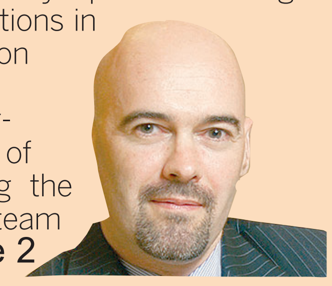
ASIA
Wealth Management

FINANCIAL TIMES **SPECIAL REPORT** | Friday December 5 2008

Inside

Didier von Daeniken, head of Barclays' private banking operations in Asia, on the importance of finding the right team

Page 2



www.ft.com/asia-wealth-2008

Simplicity and safety are back in fashion

Everyone has made losses, but long-term prospects are still promising, writes **Andrew Wood**

As 2008 draws to an end, private bankers and wealth managers in Asia seem battered, a little humble and cautious, although not always disheartened at the outlook.

"The next two months will be painful," says Burkhard Varnholt, chief investment officer of the Swiss private bank, Sarasin. "[But] if you focus on quality, you will have a great time in the upswing."

The past few months have been especially dismal. Stock markets have plummeted. "Losing 10 per cent on a client's portfolio is the new break-even," says one wealth manager.

Investors who lost money on structured products, such as accumulators and Lehman mini-bonds, protested on Hong Kong streets, alleging banks had misled them about the risks.

In private, many wealth managers will tell you of impending law suits launched by angry clients – but somehow it is always rivals who are being sued, and not their own institution. Everyone seems to be reviewing procedures and they say clients are taking fresh interest in reading the small print.

As oil and commodity prices surged during the first part of the year, private banks said clients were worried about inflation. Six months later, deflation is the big fear.

Private bankers look a little embarrassed these days when you ask them about their hot new investment products: they do not seem to have any. Often advice focuses on bonds and gold – especially physical gold, and not structured products based on gold.

"I don't think there will be a 'new new thing' for 12 months," says Ivan Leung, chief investment strategist for JP Morgan Private Bank in Asia.

Risk is out and capital protection is in. Bonds look interesting. There is renewed emphasis on diversification. Simplicity is back in fashion. So is safety. Lehman Brothers may not have had a private banking arm, but its collapse in September disturbed private bankers and their clients alike.

Even Citigroup, one of the giants of the financial world, needed $300bn of government help and guarantees to survive. If that were not enough, the US authorities indicted the global head of wealth management at the Swiss bank UBS as part of their investigation into the offshore banking activities of rich Americans.

"Markets will continue to be volatile and that's something we can't control," says Paul Scibetta, chief executive officer of JP Morgan Private Bank in Asia, based in Hong Kong. "We need to focus on the things we can control. Clients want to know that we will be there for them.

"Clients don't remember you as much when times are good as when times are bad. Every private bank has a chance to differentiate itself. When you are in a cross-country race, you make the biggest difference when you are running uphill."

The problems of the big universal banks may help the smaller, more focused private banks that have no investment banking arms or exposure to subprime.

"I don't consider them [boutique private banks] to be a threat because the business models are very different, although I never underestimate them," says Marcel Kreis, head of private banking in Asia-Pacific for Credit Suisse, one of the world's financial giants. "Their key focus is on asset management," Mr Kreis says. "Ours, in Asia, is leveraging the investment bank relationship." And, he could add, supporting the investment bankers.

Credit Suisse's investment bank lost SFr3.2bn in the third quarter, as it wrote down SFr2.4bn to cover problems with leveraged finance and structured products. The private bank division showed global profits of SFr789m before tax.

The private bank within a larger organisation still has its appeal. A big retail branch network and a well-known brand name are a great starting point.

The Bank of China, for example, which has more than 10,000 branches, has been working with Royal Bank of Scotland to expand private banking services.

Standard Chartered, which has been in Asia for nearly 160 years, is relative latecomer to having a dedicated private bank,

Continued on Page 2

Inside this issue

Going for gold: advice from private bankers has started to focus on gold – especially physical gold AFP

Trick is to find the right team

Didier von Daeniken: no regrets about the timing of his new job

INTERVIEW
DIDIER VON DAENIKEN

Andrew Wood talks to the head of Barclays private wealth in Asia

Recruiting Didier von Daeniken to head Barclays private banking operations in Asia-Pacific last year was widely seen as a coup in the wealth management industry.

The British bank lured Mr von Daeniken from Credit Suisse, where he had been co-head of Asia-Pacific private banking and head of private banking in south-east Asia and Australasia, based in Singapore.

He had been at Credit Suisse for 17 years in Zurich, Geneva, Dubai and Istanbul. Before that, Mr von Daeniken, who is Swiss, had worked for the Red Cross in Iraq prior to the first Gulf war.

Barclays, whose origins date back 300 years, has had a well-established private bank serving its UK home market for many years. However, it has not been much of international operator until recently and in Asia has lagged behind wealth managers such as UBS, Citigroup, HSBC and Credit Suisse

In 2006, it relaunched the Barclays Wealth brand, with global ambitions. Last year it said it would invest $725m in wealth managers and infrastructure by the end of this year, with about a fifth earmarked for Asia.

At the end of June, the private bank was managing £133bn of client assets worldwide. Globally, Barclays' asset management arm and retail and investment banks have 25m customers – a big pool in which Barclays Wealth can fish for rich clients.

Mr von Daeniken started his new job on June 1 last year, when the credit crisis was something that only affected US banks and Asia-Pacific stock markets still had nearly six months of rally ahead of them. A boom in initial public offerings, especially in China, seemed to create fresh millionaires every day.

Much has changed. Asian stock markets are trading at about half their levels a year ago. Some big banks have disintegrated and others have taken government handouts and guarantees to survive.

Barclays benefited from the collapse of Lehman Brothers, snapping up its North American investment banking and capital markets businesses for $1.75bn.

> 'Obviously, we have very few bankers who have seen a whole cycle. They are in high demand'

But it did need to raise £7bn of fresh capital and many investors were angry that it ignored the UK government's bail-out in favour of a more expensive deal that offered Middle East investors preferential terms.

However, Mr von Daeniken says he would have still taken the job, even had he known what the next 18 months would be like.

The recent recapitalisation may have been controversial but, he says, it has left Barclays as one of the best capitalised banks in the industry. "With hindsight, the fact that we are not the biggest player today is an advantage. You can move faster. That's a good position to be in."

India and China are the two main targets. "We have a strong presence in India," Mr Daeniken says. "That will be our focus." Barclays has a big retail network in the country and, because of the historic ties with Britain, there is high awareness of the Barclays brand.

The "sheer numbers" of potential customers in China make the country an obvious place to expand, although there are none of the traditional foundations it has in India to build on.

Japan is also on the radar. "We would be very interested in partnering with someone. It's challenging in Japan. The Japanese private bank market is unlike others in Asia."

Analysts say Barclays' expansion will depend on the bank's ability to attract and retain talent. In recent months Mr von Daeniken has beefed up his senior team. He hired Pheabe Chau to head the Singapore team of investment specials. She previously worked for RBS Coutts' private bank joint-venture with Bank of China in Beijing and Shanghai.

Also from RBS is Nitin Birla, who has been given a brief of attracting rich south Asians living in north Asia to become Barclays Wealth clients. Manpreet Singh Gill joined from ICICI Bank in India to be Asia strategist.

With investment banks laying off staff, finding good people may become easier. "But that doesn't change the fact that finding the right talent is crucial," Mr von Daeniken says. Many private bankers are products of the boom in the sector in Asia in the past six or seven years.

"Obviously, we have very few bankers who have seen a whole [economic] cycle. They are in high demand."

Virgin territory in the world of the ultra-wealthy

INDIA AND CHINA

Joe Leahy on opportunities among an ever larger number of really rich people

In 2007, as the Indian stock market entered the fifth year of a bull run that had multiplied the value of the Bombay Stock Exchange's benchmark Sensitive Index fourfold, a strange competition began to emerge.

The country's biggest billionaires seemed to be engaged in a competition to outdo each other on the Forbes rich list, which ranks the country's wealthy.

The fortunes of tycoons such as Mukesh Ambani, the head of Reliance Industries, India's biggest private sector company, and Anil Ambani, his younger brother and rival, mushroomed to double their previous levels.

Others made it on to the list through initial public offerings that many analysts criticised as being overvalued – the $2.5bn listing, for instance, of DLF, India's largest real estate company, that helped send KP Singh, a property tycoon, rocketing up the list.

The bubble has since imploded with the credit crisis. The wealth of Mukesh Ambani has more than halved to about $20.8bn while his younger brother's fortune has fallen by nearly two-thirds to $12.5bn.

But that was before the wealth management industry got the point – India is the new kid on the block when it comes to private banking, matching China for the speedy growth of its wealthy and ultra-wealthy.

Capgemini and Merrill Lynch concluded in a study, Asia Pacific Wealth Report: "Although the number of emerging high net worth individuals and Ultra-HNWIs in China and India is still relatively small, we expect these and other emerging markets to continue to grow at double-digit rates and, within 10 years, to surpass the mature markets."

The growing importance of the subcontinent for wealth managers is underlined by the findings of the report.

The Indian market in 2007 was the fastest growing in terms of the wealth and population-size of rich individuals in Asia.

The study found that the number of wealthy people in India increased 23 per cent to 167,000 individuals last year. The highest growth took place at the top of the ultra-wealthy category in the ranks of those with more than $100m in investable assets.

The growth in China was similar, with the wealthy growing in number by 19.9 per cent, with total loot of about $100bn.

The number of ultra-rich in China eclipsed that of Japan for the first time, growing at a rate of 22.2 per cent. In addition, the number of extremely wealthy – those with more than $100m – increased by 22.9 per cent in 2007. "In 2008, we expect the wealth held by Ultra-HNWIs to eclipse the $1,000bn mark," the study found.

That may prove optimistic in the current economic climate, with India and China wrestling with rapidly slowing economies.

Both are reporting a deceleration in manufacturing and both of their stock markets have been badly hit, with India's alone down more than 60 per cent. Small

> The Indian market in 2007 was the fastest-growing in terms of the wealth and population size of the rich in Asia

businessmen may be affected by the slowdowns, but many believe the middle and ultra-wealthy of the two countries are relatively insulated from the worst effects of the economic crisis.

Their close relationships with their bankers mean that they are usually able to gain access to funds in times of need.

If they are able to weather the present difficulties, the China and India's markets for private banking for the ultra-rich could yet become the most important in the region, as predicted by the study.

Conquering these markets will be no pushover.

Private bankers say that China's wealthy, for instance, are still relatively unfamiliar with the services offered by the industry.

Tight regulations in China also limit the sophistication and range of products that banks can offer to their clients. While most believe the market's importance will grow with greater liberalisation, it remains an opportunity with great potential rather one that has been realised.

India shares some of China's challenges – heavy regulation, particularly capital controls. The market is just introducing some of the structured options common in developing markets, such as interest rate and currency futures. Even short selling is a new phenomenon. Yet this market, too, is promising amid a growing equity culture that most expect to survive the current turmoil.

Indians traditionally invested most of their high levels of savings in gold and property. But they are expected to become more aggressive in deploying it into other investments. A doubling of the amount of money Indians can invest overseas in any given year – to $200,000 – will also help the industry.

Simplicity back in fashion

Continued from Page 1

but is catching up fast. Last year it opened 11 offices in five weeks.

"Not having a private banking arm is like saying you don't have a mortgage business," says Peter Flavel, Standard Chartered's head of private banking. "We started in mid-2006 with three people and now we are up to 1,500 people globally."

Last year was always going to be difficult to follow. In China the surge in the stock market made many people feel they were wealthy. The Shanghai composite index gained 133 per cent in nine months. Many Asian entrepreneurs took the opportunity to float their companies. Initial public offerings raised $147bn in Asia-Pacific in 2007 – a big source of fresh customers for private banks. Asia's economic momentum seemed unstoppable. That perception was part of the problem.

"Forecasts of rocketing wealth have exacerbated the problems facing some private banks in the region," says Enid Yip, Bank Sarasin's chief executive for Asia. "We've seen an irrational exuberance because Asia is such a temptation. It was an easy story to sell, and an easy story to buy, so we have seen people pile into the market, while established players have expanded. But many will not have factored a downturn into their costs because they never had a credible long-term strategy."

The boom did go bust spectacularly. IPOs have raised little more than a quarter of last year's record amounts, according to Thomson Reuters. Since peaking in October 2007, mainland Chinese shares have lost nearly three-quarters of their value. Making money in those conditions is difficult. Even hedge funds, supposed to make returns if markets go up or down, have had an awful time.

Andrea Benenati, chief executive officer for north Asia at Julius Baer, a Swiss boutique private bank, says it set itself a test to see if it could have advised clients better. The result was a "perfect foresight" portfolio that a manager with God-like forecasting skills would have recommended. Back testing showed that the portfolio would have weathered all the storms of recent years: the bursting of the tech bubble, the after-effects of the September 11 attacks on the US, the outbreak of Severe Acute Respiratory Syndrome (Sars) in Asia. It would have returned about 10 per cent a year. But it would have lost money during October.

"Even with this knowledge and hindsight, you couldn't structure something that wouldn't have been down this year," Mr Benenati says. "The problem now is: do you want to lose money or do you want to miss an opportunity. People would rather miss an opportunity."

Markets are beginning to heal, says Ivan Leung at J P Morgan. "It's less complicated than two months ago when the worst-case scenario was 'the great recession'. That's been averted. It's going to feel a lot like the 1980s in the US." Another private banker is sceptical that some clients have learned anything. "They want something that will preserve their capital right now," he says. "Soon they will want better returns and they will forget again."

A rich and sophisticated client wanted to talk about why his portfolio had performed so badly. "He complained for an hour, so we suggested he diversify and take a very conservative approach. We laid out an investment strategy for him, very conservative, and he said: 'So how much can I leverage this by?'"

Additional reporting by Robin Kwong in Taiwan

Contributors

Andrew Wood
Asia Markets & Investment Correspondent

Joe Leahy
Mumbai Correspondent

Assif Shameen
FT Contributor

Peter Shadbolt
FT Contributor

Rohit Jaggi & Stephanie Gray
Commissioning Editors

Steven Bird
Designer

Andy Mears
Picture Editor

For advertising details, contact:
Angela Mackay
Phone +852 2905 5552
Fax +852 2537 1211
Email:
angela.mackay@ft.com or your usual representative

Family fortunes: a Qing dynasty re-enactment performance. One of the main reasons to set up a family office is to keep affairs secret Getty

A preference for privacy

FAMILY OFFICES

Dynasties have been slow to catch on to dedicated services, writes Andrew Wood

Asia's rapid economic growth over the past half century has created many wealthy dynasties.

Some have set up family offices to look after their financial affairs, although the idea of professionally run businesses to serve the financial and personal needs of a family group has been slower to catch on in the region than in other parts of the world.

The forerunners of today's family offices are thought to have emerged in Italy during the Renaissance, as rich merchants tried to look after their wealth. Some Swiss private banks also resembled family offices when they first developed in the 18th and 19th centuries.

However, the modern family office really came of age in the 19th century in the US, when the industrial revolution the created dynasties with enormous wealth.

Tycoons such as Rockefeller, Carnegie, and DuPont set up offices which first looked after their personal financial affairs. Some later offered their services to friends, and then, more formally, to other affluent families.

"In Asia, family offices do exist, but they may not be very high profile," says Cynthia Lee, executive director of the Asia-Pacific wealth advisory group for JPMorgan's private bank in Hong Kong.

"The key functions are administering investments for the family and, in most cases, they do things like consolidating a number of investment accounts."

At first glance, they may look like rivals to private banks: who needs an external wealth manager if you have your own inhouse dedicated office serving such needs as tax planning, will writing and even, in some cases, helping you to buy art?

> All SFOs surveyed managed at least $100m of assets, and half of them looked after $1bn

However, she says there are still many services that family offices are not big enough to provide.

"As a private bank, we can provide global custody or provide consolidated statements. These are areas where we can help."

As with many aspects of wealth management, Hong Kong and Singapore are Asia's two big hubs for single family offices, or SFOs, she says.

"In 2006, Hong Kong also made tax changes to encourage family offices to set up in the territory," she says.

Apart from the tax incentives – such as only taxing income made in Hong Kong – the city has many well-established advisers such as lawyers and is a centre of expertise in cross-border wealth management.

Singapore has established itself over the past four or five years as the centre for south-east Asian and Indian families to set up offices.

"We do occasionally have ad hoc requests for similar set-ups from mainland Chinese," Ms Lee says. "They may have property in Singapore, or their kids may go to school there."

In the past year, Dubai has also emerged as a location for some Asian SFOs, especially from India, she says. SFOs can be simple to set up, she says, but significant assets are required to justify the expense – with at least $300m to $500m globally to make it worthwhile.

But it can be hard to find people with the right range of skills, from understanding finance to diplomacy in planning family conferences and dealing with disagreements between relatives.

"Often they may have served the family in another professional capacity before joining the family office, for example as a lawyer," she says.

The family office business in Asia is relatively under-researched – after all, one of the main reasons to set up a family office rather than relying on outside wealth managers is to keep the family's affairs secret. Few want to talk to nosy outsiders.

Singapore Management University took part in a recent pioneering global survey of SFOs with Wharton Business School in the US, IESE Business School in Spain and Bocconi School of Management in Italy. That included about 40 lengthy interviews with wealthy individuals who use SFOs from families that spanned many countries.

All the SFOs managed at least $100m of assets, and more than half of them looked after $1bn or more. "Only a small fraction of important fortunes are directly managed by the largest of the world's private banks," says Raffi Amit, the Wharton professor who led the research team.

SFOs have a significant role to fulfil in this domain, he says, where discretion and preference for privacy mean that little is known about inner workings and functions.

The researchers found significant differences between Asian family wealth and that in other parts of the world.

Much of it has been more recently created, and many families are still much more closely connected to the source of their fortunes.

"On average, a higher percentage of affluent families in Asia is still involved in businesses compared with other regions," Prof Amit says.

"It is 40 per cent in Asia, 28 per cent in Europe and 24 per cent in the Americas."

Training ground for a new breed

BACK TO SCHOOL

Assif Shameen on an institute that teaches aspiring private bankers

The main facilities of Singapore's Wealth Management Institute are tucked away in a corner of a city-centre office block that houses the headquarters of the island-republic's sovereign wealth fund, Temasek Holdings.

In just seven years, the Temasek-run institute has become the main training ground for a new breed of Asia's wealth managers.

"Our main objective is to help meet the training needs of the private banking industry in Singapore and the rest of the region," says Lim Juin In, chief operating officer.

The institute trains about 150 aspiring private bankers every year through an array of courses, including a certificate in private banking, an advanced wealth management programme for experienced relationship managers.

In addition, it runs an MSc in wealth management in conjunction with the Swiss Finance Institute and the Singapore Management University, or SMU.

About half the students are employed in private banking, while the rest are switching careers. "What differentiates us isn't just our practical curriculum but our emphasis on the soft skills, because, ultimately, private banking is a relationship business," says Mr Lim.

"It has an excellent mix of academic courses and practical training," says Carmen Low, 25, an MSc student and an intern at Schroeder's Asset Management.

Ms Low was a civil servant when she decided on a career switch. "What's different about this course compared with other MBA programmes I looked at is that it allowed me to intern within the industry, so I get to try out what I want to do," she says.

The master's programme was designed by the industry to meet its growing needs to serve extremely wealthy people, says Francis Koh, who heads the programme at SMU.

Its industry focus is another plus. "An MBA in finance is too generalised. We focus on just the practical aspects of the wealth management value chain."

For two weeks every year, SMU's master class students go to Switzerland to immerse themselves in Swiss-style private banking in a programme hosted by the Swiss Finance Institute.

WMI constantly tweaks the curriculum to keep abreast of industry needs. Among the topics introduced this year are Islamic banking and family business.

Courses help students understand not just balance sheets but also an array of asset classes from derivatives and structured products to plain-vanilla equities and real estate.

"We teach students how to manage clients' expectations as well as client relationships. We also look at legal aspects of wealth management, ethics as well as risk management," says Mr Koh.

"Graduates can walk from the classroom to a senior position in private banking."

Henrik Mikkelson, an alumnus, is head of private banking at Commerzbank. A native of Denmark, he had a business degree from Copenhagen but knew little about wealth management. Midway through the course, he was promoted to head Commerzbank's private banking operations in Singapore.

What did he get out of the course? Invaluable networking and high-level industry contacts, for one. "There is no way any other degree course would have given me the opportunity to meet so many people from the industry," he says.

WMI is gearing up to be a training centre for wealth managers across Asia rather than just Singapore. "We have trained people from more than 30 countries," says Mr Lim. Over the next three to five years, he says, WMI would probably double its annual student intake.

"Clearly, as the industry repairs its battered reputation, it will need a fresh batch of qualified professionals to keep growing."

Thousands of cases of wine come home

ALTERNATIVES

Peter Shadbolt on why investors want to keep their investments close

A bunker mentality might be bad for the financial markets, but it has been great news for Hong Kong's growing reputation as a global wine hub.

Crown Wine Cellars, which stores valuable wines for more than 1,000 clients in a former British army munitions depot at Shouson Hill, says the city's collections are coming back home.

"There's a flight to safety and what we are seeing is a massive increase in the number of collections coming back," says Gregory De'eb, the general manager.

"The days when people believed it was important to keep their collections in London have been blown out the window. What people are saying is that they want their assets close to them. If I want money, where can I liberate these assets?"

In recent years, wine as an asset class has increasingly cemented its position in Hong Kong, especially among the pool of mainland collectors who want their wines close and accessible.

The territory's removal of a 40 per cent duty on wine in February made conditions favourable for wine investors, says Mr De'eb, but no one was prepared for the number of bottles coming back. "You have to remember that Hongkongers own millions of cases – perhaps between 15 and 20 per cent of the world's fine wine stocks."

Before February, collectors and investors were sending back 2,400 bottles a month. With the scrapping of duties, the numbers grew to 8,400 a month. Now with the financial crisis beginning to bite, the number has swollen to 20,160 a month, he says.

The advantages of wine are well known. There has been growth of 12 to 15 per cent a year in certain countries. As a so-called "wasting asset", it has tax advantages, and there is always the consolation of drinking the asset if the price falls.

In May, Acker Merrall & Condit, a wine auction company based in New York, sold HK$64m ($8.2m) worth of wine in its first Asian auction at the Island Shangri-La Hotel – an event that was expected to last six hours and raise $6m.

> 'There's a flight to safety and a massive increase in collections coming back'
>
> **Gregory De'eb, Crown Wine Cellars**

Spirited bidding for the 922 lots went on until well into the evening, with the top lot, 12 bottles of 1990 Domaine de la Romanée-Conti, fetching HK$1.89m, the high end of an estimated range and an auction record for a case of Romanée-Conti.

Other collectables, such as art, have been promoted as the savvy investor's alternative to stock picking and market timing. Nick Simunovic, director of the Gagosian Gallery in Hong Kong, says art is still holding its own in Asia, despite the financial crisis. "There is of course some trepidation in the market and prices are rolling back to 2006 levels," says Mr Simunovic. "But seasoned and new collectors can realise substantial value at these prices."

While Sotheby's Asia Week sales in Hong Kong in early October (and in New York in September) ended in unsatisfactory results, the company warned that longer term trends could be harder to predict because the sale was held at a time of "acute stress and uncertainty".

The global events surrounding the end of the credit bubble created a volatile environment, Sotheby's said in a report, adding that it would be "naive to think buying decisions on Asian art and works of art were not made in the context of this economic uncertainty". "Clearly, Hong Kong buyers had a reason to be cautious," the report said.

Nevertheless, Asia Week in New York had a combined sale value of $77m across nearly a dozen separate sales at Sotheby's and Christie's, with nearly 60 per cent of the lots at both houses sold.

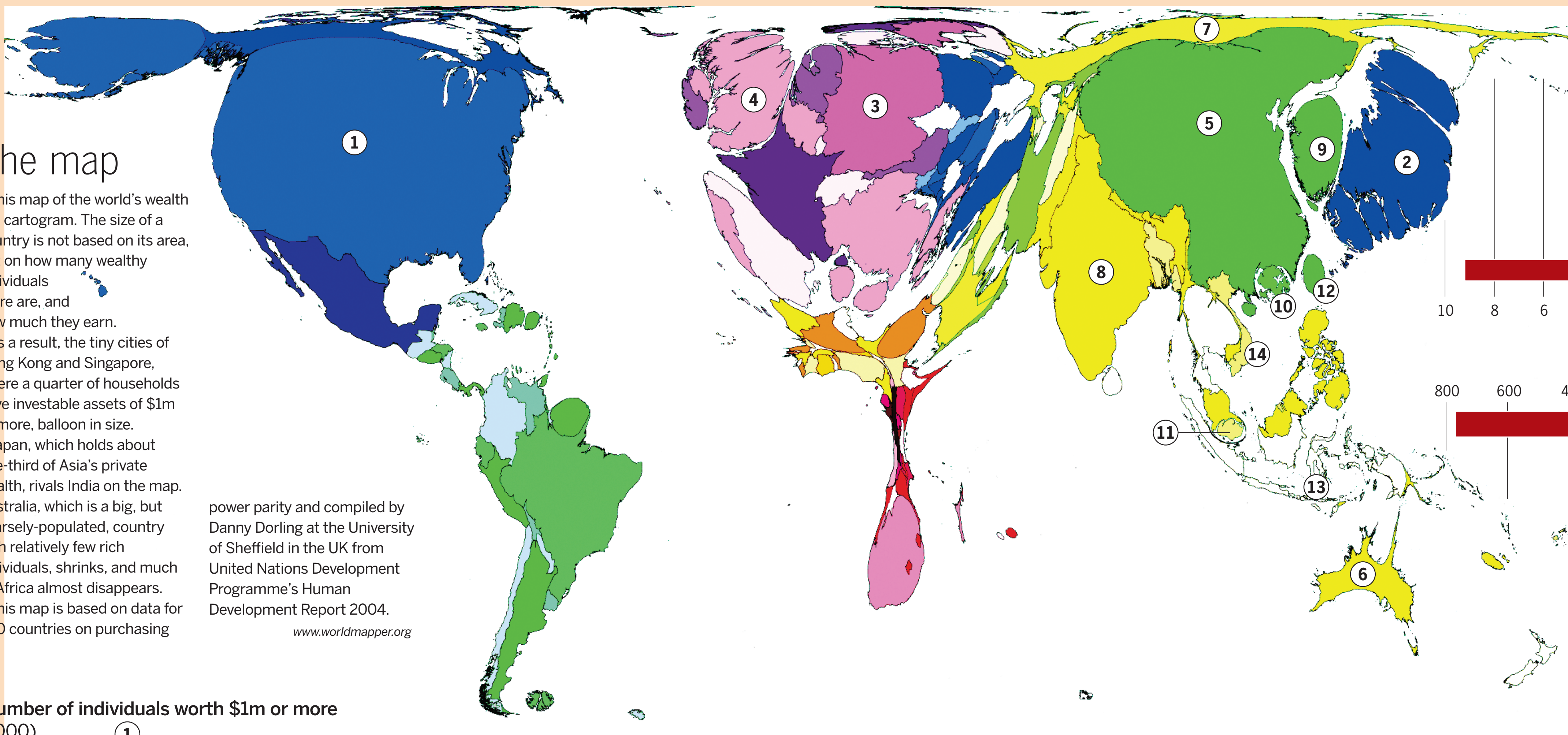
Even in an uncertain market, there will always be top prices for hotly contested lots – an early 18th century Qing dynasty armchair sold for $332,500, well above its estimate of $180,000.

According to Sotheby's, the Asia Week sales showed the market pulling in two directions – high premiums were paid for quality works with a connection to the imperial throne and also for works by contemporary less-established artists which, in future, could show strong returns.

Asia Wealth Management

Where the rich live

The territory size shows the earnings of the richest tenth of the population living there, as a proportion of the earnings of the richest tenth living in all territories.



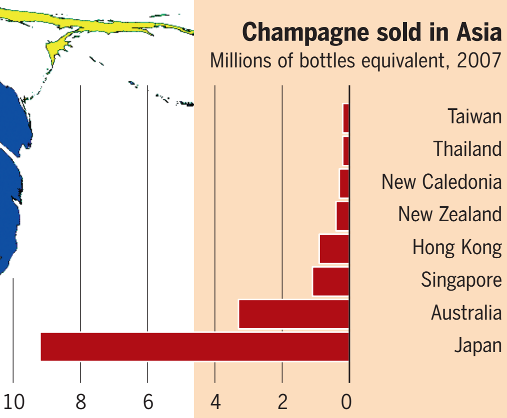
The map

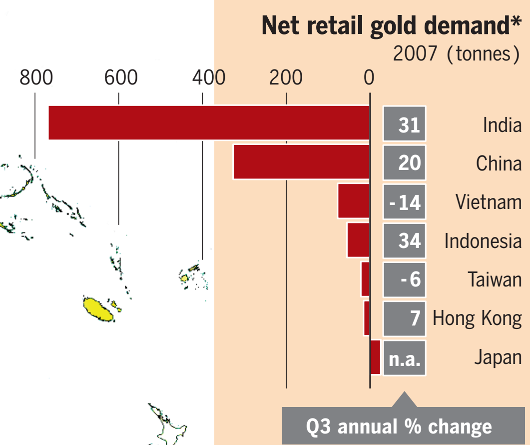
This map of the world's wealth is a cartogram. The size of a country is not based on its area, but on how many wealthy individuals there are, and how much they earn.

As a result, the tiny cities of Hong Kong and Singapore, where a quarter of households have investable assets of $1m or more, balloon in size.

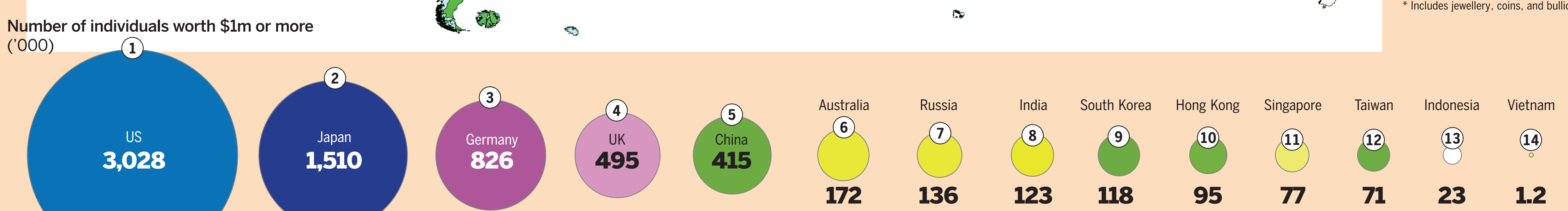
Japan, which holds about one-third of Asia's private wealth, rivals India on the map. Australia, which is a big, but sparsely-populated, country with relatively few rich individuals, shrinks, and much of Africa almost disappears.

This map is based on data for 200 countries on purchasing power parity and compiled by Danny Dorling at the University of Sheffield in the UK from United Nations Development Programme's Human Development Report 2004.





* Includes jewellery, coins, and bullion



84% of people in Hong Kong disagree with the statement that designer clothes or luxury goods are a waste of money

202 The number of Rolls-Royce cars sold in Asia Pacific last year, an increase of 31 per cent compared with the previous year

101.27 The weight in carats of the largest diamond ever sold in Asia, for $6m in Hong Kong in May

14 The largest-ever single order of Rolls-Royce Phantoms, for the Peninsula hotel in Hong Kong

40.7% The proportion of Singapore's households expected to have $1m or more of overall wealth by 2017

26.4% Percentage of households in Hong Kong with overall wealth in excess of US$1m

Sources: GFMS/World Gold Council; Barclays Wealth; Capgemini; Merrill Lynch; Economist Intelligence Unit; CIVC; FT Research; Christie's

Rich and becoming more important

DISTRIBUTION OF WEALTH

Andrew Wood reports on the changing statistics of the region's millionaires

When a Hong Kong buyer snapped up a 101.27 carat diamond the size of a ping pong ball at a Christie's auction in the city in May for more than $6m, many wealth management professionals in Asia seemed relieved.

The jewellery sale, which raised more than $60m, was the biggest the auction house had ever organised.

The wealthy, it seemed, still were rich enough to splash out some cash despite the ever-deepening worries about the effects of the credit crisis and the steep decline in share prices.

Asians have long had a penchant for luxury and conspicuous consumption.

The World Gold Council says that India alone consumed 250 tonnes of gold, worth about $5bn, in the third quarter of this year – a rise of nearly a third on the same period in 2007.

Hong Kong itself, famously, has the highest concentration of Rolls-Royce cars in the world – it also has the highest concentration of households with more than $1m of investable assets.

Research by Barclays Wealth and the Economist Intelligence Unit has found 26.4 per cent of Hong Kong families living under one roof fell into this category in 2007.

The report predicts that the proportion will rise to 39.4 per cent by 2017.

But by then, Hong Kong's long-time rival, Singapore, will have inched ahead to take the number one spot, with 40.7 per cent of its households controlling $1m or more of assets.

Barclays' latest figures suggest there are seven countries with 1m or more households with investable wealth of $1m or more. Just one of them, Japan, is in Asia.

By 2017 there will be 12 such countries or territories, and Australia, Taiwan and South Korea will be on that list. China, which has 22,000 millionaire households, should have 409,00 in 2017.

If the forecasts are correct, that is. As 2008 draws to an end and global recession looks imminent, you might be forgiven for taking some of these projections with a pinch of salt.

Sales of luxury goods are weaker – even Asia's makers of fake handbags seem to be having a hard time.

Asian stock markets have collapsed. Most are down by between a half and two-thirds so far this year. Much of the analysis of the distribution of the region's rich people is based on figures for 2007.

> There are large numbers of people in Japan with $1m to $5m of assets, and 71,000 households with more than that

Even so, it is worth remembering that Japan's stock market peaked at the end of the 1980s, and has since then lost about three-quarters in value.

But for all the talk of lost decades and a moribund financial system, the country still has the world's second-largest economy and, according to the Boston Consulting Group's annual global wealth report, about half of Asia's $25,500bn of personal assets under management is concentrated in Japan.

The economic miracle created enormous amounts of wealth, and there are still plenty of Japanese millionaires.

However, BCG says that despite its size, the wealth management market is still "relatively immature and difficult to access".

There are large numbers of people with between $1m and $5m of assets, and 71,000 households with more than that, but "their investment needs are not as well developed as their wealth", BCG says.

The personal wealth managed in China may be smaller – about $3,200bn of assets in 2007 compared with Japan's $12,500bn – but has expanded more quickly. Compounded growth was 25 per cent a year from 2002 to 2007. The figure for Japan in that time was 3 per cent, according to BCG.

However, when you look at the numbers of millionaires, India was the fastest-growing market in percentage terms, according to the latest annual World Wealth report by the French consultants Capgemini and the US investment bank Merrill Lynch. (Merrill Lynch was one of the victims of the subprime crisis and has since been absorbed by Bank of America.)

Overall the world population of millionaires grew 6 per cent in 2007 to 10.1m, Capgemini and ML say. In Asia-Pacific, numbers increased 8.7 per cent to 2.8m and wealth expanded by 12.5 per cent to $9,500bn.

India was the world's fastest-growing market with a 22.7 per cent gain to 123,000 millionaires, followed by China, which saw a 20.3 per cent increase to 415,000.

Taking 2007's growth and the weakening of global conditions in 2008, Capgemini projects the wealth of Asia Pacific's millionaires should grow at an annual rate of 7.9 per cent to $13,900bn by 2012.

"Asia-Pacific will replace Europe as the second-largest repository of high net worth individuals' wealth," it says.