

Sample Report

High Level Assessment of Wealth Management Service Opportunity



Prepared For

ABC

Date

IMPORTANT

This sample report is an abridged and sanitized version of a project done for one of our clients.

To protect client interests – several data points, analysis and key recommendations have been removed from this version of the document.

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Please note, all numbers presented in the report are for sample purpose only and not indicative of the actual market.

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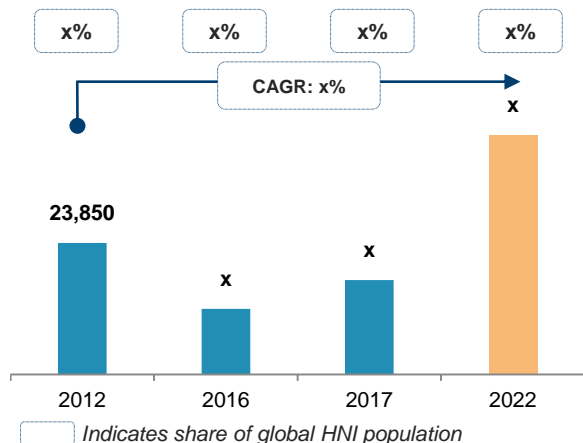
Market Opportunity, Business Model, Target Audience, Fee structure and Product offerings

20

Wealth Management industry in ABC is expected to flourish on account of rising high net worth individuals and investable assets

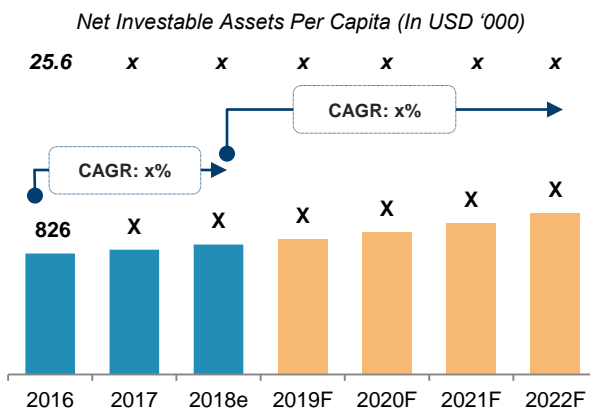
High Net Worth Individual Population in ABC

2012-2022F | Individuals with net worth > USD 5 Mn



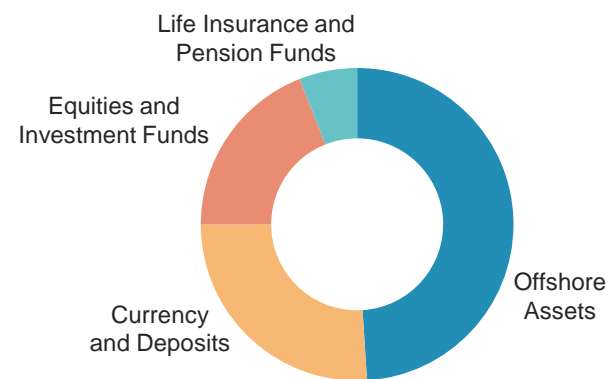
Net Investable Assets

2016-2022F | Figures in USD Billions



Asset Allocation by ABC Investors*

% share by Asset type



Indicative asset allocation based on BCG report

Key Market Segment

- **HNIs with a net worth of less than USD 50 Mn**, account for ~x% of the HNI population in Saudi Arabia, representing a key market for wealth managers.
- However, this segment is not actively targeted by leading wealth managers which primarily focus on large corporates and individuals (more than USD 50 Mn).

Asset Allocation

- **Offshore assets** continue to be key investment product for HNIs in the Kingdom, as they avoid corruption crack down started by the government under the new prince.
- Also, **equities** is estimated to be key focus area for clients in coming years, along with alternative investment products such as real estate and private equity funds.

Market Opportunity

- Overall, wealth management industry in Saudi Arabia offers lucrative opportunity for market players offering offshore and equity investment products.
- Additionally, wealth managers can expect to grow their business on account of growth in HNI population and increase in investable assets.

Source: BCG Wealth Report, Knight Frank Wealth Report, Desk Research

ABC wealth management industry is witnessing a shift towards technology and Islamic products with clients seeking custom investment advisory solutions (1/2)

Industry Trends

Future Investment Focus

- Under Vision 2030, government seeks to diversify the economy focusing on non-oil sectors such as housing, healthcare, education, entertainment, among others.
- The quick brown fox jumps over the lazy dog.
The quick brown fox jumps over the lazy dog.
- The quick brown fox jumps. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps. The quick brown fox jumps over the lazy dog. The quick brown fox jumps. The quick brown fox jumps over the lazy dog. The quick brown fox jumps. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.

Favorable  Unfavorable

HNI Buying Behaviour

- 80% of HNIs prefer local banks on account of security, proximity to home, trustworthiness, and ease of use.
- The quick brown fox jumps over the lazy dog.
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- The quick brown fox jumps over the lazy dog.
The quick brown fox jumps. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.

Favorable  Unfavorable

Islamic Wealth Management

- As of Q12017, Saudi Arabia contributed 35.6% of the global Islamic funds, valued at USD 25.2 billion
- The quick brown fox jumps over the lazy dog.
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- The quick brown fox jumps over the lazy dog.
The quick brown fox jumps. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.

Favorable  Unfavorable

Source: Desk Research, Primary Research, Emirates Bank Wealth Survey, Aranca Analysis

Favorable  Unfavorable

Indicates implication on the wealth management industry

ABC wealth management industry is witnessing a shift towards technology and Islamic products with clients seeking custom investment advisory solutions (2/2)

Industry Trends

Lorem Ipsum

- Adoption of technologies like robo advisory, artificial intelligence and blockchain is increasing on account of higher demand for digital channels by clients and need for wealth managers to optimize costs.
 - 49% of wealth managers in GCC are positive about robo advisory, but feel the market is underpenetrated.
 - Also, assets under management by robo-advisors in the Kingdom reached USD 174 Mn in 2018 and is expected to grow at a CAGR of 64% to USD 1,254 Mn by 2022.
- This is evident as automated investment platforms like Wahed and Sarwa reported an increase in user base, and attracted investments to further boost future growth.
- The traditional wealth management companies globally are using this tech enabled solutions as a sales tool to attract large number of investors.

Favorable  Unfavorable

Lorem Ipsum

- The industry is expected to witness a shift towards a holistic business model offering client-focus advisory-oriented investment advice as compared to product-oriented advice offered by traditional wealth managers.
- According to Ernst & Young, the market share of holistic wealth managers is expected to increase from zero to 20% – 30%, over next 10 years.
- The shift will largely be driven by client's need to preserve and expand their wealth. Additionally, the demographic shift and low interest rate environment would put pressures on traditional wealth managers to add value for investors and develop a profitable business environment.

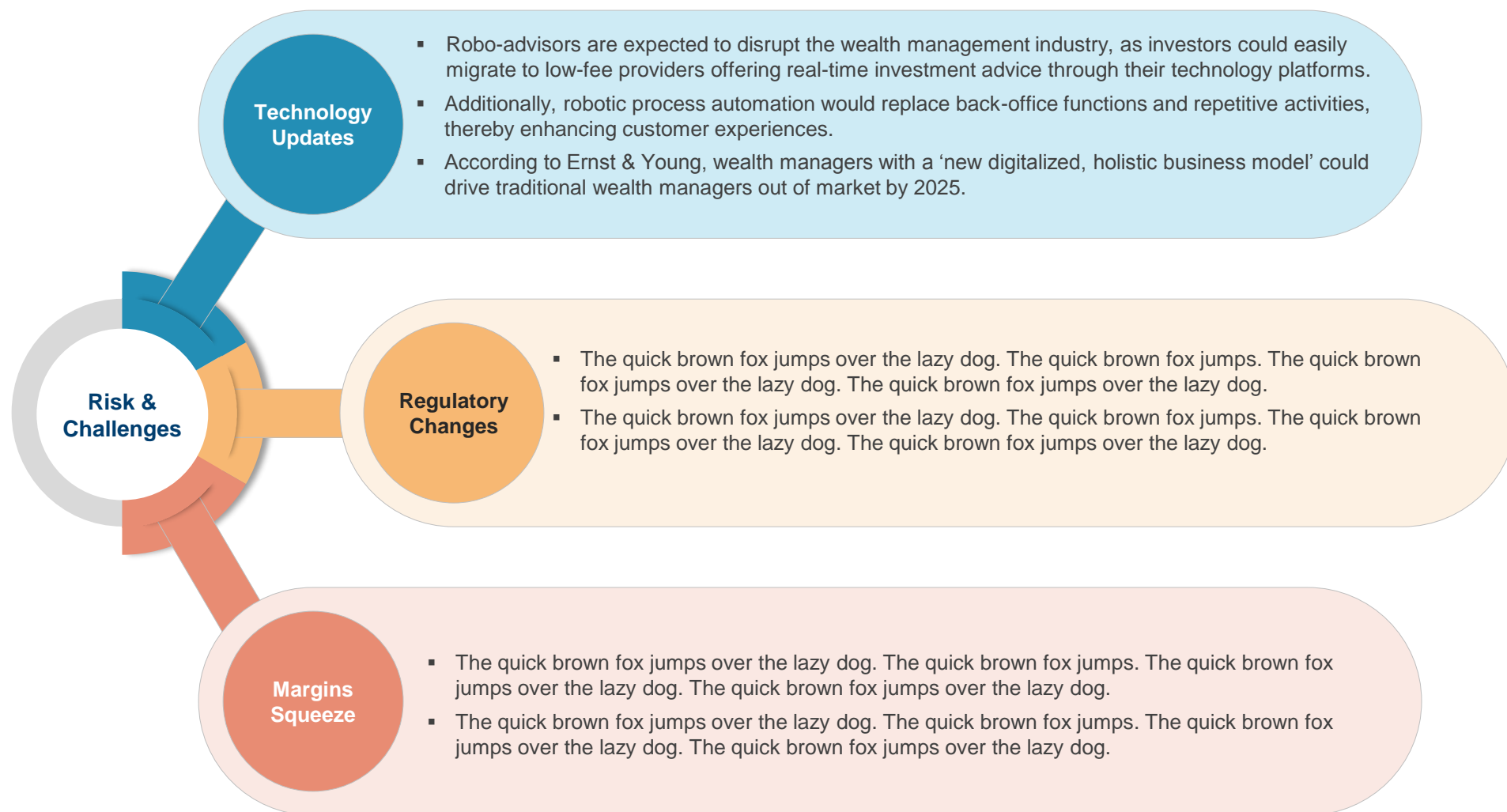
Favorable  Unfavorable

Source: Desk Research, Primary Research, Emirates Bank Wealth Survey, Aranca Analysis

Favorable  Unfavorable

Indicates implication on the wealth management industry

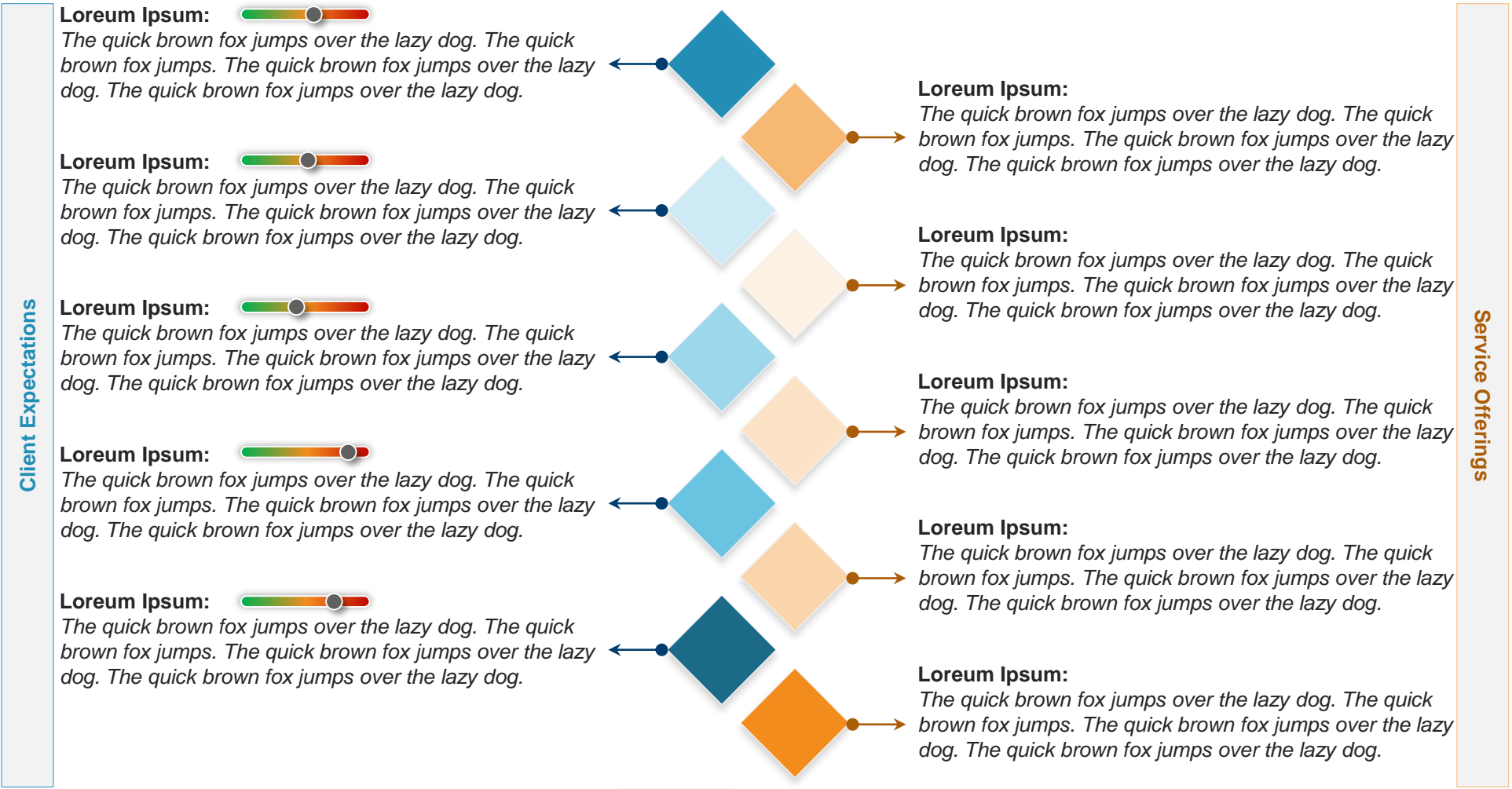
However, several factors such as technology, regulatory and competition could impede the growth of wealth management segment in the Kingdom



Source: EY Wealth Report, Desk Research

Moreover, the unmet needs in terms of fee structure and technology upgradation offers opportunity for new companies to attract investors seeking to consolidate their assets

Wealth Management in ABC: Client Expectations Vs Service Offerings



Source: Ernst & Young, Desk Research

Note: *Four companies analysed for the purpose of this report.

In terms of business model, wealth managers catering to HNI and institutional clients, and primarily focusing on core advisory products are expected to report higher margins going forward

Wealth Management Business Model

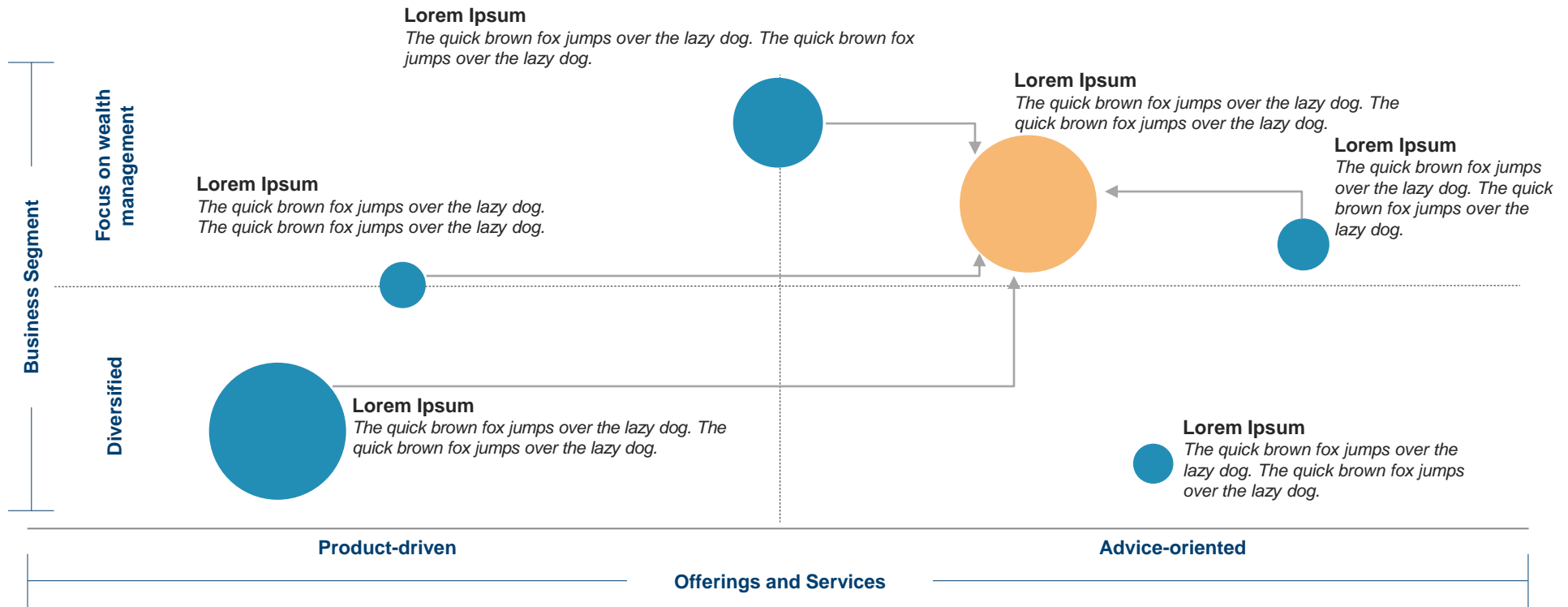
Wealth Management Business Model		Expected Impact on Company Financials			
		Profit Margin	Revenue Margin	Cost Margin	
Clients	Lorem Ipsum is simply dummy text	↑	↑	↓	<i>Companies catering to HNI and institutional clients report higher profit margins due large size of investable assets, but cost margins are lower on account of higher competition</i>
	Lorem Ipsum is simply dummy text	↑	↑	↓	
Lorem Ipsum	Lorem Ipsum is simply dummy text	↓	↓	↓	<i>The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.</i>
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Recommendations: The company should seek to operate under a holistic business model catering to HNI and institutional clients and offering a prudent mix of traditional, market tracking and client focus advisory services. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.

Source: Deloitte Research, Desk Research

This is in line with the wealth management industry that is expected to shift towards a holistic business model offering client focused advisory services to meet diverse client needs



Holistic Wealth Management

- According to survey conducted by Ernst & Young, 45% of the clients prefer holistic goal based-investment planning through the use of digital tools.
- Additionally, wealth managers seeking to remain competitive in the market are expected to offer technology-driven advisory solutions and add value through client specific investment products.
- Further, this allows wealth managers to optimize costs (legal, compliance, governance) through structured investment portfolio, thereby generating higher returns for the company.

Source: Ernst & Young Report on Wealth Management, Desk Research

Additionally, operating models focusing on HNI clients and offering internationally focused investment services are expected to gather larger AUMs

Wealth Management Operating Model

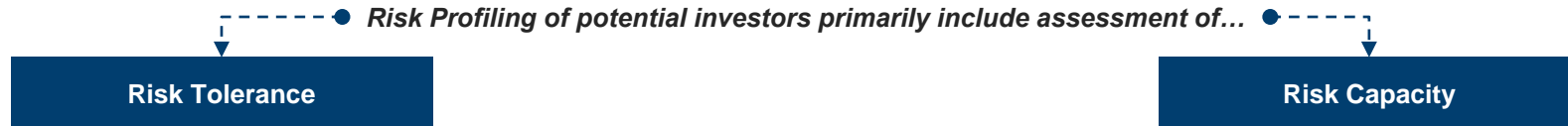
	Ranking based on adoption	Ranking based on AUM	
1 Pure play private bank with open product architecture (advisory focus)	XX	XX	<i>Model 1-3 represent traditional operating models which witness wide adoption by wealth managers, but lower AUMs. Additionally, these models face threat of extinction driven by dynamic client needs which cannot be met through these traditional operating models</i>
2 Pure play private bank with traditional product offering with back-office operations outsourced to third party vendors (BPO*)	XX	XX	
3 Internationally present wealth manager with own investment funds (traditional products) and BPO	XX	XX	
4 Private bank for HNI clients with open product architecture and focus on extended advisory services	XX	XX	
5 Local wealth manager with a range of own investment products (self operated funds) and BPO*	XX	XX	
6 Internationally present private bank for HNI clients and range of products and service offerings and BPO*	XX	XX	<i>Operating models 6-8 allow the company to target a larger AUM, thereby larger revenue streams to grow their business. Additionally, these operating models represent lower adoption rate, hence, offering the company an opportunity to differentiate and attract a larger customer base.</i>
7 Internationally present wealth manager with a range of own investment products (self operated funds) and BPO*	XX	XX	
8 Internationally present wealth manager with product offerings only	XX	XX	

Source: Deloitte Research, Desk Research

Note: *BPO refers to back and middle office operations outsourced by wealth managers to third party vendors

In terms of risk profiling, majority of wealth manager use targeted questionnaire with scorings to assess the risk tolerance of investors and provide adequate investment advisory

Wealth Management Risk Profiling



... through a series of questions, to define investors attitude to security and level of risk the investor is prepared to accept ...

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These questions are rated or scored to evaluate the risk profile of clients. These scorecards* are used to segment investors broadly into five segments including...

Conservative	Moderate	Balanced	Assertive (Growth)	Aggressive
The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.	The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.	The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.	The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.	The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.
0-XX points	XX-XX points	XX-XX points	XX-XX points	XX+ points

Source: Desk Research

*Note: Scorecard ratings and scores vary by company based on company's investment theme.

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Wealth management companies, operating as a subsidiary of banks, primarily offer investment advisory solutions with a similar pricing model

Wealth Management Services: Competitor Benchmarking (1/2)

Company Logo 1

Company Logo 2

Company Logo 3

Company Logo 4

Service Offerings	<i>All competitors offer a range of wealth management and investment advisory services, with few offering banking and ancillary products such as insurance</i>			
Investment Advisory	✓	✓	✓	✓
Discretionary Portfolio	✓	✓	✓	✓
Custody Services	✓	✓	✓	✓
Investment Products	✗	✓	✓	✓
Equity Research	✓	✓	✓	✗
Insurance	✓	✗	✗	✗
Banking Products	✓	✗	✗	✗
Pricing Structure	<i>All companies meet industry standards of charging management fees of x% and a subscription fees x%. However, the companies offer discounts based on investable assets and long term relationships.</i>			
Geographic Focus	<i>All companies cater to Saudi customers, offering investment exposure to domestic, regional and international markets through owned or third party investment funds</i>			
Clientele	ABC Only	ABC Only	ABC Only	ABC Only
Investment Opportunity	ABC and Global Assets	Local and offshore investments through third party affiliates	Local and offshore investment through owned and operated equity funds and fund of funds investing in third party international funds	Local, regional and global assets through funds owned and operated by the company

Source: Primary Research, Desk Research



Company Profiles

Lorem Ipsum

Lorem Ipsum

Lorem Ipsum

Lorem Ipsum

The ABC provides an array of personal banking, commercial banking, investment services, and treasury and trade services

KEY FACTS	BUSINESS OVERVIEW	Corporate Timeline
Year of Inception XXXX	<ul style="list-style-type: none"> ▪ The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. ▪ The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. ▪ The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. ▪ The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. ▪ The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. ▪ The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. 	<p>2007 The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.</p> <p>2011 The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.</p> <p>2013 The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.</p> <p>2017 The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.</p>
Ownership Type Public		
Employees ~x		
Revenues SAR x Mn		
Website www.abc.com		
Headquarters ABCD, XYZ		
KEY EXECUTIVES		
Managing Director Rob Bloom		
Chief Risk Officer Rob Bloom		
Chief Operating Officer Rob Bloom		
Chief Financial Officer Rob Bloom		

Source: Company Website, Desk Research

ABC provides a complete range of integrated banking products and services to both the retail and corporate sectors

Products and Services

- **Lorem Ipsum:** The quick brown fox jumps over the lazy dog. The quick brown The quick brown fox jumps over the lazy dog. The quick brown
- **Investment Services,** The quick brown fox jumps over the lazy dog. The quick brown The quick brown fox jumps over the lazy dog. The quick brown
- **ABC Services,** The quick brown fox jumps over the lazy dog. The quick brown The quick brown fox jumps over the lazy dog. The quick brown



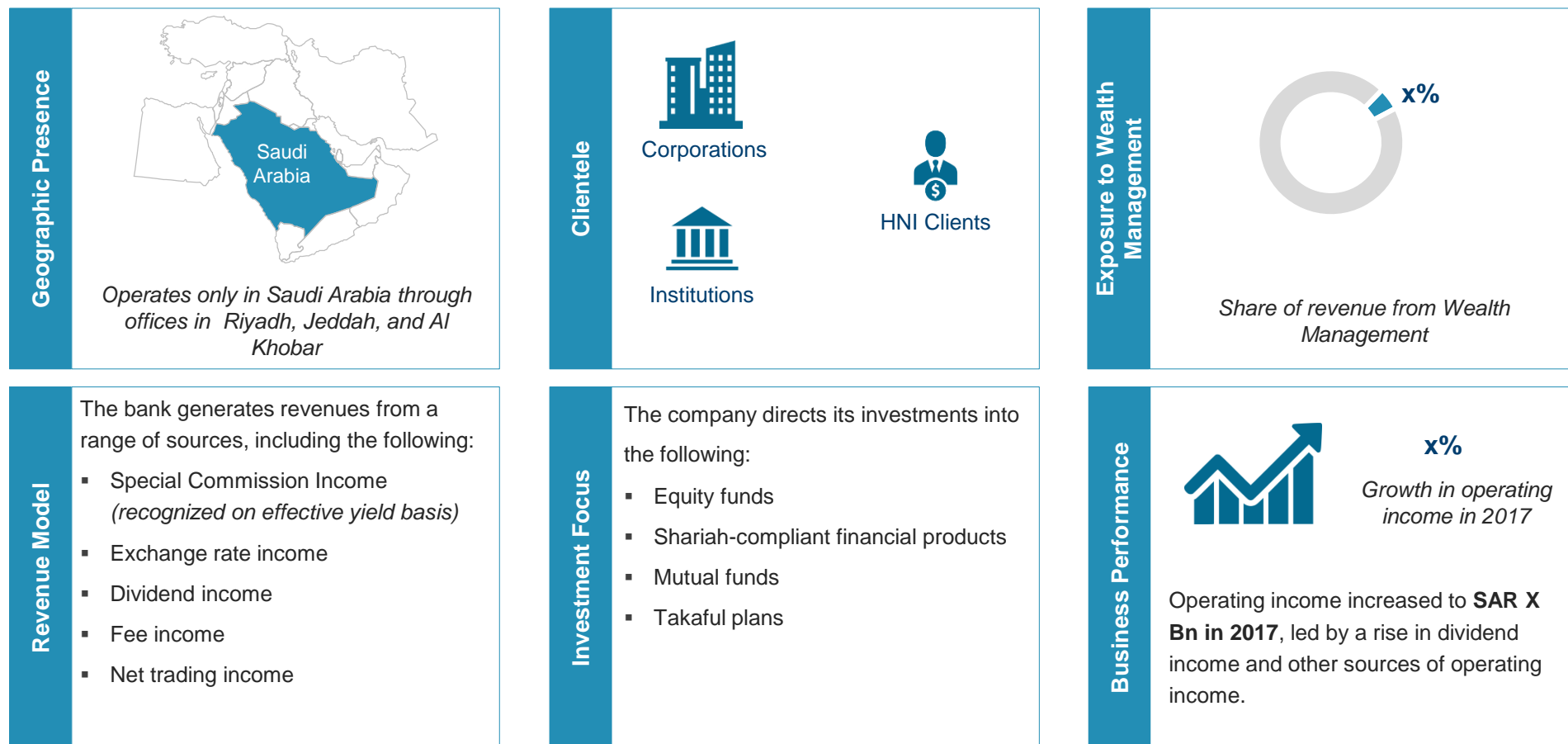
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Source: Company Website


It operates through various branches in the Kingdom, but has low exposure to wealth management, as it majorly focuses on private banking








Fees: The pricing structure was not disclosed during primary interviews; however, it was mentioned that the fees are in line with industry standards.

Source: Company Website, Primary Research, Annual Report

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The company is recommended to enter the growing wealth management market, offering client-focused investment advisory products and also utilizing tech enabled services as a sales tool

 <p>Market Opportunity</p>	<ul style="list-style-type: none">▪ The Kingdom offers lucrative opportunities for wealth managers as population of high net worth individuals and net investable assets continue to grow.▪ The company also benefits from HNIs preferring local private banks, including associate companies, providing a suite of banking and wealth management services.
 <p>Business Model</p>	<ul style="list-style-type: none">▪ The company should seek to partner with third party custodian for custody of their funds, along with tie-ups with international companies to offer offshore investment opportunity to their clients.▪ Additionally, partnerships with technology companies will be a key for the company to develop client focused products and services, thereby enhancing customer experience.
 <p>Product Offerings</p>	<ul style="list-style-type: none">▪ It should focus on providing holistic wealth management providing client-focus advisory oriented products and services.▪ Additionally, it can seek to offer advisory services, backed by data science and technology like artificial intelligence and data analytics, to lure tech-savvy high net worth individuals in the Kingdom▪ Also, in terms of asset allocation, the company should focus on a mix of traditional and alternative investment products to offer a diversified exposure and improve returns for its clients.
 <p>Fee Structure</p>	<ul style="list-style-type: none">▪ Based on the interviews conducted, companies operating in the industry follow a fee structure in line with the industry standards which ranges between x% - y% for subscription fees and x% -y% for management fees▪ However, the company can seek to offer some discounts to lure investors and gather a share in the market. Additionally, the investors are demanding fixed-fee or success fee based services.
 <p>Target Audience</p>	<ul style="list-style-type: none">▪ It can tap in the < USD 50 million category which offers a large universe to establish and grow its business.▪ Additionally, the segment being not actively targeted by leading wealth managers, would allow the company to establish a brand and enter the USD 50 Mn+ market segment.

Source: Desk Research, Primary Research, Aranca Analysis



**DECIDE
FEARLESSLY**

