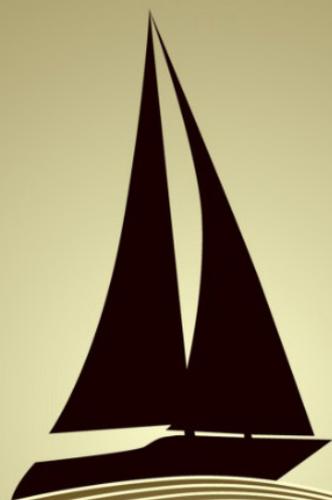


Indosuez's Arjan de Boer on Keeping HNW Client Portfolios Fit for the Post-Pandemic World Ahead

Arjan de Boer has been enjoying a highly productive time since he took the reins as Head of Markets, Investments and Structuring, Asia for Indosuez Wealth Management in early 2017. As another encouraging year turned to 2020, little did he imagine that much of the year to date would be spent managing colleagues and clients through the worst of the virus-induced market turmoil. Speaking to Hubbis via video call in mid-May amidst the relative calm of semi-recovered indices, de Boer conveyed the roller-coaster ride of the early months of 2020 trying to put out fires, assuage client anxieties, and helping them stay focused on the future. When we 'met' on the call to his home in Hong Kong, we found a leaner version of his former self following a rigorous exercise programme during lockdown. This discipline, he says, has helped him to handle the pressures of working through lockdown, and has also helped him enjoy BBQ evenings on his roof terrace at home with the family, including indulging in favourite wines, such as a 2013 Barolo. This same focused energy and careful selection of quality have also been helping de Boer, and his team, reshape client portfolios into as fit a shape as possible for the post-pandemic world ahead.



De Boer opens the discussion by remarking how different the April-May period had been compared to the worrisome, extremely volatile weeks in the markets during February and March.

“What a profoundly different environment we are in today, at least in relation to the markets,” he comments. “From panic selling and forced disposals, we have emerged into a world that has adjusted somewhat to the situation, and greater calm has ensued. Clients are also less leveraged than before, partly because some wanted to de-risk, and partly because they want to keep some dry powder for value hunting later on. In certain cases, we have also stepped in to discourage clients from taking or retaining leverage.”

CONSERVATISM AT THE CORE

He explains that Indosuez is traditionally a conservative institution, so the fixed maturity products on clients' books were all investment-grade, somewhat insulating those assets from the crisis.

“Most of the margin calls we saw were actually linked to FX trading accounts,” he reports, “but whatever the individual stories in some cases, the overriding lesson we take from all this is that liquidity is even more important, especially if suddenly there are margin calls. For example, in March we saw perfectly good bonds suddenly having no liquidity at all, which means that often it was the better quality, most liquid assets that clients had to sell if they suffered margin calls. Accordingly, repositioning afterwards to bring that quality level back up again is important, with an eye firmly on future liquidity as well.”

ALPHA AND GOLD TO THE FORE

De Boer takes a stab at portfolio construction in these conditions, explaining that this is not the time to be thinking much beyond the bigger names into the realms of speculative or exotic. “Bigger names in the right sectors such as technology, pharmaceutical and other resilient sectors, focusing on specific names. And then more than ever, we also advise clients to have part of their portfolio invested in gold, which we predict to be at USD1,800 and USD1,900 the year after. It is a really good buffer against all of this chaos.”

“These recent events will surely provide further impetus for DPM, which as we all know in Asia still languishes well the penetration levels achieved in the US or Europe. I believe there is great reassurance in being distant from the decisions; it gives some peace of mind and helps avoid panic reactions. It is money well spent.”

He also notes that structured products had more recently been staging a modest resurgence. “With higher than normal volatility, the discounts clients can get are better than when volatility is very low, so they could potentially pick up either a very high yields, or stocks at a significant discount. It depends on a client's risk appetite.”

SHIFTING TOWARDS DISCRETIONARY AND ADVISORY

Refocusing the discussion marginally, de Boer observes that the general trend towards more managed investments, which include DPM, discretionary private equity mandates, and discretionary

managed hedge fund mandates had significantly accelerated during this crisis, at least in terms of enquiries from clients, which he expects to translate into the next phase of the growth in discretionary and advisory mandates for the bank.

“Advisory can be seen as a hybrid between the client making decisions and following the advice from the bank,” he remarks. “Of course, then you have your funds business which is also a form of managed investment. So across the industry, we have seen this steady growth in managed investments as a percentage of

our AUM, but the growth is not as rapid here as for our European counterparts, where we see huge percentages now slated as managed investments. But we are optimistic that a benefit from the dreadful crisis the world has faced this year will result in a more significant shift away from self-directed investing in Asia.”

REASSURANCE FROM DISTANCE

De Boer adds that the firm has for some years believed that global conditions make it worthwhile for Asian high-net-worth investors to move more of their portfolios towards DPM. “The 10-year bull market in recent years became



ARJAN DE BOER
Indosuez Wealth Management

somewhat less certain in predictability, with higher volatility, making the conditions more appealing for having a professional look after HNW client portfolios on a day-to-day basis," he reports.

"These recent events will surely provide further impetus for DPM," he adds, "which as we all know in Asia still languishes well the penetration levels achieved in the US or Europe. I believe there is great reassurance in being distant from the decisions; it gives some peace of mind and helps avoid panic reactions. It is money well spent."

"We are not saying DPM has surged ahead," he says, "but rather that we are getting a lot more enquiries and interest now, so I believe there will be good progress this year on this front. Additionally, we can demonstrate how DPM performance has fared quite well despite all the chaos and volatility. Performance speaks for itself."

DRIVING THE ESG MESSAGE

Indosuez is keeping its intent focus on ESG investing, where the bank has been at the forefront in recent years.

Getting Personal with Arjan de Boer

Born in Soest, which is roughly in the middle of the Netherlands, de Boer grew up in what he describes as a tiny place called Hoevelaken, a village of around 10,000 people. He later studied in the Hague, and then at Nyenrode Business University in Breukelen, before embarking on his career at ABN AMRO Bank, which some years later brought him to Asia, where he has now been working for over 15 years.

He says he is well suited to Asia, the local lifestyle and work environment. Growth out here has been so dynamic, and as my wife is actually half Thai Chinese and half Dutch, we feel extremely comfortable out here. In fact, her mother's family hails from Hainan, and they have been now several generations in Bangkok. She studied in Europe, that's how we met."

The couple is blessed with three children, the oldest a boy of almost 17 and twin girls who are next turning 15 years old. "Hiking is one of our family hobbies," he reports, "it helps keep the gang away from computer games and mobile phones. We also travel a lot as a family and we love skiing, with Gaschurn in Austria one of our favourite venues, and I myself have a big passion for good food and wine. But of course, travel and all those pleasures have been on hold for some while."

Another hobby he enjoys with his son is the joint effort at building a remarkably impressive train set. "It started actually as a bit of an innocent hobby if I recall correctly, but it has kind of grown out of proportion. We have now been going at it for eight and a half years so far, ever since we arrived in Hong Kong. The result today I must say, really is worthy of being in a museum."

Relaxing at home might also be spent watching the Formula One races, at least when they were taking place, usually cheering on the Dutch driver Max Verstappen of Red Bull. "A future world champion, I believe, and as he is only 22, he has many years to prove me right."

And lockdown weeks have allowed him a bit more time to enjoy roof terrace barbecues with the family, with him and his wife enjoying their favourite lockdown wine of the moment, a 2013 Barolo.

"And to work that off," he reports, "I have been doing more exercise than usual, trying to keep fit for the months ahead; it helps me manage the pressures of work and lockdown, as well as helping me keep slightly more trim."

“We actually report the ESG scores of clients’ securities in their portfolios,” he reports, “and I do not know of any other private bank doing that. Clients can, on a monthly basis, see the ESG scores of each holding, and of the portfolio on average. We see real evidence that companies with high ESG scores do actually outperform those with lower scores, so you win on both fronts – you are buying into companies that have better footprints and behaviour, while they are also performing better in terms of results and market

their holdings, May has seen somewhat of a return towards normality, with activity levels increasing again. “For banks like us,” he comments, “activity translates to revenues, and if clients start migrating more towards advisory mandates or discretionary mandates or managed products, or just funds or private equity, that delivers more stable income than the volatile income that trading brings. I see that happening now, so this is actually positive for our industry in the longer-term view.”

“Private banking, in general, is a bit old-fashioned, where human interaction is actually very important, so it has been quite challenging for older clients. Obviously with technology we have nowadays, I mean whether you call a client from your home or from the office should, in theory, be the same. However, in reality, we see that the moment relationship managers come back to the office, they become more active. And that is what we are beginning to already see right now, as we return to the office.”

valuations. The world’s 60 largest asset managers manage roughly USD100 trillion of investments, and virtually all of those are now focussing on ESG. Those companies that do not pay attention to ESG will see numerous of the biggest fund managers forced to sell, so it is a no-brainer really. The top companies in terms of ESG scores produce superior returns for investors”

SEEING THROUGH THE MISTS

Looking ahead, de Boer says that after a very active first quarter and a slower April when clients were waiting, having repositioned

He also comments that while remote working has been reasonably effective, nothing replaces face to face office interaction and client meetings.

“As we gradually return to the office in Hong Kong, we will see if that really increases activity levels,” he comments. “Private banking, in general, is a bit old-fashioned, where human interaction is actually very important, so it has been quite challenging for older clients. Obviously with technology we have nowadays, I mean whether you call a client from your home



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BOOSTING SKILLS AND CAPABILITIES

He adds that there has been a lot of focus on online training in recent weeks, to reach target CPD hours, and while industry events are not available to help boost training/CPT hours. “Realistically,” he reports, “we have seen that the younger bankers cope with all this better than the older bankers, but of course we want normalcy to return, so we can get out and about as we are used to, it is central to our way of life in this business.”

The bank has also been focusing on further boosting its digital capabilities. “We are again accelerating this investment and with greater accuracy, targeting key areas we want to improve, including

additional bandwidth, upgrading our core banking system, improving the tools for our RMs and advisers.”

Another factor that clients are increasingly focused on is the stability of the banks. “We are lucky as we are part of a major banking group, and stable and solid, but many clients have been expressing concerns about some financial institutions and shifting funds from them. Clients tend to use certain banks because they are super safe, then they have some other banks where they do the most exotic investments and trading, and then they have other banks that they purely use for their daily banking like payments, cheque books and credit cards. As the stability of financial institutions is again in the spotlight, and as markets are less predictable and more volatile, there will likely be a further client migration to the more conservative institutions.”

STICK TO QUALITY AND BALANCE

De Boer says he remains somewhat traditional in his own

approach to investments. “Actually, many of the theories, for example, the 60/40 rule and diversification still stand up well and add to that a greater weighting in gold at 5% to 10% of a strong portfolio, and clients should be well-positioned for the future,” he says. “The only real change this time around, in this crisis, compared to the more normal economic downturns or recessions is the speed and the uncertainty about how we can all clamber out of this mess.”

ACCOMPLISHING THE MISSION

His final comment is that compared to the lead-up to the global financial crisis, when the banks were a central part of the problem, this time around they are more part of the solution, helping out providing credit, being there for the communities where they are active. “Our mission, our role, has somewhat been enhanced through all this chaos,” he says, “so I guess we can actually say we are lucky to be bankers today.” ■

