
Perception is Reality

Why psychology is a
cornerstone of values-based
investing



CSR Investing Summit, New York, NY July 20,
2016

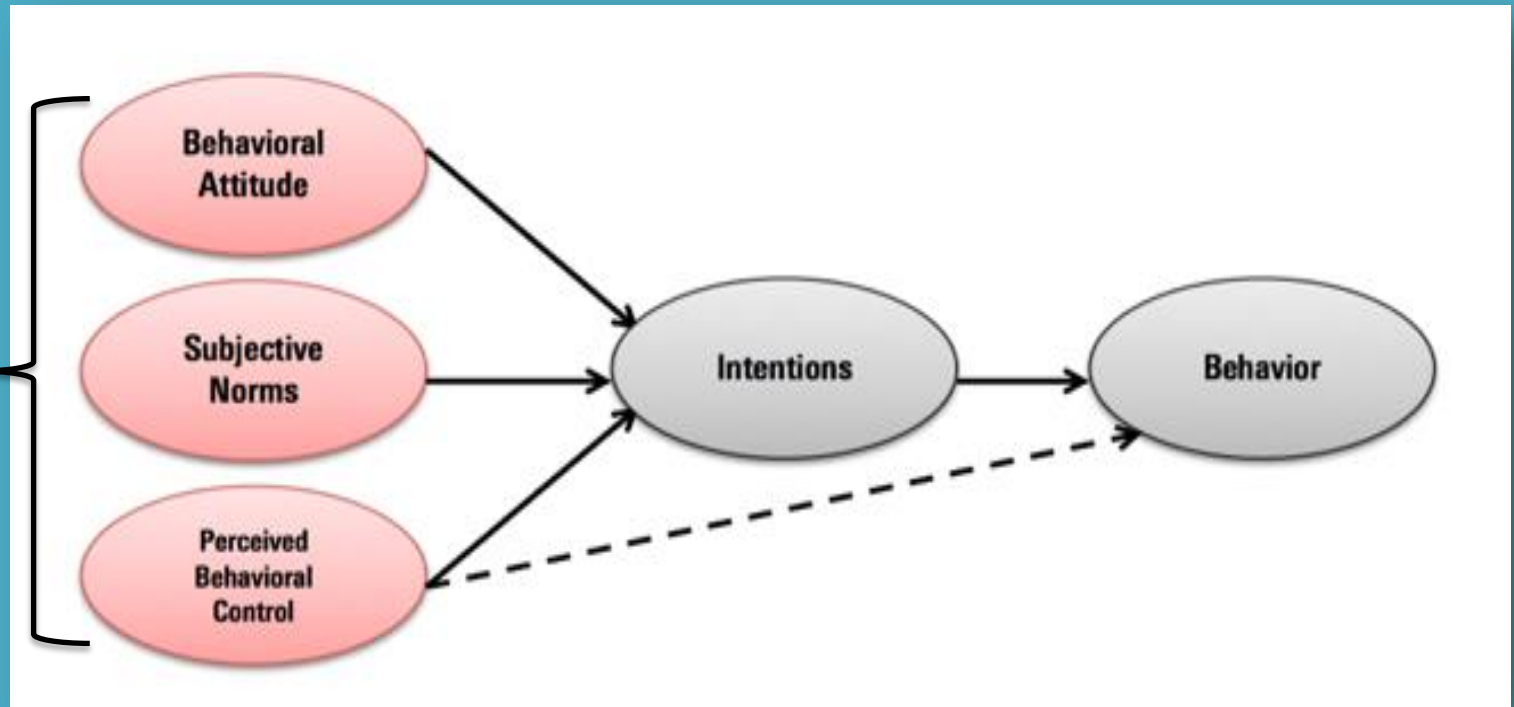
Sarah Newcomb, PhD
Behavioral Economist
Morningstar, Inc.

Agenda

- 1. Behavior is shaped by **STORIES****
2. Women, Millennials and **VALUES**
3. The problem of **PERCEPTION**
4. Reframing the cultural **NARRATIVE**

STORIES

Beliefs,
attitudes,
perceptions,
and cultural
messages
...



Ajzen, Icek (1991). "The theory of planned behavior". *Organizational Behavior and Human Decision Processes* 50 (2): 179–211

STORIES

The stories we tell each other – CULTURAL STORIES



The stories we tell ourselves – CORE BELIEFS & VALUES

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VALUES

- With a population of **75 million**, Millennials are the largest and most racially diverse generation the US has yet seen.
- By 2025 Millennials will make up **75%** of the workforce¹.
- Women control more than half of America's wealth: **\$14 Trillion**².

1. Winograd and Hais (2014) Millennials and the Future of Corporate America, *Governance Studies at Brookings*, May.
2. Bank of Montreal Wealth Institute, April 2015

VALUES

2X

- Women are twice as likely as men to consider ESG factors when choosing investments.
- Millennials are twice as likely to invest in ESG strategies than the general investor population.

Source: Morgan Stanley Institute for Sustainable Investing report:
Sustainable Signals, February, 2015

VALUES

WOMEN¹

- 95% say “helping others” is important.
- 90% say that “environmental responsibility” is important

MILLENNIALS²

- 83% Believe there is “too much power concentrated in the hands of a few big companies”
- 87% DISAGREE with the statement “Money is the best measure of success.”
- 64% would prefer to earn \$40k at a job they love than \$100K at a job they find boring.

1. Ford, Lynn (2016), *Why women and Millennials are likely to drive growth in responsible investing*, Green Money e-journal April

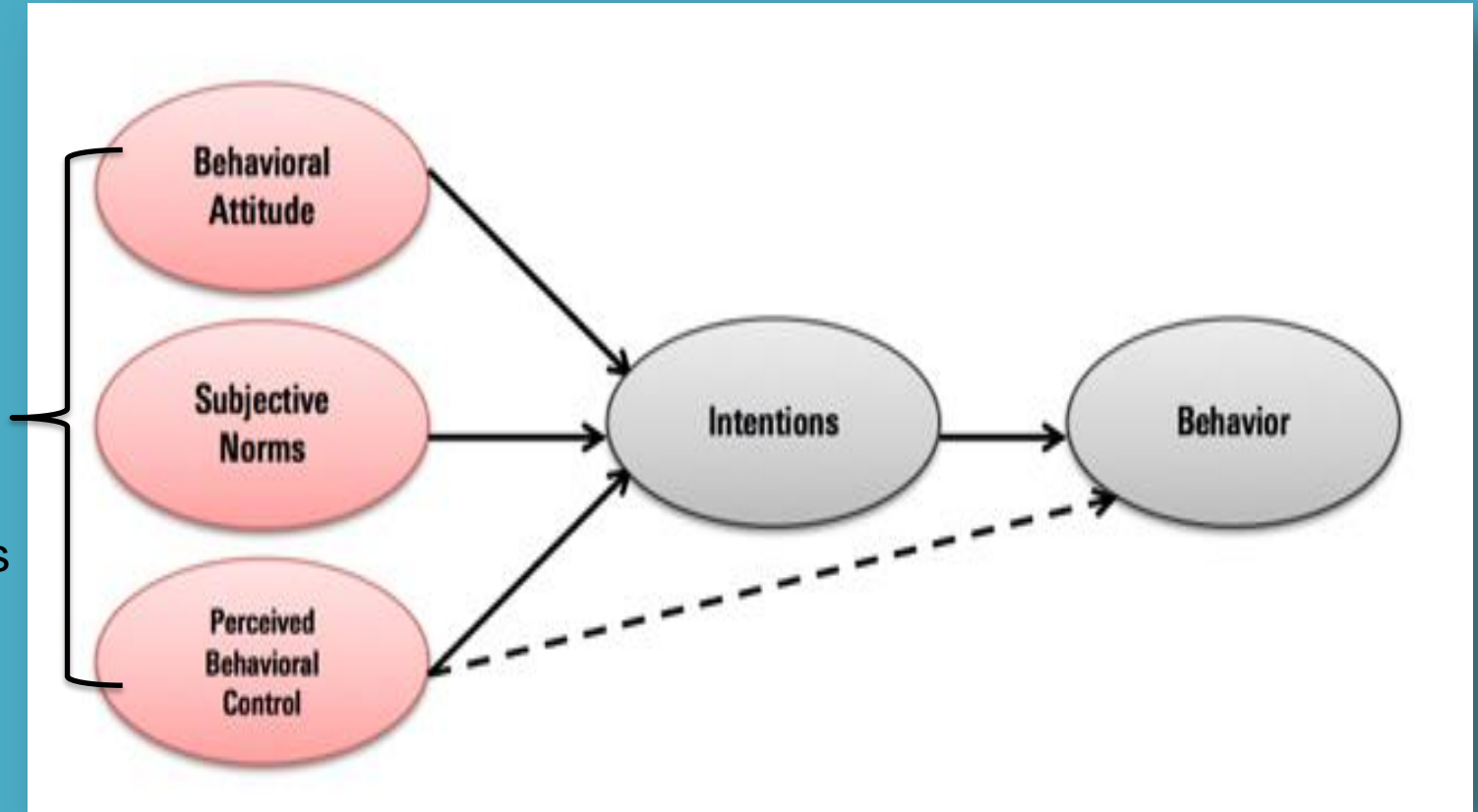
2. Winograd and Hais (2014) *Millennials and the Future of Corporate America*, Governance Studies at Brookings, May.

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PERCEPTION

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PERCEPTION

- Inclusiveness
- Helping others
- Win/Win solutions
- Experiences > Wealth
- Environmental Responsibility



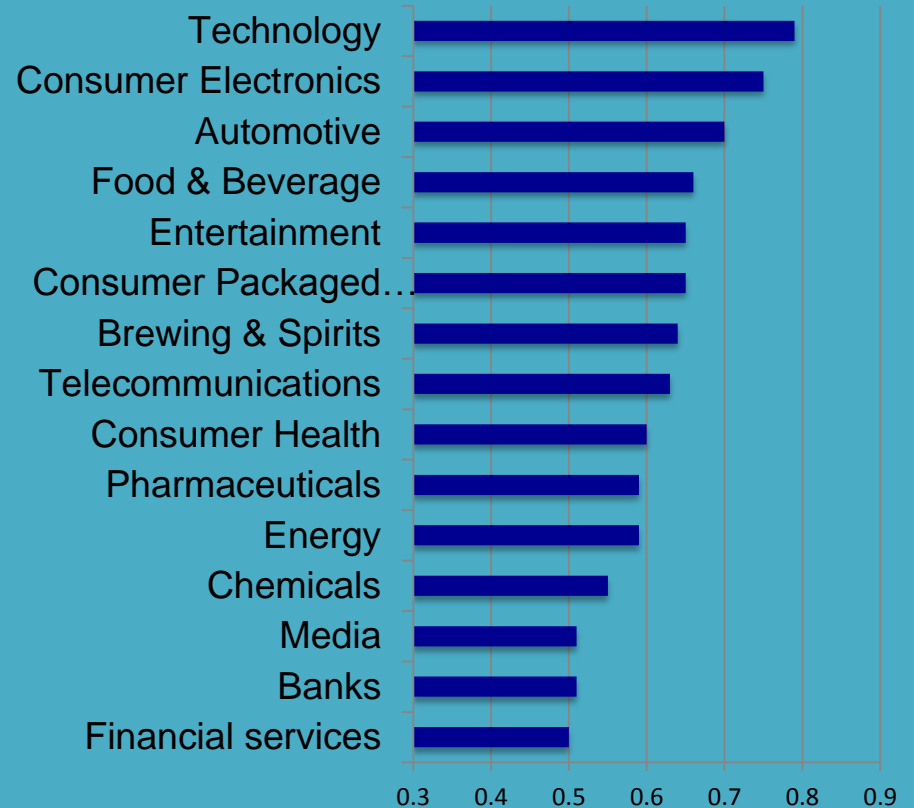
PERCEPTION



PERCEPTION

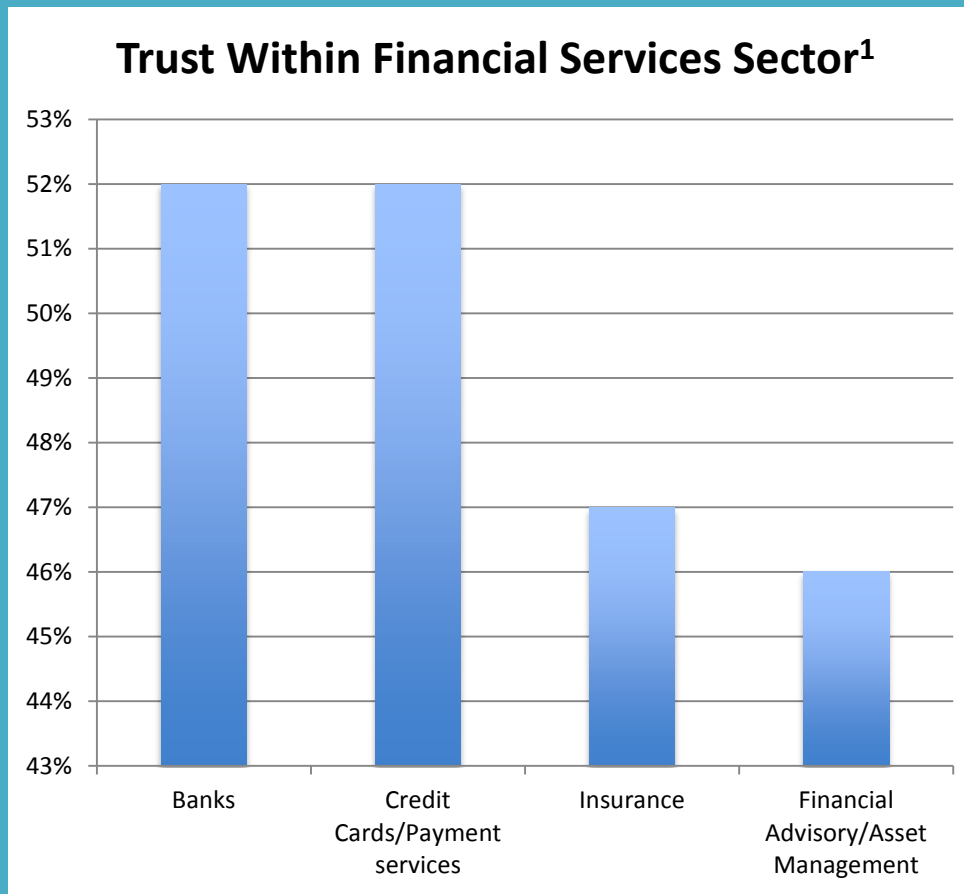


Trust (By Industry Sector)



Source: Edelman Trust Barometer,
2015

PERCEPTION



- NEARLY HALF of Millennials say they “Never feel comfortable investing in the stock market.”²
- Trust is built through “Shared values and commitments to common causes.”³

1. State of Trust, Edelman, 2014
2. Lavery, Sean, (2014) *Wary Millennials take a Conservative Investment Approach*, The Boston Globe, March 9
3. Winograd and Hais (2014) *Millennials and the Future of Corporate America*, Governance Studies at Brookings, May.

PERCEPTION



54% of investors believe **there is a tradeoff** between ESG and profits¹

1. Morgan Stanley Institute for Sustainable Investing report: *Sustainable Signals*, February, 2015

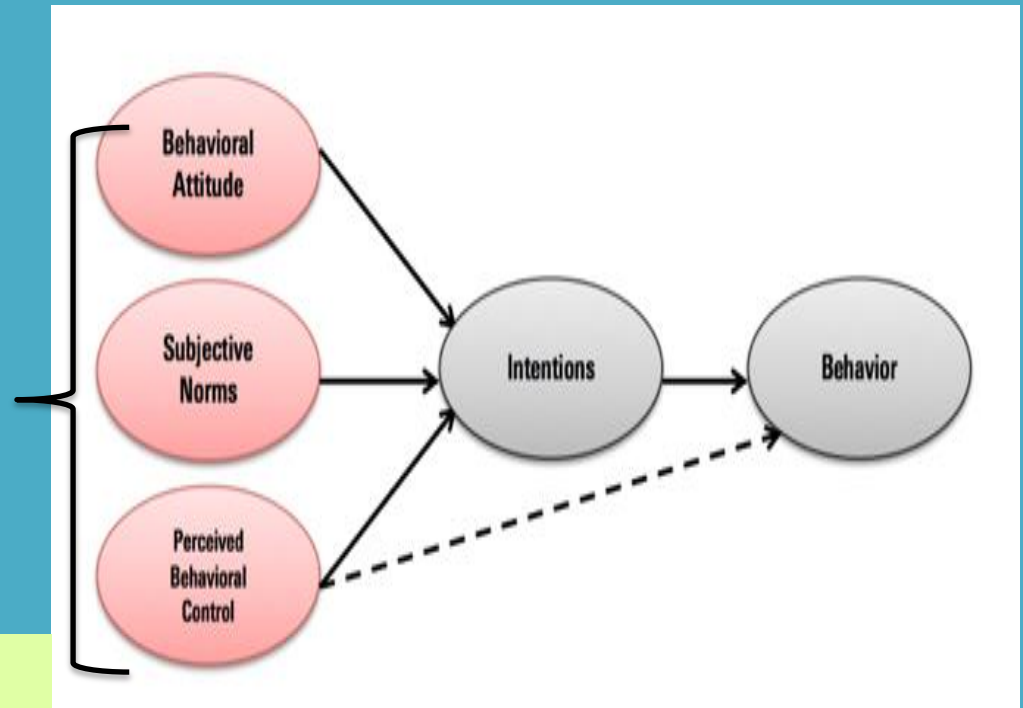
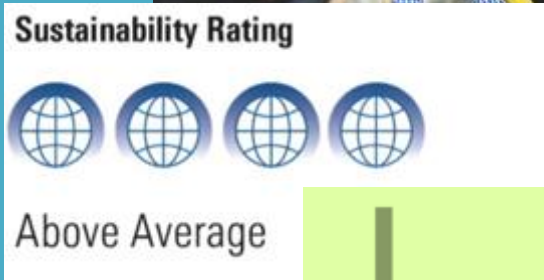
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NARRATIVE



NARRATIVE



Disclosure



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