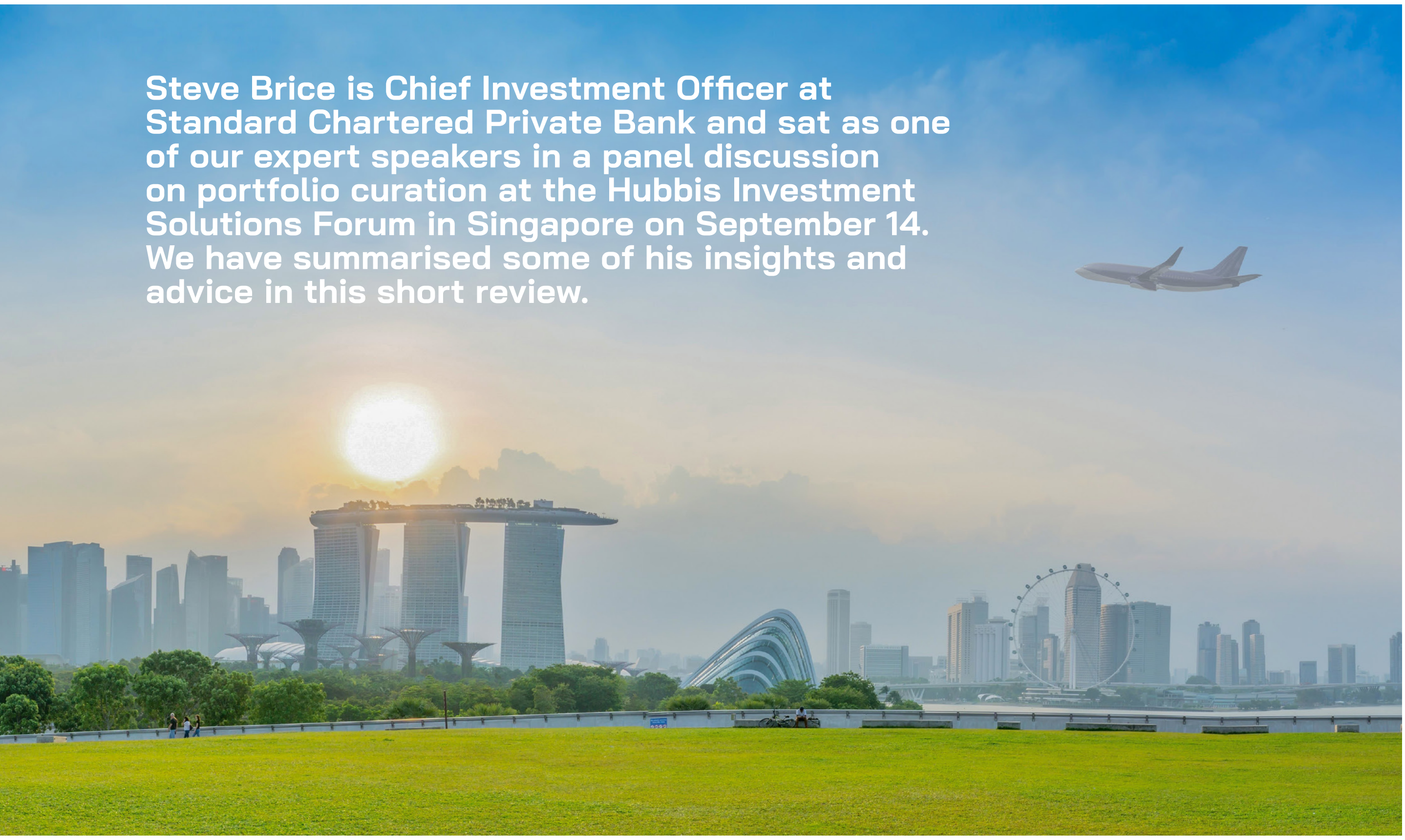
Link to Article on website

Standard Chartered Private Bank's CIO on the Need for Caution and Careful Allocation whilst Staying Invested

Steve Brice is Chief Investment Officer at Standard Chartered Private Bank and sat as one of our expert speakers in a panel discussion on portfolio curation at the Hubbis Investment Solutions Forum in Singapore on September 14. We have summarised some of his insights and advice in this short review.



GET IN TOUCH

[View this Panel Discussion On Demand]
[View Steve Brice's LinkedIn Profile]
[Find out more about Standard Chartered Private Bank]

Steve Brice
Standard Chartered Private Bank

Brice opened is commentary by telling delegates that they had been de-risking during 2022, for example reducing their 2021 overweight in technology and shifting to overweight financials and energy, as well as broadly reducing equity exposures during 2022, and reducing credit exposures whilst focusing on tighter duration management.

"But the reality is that we also acknowledge that this is incredibly difficult even for financial professionals," he conceded. "However, what I think is the wrong approach is to be uninvested, which is like throwing out the baby with the bathwater, and one of the worst things to do. So, for us, we focus on being invested and tilts around the core strategic asset allocation."

Brice stepped back from the portfolio formation to observe the bigger economic picture, noting that his quant models predicts an 85% probability of a US recession in the next 12 months, the highest it has ever been.

"The Fed is basically trying to restore credibility at the cost of a recession," he said. "Now, they won't tell us that, however. Accordingly, I try to focus on markets that have more bad news priced in. And actually, the UK, my home market, offers what we think is the best value around in developed markets. The UK is incredibly cheap and focused heavily on sectors that are much more protected, such as financials, materials, energy and also offers a relatively high dividend yield and low forward price to earnings, which is below 9."

He concluded that the UK seems to be exaggeratedly priced for the worst-case scenario. "But we really do not see Armageddon ahead, hence we are overweight there," he reported.

Brice turned his gaze to ETFs, noting that while they use them increasingly in discretionary mandates, the more those ETFs are included in DPM solutions, the more clients question why they are paying DPM advisory fees. He said that actually, they have to convey to the clients that they use ETFs only where they firmly believe that the post fee return will be higher to the client, and only use active funds headed by particular fund manager they believe can really outperform.

"However, what I think is the wrong approach is to be uninvested, which is like throwing out the baby with the bathwater, and one of the worst things to do. So, for us, we focus on being invested and tilts around the core strategic asset allocation."

He explained that the bank has risk-based mandates, and income mandates, and that it is always tougher to involve ETFs as significantly in the income portfolios, where active management is more appropriate to build the right exposures. However, he noted that in the risk-based portfolios, ETFs would normally be around 50 per cent to 65 per cent of the holdings, and it is there that it is more challenging to justify DPM fees to private clients.

As the panel agreed, there remains great uncertainty about the persistence, or not, or rampant inflation and grave concerns about the likely course of the Federal Reserve and other leading central banks, and fears over how deep and long a coming recession will be. Add to all that worries over Russia and instabilities in North Korea and Iran, amongst others, and investors are very rightly nervous. Brice clearly believes that remaining invested is the right approach, but advises adapting portfolios to reflect the shift from growth to value, and finding the right allocations to express that necessary caution and conservatism. ■

"Brice clearly believes that remaining invested is the right approach, but advises adapting portfolios to reflect the shift from growth to value, and finding the right allocations to express that necessary caution and conservatism."

A short note on Steve Brice

Steve Brice is Standard Chartered Private Bank's Chief Investment Officer and has over 25 years of financial markets experience in senior positions. He leads a team of more than 20 investment professionals and chairs the Bank's Global Investment Committee, which is responsible for forming the cross-asset investment views for the Private Bank and Retail segments.

His previous roles include Chief Economist (SE Asia), Head of Research (Middle East and South Asia) and Head of Global Markets (Southern Africa), all with Standard Chartered Bank. He started his career at I.D.E.A. Ltd, a financial consultancy in London, where he was Regional Head of FX (Europe) before joining SCB.

He has a Masters from the University of Liverpool. Steve's views are widely sought by both clients and the media. He regularly contributes articles to newspapers and magazines and frequently appears on TV and radio stations such as CNBC, Bloomberg, Channel News Asia and Dubai Eye.

Steve is based in Singapore and, pre-pandemic, travelled frequently around Asia, Africa, Europe and the Middle East to share his views with both clients and the media. He is again enjoying business and leisure travel in the region and further afield.

Steve is originally from the UK, but has lived in Asia, Africa and the Middle East for the past 24 years. He is an ardent sports fan focusing on cricket, rugby and Liverpool FC.