

World Wealth Report (WWR) 2018

Brussels

June 19, 2018






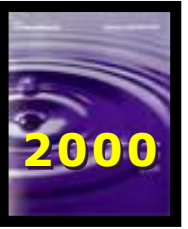








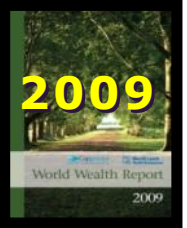









World Wealth Report (WWR) 2018

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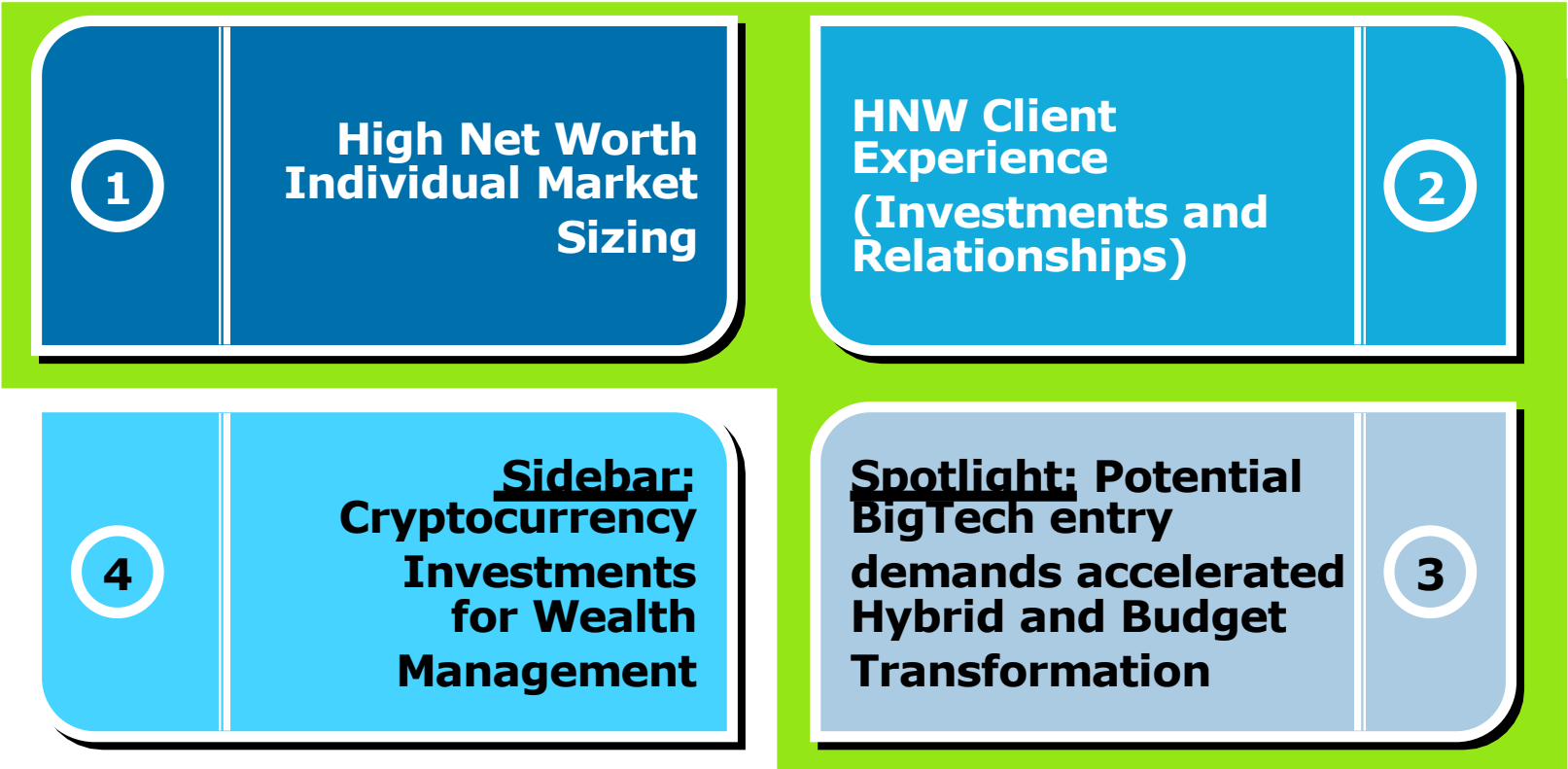
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Over 20 years as the wealth industry's benchmark publication (and over a decade covering Asia-Pacific via the APWR)

Changing HNWI Behaviors	Offshore vs. Onshore Capital Flows	Change and Innovation in Private Banking	Ultra-HNWIs	Specialized Products and Strategies	Europe vs. North America HNWIs	Impact of New Market Realities on HNWIs	Institution-Like HNWI Behaviors
							
1997	1998	1999	2000	2001	2002	2003	2004
Mid-Tier Millionaire Challenge	Globalization and Wealth Transfer	Needs-Based Client Service Models	Meeting Needs of Growth Markets	Adapting to New Market Realities	Change in Investor Psyche Post-Crisis	Leveraging Enterprise Value	Scalable Business Models
							
2005	2006	2007	2008	2009	2010	2011	2012
Regulatory Impacts on Firms and their Clients	Digital: New Wealth Mgmt Mandate	Addressing Evolving Role of Wealth Manager	20th Anniversary Special Report	Hybrid Advice : The Future of Wealth Mgmt	Rising BigTech Threat demands accelerated Hybrid and Budget Transformation		
							
2013	2014	2015	2016	2017			

WWR 2018 assesses HNWI market size, client experience, and spotlights the potential BigTech entry and need of accelerated hybrid transformation

FOUR Components of 2018 World Wealth Report



 Presentation Focus

Overall Report Takeaways

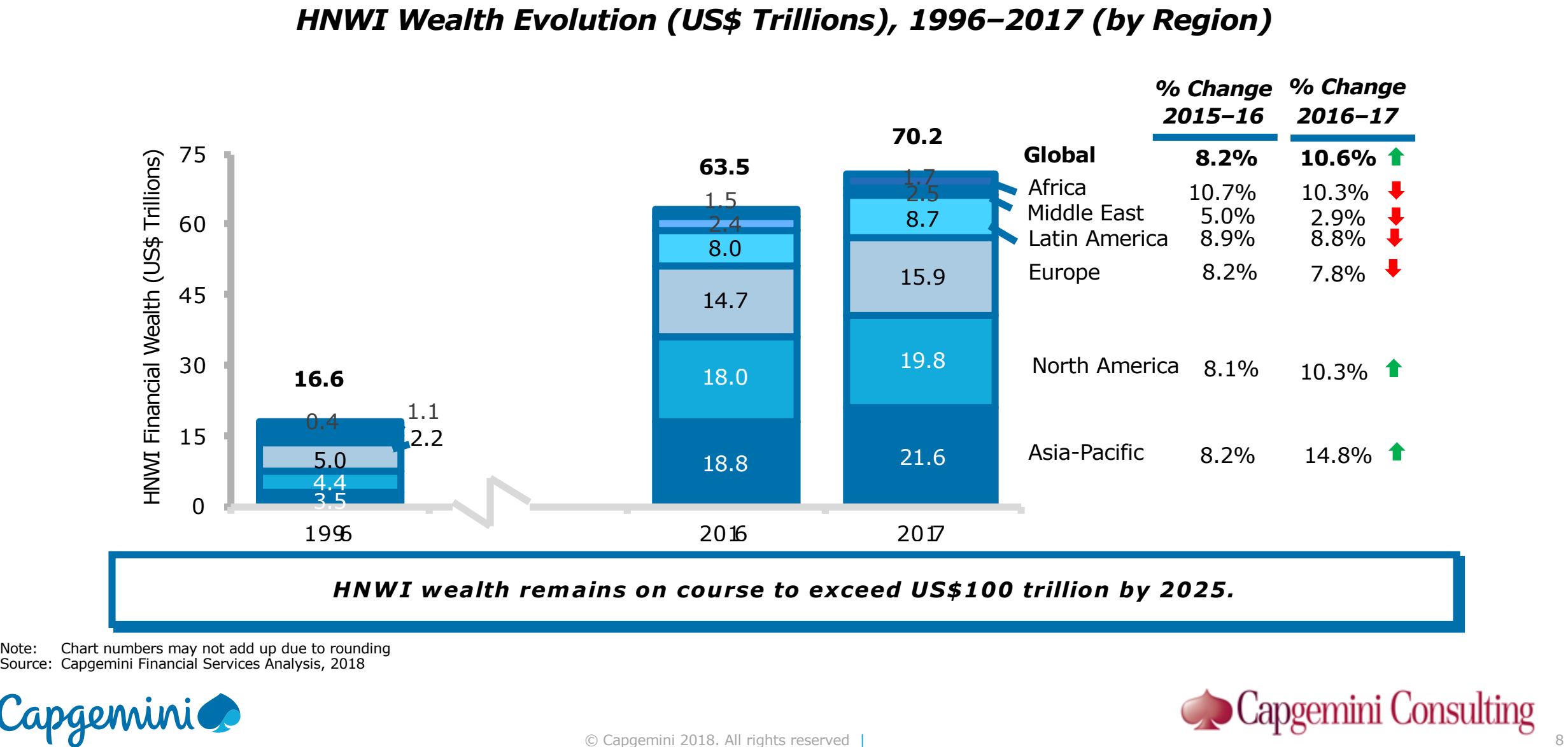
- Global HNWI population and wealth set a further all-time record-high in 2017, with global HNWI wealth growing by 10.6% to surpass the US\$70 trillion threshold for the first time.
- Wealth managers delivered another year of strong returns, but personal connections will be key to improving satisfaction...
- As HNWIs across the globe continue to demand hybrid advice, the pace of wealth management firms' hybrid advice transformation has accelerated..
- ... However, the rate of progress should be fast and effective seeing the likely entry of BigTechs.

High Net Worth Individual Market Sizing

Key Findings: Market Sizing and Growth

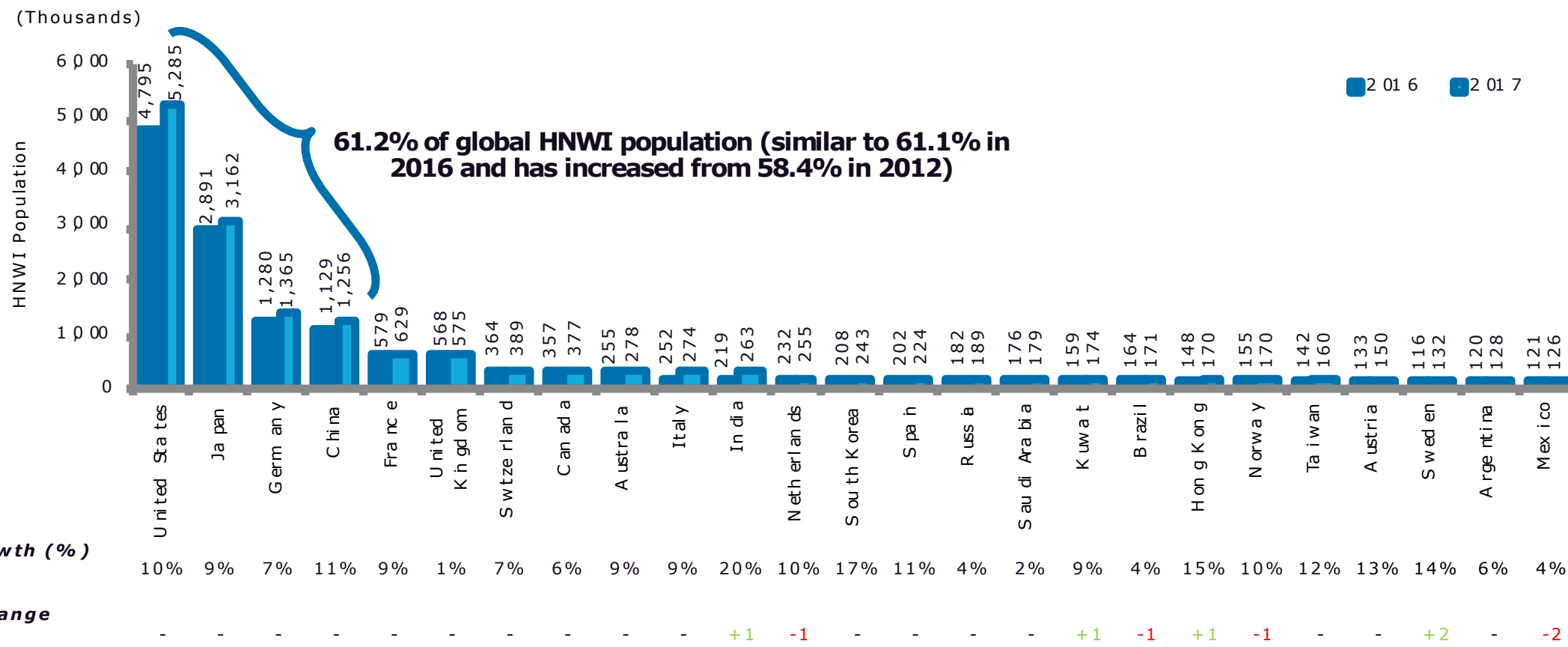
- **Robust 2017 global HNWI growth**, with population rising 9.5% and wealth by 10.6%.
- **Asia-Pacific powered the HNWI growth** followed by North America and Rest of World.
- **HNWI population country rankings shifted considerably**, with India, Kuwait, Hong Kong and Sweden improving their rankings
- **Ultra-HNWIs continued their traditional role as global growth drivers** with an 11.2% increase in global population and 12.0% wealth expansion.
- HNWI wealth remains on course to reach **US\$100 trillion by 2025**.

Global HNWIs wealth grew at 10.6% in 2017 powered by Asia-Pacific and North America



There were four ranking shifts within the top 25 HNWI markets, with India the fastest grower at 20.4%

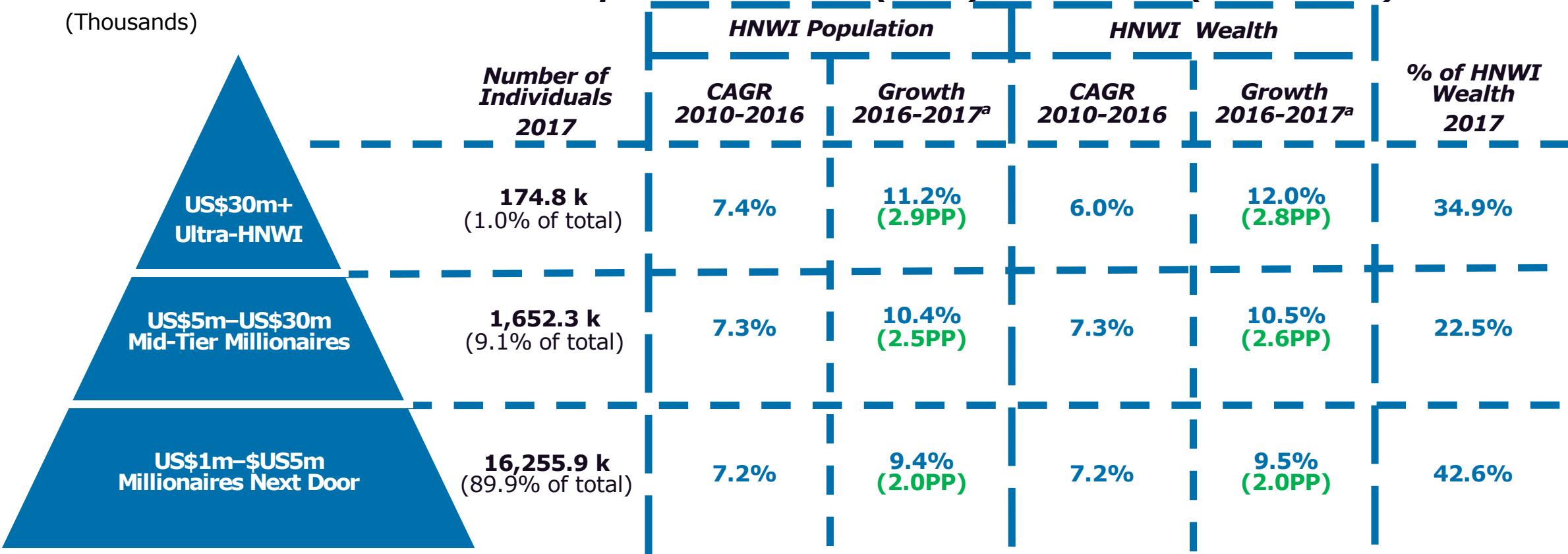
Largest HNWI Populations, 2016–2017 (by Market)



Note: Chart numbers and quoted percentages may not add up due to rounding
Source: Capgemini Financial Services Analysis, 2018

Ultra-HNWI growth continues to outpace other segments

Global Number of Individuals per Wealth Band (2017) and Growth (2016–2017)



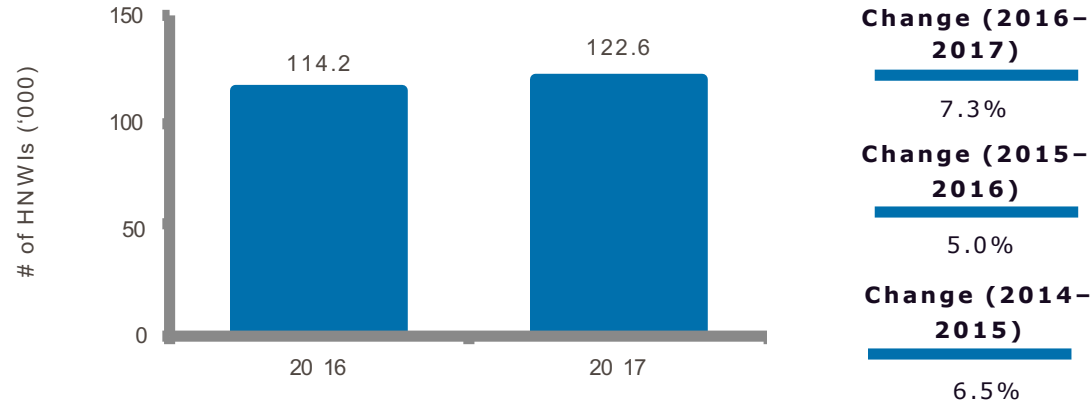
Globally, equities remained the most significant asset class in Q1 2018, at 30.9% of HNWI financial wealth (down 0.2 percentage points from Q2 2017) while cash and cash equivalents stayed in second place at 27.2% (down 0.1 percentage points from Q2 2017). Real estate was the only asset class to see a significant increase in HNWI asset allocation over Q2 2017 to Q1 2018. It increased in share by 2.8 percentage points to 16.8% to become the third-largest asset class – after equities and cash. Within the real estate category, residential real estate dominates at 51.6% of the real estate category, followed by commercial real estate (15.4%) and land (12.8%).

a. PP in parentheses denotes the change in 2016–2017 over 2015–2016
Note: Chart numbers and quoted percentages may not add up due to rounding
Source: Capgemini Financial Services Analysis, 2018

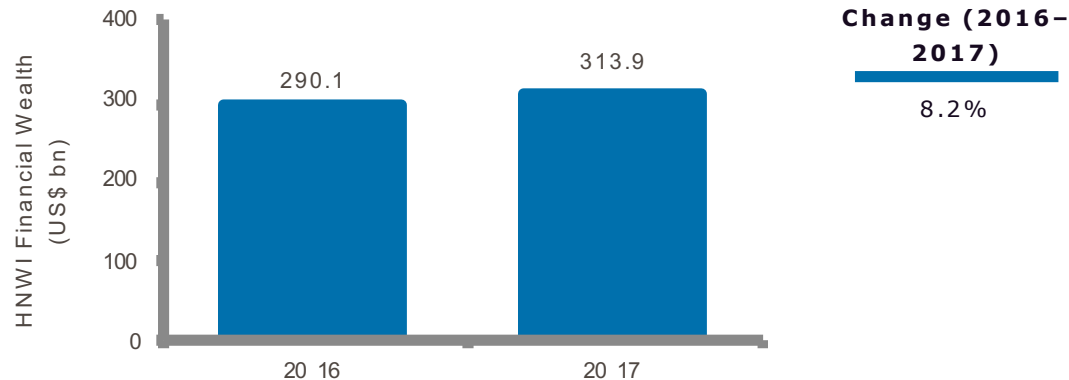
Belgium – 2017 Economic Review



**Number of HNWIs for Belgium ('000),
2016–2017**



**HNWIs Financial Wealth (US\$ billion) for Belgium,
2016–2017**



Drivers of Wealth (+)

- Real GDP grew by 1.7% in 2017
- Real estate prices increased by 1.3% in 2017
- Market Capitalization increased by 10.5% in 2017
- National savings as a percentage of GDP stood at 24.5% in 2017

Inhibitors of Wealth (-)

Note: HNWIs numbers have been rounded up to one decimal place for representation while the change is calculated based on complete numbers
Source: Capgemini Financial Services Analysis, 2018; Capgemini Lorenz curve methodology; Economist Intelligence Unit, May, 2018; Global Property Guide House Price Index, March 2018



Key Macroeconomic Drivers and Inhibitors of HNWI Wealth

Factor	2017 Performance	2017 Drivers and Inhibitors	Model Impact
GDP Growth	<ul style="list-style-type: none"> ▪ Real GDP Growth: <ul style="list-style-type: none"> • 1.7% in 2017 • 1.4% in 2016 	<ul style="list-style-type: none"> ▪ Real GDP stood at US\$451.0 billion in 2017 representing a growth of 1.7% ▪ Positive net exports and stronger corporate were the major drivers of the economic growth 	↑
Savings	<ul style="list-style-type: none"> ▪ National Savings as a Percentage of GDP: <ul style="list-style-type: none"> • 24.5% in 2016 • 24.1% in 2015 	<ul style="list-style-type: none"> ▪ National savings as a percentage of GDP stood at 24.5% in 2017: <ul style="list-style-type: none"> • Nominal private consumption stood at US\$253.0 billion, representing a growth of 5.6% in 2017 • Nominal Government consumption stood at US\$115.7 billion, representing an increase of 5.3% in 2017 	↑
Market Capitalization Change	<ul style="list-style-type: none"> ▪ Market Capitalization Change: <ul style="list-style-type: none"> • 10.5% in 2017 • (2.7)% in 2016 	<ul style="list-style-type: none"> ▪ Market capitalization rebounded strongly and grew by 10.5% in 2017, compared to a negative growth rate of 2.7% in 2016 ▪ Central bank maintaining their policy of quantitative easing coupled with robust economic growth and strong euro performance were the major drivers of market growth 	↑
Real Estate	<ul style="list-style-type: none"> ▪ Real Estate^a price change: <ul style="list-style-type: none"> • 1.3%^b in 2017 • (2.3)% in 2016 	<ul style="list-style-type: none"> ▪ The real estate market grew by 1.3% in 2017 as compared to a negative growth rate of 2.3% in 2016 ▪ Although demand was falling along with weak economy, housing prices continued to rise mainly on account of declining supply in the market 	↑

a Residential Property Price Index, Existing Dwellings

b Y-o-Y change from Q3 2016 to Q3 2017

Note: National savings as a percentage of GDP = Gross national savings rate (%) - Aggregate national savings by the public and private sector as a percentage of nominal GDP

Source: Capgemini Financial Services Analysis, 2018; Economist Intelligence Unit, May 2018; Investment and Pensions Europe, June; Global Property Guide House Price Index, March 2018; European Commission Economic Forecast for Belgium, 2018



Other Key Drivers and Inhibitors of HNWI Wealth

Factor	2017 Drivers and Inhibitors
Monetary Policy	<ul style="list-style-type: none">▪ The ECB is committed to keeping inflation below, but close to, 2% over the medium term.▪ The ECB expects the inflation to be 1.4%, 1.5%, and 1.7% in 2018, 2019, and 2020 respectively.▪ As a result of low inflation, the ECB kept the key interest rates unchanged with refinancing rate at zero percent and deposit rates at (0.4%)▪ The ECB slashed its bond-buying program — quantitative easing (QE) — from €60 billion per month to €30 billion from January 2018▪ The European Central Bank has announced that it would slow down its quantitative easing program
Fiscal Policy	<ul style="list-style-type: none">▪ The budget deficit reached 1.2% of GDP in 2017 on account of increase in advance payments by companies and the effect of robust jobs growth on public revenue and expenditure▪ Public debt remained high at 103.4% in 2017 and is projected to reach 100.1% in 2019. It is important that the government strictly adheres to the budget targets to allow gradual reduction of the public debt
Other Factors	<ul style="list-style-type: none">▪ The high inflation rate in 2017 which averaged 2.2% was a result of rapid increase in prices of fuel and sector-specific administrative measures▪ Unemployment rate stood at 7.1% in 2017 and is expected to reach 6.1% in 2019 on account of continued employment growth supported by growing output, labor tax cuts and wage moderation▪ Private consumption growth is expected to pick up pace in 2018-19 period on account of rising disposable income

Source: Capgemini Financial Services Analysis, 2018; Economist Intelligence Unit, May 2017; OECD Belgium Economic Forecast Summary, May 2018; National Bank of Belgium Economic Projections, December 2017

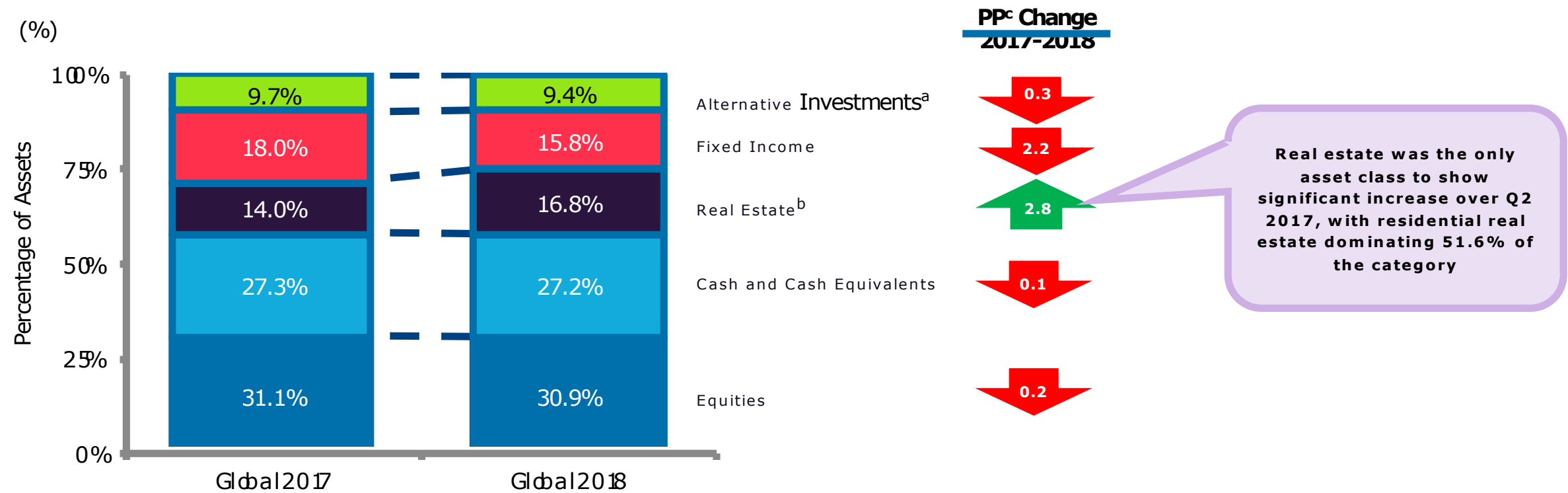
HNW Client Experience

Key Findings: HNWI Client Experience

- **Wealth managers delivered another year of strong returns on HNWI investment portfolios (up 27.4% over Q1 2017 to Q1 2018).**
- **Equities remained the largest asset class for HNWIs at 30.9%, followed by cash and cash equivalents at 27.2%, and real estate allocations at 16.8% rising to become third-largest asset class.**
- **Asset consolidation trend continues although HNWIs continued to bank with multiple wealth management firms.**
- **Robust investment returns are not increasing HNWI satisfaction to the same degree.**
- **Better personal connections between wealth managers and their HNWI clients may lead to better HNWI satisfaction scores.**

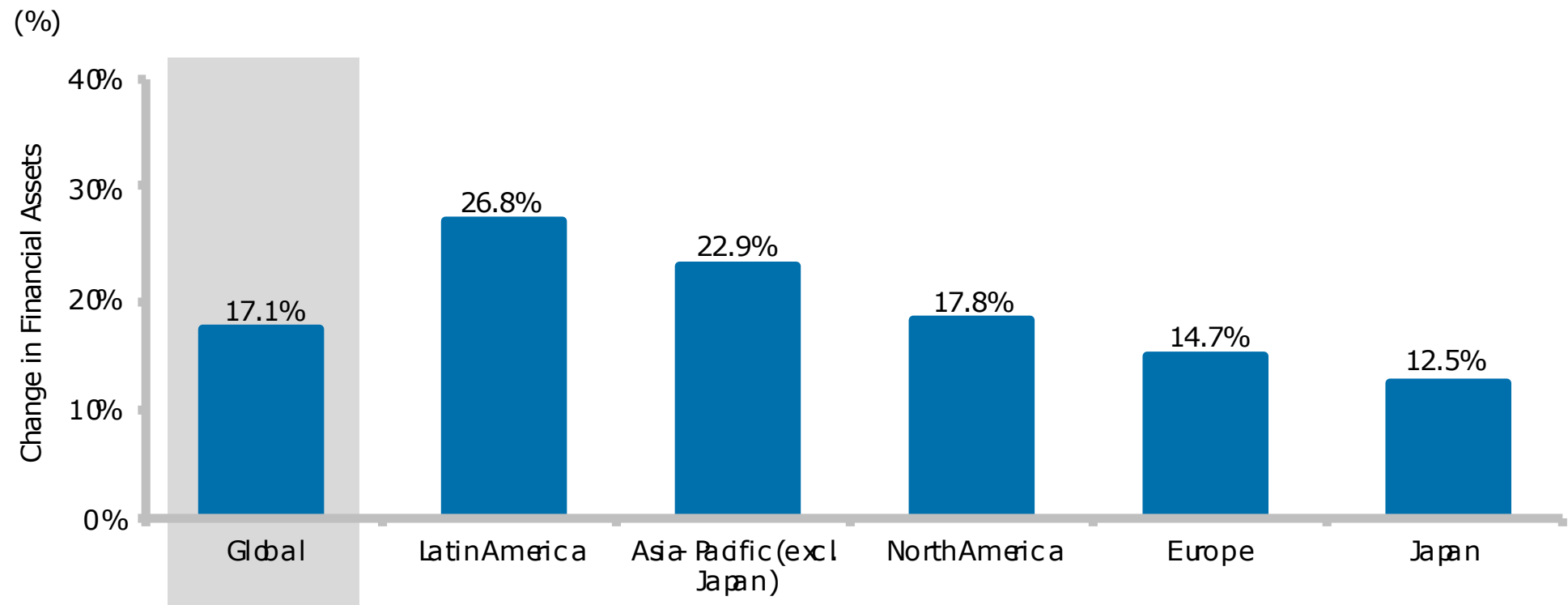
Globally, asset allocation remained fairly stable, though real estate increased to the third-largest asset class

Breakdown of HNWI Financial Assets, Q2 2017 and Q1 2018 (Global)



Asset consolidation trend around primary wealth manager continues to increase, even though HNWIs remain multi-banked

Historical 12-Month Change in Financial Assets Held with Primary Wealth Management Firm, Q1 2018 (Global and Regions)

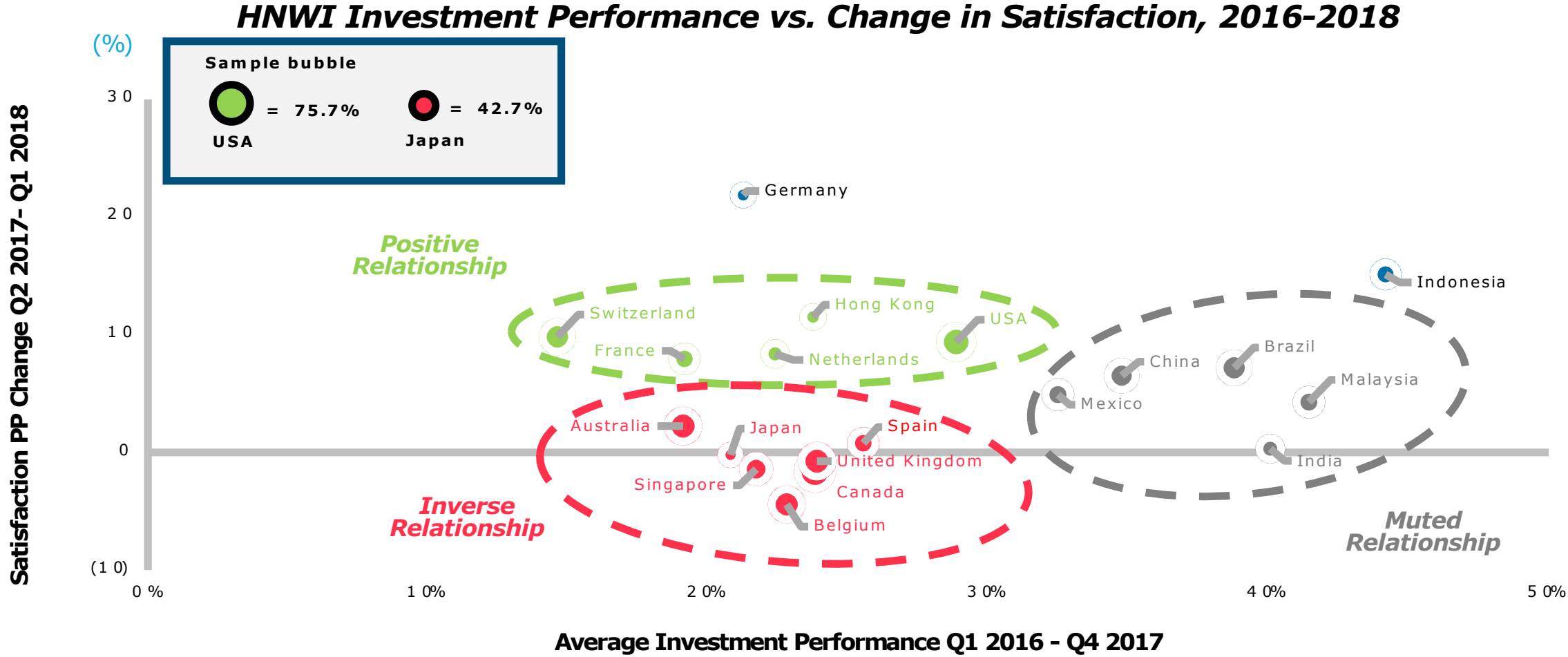


On average, clients engaged the services of 2.2 wealth management firms, compared to 2.6 in 2014, indicating that even though clients remain multi-banked, a consolidation trend exists.

Note: Question asked: "Over the past 12 months, how much did you increase or decrease the amount of financial assets you allowed your primary wealth management firm to hold or manage? Please base this on the actual amount you transferred, not market fluctuations of assets"

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNWI Insights Survey 2018

Continued strong HNWI investment performance (27.4%) do not fully correlate with HNWI satisfaction levels



Note: Question asked: "Thinking about the financial assets that you have invested with wealth management firms, roughly how did they perform last calendar year?"; "How satisfied are you with your primary wealth manager (the individual who manages your wealth) and your primary wealth management firm?"; Germany and Indonesia do not feature in any cluster as they are outliers; Only wealth manager satisfaction values are represented in the above chart; Bubble sizes represent absolute satisfaction levels reported in 2018 by HNWI with their primary wealth managers in the market

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNWI Insights Survey 2016, 2017, 2018

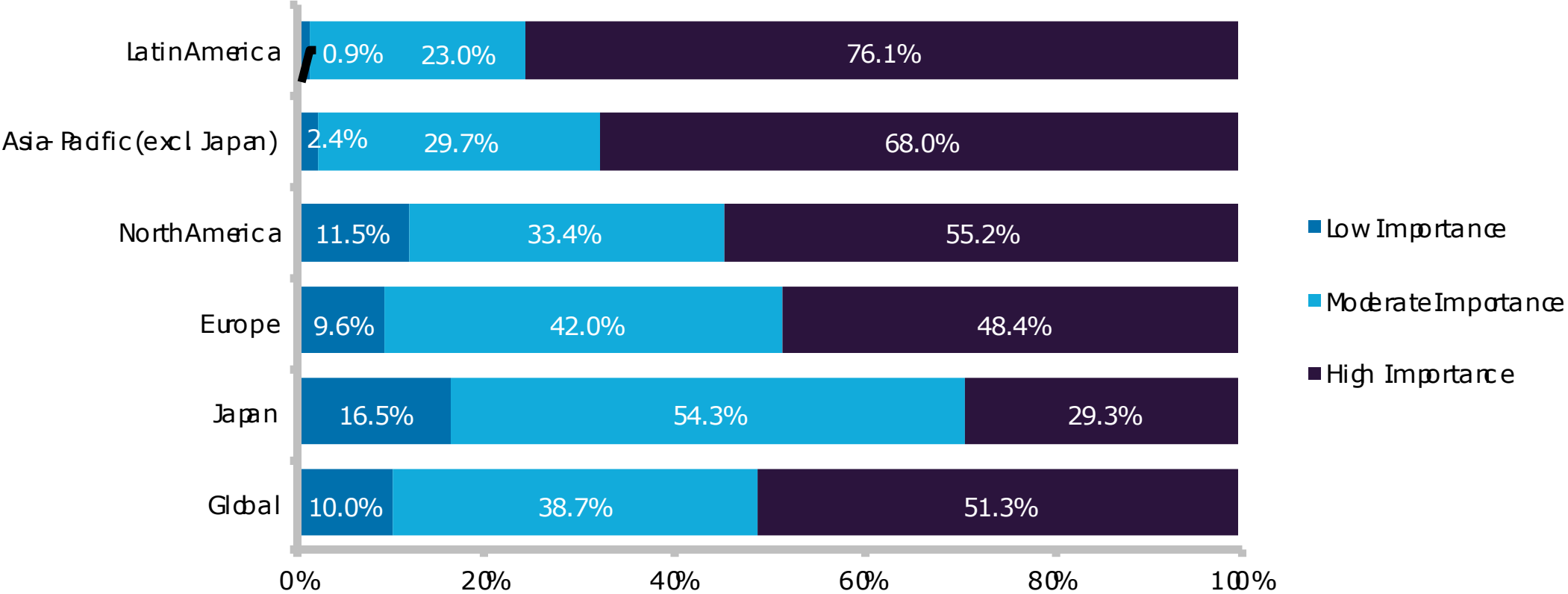
Potential BigTech entry
demands accelerated Hybrid and
Budget Transformation

Key Findings: Rising BigTech Threat demands accelerated Hybrid and Budget Transformation

- **HNWIs maintained their interest in the hybrid advice model with more than 50% globally saying it was highly important.**
- **The pace of wealth management firms' hybrid advice transformation has accelerated.**
- **However, HNWI hybrid advice satisfaction levels have dipped and the BigTech threat is on the rise.**
- **The most-likely approach for BigTech entry into wealth management will be based on “collaboration” or “frenemy” models.**
- **There is consistent demand for BigTech wealth management across the wealth management client lifecycle.**
- **Regardless of the BigTech entry model and time horizon, wealth management firms must transform the way they invest for the future.**

HNWIs across the globe continued their hybrid advice demand, with more than 50% globally saying it was highly important in Q1 2018

Importance Level of Hybrid Advice to HNWIs, Q1 2018 (Global and Regions)

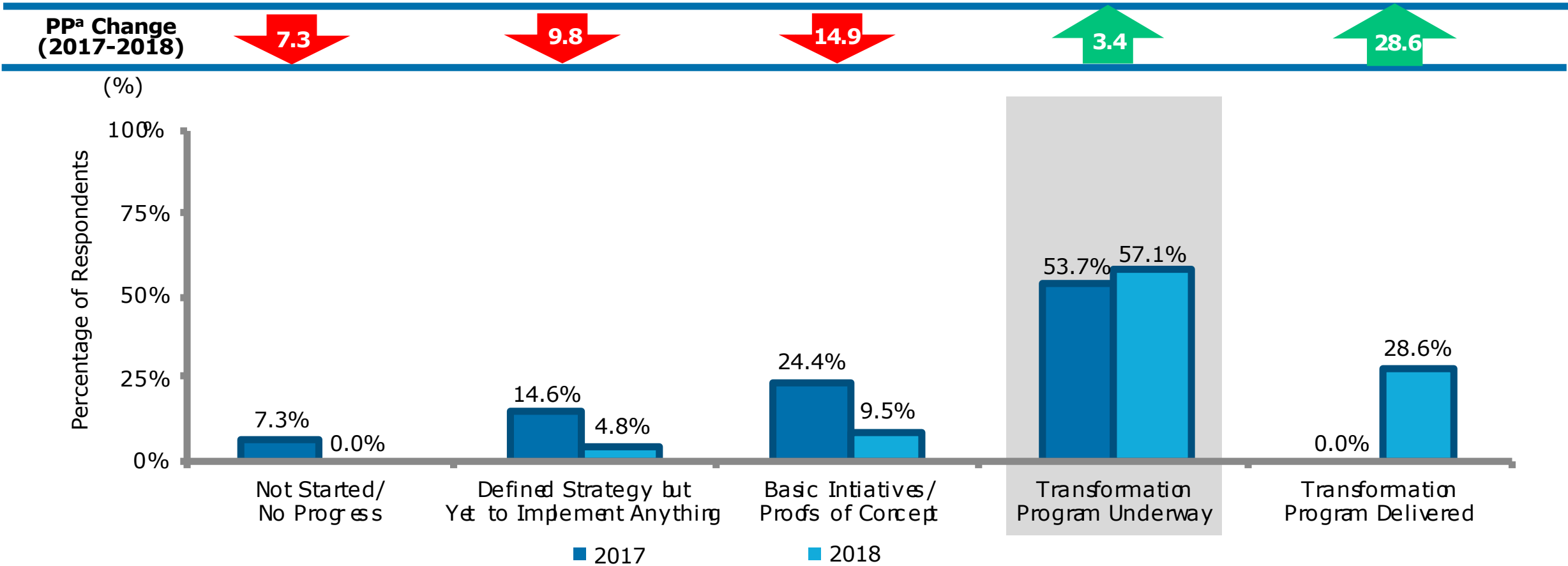


Note: Question asked: "How important is it to you that your primary wealth management firm offers a combination of personal and automated/ digital self-service channels for interaction? Please indicate your response on a scale of 1 – 7 where 1 = Not at all important, 4 = Neither important nor unimportant, 7 = Extremely important"; The above percentage represents the sum of rating 1 and 2 for "Low Importance", sum of ratings 3, 4, and 5 for "Moderate Importance" and sum of 6 and 7 for "High Importance"; Charts numbers may not add up due to rounding

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018

The pace of wealth management firms' hybrid advice transformation has accelerated, as all firms have started progress

Progress Made by Firms on Hybrid Advice Transformation by Stage, Q1 2018 (Global)

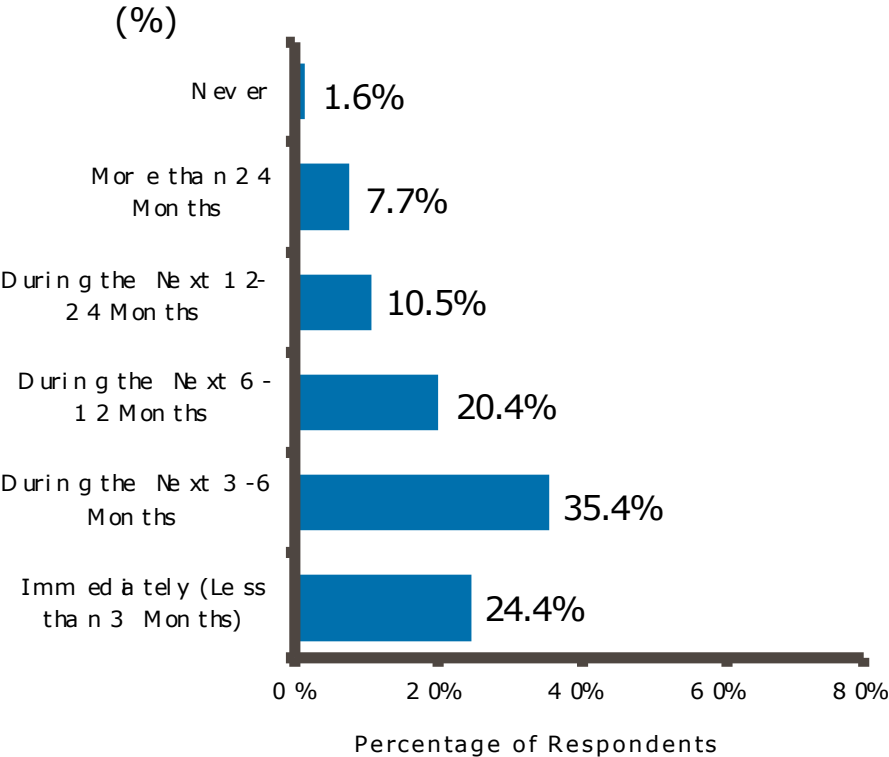


a: PP denotes the percentage point change in 2017-2018
Note: Questions asked: "Where is your firm with its hybrid advice strategy?"
Source: Capgemini Financial Services Analysis, 2018; Executive Interviews, 2018

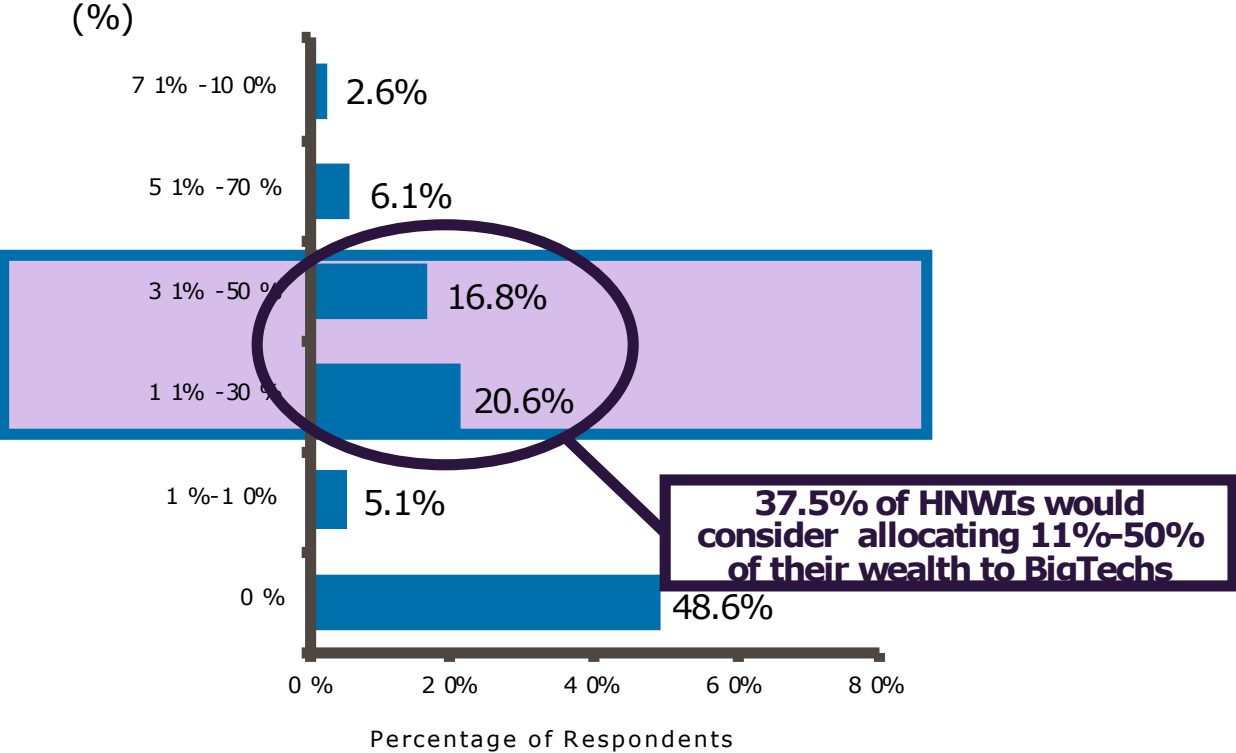
The rate of transformation progress is not fast enough given the growing acceptance of BigTech wealth management

HNWI Acceptance towards BigTechs, TimeFrame and Wealth Allocation, Q1 2018 (Global)

HNWI Timeframe for BigTech Wealth Relationship, Q1 2018 (Global)



HNWI Financial Wealth Allocation to BigTechs, Q1 2018 (Global)





Note: Question asked: "How soon would you be willing to begin a wealth management relationship with a large tech firm such as Google, Apple, Facebook, Amazon, Alibaba, or Tencent? (taking the assumption that they are offering wealth management services)"; "How much of your financial wealth would you consider transferring to technology firms such as Google, Apple, Facebook, Amazon, Alibaba or Tencent, for the purposes of wealth management?"; Respondents were asked to allocate within the range of 0%, 1%-10%, 11%-20%, 21%-30%...91%-100%; Above percentages represent percentage of respondents who are willing to allocate their wealth within the shown ranges; Charts numbers may not add up due to rounding

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNWI Insights Survey 2018

Though BigTechs have differentiators at play, only few exceptions, such as Alibaba and Tencent, have entered into the industry as barriers remain

BigTech Differentiators and Barriers to Enter Wealth Management

 Differentiators
✓ Established client base
✓ Technology capability
✓ Brand power
✓ Generational shifts
✓ Transparency potential
✓ Client experience
✓ Offering standardization
✓ Efficiency and agility
✓ Service cost
✓ Investment capital

Barriers 
✗ Data security and privacy concerns
✗ Holistic service provision
✗ Investment execution capability
✗ Regulatory environment
✗ Content light
✗ Desire for human touch
✗ Personalization of services
✗ Cost to enter market
✗ Strategic alignment
✗ Operational complexity
✗ Reputational issues

Source: Capgemini Financial Services Analysis, 2018

The most-likely approach for BigTech entry into wealth management will be based on "collaboration" or "frenemy" models

BigTech Collaboration Models

Market Dynamic	Model	
A. COMPETE	1	ORGANIC - NON-TRADITIONAL PARTNERSHIPS/ALLIANCES
	2	INDIRECT - ATTACK FOUNDATION
	3	INORGANIC - ACQUIRE OTHER WEALTH CAPABILITY (E.G. AUTOMATED ADVISOR)
	4	ORGANIC - IN-HOUSE DEVELOPMENT
	5	INORGANIC - ACQUIRE WEALTH MANAGEMENT FIRM
B. FRENEMIES	1	UTILITY SERVICES PROVIDER
	2	WEALTH MANAGEMENT SERVICES PLAYER
	3	AD-HOC CAPABILITY SHARING
C. COLLABORATE	1	WHITE LABELLING/ - DISTRIBUTION
	2	SELECTIVE PARTNERSHIP - (E.G. MESSAGING PLATFORMS)
	3	JOINT VENTURE
	4	REFERRALS
D. OTHER	1	NO MARKET ENTRY



Higher Likelihood



Moderate Likelihood



Unlikely

Source: Capgemini Financial Services Analysis, 2018

Regardless of the BigTech entry model and time horizon, portfolio-based investment approach is necessary for wealth firms

Investment Budget Allocations, 2018

Bucket	Description	Budget Allocation
Catching-up	Investments into new tools, processes, and platforms deemed to be below par compared to the competition Goal of getting to par with competition	28.4%
Maintenance	Ongoing investments into legacy systems, process improvement, training and talent, etc. Not a differentiator	28.9%
Big Bets	Investments into major new initiatives, such as M&A, new markets, new segments, new platforms, and new propositions Goal of differentiating from competitors	25.4%
Ventures	Investments into experimental areas - tools, FinTechs, direct acquisitions, new models etc. Goal is to support internal knowledge building and may generate ROI over a longer-term period	17.2%

Source: Capgemini Financial Services Analysis, 2018; Executive Interviews, 2018

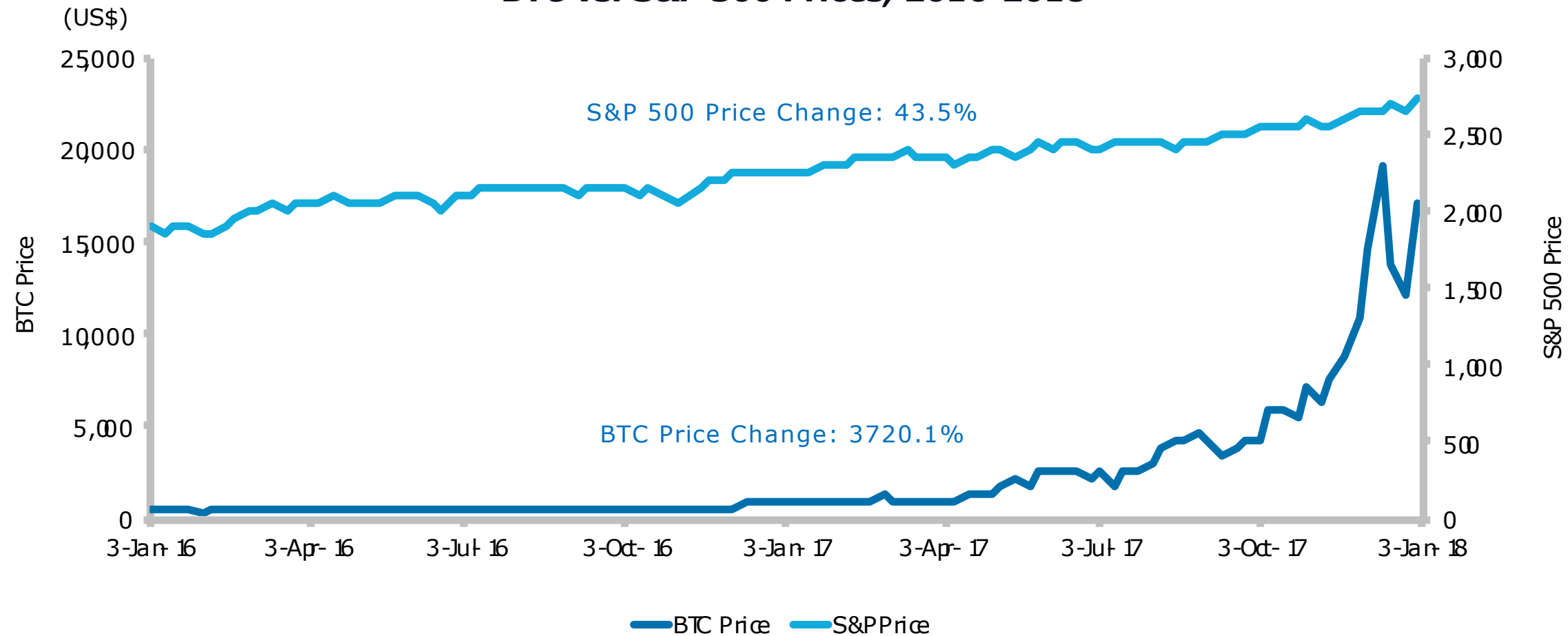
Cryptocurrencies in Wealth Management

Key Findings: Cryptocurrencies in Wealth Management

- **Global HNWI interest in purchasing or holding cryptocurrencies is mixed, with only 29.0% of surveyed HNWIs expressing strong interest.**
- **The potential for investment returns and serving as a store of value is driving HNWIs' interest in cryptocurrencies.**
- **The nascent cryptocurrency market is volatile, with HNWIs wary of investing and their firms hesitant to offer advice.**
- **Cryptocurrency penetration into wealth management has not made much headway, due to HNWI concerns with security and market volatility.**
- **HNWI demand for information on cryptocurrencies is set to force wealth management firms to develop related expertise.**

2017 was a cryptocurrency breakout year, thereby gaining mass interest and attracting a broad array of eager investors

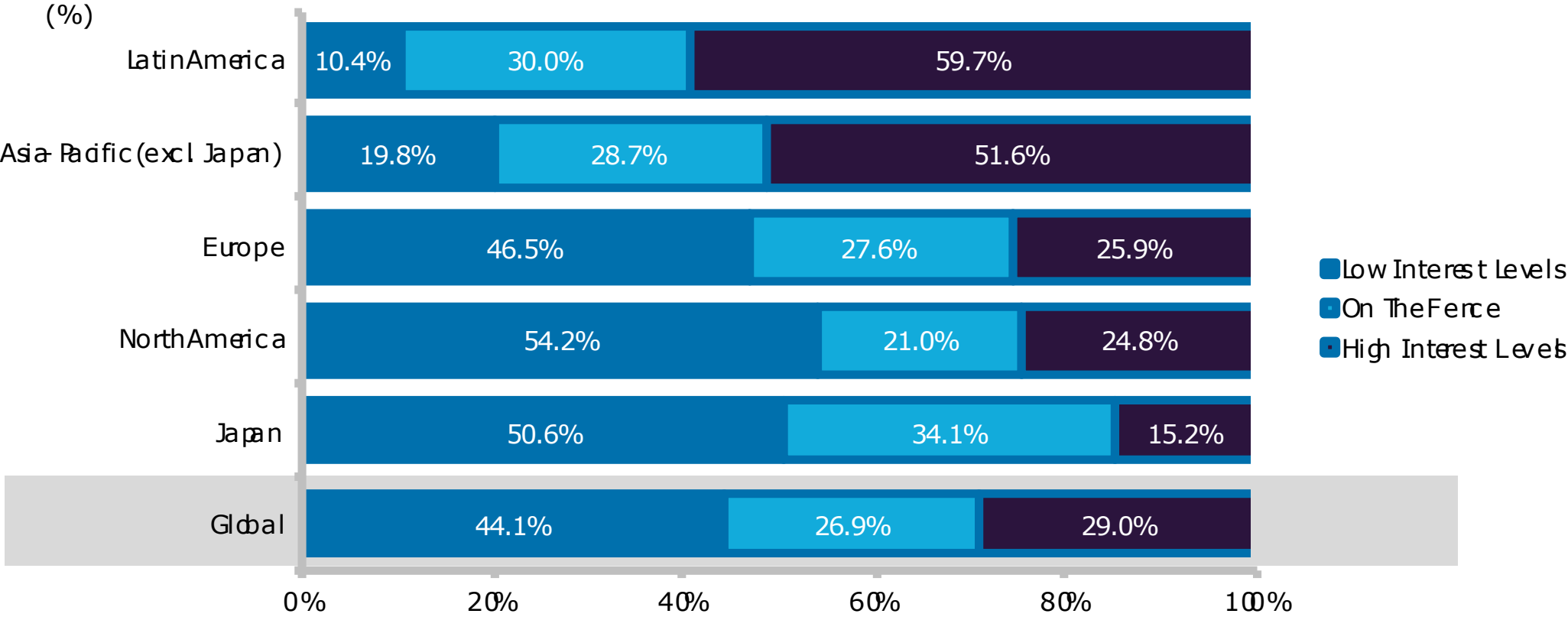
BTC vs. S&P 500 Prices, 2016-2018



Source: Capgemini Financial Services Analysis, 2018; Investing.com, accessed April 18, 2018 at <https://in.investing.com/>

HNWIs are cautiously interested in holding cryptocurrencies, with 29.0% globally having a high degree of interest

HNWI Interest in Purchasing/Holding Cryptocurrencies, Q1 2018 (Global and Regions)

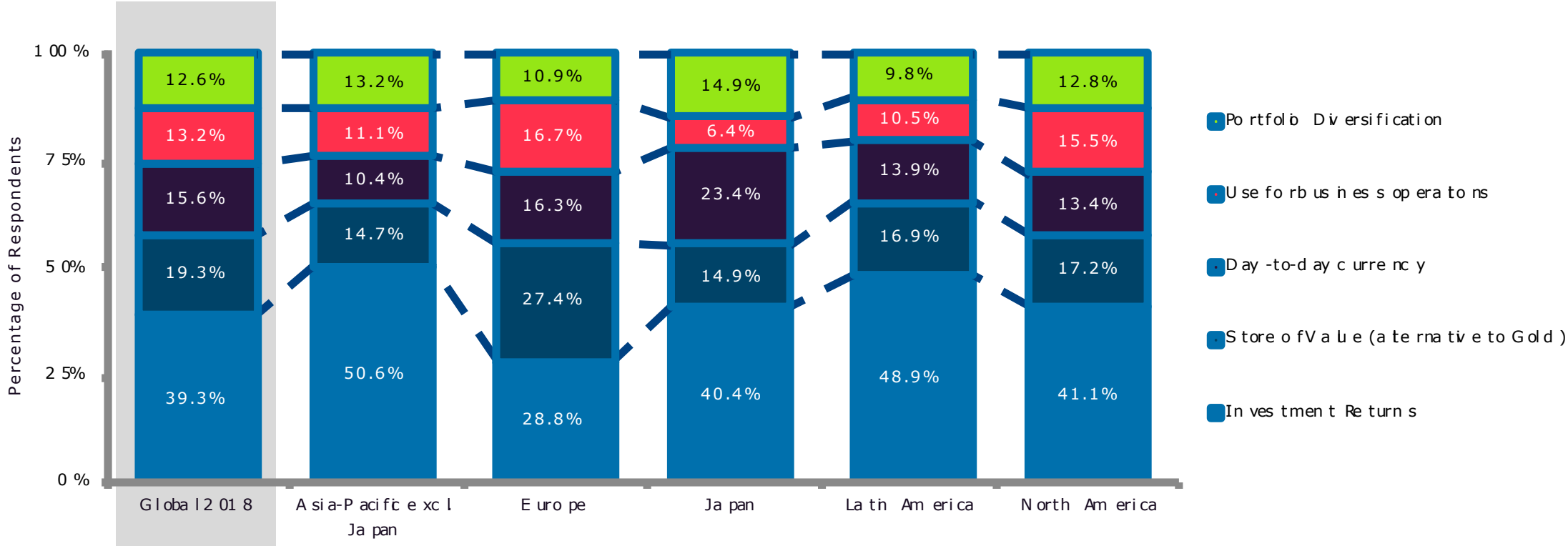


Note: Question asked: "To what extent are you interested in purchasing/holding cryptocurrencies? Please indicate your response on a scale of 1 – 7. 1 = Not at all important, 4 = Neither important nor unimportant, 7 = Extremely important"; The above percentage represents the sum of rating 1 and 2 for "Low Interest Levels", sum of ratings 3, 4, and 5 for "On The Fence" and sum of 6 and 7 for "High Interest Levels"; Chart numbers and quoted percentages may not add up due to rounding

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNWI Insights Survey 2018

The potential for investment returns and serving as a store of value is driving HNWIs' interest in cryptocurrencies

HNWIs Primary Objective for Holding/Purchasing Cryptocurrencies, Q1 2018 (Global and Regions)



Note: Question asked: What is your primary objective for purchasing/holding cryptocurrencies? Together, the sliding bars must total 100%
Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018



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