

ASSET OWNERS

by Richard Newell | 3 days ago

Asia families seeking to plug sustainability advice gap

Inadequate advice, finding quality investments, conducting due diligence and impact measurement remain key challenges for family offices.



Family offices in Asia increasingly want to invest more sustainably but may be being held back by a skills gap among investment and wealth advisors, a new report suggests.

In the study published this week, Sustainable Finance Initiative (SFI) polled family office investors in Hong Kong, Singapore and Taiwan to assess just how willing and able they are to embrace sustainable finance.

The responses show a mixed picture.

"An overwhelming majority of these investors are convinced by the sustainable finance thesis and see it as a way for them to contribute to sustainable development," Leonie Kelly, project director at the Hong Kong-based SFI, said.

As a result, some have already built, or are in the process of building, small investment teams of one to three people to assist the family principle in implementing a sustainability strategy.

Less encouragingly, many are finding the quality of sustainable finance support provided by external advisors to be inadequate, the SFI said.

"This leaves investors feeling dissatisfied and prompts them to seek other sources of support in sourcing quality investments, conducting due diligence and impact measurement."

On Monday (November 18), *AsianInvestor* reported on another study, this time from Willis Towers Watson (WTW), which noted how developing key external strategic relationships is an important element of any sustainability strategy.

The SFI survey polled 18 family offices in its Investor Circle. Each respondent was either the principal or chief investment officer of the family office. All the survey data is reflective of families' investment portfolios, including personal, family office, and family foundation portfolios, SFI said.

SFI did not disclose the total asset size of the group.

NETWORK EFFECTS

Although the survey findings are generated by a small cohort of investors, Kelly said they play an important role in informing and motivating wider action in Asia.

That echoed earlier comments by WTW's Jayne Bok, referencing the way endowments and foundations had set a good example by being "active adopters, despite their much smaller size."

Investors value peer-to-peer learning and the practical, shared experiences that they gain from networks, she said. "These experiences form the fundamental building blocks of their approach to sustainable portfolios."

The survey asked respondents to rank their top-three options for questions related to drivers for sustainable investing, geographic and sector investment preference and preferred asset class allocation, as well as challenges towards sustainable investing.

The top investment preferences (based on the UN's Sustainable Development Goals) within the Investor Circle were good health and well-being, quality education and climate action. More than half of the investors plan to apply these goals within Asia, Kelly said.

Most investors expect market-rate returns across different asset classes in their sustainable portfolios, reflecting the difference between philanthropy and impact investing. They expect to make allocations of up to \$5 million in size, primarily through intermediaries, including fund managers, as well as in direct investments.

These investors expect returns of 5% to 10% per annum. They are most likely to take a balanced approach to sustainable investing but their top-three preferred asset classes are venture and growth private equity, public equities and private equity at the angel/pre-seed stage.

Hong Kong family office RS Group has incubated the SFI as a platform since its launch in June 2018. Kelly said the intention is to develop it into a community collective.

The RS Group investment team, led by founder Annie Chen, has adopted both impact and sustainability-themed investing across its entire portfolio. It achieved a 100% sustainable portfolio in 2015, with every investment not only delivering a positive financial return but also contributing to the greater good.

The family office's sustainable portfolio includes investments in equity fund managers such as WHEB and Generation. For fixed income, RS Group invests with LGT and US credit specialist Muzinich. To generate targeted impact, RS invests with specialist managers such as Impax, SJF and ResponsAbility.

REGULATORY SUPPORT

In Hong Kong, the Securities and Futures Commission (SFC) is providing strong support for sustainable finance. In September 2017, the SFC released its strategic framework for green finance. And in November that year, the Financial Services Development Council released its ESG

Strategy for Hong Kong.

In May this year, the Hong Kong Monetary Authority set out its objectives for sustainability across its range of responsibilities. As the manager of the Exchange Fund, for example, the HKMA said priority would be given to ESG investments if the long-term return is comparable to other investments on a risk-adjusted basis.

“It’s encouraging to see the Hong Kong government take key steps needed to create a strong local market,” Kelly told *AsianInvestor*. “It has committed to a green bond issuance programme and established the HK Green Bond Grant Scheme to subsidise the costs of obtaining certification under the HK Green Finance Certification Scheme. These developments show there is an appetite from all the key market stakeholders.”

Meanwhile in Singapore, **as reported**, sustainable investing is seen as a critical lever to help address Asia's growing vulnerability to climate change due to the degradation of land and ocean ecosystems, the potential weakening of human rights and access to water.

The shift to sustainable economies represents around \$5 trillion of investment opportunities between now and 2030 in Asia alone, according to one international non-government estimate. Jeanne Stampe, spokesperson for the Asia Sustainable Finance Initiative in Singapore, told *AsianInvestor* that institutional asset owners have a key role to play in financing that shift.

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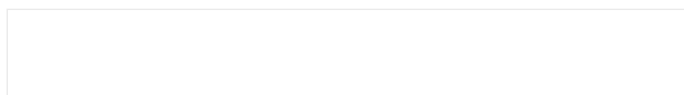
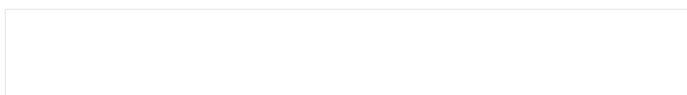
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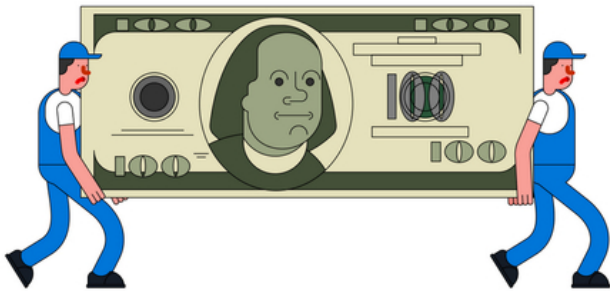
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Korea	2,039.65	↓	+207.82	+11.2%
HSI [15]	23,425.33	↑	-1.29	-0.0%
HSI Volatility	17.17	↑	+120.36	+5.5%
Malaysia	1,670.12	↓	-1.03	-0.0%
Singapore	2,843.94	↓	+1.85	+0.1%
Taiwan	9,317.24	↓	-0.88	-0.0%
Hochiminh	687.88	↓	+33.25	+5.0%
Hanoi	85.23	↓	-1.01	-1.1%
Philippines	7,708.93	↑	-31	-0.4%
China	3,082.6680	↓	-12.64	-0.4%
SHSZ300 Index	3,318.6030	↓	-2,0510	-0.7%
Indonesia	5,411.607	↓	+2,319	+0.4%
India	28,187.15	↓	+300.00	+1.1%

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