

Britain's Wealthiest Invest Billions in China & the Far East

The 95,000 wealthiest investors in Britain average £9 million apiece in liquid assets¹: the poorer half average £3.5 million; the richer half average £14.7 million. These are Britain's wealthiest investors and a new analysis² by Tulip Financial Research shows how their investments are allocated today.

Figure 1: The Asset Allocations of Britain's Wealthiest Investors

	% Portfolio Allocation
<i>Individual Company Shares</i>	25.4
<i>Unit Trusts, OEICS, Investment Trusts</i>	14.6
Equities	40%
<i>Residential Property</i>	6.6
<i>Commercial Property</i>	9.4
<i>Property Funds</i>	6.5
Investment Property	22.5%
<i>Alternative Investments</i>	11.8
<i>Cash</i>	10
<i>Corporate Bonds, NS Bonds & Gilts</i>	9.5
<i>Other Fund Investments</i>	6.2

These rich investors suffered like every other investor in the 2000-2002-market crash but reacted faster than most by moving money out of equities into cash and fixed interest investments. Then, as the residential and commercial property markets boomed, they swiftly switched their cash holdings into property, mostly into physical property like flats and offices rather than property funds. They now have over a fifth of all their liquid assets allocated to property. They have proved to be adroit investors.

Now in 2006 they are moving more money into equities, their current preferred investment, and now well ahead of their recent favourite investment, property. Having profited from their early move into property, they are now well ahead of the pack in moving back into equities.

Figure2: Today's Preferred Investments of Britain's Wealthiest Investors

	%
<i>Individual Company Shares</i>	43
<i>Unit Trusts, OEICS, Investment Trusts</i>	11
Equities	54
<i>Investment Property</i>	25
<i>Alternative Investments</i>	11
<i>Corporate Bonds, NS Bonds or Gilts</i>	8
<i>Cash</i>	4

¹ Liquid assets are defined as "the total amount of funds that are in the form of cash or can quickly be converted to cash. These include (1) cash; (2) demand deposits; (3) time and savings deposits; and (4) investments capable of being quickly converted into cash. The Tulip definition includes investment property.

² This analysis is based on Tulip's Wealth Model and a new survey of HNW and Ultra HNW investors in March 2006. The findings have been as "The UK Wealth Market: 2006: Expectations and Investment Plans".

Although the rich see themselves as cautious investors, they are early adopters of emerging trends and opportunities. They are now investing in the Far East. In the past the British wealthy bought mainly UK listed shares, mostly in FTSE 100 companies. But, despite the current strong showing of the UK market indices – and particularly of the FTSE 250 –, wealthy British investors are today investing – or looking to invest - large sums in China, Japan, Singapore and Hong Kong. 40% of the Britains wealthiest investors are opting for the Far East, with most of these investors naming China as the place to invest.

Figure 3: The Top Rated Investment Markets by Britain’s Wealthiest Investors

	%
China	19
Japan	9
Singapore, Hong Kong, Other	9
India	3
The Far East	40
UK	18
W Europe ex UK	7
Western Europe inc. UK	25
Eastern Europe inc Russia	19
North America	16

John Clemens, Managing Partner of Tulip Financial Research Ltd, commenting on these findings, said:

At Tulip we have always been surprised that Britain’s wealthiest investors, the Ultra HNWs, concentrate so much equity investment into UK listed companies, and their reluctance to diversify into overseas equities. A sea change is now in progress. They see that the world is changing, that the Far East is emerging as a major player, and this is changing their traditional investment patterns.

In the past few years they moved opportunistically from equities into property – mostly with good results. They are now increasing their equities allocations with major allocations to the Far East. And with over £300 billion invested in equities just a 10% allocation to the Far East would mean over \$30 billion of new Far East investment from the UK.

This is an opportunity for fund managers and advisers as the DIY approach to investment, practiced by many such investors, is a non-starter. The rich need expert advice on these markets, and the fund and investment managers offering this expertise will reap rich rewards. UK liquid assets have recently grown very fast, the rich have been getting richer, and they are seeking profitable homes for their assets. Their current focus is on finding investment opportunities – but reasonably low risk opportunities – in the emergent Far Eastern economies.”

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