



INVESTMENT 360 INDEX FY20

WELCOME TO THE INVESTMENT 360 INDEX FY20

Now in its third year, the survey behind CIL's *Investment 360 Index* was conducted over a three week period between August and September 2019. We had 276 respondents.

The *Index* provides a snapshot of business sentiment among UK investment professionals and management teams over time.

This year's *Index* reveals some interesting results. The uncertainty caused by Brexit, as well as a range of other factors affecting global economies such as the US / China trade war, is weighing heavily on investors in the short term. However, thanks to sound monetary policy from the Bank of England and strong fundamentals — Brexit aside — the long-term economic outlook for the UK remains positive.

Other key takeaways include:

- A shift away from M&A being such a clear seller's market
- Negativity towards the Government
- Appetite for increased government spending

We do hope you find it interesting.

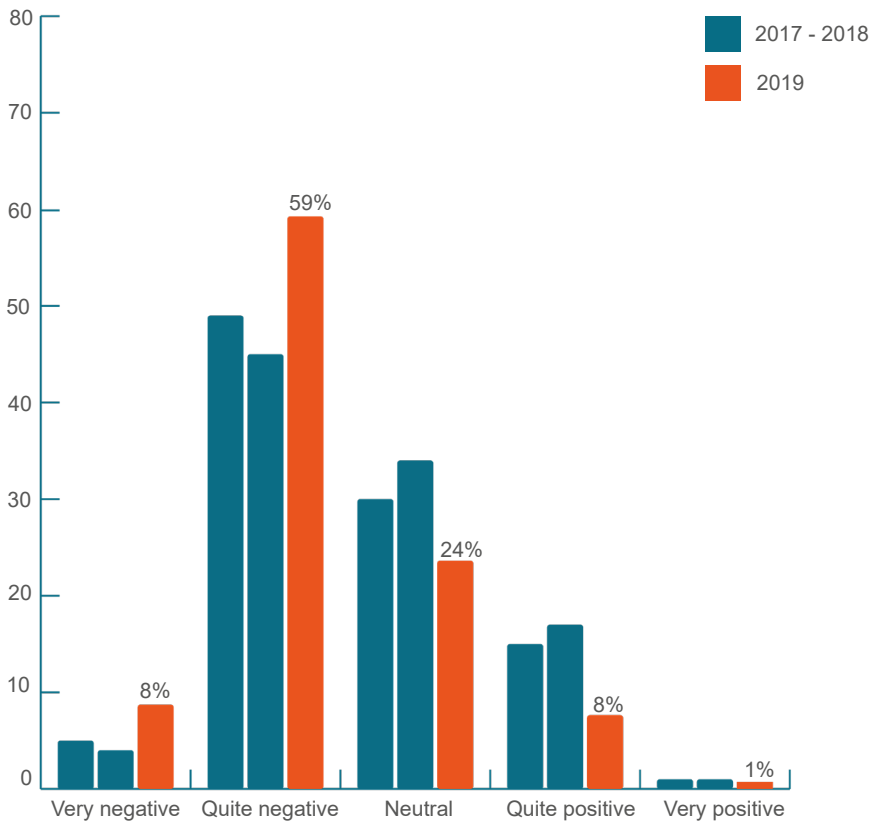
Please contact us with any observations, suggestions or questions.



**Giles Johnson, managing partner,
CIL Management Consultants**

SHORT-TERM UNCERTAINTY

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

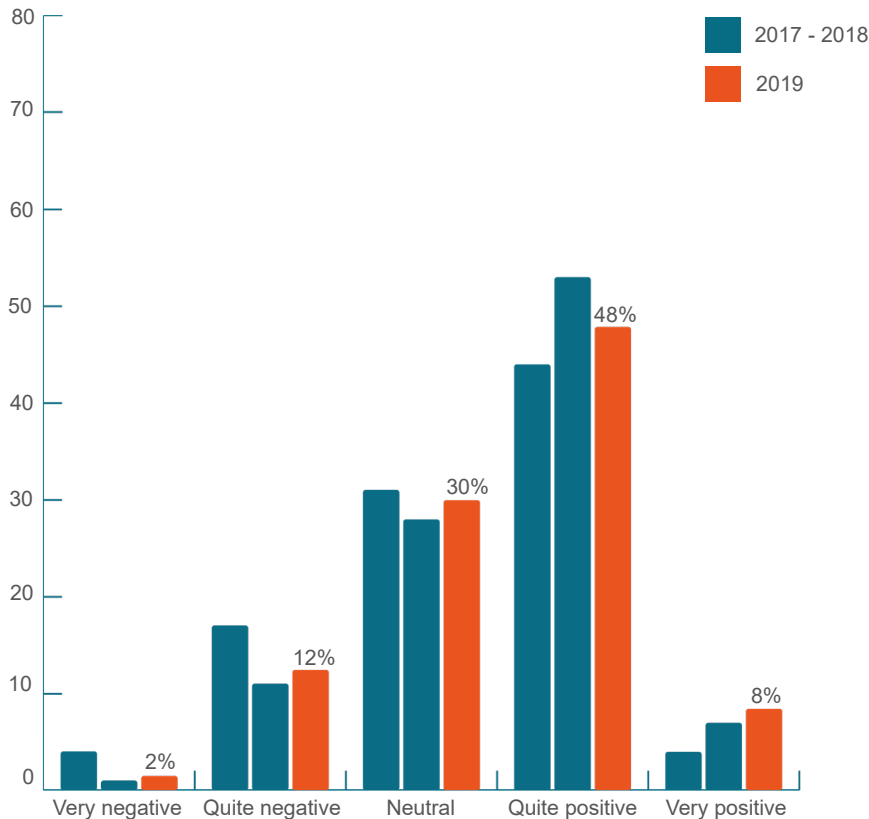


Short-term sentiment has deteriorated in the last 12 months. This is largely due to uncertainty around Brexit and the belief that the UK economy is due a correction as we approach the end of a prolonged period of growth.

This uncertainty has caused certain investors to pause. These concerns have been compounded by global factors such as the US / China trade war and the slowing German economy.

LONG-TERM POSITIVITY

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

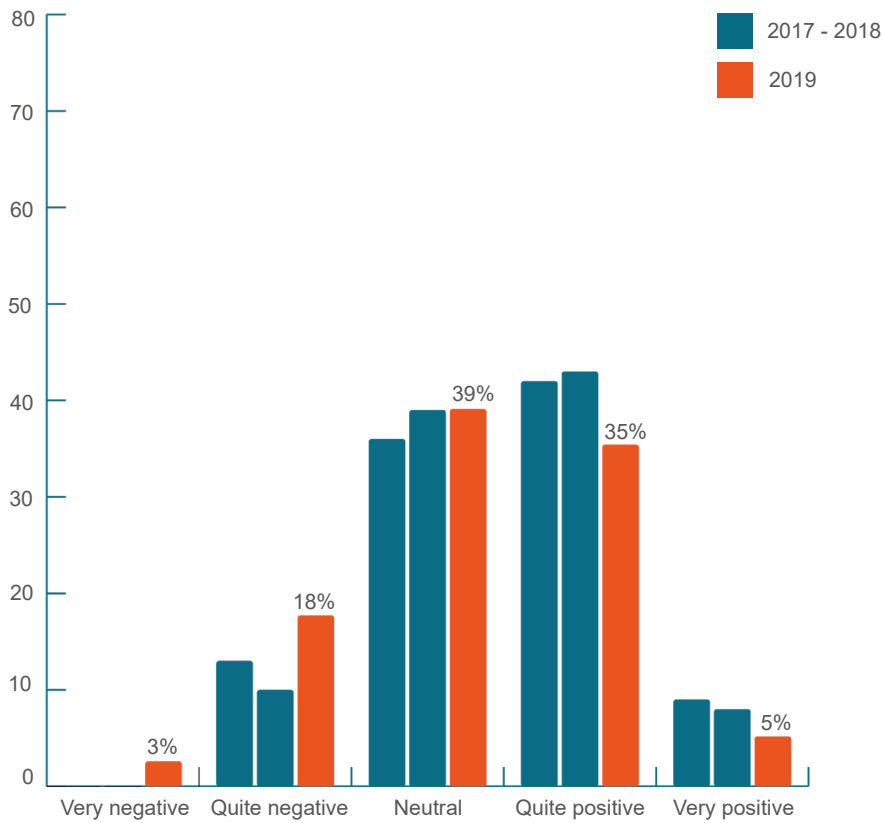


Long-term sentiment, however, remains positive with Brexit uncertainty and trade wars seen as transitory. The UK remains a fundamentally attractive place to invest with a skilled workforce and significant opportunities for technological advancement.

“I am confident in the core capabilities of the underlying British economy.”
Investor

STRONG FUNDAMENTALS

How do you feel about the investment environment?



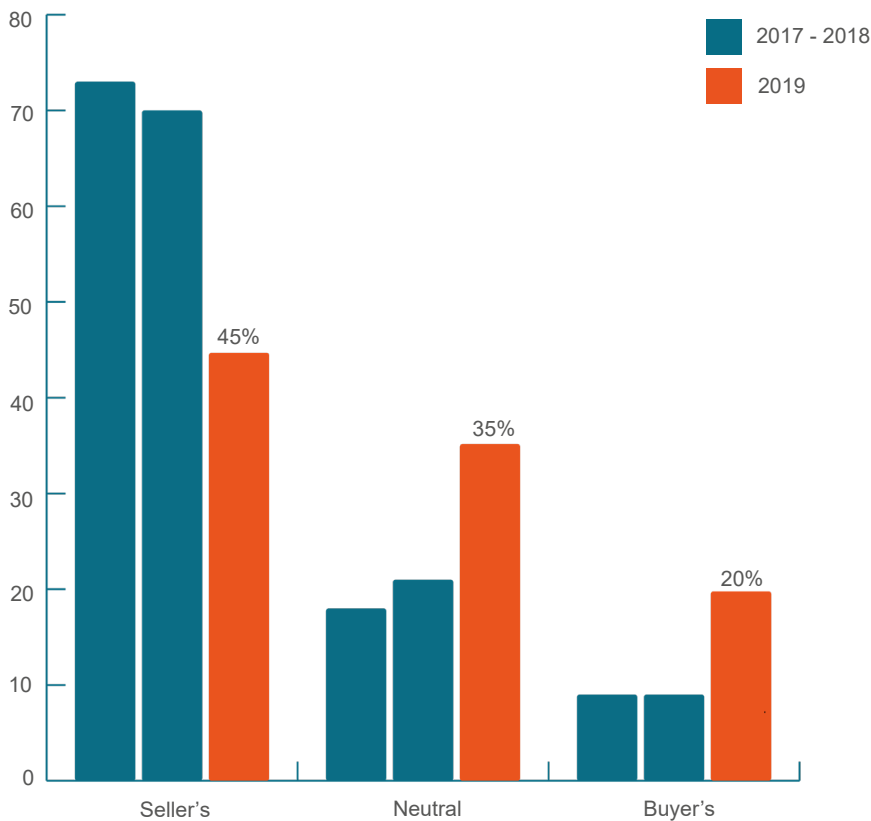
Sentiment towards the investment environment is weighted towards the more positive, longer-term outlook.

twice as likely to be positive. The UK remains a fundamentally attractive place to invest.

However, short-term uncertainties have weighed on sentiment. Negativity has increased but respondents are

SELLER'S ADVANTAGE ERODED

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



Survey respondents believe we continue to operate in a net seller's market although we have seen a material shift towards buyers / neutrality.

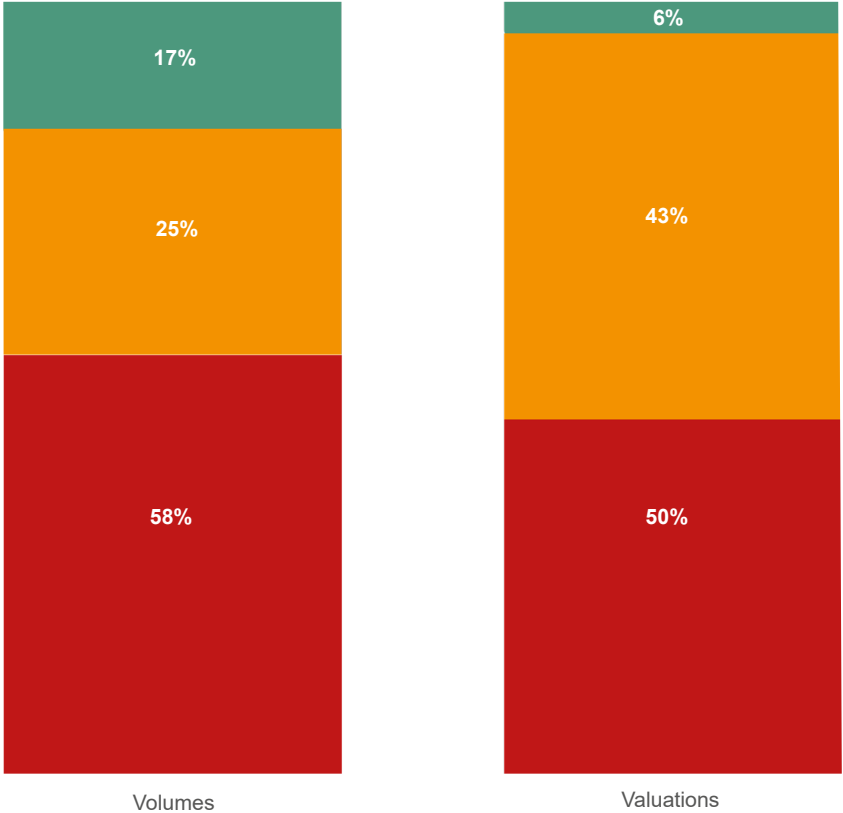
The abundance of dry powder still outweighs buyers' increased

reticence about when to invest and at what valuation.

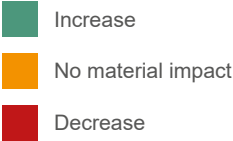
A devalued sterling continues to provide opportunities for foreign buyers.

M&A MARKETS AFFECTED

What impact do you think Brexit will have on M&A volumes and valuations in 2020?

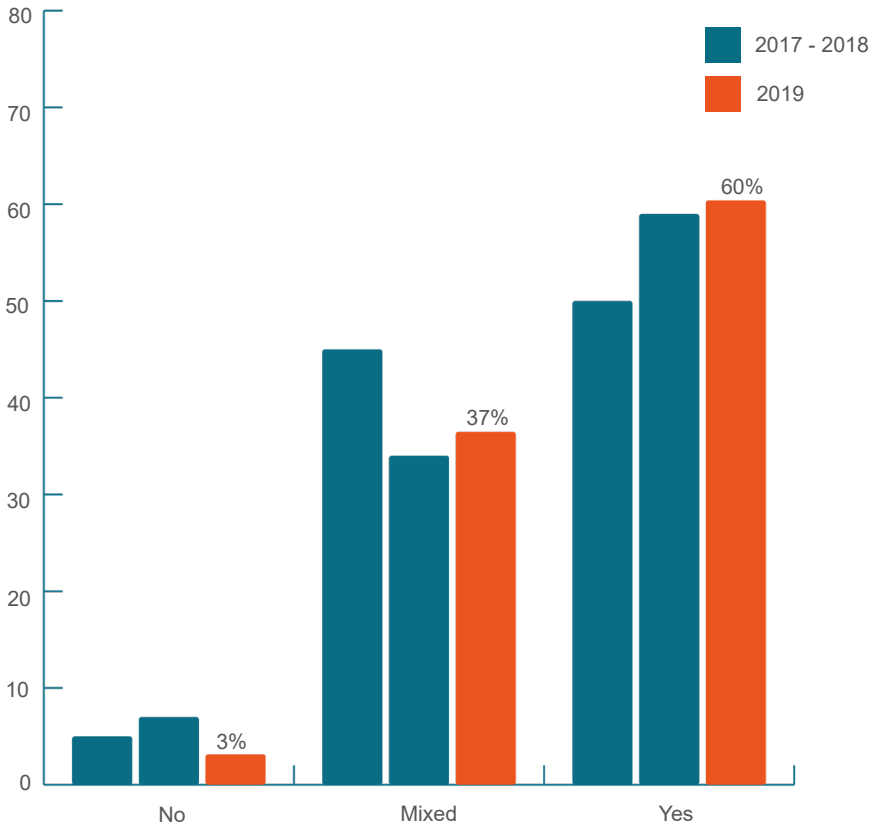


Brexit is clearly expected to have a negative impact on the volume and valuations of businesses for sale in 2020.



A STEADY HAND ON THE TILLER

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



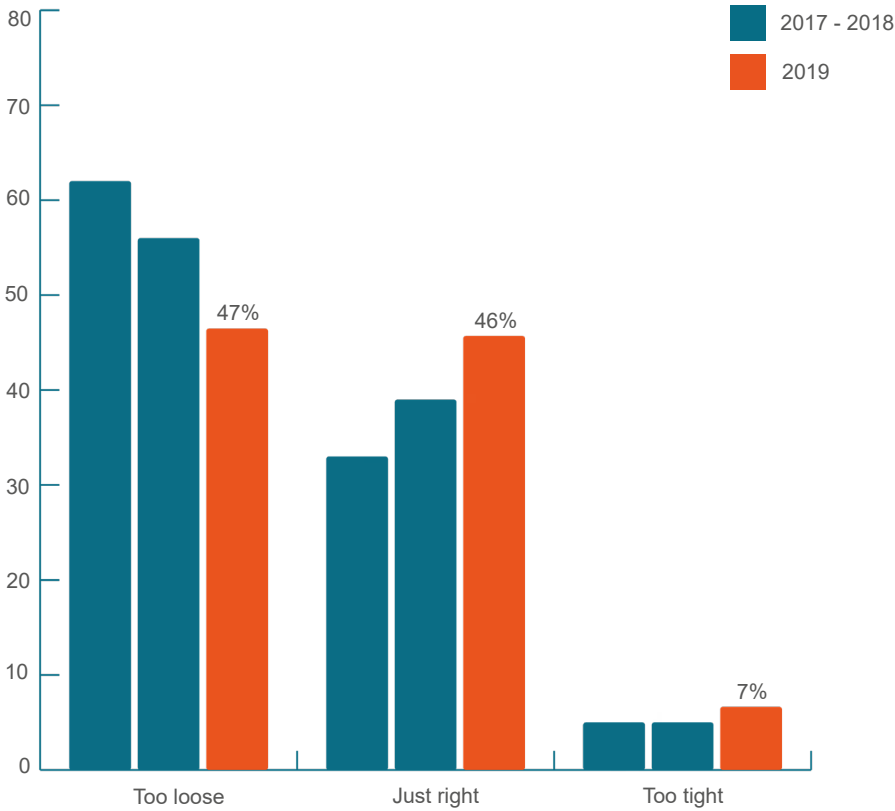
Respondents remain positive about the Bank of England's (BoE) performance, with only 3% of respondents stating that it is not doing a good job.

well given the limited tools at its disposal (base rates below 1% and the Bank's already asset-heavy balance sheet).

The BoE is largely seen to be handling the uncertain economic environment

LITTLE APPETITE FOR TIGHTENING

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



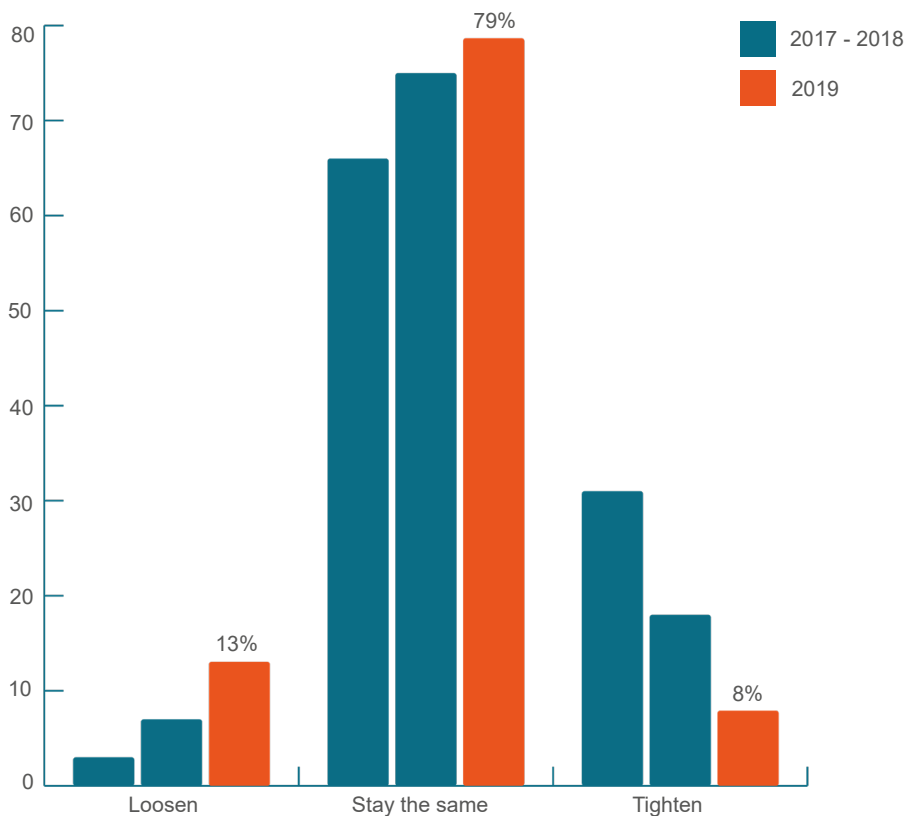
Credit markets are clearly not seen as too tight. The degree to which they are seen as too loose, however, has softened.

pressure to deploy capital, resulting in terms where lenders have less control than they would like. Despite this, there appears little appetite for tightening.

Concerns remain over loose credit markets driving high valuations and a

'DO NOTHING' CONSENSUS

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



There remains little appetite for any movement in rates given the high levels of economic uncertainty and rates being at historic lows.

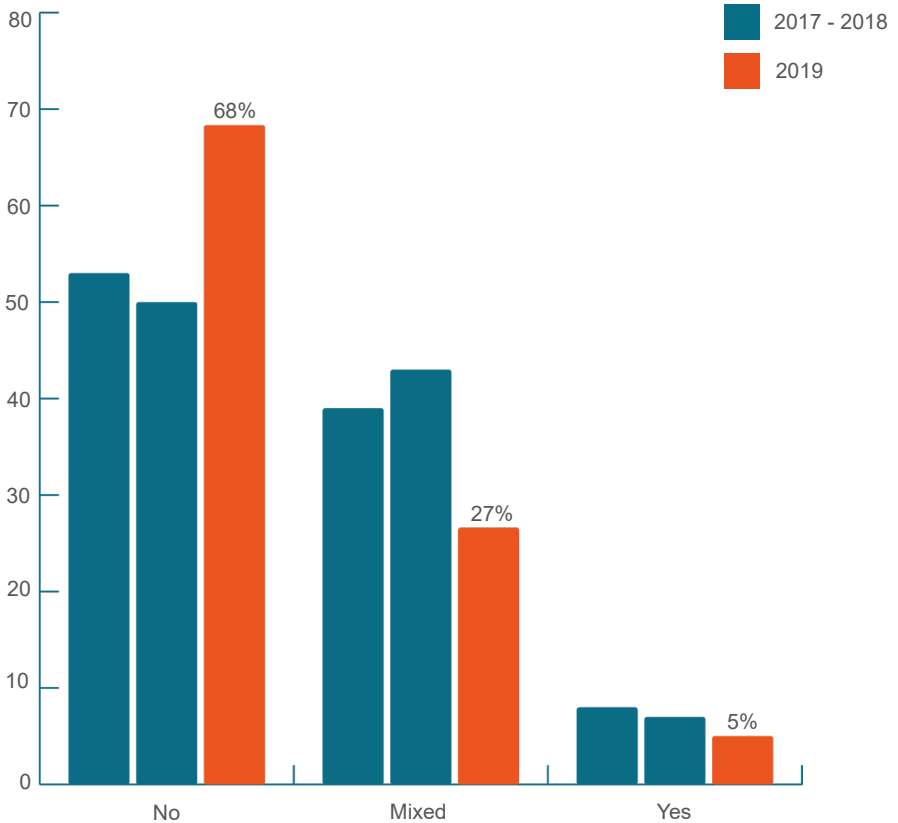
There is a clear consensus for the BoE to 'do nothing' in order to ensure stability.

"Monetary policy should stay the same to allow for loosening in the future if needed. Tightening now would be too much of a shock."

Investment manager

POLITICAL PESSIMISM

Do you think the Government is doing a good job?



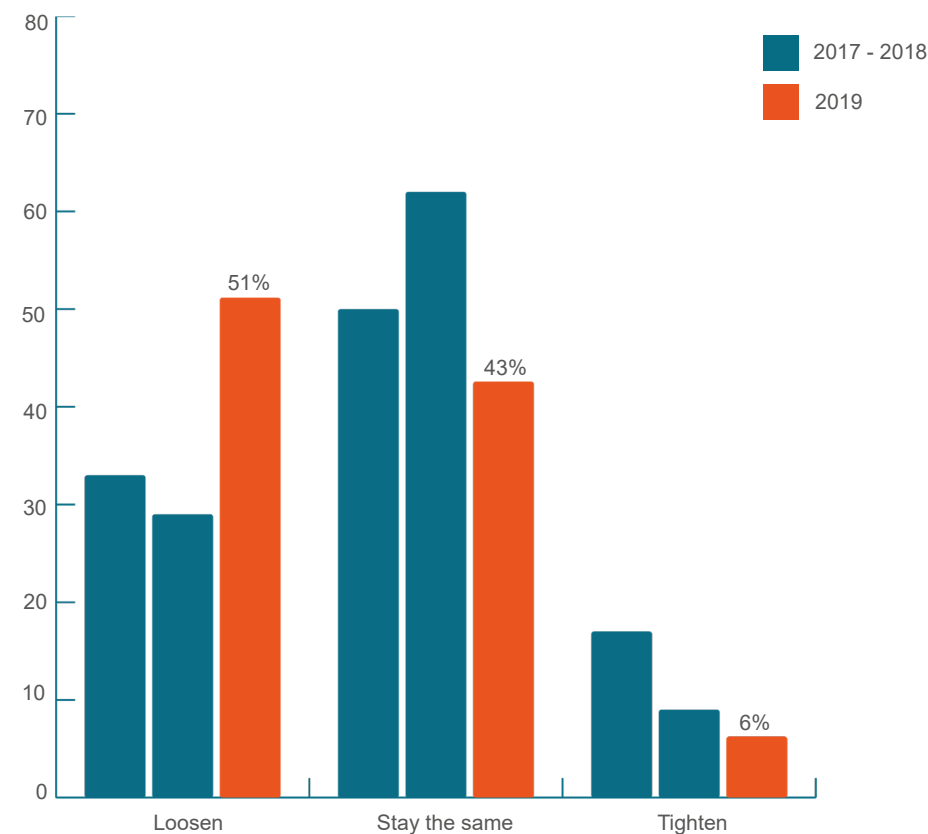
The majority of respondents reported dissatisfaction with the Government, and this opinion has strengthened materially this year (up from 50% in 2018 to 68% in 2019). Only 5% feel that the Government is doing a good job.

“Pragmatism has been totally and utterly thrown out of the window.”

Investment director

FISCAL FIXING

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

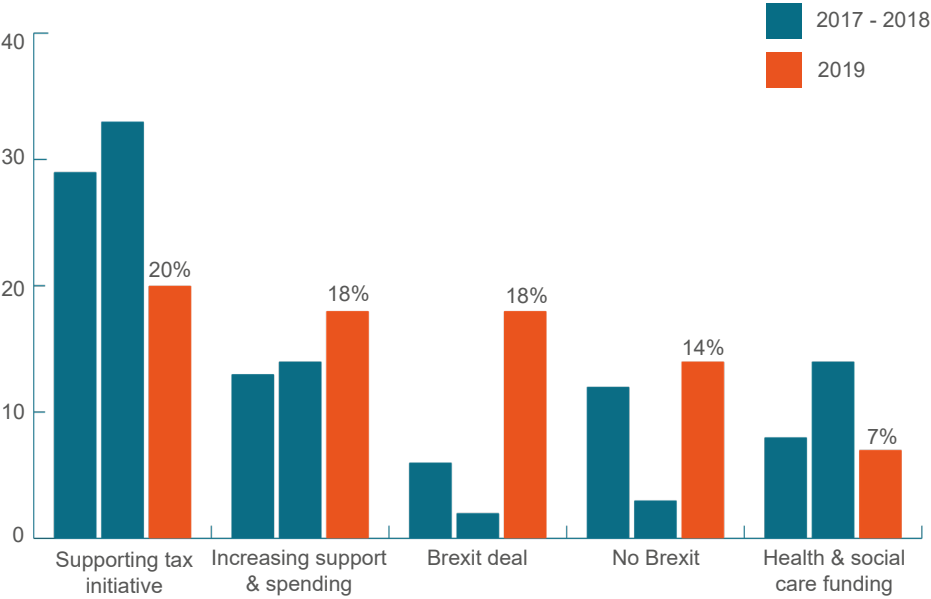


Over the past 12 months the appetite for loosening fiscal policy has increased significantly. The survey was closed prior to the Chancellor’s Spending Review in which he made his move, declaring that the “Government has turned the page on austerity”.

There is a clear desire to increase investment, particularly with respect to infrastructure, although concerns remain over the size of the current Government debt pile.

A DESIRE FOR CERTAINTY

If you could get the Government to launch one policy initiative that would help your business, what would it be?



These results are consistent with a greater appetite for government spending, with calls for lowering taxes declining from previous years.

The polarised views on Brexit seem to spring from a real desire for certainty and some form of closure.

Note: percentages may not sum to 100% due to multiple answers permitted.

“Resolution of Brexit would increase confidence in the broader economy.”
Investment manager

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