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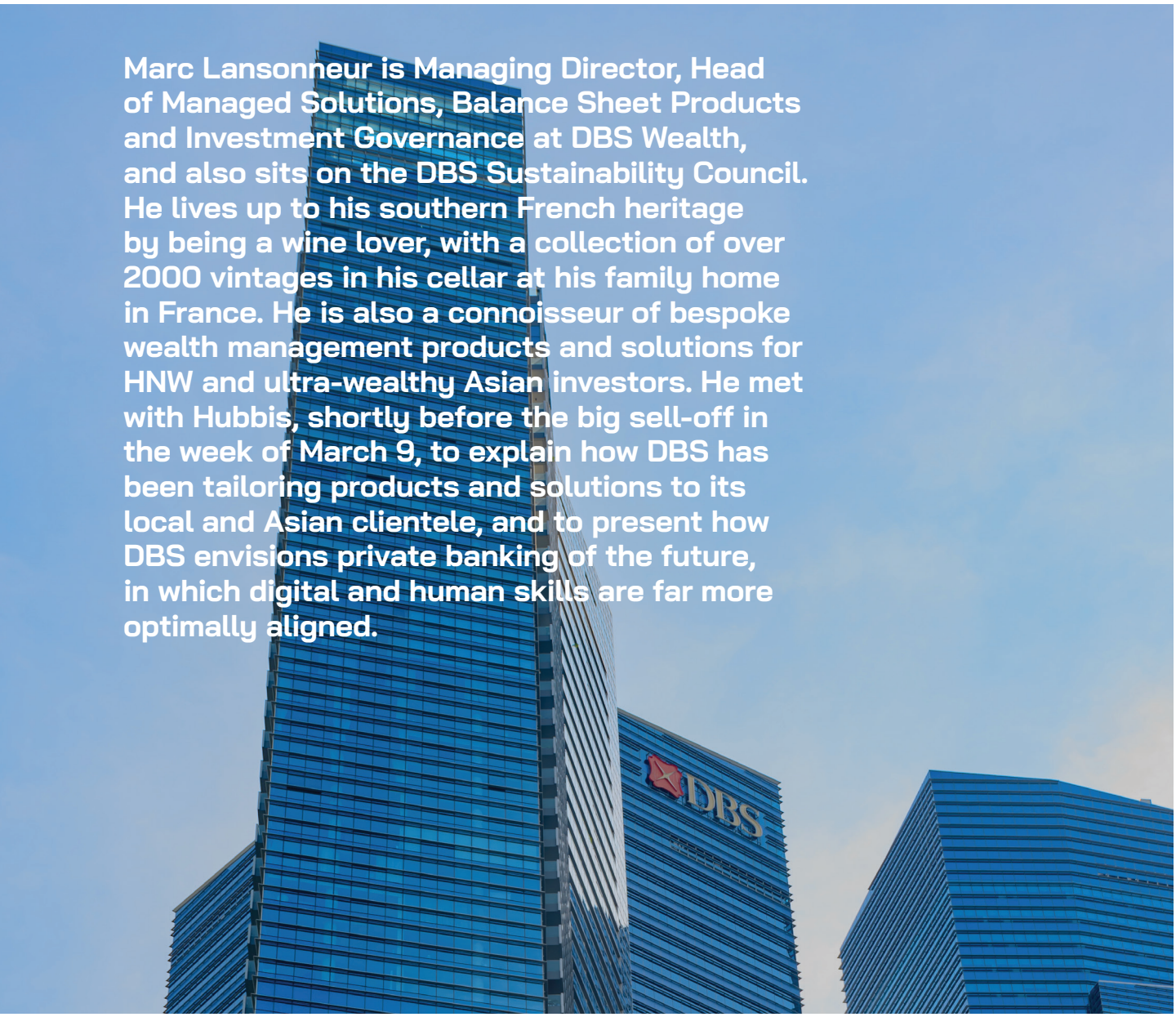
DBS' Marc Lansonneur on Combining Art and Science for Private Banking of the 2020s



Marc Lansonneur is Managing Director, Head of Managed Solutions, Balance Sheet Products and Investment Governance at DBS Wealth, and also sits on the DBS Sustainability Council. He lives up to his southern French heritage by being a wine lover, with a collection of over 2000 vintages in his cellar at his family home in France. He is also a connoisseur of bespoke wealth management products and solutions for HNW and ultra-wealthy Asian investors. He met with Hubbis, shortly before the big sell-off in the week of March 9, to explain how DBS has been tailoring products and solutions to its local and Asian clientele, and to present how DBS envisions private banking of the future, in which digital and human skills are far more optimally aligned.

Lansonneur begins by considering the state of play in the private banking and wealth management market in Asia, noting that there are more and more online brokerages and FinTechs competing and driving commissions down for execution and even custody.

"They are driving fees down to acquire customers," he says, "but it remains to be seen if their commercial model is effective or efficient in the long-term."

ADJUSTING THE MODEL

He elaborates by explaining that DBS has been driving its discretionary portfolio management (DPM) mandates forward, eschewing upfront fees in favour of management charges. "This is an annuity business and includes a significant online element, allowing clients to build their DPM portfolios efficiently and at a sensible cost with us digitally."

Additionally, DBS has been issuing innovative products such as the DBS Global Income Note, a roughly USD1 billion rules-based portfolio of bonds. It has also raised some USD400 million in notes replicating the DBS Chief Investment Office's investment strategy in the form of a Barbell portfolio strategy.

"These are managed by the DPM team, but issued in note form," Lansonneur explains. "We continue to diversify the product range to include different wrappers, whether it is a managed account online or digital portfolio, classic DPM, notes, certificates, managed ETFs, and so forth. Essentially, these reflect a move towards annuity-based products that are actively managed, and avoid or reduce upfront costs for clients."

Marc Lansonneur's Key Priorities

His first priority is to engage clients differently. "We strive to be a wealth manager that supports them well for the long-term," he elucidates. "We seek to offer a holistic suite of services and engage the clients with a broad perspective on their situations, their needs and their portfolios, and then help them to adapt on an ongoing basis."

The second priority is to further roll out digital access tailored to different segments. "We have to be able to access and service all categories of clients. Things would still be high-touch for wealthier private banking clients given the scale and complexity of their assets; but for the larger affluent segment, many of the services can be automated, allowing greater scale and also greater quality for these clients."

He expands on this by remarking how technology and digital are key because of the scalability they offer. "Our industry needs greater scalability and to become more bespoke for a far wider number of people," he reports.

Greater pricing sensibility is the third priority. "DBS is adopting smarter pricing to combine management fees, annuity fees, commissions and other revenues, in order to help grow and make revenues more resilient," Lansonneur reports. "We need to deliver a more bespoke model and a more scalable platform."

NOTHING FREE, BUT VALUE MUST PREVAIL

"In the final analysis, nothing is free," he comments. "At the retail end of the market, there are service providers helping to democratise access to financial services. At the higher levels, for those with more than USD1 million to invest and where DPM is logical, they will still benefit from a dedicated portfolio manager who manages their customised portfolios, with management fees of around 1% annually."

But looking further ahead, he extrapolates, the industry may gradually move to a performance fee-based model, a move he sees as positive.

DBS' solutions cover both ends of the spectrum – from cheaper solutions via digital channels, to tailored coverage and advice for the very wealthy. For example, DBS clients can, he explains, tap on DBS digiPortfolio, a hybrid human and robo-advisory solution that allows investment in ETF portfolios built and managed by the bank's DPM team at the cost of just 75 basis points a year, with entry levels of USD1,000 or above. DBS also has a slightly pricier product that is more active, with the DPM team

MARC LANSONNEUR
DBS Private Banking

gathering active funds into a single best-in-class fund for which they will pay 85 basis points or a bit more. Prior to this, the DPM team's expertise was only available as a customised offering for clients investing SNG500,000 and above.

BUILDING AUM WITH TAILORED IDEAS

"For DBS," Lansonneur reports, "this type of active portfolio of active funds has been our most successful product since it emerged around two years ago, and has helped build our AUM and client numbers in the past couple of years. It is a good product to promote as we are pitching asset allocation within best-of-breed funds curated by our fund selection team. A great story with sensible and realistic costs associated."

Lansonneur does believe that transparency and trust in the private wealth industry have improved over the past decade. "Ten years ago, things were far more obscure in our industry, but today anyone can easily compare costs and fees online, and there is far wider access to all types of platforms and providers. Today, trust and transparency have moved to the centre stage, and I really think the industry is headed in the right direction."

THE END OF DIVIDE AND RULE?

He observes that Asia dances to a slightly different tune to Europe. "In Europe, clients have one or perhaps two banks, and for many years. Whereas in Asia, it is often the case that they use three or four banks. I believe there are benefits to reducing the number of banks they work with and consolidating their investments, such as better results and service, and stronger relationships." Essentially, he is arguing for the end of the divide-and-rule mentality amongst Asia's HNWIs.

Lansonneur also highlights the importance of risk management. "It's not all about performance on its own, as you cannot have good performance without good risk management. Risk and reward must be balanced carefully, as does suitability. Clients should not over-leverage; we work to help ensure that clients are buying the right products, that they are building diversified portfolios and therefore, that their risk management is sensibly conceived and applied.

Getting Personal with Marc Lansonneur

Marc Lansonneur was born in the small southern French town of Hyeres, which is close to Marseilles. He was educated in the area until the age of 18 and later moved to Paris to attend the ESSEC Business School, which has now also expanded to Singapore.

The major portion of Lansonneur's career from 1990 to 2009 was spent as an investment banker with Société Générale, moving around various countries such as the UK, the US, Australia and Singapore. "The most fascinating time I spent was the decade as a trader in the commodity markets," he recalls. "The wealth management business came later, and I have thus far enjoyed five fascinating years with DBS here."

With three grown-up children, one of whom is still in Singapore, studying at international school, Lansonneur has time to enjoy his passion for rugby, spending time as a rugby coach for the Singapore Cricket Club's junior academy in Singapore.

Lansonneur also has an avowed love of fine wines. "Coming from the south of France, this is rather natural for me," he reports, "and I am constantly exploring new regions, finding new wines to enjoy. Last year was the turn of Alsace, at the German and French borders. It was a journey of great discovery and pleasure; we uncovered some amazing value there. Incidentally, the food in that region is also outstanding; I had forgotten as I had not visited there for many years."

REFINING TALENT

He also looks at the impact of the evolution of the private banking model on talent and people. "Take a look at structured products," he says, "and you can see how far we have come in just the past five years. Back then, with the right people in-house and the right counterparties, you would be able to source the best deals and hold a natural advantage over the competition. But today, it is pretty much commoditised. Private banks and other providers have access to 15 counterparties online; the RMs can price them and execute online. And this applies even for highly complex products, accumulators, and so forth."

"As such, product people today have to demonstrate real value - selecting the right product, providing the right pitch and integrating the product into bespoke portfolio analysis for clients. They must be adaptable, and they may also need to develop additional or different skills in order to stay relevant. There is no turning back the tide of automation."

This means that banks have had to move people around, as pricing and execution are no longer the exclusive domain of a small coterie of experts. "As such, product people today have to demonstrate real value – selecting the right product, providing the right pitch and integrating the product into bespoke portfolio analysis for clients. They must be adaptable, and they may also need to develop additional or different skills in order to stay relevant. There is no turning back the tide of automation."

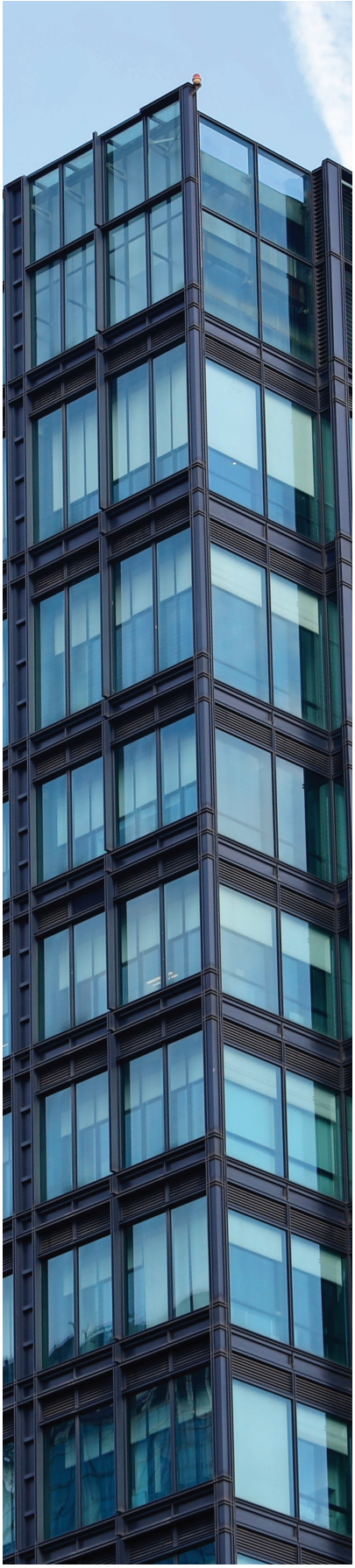
DELICATE ADJUSTMENTS

Having said that, he adds that the industry could do with some adjustments in the type of talents used. For example, having more data analytics experts could help make the product development and delivery processes more refined and accurate.

"A more analytical, bespoke approach to creation, delivery and marketing will certainly help," he says. "Some industries have managed to do this successfully, but private banking is generally still far behind, especially as compared to the tech giants, which are contextual marketing experts. The industry needs greater marketing engagement and data analysis instead of pure product expertise, which has since become commoditised and universally accessible."

ESG IS A TOP PRIORITY

Lansonneur reports that DBS also continues its robust championing of ESG investing. "We are strong proponents of ESG within a properly structured portfolio," he reports, "as this allows investors to align their investments with their values while also searching for profitable companies that can outperform the broader market benchmark. While our ESG offerings are relatively new, they have so far attracted strong interest from investors. We've



been working continually in this space – be it introducing various programmes to ramp up our clients' awareness of the benefits of ESG investing, or implementing new tools to help them make more informed and holistic investment decisions."

DBS has been offering several key ESG products. In the funds space, these include the Wellington Global Impact Fund, a global equity fund which seeks long-term total returns by investing in companies that are bridging social issues of economic participation, health and empowerment. Another conviction fund is the Parvest Global Environment Fund, which invests globally in companies that can directly profit from innovating environmental technologies and solutions across Agriculture, Water, Waste and Energy solutions.

He also speaks of DBS' role in launching the USD8 million Women's Livelihood Bond in 2017. It was the world's first social sustainability bond to be listed on a stock exchange, and has positively impacted over 385,000 women in Cambodia, Philippines and Vietnam. The bank also supported the bond's second issuance this year, which raised USD12 million.

He also mentioned the DBS MSCI ESG outperformance product, Asia's first structured product based on underlying ESG investments which the bank launched in 2018. It offers a 'pure play' exposure for DBS clients to invest in ESG-compliant companies, and was built on a simple investment thesis – over time, ESG-compliant companies will outperform those that aren't. "The investor," Lansonneur explains, "is able to extract the Alpha of investing based on ESG principles while being immunised to the Beta of the broad equity market. Despite being novel, the offering was a huge success with demand far outstripping our expectations."

PROACTIVE AND INNOVATIVE

Lansonneur closes the discussion by reiterating how DBS seeks to be fleet of foot, proactive in embracing change and of course, innovative.

"Taking fixed maturity products (FMP) as an example," he says. "these can be risky and need to be used carefully; tailored as a specific product for certain clients and not just generalised for all. We've been seeing great success with structured products in 2020, such as our market-neutral relative value structures, amongst others. Along with our ESG offerings, these initiatives all come together to offer clients a sensible risk-reward balance."

His final comment is that it is key to stay innovative, and to adapt swiftly to market conditions. "In these volatile and unpredictable global market conditions," he concludes, "this is especially essential and highly valuable for DBS, and for our clients." ■

DBS and Allfunds: A Platform for Success

Core to honing its revenue model is the bank's outsourcing agreement with digital platform Allfunds, which was announced in October 2019. "The aim," he reports, "is to position the bank smartly for the years ahead. We seek to bolster the bank's fund distribution capabilities, facilitate greater fund access, and capitalise on Allfunds' asset servicing services throughout Asia."

For Allfunds, the arrangement with DBS provides an opportunity to further expand and strengthen its position in the regional Asia market. David Perez de Albeniz, Asia Regional Manager for Allfunds, was quoted at the time of the late October announcement as saying that the agreement stems from the firms' shared goal of "increasing mutual funds penetration in Asia".

The partnership will, therefore, capitalise on both Allfunds' open architecture platform and DBS' digital offering. Lansonneur comments: "Allfunds presents a one-stop solution for DBS' distribution needs, offering access to an extensive fund eco-system, a leading technology proposition, and a full suite of service capabilities, which the bank seeks to leverage to achieve greater convenience, efficiency and productivity. There is a clear trend we are seeing, whereby Asia is catching up in terms of the division of trailer fees between asset managers and banks, while Europe is well ahead in this regard.