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LION GLOBAL INVESTORS

The Guide to GEN Z Investors

"IYKYK, We Are Vibin' Fam"

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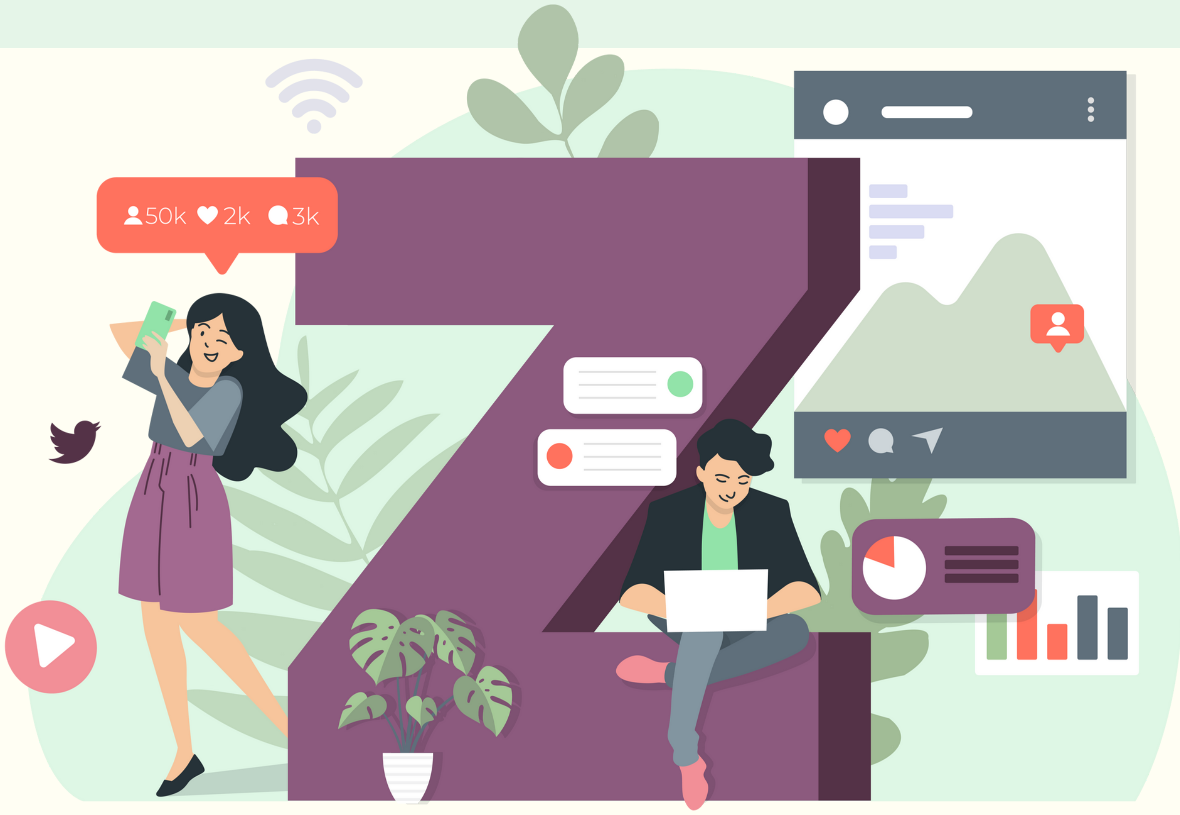
Generation (or "Gen") Z refers to people born from 1995 onwards. Millennials are the cohort before them, born between 1980 and 1994. As of 2019, Gen Z grew to become the biggest generation of our time, making up 32% of the global population, overtaking the millennials[1]. Bank of America expects their income to rise 5 times by 2030, constituting more than 25% of the global income and surpassing that of the millennials by 2031[2]. The investment bank also predicts them to be the "most disruptive generation ever". As this group comes of age, the potential impact that they may have is remarkable. Therefore, it is imperative that we explore some of the unique qualities that they possess, as it opens up new and interesting investment opportunities to consider.



"OK, boomer"

Gen Z-ers are the true blue digital natives; they are exposed to technologies and have access to smartphones and Google as early as their memories take them back. All I will reveal at this point is that my first ever mobile phone was a Nokia 8250 that I still reminisce fondly about – SMS, 2G bands, no front camera, GPS or Bluetooth, and the iconic snake game. In that regard, they are arguably more tech-savvy than previous generations. Research by McKinsey in 2020 on Gen Z in Asia highlights that one third of their survey groups spend six hours or more per day on their mobile phones, versus millennials at 22% and Gen X at 10%[3]. It should then come as no surprise that social media influencers are a huge part of Gen Z consumption journey and hold dominant sway in their purchasing decisions – they turn to people whom they trust and like for recommendations regarding products and/or services. Often, these influencers are also known as Key Opinion Leaders (KOL). The same Mckinsey report alludes to the same conclusion – 50-60% of brand decisions made by Gen Z-ers are primarily influenced by social media[3]. Bringing this closer to home, there are reportedly 4.96 million (m) active social media users in Singapore as at January 2021, making up 84.4% of our total population[4].

So how does it relate to finance?

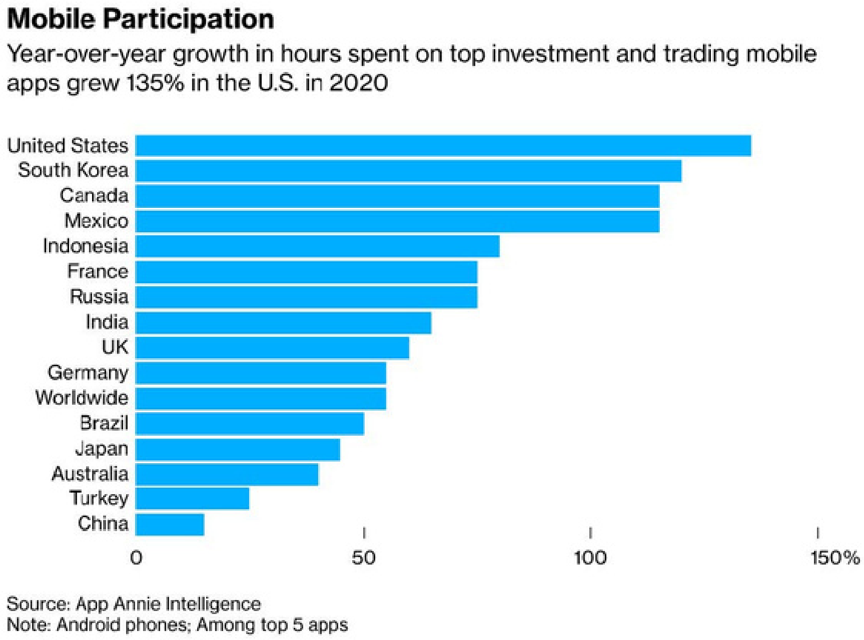
Welcome to #FinTok

Yes you got it right, it means "Financial TikTok". #Finflucers have emerged fast and furious during the pandemic. As at March 2021, number of times the following hashtags have been viewed: #Investing - 1.9 billion (bn) #Finance - 1.9bn; #StockMarket - 1.6bn; #StockTok - 775.1m; #Crypto - 731.1m and #FinTok - 22.1m[5]. Crème de la crème of the "wall street influencers" now have the potential to make more income than old-fashioned investment bankers[6]. This suggests that the social media platform has seen a huge growth in the demand for financial-related content, undeniably a phenomenon that has been turbocharged by the pandemic. With this being said, it is also absolutely paramount to highlight that such personal finance content and advice offered by individuals can turn out to be inaccurate, bogus and even as scams. Indeed, the Financial Conduct Authority (FCA) has issued warnings to social media companies to take a tougher stance against financial frauds[7]. Investors who turn to such mediums should and must do their own due diligence before committing to an investment decision.

Robos are "Dripping"

Going back to the point that we are spending so much more time on our phones and the rise of #FinTok – data analytics firm App Annie revealed that downloads of finance apps in the United States spiked by 20% during the pandemic versus the year before that, and the sheer number of hours spent on those apps soared by 90%[6]. Indeed, robo (or digital) advisors have exploded in popularity globally – they are apps that use algorithms to construct and tailor investment portfolios for individuals. People are gravitating towards the use of such apps as its digital nature makes it more convenient and accessible to many, while they typically charge lower fees than traditional channels. To step ahead of the explosion in demand for digital financial services, earlier this year in January 2022, UBS Group AG bought one of the top robo-advisors Wealthfront in a $1.4 billion-dollar deal; Wealthfront primarily focuses on millennials and Gen Z investors whom they believe is a high growth segment that will own an increasing portion of the world's wealth[8].

[1]Source: New York Post, "Generation Z is bigger than millennials – and they're out to change the world", 25 January 2020
[2]Source: CNBC, "Gen Z incomes predicted to beat millennials' in 10 years and be 'most disruptive generation ever", 20 November 2020
[3]Source: McKinsey & Company, "What makes Asia-Pacific's Generation Z different?", 29 June 2020
[4]Source: Data Reportal, "Digital 2021: Singapore", 9 February 2021
[5]Source: White Marble Consulting, "A New Generation of Investors: StockTok", 12 March 2021
[6]Source: Bloomberg, "Wall Street Influencers Are Making $500,000 Topping Even Bankers", 17 September 2021
[7]Source: The Guardian, "Social media firms serve as gateway for scammers, says finance watchdog", 28 September 2021
[8]Source: UBS, "UBS agrees to acquire Wealthfront to deliver digital wealth management offering to millennial and Gen Z affluent investors", 26 January 2022



Source: Bloomberg, "Wall Street Influencers Are Making $500,000 Topping Even Bankers", 17 September 2021

However, it is not an entirely rosy picture – while we want to avoid blanket categorizations, research has also shown that members of this generation are potentially more risk inclined. The Financial Conduct Authority (FCA) has expressed concerns that a "new younger and more diverse group of consumers" who are "self-directed" are investing in high risk investments[9]. This is correlated to their leaning towards social media such as Youtube for advice, a trend that is encouraged by the digital accessibility of new investment apps. A study by Barclays Smart Investor similarly points out that many Gen Z-ers tend to invest for the short-term, with 14% of their sample group undertaking more speculative decisions compared to early 2020[10].

The "Woke" Generation

There are also several distinctive investment themes that the Gen Z-ers seem to gravitate towards. A Bloomberg survey of university students across EMEA and Asia suggests that majority of the Gen Z-ers focus on "companies with a purpose" when it comes to investing[11]. They have identified "green and sustainable investing" as the biggest investment of 2021. Indeed, First Insights published a whitepaper highlighting that majority of Gen Z shoppers are making more sustainable purchases, while willing to spend 10% more on sustainable brands[12]. If one were to look out to the future, it could bring seismic structural changes to the global investment landscape.

Conclusion

Gen Z is indeed a unique generation of its own, with their own set of qualities, attributes and slang words that we (as a collective older generation) can learn from. As a more diverse and technologically savvy cohort, they are questioning norms, challenging status-quo and pushing boundaries. As they gain greater wealth and power, it is undoubtedly that they are a generation to reckon with, and could potentially lead seismic structural changes to the global investment landscape.

[9]Source: Financial Conduct Authority, "FCA warns that younger investors are taking on big financial risks", 23 March 2021
[10]Source: Barclays Investing Insights, "The rise of the Gen Z investor", 16 July 2021
[11]Source: Bloomberg, "Majority of Generation Z investors identify Green and Sustainable investing as the biggest trend of 2021", 3 February 2021
[12]Source: First Insight, "The State of Consumer Spending: Gen Z Shoppers Demand Sustainable Retail", December 2019

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