

For Immediate Release

Hong Kong's Private Wealth Management Industry is firmly in growth mode despite Covid 19

Mainland China, next generation and ESG investing to fuel sustainable industry growth

Hong Kong, 4 October 2021 – Hong Kong's private wealth management (PWM) industry is firmly in growth mode, according to the sixth annual PWM report co-authored by the Private Wealth Management Association ("PWMA") and KPMG China, with the industry viewing Mainland China, the next generation and ESG investing as the main opportunities.

Despite Covid-19 and against a challenging macroeconomic backdrop, Hong Kong's PWM industry saw net fund inflows of HKD 656 billion in 2020, which combined with a 17.5% return on assets, led to AUM growth of 25% to HKD 11.3 trillion last year, according to data from Hong Kong's Securities & Futures Commission.

A majority of PWM institutions surveyed expect AUM to grow by 6-10% per annum over the next five years as a result of significant new opportunities, slightly above last year's expectations.

"Hong Kong remains one of the world's most robust private wealth management hubs and I'm extremely pleased to see the healthy growth of the industry in recent years. Mainland China has continued to be a key priority for our members, particularly with the launch of the Wealth Management Connect pilot scheme. We look forward to engaging with relevant authorities on how to expand the scope of the pilot scheme in the future," said **Amy Lo, Chairman, Executive Committee of PWMA**.

Currently, 41% of the industry's AUM is sourced from mainland China, versus 40% in 2020, according to the survey. Survey respondents expected this figure to further increase to 51% in five years.

Apart from mainland China, targeting the second (or third) generation presents the biggest opportunity for the Hong Kong PWM market to grow, according to 85% of the surveyed member firms.

"Servicing the next generation is clearly a major opportunity given the significant transfer of assets we are seeing between generations and the enormous wealth creation among NextGen entrepreneurs," said **Peter Stein, CEO and Managing Director, PWMA**. "Through our training and recruitment initiatives we try to support our members by helping them develop the talent they need to service this younger generation of clients."

The sixth annual PWM report also reveals that the investment appetite of high-net-worth (HNW) clients has been expanding:

- **ESG and sustainable investing:** Currently, only 6% of the surveyed member firms have more than 10% of their AUM in ESG investments. However, 72% of the respondents believe that in five years more than 10% of their AUM will be in ESG investments indicating a significant shift in the medium term.

- **Virtual assets:** 69% of the surveyed PWM firms agreed that their clients are increasingly interested in cryptocurrencies such as Bitcoin and other virtual assets, though portfolio allocation to this asset class has remained fairly low at the moment.
- **Risk appetite:** For the next 12 months, 42% of the surveyed HNW clients said their risk appetite has significantly or slightly increased across all asset classes, compared to 29% in 2020.

Paul McSheaffrey, Partner, Financial Services, Hong Kong, KPMG China, said: “The COVID-19 pandemic has shed light on sustainability issues and raised private investors’ desire to align their portfolios with their own values. While many choose to play a role in addressing social issues, the heightened demand for ESG investment products from private wealth represents a significant growth opportunity for private banks in Hong Kong, Asia and globally.”

Attracting more family offices to set up in Hong Kong (73%) continues to be another important area for growth for the PWM industry. Survey respondents suggested more regulatory clarity and the introduction of tax incentives will help attract family offices to the city.

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, regulators and other industry stakeholders in Hong Kong. Both surveys were conducted between June and July 2021.

The full report is available for download at:

<https://home.kpmg/cn/en/home/insights/2021/10/hong-kong-private-wealth-management-report-2021.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 42 Full Corporate Members and five Associate Members with a 11 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 29 offices across 26 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Dongguan, 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 organisation of independent professional services firms providing Audit, Tax and Advisory services. We operate in 146 countries and territories and in FY20 had close to 227,000 people working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

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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