

PRESS RELEASE

84% of wealth managers increase allocation to Asia Pacific as a source of investment return

London - Wealth managers are increasingly turning to emerging markets to generate investment returns for their high-net-worth clients. 84% of senior investment professionals at wealth management firms expect to increase their allocation to the Asia Pacific markets in the next 12 months, according to research conducted by Scorpio Partnership and sponsored by LPEQ.

In addition, 33% are looking to boost their allocations to both Latin America and the Middle East and North Africa.

The research was carried out between April and June 2011 and included senior investment professionals from 22 international wealth management firms that together manage USD5.7 trillion in high-net-worth assets. This is equivalent to 33% of all private client assets managed by wealth management firms worldwide. The participants included universal banks, private banks, private client asset managers, multi-family offices and single family offices.

Other key findings of the research include:

- Equity allocations are also set to increase further. 40% of wealth managers are expecting to increase their equity allocations in the next 12 months, even in their most conservative portfolios.
- Alternative investment allocations are also on the rise. 31% of wealth managers expect to boost their alternative investment allocations in the coming months.
- Meanwhile, 41% are reducing exposure to fixed income and cash allocations are also on hold or declining, reflecting concerns about inflation and the impact of sovereign debt problems.

“Complex economic and market factors are forcing wealth managers to reassess how they generate above average returns for their private clients over the longer term with solid downside protection and an inflation hedge.

“Many recognise that emerging markets and equity markets offer an attractive source of investment return, but with heightened volatility, persistent concerns about the robustness of the recovery and frontier market fears, managers need effective strategies to counterbalance the associated risks. It is therefore not surprising that we are seeing an increasing allocation to alternative investments – particularly hedge funds – as inflationary concerns hit the bond and cash markets,” says Catherine Tillotson, managing partner of Scorpio Partnership.

The research finds that wealth managers classify hedge funds at the low-risk, low-return end of the alternative investment spectrum, highlighting their growing importance of defensive hedge fund strategies in client portfolios.

By contrast, private equity is classified as high-risk, high-return within the alternative investments allocation. Most firms currently have a cautious allocation to private equity either at or below benchmark. However, 50% expect to increase their allocation to private equity this year as a source of long-term investment returns.

The research concludes that since 2009, when the previous survey was undertaken, wealth managers have reassessed their wealth management strategies across all asset classes in response to changing economic and market factors. The search for investment returns presents a complex challenge that wealth managers are approaching with due caution.

The full report *HNW Asset Allocator III: revaluating risk and return in private client portfolios* is published today by Scorpio Partnership. It is the third bi-annual survey of asset allocation trends in the global wealth management market. The next survey will take place in Q4, 2011.

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NOTES TO EDITORS:

About Scorpio Partnership

Scorpio Partnership is the leading insight and business consultancy to the global wealth industry. The firm specialises in understanding the wealthy and the financial institutions they interact with. We have developed four transformational disciplines – **SEEK**, **THINK**, **SHAPE** and **CREATE** – each designed to enable business leaders to strategically assess, plan and drive growth.

SEEK

- Client research
- Advisor research
- Market mapping
- Company/intermediary research
- Brand identity audits

THINK

- Product/service development
- Business case development
- Concept solutions
- M&A diligence
- Brand identity development

SHAPE

- Market entry solutions
- Media and event solutions
- Training and education solutions
- Sales and marketing campaigns
- Brand identity solutions

CREATE

- Campaign management
- Change management
- Strategic marketing
- M&A implementation
- Specialist consulting

Scorpio Partnership has conducted more than 300 global assignments for wealth managers and private banks, fund managers, regulators and governments, IT and technology firms, insurance firms, charities and foundations.

Scorpio Partnership has been voted best global consultancy to the wealth management industry for the three consecutive years and more recently was shortlisted for Agency of the Year *. The firm is independent and owned by management.

For more information go to www.scorpiopartnership.com

*Wealth Briefing, Financial Services Forum

About LPEQ

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