



Growing Wealth in Asia

JULIUS BAER mines deep knowledge of the economic landscape of Asia to reassess the financial climate in its second annual wealth report

The top floor of the Julius Baer office in Central is filled with reporters and financial pundits, and a live feed connecting Singapore and Hong Kong is set up. Julius Baer's Dr Thomas R Meier, CEO for Asia, rises and opens the press briefing for the company's second *Wealth Report: Asia* with an anecdote.

While enjoying a lovely glass of vintage wine with one of its high-net-worth individual (HNWI) clients, an affluent Indian gentleman who recently relocated to a sprawling property in Singapore, the conversation turned to the quest for youth. As he is getting on in years, this particular HNWI annually invests US\$60,000 into stem-cell therapy, an experimental

procedure that sees stem cells injected into the bone marrow in an effort to maintain youth. Whether due to a placebo effect or the actual results of the procedure, the gentleman remains as spry as ever. Meier then explains that Asia continues to be a focal point of wealth creation, one in which Julius Baer is at the forefront of dealing with an expanding HNWI population looking to invest in luxury.

From the strategic financial markets of Hong Kong, Singapore, Shanghai and Jakarta, Julius Baer has used its strong Asian platform to examine in closer detail which key regional economies are on the frontier of wealth creation. "We do not lock our product experts up in an ivory tower, running their models and looking at the world from a thousand

metres above sea level," Meier explains of the report. Julius Baer's studies act to connect clients "with the reality out there." Within its pages, key business leaders in China, India and Indonesia share their personal experiences, in turn generating conversations and connections between Asia and global realities.

Following on from the inaugural report in 2011, the *Julius Baer Wealth Report 2012* recognises that the global macroeconomic backdrop has become more challenging; however, Asia has remained resilient thanks to strong fiscal fundamentals, improved economic policy-making and greater diversification of trade links. According to stress tests, the number of millionaires in Asia will continue to grow, up to 3 million people by 2015, representing a compound annual growth rate of over 30 per cent from 2010 estimated levels. Concurrently, the predicted wealth stock of these HNWIs is now US\$16.7 trillion, compared to last year's US\$15.8 trillion over the same period.

The report examines the drivers of wealth creation in 10 of the most significant economies and provides a breakout of three key economies creating wealth in Asia:

China, India and Indonesia. In the best-case scenario, the number of HNWIs in China will reach 1.46 million, whose stock of wealth could reach US\$9.3 trillion. In China, growth in wealth is mainly supported by geographic rebalancing of economic activity.

To capture consumption costs in the Asia Pacific region, the *Julius Baer Lifestyle Index* was once again updated in conjunction with the report. Tracking goods and services that reflect the lifestyle choices of HNWIs, the index follows pricing on property, university fees, designer items and travel – in other words, "necessities." North Asia CEO Kaven Leung highlighted the fact that "the index continues to rise, up 8.8 per cent this year for the one-year period, shows that the cost of living in luxury in Asia continues to substantially outpace conventional Consumer Price Index measures, at 6 per cent for the same time period." The *Julius Baer Lifestyle Index* can provide investors with direction in terms of future investment returns required, all else being equal, to finance a certain lifestyle as well as an indication of the underlying inflation. Certain items within the index have pricing power strength, and demand appears to be unabated by price increases during these times of uncertainty.

The *Julius Baer Wealth Report 2012* also details how the global investing landscape has changed and what should be borne in mind when setting out to achieve longer-term investment returns. Risk-free assets no longer apply – and the traditional portfolio theory can be rethought. But Stefan Hofer, emerging markets strategist, says active asset allocation and rigorous risk management are tools to be employed to ensure that over the longer term, at the minimum, the rising cost of living is covered and losses are avoided.

The bank's commitment in Asia is not just evidenced by publishing its annual wealth report; Julius Baer has entered into strategic partnerships with Macquarie and Bank of China recently, to extend a range of corporate and investment solutions to clients while maintaining the essential independence and autonomy that being an established pure-play bank can provide. Julius Baer is quickly setting the benchmark in the Asian financial landscape for its domestic investors and its widespread international clientele. ■

From Left

Julius Baer's Asia-Pacific specialists: Stefan Hofer, emerging markets strategist, Thomas Meier, CEO for Asia; and Kaven Leung, CEO for North Asia; Julius Baer's second *Wealth Report: Asia*

