

# How Citi is enhancing its advisory offering in Asia

*Paul Hodes explains how Citi is developing its overall proposition for clients in the region, as well as improving the education of staff to drive more needs-based conversations.*

A huge amount of work has been underway behind the scenes within Citi's wealth management business to raise the level of advice it provides for its customers.

"The real differentiation for a client is advice," explains Paul Hodes, head of

The Citi advisory process is leading to strong sales, he says, along with positive client feedback.

"Advice can lead relationships in terms of deepening understanding, and ultimately driving our wealth management business," he adds.

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consumer bank, wealth management in Asia Pacific and EMEA. And under that banner it includes providing analytics on client portfolios and their overall wealth – not only what they have with that institution, but all of it.

## **MORE TANGIBLE**

For the bank's HNW segment, for example, clients now get access to much more in-depth and analytical tools to review their portfolios. This aims to help them to deepen their understanding,



**PAUL HODES**  
Citi

not only their holdings, but also of the extent of the diversification that exists within their investment portfolios, explains Hodes.

## Education a priority

*In line with the commitment to raising the bar on the advisory offering Citi delivers for its clients, Hodes knows this requires an advanced skill-set for his relationship managers (RMs).*

*To deliver on this, in late 2015 the bank launched an exclusive training programme with the Wharton School of the University of Pennsylvania – as part of a global initiative to better educate its front-line staff.*

*The goal is to train 300 to 400 Citi advisers every year for the next three years.*

*The programme begins two months prior to advisers' on-campus training, with a series of webinars and online courses. Following their on-campus experience, advisers participate in two additional months of on-the-job training.*

*The curriculum includes instruction and experiential learning to help participants enhance their business acumen and leadership skills. So, when recommending a product, for example, this should help RMs understand what the academic research is behind it. "When we talk about portfolio or manager selection, about diversification, or about risk versus returns, we try to think about what they really mean," says Hodes.*

*RMs need to go into the process knowing how to calculate or measure this, he adds, so that they will get into a more sophisticated level of conversations with clients to provide ideas to them.*

This also factors in the client's own company to understand whether that's privately or publicly held, and what the correlation is between their business and personal assets, he adds.

For the bank's affluent customer base, meanwhile, the Citigold Diversification Index (CDI) within the Total Wealth Advisor tool is a relatively simple way to help clients understand how well their portfolios are diversified.

client portfolio and what they are holding versus the related model portfolio with selected premier funds."

At the same time, Hodes says the portfolios are back-tested, to understand what core relations may exist.

For example, he explains, clients may have investments in the portfolio that appear to be diversified. But bankers need to determine the extent to which

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The CDI measures portfolios in terms of how they are placed versus the recommended model portfolio and the underlying holdings, says Hodes.

It also tests potential concentration risk – in terms of the extent (or not) to which clients' portfolios are diversified across geographies and sectors, for instance.

This changes the dynamics of the adviser-client conversation markedly. Historically, different bankers may have had different perceptions about an individual portfolio, explains Hodes, creating a very subjective discussion on portfolio diversification. "Now, being able to implement the tool and being able to quantify to a client whether their portfolio is diversified or not, leads to a much richer conversation," he says. "The next step is to take a look at the

they are diversified against some of the client's largest holdings, which might not be held in the bank, like their own company's stock, or their real estate.

"Wealth managers need to understand how the portfolio performs relative to some of [the client's] most important assets," says Hodes.

### **DRIVING DIVERSIFICATION**

These are critical tools for wealth managers, to enable them to be able to work with their clients to reassess goals and risk tolerance, as part of efforts to ensure their portfolios really are suitable.

And against the backdrop of volatile markets for the past 18 months, creating and maintaining consistent, appropriate portfolios is more important than ever.

For almost a year, many clients experiencing such uncertainty have been asking themselves questions like: 'Am I meeting my most important financial goals?' And, 'Is my portfolio really suitable?'

Hodes says it is critical for wealth management providers to be in touch with their clients during such times, to help them reassess their goals and tolerance for risk, review their portfolios, and meet the objectives that clients are comfortable with.

that is being done by taking a more balanced or multi-asset approach.

The volatility in global markets has also led to recommendations by Citi that its clients diversify into some alternatives, with the aim of lower correlations to mainstream equity markets.

This has included hedge funds or liquid alternatives, as well as real estate, private equity and other diversifiers such as gold.

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Specifically, each wealth manager needs to have a clear methodology and framework, to track what clients' have asked for, as well as their performance in respect of these goals, he explains.

Further, institutions should be able to analyse the portfolio and share these insights with their clients.

The practical implementation of such advisory tools is having the desired impact, both in terms of growth in overall AUM and net new money – for deposits and investments – as well as in diversification, notes Hodes.

“We are seeing clients in each one of our segments be much more diversified in their portfolios,” he says, “away from fixed income portfolios.”

He adds that while clients might be growing their equity exposure overall,

This is all the culmination of a three-step process: first, understanding a customer's goals to be able to set up a financial plan; secondly, having an asset allocation that dynamically rebalances; and thirdly, using the engine, which consists of the products that fit into the plan.

#### **ADDING VALUE**

According to Hodes, banks need to create tools to help advisers monitor client portfolios in this way. Plus, they need to ensure their investment specialists work closely with the front-line.

Ultimately, when wealth managers review the models they use to recommend funds, they need to be able to assess whether they have provided incremental value to clients, adds Hodes.

The goal is to give strong and holistic advice, and then be able to track it in good and bad times.

#### **Looking for more from product partners**

*For Citi to be able to deliver on its advisory ambition for its clients, Hodes is looking for a certain level and depth of support from the asset management firms and other product providers the bank partners with.*

*As a starting point, these firms must have people on the ground to support the RMs in local language, with an in-depth understanding of the underlying product.*

*Yet as the markets have matured in Asia, bankers need less support on what the funds are themselves.*

*Instead, they need to know more about how a manager actually differentiates itself from its peers.*

*This might be, for instance, in terms of management style, underlying strategy, execution capability or research.*

“As clients in Asia become more sophisticated and experienced with investing, they are becoming more demanding, but I think that's very good for the industry,” adds Hodes.

“The key [for advisers] is to be able to make the transition from product sales to real advisory, to be able to understand clients' needs and then build financial plans around them, and help those clients understand on a day-to-day basis how they are doing against their most important goals.” ■