Standard Chartered Private Bank

Asia Sustainable Investing Review 2018

Here for good

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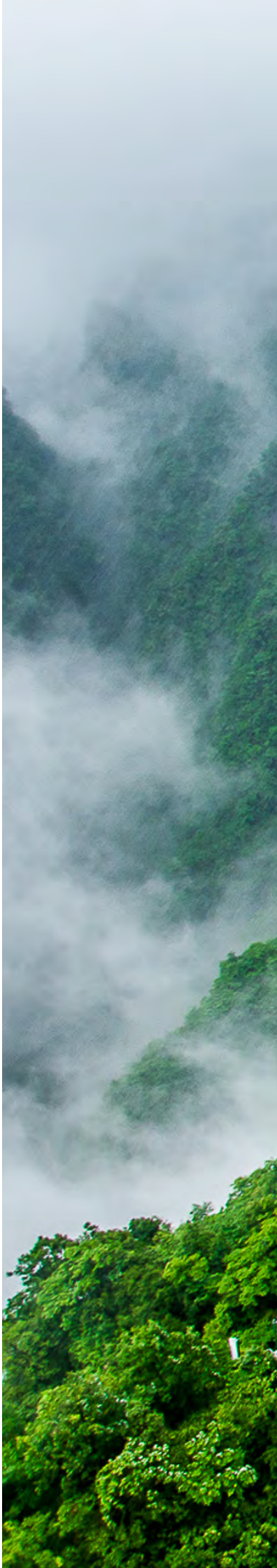

Sustainable Investing in Asia

The theme of sustainability has been generating growing interest in recent years, resulting in more companies positioning sustainability as part of their corporate strategy. While sustainable investing has become a global phenomenon, individual investors in Asia have not been as quick to jump on the bandwagon as their Western counterparts.

How deeply do investors in Asia understand sustainable investing – and do they see it as a viable investment approach to help them do good and drive the right returns?

To find out, Standard Chartered Private Bank commissioned a study to deep-dive into the perceptions among Asian investors, and their motivations behind sustainable investing. The results revealed a significant knowledge gap among the respondents around what sustainable investing entails, as well as the returns and impact it can deliver.

Another interesting takeaway from the report is that more mature investors – typically Generation X - who are motivated by the desire to create a better future, are leading the sustainable investing trend in Asia. However, the clear majority of people engaged in sustainable investing comprises of an increasingly socially conscious generation of millennials. As wealth changes hands to this next generation, we expect the demand for sustainable investing to continue to grow.

With a broad awareness among millennials that they can both generate financial returns while making a positive impact, there is even greater potential for further developing the sustainable investing ecosystem and moving it into the mainstream.

Financial institutions have an important role to play in helping investors better understand and access the benefits of sustainable investment, and how it can be used as a force for good.

Didier von Daeniken
Global Head, Private Banking &
Wealth Management

Background and Findings

Standard Chartered Private Bank commissioned Agility Research & Strategy to conduct a study among high net worth investors to understand the perception and motivations to engage in sustainable investing, the future potential of sustainable investments, and the need gaps that currently exist in the market.

The study, conducted in April 2018, covered four markets: China (Beijing and Shanghai only), Hong Kong, India and Singapore. A total of 421 investors with a minimum of US$1 million in investments (excluding real estate) responded to the online survey.

Investor Archetypes

ALTRUISTIC INVESTORS

These investors are both knowledgeable about and engaged in sustainable investment. Their interest is as much motivated by their desire to create a better future and make a positive impact on society as it is by earning a profit.

VALUE SEEKERS

These investors claim to engage in sustainable investment although they are less knowledgeable about what it is. Their interest is profit-driven, and they expect similar returns to their mainstream investments. While these investors are visible in all markets, they are most prevalent in China (92%) and India (72%).

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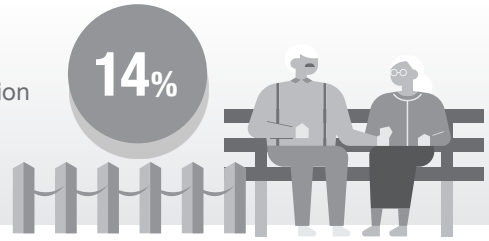
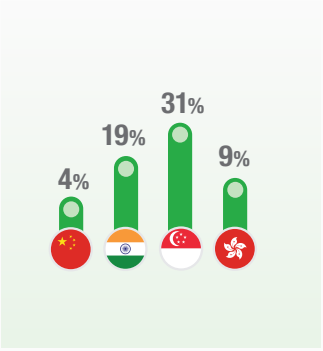
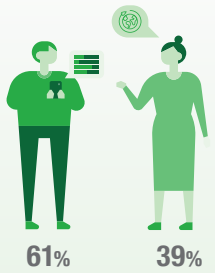
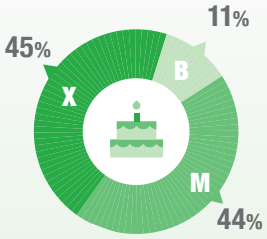
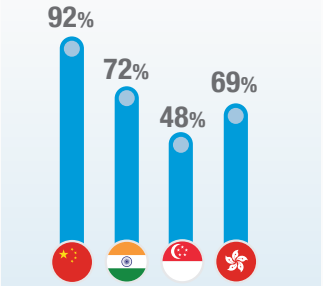
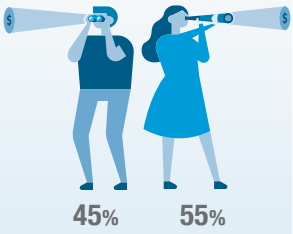
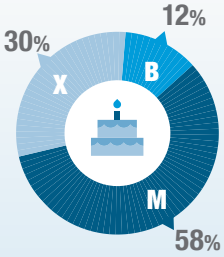
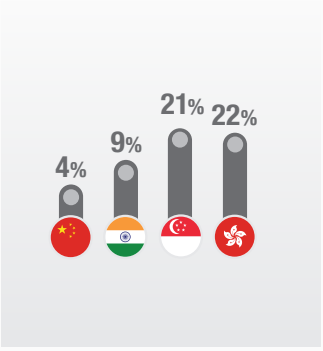
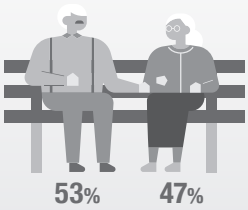
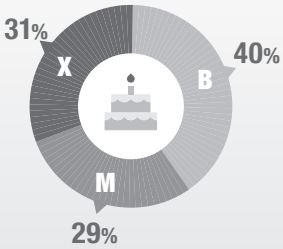
Active investors who do not currently hold sustainable investments. They lack ready information for informed decision making. This group needs further education on sustainable investment opportunities to encourage them to invest.



DEFINING SUSTAINABLE INVESTING

Sustainable investing is defined as investing capital in businesses, funds or other financial vehicles that actively seek to generate social and/or environmental benefits and financial returns.

Investors Segment Profile

	Segment Size by Market	Gender	Age Group Millennial Gen X Boomer	Source of Wealth 1st Gen Wealth Creator 2nd Gen Entrepreneur Gold Collar
ALTRUISTIC INVESTORS				 92% 4% 3%
VALUE SEEKERS				 85% 9% 6%
UNENGAGED				 88% 9% 3%

Motivations and Considerations

ALTRUISTIC INVESTORS

Motivations for Engaging in Sustainable Investing	Top 3 Investment Sectors	Top Investment Considerations	Top Sustainable Investing Solutions
Help create a better future 74%	73% Environment	1. Has global impact	48% Mutual Funds with ESG Focus
Do good while earning a profit 70%	46% Education	2. Impact on the right social or environmental sector	44% Bonds
Give back to society /help save the environment 64%	42% Community Dev	3. Demonstrated track record of positive financial returns	41% Equities / Funds of Fund

VALUE SEEKERS

Better returns 69%	66% Environment	1. Better returns than mainstream investments	49% Equities
Help create a better future 56%	37% Health	2. Demonstrated track record of positive financial returns	46% Funds of Fund
Diversification 55%	33% Education	3. Transparency of reporting of impact	40% Direct investments
Better risk management 54%			

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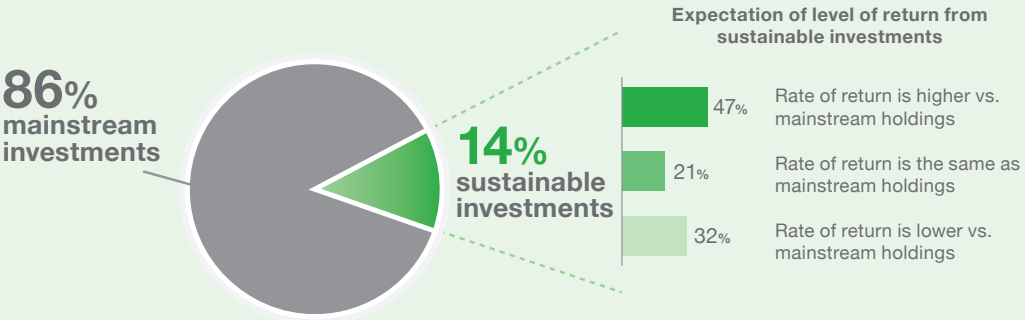
Barriers to Engaging in Sustainable Investing	Top 3 Investment Sectors of Interest	Top Investment Considerations	Sustainable Investment Solutions Likely to Use
Lack of information about sustainable investment opportunities 57%	70% Health	1. Increased transparency of sustainable investment opportunities	43% Equities
Lower returns v.s. mainstream investments 33%	60% Environment	2. More information about the availability of sustainable investment opportunities	38% Bonds
High risk involved 22%	40% Education	3. Demonstrated track record of positive financial returns	26% Direct investments

Expectations from Sustainable Investments

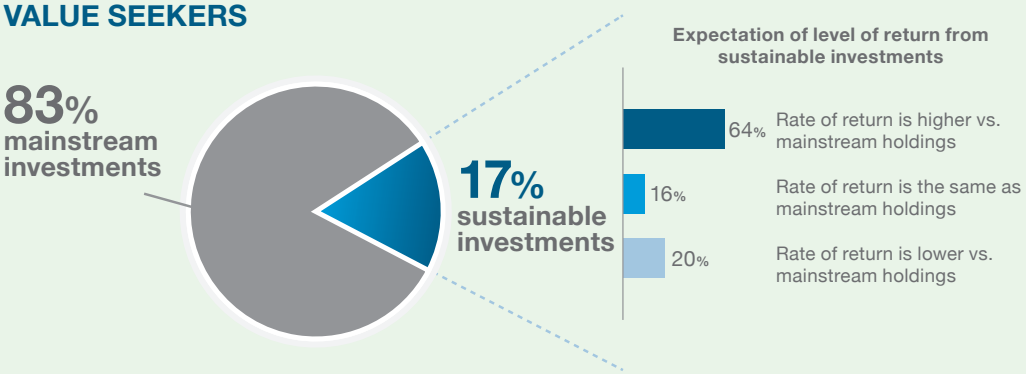
In terms of yield expectations from sustainable investment, 61% of all investors expect a rate of return higher than mainstream investments and 17% expect at least similar returns.

64% of Value Seekers expect yields to be higher than mainstream investments, while Altruistic Investors are more willing to accept a financial trade off between doing good and generating return (only 47% of them expect a higher return).

ALTRUISTIC INVESTORS



VALUE SEEKERS



Conclusion

Sustainable investing is still new and not well understood.

While 86% of investors claim to be currently engaged in sustainable investments, most of them lack a clear understanding of what they are. Although sustainable investments have existed for a decade, the vast majority of investors have started engaging in them within the last 5 years.

Environment, health, and education are key target sectors.

The environment (natural resources, green/alternative energy, sustainable agriculture), health and education are the most common themes in investment target sectors overall. In China and India, health is a higher priority, while in Hong Kong, housing, community development and job creation rate more highly. Education investments have strongest support in India. We expect increased support in water sources and waste management, in the next 3 years, driven mainly by India.

What's next for sustainable investment in the region?

While sustainable investments currently make up less than 20% of the total investment portfolio of active investors, this share is expected to grow as they look at increasing allocation by 2 to 3 percentage points in the next 3 years.

- **Increasing engagement amongst Value-Seeking investors**
  Value-seeking investors ask for more education about Environmental, Social and Governance (ESG) investment opportunities and the impact their funds can make beyond achieving profits. The greatest challenge is in big markets like China and India where the concept is least mature.

- **Shift from philanthropy**
  Investors currently donate 8% of assets to charity and this is planned to increase. Among the more than 50% of investors surveyed that are currently involved in philanthropic work, 82% would consider shifting their allocations into sustainable investing. Mapping sustainable investment sectors to key charitable causes and demonstrating reach and impact could facilitate this shift.

- **Meeting investors' expectations**
  Investors have high expectations for the impact of their investments, with many expecting up to 40% improvement on their area of focus over 3 to 5 years. Demonstrating tangible metrics of progress in sectors of interest is key to drive further investment. Education on realistic rates of improvement over the years is also important to set expectations.

Standard Chartered

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Standard Chartered Private Bank

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Jun 2018