LGT Gruppe Stiftung
Herrengasse 12, FL-9490 Vaduz

Tel. +423 235 11 22, Fax +423 235 16 77
lgt@lgt.com, www.lgt.com
UID: CHE-208.624.214

Media release

LGT study: investor behavior during the corona crisis

Investors remain calm

Vaduz, 18 May 2020. **High-net-worth investors remained calm during the corona crisis in early 2020 and made very few adjustments to their portfolios. This shows an additional study conducted in Switzerland as part of the LGT Private Banking Report. It also found that investors were disappointed with the support they received from the banks during the crisis, and that they are pessimistic about the future when it comes to the economic outlook.**

Between mid-February and the second half of March 2020, the corona crisis resulted in strong corrections in the global financial markets. As part of the LGT Private Banking Report, LGT and the Department of Asset Management at Johannes Kepler University in Linz, under the leadership of Prof. Dr. Teodoro D. Cocca, conducted a study examining the behavior of high-net-worth private investors during the crisis. To this end, the same panel group of high-net-worth private banking clients in Switzerland was surveyed in January and April in cooperation with the Swiss market and social research institute LINK.

Investors remain calm

High-net-worth investors in Switzerland have to date reacted passively to the corona crisis. Around half of the private banking clients surveyed did not make any adjustments to their investment portfolio between mid-February and the second half of April. The investors who did make adjustments to their portfolio generally took advantage of the price volatility to buy additional equities (24%). 21% of the private banking clients surveyed both bought and sold equities during this period, and only around 5% exclusively sold equities. Bonds and precious metals were traded less frequently – only 8% of respondents transacted in these two asset classes.

During the corona crisis, it was the private banking clients who generally make their own investment decisions in particular who actively made adjustments to their portfolio. 67% thereof placed market orders. For investors who make their investment decisions together with their relationship manager, this figure was only 46%, and for the respondents who fully delegate investment decisions to their bank or the relationship manager, the figure was just 36%.

"Many investors may have been so surprised by the abrupt market reaction that they simply could not act quickly enough, and then refrained from reacting too late, when prices were much lower," explains Prof. Dr. Teodoro D. Cocca of the Johannes Kepler University in Linz, who led the study. "It was very difficult to identify and assess the consequences of the corona crisis. However, although investors may have been surprised by the crisis, it does not appear that they panicked. Instead, if they placed market orders, the majority decided to make attractive purchases during both the first and second phase of the corona crisis."

Banks disappoint during the corona crisis

Before the corona crisis in January 2020, 86% of respondents indicated that they are "satisfied" to "very satisfied" with the primary bank they had selected to manage their assets. During the corona crisis, this confidence collapsed: during the second half of April, around half of the respondents were less satisfied with their primary bank compared with the beginning of the year. Satisfaction levels with the bank improved for only slightly less than a quarter of the investors during this period; the situation is very similar with regard to confidence in relationship managers.

The banks have lost the confidence particularly of those clients who already make their investment decisions independently and do not have an especially close relationship with the bank or relationship manager. 60% of these so-called Soloists were less satisfied with the bank after the crisis than they were before the crisis. The investors who have delegated their investment decisions to their bank or relationship manager responded more positively. "Both types of clients thus appear to feel that the form they have selected for making their investment decisions has proven to be the right one," explains Prof. Dr. Teodoro D. Cocca. "Overall, banks and relationship managers do not appear to have succeeded so far in the crisis to convince the majority of their clients of the value of their advisory services."

Corona crisis only corrects equity overvaluations in part

For investors, the corona crisis has at least resulted in some corrections in the equities market. In January 2020, 54% of respondents felt that equities were overvalued. During the second half of April 2020, a significant share (26% of all respondents) continued to see equities as overvalued – even after the sharp corona-related decline in prices. In general, the respondents tended to be pessimistic in their outlook for the economy. Around 70% of respondents expect that the corona crisis will result in a massive, global recession and that the turbulence in markets will continue for a long time to come. 58%, however, are of the opinion that there is a lot of alarmism and hysteria surrounding coronavirus.

Methodology

This study on the investment behavior of high-net-worth private banking clients in Switzerland during the corona crisis was conducted as part of the LGT Private Banking Report. Under the leadership of Prof. Dr. Teodoro D. Cocca, the Department of Asset Management at Johannes Kepler University in Linz in January/February 2020 conducted the sixth survey since 2010 on the investment behavior of private banking clients in Germany, Austria and Switzerland. At total of 358 individuals were surveyed (106 in Germany, 100 in Austria and 152 in Switzerland). The main criterion for participation in the survey was disposable investment capital. In Germany and Austria, the minimum disposable investment capital was EUR 500 000 and for Switzerland, it was CHF 900 000. Due to the effects of the corona pandemic on financial markets, a follow-up survey was conducted in April 2020 with the private banking clients in Switzerland who had already been surveyed in January by the LINK Institute (127 individuals).

The full LGT Private Banking Report, which comprehensively examines the investment behavior of private banking clients in Germany, Austria and Switzerland and contains further findings about the corona crisis, will be published at the beginning of June.

You can find information on the investor study during the corona crisis and download past LGT Private Banking Reports on our website at www.lgt.com Publikationen/Private Banking Report (German only).

LINK Institute

The LINK Institute is the market leader in Switzerland for market and social research. The institute offers the full range of market research and has proven expertise in financial services research. Based on the largest and most representative online panel in Switzerland with 115 000 panelists and a telephone panel with over 200 000 participants, LINK also has the largest HNWI database in Switzerland. www.link.ch

LGT

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Your contact

Christof Buri
Head Group Marketing & Communications
Tel. +423 235 23 03
lgt.media@lgt.com