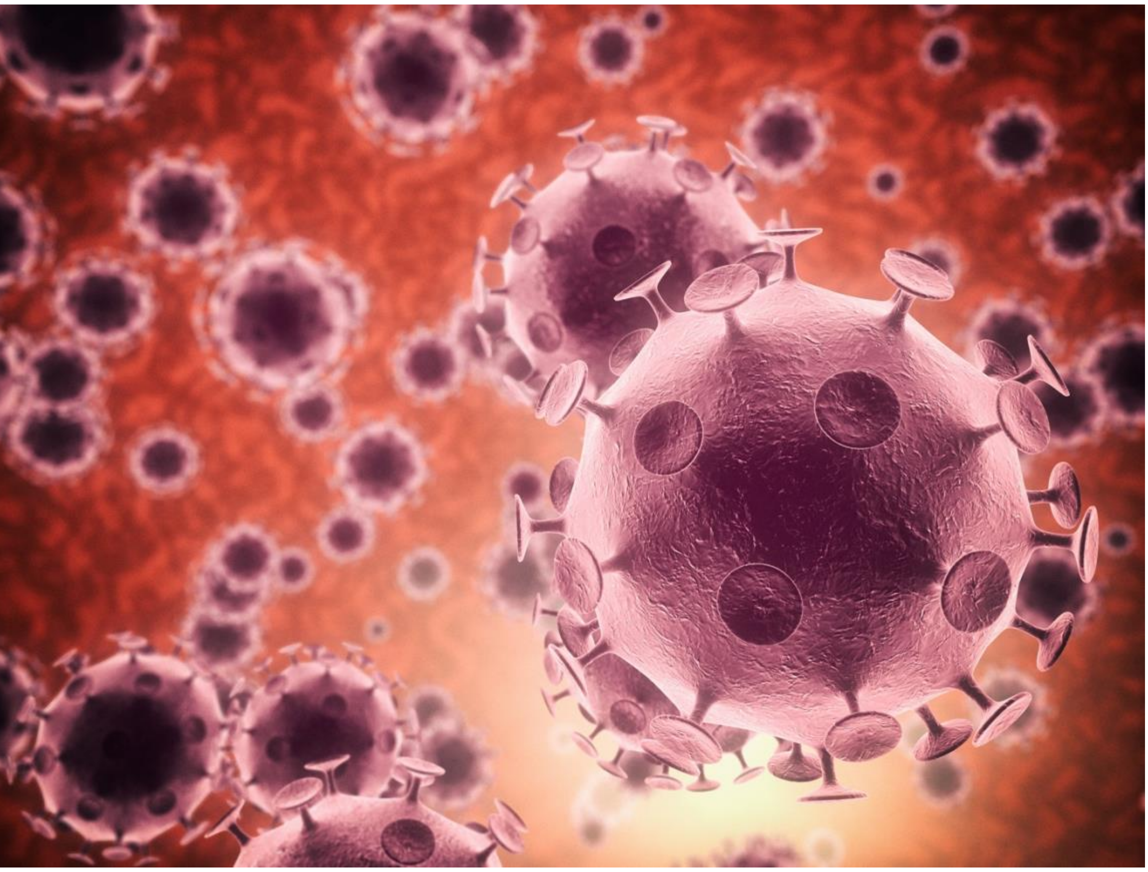
The Impact of Coronavirus Disease (COVID-19) on the Global Wealth Market

February 2022



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Introduction

The World Health Organisation's (WHO) Coronavirus disease 2019 situation report (70)[i], released on 30th March 2020, stated that there were 693,262 confirmed cases of COVID-19 globally distributed. The number of deaths related to COVID-19, at that time, had increased to a total of 33,106 worldwide. It is now recognised as a global pandemic.

In mid-January 2022, less than two years later, the above figures, as devastating as they are, pale into insignificance; Coronavirus COVID-19 is a global pandemic which has had a profound impact on the global economy, peoples' lives, and livelihoods. So far, almost 5.5 million deaths have been registered worldwide.

In a joint statement by ILO, FAO, IFAD and WHO (International Labour Organisation, Food and Agriculture Organisation of the United Nations, International Fund for Agricultural Development and World Health Organisation), (October 2020)[ii], in which they report on the impact COVID-19 has had on people's livelihoods, health and food systems, the key points are:

- dramatic worldwide loss of human life
- an unprecedented challenge to public health, food systems and the world of work
- devastating economic and social disruption with tens of millions of people at risk of falling into extreme poverty; the number of undernourished people, currently estimated at nearly 690 million, could increase to 822 million by the end of 2021 - prolificating by almost 20%
- millions of enterprises face existential threat - almost half of the world's 3.3 billion global workforce at risk of losing their livelihoods
- a fragile global food system caused by border closures, trade restrictions and confinement measures
- millions of agricultural workers regularly face high levels of working poverty, malnutrition and poor health, whilst also suffering from a lack of safety and labour protection and other types of abuse
- food security, public health, employment and labour issues, in particular workers' health and safety, have converged
- countries who were already dealing with humanitarian crises or emergencies have been particularly exposed.

Recovery from the social and economic shock of the pandemic will be a global movement. The WHO is bringing the world's scientists and global health professionals together to accelerate the research and development process and develop new norms and standards to contain the spread of the coronavirus pandemic and help care for those affected."[iii]

World Health Organization

WHO is also leading "Solidarity II", a global collaborative study to promote "the implementation of serological surveys of

SARS-CoV-2”. This is an environment to enable worldwide public health authorities and academic institutions to collaborate and understand the occurrence of the infection amongst different populations, how individuals have been affected, (severely, mildly, or asymptomatically) and “what proportion of the population may be immune from infection by SARS-CoV-2 in the future”[iv]. This will promote an understanding of the true extent of the pandemic and so enable informed response by local, national, and international leaders and decision makers.

Like other viruses, SARS-CoV-2, (the virus that causes COVID-19), has changed over time. Late in 2020, “the emergence of variants that posed an increased risk to global public health prompted the characterisation of specific Variants of Interest (VOIs) and Variants of Concern (VOCs), in order to prioritise global monitoring and research, and ultimately to inform the ongoing response to the COVID-19 pandemic”[v]. The continuous evolution of this virus and our understanding of their impacts, working definitions of VOIs and VOCs may be adjusted from time to time.

<u>Variants of Concern (VOC) - working definition</u>
A SARS-CoV-2 variant that meets the definition of a VOI and, through a comparative assessment, has been demonstrated to be associated with one or more of the following changes at a degree of global public health significance:

- Increase in transmissibility or detrimental change in COVID-19 epidemiology, OR
- Increase in virulence or change in clinical disease presentation, OR
- Decrease in effectiveness of public health and social measures or available diagnostics, vaccines, therapeutics.

Current VOCs are ‘Alpha’, ‘Beta’, ‘Gamma’, ‘Delta’ and (since November 2021) ‘Omicron’.

<u>Variants of Interest (VOI) - working definition</u>
A SARS-CoV-2 variant:

- with genetic changes that are predicted or known to affect virus characteristics such as transmissibility, disease severity, immune escape, diagnostic or therapeutic escape; AND
- identified to cause significant community transmission or multiple COVID-19 clusters, in multiple countries with increasing relative prevalence alongside increasing number of cases over time, or other apparent epidemiological impacts to suggest an emerging risk to global public health.

Current VOIs are ‘Lambda’ and ‘Mu’.

Click <u>here</u> to see the regularly updated data on the global situation from the WHO.

How has the Global Wealth Market fared?

This pandemic has been, and still is, a profound concern to all. Across the globe people have faced, at best, disruption to their way of life; millions have been impacted by illness/premature death of loved ones; economies have been in severe decline and deep recession and livelihoods have been decimated. Governments and banks have done much to try to ensure businesses and individuals make it through the pandemic and are then available to contribute to the recovery process; as early as March 2020 it was reported, "we are already seeing an aggressive policy response across the world to shore up businesses and workers, maintain liquidity in markets and inject stimulus to create the necessary conditions for a more robust recovery from this shock to the global economic system".[vi]

There are few places currently directly unaffected by the pandemic, i.e., there are some small islands in the Pacific and Atlantic oceans which have not reported any cases of COVID-19. However, it is inevitable that strict border and travel restrictions will mean that even these places are likely to have suffered indirectly.

Individuals have been thinking hard about how to protect the health and wealth of themselves and their families. Companies and businesses have been evaluating their initial response; where they established new ways of working, not just to provide business continuity but also to protect their most valuable assets, i.e., their employees and their families. What is/will be the best way forward?

Reaction and reports appear to have changed since the early days of the pandemic. In 2020, McKinsey[vii] suggested that "Wealth management firms face three key challenges: market volatility, operational risk, and increased reliance on digital channels". Does the reaction of the private client present a fourth challenge? Schroders[viii] were then reporting that the accelerating growth of coronavirus had brought about a "risk of a more substantial slowdown", with investor attitudes changing. The spread of the virus, its volatile impact on global markets, governments and central banks has been very closely monitored, prompting wealth management providers to continuously reassess their risk exposure. Forbes[ix] reported that "the 10 richest billionaires in the world have lost $38 billion", whilst other high net worth individuals (HNWIs) have also lost billions collectively as world markets have fallen in response to the global pandemic.

Nevertheless, five months later, in August 2020, Schroders were reporting their research found that of those investors who made changes to their investment portfolio, over a third of them had taken the opportunity to make riskier investments, demonstrating "that investors are becoming increasingly 'value aware'"[x].

However, in June 2021 Credit Suisse[xi] reported that wealth creation in 2020 has been "largely immune" to global challenges faced due to the pandemic and economic downturn. Actions and interventions by Governments and central banks had resulted in a rise of total global wealth of 7.4%. Their research also identified that those countries which were affected most by the pandemic did not, surprisingly, fare worse in wealth creation. Confidence in financial markets was regained by mid 2020 with early losses in equity markets revoked. This upward trend generally continued throughout the remainder of 2020 resulting in “major gains in household wealth throughout the world”. Lower interest rates are deemed to have been the most significant enabling factor.

Nevertheless, whilst these actions had a positive effect on share prices and housing markets, public debt had risen globally by 20% or more in some countries, despite the negative impact of COVID-19 on gross domestic product (GDP). Additionally, those who rely on a supplemented income derived from interest on their savings have also faced challenges. Great Britain suffered more than most nations; they were hit by a double whammy - share prices fell in response to the pandemic despite a successfully implemented vaccination programme, at the same time as emerging uncertainty of the future caused by Brexit resulted in an unappealing proposition for investors.

In mid-December 2021, the International Monetary Fund (IMF)[xii] announced that global debt had risen to $226 trillion due to the global health crisis and deep recession. Whilst debt was reportedly already elevated as the COVID-19 crisis unfolded, governments are now navigating their way through record-high levels of public and private debt, new variations of the virus and rising rates of inflation.

“Debt dynamics, however, differ markedly across countries. Advanced economies and China accounted for more than 90 percent of the $28 trillion debt surge in 2020. These countries were able to expand public and private debt during the pandemic, thanks to low interest rates, the actions of central banks (including large purchases of government debt), and well-developed financial markets. But most developing economies are on the opposite side of the financing divide, facing limited access to funding and often higher borrowing rates.”

Concern over the sustainability of global debt is likely to escalate.

Impact on Private Banks and HNWIs

As the HNWI population grows in number, their needs and opinions are becoming more diverse and they are reportedly looking to their private banks for specific guidance on investments, wealth transfer and succession planning. HNWIs are expecting improved and high-quality, safe digital experiences for management of their wealth. HNWIs, of all ages, are more digitally savvy and expect their advisors to be accessing the very best and latest technology to service their needs, although they still place a high emphasis on direct interactions with their wealth management service providers.

A change of attitude to wealth?

Like many during the initial stages of the pandemic, private clients realised that their wealth no longer bought them all they wanted or needed; it no longer gave them the financial independence to do what they wanted to do, or to be where they wanted to be; local and national lockdowns and global travel restrictions were not overcome by wealth. As well as commercial travel being severely restricted, movement by private jet, yachts etc. were also restrained. Impediment on their activities and therefore spending, created as a response to the pandemic, challenged their perceptions.

Those with multiple homes across the globe suddenly realised this was no longer a luxury; in many instances this meant family and friends were also internationally dispersed and close physical contact was an impossibility.

Our research discovered another interesting consideration. Will COVID-19 continue to promote widespread reflection with individuals' perceptions of wealth changing? Rather than a focus on financial wealth, will the emphasis become broader to include health, happiness, and fulfilment? If so, the wealth professional may need to consider the changing objectives of their clients.[xiii]

A change of attitude to risk and portfolio allocation

Investor attitude to risk and expectations on returns has changed. More conservative portfolios are being favoured by many, rather than those riskier investments which may once have brought greater returns. However, this is not the case for all. A study in India[xiv] (February 2021), where total wealth reportedly fell by over 4% (largely due to depreciating exchange rates), identified that investment in stocks slipped from the most preferred investment vehicle to rank sixth against alternatives. Nevertheless, some investors who expect stock prices to rise again once COVID-19 vaccination programmes are implemented chose to maintain their stock investments and perhaps even add to them, hoping for higher returns in future.

In August 2020, Schroders reported that almost 80% of investors they surveyed had reacted to the pandemic by making changes to their portfolios and that, "more than a third of investors (35%) took the opportunity to raise their exposure to higher-risk investments"[xv]. The age of their investors largely determined their reactions, with older investors least likely to make changes; 'millennials' (those born post 2000), were the cohort to make the most changes, approximately double that of their parents' generation. One rationale for this may be that older investors are more likely to have long-term plans so will not make impulsive changes to their investments. They also reported that less than a fifth of those surveyed at the time had liquidated some of their investment portfolio.

A change in relationships

The pandemic also prompted change in relationships, by choice and necessity; how businesses and individuals interact with each other, within the company and externally with clients.

Emergence of online communities and collaboration platforms provided more frequent contact and communication with peers or with private clients; visits to their homes became taboo meaning online exchanges were the closest thing to face-to-face meetings. Individuals who may have been reluctant to engage digitally with their wealth professionals had little option in many cases, other than to do so.

A significant number of deals were completed from start to finish enabled by remote interactions only. Technology was not in itself the solution to restricted movement and interchanges, rather being the enabler. The personal side cannot be removed from the relationship but the recognition for how it has changed and will continue to change should not be underestimated. Wealth professionals will need to use technology to enhance their existing relationships with clients.

Banks and wealth service providers needed to react swiftly to ensure their workforce could be just as effective, if not more so, in the new working environment, with most working from home instead of collaboratively in an office building. Their employees needed suitable technology and internet connectivity to ensure they could collaborate with peers and clients. Many wealth professionals we interviewed are proud to say that their clients barely noticed a difference in the level of service, only the absence of face-to-face interaction. Whilst many companies were inviting employees back to the office, either as they were pre-pandemic or to a new hybrid approach, the emergence of the Omicron variant has brought uncertainty about the longer-term future of the office environment. This is within the new backdrop of an increasing level of fully vaccinated employees and concerns are that if more individuals change to working from home on a permanent basis, the further impact on commercial property and sectors which support business districts, e.g., cafes/restaurants, cleaning, security, hotel, and retail, will be catastrophic.

However, the change to organisational culture which COVID-19 stimulated has not always been successful; a physical separation from the office and more structured working day has been difficult and the impact on the Relationship Manager's role has been noted. Remote working has had a significant impact on professional development of the younger workforce. Geographic proximity and a lack of face-to-face physical interaction has meant that younger, or junior employees have been unable to learn from their more senior counterparts within the office environment; it has also presented line management challenges and contrastingly, created an opportunity for others to shine and expedite their need for less supervision.

Have attitudes to technology investments changed?

It probably comes as no surprise that a legacy of the pandemic will be the accelerated and exponential growth within the technology sector. NASDAQ recovered more quickly than any other stock exchange; it boasts the majority of the fastest growing companies in 2020, e.g., Amazon, Apple, Microsoft, PayPal, Netflix and Adobe; companies with a direct connection to the pandemic providing technology, infrastructure and digital alternatives to pre-COVID transactions. Conversely, financial markets populated mainly with companies in the tourism and hospitality industries are still in recovery; this recovery has been slowed by concerns over the latest Omicron variant.

Reports vary on the latest impact on the tourism industry; whilst the Independent[xvi] reported that confidence in travel to the UK has resulted in 79% of businesses having had cancelled bookings, with approximately three-quarters of these being for December 2021, when they had hoped to see a rise in consumer confidence. South Africa, where the latest variant was first detected, much of Europe, Japan, and many more countries have imposed restrictions. However, some domestic tourist destinations, e.g., Dubai and the Maldives, were reporting a more positive end to 2021, certainly over Christmas and New Year; The Hindu[xvii]reported that prominent destinations within India were also doing well with bookings for the New Year period.

The value of investment in technology has, nevertheless, never been so clear to business leaders; without it many companies may have come to an absolute standstill; companies who had invested heavily in technology made the transition to home working for their employees more easily than they might have done without such prior investment. A business' advancement in technology and digitalisation suddenly became less of a support function and driven by costs to an absolute non-negotiable, providing a crucial lifeline to companies ensuring the business and its workforce remained effective.

Many companies which have been forced to adapt their approach to a more digitally focused one have discovered advantages for their business and their employees. In many cases, these alternative offerings have helped expand businesses in ways not previously considered, derived from a need to survive.

In July 2021, Intertrust reported that "consolidated reporting requirements, greater compliance and portfolio transparency, rich analytics, and giving clients greater control over their wealth have fuelled the rise of sophisticated tech platforms and reporting tools. Cybersecurity and AML concerns are expected to drive further tech innovation in the short term"[xviii].

Companies have always needed to change and adapt to the current environment. Many were already moving to even a low-level of cloud-based software and storage when the pandemic first hit, meaning they had some capacity, albeit limited in some cases, to adapt to remote working etc. More and more, businesses will need to upscale their digital offering, to meet both customer and workforce expectations. It is therefore expected that this unprecedented worldwide disruption caused by the pandemic will continue to promote the accelerated growth of technology within businesses for many years to come. Wealth service providers will therefore need to ensure their technological skills keep pace with developments as private clients will expect expert skills from those who are helping to manage and service their wealth.

COVID-19 highlights ESG

Although the pandemic brought a halt to climate demonstrations and delayed the 2020 COP26 Climate Conference in Glasgow until November 2021, environment, social and governance (ESG) issues have certainly not lost momentum.

UN Special Envoy for Climate Action and Finance, and former Governor of the Bank of England, Mark Carney, declared that he sees 'Net Zero' "as the critical infrastructure of the new financial system"[xix] and discussed the objectives of the recently formed Glasgow Financial Alliance for Net Zero (GFANZ). This is a global coalition of leading financial institutions, i.e., banks, insurers, and investors, who have committed to put climate change at the forefront of their work.

"The combined commitments of GFANZ members mean that the money is now there to fund the enormous investments the world needs to reach net zero, and they demonstrate that the private financial sector is committed to working with governments and businesses to take the decisive actions required. Following COP26, the vital work of implementation will intensify and accelerate as we seek to turn this existential challenge into an enormous opportunity for sustainable and inclusive growth."[xx]

It was also announced during COP26's Finance Day, that GFANZ had calculated commitments across a variety of financial alliances and initiatives to align with net zero had reached US $130 trillion. Plans to mandate net zero transition plans for financial institutions and listed companies were announced by the UK government and the International Financial Reporting Standards (IFRS) revealed a new sustainability standards board. Additionally, the UK's Financial Conduct Authority (FCA) produced its ESG strategy, and the International Organisation of Securities Commissions (IOSCO) published its report declaring recommendations to avoid greenwashing.

The radical global impact of COVID-19 has led to many companies' ESG strategy being revisited and investors changing their approach to their asset portfolios, with many seeing it as a significant turning point for the way they view their investments. The pandemic has highlighted changes to our environment - developed countries saw a significant drop in nitrogen dioxide concentrations during periods countries were in lockdown; individuals were suddenly enthused at the prospect of going out for a walk in their local environment, they were no longer making the daily car commute to work or on the school run. The importance of social and governance factors has also been highlighted by the pandemic.

The global crisis has brought inequalities sharply into focus. Countries and individuals with or without access to efficient healthcare; adults who could work from home and children who could access their education online because they had the technology and infrastructure in place already to do so; richer countries have been better able to provide financial support for its populations; those countries with a greater skilled workforce are better placed to attain longer-term sustainable growth. Those companies with the best governance have come out of the pandemic in a stronger position than their peers, thus supporting their investors and investments.

Additionally, those individuals who can respond to the inequalities highlighted by the pandemic, have done so in a variety of ways. Some have established their own charitable foundations or made substantial donations to charities already established, while others, perhaps more entrepreneurial individuals have been looking at philanthropy projects and sustainable investing. Our research has revealed less enthusiasm and support for well-established healthcare and medical charities, arts-based charities, museums etc. and a greater interest in targeted impact investing.

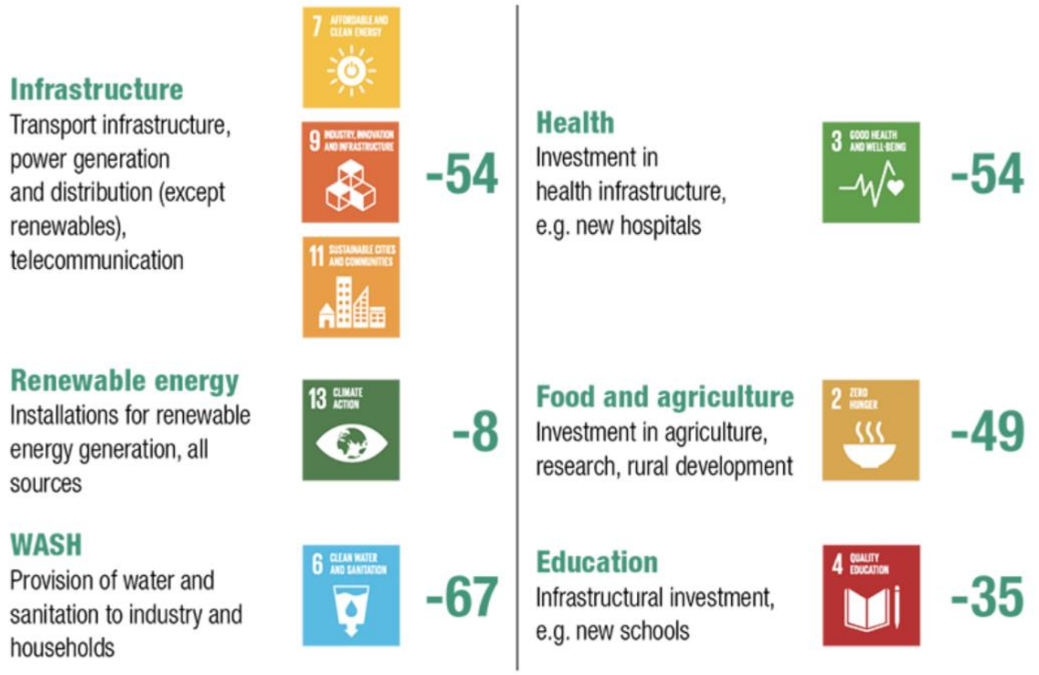
Incidentally, our research has shown that younger generations in particular are showing greater interest in ESG related investments.

International investing and SDG

In April 2021, The World Bank reported that whilst multinational enterprises were still being affected by the pandemic, there were signs of recovery, and the investment outlook was expected to continue to improve[xxi]. Published on 21 June 2021, the United Nations Conference on Trade and Development's (UNCTAD) World Investment Report 2021[xxii] suggested that global foreign direct investment (FDI) may recover some lost ground by the end of 2021; however, it is too early to say if this optimism has been affected by the most recent COVID-19 relapse caused by the Omicron variant. The global fall in FDI caused by the pandemic was largely felt by developed economies whilst developing economies showed more resilience; this was found to be mainly due to "robust flows in Asia".

United Nations

The report also highlighted concern about the "collapse in investment flows" to those sectors within developing countries relevant to the Sustainable Development Goals (SDG). The following image shows the impact of COVID-19 on international private investment in SDGs:



Source: UNCTAD, World Investment Report 2021.
Note: Percentage changes represent aggregate growth trends of project finance and greenfield investment values for the period 2019-2020.

Whilst there are regional variations, the report suggested that the outlook for Asia appeared to be more optimistic than the global picture regarding FDI, due to "resilient intraregional value chains and strong economic growth prospects".

By mid-October 2021, UNCTAD reported an estimated FDI of $424 billion within developed economies for the first half of 2021 with investor confidence being seen largely in infrastructure, with industry fairing less favourably. Concern continued regarding investment for sectors relevant to SDGs in developing countries. Whilst there has been a severe decline in SDG-relevant investment in these countries, "international project finance in renewable energy and utilities continues to be the strongest growth sector". The impact of Omicron on the anticipated improved global year-end outlook remains to be seen.

Late in October 2021, the WHO announced a new Access to COVID-19 Tools (ACT) Accelerator strategy, calling for a $23.4 billion international investment, setting out how this would help towards the inequities in global accessibility to vaccines, tests, and treatment. This strategy is regarded as key to addressing global inequities and the global fight to beat the pandemic.[xxiii]

Impact on the global financial market

The worst of the COVID-19 related financial crash is understood to have occurred in March 2020 with global financial markets subsequently seeing uneven recovery. Government responses, including the combination of fiscal support packages, differing infection rates and vaccination programmes, are one of the most significant factors to this.

As covered earlier in this study, NASDAQ, which includes a high proportion of technology companies, recovered more quickly than other stock markets. It is hardly surprising that markets which fared the worst are tourism, travel, and energy.

Impact on international labour markets and wellbeing

Having seen unemployment rates peak around April 2020, many countries then saw a gradual decline in rates during the latter half of 2020; OECD countries generally saw only a 0.7% rise in unemployment between the end of December 2020 compared to the previous year. Reports suggest that women, young employees, and those less educated were most likely to be affected and therefore, a significant reduction in their liquid assets or increased potential to borrow would result.

Employees in sectors which were hard hit by the pandemic and its outcomes, i.e., social distancing etc., are most likely to be women, e.g., retail, hospitality and personal services. According to the WHO, 70% of the health and social care labour force is women. Lockdown measures and a drop in household income may have had a greater impact on women's mental health and certainly on single-parent families who were suddenly faced with greater isolation.

In addition, stress levels within the whole workforce have rarely been higher. Like others in the population who are worried about the health and wellbeing of themselves, their families and friends, employees are also faced with challenges derived from remote working, childcare and home learning, increased demands from clients, an expanded workload due to absenteeism and a reduced support infrastructure; employees are also being constantly reminded about policies and greater risks to data breaches and threats of cyber-crime whilst remote working.

Younger individuals, (those aged 20-40) whilst largely free from the worst impact of COVID-19 on their health, may have already been negatively impacted by the 2008 financial crisis and some in key minority groups also fared worse in terms of their health and economic resilience.

Business recovery

Our research revealed that whilst most within the wealth management sector had a business continuity plan prior to the emergence of COVID-19, many had not considered the impact of a global pandemic and the abrupt disruption to the financial and economic environments. Companies have needed to build 'strategic resilience' to ensure they were able to capitalise during the emergence and continuation of the new 'normal' environment, post-COVID-19.

PWC[xxiv] reported that those organisations who had "established an after-action review process" following a major disruption to business prior to the pandemic were "more likely to turn potential surprises into strategic opportunities".

"Hindsight is a wonderful thing but foresight is better, especially when it comes to saving life, or some pain!"

William Blake, English Poet

A post-pandemic workforce requires careful consideration too. As well as reconsideration of their office/commercial requirements, companies will also need to give thought to retention of their most valuable assets, their employees. The Omicron variant appears to have slowed down the return to the office for many and not all employees will be returning to a full-time office environment; some may continue to work from home long-term or adapt a hybrid model of working. This presents companies with the need to re-evaluate workforce benefits and employee packages.

PWC asked over 30,000 employees to share their thoughts on a post-pandemic working world and business leaders may want to consider the following highlights in order to align business strategy with the wishes of their workforce:

- Workers want to reskill, especially in digital: 77% are ready to learn new skills or completely retrain.
- Remote work is in demand: 72% of people who can work remotely prefer a flexible mix of in-person and remote working.
- There's a strong desire for greater inclusivity: 50% of workers say they've faced discrimination at work.
- People are concerned about job security: 60% are worried that automation is putting many jobs at risk.

Changing the world of private wealth management

Research suggests that levels of wealth and wealth creation have continued to grow despite the COVID-19 pandemic, with the number of millionaires likely to continue to increase. Credit Suisse estimates that the number of millionaires by the end of 2020 was 56.1 million, demonstrating an increase of 5.2 million millionaires during the preceding 12 months. This trend is expected to continue over the next five years, to a total of 84 million millionaires and a total of 344,000 UHNWIs. It is anticipated that global wealth will rise by 39%, largely influenced by the growing economies of China and India.

During the early days of the pandemic, whilst investors suffered direct hits to their portfolios, businesses also saw their costs and fees from assets under management decline rapidly. Many business trends and strategies have been accelerated by the pandemic, e.g., investment in technology and digitalisation of processes suddenly became a 'must have' rather than a desired approach.

Deloitte identifies three key accelerating trends which have emerged within the wealth management industry;

1. Investor preferences for lower-cost, passive strategies
2. The adoption of digital channels across generational divides
3. Advisers' shifts towards holistic financial planning to enhance client outcomes and customise experiences.

Transfer of wealth

Governments' support programmes introduced during the pandemic, designed to support their countries' economies and population will soon come to an end, if they haven't already. It is perhaps inevitable that the same governments will need to raise tax revenue and remove/reduce tax relief and exemptions in future years, in order to recoup some of the unprecedented expenditure. With this in mind, those wishing to transfer wealth to younger generations may already be in discussion with their wealth service providers, allowing them to take advantage of current legislation.

COVID-19 did not discriminate in its selection of victims, all generations and ethnicities were susceptible, admittedly, some more so than others; with this in mind, our research has found that the pandemic prompted discussions and acceleration of family business continuity and succession planning ensuring that whilst plans are bespoke, they are also flexible to respond to changing circumstances.

The post COVID-19 wealth manager

To ensure they are well placed to attract market share, wealth service providers will already be looking at a different approach and offering than they had pre-pandemic. Changes have already been made to enable appropriate and swift response to their clients' needs.

Wealth managers will need to be able to demonstrate value they can bring against competitors' strategies whilst accepting that the investor's definition of success within their portfolio may change from expecting growth to protection and preservation of their capital.

Professionals will need to establish how they can onboard new clients in a more digitally enabled environment as well as maintaining or further developing their relationships with existing investors. Not all professionals are back working in offices yet and some companies are investigating the need for all to do so; some are preferring a hybrid approach, a combination of office-based work and home working. Returning to the workplace, or preparing to, has been a daunting proposition for many, in particular those with an underlying health issue. The pre-COVID-19 way of working may take time to re-establish if they ever do entirely.

In addition to onboarding new clients, it is vitally important that regulations regarding KYC etc. are facilitated via digital means; the requirement of a 'wet signature' is likely to become almost extinct. Advancements in technology and digital security are almost certain to accelerate.

PWC highlight the importance of the following considerations regarding capabilities of future supply chains:

- Develop deeper insights into your customers' needs – and work out how to deliver exceptional experiences to them without compromising on cost and responsiveness.
- Map your customers' journey across the value chain and create an ecosystem to support customer interactions.
- Embrace a human-centric approach to digital, applying the right digital capabilities at the right times to deliver on the most important customer promises.

Latest perspectives

It is widely thought that governments will need to repair the economic damage caused by the pandemic. The majority of private wealth professionals believe this will also encourage governments to intensify their efforts to tax offshore wealth. Wealth preservation has a greater focus than wealth creation.

Differences in generational thinking and disagreements regarding succession planning are causing challenges within management of family wealth. Effective succession planning is essential in the long-term protection of a family's wealth.[xxv] The pandemic has brought about a new impetus for succession planning to be established or reviewed, and in some cases, for such transfer of wealth to be accelerated. In some cases, such transfer of wealth has come with little or no preparation.

Further developments in technology are extremely likely to remain at the centre of the private wealth market industry. COVID-19 has accelerated the industry growth; it continues to be a driver and will be for some time, if only in terms of potential similar threats in years to come. Additionally, advancement in technology will mean data relating to ESG investments will be increasingly accessible. It is widely accepted that the focus on ESG will therefore intensify with private clients looking to switch to asset allocations which have a greater ESG focus and compliance. The whole paradigm shift towards ESG investing will continue.

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Dr Stuart Gibson has interviewed over 1,000 global private clients, family offices and private wealth professionals over the last 15 years.

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