

# Providing “Physical Gold” Solution to the Private Wealth Industry

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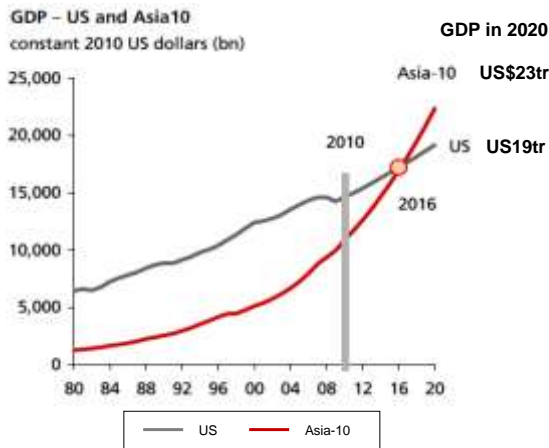


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## The Wealth Region of the 21<sup>st</sup> Century - Asia

### Strong GDP growth

- The shift in economic gravity from West to East continues
- Asia has become a bigger driver of global growth than the US even more rapidly than we envisioned
- **By 2016, the Asia-10 economies will be larger than the US**



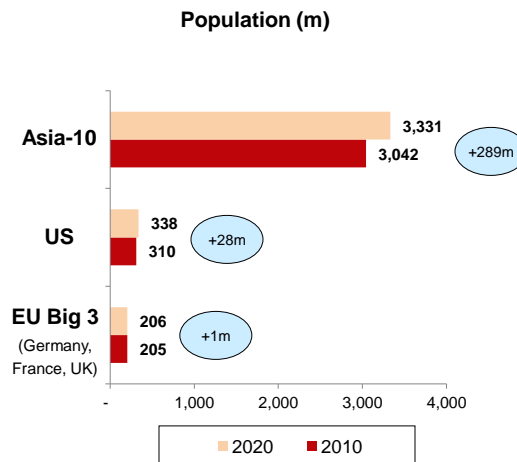
Asia 10: China, India, Indonesia, Philippines, Singapore, Hong Kong, South Korea, Malaysia, Taiwan, Thailand  
 Source: DBS Group Research, Imaging Asia 2020



## The Wealth Region of the 21<sup>st</sup> Century - Asia

### Population growth

- Asia will “add” an entire US by 2020. Asia’s population will grow by 290m by 2020, nearly equal to the 310m current population of the US
- For every new birth or immigrant added to the US population over the next 10 years, Asia’s population will grow by 10x
- Most of the increase in Asia’s population will come from India and China



Asia 10: China, India, Indonesia, Philippines, Singapore, Hong Kong, South Korea, Malaysia, Taiwan, Thailand  
 Source: DBS Group Research, Imaging Asia 2020

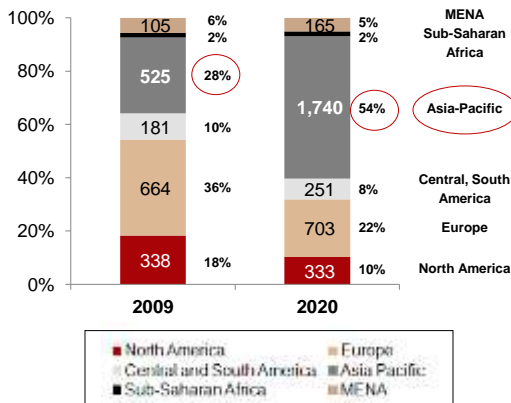


## The Wealth Region of the 21<sup>st</sup> Century - Asia

### Rise of the middle class

- Similar to the rest of the world, Asia's middle class is more urban, better educated, and has smaller families
- The critical mass of the middle class in Asia (more than 3x growth) will change consumption patterns, driving growth in "quality of life" consumption
- This will give rise to new markets, new consumers and innovations

Middle class population (m)



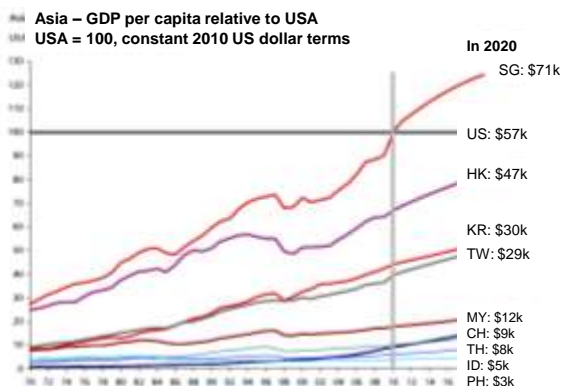
Source: DBS Group Research, Imaging Asia 2020



## The Wealth Region of the 21<sup>st</sup> Century - Asia

### Growth in per capita income

- Per capita income levels have been converging towards the US for a long time
- But incomes in Asia (excluding Singapore) are still 25-50 years behind the US, which means **the fast growth in Asia should be able to continue for a long time**



Source: DBS Group Research, Imaging Asia 2020

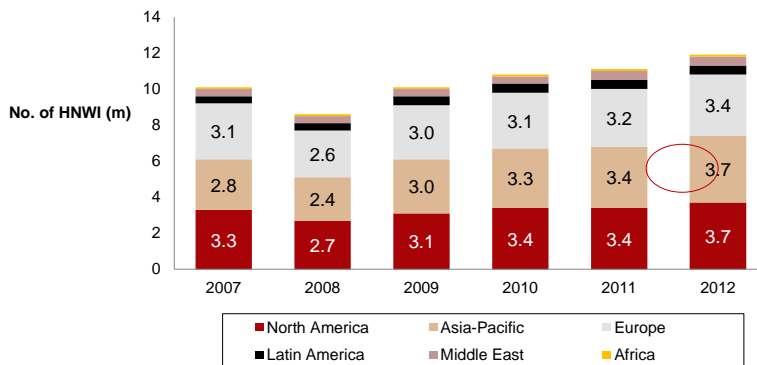


## The Wealth Region of the 21<sup>st</sup> Century - Asia

### Large and growing High Net Worth population

“Asia’s wealthy to drive majority of global wealth growth” – Capgemini, Jun 2013

- **Asia:** Home to 3.7m HNWI’s vs 3.7m in N. America vs 3.4m in Europe (2012)
- **Total wealth** of US\$12 trn in 2012

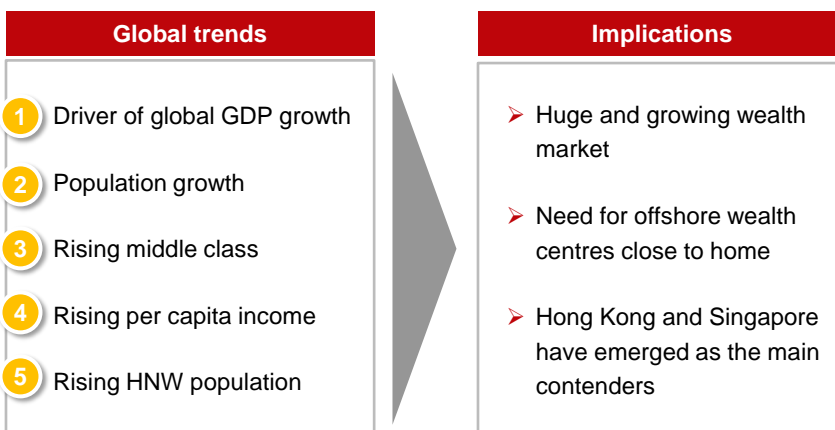


Note: Chart numbers and quoted percentages may not add up due to rounding  
Source: Capgemini Lorenz Curve Analysis, 2013



## The Wealth Region of the 21<sup>st</sup> Century - Asia

### Implications for wealth management



## Landscape of Private Wealth Industry

### Pre GFC

- Wealth management was very much dominated by the *West, especially, Switzerland*
- Investors were 'chasing' for returns and 'seduced' into complex instruments
- Banks were 'too big to fail'



## Landscape of Private Wealth Industry

### Post GFC

Many Financial Institutions and European countries were at risk of insolvency



Trust was badly affected



Safety and risk were key issues  
Investors looking for 'safe country' and 'safe bank'



Singapore stands out  
DBS becomes a Bank (Wealth Management) of choice

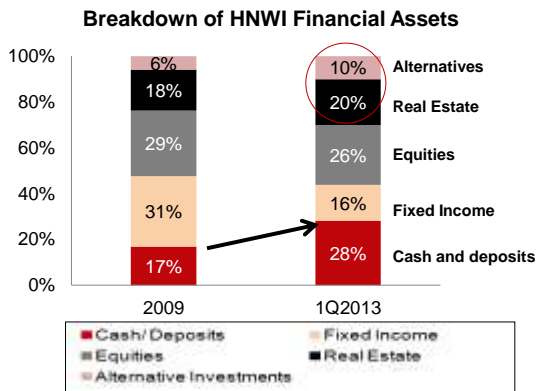


## Landscape of Private Wealth Industry

### Asia post GFC

**Asset mix of HNWI has generally become more conservative since the GFC**

- Cash allocation increased to 28%
- Alternatives & Real Estate allocation increased to 30%



Alternatives: Includes structured products, hedge funds, derivatives, foreign currency, commodities, private equity, venture capital.  
Real Estate: Comprises commercial real estate, real estate investment trusts (REITs), residential real estate (excluding primary residence), undeveloped property, farmland and other.  
Note: Percentages may not add up to 100% due to rounding.  
Source: Capgemini



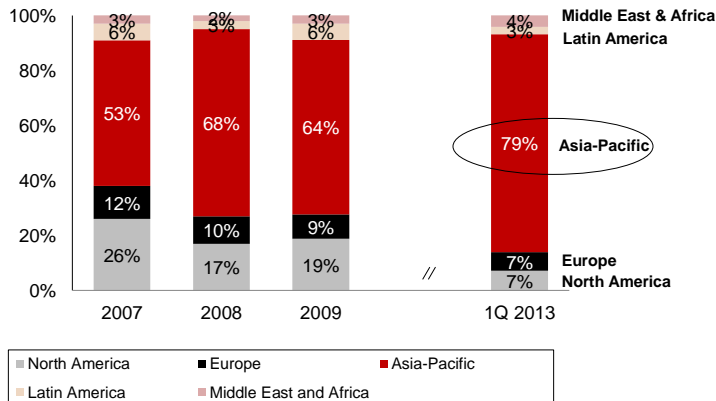
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## Landscape of Private Wealth Industry

### Asia post GFC

**Asia-Pacific HNWI assets moved mostly back to Asia**

**Breakdown of HNWI Geographic Asset Allocation (Asia-Pacific HNWI)**



Source: Capgemini



## Physical Gold as an Asset Class

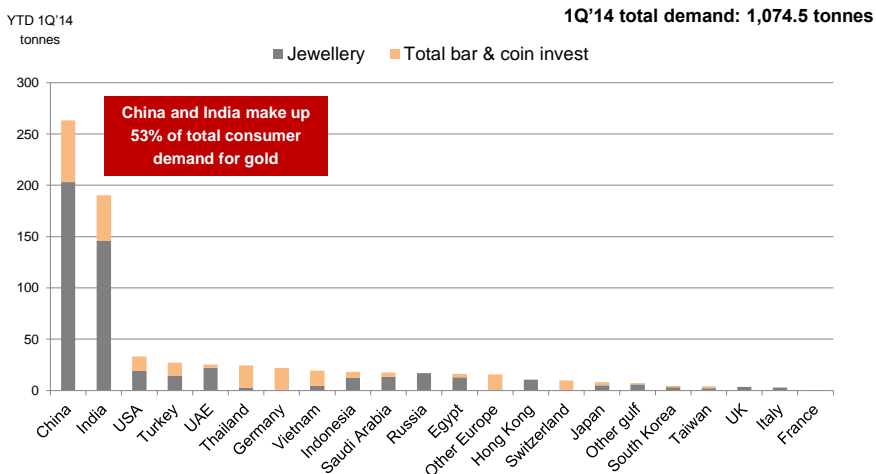
- ✓ **Gold as a Store of Value**
  - Hedge against political risk (“*crisis commodity*”)
  - Hedge against inflation
  
- ✓ **Safe Haven Currency**
  - No credit risk
  - Avoid default of financial institutions
  
- ✓ **Diversification**
  - Low correlation against other asset classes
  - Inverse correlation to USD
  
- ✓ **Part of Building Block**
  - Not for speculation
  - Foundation for overall investment portfolio



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## Physical Gold as an Asset Class

### Demand for physical gold mainly from the East



Source: World Gold Council



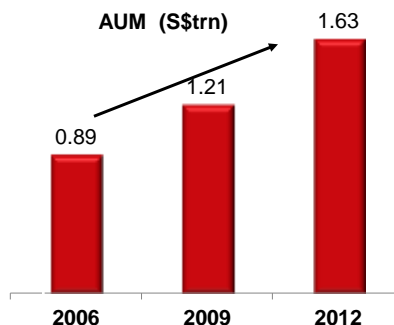
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## Singapore, the Wealth Hub

### A leading regional wealth hub of choice

“Singapore to become world’s largest offshore banking market in AUM by 2020, overtaking Switzerland and London”  
 – WealthInsight, May 2013

- AUM flowing in from Asia, North America, Europe, Middle East
- AUM grew 22% in 2012 to S\$1.63 trn, 11% CAGR from 2006 – 2012<sup>(1)</sup>



### Also a hub for family offices

- 8-10 multi-family offices (of which 5 are MAS regulated)
- ~10 single-family offices

(1) MAS, 24 July 2013



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## Singapore, the Wealth Hub

### Comprehensive financial ecosystem

A full fledged financial centre, providing a broad and integrated suite of financial services



Source: MAS, 13 March 2013



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## Singapore, the Wealth Hub

### Why Singapore?

**Political and financial stability**

- **AAA credit rating**
- History of political and economic stability
- **Ranked #1 Best business environment in Asia Pacific and the World** by the Economist Intelligence Unit 2011, taking into account supportive government policies, attractive labour market conditions, a sound infrastructure and financing efficiency



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### Why Singapore?

**Ranked World's No 1 Easiest place to do business**

2013 RANK	ECONOMY	DB 2013 REFORMS
<b>1</b>	<b>SINGAPORE</b>	<b>0</b>
2	HONG KONG SAR, CHINA	0
3	NEW ZEALAND	1
4	UNITED STATES	0
5	DENMARK	1

Source: EDB, Doing Business 2013, World Bank



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## Why Singapore?

Most transparent country in Asia

RANKING	COUNTRY	INDEX
1	DENMARK	9.29
2	FINLAND	8.47
3	NEW ZEALAND	8.41
4	SINGAPORE	8.16
5	SWITZERLAND	7.96

Source: EDB, IMD World Competitiveness Report 2013



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## Why Singapore?

Well connected to the world

- **Aviation hub:** Connected to more than 280 cities in 60 countries, with over 6,900 weekly scheduled flights
- **Major node in international finance:** 4<sup>th</sup> largest FX market in the world after London, New York and Tokyo
- **Major wealth management hub**



Source: IE Singapore



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## Why Singapore?

**Strong  
government  
support**

### Development of Singapore as a gold hub

#### Regulatory

- Exemption of GST on investment precious metals, since Oct 2012
- No licensing requirements for the import/ export of metals, ensuring free flow of such metals through Singapore

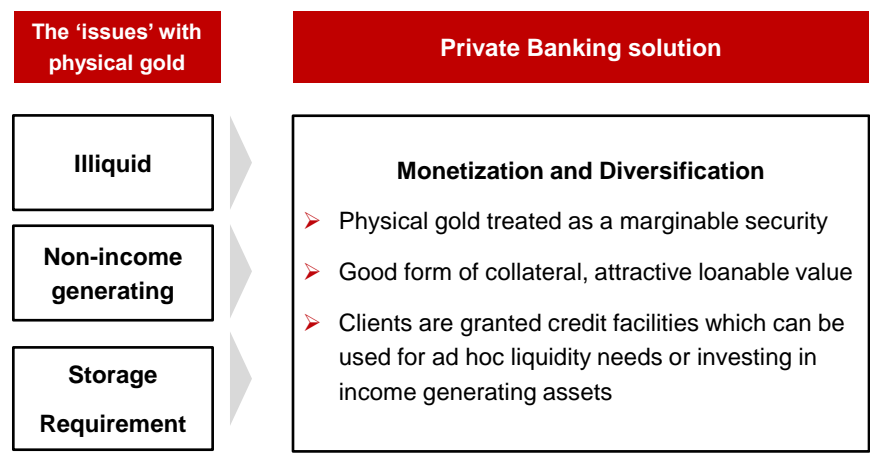
#### Infrastructure

- Gold refinery and bullion product manufacturing started in Jun 2013
- Establishment of Freeport Singapore in Jun 2010
- Range of secure logistics providers, including established logistics players operating the vaults
- Private banks



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## The Role of Private Banks



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## The Role of Private Banks

### DBS Private Bank provides physical solutions

<b>Custody</b>	<ul style="list-style-type: none"> <li>➤ Working with 3<sup>rd</sup> party logistics providers to provide safekeeping services</li> </ul>
<b>Portfolio diversification</b>	<ul style="list-style-type: none"> <li>➤ Use of leverage allows clients to diversify without divesting</li> <li>➤ Physical gold allocation is taken into account for overall asset allocation and diversification</li> </ul>
<b>Estate planning</b>	<ul style="list-style-type: none"> <li>➤ All assets can be reflected in one statement</li> <li>➤ Increased convenience for estate planning</li> </ul>



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## DBS Private Bank, the PB of Choice

### DBS is well-positioned at the cross-roads of Asia

#### Leading financial services group in Asia

- Largest bank in Southeast Asia
- Market leader in Singapore, our home market
- Growing presence in 3 key Asian axes of growth – Greater China, Southeast Asia and South Asia
- Strong capital position
- Total CAR at 16.3%, Tier 1 CAR at 13.7%
- "AA-", "Aa1" credit ratings among the highest in Asia
- Named Global Finance's "Safest Bank in Asia" for 5 consecutive years, 2009 - 2013
- More than 19,000 staff representing over 30 nationalities

Over **250** branches across **17** markets



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