

Product gatekeepers

- Are we really focused on long-term value?

Product gatekeepers in the Asian wealth management industry are facing many existential threats. Hubbis assembled a panel of experts to debate if, and how, wealth firms can help their clients create long-term value.

These were the topics discussed:

- *What are the main investment themes and the products that will be most relevant in 2018 - Top risks and how to alleviate them? Mega-trends and how to capitalise on them?*
- *Active vs passive: friends or foes?*
- *Socially responsible and impact investing: it seems to be a growing concern for clients, are wealth managers giving it the attention it deserves?*
- *How would you explain your investment process and philosophy - and to what extent is it mandatory that your advisors follow it?*
- *Discretionary vs advisory vs execution: how can clients benefit?*
- *Most Private Banks in 2017 gravitated to using the same big funds. Is it now time to pay more attention to Boutique / Specialist managers? Is it possible to do so when you need scale?*
- *Selling global income funds and leveraging them 4 times - is this still appropriate?*
- *MiFID II - to what extent will it force Private Banks in Asia to restructure their investment engine and operate in a more transparent way?*
- *What's the extent that DIGITAL platforms help create long-term value for clients?*

WHAT IS A GATEKEEPER? THAT WAS THE FIRST ISSUE addressed in the fourth panel discussion of the Hubbis Asian Wealth Management Forum of February 27.

“I like to think of us as people who help end-clients make sense of the plethora of products coming their way, so they can evaluate them, packaged and customised for client usage,” explained one expert.

PANEL SPEAKERS

- **Malik Sarwar (chair)**, CEO, K2 Leaders
- **Tariq Dennison**, Investment Adviser, GFM Asset Management
- **Jaye Chiu**, Senior Managing Director, Head of Investment, EFG Bank
- **Guy Uding**, Chief Investment Officer and Co-Founder, Axial Partners
- **Adam Cowperthwaite**, Managing Director, Head of Capital Markets – Asia Pacific, Citi Private Bank
- **Frank Henze**, Practice Lead - Financial Services IT, Trimantium GrowthOps
- **Aman Dhingra**, Head of Advisory, Singapore, UBP
- **Nick Pollard**, Managing Director, Asia Pacific, CFA Institute





MALIK SARWAR
K2 Leaders

“Gatekeeping can be considered a somewhat negative term, but I believe the function is designed to help protect the clients and their families, for the long-term.”

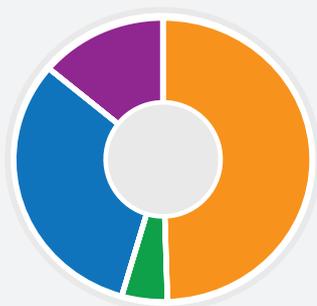
“The general competence of the leadership in this industry has improved markedly in the last decade,” observed another panellist. “And education has improved, something necessary I feel for this region when comparing to developed markets such as the US or UK. But there is still a lot further to go.”

“I have seen RMs that truly act in the best interest of the clients and there are those who are less professional,” said a panel member. “There is no doubt the regulatory impetus towards transparency has been a factor.”



TARIQ DENNISON
GFM Asset Management

WHAT IS THE MOST PROFITABLE INVESTMENT FOR 2018?



- EM equities
- DM equities
- Alternatives (private equity, hedge funds)
- Fixed income
- Gold

Source: Hubbis Asian Wealth Management Forum 2018

He said that even though it is time-consuming and expensive, he does believe everyone moving in the right direction where acting in the best interest of the clients will lead the industry to perform better over the long term.

“Good point,” said another, and added jokingly: “We needed some adult supervision, it turned out to be the regulators.”

To B or not to B (Big... or Boutique)?

There is constant debate about the merits of being a giant wealth management firm, or a boutique player.

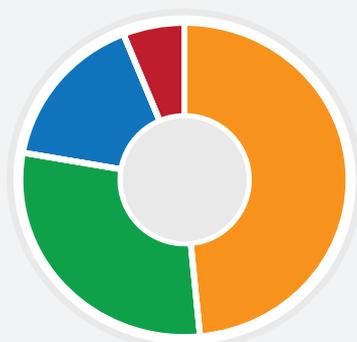
“As a smaller firm that was founded to invest my family money as well, we can say to our clients that we invest for them as we do for ourselves,” said one representative from the latter category. “Large firms cannot say the same.”

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GUY UDING
Axial Partners

WHICH IS THE MOST IMPORTANT MEGA-TREND IN THE WORLD TODAY?



- Silver tsunami
- Millennial
- Female empowerment
- Game of Thrones

Source: Hubbis Asian Wealth Management Forum 2018

Another used a food industry analogy to talk about how boutique investment management firms compare with the big firms in this market.

“I very often compare even the best large mutual fund to fast food,” he said. “You will not be hungry after you eat brand name fast food, but you may not feel a hundred percent good about it.”

“What we prepare is organic salads, with the right amount of Omega-3s, proteins, carbohydrates and so forth on every plate,” he said. “You can pronounce the name of every ingredient on that plate, and my plate is going to be quite different to the next chef’s plate.”

Focusing on the individual

One panellist observed that the wealth management industry has not quite caught up with the idea of each has their own choice on what they might want their money to be invested in.

“I think you are going to see more and more in that area where we will see more boutiques serving each of those niches rather than one-size-fits-all business solutions.”

According to him, the entire advisory chain has moved up from the version 1.0 product push going into a little more diversification version 2.0, to version 3.0 about asset allocation and hopefully in the future version 4.0, where you start talking about risk first and then asset allocation.



JAYE CHIU
EFG Bank

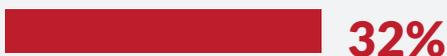
“I THINK YOU ARE GOING TO SEE MORE AND MORE IN THAT AREA WHERE WE WILL SEE MORE BOUTIQUES SERVING EACH OF THOSE NICHE RATHER THAN ONE-SIZE-FITS-ALL BUSINESS SOLUTIONS.”

DO YOU GET CONFUSED WHEN CONFRONTED WITH ALL THE CHALLENGES AROUND CRS, FATCA AND TRANSPARENCY?

Yes



No



Source: Hubbis Asian Wealth Management Forum 2018

We're seeing that evolution, and I think that is pushing all of us in the industry to try and put the value in the active clients as a bank," he said. "We are a discretionary manager, and the reason discretion works is that our clients are busy with their work, their lives, they prefer to pay us to take care of things for them."

But how, asked the moderator, can discretionary portfolio management catch on in Asia?

"I would like to see the wealth industry do a better job of managing the assets the clients have in their portfolios now and spend a little bit less time on what the next thing that will be put into the clients' portfolio," said one panellist.

"I think that given the breadth of investments that our clients have, given the difficulty of monitoring so many different investments especially across a broadly diversified client portfolio we need more technology solutions to help us do that."

Technology solutions as enablers

Another expert added: "Managing the goals effectively via digital tools is one dimension that can revolutionise asset management, investment management, wealth management."

He explained that digitisation has two dimensions that add value. "One is along the horizontal with



ADAM COWPERTHWAITTE
Citi Private Bank

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FRANK HENZE
Trimantium GrowthOps

regards to the value that you add along the chain that a client engages with you through an interface with him, the data, the customisation, the automation of the investment engine, for example, AI.”

A panel member concurred, saying: “I think the advisers who will be very successful are those advisers who can use technology, to make themselves extremely efficient and effective and relevant to their clients.”

“That,” he elucidated, “could be a simple advance such as proactive push-based messaging that tells your client lots of different things about their portfolio the instant that those things happen.”

“I think that applying technology in this field in that kind of a way is going to make a massive difference for those people who do it properly.”

Concluding the discussion, one panellist called for a grander vision of the ‘big picture’.

“My suggestion is that we aspire to be more altruistic as an industry,” he said, noting how 25 million people in the US will be retiring in the next few years and will be below the poverty line.”

“We have a responsibility, an industry responsibility, to make sure that this is more than just profit and loss,” he added. “This is more than just shareholder value.” ■

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AMAN DHINGRA
UBP



NICK POLLARD
CFA Institute