Syfe's Head of Investment Advisory on Aligning a Digital-First Platform with Personalised Advice and Human Delivery

Monetary Authority of Singapore-licensed digital wealth manager Syfe has thus far raised the equivalent of around USD52 million since its creation and launch in 2019, and already has a team of 190 people spread across Singapore, Hong Kong and India. Syfe's stated mission is to help people invest better and make smarter financial decisions. Creating personalised, professionally managed portfolios takes only a few minutes with Syfe's mobile and web applications. And if they need some guidance, clients are able to access Syfe's human wealth experts for help, and thereby experience an intuitive investing journey that is low cost and hassle-free, with no minimum investment amounts and a very low annual fee. To understand how a rapidly growing digital-first investment platform is managing to align its digital offering with the human elements of investment advisory that have so long dominated the world of wealth management, Hubbis recently met up with Ritesh Ganeriwal, Syfe's Head of Investment Advisory. His enthusiasm for Syfe and the firm's mission were very evident throughout the discussion and, armed with some USD52 million in Series A and B funding to date, it would appear that Syfe is well on track to achieve its goals.

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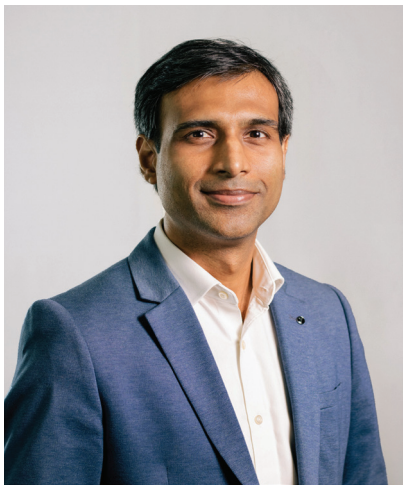

RITESH GANERIWAL
Syfe

Syfe is a MAS-licensed digital wealth manager that aims to help people invest better and make smarter financial decisions. Grounded in the expertise they have assembled in their financial research team, Syfe aims to offers investment strategies for the most important customer goals in life, from purchasing their first home to educating their children, and retiring comfortably.

Creating personalised, professionally managed portfolios is remarkably fast, taking just minutes through their mobile and online applications, Syfe reports. It is low cost – annual fees of between 0.35% and 0.65% - and the experience is designed to be highly efficient and effective, as well as reasonably pleasant for the clients. The platform has been launching new offerings regularly since it began operations in 2019.

First Singapore, next Hong Kong and Asia

The mission of the firm is to spread its word across Asia, from its base in Singapore. The concept is to bring institutional level products and portfolios within people's reach, affordably, so someone with perhaps just USD10,000 to invest or maybe someone with USD10 million can gain access to the same institutional-level portfolios.

Syfe is headquartered in Singapore and has plans to expand from there into Southeast Asia. The firm has also launched in Hong Kong. Syfe reports that the firm's AUM grew robustly in 2020 and then dramatically in 2021.

Differentiation at the core

As to differentiation from competitors, the CEO and founder Dhruv Arora told Hubbis in a late 2021 interview that there are three core attributes they emphasise. Firstly, the experience should be effortless with Syfe's proprietary technology building the portfolios and also automatic rebalancing, while the fees should be entirely transparent. Secondly, there is what Arora calls 'optimisation', as Syfe facilitates fractional allocations, allowing investors to invest any exact amounts they want, including easy reinvestment of dividends, and so forth.

And thirdly, he said they are genuinely offering personalisation, and that shines through with, for example, Syfe Select Custom, a unique ETF builder launched in 2021. With this offering, Syfe cherry picked more than 100 best-in-class ETFs across the world, giving clients the opportunity to pick and choose and build their own ETF portfolio in a very seamless way. And they can invest amounts ranging anywhere from USD100, or USD10,000, all the way to USD1 million or more.

Guiding the clients

Another key element of the Syfe differentiation is the human advisor accessibility. "We strive to have technology at the heart of the business yet also to ensure a human touch," Ritesh explains.

"The mission from the outset has been to promote Syfe's quantitative approach to investing, but back it up with human advice and support where required. So, even though we are a digital first platform, we have a dedicated advisory team. What this brings to the table is a lot of trust and credibility, so that any clients who are not so confident in starting their investment journey can be helped to navigate and act."

When the markets are volatile, many retail clients panic at the first moment, so Ritesh explains that the advisors also help manage clients' emotions and biases. "Our focus on client-centric goal-based advice helps clients take charge of their finances and invest with confidence. Knowing that the advisors have no incentives to push products and are aligned to client's best interests also reassures them

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The key differentiator for Syfe is the delivery of advice at scale. Currently, Syfe's advisors are able to deliver market insights and portfolio updates via short format videos embedded within the Syfe wealth app and are highly appreciated by clients. In the near future, Syfe's advisory process is set to evolve into a more context driven hyper-personalised format delivering advice digitally within Syfe's app where investing 'moments of truth' can be converted to 'engagement triggers' to better support clients throughout their investment journey.

Forging the investment strategy

Ritesh is also on the Syfe investment committee, which combines more than 100 years of investment experience from the world's leading financial institutions. The investment team consists of PhDs, academics and quant analysts who handle the portfolio construction, risk management and trading aspects. "For our Core portfolios, Syfe believes in a passive, long term investment strategy. We focus on minimising costs and adopting an approach which aligns with our clients' goals and risk appetite to deliver long term return. Our investment approach builds on decades of research, expertise and experience, leading to strategies that can withstand the test of time."

"The committee opines on how we evolve our strategy, on new products, taking a holistic view and incorporating feedback from the clients as to what their needs and expectations might be. The Syfe Cash+ product, or the Syfe Select (Themes and Custom) offering are both examples of new products tailored to the clientele."

Key Priorities

Ritesh reports that a key priority for him is to keep evolving the Syfe thinking around the different market factors that they incorporate within their core portfolios. Syfe's portfolios are optimised using smart beta factors such as value and growth, minimising volatility and emerging markets exposure to achieve better risk-adjusted returns for their clients.

"This is where we apply active research that is ongoing constantly," Ritesh reports. "For example, we incorporated emerging markets as a factor into our methodology in 2021, and as part of that, the allocation to China was slightly higher in our portfolios compared to the benchmarks or traditional indexes. It is important to note that China is underrepresented in most global indices even though it contributes more than 18% of the World's GDP in PPP terms. Our portfolios have between 3% and 15% exposure to China depending on the client's risk appetite. And while China did not do that well last year, our portfolios were not that majorly impacted. We still believe that the long-term secular growth nature of China will persist, and higher exposures should translate to incremental returns."

Another of his priorities is to include new factors that have been discovered. "We do not blindly adopt each of these factors, but factors such as earnings quality, or momentum have also been proven to generate that additional return without taking additional risk, so we think about these concepts all the time," he elucidates.

Diversification, low cost and long-term

The three core principles underpinning Syfe's investment approach is diversification, cost-effectiveness, and to build wealth for the long-term. "Our core portfolios are globally diversified across asset classes, sectors, and geographies. Diversification reduces risk while enhancing potential returns," he reports. "We strive to minimise cost and index strategies are the main platform for that, as fees are low and there are no retrocessions hidden away."

Behind the scenes of portfolio construction

Syfe does not aim to outperform the market the way active managers do, he says, but instead aims to maximise risk-adjusted returns of its portfolios over time. Syfe's investment process uses the foundations of modern portfolio theory to create a collection of core portfolios that generate maximum return at each level of target risk. These portfolios are further optimised by incorporating smart beta factors that enhances long term returns, reduces volatility, and improves diversification. Current factors include value and growth, minimising volatility and

Expense ratio comparison

Actively managed mutual funds	1% - 2%
Syfe Core Portfolios	0.16% - 0.24%
Annual Fee Savings	0.76% - 1.84%

*Excludes Syfe platform fees

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emerging market exposure. "We want to differentiate ourselves, and rather than saying that we will outperform the market, we focus on constructing broadly diversified portfolios enhanced with systematic factor investing. This helps us achieve better risk-adjusted performance and keep in tandem with how modern portfolio construction and theory evolves over time."

Passive strategies, active ETF selection

Ritesh says no matter what research is applied to funds and fund managers, the active strategies underperform their respective benchmarks. High fees eat into any excess returns the active fund manager is able to produce, which is why more than 95% of large-cap active funds have underperformed their respective benchmarks over the past 20 years.

"We use ETFs primarily because they are the most efficient and cost effective way to invest passively in global markets. We then tailor portfolios to risk profiles and time horizons of the clients," he explains. "We construct portfolios that are diversified across tradable equity, bond, gold, or commodities, that will do the job in terms of giving you that risk return trade-off, which is optimised."

Unbiased and objective

He adds that Syfe strives to be unbiased. "We are not promoting any particular ETF names or managers, perhaps like private banks might do. Our investment team selects ETFs that are highly liquid, have low expense ratios and low tracking errors to their respective indices. These ETFs are then used as building blocks when we construct our portfolios and define the strategic asset allocation," he reports. "We adopt an institutional decision-making framework and personalise portfolios for different levels of risk, applying the latest financial strategies to deliver the most optimised solution for the clients, and to do so systematically in a consistent manner and generate long-term returns."

Targeting the mass affluent

The target profile of that clientele is the mass affluent market, typically someone who is in their mid-30s, with a good income, potentially planning a family or already with a young family. They have their lives ahead and want to work to manage their families' futures and their own investments and retirement. "But we span all generations, with clients ranging from just 18 to in their 80s and even one in their 90s," Ritesh reports. "We also have a growing pool of HNW investors and family offices coming to us for their investment needs. The value of being able to access institutional-grade investment solutions at a fraction of the cost of traditional platforms is compelling to them."

He adds that all custody and transacting is through well-recognised banks and that Syfe is regulated by the Monetary Authority of Singapore and holds a CMS licence. "There are stringent requirements that we adhere to strictly," he reports.

Growing the B2B2C pie

While Syfe is predominantly a B2C platform, it has made headway in partnering with multifamily offices and institutional clients. "There is a strong appreciation for the quality of our offering, especially for our core strategies among B2B players" Ritesh says. Syfe is currently also expanding its efforts into the B2B2C area by offering a white-label solution where they see growing interests among potential partners. "It's getting exciting, and we see huge potential in the space," he added.

The Hong Kong springboard

His closing comment is that the next major step ahead for Syfe is to launch the Hong Kong offering. "We have successfully launched in Hong Kong," he reports, "and like the launch of our trading platform in Singapore in January, this launch is a major step forward. Hong Kong has some great demographics for us, and our model is highly portable to that market. It is a very important market from which to build that North Asia exposure overall, and a major step forward for us as we accelerate our mission to build the next generation of financial solutions for people across Asia." ■

Getting Personal with Ritesh Ganeriwal

Ritesh comes originally from Rajasthan in India, an extremely arid region which he explains has a strong history of culture and heritage for the country.

"Back in the days, there were not many opportunities in my hometown, and my parents were in the business world and moved to Calcutta, which is Kolkata today," he explains. "My father was a trader and could send me to study at BITS Pilani, one of the top engineering colleges in India, where I completed my degree in Computer Science and then joined Morgan Stanley in their technology team working in their risk management division."

He enjoyed that time and gradually took on a deeper role within the risk management operation, spending some time furthering his understanding in New York and learning a lot more about hedge funds and other sophisticated asset managers and their risk management strategies.

He later completed his MBA at Chicago Booth in 2015, and then saw an opportunity to move back to Asia, heading to Singapore to join the Goldman Sachs private wealth division.

"Goldman's model was to combine the roles of RM and investment counsellor, so that really helped me gain that advisory experience as well as acting as a portfolio manager for the client," he explains. "Then it was a natural step to move to Syfe, where I can bring my experience to bear, combining technology, risk management, advisory, portfolio allocation and so forth. And here, I am more at the democratisation end of the wealth spectrum, rather than dealing with the incredibly wealthy and helping make them even richer."

Ritesh's wife also attended Chicago Booth for her MBA and she now works in the VC industry in Singapore, investing in alternative protein companies. They have a daughter aged three.

Spare time might see Ritesh on the tennis courts, a great way to de-stress and keep fit, he says. "Building Syfe can be daunting and pressured at times, so the intensity of tennis is an ideal distraction," he adds.

Luckily, he says, a major positive to emerge from the pandemic has been the rapid adoption of digital business models. "What was going to happen for us over a number of years suddenly happened dramatically quicker," he reports. "In 2019, the first live seminar we held had about 10 people coming along, and then half of them for the rather good food we laid on! But today is a different world and we have completed two rounds of funding, and the scepticism around digital platforms is a forgotten story. The result is that customers of all wealth categories are onboarding with us, and we are enjoying real momentum."