

# China New Economy Family Office Report 2022



Embracing Uncertainty.



<b>3</b>	<b>Preface 1</b>
<b>4</b>	<b>Preface 2</b>
<b>9</b>	<b>Key Findings</b>
<b>10</b>	<b>Chapter One: Current Status and Future Trends of the New Economy</b>
11	Changes Unseen in a Century
12	New Challenges Amid Uncertainty
12	Recurring Pandemic
12	Geopolitical Turmoil
12	Shifts in Global Finance
12	New Economy. New Dynamics
13	Changes in the New Economy
<b>15</b>	<b>Chapter Two: Ultra-high-net-worth Individuals and Family Offices in the New Economy</b>
16	Seated in the Present
22	Investing in the Future
29	New Family Office. New Concept
<b>36</b>	<b>Chapter Three: Global Perspective on the Status and Future Trends of Family Offices in the New Economy</b>
37	Global Perspective
39	China's Pattern
45	Exploring Digitalization



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# Preface 1

The only certainty is that the current global environment is filled with uncertainty.

Whether it is the unexpected and relentless spread of the pandemic, changes in the world's political and economic environment, or alterations to our natural surroundings, the second decade of the 21st century will surely become a decade of dramatic change in the world, as well as a decade filled with challenges and opportunities. And China will certainly be one of the most important players in this global transformation.

As a faithful observer and recorder of the business world for nearly 100 years, Fortune was one of the first global business media to enter China. It has witnessed enormous changes in China in the past 30 years and the country's courage and determination to continue to innovate and develop. China's innovators in the New Economy have played a key role in this process. It is precisely because of the continuous emergence and rise of New Economy enterprises represented by cutting-edge technology, the Internet and advanced manufacturing that China's economy can continue to grow steadily when traditional industries such as real estate lack momentum. Over the past ten years, Fortune has talked to many young and dynamic entrepreneurs in the field of science and technology and has noticed their many special traits. It can tell that China will continue to ensure its vitality through future scientific and technological innovation.

At this critical moment, Fortune is partnering with Fargo Wealth to take a closer look at the approaches and strategy changes of China's successful New Economy entrepreneurs when faced with challenges and uncertainty. It is gratifying to see that wealth management solutions for ultra-high-net-worth individuals such as family offices are also providing improved service models and concepts for entrepreneurs in the New Economy. Family offices can help tech tycoons better manage their family wealth and relieve some of their personal worries, so that they can focus more on innovation and business management. In fact, family offices have gradually become an important ally in allowing ultra-high-net-worth individuals in China's New Economy to maintain their innovation vitality.

As a family office with a global layout that focuses on serving ultra-high net worth individuals in China's New Economy, Fargo Wealth is constantly improving its services through the creation of new investment models, digital innovation, service upgrades, professional optimization and other methods. It has established stable relationships with many successful businessmen in the New Economy. The cooperation between Fortune and Fargo Wealth provides a valuable aperture through which to observe wealthy players in China's New Economy up close. At the same time, we also hope to provide a useful analysis and important insights for all institutions that focus on wealth management in the New Economy.

At a time when the global situation is still uncertain, it is extremely important to continue to uphold and believe in innovation. Throughout the history of global development, after every upheaval, the ones who succeed are the entrepreneurs who penetrate the haze, focus on innovation in their own fields and constantly challenge themselves. We also believe that family offices, which continue to innovate to serve innovators, will protect China's entrepreneurs in the New Economy, embrace uncertainty with them, and together achieve sustainable growth through all the ups and downs.

**Michael Schneider**  
Chief Revenue Officer and Publisher  
Fortune

**Jefferson Sun**  
Founder and Chief Executive Officer  
Fargo Wealth Group

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## Preface 2

Conversations with entrepreneurs are always exciting.

Some will say: "All major innovations are without consensus." Others will say: "Few people in the world understand what I am doing." Most of them stay calm, but you can also sense that they are trying to restrain their emotions.

In the business world, young innovators have always provided passion, energy, and perhaps a disruptive element to the times. In 2009, Sergey Brin and Larry Page, the two founders of Google, were only 36 years old. Although the company's market value had reached US\$174 billion dollars, they still shared an office. The previous year, Mark Zuckerberg, aged 25, recruited 40-year-old Cheryl Sandberg to help the company become profitable. Zuckerberg's initial title on his business card was "I'm CEO, so what?"

In China, innovators in the New Economy sector have reaped huge benefits from the country's transformation from a resource and labor-driven economy to one based on technology and innovation after the reform and opening up of China. They have also enjoyed the industrial catalytic benefits brought about by capital growth, on top of the dividends from the rapid development of the mobile Internet and e-commerce. It can be said that in the past decade, China's entrepreneurs in the New Economy field are not only a driving force of the country's economic development, but also the witnesses and beneficiaries of China's growing national might and opening up. Young people, standing on the shoulders of the giants of previous generations, have more resources to show the world the rise of China and shoulder the age-long mission of China's future development.

However, 2022 is a year of constant change and challenges. These young innovators found themselves in complicated times: the pandemic has not subsided, a new business order is being rebuilt, geopolitics are challenging capital markets, and the global economy is in dire need of a reboot. Everything points to one word - uncertainty. When faced with such challenges, how can innovators in the New Economy cope with these unprecedented, turbulent times? Standing on the edge of the storm, how do they choose their path? How do science and technology innovators view obstacles to development in these special times?

Fortune Research and Fargo Wealth have conducted questionnaire-based research and interviews with 73 ultra-high-net-worth individuals under the age of 50 in the New Economy sector with family assets of more than US\$20 million. They have gained a deep understanding of these individuals who still insist on, and have benefited greatly from, their innovative and hard work ethic in a time of great change. They are either the founders or CEOs of companies that have gone public or are valued at US\$1 billion or more, or they are investors in the New Economy who have reaped high returns. They are generally well educated and have an unshakable belief in a technology-driven society.

By working closely with Fargo Wealth and digging deeply into the minds of these ultra-high-net-worth individuals, this report reveals how players in China's New Economy perceive the current situation and how they plan for their family assets. It hopes to provide family offices and other agencies serving people in the New Economy sector with a basis for decision making and a roadmap for development, and in this way, to also contribute to the development of the New Economy in China.

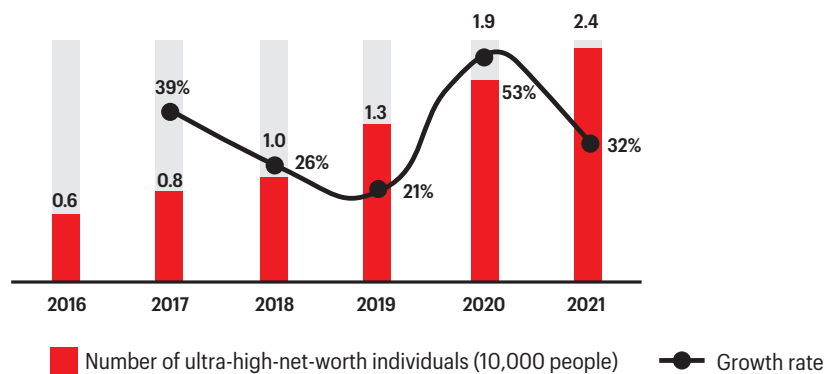
At a time when the pandemic keeps recurring and the global political and economic situation is unpredictable, ultra-high-net-worth individuals in the New Economy have a strong sense of uncertainty about the future. In the first half of 2022, they either suffered from losses due to measures taken to curb the outbreaks, or from high costs due to supply chain disruptions and inflation. Of those interviewed, less than half said that their personal wealth had increased in the first six months and 27% said they had suffered a loss. The keywords they picked for 2022, such as "going against the tide," "surviving" and "reshuffle," showed their perception of the situation. For them, how to get through 2022 safely and smoothly is the most important thing.



Interviewees' keywords for 2022

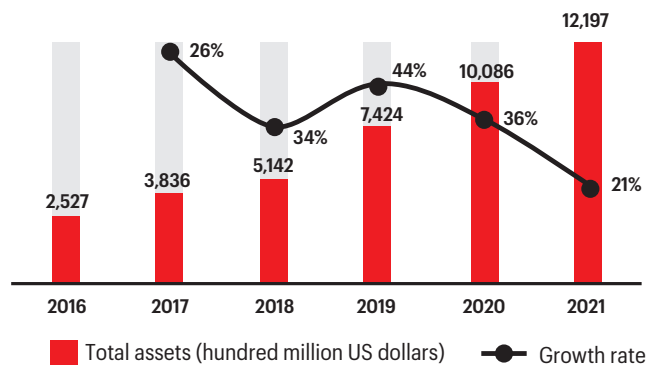
Fortune Research estimates that as of the end of 2021, there were 24,000 ultra-high-net-worth individuals in the New Economy sector on the mainland with financial assets totaling US\$1.2 trillion. This group has been growing at an average annual compound growth rate of 34% in the past five years. The main driving forces for wealth creation were stock sales, higher equity valuations and investment returns. The wave of overseas listings by Chinese technology companies since 2017 led to a big jump in the number of ultra-high-net-worth individuals in China's New Economy sector. This number was boosted further by more firms going public on the Shanghai Stock Market's Science and Technology Innovation Board from 2020. However, since 2021, the growth of this group has slowed due to a change in policies for overseas listings and depressed stock prices.

### Number and Growth Rate of Ultra-high-net-worth individuals



Source: Fortune Research

### Total Household Assets of Ultra-high-net-worth Individuals and Growth Rate



Note: Definition of ultra-high-net-worth individuals: their main source of wealth comes from the New Economy, and total family financial assets are over US\$20 million.

Source: Fortune Research



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**For the sake of clarity, some specialized terms used in this report are defined as follows:**

- **New Economy:** The concept of "New Economy" first appeared in a group of articles published by Business Week on December 30, 1996, referring to the economic system driven by the information technology revolution and led by high-tech industries in the context of economic globalization. In 2018, the National Bureau of Statistics made a formal definition of the New Economy. The New Economy, also known as the "three new economies," is a collection of economic activities with new industries, new formats and new business models at their core.
  
- **Ultra-high-net-worth individuals in the New Economy:** their main source of wealth comes from the New Economy, and total family financial assets are over US\$20 million.
  
- **Family Office (FO):** a family governance and asset management organization established around one or several ultra-high-net-worth families. The range of services includes investment and asset allocation, family business management and family affairs management, succession planning, family affairs consultation/family relationship adjustment, tax planning and consultation, legal consultation, identity planning, children's education and other life-related, administrative and protocol services.
  - **Single Family Office (SFO):** A SFO is held by one family to manage the family's private wealth and other affairs.
  
  - **Multi Family Office (MFO):** A MFO serves multiple families and can be divided into (but is not limited to):
    - **Closed MFO:** composed of a few families. The family is not only a shareholder but also a customer. It is not open to the public and has no obvious business requirements.
  
    - **Independent MFO:** owned by a family or a professional investor. Other families are customers. There is a need to attract new customers and expand the scale of asset management.
  
    - **Non-independent MFO:** a department of a large institution, such as a bank, accounting company, law firm or consultancy. The family is the customer and has a business requirement to attract new customers and expand the scale of asset management.
  
- **External Asset Manager:** EAM, also known as Independent Asset Manager (IAM) or Independent Wealth Manager (IWM), is a regulated non-bank wealth management company.



# Key Findings

## 1. Emergence of the ultra-high-net-worth individual (UHNWI) in the New Economy

There were 24,000 ultra-high-net-worth individuals in the New Economy sector in mainland China as of the end of 2021. This group has maintained an average annual compound growth rate of 34% in the past five years. Together they have combined financial assets of US\$1.2 trillion.

## 2. Optimism despite uncertainty

Despite being faced with uncertainties, more than half (51%) of the interviewees remained optimistic about their business prospects in the next 12 months, mostly because they believe that the market is very promising (81%).

## 3. Risks under the new normal

The three risk factors causing the most concern are the external environment (58%), separation between family businesses and enterprises (47%), and risks arising from family business operations (44%). 23% believe that the epidemic will be their biggest challenge in the next 12 months, greater than external factors such as the international economic situation and inflation.

## 2. Conservative investment strategy

45% of respondents opted for a conservative, guaranteed investment strategy this year, compared to 23% last year. And 49% increased the proportion of their cash and deposit assets.

## 5. Looking outward from China

56% of the interviewees chose mainland China as their top investment destination, followed by the USA (38%), Hong Kong (21%), and Singapore (21%). 73% said they have assets outside mainland China, 62% indicated that they will maintain or increase the proportion of their offshore assets in the future, and 18% plan to increase them by more than 20%.

## 6. The second curve

90% of respondents pay close attention to private equity. The most closely watched sectors are technology (52%), medicine and healthcare (52%), new energy (37%), as well as cutting-edge concepts such as Web3.0/meta universe (16%).

## 7. Invest in virtual assets with caution

23% of the interviewees are cryptocurrency holders, 9% own NFTs, and 4% hold Web3.0/meta universe assets. More than 1/3 of them believe that these types of virtual assets have investment value, but that the current bubble is large, while about 20% believe that they have no investment value.

## 8. Capital for social good

Of the respondents, 70% said they would increase their Environmental, Social and Governance investments in the future. Nearly half have participated in charity-related activities, 78% are willing to take part in charity-related activities in the future, 80% said that their main reason for participating in philanthropy is to meet their own need to give back to society, and they also prefer to do so on their own.

## 9. Focus on global and stable networks

47% of the interviewees prioritized asset management companies with strong global asset allocation capabilities and robust strategic asset allocation networks, followed by the ability to ensure privacy and information security (39%), and having successful experiences with other customers (28%).

## 10. More emphasis on safety

41% of respondents ranked risk management as the most important criterion for choosing a family office service provider, far ahead of investment ability (15%) and digitization (5%). 59% ranked wealth safety as the top wealth management goal, followed by wealth succession (44%), and wealth growth (42%).

## 11. Be prepared for unpredictability

All the interviewees felt that tax and legal consultants (100%) are the most needed service by a family office, while succession planning was the least needed (61%). In terms of unmet services, lifecycle and budget management were the biggest areas (64%).

## 12. Global outposts

Almost the same number of respondents ranked Singapore (39%) and Hong Kong (36%) as the most attractive places to set up a family office outside mainland China (47%), much more than Switzerland (8%). In terms of residential locations, 41% chose Singapore as the place they would most like to live outside mainland China, followed by Europe (33%), the USA (33%), Australia and New Zealand (23%).

Please contact us for the full report.