

# Hywin International's CEO on Building the China-centric Offering Onshore and Offshore

Nick Xiao is CEO of the Hong Kong operations of China's Hywin Wealth, where he is also in charge of overseas business. Hywin is dedicated to serving High-Net-Worth families in Greater China and beyond, across HNW clients' lifecycle and across onshore-offshore. Hywin Wealth boasts more than 1,600 relationship managers, mostly in Mainland China, serving over 110,000 wealthy clients globally. We were pleased to welcome Nick as one of our panel of experts at our June 17 Wealth Management Leaders in Asia Digital Dialogue to add his perspectives on the evolution of the private banking and independent wealth management models in the region, offering his particular expertise on Greater China. We have summarised some of his very valuable insights in this short report.



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**NICK XIAO**

Hywin International

**Hywin Wealth was** founded in Shanghai in 2006 and is today a leading independent wealth management institution in Greater China, with 169 business locations and more than 2,200 employees as of June 2020. Hywin Wealth listed on Nasdaq in March 2021 and trades under “NASDAQ: HYW”.

Hywin International's services include EAM, investment advisory, discretionary portfolio management, funds, and family advisory, provided through Hywin Asset Management (Hong Kong) Limited and Hywin International Insurance Broker Limited (HIIB).

### **Your partner for China and beyond**

In earlier interviews Nick conducted with Hubbis, he had explained to us that Hywin Wealth is a leading independent wealth manager in Greater China and a partner of the Hong Kong SAR Government in its initiative to nurture Hong Kong as the hub for global family offices.

He had remarked that Chinese private wealth has been expanding at a phenomenal rate, and as Chinese High-Net-Worth Individuals (HNWIs) and the ultra-wealthy

families globalise their investment portfolios, their footprint, and also their lifestyles, Hywin aims to be there to cater to their needs and expectations. China's wealth is relatively young, and so many of these younger generation clients are leading the way to the future, he had observed.

### **The Chinese private wealth bull market**

China's private wealth market is now, in fact, the second-largest globally and very soon will become the largest, Nick reckons, predicting that Chinese private wealth will be the single largest bull market for global financial institutions in the next decade.

**“As a high-growth MFO,” he explained, “we can pick and choose from the best available in the international markets to offer the best opportunities to our clients.”**

He explained that Hywin Wealth is led by their CEO Madame Wang Dian, who is one of the leading figures shaping China's wealth management industry. Her philanthropic passions and cultural pursuits also set the benchmark for China's entrepreneurial classes, Nick reported.

### **Chinese clients and their gravitation towards quality brands**

Addressing the question of winning clients and winning a larger share of wallet from existing clients, Nick told delegates attending the June 17 event that in the onshore China market, clients have been rapidly consolidating their assets and their portfolios with the biggest, strongest players, with those players then able more easily to retain or hire the best

talent. “However, at the same time, clients are telling us FinTechs are busy disrupting the market tremendously wherever they can, in the onshore as well as the offshore space.”

### **But threats abound from ‘nifty’ new entrants**

He offered the example of the wealth managers and private banks having spent a lot of time and effort educating clients about the beauty of ETFs, the value of passive low-cost investing, but at the same time focus on thematic funds.

“A client then came to me and showed me an app that allowed them to pick any index in the

market,” he told delegates on June 17. “And incredibly, at one tap, you can then have that index replicated in the app, and then there are further clicks to allow them to choose from up to 15 factors to then deploy as an overlay of smart beta. And suddenly, the app creates a tailored ETF just for you! So, not only are FinTechs beginning to eat the lunch of the active players, the mutual fund companies, but the very smart FinTech players are now eating the lunch of some of the ETF players. We must be constantly vigilant of the competition out there and digital advances.”

### **Leveraging skills, professionalism and differentiation**

When asked whether private banks were becoming more



homogeneous and winner-takes-all, Nick commented, “each of the major players out there has a different proposition and skillset, so for example, one might be best at credit, another best at Greater China equities, another might be the best at offering secondary blocks, and so forth.”

### Good judgement is vital

“In other words,” he observed, “we as wealth managers should be even more curious, even more logically consistent, and spend even more time on refining our skills, and certainly exercise good judgement – we should be the

**“It is quite awesome,” he said, “as these big beasts have trillions of AUM, and hundreds of thousands of clients. They are leveraging the foreign partners’ knowhow and credibility, and aggressively migrate client assets from shadow banking to NAV-based products, while keeping costs down and adding value throughout. So, it is certainly becoming a tougher market out there.”**

“As a high-growth MFO,” he explained, “we can pick and choose from the best available in the international markets to offer the best opportunities to our clients.”

Nick also offered his view on the private banking profession, remarking that there is essentially no definitive right or wrong in the wealth business. “It is down to being utterly professional, giving it your best shot for clients,” he observed. “We are lucky in that the wealth management sector still has the margin for error and the chance for constant improvement, and, as our CEO said recently, we should actually embrace ambiguity and uncertainty and be prepared to be judged by our courage, robustness, resourcefulness and the logical consistency in analysing, addressing and providing solutions for clients in the context of a fluid global economy and a challenging global financial market.”

stability in motion, the guardian of intellectual honesty.”

### Where giants walk

He added further insight, explaining that in the China onshore wealth management space, he is witnessing a trend Hywin calls the ‘Awakening of the Giants’, which involves the biggest and gigantic commercial banks - Bank of China, China Construction Bank, China Merchants, and others - joining hands with names such as Amundi, BlackRock, Goldman Sachs, and other global names, to bring organisation and science into the professionalisation of such commercial banks’ wealth management divisions.

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Nick added that the China market is indeed very tough, very much, he said, like the US market in 1980s or 1990s. “So many foreign firms have gone in, failed, retreated, and then if they try again, they must try much harder,” he reported.

### Leveraging expertise and reach

But for Hywin, he reported, the firm is well established, with a strong brand and extensive presence. Indeed, Hywin prides itself on its local knowledge and expertise. In fact, in a recent interview, Nick had explained how Hywin is working within the evolutionary trend of private wealth shifting from a ‘rags to riches’ story in the past half-century to a story of ‘riches to

values’, especially amongst the younger generations of the affluent classes.

Armed with its insights and vision, Hywin, he reported, can compete effectively and successfully, serving clients 24/7 and offering advice and solutions and added value. “China will never be easy,” he concluded, “but with private wealth increasing at some 15% a year, it is immensely alluring if you can get the right formula.” ■

