



### **General Rules**

# SHORT INVESTMENT HORIZON HIGH ONGOING CASH NEEDS

Holds lower risk assets i.e. more bonds Holds more liquid assets



SAVING TO BUY A HOUSE NEXT YEAR



UNIVERSITY ENDOWMENT
Paying operational costs
right now

#### **LONG INVESTMENT HORIZON**

**LOW ONGOING CASH NEEDS** 

Holds higher risk assets i.e. more equities

Holds less liquid assets like real estate,
private equity



PENSION FUND
People will retire in
10 to 20 years



SOVEREIGN WEALTH FUND Investing for future generations!

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## **Investors Have Very Different Needs**



**CAPITAL PRESERVATION VS. MAXIMUM RETURNS** 



HIGHER OR LOWER **RISK TOLERANCE** 



**LONG OR SHORT INVESTMENT HORIZON** 



**NEED FOR LIQUIDITY** 





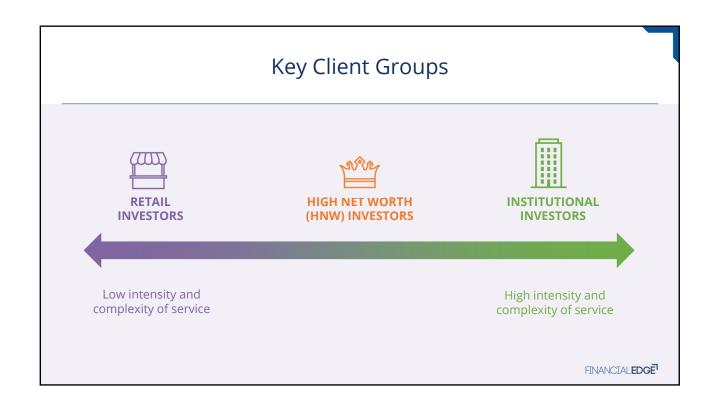
**REGULATORY** 



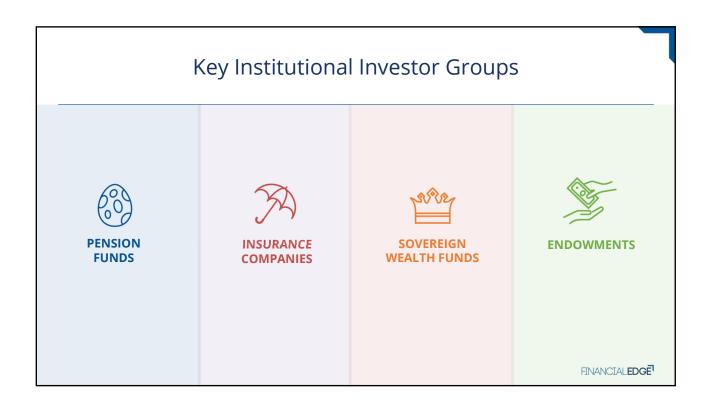
**POLITICAL** 

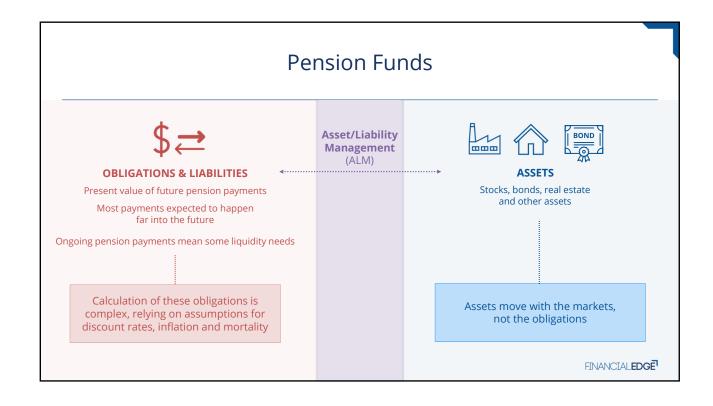


**ENVIRONMENTAL**, **SOCIAL AND GOVERNANCE** 

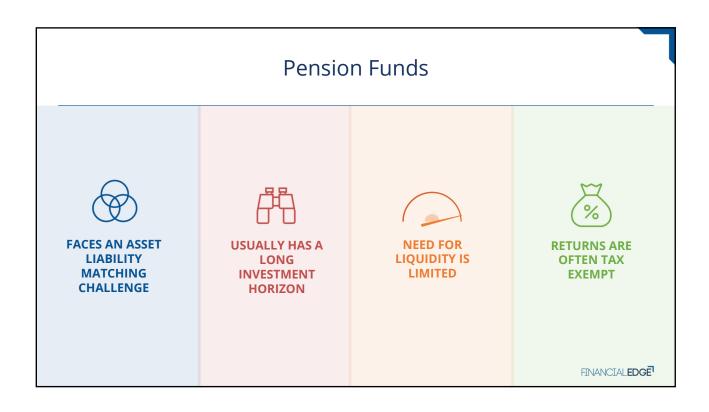


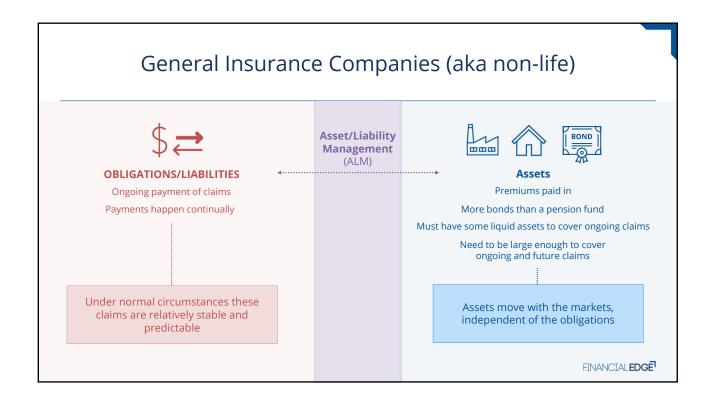














## General Insurance



FACES AN ASSET LIABILITY MATCHING CHALLENGE



SHORTER, MORE RISK AVERSE INVESTMENT HORIZON THAN PENSION FUNDS



HAVE A HIGHER NEED FOR LIQUIDITY THAN PENSION FUNDS

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### **Endowments**

Pools of assets that have been provided by donors to fund a specific need, a common example being the funding of a university





Aim at keeping the principal of the fund stable and use the returns to fund the desired operations



Spend a little less than the returns in strong years, to maintain a buffer for weaker years



## **Endowments**



TYPICALLY LONG INVESTMENT HORIZON



HIGH
ALLOCATION TO
EQUITIES AND
ALTERNATIVE
ASSETS



**EXPENSES** 



RETURNS ARE USUALLY TAX EXEMPT

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## Sovereign Wealth Funds

A sovereign wealth fund (SWF) is a **state-owned** investment fund that invests in assets such as stocks, bonds, real estate or alternative investments





#### **SAVINGS FUNDS**

Saving for future generations Long investment horizon



#### STABILISATION FUNDS

Reduce the volatility of government revenues

Shorter investment horizon



## Saving Funds vs Stabilization Funds



DIFFERENT INVESTMENT HORIZONS DEPENDING ON PURPOSE







**CAN HOLD A WIDE VARIETY OF ASSETS** 



NEED FOR LIQUIDITY DIFFERS DEPENDING ON PURPOSE

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## **High Net Worth Investors**



High net worth individuals or family offices are large enough to warrant more intense customer service

The demands and requirements of HNW clients vary widely depending on individual circumstances

The key difference to institutional investors is that private investors are concerned about post-tax cash flows

EXAMPLES OF POTENTIAL TAX CONSIDERATIONS

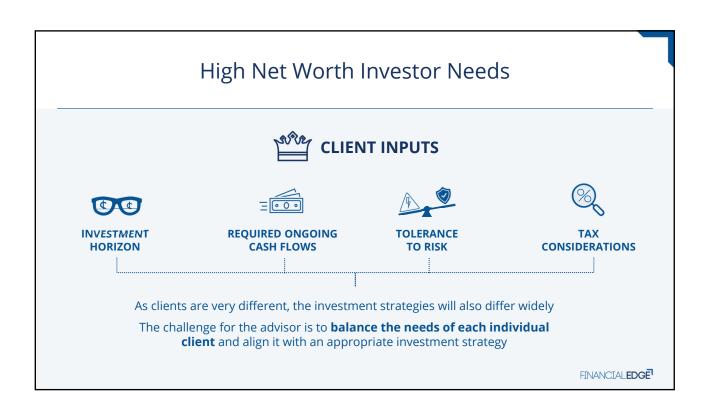
Tax on capital gains vs income

Tax rates in different jurisdictions

**Inheritance taxes** 

Timing implications of tax year dates





## Private/Retail Wealth Tiers in the US

#### **WEALTH TIERS IN THE UNITED STATES (2014 EST)**

Name of Tier	Investable Asset Range	Number of households	Portion of All Households	Average Investable Assets	Total Investable Assets Tier (US\$ Billions)	Portion of All Investable Assets
Ultra-high-wealth market	>\$20m	92,726	0.08%	\$45,685,216	\$4,236	12%
High-wealth market	\$10-20m	226,252	0.18%	\$12,563,256	\$2,842	8%
Wealth market	£5m-\$10m	716,611	0.6%	\$6,963,034	\$4,990	14%
Affluent market	\$2m-\$5m	1,950,285	1.6%	\$3,139,957	\$6,124	18%
Mass-affluent market	\$500k-\$2m	9,939,540	8.1%	\$994,842	\$9,391	27%
Middle market	\$100-\$500k	23,164,100	19.0%	\$235,045	\$5,445	16%
Mass market	<\$100k	86,894,029	71.0%	\$17,020	\$1,479	4%
TOTAL		122,983,543	100.0%	\$280,583	\$34,507	100%

Source: Adapted from the Cerulli Report. "US Retail Investor Advice Relationship 2015" p.55 Data sources for the table: U.S. Federal Reserve. "U.S. Census Bureau, and Cerulli Associate



