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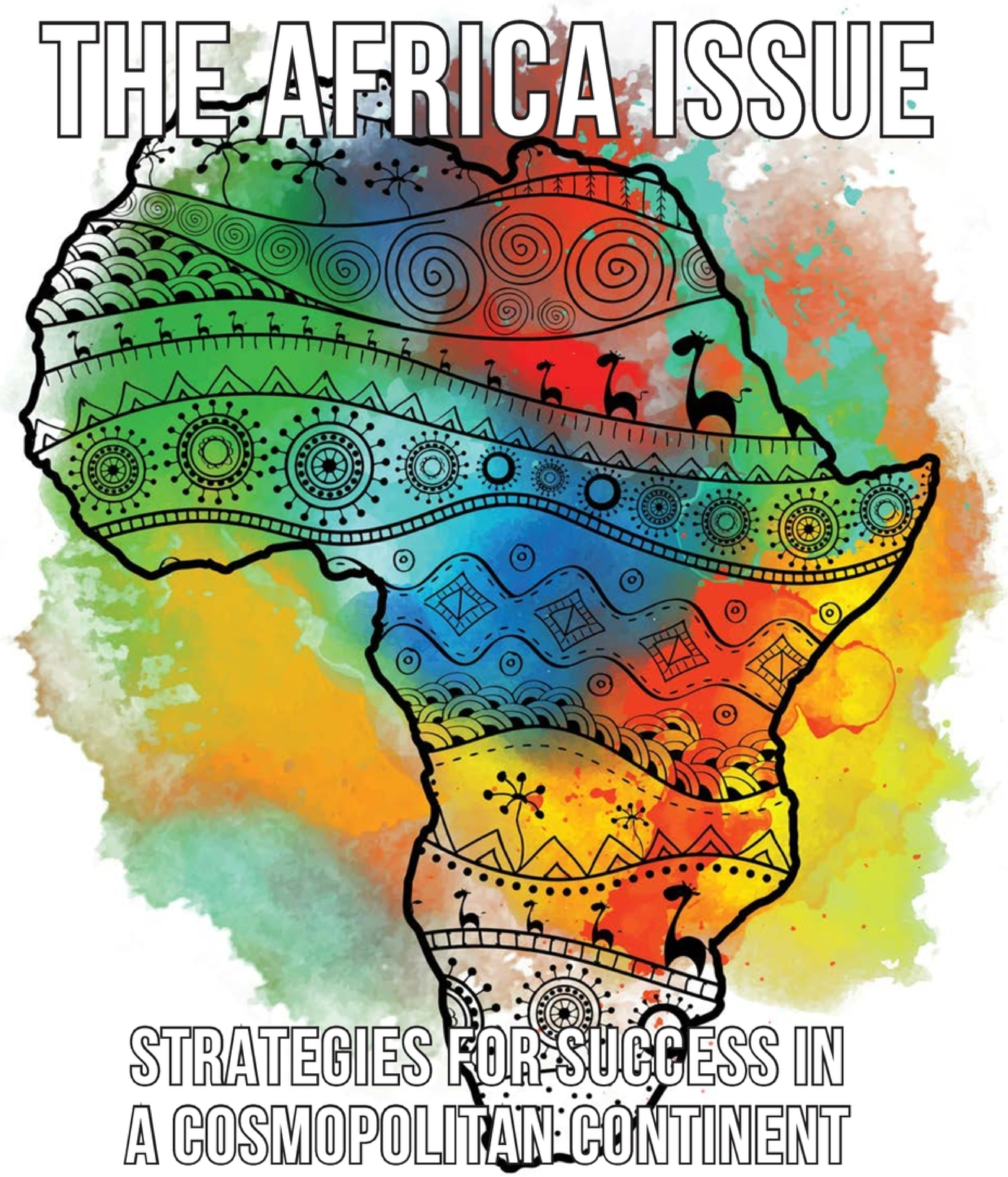
THE AFRICA ISSUE



STRATEGIES FOR SUCCESS IN A COSMOPOLITAN CONTINENT

FEATURE

Sniffing out the latest cutting-edge fintech ideas at Finovate Europe

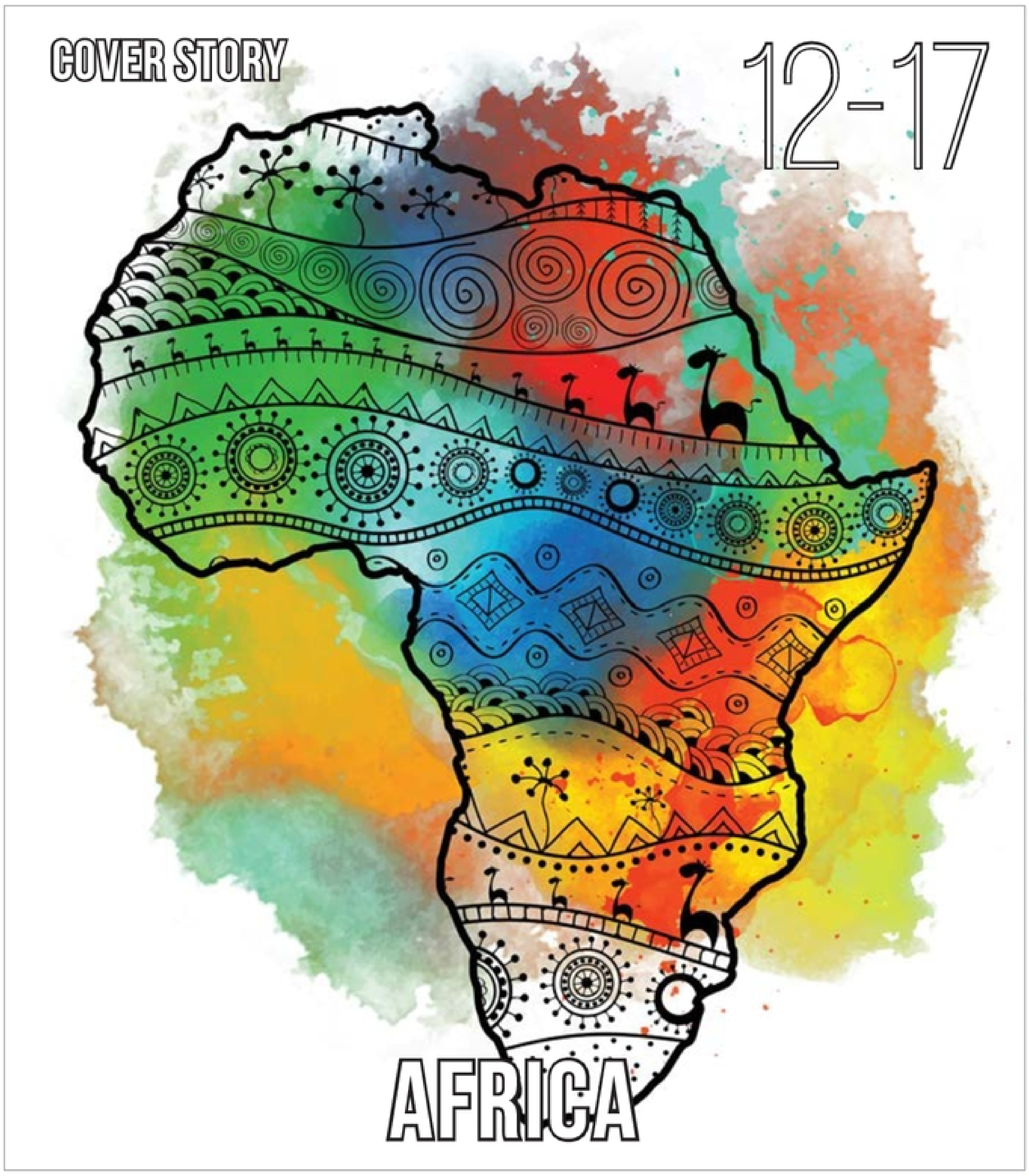
ANALYSIS

Investors reduce hedge fund allocations as returns struggle to justify high fees

OPINION

Investor visas: why is the UK changing laws that do not need to be changed?

THIS MONTH



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MARCH 2018

WELCOME TO THE AFRICA EDITION

Oliver Williams, Editor

At the time of writing, Nigeria, Africa's most populated country, is going to the polls. It is just one of several elections that is taking place throughout Africa this year.

Others are scheduled in South Africa, Senegal, Algeria, Botswana, Mozambique, Tunisia, Namibia and Mauritius, and they have already taken place in the Democratic Republic of Congo and Zimbabwe.

With most of Africa's population – and around a quarter of its landmass – going to the polls, this year brings renewed hopes of continental change. But as previous hopes of an 'Africa Rising' have shown, change at the ballot box can go one of several ways.

Although the number of coups has gone down in Africa according to research by academics Jonathan Powell and Clayton Thyne, democracy can also be disappointing. President Buhari, winner of the last Nigerian election, met few of the promises on which he was elected, and hopes of a less-authoritarian Zimbabwe seem dashed if last year's election violence are anything to go by.

Most wealthy Africans have seen all this before. The average age of an African HNWI is 54, according to GlobalData; that means most have lived through the post-colonial optimism that came with independence in the 1960s and the conflict that persisted during the Cold War.

This history has created a distorted picture. According to WealthInsight, a division of GlobalData, most African wealth is split between the North African Maghreb – Morocco, Tunisia, Algeria, Libya and Egypt – and South Africa, with both regions accounting for around 30% each of the continent's HNWIs. The remainder are grouped into what is known as 'sub-Saharan Africa, excluding South Africa'. However, it is their number that is rising faster than any other. By 2025 these countries will grow their HNWI populations at a rate of 29%, boosting their continental share of HNWIs to 49%.

In this edition, *PBI* therefore explores some of the brighter spots of sub-Saharan Africa excluding South Africa in our country roundup on **pages 12 and 13.**

For foreign private banks that are eyeing up the next wave of wealth growth, Jamie Crawley investigates whether there is money to be made by entering a market where others have tried and failed. On **pages 16 and 17** he asks if this is the end of the Africa desk at major banks.

As global players retract from the Africa market, new wealth managers are filling the gap. **Page 14** details these, while on **page 22,** O Paul Andrew gives a personal account of doing just that.

Have hedge funds had their day?

Results of the past month have shown record losses for some hedge funds, and the once-poster-child of alternative investments seems to be in terminal decline. HNWIs should surely divest of this asset class altogether?

However, as Melanie Sneddon points out on **pages 10 and 11**, hedge funds have continually moved in cycles, and with some predicting that the end of the current cycle is looming, this investment type might yet return to the huge returns of its glory days.

Real-world fintech

Private bankers continually complain that they are always hearing about how fintech is changing their industry, but see few examples. With this in mind, Jamie Crawley attended *Finovate*, a conference consisting of a series real-world demonstrations from financial technology firms. **On pages 8 and 9,** Crawley looks at specific areas where fintech platforms can help private banks with issues from onboarding clients to handling data.

Meanwhile, more than a quarter of Chinese surveyed by GlobalData said they "can't imagine living without technology", as their contribution to our opinion section shows. This is just the beginning of a huge opportunity, believes GlobalData.

It is not just China that is witnessing this trend. "One of the significant trends within the wealth and asset management space is the impact of the fintech companies in Nigeria," Meristem Wealth Management, one of Nigeria's newest players in the sector, tells *PBI*.

While much of Africa might be new to wealth management, the same rules apply. ■

Oliver Williams
Editor, Private Banker International

GET IN TOUCH WITH THE EDITOR AT: **OLIVER.WILLIAMS@VERDICT.CO.UK**

THE BRIEFING

During the run of this March issue, the UK will leave the EU – at least that is the plan at the time of writing. *PBI* looks at the contingencies that banks have put in place ahead of the 29 March 'Brexit Day'

€32bn

The value of UK assets that UBS will transfer to Germany as a result of concerns over Brexit.

The transfer from the UK arm, UBS Ltd, to the German unit will take place in March. Fewer than 200 jobs are expected to be affected by the move.

€190bn

The value of assets that Barclays plans to shift to Dublin amid worries of a no-deal Brexit.

Designed to manage the outcome of a no-deal Brexit, the asset transfer involves around 5,000 clients. Approving the transfer, High Court judge Justice Snowden said the bank "cannot wait any longer" to implement its strategy.

€400m

The amount that Bank of America vice-chair Anne Finucane said the company would spend on offices, people and technology ahead of Brexit.

BofA's plans include moving $50bn of banking assets and creating a 500-strong trading business in Dublin. The bank is also moving traders to a new hub in Paris.

€800bn

The value of assets that financial services firms are preparing to transfer from the UK to other EU locations in contingency planning for Brexit, according to a report by EY.

The study tracked the Brexit strategies of 222 financial services firms, only 20 of which had announced plans to shift assets out of London to Europe since the EU referendum.

1,545

The number of jobs in the UK advertised by Goldman Sachs, Citigroup, JP Morgan, Morgan Stanley, Bank of America, UBS, Credit Suisse and Deutsche Bank, as of January.

Reuters, which compiled the data, found just 301 jobs listed in Germany and France, the two countries widely expected to benefit from banks relocating out of the UK ahead of Brexit.

500

The total number of jobs transferred by French banks BNP Paribas, Crédit Agricole and Société Générale from London to Paris.

HNW INVESTMENTS: HAVE HEDGE FUNDS HAD THEIR DAY?

Wealthy investors are decreasing their allocation to hedge funds, as returns rarely justify high fees. Hedge funds themselves seem less interested in the HNW investor as they turn themselves into family offices. *Melanie Sneddon* asks whether this is part of a cycle, or something larger

The golden days of superior returns and huge fees look like they might be over for hedge funds.

Financial markets have been undergoing a dramatic evolution in recent years, and last year hedge funds produced their lowest returns since 2011, with many funds closing their doors.

Few managers have been able to recreate the annualised double-digit returns of the 1980s and 1990s for which they were once renowned. Since the 2008 financial crisis, quantitative easing, low interest rates, a saturated industry and a more vigilant regulatory environment have meant that hedge fund managers have found it harder to make such impressive returns. Though AuM has increased markedly, assets are now concentrated in fewer funds.

Today, the hedge fund industry is reported to be worth $3.1trn and is coated in a veneer of good health. Nevertheless, in recent months, the demise of the hedge fund's supremacy has been widely reported, with funds seeing outflows for the second time in three years. Industry monitor Hedge Fund Research (HFR) reported that 2018 saw net asset outflows of $34bn, approximately 1% of the industry's capital.

Preqin, which provides data on alternative assets, said there were 14,800 active funds in 2017. However, in 2018 the number of new fund launches declined for the fifth consecutive year: there were 609 new fund launches in 2018, almost half the 1,169 that started in 2017.

Last year was also the first in which Preqin saw more fund liquidations than launches, indicating a lack of forthcoming investment. "The industry saw a small contraction in the number of active funds, as the number of liquidations (746) surpassed the number of launches (609) for the first time since Preqin began tracking," notes a Preqin report.

Countless funds have closed their doors in the past three years, such as Highfields Capital Management, which closed its $12.1bn fund. Several high-profile hedge fund owners are turning their firms into family offices. John Paulson is considering turning his firm, Paulson and Co., into a family office, and Leon Cooperman of Omega Advisers reformed as a family office at the end of 2018.

Many cycles have come and gone over the decades under both turbulent and benign market conditions, and there are many theories as to why hedge funds simply are not making the returns of old. *PBI* investigates what happened to the one-time poster child of alternative investing, and how HNWIs should view their allocations to this asset class.

INVESTOR COLONISATION

In 2018, institutional investors formed nearly 65% of investment into hedge funds, typically allocating between 10% and 20% of their capital to the sector. The remaining 35% was made up from family offices, wealth managers and foundations – in other words, individual wealth; those same individuals typically allocate between 5% and 7% to hedge funds.

As a proportion of their total portfolio, family offices allocate in the region of 5.7% to hedge funds, according to the 2018 UBS *Global Family Office Report*. BNP Paribas's 2018 *Entrepreneur Report* estimates that UHNWI entrepreneurs allocate 7% to hedge funds.

The balance between individual and institutional wealth was not always like this, however. In the early years of the industry, in the 1970s and early 1980s, hedge funds attracted much greater amounts from HNWIs and family offices.

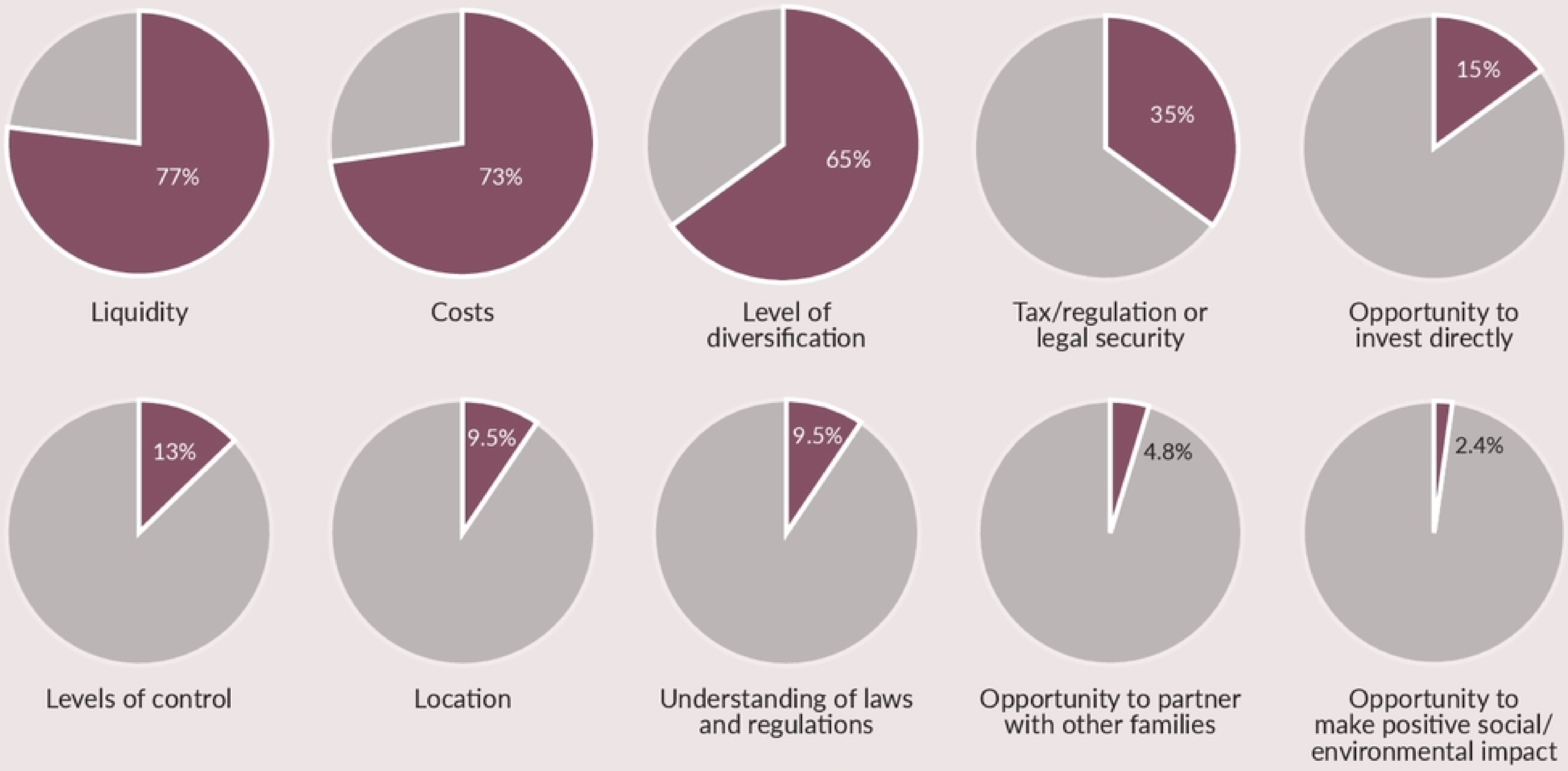
Over time, hedge funds became more widely acknowledged for their sophisticated strategies and risk-adjusted returns, and so attracted more money from institutional investors. However, that has also increased pressure for transparency. Hedge funds have had to adapt to a more risk-controlled environment with tighter operational controls and compliance policies and procedures. Consequently, costs have escalated and friction has been added to their operations.

TWO AND 20, ONE AND 10

Performance aside, one of the largest criticisms of the industry has been the traditional 'two and 20' fee structure: a 2% management fee plus 20% of any performance gains.

Investors have had every reason to question the high management fees with diminishing returns, and managers have found it harder to convince investors that the good times will return. This was exacerbated during the last

MOTIVATIONS TO INVEST IN HEDGE FUNDS, OTHER THAN RETURNS



Source: UBS/Campden Wealth

quarter of 2018, with financial market turmoil across all asset classes.

Hedge funds ended their worst year in seven years, according to HFR, and many funds took big hits. Among them Lone Pine, Andreas Halvorsen's Viking, David Tepper's Appaloosa, Louis Moore Bacon's Moore Capital, John Paulson's Paulson & Co., and King Street Capital.

As a result of increasing pressure from investors, fees have been on the decline. The demand from investors for bespoke fee arrangements continues to increase and, with every new fund launched, the industry has seen less of the 'two and twenty' fee structure and has moved towards levels considerably lower than this – with one investor confirming that he had "not paid more than one and 10% for a while".

TECH AND TALENT WARS

Artificial intelligence and machine-learning technologies are changing the way in which many funds operate.

Operational efficiency and the hunt for the best systems and data specialists have been high on the agenda in an ever-increasing tech-savvy financial environment. The competition to hire and retain talent within fund operations is becoming increasingly important to improve efficiency.

Compensation advisory firm CompIQ estimates that the average hedge fund pay fell 10% in 2018. Bonuses – a critical part of hedge fund managers' remuneration packages – fell on average 18% last year, causing many managers defect to more lucrative funds houses, such as private equity, where pay packages are healthier.

HEDGE FUND GIANTS

A waning of fund launches and numerous liquidations has slimmed down the industry, leaving only those that have adapted to the new environment remaining.

Investors have created a herding effect by pooling their money into fewer, better-established funds, and those chosen few now manage tens, if not hundreds of billions in assets. At the end of 2018, Bridgewater boasted an AuM of $160bn and the London-based Marshall Wace $39bn.

With unprecedented financial clout, these giant hedge funds have bucked the trend of declining returns. Bridgewater's Pure Alpha defied the market with a return of almost 15%, delivering the fund's best performance in five years.

Big names such as Two Sigma, DE Saw and Renaissance Technologies also saw large returns in 2018, underlining how some of the hedge fund industry's giants have managed to succeed despite turmoil in the financial markets.

But with the ever-growing concern of an economic slowdown, there are questions about how the hedge fund industry will fare in the future.

GLORY DAYS TO RETURN?

Hedge funds have endured a challenging period, and as the industry looks ahead to 2019 and beyond, the future may look uncertain. Market turmoil and risks remain, but the industry is more institutionalised, more globalised, and strategies are more sophisticated.

Preqin has suggested that the hedge fund industry will grow by 31% in the next five years, reaching $4.7trn in 2023. Established names such as former BlackRock MD Michael Phelps are reported to be launching Tresidor Investment Management, and former BlueMountain Capital partner David Zorub will be launching Parsifal Capital Management in 2019.

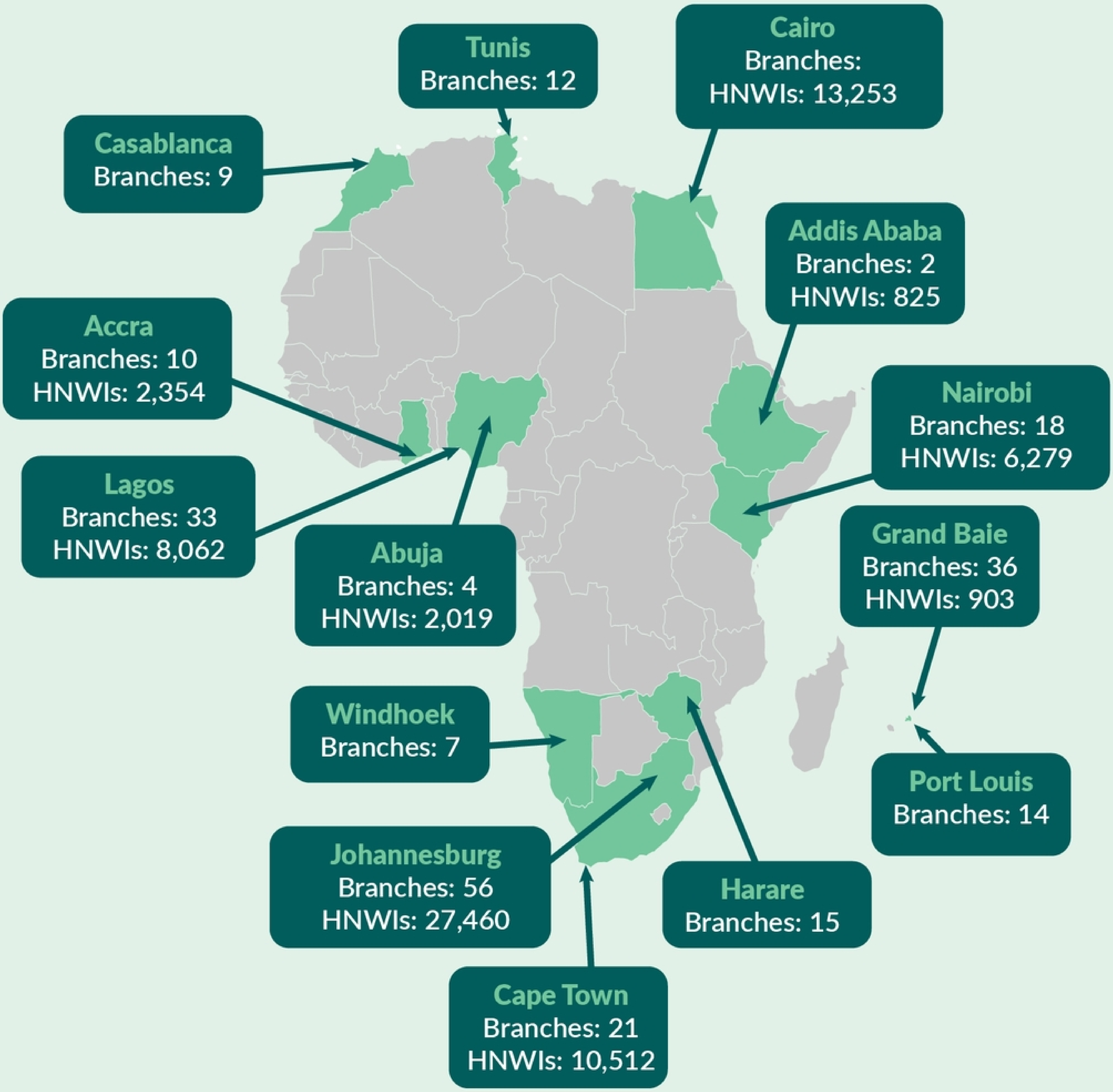
Hedge funds continue to be an integral part of the investment landscape, despite nearly a decade of underperformance, and the market is yet to see the extensive exodus by investors that occurred a few years ago. Instead, investors are reallocating their capital to the more established funds.

There is hope that more volatile markets in 2019 will create a trading environment that is favourable to managers who can capitalise on this, and that the industry will continue to adapt and evolve.

It is not yet known, however, whether these hedge funds that are fewer in number but more dominant in size have lost their agility and become too cumbersome to recreate the huge returns of the glory days. ■

AFRICAN WEALTH MANAGEMENT

Number of private banks, wealth managers, and HNWIs by city in 2018



Source: GlobalData, WealthInsight, Knight Frank Wealth Report 2019

THE FORGOTTEN CORNERS OF AFRICAN WEALTH MANAGEMENT

Wealth is increasing in a region largely neglected by wealth managers, but a continental view can be misleading. *Mishelle Thurai* looks into the forgotten corners of the African wealth management market

***The Economist* coined the term 'Africa Rising' in 2011, forecasting a prosperous future for the African economy.**

That optimism has been repeated by a host of studies since then. The International Monetary Fund (IMF) expects sub-Saharan Africa's growth to pick up from 2.9% in 2018 to 3.5% in 2019, although this growth is still lower than that shown for October 2017, due to the effect of softening oil prices on oil-producing economies.

However, a group of non-oil-reliant economies have all witnessed thriving economies according to Knight Frank's *Africa Report 2018/17,* showing the split between commodity exporters and importers. Rwanda, Ethiopia and Kenya have all maintained GDP growth rates well in the excess of 5% due to growths in both private consumption and investment, according to Knight Frank.

Another report by Mauritian bank AfrAsia notes that there has been a 13% growth in total wealth held in Africa over the past 10 years; the strongest-performing markets have been Mauritius, Ethiopia and Rwanda. The *Africa Wealth Report* forecasts that private wealth in Africa will rise by 34% over the next 10 years, reaching an estimated $3.1trn by the end of 2027.

Studies such as these show that Africa as a whole is not rising; rather, individual countries are thriving in a continental economy skewed in favour of the diversified, well governed and innovative. *PBI* looks at the wealth markets in these countries.

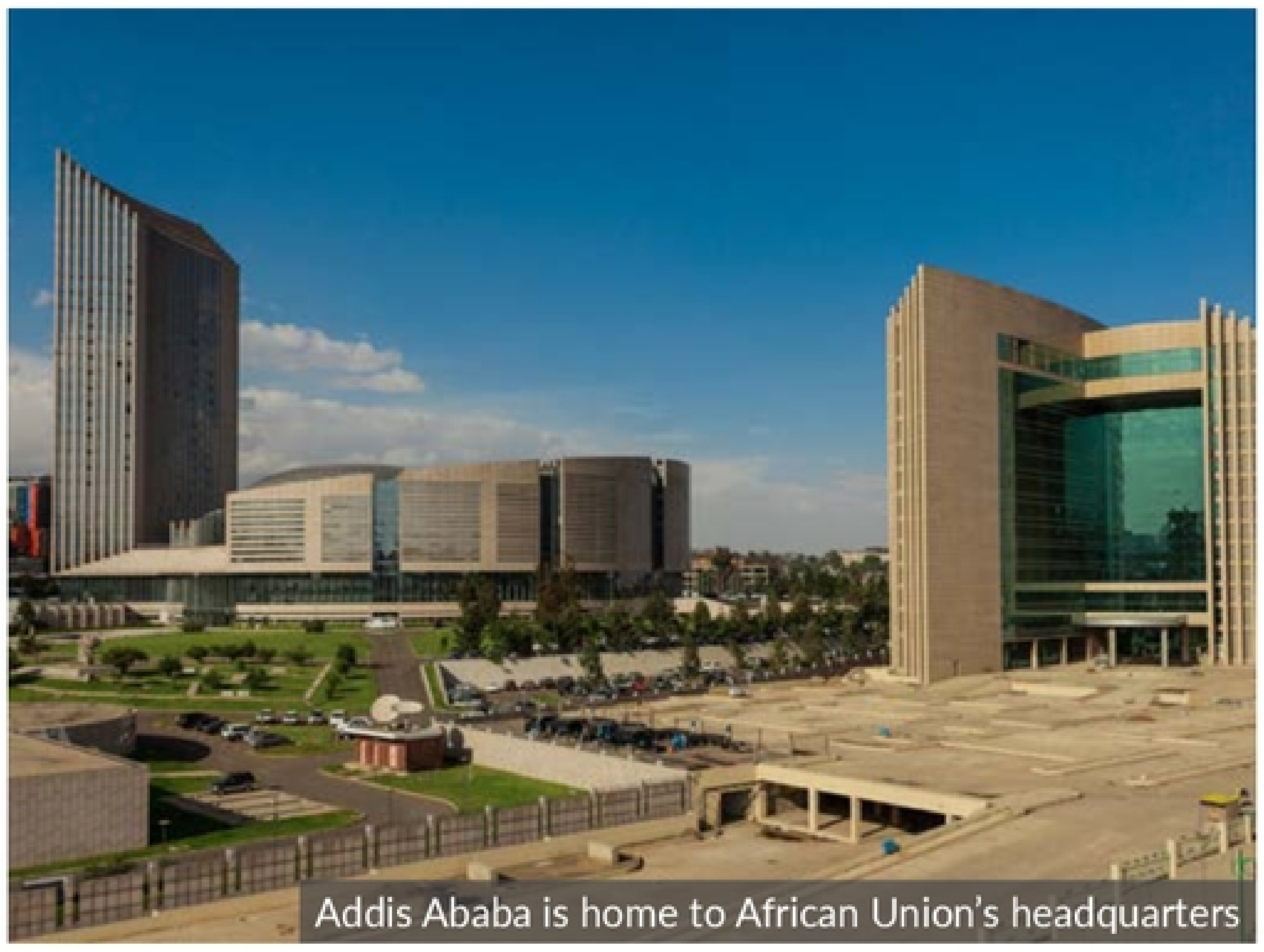
ETHIOPIA

African wealth watcher New World Wealth reports that Ethiopia grew by 190% between 2007 and 2017, the fastest increase on the continent.

However, wealth analyst Andrew Amoils, who compiled the data, points out that the growth is from a very low base: Ethiopia had around $20bn in total wealth in 2007. At last count there were 800 HNWIs in Ethiopia, according to Knight Frank's 2017 *Wealth Report*; the figure is, however, forecast to rise by 100% by 2026.

This optimism largely rests with Abiy Ahmed, who became Ethiopia's 15th prime minister in April 2018 and has since opened up the country's economy to financial


HNWIs are fuelling a boom in Nairobi's luxury housing market


Addis Ababa is home to African Union's headquarters

investments and re-established peace between Ethiopia and Eritrea.

His reforms have stopped at the banking sector, however, which remains closed to foreign investors. The two state-owned banks and the 18 licensed commercial banks are all domestically majority-owned. This means wealth management in Ethiopia, for now, remains in the hands of local firms.

KENYA

Kenya has been one of Africa's fastest-growing economies in the past three years, with growth peaking at 5.6% in 2016 according to the World Bank. Forecasts for 2019 show medium-term GDP growth rebounding to 6.1%, attributable to infrastructure projects, resolution of slow credit growth, and tourism.

According to Knight Frank's *Wealth Report,* Kenya had around 9,500 HNWIs in 2018. Evidence of this can be seen in the market for second homes, the report notes. Houses in Nairobi have increased in value by over 400% since 2000, according to Hass Consult Real Estate.

Although Kenya's financial sector has, unlike Ethiopia's, long been open to foreign players, its appeal among international groups is struggling. HSBC shut its Nairobi office after three years in 2014, and few others have entered the market since.

GHANA

Once the richest territory on Africa's 'Gold Coast', recent years have not been so rosy for Ghana's economy.

In 2012, Standard and Poor's revised Ghana's outlook to negative, due to the country's budget deficit. It then received a loan from the IMF in 2015, and while the country hopes to exit the process this year, HNWIs are advised to be cautious in terms of their investing.

Setor Quashigah, head of wealth management at Standard Chartered Bank, reported on Ghana in the bank's 2019 outlook, with a recommendation that Ghanaian investors tie their investments to assets that are easily liquidated.

"We're not asking people to keep their money in their savings account or current accounts idle," she explained. "What we are saying is yes, keep some idle, but also invest in funds you can quickly get out of and move into some other funds."

However, the 2,700 HNWIs currently living in Ghana are not to be overlooked. GDP is expected to rise by 6.3%, and 57% of native Ghanaians are under 25 years old.

RWANDA

Rwanda may have the lowest number of HNWIs on this list, clocking in with just 500 in 2016, according to Knight Frank; however, it has the highest prospects, at least according to some.

Not for its topography alone has Rwanda been labelled the Switzerland of Africa. The small landlocked nation ranks 29th on the World Bank's *Ease of Doing Business* ranking, higher than any other African nation other than Mauritius. Its stock exchange, although small, has attracted several listings from neighbouring Kenya. It is also a world leader in the field of legislation on drones, plastic reduction and healthcare.

Although the number of HNWIs may not merit much of a wealth management economy – only local banks Fina Bank and KCB Bank provide private banking services – there is an opportunity to attract wealth from neighbouring nations, in much the same way that Switzerland did in Europe.

NIGERIA

Nigeria was Africa's third-wealthiest country in 2017, with a total wealth of $253bn according to AfrAsia – second only to South Africa and Egypt. However, Nigeria's total wealth decreased by 10% in 2017, according to New World Wealth.

According to GlobalData's 2015 report, *Wealth in Nigeria: HNW Customers,* HNW investors in Nigeria fell into two broad categories: successful first-generation entrepreneurs and highly paid executives drawn largely from the oil and gas sector. The latter of these have seen their wealth plummet with the decline in the oil price since 2014.

However, other factors have also strained Nigeria's economy in recent years, including the loss of currency value against the US dollar, the drop in local real estate prices, and migration of HNWIs abroad. Estimates on the amount of wealth that has left the country vary: AfrAsia says 900 HNWIs left Nigeria in 2017, but Oxfam says 30% of Africa's total wealth is banked offshore – with much coming from Nigeria.

Those leaving Nigeria have also caught the attention of its government, which announced a tax amnesty scheme in 2017, providing HNWIs a window to disclose previously hidden assets and income.

More recently, the government declared a new visa scheme for investors in a bid to attract more foreign direct investment back to non-oil sectors. However, any potential investors will be waiting for the outcome of Nigeria's election. At the time of going to press, Nigeria's government has just delayed the election following problems with transporting ballot papers.

HNWIs and wealth managers alike will be closely watching the outcome in Africa's largest democracy. ■

PERSONNEL BRIEFING:
PEOPLE MOVES

***PBI* lists the month's key career developments by the movers and shakers in private banking and wealth management**

AREA	NAME	MOVED FROM	OLD POSITION	MOVED TO	NEW POSITION
Switzerland	Yvan Gaillard	Banque SYZ	Deputy CEO	Banque SYZ	CEO
EMEA	Stefan Bollinger	Goldman Sachs	Country co-ordinator – Switzerland	Goldman Sachs	Co-head – private wealth management
UK	Joe Moynihan	AIB	CEO – Jersey and Isle of Man offices	Jersey Finance	CEO
UK	Alan Thomas Carruthers	Numis Securities	Non-executive chair	Brooks Macdonald	Chair
Latin America	Ricardo Castillo	JP Morgan	Global investment specialist	Credit Suisse	Head – advisory and sales
Latin America	Marco Pacheo Romero	JP Morgan	-	Credit Suisse	Senior relationship manager
Latin America	Andre Martin Cazenave	JP Morgan	-	Credit Suisse	Senior relationship manager
Latin America	Rodrigo Pitre Mendez	Morgan Stanley	-	Credit Suisse	Senior relationship manager
Australia	Alex Wade	Credit Suisse	Head – developed and emerging Asia	AMP	Head – wealth management
US	Timothy O'Hara	Ayco	President; CEO	Rockefeller Capital Management	President
Germany	Javiera Ragnartz	AMF	Head – asset management	SEB Investment Management	CEO; head – investment management
Singapore	Desmond Kuek	SMRT	CEO	UBS	Divisional vice-chair – global wealth management
Liechtenstein	Arzu Tschütscher-Alanyurt	Telecom Liechtenstein	Member – administrative board	Raiffeisen Privatbank Liechtenstein	CFO
US	Peter Gunning	Russell Investments	CEO – Asia-Pacific business	Russell Investments	Global CIO
UK	Richard Brown	Kleinwort Hambros	Senior private banker	Kleinwort Hambros	Director – Yorkshire office

NEWS ROUND-UP: TECH AND REGULATION

The latest technology and regulation news to impact private banking and wealth management. Read the stories in full at privatebankerinternational.com

ROBO-ADVISOR PERSONAL CAPITAL SECURES $50M INVESTMENT

Digital wealth management platform Personal Capital has received a $50m cash infusion through a Series F funding round led by Canada's IGM Financial.

Without revealing its current figure, the firm stated that the new funding round had a higher valuation than earlier rounds.

Personal Capital plans to use the capital to improve its technology and invest in value-added alliances.

NTU SINGAPORE, WEBANK LAUNCH FINTECH RESEARCH CENTRE

Nanyang Technological University in Singapore (NTU Singapore) and Chinese digital-only bank WeBank have jointly launched a fintech research centre.

The new centre will work to support Banking 4.0, to enable personalised banking services from any location.

RAIFFEISEN DEPLOYS AVALOQ PLATFORM ACROSS GROUP

Swiss bank Raiffeisen has completed the deployment of the Avaloq core banking platform at its 900 banking sites in Switzerland.

The venture was created to migrate Raiffeisen to Avaloq's IT platform, which has now been completed. The software provider migrated 253 Raiffeisen banks onto its technology, covering all 11,000 bank employees.

WEALTH TECH PROVIDER WEINVEST FORAYS INTO NORTH ASIA

WeInvest, a digital wealth services provider based in Singapore, has expanded into North Asia and appointed Thomas Tse as head of sales to spearhead the initiative.

Based in Hong Kong, Tse will be responsible for offering digital wealth tools to financial institutions in Hong Kong, China, Taiwan and South Korea.

ENVESTNET | YODLEE ENABLES CONVERSATION AI

Data aggregation and analytics platform Envestnet | Yodlee has acquired software provider Abe AI, which offers conversational banking solutions.

Abe AI, set up in 2016, has branches in New York, Los Angeles and Orlando. The deal will enable advisers to utilise conversational AI during client interactions.

FALCON INTRODUCES DIRECT CRYPTOCURRENCY TRANSFERS

Swiss private bank Falcon is now accepting direct transfers of selected cryptocurrencies, including Bitcoin, for both private and institutional clients.

The bank claims the move repositions it as the front runner among financial companies with a positive outlook on crypto.

FCA tightens benchmark rules for fund managers

The UK's Financial Conduct Authority (FCA) has released a set of new rules for fund managers, requiring them to explain their use of benchmarks.

The move is a result of the regulator's *Asset Management Market Study,* which revealed weak price competition in the sector, leading to lower returns for savers.

FCA signs Brexit MoUs with ESMA and EU regulators

The UK's Financial Conduct Authority (FCA) has agreed memoranda of understanding (MoUs) with the European Securities and Markets Authority (ESMA) and European regulators as part of contingency planning for a no-deal Brexit.

The agreement will support cross-border supervision of firms and information exchange in the event of the UK failing to strike a settlement with the EU.

ICBC secures approval for wealth subsidiary

Industrial and Commercial Bank of China (ICBC), the country's largest bank by assets, has obtained approval from the China Banking and Insurance Regulatory Commission (CBIRC) to launch a wealth management subsidiary.

Several other Chinese banks have also recently received the green light from the CBIRC to establish wealth management units, including Bank of Communications, Agricultural Bank of China, Construction Bank of China, and Bank of China.

Cyberhedge receives investment from LFF

Cyber-risk company Cyberhedge has acquired a new investor in the Luxembourg Future Fund (LFF), which will help to bolster its team of artificial intelligence, technology and financial experts.

Cyberhedge is launching the first cyber-risk index, which will allow shareholders and investors to quantify the risk and cost of a data breach. ■

BUSINESS PROFILE: BLACKPACE WEALTH

Private banks and wealth managers in Africa can be divided into two camps: the newer local players and the mostly European banks that have set up shop on the continent. But what if you can combine the two? BlackPace Wealth was started last year by O Paul Andrew, a veteran of both Nigeria's oil industry and Switzerland's banking sector. Andrew's knowledge of both means he is undaunted by entering a challenging market. He tells *PBI's* Oliver Williams about how Africa differs from other wealth markets

Africa is, by far, one of the most attractive and, simultaneously, difficult markets to penetrate and develop from a wealth management point of view, specifically with regards to UHNWIs.

Africa cannot be looked at as a single market – a common mistake made by a large number of international banks and financial institutions looking to benefit from the wealth creation that is taking place across the continent.

The origin of the accumulated private wealth, the distribution of this wealth and the economic and political climates, vary from country to country. Additionally, the ethnic and cultural diversities present within individual countries mean having a strong understanding of the specifics of each market is crucial to doing business on the continent.

WEALTH IN AFRICA

It goes without saying that many African countries are not yet in a position to be attractive to wealth management firms, and will not be in the near future due to their still-emerging economies. Some countries may appear at first, from an economic point of view, to have good potential for wealth management services; however, other factors such as a polarised distribution of wealth with a relatively small middle class or non-transparent groups mean that time is still needed before they become attractive for wealth managers.

Regardless of the situation, firms also need to assess the appetite for wealth management services and devise an entry strategy before establishing a local presence in any given African country.

Paul Andrew, BlackPace Wealth

More importantly, the needs of a large number of entrepreneurs and business individuals would be better serviced, at least initially, by local and regional African groups rather than 'bulge bracket' and international investment banks or wealth managers.

PATIENCE IS KEY

When it comes to establishing a local presence in African countries, wealth management firms should be patient and not expect an easy road. Since the 2008 economic crisis, there has been decreased confidence in the wealth management industry worldwide, and these effects are still being felt today, with African HNWIs not excluded from this sentiment.

Investors are becoming increasingly sophisticated and demanding more transparency. Added to this, certain additional risk factors attributed to many African countries – including high levels of bureaucracy, corruption and political instability – mean that wealth management firms seeking to operate in these markets should allow for a substantial adjustment period before expecting to achieve significant results.

BlackPace Wealth targets emerging wealth in Africa with specific focus on new wealth creation and conservation. We are advancing a unique strategy for burgeoning entrepreneurs in fin-tech, oil and gas, mineral resources, agriculture and real estate development.

Our plan is to grow our wealth portfolio to hit $5billion in 5-10 years with robust technology and human capital. Our board members also include those who have worked to improve the global financial regulatory landscape and promote investor confidence. ■

PRIVATE BANKER INTERNATIONAL

Private Banker International is dedicated to tracking and understanding the global private banking and wealth management industry.

As the only editorially independent and globally focused briefing service, we are able to cut through the noise of the industry, sourcing unique and innovative insight directly from key industry stakeholders.

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