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HNWIs adjust to volatility

According to LGT Crestone's latest report, high-net-worth (HNW) and ultra-high-net-worth (UHNW) Australians are making strategic changes to their portfolios to suit an increasingly volatile macroeconomic landscape.

The *2023 State of wealth report* found that while HNW individual remain cautiously optimistic about global investment conditions in the short term, inflation remain top of mind, driving investors to spread their allocations across a variety of asset classes to help manage risk.

When considering what asset classes have the most weighting in HNW investment portfolios, real estate is the clear favourite (47%) followed by Australian equities (41%) and cash (39%).

However, the findings also pointed to a strong interest in alternative assets, as well as developing themes such as emerging markets and artificial intelligence to assist in the diversification of portfolios.

Commenting on the research, LGT Crestone chief executive Michael Chisholm said it's no surprise that the macroeconomic and geopolitical forces shaping our world are also shaping the mindsets of Australia's wealthy.

"With inflationary pressure and market turbulence top of mind, HNW and UHNW individuals are seeking opportunities for growth by way of diversification, demonstrating a strong appetite for private markets resulting in a broader spread of allocations across asset classes," he said.

"While equities and cash remain the two largest current investments, closely followed by real estate, this proportion has dropped in 2023 as HNW Australians widen their exposure to investments to include emerging markets and various private alternatives." FS

The quote

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High value investors playing it safe: Report

Chloe Walker

Defined as the top 10% of investors by wealth and trading volume, high value investors (HVIs) have shifted their appetites when it comes to financial risk, according to the ASX Australian Investor Study 2023.

While the report noted an even distribution of HVI risk appetite, there has been significant movements since 2020, with more HVIs now preferring guaranteed returns. In 2020, just 9% stated this but this year that number has jumped to 26%. Meanwhile, just 48% are in favour of riskier returns compared to 66%.

Given the volatility of the market, this is a common trend across other segments in this study.

HVIs are now in line with non-HVIs when considering potential returns and risks making investment decisions. However, they are less focused on the fees or costs associated with investing and their personal circumstances, and instead are more likely to consider the need for diversification in their portfolios as well as the past performance of managers, tax effectiveness, and ethical/ESG factors.

"This suggests HVIs have a considered investment plan and strategy in place to achieve specific purposes – and they stick to this plan," it said.

Given their high volumes of holdings across a wide range of investment products, HVIs are the best diversified of all investor segments, with 85% of HVIs claiming to have diversified portfolios. The average number of products held is 6.4, compared with 2.3 for non-HVIs.

They are also more actively engaged with their portfolios – around 50% check them at least once a day compared to 18% of non-HVIs.

HVIs are also more likely to use paid sources of information.

"There's far less emphasis on personal connections, and more on independent information from financial industry professionals," it said. FS

Cadence secures $55m for new fund

Cadence Property Group has completed the capital raise for its first multi-asset value-add fund, the Cadence Australian Real Estate Partnership I (CAREP), as well as making its first acquisition.

The $13.9 million purchase of an industrial site in Melbourne's inner west is set to be the first of many by the newly funded investment vehicle, led by Cadence founder and Buxton Family Office heir, Charlie Buxton.

According to Buxton, its new fund will invest in a diversified portfolio of income-producing commercial real estate within the industrial, office and select retail sectors of Australia, looking to derive a return from both income and capital growth and targeting net equity internal rate of returns (IRRs) of 12%+ p.a.

Once acquired, Cadence will look to actively add value to the properties to enhance the assets, increase rents and improve investment returns.

"Based on our success to date and the likelihood of future acquisition opportunities as a result of the current macroeconomic environment, we believe now is the perfect time to expand its strategy through a dedicated multi-asset fund," Buxton said.

"The ability to acquire real estate at attractive valuations has traditionally been heightened in periods of uncertainty, following dramatic economic shocks and generally in environments that promote unique situational buying opportunities."

Cadence head of investment management Tony Mount said the group has observed the continued evolution of investment markets since launching CAREP earlier this year.

"We believe the next 12 to 24 months will provide attractive opportunities for well capitalised investment vehicles that can move quickly to acquire quality real estate offering strong risk-adjusted returns," Mount said.

"The structure of the fund and capability of Cadence to quickly secure assets will play a significant role in the success of CAREP."

In addition, CAREP will be able to acquire a number of assets within the same fund, providing investors with a level of diversification. FS