Connection, transition, transformation: engaging Asia’s UHNWI in the New Normal
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engaging Asia’s UHNWIs in the New Normal
Foreword

Lombard Odier, together with some of our Strategic Alliances in Asia, jointly undertook this study to better understand the current environment and needs of Ultra High Net Worth Individuals (UHNWIs) in the region, and to help steer the industry as a whole to address UHNW trends and challenges.

Together, we leveraged the collective experience of our network of Strategic Alliances, as we engaged in conversations and interviews with more than 150 of Asia’s leading families and entrepreneurs. The results of these efforts have been distilled in the following report.

The results elucidate the increasing sophistication of the demands and needs of UHNWIs, reflecting their thoughts on the opportunities and challenges generated by the COVID-19 crisis. The study explores its consequences along four dimensions: technology, investment, sustainability and family services.

Through the rest of these pages, we hope to offer insights that will be actionable in this coming new era. Our ambition is not so much to establish the facts of a New Normal, nor is it to set the rules of the playground. Rather, we hope to foster a discussion on the future and the forces and trends poised to shape the industry for the years ahead.

“We’ve used imagination and innovation to create a different perspective on the world for our clients and for us.”

At Lombard Odier, not only do we believe that the riskiest approach to the future is to not think about it, it is our philosophy to constantly re-evaluate and rethink the world around us. We’ve used imagination and innovation to create a different perspective on the world for our clients and for us. Our heritage is Swiss, yet our outlook and mindset are resolutely international.

We hope that this report provides helpful insights and stimulates further conversation. We would be delighted to discuss with you further any of the thoughts and ideas raised in the following pages.

We greatly appreciate the generosity of everyone who has contributed to this report.

Vincent Magnenat
Chief Executive Officer, Asia and Limited Partner
Lombard Odier
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### The last word
Connection, transition, transformation: engaging Asia’s UHNWI in the New Normal

Executive Summary

**Technology**

**Digitalise this**
The COVID-19 crisis has accelerated digitalisation of our economies and societies. A resilient and balanced digital strategy will be key to define a company’s ability to succeed.

**Let’s get physical**
Physical interactions are still key for UHNWIs, as they convey the emotional and human dimensions more than a video conference. Post-COVID-19 times will show how much physical interactions contribute to a company’s human capital. UHNWIs still prefer to receive information directly from their banker.

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<th>81%</th>
<th>87%</th>
<th>83%</th>
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<td>said “more digital less physical” interactions will become the norm</td>
<td>said a bank’s degree of digitalisation will matter going forward</td>
<td>expect that increasing inequalities will be part of the new norm</td>
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**Increasing inequalities**
The legacy of COVID-19 could be one of greater inequalities. Technology might not necessarily help to fill the gap in the near term with the wealth generated being captured asymmetrically. However, it might emerge as a potential white knight in the long-run, according to our respondents, with infrastructure upgrades leading to wider access to education.

**Sustainability**

**Sustainable investment**
An overwhelming 89% of respondents said that the sustainability trend is here to stay. However, the exact definition of sustainability and how to take it into consideration in particular when investing, raised some interesting questions from UHNWIs. We also note the confirmation of sustainability as a core driver for Next Generation UHNWIs.

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<th>61%</th>
<th>46%</th>
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<td>said they took sustainability into consideration when making investment decisions</td>
<td>voiced their skepticism and stated their belief that sustainability will not generate superior returns</td>
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**Climate change**
55% of UHNWIs said they are expecting an acceleration of measures to combat climate change. The main concern among UHNWIs interviewed is whether countries globally will be able to coordinate themselves in their effort to fight climate change. The (mis)management of a country’s natural resources and its consequences are also a concern.

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7. Connection, transition, transformation: engaging Asia’s UHNWI in the New Normal

Each respective Asian country and its domestic opportunities have become harder to access. What is the solution? 76% of UHNWIs surveyed find it a plus when private banks are able to facilitate access to local entrepreneurs/opportunities and to financing solutions.

How to invest? More advice, more guidance

While some investors are choosing safe havens, others are looking for the next investment opportunity. However, a more complex world makes it harder for UHNWIs to understand underlying risks; and they rely on their bank’s guidance.

Lasting low interest rates

With interest rates currently at very low levels globally, traditional asset allocation between bonds and equities might be challenged. 78% of UHNWIs think lasting low interest will be part of the new norm. UHNWIs are concerned about bubbles potentially emerging, and expect enhanced risk management measures from their banks.

A reverse of globalisation?

46% of UHNWIs surveyed think that the future will see a “more local and less global” world, while 42% do not. The actual consensus among participants is that globalisation will persist but probably under a different structure, with UHNWIs reflecting a strong desire for a trusted local adviser that helps them navigate and access markets they can no longer travel easily. Both the ability and the manner to access a market are important to UHNWIs. They indeed need to deal with values they feel connected with.

The cherry on the cake? or the cake?

Each respective Asian country and its domestic opportunities have become harder to access. What is the solution? 76% of UHNWIs surveyed find it a plus when private banks are able to facilitate access to local entrepreneurs/opportunities and to financing solutions.

Family matters – rethink everything?

Some families used COVID-19 as a reason to bring overseas family members home, while others saw it as an opportunity to maintain local access in foreign countries. Most of our UHNWIs participants value a holistic approach of their reality from their bank, with Family Services being the starting point.

Family

49% of UHNWIs that have already structured their family governance, are not considering rethinking their strategy amid COVID-19

36% of UHNWIs who do not have a structure in place, are now thinking of adopting one
Methodology

Purpose

The purpose of this study is for Lombard Odier Asia and its five Strategic Alliances that participated to create a channel of communication that allows us to listen to a key segment of clientele: UHNWIs domiciled in Asia¹.

The core aim is to understand how these individuals perceive their environment in the context of the COVID-19 pandemic, the impact the crisis has had on their lives, families and businesses and what they think the post-pandemic future will look like.

As a result, equipped with concrete feedback, Lombard Odier will thus be better placed to understand needs and expectations during the pandemic but also post-pandemic – and better able to analyse if banks are meeting these needs and living up to UHNWIs’ expectations.

¹ Defined here as having minimum USD 30 million
Method

Participants were invited to complete a set of online questions that covered a wide range of topics including Investments, Sustainability, Technology and Inequality. In the majority of cases, the online questionnaire was followed up with an in-depth personalised interview with a senior member of management for a deeper dive into the topics covered in the questionnaire or any other points the participant wanted to raise.

Sampling

A sample of more than 150 UHNWIs has been created for this study. This sample is considered as representative of the UHNW population in Asia.

To reduce bias, less than 50% of the participants were existing clients of Lombard Odier. Other participants were UHNW clients and contacts of Lombard Odier’s Strategic Alliances domiciled in Thailand, Indonesia, Philippines, Japan and Taiwan.

Data analysis method & study period

The analysis is based on both quantitative and qualitative data. The study took place between July-October 2020.

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Introduction

COVID-19 has not just swept across the globe as a health crisis; it has also ravaged economies and financial markets, disrupted supply chains and put an unprecedented strain on companies and governments globally.

More specifically, the crisis is reshaping priorities: of governments, businesses and investors. It is reshaping how industries operate, hastening technological change and transforming the nature of human capital.

Amid these tumultuous times, investors – like everyone else – have been wrestling with the big, personal, humanitarian and environmental questions posed by this latest – but unique – shock.

“It’s a reset; a necessary reset.”

With this in mind, we at Lombard Odier Asia conducted an exploratory study with the sole objective of listening to UHNWI across Asia.

We wanted to give them a platform to talk openly about their concerns amid COVID-19, and to understand how their needs might have changed amid a very challenging and uncertain period.

Listening to UHNWIs’ expectations for the future has given us an invaluable insight into the passions that will drive their decisions going forward and their priorities in the “new reality”.

We covered a wide range of issues that get to the heart of this, including technology, sustainability, globalisation and the importance of family wealth governance.

Working in close collaboration with Lombard Odier’s Strategic Alliances, the study includes feedback from more than 150 UHNW individuals domiciled in Singapore, Thailand, Philippines, Indonesia, Hong Kong, Taiwan and Japan.

To offer as broad a swathe of views as possible (and to reduce any bias), less than 50% of participants were Lombard Odier’s own clients.

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Our findings are presented in four broad categories: technology, investment, sustainability and family services. This is because, based on the data collected during the study, those are the themes that have gained the most importance for UHNWIs since the COVID-19 crisis began.

The severe market corrections at the beginning of 2020 as COVID-19 spread globally, followed by varied paces of recovery, have exacerbated the nervousness in an already tense year clouded by the US election, the US-China trade disputes and the ongoing ramifications of Brexit.

COVID-19 has not only brought financial shocks, it has also sparked much soul-searching among investors on the future of business and the nature of their investment strategy.

Sustainability, ESG investments and family governance are at the heart of this. Defining what they are and how they should evolve remains a key challenge for investors.

One thing was clear from our study. UHNWIs see these topics as playing an increasingly important role for them following COVID-19.

“Sustainability is the future, no question about that, as one Next Gen UHNWI put it.”

As we will discuss in more detail in the main report, technological enhancements are also a significant part of the story.

Technology is an important conduit through which a bank’s investment expertise is channelled, and the marriage of that technology with the human experience will be increasingly vital to banks’ nurturing of their relationships with clients.

People and values matter – maybe now more so than ever. As one European entrepreneur based in Southeast Asia commented: “I never conclude deals if I have not met the person.”

How this all dovetails with the new reality for economies and investment will be explored in this report.
Technology

› COVID-19 has accelerated digitalisation

› Business Strategy: Technology as an enabling factor

› Technology isn’t a magic wand

› Human capital and the great work from home experiment

› Technology and banking relationships

› Reporting solutions: a key need among UHNWIs

› Inequality: What role is technology playing?
COVID-19 has accelerated digitalisation

COVID-19 has exacted a terrible toll on the world, its people, the global economy and the financial markets.

However, if there has been one bright spot amid the gloom, it is the strength and robustness of the technology framework that underpins communication and business.

It has been the great enabler: allowing families to stay connected amid punishing lockdowns, while providing businesses with the tools and functionality to stay operational.

While trends such as digitalisation were already steadily gaining traction, the crisis has given the world an accelerated glimpse of how technology can change the world. In fact, it can be considered a litmus test for how this potential might perform in reality – a springboard even, to further innovation and development.

In practicing social distancing, people have found increasingly innovative ways to adapt: working from home, entertainment streaming services, e-commerce, telemedicine, video conferencing, home-based learning, sports and fitness apps, etc.

In short, COVID-19 might just be a game changer. The crisis has so far been a major disruptor of the way we interact, purchase, communicate, study and work.

Looking past its obvious horrors as a humanitarian crisis, it is also changing the way we interact as people, how businesses operate and how they communicate with customers.

Technology is the conduit through which most of this change will flow.

Do you believe more digital, “less physical” human interactions will become the new norm once the crisis has ended?

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<td>100%</td>
<td>5%</td>
<td>81%</td>
<td>15%</td>
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Source: Lombard Odier
Business Strategy:  
Technology as an enabling factor

According to a McKinsey report2 titled “How COVID-19 has pushed companies over the technology tipping point — and transformed business forever”, the average share of customer interactions that are digital leapt globally from 20% in May 2018 to 58% in July 2020; and in Asia-Pacific from 19% to 53% over the same period. These data translate into an acceleration of digitalisation by three years and four years respectively.

The transition has so far been largely positive. For example, many respondents said they were excited to be able to take business meetings from the comfort and safety of their own homes.

Moreover, they have realised that they are able to achieve the same levels – or perhaps greater level of efficiencies – without the need to travel or meet physically for work, as they no longer need to factor in time spent on commuting.

I never had as many meetings as during my confinement,” said one. “The fact that we can communicate virtually has actually opened many possibilities and opportunities3.

According to the aforementioned McKinsey report, the largest leap in digitalisation is the share of product offerings across sectors that are digital in nature.

Globally, the percentage share jumped from 28% in May 2018 to 55% in July 2020; in Asia-Pacific the share rose from 26% to 54%, an acceleration of 10 years.

Video-conferencing also has the added benefit of making interactions less formal, as people are connecting from their homes.

One Next Gen UHNWI highlighted that virtual communication "gets the job done”. “Getting a presentation on a new fund launch, updates on the macroeconomy... meetings like these can be done perfectly through a video conference”.

What is clear is that UHNWIs who had already integrated digital strategies or upgraded their IT infrastructure had a clear advantage during the crisis.

As one participant put it, “a shift towards technology and digitalisation is unavoidable in any company’s strategy.”

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3 All quotes are from UHNWIs that participated in the study
Technology isn’t a magic wand

The reality, however, is not uniformly rose-tinted; pointing instead to a future where businesses need to utilise the benefits of both the physical and virtual worlds to thrive.

A lot of companies were forced to go digital because of the crisis and some found it a challenge to maintain their usual business operations due to the constraints brought by the lockdowns and other factors.

Additionally, some sectors were – and will continue to be - much more affected than others by the new reality; for example the tourism and hospitality sectors.

There is also the critical issue of online security to consider. The omnipresent spectre of data breaches is nothing new but it is becoming of increasing importance as more products and services migrate online, and as more swathes of confidential data are utilised. Many UHNWIs interviewed raised these concerns, including issues such as keeping personal documents confidential.

Meanwhile, local companies need to be cognizant of the different local regulations where they operate.

One Singaporean UHNWI mentioned legal rules and regulations regarding the use of cloud technology, which is limiting his ability to leverage on the technology for his company. Regulations are often perceived as “too slow and lagging behind, and not aligned with the new normal”.

Broad questions have also been raised by respondents about the rush to digitalisation. For example, can virtual meetings replicate the positive aspects of the physical alternative, and will they eventually replace them?

A common feedback during the study was that a videoconference does not convey the emotional and human dimensions better than a physical meeting, such as a handshake, direct eye contact or reading a room.

Luxury Goods

In our conversations, some participants highlighted that the luxury sector was one that faces challenges in going fully digital. The luxury market is not only about the product but also about the buying experience, which is hard to replicate online.

For example, one participant highlighted that, for luxury cars, it will remain important for car distributors to have a physical distribution network.

“For luxury products, not only is it important to be able to have a look-and-feel of the product or to test and try it on, but it is also important to be seen buying the product,” according to a participant who owns a luxury product company.

During an online purchase, there is a lack of a compelling user experience, as it is difficult for a luxury brand to convert its ‘first-class’ shopping experience into content that resonates with the online customer. “If a luxury brand [went] fully online, it would be finished,” according to one participant.
In other words, as you can see in the below graph, although a majority of the participants of the study believe that virtual interactions will become the new norm, the qualitative feedback suggested that virtual interactions have their limits.

“Not everything can go digital” said one participant.

Many participants highlighted that it is extremely important for them to have the first meeting in person in order to get a sense of how they feel about the other person, and whether they could trust this person.

I never conclude deals if I have not met the other party in person.
I would never sell my company to someone without having met physically. It has to be done face to face.

Our study also showed that participants recognised that unpleasant situations, such as disputes arising between people, are difficult to settle virtually.

“Digitalisation of the economy also depends on the country’s level of IT infrastructure, such as the adoption of new technologies and [the] availability of high-speed internet connections,” highlighted by a Thai UHNWI.

He also noted that cultural differences play a part in preferences between physical and online meetings.

As one participant highlighted “physical interactions are deeply anchored in many cultures in the Southeast Asia”

Finding the right balance between the digital and the physical will be crucial for businesses going forward.

Do you believe the following point will become the new norm once the crisis has ended? “More digital”, “less physical” human interactions

Source: Lombard Odier
Human capital and the great work from home experiment

The seismic shift towards working from home amid COVID-19 has permeated the entire business world and is already one of the most profound legacies of the crisis. Not only that, it raises significant questions about the nature of human capital.

Working from home provides more flexibility for workers, even though it is more difficult to separate private and professional lives. It is also leading companies to re-examine their office requirements and adjust accordingly.

One participant observed that his company, which has an international presence, will derive 50% more savings from rental costs, which represent the second highest overheads for his company.

A participant based in Thailand highlighted that for some departments such as back office or IT support, there is no essential need to be in the office and working remotely would make sense.

However, if the value of an individual’s intangible contribution to a company drives the perception of human capital, do interactions among employees also constitute a part of it?

If face-to-face interactions create value for the company, we can legitimately wonder about the long-term impact of a permanent work-from-home set-up.

In the context of this new norm, which collaboration model will protect and nurture a company’s human capital?

Taking the example of a product launch: exchanging ideas around a coffee machine or discussing a potential strategy in the corridors of an office. To what extent do these interactions contribute to a successful product launch?

There may indeed be a “tradeoff between limiting office presence and reducing related costs, and losing the intangible assets created through the physical interaction of employees” as highlighted by one participant.
Commercial Real Estate: emergence of new hubs?

The shift towards remote working has threatened to inflict significant damage on the commercial real estate sector, a topic of focus by respondents in our study.

Many UHNWIs believe that commercial real estate is going to go through very difficult times, in particular in key cities.

“This crisis has shown that we can operate in a decentralised way to a certain extent, and this trend is likely to accelerate. Thus the amount of office space required might be smaller in the future. Also, the value of offices in the city centres will go down as more companies are selling their offices,” commented one Filipino participant.

This in turn could have an impact on those cities’ service industries such as restaurants, cafes and retailers, which may find their clientele diminishing should people decide to work remotely instead of travelling to a centralised office location.

On the flip side, remote working could end up creating local hubs outside of city centres, which may partly mitigate the impact on commercial real estate in dense urban areas.

One participant said that the creation of hubs outside of city centres went beyond just benefiting a company’s bottom line. Limiting commuting, avoiding traffic, decreasing pollution, contributing to the local economy, increasing the quality of employees’ life etc. were also additional social benefits.

“This could be the source of great opportunities,” said the participant.
Technology and banking relationships

What does all this mean for the future of private banking; particularly with respect to banks building trust with clients and prospective clients?

The implications for the bank/client relationship – which has already undergone much change in recent years – will become an increasing differentiator between banks going forward.

UHNWIs’ emphasis on technology is perhaps unsurprising, considering the impact of COVID-19 and the need for robust solutions in terms of delivering a first class seamless service.

However, it also speaks to UHNWIs’ desire for banks to offer new services and new ways of communicating as next steps in the evolution of banking.

The stakes will become increasingly high as the extent of digital interactions become more pronounced due to COVID-19, as we can see from the graph below.

Some respondents are even ready to go fully digital. For example, a participant explained that there is no issue for him being based in one country and interacting virtually with his banker going forward.

However, most participants continued to express the importance of physical interactions, and that the new normal will be a “mix of digital and physical” as shown by the below graph.

Some indicated they would never choose a banker without meeting him/her physically at least once. A European entrepreneur based in Southeast Asia said that he would never strike a deal without a “hand shake”.

What sort of contact do you like to have with your bank?

Source: Lombard Odier

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Lombard Odier · December 2020
To have a minimum degree of digitalisation is key for banks, not necessarily as a differentiating factor, but as a commodity.

A family based in Southeast Asia, which is interested in opening a new account in Singapore, said it was essential they come to Singapore to choose a bank and banker.

The family said they would wait for the current pandemic situation to stabilise before taking any decisions.

In terms of IT-related services, there is a very strong demand for all digital products and services, as shown in the study results below. IT-related banking services are key for UHNWIs and will be critical going forward.

Which of the following IT-related banking services will be critical for your going forward?

Source: Lombard Odier
During our study, we noticed some differences between countries when it came to evaluating the importance of a bank providing IT-related services, as highlighted in graph above.

While every country held strong views regarding how critical IT-related banking services will be, Indonesia, the Philippines and Thailand ranked their view of the importance of these services slightly higher than countries such as Hong Kong. This suggests that IT is seen as more important and valuable when it is rare and a clearer differentiating factor, and vice versa.

In the Asian financial hubs of Hong Kong and Singapore, participants highlighted the number of large banks and the competitiveness among them and that, on the IT side, most banks in the large financial centres are fully equipped.

One participant said: “I am using Singapore as my main booking centre because not only is it a financial centre but also an IT hub. Banking IT platforms are solid and reputable there.”

Note: scale 1: not important at all – 6 very important
Source: Lombard Odier
What are your favorite channels to receive financial news?

![Chart showing favorite channels]

Source: Lombard Odier

On average, how frequently have you had contact with your bank since you had this banking relationship?

- Daily / weekly: 41%
- Monthly: 76%
- Every six months: 2%
- Quarterly: 29%
- Once a year: 1%
- No contact: 2%

Source: Lombard Odier

The results of the study showed that the vast majority (78%) of our participants have very regular contact with their bank and this contact has not changed in terms of frequency. Only one third of participants, who were already in close contact (monthly or less), had increased the frequency of contact to weekly, or even daily interaction. Perhaps significantly, some – albeit a minority - are asking for more interaction.

The study also showed that, while there is a significant impact of the domicile of the respondents on the preferences regarding the desired level and nature of interaction and advice, bankers remain the main preferred channels of communication and interaction.

This highlights again the fact that it is still critical for UHNWIs to interact with a physical person in the context of wealth management.
Reporting solutions: a key need among UHNWIs

Reporting solutions were highlighted as a key need among UHNWIs, not only in the quantitative study, as shown by the below graph, but also during the qualitative part of the study with participants.

The ability to report a performance net of tax seems to be of particular interest to many UHNWIs who typically have multi-country exposure.

“Performance net of tax matters as taxation will increase globally,” said one UHNWI participant. Another added that the element of reporting “the ability to take fiscal considerations into account in reporting”, and that having access to a performance net of tax, would indeed bring significant value to his/her group.

“As of now, family members based in respective countries are dealing with corresponding tax duties; tax reporting is not centralised,” the participant added.

Source: Lombard Odier

To what extent do you believe reporting solutions will be critical for you going forward?

Source: Lombard Odier
As of now, family members based in respective countries are dealing with corresponding tax duties; tax reporting is not centralised.
Inequality: What role is technology playing?

Although COVID-19 has been a great leveler in one respect – it is a crisis afflicting rich and poor alike – it threatens to have a lasting disproportionate impact on the poorer members of society.

Some participants have observed that job losses, food shortages and resulting food price volatility are just three of the consequences of the crisis so far.

Digitalisation amid the crisis threatens to exacerbate the problem of inequality as companies move more functions online or otherwise cut their workforce to adapt to the new reality.

The trend has been set for many years.

“Low-skilled, older workers, and workers in jobs at high risk of automation will bear the brunt of the changes and benefit little from the jobs created in high-tech industries,” according to the report.

Although inequality is nothing new, a majority of UHNWIs believe there will be an increase in inequality going forward, with most (83%) convinced that this will be a major characteristic of the new normal, as shown in the below graph.

Technology has transformed large swathes of the global economy in the past few decades, with technology companies now dominating industries and stock markets, and this shows little sign of abating.

To illustrate this, one participant commented on the recent change within the Eurostoxx 50 index.

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### Do you believe there will be an increase in inequalities once the crisis has ended?

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Source: Lombard Odier

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Please read the important information at the end of the document.

Lombard Odier · December 2020
“The companies that got out of it have a lower P/E ratio and a higher number of employees on average, than companies that have been included.”

Many tech companies create jobs with low specifications and low wages (e.g. the Amazon delivery person or the Uber driver). Some participants wonder if the value created by these companies is redistributed in a wider way or, on the contrary, in a more concentrated way than the Index’s existing companies.

However, the relationship between technology and equality is complex and multi-faceted.

While most UHNW participants have acknowledged that increasing inequalities are a likely trend that will continue in the post-COVID-19 world, many also responded with hope that developments in technology could actually help to close the gap in the long term.

Technology has typically been a great provider, improving the lives of many people as the global economy continues to grow, with healthcare, financial services and education all becoming more accessible to the poorer members of society.

Coupled with private capital, technology has a unique opportunity to contribute as a force for good in this fight. The distinctive nature of private capital – its ability to be deployed quickly and flexibly at significant levels – gives it the ability to have a transformative impact.

Not only can wealthy individuals give using their financial resources but also they often have skills, talents, experiences and networks from building successful businesses. These could also be deployed in the fight against COVID-19 and future drivers of inequality.

Many of the UHNWIs we consulted believe technology can help through the upgrading of key IT infrastructure to improve levels of and access to education. Some UHNWIs are playing pivotal roles in addressing this, although more can be done.

One participant said increasing inequality would only be temporary and reverse in time, following a similar path to private equity’s J-curve. He therefore said that he did not expect an increase in inequality as the new norm:

“I think that the increase in inequalities will reverse with IT infrastructure upgrading in respective countries, which will lead to close the gap in education and ultimately in inequalities.”

That is the positioning of most participants that answered “No” to the question of “Increase in Inequalities” becoming the norm.

Another one said:

“I am concerned about inequalities – I had to lay off people,” said one participant. “Technology will displace jobs but, at the same time, I am also using technology to try to address inequalities. Concretely, I am using technology to bring the best education to the less privileged – through online education. Education is one of the best equalisers”.

In any case, inequalities (and its potential increase) is an issue that needs to be addressed if we want tomorrow’s world to be sustainable.
Investment

› Reaction to increased market volatility and impact on portfolio characteristics

› Low interest rates: danger?

› Investments and asset classes: safe havens or new harbours?

› Globalisation: more local and less global world? How do we re-align the economy to the new reality?

› “Extra” financial services: a differentiating factor?
Reaction to increased market volatility and impact on portfolio characteristics

Volatile markets are nothing new. In fact, since the Asian financial crisis in 1997 we have had the Dotcom bubble, the global financial crisis and the sovereign debt crisis to name but three.

The stock market corrections at the start of 2020 and subsequent mixed recovery across markets were unsettling for sure but investors have been largely able to remain focused through the financial shocks, particularly those with a long-term view.

“Experience from previous crises enabled me to react in a less emotional way, and ignore the noise of this heightened volatility”, commented one UHNWI respondent, echoing a sentiment shared by many long-term investors.

However, it is the underlying cause of the shocks that has spooked people.

The legacy of COVID-19 – although nascent – is already broader than other crises, and it threatens to reshape the investment climate by creating a new reality for society, the global economy and investment flows.

Asian market performance & volatility

Source: Lombard Odier

Please read the important information at the end of the document.
Lombard Odier · December 2020
For investors, lower-for-longer interest rates, the choice of asset class and the future of globalisation are transforming the landscape for investment decisions; not to mention the Promised Land of sustainability and the perennial issue of family governance, both of which will be discussed in upcoming sections.

One of the findings from our study is that many UHNWIs perceive markets as becoming increasingly dynamic and segmented.

“Markets are irrational and disconnected from the real economy,” one UHNWI said. This has sometimes led to a feeling of panic or rejection. Another one said: “The real economy does not equal the value of investment. Only investment made a V-shaped recovery”.

In short, advice has never been more valuable than it is today following COVID-19 and trust is key amid the shifting sands of the global economy.

Satisfaction levels observed underpin this trust. We can observe that satisfaction with long-term performance (c.f. both graphs below showing the percentage response for ‘Satisfied’) is very strongly correlated with short-term performance.

What we can extrapolate from this observation is that UHNWIs do take a long-term approach, and perhaps having experienced other crises apart from the current coronavirus pandemic, they do not base their satisfaction on the short term.

\textbf{Has the bank matched your expectations regarding the following service?}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{chart.png}
\caption{Percentage response for ‘Satisfied’}
\end{figure}

\textit{Source: Lombard Odier}
We can also draw an observation from this that UHNWIs trust their advisors to navigate through troubled times with them.

In the context of the current crisis,

Most UHNWIs said that the crisis was not changing their expectations and their way of investing but that they needed more support and guidance input from their bank.

“Discretionary is the way forward for me. I feel I need to delegate in this even more complex global economy.”
“I refuse to be emotional, and that’s why I delegated the management of my portfolio; and I am not panicking,” said a UHNWI respondent.

This accrued need of guidance from their bank is the reason why discretionary mandates, or a mix of discretionary and active advisory mandates are still favoured by UHNWIs, as shown in the following graph.

- **Going forward, which portfolio mandates are you likely to choose with your bank?**
  - Active advisory (decisions taken by you, with advice from specialist/banker): 42%
  - Discretionary mandate (decisions taken by the bank): 14%
  - Mix of discretionary and active advisory: 44%

Source: Lombard Odier
Low interest rates: danger?

A major issue is that interest rates are very low, which can possibly impact capital market assumptions and how each asset class can bring value to a portfolio for a given client’s risk profile.

Most participants think interest rates will remain low for a long time, which is reflected in the graph below.

“[The] recovery is similar to [the] 2008 crisis (Central banks inject money into economies, that money flows into the financial markets and assets rise). Interest rates will stay low for another decade. Money management becomes a very different proposition,” said one Japanese UHNWI.

“Low interest rates are a danger if there is a new shock soon.” said another UHNWI.

What this means in terms of asset classes is that traditional diversification between equities and bonds is being challenged as Treasury yields are at historical lows and might stay there for some time.

In that matter, some participants have reviewed their risk positioning. For the fixed-income asset class, one participant said “a bank’s ability to generate alpha through active management takes [on] even more importance in this context of low interest rates”.

Do you believe a lasting low interest rate environment will become the new norm once the crisis has ended?

Source: Lombard Odier
A bank’s ability to generate alpha through active management takes on even more importance in this context of low interest rates.
Investments and asset classes: safe havens or new harbours?

As presented in the graph below, a majority of participants has not changed their portfolio characteristics.

Some UHNWIs have decided to adopt a rather conservative bias: turning to traditional safe havens such as gold, the Swiss franc, the Yen and sovereign bonds.

Others think it is a time of opportunity. A minority is ready to increase their portfolio risk budget, and they are relying on their bank to guide them.

Private equity and private debt are also of interest to many participants in this low interest environment. Real estate, in a selective way and especially on the residential side, is an asset class that many participants follow and some actually made acquisitions in the second and third quarters of 2020.

Ultimately, many agree that the COVID-19 crisis will create many new opportunities or reinforce certain trends, particularly in healthcare or IT. However, despite screening for opportunities, a number of participants are adopting a “wait and see” approach.

This is mainly because of a lack of understanding of the risks involved amid a lack of visibility on how the global situation will evolve.

Are you currently considering rethinking and changing any of your portfolio’s characteristics?

![Bar chart showing the percentage of participants considering changes in expected returns, risks (including market risk and credit risk), liquidity, and time horizon.]

Source: Lombard Odier

Please read the important information at the end of the document.
Lombard Odier · December 2020
One participant said: “I am mildly worried that the companies that are benefiting from the pandemic could be overvalued at some point – there might be a correction for [the] tech sector at some point”.

Of course the technology sector is no stranger to high valuations, or to severe corrections, in the wake of the Dotcom bubble 20 years ago. Currently, seven of the world’s ten largest companies by market capitalisation are technology groups.

“We could be looking at another tech bubble (many starts but lots will fail),” said another participant.

One respondent said that, with the low cost of borrowing, the crisis has created opportunities on the real assets side too but good deals were not that easy to identify.

“There is no visibility to which sectors or country will really perform in the mid-term,” he said.

The theme of visibility (or lack thereof) pervades our study and cuts to the heart of the insecurities felt not just by investors but the world at large.

Again, there is therefore an increased need from UHNWIs to be guided by their bank in order to assess, filter and ultimately find solutions.

“There is no visibility to which sectors or country will really perform in the mid-term"
Globalisation: more local and less global world? How do we re-align the economy to the new reality?

Before COVID-19 emerged, the hyperconnectivity of countries and individuals seemed to be deeper than ever. It only took a few weeks for the outbreak to spread across the world, affecting individuals even in the most remote places, compared to previous virus outbreaks (SARS, Ebola, etc), which had been contained to specific areas.

The feeling of being impacted together and sharing the same fate has been reinforced by the increasing sophistication of connectivity tools such as (Zoom, MS Teams, etc).

“The whole world is on the same page because of COVID-19,” one UHNWI said.

The UHNW participants mentioned their regular virtual calls to their children living outside of Asia, from Europe to the US.

This is reinforced by the results of our study, which shows that 81% of UHNWIs who responded think that there will be more digital, less physical human interactions after and as a result of the COVID-19 crisis.

That said, it is no secret that the global economy has slowed down since the crisis began, with some sectors suffering more than others, and countries have been functioning more in autarky than before.

Travel across borders is still barely taking place, global trade has decreased and the survival of globalisation is being questioned.

One of our participants wondered “whether the idea of globalisation will continue. There is an uncertainty about future living plans and freedom of travel is not guaranteed anymore”.

Another participant considered that “the era of globalisation might be a victim of a pandemic situation like we’re witnessing now”.

So, how will the global economy re-align with the new reality?

Do you believe the world will be more local and less global once the crisis has ended?

Source: Lombard Odier

Please read the important information at the end of the document.
Lombard Odier · December 2020
For many UHNWIs, domestic interest and a refocus on the local economy are important.

“Local interest is essential”, one participant said. “It will create collaboration between companies. [In particular], small businesses should collaborate with each other to create new business locally”.

Ultimately, the consensus among participants is that globalisation will persist but probably under a different structure.

“Value chains have already started to transform; for example in commodity trading”, as one UHNWI highlighted.

A key concern of UHNWIs amid COVID-19 is how they access a foreign country going forward - including business opportunities and local entrepreneurs – considering that travel is limited and the ease of access economically is not there anymore.

“The world will enter in a new norm when it comes to global flows. It is not clear yet how accessing local economies will be possible,” said one UHNWI.

Many UHNWIs stressed the importance of having strong local partners as a solution to access a market.
“Extra” financial services: a differentiating factor?

The range and quality of a bank’s financial services is therefore of paramount importance in the context of a banking relationship.

Based on our study, the most important “extra” financial services for UHNWIs today are, on average, financing solutions, access to entrepreneurs, followed by real estate opportunities in a given Asian country. It matters even more today as countries are harder to access.

One UHNWI told us that this is exactly what he expects from a private bank. The main differentiating factor is “having the opportunity to connect with peers in a constructive manner, in another country, a given sector, and discovering new opportunities and perspectives”.

Financing solutions appear as the most looked after need on an average basis.

The availability of these extra financial services highlighted in the following graph are important for a vast majority of the participants (76%). Therefore, the ability of a private bank to find a solution to facilitate them is an important aspect to consider.

76% of the participants considered that the availability of extra financial services influence the choice of their bank.

“...having the opportunity to connect with peers in a constructive manner, in another country, a given sector, and discovering new opportunities and perspectives.”
How important are the following financial services to you today?

- Ability to be connected with entrepreneurs
- Access to real asset opportunities (e.g., real estate)
- Financing solutions (personal & business side)
- Investment banking services (M&A, ECM, DCM, etc.)
- Treasury management capabilities

Source: Lombard Odier
Sustainability

› What is sustainability? Seeing the wood past the trees

› It starts with values...

› Sustainable relationships

› Climate change: Common ground for banks and investors
Sustainability

COVID-19 has forced our UHNW participants to ask themselves many broad questions and reflect - not only on the way there are driving their businesses but also on which values they are willing to drive their life.

The idea that this represents a reset is viewed by UHNWIs as positive because, for many years, there has been a materialistic trend to accumulate wealth with a pure capitalistic perspective.

UHNWIs interviewed said they were happy to be able to take a step back and reflect on what matters - and what does not. They want to understand in a deeper way the implication of their actions.

This is timely because, with reference to the graph presented above (p.26) once again, 83% of participants in our study think that inequalities will increase in the new norm following COVID-19.

We believe our economy is already transitioning towards a model where growth de-couples from its social and environmental footprint using a series of strategies to achieve this goal.

We refer to this as the CLIC™ model – one that is CIRCULAR, LEAN, INCLUSIVE and CLEAN, underpinned by a series of sustainability dynamics that are investable opportunities.

With that in mind, the notion of sustainability could be the most significant and exciting investment opportunity going forward, and UHNWIs we spoke to placed a heavy importance on the topic.

Climate change featured strongly as a broad concern, while incorporating sustainability into business strategy, corporate values and the types of investment available – including ESG investing - also featured.

89% of participants think that sustainability trend is here to stay
Lombard Odier – The transition to a CLIC economy and what this means for investors

The prevailing economic model has a severe negative impact on our natural environment and the gains from economic growth are unequally distributed. We call this the WILD economy, which stands for wasteful, idle, lopsided and dirty. It is completely unsustainable in the long term and this is increasingly evident even in the short term, with worrying developments around us today.

However, we see a powerful feedback loop of regulatory pressure, technology, investor concern and consumer preferences starting to force a rethink of business models. Past business practices that are the root cause of climate change, biodiversity loss and societal unrest are losing legitimacy and this is manifesting across financial markets and the real economy. Companies that understand this transition will flourish, while those that do not adapt will face existential threats.

In the midst of a global health crisis and recurrent social tension, we can see no development more significant or more urgent than the need for a fundamental redesign of our economic model, and its replacement with a more sustainable, regenerative alternative.

To ensure inclusive economic growth, there is a clear need to fundamentally rethink the way we live, produce and act. The end goal of this transformation is an economy that is Circular, Lean, Inclusive and Clean™.

For investors, the greatest challenge will be to identify which investments are fully aligned with future sustainability challenges. During this current period of uncertainty and economic and market turbulence, actively identifying those businesses that have the foresight and agility to adjust their business models, or invent new ones, and avoiding those oblivious to the need to transition, is even more vital.
What is sustainability? Seeing the wood past the trees

Almost everybody acknowledges the importance of sustainability, visible both on the quantitative answers and during meetings.

A Next Gen UHNW participant said: "Sustainability is the future, no question about that".

This is evidenced by the study results, which showed that 61% of respondents take sustainability and ESG into account when making investment decisions.

However, many UHNWIs are still not clear on what sustainability actually is.

One Singapore UHNWI participant asked: "Could you first explain [to] me what you mean exactly by sustainability?"

Another UHNWI said: “I would like to invest in the sustainability theme but I am not sure how to do it”. Another said “I am very much into green but haven’t been presented with the opportunities on sustainability”.

Part of the problem is that guidelines are nascent as to what defines a good or bad company. ESG scores are an important start but they are often not sufficiently understood by investors.

Regarding sustainability

Source: Lombard Odier

Please read the important information at the end of the document.
Lombard Odier · December 2020
UHNWIs’ interest wanes when it comes to the belief of superior returns thanks to taking sustainability into account.

As such, 56% of the participants who responded that they had not yet actively increased the proportion of sustainability factors in their portfolios are still unsure or do not plan to do so in a foreseeable future (see previous graph).

It is clear therefore, that banks need to engage their clients more on the theme, and help to educate them along the way.

That said, the range of products and assets is burgeoning.

According to the Asian Development Bank (ADB), using data from the Global Sustainable Investment Alliance, the amount of sustainable investing assets in Asia ex-Japan grew from USD 45 billion in 2014 to USD 52 billion in 2016; and from USD 7 billion to a huge USD 474 billion in Japan over the same period. Globally this equates to a 25% increase in such assets over the period.

Meanwhile, according to International Finance Corp, there was about USD 280 billion of green and sustainability bond issuance globally in 2019, a big increase from the USD 190 billion in 2018.

It is obvious the data are only going one way but the results of our study show that much needs to be done by banks to communicate the benefits of such investments and increase visibility of potential areas of investment.

61% of respondents take sustainability and ESG into account when making investment decisions.

Has your bank engaged with you on sustainability?

- Do not know: 22%
- No: 26%
- Yes: 52%

Source: Lombard Odier
Many UHNWIs have adapted their behavior. Some want to know more about the companies of which they are becoming a shareholder.

One EU participant domiciled in Asia, for example, is worried about redistribution of wealth, and is now much less keen for aggressive tax optimisation.

“I want to contribute more to reduce inequalities”.

“When I can travel again, I will rather spend on local products for the local economy to benefit,” said another.

When explained, the principle of scoring ESG on a scale brought interest to participants, as it enables them to understand better how a company is positioned from a sustainability angle.

One UHNWI approaches sustainability in relation to his values. He follows an exclusion criteria: when some investments are not aligned with his values, he will not invest. He shared that he would consider corporate governance prior to investing in listed companies, as part of his investing values and approach to sustainability.

He is also especially cautious when investing in certain Real Estate Investment Trusts because he thinks some continuously try to increase rents, mechanically killing a part of the economy that cannot cope with the increase. He would also be interested in getting an analysis of the number of people dismissed by companies along with the reason(s) why, in order to evaluate the corporate culture of companies.

Have you identified or defined your family’s values?

Sources: Lombard Odier
One Japanese UHNWI chose her bank uniquely based on the bank’s focus on sustainability. Her understanding of ESG is around charity (giving back to the society) and being environmental friendly. Her only concern from an investment point of view is capital protection.

Responsible use of a country’s natural resources is another area that stirs the passion of companies and investors, not to mention governments and politicians.

How resources such as oil, coal, grains and metals are bought and sold, to domestic or overseas investors and companies, has been the source of acute tension for many years, including in Australia, Southeast Asia and South America.

This is only set to intensify as the world’s population continues to grow, wealth distribution fluctuates and government protectionism increases.

As such, one Indonesian Next Gen UHNWI participant highlighted the need to further protect the “natural capital” of Indonesia and that industries should further protect the input and control the output more, in the context, for example, of commodity extraction and trading companies.

Throughout the few meetings we had with Next Gen UHNWI, it clearly appeared that sustainability is a key interest and that sustainable investing is becoming increasingly important for them.

Technology is also clearly connected with the sustainability theme. For example, one UHNWI is considering upgrading the IT infrastructure of her company’s commercial building, including an energy solution limiting CO2 emissions. She is also targeting tenants that also have a focus on sustainability.

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"I want to contribute more to reduce inequalities. When I can travel again, I will prioritise spending on local products so that local economies benefit."
Sustainable relationships

All this points to a need for UHNWIs to better understand the options available to them when it comes to sustainable investing; it is also set to play an increasing important role in the choosing of a private bank.

This is highlighted by the below exhibit, which shows that UHNWIs - in Japan and Thailand in particular - now consider sustainability as a factor in deciding which bank to choose.

As highlighted in the aforementioned exhibit, there is variation between countries.

“It could take a really long time before UHNW investors in my country will look at sustainability as an investment criteria,” said one UHNW participant.

Another said it did not look to be a priority in countries where economies had been severely impacted by COVID-19; for example in the Philippines and Thailand, where tourism represents a significant part of GDP.

It is clear that sustainability means something slightly different depending on the investor and the country of domicile.

A lot more work needs to be done by banks to guide UHNWIs through this uncertain landscape; to cut through the noise regarding the types of investment available, information disclosure and performance visibility.

Although UHNWIs appear certain that sustainability has an increasingly important role to play in investment going forward, they still need to be given a lot more confidence; and the right advice can go a long way to achieving this.

Focus on sustainability

Percentage of people that cite sustainability as one of the top 3 factors when choosing the bank

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Source: Lombard Odier

Please read the important information at the end of the document.
Lombard Odier · December 2020
It could take a really long time before UHNW investors in my country will look at sustainability as an investment criteria.
Climate change: Common ground for banks and investors

When discussing sustainability in any context, the issue of climate change always features strongly. The responses to our study, as highlighted in the graph on the following page, suggest the topic can provide a touchstone for engagement between bank and clients.

Many UHNW participants said they were deeply concerned about climate change, with many asserting that the current global response to the issue is not enough.

According to most participants, a coordinated answer is needed:

“it would be very difficult to change something on the planet if countries don’t do it all together”.

The experience of COVID-19, however, has not given some of our participants much hope this will happen, with the suggestion being that countries are looking more inward than in a collaborative manner.

Specifically, the prospect of the US and China aligning themselves in that space is a shared concern among UHNWIs. Of course this could change, particularly if the US rejoins the Paris Agreement following Joe Biden’s victory in the US Presidential contest.

A transition to a low-carbon and climate-resilient economy is not easy, and will require innovation, commitment and significant investment. At the same time, pressure from consumers, regulators and innovation is rapidly changing the business landscape.

Regardless of the pace of this change, visibility (or lack of it) is again an impediment to investment in terms of dealing with the issue, and participating in initiatives and products that seek to combat the problem.

“From the investor perspective, climate change is an inexact science. Various risks identified by the [Financial Stability Board’s] Task Force on Climate-related Financial Disclosures have made it hard for investors to establish a direct line of sight between

“ It would be very difficult to change something on the planet if countries don’t do it all together. ”

Connection, transition, transformation: engaging Asia’s UHNWI in the New Normal
climate science and investment outcomes,” according to KPMG’s report4 “Sustainable investing: fast-forwarding its evolution”. “They are fraught with as many unknowables as unknowns.”

Despite the current lack of visibility, it is clear that UHNWIs are rethinking the values on which they use to invest – in part triggered by the COVID-19 crisis - and are reflecting on the impact of their actions on the environment and society.

The challenge for banks is to help solidify that reflection and give it real direction.

Do you believe there will an accelerated climate change response once the crisis has ended?

60%
40%
20%
0%

Don’t know Yes No

Source: Lombard Odier

Family Services

› Keeping the lights on: Business continuity amid COVID-19

› Family values

› Succession

› Urgent need
Family Services

COVID-19 has had a profound impact on human life, with many families separated and the health of family members put in jeopardy. This is distressing enough for any family but when business continuity is part of the equation, the stakes are even higher.

The crisis has also raised some key longer-term questions for family businesses and family wealth governance that have perhaps become more urgent.

Where will our children study? Where will they live and work? How should we be organised to make sure our business survives this crisis and is well positioned?

Lee Wong, Lombard Odier’s head of Family Services in Asia, believes that the crisis has brought to the forefront a lot of the issues of concern to UHNWIs.

“What we’ve found is that the typical hopes and fears – providing financial security for the family, creating a lasting legacy, mitigating tax exposure, fears about wealth erosion or about ensuring a smooth transition of family inheritance, and more – are of heightened importance,” she said.

It has also – perhaps most importantly – highlighted the need for specific succession planning to ensure a seamless handover of roles and responsibility, a sensitive topic that stirs a range of emotions among UHNWIs.
Keeping the lights on: Capitalise continuity amid COVID-19

COVID-19 has disrupted every industry to varying degrees and the immediate concern for family businesses has been focused on how to ensure family members are safe and well while preserving reporting lines and strategy.

**During the enforced travel restrictions, lockdowns and other COVID-19 control measures, some family businesses have seen their operational set-up challenged because one (or more) decision maker got stranded outside of their domestic country.**

In our discussions with UHNW families, it was clear they reacted in two clear distinct ways during the crisis:

1. **Family Reunited**

Some family leaders asked all family members to change their plans and come home, where the family business headquarters often is.

Children that were being educated abroad came back to a local school. Next generations working in different fields than the family business’ main sector, were asked to come home to support the business.

Quite often, this solution has been adopted in the context of the family business being mainly active in the family’s domestic country.

“We will continue to do what we are good at in the country that we know most: our country” said one participant, who added “And we currently have no plans on expanding our business abroad”.

2. **Opportunity**

Some families let the next generations explore the possibilities of online education and online communication while abroad.

They started to monitor their foreign businesses not only through video conferencing but also through innovative means: for example, a Hong Kong participant used a 360 video system to monitor his real estate construction development in China.

“We want to have family members present in each strategic geographical areas, as we believe those areas will be full of opportunities going forward but harder to access”.
Family values

The underlying health concerns brought by COVID-19 have made a lot of participants reflect broadly on their family’s values, and whether those values are sustainable for the family.

One respondent from Philippines shared:

“We have had a family constitution for the last 15 years, and we are continuously upgrading it. There are 10 grandchildren and we have put an insurance solution in place for the whole family already in order to preserve the wealth”.

However, more work remains to be done, both on the part of UHNWIs and the banks that serve them. Despite COVID-19, only a small number of participants said it made them reflect on the way their businesses and the family were structured.

“I do not have a structure in place,” said one participant. “I do not perceive the exact added value of having one but I know I need to reflect on the whole family set-up, and I do not know where to start”.

The majority of participants appear not to have put in place a family governance strategy, according to their feedback. If they did, it seems to be relatively fragile, especially with regards to second and third generations who traveled abroad for work or studies.

Quantitative results are consistent, showing that about a third of UHNW respondents have not even defined their family values or governance. The majority answered that they are not considering implementing such a strategy.
Have you already structured your family governance?

If “No”, has current crisis prompted you to consider putting a structure in place?

If “Yes”, are you considering rethinking this structure in the current context of the COVID-19 crisis?

Source: Lombard Odier
Succession

Based on our discussions, it appears the important wealth transition happening in Asia has only started to happen, and it is only the tip of the iceberg. A lot of business assets are slowly being passed to the next generation, and the second generation is also stepping in to build family offices, so the trend is there and a wave is about to come.

In that regard, the crisis has brought into sharp focus the need for workable succession planning. With the next generation waiting in the wings, ensuring a smooth transition is essential, despite the sensitivities surrounding the issue.

For example, according to a 2019 PwC global NextGen report\(^5\), there is reluctance on the part of current family business leaders to commit fully to a succession plan.

There are various factors at play, including perceptions of expertise, elements of self-doubt on the part of second generation family members, and a hesitation to hand over responsibility on the part of incumbent family leaders.

“We need to transition into a democracy and out of a monarchy,” as one US Next Gen participant said during the course of the report.


“The time has come to involve all my children in the family business. The world is changing and we need to adapt.”
Urgent need

According to our results, only 42% of our respondents have already structured their family governance.

The question for such UHNWIs is whether there is genuinely no need for family governance or whether there is a need but it is simply not acknowledged.

If the latter is true, there is an urgent need for banks to accompany these UHNWIs. As such, the post COVID-19 world constitutes a tantalising opportunity for banks to forge a closer relationship with clients and prospective clients.

Communication is therefore key, but engagement can at least be reinforced by the satisfaction levels of existing clients who already have a family structure strategy.

According to our study, 49% of UHNW respondents who already have a family governance structure are not considering a change following COVID-19.

In addition, only 36% of the UHNWIs that do not have yet a structure in place, are now thinking of adopting one.

In any case, COVID-19 has made the need for engagement on the subject of family governance very real.

One Japanese participant said “the time has come to involve all my children in the family business. The world is changing and we need to adapt.”

So do banks. Therein lies the challenge.
The last word

The crisis has given people a uniquely shared experience of enduring together, transcending cultural, political, social and economic differences. This emerged strongly from the meetings we had and the quantitative data we collected; we all lived the crisis in a similar way.

Perhaps it is too soon but it is tempting to think of the 21st Century as being pre-COVID and post-COVID.

Too soon because we are only 20 years into the century but also because the crisis itself is still unfolding.

It has forced families apart, disabled economies, taken governments to the brink and re-written the rules of business through remote working.

For businesses, the crisis promises to redraw the map: in terms of supply chains, investment flows, strategy and financial planning.

As such, and perhaps most importantly, it is forcing the world to look at itself – as individuals and what it means to be part of a collective.

So what happens next? How will the world reshape itself following COVID-19? And what lessons can be learned from the crisis.

Technology is an obvious lightning rod; a conduit through which positive change can happen in all facets of life, including the environment, human communication and investment.

However that is only part of the story.

Although innovations in technology have made it easier than ever to remain distant from each other, people still crave physical interaction.

People want a world in which meetings are held in meeting rooms, handshakes are given and body language better identified.

In fact, COVID-19 has taught us that this is more important to people than ever before, and should not be taken for granted. Our study underlines this.

The future will therefore be a marriage of technology and the human experience, where solid and meaningful connections are reinforced by accelerated digitalisation, not defined by it.

As such, if technology will be a key catalyst going forward, the re-alignment of values will underpin global development (and investment) over coming decades.

In our discussions with investors, some told us they wanted to better understand the implications of their investments, the impact of their decisions and the nature of the companies they invest in or do deals with.

Investors are not just re-examining their strategies, they are questioning whether they stand up in a world beset by climate change and poverty, and which has been reminded of its fragility in 2020.

In this regard, sustainability promises to realign these values and represents the most important opportunity for investors and the world going forward.
Was the following factor essential for you when working with a private bank?

That said, its future growth is unclear and, although it is moving to the top of agendas globally, it still requires investment to translate this into lasting change.

As it means different things to different people, this is no easy task. We therefore need to help investors understand what it means, how it relates to their own reality and how they can make sense of the data.

The potential is enormous.

To play the most effective role in this new reality, banks need to do more than provide the best advice.

We drove both our participants’ meetings and this study based on three themes: Technology, Sustainability and Investments.

Based on quantitative data collected (see Graph above), it appears that those 3 themes are exactly the factors that gained in importance for UHNWIs since the crisis, especially when choosing a bank. “Strong technology platform” as a factor of choice has more than doubled. The quality of investment advice and insights from CIO and investment teams/CIO and sustainability factors have significantly increased. We also notice capitalisation and credit ratings of a bank as a factor of consideration.

However, it is important to notice that traditional factors such as quality of employees and corporate culture, despite registering a slight decrease, remain by far the most important factors in absolute terms. People and values matter.

In fact, we can help define the post-COVID-19 landscape by understanding our clients’ own personal reality, the needs that drive them and the insecurities that may hold them back.

The future demands a holistic approach that requires the forging of deeper connections to nurture each individual jigsaw piece to construct the big picture; one in which we all have a stake.

There are lessons here for us all.

What are the top 3 factors when choosing a bank?

Source: Lombard Odier

That said, its future growth is unclear and, although it is moving to the top of agendas globally, it still requires investment to translate this into lasting change.

As it means different things to different people, this is no easy task. We therefore need to help investors understand what it means, how it relates to their own reality and how they can make sense of the data.

The potential is enormous.

To play the most effective role in this new reality, banks need to do more than provide the best advice.

We drove both our participants’ meetings and this study based on three themes: Technology, Sustainability and Investments.

Based on quantitative data collected (see Graph above), it appears that those 3 themes are exactly the factors that gained in importance for UHNWIs since the crisis, especially when choosing a bank. “Strong technology platform” as a factor of choice has more than doubled. The quality of investment advice and insights from CIO and investment teams/CIO and sustainability factors have significantly increased. We also notice capitalisation and credit ratings of a bank as a factor of consideration.

However, it is important to notice that traditional factors such as quality of employees and corporate culture, despite registering a slight decrease, remain by far the most important factors in absolute terms. People and values matter.

In fact, we can help define the post-COVID-19 landscape by understanding our clients’ own personal reality, the needs that drive them and the insecurities that may hold them back.

The future demands a holistic approach that requires the forging of deeper connections to nurture each individual jigsaw piece to construct the big picture; one in which we all have a stake.

There are lessons here for us all.

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Lombard Odier
A different business model

Tradition and innovation, our bank’s twin pillars

We strive to preserve our clients’ wealth. For seven generations, our main objective has been to protect the assets with which we are entrusted. We currently have over 290 billion Swiss francs under management and are one of the largest private banks in Switzerland and in Europe.

For over 220 years we have forged a tradition of innovation. To meet the constantly changing needs of society and our business we invest continuously in technology to provide our clients with the information they need, anytime and anywhere they choose.

A partnership that ensures independence and continuity

Lombard Odier is an independent bank that is entirely owned by its partner-managers. This helps ensure the controlled, stable and steady development of our business. It also facilitates the preparation of the gradual transfer of managerial responsibilities to the next generation. This enables us to take a long-term perspective and make sure that our interests are closely aligned with those of our clients.

Financial strength and stability

In a rapidly-changing world, we are able to offer our clients strength and stability. We take no risks that we wouldn’t take for ourselves. This emphasis on stability is reflected in everything we do.

We are one of the world’s best capitalised banks, with a capital ratio that is twice the legal requirement. High liquidity and prudent risk exposure are the cornerstones of our balance sheet management policy.

Global and local expertise

We are an international bank with Swiss roots. With a network of over 25 offices throughout the world, including three in Asia, we can assist our clients and their families with the specific characteristics of their local environment, wherever they may live, while taking international implications into account.

6 Subject to the laws and regulations that apply to cross-border activities.

Please read the important information at the end of the document.
Lombard Odier · December 2020
We have weathered 40 financial crises and have always come out stronger, not by remaining as passive spectators, but by constantly re-evaluating and rethinking the world in which we operate.

We’ve used imagination and innovation to create a different perspective on the world for us and our clients. It is this ability and willingness to constantly rethink things that brings us stability. It’s what makes us different.

LOMBARD ODIER. RETHINK EVERYTHING.
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Vincent Magnenat
Chief Executive Officer, Asia
and Limited Partner Lombard Odier