

BUILDING HIGH-PERFORMANCE PORTFOLIOS

DONG SINH NGO, HEAD OF MARKETS AND SOLUTIONS FOR CREDIT AGRICOLE PRIVATE BANKING IN HONG KONG, TALKS ABOUT A COMBINATION OF TECHNOLOGY, INVESTMENT PLATFORMS AND LONG-TERM INVESTING IN THE CONTEXT OF CREATING HIGH-PERFORMANCE PORTFOLIOS.

When it comes to creating better-performing portfolios over the long run, investors should look to include more undervalued private equity than bonds, funds and alternatives.

This is partly because these less liquid investments get valued on a monthly or quarterly basis, meaning they are impacted to a much lesser extent by market sentiment, and are therefore not as volatile as many asset classes.

private equity space for portfolios more recently, the Shanghai-Hong Kong Stock Connect scheme may well result in some consolidation in the short run, boding well for private equity in Greater China, he adds.

But, he insists, it is important to put the various components of a portfolio into context, as part of a broader selection process that creates a robust, long-term investment strategy.

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"As a house, we expect private equity to deliver 8% per year in terms of long-term performance," says Dong Sinh Ngo, head of markets and solutions for Credit Agricole Private Banking in Hong Kong.

While European small caps have been good recommendations within the pri-

GROWING VALUE OF INVESTMENT PLATFORMS

Investors looking for short-term returns and risk diversification have many choices, and are potentially better off opting for the time being for government-issued bonds given the fo-



Dong Sinh Ngo
Credit Agricole Private Banking

cus on supporting liquidity, funds and liquid alternatives.

But whichever asset classes and individual securities an investor wants to add to their portfolio, an investment platform enabled by the latest technology is key to the implementation stage.

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A platform also gives the bank the much-needed transparency and flexibility to more quickly answer client requests, he adds.

CONSIDERING DISCRETIONARY MANDATES

A managed solution, and specifically discretionary portfolio management (DPM), represents one of the ways to facilitate efforts to encourage investors to take a longer-term approach to their portfolios, as well as addressing some of the potential risks that both banks and investors face,

"As entrepreneurs, they are used to being close to their money and being part of the action in terms of transactions and making all the decisions."

Another key stumbling block tends to be investment performance. With an eye on short-term yield, Ngo says it is unsurprising that many investors don't quite understand why professional managers make certain deals at a certain time for long-term benefits.

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In practice, he explains, while a banker or investment adviser can talk as much as they want about the advantages of private equity, most investors will not buy into the concept unless they can visualise the outcomes along with the risks they are exposed to.

That goes beyond just market risks. As regulation gets ever-tougher for banks and investors in terms of investing across borders, the platform needs to monitor all transactions and activities to ensure compliance at all times.

While progress with these concepts has been slow to date in Asia, Ngo says there is good reason for optimism. "We see some interest and acceptance in this region for our DPM business, but this is still in an early stage compared with Europe."

Part of the challenge from the perspective of an investor at the lower end of the high net worth spectrum, in particular, is a common perception that discretionary mandates lead to a loss of control over their assets, he explains.

The understanding of DPM and its value is also hampered at the relationship manager (RM) end of the equation, too.

While an RM which has been trained and who has worked in Europe, for example, would have been exposed to this style of investing from day one on the job, this is not the case in Asia.

"They are less receptive to the concept," says Ngo, "so would rather sell clients products and concepts they know well and can talk about more confidently. It's a matter of perception and this kind of thing will take time." ■

