

# Private Bank Head Tomas Chiudian on Optimism and Growing the Philippines' Wealth Management Market

Tomas Chiudian is Head of Private Banking at Bank of the Philippine Islands and was one of our expert speakers on the first panel discussion of the March 31 live Hubbis conference in Manila that focused on the Philippines' wealth management market. We have summarised some of his valuable insights in this short report.



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**Tomas Chiudian**  
Bank of the Philippine Islands

### Setting the scene for the country's wealth market

"When you look at the wealth management industry locally and offshore, we all know how busy we are, with AUM having consistently grown despite the lockdowns and slowdowns," he reported. "In the Philippines, clients had more time to look at their portfolios and find out more about what's happening around the world, so our bankers have been busy talking and updating them on all that. And it is the key, as the advice we give in times like this reinforces our position as partners with our clients."

He explained that in preparing for the event, he had assembled some basic information on the country. GDP growth in the Philippines was at 4.3% annually for many decades until 2019, and since then that has fallen due to the pandemic, but it represents only a blip in the data in the bigger context of time. In the two decades until 2019, the average annual growth was closer to 5% and in the decade before 2019 was around 6%, and in the five

years to 2019 it had risen further to 6.5%

### Robust data – past and present

Aside from the lockdown blip, he reported, the trends are all up, including GDP, GDP per capita, wages, and so forth. Per capita income 38 years ago was at the equivalent of USD700, but today, it's forecast to be about USD3500, which is a roughly 10% growth every year. The average age group in the Philippines is about 25, whereas Indonesia is around 30, the US about 38 and Europe 44.

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"We have a very young and hard-working population," he said, "and all these data points give me great cause for optimism, and for our industry there is great potential. We can all add value to clients and help them manage their wealth, we can help educate them, we can work closely with the regulators, we can all collaborate to drive the right policies to protect clients and the financial system here. So, I am very bullish."

He added that the hiatus caused by the pandemic was indeed a hiatus, but that continuity will resume. "As my chemistry professor would say two years ago, everything moves back to equilibrium. So in our markets, when financial asset sells off, they then stabilise and eventually moves back to the mean or a new normality."

### Digital + sound advice = good wealth management

Tomas told delegates how digitisation was one key element of the proposition that had improved significantly during the pandemic, and that was continuing to be core to investment and future growth. However, he said that digital only achieved so much, and that the quality of advice and knowledge were the key ingredients to capitalise on those technology advancements.

"Advice is essential, and we strive to make it practical, as simple and accessible as possible," he

said. "We don't want to confuse clients with a Greek alphabet of information and confusion, we want to talk to them in ways they understand, especially for the mass affluent market, which is growing apace."

### Returning to equilibrium

He said the pandemic had actually resulted in what he describes as a considerable misallocation of capital.

"If you look at fixed income, the top of the market was during the height of COVID. The first half of 2020 had the lowest of yields, which coming back to my point of the return to equilibrium, yields had to go back up. We took profits on bonds and shifted our clients' portfolios towards equity. In the search for yield to balance

the portfolios, we had to be more creative and allocated into dividend yielding assets such as REITs, which were relatively new, and alternative investments.

### Alternative and new ideas

He expanded on the REIT, which he said the bank had been promoting since the pandemic hit in particular, reporting that was

an asset-backed and tax-efficient vehicle for creating income, it was an ideal diversification at a time of stress in the markets. "It offers a door to further growth, opening new opportunities and new markets," he explained.

He closed his remarks by noting that the domestic financial markets have huge potential for growth in volume as well as sophistication.

"Our local markets also lack adequate means for investors to hedge exposures, so there is plenty of room for growth in both the instruments available here, as well as activity, and all this will create a virtuous circle in the years ahead," he concluded. "This is another area on which we can all work closely with the regulators, for the benefit of the overall wealth market and the clients." ■

