

**A Roadmap for Generational
Wealth in Asia**
**Asian Philanthropy:
An Evolving Landscape**

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White Paper

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Foreword

Credit Suisse is privileged to have served many of the world's leading families since 1856. We recognize that generational wealth is a holistic combination of financial wealth, assets and the family business. To help entrepreneurial families prepare for this generational transition, we have collaborated with Campden Wealth Research to present the series "A Roadmap for Generational Wealth in Asia".

This Roadmap series comprises a number of papers that focus on various aspects of generational wealth transfer and provides a framework for families to consider how to manage such transitions. The papers aim to be empirical, by containing survey-based methodologies of family businesses across Asia, to provide the reader with a form of peer learning through insights into what other business families are doing and thinking about.

The first paper in the Roadmap series dealt with the various dimensions of reputation of a family business. The second paper of the Roadmap series examined how the next generation can be better prepared to assume responsibility for the family's holistic wealth.

We are pleased to present the third paper of the Roadmap series, which focuses on the area of Philanthropy.

Philanthropy in Asia is not a new phenomenon. As an institution, we have the privilege of serving many business families in Asia for several decades, and observe that many of them have been engaged in quiet and discrete giving for a long time. Less vociferous than non-Asian philanthropists, they focused on making ground level impact on social problems that resonate with them personally. We also observe that, at a time when social problems in Asia are evolving in complexity and scope, families in Asia are also beginning to pass the philanthropic baton from one generation to the next.

The passing of the philanthropic baton carries several challenges.

The first relates to the concern and intent of the prior generation that the charities or causes that they themselves have been quietly supporting over the years continue to receive the support they need in future years when the next generation assumes responsibility. Simply put, "will our next generation continue what we have been supporting for all these years?". To this end, we see the development of family foundations and other structured forms of giving which allow the prior generation to try to formalize long-term support.

The second relates to the concern that direct donations to fund deficits in charities or causes may not be sufficient, sustainable nor desirable in the longer term. This is especially in situations where the funding resource derives from inheritances and estates. Simply put, "how long will we have keep supporting?". There is an increasing thought that charities or causes should be able to develop other models of ensuring their survival, for example, through business or commercial activities that have the possibility of creating self-perpetuating surplus cashflows. We see the development of social enterprises and forms of Impact Investing – which appeal to the entrepreneurial instincts of the participants handling the philanthropic baton, but which carry their own set of implementation challenges.

The third relates to the growing realization that collaboration models, though difficult to implement, may be one of the few ways to ensure scale and longevity of philanthropic impact. Simply put, "who else can we work with to ensure what we have been supporting reaches many more and can make a lasting difference?". As the next generation is more accustomed to broader networking, e.g. through new technology and social media, such collaboration approaches may become easier to activate, with collaborators undertaking different aspects of a philanthropic chain of intervention, each according to their core competencies and focus. We see such innovative models of "Syndication for Good" emerging in Asia, in many cases with the public sector playing a role in policy and institutional support.

This paper sheds light on the above challenges, and also on several other areas, that we trust will be of interest and guidance to entrepreneurial families as they begin to plan for the passing of the philanthropic baton from one generation to the next.



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Executive summary

When talking about Philanthropy, Impact Investing and Doing Good generally, discussion often reverts to similar themes: how Doing Good can be used as an educational tool for the next generation, or how conducting Philanthropy can boost reputations. This report, by Campden Wealth Research and Credit Suisse, breaks new ground by exploring the real nature of Philanthropy and Impact Investing by UHNW individuals in Asia-Pacific. It not only maps what they do in this space, but explains why they do it.

In Asia-Pacific there is a strong culture of Doing Good. Among family businesses and private investors within the region, it not only presents an opportunity to give back to the community, but to build reputations, gain tax benefits, encourage family unity and educate the next generation. What this report finds very clearly is that UHNW individuals in Asia-Pacific are becoming more engaged. They are finding more ways to contribute their time and money. They are also increasingly embracing Impact Investing, believing that it is a more efficient use of funds to achieve social impact than Philanthropy.

What does this mean for the roadmap of intergenerational wealth?

This movement towards Impact Investing can be seen as inter-generational in nature. With more than half of participants agreeing with the statement that families with Millennials will see an increase in requests to participate in Impact Investing. It provides a new foothold for family members to get involved, by generating returns but also giving back to their communities. Understanding what skills the next generation needs and how current Philanthropy and Impact Investing can improve the wider UHNW community and the advisors that serve them.

This third instalment of the roadmap covers three main themes regarding the Philanthropy and Impact Investing space:

Looking at it holistically: the spectrum of Doing Good

Asia-Pacific UHNW individuals expect to move their Doing Good capital allocations towards more Impact Investing activity over Philanthropy. They have done this already, but the pace of such movement is expected to increase over the next three years. For 95% of participants, they see a key purpose of Doing Good as delivering social impact, and they are generally satisfied that they are achieving this. However, they are less sure about delivering environmental impact.

Diving deep into Philanthropy and Impact Investing
Impact Investing is perceived as a separate asset class by more than two-thirds of participants, and there are some positive signs around the liquidity of these

investments. However, the segment cites difficulty in frameworks, measuring social impact in their Impact Investing, and a lack of experienced personnel, as hindrances to greater engagement. Advisors are key to higher engagement in Impact Investing opportunities: 42% of UHNW participants stated that access to advisors with first-hand experience would make them personally participate more in the field.

Collaborations in Philanthropy and Impact Investing are common for half the segment, with alignment of cause and interest being a chief determinant whether a collaboration occurs or not.

Current challenges and the future of Doing Good

Due diligence seems to be the biggest problem that participants face in their Doing Good projects (affecting 53% of the segment), whereas for collaborations, difficulty is found in ensuring professional experience (50%). Ensuring the presence of professionals with suitable experience is pivotal.

Four-fifths of the sample agree with the statement that, over the next five years, families with Millennials will see an increase in requests to participate in Impact Investing. Additionally, the same proportion believe that older generations will continue to pursue 'pure giving'. A large majority (79%) of participants felt that the rise of Impact Investing will lead to a commercialization of charities.

Note on focus and terminology

This study focuses specifically on ultra-high net worths (UHNW) who are actively engaged in Doing Good in Asia-Pacific. For the purposes of this report and to provide consistency for respondents we have defined two broad areas of 'Doing Good':

'Philanthropy' – This refers to the provision of time or money to causes with a wider, positive social and/or environmental impact with no expectation of any financial returns.

'Impact Investing' – Is an investment approach that places capital in enterprises that generate a positive social and/or environmental impact alongside financial return.

Within Impact Investing there are a myriad of different types of activities including 'Venture Philanthropy' and 'Sustainable Investing'. Venture Philanthropy is a methodology that works to build stronger social purpose organisations by providing them with both financial and non-financial support in order to increase their societal impact.¹ Sustainable Investment is an established approach that takes into account Environmental, Social, Governance-related criteria for investment decisions.

1. The European Venture Philanthropy Association.

Section 1

Looking at it holistically: the spectrum of Doing Good

- * Delivering social impact is the common purpose for Doing Good, 95% of participants selected this as a primary objective. Sustainability and delivering environmental impact follows suit;
 - * UHNW individuals sampled feel satisfied that they are achieving positive social impact with their engagement, however, they are less sure about delivering environmental impact;
 - * Participants show an intention to move their Doing Good capital allocations towards Impact Investing, where there is some expectation of financial returns. The allocations to Impact Investing has grown from 30% to 33% in the last three years;
 - * In the next three years, participants expect their capital allocations towards Impact Investing to reach 44%—an increased pace of movement;
 - * The segment have most knowledge of direct donations and social entrepreneurship, and are most involved in making direct donations and the design and management of projects. They wish to be less involved in these latter functions and become more engaged in social entrepreneurship and venture Philanthropy;
 - * 72% of participants believe they have helped their personal communities with their Doing Good efforts.
-

Introduction to Doing Good

“I include in the definition of Philanthropy or giving in general not only the giving of money but, just as importantly, the giving of my expertise and time.”

— 1st Gen Hong Kong family business member

How do the most wealthy in Asia-Pacific engage in activities that have a wider positive impact? It varies from those who devote much of their time and energy to remote social projects, to those who write cheques once a year but have no further involvement. In this report, we have researched individuals who are actively engaged in ‘Doing Good’, either in the form of ‘Philanthropy’ or ‘Impact Investing’. Philanthropy refers to the provision of time or money to causes with a positive social and/or environmental impact with no expectation of any financial returns. While Impact Investing is an investment approach that places capital in enterprises that generate a positive social and/or environmental impact alongside financial return.

The objectives for Doing Good

“What is the objective of Doing Good? Because it makes good business sense!”

— 1st Gen Hong Kong family business member

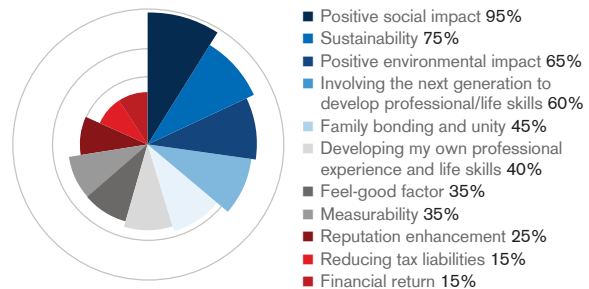
Underpinning current and future engagements are the motivations for UHNW individuals wanting to Do Good. Our analysis of these motivations shows that there are a number which are commonly mentioned by participants. At the very top is making a ‘positive social impact’, which was cited by 95% of the individuals. Other popular mentions are ‘sustainability’ and ‘positive environmental impact’. It reflects well on this group that their top-ranked objectives are primarily geared towards delivering external benefits rather than personal benefits. In the middle of the list of motivators are a few familial benefits, specifically ‘next generation development’ and ‘family bonding and unity’. Philanthropy and Impact Investing can be used as powerful tools to connect with the younger generations and instill the values that families hold dear.

Our research found that what UHNW individuals want to engage with in Doing Good, and what they achieve don’t always marry up. Most people who seek a feel-good factor (35% of participants), achieve it. For the most part, they also feel they are achieving the intended social impact and sustainability (the top two motivators). Positive environmental impact, the third most important motivator, however, is placed very near the bottom in terms of satisfaction. This should be of concern to the UHNW individuals and the recipients of their giving. There may be a number of possible

Figure 1.1

Objectives for Doing Good

Multiple answers permitted.



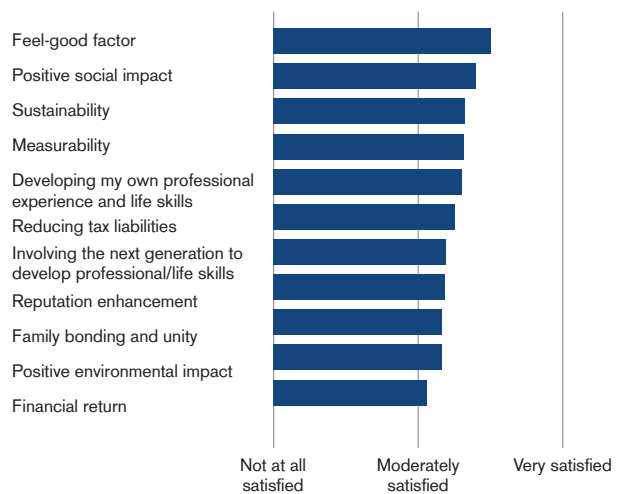
Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

explanations for this, including the severity of some of the more ingrained environment issues or even the difficulties of helping UHNW individuals feel engaged in this area.

It is noteworthy that financial return is placed last for satisfaction, the same position it holds in the list of motivators. In other words, UHNW individuals aren’t motivated by financial returns and they certainly aren’t achieving this. In the context of the growing uptake of Impact Investing, this would suggest that it is some of the traditional motivators that are accounting for this shift.

Figure 1.2

Satisfaction that strategy meets the objectives for Doing Good



Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

Where are Asia-Pacific UHNW individuals on the spectrum of Doing Good?

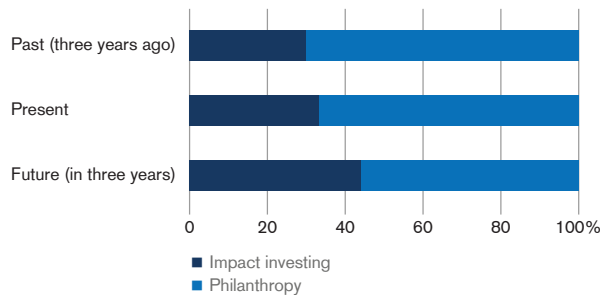
“For sure I’m looking at [increasing “Doing Good” allocations to] Impact Investing. I’m an angel investor as well in some of our businesses, and some of them really do have a social mission. I’ve spoken at an Impact Investing conference as well as getting more linked into the Impact Investing community.”
 — 1st Gen Singapore wealth holder

Asia-Pacific UHNW individuals are changing and adapting their Doing Good over time. Philanthropy is the most popular form of Doing Good currently, yet over the past three years, participants have shifted more into Impact Investing reducing their allocations to Philanthropy. In the next three years, these UHNW individuals expect this shift to accelerate, so that Impact Investing will account for 44% of Asia-Pacific UHNW individuals’ allocations in 2018.

Though Philanthropy will still remain most popular in the short-term, it is likely that Impact Investing may well overtake Philanthropy in the medium-term if the current momentum continues. The positive predictions for Impact Investing amongst participants are certainly supported by other findings in this report.

Figure 1.3

Doing Good capital allocation: past, present and future

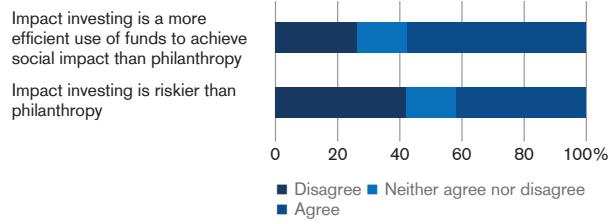


Source: A Roadmap for Generational Wealth in Asia: Philanthropy

While there are a number of factors contributing to this move, our battery of attitudinal questions shows that one of the biggest factors is that participants believe that Impact Investing is a more efficient use of funds to achieve social impact than Philanthropy. This is no doubt linked to the commercial element, which will complement their own funding and help make the initiative more sustainable. When it comes to risk, opinion is divided – equally – as to whether Impact Investing is riskier than Philanthropy. This is significant for Impact Investing, where traditional investment wisdom would require higher returns for higher risks being taken.

Figure 1.4

Do you agree/disagree with the following statements on Impact Investing?

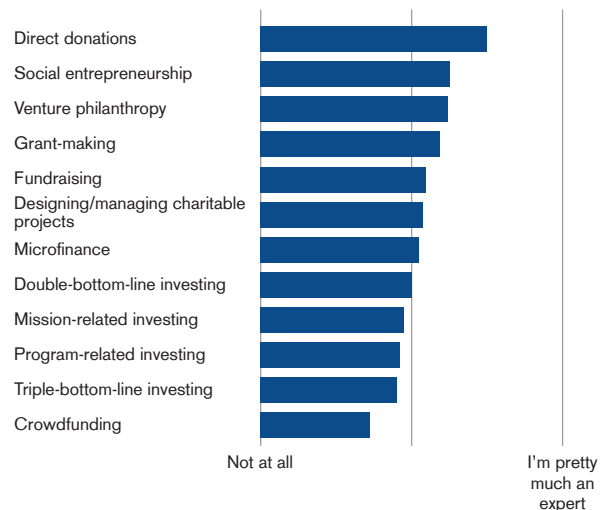


Source: A Roadmap for Generational Wealth in Asia: Philanthropy

Regarding the segment’s knowledge about Doing Good, there is a general link between knowledge and involvement. UHNW individuals engaged in Doing Good are less likely to get involved in things that they aren’t knowledgeable about – a rule that also interestingly applies to their general investing. When it comes to direct donations, 80% of them claim to be ‘Proficient’ or ‘Pretty much an expert’. The segment also has a pretty good understanding of social entrepreneurship. Where their understanding is weaker is in areas of Impact Investing, such as double and triple-bottom-line investing and program-related investing. Crowdfunding scores the lowest, although arguably this is less relevant to these wealthy individuals who have the capacity to deliver sizeable change from their own capital base.

Figure 1.5

Understanding of Philanthropy and Impact Investing concepts



Source: A Roadmap for Generational Wealth in Asia: Philanthropy

As mentioned above, participants expect allocations to move more towards Impact Investing in future, and this is corroborated in the results of the question about their current versus ideal involvement in the various

types of activity in figure 1.6. There is a stark contrast between Philanthropy, where they wish to do a little bit less, and Impact Investing, where they would like to do more. This underlines the fact that many Asia-Pacific UHNW individuals are not just moving towards engaging more with Impact Investing, but also away from Philanthropy.

Figure 1.6

Level of involvement in activity, and ideal level of involvement



Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

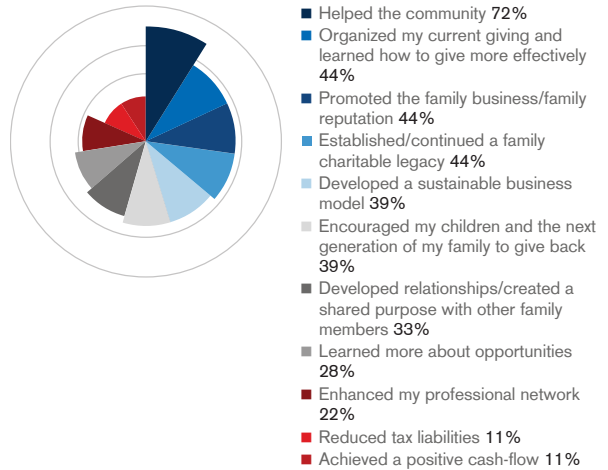
Outcomes of Doing Good

What are the results of participants' Doing Good efforts? In terms of specific outcomes, 72% of participants believe they helped the community in their recent individual efforts (in the next chapter, the outcomes of collaborative Doing Good will be discussed). Given that 60% of participants cited "Involving the next generation to develop professional/life skills" as an objective of Doing Good (Figure 1.1), it is only being achieved in the form of "Encouraged my children and the next generation of my family to give back" by 39% of participants. A range of familial benefits such as 'promoting the family business or reputation', 'establishing or continuing a family charitable legacy' and 'developing relationships or creating a shared sense of purpose with other family members' all come through, but in less than half of Doing Good efforts.

Figure 1.7

What outcomes have you achieved in your current (or most recent) Doing Good effort?

Please select your top 3.



Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

Section 2

Diving deep into Philanthropy and Impact Investing

- * High levels of philanthropic engagement are key to the segment, with more than 90% of participants either allocating funds or engaging in field visits;
 - * Impact Investing is considered to be a separate asset class by more than two-thirds of participants, and there are some positive signs around the liquidity of these investments;
 - * Forty-five percent of the segment cite difficulty in measuring social impact as a barrier to increased involvement in Impact Investing, followed by a lack of experienced personnel;
 - * Seven out of ten see execution risk as a key risk to Impact Investing, with mixed levels of engagement, both in allocating funds and in operating philanthropic and Impact Investing projects;
 - * Advisors are key to higher engagement in Impact Investing opportunities. Forty-two percent of UHNW individuals engaged in Doing Good stated that access to advisors with first-hand experience would make them personally participate more in the field. This is followed by greater education/involvement of the next generation;
 - * Fifty-three percent of them have participated or collaborated with other HNW/UHNW individuals around Impact Investing and Philanthropy. With shared knowledge of both region and cause being the primary driver for collaborations. 75% of non-collaborators cite a lack of shared knowledge or interest in their cause.
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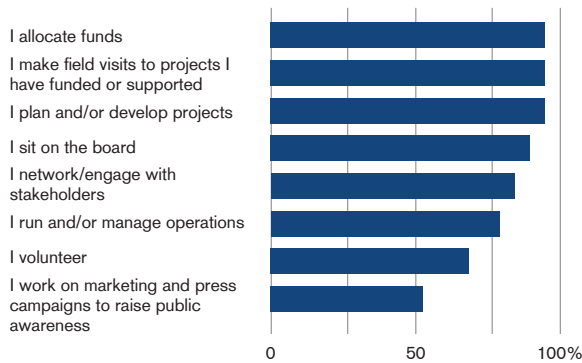
Philanthropy

Engagement in Philanthropy

The extent of engagement by participants in activities beyond cheque writing is detailed in figure 2.1. Over 90% of participants will plan and develop projects and make field visits to projects that they have funded or supported. Networks are one of the most important resources wealth holders have. UHNW individuals use their networks like few others across a variety of different areas. Similarly with Philanthropy, when engaging in projects, these individuals are well placed to know people who could provide additional value, either through their knowledge and experience, or wealth. It's also worth mentioning the engagement in marketing and raising public awareness, done by just over half of the segment.

Figure 2.1

Likelihood of engagement in various philanthropic activities



Source: A Roadmap for Generational Wealth in Asia: Philanthropy

But how often does such engagement occur? As one would imagine, there are natural timing cycles in areas such as board meetings and the allocation of funds, where consultation is required with other individuals and formal process is normally followed. In many of the other areas, the timing is more variable and often more frequent. Effective management of operations requires the most diligence and regular contributions of time. Field visits tend to occur less frequently probably due to time and resource limitations.

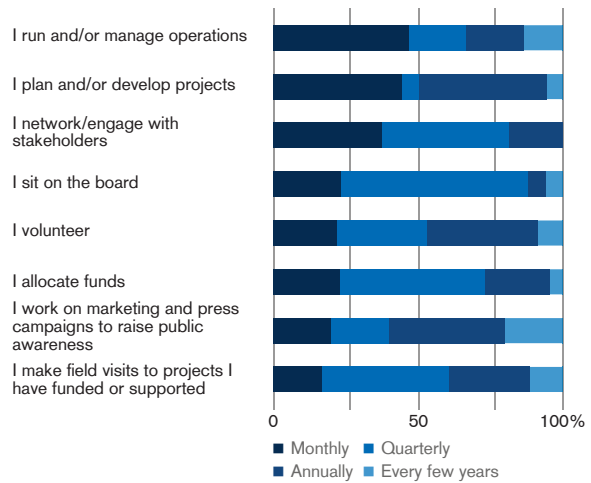
Philanthropy Case Study

With Philanthropy still the dominant form of Doing Good, we interviewed a Singaporean 1st generation wealth holder involved in Philanthropy to gain greater perspectives into this area.

"I have been involved in Philanthropy for many years, supporting various charities, whether it's fundraising, awareness building, programs which I've helped to develop or supported along the way. A big part of it

Figure 2.2

Frequency of engagement in various philanthropic activities



Source: A Roadmap for Generational Wealth in Asia: Philanthropy

starts from the fact that I work in a not-for-profit hospice that is a charity, it is 40% supported by the government, but the rest of it is through fundraising. So I'm very passionate about raising funds."

Know your motivations

"I see Philanthropy as giving to a cause that you believe in, or helping to raise money or awareness for charitable causes..."

"I'm Christian by faith so religion plays a part [in being an influencer in Philanthropy] – being brought up to believe that it's important to be giving back to the people and caring for people in need. So my faith plays a part. My mother is in government and she is quite involved as well, especially in looking after the elderly and serving the community. Working in the hospice has also contributed."

Role of family

"It's hugely important to teach kids not just to think about themselves, but the needs of others. They should have empathy for people and not just look after themselves. It's essential, and it's a big part of the way I want to bring up my kids."

Recognising the value of being an UHNW

"Awareness building is quite important. I have businesses and experience in marketing and PR. Because of the businesses I have, I can take these experiences to help them to raise awareness more creatively. The other thing is finding the right people and connecting them to the right people. Because I'm quite linked into the medical industry, being a doctor myself, I have a network that could be relevant for healthcare-related charities."

“Being actively involved in Philanthropy, people do come up to me and say: ‘I’ve got this business and I’m thinking about starting up a program for my company...’, or I’ve got a bonus and I’d like to give something to charity, who would you recommend?’ It does give me an opportunity to direct it to causes that would not be able to get it otherwise.”

Philanthropy vs Impact Investing

“I think any sort of good is good. I don’t think one is necessarily better than the other. What I think is important is that you are making a positive social impact on society.”

“It depends on the particular cause and particular organization. Because sometimes it [pure giving] may not be as effective if it is not done wisely. Whereas giving to a social impact cause can mean the project can become self-sustainable. They are able to build a business, and deliver further impact to the community. But as I said, it all depends on the particular charity how effective they can truly be. Social impact businesses don’t always make a lot of money, or have a lot of impact.”

Impact Investing

Impact Investing as an investment approach

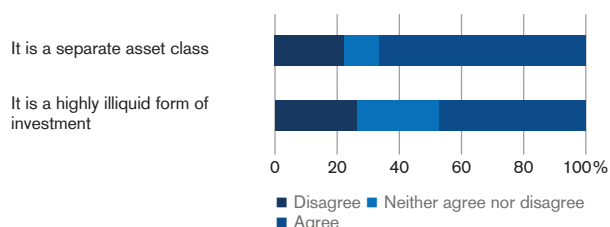
Is an investment approach that places capital in enterprises that generate a positive social and/or environmental impact alongside financial return. When Impact Investing is done well, commercial performance is driven by realizing a social investment thesis and generates attractive returns.

Despite the increased interest and participation in recent years, to date there still exist varied views on its definition and categorization in the investment landscape. Many still struggle with how to allocate capital in their portfolio to impact investments and hence identify Impact Investing as an independent asset class. When asked how they see it, participants very definitely (68%) see it as being an asset class, but a separate asset class. One European UHNWI private wealth holder cleverly described it as being a bit like a ‘house boat’ – not quite a house, and not quite a boat. The notion of Impact Investing has been mainly found in private equity and venture capital investments; hence it has been largely misconstrued as a separate asset class. In reality, this investment approach spans across various asset classes from cash to fixed income, funds, public equities, real estate and other real assets.

In terms of its nature as an asset, there are those (47%) who agree that it is highly illiquid, but there are others who are not so sure or even disagree – an encouraging indication of some level of liquidity.

Figure 2.3

Do you agree/disagree with the following statements on Impact Investing?



Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

Barriers and challenges

“There is difficulty in identifying suitable [impact] investment opportunities.”

— 2nd Gen Thailand family business member

“Often I am unsure about the capabilities of the operator in question.”

— 1st Gen Hong Kong family business member

“I find it difficult getting good personnel to handle works onsite.”

— 4th Gen India family business member

The uptake of Impact Investing among UHNW individuals in the segment is significant, but it is not without its challenges. The research finds that there are a number of barriers and risks that UHNW individuals face as they move into Impact Investing.

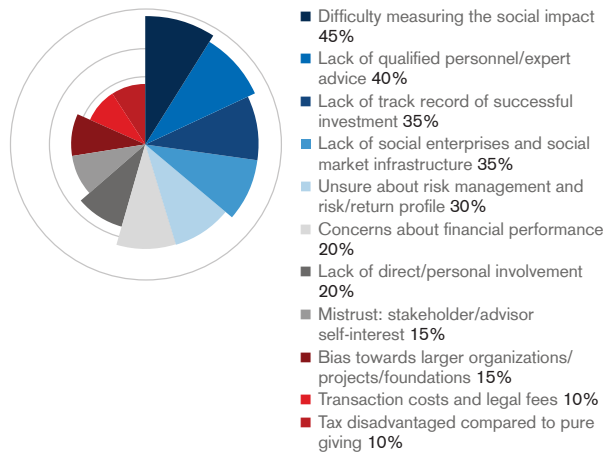
When it comes to challenges, UHNW individuals pointed to a variety of different factors rather than one or two consistent bugbears. The most significant factor (mentioned by 45% of participants) was ‘measuring social impact’. This has been a long-standing issue within the space, but with the emergence of frameworks, and the work by the Global Impact Investing Network, Cambridge Associates, the Social Impact Investment Taskforce of the G8 and others, one might have hoped that it was less of a challenge.

The second biggest factor was a lack of qualified personnel or advise within their networks, which links in to several other factors relating to a lack of knowledge, skills and independence in associated qualitative findings.

Other financial-related considerations such as tax disadvantages and transaction costs are seen to be relatively less significant, consistent with their lower importance more generally.

Figure 2.4

Key barriers to increasing involvement in Impact Investing
Please select your top 3.



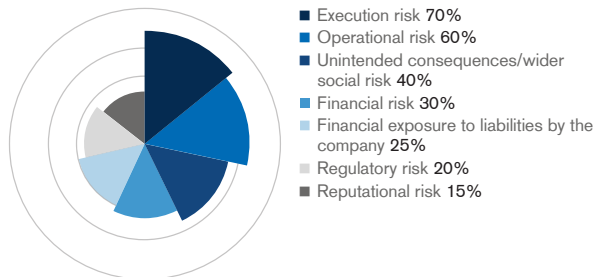
Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

Looking at the risks associated with Impact Investing, there is a little more consensus among UHNW than was the case with challenges. Execution risk tops the list, and this is closely followed by operational risk. While this certainly reflects the complexities associated with Impact Investing, it also speaks to the issues of confidence in the people and processes associated with the ventures by UHNW individuals generally.

Once again, there is only moderate concern for financial risks and exposures among participants. Reputation is a fairly minor consideration, which may be symptomatic of a wider disregard for the risks in this particular area.

Figure 2.5

What are the most significant risks of Impact Investing, in your view?
Please select your top 3.



Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

Catalysts for action

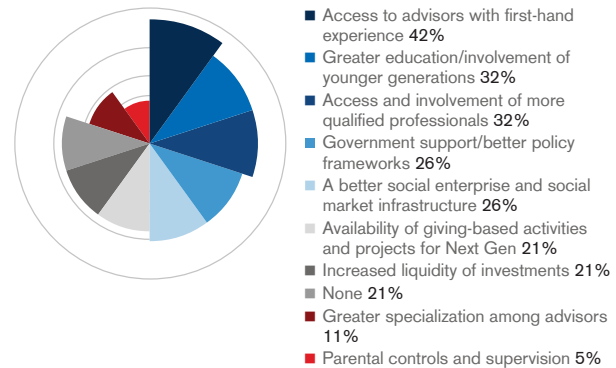
Asked what would help to increase their engagement in Impact Investing, UHNW individuals point towards more skills, which have already been flagged as a barrier for progress. UHNW individuals seem

particularly keen to source these skills externally – with 42% looking to gain access to advisors with first-hand experience and another 32% looking for the help of qualified professionals. While this may seem like a great business opportunity for the advisory community in Asia-Pacific, it is concerning that there is such a strong cry for help. It speaks to historic failures to provide the input they so badly need, or possibly even failure to connect with these individuals.

There also seems to be a generational element here, with a view that greater education and involvement of younger generations would help speed the development – a view that is backed up by other research data referenced in chapter three.

Figure 2.6

What would encourage you to personally participate in more Impact Investing opportunities?
Multiple responses permitted



Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

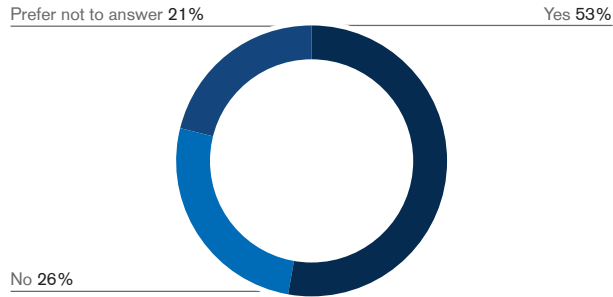
Collaborations in Philanthropy and Impact Investing

Collaborations among UHNW individuals are common – be this in sharing best practice or co-investing in new opportunities – and our data reveals that more than half (53%) of participants have worked together when it comes to Philanthropy and Impact Investing. A relatively small percentage of individuals have not collaborated, for reasons mentioned below. It is also noteworthy that a fifth of the segment preferred not to disclose whether or not they collaborate. This may be because of projects that may have gone wrong, or a wish to keep details of collaborations that occurred private.

Collaborations are driven by common interests in causes and shared understanding of the issues. Those who did collaborate can use it as a platform for sharing knowledge or have come together from utilizing a common network of advisors. Prior relationships and professional networks also played a part in facilitating collaboration, with some UHNW

Figure 2.7

Have you participated and/or collaborated with other HNWI/UHNW individuals in the space?



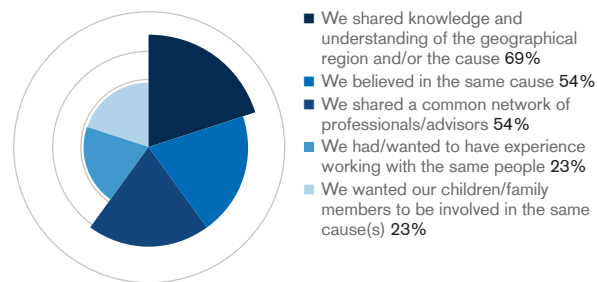
Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

individuals having prior experience of working with others.

Where there is not an alignment of interests this effectively serves as a barrier to collaboration. Another obstacle to UHNW individuals working together is a lack of knowledge or expertise, which has already been identified as a barrier to Impact Investing more generally. Although there may be challenges to collaborating effectively, the presence of professionals with the same expertise can aid the process of both choosing to collaborate and achieving good through these aims.

Figure 2.8

Key drivers motivating collaboration

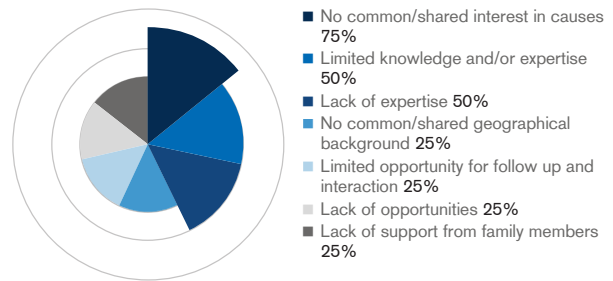


Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

The last chapter noted the relatively high outcomes that came from participants' Doing Good efforts. The question was then asked to participants that had collaborated with others in their engagement. In general, UHNW individuals believe they have achieved more through their personal Doing Good than their collaborations, for a number of reasons (explored further next).

Figure 2.9

Key reasons for non-collaboration
Multiple responses permitted.



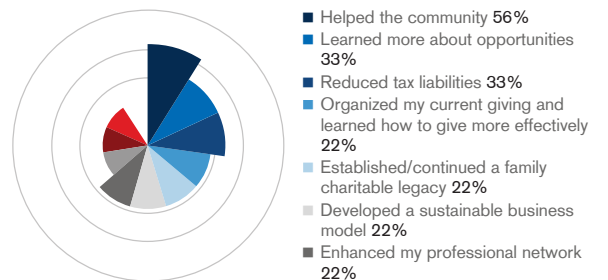
Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

As outlined in the chapter, 72% of participants believe they helped the community in their recent individual efforts, compared with 56% for those who conduct collaborations (figure 2.10). Given the skills gap discussed in previous chapters, it is heartening to see that UHNW individuals are learning by doing in this area, with 44% of those that engage individually saying that recent efforts have helped organize their current giving and taught them how to give more effectively.

There are also a number of familial benefits that come through, such as 'promoting the family business or reputation', 'establishing or continuing a family charitable legacy', 'encouraging children and the next generation to give back' and 'developing relationships or creating a shared sense of purpose with other family members'.

Figure 2.10

What outcomes have you achieved in your current (or most recent) Doing Good effort?
Please select your top 3.



Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

Section 3

Current challenges and the future of Doing Good

- * Due diligence seems to be the biggest problem that UHNW individuals face in their individual Doing Good projects (affecting 53% of participants), whereas for collaborations, difficulty is found in ensuring professional experience (50%) and in motivating stakeholders (38%);
 - * More than half of the sample agree with the statement that, over the next five years, families with Millennials will see an increase in requests to participate in Impact Investing. Additionally, the same proportion believe that older generations will continue to pursue 'pure giving';
 - * There is a strong view held by 63% of the segment that some forms of Impact Investing will remain too complex for the next generation;
 - * A large majority (79%) of UHNW individuals felt that the rise of Impact Investing will lead to a commercialization of charities.
-

Challenges of Doing Good

“Usually the challenge [among stakeholders in Doing Good projects] is an honest and reasonable disagreement on perspectives and opinions. When that happens, it is better to park the project or the investment until the right season.”

— 1st Gen Hong Kong family business member

Once again it is a lack of skills and knowledge that comes through as the major impediment to achieving better outcomes. These are directly labelled in two of the four biggest challenges as ‘my own lack of experience’ (29%) and a ‘lack of advisor expertise’ (29%). But mention is also made further down the list to ‘lack of professional experience’ (18%) – indeed this is the biggest challenge to successful collaborations.

But skills and knowledge will also be contributing to the top ranked challenge of ‘due diligence complexities’. While some of these complexities will be related to the outcomes of due diligence, some will certainly be linked to inability to successfully execute due diligence. As this report has already mentioned, there are certainly frameworks for assessing projects, so the deficiency may well be a lack of knowledge about these frameworks or a lack of skills to use them.

Figure 3.1

What challenges have occurred in your current (or most recent) Doing Good effort?

Please select your top 3.



Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

Future of UHNW Individuals’ engagement in Doing Good

With the help of our participants we explored what the future might look like in five years’ time as UHNW individuals become more engaged generally while continuing to migrate towards Impact Investing.

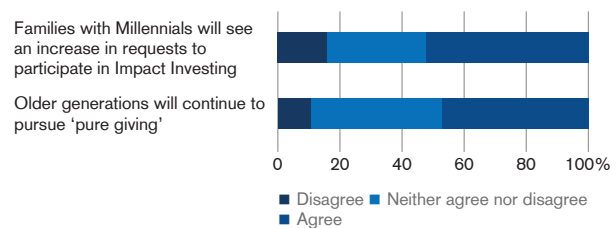
These are the key findings:

The significant impact of generations

The perception by the segment is that Millennials will be a driving force behind Impact Investing. Specifically, more than half of the sample (52%) agree with the statement that, over the next five years, families with Millennials will see an increase in requests to participate in Impact Investing. A little under half (47%) believe that older generations will continue to pursue ‘pure giving’.

Figure 3.2

Do you agree/disagree with the following statements on Impact Investing?



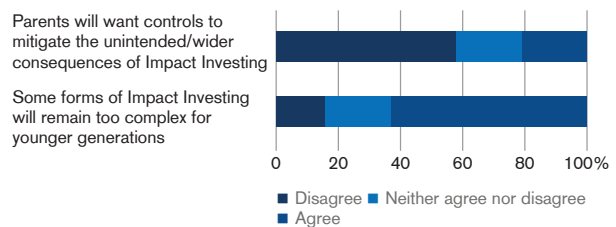
Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

Managing the complexities

With all the expectations around the greater involvement in Impact Investing by the next generation, there is a strong view (63%) among the segment that some forms of Impact Investing will remain too complex for the next generation. This, in turn, prompts the question of what parents will do about this? A minority (21%) believe that parents will look for controls to mitigate the unintended or wider consequences of Impact Investing. The actual response will be very interesting to monitor as the years progress.

Figure 3.3

Do you agree/disagree with the following statements on Impact Investing?



Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

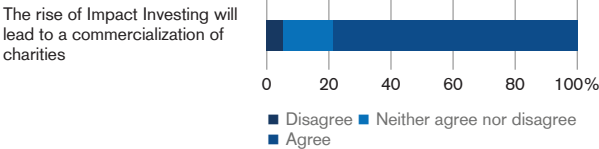
The commercialization of charities

A large majority (79%) of participants felt that the rise of Impact Investing will lead to a commercialization of charities. This refers both to a greater professionalization of charities as well as an increased focus on the commercial aspects and returns from their work. A more commercial mindset will certainly help charities and their initiatives become more self-sufficient, with the continuity of revenue to attract and retain staff. However, a focus on commercials may make it harder for charities to attract mainstream donations. Guo (2006) found that commercial revenues by ‘human service non-profits’ were negatively associated with donative revenues.

Such commercialization does, however, make sense for charities when thinking specifically about UHNW individuals. Participants are certainly moving their Doing Good capital allocations towards Impact Investing and away from pure Philanthropy. This commercialization will require some fundamental reinvention within charities, but there is a big opportunity for those that can embrace it, and perhaps even help bridge the skills gap that this research has highlighted. For this, innovation and learning of best practice of the commercial sector would be beneficial.

Figure 3.4

Do you agree/disagree with the following statements on Impact Investing?



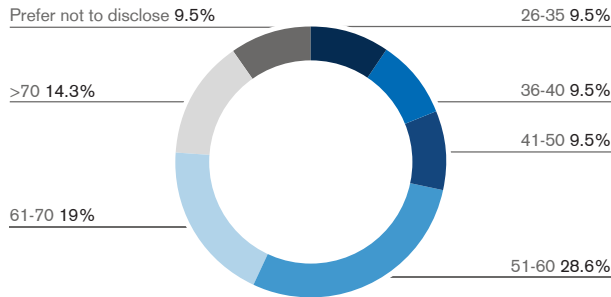
Source: *A Roadmap for Generational Wealth in Asia: Philanthropy*

Profile of participants

Figure 4.1

Participants' age

The majority of participants were aged 50 years or older. No participants were below the age of 25.

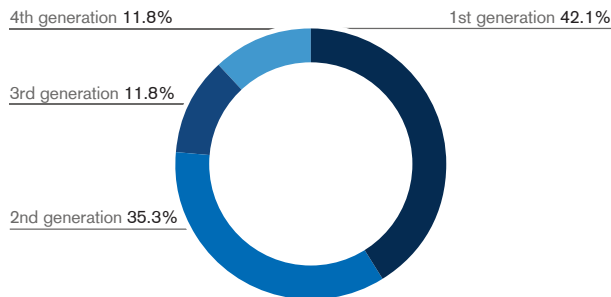


Source: A Roadmap for Generational Wealth in Asia: Philanthropy

Figure 4.2

Generation in the family business represented

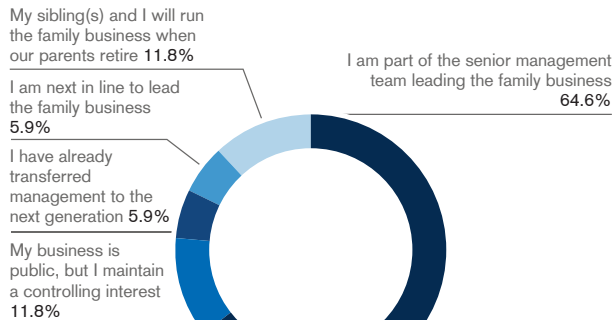
The majority of participants represented family businesses that have experienced at least one family leadership transfer or succession event.



Source: A Roadmap for Generational Wealth in Asia: Philanthropy

Figure 4.3

Participants' position within the family business

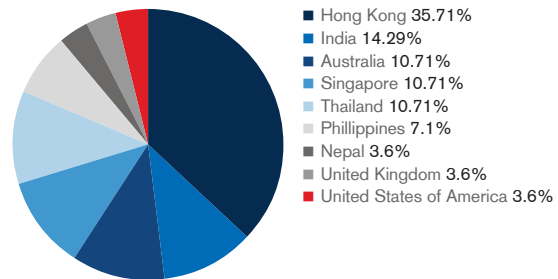


Source: A Roadmap for Generational Wealth in Asia: Philanthropy

Figure 4.4

Location of the family business

Half of participants came either from Hong Kong or India, while a minority of Asia-Pacific family businesses headquartered outside of Asia participated.

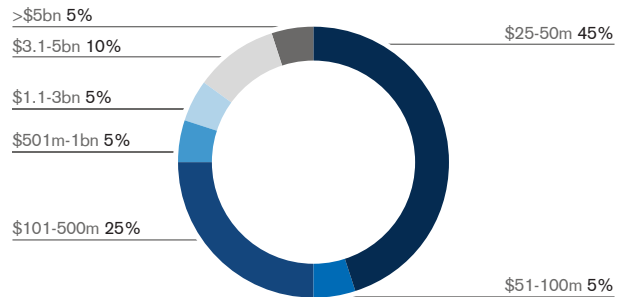


Source: A Roadmap for Generational Wealth in Asia: Philanthropy

Figure 4.5

2014 revenue of the family business

The majority of participants had wealth greater than USD 50 million. The average net revenue of the family businesses represented was over USD 900 million.

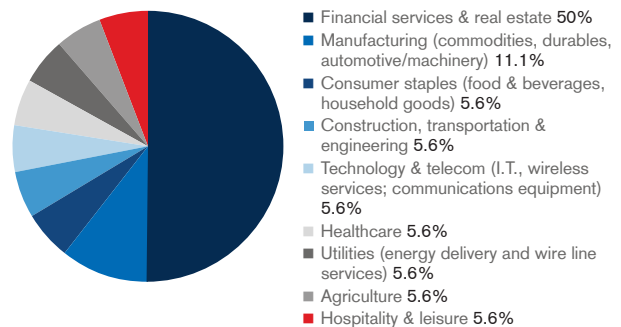


Source: A Roadmap for Generational Wealth in Asia: Philanthropy

Figure 4.6

Primary industry of the business

Half the family businesses represented cite their primary industry as Financial services & real estate. Variety existed among the other participants, being involved in a wide space of businesses.



Source: A Roadmap for Generational Wealth in Asia: Philanthropy

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Methodology

Research for the report consisted of a structured survey, fielded from Summer to Fall 2015. A total of 30 wealth holders participated in this quantitative research. This was followed by a period of analysis and interviewing prior to the drafting of the report. We thank all the participants for their participation and insight.

Credits

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