Q1 2023, February 22, 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.  
<sup>1</sup>A series high, average, or low is a percentage that reflects a comparison across the 22 investor pulse checks.

# In the current environment, investors give financially healthy companies more leeway to compromise on ESG agendas and targets

February 13–22

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

**37%** | Investors that think it is important to continue **pursuing the ESG agenda and priorities** as companies navigate the crisis, even if it means guiding to lower EPS or delivering below consensus

**Near the series low;** below the series average of 48% and the same as the October 2022 result of 37%<sup>1</sup>

**33%** | Investors that say companies should **double down on ESG initiatives that create value 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 40% and the October 2022 result of 35%<sup>1</sup>

Investors' views on the importance of pursuing an ESG agenda have been relatively consistent over time

Source: BCG Investor Perspectives Series, Q1 2023, February 22, 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.  
<sup>1</sup>A series high, average, or low is a percentage that reflects a comparison across the 22 investor pulse checks.



# A note on the importance of sustainable investing

February 13–22

**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 11% of investors ranked climate and other ESG-related risks among their top three concerns (and it was eighth among macro considerations)
- No individual ESG dimension was highlighted by more than 6% of investors as a top-three investment consideration (ESG dimensions ranked 21st 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 February 2023; n = 150 for each survey.

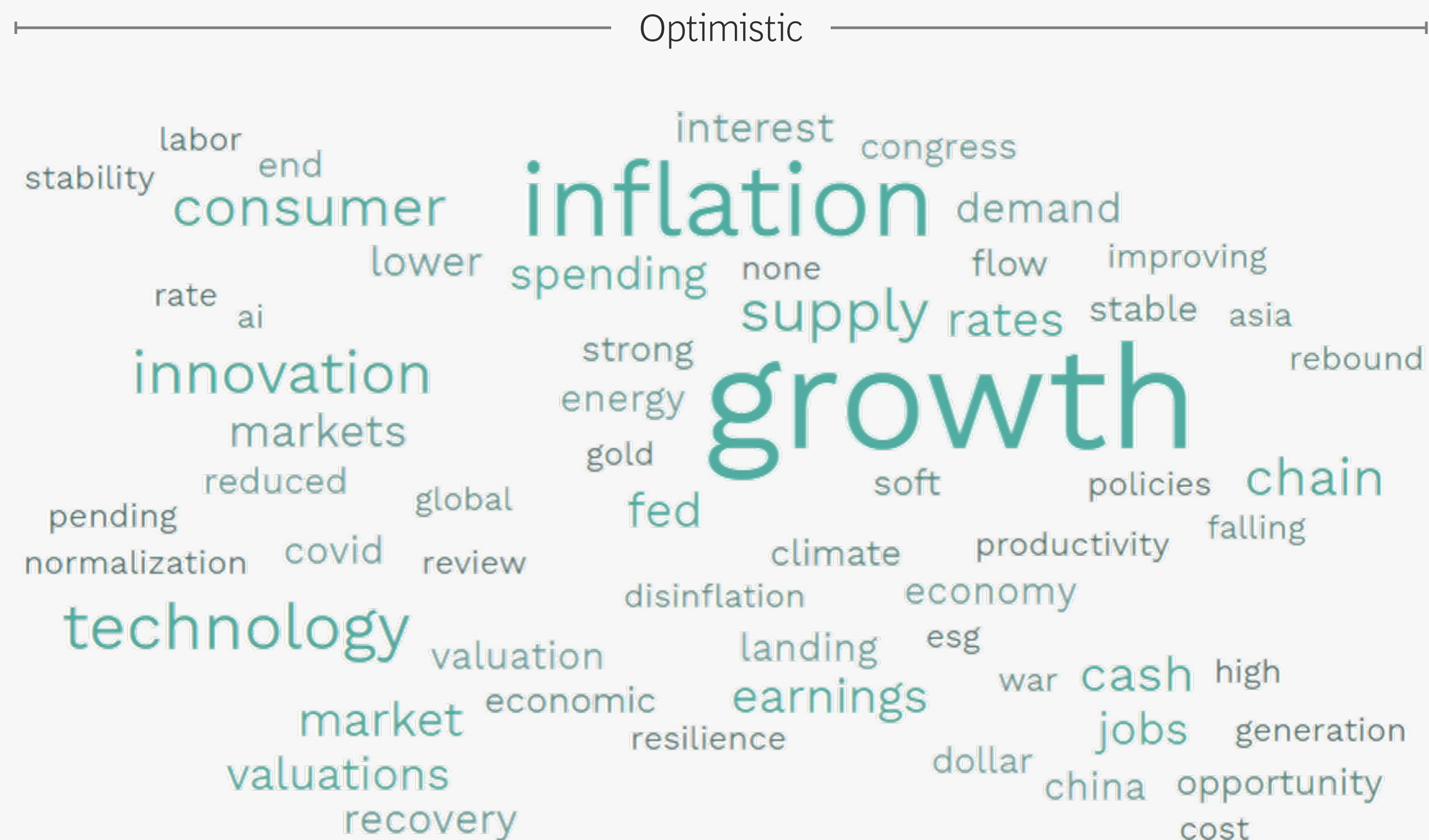
Note: ESG = environmental, social, and governance; SASB = Sustainability Accounting Standards Board. (For information on SASB, visit <https://www.sasb.org>.)



Word clouds highlight that some investors are most optimistic about growth and potential softening of inflation, and others remain concerned inflation and interest rates may persist

February 13–22

# Investor sentiment for economy and stock markets in 2023<sup>1</sup>



Investors that chose words such as inflation, war, COVID, and ESG as optimistic ones likely believe that these factors are softening or their effects are waning



Investors that chose words such as inflation, war, and ESG as ones for concern likely believe that these factors and their effects will continue



# 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
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
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%)
▪ 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
Three-year S&P 500 level (implied TSR) <sup>1</sup>	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%)
Bull vs. bear											
Investors that are bullish for:											
▪ Current CY	55% ↑	53%	44%	46%	45%	41%	40%	35%	36%	45%	35%
▪ Next CY	63%	64%	67% ↑	64%	62%	55%	64%	57%	57%	65%	56%
▪ Next three years	65%	68%	69% ↑	69%	64%	61%	61%	57%	60%	66%	63%
More bullish vs. last month: economy	Not asked	Not asked	34%	35%	30%	64%	35%	28%	43%	45%	39%
More bullish vs. last month: stock market	Not asked	Not asked	45%	40%	33%	53%	30%	31%	36%	34%	35%

↑ Series high   ↓ Series low

Source: BCG's investor pulse checks; n = 150 for each survey.  
Note: CY = calendar year; TSR = total shareholder return.  
<sup>1</sup>The S&P 500 level that was used is the closing level two days prior to the survey date (for the survey conducted February 13–22, 2023, we used the S&P 500 close of 4,082 on February 9, 2023). TSR is implied through the CAGR of the S&P 500 level and an assumed 2% dividend yield.

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

	2020			2021			2022			2023		
What are your expectations for...	Nov 14 #12	Dec 13 #13	Feb 7 #14	Apr 30 #15	Jun 20 #16	Oct 31 #17	Jan 31 #18	Mar 22 #19	Jun 21 #20	Oct 21 #21	Feb 22 #22	Difference (Oct 11 vs. Feb 22)
Duration of COVID-19’s impact on the US economy	Through Q2 2021	Through Q2 2021	Through Q4 2021	Through Q4 2021	Not asked	Not asked	End of Q2 2022	End of Q2 2022	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)	3,153 (–9%) ↑	3,288 (–10%)	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%)	+2 pp
▪ Timing of decline	End of Q1 2021	End of Q2 2021	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	+2 quarters
Three-year S&P 500 level (implied TSR) <sup>1</sup>	4,153 (7.5%)	4,232 (7%)	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%)	–1 pp
Bull vs. bear												
Investors that are bullish for:												
▪ Current CY	38%	47%	51%	50%	39%	41%	20%	22%	6%	5% ↓	22%	+17 pp
▪ Next CY	55%	50%	41%	47%	45%	43%	43%	41%	29%	25% ↓	51%	+26 pp
▪ Next three years	59%	57%	53%	52%	52%	45% ↓	60%	62%	59%	62%	73% ↑	+11 pp
More bullish than one or three months ago: economy <sup>2</sup>	47%	60%	63%	73% ↑	55%	41%	33%	25%	14%	13% ↓	60%	+47 pp
More bullish than one or three months ago: stock market <sup>2</sup>	49%	54%	59% ↑	57%	40%	42%	25% ↓	29%	27%	28%	53%	+25 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.

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.

<sup>1</sup>The S&P 500 level that was used is the closing level two days prior to the survey date (for the survey conducted February 13–22, 2023, we used the S&P 500 close of 4,082 on February 9, 2023). TSR is implied through the CAGR of the S&P 500 level and an assumed 2% dividend yield. <sup>2</sup>In previous surveys (through June 2021), respondents were asked to compare their current sentiment with their sentiment one month prior; since the October 2021 survey, the reference for participants has been three months prior.



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

## Investors that agree with the following statements about financially healthy companies (%)<sup>1</sup>

2020											
It is important for financially healthy companies to... <sup>1</sup>	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
Prioritize building key business capabilities	89%	91%	92%	95% ↑	88%	91%	90%	91%	89%	90%	90%
Actively pursue acquisitions	58% ↓	64%	65%	66%	70%	68%	68%	69%	71%	72%	65%
Actively consider exiting or divesting lines of business	Not asked	Not asked	Not asked	Not asked	65%	64% ↓	75%	67%	73%	75%	73%
Aggressively repurchase shares	39%	44%	38%	36%	42%	43%	34% ↓	44%	37%	41%	43%
Maintain the dividend per share	41%	43%	35%	29% ↓	36%	43%	33%	36%	36%	37%	40%
Consider significant equity issuance a reasonable move	Not asked	48%	56%	55%	53%	53%	61%	59%	55%	37% ↓	56%
Deliver EPS that at least meets revised guidance or consensus	56%	64%	56%	51% ↓	54%	56%	58%	57%	57%	57%	64%
Expect an increase in activist activity and take proactive steps to mitigate risk	59%	66%	64%	70%	61%	65%	63%	66%	63%	57% ↓	67%
Continue to fully pursue their ESG agenda and priorities <sup>2</sup>	Not asked	56%	46%	48%	45%	51%	48%	53%	51%	69% ↑	45%
Double down on ESG initiatives that create value and/or reduce risk longer term <sup>2</sup>	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.  
Notes: EPS = earnings per share; ESG = environmental, social, and governance.  
<sup>1</sup>Financially healthy companies were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet. <sup>2</sup>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 (%)<sup>1</sup>

	2020			2021			2022			2023		
It is important for financially healthy companies to... <sup>1</sup>	Nov 14 #12	Dec 13 #13	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	Difference (Oct 11 vs. Feb 22)
Prioritize building key business capabilities	93%	89%	95% ↑	88%	86%	89%	89%	87%	83%	76% ↓	78%	+2 pp
Actively pursue acquisitions	63%	65%	63%	71%	68%	71%	72% ↑	62%	69%	68%	68%	No change
Actively consider exiting or divesting lines of business	77%	71%	83% ↑	75%	77%	79%	75%	74%	78%	75%	75%	No change
Aggressively repurchase shares	36%	36%	35%	41%	36%	37%	43%	39%	47% ↑	44%	36%	−8 pp
Maintain the dividend per share	45%	43%	47%	53%	47%	45%	51%	49%	54%	47%	66% ↑	+19 pp
Consider significant equity issuance a reasonable move	52%	61%	55%	55%	63% ↑	61%	61%	61%	54%	55%	Not asked	NA
Deliver EPS that at least meets revised guidance or consensus	65%	71%	75%	79%	78%	83%	86% ↑	81%	72%	77%	71%	−6 pp
Expect an increase in activist activity and take proactive steps to mitigate risk	67%	67%	68%	67%	69%	69%	73% ↑	62%	61%	57%	63%	+6 pp
Continue to fully pursue their ESG agenda and priorities <sup>2</sup>	48%	50%	50%	47%	55%	45%	43%	44%	41%	37% ↓	37% ↓	No change
Double down on ESG initiatives that create value and/or reduce risk longer term <sup>2</sup>	Not asked	Not asked	Not asked	Not asked	49% ↑	45%	42%	41%	37%	35% ↓	33% ↓	−2 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.  
Notes: EPS = earnings per share; ESG = environmental, social, and governance.  
<sup>1</sup>Financially healthy companies were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet. <sup>2</sup>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 17 #11	Jan 31 #18	Mar 22 #19	Jun 21 #20	Oct 11 #21	Feb 22 #22	Difference (Oct 11 vs. Feb 22)	
Interest rates and US Federal Reserve Policy <sup>1</sup>	67%	82%	84%	91% ↑	87%	69% ↓	–18 pp	
Consumer price inflation and sentiment	Not asked	Not asked	Not asked	Not asked	Not asked	42%	NA	
Geopolitical risks <sup>2</sup>	21%	46%	63% ↑	38%	39%	39%	No change	
Cost and wage inflation <sup>3</sup>	Not asked	39%	43%	45%	62% ↑	37% ↓	–25 pp	
Tightening of liquidity in capital markets <sup>4</sup>	Not asked	Not asked	Not asked	Not asked	Not asked	25%	NA	
Stock market liquidity risk	7% ↑	4%	2% ↓	3%	4%	Not asked	NA	
Inflated asset valuation <sup>5</sup>	32% ↑	21%	13%	11%	8% ↓	22%	+14 pp	
Public-sector debt and spending	17%	12%	7%	4% ↓	8%	18% ↑	+10 pp	
Climate and other ESG-related risks <sup>6</sup>	17% ↑	7%	5% ↓	7%	5% ↓	12%	+7 pp	
Supply chain and other operational risks <sup>7</sup>	37% ↑	19%	19%	19%	9% ↓	11%	+2 pp	
Private-sector credit and default risks	5%	2% ↓	6%	3%	3%	7% ↑	+4 pp	
Company-specific risks	24% ↑	7%	5% ↓	6%	5% ↓	7%	+2 pp	
China growth (after COVID-19 reopening) lower than expected	Not asked	Not asked	Not asked	Not asked	Not asked	7%	NA	
Macroeconomic risks	52%	24% ↓	38%	58% ↑	61% ↑	Not asked	NA	
Pandemic- and COVID-19-related risks	19%	33% ↑	12%	12%	5% ↓	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.  
Notes: The questions that pertain to this slide were added to the survey in October 2021. NA = not applicable.  
<sup>1</sup>This factor was inflation and interest rate risk or inflation rates and US Federal Reserve policy in previous surveys. <sup>2</sup>For example, the war in Ukraine, trade wars, and areas with civil unrest. <sup>3</sup>This factor was wage inflation or pressure in previous surveys. <sup>4</sup>This factor was stock market liquidity risk in previous surveys. <sup>5</sup>This factor was asset price risks in recent surveys. <sup>6</sup>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. <sup>7</sup>This factor was supply chain risk in previous surveys.

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

		2021		2022			2023	
Investors that ranked these criteria among the top three considerations for investment decisions or recommendations (%)		Oct 17 #11	Jan 31 #18	Mar 22 #19	Jun 21 #20	Oct 11 #21	Feb 22 #22	Difference (Oct 11 vs. Feb 22)
Growth	Short-term growth momentum (for example, recovery from a recessionary environment)	Not asked	19% ↑	16%	11% ↓	13%	14%	+1 pp
	Long-term organic-growth outlook (for example, an attractive industry)	55%	65%	61%	67% ↑	61%	50% ↓	−11 pp
	Potential for market share gains	29%	25%	28%	31%	32% ↑	18% ↓	−14 pp
	M&A-driven growth opportunity	10%	6% ↓	7%	9%	11% ↑	7%	−4 pp
Margins and returns	Short-term margin outlook (that is, the impact of pricing, inflation, and transformation impact)	13% ↑	7%	7%	5% ↓	9%	7%	−2 pp
	Mid- to long-term margin potential (for example, operating leverage)	Not asked	22% ↑	20%	19%	15% ↓	19%	+4 pp
	Return on capital (for example, ROIC or ROA and ROE)	15% ↓	19%	29% ↑	21%	23%	19%	−4 pp
Cash flow and capital allocation	FCF generation, yield, and conversion	29%	27% ↓	29%	29%	31%	33% ↑	+2 pp
	Growth spending (such as M&A and capital expenditures)	Not asked	Not asked	Not asked	Not asked	Not asked	5%	NA
	Dividend payout and yield <sup>1</sup>	7%	9%	7%	6% ↓	9%	11% ↑	+2 pp
	Buyback approach	Not asked	Not asked	Not asked	Not asked	Not asked	5%	NA

↑ Series high

↓ Series low

Much less important

Less important

No change

More important

Much more important



# Comparison of BCG’s investor pulse checks (7/7)

		2021		2022			2023	
Investors that ranked these criteria among the top three considerations for investment decisions or recommendations (%)		Oct 17 #11	Jan 31 #18	Mar 22 #19	Jun 21 #20	Oct 11 #21	Feb 22 #22	Difference (Oct 11 vs. Feb 22)
Valuation levels and risk	Attractive valuation level	34% <span>↑</span>	31% <span>↓</span>	32%	32%	32%	Not asked	NA
	Absolute valuation level	Not asked	Not asked	Not asked	Not asked	Not asked	20%	NA
	Relative valuation (vs. peers or sector)	Not asked	Not asked	Not asked	Not asked	Not asked	10%	NA
	Healthy balance sheet	30%	29%	25%	34% <span>↑</span>	31%	18% <span>↓</span>	−13 pp
	Volatility of earnings	Not asked	Not asked	Not asked	Not asked	Not asked	3%	NA
	EPS consistency and meeting guidance	Not asked	Not asked	Not asked	Not asked	Not asked	3%	NA
	Macroeconomic risks	Not asked	Not asked	Not asked	Not asked	Not asked	5%	NA
	Regulatory environment and changes	Not asked	Not asked	Not asked	Not asked	Not asked	2%	NA
Nonfinancial	Business strategy and vision <sup>1</sup>	28% <span>↑</span>	16%	17%	15%	11% <span>↓</span>	21%	+10 pp
	Portfolio strategy and reshaping or turnover	Not asked	Not asked	Not asked	Not asked	Not asked	5%	NA
	Management credibility and track record	Not asked	Not asked	Not asked	Not asked	Not asked	12%	NA
	Management incentives and stock ownership	Not asked	Not asked	Not asked	Not asked	Not asked	4%	NA
	Climate and sustainability <sup>2</sup>	Not asked	6%	6%	7% <span>↑</span>	7% <span>↑</span>	3% <span>↓</span>	−4 pp
	Climate and carbon footprint	Not asked	5% <span>↑</span>	5%	4%	6%	Not asked	NA
	Other material environmental factors	Not asked	1%	1%	3%	1%	Not asked	NA
	Material social factors and stakeholder impact	Not asked	5%	3%	3% <span>↓</span>	2% <span>↑</span>	1% <span>↓</span>	−1 pp
	Corporate governance <sup>3</sup>	5%	5%	5%	4% <span>↑</span>	5%	3% <span>↓</span>	−2 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.  
Note: Questions on this slide were added to the survey in October 2021. NA = not applicable. EPS = earnings per share.  
<sup>1</sup>This factor was a compelling strategy to win in previous surveys. <sup>2</sup>This factor was asked as climate and carbon footprint and other material environmental factors. <sup>3</sup>This factor was best-in-class governance policies in previous surveys. This includes corporate policies, board composition, and effectiveness.

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