

Lombard Odier on Rising Uncertainty and why Private Banks Must Offer Outstanding Advice and True Value

Lombard Odier today has two value propositions in the Asia region: the high-net-worth family services practice and global investment advisory. Directly impacting both of these areas, the bank reports that the findings of its latest study on HNWI in the region show that the chaos and disruption wrought by the onset of the pandemic in 2020 is in 2021 now being superseded by a word that might come to define this decade – uncertainty. Hubbis met again recently with one of our go-to private banking experts, Vincent Magnenat, who since 2013 has been Limited Partner and CEO for Asia at the 225-year old family-controlled Swiss bank. We also ‘met’ with Jean-Francois Aboulker, Head of UHNWI (Ultra High Net Worth Individuals) Offering in Asia at Lombard Odier. Together, these erudite and thoughtful private bankers plot the course of recent events as navigational points for this ‘uncertain’ future, while they gave us their views on what it all means for high-end wealth management and private banking in the Asia-Pacific region. and how Lombard Odier is ideally positioned to help its private clients in the region through what appear to be more complex and challenging times ahead.

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JEAN-FRANCOIS ABOULKER
Lombard Odier

Lombard Odier has

successfully expanded its presence across the region, both through its own offices in Singapore, Hong Kong and Tokyo, as well as through its growing array of high-quality onshore strategic alliances and partners in Thailand, the Philippines, Indonesia, Japan, Taiwan and Australia. At the height of the Covid-19 pandemic in 2020, along with its six partners in the region, the bank undertook a study of UHNWIs in the region, resulting in a highly insightful White Paper through which one word reverberated – disruption.

“Fast-forward to this year, and we have conducted our latest 2021 HNWI study by again leveraging the relationships and cultures of our alliance and other close partners in Asia-Pacific, speaking this time to 620 high-net-worth individuals across Asia Pacific,” Vincent reports, opening the discussion. “The key finding last year was disruption, but this year, whilst we have mostly been dealing pretty well with the impact of the global pandemic, we are now in uncharted waters where uncertainty has become, like the virus itself, endemic.”

Three pillars – investments, family matters and sustainability

The bank has divided its 2021 study findings across three pillars – investments and the global economy; family matters; and sustainability. “As society learns to live with Covid-19, we hope to offer insights distilled from these 620 leading families and entrepreneurs to help enable us to future-proof the coming years ahead, for those clients and for us as a core player in the wealth industry,” says Vincent.

He also points to one particularly bright spark amidst some of the clouds of uncertainty, namely the response by HNWI on sustainability. “We found this in our 2020 UHNW study, and this time again, we see there is certainly a clear conviction on the attitudes towards sustainable investing and the urgency to transition to a net-zero economy,” he reports. “That gives optimism about how we can all respond to some of the questions facing us and adapt our approaches to the ‘new normal’ ahead. And it is how we react that will determine our collective success.”

Building the regional proposition

In his role as Limited Partner and CEO for Asia at the bank, Vincent has been at the heart of building on the bank’s presence in Asia since its entry into Asia over 30 years ago by focusing on its core strengths in holistic investment solutions and family services advisory.

Although he only took up the reins in 2013, he had worked in Asia for many years before that, thereby bring both a Swiss perspective and Asian viewpoint to the mission. This two-way flow of ideas and deep un-

derstanding of the different cultures in Asia has helped him and his colleagues formulate a robust strategy for expanding the bank’s presence onshore and offshore across the region, expressed through the core offices and its ecosystem of the strategic alliances across Asia with leading domestic financial institutions in different countries.

The vision aligned

Jean-Francois evidently shares many of these same key attributes and also outlook, having worked across Europe and Asia for more than 20 years, mainly covering UHNWIs and leading families globally. Prior to joining Lombard Odier, he held senior management positions in Switzerland and Singapore within Credit Suisse and UBS, focusing on UHNWI coverage, building relevant offerings, contributing to growth, and leading the overall strategy both directly and through leading teams of bankers and advisors. It is of little surprise that someone holding an MBA from INSEAD and a Masters in Mathematics should have enjoyed such an impressive career to date.

Guidance through the mists ahead

The world economy continues to be disrupted by Covid-19 as many markets remain in a state of increased complexity,” Jean-Francois comments. “Through this exercise, we found that amid the unpredictability of today’s environment, there is an increase in the divergence of views and needs of HNWI, and they are increasingly looking to banks for guidance, especially within individual markets. The race to net zero is also adding more diversity to investment opportunities, while wealth and succession planning remain even more relevant than



VINCENT MAGNENAT
Lombard Odier

usual. In this context, private banks such as ourselves can, we believe, play a vital role in providing quality advice and expertise to help HNWI's navigate uncertainties."

Amongst other key findings, they also saw that there is both greater caution, but also increasing reliance on the advice and expertise of trusted advisors such as the private banks. "This is positive for us, as well as being indicative of the underlying uncertainties that pervade the responses from those we studied," Jean-Francois adds. "As representatives of a huge amount of wealth and many of them in leading roles in their respective companies and countries, their positioning and attitudes offer considerable insights into the wealth management landscape of this region that lies ahead."

Vincent agrees, adding that the bank has been witnessing the trend towards leveraging their advice and expertise to help these clients navigate their way through this oftentimes turbulent environment. "Diversification of investments and also wealth structures is of critical importance amidst today's climate of volatility and uncertainty, and investors are looking for holistic

and high-quality advice and access locally to global offerings," he says.

Investments & the global economy

Mining down into some of the detail, the first of the key headings for the findings is the banner 'Investments and the Global Economy', which highlights quite marked differences in pandemic crisis management among countries, which in turn had led to market divergence.

Respondents in Australia, Hong Kong and Singapore feel the world has become more local and less global, while other markets in the study continue to see a much more global picture. "Either way," says Vincent, "HNW investors' ability to diversify their portfolio globally is seen as critical in a context of heightened volatility and divergence."

The study, for example, found that 44% of HNWI's that equity markets are over-valued and due for a correction, and only 31% feel that markets will keep rising. Singapore and Taiwanese investors are the most concerned about a correction, while far fewer investors in Indonesia share this concern.

"And throughout the findings, we can see that these HNW investors are increasingly seeking the guidance of well-reputed experts from private banks such as Lombard Odier, which takes a highly institutionalised approach to portfolio formation," Vincent reports.

Matters of family truly matter

In the second key heading, family matters, the study found that although 60% of respondents across the eight markets said the crisis has led them rethinking some family-related matters, half of them have not acted yet.

"As we interpret these findings, we see it is critical for banks to be proactive in further educating clients on matters of the family," says Jean-Francois. "Banks need to bring their local expertise to investors in Asia-Pacific in order to help them find the appropriate solutions."

Another finding is that although not many investors have relocated since the beginning of the Covid-19 crisis, many are thinking about it; in fact, some 40% of Singapore respondents polled, 34% of respondents from Thailand and 32% of respondents from the Philippines.

"A bank that is able to continue advising a client from its domestic country, regardless of the client location, will have a considerable competitive advantage compared to the bank whose reality is purely onshore," Vincent comments. "We can thereby play a pivotal role in reassuring clients in terms of their options and the timing of potential moves."

Sustainability moves centre stage

They also report that the perception of sustainability is evolving to a legitimate financial opportunity, with 59% of respondents reporting they think sustainability will generate superior returns, and 40% have already actively increased the proportion of sustainability factors in their portfolios since the pandemic hit, and most others stating that they plan to do so.

"It is clear that Asian investors are increasingly taking action on sustainability, and we see this trend becoming more prevalent in the future," says Jean-Francois. "They are already starting to scrutinise companies' environmental footprint, policies and practices, gauging the direction and speed of



travel through environmental, social and governance (ESG) scores, and with 72% of respondents now expecting an accelerated response to climate change.”

Interestingly, the study also uncovered differences in views between genders and age groups. Some 68% of female respondents are more convinced than just 54% of male respondents that sustainability factors will help drive superior returns. And those aged between 18 and 34 are most convinced of the necessity to support sustainability, followed closely by those between 35 and 50 years old.

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A timely and relevant study

Vincent steps back from the detail and observes that he sees considerable value in the type of engagement with clients demonstrated through their collective efforts during the study.

“Although this is anonymous, that actually enhances the findings and their relevance, helping us make sure that our value propositions and the way we engage with the clients are both completely aligned,” he says. “It helps us focus the minds of our bankers, reinforcing the key issues that they should be focusing on and stimulating their interest in key areas such as sustainability. And for the bank, it reinforces our strategic efforts to engage across

the different markets in Asia where we operate. I have been in Asia for a long time, and it is really useful to compare and contrast between countries, regions and continents. The exchange of ideas and knowledge is greatly valued.”

Jean-Francois adds that the process also helps uncover information about clients and the more emotional side of their engagement with the bank. “As Vincent said, we want to put ourselves in the shoes of investors, to relate to them and to make sure we understand how they feel and what they need.

No surprises, plenty of reinforcement

Vincent reports that there were not necessarily any surprise findings, but plenty of confirmatory findings that support the bank’s overall strategy. “A very important element is the local relative to the global strategy we have adopted,” he reports. “We see ourselves properly aligned through the strategic alliances we have to support the rising needs of clients who want both local and global expertise, local knowledge and global reach. And we can see that compared with our 2020 UHNW study, there is even more emphasis on sustainability, and more clients are of the view that applying sustainability criteria to their investments will generate superior returns in the coming years. And

from our view, we see the big gap between the belief and the action, so that gives us a call to action.”

Expanding further on this issue, he says this fits in well with the Lombard Odier ethos, which is to encourage investors to take a medium- to longer-term outlook on their holdings. “Within robust portfolio allocation, we strongly advocate sustainability because it is an investment conviction for those time horizons. We believe if they want to generate superior returns, invest into sustainability driven by ESG metrics.”

From transactional to advisory

He adds more insight on the other key message about the value shift

to good advice, a strong advisory proposition and robust. Indeed, we found that as these investors seek to diversify due to the uncertainties and complexities facing us all, they need their private bankers more today than they have for many years.”

On the right track

And that, he says, fits ideally with the Lombard Odier approach, which is an advisory-led, DPM-centric model that accentuates the need to take a holistic and longer-term view of wealth preservation and enhancement, at the same time as being tactically astute in terms of active management of portfolios to adjust to market nuances and evolving trends. “We have a conviction portfolio, which is at the core of our offering, and also a

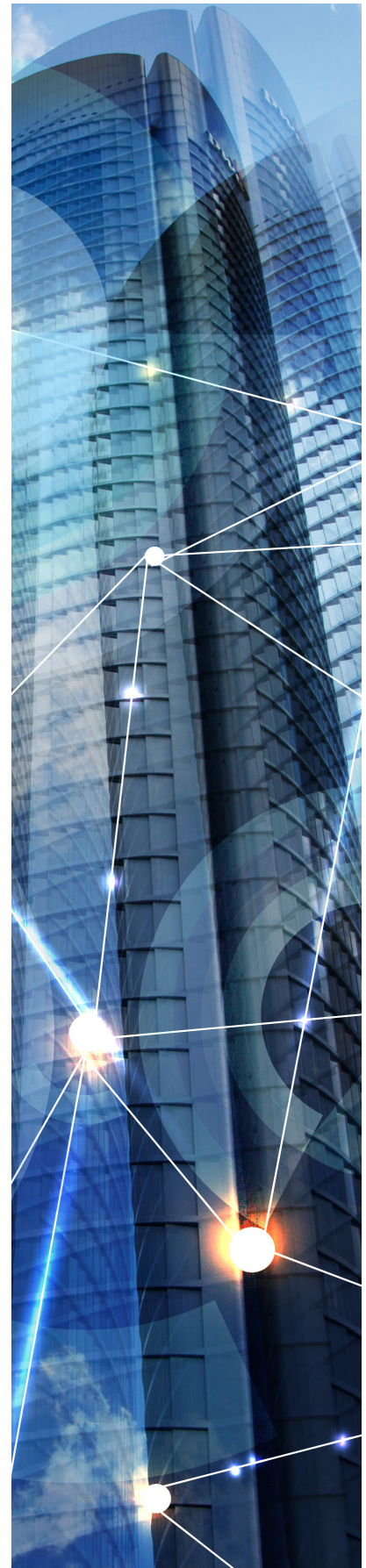
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from transactional to advisory. “Uncertainty is the watchword, and in this ‘new normal’ we all face, private banks can provide genuinely differentiated and elevated value in terms of investments, family wealth and estate planning, sustainability and ESG, and through discretionary portfolio management.”

Jean-Francois agrees, highlighting that 87% of investors involved in the study expect good advice from their bank. “That is an overwhelming majority and very significant,” he states. “In some markets, for example Indonesia, the number is close to 100%, and across the region, we can clearly define the needs as relating

tactical layer that allows us to take advantage of near-term or evolving opportunities as well,” he explains.

Vincent zooms in further on another element of the study, relating to relocation in the aftermath of the arrival of Covid-19. “A key reinforcement is the need to have family as close as possible at these times, and Singapore has, for example, benefitted with its great incentives, lifestyle, infrastructure, security and stability for UHNW families seeking to consolidate through family offices in a centre that also has an outstanding ecosystem in terms of financial services.”



A wake-up call, but no cause for alarm

Jean-Francois adds: "This pandemic has been a wake-up call for everyone, and numerous private clients realised that their wealth and estate planning for themselves and families was simply not strong enough, and they have been addressing those issues head-on, which is another core area of expertise and advice we can offer them that they find of real value today. It boils down to this – none of us know the future, and in the face of a growing sense of unease, clients need holistic advice that covers the full spectrum of their financial lives and how that also links to their families through robust estate and legacy planning. This needs to be delivered dynamically through regular engagement and continuous refinement. With our local-global network, we have both the expertise and the access."

They draw the discussion towards a close reminding us that Lombard Odier two value propositions in the

Asia region - the HNW/UHNW family services practice and global investment advisory – are founded on four strategic pillars.

Four pillars remain in place

The first is through the management and growth of the three business hubs in Singapore, Hong Kong and Tokyo. The second is an expansion of the onshore private banking proposition through its regional partnerships through strategic alliances. The third pillar is anchored upon the offering of family offices and related wealth planning services. The fourth pillar being the expansion of the discretionary portfolio management (DPM) coverage.

"In all four key pillars, we believe we are very well-positioned to product the right advice and outcomes for clients at the same time as producing good business and prospects for ourselves and our partners," Vincent states.

The quest for holistic value

They close the conversation by reiterating the vital need for private banks to offer real value, not simply play the private banking cards of yore. "What this tells us through the study is that clients expect private banks to provide precisely what they had been created to offer, namely to demystify the world of investments and to help clients genuinely plan holistically for their own and their family's wealth and futures," says Jean-Francois.

Vincent agrees, adding: "There is competition coming from all sides, especially in terms of execution platforms, but our strategy has been to concentrate on our value-added and that is perfectly expressed through our own operations directly and through our alliances in the region. The future is there, it is bright, but we must ensure we are focused on our core strengths." ■

