



ASX Announcement

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The number of Australian High Net Worth Investors reaches record high, while demand for alternative assets is growing

The number of High Net Worth (HNW) investors in Australia has increased for the third consecutive year to 490,000, with this cohort collectively controlling just over \$2 trillion in investable assets, according to the 2019 Powerwrap/Investment Trends HNW Investor Report.

Launched today, the report collates responses from approximately 3,000 HNW investors and explores their investment needs, preferences and behaviours, as well as their attitudes to advisers and private banks.

Since 2017, the number of HNW investors has grown by 13% while their investable assets have risen by 21%, in aggregate.

The largest growth in the HNW population came from the \$2.5 million to \$5 million wealth bracket, with investment portfolios being built through profits from direct shares and property investments.

Growing demand for alternative investments

The report reveals that HNW investors' expectations of capital growth for domestic stocks were negative for only the second time on record, with most HNW Investors also extremely concerned with global macroeconomic issues.

In this uncertain environment, HNW investors are becoming increasingly defensive in their asset allocation and are seeking investments that help generate stable and predictable yield.

There is growing demand for access to alternative assets such as infrastructure funds, private equity funds, unlisted managed funds, and hedge funds. In 2019, the proportion of HNW investors holding alternative assets was 23%; this is expected to increase to 30% in the next 12 months.

"These findings citing the growing demand for alternative assets are consistent with what we are seeing in our HNW investor client base", said Powerwrap CEO Will Davidson.

"At Powerwrap we have noticed a healthy demand for alternative assets. Many of these investments are not typically available via a platform structure, so we work closely with adviser groups using our platform to ensure we can facilitate access. On average 14% of Powerwrap's HNW Investor portfolios are held in this asset class and given the current climate we expect this asset class to continue to represent a significant proportion of portfolios in the year ahead."

Sentiment towards financial advice is improving

While the use of financial advisers among HNWs has remained relatively constant in recent years, their views towards professional financial advice has improved markedly. For instance,



significantly more HNWs say they would use an adviser for access to a wider range of investments (29%, up from 22% in 2018), for a second opinion (28%, up from 24%) and their technical skills (17%, up from 15%).

Still, the report shows that the number of HNWs with unmet advice needs has increased (58%, up from 54%), highlighting the importance for financial advisers to align their advice proposition and product recommendations more closely to the needs of their HNW clients – even more so in this uncertain investing environment.

Effectiveness in HNW segment driven by product access, education and communication needs and personalised service

Whilst HNW investors recognise the value of professional advice, their expectations from private banks are shifting rapidly and this is reflected in declining satisfaction levels. To be effective in the HNW segment, all advice providers must ensure they satisfy their HNW clients' top emerging needs: access to products that meet their investment objectives; meeting their education and communication needs; and maintaining a personalised approach.

About the survey

The Powerwrap/Investment Trends HNW Investor report is based on an online survey of 8,492 investors, 2,918 of which were HNW Investors, between July and August 2019.

About Powerwrap

Powerwrap Limited (ASX:PWL, AFSL 329829) is one of Australia's leading wealth management platforms, offering a comprehensive suite of investment, administration and shared services to HNW Investors.

Powerwrap's tailored platform service offers the broadest range of products in the market across all asset classes including alternative assets not available via other platforms. It utilises best of breed execution capabilities for all securities including 19 international exchanges. Through Tickr, Powerwrap supports investment professionals looking to start an advisory business with a range of key shared services including compliance, finance and technology services. Powerwrap's open-architecture technology and experienced in-house execution team enable it to deliver unique flexibility and efficiency for its clients.

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