

Aligning the Traditional Private Bank Offering with Digital Tools to Support Optimised Portfolio Advisory

RBC Wealth Management is the private banking arm of the global Canadian banking giant and is today valued at almost USD130 billion. In Asia, RBC Wealth Management in Singapore and Hong Kong together boast around 70 relationship managers, making the firm a sizable competitor in the industry and also one that has been growing robustly by dint of its keen focus on what the firm's leaders call Asia's Global Families, those HNW and UHNW clients who have strong economic, family or second residence connections to the US, Canada, and the UK and whom the bank believes it is ideally placed to serve. Hubbis enjoyed the presence of Juan Aronna, the Hong Kong-based Head of Investments for RBC Wealth Management in Asia and for the British Isles as one of our panel of experts at our Digital Dialogue event on August 5, which focused on the curation of digitally enhanced investment solutions for Asia's private clients. We have summarised some of Juan's valuable insights in this report.

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JUAN ARONNA
RBC Wealth Management

Royal Bank of Canada positions itself as a leading global financial institution with a purpose-driven, principles-led approach to delivering leading performance. The strength and size of RBC might surprise some who don't know the bank well - as Canada's biggest bank and one of the largest in the world based on market capitalisation, RBC has a diversified business model and has more than 86,000 employees across Canada, the US, and 34 other countries.

And as the Asian arm of a truly global organisation, the bank has been exporting its strengths and best capabilities into Asia, where the team believe they can add a great deal of value leveraging their global expertise for their target HNW and UHNW clients in the region.

Strength and stability

"Strength and stability are especially valued in times like these," said Aronna, "but we also take a highly personalised approach with our clients and have an extremely collegiate culture of collaboration among teams worldwide."

According to the bank's literature, RBC Wealth Management has CAD1.1 trillion of assets under administration, CAD836 billion of assets under management, and more than 4,800 financial consultants, advisors, private bankers, and trust officers.

HNW and UHNW clients

RBC Wealth Management serves affluent, high net worth (HNW) and ultra HNW (UHNW) clients globally with a full suite of banking, investment, trust, and other wealth management solutions, from key operational hubs in Canada, the United States, the British Isles, and Asia. The business also provides asset management products and services directly and through RBC and third-party distributors to institutional and individual clients through its RBC Global Asset Management business (which includes BlueBay Asset Management).

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Portfolio curation & global expertise

Given the bank's global presence, RBC Wealth Management has slightly repositioned itself in Asia in recent years as serving the HNW and UHNW market in the region, but in particular focusing on what the bank calls 'Asia's Global Families', which the bank believes is the right model for the future.

Investment expertise is at the core of the firm's success worldwide, and the bank is driving its model forward, emphasising these skills in this region. Aronna is responsible for the discretionary portfolio management unit as well as all products, risk, governance, and execution, and his remit also now includes investment responsibility for RBC Wealth Management's British Isles business and its teams based in London and Jersey. He will actually move to London later this year but will continue to spend several months of the year in Asia, pandemic restrictions permitting.

Elevating the investment proposition

"Portfolio allocation and risk management are our key areas of expertise, and delivering that to clients is a very important part of our value proposition," he reported. "For our work

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He explained that for the time being, most of the typical RBC private clients in Asia are now being served through traditional means, with most of the digitisation aimed at the RMs as tools and solutions to boost their capabilities, their relevance, and their efficiency. “We offer a lot of hand-holding to our clients,

later. And for that, digitalisation is the only way.”

Working with MSCI

RBC has been using MSCI Barra and MSCI Wealth Bench since 2014, boosting the ‘scientific’ capabilities of the bank for its portfolio management and risk management, as well as delivering the right information

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with the bank working hard to provide digital tools to support and help the RMs and investment counsellors assemble the tailored information and the customised solutions our clients need and expect,” he reported.

and advice in what he calls a consumable and integrated manner.

First comes understanding...

“As a first priority, we need to fully understand the clients, and then we can properly help tailor products and portfolios for them,” he added. “That’s why we have been partnering with MSCI for some time already, for access to their digital suite of information and data, as we need to be able to assess the right asset allocations for the client, bearing in mind the broadest portfolio management risk mitigation objectives. We definitely need the right digital tools for this, otherwise the amount of data that we obtain becomes unmanageable. This is all very important for us, especially as we look ahead to the future, as we need to be able to give the right advice to all the clients we have and will have

“And as I said, with the support of MSCI’s products, we are continually optimising our portfolio management advice so that risk taken is in line with risk appetite, and so that there is minimal concentration risk, with a proper balance between investments, between sectors, regions and so forth. Additionally, armed with the MSCI tools, we can extrapolate different scenarios from the past and project into the future, in order to help the regular rebalancing and diversification of those portfolios.”

Risk in tune with the clients

He also observed that risk must be tuned very precisely to the different profiles of the investors and their needs and expectations so that the appropriate diversification can be achieved consistently. “Concentration risk, for example, is not only about sector allocation but also determined by asset classes,” he explained.

“Diversification,” he added, “if it is properly handled, will mitigate portfolio downturns in difficult market conditions and position the portfolios to be more defensive, even if this means they will rise less sharply when markets turn upwards again. But the actual allocation will depend on what stage the client is at in their wealth creation, so as I say, it is massively dependent on knowing our clients well and tailoring solutions directly to fit them.”

Talent is central to the RBC model

Aronna also commented on the continuing importance of the RMs. “Digitalisation will not replace relationship managers, at least not this generation or even the next generation,” he said. “Perhaps in the future, the Millennials and younger generations will have another mindset, but as we see it at this moment, the RM is central to the relationship with our clients

and the families. The RMs are there at the tough and difficult times, and the clients continue to value that as a core element of our relationship with them and our value.”

He added that when markets are strong and conditions good, digital solutions and delivery find greater adoption, but when people have problems, when conditions are difficult, when credit is perhaps needed to help solve problems, or to exploit opportunities, that is when the RMs offer their most value.

RMs and ICs aligned

“There is certainly room for both digital and human advisory,” he observed, “But at this stage, the relationship manager has to focus much more on the complexities, while the day-to-day consumption of ideas, trades and other activities can be handled more by digital solutions and delivery. For most clients today, I would re-emphasise that the relationship manager is,

from our standpoint, critical and extremely important in our wealth management business.”

He also remarked that the RM will often be supported by the investment counsellors, who, armed with their broader knowledge, will help ensure that customisation is more objective, that it does not become diverted towards bias. And it is also important that the ICs are also supported by the right information and digital tools to support their assessments and advice.

Digitally enhanced personalisation

“The personalisation that we are trying to achieve is aided by leveraging the additional resources we have,” he said on closing his comments. “The ICs can play a very important role in trying to fine-tune the information, the data, the advice and the portfolio curation.” ■

