

DriveTrends

The New Investor Phenomenon:
A Wave of Opportunity

A Guide to Understanding the Psychology of the Global Retail Investor

COVID-19 brought uncertainty for all. But for retail investors, an extended period of disruption became their avenue of opportunity. Based on data from 23 countries worldwide, DriveWealth's guide to understanding the new investor phenomenon is here to help you understand the psychology behind their trades.



Picture this: It's March of 2020 and the world has not yet been upended by COVID-19. Banking occurred at brick-and-mortar branches and visions of investing included frenzied trading floors that only seemed accessible to high-net-worth individuals. Fast forward to today's world and the ways consumers interact—both with each other and their finances—have been revolutionized. Just like we depend on voice-activated banking-as-a-service platforms to transact for us, the stock markets don't feel daunting anymore—in fact, they're accessible to all directly from the palm of their hand.

The retail revolution set us all on a new course and the world has reached a watershed moment for access to capital markets—one brimming with possibility for global investors and financial services providers alike. But for many providers, the psychology behind new investors' trades seems like an anomaly. Based on insights gathered from a survey involving thousands of investors, representing 23 countries across Africa, APAC, LATAM, the Middle East, and the U.S., DriveWealth's guide reveals their secrets—their motivation to participate in the markets, the tools they're using to trade, and the tools they still need to take on the *decade of the digital investor*.

Key Takeaways



A Worldwide Wave. Powered largely by Gen Z, the new investor phenomenon was enabled by a perfect storm of pandemic-related policies and tech innovation, and in some countries, the size of the investing population more than doubled.



Breaking Barriers. With low account minimums overwhelmingly driving investors to the markets and mobile devices becoming the center of one's financial universe, a convergence of trends cleared the way for consumers to more easily access stocks, bonds, mutual funds, and—a major impetus for many first-time investors—digital assets.



Active Mindsets. Fired up by the opportunity to build wealth and easy access to investments, new investors didn't wait for life events to jump into the markets like they used to—they were driven to gather investing knowledge and put it to use.



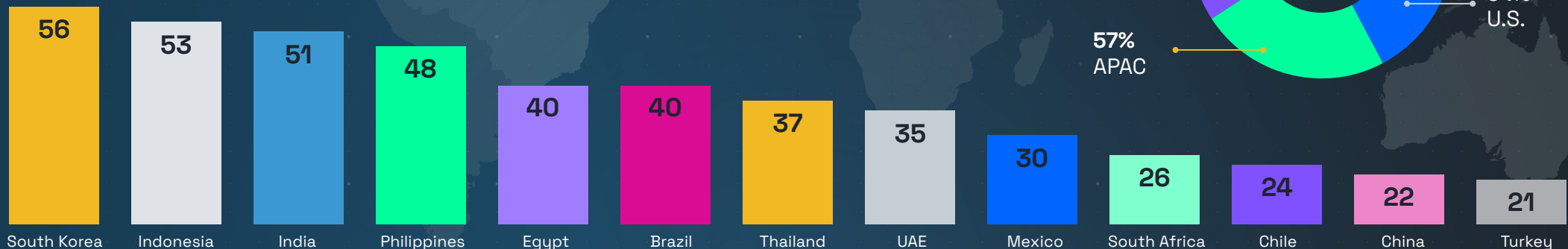
Abundant Opportunity. Even as they flocked to the market, consumers appeared eager for additional tools, education, and conveniences such as the ability to consolidate accounts. Two years into the pandemic, investors have raised their voices about the tools they still need to become owners of their financial futures. It's time that providers take action.

A Worldwide Wave: The New Investor Phenomenon

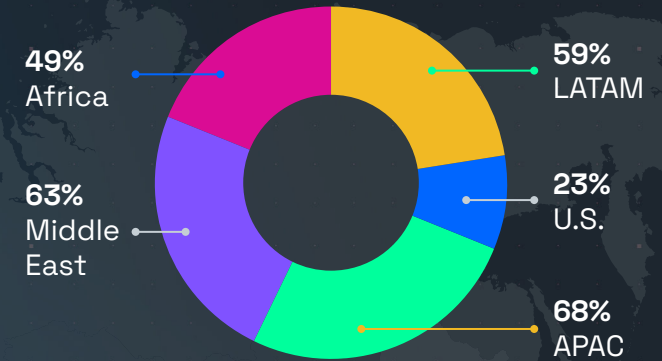
Around the world, 35% of active investors got their start during the pandemic. While it's no surprise that in wealthy countries like the U.S., where pandemic-related financial support for the government, stay-at-home orders, and at-home access to investing apps occurred alongside of an uptick in new investors, the new investor phenomenon also extended well into emerging markets.

These new investors skewed young: About half or more of Gen Z investors opened their first account during the March 2020–August 2021 time period. Even more interesting is that their pockets weren't as deep as traditional investors. Across all regions, the percentage of investors with less than \$10K who made their first investment was significantly higher than all other wealth tiers.

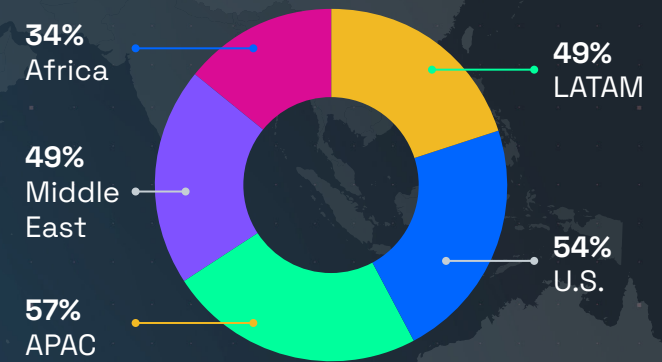
Percentage of Investors Who Started During the Pandemic



Percentage of Gen Z Investors Who Opened Their First Account



Percentage of Investors With <\$10K Who Made Their First Investment



Breaking Barriers to Entry

Tech advances and market forces were key drivers of the new investor wave. For tech-savvy investors around the world, an iPhone is no longer a phone—it’s the linchpin of their financial universe. As internet access expanded into historically underserved regions, a huge chunk of new investors used mobile devices to tap the markets. More than 40% of investors opened their most recent investment account on a mobile app—and in Hong Kong, India, Thailand, South Korea, the Philippines, and Brazil, that number surpassed 50%. In the U.S., LATAM, and APAC, investors with less than \$10K were the most likely group to have opened their most recent account on their phones compared to all other wealth tiers.

But regardless of age or application, nothing drove investors to the market like falling account minimums. In 18 countries, the ability to start investing with a small amount was the most frequently cited motivator to enter the markets. Low/no account minimums were especially motivating to new investors in LATAM and Africa, as 52% of people view this as a top three motivator to begin investing in LATAM and 48% in Africa.

Embedded finance platforms are giving investors the ability to easily manage their finances, and more importantly, *embedding financial empowerment* into their daily lives. The barriers to entry have been obliterated and the definition of an “investor” has been rewritten—it now includes people of all ages, demographics, wealth stages, and levels of financial expertise.

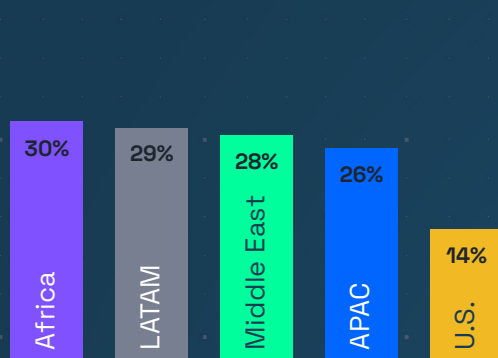
Most Frequently Cited Motivation to Start Investing:
 “The Ability to Start With a Small Amount”



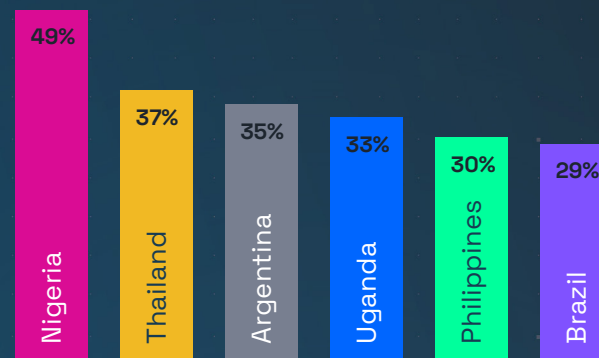
Don't Forget Digital

Helping to draw new investors off the sidelines was the rise of digital assets. Cryptocurrencies combined market value hit over \$2.1 trillion in 3Q21¹, so it's no surprise that digital assets have been many investors' entry point into the markets, as 31% of respondents across regions traded digital assets as their first investment. Digital assets were especially attractive to investors with assets under \$10K and in emerging markets. In fact, in some emerging markets, digital assets are even more likely to be investors' entry point. In particular, digital assets are notably higher as a first investment in Africa and especially in Nigeria.

Percentage of Investors With <\$10K Whose First Investment was a Digital Asset



Percentage of Investors Whose First Investment was a Digital Asset – Top Countries/Regions



“Our data shows that more than eight in 10 investors reported that they had invested via a mobile app. As we dive deeper into the decade of the digital investor, fintechs have a tremendous opportunity to increase engagement with new investors by providing the tools they need to make the markets even more accessible. Breaking down the traditional barriers to investing and trading through embedded finance platforms is a really strong way to level the playing field for retail investors around the world.”

– Bob Cortright
 Founder and CEO, DriveWealth

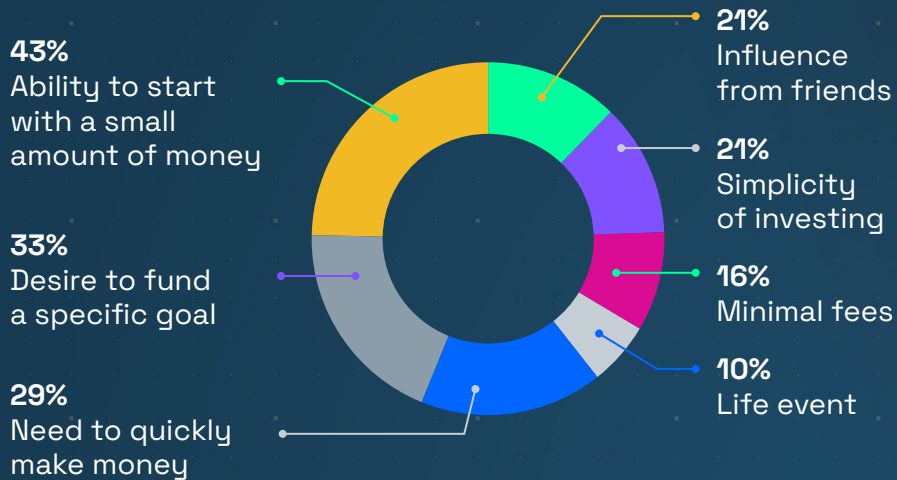
¹ DriveWealth, 3Q 2021 Global Retail Trends Report, October 18, 2021

The New Investor Mindset: Engaged, Active, and Confident

During the pandemic, the ways in which people made money was turned upside down—millions lost their jobs, businesses closed their doors, and living expenses piled up. Many turned to the markets to recoup their financial security or even because they had spare time to explore the markets during a newly discovered virtual world. As a result, major life events like marriage or a big promotion no longer served as the impetus to start investing like they did in a pre-pandemic world. Far more important were factors like the ease of investing, the prospect of building wealth, and social pressures.

The mentality of new investors has proven different as well. For the past two years, investors across the globe were engaged and motivated: 67% of people distinctly see themselves as “investors” not “savers” and 63% expect their trading activity to increase in the next year despite uncertainty regarding the end date of the pandemic. But it’s not just the thrill of investing that’s keeping people engaged: Investing has become an avenue people are turning toward to achieve their financial goals.

The New Mindset: Motivations to Start Investing



Investing Has Enabled Consumers to Feel on a Pathway Toward Achieving Goals

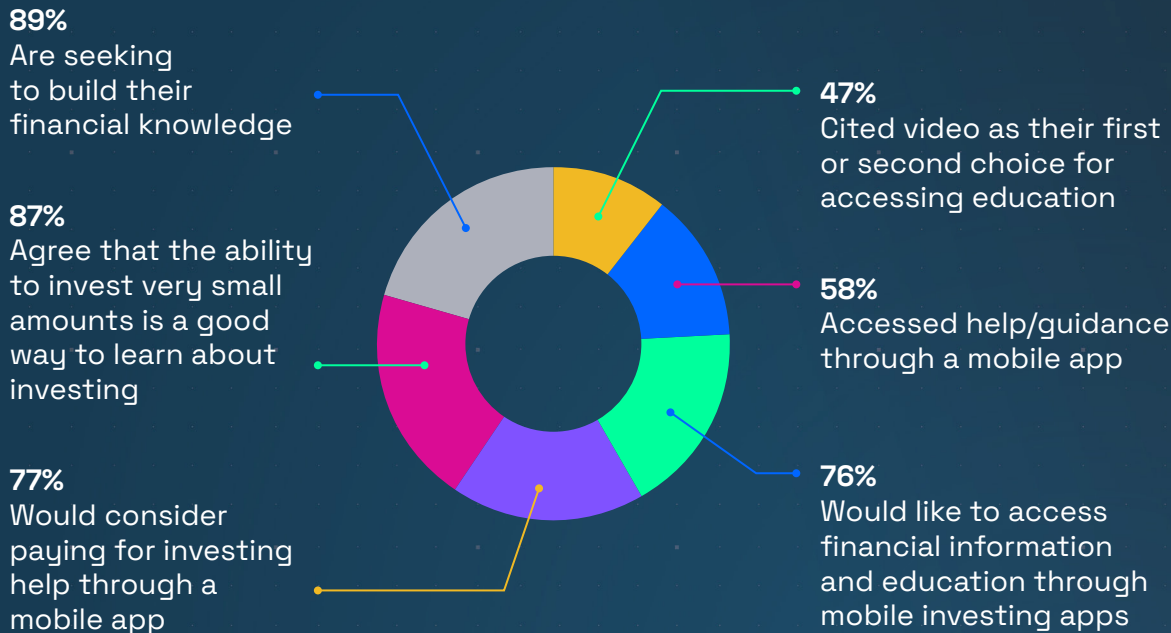


Abundant Opportunity: Investors and Tech Providers: Mutual Opportunity

Many investors took a leap of faith when they plunged toward the markets over the past two years. While notable gaps in knowledge of the markets plagued investors' mindsets towards the beginning of the pandemic, many turned to mobile apps and tools to develop their

financial literacy skills. But the buck doesn't stop just two years into the pandemic. Investors are still looking to build their understanding of the markets, providing the opportunity for providers to equip them with tools that offer the guidance they're seeking.

Providers Have the Opportunity to Meet Investors' Needs via Mobile Apps



- In the U.S., men were more likely to be accessing financial help/education through a mobile app (58% vs. 38% of women)



- In the U.S., APAC, and Africa, women expressed more interest than men in learning how to save more

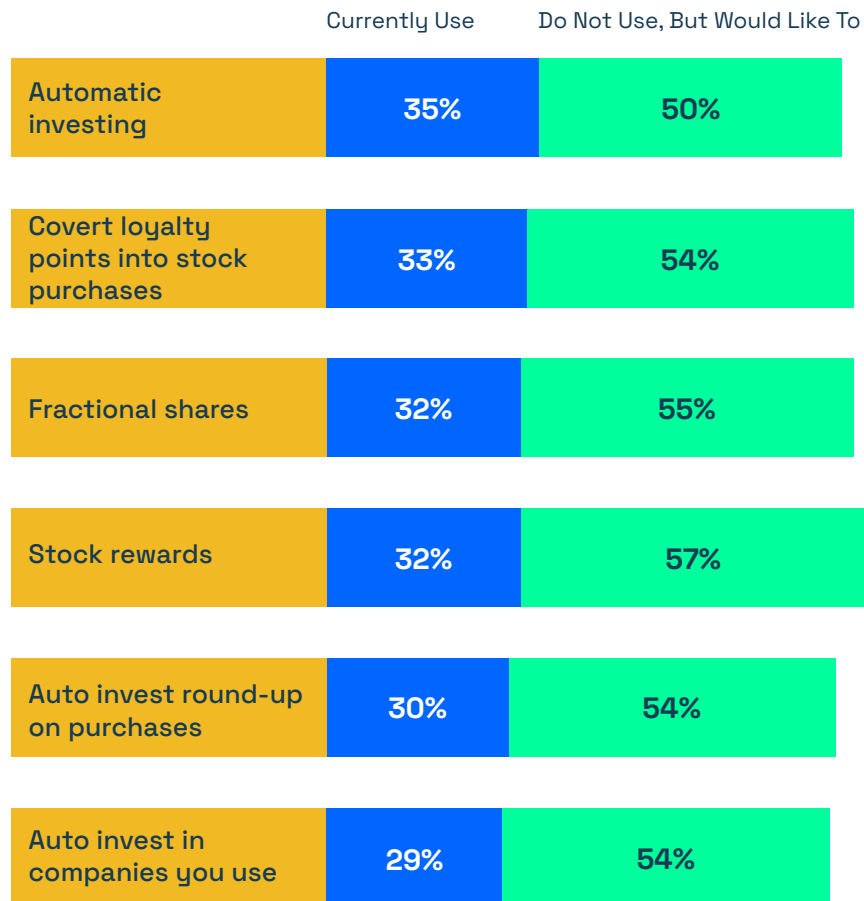


- All age groups seek to build knowledge, though sentiment is strongest among Millennials and Gen X vs. Boomers

Abundant Opportunity

Beyond education, investors cited interest in mobile-delivered offerings and features that support investing practices.

Usage/Interest in Features That Promote Investing



Despite the increased adoption of mobile technology among investors, there remains a significant addressable market who currently don't use mobile devices and apps to invest. Security concerns were the biggest roadblock, according to 39% of respondents. However, for a significant share of respondents, the issue boiled down to education and access.

Nevertheless, the numbers are clear—more than half of those surveyed indicate that they want to do **more** via mobile investing, and many are clear with their need for more education and guidance. This translates into substantial opportunity for the industry to meet investors' needs, all while increasing adoption, deepening engagement, and proactively preparing for the changes ahead.

“Engagement equates to opportunity for investors—the opportunity to build deeper, stronger connections with investors as they gain more control over their financial lives by leveraging new technology and tools. The fractionalization of stocks in particular has been one of the most impactful evolutions in investing. It allows investors to take the first step to investing in the brands they love using amounts that are small but meaningful, ultimately removing the economic and psychological barriers to investing.”

– Harry Temkin, CIO, DriveWealth

Looking Ahead

The pandemic marked an inflection point in the history of investing, with huge swaths of new investors emerging globally across geographies and wealth tiers. Using mobile devices to tap the markets, new investors have proven to be enthusiastic, actively engaged, and hungry for the information and tools to pursue their financial goals with confidence.

For financial services providers, the opportunity is unmistakable. By stepping in to fill the existing gaps in education and services and creating new embedded investing technology that's readily available to mobile users everywhere, these companies are playing a key role in the historic democratization of investing—helping to make the markets accessible to everyone, everywhere—while also capturing a burgeoning and profitable new market.

```
# OS specific support.
$var _must_ be set
to either true or false.
cygwin=false;
darwin=false;
mingw=false
case "`uname`" in
CYGWIN*) cygwin=true ;;
MINGW*) mingw=true;;
Darwin*) darwin=true
#Use
/usr/libexec/java_home
if available,
otherwise fall back
/Library/Java/Home
# See https://developer.
/library/mac/qa/
if[-z"$JAVA_HOME" ];
then
if[-x"/usr/libexec/
java_home"];
then
export JAVA_HOME=
`/usr/libexec/java_home`
export JAVA_HOME=
```

About DriveWealth's Guide to Understanding The Global Retail Investor

DriveWealth commissioned a unique five-region, 23-country survey to reveal insights about the psychology of the global retail investor as part of the company's commitment to continuous evolution and innovation. A pioneer of fractional trading and embedded investing, DriveWealth believes that every mobile device should be a gateway to accessing investing and savings products, services, advice, and assistance for global citizens of all ages, wealth stages, and levels of financial expertise so that everyone can be owners of their financial futures. We call this concept *Embedded Financial Empowerment*.

To learn more about DriveWealth, go to: www.drivewealth.com, contact us at: leads@drivewealth.com or connect with us on Twitter: twitter.com/drivewealth or on LinkedIn: linkedin.com/company/drivewealth.

© DriveWealth, LLC. SOCII type 2, GDPR, and CCPA compliant. Registered in all 50 U.S. states. DriveWealth is a registered broker dealer, member of FINRA, SIPC, and NFA. This communication is not an offer or solicitation to purchase or sell securities. Any company stocks and ticker symbols that appear in this communication are for illustrative purposes only and do not constitute a recommendation for a particular security. All investments carry risks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. You should consider your investment objectives, the risks involved, and consult with your investment and/or tax professional about your specific circumstances prior to making an investment decision. API stands for application programming interface. An API specifies how software components should interact. Our suite of APIs allows our partners to build applications that connect to our brokerage platform.

Any links provided to other websites are offered as a matter of convenience and are not intended to imply that DriveWealth endorses, sponsors, promotes, and/or is affiliated with the owners of or participants in those sites, unless stated otherwise.

The survey was conducted on behalf of DriveWealth by 8 Acre Perspective and includes insights gathered from March 2020-August 2021. These opinions do not constitute recommendations or investment advice.