HOME ASSET BIAS

gaining NON-DOMESTIC exposure

achieved via:

- → DIRECT Investing

or

- → INDIRECT Investing

DIRECT Investing

CONSIDERATIONS:

- language barriers
- level of disclosure may vary
- market liquidity issues

! ALL transactions conducted in LOCAL CURRENCY

- FX Risk
- Capital restrictions
- TAX implications

} not easy to deal with by individual investors

Companies may LIST their shares outside of HOME MARKET

or opt for a

INDIRECT INVESTING in individual shares:

Foreign company

Shares

Domestic bank (depository)

issues DRs

number and price of DRs based on

Most common DRs

- ADRs
- EDRs
- GDRs

Benefits of GDRs: NOT subject to restrictions regarding:

Choice of exchange for GDR listing: based on investor familiarity with issuer

typical venues: London, Luxembourg

In theory: DR prices align with foreign share prices via

DRs

Typically subject to:

SPONSORED

foreign company DIRECTLY involved in DR issuance

UNSPONSORED

foreign company NOT involved in DR issuance

DUAL CLASS SHARES → mechanism for differentiating economic / voting rights

Default voting rights

BUT! separate share-class (typically non-traded) may have >1 vote per share.

↳ typically held by founders + family. AIM:

! share classes with lower voting rights MAY offer better economic rights, e.g higher dividends (as compensation)