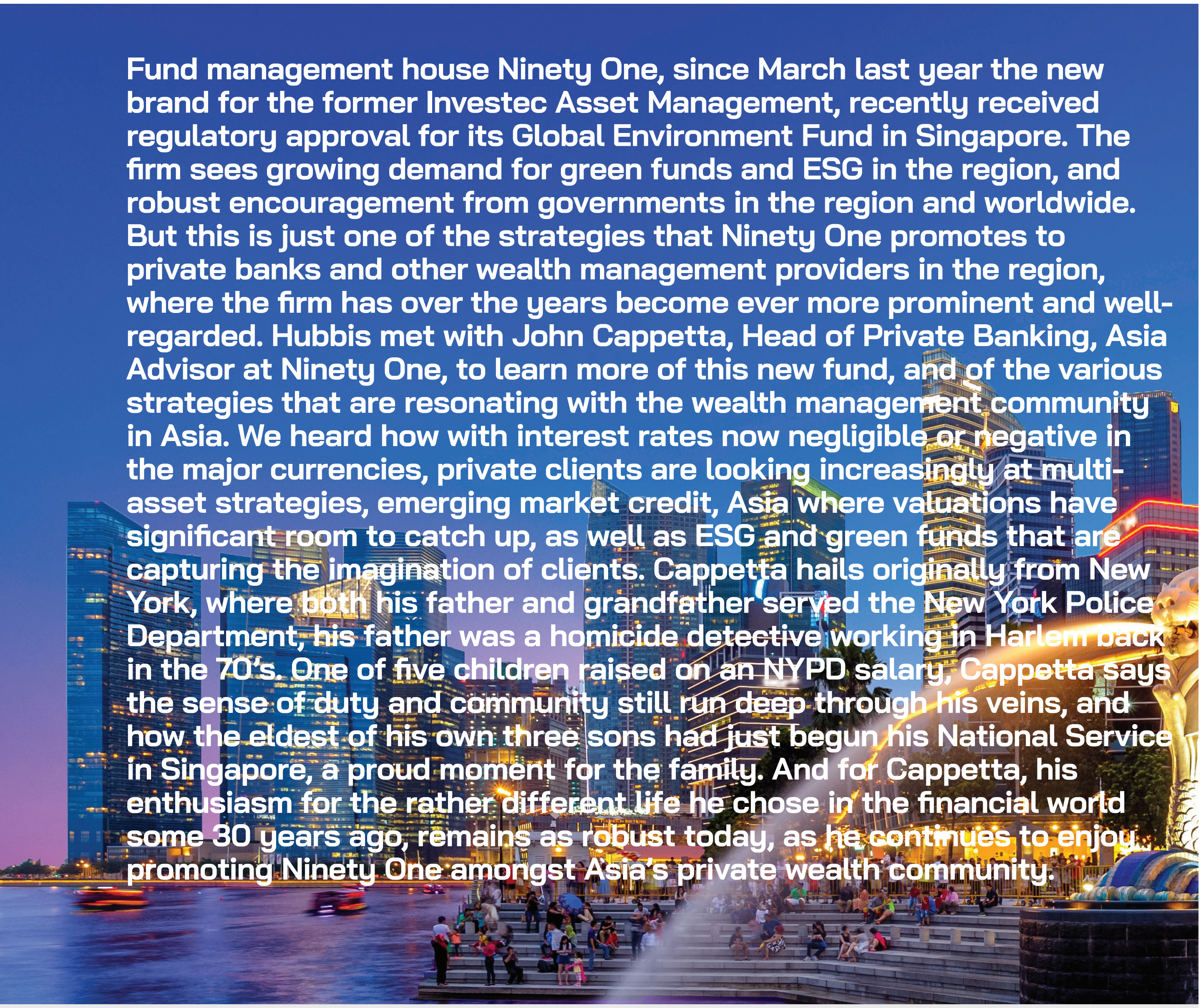
John Cappetta on Building the Ninety One Brand and Proposition amongst Asia's Wealth Community



Fund management house Ninety One, since March last year the new brand for the former Investec Asset Management, recently received regulatory approval for its Global Environment Fund in Singapore. The firm sees growing demand for green funds and ESG in the region, and robust encouragement from governments in the region and worldwide. But this is just one of the strategies that Ninety One promotes to private banks and other wealth management providers in the region, where the firm has over the years become ever more prominent and well-regarded. Hubbis met with John Cappetta, Head of Private Banking, Asia Advisor at Ninety One, to learn more of this new fund, and of the various strategies that are resonating with the wealth management community in Asia. We heard how with interest rates now negligible or negative in the major currencies, private clients are looking increasingly at multi-asset strategies, emerging market credit, Asia where valuations have significant room to catch up, as well as ESG and green funds that are capturing the imagination of clients. Cappetta hails originally from New York, where both his father and grandfather served the New York Police Department, his father was a homicide detective working in Harlem back in the 70's. One of five children raised on an NYPD salary, Cappetta says the sense of duty and community still run deep through his veins, and how the eldest of his own three sons had just begun his National Service in Singapore, a proud moment for the family. And for Cappetta, his enthusiasm for the rather different life he chose in the financial world some 30 years ago, remains as robust today, as he continues to enjoy promoting Ninety One amongst Asia's private wealth community.

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Cappetta has three decades of experience behind him when he joined Ninety One, then Investec, in November 2019, including key roles at leading names such as Merrill Lynch, and more boutique international private banking names such as Safra Asset Management and Julius Baer. He first moved to Asia in 1998, and moved back to Singapore later from the US in 2007, and has built a deep base of expertise in the region over those many years.

Evolving demand

His first observation is that after around a decade of very robust demand for fixed income in the region amongst private wealth clients, these investors, like everyone else globally, are struggling for a combination of yield and safety. However, he reports that there are opportunities in EM debt, both corporate and sovereign, alongside continuing demand for Asia high yield and Asia investment grade.

For the more conservative clients, there is demand for multi-asset products that incorporate equity exposures to high quality dividend-paying companies.

"We believe that with a nice multi-asset core holding, investors should be able to continue to maintain attractive rates of income," Cappetta comments, "and with some of the funds slanted to equities, they should be able to achieve growth as well. But to do so, they need to adapt their strategies from their traditional fixed income approach."

And he points to the new Ninety One Global Environment Fund out of Singapore as a key recent example of the firm addressing new trends in demand. The fund invests in companies which contribute to positive environmental change through sustainable decarbonisation, he reports. It takes a bottom-up approach to invest in companies with structural growth, sustainable returns, and competitive advantages in decarbonisation.

green funds from investors in this post-pandemic era."

The strategy is managed by Deirdre Cooper and Graeme Baker, who have a total of a 25 years of experience in the clean technology, energy, and environment sector. Together they have developed a proprietary screening methodology identifying companies that will benefit from moves towards

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All the companies in the fund are exposed to at least one of the three themes – renewable energy, electrification such as electric vehicles and resource efficiency.

Singapore – a green hub for finance

"This is very much in the sights of the Asian wealth market," he explains, "and we are pleased to launch this out of Singapore, which has put a lot of effort in addressing climate change, with the government and regulator taking active steps to promote robust green and sustainable focused fund strategies. So, Ninety One is delighted to be playing a visible role in providing a long-term solution to meet the rising demand for

decarbonisation based on environmental revenues and improving carbon data.

A global trend growing in Asia

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Cappetta explains that ESG is resonating ever louder with Asia's wealth management community. "It is no longer wait and see, as it was a few years ago," he observes. "The returns have already proven to be attractive, and the demand is rising out here. With Joe Biden in the White House and re-engaging with the Paris Climate Agreement, there will be a lot of money spent to get to carbon neutral by 2050. And China is heading down the same road. It is certainly one of my favourite longer-term themes."

A balanced approach

He comments that the exposures might be preferably slanted towards equities, to capture the growth potential, but of course, there are ESG driven fixed-income investments. "It depends on the risk appetites of the buyers," he says. "This is a megatrend that will play out in coming years, albeit with some volatility in all likelihood. And we like exposures to Asia and China, where generally equity

Getting Personal with John Cappetta

Cappetta has been Head of Private Banking, Asia Advisor for Ninety One since November 2019. Before that he was Managing Director, Senior Advisor at Bank Julius Baer in Singapore, which he joined in 2013 when moving over from Bank of America Merrill Lynch, also in Singapore, where he had been since 2007 before the merger with Bank of America. He had in fact begun his career with Merrill in 1991 in the US, before moving to Singapore with the firm in 1998, and also enjoying a stint in Sydney, before later returning for a spell back in the US.

He was born in Staten Island, New York, the youngest of five siblings. "My father was my role model, he actually worked as a New York City homicide detective in the 1960s and 1970s, working in Harlem, when Harlem was a very tough neighbourhood," Cappetta reports.

He recalls his very first trip to Hong Kong and flying into the old Kai Tak airport in 1996. "I was fresh in from the US and rather green," he recalls, "so I really didn't know what to expect. It was hectic, hot, I met a driver sent by the travel agent and was suddenly on a ferry to Macau! That meant that in my heavily jet-lagged state, I then had to ferry back and forth for meetings with my colleagues over in Hong Kong. I can tell you with all the heat and general cacophony of Hong Kong, I was exhausted! When my colleagues saw me looking so shattered, and they heard I had messed up and was staying in Macau, they all cracked up laughing. Thankfully, they moved me to Hong Kong, the same lovely hotel brand, and a lot nearer the office!"

Cappetta has three sons, all based in Singapore, with the oldest having just turned 18 years old. "My 18-year-old has recently gone into National Service in Singapore; we are all really proud of him for that, he is setting a great example of service and duty for the younger two boys. Singapore is a wonderful place to raise a family, so it is good to give back to the community, to feel like we all really belong."

The pandemic has helped him take up running and also allowed him to spend more time connecting with friends and family all over the world, albeit remotely for the time being. "This has been such a difficult time for so many around the world," he comments, "so it just reinforces the positives we have around us, and that we must stop to smell the roses, get back in touch with nature, with people, with our values. As you get older, time seems to move on ever faster, so we need to treasure everything valuable in our lives."

valuations have some catching up to do with the US in terms of demand and valuations. And we also like Asia in fixed income, especially China where GDP numbers are returning robustly."

Cappetta takes a step back to explain that the re-branding from Investec Asset Management to Ninety One took place in March last year following a demerger from the South African Investec group. "We were born in 1991, actually in a very difficult environment, so the founders are very proud to have achieved so much in the 30 years from the times when apartheid was rife in South Africa. I have known the key individuals here for many years and enjoyed a long and positive relationship with them, so it was a pleasure to join back in late 2019. It felt like the right move, and the fit works very well."

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Connecting with the community

The Ninety One operations in Asia are split between Hong Kong and Singapore, where Cappetta is himself based and from which he covers the private banks as well as the retail banks. "It has been nice to bring my connections to the banks, to form partnerships with them to help them identify the right strategies across fixed income, credit, equities, multi-assets, and of course, natural resources."

He reports that the firm has enjoyed considerable success in Asia through strategies such as Global Franchise, which has an excellent historical track record. "They focus on good quality companies, strong balance sheets, strong management, and free cash flow. It will not race ahead like high growth funds in technology, but it enjoys solid performance and relative resilience. And we are building more of a reputation for fixed income and winning awards and accolades."

Rising to challenges

A notable challenge to some extent to Ninety One's success is the drive towards DPM and advisory at the private banks and other wealth firms, as they assemble their own portfolios for their clients.

"But at the same time," Cappetta reports, "some do not have the expertise in certain areas and are increasingly looking out towards different asset managers who might be able to separately manage a portfolio for them in a white label structure. Moreover, we are seeing more of the private banks keen on niche product providers or active asset managers who are not necessarily mainstream in terms of brand name, but very good at what they do, like Ninety One, fitting into their DPM portfolios, for example. Accordingly, we're certainly winning some mandates and getting onboard with different private banks that we haven't been able to work with in the past."

Key Priorities

Cappetta's first mission in the year ahead, he reports, is to keep communicating the Ninety One brand and proposition, so that potential clients and partners are fully aware of the firm's history and capabilities. "We are aiming for Ninety One to become a household name, that would be a wonderful achievement, and I believe we are on our way to doing that," he states, enthusiastically.

His second priority is to work even more closely with some of the local partners in the region. "We have enjoyed great success with the large Swiss private banks and some of the American private banks, but across the region, in Hong Kong as well as Singapore, we want to build our relationships with the local players, the local private banks and retail banks, the larger independent wealth firms, as they have all been doing a fantastic job of building out their markets, they are still hiring keenly, many of the banks are proactive in trying to onboard specific interesting and relevant funds for their clients to consider, matching appetite with a broader menu of strategies."

The third key mission, and this is, of course, dependent on the first two priorities playing out well, the firm wants to keep building its assets under management in Asia, especially through the private banking HNW and UHNW channels and the private banking retail channels.

Keeping focused

Cappetta comments that the firm's coverage is regional, although based out of the two main hubs of Hong Kong and Singapore. "There are interesting things happening in Indonesia, the Philippines, Thailand and so forth," he remarks, "but our first focus is in the major regional and international centres, then we can build out further when we identify the right opportunities in other markets."

He adds that those distribution agreements the firm has in place naturally extend to the rapidly expanding range of digital channels their bank partners are developing in the region. "As they grow their digital capabilities, the funds that are on their recommended lists or high conviction lists would logically be added into their digital offers. Provided we continue to bring the best solutions to these clients, we will be able to leverage those relationships, especially in the more retail targeted digital or robo advisory type offerings."

Refining the asset allocation

Cappetta rounds out the conversation by reiterating the firm's view that 2021 should be a reasonable year for investments as a base case scenario. "The key," he says, "is asset allocation, hence some of the themes and ideas for which we see potential, emerging market credit, the unstoppable green/ESG theme, and multi-asset portfolios in which fixed income is blended with growth opportunities in equities. And quality and reliability are also essential, so we devise our strategies to combine all these elements in a manner that suits the Asian wealth management community, aiming to offer both robust income and solid returns." ■