

DEOFFSHORIZATION  
WEALTH DONOR POSSESSOR  
FAMILY DYNAMICS  
PROFESSIONALS  
PHILANTHROPY  
WEALTH KNOWLEDGE DAY  
ASSETS  
INVESTMENTS  
NEXTGEN  
FAMILY OFFICE  
PRIVATE BANKING  
ENDOWMENT  
REAL ESTATE  
FINTECH  
WEALTH  
SUCCESSION

**WEALTH KNOWLEDGE DAY**

ART  
HNWI  
CONFERENCE

SKOLKOVO WEALTH TRANSFORMATION CENTRE  
ALTERNATIVE INVESTMENTS  
FAMILY BUSINESS  
PHILANTHROPY BANKING  
LIFESTYLE  
CYBERSECURITY  
PHILANTHROPY  
FINANCIAL INSTRUMENTS  
LONGEVITY  
IT  
HUMAN CAPITAL  
IMPACT INVESTING  
CHARITY  
PRIVATE FOUNDATION

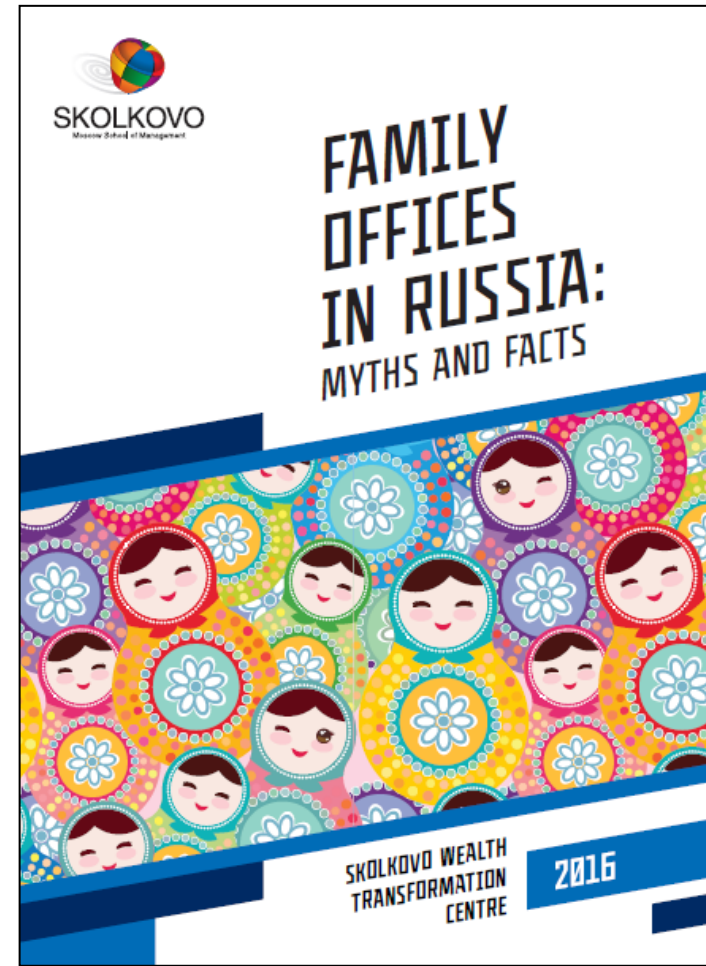
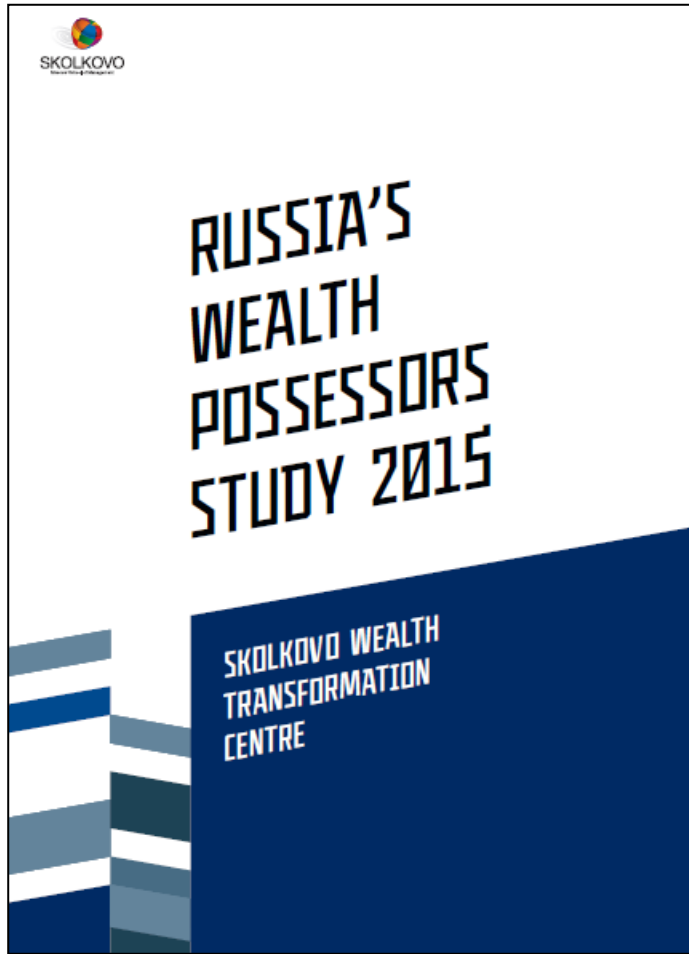


# Russia's Wealth Possessors' Investment Preferences

SKOLKOVO Wealth Transformation Centre (SWTC)

*Moscow, 30 November 2016*





# Methodology

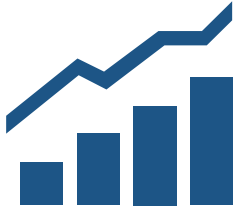
# Study Goals

Identify investment preferences and investment beliefs of Russian wealth possessors



Get new data on the regular topics of SWTC research: succession, service infrastructure, personal motivation

Special focus: whether a typical Russian wealth possessor is indeed an “entrepreneur”



- 
- Client motivation and objectives
  - Client communication strategy and tactics
  - Marketing strategy
- 



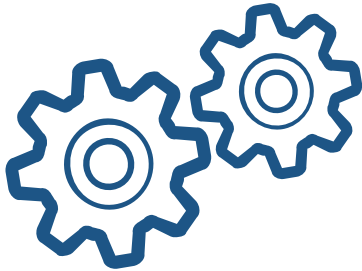
- 
- Wealth possessors' motivation
  - Wealth typology
  - Approaches to succession
- 



- 
- Benchmarking
  - Personal motivation
  - Succession strategy
-

# Study Typology

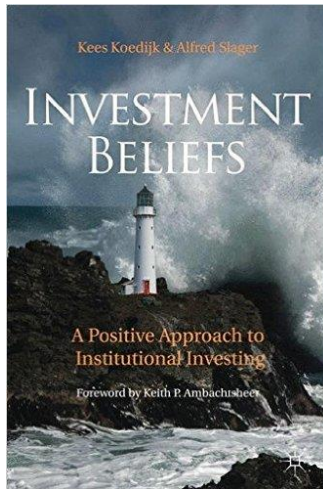
Qualitative study



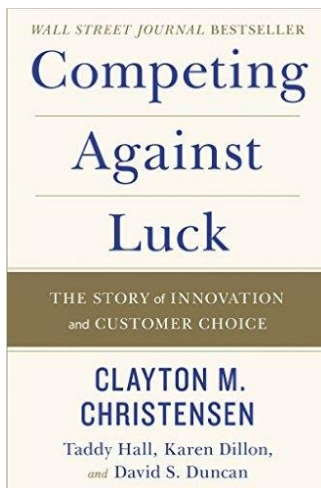
Deep open interviews

Elements of respondent-driven  
sampling





Investment beliefs as a factor underlying investment decision-making process

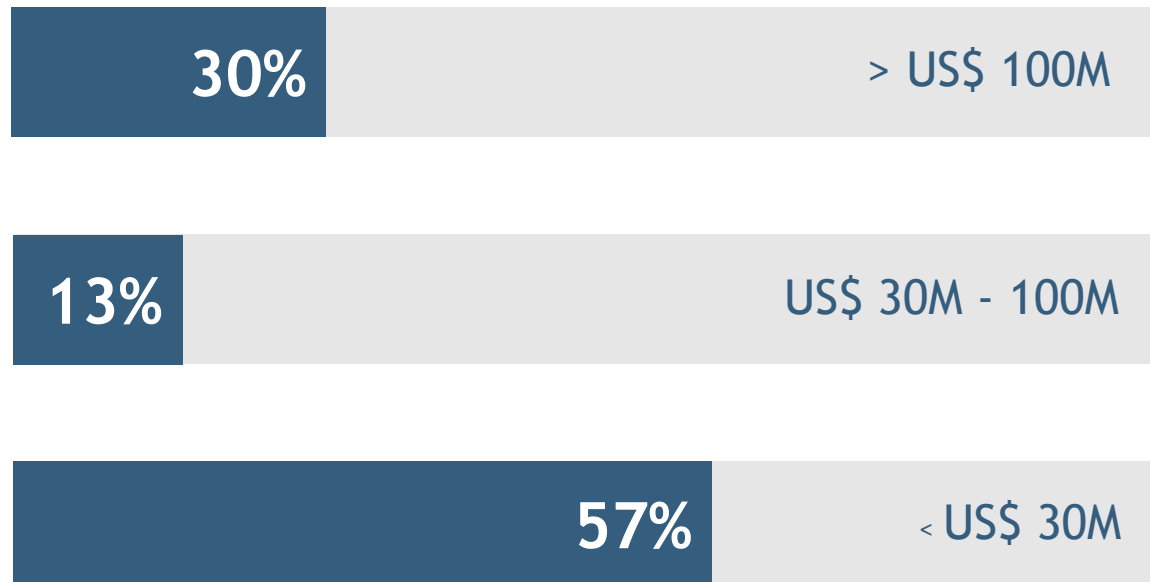


Jobs to be done – choice of a product is driven by the “jobs” the customer “hires” the product to do



**32**  
**respondents**

# Size of respondents' assets



# Presentation agenda

1. Archetypes
2. Investment Expectations
3. Investment Beliefs
4. Support Infrastructure
5. Succession
6. Personal Success Factors
7. Conclusions

# Archetypes

**dynasty** **successor**  
philanthropist  
**investor** top manager  
**visionary** opportunist  
**business angel**  
partner heir  
**entrepreneur**  
impact investor

# Segmentation used in the study

## «Entrepreneurs»

*“Core” business constitutes more than half of total wealth*

**~40%**



## «Investors»

*Share of liquid assets and real estate exceeds share of investments into active businesses*

**~40%**



# Self-definition

« You can't be an investor without being an entrepreneur »

« Entrepreneur, investor, businessman - the definition can be fuzzy; there are elements of all the above. »

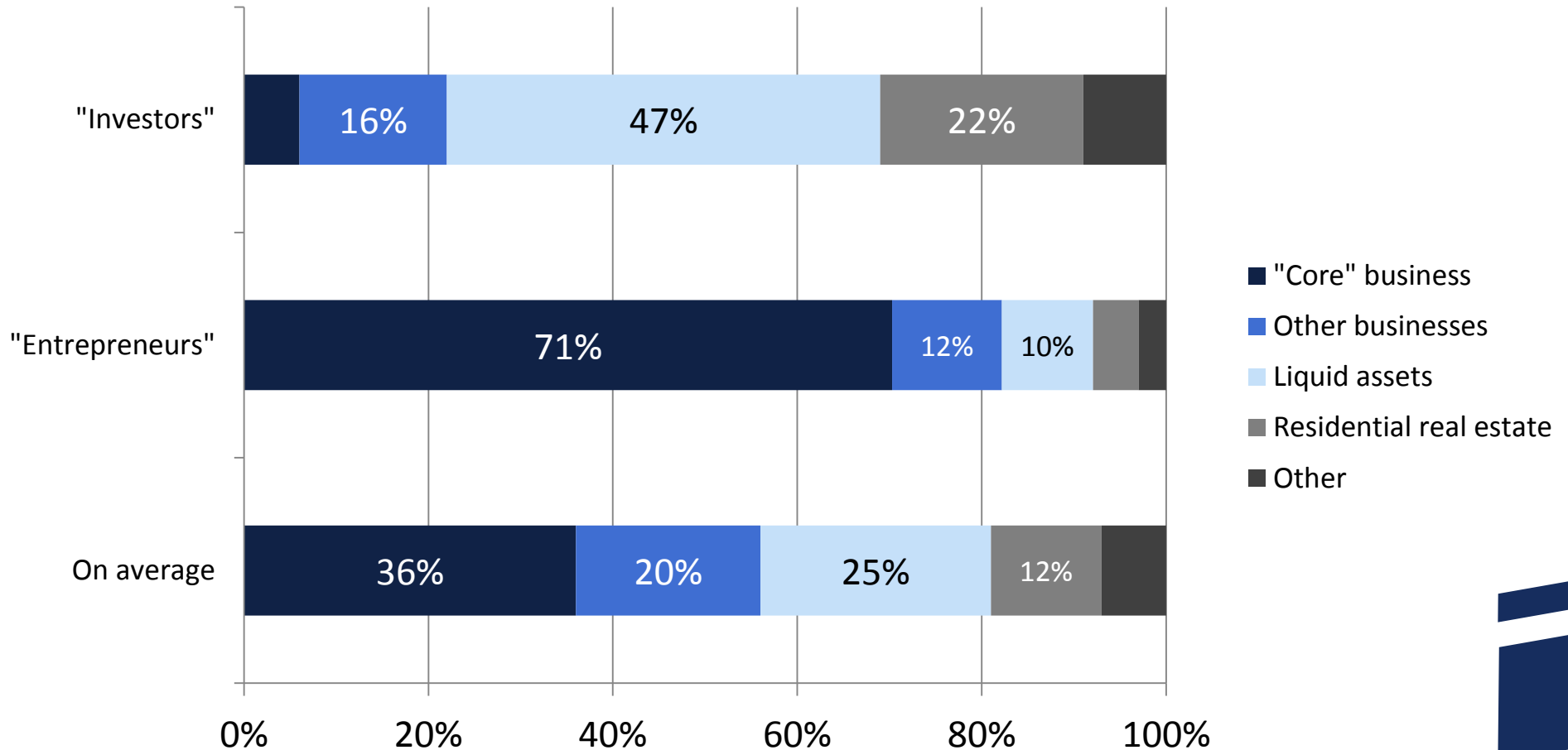
« Evolving from a businessman to an investor »



# 24%

correlation between self-definition and  
objective data

# Asset allocation by category



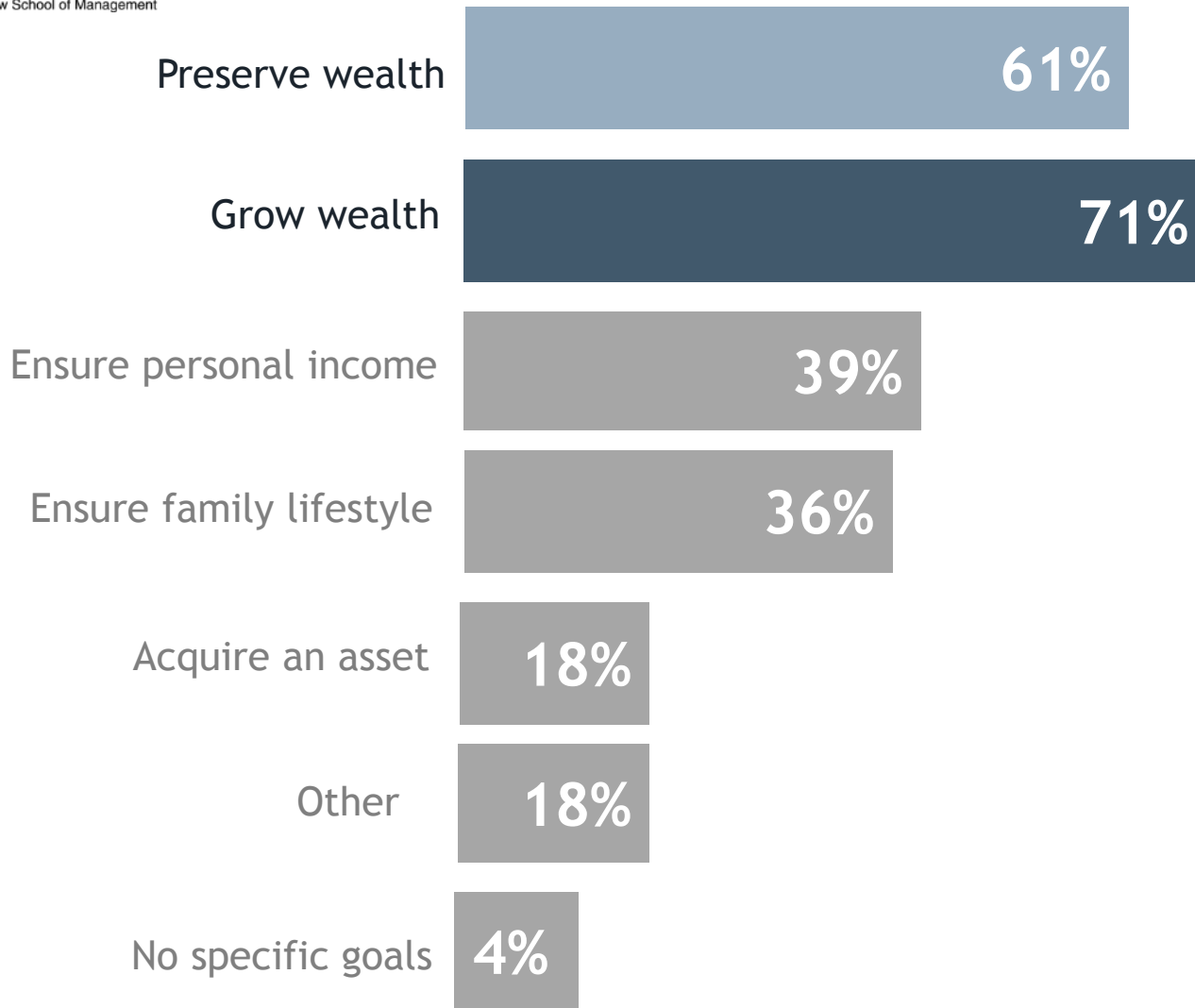


Gradual **transformation** /  
**evolution** of some entrepreneurs  
into **financial investors**

Self-awareness / self-definition is  
lagging behind

# Investment Expectations

# Investment Goals



**<1%**

correlation between  
«preserve wealth»  
and «grow wealth»

**~25%**

correlation between

(a) «preserve wealth»  
and «investors»

(б) «grow wealth» and  
«entrepreneurs»

# Investment expectations



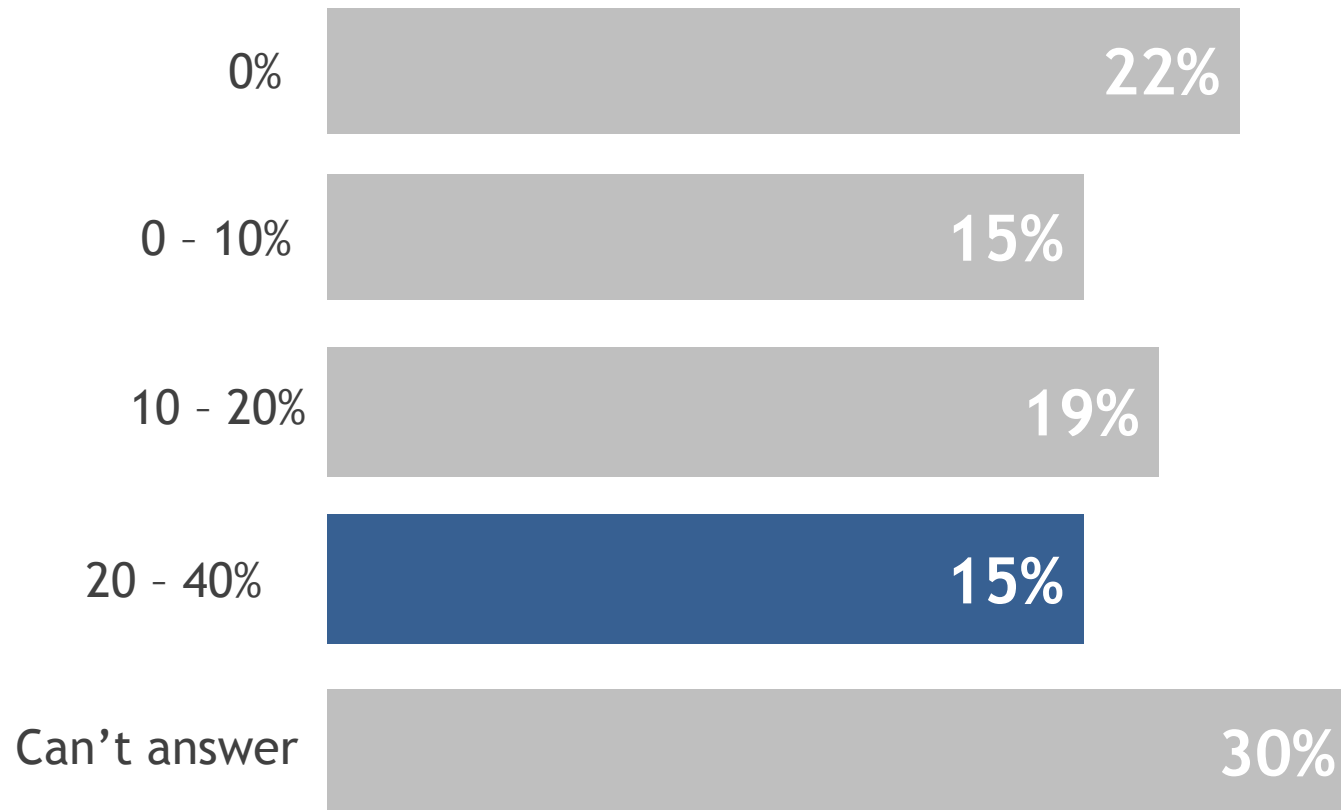
Active business

**30-40%**

Liquid assets portfolio

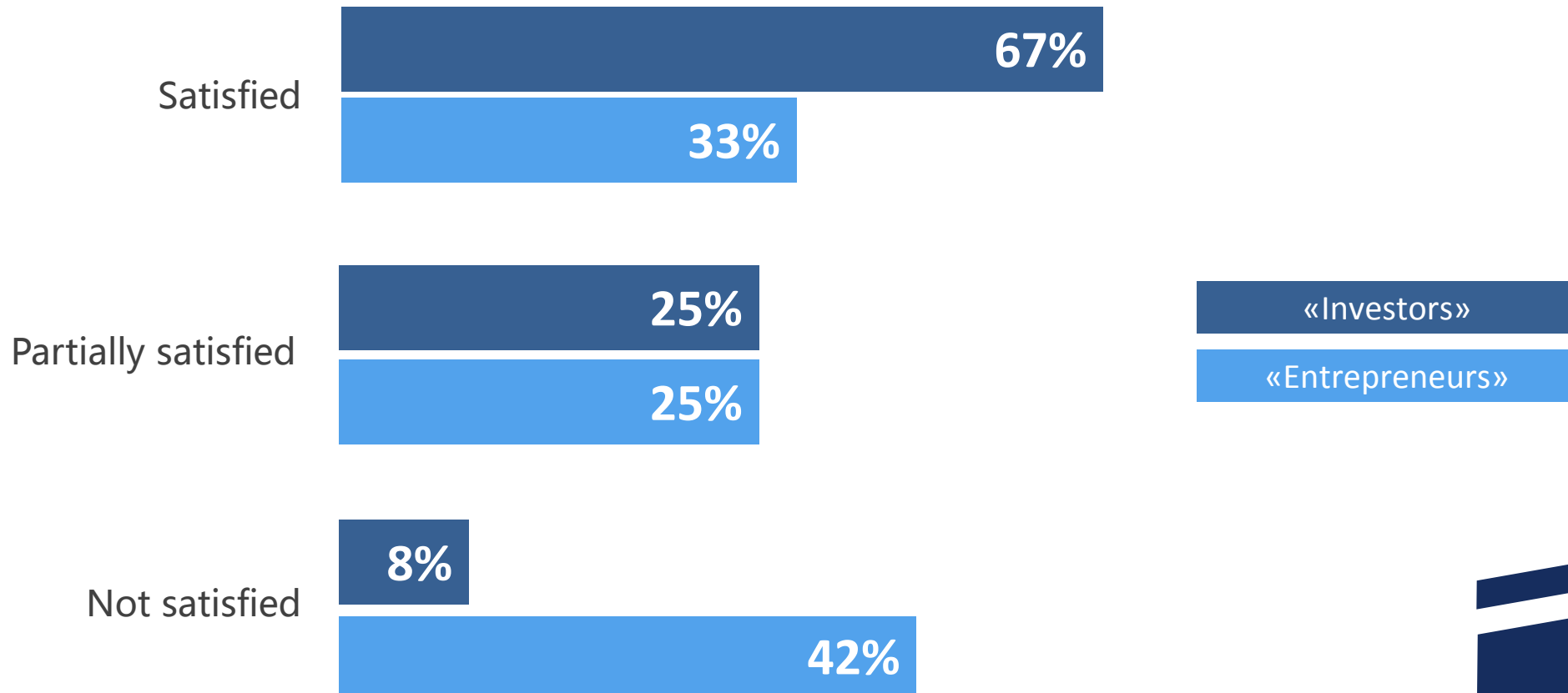
**5-10%**

# Acceptable level of investment “drawdown”





# Level of satisfaction with investment results



# Investment Beliefs

# Sample interview questions

How would you define your investment philosophy?  
What are the underlying principles and beliefs you rely on when making investment decisions?

*If you had a chance to revisit investment decisions you made 5-10 years ago, what would you have changed?*

Suppose your friend has recently sold his business for US\$ 30M.  
What would you recommend him to do with this liquidity?

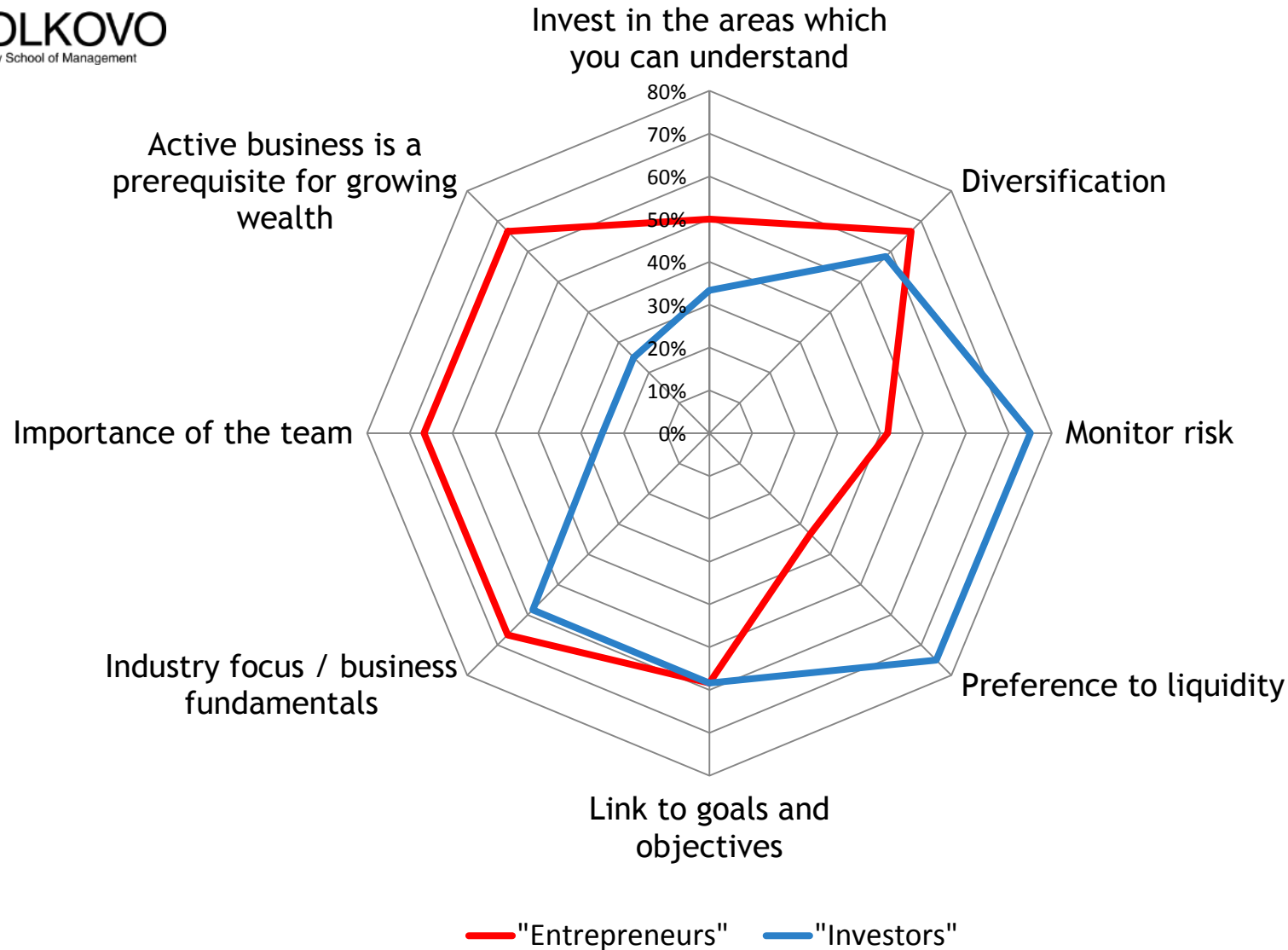
« *The key is to identify the level of risk you can accept* »

« *The main criterion for me is the people factor, ie the people who manage the business where I invest* »

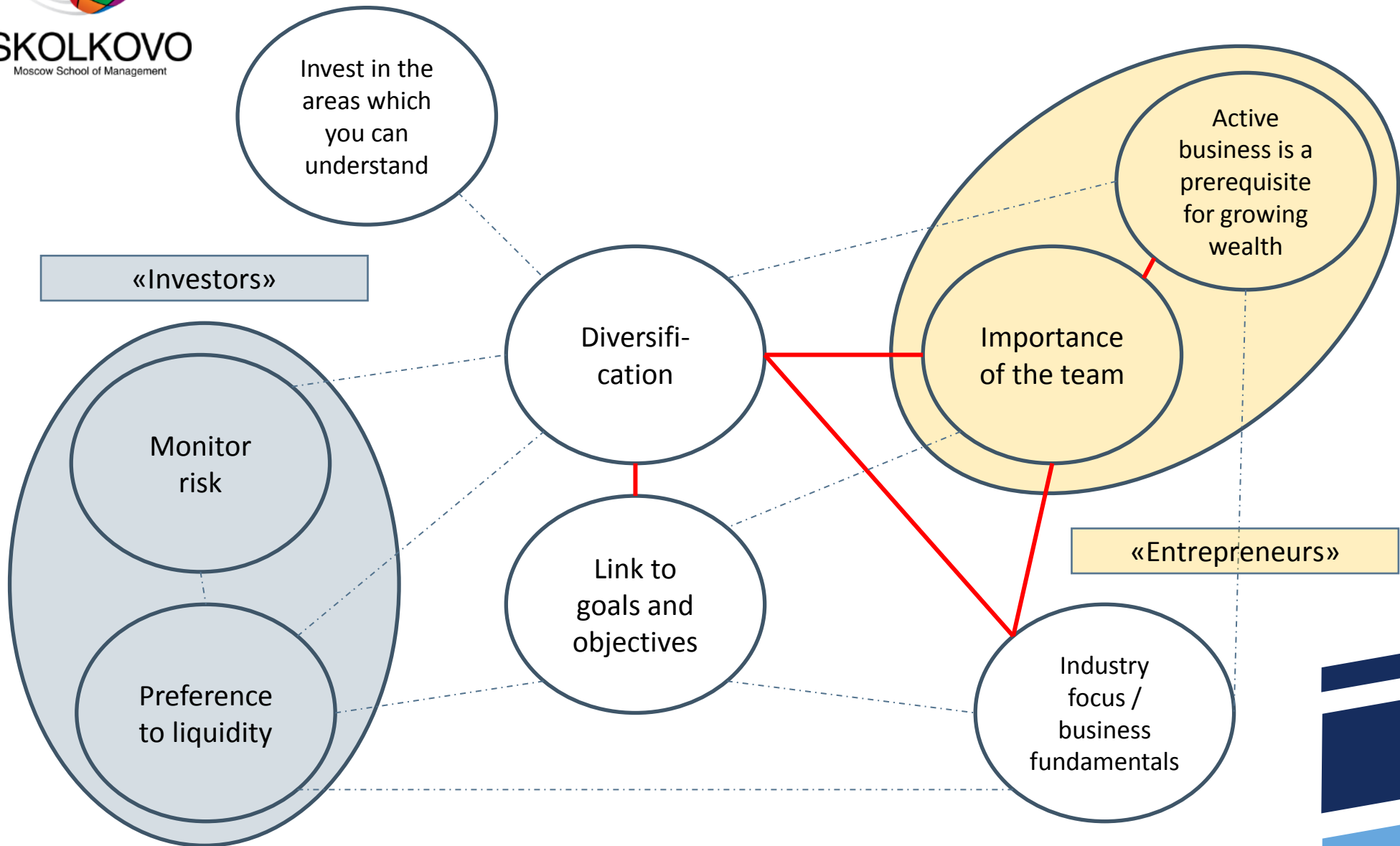
« *I would recommend a “fresh” investor to first understand his plans and the plans of his family. What does he want?* »

« *When you don't know where to invest it is better to wait. There is no need to rush.* »

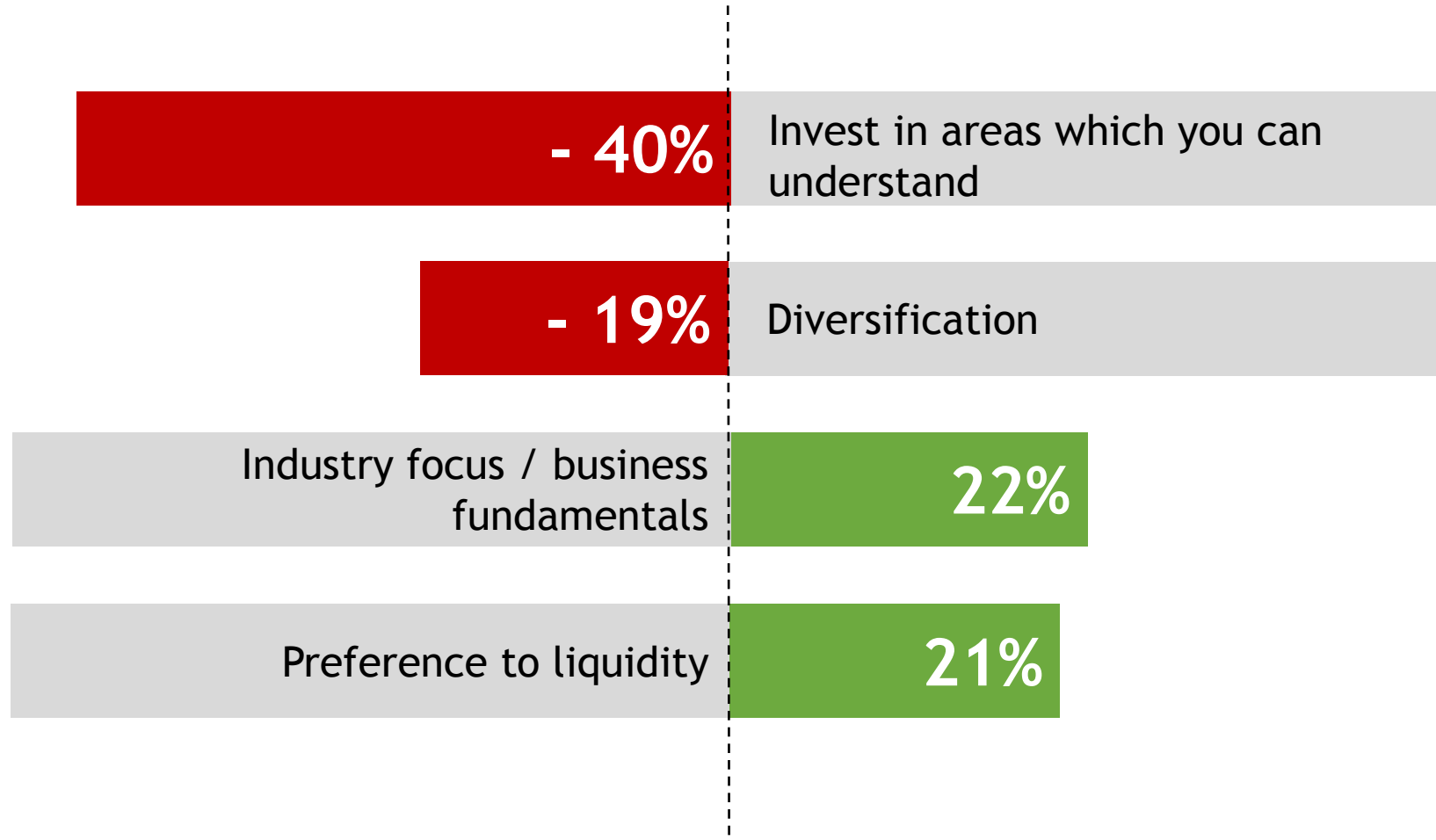
# 8 most common investment beliefs



# Correlation between investment beliefs



# Correlation with satisfaction with investment results





# Service Infrastructure

# Private banking experience



On average a Russian wealth possessor is serviced by **several** Russian and international banks

Differing and even **opposing views** on service quality in Russian and international banks

Bank changes are relatively **rare**

# Main reasons for changing private banks

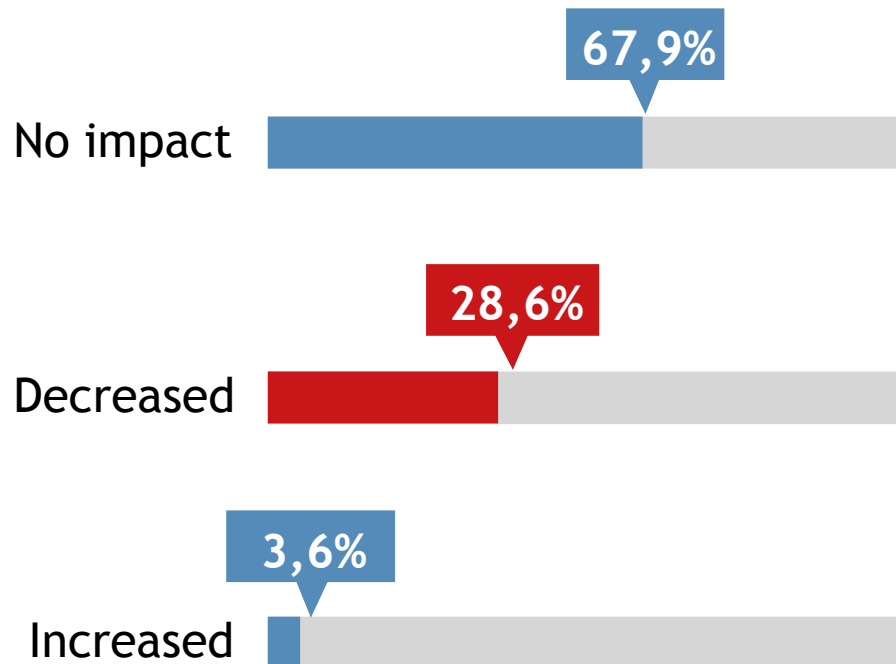
Unsatisfactory **service**



High **client manager turnover**

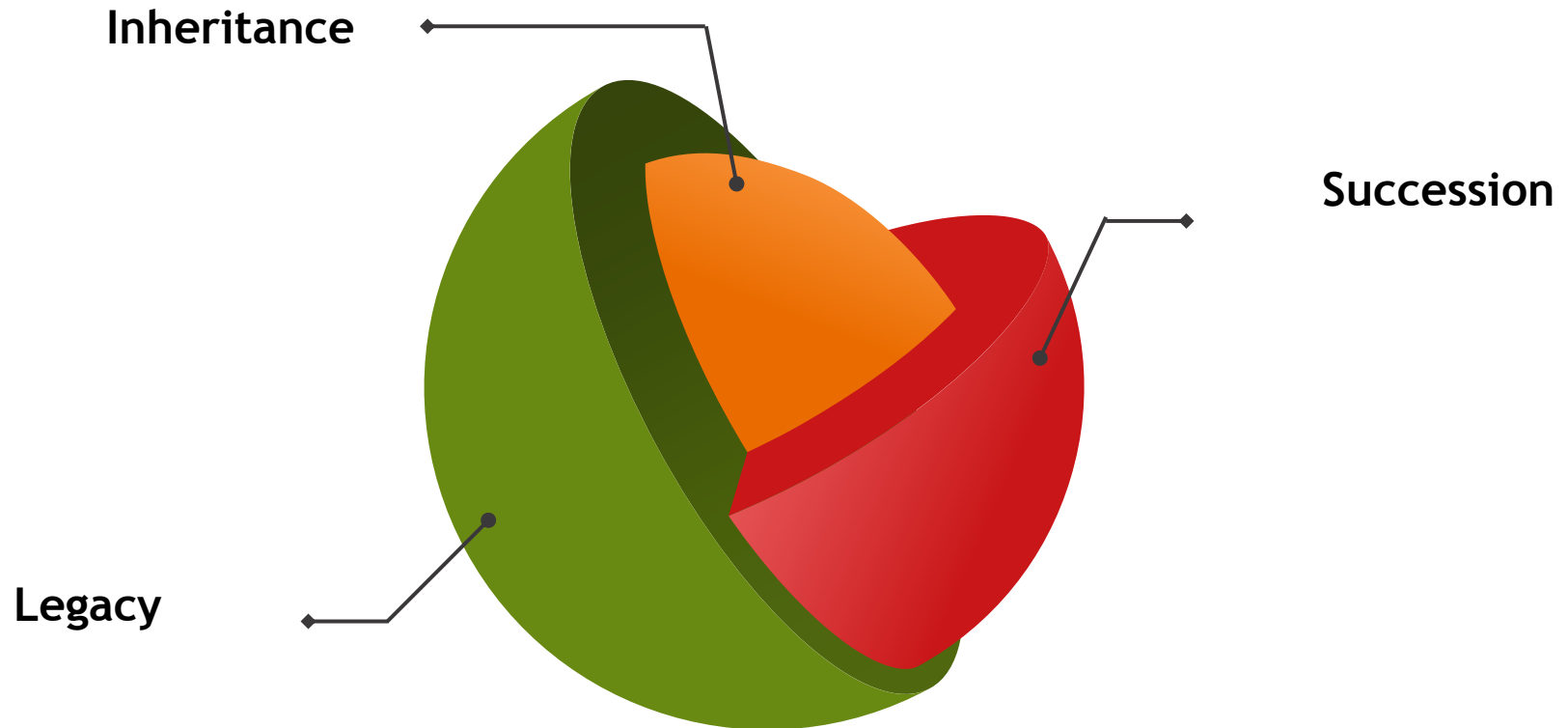
Low level of **professionalism**

# Impact of “deoffshorization” on the size of financial assets kept in Russia

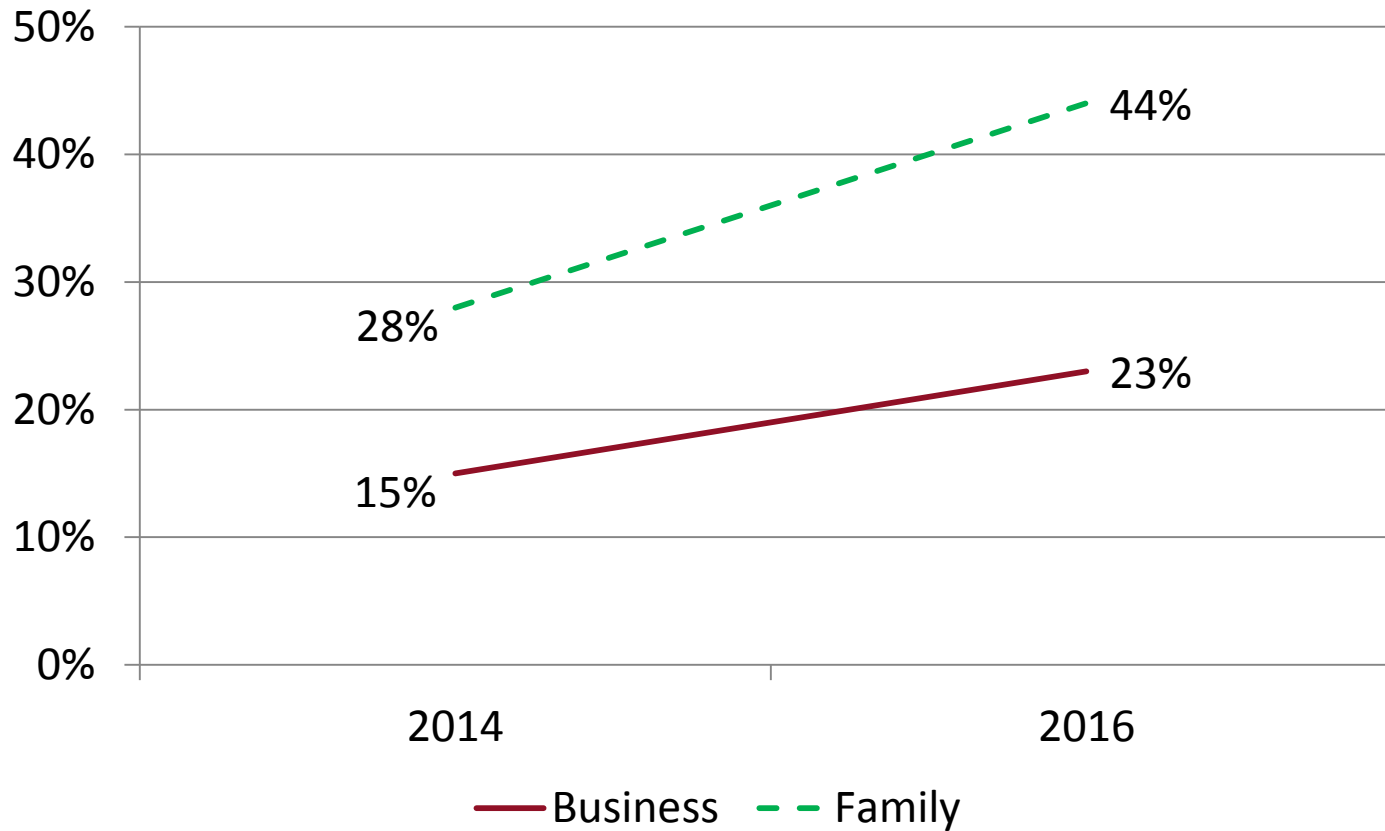


# Succession

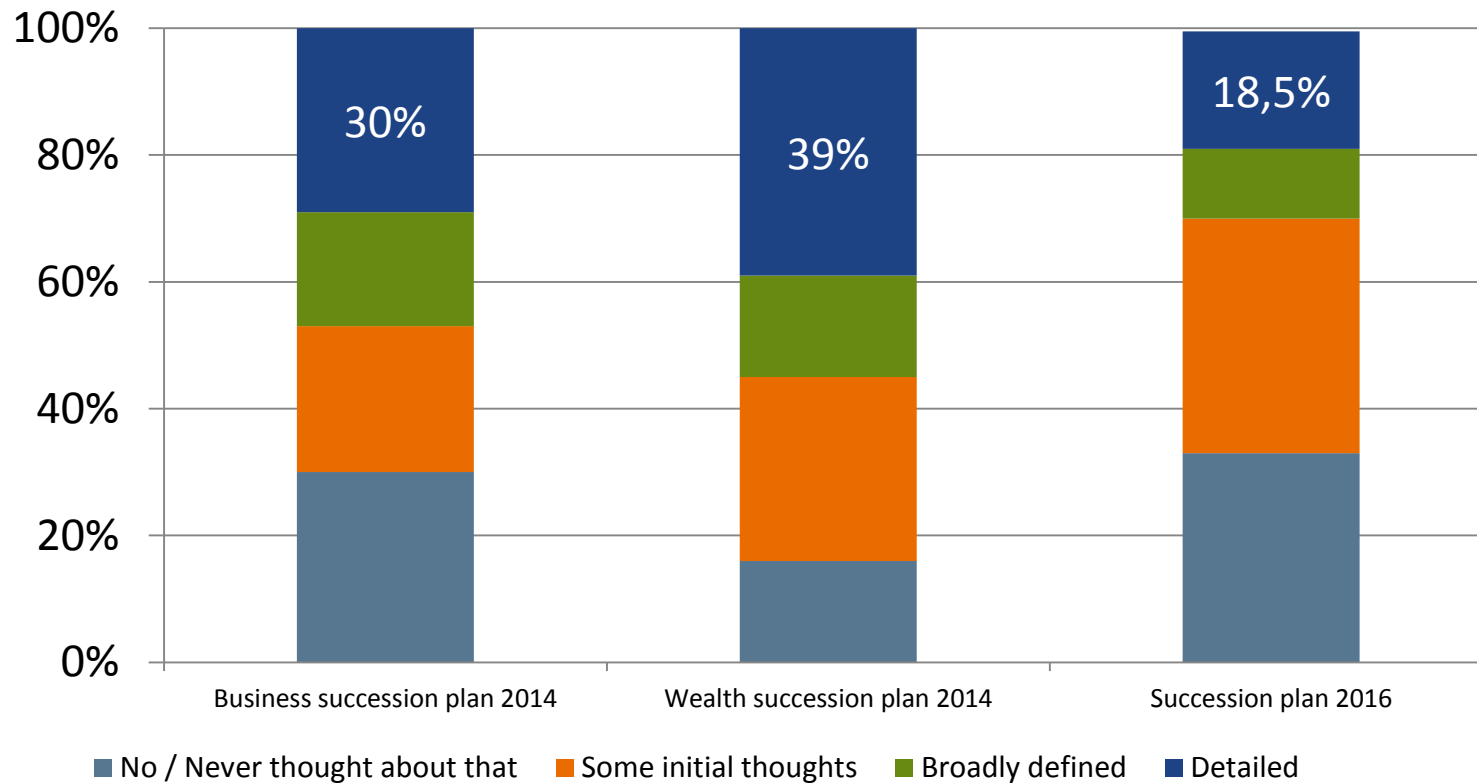
# Key succession strategies



# Planning horizon > 10 years

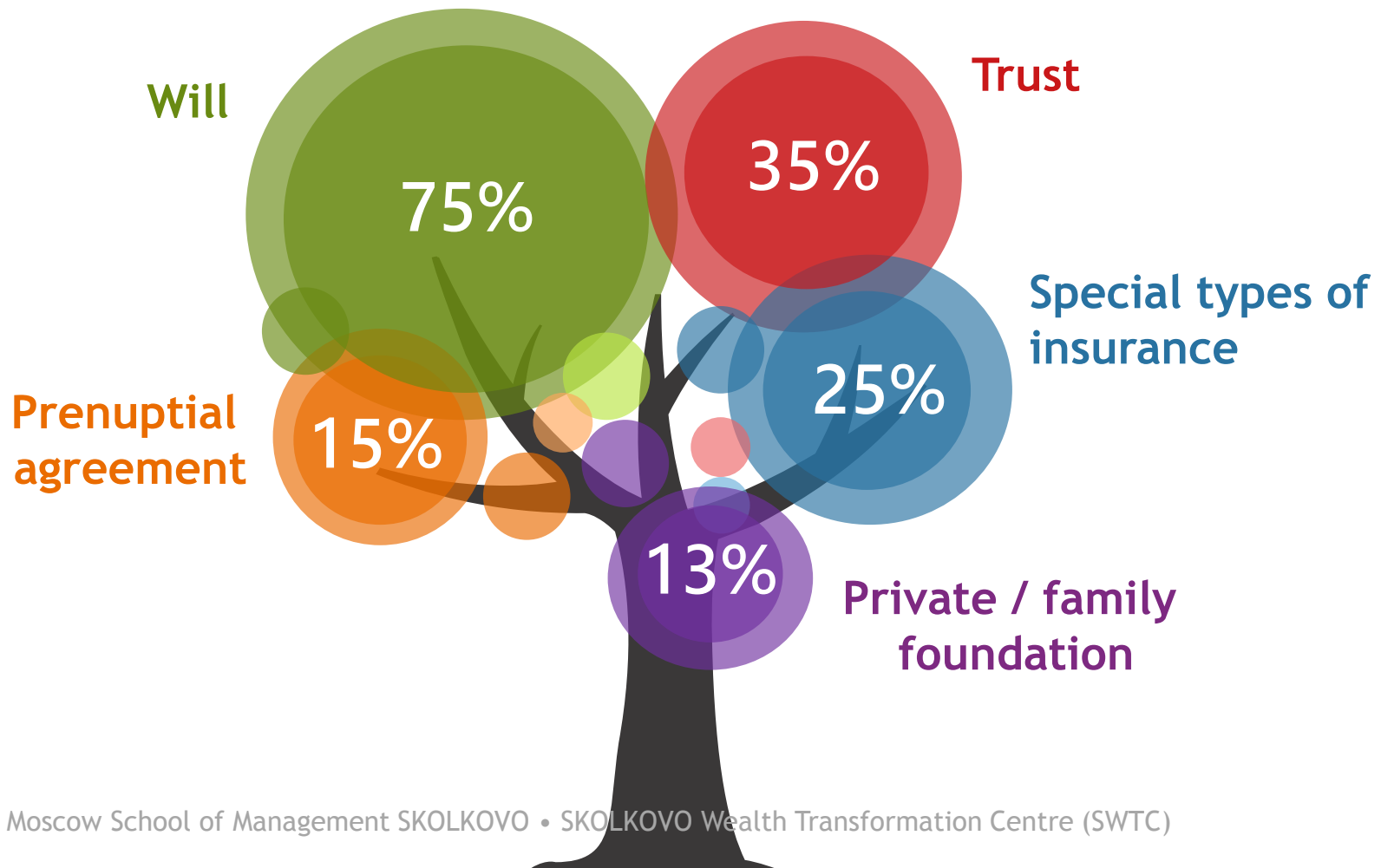


# Is there a succession plan?





# Succession mechanisms used

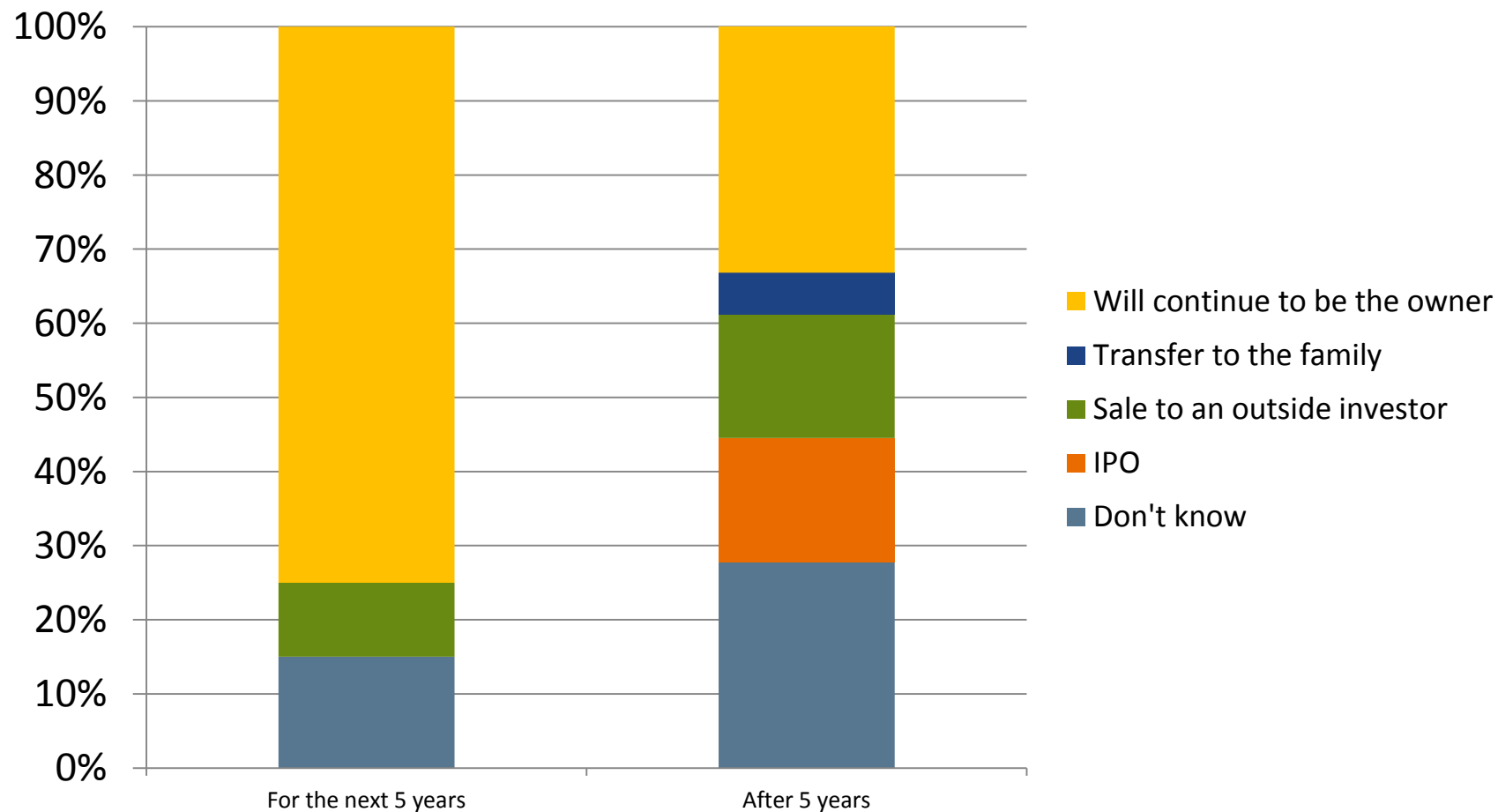


# 72%

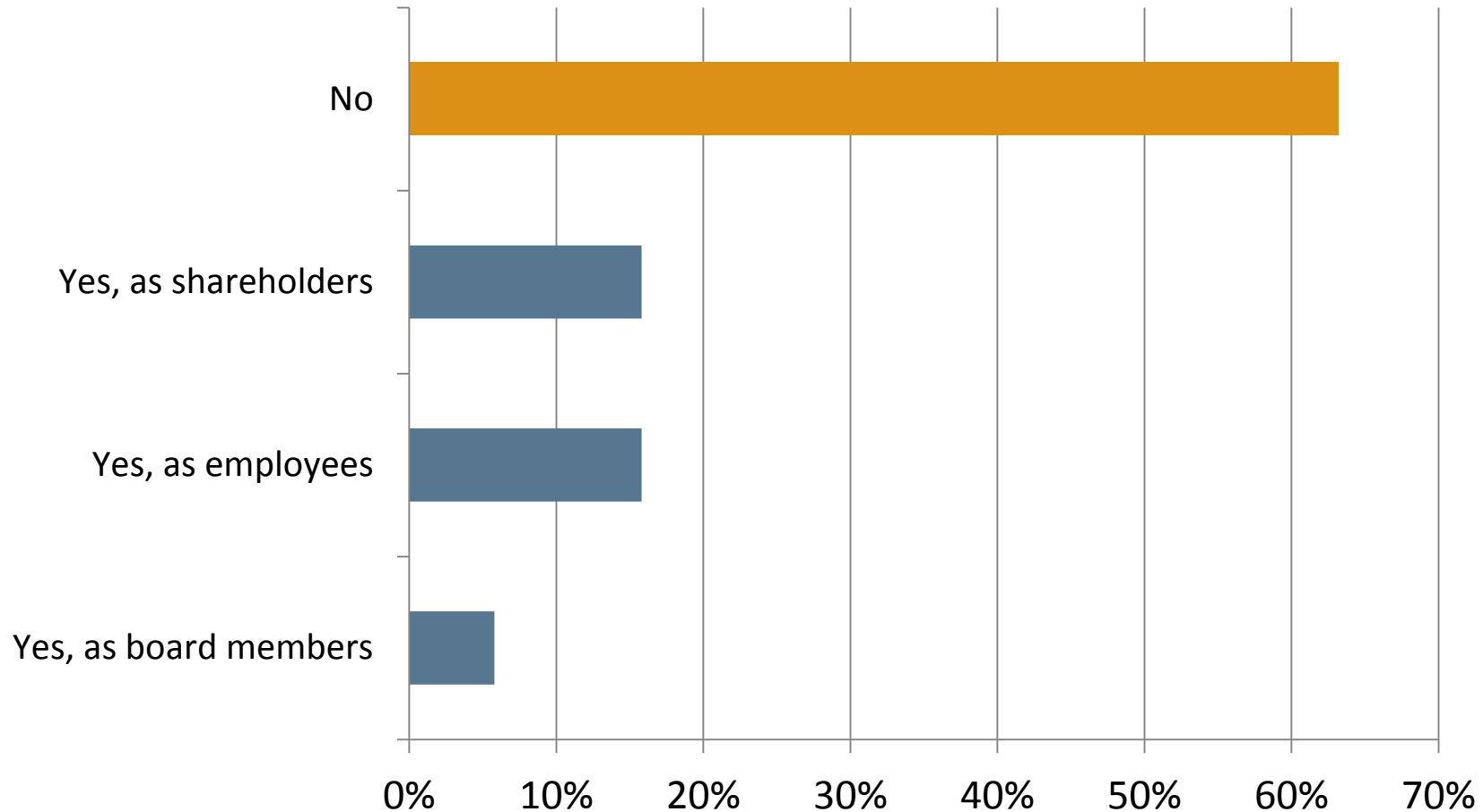
**launched businesses together with partners\***

*\* Number identical in both the 2014 and the 2016 studies`*

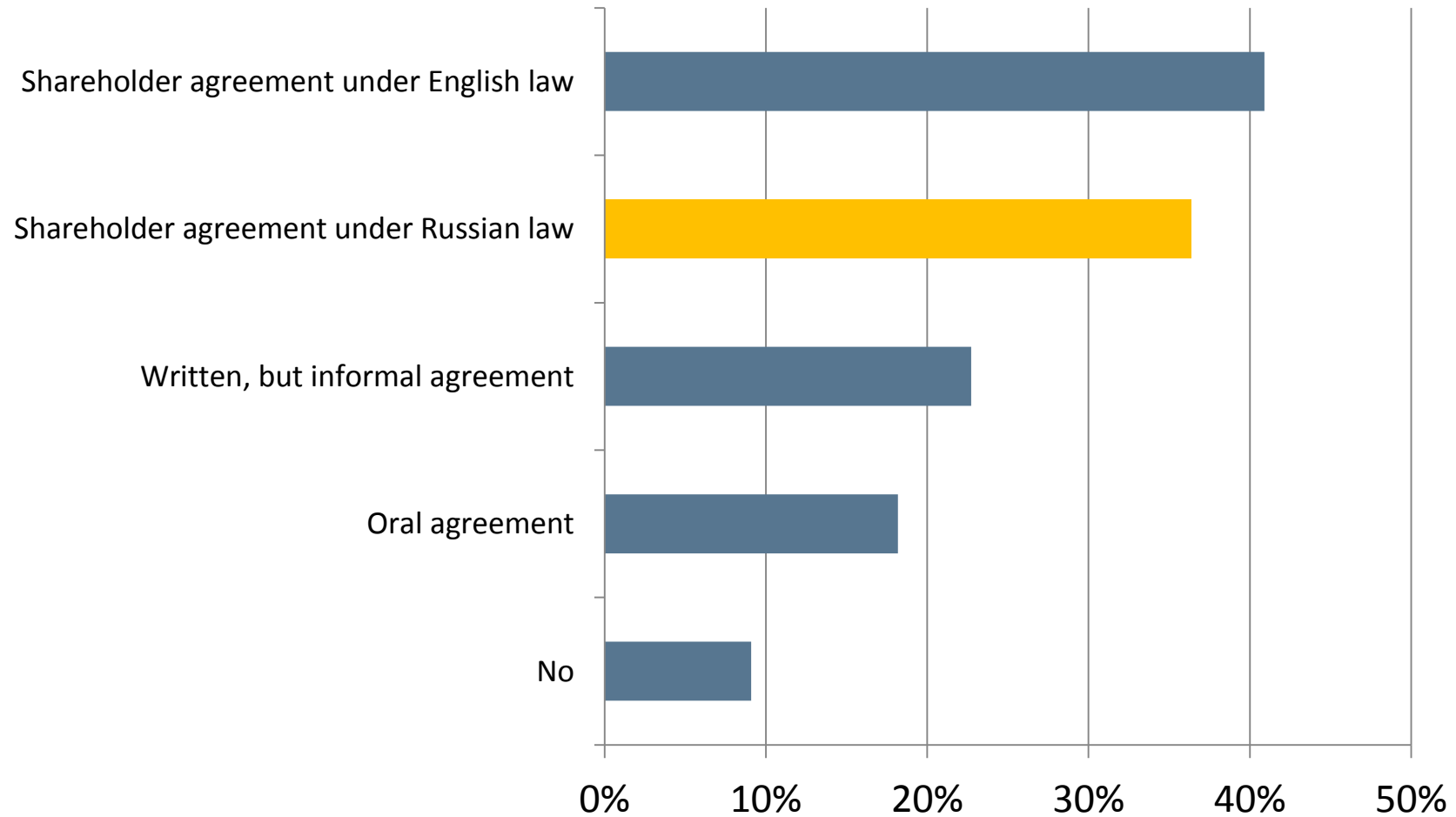
# Plans regarding «core business» ownership



# Are family members involved in the business

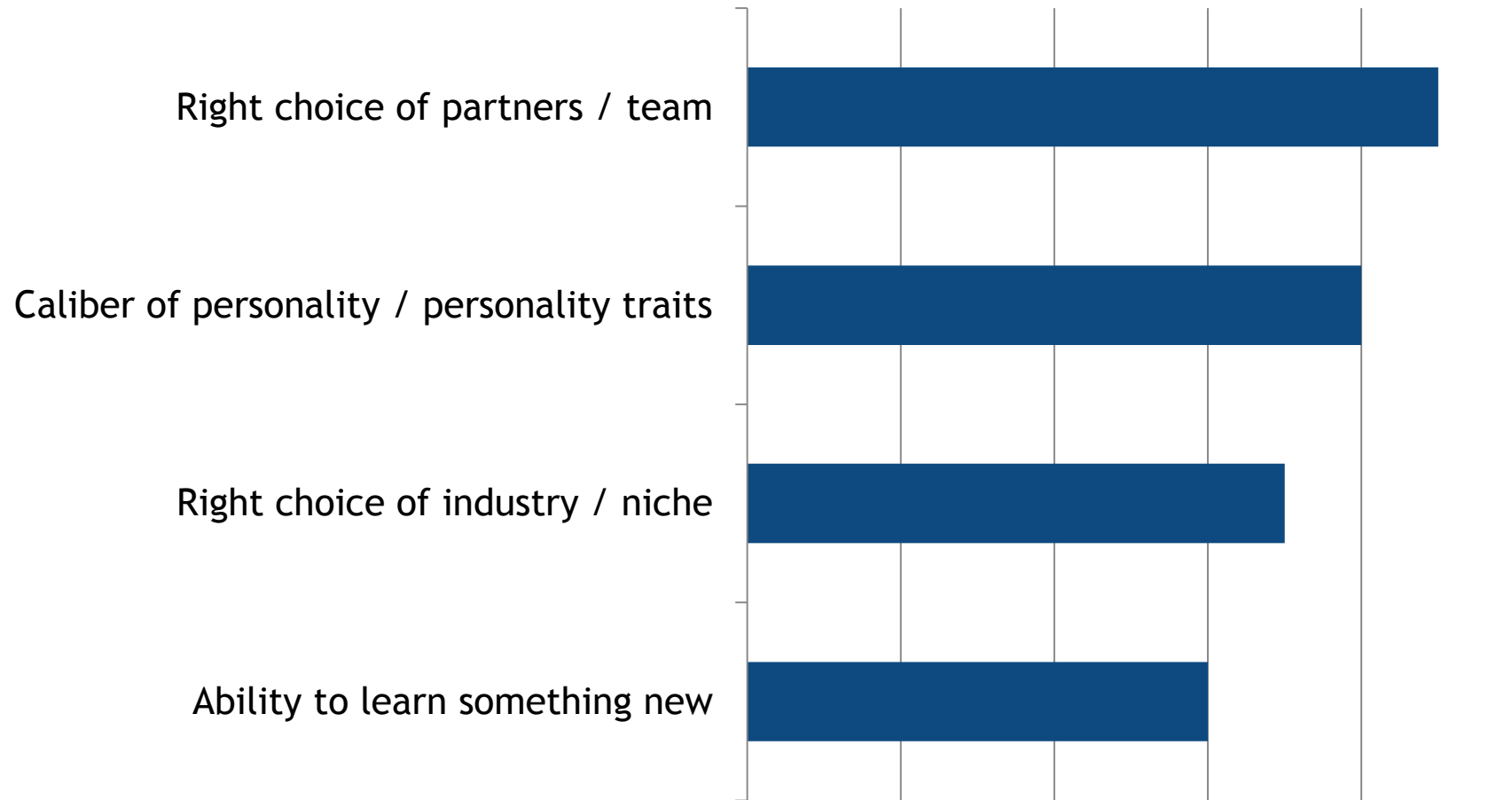


# Use of shareholder agreements



# Personal success factors

# Factors influencing personal success



« *In my line of business [finance] a lot was defined by mere probability to become successful rather than by any exceptional personal qualities. Advantages of the best are made by the faults of the worst.* »

« *I hired smart people. Tried to deal with professionals.* »

« *I was smarter, stronger, had wider vision. I exceeded my peers by any competitive characteristic there is.* »



# Conclusions

# 1.

## Two opposing investment philosophies: “entrepreneur” and “investor”

## 2.

**Percentage of “investors” is already significant**

# 3.

Even “entrepreneurs” already have a sizeable portion of their wealth in **liquid assets**

# 4.

**The level of service and professionalism is the key factor influencing loyalty to financial institutions**

# 5.

Given complexities of the Russian context **succession** issues require special attention

***SKOLKOVO Wealth Transformation Centre (“SWTC”)** is a pioneer in research and education in the areas of family governance, asset and wealth management, transformation and succession challenges faced in the Russian and CIS context by business families, their family offices, service providers, including private banking, philanthropic organizations, regulators and academia. SWTC published the first comprehensive studies of Russian wealth possessors: «Russian Wealth Possessors’ study 2015» and «Family offices in Russia: Myths and Facts». SWTC also runs its annual “Successors’ Academy”, the only educational program in Russia on succession issues for the second generation of Russian wealth possessors (<https://successors.skolkovo.ru/>). SWTC experts regularly advise financial institutions on Russian clients service strategy, as well as advise family offices and UBOs on the best practices in succession, family governance and philanthropy. <http://wtc.skolkovo.ru>*

***Moscow School of Management SKOLKOVO** is the leading private business school in Russian and CIS founded in 2006 by members of Russian and international business community <http://www.skolkovo.ru>*