Delivering Investment Products & Advice to Clients in Asia the Optimal Approach

A panel of eminent wealth management experts gather for the second panel discussion at the Hubbis Asian Wealth Management Forum to debate the role of technology in delivering wealth management solutions and whether passive will rule, or active and discretionary strategies will continue to play a role, or grow in importance.

These were the topics discussed:

- *What role is technology playing in the delivery of investment strategies and execution?*
- *What digital expectations do clients have?*
- *Connecting customer data to market data - what does this mean?*
- *What's the role of technology and AI?*
- *Transparency, Margins, Costs and Fees - what's changing?*
- *The revenue squeeze is on. Where does your revenue come from in future?*
- *Active vs passive - what is the balance in the future in Asia?*
- *What's the future of Discretionary and Advisory Portfolio Management in Asia?*

PANEL SPEAKERS

- **Alexandre Bouchardy**, Managing Director, Head of Asset Management Singapore and Head of Fixed Income and Equities Asia, Credit Suisse
- **Chee Loong Chong**, Wealth Business Leader, Singapore, Mercer
- **Alexis Calla**, Chief Investment Officer, Standard Chartered Private Bank
- **Tuck Meng Yee**, Head of Investment Solutions Asia, Allfunds
- **John Robson**, Chief Commercial Officer, Quantifeed

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THE KEY TAKEAWAYS

Technology works 24/7

Compared to 10 or 20 years ago, technology can reach people 24/7 today. It can help deliver generalised and specific information and help HNWI clients see through the noise in the markets and build diversified portfolios.

Personalisation

Technology is now enabling wealth management firms to really personalise each customer s advice, enabling the providers to deliver an individual solution that is dedicated to the client s personal situation and preferences.

Use AI, don't just rely on it

AI can help in the planning and diversification of portfolios but does not provide all the solutions clients require. AI should be aligned with all the other traditional tools for research and analysis.

Embrace diversity to achieve diversity

To capture as much diversity as possible, pursue and embrace different mindsets.

Balancing transactions and advisory

The representative of a vast global investment adviser boasting nearly USD12 trillion in assets noted that portfolio investment management is a key area that financial institutions are focussing on, noting that ever so slowly transaction-based business is giving way to the retainer, AUM-based fee approach to dealing with their clients, seeing the customer as truly a long-term engagement. The relationships are becoming more transparent and with a greater emphasis on best-in-class products and advice, with more emphasis on fees than transaction fees, but there is further to advance in all these aspects.

Discretionary? Being realistic in Asia

The discussion moved on to the definition of discretionary and what role DPM will play in Asia, with a panellist arguing that in this region it is unlikely that DPM will gain maximum traction in the foreseeable future. His firm's definition of discretionary is that they have a client account a good portion of which is hands-on and the rest of which can be managed for them.

Looking beyond the mainstream

One expert extolled the virtues of active management, where the managers are fully assessed and able to deliver in niche markets, perhaps where there is less research, such as small and mid-caps in the developed markets, or some of the emerging market countries, regions and sectors. They said that those active managers who really are worth their salt would go to do a deep dive into those markets and finding the best ideas to populate to your portfolio.

ETFs, yes, but alongside active

The thrust of ETFs into the Asian wealth management scene is taking place alongside the development of more niche strategies and advice where the wealth managers believe they can truly add value, and for which the client will need to pay more in fees.

Active encouragement

A guest noted how markets such as China will best be exploited with an active approach, and a greater focus should be given changes to the MSCI inclusions and to the bond indices. In the biggest and most liquid developed or other markets, ETFs make sense, whereas for broad-based access to China, alpha should achieve better results.

COMPARED TO 10 OR 20 YEARS AGO, technology can reach people 24/7. "In the good old days," said one banker, "we had one PowerPoint presentation, kind of a one size fits all, but actually clients are different, some panic, some do not when things become more difficult, some see opportunity in adversity, some, maybe 30 per cent of the clients, like to have some frequent nudges. With technology, we can better make sure that we have a relevant message and help people to stay on track." And with that, he advised clients to see through market vicissitudes and the 'noise' and use the right products and ideas to maintain diversification.

"I think what technology is now enabling us to really personalise each customer's piece of advice, enabling us to see every customer as an individual," observed another expert. "It does not take away the human expertise, that can still be there in the construction of the investment portfolios and the decisions on asset allocation and asset classes, but technology can help translate that into each customer's personal experience."

Diversification of portfolios is the key, said another guest, noting that AI does not provide the solutions clients require, as yet, but the input towards diversification of allocation, enabled by technology and information, helps the wealth advisers achieve diversification for the clients. "Yes, you can't predict the future, so plan for the future instead," another panellist remarked.

ALEXANDRE BOUCHARDY
Credit Suisse

JOHN ROBSON
Quantifeed

Using AI to support theses

Another panellist remarked that AI has its uses but should be aligned with all the other usual tools for analysis. He cited the example of the iPhone X when it came out, with AI extrapolating that sales would be so robust, but actually, the verification of that using supply chain data indicated the phones were not flying off the shelves. "It is great to use these tools, but we must understand their inherent weaknesses and therefore risks, as well," he concluded. "So, we look for fund managers who can use these tools in context and use all tools to navigate markets holistically, rather than thinking tools such as AI really give them an edge."

"In our bank, all the investment process is only based on trying to capture as much diversity as possible," observed another panel member. "There is a famous finding, that says typically if you want to minimise your mistakes pursue different mindsets and access as much diversity as possible, and we do that through experts, news, media, research and so forth. Ultimately, we are trying to make sure we make slightly fewer mistakes and thereby really add value to the client."

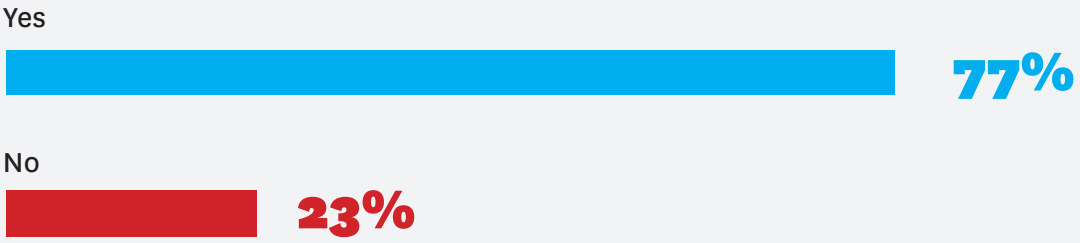
ALEXIS CALLA
Standard Chartered Private Bank

Removing the pain points

A platform provider said a key objective of their business model is to relieve pain points for their B2B clients. "The back-office pain points of reporting on performance, reporting on risk, rebate management for intermediaries," they said, "these are key pain points we solve."

He also observed that customers are pushing his firm to facilitate all the things that the panel was discussing - advice, transparency, low fees,

DO YOU THINK THE NEXT 12 MONTHS WILL BE MORE CHALLENGING THAN THE LAST 12 MONTHS?



Source: Asian Wealth Management Forum 2019 - Singapore

execution simplicity - through an experience that is completely effortless via a sophisticated, but easy-to-use technology interface that represents the company that they bank with.

Advisory gains sway

The representative of a vast global investment adviser boasting nearly USD12 trillion in assets noted that portfolio investment management is a key area that financial institutions are focussing on. "The transaction-based business is giving way to the retainer, AUM-based fee approach to dealing with their clients, not as a customer to whom to simply sell products, but really as a long-term engagement. The relationships are becoming more transparent and with a greater emphasis on best-in-class products and advice, with more emphasis on fees than transaction fees, but there is further to advance in all these aspects."

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He added that a movement towards more customised solutions is helping this process, including a strong emphasis on more illiquid, longer-term investments outside the public markets, including the trend towards private equity. "Advice and bespoke solutions are clearly a key focus," he remarked.

ETFs have their place

The thrust of ETFs into the Asian wealth management scene is encouraging the development of more niche strategies and

TUCK MENG YEE
Allfunds

advice. "Within our fixed income division of asset management since early 2010," an expert reported, "we have actually re-focussed our strategies towards more niche strategies where we truly believe that we can add value to our clients over time. For example, we look more at long-short strategies."

He referred to once such long-short fixed income strategy that produced 3% to 4.5% in Switzerland, translating to roughly 7% to 8% in US dollar terms. Another focus was on emerging corporate bond markets in Asia, looking at dollar-denominated paper. "We have done very well in this sector for the past seven years," he reported. "In short, ETFs

are becoming more prevalent and they offer cheap access to many asset classes, but if you want something more tailor-made, something juicier, then the client must pay a bit more."

Active still core to the ecosystem

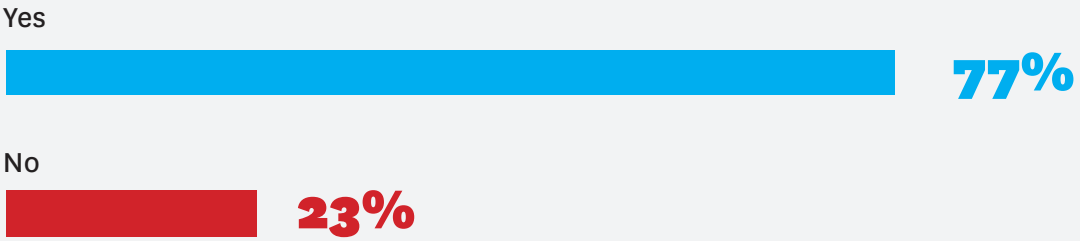
"We have a very strong view on passive versus active," they said. "We place great emphasis on manager research, and we firmly believe active managers have positive value to add to clients' portfolios. In the global developed markets there is so much coverage and the universe is so big that it might make a bit of sense to go to the passive, but if you did want to go to active in the smaller cap market space or even in some of the niche markets in EM, we believe it makes a lot of sense to go to the active managers, simply because this is the universe that today has far less research coverage. Those active managers who really are worth their salt would go to do a deep dive into those markets and finding the best ideas to populate to your portfolio."

Personalisation

"To me," added another guest, "the old segmentation used in the wealth industry is disappearing because we are starting to know a lot more about our client due to the use of technology in engaging with them and designing products for them. The challenge for us is to work out how to adapt to that and make sure we know the whole mindset by trying to embrace those changes and not approach things as we have in the past."

CHEE LOONG CHONG
Mercer

DO PRIVATE BANKS IN ASIA OPERATE IN A TRANSPARENT WAY?



Source: Asian Wealth Management Forum 2019 - Singapore

The discussion moved on to the definition of discretionary and what role DPM will play in Asia. "If discretionary is that the client passes the bank the money for them to run it themselves, then many people are still very reluctant doing that in the region," he commented. "But if discretionary is that for some part of my investment I will use invest in a mutual fund, then you are also passing that away to a discretionary manager. The question is to what degree you are ready to trust someone else, and how much do you want to keep control of yourself. Our definition of discretionary is that we have a client account that we can help tailor and a portion of which we can manage for them. So, for example, some people are keen traders and sometimes they have the knowledge in one sector and actually let us do whatever we want with the rest of the money."

And as a general comment, he added that clients in Asia have less of a long-term view than in Europe or perhaps the US. "The good old multi-income product to create balanced portfolios work well here," he added. "Diversification with the flexibility to diverge and be more aggressive if required."

Seeking alpha in China

Another guest closed the discussion by focussing on China. "China is here to stay. There are tectonic changes in the global forces today and you see that China increasingly has become a key force to be reckoned with and we like China strategies for a simple reason - the inclusion of equities into the MSCI as well as into the bond index. So, any investor should be thinking about how they want to increase Chinese exposure over time, and by using the right strategy and really talking to the right people. In the biggest liquid markets ETFs make sense,whereas for China alpha is preferred." ■