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World Wealth Report 1999

Preface

In our work together over the past 15 years, Merrill Lynch and Gemini Consulting have endeavoured to develop a better understanding of high-net-worth individuals (HNWIs) and what it takes to meet their needs successfully. This is the third in an annual series that sets out our view on key trends and developments in the HNWI market, and the implications for private banks and other institutions that seek to serve these customers.

Last year's report focused on where HNWIs are investing their money, and how wealth is flowing across borders and between different asset classes. We highlighted two geographic areas: Western Europe and Japan.

This year we concentrate on two key themes. First, on the tactical side, we examine how HNWIs fared in 1998, a year of increased economic turbulence and stock market volatility. Second, on the strategic side, we assess how change and innovation in private banking in recent years is creating a more complex and dynamic private banking environment.

As promised in the first annual edition of this report in 1997, we continue to revise the methodologies and analyses that underpin our insights. In particular, this year we have refined the Lorenz curve methodology to reflect updated income distribution statistics, more countries, and equity holdings at 1998 year-end value.

We trust that you will continue to find our ongoing analysis and insights both interesting and useful.

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World Wealth Report 1999: Key Findings

- Nearly 6 million people in the world hold more than $1 million in financial asset wealth, totalling approximately $21.6 trillion.
- This wealth grew by over 12% in 1998, despite slower economic growth in Asia, economic crises in Russia and Brazil, and volatility in most stock markets around the world.
- Growth in 1998 was driven by:
  - Strong recovery by US and Western European stock markets.
  - Relatively low HNWI investments in poorly performing economies.
- We expect HNWI financial asset wealth to grow at 9% per annum, reaching over $32.7 trillion by 2003.
- The wealth of HNWI investors in Asia and Latin America did not increase as much in 1998 as that of investors in North America and Western Europe.
- Globally, HNWIs remained calm in 1998, riding out the stock market storms and increasing their portfolio wealth by year-end.
- While some HNWIs reduced the equity portion of their portfolios, moving into US cash deposits and fixed-income investments, equities continued to dominate.
- Globally, HNWIs continued to withdraw from Asian markets; initially, HNWIs also withdrew from Latin American markets, but by year-end Latin American HNWIs were returning some of their wealth onshore.
- The turbulent events of 1998 forced HNWIs to rely more heavily on their financial providers.
- Change and innovation in private banking are being driven by:
  - A changing HNWI profile and evolving needs
  - New technologies
  - Competitive stress
- Private banks are responding by finding more dynamic and diverse ways of attracting new clients, more varied investment vehicles and value-added services, new channels (especially the Internet), and more sophisticated delivery mechanisms.
- As a result, HNWIs have more choice than ever before—and seek advice from financial advisers more than ever.

Market Size and Growth

An estimated 6 million people worldwide hold liquid financial assets exceeding $1 million. The financial assets of these high-net-worth individuals (HNWIs) around the globe continued their upward spiral in 1998. We estimate that HNWI wealth has reached $21.6 trillion[1] (see Figure 1), up by 12% over last year. This rise continued despite slower economic growth (especially in Asia), economic crises in Russia and Brazil, and stock market volatility in many of the world's markets. Several forces are driving this continued growth.

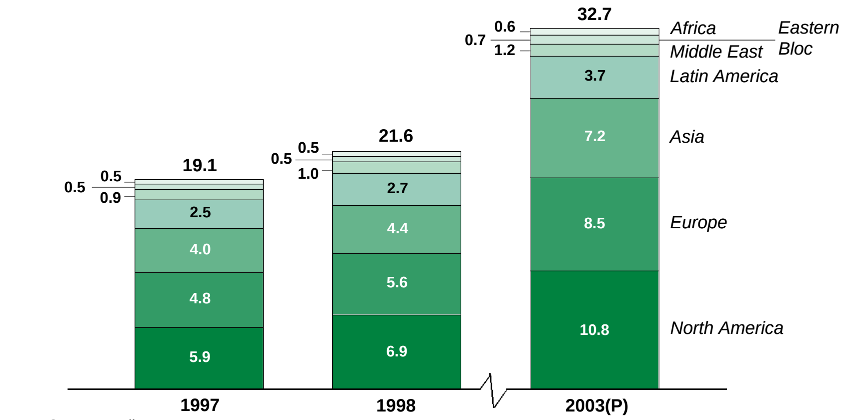
First, the world's economy continues to grow, creating new businesses, markets, and wealthy individuals. The EU and US economies, for example, grew at 2.8% and 3.5% respectively in 1998. This year we have also included estimates for HNWI financial wealth in such Eastern Bloc countries as Poland, Hungary, Slovakia, and the Czech Republic. While their impact has been relatively small, new private businesses are growing rapidly in these countries, producing their own HNWIs who need to be served.

Second, HNWIs in those world areas that suffered economic decline in 1998, such as Indonesia and Thailand, have not depressed overall wealth figures. HNWIs in these countries hold a large share of their financial assets in offshore vehicles whose value has not suffered as much as their onshore non-liquid assets. These non-liquid assets, such as stakes in private businesses or property, are clearly more susceptible to local economic fluctuations.

Finally, US and European stock markets recovered most of their losses by the end of 1998, and this has had a salutary effect on HNWI wealth. The US and European stock markets accounted for nearly 80% of the world's total stock market capitalisation in 1998 (see Figure 2), and are the markets where HNWIs invest the bulk of their liquid assets regardless of where they are officially domiciled.

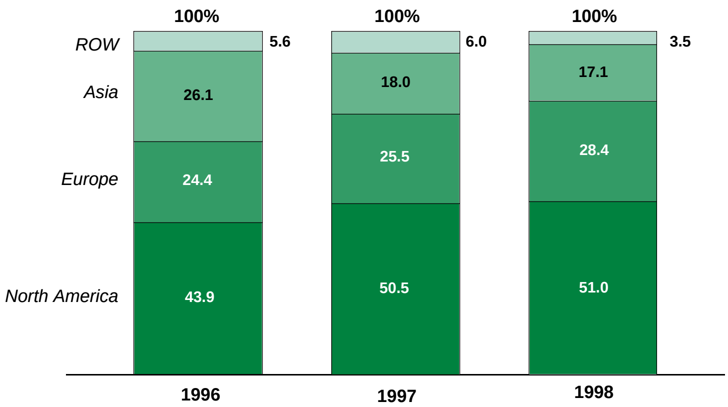
US and Western European HNWIs continue to account for the majority of HNWI wealth—almost 58% of the total. Their share increased slightly in 1998 on the back of relatively strong economic and stock market

Figure 1: **HNWI Wealth by Source Region, 1997–2003 ($ Trillion)**



Source: See Appendix.

Figure 2: **Stock Market Capitalisation by Region, 1996–1998 (%)**



Source: IFC, *Emerging Markets Fact Book,1999* (advance data).

1. This figure is based on our revised Lorenz curve methodology (see Appendix).

performance, while HNWIs in Asia and Latin America lost ground.

The rise in HNWI financial assets shows no signs of stopping. Our estimates project they will grow at approximately 9% per annum over the next 5 years, reaching $32.7 trillion by year-end 2003. This overall growth rate reflects not just the expansion of existing financial assets through reinvested interest payments, dividends, and capital appreciation, but also new financial wealth created by continuing global economic prosperity.

These forecasts do not anticipate a significant change in the regional distribution of HNWI wealth over the 1999–2003 period.

Effects of Stock Market Volatility

The first half of 1998 was more stable than the previous 12 months, despite periodic bouts of heightened uncertainty, high volatility in emerging market economies, and plunging Asian markets. By the third quarter, however, a new wave of turbulence struck capital markets, and stock markets began to spiral downwards. The October collapse and subsequent rescue of Long-Term Capital Management, the US hedge fund, reduced investor confidence dramatically. Stock markets hit lows for the year; many of the major indices sank 20% below mid-July highs. By year-end, however, most financial markets had recovered, and the world's equity market capitalisation was nearly 20% higher than at the end of 1997 (see Figure 3).

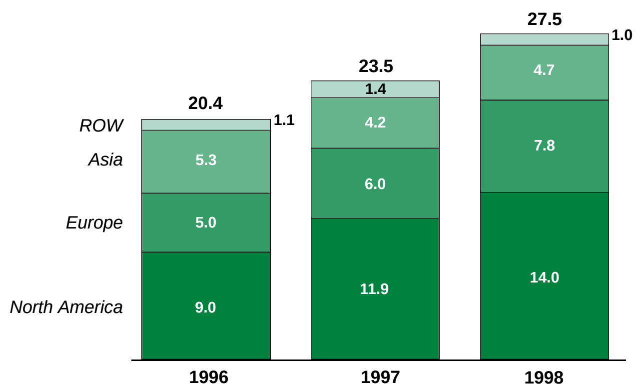
WINNERS AND LOSERS

HNWIs took four key protective measures in 1998:

- They reduced the equity portion of their portfolios, moving more into cash deposits and fixed-income bonds. These moves were not dramatic, however, and equities still remained the most important category in their portfolios (see Figure 4). This switch was less pronounced for HNWI investors in Europe.
- HNWIs outside the US, especially in Asia and the Middle East, shifted assets from local currency to cash deposits in US dollars—a flight to quality.
- HNWIs continued to withdraw from Asian markets, moving more into the US and Western Europe.
- Most important, HNWIs did not panic, but rode out the equity storm. (For brokers this meant a drop in activity in the second half of 1998.)

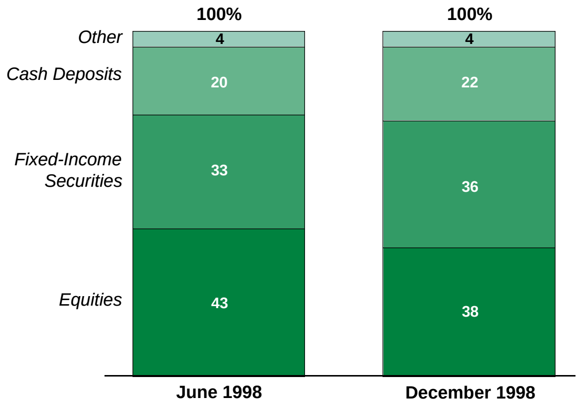
Some HNWIs, of course, fared better than others in 1998. Latin American and Asia Pacific HNWIs did not achieve the same gains as their European and US counterparts, because they invested a higher proportion of their portfolios in their domestic Latin American and Asia Pacific markets. So even though they had moved most of their financial assets offshore into US dollars, the domestic portion of their portfolios performed less well in 1998. By year-end, however, Latin American HNWI investors were moving money back onshore and investing in local fixed-income securities.

Figure 3: **Stock Market Capitalisation by Region, 1996–1998 ($ Trillion)**



Source: IFC, *Emerging Markets Fact Book,1999* (advance data).

Figure 4: **HNWI Financial Asset Split in 1998 (%)**



Source: Merrill Lynch analysis.

Two long-term trends cited in previous editions of this report were:

- More and more wealth is being placed onshore, as domestic capital markets develop.
- More wealth is being moved from cash into equities and equity-linked investments, which have generated higher long-term returns.

Some of the developments in 1998 might at first suggest that these long-term trends (and the implications they have for financial providers) are changing. A closer look indicates that in times of stock market volatility, HNWIs simply switch some of their assets into less-risky, lower return, dollar-denominated cash deposits. By the year-end, as noted above, Latin American HNWIs were starting to reinvest in local assets, and no violent swings occurred in overall HNWI portfolio composition. These facts reinforce our belief that the two long-term trends—towards investing onshore and in equities—will continue.

ADVISER RELATIONSHIPS

Despite carrying out fewer transactions in the second half of the year, HNWIs contacted their financial advisers more frequently in 1998. In some regions, demand for discretionary and advisory accounts increased in the private banking market.

Stock market volatility increased HNWIs' dependency on their financial advisers. In weighing the risks of switching to different types of assets, or switching currencies, geographies, and maturities, HNWIs leaned on trusted advisers who offered a supporting cast of investment, legal, and fiscal experts.

CONCLUSIONS

All in all, 1998 was a good year for HNWIs. A minority of them, however, were caught out by the volatile 1998 stock market:

- HNWIs who converted substantial assets into cash missed the late upturn in the markets.
- Those not globally diversified and heavily weighted in emerging markets and hedge funds were badly burned.

HNWIs with well-structured portfolios were not adversely affected. Most HNWIs rode out the storm and made significant gains by year-end.

Change and Innovation in Private Banking

A sea change has been occurring in the world of private banking in recent years. This last bastion of traditionalism in banking is fast becoming a dynamic, innovative environment that is more interesting to both HNWIs and providers alike.

DRIVERS OF CHANGE

Innovation in private banking is being driven by three key factors:

- A changing HNWI profile and their evolving needs
- Emerging technologies
- Competition for HNWI wealth

These three factors are combining to revolutionise the private banking market, offering new opportunities, not just to HNWIs, but also to institutions serving them.

A Changing Profile and Evolving Needs

Not only are HNWIs growing in number and wealth, but their profiles are also changing. Earned

Figure 5: **Evolving Customer Needs**

Traditional Passive Investor	Active New Investor
• **Product:** – Discretionary/managed portfolios • **Service:** – Confidentiality/security – Trusts/estate planning • **Channel:** – Relationship manager	• **Product:** – New and sophisticated – Covering new geographies – Unique risk/return characteristics • **Service:** – Confidentiality/security – Asset performance: • Higher returns – Quality information and advice – Improved asset allocation • **Channel:** – Increased availability: • Remote access • 24-hour access – Multiple access points: • Relationship manager • Call centre • Internet

wealth ("new money") is increasing faster than inherited wealth ("old money"). And HNWIs are taking a much more active role in managing their wealth. Four-fifths of America's millionaires, many illustrating the "single-stock millionaire" phenomenon, have made their money in one generation, most of them through entrepreneurial ventures. They constitute a rich source of new clients for the private banking sector, and are more demanding, informed, and educated in managing their finances than were their predecessors.

Investors inheriting wealth, too, are more savvy than the previous generation. The degree of control taken by active investors varies from low (being just advisory account holders) to high (being day traders), but all share common characteristics: they are information-hungry, IT-literate, mobile, global, and risk-taking.

The more old-fashioned, passive, inherited-wealth HNWIs have a relatively limited range of needs in terms of products (discretionary/ managed portfolios), services (confidentiality/security and trusts/ estate planning), and channels (a relationship manager). Active HNWIs' needs are more varied. They require more sophisticated products covering new types of funds, up-to-date information to manage their accounts, and around-the-clock accessibility to these products through several access points (see Figure 5).

New Technologies

Today's HNWIs regard emerging technologies as one of the main wellsprings of change and innovation. In recent years, providers have used technological enhancements to improve efficiency, mainly in middle- and back-office processing. Advances in two more areas are now affecting the way private banks do business with their customers.

First, data-mining techniques will soon allow players to understand customer behaviour on an individual basis. Armed with this understanding, players will be able to price more effectively, target and cross-sell new products more precisely, and offer a more tailored service to HNWIs.

Second, the Internet is having a revolutionary impact on the industry. Internet technology gives players apparently boundless ways to interact with their customers, whether for information (such as research distribution and product details) or transactions (such as on-line trading). Being able to exploit these technologies will be essential to developing a loyal HNWI customer base.

Competitive Stress

Solid revenue streams with high returns are steadily intensifying the competitive battleground for HNWI wealth. Traditional private banks—which once could regard the wealthy as their exclusive domain—now find themselves elbow-to-elbow with asset managers, insurance companies, stockbrokers, retail banks, investment banks, wealth-management institutions, and universal banks in their fight to attract and keep HNWIs in the fold. Aggressive merger and acquisition activity between these players illustrates just how intense the battle has become.

Universal banks are becoming more adept at running their multi-channel, multi-brand businesses. They effectively use their diverse distribution channels to attract global clients, and they enjoy a client base of new and soon-to-be HNWIs. Their wide product range is also advantageous, and they can use their corporate client base to identify new HNWIs to serve through their private banking arms.

These banks are also leading the charge to offer a "private banking" service to clients holding lower value portfolios (what we call the affluent and emerging affluent segments). Their goal is to capture customers in these segments at their lower wealth levels, converting them to loyal customers by the time they reach HNWI status.

Insurance companies follow a similar path by establishing relationships with new and soon-to-be HNWIs through their pension and other pooled savings products, which they are extending into the HNWI product domain. Utility-based providers, for their part, are using sophisticated IT systems to offer new channels and enhanced levels of service to active investors.

As a result of all this intensified competition, HNWIs now have an expanding range of products and services from which to choose. Providers, therefore, must work harder to attract and retain a loyal customer base.

INNOVATION IN PRIVATE BANKING

The convergence of these three key forces in private banking is leading to a plethora of innovations from providers of all kinds. Forward-looking management teams are concentrating on sales and marketing, new products, new services, new channels, and new delivery mechanisms to attract loyal HNWIs.

Traditional private banks may soon face a crisis. Their client base is composed primarily of older, more passive HNWIs—not a customer group that demands much in the way of new services, technologies, or products. This dying breed is leaving its wealth to a more active, sophisticated generation that traditional private banks may find themselves ill-equipped to serve.

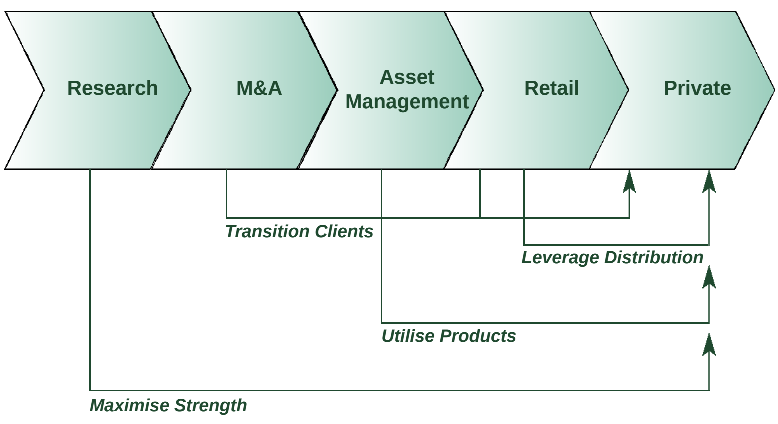
Sales and Marketing

To attract active HNWIs, institutions are reviewing how they approach the market in terms of corporate image and brand awareness. Many of the newer entrants to the HNWI market are accustomed, through their other businesses, to running expensive, sophisticated advertising campaigns.

Ten years ago, traditional private banks spent little on advertising, winning most of their clients through word of mouth. Now private banks regularly advertise their services and are spending increasing amounts of time and money to create the right corporate image to attract new HNWIs. Establishing brand awareness in the market is a key goal. Forming alliances with credit card companies, and offering badged gold and platinum cards, is now commonplace.

Large financial institutions are making the most of the different parts of their organisations to increase the number of HNWIs their private banking arms serve (see Figure 6).

Figure 6: **How Universal Banks Leverage Their Business Areas**



They routinely transition clients from their retail banking arms to their private banks at a predetermined wealth level, and are teaming up with their corporate colleagues to win executives' private wealth (e.g. from IPOs or stock-option plans administered by the bank). They are innovatively using corporate or institutional products, such as derivatives and hedge funds, to meet specific HNWI demands. And they are using their top-quality research to entice new information-hungry HNWIs into their private banking operations.

Another development is the rapid growth of the "family office", which serves ultra-HNWIs and their families. These practices, which are either independently owned by a family or, increasingly, part of a private banking institution, are designed for households with a net worth of more than $50 million. In the US, for example, an increasing number of the 10,500 ultra-HNWI households are joining or forming family offices—estimated to have increased from 1,600 in 1996 to over 3,000 in 1998.

US family offices provide Internet services and sophisticated products to HNWI families, including trusts, portfolio management, and fiscal and estate planning. Many family offices set up and administer sophisticated private funds that are open to other families.

New Products

The prolonged bull market has inevitably raised HNWI expectations, especially among those in the active "new money" segments. With their increased sophistication, the HNWIs in this segment seek higher yield products. They also have a strong interest in alternative investments (see Figure 7), and they recognise the ability to limit currency, interest, and market risk exposure using derivatives. To meet their needs, private banks have had to innovate and widen their product range, in the process making their business more complex (see Figure 8).

HNWIs also expect their bankers to be fully informed about tax products and how to maximise their benefits. Until relatively recently, being tax-efficient meant little more than setting up cash deposits in offshore havens, or investing in unit trusts domiciled abroad. Today it is more complex. The development of local capital markets and government incentives, for example, are encouraging onshore investments.

Figure 7: **Alternative Investment Avenues for HNWIs**

Public Equity	**Private Equity**
• **Market index tracker funds** • **Multi-market:** – Cross-sector funds • **Ethical funds**	• **Venture capital funds** • **LBO funds** • **Private equity funds** • **Bridge funds**
High Yield	**Fixed Assets**
• **Hedge funds** • **Leveraged loans** • **Endowment funds**	• **Real estate investment funds** • **Infrastructure funds:** – Emerging markets

Figure 8: **Product Evolution**

		Global Access
		Family Offices
		Hedge Funds
	Derivatives	**Derivatives**
	Transaction Services	**Transaction Services**
	Credit	**Credit**
Wills and Trusts	**Wills and Trusts**	**Wills and Trusts**
Estate Planning	**Estate Planning**	**Estate Planning**
Tax Planning	**Tax Planning**	**Tax Planning**
Portfolio Management	**Portfolio Management**	**Portfolio Management**
1970s	***1980s***	***1990s***

To feed this need, the private banking sector is offering value-added services in tax advice and management.

Some private banks now meet the needs of new HNWI entrepreneurs with innovative solutions. These entrepreneurs often need liquid assets to fund their ventures, and a private bank can advance funds against the future sale of their private equity capital, or make loans against this collateral.

New Channels and Services

HNWIs can access different levels of service through a choice of channels. No longer depending exclusively on their relationship managers, they can turn to dedicated "call centres" and the Internet. Gone also are the days when the relationship manager could be all things to all HNWIs. Private banks are starting to reorganise the day-to-day management of HNWI accounts by setting up new teams of office-based product and market experts who can be contacted directly for advice and for making day-to-day transactions. This innovation both increases the service HNWIs now receive and frees up relationship manager time to hunt for new business.

The Internet is having a dramatic impact on investors' ability to receive timely information and react to it quickly and inexpensively. Industry analysts estimate there will be 5 million on-line traders in the US, accounting for up to 25% of Nasdaq trades, by the end of 1999, and expect that number to increase to 14 million by 2002. Many of these investors are active HNWIs who typically demand access to cutting-edge technology, even if they do not use it.

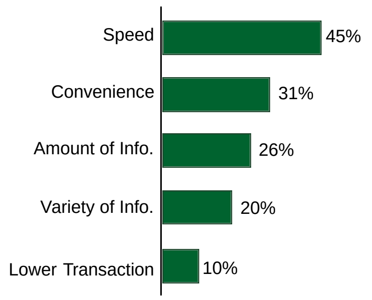
Sophisticated products are now available through the Internet. For example, www.hedgeworld.com is a transaction site for hedge fund investors. More and more HNWIs are turning to the Internet as an additional channel to their relationship manager. Its speed and convenience, not the lower transaction cost, are its primary attractions (see Figure 9). And of those investors with investible assets of more than $500,000, 59% access information on-line.

Many still use the Internet only for information-gathering (to access research, for example). But as fears about security diminish, HNWIs will conduct more transactions electronically. Technological improvements such as "what-if" scenario planning tools using real-time information are also set to accelerate Internet use by the world's HNWIs.

The Internet, however, has a potential downside. Private banks face the real threat of disintermediation. On-line brokers with clearer pricing are appealing to

Figure 9: **HNWI Internet Attractions**

HNWIs are attracted to the Internet because of its speed and convenience (24-hour accessibility) . . .



. . . not because of lower cost.

Source: Merrill Lynch Internet Survey, 1998.

the very active and sophisticated HNWI. To compete in this arena, private banks will have to make a sustained effort to innovate with the Internet and other services. As transactions by telephone and on the Internet become commonplace, advice, service, and consultation will become even more critical in retaining profitable customers.

Delivery Mechanisms

Delivery mechanisms of the future will all rely heavily on information technology. The challenge lies in building standard global information technology platforms that meet global HNWI needs and deliver seamless services. Such platforms need to cope readily with the HNWI based in Hong Kong, for example, who makes a telephone transaction with his relationship manager in the UK to make a deposit in Guernsey, while the transaction is processed in Switzerland. Not a simple process.

Delivery mechanism innovations have thus far focused on sales and marketing and settlement and administration—that is, at the beginning and end of the private banking value chain.

At the front end, innovative relationship management tools will help serve HNWI needs more effectively. Front-office relationship management software that tracks clients' activities across product groups, for example, is giving private banks the information they need to understand client profitability and cross-sell appropriate products. It improves customer service—private banks can use it to demonstrate fund scenarios, allocate assets more precisely, conduct regular performance reviews, and provide integrated statements to HNWIs. It also enables private banks to move, as mentioned above, to a team of product and market experts, significantly enhancing the traditional relationship manager model.

At the other end of the value chain, the outsourcing of private banking back-office operations is becoming an acceptable reality, allowing providers to improve profitability and concentrate on developing their brands, product offers, and relationship management skills. At least one financial institution now acts as custodian and administrator for other private banking players such as asset managers. This "in-sourcing" demonstrates how some private banking players define their market more broadly than just in terms of customers or products. They add a third dimension, carrying out certain activities on behalf of other industry players.

IMPLICATIONS FOR HNWIs

HNWIs now have more choice than ever in all aspects of managing their wealth—more providers, more products, increasing levels of customer service, more channels to exploit, and better control of their wealth through improved information flows.

This increased range of choices has an important corollary. Even active HNWIs will rely more on their relationship managers to help them negotiate the maze this choice creates. Successful relationship managers, therefore, will need more than excellent people-management skills. Just as important, they will need to be thoroughly versed in the latest information technology developments, have up-to-date knowledge of emerging products and markets, be well connected within the organisation so they can access the right expertise for their clients, and feel comfortable when their clients have financial interactions with computers and colleagues from other parts of the organisation.

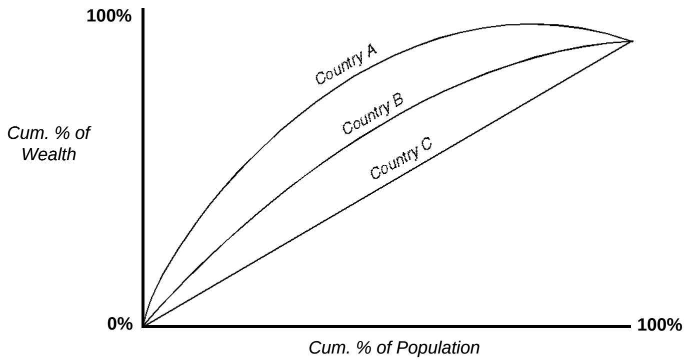
For all their sophistication, HNWIs now need strong financial advisers as much or more than ever. The best private banks are more than mere recipients and guardians of HNWI wealth. Today's private bankers need to move towards "open product architecture", offering the best solution to their customers regardless of who produces it. Their value to HNWIs will depend more and more heavily on their ability to coach and advise, bringing in product experts where appropriate.

The stakes are very high. And only those organisations that correctly anticipate and meet HNWIs' rapidly evolving needs will win their share of the $21.6 trillion the world's HNWIs have to invest.

Appendix: Methodology

We have estimated the size and growth of wealth in various regions using the Gemini Lorenz curve methodology, originally developed during consulting engagements with Merrill Lynch in the 1980s. We used it to calculate at a macro-level the value of private wealth (financial and non-financial) in each country, and the distribution of this wealth across the population.

Figure A-1: **Generic Lorenz Curves**



The methodology has undergone significant revision since our last edition. These improvements allow the model to reflect better year-on-year changes in global private wealth.

We have:

- Applied up-to-date statistics (some of the statistical inputs are not revised each year) on wealth distribution.
- Updated the split of financial vs. non-financial assets based on more recent research.
- Included Eastern Europe as a separate region.
- Enlarged the number of countries in the model: we now include fifty-seven countries covering 95% of global GDP.
- Included the market value of publicly held equities to reflect year-end levels.

Total wealth levels by country are estimated using national account statistics from the International Monetary Fund to identify the total amount of private savings in each year.

These savings are summed over time to arrive at total accumulated private wealth. As this captures financial assets at book value, an adjustment is made based on world stock market indices so that the final figures reflect the market value of the equity portion of HNWI wealth.

Offshore investments are theoretically accounted for but, in practice, only insofar as countries are able to make accurate estimates of relative flows of property and investment income in and out of their jurisdictions.

We have therefore included a correction to accommodate undeclared savings in the figures. In the few countries for which figures are published, we have compared the results of our calculations with published values of total household wealth, and these estimates have proved accurate.

To arrive at financial asset wealth as a proportion of total wealth, we have used statistics for countries with available data to calculate their financial wealth figures, and extrapolated these results to the rest of the world.

The wealth distribution of each country is based on known relationships between wealth and income (in countries where the necessary information exists). Data on income distribution is provided by the World Bank. We use the resulting Lorenz curves to distribute the wealth across the owners of wealth, whom we assume to be the adult population in each case. Of course, the distribution of wealth varies for each country.

The data supporting the analysis is drawn from a wide range of sources. We cannot, therefore, warrant its exactitude, and we can accept no liability in that regard.

Gemini Consulting

Gemini Consulting is a global management consulting firm with fully integrated capabilities in strategy, operations, people, and information management. Gemini has a unique ability to execute projects from conception to design and through to successful implementation, and is dedicated to helping clients achieve extraordinary results in areas critical to their success. With 1,800 consultants, twenty-nine offices around the globe, and more than 35 years' experience in delivering sustainable results, Gemini works with the world's leading companies to make the right changes happen.

The firm has a long-standing record of success in the financial services industry. Our consultants provide clients with expertise and practical experience in strategy formulation, shareholder value creation, organisational effectiveness, and business process re-engineering. Our affiliation with Cap Gemini provides substantial IT resources and capabilities.

Gemini Consulting's depth of experience and knowledge is enhanced by strong academic ties with leading business thinkers and strategists from universities around the world. They provide our clients with access to leading-edge insights that joint client/consultant teams convert into tangible—and sustainable—results.

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Merrill Lynch

Merrill Lynch is a leading global financial management and advisory company with a presence in more than forty countries worldwide. It is one of the largest securities firms in the world, with private client assets in excess of $1.5 trillion. As an investment bank, it is the top underwriter of debt and equity securities and a leading strategic adviser to corporations, governments, institutions, and individuals world-wide. Through Merrill Lynch Mercury Asset Management, Merrill Lynch operates one of the world's largest mutual fund groups with assets under management of over $515 billion. At the beginning of 1998, Merrill Lynch acquired Mercury Asset Management, the largest independent asset management group in the UK.

Merrill Lynch comprises four business sectors representing the company's key strategic growth priorities: US Private Client Group, International Private Client Group, Asset Management Group, and Corporate and Institutional Client Group.

The International Private Client Group provides planning-based financial services to high-net-worth investors around the world. It employs some 4,000 private bankers, relationship managers, financial consultants, and specialists offering a combination of private banking, trust, asset management, and brokerage services through a network of two hundred offices in more than thirty countries around the world. Assets held in Merrill Lynch International Private Client accounts amount to over $104 billion.


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