Q4 2022 Retail Client Sentiment Report

Survey fielded October 7-17, 2022

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Q4 2022 Executive Summary

The majority of retail investors remain bearish about the U.S. stock market amid concerns about rising inflation and the potential of a recession. In fact, more than 90 percent of retail clients believe a recession is likely, with most predicting it will officially happen in the first half of 2023 or sooner. Still, clients remain engaged—they’re doing more research and taking advantage of investor education resources, and nearly 90 percent remain confident in reaching their financial goals.

Key Q4 themes
• The majority (74 percent) of retail investors feel bearish about the U.S. stock market, particularly about the real estate and consumer discretionary sectors.
• Inflation-related concerns are high among investors, followed by worries about a looming recession. Nearly 70 percent of clients say lower inflation would make them more bullish about the U.S. stock market.
• Although less than half of retail investors believe now is a good time to invest in equities, more than a quarter still plan to move money into individual stocks in the months ahead and only 11 percent plan to take money out of their portfolio.
The majority of retail investors remain bearish on the U.S. stock market

Outlook For U.S. Stock Market
(Single response only; Among Client Sample)

Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

1. Bullsish Net 12% (-2)
   - I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market

2. Bearsish Net 74% (+4)
   - I think the market is due for a significant correction, and I'm concerned about the possible impact on my portfolio
   - I think the market is due for a significant correction, but I'm confident that I have a plan in place to withstand it

Base = Weighted Total (n=832)
Don't know

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Younger retail investors lean the most bearish, but more than half are confident in their plans to withstand a potential correction

Outlook For U.S. Stock Market By Life Stage
(Single response only; Among Client Sample)

Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

- I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market.
- I think the market will continue to perform well, and I plan to increase my allocation to equities as a result.
- I think the market is due for a significant correction, and I’m concerned about the possible impact on my portfolio.
- I think the market is due for a significant correction, but I’m confident that I have a plan to withstand it.
- Don’t know
Retail investors are most bearish on the real estate and consumer discretionary sectors and most bullish on energy.

Sector Sentiment Over Next 3 Months
(Among Client Sample)

- Energy: 48% Bullish, -22% Bearish
- Health care: 39% Bullish, -25% Bearish
- Utilities: 35% Bullish, -25% Bearish
- Consumer staples: 30% Bullish, -35% Bearish
- Information technology: 24% Bullish, -42% Bearish
- Materials: 21% Bullish, -37% Bearish
- Finance: 17% Bullish, -45% Bearish
- Communications: 16% Bullish, -39% Bearish
- Industrials: 15% Bullish, -42% Bearish
- Consumer discretionary: 8% Bullish, -55% Bearish
- Real estate: 6% Bullish, -68% Bearish

Base = Weighted Total (n=832)
Q23A. In your opinion, which term best describes the U.S. stock market for each of the following sectors over the next three months?
Fewer than half of retail investors believe now is a good time to invest in equities, and there’s been a significant drop in how investors feel about their overall financial situation in the current environment.

**Client Confidence Trends**

*June 2019 – October 2022*

*(Among Client Sample)*

Base = Weighted Total (n=832)

Q1. In your opinion, is this a good time or bad time to invest in stocks, mutual funds and other equity-based investments?

Q3. In terms of how you are getting along financially, compared to a year ago, are you...

Q4. How confident are you in making investment decisions for your household?
A vast majority of retail investors remain confident in reaching their financial goals, particularly younger investors.
Recession fears and inflation top the list of retail investor concerns as we close out 2022, although just 4% think the market is due for a significant correction.
More than 90 percent of retail investors believe the U.S. is headed into a recession, but they remain engaged – doing more research and taking advantage of investor education resources.
Nearly 70 percent of clients say lower inflation would make them more bullish about the U.S. stock market

Key Factors That Would Cause Client To Feel Bullish
(Multiple response; Among Client Sample)

- Lower inflation: 68%
- A more stable geopolitical landscape: 52%
- A more stable U.S. political landscape: 50%
- Lower recession risk: 49%
- Fed ending rate hikes: 46%
- Improved earnings outlook: 31%
- Stabilization of housing market: 25%
- Improving Consumer Confidence data: 22%
- Positive jobs/employment numbers: 20%
- Other: 7%

Approach To Risk Over Next 3 Months
(Single response only; Among Client Sample)

- Much more aggressive: 5%
- Slightly more aggressive: 19%
- No change: 51%
- Slightly more conservative: 17%
- Much more conservative: 8%

Base = Weighted Total (n=832)
QSI_Q422_1. What key factors are you looking for to feel more bullish about the U.S. stock market?
QSI_Q422_2. Which of the following best describes your approach to the level of risk you will take in your investment portfolio over the next three months?
About half of retail investors added money to their portfolio in recent months, while fewer than 20 percent took money out.

### Portfolio Changes - Past 3 Months & Planned in Next 3 Months

(Multiple responses allowed; Among Client Sample)

<table>
<thead>
<tr>
<th>Action</th>
<th>Past 3 Month</th>
<th>Next 3 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Added money to investment portfolio</td>
<td>51%</td>
<td>46%</td>
</tr>
<tr>
<td>Seek investing guidance or advice</td>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td>Take money out of my investment portfolio</td>
<td>21%</td>
<td>17%</td>
</tr>
<tr>
<td>Create a written financial plan</td>
<td>9%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Last Year (n=1521) vs Last Quarter (n=1313)
In the months ahead, nearly 60 percent of retail investors plan to adjust their portfolio allocation, with more than a quarter planning to move money into individual stocks.
Methodology and Respondent Demographics

**Methodology:**
- This data is collected quarterly via an online survey among clients with Retail Assets of at least $2,000.
- Note: There is oversampling in order to achieve adequate sample sizes for sub-group analysis, and then application of a weighting scheme to create a total respondent population that is representative of Schwab’s client base. Counts noted below are prior to weighting to show the sample sizes used for the subgroup analysis.
- The data was weighted by Life Stage and Investible Assets/Affluence to reflect the Schwab client population.
- Q4 study was fielded at the beginning of the quarter: October 7th–17th, 2022.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>593 (71%)</th>
<th>Female</th>
<th>209 (25%)</th>
<th>No answer</th>
<th>30 (4%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affluence</td>
<td>HNW ($1M+)</td>
<td>125 (15%)</td>
<td>Affluent ($250K-&lt;$1M)</td>
<td>193 (23%)</td>
<td>Foundational (&lt;$250K)</td>
<td>514 (62%)</td>
</tr>
<tr>
<td>Employment Status</td>
<td>Employed full-time</td>
<td>412 (50%)</td>
<td>Employed part-time</td>
<td>27 (3%)</td>
<td>Self-employed</td>
<td>68 (8%)</td>
</tr>
<tr>
<td>Life Stage</td>
<td>Younger Investor (&lt;40)</td>
<td>172 (21%)</td>
<td>Mid-Life (40-55)</td>
<td>219 (26%)</td>
<td>Mature (55+ not retired)</td>
<td>218 (26%)</td>
</tr>
<tr>
<td>Financial Consultant Relationship</td>
<td>Has Financial Consultant</td>
<td>135 (16%)</td>
<td>Does not have Financial Consultant</td>
<td>697 (84%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Retired/semi-retired</td>
<td>262 (32%)</td>
<td>Other</td>
<td>43 (5%)</td>
<td>No answer</td>
<td>20 (2%)</td>
</tr>
</tbody>
</table>

Sample sizes for respondents who were asked the Investment Sentiment section of the survey (n=832)
Disclosures

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