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How can we be different?

Does the independent wealth industry need to be reengineered and how can firms differentiate their offerings to compete well today while also evolving their skills and technology for tomorrow? The first panel of the Hubbis Independent Wealth Management Forum pondered these, and other questions.

These were the topics discussed:

- *Does this industry need to be shaken up and reengineered?*
- *What do you stand for? What do you focus on? Or have you just built a mini-private bank?*
- *What are the different business models? What's working?*
- *Is there a growing divide between local IAM's and European style IAM's? To what extent it this an issue?*
- *Are you genuinely client-centric? Independent and transparent?*
- *Are we going in circles - or is this industry moving forward?*
- *Generally - what's your view on technology, margin pressure and regulatory reform?*
- *Innovation and evolution - how will you adapt to constant changes in technology, investor behaviour and regulation?*

PANEL SPEAKERS

- **Anthonia Hui**, Chief Executive Officer, AL Wealth Partners
- **Rohit Bhuta,** Chief Executive Officer, Crossinvest
- **Urs Brutsch**, Managing Partner & Founder, HP Wealth Management
- **Nadav Lehavy,** Managing Director, SandAire
- **Evrard Bordier**, Managing Partner, Bordier & Cie
- **Oliver Balmelli,** Deputy Chief Executive Officer and Co Head of Private Banking, EFG Bank

THE MODERATOR FIRST ASKED THE ASSEMBLED wealth management experts whether independent firms too often set themselves up as a 'mini' private bank.

Value systems

One panellist replied that each independent firm has its own value system, and each serious firm is founded on different principles.

"The 'old' private bank model is one in which assets were gathered to meet revenue and profit targets, with product sales as the delivery channel. But an independent firm has different priorities and therefore has the flexibility to drive the business towards their vision of wealth management. From our viewpoint, we focus on service and long-term client relationships, we concentrate on in-depth knowledge of the client, and we aim to provide solutions that are tailored precisely to their goals."

ANTHONIA HUI
AL Wealth Partners

ROHIT BHUTA
Crossinvest

Another expert explained that going independent and then behaving like the bank they left is a recipe for disaster. "Behaving like the RM you might have been means setting yourself up for failure. Frankly, the clients might as well stay with the bank if there is no differentiation. In brief, the true difference is that I believe we truly align with the interests of the client and I do not believe the banks can do that as there are too many constituents to satisfy."

"BEHAVING LIKE THE RM YOU MIGHT HAVE BEEN MEANS SETTING YOURSELF UP FOR FAILURE. FRANKLY, THE CLIENTS MIGHT AS WELL STAY WITH THE BANK IF THERE IS NO DIFFERENTIATION."

Careful about the (margin) calls

He added that, for example, his firm does not pursue leverage of client assets as the major banks tend to, sometimes, perhaps usually, very aggressively. "Our clients do not want to receive margin calls, our total client asset base is leveraged less than 1%, so even if the market corrects by 10% our clients will still sleep well and I too, which is a bonus in itself! We get paid only by the client, we do not earn from leverage, which can be highly risky, and we do not have any retrocessions, and if we ever do those are passed directly back to the client."

But, the moderator asked, why does that not translate to more bankers wanting to go independent. "Because of the banks' distribution footprint and their balance sheet strengths, they are able to time the market efficiently," answered one expert. "But we take a medium to long-term view and do not focus on market swings, and RMs who consider joining us need to understand that key difference,

NADAV LEHAVY
SandAire

namely that they are not selling product non-stop, they are more trusted advisers. That, in turn, will generate more clients and better results."

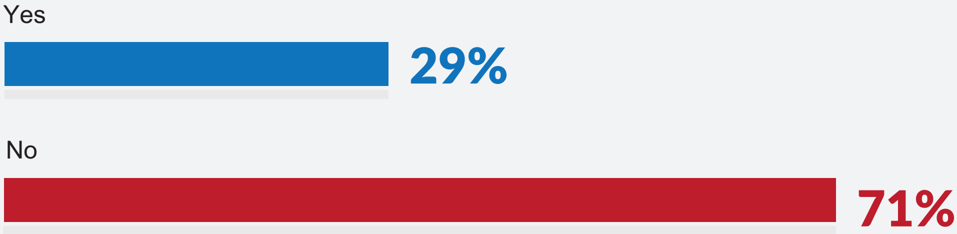
Is advice to be approached with increasing caution?

The moderator also questioned whether advice is a dangerous concept in this world of compliance and forensic data. "I think," replied another panellist, "that banks and also IAMs have to be careful about the advisory model because of cross-border regulations, so at least in our institution we move more towards discretionary management but with great focus, for example, to concentrate specific segments to differentiate from the banks or from other IAMs. For example, the focus could be trade finance, private equity, a specific type of instruments or advice or consolidation of statements for clients like a family office."

He added that partnerships and alliances, especially for small players might be efficient and advantageous. "For example, we are not IT companies, so I think we are trying all the time to find partners with whom we can expand, either in terms of referrals, in terms of technical deliveries, in terms of video conferencing with clients and other areas. But a key to this is finding the mindset, the same values as an institution and similar views on how to build the business."

URS BRUTSCH
HP Wealth Management

DO ALL INDEPENDENT WEALTH MANAGEMENT FIRMS ACT AND BEHAVE IN A TRANSPARENT AND INDEPENDENT WAY?



Source: Hubbis Independent Wealth Management Forum 2018

History and empathy

Another expert explained that his firm's focus is the family office. "We are a family owned business with a 100-year plus history. The first chapter was the founder; the second chapter was the wealth creation in financial services, the family then sold out and focused on diversifying the wealth. So we can offer other multi-generational families empathy, to show that we understand the single-family office concept and the mindset to be a multi-family office. We understand the value of unity within the family, of managing risk and sensible diversification. We spend most of our time on strategic asset allocation, transactions or leverage do not drive us. Everything we do is bespoke."

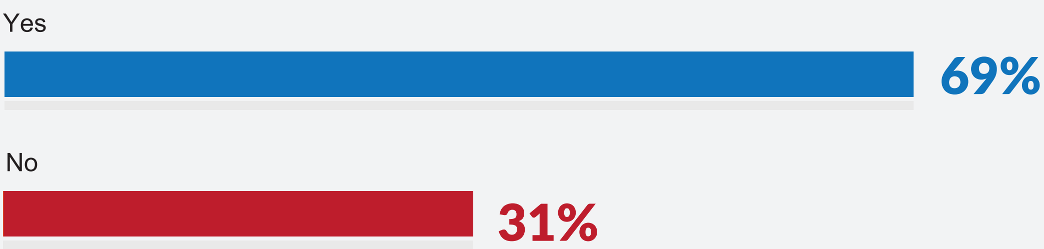
Finding the right fit

Another IAM leader noted: "Building staff is not what we are all about as very seldom do we find RMs from banks aligned with our values. Today, the risk of having the wrong person in your company and bringing the wrong type of clients are so much higher, for example, one might risk losing the licence, or losing client trust. We, therefore, tend to grow and develop in-house, so our people have our vision. So, we have interns, one or more each year. Moreover, we do not pursue growth for growth, for example seeing the arrival of FATCA we dropped about USD150 million in AUM because we felt the clients would not be compliant. It is about quality of clients and being at ease in the new world of compliance."

EVRARD BORDIER
Bordier & Cie

"STRONGEST RELATIONSHIPS, ENDURING CLIENTS, STRONG ADVISORY EXPERTISE ARE ALL ESSENTIAL INGREDIENTS."

DO YOU THINK THE NUMBER OF RMS WORKING FOR INDEPENDENT WEALTH MANAGEMENT FIRMS WILL INCREASE DRAMATICALLY IN THE NEXT 5 YEARS?



Source: Hubbis Independent Wealth Management Forum 2018

The moderator pointed out that some of the more prominent banks have EAM arms. One such representative explained that their growth over several decades was driven by hiring only the most senior bankers with solid books of business. "Strongest relationships, enduring clients, strong advisory expertise are all essential ingredients. Compliance is also a vital area nowadays, to ensure that clients are on-boarded correctly with all the relevant history and information."

OLIVER BALMELLI
EFG Bank

Transparency... really?

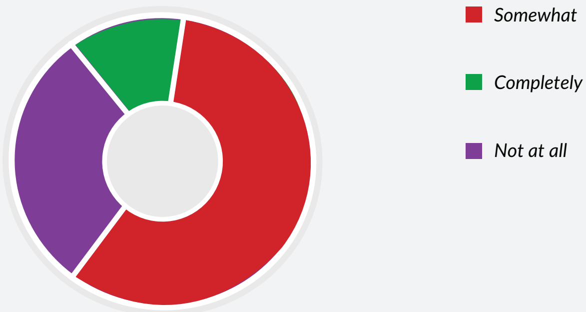
Another expert noted that to be entirely independent his firm had closed down in-house funds. "Transparency and impartiality of advice are vital," he explained. "We negotiate with banks to ensure that the fee that our clients are paying is the lowest possible and this helps us when we have to increase out management fees, our clients understand that we are working for them in a transparent manner."

But the moderator noted that a poll taken at the event showed that 75% of respondents do not believe IAMs are either transparent or independent.

"It is up to the consistency and integrity of the firms," concluded one panellist, "Asia has extremely rapid economic growth and fast-rising numbers of super wealthy people and families, but the penetration rate here for the independent firms is low, so there is education to be conducted to open up this immense world of opportunity to create trust and convert these people to long-term clients." ■

"THE PENETRATION RATE HERE FOR THE INDEPENDENT FIRMS IS LOW, SO THERE IS EDUCATION TO BE CONDUCTED TO OPEN UP THIS IMMENSE WORLD OF OPPORTUNITY TO CREATE TRUST AND CONVERT THESE PEOPLE TO LONG-TERM CLIENTS."

TO WHAT EXTENT DO YOU THINK CLIENTS WOULD UNDERSTAND THE DIFFERENCE BETWEEN AN INDEPENDENT WEALTH MANAGER AND A PRIVATE BANK?



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