

Hywin International's CEO Extols the Virtues of Investing in Private Assets and Highlights China's Many Opportunities

Nick Xiao is chief executive of the Hong Kong subsidiary of China's Hywin Wealth, where he is also in charge of overseas business. Hywin is dedicated to serving High-Net-Worth families in Greater China and beyond, across HNW clients' lifecycle and across onshore-offshore. Hywin Wealth boasts more than 1,600 relationship managers in Greater China serving over 120,000 wealthy clients globally. We were pleased to welcome Nick as one of our panel of experts at our August 19 Digital Dialogue event focusing on private assets and private markets. China is both a great source of private deals, as well as representing a vast and growing reservoir of HNW and UNHW clients who increasingly allocate into private markets. Nick offered his perspectives on the rise and rise of private markets, and we have distilled some of those insights into this short report.

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**NICK XIAO**

Hywin International

Hywin Wealth was founded in Shanghai in 2006 and is today a leading independent wealth management institution in Greater China, with 174 business locations and more than 2,200 employees as of end March 2021. Hywin Wealth listed on Nasdaq in March 2021 and trades under “NASDAQ: HYW”.

Hywin Wealth is led by its charismatic CEO, Madame Wang Dian, who is one of the leading figures shaping China’s wealth management industry. Her philanthropic passions and cultural pursuits also set the benchmark for China’s entrepreneurial classes.

Hywin International’s services include EAM, investment advisory, discretionary portfolio management, funds, and family advisory, provided through Hywin Asset Management (Hong Kong) Limited, Hywin International Insurance Broker Limited (HIIB), and Hywin Wealth Fiduciary Services (Hong Kong) Limited. China Family Office Research Institute (Hong Kong) Limited, fully owned by Hywin International, is an industry think tank for Hong Kong’s flourishing MFOs and SFOs with Mainland China origins.

Your partner for China and beyond

In earlier interviews Nick has conducted with Hubbis, he had explained to us that Hywin Wealth is a leading independent wealth manager in Greater China and a partner of the Hong Kong SAR Government in its initiative to nurture Hong Kong as the hub for global family offices.

He had remarked that Chinese private wealth has been expanding at a phenomenal rate, and as Chinese High-Net-Worth Individuals (HNWIs) and the ultra-wealthy families globalise their investment portfolios, their footprint, and also their lifestyles, Hywin aims to be there to cater to their needs and expectations. China’s wealth is relatively young, and so many of these younger generation clients are leading the way to the future, from championing ESG initiatives to incubating frontier technologies, he had observed.

“If you enter private markets in Asia, I would say more than half the cases will be China assets with intended US exits,” he observed. “And we know how fluid and challenging that can be. So, apart from all the financial measurements, you need to consider factors, stories, narratives and sentiments far beyond assets, participation, multiples, and exits.”

The high-growth Chinese private wealth market

Nick joined Hywin in November 2019 as Vice President in charge of overseas business, and also took up the reins as CEO of its Hong Kong arm. He has been hugely enjoying the opportunity his role affords, as Chinese private

wealth expands at a phenomenal rate and as Chinese High-Net-Worth Individuals (HNWIs) and the ultra-wealthy increasingly gravitate towards independent wealth managers with global booking and advisory capabilities.

China’s wealth market is now, in fact, the second largest globally and very soon will become the largest, Nick reckons, predicting that Chinese wealth will be the single largest bull market for global financial institutions in the next decade. As a truly open-architecture wealth manager, Hywin is focusing increasingly on private asset opportunities across the globe – including in China - for its wealthiest clients.

Be aware of realities and keep your eyes wide open

“We have been speaking with clients, conveying what we see as three contradictions of the private markets,” he told delegates. “First,

people consider private assets as long term, but the investing process could be very hurried, full of the pressures of a lumpy transactional process. Secondly, you think you are dealing with super professional institutional people, but all the intermediaries, finders, and brokers have, sometimes,



distorted incentives, so actually you don't necessarily get a very straightforward picture, even if you're dealing with the big boys. And thirdly, there is a big element of psychology. If you buy a mutual fund, you press a button and you get it. But if you want to do private market deals, all the smartest people on earth will be war-gaming you, which means it requires discernment and resilience."

private market assets which enrich and balance the attributes of clients' public-market portfolios. Also, some of our clients wisely bought into unicorns at an earlier stage but now want to monetise to capture the accumulated valuation upside and re-deploy the cash."

"We also act as distributor or feeder for private equity funds. In China onshore, Hywin is a trusted fund-raising partner for the likes of Hony

"This certainly helps firms such as Hywin scale up in these private markets. And we do want to cast our net even wider to access even more strategies, sectors, geographies, so we are very open to facilitation solution providers. For Hywin, deal funding, without being boastful, is not really an issue, but finding a way to locate, assess and execute on quality assets is the eternal challenge, to us and to all ambitious buy-side players."

He added that politico-economic analyses are also "super important". "If you enter private markets in Asia, I would say more than half the cases will be China assets with intended US exits," he observed. "And we know how fluid and challenging that can be. So, apart from all the financial measurements, you need to consider factors, stories, narratives and sentiments far beyond assets, participation, multiples, and exits."

Hywin: circumspect but fully committed

But this does not mean that Hywin shuns this market. Far from it, Nick explained. "Hywin, if I might proffer some self-promotion, has a market leading EAM franchise and our EAM bankers are active in the secondary market, to search for

and CDH. In the offshore space, we are the largest Asia distributor of a young mid-cap PE fund run by a leading UK asset manager."

"We have our Cayman SPC, which can act very flexibly to assist our clients, whenever they want to pool money to do club deal, or use a single-investor SP to transact and hold, or converge into another gigantic SP which brings the deal."

"Hywin's strategic partner VP Bank AG", Nick added after the event, "is launching the ORBIT platform, which sets new standards in how private market investing can be organised and brokered with rigour and transparency."

Private or public – both have their place

Nick explained that the Hywin vision of private markets is to see them

as a natural part of the overall investment universe. “There are opaqueness and complexity in both public and private markets, so you need a long-term horizon, patience, and problem-solving skills” he said. “At the end of the day, it’s about safety, conviction, and allowing enough time for your investment thesis to bloom and bear fruits.”

“As an example of the public-private in tandem, Hywin clients could invest into a global healthcare ETF portfolio, with us as the curator, offering intellectual guidance. At the very same time, Hywin clients could also invest into a Hywin-managed PE fund hunting for emerging technologies in life science. Liquidity, diversification, and learning from the former. Patience, judgement, conviction for the latter.”

Gateways to greater deal flows

Nick also told delegates that there are some FinTech facilitator platforms aggregating a large number of deals and opportunities, making it easier to access documentation and

vehicles for structuring the investments.

“I think this kind of approach - bringing a very opaque, highly brokered, one-on-one bilateral market into some sort of a pooled marketplace where buyers and sellers can discover each other and also standardise the information exchange - is a very good step in the right direction,” he reported. “This certainly helps firms such as Hywin scale up in these private markets. And we do want to cast our net even wider to access even more strategies, sectors, geographies, so we are very open to facilitation solution providers. For Hywin, deal funding, without being boastful, is not really an issue, but finding a way to locate, assess and execute on quality assets is the eternal challenge, to us and to all ambitious buy-side players.”

Private assets in China – a universe of opportunity

“The private markets in China are fascinating in its size and variety”. Nick said with relish.

“Local trust companies originate and distribute private credit products. Private-market units of securities firms and mutual fund companies can be the seller, buyer, or financial advisors to private market deals. Onshore PE funds compete for LPs, and then compete to sink money into the next big thing. Onshore hedge funds are launched to succeed or fail, probably with only quarters to prove themselves. Also, start-up entrepreneurs go direct to rich families and institutions to pitch directly, and the Silicon Valley stories of ‘deals on napkins’ are replayed at hot-pot restaurants. Foreign alternatives managers, meanwhile, gingerly gather RMB for their cross-border QDLP feeders.”

“In this exciting market”, Nick added, “Hywin can help international managers to access both funding and assets, and translate their offshore credentials into a pitch that resonates with China onshore clients. We are the ultimate matchmakers, after all.” ■

