

Significant Investor Visa

Welcome to the SIVAustralia newsletter

Each quarter, we will cover developments in the new Significant Investor Visa (SIV) industry, and provide insights on ultra-high-net-worth global investors interested in Australian opportunities.

Basis Point is the market leader in the SIV sector for business intelligence and industry networking. Our seven SIV seminars and conferences, held in Australia and Hong Kong since December 2012, have attracted 800+ attendees, and generated a database of 3200+ contacts.

We welcome your news and feedback. Please contact me directly at david@basispoint.com.au

Regards, David Chin, Managing Director, Basis Point Consulting

SIV News

Insights from a SIV seminar on 15 May, organised by NSW Trade & Investment, DIAC (Department of Immigration and Citizenship) and NSW TCorp, with Basis Point's follow-up to DIAC shortly after.

- Over 93 per cent (160) of 171 applications lodged have been received in the past 3 months.
- It is expected that most SIV applications will be processed within 6-9 months.
- Approximately 90% of SIV EOIs (Expressions of Interest) recorded an intention to invest in Government Bonds as their first investment preference. About 5% indicated private companies as their first investment preference, and about 4% in managed funds.
- However, of the 90% who indicated bonds, around 70% want to remain in bonds and 30% wish to also consider other complying investment options.
- 90% of EOIs have been submitted by applicants from the People's Republic of China.
- 47% of Visa Applicants wish to invest and reside in NSW, 38% in VIC, 10% in QLD, 3% in WA and 2% in SA.
- The first SIV was granted to a toy manufacturer from China who will reside in Victoria, and will invest in Victorian government bonds.

Our comments

A straw poll of leading immigration lawyers, conducted by Basis Point, indicates there is a pipeline of 400+ EOIs at present, and that 1000 -1500 SIV applications are expected from July 2013 to June 2014. *This supports Basis Point's initial estimates of 1000 visas per year (to equate to the \$5 billion in capital inflows into Australia).*

Approvals for many of the 171 current SIV applicants will likely be announced from September to December given most of their applications were made in the past 3 months, and given a 6-9 month processing timeframe.

36% of the 171 applicants have indicated interest in investments outside of bonds. *(They comprise 9% who have indicated private companies and managed funds and 30% of the 90% in bonds, equating to another 27%.)*

However, we believe this 36% will rise as SIV holders become more familiar with Australian opportunities and regulations, and that 'ticking the bond box' is currently the easiest option.

Also to be factored in is the SIV applicant's likely reticence to conduct due diligence on non-bond investment opportunities when 1) they are not sure they will get the visa approved, and 2) investment conditions could change in next 6-9 months, i.e. they will more likely investigate non-bond investments *after* they obtain their visa.

SIV operates within DIAC's Business Innovation & Investment Visa programme. In recent years, an annual quota of around 7400 visas has been allocated. This number includes family members. With an average of 3.5 per family unit (couple with 1 or 2 children) in theory, the upper limit on SIVs would be 2114, to equate to 7400 under the 'quota' *(but leaving no visas granted under other parts of the Business Innovation programme).*



Significant Investor Visa

Foreign investment in Australia

China was ranked the third largest foreign investor (\$16.2b) in the 2011/2012 financial year, behind the US (\$36.6b) and UK (\$20.3b), according to FIRB data. See table below.

However, China had by far the largest number of approvals, resulting in an average deal size of just \$3.4m compared to the US (\$136.6m) and the UK (\$20m). This indicates Australian businesses have more transactional opportunities with Chinese investors (more counterparties) relative to US and UK investors (fewer but larger counterparties). Mineral exploration & developments and real estate investments were the largest categories of FIRB approvals (both equating to 32% of foreign investment) from all nations.

Seven of the top 13 foreign investors are Asian nations. The average deal size for all Asian countries was \$6.6 million, consisting of 7155 approvals and a total investment of \$46.8 billion. Almost 90% of Singapore's foreign investment in Australia was to the real estate sector.

Note; FIRB statistics are for *approvals*, not actual deals transacted. See [link](#) for FIRB FAQs.

FIRB data for 2011/2012 year

Country (a)	Total (\$b)	Number of approvals (e)	Avg. Deal Size (\$m)
United States	36.6	268	136.6
United Kingdom	20.3	1,018	20.0
China (b)	16.2	4,752	3.4
Japan	13.9	324	43.0
Canada	8.9	131	67.7
Singapore	6.4	524	12.3
Switzerland	6.0	49	122.5
France	4.1	136	29.8
South Africa	3.0	280	10.8
Malaysia	2.6	948	2.8
South Korea	2.4	123	19.4
India	2.2	317	6.9
Hong Kong	1.9	123	15.7
Germany	1.9	80	24.0
Russia	1.7	71	23.8
New Zealand	1.4	35	38.9
Thailand	1.2	44	27.1
Egypt	1.0	13	77.7
Other (c)	16.7	1,648	10.1
Sub-total	148.4	10,884	13.6
Australia (d)	21.6	258	83.8
Total	170.0	11,142	15.3

Sources; FIRB, Annual Report 2011/2012. Refer to the FIRB report for detailed footnotes a-d. BasisPoint Consulting.

Significant Investor Visa (SIV)

Australia's Significant Investor Visa programme (launched November 2012) is expected to generate \$6 billion in annual inflows to Australian funds and SMEs from ultra-high-net-worth investors, predominantly from Asia.

Overview of SIV

a) \$5 million investment for four years into 'complying' investments including ASIC regulated managed funds investing in Australian equities, property, fixed income, & infrastructure, AND/OR government bonds/cash, AND/OR operating private businesses.

b) State governments are initially involved in the selection process and have specific requirements in addition to the Federal government's Department of Immigration (DIAC) complying investment criteria.

c) Changing investments instruments is allowed during the visa period. Direct investment in property and exchange listed companies is not permitted.

d) SIV investors are required to stay in Australia for just 160 days within the four year investment period (ie approx. 40 days per year, in any period combination).

e) After the initial four year period, the SIV temporary resident can apply for permanent residency. However, the initial 4 year investment period can be extended for up to a further four years, (2x2) if desired.

f) No age and English language proficiency requirements. National security, character and health checks are required.

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Foreign Investment by sector, 2011/2012

Country (a)	Manufacturing (\$b)	Mineral exploration & development (\$b)	Real Estate (\$b)	Other* (\$b)	Total (\$b)
United States	2.7	15.1	8.2	10.6	36.6
United Kingdom	13.3	2.0	3.8	1.3	20.3
China (b)	0.5	10.5	4.2	1.0	16.2
Japan	1.8	9.5	1.7	0.9	13.9
Canada	2.7	0.3	2.5	3.5	8.9
Singapore	0.1	0.1	5.7	0.5	6.4
Switzerland	0.4	0.9	0.5	4.2	6.0
France	1.7	-	0.4	1.9	4.1
South Africa	0.7	0.3	1.7	0.3	3.0
Malaysia	0.3	0.4	1.8	0.2	2.6
South Korea	-	1.9	0.4	-	2.4
India	-	1.9	0.2	0.1	2.2
Hong Kong	0.7	0.4	0.8	-	1.9
Germany	0.3	-	1.0	0.6	1.9
Russia	-	1.6	0.1	-	1.7
New Zealand	-	0.2	0.9	0.3	1.4
Thailand	-	0.7	0.0	0.5	1.2
Egypt	1.0	-	-	-	1.0
Other (c)	0.7	1.9	13.5	0.6	16.7
Sub-total	27.0	47.6	47.3	26.3	148.4
Australia (d)	2.5	4.0	11.1	4.1	21.6
Total	29.5	51.6	58.4	30.4	170.0

Note: 'Other' includes services

Sources: FIRB, Annual Report 2011/2012. Refer to the FIRB report for detailed footnotes a-d. BasisPoint Consulting.

Foreign real estate investment in Australia

Of the 11,142 FIRB approvals from all nations, (see above tables) 9768 was for residential real estate.

Of the \$58 billion in real estate, \$19.7 billion was in residential real estate, of which there were 70 approvals for \$10.9 billion in off-the-plan residential developments. (see table next page)

Our SIV initiatives

Following our seven SIV events since November 2012, **additional seminars** are planned in Australia and Asia. Details to be announced via our SIVAustralia newsletters.

A **SIV Directory** of complying investments and service providers is underway. More than 50 firms are expected to participate initially. Contact us for details on how to be included.

An **internship programme** is also being developed, where post-grad students (from Australian universities with Asian language skills) will work as an intern in an Australian company involved in the SIV. Contact us for details.

A **SIVAustralia research report** will be released within the coming months. The Report will include detailed insights into the Chinese and Asian ultra-high-net-worth market, traditional distribution channels to the UHNW market, alternative channels that have UHNW client bases, and a who's who of the distribution channel space in Asia.

To register your interest in any of these initiatives, please contact us as at

siv@basispoint.com.au

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Investment in residential real estate by type of expenditure and number of proposals approved 2011-12. FIRB

Residential	Number	Value (\$b)	Avg. Deal Size (\$m)
Existing residential property	3,957	4.18	1.06
Vacant land for development	1,518	0.68	.45
New dwellings for either...			
• individual purchases	4,022	2.54	.63
• developer 'off-the-plan'	70	10.92	156.00
Other	201	1.39	6.92
Total residential	9,768	19.7	2.02

Sources; FIRB, Annual Report 2011/2012. Refer to the FIRB report for detailed footnotes a-d. BasisPoint Consulting

ABS Statistics on Foreign Investment

China is ranked the 7th largest source of foreign investment in Australia as at end 2012. (The US and UK have a multi-decades history of investment in Australia – hence their larger cumulative totals).

Foreign Investment in Australia: Level of Investment by Country as at end 2012 (\$b)

Country	Total Foreign Investment In Australia	Of which...Direct Investment	Of which...Portfolio Investment	Of which...Other investment
United States of America	617.6	131.3	372.3	114.1
United Kingdom	496.4	79.4	291.8	125.2
Japan	126.4	61.2	56.6	8.6
Singapore	55.9	23.8	12.3	19.8
Hong Kong	42.1	7.3	16.3	18.5
Canada	31.8	21.2	4.9	5.7
China (excludes HK and Taiwan)	23.0	16.7	0.7	np
Malaysia	14.9	5.7	np	1.0
South Korea	12.0	2.1	np	0.2
India	10.0	1.3	np	0.3
Thailand	7.3	np	np	0.2

Sources: Australian Bureau of Statistics Cat. No. 53520 – International Investment Position, Table 2. Basis Point Consulting.

Basis Point's SIV conference

Australia's first Significant Investor Visa (SIV) conference on 9th April, 2013, Sydney Hilton Hotel, attracted more than 310 delegates.

The Hon. Andrew Stoner, NSW Deputy Premier and Trade & Investment Minister, launched the event.

In addition to a 20 strong UHNW delegation from China, attendees included executives with close ties to Hong Kong, Singapore, Taiwan, Malaysia, Philippines, Indonesia, India and Vietnam.

(Interestingly, Korean, Thai and Japanese representatives were not on the list). Several UHNW Australian entrepreneurs also attended. The conference was organised by Basis Point Consulting and was sponsored by....



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Insights on the Chinese UHNW

Bain & Co/China Merchants Bank Report

The China Private Wealth Report 2013 has been released jointly by Bain & Company and China Merchants Bank. See [link](#).

Highlights:

- "Quality of life" and "children's education" followed "wealth preservation" on the list of top wealth management objectives. "Wealth creation," which topped the list of wealth management objectives in the 2009 survey, has dropped to fourth place.
- One-half of ultra-HNWIs (defined as individuals with at least 100 million RMB [A\$17m] in investable assets) now consider wealth inheritance planning.
- The percent of HNWI and ultra-HNWIs with overseas investments have roughly doubled since 2011. Half of ultra-HNWIs have now invested overseas (for risk diversification and investment opportunities).
- Roughly 60 percent of those interviewed who have overseas investment now said they expect to increase their overseas holdings.
- HNWIs seek superior advice and guidance in selecting more sophisticated offerings and say that they prefer banks with high degrees of professionalism and expertise in international markets as their service providers for overseas asset management.
- More than half of ultra-HNWIs have expressed interest in establishing "family trusts," while 15 percent have already done or started to do so.
- Most ultra-HNWIs have gained their familiarity with family trusts through their exposure to private banks located in Hong Kong.
- China's domestic private banks face intensified competition, (for HNWI business) requiring them to maintain and fortify their advantage in brand management, targeted customer segmentation and the development of tailored products and services.
- Chinese HNWI's needs for overseas asset allocation are on the rise in an era of capital globalization. Chinese banks should leverage their deep understanding of and good relationships with Chinese HNWIs, and develop models that best suit their strategy to accelerate their overseas expansion.

Wealth-X Report

Wealth-X has released a 6-page white-paper on the likely characteristics of a Chinese Significant Investor Visa (SIV) applicant.

The report suggests a typical applicant will have a net worth of US\$30-\$250 million, an average age of 51, average net worth of US\$53 million of which \$4 million is in real estate holdings and US\$29 million in cash and public holdings. The report also notes that there are 42,895 UHNW in Asia. Click [here](#) for report.

BCG Report

Boston Consulting Group has released its BCG Perspectives Global Wealth 2013 Report. Click [here](#) for details. Highlights:

- China had the world's third highest number of millionaire households in 2012 (1.3 million), just behind the 1.46 million households in Japan.
- Taiwan (8th), Hong Kong, (11th) Australia (14th) and India (15th) were all ranked in the top 15 countries as measured by number of millionaire households.

The report also noted that traditional boundaries between wealth management, asset management and investment banking will break down. In addition, family offices are expected to flourish (in Asia) as the regional industry matures and UHNW families undergo the transition of wealth from first-generation to second- and third-generation business owners.

Australian Hedge and Boutique Fund Directory

Highlights:

- 165 firms control \$208.4 billion in FUM
- 102 boutiques (mostly long-only, benchmark-unaware) with \$165.6 billion FUM
- 63 hedge funds with \$42.8 billion FUM
- \$60 billion (28% of sector AUM) allocated to global equities, global fixed income and CTAs/global macro.

The 56-page (hard-copy only) directory has 28 pages profiling each of the 165 management firms.

* Plus details on 42 service providers (brokers, fund admin, operational, software/data/IT, business services) and global managers marketing into Australia.

* Plus 17 pages of qualitative and quantitative analysis on Australian institutional and HNWI investors



The directory is available for A\$396.

Email sales@basispoint.com.au

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Recent Chinese property transactions

Widespread Australian media coverage has been given to Chinese property transactions. A selection of news items are below. Note the FIRB statistics above for perspective.

Luxury residential sales to Chinese buyers;

- Altona, Point Piper, \$54 million
- Wolseley Crescent 'Bang & Olufsen house' Point Piper, \$33 million

According to the Courier newspaper, recent (NSW) residential sales to Chinese buyers were;

- Bay Street, Mosman, \$20 million
- Vaucluse Road, Vaucluse, \$14 million
- Bay Street, Mosman, \$12.8 million
- Seaforth Crescent, Seaforth, \$6.5 million
- Vaucluse Road, Vaucluse, \$5.8 million

Click [here](#) for article.

According to Knight Frank, (press release 27 March 2013) Chinese direct (commercial) real estate investments include;

- Sydney Water Board site (\$100 million),
- 231 Elizabeth Street (\$201 million),
- 1 York Street (\$117 million),
- 10 Barrack Street (\$62.5 million),
- 333 Kent Street (\$48 million),
- 80 Alfred Street (\$49 million) and
- Palazzo Versace Hotel in Queensland (\$68.5 million)

Other notable deals

- a. \$950 million Jewel resort project in Surfers Paradise is backed by China's Ridong Group. (with a \$500 million investment in the development, according to the Australian newspaper)
- b. Benny Wu bought the Double Island resort (was reportedly on market for \$8m). Plans \$10m resort upgrade to target 'the very top end of the (Chinese holiday) market. Click [here](#)
- c. Unnamed Chinese property developer from Guangzhou seeking to spend \$20m to buy 100 hectares of land in north Queensland to build a \$200m integrated development. Click [here](#)
- d. William Han bought Lindeman Island (584 hectares) in Whitsundays for \$12 million and plans a \$200 million upgrade. Han is chairman of the White Horse Group.
- e. A \$500 million Chinese Theme Park in Wyong Shire, NSW is proposed. The Australian Chinese Theme Park Pty. Ltd. (Chairman Bruce Zhong) has purchased 15.7 hectares of land from the Wyong Shire Council for \$10 million. Construction is anticipated to start in 2015, and with completion by 2020. The Theme Park is expected to provide between 1500-2000 jobs. Click [here](#).
- f. Chinese purchases of Australian vineyards are also increasing. A goodfood report notes that 13 vineyards have either been sold to or have investments from Chinese buyers, with a cumulative total of at least \$46.7 million. The article also notes that some buyers have 30,000 to 50,000 employees in China and the wine produced will be given to their employees as presents. It also notes that some buyers are buying the vineyards as a status symbol, like 'a beach house or a fast car'. Click [here](#).

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China-based events for SIVs

This [website](#) provides information on investment and immigration related trade shows in China.

Some potential events include:

1. [Guangzhou Rendez-Vous 2013 - 2013 Guangzhou International Quality Lifestyle & Property Expo](#) (MAY 31 – JUNE 2 2013)
2. [LPS Beijing 2013 - The Luxury Properties Showcase Beijing 2013](#) (MAY 31 – JUNE 2 2013)
3. [CIEOPI Beijing 2013 - 2013 China International Exhibition and Forum for Outbound Private Investments - Beijing](#) (SEPTEMBER 12 – SEPTEMBER 15 2013)
4. [OPI \(Shanghai\) 2013 Autumn - 4th Overseas Property & Immigration & Investment Fair \(Shanghai\) Autumn](#) (SEPTEMBER 13 – 15 2013)
5. [I & E Expo 2013 - 3rd International Investment and Overseas Education Expo](#) (SEPTEMBER 13-15 2013)
6. [CIEOPI Shanghai 2013 - 2013 China International Exhibition and Forum for Outbound Private Investments - Shanghai](#) (SEPTEMBER 19-21 2013)
7. [BOPI 2013 Autumn - Beijing Overseas Property & Investment Show 2013](#) (SEPTEMBER 19-22 2013)
8. [CILPS 2013 - The 8th China International Luxury Property Show](#) (SEPTEMBER 26-28 2013)
9. [Overseas Property Investment Show 2013 - 9th Shanghai Overseas Property & Investment Immigration Show](#) (OCTOBER 2-5 2013)

'Group buying' of exhibition space in selected events by SIV compliant funds, advisors and SMEs will be explored as a new initiative by Basis Point. Potential benefits include better due-diligence on event selection, greater 'group' marketing impact, and cost efficiencies from combined negotiating power. Expressions of interest for this initiative can be emailed to siv@basispoint.com.au

Another possible initiative is the production of a joint hard-copy "glossy" marketing report for event distribution and/or posting to HNWI in China. A combined marketing document (say 100+ pages of adverts and relevant articles) may be looked upon more favorably by potential investors. However, further analysis of the pros vs cons is required.

One downside is that individual advertisements are "lost within the 100+ pages" thus reducing the visual impact of an advert. Additionally, postage costs may make the project uneconomic, while guarantees are required that any outsourced mailing-house actually mails out the reports. Additionally, gatekeepers (P.As) may not pass any mailed report to the end recipient. Nevertheless, the cost/benefits can be explored further. Expressions of interest can be emailed to siv@basispoint.com.au.

Insights into the SIV

BasisPoint makes the following observations and forecasts based on;

- Our three research trips to Singapore and Hong Kong since December 2012;
 - Analysis of similar programmes in Singapore, Canada and the US; and
 - Our seminars/conferences that have attracted 800+ delegates region-wide.
1. There could be 1000 SIV applicants each year, who must each invest \$5 million for four years into 'complying investments' (such as Australian bonds, cash, managed funds or private operating companies). This will generate \$5 billion in annual new capital inflows into Australia. An additional \$1 billion is forecast to be spent by SIV families for their homes in Australia.
 2. This combined \$6 billion inflow equates to one sixth of the entire superfund industry net inflows, or one half of SMSF net inflows or half of ASX IPOs last financial year. (For detailed calculations of the \$6b, please see [link](#)).

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3. SIV investors are mostly first generation wealth, and therefore have a wider range of risk appetites and investment outlook than second/third+ generation wealth. Many SIV investors could prefer the 8-year (extended) term, to continue to operate their businesses in Asia, and have fewer Australian tax issues (compared to being a permanent resident visa holder).

4. Therefore their investment horizon could be double the expected 4 year term, which impacts on their risk/return/liquidity profile, and impacts on Australian firms offering investment opportunities.

5. China's financial services industry is mushrooming, resulting in strong interest for Chinese entrepreneurs to gain the 'DNA' of a funds management/wealth advisory business. There could be joint venture appetite between Chinese SIV investors and Australian fund managers and wealth advisory businesses to replicate the Australian business in China.

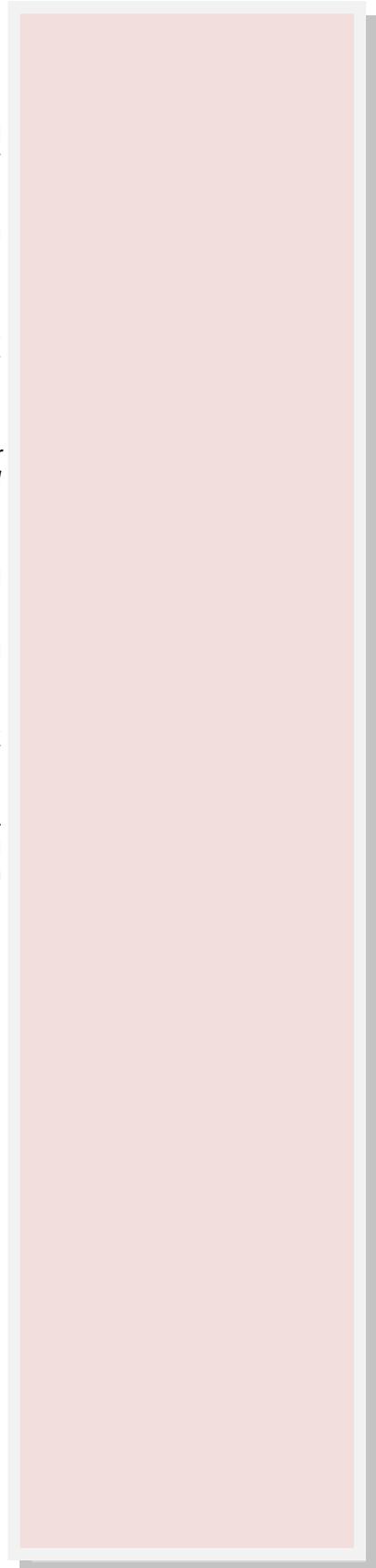
6. Export leveraging opportunities for SMEs could also be attractive. Australian SMEs can leverage the distribution channels of their SIV investors to boost exports into Asia. *(eg a SIV investor who runs a chain of retail wine shops in China could invest in an Australian wine wholesaler, and then expand sales of that wholesaler in China).*

7. The longer 8 year period could also enable their children (the *UHNW in China typically have 2, not 1*) to study in Australia and work to gain 'Western' experience, most likely in the Australian fund manager/ export company SIV joint venture (and to keep an eye on their parent's investment).

8. Lifestyle/health benefits in Australia are a major attraction, given the environmental pollution and food contamination scandals in China and parts of Asia.

9. Many SIV applicants will place their initial investments in Australian bonds so as to quickly get their applications through. They could then consider wider investment options after they get their visa.

10. There is no dominant group of 'gate-keepers' between SIV investors and Australian SIV complying investment providers, meaning distribution channels are wide open. In addition, 'sell to one, sell to many' opportunities exist, due to close personal networks between the ultra-high-net-worth in China and Asia generally.



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About Us

Basis Point Consulting (founded in 1996) provides business & marketing intelligence on the financial & investment markets in Australia & Asia.

Our clients and sponsors include exchanges in Europe, the US and Asia, prime brokers, private banks, fund trustees & administrators, and legal & accountancy firms. They use a combination of our bespoke intelligence reports, directories and targeted networking events to better connect with their clients in order to capture business opportunities.

Basis Point has also established itself as the leading information and networking portal for Australia's recently launched Significant Investor Visa (SIV) programme. More than 800 executives have attended seven conferences and seminars in Sydney, Melbourne and Hong Kong since the SIV programme started in November 2012.

David Chin, founder and managing director of Basis Point is also the editor and publisher of the [Australian Hedge and Boutique Fund Directory](#).

He is the author of several Australian Trade Commission (Austrade) reports including;

- [Hedge Funds Industry Report](#)
- [Investment Management Industry Report](#)
- [Alternative Investments Report](#)

And is consulting News Editor for TripleA Partners' [Australian Hedge](#)" (covering the hedge funds industry)

And Author, [Thy Fiefdom Comes](#), a fantasy/science fiction novel

He was previously Head of Marketing at Sydney Futures Exchange (SFE) from 1990-1996, reporting to the CEO.

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