Digital Investment Platform StashAway's CEO Surveys the Journey to Date and Maps out the Way Ahead

Since Singapore-headquartered StashAway first launched a selection of model portfolios back in 2017, the pioneering digital investment platform has expanded its collection to 12 carefully curated portfolios built from ETFs across equities, fixed income and cash savings, and across geographies and developed as well as emerging markets. Clients can invest in a single portfolio, or they can build a diversified set of portfolios that best suit their risk and reward preferences, and all with ease of access and at very low cost. More recently in September, StashAway and global asset management group BlackRock announced they would offer a suite of four globally diversified multi-asset model portfolios built from BlackRock's analytics and ETFs and available to investors via the StashAway app. The deal was another win for StashAway as the firm continues to build out the digital wealth offering for which the founders have raised some USD74 million of seed funding to date, and which already boasts significantly north of USD1 billion in AUM. StashAway's ambitions also now extend to HNW investors with the June launch of StashAway Reserve, opening up access to private equity, venture capital and cryptocurrency investments for accredited buyers in Singapore. Hubbis met recently with Michele Ferrario, CEO and one of the three co-founders of the platform, to find out about progress to date, to hear of the plans afoot for further expansion of the product suite, and to learn more about StashAway's ongoing international expansion into Asia and also the Middle East.

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Michele Ferrario
StashAway

Growth Products

Michele opens the discussion by highlighting the diversity of intelligent investment options available via the platform for the mass affluent and also HNW clients the firm targets.

"Very simply, we make it easy and cost effective for anyone to invest intelligently, and we target clients at any stage of their investment journey," he reports. "We help people diversify and build exposure to a wide range of asset classes, and we have also expanded further into the private banking space with more recent offerings across private equity, venture capital, angel investing and cryptocurrencies."

So far, the firm has built its core proposition in Singapore, and expanded into Malaysia, Thailand, Hong Kong, and the UAE, and is licensed appropriately in each jurisdiction. "We focus on quality and solidity, and we remain true to our initial mission of employing technology to drive a better investment service for clients than is offered by the banks," Michele states.

Three pillars

He explains the firm has three pillars to support this proposition. The first is simplicity, not just built around its products, but also the customer journey. "You can open an investment account in just 7 minutes in Singapore (helped by the MyInfo protocol) and in as little as 12 minutes in our other countries. This speaks to our easy and user-friendly interface. But simplicity of the journey does not mean a lack of sophistication underneath."

The second pillar is cost. "We have a transparent and straightforward fee structure – our management fees are only 0.2% to 0.8% annually. This is a fraction of what mainstream operators charge elsewhere."

"Yes, illiquidity is still a concern for investors, but firstly we are working on providing some liquidity and secondly we deal only with accredited investors who understand the risks and who can plan ahead for this lack of liquidity in this segment of their broader portfolios."

The third pillar is the 'intelligence' of the investment framework. "Our 12 core portfolios are diversified across asset classes and based on our proprietary analysis around key economic data that determines asset allocation," he reports. "Our investment framework, ERAA®, aims to keep our clients' risk exposures constant across each stage of the economic cycle, while maximising long-term returns."

Drilling down into the offering

Michele offers a little more insight into each of the 12 core investment portfolios StashAway offers, aside from the newer Blackrock portfolios and outside the HNW-targeted products.
The 12 portfolios each comprise around seven to 13 ETFs and reflect different levels of risk, from the highly conservative to the higher risk, but they do not include esoteric assets such as cryptos, which are gated away for the wealthier accredited investors.

He says the choices on offer allow investors a variety of equity exposures across countries, regions, sectors, developed markets, emerging markets, and so forth. The fixed income includes government and top-flight debt, credit, convertibles, FRNs, inflation linked bonds, and maturities ranging from months to over 20 years.

The allocations within each model portfolio can also change, but the changes are modest and irregular. "We are not playing around with allocations," Michele states. For example, over the last couple of years they have refined the fixed income exposures to offer more inflation-linked paper and FRNs, while on the equity front, they are weighted more to Australia and Canada for exposures to raw materials and energy stocks. "And that is partly why we have outperformed in 2022," he adds.

Horses for courses

"In partnership with BlackRock, we recently added another option for clients to invest in one of four portfolios managed with them, spanning from highly conservative to 100% equity." Michele notes that Blackrock's four model portfolios offer a slightly different logic from StashAway's core ERAA® models that are driven by economic data.

"You can see ERAA® products as risk centric, as we aim to keep risk exposures constant across macro cycles," he explains. "Meanwhile, BlackRock portfolios aim to provide clients with broad market exposure and mimic benchmarks, so their performance will be more closely related to their equity and bonds benchmarks. I should add there is no hidden arrangement with Blackrock, we remain entirely aligned with clients."

"A third option we offer is our flexible portfolios, where clients can tweak model portfolios to their investment preference, or build portfolios from scratch. They can also invest in single ETFs to get targeted exposure to, for example, the S&P 500, or specific themes like the emerging markets or healthcare."

Eyeing the HNW market

He adds that StashAway's expansion into HNW-targeted products such as PE, VC, cryptos and so forth, brings a wide range of potential clients into their radar who are currently served by private banks that are continuously raising the bar as to the levels of AUM they will service. "These days," he remarks, "USD 5 million does not get you much attention with the banks, so we are beginning to shift attention to this space."

StashAway Reserve is their new HNW offering and gives access to the HNW products he had mentioned earlier, as well as to a wealth advisor. "We remain a fully self-service platform, for our main clients and even for HNWIs, but for the higher categories of wealth, you gain access to these selected accredited investor products as well as wealth advisors that provide personalised wealth advisory services to each client."

Key Priorities

Michele says his first mission is to make it as easy as possible for clients to benefit from volatile markets over the next three, six or 12 months.

Secondly, he wants to continue to strengthen the firm's position in new markets. "Last year, we went live in Hong Kong, Thailand, and Dubai, and we want to build those robustly," he states.

The third target is to expand the HNW offering. "We launched StashAway Reserve in June this year, and we have some interesting plans in this segment of the market," he reports.

"I think probably already today, and most certainly 10 years from now, the winning wealth managers will be seen as those with the best software engineers, the best product managers, the optimal strategies, and it is platforms such as ours that can best attract and hold on to those types of talents."

Bite-sized access to specialist assets

Michele also offers more detail on the PE, VC and angel investing offerings, explaining that major brand name managers might need commitments of several million dollars, but StashAway offers HNWIs access to the private markets with commitments from as low as USD$50,000 annually.

This, he explains, is achieved by fractionalising these private markets investments. "Yes, illiquidity is still a concern for investors, but firstly we are working on providing some liquidity and secondly we deal only with accredited investors who understand the risks and who can plan ahead for this lack of liquidity in this segment of their broader portfolios."

An 'outstanding' proposition

Michele does not mince his words when he states that StashAway's proposition is outstanding in terms of its user interface, its products, and the intelligence of its investment framework.

"And as to the performance of our products, we have outperformed markets across our portfolios, and across almost all risk points in every year from 2018 onwards," he states. "We then underperformed in 2021 but so far, in 2022 we have again outperformed. All in all, I believe we have done well for our investors over our five years of operation." ■