REGIONAL FAMILY OFFICE REPORT

Asia

The increase in exposure to alternative asset classes

Contents

Introduction

Throughout Ocorian's Family Office regional reports we're going to deep dive into the nuances, trends and themes of the evolving landscape of family offices across different regions, the natural succession of wealth and leadership within families, how the professionalisation of the family office has changed in the past five years, and what services we provide that can assist you on your journey.

Our experts at Ocorian: Novia Lu, Director, Business Development Director – APAC, Robin Harris, Regional Head – APAC and Shawn Wang, Director – Singapore, respond to the data that we've gathered from our international study, and explore the evolving landscape of family offices through families' differing approaches to succession, the increase of exposure to alternative asset classes and the amplified wealth of family offices across Asia.

Key research finding

- The shift in exposure to alternative asset classes
- The different approaches to succession
- Third-party providers dealing with increased wealth and professionalism of family offices
- The European appeal for Asian families
- The move to open more physical family offices
- The next steps for family offices

Research background

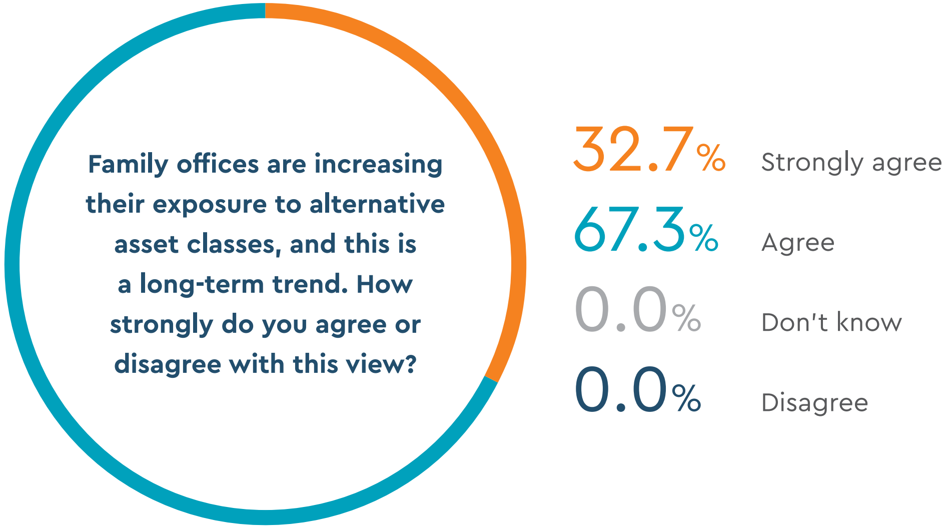
The research was conducted by independent research agency PureProfile. It asked 45 questions in total and was completely anonymous – respondents didn't know the survey was Ocorian led.

It was completed by 50 respondents in total who all outsource to third-party service providers. Respondents were from both single and multi-Family Offices and help to manage over $100 million or more of family wealth.

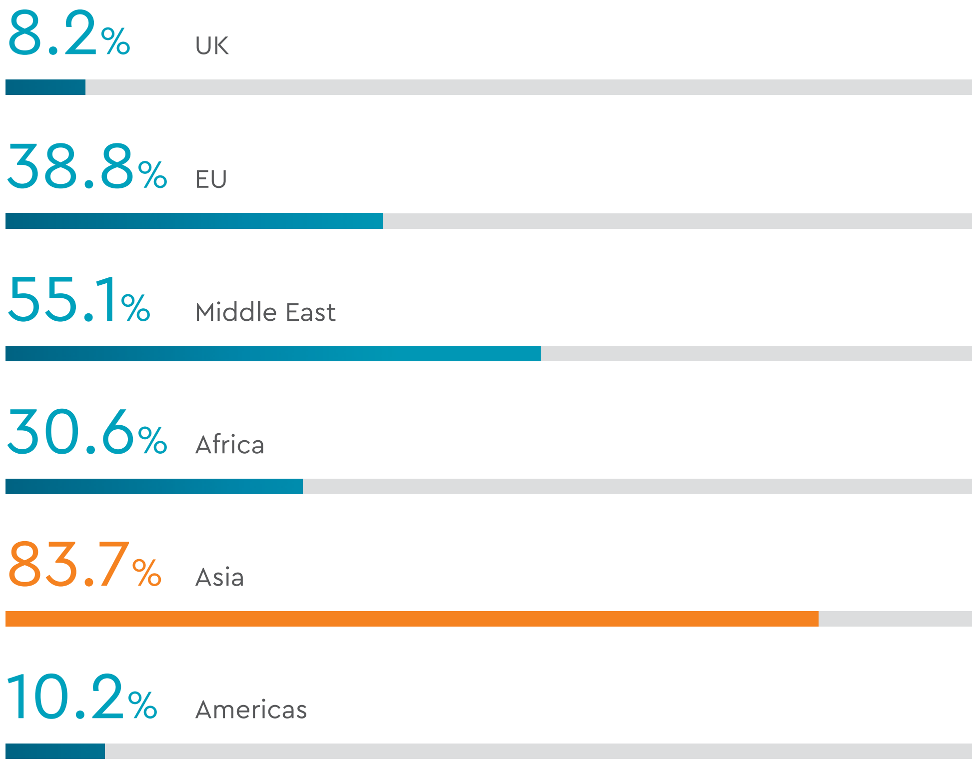
Respondents by geographic region

The shift in exposure to alternative asset classes

Family offices are increasingly shifting their focus toward alternative asset classes, with 100% of regional respondents to our survey indicating that this trend is both significant and long-term. Their percentage allocation to these assets has been steadily rising and shows no sign of slowing down, with 84% of people seeing an increased exposure to alternative asset classes in Asia, compared with other jurisdictions.



If you agree, in which jurisdictions are you seeing an increased exposure to alternative asset classes, either thinking about where your family / family office is based, or where the assets / investments are based?



At the same time, the current environment of high interest rates is making cash and cash-equivalent investments more attractive to investors, a reversal of the long-standing preference for higher-yield alternatives. This shift in preference highlights the broader impact of interest rates on investment decisions, particularly in private equity.

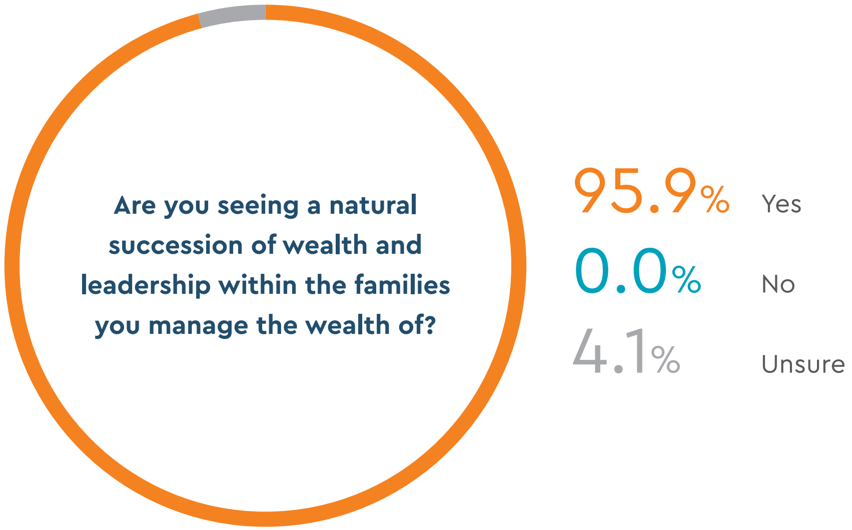
In the private equity sector, performance is closely linked to debt and interest rates. When interest rates are low, the cost of borrowing decreases, making private equity assets more valuable, allowing firms to generate higher returns. However, as rates rise, the cost of debt financing increases, leading to lower asset prices and reduced performance for private equity firms. In late 2024, interest rates set by central banks around the world are starting to fall, so the picture for private equity could change into 2025.

Our survey results revealed that investors in Asia have a higher appetite for risk than UK/Europe/US family offices, and are increasingly investing in alternative asset classes, such as private equity and real estate – which is seen as riskier than traditional investments. This highlights the growing tension between traditional and alternative asset classes in an evolving economic landscape.

In the current climate there are an ever-greater number of assets and asset classes for investors to consider, as well as access to different geographies to invest in. In years gone by, there was a bigger tilt towards investing in China, however the attractiveness has waned recently and there has been a pivot towards investing in United States and Japanese equities especially. Some of this is driven by second generations of families, who are more global in their outlook and more innovative in their strategies for growing the family wealth.

The different approaches to succession

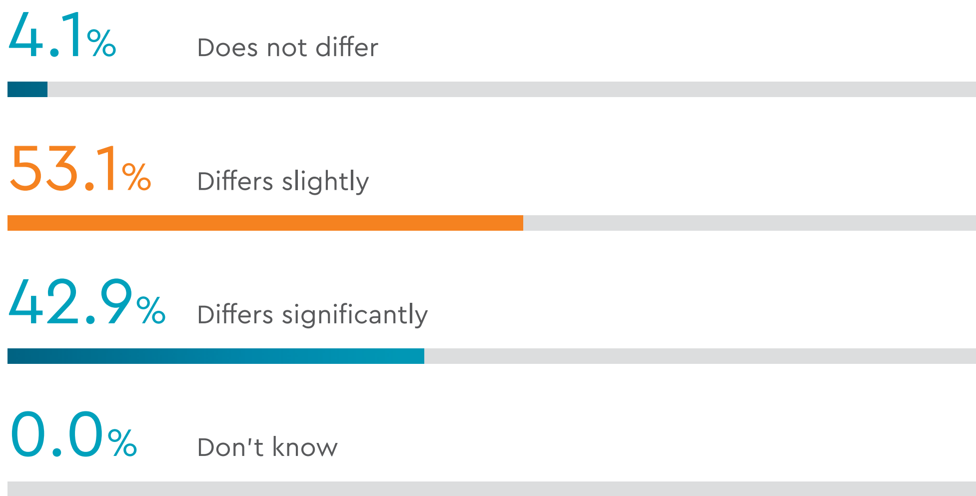
96% of respondents from Asia are seeing a natural succession of wealth and leadership in the families they manage the wealth of. This shift occurs as the first generation – the founders of businesses – have either already transferred the reins or is in the process of doing so to the second generation.



As the first generation assumes less responsibility, the second generation now adopts greater responsibility for managing both the business and the accumulated family wealth. The process of succession can be complex, requiring careful planning to maintain business continuity, preserve wealth, and align the interests of the younger generation with the legacy of the founders.

The market paradigm has shifted significantly over the past few years, and the second generations have a mindset of wanting to prove their worth, which is evidenced by 96% of people stating that the approach and priorities of the next gen differ from the first generation. This can result in them pursuing their own agenda, rather than focusing on the business in front of them, in the process losing sight of what mattered to the founders of the business. This can cause significant tension among family members and requires a professional and robust approach to successfully resolve.

How widely does the approach and priorities of the next gen differ from the founding / originating generation?



In Asia, businesses are more family orientated and they will introduce their family into senior roles, rather than hiring non-family members. Even if the first generations no longer have the reins to the business, they still like to control what happens, which is why they position their family members in superior roles in the business even if they aren't the most qualified for it.

In Europe and the US, we tend to find that families are far more willing to employ non-family members, and put them into senior roles in the business where they manage assets. This is also true for their family office operations, building up a family office infrastructure of non-family members who deal with an increasing amount of wealth. Perhaps this is a trend that we'll see in the APAC region in the coming years.

Third-party providers dealing with increased wealth and professionalism of family offices

Third party providers are playing an increasingly critical role in supporting the growing wealth and professionalism of family offices in Asia. The professionalisation of family offices is happening and will continue to happen across Asia, with 80% of regional respondents stating that the family office has become more professional in its operations and structure over the past five years.

Over the past five years, do you feel that the family office has become more professional in its operations and structure?

6.1% Yes, it has become much more professional

79.6% Yes, it has become slightly more professional

14.3% It was already very professional and didn't need to improve much here

0.0% No it has not become more professional

0.0% Don't know

There are plenty of US and European family offices setting up offices in Asia, but it's not a normality to do so – it's normal to keep it in house within the region. As the number of ultra-high-net-worth (UHNW) families in Asia rises and family offices become more sophisticated in managing complex portfolios, external service providers, ranging from legal and tax advisors to investment consultants are in high demand.

These providers help family offices navigate challenges such as compliance with evolving regulatory requirements, cross-border taxation and wealth preservation strategies, while also facilitating access to Europe's cultural and educational assets.

The European appeal for Asian families

Asian investors and family offices, like their counterparts around the world, are aware of global investment and lifestyle opportunities and the UK still holds certain sway among families in the APAC region.

From an education and investment perspective, the UK remains highly attractive, with world-class universities attended by students from around the world. Quite often education can lead to residency, which is valued for APAC's increasingly global families.

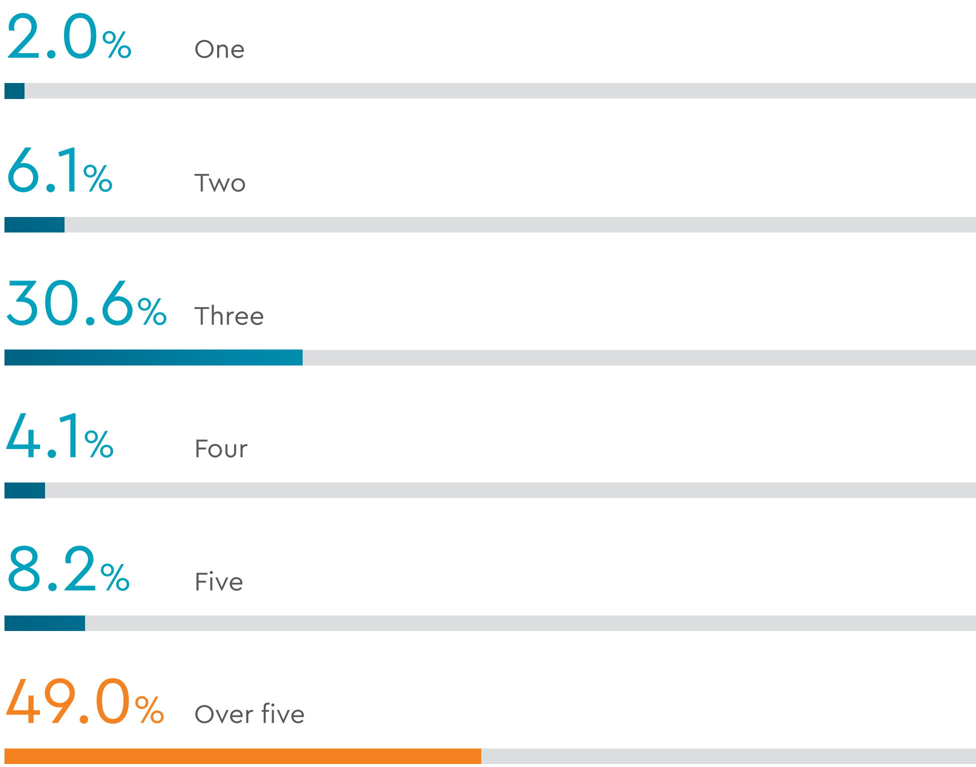
When it comes to residency, Southern European countries have begun to offer extremely attractive family office hubs, whether it's through visas or non-domiciled-resident tax arrangements, designed to attract foreign investors and their families by offering significant tax advantages. These arrangements allow individuals to become residents without being taxed on their worldwide income, with only local income taxation applied. Countries like Italy, Portugal and Malta have taken significant steps in recent years to increase their appeal, and wealthy Asian families and individuals are among many to be exploring these jurisdictions for reasons other than the food and beaches.

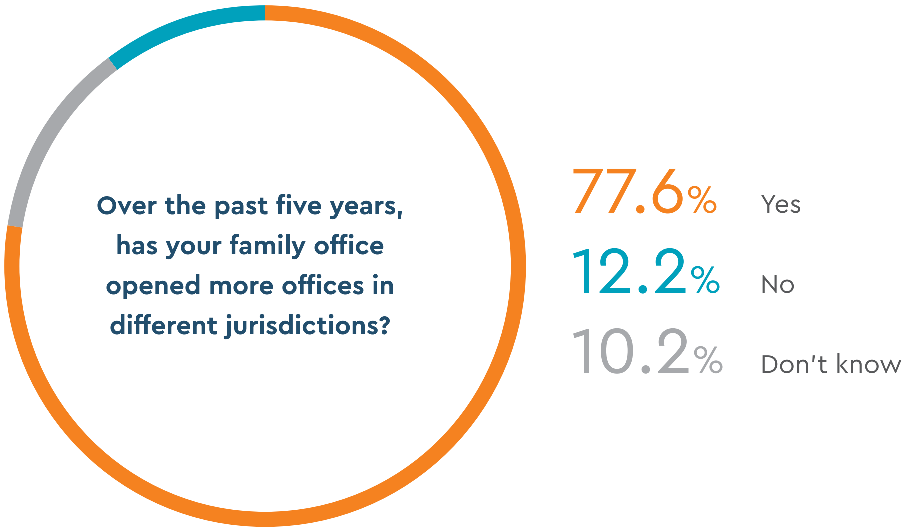
Recent instability in some Asian countries, including Malaysia, Hong Kong and China, have unsettled some families who have the resources to look elsewhere. Many large Hong Kong family offices invest into the UK as its longstanding democracy and rule of law is attractive to them and it provides a safe way to diversify assets to different markets.

The move to open more physical family offices

78% of respondents in Asia have opened more physical family offices within the past five years. The surge is driven by a combination of the region's wealth boom, growing investment opportunities, favourable financial hubs, and the desire for hands-on wealth management solutions. 92% of people stated that they have more than three physical family offices, with 50% having more than five.

How many physical offices does your family office have?



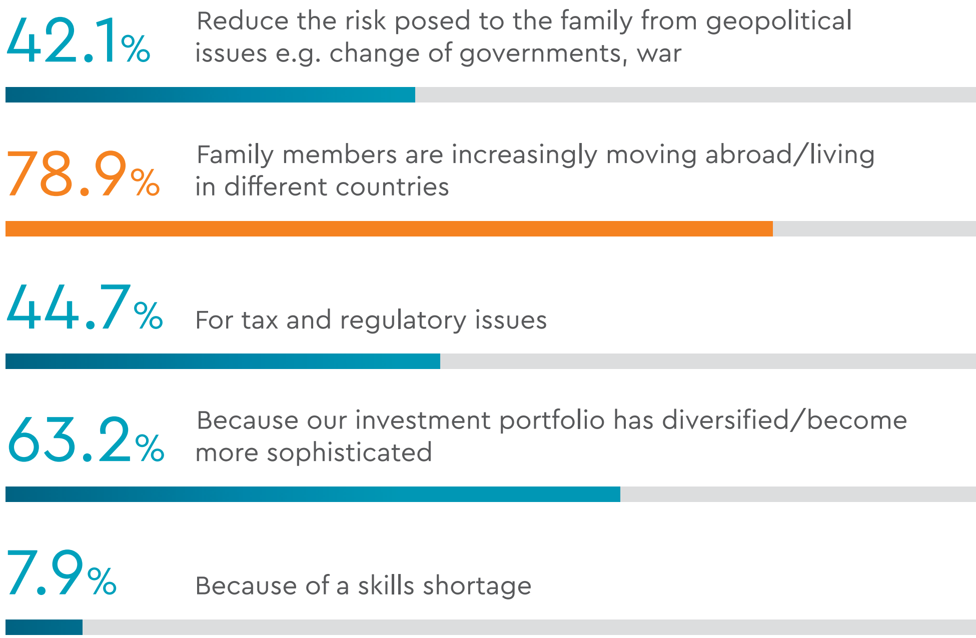


Asia has seen a significant rise in wealth creation, particularly in China, India and Hong Kong. The region has produced a growing number of UHNWIs and family-owned businesses. As these families accumulate wealth, many seek dedicated family offices to manage their assets, investments, and succession planning, leading to the establishment of more physical family offices.

Strong economic growth and dynamic markets in Asia present attractive opportunities for wealth generation and diversification. 63% of people believe as investment portfolios become more diversified, family offices are setting up in the region to take advantage of new opportunities, particularly in sectors such as technology, real estate, infrastructure, and venture capital.

45% of respondents believe that more physical family offices are being opened due to the tax and regulatory issues in the region. However, Singapore and Hong Kong have positioned themselves as global financial hubs, offering an encouraging regulatory and tax environment for family offices. These jurisdictions provide legal protection and incentives for wealth management services, making them attractive locations for family offices to establish a physical presence, as family offices continue to develop over the next few years.

If it has opened more offices, why is this?



The next steps for family offices

The landscape of family offices in Asia is poised for continued growth and evolution, driven by rapid wealth accumulation, generational transitions and the increase in demand for sophisticated wealth management. As regulatory frameworks in Singapore and Hong Kong adjust to attract global capital, family offices are expected to deepen their presence, offering a wider range of region-specific wealth solutions to meet the needs of Asia's wealthy families.

As family offices grow and adapt to these trends, they are becoming more sophisticated. Ocorian is continually creating new strategies to continue to grow family wealth for the generations to come, establishing them as key players in the field, and positioning the business at the forefront of wealth management in these regions.

Meet Ocorian's Asia team

Robin Harris

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To download our global Family Office report and the regional reports from the Middle East, Africa, Asia and the Americas, follow the QR code.

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