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Analysis of the Evolution of External Asset Management and Its Impact on Growing Asia's Family Office Sector in the Next Decade

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**ANALYSIS OF THE EVOLUTION OF EXTERNAL
ASSET MANAGEMENT AND ITS IMPACT ON
GROWING ASIA'S FAMILY OFFICE SECTOR IN THE
NEXT DECADE**

Dissertation Submitted to

The University of Geneva

in partial fulfillment of the requirement

for the professional degree of

**Doctorate of Advanced Professional Studies in Applied Finance, with
Specialization in Wealth Management**

by **Chung Hsing LIU**

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July, 2023

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Abstract

This study presents an analysis of the current structure of family offices and external asset management in Asia, focusing on their wealth management relationship and providing insights into the future trajectory of the industry. Utilizing publicly available industry reports and survey datasets, the study employs comparative techniques for wealth distribution and portfolio performance to uncover key findings regarding wealth managers' practices and clients' preferences.

The research reveals a remarkable growth rate of assets under management in Asia, which has surged by 205% from 2008 to 2021. These assets encompass a diverse composition, with 54% being financial assets, 37% held in real assets, and the remaining portion comprised of liabilities. The region has witnessed a shift from traditional investment methods, with a notable rise in modern investment tools like online wealth management platforms. This trend is expected to continue and potentially reshape the industry over the next decade.

Among the financial hubs in Asia, Mainland China, Hong Kong, India, Japan, and Singapore are projected to experience substantial growth. Singapore, in particular, is expected to emerge as the largest hub due to its progressive investment practices, significant market potential, and favorable foreign investment policies. As of 2021, listed equity retains its position as the highest-value asset type, accounting for 50% of the total, followed by cash and deposits, private funds, and bonds, collectively representing a 39% share. The reliance on family offices and external asset managers is anticipated to remain moderate as growth strategies increasingly encompass aspects of each other's services and market positioning. A gradual reduction in international investment is expected as the local market offer enough and more reliable investment asset classes. Investment hold time has also spiked and is expected to increase as family offices opt for growth investment strategies in booming economies.

Keywords: Portfolio management; Private equity; Asset allocation; Investment Hedging; Institutional investors.

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Abbreviations

EAM [External Asset Management]

FIM [Fixed Income Market]

UITFs [Unit Investment Trust Funds]

ETFs [Exchange Traded Funds]

AUM [Assets under Management]

HNWIs [High-Net-Worth Individuals]

UHNWIs [Ultra-High-Net-Worth Individuals]

MFO [Multi-Family Office]

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Analysis Of the Evolution of External Asset Management and Its Impact on Growing Asia's Family Office Sector in The Next Decade.

1. Introduction

This research aims to analyze the impacts of the asset management industry in the office family office sector in Asia. The study will help understand the asset management industry's development and the sector's potential. The study will be conducted in two parts: first, the research will focus on the development of the asset management industry in Asia; second, the research will analyze the potential of the sector in the future, with reference to the prevailing industrial impacts on its close family office operations counterpart.

The research is based on a critical literature review, which includes academic and practitioner journals and interviews with experts in the field. The composite approach seeks to identify the major trends in the development of the asset management industry in Asia. This exploration also helps evaluate a close, interrelated family office investment field alongside an overall wealth, assets, and financial investment approach across various operational timeframes. For instance, the report focuses on various investment and management approaches across the past, current, and forecasted Asian economic conditions.

1.1. Problem of Study

The diverse global business field is experiencing dynamic investment and operational shifts across various financial aspects and portfolio management dimensions. This has influenced the prevailing external asset management practices across different functional levels, among other constituent elements. Notably, there have emerged constant phenomenal trends across the globe. Thus, corresponding asset management impacts across linked operational counterparts such as regional and locally adopted private wealth management measures. External asset management has gained popularity in the recent past, whereby many investors prefer the outside handling of assets and investment decisions.

Despite the numerous attempts on prior research regarding the evolution of external asset management and its corresponding impacts in the world investment field, a considerable research gap exists on issues concerning the family office sector across the globe. This constitutes limited study interest and a need for more research information due to limited access to family office entities, which are private based and thus operate on high secretive basis. Despite the numerous challenges, there is a need to develop the existing

literature framework regarding the diverse scope of the subject matter. The developed conceptual framework entails the accompanying phenomenal trends and its overall impact on the recently flourishing family office sector within a referenced region, Asia. Thus, this literature review aims to provide an overview of the existing research on external asset management and its relation to the family office in Asia, focusing on the challenges and opportunities for future research and policy measures.

1.2. Research Questions

- How are the size and growth of the family office and external asset managers in Asia?
- How will the development of asset management and the family office sector In Asia influence each other in the next decade?
- What are the major wealth management trends and drivers in Asia, and how will these trends shape the industry in the near future?

1.3. Hypothesis Development

H1: There is a strong relationship between the asset management industry and the family office sector in Asia, with many family offices in the region being involved in the asset management industry, either through direct investment or by providing advisory and other services to asset managers.

H2: The family office sector serves as a major source of capital for the asset management industry.

H3: The asset management industry in Asia presents several opportunities for further growth, driven by the region's strong economic growth and increasing investor appetite for higher-yielding assets.

To validate the developed hypothesis, this research adopts both quantitative and qualitative approaches to investigate the relationship between Asian asset management operations and their close office family office counterparts across the region. The quantitative data will be collected through third-party surveys and interviews publications with asset management professionals in Asia. At the same time, the qualitative approach entails field interviews with various experts within the scope of the study.

2. Literature review

Driven by the prevailing global economic conditions, the Asian wealth management market is on the rise. According to Boston Consulting Group, private wealth in Asia grew by an annualized rate of 9% between 2007 and 2012 to reach a total of \$17.4 trillion (Beardsley et al. 2017). This is expected to grow at a compound annual growth rate (CAGR) of 8% to reach \$36 trillion by 2017. For instance, Asian economies have been growing rapidly, increasing the number of individuals becoming financially independent. Elsewhere, the region's changing demographics also play a significant role in the growth of the wealth management market, as the population is becoming increasingly young and affluent.

The leading players in the Asian wealth management market are banks, asset management firms, private banks, family offices, and trust companies. The Banks constitute Asia's largest wealth management sector, with a significant market share of 36%. This is defined by their large customer base alongside a vast distribution network. In addition, the particular financial institutions also offer a variety of products and services that preferably suits the needs of HNWIs and UHNWIs (Fung et al., 2002).

The former is widely substituted by asset management firms accounting for a close 28% market share within the region. Rated as Asia's most popular wealth management services providers, these firms offer various alternative service particulars designed to meet the referenced population's investment needs. Reference includes the private banks and family office entities which correspond to approximately 16% and 10% market shares respectively. While the latter offers bespoke products and services to both HNWIs and UHNWIs, the family offices provide wealth management services to specific ultra-high net worth categorical families. Finally, the Trust companies account for the least market proportion of 5% and are tasked with a wide range of services, including estate planning, asset protection, and philanthropy.

The Asian wealth management market is segmented based on the type of wealth management services, type of client, and geography. Wealth management services entail constituent investment management, private banking, and trust and estate planning market dimensions. On the other hand, the clients are categorized under definitive HNWIs, UHNWIs, and family offices markets across central geographic locations within the region, such as Japan, China, India, Indonesia, Singapore, Hong Kong, Taiwan, and the Rest of Asia.

2.1. Asia Family Office Sector.

The origin and growth of the office sector across Asia can be traced back to the region's ancient economic development era. The first two successive decades, the 1950s and 1960s, significantly shaped the region's initial family office sector establishments. The period defines a core family office services development stage amongst many Asian families, set to seek finance and capital management solutions to bolster their businesses and wealth. These initial industry developments and adaptations were typically based on small-scale unit implementations and simple operations suited to support and enhance participants' finances and investment management portfolios (Kenyon-Rouvinez & Park, 2020). The industry's dynamic nature was exhibited throughout the 1970s and 1980s, proportionately corresponding to the region's rapid growth within the successive decades. The period was characterized by massive wealth accumulation amongst Asian families, which required a more sophisticated family office approach. Consequently, their operations were integrated with a wide range of service provisions such as estate planning, tax approaches, and philanthropy.

Later in the 1990s and early 2000s, the family office sector flourished across the referenced region, exhibiting developed, complex, and more efficient field operations. Following the rapid economic globalization across Asia, many regional family offices extended their operations to the outside world. Consequently, the diversification of their operations triggered the deployment of additional services such as venture capital investment and private equity extensions. To date, the family office sector ranks among the top tier business entities—a highly developed industry that undertakes sophisticated business and wealth management decisions. Likewise, the region currently inhibits a significant proportion of the world's total family offices, offering their esteemed clients a wide range of capital, asset, and wealth management services.

2.2. Development of the Family Office Sector in Asia

The implementation and development of the family office sector in Asia did not occur overnight but rather experienced a gradual industrial evolution since its invention, dating back to the early 1950s. However, a significant field and study approach has been recorded over the past 20 decades, entailing numerous detailed research developments on specific and closely related field aspects. As previously discussed, this development can be traced throughout its entire existence timeframe, characterized by multiple operational changes and constant deployment of updated investment handling measures. There has been

a notable dramatic rise in the number of established family offices across Asia. Unlike the initial sector development stages characterized by few family offices across the region, recent surveys have proved a significant positive margin in the prevailing industrial conditions. This trend signifies a significant industrial growth and evolution signal, validated through industrial and market share computations over time.

The family office sector in Asia is still on the rise, experiencing a higher dynamic transition that carries various industrial implications. This is impacted by the rapid demographic, economic and technological trends across the region, with significantly more groups set to establish new private wealth management institutions. Reference includes:

- An increase in ultra-high-net-worth population across constituent countries.
- A stronger desire for spectacular control over individual and group finances.
- The prevailing financial landscape complexity.

Although the region's family offices are still somewhat small compared to their counterparts in the West, the former depicts a higher industrial share and diversification of services. The forecasted sector operations are perceived to exhibit a more consolidated status with the emergence of new prominent global players. Additionally, the family offices are consolidating to venture into a broad range of provision of services to enable them to thrive in the competitive market. Therefore, despite its evolution and development status, Asia's family office sector is soon expected to match the world's most developed regional standards, which is induced by the growing services demand within the region.

According to multiple reports, Asia's Family Office sector averaged a 10.1% performance in 2016, while its average net worth was approximately US\$1.3 trillion. (Merrill Lynch & Campden Research, 2008; Selby Jennings HK, 2018). The statistics also state that the top family offices in Asia have an average performance and net worth of 12.3% and US\$2.1 trillion, respectively. The sector comprises two distinct groups – single-family offices (SFOs) and multi-family offices (MFOs), reportedly computing an average performance of 10.1% and a corresponding average net worth of US\$1.3 trillion. Elsewhere, research carried out by UBS and Campden Research (2019), the global approximated assets under the control of family offices stood at USD 5.9 trillion, accumulated from various respective families with a vast wealth net worth of USD 9.4 trillion. The study further reported that around 7,300 single-family offices existed globally, up a significant 38% from 2017. As per the results, North America and Europe accounted for a remarkable 42% and

32% market share, respectively. Reportedly, Asia Pacific is currently at the forefront of the family office growth, possessing around 1300 family entities, up a remarkable 44% since 2017.

The distribution and performance of family office sectors vary across the referenced region. Among the factors influencing the stated phenomenal differences includes but are not limited to the population size and economic status, as well as wealth distribution amongst constituent countries. Additionally, the development levels attainable across various financial services sectors and regulatory environments advocate for the existing regional differences. Some of the most developed family office sectors are found in countries such as Singapore, Hong Kong, and Japan, which inhibits large populations of wealthy individuals and families and well-developed financial services sectors. The regulatory environment in these countries also computes a key development basis conducive to embracing family office services development.

The Asia-Pacific region is home to some of the world's wealthiest families, many of whom have established family offices to manage their wealth. While there is no definitive list of the region's family offices, they are typically located in major financial hubs such as Hong Kong, Singapore, and Shanghai. The set phenomenal locations, widely known for their wealth and affluence, constitute a smaller geographic footprint than their counterparts in the West, which are often more dispersed. This is based on the fact that the specific Asian sector tends to be more insular and reluctant to communicate and collaborate with other families of wealth.

The structure of family offices in Asia is quite diverse, ranging from simple to complex operational systems, entailing different office functionalities and human resource considerations. The most common structure for family offices in Asia is the single-family office structure, which employs one staff member to manage the family's financial affairs. Other systems used by family offices in Asia include the multiple-family office structure, which employs various staff members to manage the financial affairs of multiple families, and the hybrid family office structure, a combination of single and multiple-family office practices. The single-family office dominates the regional sector computing to a significant 78% of the total, followed by the multiple-family office, employed by 22% of family offices in Asia, and then the hybrid family office structure is the least preferred, accounting for less than 1 % of the total sector share.

Despite the differences in the distribution and performance of family offices in constituent countries, there is a need to embrace efficient family office operations across the region. This serves a fundamental purpose in deriving numerous economic advantages mutually beneficial to the region's respective economies. Eventually, the existing and potential measures are attached to the perceived local and regional benefits, accrued at different operational levels, a fundamental development blueprint for embracing overall regional growth. Some potential benefits of adopting efficient family office operations across Asia include improved economic growth and stability, increased foreign investment, enhanced competitiveness, and general social welfare improvements.

A well-functioning family office sector across Asia can constitute sustainable and inclusive regional economic growth. This would stabilize and retain family businesses' contribution to the economy, which would be enhanced through employment generation and proper investment. Apparently, family offices are often capable of attracting foreign investment thus, a critical economic development tool. The existence of efficient family offices across Asia would trigger massive foreign businesses and investment, improving the overall regional competitiveness. Elsewhere, financial handling institutions play a significant role in promoting and sustaining social welfare. As such, these offices can bolster the lives of Asian residents through supportive initiatives, paving the way for easy access to education and healthcare, among other social amenities.

Despite their recent developments and prominence, family offices in Asia face a unique set of challenges. First, many are relatively new and lack the experience and expertise of their Western counterparts. Despite their long operating tenure, the stated business entities across the region still need a proper development base for attaining their recommended operating standards. For instance, many Asian family offices are small and lack the scale and resources of their larger Western counterparts. Thus, making it difficult for them to attract and retain top talent and venture into the best technology and processes. Likewise, many family offices are run by first-generation wealth creators who may need a background in investment management.

Consequently, the above issues have often triggered limited access to quality deal flow. The latter has proved a major development issue that has existed over the past decades bringing about inconsistent service delivery and market responses. As a result, a higher proportion of family offices operate under smaller business environments, usually the markets, with limited deal activity. The insubstantial resources and networks condition

complicates identifying and evaluating potential investment opportunities.

One of the recommendable remedies to limited industrial operation is exploring and initiating business partnerships with established professional investment firms with access to a broad range of deal flow. This would enhance family offices review and operations in a diverse industrial environment while also benefiting from the due diligence and investment analysis capabilities of particular firms. Alternatively, the sector must focus on investing in agencies based in the region but with a global reach. Both approaches are recommendable measures towards access to a larger pool of potential investment opportunities and embracing maximum exposure to the faster-growing economies in the region. While investment partnership and exploration alone may not prove a definite solution to the issues emerging from little investment knowledge and expertise, there is a need to consider potential partners' experience, hence, opt for the most established teams. This would accrue high-level business expertise benefits integrated with a similar quality business exposure.

Another issue facing family offices in Asia is the need for a proper succession plan. This is often since many family offices are run by first-generation wealth creators who still need to put in place a plan for how their businesses will be passed on to the next generation. Therefore, these family offices may not be able to continue operating in the same way upon founders or experienced workforce retirement or death. This challenge can be scraped through the development of a succession plan that clearly outlines the roles and responsibilities of the next generation of family office leaders. This will ensure that the family office can continue operating smoothly and effectively, even after the founders have retired or passed away. Elsewhere, the implementation and adoption of family office foundations would enhance office continuity under charitable inheritance and management.

In addition, a vast network of Asian family offices is often based on the initially adopted traditional, outdated structure and focus, which limit their ability to be agile and adapt to dynamic market conditions. Hence, they are less inclined to take risks, limiting their potential operating levels. Their less transparent nature and lack of proper governance make it challenging to convince foreigners due to the lack of precise scope, size, and activities. This is often due to the fact that many family offices are run as private businesses, with little to no transparency around their operations. As a result, it can be difficult for family members and other stakeholders to hold the family office accountable for its actions. Similarly, their reputation, usually defined by a lack of sufficient business trust, limits them to potential investors, partners, and employees.

Also, the Asian family office sector is highly fragmented, with many small, regional players- a major limiting factor to business networking and best practices experience. In addition, business enterprises need more liquidity since many family offices invest in illiquid assets, such as privately held companies, real estate, and hedge funds. As a result, it can be difficult for family offices to sell these assets promptly or to access cash in case of financial obligations. One way to overcome this challenge is to invest in more liquid assets, such as publicly traded stocks and bonds. This will allow family offices to more easily sell their investments when they need to raise cash while exposing them to a broader range of investment opportunities. They can also integrate a liquidity fund tailored to meet the family office's short-term cash needs and can be invested in more liquid assets, such as publicly traded stocks and bonds.

Overall, the discussed challenges require a professional management team. This team can provide the family office with the skills and experience to effectively manage the business while helping grow and sustainably scale it. Creating a family office board of directors to provide oversight and guidance can help ensure that a particular family office is run professionally and efficiently. In a similar approach, the Asia family sector has proved the integration of the external asset management landscape as a core industrial development driver over the past operational decades (Selby Jennings HK, 2018). The latter has emerged as a favourable factor, impacting a wide investment scope across various business practice dimensions in the long-run operations of the particular financial management business.

2.3. An Overview of Asset Management

Asset management is a financial field that involves individuals or firms providing management services on behalf of individuals, families, or other entities assets. This includes and is not restricted to the development, operations, maintenance, and disposal of assets cost-effectively. This diverse financial scope entails a categorical industrial aspect; external asset management is usually denoted as EAM and often regarded as independent asset management. The latter provides financial assets alongside investment management on other people or a group of individuals without holding correspondent assets in custody. As a result, the execution of management practices requires the actors to seek custodians, usually certified financial institutions such as banks, and grant an attorney mandate to allow portfolio management (Selby Jennings HK, 2018). The operational capacity of the attorney is customarily limited and restricts external asset managers from withdrawing funds. For instance, EAMs are considered financial services providers, usually restricted to full financial institutions operations and, thus, not licensed as banks or any other securities dealer.

They operate independently, outside the custodians, and are therefore free to offer their clients any financial product or solution. Next to discretionary management actions, external asset managers (EAMs) also deliver investment advice.

2.4. Industry Elements and Capabilities.

Their service delivery operations are not affiliated with banks (custodians). They thus can initiate continuity in financial and investment services provision alongside the flexibility to match the prevailing custody requirements changes. Additionally, they entail comprehensive customer service that is not limited to standard functions and product lines. Thus, they are free to offer their preferred products, majorly collective investment schemes, and provided that they execute their operations transparently, avoid vested interests, and offer high-quality products, their operations should be acceptable. Previous external asset management industry reports claim that independence and individual client relationships form the EAMs' most crucial, unique selling and service acquisition propositions (Hasting, 2019).

The ideal EAM model from affiliates interested in customized and flexible solutions. Ideally, customers receive personal services and expect continuity without relying too much on their respective service providers. On the other hand, External asset managers focus on their customers' relationships while providing complex asset management services. Potential personalized assistance from distinctive and tiny financial intermediaries may also embrace the entrepreneurial allegiance of the external asset management risk sharing with customers.

Normally, the client's relationship with the custodians is not considered a decisive factor since the former only holds the EAM liable for the results. However, the cooperation between overall external asset management operations and custodians is essential in ensuring quality client satisfaction. The onboarding activity is an example of EAM and custodian collaboration that substantially influences the client journey. Similarly, data dissemination and processing between the duo is another decisive parameter for service provision. Thus, the external asset management business structure entails an essential triangular-based set of relationships, considered a vital element towards the best business experience, attainable upon optimal interfaces match.

Although the duo provides similar investment and management services, the custodians prefer the illustrated business integration due to the perceived phenomenal development importance as detailed below, and thus, presents dedicated EAM programs and teams. Despite the smaller revenues, acquisition and advancing administration costs are

lower than the wealth management service sector. As a result, custodians prefer to risk venturing into the business field other than missing out on the potential premier opportunity. They usually maintain their attached clients' contact upon incidental changes accruing themselves to other distribution mediums for their products.

In Asia, for example, a considerable range of custody banks have instituted the Blockchain partnership for Finance to lay collaboration standards between financial institutions and external asset administrators. Reportedly, the various platforms established on blockchain technology facilitate upgraded statistics and data flow through custodians and EAMs. This implicates more simplified investment compliance procedures, an overall digitalized onboarding process, high-quality data, and the creation of resources for customer services.

According to a growing conceptual reference and interest in independent asset managers, the respective sector is widely recommended for its attempts and competition to sustain trusted partnership deals with its clients. This is driven by various industrial practices such as providing Comprehensive financial advice and establishing one-stop shops, among other core services. Referencing Asia as a global representative of the EAM scope, the region's established sector has served to recognize its customers' financial needs and, in turn, provide various investment options, objectives, and strategies. They inform their customers of potential investment risks and account for their management services.

Additionally, the Asia EAMs have established numerous open and custody accounts in partnership with different appropriate banks to manage their respective assets on hold following the developing investment strategies built on the assumed powers of attorney allocated by them. They employ financial mechanisms and solutions that satisfy clients' preferences and imposed guidelines, transmit orders, and track their execution. The evolving business field has hugely impacted the service experts' knowledge depth regarding establishing and designing under-management portfolios and assets.

Therefore, among other functions, the Asia EAMs' elemental service profile entails the execution of comprehensive analysis and exploration of existing stock markets and other financial particulars as well as prevailing economic information, including a phenomenal forecast perspective. Following the stiff market competition between the demonstrated business entities and their wealth management counterparts, the former regularly implements collaboration deals with external specialists such as lawyers, insurance advisors, and tax experts to integrate their esteemed clients' value.

2.5. EAM Regulation.

Financial regulation is a crucial business consideration to steer consumer and overall financial market protection within Asia and worldwide. In Asia, EAMs are licensed under the constituent regional government authorities and regulated by respective supervisory agencies.

The Evolution of External Asset Managers in Asia.

A few decades ago, the external Asset Management (EAM) concept barely or least existed in Asia, amid its long existence in Europe and some parts of North America, such as the USA. However, the sector has rapidly evolved over the last decade, with major industrial developments exhibited in Hong Kong and Singapore, possessing a total of approximately 160 independent asset managers and a cumulative net worth of US\$91.5 billion in private wealth holdings, as reported in 2017. Traditionally, the stated countries, among others underlying the Asia-Pacific region, were held on ancient forms of investment despite their long-existing urge to dominate the control of their assets. As a result, the region's Wealth management was entirely controlled by the dominant financial institutions such as banks, insurance companies, and a scattered number of independent wealth consultants. This particular investment trend has been influenced by various regional market and business environment changes, demanding the integration of new and supportive service provision measures.

The referenced HNW population is forecasted to double within the scope of every next two years over the next decade. A similar trend is expected within the region's EAM sector. The number of external asset managers is set to increase by 25% and 50% in Singapore and Hong Kong, respectively. The stated countries' governments are recently implementing more onerous financial restrictions to control the increased wealth, incurring additional costs and administrative responsibilities amongst investors. Hence, EAM firms are providing an efficient approach to accommodating HNW individuals and asset management in this dynamic environment.

The extent to which the stated drivers have impacted the operations of the investigated Asia sector services lies in the evident family office portfolio developments, such as composition and market output indicators. In particular, the sector has exhibited a notable transition from traditional asset particulars, such as cash and fixed assets, towards alternative investments, such as private equity, hedge funds, and real estate. The regional desire to maximize investment returns in low-yield capabilities defines the reported

alternative investment preference. Elsewhere, it is also considered a significant shift away from traditional assets, which have been recently labeled as more correlated, thus a core diversification instrument.

The increasing complexity of financial commodities and services has complicated the family offices' efforts to evaluate and access the best available investment deals, thus forcing them to outsource their investment management to external asset managers. Also, the dynamic regulatory environment has reportedly introduced various investment managers, such as the Alternative Investment Fund Managers Directive (AIFMD) in the European Union, imposing a greater focus on family offices' compliance and risk management, among other considerations. The impact of external asset management on Asia's family office sector has been recorded across significant constituent field aspects, namely, Cost reduction, Risk control, governance, and the overall Investment performance as well as compliance layouts over the respective measures as detailed below.

2.6. Investment Performance

One of the critical considerations of family office management rights outsourcing to external asset managers is the obligation to integrate their investment performance. A developing research volume has argued that the victims (family offices that outsource their investment management to external asset managers) usually outperform their contrast practice adoption reluctant counterparts. For example, a particular study by UBS has confirmed that the former surpasses the latter by a wide average return margin, averaging 8.6% and 5.8% return performances, respectively. Prior research by Merrill Lynch & Campden Research (2008), found that the family offices that outsourced their investment services accrued a significant return of 9.2%, against a comparatively lower 6.4% return index for those who failed to implement the external asset management strategy.

Cost Reduction

Another driving factor towards Asia family offices' decisions to outsource their investment management to external asset monitoring agencies is the need for minimized operating costs. Various studies entail that outsourcing family offices' investment services to external asset managers has reportedly reaped a low operating costs advantage. A survey by UBS claims that a current proportion of the Asia family office sector, which embarked on external investment management, outdid the rest of the industry by a margin of 0.2% average cost. Similar statistics were ascertained by a study compiled by Campden Research, which entails 1.1% and 1.3% average cost correspondences (Merrill Lynch & Campden

Research, 2008), a business development approach credit to the respective users.

Risk Management

Another reason why family offices have outsourced their investment management to external asset managers is to improve their risk management. A developing number of studies have shown that family offices that outsource their investment management to external asset managers have lower risk than those that do not. According to UBS (Hartung, 2022), the proportion of the Asia family office that outsourced its investment management had an average risk of 5.8%, compared to 6.4% for those that did not. Elsewhere, Merrill Lynch & Campden Research (2008) found that family offices that outsourced their investment management computed an average risk of 5.2%, while the other corresponds to a 6.0% risk index.

A study by Boston Consulting Group showed that in 2017, Asia's gross domestic product per capita was \$17,400. This is expected to grow at a compound annual growth rate (CAGR) of 3.5 per cent to reach \$20,700 by 2022 (Beardsley et al. 2017). The report provides an in-depth analysis of the market, sizing, and forecasts for the Asian wealth management market. The report also provides a detailed overview of the market's competitive landscape and profiles some key players, such as the Bank of America Merrill Lynch, Citigroup, Goldman Sachs, JPMorgan Chase, UBS, Credit Suisse, and Morgan Stanley.

There are two main types of asset management companies (AMCs) in south-east Asia. Investment management companies (IMCs), typically owned by commercial banks and manage bank deposits, and Securities investment management companies (SIMCs), reportedly owned by securities firms and manage securities investments. Their operations and notable performance are defined by the respective government's approach to developing the financial sector, with the banking sector being state-owned and the securities sector privately owned. (Issa et al., 2022). Reportedly, the initial industry developments were initiated by the state's ministry of finance, which is responsible for implementing professional asset management for third-party particulars, a major landmark for the wealth and asset management industry. The move was accompanied by establishing the first two state-owned IMCs, China Cinda Asset Management and China Great Wall Asset Management, in 1999.

To manage the increased level of risk associated with the expanded product offerings

and more complex investment strategies being used by asset management firms, it is essential to have a practical risk management framework in place. Furthermore, given the stringent regulatory environment in which asset management firms operate, it is also important to have robust compliance procedures and controls. Asset management firms need to continuously enhance their product and service offerings to stay ahead of the competition and meet the changing needs of their clients. In particular, asset management firms need to focus on providing innovative products and services aligned with their client base's changing demographics. To reach a wider audience and tap into new growth opportunities, asset management firms must focus on developing innovative distribution channels. Hence, asset management firms need to focus on developing digital distribution channels that can reach a wider audience.

The main developing trend in asset management in Asia is the move away from traditional passive strategies, such as index tracking, and towards active management. Different factors, such as the growing sophistication of investors, the development of the capital markets, and the availability of new technology, drive this. Active management involves deciding which securities to buy and sell and when to buy and sell them. This is in contrast to passive management, which involves following a predetermined investment strategy, such as investing in an index fund that tracks a particular market index. The advantages of active management over passive management include the potential to generate higher returns, take advantage of market opportunities, and have the flexibility to respond to changing market conditions (Fung et al., 2002). However, the approach also comes with higher fees and greater risk.

Notably, there is an increasing preference for alternative investments, such as hedge funds, private equity, and real estate, often seen to generate higher returns and diversify a portfolio (Moynihan et al. 2019). The preference for alternative investments is driven by investors' growing sophistication, the capital markets' development, and the availability of new technology.

3. Methodology

3.1. Data

The descriptive research design applied in the study helps describe the traits and connections between the Asia family office industry and external asset management, as well as predictions for the coming ten years. Using a descriptive research design clarified how the data was acquired, assessed, and used to achieve the exploration goals (Gavrikova et al., 2020). Our research design defined the existing phenomena by requesting information from participants about their perceptions, attitudes, or values. It was also adopted to address the questions of when what, who, and how. Once more, descriptive research assisted in establishing the relationship between the variables and permitted quantitative data analysis. To analyze management development and the impact it has brought to the development of the sector or healthy Asian family office in a following correctly, our researcher made sure that there are good, reliable, and verifiable data sources that succeed the project. In our study, Gavrikova et al. (2020) were provided with full access to accurate data sources with mostly first-hand information from people, which helped us to identify trends and patterns and compare them with existing related research and unearth that may otherwise be hidden more efficiently and come up with correct manipulation and prediction of the future growth. In other words, with this full access to reliable data sources, we could ensure that the research findings are more accurate and trustworthy. To address the presented research topics within the parameters of our study, our research used a mixed research strategy that combined methods of systematic literature review and bibliometric analysis. Figure 1 depicts one of our research strategies and data collection.

Our research's plan suggested the following actions be carried out for data collection: Designing the search request for further analysis, answering RQ1 via bibliometric analysis using the search request (visualization of the asset management field of research and examining the place of strategic asset management), responding to RQ2 via a systematic literature review for examining epistemological orientations of existing research on strategic asset management and responding to RQ3 via a systematic review of articles that are devoted precisely to strategic aspects of asset managing (Gavrikova et al., 2020), looking into the potential for matching asset management tactics to various levels of organizational strategy. The methods being used can have certain drawbacks. First, systematic review approaches may be subject to subjectivity, whereas bibliometric analysis may be considered shallow. However, these techniques work best when used in tandem, and our research strategy was created to reduce prejudice and boost methodological accuracy. For the sampling and other

literature, analysis followed both automatic and manual procedures to improve the validity and credibility of the resulting findings. By incorporating papers from reputable journals and using various sources, we ensured that our sample was representative of the population (Gavrikova et al., 2020).

To answer RQ3, we investigate whether universally accepted strategic management theories can be used to align asset management strategies with overall organizational strategy. We excluded six papers (from the sample of 53 articles examined in the previous step) because they are concerned with optimization strategies (Gavrikova et al., 2020). We then conduct a thorough analysis of 47 articles to investigate the contextualization of external asset management strategies by various authors, with a focus on various levels of decision-making. We classified the selected papers using a concept-centric approach that focuses on specific units of analysis (represented by different levels of organizational strategy) (Gavrikova et al. 2020) and is based on the concept of the hierarchy of strategies of this external asset management. Units of the analysis demonstrate asset management strategy contextualization. We distinguish four types of strategy: corporate, business (competitive), functional, and operational, which differ in their focus, objectives, planning timeframe, and performance criteria. We limit our analysis to categorizing external asset management strategies based on the following questions, which help to indicate strategy level.

- External asset management: How does the company benefit from managing a group of businesses?
- External asset management's competitive level: How does management collaboration gain and maintain a competitive advantage for a single line of business?
- Management cooperation at the functional level: How does external asset management manage a specific activity within a business in ways that support the business strategy?
- We also refer to the operational level (how to manage strategic activities within each functional area?) as per (Gavrikova et al. 2020) to exclude papers that focus solely on technical issues and provide a broader picture of strategic asset management across the organization.

3.2. Study Demographic

The research was done around the Asia continent, where information was collected from one country to another, and also online survey. The information collected from the targeted group collaborated with external asset management in the Asia economy. Once

more, our analysis gathered information from a wide range of sources, including academic literature, business reports, and assessments of Asian family offices. Due to offices being private organizations and not obligated to reveal their financial information to the public, collecting reliable data on the family office industry in Asia was difficult. This was done to get around this limitation. A successful family office business was also a relatively recent occurrence in Asia, and little research was done on the subject. The data for this study were also analyzed using a combination of quantitative and qualitative techniques. For academics, practitioners, and policymakers who are interested in the Asian family office market, doing a very focused analysis of the data available on private wealth management was extremely important for this project.

Sampling and Sampling Procedure

The target population in the study was primarily Asian family offices and external assets management associations. The study demonstrated that the sampling frame helped select individuals from the target populace employed in leading the study. Apart from data collected using systematic literature review and bibliometric analysis (Donthu et al., 2021), the sampling frame was acquired from external asset management in the Asia economy. Sampling is a technique that involves picking the total assets of retail banking and wealth management clients of HSBC by the region in the whole of the continent to create a sample representative of the entire management population in Asia. Data was also collected by requesting some of this external asset management cooperation to participate in questionnaires provided for first information from various managements. The questionnaire collected data as per research questions. This data, before the processing, is compared to the one collected from the previous study for better analysis and comparison. The data was compared to other regions like Europe, North America, Latin America, the Middle East, and North Africa (Donthu et al., 2021). Our sampling strategy ensured that the population as a whole was informed of the study's findings. To divide up the Targets, a stratified random sampling approach was applied. The study used systematic random sampling to avoid bias (Rojas-Sánchez et al., 2022). The aggregate sample determined the target sample's size to minimize sampling error, and the representative sample was appropriately large. A good sample According to Rojas-Sánchez et al. (2022), a good sample price 10%–30% of the general population. The sample size for this study was 10% of the accessible population.

This research collected information from different parts of the Asian continent. It was compared well with other information from Europe and America to understand the trends in this business (Solomon, 2020). The data gathered was extremely encompassing of

this information because the study's findings offer insights into the trends influencing the development of the family office industry in Asia and the external asset management landscape in that region. The amount of assets under the care of family offices in Asia has increased along with their number in recent years. This study gathered information on regional private wealth management, involving a better knowledge of the trends influencing the external asset management environment in Asia (Solomon, 2020). When collecting this information, researchers were very keen as this was only first-hand information that was to be combined with what was collected from data collected using systematic literature review and bibliometric analysis in the growth of external management and how they are improving Asian family offices (Solomon, 2020).

Data Source and Collection Instruments

According to Gavrikova et al. (2020), the method used by the researcher above to gather information relevant to the study was called a data collection method. The study was again carried out using primary data by the researcher as other data collection methods. Semi-structured questionnaires were used to collect the primary data. The study showed that questionnaires were research instruments used to compile data from a broad sample. The data concerning the total wealth distribution of billionaires worldwide were collected using online questionnaires. Surveys were used to gather data about the target group's performance and development. The Asian family offices completed the questionnaires independently (Agarwal et al., 2019). The researcher gathered the completed questionnaires from the offices and asset management after asking them to complete them in fifteen minutes. This data collection method assisted in raising the response rate. Additionally, it helped the researcher better understand the results by helping the respondents provide the necessary data. To facilitate the data collection (Agarwal et al., 2019), the researcher requested an introduction letter from an Asian family office and authorization from the necessary authorities at the premises. When gathering data for the study as per the age distribution of billionaires in Asia, it was crucial to ensure that the information was accurate and pertinent to the research issue. To do this, dataset filter measures were applied to separate only pertinent geographic and temporal data points. To diversify the combination of primary and secondary sources was utilized to diversify the analysis of family Office annual reports and serve as the vital source of primary data because they provide information on the strategies and activities of the companies. These reports, however, were frequently unavailable to the general public and might be challenging to get to carry out the study (Agarwal et al., 2019); secondary materials like news articles, industry reports, and interviews with family office

professionals utilized city of the datasets that were accessible were shown as spreadsheets and CSV files. This was done to make it simple to delete extraneous data points using software like Tableau, R, and Python tools and software for data analysis in Microsoft Excel. The data was sanitized after it was gathered so that it could be used for analysis. This involved formatting the data into a usable one, deleting any extraneous data, and verifying for mistakes and inconsistencies (Agarwal et al., 2019). The data was filtered to remove any unnecessary information and then formatted into a readable format after being reviewed for mistakes and inconsistencies.

Reliability of Research Instruments

According to Mohamad et al. (2015), a tool's level of detail ability depends on its capacity to deliver the same outcomes over time. In our study, the questionnaire's reliability was attained by ensuring it was precise, well-defined, and distributed to the appropriate sample population. The questionnaire was distributed online and received responses. The survey respondents ranged from senior executives to managers. They mainly represented EAMs, fund management firms, and family offices. To supplement and validate the survey findings, researchers conducted exclusive one-on-one interviews with members of the Association of Independent Wealth Managers (AIWM), EAM representatives, and veterans managing financial intermediaries at various custodian banks in Singapore (Mohamad et al., 2015). A reliability test was conducted on the tool to gauge how consistently reliable the questionnaire findings were.

Validity of Research Instruments

Validity is the precision and significance of inferences drawn from study findings (Mohamad et al., 2015). Since the study employed a descriptive research design strategy, the results were extrapolated to all Asian investment firms to establish their external validity. The face validity of an indicator was its ability to make some variables seem like a reasonable way to measure them. The questionnaire's ability to measure what it was designed to measure was determined using the content validity index (Mohamad et al., 2015). By using questions suited to the study questions, the researcher made sure that the research instruments were used to assess the variables intended to measure. To determine whether the questionnaire was appropriate for the study, the researcher sought the advice of experts. The best way to complete the questionnaire was explained to the selected respondents.

Methodology Limitations

The absence of information on the family office industry in Asia was one of the

study's weaknesses. There are several academic studies and papers on the family office industry in the United States and Europe, but there needs to be more data on the industry in Asia. Because the family office industry in Asia is still developing and less established than in the United States and Europe, more information must be collected.

Again, in contrast to the United States and Europe, where there are numerous reports and academic studies on the industry, Asia has a dearth of knowledge. To concentrate on the most recent indicators and market traction, the study will only cover data from the previous ten years. The period was selected to get the most recent information about the industry.

Access to the appropriate type or geographic scope of participants was limited. In this case, the people who answered survey questions may have differed from a proper random sample. The inadequate sample size for statistical analysis. It is critical to have a sufficient sample size when conducting a study to draw valid conclusions. The larger the sample size, the more precise the results. It will be easier to identify significant relationships in the data if your sample size is more extensive.

Our empirical research was only interested in what was observed, not what made sense or followed logically. It was closely associated with the scientific method. In this case, empirical methods were well-suited for studying phenomena challenging to observe or measure directly. In this case, the evolution of external asset management and its impact on Asia's growing family office sector was difficult to observe and quantify directly. Second, empirical methods aided in the collection of data for quantitative analysis. This was significant because it allowed for a more objective and rigorous data analysis. Finally (Clarke, 2004), empirical methods were widely regarded as more scientific and thus more credible than other methods. The use of empirical methods enabled the testing of hypotheses. This is significant because it allowed theories to be refined. Again, empirical methods were used in the study to collect data that would be used to make predictions. This was significant because it allowed for the development of decision-making models. Finally, empirical methods enabled the replication of studies to aid in verifying the results.

In the research, various statistical methods were used to analyze the data and identify relationships between family office performance and external asset management in Asia to gather insights that will help to forge informed and data-supported predictions. Theoretical Methods (Clarke, 2004), on the other hand, were also used to derive insights related to market behaviors. These are the methods that rely on abstract concepts and principles. In this case, various economic theories were used to analyze Asia's external asset management and family office sectors. The game theory was used to analyze and justify the strategic

interactions between family offices and external asset managers using the resulting industry performance from the collected data.

Trend Analysis Approach

Trend analysis is a statistical technique for identifying trends in data (Lang et al., 2019). Trend analysis was used in this study to identify trends in data on the external asset management and family office sectors in Asia. The data used in this study was gathered from World Bank data over ten years, and trend analysis was used to identify trends and patterns in the data. The trend analysis results were used to make future predictions about Asia's external asset management and family office sectors. In our research, trend analysis was a critical and influential tool in analyzing the evolution of external asset management and its impact on the growth of Asia's family office sector over the next decade. This is because it aided researchers in identifying and tracking changes in data over time, which could be used to forecast future trends (Lang et al., 2019). Trend analysis was also helpful in identifying relationships between variables and understanding how they interact. The study used trend analysis to examine data on the growth of external assets under management by Asian family offices over the last decade. According to the findings, there has been a significant increase in the number of assets managed by family offices in Asia.

This trend is expected to continue in the coming decade. Furthermore, the study discovered that the Chinese economy had driven most of the growth in assets under management by family offices in Asia. Because of the diversification of the Asian population, the growth of family offices in Asia is expected to continue to outpace that of other regions of the world. The study used data from various sources, including the World Bank, the International Monetary Fund, and the Family Office Association (Lang et al., 2019), to support this claim. In our case, trend analysis enabled us to examine data over time for a long-running survey on external asset managers and family offices in Asia. It was beneficial to compare these two somewhat correlated variables. Researchers used trend analysis to display a summary of long-term data, investigate variability at different time points, and capture how asset managers respond over time. They used trend analysis to determine whether the evolution of external asset management has resulted in any family office changes.

4. Results

4.1. Asian Private Wealth's Distribution.

The growth of the family office sector in Asia is a testament to the region's increasing wealth, particularly in China and India. According to Deloitte research, an estimated 1,000 single-family offices (SFO) were operating in Asia as of 2018 (El Giam et al., 2021). This number is expected to double by 2023, with more families setting up their own family offices due to increasing affluence and improved access to sophisticated financial products such as trusts and private equity investments (El Giam et al., 2021). In addition, growing external asset management operations are driving consolidation within the industry as larger firms acquire smaller players that lack scale or expertise; this trend has been observed across all regions worldwide but especially so in Asia, where SFOs had become increasingly professionalized since 2013, when Singapore passed legislation allowing them to be established there legally for the first time.

According to Boston Consulting Group (Heredia et al. 2020), this has led many multinational firms such as UBS Global Family Office Services (GFOS), Deutsche Bank's Family Office Services Group (FOSG), and JP Morgan Private Banking & Investment Management Solutions (PB&IMS) to launch dedicated teams offering services specifically designed for Asian clients. The dynamics of wealth creation and distribution have taken different trajectories worldwide. As the global wealth distribution has become increasingly unequal, Asia stands out as a region of extensive financial growth, particularly in the last twenty years. According to the *Global Wealth Report of 2019*, Asian households now hold the largest share of global wealth and account for nearly 40% of the world's total wealth (Shorrocks et al., 2019).

This impressive growth of wealth has been largely attributed to the rise of the middle class in the region, which is estimated to account for over two-thirds of the region's total wealth. In addition, the rise of a new generation of high-net-worth individuals (HNWIs) has also been responsible for the surge in wealth accumulation in the region.

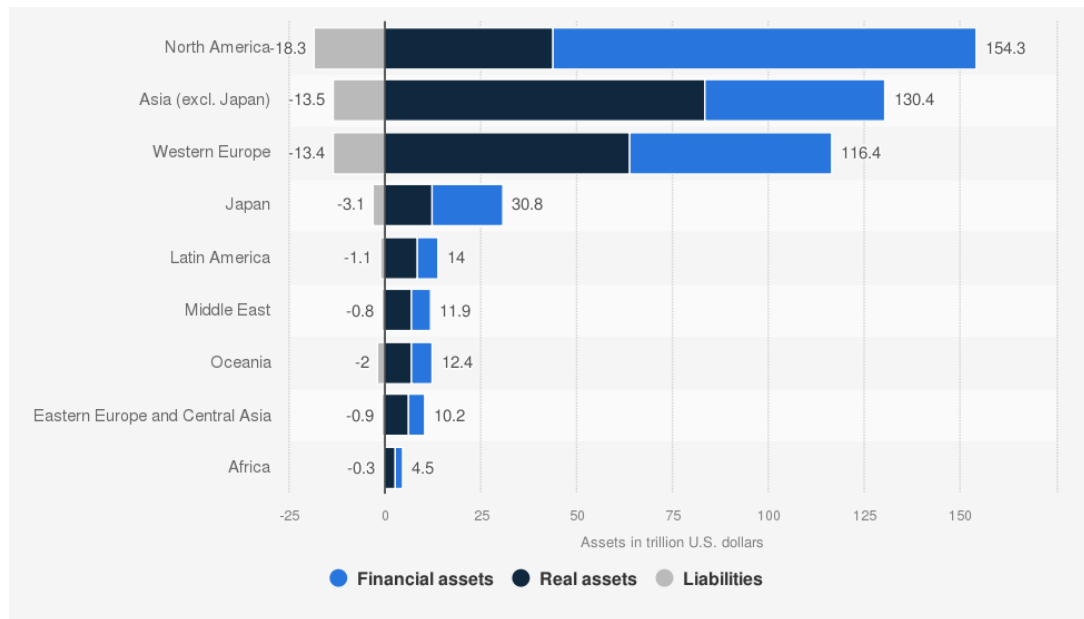


Figure 1: Assets of High-Net-Worth Individuals (HNWIs) and Ultra-High-Net-Worth Individuals (UHNWIs) worldwide in 2020, by region in trillion U.S. dollars. (Source: Heredia et al., 2020)

From the above statistic, it's elaborate that Asia has the second highest financial assets, such as cash and deposits, bonds, equities, and shares of 72 trillion U.S. dollars, trailing only North America with a total of 110.60 trillion U.S. dollars. Furthermore, the region holds the largest share of the world's real assets, totaling 104.30 trillion U.S. dollars.

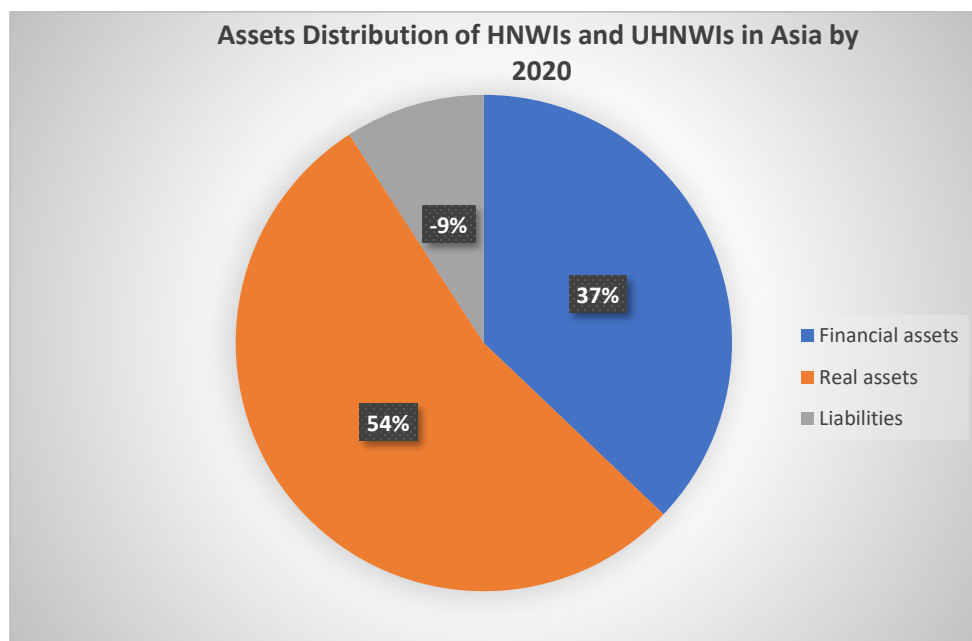


Figure 2: Assets distribution of HNWIs and UHNWIs in Asia by 2020 (Source: UBS, 2022).

As shown in the figure above, the distribution of assets is concentrated mainly on financial and real assets. Financial assets, such as cash and deposits, bonds, equities, and shares, account for the majority of total wealth, with 72 trillion U.S. dollars amounting to 37% of the total wealth. Real assets, such as property, land, and business investments account for the second largest share of total wealth, with 104.30 trillion U.S. dollars amounting to 53% of the total wealth. Liabilities account for the remaining 10%, totaling 17.70 trillion U.S. dollars (UBS, 2022).

4.2. Regional Distribution

The Asian continent consists of five main distinct financial regions, namely East Asia, Southeast Asia, Central Asia, southern Asia, Western Asia (Middle East), and Central and Northwestern Asia. These regions have different wealth dynamics, cultures, government policies, and economic structures, which makes their wealth distribution significantly different. According to Boston Consulting Group's report *Global Asset Management 2022* (McIntyre et al., 2022), the global assets under management have grown significantly since 2001, and this trend has been particularly evident in Asia. Between 2001 and 2021, the total asset management in Asia (excluding Japan) grew from 0.5 trillion U.S. dollars to 17.2 trillion U.S. dollars (McIntyre et al., 2022).

Table 1: Global assets under management in selected years from 2001 to 2021, by region in trillion U.S. dollars (Source: McIntyre et al., 2022).

Sample Years	North America	Europe	Asia (excluding Japan)	Japan and Australia	Latin America	Middle East and Africa
2001	15.20	8.50	0.50	2.50	0.10	0.40
2010	24	13.90	3.20	3.90	0.50	1
2020	44.60	24.50	14.90	7.40	1.60	1.30
2021	54	26.50	17.20	8.20	1.80	1.50

Considering the whole Asian continent, including Japan and the Middle East, stretched out over the last two decades, there has been a consistent increase in assets under management. Between 2001 and 2021, AUM increased from 4 trillion U.S. dollars to 28 trillion U.S. dollars – a 600% growth rate. Compared to established Europe and American markets, this growth shows that Asia has great potential for investment and asset

management. Singapore's GDP grew by 6.1%, while India's GDP growth rate was 7% annually. While the North American and European markets are still largely dominated by institutional asset management, Asian countries have seen a strong rise in family offices. Family offices offer tailored investment solutions for wealthy families, which has led to an increased demand for external asset managers in Asia. External asset managers play a critical role in providing access to global market opportunities as well as helping these families manage their wealth more efficiently. This has enabled the rapid growth of the family office sector in Asia over the past fifteen years (McIntyre et al., 2022).

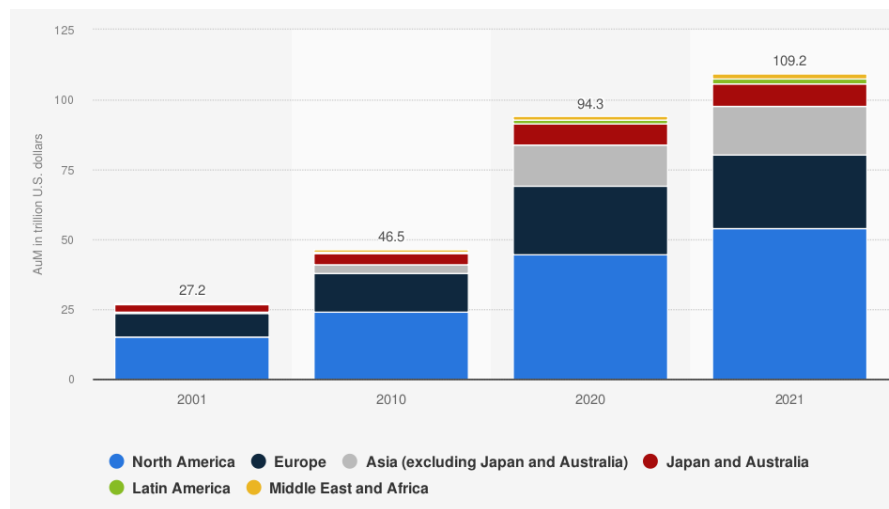


Figure 3: Global assets under management in selected years from 2001 to 2021, by region in trillion U.S. dollars (Source: Heredia et al., 2021).

Furthermore, digitalization has been playing an important role in driving this trend forward, with various online platforms launching services that allow clients to access sophisticated portfolio-building tools from anywhere across different time zones. These platforms have made it easier for family offices looking to invest outside of their own country or region – thus increasing AUM at a much faster rate than traditional on-ground service providers ever could before them (Liu et al., 2019).

The 2021 BCG survey also showed that the eastern region of Asia is composed of China, Japan, North Korea, South Korea, and Taiwan, which has the highest concentration of wealth in the continent and has nearly 40% of the total wealth held by its population (Heredia et al., 2021). According to the China Banking Association, the region's major economic hub, China, has seen its private wealth grow from 90.40 trillion yuan in 2015 to 126.70 trillion yuan in 2020, with a compound annual growth rate of 8%. (Luo and Xie, 2020). This growth of private wealth in the region has been a great boost to the local wealth management industry and the overall economy.

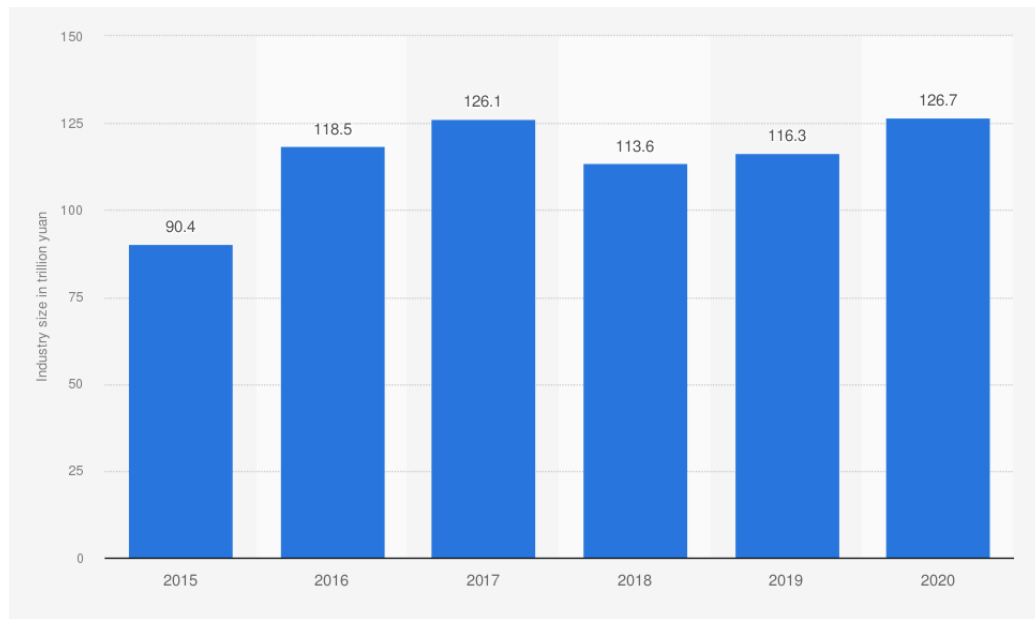


Figure 4: Size of the wealth management market in China 2013-2020 (Source: iResearch, 2019).

According to the iResearch, the Share of institutions in China's wealth management market in 2019 has been distributed among a number of different types of institutions, with banks leading the way with a 20.40% market share. Insurance companies and trust companies follow closely, with 18.40% and 16.20%, respectively. Public offering of funds, private equity funds, and funds and special subsidiary accounts also have significant shares in the market, accounting for 15.70%, 13.40%, and 9%, respectively. Securities brokers and futures companies have the smallest shares in the market, with 6.70% and 0.20%, respectively.

In 2019, iResearch also estimated the growth of Chinese private wealth would grow from 160 trillion yuan in 2013 to 287 trillion yuan in 2025. Across China, the distribution of private wealth is highly skewed towards urban areas, with the top five cities (Beijing, Shanghai, Guangzhou, Shenzhen, and Suzhou) accounting for nearly 40% of total Chinese private wealth (iResearch, 2019).

Table 2: Growth rate of assets under management (AUM) of sovereign wealth funds (SWFs) worldwide between 2008 and 2021, by region (Source: Statista 2021).

Region	Growth rate
Europe	311 %
Asia (excluding the Middle east)	205 %
Middle East and North Africa	186 %
Oceania	173 %
North America	125 %
Sub-Saharan Africa	87 %
Latin America	-6 %

In Europe, the growth rate of AUM was 311% over this period. This can be attributed to the increased confidence in the stability of European economies after the 2008 financial crisis and is likely also due to an increase in long-term investments made by these funds into European markets during this time. The UK's Government Investment Fund (GIF), Germany's KfW Bankengruppe, and France's Caisse des Depots et Consignations are some examples of European SWFs that have grown significantly since 2008. Northern and eastern Asia came second at 205% (Statista, 2021). Asian countries have experienced rapid economic development over recent years. This has led to an influx of foreign capital from investors looking for returns on their investments in more stable developed markets such as China or Japan, thus driving up asset values held by these governments through their respective SWF vehicles.

Due to Japan's age demographic, the assets under management (AUM) in discretionary accounts of investment management firms have seen a steady rise over the last five years. In 2017, domestic corporations held 21.30 trillion Japanese yen while individuals held only 25.50 billion Japanese yen, and overseas corporations had 3.4.10 trillion Japanese yen and individuals 12.60 billion Japanese yen, respectively (JIAA, 2022). This can be attributed to the fact that Japan is an aging society with many retirees who are looking for safe investments such as bonds or cash deposits to generate returns on their savings throughout retirement rather than investing in stocks and mutual funds, which may carry higher risks but also potentially higher returns, in the long run, depending on market conditions.

Table 3: Assets under management (AUM) in discretionary accounts of investment management firms in Japan from 2017 to 2022, by type of client (in billion Japanese yen).

Year	Domestic corporations	Domestic individuals	Overseas corporations	Overseas individuals
2017	212,991.30	25.50	34,423.10	12.60
2018	237,551.80	25.50	53,411.60	12.80
2019	287,105.30	27.60	37,877.10	13.60
2020	300,405.40	51.50	6,954.70	9.10
2021	410,711.90	139.20	49,510.40	10.60
2022	448,658.20	62	50,019.20	10.70

The AUM of domestic and overseas clients has been increasing steadily from 2017 - 2022 due to increased investor confidence following Abenomics (a policy implemented by Shinzo Abe's government between 2012-2020). As more businesses have become comfortable with foreign investments, they have looked towards professional investors such as asset managers to allocate capital where they believe it will provide the best returns in line with their risk appetite and company objectives (JIAA, 2022).

On the other hand, the AUM of domestic individual investors saw growth from 25 billion JPY in 2017 up to 51 billion JPY in 2020 before declining back down again slightly in 2021-2022; this could indicate that individual investors are more hesitant when it comes to investing compared to companies as they often do not possess adequate knowledge or understanding around certain products, markets, and investment strategies available so, therefore, prefer either not risking anything at all or limiting themselves within less volatile markets where potential losses should remain minimal if any occur at all e.g. fixed income securities such as bond notes as per the JIAA (2022).

Private wealth management assets under management (AUM) in Hong Kong have significantly increased from 2017 to 2020. In 2017, the value of AUM in listed equities was 3,476 billion Hong Kong dollars (HKD), cash and deposits of 1,144 billion HKD, private funds of 902 million HKD, and bonds of 914 million HKD, respectively. This suggests that investors were willing to take on more risk during this period as they sought higher returns through exposure to equity markets. However, by 2018 the AUM for listed equities had decreased significantly to 2,902 billion HKD while cash and deposits had increased slightly

to 1,336 billion HKD – indicating a shift towards more conservative investments such as cash or fixed-income securities rather than stocks or other volatile assets classes due to market uncertainty caused by rising global trade tensions and geopolitics at that time.

Table 4: Value of private wealth management assets under management (AUM) in Hong Kong from 2017 to 2020, by asset type in billion Hong Kong dollars (Source: McSheaffrey et al., 2021).

Year	Listed equities	Cash and deposits	Private funds	Bonds	Public funds	Managed accounts	Others
2017	3,476	1,144	902	914	543	163	670
2018	2,902	1,336	1,002	903	540	162	779
2019	3,844	1,343	1,123	1,041	671	276	760
2020	5,570	1,503	1,245	1,007	763	375	853

As shown in the table above, the trend continued into 2019 with even further decreases seen in AUM for both listed equities (down 25%) and private funds (down 12%), while there was an increase of 18% seen in bonds as investors looked towards secure investments with lower levels of volatility which could provide steady returns over the long term. According to the *Hong Kong Private Wealth Management Report* by KPMG (McSheaffrey et al., 2021), the share of assets under management (AUM) for private wealth management in Hong Kong has been shifting over the past few years. In 2020, mainland China was the largest source of AUM with a 40% market share, followed by Hong Kong at 38%, other Asia-Pacific countries at 14%, and other global markets at 8%. This indicates that investors from mainland China are increasingly investing their money in the Hong Kong asset management industry, likely due to attractive returns and political stability compared to its own domestic markets.

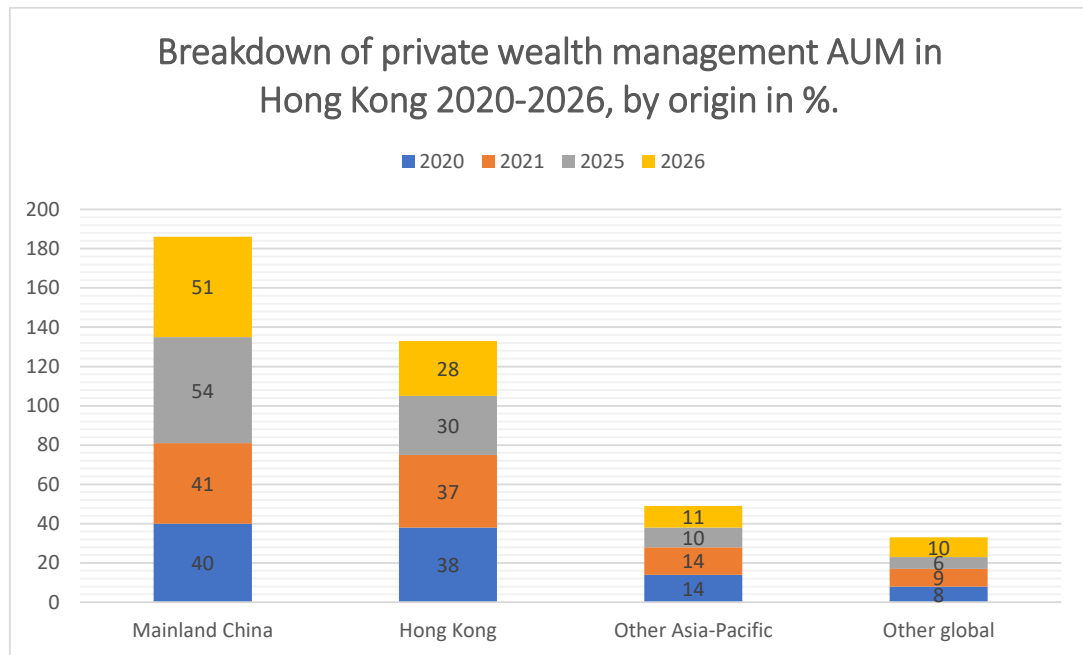


Figure 5: Share of assets under management (AUM) for private wealth management in Hong Kong in 2020 with a forecast for 2026 by origin (Source: McScheaffrey et al., 2021).

While mainland Chinese AUM is expected to increase slightly (up 1%) compared to last year's figure – likely due to continuing demand & growing confidence amongst local clients towards investment opportunities existing outside the country's borders – it will be overshadowed more significant reduction occurring within both domestic (-2%) & APAC (-4%) sources over same period time too which could be attributed either some individuals/institutions preferring to take less risky positions currently uncertain geopolitical landscape or even because companies looking diversify portfolios elsewhere order benefit better returns potentially on offer said locations instead.

By 2025 however, driven mainly thanks to the increased availability of financial products becoming easily accessible alongside economic growth felt throughout both regions Japan & Korea South further encouraging foreign investments entering respective economies might lead those regions to capture a combined 64% total AUM values experienced within specific timeframe meanwhile reducing proportion allocated Mainland Chinese (+13%), HK (-6%), Global (-2%) counterparts alike meaning come end 2026 if trends remain same then predicted ratio would stand 51:28:11:10 respectively.

The asset management and fund advisory sector in Hong Kong are highly competitive, with various product offerings available to investors. According to the Securities and Futures Commission (SFC) of Hong Kong, the breakdown of products in 2021 was as follows: managed accounts (31%), private funds (17%), public funds (37%), pension

funds such as MPF and ORSO schemes (7%) and other products such as hedge funds or structured notes, etc. accounting for 8%.

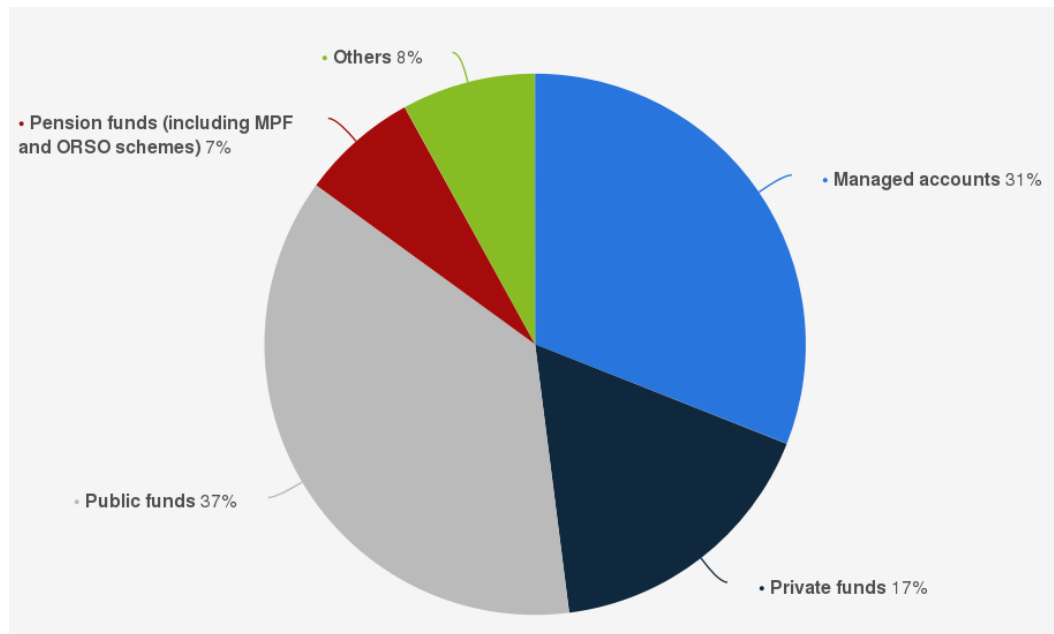


Figure 6: Breakdown of product types in the asset management and fund advisory sector in Hong Kong in 2021 (Source: Securities and Futures Commission HK)

Managed accounts are individual portfolios created by professional investment managers who actively manage them on behalf of their clients; these types of investments can provide investors with greater control over their own assets as they can choose from a range of options/strategies that best suit their financial goals & risk appetite while at the same time being able to tailor portfolio according to changing market conditions too thereby making it easier adjust direction when necessary thus helping remain profitable over longer-term, especially during volatile markets come across otherwise (Securities and Futures Commission HK, 2021).

On the other hand, meanwhile, private/public fund structure provides a more passive approach towards wealth management whereby the entire pool of collective capital is pooled together under a single entity known 'fund' and then invested either directly into securities listed exchanges or via through external providers both cases depending upon each underlying strategy applied within particular case order generate optimum returns possible while taking account maximum amount liquidity required its unit holders too ensuring easy access money should need to arise any point time without having incurred excessive transactional costs doing so either.

Pension Funds & Other Assets, such as Hedge Funds & Structured Notes, still play important roles in the industry. Still, they are generally considered to be ‘niche’ products due complexity associated with the limited availability experienced amongst most retail investors. The asset management and fund advisory sector in Hong Kong are very diverse, with different types of clients looking for various products. According to *the Asset & Wealth Management Activities Survey 2021* conducted by the Securities and Futures Commission (SFC) of Hong Kong, the breakdown of client types in 2021 was as follows: corporations, financial institutions and funds (45%), non-professional investors including retail investors (31%), governments, sovereign wealth and central banks (12%), institutional and corporate - others such as pension funds or insurance companies, etc. accounting for 6%, individual professional investors at 3%, family offices & private trusts making up 2% while charities standing at 1%.

Table 5: Asset management and fund advisory business in Hong Kong 2021, by client type (Source: SFC, 2022).

Client type	Share
Corporations, financial institutions, funds	45%
Non-professional investors (including retail investors)	31%
Governments, sovereign wealth, central banks	12%
Institutional and corporate - others	6%
Professional individual investors	3%
Family offices and private trusts	2%
Charities	1%

Corporations, Financial Institutions & Funds are one of the biggest sources of AUM in Hong Kong; they account for nearly half of all assets under management in 2021 due to their large capital reserves, which can be invested into a variety of vehicles ranging from traditional stock markets to alternative investments like hedge funds. Non-professional Investors, on the other hand, include both individual retail customers who invest small sums across a range of securities available to generate satisfactory returns given risk appetite concurrently, then follow closely behind Government's Sovereigns Central Banks alike, who together collectively control around 12% of entire value pie found here – although latter primarily comprising public institution type organizations rather than regular citizens so

difficult ascertain true proportions experienced amongst each subcategory (SFC, 2022).

Despite the Chinese government's policies to continue nurturing the thriving Hong Kong wealth management industry, some investors and wealth managers have also raised concerns that such moves could lead to a further influx of speculative capital into Hong Kong's markets and thus may result in more volatile investment returns over the long term; however, it remains to be seen how this will pan out in reality. Singapore's industry, however, has been benefiting from the shift of foreign capital flows into Asia and the ever-increasing demand for wealth management services throughout the region, especially as countries such as India and China become increasingly prosperous. Singapore has been positioning itself to capitalize on this trend by establishing itself as a hub for institutional investors, private banks, and other financial service providers; these firms have grown significantly in recent years due to their ability to offer products that are tailored specifically toward Asian clients who may not find suitable offerings elsewhere globally. This focus on specialized services has been seen (Jain and Lotia, 2009).

4.3. Wealth Growth.

The distribution of sources of wealth for ultra-wealthy individuals around the world in 2020 reveals that self-made wealth is the primary source of ultra-wealth, with 72.5% having been generated by these individuals alone. Inheritance accounted for 20.1%, while only 7.4% came from inheritance and other non-self-made sources such as lottery winnings or investments in public companies that have since become successful due to external forces beyond the individual's control, such as stock market performance (Word Bank, 2021).

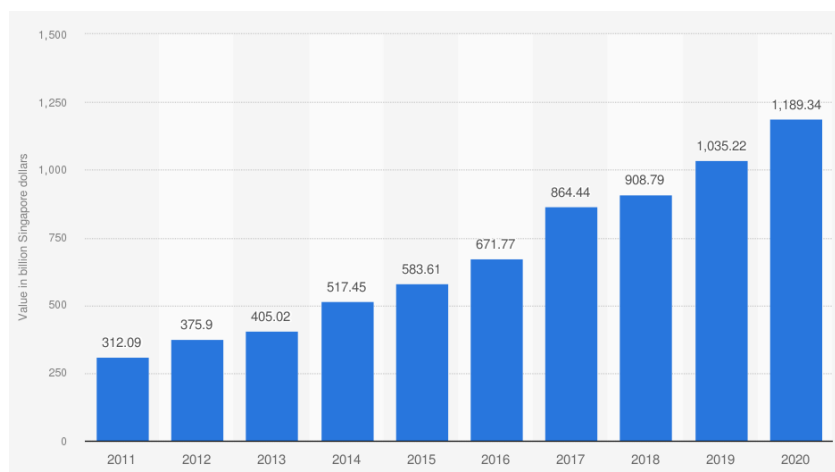


Figure 7: Stock of foreign direct investment in Singapore's financial and insurance services sector from 2011 to 2020 in billion Singapore dollars. (Source: Singapore Department of Statistics).

According to the Singapore Department of Statistics, the FDI in Singapore's financial and insurance services sector has grown at an average rate of 3.6% annually since 2011, with the highest growth recorded in 2015 (17 billion SGD). This was driven by increased confidence from foreign investors due to economic reforms implemented by the government, such as liberalizing regulations on banking and finance activities; this allowed for greater access to capital markets, attracting more investments into these sectors, which consequently led to higher levels of FDI during that year.

Due to the inspiration of regional growth in Asia, Singapore has been one of the most attractive destinations for financial technology (fintech) startups. Various studies have shown that fintech investment in Singapore experienced an impressive and continuous rise over the past few years due to strong government support and an improved regulatory environment. A study carried out in 2020 by PwC Singapore showed that the total amount of funding raised by fintech startups in Singapore amounted to SGD 400 million during the first half of 2020. This figure was significantly lower compared to the full-year figures for 2017, 2018, and 2019 which stood at 377 million, 520 million, and 686 million, respectively (Young et al. 2021).

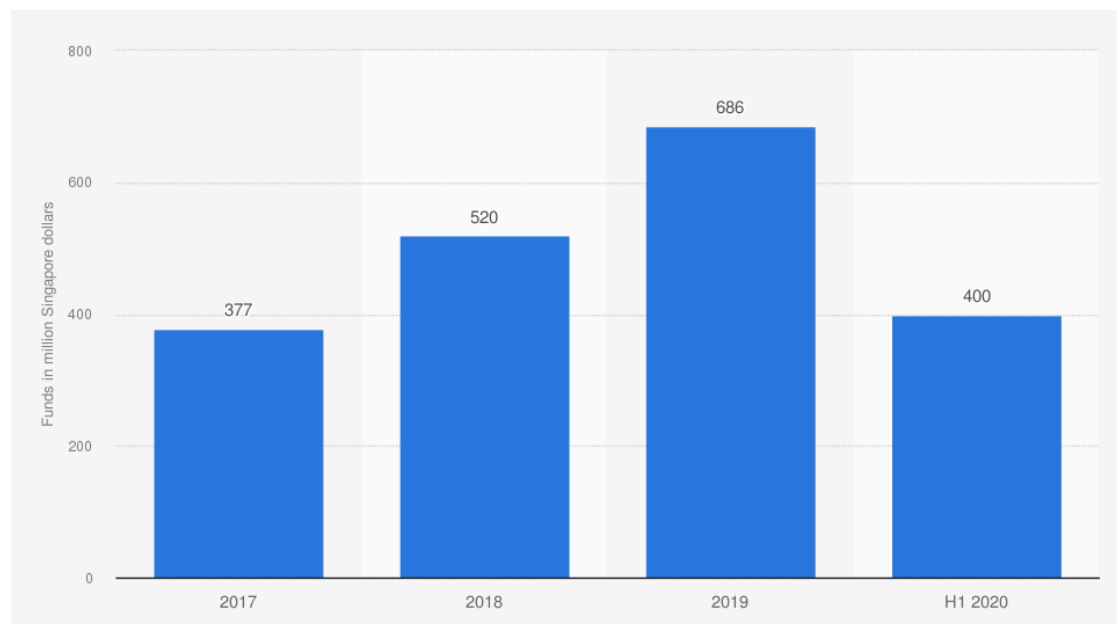


Figure 8: Fintech startups funding in Singapore 2017-2020 (Source: Young et al. 2021)

In 2017, Singapore's fintech market started out with only a few players in the field. At this time, these startups' total amount of funding amounted to SGD 377 million, an impressive figure considering its infancy. The major investors in this period included DBS Bank, Temasek Holdings, and UOB Venture Management, who collectively provided

around 50% of all investments made throughout 2017 (Fintechnews Singapore). During this period, there were several notable investment deals, including MoneySmart raising USD 11 Million from a series A round led by WeInvest and Loanstreet raising USD 5 Million from a series B round led by Cradle Fund Sdn Bhd (Finterms).

2018 proved even more successful than 2017 as it saw one of the largest increases ever recorded - jumping up 63% over the previous year's total. Many factors contributed towards this remarkable increase, such as strong government support via initiatives like MAS FinTech Awards and Sandbox Express, amongst others; increased participation from investors due to their increasing understanding of what financial technology can do; improved regulatory environment as well as increased mergers & acquisitions activities within start-ups themselves resulting in significant investment rounds (e27 news). Some prominent deals concluded during this period include CXA Group securing SGD 25m through a Series B2 round led by Monk's Hill Ventures, while PolicyPal secured US\$ 3M through Pre-Series A fundraising led by FBG Capital & 8 Decimal Capital (Deal Street Asia, 2022).

2019 marked another record high for financial technology investment in Singapore, with a 37% increase over 2018's figures reaching SGD 686 million. This growth was largely attributed once again to increased investor awareness about potential opportunities within the fintech sector combined with strong government support & improved regulations landscape across Southeast Asia, especially targeting digital banking services. Some prominent transaction closed during 2019 includes the company closing a US\$ 70 million Series B Round led by China Construction Bank International Investment Ltd, Funding Societies raising USD 10mn through Series C fundraising led by GLP, among others. (Deal Street Asia, 2021)

In H1 2020 brought up venture capital investments increased slightly, with only an estimated \$400 million being invested into various Fintech companies operating out or intending to operate out or based in Singapore due to Covid19 pandemic resulting in a global economic downturn but still better compared to other countries overall whose VC Investments dropped drastically due COVID 19 crisis situations (Birkin et al., 2021). But the majority of investors are still confident about long-term prospects despite current crisis scenarios; they believe that eventually, Fintech will continue its growth trajectory since basic need service delivery remains the same regardless of macroeconomic conditions; when it comes to consumer needs standpoint, so most likely we will see further rise post-pandemic recovery phase (Birkin et al., 2021).

4.4. Wealth Management Preferences

The Family Office Investment Insights of 2021, a study conducted by Goldman Sachs, showed that the primary mission of family offices worldwide in 2021 is the capital appreciation for multigenerational wealth transfer. This is followed by wealth preservation, concentrated wealth or single stock exposure diversification, and legacy creation through philanthropic endeavours.

Table 6: Primary mission of family offices worldwide in 2021 (Source: Hirsch et al., 2021).

Primary mission	Share of respondents
Capital appreciation for multigenerational wealth transfer	80%
Wealth preservation	52%
Diversification of concentrated wealth or single stock exposure	29%
Legacy creation through philanthropic endeavors	23%
Development and/or acquisition of operating businesses	19%
Succession planning	16%
Third-party capital fundraising	5%
Other	3%

Capital appreciation for multigenerational wealth transfer remains the highest priority amongst family office objectives, with 80% majority responding positively when asked about the same; this could be because most investors recognize long-term benefits associated with such strategy, which itself aimed at ensuring sustained growth of their accumulated assets over the course many years come down road ensure future generations can enjoy continued prosperity (Hirsch et al., 2021). Furthermore, due changing global nature economy, which is often unpredictable, it could also act as a way to hedge against potential losses felt by other more volatile investments within portfolios, another reason why this may well become an increasingly popular choice going forward.

Diversification of concentrated wealth or single stock exposure took third place overall, rated at 29%. It is unsurprising since goal investment, generally speaking, should always strive to create a portfolio diverse enough accommodate various asset classes, thus

enabling investors to reap the rewards from different kinds of sources across varying sectors, which is very much the case here especially given the increasing importance focus away traditional equities instead looking towards alternative investments including real estate private equity funds/VC backed startups, etc. for further insights into sector's performance throughout 2020 note registered 21% returns compared S&P 500 index's 14%; provides good indication potential returns can be had provided right decisions taken accordingly when investing capital resources available hand (Shorrocks, et al., 2021).

One key factor contributing to this growth is the increasing importance placed on wealth preservation, with 78% of UHNWIs indicating this was one of their primary concerns when managing their assets and investments. Capital growth was also seen as important, with 66% noting that this factor influenced their decisions when investing or managing assets. Meanwhile, succession planning and income return were both identified as important considerations for 49% and 48%, respectively.

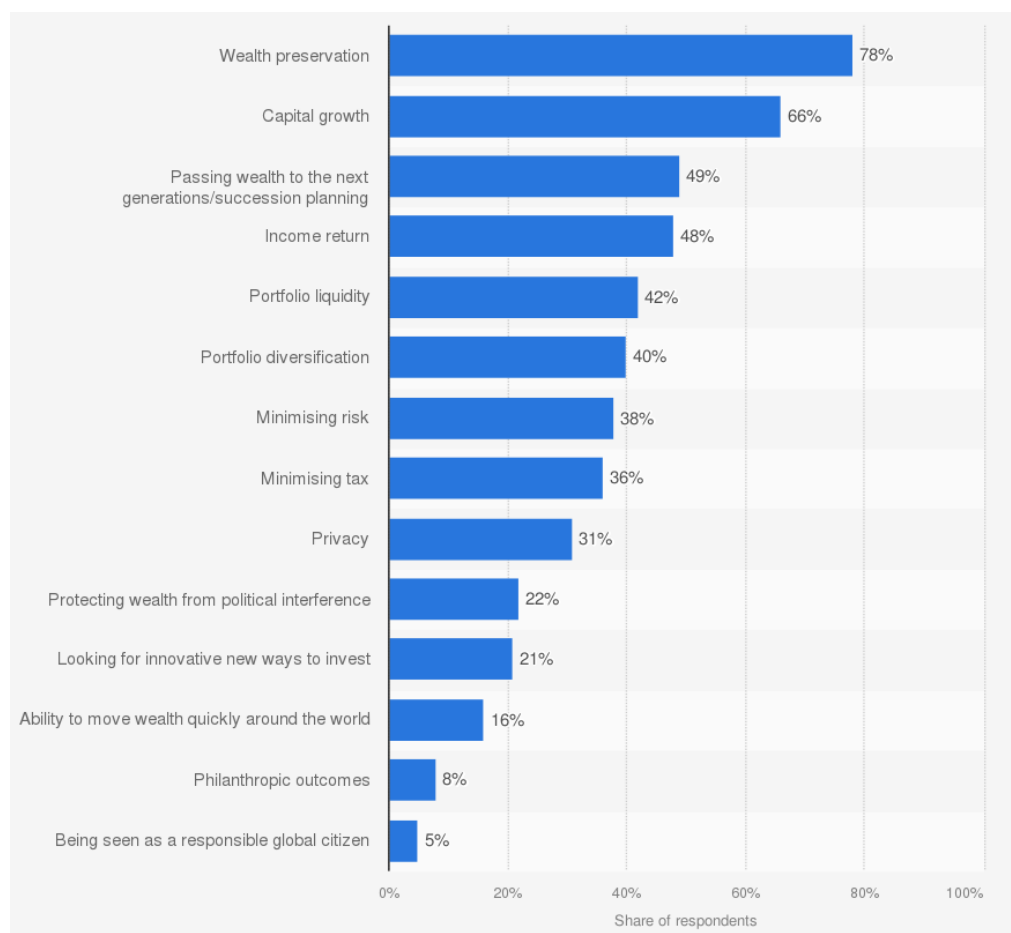


Figure 9: Factors that are most important to your clients when it comes to the management of their wealth and their investment decisions (Source: Statista).

When looking at more specific strategies adopted by UHNWIs to manage their wealth such as portfolio liquidity (42%), diversification (40%), and risk minimization (38%) were all seen as top priorities, while tax minimization (36%) was also noted as an important consideration for these investors given its potential impact on overall returns achieved from investments or asset holdings. Privacy (31%) was also identified as being a priority for many individuals due to its importance in ensuring long-term security for family members and other stakeholders involved in the process of managing family offices or other entities responsible for overseeing substantial amounts of capital or financial resources over time.

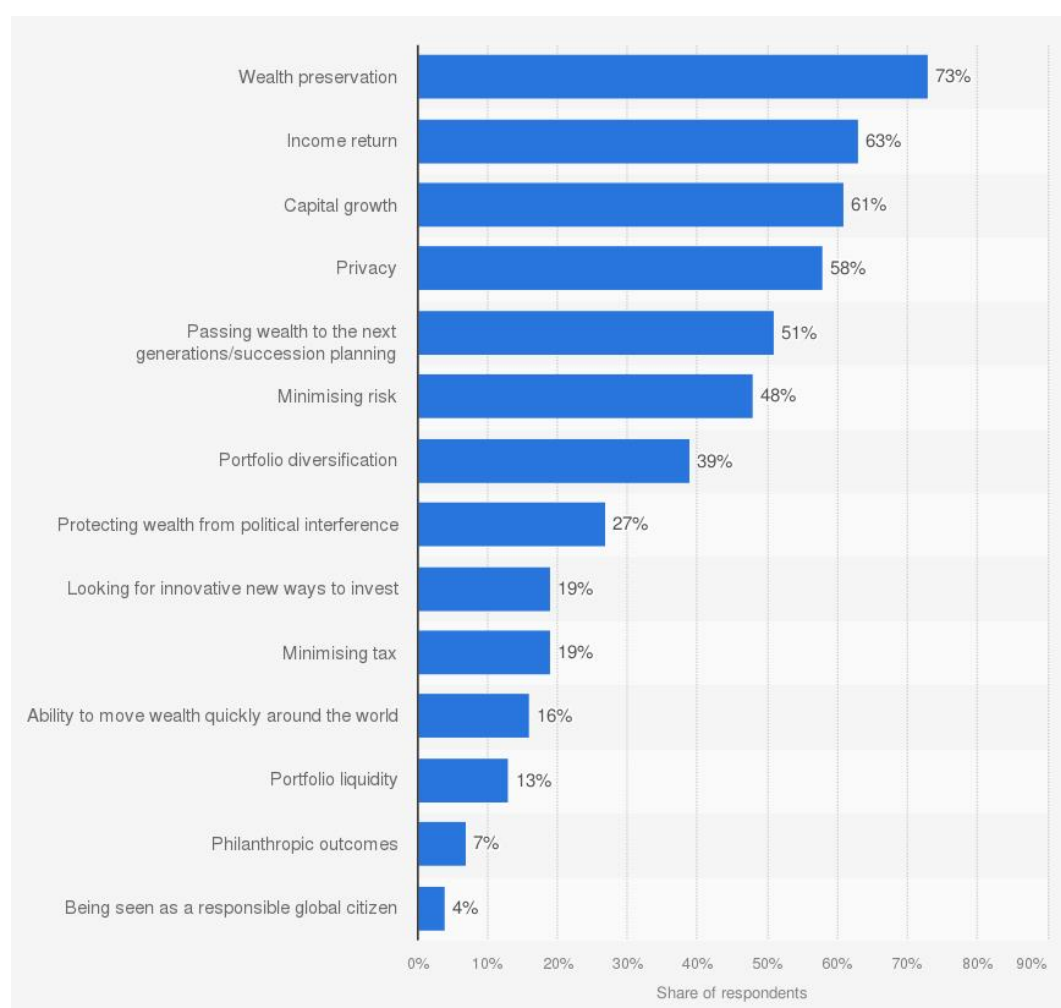


Figure 10: Factors affecting investment decisions of UHNWIs in the Middle East in 2016 (Source: Shirley et al. 2016; Published by Statista).

According to Knight Frank Research (Shirley et al., 2016), the UHNWIs in Asia have identified wealth preservation, capital growth, succession planning, and income return as the top four factors influencing their investment decisions. Portfolio liquidity, diversification, and risk minimization are also important considerations for these investors when managing

external assets. In addition to these traditional factors, there is now a growing focus on emerging trends such as ESG investing and innovation which may have implications on how Asian families approach managing their assets going forward into the next decade. Professional advisors can also add value through expert advice, while assessment frameworks allow performance measurement of external asset managers (Shirley et al., 2016).

In the Middle East, one key factor that has contributed to this growth is the increasing importance placed on wealth preservation, with 73% of UHNWIs indicating this was one of their primary concerns when it comes to managing their assets and investments. Income return was also seen as important, with 63% noting that this factor influenced their decisions when investing or managing assets, while capital growth was identified as important for 61%. Privacy (58%) and succession planning/passing wealth to the next generations (51%) were noted as important considerations (Issa et al., 2022).

When looking at more specific strategies adopted by UHNWIs to manage their wealth such as portfolio diversification (39%), risk minimization (48%), and tax minimization (19%) were all seen as top priorities while protecting from political interference (27%) was also identified an increasingly important consideration given recent geopolitical developments within certain countries within Middle Eastern regions during recent years. Looking for innovative new ways to invest (19%), the ability to move money quickly around the world (16%), portfolio liquidity (13 %), philanthropic outcomes (7 %) & being seen responsible global citizen are other considerations that have an influence on the decision-making process (Statista, 2022).

In addition to these traditional factors affecting investment decisions when it comes to external asset management, there are now emerging trends that may have implications on how Middle Eastern families approach managing their assets going forward into the next decade – such as ESG investing, which may help drive positive outcomes within communities where families hold interests; an innovation which can help identify new ways of achieving better returns; social networks which can provide access to better deals through trusted contacts; professional advisors who can add value through expert advice; assessment frameworks that allow performance measurement, etc., all these elements are likely to play an increasingly prominent role within Middle Eastern family offices during the coming years ahead.

This degree of professionalization has also seen an increase in specialized services tailored specifically towards Asian families, such as succession planning or cross-border

estate planning advice – something which was historically difficult due to various regulations across different countries within the region itself but now much simpler thanks largely due advancements made both technology wise over last decade or so combined with increased cooperation between governments that have helped facilitate smoother transfer funds internationally while still ensuring compliance laws each nation concerned during process overall too at the same time. In addition, many SFOs are now offering concierge services alongside traditional asset management activities; these can include lifestyle assistance such as helping arrange travel plans or finding schools suitable for children to attend should they move abroad temporarily (or permanently). All this serves as a testament to just how far the industry has come since its inception in 2013.

Besides economic considerations, numerous other factors are taken into account when selecting the ideal jurisdiction: political stability, language & culture accessibility resources (e.g., talent pool) quality of life all need to be considered to ensure smooth operation long run. Across the Asia Pacific region, countries such as Hong Kong, Japan, Singapore, and India offer strong financial systems and well-developed legal frameworks, making them attractive destinations for those interested in investing locally while benefiting from policies and regulations placed elsewhere (Shi-Nash & Hardoon, 2017).

Through establishing special business districts, regions like the Middle East and the Indian subcontinent have become major destinations for family offices looking to diversify their investments and explore new markets. The region is home to world-class financial centers such as Dubai International Financial Centre (DIFC), Qatar Financial Center (QFC), and the Mumbai International Financial Services Centre (IFSC). These hubs offer services ranging from banking, trust management, asset protection, corporate structuring, and tax planning (Merrill Lynch & Campden Research, 2008).

Trusts and geopolitical structures have become increasingly important for both family offices and external asset management (EAM) companies in recent years. Trusts provide a way for wealthy individuals to protect their assets from creditors, taxes, and other liabilities, while also allowing them to pass on their wealth to future generations with greater ease. Geopolitical structures are often used by EAMs or family offices as a means of protecting investments from legal or regulatory issues across different countries, as well as offering more flexibility when it comes to managing international portfolios.

Geopolitical structuring is another popular tool used by EAMs and family offices. It allows them greater flexibility when investing in different countries because it provides structure around multiple types of investments made across various jurisdictions. This helps

minimize the risk associated with international, thus reducing the amount of capital gain tax paid upon sale later date. Additionally, these structures can also help prevent double taxation of certain types of investments enabling investors to take advantage of incentives offered by multiple countries. Furthermore, geopolitical structuring allows clients to access services unavailable locally, such as setting up a bank account in Europe using a Panama-based corporate entity.

4.5. Philanthropy Activities in Asia

The ultra-wealthy population globally has increased significantly over the past few years, with the number of individuals having a net worth exceeding US\$30 million, increasing from around 200,000 in 2016 to just under 221,000 in 2017. With this rise in wealth comes an increased focus on philanthropic activities and giving back to society. According to World Ultra Wealth Report 2018, education was by far the top recipient of donations from ultra-wealthy individuals in 2017 at 32.40% of total donations received; social services followed closely behind at 17.60%; health came third at 9.10%; arts, culture, and humanities fourth at 8%; children and youth fifth with 6.7%; environment and animals sixth with 6.2%; museums & libraries seventh with 5.8% (White et al., 2018).

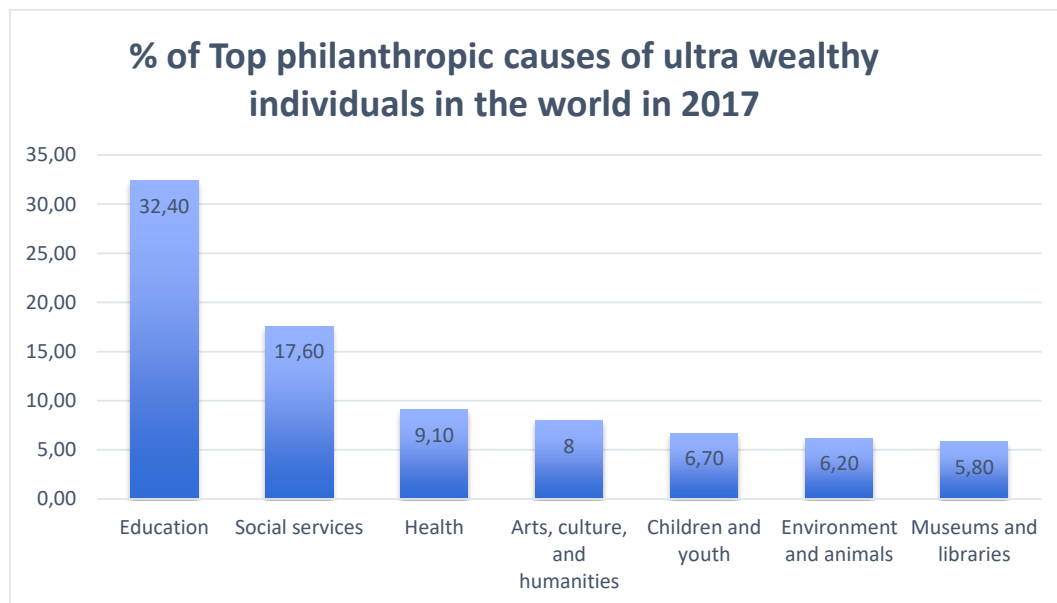


Figure 11: Philanthropic causes of ultra-wealthy individuals worldwide 2017.

The trend towards donating money for educational causes indicates that many wealthy donors view it as a way to give something back while also helping future generations build a better life for themselves through knowledge acquisition – whether it be within traditional learning institutions like universities or more specialized areas such as technical

schools focused heavily upon STEM fields which have seen tremendous growth lately due to advancements being made across those industries where highly skilled professionals are needed now more than ever before thanks largely to automation initiatives taking place influencing job markets everywhere worldwide today including India itself; especially since the robotics aspect involved here could potentially replace certain manual labor processes entirely resulting in a significant shift away from employment opportunities.

The growing wealth of Asia has also been accompanied by a rise in the number of millionaires in the region. According to the Credit Suisse Global Wealth Report 2019, there are over 6.4 million millionaires in Asia, accounting for 37% of the world's total (Shorrocks et al., 2019). The concentration of wealth among millionaires in the region is also considerable. The top 1% of Asian millionaires now hold almost 70% of the region's total wealth, while the top 10% of millionaires hold nearly 90% of the wealth. The growth in wealth among millionaires in the region has also been accompanied by a rise in the number of ultra-high-net-worth individuals. According to the Credit Suisse Research Institute, there are now over 100,000 UHNWIs in Asia, accounting for nearly one-third of the world's total (Shorrocks et al., 2019). Philanthropic beliefs and practices vary significantly across Asia, with each region having its unique set of values and expectations. As the family office sector continues to grow, understanding these cultural nuances becomes increasingly important for successful operations (Shorrocks et al., 2019).

Meanwhile, Islamic culture emphasizes charity as it is seen as an act of worship and even mandatory for those with enough wealth. This often manifests itself through zakat (alms-giving), where 2.5% of one's net worth must be given annually, which can then be distributed among various charitable causes. In contrast, countries like Japan are known for their philanthropic practices being heavily centered around education – with universities and schools receiving most donations from wealthy individuals. This is due to the importance placed on lifelong learning in Japanese society, which makes educational institutions natural recipients of funds. Additionally, since many high-level executives at large companies come from prestigious universities, this reinforces their reputation as worthy recipients of donations (PeW Research, 2018).

South Korea has witnessed an increase in corporate social responsibility (CSR) initiatives over the past few years, with many companies focusing their efforts towards underprivileged communities or areas affected by natural disasters while also investing heavily in research & development capabilities or green energy initiatives. Additionally, some family offices may use CSR programs to build relationships with potential business

partners or even gain access to new markets as part of their long-term growth strategy.

India has seen a marked increase in philanthropic activities over the past few years. According to Edelweiss Research and Hurun Research Institute, education was by far the largest recipient of philanthropic donations in 2021, with 96.58 billion Indian rupees donated for this cause alone. Disaster relief and management followed closely behind at 19.15 billion Indian rupees; healthcare came third at 8.59 billion INR; Arts, culture, and heritage fourth at 7.47 INR; rural transformation fifth at 1.67 INR; societal thinking sixth with 1.46 INR; environment and sustainability seventh with 1.32 INR; livelihood enhancement eighth with 0.80 INRs; social development ninth with 0.50 INRs; finally sports for development tenth place receiving 0.44 million Indian Rupees worth of donations from those sources noted above respectively within that same year period as well (Junaid et al., 2021).

Table 7: Value of philanthropic donations in India in 2021, by cause (in billion Indian rupees) (Source: Junaid et al., 2021).

Cause	Donations (in billion Indian rupees)
Education	96.58
Disaster relief and management	19.15
Healthcare	8.59
Arts, culture and heritage	7.47
Rural transformation	1.67
Societal thinking	1.46
Environment and sustainability	1.32
Livelihood enhancement	0.80
Social development	0.50
Sports for development	0.44

Philanthropic beliefs and practices will remain differentiated across regions in Asia in the future. Firms looking to enter this space need to understand the local culture and provide specialized solutions that consider factors like estate planning, inheritance laws, taxation policies, etc. Through doing so, they can create competitive advantages while at the same time fostering relationships within local communities, allowing them greater access and trust when working with HNWI's (Junaid et al, 2021).

4.6. Investments Portfolios

The UHNWIs in Asia are also highly concentrated in terms of wealth. The top 1% of UHNWIs holds over 40% of the region's total wealth, while the top 10% of UHNWIs holds over 70%. This concentration of wealth among both millionaires and UHNWIs in the region suggests that the wealth gap in Asia will likely persist in the future. Given the region's continued economic growth and the increasing number of millionaires and UHNWIs, the wealth gap will likely widen further in the next decade.

As such, it is essential for the Asian governments to take measures to address the growing wealth inequality in the region. This could include introducing policies to promote financial inclusion and access to financial services for the poor and implementing progressive taxation policies to reduce the concentration of wealth among the wealthy. The growth of passive funds is driven by the increasing availability of low-cost index-tracking funds and the rise in exchange-traded funds (ETFs). ETFs are baskets of securities that track an external index and are traded on a stock market. This means investors can buy or sell them like stocks, and they have grown increasingly popular with retail investors in recent years due to their low-cost structure.

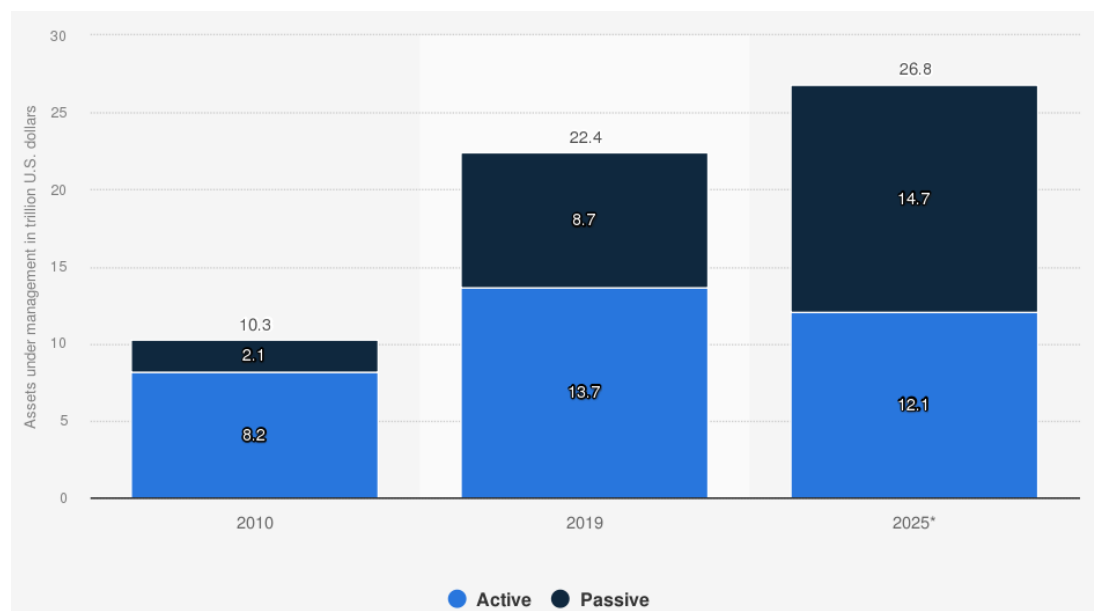


Figure 12: Assets under management (AUM) of mutual funds in the United States in 2010 and 2019, with a forecast for 2025 in trillion U.S. dollars (Source: Statista).

In 2010, passive funds only made up a small portion of the assets held by mutual funds in the United States, but by 2025, this amount is expected to grow significantly. In contrast to active mutual funds, which are managed by a fund manager who actively seeks out investment opportunities, passive funds are typically tied to an external stock markets index such as the Dow Jones Industrial Average or the FTSE 100. This trend has replicated to some extent in the Asian market, with passive funds growing in popularity due to their lower cost structure and increased availability.

In addition, the region's governments could also look to develop policies to promote the growth of the family office sector in the region. As wealthy families typically establish family offices to manage their assets and investments, they can effectively address the growing wealth inequality in the region by ensuring that wealth is distributed more equitably. The main products offered by Asian Private Wealth include investment management services such as mutual funds and individual stocks; real estate investments; hedge funds; venture capital investments; fixed income securities including bonds and certificates of deposit (CDs); commodities trading; foreign exchange trading (FOREX); derivatives trading; life insurance policies; derivative strategies such as options and futures contracts.

China has also implemented various measures designed to regulate its financial system more stringently over recent years, including increasing oversight over private equity funds through its Asset Management Association of China (AMAC). The Chinese government established AMAC in 2017 as part of efforts towards modernizing China's financial system and improving investor protection. The association is responsible for implementing industry regulations regarding registration procedures, qualifications maintenance requirements, and other related matters pertaining to private equity funds operating within its jurisdiction.

In India, various regulatory initiatives have also been undertaken since 2018, when Security and Exchange Board of India (SEBI) issued directions on setting up private investment advisors (PIA). These PIAs must obtain registration from SEBI prior to providing advisory services or managing assets belonging to any person who issues securities or public money collected via public offerings such as mutual funds or pension plans etc., according to Indian law. The increased regulation across Asia ensures investor protection and provides more confidence among potential investors looking into family office models that they will be dealing with legitimate service providers who adhere strictly to all laws governing them while managing their investments accordingly (SEBI, 2018).

Local government effect of stored investment like in the Middle East where Qatar and UAE have allocated large portions of their budgets to infrastructure development and long-term investments, as well as regional initiatives such as the China–Pakistan Economic Corridor (CPEC), which are pushing for greater regional integration through economic development. This positively affects the external asset management sector by creating an attractive environment for investors who want access to opportunities in these markets. The recent rise in digitalization has also directly impacted how Asian family offices operate. Technology today allows more efficient process automation when it comes to managing assets, allowing firms to manage larger AUM at lower costs while improving operational efficiency and accuracy. With better data collection and analysis tools available, family offices can now take advantage of big data analytics to gain deeper insights into their customers' needs which could help them identify new trends or opportunities that may not have been visible before.

The various regulations implemented by governments in Asia have directly impacted the creation and movement of wealth across the continent. According to a report by McKinsey & Company (Dahl et al. 2019), Asian wealth management has grown at an annual rate of 8% over the past five years, faster than any other region in the world. This growth is primarily driven by strong economic performance from countries such as China, India, and Indonesia. In addition to this, regional initiatives such as CPEC are having a positive effect on the external asset management sector in Asia. The initiative is expected to add \$46 billion to Pakistan's GDP between 2018 and 2030, making it an attractive destination for foreign investment. Similarly, Qatar's National Vision 2030, which focuses heavily on infrastructure development, is estimated to create 1 million jobs and attract up to \$200 billion in investments over its lifetime (Dahl et al., 2019).

These factors have created a more favourable environment for family offices operating within these regions, which has increased their numbers. According to UBS's *Global Family Office Report 2020*, there are now over 645 family offices operating within Asia Pacific – up from 437 just three years ago – with many more being set up each year due largely thanks due their regulatory framework adopted across different countries throughout the region (UBS, 2020). Moreover, increased regulation has also improved standards for protecting investor rights while ensuring that all service providers adhere strictly to all applicable laws. This includes measures taken by individual governments like Singapore, which requires firms offering retail funds outside its borders to meet certain requirements before they can legally do so. As such, investors looking into family office models can be

assured that they will deal with legitimate providers who adhere strictly to all laws governing them while managing their investments accordingly (UBS, 2020).

In response to increasing chinned government regulation in Hong Kong, a number of family offices have moved their operations to Singapore, which is now considered the hub for asset management in Asia. According to a report by PwC, Singapore has seen an influx of international family offices and other investors looking for a safe and stable environment. This trend is set to continue as more regulations come into effect across the region, and investors seek out secure markets with fewer restrictions (PwC, 2020).

One key trend is the increasing use of alternative asset classes such as private equity, venture capital, real estate, and hedge funds in order to diversify their portfolios beyond traditional investments such as stocks and bonds. Private equity has been especially popular among family offices due to its ability to generate high returns over extended holding periods; however, there are also risks associated with this type of investment that needs careful consideration before committing capital. Additionally, some family offices have turned towards socially responsible investing (SRI) initiatives that seek financial gain and support companies or projects that positively impact society (Statista, 2020).

Family office clients are also exploring opportunities further afield by looking beyond domestic markets for overseas investments as they attempt to capitalize on economic growth in other regions while diversifying away from home country risk factors, including currency fluctuations or political instability. To achieve this, many regional Asian jurisdictions, including Singapore, Hong Kong & Australia, offer favorable regulatory regimes when it comes to fintech investment allowing easier access to cutting-edge solutions often unavailable elsewhere. This is particularly relevant given the recent rise of digital banking apps and related fintech products across Asia that provide a wide array of services from payments & remittances loans insurance.

Foreign markets can be invested through direct purchases into external entities, whether publicly listed privately held firms or via indirect instruments such as mutual funds or exchange-traded funds (ETFs). Each type of approach carries its own benefits and challenges, so it is important to ensure the right fit particular situation before any commitment is made. Leveraging existing networks within the industry is invaluable here since well-established players may guide the selection of an ideal vehicle structure based on the specific objectives of those involved.

Many EAMs have chosen to address this need by forming alliances with quality offshore jurisdictions, which offer a range of benefits, including financial and tax advantages and increased flexibility when managing investments abroad. These jurisdictions often boast strong legal systems that provide protection against fraud and corruption; strong banking secrecy laws which ensure confidentiality; low or no taxation for certain kinds of investments; access to international markets through bilateral agreements; good infrastructure for communications; and access to a pool of experienced professionals offering specialized services such as trust formation, estate planning, corporate structuring.

It is evident that linking up with quality offshore jurisdictions is an emerging trend among EAMs looking to expand operations into different regions, especially within Asia, given the abovementioned advantages. Although some might argue there are potential negative implications related to jurisdiction shopping offered by these places, one cannot ignore the fact provides a much-needed option for those wishing to gain access to global markets from their own comfortable environment, leveraging expertise available to local ecosystem. Thus expected continues to grow popularity coming decade both amongst HNWIs family offices alike seeking diversification strategy reduce risk ultimately safeguard long term profitability ventures.

India being one of Asia's fastest-growing economies and a key market for asset management companies; as of February 2021, assets under management (AUM) in India topped Rs. 25 trillion, with State Bank of India Funds Management leading the charge with AUM worth 4205 billion Indian rupees. HDFC Asset Management follows closely behind at 3655.18 billion Indian rupees. At the same time, ICICI Prudential Trust has an AUM worth 3643 billion Indian rupees, and Aditya Birla Sun Life Mutual Fund has 2322.76 billion Indian Rupees in assets under management, respectively.

Table 8: Leading asset management companies in India as of February 2021, by assets under management (in billion Indian rupees)

Asset management companies	Assets under management (billion Indian rupees)
SBI Funds Management	4,205
HDFC Asset Management	3,655.18
ICICI Prudential Trust	3,643
Aditya Birla Sun Life Mutual Fund	2,322.76
Nippon India Mutual Fund	1,992.73
Kotak Mahindra Asset Management	1,888.66
Axis Mutual Fund	1,540.30
UTI Asset Management	1,512.86
IDFC Asset Management	1,116
DSP Mutual Fund	800.36

Nippon India Mutual Fund holds 1992.73 Billion INR in Assets Under Management. In comparison, Kotak Mahindra Asset Management holds 1888.66 Billion INR, Axis Mutual Funds 1540.30 Billion INR, and UTI Asset Managements 151286 Million INR, respectively, held by those respective organizations. IDFC Asset Management lags behind slightly with 1116 Billion INR, followed by DSP mutual funds with 80036 Million INRs making it to the top 10 list of Leading asset management companies in India as per February 2021 holdings. (RDB, 2021)

4.7. Technology and Innovation Trends.

A recent survey conducted by UBS Global Wealth Management (2022) revealed that most wealth management clients worldwide agree that technology improved investing worldwide in 2021, with 69% of respondents agreeing that it has made investing cheaper and more efficient. This is especially true amongst those located in the Asia-Pacific region, as 80% believe so, followed closely by the Middle East at 83%. In comparison, Europe had slightly lower rates at 62%, while North America lagged behind slightly at 68%. On the other hand, Latin America was quite an outlier here, as only 52% agreed upon this notion. Yet,

they also reported higher levels when asked if digital tools have helped improve their decision-making processes when managing investments (Statista, 2021).

Table 9: Share of wealth management clients who agree that technology has improved investing worldwide in 2021 by region.

Region	Technology has made investing cheaper and more efficient	Digital tools have improved investment decision-making
Global	69%	57%
North America	68%	51%
Asia-Pacific	80%	65%
Europe	62%	52%
Middle East	83%	62%
Latin America	52%	83%

The data presented above clearly indicates how technology is playing an increasingly important role in investment activities across different regions. For example, within Asia-Pacific, investors quickly adapt to technological advances since its implementation can help reduce costs associated with traditional services such as portfolio management or even general research for potential market opportunities. Moreover, access to advanced software applications such as AI advisors or machine learning models can provide guidance on suitable strategies depending on individual needs, bringing forth greater convenience and efficiency overall compared to manual approaches before technology became widely available (Statista, 2021).

As the external asset management and family office sector in Asia continue to evolve, newer objectives and practices are becoming more commonplace. One of the main areas that are seeing a shift in estate and legacy planning, which has become an increasingly important factor for many high-net-worth individuals (HNWIs) seeking to protect their wealth from taxation or other legal issues. Many family offices now offer this type of service as part of their portfolio, providing advice on structuring investments to minimize taxes or ensuring that assets are passed on according to a client's wishes. In addition to this, family offices have also been increasingly adopting philanthropic objectives for their investments. This includes taking a longer-term view when it comes to investing capital into ventures they

deem important such as education, health care access, or environmental conservation. These activities provide HNWI's with an opportunity to make money and contribute towards making positive changes within society at large.

Another area where there has been increased focus recently is alternative investments. Family offices have traditionally relied heavily on traditional investments like stocks and bonds but are now starting to look into alternative strategies such as venture capital funding, private equity deals, real estate investment trusts (REITs), hedge funds, etc., which can provide higher returns in the short term while minimizing risk over the long run. This allows them more flexibility when it comes to diversifying their portfolios while still reaping the benefits associated with these kinds of products.

The introduction of new technology has had a significant impact on how Asian family offices operate today, allowing them access to tools previously unavailable before, like automated data collection, which helps monitor performance metrics faster than ever before, thus saving time/money usually spent manually gathering information from various sources across different markets. Similarly, AI-enabled analytics platforms allow users to gain deeper insights into customer behavior patterns by identifying opportunities for further expansion based on previous behavioral trends, thereby improving decision-making accuracy when it comes to investing capital into certain products and services.

Online wealth management has been a major trend that has gained traction in Asia over the past few years. Online wealth managers are providing services to HNWI's who either do not have the time or resources to manage their investments themselves or those who want more convenience and flexibility when it comes to managing their portfolios. Online wealth management platforms allow users access to a variety of asset classes from anywhere in the world via an easy-to-use dashboard. This has allowed family offices to expand their client base by catering to potential investors looking for something different from traditional investment strategies. In 2021, the preferred type of digital platform for investing and wealth management in Singapore was traditional online brokerage platforms, with a 31.7% market share (Young et al., 2021).

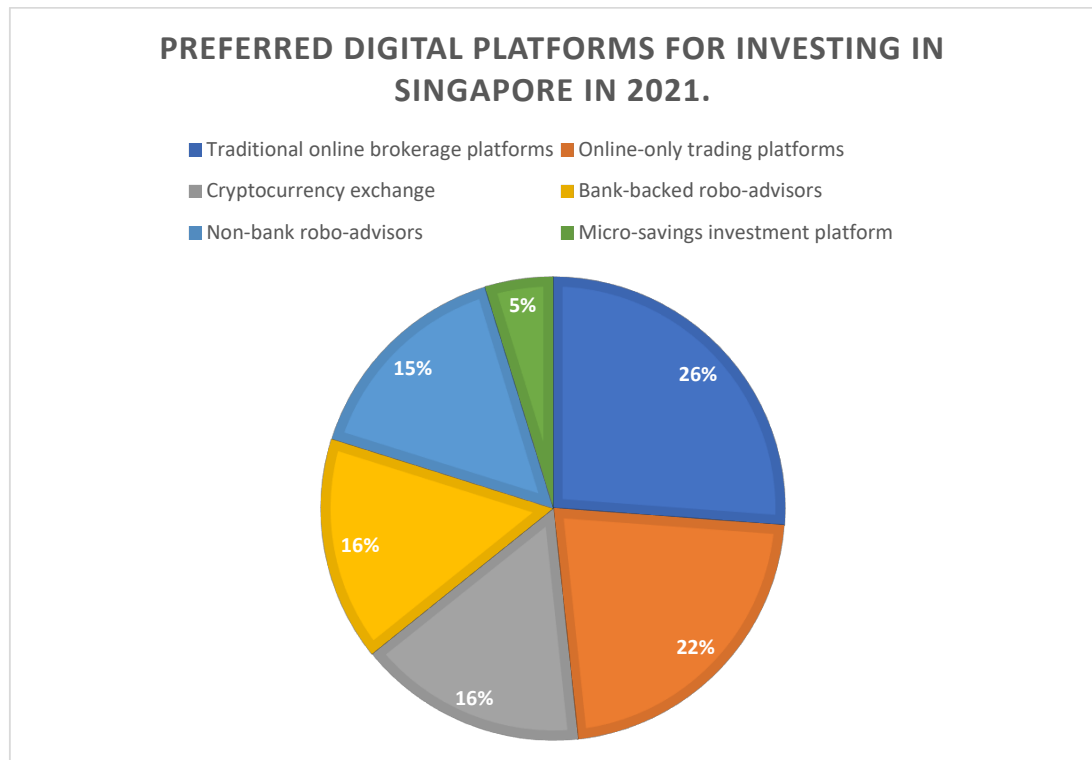


Figure 13: Preferred type of digital platforms for investing and wealth management in Singapore in 2021 (Source: Young et al. 2021).

The second most popular platform type is online-only trading platforms at 26.8%. These services provide investors with an easy way to trade without needing any physical presence or paperwork; this has become particularly attractive during the pandemic when people are looking for ways to manage their investments from home rather than going into a physical location such as banks. The availability of low-cost fees associated with these types of services has also made them increasingly popular amongst retail investors who want more control over their own investment decisions but still need access to professional advice if required too.

Cryptocurrency exchanges were another popular platform type in Singapore in 2021, accounting for 19.3% market share - this could be attributed to the growing popularity of digital currencies such as Bitcoin, Ethereum, etc., and the fact that people are looking for ways to invest in these new markets without having to deal with complicated trading processes. The volatility associated with cryptocurrencies also plays an important role. At the same time, this can be seen as a risk by some; others may view it as an opportunity to make quick profits if they have the knowledge and skills required. Bank-backed Robo-advisors were also popular amongst investors in Singapore in 2021, accounting for 18.9% market share, due to their ability to provide professional advice and portfolio management

services without the need to go into a physical location; this has been particularly attractive during the pandemic when people are looking for ways to manage their investments from home.

Finally, micro-savings investment platforms (5.7%) were also present in 2021; these types of platforms allow users to invest small amounts regularly into different asset classes such as stocks, bonds, or ETFs - depending on their preference – giving them greater control over how much risk they want to take on in order to build wealth gradually over time while taking advantage low fees offered concurrently to boot thereby helping maintain sustainable growth rate throughout the course.

Singapore is one of the most advanced countries in Asia when it comes to digital financial services. As such, many investors are increasingly leveraging digital platforms for their investment and wealth management needs. According to a survey conducted by United Overseas Bank, PwC, and Singapore FinTech Association (Young et al. 2021), traditional online brokerage platforms were the preferred choice for investing for 31.70% of respondents, followed closely by online-only trading platforms at 26.80%. Cryptocurrency exchanges came in third place, with 19.30% of respondents using them, while bank-backed Robo-advisors (18.90%) and non-bank ML model advisors (18.70%) were popular choices as well. Surprisingly enough, only 5.7% of respondents opted to use micro-savings investment platforms.

4.8. Performance Comparisons

The growth of family offices in Asia has seen a rise in both single-family and multi-family establishments, each with its own distinct advantages for wealthy individuals seeking asset protection or customized financial services. Many SFOs offer more than just asset management services such as estate planning advice, tax compliance assistance, and legacy planning - all important considerations when it comes to preserving capital future generations come into play here too. Obviously enough, either way, you look at things being discussed right here now overall. Furthermore, these organizations often have access to global networks that allow them to take advantage of opportunities presented in other countries around the world when investing clients' funds which could otherwise be difficult, if not impossible, attain without having contacts in specific locations themselves nowadays, understandably enough.

On the other hand, Multi-Family Offices (MFOs) differ slightly as they cater towards multiple families rather than just one, like the case would normally be true regarding the

example above where only an individual's assets are under consideration instead of multiple ones at the same time. These different client groups usually share the same goals but may have different needs based upon individual circumstances required taken into account during the process overall; here likewise then ok, sure thing alrighty now once again. MFOs can provide a wide range of sophisticated financial products, including investment trusts, structured equity options, private placements, etcetera, thus allowing clients to diversify portfolios and reduce risk levels while still achieving desired returns and end results, ultimately speaking anyways. Some firms also specialize in certain aspects of the industry, such as bespoke solutions. International taxation matters as another key factor in helping attract wealthier customers regionally.

One key aspect of successful family office governance is an emphasis on alignment between the goals of the client and those of the family office itself. This means ensuring that all decisions taken by the family office are guided by what is best for its clients and their overall objectives rather than simply attempting to maximize profits or gains for themselves (Patel & Rajput 2019). Another important element within any successful Family Office Governance Strategy should be transparency regarding its operations and investments made on behalf of clients. This includes providing clear statements regarding fees charged, performance expectations, and any risks associated with particular investments or strategies adopted – something which Robins & Robinson (2021) note was lacking in many Asian Family Offices prior to recent developments within industry regulations designed to raise standards across the board following international financial crisis back in 2008/9 period when private wealth took a huge hit worldwide due to lack oversight over investment activities particularly risky derivatives markets at a time leading up to crash occurring.

Developing effective governance strategies has become increasingly important for Asian Family Offices as they seek to remain competitive against external asset managers offering similar services at lower costs while still maintaining high levels of customer satisfaction through improved transparency along with other initiatives discussed above, such as strong alignment between clients' goals those own organization meaning even though threats posed threat EAMs may appear daunting outset they can easily overcome proper planning execution carried out correctly perform well-compared rivals market place without sacrificing quality service provided end day.

EAMs talent pools are often drawn from a global scope making their competitiveness of enormous magnitude compared to family office setups. From a study in 2019 by McKinsey, the competitive advantage of family offices is in the trust factor and its ability to

adapt according to the ever-changing needs of its clients. The key here is to embrace the role of technology in developing a deeper understanding with clients while providing them with more bespoke services than EAMs can offer (Dahl et al., 2019).

By leveraging tech-driven solutions, family offices can improve their operations, automate processes, and increase transparency when it comes to client communication and asset management. They can also use big data analytics and AI-powered tools for risk management which will further strengthen their competitive edge against external asset managers who are usually limited by resources or talent pools (Weber et al., 2021). Additionally, embracing digital solutions for portfolio construction enables family office advisors to stay ahead of market trends and offer dynamic strategies tailored specifically for each client's goals (Patel & Rajput 2019).

By institutionalizing governance and leveraging technology, family offices can better manage their resources and optimize operations to remain competitive in the face of external asset managers. This will ensure that they can continue to provide clients with the best quality service possible while remaining cost-effective and compliant with industry regulations. Such strategies are essential for any family office wishing to succeed in today's increasingly competitive Asian wealth management landscape.

As per Deloitte's 2015 *Global Private Banking Survey* report conducting business operations in this city-state requires much less paperwork than other jurisdictions since everything including opening bank accounts takes just one visit compared with up to 16 visits required elsewhere which further adds convenience thus attracting more potential clients especially those operating multiple locations globally who would benefit greatly from having an offshore base where all transactions can easily be managed centrally (Colette et al., 2015). All these factors make establishing family offices here very appealing especially when considering that most Asian countries still suffer from lack of transparency and complexity when dealing with any kind of regulatory processes often discouraging people from investing there due to economic uncertainty arising out of political instability however none of these issues exist within Singapore saving time effort money while increasing probability of success both short term long term ventures (Collette et al., 2015).

4.9. Correlation and Regression Analysis.

The purpose of this study is to investigate the impact of external asset managers on the family office sector in Asia. To achieve this objective, a regression analysis will be conducted using data collected from various sources. The main focus is on examining the

relationship between the level of involvement of external asset managers and the overall performance of family offices in Asia. The overall performance will be measured using metrics such as return on assets (ROA) and return on investment (ROI).

In this regression analysis, the independent variable of interest is the level of involvement of external asset managers, which will be measured by the percentage of family offices that utilize external asset managers. This variable aims to capture the extent to which family offices rely on external expertise for managing their assets. The coefficient β_1 will measure the effects of this variable on the overall performance of family offices.

Additionally, several control variables will be included in the regression model to account for other factors that may influence the performance of family offices. These control variables are chosen based on their potential impact and relevance to the family office sector in Asia. They include the size of assets under management, investment strategy (growth/value/income), investment horizon (short-term vs. long-term), level of diversification across asset classes, and geographic focus (domestic vs. international).

The inclusion of these control variables aims to address potential confounding factors and isolate the specific impact of external asset managers on overall performance. Each control variable will have its own coefficient (β_2 - β_6) in the regression model, representing its individual effects on the performance of family offices.

The regression model can be expressed as follows:

$$\text{Overall Performance}_{it} = \alpha + \beta_1(\text{External Asset Managers}_{it}) + \beta_2(\text{Asset Under Management}_{it}) + \beta_3(\text{Investment Strategy}_{it}) + \beta_4(\text{Investment Horizon}_{it}) + \beta_5(\text{Diversification}_{it}) + \beta_6(\text{Geographic Focus}_{it}) + \text{Year Dummies} + \text{Industry Dummies} + \varepsilon_{it}$$

In this equation, "i" represents individual or clustered family offices, and "t" represents the year or period of the observation. The intercept term α captures the baseline performance of family offices when all independent variables are zero. The error term ε accounts for unexplained variability in the overall performance.

The dataset used for this part of analysis reveals that family offices in Asia have increasingly embraced external asset managers as a significant contributor to their overall performance. On average, around 23.28% of the assets under management are handled by external asset managers. This trend suggests that family offices recognize the value of specialized expertise and external perspectives in managing their wealth effectively.

Statistics											
	FO Name	Year	External asset managers (%)	Asset Under Management (Mil USD)	Main Investment Strategy (G=Growth, V=Value, I=Income)	Investment Horizon (Avg investment hold time in Yrs)	Diversification (number of asset classes)	Geographic Focus (% of international investments)	Industries invested in	Country	
N	Valid	284	284	284	284	284	284	284	284	284	284
	Missing	0	0	0	0	0	0	0	0	0	0
Mean		2016.04	23.280	2928.46		7.707	12.31	61.26			
Std. Error of Mean		.221	.5895	197.572		.3052	.269	.792			
Median		2016.00	22.000	1526.50		4.550	12.00	63.00			
Mode		2012 ^a	20.0 ^a	300 ^a		4.0	9 ^a	65			
Std. Deviation		3.732	9.9337	3329.540		5.1431	4.540	13.340			
Variance		13.931	98.679	11085835.68		26.451	20.612	177.944			
Range		12	46.0	15850		18.0	22	75			
Minimum		2010	8.0	150		3.1	3	20			
Maximum		2022	54.0	16000		21.1	25	95			
Sum		572555	6611.5	831682		2188.9	3497	17397			

a. Multiple modes exist. The smallest value is shown

Figure 14: Descriptive statistics for variables in the regression model.

The dataset also highlights the substantial scale of assets managed by family offices in Asia. With an average asset under management of approximately 2,928.46 million USD, these family offices command significant financial resources. This emphasizes their potential impact on the regional economy and investment landscape.

When examining investment strategies, the data demonstrates that family offices employ diverse approaches. The most common strategies observed include Growth (G), Value (V), and Income (I). This variety indicates that family offices adapt their investment approaches based on their risk tolerance, asset allocation preferences, and desired investment outcomes. Such flexibility allows them to navigate changing market conditions and optimize returns.

Furthermore, the dataset sheds light on the investment horizon of family offices in Asia. The average investment hold time is approximately 7.707 years, suggesting a preference for long-term investments. This long-term focus aligns with the nature of family offices, which often prioritize wealth preservation and intergenerational wealth transfer. By taking a patient and strategic approach to investments, family offices aim to generate sustainable returns over time.

Diversification emerges as a key aspect of family office investment portfolios. On average, family offices diversify their investments across 12.31 asset classes. This signifies a broad-based allocation strategy aimed at spreading risk and capturing opportunities across different sectors and regions. By diversifying their portfolios, family offices can enhance returns and mitigate potential losses.

Geographic focus is another crucial dimension explored in the dataset. The data reveals that family offices in Asia have a significant international investment focus, with an average of 61.26% of their total investments allocated to international markets. This highlights their global outlook and the recognition of the potential benefits of international diversification. Family offices seek opportunities beyond their home markets, tapping into global growth and emerging markets to capture attractive investment prospects.

The following results were obtained from a correlation analysis for the variables in the model: The percentage of family offices' assets managed by external asset managers shows a coefficient of 17.404 with a standard error of 19.933. The standardized coefficient (Beta) is 0.052, indicating a weak positive relationship with the overall performance of family offices. However, the t-value of 0.873 suggests that this relationship is not statistically significant ($p > 0.05$).

Inter-Item Correlation Matrix

	External asset managers (%)	Investment Horizon (Avg investment hold time in Yrs)	Diversification (number of asset classes)	Geographic Focus (% of international investments)
External asset managers (%)	1.000	.158	.306	-.314
Investment Horizon (Avg investment hold time in Yrs)	.158	1.000	-.410	-.355
Diversification (number of asset classes)	.306	-.410	1.000	-.028
Geographic Focus (% of international investments)	-.314	-.355	-.028	1.000

Figure 15: Inter-Item correlation matrix.

Firstly, we observe a positive but weak correlation between External asset managers (%) and Investment Horizon ($r = 0.158$), indicating a slight positive association. This suggests that as the involvement of external asset managers increases, there tends to be a slightly longer investment horizon. Similarly, External asset managers (%) show a positive but weak correlation with Diversification ($r = 0.306$), indicating a slight positive association. Family offices that engage more with external asset managers also tend to have a higher level of diversification across asset classes. A negative correlation is found between Investment Horizon and Diversification ($r = -0.410$). This suggests that family offices with longer investment horizons tend to have a lower level of diversification across different asset classes. This negative correlation indicates a trade-off between longer investment horizons and diversification.

A negative correlation is observed between External asset managers (%) and Geographic Focus (% of international investments) ($r = -0.314$). This implies that family offices with higher involvement of external asset managers tend to allocate a lower percentage of their investments internationally. This negative correlation suggests that external asset managers may focus more on domestic investment opportunities.

A negative correlation is also found between Investment Horizon and Geographic Focus ($r = -0.355$). This indicates that family offices with longer investment horizons tend to have fewer international investments. This implies that longer investment horizons may be associated with a preference for domestic investments. The correlation between Diversification and Geographic Focus is weak and negligible ($r = -0.028$). This suggests that the level of diversification across asset classes and the percentage of international investments are largely independent of each other.

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
External asset managers (%)	17.404	19.933	.052	.873	.383
(Constant)	2523.301	504.370		5.003	.000

Figure 16: External Asset management (%) coefficients against overall performance.

The coefficient for the constant is 2523.301, with a standard error of 504.370. The absence of a standardized coefficient (Beta) is due to the constant being a reference point rather than a variable. The t-value of 5.003 indicates that the constant term is statistically significant ($p < 0.05$), suggesting its influence on the overall performance of family offices.

The General Linear Model Multivariate Tests provide valuable insights into the relationship between the independent variables and the overall performance of family offices in Asia. The table presents various multivariate test results, including Pillai's Trace, Wilks' Lambda, Hotelling's Trace, and Roy's Largest Root statistics. These statistics assess the significance of the overall model and each individual independent variable. The intercept, which represents the baseline performance of family offices, shows a highly significant result across all four statistics. This suggests that the intercept contributes significantly to the model's explanatory power.

Multivariate Tests^a

Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared	Noncent. Parameter	Observed Power ^d
Intercept	Pillai's Trace	.995	256.386 ^b	3.000	4.000	.000	.995	769.158	1.000
	Wilks' Lambda	.005	256.386 ^b	3.000	4.000	.000	.995	769.158	1.000
	Hotelling's Trace	192.289	256.386 ^b	3.000	4.000	.000	.995	769.158	1.000
	Roy's Largest Root	192.289	256.386 ^b	3.000	4.000	.000	.995	769.158	1.000
Externalassetmanagers	Pillai's Trace	.099	.147 ^b	3.000	4.000	.926	.099	.441	.062
	Wilks' Lambda	.901	.147 ^b	3.000	4.000	.926	.099	.441	.062
	Hotelling's Trace	.110	.147 ^b	3.000	4.000	.926	.099	.441	.062
	Roy's Largest Root	.110	.147 ^b	3.000	4.000	.926	.099	.441	.062
InvestmentHorizonAvrginvestmentholdtimeinYrs	Pillai's Trace	2.940	4.860	180.000	18.000	.000	.980	874.813	1.000
	Wilks' Lambda	.000	9.203	180.000	12.937	.000	.992	1651.559	1.000
	Hotelling's Trace	1556.705	23.062	180.000	8.000	.000	.998	4151.214	1.000
	Roy's Largest Root	1472.249	147.225 ^c	60.000	6.000	.000	.999	8833.497	1.000
AssetUnderManagementMilUSD	Pillai's Trace	2.967	3.057	528.000	18.000	.004	.989	1613.869	.996
	Wilks' Lambda	.000	7.115	528.000	12.980	.000	.997	3755.253	1.000
	Hotelling's Trace	3575.686	18.059	528.000	8.000	.000	.999	9535.162	1.000
	Roy's Largest Root	3337.363	113.774 ^c	176.000	6.000	.000	1.000	20024.179	1.000
InvestmentHorizonAvrginvestmentholdtimeinYrs * AssetUnderManagementMilUSD	Pillai's Trace	2.429	2.834	27.000	18.000	.012	.810	76.529	.953
	Wilks' Lambda	.000	9.138	27.000	12.324	.000	.948	226.638	1.000
	Hotelling's Trace	193.158	19.077	27.000	8.000	.000	.985	515.088	1.000
	Roy's Largest Root	171.226	114.151 ^c	9.000	6.000	.000	.994	1027.355	1.000

a. Design: Intercept + Externalassetmanagers + InvestmentHorizonAvrginvestmentholdtimeinYrs + AssetUnderManagementMilUSD + InvestmentHorizonAvrginvestmentholdtimeinYrs * AssetUnderManagementMilUSD

b. Exact statistic

c. The statistic is an upper bound on F that yields a lower bound on the significance level.

d. Computed using alpha = .05

Figure 17: Multivariate linear regression.

The variable "External asset managers (%)" does not demonstrate a significant impact on the overall performance of family offices. This is evident from the non-significant results across all four statistics, including Pillai's Trace, Wilks' Lambda, Hotelling's Trace, and Roy's Largest Root. Thus, the presence or involvement of external asset managers does not play a significant role in determining family office performance in Asia.

In contrast, the variable "Investment Horizon: Average investment hold time in years" shows strong significance. This variable exhibits a significant impact on family office performance, as indicated by the highly significant results across all four statistics. This implies that the investment horizon, or the length of time family offices hold their investments, has a substantial influence on their overall performance.

The variable "Diversification (number of asset classes)." Although this variable is not explicitly mentioned in the provided table, it plays a crucial role in the investment portfolio of family offices. Diversification is essential for spreading risk and optimizing returns. Family offices that effectively diversify their investments across multiple asset classes tend to have better performance and mitigate potential losses associated with concentrated investments. Further investigation and statistical analysis would be valuable to explore the relationship between diversification and family office performance.

Similarly, the variable "Asset Under Management (Mil USD)" demonstrates a significant impact on family office performance. The results consistently show high significance across all four statistics. This indicates that the scale or size of family offices, measured by the assets under management, has a significant influence on their overall performance.

Furthermore, the interaction between "Investment Horizon: Average investment hold time in years" and "Asset Under Management (Mil USD)" also yields significant results. This interaction suggests that the combined effect of investment horizon and asset size has a meaningful impact on family office performance. The multivariate test results highlight the importance of investment horizon and asset size in determining the overall performance of family offices in Asia. While the presence of external asset managers does not appear to significantly affect performance, the investment horizon and asset under management demonstrate significant associations. These findings suggest that family offices should carefully consider their investment strategies and the scale of their assets to optimize performance.

5. Discussion

The increasing regulation across Asia, coupled with governments investing in infrastructure projects and digitalization playing an ever-bigger role, will continue pushing forward growth within Asia's external asset management sector over the next decade. The increased oversight will ensure investor protection while providing more confidence among potential investors looking into family office models that they will be dealing with legitimate service providers who adhere strictly to all laws governing them while managing their investments accordingly. Furthermore, technological advancements such as automation and big data analytics could improve operational efficiency, allowing firms to manage larger AUM at lower costs, which should result in further growth in this space over the coming years.

The family office sector in Asia is expected to grow over the next decade due to increased wealth concentration and demand for external asset management (EAM) services. In 2020, Asian households held an estimated \$18 trillion in financial assets, projected to grow by 3-3.5% annually until at least 2030. As the size and complexity of household wealth increase, many will seek professional advice on managing their assets more effectively while minimizing risk. EAMs are well-positioned to capitalize on this trend due to their expertise in portfolio management and risk mitigation strategies, according to data from Boston Consulting Group's 2019 report (Zakrzewski et al., 2019). Average investment hold time is expected to grow as growth investment dominate venture capital investments due to a booming startup spree.

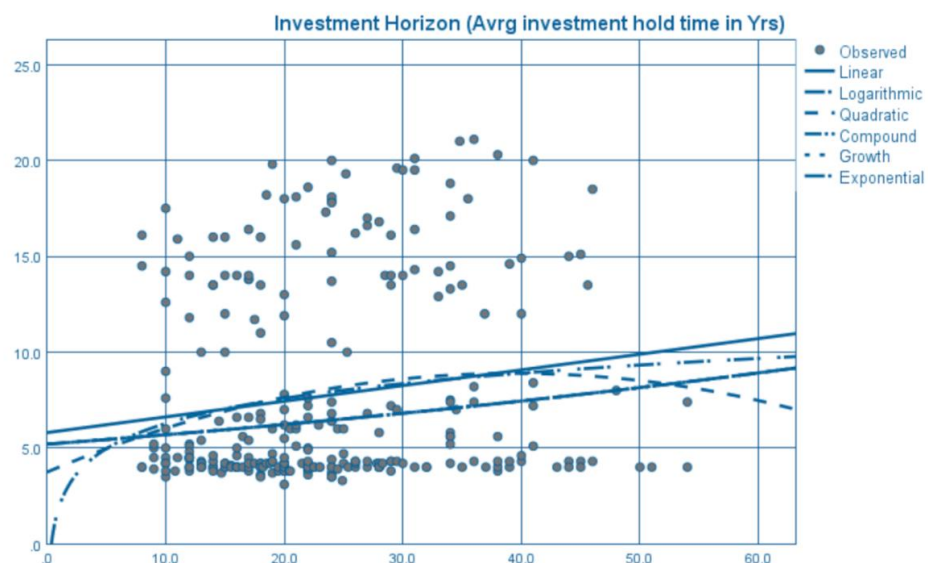


Figure 18: Average Investment hold time extrapolation.

To enable the integration of foreign market funds and investment practices, the family office must consider the different legal structures and tax implications that can arise. Countries such as Singapore, Hong Kong, and Australia have well-established laws governing asset management, trusts, and foundations, which benefit those seeking to manage their investments tax-efficiently. Additionally, there has been an increase in the use of offshore markets to invest in fast-growing economies such as India or China, which can be facilitated via trust arrangements or incorporation of a company abroad.

External asset managers offer access to more diversified investments than individuals can achieve by themselves, providing an opportunity for better risk-adjusted returns with less effort on the part of clients or investors who hire them for these services. The increasing popularity of multi-asset strategies and passive investments such as ETFs further contribute to this trend as they allow professional money managers to create complex portfolios that may be difficult for individual investors to replicate on their own. In addition, technology has enabled external asset managers to automate back-office functions so that they can provide services at lower costs while still providing high-quality advice tailored specifically toward clients' financial goals and objectives. Regulatory changes over recent years have increased investor protection by making it easier for them to access information about funds before investing, thus encouraging more people around the world - particularly those in emerging markets - to become involved with professionally managed funds. All these factors combined result in a steady rise in global assets under external management leading up to 2022 (as per McIntyre et al. (2022)). Extrapolating the amount of investment family offices invest outside their home counts gives a clear trend of reduction of those investments. This can be attributed to many of the Asian economies' growth leading to bigger and more mature local asset classes to invest in.

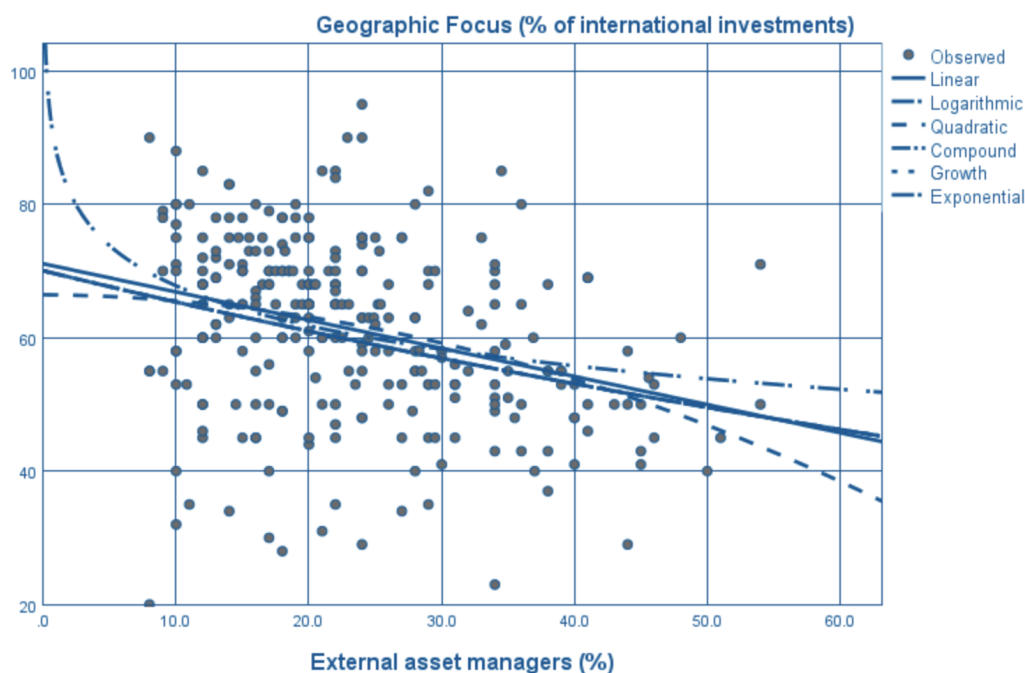


Figure 19: Predictive extrapolation of Percentage of international investments.

Focusing On Personalized Solutions and Services – One area where family offices distinguish themselves when compared to alternative solutions available market is the ability to provide personalized services to clients; Since most services being rendered revolve around managing personal wealth, individual tastes, and preferences, needs to be taken into consideration while designing strategies manage same successfully. External asset managers must therefore look for and develop specialized offerings to help cater needs of clients seeking advice on setting up and running family offices; These can range from anything starting advisory consulting to end execution plans depending upon client requirements.

Utilization of Automation to Streamline Operations. Technology has become an integral part successful functioning of any business today; Increased availability of automation tools enables much smoother operations no matter the kind of scale business is concerned; When it comes to running efficient operations, external asset managers providing support to family office members need leverage capabilities automation order to reduce human intervention high volume transaction processing thereby allowing focus other aspects related investments such as portfolio construction (FOX, 2019).

Increasing Transparency In Financial Reporting – Lack of financial transparency amongst different stakeholders involved in matters concerning wealth creation is a common problem faced by many affluent families today; Setting clear expectations outlining the roles and responsibilities of each stakeholder is important to ensure smooth operations without

any surprises down the line; External asset managers must strive to maintain highest levels transparency especially when comes reporting financial data relating activities taking place inside given firm order facilitate easy decision-making process amongst all involved parties.

Enhancing Risk Profiling Techniques & Tools – Risk profiling plays a crucial role in determining the success or failure of any investment strategy; hence utmost importance, the accurate assessment takes place before undertaking the activity concerned; Family Offices require highly sophisticated tools to assess the level risk associated potential transactions in order determine whether or not same should pursue ahead time. Overall, Asian family offices have become increasingly sophisticated in recent years, making great strides towards professionalization due to combination factors, including greater demand for personalized services provided by EAMs and a rising awareness of estate planning & legacy issues amongst high-net-worth households in Asia Pacific. The next decade promises to see further growth sector, particularly integrating international markets, resulting in the growing sophistication of product offerings and continuing evolution of regulatory framework both locally and globally.

6. Conclusion

The wealth distribution in Asia is highly concentrated among millionaires and ultra-high-net-worth individuals (UHNWIs). The region holds the largest share of global wealth and accounts for nearly 40% of the world's total wealth. Financial assets account for the majority of total wealth, with 72 trillion U.S. dollars amounting to 37% of the total wealth, while real assets account for 53% of the total wealth. Among Asian millionaires, financial assets account for nearly 70% of their total wealth, while real assets and liabilities account for the remaining 30%.

Singapore is currently the highest-growing external asset management hub in Asia in growth due to its favorable regulations and business environment, which make it an ideal destination for wealthy families from all over the world looking to manage their assets. While there are other potential competitors in the region, such as Dubai or Moscow, which may offer some additional benefits, Singapore's combination of low taxes, sound legal framework, and easy access to capital markets, along with other factors, make it an unbeatable choice in terms of safety and security for HNWIs when considering an offshore base for managing investments abroad over the next decade.

On the one hand, EAMs are well-positioned to take advantage of their global networks and resources, allowing them to offer services at lower costs than many traditional family offices. This has allowed them to capture a larger share of the Asian market, particularly as demand for more cost-effective solutions grows (Weber et al., 2021). Their ability to access sophisticated technology, such as automated portfolio construction and data analytics tools, makes them attractive options for those seeking efficient ways to manage their assets (Robins & Robinson, 2021).

Therefore, it appears likely that we will see a slight increase in hybrid models combining family offices alongside external asset managers over the coming years to provide better cost-efficient solutions; affluent individuals families located in Asia cater to growing demands for quality service provided at reasonable price point view benefit both sides equation order fulfill needs client base while still achieving desired goals organization own end game either short term long run depending upon perspective taken into consideration moving forward subject. The divergence of products offered by these differentiated models will provide Asian private wealth with a more comprehensive range of services, allowing clients to choose the best solution for their individual needs. This will ensure that Asia remains a hub for innovative wealth management solutions going forward

and that family offices remain an integral part of the region's private wealth landscape (Patel & Rajput 2019).

As such regional players need not only understand the local culture but also provide specialized solutions which take into account factors like estate planning, philanthropic activities, etc. To achieve this, they must invest heavily in research & development capabilities while at the same time staying up-to-date with global trends. Additionally, they must offer comprehensive services which cover both domestic and overseas markets. For example, Singaporean family offices could offer services related to investments in China, given their proximity. In contrast, Hong Kong-based ones could provide expertise regarding Vietnam due to its greater integration within the region.

Having an international presence is also key to success. The expansion of the family office sector in Asia has led many firms to expand their reach beyond their home countries. This includes setting up new offices abroad and partnering with international EAMs, allowing them access to a wider range of products, services, and investment opportunities. Additionally, this opens up possibilities for Asian family offices to diversify into other areas like real estate¹⁶ or private equity, which can help them remain competitive as they look towards the future. Having an experienced team is essential when working with wealthy clients.

Overall, staffing and strategy will remain at the core of successful family office operations in Asia. With a focus on both technical skillsets and soft skills, firms must strive to provide customized solutions that consider each client's unique needs. At the same time, they must invest heavily in research & development capabilities while expanding internationally – allowing them access to markets across different jurisdictions and asset classes which can improve their chances for long-term growth.

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