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Media release

Fifth LGT cross-border investor survey:

Swiss investors have strong home market orientation, are satisfied with their bank and relationship manager, and critical of investor protection

Zurich, 4 June 2018. **High-net-worth Swiss investors are very satisfied with their bank, their relationship manager and their financial center, the latter of which also received good marks from the German and Austrian respondents. Their portfolios have remained largely unchanged for several years: investors are concentrating primarily on equities and cash, the home market orientation is particularly high among the Swiss. Swiss investors are also satisfied with their returns. Digitalization, just like sustainability, is becoming an increasingly important topic. These are just a few findings from this year's LGT Private Banking Report. The report, which consists of around 100 pages, provides insights into the world of high-net-worth investors from Switzerland, Austria and Germany. In addition to investor behavior, the study this year also focuses in particular on the confidence of high-net-worth private banking clients in institutions, their assessment of domestic and foreign financial centers as well as their attitudes toward investor protection, digitalization and sustainability.**

Under the leadership of Prof. Teodoro D. Cocca, the Department of Asset Management at the Johannes Kepler University in Linz was commissioned by LGT to conduct the fifth comprehensive study since 2010 of the investment behavior of private banking clients in Switzerland, Austria and Germany. A representative number of high-net-worth investors was surveyed to this end in early 2018.

Strong home market orientation among Swiss respondents

Despite the positive market developments in recent years, investor euphoria continues to remain in check. The average asset allocation in all three countries examined has not changed significantly compared to the study conducted two years ago. The cash allocation of Swiss respondents remains unchanged at 32 percent, equity allocation rose only 2 percent to 46 percent, and bond allocation declined slightly (from 11 to 6 percent). Other asset classes such as derivatives, commodities and alternative investments are still not widely held. Of note is the investors' overall strong home market orientation. For example, for the Swiss respondents, 67 percent of equities (74 percent in 2012) are stocks of domestic companies – the level of risk associated with these by the study participants is systematically categorized as being lower than for foreign equities. Just like the continued lack of diversification across various asset classes, the geographic spread in investment portfolios is also extremely low. The respondents are largely satisfied with the returns achieved last year. The Swiss respondents generated average returns of 11.7 percent, and 76 percent thereof are satisfied with this result. The German respondents achieved returns of 6.3 percent, and 75 percent thereof were happy with this. In contrast, only 49 percent of Austrians were satisfied with their returns, which averaged 8.8 percent.

Swiss banks do a good job

The satisfaction levels for banks and relationship managers were also high in this year's study. 82 percent of Swiss respondents are satisfied or very satisfied with their bank, while 71 percent are satisfied or very satisfied with their relationship manager. 67 percent are even enthusiastic about their bank. The recommendation rate is also favorable. 51 percent of the Swiss survey participants actively recommended their bank to others last year – that is more than in Germany and Austria (43 percent for each country).

But what is actually important to clients when it comes to their bank? According to the LGT Private Banking Report 2018, the most important characteristic of a bank is its financial stability – in all three countries. In Switzerland, the professional expertise of relationship managers ranks second, followed by a good price-performance ratio. While the first two criteria are very well met by the respective primary banks, there is still potential for improvement for the price-performance ratio. In Switzerland, the level of fulfillment for this criteria is below-average.

Private banking is and remains a "people business"

Also important to clients when it comes to their bank is that it offers good online access to services. This characteristic ranks fourth across all three countries. Digitalization is also advancing rapidly – not least driven by changing client needs – in the financial sector. The share of respondents who do not use online or mobile banking at all, the so-called "digital deniers", continues to decline – in Switzerland they account for only 10 percent (2016: 14 percent) of respondents. If this trend continues, it is possible that digital deniers will have vanished completely by 2022. The number of respondents who want to place orders with their bank from home or while on the go has further increased (at home: from 72 percent in 2016 to 79 percent in 2018; while on the go: from 32 percent in 2016 to 36 percent in 2018). Around one-quarter of respondents from all three countries can imagine receiving advice from their relationship manager primarily online. Notwithstanding, the data collected from the survey clearly underscore that the majority of private banking clients continue to attribute high relevance and importance to personal advice from a relationship manager. For important investment decisions, the majority of respondents want to meet their relationship manager in person. In a comparison between humans and robots, humans clearly come out on top. Around 60 percent of respondents say they would never have their assets managed by a robo-advisor. Respondents are also cautious when it comes to digital currencies. Although a large number have heard of them, the share of respondents that has experience with them is extremely low – in Switzerland only 9 percent – as is the Swiss respondents' general interest in digital currencies, which is only 10 percent.

Investor protection: Swiss critical of increased administrative burden

Similar to digitalization, regulation has also been an omnipresent topic in the financial sector for numerous years. More comprehensive and stricter laws were introduced after the financial crisis, in particular for reasons of investor protection. Around 80 percent of those surveyed for the LGT Private Banking Report are of the opinion that the banks themselves are to blame for the increased supervision due to their past failures. The effectiveness of increased regulation aimed at protecting investors is viewed very differently in a country comparison: in Switzerland, 53 percent believe that clients are better protected today (Germany: 83 percent, Austria 35 percent). The Swiss in particular are critical of the greater administrative burden arising from regulation: 54 percent are of the opinion that the greater supervision of banks results in a significant, unnecessary administrative burden (Germany 35 percent, Austria: 38 percent).

The confidence of the Swiss in national and international institutions has risen since 2016 (from 5 to 5.5; rating scale of 0-10). The Swiss respondents have the least confidence in the new media (e.g. social media, blogs, etc.), the global financial system and the world economy. In contrast, they assess the Swiss political system and economy as well as the banking supervisory authority as being more trustworthy.

Positive attitude toward the Swiss financial center

The assessment of the Swiss financial center by the respondents from Germany and Austria is quite positive. The Austrians assess the Swiss financial center as being significantly better than their own financial center in every respect – be it the political, economic and social stability, its good international reputation, the expertise for long-term, cross-border investment solutions that are in accordance with the law, or the competence of its financial experts. The German respondents also rate the Swiss financial center higher than their own. Switzerland enjoys a very good reputation with its neighbors. 84 percent of German and 51 percent of Austrian respondents indicate they would want to invest money in Switzerland.

Swiss investors take sustainability into consideration when making investment decisions

Another important trend in the financial sector is sustainability. Sustainable investments have become mainstream for institutional investors. Experience shows that the topic is also becoming increasingly important for private investors. Sustainability is seen as an important issue in all three countries, one that in the view of respondents, must not only be addressed at the political level, but also by banks and companies. The respondents from all three countries are convinced that sustainable investments can make an important contribution to improving social conditions and ethical standards. Accordingly, sustainability has already played a concrete role in past investment decisions for 45 percent of Swiss respondents.

The complete LGT Private Banking Report 2018 (in German only) as well as a summary of the key findings (available in German and English) can be downloaded on our website. Starting from 5 June, you will find further information on the report on our website www.lgt.com Publications/Private Banking Report.

LGT in brief

LGT is a leading international private banking and asset management group that has been fully controlled by the Liechtenstein Princely Family for over 80 years. As at 31 December 2017, LGT managed assets of CHF 201.8 billion (USD 207.0 billion) for wealthy private individuals and institutional clients. LGT employs over 3000 people who work out of more than 20 locations in Europe, Asia, the Americas and the Middle East. www.lgt.com

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