

Q&A: Bernard Del Rey, founder and CEO of Capital Preferences

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Environmental, social and corporate governance (ESG) and related investment philosophies have gained ground in financial markets,, but it seems that most investors are not satisfied with their ESG investments. According to a survey by fintech company Capital Preferences, as many as 70% of investors believe that their ESG investments are not worth the money, and less than half think that they have received sufficient and useful advice on ESG investments. Bernard Del Rey, founder and CEO of Capital Preferences, will talk about the problems and opportunities in the field of ESG risk appetite analysis. Written by: Yang Kuo

How does Capital Preferences analyse investors' ESG risk appetite?

We have developed a mobile application in which clients only need to play a game to know their ESG risk appetite. First, they need to intuitively allocate \$100,000 into two baskets (five in total, representing five types of ESG risk preferences, namely Empowerment, Basic needs, Natural Resources, Climate Change, and Ethical Behaviour). These five ESG risk preferences, with two baskets to choose from in the first round, are then repeated four times. From these, we can determine how much they attach importance to the above-mentioned ESG risk appetite types. Finally, we recommend to clients the investment products or portfolio that best suit them will base on the results.

There are many software or websites on the market that help users assess investment risks, and even large financial services companies are establishing ESG risk appetite evaluation mechanisms based on a large number of questionnaires. What are the advantages of Capital Preferences?

When filling out questionnaires, clients often need to read a large amount of information before they can understand the more complicated questions and respond effectively. As a result, the completion rate of the questionnaire is often low. In addition, some questions may have unclear definitions which confuses clients and leads to dissatisfaction. It is thus difficult for financial services companies to accurately grasp customers' ESG preferences based on the results of such questionnaires. The evaluation mechanism of Capital Preferences is more like a game, simpler and more direct. At present, 100,000 users have personally tested our evaluation mechanism, and about 96% of them can complete it independently, which highlights the ease of use of this evaluation mechanism. In addition, I believe our adoption of mathematical framework and behavioural economics evaluation mechanism is also more attractive to the financial services industry, as the intuitive response and choices of investors when they see simple questions best reflect their personal preferences.

Why did Capital Preferences choose to develop solutions for ESG risk appetite assessment?

I used to work at JPMorgan Chase and this experience made me feel that financial analysis tools are really important for the financial services industry. In fact, in the current market, there is no particularly good analysis tool that can evaluate customers' ESG investment interest. ESG is a new area where investors have a lot of interest, but according to our surveys in the US, UK and Singapore, about 70% of people think that their ESG investments are not worth the money. Less than half of the people think that they have received sufficient and useful advice on ESG investment - I believe that financial industry consultants may have a good understanding of certain stocks, but their knowledge of ESG-related fields such as carbon footprint may not be sufficient. At this time, an effective and easy-to-use financial investment risk appetite analysis tool for ESG is particularly important, so we developed this analysis tool.

What type of companies or investors do you think will become your customers? In Hong Kong and other Asian regions, what are your future business plans?

We attach great importance to the Hong Kong market. Hong Kong's sound financial system, emphasis on financial technology, and opportunities to enter mainland China are all key considerations. Our target customers are large financial institutions - these large institutions basically all promise to their clients that they will understand them well, and provide them with customized investment solutions, which allows us to see more business opportunities. We are currently negotiating cooperation matters with some large companies, one of which is one of the world's three largest asset management companies. We also work closely with New Zealand Trade & Enterprise to reach out to other major financial institutions with millions of clients.