

## MEDIA RELEASE

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### **Lombard Odier’s 2023 APAC HNWI Study: APAC HNWIs face challenges when reconciling personal goals with a family wealth strategy**

Battling the headwinds of higher rates, energy disruption and the structural trend of slowing growth, Asia-Pacific (APAC) High Net Worth (HNW)<sup>1</sup> investors are taking an introspective view towards their wealth goals, anchored by the need to balance family dynamics in preparation for the great wealth transition.

Lombard Odier is pleased to launch the findings from its fourth annual APAC HNWI Individuals (HNWIs) Study. Leveraging the strength of our Strategic Alliances, we spoke with over 460 HNWIs across APAC<sup>2</sup> to understand their wealth aspirations and priorities, as they look at preserving their legacies across generations.

From our past three APAC HNWI studies, the complexity in today’s environment can be broadly categorised into four megatrends:

- The highly unpredictable market that has prompted investors to rethink their allocations
- Ongoing climate change and fossil fuel debate have reinforced a broader push towards sustainable investing
- Wealth is increasingly managed onshore in Asia amidst the rise of a wealthier middle class and greater transparency
- A monumental transformation of the financial landscape is happening with the impending great wealth transition

This year, we see a continuing story. Amidst disruptions in the external market environment, findings revealed a dichotomy between HNWIs’ intentions and actions across the themes of: (1) Achieving personal goals, (2) Sustainable investing, (3) Private assets, and (4) Aligning family goals.

**Vincent Magnenat, Limited Partner, Asia Regional Head and Global Head of Strategic Alliances at Lombard Odier**, commented: “The implications of the megatrends that we are seeing today has reverberated across the region. Even as APAC HNWIs have a deep understanding of their own aspirations, there is clearly a gulf between their intent and their actions. We also see the divide in perspectives between generations, and a continued emphasis on sustainable investing and emergence of private assets in managing risks when it comes to allocations.”

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

<sup>2</sup> Singapore, Hong Kong, Japan, Thailand, the Philippines, Taiwan, and Australia.

Concretely, the results showed that there is a contradiction between beliefs and action amongst APAC HNWI's. They are clear about their personal goals, but these aspirations remained unfulfilled as they have yet to structure their wealth to reach these goals. They are rethinking their portfolios across prominent themes of sustainable investing and private assets for growth and diversification, but many have not taken the plunge. When it comes to the family, protecting their loved ones and ensuring that they are taken care of is a clear constant goal, but more work needs to be done in terms of aligning and structuring family wealth.

**Francis Liu, CEO, Private Clients Asia at Lombard Odier**, said: "Conversations with our clients showed that there is a clear gap between goals and actions. In this volatile market, HNWI's are relooking at their fundamental values that drive their investment needs. On a broader scale, there is a need for the alignment of intergenerational goals within wealthy families. Clients are looking for the right advisors with the right tools, to implement the right structure towards achieving a common family vision. A goal-based approach is key to addressing differing needs, guiding clients on the management and preservation of wealth for generations to come."

"Taking a step back, the perspectives gleaned from HNWI's through this survey are a reflection of the broader sentiments across Asia's wealth and asset management space. Investors are rethinking their approach to risk and asset allocations for diversification and growth. At Lombard Odier, our position as a wealth and asset manager has enabled us to bridge the gap as we strive to create long-term sustainable value for both our private and institutional clients with opportunities through our investment capabilities and solutions," **Vincent** added.

**Select insights derived from APAC HNWI's as part of the study include:**

### Achieving personal goals

- **Personal goals rank high amongst APAC HNWI's when approaching their wealth.** 76.1% of respondents believe that enjoying and maintaining their current lifestyle is essential, while a combined 74.8% of respondents consider it essential or aspirational to improve their lifestyle.
- **Family remains constant amid market chaos and uncertainty.** More than half (56.4%) of APAC HNWI's find it essential to protect their family and ensure that they are well taken care of.
- **The younger generation (under 45s) is moving away from the 'work is life/life is work' mentality.** This may impact investment trends in the coming years, with more emphasis placed on identifying and aligning action with personal values rather than financial considerations.
- **There is room for improvement in structuring of wealth.** Only a fifth of APAC HNWI's (20.3%) fully agree that they have structured their assets to achieve their goals. Similarly, only a fifth of respondents fully agree that they have achieved their goals.
- Although portfolios are becoming more diversified, **APAC HNWI's are still conservative in terms of increasing allocations in digital assets** – the younger generation (14.7%) have invested more in this asset class over the past two years compared to their older counterparts (5.9%).

- **In addition to risk/profile appetite, it is important to the majority of respondents that they align their assets with values.** Regardless of age, 53.2% of APAC HNWI's require a balance between values and profitability in their portfolios.

### Sustainable investing

- **APAC HNWI's continue to see sustainability investing as a genuine opportunity.** 60.9% of respondents think it is essential or aspirational to invest in sustainability, while 77% of respondents agree or strongly agree that taking into consideration sustainability factors can help deliver superior returns.
- However, **APAC HNWI's remain cautious about investing in sustainability.** Only 18.4% fully agree they "have actively increased or plan to increase the proportion of sustainability investments".
- **The younger generation is more prepared to be advocates of impact investing than their older counterparts.** 32.4% of under 45s say sustainability is an essential focus compared with 21.7% of over 45s.

### Private assets

- **APAC HNWI's investors are interested in private equity.** 58.2% of respondents agree that they wanted to invest in non-listed companies, while 60.6% of total respondents feel there is too much speculation in listed companies.
- **Findings reveal a gap that needs to be bridged in terms of fully realising the potential for private market investments.** Only 31.1% of APAC HNWI's have integrated private assets into their portfolio.
- Only 26.3% of respondents fully agree that they understood how private assets could help them achieve their goals, highlighting the **lack of confidence and the need for education on private assets.**

### Aligning family goals

- When it comes to communicating goals and values relating to family wealth, **majority of the APAC HNWI's understand the importance of sharing their own goals to build a long-term common vision** and implementing them together as a family (78.3% of respondents).
- **However, communication becomes selective when discussing individual goals and objectives.** APAC HNWI's are more ready to share their goals with the older generation than with their siblings or children – 61.6% of respondents shared their goals with their parents, but are less prepared to share with their siblings (46.6%) and children (54.9%).
- **Succession planning is most often the biggest trigger for conversations on structuring family wealth.** 57.1% of respondents say they would stay neutral and wait for the situation to develop naturally when it comes to wealth transmission.

- **There is a tendency among siblings to assume that goals have already been set.** 47.7% said family wealth was not discussed or rarely discussed among siblings, while 47% said succession and inheritance issues were rarely or not discussed among siblings.
- **Only 52.8% of APAC HNWI's think there is common wealth managed collectively within the family or by one person.** Those who do not see “common wealth” may not be aware of succession plans. There could also be a lack of proper communication and rules regarding wealth entitlement.
- **Around 60% of respondents are unsure or do not have an appropriate process involving investment tools to monitor their wealth with respect to their goals.** This constitutes a potential blind spot that families should consider when deciding who to involve and when.
- **Many acknowledged that more needs to be done.** 41% of respondents have only taken informal or occasional family discussions without setting a true strategy for long-term prosperity; one in four have done nothing.

**The 2023 APAC HNWI's Study whitepaper is available for download here:**

<https://asia.lombardodier.com/home/private-clients/uhnw/2023-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 308 billion at 30 June 2023. Headquartered in Geneva since 1796, at end-June the Group had 26 offices in 20 jurisdictions and employed 2,790 people.

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