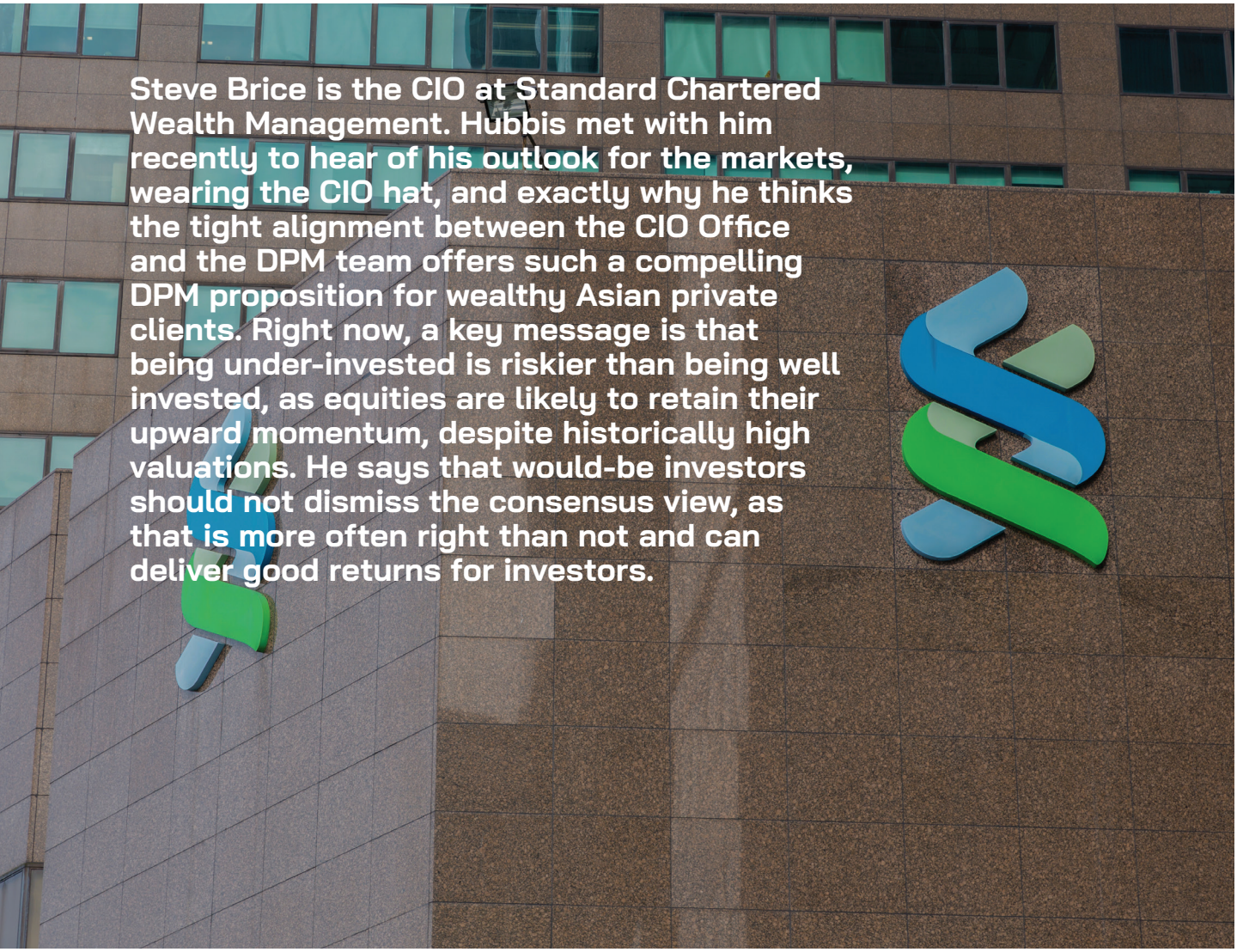
Standard Chartered Private Bank CIO on Opportunity and Opportunity Loss



Steve Brice is the CIO at Standard Chartered Wealth Management. Hubbis met with him recently to hear of his outlook for the markets, wearing the CIO hat, and exactly why he thinks the tight alignment between the CIO Office and the DPM team offers such a compelling DPM proposition for wealthy Asian private clients. Right now, a key message is that being under-invested is riskier than being well invested, as equities are likely to retain their upward momentum, despite historically high valuations. He says that would-be investors should not dismiss the consensus view, as that is more often right than not and can deliver good returns for investors.

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"As we try to predict the direction of markets, we take a wide-angle perspective on all sorts of events taking place," Brice begins. "We seek a huge diversity of input and viewpoints from many different sources, whether investment banks, asset managers, independent research houses, central banks, multilateral organisations, academia and so forth."

That all results in a big picture view that allows Brice and his colleagues to communicate a professional viewpoint that helps clients get over some of their own biases. "Clients often have their own fears and beliefs that can often get in the way of financial success, so we try to paint as total and objective a scenario as possible," he reports.

Beware of what you don't know

He says this is predicated on his own view that it is what you don't know that can be your Achilles heel. "It is very easy to be really blinkered, especially as we all have cognitive biases that that can exacerbate blind spots, and it is vital to spot issues coming before too late, so our process is to get as much on the radar as possible, and as early as we can."

Brice's role as head of the CIO office for wealth management and the private bank means that he and the team are targeting the upper segments of affluent investors, from UHNWIs through HNWIs, but they also cover mass affluent clients. "Across all these categories, we always try to differentiate ourselves by offering holistic portfolio advice to clients rather than pushing product, and our DPM and advisory offerings are central to that position," he reports.

Staying on the horse

He says that these days, just being invested in the markets seems to be 90% of the trick for many clients, but that for investors sitting on cash or eyeing more investment, there is some considerable anxiety amongst investors that they might be buying into high valuations.

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However, addressing these concerns head-on, Brice reports that their current CIO viewpoint is that many investors are still somewhat underweight equities. "We recognise the valid concerns over high prices in the markets," he says, "and these days frankly, it is a harder conversation to encourage clients to take greater exposure, but we still believe that the next 6 to 12 months will be a positive environment for equities, generally speaking.

Volatility amidst rising prices

He elaborates on this viewpoint, commenting that the rationale in his view is that the Fed is probably going to taper, but that monetary policy is still going to remain very loose, and therefore it is unlikely to choke off the economic recovery.

"Yes, we can see some volatility on the road ahead, but ultimately, we think equities will be higher in 12 months than they are today," he says. "And we are generally encouraged by developments on the pandemic, although clearly vaccinations need to be rolled out in a much more widespread fashion, so the recovery is more balanced, not just confined to the US and Europe."

Digital dissemination

As to the delivery of the CIO viewpoints, he explains that digitalisation facilitates a very widespread distribution through different channels. "We are, as you know, very well advanced in some areas of digitisation and are sharing trading ideas and markets updates direct to clients and have our own podcast channel, LinkedIn page, and plenty of other avenues. These might not necessarily be revolutionary or even far ahead of the pack, but they are certainly well presented and well frequented."

Moreover, he adds that the bank had already rolled out its personalised investment ideas platform to four key markets – Hong Kong, Taiwan, Singapore and China. "We rolled that out starting in Singapore in 2019, and now we have that in four jurisdictions, and the results are very encouraging," he reports. "This is a great platform, and we will soon make this direct to clients in HK. Overall, we are well advanced in that regard, but still not where we want to be."

The team is also concentrating on empowering the RMs to have a consistent way of looking at portfolio construction and guiding their conversations with clients based on the

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client's actual position, the bank's view of how to assemble portfolios, and also the CIO view of markets.

ESG – a glass half full

Few interviews nowadays bypass a discussion about sustainability, and while there are sceptics around who believe this is all more about following the crowd than following investment returns, Brice remarks that the data is now increasingly compelling that ESG does at least enhance risk management, due to its focus on governance, even if the jury on the value creation argument is still out.

"Companies that are sophisticated enough and caring enough to prioritise ESG factors probably have a good handle on most areas of their business and therefore the risks; that is the way we look at it," he comments. "Accordingly, for the past year or more, we have been overlaying our analysis on stocks with ESG factors with the aim of seeing if it genuinely adds to alpha generation."

And the answer right now is that while there is a lot of euphoria over ESG, he and colleagues still need to see, over time, whether it can

Getting Personal with Steve Brice

Brice hails from Rugby in England and for most of his years through to university lived in a small village near Stratford-upon-Avon. He studied Economics and Finance at Newcastle and then completed his Master's in Liverpool in Macro Economics.

Based in Singapore, Brice has over 25 years' financial markets experience in senior positions. His previous roles for Standard Chartered include Head of Global Markets (Southern Africa), Head of Research (Middle East and South Asia) and Chief Economist (SE Asia).

"It has been an interesting and diverse career with the bank," he comments. "Some highlights include setting up the Middle East research team, which during a period of rising oil prices garnered some significant interest. I would say we are definitively the market leader in Middle East research, particularly GCC research. I then ran Global Markets for South Africa, Zambia, Zimbabwe and Botswana, which was both different and challenging. Trying to manage the bank's balance sheets in Zimbabwe during a period of hyperinflation was rather interesting!"

He also has fond memories of one of his very first jobs; while at university, during holidays he worked for the National Bee Unit in a village near where he grew up. "I learned a lot about bees, bee diseases and how not to get stung!" he quips.

He is married with two sons of 16 and 15, both of who study at an international school in Singapore. He enjoys watching sports, especially rugby and cricket, and also his favourite football team, Liverpool. He has taken up golf again more recently, but does not have as much time as he would like to play regularly. "The boys play football and I love watching them as well, but we have not had so many team games recently during the pandemic, sadly," he reports.

He says that lockdown has been both tough in some respects and positive in others. "In Singapore, the rules for a while were that you can only eat as two, so my wife and I take turns with each of the boys, and it is interesting what conversations evolve," he says. "We find we get much more from one-on-one conversation than you do when there's four of you. Well, we will keep that up in the future as well, even though the boys' vaccinations are now completed, and we are actually allowed to eat out as a four."

Key priorities

Brice reports that his first priority is to dramatically expand the education profile that the team provides clients across their markets. "We have made good progress in this regard, but further leveraging digital to deliver that to our clients is probably our number one objective going forward," he reports. "That means leveraging different platforms for internal and external consumption. We want to build knowledge amongst our client base, and also amongst people that aren't our clients yet."

Secondly, and wearing his CIO hat, he wants to continue to deliver good strategies and good returns. "Our alpha as of the end of June was 1.6% on our tactical asset allocation model; that is the best six months we've had so far since I've been in the CIO office," he reports. "We are keen to try and do something similar in the coming 12 months, although we acknowledge that's going to be much harder."

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truly add value in a (excuse the pun) sustainable manner. "It is at least pretty clear right now that it doesn't destroy value and can help from a risk management perspective, so those are solid positives," he comments.

Brice concludes the discussion by reporting that there are two core issues the team continually strives to address with clients.

Overcoming biases, taking action

"First, they need to overcome falsehoods," he says, "and by this, I mean things that they think are true but actually are not. So many people think if you're in line with consensus, you can't make money, but actually, that's where you generally make the most money. Equities outperform two-thirds of the time, so the consensus should be that equities will outperform in the coming 12 months, and therefore you should usually invest in line with the consensus position."

He adds that when the majority are thinking a certain way, that does not mean their outlook is wrong. "The risk of not taking the consensus view is that people are more likely to overweight negative news in

their thought processes and either remain under-invested and miss out on opportunities. Accordingly, our mission is to help them overcome that inaction from those negative biases."

His second mission is to help clients of all types overcome the complexity of the world but not make it too simple that they feel as if they cannot respond to that complexity. "What I mean here is that people often think they can keep deferring decisions, but they cannot, or if they do, they risk losing out entirely on opportunity."

In short, and referring back to his earlier comment on the importance of being invested, inaction has proven for many, many years to be a poor choice across pretty much all asset classes.

Playing the odds

He closes the discussion by reiterating the value of taking the most holistic perspective on the world of finance and the world around us and then taking a more professional style approach to portfolio formation and allocation. "As I have indicated, we believe the equity markets will remain positive for at least the year ahead, so taking the consensus approach and getting into the markets is most likely to produce the right returns and avoid opportunity loss," he concludes. ■