




Unlocking Asia Pacific Investment Prospects for Family Offices





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The lay of the land

The proliferation and institutionalisation of family offices

Rapid wealth creation and unprecedented intergenerational wealth transfer has led to a growing number of family offices around the world. Family offices have evolved significantly over time, adapting to changing macroeconomic, societal, and technological landscapes, with some becoming sophisticated organisations providing a holistic platform encompassing an array of financial and non-financial services.

Family offices have become the go-to option among wealth owners looking to safeguard family wealth and values across generations. Each family office is as unique as the family it supports and the patriarch or matriarch decides which model will be best suited for the family's goals and needs. The choice regarding which model is most suitable can include an embedded family office, where the function is an extension of a family business, a single family office, which is managed for the exclusive benefit of an individual family, or a multi family office, which acts as a wealth management platform and advisor to multiple families. Each model offers potential benefits depending on the family's preferences.

Historically, many family offices have been extensions of the family business as this structure is the default for many business owners. This embedded family office is an informal entity that leverages the existing resources of the family business to manage the financial and non-financial aspects needed by the family. With this, some key employees of the core family business serve both the company and the family. While there are synergies with integrating the family business and family office, there are often drawbacks, such as a lack of reach in terms of investment opportunities outside of the industry of which the family business operates in.

Given the changing needs and preferences of the affluent, the number of institutionalised family offices that manage and govern assets of families have come to the fore. This type of family office is only expected to grow as families seek to manage their wealth through professional teams and investment managers which better reflect their investment return expectations, risk tolerance, values and aspirations. This model enables families to better venture into private markets, including private equity, private credit, infrastructure and venture capital, whilst still being able to utilise the family's network and industry insights, if required.

Hallmarks of an institutionalised family office



Segregation of family business and family office



Establishing a governance structure



Streamlining systems and processes



Utilising professional investment managers

Globally, the ultra high net worth individual (UHNWI) population (USD 30 million plus) stands at around 625,000 and the growth of billionaires has also been prevalent reaching over 2,400 individuals.^{1,2} Burgeoning wealth creation taking place will inevitably drive the creation of more family offices. The number of family offices is clearly on the ascendancy and the wealth from the recent influx of family offices are mostly derived from younger cohorts linked to new economies and innovative industries.

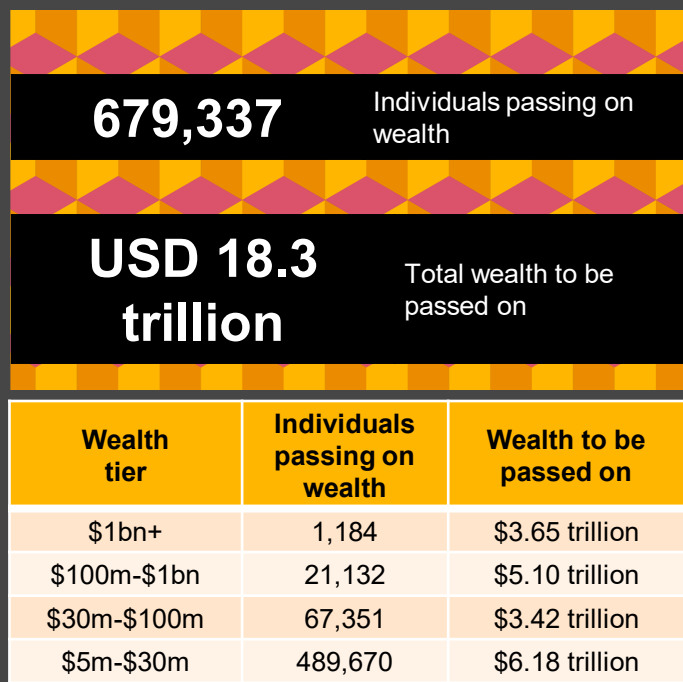
¹ Knight Frank, The Wealth Report 2024

² UBS, Billionaire Ambitions Report 2023

The lay of the land

Over time, there will be a titanic shift of wealth between generations and this will have far reaching implications for many individuals as trillions of dollars change hands. With such a transition, this will catalyse new family offices being set up, or the successors of wealth in an already established family office seeking a change in investment approach as needs and preferences differ from the previous generation.

Global wealth transfer to 2030



Source: Wealth X

Salient trends of the affluent

There are stark differences between the various cohorts of wealth owners and this has led family offices to now become much more diverse than previously. The most straightforward way to differentiate between wealth owners is the source of wealth, but the other distinguishment is the mindset and beliefs of the individual.

Wealth owners continue to seek investment opportunities which can enable them to meet capital accumulation and wealth preservation goals. Given the long time horizons and flexible return expectations as compared to other investor groups, family offices may pursue various investment strategies and can construct diversified portfolios with their patient capital across different asset classes, geographies and industries to capture long-term capital growth and income.

Historically, family offices were regarded as passive protectors of family wealth, but they are now becoming more sophisticated with their investment strategies and engaging in direct investing to generate potentially higher returns, impact investing to generate social and environmental impact alongside financial returns, along with other endeavors. This search has prompted family offices to review and revisit where they should be investing their capital in order to fully capture opportunities and realise the families' ambitions.

Today, family offices are extending their reach beyond traditional investments with families increasingly looking at private markets for sources of investment returns. This is creating new opportunities in private markets with private credit, private equity and venture capital, and infrastructure asset investments increasingly on the radar for family offices.

Outside of the investment aspect, vision and purpose are also top of mind for family offices. They are thinking about both near term and long-term objectives and the decisions made today will prepare future generations for longevity and evolution. Looking to the future will provide the family office ability to evolve family objectives and other goals, be it business or social, such as philanthropic activities and social impact.

The lay of the land

What does the Asia Pacific region offer?

Asia Pacific is fast becoming a prime destination for family offices and wealth owners across the globe looking to set up a presence in another part of the world, as many pursue investment opportunities in the region and to diversify their portfolio. While it is possible for family offices with a global lens to tap into the Asia Pacific growth story from afar, often the most unique investment opportunities are accessed by being on the ground and partnering with local experts with native connections and networks. With this, the list of ongoing and ever-evolving uncertainties in the global economy brought about by various factors has accelerated the trend of family offices with a global portfolio revisiting their investment strategy. In this regard, Asia Pacific should not be overlooked, given the compelling investment opportunity set in the region.

Markets across Asia Pacific are in various stages of economic development and financial market reform, putting the region back at the forefront of investors' minds. The paths taken by various markets are being watched with avid interest by investors around the world, as potential investment opportunities arise with each new development. With this, long-term thematic trends, coupled with secular trends are accretive to support the continued dynamic growth of the region. However, diversity from culture, language and business principles, can pose a challenge for family offices looking to fully capture the entirety of the opportunity set in Asia Pacific. Each country has its own, regulatory regime, legal infrastructure and tax provisions.

* excluding Greater China

The level of fragmentation in the region is immense and the contrast between developed Asia and emerging Asia is immense. Even for global and regional asset and wealth managers operating in Asia Pacific, they would have different teams focusing on specific industries or geographies given the heterogeneous nature of the different markets and vast size of opportunities on hand. Nevertheless, it is imperative to understand the array of social, political and economic issues that may influence business operations that will be central to successfully investing in Asia Pacific.



More than 1/3 of family offices

around the world to increase their allocations to Asia Pacific based assets*

Source: UBS

Big picture in Asia Pacific

The region's long-term drivers

Over the past few decades, the Asia Pacific economy has grown significantly with several countries experiencing rapid population growth, economic development, and social and technological transformation. Despite facing different macroeconomic headwinds in recent years, the Asia Pacific economy has continuously and resiliently demonstrated strong recovery and growth. With this, it is projected that global economic influence will shift dramatically in the coming decades with Asia (excluding Developed Markets) becoming the largest regional contributor to world GDP, surpassing the traditional economic powerhouses.

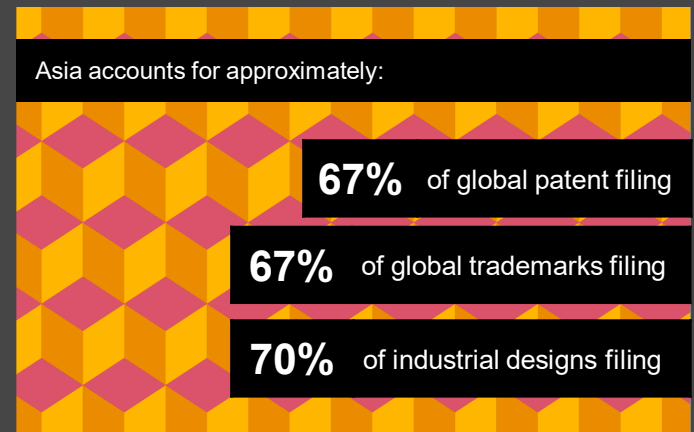
Global real GDP in 2050 (USD trillion)	
Asia (ex DM)	\$90.6 trillion
Developed Markets (DM)	\$82.9 trillion
Central & Eastern Europe, Middle East & Africa	\$38.3 trillion
Latin America	\$16.0 trillion
World total	\$227.9 trillion

Source: Goldman Sachs Global Investment Research

Rising GDP per capita has also created an emerging middle class which has fuelled the growth of the domestic consumer market. The burgeoning middle class in Asia Pacific, predominantly led by India and Mainland China, have an important impact on domestic demand for goods and services in all industries and the sharp rise in purchasing power is expected to drive substantial economy growth across the globe. To put things into perspective, the middle class accounts for over half of Mainland China's population, constituting around 707 million people which is roughly the population of Europe.³

³ China Power

This middle class cohort in Mainland China also serves as a valuable source of savings and innovation which is necessary to drive the development of new products and processes.



Source: World Intellectual Property Organisation

As Asia Pacific continues to face swift urbanisation and industrialisation, the emergence of megacities will also continue to develop. These large urban megacities and the formation of contiguous urban networks will be key drivers of economic growth in the region. Furthermore, the development of high quality, efficient and sustainable urban buildings, transport and infrastructure will increasingly determine the long-term competitiveness of Asia Pacific.











Across the region, increased investments into technology continue to encourage entrepreneurship and transformation. Rapid digitalisation has enabled the leapfrogging of new innovative business models and high-growth market segments. Additionally, technological advancement and diffusion have fostered vibrant start-up ecosystems and hubs that exist across many countries in the Asia Pacific region.

Big picture in Asia Pacific

Emerging industries and sectors

The evolution of technology and innovation has bolstered the emergence of new and specialised industries that have enormous impact on economic growth. At the same time, technology has facilitated the upgrading and transformation of traditional industries. For investors, this presents opportunities to tap into a dynamic range of investment types inside and outside of mainstream themes.

High-growth industries in Asia Pacific

Life sciences and biotech 	New energy technology 
Artificial intelligence and data science 	Semiconductors 
Financial technology 	Advanced supply chain and logistics 
Advanced manufacturing 	Digital assets and cryptocurrency 
Smart city and property technology 	Sustainable aviation 

The necessity of private capital to fund growth

Given Asia Pacific is a diverse and complex region, the rapid growth of the region's economy presents both opportunities and challenges. Governments across Asia Pacific, which often rely on private capital to fund development, need to continue to modernise governance and work with various stakeholders to tackle these social and economic challenges.

Meeting climate mitigation and adaptation needs in emerging and developing Asia requires investment of at least **USD1.1 trillion** annually.

Developing Asia will need to invest **USD13.8 trillion** in infrastructure from 2023 to 2030 to sustain economic growth, reduce poverty and respond to climate change.

Source: International Monetary Fund (IMF) and Asia Development Bank (ADB)

Policymakers are actively encouraging a healthier financing mix for a range of industries and this will provide compelling opportunities for investors, including family offices with a global lens. New financing models are emerging to help fund growth for enterprises and these are generally empowered by data analytics designed to bridge the gap between private capital originating from international markets and capital-starved businesses in the region. Moreover, private capital from global capital pools provide opportunities for global investors to share in the growth of the region's entrepreneurship development. With the maturation of the Asia Pacific economy, the next stage of development will involve shifting focus towards industries that deliver long-term and sustainable value. Ultimately, Asia Pacific's growth into a larger footprint of the world's economy will bring on new obligations, new challenges and new opportunities.

Accessing the opportunity set

Private markets landscape

The dynamic and fast-growing nature of Asia Pacific offers a myriad of unique investment opportunities for wealth owners across the globe. Favourable macroeconomic shifts in the region have created diversified exposure to different growth drivers with significant opportunities in private credit, private equity, venture capital and infrastructure asset classes.

Private credit

With Asia Pacific's increasing demand for capital to fund growth, private credit is emerging as an increasingly important source of funding to businesses that require complex and bespoke financing. The region faces a multifaceted and interlinked challenge – how can countries sustain economic development against the backdrop of traditional providers of capital not always providing access to the flexible capital to allow corporates to grow, innovate and refinance. With this, many public and private businesses, including small and medium enterprises (SMEs), early stage startups and family-owned companies have turned to private credit markets.

“The premium for lending in APAC varies considerably depending on the market and the type of loan. We typically see a **50-100 basis-point** premium over the United States and Europe for direct lending deals.”

Source: KKR

For investors seeking higher risk-adjusted returns, private credit is increasingly top of mind. The asset class in Asia Pacific offers attractive risk-return profiles, yields and access to niche thematic investment areas that may not be available in public markets. Moreover, investing in private credit in the region can offer a premium over similar deals in other parts of the world, in part because the supply of private capital is lower here. With the demand for private credit outstripping the supply of capital, a diverse range of opportunities from distressed special situations to direct lending strategies are available for investors.

Private equity and venture capital

The emergence of new dynamic industries has created a wealth of opportunity for Asia Pacific private equity. While buyout deals do account for a significant segment of the market, the majority of the region's private markets are weighted towards growth investments, with family-owned and entrepreneur-led businesses dominating the private equity landscape. In particular, the emergence of technology hubs across Asia Pacific has created many new high-growth ventures, startups and unicorns that present promising investment opportunity. Accelerated adoption of technology across the region has created many new high-growth startups and unicorns that present promising investment opportunities in the venture capital space.

Accessing the opportunity set

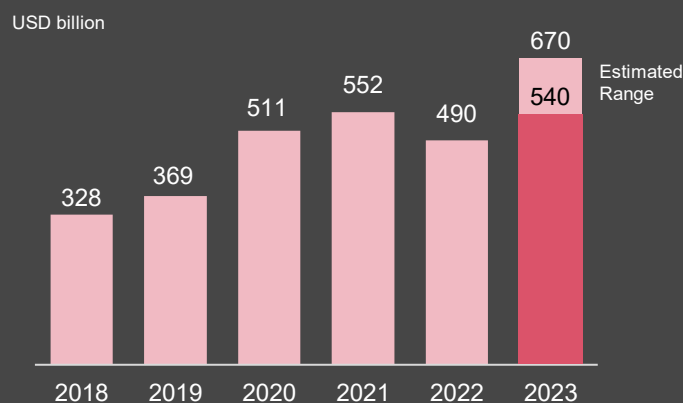
The distinctive cultures, economics and regulations across countries in the region create an abundance of unique and localised business models that investors can tap into. The number of new businesses in the region have also increased in part from government initiatives, such as incubators and accelerators, to promote research and development and foster technology hubs. Moreover, government regimes that incentivise overseas funding are further attracting venture investment into nascent industries and startups, providing opportunities for family offices with a global lens.

Beyond investing through funds and direct investments, co-investments have become a key strategy for investors who are not prepared for the risk appetite of direct investments, but want to achieve the potential of higher returns than investing as a limited partner of a fund. For family offices, investing alongside other family offices or a private equity firm offers fast access to attractive and specialised assets with greater transparency, control and returns.

Tapping into the secondaries market is another increasingly popular investment strategy in Asia Pacific, especially as investors embrace the benefits of increased liquidity options. Lastly, particularly for investors seeking broad exposure to the dynamic realm of startups, the fund of funds strategy offers diversification with lower risk profiles and lower volatility, as compared to other investment approaches.

The record levels of dry powder in the region, a backlog of portfolio companies, and continued demand from investors of all types, will fuel activity in the years ahead. Moreover, private equity players around the globe understand the need to reinvent and pivot their business model. The landscape will evolve from simply financial engineering to a greater emphasis on sourcing quality companies and creating value through strategic imperatives, operational excellence and digital transformation.

Dry powder of Asia Pacific funds



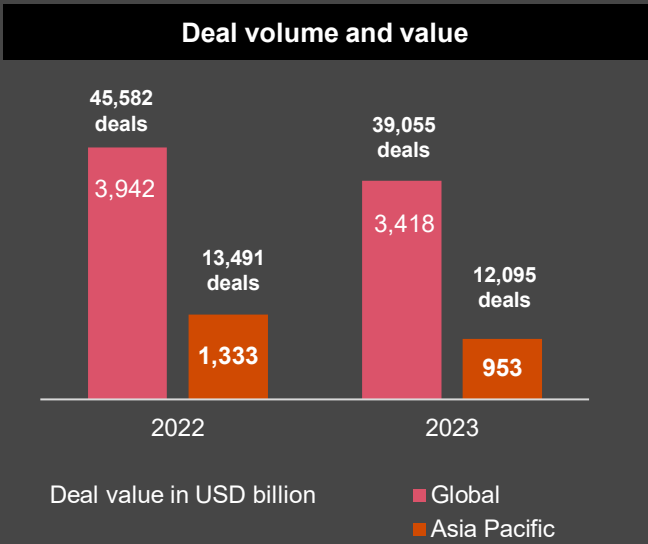
Source: Bain & Company

Accessing the opportunity set

M&A landscape in the region

Asia Pacific is a fast growing but complex region. Industries have seen less consolidation and companies are typically less mature. Nevertheless, this has enabled more ways to bring a value creation lens to the table because of the degrees of transition and transformation happening across the region. Asia Pacific remains a ‘sweet spot’ due to a range of factors including accelerated sector modernisations, growing intra-regional trade flows and an increasing focus on Environment, Social and Governance (ESG).

Geopolitical factors and macroeconomic dynamics have shifted international business deal trends in Asia Pacific. However, Asia Pacific remained a strong region for deals in 2023, despite lower volumes, thanks to lucrative deal performance in sectors such as industrials, automobiles and healthcare. Deals in the Asia Pacific region were around 30% of the global deal count in 2023.

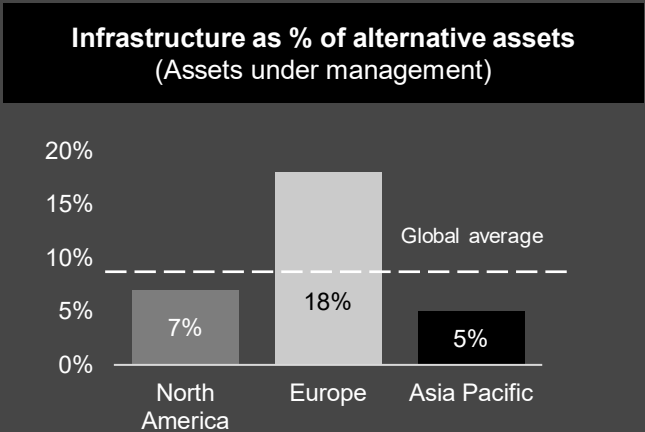


Source: Mergermarket, ION Analytics, S&P Global

Infrastructure

Factors such as urbanisation, population growth and economic development have created the need for substantial infrastructure investment. As most governments in the region do not have sufficient capital to fund the infrastructure needs of their economies on their own, private capital serves as an important partner and pillar to the development of infrastructure. In some cases, corporates in the region have also partnered with private capital providers to finance large-scale infrastructure projects. The continuously expanding urban landscapes and megacities in Asia Pacific will inevitably create a growing pipeline of greenfield opportunities, both for traditional core infrastructure and digital infrastructure investments.

Furthermore, as Asia Pacific's priorities towards energy transition become ever more important, investments into green infrastructure present attractive ESG opportunities. Investments related to energy transition often have enhanced government and social support, and are increasingly economically competitive.



Source: Bain & Company

Hong Kong as a platform for Asia Pacific

Leveraging the financial infrastructure

Hong Kong has increasingly become the destination of choice for the set-up of a family office looking to tap into the investment opportunity set in Asia Pacific. There are multiple reasons for the city’s ascendancy. For starters, the depth and breadth of the financial services industry has created a holistic infrastructure for the family office sector to draw on. The deep and diverse talent pool servicing the financial services industry is also an attractive part of the family office ecosystem. The financial sector employed about 268,800 people (in 2023) and directly contributed 22.4% to Hong Kong’s GDP (in 2022)⁴. Moreover, the infrastructure, where Hong Kong’s strengths span banking, insurance, and asset and wealth management, provide family offices frictionless and efficient access to investment opportunities in public and private markets across Asia Pacific.

Hong Kong in numbers

150+ licensed banks	2,000+ asset managers	150+ authorised insurers
800 fintech companies	2,600+ listed companies	12,615 UHNW individuals

Source: HKEX, SFC, HKMA, HKIA, HKTDC, Wealth X

⁴ BrandHK

While Hong Kong is already underpinned by several competitive advantages, recent developments have further enhanced its position as a destination for family offices and its ecosystem for family offices.

Recent family office initiatives

Capital Investment Entrant Scheme (CIES)	Hong Kong Academy for Wealth Legacy
Art storage facilities at the airport	Hong Kong as a philanthropic centre
Market facilitation measures	Tax concessions
The dedicated FamilyOfficeHK team in InvestHK	A new network of family office service providers







Source: The Government of Hong Kong SAR

Pillars of Hong Kong

As an international finance centre (IFC), Hong Kong has unparalleled strengths to serve business owners and family offices from all parts of the world. As more families conduct business across borders and book assets in various locations, the importance of having a family office in a leading financial hub and one of the most business-friendly jurisdictions is paramount.

Hong Kong as a platform for Asia Pacific

For decades, Hong Kong has served as a vital gateway between East and West, enabling global capital to access Asia Pacific, and in return facilitating the region's capital to invest in international markets. Ultimately, Hong Kong is irreplaceable as a critical gateway for inbound and outbound capital flows for the Asia Pacific region. Hong Kong's connectivity with Mainland China and location within the Greater Bay Area (GBA), one of the wealthiest regions in Mainland China and home to many of the country's affluent, also adds to the appeal.

Asia Pacific opportunities	
	<ul style="list-style-type: none">• Private market and deals• Foreign direct investment• Market access channels
Capital markets	
	<ul style="list-style-type: none">• Equity and debt markets• Resilient financial system• Listing and fundraising
Regulatory environment	
	<ul style="list-style-type: none">• Independent and transparent• Investor protection• Fit for purpose
Rule of law	
	<ul style="list-style-type: none">• Judicial independence• Common law heritage• Dispute resolution
Tax system	
	<ul style="list-style-type: none">• Simple taxation• Tax neutrality• Effective tax treaties
Talent pool	
	<ul style="list-style-type: none">• Professional support• Acquisition and retention• Tech-savvy population



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