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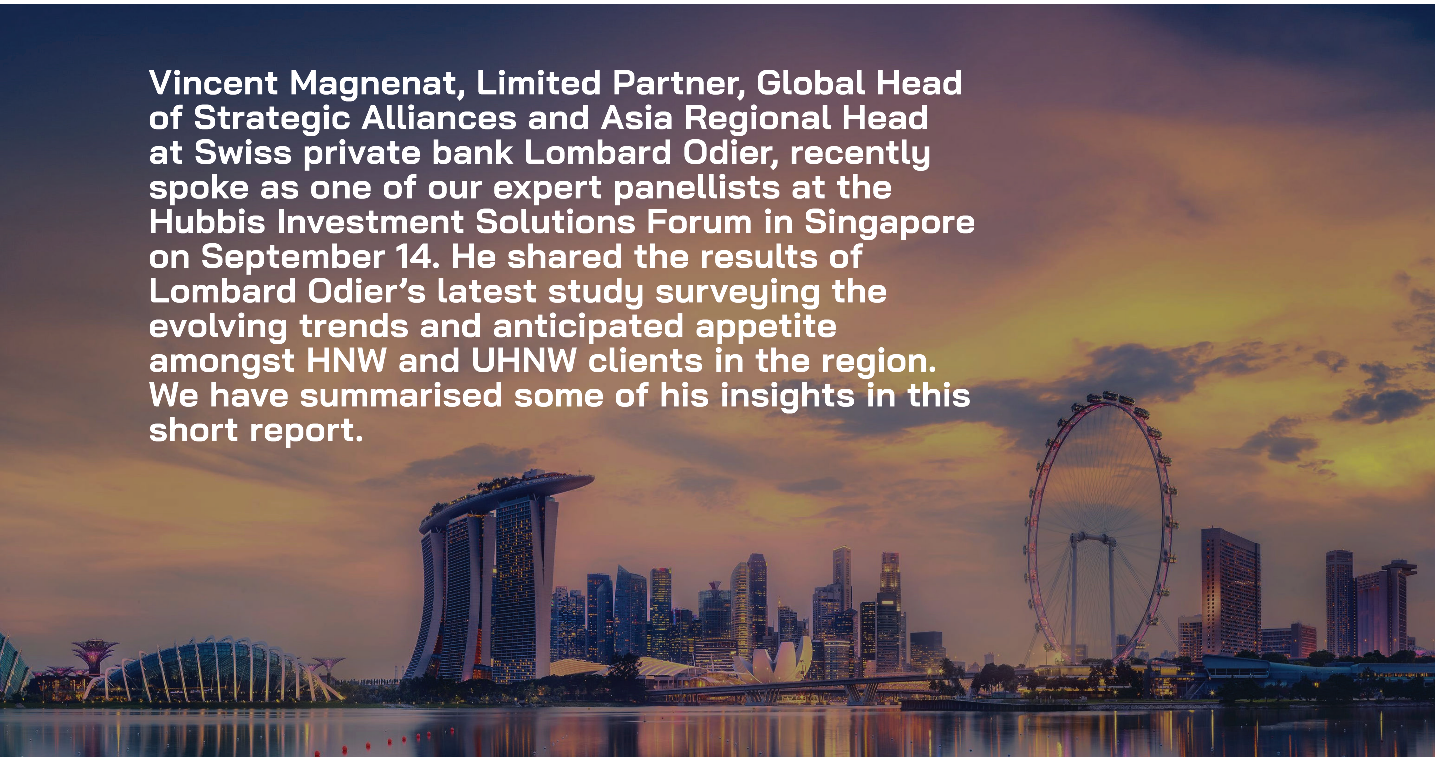
Lombard Odier's Vincent Magnenat Surveys Investment and Sustainability Trends amongst Asia-Pacific's HNW & UHNW Population



Vincent Magnenat, Limited Partner, Global Head of Strategic Alliances and Asia Regional Head at Swiss private bank Lombard Odier, recently spoke as one of our expert panellists at the Hubbis Investment Solutions Forum in Singapore on September 14. He shared the results of Lombard Odier's latest study surveying the evolving trends and anticipated appetite amongst HNW and UHNW clients in the region. We have summarised some of his insights in this short report.

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Vincent Magnenat
Lombard Odier

Lombard Odier is an over 225 year-old family business privately-owned for seven generations. As such, Vincent believes the institution fully understands the motivations and thought processes of HNW and UHNW clients, especially around investments, where the bank focuses a lot of attention as it aims to help clients curate robust portfolios that are fit for wealth preservation and expansion.

The bank has for many years been steadily building its presence in Asia by focusing on its core strengths in holistic investment solutions and family services advisory. Armed with more than 20 years of experience working in Asia, Vincent's insights at the event were, as always, based on his deep experience and understanding of Asia and the challenges and opportunities around delivering top-quality private banking and wealth management expertise.

He told delegates how he sees several key trends in the region: the great wealth transfer between generations; the shift to more sustainable investments; the 'onshorisation' of wealth in markets with increasing regulation and transparency. He also noted how increased market volatility had led to clients thinking increasingly about revising their allocations and the diversification of their portfolios - globally and beyond traditional allocations.

In particular, he said that to address volatility, wealthier investors should allocate more to private assets, whether that is in the form of equity, debt, real estate, infrastructure, hedge funds and so forth. Essentially, private assets sidestep daily volatility, and are a longer-term investment that over time help ride the ups and downs of market moods.

Vincent referred to a recent Lombard Odier study on trends amongst HNW and UHNW clients, based on interviews with over 450 individuals around the region, in eight different markets, and leveraging access to top level clients via the bank's strategic alliances.

"We see that private assets are quite well-integrated within the portfolios in Singapore, Hong Kong and Australia, where HNW investors have greater access," he explained. "But the key for us is that we help clients incorporate private assets into their broader allocations, building diversified and balanced exposures over time and carefully, and working closely with our strategic partners to expand take-up in the region."

He noted that a key finding from the study was that in the more emerging markets of the region, wealthy clients were also reinvesting more in their own companies and businesses. Of course, these are generally private companies, as Asia-Pacific still has a remarkably high percentage of family-controlled companies of all sizes.

Vincent turned his gaze on the world of sustainability, noting that the study had also reinforced the

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keen and growing interest amongst investors who see the validity of sustainability and also increasingly appreciate the risk-return equation associated with such allocations.

"But this is not yet an analogous trend across the generations," he added, "as our study clearly shows that interest and adoption differ from older to younger generations. Moreover, while we see that actually over 50% of respondents indicated that enhanced returns would flow, there are still many who remain unconvinced."

Vincent said that what is needed is a better sustainability and ESG reference framework, and the ability to communicate a better understanding around investing in sustainability.

"At Lombard Odier, we believe in the transition, so we don't just invest into the solution, we invest in companies that will need to transform their business model, if we want to reach those 2050 climate change and sustainability goals. We take more of a forward-looking approach."

He explained that Lombard Odier is of the opinion that sustainable investing should produce superior returns, enhanced risk mitigation, and could be spread across the entire allocation.

"This is not simply a thematic conviction," he said. "It is actually the basis of the entire portfolio. There are several key drivers here – politics, regulations, technology, and consumer demand, all driving us towards greater sustainability.

If I go into a Porsche dealership in Europe and ask to buy the petrol engine 911, the salespeople, the manufacturer and the authorities will all try to direct me to the e-versions. "

He explained that he was being careful not to confuse sustainability with ESG. "I am not talking directly here about ESG," he told delegates. "I am highlighting the need to downsize risks within your portfolio in terms of sustainability. I think this all strikes chords with the younger generations in particular, but increasingly we also see it resonating with the older generations."

"This is an opportunity for financial institutions to engage with their clients, who we see are clearly ready to act," Vincent concluded.