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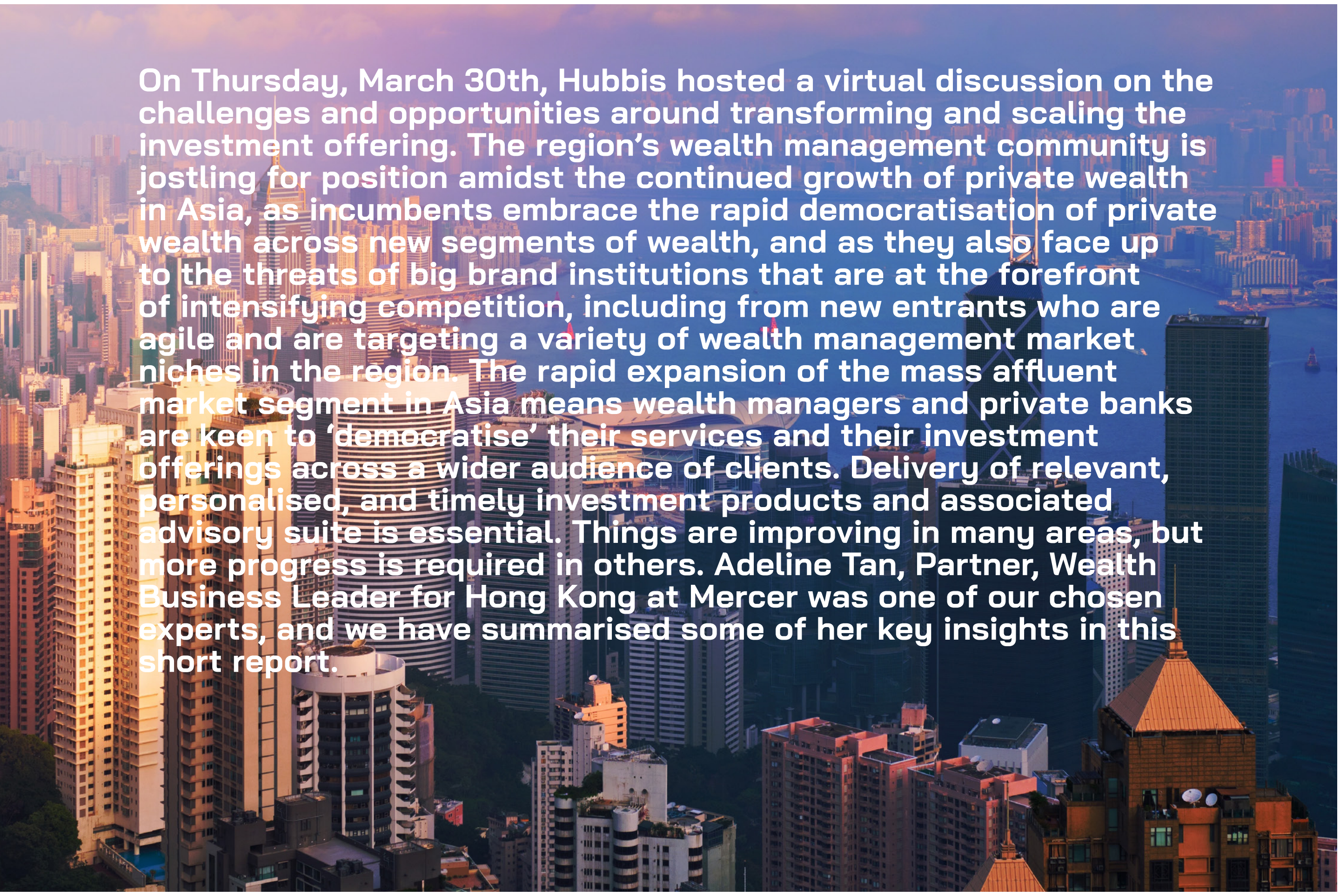
Mercer Partner and Wealth Business Leader Talks Improving Support for Investment Managers



On Thursday, March 30th, Hubbis hosted a virtual discussion on the challenges and opportunities around transforming and scaling the investment offering. The region's wealth management community is jostling for position amidst the continued growth of private wealth in Asia, as incumbents embrace the rapid democratisation of private wealth across new segments of wealth, and as they also face up to the threats of big brand institutions that are at the forefront of intensifying competition, including from new entrants who are agile and are targeting a variety of wealth management market niches in the region. The rapid expansion of the mass affluent market segment in Asia means wealth managers and private banks are keen to 'democratise' their services and their investment offerings across a wider audience of clients. Delivery of relevant, personalised, and timely investment products and associated advisory suite is essential. Things are improving in many areas, but more progress is required in others. Adeline Tan, Partner, Wealth Business Leader for Hong Kong at Mercer was one of our chosen experts, and we have summarised some of her key insights in this short report.

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Adeline Tan
Mercer

Mercer needs little introduction. It believes in building brighter futures by redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. As a global and highly trusted investment solutions partner to clients across the world for more than half a century, and with approximately 1,300 investment professionals, analysts and researchers on its growing team, Mercer provides a wide range of tools, advice and innovative solutions to help investors manage risks, capture opportunities and position portfolios to deliver on overall investment objectives. APAC is one of the company's fastest growing regions for its Wealth business and is committed to expanding its team of more than 160 investment professionals across Asia.

Adeline leads the Wealth Business in Hong Kong. Her team services clients in Hong Kong, Macau, Taiwan, South Korea and the Philippines. She joined Mercer in 2014 to lead the investment consulting/advisory segment of Mercer's Investments business. Prior to that, she had 12 years of consulting experience with Watson Wyatt (now Willis Towers Watson). Adeline is a graduate of the Business School at the University of Warwick and is a Fellow of the UK Institute of Actuaries.

Adeline first noted that there are more portfolios suffering a wider range of situations that have impaired them, hitting performance by more than the past several years, , hence there is greater value and demand for a platform that offers investor clients a genuine 'what-if' capability to project through the portfolio under different stress scenarios.

"This add-on service has really helped some clients understand that a portfolio approach could be the best way to approach diversification, all while helping them to manage costs and invest in a longer-term and sustainable manner," she said.

Adeline also observed that especially in Hong Kong, the suitability framework and suitability design could be perceived as more conservative to protect investors. "Regulators do not want investors to lose money. Yet with investing, there will be both risk and reward. In some cases, you might take more risk and get lesser rewards or you could be risk-averse and get larger rewards. In short, the wealth managers in Hong Kong face different challenges when servicing clients that are also customers of their regional counterparts."

She cited specific examples such as the Greater Bay Area and Wealth Management Connect (WMC) initiatives. "There was excitement over WMC early on," she said, "but investors found out that only products of certain tiers are sold

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She added that in the wealth industry, the key differentiator for wealth managers today is client service. which cannot be easily automated and scaled.

"With the support of AI-related tools, and with appropriate training, it is possible to deliver great client service. Although a 100% AI-driven client service model is unlikely to work, the support to present the right narrative, alongside investment performance – which is always important - the service element and the approach to how their portfolios are monitored are also critical."

which might not be useful for, high-net-worth investors Ideally, investors would want to access products that are novel or not available locally."

She noted that sentiments from C-suites at the banks include the greater need for regulators to support the growth of wealth management as an industry in Hong Kong.

"When it trickles down to the individual case officers that knock on your door and want to see all the paperwork on your clients, somehow that message gets lost," she observed. "The approach becomes more about mining out any and all the mistakes that the banks or others have made, rather than understanding more about your business and what your business needs to thrive."

But Adeline said she is unsure this will improve anytime soon. "Maybe the regulators have discussions around opening up more to attract investors into Hong Kong, especially mainland Chinese investors, and suitability. There could then be a more comfortable framework that everybody can work with."

In fact, Adeline was hopeful that regulators can find a middle ground in aligning the suitability framework to be more holistic. "The public in general is getting more sophisticated and aware, like buying a lot more upside Hang Seng Index tracker funds. The regulator probably needs to catch up with that," she added.

Commenting on the safety of some assets, Adeline remarked that there needs to be awareness that some supposedly safe assets are just not that safe; they could still blow up. "The AT1 bonds for Credit Suisse is a great topical example. But these are CoCos, and there is a contingency attached. So while wealth managers might have assumed they are fine, they can also suddenly be unable to sell any of it. Wealth managers need to do their due diligence."

She concluded by saying that while regulators have their work cut out for them, service providers also need to continue innovating. ■