

THIERRY VALLET :

« Mauritius is the top performing African country for millionaires »

South Africa's setbacks may prove to be a boon for the Mauritian financial center. One of the Founding Executives of AfrAsia Bank, Thierry Vallet says "most signs points to a bright future" for Mauritius. Responsible for strategy and development and currently the General Manager of Consumer Banking, he says "Mauritius could become a first rate private banking hub for Africa and the region".



South Africa is the hub for private banking in Africa. Does Mauritius have what it takes to dethrone it?

Most signs point to a bright future and to the possibility that Mauritius could well become a first rate private banking hub for Africa and the region. Mauritius has a well-capitalized banking sector, with boutique type banking offers for Africa's super-rich. Yet, South Africa remains by far, Africa's primary private banking hub, holding the lion's share of the estimated US\$2.2 trillion wealth on the African continent as recently reported by the research house New World Wealth in the AfrAsia Bank Africa Wealth Report 2017. South Africa is home to the most High Net Worth Individuals (HNWIs) on the continent, recording over 40,000 multi-millionaires

by end of 2016 while Mauritius has some 3,500. However the global ratings announcements present a negative outlook on South Africa's economy. After the recent country's credit rating downgrade to junk status by Standard & Poor's, we believe that the number of HNWI's could curtail as the country experience turbulence with currency fluctuations especially on the downside. The latter represents a risk to South-African rich and is likely to have a knock-on effect on their wealth holdings and other investments. Reuters reported that as much as \$10 billion dollars could leave the country following the rating shift. Mauritius is the top performing African country for millionaires and the recent research by New World Wealth confirms our findings. Mauritius's HNWI's rose by 230% in 10 years, while South Africa registered only 8 per cent for the same corresponding period. Private banking offers great potential going ahead and Mauritius can be the biggest beneficiary of this growth. Our banking system is mature, we have stable government system with non-violent transitions and conducive investment policies, all the core ingredients to help the HNWI's enhance and preserve wealth locally.

According to the latest AfrAsia Bank Africa Wealth Report, Mauritius is to record another HNWI growth of 130% by 2026. What makes Mauritius so special?

Mauritius has long dominated the ranking of African countries that matters most to the HNWI's and this year's report confirms no change to prevailing mood. The report clearly indicates that the growth in cross-border investment is driven by numerous factors including strong economic growth, a thriving and growing financial services sector, particularly in offshore banking, fund management and private banking, secure ownership rights and low income tax rates. Then of course there is the lifestyle - beaches, weather and scenery – coupled with a low crime rate. With the current state of affairs in South Africa, Mauritius is expected to continue to be the fastest growing country in Africa for millionaires. Large number of wealthy individuals have moved here, especially from France and Southern Africa. It is estimated that 280 millionaires have moved there from South Africa alone since 2006. Mauritius, as a leading international financial centre of substance and the gateway to the African continent, is well positioned to receive this "Wealth Flow" and cater for the investment needs of the growing number of Africa's multi-millionaires.

What is the 2017 trend of these HNWI's.

What are their preferred investment products?

The demand for investment products has been mixed amongst HNWI and we also note that their preferences evolve during a finite life span to match the financial strategies they are pursuing. The improving global economic conditions, especially in the US, has encouraged some to adopt a more aggressive approach by increasing exposure to investments such as equities and high-yield fixed income instruments. In the latter, we have also seen increasing demand for unlisted fixed-income debt or shares that offer higher dividends or yields. On the other side, the recent economic and political events coupled with the rally in equity markets resulted into HNWI's opting for a defensive strategy thus favoring products with maximum capital protection which is often at the expense of investment return. Due to the low-interest rate environment, we also noticed demand for uncommon alternative investments like Fine Wine, Arts as well as Property. New World Wealth estimates that African HNWI's held US\$870 million worth of fine art at the end of 2016.

What is the weight of Private Banking activities in AfrAsia Bank operations?

The Private Banking activities currently represents a quarter of the AfrAsia Bank business at large, taking into consideration the Deposit raising but also the revenue generated from non-interest income such as investments in securities and forex dealings. The cluster has a renewed focus on the high-net-worth segment with the aim of maximising the potential of our existing portfolio of clients. The Bank has a team of experienced investment professionals who offer proactive investment proposals to suit the needs of the professionals, executives, entrepreneurs, micro companies and high net worth individuals.