Saxo Markets APAC CEO Adam Reynolds on Meeting the Needs of Asia's Investors

Adam Reynolds, the Singapore-based APAC CEO for Saxo Markets, has a remarkable bird's eye perspective on the evolution of the wealth management industry in the region. Reynolds is a go-to expert to whom Hubbis often turns to help inform readers of the key trends and outlook for investments and the development of asset management, wealth advisory and distribution, not just in the region but globally. In fact, a re-read of the mid-2020 thought leadership feature Hubbis produced outlining Reynolds' insights shows just how prescient he can be. We met up with him again recently for an albeit somewhat more secular and less forward-focused discussion, during which he highlighted the recent launch alongside partner Lion Global Investors of the new 'LionGlobal Dynamic Growth: Asian Perspective' managed portfolio, which he explained fits neatly into Saxo's managed accounts offering. Designed with an Asian lens and offering investors high flexibility and a low service fee, the portfolio is constructed using best-in-class actively managed mutual funds and low-cost ETFs, all of them carefully screened and selected by Lion Global's Curated Portfolios team. The portfolio is well-diversified across asset classes and regions, aims to achieve superior risk-adjusted returns, providing an additional strategic exposure to Asia and the Emerging Markets as key sources of future yield and growth potential. Reynolds explained how this fits into the continuously evolving Saxo offering in the region, and reported that he now looks forward to the next stages of the platform's evolution towards more personalised and digitised portfolios for mass affluent and other investors.

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The LionGlobal Dynamic

Growth: Asia Perspective strategy comprises nine underlying investments. They are the Aberdeen Standard Gold USD ETF, the BGF US Dollar High Yield Bond, the BGF US Growth, Fidelity APAC Strategic Income, the Schroder ISF European Special Situations, GSAM Asia Equity Base, LionGlobal Japan Growth, PIMCO GIS Global Bond, and the Schroder ISF Greater China.

All of the holdings start out as 10% allocations within the strategy, except the Japan Fund at 5% and the BGF US Growth the largest at 25%. Quarterly re-balancing will then take place based on market movements and evolving outlooks.

Balancing risk and reward

"The concept is to make the benefits of professional fund selection accessible to the retail investor," Reynolds explains. "We worked with LGI to create this to our requirements for our managed accounts offering, and believe it is ideal for those who want to strike a good balance between risk and return by investing in best-in-class funds to achieve superior risk-adjusted returns on an annualised basis. We have already been enjoying a positive response with new accounts opening on our platform daily to buy into this."

He explains that investors are buying into a globally diversified portfolio, which is rebalanced quarterly. "The LGI Curated Portfolios Team is dedicated to conducting mutual fund/exchange-traded fund research and constructing risk-based portfolios," he elucidates. "LGI's research efforts are geared towards identifying suitable funds in which they have the highest conviction in their abilities to deliver top-quartile performance within their peer universe on a forward-looking basis."

Asia in the spotlight

Leveraging LGI's expertise in Asian markets, the portfolio looks to have a greater exposure to growth and return opportunities from Asian and Emerging Markets (EM) investments compared to normal global portfolios which have large weightings to US and European equities and fixed income. The fund assembles its exposures from low-cost ETFs and best-in-class actively managed funds.

Adeptly curated in Singapore by Lion Global Investors, the portfolio is available in SGD and USD denominations. It is Saxo's first managed portfolio that is tailored for people looking to invest in a global diversified multi-asset portfolio that has been specifically designed from an Asian perspective.

Tailor-made for Saxo

"The genesis of this was Saxo looking for a portfolio provider to give us a portfolio that is more relevant for our Asian client base," Reynolds reports. "The strategy fits ideally within SaxoSelect, which is the managed portfolio part of our platform, where we work with names like BlackRock, Morningstar and Nasdaq Dorsey Wright, and a few others create portfolios of different ETFs, funds or shares for clients. For this one, I was keen for more of an Asia focus."

He notes that most global portfolios follow market capitalisation weightings which are overweight Europe, overweight US and underweight Asia, relative to the GDPs of the different regions. "The result," he observes, "is you end up having less than 10 per cent of your portfolio in Asia and maybe another seven per cent in Japan, and then 40 plus per cent each in Europe and the US. And that is not so relevant for many clients in Asia; they want to have some choice in investments that offer more of a home bias."

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Meeting market demand

From Saxo's perspective in the region, Asian investors are less interested in Europe, and most interested in the US and Asia, with Hong Kong listed shares as Asia's go-to market in the region.

Additionally, he observes that the pandemic has resulted in each of the regions likely to have very different long-term prospects. "The vast monetary and fiscal stimulus in the US will probably continue to pump up asset prices, but also pump inflation in the US, which

ADAM REYNOLDS
Saxo Markets

could pull the dollar down," he says. "It is a similar type of story in Europe, while in Asia, it is a different story altogether, so as regional performance diverges in coming years, it makes sense to devise a portfolio that is weighted to the potential, we believe probable, outperformance of Asia, whereas since the global financial crisis, Asia has not really outperformed, in fact, it has underperformed."

Flexibility

The new strategy is available as a SaxoSelect managed portfolio requiring a lump sum of USD10,000, or for those who prefer to invest in it as a Regular Savings Plan, they can also start with an initial investment of SGD2,000 and make a minimum contribution of SGD100 monthly subsequently. Investing in this portfolio under SaxoSelect also means investors enjoy a low cost of service fees at just 0.25% per year.

LGI itself is based in Singapore and part of the Oversea-Chinese Banking Corporation Limited (OCBC) Group. LGI is today one of the leading asset management companies in Southeast Asia. Established since 1986, it is uniquely positioned to provide Asian equities and fixed income strategies and funds to both institutional and retail investors. At the end of 2020, the firm boasted the equivalent of more than USD51 billion under management.

Institutional style curation

"LGI came up with the most appealing and well-designed answer to our request for this type of strategy," Reynolds reports. "From internal and external research, people are looking for ease of use, ease of account opening, low fees and mobile access when it comes to online investment. Saxo's range of managed portfolios offers an easy, cost-effective way to have world-class asset managers handle investments, tailored to different risk profiles.

Saxo Markets – a Snapshot

Saxo Markets is a licensed subsidiary of Saxo Bank, a leading Fintech specialist that connects people to investment opportunities in global capital markets. Saxo Markets has operated in Singapore since 2006 and serves as the APAC headquarters. As a provider of multi-asset trading and investment, Saxo's vision is to enable people to fulfil their financial aspirations and make an impact. Saxo's user-friendly and personalised platform experience gives investors exactly what they need, when they need it, no matter if they want to actively trade global markets or invest into their future.

Founded in 1992, Saxo Bank was one of the first financial institutions to develop an online trading platform that provided private investors with the same tools and market access as professional traders, large institutions, and fund managers. Saxo combines an agile fintech mindset with close to 30 years of experience and track record in global capital markets to deliver a state-of-the-art experience to clients.

The Saxo Bank Group holds four banking licenses and is well regulated globally. Saxo offers clients around the world broad access to global capital markets across asset classes, where they can trade more than 40,000 instruments in over 25 languages from one single margin account. The Saxo Bank Group also powers more than 120 financial institutions as partners by boosting the investment experience they can offer their clients via its open banking technology.

Headquartered in Copenhagen, Saxo Bank's client assets total more than USD80 billion today, and the company has more than 2,000 financial and technology professionals in financial centres around the world including London, Singapore, Amsterdam, Shanghai, Hong Kong, Paris, Zurich, Dubai and Tokyo.

This fits very neatly into our aim to make it simple for investors to access opportunities that are more institutional in terms of construction, but more retail in terms of delivery and upfront costs."

Reynolds explains that Saxo could have worked with a number of partners, but a solid relationship with OCBC and LGI helped both parties arrive at what he says was by far the best package in terms of the quality of the portfolio that they had put together, the thought behind it, and all predicated on a thorough understanding of what Saxo wanted to achieve. The result is that any client wanting to access the fund can do so in white-labelled form through the LGI Direct/Saxo co-branded platform, or through the SaxoSelect managed account platform directly.

True partnership

"This strategy is not available anywhere else," Reynolds explains. "And actually, Lion Global don't have any direct managed account platform of their own; they do not actually sell to clients, they are in the business of creating funds, which they sell via other distributors. In this case, this opportunity is managed by us through our asset management license on our platform, but the portfolio is created by their curated portfolios team."

Reynolds explains that the solution is simple and low costs, avoiding investors the trouble of trying to create the types of exposures themselves. "Whereas this is an ongoing portfolio, the managers of the funds in the strategy are monitored carefully, and the allocations adjusted if any are under or outperforming," he says. "This is diversified, it is multi-asset with a 10% allocation to gold through one of the funds, so we combine equities, commodities, fixed income, and of course it is multi geography. You would have to search high and low to find anything similar, that is also so well devised and blended together by a group of experts as this is."

Aside from the 0.25% annual fee the investor is also charged a management fee from within the individual funds and ETFs, which are represented by retail share classes. "Each of the funds curated in this

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strategy has its own management fee of course," Reynolds elucidates. "Out of that management fee the manager pays a trailing commission back to Saxo for hosting and selling their fund for them as is the practice in Singapore and most of Asia. This management fee is reflected in the performance of the fund and is not an additional charge. This compares favourably to private banks and financial advisors who will charge between 1 and 2% for constructing portfolios for their clients."

He adds that this is an off-the-shelf solution, it is not in any way tailored towards discretionary or advisory mandates, as it is determined entirely by the original concept and the ongoing management of the allocations, themselves determined by market vicissitudes. "It is very simple for the buyers," he says, "as what they see is this strategy that is easy to access and on which only 25 basis points annually comes from their pockets."

Keeping pace

Reynolds and his colleagues at Saxo are determined to keep up the momentum of recent years. Later this year, the firm plans to launch a full digital wealth type product that will be tailored to a person's goals and journeys in their life and how they want to provide for their retirement and how they want to set different intermediate goals that they may have, with a portfolio devised in that image. "The next phase for Saxo in Asia is definitely to move forward with the digital wealth portfolio construction," he explains. "This will present clients with a far more personalised and tailored concept. But that would be more of an advisory mandate and would understandably come with somewhat higher but still sensible fees."

Taking control

But for now, the target is to make a success of this latest strategy, which adds another sharp arrow to the Saxo managed portfolios quiver. "We are delighted with the outcome and the market response thus far," he concludes. "In recent years, and especially since the pandemic struck, we have seen more people taking control of their investments, and many are either entering the markets for the first time or reviewing their portfolios and allocation strategies for more diversification and yield. The new portfolio is a great choice for investors with a high-risk tolerance looking for capital growth. And it offers a thematic type diversification towards Asia, whilst remaining global and multi-asset in scope." ■