Asian Wealth Management Forum 2019 - Singapore

Exclusive Insights

At the Hubbis Asian Wealth Management Forum 2019 in Singapore on May 23rd, we asked leading industry experts for their exclusive and incisive insights

We hope you enjoy this summary – it's packed with content from the forum. Click on the Speakers Name to view their BIO. You can also read the transcripts in this document - and click on Watch Video to view their exclusive interview.

Link to Content Summary page
Link to Photos
Link to Event Homepage

Who did we interview?

Malik S. Sarwar
CEO
K2 Leaders

Pierre Masclet
Asia CEO Singapore Branch Manager
Indosuez Wealth Management

Anurag Mathur
Head of Retail Banking and
Wealth Management, Singapore
HSBC Bank

Alvin Lee
Head of Group Wealth Management
& Community Financial Services
Maybank

Ranjiv Raman
Head of Investments
Schroders Wealth Management

Laurence Lancaster
Barrister-at-law,
Group Head of Tax
Sovereign Group

An Kelles
Business Development Director,
Greater China
Jersey Finance

Julian Kwan
CEO
InvestaCrowd

John Robson
Chief Commercial Officer
Quantifeed

Tuck Meng Yee
Head of Investment Solutions Asia
Allfunds

Lee Woon Shiu
Managing Director & Regional
Head of Wealth Planning Family
Office & Insurance Solutions
DBS Private Bank

Valentin Laiseca
Head of ASEAN Index Sales
MSCI

Gary Dugan
Chief Executive Officer
Purple Asset Management

Haren Shah
Managing Director,
Head of Investments
Taurus Wealth Advisors

Joanne Siu
ETF Sales Director
Samsung Asset Management

Joshua Rotbart
Managing Partner
J. Rotbart & Co.

Tony Wong
Head of Intermediary Sales
CSOP Asset Management

Malik S. Sarwar
CEO
K2 Leaders

What's your best and worst possible scenario for this industry in the next three years?
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There is no worst scenario. The reason is trend is the industry's friend. New money is being created and, now generational wealth transfer of USD30 to USD40 trillion means that the newer generation would also need help, albeit in a different form with more digital. The need for advice and how to invest in a complicated volatile world continues to grow, so this is a great opportunity. It's for us to lose.

Pierre Masclet
Asia Chief Executive Officer, Singapore Branch Manager
Indosuez Wealth Management

What digital expectations do clients have?
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Clients are expecting banks to provide a user friendly experience. It starts with the account opening process. All banks have to work on the onboarding process for all clients, to simplify the process in terms of documentation, in terms of client experience. This is the topic that the industry is investing in quite a lot to facilitate improved client experience for onboarding. For the selling process, this is the same story. When we want to propose investments to clients, we have to simplify the process and to be able to deliver investment proposals that are tailor made for the clients, that clearly integrate all IT tools that are available in the market, with all Fintechs that are around us.

Anurag Mathur
Head of Retail Banking and Wealth Management, Singapore
HSBC Bank

How do clients want to be serviced?
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Clients want a seamless experience. They want to be able to talk to their advisor, but they also want to be able to go online. They want consistent information. They want it to be easy to find. They want value adding advice. They want seamless execution. They want good pricing. And all of this has got to be cohesive and reliable. That is the challenge for the industry, but I think that's also the opportunity. At HSBC the way we're approaching this is to invest in the technology in digital, as well as in the people that are facing our clients, and not just the RMs, but actually everyone in the branch as well. I think the staff assisted digital, or the complement of the two, is actually going to be far more transformational and impactful in the next five years than the pure digital or robo.

Alvin Lee
Head of Group Wealth Management & Community Financial Services
Maybank

How do you find new clients?
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Winning new customers is really about deepening the relationship with existing customers so that we delight them enough for them to want to introduce their friends and family to us.

Ranjiv Raman
Head of Investments
Schroders Wealth Management

How do you think Asian equity market performance will be in 2H 2019?
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A lot will depend on the dollar. The dollar has remained sideways to softer. As long as that happens, these are positive tailwinds for

Asian markets. To me, the most encouraging thing is that earnings across Asia have been able to remain steady and we've seen a growth in top-line as well as bottom-line for most of the issues.

Laurence Lancaster
Barrister-at-law,
Group Head of Tax
Sovereign Group

In the transparent and complex world we now live in, what value do clients expect from us?
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As a service provider, inevitably our fees tend to go up now in what we do. So the quality of service that we provide to clients has to be top notch. And someone mentioned in the discussion just then the integration of services, as well. Clients want to come to one provider and have them do everything for them, so a one stop shop. As fees are likely to go up, the quality of service has to be there. And I think they want to look at one provider to do everything for them. Albeit they'll be outsourcing various services, they want to have one person to go to.

An Kelles
Business Development Director, Greater China
Jersey Finance

How is the role of international financial centres changing?
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Global developments on transparency, substance. IFCs need to be able to offer these things, and be able to catch up with the global developments. I think Jersey has taken the choice a long time ago to be a

front runner in transparency. We also have the expertise and the employees - we've got 14,000 people working in the financial industry. We are one of the few organisations that can actually offer substance, which is necessary to catch up with these global developments.

Julian Kwan
CEO
InvestaCrowd

What does Investacrowd do?
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Investacrowd was founded in 2015 it's a licensed broker dealer based out of Singapore. We focus on investments, private equity, real estate, and venture capital. The last 18 to 24 months, we've been heavily focused on the digital security space, which is simply issuing traditional securities in a digital format, to bring a wild amount of benefits for investors and issuers.

What is Security Token Offering (STO) / Digital Security Offering (DSO)?
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It's simply a traditional security offering, and instead of issuing an investor a piece of paper as a shareholding, we issue a digital share as a representation. Same rights, same rules, same distributions. Why would we bother doing that? Email's better than paper, a digital share is better than a paper share. Ultimately, there's a lot more transparency related to the company structure and the investments, as well as enhanced liquidity and tradability of the shares that are typically tied to very liquid assets.

How do investors benefit from investing in digital securities?
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The typical issue with private equity investments is it's a seven to ten year hold, so the digital securities

will allow investors to actually trade in and out of these shareholdings on licensed platforms like ourselves, which we think will completely change the game for the private equity industry.

John Robson
Chief Commercial Officer
Quantifeed

What's the role of technology and AI?
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Technology is increasingly going to be a part of wealth management. Most customers want an engaging interface and effortless wealth management to be delivered to them. I think AI is interesting. It's often predicted to be the new investment manager, but I think where we're going to see a stronger element of AI is in personalising investment portfolios to customers' needs and identifying the needs of customers in the sales process.

Tuck Meng Yee
Head of Investment Solutions Asia
Allfunds

Connecting customer data to market data - what does this mean?
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Connecting customer data to market data essentially means how do you contextualize a customer's needs to the right solution from the financial market. It's an easy question to answer, but it's very, very difficult to execute. And frankly, I think people are still learning over time, and they're learning from other industries, for example the B2C retail industry as they are probably the leaders.

Lee Woon Shiu
Managing Director & Regional Head of Wealth Planning Family Office & Insurance Solutions
DBS Private Bank

Where are we now with CRS and AEOI?
Watch Video

CRS and AEOI are here to stay. We are in the full implementation phase. Most countries, with notable exemptions like Taiwan, Thailand and the Philippines, have gotten on board. For clients these days I think they have shifted from the point of view of "I want to just try to just see what I can around" to now saying that "I can't avoid it. And I want to do the right thing. What can I do?" The clients are then saying "I want to do the right thing," to us. We say to them that the only way to really address CRS is to have a fundamental change in tax residency and domicile.This conversation is being accepted by clients and they are taking baby steps towards achieving it. By moving their family members to Singapore, or moving them from a high tax country to a lower tax country, these are things they are prepared to do. It is a very fundamental way to really get to the bottom and heart of the CRS issue. So no more hiding, no more circumventing, but just getting right to the heart of the issue.

Has Singapore positioned itself in a very smart way?
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Singapore's in a very sweet spot because the two regulators that are fronting the activities in this area, the EDB and the MAS of Singapore, are both seen by clients in this region as being very business friendly and being very visionary. Approximately three to four years ago, when the family office wasn't such a big thing in this part of the world, the regulators were very, very forthright in saying, "We want to position Singapore as the place to be for family offices," and that's when they really worked very actively with all the banks to make sure that the bankers knew that this was the pitch and went out flying the flags of Singapore. And through that process, we have actually garnered good talent in the last few years. Singapore's ecosystem for the family office has become so much richer because of the regulator's efforts. They're really in the forefront and doing the smart thing.

And secondly, I think in terms of being very, very friendly to offer attractive immigration opportunities for both the family office teams. You can either get an employment pass or a permanent residency. These two make it attractive for ultra-high net worth families to redomicile themselves in this part of the world. And long term, this is really going to be beneficial for Singapore because we're getting the best talent throughout the entire world from the ultra-high net worth families, so it's a very, very good play by the Singapore government.

Valentin Laiseca
Head of ASEAN Index Sales
MSCI

What's the growing relevance of ESG in Asian Wealth Management?
Watch Video

We see that institutional investors in Asia have embraced ESG in a very dramatic way. We've seen that from large asset owners, we've see that from pension funds, sovereign wealth funds, and large asset managers. We think that wealth managers are lagging behind. However, I don't think that's going to be the case for much longer, since there's a massive transfer of wealth going from baby boomers to millennials. We know that millennials tend to care a lot more about ESG considerations. They do care a lot more about sustainability. They do care a lot more about environmental issues, social issues, and so on. As a consequence, we see that demand from millennials that are being served by wealth managers in Asia will increase the demand for ESG products. We can help wealth management firms in various ways. We can provide the data that can be embedded in digital platforms for those millennials who want to create their own portfolios themselves, or create their own self screens. That could be things like not wanting to have companies that are producing tobacco in a portfolio. Or companies that are involved in any shape or form with the production of nuclear, or energy, or controversial weapons, or gambling, or tobacco. The list goes on. The other use case that we can identify is that discretionary portfolio managers and the manufacturers of investments, can use our ratings to integrate them into their own investment process, and as a consequence, we believe, and now there's more and more research backing this view, that those portfolios will have better risk adjusted returns and will offer better long term performance, as well as reduce risks.

Is there any evidence that investing in ESG investment products delivers additional performance?
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We work with some wealth managers already in Asia, where they have used our indices as the basis for structured products in different ways, in different forms. It could Be Delta 1 nodes, or out-performance calls. And, the reason they find it attractive is not so much the ethical reason, but more the out-performance reason. So, out of all the different ESG indices that MSCI produces, I think we can confidently say that the large majority of them tend to outperform their market cap index. That provides great opportunities for wealth management firms to use those indices as the basis for products that tend to outperform, and

as such, this a great marketing tool for them as well. The out-performance is absolutely critical. The ethical pole is no longer enough, you have to show indices that outperform. This out-performance tends to be more obvious in emerging market and Asia, and we think the reason for that is because in emerging markets and Asia, you'll find more dispersion between good quality issue companies, and bad quality issue companies. While in markets such as Europe and US, the ESG standards are more standardised.

Gary Dugan
Chief Executive Officer
Purple Asset Management

Are investors overestimating return and underestimating risk?
Watch Video

The average investor is still significantly underestimating the amount of risk around and completely overestimating the amount of return. Unfortunately, the benefit of quantitative easing was to expand returns to unrealistic levels, to the point where people would completely believe in them, and that is not going to be delivered over the next four to five years. I still think that long term returns from equities, maybe down to 5%, bond returns at two to 3%, and that is just not on the radar screen of your average investor today.

Marc Lansonneur
Managing Director, Head of Managed Solutions and Investment Governance
DBS Private Banking

Is there an increasing interest in ESG?
Watch Video

There is increasing interest in ESG. The issue is that interest is coming from the industry, and institutional investors, private banks, product people etc. It's not coming yet from the clients, and that's a big gap. Does ESG contribute significantly in terms of business revenue today? Not at all. Will ESG contribute significantly? My personal view, and DBS' view, is it's a no brainer. We need to adapt the offering, to adapt to engagements, to adapt to the awareness of our clients, of our staff to ESG as soon as possible. That's a very important challenge and it requires a significant transformation of the product teams, of people's mindset. Not just onboarding products on the shelf, that's not good enough. We are not going to achieve anything by just doing this in the Asia wealth industry.

How will you generate income without taking unrealistic risk?
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As a private banker and a wealth manager, our role is to provide investment solutions with an acceptable risk-reward outcome. I think the question is a bit biased, meaning that you can only get performance if you take a drastic risk which is not true. You have to adapt your risk, based on your appetite and what you are targeting, in terms of time investment horizon, risk, product volatility. But having said that, I think there is definitely a way to do it. You can still increase your risk through leverage for instance.

There is a good opportunity to leverage certain products, but the key is to take risk on a fully aware manner and with a diversification approach. A diversified portfolio will deliver much better performance than a high risk product that is highly concentrated.

Haren Shah
Managing Director, Head of Investments
Taurus Wealth Advisors

Are investors overestimating return and underestimating risk?
Watch Video

Investors have been a bit spoilt over the years. I think last year was a bit of a wakeup call for investors. Even this year, we had very good markets in the first few months of this year. I think what investors are definitely not realising is that risks have increased tremendously. We have risks introduced that previously were not there. A good example of that would be the potential of a full-fledged trade war even a tech war, and I think markets are reflecting that. There's still a high level of complacency in the markets, and I feel that investors are not fully comprehending that there are a lot more risks going into the rest of this year than where they came from.

What are the main investment themes and the products that will be most relevant in 2H 2019?
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It all depends on the investor's expectations are. Every client has a different risk profile. Every client has different asset allocation. Some are very conservative but one thing is for sure, as we move into the second half of this year,

definitely one needs to take risk off, because I think the best returns are behind us. I would say that clients need to look at and ask themselves are things going to get better or are they going to get a bit more difficult? I do feel with all the uncertainties and the fact we're in a late stage economic run, the chances are that earnings are going to disappoint. Of central banks do cut industry that should not be bad news simply because I do feel that you can't continue to have a liquidity driven market, you need to have the fundamentals backing it up. We've been conservative. I think less risky assets will be the place to be. Alternatives might be an area where they maintain market neutral. But one definitely needs to take risk off the table.

Joanne Siu
ETF Sales Director
Samsung Asset Management

Is a multi-asset strategy still a good bet?
Watch Video

Our view is every investors should have a multi-asset portfolio allocation. For example, with the five into five, two, two, one scheme. That means that for 50% you should invest into corporate bonds. For example, to have some yield income. And then the remaining 50, we just cut it into 20%, and another 20%, and the remaining 10%. For 20% we can put into corporate ETFs, as well. For example, in the U.S. there are corporate ETFs listed that will give you sufficient or potential yield. And then for the remaining 20% you could put into commodity ETFs. For example, gold or oil ETFs. The reason behind this is for those commodity prices, they don't always go in the way the equity market does. The timing and percentage of allocation for commodities is very important, so allocate maybe 20% of your portfolio into that. And with the remaining 10%, you can place it into some leveraged or inverse product to capture the market upside or down.

What are the thematic investment opportunities that resonate with clients today?
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Everybody is aware of 5G nowadays and pretty excited about that. For 5G, obviously

China is taking the lead. Look at those giants, for example, Baidu, Alibaba, and Tencent. They all started their 5G program in 2018. Baidu have the automobile testing completed last year and Alibaba have the online shopping experience. For Tencent, they have an AI game which is at the top of the free app store list today. This is just some of the magic that people can look to for their investment nowadays.

Joshua Rotbart
Managing Partner
J. Rotbart & Co.

Is gold still relevant today? Who is buying gold these days and why?
Watch Video

Gold is more relevant today than ever. Why? Volatility in the markets. We all talk about the correction that may be coming to the market, and gold performs very well when the markets go down. So there's an opportunity now to diversify the portfolio, by buying physical gold. The people that buy physical gold from us now are either via the wealth managers who refer their clients to us because they see the opportunity and they see how they can bring added value to their clients, or the high net worth clients directly.

Are cryptocurrencies taking investors' attention as the new gold?
Watch Video

Cryptocurrencies took some of the attention that was paid to gold because they appreciated so much. But what we realised in 2018, that's one thing cryptocurrencies are not, they're not store value. So to say that Bitcoin is the new gold is incorrect in terms of the fact that it cannot protect your wealth. It's very volatile, very speculative. It is a high risk investment, maybe a good investment, maybe not, that's not up to me. But it's not the store value.

Do's and Don'ts of buying physical gold
Watch Video

Buy gold professionally from a company that specialises in it. Buy gold from a company with serial numbers allocated to the client. And buy gold from refiners that are approved by the London Bullion Association.

Tony Wong
Head of Intermediary Sales
CSOP Asset Management

What developments have we seen for ETFs and Passive funds in Asia?
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The industry is actually growing a lot faster and bigger in Asia as well, where we see lots of HNW individuals, private banks, discretionary portfolio managers are actually using ETF to formulate their core portfolio strategies. Adding onto that, in terms of the product range, where we see money market funds listed in Asia, especially in Hong Kong, with higher exposure on the leverages and inverse ETF, enabling investors to hedge against the portfolio using the inverse ETF in Hong Kong. ■