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Re-engineering the platform

The Hubbis Investment Solutions Forum began with a panel discussion on re-engineering the platform. The experts were asked to consider what keeps them awake at night, with regulatory challenges, demanding clients, fluctuating markets, digitalisation headaches, all cited as reasons for concern.

These were the topics discussed:

- *What does it mean today to 'add value' to a client?*
- *What do you need from your investment platform? How is that changing?*
- *How will you grow your platform in the next few years?*
- *Can a digital approach be innovative for the investment engine?*
- *Should we be using AI / data / robo? Can it enhance the ability to make better investment decisions?*
- *To what extent do you see new firms - possibly digital - disrupting your business?*
- *What are your biggest challenges and opportunities?*
- *Impact of key business trends like passive investments, fees, transparency, regulations?*
- *You had a great year in 2017. What's your revenue replacement strategy for the next two years? Is there a likelihood you will see outflows 2H this year?*
- *How important is credit risk today?*
- *Where will net new assets (NNA) come from?*

PANEL SPEAKERS

- **Lavanya Chari**, Managing Director, Head of Global Products and Solutions, Asia Pacific, Deutsche Bank Wealth Management
- **Chun Him Tam,** Executive Director, Head of UHNW Solutions & Head of Fixed Income, Asia, RBC Wealth Management
- **Rohit Jaisingh**, Head, Equity Investment Products, DBS Bank
- **Justin Kendrick,** Co-Founder, Head of Investment Solutions, Ingenia Consultants

PANELLISTS AGREED THAT WEALTH MANAGEMENT has a different dynamic today compared with 10 years ago, while the core objective to grow, or at the very least preserve, client wealth has remained the same, despite dramatic technological advancements and an avalanche of regulatory changes, all combining to produce a vastly different landscape.

WITH SO MUCH TECHNOLOGY STILL PROMISING SO MUCH BUT IN ITS EMBRYONIC STATE, SOME BANKS ARE RIDING THE WAVE AND OTHERS ARE PLAYING CATCH-UP.

Let's hear it for digital platforms! Well, maybe one day soon...

Established private banks and wealth management companies know that they must keep up with tech-

LAVANYA CHARI
Deutsche Bank Wealth Management

nological advances and opportunities or face new, tech-savvy companies poaching their clients.

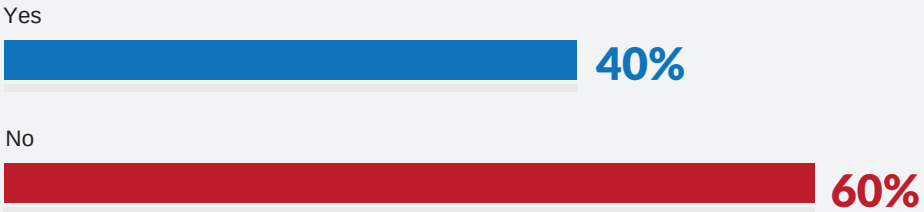
With so much technology still promising so much but in its embryonic state, some banks are riding the wave and others are playing catch-up, meaning lots of different interfaces having to communicate with each other. This can make processes which were once simple now take longer and cost more.

"In some of the smaller private banks, instructions are still sent by fax," joked a panellist. In this age of digitalisation, this marks them as dinosaurs.

"We are now looking to make banking more intuitive, natural and effective for clients," explained a guest. "We have been developing an app for clients that allows them to access their portfolio and follow

"WE ARE NOW LOOKING TO MAKE BANKING MORE INTUITIVE, NATURAL AND EFFECTIVE FOR CLIENTS."

DO CLIENTS HAVE CLEAR LONG TERM INVESTMENT OBJECTIVES?



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its performance which is helping us to maintain direct contact with our investors. They are also able to make some trades, which gives them real, flexible autonomy."

Ultra HNWIs – in a league of their own

Panellists then moved to discuss what the ultra HNW clients are looking for from their wealth managers in the current financial climate.

While the financial industry is buzzing with talk of digitalisation, AI and robotics, the ultra HNW sector still prefer the human touch because there is empathy and trust.

"When I fly economy class," commented one expert, "I can book myself in, get a boarding pass, and not even see a staff member. When travelling in first class, suddenly there are helpful staff serving and talking to customers."

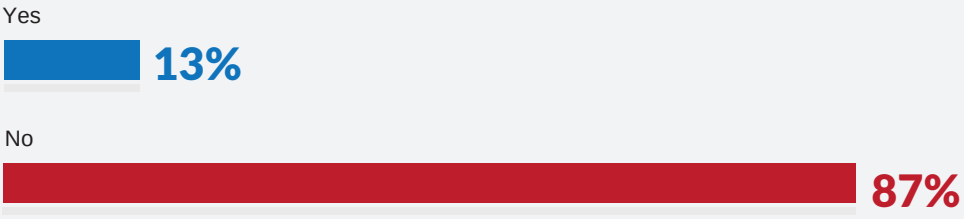
Adding value to the experience of the ultra HNW client is achieved by understanding them as individuals, listening to their needs and concerns and tailoring solutions to fit their needs. "There are no one-size-fits-all templates," warned an expert.

Falling short of our goals

So, why is the industry not yet standardised, consistent, collaborative and transparent? "Every player wants to do well for themselves," admitted a

JUSTIN KENDRICK
Ingenia Consultants

DO PRIVATE BANKS PROVIDE THE BEST PRICING, ACT IN A TRANSPARENT WAY AND ARE CONSISTENT?



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panel member, "so we are selfish, we play to our own strengths."

"Without a doubt we are in the grip of an avalanche of regulations that we have no choice but to comply with," added a guest. "Just when we feel we have got to grips with it, things change yet again."

"All wealth management advisers want their clients to achieve their financial objectives," explained a guest. "The client should have a clear understanding of what is happening, and the wealth manager should understand what the client wants. Then, and only then, can there be true transparency."

There is certainly a lack of consistency around pricing. One client might be dealt with in a certain way at a certain fee, another client might be dealt with another way at another way fee, which seems unfair.

The reason for this, panellists expounded, is that every client has different needs and constraints. "Offering the best solutions within those parameters with a personalised, human touch, comes with a customised price tag," explained a guest.

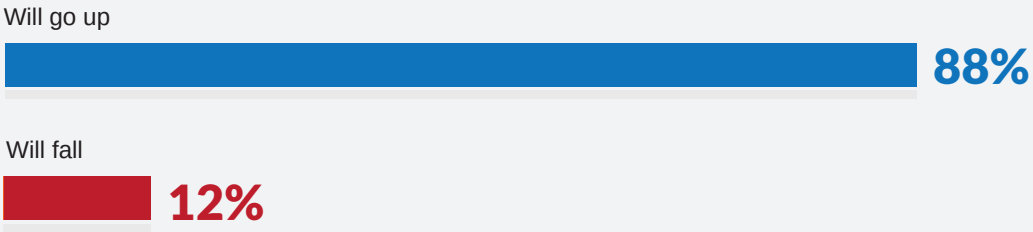
CHUN HIM TAM
RBC Wealth Management

"OFFERING THE BEST SOLUTIONS WITHIN THOSE PARAMETERS WITH A PERSONALISED, HUMAN TOUCH, COMES WITH A CUSTOMISED PRICE TAG."

Passive, active, or hybrid?

Why should clients pay a wealth manager when they can simply invest it themselves in an ETF portfolio? "This is a question of active versus passive investment," observed an expert.

DO YOU EXPECT YOUR AUM IN THE NEXT 2 YEARS...



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In markets where some active alpha generation is possible, an active manager is needed. In more efficient markets that are tougher to generate alpha, passive investment is the path to choose. Investment managers can choose the best instrument to fit both the market and the client. This is known as best execution.

"In this volatile market," a delegate elucidated further, "we are actually seeing a trend moving from passive back to active because investors trust their portfolio managers to act fast to protect their portfolios and generate returns for them."

"IN THIS VOLATILE MARKET, WE ARE ACTUALLY SEEING A TREND MOVING FROM PASSIVE BACK TO ACTIVE BECAUSE INVESTORS TRUST THEIR PORTFOLIO MANAGERS TO ACT FAST TO PROTECT THEIR PORTFOLIOS AND GENERATE RETURNS FOR THEM."

New product recipes

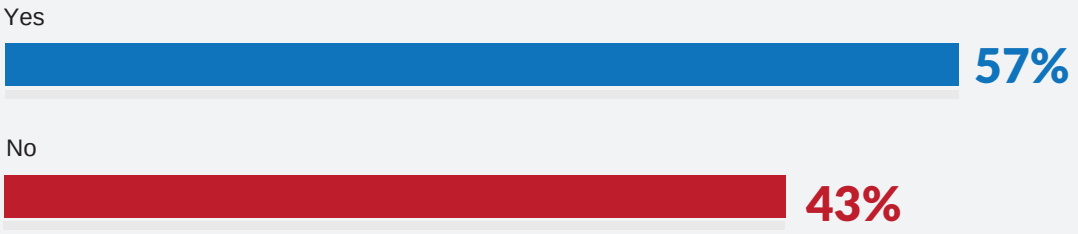
In the last 30 years, it has been a bond bull market, which is heading towards a significant change as the world moves into a more complicated investment environment with rising interest rates.

"Providing products outside the traditional spectrum will be important because we are going to be negotiating a low return environment and a higher volatility environment," said one expert. "Interest rates may go up, fixed rate products could turn loss-making, so floating rate instruments are one way to provide defence."

Relationship managers (RMs) versus artificial intelligence (AI)

Guests were then asked if they felt that RMs will always play an important role, or if they would soon be replaced by AI.

DO YOU THINK THE GAP BETWEEN HOW INSTITUTIONS AND PRIVATE BANKS MANAGE THEIR INVESTMENT EXPOSURE AND RISK MANAGEMENT IS GETTING WIDER?



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One guest argued that while we are not yet at the point where AI can give nuanced or subjective advice, tailor-made for each client, this will not always be the case as technology is expected to advance exponentially in the next few years.

Another guest argued against that viewpoint. "AI will be hybridised with RMs to provide data analysis and insight, which the RM can then use to advise the client while simultaneously freeing up his time to focus more on the human relationship side of things."

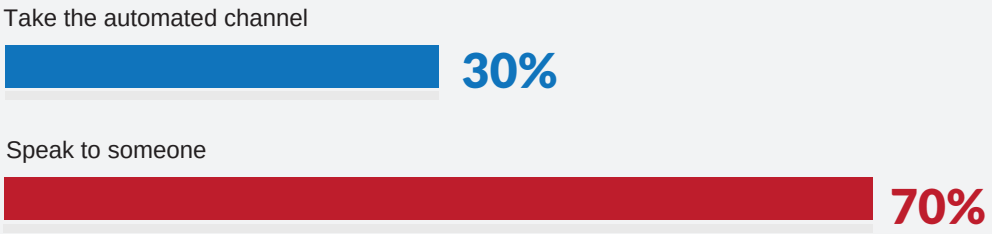
In short, this view is that wealth management is still a relationship- and trust-oriented business, and while technology will continue to improve services, it will not make RMs redundant.

Indeed, the majority of the wealth in Singapore is held by the over 55's, which is not a technology enabled demographic. They want to speak to people, not machines, and need to build up trusting relationships. For this reason, panellists felt that it will take a long time for AI to replace humans in wealth management.

Closing out the panel a panellist suggested that rather than focussing on the RM versus AI debate, the industry should be trying to improve the presentation of all asset classes by offering them all on one holistic, easy to use digital investment platform, as well as diversifying portfolios for clients to better weather the volatile markets ahead. ■

ROHIT JAISINGH
DBS Bank

WHEN YOU CHECK IN AT THE AIRPORT - WOULD YOU PREFER TO



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