

COVID-19 and the Investor Experience

August 19, 2020

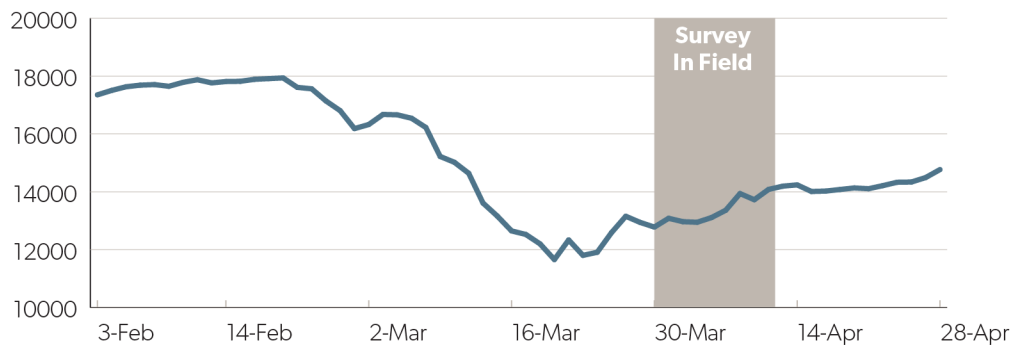
The COVID-19 pandemic is having significant effects on individuals, businesses, and the global economy. This has led to periods of increased capital market volatility in recent months. The Ontario Securities Commission (OSC) is continuing to deliver on its mandate while responding to the challenges resulting from the pandemic. Understanding how the pandemic is affecting Canadian retail investors is essential for protecting investors.

The OSC Investor Office conducted a survey of nearly 2,000 Canadians to further our understanding of the retail investor experience in Canada. Given the unique point in time, we asked investors about their actions and attitudes related to investing during COVID-19. These findings will be used to inform further work to understand the impact of the pandemic on retail investors.

The Environment

This survey was conducted between March 30th and April 11th 2020. Canadian capital markets declined sharply during the initial weeks of the pandemic. While the survey was in field, markets had started to rebound but they were still significantly lower than pre-pandemic levels as illustrated in Chart 1.

CHART 1: S&P/TSX Composite Index





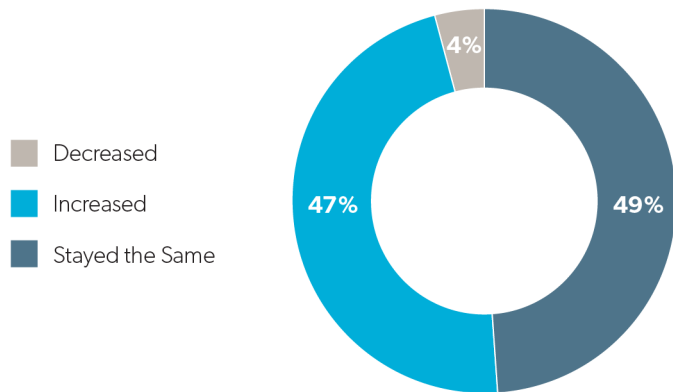
Key Highlights

Canadians Are Experiencing Investment Related Stress

The COVID-19 pandemic has increased uncertainty around the health, financial and economic wellbeing of individuals and society. This uncertainty can trigger a stress response in investors. Increased levels of stress can dramatically affect investment decisions by decreasing a person's willingness to take risks (risk aversion). When asked if their level of stress has changed due to the COVID-19 pandemic, 47% of respondents indicated that their stress levels have increased.

CHART 2: Investor Stress Level During Pandemic

When thinking about your investments,
has your level of stress changed due to the COVID-19 pandemic?



47% of respondents indicated their stress levels have increased

Getting Advice

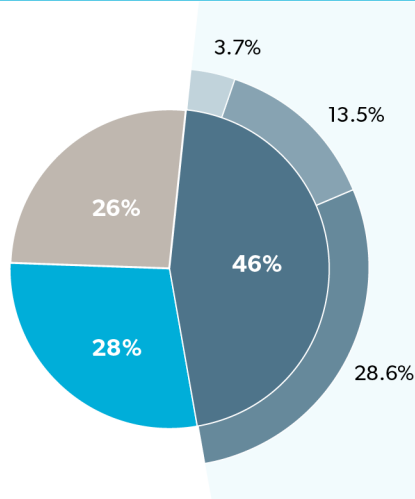
Given the market volatility and the financial impacts of the pandemic, it could be expected that many advised retail investors would engage with their financial advisor. We found that the majority of advised respondents (74%) had some form of communication with their advisor, portfolio manager or robo-advisor since the start of the COVID-19 pandemic. The nature of this communication varied. 46% of investors had discussions with their advisors, 17% received informative messages, and 11% received some other form of communication. The remaining 26% have had no communication with their advisor.



CHART 3: Communications with Advisors

Has your advisor (or robo-advisor) communicated with you during the pandemic?

- We had a discussion
- They sent me a message or other communication
- I've had no communication with my advisor



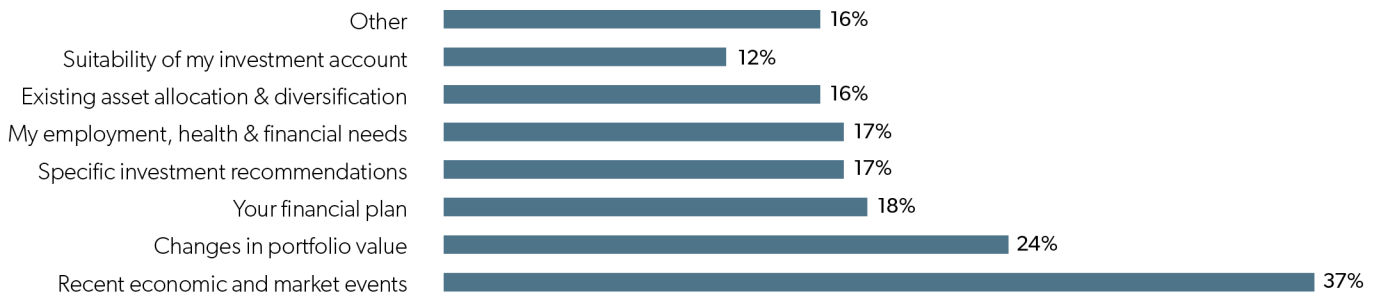
Discussion Initiation

- I received an informative message and followed up
- I reached out to my advisor
- My advisor reached out to me

During these communications or discussions, respondents indicated a wide range of topics were covered. The most common topic was recent economic and market events (37%) followed by changes in portfolio value. As shown in Chart 4, several know-your-client topics were also discussed.

CHART 4: Topic of Discussion

What did your advisor communicate or discuss with you?

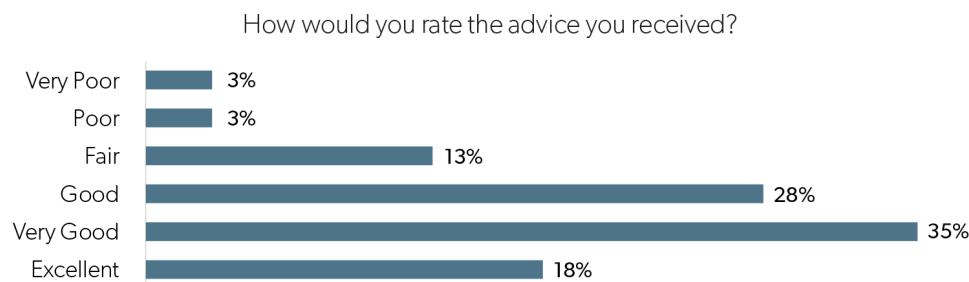




Respondents generally believed that the quality of the advice that they received regarding the impact of the COVID-19 pandemic was high. 81% of respondents viewed the advice positively; however, a significant minority of respondents (19%) held negative views to towards the advice they received since the pandemic began.

This question was only asked of investors who had received advice since the start of the pandemic and does not necessarily indicate their perception of the advice they typically receive.

CHART 5: Perceived Quality of Advice



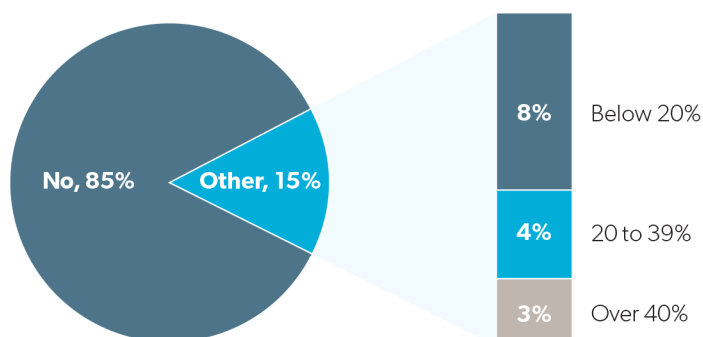
81% of respondents viewed the advice positively

Holding and Selling Investments During the COVID-19 Pandemic

The overwhelming majority (85%) of investors had held steady during the market volatility and had not sold any of their investments. A small, but significant number of respondents (7%) sold a large portion of their investments (20% or more of their portfolios).

CHART 6: Selling Behaviour

Have you sold any investments as a result of the COVID-19 pandemic?

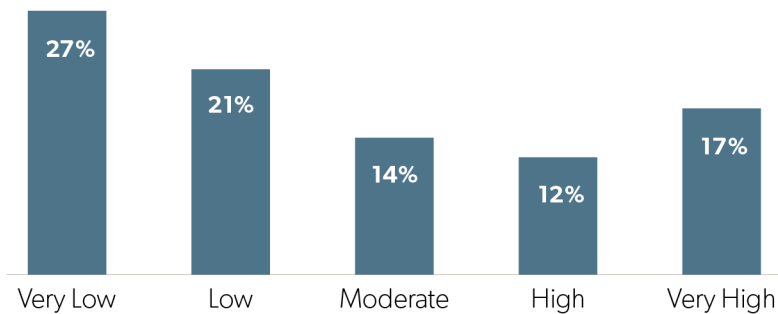




We found there were correlations between financial knowledge and selling behaviour. Individuals with lower levels of financial knowledge were much more likely to sell at this time. 27% of investors with very low and 21% with low financial literacy sold over 20% of their assets in response to the COVID-19 pandemic.

CHART 7: Financial Knowledge and Selling

Percentage Selling 20% or More by Financial Knowledge



Individuals with lower levels of financial knowledge were much more likely to sell

Financial knowledge was measured using a five-question quiz. These questions covered inflation, compounding, diversification, numeracy, and bond prices. We do not have sufficient data on each individual respondent to evaluate whether they should be selling or holding in response to the COVID-19 pandemic nor whether they sold due to financial hardship.

Next Steps

Improving the investor experience and investor protection is a priority for the Investor Office and the OSC. The OSC will use the data from this survey to enhance delivery of investor education and support retail investors in today's complex and uncertain investing environment. Visit the COVID-19 Hub on [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca) for the latest updates on how to manage your finances and investments during the COVID-19 outbreak.

About the Research: The OSC Investor Office engaged Leger Marketing Inc. to conduct a survey to, among other things, help us understand the level of financial literacy among Canadian investors and the investor experience during COVID-19. The survey was conducted online among a representative sample of 1,942 Canadians, 18 years of age or older, between March 30 and April 11, 2020. The sample has been weighted by age, gender and region using the latest Statistics Canada census data to reflect the actual demographic composition of the adult population 18 years or older residing in Canada. The full results of this survey and all OSC Investor Office research is available [here](#).

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