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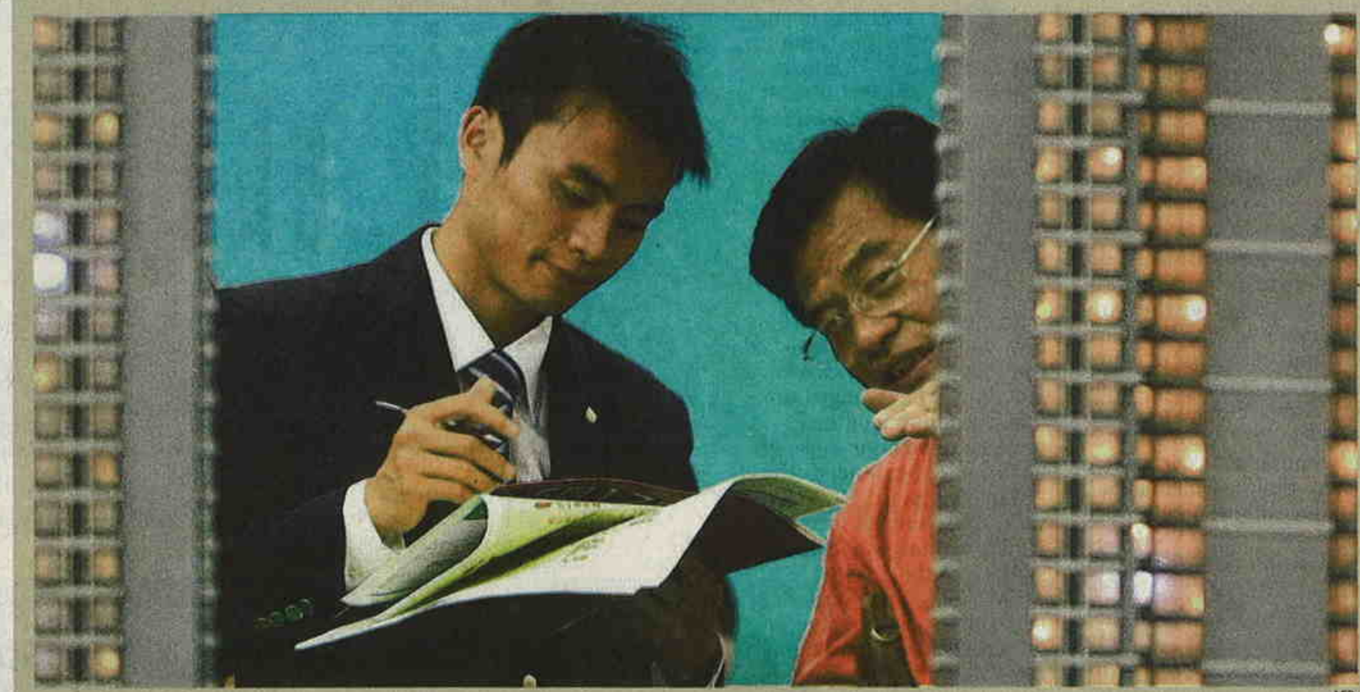
Asians want to bet more on property

Barclays Wealth survey says more individuals in Asian and emerging markets would like to up property allocation, reports GENEVIEVE CUA


AFP

MASS affluent and high net worth individuals in Singapore would like to invest more into property, a survey by Barclays Wealth has found. But those surveyed also indicate that in a time of increased economic volatility they would like to raise their allocations into cash, and take on more risk.

That may not be as contradictory as it sounds, says Didier von Daeniken, Barclays Wealth Asia-Pacific chief executive. "There might not necessarily be a long term change in people's willingness to bear risk, although there is clearly a temporary reduction in risk-taking due to less optimistic investment prospects."

Barclays has just published the latest in its series of "Wealth Insights" publications, this time looking into behavioural finance aspects of clients' attitudes. The survey has found that on property, more individuals in the Asian and emerging markets say they would like to invest more, compared to those in the UK, Germany and Spain.

The survey, done together with the Economic Intelligence, was conducted between March and April this year. Sentiment here on property, however, has dampened markedly this year, alongside a bleaker economic outlook. Roughly 2,300 investors were polled, with investable assets of between £500,000 and over £30 million.

On property, 57 per cent of those in China indicated they want to raise allocations, compared to 48 per cent of clients in India and 45 per cent of Singaporeans.

Greg Davies, Barclays Wealth head of behavioural finance, says a drop in property prices may not dampen desire by very much. "Our economic research people tend to feel that perhaps the lower availability and depth of (alternatives) is one reason for the property focus in Asia."

On volatility, he says: "Data seems to suggest that Asian investors treat volatility more opportunistically, rather than cautiously." This may be partly because investors see the current downturn as a "dip" in an upward trend for Asia and the emerging markets.

"In these markets up to last October, the recent trend has been very strongly positive, and individuals are very strongly influenced by trends. In mature markets, data extends much further back and they see this as a cyclical dowturn rather than a dip in an uptrend."

Another factor that may favour risk taking is that many in Asia are entrepreneurial, first or second generation wealth owners. "Even with the recent and fairly strong drop in Asian markets, many people are so much wealthier than they have been in recent memory...This inclines people towards a more opportunistic way of thinking."

Age appears to play a part in the desire to allocate to cash. Younger respondents under 50 are more likely to move to cash in a market upheaval, than those over 50. Younger respondents were also more likely to trade more frequently. This is likely to reflect the fact that older investors have more experience of previous cycles and may be less nervous in the face of volatility.

In terms of monitoring their portfolios, 71 per cent of the individuals monitor their overall portfolio at least monthly, and 41 per cent monitor either weekly or daily. In the study, Mr Davies says that the frequency of monitoring a portfolio is linked to an investor's level of composure. Those with lower levels of composure are likely to watch their investments more closely.

Those who monitor more tend to focus on relative benchmarks rather than absolute ones. Individuals' perception of their own skills, and the extent to which they think their skills contribute to success instead of luck, also play a part. Wealthy investors who attribute success to their skills are more likely to monitor and take risks.

The study also looked into clients' sources of advice. It found that those with assets greater than £30 million are more likely to seek advice from a business adviser. Those with between £500,000 and £1 million in assets, however, look to the media. This suggests that as individuals gain wealth, they are more likely to rely on professional advice.

In terms of gender differences, women tend to be more likely to turn to family and friends, and men seem more likely to turn to the media. This is partly borne out in the Singapore portion of the survey, which found that 47 per cent of women cite family and friends as information sources. Among men, 38 per cent cite their peer group.

In addition, more than 70 per cent of men in Singapore believe that increasing the value of their portfolios is the most important outcome in wealth creation and protection. The majority of women (65 per cent), on the other hand, see regular income as the most desirable outcome.

Globally men displayed higher levels of confidence than women on a broad range of issues, including domestic equities, tax, bonds and private equities. While the Barclays survey did not look into performance, academic studies have found that women's portfolios tend to do better, as they are less likely to trade.

Mr Davies says Barclays is in the process of fine-tuning a risk profiler for Asian clients. "We believe that most assessments that banks use is not good, not behaviourally or statistically robust, and ask the wrong questions. We'd like to make a distinction between long-run and short-run financial objectives. We need to understand clients' composure level, the degree to which they are comfortable with taking risk in the financial market context."