

Survival of the fittest - how to thrive as an independent

Independent wealth management firms in Asia need to take a close look at their business models and value proposition to ensure they are positioned in a way which will make them sustainable and profitable going forward.

As the independent wealth management industry in Asia grows and new firms join this promising segment, it is becoming more and more important for all players to refine their value propositions.

This is the same for the industry as a whole, but individual organisations must identify which clients they want to target and what they want to offer them`.

Some of the more established independent asset managers (IAMs) and multi-family offices (MFOs) believe that the best approach is to stick to what they do well.

Not being everything to everyone is a simple philosophy, but most likely an effective one.

As a result, synching clients' needs with a firm's ability to service these needs is critical – yet lacking in too many cases.

These were among some of the take-aways from a discussion involving several key practitioners at Hubbis' 5th annual event in Singapore for Asia's independent wealth management community.

CLARITY IN PROPOSITION AND PERCEPTION

It is important for IAMs and MFOs to focus on what they do best, believe industry practitioners.

Given that conflicts of interest are prevalent in the various verticals in the financial world – highlighted by the frequent regulatory fines – an entrepreneur therefore sees an opportunity in all verticals, from asset management to investment advice to corporate finance and so on.

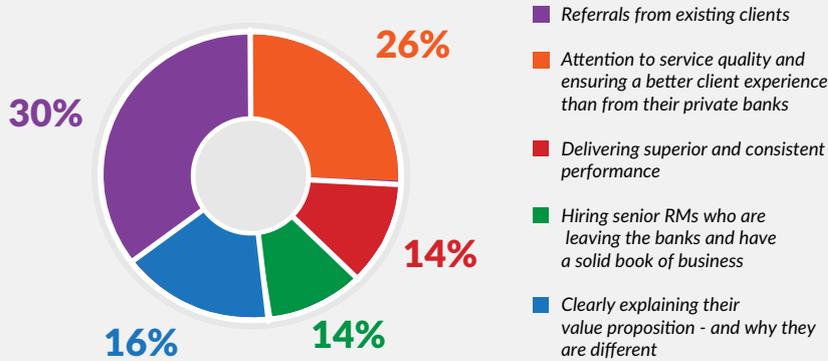
Panel speakers

- **Mandeep Nalwa**, Founder, Chief Executive Officer, Taurus Wealth Advisors
- **Yai Sukonthabund**, Chief Executive Officer, Crossbridge Capital
- **Sanjay Guglani**, Managing Director, Silverdale Capital
- **Steve Davies**, Chief Executive Officer, Javelin Wealth Management
- **Rolf Haudenschild**, Co-Founder, Head of Compliance and Internal Audit Services, Ingenia Consultants
- **Tobias Bland**, Chief Executive Officer, Enhanced Investment Products



Mandeep Nalwa
Taurus Wealth Advisors

WHAT IS THE BEST WAY FOR AN IAM / MFO TO GROW THEIR CLIENT BASE - INCLUDING SHARE OF WALLET FROM EXISTING CLIENTS?



Source: Hubbis Independent Wealth Management Forum 2017, Singapore

But no firm, given the typical capital limitations, can do a great job in each field. As a result, IAMs and MFOs need to be cognisant of the importance of limiting their business to what they are good at.

At the same time, independents need to ensure they position themselves in a way that makes it clear about which services they provide.

For example, when it comes to investment advice, are they fund managers or asset allocators?

It is not uncommon for many clients to see IAMs and MFOs more as fund managers. However, some practitioners say that the role of the independent industry is to allocate the asset to the best in the investment space.

As a result, this gap in expectation and ability needs to be bridged.

Either way, client focus needs to be core to the value proposition of any IAM and MFO. Some firms do this well already. In the last few months, for example, several firms have started to explore private equity and have set up their own funds.

This highlights the need to be able to offer bespoke solutions. When a firm can do this, it is by its nature acting in the best interests of clients since by definition



Rolf Haudenschild
Ingenia Consultants

the client has 100% transparency over what they have bought, from whom, and how much it costs.

This ability to focus on their clients with only their core competencies requires independents to make the best use of their resources.

In line with this, practitioners say they need to consider what they can outsource in terms of resources for more challenging tasks. Such support will often be in the form of efficient IT solutions, compliance, investments, accounting and HR.



Sanjay Guglani
Silverdale Capital

Client focus needs to be core to the value proposition of any IAM and MFO

CREATING A FRANCHISE

One of the ways that some leaders of IAMs and MFOs suggest they need to evolve and develop their businesses is by scaling up.

These practitioners say that although the industry is developing, it still covers a small set of assets – and an even smaller set of clients – given the focus mainly on UHNW clients.

However, to build a franchise requires a quality offering, marketed by experienced financial professionals.

By sticking to core capabilities, the former can be created, but the challenge comes in replicating it through a large team.

Further, survival in a tough independent world also means being prepared to cut team members at a relatively early stage if they don't look like they will be successful transitioning into this type of role.

A strong commitment to compliance is another key component of a robust independent business.



Steve Davies
Javelin Wealth Management

This is essential since many consumers of an IAM or MFO service are unsure of what to expect in terms of the extent of their compliance, given the lack of brand equity of an individual firm.

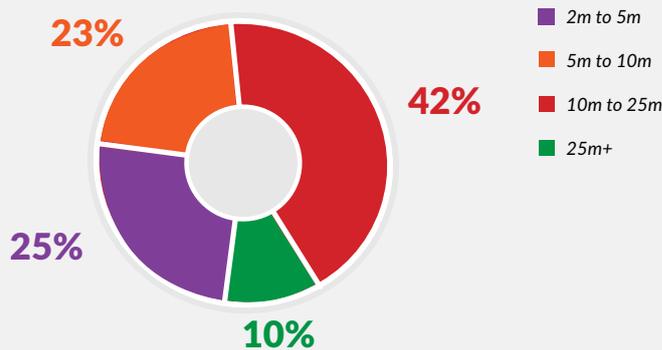
This is another gap which must be plugged, according to practitioners. A client needs to be made aware, for example, that individual bankers who venture away from the 'safety' of the private banking world are not looking to make 'a quick buck'. Instead, compliance is front-and-centre of what independents do.

This ties in to the need for IAMs and MFOs to stick to their individual value proposition.



Tobias Bland
Enhanced Investment Products

WHICH SEGMENT OF CLIENTS CAN DERIVE MOST VALUE FROM AN EAM / MFO?



Source: Hubbis Independent Wealth Management Forum 2017, Singapore

This is because smaller firms tend to find it more difficult to fine-tune their offering. For instance, they might be keen to pick up new clients who are willing to give the firm a try. Yet this is dangerous – it makes it more likely the firm will end up with an unhappy client and a poor market reputation for failing to deliver.

Even more important, IAMs and MFOs looking to acquire clients must be very focused on how to handle these clients appropriately from both an AML perspective as well as a licensing one.

Some IAMs and MFOs have also taken the decision to develop more of a significant digital offering as a sign of their intent to evolve and enhance their value proposition. ■



Yai Sukonthabhund
Crossbridge Capital