

UHNW




HATASE HOLDINGS

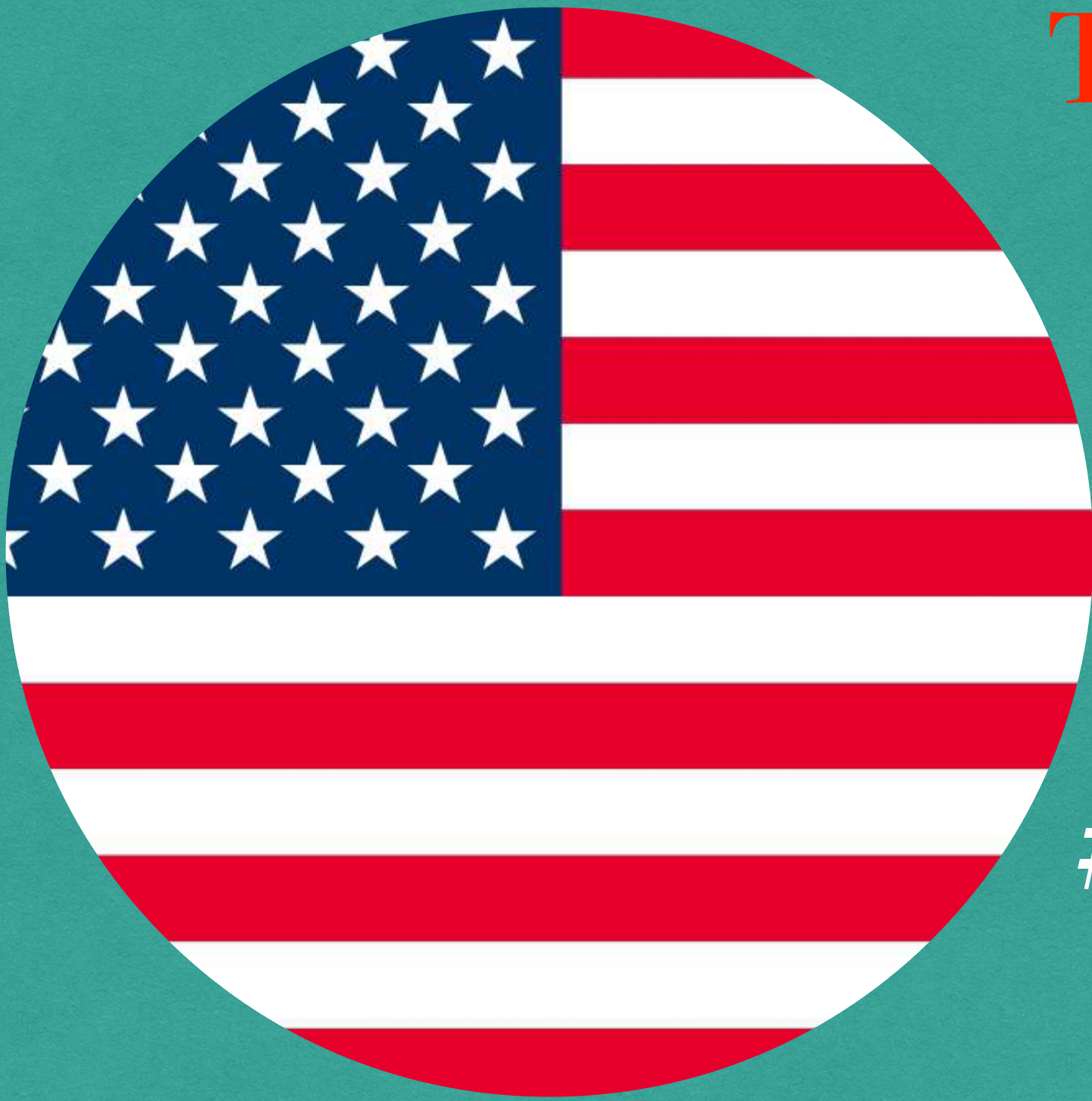
WEALTH BY TIER

The number of high net worth (HNW) individuals (those with a net worth of more than \$1m) amounted to just over 25.1 million people globally in 2019 — and the ultra wealthy comprise an exclusive segment within this much larger group. A breakdown by WealthX’s demarcated ‘major’ wealth tiers highlights how wealth is distributed unevenly among the world’s richest individuals. Almost 90% of all HNW individuals have a net worth of \$1m to \$5m. Given their sheer number, their combined wealth is also the largest of the three tiers at \$41.6trn (accounting for a 40% share of global HNW wealth). Yet exclusivity rises quickly above the \$5m threshold.

One in every 10 of the world’s millionaire population falls into the very high net worth (VHNW) cohort (\$5m to \$30m). With \$26.5trn in combined net worth, this group accounts for around 26% of global HNW wealth. The ultra wealthy are rarer still. Representing just 1.2% of the global HNW population, their combined net worth (\$35.4trn) accounts for a weighty 34% share, highlighting the enormous stock of wealth held by this relatively small group of individuals.

	Population (Distribution)	Wealth (Distribution)
 UHNW (\$30M-)	290,720 (1.0%)	\$35,424bn (21.4%)
VHNW (\$5M-)	2,659,980 (9.5%)	\$26,487bn (16.0%)
HNW (\$1M-)	25,122,230 (89.5%)	\$103,465bn (62.5%)

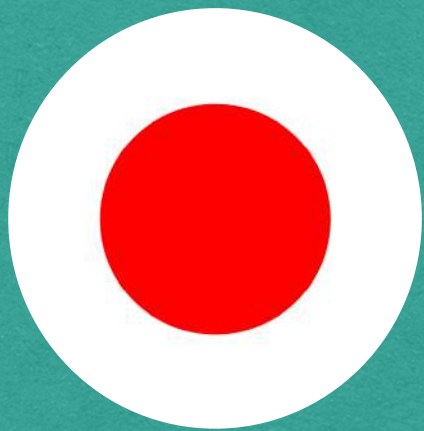
TOP 10 UHNW COUNTRIES



#1 United States
93,790



#2 China
27,755



#3 Japan
19,820

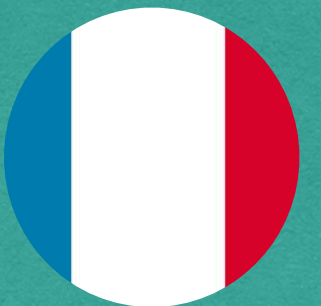


#4 Germany
15,960

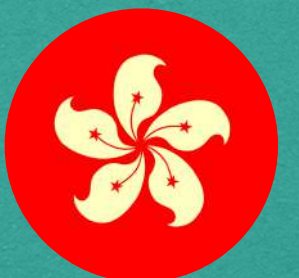


#5 Canada
11,285

#6 France
11,000



#7 Hong Kong
9,955



#8 United Kingdom
9,690



#9 Switzerland
7,200



#10 India
6,515



TOP 10 UHNW CITY

#1 New York #2 Hong Kong #3 Tokyo
#4 Los Angeles #5 Paris #6 London #7 Chicago
#8 San Francisco #9 Washington, DC #10 Dallas

US CITIES DOMINATE THE TOP 10 RANKING.

Highlighting the elevated level of cumulative UHNW wealth across US metropolitan (metro) areas, six US cities feature in the top 10, while Asia and Europe account for two cities each.

NEW YORK AND HONG KONG WERE FAR AND AWAY THE TWO LEADING UHNW CITIES.

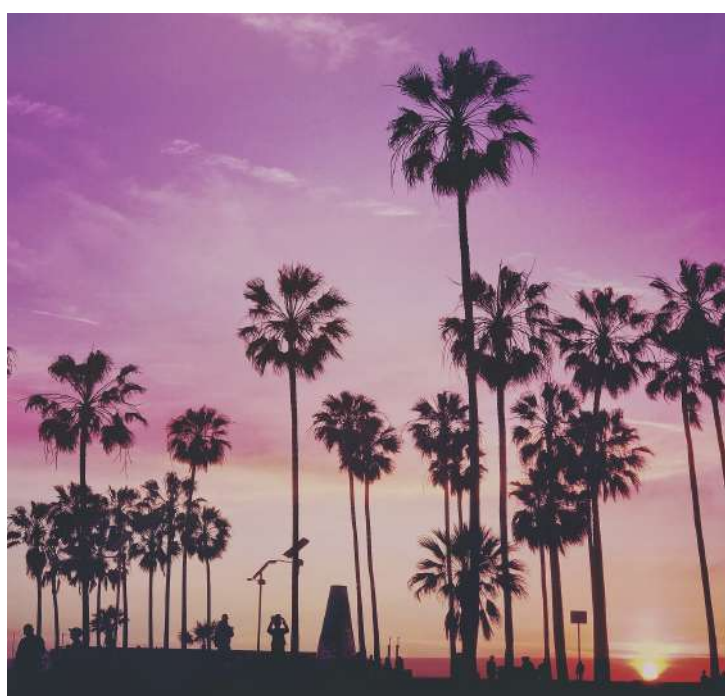
Together their ultra wealthy populations are more than half the size of the other top eight cities combined. New York remains the pre-eminent city of the wealthy, reflecting its status as a global financial center, the largest regional economy in the US and a global center of luxury consumption and prime real estate. The ultra wealthy in financial services-dominated Hong Kong were aided by favorable trends in its capital and currency markets. However, ongoing political developments and large-scale unrest — linked to the territory's relationship with mainland China — raise questions over its future status as a premier hub for international business and wealth creation.

PARIS ECLIPSED LONDON TO TAKE FIFTH PLACE.

With similar-sized UHNW populations of around 4,500, the two cities tend to swap ranks regularly, depending on the performance of specific wealth drivers. Many of France's UHNW class live in the capital or its environs, and ultra wealthy Parisians benefited particularly from large equity market gains — the benchmark CAC 40 index jumped by almost 20% — as the economy performed only modestly. Despite London's UHNW population growing far more strongly than that of the UK as a whole, Brexit disruption was a constraint on returns in the real estate and currency markets.

NO CHINESE OR GERMAN CITIES FEATURED IN THE TOP 10.

This is surprising given that the two countries are respectively home to the world's second- and fourth-largest UHNW populations, as well as the large commercial hubs of Shanghai (China's largest UHNW city), Beijing and Munich (Germany's largest UHNW city). However, private wealth is more evenly dispersed in urban centers across the two countries than in other leading UHNW markets.



THE IMPACT OF THE COVID-19 PANDEMIC

ULTRA WEALTH LEVELS DOWN BY ALMOST 30% IN Q1 2020

The ‘sudden stop’ to large parts of the global economy, a slump in financial markets and sharply heightened consumer, business and investor caution resulted in an 18% decline in the UHNW population over the first three months of 2020. At the end of March, the ultra wealthy class totaled 238,060 individuals, a drop of almost 53,000 from its level at the end of 2019. The hit to UHNW wealth was more severe, with collective net worth plunging by 28% to \$25.4trn, down from \$35.4trn at the end of 2019. This was the equivalent of virtually the entire UHNW wealth stock in Asia being wiped out over the space of three months. The nature of the crisis meant that almost all asset classes

–18%

at end-March 2020

suffered — but the main channel of wealth loss was via the stock market as investors made a huge ‘flight to safety’. At the end of March, the MSCI World Equity Index was down by 21% (in dollar terms) from its end-2019 level, with a number of major stock markets booking losses of more than 30%.

A VERY DEEP DOWNTURN BUT SHORTER THAN A ‘TYPICAL’ RECESSION

The initial declines in capital markets, economic output and ultra wealth levels were dramatic. However, these were primarily the result of an abrupt shutdown of numerous economies and a spike in uncertainty, as opposed to a financially or economically driven crisis or cyclical downturn. Unlike in ‘typical’ recessions, the bulk of the damage to wealth holdings from the pandemic will most likely have been front-loaded. This is not to downplay the continued risks over the path of the coronavirus and the likely ‘scarring’ effects that are expected to emerge, such as business failures and higher unemployment. However, as the global economy rebounded in the second and third quarters of 2020 from its temporary cessation of activity, helped by extensive stimulus and support programs, there was a broad bounce-back in financial markets and renewed opportunities for wealth creation as economies reopened. We estimate that at the end of August, the global UHNW population totaled 280,670 individuals, an increase of 18% from its low at the end of March but still 3% below its end-2019 level.

–3%

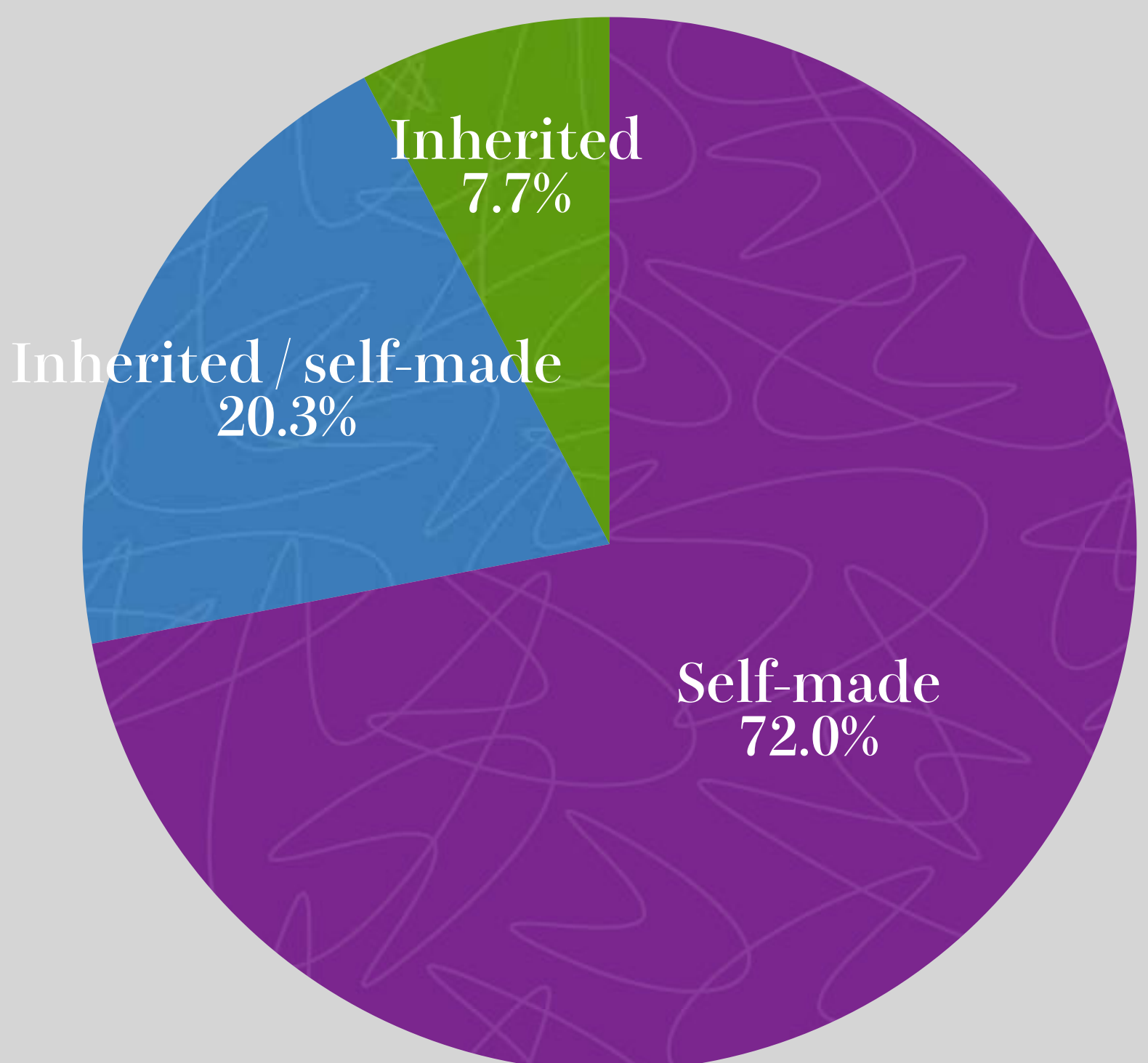
at end-August 2020

※Change in UHNW population from end-2019

PROFILING TODAY'S ULTRA WEALTHY

Continuing the upward trend of the past decade, the share of UHNW individuals who created their own wealth (the 'self-made') increased in 2019 to almost 72% of the global ultra wealthy population. This continued rise reflects changes in the global economic landscape, including the substantial expansion of opportunities for private enterprise in emerging markets; large increases in female labor force participation and entrepreneurship; the expanding role of global central banks in driving capital market behavior; and advances in technology that have enabled a new generation of wealth gains to be made relatively quickly.

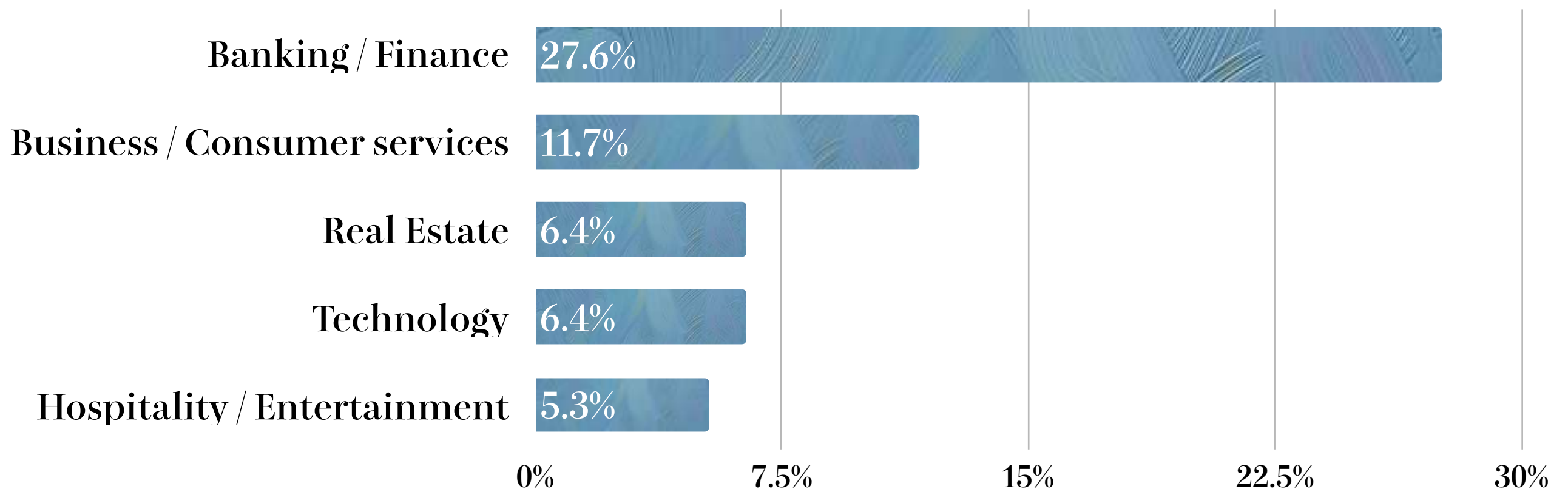
Still, the role of inheritance in obtaining wealth at this elevated level continues to be, and will remain, significant. The largest ever intergenerational transfer of wealth is now taking place among the global ultra wealthy, including substantial handovers in emerging markets, such as China, happening largely for the first time. Those with a combination of inherited and self created wealth account for a fifth of all UHNW individuals, a reminder that an initial injection of inherited capital can make a significant difference to laterstage opportunities for wealth generation.



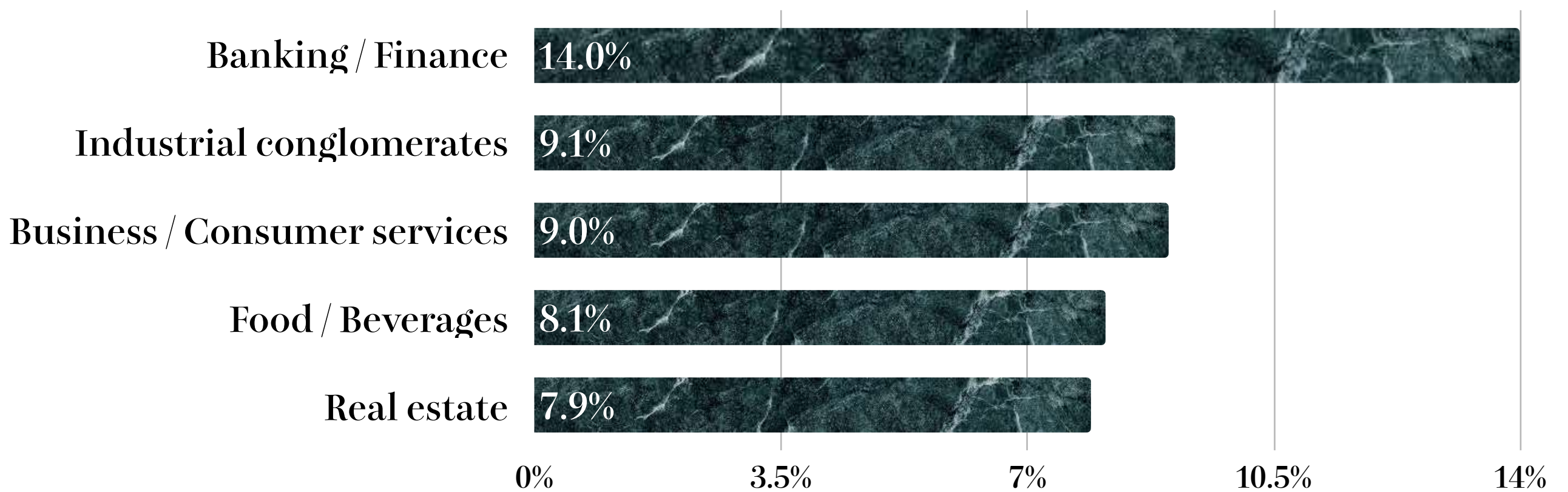
TOP PRIMARY INDUSTRIES

BY SOURCE OF WEALTH

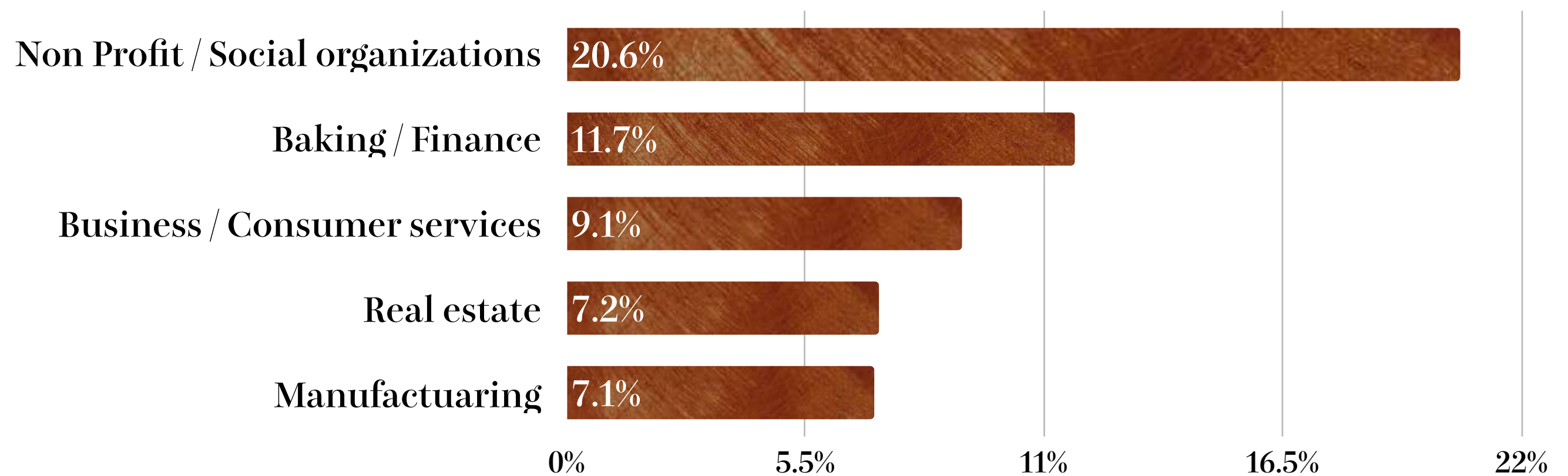
Self-made



Inherited / Self-made



Inherited

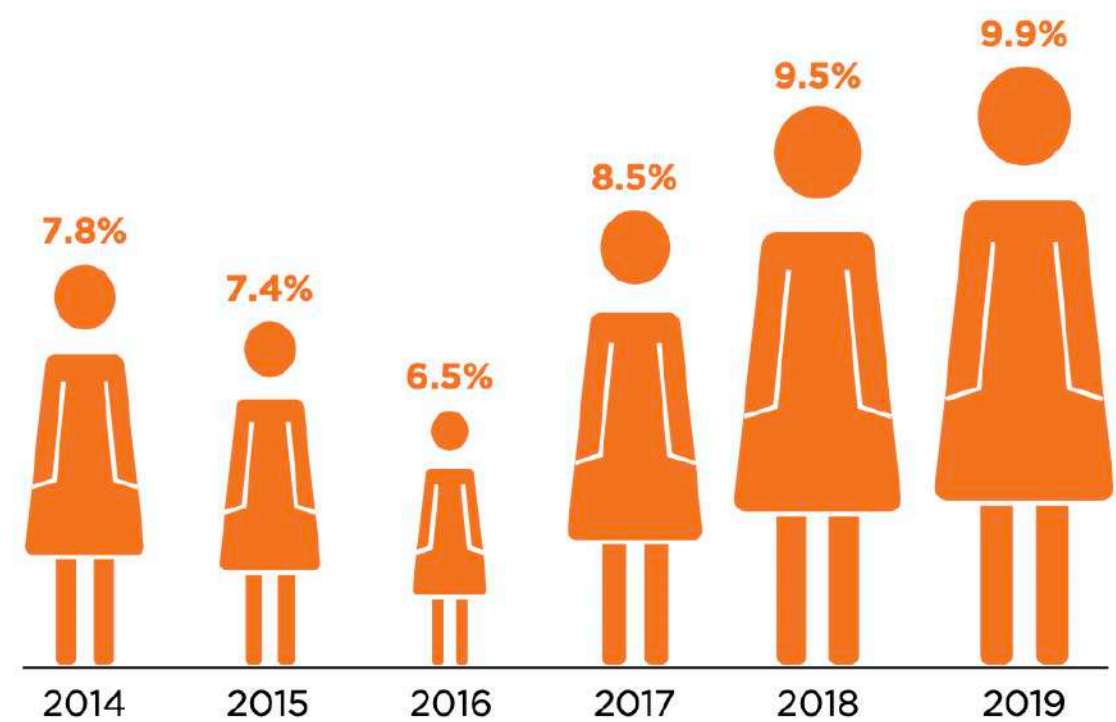




GENDER

Women account for just a 10th of the ultra wealthy class, although this share is rising gradually

The global UHNW population is heavily male dominated, with women accounting for just 10% of the ultra wealthy class. Still, there has been a slight increase in the share of UHNW women since 2014. Below the age of 50, female representation is a few percentage points higher than the average.



This is a reflection of changing cultural attitudes and growth in female entrepreneurship, as well as ongoing wealth transfers between generations. However, given that the average UHNW individual is aged in their 60s, it is likely to be some time before a significant shift is discernible.

Which countries perform best on gender balance at the ultra wealth level? No region stands out, with Latin America, Asia and Europe all represented. Because wealth usually takes decades to be created (or inherited), the distribution at the ultra wealthy level bears little resemblance to gender balance among the general population. Just as important a consideration is the small number of individuals under analysis — Peru, Vietnam and Austria, for instance, each have fewer than 1,000 ultra wealthy individuals in total.



ASSET ALLOCATION OF UHNW

Private and public holdings account for most of the ultra wealthy's assets

With their substantial wealth holdings, the ultra wealthy have their own distinct wants and needs — and this is reflected in their asset allocation. In common with their less wealthy counterparts, liquid assets (cash, income and dividends) account for the largest share of combined UHNW wealth.

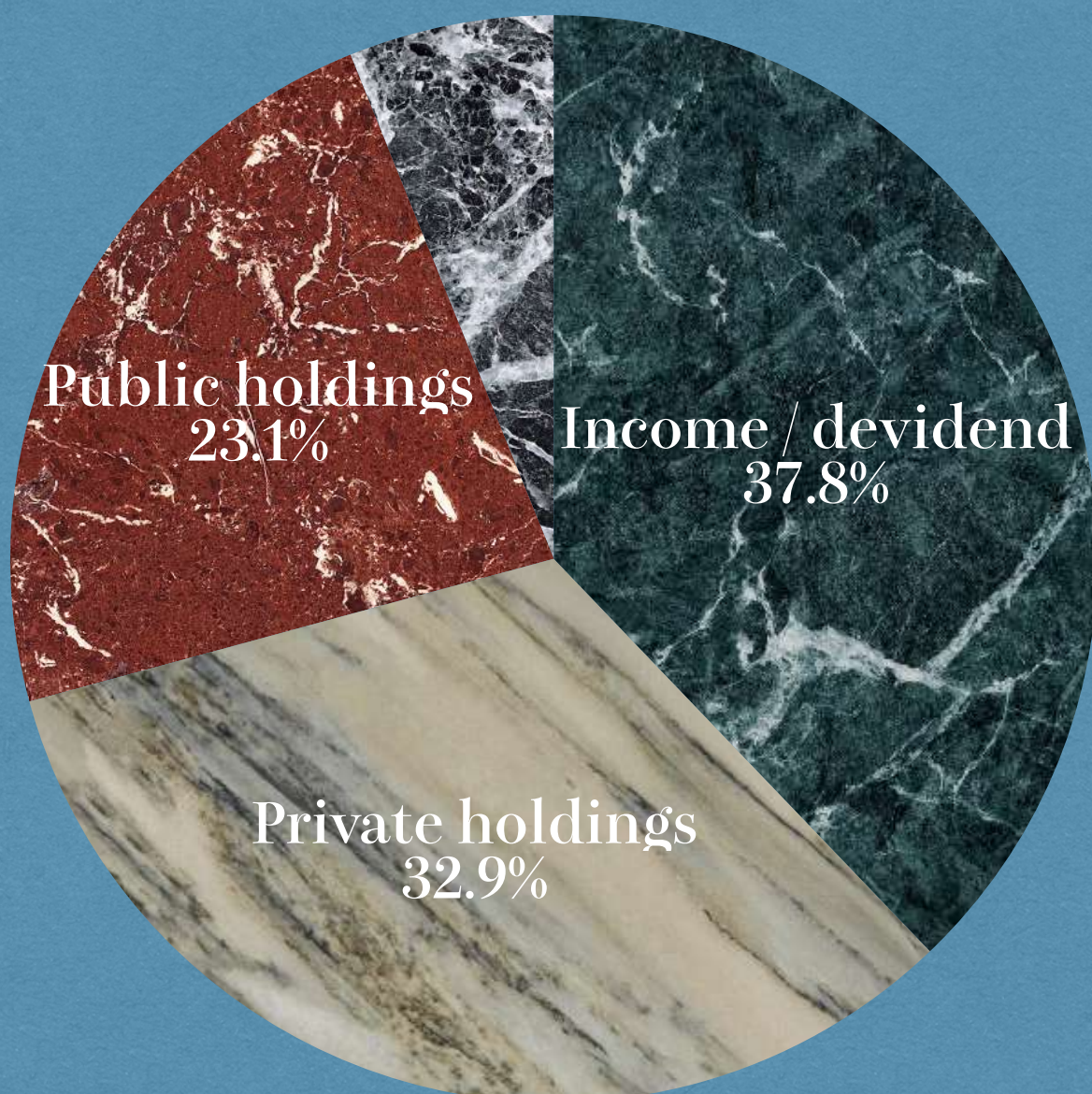
In addition, given the increasingly volatile geopolitical environment and a more challenging 'search for yield' provided by ultra-low interest rates, flexibility is now a wealth management priority. As a result, precautionary savings and readily available funds for unexpected investment opportunities also comprise a major part of these liquid assets.

At a third of all assets, private holdings account for the next largest segment. With the vast majority of ultra wealthy people being self-made, most tend to be business owners in one way or another. In recent years, there has also been a notable increase in the wealthy's appetite to invest directly in early-stage private companies.

Public holdings, such as stock-market-listed equities, account for over a fifth of their wealth holdings, reflecting this group's wealth transfer and planning activities, which usually involve diversifying their assets away from their main business(es).

At 6% of UHNW wealth holdings, real estate and luxury assets may be the smallest component of their asset portfolios⁶ but these play an important role in the lives of the ultra wealthy. Most ultra wealthy individuals have at least one holiday home in addition to their main residence, and many prize the luxury goods they have acquired over the years, which can include fine art, luxury cars, yachts, private jets, fine wines and jewelry.

Real estate and luxury assets
6.1%



Most Wanted #1



An Hermès Himalaya Niloticus Crocodile Retourné Kelly 25 broke the record for a handbag sold at auction when it was sold by Christie's for HK\$3.4 million (US\$437,330) in November 2020.

An engraved stainless steel Rolex Daytona Ref. 6263 owned by actor Paul Newman sold for US\$5.5 million at Phillips' Racing Pulse sale in New York in December 2020.



A 12-bottle case of 1990 Domaine de la RomanéeConti fetched HK\$2.7 million at Sotheby's Tran-scend-ent sale in March 2019, which itself set a record for the sale of a private wine collection (HK\$234 million).

A 1932 Bugatti Type 55 Super Sport Roadster was sold by Bonhams for US\$7.1 million – one of the highest classic car auction prices of 2020 – at the March Amelia Island sales.



Most Wanted #2

An Imperial green jadeite bead, ruby and diamond necklace was sold by Sotheby's for HK\$80.7 million (US\$10.4 million) in July 2020.



Rabbit, a 1986 stainless steel sculpture by Jeff Koons, broke the auction record for any work by a living artist when it was sold by Christie's New York for just over US\$91 million in May 2019.

Constant Change by Tony Cragg set an artist record when it sold for just shy of £850,000 at Bonhams' Post-War and Contemporary sale in October 2019.



An Imperial green jadeite bead, ruby and diamond necklace was sold by Sotheby's for HK\$80.7 million (US\$10.4 million) in July 2020.

THE VOICE OF UHNW

Eminem - Rapper, Songwriter

“The truth is you don’t know what is going to happen tomorrow. Life is crazy ride, and nothing is guaranteed.”

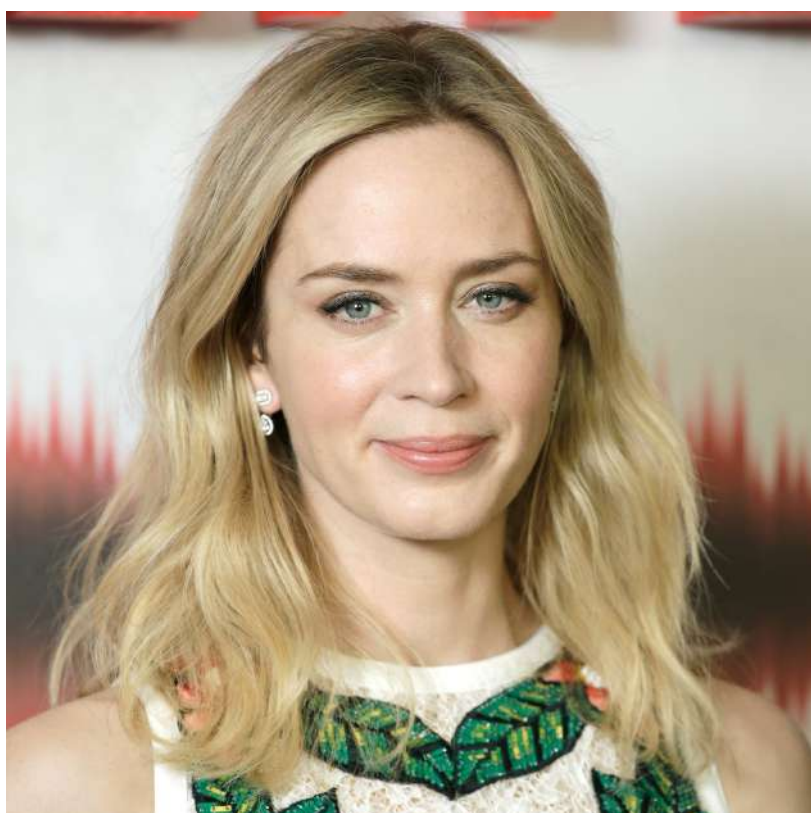


Adriana Lima - Victoria's Secret Angel

“Be sure what you want and be sure about yourself. Fashion is not just beauty, it’s about good attitude. You have to believe in yourself and be strong.”

Conor McGregor - UFC Champion

“I’m in debt to the tough times. Because when you break through, you are an unstoppable force.”



Emily Blunt - Actress

“I think that really symbolizes what dreaming big is all about, the idea if you want something big enough that the universe is going to conspire to give it to you,”

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