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Private Investors Look to Newly Emerging Markets for Growth

New research from fund supermarket Interactive Investor (www.iii.co.uk) confirms that private investors will look outside the UK for investment growth over the next year as the credit crunch continues to bite.

According to the survey of 500 retail investors more than a third of investors believe that emerging markets (33%), India (35%) China (33%) and Russia (33%) will perform well, compared to only 17% of investors who are backing UK prospects. Commodities also remain popular with 28% of investors expecting the sector to do well.

Rebecca O’Keeffe, head of investment at Interactive Investor, said:

“UK companies remain a core part of private investors’ investment portfolios, but there is little confidence that they will perform as well as other markets. Instead, private investors are looking at emerging markets and commodities for growth opportunities.

“But even this approach is regarded as being behind the times by some of our more ambitious investors. We’re seeing a growing trend to look further afield – for emerging markets read frontier economies and for commodities read infrastructure funds.

“Private investors looking for a high risk investment opportunity are now moving beyond the original BRIC countries - Brazil, Russia, India and China - to the new frontier economies of Vietnam, Pakistan and the African continent. And just as investors have backed commodities for the last few years, many of them are diversifying into infrastructure as the next big opportunity. With continued growth in emerging markets the demand for new infrastructure, such as roads, railways and telephone networks will continue to increase and offer investment prospects.”

While investment options in individual country funds for these newer economies are difficult to find, there is the New Star Heart of Africa Fund. However, many global emerging market funds are expanding their remit to include the likes of Pakistan, Bangladesh, and Vietnam – which is a good way to get some initial exposure to these developing nations. Individual infrastructure funds include First State Global Infrastructure and CF Macquarie Global Infrastructure Fund, which both offer investors exposure to infrastructure projects around the globe.

Rebecca added:

“Our investors tend to have a high appetite for risk and are happy to expose themselves in the market place. These areas will not be suitable for everyone but could form part of a wider portfolio.”

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All figures are from an Interactive Investor survey of 500 users during July 2008.

About Interactive Investor

Interactive Investor is the UK's leading personal finance and investment website (www.iii.co.uk). From share dealing to savings, and from ISAs to mortgages, Interactive Investor provides independent tools and information to enable consumers to address all their investment and personal finance needs. Interactive Investor has 1.7 million registered account holders and 500,000 regular monthly users. Interactive Investor Trading Limited, trading as "Interactive Investor", is authorised and regulated by the Financial Services Authority.

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