

13 October 2016

UBS/PwC Billionaires Report reveals billionaire wealth facing headwinds with overall wealth declining by USD 300 billion

Approximately 460 billionaires will transfer USD 2.1 trillion to their heirs in the next 20 years

Key findings:

- **Total billionaire wealth declined in 2015 by USD 300 billion to USD 5.1 trillion while average billionaire wealth fell from USD 4.0 billion to USD 3.7 billion due to headwinds such as the transfer of assets within families, commodity price deflation and an appreciating US dollar**
- **Europe has the greatest number of multigenerational billionaires at 182 (54%), and they have proven to be the most resilient at preserving their fortunes. The US has 175 (33%) multi-generational billionaires and APAC has 76 (15%)**
- **For the first time in 10 years, the average wealth of self-made US billionaires surpassed the average wealth of US billionaires with inherited fortunes (USD 4.5 billion vs USD 4.3 billion).**
- **Led by China, Asia created one billionaire nearly every three days accounting for over half of new billionaires in 2015**

Singapore, 13 October 2016 – UBS Group AG and PwC today presented their joint annual billionaires report, “Are billionaires feeling the pressure?” The report examines wealth creation within the billionaire segment in 2015 and singles out the transfer of USD 2.1 trillion in billionaire wealth that is expected over the next two decades.

2015 saw a pause as total billionaire wealth fell by USD 300 billion to USD 5.1 trillion. Headwinds such as the transfer of assets within families, commodity price deflation and an appreciating US dollar, impacted the growth of billionaire wealth. Average billionaire wealth dropped from USD 4.0 billion to USD 3.7 billion and the US added only five net new billionaires in 2015¹. In contrast, Asia produced one billionaire every three days, with China alone accounting for over half of the 113 additions.

The findings build on UBS/PwC's previous Billionaires Reports, released in May and December 2015. According to the new report, we are about to witness the greatest transfer of wealth in human history. Approximately 460 billionaires will transfer USD 2.1 trillion, the equivalent of India's GDP, to their heirs over a period of just 20 years. For most of Asia's young economies, where over 85% of billionaires are first-generation, this will be the first-ever handover of billionaire wealth.

¹ 41 new billionaires were created and 36 fell under the threshold, giving a net gain of five.

Josef Stadler, Head Global Ultra High Net Worth, UBS, comments on the new report:

"The findings of this report help us stay ahead of the issues that matter to better advise our clients, which include over half the world's billionaires and three out of every five billionaires in Asia. Even as China's growth moderates, it is the bright spot for great wealth growth.

"Led by a tech sector on the rise, China minted 80 new billionaires in 2015 and Asia overall created a new billionaire nearly every three days. Meanwhile Europe's billionaires stood out for maintaining and passing wealth down to their heirs.

"This is something that regions like Asia, where many more billionaires are first generation, can learn a lot from, especially as we head into the greatest period of wealth transfer we've ever seen. Just as Asian billionaires can gain from the experience of wealth transfer in Europe, there's much that Europe can learn from the rapid billionaire growth in Asia."

Michael Spellacy, Global Wealth Leader at PwC US:

"As the shockwaves from regulatory upheaval in the EU continue to trigger global currency fluctuations, strategic planning becomes even more crucial for wealth preservation. Those who control assets face tough investment questions.

"Encouragingly, this year's report shows that Europe's billionaires were the most resilient with many of the 60 individuals from Europe inheriting their fortunes in 2015 for the first time.

"The US, which boasts the biggest collection of billionaires by region, sets the trend. Total US billionaire wealth fell, but 'new money' fared better than old, falling by just 4%, from an average of USD 4.7bn per individual to USD 4.5bn."

Key findings from the report include:

A USD 2.1 trillion inheritance

The past 20 years of exceptional wealth creation will soon be followed by the largest-ever wealth transfer. We estimate that less than 500 people (460 of the billionaires in the markets we cover) will hand over USD 2.1 trillion, a figure equivalent to India's GDP, to their heirs in the next 20 years. For most of Asia's young economies, where over 85% of billionaires are first generation, this will be the first-ever handover of billionaire wealth.

The Gilded Age pauses

After more than 20 years of unprecedented wealth creation, the Second Gilded Age has stalled. The transfer of assets within families, commodity price deflation and an appreciating US dollar have emerged as significant headwinds. In 2015, in the markets we cover, 210 fortunes broke through the billion-dollar wealth ceiling and 160 billionaires dropped off, leading to a net increase in the billionaire population of 50 to 1,397. Yet their total wealth fell from USD 5.4 trillion to USD 5.1 trillion. Average wealth fell from USD 4 billion in 2014 to USD 3.7 billion in 2015. It is still too early to tell if 2015 signals a pause in the Gilded Age or something more.

Old legacies' lessons for new billionaires



Of the billionaire fortunes that have fallen below the billion dollar mark since 1995, 90% were not preserved beyond the first and second generations. At a time of economic headwinds and imminent wealth transfer, Europe's old legacies are a model for new billionaires to avoid this fate. Germany and Switzerland, in particular, are the countries with the greatest share of 'old' wealth. Asia's family-orientated billionaires may wish to adapt the European model of wealth preservation to their own needs.

New philanthropic models

In the first half of the 20th century, entrepreneurial families such as the Carnegies and Rockefellers funded significant advances in areas such as education and health. By doing so, they displayed many traits associated with billionaires – chiefly business focused and smart risk-takers – to drive success. After over three decades of this new Gilded Age, billionaire philanthropy is growing all over the world. New philanthropic models are emerging (loans, guarantees, contracts, impact investing etc.) and the millennial generation is putting philanthropy at the heart of their family values. In spite of this the current Gilded Age may not match its predecessor's record.

To find out more, we invite you to read the full report here: www.ubs.com/billionaires

Methodology

This year, the report has analyzed data covering 1,397 billionaires and looking back two decades. The database includes the 14 markets, which belong to the largest markets in the US, Europe and APAC and account for around 80% of global billionaire wealth. Furthermore, we conducted over 20 interviews with billionaire advisors, as well as face-to-face interviews with more than 30 billionaires and approximately 30 of their heirs. UBS and PwC advise a large number of the world's wealthy, and have unique insights into their changing fortunes and needs.

A number of sources were utilized to research and profile the characteristics of wealthy individuals. These were blended into a mosaic analytical framework from which we conducted extensive modelling and analysis. This information and data is part of PwC proprietary data and analytics structures, non-commercial in nature and specifically non-attributable regarding the identity of any individual or family.

PwC acts as a supplier of data and analysis for the purpose of this report. In addition, the following sources were specifically used as a part of our research:

- PwC has a significant body of research drawn from publishing studies on Wealth and Private Banking, and Family Businesses including current and future perspectives on a number of industries from which we were able to derive insights. These include but are not limited to *Next Generation Survey of Family Business Leaders 2016*; *Banking Tax 2020*; 18th Annual Global CEO Survey: *A Private Company View* (2015); *Family Business Survey: Up Close and Professional* (2014); and from our network firm INTES: *Nachfolge in Familienunternehmen* (2015). Further, UBS's body of research and insights in wealth and private banking were leveraged. These include, but are not limited to, the UBS House View: *Year Ahead 2016: The answers for 2016* and *Years Ahead: our 5-7 year view*; UBS Investor Watch: *The Global Family Office Report 2015*; UBS Philanthropy Compass; UBS-INSEAD study: *Family Philanthropy in Asia and UBS*; Harvard Study: *From Prosperity to Purpose*.
- Other analysis is based on our proprietary PwC databases which cover detailed non-client-specific bottom-up data on approximately 1,400 billionaires from the US, Germany, UK,



France, Switzerland, Turkey, Italy, Spain, China, India, Hong Kong, Japan, Singapore and Russia. This is a private non-commercial data structure designed to support analysis of specific market segments.

- Specific interviews with a number of billionaires and representatives of the next generation in various geographies were conducted by PwC and UBS separately and the information from those qualitative discussions was incorporated on a non-attributable basis without regard to any business /client relationship with any person, firm or organization. Further, we have conducted over 20 interviews with billionaire advisors.
- For the long-term series of the MSCI and GDP data we used the MSCI World gross data (accessed on 05/2016) and the World Bank's Global Economic Prospect database respectively (accessed on 05/2016).

Notes to Editors

About UBS

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of our Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which it excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which it operates, in order to generate attractive and sustainable returns for its shareholders. All of its businesses are capital-efficient and benefit from a strong competitive position in their targeted markets.

UBS is present in all major financial centers worldwide. It has offices in 54 countries, with about 34% of its employees working in the Americas, 35% in Switzerland, 18% in the rest of Europe, the Middle East and Africa and 13% in Asia Pacific. UBS Group AG employs approximately 60,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

Wealthy clients seek professionals who understand their unique challenges, passions and ambitions. Due to UBS's long experience of working with the most sophisticated ultra high net worth clients globally, we have developed a unique understanding of their mindset, motivations and core values. We join forces with them to create bespoke solutions which are bold, innovative and tailored precisely to their individual needs. The four dimensions of Great Wealth – business, investments, passion, and legacy – form the basis on which we open a dialogue and begin a partnership with our clients across generations for generations, so that Great Wealth endures.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details

About the UBS-PwC Billionaires Report



This report is unique in its scope and approach. It addresses the characteristics and challenges facing some of the wealthiest individuals in the world. It paints a portrait of how they achieve great wealth, and the challenge around passing it on and what will be the nature of their legacy. It is global in scope across all major markets and covers both self-made and inherited wealth. Different regions, cultures and backgrounds have different distinctive drivers of wealth. Many of the lessons gleaned from this work are broadly applicable to anyone with wealth and a perspective on it, their plans for the future and their families and what will be their lasting legacies.

Media Contacts UBS

Julie Yeo

T: +65 6495 5332 / +65 9673 4433

julie.yeo@ubs.com

Michelle Per

T: +65 6495 2295 / +65 8222 8584

michelle.per@ubs.com

www.ubs.com

Follow us on Twitter: @UBS

Media Contact PwC

Natalie Choo

T: +65 6236 4309 / +65 9738 1415

natalie.yl.choo@sg.pwc.com