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what wealth needs next

2015 BNP PARIBAS GLOBAL ENTREPRENEURIALISM REPORT

TRACING THE WEALTH CREATING PATHS
OF ENTREPRENEURS AND ANGELS



BNP PARIBAS
WEALTH MANAGEMENT



CONTENTS

p.02	KEY FINDINGS
p.04	INTRODUCTION TO THE REPORT SERIES
p.07	SECTION 1: THE PATHS OF AN ENTREPRENEUR
p.08	Drawing the two paths of entrepreneurialism
p.11	Identifying the entrepreneurial hot spots THE GLOBAL ENTREPRENEURIALISM WEALTH CREATION INDEX
p.14	The definition of entrepreneurialism – a way of life and wealth
p.17	The age and drive of entrepreneurialism today
p.19	The influence of family history on future entrepreneurs
p.21	The financial goals of global entrepreneurs
p.23	The contribution of business to total personal wealth
p.26	The scale of business ownership among entrepreneurs
p.30	The distinctions of female versus male entrepreneurs
p.33	SECTION 2: THE WEALTH CREATION PATTERNS OF ANGEL INVESTORS
p.34	The profile of an angel investor entrepreneur
p.37	The expectations, allocations and risk levels of the angel
p.41	The motives of an angel investor – emotional returns versus absolute returns
p.43	The geographic investment plans of angels
p.46	IN CONCLUSION
p.47	THE RESEARCH METHODOLOGY AND SAMPLING
p.48	ABOUT BNP PARIBAS WEALTH MANAGEMENT AND SCORPIO PARTNERSHIP

KEY FINDINGS

THE PATHS OF AN ENTREPRENEUR

China, Hong Kong and Turkey have been identified as the most conducive countries for entrepreneurialism today according to over 2,500 successful high net worth and ultra-high net worth entrepreneurs. These markets have the strongest range of characteristics that are fostering the next wave of wealth creation via entrepreneurs.

Indeed, overall, the emerging markets are fast becoming the epicentre of global entrepreneurialism overtaking the significance of the Americas and major European countries. Leading mature markets include Italy, the UK, and the USA.

69% of entrepreneurs define the act of entrepreneurialism as the creation, ownership and management of a business. Only 9% consider entrepreneurialism to be the establishment of a portfolio of angel investments into early stage businesses. Equally, only 9% consider the definition of entrepreneurialism to be rooted in the sale of a business.

The average age when today's successful entrepreneur first considered becoming an entrepreneur was 30 years and one month. Interestingly, in the Middle East this thought process started at 25 years of age while in the United States it started at almost 33 years.

The starting date for the first business is getting younger. The older generation of successful entrepreneurs on average started on this wealth creation path when they were 39 years old. However, the average start date for all entrepreneurs is now just under 32 years while the 30-39 year olds are typically launching their entrepreneurial career at the age of 29.

India, Hong Kong and France appear to have a more vibrant female entrepreneurial community with nearly half of successful entrepreneurs being females. Meanwhile Taiwan, Singapore and Belgium have notably lower participation levels among successful entrepreneurs with figures nearer the 20% level.

Overall, female entrepreneurs are considered just as likely to succeed as their male counterparts. However, there is a potential need for more successful female entrepreneurs to become strong mentors for the next generation.

A history of family involvement in entrepreneurial activity has a significant influence on future successful entrepreneurs. 60% of successful participants have a family history in the field with Taiwan, Spain, Poland, the Gulf countries and Turkey all having more than a 75% legacy of family.

However, it is notable that there is a growing body of entrepreneurs today that have no family history. Just over half of under-50 year old successful entrepreneurs today are first timers.

The ambition and confidence levels of all successful entrepreneurs are high in the context of wealth creation. On average, they seek to grow their current wealth (which in this sample is on average USD7.6 million) by 40%. Crucially, over half expect to achieve this financial goal in five years and 71% expect to achieve it within a decade.

Significantly, the younger generation of entrepreneurs is much more confident in attaining their goals. 55% of 30-39 year olds expect to hit the target inside five years. This compares to a confidence level of 40% among the over 50s in terms of reaching their financial goal in five years.

The average number of companies established by entrepreneurs today is 4.5 while in countries such as Hong Kong this more than doubles to 10.2. Interestingly, entrepreneurs on the mainland typically start on average 3.3 companies today. Meanwhile, female entrepreneurs on average start 4.9 companies compared with their male counterparts at 4.3 companies.

The top preferred future industries for entrepreneurs for development include financial services, retail, technology, real estate, construction and software. Female entrepreneurs have similar preferences for future activity but they are also interested in the fashion sector.

Overall, there appears to be a generational transformation in the acceptance, attitude and approach to becoming a successful entrepreneur. The population of younger entrepreneurs today appears to be more dominated by the faster growing economies and their propensity to start on the path of wealth creation leveraging entrepreneurialism is younger.

KEY FINDINGS

THE WEALTH CREATION PATTERNS OF ANGEL INVESTORS

Notably, in terms of the contribution of business ownership and angel investing to the current total financial wealth of successful entrepreneurs today, the average is 33%. The balance of wealth is distributed among fixed income (21%), cash (19%), stocks (17%) and alternative investments (9%).

Spanish entrepreneurs have a higher total allocation combining owned businesses and angel investments at 42% with China at 41% and Germany at 39%. At the lower end of the spectrum are Turkey (29%), Taiwan (25%) and Hong Kong (25%).

The future preferred regions of angel investment are dominated by the home market region, where the preference is typically to allocate 75% of available angel investment capital. The only exception is in the Middle East where there is a bias toward seeking opportunities outside their home region. Further afield, the entrepreneurial community at large is drawn to the Asia Pacific region first, then Western Europe.

The average expected return is 27.7% on companies where angel investors have placed their personal capital. Polish angels expect 34% while Hong Kong angels target 32.1%. More conservative expectations are set by German angels (15.7%), Swiss angels (19.2%) and French angels (22.5%). Younger entrepreneurs target 30.1% while older angels target 18.4%.

The perception of risk in the context of angel investing among entrepreneurs is very balanced. 51% view angel investing as higher risk relative to their other investments. Approximately 77% Turkish and German angels view angel investments to be lower risk.

However, while risk and reward are important, the motives for becoming an angel investor are not purely centred on financial return. Critical “emotional return” factors such as sharing knowledge, creating opportunities more broadly, and mentoring the next generation are also significant.

INTRODUCTION

Welcome to our first annual **BNP Paribas Global Entrepreneurialism Report** in association with international wealth management thought leader Scorpio Partnership. The vision of this BNP Paribas Wealth Management report series is to provide a definitive tracking of the evolving profile, needs and ambitions of the world's entrepreneurs and their wealth creation ambitions.

The purpose of this study being undertaken now is because we believe entrepreneurs are among the most important "pollinators" of future global wealth creation, both for themselves and those around them. These individuals drive global wealth creation, often singlehandedly, in a way that is distinct from the rest of the population. Their relevance to the success of our global economy is undisputed.

These so called "pollinators" are constantly sourcing new opportunities. They will step into the unknown to pursue success. The strength of their motivation marks them out as remarkable people.

In our view, understanding what makes them do what they do is important. What motivates them? What drives them on? What makes them happy? What worries them? What will they do next? Their insight can inspire us all. Understanding what they plan next can guide us.

With this setting, in this inaugural study we have focused on obtaining a foundational understanding of how these men and women define themselves. We have also examined how and where they pursue their dreams. Essentially, we have traced their pollination path in entrepreneurialism.

Through the process of study we have identified the similarities and differences in this special community. We have also uncovered trends around the future patterns of entrepreneurialism. Moreover, by listening to these individuals very closely we are passing on what they have learnt from their experiences. This point, in particular, is a factor the entrepreneurs themselves were keen on.

In addition to the close study of their acts, we have also developed a guide on the locations around the world with strong entrepreneurial characteristics. This assessment has resulted in the formation of the inaugural **Global Entrepreneurial Wealth Creation Index** (GEWCI). It is our intention to examine the changes of this index over time in order to trace the future world of entrepreneurialism. The findings from the index show which countries in the world present the strongest climate for the next generation of "pollinators".

None of this would have been possible without the contribution of the entrepreneurs themselves. Indeed, to achieve this assessment we have gathered the views of 2,523 entrepreneurs that are on the fast track of future wealth across 17 markets spanning the USA, Europe, Middle East, and Asia.

Our audience has been selected on the basis of its core focus on being entrepreneurs, with the average turnover of companies controlled by these individuals being USD8.7 million. We also chose to focus on individuals that are in the high net worth (HNW) and ultra-high net worth (UHNW) wealth bands as we wanted to learn from this very rare community about both the aspect of being an owner but also being an angel investor. These individuals have an average net worth of USD7.6 million.

By our assessment, the scale of the examination of this specific audience makes it the largest dedicated examination of global entrepreneurialism in wealth. Clearly, these individuals have already achieved a great deal. Our aim is to learn about what they will do next.

Vincent Lecomte, *Co-CEO BNP Paribas Wealth Management*

Sofia Merlo, *Co-CEO BNP Paribas Wealth Management*

KEY PROFILE FACTS OF THE REPORT PARTICIPANTS

2,523 Global Entrepreneurs

GENDER

63% Males
37% Females

NEXT GEN

1,096 (<40 years)

AGE

13% - <30 yrs
30% - 30-39 yrs
27% - 40-49 yrs
18% - 50-59 yrs
12% - >59 yrs

UHNW (USD10m+)

896

ESTIMATED VALUE OF ENTREPRENEURIAL HOLDINGS

USD4 billion

AVERAGE TURNOVER OF PRIMARY COMPANY

USD8.7 million

REGION

16% - USA
44% - Europe
7% - Middle East
33% - APAC

ANGEL INVESTMENT PER COMPANY VALUE

USD425,101

AVERAGE NUMBER OF EMPLOYEES PER COMPANY CREATED

103

WEALTH

Average net worth
USD7.6 million

TOTAL WEALTH

USD19.2 billion



Section

1

THE PATHS OF AN ENTREPRENEUR

DRAWING THE TWO PATHS OF ENTREPRENEURIALISM

The path toward successful entrepreneurialism is a very personal one. Each has its own personal story including triumphs and disappointments. Looking at the achievements with the benefit of hindsight make their successes all seem inevitable.

However, through the journey itself every entrepreneur remarks that the outcome was never certain. In fact, what marks out these special individuals is that, in spite of all they have achieved they rarely think the journey is over. To them, it is a quest and they do not plan stopping any time soon.

The commonality of pursuit for excellence and achievement is a definitive characteristic of the entrepreneur. But the commonality of the outcome is influenced by a myriad of inputs.

Indeed, this research of over 2,500 high net worth individuals across 17 markets demonstrates clearly how different influences affect individuals throughout their personal journey. The insight on the factors that appear to propel them toward becoming an entrepreneur is fascinating.

The major propulsion forces at the core of all successful entrepreneurs include the family, the educational background, the career path before becoming an entrepreneur, the network of contacts and associates which stimulated their decisions, and their own ambition. Together, these forces shape the path toward success. The contribution of each is a complex blend.

In fact, getting that blend right is as much an art as it is a science, according to the entrepreneurs. Indeed, many look back in wonder to think of how it all came together. So much

so, that they often cite a sixth propulsion factor that cannot be discounted. This is, in their words, “chance”. Some even simply describe it as “luck”.

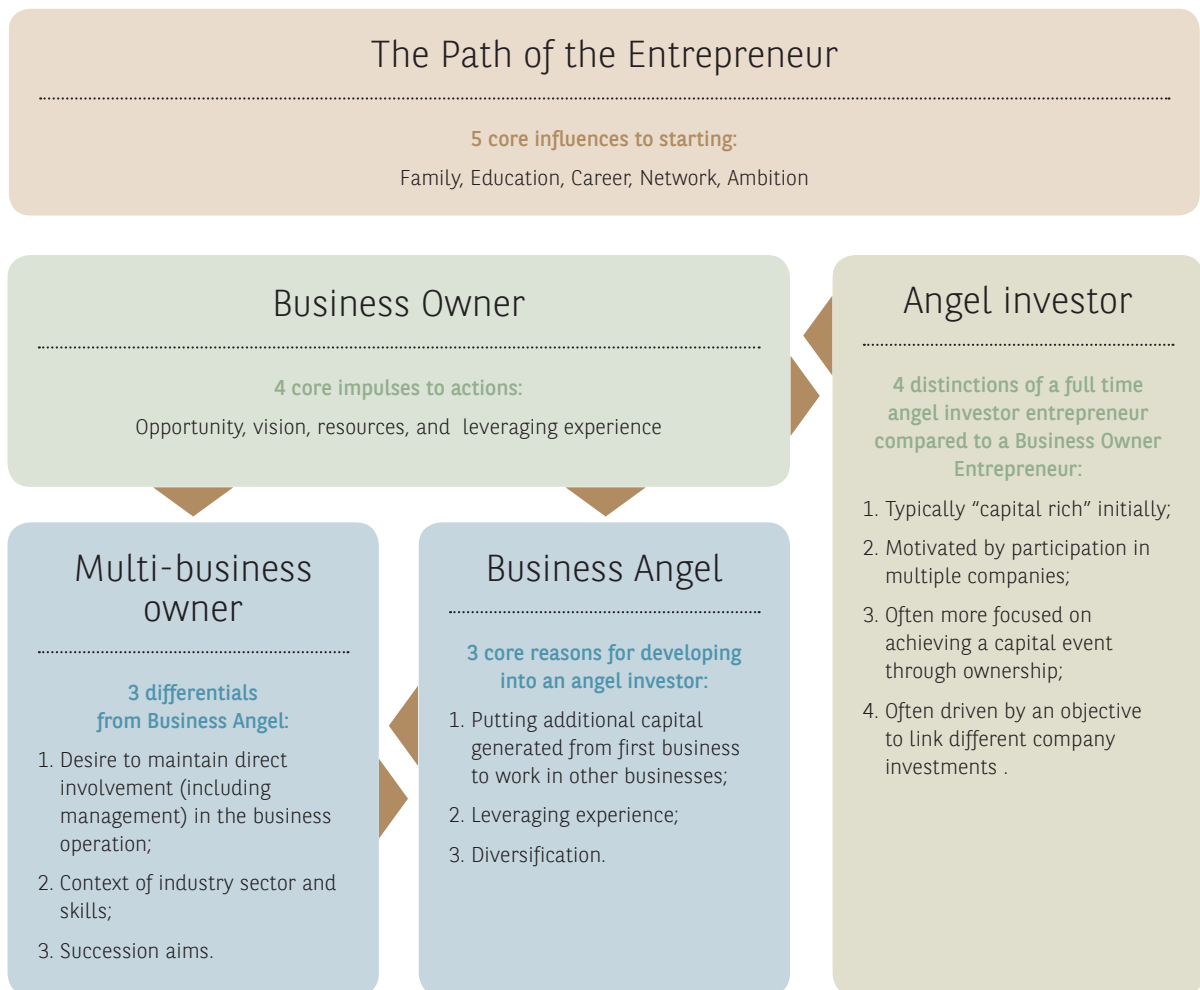
Moving beyond the base forces of influence on the path of an entrepreneur, what is notable is the differing profiles within the act of entrepreneurialism itself. The research reveals that, in its most simplified form, **there are two accepted categories of wealthy and successful entrepreneurs – the Business Owner Entrepreneur and the Angel Investor Entrepreneur.**

Contributors to the report went to great lengths to stress these profiles were not mutually exclusive. Indeed, many indicated that over time they switched from one profile to another or both at the same time. However, all stressed the distinct characteristics of approach in either. Many also added that there was a typical path of progression between profiles. The research evidence underscores this.

What is clear from the analysis is that there are some distinct activities in the path to becoming a Business Owner Entrepreneur versus an Angel Investor Entrepreneur. In the former there is often a greater sense of drive around the need to fully own the enterprise they have. This profile revels in direct control.

The Business Owner Entrepreneur also has a strong compulsion to be involved from the creation of the concept. They not only want to be at the base camp, they want to design the camp and then lead on from there. Indeed, so strong is this compulsion for creation characteristic, it is our view that this behavioural trait is arguably the determinant factor in which of the two paths they will set out on.

THE DEVELOPMENTAL ROUTEMAP FOR ENTREPRENEURS



Source: Scorpio Partnership, BNP Paribas

Meanwhile, the Angel Investor Entrepreneur profile has a clear characteristic of a “portfolio mind-set”. According to the community of entrepreneurs examined, from the very beginning the approach of an angel investor is to consider the opportunity of investing in more than one company.

Many remarked that their enthusiasm came from being involved in a stimulating range of businesses. Essentially, they are the financial pollinators of new business. With this pollination trend, there is a clearly linked aim to achieve an outcome. On one level, this outcome is a financial return.

Interestingly, the research findings indicate that a financial return goal obscures some goals that are less obvious to the observer. For instance, many choose the path of angel investment to remain engaged, stay relevant and nurture others to succeed.

This is their so-called “emotional return on investment” and its importance to an angel investor cannot be underestimated. As one London-based entrepreneur interviewee remarked:

“If you think being an angel investor is just about making more money then you should not become an angel investor”.

This emotional return on investment characteristic is more of a feature for angel investors typically over the age of 50. Although, it is notable the research findings hinted that this experience factor appears to be increasingly not isolated to the older group.

This is particularly the case in sectors such as technology, software, and telecoms where the overall demographic of the leadership is younger. Successful leaders are now channelling their skills back into their industries through angel investing.

As the illustration on the previous page shows, once the entrepreneur has stepped on the path either as a Business Owner or an angel investor that journey can later lead to them assuming the other profile. For instance, a business owner often becomes an investor in other business ventures. They will also have a greater tendency to involve themselves directly in new businesses as an owner manager.

Equally, the angel investor can become a Business Owner in time. Typically this route is established through one of their portfolio investments which they then opt to become more directly engaged with. This route appears to occur more often with slightly younger angel investors who have the energy to become directly involved. The research findings suggest that more mature angel investors have a tendency to prefer to adopt a more non-executive capacity in their portfolio business.

Thus, overall, the path to successful entrepreneurialism can be varied, as the illustration shows. Significantly, a great deal depends on the starting point of the individual and the influence of the family appears to be a major factor.

Interestingly, as a later section in the report shows, it is not simply a case of becoming an entrepreneur because others in the family have undertaken the same path. Critically, many noted that becoming a successful entrepreneur depended on the direct contribution and understanding of the family throughout the journey.

In conclusion, when considering the paths of entrepreneurialism, the research highlights that many entrepreneurs often wonder how their path compares with others and what they can learn from the decisions of their peers. Indeed, while these strongly motivated individuals can push on through most tasks and challenges on the route to success, it appears the truly successful ones are constantly on the lookout for new ways and new answers.

Consequently, the remainder of this report aims to set out the themes and variations of approach and thinking of peers across the globe. In particular this examination highlights points of interest both in terms of differences and similarities between entrepreneurs worldwide.

This index, looking to the future, there is a constant quest for identifying the next hot spots for entrepreneurial activity. Through the **Global Entrepreneurial Wealth Creation Index** (GEWCI) on the following pages, this report also sets out a synthesis of the results in a guide to the nations in the world that have a more conducive entrepreneurial environment and culture. Crucially, this index has been based upon the results from the responses of the 2,500 highly successful global entrepreneurs.

The GEWCI is, in effect, a map for future potential entrepreneurs to consider before they embark on the journey.

IDENTIFYING THE ENTREPRENEURIAL HOT SPOTS

THE GLOBAL ENTREPRENEURIALISM WEALTH CREATION INDEX

A common question among both entrepreneurs and non-entrepreneurs alike is where is a good place to be entrepreneurial? In this inaugural detailed assessment of entrepreneurial views and activities, the objective was to identify the current hotspots for entrepreneurialism. The findings affirm the ranking of a few nations but also spotlight the attractiveness of several other countries that may occasionally be less heralded.

Critically, this is an index based on the views of the entrepreneurs that are active in the field themselves. Moreover, it is not simply a case of entrepreneurs just stating where they think it is good to be an entrepreneur. In fact, the method for this analysis is based on the factors of the activity of entrepreneurialism.

Our view is that a location of high entrepreneurial activity goes beyond whether there are supportive regulations or good macro-economic conditions, for instance. These are clearly important factors too. However, what **our approach has sought to determine is whether there is a strong community of entrepreneurs and a propensity to be entrepreneurial. These influences are the root to fostering an enduring culture of successful entrepreneurs and, ultimately, wealth creation.**

Consequently, to produce an index we have examined 12 core factors and based upon the analysis of the inputs from the research process, we have determined which locations are currently strongest in the field of entrepreneurialism, specifically for wealth creation. Over time, we expect the rankings to change as the flow of business and opportunity transitions around the globe.

The 12 factors are set out over the page, together with a heat map of the leading countries illustrating how they compare in each field relative to their peers.

Based on the input from the more than 2,500 entrepreneurs for this assessment the ranking below represents the 12 leading global wealth creation countries for entrepreneurs as indicated by the activities and views of these entrepreneurs today.

THE GLOBAL ENTREPRENEURIAL WEALTH CREATION INDEX – THE LEADING COUNTRIES OF 2014

Rank	
1	China
2	Hong Kong
3	Turkey
4	Italy
5	India
6	Singapore
7	United Kingdom
8	USA
9	Gulf countries
10	Switzerland
11	Germany
12	France

Source: Scorpio Partnership, BNP Paribas
Note: Based on the input of 2,523 entrepreneurs across the globe (including these countries)

HEAT MAP OF LEADING CENTRES OF GLOBAL WEALTH CREATION THROUGH ENTREPRENEURIALISM

The map below is based on the input of entrepreneurs in a survey conducted by Scorpio Partnership during Q3, 2014.

Global Ranking	China #1	Hong Kong #2	Turkey #3	Italy #4	India #5	Singapore #6	United Kingdom #7	USA #8	Gulf countries #9	Switzerland #10	Germany #11	France #12
Age when decided to start business	6	7	1	3	4	5	8	11	2	9	10	12
Age when starting a business	6	7	2	3	4	5	10	11	1	8	9	12
History of entrepreneurialism in the family	8	3	2	4	5	6	10	9	1	7	11	12
Proportion of total wealth in business assets (Asset allocation)	2	12	11	9	10	7	4	3	8	6	1	5
Average turnover of primary business (USD millions)	2	1	6	4	11	5	10	8	12	7	2	8
Average number of companies started	11	1	10	8	6	5	4	3	6	2	12	9
Proportion of total wealth in angel investments (Asset allocation)	4	8	1	1	3	9	10	12	7	5	10	6
Length of time of being an angel investor (# years)	8	1	9	7	4	10	3	2	12	5	11	6
Expectation on return of angel investments	4	1	5	8	6	7	2	3	10	11	12	9
Strength of demand for peer-to-peer engagement	1	12	4	2	5	8	3	7	5	10	11	9
Average worth current	3	2	7	5	11	9	10	8	12	6	1	4
Average money goal	1	4	3	9	6	2	5	7	10	11	8	11
KEY	1	2	3	4	5	6	7	8	9	10	11	12
	HIGH											LOW

Source: Scorpio Partnership, BNP Paribas

Note: Colour code represents the results relative to each other and all countries analysed in 2014. Additional countries noted in the entrepreneurial assessment in 2014 were Belgium, Poland, Spain, and Taiwan.

ASSESSMENT FACTORS FOR THE GLOBAL ENTREPRENEURIALISM WEALTH CREATION INDEX

Age when decided to start business	This factor assesses the attribute of interest in the possibility of being an entrepreneur (both a Business Owner Entrepreneur and Angel Investor Entrepreneur). The assessment of the age is aligned to a view that the younger the age of consideration illustrates a higher national entrepreneurial culture.
Age when starting a business	This factor assesses the attribute of interest in transitioning into first becoming an entrepreneur (both a Business Owner Entrepreneur and Angel Investor Entrepreneur) and the time gap between the initial thought and the action. The assessment of age and the time gap to launching indicates a broader supportive culture of entrepreneurialism.
History of entrepreneurialism in the family	This factor examines the influence of the family on the path of entrepreneurialism. The research has shown that a higher proportion of entrepreneurs that have become successful have originated through family support. The assessment determines how strong this link of family background is with each country.
Proportion of total wealth in business assets	This factor determines the current share of business assets in the total wealth portfolio. This share represents the importance of the business assets to the overall wealth creation. This data is considered alongside the current wealth level and future wealth objectives. The assessment determines the contribution of entrepreneurial activities.
Average turnover of primary business (USD m)	This factor highlights the scale of entrepreneurial activity among successful entrepreneurs within the country. Along with further analysis of the distribution of business interests domestically and abroad this determines the strength of the home nation to supporting entrepreneurialism.
Average number of companies started	This factor highlights the rate of entrepreneurial activity among individuals in the country. The quantity of companies is not considered alone. It is also evaluated against the scale of the value of the companies held by the entrepreneurs. This assessment provides an indication of the propensity of entrepreneurs to create businesses.
Proportion of total wealth in angel investments	This factor examines the scale of investment capital allocated by entrepreneurs to other independent businesses. This data is also considered along with the allocation of this investment capital both in the home country and internationally. This assessment demonstrates the strength of view of entrepreneurs in their home nation and the ability to generate more successful entrepreneurs.
Length of time of being an angel investor (# years)	This factor examines the amount of time of the acceptance of supporting entrepreneurial activity. The assessment illustrates the strength of culture and also the perceived maturity of opportunities to support entrepreneurialism.
Expectation on return of angel investments	This factor examines the return expectations on angel investing. The scale of expectations is relevant when assessed alongside expected risks as well as longer term financial wealth goals. The assessment determines the confidence level of entrepreneurs in investments in their area of activities.
Demand strength for peer-to-peer engagement	This factor examines the level of interaction between entrepreneurs. This assessment evaluates if the country has a vibrant entrepreneurial community that fosters future entrepreneurial development.
Average current worth	This factor examines the current average net worth of the community of entrepreneurs. The assessment will support cross analysis with other factors in this index to determine the strength of wealth creation among the entrepreneurs in the country.
Average money goal	This factor examines the future average financial goal of the community of entrepreneurs. The assessment will support cross analysis with other factors in this index to determine the strength of wealth creation ambition among the entrepreneurs in the country.

THE DEFINITION OF ENTREPRENEURIALISM – A WAY OF LIFE AND WEALTH

The notable feature of entrepreneurs around the globe is their focus on goals blended with a pragmatic approach to opportunity. Arguably their focus may be no stronger than that of a highly skilled medical professional, architect, performer or elite athlete. However, **in their own way successful entrepreneurs are an elite group across society. They drive economies forward with their commitment to making their visions become real.**

In order to understand this drive the first crucial step is to focus on how entrepreneurs define themselves. A definition sets the trajectory of understanding for their actions on the path of wealth creation either with their first business or, in many cases, the multitude of companies they engage with from thereon either in direct owner-management or as an angel investor.

With this context, it is notable that when it comes to defining what makes an individual an entrepreneur, respondents to

this research program overwhelmingly selected the attribute of being directly involved in owning and managing a business. Across the globe, 69% of entrepreneurs would consider this to be the principle definition.

Indeed, in discussions with entrepreneurs **many remarked that the fact of owning and managing a business is what defined them** in all aspects of their life – at home, at work and in society at large. The ownership of the business (or businesses) offered them a clear sense of purpose and relevance.

The scale of the response for this specific definition suggests that, unlike the classic assumption from many outside the entrepreneurial world, the reason for being an entrepreneur is not solely driven by the desire to make a future fortune through the sale of their business or to pass it on to the next generation. It is about being relevant and about being at the helm of their destiny with a clear view of what is ahead.



THE VOICE OF THE GLOBAL ENTREPRENEUR ON THEIR PURPOSE



It is about creating something
and being empowered to do so.

Profile: France, Female, 50-59 yrs

It is about freedom, but it is also about making money. As an employee you earn a salary and your wealth grows at a fixed rate. If you create and run your company, your earnings can multiply.

Profile: United Kingdom, Male, 50-59 yrs

It means going against big corporations and winning.
At its core it means taking a calculated risk.

Profile: USA, Male, 40-49 yrs

It is about striking out on your own. Taking that first step away from your comfort zone.

Profile: Singapore, Male, 30-39 yrs

Being an entrepreneur is about being
brave enough to be yourself.

Profile: Belgium, Male, 40-49 yrs

It means creating something new in a defined area
which competes with established thinking.

Profile: United Kingdom, Male, 40-49 yrs



Q: What does being an entrepreneur mean to you?

N: 2,523

Source: Scorpio Partnership, BNP Paribas

Put simply, these individuals have chosen this path to wealth creation as a way of life. This allows them to pursue their vision. In interviews during the research issues such as freedom and creativity and the ability to pursue an idea echo throughout the world of entrepreneurs across the globe.

However, they also noted these issues considered alone miss the wider picture. Entrepreneurs are taking control of their environment in order to support their longer term wealth creation. Indeed, they go hand in hand. Although these entrepreneurs are at pains to point out that making money does not override simply making sense in their lives.

The bias toward a definition of entrepreneur linked to being involved in a business is significant. Many outside the world

of entrepreneurialism often consider entrepreneurs simply to be individuals that may own or participate in multiple businesses without having a direct involvement in the management of the business.

This stereotypical definition of multiple company ownership is the so-called "serial entrepreneur". It is often considered by many to be the archetype for all entrepreneurs. However, the research shows that from the perspective of the active entrepreneurs today this only covers a small part of the entrepreneurial community.

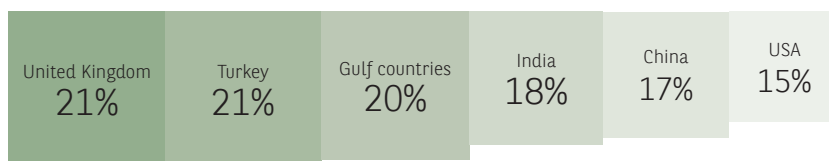
In fact, when the community is asked directly on this definition, only 9% of the global population of entrepreneurs identify with it. This does not imply the community

is insignificant or even not relevant. It simply suggests that the concept of being an entrepreneur centres upon active ownership and involvement with businesses.

Digging deeper into the data of responses on the definition of serial entrepreneurs (“owning multiple businesses without directly managing them”), what is noteworthy is how this 9%

value changes by country. Evidently, the focus on becoming a serial entrepreneur is stronger in certain countries over others. For example, the ratio approximately doubles from the 9% average in the United Kingdom, Turkey, the Gulf countries, India, China and the USA. Notably, the ratio halves in Germany.

% IDENTIFIED THIS PROFILE BEING A “SERIAL ENTREPRENEUR”

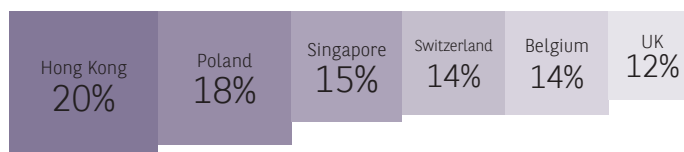


Q: What does being an entrepreneur mean to you?
% that selected “Owning multiple businesses (but not directly managing)”
Countries included are those with the highest proportions – note, size of squares are illustrative and not to scale
N: 2,523
Source: Scorpio Partnership, BNP Paribas

Meanwhile, when it comes to being an entrepreneur as defined by the ability to sell the business that has been created, there is also an interesting variance in views. In Hong Kong a notable proportion of entrepreneurs (20%) take this view.

This also shows in the quantity of companies established by Hong Kong entrepreneurs which is by far the largest number among all the successful entrepreneurial communities researched here. In selecting the definition of securing a capital event, Poland and Singapore follow closely behind Hong Kong with 18% and 15% weightings respectively.

% IDENTIFIED THIS PROFILE BEING “THE SALE OF BUSINESS”



Q: What does being an entrepreneur mean to you?
% that selected “Selling a business which you started”
Countries included are those with the highest proportions – note, size of squares are illustrative and not to scale
N: 2,523
Source: Scorpio Partnership, BNP Paribas

However, while the country-by-country spotlight shows some interesting variations, the entrepreneurs interviewed stressed that they are not just in the business of creating and running a business to sell it. That is often simply a bonus.

Overall, the wealth entrepreneur today is clearly motivated by a sense of purpose to build enterprise value through

realising the ideas that they imagined. The results strongly indicate that while wealth creation is an important force in their actions these individuals are as driven by the desire to control their destiny and make a bigger difference based on the talents that they possess relative to pursuing a life as an employed professional.

THE AGE AND DRIVE OF ENTREPRENEURIALISM TODAY

Based on the research insight, it is clear that becoming a successful entrepreneur is a combination of desire, aptitude, energy and timing. Today the average age for when the idea first hatches to become an entrepreneur is now at a tender 30 years 1 month.

Once that entrepreneurial idea takes hold, it is typically just a further one year and seven months before the life of the entrepreneur begins. Clearly, the wealthy entrepreneur sees no reason to wait around. Why, they argue, should they? Clearly the spirit of carpe diem runs deep within them.

While the starting point of entrepreneurialism today might catch some unaware, what is more interesting is how this age factor varies between regions.

For instance, in the Middle East the average age of thinking about entrepreneurialism is almost seven and a half years less than the United States. Given that the United States has widely been considered the traditional epicentre of an entrepreneurial way of life it could be the data now emerging (as also shown in the Global Entrepreneurialism Wealth Creation Index) is beginning to suggest transference of the drive of entrepreneurialism to other parts of the globe.

Arguably, the early starting phenomenon of the Middle East could be because of a combination of the dearth of options in the professional employment environment within their home countries forces thoughts of going it alone. Moreover, given the relatively fledgling state of the home markets it is evident there are a broad array of opportunities in a fast developing economy which can be seized.

However, for the Middle East it appears that it still takes a great deal longer time to shift from the dream of entrepreneurialism to the action of being one. Indeed, it is the entrepreneurs in Asia (including China) that move the fastest while the United States are essentially on the global average.

THE TIME FROM THE FIRST IDEA TO AN ENTREPRENEURIAL ACTION

	Entrepreneurial decision	Started first company
USA	32.8	34.5
Europe	30.5	32.3
China	29.4	30.8
Rest of Asia	29.2	30.2
Middle East	25.3	28.3

Q: How old were you when you first considered being an entrepreneur?

Q: How old were you when you started your first company?

N: 2,523

Source: Scorpio Partnership, BNP Paribas

Moving on from the regional examination, when considering the responses from the global entrepreneurs the significance of the findings in our opinion is how this average age of launching on the path of entrepreneurialism is reducing between generations.

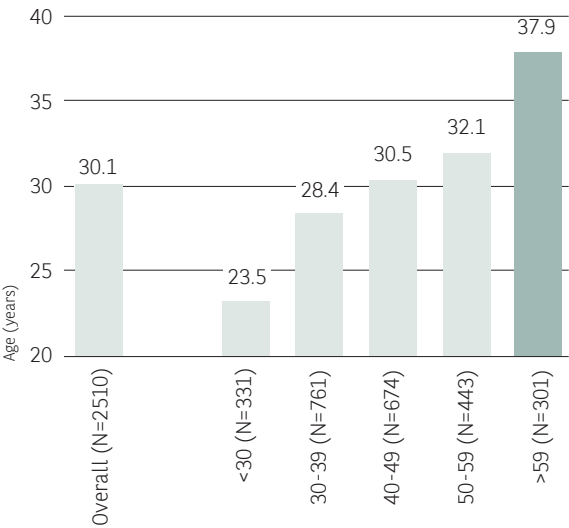
For instance, the entrepreneurs surveyed that are now in their 60s indicated that they first considered the entrepreneurial path when they were 37 years old. This is markedly older compared to the generations beneath them and hints at a shift among the community.

Given the age gap in the entrepreneurial tendency, **it appears that there is a growing trend among the population to consider becoming an entrepreneur at a much younger age.** The explanations for this are hugely varied although overall there appears to be an opinion that the increased widespread acceptance of becoming an entrepreneur in recent years is likely to have encouraged more to choose this path.

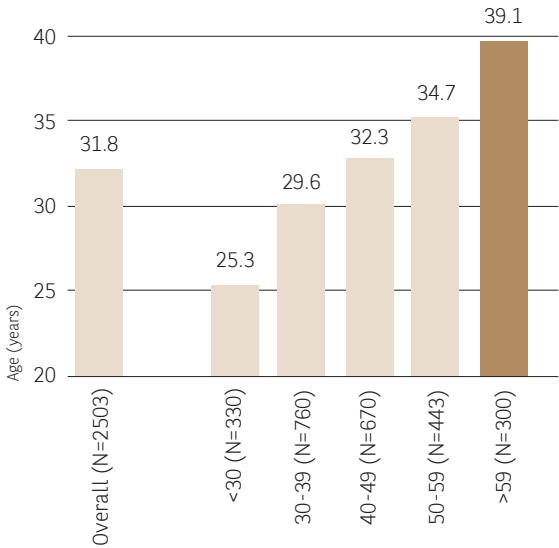
It is noteworthy in the country-by-country analysis that entrepreneurs were quick to identify favourably with countries that supported younger generations to choose the path of entrepreneurialism.

THE PACE OF THE NEXTGEN: AN AGE SHIFT IN GLOBAL ENTREPRENEURIALISM

At what age did you first consider becoming an entrepreneur?



How old were you when started your first company?



Q: How old were you when you first considered being an entrepreneur?
Q: How old were you when you started your first company?
Analysis cross-referenced by age
N: 2,510 & 2,503
Source: Scorpio Partnership, BNP Paribas

THE INFLUENCE OF FAMILY HISTORY ON FUTURE ENTREPRENEURS

While definitions and age demonstrate a purpose and energy to become an entrepreneur another factor to consider is the influence of the family.

Alongside the four factors of desire, aptitude, energy and timing, it appears that the family has a big influence for the majority. Indeed, approximately 60% of successful entrepreneurs today have an history of business ownership within their family (including parents, grandparents, siblings, and extended family).

What is also noteworthy is how this influence varies by region. For instance, the emerging markets of Asia (including China) and the Middle East have a combined average of 67.9% of entrepreneurs noting the legacy of family. While the “mature” markets of Europe and the USA have a combined average of 56.3%. Going deeper into the numbers, the table below underscores this emerging market trend. Taiwan, Spain, Poland, Turkey and Hong Kong, all have over a 75% weighting.

THE PROPORTION TODAY THAT HAVE A HISTORY OF ENTREPRENEURIALISM

COUNTRIES WITH NOTABLY HIGHER FAMILY LEGACY OF ENTREPRENEURIALISM

Taiwan	Spain	Poland	Gulf countries	Turkey
80.0%	80.0%	80.0%	78.9%	78.0%

COUNTRIES WITH A NOTABLY LOWER FAMILY LEGACY OF ENTREPRENEURIALISM

USA	UK	Germany	Belgium	France
57.3%	49.0%	47.7%	47.6%	46.0%

Q: is there a history of business ownership in your family?
Global Average = 59.8%

N: 2,523

Source: Scorpio Partnership, BNP Paribas

The influence of the family is a complex and lengthy topic in its own right which has kept academics busy for generations. What is noteworthy is that from the interviews there is a strong sense that the forefathers of a family are recognised to have helped to clear the emotional path of acceptance to become an entrepreneur. Also, they are often considered to be a source of encouragement (and, often significantly, starting capital) for the next wave of entrepreneurs in the family.

One final factor on this topic which is not often addressed on the influence of the family is also that it is often remarked that the successes of previous generations provide a strong stimulus to future entrepreneurs. In the words of one

successful Swiss-based second generation entrepreneur interviewed:

“There was a clear benchmark based on the achievements of my father. Initially, I thought of it as a curse. Now, as I have achieved many of my goals, I consider it a blessing.”

Clearly, the power of the family cannot be underestimated.

While the data points to notable variances between emerging market entrepreneurs and mature market entrepreneurs, equally significant in our opinion is that the younger generation appear to have a slightly higher tendency to become an entrepreneur even if they do not have a family legacy.

For instance, 51.7% of entrepreneurs under the age of 50 years today indicated they did not have a family history of entrepreneurialism. This compares with 35.8% for entrepreneurs now over 50 years.

Once again, it appears that there is a potential shift in behaviour underway in the context of entrepreneurialism of the global wealthy. **The (relatively) younger generation is showing a higher propensity to start out earlier and also without any family history.**

Such a gap is very significant in research terms and also raises questions about the future population of entrepreneurs with a faster growing population of first generation entrepreneurial wealth creators.

Moreover, based on the feedback from participants it is clear that there is a much more pervasive culture of encouraging the act of entrepreneurialism in the world today. In the words of one successful 40-year old British entrepreneur without any family history of entrepreneurialism:

“At school I never dreamed of starting out on my own. No one encouraged it either. Everything was centred on getting a “good” job such as a doctor, lawyer or even a banker. But then in the 1990s something changed in our society. There was strong growth and capital was more available. I just noticed there was no stigma to creating a business. It was even encouraged. So, I did it. And I have never looked back.”



THE FINANCIAL GOALS OF GLOBAL ENTREPRENEURS

What is clear from the community of entrepreneurs examined here is that their achievements to date have not quenched their ambition.

Given the average net worth of the entrepreneurs assessed in the report stands at USD7.6 million, many could argue this sum of wealth should be sufficient to step off the business owning superhighway. On the contrary, they are only 60% of the way to their goal.

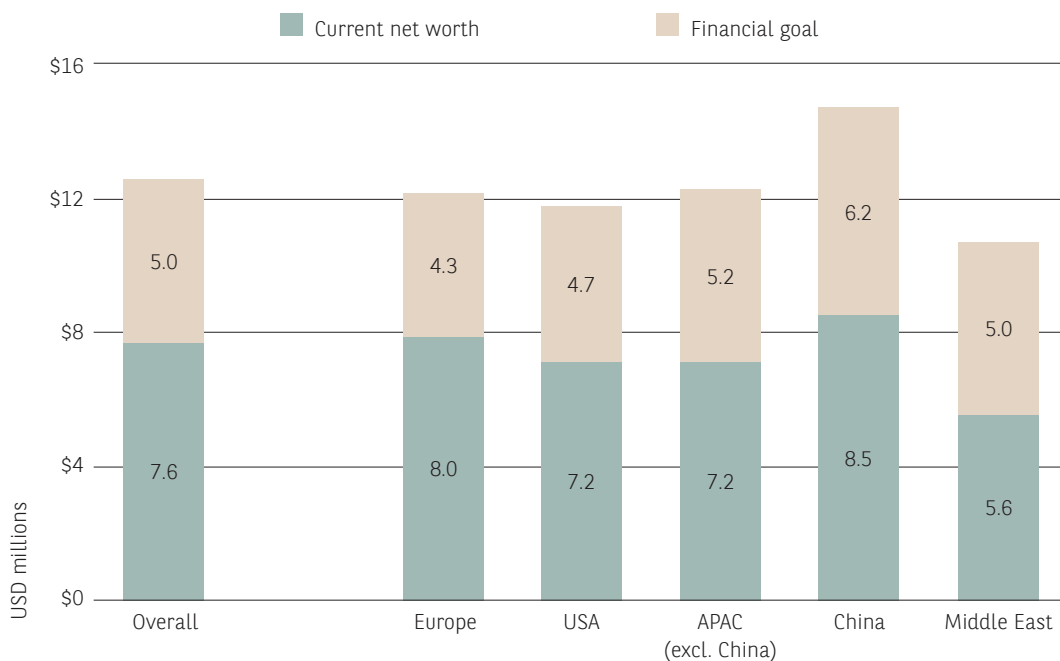
This ambition is relevant in the context of the turnovers of the core businesses that they own. This stands at USD8.7 million. Therefore, given an assumption on the value of their

businesses today based on turnover, it is relatively safe to assume these entrepreneurs already have a pretty high level of confidence about their capacity to achieve the long-term financial target.

Indeed, when one examines the time which they expect it will take to achieve the additional 40% of capital wealth, half of entrepreneurs today expect to achieve this goal within 5 years and 71% expect to achieve this goal within a decade.

Clearly, the global wealth entrepreneurs are on the move and fast. Their business will play a significant part in their ambitions.

THE FINANCIAL AMBITIONS OF THE GLOBAL ENTREPRENEUR



Q: What is your current net worth (excluding primary residence)?
Q: Do you have a financial goal in mind? If so, how much do you need?

N: 2,523 & N: 2,210

Source: Scorpio Partnership, BNP Paribas

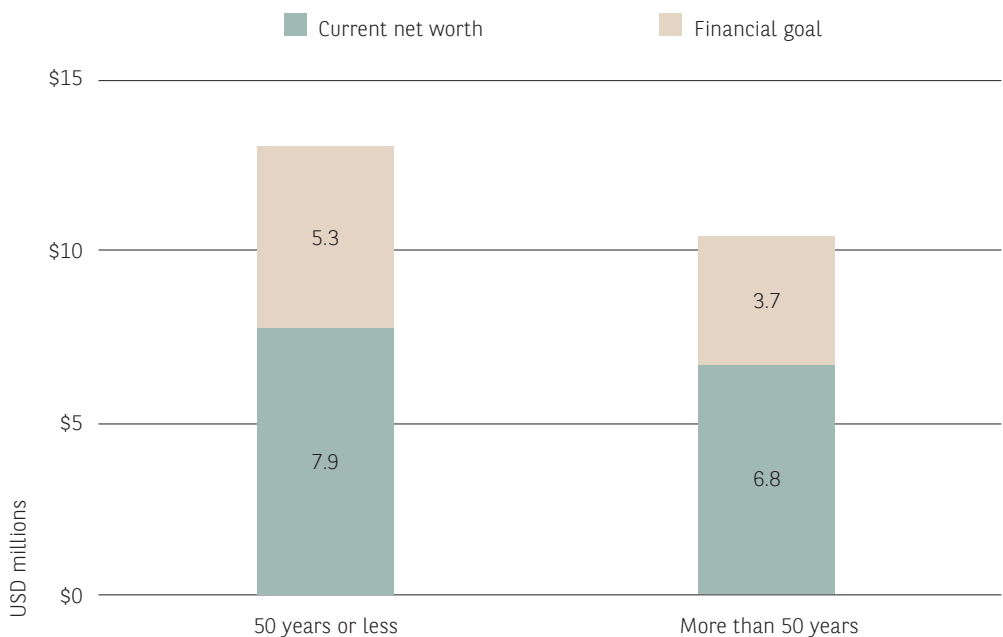
Considering the issue of financial goal from an age perspective also raises some interesting factors. For instance, when looking at the global entrepreneur population as two groups separated by the age of 50 years, a marked distinction appears.

The under 50s have a higher current net worth relative to their over 50s peers. They also have a higher total wealth

ambition in their sights with an average among this population of USD13.2 million. As a group they consider themselves to be 59% of the way toward achieving their objective.

Meanwhile, the over 50s have a relatively more modest total financial target which is USD2.7 million lower than younger entrepreneurs. However, they consider themselves to be 65% toward their goal.

THE FINANCIAL AMBITIONS ASSESSED BY AGE



Q: What is your current net worth (excluding primary residence)?
Q: Do you have a financial goal in mind? If so, how much do you need?
N: 2,523 & N: 2,210
Source: Scorpio Partnership, BNP Paribas

On the surface, the higher ambition of the younger generation is potentially understandable. On their side is time. Interestingly, however, the younger generation are not expecting the attainment of their goals in decades. In fact, a high proportion of this audience have a confidence of achieving their financial goal within five years.

For instance, 40-49 year old have a 49% of achieving their goal within five years. For 30-39 year old this actually moves up to 55% while with under-30s it hits 61%. This compares to

the over 50s who have a 40% confidence on attaining their goals inside five years.

The analysis could simply suggest a case of optimism versus realism in the world of entrepreneurialism. However, **it is a data point that merits ongoing tracking as it does, in our view, point toward an important assessment of confidence levels among the world's entrepreneurs. Their confidence has a clear impact on the broader society.**

THE CONTRIBUTION OF BUSINESS TO TOTAL PERSONAL WEALTH

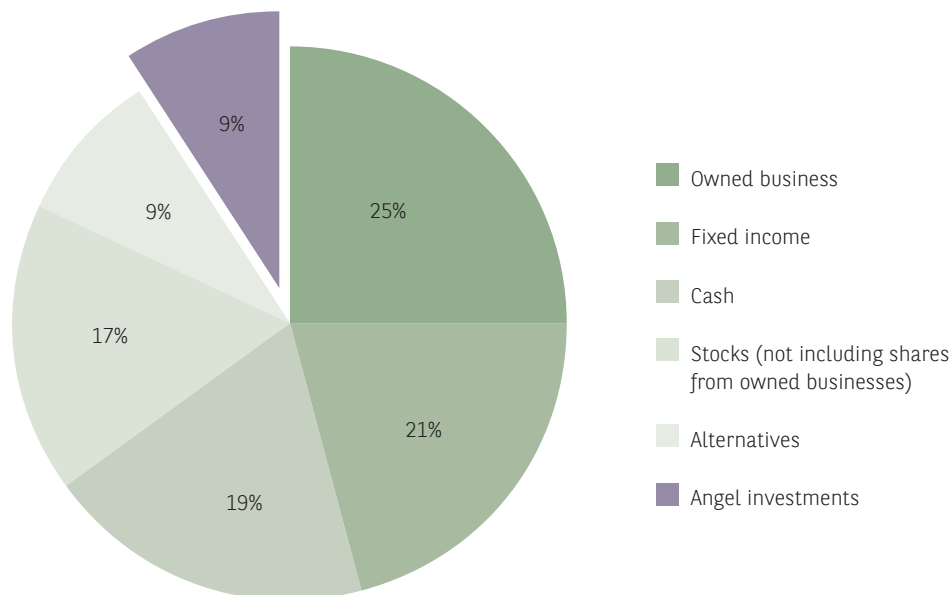
In terms of the contribution of the business to the overall total wealth of the entrepreneur the research findings are revealing. Typically, commentaries on the topic of entrepreneurialism suggest that the business asset dominates in the total wealth calculations for entrepreneurs. However, among the entrepreneurs investigated here wealth is much more broadly distributed.

In fact, on average just 25% of their total wealth is tied up in businesses they own and control. Looking at just the owned

business does not paint the complete picture. A further 9% on average is also allocated to angel investments.

The sum of the two asset pools is still one third rather than a majority. **This result clearly challenges the received wisdom that entrepreneurs are completely “overweight” on their corporate interests as part of their total wealth.** As illustrated below, the balance of wealth is allocated in cash, equities, fixed income and alternative investments.

THE CONTRIBUTION OF BUSINESS TO THE ENTREPRENEUR'S TOTAL WEALTH



Q: What is the current allocation of your financial portfolio across the following asset classes (including your business)?

N: 2,523

Source: Scorpio Partnership, BNP Paribas

The explanation for the relatively lower levels of total wealth held in a business for entrepreneurs will spread across many factors. Inevitably, the fact that the individuals surveyed here are already wealthy (the average net worth of the sample is USD7.6 million) could have an influence. Arguably, their wealth would be more concentrated (in their business) if they had been entrepreneurs with less of a fortune behind them.

However, the research also indicated that the majority of the sample has been entrepreneurially active for most of their working lives and so their wealth accumulation to date would have benefited considerably from the success of their businesses.

Given the allocations, it appears that there is a tendency among successful entrepreneurs to look at, and manage, their total wealth on a much broader basis taking value out of their businesses when they can and investing them in different asset classes.

Indeed, what is noteworthy is that in dialogue with the individuals it is clear that most accept the need for diversification from their core wealth creation engine – the business or their business investments – from a very early stage in their entrepreneurial lives. As one Singapore-based 50-year old entrepreneur in retail stated:

“We knew the risks associated with having all our wealth tied up in the business. This made us uneasy. As soon as we could adjust this by placing assets elsewhere we did. Initially we opted for real estate and then, over time, we started to look into the financial markets. Those investments did not do as well as our business, but they hedged us against any unexpected turns.”

Entrepreneurs also frequently point out that they always kept a healthy cash reserve. The average is 19%. While this cash reserve could be put to work, most prefer it to be on permanent call.

Ultimately, the results suggest that while the outside world might consider the entrepreneur as a general risk taker, respondents stress they are much more a “calculated” risk taker. Their asset allocation in general reflects this.

Notwithstanding the above points, countries where the weighting of an entrepreneur’s total wealth toward business is over 30% include Germany (34%), Spain (34%) and China (31%). Meanwhile, countries where this balance is notably below 20% include Turkey (16%), Hong Kong (16%), Belgium (17%) and Taiwan (19%).



THE WEALTH CREATION ALLOCATION MIX AMONG ENTREPRENEURS

ALLOCATION OF TOTAL FINANCIAL PORTFOLIO TO ENTREPRENEURIAL ASSETS							
Five highest	Owned business (%)	Angel investments (%)	Sum (%)	Five lowest	Owned business (%)	Angel investments (%)	Sum (%)
Spain	34	8	42	UK	26	5	31
China	31	10	41	Singapore	23	7	30
Germany	34	5	39	Turkey	16	13	29
France	26	10	36	Taiwan	19	6	25
Switzerland	25	10	35	Hong Kong	16	9	25

Q: What is the current allocation of your financial portfolio across the following asset classes (including your business)?

Note: The above references the % allocations to Owned Business and Angel Investments

N: 2,523

Source: Scorpio Partnership, BNP Paribas

The reasons for these variations in country weightings among entrepreneurs are considerable. The two dominant themes among different entrepreneurs the world over were local regulations and a broader culture of entrepreneurialism or, possibly in the case of Spain, Germany and China, a stronger perception of opportunity that is worth pursuing.

Put together, these factors can have a major influence on encouraging or discouraging both business ownership and angel investment. Taking this point further, it is revealing to consider which countries have entrepreneurs that have more (or less) weighting toward entrepreneurial activities.

At a macro-economic level conclusions could be drawn. However, at an entrepreneur specific level it hints at different levels of confidence and conviction around the environment in which they operate. For example, in the case of Spain where it is widely recognised the domestic economy is undergoing a dramatic process of reconstruction, the wealthy entrepreneurs are capitalising on the opportunity through direct business ownership.

Meanwhile, for instance, in the case of Turkey the drive on direct business ownership is strong but is almost as matched by the angel investment allocations. Insight suggests that entrepreneurs there recognise they can offer an important role in supporting additional businesses as much through their investment capital as through their personal expertise and network.

Whatever conclusions that are drawn from the data, the overwhelming fact is that the total allocations of successful entrepreneurs toward their business and angel investments does not exceed half of their total wealth. Equally, it does not appear to fall below the 25% mark.

In effect, therefore, it appears the wealth band between 25% and 50% is the entrepreneurial investment corridor on which successful operators exist.

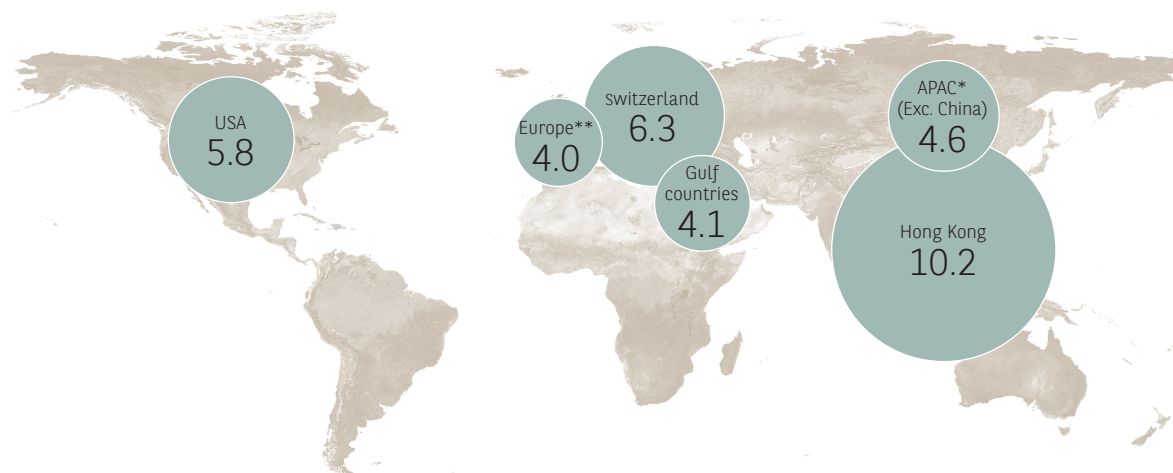
THE SCALE OF BUSINESS OWNERSHIP AMONG ENTREPRENEURS

While the definition of the entrepreneur is skewed toward the concept of owning and managing a business, what is significant to note is that most entrepreneurs do not typically stop at one business.

Indeed, almost two thirds (59%) of entrepreneurs start more than one business while 26% start at least four businesses. Overall, the average number of companies established is 4.5.

In terms of geographic trends on company creation, the leader of company creation is Hong Kong entrepreneurs. They top the chart with an average of 10.2. Some distance behind them is Switzerland with 6.3 companies on average. Indeed, Hong Kong is effectively double the United States and APAC (exc. China). On its own, China has an average of 3.3 companies created.

THE AVERAGE NUMBER OF COMPANIES CREATED BY ENTREPRENEURS



Q: How many companies have you started either alone or with partners?

Global average is 4.5

*Hong Kong is not included in this calculation; **Switzerland is not included in this calculation

Countries included are those with the highest proportions – note, size of circles are illustrative and not to scale

N: 2,523

Source: Scorpio Partnership, BNP Paribas

Somewhat inevitably the propensity to have more than one business increases with the amount of wealth of the individual. However, a slightly unexpected trend is that **the younger the entrepreneur the higher the proportion of individuals that will own more than one company.**

For instance, 69% of entrepreneurs between the age of 30 and 39 will start more than one company, while only 49% of entrepreneurs older than 60 years will have more than one company. Once again, this may suggest there is an emergence of new breed of younger multi-company owning entrepreneur. This in itself may not be significant, but hints at a wider landscape change in the business owning culture.

To an extent, the number of companies only tells one part of the story as it simply suggests the incorporation activity levels of entrepreneurs. To put this in context it is relevant to take a look at the scale of the businesses managed by these individuals and their preferred sectors and regions for entrepreneurial activity.

In terms of financials, the the global figure of the average turnover of the primary companies of entrepreneurs stands

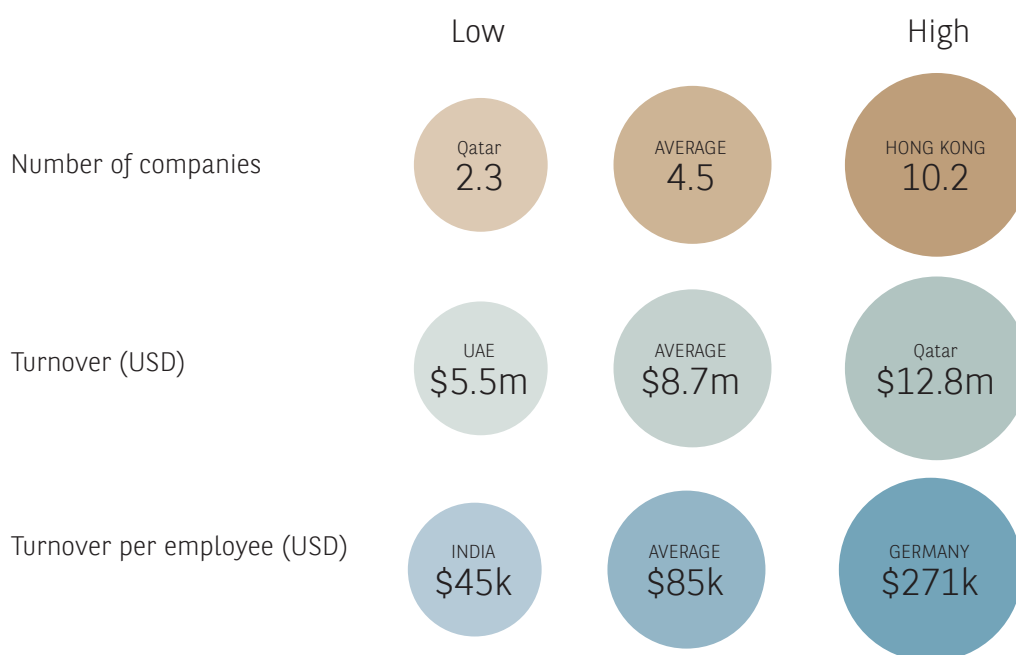
at USD8.7 million. Meanwhile, in terms of employees, entrepreneurs employ on average 103 people in their primary company.

On a country specific basis, Qatar tops the turnover pack with USD12.8 million. China, meanwhile, has the highest employee average of 178 personnel.

This compares with Europe where the average turnover is USD8.8 million with an average headcount of 51. In fact, within Europe, the nations of Poland, Spain, and Germany have the strongest average primary company turnovers (USD11.6, USD10.6 and USD10.4 respectively) and the average headcount between these three countries is marginally higher than the regional average at 63.

The variance in data points between the emerging market entrepreneurs and more mature markets hints at a difference over the types of companies operated between, potentially, high skills and low skilled. Indeed, the average turnover per employee for Europe is three times that, for example, of the business owned by entrepreneurs in China.

THE PROFILE OF THE BUSINESSES OWNED BY ENTREPRENEURS



Source: Scorpio Partnership, BNP Paribas

Along with the employment and overall turnover data, it is also noteworthy to consider the average value of investments in the companies owned by entrepreneurs in the respective markets. Today, the current average value of investment per entrepreneur in each individual company held stands at USD425,101.

The investment value ranges considerably between countries as shown on the following table. German entrepreneurs, for instance, have the largest per company investment value with an average of USD1.16 million. At the other end

of the scale, Hong Kong entrepreneurs average company investment value stand at USD134,436.

In the case of Hong Kong it is notable that the average number of companies created stands at 10.2. German entrepreneurs, meanwhile, typically have 1/5th of this number. It appears therefore that German entrepreneurs tend to have a characteristic preference to focus their capital resources on a smaller number of operating businesses and increase their financial commitment.

THE VALUE OF ENTREPRENEUR-CREATED COMPANIES

	AVERAGE INVESTMENT VALUE PER COMPANY CREATED (USD)	AVERAGE NUMBER OF COMPANIES CREATED
Overall	425,101	4.5
Germany	1,158,087	2.7
China	794,503	3.3
France	570,929	3.8
Italy	467,451	3.9
United Kingdom	356,095	4.8
Singapore	339,553	4.7
Turkey	335,052	3.6
USA	323,990	5.8
India	319,046	4.1
Switzerland	313,245	6.3
Gulf countries	204,517	4.1
Hong Kong	134,436	10.2

N: 2,523
Source: Scorpio Partnership, BNP Paribas

Finally, current business assets aside, looking into the future the preferred fields of entrepreneurial activities also offer a fascinating insight into where the smart money is heading among the world’s independent business leaders.

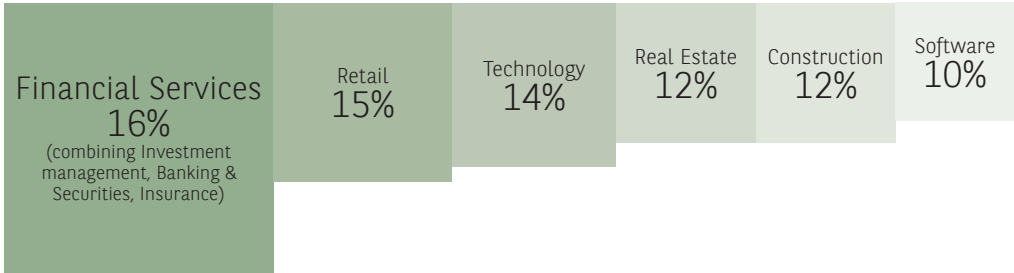
While the range of industry sectors in which the entrepreneurs operate is inevitably broad, the top choices include retail, technology, real estate, construction, and software. Between 250 and 375 entrepreneurs (out of the more than 2,500) were actively interested in each of these areas.

As a notable addition to this range, **if banking and securities, along with investment management**

and insurance are combined under a single title of financial services, then the independent business leaders would be placing this at the top of the deck.

The significance of this is the fact that, given the previous five years of tense situations among the financial industry, it appears that entrepreneurs could be starting to turn their attention to this sector as they scent opportunities. Given these are also wealthy individuals in their own right, it will be fascinating to determine how they will deploy their capital and skills as owners and angels to build on their successes to date.

THE PREFERRED SECTORS OF ACTIVITY OF ENTREPRENEURS



N: 2,523
Source: Scorpio Partnership, BNP Paribas



THE DISTINCTIONS OF FEMALE VERSUS MALE ENTREPRENEURS

Finally, in the context of the influence of gender in the world of entrepreneurialism there are some interesting notes of discovery. **A key point is that within the community of entrepreneurs there is very little evidence of bias or disadvantage against the likelihood of success between male and female business owners.**

All point to success being directly correlated to the gender neutral factors of vision and drive. However, many remark that they consider there might be a notable lack of confidence around becoming a committed entrepreneur among females. In the words of one French entrepreneur:



“There is no difference between a man and a woman in the entrepreneurial world. However, women often lack the confidence to start a business. They need to believe in themselves more.”

This statement is a revealing one when considered against the data from this research. In fact, our findings suggest that women have no reason to lack confidence and indeed there is a verve toward entrepreneurialism that is actually more pronounced among women.

Of the nearly 1,000 women that participated it was significant to see that the average age for commencing down the entrepreneurial path on a par with men. Moreover, the time lag between thinking and acting was virtually identical to male entrepreneurs. So, there is no sign of hesitation.

Moreover, once the female entrepreneur starts, they typically launch slightly more businesses than their male counterparts. And, more importantly, the average annual business turnover of their primary business is USD700,000 more.

THE NOTABLE DIFFERENCES BETWEEN FEMALE AND MALE ENTREPRENEURS

		
Average age of entrepreneurial decision	30.5 yrs	29.9 yrs
Time taken to start business	21 months	20 month
Average number of companies started	4.9	4.3
Average turnover of primary business	USD9.1mn	USD8.4mn
History of entrepreneurship in the family	62%	59%
Preferred industries for entrepreneurship	Retail Finance Real estate Technology Fashion	Finance Technology Retail Construction Real estate

N: 2,523
Source: Scorpio Partnership, BNP Paribas

Looking to the future of female entrepreneurial activity, there is a slight variance in sector focus compared with men. While the sectors are broadly similar, there is a higher level of preference toward focusing their entrepreneurial talents in retail and the industry of fashion makes an appearance at a level that is higher than their male counterparts.

What is marked is that perhaps the women that do venture down the path of entrepreneurialism may have a slightly higher legacy of entrepreneurial activity within their family, but only just. Indeed, both male and female entrepreneurs noted how important this legacy could be in venturing down the path themselves.

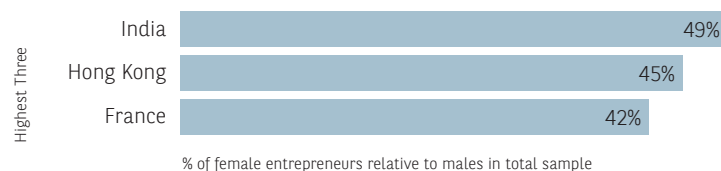
Considering this legacy factor as a stimulus there could be an argument that we are at a point of inflexion where female entrepreneurs should now begin a process of encouraging a new wave of female entrepreneurs that do not have such a family history. Indeed, when looking at their male counterparts the research findings hint a growing number of entrepreneurs joining the community with no entrepreneurial family backgrounds. However, the proportion of these that are male is markedly higher than female.

An adjustment to this ratio may be influenced by the growth in the number of role models that provide the catalyst for the internal vision and drive in each potential female entrepreneur.

In this context, an interesting guide of where the future hotspots of female entrepreneurial activity might be is based on the volume of responses to the research program here. It is noteworthy that in this research program there was no gender quota or bias with the topic open to all. The participation rates in the individual countries are thus a revealing sign of the levels of engagement among gender.

On this basis, there is a suggestion that India, Hong Kong and France could be strong locations for future female entrepreneurialism. The three markets with the current lowest levels of participation among successful female entrepreneurs appear to be Taiwan, Singapore and Belgium.

THE MOST ACTIVE COUNTRIES FOR SUCCESSFUL FEMALE ENTREPRENEURS TODAY



N: 2,523
Source: Scorpio Partnership, BNP Paribas



Section

2

THE WEALTH CREATION PATTERNS OF ANGEL INVESTORS

THE PROFILE OF AN ANGEL INVESTOR ENTREPRENEUR

The focus of the report so far has been on the Business Owner Entrepreneur activity. Now our attention shifts more specifically to the community of entrepreneurs that are in the classification of Angel Investor Entrepreneur.

For reference, for the analysis of the angel investor trends, almost 70% of the over 2,500 entrepreneurs researched in this study also had an angel investment allocation which averaged at just over 9% of their total wealth. Further, the average angel investing experience of the audience was already 9.2 years. With this volume of input and experience we are confident the insight provides a sound guide to the future of angel investments.

Consequently, in the remaining sections of this report we have sought to understand from our community what defines them as angel investors as distinct from their ascribed definition of being a Business Owner Entrepreneur. The research also

assesses what proportion of their total wealth is allocated to angel investments, where angels are investing, what they expect as a return from these investments and how else are they leveraging their resources as business angels.

In the context of becoming an angel investor, it is clear that these individuals consider their two major assets on offer to independent businesses are capital and advice.

Capital-led angel investing is a relatively straightforward concept. Essentially, it is where the investor presents to the independent businesses – typically in their early stages – with access to funding that they might not otherwise be able to secure. Such an investment is typically, but not exclusively, linked to ownership of equity and ultimately an expectation of a return on the capital.

THE DEFINING ATTRIBUTES OF AN ANGEL INVESTOR



Q: What is your definition of an angel investor?

Note: The 'Wordle' is based on the open text responses supplied by the respondents. The larger the word the more often it was referenced by the respondents.

N: 1,759

Source: Scorpio Partnership, BNP Paribas

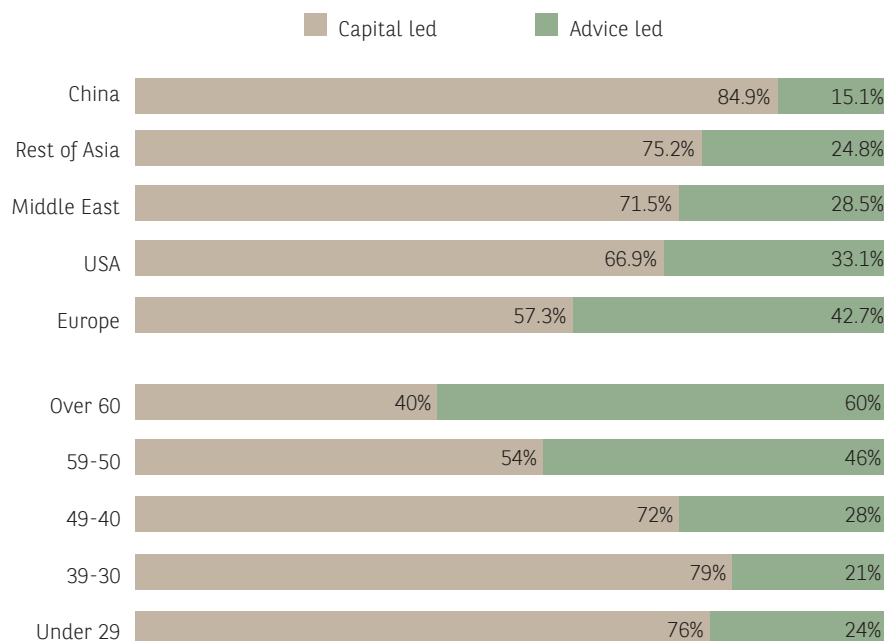
In advice-led angel investing, the approach of the angel is weighted toward the provision of their skills and networks in order to support the growth of the angel business. This contribution is typically provided in combination with capital. However, for angels the advice has a value for which they expect an additional degree of ownership in the business, although it can also be for a straightforward cash payment.

With these two approaches, the research findings show that **an advice-led approach to investing in business is definitely the preferred approach of the “older” entrepreneur**. It is also more common place in Europe

unlike in markets such as Asia, including China, where capital dominates.

Overall, a capital-led approach dominates with 69% of respondents viewing this as the best route for them as an Angel Investor Entrepreneur. However, the advice-led preference is not an insignificant figure (31%) and clearly shows that angels consider themselves not simply to be an alternate cash resource for fledgling businesses but something much more valuable.

THE ANGELS PREFERENCE BETWEEN CAPITAL-LED OR ADVICE-LED WHEN INVESTING



Q: When engaging in angel investing do you prefer to focus more on providing advice or capital?

N: 1,759

Source: Scorpio Partnership, BNP Paribas

One final factor that differentiates the Angel Investor Entrepreneur from the Business Owner Entrepreneur profile is the quantity of businesses that each profile is involved with.

Inevitably, given the focused approach of the Business Owner Entrepreneur, there is a tendency to have a smaller number of businesses they are involved with. Meanwhile, the true angel investor is likely to have at least five companies within their portfolio of interests.

THE DIFFERENCE IN OWNERSHIP LEVELS BETWEEN BUSINESS OWNER ENTREPRENEURS AND ANGEL INVESTOR ENTREPRENEURS

	Business owners	Angel Investors
USA	1.6	7.3
Europe	1.9	5.4
China	1.4	3.6
Rest of Asia	1.9	6.4
Middle East	2.6	4.0

Given that there is a wealth creation ambition among both types of entrepreneur it is apparent that Angel Investor Entrepreneurs recognise they may need to “pollinate” more companies with their funds and expertise in order to achieve their financial objectives. The scale of difference is interesting and clearly marks out the distinction among the two profiles of entrepreneur.

In terms of variances across the globe, it is noteworthy that the USA angel investor will have twice as many companies compared with the Chinese angel investor. History inevitably plays a part in this, the foundations of angel investing being a much older concept in the USA.

Q: How many companies have you started either alone or with partners?
Note: Angel investors equates to all responses where the indication was the individual made angel investments
 N: 2,523
 Source: Scorpio Partnership, BNP Paribas



THE EXPECTATIONS, ALLOCATIONS AND RISK LEVELS OF THE ANGEL

When it comes to investing in the early stage arena, it is generally considered that angels undertake a higher risk. However, that judgement of risk is often based on the perception of risk assumed by a bank. In that context, the field of venture capital and seed investment is determined as among the highest risk. This perception has led to some important misconceptions on the actions and preferences of angels across the world.

In reality, **Angel Investor Entrepreneurs are taking a much more calculated assessment**, according to the entrepreneurs themselves. They acknowledge that the capital is being invested in an “asset class” that has different characteristics to, for example, equities or fixed income.

Their approach to risk management in this field is a complex blend of assessment of the businesses based on their own experience, as well as their view on the potential outcome. In the words of one 65 year old angel investor in the United States:

“To describe it as “play money” is misleading and often has misled others looking at angel investors. Our approach is to consider what we are prepared to lose against what we would like to make. Along with this, we look at other non-financial benefits that we are unlikely to get from other assets. For example, being involved in the company or making a difference in an area that is important to us.”

Naturally, for the relative risk they are assuming angels will often require significant upside in the terms of ownership in the business enterprise. This is clearly the main “real” or “absolute” reward factor. In terms of the scale of expectation, the Angel Investor Entrepreneurs have a sense of what that upside can be. Overall, this profile of investor expects a big return (relative to more traditional asset classes) with the average return expectation set at 27.7%.

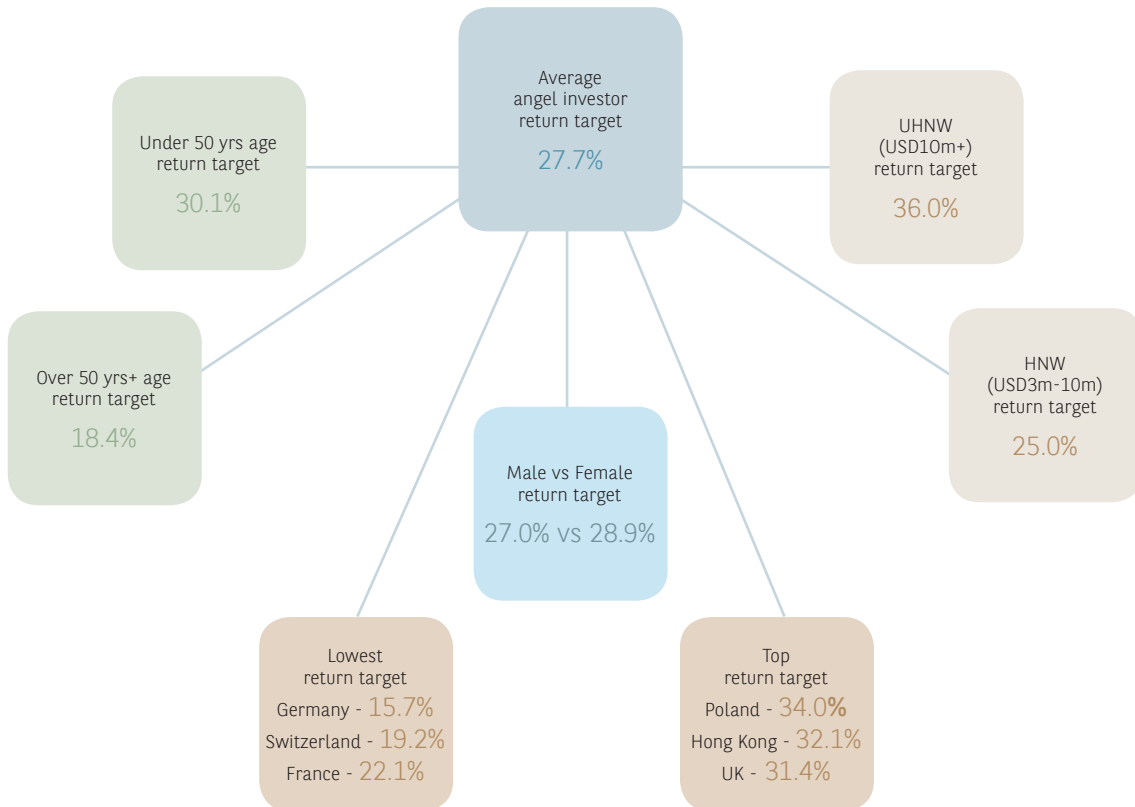
Within this average return expectation level among Angel Investment Entrepreneurs worldwide, the range among countries is also interesting to note. For instance, entrepreneurs in Poland target an expected return of 34%, while Hong Kong-based entrepreneurs seek 32.1%. British investors are not far behind at 31.4%.

Meanwhile, German, Swiss and French angels are at the other end of the spectrum with 15.7%, 19.2% and 22.1% respectively. Indeed, it is interesting to note that the range of expectations from high to low is as broad as it is. Evidently there are factors within each of the markets that have a direct influence on the requirements of the angels.

Equally revealing is the return expectation levels between younger angels and veteran angels. **The latter, who have a tendency to allocate almost half as much as younger entrepreneurs, have a return expectation of 18.4% compared with 30.1% for the “youth”.**

While there is never a single answer to explain this type of data point variance, it is possible the years of hard experience is a factor influencing the responses given.

KEY FACTS ON THE EXPECTED RETURN LEVELS OF ANGEL INVESTORS



Q: Thinking about your angel investments, how much financial return do you expect on your 'angel investments'?

N: 1,759

Source: Scorpio Partnership, BNP Paribas

Against these return expectations, what is noteworthy among the sample of global wealthy entrepreneurs surveyed here is that the allocation to angel investments is in relation to their total wealth an average of 9.4%.

Indeed, from an overall risk diversification perspective, these business owning entrepreneurs in fact appear to be pretty clear headed about the level of exposure they are going to take in the world of angel opportunities. Interestingly,

compared to the global average, the USA allocation is half (4.9%).

Once again, the USA – long a bastion of entrepreneurialism – appears to be showing signs that the appetite for entrepreneurialism particularly among the HNW and UHNW community of entrepreneurs is cooling relative to other locations in the world.

KEY FACTS ON THE ALLOCATION LEVELS OF ANGEL INVESTORS



Q: What is the current allocation of financial portfolio to angel investments?
Note: The data for these calculations is drawn from respondents that specifically identified with the profile description of being providers of investment capital or advice to early stage companies other than their own. N: 1,759
 Source: Scorpio Partnership, BNP Paribas

Finally, when it comes to risk, the community of entrepreneurs has a wide range of perspectives. Overall, the revealing factor is that **the community is relatively balanced in its perspective of whether angel investing is lower or higher risk** (51% higher risk and 49% lower risk).

This equilibrium is significant as it shows a perspective on the approach to investing in the asset class that is not widely understood by outside observers. Evidently, in their individual assessment the entrepreneurs are taking into account a wide range of factors on both the business itself and the environment in which it operates.

Indeed, there is no definitive skew toward angel investing being high risk. The possible exceptions to this include China which is markedly above the average at 67% higher risk. Taiwan and Singapore entrepreneurs also have a bias toward

viewing the angel investment route as higher risk (56% and 55% higher risk respectively).

On the reverse side of the equation, the entrepreneurs with the most confident views on the low risk nature of their angel investments are Turkey (23% higher risk, 77% lower risk) and Germany (22% higher risk, 78% lower risk).

To put these data points into context, Germany has among the lowest allocation to angel investments (6.5%) and also among the lowest return expectations (15.7%). With these data points it could simply be that Germans just do not have a strong appetite for this asset class.

However, angel investing needs to be seen in a wider context of entrepreneurialism including direct business ownership. For example, German entrepreneurs are also among the highest allocators of their total wealth toward direct business

ownership where they take an active role in the business itself. Germans, simply, like to roll up their sleeves.

Having stated this, numbers alone do not always tell a consistent story. For instance, in the case of Turkey this pattern of risk assessment (23% higher risk, 77% lower risk) may be less obvious as entrepreneurs there have an allocation average of 12.7% and a strident return expectation of 30.2%.

At the same time, Turkish entrepreneurs on average have 16% of their net wealth aligned to direct business ownership

where they are actively involved. This would suggest that Turkish entrepreneurs have a greater appetite to have others drive wealth creation off the back of their capital.

Whatever the interpretation of the data, it would appear that entrepreneurs in both cases – but for different on-the-ground reasons – are confident that their specific holdings are well within their risk tolerance and, equally, suitable for their (different) return expectations.

THE PERCEIVED SCALE OF RISK OF ANGEL INVESTMENTS BY COUNTRY

ANGEL INVESTING CONSIDERED A RELATIVELY HIGHER RISK	RISK BALANCE	ANGEL INVESTING CONSIDERED A RELATIVELY LOWER RISK
51%	Overall	49%
67%	China	33%
56%	USA	44%
55%	Singapore	45%
54%	Switzerland	46%
53%	Gulf countries	47%
52%	Hong Kong	48%
52%	UK	48%
50%	France	50%
48%	India	52%
41%	Italy	59%
23%	Turkey	77%
22%	Germany	78%

Q: On a scale of low to high risk (0-10) how risky would you consider your angel investments?

Note: Scores 5+ are classified in the "Higher risk" group

N: 1,759

Source: Scorpio Partnership, BNP Paribas

THE MOTIVES OF AN ANGEL INVESTOR – EMOTIONAL RETURNS VERSUS ABSOLUTE RETURNS

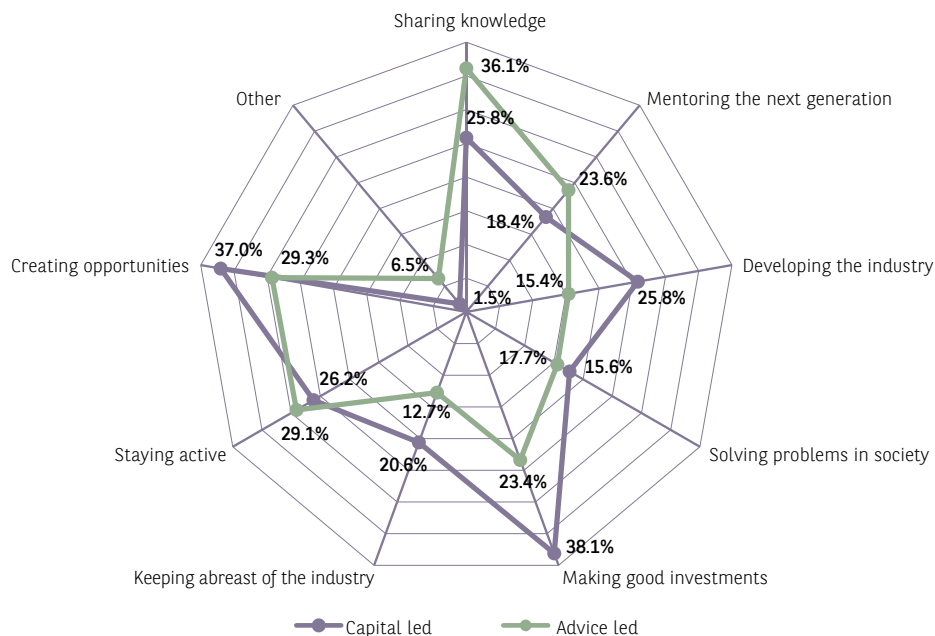
Naturally, the return on the investment capital (and even the advice “capital”) is an important motivator for the majority of entrepreneurs that are acting as angel investors. However, all entrepreneurs that participated in this first report series stressed that **making money is not the only reason for becoming an angel. Beyond simple financial returns, what is apparent from the research is that there is a range of motivational factors at play.**

These factors not only drive individuals to be business angels but they also keep them motivated along the way. What is interesting from the illustration below are the variations

on the relative importance of different factors, depending on whether the business angel has a preference toward focusing on leading with capital or with advice.

When looking again at angels based on the profile characteristic of being led by the provision of capital or advice some marked variances emerge. Notably, the advice-led angel investor ranks “making good investments” fourth in priority behind “sharing knowledge”, “creating opportunities” and simply “staying active”. This is a central marker in understanding the profile of the individual.

THE MOTIVES OF THE BUSINESS ANGEL WHEN INVESTING



Q: For which of the following reasons did you decide to become an angel investor?

N: 1,759

Source: Scorpio Partnership, BNP Paribas

Indeed, while “creating opportunities” also ranks highly in the context of the capital-led business angel, based on feedback from entrepreneurs it appears that the definition of “opportunities” is more “money-centred”. Clearly, the underlying sentiment of the investor has a direct influence on the expected outcome.

Overall, it appears that the advice-led biased business angel is much more motivated by nurturing the participants of the business(es) with via the benefit of the experience and expertise. Conversely, the capital-led investor has a strong bias toward an absolute return.

What is crucial to note is that all entrepreneurs in this wealth band noted clearly that their motivation for participating in the sector of angel investments stretched beyond absolute returns. **In their mental accounting they consider two entries – the absolute return figure and the emotional return figure.**

For most it is as much a goal to have a strong emotional return on their investment as it is absolute return. Clearly they are not participating in the sector to lose their money but they are willing to consider the bigger picture when thinking about their investing.

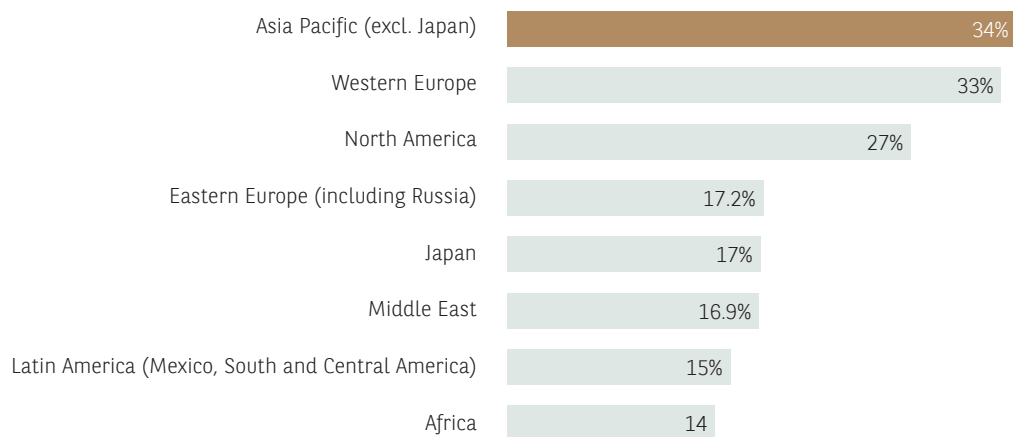


THE GEOGRAPHIC INVESTMENT PLANS OF ANGELS

As set out earlier in the report, the preference of entrepreneurs is to be active in sectors including finance, retail, technology, real estate, construction, and software. These six were among more than 30 industry sectors identified by entrepreneurs today.

Setting the sector preference aside, the follow-on question is to determine where the angel investment funds will flow in terms of geographic allocation. When considered as a group, it is perhaps unsurprising that as business entrepreneurs their future regional attention is toward the Asia Pacific region although, significantly, Western Europe is not very far behind.

THE FUTURE INVESTMENT FLOWS FOR ENTREPRENEURIALISM BY ANGELS



Q: in the future how likely are you to start or invest in companies in the following regions?

Note 1: The % represents the selection of "Very Likely"

Note 2: Asia Pacific includes China

Note 3: Middle East includes Turkey

N: 1,753

Source: Scorpio Partnership, BNP Paribas

Notably, in the context of the Asia Pacific region a very popular destination for the Angel Investor Entrepreneurs is Japan. This country, on its own, was selected by a fifth of all entrepreneurs. Indeed, if it is considered to be part of the complete Asia allocation then evidently the region as a whole truly dominates as the investment flow destination.

Evidently, the attention toward both Asia and Western Europe is inevitably due to a number of factors aligned to the geopolitical and macroeconomic market conditions. When

overlaying this with the top sectors of interest, it should come as no surprise in many ways.

However, the big picture view does not tell the complete story for the investment path of the global entrepreneur. What is important is to consider the scale of the current investment capital that the Angel Investor Entrepreneurs have already invested in the regions through their current entrepreneurial activity. Currently, the total sum is nearly USD4 billion.

The distribution of this sum reveals an interesting storyline both for now and into the future. While Asia Pacific is the regional area of most interest from a business perspective in the future, from a value of entrepreneurial invested capital holdings today, Europe as a whole currently represents USD1.46 billion (37%) of the wealth in play.

Clearly, given the future trend preference toward Asia (excluding Japan) there is likely to be some redeployment of capital in the near future so that the entrepreneurs can maximise their perceived opportunities.

CURRENT VALUE OF ENTREPRENEURIAL INVESTMENTS OWNED

Regional investments (USD millions)

Western Europe	\$1,137	EUROPE USD1.46 billion
Eastern Europe (incl. Russia)	\$325	
APAC (excl. Japan)	\$1,278	APAC USD1.41 billion
Japan	\$129	
North America	\$533	AMERICAS USD0.65 billion
Latin America	\$114	
Middle East	\$319	MENA USD0.44 billion
Africa	\$118	

Q: Approximately how much do you currently have invested into these regions?
investment focus specifically on business assets and angel investments
N: 1,176

Source: Scorpio Partnership, BNP Paribas

Meanwhile, in the context of the above while looking toward the future and tracing investment fund flows of angel investors, what is also interesting from a directional perspective is the top choices for international markets.

For instance, entrepreneurs from the USA indicate that they will look to Western Europe first and then to the Asia Pacific markets.

TOP DESTINATIONS FOR ENTREPRENEURIAL ACTIVITY BEYOND HOME REGION

Home regions	Europe	USA	APAC (excl. China)	China	Middle East
1	APAC*	Western Europe	North America	APAC*	APAC*
2	North America	APAC*	Japan	Western Europe	Western Europe
3	Japan	Eastern Europe	Western Europe	North America	Eastern Europe

Q: in the future how likely are you to start or invest in companies in the following regions?
The % represents the selection of "Very Likely" and "Likely"

* Asia Pacific excludes Japan; while in the case of China it also excludes China

N: 1,176

Source: Scorpio Partnership, BNP Paribas

Meanwhile investors from China will look very much toward opportunities in the Asia Pacific markets followed some way behind by Europe and the US. Indeed, both Western Europe and to a lesser extent Eastern Europe were specifically identified by entrepreneurs from China as an area of interesting opportunity.

After their home markets, the Middle Eastern entrepreneur has zeroed in on Asia Pacific as their next destination.

Destinations for the capital are clearly one factor, but the volume of capital flows is also just as important. The opposite table would suggest that Western Europe is in for a relatively good time in relation to entrepreneurialism.

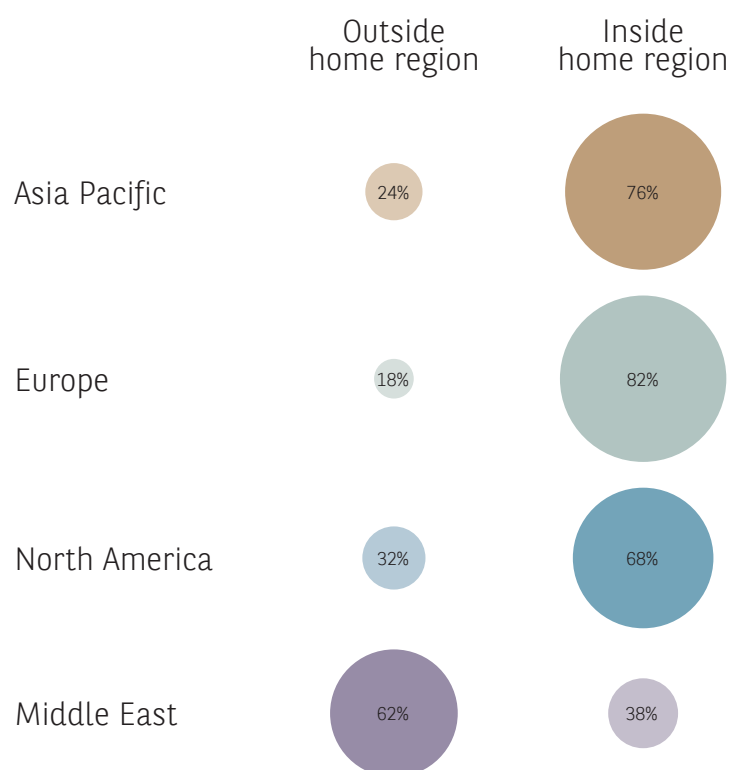
However, the inputs from entrepreneurs show that Asia Pacific is where the largest volume of money and effort is

expected to go. This echoes with the Global Entrepreneurialism Wealth Creation Index which clearly demonstrated that countries in the emerging markets are now the most conducive to entrepreneurial activity.

Finally, notwithstanding international fund flows, when considered on more market specific basis, **there is a clear bias among entrepreneurs – both business owners and angel investors – to focus on their home market regions.** This is their starting point in virtually all cases.

In reality, the collective value their entrepreneurial wealth outside their home region amounts to just over 25% of the total worth of entrepreneurial investments. Indeed, as the illustration below demonstrates, all of the regions with the exception of the Middle East are skewed in this direction.

THE BALANCE OF ANGEL INVESTMENTS BETWEEN HOME AND ABROAD



Q: Approximately how much do you currently have invested into these regions?

Note 1: investment focus specifically on business assets and angel investments

Note 2: This chart examines the results from a country of origin perspective of the respondent
N: 1,176

Source: Scorpio Partnership, BNP Paribas

IN CONCLUSION

This report has sought to provide several important signposts in the pathway of Business Owner Entrepreneurialism and its close relative Angel Investor Entrepreneurialism.

What the findings of the study have shown is that **there are some clear patterns around the hopes, needs, fears and ambitions of this special community of individuals.**

In terms of significant trends for the future, it is apparent there is a shift in behaviour underway among the entrepreneurs currently under (or near to) the age of 50. While they do not necessarily define the concept of entrepreneurialism any differently, they approach the task with some marked differences to their elders in the field.

Indeed, **the newer generations have not only adjusted their expectations on their goals but also on how they are going to achieve them.** Interestingly the adjustments they have made appear to have provided them with a greater level of confidence of their capacity to succeed (or they are just prepared to take more risk). They are also starting younger and are expecting to ride a wave of global economic growth in a fashion never before experienced.

Alongside the perceived generational transformation in entrepreneurialism **there is also the clear shift in the balance of capital flows from the mature economies to the faster emerging markets.** The entrepreneurs, as one would expect, are at the frontier of this and are already anticipating how they can seize the opportunity.

At this point the emerging markets will have to go through a process of transformation for many entrepreneurs in order to fuel their longer term wealth creation aims. For instance, today there is still a relatively strong skew toward company ownership where the overall average turnovers are similar to mature markets but the per-capita ratios to this turnover are much higher.

If one traces the path of entrepreneurial evolution in the developed economies, there has been a clear shift toward developing and investing in business where the ratio of turnover to personnel is much higher. Emerging markets entrepreneurs are already aware of this it seems and they are getting ready to capitalise.

Finally, in the context of the bigger picture, the significance of this study has been the identification of the leading countries that have a deep and supporting culture to foster the process of entrepreneurialism. **The Global Entrepreneurialism Wealth Creation Index should be the clearest signpost of all for aspiring future wealth creators choosing the entrepreneurial path.**

However, as many interviewees and respondents stated, the numbers only tell half the story. **The real story comes in interacting, nurturing and being prepared to make the first move. These three attributes are at the heart of their individual successes and define, for them, what wealth needs next.**

Sebastian Dovey, *Managing Partner, Scorpio Partnership*



THE RESEARCH METHODOLOGY AND SAMPLING

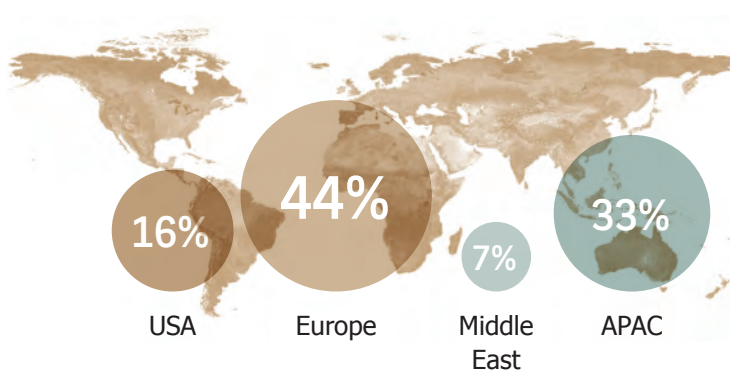
The research program was undertaken by Scorpio Partnership during Q3, 2014. The audience of participants were high net worth and ultra-high net worth investors that either majority owned businesses that they had created or were angel investors or a combination of the two.

The research methodology was centred on a 15 minute survey program online which had 2,523 participants spanning 17 countries. In addition, Scorpio Partnership conducted 15 in-depth interviews with entrepreneurs across the US, Europe, the Middle East and Asia markets.

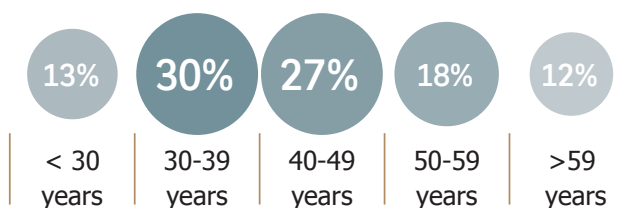
Below is an illustration of the distribution of the sample.

Broken down:

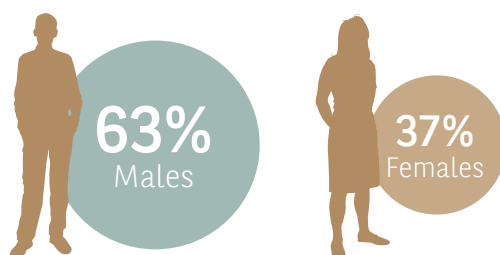
by Regions



by Age



by Gender



Next gen (<40 years)
1,096

Ultra high net worth (>10 million)
896

Angel investment per company value
USD425,101

Estimated value of entrepreneurial holding
USD4 BILLION

Average turnover of primary company
USD8.7 MILLION

Average number of employees
103

Countries covered in sample; Belgium, China, France, Germany, Hong Kong, India, Italy, Poland, Qatar, Singapore, Spain, Switzerland, Taiwan, Turkey, United Arab Emirates, United Kingdom, USA

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For more information go to www.scorpiopartnership.com

*Financial Services Forum, Wealth Briefing 2004-2014

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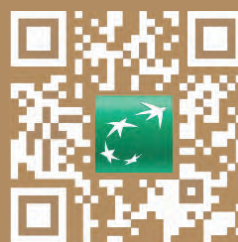
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