

Retail Investors: A Changing Landscape



There has been a significant change in the investor landscape with the power and influence of the retail investor growing and showing no signs of a retreat, yet many public companies are not prepared for this change.

Additionally, companies often debate if they want or need retail investors, if they should proactively engage or not with retail investors and what the cost vs. benefit of having a retail investor base is?

These are all valid and relevant questions that are important to discuss, and for our corporate partners to be prepared to answer.

Rise of the retail investor

Today there is over \$20 trillion of retail client assets in over 100 million brokerage accounts. The growth of the retail investor over the last several years is undeniable. From the record breaking new account growth witnessed by all of the leading retail brokerage firms and the birth of new trading platforms focused on the Gen Z investor to the influence of social media on investments, it is time for public companies to implement a retail investor engagement strategy.

There are several factors to keep in mind when developing or refining your retail investor relations strategy:

- Retail investment is on the rise
- Benefits of having retail investors in investor mix
- A new breed of investors - the rise of social media influence
- Ability to share and control your narrative

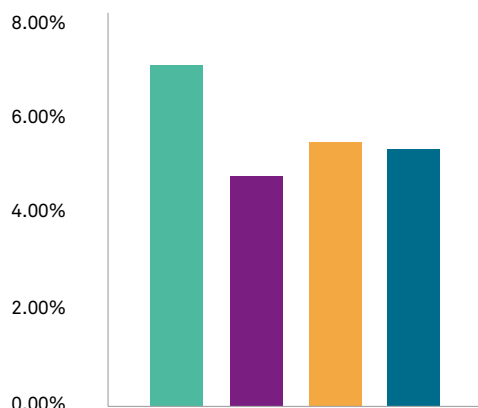
Additionally, over the past two years, there has been an increase in retail ownership across all market caps and sectors; an increase of **5.6%** in shares outstanding held by retail investors on average, with small cap companies seeing the largest increase of **7.1%** on average. From a sector perspective, Energy led with a **7.2%** increase on average and Financials next with a **6.5%** increase on average.

Increase in Retail Investor Ownership over Past 2 Years

Source: S&P Global

Market Cap Range

Small/Micro Cap Mid Cap Large Cap Mega Cap



Average % Increase

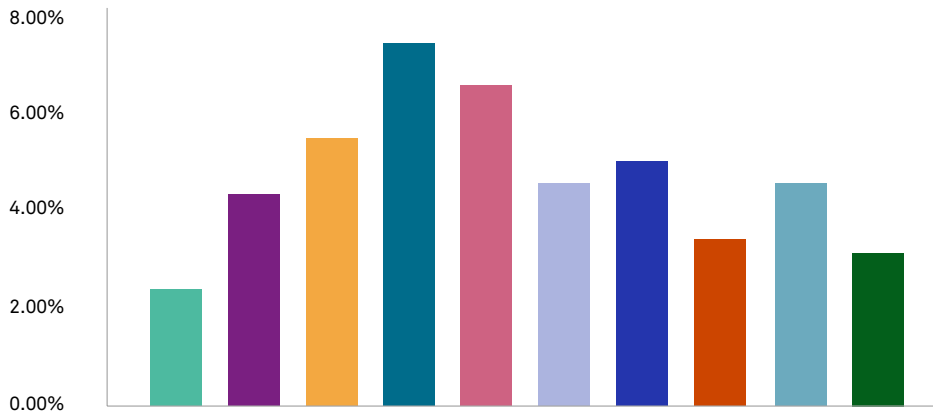
To put this into perspective, for a company like Apple a 5.6% increase in their retail investor position equates to 352 million more shares now held in retail hands. At today's current stock price that is \$60 billion more dollars of Apple's market cap being held by these investors. Moreover, regardless of market cap or sector, there was a net increase of retail investor capital coming into the market and being allocated into individual company stocks.

Increase in Retail Investor Ownership over Past 2 Years

Source: S&P Global

Market Cap Range

Basic Materials Consumer Goods Consumer Services Energy Financials
Healthcare Industrials Real Estate Technology Utilities



Average % Increase



Understanding today's retail investor

The new breed of retail investor is dramatically different from what we have seen in the past. Traditionally, the bulk of interaction with retail investors consisted of questions about dividends. This has completely changed. Today's retail investors are more influential and spend more time researching stocks. And, because of these factors, the decision-making process for newer retail investors is different as well. Fidelity reported in a survey of young investors that Gen Zers "was most likely to say that they turn to social media influencers to educate themselves on investing."

Two-thirds of new retail investors were under 45 years old. According to Schwab, the median age of a pre-2020 (pre-Pandemic) investor was 48-years old. Of note, 66% of new investors in 2020 were under the age of 45 and 22% were between the ages 18-29.

The buy-side has acknowledged the shift in the landscape as well. Legendary Fidelity Management & Research Portfolio Manager Will Danoff noticed over a year ago that retail investors were moving out of his Contrafund in favor of buying individual stocks. A study by FINRA and NORC/University of Chicago also saw a shift from investing in traditional ETFs and MFs to individual stocks.

There is also a perception that all retail investors are actively trading in and out of stocks quickly. In reality, 90% of new retail investors trade fewer than three times per month. Many of these younger retail investors will be part of a massive capital wealth transfer, with a projected \$78T in wealth being transferred from Baby Boomer/Silent Generation to Millennial/GenZ heirs.

Daily Retail Trading Activity

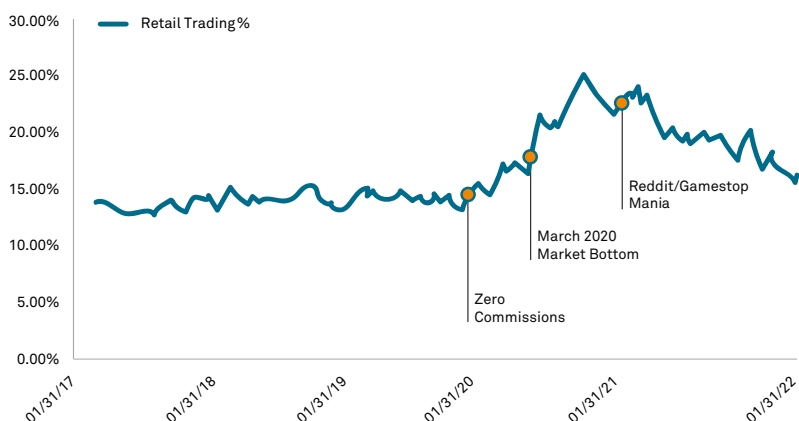
Retail investors have seen a surge in trading activity after remaining relatively stable for a number of years, driven by multiple factors since 2019. Most important to the current wave of retail activity was the move to no fee/zero commission trading in 2019. This shift in the brokerage landscape significantly reduced the barrier to entry for investing and opened the door to a new group of retail investors.

This was followed by a downturn in the market in 2020, providing an attractive entry point into the market for these new investors. Activity continued to increase throughout 2020 as the pandemic provided additional catalysts in the form of stimulus payments and the gamification of trading. Finally, this all culminated in headline activity in early 2021 with meme stocks such as GameStop attracting retail investors wanting to quickly make money in the market.

As some of these catalysts have calmed down, we have seen some pullback in overall retail activity. However, it remains well above historical norms as the key factor to increased retail activity - no fee trading - has not gone away and shows no signs of changing.

Retail Trading % (20-day rolling average)

Source: S&P Global

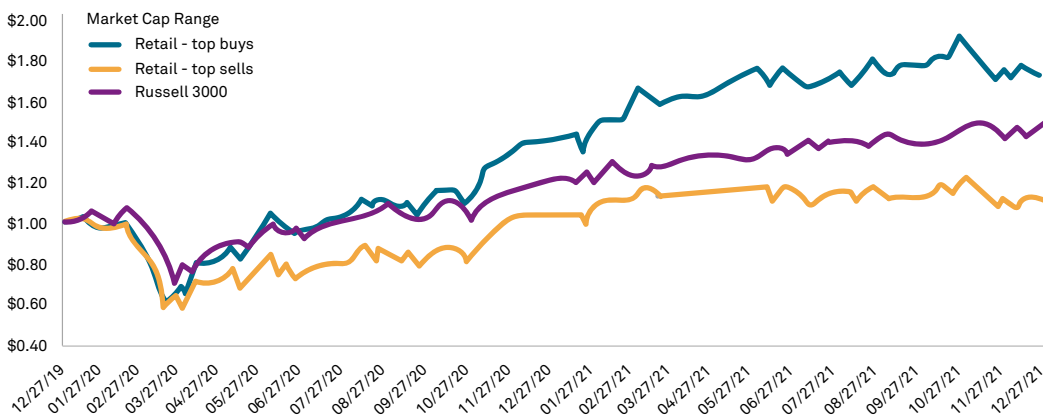


Retail Investors – Following the Smart Money

In general, while there is a wide spectrum in terms of strategy and experience for retail investors they have generally performed well during the recent wave of activity. Dating back to late 2019, stocks purchased by retail investors have outperformed the Russell 3000, while those sold by the retail community have underperformed the same benchmark.

Performance of Retail Buys/Sells

Source: S&P Global



Benefit of retail investors in your stock

Public Companies can no longer operate under the former conventional wisdom that retail investors have no impact. The value to companies of greater retail investor engagement includes:

Investor Relations

Liquidity and stability for the stock are the two key benefits for companies ranging from IPOs to mega caps. As the retail investor continues to be active in daily market trading, currently around 20% of the daily volume, engagement with existing retail investors and targeting new retail investors can play a pivotal role in stability and support of a stock price. In times of stress and turmoil in the markets, retail investors provide liquidity to cushion the blow of institutional investors liquidating or scaling back their positions. As retail investors increase and/or initiate positions in stocks they can alleviate the institutional selling pressure that can significantly drag down a stock price. It is important for companies to have a retail investor engagement strategy that allows the company to have a positive relationship with existing shareholders and at the same time successfully target new retail shareholders.

Corporate Governance

IR Magazine reports millennials are the group most likely to vote their proxy in the 2021 season, according to a new survey from Broadridge Financial. Almost half (46 percent) of retail investors aged 25-40 say they plan to vote their proxy in 2021, a figure researchers say is the highest for any generation.

Sales/Marketing

Often overlooked is the fact that many of your shareholders are your largest brand champions and ambassadors. These long-term holders not only purchase your services and products, but advocate for them as well.

ESG

As the regulatory landscape for ESG continues to evolve, investors want to understand the path forward for a company and often will invest where their beliefs align. Recent research shows that thirty-nine percent of retail investors around the world say they have invested with ESG in mind and another 39 percent say they have considered it. Half of American retail investors (51%) now say ESG has influenced their investments, up 25 points compared to 2003 while eight in ten retail investors globally (82%) say that they are interested in investing in companies that are socially and environmentally responsible.

How to connect with retail investors

There are many ways to connect with retail investors, ranging from baseline to proactive best practice. Here are the top three ways you can connect with retail audiences:

Leverage Technology

First and foremost, be sure that your IR Website is user-friendly and features, in an easy-to-locate area, many of the commonly requested items by retail shareholders, including FAQs, dividend details and media coverage. Secondly, consider streaming quarterly earnings in a supplementary manner over Zoom or deploying a Virtual Annual Meeting. Lastly, when ready to speak directly with the retail community outside of quarterly earnings, find a forum that suits your needs.

Use the Web Judiciously

Monitor sites such as Reddit, not to engage, but simply to be informed on what is being said about your sector, company and the markets-at-large. Additionally, IR teams have successfully deployed social strategies to reach current and potential investors.

Partner with Retail Experts

You are not in this alone, the Stockperks team are retail investor experts. Along with the capital markets expertise of the S&P Global Market Intelligence team, who actively qualifies daily retail broker flows against weekly custodial settlement trends, we can guide you through the retail investor environment and can augment your existing investor relations efforts in a way that managing retail holders is simple, hassle-free and rewarding.

Key takeaways/Thoughts

- All public companies need a retail investor strategy.
- Retail Investors are here to stay. They are vocal and can move markets.
- Retail investors aren't as scary as we make them out to be. Many retail investors are existing brand champions and essential to the liquidity of a stock.
- Communications to retail investors can be simple, effective and cost efficient. Turnkey solutions to ensure bi-directional, burdenless communication with this growing stakeholder group already exist.
- Corporates should engage with their retail investors.
- It's a new age of IR.



About S&P Global Market Intelligence

S&P Global Market Intelligence integrates financial and industry data, research, and news into tools that help track performance, generate alpha, identify investment ideas, understand competitive and industry dynamics, perform valuation, and assess risk.

About Stockperks

Stockperks is a modern way for retail investors and companies to connect. It's the first platform where individual investors get the perks of company ownership, companies create a community of engaged and informed individual investors, and everyone is invested in the company's success.

For more information or discuss the findings in more detail, contact us at:

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