UNDERSTANDING INTERNATIONAL EQUITY INVESTORS' DECISION-MAKING PROCESS

SEPTEMBER 2026

INTRODUCTION

For investor relations teams (IR), understanding how investors choose investments is not simply a question of whether they are more macro-driven or bottom-up. It is how those two lenses interact when investors decide between one company and another.

In the summer of 2026, BNY commissioned a survey of 50 institutional investors. The investors represented US $3.8 trillion in Assets Under Management (AUM). The survey ensured representation across the EAUM (Equity Assets Under Management) spectrum, dividing investors into tiers one through four defined by their EAUM.[1] This group also had significant geographic diversity: 54% North America, 38% EMEA and 8% of our sample was from Asia Pacific. Our survey set out to understand how current trends are shaping buy-side investment processes and decision-making, how investors generate ideas, the extent that AI has been incorporated into the selection process and what impact volatility has on investment decisions and timing.

Responses show that long-term investors overwhelmingly begin with company-specific judgment: quality of the business model, management credibility, capital allocation, competitive position and valuation. But the degree to which they filter those judgments through sector, macro and benchmark considerations varies meaningfully by region and tier.

[1] Tiers are defined by the following EAUM ranges: Tier 1: >$20B, Tier 2: $20B-$5B, Tier 3: $5B-$1B, Tier 4: <$1B

FIVE FINDINGS THAT MATTER MOST FOR INVESTOR RELATIONS TEAMS:

ONE

Stock selection by investors is still primarily company-first, but the market context increasingly shapes which companies get attention and how quickly buying conviction can be built. Within this data, regional differences exist: North America remains more bottom-up, while EMEA respondents more often describe a process with explicit top-down, thematic or governance overlays, and Asia Pacific looks more absolute-return and tactical.

TWO

Buy and sell decisions represent a build-up of conviction, not a single point in time. Investors described their investment process as iterative in nature from screening to decision-making with quantitative screens commonly used as an initial filter, followed by review with the analysts and portfolio managers (PMs) to generate ideas. Those ideas are then prioritized through discussions and investment committees. A similar cascade was cited for sell decisions, which often start with trimming, not exiting positions and a reevaluation of the investment case rather than a specific sell price trigger.

THREE

Qualitative factors, especially management quality, remain a strong determinant of investment attractiveness. This mirrors our previous “Creating a Compelling Equity Narrative” survey closely where investors told us that management quality, a durable competitive advantage and clear understanding of the skills that management brings to address their opportunities are all vital for investors.

FOUR

AI is not replacing the investment decision, but it is changing how investors make that decision by compressing the time needed to compare, summarize and test rival theses. While AI adoption is widespread at 84% of survey respondents, standardization in how these investors’ internal teams use AI lags this, at 58%. Managers used a variety of tools, including LLMs and AI-models embedded within third-party research or data platforms.

FIVE

Macroeconomic events and volatility do not necessarily directly drive portfolio turnover. Survey responses were exactly evenly split on the impact of macro volatility on both their holding periods and the process of portfolio reviews. In both cases investors were 50-50 between shortening their time horizons or conducting more frequent reviews.

For IR teams, the implication is straightforward:
attracting long-term investment still requires telling a compelling company-specific story, and that story must help investors make a relative choice within a sector, a benchmark and a macro context.

ONE | The central question: how do investors choose between companies?

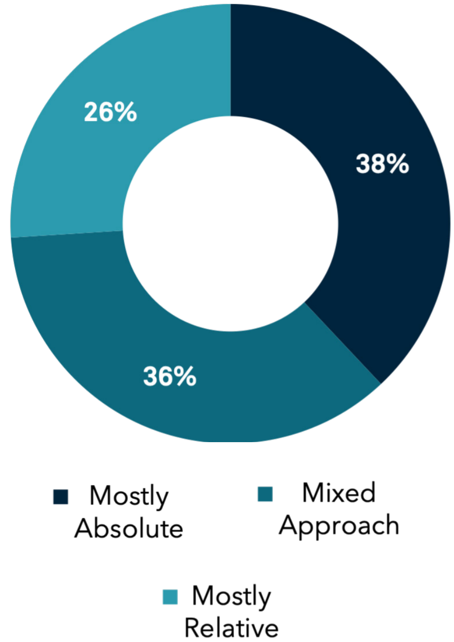
Across the long-form verbatim survey responses, investors did not describe company selection as a purely mechanical choice between peer-group multiples, nor as purely macro call. Most described a layered process. They start with a company's individual merit–business quality, management, valuation, durability, and strategic position–and then ask how it compares with alternatives in the same sector, theme or benchmark. Even investors who said they were "mostly absolute" usually acknowledged some relative check. As well, investors who said they were "mostly relative" still emphasized bottom-up stock picking as well as benchmarking to peers.

The interviews suggest that many investors evaluate companies within broader thematic groups. Rather than asking which company is the best in a narrowly defined industry, investors often compare alternative ways to express an investment view, such as artificial intelligence, defense spending, energy transition, electrification, digital infrastructure or industrial automation. In these cases, competition for capital may extend well beyond a company's traditional peer group. Investors are increasingly asking not only, "Is this a good company?" but also, "Is this the best way to gain exposure to this theme?"

This indicates that IR teams are thinking less in terms of "are investors bottom-up or top-down?" and more in terms of "How are we helping investors with the comparison test?" In practice, that comparison test can be one of three things, a direct peer decision within an industry, a sector or thematic allocation choice; or a decision about whether the company deserves capital at all in a volatile macro environment.

Investors tell us that ideas usually originate and develop internally. Most firms follow a structured process from screening to decision-making, with quantitative screens commonly used as an initial filter. Analysts and PMs leverage their fundamental and sector expertise, combined with market monitoring, to generate ideas. Those ideas are then challenged, refined and prioritized through team discussions and investment committees. Sell-side research was used mainly as a secondary check or learning resource in this process, according to respondents.

Absolute vs. Relative Investing



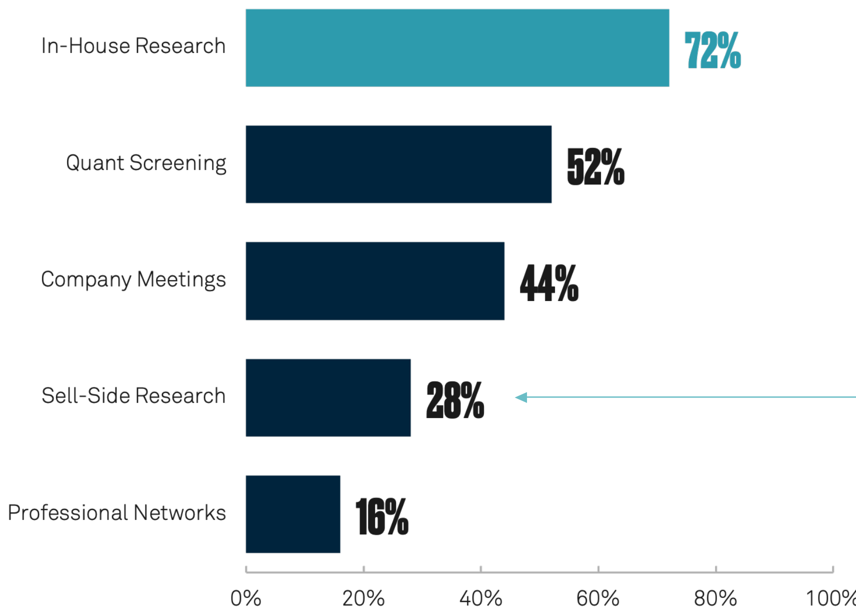
"The most common sources are analyst-driven ideas and quantitative screening. Analysts will come to me with ideas and say there could be a place for this in the portfolio, and then they dig in and come back with a more fleshed-out thesis."

— Tier 3 North American Investor

Company meetings are used for both origination and validation of ideas. Meetings are also seen as helpful for conviction-building and qualitative insight, for example, increasing trust and confidence in management for "watchlist" companies. Investors also said that attending sell-side conferences is often valuable to them for uncovering new investment opportunities, as it gives them the opportunity to see many companies in one day and compare management teams directly.

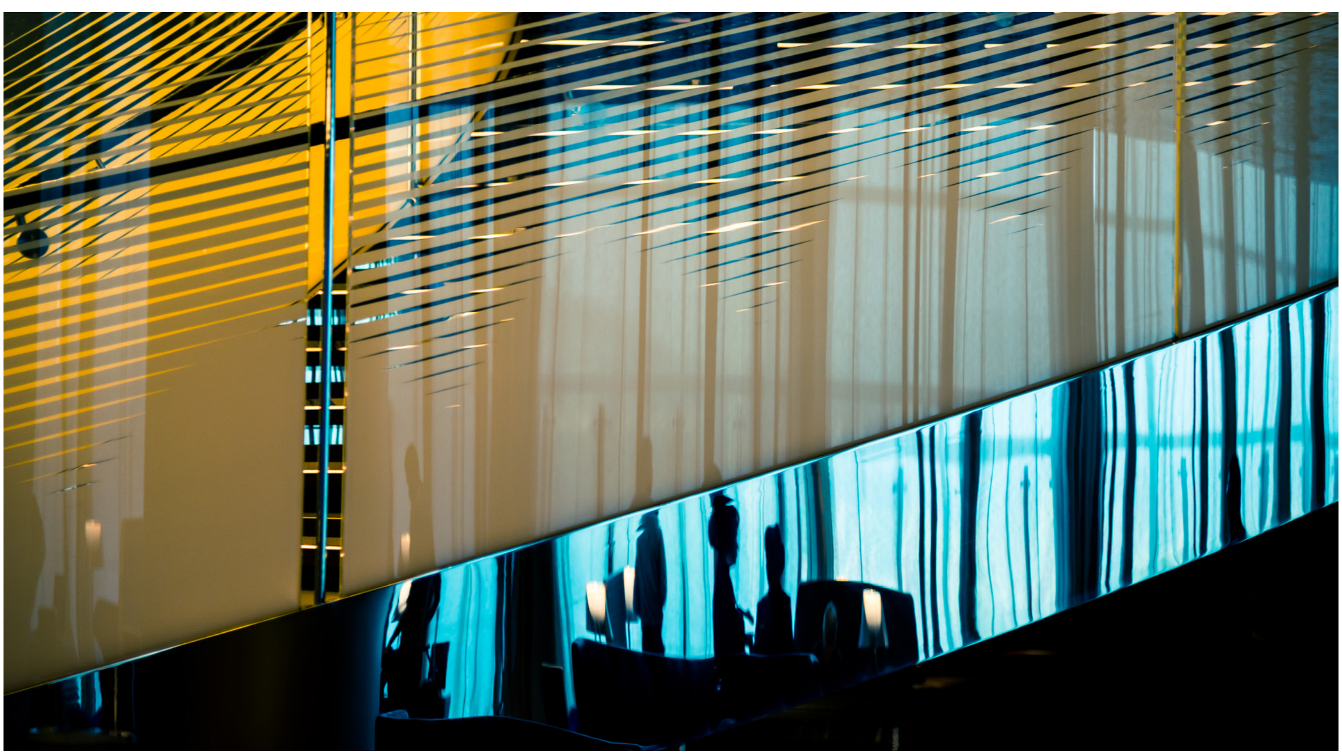
Firms in our survey were evenly divided between those that allow unilateral PM decision-making and those requiring team or committee agreement. The role of the analyst is predominantly to recommend names, while PMs make the final decisions; however, hybrid roles are common, especially in smaller firms.

How Are Investment Ideas Originated at Your Firm?



Further insight: Smaller firms (Tier 2-4) are much more likely to use sell-side research to generate ideas than larger firms (37% vs 17%)

Participants provided open-ended responses. Source: © 2026 S&P Global Market Intelligence.



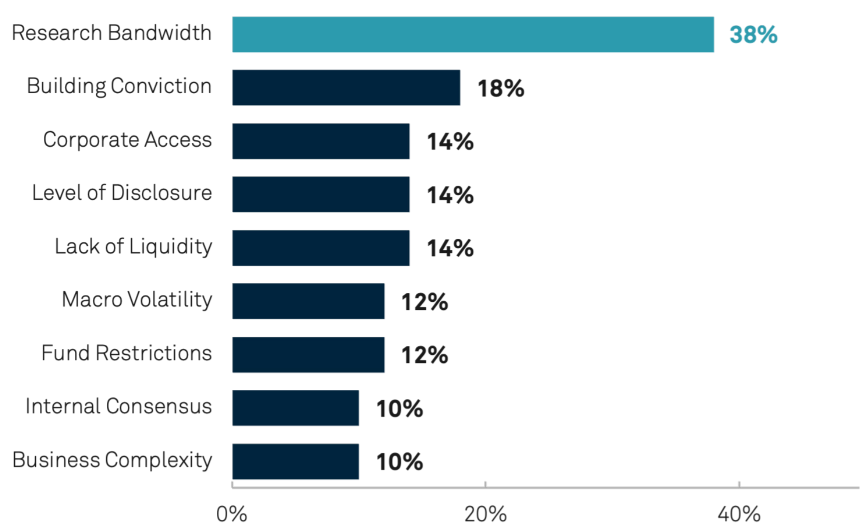
TWO | A buy decision is a build-up of conviction, not a moment of inspiration

As noted, investors often review a company first through a screening process. Our research suggests that if the company is difficult to understand, has a complex business model or lacks a concise investment case, it can lose momentum in that review before any in-depth analysis or discussion begins. In practical terms, issuers are competing not only for capital but also for analyst and PM time in a busy market.

An increasingly fast-moving and noisy global macroeconomic environment creates additional hurdles in building conviction for new ideas. In some cases, by the time research is complete, the share price has already moved significantly. Corporate access (direct meetings between investors and issuers) is usually available at sufficient scale and timing for investors to use these meetings to help in their decision-making process, especially for larger firms, but any delays in meeting management can slow research and limit conviction.

Liquidity constraints or lower trading volumes, particularly for small or mid-cap stocks, and fund restrictions such as specific portfolio rules like country limits, for example, can also exclude otherwise attractive ideas and limit inclusion for specific companies into a portfolio.

Hurdles to Converting an Idea into an Investment



Participants provided open-ended responses. Source: © 2026 S&P Global Market Intelligence.

Buy decisions therefore emerge from a structured progression: initial identification, deeper diligence, internal discussions and eventually a judgment call on whether the issuer deserves an allocation within the portfolio.

The strongest cases tend to combine a clear business model, attractive growth potential, durable competitive positioning, trustworthy management and enough financial transparency to let investors understand what is really driving value.

"We spend six months looking at one company. The challenge for us is being deliberate about what we look at and where we do a deep dive because we only have so much resource."

— Tier 1 North American Investor

"What I seek is a clear business model. Is the company a leader in its respective market? What defines its competitive advantage? And importantly, can the company sustain its business model moving forward?"

— Tier 1 North American Investment Manager - Mutual Fund

REGIONAL VARIATION: WHAT MATTERS WHERE

North America, with 27 respondents, was the most balanced region by investment approach (relative or absolute), but here responses lean more heavily toward bottom-up stock picking, management access and internal analyst conviction.

North American respondents most often described a process centered on business quality, management and company-specific conviction. Even when they referenced peer groups, they typically did so as a comparison framework after a company had already earned attention on its own merits. Investors want to understand how management thinks, how company capital allocation decisions are made, if those decisions are sufficient to support the company's growth plans, and ultimately, therefore, why the company should be preferred over another name in the same space.

The practical takeaway for North America is that IR teams are making the company-specific case as rigorous as possible. That includes clear differentiation versus peers, but the focus is on micro, rather than macroeconomic factors.

"There is a lot of peer group comparison. Every new idea is evaluated relative to its peer group, and if we're rotating from one position to another, there is a head-to-head comparison. Relative value is as important as absolute value in the process."

— Tier 1 North American Investor

EMEA, with 19 respondents, showed greater willingness to frame company choice through top-down, thematic, benchmark-aware, governance and Environmental, Social and Governance (ESG) lenses.

EMEA respondents more often described company selection as embedded within broader macro and thematic views. That does not mean stock picking disappears; rather, investors are more likely to ask whether a company is the right expression of a theme, whether it sits on the right side of a macro or policy shift, and whether governance and ESG characteristics reinforce or weaken the investment case. For IR teams, that means the company story works at two levels: company-specific excellence and relevance within a wider peer sector and geographic lens.

In EMEA, investor interest therefore can require more than a strong business description. A strong investment case includes a clear answer to questions such as: Why is this the right company for this theme? How resilient is the business under different macro scenarios? How does governance support capital allocation? Where do sustainability or regulatory considerations strengthen the investment case versus peers?

Asia Pacific's smaller group of four respondents skewed to a more absolute approach to stock choice, though the small sample means the findings should be treated as directional rather than definitive.

While not statistically significant, our Asia Pacific interviews suggest a more absolute-return framing, with investors slightly more focused on whether a company is attractive on its own merits rather than as a benchmark-relative expression. For IR, the lesson is not that peer comparison is most important, it is that the primary burden is proving that the business stands on its own.

TIER VARIATION: WHERE MACRO AND RELATIVE THINKING MATTER MOST

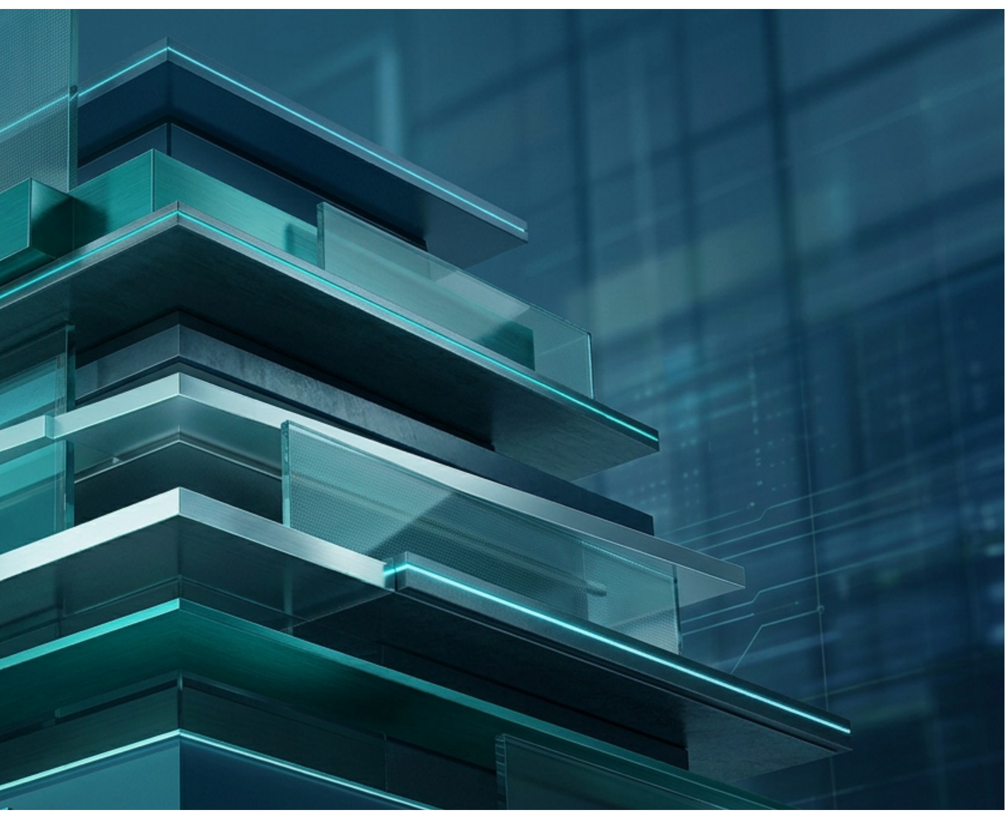
In addition to looking at our survey population by region, we also reviewed the results by EAUM. We then sorted those with similar EAUM into groups, from largest to smallest.[3]

- **Tier 1 investors** were the most heterogeneous: eight mostly relative, seven mixed and eight mostly absolute. As this group of large investors varies the most, IR teams should approach these meetings with the flexibility to deliver both an absolute and a relative case.
- **Tier 2 investors** skewed toward absolute selection (8 of 14) but, in the transcripts, they were also most sensitive to macro and geopolitical volatility. Tier 2 investors appear most likely to ask: How does this company behave if the macro backdrop changes?
- **Tier 3 investors** were most likely to describe a mixed approach (6 of 11), often balancing company conviction with practical comparisons across sectors, themes or benchmarks. These investors more often ask: Is this the best name, or at least a credible choice, within a peer set we are already considering?

[3] Tiers are defined by the following EAUM ranges: Tier 1: >$20B, Tier 2: $20B-$5B, Tier 3: $5B-$1B, Tier 4: <$1B. With only two Tier 4 institutions, there is not enough data to form a description specific to this tier.

"We are mostly absolute in our stock selection, but the relative part comes from our performance being benchmarked to an index. The names we buy and the positions we make are typically relative to the benchmark index, which has some bearing on the peer group because other investors are also investing across that index. However, when it comes to stock picking, we try to look for individual interesting ideas on an absolute basis as well."

— Tier 2 Asia Pacific Investor



"What is true is that increasingly the top-down macro environment is becoming very relevant. The second thing is that the thematic angle is becoming increasingly relevant. We have always said we are fundamental stock pickers, which is our investment approach, and we continue to do so, but we embed this stock-picking increasingly into a thematic framework."

— Tier 2 EMEA Investor

THREE | Qualitative differences matter: management often determines whether a good story becomes a real investment

Across the survey, and as with our 2025 report "Creating a Compelling Equity Narrative," management quality and trust stand out as decisive factors in investment decisions. In this survey, management quality ranked first, while trust and execution ranked second in our open-ended survey responses. With corporate governance cited third, these findings provide a clear indication of investors' focus on core management-related issues when making investment decisions.

While investors consistently value vision and strategic direction, interviews suggest the greater challenge to telling a compelling equity story that drives investment interest can be in translating strategy into tangible financial outcomes. Investors repeatedly described the need to understand how a company's competitive advantages ultimately convert into revenue growth, margins, cash generation and long-term value creation.

QUALITY AND CREDIBILITY OF MANAGEMENT ARE CENTRAL TO THE THESIS

- High-quality management is critical: capable of elevating an average business or undermining a strong one
- Consistent capital allocation, disciplined execution and an absence of negative surprises build trust and conviction

GOVERNANCE IS DESCRIBED AS PRIMARILY A RISK CONTROL FACTOR

- Focus on board independence, alignment with shareholders (incentive structures) and capital allocation oversight

CULTURE IS VALUED BUT HARD TO ASSESS

- Difficult to measure but recognized as a driver of long-term success, influencing execution, innovation and talent retention

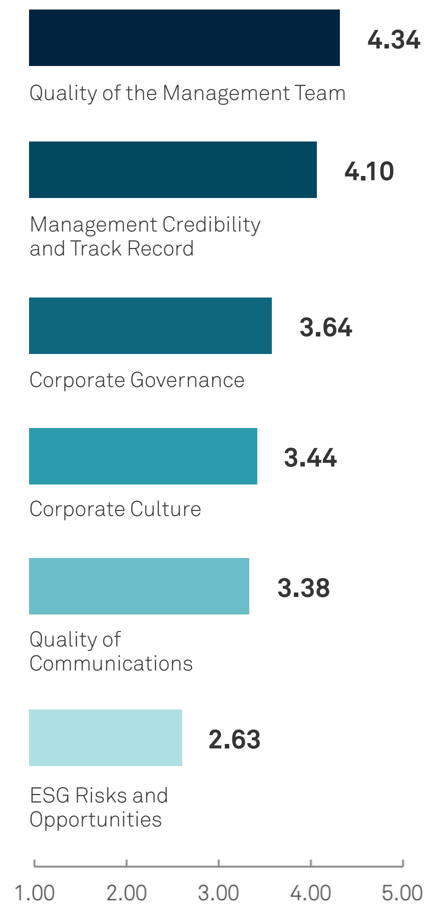
COMMUNICATIONS SUPPORT TRUST AND UNDERSTANDING

- Clear and candid communication builds credibility, while inconsistent or promotional messaging can be a deterrent to investment

ESG IMPORTANCE VARIES BY MANDATE AND MATERIALITY

- Primarily viewed through a risk lens, with relevance increasing when factors are financially material

Impact of Qualitative Factors on Investment Decisions (Average Scores)



1=no impact, 5=significant impact.
Source: © 2026 S&P Global Market Intelligence.

"Management quality is typically around a four out of five. We spend a lot of time understanding management, particularly capital allocation integrity, having a tested strategy and sticking to it."

— Tier 3 North American Investor

FOUR | How AI is changing the company-choice process

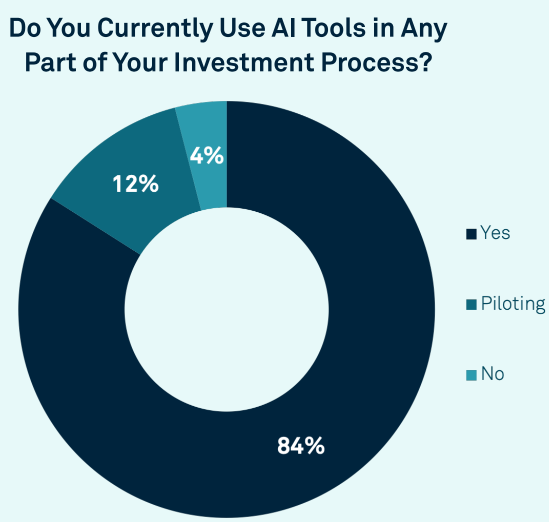
One of the clearest findings in our report is that AI usage is already widespread across investment firms. The survey found that 84% of firms are using AI tools, and another 12% are piloting them. Only a scant 4% reported no AI usage.

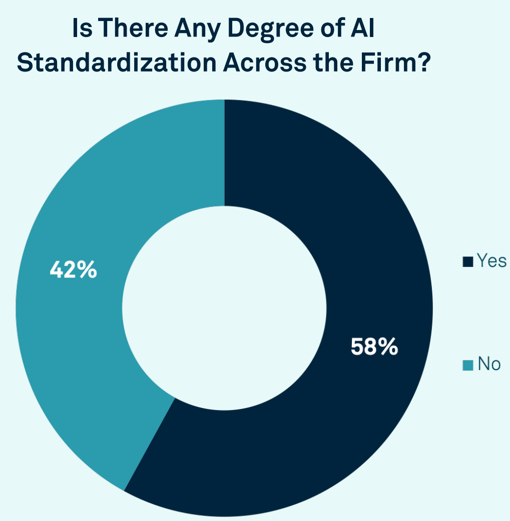
The transcript set suggests that AI is not changing what long-term investors ultimately care about, but it is changing how quickly they can compare companies, sectors and themes. Across the sample, the most common AI use case was research support: gathering information, summarizing filings and earnings calls, preparing for management meetings, and getting up to speed on adjacent sectors or competitors. This matters directly for IR because it raises the premium on clear, discoverable and consistent communication.

Investors are increasingly using AI to compress first-pass research and comparison work. Instead of reading dozens of documents to establish a basic peer landscape, they can now generate a rough sector map, a company primer, a bull/bear summary and a list of open questions in minutes. Companies with harder-to-parse disclosure and inconsistent messaging risk losing that early comparison test using these tools.

"If we want a tutorial on a stock, we use Gemini or ChatGPT to get an overview. It turns into a 30-60-minute Q&A between me and an AI model. The information I gather would have taken me days, if not weeks, to get."

— Tier 1 North American Investor





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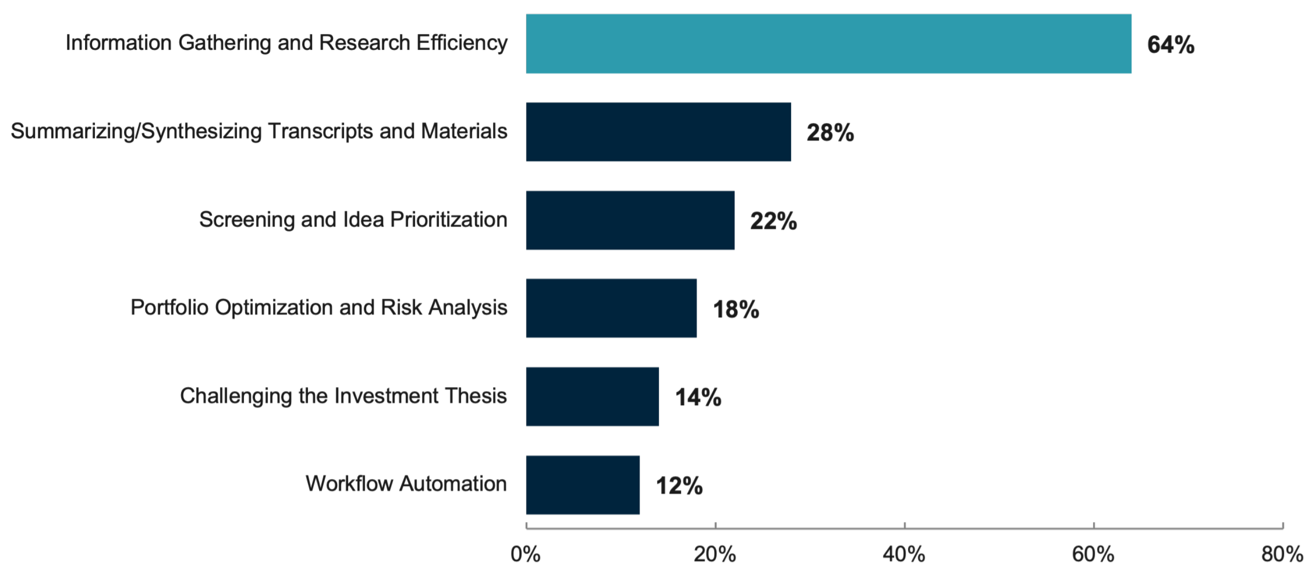
"... I don't think it's driving the actual ideas per se. I think that's still driven by a bit of gut, a bit of conversation with management, and a bit of seeing what's going on in the economy as well, political stuff, those things are still going to be very important so that's still being done by the PMs and research teams."

— Tier 1 North American Investor

Where in Your Investment Process Does AI Add the Most Value?



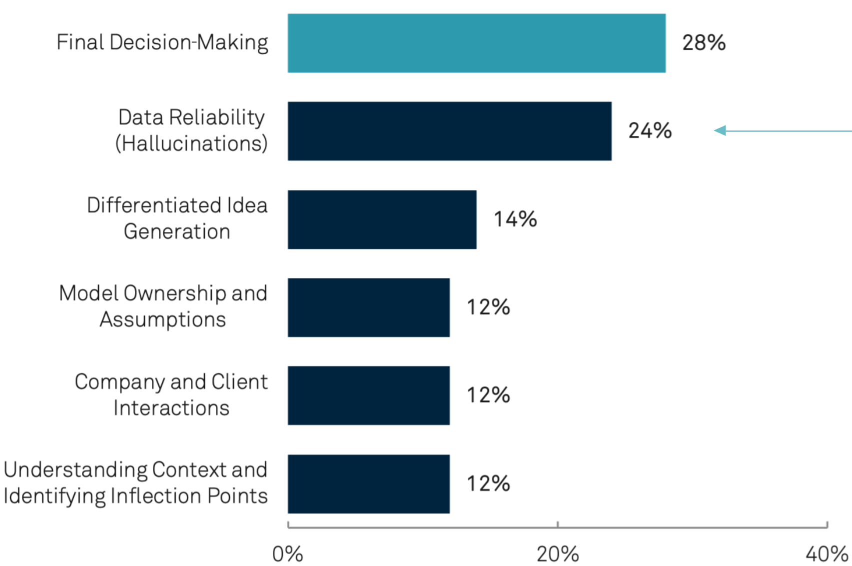
Participants provided open-ended responses. Source: © 2026 S&P Global Market Intelligence.

At the same time, AI is not replacing human judgment. Investors repeatedly warned that hallucinations, weak context handling and lack of nuance limit autonomous use. It helps investors with how quickly rival companies are compared and what questions investors should ask in meetings. It does not replace the final assessment of management, capital allocation and durable competitive advantage. Instead, it helps speed up reviews, makes stronger and more exact comparisons across companies and, interestingly, occasionally helps investors examine their own biases.

"We use AI to challenge embedded biases in favor of what we already own in the portfolio. It is helpful for calling out and challenging these biases, setting up counter cases and ensuring our investment case is robust."

— Tier 3 North American Investor

Where AI Falls Short



Further insight: Larger investors (Tier 1) express more concerns about data reliability than smaller investors (35% vs. 15%)

Participants provided open-ended responses. Source: © 2026 S&P Global Market Intelligence.

For company management teams and IR professionals, AI increases the pressure to standardize and make clear communications. As investors told us that they use AI to summarize company materials, benchmark disclosures against peers, and revisit management statements over time, it becomes clear that a premium on clarity would be created. Investors note that companies with clean segmentation, stable terminology, explicit KPIs, and evidence-based claims are easier to compare. Materials should be structured for both human and AI-assisted consumption. Strategic claims should be measurable to meet the comparison uses of AI, with historical consistency preserved wherever possible.

FIVE | How volatility is (or is not) changing the tempo of decision-making

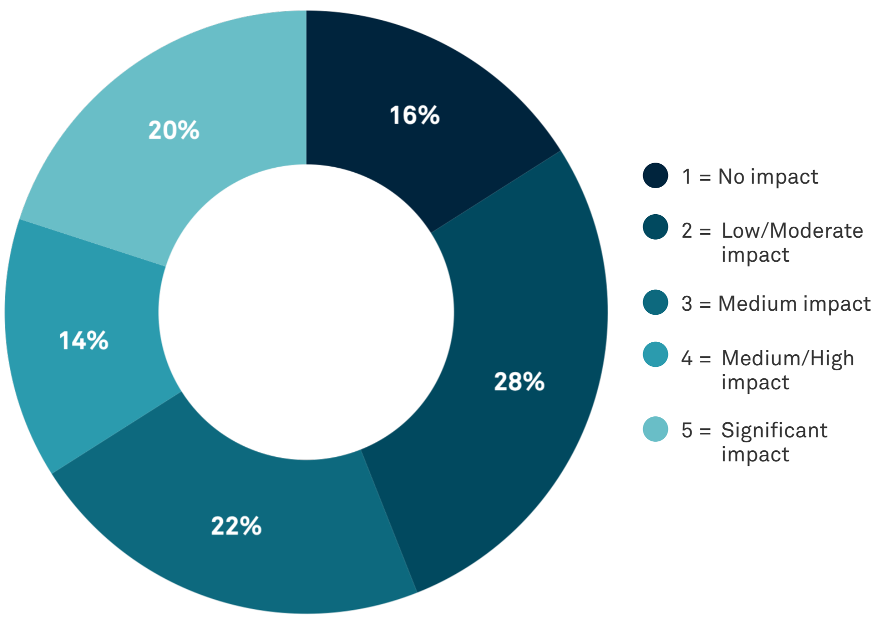
Our survey respondents gave almost equally mixed responses to how they adapt and react to macroeconomic volatility.

Some investors continue to prioritize bottom-up, long-term company fundamentals with little change to their process. Others report higher levels of tactical behavior, such as faster reassessment and more top-down influence on position sizing and portfolio reviews. Importantly, even where the investment philosophy has not changed, monitoring frequency sometimes has.

"We really stick to the fundamentals as much as possible. We try to avoid falling into these traps where we sell down because of some news. It is too painful and too costly to do in this environment."

— Tier 3 North American Investor

Impact of Macro Factors on Investment Decisions Over the Last 12 Months*



1=no impact, 5=significant impact. Source: © 2026 S&P Global Market Intelligence.

*All ratings/benchmarks are quantified measures of participants' opinions and are not, in any way, related to SPGR's ratings

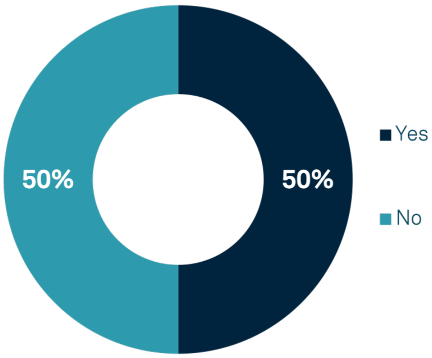
"But has our holding period changed? I don't think so. Only for those tactical trades that we put on because of something; those are shorter term in nature. But the horizon on the key holdings has not changed."

— Tier 1 North American Investor

When completing portfolio reviews, half of the investors we surveyed have shifted toward more frequent, event-driven portfolio reviews, with faster reassessments and increased monitoring making the process both more dynamic and also more resource-intensive. The other half report little change in the occurrence of portfolio reviews in the face of volatility.

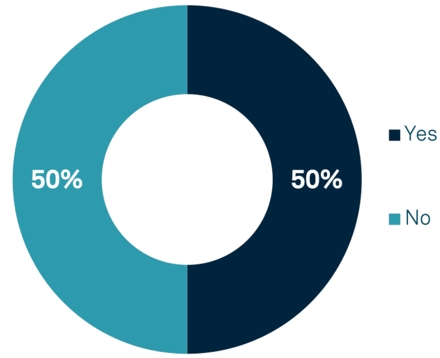
When looking specifically at holding periods, half are exhibiting more tactical behavior, with higher turnover and shorter holding periods. The other half reports little change in holding periods, maintaining their long-term horizons; however, many are selectively adjusting position sizes in response to volatility.

Does Macro Volatility Impact the Frequency of Your Portfolio Reviews?



Further insight: North American investors are more likely than their global peers to say that macro volatility does not affect how often they review portfolios (64%) or how long they hold positions (60%).

Does Macro Volatility Impact the Duration of Your Holding Periods?



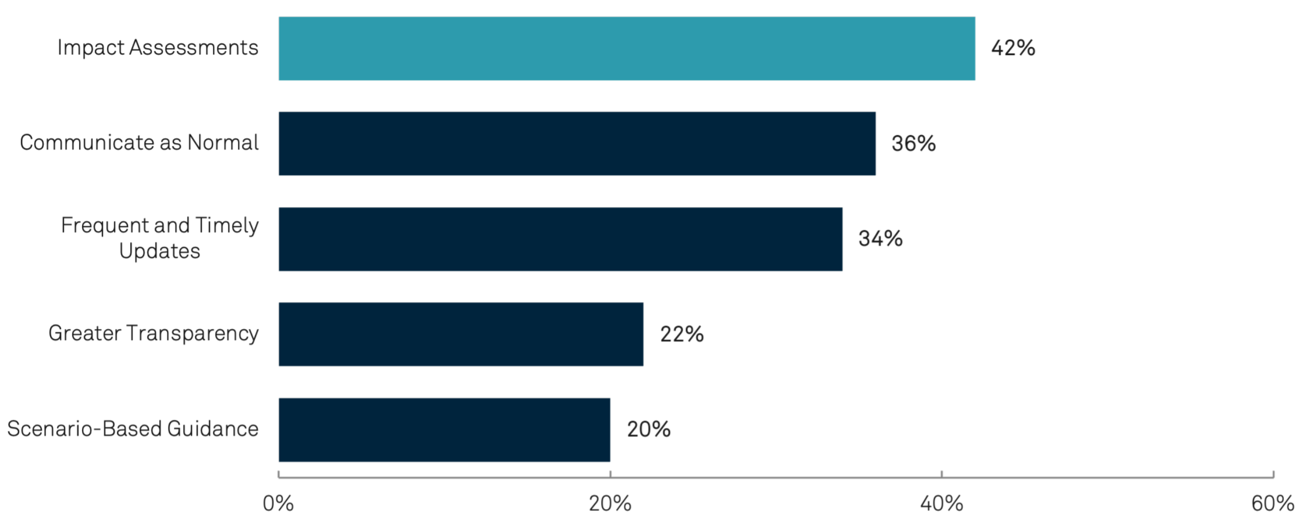
During volatile periods, investors told us that they want management teams to explain how external developments affect the actual business: revenue, costs, margins, demand and strategic choices. They did not express interest in generic commentary on tariffs, politics or markets without a company-specific nexus or specific impact.

In terms of the timing of these updates, some of our investors preferred more frequent updates: This group values event-driven communication and timely updates if they provide meaningful, material insight. But a similar proportion favor communicating as normal: This group urges IR teams to resist over-communicating and instead maintain consistent, programmatic engagement, noting that reactive or excessive updates can create unnecessary noise.

Of note, there was no consistency among the investors on giving scenario-based guidance to investors. Although a few investors commented they valued that kind of information in terms of understanding a range of outcomes or revenue sensitivity (examples cited were tariffs or commodity prices), others disagreed, viewing it as speculative and of limited value. Overall, provision of scenario-based guidance was requested by only 20% of respondents.

> *"External events tend to impact position sizing rather than leading us to exit or enter a name completely. They may cloud our six-month or one-year view, but they are not a reason for us to jump in or out completely."*
>
> **— Tier 1 EMEA Investor**

What Types of Company Communications Are Beneficial During Times of External Volatility?



Participants provided open-ended responses. Source: © 2026 S&P Global Market Intelligence.

WHAT ALL THIS MEANS FOR INVESTOR RELATIONS TEAMS

If the goal is to attract long-term investment, IR teams can take away four practical lessons from our survey:

1. HELP INVESTORS MAKE THE RELATIVE CHOICE, NOT JUST UNDERSTAND THE ABSOLUTE STORY

Even many "absolute" investors compare companies before acting. It may be helpful if IR teams therefore articulate not only what the company is, but why it deserves capital relative to peers, substitutes or benchmark constituents. That means clarifying competitive edge, capital allocation, balance-sheet resilience and the specific reasons the business is better positioned than the alternatives.

2. AVOID NOISE

Our respondents were divided on whether companies should communicate more during volatile periods. Many investors welcomed clear updates; others warned that overcommunication creates noise, encourages short-termism and distracts management. The lesson is not simply "say more." It is "say what matters." Communicate when there is a clear and definable impact on business and use normal reporting cadence when there is not.

3. ASSUME AI IS ALREADY TELLING YOUR COMPANY STORY

If investors are increasingly using AI to summarize, compare and interrogate corporate disclosure, then clarity, consistency and structure matter more than ever. Contradictions between prepared remarks, filings, presentation decks and Q&A can now be surfaced quickly. The same is true for vague positioning. If the company cannot be easily summarized as "the best expression of X" or "the clear winner on Y," that ambiguity may become a disadvantage in an AI-enabled workflow.

4. MANAGEMENT QUALITY AND TRUST DOMINATE

Across regions and tiers, the highest-rated factors cited by investors surveyed were once again management quality and credibility. Long-term investors want to know whether management can allocate capital, communicate honestly, set realistic priorities and behave consistently over time. That is still the anchor of the investment decision.

A FINAL THOUGHT

Investors are still choosing between companies much as they always have by weighing business quality, management credibility, valuation and durability. What has changed is the context in which that choice is made. In a noisier market, macro and sector narratives increasingly influence which companies get attention, how risk is framed and how quickly investors act. Regional and tier differences shape the weight given to those overlays. North American investors remain more bottom-up in their approach; EMEA investors integrate more macro, thematic, governance and ESG framing; and Asia Pacific investors appear to be more absolute and tactical, although with our previously noted small-sample caveat.

AI is accelerating this process by helping investors compare companies faster, map sectors more efficiently and pressure-test rival theses before they meet management. For IR teams, that means the path to long-term capital is no longer solely telling a good company story. It is telling a story that survives comparisons against peers, against themes, against macro scenarios and against the scrutiny of an AI-assisted research process.

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