



INVESTMENT 360 INDEX FY21



WELCOME TO THE INVESTMENT 360 INDEX FY21



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CIL's *Investment 360 Index*, now in its fourth year, is based on a survey of business and investment professionals which took place in September 2020. We had 231 respondents.

The Index provides a snapshot of business sentiment among UK investment professionals and management teams over time. This year's findings reveal:

- An increased and continuing net negative view of the short-term economic outlook...
- ...but an optimistic picture for the medium to long-term outlook and the investment environment
- The most balanced sense of whether it is a seller's or a buyer's market for four years
- Support for the Bank of England and no appetite for movement in monetary policy
- A sharp fall in goodwill towards the Government from April this year

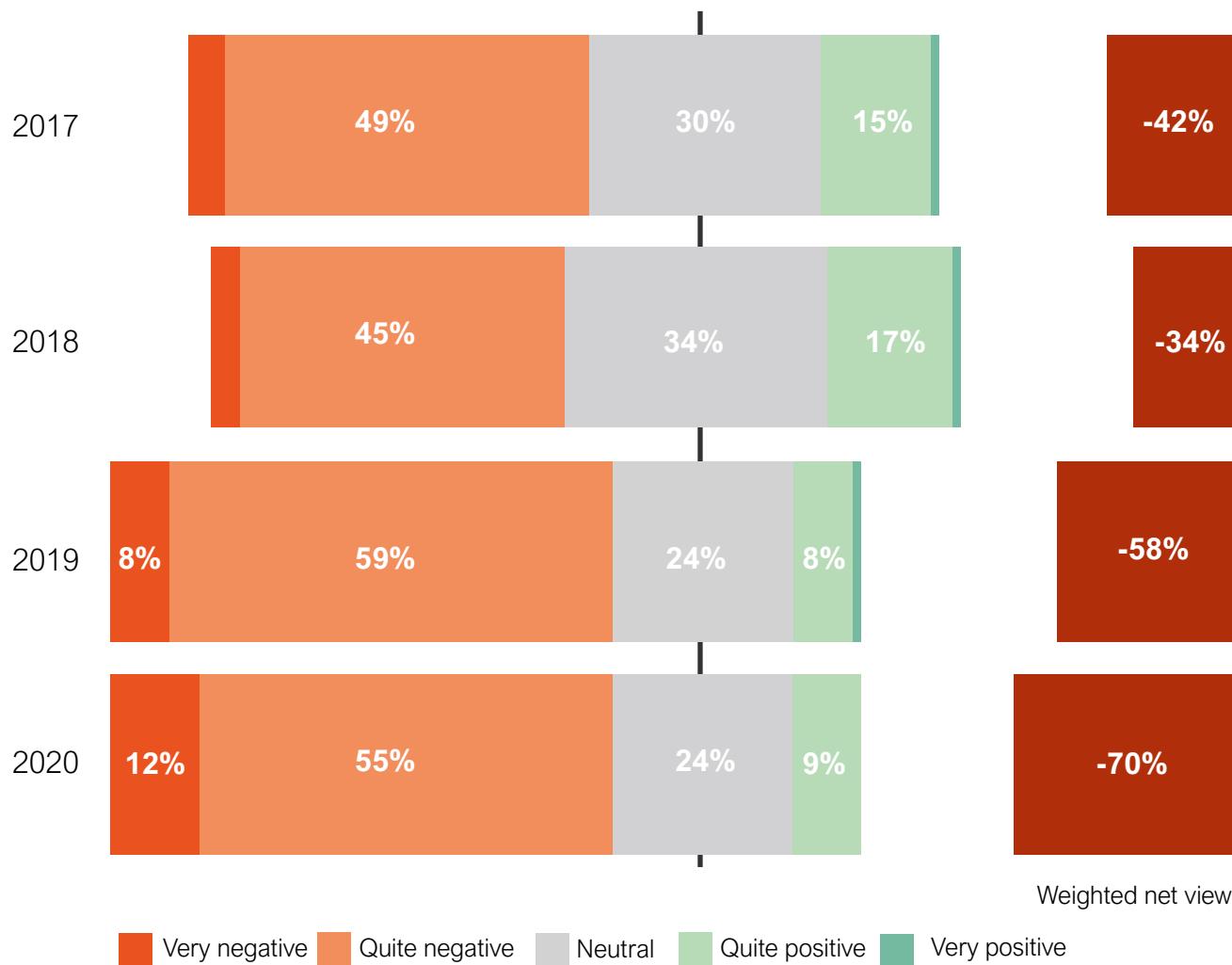
We hope you find the results of interest. Please do contact us with any observations, suggestions or questions.

Methodology

This year, we have implemented a weighted net result. This calculates overall sentiment year-on-year, with "very negative" or "very positive" weighted + or - 2 and a "quite negative" or "quite positive" response scoring + or - 1.

SHORT-TERM UNCERTAINTY

How do you feel about the economic outlook for the UK in the short term (next 18-24 months)?



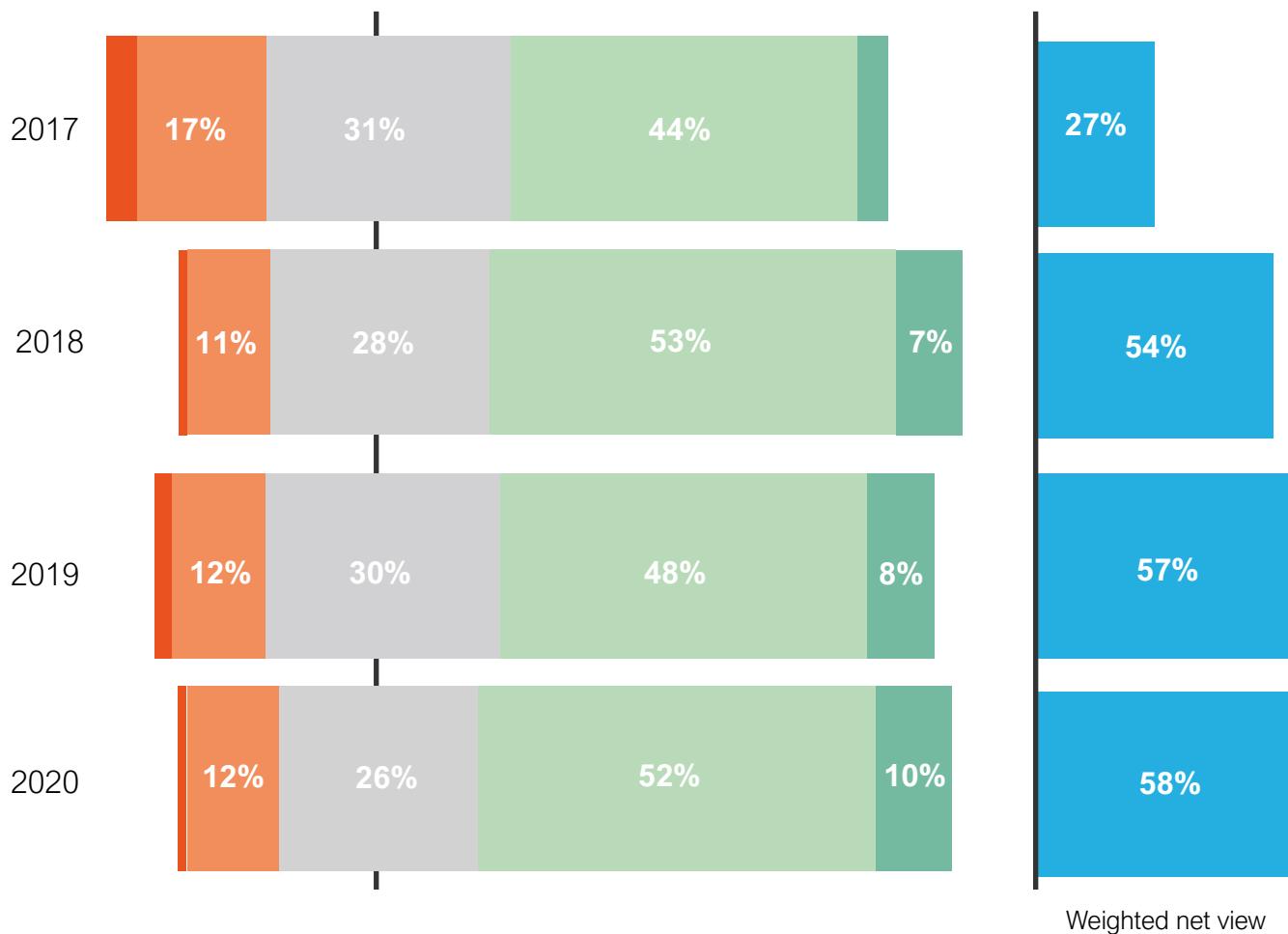
Short-term economic outlook has shifted towards the negative, with a net negative view of 70%. The economic hit caused by COVID-19 combined with Brexit uncertainty weighs heavily on the minds of investors and management teams. Many believe this will exacerbate already rising levels of unemployment, while small businesses are simply less resilient, having dipped into cash reserves when responding to the initial COVID crisis.

There are, however, certain sectors which have fared well over the past year, such as technology, which has kept some level of short-term positivity afloat.

“THE DIGITISED ECONOMY WILL CONTINUE TO THRIVE AND ACCELERATE, BUT THAT REMAINS, TODAY, INSUFFICIENTLY SCALED TO COUNTER THE NEGATIVE IMPACT ON THE REST OF THE MORE TRADITIONAL ECONOMY.”

LONG-TERM CONFIDENCE

How do you feel about the economic outlook for the UK in the long term (next 5-10 years)?

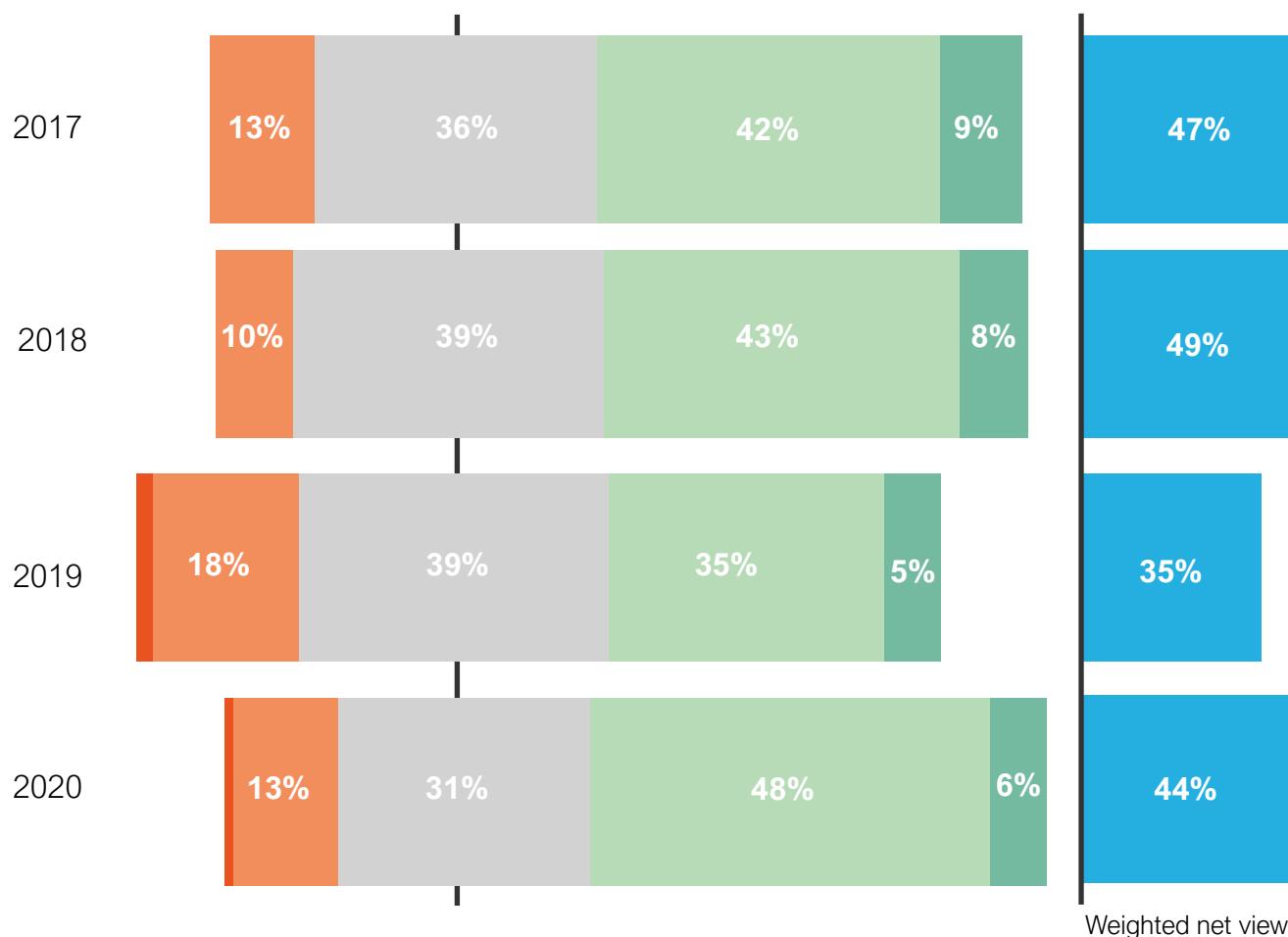


Yet, despite these extraordinary headwinds, long-term sentiment remains positive. Respondents believe that these are short-term uncertainties and fundamentally the UK is an attractive place to work, to innovate and to invest.

“THE UK HAS HAD THREE DIFFICULT YEARS AND THERE IS A BACKLOG OF ACTIVITY THAT IS GETTING UNDERWAY. WE ARE QUITE WELL AHEAD OF OTHER COUNTRIES IN TERMS OF THE MOVE TO TECH-ENABLED SERVICES WHICH IS LIKELY TO MEAN WE REMAIN ATTRACTIVE TO INVESTORS.”

INVESTOR OPTIMISM

How do you feel about the investment environment for your business (or your portfolio if an investor)?



Positive sentiment towards the investment environment has increased since last year, by a weighted net positive of 9%. This rise in positive sentiment is due to several factors. Dry investment powder remains at record levels, with the current environment creating opportunities to support sound businesses in distress and to invest in sectors which have been positively affected by, or resilient to, COVID – such as tech-enabled businesses.

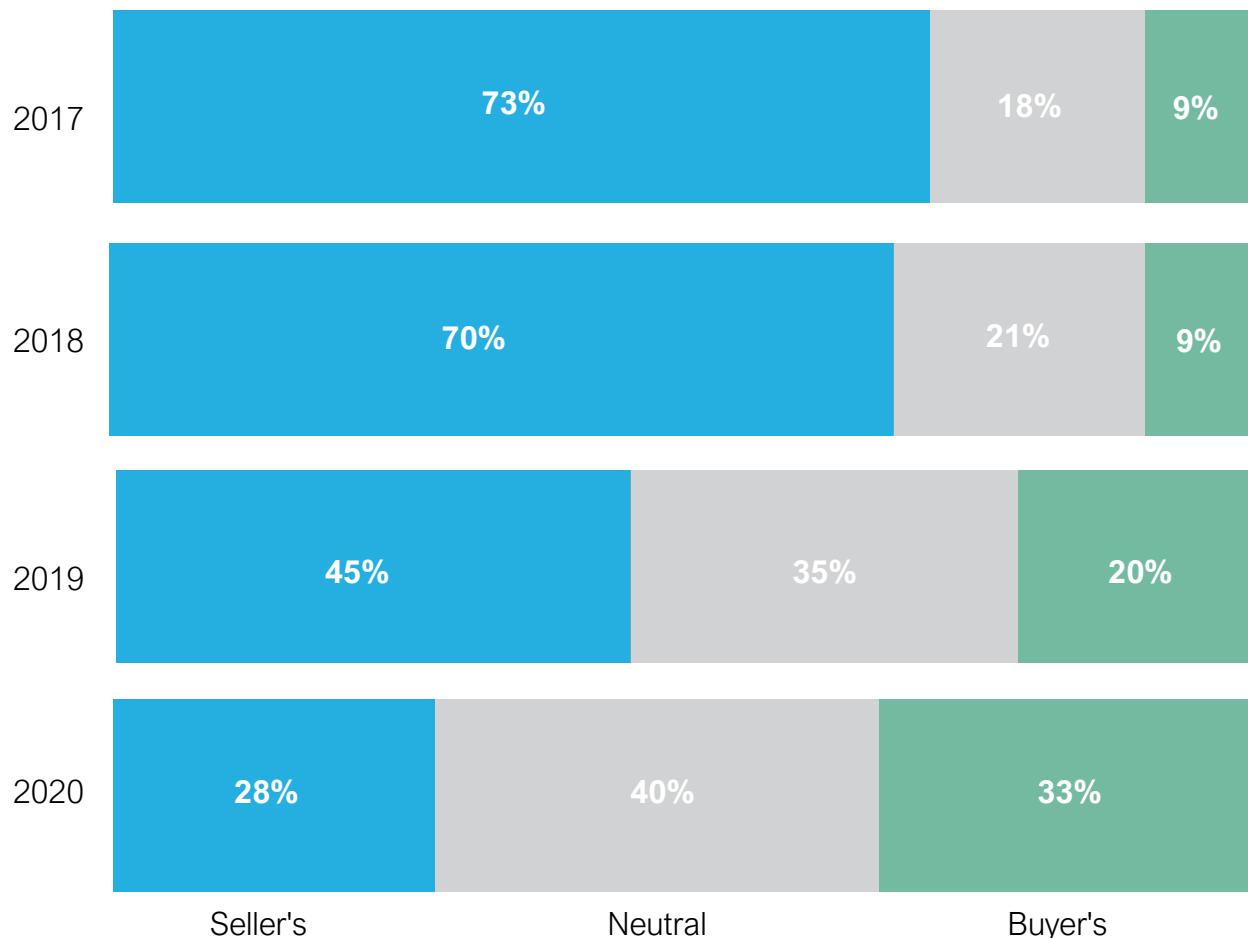
Last year saw a dent in investor sentiment caused by a looming Brexit deadline and distrust in the Government.

**“CAPITAL IS OUT THERE FOR THE
RIGHT TYPE OF BUSINESS AND GOOD
ASSETS WILL ATTRACT PREMIUM
MULTIPLES DUE TO THE SCARCITY OF A
STRONG INVESTMENT THESIS.”**

Very negative Quite negative Neutral Quite positive Very positive

A POLARISED PICTURE

In terms of M&A, do you think it is a seller's or buyer's market?

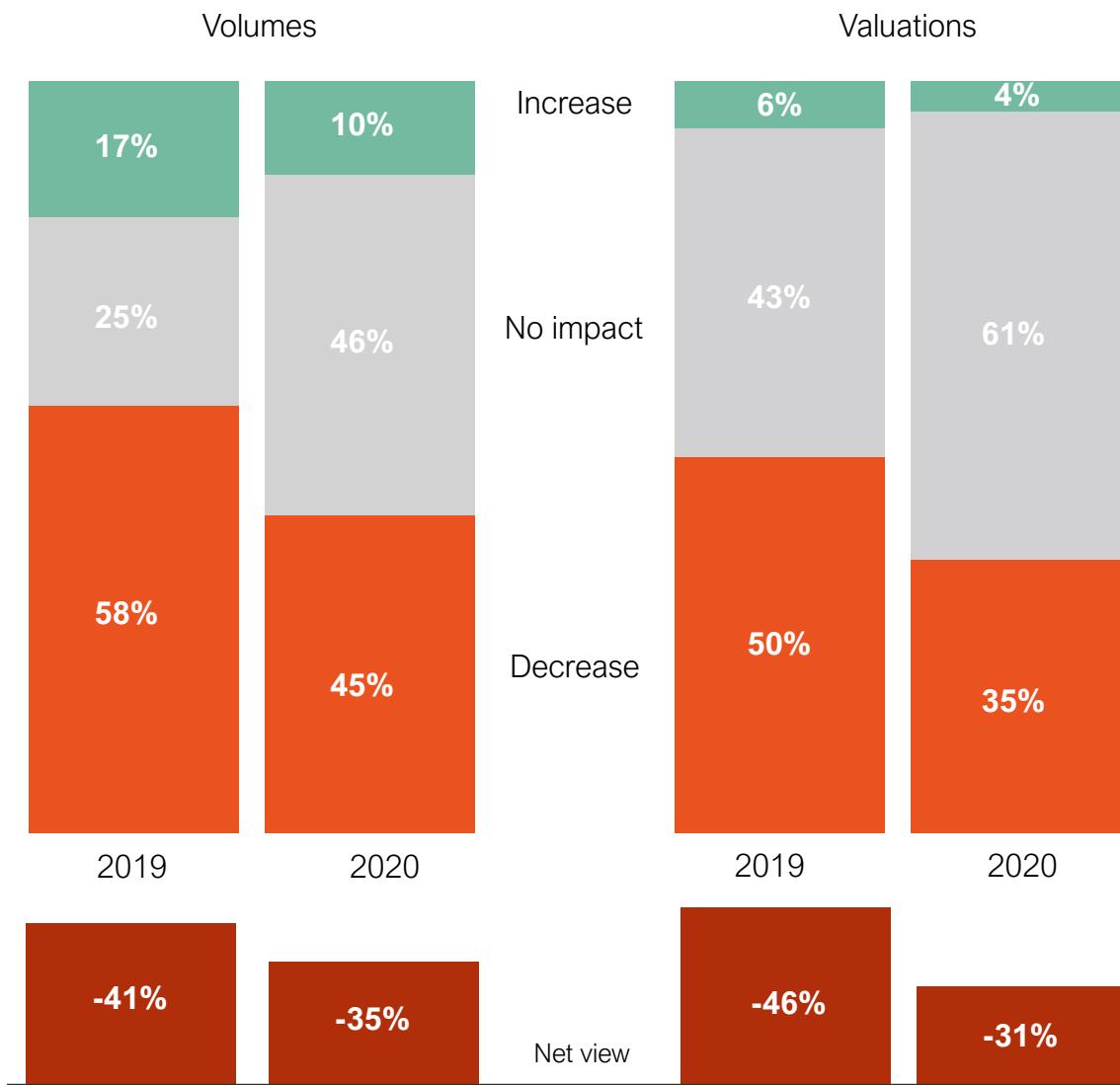


The results have shifted away from a seller's market in 2019, reflective of a clear polarisation in the resilience of certain sectors. There is a pronounced split between businesses that have done well during COVID, or are COVID-resilient, and businesses that have taken the brunt of social-distancing restrictions. For the former, it is a seller's market – there is strong competition for sound healthcare and technology businesses which have seen robust trading throughout this period. Yet for the consumer and hospitality sectors, the shift is towards a buyer's market.

“HUGE COMPETITION BUT ONLY FOR GREAT ASSETS. SOME SECTORS WILL BE IMPOSSIBLE TO SELL IN AND BUSINESSES WITH AN UNEXCEPTIONAL TRACK RECORD MAY GET NO INTEREST.”

BREXIT'S BACK WITH LESS BITE

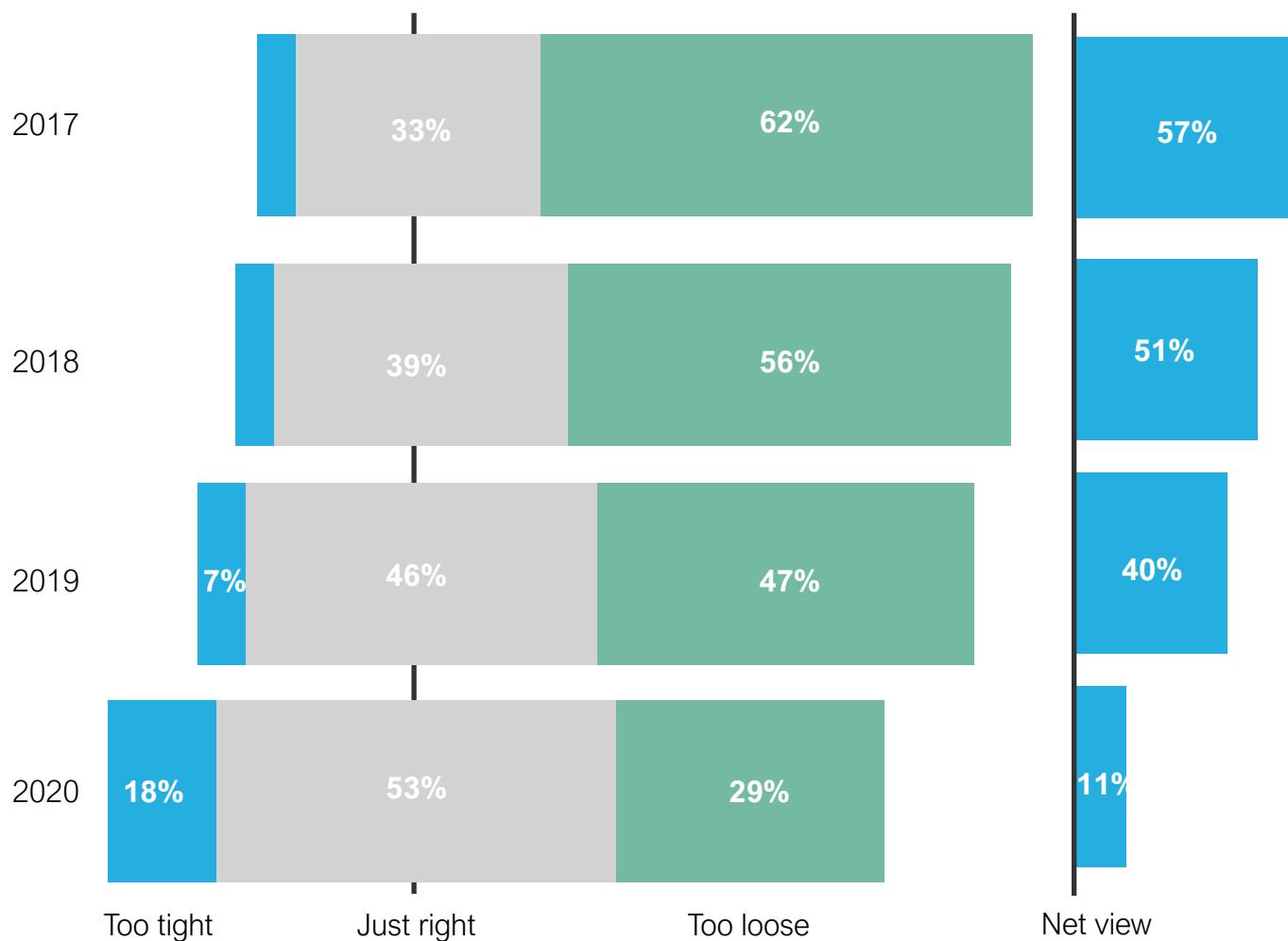
What impact do you think Brexit will have on M&A volumes / values in 2021?



There has been a slight shift away from the negative in how investors are thinking about the impact of Brexit on M&A volumes and valuations. While still net negative, there has been a substantial swing away from decreased valuations. With no significant policy announcements to tie this to, it may simply be a sign that Brexit has been factored into investment strategies.

CREDIT AVAILABILITY IS ABOUT RIGHT

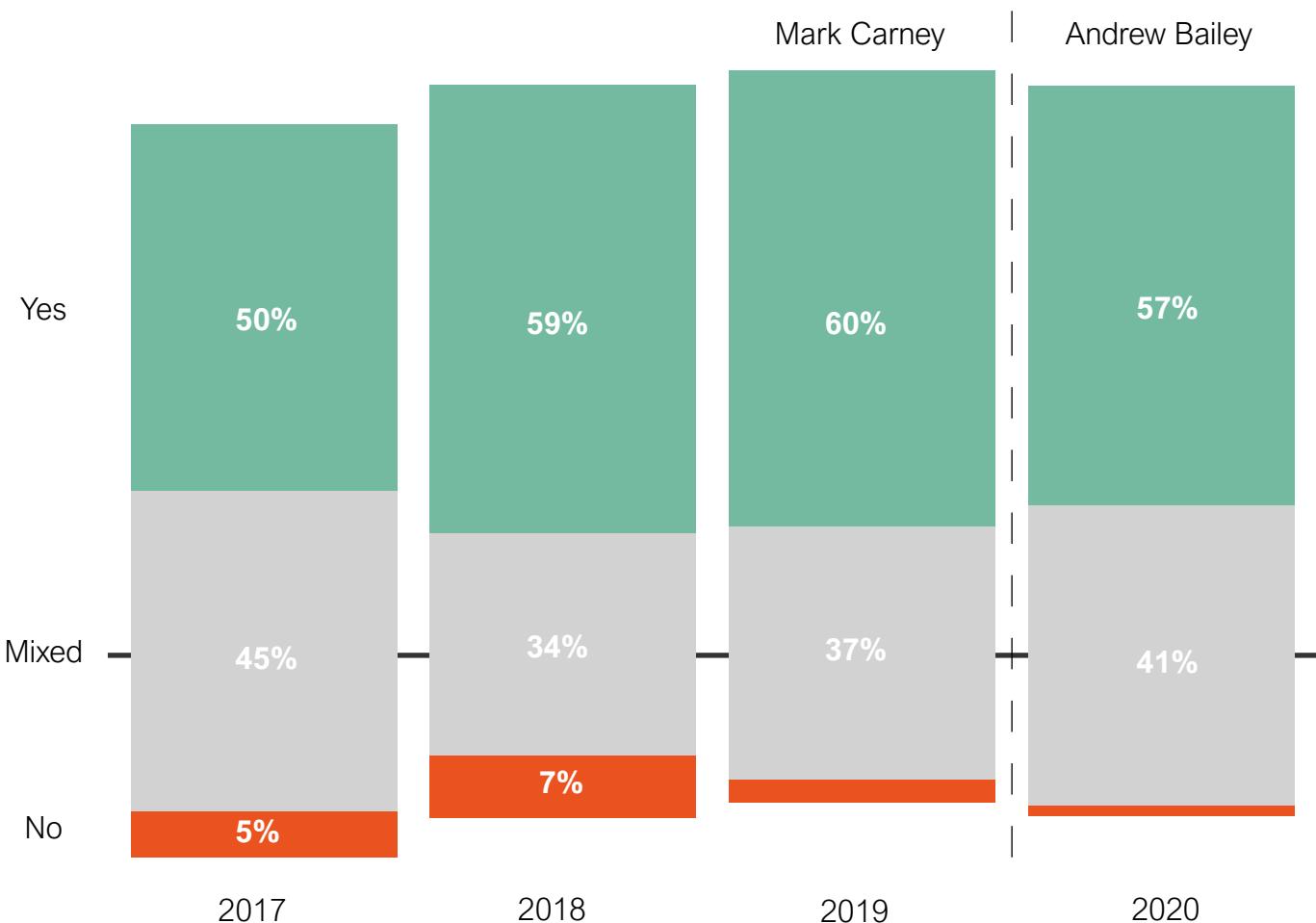
Do you think credit markets are too loose, just right or too tight?



In recent years we have seen a slant towards credit markets being too loose. This year shows a rebalancing towards the centre with lenders being more selective. Respondents see this as appropriate given the current environment.

BANK OF ENGLAND HITS THE MARK

Do you think the Bank of England is doing a good job?

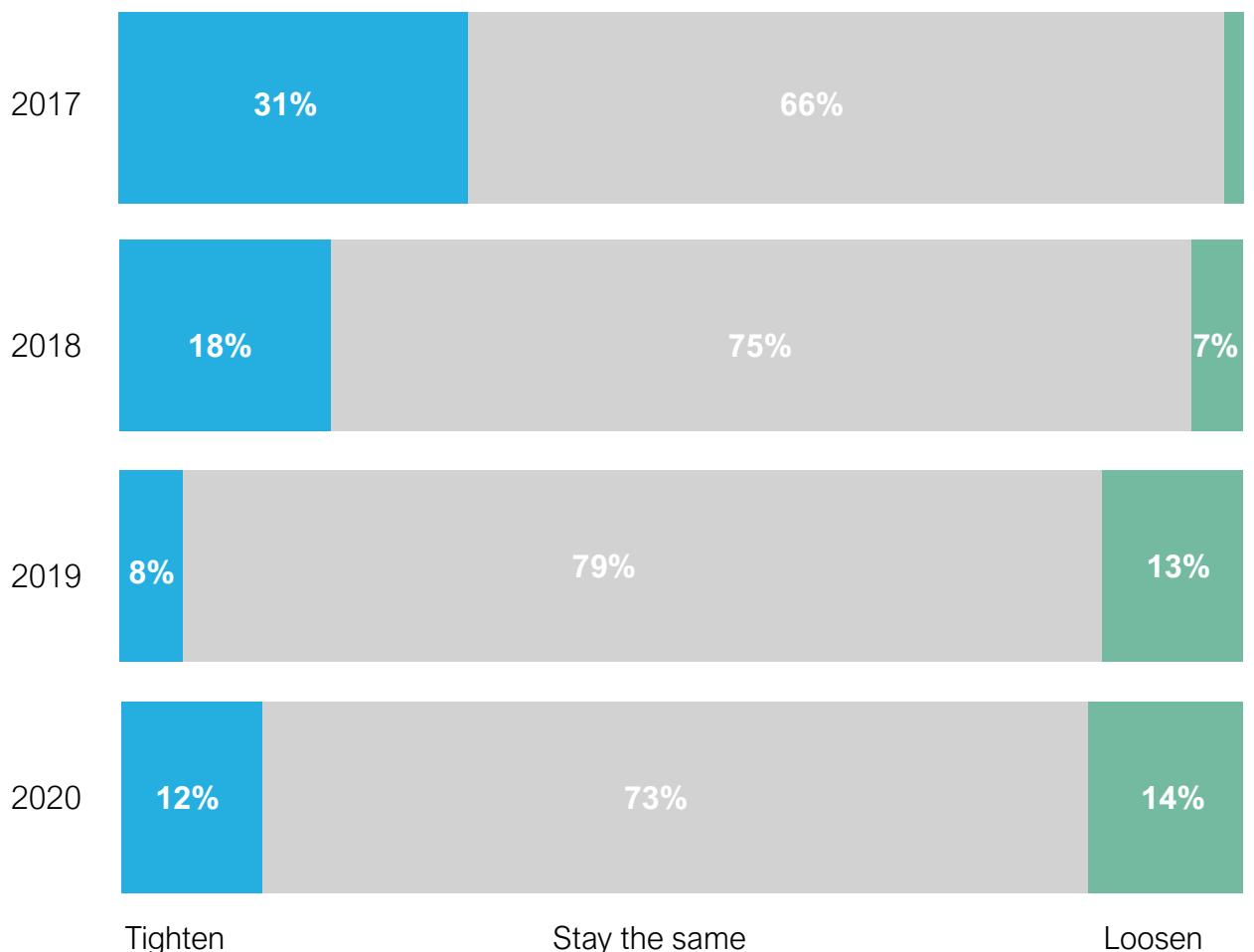


Respondents' view of the Bank of England's performance remains positive – it is seen to be providing decisive and consistent policy through this testing time.

"THE PREPARATION AND STRESS TESTING WHICH TOOK PLACE FOLLOWING THE 2008 CRISIS MEANS OUR FINANCIAL INSTITUTIONS ARE MORE RESILIENT AT THIS POINT. HOWEVER, INTEREST RATE MANAGEMENT IS NO LONGER AN EFFECTIVE TOOL TO HELP BALANCE THE ECONOMY AND OTHER STIMULI ARE NEEDED IN FUTURE."

DO NOTHING – FOR NOW

Do you think that monetary policy (implemented by the Bank of England) should loosen, stay the same or tighten?

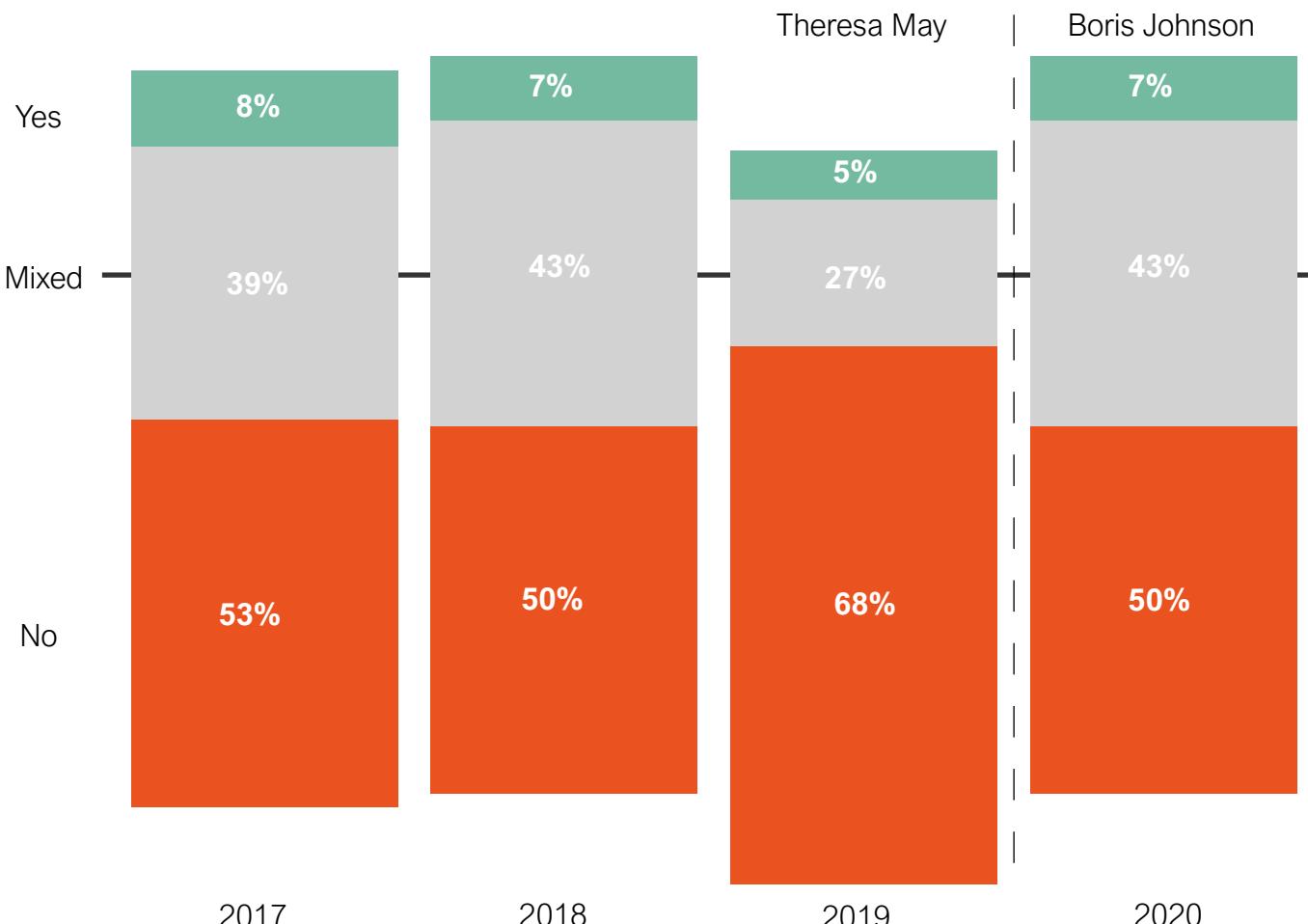


For the fourth year running, there remains little appetite for any movement in monetary policy. There is a consensus that the BoE will need to act at some stage by tightening monetary policy – but too soon, and it could exacerbate the economic impact of the recession. For now, the Bank must provide stability and act quickly when it needs to.

"IT NEEDS TO TIGHTEN BUT IF IT HAPPENS TOO SOON IT WILL COMPOUND THE UPCOMING RECESSION."

THE BORIS BOUNCE IS ERODING

Do you think the Government is doing a good job?

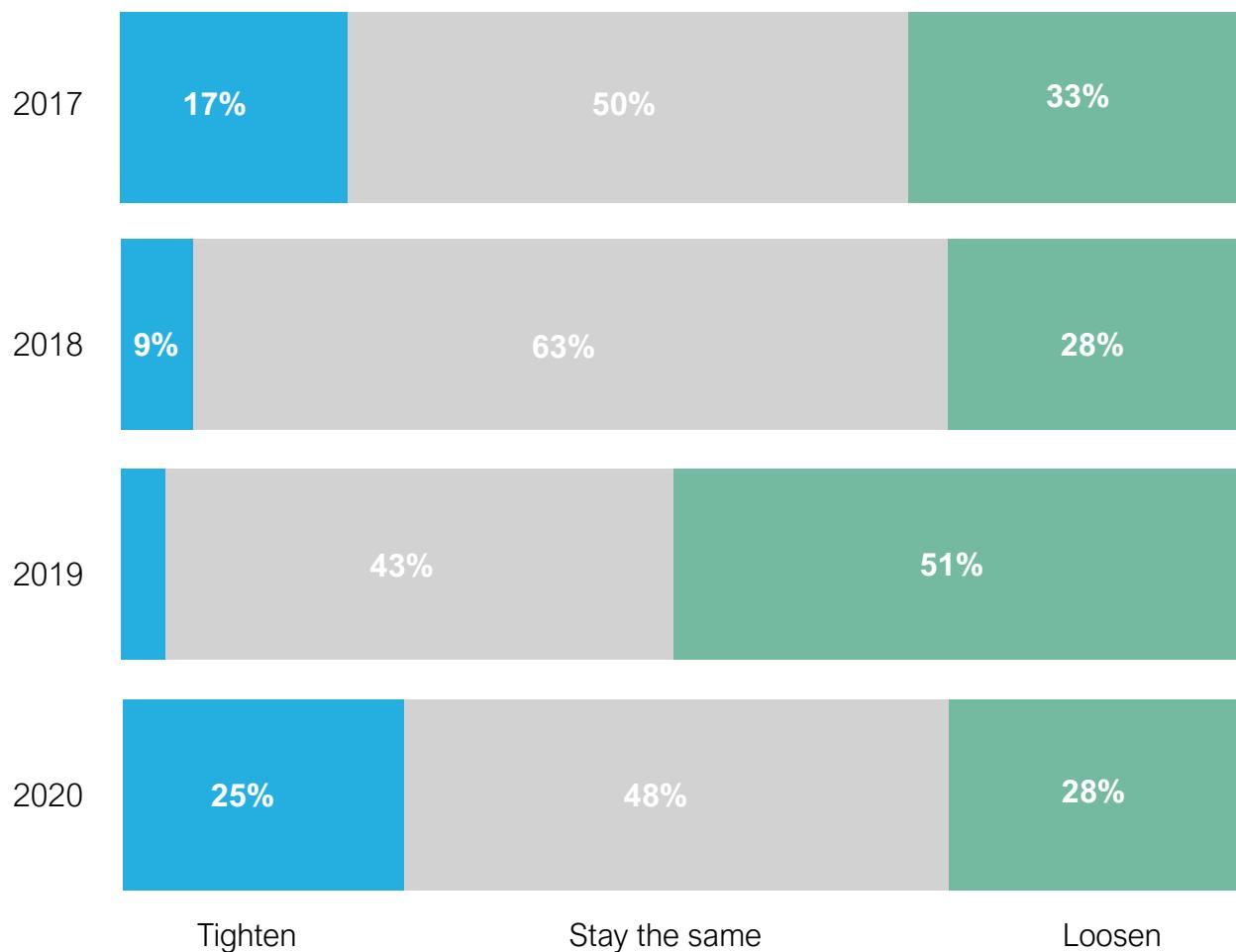


Previous surveys conducted by CIL at the height of lockdown restrictions found overwhelming support for the Government – with a high of 73% believing that the Government was doing a good job in April 2020. However, this goodwill has quickly evaporated with most respondents now showing dissatisfaction with the Government's approach to the pandemic and Brexit – citing poor leadership, inconsistent messaging and a lack of strategic direction. Boris's honeymoon period has certainly come to an end. Yet despite this, sentiment towards the Government has improved from this time last year under Theresa May.

**"INCONSISTENT MESSAGING,
UNSATISFACTORY COVID RESPONSE,
INSUFFICIENT BREXIT PREPARATIONS, TALKS
OF TAX HIKES UNHELPFUL. I FEAR THIS
MAY SET THE FOUNDATION FOR THE UK TO
CONTINUE TO FALL BEHIND OVER THE NEXT
DECADE."**

A REBALANCING ACT

Do you think fiscal policy should loosen, stay the same or tighten?



Last year's results showed an increased appetite for loosening fiscal policy. We have now seen a significant shift towards holding steady or tightening fiscal policy. Schemes brought in to keep the economy afloat over the last six months, such as furlough and Eat Out to Help Out, have been well received but now we are seeing a slight nervousness among our respondents – they believe that government borrowing and government spending are unsustainable at this level and that it needs to be unwound, slowly.

"CURRENT GOVERNMENT SUPPORT WILL NEED TO BE CURTAILED RELATIVELY SOON TO ENSURE THE NATIONAL DEBT CAN BE MANAGED IN THE LONG TERM"



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