Robo wars

A Singapore advisory start-up is set to tackle the establishment with an innovative new twist to managing money.

As alternative avenues for investment continue to manifest themselves with amazing regularity, it would seem that the role of the robo-advisor in today's market may well be the 'one size fits all' option that could take the investment world by storm.

"Smartly has developed the investment platform with a parallel gamified educational platform to teach clients the basics of investing using a series of animated videos."

While a relatively-new concept in Asia, this online business model does have traction in other markets and has been growing as it acclimatises, especially in the US. Technically speaking, the robo-advisor provides users with a customised globally-diversified investment portfolio of ETFs based on goals initially stipulated.

The online investments platform is easy to access and risks are minimised through a monitoring system that governs the allotment of investments, according to the system proponents. Although not yet a crowded house, the space is becoming more popular in Asia as education on its ethos and a relatively low level of financial entry makes it popular with a wider investment community.

KEIR VESKIVALI
Smartly

Moving into this space is a Singapore start-up aptly name 'Smartly', clearly aimed at the smart investor.

FILLING A GAP

With the promise of making investing easy, affordable and accessible to the greatest possible number of participants, Smartly's co-founders, Keir Veskiväli and Artur Luhaäär decided to move from their native Estonia to Singapore to launch their start-up, with the aim of carving a niche through targeting the millennial sector in this new financial dawn.

This leaves the average investor with little investment opportunities that meet their investment needs, according to Veskiväli.

To fill the gap, Smartly has developed the investment platform with a parallel gamified educational platform to teach clients the basics of investing using a series of animated videos. The series will "complement our investment platform by simplifying, as well as giving clarity and confidence to our users," adds Veskiväli.

"Millenials use all services a lot more differently; we question the banks' motives; we're tech savvy and want to be in control of our future, so millennials are really the segment where we believe we can most easily tap into with our product, and then again, millennials are the gateway to Generation X. This can be seen from adoption patterns of any new technology in the world."

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Smartly is currently supported by a team of eight people geared to building an automated platform for clients with minimum financial knowledge, while providing full transparency.

Average users should be able to invest globally, with relatively small amounts and minimised fees, Veskiväli says.

"Most people have always viewed investing as something complex and risky.

There is limited transparency in the majority of investment products, coupled with high management fees charged by asset managers," he explains. But bringing investing to the masses also requires financial education, with financial literacy being currently weak among the populous.

With that in mind, he aims to turn to his chosen gene pool of potential clients, the 18 to 35-year old age group known as millennials.

"The Singapore investment market has been booming, however, the millennials, who are the bedrock of our future, are not investing," says Veskiväli. "Why are we targeting the millennials? We are a product built by millennials for millennials. If we look at the millennial generation from a broad perspective then millennials were the first generation to born into the rise of technology and internet hence bringing the change across many industries."

A NEW APPROACH

Smartly adopts a different approach to online investment, aligned with its choice of target investor.

It encourages clients to plan a goal for their eventual investment return, be it a property acquisition, luxury goods, a stepping stone to other investments or even retirement.

In the first instance, the system will assess the risk factors and allot the best portfolio for investment. From there, clients are able to create more investments or even cancel their current options.

Another massive difference in Smartly's favour is that clients can join the game for as low as USD50, and have the freedom to withdraw profit at any time.

Average users should be able to invest globally, with no financial barriers and with minimised fees, says Veskiväli.

"We recommend only portfolios consisting of globally diversified ETFs, whereas the educational platform itself is totally separate. If you don't want to learn but just invest, go ahead. If you don't feel comfortable then you can learn and understand the system and then start investing with virtually any amount of money."

The rise of ETFs has coincided with millennials becoming investors.

"Millennials are more amped up about ETFs than any other generation," according to Heather Fischer, Charles Schwab's vice president of ETF platform management.

> **"Investors now allocate 22.5% of their total portfolios to the ETFs, compared with 16% in 2012. Among millennials, the average ETF allocation is 35.8%."**

She based her assertion on data from Schwab's 2016 ETF Investor Survey, which shows that Schwab is the fifth-largest ETF provider in the US, with USD52 billion in ETF assets, according to ETF.com, and has been involved in an intense fee war in recent years with other big ETF companies, including BlackRock's iShares (USD929 billion), State Street Global Advisors (USD461 billion) and index fund giant Vanguard Group (USD579 billion).

Individual investor adoption of ETFs continues to steadily rise among millennials, Generation X and baby boomers, according to the Schwab survey, which polled more than 1,000 investors between the ages of 25 and 75 with at least USD25,000 in investable assets. But the biggest move to ETFs has been among millennials.

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Not that Veskiväli sees his start-up rivaling these players in the near future.

But he is happy to see growth and the potential in the market.

"We really are about creating value, which is our only goal. We want people to start asking the right questions from their advisors or from their bank or whatever the firm, so we have combined these two models to demonstrate what we truly believe.

"In fact, 70% of active fund managers fail to outperform their benchmark after fees are collected. Smartly only charges 0.5% to 1% per year and that is all the customer pays, as opposed to existing products charging hidden sales charges and annual management fees that can add up to 4% to 5% a year."

Life as a start-up is never easy, but building a fintech start-up that involves angel- and venture capital investors, clients and their cash is much harder, in addition to the regulatory framework, as Veskiväli recognises.

Smartly is in a heavily-regulated environment, which a challenge in any sphere, however Veskiväli takes the highs and lows, maintaining that regulations are there for a reason and that they should be respected but nevertheless questioned.

In order to tackle the regulatory hurdle, Smartly has partnered with VCG Partners, a regional fund manager in Singapore.

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"Leveraging on VCG Partners' decades-long experience in the field allows us to show our customers, investors, as well as the regulator that we're a team that sets high standards to quality and trust" says Veskiväli. ■