UBS

New value creators gain momentum

Billionaires insights 2017

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A few words about our research

Following on from our previous reports on billionaire wealth, we are continuing our investigation into this historic era of wealth generation. This year we have analyzed data covering 1,550 billionaires and looking back two decades. Our database includes the 14 largest billionaire markets, which account for around 80% of global billionaire wealth. Further, we've conducted over 25 interviews with billionaire advisors and additional face-to-face interviews with more than 30 billionaires and approximately 30 of their heirs. UBS and PwC advise a large number of the world's wealthy, and have unique insights into their changing fortunes and needs. (For more information see page 30.)

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New value creators gain momentum

What a difference a year makes. In last year's report, we asked the question "Are billionaires feeling the pressure?" as billionaire wealth dropped. This year we've seen a dramatic return to growth. Billionaire wealth rose 17% in 2016, double the rate of the MSCI AC World Index. Despite a period of heightened geopolitical uncertainty, the world's ultrawealthy are flourishing.

In the pages that follow, we explore the drivers behind this growth and some emerging trends. There are startling figures: for the first time in history there are now more billionaires in Asia than in the US. This year's 145 new billionaires employ at least 2.8 million people. We uncover the increasingly powerful role played by networks: more and more families are working together on new ventures and younger entrepreneurs are tapping into a broader group of contacts to orchestrate deals.

We also shine a spotlight on the growing role billionaires play in art and sports. Asian billionaires have made over half of billionaires' sports club acquisitions in the last two years, while a new generation of art patrons is making new and unique collections more accessible to the public.

Billionaires are enjoying resurgent growth and creating new legacies, driven by a shift in the geography of global influence. We can expect many more such shifts in the future as Asia, and in particular China, continues to grow in stature. We look forward to charting these developments in the years to come.

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Executive summary

Return to growth. After a pause in 2015, expansion in billionaire wealth has continued. Globally, the total wealth of billionaires rose by 17% in 2016, up from USD5.1 trillion to USD6.0 trillion. There was a 10% rise in the number of billionaires globally to 1,542.

The Asian Century: outpacing the United States. In a landmark year, the number of Asian billionaires on our database exceeded US billionaires for the first time. Powered by the rise of China's entrepreneurs in an exceptional year, the number of Asian billionaires rose by almost a quarter to 637. By comparison, the US is home to 563 billionaires and Europe to 342. However, the US still retains the greatest amount of billionaire wealth as the wealthiest individuals live there.

Innovation and impact. The world's 21st century billionaires are linked to companies in sectors such as technology that are powering the new economy, as well as many of those lifting living standards in emerging markets. The 1,542 billionaires on our database own or partly own companies that directly employ at least 27.7 million people worldwide – roughly the same as the UK's working population.

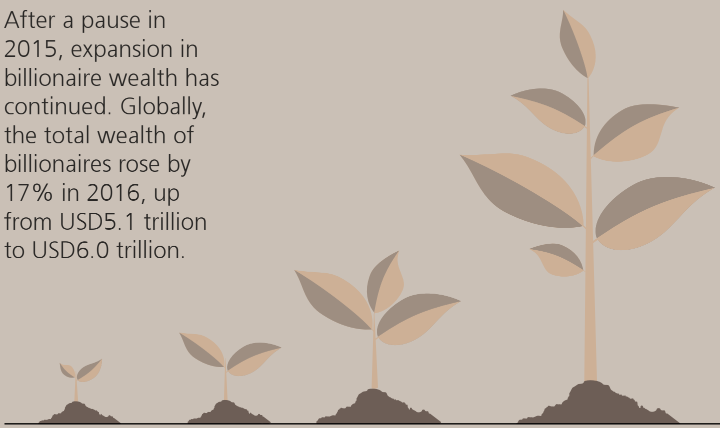
The rise of networks. Billionaires are leveraging their networks. They have always worked with groups of peers for business, investment and philanthropic ends. But they are using them more, for example to access significant funding outside the capital markets. Better connectivity is helping them to work together more effectively.

Dividends for art and sports. After philanthropy, art and sports are two of the areas where billionaires make a big difference to society. Billionaires are becoming more engaged in the arts, and, increasingly, investing in sports clubs. This trend is helping to globalize art collecting and to increase its accessibility to the public. Commercializing sports clubs not only helps make them more profitable but also delivers associated benefits to the communities they are part of.

Looking forward. For the remainder of 2017 and 2018, we expect global economic growth, financial, commodity and currency markets to provide a benign backdrop for billionaires. Looking further forward, we estimate that USD2.4 trillion of billionaire wealth will be transferred in the next two decades as billionaires age, with a significant amount going to philanthropic causes.

Return to growth

After a pause in 2015, expansion in billionaire wealth has continued. Globally, the total wealth of billionaires rose by 17% in 2016, up from USD5.1 trillion to USD6.0 trillion.



The Asian Century: overtaking the US

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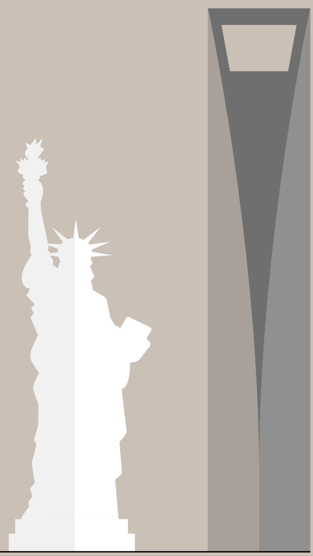
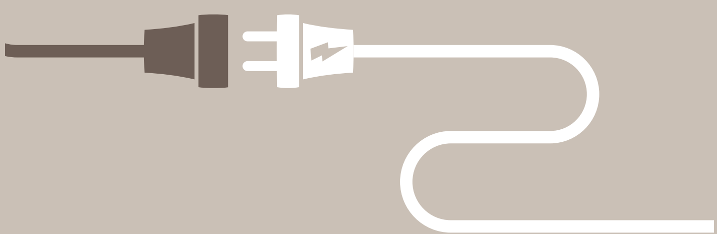


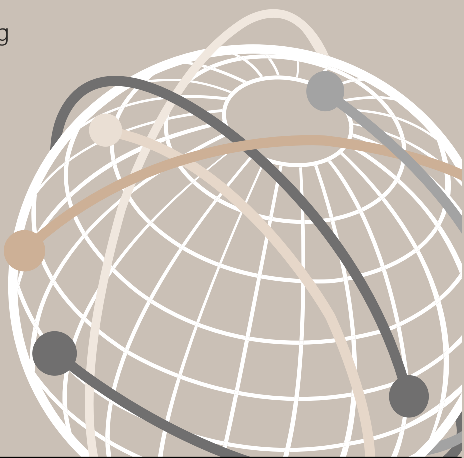
Powering the new economy

The world's 21st century billionaires are linked to companies in sectors such as technology that are powering the new economy, as well as many of those lifting living standards in emerging markets.



The rise of networks

Billionaires are leveraging their networks to reach new heights. Better connectivity is helping them to work together more effectively.



Dividends for art and sports

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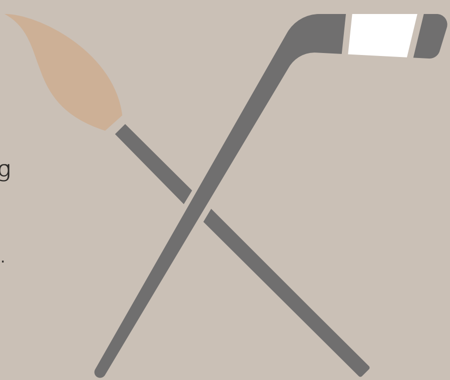


Looking forward

We estimate that USD2.4 trillion of billionaire wealth will be transferred in the next two decades as billionaires age, with a significant amount going to philanthropic causes.

Section 1

An upward trajectory

Return to growth

After falling slightly in 2015, billionaire wealth expanded once more during 2016, led by a surge in Asia's emerging billionaire class. Yet there was also a substantial rise in the United States, where great wealth retained its dynamism. Billionaire wealth grew only slightly in Europe, the home of old money.

Globally, total wealth grew by 17%, or USD892 billion, from USD5.1 trillion to USD6.0 trillion. This continued the long-term trend of billionaire outperformance that was twice the 8.5% rise in the MSCI AC World Index, and far more than the 5.8% nominal GDP growth figure.[1] The net number of billionaires grew by 145 (+10%) to 1,542. For comparison, billionaire wealth fell by 5% in 2015, declining from USD5.4 trillion to USD5.1 trillion.

Movements in financial markets and currencies dominate the picture from year to year. Four principal sectors were behind 2016's resurgence – materials (+31%), technology (+23%), financial services (+16%) and industrials (+28%). Notably, the recovery in commodity prices – the Bloomberg Commodity Index rose 11% in 2016 – helped to boost billionaires in the mining, steel and oil industries. In these sectors, movements in underlying commodity prices have a disproportionate effect on profits due to operational leverage. Rises in Asian real estate prices and fluctuations in the US dollar also provided a tailwind. By contrast, in 2015 corrections in commodity markets and dollar movements were a headwind.

This period of great wealth creation is now approaching the longevity of its predecessor, which according to most historians lasted from 1870 to 1910. In our opinion, today's started in 1980 and has lasted for more than 35 years. We believe that great wealth creation has cycles, tending to move in S-curves rather than growing linearly. If history is a guide, the current upcycle is likely to end in the next 10 to 20 years, possibly prolonged by Asia's economic momentum and technology's new businesses.

The Asian Century: outpacing the US

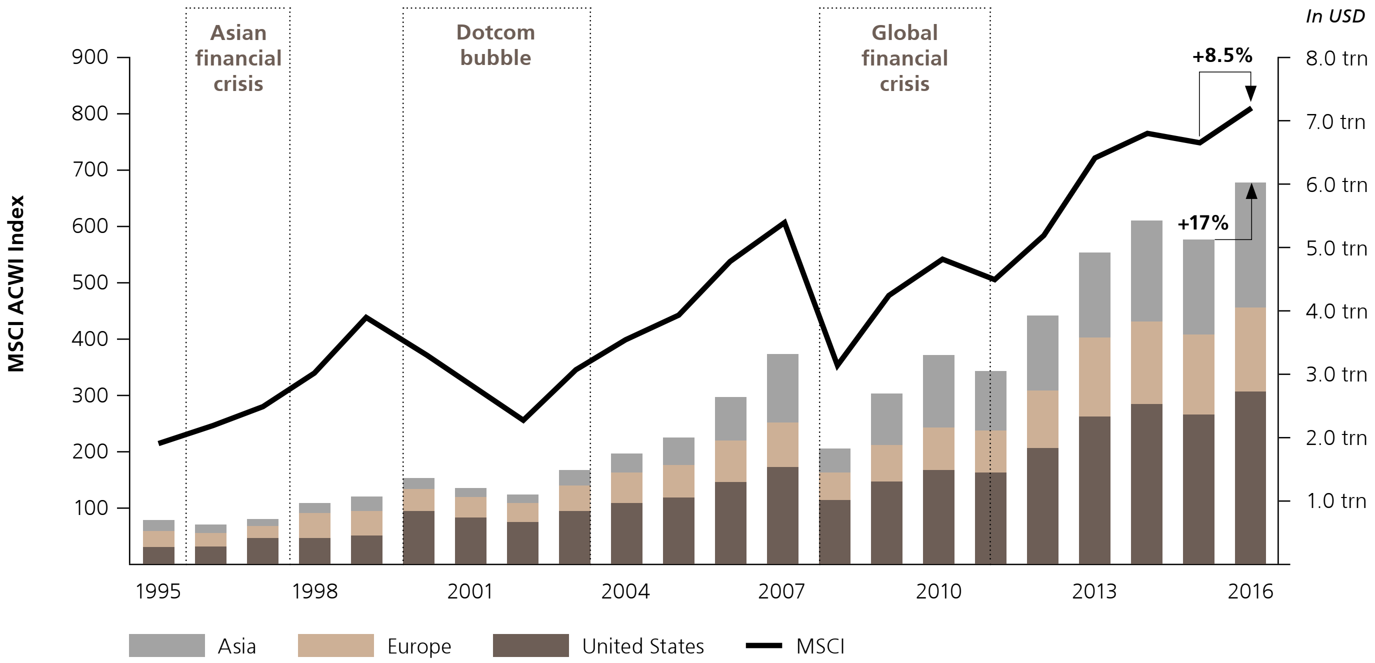
Signaling how entrepreneurs are driving the Asian Century, there are more Asian than US billionaires for the first time. Yet their wealth still lags US billionaires. During the year, the number of Asian billionaires rose by 117 (23%) to 637. By contrast, there were just 25 more (+5%) US billionaires at 563. Europe's billionaire population was flat. After 3 net new entrants, the number was 342.

Asia's economic expansion saw, on average, a new billionaire every other day, with the population expanding by a record 162. Taken together, the wealth of Asian billionaires grew by almost a third (+31%) in 2016, up from USD1.5 trillion to USD2.0 trillion.

[1] Source: UBS.

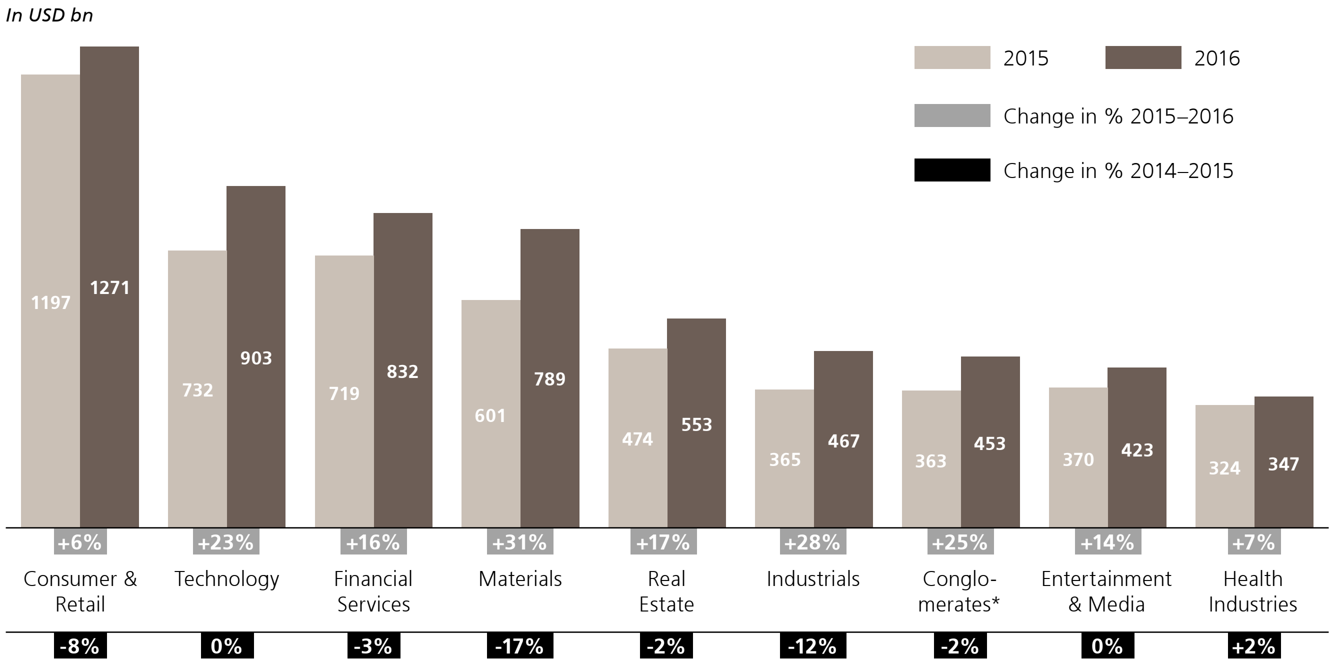
Billionaire wealth outperforms MSCI AC World Index in 2016

Figure 1: Wealth development of billionaires across the regions 1995–2016



Materials and Industrials help to boost billionaire wealth

Figure 2: Global industry distribution of wealth 2015–2016



* Contains conglomerates and nonattributable categories

Return to growth: Billionaire wealth expanded once more in 2016.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Our analysis shows that, if current growth trends continue, the total wealth of Asia’s billionaires will overtake the US in four years.

Three quarters of the newly minted billionaires are from the region’s two biggest economies – China and India. China had by far the highest number, adding a net 67 to total 318. India’s billionaire population climbed 16 to 100. Resurgent commodities, skyrocketing Chinese house prices and US dollar fluctuations provided a powerful tailwind.

Our analysis shows that, if current growth trends continue, the total wealth of Asia’s billionaires will overtake the US in four years.

According to the Asian billionaires we interviewed for this report, a combination of geopolitical stability in Greater China, rising Chinese real estate prices, infrastructure spending, the growing middle class and buoyant commodity prices all joined together to boost wealth.

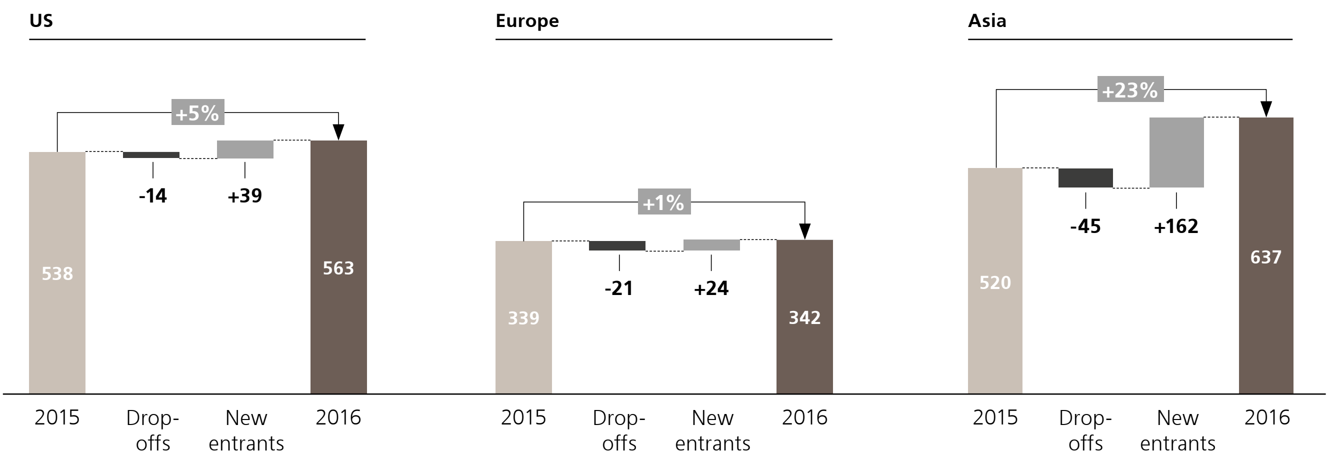
Yet great wealth in Asia remains relatively volatile. Rapid economic development, political uncertainty and erratic stock markets forge fortunes fast but can equally undo them. Some 45 people (34 of them from China) dropped below the billionaire wealth band. Many of Asia’s young fortunes are just above the billion-dollar mark, making them vulnerable to reversals of fortune, whether in the form of falling stock prices, political changes or personal difficulty.

US remains largest wealth concentration

The United States still has the world’s largest concentration of billionaire wealth. It grew by 15% from USD2.4 trillion to USD2.8 trillion as billionaires prospered, far outstripping the MSCI AC World Index. Thirty-nine people entered the billion-dollar plus wealth band and 14 dropped off.

2016 sees rapid growth in the number of Asian billionaires

Figure 3: Net change in number of billionaires per region 2015–2016



Technology was the greatest driver of wealth creation, as should be expected in the country that commercialized computer hardware and software, Internet search engines and social networks. The financial services and materials sectors were also contributors.

Lagging Asia in terms of GDP growth rates, the United States is nevertheless the global home of technology innovation. Tech entrepreneurs are acquiring fortunes at speed. Silicon Valley retains its capacity for innovation. Start-ups in areas like self-driving cars, software and new business models are rapidly incubating tomorrow's great wealth.

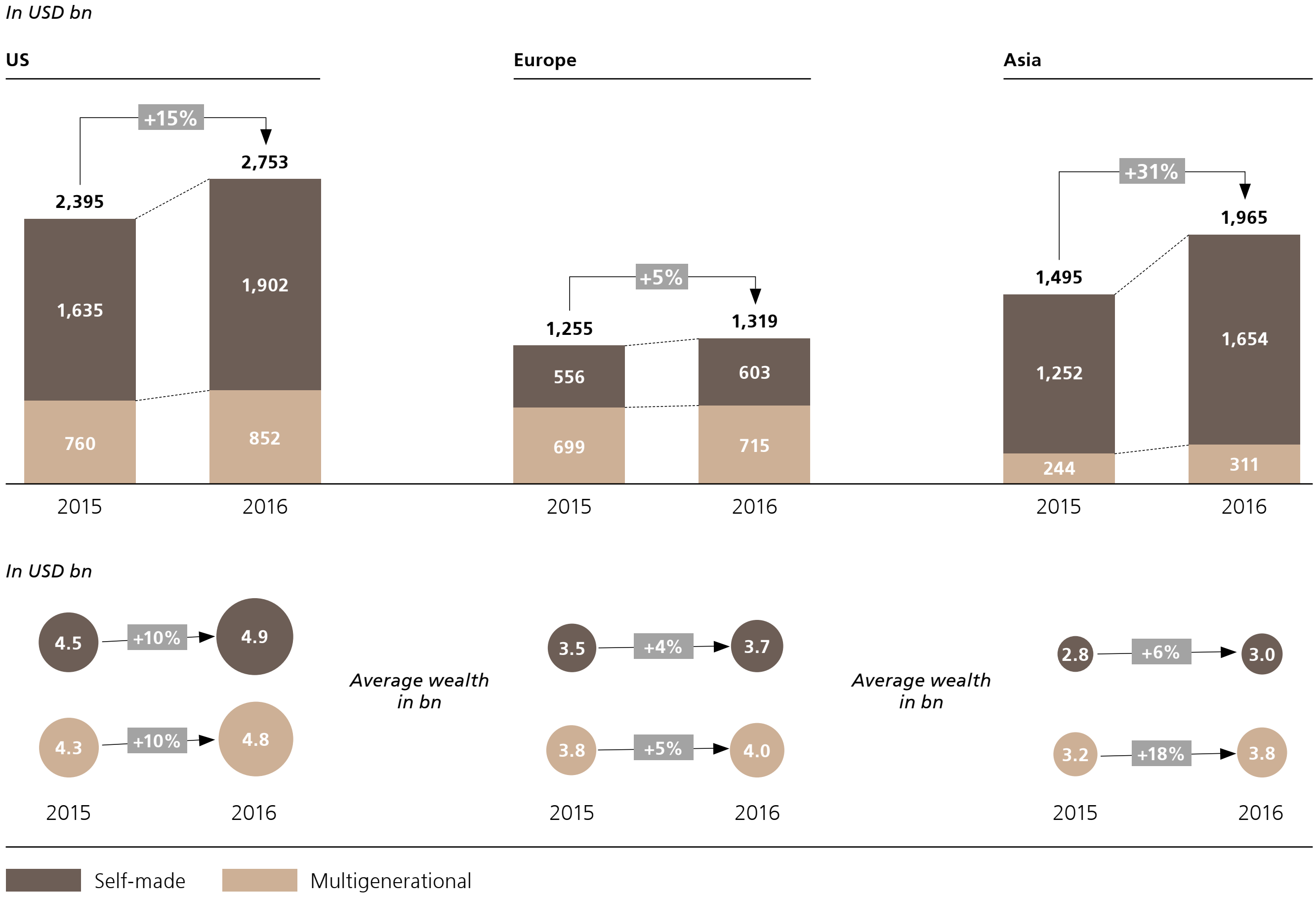
While the United States may not be producing billionaires as fast as Asia, its billionaire population is stable. Just 14 of 2016's billionaire drop-offs were from there. Four dropped off the list because they died. Overall, the number of billionaires in the developed world may not be growing as fast as in Asia, but their wealth tends to enjoy greater longevity.

Europe: preserving wealth

2016 was an uncertain year for Europe politically. Brexit and the possibility of similar election upsets in Italy, the Netherlands, France and Germany undermined sentiment. With neither the dynamism of emerging countries, nor the entrepreneurialism of the United States. Europe's billionaire population was static in 2016. Twenty-four entered this wealth band, while 21 dropped off. There were 342 European billionaires at the end of 2016.

Asian wealth is increasing at a faster pace than in the US and Europe

Figure 4: Regional wealth dynamics 2016 billionaire cohort



Even so, Europe remains a leader in wealth preservation. Its billionaire population is relatively static. Just 21 of 2016's drop-offs were from the continent and more than a third of them (8) left the list due to death. This corresponds with our finding in previous years that Europe had the highest number of multigenerational billionaires.

Broadly speaking, entrepreneurial companies can find Europe a difficult place to do business due to both the conservative business culture and strict regulations. For example, the EU has taken a tough stance against perceived monopolistic practices by technology firms such as Google.

A third of Europe's billionaires are linked to businesses in the "old economy" consumer and retail sector – including luxury goods, discount retailing and fashion. Yet wealth in the sector only appreciated marginally (+3%). The smaller industrial (+15%) and materials (+20%) sectors grew more, buoyed by commodity prices.

The fortunes of Europe's billionaires are closely intertwined with its countries' economies. Germany, the largest economy, also has most billionaires, at 117. The UK comes a distant second, at 55, followed by Italy (42), France (39) and Switzerland (35).

France's wealth grew fastest in 2016, at a rate of 15%, lifted by the fortunes of a few families. It was followed by Switzerland at 12% and Spain at 10%. The UK lagged at 1% and Germany at just above zero.

Europe may well do better in 2017. With votes for pro-EU, centrist leaders and surging business sentiment, the climate for wealth creation appears to be improving fast.

Innovation and impact

Technology, the rise of Asia and emerging markets, and to a lesser extent the expansion of financial services, are the growth stories of our time. Technology has boosted productivity and lifted living standards. In Greater China and the rest of Asia, urbanization has helped to enrich the new middle classes. From New York and London, the financing of business has been revolutionized.

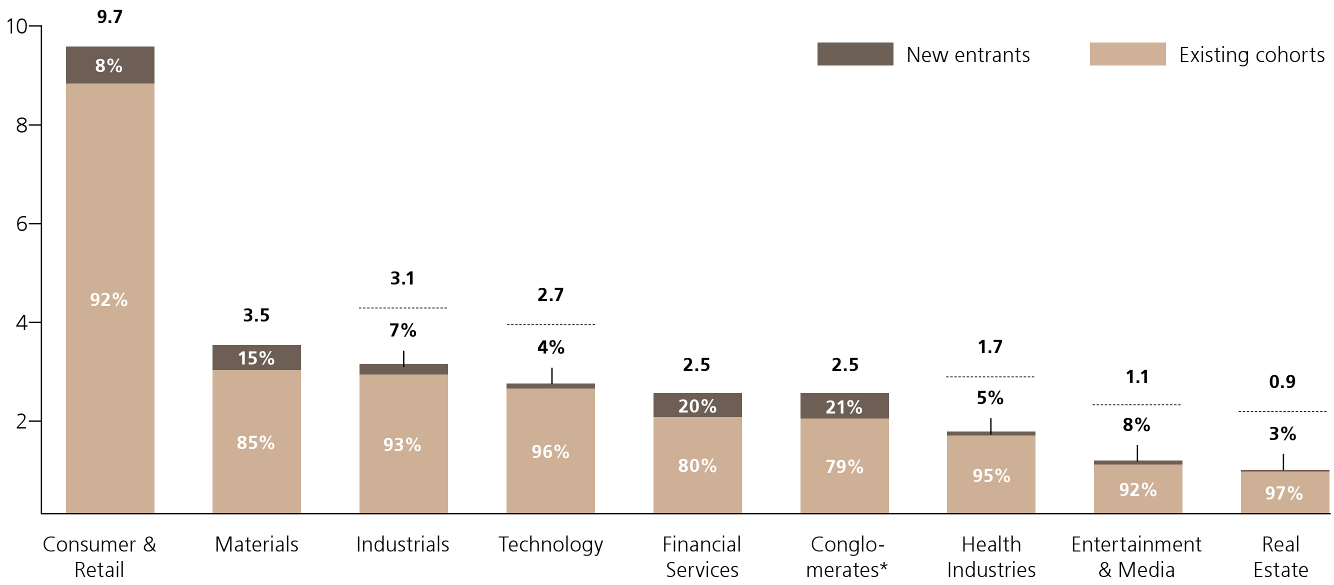
Entrepreneurs have been behind many of these trends and profited handsomely from their radical innovations, yet society is the biggest beneficiary (the economist William Nordhaus estimates that 98% of the social value of an innovation goes to society and 2% to the innovators/ entrepreneurs).

The 1,542 billionaires on our database own or partly own companies that directly employ at least 27.7 million people worldwide – roughly the same as the UK's working population. 2016's new intake of billionaires was linked to companies that employed at least 2.8 million people, or roughly a tenth of the total, a high percentage that results from the fact that 86% of the year's intake were self-made. While we do not have employment data for 1995, the start of our study period, there were only 289 in-scope billionaires at the time, which suggests that growing entrepreneurial wealth has been accompanied by expanding employment. (For context, 13% of the people employed by S&P Global 1,200 firms in 2016 worked for companies linked to billionaires.)

Across all industries, companies linked to billionaires have created jobs over the past year

Figure 5: Distribution split of employees across the industries

In million



* Contains conglomerates and nonattributable categories

Section 2:

Great wealth creation and the role of networks

Progress quickens

In every industrial revolution the business life cycle has got shorter, and today's is no exception. The second industrial revolution that started at the end of the 19th century harnessed electric power for mass production (the first industrial revolution began in Britain at the end of the 18th century with the mechanization of the textile industry). In today's industrial revolution, digitalization, globalization and financialization are inventing and reinventing business sectors with increasing velocity.

Entrepreneurs are creating businesses faster than ever. Illustrating the trend, in 1995 just 45% of billionaires were self-made. By 2016, that percentage had risen to around 70%. In Asia and the US, most wealth is self-made. Only in Europe, where many billionaire-linked businesses were started in the post-war years, is there a roughly equal split between self-made and multigenerational wealth.

The so-called "unicorns," start-ups worth over USD1 billion, are extreme examples of accelerating wealth generation. Named after the mythical animal, these companies discount high growth into the future to justify valuations that can exceed a billion dollars after a few years. Several technology unicorn companies have been founded in the past ten years. Yet when growth expectations are not met, this wealth proves transitory.

"Technology and globalization make it possible to reach a much wider consumer pool in record time," explained one of our entrepreneur interviewees.

Even so, becoming a billionaire still takes time for most. Out of 2016's new billionaires, just eight founded their current businesses in the previous ten years and seven of them can be considered as start-up billionaires. Six of these are in the technology sector, and one in biotechnology.

Asian and technology early arrivals

In the fastest-growing regions and most vibrant sectors, billionaires are getting younger. At the end of 2016, Asian billionaires averaged 59 years old. In China, where wealth is growing fastest, the average age was 55. By contrast, the average age of billionaires in Europe and the US was 66 and 67 respectively. On average, Asians break into the billion-dollar bracket at the age of 53,[2] six years earlier than their US peers and seven years earlier than the Europeans.

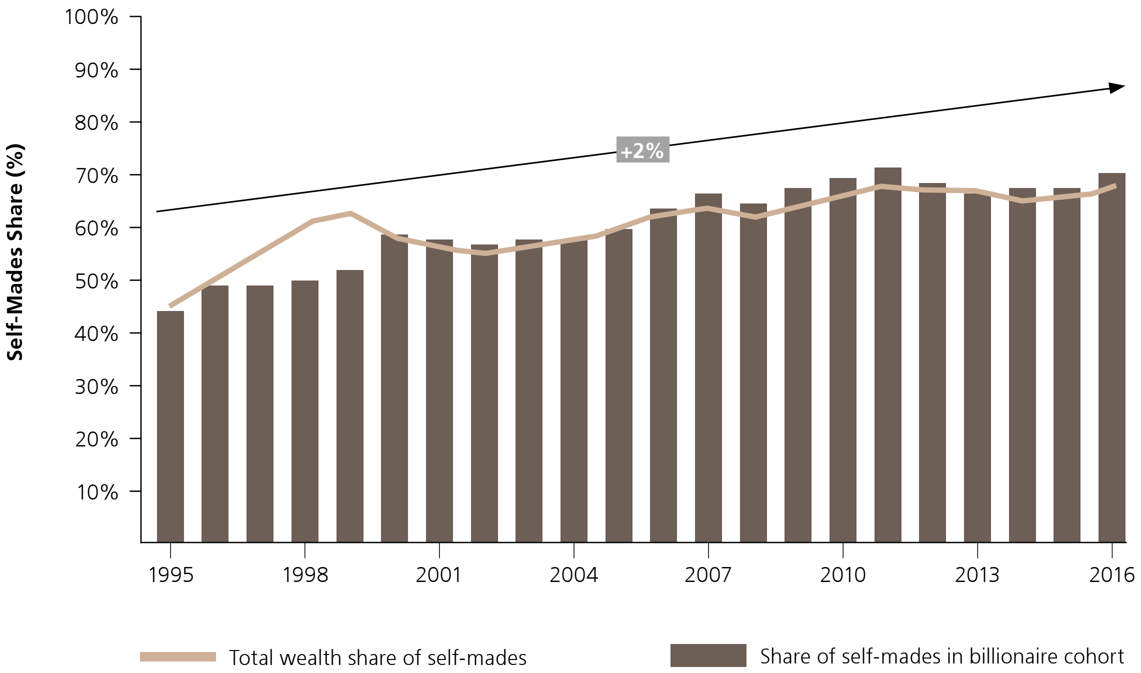
Technology tycoons are the youngest. They average 47 when attaining billionaire status.[3] This makes them 12 years younger than their peers in consumer and retail. Such is the contrast between the "new" and "old" economic sectors.

Across all sectors and geographies, however, billionaires are getting slightly older every year as existing members of the universe age. In 1995, the average age was 60, while today it is 63.

[2] Over the past 15 years (2002–2016).
[3] Over the past 15 years (2002–2016).

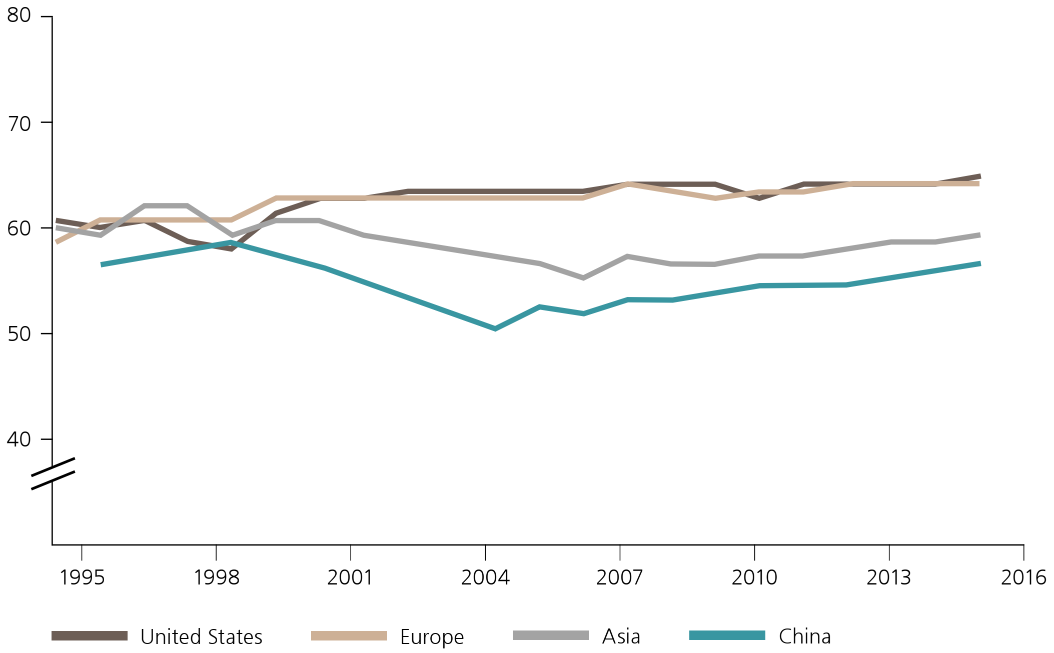
The proportion of self-made billionaires is increasing

Figure 6: Distribution of self-mades across time – share of total wealth and ratio of self-made to total number of billionaires; yearly growth rate



Asian billionaires are younger, but globally billionaires are getting older

Figure 7: Average age per region



Public or private?
When it comes to ownership models, there are striking cultural contrasts. The Asians, and especially Chinese, favor listing young companies quickly on stock markets. This gives status, access to finance and crystallizes personal wealth. It also improves perception of the business and the brand with customers, suppliers and employees. In Europe and the US, by contrast, public companies are out of favor.

Chinese companies list in Shenzhen, Shanghai, Hong Kong, or even London or New York. Acquisitive Chinese businesses ambitious to expand and diversify overseas have used a listing in Hong Kong, London or New York as a passport to international acquisitions.

Our data reveals the east-west dichotomy. Sixty-three percent of Asia's 568 billionaire-linked companies were publicly listed in 2016. This compares with just 37% of the 421 US companies and 40% of the 256 in Europe.

Turning to the US and Europe, the public company model has been declining since the beginning of this century. Companies, especially technology businesses, are staying private for longer. Private capital and inexpensive debt are plentiful, giving businesses more funding options.

US and European companies are also deterred by public markets' focus on short-term performance, corporate governance/regulatory requirements and increasingly activist shareholders. In Asia, many entrepreneurs guard against activists by keeping majority shareholdings in their companies.

The rise of networks
Billionaires are turning to networks of peers more than ever, finding common ground and addressing business issues as well as the biggest human problems like climate change and global health. Increasingly, families are cooperating on new ventures and philanthropic causes. Furthermore, younger billionaires are more open to working with other business people, especially as they find themselves in global market places.

As the entrepreneurial ultra high net worth population grows, so there is greater occasion to use networks either personally, through family office staff or banks. Informal and formal networks orchestrate deals and investments, as well as helping with other topics such as philanthropy, inheritance and art. In some cases, financial institutions and accountancy firms lend their networks. "I am a member of several Singapore-China investment and trade committees, as well as committees related to culture," said one Asian entrepreneur in his 60s. "These networks allow businesses to communicate and interact in a more personal setting, with a social purpose. Over time, partnerships and associations can be formed and members can draw strength from each other."

He added: "The second generation can also network from a young age. They can cultivate appreciation, interest and understanding of their respective businesses."

Billionaires' family businesses are increasingly conducting private market transactions, helped by their contacts. Furthermore, their family offices are maintaining high allocations to private equity. Family offices allocated a fifth of the average portfolio to private equity in 2017, including combined allocations to direct investments in venture capital/unlisted (private) equity, co-investing and private equity funds, according to the Global Family Office Report 2017, published by Campden Research and UBS.

Turning to investing that involves social and environmental purpose, elite philanthropic and impact investing networks are emerging. The Giving Pledge is an example. At the end of May 2017, 160 signatories, including some of the world's wealthiest individuals and families, had committed more than half their wealth to philanthropy. They were mainly from the United States but included 21 countries in all. In regions such as Latin America,[4] the number of philanthropic institutions is increasing as individuals, families and corporations seek a more strategic approach, higher visibility and greater impact. Impact investing is also growing fast. The Rise Fund, for example, aims to balance competitive financial returns with positive societal outcomes. Its Founders Board is a network of influential people including billionaire entrepreneurs, rock stars, royalty and private equity leaders.

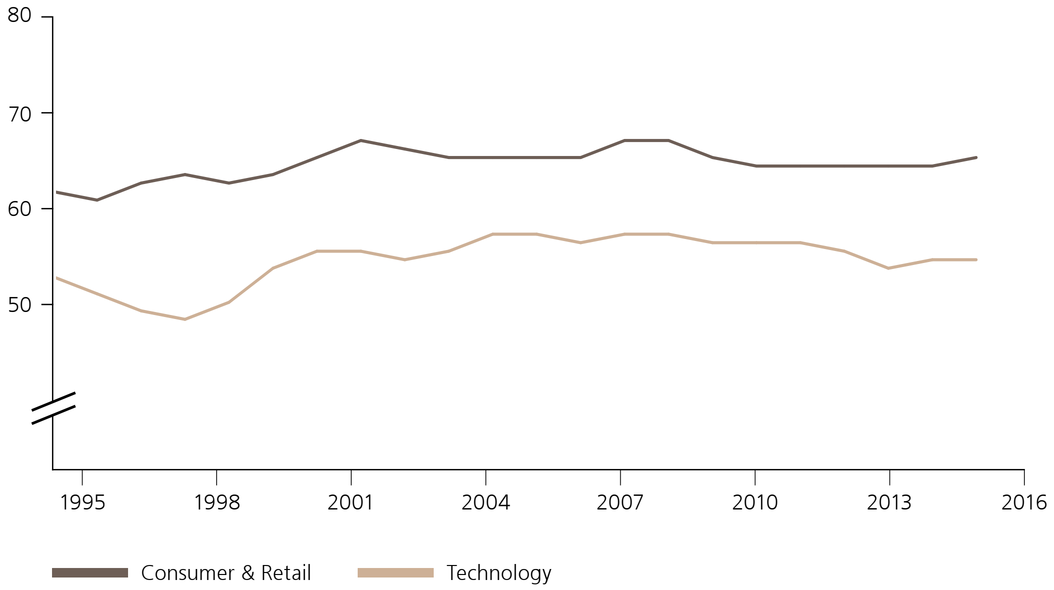
There are also examples of networks forming to discuss topics related to art, family governance and inheritance.

[4] See "From Prosperity to Purpose: Perspectives on Philanthropy and Social Investment among Wealthy Individuals in Latin America" by UBS and Harvard Kennedy School, The Hauser Institute for Civil Society 2015.

Billionaires are leveraging their networks to reach new heights.

The technology industry creates the youngest billionaires

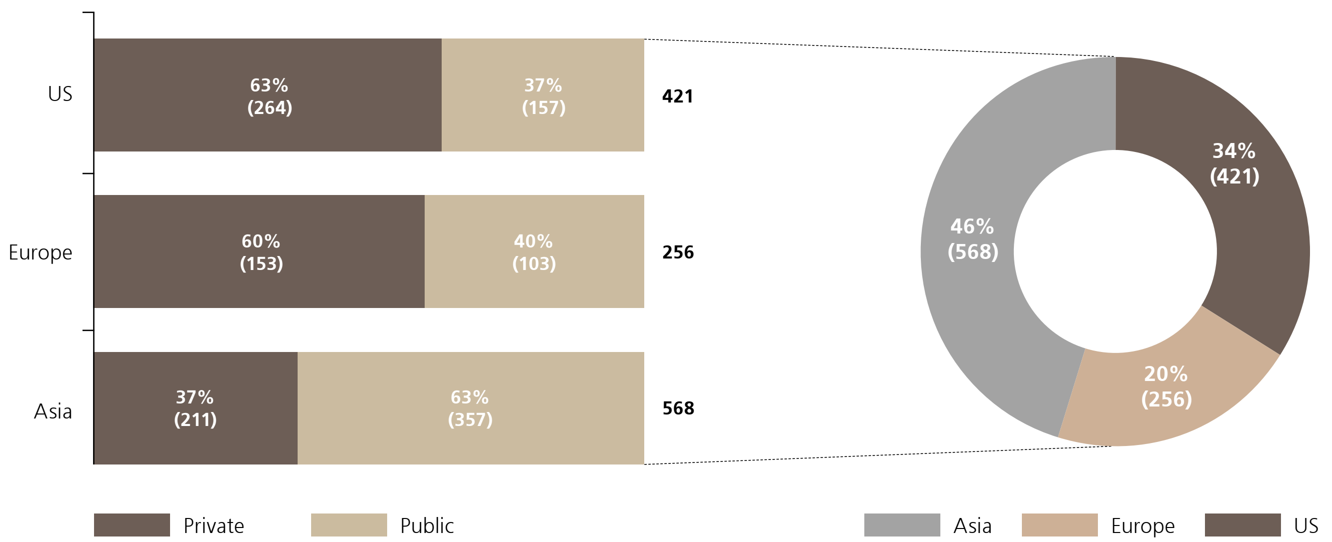
Figure 8: Average age per industry



Majority of Asian billionaires take their companies public; the reverse in Europe and the US

Figure 9: Regional distribution of company ownership type

Total companies* 2016 = 1,245



* Selection only includes nonduplicate operating business

Coming together for club deals
When Warren Buffett's Berkshire Hathaway group backed the ill-fated Kraft Heinz USD143 billion bid for Unilever in February 2017, this was a high-profile example of billionaires clubbing together to make a deal. Buffett has a record of helping the 3G private equity vehicle behind the bid to finance its deals. 3G is controlled by Jorge Paolo Lemann, Brazil's richest man, and his partners. Buffett has added his financial firepower to 3G's acquisitions of doughnut chain Tim Hortons as well as Kraft Heinz.

Another high-profile example of clubbing together occurred when Bill Gates and Prince Alwaleed of Saudi Arabia bought 95% of Four Seasons for USD3.8 billion in 2007. Since then, the luxury hotel group has expanded rapidly, safe in the knowledge it has long-term, committed shareholders.

A growing inheritance
The individuals on our database are getting older and wealthier. Over the coming 20 years, we estimate that those who are 70 years old or more will transfer USD2.4 trillion, up by 16% on the previous year.[5] This is not only a huge windfall for their heirs but also for charities.

More than one third (39%) of billionaire wealth belongs to those aged 70 or older. As the oldest of them are in the US and Europe, this is where the greatest wealth transfer will be. Asia's billionaires are younger, with 80% of them under 70.

There does not appear to have been any significant wealth handover in the past year. So, are billionaires leaving it late to hand wealth to the next generation or to philanthropic causes?

Families of great wealth are becoming more mobile and global. Their children are going to school and marrying all over the world. Assets are in different countries. The result is a Rubik's cube of geographies, cultures and generations that needs to be solved. Family members have different tax residencies and nationalities, making succession planning more complex and sophisticated. How does the French family with houses in Singapore and London plan? What should a Saudi family do when it has daughters educated in the US who want to take over the business?

While answering these questions in the past was predominantly an issue of good family and business governance, recently increased regulation and more complex tax laws have made planning increasingly convoluted. The Common Reporting Standard and the base erosion and profit shifting (BEPS) initiative are the two most important examples of the latter.

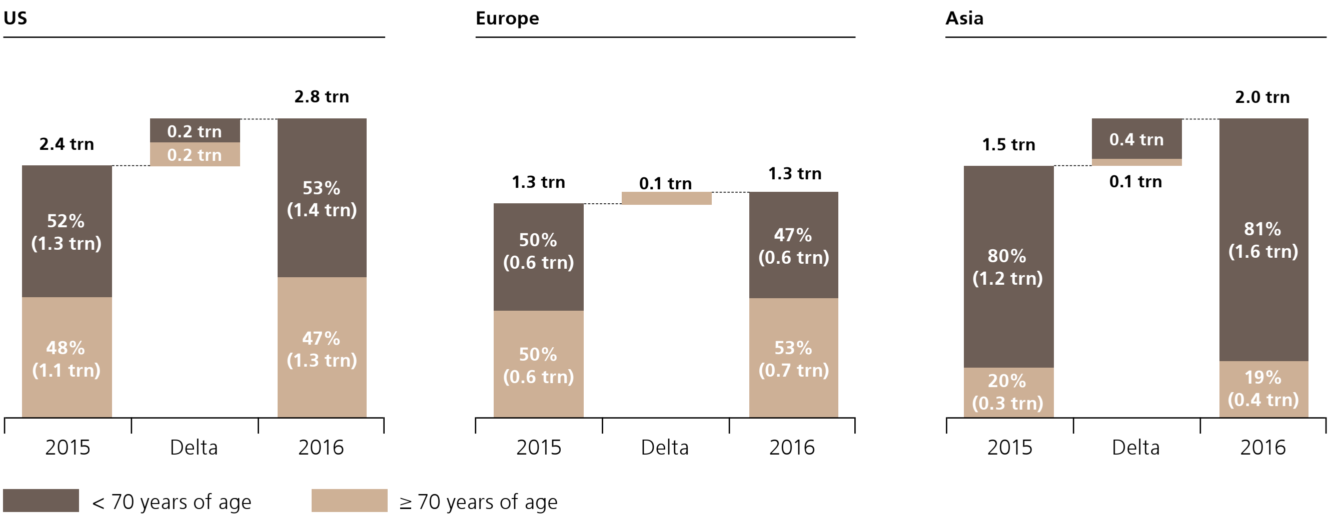
Multinational families typically have lean family organizations without the capabilities to plan for family succession and philanthropic legacies in today's environment. While some families underestimate the complexity of these tasks, others are either building up their family offices' tax and legal capabilities or seeking advice from service providers with strong international networks.

Often, the next generation is deeply involved in managing their parent's legacy. One Southeast Asian billionaire has started a foundation aiming to foster 1 million entrepreneurs in his country and coach them in business management. His children are helping to manage the foundation.

[5] This compares with USD2.1 trillion in the previous year, see Billionaires Report, 2016.

Billionaires are getting older, signaling significant wealth transfer over the next two decades

Figure 10: Share of wealth of billionaires of over 70 years of age across regions in 2016



Section 3:

Passion and values

Dividends for art and sports
The emergence of great wealth is paying dividends for art collecting and sports clubs globally – not just in the US and Europe but also in the Middle East, Asia, Latin America and Africa. Aside from philanthropy, these are two of the areas where billionaires are having the greatest impact on society.

For hundreds of years, the ultrawealthy have been patrons of the arts. As long ago as the 15th century, for example, Florence's Medici family of bankers and wool merchants supported the Renaissance, celebrating the imagination and intellect of artists such as Fra Filippo Lippi and Sandro Botticelli.

But as the billionaire class has grown hugely in the past few decades, they have made a greater difference to art collecting than ever before. Notably, their influence is also extending to sports clubs, which they are helping to commercialize.

Art's global patrons
While the art world is notoriously opaque, the ultra-wealthy certainly account for a growing number of the top 200 collectors.[6] In 1995, there were 28 billionaires on the list – by 2016, that number had grown to 72. While US collectors continue to lead the list – there were 42 on it in 2016 – Asian, and especially Chinese, art collectors are increasingly active. Just one Asian billionaire was on this elite list in 2006, compared with 14 in 2016.

As wealthy collectors have emerged in other countries, so art fairs and galleries have sprung up in megacities such as Dubai, Hong Kong, São Paolo, Johannesburg and Shanghai.

While not a fresh phenomenon, private museums are growing in number, especially in Asia. Motivated by their passion for art, and often encouraged by favorable tax treatment, art collectors are setting up private museums all around the world to share their collections with the public. Increasingly, these collections are of the same quality as those in public institutions. Art becomes more accessible to a broader public and the collection on display is often complemented by a wide range of public events and educational initiatives. The Broad in Los Angeles, founded by philanthropists Eli and Edythe Broad, is a recently established museum. Guided by the Broads' passion for contemporary art and its public appreciation, the museum rotates temporary exhibitions and lends art to public museums and galleries worldwide. Japanese billionaire Soichiro Fukutake has commissioned star architects to create homes for his art on a string of islands in Japan's Seto Inland Sea. However, several of our interviewees stressed the importance of ensuring that private museums have long-term funding and a stated purpose.

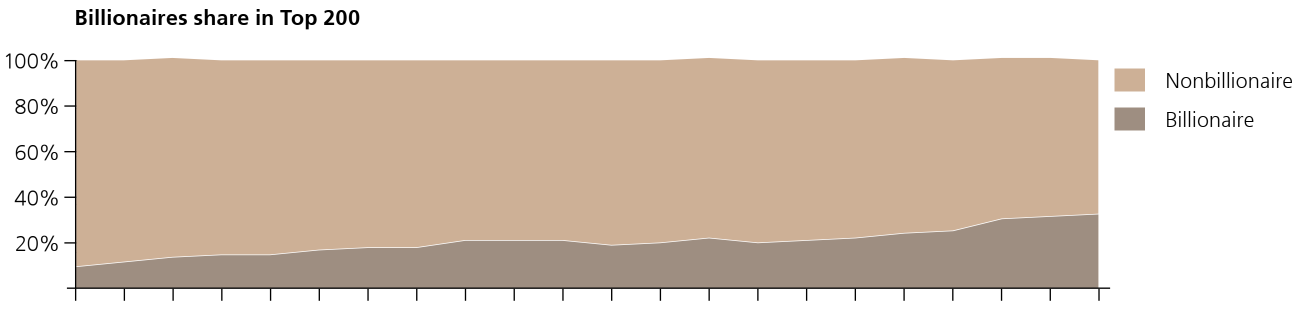
Public museums are also receiving more funding than ever before. Public institutions have expanded their boards, appointing directors who help to fund collections and the buildings that house them. Maja Oeri, a Swiss pharmaceuticals heiress, illustrated the trend when she donated a large proportion of the funds for the 2016 extension of the Kunstmuseum Basel, the city's municipal art collection. Similar initiatives have proven to be equally successful: notably, US museums like the MoMA in New York and SFMOMA are institutions that thrive on support from different billionaires.

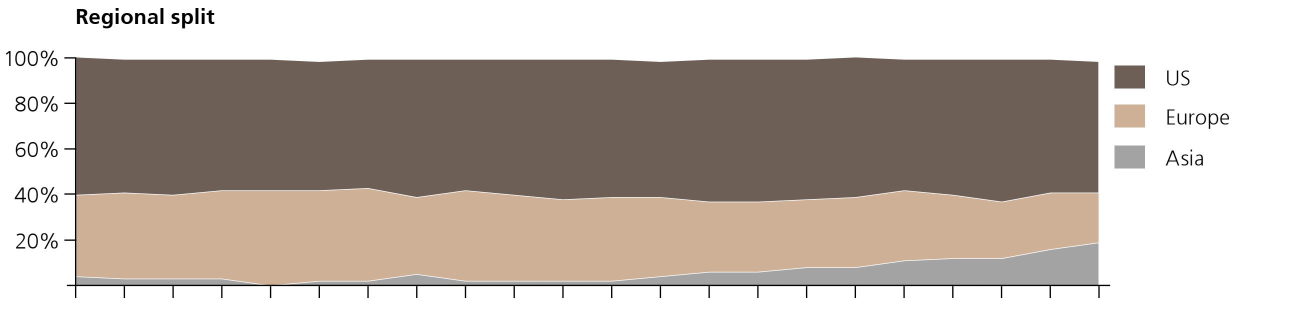
[6] Compiled by ARTnews, this list depends on publicly available information.

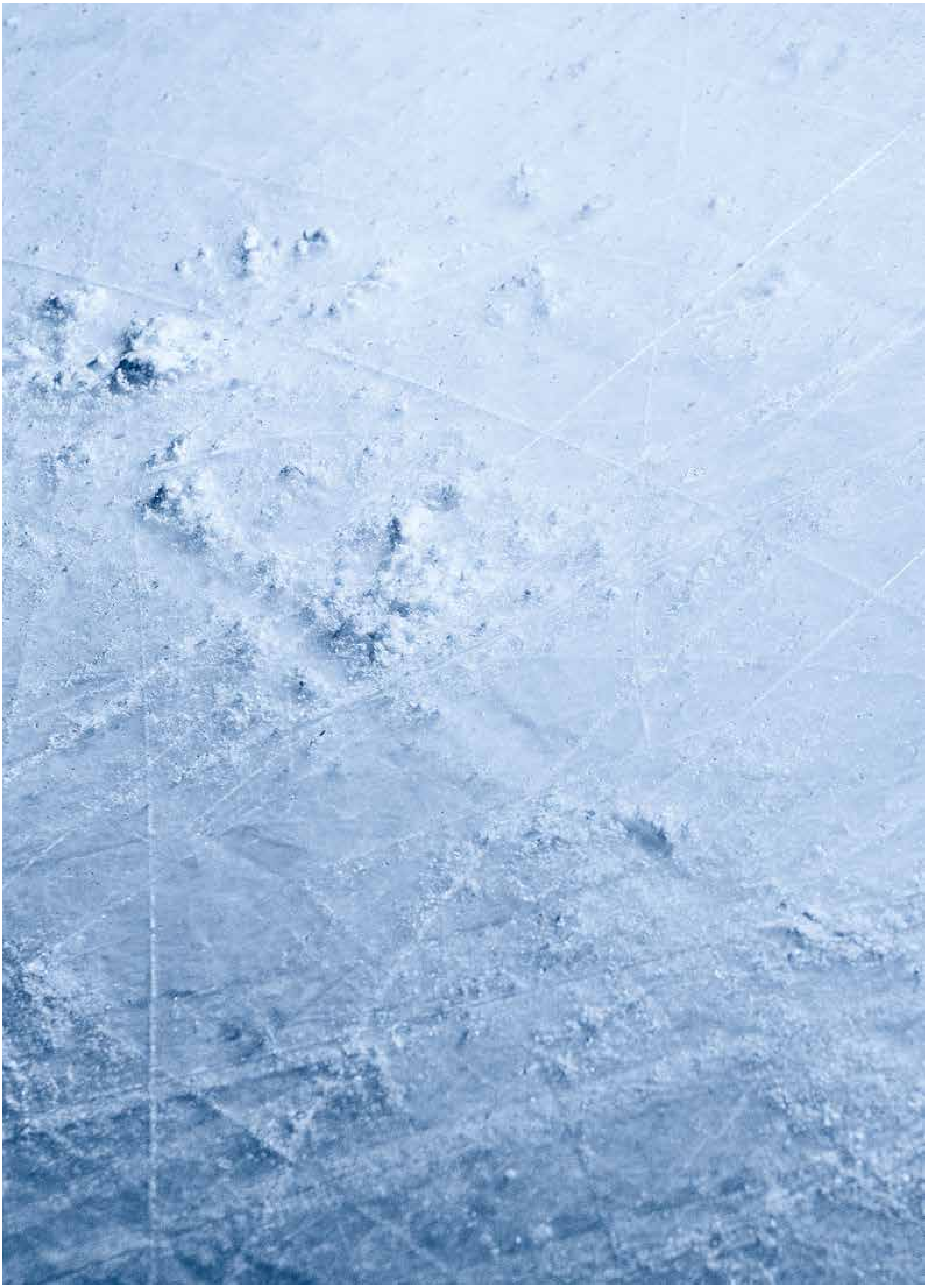
While not a fresh phenomenon, private museums are growing in number, especially in Asia. Public museums are also receiving more funding than ever before.

Asian billionaires increase among top art collectors

Figure 11: Dynamics of selected demographics of billionaires in Top 200 Collectors 1995–2016







Billionaires are turning their attention to sport.

Across the globe, there is more patronage than ever before, partly as billionaires seek to leave a legacy. There are more artists and more galleries. In faster-growing countries, especially, there are more collections and museums showcasing local arts. Homegrown entrepreneurs are helping to drive this trend.

The way in which billionaires support art, and their motives, vary. "In today's world, art can express many things which you cannot do by other means anymore. I consider artists as today's philosophers and poets," noted one European third-generation billionaire.

Sports clubs and society

Billionaires are becoming major patrons of sports such as soccer, hockey, baseball or basketball. According to our analysis, more than 140 of the top sports clubs globally are owned by just 109 billionaires. Sixty of them are from the US, 20 from Europe and 29 from Asia. And owning a sports club is not for your fledgling billionaire – the average sports baron is 68 years old with a wealth of USD5.0 billion.

In the US, two thirds of the National Basketball Association and National Football League teams, and half of the Major League Baseball teams, are owned by our "in-scope" billionaires. In the UK, almost half (9 out of 20) Premier League soccer clubs are governed by in-scope billionaires. Asians have made more than half of the billionaires' sports club acquisitions in the last two years.

Chinese tycoons have been major investors in European soccer clubs but in the last few years they have invested hugely in the Chinese Super League, bringing the world's biggest game to the world's largest audience. The nation's tycoons are investing heavily in new players, creating soccer schools and employing coaches. For example, Jack Ma's Alibaba has invested in Evergrande Taobao FC, recruiting international players and coaches, building one of the world's biggest soccer schools, dominating the league and becoming the first Chinese winner of the Asian Champions League in 2013.

Outside China, well-known examples of billionaire sports club owners include Steve Ballmer, ex Microsoft CEO, owner of the Los Angeles Clippers, and Mukesh Ambani, the Indian oil and gas tycoon, who owns The Mumbai Indians cricket franchise.

As the price tags on sports clubs appreciate, often it's only billionaires who have the financial firepower to buy them and make the necessary follow-on investments. Anecdotally, while a major-league US sports club might have changed hands for USD200 million 10 years ago, the price tag has risen to the region of USD600 million to USD1.2 billion. The US market is showing the way for sports clubs and billionaires. Wealthy US sports club owners have helped to make club finances more sustainable, partly by benefiting from the increased value of sports media rights and the global reach of emerging digital platforms.

One European entrepreneur explains why he owns a sports club in the following way. "Sport is my life and my dearest hobby," he says. "Further, the publicity you get from the broadcasting is global. The business works according to the theme 'you win on Sunday and sell on Monday.' People always identify themselves with winners. After all, I not only sponsor, whatever I do in this field must be sustainable and needs to make commercial sense."

Similarly, an Asian entrepreneur described soccer as a sport for the common man. This means the global following is high, protecting the value of the investment, "as there is always a next buyer who is willing to pay for the club if well managed at an accretive price in the future."

Yet owning a sports club is more than a prestige project or business venture. In the US and to a certain extent in Europe, this is a chance to promote your community, to establish a legacy as the person who took the community's sports club to great success.

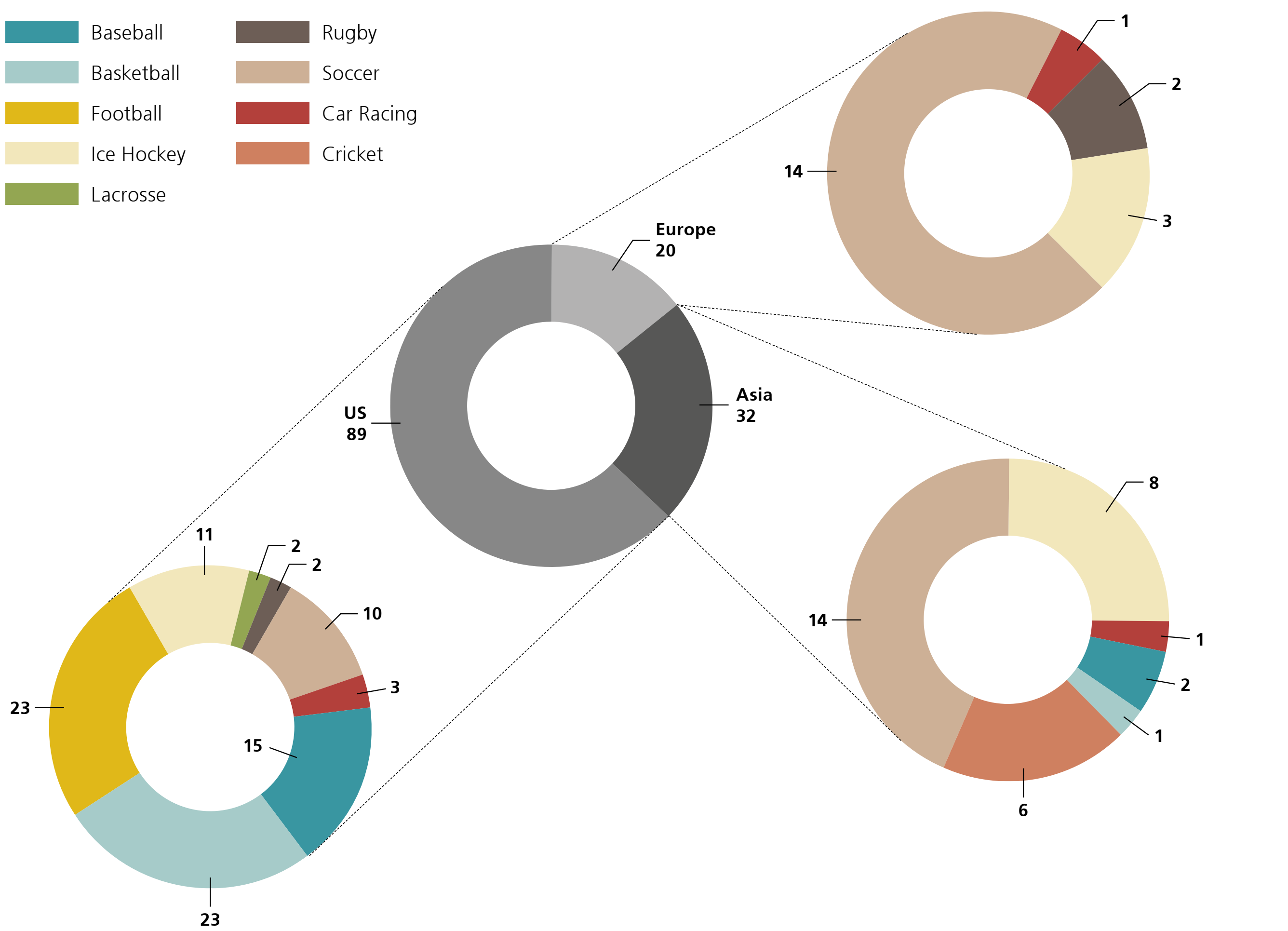
Outside the US, the business of owning a sports club can be less intertwined with the community. In Europe and Asia there are some examples of sports patrons acquiring clubs and investing primarily in buying expensive players from around the world. There is little investment in the stadium or the training academy, for example.

For some owners, sports clubs are more about passion than business, opening the door to a community of people with a common interest. One billionaire told us that you do not really buy sports clubs for financial returns. Instead it opens the door to amazing people – you sit at the table with "stars, sheikhs, famous businessmen and regular guys from around the world, all in the same room, all talking only about the ball."

The motivation for buying clubs varies from promoting home communities through to pure passion and diversifying business portfolios. Yet sports clubs must remain connected to their communities. If they become disconnected, they lose their loyal fans. This can be a recipe for failure. The success of the sports club and the community is interlinked.

Billionaires are turning their attention to sports

Figure 12: Overview of sports teams in billionaire ownership



Looking ahead

Despite last year's pause, growth in billionaire wealth has returned to its strong upward trajectory. This year we have explored how it has been created, what it is being used for and the benefits such growth can bring to wider society in terms of jobs, art and sports. As we look ahead, we are conscious of the volatile, fast-changing economic and political backdrop. Yet, billionaires continue to prove their resilience, with our report showing that they are as dynamic and entrepreneurial as ever. Below we identify three key elements of our study and consider how they might evolve in future.

Moderate tailwinds ahead
Billionaire fortunes take time to build, yet are buffeted in the short term by fluctuations in economies and markets. For the remainder of 2017 and 2018, we expect favorable conditions. The global economic environment should be benign,[7] allowing corporations to enjoy rising revenue and profits. The rate of earnings expansion may slow slightly in the US, but European and Asian cyclical sectors should gain from improvement in domestic consumption and international trade flows. Similarly, positive returns from equity, debt and commodity markets should support wealth, although normalizing monetary policy and lingering political risks may spark volatility. Looking further forward, it seems likely that entrepreneurs will continue to benefit from megatrends such as accelerating technological change, Asian urbanization and ongoing financialization. Yet there are risks, not least from the threat of regulation to the technology and financial services sectors, as well as geopolitical uncertainty in Asia.

Bright prospects for inheritance and philanthropy
As wealth continues to be created and billionaires age, a huge USD2.4 trillion of wealth will be transferred over the next two decades, part of which will go to philanthropic causes. While record-breaking gifts are made on a regular basis, billionaires' public commitments suggest what we have seen so far is the tip of the iceberg. These philanthropists have big ambitions: to address climate change, improve public education, alleviate poverty, eliminate malaria, find a cure for Alzheimer's and so on.

At the same time, billionaires are likely to become more interested in impact investing, placing equal emphasis on financial returns alongside environmental and social outcomes. Many heirs to billionaire wealth already embed sustainability criteria into their consumption, employment and investment decisions. These future guardians of capital may use their growing economic power to run family businesses or financial interests more sustainably, often making greater use of networking to do so.

Changing the game in art and sports
Billionaires are game changers in the field of art and sports. Nevertheless, they should bear sustainability in mind. Building a museum or buying a sports team is one thing – successfully running it over time is another. Private museums must be financially viable and strategically sound. Therefore the "public-private partnership" option should not be dismissed. Turning to sports clubs, billionaires are undoubtedly commercializing the field, but they must remain rooted in the community for success. Tycoons are likely to make art collections more accessible globally and commercialize sports clubs all over the world – but they are on a steep learning curve that has yet to level off.

[7] UBS's Chief Investment Office forecasts world nominal GDP growth of 6.5% next year, largely unchanged from 2017.

Billionaires are as dynamic and entrepreneurial as ever.

Isaac Julien, When the Tree Blooms (Ten Thousand Waves),
2010 Courtesy the artist and Victoria Miro, London
© Isaac Julien

A few words about the research and sources
A number of sources were utilized to research and profile the characteristics of wealthy individuals. These were blended into a mosaic analytical framework from which we conducted extensive modeling and analysis. This information and data are part of PwC proprietary data and analytics structures and are non-commercial in nature and specifically nonattributable regarding the identity of any underlying individual or family.

PwC acts as a supplier of data and analysis for the purpose of this report. In addition, the following were specifically leveraged as a part of our research:

- PwC has a significant body of research drawn from publishing studies on Wealth and Private Banking, and Family Businesses including current and future perspectives on a number of industries from which we were able to derive insights. These include but are not limited to Next-Generation Survey of Family Business Leaders 2016, Banking Tax 2020, 19th Annual Global CEO Survey: Redefining business success in a changing world (2016), PwC Study: Swiss Champions 2017, PwC Family Business Survey 2016: The "missing middle": bridging the strategy gap in family firms (2014) and, from our network firm INTES: Governance im Familienunternehmen (2017), Nachfolge im Familienunternehmen (2015). Further, UBS's body of research and insights in Wealth and Private Banking were leveraged. These include but are not limited to the UBS House View Year Ahead 2017: The end game?, UBS House View Years Ahead: our 5- to 7-year view, UBS Investor Watch, The Global Family Office Report 2016, The Art Market 2017: An Art Basel and UBS Report, UBS Philanthropy Compass, UBS – INSEAD Study on Family Philanthropy in Asia, the UBS – Harvard study, From Prosperity to Purpose, UBS "Built Millennials – the global guardians of capital", UBS "Built for generations", Family Office Compass, UBS "The great opportunity" Great Wealth investment report.

- Other analysis is based on our proprietary PwC databases that cover non-client-specific detailed bottom-up data on approximately 1,550 billionaires from the US, Germany, UK, France, Switzerland, Turkey, Italy, Spain, China, India, Hong Kong, Japan, Singapore, and Russia. This is a private, non-commercial data structure designed to support analysis of specific market segments.

- Specific interviews with a number of billionaires and a number of next gen's of billionaires in various geographies were conducted by PwC and UBS separately and the information from those qualitative discussions were incorporated on a non-attributable basis without regard to any business-client relationship with any person, firm or organization. Further, we conducted 25 interviews with billionaire advisors.

- For the long-term series of the MSCI and GDP data we used the MSCI AC World gross data (accessed on 04/2017) and the World Bank's Global Economic Prospects database (accessed 04/2017) respectively. The UBS Industry Leader Network is a global network of entrepreneurs and business leaders in privately held companies.

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