Markets Have Memory.
Management Often Underestimates It.

Authored by:

Bhushan Wankhede
CEO – CapEdge, Dickenson World

Markets Have Memory. Management Often Underestimates It.

The Persistence of Market Memory

Markets rarely forget what management has said. Companies often assume they do.

In capital markets, information does not reset with each reporting cycle. Disclosures accumulate over time. Earnings calls, annual reports, investor presentations, interviews, and even informal public remarks form a continuous narrative record that investors reference, compare, and test against subsequent outcomes. While management attention understandably focuses on current execution priorities, investors often look backwards as carefully as they look ahead.

This persistence is not merely anecdotal. Financial markets exhibit path-dependent behaviour, where past information continues to influence present interpretation and valuation. Investors absorb information gradually, contextualise it against earlier communication, and adjust expectations over extended periods rather than instantaneously.

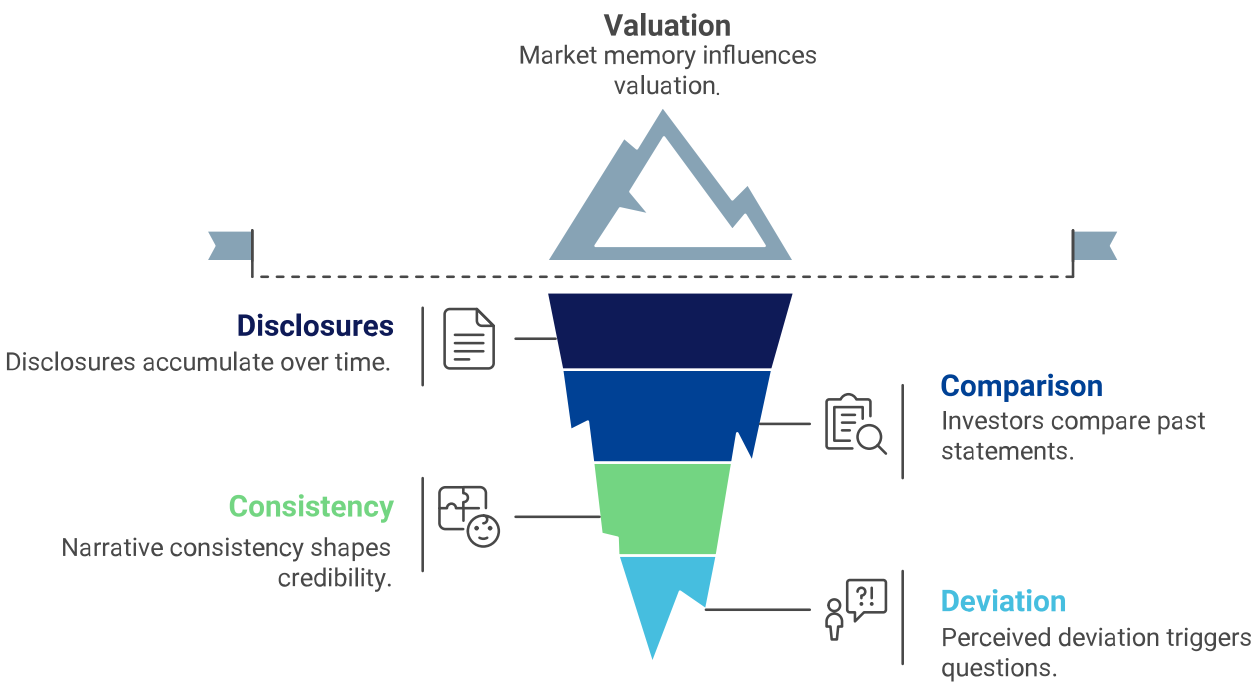
As a result, historical narratives remain active inputs in how new disclosures are received.

This difference in orientation creates one of the most common sources of friction in investor communication. Questions arise not because information is missing, but because previously established narratives appear to have shifted without sufficient explanation. Sometimes, these moments of perceived inconsistency surface directly in earnings calls. In others, they manifest more subtly through changes in sentiment, valuation multiples, or investor positioning.

Understanding this dynamic requires moving beyond disclosure quality alone. It requires recognising how markets process information over time, how memory influences interpretation, and why consistency in narrative logic matters as much as accuracy in reporting.

While experienced mid- and large-capitalisation companies well understand this dynamic, it is often underestimated by newly listed and small-cap issuers. For companies early in their public market journey, the margin for narrative inconsistency is narrower. Initial disclosures, early management commentary, and first earnings calls tend to carry disproportionate weight in shaping long-term investor perception. When expectations are set early and later shift without sufficient explanation, markets do not treat these as isolated adjustments but as signals to be reconciled with prior commitments.

Market Memory: More Than Meets the Eye



How Investors Build Narrative Memory

Professional investors do not evaluate disclosures in isolation, quarter by quarter. They construct a longitudinal understanding of a company, built from repeated exposure to management commentary across cycles, formats, and conditions.

This memory is both explicit and implicit. Explicitly, investors track guidance, strategic priorities, capital allocation frameworks, and stated risks. Implicitly, they track tone, emphasis, and the language management used to describe uncertainty, trade-offs, and confidence.

Over time, patterns form. Investors remember what management said when conditions were favourable, how it explained setbacks, and whether explanations evolved coherently as circumstances changed. A single interview or remark may seem insignificant at the time, but it becomes part of this cumulative record.

Importantly, this memory is not limited to what management considers "formal" disclosure. Public interviews, conference remarks, and even one-off comments can be recalled years later and tested against outcomes. The market's ability to store, retrieve, and contextualise such information is often underestimated internally.

When Deviation Matters More Than Performance

Valuation volatility is often attributed to earnings misses, macro shocks, or sector re-rating. In practice, perceived deviation from an established narrative can be just as influential.

Investors tend to react strongly when outcomes appear misaligned with prior communication, particularly if the shift is not clearly articulated. A change in strategic emphasis, capital allocation, or risk posture is not inherently harmful. What unsettles markets is surprise.

This is why questions raised during earnings calls frequently reference earlier statements rather than current numbers. Investors are not only asking what has changed. They are asking why it was not anticipated, flagged, or explained earlier.

Such moments do not necessarily indicate that management was unprepared. More often, they reflect a communication gap between how management experienced change internally and how investors encountered it externally. Markets respond to that gap, sometimes through sentiment, sometimes through price.

Speaking Versus Listening in Investor Communication

Most investor communication frameworks are built around dissemination. Management prepares disclosures, delivers messages, and responds to questions. Listening, while acknowledged as necessary, is often treated as secondary, mainly confined to earnings call Q&A or selected investor meetings.

This creates an imbalance. Communication becomes output-driven rather than dialogue-driven. The assumption is that clarity of explanation is sufficient, and that interpretation will naturally align.

Investor communication is incomplete without systematic listening. Investors form perceptions not only from what is said, but from how it connects to what they already believe and remember. When these perceptions diverge from management intent, disclosure alone does not resolve the issue. Engagement with interpretation does.

Listening in this context does not mean agreeing with investors. It means recognising how messages are received, where confusion persists, and which concerns recur over time. Respect in communication begins not with explanation, but with acknowledgement.

This imbalance is most visible among companies with lean investor relations structures, where communication is often driven by dissemination rather than interpretation. Newly listed and small-cap companies tend to prioritise explaining results over understanding how they are perceived. Without a structured mechanism to capture recurring investor questions, shifts in sentiment, or points of confusion, management may believe it has communicated clearly even as investor understanding diverges.

Insights from Behavioural Communication Theory

Communication research offers a valuable lens to understand why this imbalance persists. Deborah Tannen's work on conversational dynamics distinguishes between different communication orientations, none of which are inherently superior, but each of which suits different contexts.

One distinction she draws is between "report talk" and "rapport talk." Report talk prioritises information delivery, authority, and clarity. Rapport talk focuses on shared understanding, connection, and alignment. Corporate environments have historically rewarded report talk, valuing decisiveness, precision, and control of messaging.

This orientation is practical for execution and governance. However, in investor communication, it can crowd out the interpretive and relational elements required for alignment. Investors may understand the information but still feel that their interpretation has not been acknowledged.

Tannen also distinguishes between high-involvement and high-considerateness communication styles. High-involvement communication is fast-paced, assertive, and information-dense. High-considerateness communication places greater emphasis on pacing, space, and responsiveness to cues. Investor engagement often benefits from the latter, particularly when addressing uncertainty or change.

> When early public-market narratives are set without discipline, newly listed companies inherit expectations that persist. Markets remember initial signals longer than subsequent clarifications.

The issue is not that corporate communication adopts the wrong style. It is that one style dominates where balance is required.

Why Listening Signals Respect and Build Trust

Deborah Tannen has observed that feeling listened to goes beyond having one's ideas heard. It signals respect and recognition. Research on leadership communication reinforces this view, showing that listening is not a passive behaviour but an active process of attention, interpretation, and response. In investor relations, this distinction matters.

Investors do not expect management to accept every concern or recalibrate strategy based on external views. They do expect management to recognise recurring questions, acknowledge alternative interpretations, and explain decisions in a way that reflects an understanding of the investor perspective. This form of engagement signals that management is attentive, confident, and open to dialogue.

When investors feel listened to, trust deepens even in disagreement. When they feel dismissed or unheard, even accurate and comprehensive disclosures can fail to reassure. Over time, this difference influences ownership stability, investor alignment, and valuation resilience.

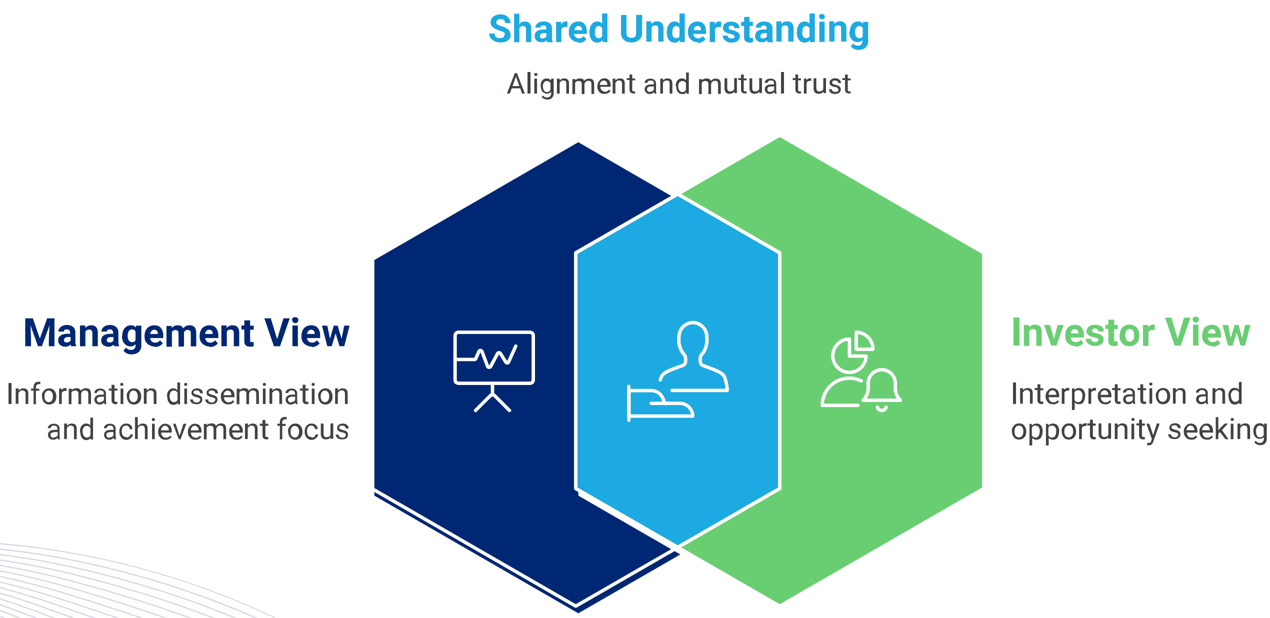
Listening, therefore, is not a soft skill in investor relations. It is a leadership capability that strengthens credibility, reinforces trust, and improves the effectiveness of subsequent disclosures.

Disclosures Without Narrative Are Incomplete

High-quality disclosures are essential. But disclosures alone do not ensure alignment.

Financial statements, MD&A, and presentations explain what management believes is relevant. They do not automatically address how

Bridging the Communication Gap for Trust



investors interpret relevance. Without narrative communication that engages with perception, even comprehensive disclosures can leave gaps.

These gaps often surface as repeated questions across quarters. They may relate to capital allocation, competitive dynamics, risk exposure, or growth assumptions. When such questions persist, they are signals, not interruptions.

Ignoring them does not make them disappear. It allows alternative interpretations to harden.

Institutionalising Listening in Investor Relations

The most effective investor relations functions treat listening as a process, not an event. They track investor questions longitudinally, identify patterns, and feed those insights back into disclosure and communication planning.

This involves asking different questions internally. Not just "What do we want to say?" but also "What are investors consistently asking?" and "Where does our narrative require clarification or reset?"

It also requires recognising that listening extends beyond earnings calls. Analyst reports, investor notes, price reactions, and even silence carry information about perception. When these signals are integrated systematically, communication becomes more adaptive and less reactive.

Significantly, institutional listening does not dilute management authority. It strengthens it by reducing surprise and reinforcing credibility.

Consistency Without Rigidity

Consistency in communication does not mean repeating the same message indefinitely. Businesses evolve, strategies shift, and external conditions change. Investors understand this.

What they expect is continuity of explanation. When narratives change, the transition must be articulated. When priorities shift, the rationale must be connected to earlier statements. Consistency lies in logic, not language.

Companies that manage this well rarely eliminate volatility. They do, however, reduce unnecessary volatility driven by misunderstanding.

From Dissemination to Dialogue

Investor communication matures when it moves from dissemination to dialogue. This does not require more disclosure. It needs better integration between what is said and how it is received.

Markets have memory. They remember narratives, not just outcomes. Management does not need to carry that memory alone, but it must recognise that it exists.

The most credible companies are not those that never change their story. They are those who deliberately change it, explain it clearly, and listen carefully along the way.

In investor relations, speaking well matters. Listening well matters more.

What Institutional Listening Looks Like in Practice

Companies that manage investor communication effectively tend to treat listening as a continuous discipline rather than an episodic activity. This is particularly important for issuers in the early stages of their public market life, where narrative frameworks are still forming, and investor expectations are less settled.

In practice, institutional listening begins with tracking investor questions over time rather than treating them as quarter-specific exchanges. Recurring themes are reviewed not as repetitions to be managed, but as indicators of where narrative clarity may be incomplete.

Effective teams also review investor feedback alongside financial performance, recognising that outcomes and interpretation do not always move in tandem. Where interpretation diverges from intent, disclosures are refined to address the gap rather than restate results.

Before results are communicated, changes in emphasis, priorities, or outlook are tested against prior statements to ensure that evolution is explained early and coherently. Over time, this discipline reduces surprise, strengthens trust, and allows companies to communicate change without destabilising credibility.

For many issuers, especially smaller or newly listed ones, this capability is not intuitive. It is built deliberately, often with structured external support, and refined through repeated engagement with market feedback.

Markets do not reset their expectations every quarter. They carry forward what management has said, how it has responded to questions, and whether changes in direction have been acknowledged with clarity and respect. For companies navigating the early years of public market scrutiny, this accumulated memory can shape valuation outcomes far more than any single set of results.

Effective investor communication, therefore, requires more than accurate disclosure. It requires institutional listening, narrative continuity, and the ability to translate feedback into more precise explanations over time. Companies that recognise this early are better positioned to build durable investor trust. Those who learn it later often do so after credibility has already been tested.

At **Dickenson**, we work closely with newly listed and small-cap companies to help institutionalise this discipline early in their public market journey. Our approach focuses on building structured investor communication frameworks that integrate disclosure, interpretation of feedback, and narrative continuity across earnings calls, investor materials, and ongoing engagement. By helping management teams listen systematically to how markets interpret their messaging and align communication with evolving expectations, we support issuers in reducing surprises, strengthening credibility, and building investor confidence over time.

Footnotes:

1. Samuel Tabot Enow, "The long-term memory of stock markets: unveiling patterns and predictability," in The International Journal of Research in Business and Social Science by SSBFNET, 2024. Available at: https://www.researchgate.net/publication/381361108_The_long-term_memory_of_stock_markets_unveiling_patterns_and_predictability
2. Irwin, "Persuasive Investor Communication Techniques," blog article. Available at: https://www.getirwin.com/blog/persuasive-communication-techniques
3. Deborah Tannen, "Genderlect Styles" from the "A First Look at Communication Theory." Available at: https://www.afirstlook.com/docs/genderlect.pdf.
4. Zenger Folkman, "The Power of Listening Leadership: A Leader's Secret Weapon for Building Trust," blog article. Available at: https://zengerfolkman.com/articles/the-power-of-listening-leadership-a-leaders-secret-weapon-for-building-trust/
5. Dr. Martin Steinbach, "How to make the most of your Investor Relations function", EY, Oct 2018. Available at: https://www.ey.com/en_gl/insights/growth/how-to-make-the-most-of-your-investor-relations-function
6. Sylvie Harton, "How to deliver excellence in investor relations", Ir-Impact, Sep 2024. Available at: https://www.ir-impact.com/2024/09/how-deliver-excellence-investor-relations/

__Bhushan Wankhede__ is a finance professional with over a decade of experience across investor relations, financial advisory, and academia. He holds postgraduate degrees in Commerce and Finance, and is currently pursuing a PhD in Commerce, bringing a research-oriented perspective to capital markets communication. At Dickenson, Bhushan focuses on the analytical and disclosure aspects of investor relations, including interpreting quarterly performance, anticipating investor queries, shaping management responses, benchmarking peer commentary, and supporting structured IR communication frameworks. His work helps companies align financial narratives with investor expectations and long-term valuation objectives.

Authored by:

Bhushan Wankhede
CEO – CapEdge, Dickenson World

bhushan@dickensonworld.com

Visit www.dickensonworld.com to learn more about our services and how we can help streamline your corporate reporting process.

Contact Us:
Email: enquiry@dickensonworld.com
Website: www.dickensonworld.com

DICKENSON

Our Offices

London
UK Bureau

Ms. Kinneri Saha
+44 748 723 4770 (UK)
+91 99877 23160 (India)

Mumbai
India Operations

Ms. Shankhini Saha
+91 73044 81351 (M)
+91 22 6627 6509 (L)