# HOW TO MAKE ASSETS STICKIER

INCREASING THE RELEVANCE OF ITS OFFERING TO EACH CLIENT IS KEY IF STANDARD CHARTERED BANK IS TO DELIVER CONTEXTUALISED SOLUTIONS WHICH MEET BEHAVIOURAL NEEDS - AND HOPEFULLY BREED LONGER-TERM INVESTING SUCCESS, SAYS ALEXIS CALLA, GLOBAL HEAD OF INVESTMENT ADVISORY & STRATEGY, GROUP WEALTH MANAGEMENT.

Getting investors to adopt long-term mind-sets is touted as the "holy grail" in Asian wealth management.

For the first-generation of Asia's wealthy, they built their capital by focusing on their own businesses, reinvesting into them since this provided better returns than most asset classes. Any spare cash largely went into buying property, as a secure and tangible option. Plus, limited local options and restrictions in many economies against investing overseas left few alternatives.

These entrepreneurs prospered by being agile and opportunistic. "They took on very concentrated risks rather than accepting lower but more stable returns through diversification," says Alexis Calla, global head of investment advisory & strategy, group wealth management, Standard Chartered Bank.

However, changes underway might force a gradual shift in the mind-set of Asia's affluent towards a longer-term investment approach.

The next generation, for example, is likely to have a very different view of the world. "For one, they are likely to be keener on capital preservation," says Calla. "They also have far more investment choices, and the rapid economic development across Asia over the past two decades has reduced volatility and risk."

Further drivers include Asia's relatively low inflation and interest rates in recent years, which will help facilitate a move towards longer-term investment. And as large, relatively closed economies such as China, India and Indonesia open up and deepen domestic capital markets, investment opportunities are set for further growth.

Despite expectations of successive generations to keep generating the high returns of the past, achieving it will become difficult as economies mature.

Thus, diversification and buy-and-hold strategies will become even more relevant to preserving wealth.

"It's not about trying to beat any particular market," explains Calla. "It's more about capturing as many sources of returns from diverse markets. This approach is going to be a paradigm shift for a whole generation of affluent investors across Asia."

Yet making client assets stickier isn't just about the long term. Investors have a combination of short-, medium- and long-term needs, says Calla.

Alexis Calla
Standard Chartered Bank

The key, he insists, is to move away from frequent efforts to provide one-size-fits-all solutions, and instead incorporate more behavioural knowledge to become a lot more relevant to each client.

## WORKING WITH EMOTIONS

Stickier assets are more likely to come from accepting the inevitable emotions and behavioural biases of investors, and helping them adapt – rather than trying to fight to change them.

This also recognises the fact that sustainable portfolios are a symptom of looking beyond only the financial needs of the investor, to incorporate their behaviours, and in many cases, their experience and emotions.

Ultimately, it is about being more relevant to a client. The rationale is that it is better for the overall relationship to be flexible and work with a client to find a product which they are comfortable with, rather than forcing them into something they're not.

This requires a look at their historical experiences, an understanding of their risk appetite, and an effort to try to put them in something appealing to them. "Rather than simply taking an all-or-nothing approach, I see gamma, as in $\alpha+\beta+\gamma$, as the way forward to meet a client's behavioural needs and ensure contextual investing," explains Calla. "This is where we as a distributor are trying to focus."

## ADVISORY PRIORITIES

For Calla, there are three main drivers for how he is looking to further develop and position the bank's investment advisory proposition along these lines.

The first of these is to institutionalise the offering. In short, this means ensuring that every client, he explains, regardless of their location, gets access to the best of what the organisation has to offer.

That requires a continual effort to align people and products, combined with an investment in technology to deliver best-of-breed. "We need to make sure we are tapping all our resources and sources of expertise, and not just taking a top-down view," he says.

Secondly, and building on this consistency of delivery, is creating solutions which are relevant to each client. "Just because we might have a view on the US equity markets, this will mean different things to different people, depending on their portfolio, strategy and interest," says Calla. "So we need to communicate in more relevant ways."

The third area of focus is how to become broader based in the way the bank delivers its offering, so that this happens in a way and at a time which is most convenient for clients.

"As we do that, we can build a better understanding of clients and trust."

## MORE RELEVANCE IN DUE DILIGENCE

An important building block in delivering on the advisory promise that Calla is striving to make to clients is the bank's fund selection process.

The goal is to create investor satisfaction by making advice relevant, as much from the client's behavioural as financial point of view. "We do not only try to go for the fund which we think will offer the best alpha," adds Calla, "but one which is also the most appealing and relevant to an individual client so that it will fit into their portfolio."

From a resourcing perspective, this means avoiding a silo approach. Standard Chartered has achieved this as part of its group reorganisation in April 2014. It now has a single global wealth management unit across the bank, serviced by product specialists in a central location, Singapore, as well as local country specialists in its footprint markets. The wealth management unit services all of the bank's client segments, including retail, private banking and commercial.

From a product perspective, being relevant requires a variety of funds to be on the shelf. This includes new products – not just those with a three-year track record – to give clients the option to take a view if they want to.

"We are trying to be more flexible [in our product selection process]," explains Calla, "avoiding processes which have too many constraints that would leave us with only a very small sample of funds and therefore not really able to deliver what clients want or need."

## MAKING MEANING OUT OF DIGITAL

The availability of technology and more data plays a key role in helping to understand clients better, plus it makes conversations more personal.

Yet achieving his objectives requires Calla to look beyond merely using emerging technologies such as digital tools and social media for the sake of it. "Technology without relevance won't take us anywhere," he says. "We need to do more than that – and that is what we are focusing on."

With clients all of a sudden empowered in terms of the ways in which they access and share information, institutions which want to add value must now focus on the context of the information and advice they provide.

This bodes well for banks like Standard Chartered, says Calla – essentially those with a long track record and people who have been doing that for a long time and through market cycles. "It also plays to our strengths in terms of the way we organise ourselves as a single team globally." ■