

Aligning the Stars: How Indosuez Wealth Management Aims to Offer the Best of Both Worlds



It is just over two years since Arjan de Boer took up his current role as Head of Markets, Investments and Structuring, Asia for Indosuez Wealth Management, but he and his colleagues are well on track to accomplish the many goals they have set out to achieve. Arjan met with Hubbis to elucidate the firm's offering, its DNA, the outlook for investment markets, the key trends he sees amongst HNWIs in the region, and also how Indosuez is adapting its offering to stay ahead of the competition.

IN INDOSUEZ WEALTH MANAGEMENT'S VIEW, de Boer notes that the first quarter of 2019 has been a reaction to what was an over-reaction to the downside of the final quarter of 2018.

"Across all asset classes," he remarks, "we saw financial gains partly because the markets think Trump's tweets mean that there will be a solution to the trade issues between the US and China. The markets are viewing the economic situation in Europe, the US, and China as reasonable, with earnings having held up relatively well. And clearly the central banks are now more dovish, or neutral, compared to this time last year, so that is also a big reversal. The market seems to be pricing in an orderly Brexit and the end of the trade conflict between the US and China."

Seemingly solid, but porous foundations?

However, de Boer considers that in order for the market to stabilise and advance, more evidence of continued earnings growth is required, as is an orderly Brexit, and so too a US-China trade deal must fall into place. "If any or all of these go wrong, we might see a lot more volatility," he says. "In short, all those risks have not formally been resolved. Moreover, the markets have priced in rate cuts instead of hikes, but while the central banks might have paused hiking, we are not sure that they are actually going to cut or be more accommodative. So, that could also be too optimistic a view going forward."

Finally, he notes that the US yield curve has actually inverted now for the past three months. "In the past 55 years," he comments, "every single time that

happened, a recession soon followed. On the other hand, there are all kinds of other signals that are not yet saying a recession is guaranteed. However, we shouldn't ignore the possibility. In fact, this environment requires more prudence, much more selectivity, a little bit more risk off, some profit taking and great care when it comes to choosing risky assets."

The road ahead has warning lights

In light of all this, de Boer reports that Indosuez Wealth Management is somewhat cautious on equities, as the firm does expect an increase in volatility in the near future. Accordingly, on balance we remain selectively quite positive on Asia ex-Japan followed by the US, then followed by Europe. I say selectively because we are now more thematically-driven than before. For example, we like the theme of ageing population, we like disruptive technologies, we like new healthcare innovations, and we like ESG-driven corporations."

On the fixed income front, he notes that the generally more accommodative stance of the central banks is positive for the sector but explains that the firm prefers high grade to high yield these days.

On commodities, de Boer notes the rebounds, especially in oil, but adds that with the US now producing 12 to 13 million barrels a day as the biggest global producer and beginning to export aggressively to the tune of roughly 3 million barrels a day, there is a significant price ceiling. "We foresee USD60 to perhaps USD65 per barrel regardless of other developments," he reports.

Key Priorities

de Boer is succinct in this regard, observing that the firm foresees that 2019 will be a rather difficult year to navigate from a financial market perspective with increased uncertainty and volatility. "So, I think it is really important for Indosuez Wealth Management to stay really close to our clients and make sure that they make it through the year in a financially healthy manner, that is our number one priority."

Secondly, after a roughly 24-month period in which the entire Asia team of product specialists nearly doubled in size, the mission is to consolidate this expansion to ensure that the firm's foundation becomes even more solid before they move on to the next growth phase. "And finally, but far from being least important," he adds, "we will selectively continue to add innovative funds or private equity solutions to our platform."

Consistent application required

Risk management, de Boer explains, must be consistently applied over time in bullish or bearish markets. It must also be applied across all asset classes from equities to fixed income and structured products, and across all types of liquid or illiquid assets.



ARJAN DE BOER
Indosuez Wealth Management

de Boer has enjoyed an exciting two years plus at Indosuez Wealth Management to date. Soon after he joined the firm, he was deeply involved in the challenging yet transformational merger and integration of the Asian businesses of Credit Industriel et Commercial (CIC). He has also been central to the firm adding to its business leadership, expanding its discretionary portfolio management (DPM) and private equity teams, as well as adding more investment advisers and a night desk to enhance its client service.

KPIs honed for client enhancement

de Boer believes that the firm has adapted its concept of KPIs to hone its offerings in the best interests of the clients. "By way of example," he explains, "our structured products team comes up with creative ideas, which are positive for the bank and clients, but a key KPI for us is that a very, very high percentage of those structured products at maturity need to have proven successful for the client, which in turn means the team must be conservative in their creativity."

Getting Personal

de Boer was born in Soest, roughly in the middle of the Netherlands. He grew up in what he describes as a tiny place called Hoevelaken, a village of around 10,000 people. "Actually, we were pretty close to the City of Amersfoort with a population of roughly 100,000 people, which is where I went to high school, and I then studied in the Hague and later Nyenrode Business University in Breukelen, before embarking on my career for ABN AMRO Bank. That later brought me to Asia and I have been here now for 14 years."

de Boer is well suited to Asia, the local lifestyle and working environment. "Growth out here is fantastic, it is so dynamic, and my wife is actually half Thai Chinese, and half Dutch, so we feel that we are extremely comfortable out here. In fact, her mother's family hails from Hainan and they have been now several generations in Bangkok. She studied in Europe, that's how we met. When the opening came up to move to Singapore, of course we grabbed it with both hands, we are of course now in Hong Kong and plan to stay in this region for a long time to come."

The couple is blessed with three children, the oldest a boy of almost 16 and twin girls who are next turning 14 years old.

"Hiking is one of our family hobbies," he reports, "it helps keep the gang away from computer games and mobile phones. We also travel a lot as a family and we love skiing, with Gaschurn in Austria a favourite venue, and I myself have a big passion for good food and wine."

Another hobby he enjoys with his son is the joint effort at building a remarkably impressive train set. "It started actually as a bit of an innocent hobby if I recall correctly, but it has kind of grown out of proportion. We have now been going at it for eight and a half years so far, ever since we arrived in Hong Kong. The result today I must say, really is worthy of being in a museum."

Relaxing at home might also be spent watching the Formula One races, cheering on the Dutch driver Max Verstappen of Red Bull. "He is doing well, third in the world standings right now and he is still a very young driver, only 21 years of age, and for sure we hope, a future world champion."

In terms of the approach to the firm's DPM mandates, our focus is to produce performance, but at the same time, balancing volatility within the mandates. "So," he explains, "they need to either perform at par or overperform their benchmarks, but they also need to have that performance realised with lower volatility, which is very specific in their KPIs."

He also cites the example of private equity, which is a very long term and very illiquid asset class. "For this we team up with substantial third-party partners, the big global names, purely because of their strong risk

funds business which is also a form of managed investment. So across the industry, we have seen this steady growth in managed investments as a percentage of our AUM, but the growth is not as rapid here as for our European counterparts, where we see huge percentages now slated as managed investments."

de Boer adds that the firm certainly believes that the current global conditions make it worthwhile for Asian high-net-worth investors to move more of their portfolios towards DPM. "It is in precisely this type of somewhat uncertain environments that having a profes-

other funds of this world looking at parting ways with non-ESG compliant companies and investing instead more in those with high ESG ratings."

On this topic, he notes that the firm's keystone annual client event, Wealth and Beyond Asia Summit, took place in Hong Kong this year with the theme for 2019 framed under the banner 'A Better World'. "We had some great speakers and covered some of the latest trends such as climate change, and there was a major focus on ESG, demonstrating to our clientele the growing relationship between ESG and portfolio performance."

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management which allows us to ride on their expertise. On the FX side, we have long held a view that clients should have part of their portfolio in gold, simply as a reducing factor of the overall volatility in their entire portfolio and we therefore advise having this as an uncorrelated asset within their portfolio."

Getting there...slowly

de Boer observes the general trend towards more managed investments, which include DPM, discretionary private equity mandates, and discretionary managed hedge fund mandates. "Advisory can be seen as type of a hybrid between the client making decisions and following the advice from the bank," he remarks. "Of course, then you have your

sional look after their portfolios on a day-to-day basis is reassuring for the clients," he observes.

ESG moves mainstream

ESG, he says, is no longer a marginal hobby or merely just a fad. "There is substantial evidence today that securities with high ESG scores actually have better returns than those that do not. For example, in late January scores of large institutional investors globally wrote to the world's six largest fast-food companies asking them to quickly make their entire supply chain greener, something that will mean trillions of dollars of investments. Those six big fast food companies have no choice but to prepare their action plans, so it is now supply and demand, with the largest pension and

The human scale

de Boer notes that Indosuez Wealth Management is scaled at the size of a boutique firm offering a personal connection to clients, yet also providing the widest range of best-in-class products and services within a large, stable global banking organisation, meaning that clients enjoy the best of both worlds.

"We actually take pride in the fact that we are not a small player but also not a gigantic player," he comments, "so we tend to like to portray ourselves as a 'human-scale' private bank and that translates in the way we interact with our clients. With regards to very specific product capabilities, even though we are not a top five player globally, we firmly believe that our entire suite of products and services is at least on par if not better with the top players, both in scale and quality."

Moreover, he adds that the bank's open architecture is very precise and streamlined with its due diligence process in such a way that the number of funds available is greater than average.

“At the same time,” he notes, “we have in-house Indosuez funds for our clients that are tailor-made, Luxembourg-domiciled UCITs vehicles, available only for Indosuez clients. And we have our sister company Amundi, which is Europe’s largest asset manager, adding to our knowledge and expertise.”

Regarding structured products, he explains that Indosuez Wealth Management offers open architecture, while most banks do not. “We also offer over-the-counter structures,” he reports, “so we have the entire structured suite

in an open architecture environment. The same applies to our FX, where we are a major player, being part of the vast Credit Agricole Group. Finally, private equity is a core platform, where we boast 25 professionals around the globe purely focusing on this asset class, where we can offer clients exposure either through a fund of funds, or purely direct investments, including where we co-invest with the biggest names in the industry. It is usually very difficult for private clients to get access to this sort of expertise and product suite.”

A new paradigm emerges

Looking at the industry as a whole, de Boer sees more of a trend to consolidation in Asia than to growth through hiring bankers with portfolios of clients, partly because of the problems of regulation and compliance. “The convertibility of those books of those bankers is becoming ever more difficult, so we see more of the trend. For example, with the takeover of ING by OCBC which then became Bank of Singapore, that really was to start of a now decade-long consolidation process which in my view is far from finished.” ■

