

HP Wealth Management takes holistic view to client assignments

Singapore-based independent asset management firm HP Wealth Management has since 2009 built its business on the firm foundations of an empathetic focus on client needs, independence of thought and advice, and agnosticism regarding products or structures. Urs Brutsch, founder and managing partner, sat down with Hubbis to discuss his vision for the firm.



Executive summary

Almost a decade since managing partner Urs Brutsch founded the independent asset management firm HP Wealth Management, the firm has established itself as one of Singapore's standout independent advisory firms. The choice of Singapore was ideal as the island republic's politicians and regulators have been at the cutting edge of building the country's financial and wealth services infrastructure.

HP Wealth Management today offers discretionary and advisory portfolio management to Asia's high net worth individuals and since 2012 also to family offices. The firm has expanded its capabilities in private markets as well, and more recently boosted its structuring expertise with a high-profile hire in March.

Brutsch met with Hubbis to define his core values, to explain how HP Wealth Management has expanded true to those principles, and what is next for the firm. Expansion for independent firms is never a simple task, as Brutsch and colleagues seek out the best expertise and people who can rapidly scale up the firm's offering.



IT IS ALMOST A DECADE SINCE Brutsch set out on the adventure to create HP Wealth Management (HP Wealth) as one of the early independent asset manager (IAM) firms in what has become Singapore's flourishing wealth management hub. The concept was to create a firm that focused intensely on client needs for discretionary and advisory portfolios on a segregated basis, away from the private banks that would traditionally have handled these areas.

A clear vision

"We did not try to separate the client from their custodian banks," Brutsch explained.

"The idea was to keep the assets with those banks - this is where most clients felt comfortable - but for us to be appointed to manage, or advise on, the client portfolios. We institute a limited power of attorney, so we can interact with the bank on behalf of the clients and transact as either we decide on a discretionary basis or as we agree on an advisory basis."

Brutsch noted that from the outset HP Wealth Management would be paid by the clients, not by the banks.

"The model was that we took over the negotiation of fees with the banks for the clients, in order to obtain the best deals, and we would then layer on top our DPM or advisory fees so that the overall cost to the client was at or below what they previously paid. This approach has served us well and allowed us to avoid the nuisance and lack of transparency of retrocessions or other opaque deals." Brutsch explained that the firm eschews performance fees because they may encourage the advisory firm to take more risk than advisable. "Our clients know

where they stand with us, they know we are always actively negotiating the lowest possible fee for the client with the banks and they know our advisory fee or investment management fee. Overall, it probably comes to about 1% to 1.2% and there are then no other surprises for the clients."

A question Brutsch has thus far never heard from a single client is to ask which class of mutual funds HP Wealth accesses for them, for example. "Unlike the banks who usually chase the highest fees, we always seek out the best deals for our clients, so in the mutual fund space, we always go for the institutional class with lower fees. So often we hear that the clients had never before known that this was an option."

Transparency and independence

Transparency throughout the whole process of working with clients is essential to HP Wealth's success as an IAM.

"Today, we are 16 people and we have also diversified into the family office space since 2012. I now anticipate we can grow to 20 or 25 people and to achieve that we have stuck firmly from the outset to our credo of transparency and independence from any allegiance to particular products, assets, brands or structures."

Brutsch believes HP Wealth has carved out an excellent niche where the firm does not compete head-on with the banks. "Most clients will not trust their bank or banks with all the information on their portfolios," he said. "They prefer the model of keeping those assets secure with the banks and then working with us on the formulation and management of strategic asset allocation, with regular tactical adjustments for the client."

Getting Personal

Urs Brutsch, founder and managing partner of HP Wealth Management, has an interesting history in the wealth management industry. After a number of assignments in various departments of Credit Suisse in Schaffhausen and Geneva, graduated with a federal diploma in banking studies in 1986. In December 1986 he moved to Singapore and held various positions in Credit Suisse Private Banking, including Branch Manager and Head of South East Asia. From 1999 to 2004 he headed the Private Banking activities of ABN AMRO in Asia and the Middle East, including a global responsibility for clients from 2003 onwards.

In 2004 he joined Clariden Bank, a subsidiary of Credit Suisse to set up a booking centre in Singapore and to expand the business across Asia. His last position was Head of Asia Pacific and Branch Manager for Clariden Leu Singapore.

In June 2009, he founded Hoffmann & Partners Wealth Management Singapore Pte Ltd which subsequently changed its name to HP Wealth Management (S) Pte Ltd.

Urs is a founding member of the Association of Independent Asset Managers (AIAM) and has served on the committee.



URS BRUTSCH
HP Wealth Management

Family adventures

HP Wealth ventured into the family office space in 2012, focusing on the aggregation of assets. Those assets, Brutsch noted, might include liquid assets, but even business assets, collectables, everything bankable and non-bankable. “The family office space was a natural extension for us,” he explained, “and fits our

independence model and credo. We stand in the centre for these clients, we get all the transactions, all the statements from all the banks the client has and centralise that information here in our systems. We can then generate a set of reports which show a client their total position, which can then be updated very regularly. It is a powerful tool for families to objectively see their position holistically, and with our advisory expertise overlaid to enhance their security or their returns, or both.”

The family office space is characterised by differentiation. “Every family office is different in almost every facet, whether it is their reporting requirements, location, the banks they work with. We generally consolidate the family office positions to allow for all the investment recommendations to come through us. We then check if those fit into the strategic asset allocation that we have helped them devise. Accordingly, we can go to

the client and say we can do this or not do that, with a clear and defined reasoning for each decision. Then we consolidate and report back to the client every month.”

A glance through some of HP Wealth’s recent presentations for HNWI’s and for family offices underlines how methodical and insightful HP Wealth is in its analysis of portfolio strategies.

Sticking to agreed targets

“We strive to achieve the targets that we have agreed upon with clients,” Brutsch elucidated, “and we never do anything driven by revenue consideration because we do not have any incentive to do so. Our mission is simply to perform well for the client. As we expand largely through referrals from our clients, we must perform, and we must be seen to act with pure impartiality.”

Brutsch reiterated that HP Wealth is product or brand agnostic, although the firm does

have its likes, especially value, and its dislikes, such as leverage or highly complex structures products. “You might say we are rather old-fashioned in that sense; we like traditional mainstream asset classes, as well as traditional alternative investments.

He explained that HP Wealth has clearly defined approaches to investments and portfolio construction. “We are highly disciplined in the way we oversee discretionary and advisory portfolios. The firm’s investment committee, chaired by our CIO, meets regularly to determine the strategic and tactical asset allocation. To ensure the right risk

on achieving the goals we agree with them. We are not perfect, but our clients soon understand that we are objective throughout and committed to their cause.” Brutsch noted that the private markets practice will soon expand with the addition of a second specialist.

This space includes private equity, private debt, and private real estate. “This is an excellent adjunct to our business, as it takes us into a new realm away from the public markets to further expand our range of offerings for certain clients,” he said.

“Over time, private markets perform better than the public markets, but of course there is the

“The one unifying characteristic of our team is that we have the same vision of dedication to client needs and an almost forensic focus on achieving the goals we agree with them.”

controls, the firm also involves two independent people, with compliance and risk management checking on the execution of the mandates within the risk profiles.”

Aside from Brutsch, the HP Wealth team of 16 comprises three senior relationship managers, three investment experts, risk analysts, and of course compliance and operations staff. There is also one investment professional dedicated to the private markets, meaning private equity and private debt.

Committed to the client’s cause

“The one unifying characteristic of our team is that we have the same vision of dedication to client needs and an almost forensic focus

liquidity factor and not everybody wants to tie up capital for five to seven years.”

Private ventures and longer-term horizons

He explained that HP Wealth’s private asset business mostly centres around direct access co-investments in a business or project, alongside a lead investor, which is often one of the big name, private equity or global asset management firms. “We come on behalf of our clients as a co-investor, but we never take more than a 20% position in any opportunity.”

HP Wealth targets investment opportunities in business sectors the firm understands. “We then conduct our own due diligence,

Key Priorities

Staying true to the firm’s founding principles to achieve an in-depth understanding of client needs and to service those clients with integrity and independence of advice and action.

Scaling the HNWI discretionary and advisory offerings by the hiring of new RMs and other experts who can bring on board clients with a critical mass of assets and who can significantly add to the firm’s expertise and capabilities.

Further expanding the family offices segment through the addition of several large family offices and maintaining HP Wealth Management’s objectivity to enhance the returns and the structures for those family offices. Winning more structuring mandates with clients, following the addition to the firm of Mark Smallwood, a well-known expert in the field of structuring for HNWIs and family offices.

With the existing management team, building the firm up to 25 team members and at the same time keeping an eye out for a partner that could work with the firm to further expand the firm’s capabilities in the longer-term.

although obviously not to the same extent as the lead investor

has already done. So far, among other investments, we have gone into an IT company in the US, an entertainment business in Asia, and we review and consider a diverse range of opportunities.”

The appeal to clients of HP Wealth’s private asset services is both performance and transparency. “Some of the big-name asset managers push out a new fund each year promising high returns and so often our clients tell us

ery six to 12 months, whereas our clients like to know exactly what they are buying and enjoy regular updates on progress.”

Controlling their destiny

Brutsch noted that having bought out a minority shareholder last year, the company is totally in control of its destiny. “Our growth path is not towards 60 people, but we would like to think we can grow as we are to 20 or 25 strong,

with people that bring their own impetus. And if the right partner came along to work with us even more actively towards our targets, then we would be receptive to that.” A major hiring coup for HP Wealth came in March when former Deutsche Bank Managing Director, Mark Smallwood, joined to boost the firm’s wealth structuring capabilities.

“Our business model is built on an intimate understanding of client needs, and Mark is really strengthening our offering. He takes a genuinely holistic approach to wealth management, combining wealth structuring and asset management - without any conflicts of interest. His experience and confidence are immense; all this fits neatly with our expansion strategy.”

There are risks in leaving private banks, but the type of individuals who come to us find freedom and interest as well as financial reward.

that those returns are seldom if ever achieved,” Brutsch reported. “Secondly, one does not know what those asset management firms are doing with the client’s money, until they report back ev-

But we must bring only experts who can make a critical difference to our business and who can hit the floor running, as we do not have the time or inclination to train people up. We want to grow

Structuring based on understanding

Brutsch explained that Smallwood’s strategy is to listen and learn, not immediately advise



The HP Wealth Management Pte Ltd team (left to right): Michael Foo (Chief Investment Officer and Partner), Stephane Schmid (Partner), Urs Brutsch (Managing Partner and Founder).



and devise solutions. “He aims to draw out a deep understanding of a client’s position and then to analyse exactly where structures can be enhanced, modified, or added to. So, for example, some of our best clients might share with him their entire structure, their goals, investment drivers, succession planning, beneficiaries, governance and so forth. Mark will then look at this big picture, take it apart piece by piece, and then propose to the clients where things might be improved.”

Brutsch noted that the client can then decide if they agree on all or some of these recommendations.

“Mark’s structuring expertise and long experience is invaluable, as structures are still very impor-

tant for Asia’s HNWIs and family offices today,” he observed.

Staying relevant

Brutsch maintained that the expansion to family offices, private assets and enhancing the firm’s structuring expertise are all building blocks that keep the firm relevant. “IAMS such as us must be agile and keep adding to their niches, we must continually refine our offerings in order to add value to the clients.”

HP Wealth is on the lookout for new RMs to join the firm, but Brutsch knows this is not easy. “We believe we are better, different, our team is incredibly experienced, and we are careful in who joins us. Our four RMs each have on average 25 years of experience

each in the market. If we add RMs we are seeking confident, self-managing professionals who can bring a portfolio of US\$200 million or more to the firm.”

Brutsch is aware that HP Wealth, like other IAMs, needs to better market its advantages to potential hires. “There are so many advantages of working with an IAM such as ours,” he maintained. “Our business model is built on an intimate understanding of client needs, and those who join us must share in this vision. There are risks in leaving private banks, but the type of individuals who come to us find freedom and interest as well as financial reward. And for our clients as well as for HP Wealth Management, this is a win-win situation.” ■