

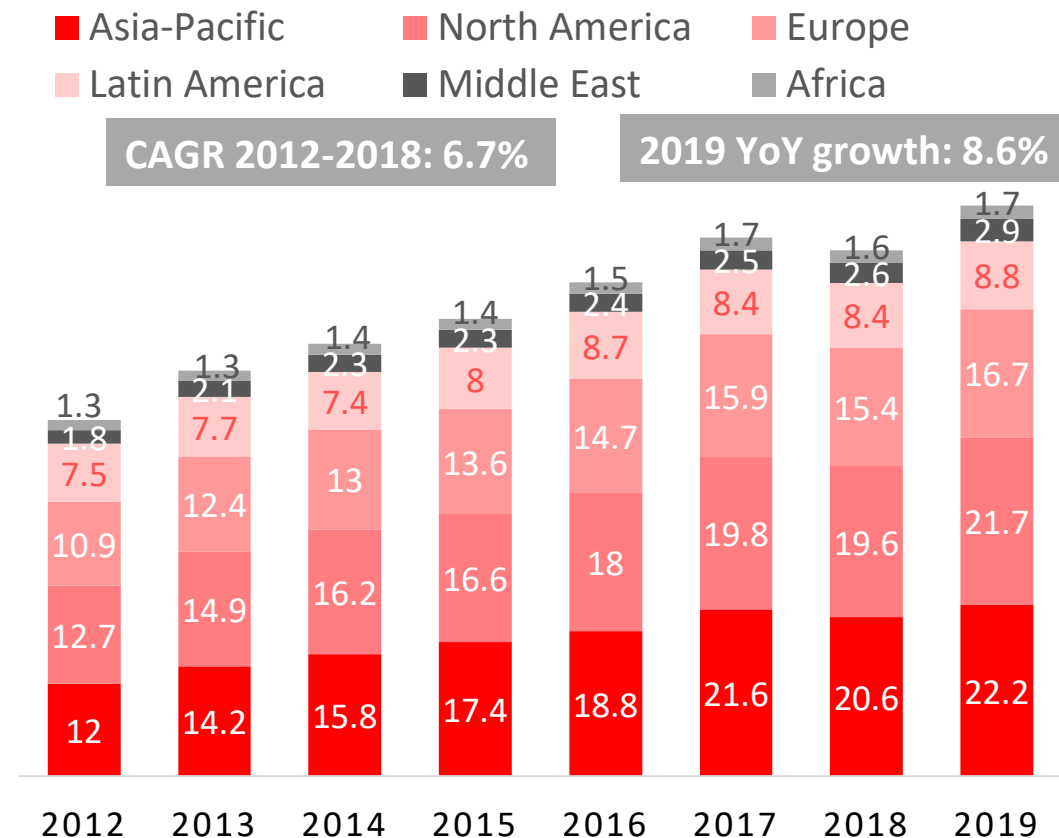
Investment Preferences of Mainland and Hong Kong High-Net-Worth Individuals

Economic Research Department
5th May, 2021



Strong growth of financial wealth among high-net-worth individuals (HNWIs)

Global HNWI financial wealth by region
(USD trillion)

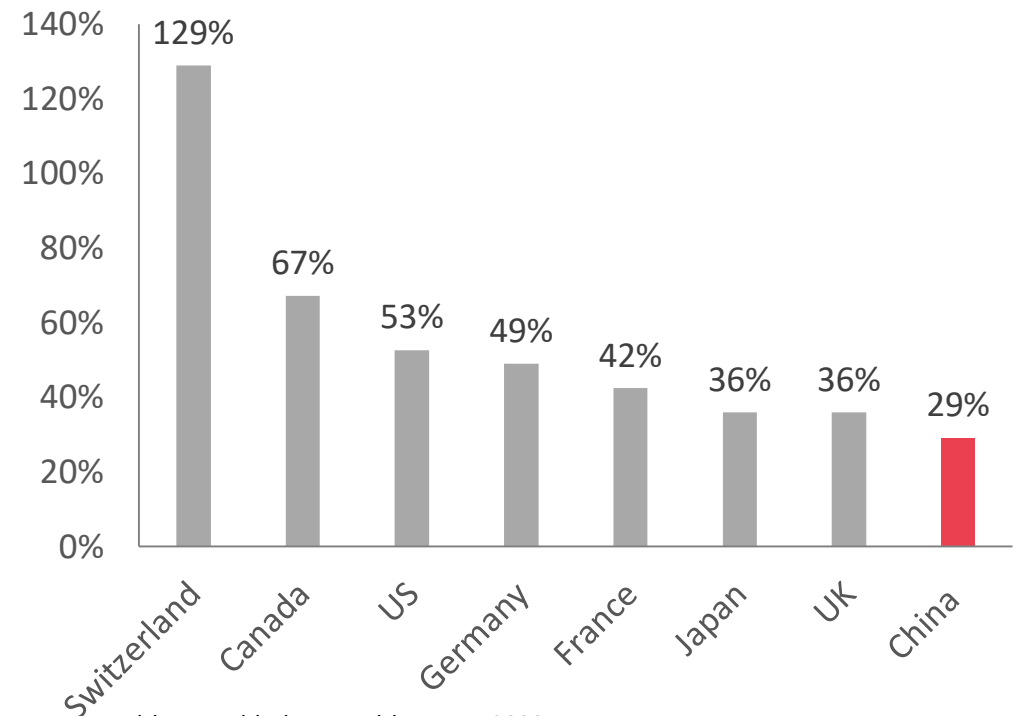


Source: Capgemini Financial Services Analysis, 2020

Remark: HNWIs: Those with at least USD 1 million in investable wealth

Big potential for China's wealth management business

Ultra high-net-worth individuals' wealth as % of GDP in 2019



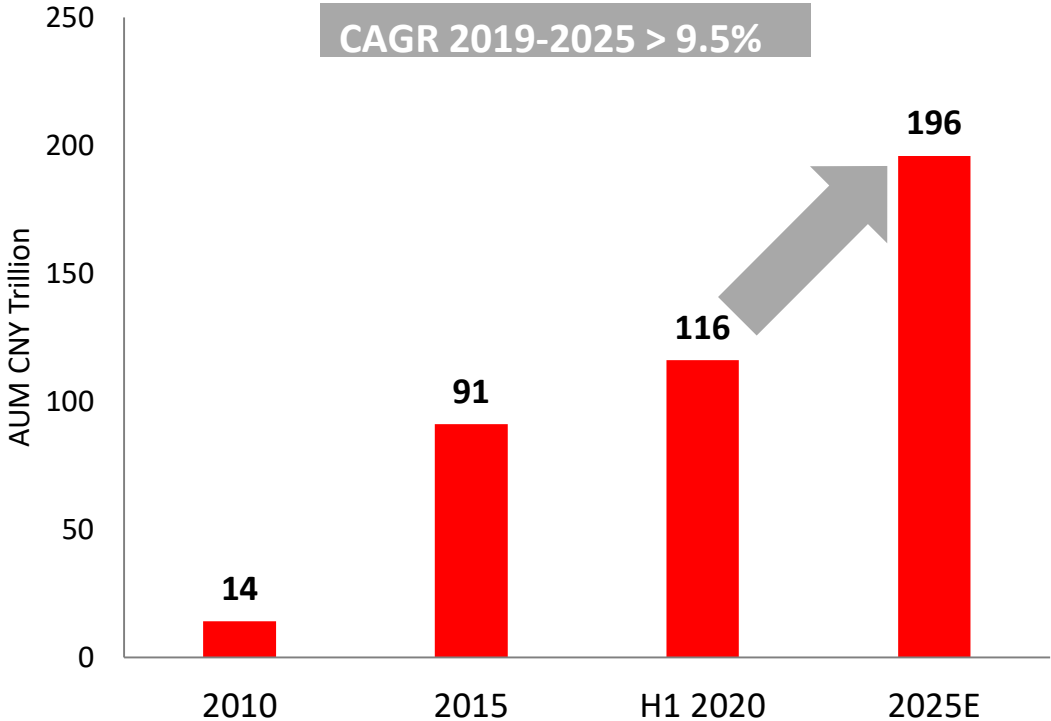
Sources: Wealth-X World Ultra Wealth Report 2020, IMF

Remark: Ultra high-net-worth individuals = net worth of more than USD 30 million

China expected to see particular growth in HNWI wealth

AUM in China to see strong growth over the next few years...

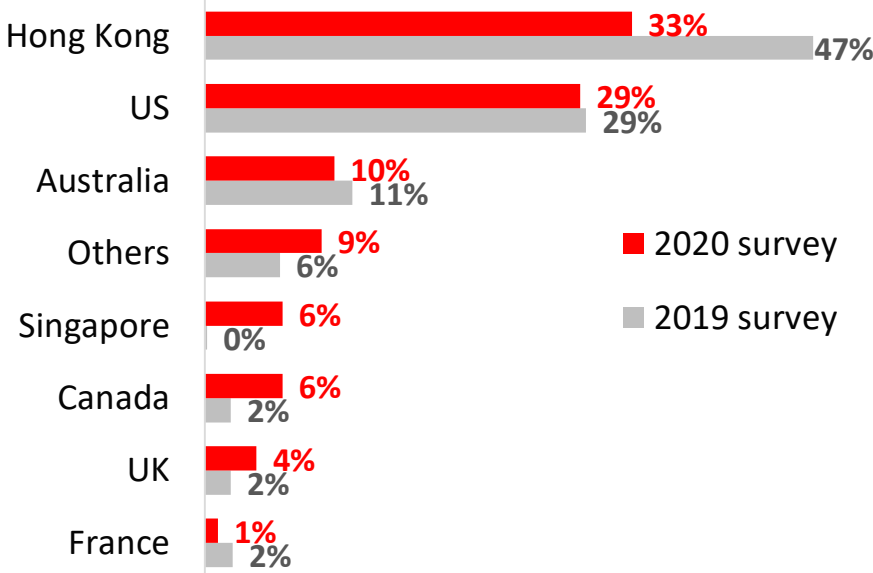
China's assets under management (AUM)



Sources: WeForum; McKinsey

...and HNWI are keen to invest overseas for greater diversification

Chinese HNWI's overseas investment destinations



Source: China Banking Association 2020

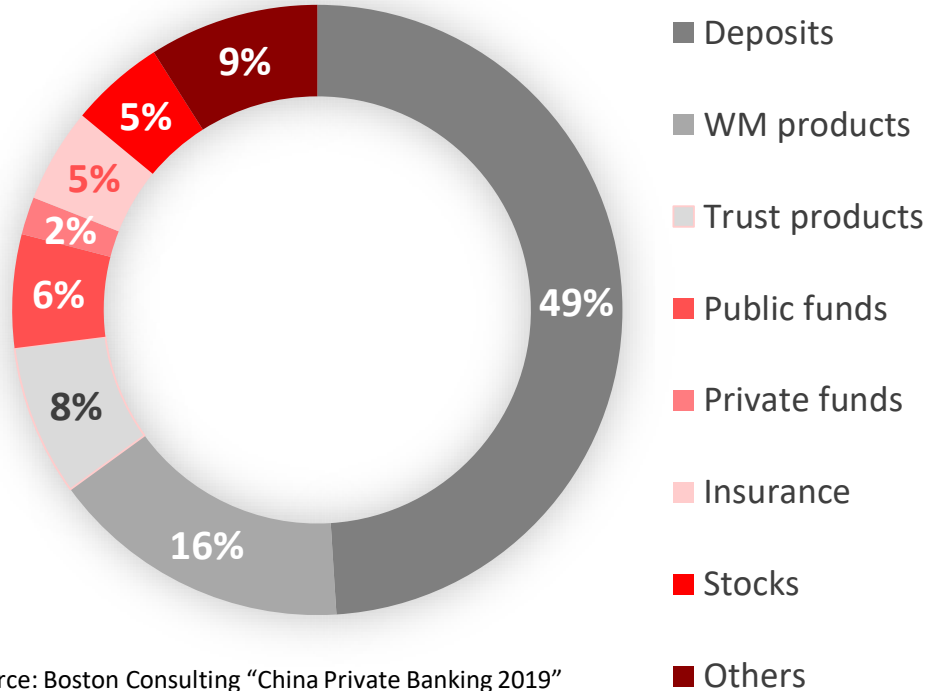
Reasons given for investing overseas:

- **63%** for **risk diversification**
- **14%** to capture **investment opportunities**
- **8%** for **emigration**

China's HNWIs are turning to more sophisticated products

Currently, deposits account for a significant portion of Chinese HNWIs' investable assets

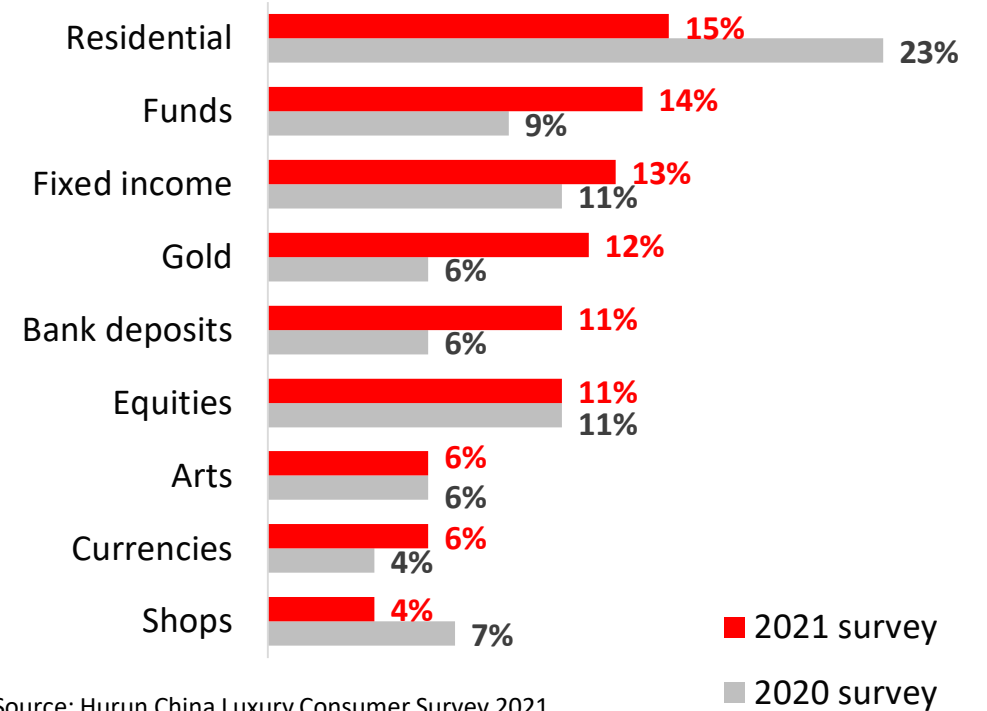
China's investable assets by categories



Source: Boston Consulting "China Private Banking 2019" (data excludes property investment)

Though property investment is still the top priority, mainland HNWIs are more interested in funds and fixed-income assets

Investment set to increase over next 3 years

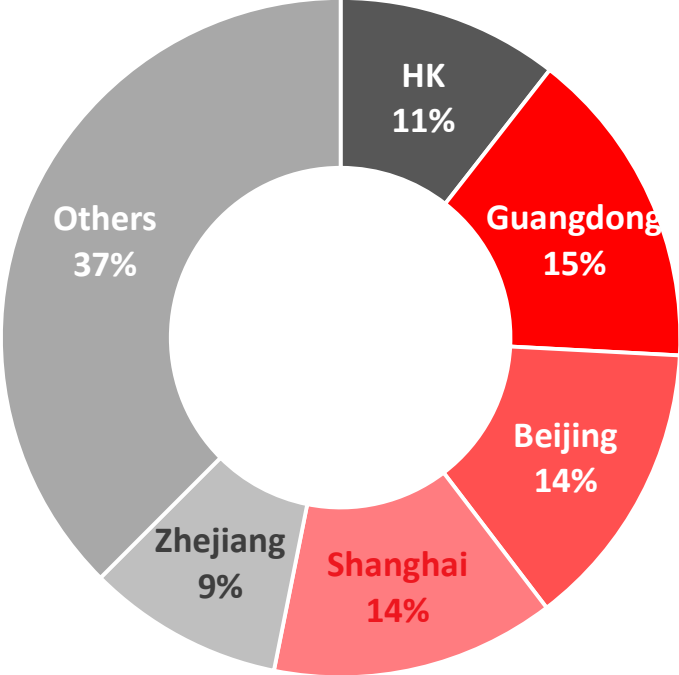


Source: Hurun China Luxury Consumer Survey 2021

Greater Bay Area – China’s most affluent region

Guangdong province has China’s largest number of high-net-worth households

Share of households with investable assets of CNY 10 million or above



Source: Hurun Wealth Report 2020

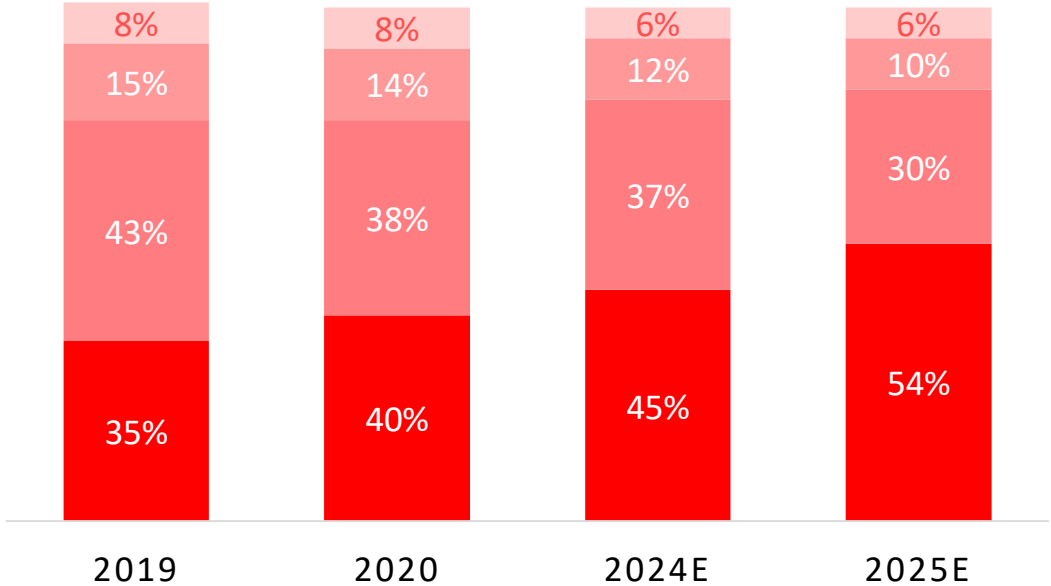
GBA: An economically affluent and fast-growing region

- Population of over **70 million**
- Combined GDP of **USD 1.6 trillion**
- GDP per capita of **USD 23,000**, comparable to some middle-income countries
- In Guangdong, over **165,000 households** have investable assets above CNY 10 million
- **Shenzhen** and **Guangzhou** account for **45%** of households; Foshan, Dongguan, and Zhuhai account for another **20%**
- **Innovation and technology** hub

Mainland China is the core driver for HK's private wealth management industry

Hong Kong-based AUM in private wealth management industry by place of origin

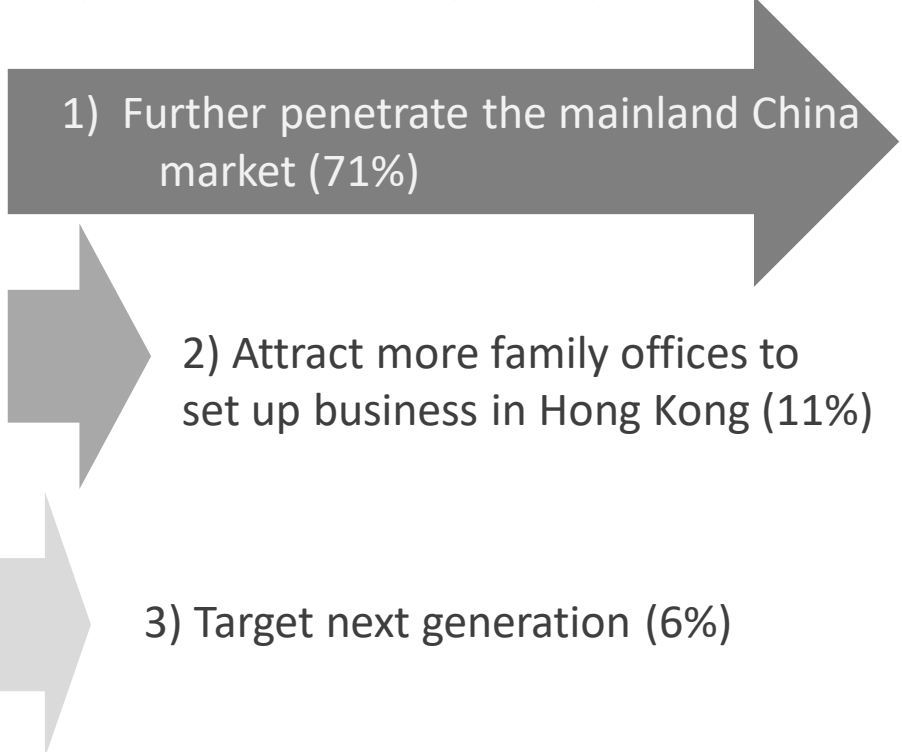
- Mainland China
- Hong Kong
- Other Asia-Pacific
- Other Global



Source: Hong Kong Private Wealth Management Report 2020 (KPMG Nov 2020)

Mainland China is the world's largest growth opportunity, with the GBA being the key driver

Key growth opportunity strategies identified by surveyed private wealth management practitioners



Source: Hong Kong Private Wealth Management Report 2020 (KPMG Nov 2020)

The fastest-growing segment in HK's private wealth management industry

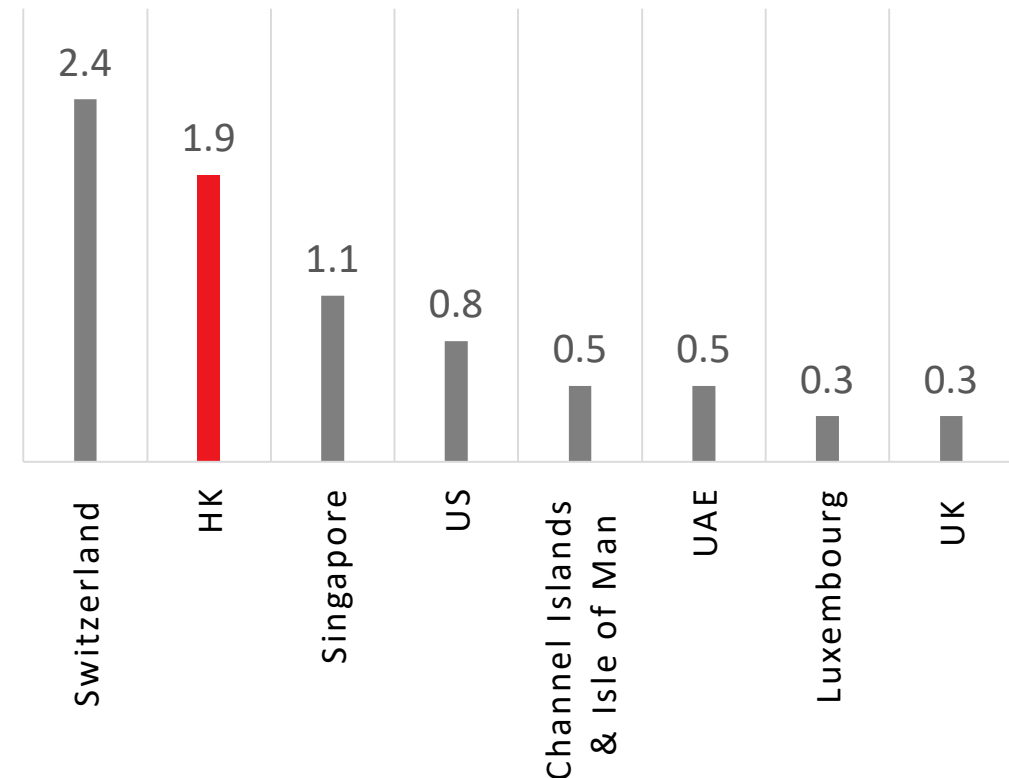
GBA Wealth Management Connect (WMC) is poised to take off

- **Residents in mainland GBA cities** can invest in eligible investment products **offered by HK and Macau banks**, and vice versa, with funds in a **closed loop**, subject to **aggregate and individual investment quotas**.
- The scheme targets **simple** investment products and **mass affluent** clients.
- **71%** of surveyed private bankers see WMC as highly relevant in today's context; **20%** regard it as moderately important.
- The average Chinese customer is **highly digital**, well informed, and has **high expectations** in terms of their banking and wealth management needs.

Source: Hong Kong Private Wealth Management Report 2020 (KPMG Nov 2020)

Hong Kong is the world's second-biggest hub for cross-border wealth

Cross-border wealth, 2019 (USD trillion)



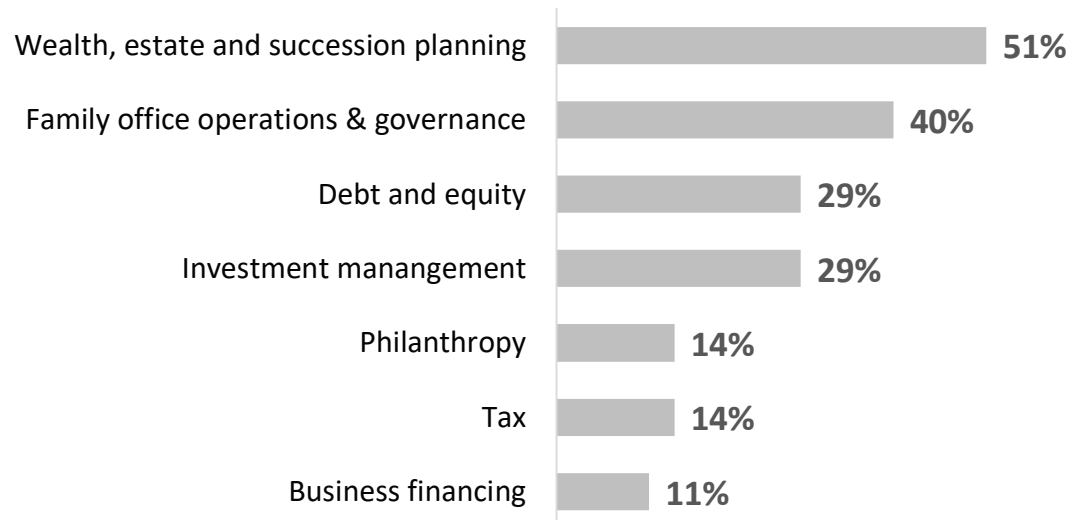
Source: BCG Global Wealth 2020

Family offices and next generation present important new growth opportunities for Hong Kong's private wealth management industry

More family offices to set up in Hong Kong

- **73%** of surveyed firms said family offices are an increasingly important source of business, up from 64% in 2019
- In China, only **33%** of HNWIs have been contacted by family officers.

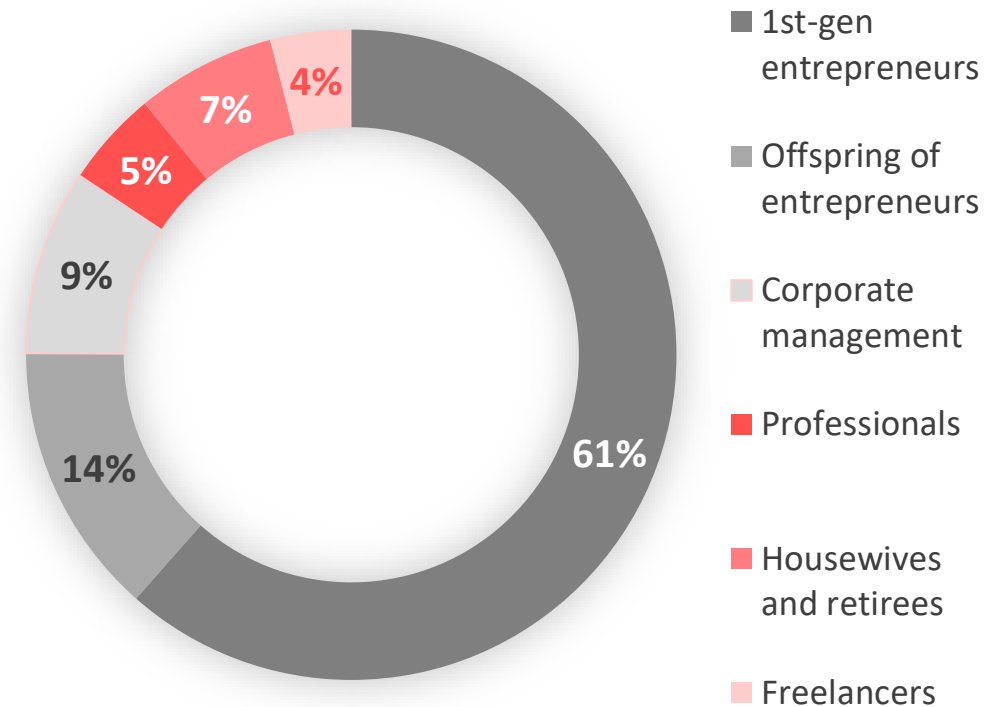
Service requirements for family offices



Source: KPMG

Next generation in the process of taking over from 1st-generation entrepreneurs

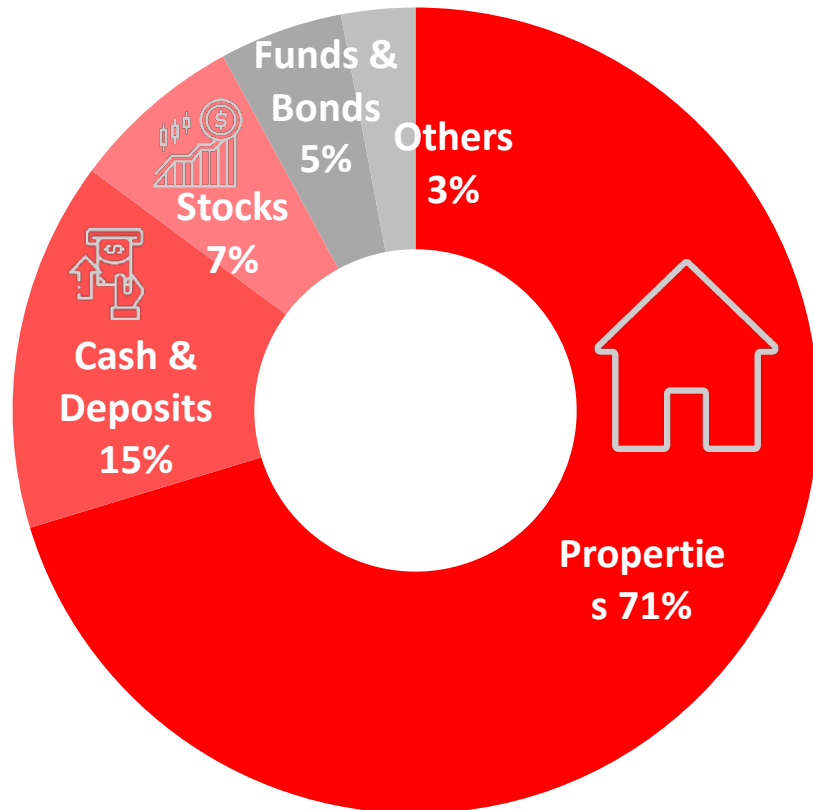
China's high-net-worth individuals by occupation



Source: China Banking Association

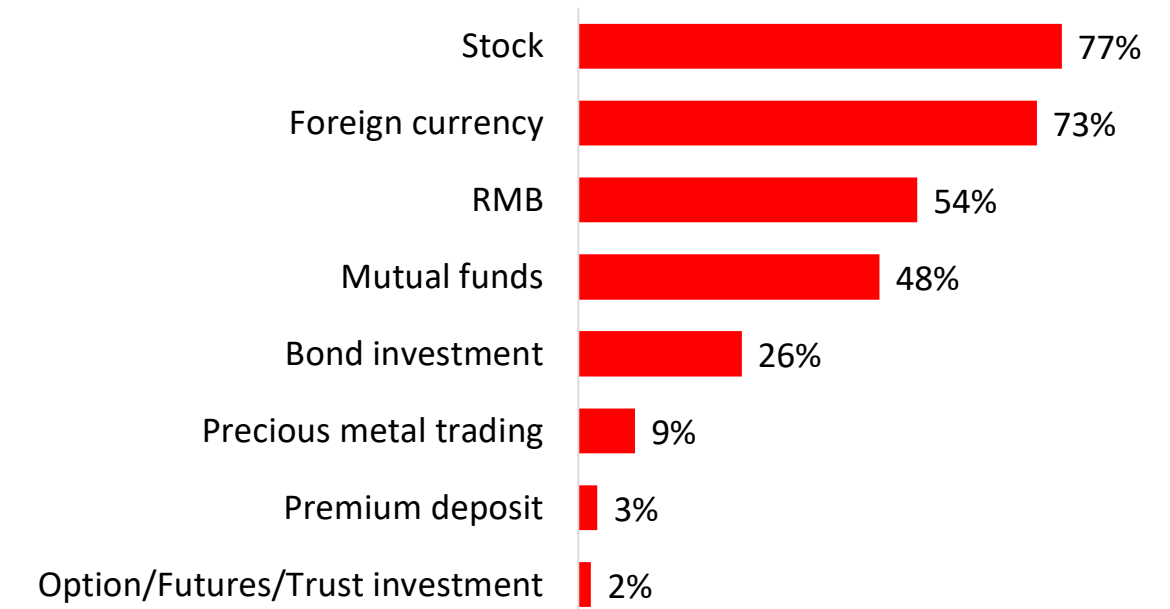
Potential for Hong Kong HNWI's' to diversify their investments through WMC

Net asset allocation of HK's multi-millionaires
(net assets > HK\$10 million)



Source: Citi

Investment by HK's multi-millionaires in the
previous 3 months



Source: Citi

- In 2020, HK investors bought about CNY 310 million of mainland funds (only **0.1%** of the CNY 300 billion quota set for the **Mainland-Hong Kong Mutual Recognition of Funds**).

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