

# HOW FAMILY OFFICES CAN GROW WITH EQUITIESFIRST

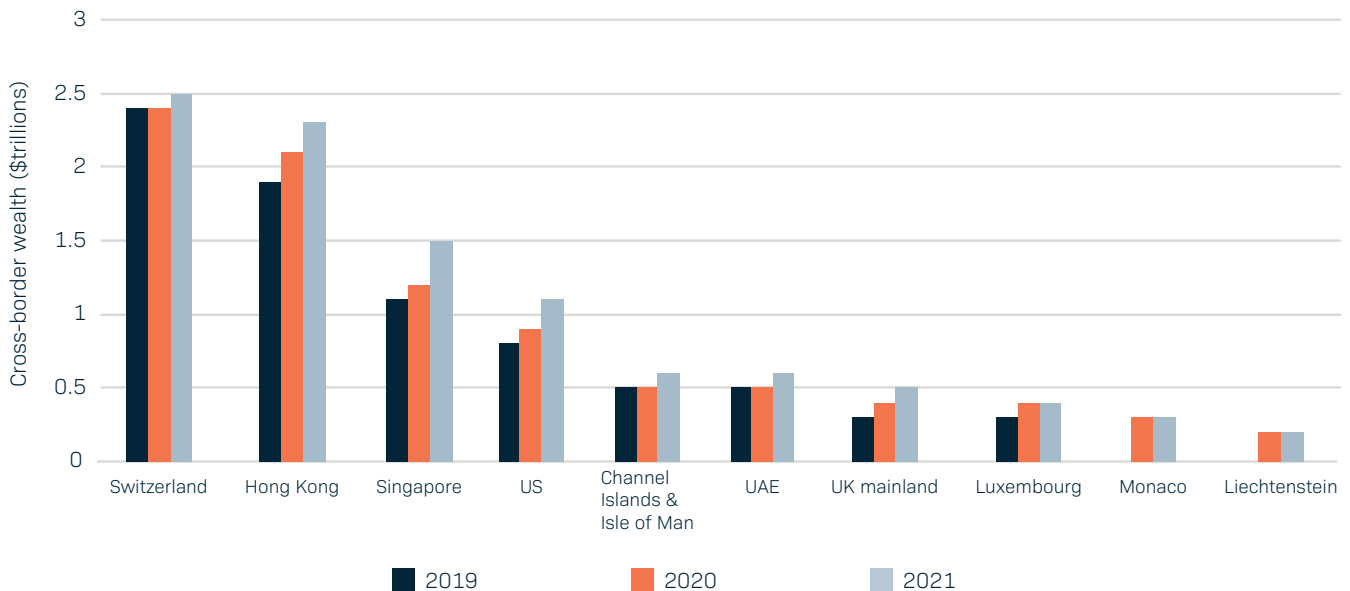
## BACKDROP AND OUR OBSERVATIONS:

- Hong Kong is the largest cross-border financial centre in Asia and is expected to be the largest one globally in 2026.
- Given the current market volatility and high and climbing interest rates, traditional financial institutions are restricting the risk exposure to the lending business.
- Family offices can partner with EquitiesFirst for securities financing solutions.

## HONG KONG: A RISING HUB FOR FAMILY OFFICES

According to BCG Global Wealth Reports, Hong Kong has been the second largest cross-border financial centre in the world for at least three years. Furthermore, it is expected that the figure will keep growing at around 8% per year for the next five years leading to Hong Kong replacing Switzerland to be the largest cross-border financial centre globally by 2026. The large amount of wealth in Hong Kong provides family offices great opportunities to explore business opportunities. On the other hand, there may also be more family offices competing against each other.

**CROSS BORDER WEALTH IN DIFFERENT REGIONS**



Along with providing capital, according to InvestHK, HKSAR Government, Hong Kong provides a simple and low tax environment and large amount of financing industry professionals including more than 42,000 asset and wealth management professionals and more than 45,000 certified public accountants.

## COLLABORATION VS. COMPETITION

Over the past few years, EquitiesFirst has partnered with family offices throughout Asia as a specialist capital provider to solve for the equities-based financing needs of clients such as single stock lending or portfolio restructuring. This comes at a time when traditional lenders such as banks and securities houses are reducing capacity and restricting risk limits due to regulatory pressures (Basel III) and higher interest rates.

A full comparison of the EquitiesFirst facility vs. traditional bank lending is provided below:

Terms	EquitiesFirst	Share-Backed Financing
Structure	Repo structure	Share Pledge
Non-recourse	Yes	No
Personal guarantee	No	Yes
Minimum loan size	Flexible	Medium to High
For purpose	No	Yes. Need to keep with the bank
Tenor	No early employment	Flexible
Interest rate	Fixed	Floating
Lending shares to third parties	No	Yes
Minimum market cap	No	Yes
Minimum trading volume (ADTV)	US \$200,000	>US\$1,000,000
Transfer of title	Yes	No
Margin call terms	Fixed	Variable at bank's discretion
Margin call: Volatility trigger	No	Yes
Margin call: Liquidity trigger	No	Yes
Margin call: Price trigger	Yes	Yes
Price trigger range	44% - 52% drop	10% - 20% drop
Margin call: diversification	No	Yes
Margin call: Top-up to initial margin	No - Only to threshold	Yes

## SOLVING CLIENT NEEDS

Investors who hold shares that are currently under water can pledge their stocks with us instead of selling at a lower price at the market. They may use the loan to buy undervalued stocks and earn from both pledged stocks and the new investments. Moreover, EquitiesFirst provides a hedge for borrowers against lower share prices. As our loan is non-recourse, they could walk away with the funds if they find the collateral share price is too low. On the other hand, if they believe the share price will bounce back, they can top up and keep the right to buy back their shares.

## **THE WAY FORWARD FOR FAMILY OFFICES**

**01****Client Services**

As well as investments, family offices need to cater to their clients' needs in different areas including short-term financing and tax financing. EquitiesFirst's financing facility could help family offices solve for the needs of their clients, preventing clients from searching for solutions elsewhere including at competing institutions. EquitiesFirst's offering is solely focused on equity-backed financing and will not cannibalize the family office's business.

**02****Monetization**

A transaction with EquitiesFirst could help family offices access value which is otherwise locked in a single concentrated equity position. The loan capital can be sent back to the client's account where it can be used for any purpose. This prevents clients from withdrawing money from the family offices and provides a chance for family offices to use the loan proceeds on other investments.

**03****AUM Growth**

Family offices that lack balance sheets or the risk appetite for this type of financing can partner with EquitiesFirst to offer this facility to new clients and win business from their competitors, thereby growing their AUM.

**04****Efficient Execution**

After nearly 20 years refining this business model, EquitiesFirst's process is highly efficient. Indicative terms for single-stock financing can be ready within a few hours. Client onboarding, KYC and AML checks can be completed within a few business days. A single loan tranche can be executed in 5-7 business days.

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## FAMILY OFFICES ASSET ALLOCATIONS

Family offices and other proprietary investment firms have a long history of providing direct lending, private credit and asset-backed financing. According to a UBS GFO Report 2022, 51% of the family offices around the world have incorporated private debt into their investment strategy and 27% of family offices planned to increase allocation to private debt in the next five years. They are more familiar with how private credit works than general investors and can therefore provide a tailored suggestion for their own investors.



As well as shifting from fixed income to private debt, the research found that family offices planned to allocate more capital in private equity, real estate, and infrastructure. This indicates that family offices are looking for investments that are uncorrelated or less correlated to the markets to diversify their portfolios. However, family offices are also allocating more capital in equities at the same time. This creates a potential for family offices to partner with EquitiesFirst to put this strategy into practice. With EquitiesFirst’s services, family offices can keep the upside potential of equities while gaining exposure to other investments by investing the loan proceeds.

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