

Global Entrepreneur Indicator

from the Entrepreneurs' Organization

Global Entrepreneur Alternative Asset Class Predictions

Interim Findings Summary - First Survey (May, 2010)

Adapted from detailed Interim Report 28 June, 2010 by Dr. Sally Ernst

Summary of Findings



With an Indicator benchmark of 5.70 (out of a possible 10), entrepreneurs, globally, are sitting on the fence in alternative asset class performance.

This benchmark however is boosted by their notable bullishness toward their businesses as alternative asset class investments.

Entrepreneurs are sitting on the fence on alternative asset class performance. Currencies are predicted to be volatile; however precious metals are predicted to be a decent bet.

With a score of 5.70 (out of a possible 10), entrepreneurs are predicting no significant increases in overall alternative asset class investment performance in the next 12 months.

Entrepreneurs globally are broadly predicting that major currencies will remain neutral (average three out of five) against their own or are too volatile to have a clear view in the next year. Entrepreneurs globally are also neutral on managed futures and returns on hedge funds.

However, just under three quarters of entrepreneurs globally (74%) are predicting the price of gold will stay the same or increase, with more than half (58%) predicting it will actually increase. Very few (6%) predict it will increase significantly over the coming 12 months.

Entrepreneurs predict residential property will be more stable than, or outperform, commercial property.

Around three quarters of entrepreneurs globally (76%) predict residential property prices will remain the same or increase. Less than half (46%) believe residential property prices will actually increase and very few (8%) believe it will increase significantly.

Half of entrepreneurs globally (50%) predict commercial property prices will remain the same or increase. Less than a quarter (23%) believe commercial property prices will actually increase, and very few (5%) believe it will increase significantly.

Over the coming 12 months, entrepreneurs globally intend to invest in the following alternate asset classes: residential (36%) and commercial (27%) real estate; private equity (23%); precious metals (15%) and real estate equities (12%).

Globally, entrepreneurs currently hold alternative asset class investments in residential real estate (54%), private equity (30%), commercial real estate (29%) real estate equities (14%), art (14%), precious metals (10%), commodities (10%), VC funds (10%) and coins (10%).

Entrepreneurs' predict Biotech to be the hottest sector for growth.

Globally, entrepreneurs are predicting the fast growing sectors will be Biotech (42%), Health and Medical services (37%) and Computer Services and the Environment (33%).

Entrepreneurs do not predict major currency or interest rate fluctuation this year.

In the coming 12 months, entrepreneurs globally are broadly predicting that major currencies will remain neutral (ranking an average of 3 out of 5) against their own or believe they are too volatile to predict. The significant majority of entrepreneurs (84%), believe interest rates in their country will have either no impact or a negative impact on their business, with over a quarter (27%) believing it will have a negative impact, however very few of those believing it will have a very negative impact (6% in total).

About the Research

This report is part of the Global Economic Indicator research program conducted by the Entrepreneurs' Organization in partnership with The Standard Chartered Private Bank. This research program began in May of 2010 and consists of a five-year series of quarterly surveys of Entrepreneurs' Organization members. The full report and findings are available at: <http://www.entrepreneurindicator.com/>.

The significance and uniqueness of this global research program lies in the very tight definition of a successful entrepreneur represented by the Entrepreneurs' Organization's membership base. All those surveyed have successfully founded a business grossing more than US\$1 million in revenue annually. Overall, EO members average US\$18.4 million in revenue per year. Between them, these entrepreneurs employ more than 1.3 million workers, with an average of 191 employees per entrepreneur. The average age of the entrepreneurs surveyed is 40. This group is generally very difficult to gain access to and poll. However, the Entrepreneurs' Organization holds a member base fitting these criteria that are captive to the organization, providing the ability to gain an entree to this highly important sample of the successful entrepreneur population.

This initial research surveyed more than 7,300 entrepreneurs in 42 countries from the Entrepreneurs Organization, achieving a response rate of 20% based on a minimum reach of 7,300.

Global Entrepreneur Indicator: Alternative Asset Classes

At the time of writing, The Global Entrepreneur Indicator for Alternative Asset Classes is the first of its kind globally, which measures entrepreneurs' predictions on alternative asset class performance. Five versions of the Alternative Asset Class indicator have been produced:

- Global Indicator – aggregate of all respondents globally
- Country/ Regional Indicators – aggregate for each country with a discrete response rate above 50. For this survey, the countries include:
 - the US
 - Australia
 - Canada
 - the Asia region

Detailed Interim Research and Regional reports will appear at <http://www.entrepreneurindicator.com/>.

Methodology

Survey

The survey incorporates elements of cited Alternative Asset Class investments as described in the research report literature scan below. The litmus test for the choice of key indicators for the purposes of this research is that they are later measurable against actual asset class performance.

There are 7 categories measured in the indicator:

- Currency
- Residential real estate
- Commercial real estate
- Precious metals
- Managed futures
- Hedge funds
- Selves/own businesses

Some additional questions, which are not used in the calculation of the Indicator, have also been included in the survey for other insights into topical areas of interest from time to time. These, as well as data from Indicator questions, may be used in the Alternative Asset Class Indicator or other Entrepreneurs' Organization Indicators.

The Indicator is calculated as the category score, or averaged upper end and neutral percentages divided by 10, which are then averaged across all category scores with equal weighting to give the final Indicator benchmark out of 10.

Limitations

- Not all respondents may have received the email.
- Over 50% surveyed were based in the U.S., however they only represented 38% of respondents thereby reducing the impact of this limitation.
- The EMEA and Asia regional Indicators have a small response rate relative to their size. These reports can perhaps be used in the context of the longitudinal data as a benchmark made richer over time.
- 42.5% of responses for the EMEA Region Indicator were from the Netherlands.
- There may be anomalies in the membership data, such as an owner or major shareholder rather than founder may be included in respondents or other anomalies.
- There may be anomalies caused by technology in the process from data extraction, to survey delivery, to responses, to first stage analysis. While noted as a limitation, this is for probity as these are estimated to be minimal.
- Per the below statistics, most of the membership base is categorized as founder or cofounder, however, more founders and cofounders could be included in the owner and major shareholder categories. Members in these additional categories could potentially be categorized as entrepreneurs, dependent on the nature of intent to innovate or innovation.

Founder or Co-Founder	53%
Owner	34%
Controlling Shareholder	9%
Other	4%

Response Rates Summary

	Number of Respondents	Responses Analyzed
Global	1477	906
Australia	67	46
Asia	120	84
Canada	101	84
U.S.	564	506
Europe/Middle East/Africa	120	120

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