

Asset diversification vital for Asia's HNWIs as global markets vacillate

Adam Cowperthwaite is Managing Director and Head of Capital Markets for Asia Pacific at Citi Private Bank. He has set some key priorities for his team for the year ahead, all centred around the need for the bank's high net worth clients to diversify their investment portfolios in face of rising volatility and decreasing predictability in the mainstream financial markets. Technology will help achieve this, as well as leveraging the full capabilities that Citi can bring to bear for his clientele.



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JOINED CITI PRIVATE
BANK (CPB) IN 2014 WITH
A MANDATE to change

the way that clients invested in equities and equity structured products. At the time, he was tasked with improving the range and selection of stocks and structures that clients used in their portfolios. His mission was to raise awareness and increase understanding of the broad range of investments that were available to clients through Citi's equities platform. Through diversification of exposure, clients would be able to reduce overall risk while maintaining meaningful exposure to equity market performance.

Over the next three years Cowperthwaite achieved this objective: his equity advisory team developed processes and systems to leverage Citi's Markets business' leading research content as the basis for improved equity advice and direct investing services for CPB clients; his structured execution team engineered a shift away from generic products, such as accumulators, towards risk-adjusted structures and strategies that give clients tailored exposure profiles to suit specific markets views; and his cash execution team set about delivering ever faster and more convenient services while reducing operational risk. Through both easier market environments and trying times, Citi's clients have been better prepared to rapidly address attractive opportunities and shield their wealth from risks and losses.

A complete review and upgrade of the practical operations of the business was also completed in this time. "Manual pricing and dealing processes have been replaced with automated systems; the availability of information used to initiate, manage and exit portfolio positions has been



ADAM COWPERTHWAIT
Citi Private Bank

improved (in line with a broader focus in this area by the bank); and direct coverage of active investors by product specialists has increased significantly, leading to timelier, relevant and proactive service for Citi's clients," explains Cowperthwaite.

In mid-2017, he was asked to replicate the changes made in the equity business across the broader

and the ability to scale. At the same time, increased connectivity with the institutional-client focused Citi Markets business also offered exciting opportunities to engage 'institutionalized private capital' with services and investments provided directly by the institutional business.

The essential elements for success in developing the broader Capital Markets business at Citi Private Bank were, according to Cowperthwaite: "Proactive banker and client education to facilitate the use of a wider range of tools and strategies; improved information flow to assist clients in accurate and timely decision making; and increased automation to drive speed, efficiency and convenience."

To achieve these aims, Cowperthwaite reorganized the Capital Markets business, moving away from a product silo approach. The new structure was modeled to resemble the structuring/trading/sales set-up that he was familiar

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Capital Markets operation. As APAC Head of Capital Markets, his responsibilities would encompass the management and development of Citi Private Bank's cash, derivatives and structured solutions product offerings for Asia Pacific clients across equities, foreign exchange, fixed income, credit and commodities.

Following a thorough analysis of the foreign exchange, fixed income, credit and commodities businesses, Cowperthwaite set about bridging specific gaps, to deliver growth

with from his prior career as an institutional equity derivative structurer, salesperson and sales-manager, which started in London in 1996.

"I wanted my 'salespeople' (the direct client advisers) to be free to spend their time formulating their market views and engaging clients; while my 'traders' (the cross-asset cash and structured execution teams - who don't in fact run risk; they are dealers) specialize in handling execution and drive systems automation; and my 'structurers'

(the cross-asset solutions team) provide a steady stream of relevant new investment products, and develop strategic transactions and tailored strategies for large clients,” Cowperthwaite says.

While approvals for this arrangement took time to achieve, the result has been resoundingly positive. “We have significantly increased the number of clients covered by Advisors, we have rationalized and improved the quality of content disseminated in each asset class, we have expanded automation in pricing and execution, and we are providing a wider range of products and solutions than ever before - some of which are true market-firsts.”

Education - especially internally - has been, and continues to be, a priority. More time is being spent by specialists in all roles, to explain and promote the full range of services, strategies and products that are available for use in helping clients to achieve their investment aims.

“It is particularly important to help the bankers and Investment Counsellors to navigate our ever-expanding range of capabilities, as they are our direct conduit to the majority of our clients,” continues Cowperthwaite, “if we aren’t able to effectively leverage them as our advocates, we cannot hope to access, and serve, the full client base.” Access to the full range of asset classes, via both cash and structured products, “is essential from a client’s point of view, because sustainable performance in their portfolios depends on achieving and maintaining diversification across asset classes and investment strategies.”

“And from the bank’s point of view, we benefit from a more stable revenue base and better management visibility for staffing, resourcing, technology and so forth,” he adds.

There is still work to be done.

Getting Personal

Adam Cowperthwaite is Managing Director and Head of Capital Markets for Asia Pacific at Citi Private Bank. He is responsible for the management and development of Citi Private Bank’s cash, derivatives and strategic solutions product offerings for Asia Pacific clients across equities, foreign exchange, fixed income, rates, credit and commodities.

Cowperthwaite is an investment and risk management specialist, whose career in equity, fixed income, commodity and alternative-asset derivatives began in London in 1996 with Robert Fleming, which was later acquired by JP Morgan. Prior to joining Citi in April 2014, he held derivative structuring, sales and sales management positions in London and Hong Kong with US, European and Japanese investment banks, including JP Morgan, Credit Suisse and Daiwa Capital Markets.

In his 22 years in banking, Cowperthwaite’s senior sales and sales management positions have given him responsibility for cash products, vanilla options, flow exotics and structured derivative products and risk management solutions for investors and distributors, including UHNW individuals, family offices, private banks, retail banks, insurance companies, corporates and institutions (hedge funds, mutual funds and pension funds) across Asia Pacific.

With extensive knowledge of cash equities, derivative products and strategies, investment wrappers, equity and derivatives, IT infrastructure, derivative regulations and taxation pertaining to derivative products, Cowperthwaite participates in regulatory discussion groups and also sat for four years on a Hong Kong Stock Exchange advisory committee.

Cowperthwaite is a locally-born, third-generation Hong Kong citizen whose family has been in Hong Kong since 1945. He was educated first in Hong Kong and then the UK, going on to study a combined degree of psychology and economics at the prestigious London School of Economics.

Married with two young children, one of Cowperthwaite’s passions is cooking for family and friends at home. His hobbies away from work and family include running, cycling, the gym and, when possible, scuba diving - he is also a fully qualified dive instructor.

The expansion of the equity business, assisted by several years of supportive markets, sapped mindshare from the other asset classes and the bank is now focused on, in particular, redeveloping its FX business and growing its structured credit and rates offering.

“The FX business splits into two important halves,” according to Cowperthwaite, “the direct client business, which services the trading and hedging activities of highly

experienced and active clients; and the internal channel business, which provides simple, practical products to the broader client base - typically offering cash yield enhancement, portfolio FX risk management or limited-risk opportunities to express a directional view in currencies. We have significant upside from building both parts, and all of our clients will benefit from a more complete service.”

Structured credit and rates have experienced several periods of

popularity in the past few years, “but we weren’t set-up to maximize that opportunity,” Cowperthwaite explains. That has now changed as the solutions team regularly generates relevant and engaging new structured credit and rates ideas for clients’ portfolios.

The importance of helping clients to diversify their investments is, of course, even more important in the current uncertain market environment. A key challenge now for Cowperthwaite and his colleagues at Citi is to help the bank’s clients adjust to the late-cycle market environment that has developed over the past couple of years. For the moment, Cowperthwaite believes that investors should remain invested but should rapidly become more diversified globally, while keeping a keen eye on rising rates and shifting trends in the FX markets.

“Whereas during the initial bull market years almost every index was rising,” he tells Hubbis, “the conditions today mean that investors need to be considerably more targeted and sophisticated, and quicker to react. They need to carefully select and observe specific stocks, sectors and regions and be prepared to adapt rapidly to significant developments - especially on the geopolitical stage.”

Cowperthwaite says that the bank has also seen greater interest in its managed investment business, partly as a result of Citi’s drive to offer clients a balance between longer-term ‘core’ holdings and more tactical ‘opportunistic’ investments. This strategy is designed to help clients’ portfolios weather the difficult financial market conditions that have arisen - especially in Asia and other EM regions. “We have intentionally increased client participation in a wide range of managed investments, including special opportunities, such as private equity, real estate and hedge funds,” he notes.



The ‘core’ and ‘opportunistic’ approach is being applied actively within clients’ Capital Markets investments. For many clients, equity, bond and structured product holdings will form part of the ‘core’ of their portfolio, providing long-term capital appreciation, income and wealth protection. “Other ‘opportunistic’ investments are used as satellite investments to track clients’ views on the markets at specific points in time,” he says. In addition, clients can use ‘opportunistic’ capital markets products to hedge exposures across their portfolios - including exposures within managed investments. “The hedge might be a typical put option,” he notes, “or more sophisticated structures such as moving out of direct holdings and into a structured product with a minimum return element. Depending on the size and nature of the exposure, the solution can be closely tailored to the client’s requirements.”

Technology is also a focus point for Citi Private Bank - across the entire client management process. “I firmly believe that technology will play an increasingly influential role in helping relationship managers, and the banks they represent, to become more efficient and productive.”

“While ‘robo-advisory’ will benefit the mass affluent and the first tier of HNW investors, I think ‘bionic advisory’, where technology

enhances human capabilities and expertise, by providing seamless real-time information and analysis on portfolios and markets, will be the winning formula for UHNW client service. Timely information is essential for prioritizing the opportunities, risks and tasks that advisors, and their clients, need to address at a given point in time. Without this data-driven prioritization, the complexity of UHNW portfolios can make efficient position management quite challenging,” Cowperthwaite says.

Might this also lead to adoption of the kind of pure advisory models that are increasingly prevailing in mature markets such as Switzerland? “We are not yet seeing demand from clients for advice-only arrangements. However, there is a (slow) evolution in the services that clients are asking for and in the ways that they want to interact with their advisers,” he observed. “Many of our clients are first-generation entrepreneurs and they continue to interact with their advisors in a direct and transactional way, but second and third generation clients are increasingly looking for different services and different ways to interact with Citi.

Accordingly, we have been evolving the platform to offer a wider range of products and services, and to provide easier accessibility and convenience,” he adds. ■