Capgemini Press Contacts:
Mary Sacchi (North America)
WE Communications for Capgemini
Tel. : +1 212 551 4818
E-mail : msacchi@we-worldwide.com

Bartu Sezer (EMEA)
WE Communications for Capgemini
Tel. : +44 (0)7865637860
E-mail : bsezer@we-worldwide.com

World Wealth Report 2020: North America surpasses Asia-Pacific in High Net Worth Individual wealth growth for first time in eight years while COVID-19 brings uncertainty

High net worth individuals show interest in sustainable investing, scrutinize fees and want hyper-personalization

Paris, July 9, 2020 – High Net Worth Individual[1] (HNWI) wealth and population grew by almost 9% globally in 2019 despite a global economic slowdown, international trade wars and geopolitical tensions, finds the World Wealth Report 2020 from Capgemini. North America and Europe took the lead with around 11% and 9% growth respectively, surpassing Asia-Pacific (with 8%) for the first time since 2012. Yet the boom of the previous year has been cloaked with uncertainty as global economies brace for a projected 4.9% decline in 2020 as per the International Monetary Fund.[2]

In North America, an 11% increase in both HNWI population and wealth (compared with a 1% wealth decline in 2018) meant the region accounted for 39% of global HNWI population gains and 37% of wealth growth in 2019. European performance topped that of Asia-Pacific and Latin America, with HNWI population and wealth growing at almost 9%. Despite robust market performance from several Asian countries including Hong Kong, China and Taiwan, APAC overall expanded by 8% in 2019, falling behind the average global HNWI growth rate of 9%.

That was then, this is now
As per World Federation of Exchanges reports, COVID-19 erased more than $18 trillion[3] from global markets over the course of February and March 2020, before a slight recovery in April. Analysis from Capgemini, detailed in its new report, projects a decline of between 6% and 8% in global wealth until the end of April 2020 (compared with December 2019). Investment priorities have also shifted – sustainable investments that uphold environmental and social priorities, are gaining significant prominence post-pandemic.

"In the face of today's extraordinary uncertainty, wealth managers and firms are finding themselves in uncharted waters," said Anirban Bose, Capgemini's Financial Services CEO and Group Executive Board Member. "*This unpredictable period may also present opportunities for firms to reassess and reinvent their business and operating models to be more agile and resilient. Analytics and*

[1] High Net Worth Individuals are defined as those having investable assets of USD 1 million or more, excluding primary residence, collectibles, consumables, and consumer durables.
[2] https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020
[3] World Federation of Exchanges, "First Quarter 2020 & Full Year 2019 Market Highlights," 7. Mai 2020; https://www.world-exchanges.org/news/articles/world-federation-exchanges-releases-first-quarter-2020-full-year-2019-market-highlights

automation as well as emerging technologies like artificial intelligence, can enable firms to enhance revenues through better client experiences while reducing costs by streamlining processes."

Sustainable investing and value-added services gain traction

Growing interest in sustainable investing (SI) is offering firms a high-potential engagement opportunity. Among the ultra-HNWI segment[4], SI is building considerable momentum. While 27% of HNWIs overall expressed interest in SI products, 40% of ultra-HNWIs were willing to put cash into sustainability.

HNWIs plan to allocate 41% of their portfolio to SI products by the end of 2020, and 46% by the end of 2021. Wealth management firms have recognized the trend and are prepared to meet the demand as 80% now offer SI options. Funds focused on socially responsible investing have been a rare bright spot in 2020 market activity, and while HNWI investment in SI recognizes social/environmental impact, they are also motivated by financial value. The top reasons driving HNWI interest in sustainable investing are higher returns and lower risks – 39% expect to receive higher returns from SI products, while 33% view SI as sound and less speculative. Interestingly, already 26% of HNWIs cite a desire to give back directly to society.

Hyper-personalization is needed to meet evolving expectations

Unpredictability in 2020 is set to drive asset adjustments as well as higher client expectations and scrutiny around advisory fees. Equities became the most significant asset class in early 2020 and accounted for 30% of global HNWIs' financial portfolios, largely due to robust equity markets and financial stimulus restoring trust. HNWIs are also becoming increasingly critical over wealth managers' fees, with 33% uncomfortable with rates in 2019. Discomfort is expected to rise as a result of volatile markets. According to the report, more than one in five HNWIs might switch firms in the next year with high fees being the top reason for 42% of HNWIs. HNWIs are also citing a preference for performance and service-based fees over asset-based ones, indicating higher expectations on value delivered for fees charged.

Digital capabilities have become central to business continuity for wealth management firms. Hyper-personalized offerings powered by AI, analytics and other technology can meet the evolving HNWI expectations in areas including:

- **Bespoke risk profiles** – leveraging behavior sciences and sentiment analysis to interpret individual clients' risk profiles
- **Personalized portfolio construction and tailored advice** – data analytics and machine learning to create customized portfolios, assess client behavior to provide tailored advice
- **Customized client reporting** – using APIs and multiple data sources to create a comprehensive view of client investments

Pre-COVID (Jan-Feb 2020), investors reported being least satisfied with touchpoints related to personalized information or services from their firm in the client journey, and more than 60% of HNWIs reported unsatisfactory experiences during their attempts to access information about new wealth management offerings or market information. HNWIs aged 50-59 were the most dissatisfied with their experience related to information access and value-added services.

The BigTech trojan horse

[4] Ultra-HNWIs have more than $30million in investable assets.

Less-than-stellar customer experience at touchpoints related to information access and value-added services represents a missed opportunity to 'wow' clients. More than 40% of the HNWIs interviewed by Capgemini say good experiences at these touchpoints profoundly impact their overall impression of a firm, and this is likely to increase as a result of COVID-19.

While only 26% of wealth managers rank BigTech competition among the top potential disruptors, HNWIs certainly believe that BigTechs can outperform incumbent firms when it comes to information access and value-added services. 74% of HNWIs report a willingness to consider wealth management offerings from BigTechs, jumping to 94% among the 22% of HNWIs who say they may switch their primary wealth management firm in the next 12 months.

HNWIs in Latin America and Asia-Pacific (excl. Japan) expressed the highest likelihood to adopt wealth management offerings from BigTechs. In Japan and North America, BigTech adoption increases dramatically for HNWIs who are likely to switch within 12 months. Unsurprisingly, HNWIs younger than 40 are most inclined, with willingness reaching nearly 90%.

As BigTechs gain financial services ground, wealth management firms have little choice but to enhance digital customer engagement – quickly. A side-by-side look at touchpoints that evoked the least HNWI satisfaction and those most vulnerable to BigTech encroachment reveals three stages of the client journey as areas of focus: **acquisition, advisory, and value-added services.**

For wealth management firms, a two-pronged strategy based on Open X[5] principles will allow wealth managers to quickly and cost-effectively enhance capabilities across the value chain. For acquisition, advisory and value-added services, firms should invest in tech to build capabilities in-house and leverage ecosystem collaboration and WealthTech partnerships to enhance capabilities.

While the immediate focus for wealth managers might be on business retention, building capabilities – both now and in anticipation of recovery – may pave the way to future opportunities and new revenue streams. Successful firms will be those that can harmonize with their ecosystem to quickly meet high net-worth clients' demand for easy-to-access personalized information and tailored investment strategies.

For more report content, please join The World Wealth Report 2020 LinkedIn Live event presented by Capgemini and The Rudin Group on Thursday, July 9th at 10am EDT.

Methodology
The World Wealth Report 2020 covers 71 countries, accounting for more than 98% of global gross national income and 99% of world stock market capitalization. The Capgemini 2020 Global HNW Insights Survey queried more than 2,500 HNWIs across 21 major wealth markets in North America, Latin America, Europe, and the Asia-Pacific region. The survey was conducted in January and February 2020 and as such, the survey results do not account for the impact of the COVID-19 crisis.

About Capgemini
Capgemini is a global leader in consulting, digital transformation, technology and engineering services. The Group is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year+ heritage and deep industry-specific expertise, Capgemini enables organizations to realize their

5 Open X leapfrogs the compliance-based approach of open banking and moves to a seamless exchange of data and resources to continually improve customer experience.

business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. Today, it is a multicultural company of 270,000 team members in almost 50 countries. With Altran, the Group reported 2019 combined revenues of €17billion.

Visit us at www.capgemini.com. *People matter, results count.*