

Moving towards more portfolio-led advice

Private banks and other wealth managers in Asia need to ensure they are working smartly with clients to deliver performance in a transparent way, to ensure they withstand competition from the continuing fee pressure and disruptive fintech models.

Supportive markets in 2017 to date have resulted in lower cash deposits and more financing and leverage generally.

But following what has been a good first few months of the year for private banks (and other wealth managers) in Asia, the focus needs to be on securing gains and adjusting portfolios for a possible downturn.

Yet some risk exposure needs to be kept on certain markets.

In line with this, advisers need to introduce to clients more products that are able to adapt to this perception of market uncertainties – such as capital protected products.

If there is a market correction, the expectation is that it will trigger new buying interest and the search for yields that has been supporting fixed income and alternative investments.

Further, despite the low volatility, there has been serious interest in FX trading, particularly around geopolitical events. Theme investing, including socially responsible investments, has also been fairly popular.

But all this has to be achieved in the context of guiding investors to take a longer term, portfolio-led approach.

And one which is therefore based on a different fee model in order to get advice which is more aligned with their interests.

These were among some of the most important conclusions of speakers at the annual flagship Hubbis Investment Solutions Forum in Singapore in June.

Panel speakers

- **Paul Stefansson**, Managing Director, Investment Products & Services, Singapore Head Portfolio Specialists, UBS Wealth Management
- **Marc Lansonneur**, Managing Director, Head of Managed Solutions and Investment Governance, DBS Bank
- **Arnaud Tellier**, Head of Investment Services Asia, BNP Paribas Wealth Management
- **Hou Wey Fook**, Head of Managed Investments, Bank of Singapore



Paul Stefansson
UBS Wealth Management

DRIVING THE SHIFT IN MIND-SET

Although more than two-thirds of poll respondents at the event said the fees that private banks charge HNWI clients in Asia are not transparent, it might also be a case that many clients do not add up all the charges, suggested some practitioners.

Yet with the disruption ahead, investors will start looking much more closely at costs. This will be part of the price competition coming from new entrants, which will use more data and algorithms.

In addition to digital offerings, the larger regulatory spotlight is also speeding up the required transparency in relation to fees.

Further, as the fee model gradually changes and more of an approach to being performance-based emerges, this will be a game-changer for the asset and wealth management industries.

Such a shift, coupled with algorithms and the efforts in terms of investor education, will go some way in terms of overcoming the struggle in Asia to give consistent and structured portfolio-led advice – rather than just execute single trades.

70%
Poll respondents who said the fees that private banks charge HNWI clients in Asia are not transparent

For example, portfolio awareness will come by demonstrating benefits to clients via the use of more data.

Plus, suitability alignment is also important in changing from product driven to advisory and investment goals model.

Despite some growing interest in discretionary portfolio management, especially from clients such as family offices, the local culture and mind-set of Asian investors means wealth managers will have to continue to juggle between execution, advisory and discretionary, albeit with a much stronger focus on advisory.



Marc Lansonneur
DBS Bank



Arnaud Tellier
BNP Paribas Wealth Management

61%

Poll respondents who don't think HNW clients really understand and take seriously enough the risks in their portfolio

TAKING TIME TO THINK LONG TERM

Although there is ongoing discussion about how to convince clients about long-term asset allocation and portfolio construction, the majority of Asian investors still believe in market timing.

This ongoing mission of what some practitioners call 'evangelisation' is taking root in some areas but is still relatively limited.

49%

Poll respondents who said more alignment of suitability / risk profiles is required in order to give consistent and structured portfolio-led advice - rather than just execute single trades

The gradual emergence of contractual fee-based advisory in Asia - even if it will take time - will also lead to a more consistent portfolio approach with asset allocation.

Being able to better advise clients on their risks on a portfolio basis will also make discussions on returns and performance more important.

Although good execution is necessary to implement advisory, this is a different role and set of skills, depending on the type of clients and their investment time horizon.

Ultimately, clients are looking for a mix of key components for advice: a trustworthy relationship manager, a constructive assessment of their goals which can be translated into investment decisions, performance and no surprises. ■



Hou Wey Fook
Bank of Singapore