Founder Paul Gambles on why MBMG is one of Leading Wealth Management Groups on the Need for Cuation and Conservatism

Paul Gambles has been a stalwart of Thailand's wealth management scene for more than 27 years, having first arrived in Bangkok in 1994. Not only has he raised his family there, but he has also built the MBMG Group into perhaps the largest and best-known multidisciplinary financial practice in the country, which includes leading independent asset management and advisory business MBMG Investment Advisory. His founding partner, Graham Macdonald, retired in 2016, but Gambles continues today, running a team of 6 in the Investment Advisory team, with Assets Under Advice equivalent to USD1.5 billion at the wealth division, MBMG Investment Advisory. It is always a pleasure to meet up with Paul in person, but yet again, Hubbis had to make do with a video call to hear him update his perceptions of the Thai wealth management market and how he is curating investments and advice for MBMG's roster of over 30 private clients, institutions and, their main focus, family offices. We heard how the firm sticks resolutely to its ethos of a fee-driven model that embraces transparency. And we learned why Gambles believes investors should be extremely careful in their portfolio risk management, as he sees global risks at their highest since the 1970s, and certainly higher than the troubled 1980s. Despite warning of the potential for an end-of-era 1930s style debacle, his native wit and forthright character shone through in what was an illuminating and often uplifting conversation.

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PAUL GAMBLES
MBMG Group

MBMG Investment Advisory is the Thailand SEC-licensed fee-based wealth division of MBMG Group, which has over the past nearly three decades become a well-diversified financial services provider, and since 2015 a member of the GGI Group, the sixth largest global professional services group. Paul himself is licensed by the SEC as both a Securities Fundamental Investment Analyst and an Investment Planner. The firm operates out of Bangkok and also has an office in the upmarket royal seaside resort of Hua Hin.

MBMG Group today provides legal, accounting and audit services, corporate advisory, insurance brokerage, and Gambles concentrates his time mostly as director and investment advisor with MBMG Investments. "We also have financial planning licenses, so we frame the investment allocation decisions to align with broader issues like tax planning, lifestyle planning, retirement planning, so it hopefully all fits together quite seamlessly," he reports.

Tracking the trends

He notes a key trend in Thailand that has developed over the past 10 to 15 years in the form of a shift towards the fee-based model, mirroring the global trend. "As a fee-based fiduciary advisor, we're obligated to give clients the best advice that we can," he says, "and that is precisely what we do. We are not expected to be able to predict the future, but it does mean we must be thorough, professional and entirely objective. We work for the clients, and they pay us."

However, Gambles also remarks that in many parts of the world, including in Asia, this client-first fiduciary commitment is not strictly necessarily the norm. Even in the US, he commented, they had tried to introduce a fiduciary standard some years back and for whatever reasons they used to justify their response – perhaps fear of misinterpretation and litigation in a highly litigious society, or concerns over vested interests - the investment profession and the financial advisory profession there were largely against the idea as presented.

"Perhaps the idea of putting clients' interests first and foremost was anathema to them," he quips. "After all, the history of this industry is replete with motivations amongst the intermediaries and advisors that might be well hidden, or perhaps deeply embedded, including trailer fees. In fact, if one is very cynical, one might assume that people can make more money if clients don't actually realise how much they are really paying for something."

He elaborates on this line of thought, adding that in the US the colossal brokerage model means that there are thousands of businesses dependent on the status quo not changing. Even in places like Australia and the UK, he notes resistance from large parts of the industry, and many participants still clinging on to the idea of maximising hidden fees and maximising transactional fees. "There is much more to do to break those moulds," he says. "It is also a lot of smoke and mirrors. After all, there is really no such thing as commission-free broking, as there is clearly some sort of embedded fee earned somewhere along the line by those brokers."

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For MBMG, however, he reports that the shift to a genuine fiduciary standard means that they are legally obligated to act in the clients' best interests and compelled also seek out the best deals and offer their best possible advice. "We have no hidden fees, nothing the client is not aware of," Gambles says. "The regulator here is actually quite progressive, and it was perhaps easier to arrive at this situation, as the wealth industry was less developed and interests far less entrenched and interwoven than for example in the US."

He also reflects on the logic for a firm such as MBMG acting on behalf of their clients, namely, to achieve the best deals and the best outcomes. "We know how to deal with the different types of organisations in this industry, at home and of course overseas," he says, "so although a client might perhaps think they can save money by doing things direct, in most cases we can actually find a way for clients to get better fees and better outcomes through us."

He reports that the target margin for a private bank is typically in the region of 2% to 2.5% a year from a client's AUM, but says in quite a lot of cases, MBMG can dramatically cut those private bank fees back to perhaps around 0.5% annually. "And we definitely do not charge our clients the equivalent to 2% a year for doing that!" he states, emphatically.

Gambles also observes that in the low interest rate and high volatility environment, fees are even more critical, as risk-free income is extremely tough to find today. "If we can achieve a situation where you're starting the year level or even slightly ahead, because risk-free returns are higher than that 0.5% fee, the clients are clearly in a much better situation than having to get to 2.5% at least before they make any return," he says. "The higher the threshold, the more the whole risk approach changes."

He believes the "very reasonable" fees MBMG charges are good value for clients, as they generally prefer not to manage their investments themselves, either because they do not have time, or do not feel qualified. "I am not being condescending, but realistically this is what we do, we have the track record, we have the expertise, we have performed year-in, year-out." And he adds that MBMG can tier the service to their specific clients, either perhaps holistic discretionary advice for some, or perhaps for sophisticated family offices, individual investment-related research and analytical support.

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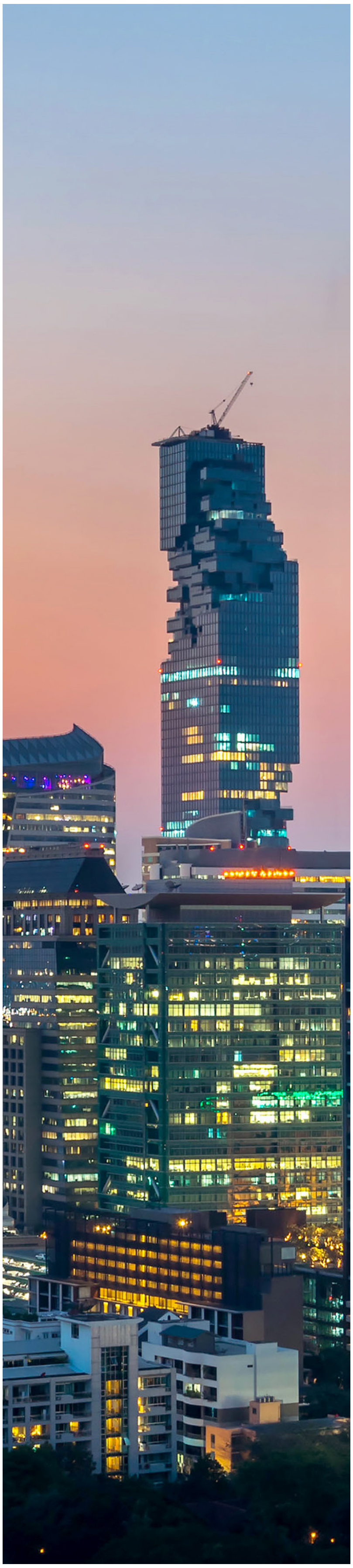
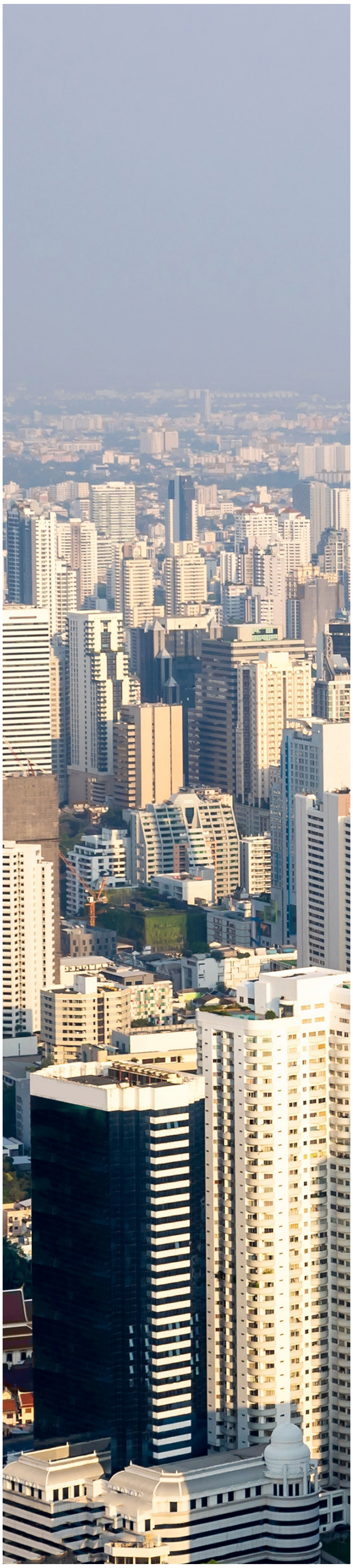
Either way, he says that however they tailor their services, they are entirely objective and transparent, always erring on the side of conservatism, diversification and balance, and certainly not entertaining excessive allocations to inflated valuations driven by momentum and liquidity.

In this regard, he points to the beating taken as bears bet heavily by shorting some of Cathie Wood's embattled ARK Investment Management technology ETFs in December and January, driving the prices dramatically lower. On





Key Priorities

Gambles observes that we live in interesting and rather difficult times, with risks higher than for several decades. "I would say this period we are coming into is as potentially risky as at any time since the 1970s, and certainly worse than the 1980s," he warns. "I am not saying that markets are going to crash and burn horribly this year, but they absolutely could. More probably it will take a few years, but there's definitely a view that it could end up as the end of an era, 1920s or 1930s style."

This, he says, means that risk management and heightened risk navigation are essential and therefore a key priority for himself and colleagues. "That is our forte, and right now the communication we are delivering centres very much on caution and risk tolerance, more so than targeting specific returns," he explains. "Even if we were to follow our hunches, maybe we could make higher returns but that's not what this year is about. I think this year is about making the journey as safe and secure as possible for clients."

His second priority is to keep building the firm, building on their history of market positive returns ever since the firm was founded, and building on the team and enhancing talent. "We want to build our talent amongst the older and younger generations, and boost technology and transparency, and our advisory skills, amongst other advances," he reports. "We need to see the big picture, understand what is happening in the world, and communicate that effectively to our clients. We are certainly not resting on our laurels."

His final word is that MBMG wants to continue to be a driver also for evolution within the Thai wealth industry. "We believe in transparency, and we continue to spread that word here and in our dealings outside Thailand on behalf of clients," he concludes. "We can help by chipping away to improve the psychology, by setting an example, and by showing the way forward. That is most definitely another priority."

January 28, Bloomberg reported that Woods' flagship ARK Innovation ETF (ticker ARKK) had, for example, slumped 25% in 2022 already, and was down more than 50% since February 2021, despite a relief rally in the underlying tech sector in the US in the preceding days.

"We actually wrote to our clients in early 2021 saying that we thought these types of investments had enjoyed a good run, and that we thought the writing was on the wall," Paul reports. "But I say that not to beat our own drum, but to highlight the importance again of balance and diversification of risk. We hear horror stories about people who put so many of their eggs into momentum baskets such as ARK Innovation, Bitcoin and so forth. This is not about whether an

ETF such as that is good or bad, it is about suitability and relevance to the client's financial position and aims. Unless you understand the risk of various combinations of assets, unless you understand what an asset is bringing into an overall portfolio, well, you're not really seeing the big picture and you are at great risk."

Gambles adds that he remains extremely wary of Bitcoin and other cryptocurrencies. "They are quite literally worthless in my view," he says. "They have no value, even though they're actually very simple to trade from a technical perspective, and as part of the older generation, we really have seen this all before, but this time it is wrapped in technology, as if it is some new dawn. But actually, it is part of our responsibility to tell people our major reservations, for example to alert them to this as what I would call out as an expertly executed digital scam. There are nevertheless technologies allied to cryptos that are potentially valid, such as the blockchain, that are well worth watching and we should be helping the younger generations drive these technologies to create or achieve good things, not this type of Bitcoin madness."

As to the platforms MBMG works with, Paul explains that the firm is totally agnostic, and that they often prefer a combination of a private bank online platform and a digital/online brokerage. "We discuss the options with the clients and talk through the pros and cons and they then make the decision as to which platform or combination works best for them," he explains.

At the risk of broad generalisations, he observes that the private banks offer the most holistic service, but also most expensive, even with MBMG helping drive their fees down. Brokerages on the other hand tend to offer the cheapest services, although clients should be wary of the potential for hidden or embedded fees. Moreover, the brokers tend to be more limited in their range of assets transacted. Generally, he says that the wealthier clients with higher AUM tend to go for the private banks alongside brokerage accounts to blend range, advice and costs. "But it depends on the clients, their size, their assets, and what they want to achieve," he reports. "There's no one size fits all."

Gambles also reports that the continued presence of Covid-19 has naturally meant that their technology investments and digital infrastructure had been boosted, while their administration has been streamlined and made more efficient.

"MBMG Group recently received an award from the Ministry of Commerce here for being the best digital accounting practice in Thailand," he reports. "We do of course maximise the reach of technology in all aspects of our business and teamwork, and aligned with that we have used technology to help us focus even more diligently on our core strengths in risk management, scenario modelling, and so forth."

He says they have also been experimenting with the use of AI to help guide analytics and investment decisions, but that it is still very much a work in progress. "We have embraced technology throughout the firm," he says, "but we also know more of its limitations, whether around communication, asset allocation, analytics, processing, and other areas. The human elements and skills, even including our human quirks, are still vital to this business, we believe." ■

Getting Personal with Paul Gambles

Paul is a passport holder of both the UK and the Republic of Ireland, and a resident of Thailand. After university in the UK, he spent nine years in corporate and asset finance in London. He first journeyed to Thailand in 1994, with his wife, Anna. They loved what they saw and the opportunities it presented at the time, and he was emboldened to set up the MBMG Group, along with Co-Founder, Graham Macdonald, in late 1995.

He is still married to Anna and their son, Henry, has just turned 21 and is doing American Studies and Film & TV at The University of Derby in the UK, while their 19-year old daughter, Daisy, is now studying Theatre & Drama at Trinity College, Dublin in Ireland.

Paul reports that during lockdown, he and his son were in Ireland, and Henry encouraged him to begin running again. "I managed to eventually crank it up to run about 5 miles round trip with him to the local cemetery, which was rather apt, I thought, as I was well out of shape after many years of laziness! However, it got easier, I got fitter and even considerably slimmer, and I really started enjoying the exercise again. Honestly, it is made a major difference to every aspect of my life."

Elaborating, Paul reveals that he since, he has spent the 4 weeks on crutches. "I started playing veterans football again and completely ruptured my calf muscle – which the doctors seem to think was because all the running that I've been doing has stiffened or tightened my calf muscle, making it more susceptible to tearing when I did higher stress, higher impact exercise!"

Paul's sense of humour and bonhomie was born in Rotherham, South Yorkshire where he grew up many moons ago. "Rotherham is the industrial, heartland, tough core of Britain, and is jokingly remembered as the place where pigeons flew backwards to avoid getting muck in their eyes!" he quips. "I grew up in a pub which my father ran; it was hectic, noisy, lively and full of banter. Actually, my father had previously worked in the local steelworks, was a union man and also ran the social club, which is how he was then encouraged to buy his own pub. In his spare time, he was also a bookmaker at the horse race tracks in the North of England with my uncle, but that is another story in itself!"

Paul has come a long way from that previously industrialised heartland of England. He was a hard-working student at the University of Warwick, graduating in English and European Literature and History, then embarked on his career in the UK. But the real adventure, he says, has been in the years since opening MBMG with MacDonald, who is now comfortably retired and proud holder of the MBE for his services to British trade and charities.

Paul's own range of expertise includes asset allocation, tax structuring and macro-economic analysis. He was a Full Technical Inspector at the UK Inland Revenue, and had then moved to the Bank of Scotland Group, Gambles holds the CFA Level 1 accreditation, and he is licensed by the Thai SEC as both a Securities Fundamental Investment Analyst and an Investment Planner.

He is also a member of Advisory Board of IDEA Economics and is well-known as an expert commentator making monthly appearances as a guest host on CNBC's Squawk Box Asia and Squawk Box Europe as well as Bloomberg's Daybreak Asia and Daybreak Middle East. He has also authored or been featured in publications such as Forbes, Fortune, The Daily Express and contributed to websites such as Zerohedge, while also producing a number of highly regarded and widely cited academic papers, including several co-authored with colleagues at MBMG.

For over a decade he has been a senior judge at the annual Mai Bangkok Business Challenge at Sasin; a competition where over 50 world-class universities from locations all around the globe present business plans and compete for His Majesty, the King of Thailand's Award.

He and the family still love their lives in Bangkok, albeit the children are now away on their studies much of the time. "Despite the pandemic and despite the children now being at university overseas, we still love Thailand and the people here, and it is still very much our home," he says.