FT wealth

MARCH 2020
ISSUE 60

ADOPTED TALENT
How Japan's family businesses bring in new blood

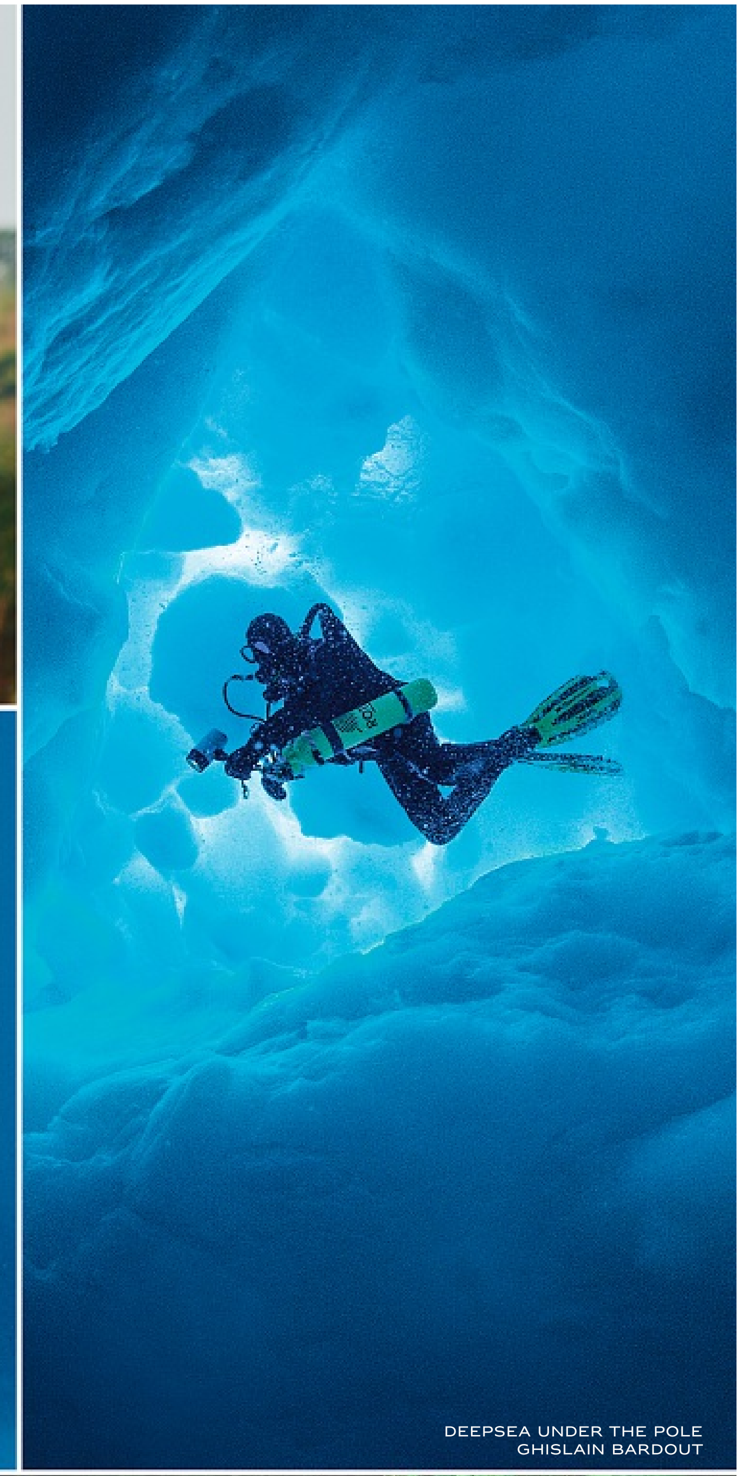
MANHATTAN MAKEOVER
The Waldorf Astoria hotel is reborn as a luxury residence

OVAL OFFICE EFFECT
Do stock markets care who is president of the US?

THE PRICE OF PRIVACY
Why society loses when the rich seclude themselves

VOLCANOLOGIST ANDREW MCGONIGLE

CONSERVATIONIST KRITHI KARANTH



DEEPSEA UNDER THE POLE
GHISLAIN BARDOUT

HEALTH ENTREPRENEUR BRIAN GITTA

ASPIRING OCEANOGRAPHER AND SYLVIA EARLE

NATIONAL GEOGRAPHIC AND ROLEX
PERPETUAL PLANET EVEREST EXPEDITION

GEOLOGIST FRANCESCO SAURO

PERPETUAL PLANET

For Rolex founder Hans Wilsdorf, the world was a living laboratory – the source of exploration, creation and inspiration. He used it as a testing ground for his watches, taking them to the most extreme locations, supporting the explorers who ventured into the unknown. Rolex continues his legacy with the explorers of today on their new mission: to make the planet perpetual. By supporting those who protect the oceans, study the effects of climate change and create a more sustainable world. Rolex stands behind the scientists, explorers and visionaries who will spark the imagination of future generations. Alone we can go far. But only together can we make the planet perpetual.

Discover more on rolex.org

#Perpetual

ROLEX

CONTENTS

PHOTOS: KO SASAKI; MAGALI DELPORTE; GIULIO D'ADAMO/WFP; NOÉ & ASSOCIATES/THE BOUNDARY; GETTY IMAGES

Editor
Stefan Wagstyl
Production editor
Conor Sullivan
Sub editor
Philip Parrish
Designer
Harriet Thorne
Picture editor
Fran Andreae

Special Reports editor
Leyla Boulton
Chief commercial officer
Jon Slade
Strategic sales director for finance
Petra Harkay
Advertising production
Daniel Macklin

FT.COM/WEALTH

Contributors

HARRIET AGNEW
FORMER PARIS CORRESPONDENT
STEPHEN FOLEY
DEPUTY US NEWS EDITOR
LINDSAY FORTADO
HEDGE FUNDS CORRESPONDENT
ROBIN HARDING
TOKYO BUREAU CHIEF
ANDREW JACK
GLOBAL EDUCATION EDITOR
MILES KRUPPA
VENTURE CAPITAL REPORTER
SARAH MURRAY
FREELANCE WRITER
RHYMER RIGBY
FREELANCE WRITER
MATTHEW VINCENT
LOMBARD COLUMNIST

Cover illustration by Peter Horvath

EDITOR'S LETTER

ECONOMIES MAY BE STUTTERING BUT THE ALLURE OF PROPERTY REMAINS UNDIMMED

With the London, Manhattan and Hong Kong luxury residential markets all in the doldrums, it would be easy to assume the rich are weakening in their devotion to prime property. Amid political and economic uncertainties, wealthy investors appear to be holding back, especially as, even after recent reductions, prices remain high by historical standards.

But a survey of 700 family office executives, wealth managers and private bankers by Knight Frank, the estate agent, suggests the deep-rooted fascination with expensive property endures, even if some buyers are biding their time in the hope, perhaps, of better deals to come.

Among those respondents who are planning to adjust asset portfolios in 2020, some 43 per cent intend to increase property holdings, while only 22 per cent are considering decreases, with the rest proposing no change. The survey shows a similar willingness to increase investments in cash, gold and private equity; all these asset categories are comfortably ahead of listed equities and bonds, where the study suggests a strong sense of caution. Some 21 per cent of those polled say clients intend to buy a new home in 2020, down from 22 per cent a year ago. Most often they are replacing their main residence with something superior and, presumably, more expensive.

Good news about the property market coming from an estate agent is hardly a surprise, especially Knight Frank, which has separately forecast a recovery in prime London property over the next five years. But this poll is less about the short-term market outlook than the enduring role property plays for wealthy families. Residential property, including secondary residences, accounts for 31 per cent of overall assets supervised by the respondents and a full 40 per cent in Asia. The wealthy buy residences in top cities, beach villas and ski lodges. They acquire apartments for children at university and pieds-à-terre near favoured medical clinics.

At the top end, price seems no barrier for trophy assets, even in today's unsettled markets, as shown by the planned record £200m-plus purchase announced in January of a mansion in London's Knightsbridge by Chinese property magnate Cheung Chung-kiu. The 45-bedroom building may be renovated as an apartment block or retained as a single private residence.

As emerging economies grow, the supply of multimillionaires and billionaires with such ambitions keeps rising. Their preferences are often for the same locations as the established US, European and Japanese rich — headed by London, New York and the US west coast. On top of this, says Liam Bailey, Knight Frank's global head of research, the 2008 global financial crisis has been followed by a shift into tangible assets, including property. "In property the asset-picking is more precise than in financial markets, with investors able to choose a single property that may outperform the general market," he says. "Also, you can increase performance with renovations and improvements."

Of course, past performance is no guarantee of future gains. That economic conditions — ultra-low interest rates — since the financial crisis have favoured property investors does not mean this situation will hold indefinitely. While today's world economy is diverse enough to absorb disruptions more easily than in the past, growth is slowing and globalisation seemingly stalling. Global debt levels are so high by historic standards that the scope for heavy fiscal intervention is limited. Central bankers too have poured so much money into the markets that future monetary policy could be less effective — like pushing on the end of a rope.

But there is something about property that the wealthy find immensely reassuring. It would take a huge shock to shake their collective faith in it. ●

Stefan Wagstyl
Editor, FT Wealth
and Financial Times
wealth correspondent

@stefanwagstyl

WEALTH MANAGERS' VIEW

ASSET-PICKING IN PROPERTY IS MORE PRECISE THAN IN OTHER MARKETS

THE TOP REASONS FOR BUYING A NEW HOME ARE TO UPGRADE A PRIMARY RESIDENCE, A MOVE TO A NEW COUNTRY, AND TAX

VERY RICH PEOPLE INCREASINGLY CONSIDER 'WELLNESS' WHEN BUYING A HOME

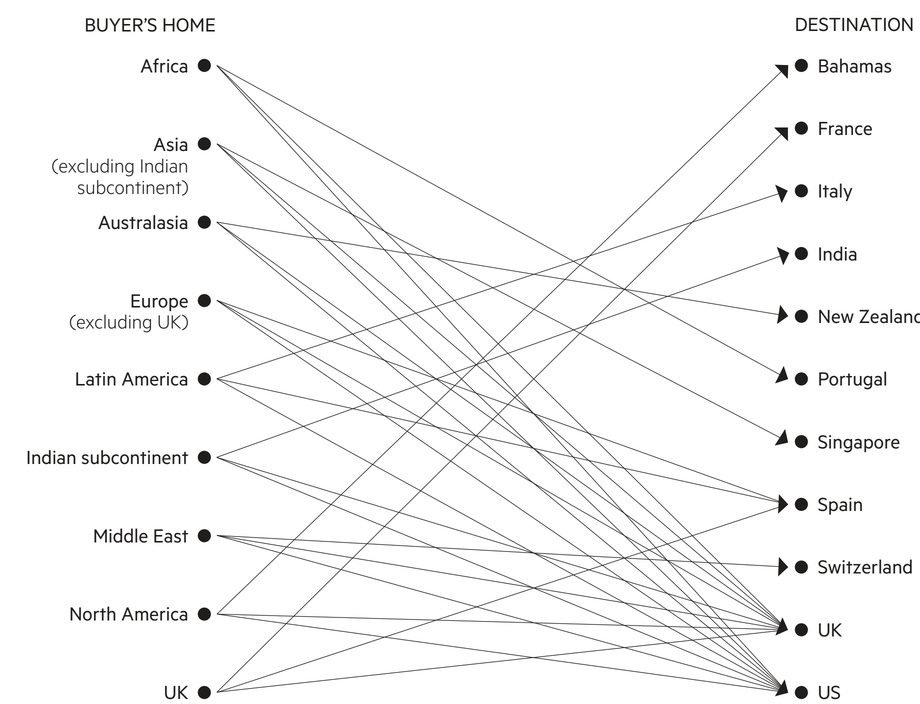
THE UK, US AND AUSTRALIA ARE FAVOURED FOR THEIR RELATIVE POLITICAL STABILITY AND ECONOMIC OUTLOOK

£200m

RECORD PRICE FOR A LONDON HOME (JANUARY 2020)

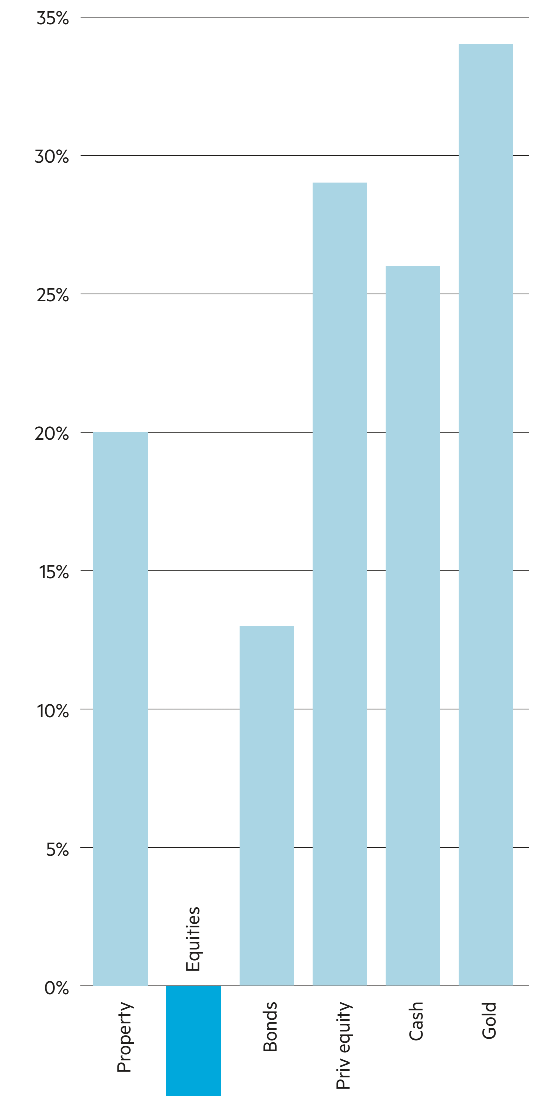
LOCATION, LOCATION, LOCATION

Top three destinations among those planning to buy homes in 2020



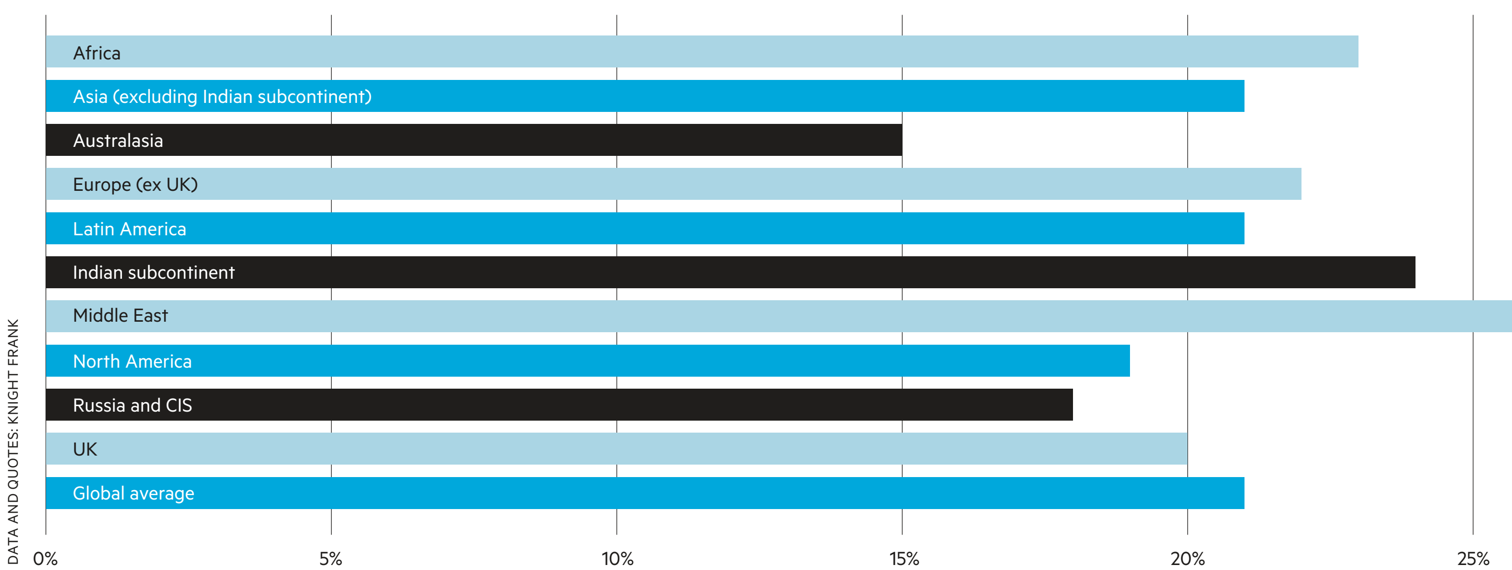
RICH FAVOUR GOLD, PRIVATE EQUITY, CASH AND PROPERTY IN 2020

Net percentage of clients planning increased investment in each asset class



ON THE HUNT

Percentage of clients planning to buy a home in 2020



DATA AND QUOTES: KNIGHT FRANK

@MPJVincent

THE RICH COLUMN
OVERCONFIDENT INVESTORS NEED DILIGENT ADVISERS WHO CAN ALERT THEM TO THREATS

BY MATTHEW VINCENT

Confirmation bias is one of the dangers in a market of rising asset values

Will the wealthy never learn about risk? A few months ago, Cambridge Associates — the investment firm with $350bn of assets under management — identified five "*unexpected*" scenarios investors should prepare for: "Correlations between asset classes during a sell-off…poor behavioural choices…a liquidity crunch…a lack of risk diversification…missing the opportunity to re-enter the market."

Yet anyone who remembers the 2007-08 financial crisis would surely not regard any of these as "unexpected" — and indeed would expect them to recur at some point. How, then, have clients' memories and expectations become so fleeting?

According to one wealth manager, the American Dialect Society's words of the year might help to explain. During the crisis, "subprime" and "bailout" were the epochal terms. By 2011, "fomo", or fear of missing out, nearly took the award. And, says multifamily office Tiedemann Constantia, even experienced, risk-conscious investors can succumb to financial fomo: the fear of missing out on returns, which can overcome caution even with markets at all-time highs.

"As a bull market reaches maturity, investors can become victims of their environments," explains Robert Weeber, Tiedemann Constantia chief executive. With each year of rising asset values, they suffer ever more "confirmation bias" — an overconfidence in their decision making because recent results have been good. Ed Raymond, head of portfolio management for the UK at Swiss bank Julius Baer agrees. "The longer the market rewards the investor, the less inclined they are to alter their behaviour, as the confirmation bias roots itself deeper and deeper," he says.

Nor is it in the interests of a sales-driven wealth management industry to flag valuation risks. "As a bull market enters thin air, the interests of investors and their bankers drift toward diametric opposition," says Weeber. "At the moment when advisers should be stewarding clients toward restraint, they are often incentivised to do the opposite."

Others take a more generous view and note that many advisers have no memory of losing out, making them just as susceptible to fomo. "About 60-80 per cent of the financial industry is renewed every cycle, so institutional learning fades," points out George Lagarias, chief economist at advisory group Mazars. "Even the older operatives after a long time of low risk will be hard-pressed to believe 'now is the time to panic'." He is not alone in thinking some professionals are now risk immune. Alexandre Tavazzi, global strategist at Pictet Wealth Management, notes that "depending on when your career started, you may have never been exposed to a long-term period of a rising cost of capital or long-lasting bear market".

Risk has been further pushed to the back of investors' and advisers' minds by central bank stimulus, not least the US Federal Reserve's low-interest rate policy. "Complacency comes from the fact that risks are now perceived as being managed by the Fed," argues Didier Saint-Georges, managing director at asset manager Carmignac. "Being risk averse is tantamount to betting against the Fed, which is not an easy option." What is easy, reckons John Veale, deputy head of investments at family office Stonehage Fleming, is buying into the Fed narrative. "Monetary policy has changed so dramatically since the [global financial crisis], impacting correlations between asset classes and making it easier to believe 'this time it's different'."

If anything, though, this just creates another risk, Lagarias says. He admits central bank policies have been successful in "actively suppressing risk" but fears this cannot last. "The real risk is in that suppression stopping, or markets losing faith in the abilities of central bankers to mitigate risks."

Or perhaps it lies in markets gaining a belief that cheap money has pushed prices too high. To Tavazzi, "a world where central banks keep the cost of funding low for everyone and subsidise market stability is by definition a fragile one…market risk has risen considerably as many financial assets have reached very high valuations". That makes old assumptions about certain asset classes being uncorrelated to each other quite dangerous, he feels. "The supposed 'natural hedge' may amplify portfolio losses instead of protecting it," he says.

The final word on why investors never seem to learn about risk comes not from recent history but prehistory. "Most investors, companies and even governments have over 10 years adapted very well to an environment of slow but positive economic growth, with ample liquidity and very low interest rates," says Saint-Georges. "They are like dinosaurs, perfectly adapted to their environment…so much so that, the day the environment changes, many might find it extremely difficult to survive."

Investors must therefore hope their advisers alert them to historical threats they have ceased to expect. "They need to be educators," says Weeber. "The risk discussion should be taking place constantly throughout the market cycle." ●

Matthew is reading… *The cost of Brexit, according to "challenger wealth manager" Netwealth. Not the £49bn hit to public finances recently estimated by an EU think-tank but the £9,100 hit to personal finances for two in five people with £50,000 of liquid assets who were put off investing them in 2019.*

@rhymerrigby

PSYCHOLOGY OF WEALTH

AS THE RICH LOOK TO BUY PRIVACY, IT IS SOCIETY THAT WILL PAY THE PRICE

BY RHYMER RIGBY

The Duke and Duchess of Sussex believe moving to Canada will take them away from prying eyes

Watching the travails of Harry and Meghan, the Duke and Duchess of Sussex, you are struck by a number of thoughts. One is that wealth can't buy privacy. Here is a rich couple whose privacy has probably been invaded more thoroughly than anyone else's on earth. But in the long term, maybe money can buy privacy. For many very wealthy people this is increasingly the case, and the idea that privacy is a kind of luxury good is gaining currency.

Research indicates the wealthy do indeed value their privacy. A 2016 Luxury Portfolio/YouGov survey found the top 10 per cent of property buyers in various national markets rated privacy as the most important characteristic when buying a home. Over the past decade, tech billionaires Elon Musk and Mark Zuckerberg have both bought houses near their own homes with a view to reducing or even demolishing the neighbouring properties. Many observers have suggested privacy is a driving factor.

Some rich folk go further. David and Frederick Barclay, the publicity-shy British hotel and newspaper magnates, built a castle on Brecqhou, an islet they own in the Channel Islands — presumably not because they just fancied the fishing. Lest anyone think this is a modern phenomenon, the reclusive rich have always been with us. In the 19th century, John Bentinck, the fifth Duke of Portland, dug miles of tunnels and built entire underground apartments beneath his estate in England's east Midlands so as to avoid seeing other people. Rather counter-productively, his construction works captured the public imagination.

Portland's digging is echoed in today's "iceberg homes" in London where owners excavate vast multistorey underground spaces away from prying eyes. The wealthy can take this into every sphere of their lives: from joining private clubs to travelling in private jets or yachts and holidaying on private islands, it is possible to live a life almost entirely insulated from the public.

It is not just physical privacy either. Increasingly the wealthy are concerned about their virtual privacy. In recent years, some celebrities have discovered the downsides of flaunting it on social media. The ringleader of the French gang that robbed Kim Kardashian in 2016 told police they had planned the heist by gleaning details from the reality television star's social media posts. The previous year, the rapper 50 Cent had come unstuck when he posed on Instagram with stacks of dollar bills. He had filed for bankruptcy and later told a judge the bills were stage props.

The wealthy can do everything from living in "invisible" homes (usually in gated enclaves where Google Street View cameras are not permitted) to joining exclusive social media networks such as Best of All Worlds and The Marque. A managed profile on the latter costs £1,500 a year.

But is it right that the rich can opt out of visible society, both physical and digital? The trouble is that it is not very good for society in general. Edward Glaeser, professor of economics at Harvard University, has suggested that "proximity breeds empathy" — which is to say that if you encounter people from different social strata in your daily life, you are more likely to understand how they feel.

A 2015 study from the University of Arizona suggests the rich tend to rate themselves as more empathetic than others. But how can they be? Millionaires who segregate themselves on privacy grounds are likely to know less about the concerns and struggles of ordinary people. As many of the elite are people in authority, including business and political leaders whose actions affect society as whole, this is not healthy for the quality of their decisions. As well as possibly harming others, they run the risk of damaging their own interests.

There are other negative effects too. The titans of Silicon Valley may be blasé about data collection, but in her 2018 book *Automating Inequality*, Virginia Eubanks talks about the "digital poorhouse" and suggests there is a growing divide between the poor — who tend to be highly reliant on no-cost online services that harvest personal data freely — and everyone else. The poor, she argues, need resources such as medical care provided with a personal touch. Instead, they get profiling and policing based on big data, and decisions that are often punitive are made by automated systems with no human interaction.

Some wealthy people will doubtless be troubled by this nexus of privacy for sale and inequality. But other, less empathetic, one-percenters may wish to embrace it. For them, the next frontier in privacy could be under water. Migaloo, an Austrian company, reckons it can build submarines that are like underwater superyachts. Its M7 concept is 283 metres long and would cost $2.3bn. A bigger barrier to community-building is hard to imagine. ●

PHOTO: DANNY LAWSON/PA

Rhymer is reading . . . Buffalo Soldiers *by Robert O'Connor. In this 1994 book set in a US army base in West Germany, the premise is that for soldiers, war may be hell but peace is even worse — the protagonist is a heroin-dealing battalion clerk.*

@StephenFoley

AMBITIOUS WEALTH
A TECH FOUNDER'S SPEEDY EXIT NEED NOT SPOOK INVESTORS

BY STEPHEN FOLEY

In just a few weeks after a lock-up expired, Travis Kalanick sold his stake in Uber for over $2.5bn

At this point, no one should be surprised to see Travis Kalanick flouting norms. This is a man who was so annoyed at the difficulty of getting a taxi in Paris that he created a ride-hailing app where people could summon a cab from their phone.

A man so determined to grow his creation, Uber, that he would steamroller through established public transport regulation and labour laws and challenge the authorities to stop him.

The FT named him one of the 50 people who shaped the past decade, even as it admitted "his rule-breaking enabled bad behaviour within the company and left bad blood with regulators that his successors are still scrambling to fix".

So when almost every financial adviser will tell a founder to act cautiously and move slowly when selling out of the company they created, it is only to be expected that Kalanick took a different approach. In the space of just a few weeks, following the expiry of a lock-up that prevented early investors from selling Uber shares, Kalanick dumped his entire 6 per cent stake, raising more than $2.5bn. On Christmas Eve, seven months after Uber became a public company in an $82bn flotation, he said he was leaving the company's board.

I asked Katie Hyde, who runs Goldman Sachs's private wealth business in San Francisco, if there were rules of thumb for entrepreneurs looking to exit after their company has gone public. Every client has different needs, of course, she said, but her advice is to keep sales to below 10 per cent of one's total holding in the first year. "When they are higher than this you have seen the market take it as a negative signalling factor."

That perception — that a founder is doubtful about a company's prospects — can be a real pain for their successors. Uber-speedy share sales can also be a negative for the seller, since putting great gobs of stock on the market will depress the price. Wall Street had a good idea that Kalanick and other early investors would be selling down heavily when the lock-up expired in November, which is one of the reasons Uber shares have languished so far below the price at which they debuted on the stock market in May.

By not spreading share sales over several years, a founder will also limit their ability to minimise the capital gains tax hit to their wealth, which clever advisers can do a lot to cap if they have multiple tax years to play with.

Kalanick had not been in the driver's seat at Uber since 2017 when his venture capital backers, worried after a string of scandals, pushed him from the chief executive job. He may have felt he had waited long enough already to exit the vehicle. As so often, he looks a special case. I suspect, though, that speedy departures might become more common among founders.

Perhaps that sounds counterintuitive. Our current start-up ecosystem is producing billionaires at a young age, for whom there is plenty of time to spread things out and no need to hunker down with a more conservative portfolio.

But that also means there is plenty of time to do it again. With urgent problems to be tackled or lucrative opportunities to be seized, why not switch quickly to a new venture? As Hyde said: "Tech founders are programmed to be visionary…they are audacious in what they want to do."

Kalanick is pouring much of his Uber fortune (including about $1.4bn he raised in a private share sale in 2018, long before the company went public) into a new business, CloudKitchens, which is building a property portfolio for renting to restaurants that sell through the world's swelling number of food-delivery services.

For founders not immediately tempted into philanthropy, these second acts may build on ideas they have had during their first acts; a clean break may not be a bad idea to avoid conflicts. For example, CloudKitchens and Uber Eats, Uber's food-delivery business, may end up partners — or rivals.

Whatever the venture, the ability to fund it oneself — to be one's own venture capitalist — might look a lot more attractive than hanging on to the stock from a previous company, regardless of the trade-offs in taxes and valuation. When you are your own venture capitalist, there are a lot more norms you can flout. ●

Stephen is reading… Margin of Trust: The Berkshire Business Model *by Lawrence Cunningham and Stephanie Cuba. Cunningham is a perspicacious chronicler of Warren Buffett, America's cuddliest capitalist. Recently these works have reflected Buffett's apparent focus on his legacy and preserving his investment vehicle, Berkshire Hathaway, in one piece after he is gone.*

PHOTO: JEFF CHIU/AP

TECH TYCOONS AIM FOR NEW FRONTIERS

SILICON VALLEY FOUNDERS STAND OUT WITH THEIR APPETITE FOR RISK

BY MILES KRUPPA
ILLUSTRATION BY
PETER HORVATH

Adam D'Angelo could have retired when he left Facebook at the age of 23. Instead, the social network's former chief technology officer, who saw his Facebook stake soar in value to over $100m after the company's 2012 initial public offering, enthusiastically threw himself into a career as a tech entrepreneur. He made dozens of investments in start-ups and founded his own venture, Quora, the world's leading question-and-answer site. As he once said in an interview: "I felt I could make a bigger impact on the world by starting something new, rather than just continuing to optimise Facebook."

It might have been easier to sit on the cash. With D'Angelo as chief executive, Quora has established itself as a global market leader in Q&A, and is now worth almost $2bn. But it has not been without its problems, not least recent lay-offs among its 200 staff.

D'Angelo's approach is representative of a new generation of tech executives coming to terms with financial success. The decades-long boom in technology has created riches at historically unprecedented rates, turning recent university graduates into youthful billionaires. Their sudden rise to spectacular wealth has forced these start-up founders to consider how they might spend and invest their fortunes.

Wealth advisers say that most people in the technology sector are unprepared for the changes that come with riches. But they are learning fast and developing a risk-on style that marks them out as a class apart among the rich.

Starting in the 1980s with figures such as Microsoft ▶

co-founder Bill Gates, technology had created 89 US-based billionaires by the end of 2018, including 19 in that year alone, according to an analysis by UBS, the Swiss bank.

Founders' deputies have also shared in the wealth creation, with nearly 130,000 start-up employees in the US being millionaires based on the value of their company shares and options, according to Carta, an equity-management software provider. Of those, 15,000 are worth more than $10m, and more than 1,000 have crossed the $100m threshold.

"They go from ramen and a studio apartment to being one of the wealthiest people in the country overnight," says Roy Bahat, head of Bloomberg Beta, a venture firm backed by the financial information company. "I don't know if we have the precedent" for that happening to thousands of people, he adds.

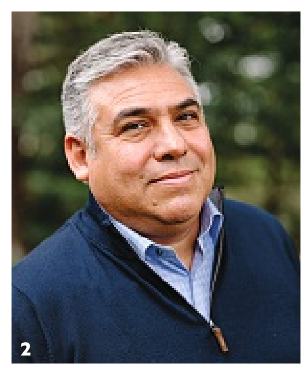
Like other wealthy entrepreneurs cashing in their shareholdings via stock market flotations or other exit routes, they buy houses, luxury cars, perhaps yachts. Larry Ellison, Oracle's billionaire co-founder, has taken that to the extreme by sponsoring a team in the America's Cup, the world's most expensive sailing race.

They also invest in property — especially in their home base of the US west coast — and traditional stocks and shares. Through his investment company Cascade Investment, Gates was once even a shareholder in Carpetright, a decidedly unglamorous British flooring retailer.

Family offices have been established, executive assistants have suddenly become chiefs of staff and philanthropic plans are being implemented, in ways that would look familiar to private bankers in New York, London or Zurich. But the tech generation still stands out for its willingness to pump money back into the industry. Entrepreneurs go for nascent ventures, often run by friends and acquaintances in Silicon Valley, teaming up with other cash-rich tech businesspeople and venture capitalists.

Recently, however, signs of caution have emerged, with some potential investors worried that the long tech boom may have run out of steam as valuations wobble at some of the largest start-ups. The sceptics see a loss of momentum following the boost provided by low interest rates in the wake of the 2008 financial crisis, which encouraged investors to plough in cash.

But for most, the appetite for tech is as big as ever. Investors have given more than $210bn to Silicon Valley-area start-ups in the past decade, representing nearly 30 per cent of all the money given to US start-ups during that period, according to estimates by EY, the business advisers. "People here are very comfortable with losing money on their investments," says one Silicon Valley-based wealth adviser. "In San Francisco, this is a form of charity. It keeps the whole ecosystem working."



1
Elon Musk's SpaceX is another product of his 'risk-on' investment style

2
Investment professional John China says tech founders take a hands-off approach to angel investing

3
Oracle's Larry Ellison has funded the US team in the America's Cup, pictured winning the 2013 race

PHOTOS: JASON HENRY/FT, SPACEX, GETTY IMAGES

'They go from ramen and a studio apartment to being one of the wealthiest people in the country overnight'

When start-up executives cash out, they often base their personal investments on the venture capitalists' model, looking for promising start-ups. These investors become "angels" writing $100,000 cheques, sometimes via special-purpose vehicles, which allow them to pool their resources.

"One of the things that happens in Silicon Valley when people make money is they want status. Angel investing is the status marker, whereas in other places it is giving," says Bahat, noting that high-profile tech founders often end up investing in each other's companies.

Wealth managers around San Francisco say their clients keep between 5 per cent and more than 60 per cent of their wealth in these investments. That range stands in contrast with the broader universe of family offices, which on average put 11 per cent of their capital in direct private equity investments, according to UBS.

John China, president of SVB Capital, a Californian investment company, says he has seen angels with upwards of 50 investments, discovered largely through their Silicon Valley networks. "They tend to take more risk with angel portfolios and don't really track them or worry about them," says China, whose company is part of Silicon Valley Bank, a big lender to start-ups and venture capital funds.

The portfolios can be lucrative. Amazon chief executive Jeff Bezos, for instance, was one of the first investors in Google, putting in $250,000 in 1998. His stake, purchased for four cents a share, would have been worth more than $500m at Google's IPO in 2004. Another huge second-generation bet to have made it to a public listing is electric car maker Tesla, whose chief executive and biggest investor is the audacious Elon Musk. He made his first tech fortune from the 2002 sale of payments group PayPal for $1.5bn to eBay (Musk held 11.7 per cent of the shares). Musk's risk-on approach to investment has been as much a part of the Tesla story as its technology, exemplified by the pledge he once made in an interview: "Optimism, pessimism, f*** that; we're going to make it happen."

Many of the tech elite have their sights set on the sky and beyond, including Musk with rocket-maker SpaceX. Bezos founded aerospace company Blue Origin; Paul Allen, the late Microsoft co-founder, started Seattle-based Stratolaunch, a space transport venture; Sergey Brin has put his weight behind a Zeppelin-like airship; and Larry Page, who co-founded Google with Brin, has backed Planetary Resources, an asteroid-mining venture, and electric aircraft maker Kitty Hawk.

The tech super-rich naturally spread their bets, investing through family offices with their own investment teams. Vulcan Capital, Allen's family office, counts 57 private investments on its website, including early stakes in Chinese ecommerce group Alibaba. Bezos's investment group, Bezos Expeditions, has made 26 disclosed venture investments, including stakes in holiday-let company Airbnb and car-hailing app Uber.

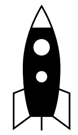
Some bets are already paying off and some are a gamble on the distant future, while others have already run into difficulties. The family office of Oracle's Ellison made headlines in 2017 with an investment in Japanese conglomerate SoftBank Group's $100bn Vision Fund, the largest tech venture investor. But, more recently, the fund's approach has been questioned in light of financial difficulties at one of its biggest investments, the co-working group WeWork. ▶

1

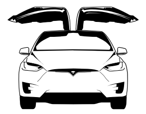
2

3

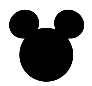
4



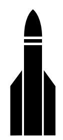
Jeff Bezos
Fortune from: Amazon
Worth: $117bn
Has invested in: Blue Origin (aerospace), Uber, Washington Post



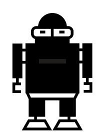
Sergey Brin
Fortune from: Google
Worth: $66.3bn
Has invested in: Tesla, 'Lighter Than Air' airship



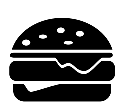
Laurene Powell Jobs
Fortune from: Apple
Worth: $27.3bn
Has invested in: Disney, Emerson Collective (social impact), Boom (aerospace), The Atlantic (publishing)



Elon Musk
Fortune from: PayPal
Worth: $29.7bn
Has invested in: SpaceX, Tesla



Mark Zuckerberg
Fortune from: Facebook
Worth $83.1bn
Has invested in: Vicarious (artificial intelligence), Asana (software), Iconiq Capital



Bill Gates
Fortune from: Microsoft
Worth: $113.9bn
Has invested in: Beyond Meat (plant-based food), Four Seasons Hotels, TerraPower (nuclear energy)

Multi-family offices, which manage investments for multiple wealthy individuals, also provide capital for start-ups. Iconiq Capital manages $13.9bn of assets and advises on another $18.8bn for Facebook co-founder Mark Zuckerberg and fellow executives, according to filings from the end of 2018. The firm has invested in private tech companies through an unconventional structure combining a traditional family office with separate registered funds that are open to external investors such as sovereign funds. The firm has also introduced these external investors and start-up founders to tech executives.

Some investments are difficult to distinguish from charitable grants, blurring the lines between profit and philanthropy. Zuckerberg pledged up to $1bn a year to a controversial organisation spreading money across grants, political donations and start-up investments. The Chan Zuckerberg Initiative, co-founded with his wife Priscilla Chan, has called itself "a new kind of philanthropy", registering as a limited liability company. When Zuckerberg committed 99 per cent of his Facebook stake to the group in 2015, those shares amounted to more than $45bn in value.

Laurene Powell Jobs, the widow of late Apple co-founder Steve Jobs, has also organised her "social change organisation" Emerson Collective as an LLC. Its investments range from the magazine The Atlantic to the supersonic jet start-up Boom. According to data provider PitchBook, Emerson Collective has made 48 venture capital investments since 2013, alongside its other philanthropic work.

Powell Jobs is only one of several tech billionaires who have invested in the media, at least partially to ensure press freedoms. Bezos, who bought the Washington Post in 2013, has said he believes the newspaper "has an incredibly important role to play in this democracy", though the arrangement has been criticised by press watchers wary of the influence he could exert over the institution's output.

Bahat of Bloomberg Beta says traditional non-profits have lamented the difficulty of raising funds from wealthy tech executives, so they need to try new approaches. He has begun hosting events where millionaires from recent IPOs discuss productive ways to grow and disburse their wealth. "In a way, it's really nice because they don't put on airs," says Bahat. "And in a way, it's really weird because they don't know what to do."

After amassing $3.6bn from selling WhatsApp to Facebook for $22bn, co-founder Brian Acton opted to funnel money into another encrypted messaging app, the non-profit Signal. He did, however, walk away from stock options worth $850m following a disagreement over the monetisation of WhatsApp; he also joined the "#deletefacebook" campaign. Jan Koum, the other WhatsApp co-founder, shifted his focus to more conventional super-rich pastimes after the 2014 sale, posting that he would be "collecting rare aircooled Porsches, working on my cars and playing ultimate Frisbee".

Gates's Cascade has also taken a more conventional route — in investment terms — and has compiled an active stock portfolio reminiscent of hedge funds, alongside out-of-favour property holdings. Iconiq has become a significant investor in data centres, which, though high tech, are relatively low-risk infrastructure investments.

This more cautious investment approach, where wealth preservation takes priority over investment growth, is becoming more common in Silicon Valley. Wealth advisers say tech multimillionaires have begun asking pointed questions about the long bull run for US stocks, including the tech companies from which they made their fortunes. Start-up founders are also starting to cash out increasing sums from their businesses earlier in their life cycles, fearing that the flood of capital into the industry may not last if the likes of SoftBank and sovereign funds beat a retreat.

PORTRAIT: TALIA HERMAN/FT

1
Laurene Powell Jobs invested in Boom, a maker of supersonic jets

2
Financial adviser Helen Dietz says some clients put up to a quarter of their portfolios in start-ups

3
Larry Page has backed Kitty Hawk, which makes electric flying vehicles

4
Bill Gates has recognised the trend for plant-based food by investing in Beyond Meat

Melissa Bender, a San Francisco-based partner at law firm Ropes & Gray, says special-purpose vehicle structures used by angel investors might even contravene securities regulations, noting that high-profile angels sometimes charge fees to arrange deals. US Securities and Exchange Commission rules require that investment managers charging fees are registered with the regulator. Bender says many young tech entrepreneurs are used to their industry's relative lack of regulation compared with asset management. "These are also folk who have been rewarded for being willing to take on a lot of risk," she adds.

One wealth adviser has observed a shift away by tech founders from angel investments. Instead they are putting money into more mature companies alongside blue-chip venture capital firms such as Benchmark Capital and Sequoia Capital. Jennifer Forster, a partner at San Francisco-based wealth manager Epiq Capital Group, says investors recently have been able to sell shares at high prices in secondary markets, allowing them to cash out significant portions of their stakes. "After a 10-year bull market, there is a feeling that 'maybe I should monetise while I can'," she says. "But the flip side is you have people who are building these tremendous companies that are growing at 150 per cent a year. There aren't many assets like that where you're able to invest."

'These are folk who have been rewarded for taking on a lot of risk'

Epiq, which was spun off from Iconiq in 2018, manages more than $2bn for about 50 wealthy families, including tech founders in the San Francisco area. The firm tends to accept families with at least $50m-100m of investable wealth and becomes involved in their lives, handling matters such as the privacy of their donations and home purchases, Forster says. She says Epiq aims to be a long-term investor and thinks there is still more "alpha", or outperformance, available to investors in private markets.

Helen Dietz, a principal in Mountain View, California, for the financial adviser Aspiriant, says some of her clients reserve as much as a quarter of their portfolios for investment in start-ups and other speculative ventures. But one of her younger tech founders has set aside only about 10 per cent for such stakes, she says, noting that her clients tend to view such personal investments as profitmaking opportunities, rather than primarily about status or altruism.

Tom DeFilipps, a lawyer at Covington & Burling in Palo Alto who advises start-up founders, says he has seen little decline in Silicon Valley's appetite for risky investments. "You have all of this wealth, and there's just a limited amount you can do with it within the confines of the way people behave in Silicon Valley," he says. "There's not a lot of outsized demonstrations of wealth here." He notes that his clients still ask him: "What else am I going to do with my money?" ●

KEEPING IT IN THE FAMILY, THE JAPANESE WAY

WHEN A BUSINESS LACKS TALENTED NATURAL HEIRS, AN ADOPTED SUCCESSOR CAN INJECT NEW ENERGY

BY ROBIN HARDING
PORTRAIT BY KO SASAKI

Junji Torigoe's path to true love, and the leadership of one of Japan's fastest-growing private companies, began at the offices of a supermarket in suburban Gunma prefecture.

He was a young trainee for Snow Brand Milk, a producer of dairy foods, doing his first tour out of university as a salesman in the unfashionable Tokyo hinterland. Visiting the same supermarket that day was a young woman selling tofu. The pair hit it off and became a couple. She, it turned out, was Chikako Ebara, the third daughter of Kan'ichi Ebara, founder of a small local tofu maker called Sagamiya Foods. "It can't be that she was impressed with my sales skills," says Torigoe. "She's a better saleswoman than me."

Finally they decided to get married, and with the blessing of his father-in-law, Torigoe came across to join the tofu business. That made him the latest heir to a long tradition: the son-in-law who takes over the company.

For hundreds of years, owners of Japanese companies have been adopting their sons-in-law as a way to recruit talent — a practice known as *mukoyoshi* — giving rise to the saying "You can't choose your sons, but you can choose your sons-in-law". The histories of *zaibatsu* (conglomerate) families such as Sumitomo, Mitsui and Iwasaki (of the Mitsubishi group) are studded with adopted relatives and sons-in-law.

The practice continues today, not least because it seems to lead to commercial success as well as cementing family control. "The big issue in Japan now is ageing and corporate succession," says Chieko Date, a professional matchmaker who runs the Tokyo-based Mukoyoshi Support Centre, which introduces business families to potential sons-in-law. Such an arrangement is "like mergers and acquisitions", ▶

Asao Sakamoto and his wife Rie, whose surname he took, outside their family lacquer business

‘We didn’t really have a plan. If we’d made a plan, it wouldn’t have worked. You may not believe it, but it was intuition’

she says. She completes one or two such marriages annually. “I’ve had lots of examples of a successful marriage and somebody increasing sales two- or threefold.”

At Suzuki Motor, successive chief executives have been adopted sons-in-law, including former banker Osamu Suzuki, who joined the family in 1958 after an arranged marriage. He led the company until 2015, when his natural son Toshihiro took over. (Osamu Suzuki’s son-in-law Hirotaka Ono, the designated successor, had died unexpectedly in 2007.) Another adopted son-in-law is Michio Matsui, chief executive of Matsui Securities, an online stockbroker.

Traditional practice involved an arranged marriage and the legal adoption of the son-in-law, allowing for a dispassionate choice based on ability and ensuring the incomer took the family name. But today, business families must be more flexible, as Torigoe’s case shows: the couple chose each other, and he has kept his name and not been legally adopted.

Marrying into money and being parachuted into the top job may be a fantasy for many young workers at family-run companies. But Sagamiya Foods was not obviously a prize, nor did Torigoe start at the top. His new life began with an apprenticeship in tofu, and to avoid any resentment in the ranks the factory was not told this recruit was the boss’s son-in-law. “I felt that if you’re going to sell tofu you have to understand it. So for two years I was getting up at 1am, not just learning how to make tofu but doing it,” he says. Tofu sold in Japan is a fresh product with a short shelf life, manufactured through the night for distribution the next day.

Torigoe, however, began to wonder what sort of business he had got into. Like much of the traditional Japanese diet, tofu is in decline, as older generations eat less of it and younger people prefer meat and precooked foods. Tofu is a cottage industry, and the number of factories halved between 2005 and 2018, from 13,026 to 6,143. As a regional player, Sagamiya was not well placed to weather the decline. “It was growing, but the situation was extremely tough. They were working away, churning out products every day, but there wasn’t much sense of direction,” says Torigoe.

Kan’ichi Ebara and Torigoe took the bold decision to build Japan’s largest tofu factory. But this required a ¥4.1bn ($38m) investment, financed by debt, for a company with sales of only ¥3.2bn. No sensible sales forecast could justify the increased capacity and, crucially, other family members were reluctant to go ahead with the expansion.

“Everyone around us was totally against it. Kan’ichi Ebara had his wife and three daughters — I was married to the third — and they wanted stability, not adventure,” recalls Torigoe. “They said, ‘Dad, why are you going to bankrupt us?’ We didn’t really have a plan. If we’d made a plan, it wouldn’t have worked. You may not believe it, but it was intuition.” In a pure family company, conservatism would probably have won out, and the investment would never have happened, but at Sagamiya Foods it did.

Academics who have studied Japan’s son-in-law adoptions argue that it provides family-owned companies with an effective counter to the potential laziness that comes with inherited wealth or the regression towards mediocrity that comes when selecting heirs only from natural children.

Business school professors Vikas Mehrotra, Randall Morck, Yupana Wiwattanakantang and Jungwook Shim analysed the performance of Japanese listed companies between 1962 and 2000. Around one-third had some kind of family control throughout this period. The research showed businesses run by their founders did best, but those run by sons-in-law came next, outperforming not only blood heirs but non-family professional managers too. There is no data on daughters-in-law because tradition-bound Japanese business families have almost always adopted boys.

The deployment of sons-in-law as managers, the researchers suggest, explains why Japanese family businesses do better than those in other countries. “This practice, and the incentives it creates for both professional managers and potential heirs, plausibly renders Japanese family firms more professionally managed than their peers elsewhere, in that star professionals occupy the top job,” they wrote in a 2013 paper in the Journal of Financial Economics.

1
Junji Torigoe, who built Sagamiya Foods into Japan’s biggest tofu maker

2
Family and staff of Sakamoto Otozo Shoten, a precursor of Urushi Sakamoto, at a 1938 wedding

PHOTOS: KO SASAKI/FT, AMIT DAVE/REUTERS

Osamu Suzuki, under whose leadership the carmaker broke into India, visits the site of a proposed factory in Gujarat in 2012

One company that has benefited from recruiting the right son-in-law is Urushi Sakamoto. Based in Fukushima prefecture, north of Tokyo, the company is run by Asao Sakamoto, who was adopted by the family and changed his surname from Suzuki when he married the owner’s daughter, Rie. The company was a wholesaler of lacquer, once a big business in Japan. But lacquer was declining rapidly by the time Sakamoto took over in the early 1970s.

“I wanted to make things. Wholesaling didn’t fit my approach and I thought it was better for us to become artisans. My background was electronics, so we started applying lacquer to speakers or white goods to add value, then promoting it to big manufacturers,” he says. Under the son-in-law, the company has gradually been reborn with two business lines: Asao Sakamoto working on electronics and Rie producing lacquer-based accessories such as jewellery. The company now has 30 staff and the Sakamotos’ daughter’s husband has joined the business, putting another son-in-law in position for the future.

Under its line of adopted chief executives, Suzuki Motor has successfully specialised in small cars and held its own in the international market, despite being relatively small in scale. Most famously, under Osamu Suzuki, it broke into India and, though a joint venture with state-owned Maruti, became the market’s largest player.

In terms of scale of transformation, though, even Suzuki cannot match what Torigoe did at Sagamiya Foods. With the new factory, the father-in-law had a goal of tripling the size of the business to ¥10bn in sales. But the son-in-law was thinking on a different scale: he imagined a company with ¥100bn in sales, 30 times their starting point.

The new factory opened in 2005. “Everyone told us we were going bankrupt,” says Torigoe, but by the time he formally took over as president in 2007, sales had doubled. The new boss put adverts on television and started to churn out hit products: tofu noodles and pre-packed tofu stew.

The company blew through ¥10bn in sales in 2009. “When we passed ¥10bn we went for a drink, just the two of us, and Ebara said, ‘Tori-chan, my goal was ¥10bn and you’ve already passed it.’ That made me very happy,” says Torigoe. But he had only just begun. All over Japan, tofu makers were going out of business, and begging Sagamiya to save them. Torigoe criss-crossed the country, buying and turning around lossmaking rivals. “Put simply, we chuck out all of their financials and keep the craftsmanship. They always have a strength in making good tofu, so we keep that and ditch everything else,” he says.

Sagamiya Foods is now Japan’s biggest tofu maker, with sales of ¥25.4bn in 2018. “We were a midsized producer from the provinces and the big-city companies looked down on us: ‘Sagamiya, who are they?’ Some of the people who said that, their companies are part of our group now.”

The company still has to quadruple sales if it is to hit Torigoe’s target, but with the global trend towards plant-based food reviving tofu, and continued scope for acquisitions, he is bullish. His approach is short on spreadsheets and long on boldness. “If you know everything, you’ll see nothing but risks,” he says. “The idea is to move so quickly that the risk never catches up with you.”

For older business owners who want to see their own achievements surpassed and their company prosper, the lesson is simple: choose a good son-in-law. ●

PROPERTY

THE WALDORF ASTORIA BIDS TO SELL LUXURY HOMES DESPITE DOLDRUMS IN THE MANHATTAN MARKET

BY LINDSAY FORTADO

Manhattan's flagging market for luxury homes is being put to the ultimate test, with the sale of apartments in the Waldorf Astoria hotel, possibly New York's most glamorous address.

The art deco building has been synonymous with fame and fashion for more than a century, counting royalty, stars of entertainment and politicians among its guests, and hosting some of the city's grandest parties. Composer Cole Porter used to live here, as did former US president Herbert Hoover and the Duke and Duchess of Windsor. Frank Sinatra sang in the glittering ballroom.

Its current owner, the embattled Chinese insurer Dajia, hopes the hotel's cachet will translate into sales of renovated luxury apartments after it spent more than $1.95bn purchasing the building in 2014 and a further $1bn on reconstruction.

Broker Dan Tubb of Douglas Elliman, an estate agent with exclusive rights for marketing Waldorf properties, is convinced buyers will overcome the weakness of the luxury market, where sales have slumped and prices have dropped amid reports of oversupply. "Because of that global awareness and love for the property, I believe there's going to be a greater passion for this building than really any other residential property in the city," he says.

Other agents are not convinced. Andrew Brenta, president of New York-based broker UbiQ NY, which has a mostly international client base, says he has yet to receive any inquiries about the development. "Probably due to its location and a saturated luxury market, I have had no interest — literally zero," he says.

Dajia, formerly known as Anbang, is converting the historic 1,413-room hotel into one with 375 rooms, plus 375 residences for purchase, marking the first time anyone will be able to own a home in the Waldorf. The apartments, which are slated to go on sale before the spring, will hit the market in the midst of one of the worst luxury property slumps in Manhattan in recent years. Sales of apartments priced above $5m were down nearly 38 per cent year on year in the fourth quarter of 2019, according to data from Douglas Elliman.

1
The Waldorf Astoria's Park Avenue entrance
2
Actor David Niven and future US first lady Jackie Kennedy at a 1956 gala in the ballroom
3
A pool that will be for the exclusive use of apartment residents
4
The building's new residential lobby

1


2

The market downturn has been caused by oversupply of the most expensive properties, economic jitters among buyers and the expectation that prices may have further to fall. A pullback by foreign buyers, including wealthy Chinese and Russian investors, and tax changes that have negated some incentives to purchase a home rather than rent, have accelerated the slump.

An updated New York City mansion tax, which took effect in mid-2019, added a sliding scale of charges on purchases of homes costing more than $1m. In addition, tax reforms by US president Donald Trump put a limit on how much state and local tax could be deducted from federal taxes, making it more expensive to live in high-tax states such as New York.

Garrett Derderian, managing director for market analysis at New York-based real estate broker Core, says there will "certainly be some buyers who only want to purchase in the Waldorf given the name recognition and historic nature of the building itself, which may result in an initial bump of activity". But he warns: "I do not anticipate this building bucking the trend in terms of the overall market direction. Competition is exceedingly tough in this space and price point, and many new developments at similar price points offer a [wider] range of amenities."

Derderian adds that the location in a predominantly commercial district — among the corporate headquarters of Park Avenue — as opposed to an upmarket residential neighbourhood, could be a hurdle.

However, Dajia and its agent hopes the Waldorf apartments will buck the market. "When I speak to people about what I'm doing they light up and tell me their stories [of staying at the hotel]. That is an immediate differentiator between this building and the rest of the buildings on the market," says Tubbs. He says he has received inquiries from prospective buyers "in every continent except Antarctica", many looking for pieds-à-terre, plus New Yorkers hoping to buy a piece of history. Some have expressed interest in what were rooms or suites occupied by celebrities known to have stayed at the Waldorf.

PHOTOS: NOE & ASSOCIATES/THE BOUNDARY; GETTY IMAGES

Dajia has created a range of smaller, cheaper apartments, starting at $1.7m, in addition to larger, more luxurious options, including two penthouses in the hotel's two pinnacles. More than half of the 375 units will be studios or one- or two-bedroom apartments, with an average size of 1,560 square feet, making them more affordable.

The hotel was originally opened in 1893 on Fifth Avenue but was later demolished to make way for the Empire State Building. It was rebuilt at its current location in 1931, occupying a full city block between Park and Lexington Avenues and 49th and 50th Streets on the east side of Midtown Manhattan. Debra Schmidt Bach, curator of decorative arts at the New-York Historical Society, says the Waldorf's historic use of cutting-edge technologies sets it apart.

The location in a mainly commercial district could be a hurdle

The hotel was the first with telephones in every guest room and one of the first to offer room-service dining. In 1939, it was also one of the first in the world to add air conditioning. The original hotel had a roof garden that could be converted to a skating rink in winter, and was among the first to have a men's barber shop and women's beauty salon on the premises.

The 1931 building was the first skyscraper hotel, at 47 floors, and had its own private underground railroad platform, where dignitaries such as US president Franklin D Roosevelt could arrive in secrecy. It was also one of the first places in the US where women were allowed to dine or have tea publicly, and where women were allowed to smoke.

"The hotel was expensive to stay in, so it really attracted an upscale and wealthy clientele," says Schmidt Bach. "It wasn't built to attract businesspeople, so it became associated with a different social milieu." The hotel retained a level of glamour through the 1970s into the 1980s, but by the time it was landmarked by the city in 1993, "it had seen better days and there were many other hotels that were newer", she says.


3


4

Dajia has hired French architect Jean-Louis Deniot to design the apartment interiors, which he has given an updated art deco look. The building will have a private *porte cochere* entrance, and personal concierge closets for secure, discreet package deliveries.

The building's future ownership may depend on how well sales go. Dajia started life as Anbang, an acquisitive private group run by chairman Wu Xiaohui, who built a debt-fuelled global banking, insurance and property empire, and bought the Waldorf from hotel chain Hilton Worldwide.

But Anbang ran into financial difficulties and was taken over by the Chinese government in 2017. Wu was accused of fraud and later sentenced to 18 years in prison. Beijing, which renamed the company last year, is now in talks with investors over the sale of its 98 per cent stake in the whole group, as well as stepping up sales of Dajia assets, including the Waldorf properties.

Andrew Miller, chief executive of Dajia US, says the state aid has helped the company achieve stability. It is "very firmly committed" to completing the Waldorf project, he says. "There is a broader recognition within the company and beyond of its importance." The coming months will show whether property buyers agree. ●

EQUITIES

REPUBLICAN OR DEMOCRAT — DOES IT MATTER WHO IS IN THE WHITE HOUSE?

BY MATTHEW VINCENT

'The reason our stock market is so successful is because of me." Of the many phenomena US president Donald Trump has taken credit for — factory openings that predate his political career; the Ethiopian prime minister's Nobel Peace Prize; people saying "merry Christmas" to each other — this is perhaps one that bears some scrutiny.

Partly because US equities have returned 12 per cent a year, after inflation, during his presidential term to date — well ahead of the postwar average of 8 per cent. And partly because many market watchers attribute the positive sentiment to Trump's corporate tax cuts. So, as he prepares to fight for re-election, having been acquitted in his Senate impeachment trial, the effect of politics on portfolios needs to be taken seriously.

This year's US election arguably will have a greater impact on markets than before, as monetary stimulus — credited with much of the bull run — looks to have been played out. "There is a real concern among investors that central banks have run out of levers to stimulate the economy," says Sunaina Sinha, founding partner of Cebile Capital, an advisory firm. "Therefore, looking at the next few years, the election is actually pretty critical to economic outcomes."

Economic theory, and the political leanings of much of Wall Street, suggest that stock markets will respond more positively to a win for Trump, a Republican, than for any Democrat. "Historically, equity markets have favoured Republican presidents as they generally have more market-friendly policies," says Iain Tait, partner at wealth manager London & Capital.

A longer-term analysis shows, however, that in fact investors are not as well rewarded under Republican leaders as Democrats. "We might think the Republicans' pro-business credentials might boost growth and capital markets," says Kevin Gardiner, global investment strategist at Rothschild & Co Wealth Management. "In fact, on average, in the postwar period, Republican presidents oversaw sub-par growth and equity market returns."

Natixis Investment Managers has updated the numbers since 1976. It found that the average annualised return under Democratic presidents has been 14.3 per cent, against 10.8 per cent under Republicans. A compounding of the parties' market performance shows that a continuously held Democratic portfolio outperforms a continuously held Republican portfolio by even more: the Carter-Clinton-Obama Democratic presidencies produced an average annualised return of 14.9 per cent, against 4.9 per cent for the Republican Reagan-Bush Snr-Bush Jr-Trump presidencies.

'Fluctuations in economic growth and interest rates usually count more than the electoral cycle'

Why is this? One reason is a tendency for poor stock market performance in the fourth and final year of Republican presidents' terms — an occurrence that Russ Mould, investment director at wealth manager AJ Bell, attributes to market fears of a possible swing to the left if a Democrat were to win the imminent election.

PHOTOS: PABLO MARTINEZ MONSIVAIS/AP; JOYCE NALTCHAYAN/GETTY IMAGES

But a bigger reason by far, says David Lafferty, chief market strategist at Natixis, is the skewing of stock market performance under Bush Jr by the dotcom bust and global financial crisis. "The difference in the compounded results stems completely from the Bush [Jr] administration, where the S&P 500 fell a cumulative 22 per cent from November 2000 to October 2008," he notes. So much so that it may give a misleading picture. "The results of Bush [Jr] drag down the Republican totals significantly. In fact, when measuring these seven presidents, three of the top four were Republican (Reagan/Trump/Bush Snr)," Lafferty points out. Democrats, meanwhile, owe their strong outperformance almost entirely to the Clinton boom years.

With the results clouded by both compounding and outliers, he concludes that "party affiliation of the US president is a poor framework for thinking about equity returns".

Presidential policies may be a better way. In the case of Trump, that means balancing two policy positions: domestic economic stimulus, and foreign political and trade aggression. So far, Mould, believes the benefits of the former have outweighed the market risk of the latter. He suggests the recent strength of the US economy and its companies is "thanks in no small part to the Tax Cuts and Jobs Act of December 2017 and also [Trump's] hectoring of the Federal Reserve for lower interest rates and lower borrowing costs for consumers and corporations alike".

Not only have the central bank's low rates reduced the relative attractions of cash and bonds compared with equities, they have left cheap cash needing a home — and the equity market has been an obvious destination.

Indeed, investors appear so satisfied with cheap debt and expensive equities that they can overlook the president's willingness to provoke hostile powers, be they North Korea or Iran. Mould says investors seem far less occupied by "the potential implications of a policy overspill and conflagration in the Middle East".

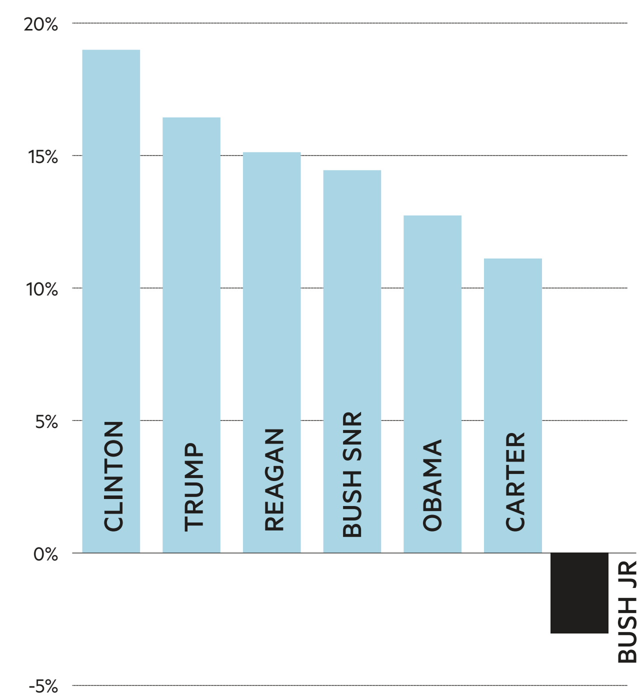
That is certainly the order of priorities for equity investors ahead of the 2020 election, says Tait. "I believe Trump's business-friendly agenda will outweigh market pressure from the geopolitical backdrop," he says. "His policies and actions have had a net positive impact on the US economy and corporates so far: tax reform has given a far greater economic boost than trade wars [have] reduced growth."

However, for clients of wealth managers — who typically invest over longer time horizons — short-term stimuli and share price moves might not be an appropriate basis for asset allocation.

Lafferty argues that with respect to the economy, "a real case can be made" that Trump's policies have put a brake on business. He finds that in spite of tax cuts and deregulation, US economic growth has failed to gain speed: in Trump's first 11 quarters as president, US gross domestic product grew by an average of 2.6 per cent — identical to the growth rate in the last 11 quarters under Barack Obama. Business investment and industrial production have struggled. That is a reason to be more cautious on equities if you share Lafferty's view that the economic cycle matters far more.

Most wealth managers do. "Fluctuations in economic growth and interest rates usually matter more than the electoral cycle," says Gardiner. "The 1970s were by far the worst postwar decade for investors; the 1990s were likely the best. Presidential policies had little impact on either." Mould agrees, as the economy determines earnings, which in turn determine share prices. "In the end, corporate profits and especially cash flows drive equity valuations and they are largely, if not exclusively, the result of the broader economic cycle," he says.

US EQUITIES: ANNUALISED RETURN



Data: S&P 500. Source: Natixis

1
Donald Trump has so far outstripped his predecessor, Barack Obama, for annualised returns

2
Bill Clinton, who presided over the 1990s boom

Valuation history is also a much more reliable guide to share price performance than political history. A glance at Robert Shiller's cyclically adjusted price/earnings ratio shows the S&P was trading on historically lowly valuations in 1949 and 1953 ahead of the Truman and Eisenhower administrations, which oversaw 60 per cent and 65 per cent market upturns. Shiller valuations were "rock bottom" ahead of the two Reagan terms, which produced 29 per cent and 81 per cent upturns. By contrast, George Bush Jr came to power just as the tech bubble had driven valuations to "dizzying and disastrous heights".

"We should always be mindful that economic cycles cannot be abolished, even by politicians," advises Tait. Equity investors, therefore, should perhaps remember the campaign advice given to another presidential impeachee, Bill Clinton: "It's the economy, stupid!" ●

OPINION

WEALTH MANAGERS NEED TO MARKET THEMSELVES IN A MORE RELEVANT WAY TO TODAY'S CLIENTELE

BY APRIL RUDIN

I have built a global wealth management marketing firm over the past 12 years by identifying trends that were under many wealth managers' radars. For example, I was an early advocate of marketing to millennials after focusing on the $30tn "great wealth transfer" expected to pass to this generation from their parents in the US alone over the next few decades.

I have been happy to see the wealth management industry making large strides in diversifying its marketing to show more women and a greater variety of ethnicities and ages.

Yet in the movement towards more customised marketing, the wealth management sector has been slower to adapt than other industries, relying instead on the one-size-fits-all approach that worked in the past, when clients were overwhelmingly older white men.

This non-customised marketing approach poses problems at a time of growing diversity among the world's wealthy and the development of digital technologies that enable much more personalised marketing. It fails to address the challenges created by increasingly globalised markets for wealth management.

Fortunately, there are solutions that can help firms appeal to high-net-worth individuals (people with at least $1m in liquid assets) via unique selling points. Take, for example, Swiss bank UBS's marketing to the very rich (full disclosure: UBS has been a client). As a global wealth management giant, UBS has focused its marketing on emotional concerns, such as building a legacy, which creates a unique appeal for clients.

April Rudin is president of the Rudin Group

1
Peter Flavel, Coutts' chief executive, has encouraged a friendlier approach to clients

2
Ivorian photographer Joana Choumali, winner of the 2019 Prix Pictet, sponsored by the Swiss bank

Meanwhile, Pictet, a Swiss private bank, appeals to potential clients through their artistic tastes, with extensive use of high-class pictures, as well as sponsoring the Prix Pictet, a photography prize.

Wealth managers in the US are at the forefront of innovating technology. For example, Fidelity Investments, the investment management group, worked with tech group Amazon to create Cora, a virtual-reality financial agent that can respond to vocal commands. This is not only an investment management tool but also a differentiator in a crowded and competitive market.

Looking at some other firms, I sometimes feel that if two rivals were to switch logos, they could pass for each other. This lack of differentiation mattered less when firms could rely on their names alone to appeal to the baby-boomer generation.

However, studies show millennials and younger adults are not wooed by big names in financial services and even mistrust them after the 2008 financial crisis. Almost half — 48 per cent — of high-net-worth individuals are under 40, according to the 2019 Capgemini World Wealth Report, so it is essential wealth managers understand how to market to these potential clients — who come from a more diverse range of countries and cultural backgrounds than ever before. One size cannot fit all.

Moreover, unfocused marketing fails to present clients with a unique value proposition. This tends to encourage customers to choose the firm with the lowest fees rather than the most suitable services for them.

It is not just less affluent investors who are concerned about pricing. High-net-worth individuals, too, are dissatisfied — more than half of those polled in a survey for a 2018 Capgemini report, Top 10 Trends in Wealth Management, complained about costs.

PHOTOS: PETER NICHOLLS/REUTERS; DAVID LEVENE

This has attracted new firms to the market offering lower fees.

Fortunately for the industry, rich clients are less concerned about the overall level of fees than they are about fee transparency and value for money, as the Capgemini report also notes. Wealth managers, therefore, have options other than just cutting fees. Instead, they should use their marketing to highlight the unique value they provide.

Millennials are not wooed by big names in financial services

For firms to convey their message they must first understand their unique value proposition — firms too often lack a clear view of what differentiates them and their services from competitors. Too many simply advertise general qualities — such as a "robust investment strategy" or a "client-focused approach" — even though their competitors are saying the same thing.

Firms should articulate what makes their services unique. For example, JPMorgan highlights its online wealth management tools, such as Portfolio Analysis and Investment Comparison. These appeal to clients who prefer digital channels, and signal that JPMorgan is at the forefront of innovating to improve the client/adviser experience.

Memorable experiences can help generate word-of-mouth recommendations

Or look at Coutts, the UK private bank founded in 1692 that is now part of the RBS group. It is well aware that such a long-established institution might seem a little aloof, especially as the current chairman, William Waldegrave, is the son of an earl and the latest in a succession of aristocrats to head the bank. For this reason, it has tried to bring itself closer to customers — and seem a little friendlier — with warm advertising content and a letter to clients headed "Your Annual Update From Peter". "Peter" is the bank's chief executive, Peter Flavel, an Australian-born ex-lawyer.

As rich people place greater importance on their relationship with their wealth adviser, firms also have the opportunity to look beyond their products to differentiate themselves. The 2019 Capgemini report found that the top 25 per cent of firms ranked for a strong personal connection financially outperformed the firms in the bottom 25 per cent. People make a difference — and help generate differentiation.

SIS International, a research company, has identified that creating memorable experiences is a successful strategy for reaching wealthy clients. By focusing on the details, being sincere and making clients feel special, advisers can create a lasting impression. These memorable experiences can help generate word-of-mouth recommendations, leading to new opportunities to meet new clients.

Wealth managers must not forget that emotional appeal is critically important in effective marketing, especially when the products and services themselves look pretty similar.

While digital tools are at the forefront of communicating with clients, there is no replacing the importance of a personal connection. ●

18+

WHAT IS AVAXHOME?

SOCIAL MOBILITY

THE FRENCH FOUNDATION BUILT ON A WARTIME VOW TO KICK-START THE CAREERS OF YOUNG PEOPLE

BY HARRIET AGNEW
PORTRAIT BY MAGALI DELPORTE

There is no doubt in Elisabeth Badinter's mind why her businessman father started awarding grants to young people seeking to fulfil their dreams. His foundation, the Fondation Marcel Bleustein-Blanchet de la Vocation, has handed out more than 1,600 bursaries over the past 60 years.

"This foundation originated from a feeling of debt that my father held," says Badinter, 76, who has presided over the organisation since his death in 1996. She recalls the story of how, in the second world war, Bleustein-Blanchet's companies were confiscated by the German occupying forces in France as "Jewish properties", as he was the son of a Jewish émigré from Russia.

During the war, Marcel Bleustein-Blanchet served in the Free French forces as an intelligence agent. Later, when he tried to flee across the Pyrenees, he was captured and imprisoned near the Spanish border but escaped.

During his time in captivity, he reflected on his fate and made a simple pledge. "While he was in prison, Papa said to himself, 'If I get out of here, if I have the chance to come back to France and start all over again, I'll do something for young people'," Badinter says.

Bleustein-Blanchet is best known as the founder in 1926 of advertising agency Publicis, which today is the world's third-largest communications group. After the war he returned to France, rebuilt Publicis from scratch and introduced the country's first opinion polls. True to his word, he created a foundation for young people who are passionate about a vocation — be it puppetry, space travel or flamenco dancing — but lack the means to put it into practice.

"He vowed to give a helping hand to young people who have no money," says the poised and intense Badinter, speaking from the top-floor office in her grand Parisian apartment overlooking the Jardin du Luxembourg. The walls are lined with books and family photographs. Badinter — a well-known intellectual in

1
Marcel Bleustein-Blanchet at Publicis in 1972
2
Elisabeth Badinter in her apartment office in Paris

France, a bestselling author, a philosopher and a feminist — is Publicis' largest shareholder and vice-chair of its supervisory board. Her husband, Robert Badinter, is a prominent lawyer and former minister of justice who enacted France's abolition of the death penalty.

Since the Fondation Marcel Bleustein-Blanchet de la Vocation was established in 1959, it has awarded bursaries that have enabled young people to pursue over 300 different vocations. French president Emmanuel Macron attended a ceremony in December to celebrate its 60th anniversary and the latest winners.

Twenty candidates were each awarded bursaries of €8,000, selected from the 1,000-plus applications received annually. Applicants must be between 18 and 30 years old, and be French citizens — at home or abroad — or foreigners living in France. The latest winners included a luthier (a maker of stringed instruments), a physiotherapist and an agronomist.

"A very distinctive feature of the foundation is that we do not prioritise

'Many [young women] are in difficult situations and want to get out at any price, so there is an energy, a will'

vocations," says Badinter. "There is no hierarchy — a mathematician's achievements are worth the same as a tightrope walker's. When selecting applications, we try to find out if it's a real calling and that it's not just to raise money to start something.

"This is not dishonourable, but we're looking for a kind of inner strength. To submit an application that has a chance to win a prize, you must be able to give proof of your will, your energy and to have achieved certain steps."

Thanks to their stake in Publicis, Badinter and her family are worth $1bn, according to Forbes. With financial success "the responsibility is certainly to give and to help", she says.

The foundation considers applicants' social and economic situations, says Badinter. "Social mobility in France has decreased," she says, adding that there is still a "very individualistic" mindset. "The state is less and less present, and it is very indebted, so it [makes] cuts everywhere."

She says it would be "pretentious and absurd" to think the foundation by itself could create social mobility. Nonetheless it can play a part: "The foundation is a small drop in the ocean, but it is still a drop in the ocean for those who have a real passion for an activity."

Analysts at the OECD, the club of rich nations, wrote last year that with a large welfare state, France suffers not from insufficient income redistribution but from a pervasive inequality of opportunity. The proportion of young people not in education, employment or training in France is higher than the EU average.

Since the 1960s, the profiles of those awarded bursaries by the foundation have changed — and not just because the types of vocations have evolved. The first scholarships went only to men, Badinter says, whereas last year 17 out of the 20 winners were female. The selection process does not consider gender. "We do not care," she says.

So why are more young women being selected? "I think there are more because

PHOTO (ABOVE LEFT): GETTY IMAGES

the situation of some of them is terribly difficult, particularly in the suburbs," Badinter says. "Many want to get out at any price, so there is an energy, a will, courage. I do not want to be sexist at all." She adds: "[This ratio] will change, necessarily. It is very touching and at the same time very exciting."

The foundation also raises money from companies and individuals, many of whom can benefit from substantial tax deductions introduced in 2003. These came into the spotlight in April last year, when Notre-Dame cathedral in Paris was devastated by a fire. In the immediate aftermath, more than €800m of donations were pledged by wealthy families and companies. This attracted criticism from the anti-government *gilets jaunes* protesters. Ingrid Levavasseur, an instigator of the movement, condemned "the inertia of big companies when faced with poverty when they show how they can mobilise a truckload of cash in one night for Notre-Dame".

"I have conflicting feelings about Notre-Dame," says Badinter. "While it was really good that there was a huge mobilisation of the richest companies in France, I can understand that for people who are earning the average salary of €1,600-€1,700 a month, these donations are astronomical sums. I understand their reaction that says that if these [donors] have so much money, that means they do not pay enough taxes."

Beyond the financial support, Badinter emphasises the community aspect of the foundation, with winners introduced to a network of former prize winners, jury members and corporate sponsors. "The importance of the network is that sometimes we can give the people a boost when the doors are closed. It must be said that in France, when you are black and not necessarily well-dressed, it may be more difficult than for anyone else. With the network we can reach out and speak directly with people."

For example, since the latest crop of bursaries were announced in December, a young pastry chef has been offered an internship at the Elysée Palace — Macron's official residence — and a couturier who arrived in France as an immigrant on a boat secured an internship at fashion house Nina Ricci and was later offered a full-time job.

"Another advantage of the network is that the laureates themselves help each other," says Badinter. "There are enough people who want to keep in touch because they have had common experiences and a kind of common energy." ●

PHILANTHROPY

DONORS STILL WARY OF NO-STRINGS CASH FOR THE POOR DESPITE COMPELLING EVIDENCE THAT IT WORKS

BY SARAH MURRAY

Every few minutes on the GiveDirectly news feed an image pops up along with the story of someone who has received one of the US charity's money transfers. For example, 23-year-old Millicent, who has a pastry business in Kenya, is using a recent transfer of $39 to fix her oven, and Anna, a 51-year-old Ugandan farmer, has put some of her initial $469 towards her daughter's university tuition fees, allowing her to resume her studies.

Giving people cash — with no strings attached — to tackle poverty is a radical idea. It is attracting tech philanthropists and supporters of "effective altruism", an approach that promotes high-impact, data-driven charitable giving.

However, despite compelling data on its impact, direct giving has yet to catch on more broadly among philanthropists, who tend to channel gifts into more traditional support, such as nutrition and education programmes or building schools and clinics.

"Private charitable giving to international development from the US is about $2bn a year and [GiveDirectly is] $50m a year right now, so it's a tiny sliver," says Paul Niehaus, GiveDirectly co-founder and an associate economics professor at University of California San Diego.

When Niehaus and a group of Harvard University and Massachusetts Institute of Technology development economists started GiveDirectly in 2009, it was met with extreme scepticism, he says. "At that point there was much less acceptance of the idea, and there were certainly no organisations that would let us as individual donors send out money to people living in extreme poverty," he says. Even today, GiveDirectly remains the only US charity handling direct transfers.

As well as providing Niehaus and his colleagues with a vehicle through which to give their own money, GiveDirectly was established, he says, to help find answers to the question: "When is it better to build intermediaries and bureaucracies to decide the best use of money and when is it better to let the poor help themselves?"

1
World Food Programme beneficiaries in South Sudan

2
An M-Pesa money recipient in Nairobi

3
International Rescue Committee cash is distributed in Iraq

4
A mural promotes a universal basic income scheme in Stockton, California

5
Paul Niehaus, GiveDirectly co-founder and an economics professor

1

Humanitarian organisations have been using cash transfers for some time — and in increasingly large amounts. In 2018, the UN World Food Programme transferred a record $1.76bn to people in 62 countries, some 35 per cent of the WFP's total assistance for the year. Last year the International Rescue Committee met its goal of delivering 25 per cent of its aid in cash. In the case of non-food items, for example, the individual payments range from about $20 to $150 per household.

In giving small sums of money to the poor, one tool has proved essential: the mobile phone. Unsurprisingly, the rise of cash transfers has coincided with the expansion of mobile money-transfer schemes such as M-Pesa, which was pioneered in Kenya in 2007 before being rolled out in other countries.

Technology has also helped GiveDirectly — which now operates in Kenya, Uganda, Liberia, Malawi, Morocco, the Democratic Republic of Congo and Rwanda — to reduce the complexities of managing approvals and payments. Niehaus and Michael Faye, another GiveDirectly founder, developed Segovia, a payments platform now used by development-sector organisations.

Recipients still need nothing more than a simple mobile phone to receive transfers. "In even the poorest areas of the poorest countries, people have access to inexpensive mobile phones," says Isobel Coleman, the non-profit's chief operating officer. "The model of GiveDirectly has ridden that mobile technology wave."

Coleman acknowledges the role of microfinance in enabling poor people to make decisions about what to do with their money — for example, in Bangladesh, where Muhammad Yunus shared the 2006 Nobel Peace Prize with Grameen Bank for their pioneering work. But she highlights the high administrative costs. "It is very expensive to deliver small loans to the poor," she says. "Direct giving is cost-effective."

The IRC argues that giving people cash rather than food, medicine or clothing is not only a quicker, cheaper way of providing aid for refugees but also enables them to decide what they need most and supports rather than distorts local economies. "And there is dignity in going to a market and buying things when you have nothing else," says Barri Shorey, IRC acting senior technical director of economic recovery and development.

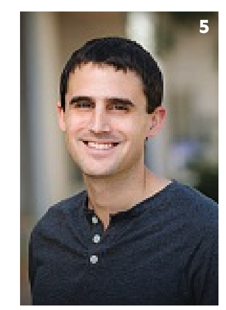
PHOTOS: GABRIELA VIVACQUA/WFP, DANIEL IRUNGU/EPA

2

Unlike a building or scholarship, 'you can't put your name on a cash transfer'

4

3



5

Crucially, cash transfers appear to reduce poverty. GiveDirectly has been running cash-benchmarking studies with USAID, the American development agency. Most of the numerous other studies conducted in the past decade have highlighted the positive effect of direct giving.

In 2016, the UK's Overseas Development Institute think-tank reviewed 165 such studies, focusing on areas ranging from monetary poverty, education and health to savings and employment. "One of the things that emerged was how effective cash transfers can be along a range of different outcomes," says Francesca Bastagli, principal research fellow at the ODI and one of the review's authors. Even so, she points out that the model is not a silver bullet. The ODI review found, for example, that cash transfers raise school attendance but do not always result in improved learning.

Such findings, Bastagli argues, have implications for policymakers. "Cash transfers can tackle barriers to accessing services," she says. "However, if the quality remains low and there isn't a corresponding investment in social services more widely, there's only so much you can achieve."

Nevertheless, the ability to obtain robust data on how these payments help poor communities is something that is attracting large donations from some philanthropists, often tech entrepreneurs who favour disruptive models.

GiveDirectly's donors include Good Ventures, created by Facebook co-founder Dustin Moskovitz and his wife Cari Tuna; Google.org, the technology group's charitable arm; and the Pershing Square Foundation, established by activist hedge fund manager Bill Ackman, which made an initial grant to GiveDirectly and later invested in the Segovia payments platform. "We believe in impacting the largest number of people with our investments and if providing direct cash transfers, instead of helping to create programmes, is more effective, we wanted to help prove out that model," says Olivia Tournay Flatto, the foundation's president.

As proposals for a universal basic income rise up the agenda, some donors are using philanthropic funding to explore the impact of cash transfers in the US. The Economic Security Project, whose co-chair is Facebook co-founder Chris Hughes, has made a $1m grant to support a study where 125 residents of Stockton, California, are given $500 a month with no strings attached.

But while tech donors and proponents of effective altruism are increasingly interested in such initiatives, the question for those wanting to scale up this form of giving is how to attract more traditional philanthropic dollars.

The challenge is donors' emotions. "For a great many people, philanthropy is about their own 'warm glow' and their consumption of the feeling of being a good person by getting emotional or social feedback," says Rob Reich, a professor of political science at Stanford University and author of *Just Giving: Why Philanthropy is Failing Democracy and How it Can Do Better*.

This often draws philanthropists to gifts that allow them to create a public legacy, such as a foundation, a building or a scholarship bearing their family name. With a cash transfer, says Reich, "you can't put your name on it".

GiveDirectly's Coleman, however, believes an increasing amount of data on the impact of direct giving and the shifting by large institutional donors of more money into this form of aid will start to win over more philanthropists.

"The evidence that giving people cash can improve their situations for years to come is gaining momentum," she says. "It will become more acceptable and more intuitive for more people as we have more examples of successful programmes." ●

OPINION
ASIA CAN OVERTAKE THE WEST IN SUSTAINABLE INVESTING

BY HELENE LI AND CURTIS CHIN

Asia is the dynamo of today's global economy. But it lags behind the west in one critically important regard — commitment to environmentally and socially sustainable investment.

The decades-long pursuit of economic development, which has seen the region achieve ever-higher living standards for billions of people, has paid too little attention to the environmental and social consequences. The result is the growing pollution of Asia's air, water and land, and worrying increases in inequality.

This must now change, with governments, regulators, companies and consumers all playing their part. In this transformation, Asian investors, including the wealthy families that still control much of the region's riches, have a critical role to play in expanding sustainable investment.

Of the $79tn of assets under management globally, some $17.5tn are invested in funds applying environmental, social and governance criteria, according to Boston Consulting Group, the management consultancy, and the US SIF Foundation, an American financial industry forum for sustainable investment.

While this is a good start, it masks a wide regional disparity. In particular, east Asia lags behind the rest of the world, with only 5 per cent of AUM invested in sustainable projects, according to the Global Impact Investing Network. That compares with nearly 30 per cent in the US and Canada.

Given Asia's potential to increase still further its share of global economic output, investment projects and investable wealth, this gap matters not only to Asians but to everyone.

It is precisely because Asia has the opportunity to grow further that it has plenty of scope to transform its priorities, adopt ESG targets more firmly, and become the world leader in sustainability.

Awareness of the power of sustainable finance has been slow to develop in Asia, however, in part because of the short-term view that many Asian investors historically have taken. Standards of ESG are only just becoming understood as meaningful principles in Asian business. The perception of ESG as a gospel preached by well-meaning but interfering non-governmental organisations has a strong hold in a region where many countries, understandably, have focused on rapid economic development.

Asia has paid too little attention to the environmental consequences of economic growth, such as the pollution in Beijing

This is where investors and the financial services industry come in. By selecting investment opportunities based on their positive ESG impact, they can ensure sustainability is at the heart of regional development.

Fortunately, the situation is beginning to change. In Japan, for example, MUFG — one of the world's largest banks — announced in 2019 that it was reversing its policy on investing in coal-fired power-generation projects. And the number of mainland Chinese financial institutions and companies signing up to the UN's Principles for Responsible Investment, an investor network, tripled between 2017 and 2018 to 22, according to the network's 2019 annual report.

But much more needs to be done. For the full potential of sustainable investment to be realised across Asia, certain blocks need to be removed. We should start with education, since the uninformed investor will invest little or nothing in ESG.

Part of the problem is lack of access to hard data on the benefits of sustainable investing. According to the consultancy Morningstar, Sustainable US Large Blend Funds, which are equity focused, outperformed the S&P 500 by 40 per cent in 2018, compared with just 25 per cent of all large blend funds.

While data like this proves there are serious returns to be made in sustainable investments — and that they therefore make good business sense — generally speaking, information is fragmented.

Investors need reliable data before taking the plunge into a new strategy, particularly if we are to persuade Asia's growing community of high net worth individuals to participate actively in sustainable investing. To bridge the divide between the potential and the actual we also need platforms, aided by new technology, that connect investors with experts and opportunities.

Nearly every industry is being transformed by innovation, and financial services is no exception. Fintech is a huge industry, and one in which Asia already plays a leading role. As well as challenging the status quo in banking, it can create the right conditions for sustainable investing. For example, blockchain technology could be used to make ESG data more visible and reliable.

All this needs to be supported by the right regulatory environment. Regulators are important agents of change in any industry, but especially so in finance.

Asia is emerging as a world leader in many fields, and sustainable investing should be one. ●

Helene Li is chief executive and co-founder of GoImpact, a sustainable-investment consultancy, and Curtis Chin is a former US ambassador to the Asian Development Bank

PHOTOS: QILAI SHEN/BLOOMBERG

BOOK REVIEW

HOW SILICON VALLEY TITANS CAME TO BELIEVE AGEING WAS A DISEASE THAT COULD BE CURED

BY ANDREW JACK

With just two short sentences posted on his personal blog in September 2013, Google co-founder Larry Page unveiled Calico, a "health and wellbeing company" focused on tackling ageing. Almost a year earlier he had persuaded Arthur Levinson, the driving force behind the biotech giant Genentech and chairman of Apple, to oversee the new business and lined up $1.5bn in funding pledges — half from Google, the balance from AbbVie, the pharmaceutical company.

But Calico's research, or insights into any breakthroughs, would long remain a frustrating mystery for journalists and others watching developments in healthcare. For Chip Walter, a journalist who provides a readable tour of the search for immortality through the eyes of some leading personalities involved, Calico's birth was a pivotal moment in the search for something revolutionary: nothing less than to reverse nature's clock and halt the body's deterioration and death.

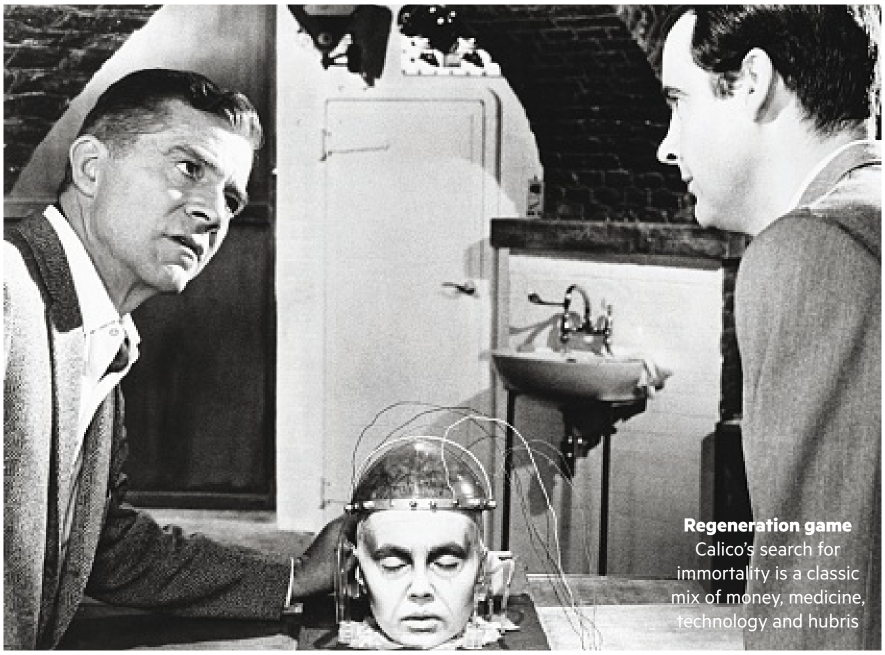
It was a classic Silicon Valley cocktail: a bold mix of money, medicine, technology and hubris. Walter describes how entrepreneurial scientists, experienced investors and IT pioneers united and divided as they strived to turn ageing into a disease that could be cured.

In the background, there was the untimely demise of tech titan Steve Jobs; the youthful near-death experience of Craig Venter, founder of Celera Genomics; and stories of other lives cut short among the relatives and acquaintances of key protagonists in the tale, from Levinson to the inventor Ray Kurzweil and neurosurgeon Robert Hariri.

They were not the only people willing to bet big on the vision. In Arizona, Walter describes the Alcor Life Extension Foundation, where clients sign up to be frozen on dying in the hope not just of resuscitation but rejuvenation.

Meanwhile, as Levinson and his team spent their backers' largesse working behind closed doors (apparently so as not to over-promise), the more expansive Venter, whose private sector-funded efforts to decode the genome had already sharply accelerated work in the field, launched Human Longevity, which charged clients $25,000 to analyse their genetic make-up.

PHOTO: EVERETT COLLECTION/ALAMY



Regeneration game
Calico's search for immortality is a classic mix of money, medicine, technology and hubris

Calico's research would long remain a frustrating mystery

Immortality, Inc.
Chip Walter
(National Geographic Partners, £17.99)

But this book does little to explore the motivations of the "customers" who lend their support — and ultimately their bodies — to the cause. It is dominated by the heroic narratives of the big men (most here are male, as are the clients), paying far less attention to the views of underlings, dissenters and outsiders with critical insights into the organisations described, the strategic choices made and the scientific difficulties.

Walter touches on stem cell and regenerative therapies and the injection of young people's blood into older people; tantalises readers with the dramatic longevity of bowhead whales and orange roughy fish; and highlights the surge in investments in companies such as Unity Biotechnology, backed by tech billionaires Jeff Bezos and Peter Thiel. But there is not much to support his underlying faith that the cause will ultimately succeed.

Not everyone is convinced: Walter quotes Microsoft co-founder Bill Gates questioning the "pretty egocentric" support by the rich for their efforts to live longer when so many in the world still die from TB and malaria. Also mentioned is Oracle founder Larry Ellison's Medical Foundation, wound down after a fruitless $350m spent on ageing research, and the unclaimed $1m Palo Alto Longevity Prize.

Walter might have gone further and reflected in greater depth on the philosophical and practical implications of living forever, not least overpopulation.

Ironically, since Calico was created, average American lifespans have gone into reverse, driven by drug overdoses and suicides. Tackling these problems undoubtedly deserves greater focus.

The endorsement on the book's cover is particularly telling. It comes from the 88-year-old former *Star Trek* actor William Shatner: "What a cast. What a story. What a book." For now, immortality remains science fiction. ●