

# How to have more meaningful conversations with clients

**Shrikant Bhat, Managing Director and Regional Head of Investments at Citi, speaks to Hubbis about how his bank guides focused, meaningful conversations with clients with theme-based investment strategies calibrated to market outlooks and world events. Bhat believes that there are two fundamental factors that are the most crucial in helping clients make the right investment decisions: keeping emotions out of investing, and bearing primary goals in mind.**

## Executive summary

Shrikant Bhat, Singapore-based Managing Director and Regional Head of Investments at Citi says that uncertainty, volatility and risks are always "a given" in the investment business, and this is why Citi bankers rely on conversations with clients, rather than timing, to structure portfolio debuts. He describes how Citi's theme-based investment strategies are based on market forecasts, and are calibrated according to whether these forecasts are on track or not. Bhat identifies two factors that are the most important in helping clients make the right investment decisions: keeping emotions out of investing, and bearing primary goals in mind. He believes Citi's unique selling proposition and his responsibility towards his customers are based on three fundamental elements: having products which meet customers' needs, a seamless process of delivering those products, and having good governance around them to manage the entire value proposition well. Citi's global size and reach, and its length and depth of experience, enables it to deliver these outcomes to its customers.



**S**HRIKANT BHAT, MANAGING DIRECTOR AND REGIONAL HEAD OF INVESTMENTS AT CITI,

points out that periods of uncertainty, volatility and risks are always “a given” in the investment business. He says this is why, within Citi, portfolio debuts are embedded within discussions with clients, rather than as a matter of timing.

“Our bankers have always met with their customers at a certain frequency,” he says, “And that frequency is defined based on the customer segment; whether these are high-touch customers or customers who prefer to operate at a different pace. But we always engage with the customers, even when the markets are good.”

When the markets are good, he adds, “We talk about what the focus will be for the time ahead. Are portfolios now looking overweight on certain asset classes which have performed well? If this is the case, we rebalance them out.”

When markets are not doing very well, he says, then it is a time to relook at portfolios and see how they can be repositioned, and ascertain whether there is still too much risk on the table.



SHRIKANT BHAT  
Citi

### Key Priorities

Digitalisation in the banking sphere has led to the enhancement of the customer experience. However, Bhat believes it is beyond this that the true value of digitalisation lies: freeing up relationship managers' time and enabling them to focus on better engagement with customers. And it is this customer engagement that is a current priority at Citi.

"Given that investment banking is a fairly regulated activity, there are whole sets of suitability assessments, et cetera, that the banker needs to be aware of, and needs to embed into the flow as a part of his sales procedure," he explains.

"In the world that exists now, a lot of these procedures are carried out manually, which takes away from time you can spend engaging with customers. We are looking at how we can embed some of these into the tools and procedures into the digital flow."

"For instance, when talking to a customer, I don't have to worry if I am doing the right checks, because the system would help me to get the information I need to engage with them," he explains. "So it would tell me, for example, that the customer has a preference for only two currencies, and I have captured that as a part of my flow. I am aware of the customer's portfolio concentration, I am aware that he or she already has a 30 percent concentration in a certain sector, or a certain asset class, which enables me to make my advisory richer."

"More importantly, I don't have to do a lot of work after I go back to the office," he adds. "There might even be a few things I need to go back and recheck, or tell the customer " there are a few more things I need to know, " and possibly bother them about. This happens in the real world, and we are thinking about how we can improve that customer experience and have a better flow with digitalisation. I think we have made significant progress on that."

Bhat also believes that multi-asset classes of products should be part of its customers' core portfolio, and he is making this another priority. "To keep broad-basing the core offering and the core sector that the customer manages, in multiple ways: at the simplest it could be a fund of funds, and at a more complex level it could be a discretionary fund, or a multi-asset portfolio, or funds managed externally through separately managed accounts. It could be a multiplicity of these solutions."

"Customers can only do so much to be proactive in managing their portfolios in terms of buying, selling and managing their risks. Very few customers are awake late at night buying and selling through events that occur in another part of the world," he points out. "So this is best done by leaving the portfolio with active managers who do this for a living, who can execute strategies much faster and much more efficiently to get the outcomes."

"The customer can then focus on more tactical plays, because their core offerings are being solidly managed by an excellent manager."

“For example, if the US markets are doing really well from a valuation standpoint vis-à-vis the emerging markets, and a portfolio has performed very well in this instance, it may be an opportune time to take some profits on the US markets.”

Conversely, he adds, at a time when the emerging markets are not doing very well, and a portfolio percentage allocation for these markets is below average, “It may actually be a good time to take some profits from other portfolios and put it back here, because we are looking at it from a long-term, and not from an immediate trading standpoint,” he says.

“For trading relationships, you can go with the flow and the momentum, use the technicals. But with a core portfolio, we probably need to take a slightly longer, a more multi-point of view and decide what the allocations need to be.”

“These are the kinds of conversations we have with clients.”

### **Theme-based strategies**

To guide this kind of thinking, Citi identifies its strategies at the beginning of each year, predicated on the market outlook at the time. Then, in the middle of each year, these strategies are recalibrated based on whether those forecasts at the beginning of the year were on track or not. If they were not, the strategies are adjusted according to the events of the preceding six months.

Alongside this, Bhat explains, Citi sets quarterly themes, which are aligned with the overarching macro theme for the year. Citi bankers use those themes as guidelines to meaningful conversations with their customers. “So we tend to be a little more focused

### **Getting Personal**

Bombay-born Shrikant Bhat is a veteran banker with more than 22 years of experience in the industry. Since January 2016, he has been Managing Director and Regional Head for investment products for Citi across the Asia-Pacific and EMEA markets, responsible for growing the bank’s investment business and serving its emerging affluent, affluent and high net worth clients in these regions.

Prior to this role, he was with Citibank Singapore as its Head of Wealth Management, which includes investments, treasury, deposits, brokerage and bancassurance, as well as advisory and research.

Bhat was educated at the University of Mumbai and the Indian Institute of Management in Calcutta. He holds a BE in Electronics and an MBA in Finance and Marketing. He began his career with Citi in 1996 in his hometown, setting up "very basic credit card facilities" and selling credit cards across the western region of India.

In 2001, he moved to Singapore with Citi in the role of Products and Treasury Director, and since then has held key roles within the bank.

As a well respected authority on regional and global economic and investment trends, Bhat is often invited by TV channel CNBC to discuss current industry and other issues. During his free time, he enjoys adventure sports such as bungee jumping, SCUBA diving and skydiving, which he says is "in keeping with the investment risks I like to take". Married with a son who is in his twenties, he also enjoys semi-classical Indian singing, and occasionally performs at cultural events.

A keen cricketer, he names superstar batsman and Indian national captain Virat Kohli as his current favourite player.

Bhat has also played cricket for the Citi team in the Singaporean divisional league because, according to him, "You can't be Indian and not play cricket."

in terms of what those conversations should look like.”

He provides an example. “At the beginning of the year, we went in with the view that economic growth in the emerging markets looked really strong. We also had the view that technology-themed investments looked like they were going to be multi-year ones, based on productivity, and the fact that technology was getting embedded in the strategies of most compa-

nies. Additionally, we said that central banks were tightening policies, and we predicted that balance sheet shrinkage was going to cause some volatility in the months ahead. We saw some level of action happening due to the retraction of liquidity from the market.”

At that point, nobody had predicted a trade war happening in quarter one,” Bhat says, referring to the outbreak in January 2018 of the spat between the US

and China, during which both countries imposed new tariffs on goods traded with the other. “That infused a new set of variables into the equation.”

“So, when we did our review in the middle of this year, we recalibrated according to how the trade war affected the market outlook. By then, the emerging markets had already begun to sell off, significantly,” he adds. “We had seen the risks playing out a little more in Turkey, South Africa and the likes. We looked at that, and we recalibrated our views to that.”

“Now, when we look at quarter four, we are being more specific along those themes, in terms of what we should be doing. So that is how we guide our bankers in managing conversations with clients.”

## “Based on what our view for the quarter is, we decide what the themes are going to be.”

### How to refocus

On whether clients tend to follow advice, Bhat says that there are two factors that are the most important in helping clients make the right investment decisions: keeping emotions out of investing, and bearing primary goals in mind.

He believes that at times like these, it is critical to remind clients to keep emotional elements out of investing. “Emotions tend to give you biases: a too-positive bias when the markets are doing well, and a too-negative bias when markets are not doing too well. I think keeping emotions out of it is one of the key things that one needs to practice when investing.”

The other factor that is useful for refocusing, he adds, is to “always go



back to what your primary goal is.”

“It is very often quite exciting to see portfolio segments that are doing really well. Sometimes there is that temptation to put a lot of eggs in that basket, because you think you can ride that wave and get that benefit. But there is always that

element of risk to doing that.”

“So it is really important to go back to what your primary goal was, and to see whether you are in line with that goal, rather than to try and chase the market for the absolute return that you think you could make.”

### Changing product offerings

Citi’s product offerings are changing, Bhat says, and these offerings emanate from the themes for the year. He reiterates: “Based on what our view for the quarter is, we decide what the themes are going to be.”

“So, for instance, we believe that yields are doing well and rising, which can help buttress portfolios when markets are volatile.

The central bank policies which have led to a retraction of liquidity, added to the stress we are seeing in the markets, are causing yields to move higher. We have investment-grade yields now at seven to eight-year highs.”

“One way to look at this is to go, oh, bond prices are getting beaten,” he says. “The other way to look at it is, if I had some fresh dollars, is this the right time to put them in? These are the kinds of opportunities we want to keep highlighting to our customers during times like these. To look at where they could reinvest their money, lock in those yields.”

### Responsibilities towards the client

Citibank was one of the first four foreign banks in Singapore to be awarded a Qualifying Full Bank (QFB) license by the Monetary Authority of Singapore under its programme which encourages foreign banks to deepen their roots in Singapore. QFBs have greater access to the local retail market and greater branching privileges than

other foreign banks, and can offer a wider range of products and services to both its retail and corporate customers.

Citi offers time deposits, global foreign currency accounts, managed funds, brokerage and other investment advisory to its clients via its Citigold, Citigold Private Clients and International Private Banking (IPB) services.

Bhat is regularly invited to speak at market outlook seminars both in Singapore and at overseas destinations, and Citi customers are often invited to attend.

He believes that Citi's unique selling proposition and its responsibility to its clients are based on several intrinsic factors.

"If I may put it very simplistically, the fundamental thing of course, is to ask what the customer wants," he says. "Obviously, he is looking for returns, which is why he is willing to take some element of risk to get those returns. Beyond that, however, is to ask how that investment will play a role in the customer's own life cycle, what exactly the needs are that those returns are supposed to meet - is he planning for retirement? Is he planning for his son's education? Knowing that is critical."

Linked to this knowledge is the product value proposition for the customer, and it is here that Bhat sees the first part of his responsibility to his clients - making sure he has the right products to meet those needs.

The second, he says, is the process of delivering those products, in particular to the bank's retail customers. "In our world, the process is almost as important as the product, which do tend to get

commoditised to an extent. So it is critical that the process of delivering those products is seamless, something which engages the customers, is educational and, of course, error-free."

"The third factor is the governance around the products and the process," he says. "It is making sure we have the right guardrails, the right cadence and operating rhythm to manage the entire value proposition very soundly."

He elaborates: "For instance, do we have ways of informing customers in a timely manner when an exceptional event occurs, so that they can then take action on what they need to do. For example, before Brexit results were announced, the team had already worked to form strate-

gies for clients dependent on the outcome of the results. As soon as the results were out, product strategies were implemented to update their clients and position their portfolios accordingly. Other concerns that we consider include: Do we have a way of informing customers about their P&L, whether they are making profit, whether they aren't making profits, and what are the attributes of this? Do they see any concentrations on their portfolios?"

Bhat stresses the importance of good governance over the bank's product offerings and the process of delivering those products to the customer. "Do we have the right controls over

whether the bankers are doing the right thing? Do they have any gaps in their understanding that we need to address?"

"So these are the three elements that constitute the fundamentals of our bank's USP and its responsibilities towards our customers. The products, the process, and having good governance around them."

### **Leveraging a global reach**

Bhat believes that it is Citi's global size and scale which allows it to deliver these outcomes to the customer. It is able to leverage this globality to get great partners and offer a solid product value proposition, and to ensure that there is good governance around it.

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"That wealth of experience that we can bring is pretty unique. We make sure that we are using our brand fully to get those products out to our customers, to use the procedures that we learned from the corporate world to implement fairly industrial processes for our customers. Many local banks would probably not have the kind of access that we do."

He concludes: "It is the depth and length of experience and sheer number of economic cycles that the bank has seen that enables Citi to tell customers: listen, we believe that this cycle is at this stage, and that over a longer period, this is going to happen. We've seen this. We've been there." ■