



**Press Release: Monday 11<sup>th</sup> February 2008**

## ***The Wealthy React Cautiously to the Sub-Prime Credit Crisis!***

A new report from Tulip Financial Research Ltd<sup>1</sup> (HNW & Ultra HNW Bank & Adviser Ratings) shows that the wealthy are reacting very cautiously to the continuing sub-prime credit crisis and its impact on investment markets. Only one in five (22%) of the UK's 300,000 HNW/Ultra HNW households say that the problems arising from the sub-prime crisis will lead them to make changes in their current investments or investment plans. And, as Figure 1 shows, this one in five is concentrated within the less wealthy sector: within HNWs with less than half a million in liquid assets.

Figure 1

*"Have the recent bank liquidity problems relating to the sub-prime market caused you to make or plan any changes in your investments or investment strategy?"*

	All HNWs & Ultra HNWs	Liquid Asset Levels	
		£250k - £1m	Over £1m+
	%	%	%
Yes, definitely	15	18	*
Yes, possibly	7	5	14
No, Not at all	79	77	86

The main impact of the crisis has been a flight to safety: to increased allocations to what are seen as low risk investments and/or cash. Over half of those making or planning changes (56% Figure 2) say they will sell what they consider to be "risky" equity or fixed interest investments, whilst over a third (38%) say they will increase their cash reserves, and diversify these cash reserves more widely.

FIGURE 2:

*"Which of these changes have you made or do you plan to make?"*

Base: All making or planning changes in their investment strategy as a result of the sub prime crisis	All HNWs & Ultra HNWs
	%
Sell off or change risky equity and fixed interest investments	56
Hold more cash as an investment as opposed to equities and fixed interest securities	38
Use more banks for cash deposits in order to spread cash more widely	38
Buy more Gilts and National Savings as opposed to corporate bonds	25
Invest in more blue chip industrial shares as opposed to financial services sector shares	25
Reduce investment in property and/or property funds	19

<sup>1</sup> Published January 2008, based on a survey of 225 HNWs and Ultra HNWs conducted by Tulip Financial Research Ltd in November 2007. The 225 respondents averaged over £2 million each in liquid assets.

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

*“This is of course an early take on the likely impact of the current crisis on the investment plans and actions of the HNW and Ultra HNW markets. These are experienced investors who have mostly lived through previous market crashes including the dotcom bubble of 2001/2002: they are not easily panicked.*

*The findings do however indicate some significant short-term changes: a search for safety, and a move to increased liquidity. Tulip will continue to track the intentions and actions of HNWs and Ultra HNWs , and a new survey is now being carried out and will report in March 2008.*

*The dotcom crisis led directly to a boom in the sale of so-called structured products: products that claimed to safeguard capital whilst enabling investment in more risk prone equity and property assets. There may well be a new surge in the sales of these and similar products – though this may be held back by investor cynicism about complex investment products. But there is no doubt that the next few months will bring significant opportunities for asset and investment managers to promote and sell their services: the wealthy are concerned and need to adjust their investments and change their asset allocations. They need expert advice and will be willing to pay for it.*

For more information about this report contact John Clemens, Managing Partner, Tulip Financial Research Limited on 020 7582 6870 or email him at [john.clemens@tulipresearch.com](mailto:john.clemens@tulipresearch.com)

FIGURE 3: THE DISTRIBUTION OF LIQUID FINANCIAL WEALTH WITHIN THE WEALTHIEST 1% OF INDIVIDUALS IN THE UK: THE HNWS AND THE ULTRA HNWS.

	000's	Average Liquid Assets	% of total UK liquid assets owned
	%	£s	%
HNWs	335	£665,000	12.8%
Ultra HNWs	135	£6,442,000	48.8%
The UK Super-Rich	One	£70,432,000	4.0%

SOURCE: TULIP WEALTH MODEL 2005/06