ASIA-PACIFIC WEALTH REPORT

2013

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RBC Wealth Management

Preface

Capgemini and **RBC Wealth Management** are pleased to present the *2013 Asia-Pacific Wealth Report* (APWR), which features new insights into the behaviors and preferences of the region's high net worth individuals (HNWIs[1]).

This year's report details the striking growth of Asia-Pacific's HNWIs, in both population and wealth, and provides in-depth data on trends in individual markets. It describes the drivers behind the region's impressive gains in HNWI wealth, which include strong performances from two of its largest economies and a mid-year equity market rally spurred by lower global volatility. We predict that Asia-Pacific is likely to lead global HNWI growth through 2015, overtaking North America as early as 2014.

Our report enters an exciting new chapter this year with the introduction of findings from the inaugural Global HNW Insights Survey, created in collaboration with Scorpio Partnership. The survey, one of the largest and most comprehensive of its kind, provides direct input from Asia-Pacific HNWIs on the issues that matter to them when it comes to managing their wealth.

In our analysis of Asia-Pacific HNWI attitudes, we examine the levels of trust and confidence in all aspects of wealth management, from the wealth managers and firms HNWIs work with, to the regulatory bodies and financial markets that support the industry. Encouragingly, we found that trust levels among Asia-Pacific HNWIs (excluding Japan) are significantly higher than the rest of the world average, across all dimensions of the wealth management industry.

We also delve into the specific behaviors and preferences of Asia-Pacific HNWIs as they navigate the region's rapidly evolving wealth management industry. We explore the nuances of wealth manager-HNWI relationships, including HNWI attitudes toward different types of wealth management services and delivery methods.

We found that rest of the world and Asia-Pacific HNWIs exhibited significant differences in their attitudes toward wealth management. For example, Asia-Pacific HNWIs view themselves as having more complex needs than HNWIs in the rest of the world, and require more advice related to family, rather than personal, wealth. They also are more interested in working with multiple experts within a firm, and are willing to pay more to receive customized services.

All of these findings, which include country-specific insights, have important implications for wealth management firms seeking to expand their offerings throughout the region. We hope you find our latest report useful in helping you understand the full range of behaviors and attitudes prevalent among Asia-Pacific HNWIs. With Asia-Pacific driving growth in the HNWI market, we expect our findings may be instrumental to guiding firms' global and regional strategies. As always, it is a pleasure to provide you with our latest findings.

Jean Lassignardie
Global Head of Sales and Marketing
Global Financial Services
Capgemini

M. George Lewis
Group Head
RBC Wealth Management & RBC Insurance
Royal Bank of Canada

[1] HNWIs are defined as those having investable assets of US$1million or more, excluding primary residence, collectibles, consumables, and consumer durables

Asia-Pacific Pushes Global HNWI Wealth to Record Levels

- **HNWI population and wealth reached record levels in Asia-Pacific in 2012, propelling global growth.** Driven by solid gains throughout the region, especially in Hong Kong and India, Asia-Pacific HNWI population and wealth continued a long trend of outperformance. Since 2007, Asia-Pacific has increased its HNWI population by 31% and its wealth by 27%, well in excess of the rest of the world increases of 14% for HNWI population and 9% for wealth. However, strong HNWI population growth in North America in 2012 sent Asia-Pacific back to the number-two position in HNWI population after holding the top spot in 2011.
- **Most major markets in Asia-Pacific exhibited double-digit growth levels, while other regions experienced mixed growth rates.** The strongest rates of growth in HNWI population and wealth came mostly from the service- and manufacturing-based economies of Singapore, Hong Kong, and South Korea, as well as the emerging economies of China, India, Indonesia, and Thailand. Japan, home to more than half the population of HNWIs in the region, grew more moderately.
- **Asia-Pacific is expected to become the largest HNWI wealth market as early as 2014.** HNWI wealth growth in Asia-Pacific will be driven by gains in both Emerging and Mature (Industrialized and Newly Industrialized)[2] Asia markets, which are expected to expand annually by 10.9% and 9.7% respectively through 2015.

ASIA-PACIFIC REGISTERS STRONG HNWI MARKET GROWTH

The resilient growth of Asia-Pacific's HNWI population and wealth continued unabated in 2012. Both the population of Asia-Pacific HNWIs and their wealth expanded significantly, continuing a trend of overall regional growth that has been instrumental in driving HNWI population and wealth growth globally in recent years. While Asia-Pacific lost its position as the largest HNWI population in 2012, due to a recovery in the HNWI population of long-time leader North America, ongoing momentum is expected to help Asia-Pacific reclaim the top spot by as early as 2014.

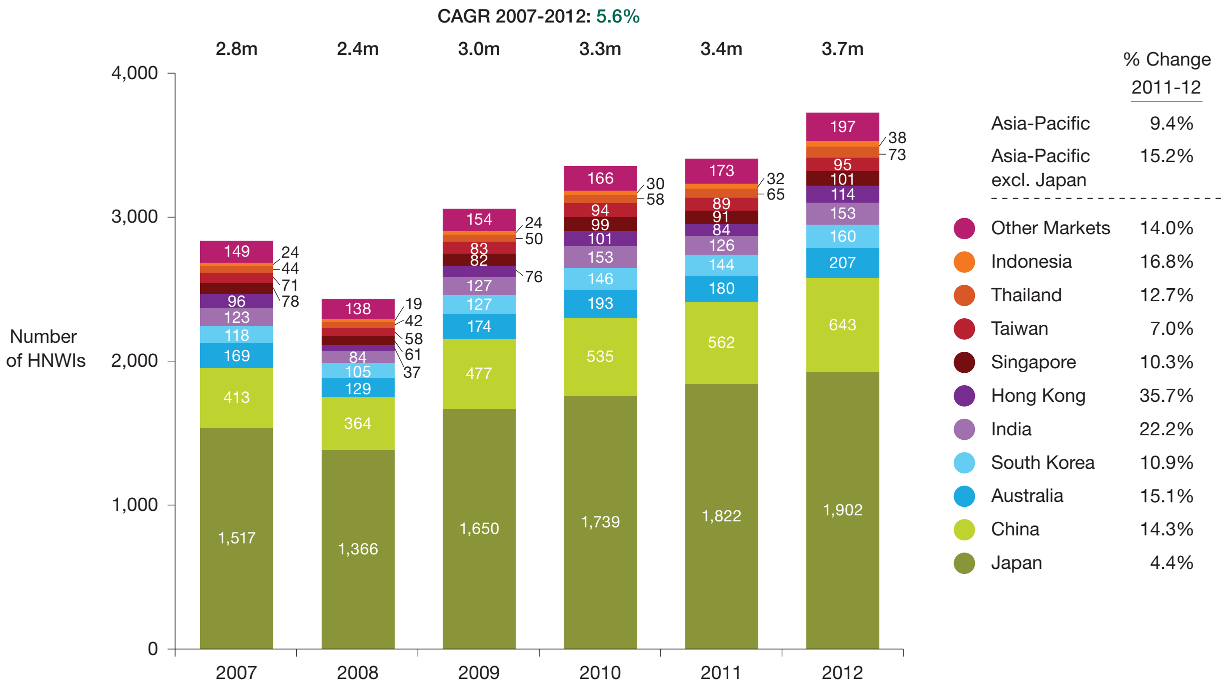
Asia-Pacific's HNWI population grew 9.4%, compared to rest of the world growth of 9.2%, to reach 3.68 million in 2012 (see Figure 1). Among the major wealth markets of Asia-Pacific, Europe, and North America, the region's growth was second to North America's, which finished the year with a population of 3.73 million HNWIs, following an expansion of 11.5%. Asia-Pacific's slower growth compared to North America in 2012 is expected to be temporary, given the region's strong performance in recent years. Asia-Pacific first surpassed Europe in HNWI population growth in 2010 and the next year overtook long-time leader North America. Asia-Pacific's HNWI population growth has been consistently strong: its 5.6% rate of compound annual growth in HNWI population between 2007 and 2012 is more than double the 2.5% rate for North America and the 2.2% rate for Europe.

Driven by strong equity market performance across the region and strong real estate market performance in some markets, HNWIs in the region increased their wealth by 12.2% in 2012, well above the rest of the world rate of 9.3% and more than any other region, although North America was close behind at 11.7%. The investable wealth of Asia-Pacific HNWIs reached US$12.0 trillion in 2012 (see Figure 2), just shy of North America's US$12.7 trillion. For the past five years, Asia-Pacific HNWIs have consistently grown their wealth, expanding it at a compound annual rate of 4.9%, far surpassing the 1.6% rate of North America and the 0.5% rate of Europe.

[2] Emerging Asia includes China, India, Indonesia, and Thailand while Mature Asia includes the Industrialized Asia economies (consisting of Japan, Australia, and New Zealand) and Newly Industrialized Asia economies (consisting of Singapore, Hong Kong, Taiwan, and South Korea). The remaining countries of Kazakhstan, Malaysia, Myanmar, Pakistan, Philippines, Sri Lanka and Vietnam are classified as Rest of Asia

FIGURE 1. Asia-Pacific HNWI Population, 2007 – 2012 (by Market)

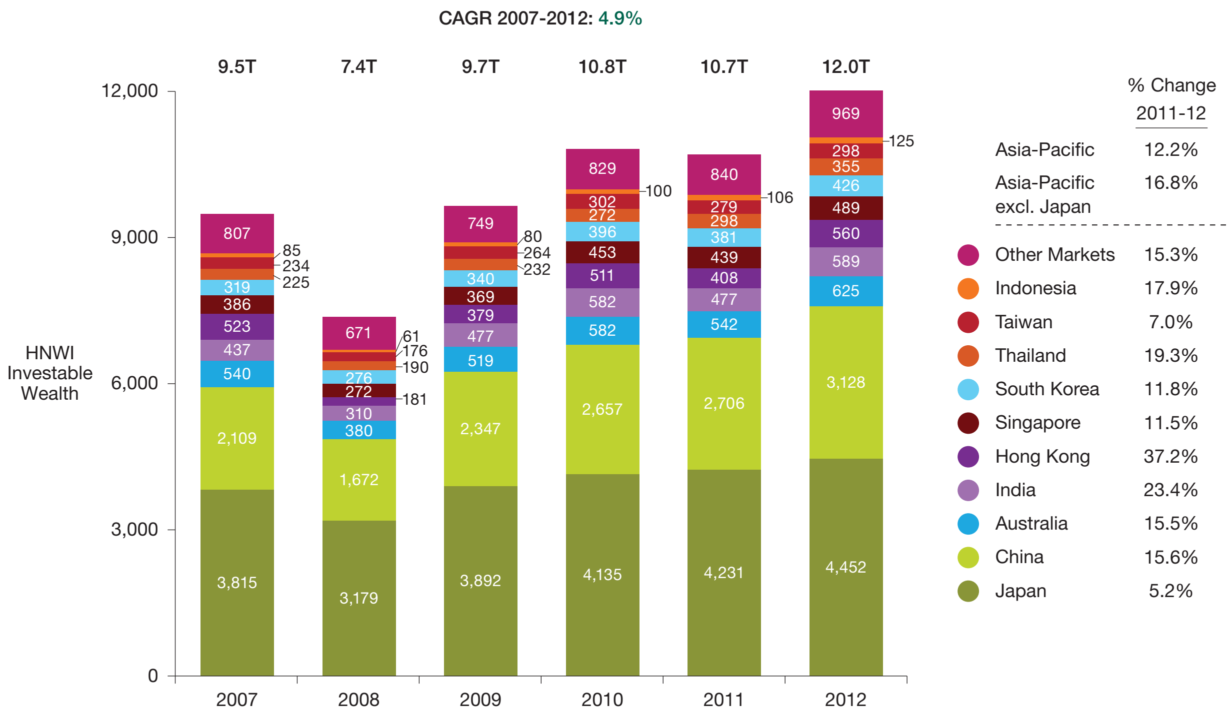
(000s)



Note: Chart numbers and quoted percentages may not add up due to rounding; Other Markets include Kazakhstan, Malaysia, Myanmar, New Zealand, Pakistan, Philippines, Sri Lanka, and Vietnam
Source: Capgemini Lorenz Curve Analysis, 2013

FIGURE 2. Asia-Pacific HNWI Wealth, 2007 – 2012 (by Market)

(US$ Billion)



Note: Chart numbers and quoted percentages may not add up due to rounding; Other Markets include Kazakhstan, Malaysia, Myanmar, New Zealand, Pakistan, Philippines, Sri Lanka, and Vietnam
Source: Capgemini Lorenz Curve Analysis, 2013

STRENGTH OF HNWI GROWTH VARIED ACROSS ASIA-PACIFIC MARKETS

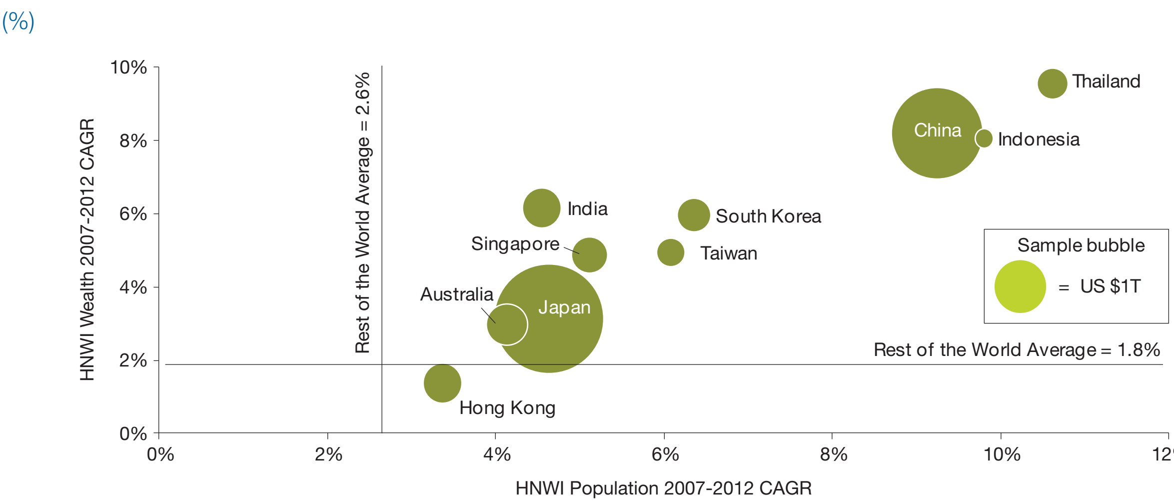
All Asia-Pacific markets registered positive growth in HNWI population and wealth in 2012, although the degree of growth varied. Hong Kong and India were the biggest gainers in HNWI population, following steep declines in 2011. Hong Kong increased its HNWI population by 35.7% and its wealth by 37.2%, while India grew its HNWI population by 22.2% and wealth by 23.4%. Of the ten markets around the globe with the largest HNWI populations, only two – U.S. and Switzerland – also experienced double-digit growth in HNWI population last year.

In Asia-Pacific, Japan and Taiwan were the only two major markets to register less than double-digit growth, with Japan growing HNWI population by 4.4% and Taiwan by 7.0%. The divergent growth rates within Asia-Pacific reflect the vast differences between countries, including economic policies, the pace of reform, regulatory developments, and investor preferences and behaviors.

While HNWI population and wealth in Asia-Pacific has long been concentrated in Japan, the strongest growth since 2007 has come from Emerging Asia. Over the past five years, the annualized growth in Emerging Asia economies of Thailand (9.5%), China (8.2%), Indonesia (8.1%), and India (6.2%) have led HNWI wealth growth. These compound annual growth rates ranged from double to more than triple that of the Industrialized Asia economies of Japan (3.1%) or Australia (3.0%) (see Figure 3). Hong Kong, which experienced alternate periods of strong growth and significant declines in HNWI wealth between 2007 and 2012, had the lowest growth overall.

Growth of the HNWI population in the region has followed a similar trajectory to HNWI wealth, with the largest annualized growth rates since 2007 occurring in the region's Emerging Asia markets of Thailand (10.6%), Indonesia (9.8%), and China (9.2%). While some of the Mature Asian economies witnessed strong growth rates, Hong Kong's compound annual growth rate for HNWI population lagged, at 3.4%. Even so, Hong Kong, considered an attractive destination for offshore funds, is expected to benefit from its affiliation with China, where wealth is expected to expand with the support of superior economic growth and rising asset values.

FIGURE 3. Asia-Pacific HNWI Population and Wealth Compounded Annual Growth Rates (CAGRs), 2007 – 2012



Note: Size of the bubble represents HNWI wealth in 2012
Source: Capgemini Lorenz Curve Analysis, 2013

Indonesia has consistently turned in strong performances in HNWI population and wealth growth over the past five years. In 2012, its 16.8% increase in HNWI population was third only after Hong Kong and India. Strong fundamentals, including consistent GDP growth and robust consumer demand, have helped propel growth.

Despite its lackluster growth in recent years, Japan remains a strong force in the market. It alone accounts for 51.7% of HNWIs in Asia-Pacific, with China following well behind with 17.5%, and Australia with 5.6%. Growth in Japan has been slow, but steady, with HNWI population regularly increasing since 2008, even in 2011 when many other markets witnessed a decline. Yet Japan's dominance of the HNWI market is gradually waning; its overall share of HNWI population has decreased from 54.1% in 2011 to 51.7% in 2012.

ASIA-PACIFIC ULTRA-HNWIs SURPASS REST OF THE WORLD AVERAGE IN POPULATION, WEALTH GROWTH

After experiencing declines in 2011, Asia-Pacific Ultra-HNWIs (those with more than US$30 million of investable assets) made the biggest gains in population and wealth growth, far outpacing gains made by Ultra-HNWIs in other regions. Asia-Pacific Ultra-HNWIs grew in population by 15.4% in 2012, compared to 9.7% for the rest of the world. Further, they increased their wealth by 17.8%, compared to 9.4% for the rest of the world (see Figure 4).

This top-tier group also grew more quickly than the second- and third-tier HNWIs in the region. Mid-tier millionaires (those with between US$5 million and US$30 million of assets) grew in both population and wealth by 12% to 13%, while the "millionaires next door" (with between US$1 million and US$5 million in assets) expanded in both population and wealth by 9%.

FIGURE 4. Composition of Asia-Pacific HNWI Population (by Wealth Bands), 2012

	Number of Individuals - 2012	HNWI Population Growth		HNWI Wealth Growth		% of HNWI Wealth
		2010-2011	2011-2012	2010-2011	2011-2012	2012
+ US$30 m Ultra-HNWI	**25.0 k** (0.7% of total)	-3.9%	15.4% (Rest of the World 9.7%)	-5.2%	17.8% (Rest of the World 9.4%)	25.7%
US$5 m–US$30 m Mid-Tier Millionaire	**298.6 k** (8.1% of total)	-1.6%	12.3%	-1.9%	12.7%	23.9%
US$1 m–US$5 m Millionaire Next Door	**3,359.2 k** (91.2% of total)	1.9%	9.1%	1.5%	9.4%	50.5% (Rest of the World 40.1%)

Figures with significant difference from rest of the world average: 15.4%, 17.8%, 50.5%

Note: Chart numbers and quoted percentages may not add up due to rounding
Source: Capgemini Lorenz Curve Analysis, 2013

The region's upper-tier HNWIs (those with US$30 million and above in financial assets[3]) may have benefited more than others from the strong financial market returns of 2012. Our Global HNW Insights Survey[4] found that the upper wealth segments held the greatest combined share of equities and real estate (59.7%), compared to 39.7% for those in the US$1 million to US$5 million segment.

The pyramid structure of wealth segmentation found in the global markets also applies to the Asia-Pacific region. Though Ultra-HNWIs make up just 0.7% of Asia-Pacific's HNWI population, they account for more than a quarter (25.7%) of the segment's wealth. Their share of wealth is even greater than the 23.9% claimed by mid-tier millionaires, which make up 8.1% of the HNWI market. The vast majority of the HNWI segment (91.2%) is made up of "millionaires next door," which account for 50.5% of HNWI wealth in the region.

ASIA-PACIFIC TO OVERTAKE NORTH AMERICA AS LARGEST WEALTH MARKET

Asia-Pacific is expected to become the world's largest HNWI wealth market by 2015, and potentially as early as 2014. Compared to the rest of the world growth rate of 5.3%, wealth in Asia-Pacific is expected to increase by 9.8% annually, putting the region's HNWI wealth on track to reach US$15.9 trillion by 2015 (see Figure 5).

Both Emerging and Mature Asia are expected to make significant contributions to Asia-Pacific's leading wealth growth. In Emerging Asia, HNWI wealth is expected to expand annually by 10.9%. Mature Asia, which accounts for more than 50% of the region's wealth, will grow nearly as fast, at a rate of 9.7%.

Japanese HNWI wealth growth is expected to be a key driver of wealth growth in Mature Asia. The outlook for positive wealth growth in Japan is based on an unprecedented policy of market reform. The Bank of Japan has embarked on a monetary stimulus effort of enormous scale in a bid to jolt the Japanese economy out of 15 years of deflation. The ambitious overhaul is expected to spur above-average growth over the next few years. Initiated by a new and popular political regime, the structural reforms represent the country's best opportunity in decades for achieving sustained growth.

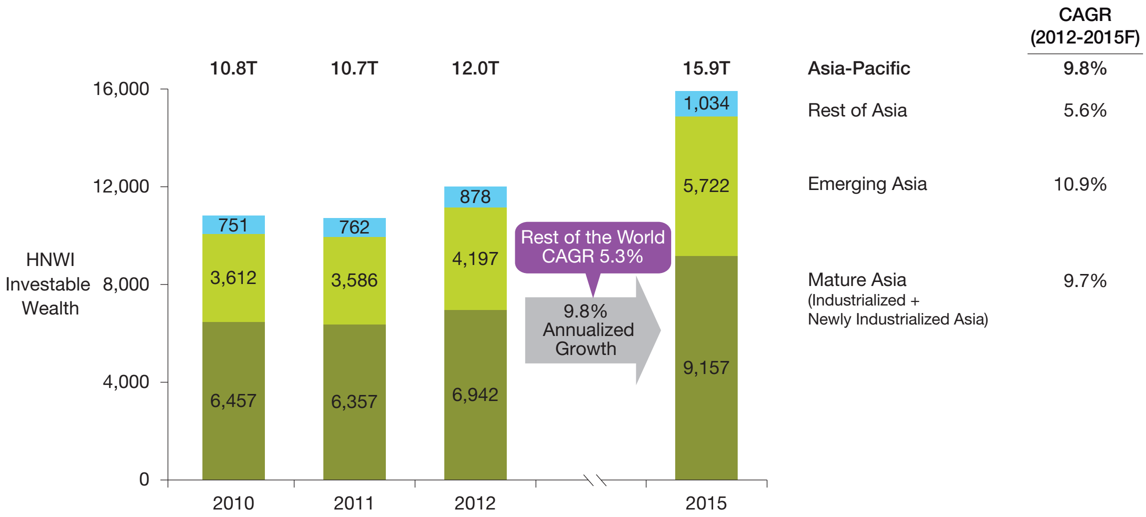
The expected gains are crucial to delivering more attractive returns to Japanese investors, who are often perceived to be risk-averse due to their high allocations into cash and deposits. These allocations are likely the result of the chronic deflation, low capital returns, low bond yields, and less attractive investment opportunities found in Japan. If the upward-trending path witnessed during the first half of 2013 persists, improved market prospects may encourage HNWIs in Japan to shift their asset allocation from cash to equities, spurring further wealth growth in Mature Asia.

[3] The Global HNW Insights Survey included an upper-limit wealth band of US$20 million and above, which is comparable to our definition of Ultra-HNWIs

[4] Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

FIGURE 5. HNWI Wealth Forecast, 2010 – 2015F

(US$ Billion)



Note: Chart numbers may not add up due to rounding; Mature Asia includes Industrialized economies (consisting of Japan, Australia, and New Zealand) and Newly Industrialized economies (consisting of Singapore, Hong Kong, Taiwan, and South Korea); Emerging Asia Includes China, India, Indonesia, and Thailand; Rest of Asia includes Kazakhstan, Malaysia, Myanmar, Pakistan, Philippines, Sri Lanka, and Vietnam

Source: Capgemini Lorenz Curve Analysis, 2013

Asia-Pacific, World's Growth Engine, Poised for Improved GDP Growth

- **Asia-Pacific's gross domestic product (GDP) grew more than that of any other global region, though at a slower rate than in 2011.** Asia-Pacific's solid 5.5% growth easily surpassed the global growth rate of only 2.2%. China, the region's largest economy, helped drive overall growth. While China's economy slowed, it avoided a widely feared hard landing in mid-2012 and subsequently recovered somewhat. In addition, Industrialized Asia bucked the regional trend of decelerating growth. Japan's growth represented a substantial increase from the year before, benefitting from massive government spending aimed at rebuilding infrastructure following the destructive natural disasters of 2011.
- **Efforts across the region to increase domestic demand are expected to offset slow export growth.** With mature economies around the world proving slow to shake off their post-financial crisis malaise, Asia-Pacific governments have taken bolder steps to build consumer-oriented economies within their borders. These efforts, combined with lower inflation levels, should stabilize the course of decelerating GDP growth in the region over time.
- **Asia-Pacific is likely to lead global economic growth through 2014.** The region gained momentum at the end of 2012 as lower volatility globally helped attract investor capital and spurred a market rally. Although some of that momentum has subsequently been lost, predicted GDP growth of 6.6% in 2013 is more than double the anticipated 2.5% global rate, and is expected to further strengthen to 6.8% in 2014. This outcome, however, depends heavily on the performance of China, which is vulnerable to slower credit growth in the coming years.

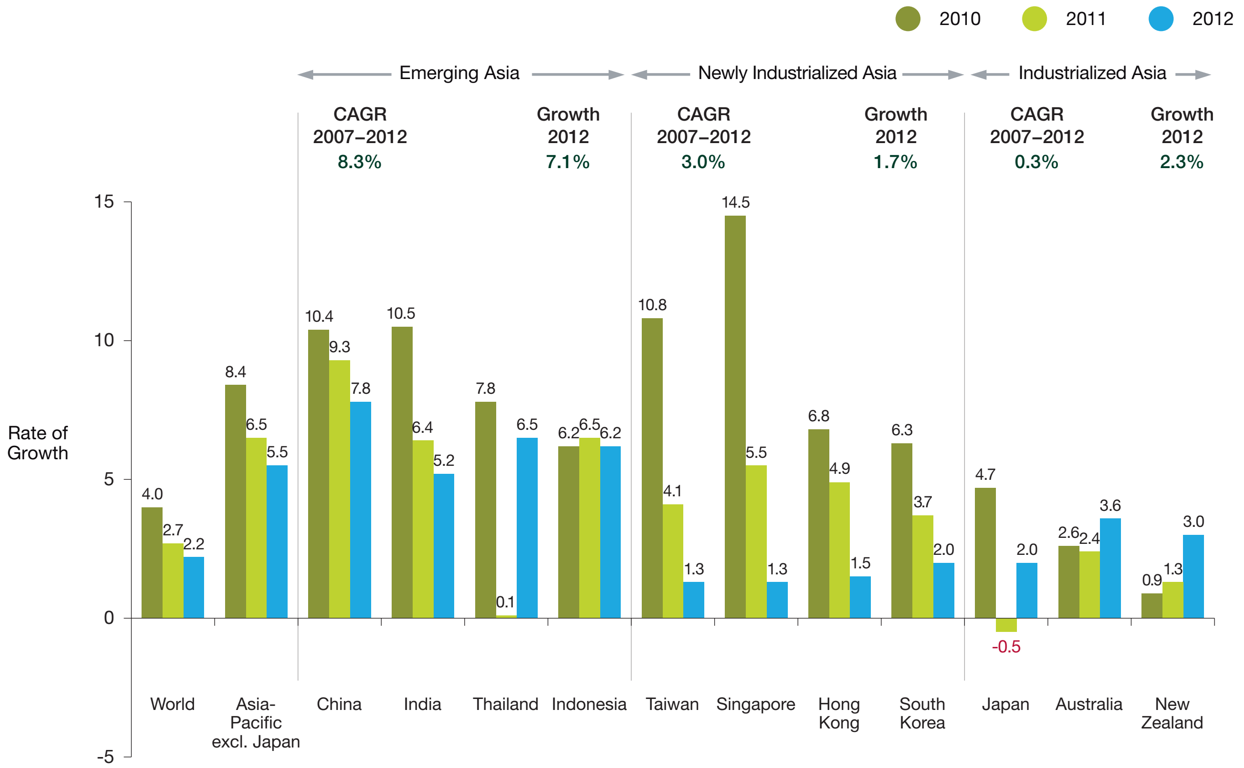
ASIA-PACIFIC REMAINS THE FASTEST-GROWING REGION IN THE WORLD

Policymakers in Asia-Pacific countries made concerted efforts to spur growth throughout 2012, paving the way for the region to continue as the fastest-growing in the world. Its 5.5% rate of GDP growth far exceeded the 2.2% registered globally. Yet both numbers reflected downward trends, underscoring ongoing challenges in the global economy. Asia-Pacific's 2012 rate was down from 6.5% in 2011 and 8.4% in 2010, in keeping with slower GDP growth globally, which was 2.7% in 2011 and 4.0% in 2010 (see Figure 6).

Nearly two-thirds of the major Asia-Pacific economies experienced decelerated GDP growth in 2012, despite the introduction of local government policies aimed at increasing domestic demand. The Industrialized Asia nations of Japan, Australia, and New Zealand increased their GDP growth rates moderately from a year earlier, while Thailand in Emerging Asia recorded the highest acceleration in GDP growth, growing by 6.5% in 2012 compared to a paltry 0.1% in 2011. Thailand's GDP growth was helped mainly by government spending aimed at supporting recovery from the severe flooding of 2011, which caused economic damage and losses estimated at US$45 billion. Similarly, Industrialized Asia benefitted from investments linked to rebuilding disaster-struck regions in Japan, Australia, and New Zealand. In addition, public and private consumption increased in Industrialized Asia as a result of the aggressive monetary stimulus by the Bank of Japan (see Figure 7).

FIGURE 6. Real GDP Growth Rates, Select Asia-Pacific Economies, 2010 – 2012

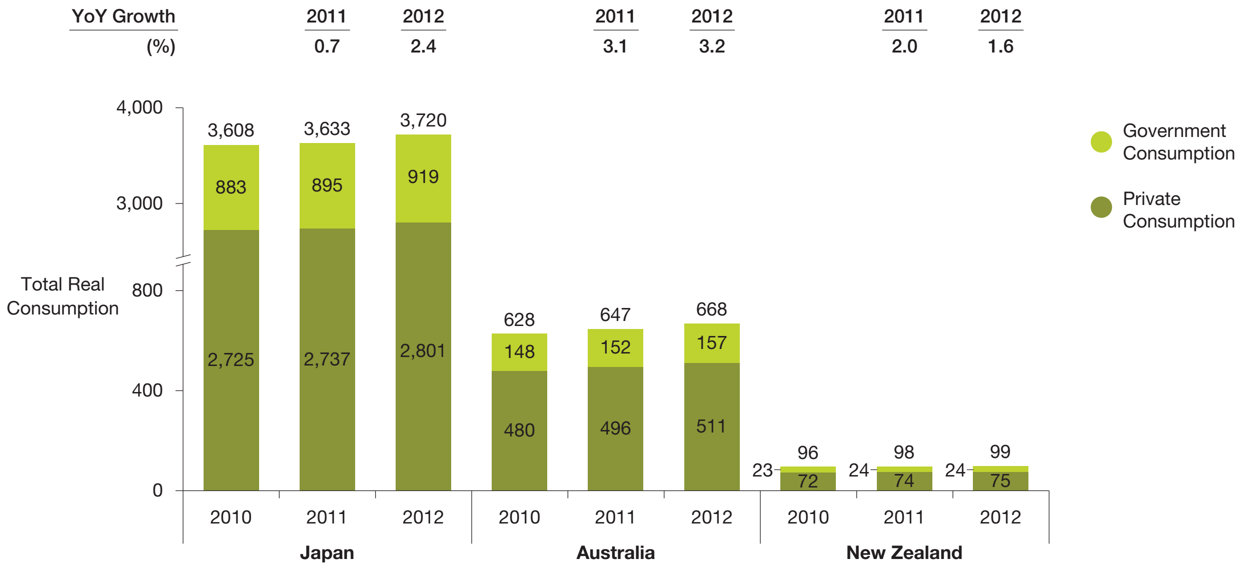
(%)



Note: Aggregate real GDP growth rates are based on GDP weights as calculated by Economist Intelligence Unit
Source: Capgemini Analysis, 2013; Economist Intelligence Unit, June 2013

FIGURE 7. Total Real Consumption for Japan, Australia, and New Zealand, 2010 – 2012

(US$ Billion)



Source: Capgemini Analysis, 2013; Economist Intelligence Unit, June 2013

In contrast to the decelerating growth story across most major economies in the region, Japan was a bright spot, with reconstruction investments and growth-oriented monetary policies helping to expand GDP. Japan's central bank set an inflation goal of 1% in February 2012, before boldly increasing it to 2% in early 2013 to strong-arm the country out of deflation. It initiated an asset-buying program in October 2010 and expanded it a record five times over the course of 2012, taking the final amount to 101 trillion yen from the original 35 trillion yen.[5]

The bank further strengthened its commitment to growth in early 2013 by instituting unprecedented stimulus aimed at doubling the monetary base to 270 trillion yen by the end of 2014.[6] The move, touted as one of the most intense monetary stimulus programs in history, underscored Japan's strong will to end two decades of stagnation. The increased money supply also caused the yen to depreciate against the U.S. dollar by 9.9% in 2012 and by more than 20% in early 2013, improving Japan's competitiveness and aiding exports.

Government expenditure also fueled growth in Japan. The country is pouring more than US$265 billion into reconstruction efforts through 2015 to speed recovery from the natural disasters that devastated the country in 2011.[7] Japan's stimulus stands in contrast to the debt-reduction efforts of the U.S. and European governments, and given the size of its economy, these efforts played a large role in Asia-Pacific's growth compared to the rest of the globe in 2012. By the end of 2012, Japan had increased GDP by 2.0%, compared to a negative rate of 0.5% in 2011. Domestic demand also improved by 2.8%, versus only 0.4% the year before. After Thailand, which experienced outsized gains, Japan managed the greatest acceleration in the region.

Most of the other major markets in Asia-Pacific continued a trend of slower GDP growth since 2010. China's GDP, the largest of the region, grew more than expected, but slowed from a year earlier, bringing down the growth rate of the entire region. Years of rapid economic growth had stoked fears that China would enter into a sharp slowdown or even recession as the government sought to rein in inflation. In the end, China engineered a soft landing. Its GDP growth of 7.8%, down from 9.3% in 2011, was strong enough to avoid distress, yet restrained enough to prevent inflation. It contrasted favorably with the 3.8% growth rate for the rest of Asia-Pacific (excluding Japan).

In another sign that China is becoming a more balanced and mature economy, its current-account surplus as a percentage of GDP fell to 2.6% in 2012, down from 2.8% in 2011 and more than 10% in 2007. The trend indicates that the country is moving from an export-oriented economy to one that is driven more by domestic consumption. However, challenges loom and China's considerable credit excesses present yet another risk of a hard landing. Even if this is averted, the simple reality of diminished credit growth should constrain the Chinese economy, even as it continues to substantially outgrow most of the other Asia-Pacific economies. The delicate situation is putting substantial pressure on the country's new leadership to strike the right balance between promoting growth and containing risks.

India was another constraint on the region's overall growth rate during 2012. Its GDP expanded at its slowest rate in ten years due to stalled investments, a rising current-account deficit, and depreciation of the rupee. The country, once widely expected to help drive the global economic recovery, has not lived up to expectations for its potential, largely because of political paralysis that has stalled progress on major economic reforms and undermined investor confidence. By late 2012, however, the Indian government had begun to open its retail sector, reduced fuel subsidies and taken steps to increase foreign direct investment in the country. These represent efforts to turn the tide.

Another source of growth in the region was Indonesia, which continues to benefit from its rich natural resources, low labor costs, increasing competitiveness, and resilient domestic demand. In June 2013, the Indonesian government took a major step toward reining in its budget deficit by sharply cutting fuel subsidies. The move should also work to placate foreign investors and make room for spending on infrastructure.

Thailand did its part to add to the growth of the Emerging Asia countries, registering strong GDP growth of 6.5% in 2012. Following massive floods that crippled economic growth to just 0.1% in 2011, Thailand has begun its path to economic recovery, supported by reconstruction efforts as well as growth policies directed at boosting domestic consumption.

[5] BOJ accepts inflation target to fend off legal revisions, The Asahi Shimbun, January 2013

[6] BOJ to pump $1.4 trillion into economy in unprecedented stimulus, Reuters, April 2013

[7] The Great East Japan Earthquake - two years on, Reliefweb.com, March 2013

The Newly Industrialized economies of Taiwan, Singapore, Hong Kong, and South Korea fared the worst in 2012, exhibiting paltry growth of 1.7%, just over half the compound annual rate of 3.0% registered from 2007 to 2012. Heavily leveraged to exports, these countries suffered the most when demand in the Eurozone fell, the Chinese economy slowed, and the recovery in the United States remained lackluster. In Taiwan, exports of goods and services grew by only 0.1% in 2012, compared to 4.4% in 2011. In South Korea, a surge in the currency put a further dent in exports. These economies, however, are beginning to recover in 2013, given the sustained growth in the United States and a slow turnaround in Europe.

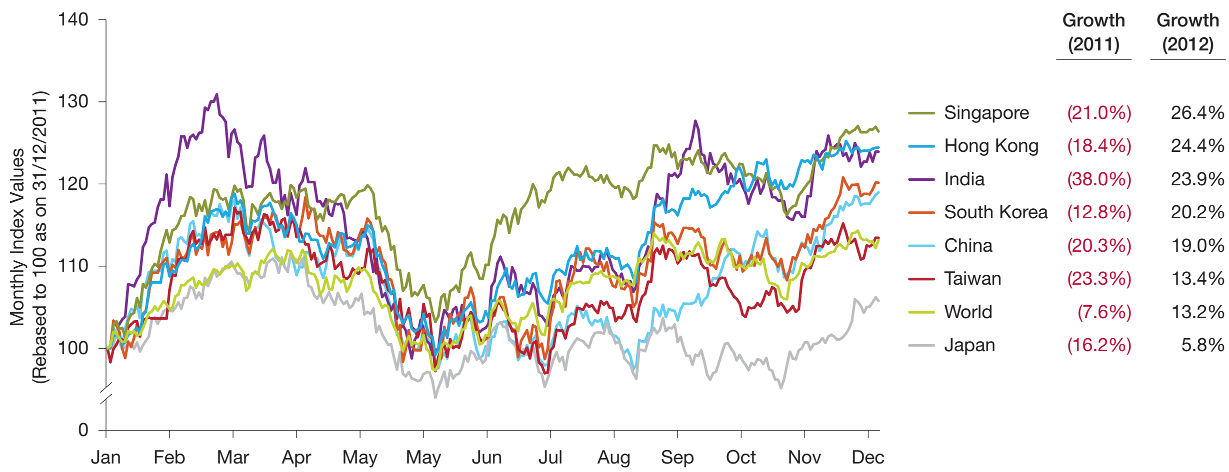
Within Industrialized Asia, Australia and New Zealand benefitted from relatively strong exports. Expansion in iron ore and coal production capacity helped Australian mineral exports, while New Zealand benefitted from increased exports of dairy and forestry products. The outlook for these two countries, however, is cautious. As commodity prices have stagnated and Chinese demand has ebbed, their growth prospects are becoming somewhat more limited.

EQUITIES AND REAL ESTATE DROVE MAJORITY OF THE WEALTH GROWTH IN ASIA-PACIFIC

Equities and real estate accounted for almost half of the wealth in HNWI portfolios in Asia-Pacific (excluding Japan). Stock market values declined in the first half of 2012, owing to heightened uncertainty arising from macroeconomic concerns in Europe, signs of lower growth in the U.S., and the potential hard landing of China's economy. However, markets rebounded over the second half as some of these concerns receded and as policy makers took strong actions to boost economic growth (see Figure 8). The MSCI AC Asia-Pacific index gained 13.6% in 2012, following poor performance in 2011 (down 17.3%).

Among the Newly Industrialized Asia-Pacific economies, Singapore witnessed the highest equity market gain (26.4%), closely followed by Hong Kong (24.4%), then South Korea (20.2%) and Taiwan (13.4%). Equity markets in Emerging Asia's largest economies, India and China, grew by 23.9% and 19.0% respectively. Japan also fared well with a 5.8% gain, spurred at the end of the year on the strength of political optimism from the election of Shinzo Abe in December 2012.

FIGURE 8. MSCI Asian Country Index Values, 2012



Source: Capgemini Analysis, 2013; http://www.mscibarra.com/products/indices/performance/regional, Accessed March 2013

Real estate performance in Asia-Pacific was mixed, though aggregate housing prices across the region increased in 2012. The Asia-Pacific Select REIT index rose by 28.6% (after falling by 12.2% in 2011), which was much higher than global growth of 18% in 2012. Much of the growth came from Hong Kong (20.4%) and India (6.1%), where housing supply lagged demand. Other real estate markets witnessed lower growth or outright declines in 2012. China, Singapore, and Indonesia experienced a mild softening in housing prices. Real estate growth in Japan also contracted, primarily because of weak export markets and subdued consumer spending.

In fixed income, investors enjoyed some moderate success in 2012 as most of the region's local currency government and corporate bond indices delivered positive returns, though performance was weaker than in 2011. The HSBC Asian LCY Bond Returns Index[8] increased by more than three percent for all of the East Asian countries (comprised of China, Hong Kong, Indonesia, South Korea, Malaysia, Philippines, Singapore, and Thailand), with 2012 index growth led by Indonesia (13.1%) and Philippines (8.9%). Outside East Asia, in Australia, the Bloomberg Australia Sovereign Bond Index and the Bloomberg AUD Investment Grade Corporate Bond Index grew strongly by 5.6% and 9.7% respectively.[9] Returns were lower but remained positive in Japan, with both the Bloomberg Japan Sovereign Bond Index and the Bloomberg JPY Investment Grade Corporate Bond Index increasing by 1.8%.

Performance in the alternative investment universe was mixed, with some assets finishing better than others, reflecting the diverse nature of the category. Hedge funds globally delivered a positive performance of 7.7% in 2012, as compared to a decline of 2.5% recorded in 2011. Asia-Pacific outperformed other regions in 2012, with hedge funds focused on this region posting higher returns than those focused on North America and Europe. In terms of assets under management (AUM), Asia-Pacific hedge funds held AUM of US$124 billion, comprising individual and institutional investors, in 2012,[10] and the majority of these investments currently come from investors within the region or through funds of hedge funds. However, with investor interest in emerging markets increasing, the AUM is expected to grow significantly in the next few years.

Outside of hedge funds, gold prices increased for the twelfth consecutive year, but their 7.1% rise was less than the 10.0% growth of 2011,[11] and less than silver's 9.2% increase. In the first half of 2013, however, gold prices fell significantly as gold's value as a hedge against rising prices waned in light of the stable inflation outlook across the globe. Commodities fared less poorly in 2012 than 2011, but continued to struggle due to slowing demand from emerging economies. Compared to a 13.4% decrease in 2011, the Dow Jones-UBS Commodity Index decreased by only 1.1% in 2012. Oil prices fell by 7.1% mainly due to slow overall economic activity and increased U.S. domestic production. Natural gas prices increased by 5.7% as lower prices in 2011 led consumers to demand gas as a substitute for oil. Finally, both wheat and corn prices rebounded substantially in response to demand from emerging economies. Wheat prices grew 5.6%, compared to a 33.8% decline in 2011, while corn prices grew 23.9%, compared to only 1.1% growth in 2011. Meanwhile, most of the Asian currencies, except for those in India and Japan, gained against the U.S. dollar in 2012.

ASIA-PACIFIC EXPECTED TO LEAD GLOBAL ECONOMIC GROWTH THROUGH 2014

As central governments in Asia-Pacific took steps to revive consumer demand, the region also benefitted from lower global volatility, helping to drive investor interest. Strong actions by the European Central Bank and the U.S. Federal Reserve during the second half of 2012 injected new confidence into global markets, leading to reduced risk throughout the globe. Combined with positive developments in the region, lower global risk had the effect of reducing volatility in Asia-Pacific during the second half of the year. As a result, Asia-Pacific's equity markets surged starting mid-year, making up for a moribund first half.

To further stimulate growth, global policymakers leveraged multiple tools at their disposal, including expansionary monetary policies and mass urbanization plans. While the Federal Reserve has announced its intent to scale back its stimulus as the U.S. economy improves, the Bank of England and the European Central Bank continue to push economic growth efforts. Within Asia-Pacific, the Bank of Japan followed suit with the announcement in early 2013

8 http://asianbondsonline.adb.org/regional/data/bondmarket.php?code=Asian_Local_bond_RI, Accessed August 2013

9 http://www.bloomberg.com, Accessed August 2013

10 Global Hedge Fund Report, Preqin, 2013

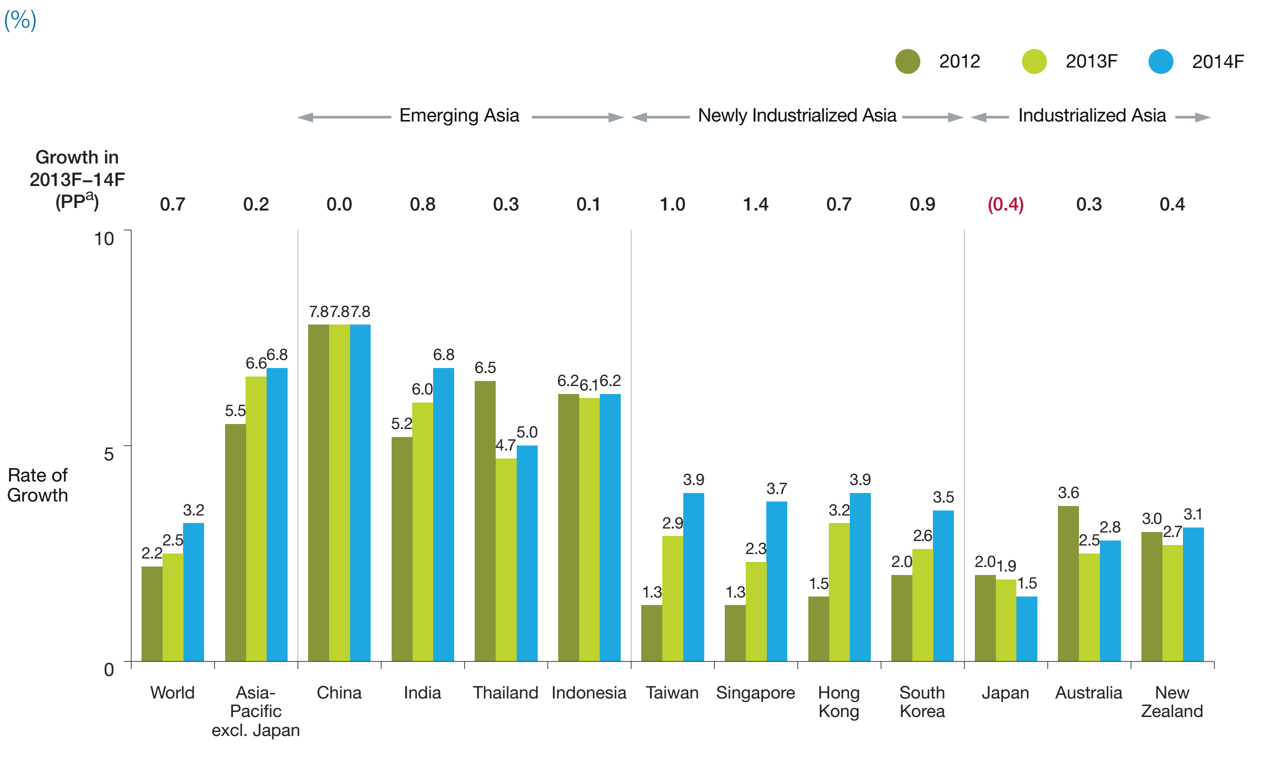
11 http://www.investing.com/commodities/gold, Accessed August 2013

of an intense burst of monetary stimulus aimed at doubling the country's monetary base by the end of 2014. Central banks in China and India, meanwhile, have kept real lending rates below 2007 levels.

Assuming the continued progress of regional reform efforts and the absence of major economic catastrophes, Asia-Pacific is expected to remain the world's growth engine through 2014. While China may not achieve the double-digit growth levels it maintained for much of the last decade, structural reforms are expected to help it stabilize through 2014 (see Figure 9). Growth may become restricted, however, if central policymakers pull back on credit stimulus. Japan meanwhile is expected to continue to benefit from aggressive stimulus measures and maintain consistent growth over the next two years.

While Asia-Pacific's Newly Industrialized economies remain heavily dependent on foreign trade, optimism around a sustained recovery in the United States and potential growth in Europe is providing support for solid GDP growth rates in Asia-Pacific through 2014. Asia-Pacific's expected GDP growth rate of more than 6.5% over the next two years is more than double the expected global rate. The region's hefty GDP growth should drive Asia-Pacific's strong contribution to HNWI population and wealth expansion through 2015.

FIGURE 9. Outlook for Real GDP Growth Rates, Select Asia-Pacific Economies, 2012 – 2014F



[a] PP = Percentage Point
Note: All 2012 data from Economist Intelligence Unit; All 2013 and 2014 data from Consensus Forecasts
Source: Capgemini Analysis, 2013; Economist Intelligence Unit, June 2013; Consensus Forecasts, June 2013

Rising Trust Levels Lay Groundwork for Deeper HNWI Relationships

- **Trust among Asia-Pacific HNWIs (excluding Japan)[12] in all aspects of the wealth management industry is significantly higher than rest of the world[13] averages.** HNWIs in Asia-Pacific (excluding Japan) have high confidence in wealth managers (77.9%) and firms (78.8%), compared to HNWIs in the rest of the world (65.9% for managers and 66.8% for firms). Even larger differences were found in the trust levels toward regulators and markets, with HNWIs in Asia-Pacific (excluding Japan) exhibiting high trust in regulators (72.2%) and markets (69.4%), compared to rates of 38.3% and 44.6% in the rest of the world. Asia-Pacific (excluding Japan) HNWIs were also substantially more upbeat about their ability to generate wealth over the next year, with 90.5% expressing confidence, versus only 79.9% of rest of the world HNWIs.
- **Trust levels varied widely between HNWIs from Emerging and Mature Asia economies.** HNWIs from the Emerging Asia economies of India and China expressed the greatest amount of trust in the industry overall. Among the Mature Asia economies, Australian HNWIs were closest to the rest of the world averages, while Japanese HNWIs were the notable exception, exhibiting much lower levels of trust and confidence compared to rest of the world and regional averages.
- **HNWIs in Asia-Pacific (excluding Japan) have a greater appetite for risk than their peers in the rest of the world.** HNWIs in Asia-Pacific (excluding Japan) allocated 60.6% of their assets to higher risk/return asset classes, such as equities, real estate, and alternative investments.

TRUST AND CONFIDENCE LEVELS REMAIN HIGH IN ASIA-PACIFIC

Trust, a foundation upon which the financial system rests, is generally very high in Asia-Pacific. Asia-Pacific HNWIs (excluding Japan) said their trust increased even further in the last year with respect to all segments of the wealth management industry, from wealth managers and firms, to markets and regulatory bodies. This rise in confidence brings renewed stability and fresh opportunities to the sector.

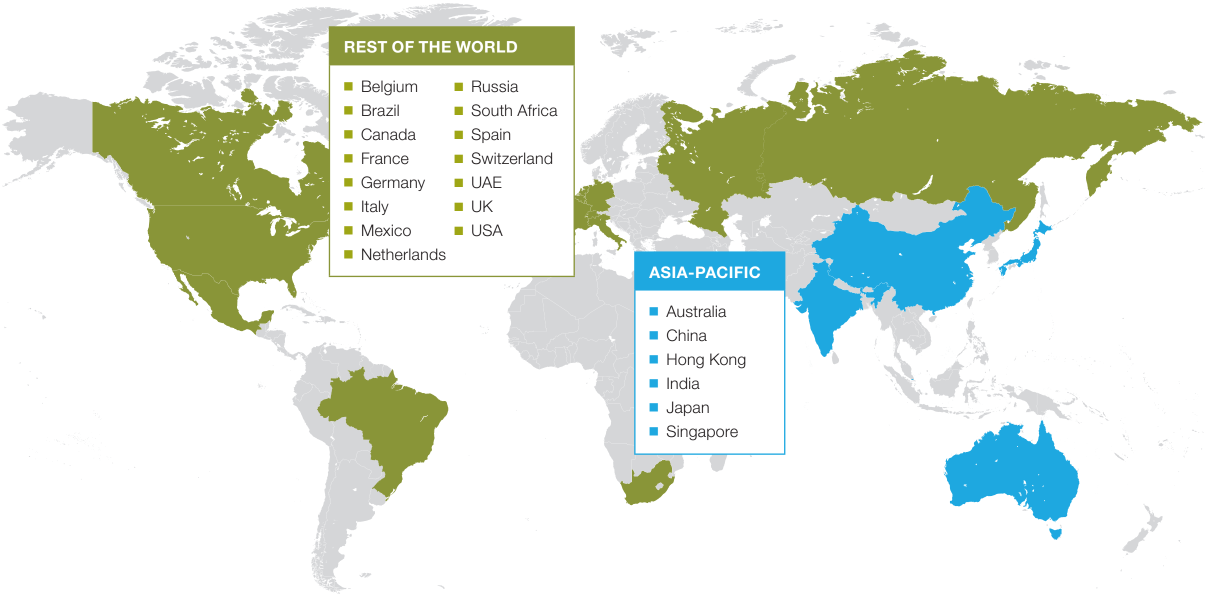
Our inaugural Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey covered 4,400 HNWIs, including nearly 1,400 from Australia, China, Hong Kong, India, Japan, and Singapore, to better understand the evolving nature of trust throughout the region (see Figure 11), among other elements. These six countries account for almost 85% of HNWI population and 82% of HNWI wealth in the region. The samples within the six countries included a broad cross-section of HNWIs by age, gender and assets, with the average wealth of respondents being around US$3.5 million.

We found that Asia-Pacific HNWIs (excluding Japan) were particularly confident in the entities that directly serve them – wealth management firms and individual wealth managers. Interactions at this level most likely arise out of long-standing relationships, probably accounting for the high levels of trust: 77.9% of HNWIs had high trust in wealth managers, while 78.8% of HNWIs had high trust in wealth management firms. These compare to much lower trust levels in the rest of the world, where 65.9% of HNWIs had high trust in wealth managers and 66.8% of HNWIs had high trust in wealth management firms.

[12] The remaining part of the report is based on the Global HNW Insights Survey 2013. For these sections, Asia-Pacific (excluding Japan) refers to Australia, China, India, Hong Kong, and Singapore (see Figure 10)

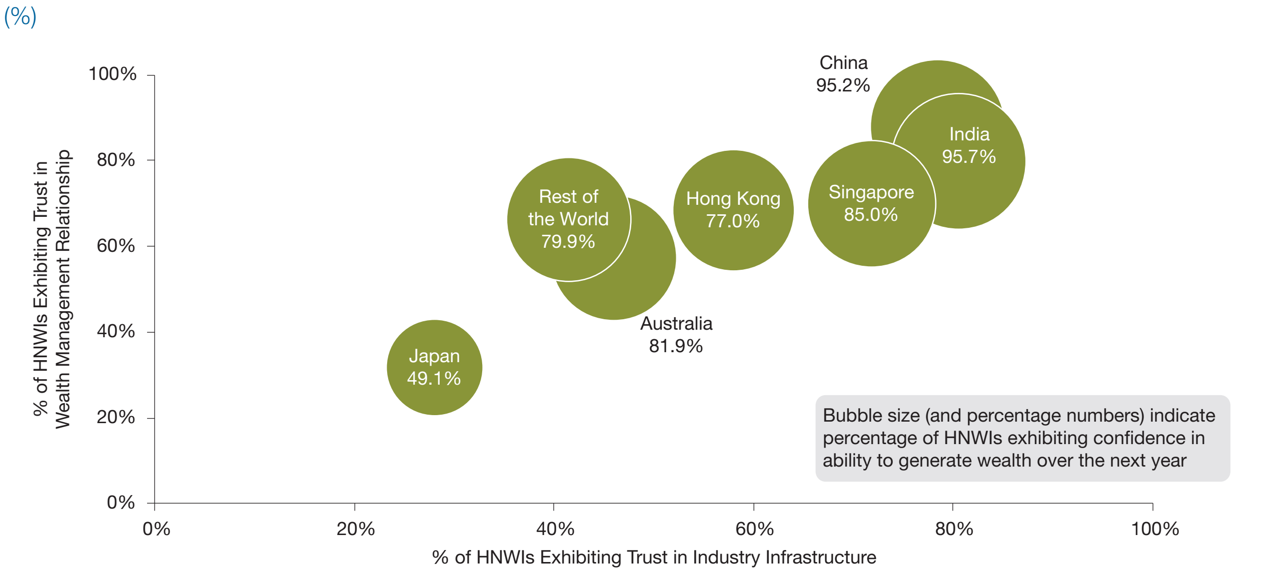
[13] For the remaining part of the report, the term 'rest of the world' refers to all countries covered in the Global HNW Insights Survey 2013 except those in Asia-Pacific (see Figure 10)

FIGURE 10. Geographic Scope of Global HNW Insights Survey 2013



Note: Country boundaries on diagram are approximate and representative only
Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

FIGURE 11. HNWI Trust in Wealth Management Relationship and Industry Infrastructure, Q1 2013



Note: Values of trust in wealth management relationship are an average of values for trust in wealth manager and wealth management firm. Values of trust in industry infrastructure are an average of values for trust in financial markets and regulators. Rest of the World refers to all countries covered in the Global HNW Insights Survey 2013 except those in Asia-Pacific
Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

Confidence in the infrastructure that supports the wealth management industry, financial markets and regulators, has been suffering around the globe in recent years as the effects of the financial crisis have worn on. Yet HNWIs in Asia-Pacific (excluding Japan) have maintained much more positive attitudes than their peers in the rest of the world. 72.2% of Asia-Pacific (excluding Japan) HNWIs have high confidence in regulatory institutions, an increase of 3.7 percentage points over last year, while 69.4% have high confidence in financial markets. These trust levels compare to much lower averages in the rest of the world, with only 38.3% of HNWIs outside of Asia-Pacific having trust in regulatory institutions and 44.6% having trust in financial markets.

The final dimension of trust we studied was HNWI confidence in their overall ability to generate wealth over the next year. While this measure is likely largely driven by HNWI confidence in the economy and business prospects, it also provides an indication of HNWI attitudes toward the wealth management industry in general, including its advice and recommendations, the products and services available, and the transparency and fairness of industry practices. On this score, the outlook of Asia-Pacific (excluding Japan) HNWIs was extremely positive, with 90.5% expressing confidence in their ability to generate wealth through the first quarter of 2014, compared to 79.9% in the rest of the world.

The high levels of confidence among Asia-Pacific HNWIs toward all aspects of wealth management is significant, given the erosion of trust in the world's financial systems and markets that occurred during and after the global economic downturn. The concept of trust is fundamental to the very viability of the wealth management industry. HNWIs who lack trust may invest more of their wealth into their businesses or real estate, or allocate higher levels to cash. They may distribute their wealth among a number of firms or seek second opinions, restricting the ability of wealth managers to view and manage client wealth holistically and provide sound advice. In effect, the finding that trust in Asia-Pacific is rising, on top of already high levels, is a welcome development for wealth management firms seeking to make further in-roads in this market.

HNWIs IN CHINA, INDIA EXHIBIT HIGHEST TRUST LEVELS

While most of the major markets in Asia-Pacific (excluding Japan) have higher trust and confidence in the wealth management industry than the rest of the world average, the levels of trust vary across countries. HNWIs in the Emerging Asia countries of China and India – whose economies were among the strongest in the region – had by far the highest levels of trust across all aspects of the wealth management industry. Impressively, 95.7% of Indian HNWIs and 95.2% of Chinese HNWIs had confidence in their ability to generate wealth through the first quarter of 2014, an increase of 2.0 percentage points and 2.3 percentage points respectively over last year. Of these two countries, Chinese HNWIs were somewhat more trusting than Indian HNWIs of their personal wealth managers.

The Newly Industrialized countries of Singapore and Hong Kong exhibited the next highest levels of trust in the industry. Both countries were about even in terms of the confidence they had in individual wealth managers and firms (nearly 70%), but HNWIs in Singapore surpassed their counterparts in Hong Kong on two other measures of trust. Singaporean HNWIs had more trust in regulatory bodies and financial markets, perhaps because of the single and more proactive regulator in that country. Singapore's stature as an independent nation, compared to Hong Kong's perceived policy control by China, may also have led to higher levels of trust in its industry infrastructure. Singaporean HNWIs were also significantly more confident in their ability to generate future wealth (85.0% versus Hong Kong's 77.0%). This positive outlook on future wealth generation represents a rise of seven percentage points from the first quarter of 2012, and was the highest increase among all the countries in Asia-Pacific.

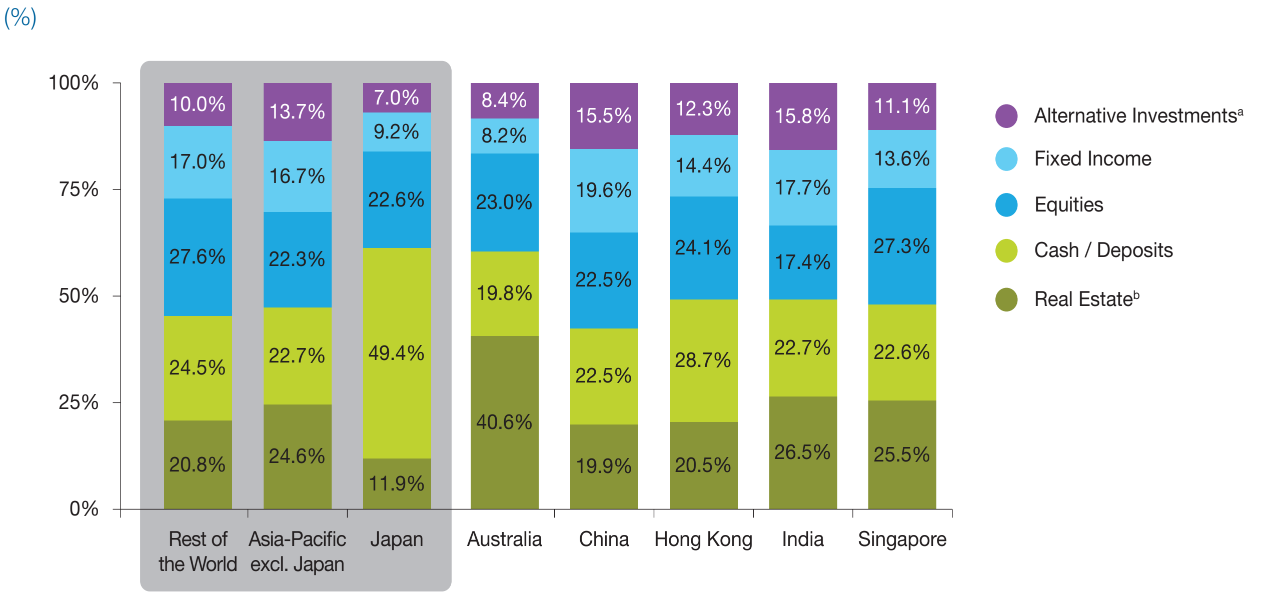
Australia was the closest to the averages in the rest of the world in terms of HNWI trust in all dimensions of the wealth management industry. HNWIs there had slightly lower confidence than the rest of the world (mid-60%) for individual wealth managers and firms. And at close to 45%, they had slightly higher confidence than the rest of the world (approximately 40%) in industry infrastructure. Also, the confidence of Australian HNWIs in their ability to generate wealth (81.9%) in the coming year was slightly higher than that for HNWIs in the rest of the world (79.9%). This positive outlook could be partly a function of Australia's positive GDP growth rate in 2012 of 3.6%, which was the highest of Industrialized Asia and greater than global GDP growth rate of 2.2%.

Japanese HNWIs occupy a category all their own, exhibiting far less trust in wealth managers and their ability to generate future wealth compared to both Asia-Pacific HNWIs and the rest of the world average. Only about 30% of Japanese HNWIs had high trust in the various segments of the industry, while their confidence in the ability to generate wealth over the next year was 49.1%, well below the rest of the world average of 79.9% and the lowest of all the countries included in the survey. Despite the improving economic and market prospects throughout the region, 56.4% of Japanese HNWIs said that safety of capital and limited risk exposure was important, compared to 40.2% of HNWIs in rest of Asia-Pacific.

Low confidence levels in Japan, coupled with a risk-averse attitude among HNWIs in the country, pose a unique challenge for wealth management firms. Japanese HNWIs strongly favor conservative investments compared to other markets. Nearly half (49.4%) of their financial assets are in cash and deposits, versus allocations in the 20% to 30% range for the other major Asia-Pacific markets (see Figure 12). However, given the chronic deflation in Japan, higher allocations to cash are an understandable outcome.

As a result of the heavy allocation to cash, an enormous amount of wealth – approximately US$2.2 trillion – is sitting on the sidelines, outside the realm of higher-value wealth management services. Of all the markets in Asia-Pacific, Japan houses the highest number of HNWIs and the greatest proportion of wealth. Increasing trust, even by a modest amount, among Japanese HNWIs could potentially spur the re-allocation of significant amounts of funds into more productive parts of the investment spectrum.

FIGURE 12. Breakdown of HNWI Financial Assets, Q1 2013



[a] Includes structured products, hedge funds, derivatives, foreign currency, commodities, and private equity

[b] Excludes primary residence

Note: Chart numbers may not add up to 100% due to rounding. Asia-Pacific (excluding Japan) refers to Australia, China, India, Hong Kong, and Singapore. Rest of the World refers to all countries covered in the Global HNW Insights Survey 2013 except those in Asia-Pacific

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

ASIA-PACIFIC HNWIs MORE AGGRESSIVE THAN REST OF THE WORLD

Outside of Japan, HNWIs in Asia-Pacific exhibited investing tendencies that were slightly more aggressive compared to HNWIs in the rest of the world. HNWIs in Asia-Pacific (excluding Japan) allocated 60.6% of their assets to higher risk/return asset classes, such as equities, real estate, and alternative investments. They invested more in real estate (24.6%, or 3.8 percentage points more than the rest of the world average). They also put more into alternative investments, arguably the riskiest asset class of all. At 13.7%, their allocation was 3.7 percentage points more than the rest of the world average. These investments were accompanied by fewer allocations toward cash/deposits and fixed income, compared to the rest of the world (39.4% versus 41.5%) and a lower allocation toward equities (22.3% versus 27.6%).

The higher allocation toward real estate is in part driven by Australian HNWIs. They have 40.6% of their assets invested in real estate, close to double the rest of the world average and far higher than India's 26.5%, which is the second-highest allocation in the region. Given their large investment in real estate, Australian HNWIs invested less in every other asset category, compared to the rest of the world averages. For example, cash and deposit products account for 19.8% of their portfolios (compared to 24.5% in the rest of the world).

HNWIs in the Emerging Asia countries of China and India exhibited the greatest comfort with alternative products, with allocations of 15.5% and 15.8% respectively, compared to 10.0% in the rest of the world. Chinese HNWIs' higher disposition towards alternative investments may stem in part from their increased exposure to the concepts behind these asset classes, which are also now better governed under improved regulatory frameworks. Interest is particularly high in foreign exchange, private equity, and structured products, as firms continue to broaden their product platforms to cater to burgeoning appetite in the market.

Indian and Australian HNWIs invested more than 20% of their alternative investment assets in private equity, which is higher than the Asia-Pacific (excluding Japan) average of 17.3%. This increased interest in private equity can be attributed to the availability of products that go beyond traditional buyout deals to include real estate, distressed debt, and other options. In addition, regulators in some countries, such as China, are collaborating with industry players to eliminate ambiguity around the private investment environment, further attracting funds into this segment.

Within the Newly Industrialized countries, HNWIs in Singapore proved to be slightly more overweight in higher-risk asset classes, compared to those in Hong Kong. Singaporean HNWIs put more of their wealth in real estate (25.5% versus Hong Kong's 20.5%) and equities (27.3% versus Hong Kong's 24.1%). Accordingly, they allocated a lower percentage of their assets towards safer cash and deposit products (22.6% versus 28.7% in Hong Kong).

By a small margin, alternative investments remain the smallest investment category in the region. Even so, Asia-Pacific (excluding Japan) HNWI allocations to alternative investments are around four percentage points above the rest of the world average. Their fairly significant use in Asia-Pacific (excluding Japan) HNWI portfolios indicates a growing familiarity with the alternative-investment asset class. Such products, previously scarce, have become more common in the product line-ups of wealth management firms in Asia-Pacific (excluding Japan).

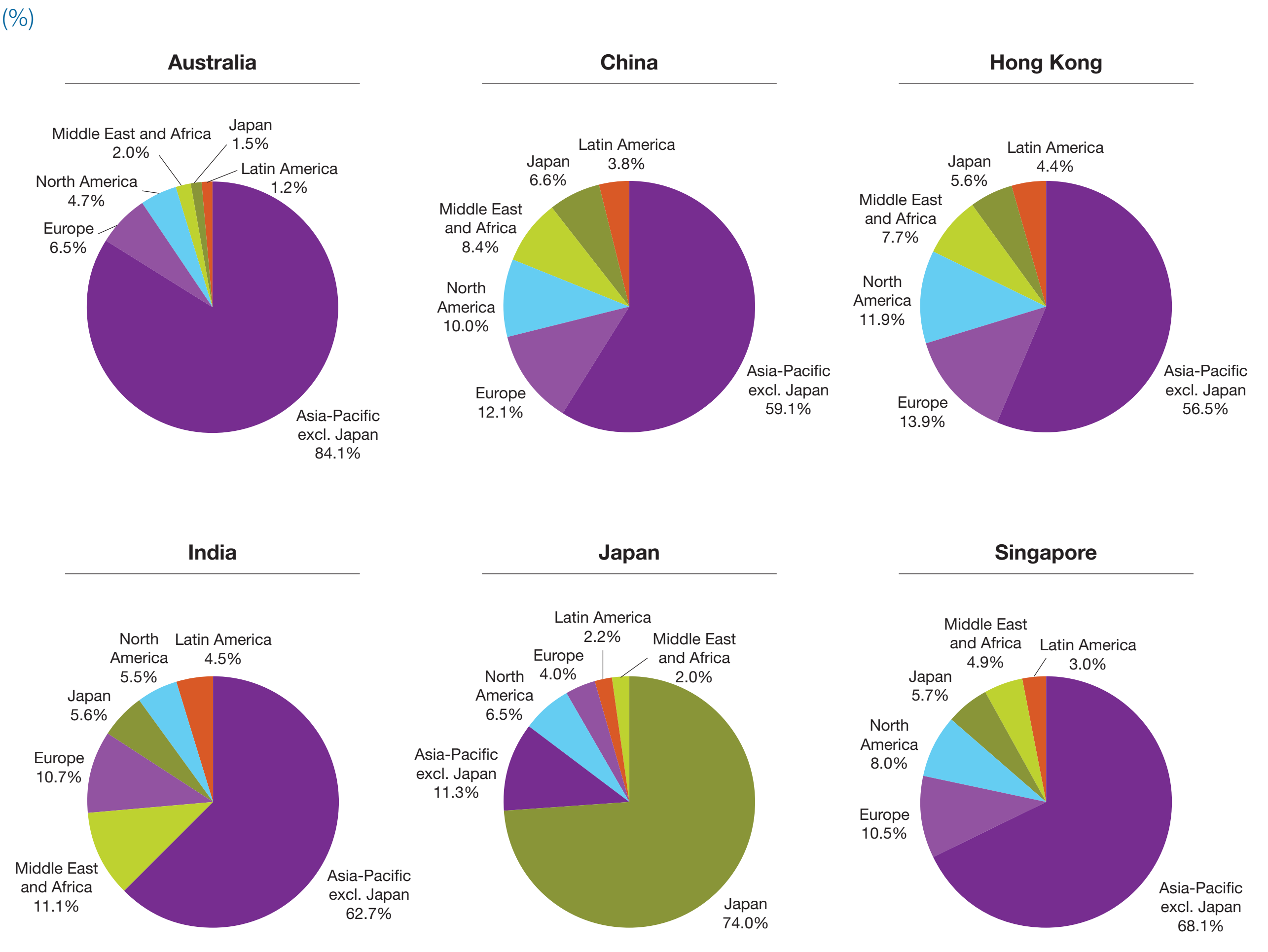
ASIA-PACIFIC HNWIs ARE MORE GLOBALLY DIVERSIFIED

For the most part and consistent with the global trend, Asia-Pacific HNWIs invest the majority of their assets close to home (see Figure 13), as the U.S. and European economies continued to stall and as wealth centers such as Hong Kong and Singapore developed. Compared to markets elsewhere around the world, economic growth prospects remained more positive in Asia-Pacific, offering the advantage of higher potential returns. Even so, HNWIs in Hong Kong (37.9%), China (34.3%), India (31.7%), and Singapore (26.2%) invested more assets beyond their home regions, compared to the rest of the world average of 23.6%.

HNWIs in Singapore and Hong Kong continue to benefit from the status of their home countries as global financial hubs, where global investing is both prevalent and convenient. The proportion of international investing among Chinese HNWIs, which is comparable to other HNWIs in the region, may reflect gradual regulatory relaxations with respect to outbound investments, as well as an increasing appetite for investment options that are otherwise unavailable domestically. Excess liquidity has also prompted Chinese HNWIs to channel funds overseas in recent years, most notably into the global real estate markets.

Regional asset allocations are dependent upon a number of factors, including the strength and size of domestic and foreign markets, the maturity of offerings, the need for diversification, volatility in currency prices, and general comfort in investing outside of one's home market or region. Going forward, HNWIs who look beyond their home regions as they construct their portfolios will have the greatest likelihood of benefitting from growth opportunities in other markets.

FIGURE 13. HNWI Geographic Wealth Allocation by Country, Q1 2013



Note: Chart numbers may not add up to 100% due to rounding
Source: Capgemini Analysis, 2013; Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

ASIA-PACIFIC HNWIs FAVOR JEWELRY, GEMS, AND WATCHES

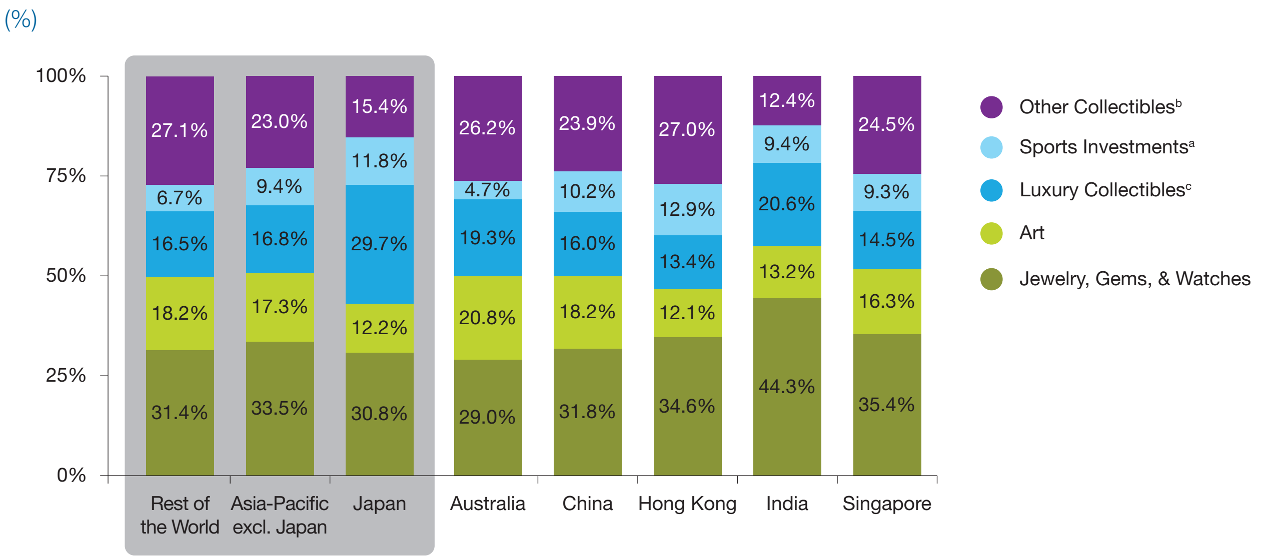
Jewelry, Gems, and Watches have long been the most preferred Investments of Passion (IoP) among HNWIs around the world. They carry slightly more cachet among Asia-Pacific HNWIs (excluding Japan), who allocated 33.5% of their IoP investments to the category in the first quarter of 2013, almost two percentage points more than the rest of the world average (see Figure 14). Indian HNWIs were by far the most avid investors, putting 44.3% of their IoP investments into the category.

Collectibles, consisting of coins, wine, antiques and so on, emerged as Asia-Pacific's (excluding Japan) second-most preferred IoP, attracting 23.0% of HNWI allocations. Higher-end luxury collectibles, including boats, cars and jets, are also in demand, accounting for 16.8% of allocations. In Japan, luxury collectibles held great appeal, attracting 29.7% of IoP allocations, nearly topping investments in Jewelry, Gems, and Watches and far outpacing those for other IoP categories. Within the luxury goods market, yacht ownership is becoming increasingly popular in Asia as a symbol of prestige.

Art attracted 17.3% of HNWI allocations, slightly less than the rest of the world average. Australian HNWIs were the most enthusiastic investors in art, with an allocation of 20.8%. While China helped fuel a global recovery in the art market following the financial crisis, it lost momentum last year. The Chinese art market had grown at a blistering pace until 2011, overtaking the United States as the world's largest market for art and antiques. But in 2012, Chinese art sales fell by 24% mainly due to valuation issues, putting the United States back in its traditional spot as the biggest art market.[14]

Despite these setbacks to growth, the Asia-Pacific art market continues to gain momentum in other respects. The Art Basel art fair, a renowned event in Miami and its namesake Swiss home city, branched out to Hong Kong for the first time in 2013, providing a new portal for showcasing the region's artists.[15] Another prominent art and antiques fair, TEFAF, is working with Sotheby's to establish a high-end art fair in China.[16] In April 2013, Christie's succeeded in winning a license to hold auctions in Shanghai beginning in the fall of 2013,[17] a move that will give Asia-Pacific collectors more direct access to the auction house's global network.

FIGURE 14. HNWI Allocations to Investments of Passion, Q1 2013



[a] "Sports Investments" represents sports teams, sailing, race horses, etc.
[b] "Other Collectibles" represents coins, wine, antiques, etc.
[c] "Luxury Collectibles" represents automobiles, boats, jets, etc.

Note: Chart numbers may not add up to 100% due to rounding. Asia-Pacific (excluding Japan) refers to Australia, China, India, Hong Kong, and Singapore. Rest of the World refers to all countries covered in the Global HNW Insights Survey 2013 except those in Asia-Pacific

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

[14] TEFAF Maastricht. (14/03/2013). Chinese Art Sales Fall by 24 per cent as the United States Regains its Status as the World's Biggest Market [Press Release]

[15] https://www.artbasel.com/en/About-Art-Basel/History, Accessed August 2013

[16] TEFAF Announces opportunity to expand into China, TEFAF, March 2013

[17] Christie's to hold auction in Shanghai, Christie's April 2013

Investments of Purpose

Accelerated wealth growth in Asia-Pacific, combined with a natural desire to leave a legacy, have prompted a higher number of local HNWIs to channel their wealth into various philanthropic investments of purpose. While this remains a relatively nascent concept in Asia, where giving continues to be in the form of informal charity and tax-incentivized grants and donations, inspirations from the West, as well as a growing commitment by younger HNWIs in the region, have supported the development of philanthropy as a more structured approach to using wealth to engender social impact.

While unique challenges exist in the region that may slow down its growth, including social and legal impediments, philanthropy is gaining momentum in Asia. We expect to cover the evolution of investments of purpose in Asia-Pacific in more detail in future publications.

Knowledge of Regional Diversity Key to Wealth Management Growth

- Over the past five years, Asia-Pacific HNWIs have been a driving force, accounting for nearly half the expansion in global HNWI wealth growth. As the Asia-Pacific HNWI market has grown, the maturation of the region's wealth management industry has accelerated, resulting in more diverse product and service offerings for HNWIs.
- Asia-Pacific HNWIs showed behavioral traits distinct from the global themes identified in the *2013 World Wealth Report* (WWR) with a perception of more complex needs and preference for digital interactions. These differences highlight a requirement for more advanced product and service offerings. Commonalities with global HNWI behaviors noted in the WWR 2013 include a strong focus on wealth preservation rather than growth, and a desire to work with a single firm.
- Asia-Pacific HNWIs exhibit clear differences in behavior and preferences by country, partly as a result of the wide variety of market structures, regulations, cultures, and trading behaviors throughout the region. These differences are on starkest display when comparing Japan with China and India, which are near polar opposites with respect to HNWI preferences and behaviors.
- Firms with the ability to combine deep local HNWI knowledge, with a tailored and scalable value proposition, will be best positioned to capture growth. Regional trends in wealth growth and mounting client expectations will propel the diverse array of firms operating in Asia-Pacific to adapt their servicing models to remain competitive in a rapidly-evolving and increasingly complex industry.

WEALTH MANAGEMENT IN ASIA-PACIFIC GAINS IN STATURE, MATURITY

Wealth management in Asia-Pacific has been transformed over the past decade into a larger, more mature, and more sophisticated industry. Not only has the population and wealth of HNWIs in the region expanded, but so has access to a broader array of products and services. At the same time, the creation of stronger regulatory frameworks and market structures throughout the region has spawned greater trust and confidence in the industry and its practitioners, feeding a virtuous circle of growth.

Asia-Pacific's contribution to global HNWI wealth growth has increased to a startling degree in recent years (see Figure 15). Over the past five years, Asia-Pacific has accounted for close to half (45.4%) of global HNWI wealth growth, up from only 16.0% from 1995 through 2000. Signs of the region's growth potential began to emerge in the early 2000s. From 2000 to 2007, Asia-Pacific contributed 33.6% of the growth in global HNWI wealth.

A number of factors are behind the growing strength of the wealth management industry in Asia-Pacific. First and foremost is the overall strong economic performance across the region. While Asia-Pacific suffered along with the rest of the world following the financial crisis, its rate of GDP growth remained the highest in 2012. In addition, the Emerging Asia economies of China and India, the two most populous countries in the world, were among the fastest in terms of GDP growth over the last decade, setting the stage for large regional gains in HNWI population and wealth.

As depicted on page 5 of this report, Asia-Pacific increased its population of HNWIs by 880,000 from 2007, compared to an increase of just less than half that number for North America. HNWI wealth in Asia-Pacific underwent a similarly striking increase during that time —US$2.5 trillion, compared to less than US$1 trillion for North America. As the population and wealth of HNWIs rose, wealth management firms from the North America and Europe pursued stakes in the Asia-Pacific market, bringing with them a wide variety of new products and services that found favor among HNWIs in the region. At the same time, local wealth management firms began investing in talent and capabilities to tap longstanding relationships with both wealthy families and budding HNWIs to build their own wealth management businesses to compete with firms from outside the region.

The competitive landscape in Asia is comprised of three distinct types of players: (1) local wealth management firms, (2) wealth management firms originating from and operating in Asia, and (3) wealth management firms operating in the region but originating outside of Asia. In recent years, firms originating and operating within Asia have been able to increase their market presence by leveraging their Asian networks, and have made new and significant inroads in the offshore market. However, local wealth management players continue to dominate the large onshore markets, particularly in China, India, and Thailand, where a lack of depth in products and services, language limitations, and less sophisticated regulatory and legal environments have resulted in a large number of HNWIs being served through more standardized and mass-affluent models.

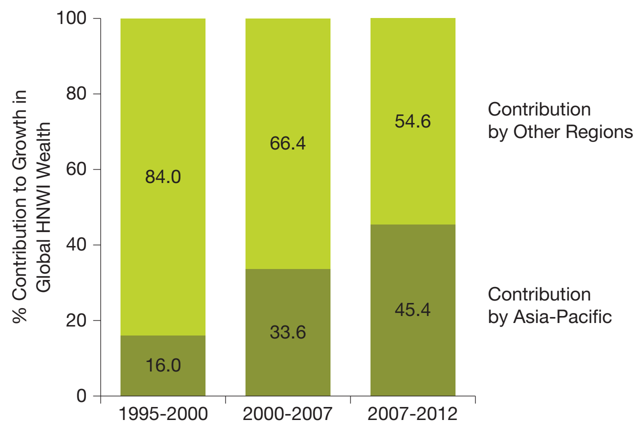
Currently, there are two primary service models operating in Asia: a retail-bank led model that is focused on serving local, primarily higher-end, mass-affluent investors, and an international/offshore private banking model that adds complex credit expertise, wealth planning, and select investment banking relationship services, including support on smaller merger and acquisition transactions and access to club deals. The first model, essentially the furthest extension of consumer banking, is product-led and highly standardized. The latter model, which represents a profitability-driven shift from the traditional investment-led approach, caters to the needs of HNW investors who are asset-rich and cash-poor, such as wealthy entrepreneurs in markets that include China and Indonesia.

As the market has developed, so have more robust regulatory frameworks and operating procedures. The Monetary Authority of Singapore, for example, has taken significant steps to modernize its regulatory frameworks to develop the country as an attractive hub for wealth management operations in the region. It also moved to foster higher standards in wealth management by launching a private banking code of conduct, which requires wealth managers to pass a competency assessment prior to giving advice to clients. Such moves aimed at protecting investor wealth have likely led to greater levels of trust and confidence in the sector.

Although a short-term and more transactional approach continues to be common in the region, rising regulatory standards and evolving client expectations are expected to accelerate the industry movement toward a more advisory approach to wealth management.

FIGURE 15. Contribution of Asia-Pacific Wealth Growth to Global HNWI Wealth Growth, 1995 – 2012

(%)



Source: Capgemini Lorenz Curve Analysis, 2013

SURVEY HIGHLIGHTS COMPLEX AND DIVERSE ASIA-PACIFIC HNWI NEEDS

Our inaugural Global HNW Insights Survey painted a general profile of the Asia-Pacific HNWI. Characteristics included a focus on wealth preservation, a movement away from the use of traditional benchmarks to evaluate a portfolio's success, and a preference for working with one, rather than multiple firms. HNWIs in Asia-Pacific (excluding Japan) also view themselves as having complex rather than more straightforward needs.

Traditionally, and in keeping with industry practice, HNWIs have largely measured the success of their portfolios using relative yardsticks like market indices or benchmark returns. Asia-Pacific HNWIs (excluding Japan) now prefer, as do their peers globally, to evaluate a portfolio's success by its ability to meet specific life goals such as supporting a comfortable retirement, paying for education, buying a vacation home, or supporting philanthropic objectives. Close to half (43.5%) of Asia-Pacific HNWIs (excluding Japan) now prefer to judge their portfolios using such absolute measures, while only 23.0% still prefer using relative benchmarks.

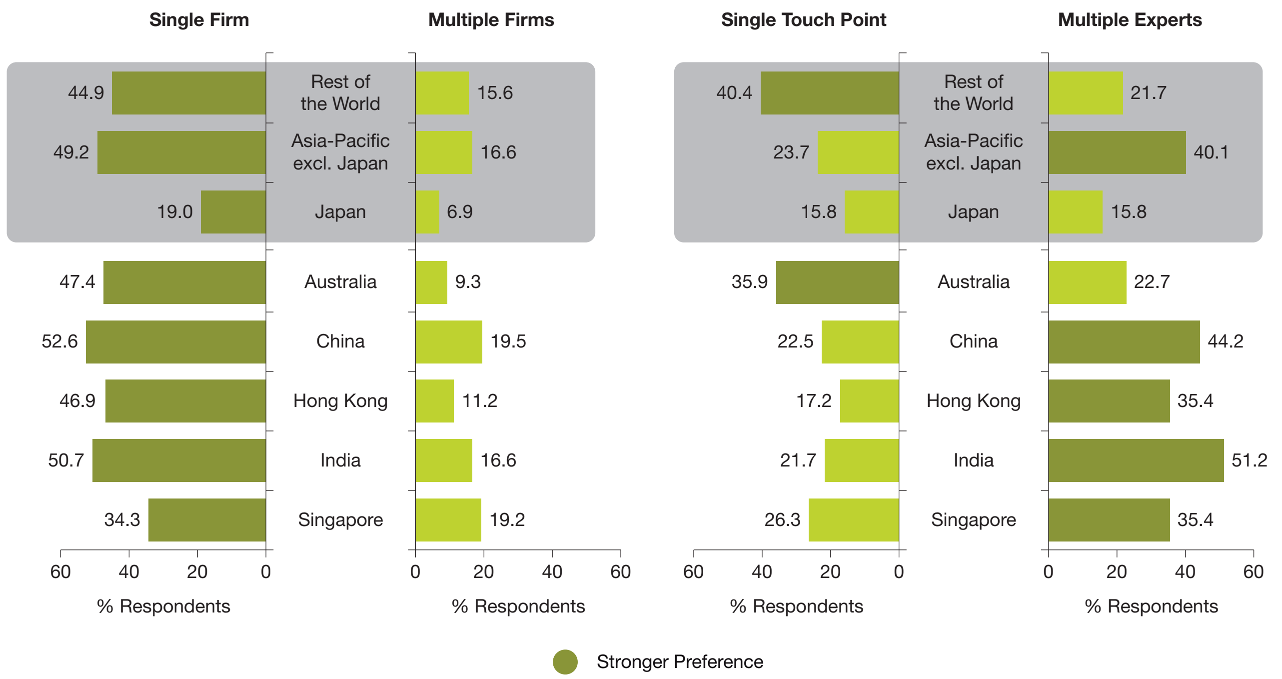
Asia-Pacific (excluding Japan) HNWIs are also much more interested in working with a single firm (49.2%) than building relationships with many firms (16.6%), an attitude even more pronounced than that of HNWIs in the rest of the world.

ASIA-PACIFIC HNWIs MORE INTERESTED IN WORKING WITH MULTIPLE EXPERTS; WILLING TO PAY MORE FOR CUSTOMIZED SERVICES

While Asia-Pacific HNWIs (excluding Japan) shared some traits with HNWIs in the rest of the world, they also demonstrated a number of key differences (see Figure 16). Outside of Asia-Pacific, the preference for working with a single firm goes hand in hand with a preference for a single point of contact. This preference, however, is not the case in Asia-Pacific (excluding Japan). Even though HNWIs in Asia-Pacific (excluding Japan) prefer working with a single firm, 40.1% wanted interactions with multiple experts within the firm, compared to 21.7% of HNWIs with a similar preference in the rest of the world (see Figure 17).

FIGURE 16. HNWI Willingness to Work with a Single vs. Multiple Firms and Preference for Single Touch Point vs. Multiple Experts, Q1 2013

(%)



Note: Questions asked on a 10-point spectrum: Please indicate your preference for working with multiple wealth management firms (who each have a specific area of expertise that meets your needs) vs. a single firm (that can meet the full range of your financial needs)?; Please indicate your preference for dealing with a single touch point (who facilitates all aspects of your relationship with the firm) vs. different experts at your wealth management firm (who can deal with your specific requirements)? As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers in the figure indicate the percentage of respondents providing top three ratings at each extreme. Asia-Pacific (excluding Japan) refers to Australia, China, India, Hong Kong, and Singapore. Rest of the World refers to all countries covered in the Global HNW Insights Survey 2013 except those in Asia-Pacific
Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

FIGURE 17. HNWI Behavior and Preferences, Q1 2013

PREFERRED WEALTH MANAGEMENT APPROACH

Rest of the World		Asia-Pacific excl. Japan		Japan	
44.9% Single Firm	15.6% Multiple Firms	49.2% Single Firm	16.6% Multiple Firms	19.0% Single Firm	6.9% Multiple Firms
26.3% Family Wealth Advice	36.1% Personal Wealth Advice	47.2% Family Wealth Advice	23.3% Personal Wealth Advice	12.0% Family Wealth Advice	23.5% Personal Wealth Advice
35.9% Financial & Life Goals Measurement	26.2% Financial Benchmark Measurement	43.5% Financial & Life Goals Measurement	23.0% Financial Benchmark Measurement	23.0% Financial & Life Goals Measurement	8.5% Financial Benchmark Measurement
21.2% Complex Needs	48.7% Straightforward Needs	41.1% Complex Needs	31.0% Straightforward Needs	12.2% Complex Needs	24.0% Straightforward Needs
33.3% Wealth Preservation	27.7% Wealth Growth	38.9% Wealth Preservation	31.5% Wealth Growth	24.3% Wealth Preservation	15.3% Wealth Growth

PREFERRED WEALTH MANAGEMENT RELATIONSHIP

Rest of the World		Asia-Pacific excl. Japan		Japan	
21.7% Multiple Experts	40.4% Single Touch Point	40.1% Multiple Experts	23.7% Single Touch Point	15.8% Multiple Experts	15.8% Single Touch Point
34.6% Self Managed Investments	31.0% Professional Advice	39.9% Self Managed Investments	25.2% Professional Advice	25.7% Self Managed Investments	10.6% Professional Advice
26.3% Uncomfortable with Only In-House Products	33.0% Comfortable with Only In-House Products	36.4% Uncomfortable with Only In-House Products	25.7% Comfortable with Only In-House Products	29.9% Uncomfortable with Only In-House Products	7.0% Comfortable with Only In-House Products

PREFERRED WEALTH MANAGEMENT SERVICE

Rest of the World		Asia-Pacific excl. Japan		Japan	
25.5% Customized Services	31.2% Standardized Services	42.3% Customized Services	19.2% Standardized Services	12.7% Customized Services	15.0% Standardized Services
24.7% Filtered Communication	36.2% Comprehensive Communication	41.2% Filtered Communication	24.3% Comprehensive Communication	17.5% Filtered Communication	13.8% Comprehensive Communication
21.5% Digital Contact	36.3% Direct Contact	38.2% Digital Contact	23.8% Direct Contact	19.6% Digital Contact	12.8% Direct Contact
18.4% Scheduled Reporting	51.1% Real-Time/Anytime Reporting	36.4% Scheduled Reporting	34.7% Real-Time/Anytime Reporting	11.5% Scheduled Reporting	24.8% Real-Time/Anytime Reporting

Significant Differences in Direction and Degree from Rest of the World Results

Parameters with Higher Focus/Preference

Note: As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers indicate the percentage of respondents providing top three ratings at each extreme. Asia-Pacific (excluding Japan) refers to Australia, China, India, Hong Kong, and Singapore. Rest of the World refers to all countries covered in the Global HNW Insights Survey 2013 except those in Asia-Pacific

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

This outcome differs from the results of a survey of wealth managers in our WWR 2011, which concluded that an improved client experience — featuring wealth managers acting as single points of contact — was the most important aspect of wealth management. While this may be true in other parts of the world, Asia-Pacific HNWIs (excluding Japan) appear to value more highly the ability to directly access a wide range of expertise and advice within the confines of a single firm.

This desire to interact with a single firm is understandable in light of several recent developments in the wealth management industry. Working with a single firm provides an extra measure of convenience, especially given the increasing volume of regulations related to authenticating new clients. By keeping their business within a single firm, Asia-Pacific HNWIs may be able to reduce the burden of fulfilling the growing number of regulatory requirements related to initiating relationships at new firms. Working with a single firm also offers the advantage of providing a more complete view into overall risk exposures.

Despite the stated preference of Asia-Pacific HNWIs to interact with a single firm, this practice is not yet common in the region. With the possible exception of Australia where HNWI preferences appear more aligned to those observed in North America, many Asia-Pacific HNWIs continue to hold relationships with three to four firms on average, with one to two lead firms holding the primary relationships. Even so, it is becoming the norm, in line with global trends, for multiple specialists within one firm to serve the needs of Asia-Pacific HNWIs, especially given the growing sophistication of their wealth management needs and credit focus.

The preference to interact with different experts within a firm may also be attributable to the growing breadth and complexity of products and services available. Additionally, products and services are often governed under separate regulatory bodies, most notably in China, which prohibits wealth managers from giving advice or selling products beyond their areas of expertise. Altogether, the lack of experience and credentials necessary to cater to the complex needs of HNWIs within the region have likely prompted Chinese HNWIs to seek advice from multiple experts.

The desire to work with multiple experts highlights a growing requirement for wealth managers in Asia-Pacific to offer services that meet the full breadth of HNWI needs within a single-firm setting. Firms may want to consider developing a wealth manager talent pool consisting of specialists, rather than a team of generalists, as a way of accommodating this specific preference of Asia-Pacific HNWIs.

Compared to HNWIs in the rest of the world, those in Asia-Pacific (excluding Japan) said their wealth management requirements were more complicated, indicating a need for more robust services, potentially including family offices and estate planning (which, while existing in the region, are still nascent[18]). About two-fifths (41.1%) of Asia-Pacific HNWIs (excluding Japan) said their wealth management needs were complex, compared to about one-fifth (21.2%) of those in the rest of the world. Similarly, nearly half (47.2%) of Asia-Pacific HNWIs (excluding Japan) said they required family wealth advice, compared to only 26.3% of HNWIs in the rest of the world.

The need to manage larger and more complex relationships was particularly acute within India, China, and Hong Kong. In addition, more than half of HNWIs in China (56.5%) and India (54.9%) said they preferred advice related to family rather than personal wealth. Potential reasons driving this complexity are higher rates of business ownership in Asia-Pacific, as well as increasing acceptance of family wealth and succession planning.

A related key survey insight is that Asia-Pacific (excluding Japan) HNWIs appear willing to pay more for customized services (see Figure 18), a trait that should offer firms greater flexibility as they seek to develop business models to meet more complex HNWI needs. By a significant margin (42.3% versus 25.5% in the rest of the world), Asia-Pacific HNWIs (excluding Japan) say they are willing to pay more for services that go beyond standard offerings.

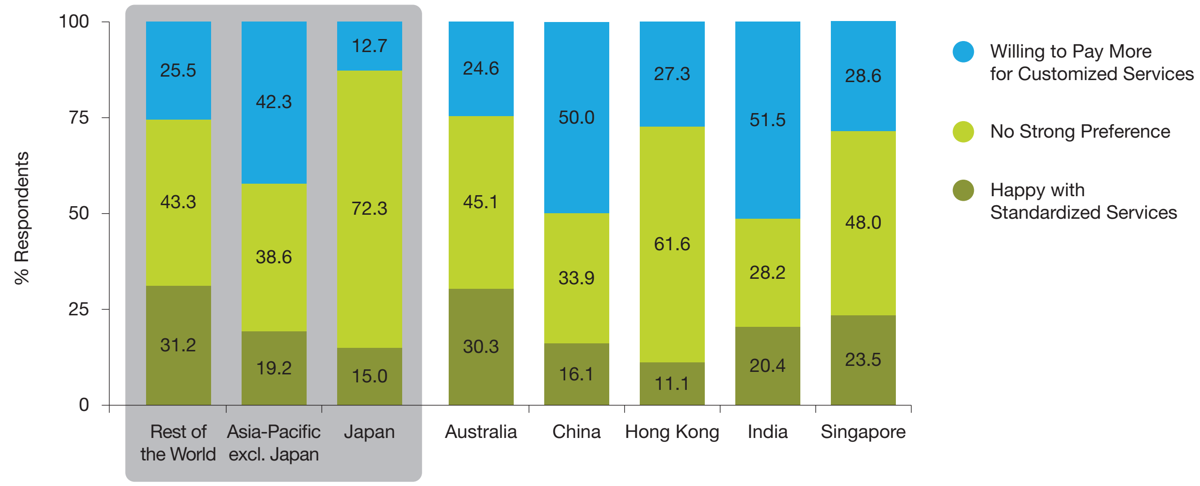
This willingness to pay for value-added services is even more pronounced in China (50.0%) and India (51.5%). In fact, a large percentage of HNWIs in these countries (27.0% in China and 37.0% in India) said they would pay a lot more for the benefit of receiving advice, products, and services that are customized to their needs. The percentages were even higher for HNWIs in higher wealth bands, where 68.0% of HNWIs in China and 57.1% of HNWIs in India in the US$10 million to US$20 million wealth band said they were willing to pay more for customized services.

When it comes to communication preferences, one of the biggest differences between Asia-Pacific and HNWIs in the rest of the world is their attitude toward digital versus direct contact (see Figure 19). By a large margin, Asia-Pacific HNWIs (excluding Japan) placed greater importance on interacting with their wealth managers and firms through online and mobile channels, as compared to face-to-face or telephone contact. Nearly 40% of Asia-Pacific (excluding Japan) HNWIs ranked digital contact as more important versus less than one-fourth (21.5%) of HNWIs in the rest of the world. This finding is even more widespread (46.0%) among HNWIs under the age of 40 in Asia-Pacific (excluding Japan), as well as those in India (46.1%) and China (42.4%).

[18] The Global State of Family Offices, August 2012, Capgemini

FIGURE 18. HNWI Preference for Standardized vs. Customized Services, Q1 2013

(%)

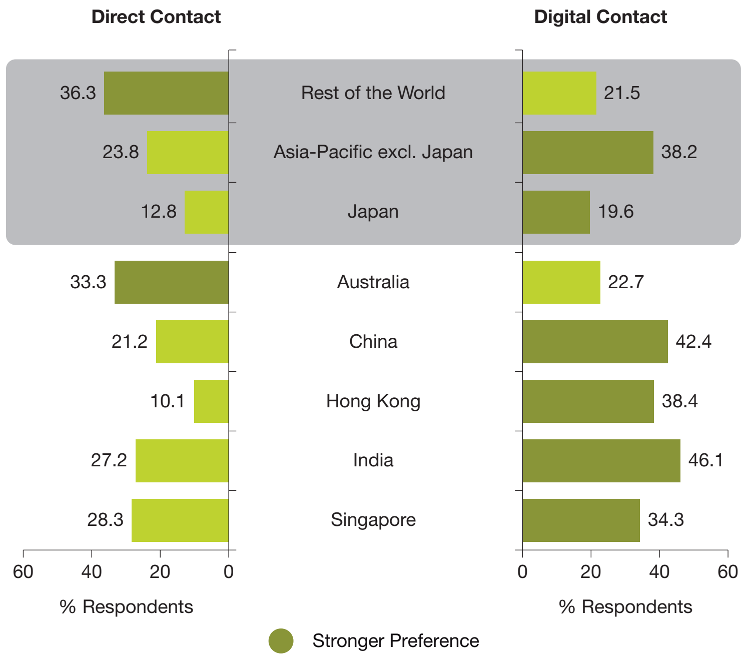


Note: Question asked on a 10-point spectrum: Please indicate your preference for standardized services vs. your willingness to pay more customized level of service from your wealth manager? As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers in the figure indicate the percentage of respondents providing top three ratings at each extreme. Chart numbers may not add up to 100% due to rounding. Asia-Pacific (excluding Japan) refers to Australia, China, India, Hong Kong, and Singapore. Rest of the World refers to all countries covered in the Global HNW Insights Survey 2013 except those in Asia-Pacific

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

FIGURE 19. HNWI Preference for Direct Contact vs. Digital Contact, Q1 2013

(%)



Note: Question asked on a 10-point spectrum: Please indicate whether direct and personal contact is more important to you than digital contact (internet, mobile, email) vs. digital contact (internet, mobile, email) more important to you than direct and personal contact? As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers in the figure indicate the percentage of respondents providing top three ratings at each extreme. Asia-Pacific (excluding Japan) refers to Australia, China, India, Hong Kong, and Singapore. Rest of the World refers to all countries covered in the Global HNW Insights Survey 2013 except those in Asia-Pacific

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

Interestingly, the stronger importance of digital communications did not translate into a greater desire for real-time reporting. Asia-Pacific (excluding Japan) HNWIs were much less interested in real-time reporting, with only 34.7% preferring it, compared to more than half (51.1%) of HNWIs in the rest of the world. Nor did Asia-Pacific (excluding Japan) HNWIs express a preference for comprehensive communication, including updates on transactions, opportunities, events, and news. Instead, they much preferred only necessary or filtered communication (41.2%), compared to HNWIs in the rest of the world (24.7%).

Taken together, these findings point to a number of implications for wealth management firms operating in the region. Firms will need to ensure their business models support the complexity of HNWI needs and their desire to tap into the expertise of multiple experts within a single firm. The emphasis of Asia-Pacific HNWIs on comprehensive wealth planning that addresses business and family-related advice will require firms to develop strong expertise in meeting a variety of in-depth needs, such as estate and succession planning. Firms may want to consider hiring wealth managers with specialized experience, rather than generalists, to address this preference.

The finding that Asia-Pacific HNWIs indicate a willingness to pay more for customized services points to an opportunity for wealth management firms to explore a variety of options, including fee-based services, for delivering tailored and integrated advice to meet HNWI needs. Firms able to efficiently bring such services to market face the prospect of both increased assets under management, as well as improved margins, while fulfilling the specific demands of regional HNWIs. For this to happen, firms will also need to pay special attention to investing in order to build the requisite scale in different Asia-Pacific markets.

Finally, firms seeking to address the communications preferences of HNWIs in the region should be prepared to develop robust digital delivery channels. But they should recognize that greater usage of those channels by HNWIs is not an open invitation to send unfiltered, real-time communications. Despite the greater importance of digital interactions, Asia-Pacific HNWIs appear selective in the amount and type of interaction they desire.

AMIDST WIDESPREAD DIVERSITY, BIGGEST HNWI DIFFERENCES EXIST BETWEEN JAPAN VS. CHINA/INDIA

Despite the many conclusions that can be drawn about Asia-Pacific HNWIs compared to those in the rest of the world, the region cannot be viewed homogeneously. At its heart, Asia Pacific remains a collection of diverse countries, marked by different levels of economic development and a wide variety of market structures, regulations, cultures, and trading behaviors. These differences in turn translate into distinctions of behavior and preferences among HNWIs. Some of the starkest differences on display exist between Japan and other countries across the region, most notably China and India.

HNWIs in Japan appear largely indifferent to the type of wealth management services they receive. Nearly 65% said they have no strong preference for advice on personal or family wealth. A similar number said they do not have strong views on whether their needs are straightforward or complex. Nearly as many said they have no strong focus on either preserving their wealth or growing it. More than 70% did not indicate a preference for standard or customized services, and only a small proportion (12.7%) said they were willing to pay more for specialized services.

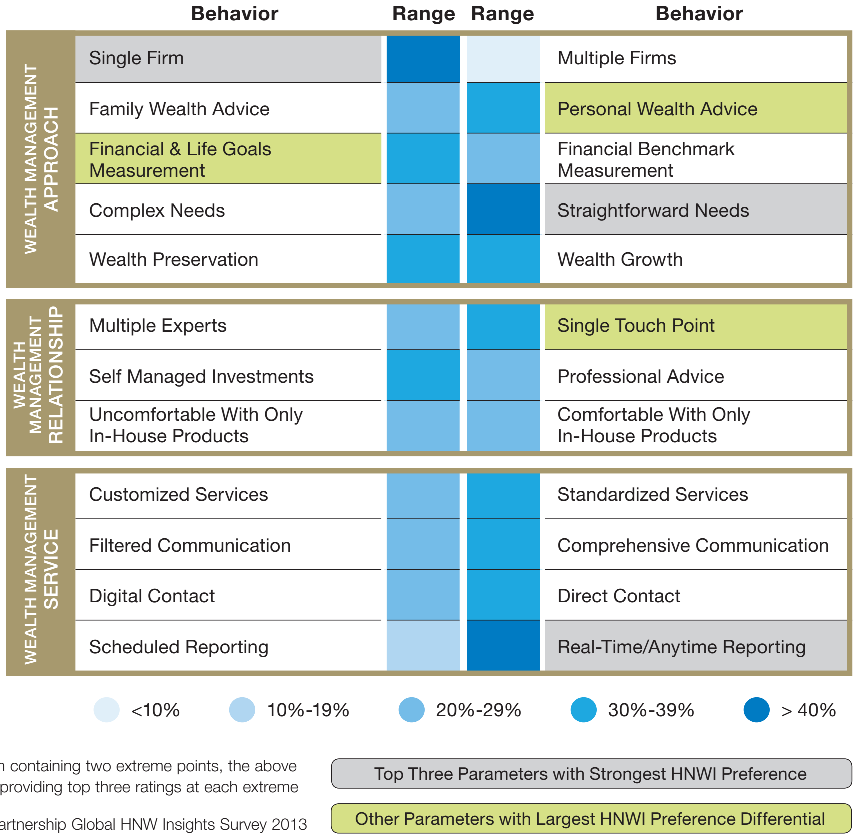
HNWIs in China and India, in contrast, expressed much stronger opinions and preferences. Both countries have the highest proportion of HNWIs viewing their needs as complex and requiring family advice. They are also the most likely to desire input from a number of experts. Their acceptance of wealth management services even extends to their willingness to pay more for customized services.

Asia-Pacific is a region long in history and rich in diverse cultures, creating wide variety in the way wealth management products and services are desired by HNWIs in different countries. Still-evolving regulatory frameworks, market structures, and business practices add other elements of distinction. While HNWIs throughout Asia-Pacific share many similarities, they also exhibit differences that reflect the singular economies and traditions of their home markets, a reality that will require firms operating in the region to gain a thorough understanding of in-country wealth management preferences as they address the needs of the market. While gender did not appear to have much of an impact on HNWI preferences,[19] slight distinctions emerged across wealth bands, with HNWIs with US$20 million or more in assets exhibiting the clearest differences from other segments. In addition, HNWIs under 40 years of age across all countries (except Japan) exhibited very similar preferences.

[19] See boxed article on page 34

FIGURE 20. HNWI Preferences in Australia, Q1 2013

- Australian HNWIs exhibit similar preferences to those in western economies
- Australia is the only country in Asia-Pacific where a higher number of HNWIs focus on wealth growth (34.1%) rather than wealth preservation (32.7%)
- HNWIs in the country consider their needs to be more straightforward, encompassing the management of cash, credit, and growing investments (48.3%), and this sentiment was particularly strong in the higher age and wealth bands
- More than half the number of the HNWIs in Australia who are 50 years or older, and also those with over $10 million, describe their needs as being straightforward
- Australia has the highest proportion of HNWIs (30.3%) within Asia-Pacific that prefer standardized services
- Contrary to HNWIs in many other Asia-Pacific countries, those in Australia prefer a single touch point (35.9%), direct contact (33.3%), and real-time reporting (52.2%)

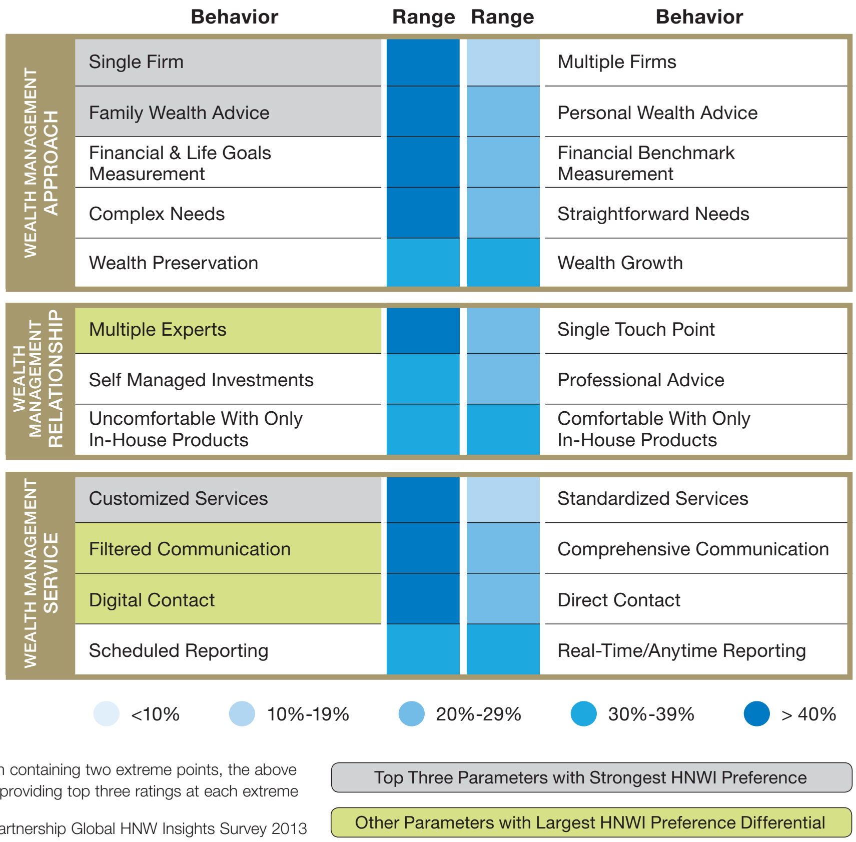


Note: As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers and shading indicate the percentage of respondents providing top three ratings at each extreme

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

FIGURE 21. HNWI Preferences in China, Q1 2013

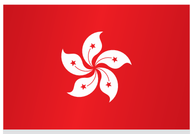
- HNWIs in China have the highest need for advice on family wealth in Asia-Pacific (56.5%)
- This focus on family advice goes hand in hand with a preference for customized services (50.0%), as well as a willingness to pay a lot more for them (27.0%)
- 64.0% of the HNWIs in the wealth band of $10 million to $20 million strongly prefer advice on family wealth. In addition, 68.0% of HNWIs in this wealth band are happy to pay more for customized service
- In keeping with the desire for specialized advice, HNWIs in China prefer to interact with multiple experts in a single firm (44.2%)
- Younger HNWIs (below 40 years of age) strongly prefer to interact with multiple experts (47.8%) and also place more importance on digital contact (45.4%) over direct contact (22.7%)



Note: As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers and shading indicate the percentage of respondents providing top three ratings at each extreme

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

FIGURE 22. HNWI Preferences in Hong Kong, Q1 2013



- A strong focus on family wealth advice among Hong Kong HNWIs (41.4%) increases even further among HNWIs in higher wealth bands
- Hong Kong HNWIs would rather judge the success of their portfolios based on financial or life goals (44.4%), with HNWIs in higher wealth bands even more likely to do so
- Hong Kong HNWIs view themselves as having complex needs (41.4%). This perception is even greater among HNWIs in higher wealth bands, with 66.7% of those with $10 million to $20 million saying they have complex needs
- A higher proportion of HNWIs in Hong Kong prefer to work with a single firm (46.9%)
- Hong Kong HNWIs place high importance on selective, filtered communications (43.4%)

	Behavior	Range	Range	Behavior
WEALTH MANAGEMENT APPROACH	Single Firm			Multiple Firms
	Family Wealth Advice			Personal Wealth Advice
	Financial & Life Goals Measurement			Financial Benchmark Measurement
	Complex Needs			Straightforward Needs
	Wealth Preservation			Wealth Growth
WEALTH MANAGEMENT RELATIONSHIP	Multiple Experts			Single Touch Point
	Self Managed Investments			Professional Advice
	Uncomfortable With Only In-House Products			Comfortable With Only In-House Products
WEALTH MANAGEMENT SERVICE	Customized Services			Standardized Services
	Filtered Communication			Comprehensive Communication
	Digital Contact			Direct Contact
	Scheduled Reporting			Real-Time/Anytime Reporting

<10% 10%-19% 20%-29% 30%-39% > 40%

Top Three Parameters with Strongest HNWI Preference

Other Parameters with Largest HNWI Preference Differential

Note: As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers and shading indicate the percentage of respondents providing top three ratings at each extreme

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

FIGURE 23. HNWI Preferences in India, Q1 2013

- Higher proportions of HNWIs in India seek advice on family wealth (54.9%) and perceive their needs as being complex (51.7%)
- The preference for advice on family wealth is strongest in the wealth bands of $5 million to $10 million (63.6%) and $10 million to $20 million (71.4%)
- HNWIs in India have a strong willingness to pay more for customized service (51.5%)
- India has the highest proportion of HNWIs in Asia-Pacific who prefer to interact with multiple experts (51.2%) and who are uncomfortable when only in-house products are recommended (47.3%)
- Of all the HNWIs in Asia-Pacific, those in India are the most likely to prefer to manage their own assets (47.8%)
- Indian HNWIs below 40 years of age exhibit two traits that set them apart: they place more importance on digital contact and prefer tailored services (over 50% for both preferences)

	Behavior	Range	Range	Behavior
WEALTH MANAGEMENT APPROACH	Single Firm			Multiple Firms
	Family Wealth Advice			Personal Wealth Advice
	Financial & Life Goals Measurement			Financial Benchmark Measurement
	Complex Needs			Straightforward Needs
	Wealth Preservation			Wealth Growth
WEALTH MANAGEMENT RELATIONSHIP	Multiple Experts			Single Touch Point
	Self Managed Investments			Professional Advice
	Uncomfortable With Only In-House Products			Comfortable With Only In-House Products
WEALTH MANAGEMENT SERVICE	Customized Services			Standardized Services
	Filtered Communication			Comprehensive Communication
	Digital Contact			Direct Contact
	Scheduled Reporting			Real-Time/Anytime Reporting

<10% 10%-19% 20%-29% 30%-39% > 40%

Top Three Parameters with Strongest HNWI Preference

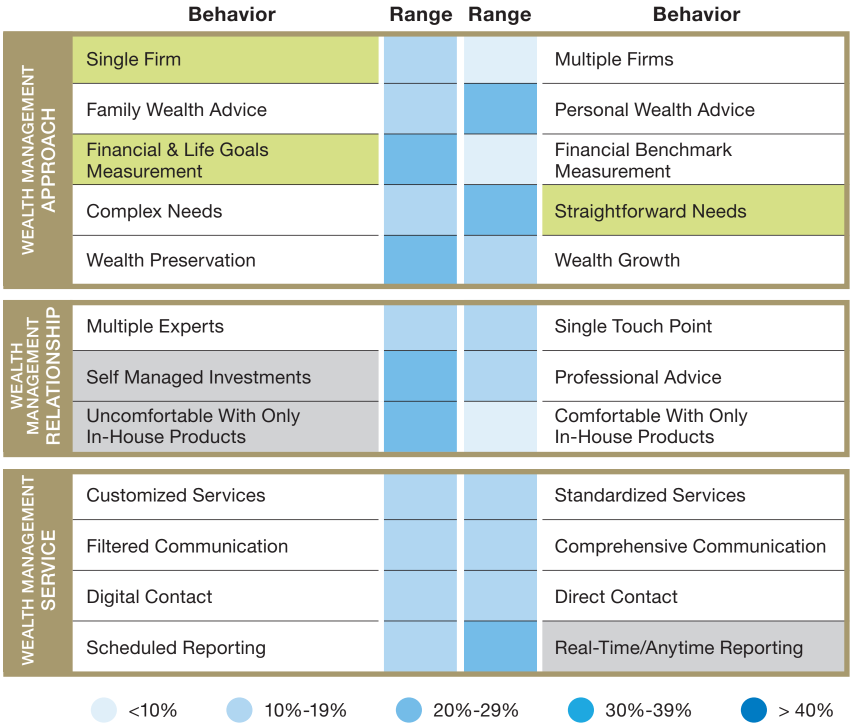
Other Parameters with Largest HNWI Preference Differential

Note: As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers and shading indicate the percentage of respondents providing top three ratings at each extreme

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

FIGURE 24. HNWI Preferences in Japan, Q1 2013

- HNWIs in Japan have no strong preferences when it comes to their servicing needs, though some distinct preferences were observed among HNWIs over the age of 60
- Japan has the lowest proportion of HNWIs in Asia-Pacific focusing on wealth growth (15.3%) and the least preferring to judge portfolio success based on financial benchmark measurement goals (8.5%)
- Only HNWIs in the higher wealth bands, especially those with $10 million to $20 million (40.0%), prefer to judge portfolio success based on life/financial goals
- Of Japanese HNWIs over 60 years of age, 33.3% prefer advice on personal wealth; 35.7% are uncomfortable when only in-house products are recommended, and 28.9% prefer to self-manage their investments



Note: As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers and shading indicate the percentage of respondents providing top three ratings at each extreme

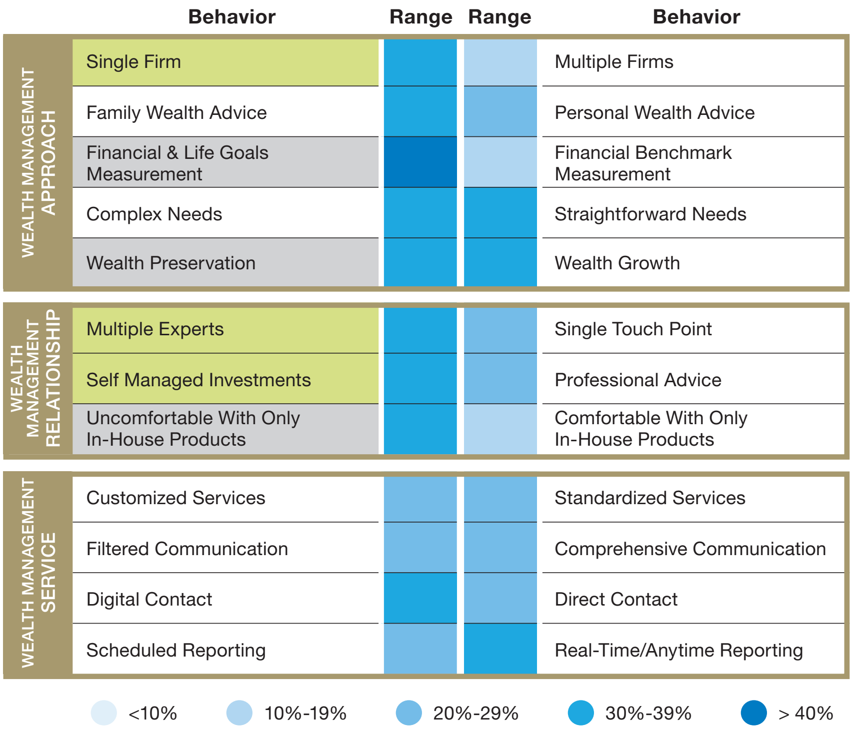
Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

Top Three Parameters with Strongest HNWI Preference

Other Parameters with Largest HNWI Preference Differential

FIGURE 25. HNWI Preferences in Singapore, Q1 2013

- Family wealth advice is important for Singaporean HNWIs (34.3%), especially for those with between $10 million and $20 million (66.7%)
- Wealth preservation is a high priority, with 38.0% of Singaporean HNWIs citing its importance
- HNWIs in Singapore prefer to judge portfolio success based on life and financial goals (47.0%). This is especially true for those with wealth between $10 million and $20 million (66.7%)
- About one-third (34.3%) of HNWIs in Singapore indicate a preference to work with a single firm, and that percentage nearly doubles (62.5%) for those over 60 years of age
- While the preference for filtered communication was not very strong (29.6%), it increased with age, to 37.5% for those over 60



Note: As we asked for preferences across a 10-point spectrum containing two extreme points, the above numbers and shading indicate the percentage of respondents providing top three ratings at each extreme

Source: Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2013

Top Three Parameters with Strongest HNWI Preference

Other Parameters with Largest HNWI Preference Differential

Demographic Differences Play Role in HNWI Preferences

- **HNWIs 60 years and over exhibit a greater need for advice on personal, rather than family wealth.** HNWIs under 40 in Asia-Pacific (excluding Japan) tend to have a greater need for advice on family wealth and place higher importance on digital over direct contact.
- **Wealthier HNWIs prefer direct, personal contact and also like to receive real-time updates.** Communication preferences differ significantly, depending upon the levels of HNWI wealth.
- **Male and female HNWI preferences were largely similar across the region, though some slight differences emerged.** Gender-based differences in HNWI behavior were most apparent in Singapore.

Our previous reports (see WWR 2011 and APWR 2011) highlighted the need to analyze the HNWI market according to demographic traits. This year, leveraging the results of our first annual Global HNW Insights Survey data, we conducted a detailed analysis of HNWIs traits by age, gender, and wealth.

We found that Asia-Pacific (excluding Japan) HNWIs of 60 years and over are more interested in advice on personal wealth (28.2%) than family wealth (15.7%). This finding is counterintuitive with the widely held view that older HNWIs are interested in family-related succession and estate planning. HNWIs in this age group, however, do cite having complex needs (42.3%). We found that HNWIs in Asia-Pacific (excluding Japan) under the age 40 have a greater preference for advice on family wealth (54.5%), compared to personal wealth (20.2%). In line with this finding, almost half of under-40 HNWIs (48.4%) describe their needs as complex and indicate a preference for interacting with multiple experts (48.3%). These younger HNWIs also rank digital contact (46.0%) more highly than direct contact (21.5%).

Wealthier HNWIs (US$20 million+) rank direct contact much higher than digital contact (48.5% vs. 25.8%), while those with US$1 million to US$5 million tend to prefer the opposite. Wealthier HNWIs also expressed a preference for standardized services, so long as it met all their needs. Of HNWIs with US$20 million or more, 42.3% preferred standardized services. Less wealthy HNWIs (US$1 million to US$5 million) preferred customized services by an almost equal percentage (40.8%). Wealthier HNWIs also preferred up-to-date communication (48.5%), while those in lower wealth bands preferred filtered communications.

Gender did not generally play much of a role in HNWI preferences, but some key differences are noticeable in Singapore and to a lesser extent in Australia. In Singapore, male HNWIs prefer advice on personal wealth (35.6% versus 15.0% for females), while female HNWIs prefer advice on family wealth (42.5% versus 28.8% for males). Female HNWIs in Singapore also have a strong preference for interacting with a single firm (42.5% versus 28.8% for males). More than double the percentage of female HNWIs in Singapore cite complex needs (52.5%), compared to male HNWIs (25.0%). In Australia, a higher proportion of female HNWIs prefer advice on personal wealth (46.3%) than their male counterparts (35.5%). Female HNWIs in Australia also have a stronger preference for interacting with a single touch point (43.9%), compared to male HNWIs (30.2%).

SCALABILITY, AGILITY, AND DEEP LOCAL KNOWLEDGE WILL DICTATE SUCCESS

The diversity of the Asia-Pacific region presents challenges for firms in successfully navigating the increasingly important markets of this region. While regulatory reform is the single largest challenge facing the wealth management industry globally, the issue is equally pronounced in Asia-Pacific. Not only do regulations vary by country, but competing national interests in individual jurisdictions, as well as differences in tax and capital controls preclude industry players from implementing and adopting any form of pan-Asia regulatory regime in a practical manner. Additionally, each country is moving at a different pace of regulatory reform, reflecting its state of economic development and level of investor sophistication. Altogether, these stark differences have proved increasingly challenging for wealth firms seeking to achieve economies of scale within the region.

Aside from the difficult regulatory environment, firms in Asia-Pacific face an acute shortage of talented wealth managers, another factor that constrains their potential for growth. While our survey found that HNWIs throughout the region (except Japan) have high levels of trust in the wealth management industry, it also uncovered significant in-country differences in how they like to interact with firms, and what they expect to pay for services. All of these distinctions limit the ability of wealth management firms to expand their services uniformly throughout the region. On top of all these limiting factors, wealth management firms in Asia-Pacific face the same challenges as firms throughout the world: increasing competition, volatility in the markets, and high cost-to-income ratios.

Already, a number of large international wealth management firms have exited markets in Asia-Pacific, citing a variety of concerns. These North American and European firms had entered the region, mostly before 2007, playing a crucial role in the development of the wealth management industry by providing access to a wide range of new products and services. As the industry grew, however, the models and practices they had imported from the West proved to be inadequate to meet the complex needs of Asia-Pacific HNWIs, and as a result, limited the profitability of these firms. In 2012, as part of a firm-wide effort to cut costs and focus on existing customers, Merrill Lynch sold its international wealth management unit to Julius Baer.[20] Asia-Pacific assets represented more than half of the sale, including businesses in Hong Kong, Singapore, Japan, and India. Morgan Stanley recently exited India,[21] citing low margins, following the lead of the Swiss private bank EFG International, which left the market last year[22] to focus more on core locations such as Hong Kong, Singapore, and Taiwan. HSBC retreated from some Asia-Pacific markets[23] in 2011, citing lack of scalability. Altogether, these pullbacks suggest firms must be very specific in their strategies and target markets to compete effectively.

Firms seeking greater success in Asia-Pacific must take into account the myriad of cultural, behavioral, and regulatory differences that span the region, as well as the evolution of the different servicing models that underpin different markets within the region (see page 25). Understanding distinctions in the behaviors and habits between global and Asia-Pacific HNWIs is just the first step in addressing the market. Achieving broader-based regional success requires a more granular understanding of the nuances of HNWI preferences and practices that exist between individual countries. Firms armed with that knowledge will have greater ability to develop products and delivery methods that fulfill specific client needs, while leveraging retail and corporate banking platforms to achieve economies of scale.

Our findings offer a number of starting points for firms seeking to build a stronger presence in the region. Upgraded business models may be required to meet the demand for specialized services from a variety of knowledgeable wealth managers within a single firm. In addition, with HNWIs in many Asia-Pacific markets expressing a willingness to pay more for customized services, firms have an opportunity to explore fee-based services that go beyond their current offerings. Estate and succession planning will likely play a central role in the success of wealth management firms operating in Asia-Pacific, given the heavy incidence of business ownership and the preference for family advice. Finally, firms need to ensure they provide a client experience that incorporates a thoughtful and transformative digital strategy, yet supports still-vital direct, face to face interactions for the foreseeable future.

Increasingly, the future success of the Asia-Pacific wealth management industry appears to lie in its own hands. Firms operating in the region that focus on understanding the unique preferences of HNWIs in individual markets and translating them into the products and services HNWIs will embrace will have the most success. They also must develop business models that take advantage of the commonalities between individual markets, building and leveraging scale where possible. Given the challenging dynamics of the diverse Asia-Pacific wealth management environment, firms able to achieve agile business models to address the wide range of needs in the region should be well-positioned to influence how the global wealth management industry services high net worth needs.

[20] Julius Baer to Acquire Merrill Non-U.S. Wealth Units, Bloomberg, May 2013

[21] Stanchart to Buy Morgan Stanley's India Wealth Unit, Bloomberg, May 2013

[22] EFG Exits India Market Amid Business Overhaul, WealthBriefing, March 2012

[23] HSBC to scale back Asian operations, FT.com, March 2012

Appendix

METHODOLOGY

MARKET SIZING

The Asia-Pacific Wealth Report 2013 focuses on 10 core markets: Australia, China, Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Thailand, and Taiwan. The market-sizing model includes 18 countries and territories (including the 10 core markets and New Zealand, Kazakhstan, Malaysia, Myanmar, Pakistan, Philippines, Sri Lanka, and Vietnam) in its Asia-Pacific coverage.

We estimate the size and growth of wealth in various regions using the Capgemini Lorenz curve methodology, which was originally developed during consulting engagements in the 1980s. It is updated on an annual basis to calculate the value of HNWI investable wealth at a macro level.

The model is built in two stages: first, the estimation of total wealth by country, and second, the distribution of this wealth across the adult population in that country. Total wealth levels by country are estimated using national account statistics from recognized sources such as the International Monetary Fund and the World Bank to identify the total amount of national savings in each year. These are summed over time to arrive at total accumulated country wealth. As this captures financial assets at book value, the final figures are adjusted based on world stock indexes to reflect the market value of the equity portion of HNWI wealth.

Wealth distribution by country is based on formulized relationships between wealth and income. Data on income distribution is provided by the World Bank, the Economist Intelligence Unit and countries' national statistics. We then use the resulting Lorenz curves to distribute wealth across the adult population in each country. To arrive at investable wealth as a proportion of total wealth, we use statistics from countries with available data to calculate their investable wealth figures and extrapolate these findings to the rest of the world. Each year, we continue to enhance our macroeconomic model with increased analysis of domestic economic factors that influence wealth creation. We work with colleagues around the globe from several firms to best account for the impact of domestic, fiscal and monetary policies over time on HNWI wealth generation.

The investable asset figures we publish include the value of private equity holdings stated at book value as well as all forms of publicly quoted equities, bonds, funds and cash deposits. They exclude collectibles, consumables, consumer durables and real estate used for primary residences. Offshore investments are theoretically accounted for, but only insofar as countries are able to make accurate estimates of relative flows of property and investment in and out of their jurisdictions. We account for undeclared savings in the report.

Given exchange rate fluctuations over recent years, especially with respect to the U.S. dollar, we assess the impact of currency fluctuations on our results. From our analysis, we conclude that our methodology is robust and exchange rate fluctuations do not have a significant impact on the findings.

GLOBAL HIGH NET WORTH INSIGHTS SURVEY, 2013

The Capgemini, RBC Wealth Management, and Scorpio Partnership 2013 Global HNW Insights Survey queried more than 4400 HNWIs across 21 major wealth markets in North America, Latin America, Europe, Asia-Pacific, Middle East, and Africa. A total of 1387 HNWIs were queried in Asia-Pacific across six major markets of Australia, China, Hong Kong, India, Japan, and Singapore. The survey also captured responses in the US$0.5 million to US$1 million wealth band, with the total number of survey responses exceeding 5600 at a global level.

The Global HNW Insights Survey, one of the largest survey of HNWIs, was administered in collaboration with Scorpio Partnership, a firm with fifteen years of experience in conducting private client and professional advisor interviews in the wealth management industry, in February and March 2013.

The survey primarily focused on three key areas: HNWI trust and confidence, HNWI asset allocation, and HNWI behavior. The first focus area targeted HNWIs levels of trust and confidence in key industry stakeholders including wealth management firms, individual wealth managers/advisors, financial markets, and regulatory bodies and institutions. The second focus area, "asset allocation," measured current and future asset allocation patterns of global HNWIs, including investments of passion holdings. The third and final key focus area, "HNWI behavior," studied HNWI preferences and behaviors with respect to their objectives and approach to wealth management, their relationships with wealth managers, and the type of service they expect.

To arrive at the global and regional values, country- and region-level weightings based on the respective share of the global HNWI population were used. This was done to ensure that the survey results are representative of the actual HNWI population.

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For more information, please contact: **wealth@capgemini.com**

For Capgemini press inquiries, please contact:
Mary-Ellen Harn at +1-704-359-7996

For Royal Bank of Canada press inquiries, please contact:
Peter Hoflich at +65-6230-1530

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