

For Immediate Release

Hong Kong's Private Wealth Management Industry Expects AUM to Maintain A 5-10% Growth Rate Despite Challenges

Industry AUM up 19% to HKD9.1 trillion in 2019 with net inflows of HKD681 billion

Targets Mainland China, family offices and younger clients for long-term positive growth

Hong Kong, 9 November 2020 – The [fifth annual PWM report](#) co-authored by Private Wealth Management Association (“PWMA”) and KPMG China highlights the resilience and opportunities seen in the private wealth management industry against the backdrop of social events in Hong Kong and global market uncertainty. Survey respondents expect a 5-10% compound annual growth rate (CAGR) for industry Assets Under Management (AUM) over the next five years, with Mainland China, family offices and the younger generation identified as key growth drivers.

Despite predictions of outflows, the Hong Kong PWM industry saw net inflows of HKD 681 billion in 2019 (about 9% of December 2018 AUM), overcoming a challenging period. This, combined with a 10% return on assets, led to significant industry AUM growth of 19% to HKD9.1 trillion last year, up from HKD 7.6 trillion in 2018¹.

“Despite global and local headwinds since last year and in the face of the COVID-19 pandemic, the industry has remained resilient and we were pleased to see positive AUM growth and net inflows in 2019. Continuing development of the Mainland China market, particularly the Greater Bay Area (GBA), will provide the industry with significant opportunities. We remain positive about the industry’s outlook and Hong Kong’s status as a leading private wealth management hub,” said **Amy Lo, Chairman, Executive Committee of PWMA**.

According to the survey, 71% of respondents indicated that Mainland China is the largest growth opportunity (2019: 67%, up 4%), with the GBA being a key driving force. On average, 40% of AUM is currently sourced from Mainland China, with the figure expected to increase to 54% by 2025, indicating its growing significance to Hong Kong’s PWM industry. Continuing liberalisation of Mainland China’s financial services sector is expected to allow Hong Kong to further develop as an international wealth and asset management hub in the GBA, and to let financial institutions in Hong Kong further penetrate the Mainland China market.

Attracting family offices (11%) and targeting the younger generation (6%) continue to be other key drivers, according to survey respondents. Of the member firms surveyed, 73% believe that family offices are an increasingly important source of business.

COVID-19 is transforming work practices and likely to fundamentally change the operating models of many firms. Many PWM institutions have ramped up infrastructure support within a short period of time to allow client-facing staff to be more effective in engaging clients remotely. According to the client survey, 98% of surveyed clients said that the industry is meeting or even exceeding their expectations during the pandemic. In the new reality brought

¹ Asset and Wealth Management Activities Survey 2019, SFC, August 2020.

about by COVID-19, PWM firms will need to continue to transform their client interactions models and redefine work arrangements.

Peter Stein, PWMA's Managing Director, said, "We are pleased to see that so many clients in our survey were positive about their experience with private wealth managers during the COVID-19 pandemic." He added, "The industry increasingly recognises there is an accelerating shift to digitalisation that will change client expectations in a post-pandemic world."

The report found that having capabilities in "holistic digital ecosystem / multi-channel delivery", "self-service investment platforms" and "instant messaging" are considered top attributes for next generation and young entrepreneurs.

In terms of investment outlook, factors of concern include the US-China trade tensions and COVID-19, which were ranked among the top macro trends impacting clients' risk tolerance level. In addition, a fundamental shift in investment strategy by clients has been observed, with more than two-thirds of those surveyed declaring that "enhancing yield in a low interest rate environment" would be their most important investment objective.

Paul McSheaffrey, Head of Banking and Capital Markets, Hong Kong, KPMG China, said, "COVID-19 is likely to have long-term implications on private wealth management firms' operating models, as well as investment strategies. Firms that are able to transform their business and operating models, adapt their product suites and equip their staff with the tools and technologies to effectively service clients will be well positioned for long-term success."

The Hong Kong Private Wealth Management Report is largely based on an online survey of PWMA member institutions and a client survey, as well as interviews with industry executives in Hong Kong. Both surveys were conducted from June to July 2020.

The full report is available for download at:

<https://home.kpmg/cn/en/home/insights/2020/11/hong-kong-private-wealth-management-report-2020.html>

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About the Private Wealth Management Association

The Private Wealth Management Association is a Hong Kong-based voluntary association incorporated as a company limited by guarantee; it is separate from the Hong Kong Association of Banks. The main objectives of PWMA are: to better position Hong Kong as the private wealth management hub in the region by promoting and encouraging the growth and development of the PWM industry in Hong Kong and to help maintain Hong Kong's status and competitiveness as a major financial centre; to provide a forum for members to discuss and exchange views on trends and challenges faced by the PWM industry and how to strategically position for these trends and challenges; to promote proper conduct, integrity and high standards of professional competence on the part of PWM practitioners; to provide industry representation and consultation in Hong Kong on PWM-related matters; and to serve as a channel for the private wealth management industry to maintain ongoing dialogue with governments, regulators, trade bodies and non-governmental organisations.

The PWMA currently has 44 Full Corporate Members and six Associate Members with a 12 member Executive Committee serving as the Association's governing body. For more information about PWMA membership, please visit our website at: <http://www.pwma.org.hk>

About KPMG China

KPMG member firms and its affiliates operating in mainland China, Hong Kong and Macau are collectively referred to as "KPMG China". KPMG China is based in 27 offices across 25 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Hefei, Jinan, Nanjing, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. The independent member firms of the KPMG global organisation are affiliated with KPMG International Limited ("KPMG International"), a private English company limited by guarantee.. KPMG International and its related entities do not provide services to clients. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong firm can trace its origins to 1945. This early commitment to this market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in KPMG's appointment for multidisciplinary services (including audit, tax and advisory) by some of China's most prestigious companies.



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