

ASIA AND EUROPE TRUMP US AND UK AMONG INTERNATIONAL INVESTORS

Asia has dethroned Europe as the first choice for investment exposure among international and expatriate investors.

The top four for investment exposure are Asia, Europe, US with the UK last, compared to Europe, US, Asia and the UK in 2006, according to research among expatriate investors in 30 countries from Luxembourg based online broker Internaxx.

Since May 2006, investment in Asia has risen from 33% to 39% - a bigger increase in investment exposure than anywhere else. More international and expat investors are now exposed to Asia than to anywhere else, regardless of where they come from. The Asian region scores the highest level for positive sentiment, with confidence in China at 42%, up from 38% in 2005. India scored 32%.

There is virtually no negative sentiment towards the Asian markets whatsoever with only 3% of respondents negative about China and 2% about India. A closer look shows that barriers to investment in Asia have declined on all specified criteria - lack of knowledge by 12%, concerns over volatility by 6%, market volatility by 10% and uncertainty over economic prospects by 11%.

Europe has registered the biggest shift in positive sentiment across the survey with now only one in ten saying they are negative about economic prospects in that region compared to one in three in May 2006. Today, more international and expat investors are invested in continental Europe (37%) than they are in the US (29%) and the UK (26%).

Despite the rocketing Dow, less than 1 in 3 expat investors is invested in the States, a drop from 35% to 29% in a year. Positive sentiment towards the US also has dropped from 24% in July 2005 to 10% this year and negative sentiment remaining at a very high level (41%).

Says Robert Glaesener, General Manager Internaxx: "While the US is doing well, gains in equities are offset by losses in the dollar and discoloured by growing negativity towards the US economy's long term prospects. The rise in the FTSE and the Dow are not being fuelled by enthusiastic expatriate and international investors, who in the main are looking East".

While less polarized, views towards the UK among international investors are hardly much rosier, with 14% positive but 16 % negative. 30% of investors were exposed to UK in 2006 dropping to only one in four (26%) today.

Continues Glaesener: "While sentiment towards the US and UK is low, it seems not to affect investment exposure materially, at least for the moment. Investors are more positive towards continental Europe, but once again investment exposure there has stayed the same at 37%. It is only Asia where we see a direct correlation between positive sentiment and increased exposure".

A Confident Sample

90% of expat and international investors think markets will grow or stabilize in 2007, a growth of 10% since May 2006. A spectacular 98% of those based in China are upbeat about market growth with an overwhelming confidence in growth among Asian economies. Among the 10% of investors sceptical about market growth, chief concerns centre around a global real estate bubble and the pressure on energy/oil prices.

International and self-directed investors everywhere are outperforming

Since 2005, the percentage of those claiming to have matched or outperformed the market has risen from 81% to 87%. There is very little variation across the sample with no discernible differences between regions or nationalities.

Once investors move to a region, they become more positive about that country's investment prospects than are expats as a whole. Those living in China are 36% more upbeat about the Chinese economy than investors as a whole - those living in Netherlands 16%, France 13% and Germany 8%.

Says Glaesener: "They like to diversify their portfolios by opting for the riskier markets, particularly where they live, while reassuring themselves by keeping a core portfolio invested back at home".

Nearly half of all investors (46%) now factor in the environmental impact of a company before investing. Those based in the UAE are significantly less concerned (30%) than those based in China (57%) and Germany (80%).

Says Glaesener: "These are exciting times. While the US and Europe are doing well, international investors seem to prefer the more volatile Asian markets, where they discount any talk of a bubble, to the US market, where they see less long term potential. Whoever they choose, respondents' global vision seems to keep them out of trouble."

For more information

Robert Glaesener
General Manager- Internaxx
00 352 2603 2046
robert.glaesener@internaxx.lu

Sophie Noel
Communication Manager - Internaxx
00 352 2603 2026
sophie.noel@internaxx.lu

Nick Hadjinikos
Kallinos Communications London,
00 44 208 940 8239
nick@kallinos.com

Editors Note

About Internaxx

Internaxx is an international online brokerage service based in Luxembourg, and a joint venture between TD Waterhouse and Fortis. It offers online real time share dealing, FX and derivatives trading to several thousands of expatriate and international investors worldwide. Internaxx can be accessed

online 24 hours a day and 7 days a week via www.internaxx.lu, or through a multi-lingual Call Centre during trading hours. For more information, visit www.internaxx.lu.

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