

# Is unpredictability the new normal?



## UBS Investor Watch

Global perspectives / Q2 2017  
Singapore market insights

# Do we live in turbulent times?

UBS Investor Watch is UBS Wealth Management's international analysis of issues facing people who have seven-figure sums to save and invest. In each edition, we will take an in-depth look at a current issue affecting these High Net Worth Individuals (HNWIs) and their plans for the future.

For this edition, we interviewed more than 2,800 millionaires in seven markets around the world (Hong Kong, Japan, Singapore, Mexico, Italy, Switzerland and the UK) to assess how unpredictability is shaping their attitudes and actions. This included 401 millionaires in Singapore.

The past year saw many unexpected events with major political, economic and social consequences. The election of Donald Trump as President of the USA, the UK's vote to leave the European Union, tensions over North Korea, high profile terrorist attacks and severe natural disasters, to name but a few.

At the same time, a series of powerful long-term trends continues, including climate change, a rising tide of populism, the development of artificial intelligence and robotics. Each has the potential to cause significant disruption and uncertainty.

Opinions differ on whether or not this is anything out of the ordinary. Some feel we live in very unpredictable times, while others consider such events to be no different to those experienced by previous generations.

So, just how unpredictable is the world in HNWIs' minds? What drives uncertainty in their view and how do they respond to it? What impact does unpredictability have on their wealth? This edition of UBS Investor Watch sets out to answer these fundamental questions.

## UBS Investor Watch: An unpredictable world?



Do millionaires feel the world has become more unpredictable, and why? What is causing the unpredictability and how are people responding to it?

We sought the views of

2,800 millionaires...

...across seven markets:

Hong Kong, Japan, Singapore, Mexico, Italy, Switzerland and the UK



...each with USD \$1 million in investable assets

# 1

## Unpredictability: What did we find?

### Despite being the most unpredictable period in history...

- **84%** of millionaires in Singapore believe this is the most unpredictable period in history. Only in Mexico is this view held more strongly.
- When dealing with uncertainty, **89%** of Singaporean millionaires say that a wide variety of information sources help them make the best decisions.
- **67%** also struggle with information overload when making key decisions, though this is less of an issue than in Hong Kong.
- Democratic elections are seen as a stabilizing force, but **74%** of Singapore's wealthy believe emotions are now more important than facts in shaping public opinion.

### ...with maintaining a long-term focus a key concern...

- **45%** of Singaporean millionaires say they are concerned exclusively with long-term uncertainty.
- Yet maintaining that focus is difficult: **76%** feel that short-term risks can distract them from long-term investment planning.

### ...optimism about the future prevails

- Singaporean millionaires are optimistic about the future, especially when it comes to their personal finances: **53%** expect them to improve over the next 12 months.
- Long term, **61%** are optimistic about reaching their financial goals.
- **79%** believe they can accurately assess financial risks arising from uncertain events – higher than both Hong Kong and Japan.
- Finding safe places to invest wealth in is not a problem either: **77%** of wealthy Singaporeans see cash as a safe option, while **75%** have faith in physical assets.
- The Singaporean property market remains attractive – only **17%** are not confident about its future.

"I bide my time. The effects of unpredictable events will eventually wear off."

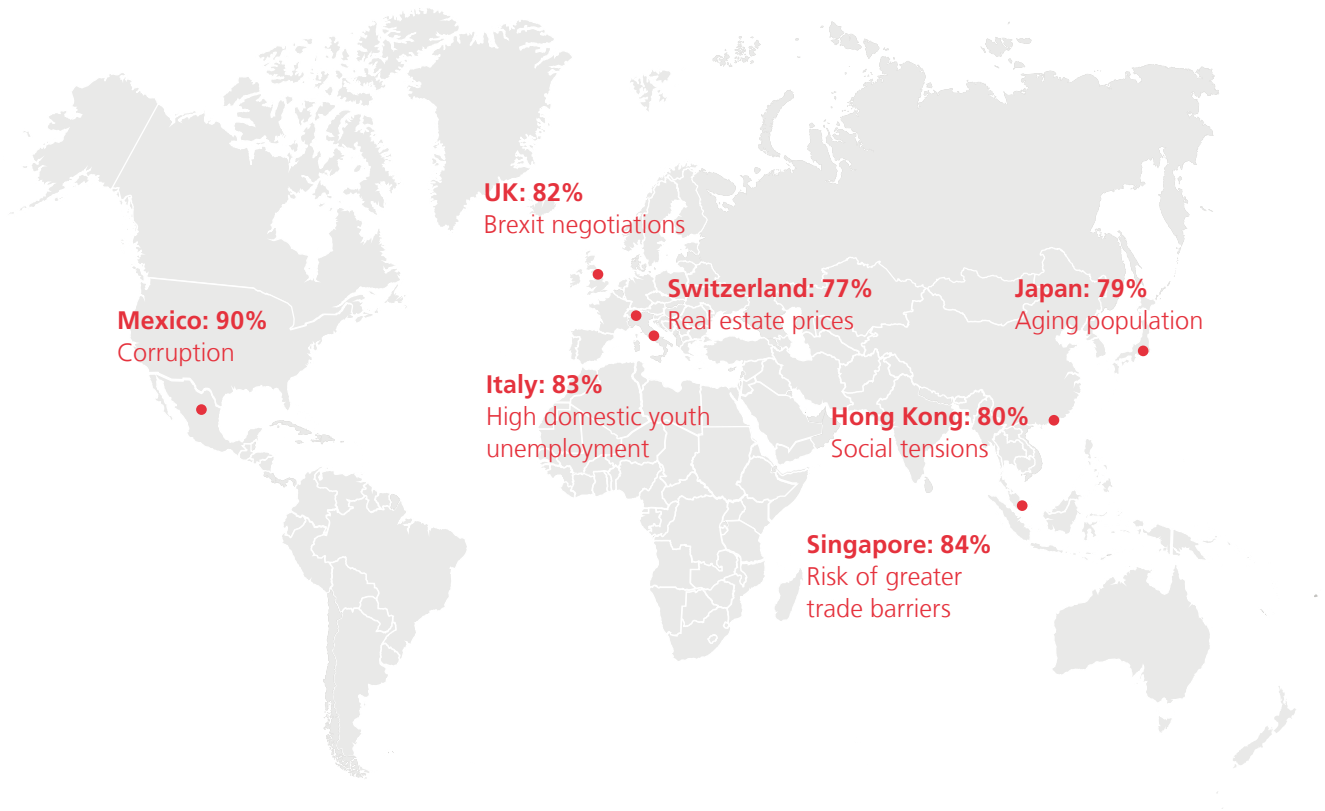
Male, age 38, employed

# 84%

of Singaporean millionaires believe we are living through the most unpredictable period in history

Do you agree or disagree with the following statement: "We are currently living through the most unpredictable period in history"? (percentage who strongly or somewhat agree)

What is the biggest source of domestic uncertainty?



"It's a very scary situation and the whole world is attempting to adapt and make the best of it."

Male, age 27, employed

"I monitor world events and how they can affect the market."

Male, age 40, employed

# 2

## Why does the world feel so unpredictable?

In Singapore, 84% of millionaires believe this is the most unpredictable period in history. What drives those perceptions, and are they accurate?

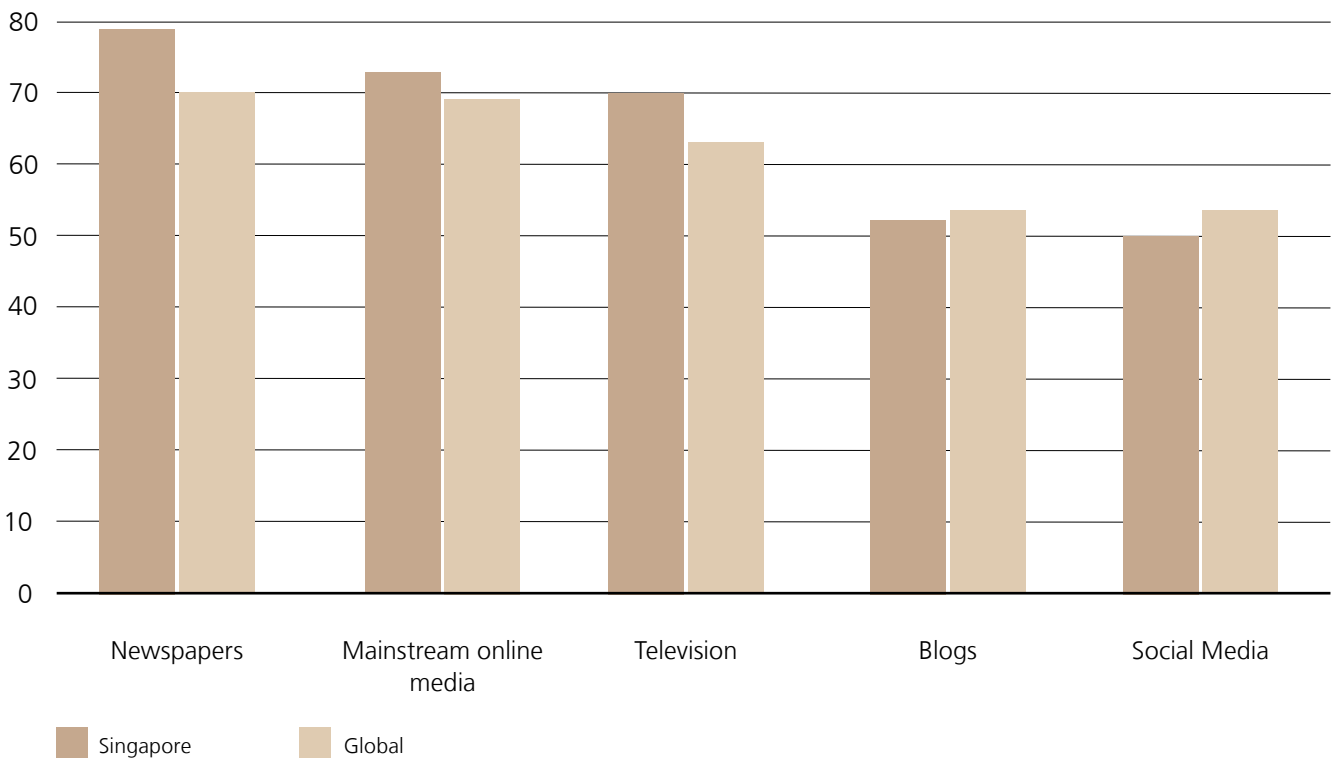
### Media helps with decision-making

Singaporeans value a range of media sources; more than in most other countries, millionaires say that having a wide variety of information sources helps them make decisions.

Traditional media like television and newspapers are valued highly. Nearly 80% say they trust newspapers. In contrast, only around half trust social media or blogs.

However, the downside is that 67% also say they suffer from information overload – though this is less of an issue than in Hong Kong.

### What level of trust do you have in these information sources when making important decisions? (percentage who strongly or somewhat trust)



“Having the correct information in a timely manner is important to deal with unpredictable events.”

Female, age 36, employed

**Democratic elections can have a calming influence, while strong leadership is vital**

In an uncertain world, democracy brings a calming influence, say Singapore's millionaires. Only Switzerland has a similarly high number of wealth holders who believe that democratic elections contribute to economic and social stability.

Whilst democracy may be a source of stability, Singaporeans also say they favor strong leadership. Over 80% believe that stronger, more powerful leaders are most effective over the long term – the highest figure globally.

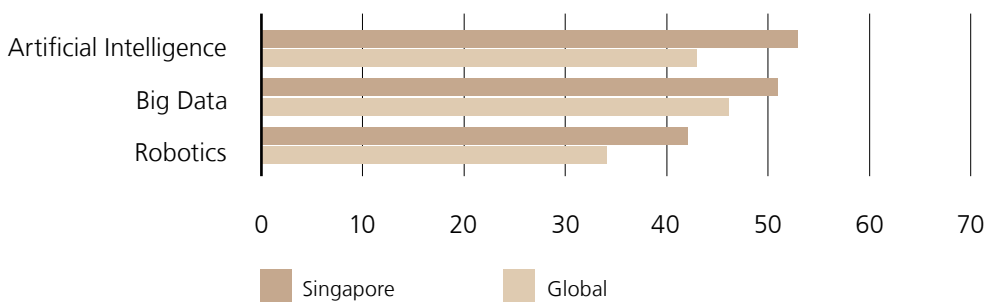
85%

believe democratic elections contribute to stability (Singapore)

**Can technology come to the rescue?**

We might hope that technologies such as big data and artificial intelligence would help us to create more predictability. Millionaires in Singapore are among the most likely in the world to think that innovations like big data, artificial intelligence and robotics can help make the world more certain.

**Which, if any, of the following technologies do you feel are making the world more predictable? (in %)**



“It’s imperative not to let your emotions cloud your financial acumen.”

**Male, age 30, employed**

# 3

## Short or long-term uncertainty: Which matters more?

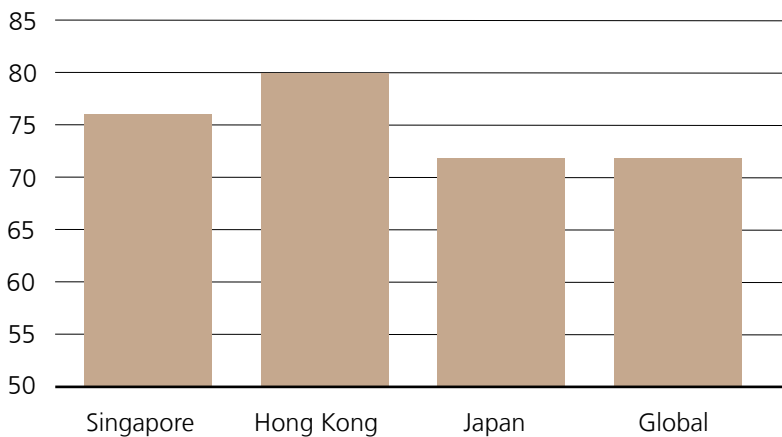
How do millionaires balance short-term uncertainties with longer-term sources of unpredictability? The answer is with difficulty.

### A long-term focus

Like other millionaires around the world, Singapore's wealthy are trying to look to the long term. Nearly half are focused on long-term uncertainty, far more than those in both Hong Kong and Japan. Only 5% are exclusively concerned with more immediate risks.

However, short-term events do still prove a distraction. Over three-quarters say that short-term distractions can be a challenge to long-term investment planning. Those under 35 and over 65 in particular identify this as an issue.

**Do you agree with the statement: "I am often distracted from long-term investments by short-term risks"?**  
(percentage who strongly or slightly agree)



### Singapore reflects global trends in relation to causes of uncertainty

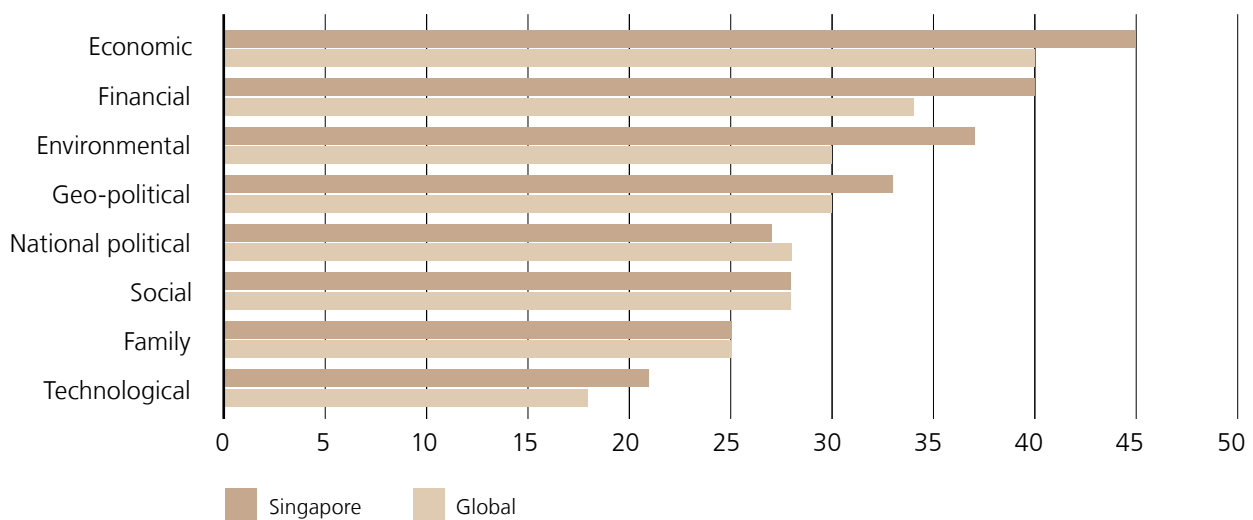
In both the short and the long term, Singapore reflects the global trends in identifying causes of uncertainty.

Long term, issues such as environmental and geo-political risks emerge ahead of the global averages.

# 37%

of Singaporeans identify environmental risk as a top three long-term concern

**Which of the following possible risks or causes of uncertainty are you most worried about in the long term?  
(in %)**



“Singapore’s size means it has to depend on international trade to survive.”

Female, age 36, employed / sale of own business

**Short-termism in business also a concern**

If millionaires themselves are prone to short-term distractions, then they feel the same way about business. On the one hand, more than 80% of Singaporean millionaires believe that businesses are effectively managing to balance short-term performance and long-term investments. However, nearly as many believe that long-term risks are being ignored.

Entrepreneurs in Singapore are interesting in this regard. They feel just as strongly that businesses can balance short and long-term performance, but they are much less likely to believe that business is failing to focus on long-term risks.



# 4

## Unpredictability: Opportunity or threat?

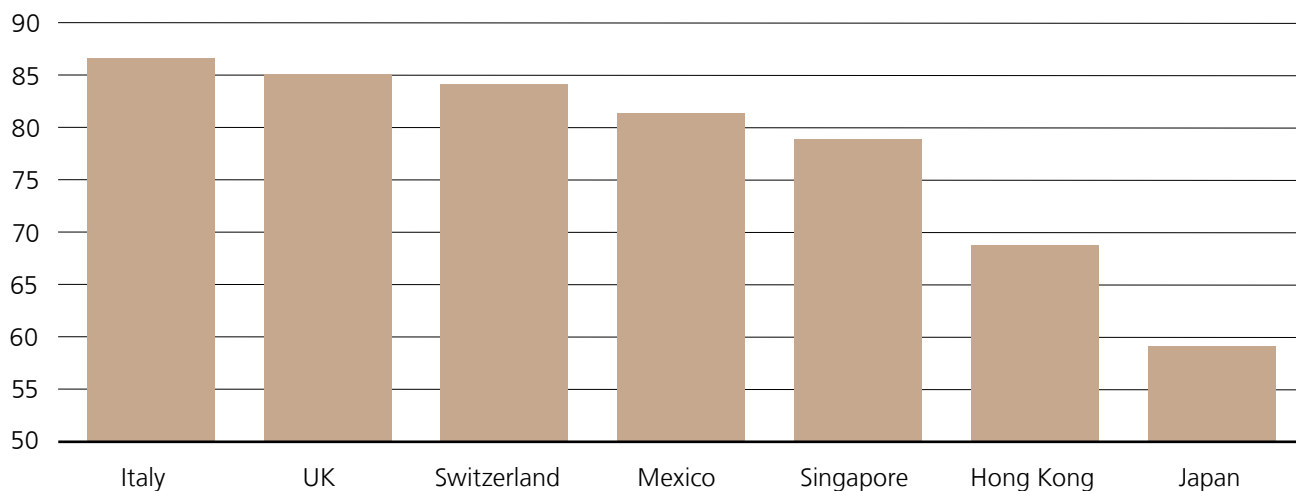
In the “most unpredictable period in history,” how do Singapore’s millionaires make choices about their wealth and their investments?

Millionaires in Singapore are similar. Nearly 80% are confident in their ability to assess financial risks. Over 90% trust their own instincts when making financial decisions. On both counts, confidence is higher than elsewhere in Asia.

### Confident or cautious?

Faced with an uncertain outlook, many of the world’s wealthy remain confident that they can navigate it.

**How confident are you in your ability to accurately assess financial risks relating to uncertain global events and trends?  
(percentage who are very or fairly confident)**



This confidence doesn’t necessarily mean that unpredictability is an opportunity though. Less than half (44%) see uncertainty as offering opportunity.

“We can’t do anything to change unpredictable events. We can only respond to the changes.”

**Male, age 64, retired**

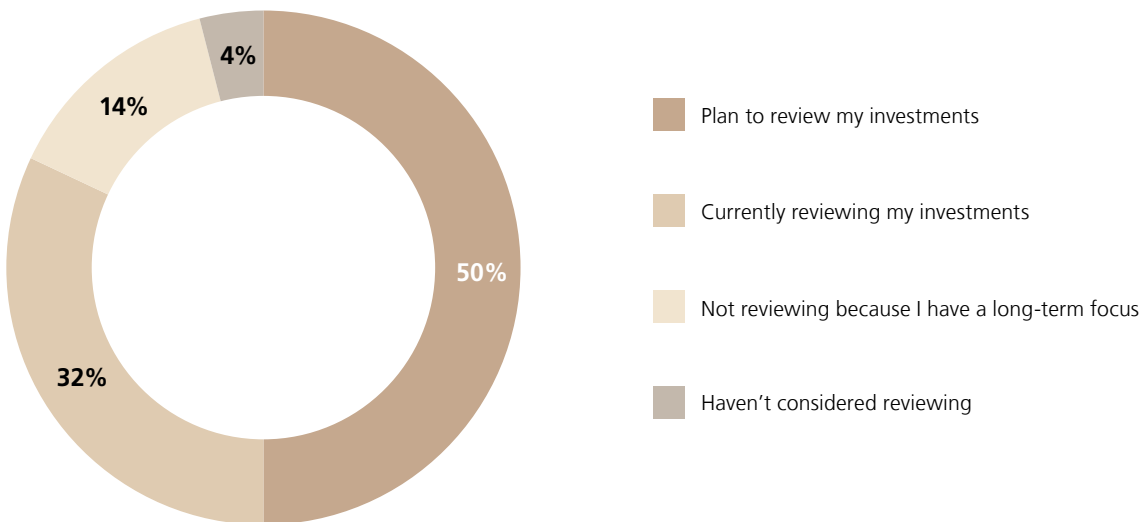
“Unexpected events can lead to opportunities if we analyze them carefully.”

**Female, age 36, employed / sale of business**

### Reviewing investments but not making too many changes

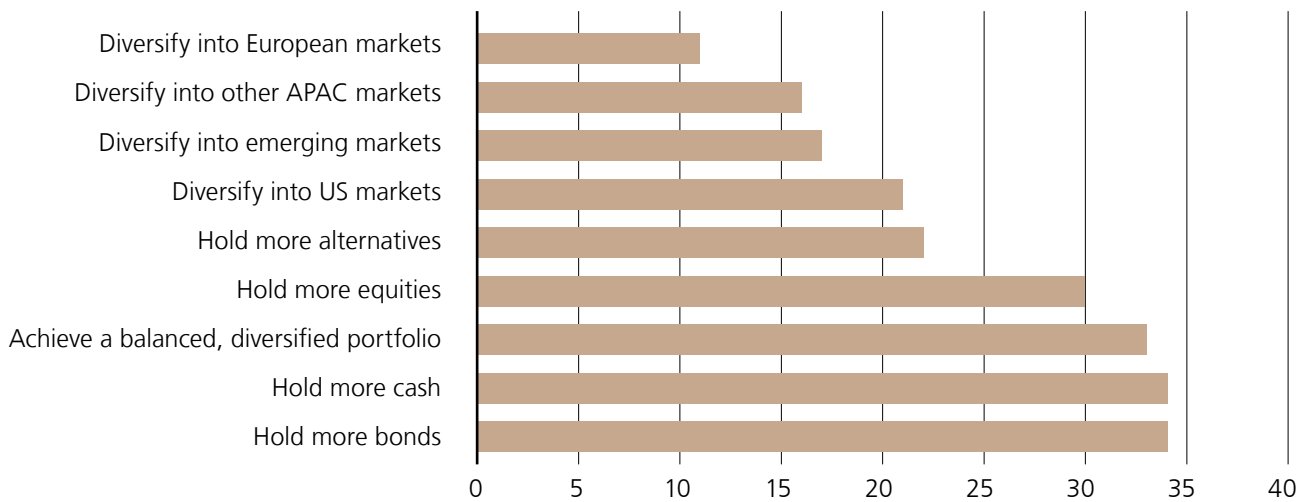
In line with their peers in Hong Kong, around half of Singaporean millionaires plan to review their investments in light of recent global unexpected events but have yet to do so. A third have already done so.

### Are you reviewing your investments as a result of recent unexpected global events?



In an uncertain world, some wealthy Singaporeans are planning on changing their portfolios. A third will hold more bonds and cash. 30% will take on more equities.

**In light of heightened levels of uncertainty, how do you plan to change your investment portfolio in 2017?  
(in %)**



This measured approach is reflected in how Singapore’s wealthy view safe places for their wealth. Singaporeans say that finding safe investments is not difficult – 73% believe they exist in financial markets today. However, evidence of domestic bias is clear. Exactly 70% believe their domestic market is a safe option to invest in. Even more believe in cash as a safe place for their wealth, in line with the proportion in Hong Kong.

# 5

## The UBS Confidence Index

The UBS Confidence Index tracks the confidence and optimism of High Net Worth Individuals (HNWIs). It looks at four measures of millionaires' confidence in their own prospects and the outlook for the world economy. Our analysis produces an average of the number of people confident about each measure:

- Confidence in their personal financial situation over the next 12 months
- Confidence in the economic outlook over the next 12 months
- Optimism in reaching their long-term financial goals
- Optimism in the long-term global investment climate

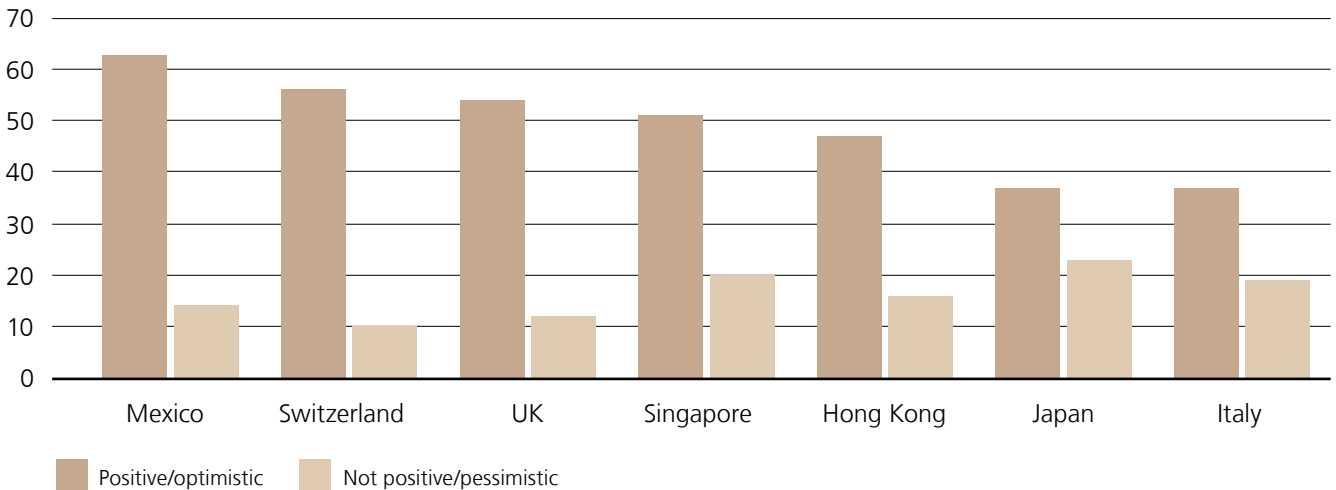
### Singapore's wealthy very optimistic for the future

Like their peers elsewhere in the world, confidence among Singapore's millionaires is generally high over both the short and the long term.

Confidence is also generally higher than among millionaires in Hong Kong. Over half of Singaporeans are confident that their personal financial situation will improve in the next year. Over 60% are confident they will reach their long-term financial goals.

Wealthy Singaporean entrepreneurs are also significantly more optimistic than other millionaires.

The UBS Confidence Index – country by country (in %)



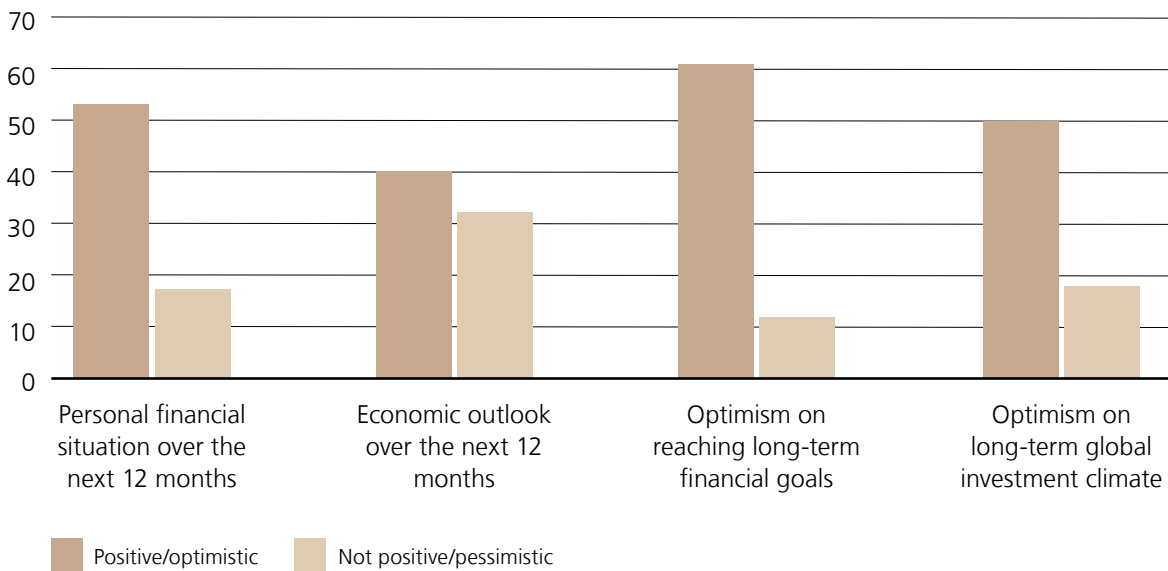
### More confident of their position in society than Asian counterparts

One of the most notable findings is how much more comfortable Singaporean millionaires feel in society in comparison with their counterparts in Hong Kong.

Singaporeans are more satisfied with their work-life balance (28%) and the level of tax they pay. They also feel it is more socially acceptable to be wealthy than Hong Kongers do.

In addition, entrepreneurs are significantly more satisfied than the wider population on all these measures.

### The UBS Confidence Index for Singapore (in %)



# 6

## Unpredictability is a fact of life, but it can be dealt with.

Uncertainty comes from many angles – the financial system, various forms of politics and government, new and traditional media sources.

Short-term thinking is dangerous. Long-term risks are abundant. Unpredictability is more of a threat than an opportunity.

Yet, confidence is high in dealing with our uncertain world. The critical question is how we translate this confidence into tangible results for our wealth.

Three things in particular can help to deal with unpredictability:

1. **Focus on the long term.** Avoid responding to short-term events or distractions. Cutting through this noise has never mattered more, because there has never been so much of it.
2. **Maintain a diversified portfolio.** Exposure to a broad range of assets and geographies is essential. It helps to avoid the risks of domestic biases. Adding alternative investments can provide another source of protection against global and regional uncertainty while offering attractive yield opportunities in the mid to longer term.
3. **Be wary of overestimating the safety of cash.** Cash may always be attractive, especially in an unpredictable world. But inflation erodes its value, meaning that cash assets can damage your financial health in the long term.

Do we live in the most unpredictable age in history? Possibly. Is confidence in our ability to navigate it a good thing? Probably. Does it guarantee success in protecting and growing wealth in the years to come? Not necessarily.

People have relied for centuries on an outside voice offering a sober perspective and considered advice. In an unpredictable age, that advice appears even more important.

“Do expect the unexpected.  
Be aware of the possible impact  
and look for alternatives.”

Female, age 65, retired

# 7

## More about us and our survey

### About UBS Wealth Management

UBS is one of the world's leading financial institutions. Protecting and managing wealth is at the heart of what we do: by providing investment advice and solutions to our clients and helping them to protect their assets in difficult market environments.

UBS has long been known for its leading investment research. You may also be interested in our annual Billionaire's Report, which explores the attitudes and opinions of the world's Ultra High Net Worth Individuals.

### About the survey

UBS commissioned international research firm Censuswide to investigate the beliefs and attitudes of millionaires worldwide.

Combined with our own insights, the UBS Investor Watch report is a global research platform to help you understand the views, interests and concerns of the world's High Net Worth Individuals.

The sample comprised 2,842 US dollar millionaires across seven of the world's major markets: Hong Kong, Japan, Singapore, Mexico, Italy, Switzerland and the UK.

At least 400 were surveyed in each market, and at least 30% of respondents were women. Interviews were carried out online during January and February 2017.

In this study, millionaires are defined as those with over USD 1 million in investible assets, excluding their primary property.



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