



Tulip Press Release: 19th May 2009

Liquid assets of Britain's richest households fall by 22% in 15 months: that's a loss of £300 billion. (But the wealthiest of the wealthy suffer least!)

A report from Tulip Financial Research¹ reveals that the UK's wealthiest households² with liquid assets of over £3 million lost a fifth of their wealth in the fifteen months ending March 2009. The wealthiest of the wealthy, the Ultra HNWs with £10 million+ suffered less with their liquid wealth falling by just 16%. As usual the wealthiest of the wealthy suffer less than the "just wealthy", and the wealthy suffer less than most UK households!

FIGURE 1: THE FALL IN HNW AND ULTRA HNW LIQUID WEALTH³
JAN 2008 – MARCH 2009

| Base All UK HNWs & Ultra HNWs | No. of UK HNWs/Ultras* | Average Liquid Wealth Jan. 2008 | Average Liquid Wealth March 2009 | % fall in liquid assets |
|-------------------------------|------------------------|---------------------------------|----------------------------------|-------------------------|
| | 000s | £s GBP | £s GBP | % |
| HNWs | 335 | £ 1,127,000 | £857,000 | -24% |
| Ultra HNWs | 135 | £10,518,000 | £8,84,0000 | -16% |
| HNWs & Ultra HNWs | 470,000 | £ ,824,000 | £3,147,000 | -18% |

*Wealthy households average 2.4adults

The main contributor to the limited fall in Ultra HNW wealth is their high investment in property. In 2009 well over half of the Ultras hold major property investments compared with only a third of the less wealthy HNWs. And unlike the HNWs the Ultras invest mainly in residential properties rather than commercial property or property funds (Figure 2).

Figure 2: HNW & Ultra HNW Property Investments
"Which of these investments do you currently own?"

| Base: All HNWs & Ultra HNWs | Ultra HNWs | HNWs |
|---|------------|-----------|
| % | % | % |
| Residential property excluding home or homes | 41 | 17 |
| Commercial property | 18 | 15 |
| Property funds or REITs | 21 | 11 |
| Any property investment | 57 | 37 |

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¹ HNW & Ultra HNW Investors: Survivors or Casualties: May 2009 Tulip Financial Research Ltd.

² HNW & Ultra HNW households number 195,000 out of a total 25.8 Million UK households.

³ 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, either through their sale or through the scheduled return of principal at the end of the period remaining to maturity. The Tulip definition includes investment property excluding investor homes & second homes

Figure 3 shows that in 2009 the Ultra HNWs average £1.6 million ((16% of their liquid assets) invested in property, compared with just £100k for the HNW's (9% of their liquid assets) . This sheltered Ultra HNW wealth but this alone was not the only factor contributing to their success.

FIGURE 3: HNW & ULTRA HNW PROPERTY ALLOCATIONS

"Out of every £1,000 of your current investments, approximately how much is invested in each of the following investment categories?"

| Property Asset Allocations | HNWs | Ultra HNWs |
|---|------------|-------------|
| | % | % |
| All property investments | 9.2 | 16.0 |
| Residential property excluding your home or homes | 4.2 | 11.0 |
| Commercial property as an investment | 3.1 | 4.0 |
| Property funds or REITs | 1.9 | 1.0 |

These wealthy property investors reacted differently to the credit crunch. The major difference was to resist a flight to cash. The non-property investors had more exposure to equities than the property investors, they made major disposals and built up their cash holdings. The property owners held on to their property and their other investments. This, has now stood them in good stead. Figure 4 shows that these very wealthy Ultra HNW property owners now have just 11% of their investments in cash; the non-property owners have over twice as much (23%). The flight to cash has not so far proved advantageous.

FIGURE 44: ASSET ALLOCATIONS; — PROPERTY OWNERS V NON-OWNERS

"Out of every £1,000 of your current investments, approximately how much is invested in each of the following investment categories?"

| Asset allocations | Property investors | Not property investors |
|--|--------------------|------------------------|
| | % | % |
| Total Property allocation | 24.8 | Zero |
| Individual company shares | 30.7 | 36.8 |
| Other equities investments | 17.8 | 21.7 |
| Cash in savings accounts or similar | 11.0 | 23.2 |
| Other Investments e.g. corporate bonds, gilts etc. | 15.7 | 18.3 |

John Clemens, Managing Partner of Tulip Financial Research said:::
"Interpreting the wealth investment market over the past 18 months is a difficult task but some clear pointers are emerging. Britain's Ultra HNW investors have not fared that badly, particularly those invested significantly in property. Substantial allocations to property (often against the advice of professional advisers) and careful selection of first class residential & commercial properties (coupled with lack of panic selling) has stood them in good stead. Those HNWs with average investments valued now at just under a million and heavily invested in equity related categories have suffered far more This is often because their personal direct investments in company shares have proved ill judged. Choosing a few good value properties that hold their value has proved easier and more effective than choosing a dozen of so investments in individual company shares. This is a salutary finding."

For more information contact:

John Clemens, Tulip Financial Research: Tel: 020 7582 6870 or

Email john.clemens@tulipresearch.com