Press Release

Hong Kong's Rising Affluent Yearns for Information and Insights to Globally Diversify Investment Portfolio

Charles Schwab Hong Kong Survey uncovers the city's rising affluent investors' attitude and sentiment towards diversification, international investment, financial planning and wealth management

HONG KONG – May 29, 2018: Charles Schwab, Hong Kong, Ltd. today announced the findings from its first Hong Kong Rising Affluent Survey. The survey revealed that the rising affluent in Hong Kong have a strong willingness to achieve their financial goals on diversification and international investment, as well as put great importance on acquiring trustworthy sources and financial advisors to achieve these financial goals.

Engaging 2,000 Hong Kong and U.S. rising affluent[1], the Hong Kong rising affluent earns an annual income between HK$600K to HK$1.2M and own personal liquid assets between HK$600K and HK$5M; while the US rising affluent annual income amounted to US$100K-US$225K with personal liquid assets between US$100K-US$1M. Key findings include:

- Nearly 80% of Hong Kong respondents are willing to diversify portfolio with international investments, and there is a stronger desire among Hong Kong rising affluent to learn about diversification and global investing compared to the US. However, they are hesitant to take the first step to invest in the international market.
- Hong Kong investors tend to set an aggressive investment target, even they described themselves as "steady"[2] investors (45%). Compared with 32% of US respondents, 47% of Hong Kong rising affluent's short term financial goals are focused on doubling investment yields. More Hong Kong rising affluent also look at investing more heavily both on and off shore.
- Hong Kong rising affluent (58%) are facing more pressure on providing funds for elderly parents or family members than those in the US (25%).
- The majority of Hong Kong respondents (78%) said that they feel more knowledgeable than a financial advisor. Among those that do not use a financial advisor, nearly 60% of them stated that they do not know where to find information or trustworthy financial advisors.

Michael Fong, Managing Director, Charles Schwab Hong Kong, said, "Unlike the rising affluent class in the United States, Hong Kong investors are more eager to invest internationally and diversify their portfolio. However, there is a gap in finding appropriate and

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[1] Charles Schwab Hong Kong Rising Affluent Survey defines rising affluent as the top 25% of individuals (excluding the top 5%) aged 18 or above in terms of net worth (household income and liquid assets). They are currently holding a savings account, among other investment vehicles, primary or joint decision-maker on financial decisions in household, and employed full or part time.

[2] A steady investor is described as "I focus on asset security and expect stable returns within the risk control" in the questionnaire.

reliable investment advice from financial experts. Their high expectation of return is also not aligned with their investment attitudes."

Seeking to build broadly diversified portfolios lies at the heart of HK rising affluent's goals

Considering the level of stability in international and domestic economies, Hong Kong's rising affluent are two times more likely to prioritize international investing than the U.S. rising affluent in the next five years (32% vs. 16%) and identify real estate investments (43% vs. 27%) as their long-term investment goal.

The survey found that 76% of Hong Kong rising affluent are willing to diversify portfolio internationally, and only 60% (vs. 80% in the US) think their portfolio is adequately diversified. They also have a strong desire to learn about how to diversify investment portfolio (85%), and global market outlooks (81%). Even though there is a willingness to invest internationally and in a more diversified way, over 60% of Hong Kong respondents do not know how to begin and are nervous to take the first step. Among which, female investors especially see the importance of diversification and feel that they need more resources to diversify their portfolio than men.

Hong Kong rising affluent are more aggressive than they think they are

Regarding Hong Kong rising affluent's investing personalities, the survey showed that 45% and 38% of Hong Kong respondents described themselves as "steady" and "progressive"[3] investors, respectively. Nevertheless, they tend to have more aggressive[4] financial goals, and aim at doubling investment yields (47%) in the short term and investing more heavily domestically (45%) and aboard (32%), provided that 67% of the rising affluent only hold domestic investments over international or a mix of both currently.

Compared with the China Emerging Affluent Index Study conducted by Charles Schwab early this year, Mainland Chinese emerging affluent are relatively risk-averse, setting their financial goals of achieving RMB$5-10 million through investment with a steady annual yield of 5-10%.

The Financial Needs of the Sandwich Generation

Additional findings of the survey indicated that rising affluent in Hong Kong tend to factor family into their financial and wealth management decisions. When asked about long term financial goals, more than half of respondents chose supporting or investing for their family members, which in detail includes setting aside funds for elderly parents (75%), investing in real estate for children (57%), and growing funds to pass onto their children (55%) in the next 10 years.

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[3] A progressive investor is described as "I diversify investment products, to obtain greater returns, therefore am able to take greater risk when market fluctuates" in the questionnaire.

[4] An aggressive investor is described as "I am comfortable with investing money in products with greater risks/ volatility to achieve greater returns" in the questionnaire.

Interestingly, Hong Kong female rising affluent (63%) focus more on providing funds for taking care of elderly family members than men (54%).

According to the China Index Study, although family is a key driver for both Mainland Chinese and Hong Kong rising affluent, the former put a higher priority on their next generation by investing in children's education funding (69%).

A lack of trust in financial advisors, yet lacking information to find trustworthy resources

The survey also found that Hong Kong rising affluent have a strong distrust of financial advisors compared to rising affluent in the U.S. (24% vs. 45%) when making investment decisions, while only 34% (vs. 60% in the U.S.) of Hong Kong respondents work with a financial advisor or mix of personal/advisor management when it comes to managing portfolios.

More importantly, 78% of Hong Kong rising affluent believe that they are more knowledgeable than a financial advisor, while 59% admitted that they do not know where to find information on trustworthy financial advisors.

Under such circumstances, the majority of Hong Kong rising affluent heavily rely on their family/friends (71%), as well as media/social media (70%) as sources for investment decisions.

Unlike Hong Kong rising affluent, 45% of Mainland Chinese rising affluent use financial advisor to access to financial information, and 38% consulted with financial advisors over the past 12 months. Half of Mainland Chinese rising affluent stated that consulting investment advisors can provide more professional investment recommendations to them, while 47% said it saves time and improves efficiency.

"We believe the distrust is a clarion call to Hong Kong's financial advisors," concluded Fong. "However, the strong appetite of rising affluent for obtaining trustworthy information when they make investment decisions reflects a growing opportunity for investment experts and financial advisors to close the gap and take concrete steps to provide reliable information and advice to this group of people. Therefore, financial advisors should put more efforts in investor education and focus on building trusted relationship with their clients. They should also help clients understand investing principles, financial planning, and market landscape, which would help them globally diversify their portfolios and achieve their financial goals."

Charles Schwab, Hong Kong, Ltd. today announced the findings from its Hong Kong Rising Affluent Survey. Michael Fong, Managing Director at Charles Schwab Hong Kong, stressed that the distrust is a clarion call to Hong Kong's financial advisors. In view of this, financial advisors should put more efforts in investor education and focus on building trusted relationship with their clients

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<u>About Charles Schwab Hong Kong Rising Affluent Survey</u>

Charles Schwab Hong Kong appointed an independent third-party research agency to conduct the Charles Schwab Hong Kong Rising Affluent Survey. The online survey took place in February 2018, among 2,000 people across Hong Kong and the United States. Survey participants are currently holding a savings account, among other investment vehicles, primary or joint decision-maker on financial decisions in HH, and employed full or part time, with an income between HK$ 600K-HK$1.2M (for Hong Kong respondents)/US$100K-US$225K (for U.S. respondents), and personal liquid assets between HK$600K-HK$5M (for Hong Kong respondents)/US$100K-US$1M (for U.S. respondents).

<u>About Charles Schwab Hong Kong</u>

Charles Schwab, Hong Kong, Ltd., is a subsidiary of Charles Schwab Corporation and is registered with the Securities & Futures Commission ("SFC") to carry out the regulated activities in dealing in securities and advising on securities under CE number ADV256. The company currently provides services via its Hong Kong office, its telephone system (+852 2101-0511) and web site (www.schwab.com.hk).

<u>About Charles Schwab Corporation</u>

The Charles Schwab Corporation (NYSE: SCHW) is a leading provider of financial services, with more than 345 offices and 11.1 million active brokerage accounts, 1.6 million corporate retirement plan participants, 1.2 million banking accounts, and US$3.31 trillion in client assets as of February 28, 2018. Through its operating subsidiaries, the company provides a full range of wealth management, securities brokerage, banking, money management, custody, and financial advisory services to individual investors and independent investment advisors. More information is available at www.schwab.com and www.aboutschwab.com.

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Diversification and rebalancing a portfolio cannot assure a profit or protect against a loss in any given market environment. Rebalancing may cause investors to incur transaction costs and, when rebalancing a non-retirement account, taxable events may be created that may affect your tax liability.

Past performance is no guarantee of future results. Forecasts contained herein are for illustrative purposes only, may be based upon proprietary research and are developed through analysis of historical public data. (0518-8G00)

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