

BUSINESS MASTER OF SCIENCE CAPSTONE PROJECT

PUBLIC SUMMARY

UNDERSTANDING INVESTOR BEHAVIOR ACROSS REGIONS

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Executive Summary

Research Focus

This project explores how investor behavior differs across regions, with a focus on selected Middle Eastern countries (Saudi Arabia and the UAE) and Western countries (the United States, United Kingdom, and Germany). These countries were selected to represent sharp contrasts in financial infrastructure, cultural norms, and market access. The key research questions were whether retail investors in the Middle East exhibit lower risk appetite, prefer more conservative or tangible assets over equities, and maintain more locally concentrated portfolios compared to Western investors.

The following hypotheses were tested:

1. Middle Eastern retail investors show lower risk appetite compared to Western counterparts.
2. They favor conservative or tangible assets like real estate over equities more than Western counterparts.
3. Their portfolios are more locally concentrated, while Western investors hold more globally diversified assets.

Data and Approach

The analysis draws on data collected through a survey-like selection tool, complemented by structured datasets from multiple open-source databases. The data provided insights into regional preferences by comparing asset class exposure, risk level indicators, and geographic allocation patterns. Results were then compared across selected countries to test the hypotheses.

Findings

Findings suggest that regional variations in retail investor behavior are observable across several dimensions. First, turnover ratio comparisons reveal persistent disparities in trading activity: the

U.S. consistently exhibits the highest turnover, while Saudi Arabia and the UAE display significantly lower rates, reinforcing the hypothesis of lower engagement and risk appetite in the Middle East. Second, a risk scoring framework by asset type and experience level confirms that retail investors in Western countries engage more with high-risk instruments, with risk appetite increasing with user experience. The U.K. stands out with a conservative entry profile but demonstrates substantial risk engagement among experienced investors. Third, user responses recorded through the survey-like selection tool, which indicates about risk intent, further supports these trends: Middle Eastern users disproportionately select low-risk preferences like safe investing and robo-advisors, while U.S. and German users more frequently engage with complex or self-directed features, indicating stronger high-risk intent.

The TNA allocation analysis by risk level reinforces these behavioral patterns: high- and medium-risk product allocations dominate in the U.S., U.K., and Germany, whereas low-risk allocations prevail in Saudi Arabia and the UAE. The cross-country asset allocation comparison further reveals that equity dominates portfolios in the U.S. and U.K., while Middle Eastern investors favor money markets and real estate. Time-series data confirms a shift in Saudi portfolios from liquid to tangible assets over recent years. To compensate for missing real estate and commodity data in fund-level datasets, external statistics were used to contextualize preferences, showing a stronger real asset inclination in the Middle East.

Additional sections provide complementary context: financial literacy remains a significant explanatory factor, with Middle Eastern countries reporting lower average scores, which may partially explain cautious investment choices. The influence of Islamic finance and Sharia-compliant constraints is also noteworthy, as religious principles discourage speculation and interest-based products, contributing to the avoidance of equities or margin-based tools.

However, this framework reveals internal contradictions, such as investor interest in Bitcoin, often classified as haram. This paradox in Islamic finance illustrates complex interpretations that may occasionally permit exposure to speculative assets despite overall conservative preferences. Finally, regional portfolio patterns point to a pronounced home bias in the Middle East, with investors more likely to focus on domestic or nearby markets, in contrast to Western investors' globally diversified holdings

Limitations

The results should be interpreted with caution. Key limitations include the lack of demographic segmentation, potential selection bias in the survey tool, and the static nature of fund data used to infer investor behavior. The absence of product-specific data for some asset categories also reduces precision, particularly when classifying investor risk preferences. Furthermore, isolating individual investor behavior from broader market dynamics remains a challenge. Contextual factors such as differences in financial literacy, access to global investment products, and adherence to religious investment principles—especially Sharia compliance—may influence regional investment patterns. These variables may serve as confounding factors and should be examined more closely in future research.

Conclusion

In summary, the first two hypotheses are supported by multiple indicators, while the third—regarding geographic diversification—remains less conclusive due to data constraints. Further research should incorporate more granular, dynamic data to explore how cultural and structural factors influence retail investment behavior. These insights may help shape region-specific tools and education efforts aligned with distinct investor profiles.