

Saxo Scales Up by Rolling out its Revolutionary Goals-Based, Next-Gen Digital Wealth Management Solution

SaxoWealthCare, which digital investment platform provider Saxo Markets bills as ‘the next generation of digital wealth management’, launched in Singapore on April 25. Going well beyond existing robo-advisors, SaxoWealthCare prioritises customisation, aiming to deliver investors a pleasant, automated, personalised and goals-based investment plan at a low cost with active investment management. The solution combines state-of-the-art digital technology with ETFs from the vast stables of two big-name global asset managers. In doing so, SaxoWealthCare has been designed to allow investors to determine their investment perspectives, after which Saxo takes care of the rest, from customising the portfolios that will help people meet their goals to adjusting portfolios based on market conditions and changes in people’s lives. Hubbis met with Adam Reynolds, the regional CEO and also with the Sydney-based Manish Prasad, Saxo’s APAC Head of Asset Management, to learn more of the new launch. In Singapore alone, Saxo’s target accessible market is 80% of mass affluent retail investors that are not either day-traders or confident, self-directed investors. And the key competitors Saxo will chase down are, to some extent, the robo-advisors, and more particularly the ‘premier wealth’ arms of the big-brand banks.

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ADAM REYNOLDS
Saxo Markets

Hubbis most recently met with Reynolds earlier this year, when he offered his insights into the December 2021 rollout of Saxo's latest digital investment solutions in the form of new bundled pricing packages for clients in Singapore, a first for Saxo in any of its markets around the world. He also highlighted how shortly before that, Saxo had announced a deal with HSBC by which Saxo's platform is now enhancing the bank's digital investment offerings in Singapore, with the aim of keeping costs under control while boosting their competitiveness.

Those steps, Reynolds told us, were part of the mission to continuously evolve the Saxo offering in the region, and to work both smart and fast to pre-empt competition. He explained that Saxo could thereby stay ahead of the crowd for both its B2B and B2C business models.

Saxo's trump card for mass affluent investors

The new SaxoWealthCare offering is the latest, and also the most important, advance in this

constant stream of new solutions. It is a goals-based, digital wealth management service that Saxo believes delivers considerably more than existing robo-advisors.

"It is quite frankly revolutionary," Reynolds claims, "and I would even say a very major breakthrough in the retail investment space, trumping many other advances in recent decades."

"SaxoWealthCare is built on smart technology and in partnership with leading asset managers, combining technologies to tailor highly relevant portfolios for individuals, and investing their money in a customised mix exposed to stocks and bonds to keep their portfolio on track towards their goals and timescale."

He elaborates on this, adding that the aim is to offer clients a new and highly sophisticated - yet easy to use - tool that puts control back in the hands of these investors. "They can then easily customise their portfolios to achieve their life goals, based on their investment perspective, risk appetite and the impact they want to make through their investments."

Smart planning to boosts the chances of a better future

He says there are many things that impact our happiness, such as having more free time, being able to travel, retiring early, or securing a better future for our children. "The ethos behind SaxoWealthCare is to help people achieve some or all of those important goals and, very simply, make life easier for themselves," he explains. "Our solution is very accessible, and there is a modest

entry point, as customers can start with just SGD3000 and build from there."

"This goes well beyond the traditional generally under-funded robo-advisories, even those that purport to be more than simply a digitised execution platform," he states. "We are offering something close to a personal wealth management

experience, but delivered digitally, and at a fraction of the cost of traditional wealth management offerings. We believe this offering of personal wealth management delivered digitally will really resonate with savvy Singaporean investors as they look to confidently fund their goals with customised portfolios through a quality partner."

A yawning gap in the market

He explains that from their research, many local investors are looking for some guidance on how likely they are to be able to fund multiple goals in their lifetime, what might be achievable and what is out realistically of reach.

"They are then looking for customised investments, in the shape of professionally managed portfolios that are built to help them maximise their chances of



MANISH PRASAD
Saxo Markets

achieving the goals that are both carefully elaborated and realistic," he says. "These types of investors are currently under-served in Singapore. Existing robo-advisors offer largely quite rudimentary digital solutions with a relatively low degree of customisation, while at the same time these types of investors may be sized or priced out of private banking and professional wealth management services."

Manish Prasad, Saxo's Head of Asset Management APAC, offers his views. "SaxoWealthCare is built on smart technology and in partnership with leading asset managers, combining technologies to tailor highly relevant portfolios for individuals, and investing their money in a customised mix exposed to stocks and bonds to keep their portfolio on track towards their goals and timescale."

Three core growth portfolios

Underlying portfolios, he shares, are built mainly with a combination of stock and bond ETFs, and they come in three trading styles.

The first is called 'Global Growth' and that is for growth investing with an international focus. The Global Growth equity style benefits from analysis of market megatrends and themes, while ensuring you take advantage of opportunities across global markets.

The second is 'Asian Growth', providing an easy way to invest in growing companies around the world, with a higher percentage than usual drawn from Asian markets.

And 'Sustainable Growth' combines growth with sustainable investing, zeroing in on companies that have good potential and the highest sustainability ratings.

Adaptability, agility and optionality

Prasad explains that SaxoWealthCare automatically takes care of the maintenance and balancing of the portfolio, so that customers need only watch their portfolios evolve. "Easy performance monitoring and goal tracking also offer peace of mind as investors keep track of the growth and progress," he says.

He highlights several key features and differentiators. First, it offers a fully digital interface with select human touch if clients need additional support. Secondly, it delivers carefully curated ETFs and expertise from the world-renowned Amundi and Blackrock asset management groups.

And the optional Portfolio Protector is a risk-management feature exclusive to SaxoWealthCare that, in times of market volatility and likely downturns, re-balances out of riskier assets such as stocks and into lower-risk products such as bonds.

Differentiation by design

The Saxo solution differs from other portfolio construction models because the solution uses four different allocation engine models, depending on the kind of client, paying careful attention to both loss aversion and risk aversion, according to Prasad.

"We then have a dynamic asset allocation engine that sits over the top of your aggregate portfolio that will rebalance you between risk on and risk off assets if you show that you are loss averse as opposed to risk averse," he elucidates.

He also provides more insight on the optional Portfolio Protector, which he says is one of the unique selling points. "If the market starts to show some turbulence above the tolerance levels, we'll automatically start to adjust the portfolio, and, of course, vice versa," he reports. "So, in riskier times, you might be more fixed income than equities, and the other way round as markets improve."

Engineering for the aspiring

"It is very much a product for anyone that is not at all remotely affluent, or planning on being affluent in their life, or wants to save money in the longer term," Reynolds elucidates. "The fundamental difference between this product to other products is in the engine that drives the investment process. The engine is the secret sauce if you wish, making it the fifth generation solution. Most robo advisors have a rather cursory risk assessment and tailoring and are more focused on the UX and client acquisition than on outright portfolio customisation and then performance."

He says the Saxo solution not only goes considerably further down the road towards personalisation than existing retail solutions, but it also sidesteps all the issues around banks, wealth managers and IFAs trying to sell high fee products including products with 'performance fees'.

"That is the essential contradiction in the wealth industry, namely that these advisors get uplift in fees for good performance via performance fees, but the investors get all the downside for any poor performance," he observes.

He explains that no robo platforms or other businesses have so far produced a personalised digital wealth manager that looks at all aspects of a client's resources, and all aspects of their goals in life. "But we will, and as I said, version one of SaxoWealthCare is a breakthrough that is such a dramatic step forward for personal finance. It is a move well beyond the prevailing competition."

Unique, active and intuitive

One major highlight is the ability of the engine to automatically switch its asset allocation mindset or model based on the investors needs or changing circumstances or even goals.

"These are not Saxo decisions," Prasad explains, "as they come from how we built the engine to react and personalise in an active way to the investor. And the key is we are helping the retail clients figure out how to first identify the goals, and then what actions they need to take. The engine really makes it quite simple, but then evolves alongside the clients themselves."

He says this is unique in that it is an active, intuitive, straightforward

Saxo Markets – A Snapshot

Saxo Markets is a licensed subsidiary of Saxo Bank, a leading Fin-Tech 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 twenty-five languages from one single margin account. The Saxo Bank Group also powers more than 135 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 80 billion USD 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.

process that results in a customised portfolio that will adjust over time to reflect how near or far the customer is from achieving his or her goals. "The unique element is that you are coming into a solution that derives active and personalised portfolio management over the long term, it is dynamic, in that there is ongoing adjustment of allocations, there is risk rebalancing, and you can also have the protection engine," he reports.

"Competitors aplenty offer some two-way dialogue into client goals, but none of them actually properly take into account those goals when building the portfolios, and none of them actually build a personal portfolio, a customised portfolio for your goals," Prasad says. "We will and that is why we consider SaxoWealthCare to be revolutionary. We go through

and establish their goals, their timeline, their accumulation, decumulation, their overall glide path," he reports. "The result is we can then through various steps to actively take those goals and profiles and build a customised portfolio for the client."

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Are you risk-averse or loss averse?

Many people are risk averse, he notes, but many are also highly loss averse, in other words they will cut and run if they are faced with sharply falling prices. He says that the Portfolio Protector mechanism leverages CPPI [Constant Proportion Portfolio Insurance], which helps Saxo provide a loss reduction tool that is ideal for these loss-averse investors.

"Clients can add this feature on top of their portfolio and end up with what is essentially a more 'active' asset management solution," he elucidates. "There is no additional cost, and it can be turned on or off at any time, there is no lock-up involved."

Reynolds adds that the protection element is valuable for customers who own up to loss aversion at the early stages of their goals setting and risk assessments. "If someone is loss averse, they should take the Portfolio Protector, which essentially gradates risk reduction and risk uptake during times of turbulence or recovery," he says. "For those who do not have such

pronounced loss aversion, who are perhaps more confident traders and market players, it is really not needed. But certainly for a good number of our clients, it is an appealing feature and one that we think will prove particularly important for them."

Mitigating investor anxiety

Prasad adds that in sharp drawdowns and then sharp snapbacks in market, the Portfolio Protector will slightly underperform just being fully exposed but in most situations the portfolio will perform better as there is less of a drawdown to make up for.

"What we're trying to limit the potential for an investor to worry so much that he or she throws their hands up, panics and sells out, so they then realise losses and cannot make the money back," he comments. "If we can limit some of that risk on the downside, the portfolio doesn't have to work as hard on the upside to try and recapture that."

A large market to attack, low cost for customers

Reynolds says their research in Singapore shows that about 4% of the market there are active traders, then another roughly 16% are confident self-directed investors, leaving some 80% of people who use banks, wealth



managers, robo advisors, insurers and IFAs to help them build some sort of portfolio.

“That 80% is our addressable market, so we have shifted our model from focusing on the traders when we first set up some years back to a much broader offering, a much broader set of clients that we can enrich, and where we can deliver the scalability of our platform,” he explains. “Our platform is immensely scalable, and we can achieve that dramatically greater scale at a relatively low incremental cost.”

The fee range for SaxoWealthCare ranges from 45 to 75 basis points. “Everything is invested in ETFs,” he reiterates. “There are no active funds, no hidden or trailing commissions, it is simply different ETFs that make up your portfolio with an expense ratio of somewhere in the 20 to 40 basis point range built in. This is on top of that our fee is 75 basis points down to 45 basis points depending on the AUM of the client,” he states.

Plenty of choice

To build the portfolios, Saxo works with Amundi and BlackRock, which on the surface might not appear to be particularly open architecture. Prasad addresses this by noting that their mission was not to build open an investment megamall but offer solutions that address clients’ needs. Instead, Blackrock and Amundi provide the ingredients

from which client portfolios are constructed. Saxo calls portfolio building blocks.

“That is how we ended up with our three underlying growth portfolios built from the stable of Amundi and Blackrock equity and bond ETFs, and expressing those three trading styles, global, Asian and sustainable growth,” he explains. “The reason we chose those two providers is because they’re both very high quality, and we have mandated them to provide us with certain outcomes, and we’ll then manage them to those bespoke outcomes, based on the client goals, timelines and risk appetites.”

Saxo has set clear mandates with the partners to provide Saxo with active management at the building block level, while Saxo provides active management at the portfolio construction and monitoring level with an additional layer for activity when Portfolio Protector is implemented. These mandates include active asset management of underlying ETFs for two portfolios and a passive asset management mandate with an active view of ESG and sustainability for the Sustainable Growth portfolio. At this stage there are no managed funds (active or passive in the portfolios).

Mission possible

Reynolds says: “Working with Amundi and BlackRock lets us deliver that exact matching of client assets and liabilities within

the lifetime of the client plans, it is as simple as that.”

“Moreover,” Prasad adds, “there is no requirement for BlackRock or Amundi to only use their own instruments. They might have a preference for doing so, and there are efficiency and cost factors at work, but in terms of executing those mandates, they’re not using all their own instruments, there is therefore diversity, and a level of open architecture underneath there.”

Digital scale and the human touch

Prasad also addresses the issue of human support for the digital-first model. “We offer a human support service alongside the offering,” he reports. “Saxo has the size and capability to be able to deliver a team of people both here in Singapore and around the world that can be contacted or will proactively contact you as a customer and either help you through the onboarding process, or help you through a particular aspect, they can work with you to get the best out of the SaxoWealthCare experience or any of our Saxo products.”

And Prasad adds that it is already a proven solution, with around EUR1 billion of AUM onboarded in the Netherlands and Belgium through some thirty thousand plus customers. “We have a proven platform in operation over there that we can replicate here and build even further and faster,” he says. ■

