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## MEDIA RELEASE

Singapore & Hong Kong, 7 September 2022

### **Conservative approach and risk visibility amongst key shifts in APAC HNWI's priorities, according to Lombard Odier 2022 HNWI's Study**

With the world inching towards a new equilibrium, High Net Worth (HNW)<sup>1</sup> investors today are yearning for more market visibility to remain resilient amid the ongoing turbulence of geopolitical conflicts, macroeconomic uncertainties and climate challenges.

Lombard Odier, together with our ecosystem of Strategic Alliances in Asia-Pacific (APAC), is pleased to release the findings of the 2022 HNWI Individuals (HNWIs) Study, conducted to understand how HNWIs in APAC perceive and respond to today's complex global climate. This is the third consecutive year of Lombard Odier's annual HNWI's study, which explores how the pandemic has permeated and changed the lives of APAC HNWIs amid ongoing volatility.

Tapping into our collective network of HNWIs in the region, we spoke to over 450 HNWIs domiciled in Singapore, Hong Kong, Japan, Thailand, the Philippines, Indonesia, Taiwan and Australia. The findings are framed across two pillars – (i) Investments and (ii) Sustainability, allowing us to help our clients rethink and reflect on their approach towards their business and families, as well as a way forward in today's global climate.

#### **Select insights garnered from APAC HNWIs as part of the study include:**

##### **Investments**

- **Rising inflation and its impact is the biggest risk to the global economy**, according to 77% of APAC HNWIs. 87% of Singapore HNWIs claimed this as their top risk, the highest percentage among countries analysed.
- **Market volatility is the main concern when it comes to investment portfolios**, with 50% of APAC HNWIs worried about its negative impact on performance. Diversification is still key but many are worried that diversification alone will not work. Risk assessment and management, and having a minimum level of risk visibility, are key areas that investors want to address.
- **A global mix for their portfolios is increasingly favoured by APAC HNWIs**. Exposure of APAC HNWIs to their domestic market has decreased in the past two years. Singapore HNWIs are diversifying away from their domestic market the most, with 59% holding less than 20% exposure to the domestic market

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<sup>1</sup> Defined here as having minimum USD1 million of investable assets domiciled in Asia-Pacific.

- **APAC HNWI**s are taking a more conservative approach and repositioning their portfolios, diverting more from traditional asset classes such as equities and bonds towards investing in their own company (a 27% increase), “safer” assets (e.g., cash, gold) (a 44% increase), and in alternative and private equity assets (a 37% increase) over the past two years.
- **Interest in private assets is on the rise with Singapore and Australia leading the trend.** 60% of Singapore HNWIs and 57% of Australia HNWIs intend to increase their allocation.
- **The enthusiasm for private assets is reflected in the low liquidity concerns of HNWI**s, particularly among the older generations. APAC investors seem to believe that private assets allow them to capture structural changes in a regulated and risk-managed way.
- **APAC HNWI**s are largely inactive in crypto currencies, with 83% of HNWIs having no crypto investments or less than 5% of their portfolio invested. HNWIs in Indonesia, Hong Kong and Taiwan have more confidence, with the proportion of HNWIs holding crypto in their portfolios at 70%, 59% and 55% respectively.
- Technology is an enabler, but the physical presence of bankers and advisers will continue to play a key role. **APAC HNWI**s continue to value a more personal relationship with their banks, with 82% believing that advice cannot be fully automated.

### **Sustainability**

- **Sustainability is now seen as a bona fide investment opportunity.** There is an increased conviction that sustainability will deliver superior returns, with a change of emphasis from value-driven investments to a genuine anticipation of returns. This perception is the strongest among HNWIs in Taiwan, Thailand and Japan.
- **The proportion of APAC HNWI**s holding sustainable assets is on the increase, even though a significant number of them (45%) hold less than 20% of sustainable investments in their portfolios. Thailand and Taiwan are leading the way, with almost all respondents from the two markets having some part of their assets sustainably invested, and roughly a third holding more than 40%.
- **APAC HNWI**s are now looking at sustainability from a risk/return perspective. Risk assessment has become increasingly important – now that investors see sustainability as a driver of returns, they want to understand the risk, and how such investments will (out)perform in the short, medium and long term. Banks’ ability to explain a company’s sustainable path in a forward-looking manner will be critical.
- **Younger generations face more barriers to convincing older generations about sustainable investments.** Barriers include the relative underperformance of financial returns (41%), a lack of investment opportunities with proven track records (36%), and the lack of understanding of what sustainable investment really is (33%).
- **There is a direct correlation between the level of help given by banks to the weight of sustainable investments in a HNWI’s portfolio.** Banks need to play a nuanced role and adapt their approach from one country to another, while also helping to facilitate communication and fill the gaps between generations.



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**Jean-François Aboulker, Head of Ultra High Net Worth Individuals (UHNWI) Offering, Asia at Lombard Odier**, said: “The world is struggling to find new points of equilibrium amidst a lack of stability due to rising inflation, geopolitical tensions, economic slowdown and food insecurity. Since the start of the pandemic, Lombard Odier has been actively engaging with HNWI’s across the APAC region to understand investors’ concerns and how they are positioned to tide through each period of crisis. Findings this year reveal that risk visibility is key across the two themes of investment and sustainability. In this climate, private banks play an essential role in providing investors with risk management advice to better manage their portfolio and diversification strategies, while understanding of forward risks and illustrating detailed estimates of potential returns are key to investors in sustainable investing.”

**Vincent Magnenat, Limited Partner, Global Head of Strategic Alliances and Asia Regional Head at Lombard Odier**, commented: “We are in the midst of a fundamental shift in our global economy pegged with an outlook that is uncertain and gloomy. APAC investors are becoming more conservative in their portfolio construction and are diverting to ‘safer’ alternative and private assets, whilst increasingly diversifying beyond their local markets. Above all, risk assessment and management takes priority. This is where a robust portfolio construction process from private banks comes into play. With the evolution of sustainable investing, HNWI’s in APAC are also looking at sustainability from a risk and return perspective. At Lombard Odier, our forward-looking methodology in sustainable investment, robust investment offerings with a broad range of assets classes including private assets and extended network through our ecosystem of Strategic Alliances, put us in good stead to meet the evolving needs of HNWI’s in the region for the path ahead.”

**The 2022 HNWI’s Study whitepaper is available for download here:**

<https://asia.lombardodier.com/en/home/private-clients/uhnw/2022-high-net-worth-study.html>

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Lombard Odier provides a comprehensive offering of wealth services, including succession planning, discretionary and advisory portfolio management, and custody. Asset management services are offered through Lombard Odier Investment Managers (LOIM). The Group has created cutting-edge banking technology, which is also leveraged by other Swiss and European-based private banks and financial institutions.

The Group had total client assets of CHF 310 billion at 30 June 2022. Headquartered in Geneva since 1796, at end-June the Group had 25 offices in 20 jurisdictions and employed 2,675 people.

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