SPAIN AS AN INVESTMENT OPPORTUNITY

INTERNATIONAL INVESTOR PERCEPTIONS 2018

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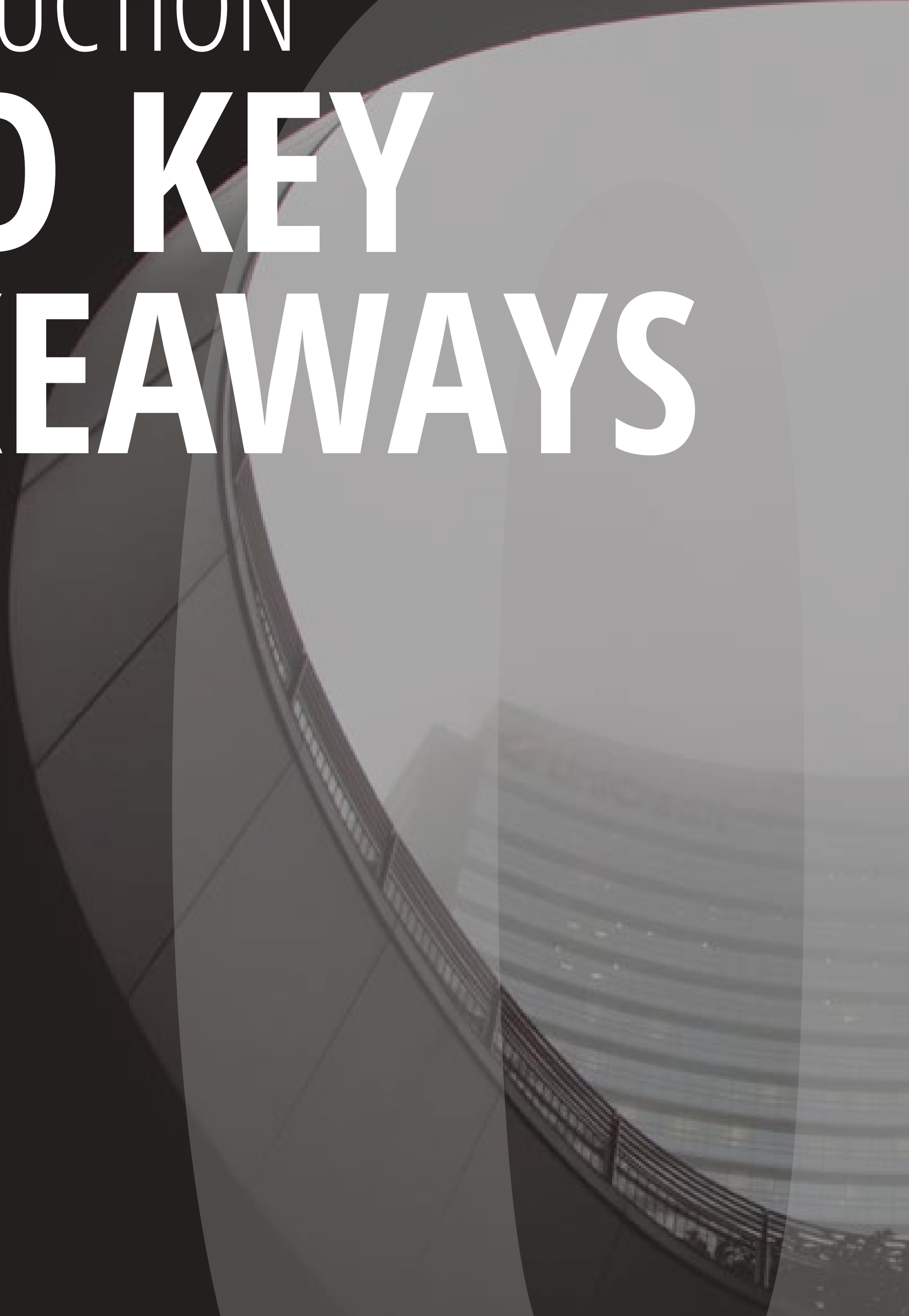
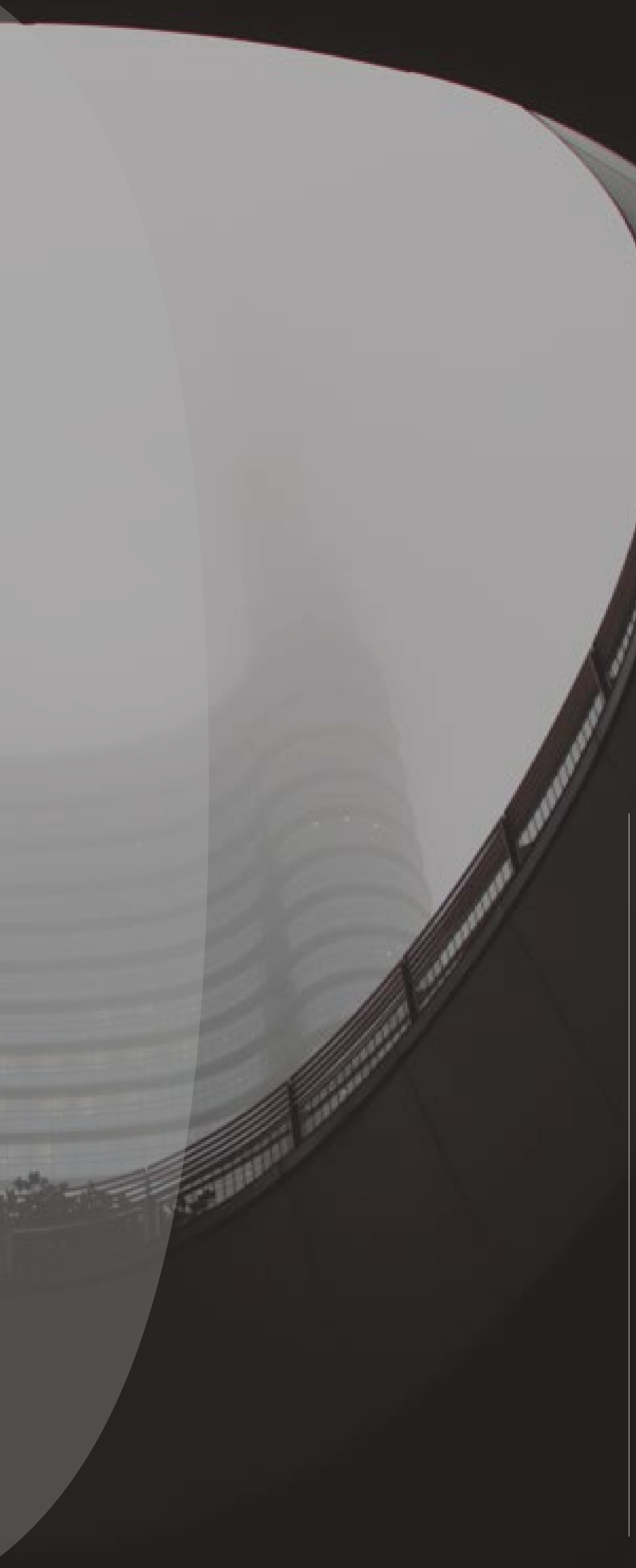
INTRODUCTION **AND KEY TAKEAWAYS**





OBJECTIVE

Kreab is pleased to present the 2018 edition of the report "Spain as an investment opportunity: International investor perceptions". This current edition is the third one, after the former ones that we launched in 2016 and 2017.

The objective of this series of reports is to obtain insights about the international investment companies' perceptions on different matters, most of which are directly or indirectly related to Spain's attractiveness as an international investment destination.

In these reports, the investment companies' perceptions are collected through surveys conducted to samples of international investment companies. The sample used in the present report are investment companies of diverse nature, including, among others, mutual funds, private equity companies and private banking management firms.

We believe that the information contained in this report provides valuable insights into the views of a significant number of investors, and many of these views may be shared by a larger proportion of the investment sector.

The answers to the survey were collected from October 24th to November 19th 2018.

MAIN FINDINGS

Based on the information provided by the surveyed companies', through their responses to the questionnaire, the main conclusions drawn from the report are the following:

- Even though Spain's economic growth is slowing down, **64.9% of the investment companies declared to have a positive or very positive perception of Spain's economy outlook** (54.1% and 10.8%, respectively), as compared to other European countries. On the opposite side, 16.2% of the surveyed companies expressed a negative or very negative perception (13.5% and 2.7%, respectively), and the remaining 18.9% of respondents declared to have a neutral view.

- At a more disaggregated level, the economic sectors in Spain with the largest **potential for investment purposes,** according to the respondents' views, are **healthcare and industry, followed closely by tourism.** Consumer goods, real estate and financial services are the following in line.

- According to the investment companies surveyed, there is a significant room for improvement in Spain's political arena. The number of surveyed companies with **a negative perception of Spain's current political situation** is larger than that of respondents with a positive view of it. In particular, 27% of the respondents regarded the political situation in Spain as poor, and 5.4% considered it very poor, whereas 18.9% and 2.7% of respondents rated it as good and very good, respectively. In addition, the companies' assessment of the performance of the new Government so far is rather improvable. More than half of the respondents rated it as poor (29.7%) or very poor (21.6%), while only 13.5% of the surveyed companies regarded the new Government performance as good, and none regarded it as very good.

- The overall **positive perception of investors on Spain's economic outlook** may be a reason explaining the fact that the investment volumes held by them in Spain are expected to grow in the near future. More than two-thirds of the sample companies (67.6%) believe that their investments in Spain will grow at the end of 2018, as compared to the end of 2017, and the former percentage includes a 6.9% of firms that expect such investments to increase considerably. On the contrary, only 5.4% of respondents think that their investment volumes in Spain will decrease, and 24.3% expect them to remain constant.

- **The rise of the Catalan independence movement may have a negative impact on the investments made in Catalonia.** At least, this is the expected case for almost two-thirds of the surveyed companies (64.9%), which believe that the Catalan conflict will have a negative effect on their Catalan asset investments. In addition, 8.1% of the companies have stated that they will not consider Catalonia as an investment destination as long as the Catalan conflict continues with the current level of intensity. The survey results do not indicate a significant impact of the Catalan crisis on the investments made in the rest of Spain.

- **Some external events may eventually have some effects on the attractiveness of Spain as an investment destination.** Indeed, a large proportion of the surveyed companies (70.3%) believe that **Brexit** will favour Spains' attraction of international investments. The other factors considered were regarded as less influential for attracting international investments. In particular, 35.1% of the companies believed that a possible **rise of populism in other countries** will increase Spain's appeal to invest in. And only 5.4% of the sample considered that the enforcement of **protectionist measures in the United States of America** would favour Spain as an investment destination. The main factors that may dissuade investments in Spain are global macroeconomic uncertainty and the Catalan conflict. In particular, 54.1% and 43.2% of respondents,

respectively, believed that these factors may discourage them to invest in Spain. Other potentially dissuading factors, such as the spreading risk of political uncertainty from Southern European countries, corruption and oil price increase, were regarded as less influential.

- **Political instability is the most relevant risk of investing in Spain,** according to the surveyed firms. At some distance, the following most significant risks selected by the investment firms were regulation, local economic policy and global macroeconomic uncertainty. Social and financial risks were regarded as much less significant risks. In addition, no respondent identified any other relevant risk, and 5.2% of the surveyed companies considered that investing in Spain involves no significant risks.

- In order to facilitate investments in Spain, some reforms would be welcomed. According to the surveyed companies, **the most appropriate measures to be taken would be tax incentive provision and bureaucratic simplification,** followed some way behind by legal security and market entry incentive provision. Other types of reforms were considered less necessary.

- **The vast majority of the investment companies surveyed recommended Spain as an investment destination.** The proportion of the surveyed investors recommending Spain amounted to 91.9%, while only 2.7% of respondents did not recommend Spain as a destination to invest in. Only a couple of companies (5.4% of the sample) did not have, or did not express, an opinion on this question.

- **In general, the investment companies have a reasonably good opinion of the Spanish companies' policies of communication with international investors.** In particular, 29.7% of the sample companies regard these policies as good, and 5.4% consider them very good. On the opposite side, only 16.2% of respondents declared to have a bad opinion of Spanish companies' communications policies, and one company 2.7% regarded them as very bad.

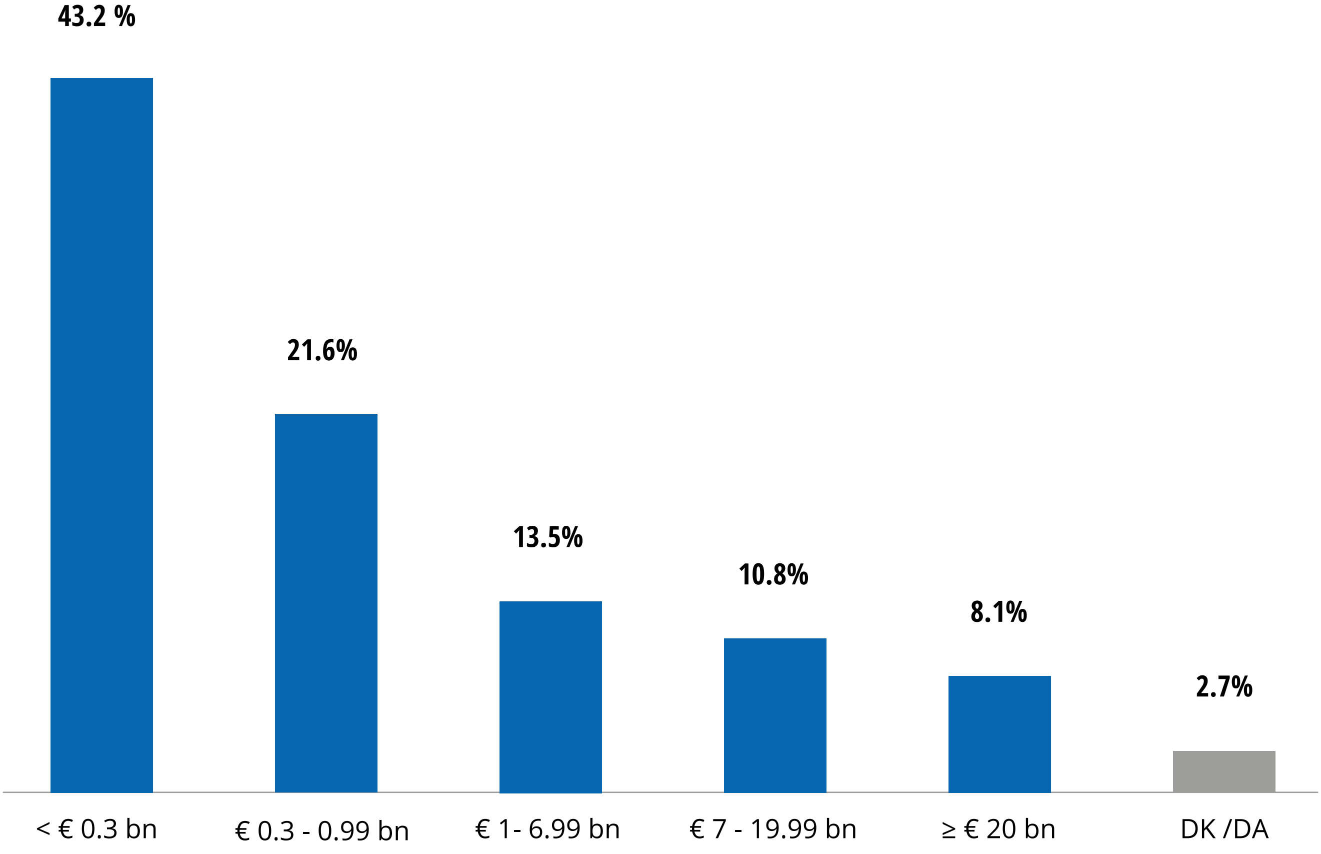
- A significant proportion of respondents (40.5%) have a neutral view of how Spanish companies communicate with international investors.

SAMPLE PROFILE

GENERAL CHARACTERISTICS

The sizes of the surveyed companies are very diverse. Figure 1 shows the distribution of the sample companies in terms of their total investment volumes, that is, the investments that they manage worldwide. The percentages of the chart indicate the proportion of firms whose total investments lay within the different ranges of the horizontal axis at 30 September 2018. While 18.9% of the firms have investments above 7 billion euros,[1] 64.9% of the sample are companies with investments below 1 billion euros[2]. The values of the investments managed by each of the remaining 13.5% of the companies lie between 1 and 6.99 billion euros.

Figure 1 Distribution of the sample firms in terms of their total investment volumes managed at 30 September 2018
Source: KREAB.



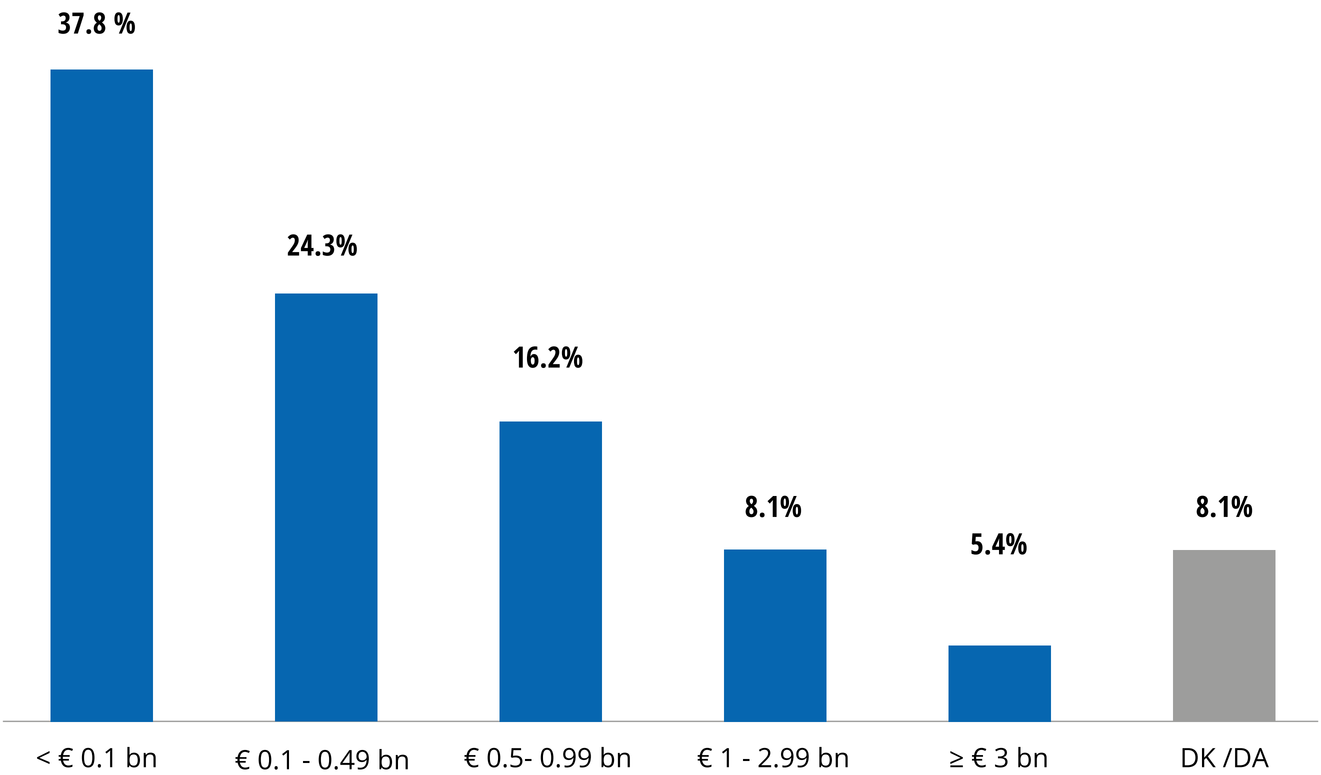
Remark 1: Percentages in the chart indicate the proportion of companies within each range. The sum of the percentages equals to 100%.
Remark 2: Investment amounts reported in other currencies, we have been converted using the exchange rates published by the European Central Bank at 30 September 2018.

1. 10.8% of the firms have investments between 7 and 19.99 billion euros and 8.1% of the sample are firms with investments amounting to 20 billion euros or more.
2. 43.2% have investments smaller than 0.3 billion euros and 21.6% have investments between 0.3 and 0.99 billion euros.

POSITIONING IN SPAIN

All of the surveyed companies have stated to have exposure in Spain. Figure 2 shows the distribution of the sample in terms of their investment volumes in Spain on 30 September 2018. At the lower end, 37.8% of the companies had investments in Spanish assets for a value below 0.1 billion euros, and 24.3% had them for a value between 0.1 and 0.49 billion euros. The Spanish investments held by 16.2% of the sample companies were larger than 0.5 billion euros and smaller than 1 billion euros. At the upper end, 13.5% of the firms had investments in Spain for a value larger than 1 billion euros. Finally, three of the surveyed companies could not provide information on their level of investments in Spain.

Figure 2 Distribution of the sample firms in terms of their investment volumes in Spanish assets managed at 30 September 2018
Source: Kreab survey to investment companies 2018.

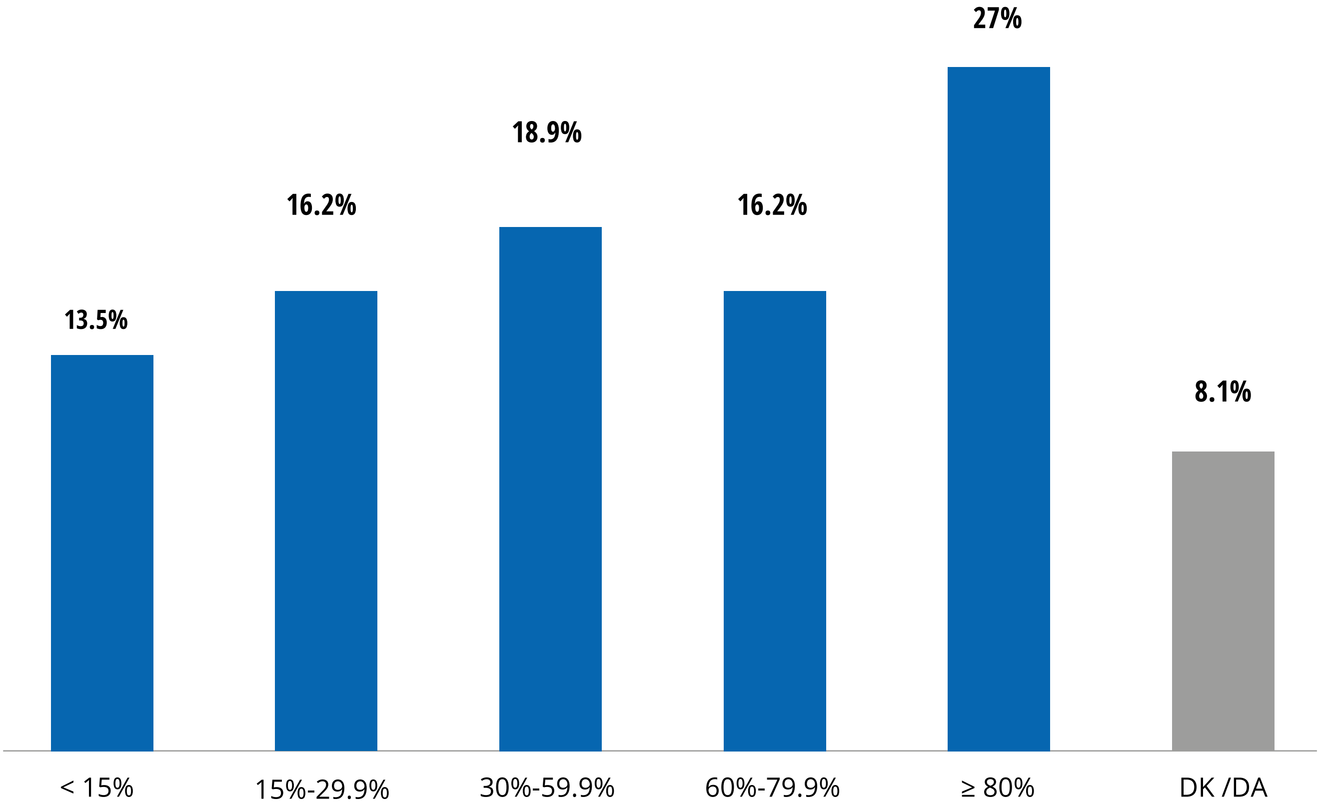


Remark 1: Percentages in the chart indicate the proportion of companies within each range and sum to 100%. The sum of the percentages equals to 100%.
Remark 2: In order to convert to euros the investment amounts reported in other currencies, we have used the exchange rates published by the European Central Bank at 30 September 2018.

[3]For further details, 8.1% of the companies managed Spanish assets for a value between 1 and 2.99 billion euros, and 5.4% did it for a 3 or more billion euros.

Figure 3 shows the sample companies' ratio of Spanish assets to their global assets. More specifically, the chart shows the distribution of the sample firms in terms of the proportion of Spanish assets in their total investments. For 13.5% of these companies, Spanish assets account for less than 15% of their total investments. The weight of the investments in Spain lies between 15% and 29.9% for 16.2% of the firms, between 30% and 59.9% for 18.9% of the firms, between 60% and 79.9% for 18.9% of the firms and is 80% or higher for 27% of the firms. The three latter categories comprise only Spanish companies, that is, all of the sample firms with Spanish investments above 20% of their total investments have their headquarters located in Spain.

Figure 3 Distribution of the sample firms according to the share of Spanish assets in their global investments
Source: Kreab survey to investment companies 2018.

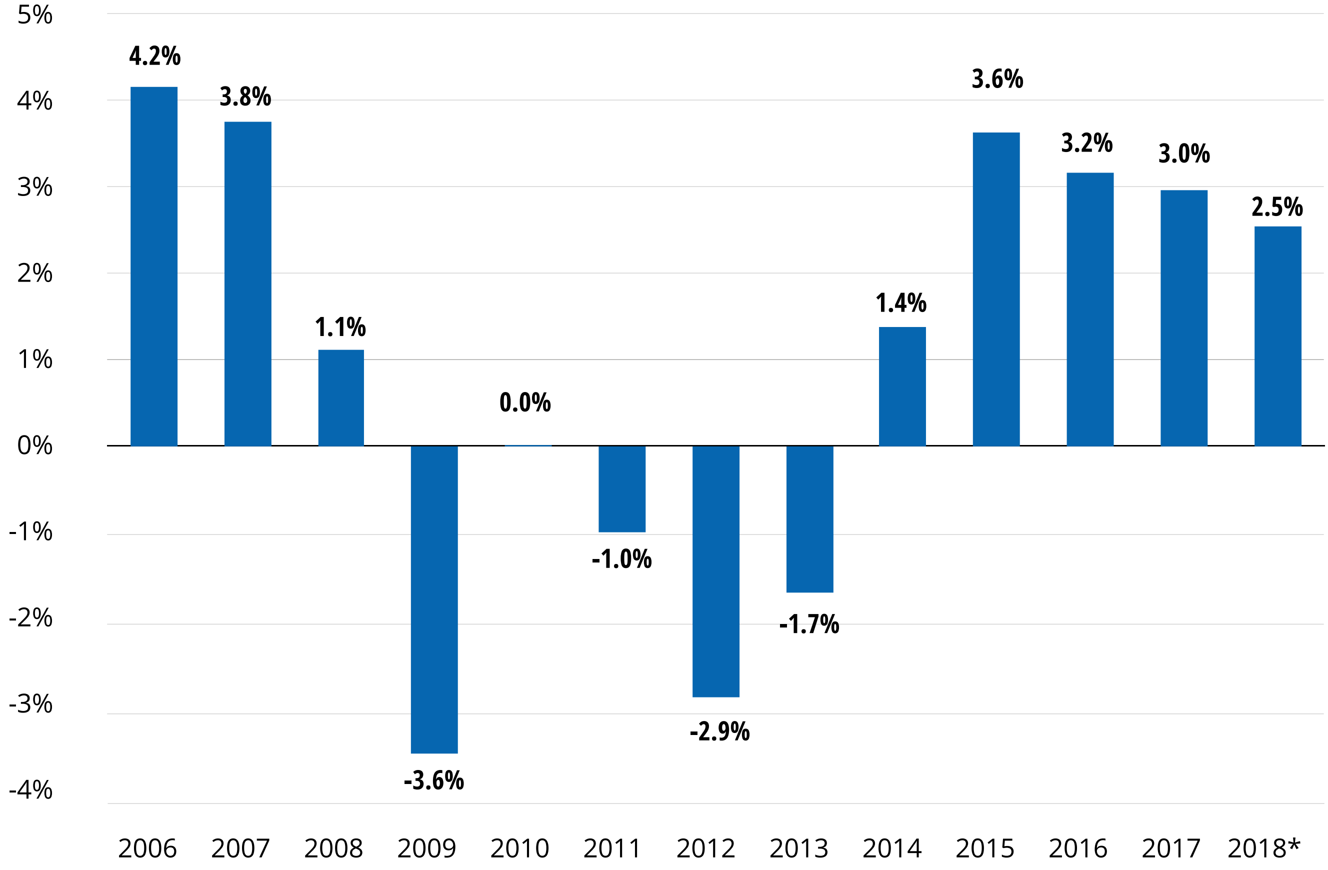


Remark: Percentages in the chart indicate the proportion of companies within each range. The sum of the percentages equals to 100%.

ECONOMIC PERSPECTIVES AND POLITICAL ENVIRONMENT

Figure 4 shows the evolution of Spain's Gross Domestic Product (GDP) in the last thirteen years. The data published by the Instituto Nacional de Estadística[4] indicates that Spain has already overcome the financial crisis that damaged the country's economic situation from 2008 to 2014. Since 2014, Spain's Gross Domestic Product has exhibited positive yearly growth rates up to date. However, the economic recovery has slowed down, and the growth rates have decreased consistently from 2015 onwards. In the first three quarters of 2018, real GDP had grown by 2.5% with respect to the same period of 2017[5].

Figure 4 Spain's Gross Domestic Product at constant prices for the 2006-2018 period: yearly growth rates
Source: Instituto Nacional de Estadística.

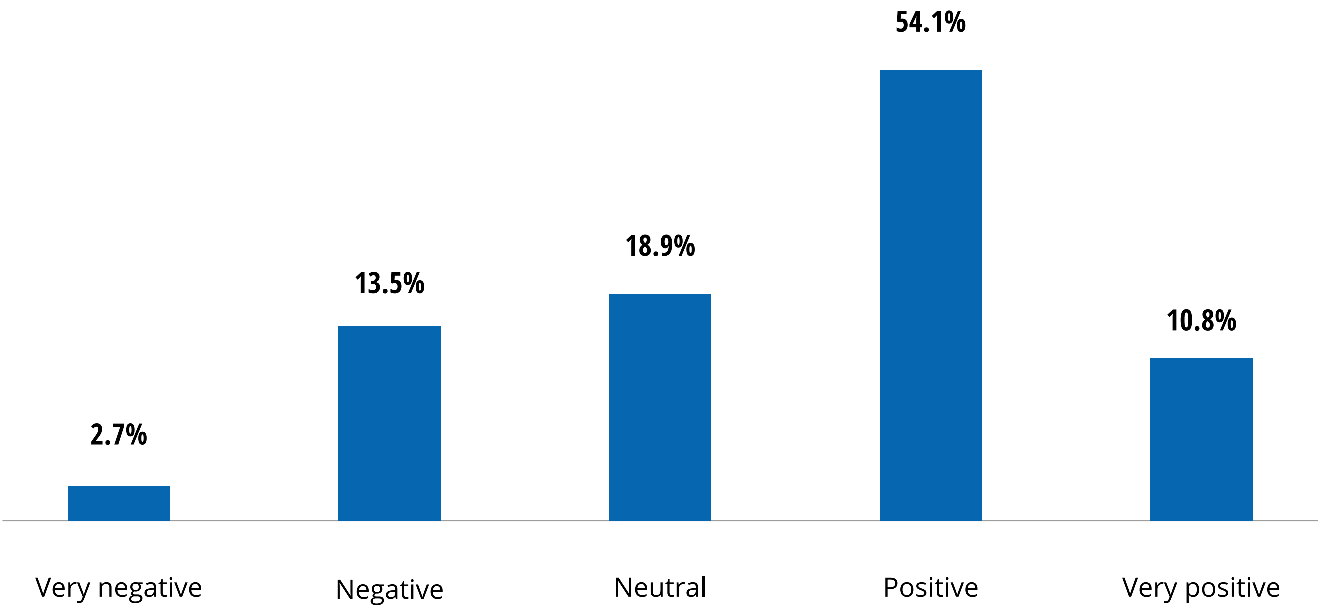


According to the latest European Commission's official forecast available, the decreasing path followed by Spain's GDP growth rate is expected to continue in the next years. In particular, the Directorate-General for Economic and Financial Affairs of the European Commission has forecasted the following growth rates: 2.6% for 2018, 2.2% for 2019 and 2.0% for 2020[6].The unemployment rate is expected to decrease from 17.2% in 2017 to 13.3% in 2020.

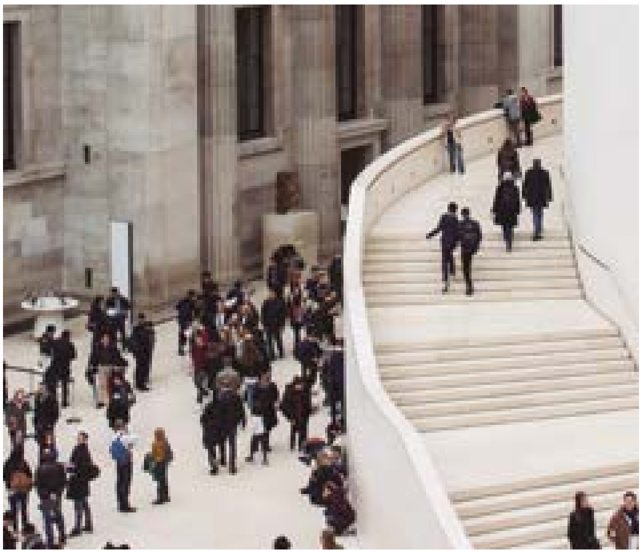
4. The Instituto Nacional de Estadística (INE) is the Spain's official statistics agency.
5. When this report was prepared, the last GDP data published was that of the third quarter of 2018. The growth rates reported above may change in the future as a consequence of INE data updates.
6. Source: European Commission, Autumn 2018 Economic Forecast: Spain (https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin_forecast_autumn_081018_es_en.pdf).
* First three quarters of 2018.

When asked about their perceptions of the Spanish economy outlook for 2019, most of the companies of our sample of international investors expressed optimistic opinions. In particular, 64.9% of respondents stated to have a positive or very positive perception of Spain's economy outlook (54.1% and 10.8%, respectively). On the opposite side, 16.2% of the surveyed companies expressed a negative or very negative perception (13.5% and 2.7%, respectively), and the remaining 18.9% of respondents declared to have a neutral perception. Figure 5 shows the distribution of the companies' responses to this question.

Figure 5 Assessment of Spain's economic outlook for 2019
Source: Kreab survey to investment companies 2018.



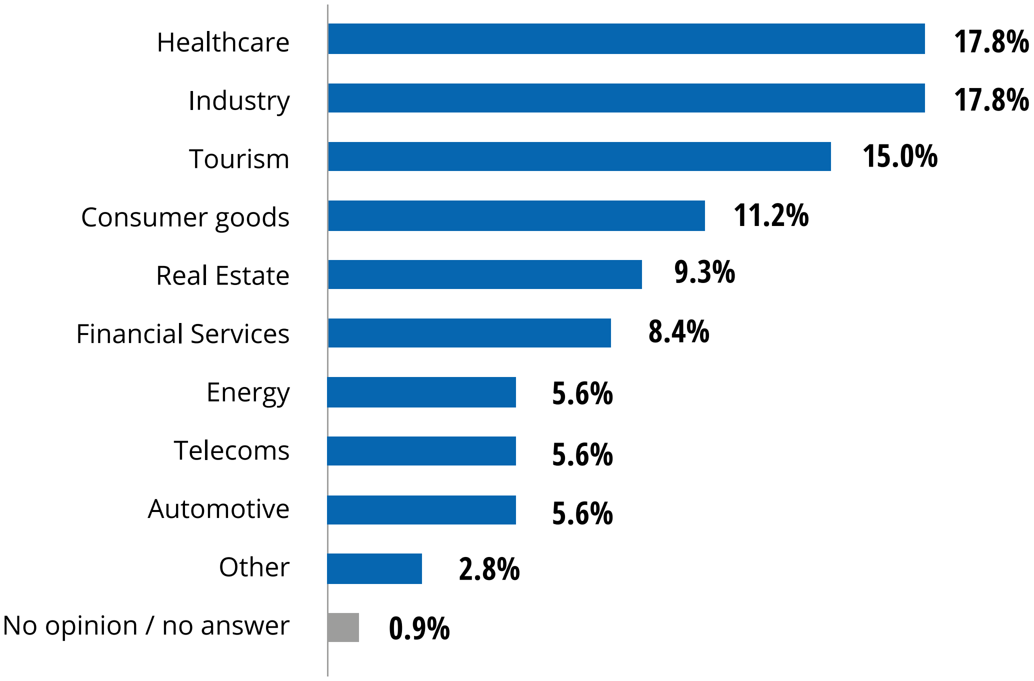
Remark: Percentages in the chart indicate the proportion of companies that chose each answer option. The sum of the percentages is equal to 100%.



These responses show a broadly positive perception of Spain's economic outlook, but they also entail a reduction in the level of optimism that investors expressed in the former edition of this report, published in 2017. On that occasion, 96.6% of respondents stated to have positive or very positive perceptions of Spain's economic outlook (69% and 27.6%, respectively), and the remaining 3,4% declared to have a neutral perception. None of the former edition respondents declared to have a negative view on Spain's economy outlook.

In order to get information on the investors' economic perspectives at a more disaggregated level, we asked the poll companies to identify which sectors have the largest potential for investment purposes, out of a list of nine economic sectors. Figure 6 contains the selections made by the investment companies surveyed.

Figure 6 Sectors in Spain with the largest potential for investment purposes (shares)
Source: Kreab survey to investment companies 2018.



Remark: Since respondents were allowed to choose more than one answer option, the percentages in the chart indicate the shares of each option. These shares are calculated by dividing the number of times that each answer option was selected by any firm by the total number of selections of any options made by all firms. The sum of the percentages is equal to 100%.

Healthcare and industry were regarded as the economic sectors with the largest potential for investing, each with a 17.8% share, followed closely by tourism (15%). The next sectors in the ranking were consumer goods (11.2%), real estate (9.3%) and financial services (8.4%). Finally, energy, telecoms and automotive obtained lower shares, each with 5.6%.

Spain's current political situation is marked by the change of Government that took place in June 2018, as a result of a motion of no confidence against the former Government of Mariano Rajoy. The motion was led by PSOE,[7] following a high court judgment that found that the then Government party (PP)[8] was involved in a corruption affair. The vote of no confidence was successful, with the support of separatist and far-left parties. In this way, the Secretary-General of PSOE, Pedro Sánchez, became the President of the Spanish Government, even though his party only achieved 24% of the total Parliamentary representation in the 2016 general election[9].

When the no-confidence vote was initiated, his party expressed their intention to call for general elections as soon as possible, should the no-confidence vote succeed. However, when this report was prepared (about six months after the Government change), the new President had not called for general elections yet[10]. In addition, any Government decision requires reaching agreements with the parties that provided support in the no-confidence motion.

At the same time, the Catalan independence movement has intensified over time, especially from 2010 onwards, which has given rise to some social and political confrontation. The situation reached a high point in 2017, when the regional Government of Catalonia called for a referendum to decide on the independence, or not, of the region. This triggered a rapid response from the Constitutional Court of Spain, which declared the referendum illegal. However, the Catalan Government did not go back, and the referendum finally took place on 1 October 2017. But, in practice, it had more of a symbolic act to support independence rather than a binding political event, because, in addition to having been declared illegal, minimum international standards for elections were not met.

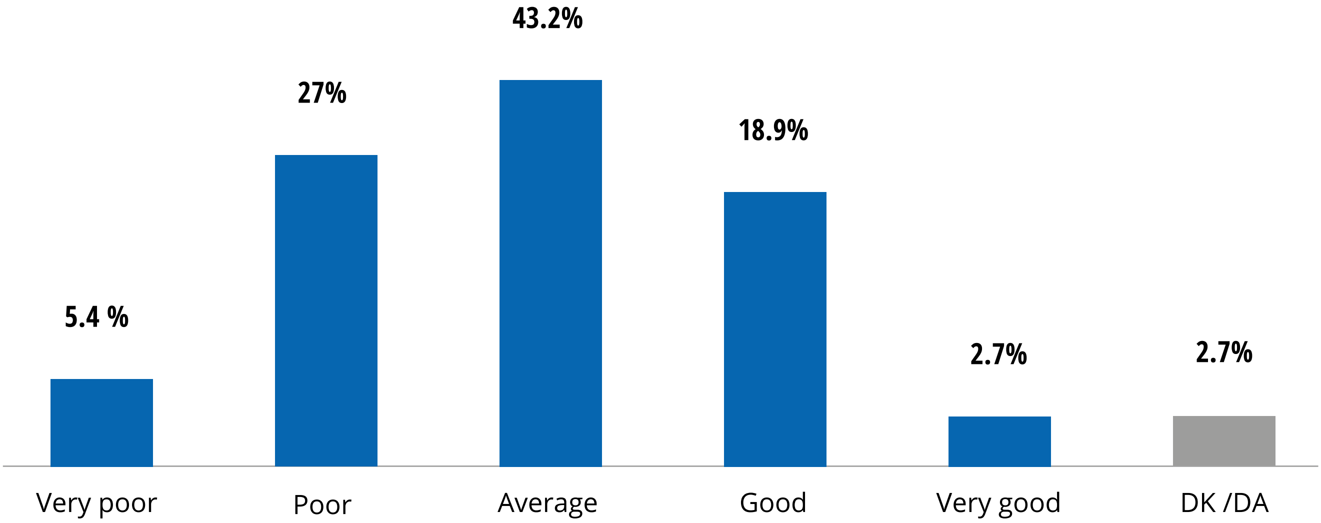
With this political context, we have asked the investment firms to provide their assessments on the current political situation in Spain. The distribution of their answers are included in Figure 7.

7. PSOE stands for Partido Socialista Obrero Español (Spanish Socialist Workers' Party), which is the main left-wing party in Spain.

8. PP stands for Partido Popular (People's Party), which is the main right-wing party in Spain.

9. PSOE achieved 85 seats out of the 350 seats of the Congress of Deputies. For its part, PP achieved 137 seats (39% of all seats).

Figure 7 Assessment of Spain's current political situation, as compared to other European countries
Source: Kreab survey to investment companies 2018.



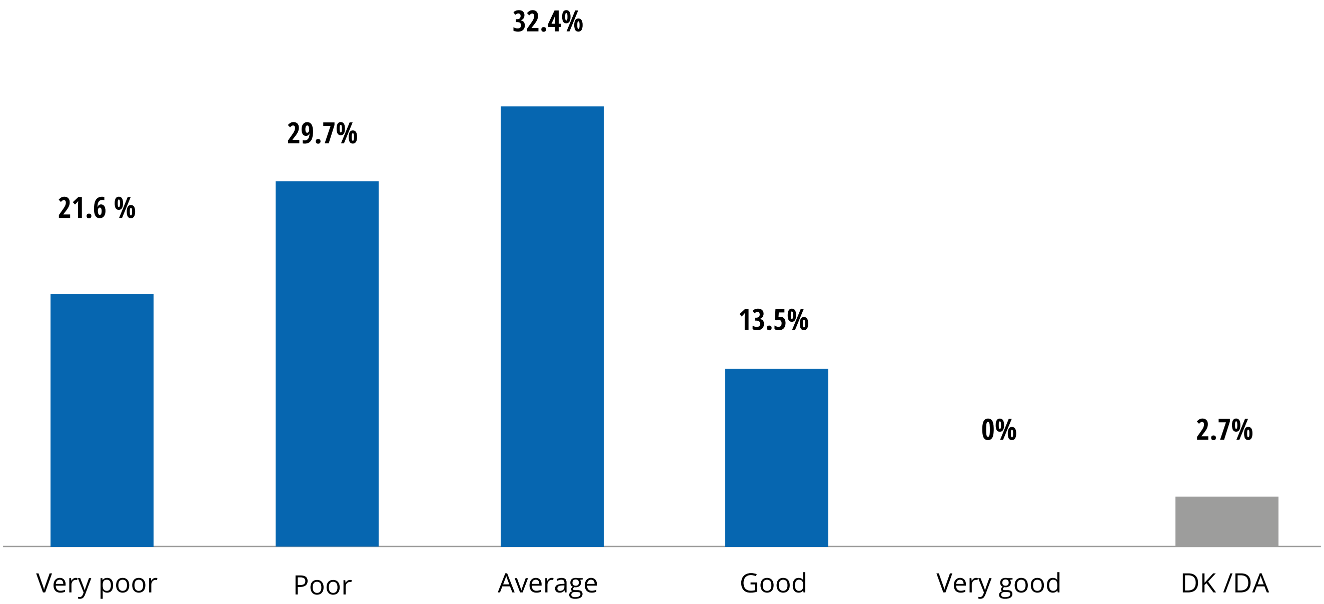
Remark: Percentages in the chart indicate the proportion of companies that chose each answer option. The sum of the percentages isequal to 100%.

Almost half of the respondents rated the current political situation in Spain as "average" (43.2%), which was the most chosen response option. Setting these respondents aside, the number of negative responses was larger than that of positive ones. In particular, 27% of respondents regarded the political situation as "poor", and 5.4% considered it "very poor". On the opposite side, 18.9% and 2.7% of respondents rated the political situation as "good" and "very good", respectively.

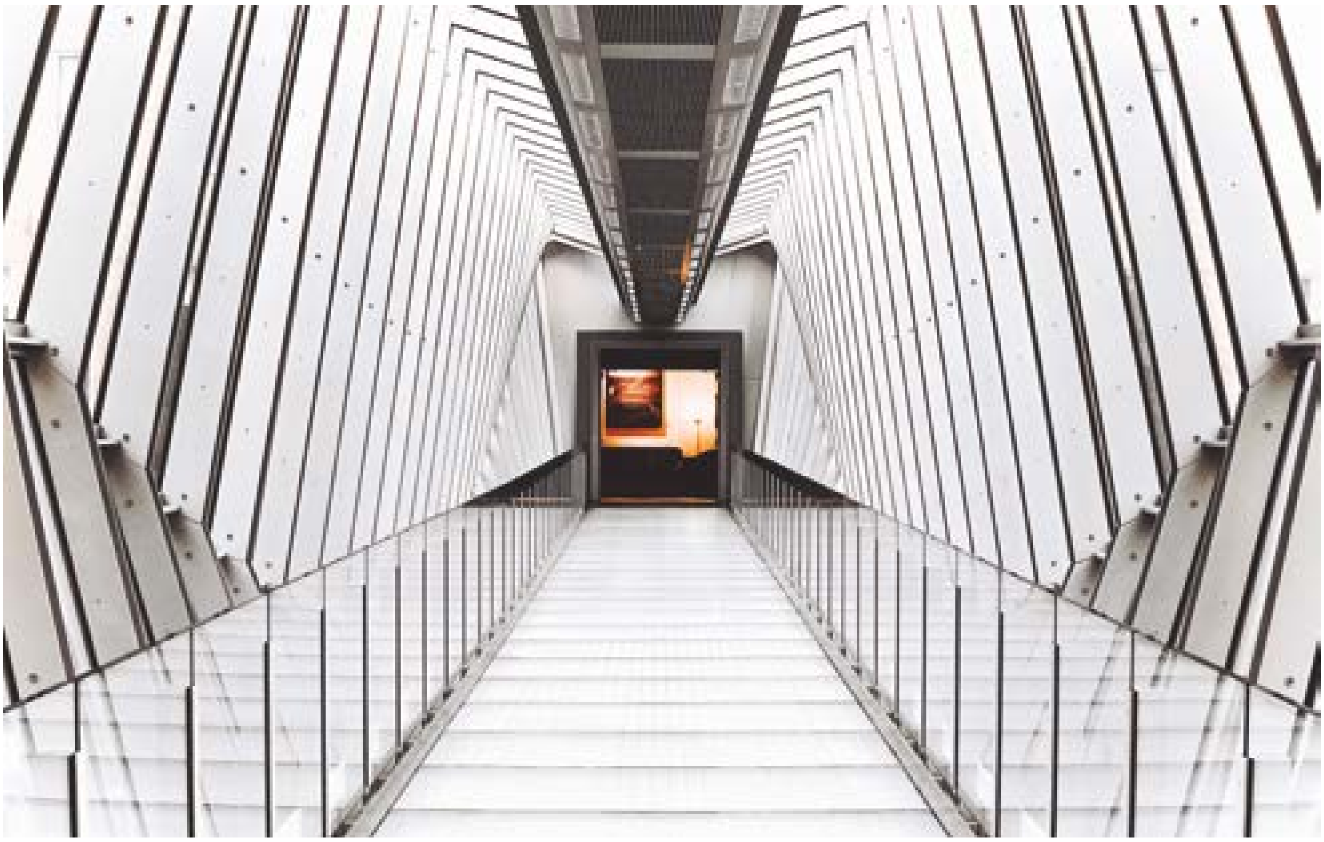
These results show a sharp deterioration of the investors' views on Spain's political environment, as compared to the responses collected in the former edition of this report. On that occasion, with surveys conducted between March and May of 2017, 44.8% of respondents thought that the political situation was good, and 3.4% regarded it as very good, while only 10.3% and 3.4% rated it as poor and very poor, respectively.

When the present survey was conducted, the new Government had been ruling the country for about 5 months.[11] We asked the investment companies to assess the performance of the new Government for their first months in that position. Their responses indicated a broadly negative opinion. As shown in Figure 8, more than half of the respondents (51.4%) rated the until then Pedro Sánchez governance as poor (29.7%) or very poor (21.6%), while only 13.5% of the surveyed companies assessed the Government performance as good and none regarded it as very good. Almost one third of the sample expressed a neutral view on the new Administration (32.4%).

Figure 8 Assessment of the new Spanish Government's performance so far
Source: Kreab survey to investment companies 2018.



Remark: Percentages in the chart indicate the proportion of companies that chose each answer option. The sum of the percentages is equal to 100%.



10. PSOE stands for Partido Socialista Obrero Español (Spanish Socialist Workers' Party), which is the main left-wing party in Spain.
11. PP stands for Partido Popular (People's Party), which is the main right-wing party in Spain.

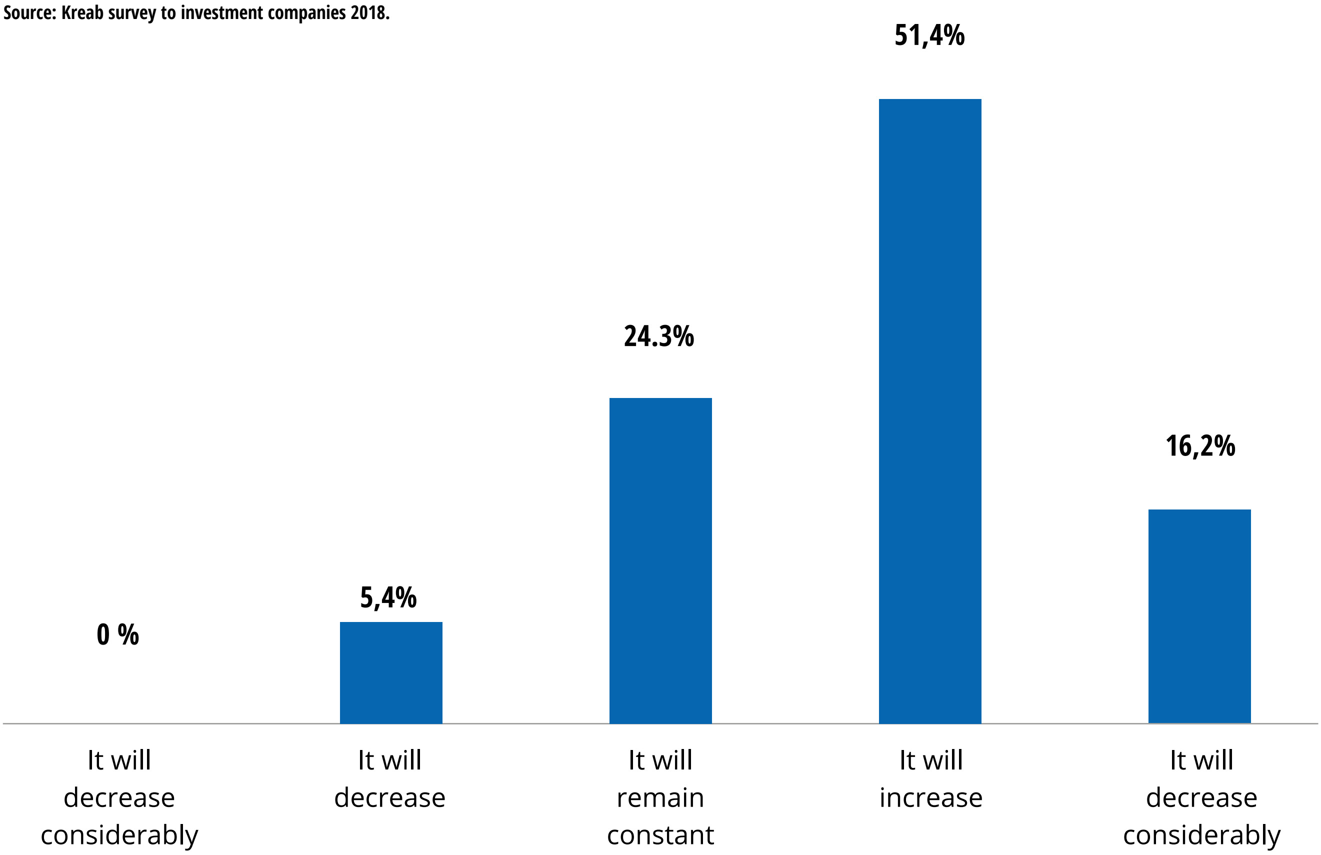
INVESTMENT
OUTLOOK

03

The positive investors' perceptions of Spain's economic outlook may be a reason explaining the fact that the investment volumes held by them in Spain are expected to grow in the near future. Figure 9 shows the expected evolution of the investments in Spanish assets managed by the surveyed firms. In order for them to provide this information, they were asked to compare their expected investment volumes at the end of 2018 with those that they held at the end of 2017.

Figure 9 Expected variation of the investment volumes in Spain managed by the surveyed companies at the end of 2018, as compared to the end of 2017

Source: Kreab survey to investment companies 2018.



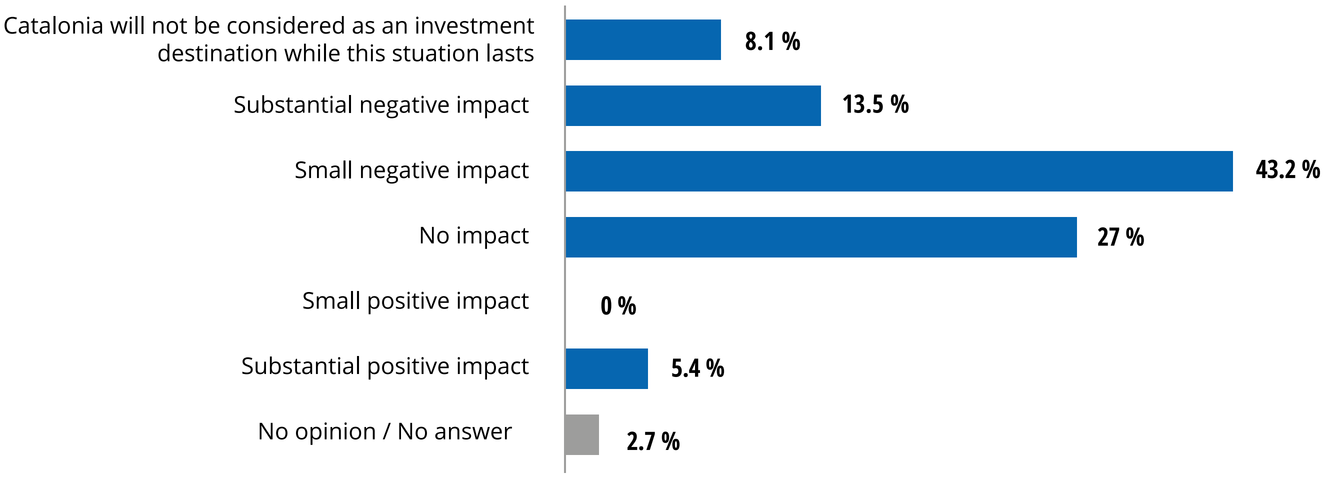
Remark: Percentages in the chart indicate the proportion of companies that chose each answer option. The sum of the percentages is equal to 100%.

More than two-thirds of the sample companies (67.6%) believe that their investments in Spain will grow with respect to last year, including a 16.2% of firms that expect such investments to increase considerably. Only 5.4% of respondents think that their investment volumes in Spain will decrease, and 24.3% expect them to remain constant.

We were also interested in knowing whether the rise of the Catalan independence movement could have effects on the investments made in Catalonia and also in the rest of Spain, and, if so, to which extent. Figure 10 shows the assessment made by the surveyed companies on the effects on their own investments in Catalonia.

Figure 10 Expected impact of the intensification of the Catalan independence movement on the investments held by the surveyed companies in Catalonia

Source: Kreab survey to investment companies 2018.



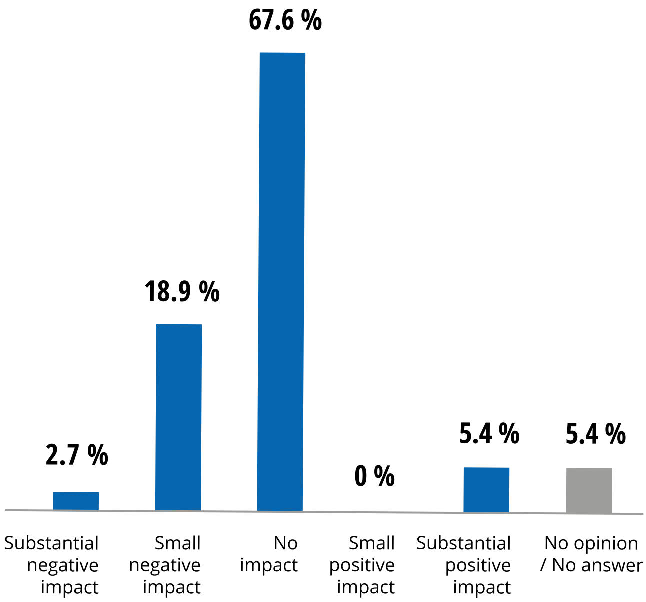
Remark: Percentages in the chart indicate the proportion of companies that chose each answer option. The sum of the percentages is equal to 100%.

Almost two-thirds of the sample companies (64.9%) expect the Catalan conflict to have a negative impact on their investments in Catalonia, either in the short term or in the long term. In particular, it will have a small negative impact for 43.2% of the companies, and a substantial negative impact for 13.5% of the sample. In addition, 8.1% of the companies will not consider Catalonia as an investment destination while this situation lasts. On the opposite side, only 5.4% of the surveyed companies expect this circumstance to have a positive impact on their investments in Catalonia, although they believe that the impact will be substantial. Finally, 27% of the companies do not foresee any impact on their investments in Catalan assets.

The expected impact of the Catalan problem on the surveyed companies' investments in the rest of Spain is shown in Figure 11. For 67.6% of the companies, no impact is expected, but there will be small negative impacts for 18.9% of the companies and substantial negative impacts for 2.7% of the sample. For a couple of companies (5.4% of total sample), the expected impact is substantially positive.

Figure 11 Expected impact of the intensification of the Catalan independence movement on the investments held by the surveyed companies in the rest of Spain

Source: Kreab survey to investment companies 2018.

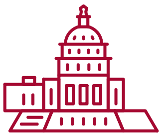


Remark: Percentages in the chart indicate the proportion of companies that chose each answer option. The sum of the percentages is equal to 100%.

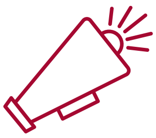
We asked the companies their opinion on whether certain factors from abroad may influence, or not, the investment activities in Spain in the future. In particular, we considered the following three external factors: the United Kingdom's withdrawal from the European Union (the "Brexit"), the possible enforcement of protectionist measures in the United States of America and the rise of populism in other European countries.

As shown in Figure 12, the surveyed companies' responses were as follows:

Brexit. A large proportion of the sample firms believe that Brexit may benefit investment activities in Spain. In particular, 70.3% of the surveyed firms considered that Brexit can have a positive effect on the amount of investments made in Spain, whereas 29.7% of the sample did not believe that Brexit will favour Spain as an investment destination.



US protectionism. A very small proportion of the surveyed firms (5.4%) considered that the enforcement of protectionist measures in the United States by Donald Trump's Administration would favour Spain as an investment destination. The vast majority of the sample firms (94.6%) did not perceive this situation as an opportunity for attracting additional investments to Spain.

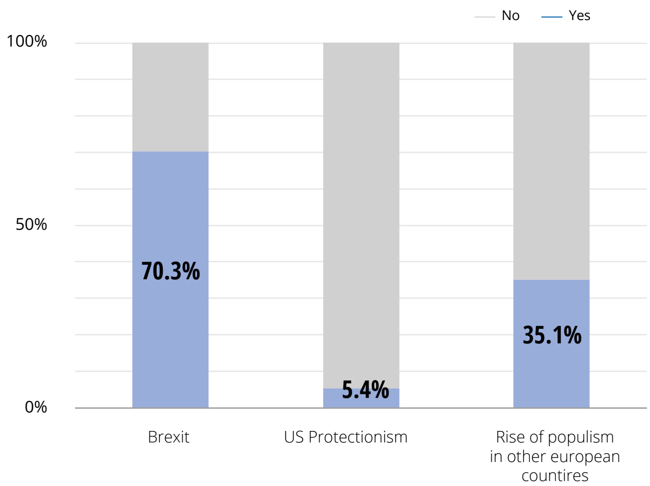


Rise of populism in other European countries. Most of the sample firms (64.9%) do not believe that a possible rise in populism in other countries will favour Spain as an investment destination. Nonetheless, the proportion of firms that see this circumstance as a possible driver to increase the investments made in Spain is not negligible (35.1%).

Some factors may have a dissuasive effect on the amount of investments made in Spain. We have asked the surveyed companies for their opinions on whether a number of factors may dissuade them to invest in Spain in the future. Figure 13 shows the companies' responses to this question, with the six factors considered being in order, from most to least dissuasive, according to the surveyed companies' responses.

Figure 12 Firms' responses to the following question: "Which factors do you believe will favour Spain as an investment destination in 2019?"

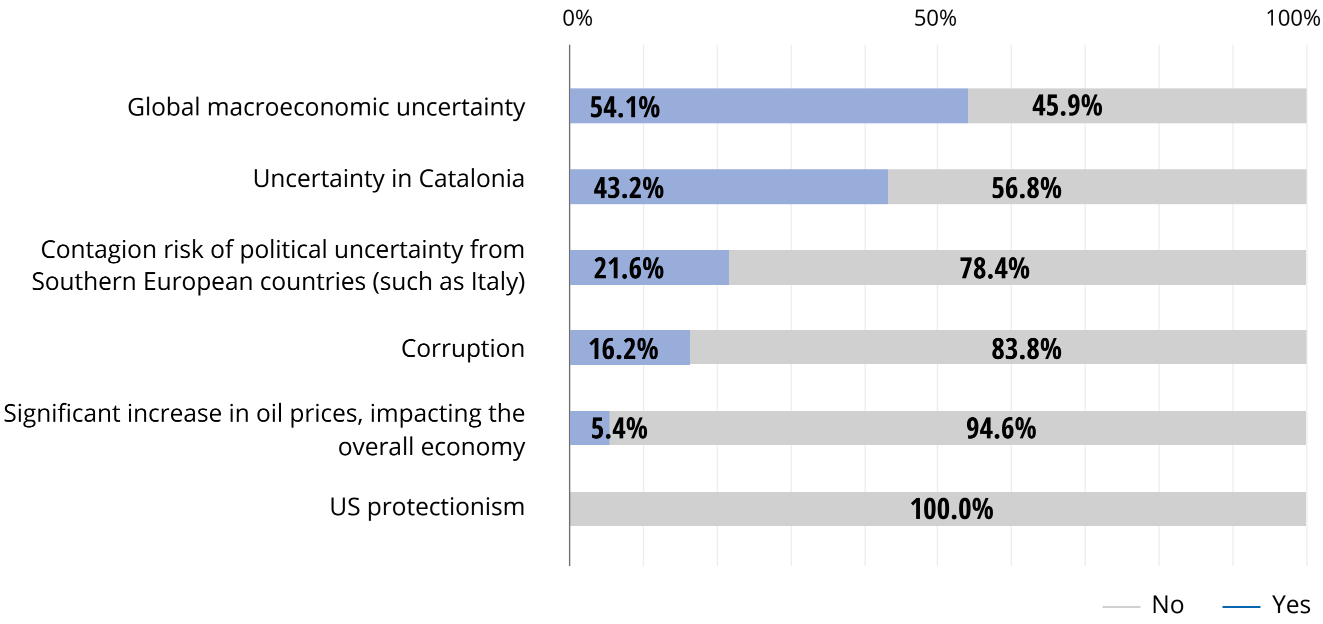
Source: Kreab survey to investment companies 2018.



Remark: Percentages in the chart indicate the proportion of companies that chose each answer option (Yes/No) for each factor. The vertical sum of the percentages equals to 100%.

Figure 13 Firms' responses to the following question: "Which factors do you believe will dissuade you to invest in Spain?"

Source: Kreab survey to investment companies 2018.



Remark: Percentages in the chart indicate the proportion of companies that chose each answer option (Yes, No) for each factor. The horizontal sum of the percentages equals to 100%.

As shown in Figure 13, the surveyed companies' responses were as follows:

Global macroeconomic uncertainty. The uncertain economic environment on a global basis is the most dissuasive factor, out of the six factors considered, according to the investment companies' responses. More than half of the companies polled (54.1%) considered that this factor may dissuade them to invest in Spain.

Uncertainty in Catalonia. The second most dissuasive factor, according to the respondents, is the uncertain situation concerning the Catalonia problem. 43.2% of the surveyed companies believed that this circumstance may discourage them to invest in Spanish assets.

Corruption. The fourth factor chosen by the respondents was corruption, with 16.2% of the polled companies regarding this problem as a dissuasive factor for investing in Spain

Contagion risk of political uncertainty coming from Southern European countries (such as Italy). This was the third most dissuasive factor, with 21.6% of the sample firms regarding this factor as dissuasive for their future investments in Spain.

US protectionism. Finally, none of the polled companies chose the risk of protectionist measures in the United States of America as a dissuasive factor for them to invest in Spain.

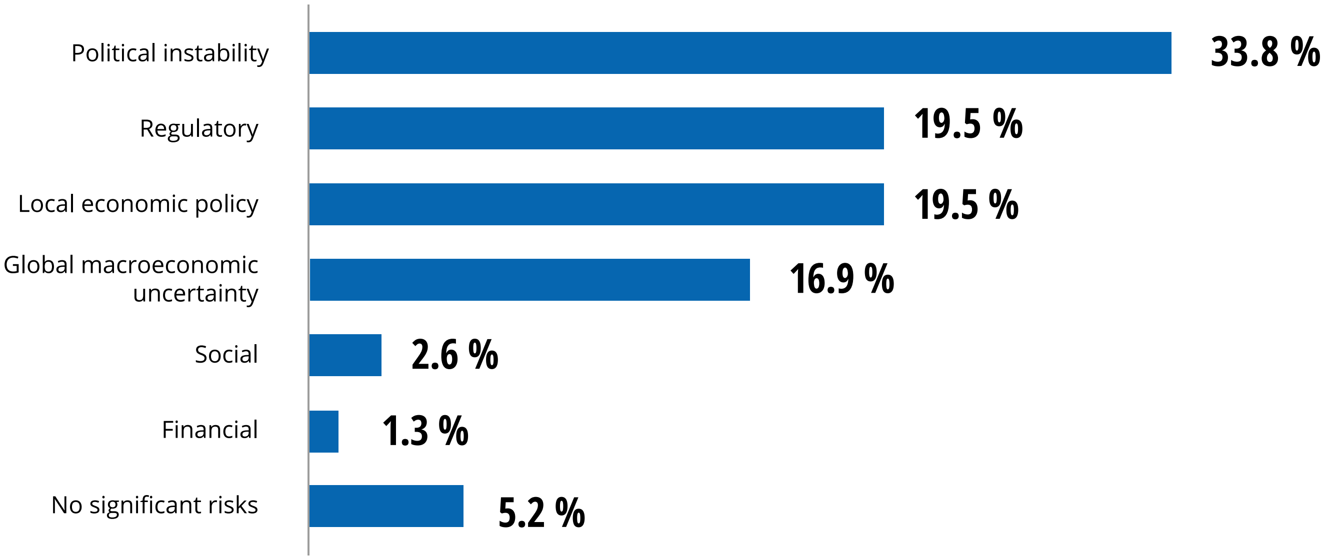
Significant increase in oil prices, impacting the overall economy. This factor was regarded as discouraging for investing in Spain by only 5.4% of the respondents.

RISKS, PROPOSED REFORMS AND ATTRACTIVENESS TO INVEST

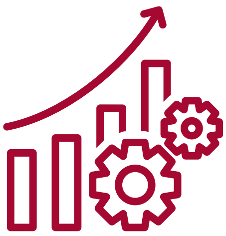
We asked the sample companies to select the main risks of investing in Spain, from a list of six broad categories (regulatory, financial, social, global macroeconomic uncertainty, political instability and local economic policy). Respondents were also given the option to point out additional risks not included in the former categories, and they could also indicate that investing in Spain involves no significant risks. Figure 14 contains the responses given by the investments companies. Since the companies were allowed to select more than one response option, the percentages of the chart indicate the shares of the different options (i.e., the number of times that each option was selected by any firm divided by the total number of selections of any options made by all firms).

Figure 14 Main risks of investing in Spain (shares)

Source: Kreab survey to investment companies 2018.



Remark: Since respondents were allowed to choose more than one answer option, the percentages in the chart indicate the shares of each option. These shares are calculated by dividing the number of times that each answer option was selected by any firm by the total number of selections of any options made by all firms. The sum of the percentages is equal to 100%.

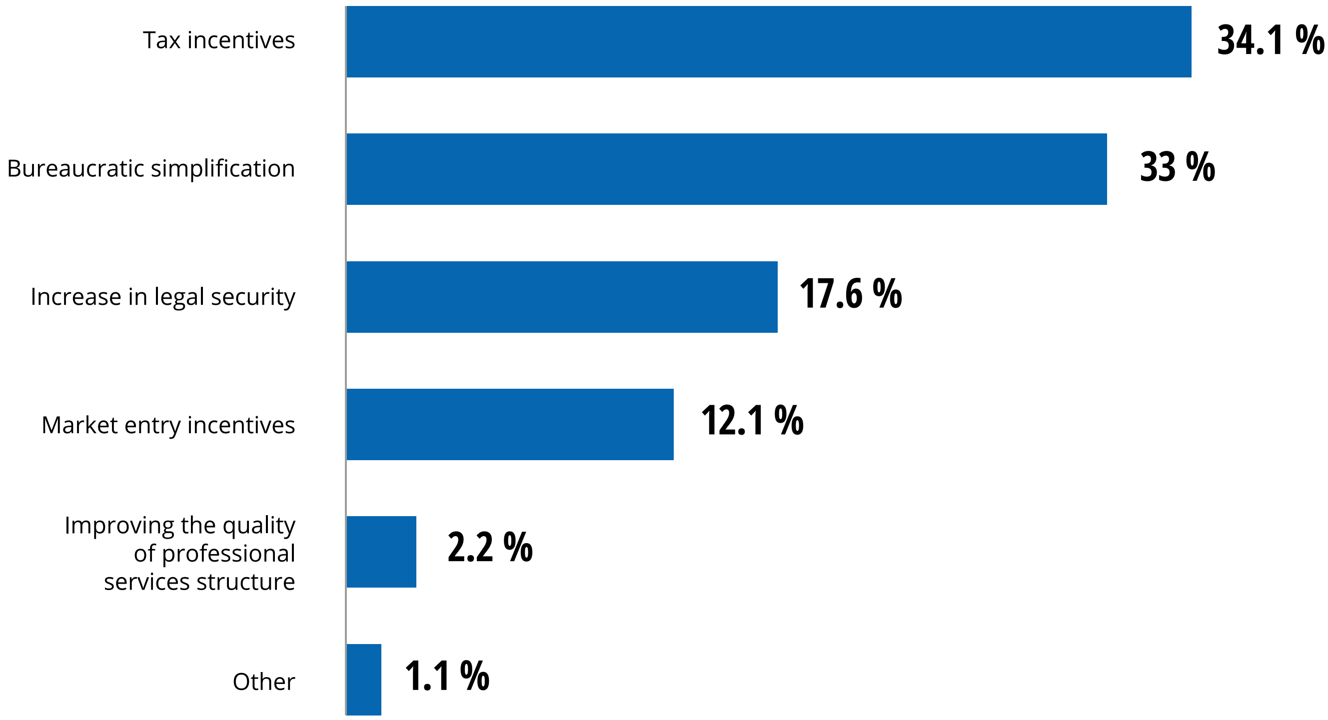


The investment companies regarded political instability as the main risk category, with a 33.8% share among the different response options. The following risk categories with the highest shares were regulation and local economic policy, each with a 19.5% share, followed closely by global macro uncertainty (16.9%). Social and financial risks were regarded as the least risky categories out of the list, with shares of 2.6% and 1.3%, respectively.

No respondent identified any other risk category, and 10.8% of the poll companies considered that investing in Spain involves no significant risks. In terms of shares, this equals to 5.2% of the total number of options selected by the sample companies.

The surveyed companies were asked to identify the most appropriate measures to increase investment in Spain. To that end, we asked the companies to select one or more options out of a closed list of the following five types of measures: tax incentives, market entry incentives, bureaucratic simplification, legal security and improving the quality of professional services.

Figure 15 Measures proposed in order to foster investments in Spain (shares)
Source: Kreab survey to investment companies 2018.

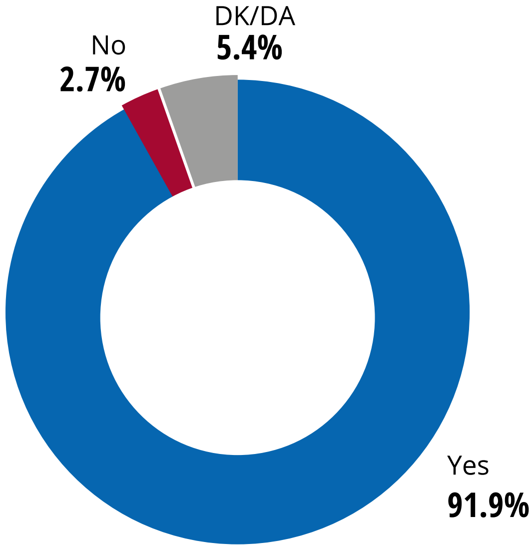


Remark: Since respondents were allowed to choose more than one answer option, the percentages in the chart indicate the shares of each option. These shares are calculated by dividing the number of times that each answer option was selected by any firm by the total number of selections of any options made by all firms. The sum of the percentages is equal to 100%.

As shown in Figure 15, tax incentives and bureaucratic simplification were the types of reforms with the highest shares of choices, with 34.1% and 33%, respectively. At a certain distance, these items were followed by legal security (17.6%) and market entry incentives (12.1%). Other types of measures were chosen very marginally.

In order to know the international investors' overall assessment of Spain as a country to invest in, we asked the surveyed companies to declare whether or not they would recommend Spain as an investment destination.

Figure 16 Firms' responses to the following question: "Would you recommend Spain as an investment destination?"
Source: Kreab survey to investment companies 2018.



As shown in Figure 16, the overwhelming majority of the investment companies surveyed recommended Spain as an investment destination. The proportion of investors recommending Spain amounts to 91.9%, while only 2.7% of respondents did not recommend investing in Spain. Only a couple of companies (5.4% of the sample) did not have, or did not express, any opinion on this question.

These results are very similar to those obtained in the 2017 edition of this report, although on that occasion the results were slightly better, with 93.1% of respondents recommending Spain as an investment destination.

Remark: Percentages in the chart indicate the proportion of companies that chose each answer option. The sum of the percentages is equal to 100%.

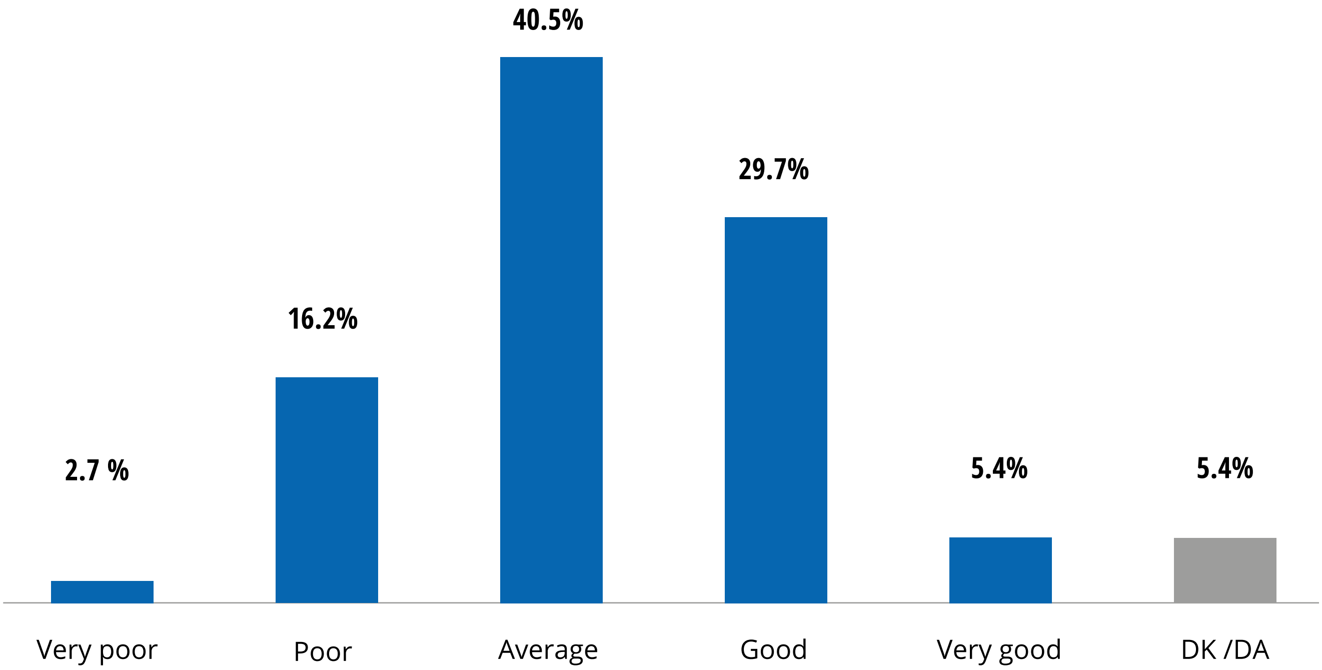
COMMUNICATION **POLICY**

05

The quality of the companies' communication with their investors can be a factor influencing the entry of external financing. For that reason, we have asked the investment firms to rate the communication policies of Spanish companies with international investors.

As shown in Figure 17, the number of positive responses was larger than that of the negative ones. In particular, 29.7% of the companies regarded the Spanish companies' communication policies as good, and 5.4% considered them very good. In contrast, 16.2% of respondents conveyed a bad assessment of Spanish companies' communications policies, and one company (2.7%) rated them as very bad. Finally, 40.5% of the surveyed companies considered them neither especially good nor particularly bad.

Figure 17 Assessment of the Spanish companies' policies of communication with international investors
Source: Kreab survey to investment companies 2018.



Remark: Percentages in the chart indicate the proportion of companies that chose each answer option. The sum of the percentages is equal to 100%.

These results are slightly worse than those obtained in the 2017 edition of this report. On that occasion, Spanish companies' communication policies were regarded as good by 37.9% of the sample and as very good by 5.4% of respondents. The bad rating was selected by 13.8% of the sample, and none conveyed a very bad assessment.

06

APPENDIX: METHODOLOGY

The sample used in this report consists of 37 investment companies of diverse nature, including, among others, mutual funds, private equity companies and private banking management firms. Some of the sample firms are listed companies. In particular, 6 of the surveyed firms are trading on the stock market, which accounts for 16.2% of the whole sample.

The sample has international nature, since the headquarters of the sample firms are located in seven different countries. Nonetheless, a significant proportion of the sample are Spanish firms. The geographic distribution of the sample is shown in Table 1. The sample contains 30 Spanish companies, which jointly account for 81.1% of the sample. The remaining seven companies are based in the United States of America, the UK, France, Italy, Switzerland and Israel.

The international dimension of the sample also comes from the fact that most of the companies surveyed possess investment stocks in more than one country. Indeed, only eight companies of the sample manage the whole of their investments in a single country[13].

Given the limited size of the sample, the results obtained cannot be regarded as fully representative of the whole population of international investors with operations in Spain, from a rigorous statistical point of view. However, we believe that the information collated with this sample provides valuable insights into the views of a significant number of international investment companies, and many of these views may be shared by a larger proportion of the investment sector.

13. These eight companies have their headquarters in Spain and their investments are wholly placed in this country.

KREAB

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founded in Sweeden in 1970, is a global strategic communications firm, committed to creating value. We advise corporations, individuals, governments and organisations on solving complex communications challenges.

In a context of sustained, although decreasing, economic growth and political changes, Spain provides sound opportunities for international investors, but it also presents some challenges. This study collates the views of internationalinvestment companies on different factors concerning Spain's attractiveness as aninvestment destination.

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