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Ultra-HNWIs in China diversify to overseas markets

Family offices seeking opportunities to prosper abroad as stagnant local markets offer little appeal on home front for UHNWIs

ULTRA-HNWIs IN CHINA ARE FLUSH with money spawned from traditional businesses are shunning local markets and looking to acquire global assets through family offices in Singapore and Hong Kong - but they need to create a robust family office that can use professional help to decide and manage these investments.

"More and more Chinese entrepreneurs now are seeking to form their own family offices. In the past 20 years, many of these entrepreneurs made money from property development or from traditional businesses but as China's economic growth is slowing down, they are seeking to build wealth by investing their liquid assets," James Wu, director and founding partner of Triumph Family Office, said.

JAMES WU
Triumph Capital

"We often receive requests from successful families about how we can help them achieve their family succession. From my perspective, with the rising next generation, the most important thing is that the family business owner first needs a succession plan that fits his particular family needs.

"Most of the second-generation young people have had a really good education overseas, so these are the people who are put in charge of managing their family's overseas money at the beginning. These skilled second-generation ultra-HNWIs now often end up deciding how to manage their family's wealth abroad directly and are trying to do this by driving a family consensus on global asset allocation through the mechanism of a single-family office," adding that, "the boomer business-owners still keep their traditional businesses, but they are looking for deploying more money or assets overseas instead of reinvesting a lot in the domestic market, from what I have seen."

"The basic objective for us is to help preserve a family's wealth because these business families have had a very hard time for the last few years. The first thing is preservation, the second thing is wealth management, for a careful long-term accumulation plan. As the China market changes rapidly, these ultra-rich families are more likely to invest overseas, recognising that cross-border investment can diversify their risk.

A lot of time needs to be devoted to looking for high quality global assets, and allocating capital accordingly. This is what we do at Triumph Capital with our own assets and also offer as our core service: global portfolio design and asset management, to help those families who we work with to preserve and grow their wealth. Our ultimate objective, for the long term, is to achieve family succession with preservation of family wealth, heritage and united support. This is our ultimate goal, and also the goal of every business family that we work with."

With regards of the rapid changes in investment sectors, Wu added that, from 2000 to 2007 his firm was more concentrated on asset management, real estate and property development but after 2007 he moved the focus more to the technology sectors in the private equity and venture capital investment sectors. "Technology will be the strongest driving force in the development of future value," he said.

He also commented that Triumph always adheres to their mission that is always looking forward. "A lot of entrepreneurs come from traditional business, they don't think that they have the time or have the capability to diversify or manage a portfolio, so they hire professionals to pick up investment products or investments globally on their behalf, but the result is not always satisfying," Wu said.

IN THE INCREASINGLY COMPLEX GLOBAL FINANCIAL MARKET, THE 'INDEPENDENT ASSET' MANAGER HAS EMERGED AS THE BEST SOLUTION FOR FAMILY OFFICE ADVICE

"Actually, most of these financial advisors lack enough knowledge and skills to deliver efficient solutions to the wealthy. We think that, in the increasingly complex global financial market, the 'Independent Asset Manager' (IAM) model developed by Triumph, based upon its many years of global investing and asset allocation, has emerged as the best solution for Family Office advice. For our family office partners, this means they can get access to unbiased advice from Triumph that is truly aligned with their interests and goals. They want to work with us because Triumph always sits next to its family office partners at the table, we have no affiliation to any bank or service provider, we focus on providing cost efficiencies and quality of products tailored with our partners' goals and risk tolerance."

Technology Triumph Family Office originated from Triumph Capital, which was established in 2004 and is managed as a single-family office by several Chinese entrepreneurs. Wu said that after 2008 the company invested mostly in private equity funds such as Sequoia China and directly into many technology start-up companies.

"We need to find what the local financial institutions cannot provide, which is what is best practice available overseas. Even if an overseas institution offers a service or investment opportunity that the local banks can provide, we still prefer to pick up the overseas option because that gives us more opportunity to learn from global leaders, to diversify our risk and diversify our asset allocation," Wu said.

"We only pick up the opportunity in China if it is very unique. In China, it is still private equity or other direct investment opportunities especially focused on fintech. We have made several strategic investments into the fintech industry," Wu said.

"Triumph sees a bright future for fintech for the long term. It is an industry composed of companies that use new technology and innovation to compete in the marketplace of traditional financial institutions and intermediaries in the delivery of financial services.

"There is also another reason why we want to invest in the fintech industry, which is to benefit from scalable global platforms to deliver portfolio management, risk analysis, and other digital wealth management solutions. These fintech platforms can better serve Triumph Capital and its family office partners, better providing high efficiency services in the digital age. We anticipate improved investment returns at lower risk will be achieved by use of these dramatically more cost-effective platforms. They are transforming the traditional wealth management/private banking model of servicing UHNWIs' investment needs."

Wu said he and his fellow partners expect China opportunities to emerge quickly, and the banking and financial services industry to evolve at a fast pace, to a point where they match global best practice.

"We have to be always ahead of the market opportunities, and get ready for that, when the good chances lie ahead we can be first to grab the opportunities," Wu said.

Wu also confided that Triumph is establishing a licensed independent asset management company in Singapore.

"Singapore is now widely recognised as a leading international wealth management hub: its financial market is sophisticated and experienced.

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"Our long-term view is that we make our own portfolio first, then, by chance, if any other families want to syndicate or want to invest with us, we can share our experience and our capabilities," Wu said.

"In China, ultra-HNWIs prefer to choose overseas private banks rather than local private banks, resulting in wealth moving from China to Hong Kong, and now to Singapore, and even further abroad," Wu said. "Chinese private banks are still in a very early stage. China just invests overseas through the private banks or overseas asset management firms for maybe a maximum 15 years.

"For the long term, private banks may lose market share if they keep their current business model, but on the other hand, it presents good opportunities for independent asset management companies: they are growing and working on behalf of their clients and partners to produce a lot more meaningful and more profitable investments.

"A successful IAM's business is driven by alignment of interests with its clients and partners, which is rewarded for performance, not by the transaction fees that irritate so many clients of private banks.

"This is what we do, back ourselves to deliver value and asset preservation - which is a key difference," the Triumph chief concluded. ■