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Asia-Pacific Now Leads the World in High Net Worth Population and Wealth, Finds the Asia-Pacific Wealth Report 2016

Asia-Pacific wealth projected to top US$42 trillion by 2025, led by emerging Asia markets

Hong Kong, Singapore, October 13, 2016 – One year after recording the highest population of high net worth individuals (HNWI)[1], the Asia-Pacific region now leads the world with the largest amount of HNWI wealth, according to the Asia-Pacific Wealth Report 2016, published today by Capgemini, a global leader in consulting, technology and outsourcing services. Asia-Pacific HNWI wealth grew 9.9 percent in 2015 to US$17.4 trillion, growing 5.8 times the 1.7 percent 'Rest of the World (RoW)' growth rate. The HNWI population grew by 9.4 percent to pass 5 million, growing 3.5 times the RoW growth rate of 2.7 percent. If growth rates of the last decade sustain through the next one, the region's HNWI wealth could surpass US$42 trillion by 2025, according to the report.

Equity and real estate gains remain by far the strongest pillars supporting this rise in HNWI wealth in Asia-Pacific, overcoming tepid GDP growth in China, a stagnant Japanese economy, and uneven EU and US recoveries, impacting export-dependent emerging Asia. Yet, China and Japan drove more than 90 percent of Asia-Pacific's, and 60 percent of the global, HNWI wealth growth adding more than twice as much (US$1.43 trillion) as all the other regions outside Asia-Pacific combined. These two Asian powerhouses increased the number of HNWIs by 1.5 times the amount as the rest of the world to top 413,000. Growth was aided in China and Japan by strong equity and real estate gains.

Asia-Pacific's Ultra-HNWI[2] population grew 10.2 percent in 2015 to 37,400 — a miniscule 0.7 percent of the total HNWIs that control 27.4 percent of the total HNWI wealth in the region. Ultra-HNWI wealth expanded by 10.8 percent in Asia-Pacific compared to only 0.1 percent for peers in other regions.

[1] HNWIs are defined as those having investable assets of US$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables
[2] Ultra-HNWIs are Individuals with US$30 million or more in investable wealth

HNWI Assets under management lag growing trust in Wealth Management

Trust in wealth management firms grew to 76.2 percent in Q1 2016 from 63.7 percent in Q1 2015 among Asia-Pacific (excl. Japan[3]) HNWIs. Likewise, trust in financial markets improved during the same period — to 68.8 percent from 47.8 percent.

However, despite the upswing in trust in every aspect of wealth management, Asia-Pacific (excluding Japan) HNWIs are more likely to keep their wealth in cash or a retail bank account (32.6 percent) than hold it with a wealth manager (30.6 percent), according to the Global HNW Insights Survey 2016[4], featured in the report. The trend is no different in Japan, where only 23.7 percent of HNWIs hold assets with a wealth manager, with most holding it in a bank (27.0 percent) or as physical cash (17.8 percent).

"With Asia-Pacific now recognized as having both the most High Net Worth Individuals and as being the region with the highest net worth individual wealth, the challenge for the wealth management industry in the region will be to build assets under management," said Anirban Bose, Head of Banking and Capital Markets, Capgemini. *"Traditional investing behavior in Asia-Pacific is to hold a significant portion of their assets in cash but there is now opportunity for goal-based financial planning with a focus on growth to attract more investment."*

Significantly, HNWIs in Asia-Pacific (excluding Japan) hold investment management expertise in high regard. It is the most valued wealth management service by 34 percent of HNWIs in the region, more than 10 percentage points above the preference indicated by HNWIs in the rest of the world (23.8 percent). Asia-Pacific HNWIs also prefer to couple investment management with financial planning. The report found that Asia-Pacific (excluding Japan) HNWIs have outsized interest in growth-focused investment strategy (54.6 percent against 47.3 percent for the rest of the world), with the orientation being strongest among the region's emerging markets.

Strong Preference for Social Impact[5] Investing

Social impact investing also presents an opportunity for firms to retain and attract more HNWI assets, as well over a third (37.3 percent) of the portfolios of Asia-Pacific (excl. Japan) HNWIs are geared toward social improvement, compared to only 31.6 percent for those globally. At 45.8 percent of portfolio allocations toward social impact, Indonesia is a global leader in social impact investing, followed closely by Malaysia (43.6 percent), China (40.8 percent), and India (40.4 percent). Demographically, up to 40 percent of younger Asia-Pacific (excl. Japan) HNWIs (under-40) are interested in social impact investing, compared to only one-fourth of those over-60.

[3] As Japanese HNWIs have unique investing behaviors and preferences, and because the country accounts for more than 50percent of the region's HNWI population, we frequently isolate and make reference to Asia-Pacific excluding Japan when performing regional analysis. Complete findings on Japan as a country are covered extensively in the Asia Pacific Wealth Report.

[4] The Capgemini 2016 Global HNW Insights Survey queried more than 5,200 HNWIs across 23 major wealth markets in North America, Latin America, Europe, Asia-Pacific, the Middle East, and Africa. Close to 1,700 HNWIs were surveyed in Asia-Pacific across eight major markets of Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, and Singapore.

[5] Driving social impact refers to making a positive impact on society through thoughtful investments of time, money, or expertise that may or may not have a financial benefit to the HNWI.

Wealth management firms need to not only be aware of these trends but also build upon the substantial amounts of trust they do have, to develop new platforms for reaching and attracting more Asia-Pacific HNWIs.

The **Asia-Pacific Wealth Report 2016** from Capgemini is the industry's leading benchmark for tracking HNWI population, wealth, and investment behaviors and practices in the region. The report explores the record HNWI wealth levels in Asia-Pacific and the economic and market performance drivers of growth in key individual markets. This year's report takes a detailed look at the digital maturity of wealth management firms in Asia-Pacific and the importance of digital capabilities for firms to better serve HNWIs and ensure satisfaction of wealth managers.

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Capgemini's wealth management practice can help firms from strategy through to implementation. Based on unique insights into the size and potential of target markets across the globe, it helps clients implement new client strategies, adapt their practice models, and ensure solutions and costs are appropriate relative to revenue and profitability expectations. It further helps firms develop, and implement the operational infrastructures—including operating models, processes, and technologies—required to retain existing clients and acquire new relationships.

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