MEDIA RELEASE

Retail investors see inflation as biggest threat to their portfolios

- *Increased retail demand for precious metals, energy and real estate to counter threat*
- *Majority (53%) think their investments will get better over the next 12 months*

London, UK, 28 July 2021: Retail investors believe rising inflation is currently the biggest threat to their portfolios, new research from multi-asset investment platform eToro reveals.

eToro's inaugural ***Retail Investor Beat****, which surveyed 6,000 retail investors across 12 countries, revealed that the rising cost of goods and services is seemingly influencing investors' portfolios. Traditional hedges such as real estate were popular portfolio picks (22%), and 40% of respondents noted that precious metals such as gold presented the best commodity-buying opportunity over the next 12 months. Mostly, however, portfolios were made up of equities (62%), bonds (39%) and cash (28%).

25% of retail investors surveyed globally had invested in cryptoassets – although this was only 17% in the UK. Investors aged 18-34 were the most pro-crypto, with 46% saying their portfolio contained these assets.

UK investors (36%) were less concerned about inflation than some of their international peers (38% globally), with investors in Poland (55%), the US (51%), and Germany (48%) ranking it as a more prominent threat. Globally, men (42%) saw rising inflation as more of a threat than women (34%) – who were equally concerned about the risk the state of the global economy poses to their investments.

When it came to managing their investments and making decisions, personal recommendations were investors' main sources of information (37%) followed by the media (37%) or independent research via Google (34%). Women were more likely to turn to friends and family (43%), whereas men preferred the media (40%) or Google (35%) as their primary point of reference.

Ben Laidler, Global Markets Strategist at eToro, commented: *"The data shows retail investors have balanced portfolios; they're 60:40. They're holding cash and focusing on fundamentals like diversification to spread their risk – which is the golden rule when markets are unpredictable, as they have been over the last few months. They're also asking for help – no one has a magic investing formula and spreading knowledge by talking about investing or doing research is key to becoming a better investor."*

With regards to the markets themselves, two in five (40%) retail investors believe global markets are in bubble territory as stock prices reach new highs. The news comes as many major stock indices, such as the S&P 500 in the US, Dax 30 in Germany and CAC 40 in France, have hit or are at near-record highs.

Just 15% of the 6,000 investors surveyed believe markets are fairly or undervalued, while 45% neither agreed nor disagreed, perhaps signalling uncertainty about future market performance.

However, despite varying opinions on whether the market is overheated, few believe that another market crash is on the horizon. eToro's data shows that just one in four (27%) respondents believe it is likely there will be a significant slump in share prices. Investors in Poland are most worried about an imminent crash, with 39% of those surveyed saying they believe we will see one in the next three months. They are followed by investors in France (36%), Romania (35%), Spain (30%) and the Czech Republic (30%), the US (29%), the UK (26%), Italy (25%) and Australia (25%), Germany (22%), Denmark (17%) and the Netherlands (15%).

Ben Laidler added: *"This is probably the clearest signal yet that everyday investors believe markets are overpriced. However, as history has shown us, that does not necessarily mean that a new crash is on the horizon.*

"It's worth remembering that, while valuations are high, equities are currently cheap compared to bonds, and the fact that just one in four investors believe that another correction is due before the end of the year suggests that many of them are willing to carry on paying current valuations – for now, at least.

"The global economy is in a strange state at the moment. For perhaps the first time in history, central banks around the world are happy to let inflation run hot for a short period in order to let their economies recover from the pandemic.

"That provides incentive for investors to keep putting their money into equities, which have proven to be the only long-term asset able to consistently deliver inflation-beating returns.

"Even when central banks do begin to increase rates, I can't see it taking the shine off of stocks; instead, I think we'll just see retail investors shifting out of growth stocks and into cyclicals – something which has already been happening to some degree recently. The positive is that over half of investors (53%) think their investments will get better over the

next 12 months, revealing a bullishness despite the world not quite being sure as to what is going to happen next, as we finally look to move out of Covid-19's shadow."

-Ends-

Notes to editors:

*Research conducted by Opinium from June 28 2021 – July 21 2021. In total, 6,000 retail investors sampled across 12 countries - 500 in each: UK, US, Germany, France, Italy, Spain, Netherlands, Denmark, Australia, Poland, Romania and the Czech Republic. Retail investors were defined as self-directed or advised and had to hold at least one investment product including shares, bonds, funds, investment ISAs or equivalent. They did not need to be eToro users.

About eToro Group

eToro is a multi-asset investment platform that empowers people to grow their knowledge and wealth as part of a global community of successful investors. eToro was founded in 2007 with the vision of opening up the global markets so that everyone can trade and invest in a simple and transparent way. Today, eToro is a global community of more than 20 million registered users who share their investment strategies; and anyone can follow the approaches of those who have been the most successful. Due to the simplicity of the platform users can easily buy, hold and sell assets, monitor their portfolio in real time, and transact whenever they want.

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