

Independent Wealth Management in Asia – Surveying the Key Challenges Around Digitalisation & Portfolio Management

The independent wealth management (IWM) segment has grown apace in Asia over the past 10 to 15 years in particular. But that rapid growth has come from a very low base, and the independent sector still remains far less established than in Europe or in the US. An estimated 30%-40% of private wealth assets are managed by boutique firms in Switzerland compared with estimates of 5% to perhaps 10% (somewhat optimistically) of AUM in Asia. Private wealth has also been expanding faster in Asia than in Europe, and it is very clear that the robust growth of HNW and UHNW assets in the region provides plenty of room for more growth for existing IWMs, as well as new entrants. But any IWM firm needs the right clients, capital, strategies, products, technologies, talent, and approaches to seize the many opportunities ahead. With this firmly in mind, Hubbis conducted a short survey focusing on the evolution of independent wealth management in Asia, the importance of smart digitalisation, and within that, the value of efficient, accurate and timely portfolio management reporting systems in helping elevate the overall proposition.

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Setting the Scene

The pandemic has not significantly derailed Asia's remarkable growth trajectory that fuelled up several decades ago. Private wealth is still being created at incredible speed; more and more people are joining Asia's HNW and UHNW ranks, while literally millions across the region are moving up to join the growing legions of the mass affluent.

To cater to these rapidly expanding numbers and their increasingly diversified and ever more sophisticated needs, to deliver on these clients' demands for a greater array of investment products and structures and their expectations of elevated service, the region's independent wealth managers (IWMs) need to continuously hone and refine their strategies, protocols, processes, skills, talent pool and their technologies in order to be competitive and to seize those opportunities.

As they do so, the IWM sector can gradually emulate the great success of their peers in the more mature markets, the shining example of which is Switzerland in terms of the penetration of the independent wealth providers of their total wealth market.



Many questions to address

There are many questions about the evolution of the independent wealth sector in Asia that the coming years will answer, in whole or in part. Can Asia's IWMs adapt and adopt the right model to win more market share in the region? Can they extend their relationships beyond their founder/creator type clients with whom they started their firm to the next and younger generations who are either making or inheriting literally trillions of dollars of wealth?

And how can these independents scale up sufficiently, with the help of new technologies, for example, not only by adding cost-saving solutions and RM-boosting technology but also by embracing external execution and custody platforms, delivering better portfolios and better reporting protocols, as well at the same time as bringing in new talent and even new offerings to compete in the markets of tomorrow?

This Hubbis mini survey was not designed to answer those questions but to help provide some framework and background on the IWM sector and to help frame the core focus of the short survey on the role of integrated portfolio management platforms and associated technologies.

The IWM sector evolves in Asia

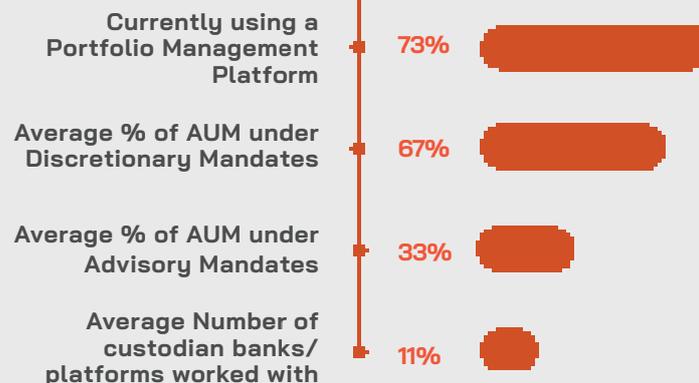
In a Hubbis Digital Dialogue event earlier in 2022 that focused on the evolution of the independent wealth market in the region, the expert speakers, as well as the delegates, stressed the key elements that make the IWM sector so valuable a resource for HNW and UHNW private clients and aimed to define

The Survey

Hubbis obtained replies from some 82 senior individuals (top management/founders, RMs, advisors, CIOs/portfolio managers) from 33 Independent Wealth Management firms (IWMs). These businesses ranged from larger and longer-established operators to smaller, sometimes fairly new entrants. The largest such IWM reported USD3.4 billion of AUM, 14 RMs, 9 portfolio managers, and staff totalling 45, while the smallest firm reported AUM of USD460 million, 4 RMs, 3 portfolio managers and a total staff of 12.

TOGETHER, THESE 33 FIRMS PROVIDED SOME KEY INFORMATION ABOUT THEIR BUSINESS CONFIDENTIALLY, AND WE CAN REPORT THAT THEY HAVE THE FOLLOWING CHARACTERISTICS:

Number of individuals who replied:	82
Number of firms that provided replies:	33
Average Number of RMs/Advisors per firm:	8
Average Number of Portfolio Managers per firm:	4
Average Number of Administration/Operations Staff:	11
Average Number of Senior Management:	7
Average Number of total staff:	17
Average Total AUM:	USD831 million



Note: There is overlap here, for example, someone in the senior management might also be an RM or a portfolio manager.

some of the key advances needed in the future.

Independence, alignment of interests with the client, greater client centricity, better and more objective advice, and open architecture, were all highlighted as key components for success.

And as to key areas of digitalisation, they pointed most importantly to the two ends of the spectrum - remote/seamless digital onboarding and KYC at the outset of the relationship, and at the other end, tools or solutions to boost execution, portfolio management, analytics, risk management and reporting.

Driving client centricity

The client has indeed now become front and centre of the wealth management proposition. Accordingly, the wealth industry and FinTech experts that Hubbis engages with constantly remind us regularly that the focus of the leading IWM firms' digital transformation efforts is now considerably less on internal efficiencies and cost savings (those are more hygiene factors today) and much more on the delivery of a client-centric and client-friendly wealth management offering that is driven by advisory and aims to achieve maximum loyalty amongst the clients. In short, optimal digital solutions can no longer be considered luxuries; they are essential.

"Digital is indeed today's beating heart of wealth management, with the customer as front and centre driving the proposition and fast-tracking innovation," said one survey respondent. "All progress in this regard will be gauged

ultimately by the client's response to the efficiency and information improvements he or she sees, and the experience they obtain in the process."

Get it right from the start

Moreover, independent wealth firms do not have time or money to waste on heading up the wrong digital transformation roads; major mistakes can result in major operational, financial, and reputational damage.

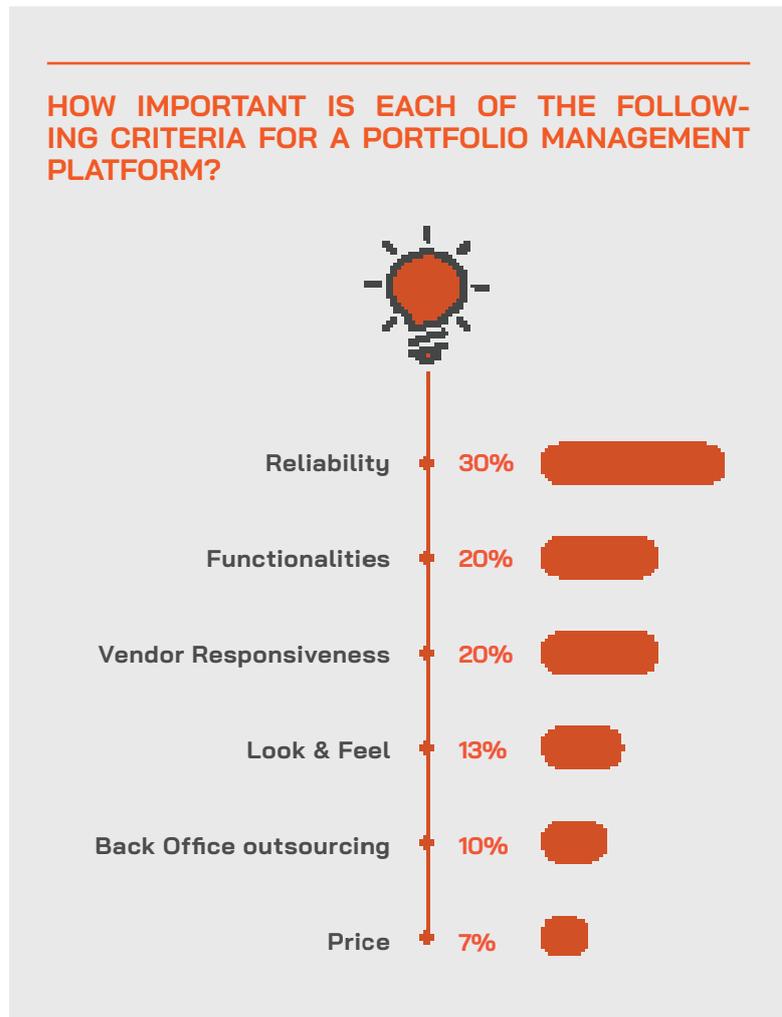
Technology investment must therefore be properly targeted and executed, with a genuinely smart approach to selecting, adopting, and also assimilating

these new technologies. The reality is that much time and money can be wasted by not taking the right approach to digitalisation and by making the wrong decisions.

On the other hand, smart, targeted investments taken with clearly defined operational and business goals in sight – all with the private client's needs and experience front of mind – are clearly significantly boosting the competitive position of the IWM community.

Focusing on what the IAMs are best at

Indeed, the less time the accounting and administration teams at the Independent Asset



Managers (IAMs) spend on basic processes and garnering information for accurate reporting, the more the IAM can scale its business. This frees up resources for what the IAM should be best at and should be focusing on – delivering quality advice, building share of wallet, and winning new clients.

As one respondent said: “Those IAMs that struggle with their operational issues are likely to lose advisors, lose RMs, and lose clients or share of wallet. Private clients expect an institutional level delivery in these areas, even whilst working with boutique, smaller firms. Consequently, more IAMs are working harder and closer with the custodian banks and with the external digital execution and custody platforms to elevate their overall efficiencies and offerings. More IAMs are seeking digital solutions that help in all these areas.”

On the topic of technologies, an IAM leader observed: “Digital solutions are vital to support our growth plans, not only to make us more efficient and to help with the burdens of compliance but to present ourselves as agile and adept. Clients are demanding a far more seamless service these days.”

Other replies Hubbis received focused on the need to broadly elevate the proposition. Management strategy, technologies, better talent from front to back, and constant training are all essential to delivering client satisfaction and future growth.

People matter, and the hybrid model prevails

Yet while digital is immensely important to the future of wealth

management generally, it is not taking over personal relationships, at least not at the upper end of the private client spectrum and certainly not for the IWM sector.

There has been a strong impetus and shift towards hybrid wealth management due to the strictures imposed by the pandemic, but the personal approach remains of paramount importance to the independents and their business models.

As one reply stated: “For genuine advice on investments and also on a more holistic

approach to wealth and legacy planning from a broader family perspective, clients like to talk to their RMs and advisors directly. The digital side of the offering is for execution and reporting, and in those areas, the independents need to be smart in their investments and deliver a more seamless service.”

Another of those we surveyed added: “Private clients might want to work with independents for the impartiality of their advice and their open architecture, but that does not mean they will compromise on ease of transacting and ease of access to portfolio data and so forth.”



“Digital is there to facilitate and complement the core expertise and culture of the IAMs,” she continued. “In this regard, digitally delivered execution, settlement, and reporting are essential ingredients, with clients increasingly expecting a quick, easy, timely and effectively constant consolidated view of their total portfolios, even if their assets are spread across different custodians.”

Empowering the RMs & Advisors

For the hybrid model to succeed, the client-facing advisors need to be empowered by technologies, freed up from mundane tasks and effectively given more time to deliver their typical HNW and UHNW clients with better service and greater attention.

The skills and quality of the RMs and advisors are, of course, central to the equation, but the latest digital tools and solutions can also significantly help boost the productivity and indeed, the work satisfaction of those RMs and advisors.

“Personalisation is today driven by data and information and truly understanding the clients, and is central to the independent wealth proposition these days,” commented one respondent. Freeing up and boosting the skills and productivity of the advisors and the RMs is therefore increasingly essential to delivering a robust offering in the higher segments of wealth, was the view expressed in another reply.

Turbo-charged advisory

“A key area of differentiation is certainly around enhancing the RM’s capabilities,” an expert stated in his reply. “Delivering them a so-called cockpit from which they can

conduct their orchestra of advice, products, and clients is beneficial for all parties involved. AI, machine learning and the right approaches are required.”

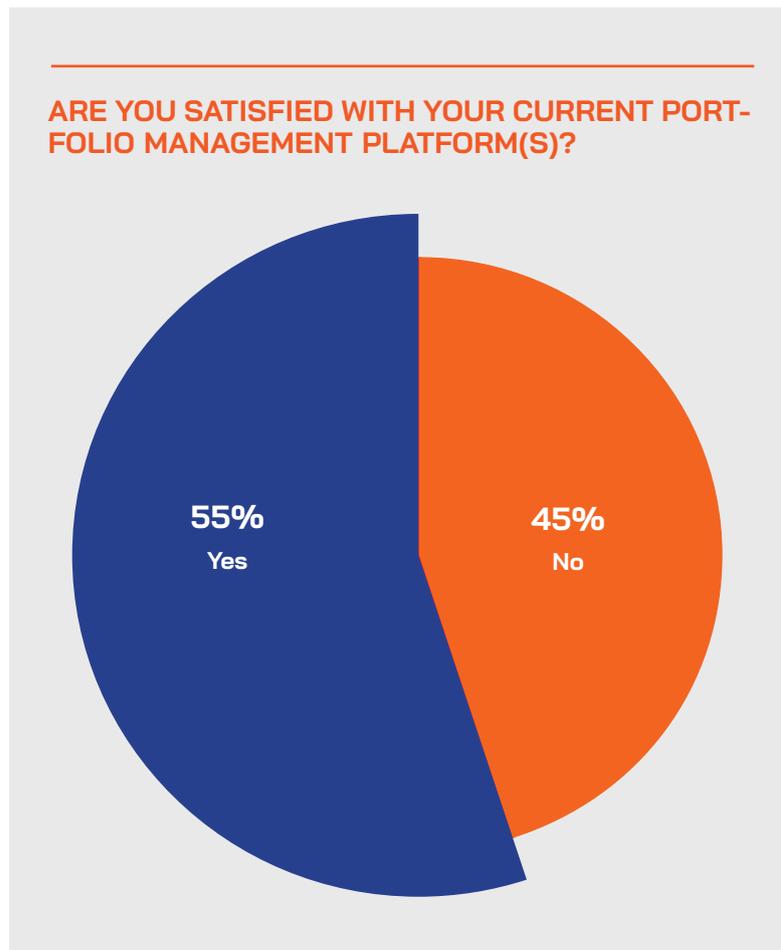
He observed that the RM cockpit, as it is often known, can allow the advisors to essentially ‘fly by wire’, with all information available at sight or at the click of a button. And part of this is being able to see and deliver accurate portfolio reporting to the RMs and then the end clients. “Great accuracy and transparency are vital components of successful client engagement and satisfaction,” he stated.

The RM cockpit is indeed seen as increasingly important, and it ties into the broader conversation

around RM empowerment. Research shows that these RMs have been spending far too much of their month working on non-income tasks; such activity not only weakens revenue generation for the IWMs but impairs loyalty amongst those RMs and the clients.

A supercharged 360-degree perspective on clients

“The RM portal, or cockpit as many people call it, is designed to supercharge those RMs with knowledge of the clients and the markets and products, with insights, and significantly with help on tailored ideas and advice to the right phases of the clients’ lives and their portfolios,” said



one expert. “All these elements can come together to boost RM engagement with clients, and that is where they can start to push the boundaries of personalisation and client loyalty.”

Another expert observed that if the banks want to offer what he called ‘client 360’, they need their data harmonised, and they need to also know enough about their clients to deliver genuine personalisation.

“To achieve these goals,” he explained, “the IAMs need to truly understand and define their end-to-end digital strategy in order to effect smart digital transformation. This is best achieved in a all-in-one approach, especially for these smaller independent firms who have less managerial, IT and financial resources, and which cannot risk making mistakes.”

Personalisation leads to better outcomes

To achieve personalisation and hyper-personalisation, the IWMs appear to appreciate that one size does not fit all. Delivering personalisation in wealth management is not only about the product and investment offerings but also all about understanding the client’s aspirations, expectations, family environment, their locations, and of course, delivering ideas and advice with the right timing.

“To achieve the right types of personalisation and hyper-personalisation journeys, we need the context of the customer, and we need the relevant conversations that naturally ensue and that engender genuine trust,” said an expert. “RMs and



their firms must understand that clients might look similar in many ways, but their relationship with money is so often very different.”

He added that the RMs want to be able to see and control the data with a more holistic view, and a central element of that is being able to review each client’s portfolio at any given time and across all their holdings and custodians.

Another expert said a major pitfall is that there are too often several systems pulling information from different places. “You might be able to access information on the

equity portfolio, on the fixed income portfolio, then the private assets that may be dotted here and there, but to arrive at a more holistic view, you need an automated solution that traverses the asset classes and custodians,” one reply commented.

“To achieve all this, the RMs also need a lot of tools because they have to balance their clients’ portfolios between their own views, their CIO team’s views and their clients’ preferences,” another reply noted. “Accordingly, they need a lot of tools around portfolio construction, portfolio monitoring, and portfolio rebalancing.”



Better information translates to better decisions

Moreover, it is not just structured data that needs to be handled effectively and efficiently. Across all the unstructured data, there are more and more challenges, as that data is coming in from all types of players and in all formats. The more the IWMs can use digital platform solutions to digitalise and manage all that unstructured data, the better. This is especially true now as more and more private clients are investing in non-mainstream assets such as in private markets and as new investors enter the fray, for example, different generations of family office members, each with different activities and preferences.

The investment proposition is also adjusting to new trends and themes, such as ESG, sustainability and private markets.

“Clients also want more information on the ESG credentials of their portfolios, as this increasingly determines their investment choices,” said one respondent. “This means the systems and technologies need to adapt all the time. We need to deliver a truly systematic approach to cover all assets, all different investment approaches, and developments, as well as issues around ESG, impact and sustainability. Ideally, we would like a truly globally integrated digital model that can offer, CRM, portfolio management, billing, tax reporting and client reporting in different currencies and languages.”

Working with multiple custodians

It is absolutely critical to the IWM proposition to ensure that

both the RMs/advisors and the clients obtain a clear view of their portfolio positions so that both the advisors and the clients can adapt and hone those investments with a clear view of the total picture.

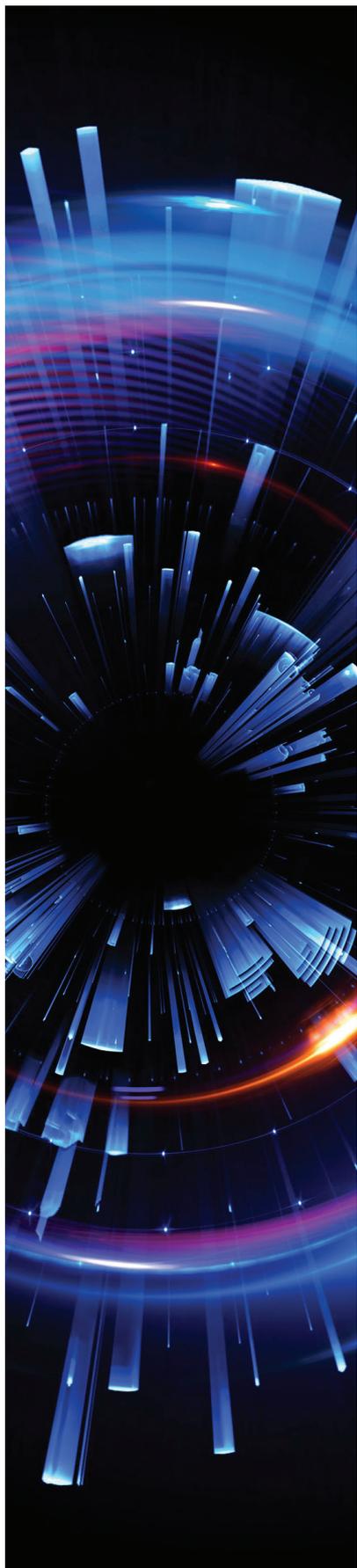
But this is rather easier said than done. Our short survey found that IAMs are working on average with 11 different private banks and other custodians, which, of course, represents a major challenge.

Moreover, these numbers are not likely to fall remarkably any time soon. Many believe that private bank custody will not diminish because the banks provide balance sheet leverage, which is a key component for clients working with a private bank. Moreover, IAM clients are also wary of opening new accounts, starting new bank relationships, signing new forms, and going through the rigours (and often miseries) of KYC and onboarding.

Hence, the numbers of custodians IAMs work with remains quite high and shows no real sign of dropping in the near future. As IAMs get bigger, there is accordingly no inverse consolidation amongst fewer custodians, meaning custodian numbers are certainly not falling, as might logically have been expected. Indeed, one reply we received noted that their firm had increased from some 10 to 12 custodians in recent times.

Pulling it all together

As a result, consolidation and data aggregation between the IWMs and the custodians and then on to the clients themselves remain major challenges for the IAMs, working as they do across



so many different custodians. Quality data connectivity and delivery between custodians and clients are therefore crucial, and finding and adopting the best WealthTech solutions is critical.

A survey respondent whose firm works today with some 15 custodians overall worldwide remarked in his reply that they all have their pluses and minuses and that their firm looks for service quality, speed of execution, ease of working relationships, the rapid turnaround time for requests or account openings, and other key process and service advantages.

He reported that factors like the quality of the data feed from the custodian banks into their own IAM systems were vitally important, especially with the more clients they onboard, because manual intervention becomes more and more difficult in trying to upkeep all the client portfolios across all the different banks.

Digital consolidation

Boosting the order execution interfaces and enhancing the IAM/custodian connectivity are therefore clearly vital for all parties. To cope with the multi-custody environment they face, IAMs accordingly need the right technologies to bridge the many data and connectivity gaps that exist; this is especially true in Asia, where the data content and quality are by common recognition not as good as in Europe, for example. Accordingly, there is still today a lot of work required on data reconciliation and consolidation.

Real-time access to this information is also crucial. Clients

do not want to wait for the traditional model of statements at the end of each quarter, they want to know what they own on a daily basis across asset classes to see a total picture. Accordingly, being able to get that information to the end users both frequently and accurately is essential.

“To achieve that, we need a combination of automated technology, and human technology to validate those results,” said one RM from a leading Singapore-based IAM. “While the IAM desks at the private banks are upping their games in recognition of the growing heft of the IWM sector, there is much further for them and us to go in this area. Right from onboarding through execution and reporting, there are significant advances still needed at the private banks. We are seeing progress in all these areas, and improvements in connectivity, with the arrival of more API-driven solutions, but for the IAMs to function efficiently and cost-effectively and deliver the right outcomes to their clients, more work and greater collaboration are needed.”

Speed and accuracy required

Another respondent we canvassed observed that IAMs want the ability to collate information across the different providers with which their private clients custodise their assets or execute their trades. He said a high-end technology platform is vital for service quality and speed of execution 24/7. He agreed that the connectivity of the portfolio management systems of the IAMs is also crucial to help them build their businesses.

Custody is of course simplest for simpler, plain vanilla type securities, but private clients are increasingly diversified in the types of assets they hold, both in the public and private and digital markets. Accordingly, it is important to make sure the custodian is not only safe, offers excellent execution, provides seamless data and aggregation, but can also cope with a diverse range of sometimes more complex assets.

Highlighting the importance of smart reporting and the value of robust data and feeds, an expert we polled said that their firm has a whole team in operations who ensure that the client accounts and portfolio management platform are fully reconciled with the latest asset prices/valuations from the custodians.

The IAMs are at the coal face

Another reply added that this is all especially important for the IAMs, as private clients who work with the IWM sector do not want to be going directly to their private banks for their information, they want to deal with their RMs and advisors, and they expect an accurate and consolidated view of their portfolios from a variety of angles, including types of assets, valuations, ESG criteria, risk exposures and so forth.

“The IAMs themselves are the clients of the private bank custodians and are increasingly demanding a top-level service from those custodians,” one reply remarked. “As the IAM community expands and wins a greater share of AUM in Asia, they will become more important to the private

banks, helping to then drive further improvements.”

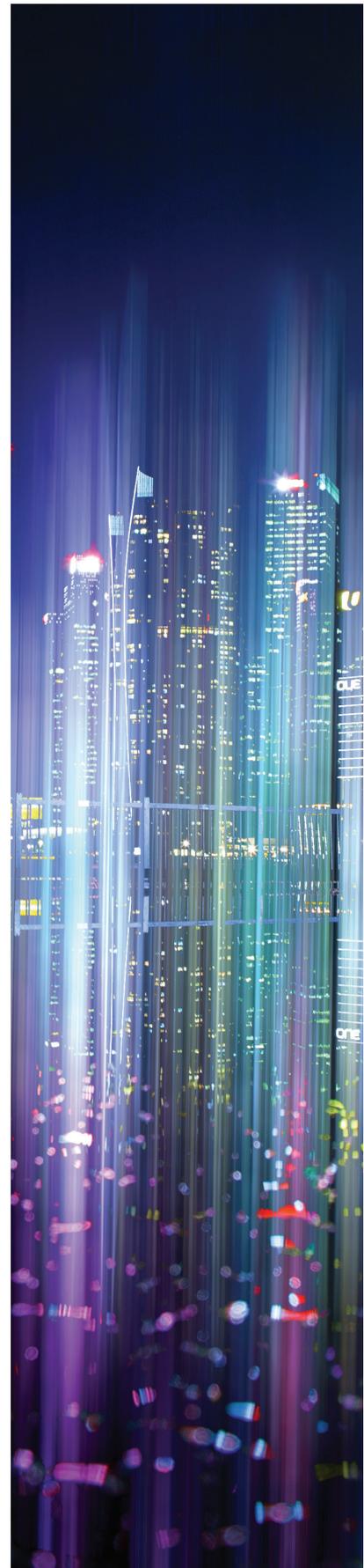
For many IAMs, portfolio management and reporting systems are therefore a vital element to winning and retaining larger private clients such as family offices, as they need accurate, real-time reporting of their investments, in order to make the right investment decisions ahead and to accurately handle risk exposures.

Better solutions exist

There is a wide recognition that all these areas need to be addressed and improved upon in terms of processes, protocols and technology. One respondent highlighted the reality that data and reporting remain far too manual today. “There is still too much manual intervention in a process where time is of the essence,” she said. “Clients need data as fast and as accurately as possible, but that is still not happening.”

Although there are many challenges for the IAMs in delivering accurate, consolidated, and timely portfolio information and insights state-of-the-art portfolio management and related software are available and can deliver improved connectivity and information flows, and these advances are increasingly deemed central to the future viability and success of the IWM sector.

“The right portfolio management system that helps to analyse, strategise, implement and control investments in one flexible, integrated, and easy-to-use environment is clearly a real advantage that should not be overlooked by any serious member of the IWM community,” said one expert.



“We are all faced with a world in winning and keeping private clients can be compromised by failing to deliver the right information at the right time and in the right format,” came another reply. “Moreover, how can our RMs and advisors advise their clients properly without a near real-time consolidated view across all assets, and wherever they are under custody? That is what we all need.”

Incremental advantages

Further advantage can be gained if these portfolio management and information systems can also be adapted in an integrated fashion to also provide, for example, CRM and help drive seamless onboarding processes and full compliance.

The best such solutions combine intelligent technology with an elevated user experience and personalised services to

transform clients’ business into the digital era, covering portfolio management, client relationship management, regulatory requirements, investment advisory, order management, analytics, and reporting.

Additionally, it is another great advantage if there is a mobile app available for investment advisors, relationship managers and customers to offer their end clients the capability to view their consolidated positions and performance online anywhere at any time.

“Most of our internal processes are digitised these days, from client onboarding to portfolio management and account reporting,” said one expert. “But the challenge is still in integrating all these different parts of the process for different client segments and different jurisdictions. Luckily for the IWM sector as a whole, competition

from the digital platforms has forced the private banks to elevate their games, meaning that the entire custody and reporting ecosystem is today better than it has been before, even if there is still considerably more progress needed in terms of seamless connectivity and communication.”

Scale up for a bright future

The final comment goes to one IAM leader who remarked: “Independent wealth management firms are under some considerable cost pressures and while the market potential is certainly there in Asia, most IAMs need more scale, they need broader product and service offerings, and they need improved and more wide-ranging technology. If they can achieve advances in all these areas, and become even more client centric, they have truly great potential in the years ahead.” ■



EXPERTSOFT: LEADING SWISS WEALTHTECH ELEVATES THE PORTFOLIO MANAGEMENT PLATFORM PROPOSITION

Swiss WealthTech Expertsoft began business operations in 1993, shortly thereafter becoming a leading provider of innovative software solutions and related services for asset and wealth managers and their mid and front offices. Offering its bespoke solutions, Expertsoft has established itself as a trusted leader in portfolio and wealth management software for banks, Independent Asset Managers and Multi-/ Single Family Offices. From its Singapore hub for Asia, the firm has been successfully expanding its offering and its client base amongst the IAM/MFO community and the private banks.

Expertsoft remains privately owned and covers the global financial centres. Today Expertsoft employs about 320 people in 12 countries, looking after some 680 clients and a total of CHF3 trillion AUM worldwide, and with more than 25,000 professionals using its systems.

The firm believes that its cutting-edge integrated portfolio management software provides customers and users with an unrivalled and constantly expanding set of capabilities in one flexible, integrated, and easy-to-use environment. They have experienced and dynamic software engineers, analysts, and designers, as well as consultants, project managers, and other staff located at Expertsoft's headquarters in Switzerland, in the innovation and development centre in Bratislava, Slovakia, and in multiple international sales and support offices, including in Asia their Singapore hub, which is headed by Pascal Lemann, Regional Manager for APAC.

Gearing up with the AM-One Platform solution for IAMs and MFOs

Expertsoft's award-winning AM-One Platform, offers world-class and innovative ultra-high quality WealthTech solutions for wealth- and asset managers. With a state-of-the-art multi-device user experience and capabilities to analyse, strategise, implement, simulate, and control investments, it offers an all-in-one suite with powerful integration options, and sophisticated reporting functionalities. AM-One is designed to be multi-custodian and multi-currency, which is especially important for independent asset managers (IAM) and for multi-family offices (MFO).

This Platform solution allows those financial institutions to receive all asset transactions and positions data via the multiple custody banking connections and deliver consolidated individualised statements to their wealthy private clients, providing a single consolidated view across all assets of all types and all locations, both bankable and non-bankable.

The integrated CRM module provides the basis to drive seamless onboarding processes and client control, including modular regulatory components.

Additionally, Expertsoft provides an e-banking and a mobile app for independent wealth managers, to offer themselves and their end clients the capability to view their consolidated positions and performance online anywhere at any time. This means that AM-One is essentially covering the value chain of its customers in the wealth management space.

The BOSS offering

Since 2020, the firm is running its Business OutSourcing Services centre for Asia Pacific out of Singapore. Due to the highly professionalized reconciliation and error detection processes, the firm promotes its back-office BOSS solution as being more efficient than the individual back-office operations of an Asset Manager. The seamless interplay between the BOSS and the AM-One Platform custodian bank interfaces provides multiple advantages for the customer. Not only will the BOSS clients be able to dedicate their resources where they are needed most but due to the transaction-based pricing model, the Platform clients will profit from cost effectiveness.

APAC rises in prominence for Expersoft

Expersoft has had a presence in Asia for the past 15 years and first opened an office in Singapore around a decade ago. The firm has been successful building their core customers amongst the IAMs and MFOs in Singapore and Hong Kong, as well as building in the region on existing and new major bank relationships. IAMs and MFOs are natural clients in Asia, as they are growing fast and face a host of challenges that Expersoft can help rapidly and sustainably overcome. Expersoft plays also a pivotal role in transforming custodian banks IAM strategy into a digitised and highly appreciated customer user journey.

Expersoft is continuing to build its presence in the wealth management world in Asia, leveraging the expertise and products and service developed in Switzerland and other markets and expanding along with the key evolution and anticipated future trends in the market.

NOTE FOR HUBBIS READERS:

For a more detailed look at Expersoft and its activities in Asia, see this Hubbis feature article on Pascal Lemann, Expersoft’s Regional Head for Asia, which Hubbis published in November 2021:

<https://hubbis.com/article/expersoft-s-apac-head-on-building-solutions-and-brand-awareness-across-the-region>

