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Lead with knowledge and perspective. Connect with secular trends impacting financial services, interpret what they mean for your business, and drive new opportunities. Cerulli's Corner Office Views provides market-leading insights and tangible takeaways for senior executives seeking to strengthen and scale their business models.

**Corner
Office
Views**

About the Author



Leena Dagade

Associate Director, Asia

Based in Cerulli's Singapore office, Leena is responsible for retail research in the Asian asset management industry. She is the lead analyst for the Environmental, Social, and Governance (ESG) research practice in Asia and contributes to Asian institutional reports, *Cerulli Edge* publications, and consulting projects.

Prior to joining Cerulli, she was a deputy editor for an online financial publishing firm, covering the asset and wealth management industry in Asia. Previously, she worked with a real-time financial news and market data firm and an asset management company.

Education

- University of Pune
Master of Business Administration with a specialization in Finance
- University of Pune
Bachelor of Science in Chemistry

Areas of Expertise

- Opportunities for managers in Asia's mutual fund markets
- Mutual fund product developments
- Marketing practices and distribution trends
- Responsible investing in the retail and institutional segments

Recent Project Work

- Analyzed demand for exchange-traded funds (ETFs) in Southeast Asia and potential of retirement market in Singapore
- Contributed to conceptualizing timely ideas for new reports and executed quantitative and qualitative research
- Represented the firm for presentations on Asia asset management trends and moderated an ESG panel discussion

Catering to the Burgeoning Family Office Space in Asia

A diverse range of skillsets is a must

Key Points

- Asset managers report that the key challenges serving family offices are sourcing of family office details, opacity on data, and the need for client dedicated personnel.
- Asset managers use a variety of modes to reach out to family office clients, with 57% of those surveyed indicating they receive referrals from private banks.
- Cerulli's survey of private banks and family offices shows that direct investments are most favoured by wealthy clients, but they also use mutual funds and alternative funds.



Huge potential in Asia's flourishing wealth management space

Asia's wealth segment is flourishing, providing fertile grounds for the asset management industry to tap into. The growing HNW and ultra-HNW segment has become a strategic focus for private banks and wealth managers as they look to increase revenues sourced from this segment amid an uncertain outlook over global economic environment and market conditions. In particular, the growing number of family offices is an opportunity to explore.

Family offices in Singapore

There has been an exponential growth in number of family offices in Singapore. By the end of 2020, the city-state was home to an estimated 400 family offices, double that of in 2019, according to Singapore's Wealth Management Institute. Moreover, according to a CityWire report, the Monetary Authority of Singapore (MAS) approved more than 100 family office applications in the first four months of 2022.

Key factors that have lured family offices to Singapore include the tax exemption available under the Singapore Resident Fund Scheme, as well as a similar tax exemption for those that use the variable capital company (VCC) structure, which is aimed at improving locally domiciled funds.

Singapore is a conduit to the wealth pools of ultra-rich in Southeast Asian markets.

Family offices in Hong Kong

Meanwhile, the Family Association of Hong Kong (FOAHK), which was set up in 2020, has seen 20 single family offices and 10 multi-family offices joining as members, collectively comprising assets worth US\$50 billion as of mid-July 2021. According to its survey of 400 professionals across the wealth and asset management, family office, banking, professional services, and private equity sectors in Hong Kong, 64% see the territory as the regional family office hub in the Asia Pacific, and 96% perceive the Greater Bay Area Wealth Management Connect scheme as having a comparative advantage in growing the city's private wealth and family office sector.

Hong Kong has a strategic role as a gateway to provide Chinese family offices with offshore investments.

Cerulli's research discussions show Chinese family offices are looking for offshore investments, and even though some have been expanding into Singapore, Hong Kong is still preferred as a location for foreign investments due to its advantages in geographical location, financial markets, and human resources. Despite near-term uncertainties, Hong Kong has a strategic role as a gateway to tap the Mainland China business, whereas Singapore is a conduit to the wealth pools of ultra-rich in Southeast Asian markets.



How managers work with family offices

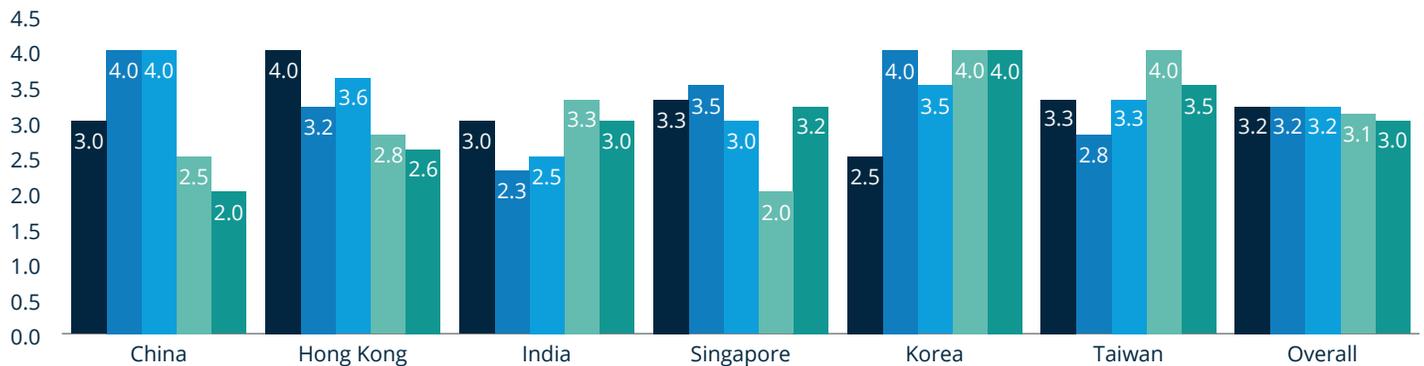
According to Knight Frank's Wealth Report, Singapore is expected to see a 268% growth in its ultra- HNW population to around 6,000. This could likely result in more family office set-ups. One area of concern is the limited talent pool, but the MAS continues to take initiatives to upgrade skills in areas such as sustainability and understanding family offices' investment needs. There are also industry initiatives such as the launch of Global-Asia Family Office Circle (GFO Circle) by the Wealth Management of Institute in October 2021, which provides a platform for family offices to network, gain insights, and explore new investment and philanthropic opportunities.

Even as the debate of Hong Kong versus Singapore continues, asset managers that intend to tap the opportunities emerging from family offices must have strong and long-term commitments, as they face challenges in serving this clientele. The key challenges are sourcing of family office details, opacity on data, and the need for client dedicated personnel. Since information on ultra-rich wealthy clients and their needs are privy to only a few, asset managers need to use a variety of modes to reach out to family office clients, with 57% of those surveyed indicating they receive referrals from private banks.

Asia ex-Japan Managers On Challenges Faced While Dealing with Family Office Clients, 2022

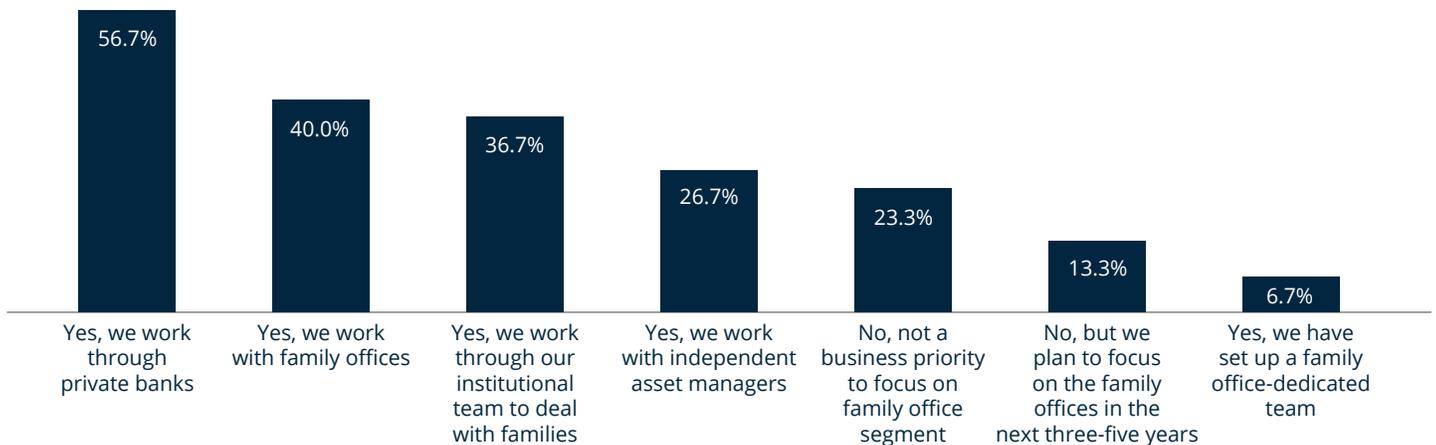
1=Least Challenging, 5=Most Challenging

■ Sourcing of family office details ■ Need to have client-dedicated personnel ■ Opacity on data
■ Lacking in some investment strategies sought by families ■ Reliance on private banks' reach to tap the segment



Source: Cerulli Associates

Asia ex-Japan Managers On Whether They Work With Family Offices, 2022



Source: Cerulli Associates

Family offices' diverse investment needs

Asset managers must decide if they want to deploy dedicated resources to meet the diverse, unique, and sophisticated needs of family office clients. Having a diverse range of skillsets, especially in various investment areas, is also a must to meet the dynamic, varying, and rapidly evolving investment needs of family office clients. For example, some scout for alternative and private equity funds, while some look for direct deals. Cerulli's survey of private banks and family offices show that direct investments are most favoured by family offices, whereas private banks said they prefer mutual funds as a vehicle.

In terms of investment strategies, three-quarters of family offices surveyed by Cerulli indicated preference for new energy-themed products, followed by healthcare and real estate, each being chosen by 70% of the family office respondents. In the current inflationary regime, commodity exposure (for example, through gold) was chosen by nearly two-third of the respondents in the survey. Private equity and digital disruption thematic ideas were chosen by 60% of family offices. Interestingly, more than 50% look for cryptocurrency.

Private equity and digital disruption thematic ideas were chosen by 60% of family offices; more than 50% look for cryptocurrency.

In terms of ESG, Cerulli's research discussions show that family offices are interested in low-carbon investment strategies, electric vehicle, solar power, and next-generation technology. Some family offices in Singapore and Hong Kong are also keen on exposure to cryptocurrency assets, either directly or through funds or ETFs. Notably, in April 2022, Raffles Family Office and Huobi Technology Holdings created a wealth management platform for ultra-HNW families with an interest in or have existing holdings in digital assets. The platform will offer access to cryptocurrency-based investments and related advice, as well as add-on services, such as wallet consolidation, succession planning counsel, and family governance solutions. Future offerings will include artificial intelligence-based safety protocols, integrated fiat-cryptocurrency dashboards and unique interoperability features that afford access to a wider range of digital assets.





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For over 30 years, Cerulli has provided global asset and wealth management firms with unmatched, actionable insights.

Headquartered in Boston with fully staffed offices in London and Singapore, Cerulli Associates is a global research and consulting firm that provides financial institutions with guidance in strategic positioning and new business development. Our analysts blend industry knowledge, original research, and data analysis to bring perspective to current market conditions and forecasts for future developments.

Cerulli's research product line includes the Cerulli Report series, the Cerulli Edge series, and Cerulli Lodestar.

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