



PART I

GLOBAL OVERVIEW FOR ENTREPRENEURIAL INVESTMENTS



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world



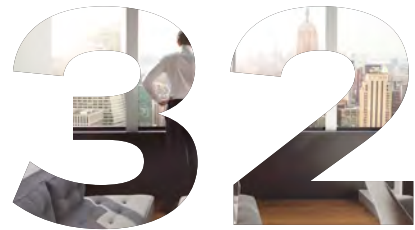
CONTENTS

- p.2 Editorial
 - p.3 Contributors
 - p.5 Research Methodology & Sampling
 - p.6 Key Findings
-



SECTION 1 / **THIS YEAR'S INVESTMENT TRENDS**

- p.10 Spotlight on Entrepreneurial Investment Choices
 - p.12 Portfolio Allocation Snapshot: Equities Remain on Top
 - p.16 The Shift to 'Safe' Assets
 - p.22 Sustainable Investments: Where are We Now?
-



SECTION 2 / **2020 VISION – MARKET OUTLOOK**

- p.34 Spotlight on Concerns to their Personal Wealth
 - p.36 Critical Influences on the Entrepreneurial Portfolio
 - p.40 The Interest Rate Environment: Two Sides to the Story
-

- p.46 In Conclusion
- p.48 About Us

WELCOME

TO THE 2020 GLOBAL ENTREPRENEUR REPORT FROM BNP PARIBAS WEALTH MANAGEMENT

“In a world that is ever-changing, entrepreneurs seek to build their strategy with a partner they trust. At BNP Paribas Wealth Management, we are able to serve them through a holistic approach across Europe, Asia and the United States, whether by helping them grow their company or by managing their personal wealth.”

For the 6th year, we have strived to uncover the impact on the global economy of Elite Entrepreneurs across Europe, Asia, the United States and the Middle East. Each year, we have focused on a different lens, illuminating entrepreneurial motivations and ambitions, their behavior and profiles as both investors and drivers of business and economic growth. And of course, each year, we discover insights that help us reinforce our commitment to accompanying Elite Entrepreneurs in their personal and professional ambitions.

In this report, we focus on the portfolio decisions that entrepreneurs have been making over the last twelve months. Not to reveal too many spoilers about their decision-making, we have found that they are taking advantage of market conditions to invest their personal wealth into equities and into their own business. They also actively seek to support other entrepreneurs like themselves and make private investments into high-potential companies. Finally, they are showing a growing interest in sustainable investments, considering them as high potential opportunity. We will let you discover in the report the finer points of their decision-making.

We provide entrepreneurs with tailored solutions to meet their very specific needs across their personal and professional activities. We also draw on the wide expertise across the entire



Sofia Merlo

Vincent Lecomte

CONTRIBUTORS

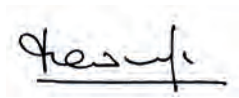
BNP Paribas Group, be it from our corporate and institutional banking, our retail banks, or from our asset management and our real estate business, to accompany them in their ambitions.

Lastly, we foster entrepreneurship and facilitate business opportunities through long-term initiatives in partnership with prestigious universities like Stanford and Cambridge. These two academic programs support women entrepreneurs and individual leadership capacities to deliver sustainable and positive impact in business.

We accompany some of the world's most demanding entrepreneurs. As a responsible private bank serving the economy, our objective has always been, and continues to be, to improve our own understanding of how to support entrepreneurs both personally and professionally.

This is the purpose of the report.

#PositiveBanking



Vincent Lecomte
Co-CEO Wealth
Management



Sofia Merlo
Co-CEO Wealth
Management

PRASHANT BHAYANI
Chief Investment
Officer (Asia)
BNP Paribas
Wealth Management



GARTH BREGMAN
Head of Investment
Services (Asia Pacific)
BNP Paribas
Wealth Management



FLORENT BRONES
Chief Investment
Officer
BNP Paribas
Wealth Management



**CLAIRE ROBOREL
DE CLIMENS**
Global Head of Private
and Alternative Investments
BNP Paribas
Wealth Management



TASHA VASHISHT
Head of Thought Leadership,
Aon Client Insight



ANTON WONG
Head of Key Client
Group (Asia Pacific)
BNP Paribas
Wealth Management



WORD FROM THE EDITOR

Over the course of six years, we have surveyed nearly 15,000 high net worth and ultra-high net worth entrepreneurs across the world.

Since 2015, we have made it our mission to understand the impact of global entrepreneurship by researching some of the world's most successful business owners. This year, we have gathered feedback from 1,132 entrepreneurs across 19 different countries, spanning the US, Europe, the Gulf Cooperation Council and Asia. Average investable wealth was USD16.1 million.

Over time, the focus of our research has shifted. Initially we sought to understand the modern-day entrepreneur – their motivations, their values, their ambitions and the characteristics that set them apart from others. More recently, we have focused on the impact that entrepreneurs are able to make through their businesses, their investments and lives. Across this multi-annual research program, we have remained committed to improving our own understanding of entrepreneurs to support them better.

The start of the new decade is a great time to refresh, which is why we are adapting the format of this year's Global Entrepreneur Report into a mini-series.

In this section (Part I), we analyse closely entrepreneurs' portfolio decisions. Strikingly, we find that while 70% of entrepreneurs now say they are more interested in investing sustainably than they were just 18 months ago, typical allocations have gradually decreased since 2016. One possible explanation is that more than half of entrepreneurs believe sustainable investing requires them to sacrifice overall returns.

More broadly, we explore how entrepreneurs allocate their investable assets, their perception of risk and reward in the current market environment. In response to difficult market conditions, we find entrepreneurs proactively spotting opportunities to advance their businesses while simultaneously being wary of the threats posed to their personal wealth.

We hope you enjoy the 2020 Global Entrepreneur Report mini-series and would like to thank this year's participants for their enriching contributions.



Tasha Vashisht
Head of Thought Leadership,
Aon Client Insight

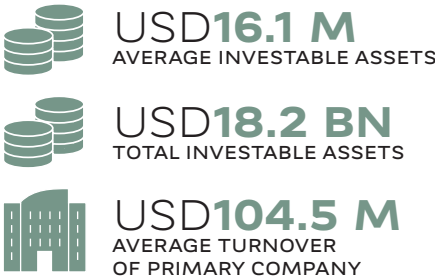
RESEARCH METHODOLOGY & SAMPLING

Total sample
1,132

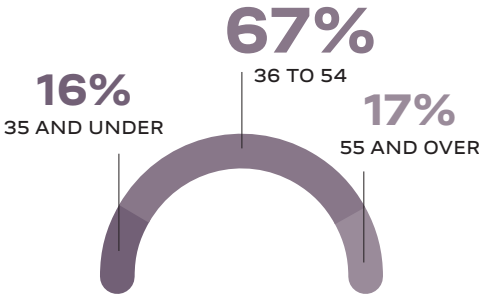
The research program was undertaken by Aon Client Insight (formerly Scorpio Partnership on behalf of BNP Paribas Wealth Management) between September and October 2019. The audience of participants were high net worth and ultra-high net worth investors that own (or used to own) businesses.

The research methodology involved a mixed online and telephone survey programme with 1,132 participants spanning 19 countries.

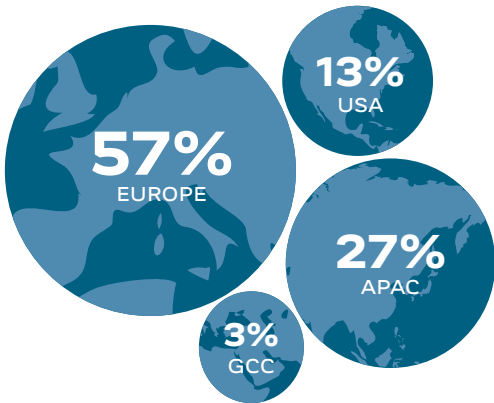
On average



Age



Regions



Countries covered in sample: Belgium, China, France, Germany, Gulf Cooperation Council (GCC), Hong Kong, India, Indonesia, Italy, Luxembourg, Netherlands, Poland, Singapore, Spain, Switzerland, Taiwan, Turkey, United Kingdom and the United States.

Gender



Throughout this report, we use the following definitions:

- **'Millennipreneur':** Entrepreneur aged 35 or younger.
- **'Boomerpreneur':** Entrepreneur aged 55 or older.
- **'Serialpreneur':** Entrepreneur who has started at least four companies.
- **'Ultrapreneur':** Entrepreneur with investable assets valued at USD25 million or more.

KEY FINDINGS



Equities and their own business are entrepreneurs' top portfolio allocations, at 38% of investable wealth

In the face of persistent macroeconomic uncertainty, entrepreneurs have maintained their 2018 allocations but increased their exposure to their owned businesses in the last 12 months to 19%. 'Ultrapreneurs' (with more than USD25 million in liquid assets) place an even higher tranche with their own business (27%), which rises to a third of portfolios in China (35%) and Singapore (33%).

More than half of global entrepreneurs do not view real estate or cash as risky asset classes

Across the world, entrepreneurs say that they do not perceive real estate to represent much risk in their portfolios. Boomerpreneurs – 63% of whom do not find real estate risky – allocate the highest proportion of their investable wealth to the combined asset class of cash and real estate. In Asia, allocations to cash (on average, 15%) are equal to equities, driven by Taiwan and Ultrapreneurs in Hong Kong.



70% of entrepreneurs globally are more willing to invest sustainably than 18 months ago



In fact, three quarters (75%) of Millennialpreneurs are now more interested in sustainable investments than at the start of 2018. Almost half (46%) of the global audience have invested some of their wealth sustainably but allocations have gradually decreased since our study began in 2015.

58% believe sustainable investing requires a long-term sacrifice of returns

Entrepreneurs overwhelmingly feel they are required to trade off performance for positive impact. 35% expect some (single-digit) long-term sacrifice, while 23% assume a significant (double-digit) difference in performance over five years. Just 6% believe better financial results are attainable than through mainstream investing within a two-year timeframe, rising to 19% over five years.

European entrepreneurs are twice as likely as those in the US and Asia to be concerned by current equities valuations

Of those who actively monitor their portfolios, 46% of European entrepreneurs say they are worried about current equities valuations – they are twice as likely to say this as investors in the US (23%) or Asia (27%).

39% As a result of low interest rates, 39% are now planning to invest more in their own businesses

Female entrepreneurs are more likely than men to say the interest rate environment is fuelling their commercial and personal wealth activities. A third (33%) of Serialpreneurs, who have founded at least four businesses, are more moved to invest in other privately-owned ventures. Globally, 38% intend to purchase property, with Millennialpreneurs most likely to favour this course of action.



SECTION 1

THIS YEAR'S INVESTMENT TRENDS

SPOTLIGHT ON ENTREPRENEURIAL INVESTMENT CHOICES

Generation gap

Portfolio Allocations

Stocks



Own business



Fixed income



Cash



Private equity



Real estate



Hedge funds



Sustainable investments



Philanthropy/donations



Angel Investments



Most important economic factors influencing investments

Millennipreneurs 18-35

Volatility in the stock markets 33%

Economic data for country of residence 18%

Economic data for countries where I have investments 15%

Changes in the interest rate 9%

Currency exchange rate 9%

Boomerpreneurs 55+

Volatility in the stock markets 20%

Economic data for country of residence 18%

Political instability 18%

Global trading conditions 15%

Economic data for countries where I have investments 13%

■ Millennipreneurs (N = 178)
■ Boomerpreneurs (N = 168)

The regional view

Portfolio Allocations

Stocks



Own business



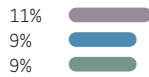
Fixed income



Cash



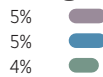
Private equity



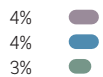
Real estate



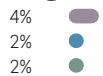
Hedge funds



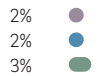
Sustainable investments



Angel Investments



Philanthropy/donations



Most important economic factors influencing investments

Europe

Volatility in the stock markets	27%
Economic data for countries where I have investments	19%
Economic data for country of residence	17%
Currency exchange rate	11%
Changes in the interest rate	10%

USA

Volatility in the stock markets	35%
Economic data for country of residence	16%
Economic data for countries where I have investments	14%
Changes in the interest rate	13%
Global trading conditions	6%

APAC

Volatility in the stock markets	21%
Economic data for countries where I have investments	18%
Economic data for country of residence	17%
Global trading conditions	14%
Political instability	11%

■ Europe (N = 634)
■ USA (N = 143)
■ APAC (N = 299)

PORTFOLIO ALLOCATION SNAPSHOT

EQUITIES REMAIN ON TOP



Every year, we analyse the portfolio allocation of the most successful business owners in the world to pin-point investment trends. Between 2014 and 2017, we observed that entrepreneurs consistently invested the highest proportion of their assets into their own businesses, trusting themselves more than the public or private markets to generate superior financial returns.

Last year appeared to mark a watershed moment. After a huge upswing in global stock markets – and the longest ever uninterrupted bull run in the US – entrepreneurs across the world chose for the first time to make another asset class their top allocation. In 2018, equities accounted for 20% of their financial portfolio, rising to 28% among American entrepreneurs.

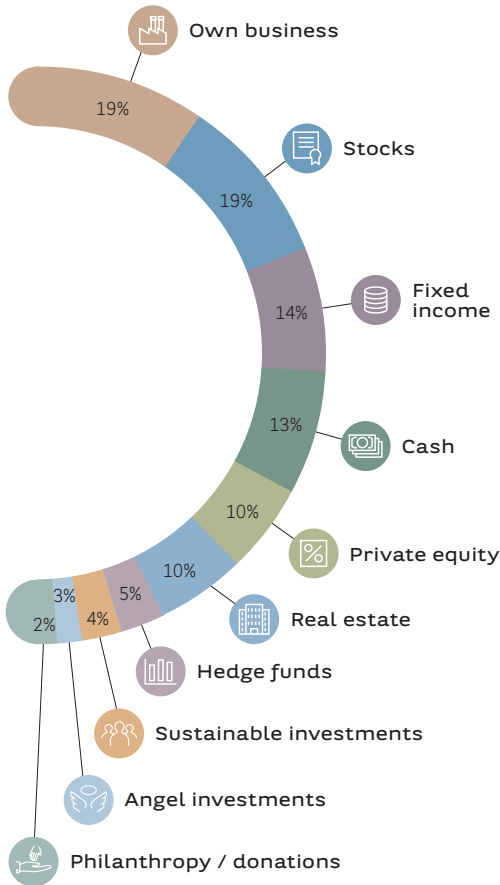
2019 marks a continuation of that trend as we have seen entrepreneurs hold on to their elevated exposure to global stocks. **For the second year running, their top choice remains equities, now representing 19% of their wealth [Figure 1].** However, in response to the turbulent market environment, their investment into their own business has ticked up again to 19%, from 17% in 2018.

Asia represents the biggest exception to the global trend. Across this region, exposure to equities is notably lower than last year (at 15%)



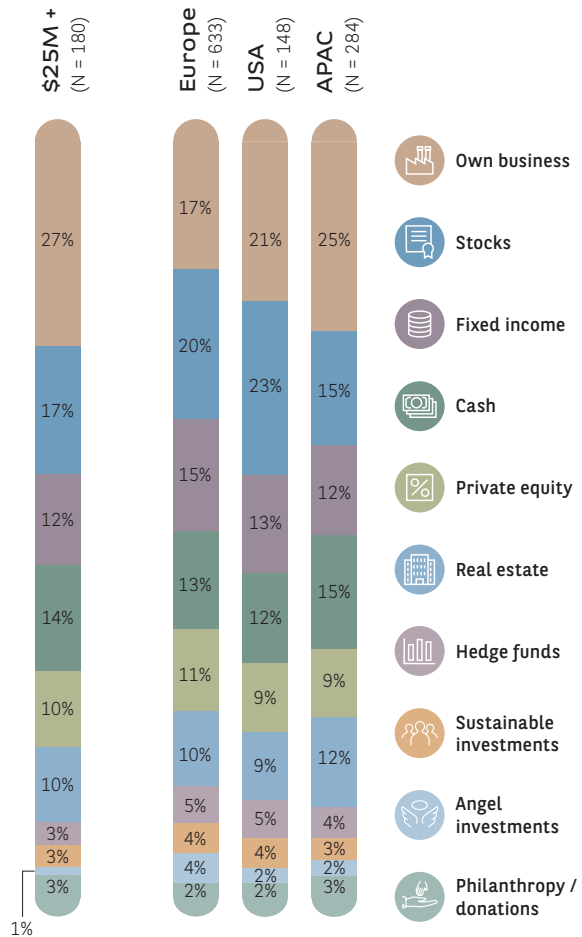


? Approximately what is the current allocation of your total financial portfolio across the following asset classes?



[FIGURE 1]
Equities remain in joint first place in the entrepreneurial portfolio

Note: This chart illustrates the average allocation across each asset class based on all responses (N = 1,098).
 Not all entrepreneurs are allocated to all asset classes.
 Source: 2020 BNP Paribas Global Entrepreneur Report



[FIGURE 2]
A quarter of the ultrapreneur portfolio is tied up in their own business

Note: This chart illustrates the average allocation across each asset class.
 Not all entrepreneurs are allocated to all asset classes.
 Due to rounding, percentages presented throughout this chart may not precisely reflect the absolute figures.
 Source: 2020 BNP Paribas Global Entrepreneur Report

while investments into their own businesses have accelerated in the last 12 months, now accounting for a quarter (25%) of their financial portfolio.

In Europe, the allocation to owned business is slightly lower than the rest of the world (17%) and fixed income exposure is marginally higher (at 15%). Entrepreneurs in this region also have twice the typical proportion of investable assets to angel investments than other business owners (4% vs. 2% elsewhere).

With 38% of the entrepreneurial financial portfolio geared towards generating significant returns from stocks and their own ventures, the remainder is carefully diversified. Fixed income and cash collectively account for 28% of liquid assets, while private investments (i.e. private equity and angel investments) represent only 13%. The final fifth is split between real estate (10%), sustainable investments and philanthropy (6%), and hedge funds (5%).

Analysis of Ultrapreneur investments indicates an even stronger conviction in their own business to generate superior performance. In Hong Kong, Singapore and China – where the typical net worth of a patriarch or matriarch of a family business empire can exceed USD50 million – **allocations to their own ventures represent roughly a third of investable wealth [Figure 2].**

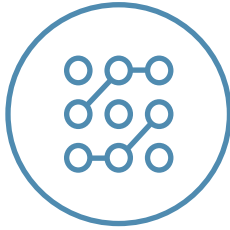
Florent Bronès is Chief Investment Officer for BNP Paribas Wealth Management. He explains why many business owners in the region choose to allocate heavily to equities or their own companies:



“Entrepreneurs own a huge variety of businesses and so for them, it will be a question of private equity versus public equity. Their own business are high-risk investments and traditionally entrepreneurs are more cautious when it comes to their personal wealth. But, as the interest rate level is so low on a global basis, the allocation to equity has increased. In Asia, the interest rate level is higher, so the alternative between fixed income and equity is not quite the same.”

Another striking trend from the last two years is a steep decline in Ultrapreneur exposure to alternatives⁽¹⁾, from nearly half (45%) of their portfolio in 2017 to just 27% today. While most of this has been in favour of their own companies, there are signs in the last 12 months of a re-balance in favour of real estate at the expense of fixed income (from an 18% allocation in 2018 to 12% today).

(1) Defined as socially-responsible investments, hedge funds, real estate and private investments.



THE SHIFT TO 'SAFE' ASSETS

In turbulent times, there is a natural appetite for investments perceived to offer safety. **For many, gut instinct – and the reassurance of tangible assets – will lead them towards cash and real estate.** Globally, 24% of entrepreneurial wealth sits in these two asset classes.

However, in their search for safety, there is a possibility that they may be overlooking some of the specific risks posed by these portfolio choices. Such is the hunger for property that it is considered by only 15% to be “very risky”. Strikingly, this is lower than those who would say the same about cash **[Figure 3]**.

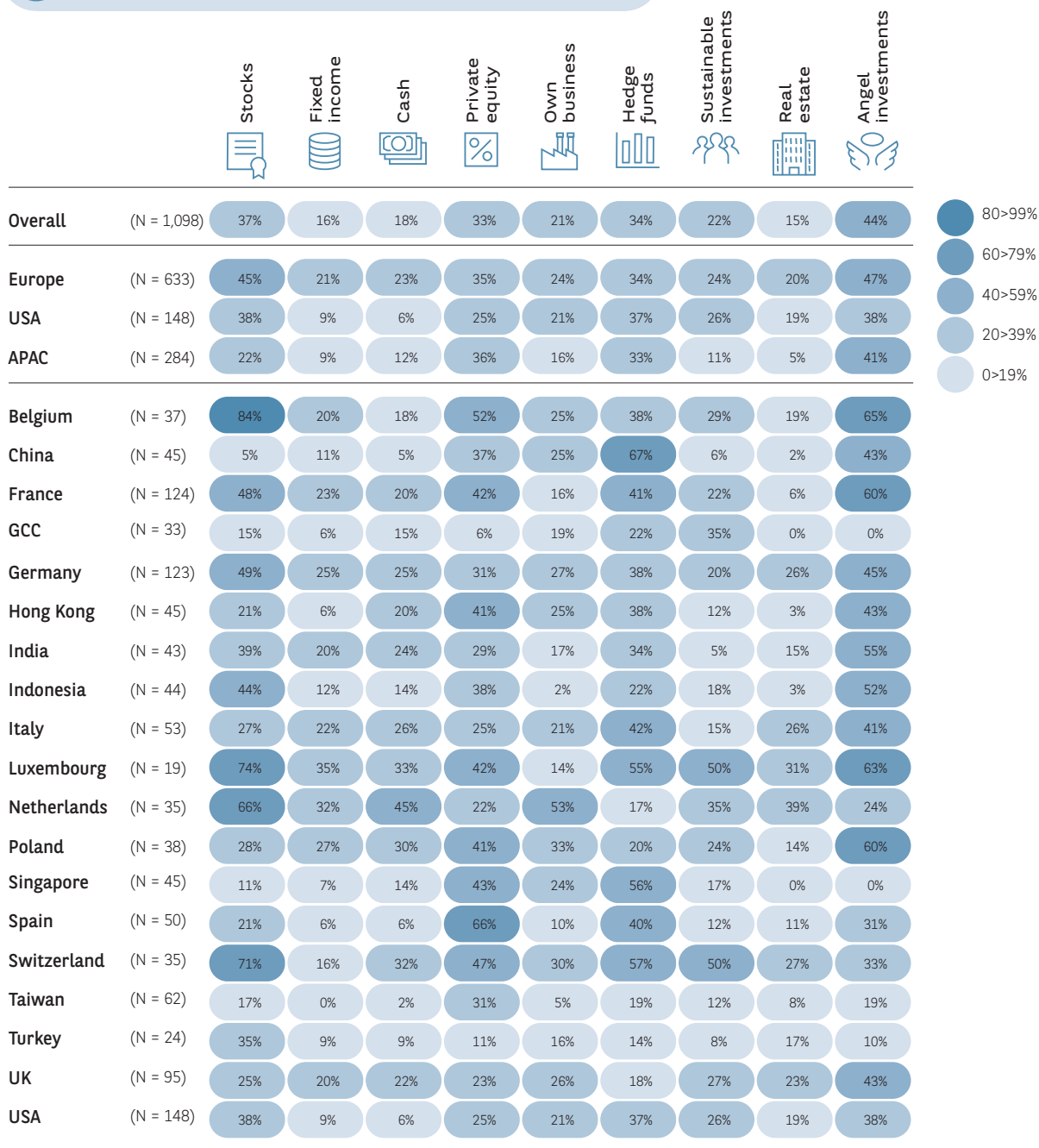
European entrepreneurs are more likely to perceive asset classes such as stocks, fixed income, cash, real estate and angel investments as “very risky” than other parts of the world.

Across the world, more than half of successful entrepreneurs affirm they find cash and real estate to be “not that risky”. 47% make the same assessment about fixed income.





? Which parts of your portfolio do you judge to be risky? - Very risky



[FIGURE 3]

Real estate is perceived to pose less portfolio risk than cash

The chart above illustrates the percentage of respondents who selected 'Very risky' for each asset class. Respondents were only asked to assess the risk levels of asset classes to which they have exposure (N = 1,098). Source: 2020 BNP Paribas Global Entrepreneur Report



Florent Bronès is Chief Investment Officer for BNP Paribas Wealth Management. He comments

“Financial conditions for real estate are very friendly at the moment, but it’s a misunderstanding to say there are no (or limited) risks because of course there are. People underestimate the cyclical nature of real estate. Think about the global financial crisis – it’s a very long cycle, and sooner or later this risk will come back. Last time we had a decline in real estate prices was 2008/2009 – it was a small decline, for a brief period. In the UK, there were several cycles of decline, but again brief ones.”

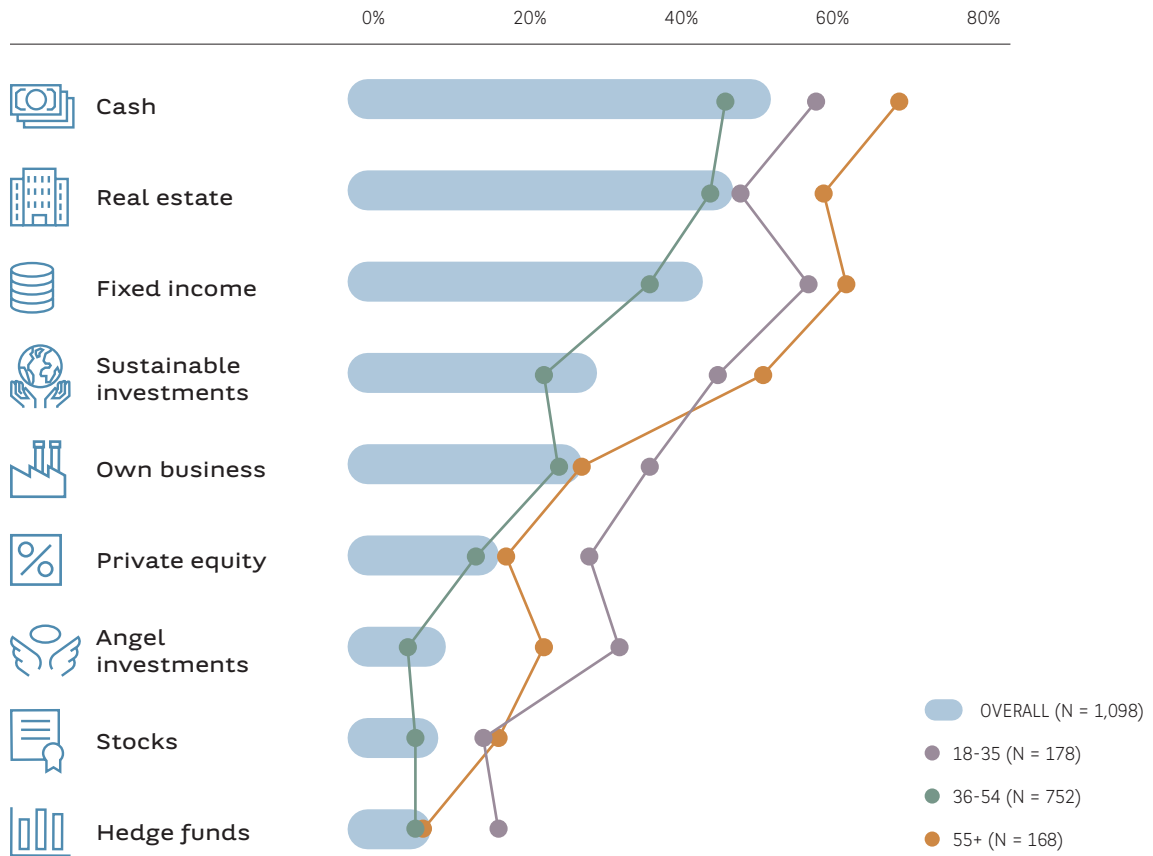
Across Asia, optimistic risk assessments of real estate are particularly widespread. For example, in Taiwan faith in bricks and mortar has pushed typical allocations to real estate significantly higher than the global average (17% of liquid assets). For an explanation, observe that just 8% in Taiwan believe that this poses any real threat to their portfolio. **In India and Indonesia, more than seven out of ten say real estate is low-risk.**

Garth Bregman is Head of Investment Services for BNP Paribas Wealth Management in Asia-Pacific. He observes:



“Asian clients who have invested in bricks and mortar have generally come out of the experience having made significant amounts of money. This is evident when you start to look more closely at sources of entrepreneurial wealth – for example, the owner of a garment business will have benefited not just from growth in garment sales but also from owning the land on which the factories are built – this land will have boomed in value since purchase, possibly many decades ago. Real estate does create wealth, and it may be tempting to see it as a perfect asset class providing both growing income and capital appreciation. But real estate markets do still follow cycles and can suffer significant negative shocks.”

? Which parts of your portfolio do you judge to be risky? - Not that risky



[FIGURE 4]

Nearly two thirds of boomerpreneurs say real estate is not that risky

The chart above illustrates the percentage of respondents who selected 'Not that risky' for each asset class. Respondents were only asked to assess the risk levels of asset classes to which they have exposure (N = 1,098).

Source: 2020 BNP Paribas Global Entrepreneur Report

This preference appears to be generational with almost two thirds (63%) of Boomerpreneurs agreeing real estate is not that risky. **Millennials and Gen-X, who came of age during the global financial crisis – triggered in 2007 by a meltdown in the sub-prime mortgage market – appear less assured [Figure 4].**

A contrasting viewpoint can be found in Europe, where entrepreneurs are four times more likely than those in Asia to perceive real estate to be highly risky, particularly in the Netherlands (39%), Luxembourg (31%), Switzerland (27%), Germany (26%) and Italy (26%).

The hunt for safety has a notable impact on investment decision-making across the region. In Asia, cash really is king: in fact, average allocations to cash now draw level with equities (both at 15%).

These choices have mostly been made by Ultrapreneurs in the region, who have invested heavily in their own business rather than the public markets and seek diversification. **Indeed, in Hong Kong, cash now represents the second highest portfolio allocation.** This is extraordinary to consider, given these particular entrepreneurs have average liquid assets aggregating to USD47 million.

Anton Wong is Head of Key Client Group (Asia Pacific) for BNP Paribas Wealth Management. He provides an explanation for the client mindset on cash in that region:



“Cash has been losing value in many jurisdictions and clients realise they don't earn very much – or might even lose out by holding cash, with negative interest rates – but at least you have certainty. Certainty is what some people value. This is especially true for entrepreneurs who need the liquidity to manage potential demands from their businesses. Everything else introduces additional uncertainties.”



SUSTAINABLE INVESTMENTS: **WHERE ARE WE NOW?**

The 2015 Paris Agreement (or the United Nations Framework Convention on Climate Change) signified the strongest collective response to date on transitioning to a low-carbon future. The Agreement specified that national governments would commit to country-specific contributions to meet the long-term goal of limiting the increase in average global temperatures to 1.5 degrees centigrade above pre-industrial levels.

However, making a low-carbon future economically feasible requires more than government-led initiatives. Significant financial commitments and behavioural change are also needed from industry, consumers – and investors.





Our study this year underlines the readiness of entrepreneurs to become part of the action against climate change. This is not a new trend, but it marks an evolution in thinking of those in commercial leadership positions. In 2017, our report indicated that almost 40% of entrepreneurs globally considered generating positive impact a key success metric for business, demonstrating their willingness to shoulder a broad set of responsibilities – such as nurturing talented staff and giving back to their community.

Now, positive impact is at the forefront of their investment considerations. **In this year's study, we find that 70% of Elite Entrepreneurs say that they are more willing to invest sustainably⁽¹⁾ than they were just 18 months ago.** The most voracious interest comes from Europe where environmental concerns have dominated the news agenda and where Green parties surged in popularity in the May 2019 European Parliament elections. In smaller European economies, like Belgium, Switzerland and the Netherlands, at least 80% say they are more galvanised to consider these investments.

That said, **this is undeniably a global trend with most entrepreneurs in every region affirming their increased interest in sustainable investing [Figure 5].**

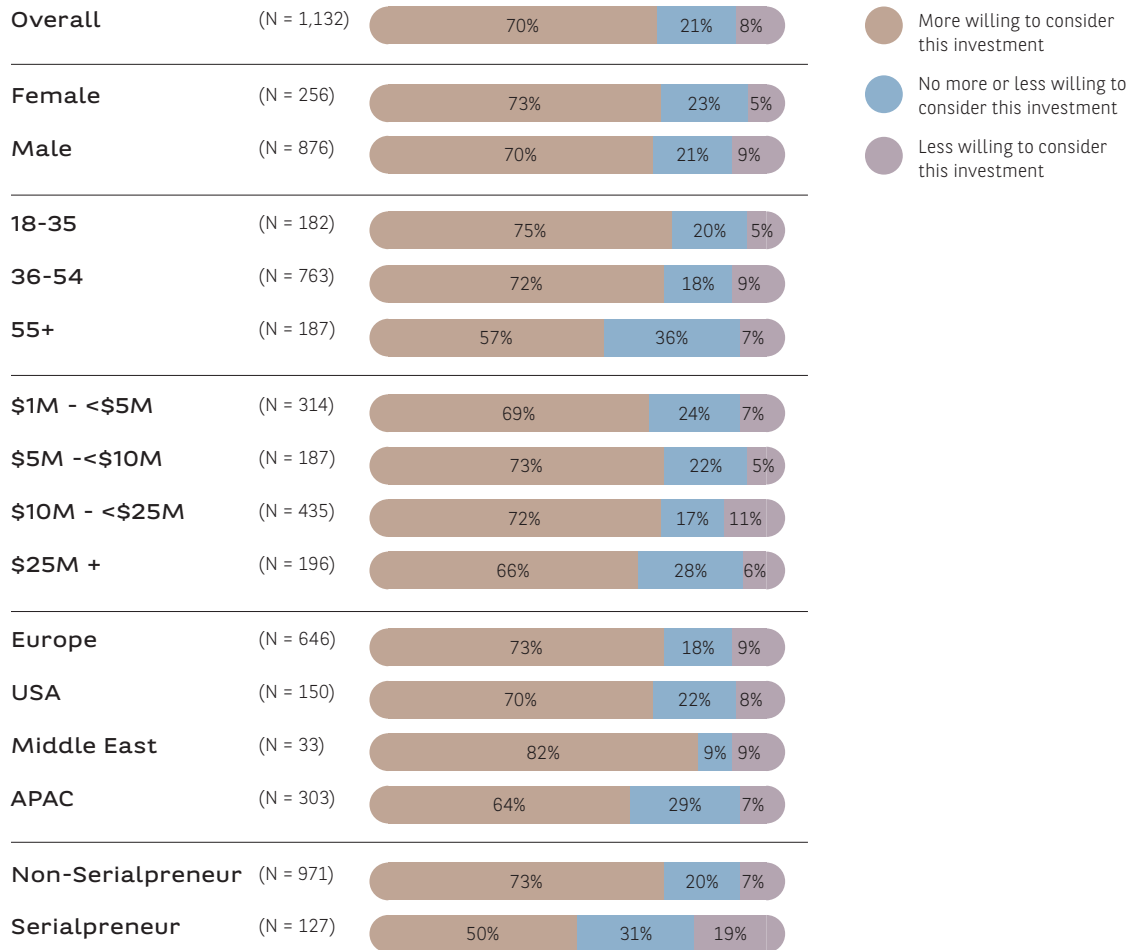
Millennials (defined in this study as between the ages of 18 and 35, born after 1984) are believed to be the most environmentally-conscious generation alive today and it is true that they are more likely than older entrepreneurs to make this commitment. At the same time, **escalating interest is not purely a Millennialpreneur trend. 72% of Generation-X and 57% of Boomerpreneurs feel the same way,** showing how mainstream discussions of combating climate change through investing has become.

So, given this growing enthusiasm for sustainable investments, it is surprising that portfolio allocations remain so low. On average, they account for just 4% of total investable wealth; the same as their allocation in 2018 and less than their 2017 proportion (7%).

(1) DEFINITION: Sustainable investments take into consideration environmental, social and corporate governance criteria to generate a positive impact for society, in addition to financial returns.



To what extent has your view on the potential of sustainable and responsible investing to achieve impact changed over time?



[FIGURE 5]

Entrepreneurs of all backgrounds are more willing to invest sustainably

N = 1,132

Due to rounding, percentages presented throughout this chart may not precisely reflect the absolute figures.

Source: 2020 BNP Paribas Global Entrepreneur Report

With an average net worth of USD16.1 million, this means globally the entrepreneurial sample are collectively investing just USD647 million sustainably against a total potential investment of more than USD18 billion.

Growth in interest is not translating into surging allocations. In fact, the longer-term finding from our study is a picture of declining individual allocations over time, from 8% of the typical Elite Entrepreneur's wealth in 2016 to just 4% by 2019 [Figure 6]. **The "Green Generation" of Millennials are not investing any more than the average.** European entrepreneurs are investing similar proportions to the US, despite greater professed interest.

A closer inspection of their risk sentiments provides part of the explanation. **More than a fifth (22%) of global entrepreneurs believe sustainable investments are a "very risky" portfolio choice.** Elite Entrepreneurs in Europe, the Gulf Cooperation Council and the US are more likely to feel this way than in Asia. Indeed, Belgium, Switzerland and the Netherlands – previously identified as markets where interest is especially elevated – are particularly likely to view these investments as risky.

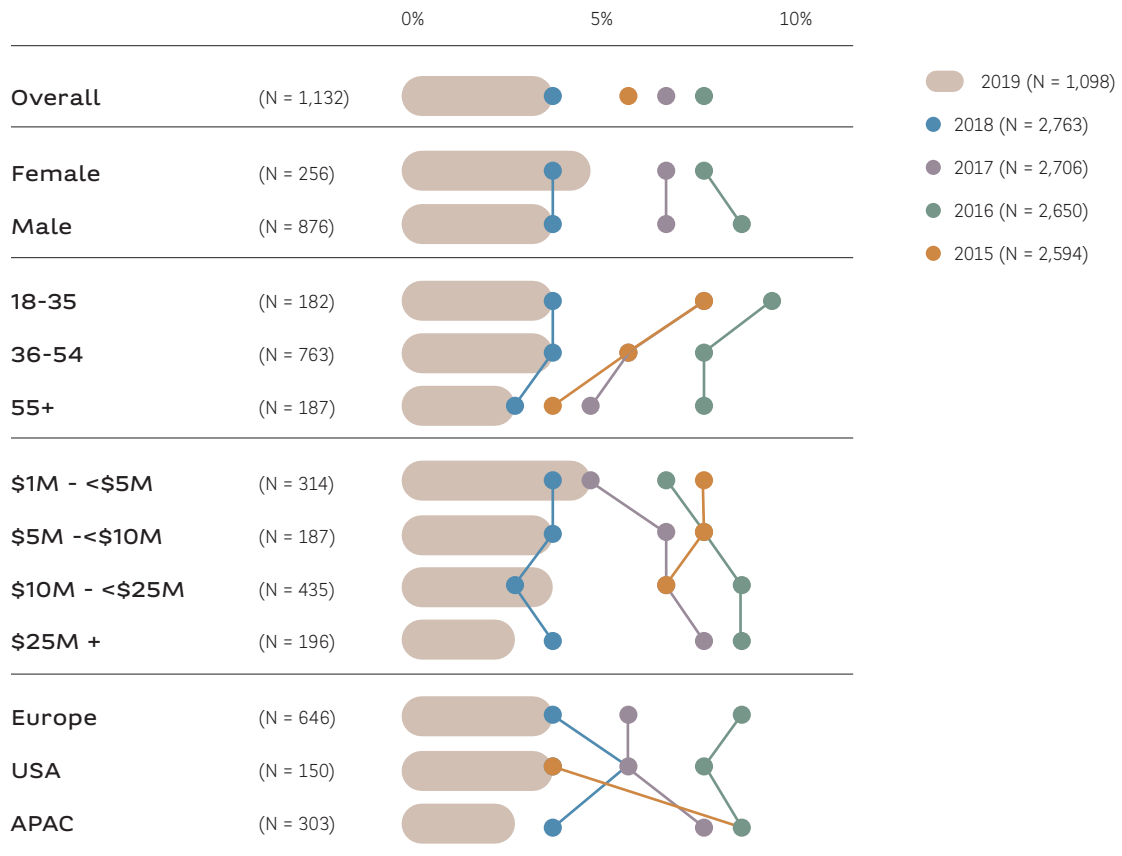
Prashant Bhayani is Chief Investment Officer of BNP Paribas Wealth Management in Asia:



“Not everyone who is passionate about the topic has started investing, but there is more interest than a few years ago.

We are big believers in sustainable investing but demystifying the acronyms take time. The simple message is that the industry should be talking about the long-term investment opportunity of these trends. Mainstream companies can be rated on their ESG score and these practices should be embedded across the investment process, rather than being a small part of an investment portfolio.”

? Approximately what is the current allocation of your total financial portfolio across the following asset classes? - Sustainable Investments

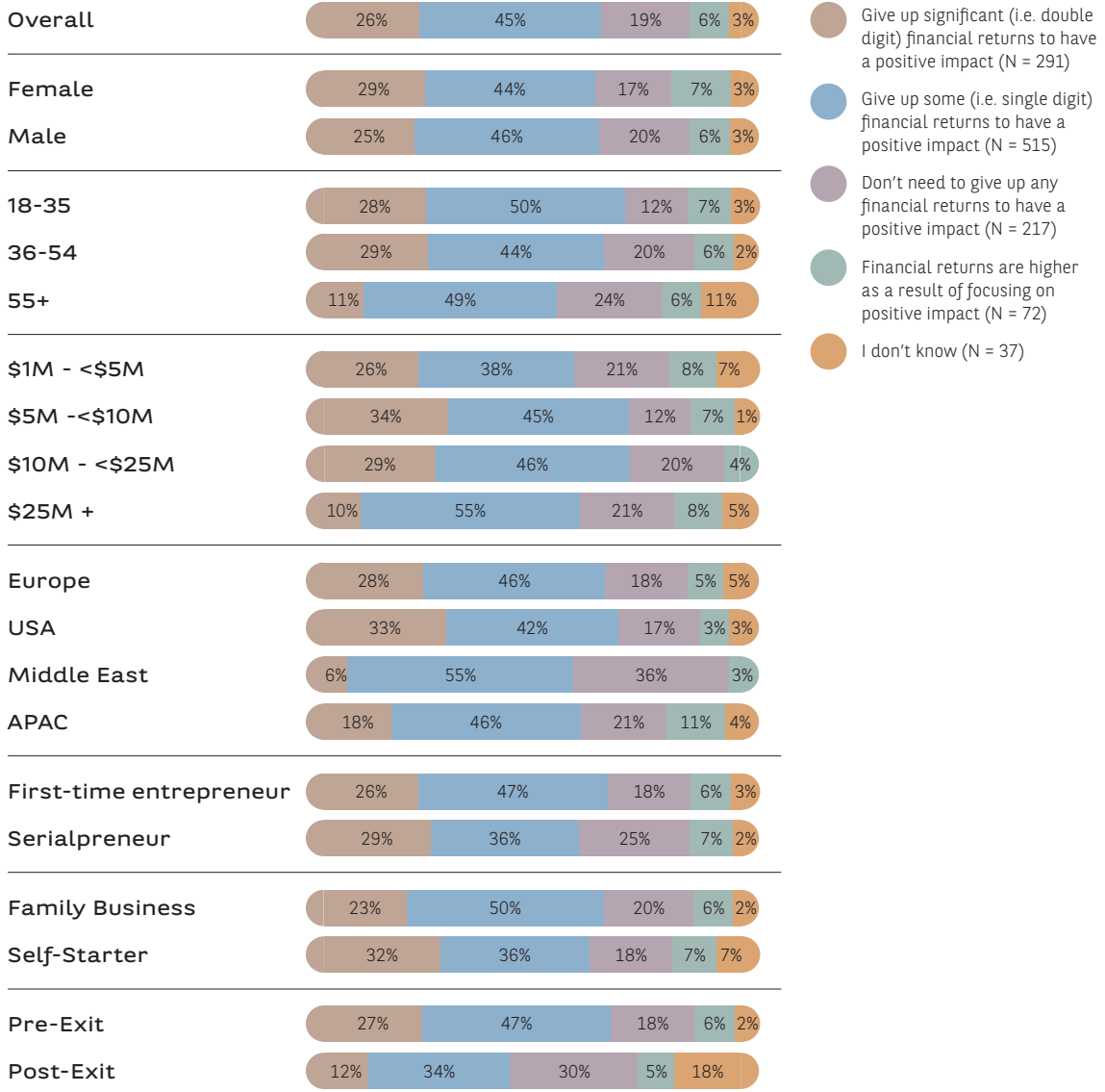


[FIGURE 6]

Allocations have remained low over five years

Note: This chart illustrates the average allocation to sustainable investments between 2015 and 2019 (N = 11,811).
 Source: 2020 BNP Paribas Global Entrepreneur Report

? On balance, which of the following statements best aligns with your perspective on sustainable investment returns? "In the short-term (under 2 years), investors..."



[FIGURE 7]

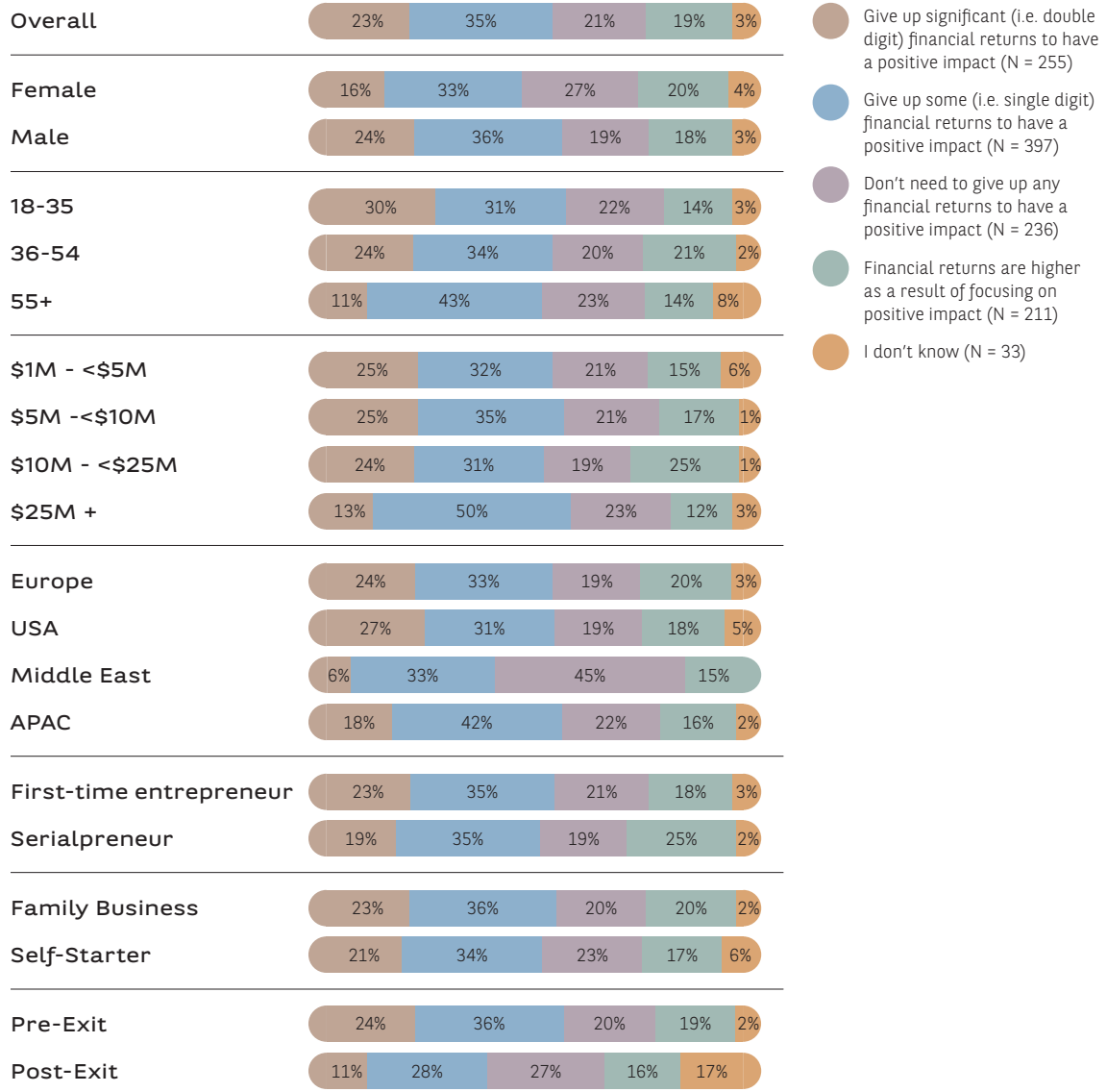
71% of entrepreneurs believe sustainable investments generate lower returns

N = 1,132

Due to rounding, percentages presented throughout this chart may not precisely reflect the absolute figures.

Source: 2020 BNP Paribas Global Entrepreneur Report

? On balance, which of the following statements best aligns with your perspective on sustainable investments returns? "In the long-term (over 5 years), investors..."



[FIGURE 8]

40% believe returns can be the same or better after five years

N = 1,132

Due to rounding, percentages presented throughout this chart may not precisely reflect the absolute figures.

Source: 2020 BNP Paribas Global Entrepreneur Report

Entrepreneurs' low expectations around returns is another factor in their decision-making. **Overwhelmingly, Elite Entrepreneurs believe they are required to trade off good financial performance for social impact.** In fact, 71% believe in the short-term they will experience worse results if they invest sustainably. More than a quarter (26%) expect there to be a significant (double-digit) difference [Figure 7].

Just 6% say that short-term financial performance can be superior by focusing on positive impact, with entrepreneurs in Indonesia, Spain, the Netherlands, China and Taiwan most convinced.

Even in the long-term, the entrepreneurial expectation remains similar. The majority (58%) agree that the financial performance of their sustainable investments will be lower after five years than could have been achieved through other asset classes. Those who believe both in the ethical and the investment case form a slim minority, of only 19% [Figure 8].

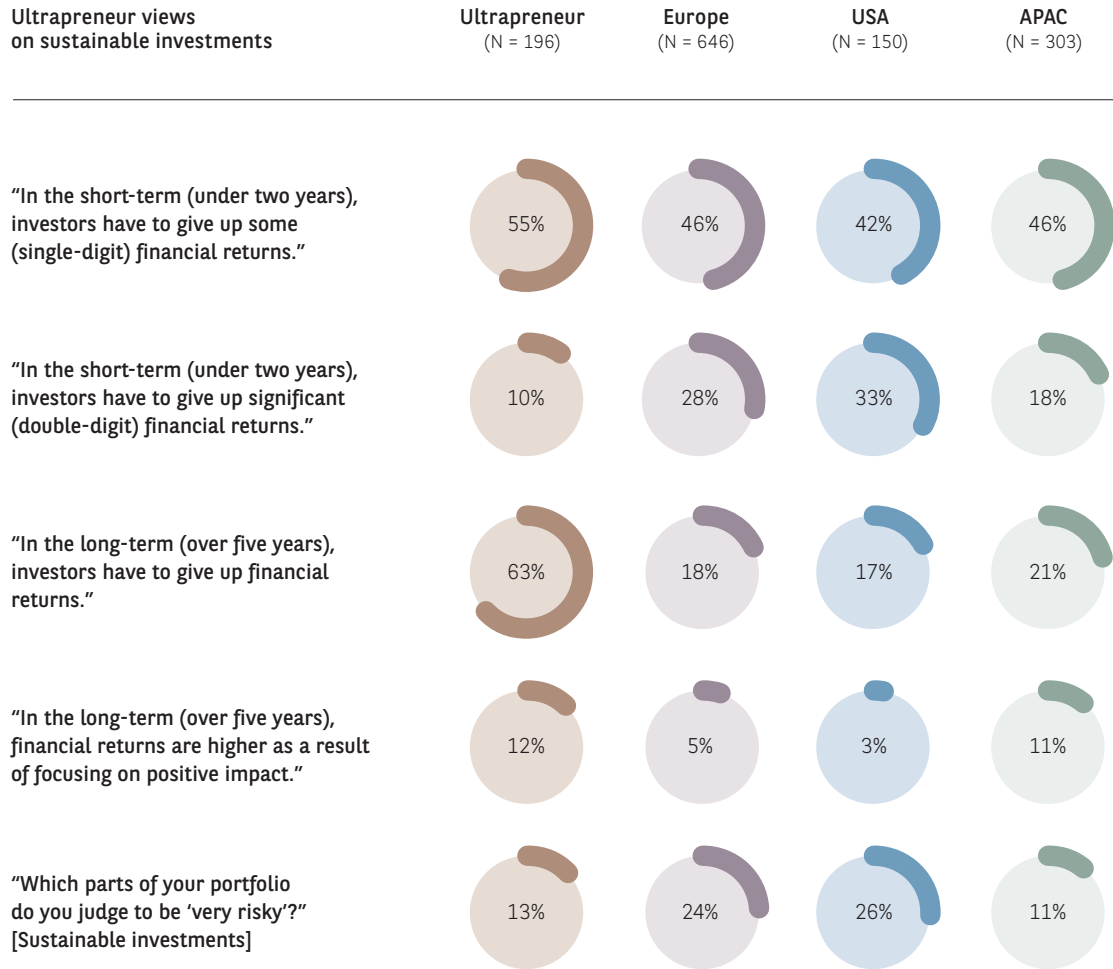
The Ultrapreneur perspective is similarly sceptical although not for the same reasons. These business owners are less concerned by portfolio risk [Figure 9]. However, just 12% of those with more than USD25 million in net worth believe a five-year horizon for improving returns is credible. Much of that sentiment comes from Asia, where few Ultrapreneurs in Singapore (4%) or China (8%) feel confident of the long-term potential of investing sustainably.

This contrasts with the European perspective, where more than a quarter of entrepreneurs in Italy, the Netherlands, Spain and the UK find the five-year time horizon credible for generating superior financial performance.

Reacting to this insight, **Mr. Bregman** comments:



I am not surprised that this is the perception of many clients. I do understand what drives their scepticism: in limiting an investment universe to investments with an ESG or impact focus, they believe something has to be sacrificed, as otherwise ESG would be widely considered the optimal way to invest, which is not yet the case. Generally, the entrepreneurs who invest sustainably have done their own research and deep thinking on the topic. As an industry we have to continue supporting this education process to improve take-up in Asia."



[FIGURE 9]

Ultrapreneurs are sceptical of the long-term potential

Source: 2020 BNP Paribas Global Entrepreneur Report





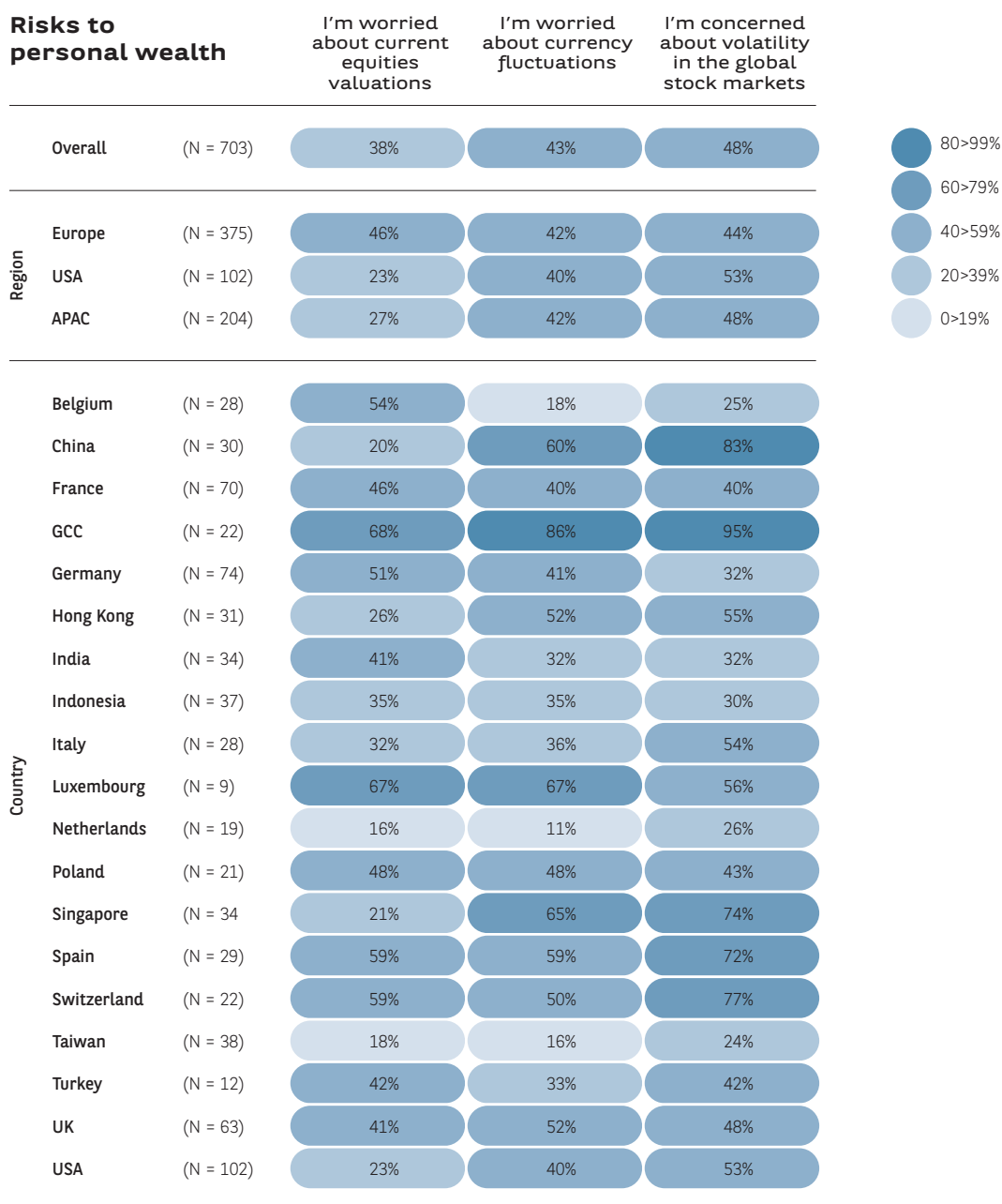
SECTION 2

2020

VISION

MARKET OUTLOOK

SPOTLIGHT ON CONCERNS TO THEIR PERSONAL WEALTH





CRITICAL INFLUENCES

ON THE ENTREPRENEURIAL PORTFOLIO

Entrepreneurs are known for their drive, passion and capacity to take calculated risks to advance their commercial activities. As well as being business leaders, many of them are also investors and apply their skills to identifying opportunities that others overlook when making portfolio decisions.

Within this year's audience of 1,132 successful entrepreneurs, 62% closely monitor their portfolios and actively use the guidance from their wealth managers. **They have a mixed perspective as to whether current conditions present an opportunity or a threat [Figure 10].** On balance, business owners take an optimistic viewpoint and feel turbulence could play to their advantage, but many others are not so sure.

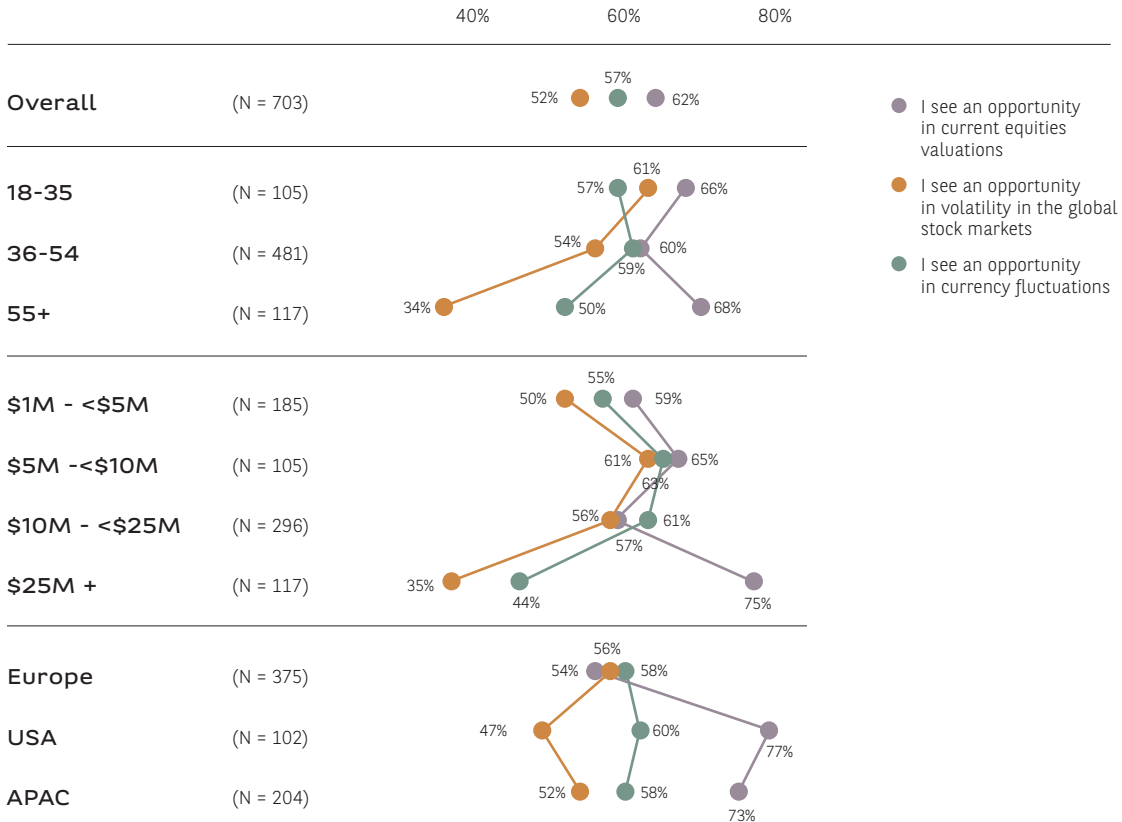
Across the globe, only 43% of these investors say they are worried about the impact of currency fluctuations on their wealth. However, this is not uniformly the case, especially among Boomerpreneurs and Ultrapreneurs who are most likely to view the market environment as concerning for their personal wealth. For instance, a majority in China, Hong Kong and Singapore are worried: after all, in these markets (where average net worth exceeds USD40 million) cash holdings are significant.

Mr. Bronès notes:



Which currency entrepreneurs hold their cash will determine the level of risk, as clearly there are different risks associated with investing wealth in US dollars or Indian rupees. In Asia, entrepreneurs will often prefer US dollars to reduce their exposure to currency risk."

? You mentioned that you pay close attention to the guidance given to you by your wealth manager on your portfolio valuation. Which of the following best describes why?



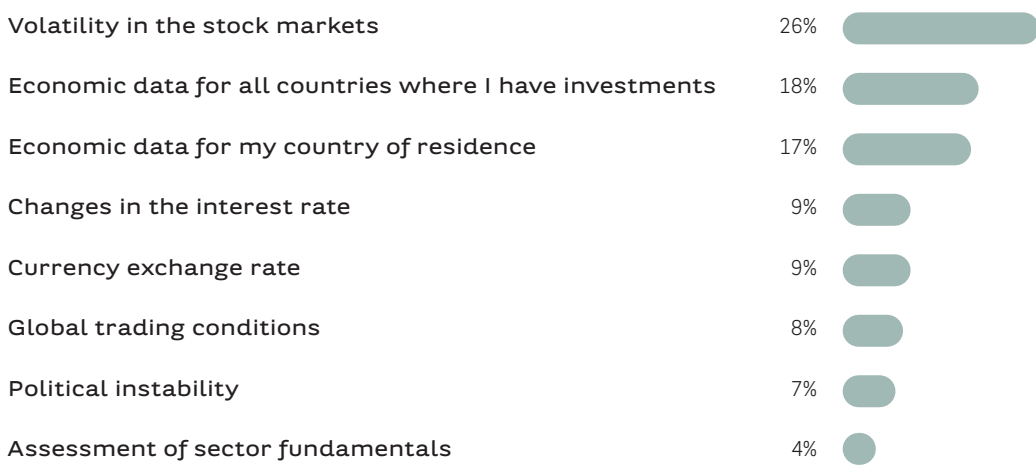
[FIGURE 10]

Many investors can see the opportunity in turbulence

N = 703
Source: 2020 BNP Paribas Global Entrepreneur Report

Political uncertainty adds another dimension to portfolio decision-making. In the UK, the pound fell in September 2019 to its lowest value against the dollar for three years. **Given ongoing Brexit uncertainty, 52% of UK entrepreneurs are worried for their portfolio about the future direction of travel for sterling.** They are matched in their anxiety by entrepreneurs in Spain, where 59% feel there is more to be concerned about than encouraged by sustained uncertainty.

? How much do you value information concerning the impact of different factors on your portfolio?
- Most important



	Europe (N = 646)	USA (N = 150)	Middle East (N = 33)	APAC (N = 303)
Volatility in the stock markets	26%	35%	31%	21%
Economic data for all countries where I have investments	19%	14%	22%	18%
Economic data for my country of residence	17%	16%	31%	17%
Currency exchange rate	11%	5%	16%	8%
Changes in the interest rate	10%	13%	0%	8%
Political instability	6%	5%	0%	11%
Global trading conditions	6%	6%	0%	14%
Assessment of sector fundamentals	4%	6%	0%	2%

[FIGURE 11]

Volatility is the critical factor impacting investment decisions

Chart shows proportion of responses where factor was ranked 'MOST IMPORTANT'. N = 1,108
Source: 2020 BNP Paribas Global Entrepreneur Report

When it comes to equities valuations, a stark contrast emerges between the attitudes in Europe relative to the US and Asia. Even though stocks are their top portfolio allocation, 46% of European investors say they are worried about equities valuations and its impact on their wealth – they are twice as likely to say this than investors in the US (23%) or Asia (27%), who are more positive. Muted European sentiment is particularly visible in Luxembourg, Switzerland, Spain and Belgium.

Globally, over the last 12 months, market volatility has come to the forefront of the risks they see to their wealth with 48% concerned about the implications. **This rises to almost two thirds (65%) of Ultrapreneur investors.**

Their perspective filters through into the information they value and advice they seek from the wealth management industry. Investors place the highest value on understanding the impact of volatility in the stock markets on their portfolios **[Figure 11]**.

Mr. Bronès summarises the bank’s 2020 outlook for the global economy:



The most important question is the risk of recession for the global economy. We see industry contracting in the US, China and Europe, with commercial trade tensions between China and the US clearly having an impact. We also see specific cyclical challenges in the automotive industry and questions arising around electricity. We are not seeing services impacted yet, so the net economy continues to grow. The job creation process is still underway, with consumption supported by rising wages and rising revenues. On balance, we are still optimistic for the future and for another year, or two, of growth.”

THE INTEREST RATE ENVIRONMENT: **TWO SIDES TO THE STORY**

Over the last 12 months, there have been clear signs from the US Federal Reserve that historically-low interest rates are here to stay. Indeed, for many advanced economies, the pre-financial crisis era of rates in the region of 4-5% appears highly unlikely to reappear soon.

A quick summary from our own research study shows how widespread the impact of this coordinated monetary policy action has been. In the 19 economies researched this year, 8 currently have interest rates set at 0% or less; five between zero and 2%. Only India, Indonesia and Turkey have rates of 5% or more.





The current context poses serious challenges to monetary policy-makers looking to prepare for the next downturn. **Yet for global entrepreneurs, the interest rate environment could provide the impetus for significant investment by making saving less attractive.** Our analysis shows that portfolio allocations to cash have remained within the range of 13% to 16% since 2015, indicating that there is room for manoeuvre were the right opportunity to arise.

Many global entrepreneurs are already considering changing their commercial activities in response to persistently low or negative interest rates. **Their preference is to increase their commitment to their own primary company – in fact, 39% say they are considering doing exactly this, rising to 41% of Ultrapreneurs [Figure 12].** Business owners in Belgium, the Netherlands, Switzerland, China and Turkey are among the most convinced of this course of action.

There could be wider economic benefits too, with 24% even considering using their capital to cost-effectively finance new business ventures outside their primary companies.

Claire Roborel de Climens is Head of Private and Alternative Investments at BNP Paribas Wealth Management. She explains:



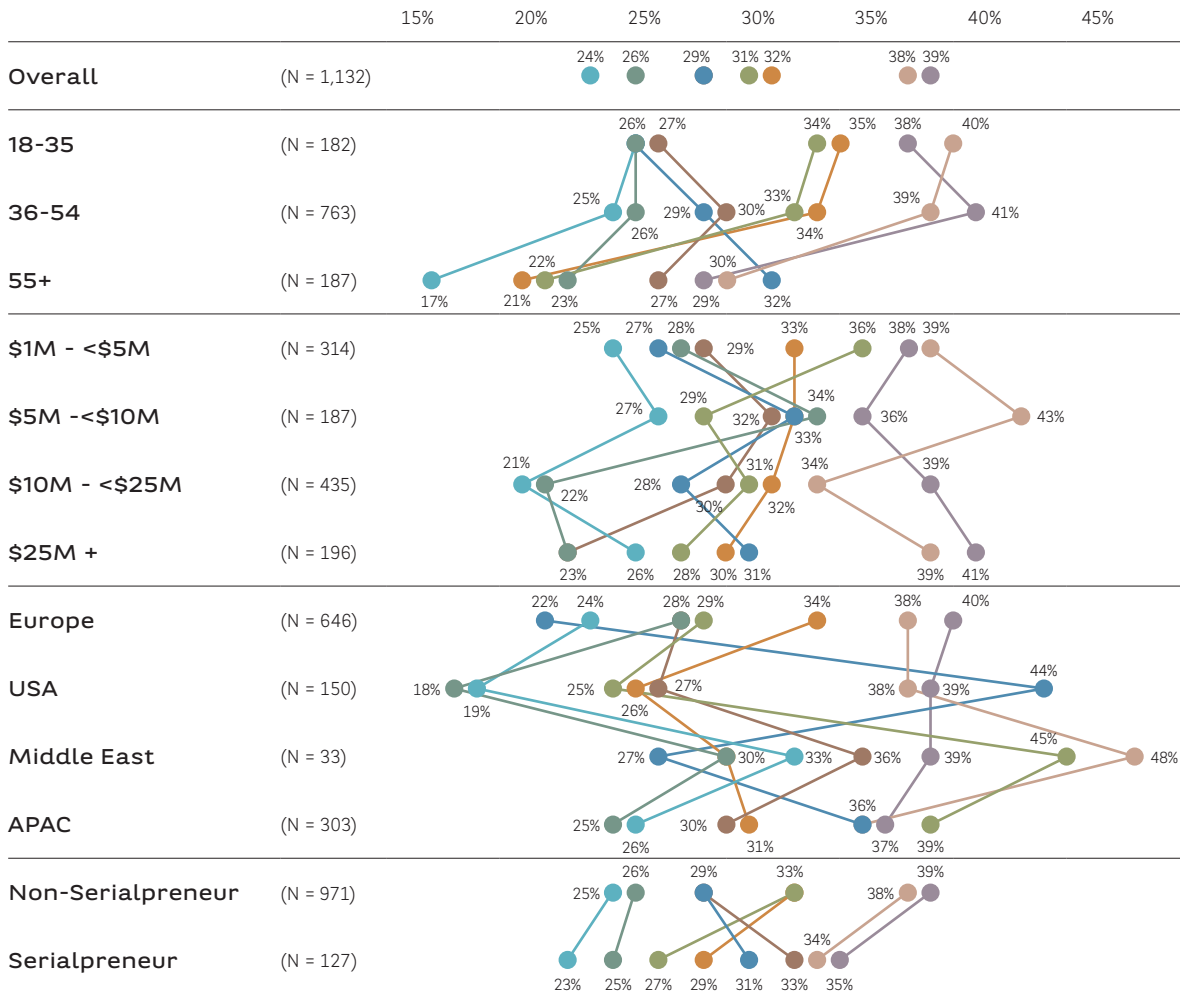
We certainly see an increasing appetite for private equity, and interest in moving into this asset class, from our clients.

This is due to the interest rate environment and also because in volatile markets, investors look for investments that are not correlated with traditional asset classes.”

Entrepreneurs in Europe (particularly Belgium, the Netherlands and United Kingdom) and Asia (specifically Ultrapreneurs in Hong Kong and China) are hoping to take this route. In contrast, business owners in the US make clear they expect their wealth advisors to approach them with new ideas.

? To what extent does the current low or negative interest rate environment affect your decision-making around your investments?

- I am considering making investments into my business
- I would like to make investments abroad
- I am considering making investments into other private businesses
- I will try to avoid cash
- I am considering purchasing property
- I would like to hold assets in a different currency
- I expect my wealth manager to approach me with new ideas
- I am considering starting up a new entrepreneurial venture



[FIGURE 12]

Low interest rates will fuel further entrepreneurial activity

N = 1,132
Source: 2020 BNP Paribas Global Entrepreneur Report

Mr. Bregman explains:



Interest rates can't go much lower than where they are now, and financial assets have already experienced multi-year bull markets. We do see many entrepreneurial clients who prefer to invest in private businesses rather than listed companies, and they are looking for ideas in this area. As entrepreneurs they are happy to have focused stakes in private businesses, and they may also want to be involved in Board-level decision-making."

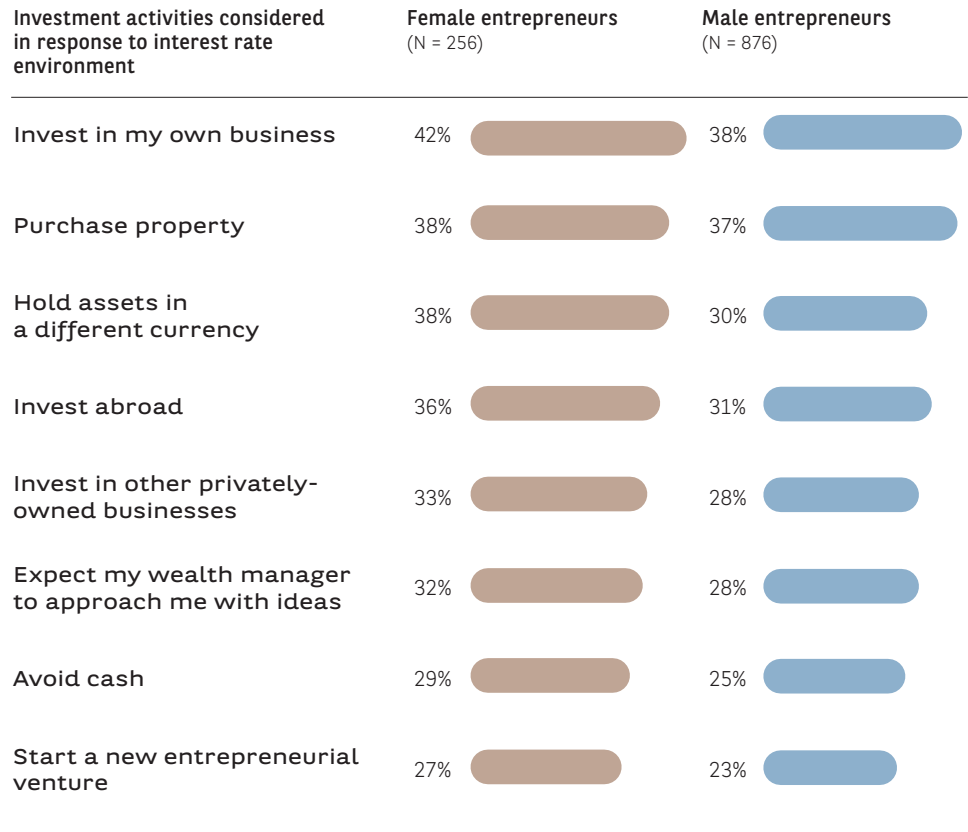
Despite being known for their capacity to found and run multiple businesses, Serialpreneurs are instead most interested to use their capital to fund the commercial activities of other entrepreneurs. One in three (33%) hopes to expand or initiate financial support to other privately-owned firms.

Female entrepreneurs are more motivated to act in response to the interest rate environment than men, both in relation to their business and their wealth [Figure 13]. 42% of women business owners say they intend to enhance financing for their own companies. Nearly four in ten are looking to purchase property or hold more of their assets in a different currency. More than a third (36%) are intrigued to look beyond their domestic market and are starting to evaluate opportunities to invest abroad.

Despite the interest rate environment, policy-makers face an uphill struggle to stimulate economic activity among investors, consumers and businesses. Global entrepreneurs are important players in all three of these segments but given a choice will usually put the needs of business first and seek to expend cheaper capital on their current or future ventures, or to fuel entrepreneurship elsewhere.

More than ten years after the financial crisis, the rules of the global economy are being reappraised. As investors and business leaders, entrepreneurs will play a critical role in sourcing growth in the decade ahead.

? To what extent does the current low or negative interest rate environment affect your decision-making around your investments?



[FIGURE 13]

Female entrepreneurs are more moved to take action than men

Source: 2020 BNP Paribas Global Entrepreneur Report

IN CONCLUSION

In Part I of this year's report, we have explored the entrepreneurial perspective on their investments considering fast-moving market conditions.

There are two sides to the economic story from the last 12 months and entrepreneurs see several commercial opportunities for themselves enabled by persistently-low interest rates, including investing in property, expanding their primary companies or funding other privately-owned businesses. At the same time, they see threats to their personal wealth from market volatility and currency fluctuations, particularly relevant now that equities are their preferred allocation.

There is a perception that certain asset classes are 'safe' and do not pose much risk, real estate in particular. This is an interesting new dimension, so we hope you will join us for Part II of the report (to be released in Spring 2020), where we will go deep into entrepreneurs' private real estate and private equity choices. There is a strong entrepreneurial appetite for these asset classes across the world, with many business owners looking to increase their allocations in the coming 12 months.

In Part III, we close the circle by returning to the theme of sustainable investing, which we found in this report to be viewed as relatively risky and where just 19% believe financial performance can be superior in the long-run. We illustrate perceptions of the United Nations Sustainable Development Goals (UNSDGs), where they feel combating climate change and protecting the planet are the most important global challenges facing humanity. We pin-point some of the barriers entrepreneurs face to investing sustainably, which ultimately hinder the progress we make collectively to achieving a low-carbon future.

By seeking feedback directly from these entrepreneurial investors, our purpose is to identify the actions and information that our industry must bring forward to address their concerns directly.



Tasha Vashisht
Head of Thought Leadership,
Aon Client Insight





ABOUT US

BNP PARIBAS WEALTH MANAGEMENT

In a world that is ever changing, entrepreneurs need to build their wealth strategy with a partner they trust.

Our experts create tailored solutions by drawing on our extensive network and specific expertise to help you build a bridge between your professional and personal wealth. We are here to advise you every step of the way. Backed by our global wealth management network, our business centers around the world and our Corporate and Investment Bank, you benefit from the services of a leading banking and financial institution.

With our support for entrepreneurs, your wealth has a voice. Let it be heard.

Our Wealth Management division with EUR393 billion of assets under management is a leading global private bank – number seven globally and number one in the Eurozone – with offices in three hubs in Europe, Asia and the USA and 7,000 professionals. Our knowledge of local investment climates and culture makes us the natural wealth management partner for clients wanting to manage, preserve and develop their wealth across borders over the long term. We have been recently recognized “Best Private Bank in the World”, “Best Private Bank in Europe”, “Best Private Bank in Hong Kong” and “Best Private in US West”.

wealthmanagement.bnpparibas

AON


Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information please visit: aon.com

This research in this report was conducted and written by Aon UK Limited, part of Aon plc.

Aon UK Limited is authorised and regulated by the Financial Conduct Authority.

aon.com



This research in this report was conducted and written by Aon UK Limited, part of Aon plc in cooperation with the Wealth Management Métier of BNP Paribas, a French Société Anonyme with a capital of 2.499.597.122 Euros, Head Office 16 boulevard des Italiens, 75009 Paris, France, registered under number 662 042 449 RCS Paris, registered in France as a bank with the French Autorité de Contrôle Prudentiel (ACP) and regulated by the French Autorité des Marchés Financiers (AMF). Prior to entering into a transaction each investor should fully understand the financial risks, the merits and the suitability of investing in any product including any market risk associated with the issuer and consult with his or her own legal, regulatory, tax, financial and accounting advisors before making his or her investment. Investors should be in a position to fully understand the features of the transaction and, in the absence of any provision to the contrary, be financially able to bear a loss of their investment and willing to accept such risk. Investors should always keep in mind that the value of investments and any income from them may go down as well as up and that past performance should not be seen as an indication of future performance. Save as otherwise expressly agreed in writing, BNP Paribas is not acting as financial adviser or fiduciary of the investor in any transaction.

Although the information in this document has been obtained from published or unpublished sources which Aon and BNP Paribas reasonably believe to be complete, reliable and accurate, neither Aon nor BNP Paribas do represent or warrant, whether expressly or implicitly, and accept any responsibility for, its exhaustiveness, reliability or accuracy; any opinion expressed in this document is subject to change without notice. Aon and BNP Paribas accept no liability whatsoever for any consequences that may arise from the use of information, opinions or projections contained herein. By accepting this document, you agree to be bound by the foregoing limitations. © BNP Paribas (2020). All rights reserved. © Aon (2020). All rights reserved.

This document has been printed on a 100% recycled paper, FSC® Recycled certified.

Photo credit: © Getty images, © ViewStock, © d3sign, © Orbon Alija, © Westend61, © Luis Alvarez, © Thomas Barwick, © Martin Barraud / Caia Images / GraphicObsession.

CONNECT WITH US



Elite Entrepreneurs
@BNPP_Wealth

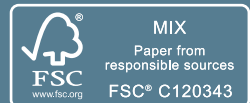


BNP Paribas Wealth Management



wealthmanagement.bnpparibas

AVAILABLE ON THE
"VOICE OF WEALTH" APP



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world